

Respecting Human Rights GRI 2-23

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, and are working to achieve zero human rights violations in all 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. The policy targets all business activities, including M&A and new projects.

Social issues

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 linked to the human rights of a wide range of people, including employees, business partners, consumers, and local communities. Under these circumstances, the risk of human rights violations occurring cannot be said to be zero.

For example, "Global Estimates of Modern Slavery: Forced Labour and Forced Marriage," a report on forced or compulsory labor and forced marriage published in September 2022 by the ILO, the international human rights organization Walk Free Foundation, and the International Organization for Migration (IOM), estimated that 28 million people worldwide were in forced or compulsory labor as of 2021. The increasing globalization of business activities has highlighted the risk of forced or compulsory labor among suppliers in developing countries, and it is important for companies to emphasize respect for human rights. 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 advertising expression infringes on human rights, the human rights of consumers will be directly violated by the advertisements. And 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.

More than ten years have passed since the UN Guiding Principles on Business and Human Rights were approved, and there is an increasing emphasis on corporate human rights initiatives, with discussions, particularly in Europe, to legislate corporate human rights initiatives and their disclosure. Companies have a responsibility to respect human rights. We 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 aim to reduce human rights violations to zero, and to solve 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 the need to accelerate and scale up our efforts to achieve sustainable development goals (SDGs) by 2030.

Policies

Kao's mission is to create a Kirei life for all—providing care and enriching the lives of all people and the planet. Respect for human rights is essential to achieving this mission.

Across all of our corporate activities, we aim to reduce human rights violations to zero, and to solve problems promptly when they unintentionally occur. Kao promotes respect for human rights in accordance with the Kao Human Rights Policy and other policies as follows.

- Kao Human Rights Policy
Declaration of our commitment to strive to fulfill our responsibility to respect human rights in all our corporate activities
- Kao Business Conduct Guidelines
Commitment to respect human rights and the elimination of child labor, human trafficking, and forced or compulsory labor
- Policies for Procurement
Commitment to fulfilling our social responsibility through procurement that respect human rights
- Partnership Requirements for Suppliers
Requirements for suppliers to prohibit forced or compulsory labor, child labor, and illegal labor as human right and labor requirements
- ESG Promotion Activities with Suppliers
Specified activities to grasp the risks associated with human rights and the environment in the supply chain, and make improvements together with suppliers
- "High-Risk" Supply Chain Management and Sourcing
Specified approaches for solving essential issues regarding human rights and the environment in high-risk supply chains
- Support the CGF's* Forced Labour Resolution and its Priority Industry Principles.

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In addition, we have established a compliance hotline for internal and external reports and consultations. The Compliance Committee plays a central role in discussing and investigating reports and consultations received and takes appropriate steps in response as necessary.



Kao Human Rights Policy

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-humanrights-policy.pdf>

Kao Business Conduct Guidelines

<https://www.kao.com/global/en/corporate/policies/compliance/business-conduct-guideline/>

Policies for Procurement

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf>

Partnership Requirements for Suppliers

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

ESG Promotion Activities with Suppliers

<https://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

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

Support the CGF's* Forced Labour Resolution and its Priority Industry Principles.

<https://www.kao.com/global/en/sustainability/topics-you-care-about/humanrights/>

Compliance Hotlines

<https://www.kao.com/global/en/corporate/policies/compliance/compliance-contact/>

* CGF: The Consumer Goods Forum

Strategy

Risks and opportunities

Risks

By conducting risk assessments, 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 who we work with, consumers and customers. We conduct periodic risk assessments to evaluate the status of these risks.

Short-term:

- Risk of penalties for failure to comply with laws and regulations such as the UK Modern Slavery Act
- Risk of manufacturing products under poor working conditions that can harm workers' health or cause quality problems
- Risk of reputation damage from advertising with inadequate human rights considerations

Medium-term:

- Risk of negative impact on purchasing behavior due to damage to Kao Group's credibility caused by lack of consideration for human rights
- Risk of reduced employees motivation and loyalty, resulting in a negative impact on productivity and increased turnover
- Risk of increased turnover negatively affecting recruitment efforts

Long-term:

- Risk of losing the trust of society and being unable to continue as a business due to loss of human capital and failure to address social issues

Opportunities

Short-term:

- Opportunities for sales promotion through sympathetic advertising messages that take human rights into account

Medium-term:

- Opportunities to establish and maintain good relationships of trust with business partners and positively influence purchasing behavior by increasing confidence in Kao Group
- Opportunities for Kao Group to build and maintain a strong supply chain by increasing respect for human rights among business partners
- Opportunities to increase employees' motivation and loyalty, thereby increasing productivity and reducing turnover
- Opportunities to increase sales and human capital acquisition through improved reputation and empathy for the initiatives being implemented

Long-term:

- Opportunities for Kao Group to gain broad public sympathy for its stance and initiatives and to strengthen its initiatives to respect human rights, thereby raising awareness of human rights throughout society and contributing to the realization of a society in which no one suffers from discrimination or inequality

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Strategy

Respecting human rights is an indispensable and important fundamental activity for Kao Group in fulfilling its Commitment to the Future while paying due attention to social issues. In addition, as part of the Mid-term Plan 2025 (K25), we will specifically contribute to Policy 1: Become an essential company in a sustainable world and Policy 3: Maximize the power and potential of employees.

Initiatives to respect human rights are implemented according to the Kao Human Rights Policy.

Recognizing the diversity of human rights issues, the Human Rights and DE&I Steering Committee holds interdepartmental discussions to set direction, promote employees' awareness through awareness-raising, and drive initiatives in each department to achieve the goal of zero human rights violations.

To identify human rights risks, we examine what risks exist in the Kao Group and also conduct risk assessments. As a KPI, we have set the risk assessment implementation rate for Kao Group, suppliers, and on-site subcontractors, and are working to improve the implementation rate. We also ask suppliers and on-site subcontractors to participate in risk surveys and, based on the results, conduct more detailed surveys or audits if we determine that the risks are significant.

Through this risk assessment, we identify risks and address actual or potential adverse impacts on human rights in order to achieve zero human rights violations.



Our Purpose and Value Creation
<https://www.kao.com/global/en/corporate/purpose/>

Management Strategy and Mid-term Plan 2025 (K25)
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

Social impact

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 and services 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.

Failure by companies to respect human rights can lead to human rights violations, which in some cases can have a significant impact on society, not to mention those who suffer from such violations.

In the Kao Human Rights Policy, we declare 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 without delay. We have set up compliance 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 declared 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 people who we work with, enhance productivity, and earn the trust of consumers.

Contributions to the SDGs



Business impact

Corporate human rights initiatives are under increasing scrutiny, and when inadequate initiatives result in human rights violations, corporations are exposed to direct litigation risks and bear the financial burden of legal costs, recovery expenses, etc. 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 or mitigate human rights risks in our business activities not only avoids

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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.

Kao aims to reduce and prevent adverse impacts on human rights, starting with risk assessments, and to achieve zero human rights violations.

Governance

Framework

Under the supervision of the Board of Directors, risk management in relation to respect for human rights is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to respect for human rights is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to respect for human rights. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to

be reflected into management, and the ESG Promotion Meeting executes the strategies.

In addition, the Human Rights and DE&I Steering Committee, under board-level ownership, has also undertaken strategy formulation and implementation planning and is working to ensure reliable and rapid execution. The committee will also establish three working groups (employees, business partners, and community) to set goals and implement initiatives in each working group and related departments. Whenever there is a need to coordinate efforts to prevent or mitigate negative human rights impacts with the missions and business objectives of individual business divisions, the Human Rights and DE&I Steering Committee discusses the issue with the goal of pursuing activities without omitting any.

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. Regarding initiatives that relate to our employees, Corporate Strategy plays a central role in implementing initiatives relating to workplace safety and security, while Human Capital Strategy plays a key role in initiatives related to building inclusive and diverse workplaces. Procurement's main responsibility is supplier-related initiatives. The aspect that most directly relates to consumers is the human rights concerns related to representation in advertising. Consumer Products Business and Creative 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 Executive Officer in charge of the ESG Division has overall responsibility for our human rights initiatives.

The ESG gathers information on the overall human rights initiatives and reports once a year to the ESG Managing Committee and the ESG Promotion Meeting, which are supervised by the Board of Directors.

With regard to the risk assessment process, the Human Rights and DE&I Steering Committee examines possible risks assumed by Kao across departments and conducts risk assessments based on the opinions of external experts.

* The members of the Human Rights and DE&I Steering Committee are drawn from the Human Capital, Legal, Business, Procurement, Supply Chain Management (SCM) and ESG divisions. They meet approximately once a month.

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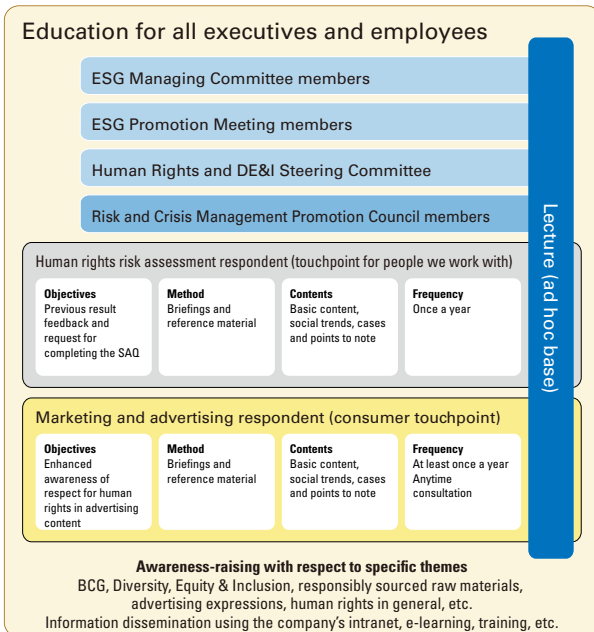
Education and promotion

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, we provide information, education, and training in accordance with the Kao Human Rights Policy, and we are also developing the human rights section of the Kirei Lifestyle Plan Lecture, an e-learning program that provides essential knowledge for promoting the Kirei Lifestyle Plan (KLP). We also provide education and training on specific themes, such as compliance, responsible procurement, workplace safety and security, and human capital diversity, taking advantage of various opportunities. The Human Rights and DE&I Steering Committee will discuss more effective program development to further deepen

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employee understanding and promote human rights considerations in each employee's work.

- Raise awareness of the importance of respecting human rights in the BCG (Global)
- Raise awareness of the importance of respecting human rights through the company intranet (Global)
- Raise awareness of human rights in accordance with the characteristics of the business (Japan)
- Initiatives for deepening understanding of racial discrimination issues and diversity



Collaboration 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 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 thoughts 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.

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Risk management

Due to the diversity of human rights issues, they can affect a wide range of stakeholders. We examine and summarize the human rights risks that exist for each of our stakeholders.

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

	Research and Development	Procurement	Production	Marketing	Logistics	Sales	Disposal	Corporate (Business support)	
Stakeholders	People who we work with (Kao regular and contracted employees, temporary workers, subcontractor employees, affiliate employees and supplier employees) (includes women and migrant workers)	<ul style="list-style-type: none"> Forced or compulsory labor Human trafficking Child labor Poor working conditions Restriction of freedom of association and collective bargaining Inadequate wages (non-payment, or wages below the living wage) Discrimination (age, origin, nationality, foreign and migrant workers (including technical intern trainees), race, discrimination against women, gender, discrimination against members of the LGBTQ+ community, disability and illness, pregnancy / nursing) Any form of harassment Lack of DE&I consideration Equal pay for equal work 	<ul style="list-style-type: none"> Unhygienic accommodations provided by the company Poor working environment, forced or compulsory labor or child labor on oil palm farms 	<ul style="list-style-type: none"> Unhygienic accommodations provided by the company 				<ul style="list-style-type: none"> Invasion of employees' privacy Discriminatory hiring practices 	
	Business partners	<ul style="list-style-type: none"> Deterioration in business partners' working environment due to abuse of Kao's dominant position 							
	Consumers and customers (including women, children and senior citizens)	<ul style="list-style-type: none"> Adverse impact on health or safety due to product design issues 			<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 		
Local communities and indigenous people	<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, and waste gas discharge) 	<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, and waste gas discharge) 	<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, and waste gas discharge) 		<ul style="list-style-type: none"> Damage to health caused by leakage of harmful substances during transportation 	<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"> Damage to health caused by leakages of harmful substances at the time of disposal 	<ul style="list-style-type: none"> Business practices that fall short of internationally recognized human rights standards 	

These risks are reviewed regularly, and in FY2022, the Human Rights and DE&I Steering Committee members reviewed and compiled the risk assessment table, taking into account the opinions of experts.

Of the items listed, we prioritize our response to those that will have a serious impact on stakeholders if the risk materializes. Focusing on the people who we work with who are most affected by infringements, we conduct risk surveys of our employees and suppliers to reduce and prevent adverse impacts. Kao also recognizes the importance of mitigating the risk of human rights violations in advertising, because we publish a large number of advertisements. We have internal mechanisms in place to ensure that multiple checks are performed when creating advertising expressions.

In order to deepen our understanding of human rights issues even in normal times, we also create opportunities to hold dialogues with NPOs and experts and share them internally.

We also have an internal crisis management framework in place to respond quickly if a human rights violation is identified. A response process for compliance hotline reports is in place for compliance violations, etc. In addition, we comply with the corporate risk management systems for risks that may affect quality issues and reputation. For example, if the company believes that its reputation will be adversely affected by criticism of its advertising statements, the company will follow a predetermined procedure, report the matter internally, set up a countermeasure team according to the state of emergency, and respond promptly and appropriately.

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Integration into corporate risks

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and adjust measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

Risks related to respecting human rights are managed within the corporate risk management framework, including responses to NPOs, consumer groups, and foundations (EMF, etc.), reputational responses, and actions that damage the Kao brand in the supply chain.

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Targets and metrics

Mid- to long-term targets and 2022 results

Mid- to long-term targets

In all of our corporate activities, we aim to reduce human rights violations to zero and to resolve 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 and continue to identify, prevent, and mitigate human rights risks in Kao's corporate activities.

We conduct risk assessments to identify human rights risks. The goal for our internal risk assessment implementation rate is always 100%. We believe that respect for human rights requires constant and ongoing commitment. Meanwhile, we have started by asking suppliers and on-site subcontractors to collaborate on risk surveys with an implementation rate of 62% and approximately 15%, respectively, as of 2022. We plan to continue to strengthen our efforts and further increase the implementation rate each year.

2022 results

Human rights due diligence Internal

The Human Rights and DE&I Steering Committee conducted a human rights due diligence potential risk assessment workshop and reviewed human rights risks for each stakeholder across departments. As a result of the workshop, two important human rights themes for Kao were identified: foreign workers in Japan (including those at subsidiaries or affiliates and in the supply chain) and working conditions of producers and farmers from whom Kao procures raw materials.

(1) Risk assessment

- We conducted a survey of all Kao Group companies (56 companies) using the Sedex* Self-Assessment Questionnaire (target company response rate: 100%).
- We conducted a survey of all Kao Group production sites (41 plants) using the Sedex* Self-Evaluation Questionnaire (response rate of target plants: 100%).

(2) Risk identification and remediation

The results obtained in the risk assessment of the 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. Therefore, there are no cases of sites making improvements or conducting remediation procedures.

(3) Status verification

This year, we identified risks through risk assessments and potential risk assessment workshops.

(4) Review of rules and standards

Although Kao Group companies, excluding production sites, had been surveyed using Kao's own Human Rights Checklist until 2021, we have switched to Sedex*, which is operated by a third party and has a high degree of objectivity, in order to make the survey more reflective of society's expectations.

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* 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 all of our direct global suppliers to join Sedex, reply to its questions, and grant us data access privileges.
- By the end of 2022, 88% of global transactions (by value) were conducted with Sedex member companies (including alternative programs and Kao SAQ).
- Of the 1,221 sites that had been granted access privileges and replied to Sedex's new Self-Assessment Questionnaire as of December 2022, 24% received an S ranking and 38% received an A ranking in the overall evaluation of Sedex's supplier risk assessment.

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Contractors

- As for contractors, we started performing risk surveys using Sedex for on-site subcontractors at production sites in 2021, and the implementation rate of risk assessment was approximately 15% in 2022.
- We conducted on-site interviews with foreign workers (including technical intern trainees) who work for on-site subcontractors at the Wakayama and Toyohashi plants.

Remediation

- We established hotlines for employees, suppliers and contractors, and support desks for consumers to receive reports and requests for consultation.
- We commenced operations of the grievance mechanism for oil palm smallholders in Indonesia in September 2022.
- To introduce the grievance mechanism for foreign workers employed by on-site subcontractors at each plant, we considered the target workers.

P91 Responsibly Sourced Raw Materials

Education Employees

- We disseminated Kao Business Conduct Guidelines (BCG) training, compliance training, and compliance case studies to raise awareness of the concept of respect for human rights.
- We have posted material that addresses human rights, Diversity, Equity, & Inclusion topics on the company intranet to raise awareness among employees.
- We continued the Human Rights section of the Kirei Lifestyle Plan Lecture.
- We conducted various projects in conjunction with World Human Rights Day, including publishing a special issue of the ESG Trends Newsletter, displaying awareness-raising posters at business sites inside and outside Japan, and displaying quizzes on human rights on the tables in the Kayabacho Office cafeteria.
- We conducted training tailored to the characteristics of each business, such as considering human rights when creating advertisements in the Consumer Products Business and ensuring respect for human

rights in sales activities in the Kao Group's Customer Marketing Group.

- 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 the Americas, Europe, the Middle East, and Africa (AEMEA).
- We conducted a lecture on Diversity, Equity, & Inclusion by Ms. Tsukiko Tsukahara, President of Kaleidist K.K. and Co-Chair of G20 EMPOWER Japan, at the ESG Management Committee.

* ALLY: A person who understands and supports LGBTQ+

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Suppliers

- At vendor summits, we conducted awareness-raising activities with respect to human rights risks.

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External

- We presented Kao's initiatives to raise awareness of human rights issues related to the palm oil supply chain to a social studies class on industrial production in Japan at Saitama University Elementary School.

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Dialogue and consultation

- We communicated with stakeholders by participating in dialogues with experts from outside Japan organized by the Caux Round Table Japan (CRT Japan).
- We exchanged information with experts from other companies, NPOs, international organizations, and government agencies through participation in the Global Compact Network Japan, the Social Sustainability Working Group in the Japan Sustainability Local Group of the Consumer Goods Forum (CGF), and the Japan Sustainability Local Group (JSLG).

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 submitted a statement from Kao Australia Pty. Limited to the Australian government in response to the Modern Slavery Act 2018 (Commonwealth), which was enacted in Australia in 2018.
- We started preparing the Kao Human Rights Policy Appendix as a document explaining the contents of the Kao Human Rights Policy. The document will be released in 2023.

Reviews of 2022 results

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. We believe that the situation of human rights violations can be determined from human rights risk surveys and feedback from society to the company, and we conduct risk surveys and operate a grievance mechanism. Our goal is to achieve a 100% response rate for human rights due diligence for the Kao Group, suppliers, and on-site subcontractors by 2030. In 2022, the survey implementation rate was 100% for the Kao Group, 62% for suppliers, and approximately 15% for contractors.

The investigation did not reveal any serious human rights violation risks, such as forced labor or child labor, in the Kao Group. We will continue to share Kao Group's ideas on our Partnership Requirements for Suppliers and ESG Promotion Activities with Suppliers with suppliers and ask for their cooperation, with the aim of obtaining a 100% assessment implementation rate. This year, approximately 38% of suppliers had low assessment results, and we will be seeking improvements from these suppliers. The assessment implementation rate with respect to contractors was higher than 14%, which was our target in this year. We will continue our efforts to gain their understanding and cooperation next year and beyond.

In parallel with the broad rollout of the human rights risk survey, further research (interviews) was conducted on foreign workers, which was identified as an important human rights theme during the potential risk assessment workshop. The interviews were conducted by Caux Round Table Japan (CRT Japan), a non-profit organization working in the field of business and human rights, with foreign workers (including technical intern

trainees) at partner companies of two Kao Group plants. According to the results, the relationship between the company and the workers was assessed as good and no problems were found at this time, including with regard to the working environment and the payment of wages. On the other hand, because foreign workers tend to be placed in vulnerable positions, we increased awareness of the necessity of the introduction of the grievance mechanism. In the next year and beyond, we will check the status of human rights violations based on the feedback obtained from assessments, the Consultation Hotline and the operation of the grievance mechanism in the palm oil supply chain, and continuously try to identify, prevent and reduce human right risks.

- Interviews with foreign workers: We examined issues from the perspective of forced or compulsory labor, living wages and occupational safety.
- Compliance Hotlines: 488 cases of reports and consultations were received regarding harassment, communication problems, labor conditions, and work conditions throughout the year.
- Grievance mechanism in the palm oil supply chain: Approximately 100 requests and inquiries were received on the certificate system, palm production and sustainable farming.

For details on the Compliance Hotlines and the grievance mechanism in the palm oil supply chain, follow the link.

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Main 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.

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.

Initiatives in the group

Conducted workshop on human rights due diligence and potential risk assessment

We conducted a workshop for the Human Rights and DE&I Steering Committee. Thirty participants from various divisions were divided into groups to discuss human rights risks in Kao's overall corporate activities. The results are reflected in the above-mentioned revision of "Kao Group risks specified through risk assessments." As a result of the workshop, the experts identified foreign workers in Japan (including those at subsidiaries or affiliates and in the supply chain) and working conditions of producers and farmers from whom Kao procures raw materials as important human rights themes for Kao. In response, we conducted interviews with foreign workers from on-site subcontractors at the Wakayama and Toyohashi plants.

Implementation of risk assessment

Each year, Sedex, a global business ethics information-sharing platform, is used to conduct risk assessments for Kao sites around the world.

In 2022, we achieved a 100% response rate with 41 plants and 56 subsidiaries. The results obtained did not show any serious human rights violation risks at either our production sites or our group companies. There are therefore no cases of mitigation being implemented.

Initiatives 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. By the end of 2022, 88% of global transactions (by value) were conducted with Sedex member companies (including alternative programs* and Kao SAQ).

* EcoVadis and other survey programs used as alternatives to Sedex

P91 Responsibly Sourced Raw Materials

Field interviews with foreign workers employed by on-site subcontractors

The Caux Round Table Japan (CRT Japan) conducted face-to-face interviews with technical intern trainees working at the Wakayama plant and managerial staff and supervisors from the employing companies. Technical intern trainees have commented that with the support of the employing company's employees, they appreciated the good work and living environment in place.

At the Toyohashi plant, field interviews were conducted with foreign workers from three on-site subcontractors and supervisors from each company. Results of interviews conducted by the CRT indicated the working environment as highly satisfactory because they had established good relationships with Japanese staff and were assured of fair wages and a living wage.

Although no significant negative human rights impacts were identified in either interview, we increased awareness of the necessity of the introduction of the grievance mechanism for foreign workers who tend to be placed in vulnerable positions.

Respecting Human Rights

GRI 2-25, 412-2, 412-3, 414-2

Remediation

Launched the operation of a grievance mechanism for oil palm smallholders in Indonesia

The grievance mechanism for independent small oil palm farms in Indonesia has been in operation since September 2022.

P91 Responsibly Sourced Raw Materials

Studying the implementation of a grievance mechanism for foreign workers employed by on-site subcontractors at the plant

In response to the written contributions of Mr. Hiroshi Ishida, Executive Director of the Caux Round Table Japan (CRT Japan) in the 2021 Sustainability Data Book, Sustainability Report 2022 and subsequent engagements, we have recognized the importance of interacting with foreign workers and establishing a grievance mechanism. To address these issues, we have been preparing to implement a grievance mechanism for foreign workers employed by on-site subcontractors who are considered to be in a vulnerable position. In 2022, we promoted communication with on-site subcontractors for the early introduction of the grievance mechanism.

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. We conducted compliance training for new employees and new managers, and harassment prevention training at

the request of divisions. We also shared other compliance case studies on the intranet to promote dialogue based on recent cases and to increase tolerance of diversity. In addition, we performed BCG confirmation testing at subsidiaries outside Japan. We have also promoted activities to create a more workplace-friendly culture by having the chairperson of the Compliance Committee and other responsible persons within and outside Japan send an annual compliance message to the entire Group, including subsidiaries outside Japan, to cultivate the ability to recognize when something is not right in the workplace and to praise the courage to speak up against it.

P161 Effective Corporate Governance

Raising awareness of the importance of respecting human rights through the company intranet (Global)

To stimulate employee interest, we share information on human rights issues through intranet posts and e-mail newsletters.

This year, we focused in particular on further developing the human rights section of the Kirei Lifestyle Plan Lecture, an e-learning course on Environmental, Social and Governance (ESG) issues that was released in 2021. The lecture introduces human rights-related news events from around the world and our efforts, for example, to support oil palm smallholders. 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. As a result of distributing a special issue of the ESG Trends Newsletter on World Human Rights Day (December 10) and putting up

posters internally, enrollment in the course increased by 89%, with participants commenting that they wanted to learn more about not only racial discrimination, but also gender discrimination, minority discrimination, and lookism, and that they realized that there were areas that they still did not fully understand.

Raise awareness of human rights in accordance with the characteristics of the business (Japan)

We have human rights awareness programs in place in each of our divisions in relation to their respective operations. The Kao Group Customer Marketing Group, a sales company, conducted a company-wide human rights awareness and confirmation test focusing on content related to sales activities. The awareness program was administered to 11,378 employees, and all employees who were not working in stores responded to the test. We received comments in the post-survey, such as, "I now know that I need to be extra careful in business meetings, product introductions, business meeting materials, and at points of purchase." The Consumer Products Business has developed an e-learning course on how to consider human rights in advertising expression. This is a learning experience for new employees and transferees involved in product development and marketing. The Cosmetics Business division conducted awareness raising of human rights issues specific to cosmetics under the concept of "Celebration of Individuality." Since the cosmetics business is inextricably linked to gender and lookism, in addition to the Kirei Lifestyle Plan Lecture, a new video was created and developed to show the points to consider when creating advertisements.

Respecting Human Rights GRI 2-25, 412-2, 414-2

Initiatives to deepen understanding of racial discrimination issues and diversity

In the Americas, workshops and lectures by experts on social issues were held in conjunction with annual events, such as Black History Month and Pride Month, to increase employees' understanding of issues affecting undervalued and vulnerable groups. We continued holding workshops on unconscious bias and racial discrimination for all employees, as well as new workshops on allyship and microaggressions.

We also established a Diversity and Equity Inclusion Committee, published the newsletter “#StrongerTogether,” and created opportunities for employees to deepen their understanding by sharing their own stories with others to create an inclusive internal culture.

In addition, the Kao Pride Employee Resource Group (ERG) was formed to create a network to promote initiatives that support a wide range of people in the LBGTQ+ community and Allies. The Kao Pride ERG works to promote the career advancement and growth of LBGTQ+ individuals, highlight the diverse voices of every employees in the Americas, and create an open environment where employees can be themselves. The Kao Pride ERG hosted an employee panel discussion on National Coming Out Day and an event with guest speakers to raise awareness about the use of gender pronouns* and moving away from gender binaries.

EMEA has launched eight ERGs called Kao Communities which focus on gender inclusion, cultural diversity and disabilities, etc. Through the communities, Kao Communities hosted six online awareness events and lectures to promote open conversations on important topics, such as Black History Month, Pride Month, International Pronouns Day, and National Fertility Awareness Week. We also hosted a session on

World Mental Health Day on October 10, with speakers about the black community in Germany.

Activities in Japan are introduced in “Inclusive and diverse workplaces.”

P209 Inclusive & Diverse Workplaces

Dialogue and consultation

Dialogue with experts outside Japan

In order to obtain objective opinions on Kao's Business and Human Rights initiatives, we participated in a dialogue with experts outside Japan organized by the Caux Round Table Japan (CRT Japan). We explained Kao's initiatives to two experts outside Japan in the field of business and human rights and exchanged views with them. The discussion highlighted the importance of taking concrete actions in collaboration with suppliers to solve issues, and the need to establish a relationship of trust with vulnerable groups to make these efforts effective. This has made us more aware of the need to engage with rights holders and to develop grievance mechanisms.

Framework for reviewing advertising expressions from a human rights perspective

We have a framework in place to ensure that expressions used in advertising, packaging, promotional materials, etc., are reviewed from multiple perspectives to ensure full consideration of human rights. First, 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, the Human Rights Meister* within Advertising Communication also reviews the content, and the ESG division is consulted and confirmed for issues that are difficult to assess. A process to address any issue is in place and operational. Beginning in 2022, this verification process has been extended and is operating in the entire Cosmetics Business.

Through 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 human rights are taken into account to earn consumer sympathy and support and exert a positive influence on society.

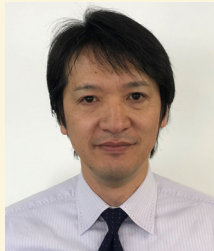
* Human Rights Meister

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

Respecting Human Rights

Employees' opinions

Create products that make everyone happy



Hidetoshi Nomoto

General Manager,
ESG and Business Promotion,
Global SCM Strategy Center

I believe that if the people involved in a product are not happy, it is not really a good product and the customer(s) who use it will not be satisfied with it. Our products reach our customers through the cooperation of many people, both inside and outside

the company, from research and development, raw material procurement, production, to logistics and sales. It is important to respect the human rights of everyone involved in this process and to create an environment in which everyone can work with equal vigor and enthusiasm.

Since 2016, the Kao Group has been using Sedex to mitigate human rights risks at its own manufacturing sites, and from 2021, the Group is working to expand the scope of this initiative to include on-site subcontractors. Some of our sites have a large number of foreign workers, and we want to create an environment that is easy for everyone to work in.

Respecting Human Rights

Stakeholder engagement

Hiroshi Ishida

Executive Director,
Caux Round Table Japan
(CRT Japan)



Kao's response to the views expressed last year

Last year, Mr. Ishida noted the importance of engaging in direct dialogue with vulnerable producers and workers (rights holders) in the supply chain to identify and address situations where people are suffering human rights violations. In response, in 2022, the grievance mechanism for oil palm smallholders in Indonesia was launched. We also interviewed foreign technical intern trainees working at Kao plants to confirm firsthand that there were no human rights violations. Regarding management involvement, which was mentioned as an expectation of us, we initiated activities in the Human Rights and DE&I Steering Committee and made efforts to disclose the discussions held there. We will continue our dialogue with rights holders and intensify our activities.

Kao Group initiatives to promote respect for human rights

■ **Global Trends: Strengthening the governance framework from an external perspective based on the UNGPs**

This year in Japan, the government has taken a stronger stance, urging companies to strengthen their efforts on business and human rights in a way that includes the supply chain. In EMEA (Europe, the Middle East and Africa), there were calls for due diligence on human rights and the environment, and for a proposed roadmap for transitions to build resilient business models.

■ **What we value about Kao's activities**

For the 2022 activities, we would like to commend ourselves on setting a framework for a management system with an external perspective based on the UNGPs to ensure legitimacy, and operating a PDCA (Plan, Do, Check, and Act) cycle.

- (1) With respect to ESG strategies, the creation of the Human Rights and DE&I Steering Committee in 2022 laid the groundwork for building a more complete management system than ever before.
- (2) This committee brought together relevant divisions and conducted human rights due diligence with third-party organizations to identify human rights themes (foreign workers and palm oil as a raw material).
- (3) With respect to the human rights themes identified in (2) above, we began work in

September on the SMILE project to conduct third-party interviews with technical intern trainees at domestic plants to confirm the existence or non-existence of human rights violations, and on a grievance mechanism for oil palm smallholders that we have been working on for some time.

■ **Kao's expectations for the future**

- (1) Implementing human rights and environmental due diligence

Continue to build a foundation of trust through direct dialogue with foreign workers within and outside Japan and oil palm smallholders, including suppliers, and develop a complaint center as part of this trend. In addition, direct dialogue should be established with rights holders to reduce environmental impacts on local communities.

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

In EMEA (Europe, the Middle East and Africa), directors are expected to take on more responsibility (role sharing) than ever before. Therefore, management involvement should be strengthened through clearer discussion and decision-making processes in the ESG Managing Committee.

- (3) Quality relationship

Enhance corporate value by laying the foundation for a transition roadmap to build a resilient business model through direct dialogue with rights holders and human rights experts outside Japan, as well as with environmental, social, and governance (ESG) investors in the future.