

# Results and issues regarding the Kao Sustainability Statement 103-2, 103-3

Based on the Kao Sustainability Statement established in 2013, we set and have taken action on targets to be achieved by 2020 in the three key areas of Conservation, Community and Corporate Culture. The target year of 2020 is now over, and we believe that our actions have created positive impact in society and achieved results. At the same time, some issues have also come into focus. The experience and insights we obtained have been reflected in the Kirei Lifestyle Plan (KLP), which we are already implementing and which sets even more ambitious targets for us to achieve.

## Kao Sustainability Statement

Kao's 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.

Now and in the future, we aim to be an integral part of people's lives by creating, through our corporate activities, a world in which all people can live life to the fullest.

We will contribute to a sustainable society by working to solve social issues together with various stakeholders.

### Nine main themes



### Our initiatives

We defined and conducted the following activities for each of the nine main themes.

Conservation <b>Zero environmental impact</b>	Community <b>A society in which everyone can live life to the fullest</b>	Corporate Culture <b>A trusted company that acts with integrity</b>
<b>Resource efficiency</b> <ul style="list-style-type: none"> <li>• Use a high degree of biomass</li> <li>• Reduce plastics use</li> <li>• Reduce water consumption</li> <li>• Promote recycling</li> </ul> <b>Climate change</b> <ul style="list-style-type: none"> <li>• Lower CO<sub>2</sub> emissions in company operations</li> <li>• Reduce lifecycle CO<sub>2</sub> emissions and maximize reduction contributions</li> <li>• Engage with various stakeholders in environmental conservation</li> </ul> <b>Chemical substances</b> <ul style="list-style-type: none"> <li>• Minimize the impacts of chemical substances on human health and the environment throughout the product lifecycle</li> <li>• Conduct risk communication about chemical substances with stakeholders</li> </ul>	<b>Cleanliness and hygiene</b> <ul style="list-style-type: none"> <li>• Teach children good hygiene habits</li> <li>• Educate and support eating establishments, hospitals, schools and other facilities in relation to hygiene management</li> </ul> <b>Health and aging</b> <ul style="list-style-type: none"> <li>• Develop product designs that are easy for everyone to use</li> <li>• Provide information and education for health maintenance and disease prevention</li> <li>• Develop and offer products and services that support senior living</li> </ul> <b>Gender equality</b> <ul style="list-style-type: none"> <li>• Offer products and services that make housework easy for diverse groups of people</li> <li>• Support women to have self-confidence at all life stages</li> </ul>	<b>Integrity</b> <ul style="list-style-type: none"> <li>• Ensure compliance with laws, regulations and rules</li> <li>• Conduct sustainable and responsible procurement</li> </ul> <b>Human rights</b> <ul style="list-style-type: none"> <li>• Improve human rights due diligence and expand its scope</li> <li>• Support improvements to human rights conditions related to our business</li> </ul> <b>Diversity and inclusion</b> <ul style="list-style-type: none"> <li>• Human capital and organizational development</li> <li>• Diverse and efficient work patterns</li> <li>• Employee diversity</li> <li>• Employee health, occupational safety and health</li> </ul>

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## Conservation

The aims of the Kao Environmental Statement released in 2009 were twofold. The first was to expand our activities to reduce our environmental impact, which in the past mainly focused on activities at plants, to product-based activities. The second was to implement these activities together with consumers and business partners.

The launch of *Attack Neo*, the first laundry detergent in the world that uses one rinse cycle and represents one of our efforts to combat Climate Change, achieved both of these aims. By reducing the number of rinse cycles to one and offering an ultra-concentrated formula 2.5 times more concentrated than standard detergent, we reduced CO<sub>2</sub> emissions by 22% and water consumption by 22%. The cumulative effect of using our water-saving laundry detergents from 2009 to 2020 comes to a CO<sub>2</sub> emissions reduction of 1.4 million tons (equivalent to the emissions of 1.1 million people, converted based on annual emissions of households in Japan), and 960 million m<sup>3</sup> of water conserved (equivalent to the water consumption of 14 million people, converted based on average annual water consumption of households worldwide). While these product-based activities had a major impact on society, we also learned the importance of collaboration in being able to achieve this result. *Attack Neo* was able to have such a large impact on society because other companies in the industry followed suit and developed laundry detergents that required only one rinse cycle, resulting in the formation of a market. Then washing machine manufacturers also

added a single rinse cycle feature to their products, which has now become a standard feature. Our leadership attracted followers, which amplified the impact of this activity on society, producing transformational change.

We also achieved two 2020 targets concerning the number of safety summaries we released as part of our sound chemicals management through activities promoting the Strategic Approach to International Chemicals Management. Specialized expertise and working together with society are key to implementing this activity, and we were able to achieve targeted results by maintaining a consistent focus on third-party evaluations. We have contributed to society and received positive external evaluations by returning the results gained back to society. We will use the beneficial impact on society to drive our future efforts.

Meanwhile, we were not able to achieve the 2020 targets of a 35% reduction (per unit of sales) in lifecycle CO<sub>2</sub> emissions, which came to an 18% reduction, or a 30% (per unit of sales) reduction in water consumption during product use, which came to a 26% reduction. These outcomes are attributed to insufficiently broad availability of products like *Attack Neo* that reduce CO<sub>2</sub> emissions and conserve water, and insufficient communication to consumers of the products' environmental value.

Therefore, in the KLP that we are already implementing, we have set a new ambitious target recognized by the Science Based Targets initiative and are working toward Decarbonization based on the experience and knowledge we have gained.

## Community

In the area of Community, we undertook efforts to enrich the lives of consumers in communities and generated various returns for society.

For example, our Universal Design (UD) efforts are an activity conducted under the theme of Health and Aging. As with our Conservation efforts, our leadership attracted a great deal of support, which amplified the beneficial impact on society and produced transformational change. Notches (tactile markings) on the surface of shampoo bottles to tell them apart from conditioner bottles are an innovation that we devised and obtained the rights to in 1991, but we wanted to make this benefit more widely available in society to enrich consumers' daily lives. We then approached an industry association in Japan and won their endorsement for making the notches an industry standard in Japan. Following this national standard, this design was adopted as an international standard (ISO 11156:2011) through a Japanese initiative. Today, a large number of companies have adopted the notches as identifying markings, which are now commonplace in society and have contributed to enriching the daily lives of consumers with visual impairments as well as many others. We established the Kao Universal Design Guidelines in 2011, and have reframed and further strengthened our UD approach with a focus on considerations for diversity, sharing inspiration and social engagement. An example of sharing inspiration is the development of adult pull-up diapers designed with

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the feelings of the seniors in mind. After we expanded our range of thinner, low-rise adult diapers and added more color variations, we received many messages of appreciation and joy from senior customers.

We have also focused on offering products as well as educational and awareness-raising programs to safeguard the cleanliness and hygiene of community citizens. For example, we have been visiting schools to teach hand-washing lessons since 2009 in cooperation with communities, contributing to the establishment of good hygiene habits. We learned that creating effective impact on the broader society is possible by working closely together with communities. The COVID-19 pandemic that began in 2020 has reinforced the importance of hand washing around the world. We started a new hand hygiene effort in 2020 to add to our existing hand-washing lessons for awareness-raising and education, thereby contributing to reducing the number of infections.

Meanwhile, we were not able to achieve some of our 2020 targets. For example, we set the 2020 target of educating 12 million people about cleanliness and good hygiene habits by 2020, but the actual number of people was 3.74 million. This is attributed in part to the format of this education, where employees go out to schools to provide the lessons. Offering awareness-raising and educational activities in a variety of formats and strengthening integration with our business are issues.

Leveraging these issues and knowledge, we will continue Community activities through the KLP actions of Improved Quality of Life, Habits for Cleanliness, Beauty & Health, Universal Product Design and Sustainable Lifestyle Promotion, and aim to implement activities more strategically to amplify their positive impact on society.

## Corporate Culture

In the area of Corporate Culture, we set the target of being a trusted company that acts with integrity, and have created returns for society and our business.

In our efforts for sustainable and responsible procurement, one of our Integrity activities conducted as part of Corporate Culture, we established a system for transparency and traceability in our procurement of palm oil. Looking at human rights considerations in the supply chain, we have conducted human rights due diligence (risk assessments) not only at Kao plants but also at our suppliers, based on the Kao Human Rights Policy established in 2015. We believe this has contributed to increased awareness for respecting human rights in the broader society and has also created returns for our business in terms of reducing business risk. In addition to expanding these efforts, other issues are the self-sufficiency of small oil palm farms and establishing traceability. The KLP seeks to strengthen our efforts, with new activities grounded in addressing these issues.

In terms of diversity and inclusion, we have cultivated a corporate culture and put in place systems to respect all employees and the diversity they bring, and that allow them to demonstrate their capabilities and enthusiasm to the fullest. We have been recognized for this, including being selected for inclusion in the 2019 Bloomberg Gender-Equality Index, being named a Nadeshiko Brand by the Ministry of Economy, Trade and Industry, getting ranked first in the list of the 100 Best Companies Where Women Actively Take Part compiled by Nikkei Woman magazine, and receiving the Prime Minister's Award for Leading Companies Where Woman Shine, an award

organized by the Cabinet Office of Japan. We will continue this effort in the KLP as the action of Inclusive & Diverse Workplaces and set even higher targets to take our achievements to the next level.

These efforts in the area of Corporate Culture will be continued primarily as part of Walking the Right Path in the KLP and built on further, including the addition of Full Transparency as a new action. Corporate transparency will become even more important in the future, and we will prioritize these efforts accordingly. To create high-level activities effective at addressing social problems that are expected to become more complex and severe in the years ahead, having a strong foundation in terms of our employees, organizations and corporate culture will become increasingly important. Based on Walking the Right Path in the KLP, we will further strengthen this foundation.



→ For details concerning our current ESG Strategy, the KLP

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=11](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/klp-pr-2021-e-all.pdf#page=11)

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## Conservation

Materiality	Vision	Items	Results				Targets	Results	SDGs*6
			2016	2017	2018	2019	2020	2020	
Conservation	Minimize environmental impact from our business activities and contribute to the realization of the One Planet Living vision for environmental sustainability								
		Reduction rate for CO <sub>2</sub> emissions*1							
		Scope 1 and 2	-30%	-30%	-33%	-37%	-35%	-36%	7 12 13 17
		Across the entire product lifecycle (Kao Group)	-14%	-14%	-17%	-18%	—	-11%	7 12 13 17
		Across the entire product lifecycle (Kao Group in Japan)	-16%	-15%	-18%	-20%	-35%	-18%	
		Reduction rate for water consumption*1							
		All Kao Group plants and offices	-42%	-43%	-42%	-42%	-40%	-39%	6 12 15 17
		Across the entire product lifecycle (Kao Group)	-17%	-19%	-21%	-23%	—	-15%	6 12 15 17
		During product use (Kao Group in Japan)	-22%	-24%	-24%	-29%	-30%	-26%	
		Reduction rate for the amount of generated waste and other unwanted materials*1							
		All Kao Group plants and offices	-25%	-25%	-26%	-27%	-33%	-26%	12 14 15 17
		Percentage of sales from products displaying the “eco together” logo*2	29%	29%	29%	27%	—	28%	6 9 12 13
		Procurement of sustainable palm oil*3	PKO*3 Completed traceability to the mills	PO*3 Completed traceability to the mills to 97%	PO*3 Completed traceability to the mills to 98%	PO*3 Completed traceability to the mills	Traceability to the plantations	PO*3 Completed traceability to mills and farms owned and managed by oil suppliers	8 10 12 15 17
		Procurement rate for sustainable paper and pulp*4	99%	100%	100%	100%	100%	100%	
	Promote further environmental activities by engaging in environmental communication with society								
	Cumulative number of participants in environmental communication*5 (thousands of people)	690	910	1,230	1,420	1,000	1,570	12	
	Aim to contribute to the realization of a sustainable society by promoting sound chemical management through Strategic Approach to International Chemicals Management (SAICM) activities								
	Number of released safety summaries for Kao priority risk assessment substances	3 (Total 10)	3 (Total 13)	3 (Total 16)	3 (Total 19)	Total 20	3 (Total 22)	3 6 12 14 17	
	Number of released GPS safety summaries for chemical products	18 (Total 107)	18 (Total 125)	16 (Total 141)	18 (Total 159)	Total 150	18 (Total 177)		

\*1 Per unit (of sales), relative to FY2005

\*2 Consumer products in Japan; sales rate of products that meet the criteria for “eco together” certification “eco together” certification:

[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco-friendly-products-policy.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/eco-friendly-products-policy.pdf)

\*3 Progress of activities to trace the palm oil used by the Kao Group back to the plantation; PKO: palm kernel oil, PO: palm oil

\*4 Recycled and sustainable paper and pulp and packaging materials used in our products

\*5 Cumulative number of participants in educational programs, plant tours, environmental events, etc., since 2014

\*6 The goals to which the Kao Group can contribute among 17 Sustainable Development Goals (SDGs).

In line with the adjustment of the SDGs identified as corresponding to the key themes addressed by the KLP, the corresponding SDGs referred to in this table have also been revised.

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## Community

Materiality	Vision	Items	Results				Targets	Results	SDGs
			2016	2017	2018	2019	2020	2020	
Health	Improve and prevent obesity and lifestyle diseases by contributing to the creation of a society conducive to a healthy life	Number of participants in health educational programs*7 (thousands of people)	2,320	2,880	100	90	—	8	3
		Prevent the spread of infectious diseases by contributing to the creation of a society conducive to a hygienic life							
Hygiene	Prevent the spread of infectious diseases by contributing to the creation of a society conducive to a hygienic life	Number of participants in the educational programs of hygiene habits*8 (thousands of people)	7,670	8,420	7,360	6,540	12,000	3,740	3 6 12
		Support the lifestyles of the elderly by contributing to the creation of a society conducive to healthy aging, both mentally and physically							
Aging	Support the lifestyles of the elderly by contributing to the creation of a society conducive to healthy aging, both mentally and physically	Cumulative number of the products improved with Universal Design considerations*9	3,585	4,666	5,658	6,574	—	7,687	10 12 17
		Implementation rate of improvements with Universal Design considerations*9	71%	63%	56%	44%	—	53%	
Partnership with the community	Engage in social activities with local communities to contribute to an improved quality of life	Number of times information was provided to employees regarding volunteer activities	67	50	33	90	80	64	17
		Educational activities for external parties provided through transmitted information	59	60	50	92	80	62	

\*7 Number of participants in walking events and events for measuring visceral fat and teeth brushing education; QUPIO users; The QUPIO business was sold in April 2018, and accordingly, QUPIO users are not included in data for 2018 and later. QUPIO: A program aimed at providing support for health promotion and preventive, lifestyle improvement initiative based on knowledge obtained from joint research undertaken with the University of Tokyo using a database of health checkup data for one million people that covers an extended period of time.

\*8 Number of participants in the educational programs for infant care, hand and hair washing, laundry and cleaning, and menstrual hygiene (including the delivery of educational samples and tools) in Japan and the rest of Asia; educational programs were added, so totals were recalculated retroactive to 2015.

\*9 Products improved with UD considerations represent products improved from considerations including accessibility, safety and usability. The implementation rate of improvements is the percentage of products improved with UD considerations among all new and improved product items. The data for 2016 covers Japan and the Americas, and the data from 2017 covers Japan, the Americas and Europe (not including salons and Molton Brown Ltd.).

## Corporate Culture

Materiality	Vision	Items	Results				Targets	Results	SDGs
			2016	2017	2018	2019	2020	2020	
Integrity	Instillment of Integrity throughout the entire Kao Group	BCG test rate	97.5%	97.1%	—*10	100%*11	100%	82.6%	8 16
		Number of serious compliance violations*12	0	0	0	0	0	0	
		Maximize employee potential through Diversity and Inclusion							
Diversity and Inclusion	Maximize employee potential through Diversity and Inclusion	Percentage of female managers	25.4%*13	25.1%	27.3%	29.4%	30%*14	28.8%	
		Percentage of female managers (Japan)	13.1%*13	14.6%	18.4%	21.2%	20%*14	19.2%	5 8 10
		Cumulative attendance rate for manager training on diversity and increasing management capabilities (Kao Corporation and a part of domestic group companies)	8.2%	55.7%	94.0%	189%	200%*15	195%	
Employee health and safe workplaces	Improvement of health literacy and safety awareness among employees	Total participants for health promotion programs	31,885	36,259	40,768	36,889	35,900	31,740	3 8
		Lost time accident frequency rate*16	0.67	0.55	0.77	0.78	0.10 or less	0.53	

\*10 Not implemented in 2018 due to a review of BCG activities

\*11 Implemented inside and outside Japan in alternating years since 2019. Only implemented in Japan in 2019.

\*12 The term "serious compliance violations" is used to refer to compliance violations that seriously impact the company's operations or cause a serious loss of corporate value.

\*13 The definition of "manager" was revised in 2016 following the promotion of integrated Group management.

\*14 Not established as targets for 2020, but targets to be quickly realized as future milestones

\*15 Cumulative attendance rates for manager training since 2016

\*16 Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)