

Respecting Human Rights GRI 2-23

We support and respect international rules relating to human rights, and have developed the Kao Human Rights Policy. This policy is based on the United Nations (UN) Guiding Principles on Business and Human Rights, and we are working to achieve zero human rights violations in all our corporate activities. The Kao Human Rights Policy was first published in 2015, and is reviewed periodically. 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.

The increasing globalization of business activities has highlighted the risk of forced or compulsory labor among suppliers in developing countries, so it is important for companies to emphasize respect for human rights. Within the workplace, employees' lifestyles and values are becoming more diverse, and there is a need to create a comfortable working environment free of discrimination. While there is the possibility of raising social issues through advertisements to consumers, there is also the potential for the expressions to infringe on their human rights. If advertisements spread by consumers on social networking sites contain content that violates human rights, consumers may indirectly be complicit in human rights violations.

In October 2021, the UN Human Rights Council passed a resolution recognizing that environmental issues, including climate change, are human rights issues. Subsequently in July 2022, the UN General Assembly declared that "access to a clean, healthy and sustainable environment is a universal human right." We also recognize that climate change and human rights are closely intertwined.

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 risks, implement remediation when human rights violations have emerged, and continue making an effort to mitigate the risk and prevent human rights violations from occurring.

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 respects human rights

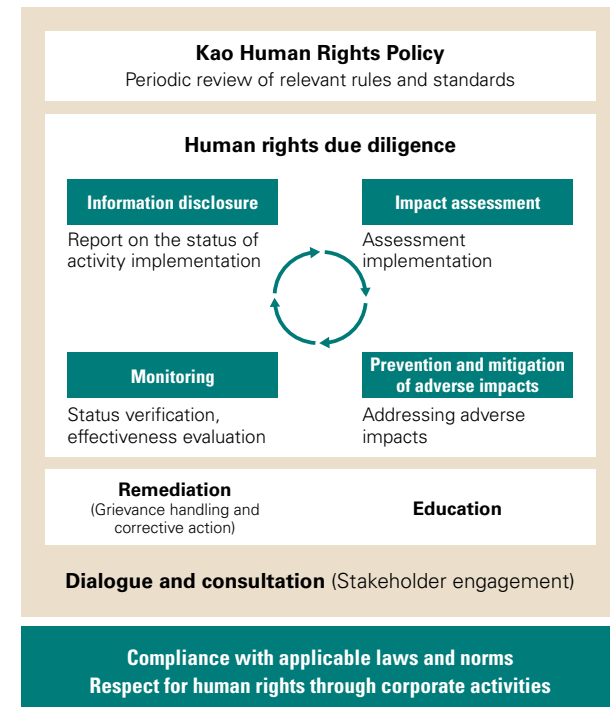
- Partnership Requirements for Suppliers

Requirements for suppliers to prohibit forced or compulsory labor, child labor, and illegal labor as human rights 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

Overall picture of the initiatives outlined in the Human Rights Policy



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- “High-Risk” Supply Chain Management and Sourcing
Specified approaches for solving essential issues regarding human rights and the environment in high-risk supply chains
- Diversity, Equity, and Inclusion (DE&I) Policy
Promotion of DE&I practices with our stakeholders, starting with our employees, and including business partners and all people in society
- Support the CGF’s*1 Forced Labour Resolution and the industry’s Priority Principles.

In addition, we have established a framework for receiving hotline reports from both inside and outside the company. All reports and consultations received at the Compliance Hotline are discussed and investigated by the Compliance Committee and the Compliance Committee Secretariat, which take action as necessary.

*1 CGF: The Consumer Goods Forum



Kao Human Rights Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/humanrights-policy/>

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

Policies for Procurement
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-policy/>

Partnership Requirements for Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-partnership/>



ESG Promotion Activities with Suppliers
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-esg/>

“High-Risk” Supply Chain Management and Sourcing
<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>

Diversity, Equity and Inclusion (DE&I) Policy
<https://www.kao.com/global/en/sustainability/walking-the-right-path/inclusive-diverse/dei/policy/>

Respecting human rights
<https://www.kao.com/global/en/sustainability/walking-the-right-path/humanrights/>

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

Consumer Communication Center (Consumer support room)
<https://www.kao.com/jp/support/>

Strategy

Risks and opportunities

Risks

Through the implementation of risk assessments, including human rights risk workshops, we have identified the risks shown in the “Kao Group risks specified through risk assessments” chart, and the important human rights theme for Kao is the “the working environment for people who we work with.” We conduct periodic risk assessments to evaluate the status of these risks.

P194 Kao Group risks specified through risk assessments

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 employee 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 the Kao Group
- Opportunities for Kao Group to build and maintain a strong supply chain by increasing respect for human rights among business partners

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- 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

Strategy

Respecting human rights is an indispensable and important fundamental activity for Kao Group in realizing its Purpose and fulfilling its "Commitment to the Future" while paying due attention to social issues. In addition, respect for human rights implemented in accordance with the Kao Human Rights Policy will specifically contribute to the strategic approaches: "Become an essential company in a sustainable world" and "Maximize the power and potential of employees," as part of the Mid-term Plan 2027 (K27).

Recognizing the diversity of human rights issues, the Human Rights and DE&I Steering Committee holds interdepartmental discussions to set strategy and activity direction, promote employee awareness through awareness-raising, and drive initiatives in each department. We also aim to achieve zero human rights violations by taking advantage of the many opportunities afforded by our broad range of business areas, from our

Consumer Products Business to our Chemicals Business.

To identify human rights risks, we conduct risk assessments such as human rights workshops and other means to examine what risks exist in the Kao Group. As a KPI, we have set the risk assessment implementation rate for internal, suppliers, and contractors, and are working to improve the implementation rate. We also conduct risk surveys of suppliers and on-site subcontractors, and based on the results, carry out 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.

By collaborating together with a wide variety of stakeholders to implement measures that strengthen respect for human rights, 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 helping to achieve 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.



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

Management Strategy and Mid-term Plan 2027 (K27)
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

Social impact

Expanding company measures to ensure respect for human rights helps to enhance awareness of human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among

stakeholders enhances awareness of human rights in society as a whole, mitigates human rights issues 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 fewer 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.

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 and the like, or lose commercial opportunities with their business partners. There is also a 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.

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Continuing to identify, prevent or 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 personnel, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

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 in management strategy, and the ESG Promotion Meeting executes the strategies.

In addition, the Human Rights and DE&I Steering Committee (which meets approximately once a month), under Board-level ownership, also formulates strategy and plans its implementation, 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 adverse 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 Consumer Products Business is responsible for human rights considerations in advertising expressions that are most relevant to consumers. 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 rights 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, which is supervised by the Board of Directors, and the ESG Promotion Meeting.

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 chart "Kao Group risks specified through risk assessments" has been updated to reflect the content of the discussions held at this meeting.

* 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.

P25 Our ESG Vision and Strategy > Governance

P194 Kao Group risks specified through risk assessments

P225 Inclusive & Diverse Workplaces

P100 Responsibly sourced raw materials

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 implements measures to foster respect for human rights. To this end, we disseminate information and provide education and training in line with the Kao Human Rights Policy, share information on human rights at each meeting, and globally deploy the human rights and DE&I editions of the "Kirei Lifestyle Plan Lecture," an e-learning program for learning essential knowledge to promote the Kirei Lifestyle Plan. We also provide education and training

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on specific themes, such as compliance, responsible procurement of raw materials, workplace safety and security, and DE&I, at various opportunities. As a point of contact with the people who work with us, we also regularly educate the people in charge of human rights risk surveys at group companies and plants, as well as employees involved in creating advertisements. The purpose is to prevent and mitigate the risk of human rights violations for each stakeholder group. The Human Rights and DE&I Steering Committee will discuss more effective program development to further deepen employee understanding and promote human rights considerations in each employee's work.

Education for all executives and employees

ESG Managing Committee members

ESG Promotion Meeting members

Human Rights and DE&I Steering Committee members

Risk and Crisis Management Promotion Council members

Asia ESG Leaders Meeting members

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

Objectives	Method	Contents	Frequency
Previous result feedback and request for completing the SAQ	Briefings and reference material	Basic content, social trends, cases and points to note	Once a year

Marketing and advertising respondent (consumer touchpoint)

Objectives	Method	Contents	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 once a year Anytime consultation

Awareness-raising with respect to specific themes

BCG, Diversity, Equity & Inclusion, responsibly sourced raw materials, advertising expressions, human rights in general, etc.
Information provision using the company's intranet, e-learning, training, etc.

Lecture (ad hoc base)

P195 Mid- to long-term targets and 2023 results

Collaboration with stakeholders

We implement initiatives that promote respect for human rights in all of our corporate activities. The Kao Human Rights Policy states, "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 also utilize a variety of opportunities and methods to ensure that our employees, suppliers, consumers, shareholders, business partners, local communities and government agencies understand our policies and ethical standards.

Employees

Each year, we strive to grasp *Genba* issues and employee awareness through employee roundtables and employee engagement surveys.

Suppliers

We introduce our activities and engage in an exchange of views at vendor summits and other meetings.

On-site subcontractors

We engage in dialogue at safety council meetings and other forums.

Local communities

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.

Experts

We have a dialogue with experts, who advise us on our overall activities.

P216 Human Capital Development > Create equitable opportunities for all employees

Risk management

We conduct human rights risk workshops and human rights risk surveys as risk assessments to manage human rights risks.

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

	Research and Development	Procurement	Manufacturing / Sales	Marketing	Logistics	Disposal	
Impacted stakeholders	All people	<ul style="list-style-type: none"> Human rights violations caused by climate change (threats to lives, destruction of living environment, loss of livelihood, involuntary migration, loss of employment, deterioration of working environment, etc. due to disasters caused by extreme weather events) "Just Transition"^{*1} is not being conducted Adverse human rights impacts of business practices that do not meet internationally recognized human rights standards 					
	People who we work with (Kao regular and contracted employees, temporary workers, subcontracted employees, affiliate employees and supplier employees) (includes women and migrant workers)	<ul style="list-style-type: none"> Forced or compulsory labor Long working hours Human trafficking Child labor Poor working conditions Restriction of freedom of association and collective bargaining Inadequate wages (non-payment, wages below the living wage, wage disparity and unequal remuneration for equal work.) Discrimination (age, origin, nationality, foreign and migrant workers, race, discrimination against women, gender, members of the LGBTQ+ community, disability and illness, pregnancy / nursing) Any form of harassment Lack of DE&I consideration Invasion of privacy^{*2} Deterioration of working environment due to abuse of a superior position Complicity in or facilitation of human rights abuses by business partners 					
		<ul style="list-style-type: none"> Poor working environment or living environment, forced or compulsory labor or child labor on oil palm farms and in palm mills 	<ul style="list-style-type: none"> Damage to physical and mental health caused by being in a poor living environment 		<ul style="list-style-type: none"> Long working hours and overwork due to labor shortages and the resulting health hazards 		
	Job applicant	<ul style="list-style-type: none"> Discrimination in recruitment^{*2} 					
	Consumers and customers (including women, children, and the elderly)	<ul style="list-style-type: none"> Adverse impact on health or safety due to product design issues Lack of research ethics in product design^{*2} 					
					<ul style="list-style-type: none"> Invasion of customers' privacy^{*2} Adverse impact on consumers due to misperception caused by inappropriate advertising, promotion, packaging and labeling (children, senior citizens or women) Unintentional discrimination through the use of digital and AI technologies Misunderstanding due to misrepresentations Health hazards and adverse impacts on daily life caused by the misuse of products 		
Local communities and indigenous people	<ul style="list-style-type: none"> Health hazards due to leakage of hazardous substances (including those caused by natural disasters of unexpected magnitude) 						
		<ul style="list-style-type: none"> Harm caused to indigenous inhabitants' culture, traditions, or livelihoods due to construction of plants, etc. Damage caused to ecological systems 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) Persecution of human rights defenders and environmental activists 					

*1 A concept that aims for a transition to a sustainable society in a fair and equitable manner without leaving behind workers in related industrial sectors or regions where industries are located, when solving environmental problems or implementing measures

*2 Including discrimination due to the utilization of digital and AI technologies

These risks are reviewed through annual human rights risk workshops. In FY2023, the risks were reviewed based on discussions among employees from various divisions, including members of the Human Rights and DE&I Steering Committee, and a table was compiled based on the opinions of experts.

Based on this process, we identified "the working environment for people who we work with as the important human rights theme for Kao," with priority

given to "producers and farmers from whom Kao procures raw materials" and "foreign workers in the supply chain including Kao group companies" as high-risk areas.

At the same time, we conduct risk surveys of employees, suppliers, and contractors to prevent and mitigate adverse effects.

In addition, since Kao publishes a large number of advertisements, we have internal mechanisms in place, such as ensuring that many pairs of eyes check each advertisement, to reduce the risk of human rights violations in 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.

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We also have an internal crisis management framework in place to respond quickly if a human rights violation is identified. A compliance hotline framework is in place for internal and external reporting of compliance violations and other human rights risks that have come to light, and a corporate risk management system is followed for quality issues and risks that also may affect reputations. 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.

We are operating a relief system for the following subjects by collecting direct feedback from rights holders in the supply chain.

- Laborers in independent oil palm smallholders
- Foreign workers employed by a subcontractor in Kao plants

P40 Our ESG Vision and Strategy > Risk management

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 review 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.

P295 Risk and Crisis Management > Governance > Framework

P297 Risk and Crisis Management > Governance > Education and promotion > Risk surveys

Metrics and targets

Mid- to long-term targets and 2023 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 human rights risk workshops and human rights risk surveys as assessments for understanding human rights risks. Our target for carrying out human rights risk surveys at each internal Kao Group company and plant is always 100%. We believe that respect for human rights requires constant and ongoing commitment. Meanwhile, the goal for suppliers is 100% by 2025, and for contractors is 100% by 2030. Currently, we are starting by asking for cooperation in the survey, and as of 2023, the implementation rate is 81% and 19%, respectively. We

plan to continue to strengthen our efforts and further increase the implementation rate each year.

2023 results Human rights policy development and periodic review

The Kao Human Rights Policy was established in 2015 and has been reviewed periodically, with some wording revised this year.

Human rights due diligence Impact assessment

At the Human Rights and DE&I Steering Committee, we hold workshops on human rights risks to discuss important human rights themes for Kao and conduct human rights risk surveys with respect to employees, suppliers, and contractors with the use of Sedex^{*1}. Especially for high-risk targets, we take a deeper dive into the data and make active efforts.

*1 Sedex: Supplier Ethical Data Exchange.

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

Human rights risk workshop

The Human Rights and DE&I Steering Committee conducted a human rights risk workshop to examine what human rights risks exist for each stakeholder across the divisions. Risks raised by participants were evaluated in terms of severity and likelihood of occurrence in accordance with the Guiding Principles on Business and Human Rights. As a result, we identified "the working environment for people who we work with" as the important human rights theme for Kao, with priority given to "producers and farmers from

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whom Kao procures raw materials” and “foreign workers in the supply chain including Kao group companies” as high-risk areas. We will address these issues on a priority basis. In addition, based on the risks raised by the participants, we updated the “Kao Group risks specified through risk assessments” chart mentioned above.

P194 Kao Group risks specified through risk assessments

Human rights risk surveys

- Internal
 - We conducted a survey of Kao Group companies (52 companies) using the Sedex Self-Assessment Questionnaire (target company response rate: 100%).
 - We conducted a survey of all Kao Group production sites (39 plants) using the Sedex Self-Evaluation Questionnaire (response rate of target plants: 100%).
- 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 2023, 81% of global transactions (by purchase value: 97%) were conducted with Sedex member companies (including alternative programs and Kao SAQ).
 - Of the 1,339 sites that had been granted access privileges and replied to Sedex’s new Self-Assessment Questionnaire as of December 2023, 25% received an S ranking, and 38% received an A ranking in the overall evaluation of Sedex’s supplier risk assessment.

P100 Responsibly Sourced Raw Materials

● Contractors

As for contractors, we started performing risk surveys using Sedex for on-site subcontractors at production sites in 2021, and in 2023 we started surveys for manufacturing sites outside Japan. The implementation rate of risk assessment was 19%.

Audit (Social responsibility audit)

SMETA*¹ audits are conducted on high-risk suppliers that have been identified as high-risk through Sedex or Kao’s SAQ assessment results, or through on-site assessments conducted by Kao representatives. In FY2023, the audits were conducted on 30 companies, and for those that were identified in the audits, we requested submission of corrective action plans and confirmed completion of the corrective actions.

*1 SMETA audits (Sedex Members Ethical Trade Audit)
Third-party social responsibility audits in areas such as labor, health and safety, and other areas

P100 Responsibly Sourced Raw Materials

Prevention and mitigation of adverse impacts

Assessment and audit results are fed back to relevant parties to be linked to improvements, along with employee education, frameworks for reviewing advertising expressions, supplier monitoring.

In 2012, new clauses relating to concerns 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.

P200 Education and promotion

P201 Framework for reviewing advertising expressions from a human rights perspective

P100 Responsibly Sourced Raw Materials

Monitoring

- We conducted a human rights awareness survey with respect to our employees who communicate with on-site subcontractors at manufacturing sites.
- No cases of forced labor, child labor, or other adverse impacts on human rights were found during the human rights risk assessment in 2022, confirming that there were no verified risks.
- In the compliance awareness survey, We confirmed whether all employees trusted the compliance hotlines in the compliance awareness survey.

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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 have released a “Palm Dashboard” that summarizes our efforts related to palm oil, which we regard as the most important natural resource, and introduces the progress in traceability and the voices received through the Grievance Mechanism.



Palm Oil Dashboard
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Remediation

- We have established a contact point for compliance reporting and consultation from employees, suppliers, contractors, and consumers. We responded to 639 reports and consultations throughout the year, including those related to harassment, communication problems in the workplace, labor conditions, and work.
- We started operating a grievance mechanism for independent oil palm smallholders in Indonesia in September 2022. As of the end of December 2023, we had received 213 inquiries in total, including 13 questions about human rights. We successfully closed

99% of the inquiries and are continuing to handle two of them.

- A grievance mechanism for foreign workers employed by on-site subcontractors at each plant has been introduced and is now operating at three companies.

P100 Responsibly Sourced Raw Materials

P168 Effective Corporate Governance

Education

Internal

- The Human Rights Policy has been translated into 17 languages and shared internally.
- Through training on the Kao Business Conduct Guidelines (BCG), compliance training, and the dissemination of compliance case studies, we raised awareness of the concept of respect for human rights and the need for dialogue in the workplace.
- 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.
- In conjunction with World Human Rights Day, the ESG Trends Newsletter disseminated a message from the executive officers who are owners of the Human Rights/DE&I Steering Committee to all global employees.
- We conducted lectures by experts on human rights matters when creating advertisements in the Consumer Products Business.
- We have continued to provide LGBTQ+ learning opportunities and ALLY*¹ recruitment as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.

- We have implemented initiatives to deepen understanding of racial discrimination issues and diversity.
- Our ESG staff participated in the Business and Human Rights Academy training, which is organized by the United Nations Development Programme (UNDP) with the support of the Japanese government.

*1 ALLY: A person who understands and supports LGBTQ+

P100 Responsibly Sourced Raw Materials

P168 Effective Corporate Governance

P225 Inclusive & Diverse Workplaces

Suppliers

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

P100 Responsibly Sourced Raw Materials

Contractors

- We explained current trends in human rights and Kao’s approach at a meeting of on-site subcontractors at each production site.

Dialogue and consultation

- We participated in individual guidance sessions with experts conducted by UNDP and held discussions with three experts.
- We participated in a roundtable session on business and human rights conducted by UNDP for CEOs/ relevant executives and other management level personnel, and exchanged opinions with experts and other participating companies.

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- In support of the promotion of human rights due diligence in procurement activities, we joined the Japanese Cosmetics & Personal Care Products Industry Buyer Members Sedex Working Team, which was established by the cosmetics and personal care business, which is participating in Sedex.
- 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 Cosmetic Industry Association's human right-related subcommittee.



Kao joins the Sedex Working Team of Cosmetics & Personal Care Business Buyer Members
<https://www.kao.com/global/en/newsroom/news/release/2023/20231120-001/>

Reviews of 2023 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 contractors by 2030. In 2023, the survey implementation rate was 100% for the Kao Group, 81% for suppliers, and 19% for contractors.

The investigation did not reveal any risks that led to serious human rights violation risks, such as forced labor or child labor in the Kao Group. Therefore, there

are no cases of sites making improvements or conducting remediation procedures. In terms of suppliers, the implementation rate has greatly improved due to the progress of surveys of suppliers outside Japan in cooperation with representatives from group companies outside Japan who serve as contact points. We will continue to share the 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. Although there were no serious violations of human rights in 2023, approximately 37% of suppliers had low assessment results, and we will be seeking improvements from these suppliers. There were no serious violations of human rights at contractors as well. The implementation rate of the assessment increased due to opportunities for giving direct explanations to each company and progress made in the assessment at some worksites outside Japan. However, the target of 24% was not reached. In 2024, we will continue to make efforts and progress with investigations to ensure continued understanding and cooperation.

We operate a grievance mechanism for foreign workers of on-site subcontractors at manufacturing sites and for independent oil palm smallholders. Operations of the mechanism for foreign workers started at three companies in Japan in FY2023. We believe this is due to understanding and empathy toward the importance of our efforts for business and human rights as well as that of the setup of the grievance mechanism, through direct communication with target companies. On the other hand, regarding the grievance mechanism for independent oil palm smallholders, we received 213 inquiries in total, including 13 questions about human rights, as of the

end of December 2023. We successfully closed 99% of the inquiries and are continuing to handle two of them. After 2024, we will not only try to identify, prevent, and mitigate human rights risks by conducting assessments but will also advance our efforts to promptly respond to inquiries on adverse effects on human rights that have been collected through the Compliance Hotline and grievance mechanism.

Respecting Human Rights GRI 2-25, 414-1

Main initiatives

Human rights due diligence process

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

Human rights risk workshop

We conducted a workshop for the Human Rights and DE&I Steering Committee. Twenty-six participants from 13 divisions were divided into groups to discuss human rights risks in Kao's overall corporate activities. The discussions are reflected in the above-mentioned revision of "Kao Group Risks Specified Through Risk Assessments." In 2023, we newly added "human rights violation due to climate change," "long working hours," "oppression of human rights advocates and environmental activists," and "human rights risks from digital and AI technologies" to the chart. The 81 human rights risks raised by participants were evaluated in terms of "severity" and "likelihood of occurrence," and prioritized based on comments from UNDP experts and consultants on the results. As a result, we identified "the working environment for people who we work with" as the important human rights theme for Kao, with priority given to "producers and farmers from whom Kao procures raw materials" and "foreign workers in the supply chain including Kao group companies" as high-risk areas.



Human rights risk workshops

P194 Kao Group risks specified through risk assessments

Conducting human rights risk surveys

Internal

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

In 2023, we achieved a 100% response rate with 39 plants and 52 subsidiaries. The results obtained did not show any serious human rights violation risks such as forced labor or child labor at either our plants or our group companies.

Suppliers

Suppliers have been required to perform self-assessments of their conformity with our 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 2023, 81% of global transactions (by purchase value: 97%) were conducted with Sedex member companies (including alternative programs*1 and Kao SAQ).

*1 EcoVadis and other survey programs used as alternatives to Sedex

P100 Responsibly Sourced Raw Materials

Contractors

As for contractors, we have been conducting a risk survey by Sedex since 2021 for on-site subcontractors at our manufacturing sites. In 2023, in order to gain a better understanding of Kao's approach and to gain a better grasp of the real voices through communication with on-site subcontractors, we explained the purpose of the survey directly at seven plants in Japan. We have also begun surveying on-site subcontractors at manufacturing sites outside Japan, and the risk assessment implementation rate is now 19%.

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

In 2012, new clauses relating to concerns 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.

Respecting Human Rights GRI 2-25, 414-2

Performing human rights risk surveys at production sites

To ensure the human rights of employees of on-site subcontractors are respected and that the work environment is DE&I-friendly, we conducted an awareness survey for employees that communicate daily with on-site subcontractors. From now on, we will analyze the results and use the analyses for our subsequent activities.

Remediation

Operations of the grievance mechanism for independent oil palm smallholders in Indonesia

We started operating a grievance mechanism for independent oil palm smallholders in Indonesia in September 2022. As of the end of 2023, we received 213 inquiries including 13 questions about human rights, such as forced or compulsory labor, child labor, and land disputes, from 212 farms. We have closed 99% of those inquiries and are continuing to handle two inquiries.

P100 Responsibly Sourced Raw Materials

Started introducing the grievance mechanism for foreign workers employed by on-site subcontractors at the plant

Through engagement with experts, we recognized that foreign workers tend to be in a vulnerable position, and therefore we need to keep a close eye on such foreign workers and prevent and mitigate adverse effects. In 2023, we commenced operations of a grievance mechanism for foreign workers who have been employed by on-site subcontractors at three companies.

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 sets 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 Kao group companies 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.

P168 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.

In addition to continuing to disseminate the human rights section of the "Kirei Lifestyle Plan Lecture," an

ESG e-learning course released in 2021, and creating and disseminating a new DE&I section, we sent out messages from the president and board members in conjunction with the disclosure of the DE&I policy to inform employees of the policy along with the concept of human rights and DE&I.

Also this year, a portal site operated by the Human Rights and DE&I Steering Committee was launched to consolidate awareness-raising tools and other information to strengthen accessibility for employees.

Raising 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 Consumer Products Business held a lecture on advertising expression and gender on December 10, World Human Rights Day, as part of marketing education. There were 424 participants, and they commented that they thought it was difficult to create advertisements that did not cause any offense to anyone, but that it was important to be aware that there are people in various environments and with diverse ways of thinking.

Education on and the instillation of DE&I, an important element in respect for human rights, is presented in "Inclusive & Diverse Workplaces."

P225 Inclusive & Diverse Workplaces

Respecting Human Rights GRI 2-25

Dialogue and consultation

Dialogue with UNDP experts

In order to obtain objective opinions on Kao's Business and Human Rights initiatives, we participated in an individual guidance session organized by UNDP. We explained Kao's initiatives to three experts working in the field of business and human rights within and outside Japan, and exchanged views with them.

We received advice about the "Kao Group risks specified through risk assessments" chart in light of social trends, and we updated the content, such as adding new risks. Furthermore, as we received suggestions that would lead to enhanced effectiveness of, for example, the method used for human rights risk surveys, we will leverage this information in our future activities.

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 of advertisement communication 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*¹ within Advertising Communication also reviews the content, and the ESG division is consulted with regarding issues that are difficult to assess and

checks such issues. A process to address any issue is in place.

In 2023, we have updated the collection of case studies and deployed an app that can be used by those in charge of carrying out primary checks for self-checks, and posted the information on the intranet and disseminated it at meeting bodies to make it available to most employees.

Through the self-checks and consultation 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. Furthermore, we make sure to enhance advertisements to ensure human rights are taken into account to earn consumer sympathy and support and to exert a positive influence on society.

*1 Human Rights Meister

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

Respecting Human Rights

Employees' opinions

Employee Engagement and Awareness Training on Human Rights



Suttipong Limsila

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

Kao Human Rights Policy

Kao is committed to fulfilling its responsibility to respect human rights, which are the fundamental rights of all human beings, that align with Kao's ESG Strategy, "Kirei Lifestyle Plan," particularly for action with respect to the concept of "Walking the right path." We ensure that this policy is reflected in necessary procedures so as to become established across all of our value chain including internal and external stakeholders, such as consumers and business partners.

Education

Human rights are one of the fundamental aspects of business operations. It is the responsibility of all businesses to respect the human rights of their employees and stakeholders within the organization. This helps to build credibility not only for the entire business but also among stakeholders. Ignorance of human rights in

business operations can lead to employee oppression, forced labor, or exploitation and lawsuits that damage the organization's reputation.

To prevent and mitigate human rights risks, it is important to raise awareness among management as well as all employees and suppliers through the Vendor Summit by deeply understanding human rights risks across the value chain.

In 2023, Kao Industrial Thailand has provided education, with a total of three sessions on April 18, September 7 and September 8 for a total of 109 people with all function heads and employees across the value chain. The objectives of these sessions were to help all participants understand the human rights due diligence (HRDD) framework, the relationship between HRDD and SMETA audits and how they apply to Kao, as well as learning how to develop a strategy and action plan for human rights due diligence.

Following these sessions, participants applied what they had gained in the education's contents through three group activities with different aspects that required thinking about activities and making strategies and countermeasures.

1. Addressing Child Labor in the Supply Chain
2. Promoting Gender Equality in the Workplace
3. Managing Human Rights Risks in a New Market

We will continue providing education to all employees including newcomers through onboarding programs and so forth to ensure that we will maintain compliance with human rights

across the value chain through human rights due diligence. In addition, we will organize second-party audits with key suppliers in 2024 to find gaps for improvement, and raise the bar year after year from now on.



Human rights training held at Kao Industrial (Thailand)

Respecting Human Rights

Stakeholder engagement

Akiko Sato

Business and Human Rights
Liaison Officer, United Nations
Development Programme (UNDP)



The fact that Kao assesses the negative impact of its business activities on each of its stakeholders (rights holders who are subject to human rights) throughout the supply chain and value chain, and continuously works to address them, is in line with the Guiding Principles and embodies the commitments made in the Human Rights Policy.

In future, I would like to see Kao further promote its current efforts while proactively addressing situations that affect the entire global community, such as climate change and conflict,

through the lens of Business and Human Rights. Events that have a significant impact on the viability of a business itself, in other words, also imply a significant negative impact on human rights. When discussing management policies, it is important to always return to the fact that the Guiding Principles call for companies to fulfill their responsibility to respect human rights by focusing on human rights risks. I look forward to seeing impactful initiatives and the establishment of mechanisms for such initiatives, especially for vulnerable people and communities, such as support for oil palm smallholders. The grievance (remedy) mechanism, a mechanism to detect voices on human rights issues, can be used not only for ease of use and effective remediation from the perspective of the parties concerned, but also to promote a corporate culture and behavioral change in which human rights are a common principle. Approaching the root causes is also necessary from the perspective of preventing human rights violations.

This series of initiatives will improve various issues in society while also enhancing the value of Kao based on the trust of its stakeholders. Even if it is difficult for Kao to solve problems on its own, I encourage Kao to continue collaborating with a wide range of actors to achieve solid change. Issues deeply rooted in the social structure, such as gender, DE&I, poverty, or discrimination, may at first glance seem distantly related to the company, but business activities and superficial efforts based on the current structure will result in the unintentional reproduction of existing inequalities.

Human rights initiatives can lead to someone's happiness. I hope that Kao will continue to move forward with meaningful dialogue to create a society in which everyone can live their lives in their own way, and that Kao will broadly involve society through implementing its own "unique" activities.

Kao's response to the views expressed last year

In last year's stakeholder engagement (Hiroshi Ishida, Executive Director, CRT-Japan), expectations for Kao included dialogue with rights holders and increased management involvement. In response to this, in 2023, in order to increase the number of contacts with on-site subcontractors, we have started activities to listen to their opinions by explaining Kao's approach to respect for human rights at face-to-face meetings and requesting their cooperation in risk assessments, and by operating a grievance mechanism for foreign workers employed by subcontractors. We will continue to strengthen our relationship-building efforts.

We also continued discussions at the Human Rights DE&I Steering Committee, in which executive officers also participate, and discussed the roadmap of activities for each stakeholder and other issues.

The top message on DE&I was discussed by this Steering Committee and formulated in 2023. A resulting message from the executive officer who is responsible for the Steering Committee on the occasion of World Human Rights Day was disseminated to employees, and the active involvement of management enhanced the company's internal dissemination of human rights and DE&I.