

Kao Group Modern Slavery Statement

This statement has been developed to comply with Section 54 of the UK Modern Slavery Act 2015. This statement, prepared by Kao Corporation, sets out the steps taken by Kao Corporation, Kao Group companies in the UK and other countries to ensure that slavery and human trafficking have not been taking place in any of Kao Group's business operations and supply chains in the financial year ended December 31, 2023.

1. Business and Supply Chain

Kao Group operates in both the consumer products field and the chemical products field. In the consumer products field, we have four business segments: Health & Beauty Care Business, Cosmetics Business, Life Care Business, and Hygiene & Living Care Business. In the Chemical Business, we develop chemical products contributing to the development of industries.

Our products are sold in over 100 countries/regions. We are headquartered in Japan and employ over 34,000 people across 31 countries/regions. Our businesses provide various products to meet the needs of people around the world, including in the UK. In the UK, our subsidiaries are Kao (UK) Limited and KPSS (UK) Limited, both in the Health & Beauty Care Business, Molton Brown Limited in the Cosmetics Business, and Washing Systems Limited in the Life Care Business.

[Our business](#)

We source raw materials from suppliers in Asia as well as other regions around the world. In the Chemical Business, our group companies offer a wide variety of chemicals, including oleo chemicals manufactured from natural fats and oils, oil derivatives, surfactants, functional polymers, fragrances and aroma chemicals. These materials are provided to the consumer products companies within Kao Group as raw materials, as well as to customers outside the group.

We uphold the principle of integrity, passed down from our founder, as one of the "Values" of our corporate philosophy, the [Kao Way](#). Integrity means to behave lawfully and ethically and to conduct fair and honest business activities. We regard integrity as the starting point of compliance and promote it as a foundation for earning the respect and trust of all stakeholders.

2. Policies

We have established the "[Kao Human Rights Policy](#)" in line with the UN Guiding Principles of Business

and Human Rights. The policy states that we support and respect international norms of behaviour on human rights such as those stipulated in the International Bill of Human Rights, undertake initiatives including conducting human rights due diligence and educating employees, and make efforts to fulfill our responsibility to respect human rights in all of our corporate activities. This policy has been approved by the ESG Managing Committee, which the Board of Directors has oversight over.

[Our governance framework](#)

Furthermore, the “[Kao Business Conduct Guidelines](#)”, Kao Group’s code of conduct, which provides specific guidance on how to put the Kao Way into practice, includes provisions relating to respecting human rights and zero tolerance against child labour, human trafficking and forced labour.

We also advocate respect for human rights as one of 19 prioritised actions set out in Kao Group’s ESG strategy, the “[Kirei Lifestyle Plan](#)”.

As for respect for human rights in supply chains, the [Policies for Procurement](#) states that we conduct purchasing with fairness, legal compliance and the highest ethics, give full consideration to the preservation of natural resources and the environment, safety and human rights, and strive to fulfill our corporate social responsibilities. In addition, in the [Partnership Requirements for Suppliers](#)^{*1} we call on our suppliers for implementing measures to eliminate all forms of discrimination and to ban forced labour, child labour and illegal labour, and to respect human rights. Moreover, in the [ESG Promotion Activities with Suppliers](#)^{*2}, we identify supply chains in our raw material procurement where there are significant risks to human rights or the environment as “high risk supply chains”. We identify these risks through on-site dialogue, determine the nature of the issues, implement activities to solve the issues together with our business partners and NGOs, and track and disclose our progress. We have established and disclosed [the Diversity, Equity, and Inclusion Policy \(DE&I Policy\)](#) in 2023 with the aim of driving DE&I within the company and among stakeholders in the supply chain while building upon the foundation of respecting human rights, and working to ensure that diverse people have equitable opportunities. In these ways, Kao Group promotes respect for human rights throughout the entire supply chain of our products on offer in the UK and the rest of the world.

We also support the United Nations Global Compact which defines 10 principles in the four areas of human rights, labour, environment and anti-corruption.

*1: the Partnership Requirements for Suppliers: the basic requirements to our suppliers

*2: the ESG Promotion Activities with Suppliers: the activities to build a sustainable supply chain that we implement together with our suppliers

3. Human Rights Due Diligence

In order to respect the human rights of people involved in Kao Group’s business and observe international

norms, we endeavour to ensure that slavery, human trafficking and other human rights violations are not taking place in our own operations and supply chains by carrying out human rights due diligence regularly.

Human rights issues have the possibility of impacting a wide-range of stakeholders. We regularly conduct human rights risk workshops attended by representatives across divisions and functions to discuss potential human rights risks of each stakeholder. We evaluated the risks discussed at the 2023 Human Rights Risk Workshop in terms of severity and likelihood and 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. Kao conduct human rights risk assessments of employees, suppliers, and contractors, and provide feedback of the results to relevant parties for improvement. We also educate our employees, monitor our suppliers, and include human rights clauses in basic transaction contracts to prevent and reduce negative impacts.

1) Internal

In the financial year ended December 31, 2023, we conducted a human rights risk survey of companies and plants of the Kao Group worldwide. We used Sedex (Supplier Ethical Data Exchange) where all 39 plants, including those that manufacture products for the UK market, and 52 group companies, including those entities that carry out business in the UK, completed the Sedex Self-Assessment Questionnaire (Sedex SAQ). After evaluating the answers, we found no evidence of modern slavery and human trafficking in the above plants and group companies.

Compliance Hotlines have also been established at our group companies for employees to report or consult on any compliance concerns. In the financial year ended December 31, 2023, we had no reports or consultations related to the risks of slavery or human trafficking within the Kao Group, including in those entities that carry out business in the UK.

[About Risk Assessment \(Internal\)](#)

[About Compliance Hotlines](#)

2) Suppliers

Supply chains, providing raw materials and services in the production of our products on offer in the UK and other parts of the world, face pressing issues, such as protection of human rights of labourers, management of occupational health and safety, and forced migration and health risks of local residents. Our standard purchase agreement template with suppliers has provisions that address issues such as preservation of the environment and respect for human rights, and in principle is used in new contracts or when renewing contracts.

Environmental, human rights and labour-related matters that our Procurement Division takes into account when choosing suppliers are described in the Partnership Requirements for Suppliers, and the

Procurement Division has been monitoring suppliers' compliance therewith. Forced labour has also been included in the Partnership Requirements for Suppliers in line with discussions at the Consumer Goods Forum, a global consumer goods industry association, as well as a requirement for suppliers to implement similar measures for their own procurement. For monitoring the implementation, we have been using Sedex, which we joined in December 2014.

As for Sedex, we have been encouraging our suppliers to complete the Sedex SAQ through explanatory sessions and request letters. As of December 31, 2023, 97% of global transactions (direct materials, on a monetary value basis) were with Sedex member companies (including alternatives, such as Kao SAQ, EcoVadis, etc.). We conducted risk assessments using the Sedex Assessment Tool for 1,339 suppliers who set access rights to Kao and answered the Sedex SAQ. Through these activities, no serious human rights violations were identified.

[About Risk Assessment \(Supplier\)](#)

3) Contractors

Human rights risk assessments by Sedex are conducted for contractors at Kao's plants, and the implementation rate in 2023 was 19%. Face-to-face explanations are provided to each company to help them understand the importance of respecting human rights initiatives. No serious human rights violations were found as a result of the assessment.

[About Risk Assessment \(Contractor\)](#)

• Initiatives for raw material producers and farmers

In the production areas of palm oil, one of Kao's main raw materials, illegal deforestation and the destruction of carbon dioxide-rich peatlands for the development of new farms have an impact on biodiversity and contributes to an increase in carbon dioxide emissions. There are issues such as disputes over land ownership registration between farm development companies and indigenous peoples, and human rights issues for workers working on farms. In order to solve these palm oil issues, Kao is promoting sustainable palm oil procurement initiatives. We will check traceability to the place of origin, and aim to complete confirmation down to the oil palm plantation level and procure 100% RSPO-certified palm oil used by the Kao Group by 2025. We aim to reduce the risks related to human rights in the palm oil supply chain by purchasing palm oil from traceable sources.

[Palm Oil Dashboard](#)

• Initiatives for foreign workers in the supply chain, including group companies

Foreign workers are often placed in vulnerable positions. Therefore, we are engaging with contractors that supply foreign workers to Kao's plants to confirm that the human rights of foreign workers are not being violated. In 2022, we conducted a survey to understand the situation of foreign workers working at Kao plants and interviewed foreign workers at two plants. We confirmed that working hours and wage payments were appropriate, and that there were no violations of human rights such as forced labour. We

have been working to introduce a grievance mechanism for these workers since 2023 through direct communication with their employers, explaining our commitment to business and human rights and the importance of establishing a grievance mechanism.

[Human rights due diligence \(Foreign workers\)](#)

4. Engagement

We communicate with suppliers at various occasions and through various means to ensure their understanding of our values and the Kao Business Conduct Guidelines (corporate code of conduct) with respect to sustainability. During the vendors summit to which we invite our main suppliers, we request that suppliers join Sedex and cooperate in CDP* supply chains. In addition, we ask that suppliers also report to us on Kao Group employees' violations of law, the Kao Business Conduct Guidelines or other internal policy, or ethics through the Compliance Hotline. Also, through a supplier satisfaction survey that we conduct every three years, we continuously confirm that we are not acting abusively.

*CDP is an NGO operated by institutional investors based in London, the UK that evaluates companies' efforts relating to climate change and conservation of water-ecosystems and forests through requesting information.

In addition, independent oil palm smallholders lack the skills to improve productivity, and the limited knowledge and means of acquiring palm oil certification is an issue. We launched the [SMILE program](#) together with two companies, Apical Group, a global palm oil processor and exporter, and Asian Agri, a plantation and palm oil company, to engage in direct dialogue with oil palm smallholders in Indonesia, and started providing training to independent smallholders in 2021. By 2030, a team of education specialists from a plantation company will contribute to enhancing the living standards of approximately 5,000 farmers by providing technical training related to production such as farm management, labour safety, and fire management as well as education and support to obtain RSPO certification. Kao will purchase all the certification credits from these certified oil palm smallholders. Certification credits for oil palm smallholders enables those oil palm smallholders to receive certification premiums directly, thereby providing a steady income for the farmers. We have supported a total of 3,083 farms in the province of Sumatra through this activity, and have contributed to the acquisition of RSPO Certification for a total of 839 farms by 2023. Kao has purchased a total of 9,996 tons of independent oil palm smallholders' credits sold by the certified farms.

Furthermore, we introduced a grievance mechanism for independent oil palm smallholders as a means of swiftly responding to human rights issues. Under the Kao Grievance Mechanism (KGM), Kao, which uses palm oil, and an NPO, together with oil suppliers and plantation companies, receive complaints from independent oil palm smallholders (farmers) about matters such as human rights violations and land disputes, and inquiries about matters closely related to plantation operations (obtaining RSPO Certification, labour safety during plantation work, the timing of replacing oil palms, how to purchase fertilizer, etc.). Kao investigates, addresses, resolves and follows up on the complaints received and

reports them with regular disclosure of the grievance list. In 2023, a total of 212 farms in North Sumatra, Indonesia were covered by KGM and a total of 213 cases were received and responded to.

[About Supplier Engagement](#)

5. Training

Kao Group is taking various initiatives to instill in its employees the Kao Human Rights Policy and respect for human rights.

To deepen understanding of the Kao Business Conduct Guidelines, which stresses respect for human rights, we conduct educational activities regularly at each Kao Group company globally, the Kao Business Conduct Guidelines refresher test and a compliance awareness survey. In addition, to cultivate employees' understanding, compliance case studies are posted on the intranet and messages from the Chairperson of the Compliance Committee and the person responsible for the division were also shared. Furthermore, group training sessions for newly hired employees and newly appointed managers are held. In addition, to stimulate the employees' interest and raise awareness of the idea of respect for human rights and DE&I, we introduced a video to disseminate the importance of respecting human rights and communicated messages from our executives to employees.

[Our training](#)

This statement was approved by the ESG Managing Committee of Kao Corporation supervised by the Board of Directors on June 4, 2024.



Yoshihiro Hasebe
Representative Director,
President and Chief Executive Officer,
Kao Corporation
June 4, 2024