

Kao Group Modern Slavery Statement

This statement has been published in accordance with Section 54 of the U.K. Modern Slavery Act 2015. This statement sets out the steps taken by the Kao Group to ensure that slavery and human trafficking are not taking place in any of Kao Group's business operations and supply chains.

1. Business and supply chain

The Kao Group operates in both the consumer products field and in the chemical products field. The Kao Group develops consumer products for use by general consumers. We offer prestige cosmetics in our Cosmetics Business, premium skin care and hair care products in our Skin Care and Hair Care Business, functional health beverages and feminine and baby care products in our Human Health Care Business, and laundry detergents and household cleaners in our Fabric and Home Care Business. Also, in the Chemical Business, we develop chemical products contributing to the development of the industry.

Our products are sold in over 100 countries/regions. We have headquarters in Japan and we have over 33,000 employees who work in 32 countries/regions. Our business provides various products to meet the needs of the people around the world. In the UK, our subsidiaries are Kao (UK) Limited and KPSS (UK) Limited both in the Skin Care and Hair Care Business, Molton Brown Limited in the Cosmetics Business, and Washing Systems Limited in the Fabric and Home Care Business.

[Our business](#)

We source 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 third party customers.

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 behavior on human rights, undertake initiatives including conducting human rights due diligence and educating employees.

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 also addresses respect for human rights and states that we shall not tolerate child labor, human trafficking or forced labor.

As for human rights in the supply chain, the [Policies for Procurement](#) state that we conduct purchasing with fairness, legal compliance and the highest ethics, and give full consideration to the preservation of natural resources, conservation, safety and human rights, striving to fulfill our corporate social responsibilities. In addition, in the [Guidelines for Supplier's Assessment](#) we request suppliers to implement measures to eliminate all forms of discrimination and to ban forced labor, child labor, and illegal labor. By requesting that suppliers implement similar measures for their own suppliers, we promote human rights compliance throughout the entire supply chain.

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

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, prioritizing 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 and human trafficking is not taking place in our own operations and supply chain.

1) Kao Group

In 2018, we conducted a risk assessment of group companies and plants of the Kao Group worldwide. For our plants, we used Sedex (Supplier Ethical Data Exchange) where 40 plants completed the Sedex Self-Assessment Questionnaire (Sedex SAQ). For group companies without production, we prepared our own checklist that was completed by 50 group companies. After evaluating the answers to Sedex SAQ and our own checklist, we found no evidence of slavery and human trafficking.

Confidential Whistle Blowing Hotlines have also been established at our group companies for employees to report or consult on any compliance concerns. In 2018, we had no reports or consultations related to the risks of slavery or human trafficking within the Kao Group.

2) Supply chain

Our standard contract with suppliers has provisions that concern issues such as the preservation of environment, protection of human rights and labor. In principle, the standard contract is entered when commencing new supply arrangements and upon renewal of existing supply arrangements.

We had described the environmental, human rights and labor-related matters that our Procurement Division takes into account when choosing suppliers in our Guidelines for Supplier's Assessment and have been monitoring suppliers' compliance therewith. In June 2017, we revised the Guidelines for Supplier's Assessment to require that our suppliers comply with the same standards as Kao with regard to human rights and the environment. In the revision, we added a provision dealing with forced labor in line with discussions at the Consumer Goods Forum, a global consumer industry association, and added 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 the end of 2018, access rights have been granted to 1,474 sites globally. In Japan, access rights have been granted to 503 sites, covering 62% of our purchase amount. We have conducted a risk assessment of suppliers for which access rights have been granted as of September 2018 by using Sedex. Among the 633 suppliers (sites) that answered over 80% of questions, 0.2% (2 sites) of them were evaluated as having a high risk. We are working with these suppliers to investigate the details and are requesting them to work on improvements, as necessary.

We encourage communication with suppliers at various occasions and through various means to ensure their understanding of our values and Kao Business Conduct Guidelines with respect to sustainability. During the vendor 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 report Kao employees' violations through the Compliance Hotline. Also, through the supplier satisfaction survey that we conduct every three years, we confirm whether or not Kao makes unilateral requests.

*CDP is an NGO based in the United Kingdom that evaluates companies' efforts relating to environmental protection.

3) Palm oil supply chain

For palm oil, one of the major raw materials of our business, we have adopted the Guidelines for

Sustainable Procurement of Raw Materials and set the target of purchasing only sustainably sourced palm oil that is traceable to the plantation by 2020, and have been preparing for actions in cooperation with stakeholders, including non-governmental organizations, to achieve zero deforestation. We aim to reduce the risks related to human rights in the palm oil supply chain through purchasing palm oil from traceable sources. In this regard, Kao has confirmed from supplier information that traceability to the palm oil mill was established for about 98% of palm oil by the end of 2018. Regarding supplier information, we have also conducted third party verifications on site. In 2018 the verifications were conducted at four representative palm kernel oil mills in their respective regions.

Since July 2017 we have been partnering with Bluenumber, an initiative to establish traceability in the agricultural supply chain on a global basis, to establish traceability and transparency in our palm oil supply chain.

In September 2018 we joined SUSTAIN as a founding member. SUSTAIN or Sustainability Assurance & Innovation Alliance is an initiative aimed at sustainable palm oil that uses blockchain technology to share palm oil supply chain information for confirming traceability, thereby driving sustainable practice among small-scale farmers.

In 2018 we also explained Kao's procurement policy for using materials from sustainable sources during conversations with small-scale palm farmers, while interviewing them regarding the existence of middlemen in palm fruit transactions, issues in contracts with plantation companies and the problem of their successors.

4) Initiatives for outsourcing contractors

In 2018 we started to conduct human rights due diligence on contract manufactures, distributors and waste disposal contractors. As we do for suppliers in procurement activities, we explain Kao's core believe regarding human rights to such outsourcing contractors and request them to answer surveys. In surveys we request them to register with Sedex or answer the self-assessment sheet. Throughout 2019, we will confirm their answers in order, and if we find risks related to human rights, we will share issues and discuss with them for making improvements.

4. Training

We educate Procurement Division employees engaged in supply chain management so that they have correct understanding of global social issues including forced labor and human trafficking as required by the United Nations Global Compact. For employees who were newly assigned to the Procurement Division, we held an introductory training session to inform them about procurement activities that take into account sustainability. A total of nine employees received the training in 2018. In the annual global procurement meeting—where managers in charge of procurement get together from Kao Group companies—training and confirmation was conducted on the Kao Group procurement policy and responsible and sustainable sourcing. In 2018, 34 managers participated in the meeting. Furthermore,

in the annual training aimed at developing executive employees of Kao Group's production and distribution related divisions, we lectured to 15 participants on procurement issues including sustainability.

We also communicate the Kao Human Rights Policy to the employees of the Kao Group through briefing sessions, the intranet, internal newspapers, the Sustainability Databook and through other means.

To deepen understanding of the Kao Business Conduct Guidelines, which stresses respect for human rights, we conduct Integrity Workshops at each group company. In 2018, in addition to holding compliance training sessions focused on preventing harassment with lectures by corporate executive officers, we conducted face-to-face training for new employees and newly appointed managers.

This statement has been approved by the Management Committee dated May 28.

A handwritten signature in dark ink, reading "Michitaka Sawada". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Michitaka Sawada

President and Chief Executive Officer, Kao Corporation

June 17, 2019