

Respecting human rights

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We support and respect international rules relating to human rights, and have developed the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights. We are implementing initiatives aimed at realizing zero human rights violations in every aspect of our corporate activities. The Kao Human Rights Policy was first published in 2015, and was revised in 2021 with the approval of the ESG Managing Committee, which is supervised by the Board of Directors, to reflect social trends and express Kao's commitment more strongly.

Kao's creating value to address social issues

Social issues we are aware of

Human rights are fundamental rights, and in a world of diverse values, it is important to build a society in which people respect one another's human rights, and where no one has to suffer from prejudice or discrimination.

Corporate activities are closely bound up with the human rights of a wide range of people, including employees, business partners, customers and local communities. Under these circumstances, the risk of human rights violations occurring cannot be said to be zero.

For example, it has been pointed out that, given the ongoing globalization of corporate activities, there is a risk of forced labor occurring at suppliers in developing nations. Within the workplace, there is a need for mechanisms to support diverse work styles, including working from home, which has increased in the wake of COVID-19, as well as initiatives to leverage the diverse value sense of employees and prevent discrimination. For consumers, if advertorial expression infringes on their human rights, or if advertisements reposted by consumers on social media incorporate content that infringes on human rights, consumers may be indirectly complicit in

human rights infringement.

We also recognize that global issues such as climate change are closely linked to human rights.

Ten years have passed since the UN Guiding Principles on Business and Human Rights were approved, and discussions are underway, particularly in Europe, to legislate corporate human rights initiatives and their disclosure. Corporate human rights initiatives are thus increasingly regarded as important. Companies have a responsibility to respect human rights. They need to identify human rights risk, implement corrective action when human rights violations have emerged, and continue making an effort to reduce the risk and prevent human rights violations from occurring.

Across all of our corporate activities, we commit to achieving zero human rights violations, and to solving problems promptly when they unintentionally occur. In particular, we recognize that the two issues of supply chains, including for palm oil, and employee human rights are major social issues for us.

We also recognize that to achieve the Sustainable Development Goals (SDGs) by 2030, we must accelerate and expand our efforts.

Risks related to realization of What Kao Aims to Be by 2030

Laws and regulations that encourage companies to address human rights, such as the U.K.'s Modern

Slavery Act 2015, can impose penalties for noncompliance.

Recently, as consumers' ethical awareness has grown, there has been a global increase in concern regarding the ways in which business enterprises respond to human rights issues. Besides complying with relevant laws and regulations, it is important to bear in mind that paying inadequate attention to human rights, can entail reputation risk.

Both internally within Kao Group and in the case of suppliers and contractors, manufacturing products in environments with poor labor conditions, such as forced labor, has the potential to create quality problems. Furthermore, if our reputation is damaged by human rights risk, the relationship of trust that we have with our suppliers could be damaged, which would have an adverse impact on purchasing, and consumers' loss of faith in the company could lead to reduced sales. At the same time, employee motivation and loyalty may decline, which can negatively impact productivity and increase turnover, leading to impaired recruitment efforts.

We recognize that there are risks like those shown in the "Kao Group risks specified through risk assessments" chart, and in particular high risks relating to the people we work with, consumers and customers. We conduct periodic risk assessments to evaluate the status of these risks.

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Kao Group risks specified through risk assessments (those with high risk are underlined>)

	R&D	Procurement	Production	Marketing	Logistics	Sales	Corporate (Business support)
Stakeholders	People we work with (Kao regular and contracted employees, temporary workers, subcontractor employees, contractor employees and supplier employees) (includes women and migrant workers)	<ul style="list-style-type: none"> Forced or compulsory labor Child labor Poor working environment Restrictions on freedom of association and / or collective bargaining Unsatisfactory compensation (failure to pay wages or paying excessively low wages) Discrimination in any form (including, but not limited to, age, place of birth, nationality, foreign or migrant worker status, ethnicity, biological sex, gender identity, sexual orientation, disability, illness or pregnancy / nursing) 					
	Business partners	<ul style="list-style-type: none"> Deterioration in business partners' working environment due to abuse of Kao's dominant position 					
	Consumers / Customers (includes women and children)	<ul style="list-style-type: none"> Adverse impact on health or safety due to product design issues 	<ul style="list-style-type: none"> Unhygienic company-provided accommodation Poor working environment, forced or compulsory labor or child labor on oil palm farms 	<ul style="list-style-type: none"> Unhygienic company-provided accommodation 	<ul style="list-style-type: none"> Invasion of customers' privacy Adverse impact on children, senior citizens or women due to inappropriate advertising or promotion 	<ul style="list-style-type: none"> Invasion of customers' privacy Misleading customers through inaccurate statements Misidentification caused by inappropriate packaging and labeling 	<ul style="list-style-type: none"> Invasion of employees' privacy Discriminatory hiring practices
	Local communities / Indigenous peoples	<ul style="list-style-type: none"> Harm caused to indigenous inhabitants' culture, traditions or livelihoods due to construction of plants, etc. Damage caused to ecosystems or local communities due to the construction and / or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, waste gas discharge, etc.) 	<ul style="list-style-type: none"> Harm caused to indigenous inhabitants' culture, traditions or livelihoods due to construction of plants, etc. Damage caused to ecosystems or local communities due to the construction and / or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, waste gas discharge, etc.) 	<ul style="list-style-type: none"> Harm caused to indigenous inhabitants' culture, traditions or livelihoods due to construction of plants, etc. Damage caused to ecosystems or local communities due to the construction and / or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, waste gas discharge, etc.) 	<ul style="list-style-type: none"> Damage to health caused by leakage of harmful substances while being transported 	<ul style="list-style-type: none"> Damage to health and adverse impact on people's lives caused by mistaken use of products 	<ul style="list-style-type: none"> Business practices that fall short of internationally recognized human rights standards

Opportunities related to realization of What Kao Aims to Be by 2030

Our respect for human rights, which imbues all of our corporate activities, and the initiatives that we have taken in this area, has the potential to earn widespread approval from society. Such our effort will lead an increase in activities that foster respect for human rights. Contractors and other companies in the supply chain will pursue human rights initiatives, and this will enhance their activities. This in turn will lead to strengthened human rights awareness in society as a whole, and will contribute toward reducing human rights violations to zero.

We respect human rights, and we are working to promote fair procurement. This secures consumer

support for our corporate approach and helps build and maintain trustworthy relations with suppliers. In particular, if we can secure the approval of Millennials and Generation Z, who tend to be very concerned about ethical consumption, then this may lead to increased purchasing of our products, and increased opportunities for us to recruit talented individuals. Within the company also, promoting initiatives that embody respect for human rights can enhance employees' loyalty, and can result in enhanced productivity and lower employee turnover.

Kao's creating value

In the Kao Human Rights Policy, we enunciate our commitment to human rights in all of our corporate

activities. The Kao Business Conduct Guidelines (BCG), which represent the Kao Group's code of conduct, emphasize the need to conduct fair, honest and appropriate transactions, to respect human rights through all company activities, and to respect employees' diversity. We promote fair and equal procurement activities, and ask our suppliers to adopt the same initiatives we do, as set forth in our Partnership Requirements for Suppliers. In addition, we promote *Yoki-Monozukuri* throughout our supply chain, and state clearly in our ESG Promotion Activities with Suppliers that we monitor supplier compliance.

When problems do arise unintentionally, we work to resolve them speedily. We have set up compliance

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hotlines, etc. to which stakeholders can submit their views, and when problems start to manifest themselves, we take steps to address them through collaboration between related units.

By working together with a wide variety of stakeholders to implement measures that strengthen respect for human rights, rather than just Kao working alone, and by striving to prevent and mitigate human rights risk, we are able to get closer to our goal of reducing human rights violations to zero, while also contributing toward the realization of our mission, as enunciated in the Kao Way: As one, we create a Kirei life for all—providing care and enrichment for the life of all people and the planet.

By promoting respect for human rights throughout our corporate activities, we will safeguard the rights of those who work with us, enhance productivity, and earn the trust of consumers.

Contributions to the SDGs



Policies

Through our corporate activities, we aim to reduce human rights violations to zero, and to resolve the issues speedily if human rights violations do emerge unintentionally.

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 provide human rights education and training to all officers and employees, working diligently to fulfill our responsibilities in regard to respecting human rights in every aspect of our operations. In the Kao Business Conduct Guidelines (BCG), which serve as our code of conduct for practicing the Kao Way, we also clearly state the need to respect human rights and our commitment to not engage in child labor, human trafficking or forced labor.

We are also committed to promoting respect for human rights in the supply chain. 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 Partnership Requirements for Suppliers 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 response to this request, our ESG Promotion Activities with Suppliers clearly state that we will monitor compliance. Furthermore, our "High-Risk" Supply Chain Management and Sourcing clearly stipulate the need to demonstrate awareness of sustainable development issues, including human rights, and to undertake the

procurement of raw materials in a sustainable manner. We have formulated Sustainable Palm Oil Procurement Guidelines and Sustainable Paper and Pulp Procurement Guidelines.

Our human rights due diligence includes risk assessment efforts. We are promoting prioritized efforts related to the human rights of the people we work with. To expand our efforts to where human rights issues are of particular concern, we will begin a fact-finding survey of our on-site subcontractors and even foreign workers (including technical intern trainees). In parallel, third-party audits of suppliers will be introduced to reinforce activities.

In 2005, we also 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. We also pay attention to industry-specific challenges, and support the CGF's* Forced Labour Resolution and its Priority Industry Principles. Besides legal compliance, in case where there is any conflict between internationally recognized human rights and the laws of a country or regions, we will follow processes that seek ways to honor the principles of international human rights.

In order to be able to respond promptly in the event that a problem does occur unintentionally, we have established hotlines to receive reports and requests for consultation both from within the company and from outside. On the basis of these reports and requests, discussions and surveys are undertaken by the Compliance Committee and other relevant divisions, and appropriate steps are taken in response as necessary.

* CGF (The Consumer Goods Forum)

Global network of consumer goods retailers and manufacturers. As part of our human rights-related activities, we participate in the Japan Social Working Group of the Japan Sustainability Local Group.

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Kao Human Rights Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-humanrights-policy.pdf

Kao Business Conduct Guidelines

www.kao.com/global/en/about/policies/compliance/business-conduct-guideline/

Policies for Procurement

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf

Partnership Requirements for Suppliers

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-partnership-requirements.pdf

ESG Promotion Activities with Suppliers

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-esg-promotion-activities.pdf

“High-Risk” Supply Chain Management and Sourcing

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf

Education and promotion

To reduce human rights violations to zero, we must prevent and mitigate human rights risks in every aspect of our corporate activities. Moreover, it is important to ensure that every employee has an in-depth understanding of human rights issues, and to implement measures to foster respect for human rights. To this end, besides disseminating information and implementing education and training in line with the Kao Human Rights Policy, we also take advantage of various opportunities to provide education and training focused on individual topics, such as compliance, responsible procurement, safety and peace of mind in the workplace and diverse human talent. From an overall ESG standpoint, we have been creating content for the Kirei Lifestyle Plan Lecture, an e-learning program comprising the knowledge needed to implement the Kirei Lifestyle Plan (KLP), since 2020, with human rights as one of the subjects covered.

- Raising awareness of the importance of respecting human rights using the BCG (Global)
- Raising awareness of the importance of respecting human rights using the company’s intranet (Global)
- Raising awareness of respect for human rights in advertising (Japan)
- Initiatives for deepening understanding of racial discrimination issues



Kirei Lifestyle Plan—Kao’s ESG Strategy > Employee engagement: Empowering all employees with the knowledge to create a foundation for the “how” in implementing the KLP



Making thoughtful choices for society > Responsibly sourced raw materials



Walking the right path > Effective corporate governance



Walking the right path > Inclusive & diverse workplaces



Fundamental section > Responsible care activities

Education for all executives and employees

ESG Managing Committee members

ESG Promotion Meeting members

Risk and Crisis Management Promotion Council members

Human rights risk assessment respondent (touchpoint for people we work with)

Objective	Method	Content	Frequency
Previous result feedback and request for completing the SAQ	Briefings and reference material	Basic content, social trends, cases and points to note	Annually

Marketing and advertising manager (consumer touchpoint)

Objective	Method	Content	Frequency
Enhanced awareness of respect for human rights in advertising content	Briefings and reference material	Basic content, social trends, cases and points to note	At least annually Anytime consultation

Awareness-raising with respect to specific themes

BCG, D&I, human rights in general, etc.
Information dissemination using the company’s intranet, e-learning, training, etc.

Lecture (ad hoc base)

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Collaboration and engagement with stakeholders

We implement initiatives that promote respect for human rights in all of our corporate activities. The Kao Human Rights Policy states that “We consult with the relevant stakeholders on responses to potential and actual impacts on human rights.” We recognize the importance of continuing to raise the level of our activities through dialogue with our employees, suppliers, consumers, local communities and a wide range of other relevant stakeholders with regard to our human rights initiatives.

In dialogue with stakeholders, it is important to hear from parties affected by human rights violations. In addition to those directly involved, we engage in sincere dialogue with experts, NGOs and others who can speak on behalf of those affected by human rights violations.

We utilize a variety of opportunities and methods to ensure that our policies and ethical standards are understood by our employees, suppliers, consumers, shareholders, business partners, local communities and government agencies.

For employees, we strive to understand on-site issues and employee attitudes through the annual Kao Forum, Employee–Management Meetings and employee engagement surveys. For suppliers, we introduce our activities and engage in an exchange of views at the vendor summits. We issue plant site reports to introduce plant activities and gain the

understanding of local communities. We also create opportunities for local residents to provide input.

To foster two-way communication with experts, we participate in dialogue with experts from outside Japan organized by the Caux Round Table Japan (CRT Japan) and exchange views with influential thought leaders in the global discussion on business and human rights. Through communication with Mr. Hiroshi Ishida, Executive Director of the CRT Japan, we have recognized the need to promote initiatives for foreign workers and have begun surveying actual situations at on-site subcontractors.

Framework

The human rights initiatives of the Kao Group as a whole are implemented within the ESG promotion structure as one of the 19 Actions of the KLP. In other words, the ESG Managing Committee discusses and approves the general direction of initiatives, while the ESG Promotion Meeting discusses actual initiatives and confirms progress.

As human rights issues are so multifaceted, various different units are implementing individual initiatives in this area, depending on the specific stakeholders concerned and the individual topics. In the case of initiatives that relate to our employees, Corporate Strategy plays a central role in the implementation of initiatives relating to workplace safety and security, while Human Capital Development plays a key role in those relating to the

building of inclusive and diverse workplaces. The Procurement Division has main responsibility for initiatives relating to suppliers. The aspect that is most directly related to consumers is human rights concerns relating to representations in advertising. The Consumer Products Business divisions and Creative divisions have responsibility for this aspect. In addition, we have set up compliance hotlines to receive reports and requests for consultation from both within and outside our company to facilitate prompt remediation of human right violations.

The ESG Division exercises oversight over, and promotes, all of these individual initiatives, and collaborates as necessary with each of the divisions that is implementing initiatives. The Executive Officer in charge of the ESG Division has overall responsibility for our human rights initiatives.

The ESG Division reports annually to the ESG Managing Committee, which is supervised by the Board of Directors, on overall human rights initiatives.

In the risk assessment process, the ESG Division examines risks anticipated at Kao and conducts risks assessments based on feedback from outside experts and staff in internal departments undertaking human rights initiatives, and these are approved by the ESG Managing Committee.



Kirei Lifestyle Plan—Kao's ESG Strategy > ESG governance structure

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Mid- to long-term targets and performance

Mid- to long-term targets

In all of our corporate activities, we aim to reduce human rights violations to zero, and to resolve the issues speedily if human rights violations do emerge unintentionally.

To this end, we use human rights due diligence and awareness-raising activities to deepen stakeholders' understanding of human rights. We will continue to identify, prevent and mitigate human rights related risks in our corporate activities.

As human rights issues are so multifaceted, they 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 have a profound impact on stakeholders if they were to manifest themselves.

We conduct risk assessments of employees and suppliers who are at high risk for infringement, prioritizing people we work with. Our goal is to achieve a 100% risk assessment survey implementation rate by 2025 for suppliers and by 2030 for others.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Once a human rights violation occurs, the company is exposed to direct litigation risks 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 business partners and 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, increases opportunities for recruiting talented individuals, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Social impacts

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.

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Performance in 2021

Performance

In May 2021, the Human Rights Policy was revised with the approval of the ESG Managing Committee, which is supervised by the Board of Directors. The policy targets all business activities, including M&A and new projects.

Human rights due diligence

Internal

(1) Risk assessment

- We conducted a survey of all group companies using the Human Rights Checklist (100% response rate from surveyed companies).
- We conducted a survey of all group production sites (41 plants in total) using the Sedex* Self-Assessment Questionnaire (100% response rate from surveyed plants).

(2) Risk identification and reduction

The results obtained in the risk assessment of Kao Group worksites did not indicate that Kao had caused or contributed to any adverse impact on human rights, such as forced labor or child labor. 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 sites making improvements or conducting remediation procedures.

(3) Status verification

This year, we identified risks through risk assessments and conducted third-party social responsibility audits at three sites.

(4) Reviewing of rules and standards

To strengthen confirmation of the working environment, especially at suppliers, we added a section on "living wage" to the Sedex questions. In addition, to make the Human Rights Checklist a survey that more strongly reflects the demands of society, we are considering switching to Sedex, which is operated by a third party and has a high degree of objectivity.

* 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

Suppliers

- We are requesting that all of our direct global suppliers to join Sedex, reply to its questions, and grant us data access privileges.
- As of the end of 2021, suppliers accounting for 89% of global transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program).
- Of the 1,043 sites that had granted access

privileges and replied to Sedex's new Self-Assessment Questionnaire as of December 2021, we gave 19% an S ranking and 40% an A ranking in the Sedex-based assessment.

- We released ESG Promotion Activities with Suppliers and enhanced supply chain management.



Making thoughtful choices for society >
Responsibly sourced raw materials


Contractors


- Surveys of the Kao Group's on-site subcontractors have been conducted to understand the current status. Risk surveys by Sedex have been initiated, and risk assessments have been conducted for 3% of on-site subcontractors.

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Remedies and handling of grievances

- We established hotlines for employees, suppliers and contractors, and support desks for consumers to receive reports and requests for consultation.
- We decided through the ESG Managing Committee to establish a grievance mechanism for employees of on-site subcontractors at each plant.
- In cooperation with NGOs, we conducted a questionnaire survey of independent small oil palm farmers in Indonesia in preparation for the introduction of a grievance mechanism.

 **P155** Walking the right path > Effective corporate governance

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 **Web** Kao, Apical and Asian Agri Launch 'SMILE' Program to Help Oil Palm Smallholders Improve Yields, Acquire Certifications, and Secure Premiums
www.kao.com/global/en/news/sustainability/2020/20201014-001/


Education and awareness-raising


Employees


- We have posted material that addresses human rights topics on the company intranet to raise awareness among employees.
- We have promoted awareness of the importance of respect for human rights through BCG training

and refresher test implementation.

- We have continued to implement LGBTQ+ study sessions and ALLY recruitment, as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.
- We implemented initiatives to deepen understanding of racial discrimination issues and diversity in Europe and the Americas.
- We initiated the Human Rights section of the Kirei Lifestyle Plan Lecture.

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 **P155** Walking the right path > Effective corporate governance

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Suppliers

- At the vendor summit, we implemented awareness raising with respect to human rights risks.

Dialogue and consultation


- We participated in a dialogue with overseas experts organized by the CRT Japan, and conducted stakeholder communication.
- We participated in the human rights related subcommittee of Global Compact Network Japan, the

Japan Social Working Group, Japan Sustainability Local Group, CGF and the Japan Cosmetic Industry Association, and we exchanged information with experts from other companies, NPOs, international organizations and government agencies.

Information disclosure

- Information about our initiatives is shared with consumers using our website, etc.
- 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)* 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.
- We have begun to consider producing commentary documents to explain the details of the Kao Human Rights Policy.

* Modern Slavery Act 2015
 The Act requires for-profit groups and companies conducting business activities in the U.K. 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.

 **Web** Modern Slavery Act Statement
www.kao.com/global/en/sustainability/topics-you-care-about/humanrights/modern-slavery-act-statement/

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Reviews of performance

With regard to human rights initiatives, we have set ourselves the goal of raising the human rights due diligence survey implementation rate to 100% by 2030 for the Kao Group, suppliers and contractors (specifically, those subcontractors operating on Kao Group worksites). This survey enables us to grasp human rights risk relating to people we work with (regular and contracted employees, temporary workers, contractor employees and supplier employees). The survey implementation rate in 2021 was 100% for the Kao Group. The suppliers that completed the survey accounted for 89% of global transactions (on a monetary value basis), which represented a move in the right direction.

The investigation did not reveal any serious human rights risks, such as forced labor or child labor, in the Kao Group. We will continue to share our ideas with suppliers, including the Partnership Requirements for Suppliers and ESG Promotion Activities with Suppliers, and continue to request cooperation from suppliers to achieve a 100% assessment implementation rate. In addition, since approximately 41% of suppliers had low assessment results, we will ask these suppliers to improve their activities. While we were unable to conduct a survey of contractors, we conducted a

questionnaire to grasp the current status of on-site subcontractors, and ascertained the number of foreign workers. Based on the results, we will make preparations, and plan to extend the human rights due diligence survey to on-site subcontractors at all of our domestic plants by the end of 2022.

This year we took a step beyond our previous risk surveys and engaged in third-party audits to gain deeper situational understanding. At our flagship Wakayama and Kawasaki plants, as well as at Kao Industrial (Thailand) Co., Ltd., third-party auditors conducted hearings that included the status of certain on-site subcontractors. Although minor points were raised, the auditors confirmed that no major human rights violations had occurred. Going forward, we plan to focus audits on plants we believe need to be improved, based on Sedex survey results. As the situation changes every year, we will continue to implement the survey next year and after, as we strive to identify, prevent and mitigate human rights risk.

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Our initiatives

Revising the Kao Human Rights Policy

The Kao Human Rights Policy was first published in 2015. In 2021, the ESG Managing Committee, which is supervised by the Board of Directors, approved a revised policy to reflect social trends and express our commitment more strongly.

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.

We strive to identify, prevent and mitigate negative human rights impacts by conducting risk assessments of various items (including internal, supplier, contractor and new business transactions, such as mergers and acquisitions). We then review the results and identify risks.

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 2021, a total of 41 production sites completed the Sedex Self-Assessment Questionnaire. For other

Kao Group companies, a total of 56 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 serious human rights risks at either our production sites or our group companies. There are therefore no cases of mitigation being implemented.

In 2021, audits were implemented at Wakayama, Kawasaki and Kao Industrial (Thailand) plants. While there were some minor findings, social audits by third-party auditors identified no instances of major human rights violations.

2. Efforts in the supply chain

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 Partnership Requirements for Suppliers, which we then monitor. 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. As of the end of 2021, suppliers accounting for 89% of global

transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program*).

* EcoVadis and other survey programs used as alternatives to Sedex



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Remedies and grievance mechanism

We have opened a wide range of channels so that we can receive reports and requests for consultation from all stakeholders. Our compliance hotlines handle reports and requests for consultation from employees, suppliers and contractors, while consumers can submit reports and requests for consultation to the support desks by telephone or e-mail, etc. In addition, views expressed directly to managers are shared with relevant units, and action taken in response, as needed.

Furthermore, thanks to the written contribution of Mr. Hiroshi Ishida (Executive Director of the CRT Japan) in last year's Sustainability Data Book and subsequent engagement, we recognized the importance of efforts to help foreign workers and the establishment of a grievance mechanism. In response, this year we conducted a survey of the current number of foreign workers at each plant and on-site subcontractor, and began preparations for the launch of a grievance mechanism.

In addition, we have begun preparations to introduce a grievance mechanism for independent

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small oil palm farmers in Indonesia starting in 2022. In 2021, we conducted a preliminary survey of independent small farmers in Riau Province, Indonesia, in cooperation with an NGO.

Education and promotion

Raising awareness of the importance of respecting human rights using the BCG (Global)

We implement educational activities to deepen employees' understanding of the BCG, which set out our approach to ensuring respect for human rights among employees in all of our group companies. In Japan, the BCG refresher test was given to all employees, and compliance training was carried out for new employees and newly appointed managers. In addition, by sending out messages from the Compliance Committee Chairperson, division heads in Japan, the Vice President of each region and the President of each group company outside of Japan during Compliance Message throughout the year, the entire group, including overseas subsidiaries, promoted diversity by encouraging dialogue within workplaces, and activities to realize a workplace culture in which people can work with enthusiasm.

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Raising awareness of the importance of respecting human rights using the company's intranet (Global)

We have posted material that addresses human rights

topics on the company intranet to raise awareness among employees.

In conjunction with Human Rights Day on December 10, the Human Rights section of the Kirei Lifestyle Plan Lecture, an ESG awareness-raising program was released, with 611 employees taking the course. Among others, the lecture introduces human rights-related news events from around the world and our efforts to support oil palm farms. It gives employees an opportunity to deepen their understanding of business and human rights and consider the relationship between their own work and human rights.

In addition, to familiarize our management team with D&I concepts and ensure that they are thoroughly practiced, we invited Tsukiko Tsukahara, President of Kaleidist K.K. and Japan Co-Representative of G20 EMPOWER, to speak at the ESG Promotion Meeting, which was attended by approximately 70 people. Ms. Tsukahara's lecture was distributed with Japanese and English subtitles, enabling 528 employees to view it.

The Consumer Products Business is actively raising awareness of the importance of respect for human rights in advertising, while the Human Capital Development is also actively raising awareness through such initiatives as the continuing dissemination of content to provide basic knowledge on LGBTQ+, cross-cultural and disability issues.

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Raising awareness of respect for human rights in advertising (Japan)

We have created an e-learning program for new employees and transferees regarding human rights considerations in advertising. Employees involved in product development and marketing are participating in this program.

Efforts to deepen understanding of racism and diversity (Europe and the Americas)

In the Americas, workshops and expert lectures on social issues were conducted in conjunction with annual events, such as Black History Month, to deepen employees' understanding of issues impacting underrepresented and marginalized communities. Workshops included Unconscious Bias and Understanding Racism and were available to all employees.

Among additional activities conducted as part of efforts to create an inclusive culture were a monthly newsletter called #StrongerTogether and opportunities for employees to share their own personal stories with others to help strengthen understanding. Employee resource groups have also been formed to address the specific needs of women in the workplace and young employees as they begin their careers and work to establish strong relationships.

In Europe, we are also conducting activities to deepen understanding of diversity, such as trainings on unconscious bias and conducting surveys on D&I.

Dialogue and consultation

To obtain outside views relating to our business and

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human rights initiatives, we participated in a dialogue with overseas experts organized by the CRT Japan. We explained these initiatives to, and exchanged views with, two international experts active in the field of business and human rights. While our governance structure and ESG vision were well received, the exchange of views reinforced our awareness of the importance of dialogue with a wider range of stakeholders, and of continuously engaging with rights holders who provide views via the grievance mechanism.

Other

A system is in place for those in charge to voluntarily check expressions in advertisements, packages, sales promotion materials, etc., from a human rights perspective. Previously, the responsible reviewed advertising and related materials against a checklist, but we strengthened the system this year by instituting multi-person review to ensure that a broader perspective is incorporated. It is important to conduct a multi-person review to judge whether or not an expression contains content that could be considered a human rights violation. Consequently, the person in charge and their supervisor will check whether the content is free of anything that could be considered an infringement of human rights, and at the same time share the information with our internal creative division (i.e. Advertising Communication). In addition, personnel to undertake human rights promotion* within the Advertising Communication

reviews advertising, packaging, and sales promotion and other materials. If a case is difficult to judge, a process to deal with the case is in place, with the personnel to undertake human rights promotion consulting and obtaining advice from the ESG Division.

By adhering to this process, we make appropriate changes to advertising content and strive to perform

quality control on advertising so that it is free from content that violates consumers' human rights and that they take human rights into account to earn consumer sympathy and support and exert a positive influence on society.

* Personnel to undertake human rights promotion
These are human talent that strive to enhance human rights literacy within Advertising Communication, and to lead the division's efforts in this area.

Employees' voice



Susawee Ondam

Senior Manager of
Corporate Strategy,
Kao Industrial (Thailand) Co., Ltd.

Human resources are the most important resource of an organization. Nowadays, it is not just important to ensure that the members of the organization comply with its standards and decisions; they must also be motivated to unleash their potential on their own. The organization or supervisor just needs to play the role of a mentor that supports everyone in the organization as they strive to reach the same goal.

From my own experience in relation to the compliance audit for the Sedex standard in 2018, there were many points where there was a need for focus and improvement,

especially in regard to the labor management of both Kao and our contractors. The power of employees is important. It can be a positive or negative power, depending on the circumstances or on access to necessary information. If employees lack the information they need, this may make them dissatisfied or uncertain, which may then be reflected in a negative attitude that could manifest itself in ignoring necessary tasks or violating rules and regulations. How to energize the power that comes from inside the heart of team members is the key to success for an organization. We already have good guidelines in place, in terms of the Kao Way and our ESG policies. We need to understand human beings and their diversity, and demonstrate respect for differences in gender, race, religion, skin color and opinion, which are all fundamental aspects of humanity. Understanding of humanity, and respecting and honoring the rights of all, will be the basis and the driving force for unleashing potential and maximizing benefits for the organization as well.

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Stakeholder engagement



Hiroshi Ishida

Executive Director,
Caux Round Table Japan

Kao's response to views expressed last year

Last year, Mr. Ishida indicated his hopes for further efforts regarding oil palm plantations and foreign workers. For oil palm plantations, we launched the Smallholder Inclusion for Better Livelihood & Empowerment program (SMILE) to support small farmers in Indonesia with the aim of improving productivity. We also conducted a survey to ascertain the number of workers employed by on-site subcontractors, and ascertained how many foreign workers were present in each plant. Our ESG Managing Committee also discussed the introduction of a grievance mechanism, and decided to implement a mechanism with oil palm plantations through communication with small farmers. The committee also decided to establish a mechanism at on-site subcontractors in domestic plants, to gather feedback from foreign workers. We are currently preparing to expand risk surveys of on-site subcontractors and introduce grievance mechanism.

Kao's efforts on "respect for human rights" x "responsibly sourced raw materials"

■ **Global trend: Due diligence is essential to obtain social legitimacy**

As we are rapidly entering an era of increasingly strict legal regulation of business and human rights, companies will be expected to conduct due diligence that integrates human rights and climate change. You are therefore expected to engage in direct dialogue with vulnerable producers and workers (rights holders) in the supply chain, identify those who are suffering human rights violations, and address their issues. A shift from a comprehensive approach to one of selective prioritization is needed.

■ **Notable Kao initiatives**

- I recognize the following three points that I commented on last year, which are beginning to show results.
 - (1) Kao has drawn up a grand design in agreement with management as an ESG Strategy, and has clearly stated in Goals of Human Rights Initiatives that it will work toward risk mitigation in 2030 and 2050, further demonstrating its strong commitment to human rights initiatives.
 - (2) Kao is also working steadily to create a system based on UN Guiding Principles on Business and Human Rights (UNGPs) procedures to identify foreign workers within and outside Japan, identify any direct human rights violations in relation to raw materials (palm oil), and establish a grievance mechanism.

(3) To build quality relationships, Kao has engaged in dialogue with leading foreign experts, and enhanced transparency to gain legitimacy for a series of initiatives.

■ **Expectations for future actions**

- Going forward, though laws and regulations will be tightened mainly in the European region, I expect that Kao will continue to steadily implement its initiatives on "respect for human rights" x "responsibly sourced raw materials," based on the UNGPs, and establish a leading position in the near future.

(1) Implementation of human rights x environmental due diligence

Identify foreign workers within and outside Japan and confirm whether there are any direct human rights violations relating to raw materials including palm oil + Implement a grievance mechanism and the PDCA cycle

(2) Management involvement(E x S x G)

Establish a series of management frameworks that incorporate the voices of rights holders through disclosure of the ESG Managing Committee's discussions and decision-making processes

(3) Quality relationship

Invite ESG-related investors to the existing dialogue, further enhance quality relationships, and continue efforts to establish a framework that ensures legitimacy