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March 29, 2023

Kao and the Sumitomo Mitsui Banking Corporation Sign Sustainability Linked Loan Agreement for a Sustainable Future

On March 27, 2023, Kao Corporation and the Sumitomo Mitsui Banking Corporation (SMBC) signed a Sustainability Linked Loan agreement, under which loan terms will fluctuate according to Kao meeting Sustainability Performance Targets (SPTs), indicators of Kao's progress in achieving a sustainable society.

Through this lending arrangement, SMBC hopes to promote and support environmentally and socially sustainable economic activity and growth. Kao, for its part, will aim to boost its corporate value by improving capital efficiency to contribute to a sustainable society and the growth of its businesses.

■ Kao Group Initiatives

With the corporate purpose “To realize a Kirei World in which all life lives in harmony,” Kao Group established its ESG strategy, the Kirei Lifestyle Plan in 2019. Since 2021, it has employed the Kao Group Mid-term Plan 2025 (K25) in its quest to become a company essential to a sustainable society, with its vision of “protecting future lives” and “sustainability as the only path.”

As a result of these activities, in 2022, for the third consecutive year, Kao received the highest rating from CDP*¹ across the three categories of climate change, forests and water security. Kao addresses issues across the value chain. Under climate change, to further decarbonization, Kao has drawn up a roadmap committed to achieving carbon zero by 2040 and carbon negative by 2050. In the forests area, Kao has been promoting a support program for oil palm smallholders to help prevent deforestation. Regarding water security, Kao has been working with stakeholders in water-saving activities and pursuing business tie-ups in pursuit of a sustainable water reuse society.

Selection by CDP onto the triple-A List for climate change, forests and water security was determined by a global survey of businesses and an evaluation of their activities and only 12 companies (only one of which was Japanese) selected out of more than 10,000 firms. CDP is raising its standards for environmental activities leadership, and to continue receiving an excellent evaluation Kao will need to continuously improve the quality of its activities. Kao will endeavor to maintain an A score over two or more CDP categories for its SPTs and will continue making every effort to keep its high ranking across all three categories.

■ SMBC Group Initiatives

The SMBC Group announced its SMBC Group GREEN Innovator concept on July 27, 2021, an initiative for enhancing its services and products for achieving a sustainable society together with its customers. The Sumitomo Mitsui Banking Corporation will further contribute to helping customers manage their firms with sustainability in mind by providing solutions and engaging in dialogue to create a sustainable market and work toward a sustainable society.

■ Loan description

Agreement date	March 27, 2023
Effective from	March 29, 2023
Sustainability coordinator ^{*2}	Sumitomo Mitsui Banking Corporation
Period	4 years
Loan terms	Fluctuating interest rate depending on meeting SPTs
SPTs	An A score over two or more categories on CDP climate change, forests and water security ratings

*1 CDP is a London, England-based non-governmental organization founded in 2000, providing a global disclosure framework on climate change, water security, deforestation risk and other information to enterprises and local authorities. The information collected by CDP is used by investors, enterprises and governments around the world.

*2 A sustainability coordinator is a body that supports setting of borrowers' SPTs when making and designing Sustainability Linked Loans.

About Kao

Kao creates high-value-added products and services that provide care and enrichment for the life of all people and the planet. Through its portfolio of over 20 leading brands such as *Attack*, *Bioré*, *Goldwell*, *Jergens*, *John Frieda*, *Kanebo*, *Laurier*, *Merries*, and *Molton Brown*, Kao is part of the everyday lives of people in Asia, Oceania, North America, and Europe. Combined with its chemical business, which contributes to a wide range of industries, Kao generates about 1,550 billion yen in annual sales. Kao employs about 35,400 people worldwide and has 136 years of history in innovation. Please visit [the Kao Group website](#) for updated information.

■ Related Information

- [Kao launches new ESG Strategy “Kirei Lifestyle Plan” to support consumer lifestyle changes](#)
- [Kao’s New Challenges for the Future: Accelerating Purposeful Business Commitment with ESG](#)
- [Kao sustainability website](#)
- [Kao Rated Triple-A for Climate Change, Water Security, and Forests for Third Consecutive Year by CDP](#)
- [December 13, 2022 CDP Announces the 2022 A List Companies](#)
- [Sumitomo Mitsui Banking Corporation news release](#)

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