

## **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, 2022.

### **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: Cosmetics Business, Life Care Business, Health & Beauty 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 35,000 people across 32 countries/regions. Our businesses provides 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.

### [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](#)<sup>\*1</sup> 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](#)<sup>\*2</sup>, 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 publicise our progress. 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 have been conducting risk assessments on an ongoing basis, prioritising the assessment of our employees and business partners including suppliers. By conducting due diligence based on the Plan-Do-Check-Action cycle (Establish Plan, Conduct Risk Assessment, Review the Results/Identify the Risks and Take Action), we endeavour to ensure that slavery, human trafficking and other human rights violations are not taking place in our own operations and supply chains.

Human rights issues have the possibility of impacting a wide-range of stakeholders. We conduct a human rights potential risks assessment workshop to examine potential human rights risks of each stakeholder across divisions and addresses risks that may pose a significant effect on Kao Group's business if they emerge. Through the workshop, we identified two important human rights themes that we need to particularly focus on: "foreign workers in Japan, including our group companies and supply chains" and "working conditions of raw material producers and farmers".

We are taking measures in relation to our employees and suppliers, who we regard as top priority stakeholders, in line with in-house risk surveys and Partnership Requirements for Suppliers.

#### 1) The Kao Group

In the financial year ended December 31, 2022, we conducted a risk assessment of group companies and plants of the Kao Group worldwide. We used Sedex (Supplier Ethical Data Exchange) where all 41 plants, including those that manufacture products for the UK market, and 56 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, 2022, 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 \(The Kao Group\)](#)

[About Compliance Hotlines](#)

#### 2) Supply chains

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 laborers, 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 Guidelines 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, 2022, 88% of global transactions (on a value basis) were with Sedex member companies (including alternatives to Kao SAQ, EcoVadis, etc.). We conducted risk assessments using the Sedex Assessment Tool for 1,221 suppliers who set access rights to Kao and answered the new Sedex SAQ.

For palm oil, we will check traceability to the place of origin and aim to complete confirmation to small palm farms 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. In this regard, by relying on supplier information, Kao Group has established traceability to palm oil mills and farms owned by suppliers by December 31, 2020.

#### [About Risk Assessment \(Supply Chain\)](#)

As we consider that migrant workers are more at risk among stakeholders, we conducted a survey to understand the situation of foreign workers working at Kao production sites and interviewed foreign workers at two production sites. We confirmed that working hours and wage payments were appropriate, and that there were no violations of human rights such as forced labour.

### 3) 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 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 (corporate code of conduct) 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.

### [About Supplier Engagement](#)

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 small-scale palm farmers in Indonesia, and started providing training to independent smallholders in 2021. By 2030, a team of education specialists will contribute to enhancing the living standards of approximately 5,000 farmers by providing technical training to increase productivity (targeting a doubling of the yield) and education to obtain RSPO certification (RSPO basic principles, safety education and yield management methods). We aim to control the development of new plantations by increasing yields, supporting the acquisition of certification for sustainable palm oil and improving the lives of small-scale palm farmers. Through these activities, 390 farms in the province of Sumatra received RSPO Certification in 2022, and Kao has purchased all the RSPO Credits sold by the small-scale palm farmers that have obtained the certification. Furthermore, in 2022, we introduced a grievance mechanism for independent small-scale palm farmers as a means of swiftly responding to human rights issues. Kao confirms and investigates on-site issues together with NPOs, and takes the lead in finding solutions.

## **4. 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 at each Kao Group company, including those entities that carry business in the UK. In Japan (in 2021) and other countries (in 2022), the Kao Business Conduct Guidelines refresher test and a compliance awareness survey were conducted to check the depth of understanding of the Guidelines. Further, to cultivate employees' understanding, compliance case studies were posted on the intranet and messages from the Chairperson of the Compliance Committee and a responsible person from the Compliance Division were also shared. In addition, to stimulate the employees' interest and raise awareness of the idea of respect for human rights, we introduced a video to disseminate the importance of respecting human rights and communicated messages from our executives to employees. Furthermore, group training sessions for newly hired employees and newly appointed managers were held.

### [Our training](#)

This statement was approved by the ESG Managing Committee of Kao Corporation supervised by the Board of Directors on June 16, 2023.

A handwritten signature in black ink, reading "Y. Hasebe". The signature is written in a cursive, flowing style.

Yoshihiro Hasebe  
Representative Director,  
President and Chief Executive Officer,  
Kao Corporation  
June 16, 2023