

Message by Dave Muenz 102-14



The year 2020 was like no other in recent memory. The COVID-19 pandemic has caused great suffering and disruption to so many people and our hearts go out to all those who have been affected.

We at Kao have been very active in addressing the extraordinary needs that arose from the pandemic. Our first actions were to protect our employees, and this was immediately followed by actions to help people live in this new environment by dramatically increasing the production capacity of essential products that we make, such as sanitizers.

Once we took these urgent actions to address the COVID-19 crisis, we returned with renewed priority to our efforts of improving the lives of all people. Guided by our ESG Strategy, the Kirei Lifestyle Plan (KLP), we continue to follow the tenets of Our Philosophy & Action on Plastic Packaging. Toward reduction, we launched a new packaging innovation called the *Air-in Film Bottle* that uses our thin film technology. This packaging is a fully functional replacement of heavier rigid bottles but uses significantly less plastic. This innovation was launched in our new *MyKirei by KAO* brand in April 2020.

Recycling is also a key focus for us. In pursuit of this, we are involved in a coalition of companies such as Lion Corporation in Japan to collect and recycle film-based refill packaging. We also began joint initiatives with the Tokyo Metropolitan and Wakayama City governments to test ideas for a circular economy. No one company can build a circular society, and we firmly believe that partnerships are key.

Stepping up transparency is also our priority, and part of this is publication of our Fragrance Policy and full disclosure of fragrance ingredients, starting with some of our fabric and home care brands in Japan and the *MyKirei by KAO* lineup.

The year 2021 will be a year of action and driving change. The new Kao Group Mid-term Plan 2025 (K25) commits to placing ESG at the center of our business to not only grow and innovate our existing business, but to create new growth opportunities leveraging our technologies. Strategies have been developed in K25 and will be deployed by listening carefully to advice of our ESG External Advisory Board and following the scenario analysis required by the Task Force on Climate-related Financial Disclosures (TCFD). Through actions that have meaningful impact, our ambition is making Kirei a gift to the world.

Role and activities of the ESG Committee

The ESG Committee discusses and decides on the overall direction of activities related to our ESG Strategy. The committee is chaired by the President and Chief Executive Officer, and its members include Senior Managing Executive and Managing Executive Officers. The committee formulates policies and strategies that are related to ESG activities, identifies ESG issues, risks and opportunities, and examines the current state of ESG activities. The ESG External Advisory Board consists of outside experts, and gives advice and recommendations to the ESG Committee to bring external perspectives to the management of the company.

Main items deliberated on and approved by the ESG Committee in FY2020

- Confirmation of the ESG Strategy amid the spread of COVID-19
- Deliberation and approval of the ESG Strategy tied to the new Mid-term Plan 2025
- Deliberation and approval of the revised draft of the KLP
- Confirmation of the items on the ESG External Advisory Board report
- Review of the progress made on each theme of the KLP
- Current ESG performance evaluation

Themes proposed to the ESG Committee by the ESG External Advisory Board in FY2020

- The need for complete transparency, including the positive and negative aspects of our efforts
- The importance of employees in achieving our ESG aspirations
- The need for enhanced levels of external ESG-related communication

Climate change scenario analysis

In FY2018, Kao expressed its support for the recommendations of the TCFD. The following year, we conducted a climate change scenario analysis, which helped us confirm the need to reduce our reliance on fossil-based raw materials and to find new ways to capture the CO₂ already in the atmosphere. It is also critical that we find ways to help people adapt amid the current and expected effects of climate change.

In 2020, we established the Recycling Science Research Center to pull together all of the recycling technologies we have amassed under one roof and accelerate research into recycling technologies. We also established the new Hygiene Research Center to combat the viruses that we are under attack from now and those that may affect us in the future.



David J. Muenz
Executive Officer
Senior Vice President, ESG, Global