

**Global Anti-Money Laundering Policy**  
**(KCE domestic provisions included)**

Effective Date: January 1, 2022

**1. Purpose**

The purpose of the Global Anti-Money Laundering Policy (hereinafter, the “Policy”) is to set forth specific rules and procedures in order to put into practice the Kao Group’s strong anti-money laundering (AML) stance as set forth in the Kao Business Conduct Guidelines (BCG). Kao Group management has expressed a strong commitment to AML and fully support the implementation of this Policy.

**2. Scope**

This Policy shall apply to all Kao Group companies and their employees (including executives).

**3. Definition**

Money laundering is the process by which the proceeds of crime or terrorism are changed so that they appear to come from a legitimate source.

Money laundering activity may range from a single act, for example being in possession of the proceeds of one’s own crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property as well as concealing it and entering into arrangements to assist others to do so.

Money laundering encompasses both (i) dealing with the laundering of monetary instruments and (ii) engaging in monetary transactions in property derived from unlawful activity. To avoid money laundering risk it is necessary to look at both the payment of funds (e.g., to suppliers) and the receipt of funds (e.g., from customers).

**4. Procedure**

Kao Group employees must not execute transactions when it knows or suspects that such transaction would result in money laundering.

As an AML measure, Kao Group’s desire is for Kao Group companies to move away from receiving or making payments in cash *to the extent practicable* and toward non-cash methods of receiving or making payment that goes through banking or other financial institutions (collectively, “Banks”), such as the use of wire transfers.

Payments received via Banks have a low risk of money laundering due to the stringent

know-your-customer (KYC) checks required of Banks under AML regulations applicable to financial institutions.

**(i) All employees must:**

- Comply with local AML laws;
- Look out for warning signs of possible money laundering; and
- Notify their Legal Contact or Regional Legal Department if they have any suspicions about actual or potential money laundering activity.

**Warning signs of possible money laundering include:**

- **Relationship with Suppliers**
  - Supplier requests for payment to be made to a bank account outside the country of operations.
  - Supplier requests that payment be split up and paid to several bank accounts.
  - Supplier requests that we overpay with a promise for a refund.
  
- **Relationship with Customers**
  - Customer requests to make payment from multiple bank accounts.
  - Customer requests to make payment from accounts outside the country of operations.
  - Customer requests to make payment in cash when normally payment is made by check or electronically.
  - Customer overpays with a subsequent request for a refund.
  
- **Applies to Relationship with Business Partners (both Suppliers and Customers)**
  - A secretive potential business partner e.g., such as one that refuses to provide requested information without a reasonable explanation (e.g., information on shareholders, directors, officers, etc.).
  - Where, without reasonable explanation, the size, nature, and frequency of transactions or instructions are out of line with normal expectations.
  - A request to conduct illogical third party transactions, e.g., unnecessary routing or receipting of funds from third parties or through third party accounts.

**(ii) Employees involved in engaging or contracting with third parties such as new suppliers and customers must:**

Ensure that the third parties in question are subject to screening to assess their identity and legitimacy before contracts are signed or transactions occur (e.g., registered name of counterparty, name of directors and officers, and ownership structure of business partner). The appropriate criteria for screening shall be determined by the head of Finance and the Legal Contact and/or Regional Legal Department by considering the level of risk.

**5. Training / Intranet Notices**

Employees shall be reminded of their AML obligations described in the Policy through training, notices on the company intranet and/or other methods as necessary.

**6. Supplementary Domestic Provisions**

**6.1. SPANISH DOMESTIC PERSPECTIVE:**

Under Spanish legal system, activities carried out either by individuals or companies, which are qualified as operations of money laundering shall give rise to civil and criminal liability depending on the circumstances of the case.

As to the civil liability, Kao Chemicals Europe, S.L.U and its Spanish subsidiaries, due to their industrial and commercial activity, are not compelled to comply with the Act 10/2010 for preventing money laundering and for terrorism financing as of April 28<sup>th</sup>, 2010, since they are not regarded as liable subject to adhere to this law as provided in its art.2.

Therefore, Kao Chemicals Europe, S.L.U. and their Spanish subsidiaries are not legally obliged to observe the foregoing law whereas operates its business, such as identifying customers ownership, collecting information of their customers activities, conducting due diligence measures control over their customers, among others. Nevertheless and due to implications and criminal consequences of the risk of involuntary incurring in activities or behaviors deemed as money laundering, this law should be considered in order to design anti-money laundering policies or procedures.

Regarding to criminal liability, the Spanish criminal code regulates as a crime activities of money laundering. In this respect, covering up the true nature, origin, location, destinations or rights over both assets or ownership, knowing that come from criminal or

illegal activity shall be punished with economic sanctions and prison.

Therefore whether an activity or behavior which aim to hide assets or properties, or to assist someone to the foregoing purpose, that come from illegal activities, shall be deemed as money laundering crime.

Spanish criminal law punishes both willful and negligence money laundering operations.

Identifying and knowing customers or suppliers, who work with Kao, is essential to avoid any negligent assistance or cooperation that may qualify as money laundering crime.

## **6.2. GERMAN DOMESTIC PERSPECTIVE:**

The German legal regulation with regard to Anti-money-laundering (=“Geldwäschegesetz”) is the local implementation act of the relevant EU-directive. The German regulation has general obligations for all companies and extended obligations for companies performing certain types of business or companies handling special payment types. KCG does not perform any of these businesses and does not allow cash or crypto-transactions, therefore only the general obligations for all traders of goods apply for KCG. Main responsibility here is to identify and report suspicious transactions to the authorities. Failure to provide such notice may be regarded as supporting or accepting of money laundering.

## **6.3. MEXICAN DOMESTIC PERSPECTIVE:**

The legal regulation on this matter in Mexico is based on the “*Ley Federal para la prevención e identificación de operaciones con recursos de procedencia ilícita*”, which imposes certain prohibition to cash operations, as well as, to identify real ownership of legal entities and ownership of bank accounts.

According with the aforementioned Law, Chapter IV, is prohibited to pay transaction, like the ones followed enlisted, but not limited to them, using cash: to purchase or sale of real estate assets; vehicle; and random draws tickets, or similar, purchases. Nevertheless, the foregoing law permits a limit cash operation for the above operations, as long as the amount of the operation is not contrary to any other legal law.

Likewise, it is prohibited to carry out any vulnerable activity listed in the mentioned law.

## **7. Revision and Retirement**

All revisions and the retirement of this Policy other than the supplementary domestic provisions shall require approval of the management committee of Kao Corporation.

However, minor amendments that do not cause any change to the principal purpose of this Policy can be made upon approval by the Senior Vice President, Legal & Compliance, Global. Supplementary domestic provisions may be modified by approval at the management committee of the relevant Kao Group company.

#### **8. Policy Interpretation**

The Senior Vice President, Legal & Compliance, Global is responsible for interpretation of this Policy.