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May 24, 2024

Kao Releases Progress Reports on its ESG Strategy —the Kirei Lifestyle Plan

Report on Implementation of New Biodiversity, Respect for Human Rights and DE&I Initiatives, Improved Traceability for Palm Oil Procurement, and Impact of ESG Activities on Financial Results and Business Growth

TOKYO, May 24, 2024—Kao Corporation, a Japan-based Group whose brand portfolio includes *Attack*, *Bioré*, *Goldwell*, *Jergens*, *John Frieda*, *Kanebo*, *Laurier*, *Merries*, and *Molton Brown*, has released a progress report on its ESG (Environmental, Social, and Governance) strategy—the Kirei Lifestyle Plan in the Kao Sustainability Report 2024. In 2023, with biodiversity an urgent global-scale issue, Kao amended its policy on biodiversity and carried out information disclosure according to the TNFD*¹ framework. The company also continued activities relating to respect for human rights, which is the foundation of all corporate activity, including formulating its Diversity, Equity and Inclusion (DE&I) Policy. With regard to palm oil, one of the main raw materials used by Kao, the company is aiming to establish traceability throughout the supply chain, down to oil palm plantations, in order to ensure sustainable procurement of resources. The progress report also includes quantitative data on results of Kao's ESG activities, contributions to its financial results and envisioned future growth, describing the contributions of its ESG strategy to its Mid-term Plan 2027 (K27). The following outlines the results of new 2023 activities for Kao's key leadership action themes.

*1 The Taskforce on Nature-related Financial Disclosures officially launched in 2021 in order to build a corporate risk management and disclosure framework related to the resources of nature.

[Kao Sustainability Report 2024](#)



Kao's ESG Strategy Kirei Lifestyle Plan

For over 130 years, Kao has worked to help consumers lead fulfilling lifestyles. In April 2019, Kao established the Kirei Lifestyle Plan, which is an ESG strategy that includes 19 leadership action themes to achieve a sustainable and desirable way of living. The Japanese word ‘kirei’ describes something that is both clean and beautiful. For Kao, Kirei not only encapsulates appearance, but also attitude—to create beauty for oneself, other people, and for the world around us. Since 2021, Kao has been promoting the Kao Group Mid-term Plan with its vision of “protecting future lives” and “sustainability as the only path.” The Kao Group will continue to integrate its ESG strategy into its management practices. It will also develop its business, provide better products and services for consumers and society, and work toward its purpose “to realize a Kirei world in which all life lives in harmony.”

The Director, Managing Executive Officer in charge of Kao’s ESG Division, Dave Muenz, delivered this message regarding the announcement of progress of the Kirei Lifestyle Plan: “At Kao, we strive to optimize our business operations across the value chain through ESG-focused *Yoki-Monozukuri*, and bring value to our communities through solutions to social issues. Our ESG strategy the Kirei Lifestyle Plan puts the consumer at its center, illustrating the direction of our action and setting ambition targets. Based on this, in 2023, we accelerated our initiatives looking towards our mid-term plan K27 with the visions of ‘sustainability as the only path’ and ‘protecting future lives’. In the Kao Sustainability Report 2024, we share our progress in the three commitments of the Kirei Lifestyle Plan looking towards the year 2030, as well as new efforts to promote the Kirei Lifestyle. This includes the publication of the Action Policy on Biodiversity and disclosure based on the TNFD framework, driving forward in human rights and DE&I, and efforts towards further transparency. Aiming to clarify how our ESG strategies contribute to the mid-term plan K27, we have worked to demonstrate the impact of our ESG activities financially and otherwise, as well as expected future growth. As the transition to a more sustainable society accelerates, at Kao, we will strive to embed sustainability into business to succeed in both ESG and Economic Value Added <EVA®>*2.”

*2 Stern Stewart & Co.: Developed EVA in theory and applied it to corporate EVA management. Registered EVA as a trademark

These efforts have been recognized by the CDP, a leading international nonprofit organization, which included Kao in its prestigious ‘A List’ in all surveys across the three categories of climate change, forests and water security for four years in a row. Kao is one of only 10 companies included in the top-rated ‘A List’ across the three categories, out of more than 21,000 companies determined by a global survey of businesses and an evaluation of their activities. In addition, the Ethisphere Institute, a leading US think-tank, has named Kao one of the World’s Most Ethical Companies® for 18 consecutive years.

News Release from February 2024

[Kao Rated Triple-A for Climate Change, Water Security, and Forests for Fourth Consecutive Year by CDP](#)

News Release from March 2024

[Kao the Sole Japanese and Asian Company Included in the World's Most Ethical Companies® List for a Record 18th Consecutive Year](#)

New Initiatives to Promote a Kirei Lifestyle

Kao's Action Policy on Biodiversity and Information Disclosure Based on TNFD's Framework

Kao operates by benefiting from many biological resources such as palm oil, paper and pulp. Given social expectations that businesses engage in activities more focused on conserving and restoring biodiversity and regenerating nature, in 2022 Kao revised its Basic Policy on Biodiversity. In October 2023, the company revised its Action Policies on Conservation of Biodiversity, renamed the Action Policy on Biodiversity. This policy sets out specific biodiversity-related actions and information disclosure in accordance with an international framework. In addition, a new section, Aiming for Symbiosis between People, Nature and Chemistry, was added to the policy to assess the impact of chemical substances on biodiversity and to demonstrate the company's stance on addressing the challenges of both biodiversity and climate change.

News Release from November 2023

[Kao Releases Action Policy on Biodiversity](#)

Since 2021, Kao has been identifying material issues by examining the relationship between its supply chains and biodiversity. To respond promptly to developments regarding information disclosure, the company participated in the TNFD Forum in April 2022, collecting information and providing feedback on the information disclosure framework then under development. In April 2023, in collaboration with Accenture Japan Ltd., Kao released a report which analyzed the company's business activities based on the TNFD (β v0.3) LEAP approach^{*3}. In May, Kao identified 13 risks and opportunities after examining the relationship between its business and biodiversity related to detergents, one of its leading product categories, and included them in the Kao Sustainability Report 2023. In the Kao Sustainability Report 2024, Kao has looked at the expected financial impact of risks identified the previous year, based on its analysis in accordance with the final recommendations for the TNFD framework announced in September 2023. Kao has registered as an adopter, in response to TNFD's solicitation of "TNFD Adopters," businesses willing to engage in information disclosure in accordance with the TNFD Recommendations. Kao will continue taking specific actions to propose nature-positive biodiversity strategies and set target objectives.

*3 The analytical approach proposed by TNFD, which stands for Locate (identify priority areas), Evaluate (understand dependencies and impacts), Assess (identify and evaluate risks and opportunities) and Prepare (strategy, goal setting, evaluation and reporting).

News Release from April 2023

[Kao Releases Biodiversity Report Based on the TNFD Framework](#)

[TNFD Adopters list](#)

[Kao Sustainability Report 2024: Biodiversity](#)

Promoting Respect for Human Rights and DE&I

Kao's corporate philosophy, the Kao Way, upholds "integrity as the only choice" and "we trust, respect, and need each other" as two of its core values. Across all of its corporate activities, Kao aims to completely eliminate infringement of human rights and commits to taking prompt action if any infringement occurs. In addition to "respecting human rights," the company's ESG strategy the Kirei Lifestyle Plan, emphasizes other key aspects of human rights such as "responsibly sourced raw materials," "inclusive and diverse workplaces" and "employee wellbeing and safety."

Kao conducts a yearly assessment of human rights risks, which are detailed in the Kao Sustainability Report. This assessment is carried out by employees from several departments, including members of the Human Rights and DE&I Steering Committee, who discuss plausible risks from various perspectives. With input from experts in the field, in a list of human rights risks across the Kao Group compiled in 2023, Kao identified "producers and farmers from whom Kao procures raw materials" and "foreign workers (including those at subsidiaries or affiliates and in the supply chain)" as particularly high-priority issues within the "working environment of people we work with" category, an important human rights theme for Kao.

Concerning "producers and farmers from whom Kao procures raw materials," in 2020 Kao initiated the SMILE (Smallholder Inclusion for better Livelihood & Empowerment) program for palm oil plantation smallholders in Indonesia to support yield improvements and help them obtain RSPO*⁴ certification. A grievance mechanism was also launched in 2022. Where "foreign workers (including those at subsidiaries or affiliates and in the supply chain)" are concerned, Kao has proposed to contractors the introduction of a grievance mechanism for foreign workers and has had third parties interview workers to ascertain working conditions.

*4 Roundtable on Sustainable Palm Oil: A roundtable to promote the production and use of sustainable palm oil

The 2023 assessment also added a list of human rights risks connected to climate change. This list includes the negative impact that climate change and measures implemented to mitigate its effects could have on human rights, for example, the destruction or loss of livelihood bases due to natural disasters, or on health or daily life.

Kao is also accelerating DE&I, creating a new DE&I Policy in June 2023. The company is working to employ the numerous opportunities gained via Kao's broad range of businesses and working together with its stakeholders—employees, business partners and all people—to promote implementation of DE&I to contribute to its business and create a more inclusive society.

News Release from June 2023

[Kao Creates A New Diversity, Equity and Inclusion \(DE&I\) Policy](#)

[Kao website: Diversity, Equity and Inclusion](#)

[Kao Sustainability Report 2024: Respecting human rights](#)

[Kao Sustainability Report 2024: Responsibly sourced raw materials](#)

[Kao Sustainability Report 2024: Inclusive & diverse workplaces](#)

[Kao Sustainability Report 2024: Employee wellbeing & safety](#)

New Information Disclosure Initiative in the Kao Sustainability Report 2024

In the Kao Sustainability Report 2024, Kao has undertaken a new information disclosure initiative. To tie in activities based on its ESG strategy Kirei Lifestyle Plan and its Mid-term Plan 2027 (K27), in addition to the impact of ESG on its activities and contribution to financial results, Kao has disclosed new information to forecast anticipated future business growth. The new Executive Summary groups Kao's main activities in 2023 under the headings "new values for life and society" and "reducing the burden on life and society." Progress in these areas is shown quantitatively, further broken down into the categories of life, society, environment and business foundation for additional clarity.

[Kao Sustainability Report 2024: Executive summary](#)

Key Leadership Action Themes: 2023 Activity Results

Decarbonization

As we work toward the goal of becoming carbon zero (reducing CO₂ emissions to net zero) by 2040, and becoming carbon negative by 2050, besides aiming to reduce CO₂ emissions in our own business activities, we also aim to contribute toward realizing the decarbonized society and sustainable business by helping to reduce emissions in society as a whole, and through carbon fixation to reduce the amount of carbon dioxide in the atmosphere.

[Kao Sustainability Report 2024: Decarbonization](#)

Kao announced new decarbonization targets in May 2021, setting goals of zero CO₂ emissions by 2040 and becoming a carbon negative business by 2050. Kao's mid- to long-term goals are to achieve these targets, which include those certified by the global Science Based Targets initiative (SBTi) as a 1.5°C target. Kao is also a member of RE100, a global initiative of businesses committed to using 100% renewable electricity. In 2023, 100% of the electricity purchased by Kao in Japan came from renewable energy sources, and the company reached the target of reducing Scope 1+2*⁵ CO₂ emissions (absolute value) by 28% by 2025 two years ahead of time. For more information, please see the April 2024 news release on Kao's progress on decarbonization in 2023.

*5 Greenhouse gas emissions by other than businesses and other entities.

News Release from May 2021

[Kao Is Aiming to Reduce Its CO₂ Emissions to Zero by 2040, and to Be Carbon Negative by 2050](#)

News Release from April 2024

[Accelerating Efforts to Reach Carbon Zero by 2040 and Carbon Negative by 2050](#)

2023 Results

Indicator	Mid-to long-term targets Target value	Mid-to long-term targets Year	2023 Results (2022 Results)
% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	22%	2030	15% (6%)
% reduction in absolute scope 1+2 CO ₂ emissions (Base year: 2017)	55%	2030	35% (26%)
% of renewable energy in electricity consumption	100%	2030	57% (49%)

Zero Waste

With the aim of creating a resource-circulating society, Kao promotes the reduction and recycling of resources used for packaging and products that are used in and generated from business activities, and contributes to the sustainable development of its business and society.

[Kao Sustainability Report 2024: Zero waste](#)

Aiming to achieve resource circulation in society, Kao set a target of achieving plastic packaging net zero waste by 2040 and negative waste by 2050*⁶ for plastic containers used and discharged in its business activities. In 2023, Kao formulated a roadmap for achieving those targets. Furthermore, the first products making use of used refill packs, utilizing the company's film-to-film recycling technology, reached the market in May. For more information, please see the April 2024 news release on Kao's progress in 2023 toward achieving its zero waste targets.

*6 Kao's net zero waste initiative aims to make the quantity of plastic recycled equivalent to the quantity of plastic packaging it produces. Negative waste means reaching the stage where the quantity of plastic recycled is greater than the plastic packaging produced by Kao.

News Release from May 2023

[Announcing a Roadmap for Reaching Plastic Packaging Net Zero Waste by 2040 and Negative Waste by 2050](#)

News Release from April 2024

[Kao Accelerates Activities to Achieve Plastic Packaging Net Zero Waste by 2040 and Negative Waste by 2050](#)

2023 Results

Indicator	Mid-to long-term targets Target value	Mid-to long-term targets Year	2023 Results (2022 Results)
Quantity of fossil-based plastics used in packaging	Will peak and begin to decline	2030	74,000 tons (88,000 tons)
Quantity of innovative film-based packaging penetration for Kao and others per annum	300 million	2030	14 million (13 million)
Plastic recycling rate with Kao	50%	2030	6% (3%)

involvement			
Practical use of innovative film-based packaging made from collected pouches	Product launch	2025	Product launch (ongoing development)
% of recycled plastic used in PET containers (Japan)	100%	2025	81% (69%)
% of the waste generated from Kao sites*, ratio of waste that cannot be recycled * Beginning with production sites	Zero (less than 1%)	2030	4.3% (4.2%)
% reduction of discarded products and discarded sales promotion materials (Base year: 2020)	95%	2030	43% (20%)

Responsibly Sourced Raw Materials

Source our raw materials in a more sustainable way that protects natural resources, the environment, safety and human rights through supply chain traceability and dialogue with suppliers.

[Kao Sustainability Report 2024: Responsibly sourced raw materials](#)

[Kao website: Palm Oil Dashboard](#)

Aware that its business is dependent on natural resources, Kao has been taking steps to source natural raw materials sustainably, positioning palm oil, the main ingredient in surfactants, and paper and pulp, which are used for disposable diapers and container materials, as key natural resources. To achieve “no deforestation,” Kao supports NDPE^{*7}, requiring and verifying that its suppliers and their group companies, as well as their portfolio companies, observe NDPE sustainability commitments.

^{*7} No Deforestation, No Peat and No Exploitation

With regard to palm oil, Kao is endeavoring to establish traceability throughout the supply chain, down to smallholder oil palm plantations. In 2023, traceability had been confirmed for 99% of oil palm mills and 87% of plantations. As for the purchase of certified sustainably sourced palm oil, Kao aims to convert to using 100% RSPO-certified palm oil for the Kao Group by 2025, including Book & Claim^{*8}, up from 40% in 2023.

^{*8} A certification model in which RSPO-certified credits are traded online between producers and end-product manufacturers/sellers

In the SMILE program launched in 2020, Kao, together with Apical Group, a global palm oil processor and exporter, and Asian Agri, a plantation and palm oil company, is striving to build a sustainable palm oil supply chain in Indonesia, supporting yield improvements and providing help for obtaining RSPO certification to smallholders in the provinces of North Sumatra, Riau and Jambi. Education was provided in the areas of farm management, occupational safety, fire management and obtaining RSPO certification to a cumulative total of 3,080 smallholders in 2023, with 839 of them obtaining RSPO certification. Kao has purchased all RSPO-Certified Credits from the oil palm

smallholders who obtained the certification, helping provide them with a steady source of income, since they are allowed to directly receive the premiums paid by Kao. To improve smallholders' revenue by boosting yield, reducing agrochemical use and lessening the burden on the environment, Kao distributed Adjuvant*⁹ free of charge to a total of 628 smallholders in 2023. In September 2022, Kao launched a grievance mechanism to receive complaints and inquiries from smallholders. By the end of December 2023, the mechanism had been introduced to 212 smallholdings and had received a total of 213 inquiries since its inception.

*⁹ A very efficient agricultural spreading agent developed by Kao that is derived from plant materials and helps spread pesticides when sprayed on plants.

News Release from October 2020

[Kao, Apical and Asian Agri Launch 'SMILE' Program to Help Oil Palm Smallholders Improve Yields, Acquire Certifications, and Secure Premiums](#)

News Release from April 2022

[Progress of Helping Oil Palm Smallholders in Indonesia](#)

News Release from August 2022

[Kao Launches Grievance Mechanism for Indonesian Oil Palm Smallholders](#)

2023 Results

Indicator	Mid-to long-term targets Target value	Mid-to long-term targets Year	2023 Results (2022 Results)
% of certified paper products and pulp for consumer products	100%	2025	98% (97%)
Confirm traceability to oil palm smallholders	Finish	2025	Traceability checks to farms: 87% (completed up to own farm managed by oleo chemicals supplier)

About the Kirei Lifestyle Plan

Over the past 130 years, Kao has worked to improve people's lives and help them realize more sustainable lifestyles—a Kirei Lifestyle. The Japanese word 'kirei' describes something that is clean, well-ordered and beautiful, all at the same time. The Kao Group established its ESG strategy Kirei Lifestyle Plan in April 2019, which is designed to deliver the vision of a gentler and more sustainable way of living. By 2030, Kao aims to empower at least 1 billion people, to enjoy more beautiful lives and have 100% of its products leave a full lifecycle environmental footprint that science says our natural world can safely absorb.

Please visit [the Kao sustainability website](#) for more information.

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 1,530 billion yen in annual sales. Kao employs about 34,300 people worldwide and has 137 years of history in innovation.

Please visit [the Kao Group website](#) for updated information.

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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 Releases the Kao Integrated Report 2024](#)