

Kao Sustainability Statement 102-15,102-16

The Kao Sustainability Statement was revised in 2018.

In the three areas of Conservation, Community and Corporate Culture, we have specified main themes and indicated the social issues to be addressed.

Philosophy underlying our sustainability activities

The Kao Way

In the Kao Way, our corporate philosophy, we define *Yoki-Monozukuri* as “a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction.” Our mission as defined in the Kao Way is “to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world.”

As members of the Kao Group, in order to fulfill this mission, we commit fully to working together to share joy with consumers and customers through our products and brands of value, contributing to clean, beautiful, and healthy living and, in the Chemical Business, contributing to the development of industry.



→ The Kao Way

<http://www.kao.com/global/en/about/policies/kaoway/>

Kao Sustainability Statement

Based on the Kao Way, we developed the Kao Sustainability Statement in 2013 to communicate our approach to contributing to the sustainability of the world and where we would focus our efforts.

Based on changes in international society regarding sustainability and internal discussions on achieving the Kao Group Mid-term Plan 2020 (K20), we revised the Kao Sustainability Statement in 2018. The revision is intended to better communicate our basic approach to contributing to the sustainability of the world and clearly indicate the social issues to be addressed.

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

Conservation

Zero environmental impact

Resource efficiency
Climate change
Chemical substances

Community

A society in which everyone can live life to the fullest

Cleanliness and hygiene
Health and aging
Gender equality

Corporate Culture

A trusted company that acts with integrity

Integrity
Human rights
Diversity and inclusion

Conservation

Community

Corporate Culture

Governance

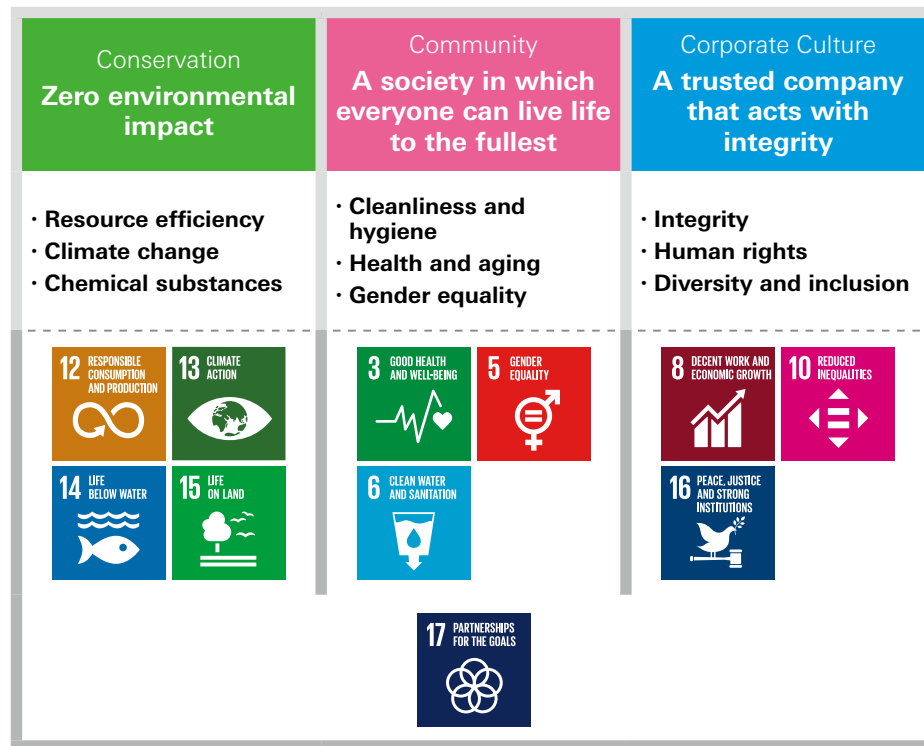
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Contributions to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) have been agreed upon by the international community as targets for achieving sustainable development with a target year of 2030. The SDGs seek integrated economic, social, and environmental improvements. Contributions by companies are considered extremely important to achieve them.

Of the 17 SDGs, the nine main themes we have specified contribute to achieving the following goals.

Nine Main Themes and Their Contributions to the Sustainable Development Goals



Our initiatives

The following activities have been defined and are being conducted for each of the nine main themes.

Conservation Zero environmental impact	Community A society in which everyone can live life to the fullest	Corporate Culture A trusted company that acts with integrity
<p>Resource efficiency</p> <ul style="list-style-type: none"> • Use a high degree of biomass • Reduce plastics use • Reduce water consumption • Promote recycling <p>Climate change</p> <ul style="list-style-type: none"> • Lower CO₂ emissions in company operations • Reduce lifecycle CO₂ emissions and maximize reduction contributions • Engage with various stakeholders in environmental conservation <p>Chemical substances</p> <ul style="list-style-type: none"> • Minimize the impacts of chemical substances on human health and the environment throughout the product lifecycle • Conduct risk communication about chemical substances with stakeholders 	<p>Cleanliness and hygiene</p> <ul style="list-style-type: none"> • Teach children good hygiene habits • Educate and support eating establishments, hospitals, schools, and other facilities in relation to hygiene management <p>Health and aging</p> <ul style="list-style-type: none"> • Develop product designs that are easy for everyone to use • Provide information and education for health maintenance and disease prevention • Develop and offer products and services that support senior living <p>Gender equality</p> <ul style="list-style-type: none"> • Offer products and services that make housework easy for diverse groups of people • Support women to have self-confidence at all life stages 	<p>Integrity</p> <ul style="list-style-type: none"> • Ensure compliance with laws, regulations, and rules • Conduct sustainable and responsible procurement <p>Human rights</p> <ul style="list-style-type: none"> • Improve human rights due diligence and expand its scope • Support improvements to human rights conditions related to our business <p>Diversity and inclusion</p> <ul style="list-style-type: none"> • Human capital and organizational development • Diverse and efficient work patterns • Employee diversity • Employee health, occupational safety and health

Conservation

Community

Corporate Culture

Governance

Specifying the main themes

We have specified nine main themes to address based on changes in conditions inside and outside Kao and in social issues.

1. Our awareness of social conditions

In 2015, the United Nations General Assembly adopted the SDGs. The international community has agreed to the SDGs as guideposts for realization of the sustainable world with a target year of 2030. The SDGs represent social issues that require the efforts of the international community as a whole to resolve.

2. Kao Group Mid-term Plan 2020 (K20)

We began implementing K20, our mid-term management plan, in 2017. K20 states “The Kao Group aims to establish a global presence by combining sustained ‘profitable growth’ and ‘contributions to the sustainability of the world’ by resolving social issues and providing social contribution activities through its business operations.”

3. Analysis of the issues

We have specified the social issues that we will work toward resolving from a multifaceted analysis including social changes, our business plans, and the expectations and requests of our stakeholders.

In our analysis, we created a list of approximately 70 issues based on social issues presented in various international guidelines and frameworks, including ISO 26000 (guidance on social responsibility), the GRI (Global Reporting Initiative), and the SDGs. Based on the possibility of the Kao Group to contribute to resolving the issue, the effects on our business, and our strengths, we narrowed down this list to 30 issues.

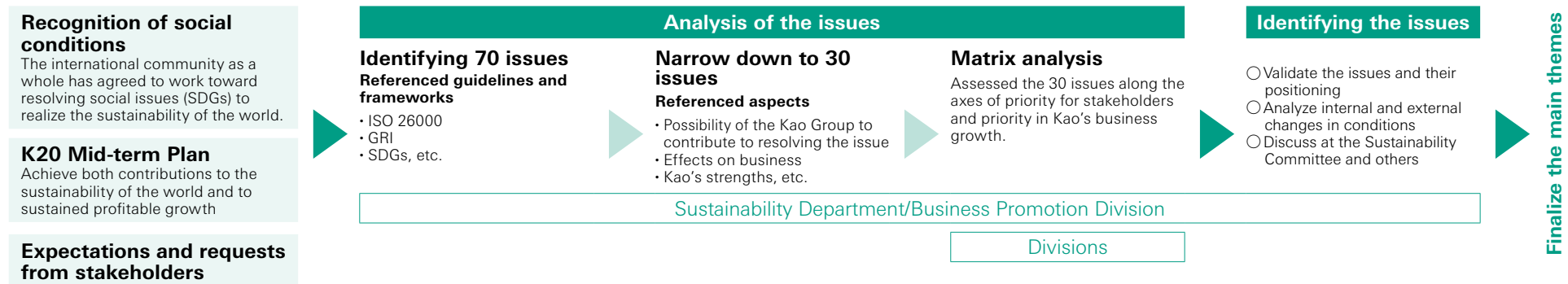
We then held discussions with a broad range of internal divisions and departments including

business divisions, Corporate Strategy, R&D, Procurement, and Sales to input the issues around the axes of 1) priority for stakeholders and 2) priority in Kao’s business growth, in the context of business growth and risk management as well as environmental and social considerations.

4. Identifying the issues: Selecting nine themes

Through validating the issues and their positioning, followed by analysis of the changing conditions inside and outside Kao and discussions at the Sustainability Committee and other venues, we specified three social issues in each of the three key areas as main themes.

Process of selecting the main themes



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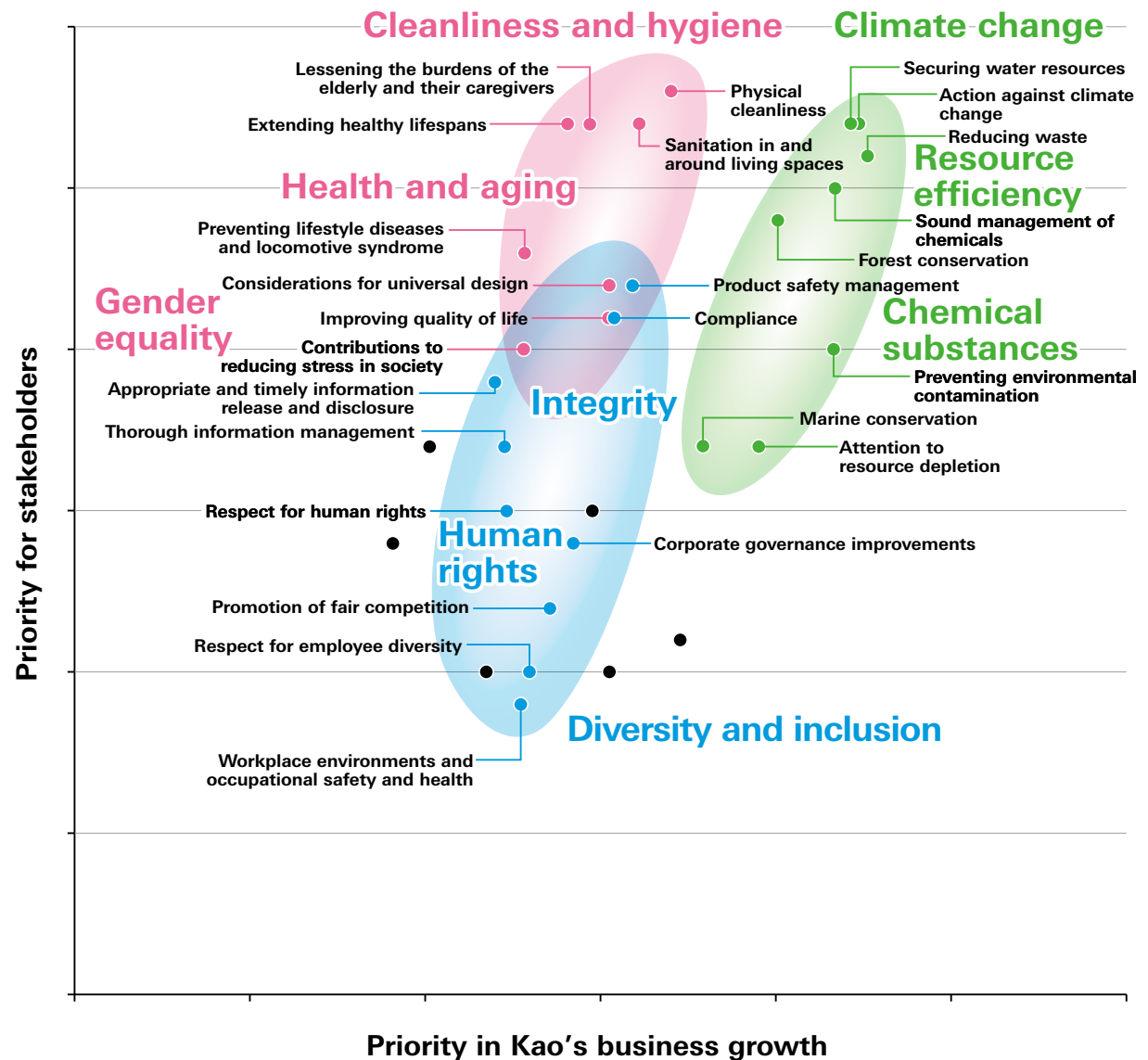
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In the area of Conservation, we have specified the themes of **resource efficiency**, aiming to effectively use natural resources, recycle containers, and reduce waste; **climate change**, involving reducing greenhouse gas emissions; and **chemical substances**, to fulfill our responsibility as a company that handles chemical substances.

In the area of Community, we have specified the themes of **cleanliness and hygiene**, one of the origins of the Kao Group symbolized by *Kao Sekken* (Kao soap) launched in 1890; **health and aging**, to support daily good health for people worldwide; and **gender equality**, to contribute to resolving gender disparities.

In our Corporate Culture, we have specified the themes of **integrity**, one of the core values of the Kao Way; **human rights**, to fulfill our responsibility to respect the human rights of stakeholders through all of our business activities; and **diversity and inclusion**, to provide venues where diverse employees can exercise their own abilities to the fullest.

Matrix of Materiality



→ Study on returns to Kao's stakeholders 2017
<http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/study-on-returns.pdf>
 *Scheduled for release in June 2018

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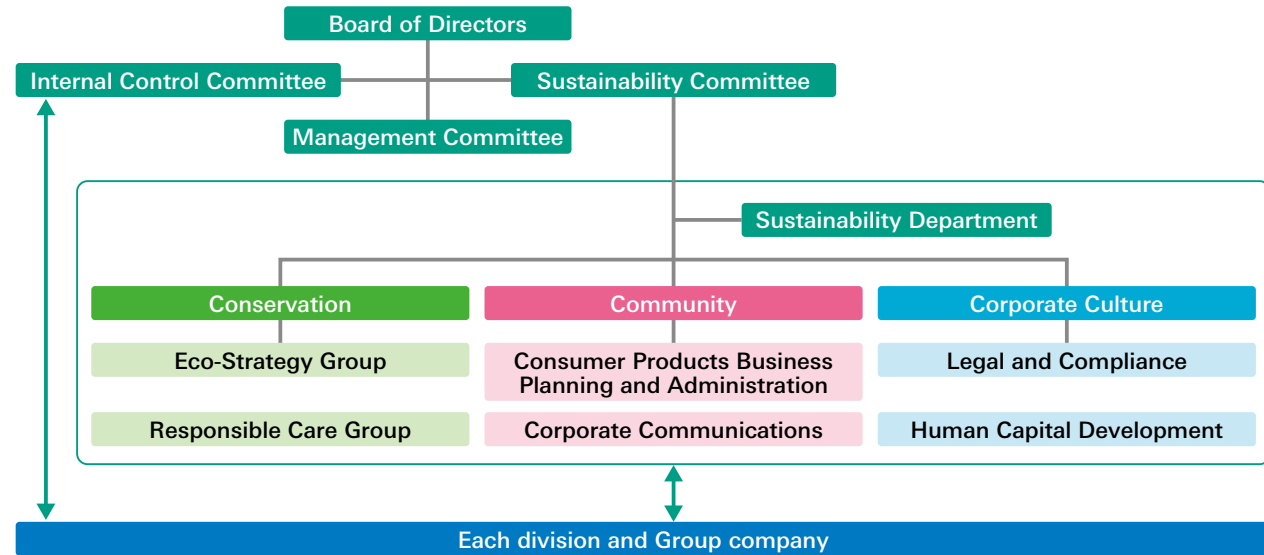
Sustainability Promotion Framework

We have established the Sustainability Committee, chaired by the President and CEO, to set the direction of and execute the Kao Group's sustainability activities. The Committee improve the promotion framework and formulates and revises the strategic programs as necessary, as well as regularly evaluates the programs to improve the Kao Group's activities as a whole.

The Sustainability Committee met four times in 2017, in January, April, July, and November. In addition to three members who are Representative Directors, the Committee members includes respective Executive Officers in charge of the R&D, Supply Chain Management, Human Capital Development, Product Quality Management, International Business Management, Accounting and Finance, Corporate Communications, and Corporate Strategy divisions. In the meetings, they deliberated on the optimum sustainability policy, strategy, and activities for the Kao Group.

The divisions engaged in the three key areas take responsibility for setting the targets and conducting the PDCA (plan-do-check-act) cycle to manage activities companywide.

Sustainability Promotion Framework



Conservation
Community
Corporate Culture
Governance

Awareness-raising for employees

Awareness-raising for employees

To develop activities based on the Kao Sustainability Statement, all Group members need to fully understand the thinking behind it. Therefore, we have been conducting educational activities for employees using various approaches since 2013, when we announced the Kao Sustainability Statement.

Since 2013, we have published information on the company intranet system to promote understanding of the Kao Sustainability Statement.

Four times a year, we release a Sustainability Relay Essay on the intranet, written by a leader of a division that details their thinking toward sustainability. We also release Sustainability Tips every month, which introduce social trends and initiatives by Kao and other companies in an easy-to-understand format.

Starting from 2015, this information, originally in Japanese, has also been published in English on the intranet for Kao Group companies outside Japan, and we are continuing to implement information-sharing with the aim of building solid foundations for the promotion of sustainability activities.

Awareness-raising through trainings organized by the Human Capital Division

Employees need to have an understanding of Kao's approach to sustainability as they go about their daily work. Based on this belief, training programs organized by the Human Capital Division include units on sustainability.

From 2014, we have held sustainability sessions in trainings for top management members stationed overseas. As of 2017, 13 members of management have participated in the one-on-one sessions.

From 2016, we are holding a sustainability session in the new employee training and in the career training programs for employees hired mid-career. A total of 498 employees beginning to work at Kao Group companies in Japan in April participated in the session during the new employee training in 2017. Mid-career hire trainings are held twice a year and had participants of 32 in September 2017 and 47 in February 2018.

Content covering our approach to sustainability is also included in the global orientation program for employees joining Kao Group companies outside Japan.

Internal publications

Our in-house magazine for all Kao Group members, KAO FAMILY, is published four times a year in both English and Japanese. It features a series of articles aimed at deepening employees' understanding of the Kao Sustainability Statement.

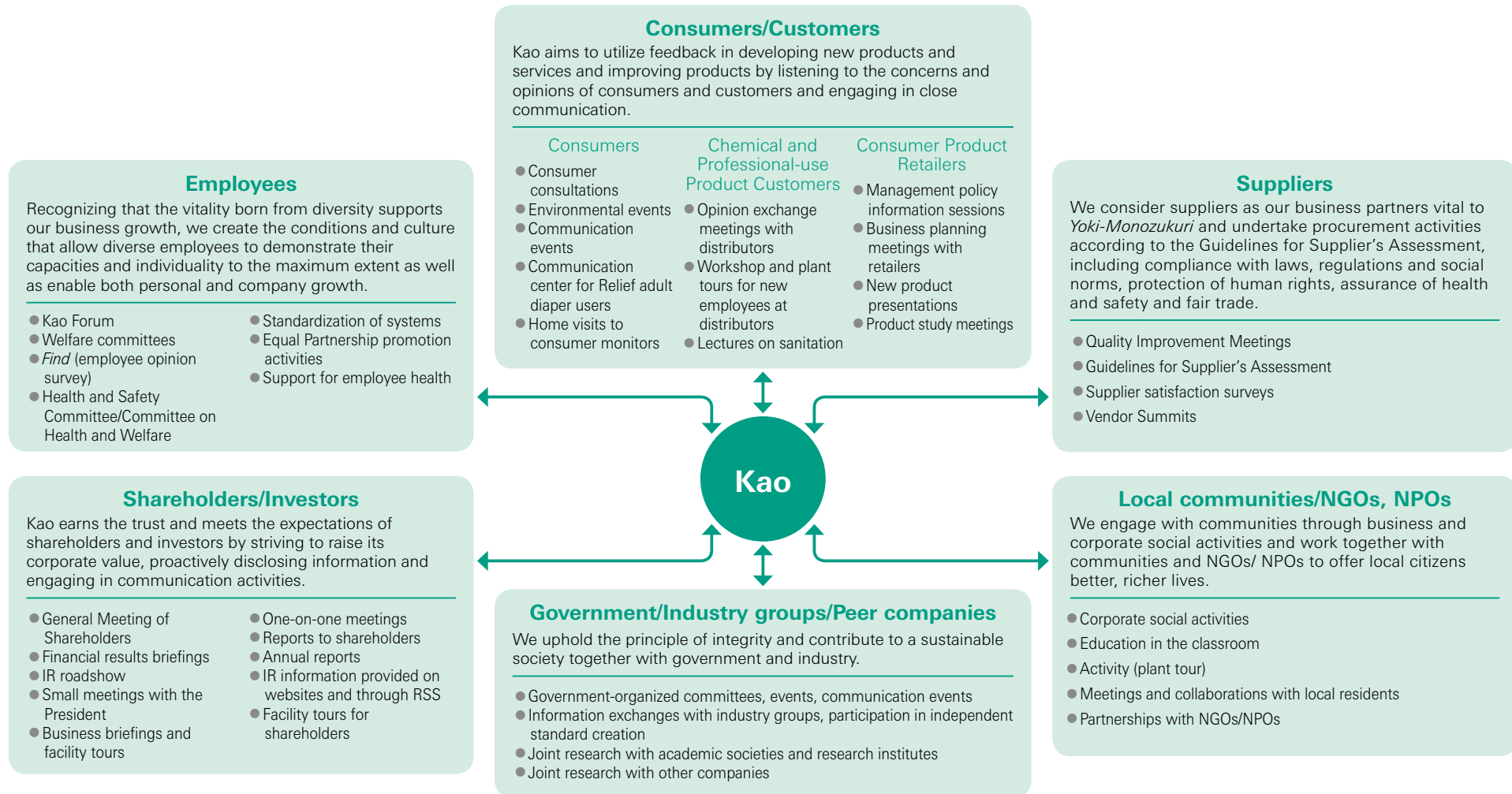
A special feature in the 2013 issue just after the Statement was announced described the background to developing the Statement as well as details of its content. Articles have been published regularly since 2014, and examples of specific activities are introduced, in 2017 as well.



Articles in our in-house magazine KAO FAMILY

Stakeholder communication

At Kao, we gain in-depth understanding of the expectations of society through dialogue with stakeholders, and incorporate these expectations into our activities and targets.



Conservation

Community

Corporate Culture

Governance