

Kao's approach

We have formulated the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights, and are implementing measures aimed at fostering respect for human rights in every aspect of our *Yoki-Monozukuri* processes.

Kao's creating value to address social issues

Social issues we are aware of

As the globalization of corporate activities advances and the supply chain expands, human rights risks such as forced labor are increasing. In addition, consideration for human rights is increasingly needed inside workplaces as employees, values and work styles become more diverse.

Kao's creating value

By collaborating with a diverse range of stakeholders to implement various measures that embody respect for human rights and endeavoring to prevent and mitigate human rights risks, we contribute to creating a cooperative society and achieving the Kao Way mission, which is "to strive for the wholehearted satisfaction and enrichment of the lives of people globally."

Risks related to realization of our vision by 2030

Interest in how companies address human rights is rising globally, and not demonstrating adequate consideration for human rights increases a reputational risk.

In our business activities, manufacturing products in environments with poor labor conditions such as

forced labor has the potential to create quality problems. In addition, if trust in us is damaged from human rights risks, it may adversely affect purchasing behavior, lower employee motivation and loyalty, negatively impact productivity and increase employee turnover.

Opportunities relating to realization of our vision by 2030

Respecting human rights and promoting fair purchasing activities invites consumer support for our corporate approach and helps build and maintain trustworthy relations with suppliers. Improved employee loyalty also leads to higher productivity.

Contributions to the SDGs



Policies

In 2015, we formulated and announced the Kao Human Rights Policy, which stipulates that we respect international norms relating to human rights, such as the International Bill of Human Rights, and that we will conduct human rights due diligence and human rights education for employees, working diligently to fulfill our responsibilities in regard to respecting human rights in every aspect of our operations.

The Kao Business Conduct Guidelines (BCG), which regulate conduct to ensure the realization of the Kao Way, clearly stipulate respect for human rights and the prohibition of child labor, human trafficking and all other forms of forced labor. In the supply chain also, our Policies for Procurement stipulate the need for purchasing operations to embody respect for human rights, and to contribute to the fulfillment of our corporate social responsibility. In addition, the Guidelines for Supplier's Assessment include suppliers' fulfillment of their corporate social responsibility as an assessment item, and note that suppliers are required to take measures to prevent forced labor, child labor and other illegal labor practices.

In 2005, we declared our support for the UN Global Compact, which defines ten principles in the four areas of human rights, labor, the environment and anti-corruption. And we also support for CGF's* Forced Labour Resolution and its Priority Industry Principles.

* CGF (The Consumer Goods Forum)

Global network of consumer goods retailers and manufacturers. We are participating as a member company.



→ **Kao Human Rights Policy**
www.kao.com/global/en/sustainability/declaration/humanrights/kao-humanrights/

→ **Kao Business Conduct Guidelines (BCG)**
www.kao.com/global/en/about/policies/compliance/business-conduct-guideline/

→ **Policies for Procurement**
www.kao.com/global/en/sustainability/procurement/policy/

→ **Guidelines for Supplier's Assessment**
www.kao.com/global/en/sustainability/procurement/supplier-guidelines/

Framework

Reflecting the multi-faceted nature of human rights issues, we implement human rights related measures by having the Corporate Strategy Division, the Human Capital Development Division, the ESG Division, the Legal and Compliance Division, the Procurement Division and other divisions play a central role, discussing specific human rights initiatives at regular meetings held four times a year and liaising with relevant departments and Group companies inside and outside Japan. Measures are implemented under the responsibility of the Executive Officer in charge of the ESG Division, and are reported to the Management Committee and the Corporate Committee under it once a year.

Human rights problems potentially impact a wide range of stakeholders. We therefore assess what human rights risks exist for each type of stakeholder, and address them giving priority to those risks that would significantly impact our business activities if they were to manifest.

We designate employees and suppliers as our highest-priority stakeholders, and are conducting measures based on risk related surveys within the group and the Guidelines for Supplier's Assessment.

The ESG Division functions as the secretariat for matters relating to human rights due diligence within the group, and implements relevant measures in coordination with the Human Capital Development and the Legal and Compliance divisions. To ensure that our employees are able to report and consult on compliance related issues when necessary, internal and/or external compliance hotlines have been established in each group company.

With regard to human rights related measures targeting the supply chain, the Procurement Division, which is our point of contact for communication with suppliers, plays a central role in encouraging suppliers to take appropriate steps.

Education and promotion

We hold workshops throughout the world to deepen understanding for the Kao Business Conduct Guidelines (BCG), which set out our approach to ensuring respect for human rights among employees in all of our Group companies. We also provide classroom-based training for newly recruited employees and for newly appointed managers, as well as a refresher test once every other year for all employees.

In Japan, we conducted compliance training in 2018 with a core focus on preventing harassment in which executive officers served as instructors, for the purpose of creating an open organizational atmosphere facilitating early reporting even in the case of negative information. Our awareness-raising efforts related to promoting diversity also touch on harassment prevention.

In 2018, we provided information on "care harassment," meaning harassment of people who are working while providing care for family members, and LGBT issues.

Respect for human rights in advertising

We are conducting educational activities to ensure that personnel involved in the production of advertisements, product packaging, etc. are aware of human rights perspectives that apply to advertising.

Mid- to long-term targets and performance

Mid- to long-term targets

We are using human rights due diligence and awareness-raising activities to deepen understanding of stakeholders' human rights. We will continue to identify, prevent and mitigate human rights related risks in our business activities.

Anticipated benefits from achieving mid- to long-term targets

Cost reductions or profit increase

Once a human rights violation occurs, the company is exposed to direct litigation risk and forced to bear litigation expenses, collection expenses and other economic burden. There is also greater probability of severe damage to our company image, a lower reputation among consumers, weakened employee loyalty, and loss of trustworthy relations with suppliers.

Continuing to identify, prevent and mitigate human rights risks in our business activities not only avoids direct economic losses but also contributes to increasing opportunities for consumers to choose our products through their support for our corporate approach, reduces procurement risks by strengthening trust with suppliers, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Impacts on society

Expanding company measures to ensure respect for human rights contributes to enhanced awareness for human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among stakeholders enhances awareness for human rights in society as a whole, mitigates human rights problems such as forced labor, and can also prevent negative environmental impact by reducing indiscriminate development in developing countries.

Providing products made with consideration for human rights reduces the chances of consumers indirectly infringing on human rights and leads to less human rights violations in society as a whole.

Performance in 2018

Results

Internal

- Conducted a survey of the group companies using the Human Rights Checklist (100% response rate from surveyed companies).
- Conducted a survey of the group production sites (40 plants in total) using the Sedex*1 Self-Assessment Questionnaire (100% response rate from surveyed plants).
- In 2015, the “Act to make provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims; to make provision for an Independent Anti-slavery Commissioner; and for connected purposes” (the “Modern Slavery Act 2015”)*2 was enacted and came into effect in the U.K. A statement noting the measures taken by the group in relation to the Act has been posted on our website.

*1 Sedex (Supplier Ethical Data Exchange)

A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains.

*2 Modern Slavery Act 2015

The Act requires for-profit groups and companies conducting business activities in the United Kingdom whose annual sales exceed a certain scale to produce and release annual statements about measures enacted to ensure that slave labor and human trafficking offenses have not been committed.



→ [Modern Slavery Act Statement](http://www.kao.com/global/en/sustainability/declaration/humanrights/modern-slavery-act-statement/)
www.kao.com/global/en/sustainability/declaration/humanrights/modern-slavery-act-statement/

Supply chain

- As in the previous year, suppliers were encouraged to register with Sedex.
The number of sites for which access rights with us have been established is 1,474 (as of the end of 2018).
- Risk assessments were conducted at sites for which access rights with us have been established by September 30, 2018.

Human rights awareness-raising activities

- Published an essay on human rights by the person in charge of the Procurement Division in the in-house magazine.
- Posted topics on human rights on the company intranet system (April: Highlighting of human rights related issues in advertising, December: Human rights benchmarking).
- Held in-house study seminar with an outside instructor (October: 40 participants from the Advertising Production Department, business divisions, Legal and Compliance Division, Procurement Division, Human Capital Development, Corporate Communications and ESG Division).
- Put in place a framework to facilitate self-checks in relation to verification of how the human rights perspective is presented in advertisements, product packaging, etc., and held discussions twice a month on incidents that are difficult to decide independently among members of business divisions, departments involved in producing advertisements, the Product Quality Management Division and the ESG Division.
- To promote understanding among employees of LGBT issues, we disseminate various types of information on relating to LGBT issues as part of our support for the dynamic engagement of diverse employees.



→ p. 155 Corporate Culture > Diversity and inclusion

Reviews of performance

In addition to assessing human rights due diligence at the group companies using the Human Rights Checklist, at production sites using the Sedex assessment, and at suppliers by encouraging them to register with Sedex, in 2018 we began measures for outsourcing partners and broadly advanced efforts to identify, prevent and mitigate human rights risks in our business activities, which is one of our mid- to long-term targets.

Our initiatives

Human rights due diligence process

We are making efforts to investigate and identify human rights risks involving the group, including forced labor, workplace labor conditions and discrimination.

1. Efforts in the group

Every year, we perform a risk assessment targeting all of our business locations throughout the world. With respect to production sites, we make effective use of Sedex, a global corporate ethics information sharing platform. For other Kao Group companies besides the production sites, a Human Rights Checklist was compiled, which these companies are required to complete.

In 2018, a total of 40 production sites completed the Sedex Self-Assessment Questionnaire. For other Kao Group companies, a total of 50 Kao Group companies completed and returned the Human Rights Checklist. In both cases, there was a 100% completion and return rate. The results obtained did not show any human rights related risks at either our production sites or our group companies. There are therefore no cases of improvements being implemented as a result of human rights due diligence.

2. Efforts in the supply chain

We make use of a variety of opportunities and methods to communicate with suppliers, endeavoring to ensure that suppliers understand our policies and ethical standards.

New clauses relating to concern for the environment and for human rights added to standard contract with suppliers

In 2012, new clauses relating to concern for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

Request for self-assessment and monitoring

Since 2008, suppliers have been required to perform self-assessments of their conformity with the Guidelines for Supplier's Assessment, which we then monitor. In the case of suppliers whose self-assessment shows a failure to meet the required standards, our personnel visit the supplier so that the

supplier can share information about the problems, and so that we can collaborate on achieving improvements.

Since joining Sedex in 2014, we have held presentations to explain Sedex to suppliers, and we continue to request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights. The number of sites for which data access rights have been established so far is 1,474.

Initiatives for outsourcing partners

Expanding our human rights related measures to other partners besides suppliers, we began new human rights due diligence efforts at production, logistics and waste disposal outsourcing partners in 2018. As with suppliers, we explain our policies and request their cooperation with responding to questionnaires. We request that they register with Sedex or respond to the self-assessment sheet. In 2019, we will verify their responses in stages, and in the case of discovering human rights related risks, share our concerns with them and collaborate to effect improvements.