

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 and premium skin care and hair care products in our Beauty 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 33 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, KPSS (UK) Limited, and Molton Brown Limited, all of which operate in the beauty 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 do not tolerate forced labor or child 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. Due Diligence

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 endeavor to ensure that slavery and human trafficking is not taking place in our own operations and supply chain.

1) Kao Group

In 2017, 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 41 plants including those newly joined the Group completed the Sedex Self-Assessment Questionnaire (Sedex SAQ). For group companies without production, we prepared our own checklist which was completed by 57 group companies. After evaluating the answers to Sedex SAQ and our own checklist, although we found minor points for improvement, we found no risks related to 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 2017, 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 have recently been strengthened concerning issues such as the preservation of environment, protection of human rights and labor. In principle, the new 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 we wanted our suppliers to consider 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 suppliers. 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. Over 900 suppliers have so far completed the Sedex SAQ. We started a risk assessment by using Sedex and, among the suppliers who answered over 90% of questions, 0.4% were evaluated as having high risk. We will engage with them to investigate the details and request 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 ethical standards. We explain our policy on human rights at vendor summits, and, for suppliers not meeting the standards of Sedex or our Guidelines for Supplier's Assessment, we visit them to share information concerning the issues and work with them on improvement.

3) Palm oil supply chain

For palm oil, one of the major raw materials of our business, we joined the Roundtable on Sustainable Palm Oil (RSPO) and have been promoting the purchase of certified sustainable palm oil produced according to the standards of RSPO in terms of environment and human rights. Additionally, to achieve zero deforestation we 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 collaborative actions with stakeholders, including non-governmental organizations. We aim to reduce the risks related to human rights in the palm oil supply chain through the purchase of palm oil from traceable sources.

Kao had targeted that by 2020 it will only purchase sustainably sourced palm oil traceable to the plantation for use in Kao Group consumer products. In this regard, Kao has confirmed from supplier information that traceability to the palm oil mill was established for about 97% of palm oil by the end of 2017. Regarding supplier information, we have also conducted third party verifications on site. In 2017 the verifications were conducted at nine sites including two first tier suppliers and seven palm kernel oil mills.

In July 2017 we partnered with Bluenumber to establish traceability and transparency in our palm oil supply chain. Bluenumber is an initiative to establish traceability in the agricultural supply chain on a global basis. We will work to establish traceability in the palm oil supply chain with Bluenumber by requesting plantations, palm oil mills, palm kernel oil mills and refineries to register information on themselves, their workers, production sites, products and activities, and other relevant matters.

4. Training

The persons in charge of supply chain management are trained to ensure understanding of the risks of human rights abuses such as slavery and human trafficking in the supply chain. In the annual global procurement meeting where managers in charge of procurement get together from Kao Group companies, training and confirmation is conducted on the Kao Group procurement policy and responsible and sustainable sourcing.

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. We also conduct face-to-face training for new employees and newly appointed managers. In addition, an annual refresher test is held to confirm knowledge of the guidelines with all employees of the Kao Group being targets of such refresher test.

Michitaka Sawada

Michitaka Sawada

President and Chief Executive Officer, Kao Corporation

June 12, 2018