

# Kirei Lifestyle Plan—Kao's ESG Strategy <sup>102-16</sup>

Under the management framework established in 2021, we revised our vision for 2030 from “a company with a global presence” to “Make Kao a company with a global presence, valuable to society,” and will pursue sustainable growth by integrating ESG into the core of our management as we work toward this vision. Our ESG Strategy, the Kirei Lifestyle Plan (KLP) released in April 2019, aims to enrich the lives of consumers, and as such is an ESG Strategy shaped from the consumer's point of view and unique to Kao.

Through ESG-driven *Yoki-Monozukuri* based on the KLP, our ESG Strategy will lead to realizing sustainability for society and increased corporate value.

## Philosophy supporting Kao's ESG activities

### The Kao Way

Since our founding, we have made it our mission to contribute to sustainability through our business activities. The Kao Way, our corporate philosophy, states, “Our mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective.”



→ p.10 Kao's Corporate Philosophy

### Kao Group Mid-term Plan K25 and What Kao Aims to Be by 2030

To make Kao a company with a global presence, valuable to society, as defined in What Kao Aims to Be by 2030, we have integrated ESG into the core of our management. The three objectives of What Kao Aims to Be by 2030 are (1) to become an essential company in a sustainable world, (2) to be a high-profit global company that also significantly contributes to society and (3) to provide returns to stakeholders according to levels of growth. We envision these goals resulting in sales of 2.5 trillion yen. Developing our business for the purpose of benefiting society will grow our business as a result, and we will return the profits to society.

We announced the Kao Group Mid-term Plan 2025 (K25), which is focused on achieving What Kao Aims to Be by 2030, in December 2020. With the vision of “Sustainability as the only path” and the concept of “Kirei—Making Life Beautiful,” K25 sets three objectives: (1) Become an essential company in a sustainable world, (2) Transform to build robust business through investment and (3) Maximize the power and potential of employees.

To signal our resolve to implement ESG-driven management to achieve K25 on our journey to 2030,

we have defined the ESG goals of “zero waste / carbon zero” for E, “one and only personalization” for S, and “one team with integrity” for G. We will build business with our new focus of “Save lives, protect people,” and undertake this effort in collaboration with like-minded stakeholders.

### Kirei Lifestyle Plan, Kao's ESG Strategy

Our ESG Strategy, the KLP, expresses the direction we are taking with specific ESG activities that put consumers in the driver's seat as well as our ambitions for the future. The KLP consists of Kao's ESG Vision and Kao's ESG Commitments and Actions to achieve this vision.

### Kao's ESG Vision

Kao's ESG Vision is based on the concept that our ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the Earth.

Our value of “walking the right path” is presented as the foundation of our ESG activities and embodies one of the core tenets of our founder Tomiro Nagase, “Good fortune is only given to those who work diligently and behave with integrity.”

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## **Kao's ESG Commitments and Actions**

The KLP includes three main pillars connected to enriching the lives of people, namely “Making my everyday more beautiful,” “Making thoughtful choices for society,” and “Making the world healthier & cleaner.” “Walking the right path” is the foundation that supports these pillars.

Kao Actions, our priority action themes, are set for each pillar as well as our 2030 Commitments, our ambitious goals to achieve by 2030.

We believe that achieving K25 looking ahead to our vision for 2030 in the areas of society and the environment, where global-scale upheavals are anticipated, will require our resolve to transform ourselves to help bring positive transformation to society. As the importance of governance is growing, we will further strengthen the effectiveness of our governance in line with our core value of “walking the right path.”

Individual mid- to long-term targets have also been set for each of the 19 Kao Actions to facilitate effective and reliable activities.

## **Business growth through the realization of the Kirei Lifestyle**

K25 is based on the approach of developing our business for the purpose of benefiting society, and achieving business growth as a result. We believe that our ESG actions taken with the goal of enriching the lives of consumers and realizing a sustainable world will result in business growth and creation of a cycle where generated profit is returned to stakeholders,

consumers and the wider society. The KLP is the main driver to achieve this management vision, and ESG is therefore positioned as investment and the basis for our future finances.

It is said that technological innovations are needed to address the severe social issues we are facing in the modern era and realize a sustainable world. We are focusing on *Yoki-Monozukuri* as the basis for the innovative solutions we offer, and we believe that ESG-driven *Yoki-Monozukuri*, which combines innovative technologies grounded in our Essential Research, will support our sustainable growth and can have transformative impacts on people, the wider society and the Earth.

We will deepen our existing three business fields, Cleanliness, Health and Beauty, and expand their boundaries based on the KLP, thereby amplifying our transformative impacts on society, and at the same time, achieving business growth. Our plan to build our business with the new focus of “Save lives, protect people” set forth in K25 is part of this.

The KLP will also contribute to increasing our corporate brand value and product brand value. The spirit of the KLP is also integrated into our products, campaigns, programs, communications and other activities. We believe that contributing to enriching the lives of consumers and to society and environmental sustainability will allow us to gain the trust of consumers and a wide range of stakeholders, earn a strong reputation, and contribute to increasing our corporate brand value.

One of Kao Actions, “Purpose driven brands,” strengthens brands’ reason for existing as well as contributes to product brand value. One example of

the actions we took in 2020 is the launch of sales of the brand *MyKirei by KAO* in the U.S. with the purpose of realizing the Kirei Lifestyle. The brand fully mobilizes technologies born from our Essential Research and offers a portfolio of products made with our exceptional considerations for the environment and society. Going forward, we plan to expand the brand’s availability in stages in Europe, Japan and other countries in Asia.

The new Kao Group Mid-term Plan K25 as well as our new management framework and internal structure to implement K25 put in place in 2021 will further strengthen our purpose-driven, ESG-driven *Yoki-Monozukuri*. We believe that this will lead to Kao becoming an essential company in a sustainable world, development of business linked to contributing to a sustainable world, and business growth as a result.



→ Kao Integrated Report 2021  
Kao's value creation model  
[www.kao.com/global/en/investor-relations/library/reports/](http://www.kao.com/global/en/investor-relations/library/reports/)

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## Kao's ESG Vision

A Kirei Lifestyle means living a beautiful life inside and out. A Kirei Lifestyle is full of compassion. Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei Lifestyle is enjoying today, with the peace of mind that those joys will be there tomorrow. It's the chance to express who you truly are, with the confidence that you are walking the right path. Even in the smallest, everyday moments. That's why, at Kao, everything we do is in service of

this lifestyle. It's why we do what is right, not what is easy. We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei Lifestyle.



BY 2030  
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives — greater cleanliness, easier aging, better health and confidence in self expression



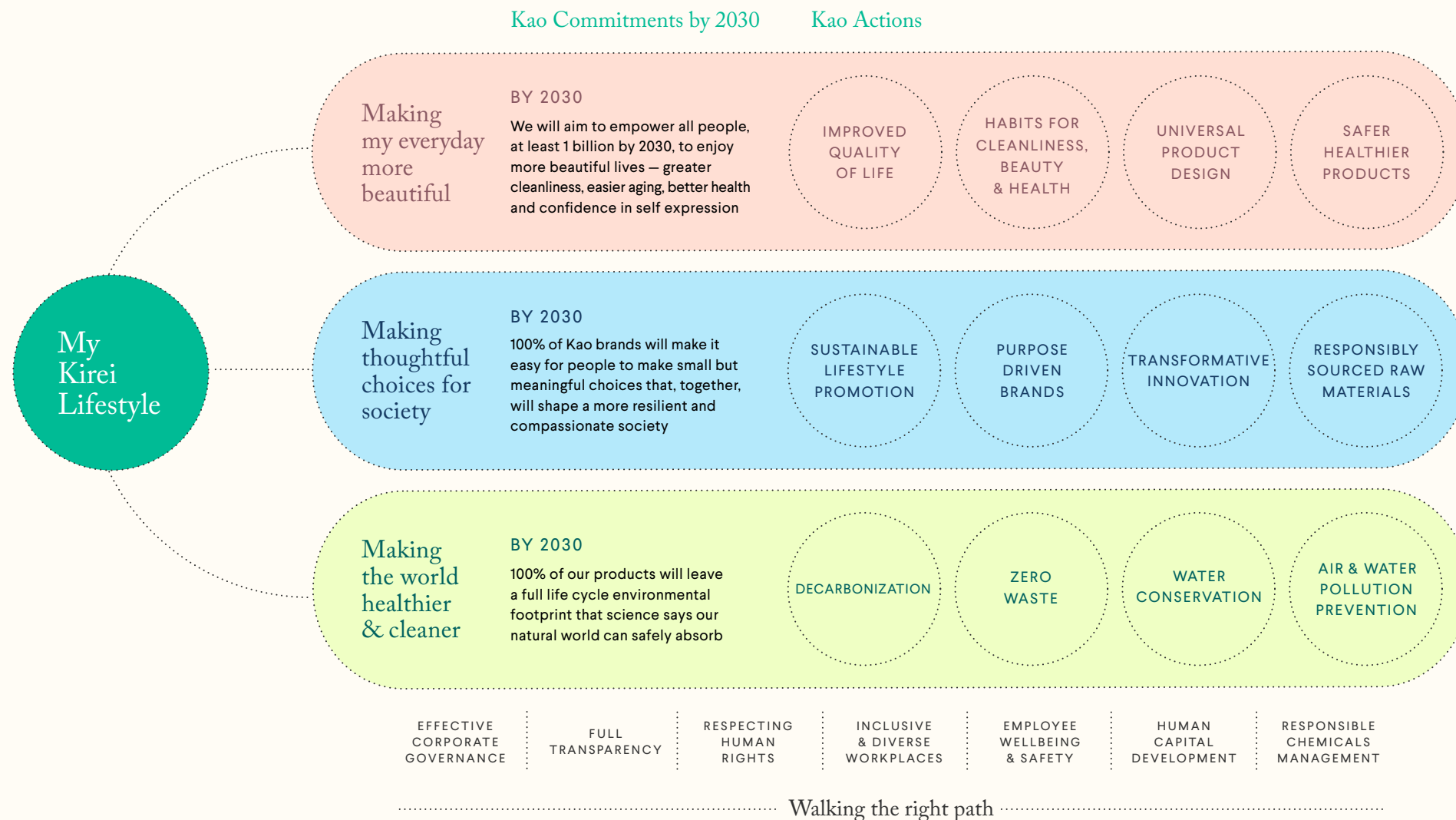
BY 2030  
100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society



BY 2030  
100% of our products will leave a full lifecycle environmental footprint that science says our natural world can safely absorb

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## Kao's ESG Commitments and Actions



## Kao Group Mid-term Plan 2025 (K25)

Kao has developed the Kao Group Mid-term Plan 2025 (K25), covering the five-year period from FY2021 to FY2025, for the realization of an enriched sustainable world.

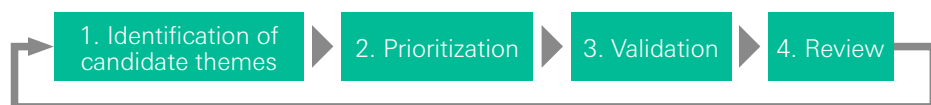
By contributing to an “enriched sustainable world” and growing the businesses of the company through proactive engagement in ESG activities and investment, Kao will aim to be an essential company in a future world.



## Selection process for the Kao Actions as material themes

Kao selected the 19 Kao Actions in the Kao ESG Commitments and Actions through the following four steps.

### Selection process



### Objectives of selecting the Kao Actions

1. Targeted action in view of changing social circumstances and issues, and the changing expectations for Kao
2. Strategic implementation of ESG activities based on Kao policy and changes in business environment and strategy
3. Efficient investment and effective use of management resources

### Selection of Kao Actions implemented in 2018

#### 1. Identification of candidate themes

##### 1.1 Making a list of candidate themes

We used the following to help identify candidate themes:

- ISO26000
- GRI Standards
- SDGs
- Evaluation items used by ESG assessment bodies
- Global mega-trends
- In-house workshops
- Materiality at other companies
- Third-party opinions

As a result of this process, 78 candidate themes (17 environmental, 37 social and 24 governance) were selected.

##### 1.2 Top management interviews

We held interviews with eight members of top management including representative directors, directors and managing executive officers, and compiled their thoughts and requests regarding Kao's ESG Strategy.

##### 1.3 Region-based workshops

Using a workshop format in the regions of Asia, the Americas and Europe, we identified activities that would simultaneously satisfy business needs, sustainability needs and customer and consumer needs from the viewpoint of our operational sites. We then identified elements in those activities that serve becoming a company with a global presence.

#### 2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their priority in growing our business and increasing our corporate value.

##### Evaluator attributes

- External stakeholders: 32 (21 Japanese, 11 non-Japanese)
- Employees: 71 (39 Japanese, 32 non-Japanese)

External stakeholders who provided evaluations fall under the following groups:

- Consumers / customers
- Suppliers
- Local community members
- NGO / NPO representatives
- Academics
- Industry body / same industry representatives
- Shareholders / investors

Making my everyday more beautiful

Making thoughtful choices for society

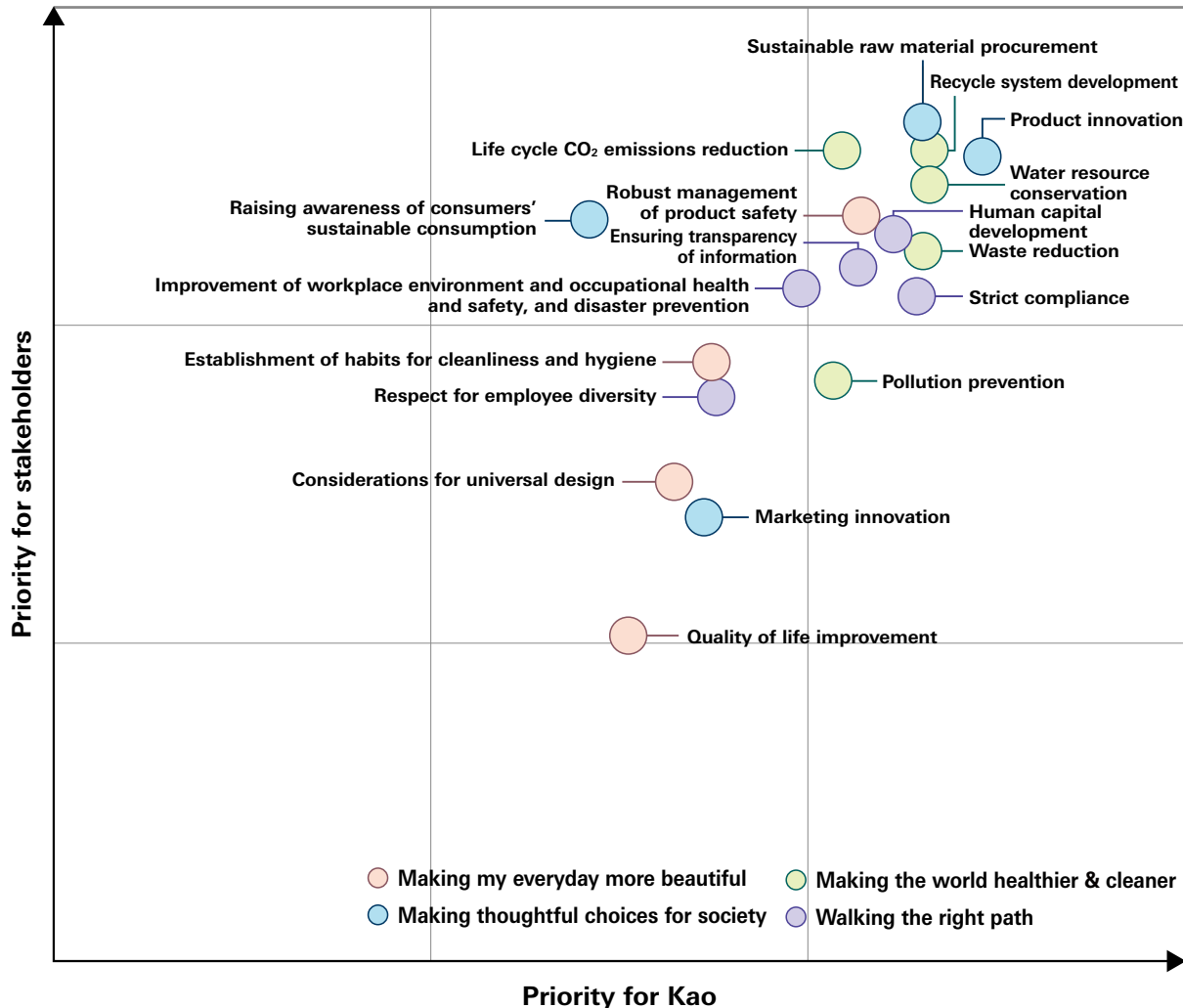
Making the world healthier & cleaner

Walking the right path

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We then organized the results of their evaluations in the Matrix of Materiality, which maps materiality along two axes: priority for stakeholders and priority for Kao.

Matrix of Materiality



The ESG Promotion Meeting, attended by division leaders, reviewed materiality based on the results of the evaluations and third-party opinions, and then selected the 19 Kao Actions.

Themes that were not included in the Kao Actions despite being relatively highly rated in the evaluations will be managed and implemented under a separate organization. For instance, “Disaster preparation and reconstruction assistance” was highly rated externally. These themes have been and will continue to be implemented under the Responsible Care Promotion Committee.

### 3. Validation


The ESG Committee reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them.

Based on this, divisions set their own targets and action plans to conduct ESG activities.

### 4. Review

The 19 Kao Actions will be periodically reviewed and revised using the selection steps 1 to 3.

In addition, the actions are reviewed each year at a meeting of the ESG External Advisory Board.

 → For details concerning the structure, see p. 18, ESG promotion structure.

## ESG promotion structure

We are building an ESG promotion structure to realize more flexible and robust ESG activities. Under the Board of Directors, the ESG Committee is the body that discusses and decides the direction of activities related to the ESG Strategy. Comprising outside experts, the ESG External Advisory Board provides external viewpoints that are input into our ESG activities. The ESG Promotion Meeting works to achieve the ESG Strategy, and ESG Task Force proposes activities for focus themes, while divisions implement activities.

The ESG Committee consists of members of the management team, and the ESG Promotion Meeting is attended by the heads of business divisions, regions, functional divisions and corporate divisions. These bodies are able to make swift management

decisions on ESG matters, and the structure enables divisions to advance ESG activities. We are building effective governance and integrating ESG into division policies, targets and plans by having divisions engage in ESG-driven operations based on divisions taking management responsibility and reporting lines in the organization. Divisions also conduct these operations for global Kao Group companies, with individual group companies conducting activities as appropriate according to the content.

The ESG External Advisory Board is made up of external experts who provide advice and suggestions to issues raised by the ESG Committee and offer outside viewpoints that are input into management.

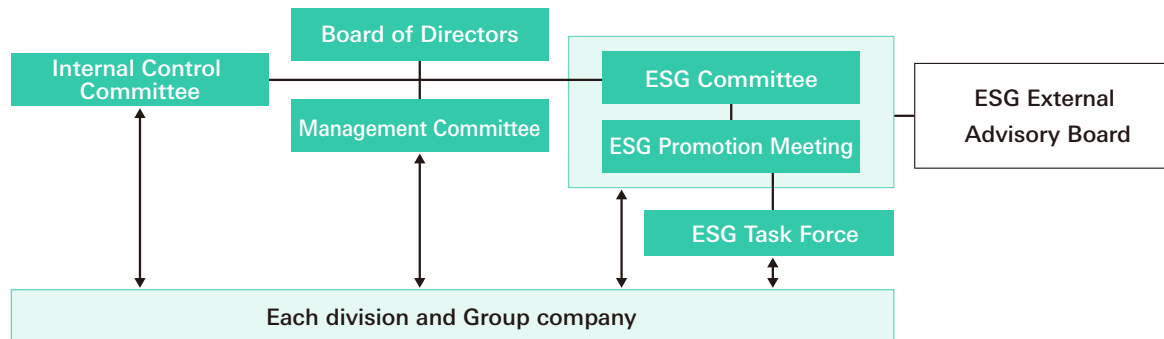
While the actions taken across the ESG promotion

structure basically relate to all aspects of ESG, placing a primary focus on KLP actions drives strategic ESG implementation.

Through this ESG promotion structure, we gain an understanding of our global ESG activities and make management decisions on strategy, investments and other matters based on their impact on our business and society.

Two years have passed since we established this structure in 2018, and we have interlinked the activities of the ESG Committee and the ESG Promotion Meeting, connected the activities of the managing divisions for the 19 Kao Actions and other divisions, and furthered the incorporation of ESG activities into the global operations of divisions.

### ESG promotion structure



\* As of December 2020

### Implementing the Kao Actions in the KLP

- The responsible divisions design the details of the respective actions, devise the mid- to long-term targets, regularly consolidate data on division progress and manage company-wide progress.
- The target divisions devise and implement their division targets and activity plan for each action.

### ESG promotion at divisions

- Each division creates its promotion structure. They devise their division targets and activity plan, and implement the PDCA cycle.
- The progress of division activities is reported to the ESG Promotion Meeting, which then gives the divisions feedback including requests to revise plans.
- Global implementation by divisions is the general rule, with support for implementation by individual Kao Group companies provided as needed.
- The members of the ESG Promotion Meeting in each division give direction and guidance on incorporating the company-wide ESG Strategy into division strategy.



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## Roles, structure and frequency of meeting of each organization

Organization	Roles	Structure	Frequency of meeting	Main deliberated items (2020)
<b>ESG Committee</b>	<ul style="list-style-type: none"> <li>Develop policy and strategy for Kao's ESG activities</li> <li>Gain an understanding of the issues, risks and opportunities for sustainability of Kao and society and ESG</li> <li>Deliberate and decide on matters raised in the ESG Promotion Meeting</li> <li>Confirm the status of company-wide ESG activity implementation and take action accordingly</li> </ul>	Committee chairperson: President & CEO; Members: Senior managing executive officers, managing executive officers, other executives	Four times / year	<ul style="list-style-type: none"> <li>Confirmation of the ESG Strategy considering the spread of COVID-19</li> <li>Deliberation and approval of the ESG Strategy linked to the new Mid-term Plan K25</li> <li>Deliberation and approval of the revised draft of the mid- to long-term targets for the KLP</li> <li>Examine the proposals from the ESG External Advisory Board</li> <li>Review of the progress made on each Kao Action in the KLP</li> <li>Discussion on how to conduct ESG performance evaluations</li> </ul>
<b>ESG External Advisory Board</b>	<ul style="list-style-type: none"> <li>Give advice and recommendations to the ESG Committee from outside viewpoints</li> <li>Provide information to the ESG Committee to enable development and implementation of world-class plans</li> <li>Provide opportunities for collaboration and cooperation with external parties</li> </ul>	Members: External influential experts <ul style="list-style-type: none"> <li>Lisa MacCallum Founder of Inspired Companies Specialization: Business reforms</li> <li>Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption</li> <li>Jalal Ramelan Chairman, ESG Indonesia Specialization: Sustainable development field</li> <li>Helmut Schmitz Director of Communication and Public Affairs, Der Grüne Punkt - Duales System Holding GmbH &amp; Co. KG Specialization: Recycling systems for packaging</li> </ul>	Once / year	<ul style="list-style-type: none"> <li>Proposals on expectations for and risks to Kao based on the social climate</li> <li>Review and evaluation of the progress made on the KLP</li> <li>Proposals on ESG Strategy linked to the new Mid-term Plan K25</li> </ul>
<b>ESG Promotion Meeting</b>	<ul style="list-style-type: none"> <li>Promote implementation of the ESG Strategy based on the direction decided by the ESG Committee and its directives and suggestions</li> <li>Confirm the status of division ESG activities and take action accordingly</li> <li>Establish task forces as necessary to implement focus themes</li> </ul>	Chair: Person responsible for the ESG Division; Members: Responsible persons at business divisions, regions, functional divisions and corporate divisions	8–12 times / year	<ul style="list-style-type: none"> <li>Discuss the ESG Strategy and activities considering the COVID-19 pandemic</li> <li>Draft proposed revisions to the mid- to long-term targets in the KLP</li> <li>Confirm the progress and future plan for each Kao Action in the KLP</li> <li>Confirm the progress of division ESG activities</li> <li>Design employee engagement</li> <li>Hold lectures by external experts</li> </ul>
<b>ESG Task Force</b>	<ul style="list-style-type: none"> <li>Establish for individual focus themes when a cross-functional structure is needed. Propose activities based on the detailed plan developed by the ESG Promotion Meeting</li> </ul>	Members: Staff of the division relevant to the focus themes	As necessary	<ul style="list-style-type: none"> <li>Establish and release the Fragrance Policy by the Transparency Task Force</li> </ul>

## Evaluation, requests and future expectations from the ESG External Advisory Board

In addition to Lisa MacCallum and Rika Sueyoshi, who joined the ESG External Advisory Board in 2019 when it was created, Jalal Ramelan and Helmut Schmitz joined the board in 2020. The board members discussed Kao's ESG activities and provided wide-ranging advice from broad viewpoints.

Messages from the ESG External Advisory Board members are published on the following pages.

## Message from the ESG External Advisory Board

### Achieving sustainability successes even in times of difficulty



**Lisa MacCallum**

Founder, Inspired Companies

2020 will be remembered as a year where everyone and every company was tested at the same time with the same problem: COVID-19. I saw three types of companies emerge from this abrupt and real-time test of character:

1. Companies that showed up in ways they regret. Those that chose to save a few dollars upfront, but experienced expensive backlash;
2. Companies that did some well-intended things, but delivered from such a low base of trust that their efforts were questioned or ignored;
3. Companies that intuitively moved to action in support of employees, customers, supply chain, government and communities to show us the best of the corporate sector.

It takes work to make it into the third category. That is, to be a company whose best version emerges during the worst of circumstances. It's even harder work to stay there. Key to success in these moments of truth is for leaders and employees to simultaneously draw strength, clarity and confidence from a strong and inspired compass.

Kao has one. I've seen it in action. The Kirei Lifestyle Plan and vision for success stands on the shoulders of Kao's enduring purpose to strive for the wholehearted satisfaction and enrichment of people's lives. Combined with Kao's unique way of being, the Kao Way, they serve as a powerful compass for Kao to navigate the complexity, nuance and velocity of today's global marketplace.

The ESG team has now spent almost two years working decisively across Kao's global operations to embed the strategy and intention of Kirei Lifestyle. This is a concept that at its core, represents a democratic and deep sense of beauty, respect, kindness, equality and fairness. A concept which at its best, is in complete harmony with humanity and the planet.

With this as Kao's foundation, compass and inspiration, in 2020 we saw Kao urgently deliver care packages to employees around the world as a first priority. Move quickly to collaborate with public officials in several countries, retool production capacity and service urgent sanitation and healthcare supply needs. We witnessed Kao set bold new challenges and targets to collaborate and innovate faster and better to solve big, daunting global problems at local levels for so many issues, including for COVID-19.

We also saw Kao quietly earn the best ranking in the industry with the prestigious and independent 2020 Sustainability ESG Risk Ratings, to name just one of several unsolicited

acknowledgments.

From the vantage point of the ESG External Advisory Board, I can confidently say that Kao is indeed superior on the delivery of so many things: engineering and scientific innovation, authenticity of effort, doing the right thing, moral compass of governance...the list is long. Kao is a rare find in the global landscape of a somewhat disappointing corporate sector.

Therein perhaps lies the challenge for Kao in 2021 and beyond, however. With the state of the world today, the bar for excellence has been raised and expectations are higher than ever. Will doing more of the same keep Kao in that third and enviable category of companies that move intuitively in favor of stakeholders and positive impact to create sustainable celebrated success?

The world needs what Kao has. If you have the scientific and engineering answers and innovations but the world cannot access them fast or decisively enough, is that going to be okay as we head into 2021? I'm not so sure.

Like many of you, I prefer small, high quality portions of my favorite things. Less is more, so to speak. For the things Kao is uniquely positioned to solve for globally however? We need bigger, biggest and more, more, more.

The world no longer celebrates companies and brands that "go it alone." The world celebrates companies that open their doors to unique and unexpected partnerships, collaborations and large-scale alliances to get big important stuff done to deliver real, measurable and meaningful impact. That's as simple and as complicated as it is today.

The concept of Kirei Lifestyle is bigger than Kao Corporation. Delivering on its full potential will take intention, courage,

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imagination and a doubling up of collaborative effort across Kao and beyond Kao. It is not something that can be implemented as a single initiative, task or milestone. It will require more than incremental change and incremental effort from a single department. Crucially, it will require shared vision and purpose with a significant base of stakeholders both inside and outside of Kao.

The pursuit of Kirei Lifestyle is an open challenge to redefine beauty, kindness, respect, fairness and harmony to make life better and more enriching for everyone. Every day. Kao has set the bar high and presented an irresistible vision of the future.

Now, who and how will you invite others into Kao's world to help you deliver?

Making my everyday more beautiful

Making thoughtful choices for society

Making the world healthier & cleaner

Walking the right path

## Message from the ESG External Advisory Board

### Toward full transparency and information disclosure



**Rika Sueyoshi**

CEO, Ethical Association

The year 2020 was a challenging one for people around the world. Amid the COVID-19 pandemic, Kao was of great service in preventing the spread of infections by supplying hand sanitizer and hand soap, and has been recognized as being a needed presence in society from its significant contributions via its primary business. At the same time, to build the society that will co-exist with COVID-19, this will bring more attention by more people than ever before to Kao's value as a company, and at times Kao will be questioned as well.

It is evident that the COVID-19 pandemic has caused more people to think more deeply about the background to issues in the world. This brings with it hope, but at the same time also risk. For example, those of us who have felt vulnerability in our lives, especially those of us who live in cities, say from the lack of self-sufficiency in supplying our own food, clothing, shelter

and energy, have felt a keen sense of gratitude for being able to secure food and daily necessities from our dependence on essential workers as we limit our activities under the state of emergency. This has caused us to place more importance on the values of showing appreciation to others and gratitude, which are also ethical concepts. This should have a positive meaning for the world, which is advocating for the SDGs to be achieved.

Meanwhile, as there is still no end to the pandemic in sight, there are many highly perceptive people who are thinking seriously about the real causes behind the issues. These people are becoming aware of the correlations the pandemic has with the slapdash destruction of the natural environment by people who have prioritized economic activity. In the business world too, companies that pursue profits while destroying the natural environment in ways not visible to customers will quickly lose the trust of customers in the not-too-distant future. Creating a society resilient to infectious disease is the same as creating the society envisioned by the SDGs, and we much consider these together.

In light of these circumstances, what is most expected from companies right now is transparency and information disclosure. As a company, for Kao to fulfill a role as a leader in leaving a better society for the next generation, it must disclose to customers with transparency both the good things and the bad throughout its supply chain from upstream to downstream while striving to improve the problem areas. Going forward, companies will be increasingly evaluated on their comprehensive disclosure including negative information about their impact on society and the environment, and on their attempts to strategically reform their primary business. Meanwhile, approaches that seek to only communicate convenient truths will be deemed SDG washing, and will make it more difficult to earn the trust of customers. To put it more directly, society will shift from asking companies what they are doing, to asking them what they are not doing. Consumers are directing a more discerning eye to their choices, and by

disclosing new information about its supply chain, Kao will raise problems to other companies and consumers and build unifying momentum. In this sense as well, acts of disclosing new information, including the fragrance policy and the names of fragrance components, will create a very favorable impression.

A major reason that has given rise to environmental and social problems is the capitalist market system that seeks never-ending economic growth, and undoubtedly the business activities of large companies and global companies who have built up their assets have been a part of this. If this is the case, then it is vitally important to take a stance not of "contributing to solving problems that have arisen in the outside world," or "meeting consumers needs and wishes to live a more sustainable lifestyle," but a stance that says we ourselves share the blame in creating these problems, and therefore we will take responsibility for solving them. With the Kirei Lifestyle Plan, Kao has shown the resolve to embark on this path of awareness and responsibility. I very much want to see Kao now take this resolve and turn it into action. In implementing the Kirei Lifestyle Plan, I am confident that broadly communicating to stakeholders what it achieves according to plan as well as what difficulties prove to be more formidable than initially thought will prompt others to join together in support of this new Kao.

In conclusion, Japan has finally committed to the target of becoming carbon neutral by 2050. While companies around the world are making commitments to become carbon neutral, I would like to see Kao take the lead in these efforts not just in advanced countries, but across its entire supply chain including developing countries. We must part ways with the approach of creating clean ways of doing things in advanced countries while externalizing wastefulness in developing countries. In order to also achieve the words in the Kirei Lifestyle Plan, of enriching lives by finding ways for people the world over to live its lifestyle, I hope that Kao becomes a leader in creating a sustainable future based on full transparency and information disclosure.

## Message from the ESG External Advisory Board

### Aiming higher while sustaining high-level ESG activities



**Jalal Ramelan**

Chairman, ESG Indonesia

When Kao Corporation invited me to discuss sustainability issues toward the end of 2019, I only had limited knowledge about the company. I knew that I used some of its products for decades. And, as a person who has been observing corporate sustainability issues for the past two decades, I also knew that Kao Corporation is one of the few companies in Asia that has a global reputation for sustainability performance. However, to be honest, my knowledge about the initiative and its sustainability performance was shallow. I was much more familiar with the performance of European companies within the same industry.

Because of the invitation, I took the time to visit the website to learn about the latest developments in this company. Since I have always admired several European consumer

products companies that are known as global leaders in the industry, I thought that Kao Corporation would show weaker sustainability policies, strategies, programs and performance. I was wrong.

The longer I browsed the website, reading the contents, downloading the various documents provided for further reading, I felt great admiration. My expectations were far exceeded. I think there are very few company websites that can provide a detailed picture of all the sustainability efforts and performance that is equivalent to that of Kao Corporation.

In order to provide complete information, Kao Corporation publishes its Kirei Lifestyle Plan Progress Report, Sustainability Data Book and Integrated Report. A cross reference between the GRI Standards, the ISO 26000 Guidance and the TCFD Index is provided. The results may feel too technical for most people, but it shows the seriousness of Kao Corporation in leveraging a variety of corporate sustainability standards and guidelines that exist at the global level to shape its policies, strategies and targets.

When I focus my attention on material issues in the consumer products industry, I find that all of these issues have been managed and disclosed satisfactorily. Energy efficiency and GHG emission reduction have long been a concern of Kao Corporation, with ambitious targets and performance that even exceeded the targets. Plastic waste is not only drastically reduced by packaging design, but is also managed with various initiatives that all aim at a circular economy.

I think the clearest sign of Kao Corporation's seriousness in environmental, social and governance issues is the various certifications and awards it has received. Unlike most companies that showing off the certifications and awards they have received, Kao Corporation chooses to

communicate it more carefully, in a segment with a humble title: External evaluations and recognitions. Once inside, we will know that this company has been included in the list of Global Ethical Sustainability Index (ESI) Excellence, ECPI Global Ethical Equity Index, and Ethisphere World's Most Ethical Companies since 2007; it has been included in the FTSE4Good Global Index since 2008, and the DJSI World and the DJSI Asia Pacific indexes in 2008, 2009 and each year since 2014.

Among companies in the same industry, Kao Corporation was in 2020 ranked 4th by the Corporate Knights' Global 100 Most Sustainable Corporations in the World, and 2nd by Sustainalytics, among many other accolades and awards. When I write down my impressions of this company, in early 2021, Kao Corporation has just been declared as one of mere 10 companies in the world to be rated A in the climate, forests and water categories by CDP. The same organization awarded this company as Supplier Engagement Leader for the fourth time in a row. Meanwhile, Bloomberg also stated that Kao Corporation was included in the 2021 Gender-Equity Index list.

Do I see Kao Corporation as a company where there is very little room for improvement? Presumably not. Maintaining all that has been achieved is not easy, while stakeholder expectations of the company also continue to increase. Kao Corporation clearly still has to achieve its climate change mitigation targets that have been validated by SBTi, and it still has wide room for improvement in climate change adaptation. Likewise, the target of fully entering into a circular economy remains to be fought hard.

However, based on what I have witnessed and felt during my interactions during the past year as a member of the ESG External Advisory Board, I am confident that Kao Corporation will be able to achieve, even exceed, its sustainability targets.

## Message from the ESG External Advisory Board

### Creating a circular society meeting the expectations of the next generation



#### Helmut Schmitz

Director of Communication and Public Affairs,  
Der Grüne Punkt - Duales System Holding GmbH & Co. KG

Kao has a very long corporate tradition and throughout its history has successfully demonstrated its ability to address challenges and develop solutions in an increasingly dynamic changing society. The Kirei Lifestyle Plan is therefore logically based on the realization that taking responsibility at various levels is an opportunity for the company, its customers, its employees and society to master the enormous generational task of the upcoming global transformation process.

The younger generation is quite rightly articulating its right and that of future generations to a future worth living. The realization that we must strive now and holistically to consistently follow the right path to move away from the practiced linear management of economy, of our raw

materials and resources to sustainable circular management permeates the Kirei Lifestyle Plan.

Sustainability is a “win-win proposition”—in fact, it’s a triple win: the environment, society and the company itself all benefit. The palm oil project named in the Progress Report 2020 exemplifies such a joint “win” in the area of renewable raw material production. The publication of the list of palm oil mills from which the raw materials are sourced is an important contribution to increasing the transparency of the entire supply and value chain. The expansion of cooperation with producing smallholder farmers enables an increase in sustainability in many areas. Knowledge transfer and education, certification systems and reliable purchase and supply contracts increase planning security and are key concepts that lend credibility to Kao both internally and externally.

Packaging fulfills a central role in almost all product areas of the economy in logistics, resource protection, consumer information, to name just a few important aspects. Some of the activities described in Kao’s Kirei Lifestyle Plan address the unacceptable situation in the management of plastic as a material, more than 35% of whose global production goes to the packaging sector often as cheap disposable material. The degradation products of plastic, ultimately in the form of microplastics, threaten entire ecosystems, food cycles, and thus our health. Plastic is fundamentally an extremely durable material and must be treated as such. A purely energetic recycling of plastic waste or the exit from the recyclable material cycle into landfills or nature: this is first of all an unnecessary waste of valuable hydrocarbon chains.

The Progress Report 2020 shows that the dramatic nature of the situation has been recognized. Good examples are described. Here, further intensive cooperation in the value chain is needed in the future to reduce superfluous packaging efforts and to keep the materials used in a

high-quality cycle. Frontrunners like Kao, who take responsibility in the design process at the interface of product and packaging, can create “game changers” through their activities.

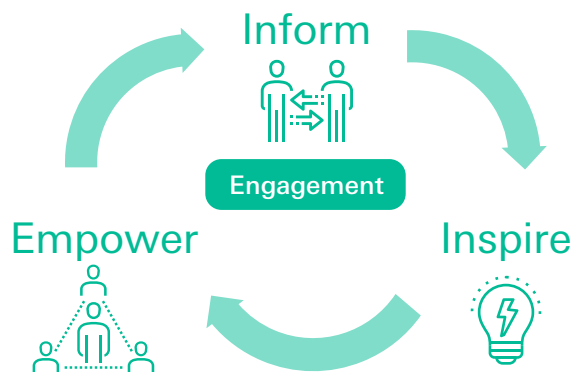
In many areas, we already have the necessary tools and technologies, for example in the recycling of plastics. A cost argument is often cited: But ten years ago, wind energy was three times more expensive than today, and solar energy seven times more expensive. Plastic recycling is not competitive today: crude oil and new plastic are too cheap. Used plastics have no value; we recycle too little. If recycling volumes were greater, the technical facilities would grow and, with corresponding scaling effects, the processes would become cheaper. Intelligently organized cooperation between politics and industry would be able to change the situation and to give the circular economy the necessary impetus.

The young generation is globally networked and informed. They are paying close attention because their future is at stake. If they recognize that the many good goals of the Kirei Lifestyle Plan describe the genetics of a company that strives for these goals to the best of its ability and that they are not just empty words or green washing, then Kao will develop into a good future on the basis of this credibility.

## Employee engagement

We believe that when all Kao Group employees act with awareness of the Kirei Lifestyle, both as consumers and as employees, we will all help achieve the goals set forth in our ESG Strategy, the KLP. For this reason, we continue to take steps to cultivate employee engagement, providing employees with information and inspiration that have the potential to spark actions on their part. We have also launched an awareness-raising program to share the knowledge and globally minded approach that are needed to implement ESG-driven *Yoki-Monozukuri*.

### Three aspects of employee engagement



### Learning the “why” in the Kirei Lifestyle Plan Caravan

We have continued the Kirei Lifestyle Plan Caravan activities carried out the previous year, where employees primarily at divisions in Japan talk directly with the head of the ESG Division. The purpose of the activities is to have divisions understand why Kao is pivoting to ESG-driven management.

With the shift to working from home amid the COVID-19 pandemic, the sessions were switched to an online format, with content customized for each division. All sessions covered the established core topics of global trends surrounding ESG, the impact and value to Kao's business and what opportunities we can explore to make a difference to society.

Some examples of specific changes include: having participants watch a video lecture by the Senior Vice President of the ESG Division, collecting questions on ESG before sessions, adding division-specific content to sessions, and switching to a format where all participants take an active role in the sessions.

In 2020, a total of seven sessions were held, with more than 1,000 employees participating in them.

In questionnaires sent out after the sessions, more than 60% of employees replied that they were able to deepen their understanding of ESG, meeting

our target and laying the groundwork for future action.

These activities will be extended to other parts of Asia starting in 2021. We are planning to raise awareness among Kao Group employees in Asia while modifying the content corresponding with the new Kao Group Mid-term Plan K25.



Content has been modified to accommodate changes in work styles, including creating a video of the lecture by the Senior Vice President of the ESG Division.

## Empowering all employees knowledge and the “how” in order to implement the KLP

With the assumption that participants have already learned the “why” through the Kirei Lifestyle Plan Caravan, we have started creating an e-learning program to follow that activity. This is done to have employees learn more about the background to the Kao Actions that forms the basis for putting the KLP into practice. Employees also learn related information and about global approaches and standards, and gain more insight into our efforts.

As a first step, we launched a program on Decarbonization on our e-learning platform in November 2020. Looking ahead, we will develop and launch programs on Zero Waste, Responsibly Sourced Raw Materials and Lifecycle Assessment, which are key elements of our environmental actions. We are also planning to release program materials in English in FY2021, with the goal of encouraging Kao Group employees to embody the Kirei Lifestyle as consumers and as employees.



E-learning programs are created to give employees the knowledge that forms the basis for implementing the KLP.

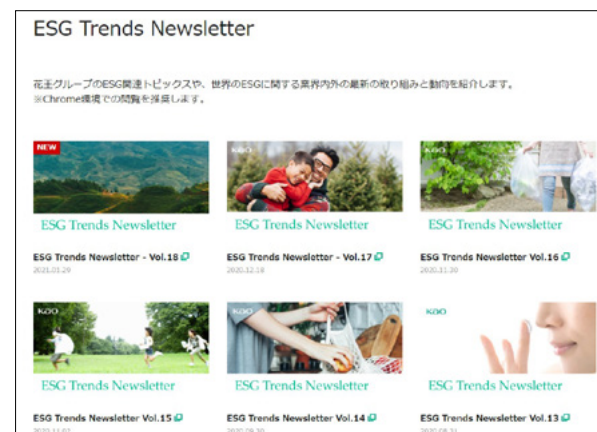
## Continuing to improve receptivity to ESG information

Since August 2019, we have been publishing a global ESG newsletter that covers the latest trends and information about ESG from a global outlook as well as messages from the Senior Vice President of the ESG Division and sections introducing ESG activities at Kao Group business locations.

The initial content mainly focused on topics in Europe and the Americas. As we continue to develop the newsletter content, we have added information about trends in Asian markets. We will continue to add content, with the goal of inspiring Kao Group employees around the world.

The newsletter has so far been released on an internal portal, but we are also shifting in stages to sending out the newsletter via e-mail to better ensure that employees receive it and are able to read it when it is convenient for them. Other improvements include the ability to know when recipients open and read the newsletter as well as an upgraded comments feature, which will help us expand content that employees find interesting and relevant.

On December 2020, we conducted a questionnaire and held interviews on the KLP with employees across several divisions. We will use the information we obtained as we consider communication and community-oriented activities that enable employees to easily participate, and then shift to planning and carrying them out in 2021 and beyond.



The global ESG newsletter aimed at increasing employees' receptivity to ESG is published monthly.



## Mid- to long-term targets

Individual mid- to long-term targets are set for each of the 19 Kao Actions.

Based on the mid- to long-term targets, divisions set sub-targets aligned with their business activities and conduct activities based on their plan.

To make more contributions to society through our activities, in 2020 we reviewed these targets through the ESG Committee and ESG Promotion Meeting. As a result of this, we have added new targets and revised some of our mid- to long-term targets. The applicable targets are noted in the table.

We were not able to present some of the 2020 results due to delays in establishing the evaluation methods or framework for collecting results.

For these targets, our anticipated timing for releasing the information is noted in the table.



→ For more information, please see p.232 Explanation of Kirei Lifestyle Plan Mid- to Long-term Targets.

### Mid- to long-term targets for the 19 Kao Actions

Kao Actions	Indicator	Results		Mid- to long-term targets		SDGs
		2019	2020	Value	Year	
<b>Making my everyday more beautiful</b>						
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	—	Plan to disclose in 2022*5	1 billion	2030	3,5,6,10,12,14,17
Improved quality of life	The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people*2	—	4.7 billion	7 billion*2	2030	3,5,12,17
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)*2	30 million	34 million	0.1 billion*2	2030	3,6,17
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines	44%	53%	100%	2030	10,12,17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	—	31%	100%	2030	3,12,14,17
<b>Making thoughtful choices for society</b>						
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	—	Plan to disclose in 2022*5	100%	2030	4,8,9,10,11,12,13,15,17
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)*2	2.61 million	3.07 million	0.1 billion*2	2030	4,11,12,17
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness	—	Plan to disclose in 2022*5	100%	2030	12,17
Transformative innovation	Cumulative number of proposed or realized products with big positive impact on lifestyles (cumulative since 2019)*3	2	3	10 or more	2030	9,12,13,17
	Cumulative number of proposed or realized businesses and systems with big positive impact on lifestyles (cumulative since 2019)*2	—	1	10 or more*2	2030	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	91%	94%	100%	2025	8,10,12,15,17
	Confirm traceability to small oil palm farm	Completed for large plantations	Completed up to own farm managed by oil and fat supplier	Finish	2025	

\*1 New target

\*2 Change of indicator and target value

\*3 Change due to enlarging scope

\*4 Revised the *Find* employee survey to the employee engagement survey

\*5 Reviewed detailed 2020 requirements

\*6 Built 2020 data collection system

\*7 See p. 65 and p. 115 for detailed information

# Kirei Lifestyle Plan—Kao's ESG Strategy 103-1, 103-2, 103-3

Kao Actions	Indicator	Results		Mid-to long-term targets		SDGs
		2019	2020	Value	Year	
<b>Making the world healthier &amp; cleaner</b>						
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	—	Plan to disclose in 2022*5	100%	2030	3,6,7,12, 13,14,15,17
	Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A-	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A	Highest evaluation level	Every year	3,6,7,12, 13,14,15,17
Decarbonization	% reduction in absolute full lifecycle CO <sub>2</sub> emissions (Base year: 2017)	4%	4%	22%	2030	7,12,13,17
	% reduction in absolute scope 1 + 2 CO <sub>2</sub> emissions (Base year: 2017)	9%	15%	14%*1 55%*2	2025*1 2030	
	% of renewable energy in electricity consumption*1	21%	28%	100%*1	2030	
Zero waste	Quantity of innovative film-based packaging penetration for Kao and others per annum	—	1 million	300 million	2030	12,14,15,17
	Practical use of innovative film-based packaging made from collected pouches*1	—	Continued development	Products launch*1	2025*1	
	Use of PCR (recycled plastic) for PET containers*1	—	Plan to disclose in 2022*5	Plan to disclose in 2022*5	Plan to disclose in 2022*5	
	Quantity of waste not for recycling from factories and offices	—	Plan to disclose in 2022*5	Zero	2030	
Water conservation	Reduction from discarded products and discarded sales promotion materials*1	—	Plan to disclose in 2022*1	Plan to disclose in 2022*1	Plan to disclose in 2022*1	6,12,15,17
	% of products which have eliminated eye-catching plastic stickers*7*1	—	73%	100%*1	2021*1	
	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	6%	-5%	10%	2030	
Air & water pollution prevention	% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)	—	Plan to disclose in 2022*6	40%	2030	3,6,12,14,17
	% of factories which disclose VOC and COD emissions	VOC 0%, COD 100%	VOC 0%, COD 100%	100%	2025	
<b>Walking the right path</b>						
Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Every year	8,16
	Number of serious compliance violations* per annum * Compliance violations that have a significant impact on management and significantly damage corporate value	Zero	Zero	Zero	Every year	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	—	8%	100%	2030	8,12,16,17
Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100%, suppliers: 20%, contractors: 0%	Internal: 100%, suppliers: 55%, contractors: 0%	100%	2030	5,8,10,17
Inclusive & diverse workplaces	Affirmative answer rate to a question on "Inclusion and Diversity" on our employee engagement survey*4	—	Did not conduct	75%	2030	5,8,10
	% of female managers	29.4% (% of female employees: 49.6%)	28.8% (% of female employees: 49.7%)	Same as % of female employees	2030	
Employee wellbeing & safety	Lost time accident frequency rate (per million hours worked)	0.78	0.53	0.1	2030	3,8
	Average number of lost long-term work days (days/people) * Starting from Japan	129	146	105	2030	
	Ratio of employees who have lost long-term work days per one thousand employees * Starting from Japan	0.198	0.185	0.12	2030	
Human capital development	Affirmative answer rate to a question on "Development Opportunities & Climate" on our employee engagement survey*4	—	Did not conduct	75%	2030	3,4,5,8,10
	Affirmative answer rate to a question on "Engagement/Employer of Choice" on our employee engagement survey*4	—	Did not conduct	75%	2030	
Responsible chemicals management	% of chemical products and raw materials with disclosed information of benefit and safety to ensure safe usage for our customers	—	Plan to disclose in 2022*6	100%	2030	3,6,12,14,17
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal	—	Plan to disclose in 2022*6	100%	2030	

\*1 New target

\*2 Change of indicator and target value

\*3 Change due to enlarging scope

\*4 Revised the *Find* employee survey to the employee engagement survey

\*5 Reviewed detailed 2020 requirements

\*6 Built 2020 data collection system

\*7 See p. 65 and p. 115 for detailed information

## Performance in 2020

Our 2020 performance and returns to business and society are as follows.

### Beneficial effects on business

#### 1. Business growth

##### Beneficial effects of products made with sustainability in mind

As a result of the COVID-19 pandemic in 2020, our unit sales of hygiene products (hand soap, hand sanitizer, home care products, etc.) grew and contributed significantly to business performance. Sales in the Skin care and hair care (Japan), which handles hygiene products, compensated for categories where business conditions were challenging due to the COVID-19 pandemic. Sales were 177.7 billion yen in 2020, with like-for-like growth of 7% over 2019.

Our consumer business in Japan saw sales decline 9.9%, from 899.6 billion yen to 811.0 billion yen. The ratio of environmentally friendly products was on par with the previous year, and these products made a definite contribution to sales similar to 2019. In addition, the 2020 sales ratio of products displaying the “eco together” logo (consumer products excluding cosmetics and human health care in Japan) was 28%, an increase from 27% in 2019.



→ p.77 Making thoughtful choices for society >  
Transformative innovation: Recent new products and technologies developed through Essential Research

#### 2. Cost reductions

##### Economic effects as a result of environmental conservation measures

We received an economic benefit of 4.1 billion yen in 2020. The largest factor was resource conservation, which contributed 2.6 billion yen.



→ p. 142 Making the world healthier & cleaner >  
Environmental accounting

#### 3. Risk reductions

As people were forced to stay home due to the COVID-19 pandemic in 2020, the Chemical was also impacted from a decline in industrial demand as a result of the worldwide economic downturn and lower demand for products people use when away from home, including lower unit sales of cosmetics.

Meanwhile, during the pandemic we implemented rigorous risk management measures, moved quickly to increase our ability to produce sanitizer and hygiene products, and were able to successfully target business opportunities by unswervingly implementing our ESG Strategy, which also enabled us to control company-wide risks.

#### 4. Increased credibility

In February 2021, Kao was selected for the list of the World's Most Ethical Companies 2021® by the U.S. think-tank Ethisphere Institute. We have been named to the list for 15 straight years since the award's inception in 2007. We are the only Japanese company, and the only manufacturer of fast-moving consumer goods and chemicals in the world, to be honored for 15 consecutive years.

This recognition reflects the fact that the spirit of integrity passed down from our founder continues to be implemented by all Kao Group members in day-to-day operations through practice of the Kao Way and the Kao Business Conduct Guidelines.

## Beneficial effects on society

Our primary activity that benefited society in 2020 was contributions to preventing the spread of COVID-19.

In Japan, per a government request we sharply increased our production of sanitizer some 20-fold over the previous year and supported people's ability to maintain stability in their daily lives. In Germany, we manufactured sanitizer to donate to hospitals based on a government request. We undertook similar activities to support people in Asia, the U.S. and the U.K.

We communicated useful hygiene information while delivering proven related products to consumers, contributing to infection prevention in the general public. For example, on our Japanese website offering hygiene information for daily life situations, we posted easy-to-follow videos to show people how to maintain hand hygiene and how to wash cloth masks. We also created a website with information from experts and research findings to communicate both information for medical professionals and information for the general public.

We are also delivering Multiunit Packages of Kao Products free of charge to medical professionals out of a desire to give everyone working on the front lines to protect lives from COVID-19 a small measure of relief and comfort. In return we have received many appreciative comments from healthcare facilities, relating how their staff working on the front lines of medical care settings were able to relieve some of their stress.

As a new activity in 2020, we participated in the ESG Disclosure Study Group. In this study group, we

will propose ways to disclose ESG information with the goal of contributing to enhancing dialogue between companies and investors. As there are growing calls to quantify corporate value and non-financial aspects, in 2018 we conducted a trial evaluation and converted our social impacts into monetary equivalents. In 2020, we continued examining the various methods under development and review around the world while collecting information and performing trial calculations.



→ Study on Returns to Kao's Stakeholders in FY2017  
[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf)

## Changing business environment and Kao's response measures

As a result of the COVID-19 pandemic of 2020, some trends are expected to gain momentum in the coming years. We are leveraging the 19 Kao Actions defined in the Kao ESG Commitments and Actions to adapt and meet needs for these trends, with a focus on the conditions in the international society in which we operate.

### Changes in consumers' awareness and behavior

The spread of COVID-19 has changed the awareness and behavior of consumers around the world. People now pay more attention to hygiene and are in the habit of wearing masks and washing and sanitizing their hands. As part of the Kao Actions "Improved quality of life" and "Habits for cleanliness, beauty & health," we will improve people's hygiene and safeguard their health and lives.

The COVID-19 pandemic has given rise to social unrest and a global economic downturn, increased people's dissatisfaction and surfaced social issues that existed before more prominent. We project that the movement to consciously choose companies that are working to solve these social issues and products with a social mission will gain greater momentum. We also believe that the drive for ethical consumption will grow stronger among Millennials and Generation Z, who will become the primary consumer groups in the future. We will respond to this trend with the Kao Action "Purpose driven brands," where we place more emphasis on brands' reason for existence than before and focus on the story behind the brand or

product to build empathy among consumers.

There is a greater degree of personalization and an ongoing shift in values from owning goods to having experiences. This involves not merely experiences but choosing a product that enriches one's spirit.

Personalization is connected to the pursuit of being oneself, and this is a major element making up the Kirei Lifestyle. The experience value that many consumers have come to demand is in fact realized through "Improved quality of life."

## Growing severity of human rights issues

The COVID-19 pandemic has shown a light on social issues that already existed. One of these issues is human rights. The Black Lives Matter movement started in the U.S. has brought attention to several issues at the same time, among them human rights, worsening work conditions, late payment of wages and inequality. As a company directly connected to consumers, engaged in society through the value chain and a corporate citizen in communities, we prioritize taking action to combat human rights abuses through the Kao Actions of "Respecting human rights" and "Responsibly sourced raw materials."

## Aged society

Developed countries are already experiencing aging populations, and developing countries are also expected to have aging populations in the future. The Kao Actions "Improved quality of life" and "Universal product design" are important solutions for helping people live more comfortably as they get older.

## Ocean plastic pollution

While attention continues to be focused on the problem of ocean plastic pollution, the COVID-19 pandemic has caused plastic use to rise in some fields. We believe that this in turn has created greater urgency to solve this problem. This situation can be considered a risk for us, since we use plastics in our packaging, but by implementing the Kao Actions of "Zero waste" and "Transformative innovation," we can contribute to society by reducing packaging and building a recycling system, leading to increased corporate value.

## Climate change

Climate change has been one of the world's highest priority issues for some time and is receiving more attention with each passing year, including from the frequent occurrence of extreme weather events, stalled international cooperation and progressive moves by companies and the financial industry. Despite the COVID-19 pandemic, governments, companies and others have made ambitious commitments in 2020, and we believe this will become a major movement in the years ahead.

Suspended operations from extreme weather events and increased costs from strengthened regulations are risks, but taking aggressive action to fight climate change will reduce social costs and corporate financial risks. Meanwhile, the Kao Action of "Decarbonization" will help reduce CO<sub>2</sub> emissions not only in our own operations but also in the activities of consumers and our business partners. As such, by connecting lifecycle CO<sub>2</sub> reductions with "Sustainable lifestyle promotion," we believe that more customers and consumers will choose Kao

products and that we can increase our business opportunities.

## Digital society

The COVID-19 pandemic has shifted more of our life online, from shopping to work to communication with others, amid restrictions on people's movements. Consumers are predicted to demand greater amounts of information when selecting products due to this trend. Part of "Making thoughtful choices for society" in the KLP is strengthening communication and marketing by increasing the amount of product information available pertaining to sustainability.

Meanwhile, digitalization will not only affect how employees work and bring greater efficiency and innovation to work processes and operations, but also encourage greater efficiency and innovation in social systems. We will advance the use of digital technologies to realize the Kirei Lifestyle among consumers.

# Kirei Lifestyle Plan—Kao's ESG Strategy <sup>102-12</sup>

## Contributions to the SDGs

Looking ahead to 2030, Kao is focused on the Sustainable Development Goals (SDGs) that have been agreed upon and adopted by the international community. As indicators for realizing a sustainable society, the SDGs set forth an integrated approach for improving the economy, society and the environment. Contributions by companies are considered extremely important to achieving the SDGs.

As indicated below, we are working to address the Kao Action topics set in the Kao ESG Commitments and Actions with the aim of achieving the SDGs.

### The SDGs that the 19 Kao Action topics contribute to

Kao Actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
<b>Making my everyday more beautiful</b>																	
Improved quality of life			●		●							●					●
Habits for cleanliness, beauty & health			●			●											●
Universal product design										●		●					●
Safer healthier products			●									●		●			●
<b>Making thoughtful choices for society</b>																	
Sustainable lifestyle promotion				●							●	●					●
Purpose driven brands												●					●
Transformative innovation								●				●	●				●
Responsibly sourced raw materials								●		●		●			●		●
<b>Making the world healthier &amp; cleaner</b>																	
Decarbonization							●					●	●				●
Zero waste												●		●	●		●
Water conservation						●						●			●		●
Air & water pollution prevention			●			●						●		●			●
<b>Walking the right path</b>																	
Effective corporate governance								●									●
Full transparency								●				●					●
Respecting human rights					●			●		●							●
Inclusive & diverse workplaces					●			●		●							
Employee wellbeing & safety			●					●		●							
Human capital development			●	●	●			●		●							
Responsible chemicals management			●			●						●		●			●

## Impacts on society through the value chain

Our business activities have various impacts on society through the value chain.

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, our ESG Strategy and their relationship to the value chain.

The items indicate areas where our impact on society is particularly large and where the expectations on us are similarly greater. These are high-priority areas for our business growth and increasing our corporate value.

### Relationship between the 19 Kao Actions and the value chain

Kao Actions	Material procurement	Development / Manufacturing	Distribution	Sales	Use	Disposal / Recycling
<b>Making my everyday more beautiful</b>						
Improved quality of life				●	●	
Habits for cleanliness, beauty & health				●	●	
Universal product design				●	●	●
Safer healthier products					●	●
<b>Making thoughtful choices for society</b>						
Sustainable lifestyle promotion				●	●	●
Purpose driven brands	●	●			●	●
Transformative innovation	●	●			●	●
Responsibly sourced raw materials	●					
<b>Making the world healthier &amp; cleaner</b>						
Decarbonization	●	●	●	●	●	●
Zero waste	●	●	●	●	●	●
Water conservation	●	●	●	●	●	●
Air & water pollution prevention		●			●	●
<b>Walking the right path</b>						
Effective corporate governance	●	●	●	●	●	●
Full transparency	●	●	●	●	●	●
Respecting human rights	●	●	●	●	●	●
Inclusive & diverse workplaces		●	●	●		
Employee wellbeing & safety		●	●	●		
Human capital development		●	●	●		
Responsible chemicals management	●	●	●	●	●	●