

Kao's approach

Kao vigorously implements Responsible Care activities, which are self-monitoring activities by companies engaged in the chemical industry, to ensure safety and environmental conservation in daily operation.

Kao's creating value to address social issues

The stable provision of products and ensuring the quality and safety of those products, along with the provision of a safe and hygienic working environment and the reduction of environmental impact from business activities, are important social responsibilities. These responsibilities must be fulfilled in our capacity as a chemicals manufacturer providing diverse materials, products and systems to wide-reaching industries, with bases both within and outside Japan.

Based on this principle, Kao has implemented Responsible Care (RC) activities to autonomously ensure aspects of environment, health and safety in the chemicals industry. We aspire to building trusting relationships with society and creating a sustainable society by pursuing these activities.

Contributions to the SDGs



Policies

Kao carefully safeguards individuals and the environment at every step of business, from product development to manufacturing, distribution, use, disposal and recycling, and part of its mission is to help bring about sustainability in society.

The Kao Group as a whole remains committed to the promotion of RC activities, participating in such activities since the 1995 establishment of the Japan Responsible Care Council. In 2008, then-President and CEO Motoki Ozaki signed a declaration of support for the RC Global Charter, and again in 2014 President and CEO Michitaka Sawada signed the revised RC Global Charter.

To achieve this objective, we have established the Kao Responsible Care Policy based on the basic pillars of RC activities*, that is self-monitoring efforts governing the environment, safety and health set out by the chemical industry. The Kao Group as a whole, including subcontractors, sets targets each year, and implements those activities based on an annual plan.

* Basic pillars of RC activities

Five objectives of environmental conservation, process safety and disaster prevention, occupational safety and health, chemical and product safety and distribution safety, and communication with society



→ Kao Responsible Care Policy
<http://www.kao.com/global/en/sustainability/environment/statement-policy/policy/responsible-care/>



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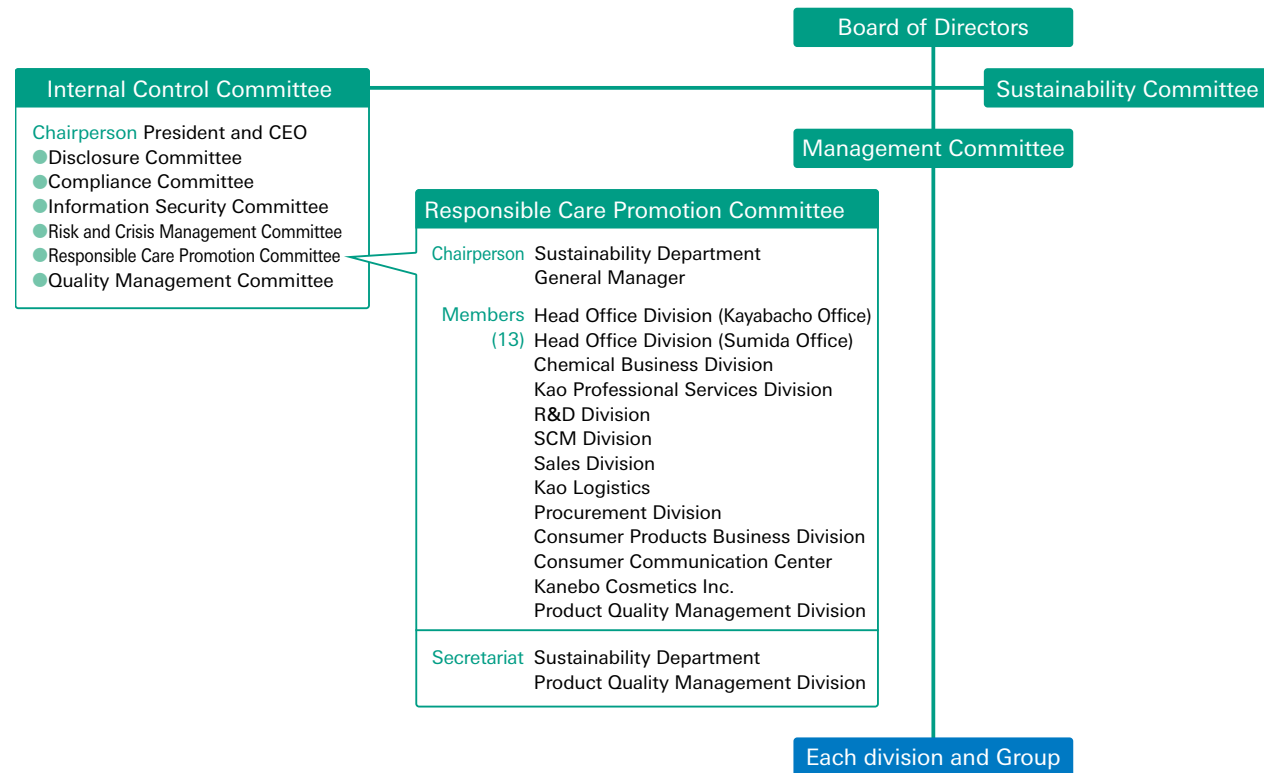
Framework

The Responsible Care Promotion Committee is positioned as one of the Internal Control Committees chaired by the President. The Responsible Care Promotion Committee is convened annually and chaired by the head of the Sustainability Department. It is composed of 14 members: representatives from four divisions, in addition to eight promotional divisions* within Japan, and the Quality Management Division staff. The RC Promotion Group of the Sustainability Department and Product Quality Management Division serve as the secretariat of the committee.

Each company involved in the Chemical Business in the Kao Group, including Kao Corporation, participates in planning at the chemical industry association in their respective countries to promote RC activities.

* Eight promotional divisions
 Head Office Division (Kayabacho Office), Head Office Division (Sumida Office), Chemical Business Division, Kao Professional Services Division, R&D Division, SCM Division, Sales Division, Kao Logistics

Responsible Care Promotion Framework



*As of December 2017.

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Education and promotion

The RC Promotion Committee Secretariat and RC promotion staff of the individual divisions in charge of RC promotion regularly provide RC education on the environmental conservation, occupational safety and health activities for Kao employees and the staff of its business partners.

In 2017, the RC Promotion Committee Secretariat carried out group training 50 times, reaching a total of 756 employees (26 times within Japan with 625 participants and 24 times outside Japan with 131 participants).

In 2015, the basic RC education program was provided for Kao Group employees in Japan, which was also implemented, thereafter, through the internet for about 1,700 recent graduates and employees hired mid-career.

Mid- to long-term targets

Kao is promoting day-to-day RC activities to become a top-level global corporation for safety and environmental criteria by 2020.

In order to achieve this, the company's voluntary numerical targets for safety and environment are set at the highest level, using those of other global chemical companies as a guide.

Performance in 2017

In 2017, Kao held the Kao Group RC Promotion Committee on September 19, the Global RC meetings on November 6 and 7, and the Japan RC Meeting on December 6.

In addition, the RC Promotion Committee Secretariat Audit was conducted between July and August at each Group company outside Japan and individual divisions in charge of RC promotion.



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Collaboration with stakeholders

Kao Group companies implement active exchanges with stakeholders and others as well as various other activities in line with one of the basic pillars of RC activities, namely communication with society.



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Standardization of RC activities

The eight promotional divisions within Japan and all affiliated companies outside Japan promote RC activities based on the Kao Responsible Care Targets set by the Kao Group RC Promotion Committee, through drafting activity plans aligned with various operational requirements, industries and business categories. Respective Kao Group companies confirm and refine the PDCA (plan–do–check–act) cycle of RC activities using this promotional framework.

At the Kao Group RC Promotion Committee held in September of each year, members discuss initiatives to clarify courses of action and strengthen the management system, and deliberate over the following year's numerical targets and activity targets based on the Kao Group's mid-term targets and the results of the RC Promotion Committee Secretariat Audit conducted in August.

At the Global RC Meeting held from October to November, the RC Promotion Committee Secretariat explains the Kao Group's mid-term targets and targets for the upcoming year, decided at the Kao Group RC Promotion Committee, and requests each

company to devise its respective targets and to plan for the upcoming year. Representatives from each company present the status of their RC activities and share information within the Kao Group.

At the Japan RC Meeting held in December, based on these numerical targets and activity targets for the Kao Group decided at the Kao Group RC Promotion Committee, RC Promotion Committee members of promotional divisions announced their respective division plan for the upcoming year, each of which the committee then discussed. The RC Promotion members convey the deliberation results to their respective divisions, relating the content in detail to their activity units in an effort to improve and enhance RC activities closely connected to each worksite.

The Kao Group RC Promotion Committee meeting was held on September 19, 2017. The RC Promotion Committee Secretariat announced the Kao Group's overall first-half results in relation to 2017 RC targets, and the results of the RC Promotion Committee Secretariat Audit. The promoting divisions also announced the current state of their promotion

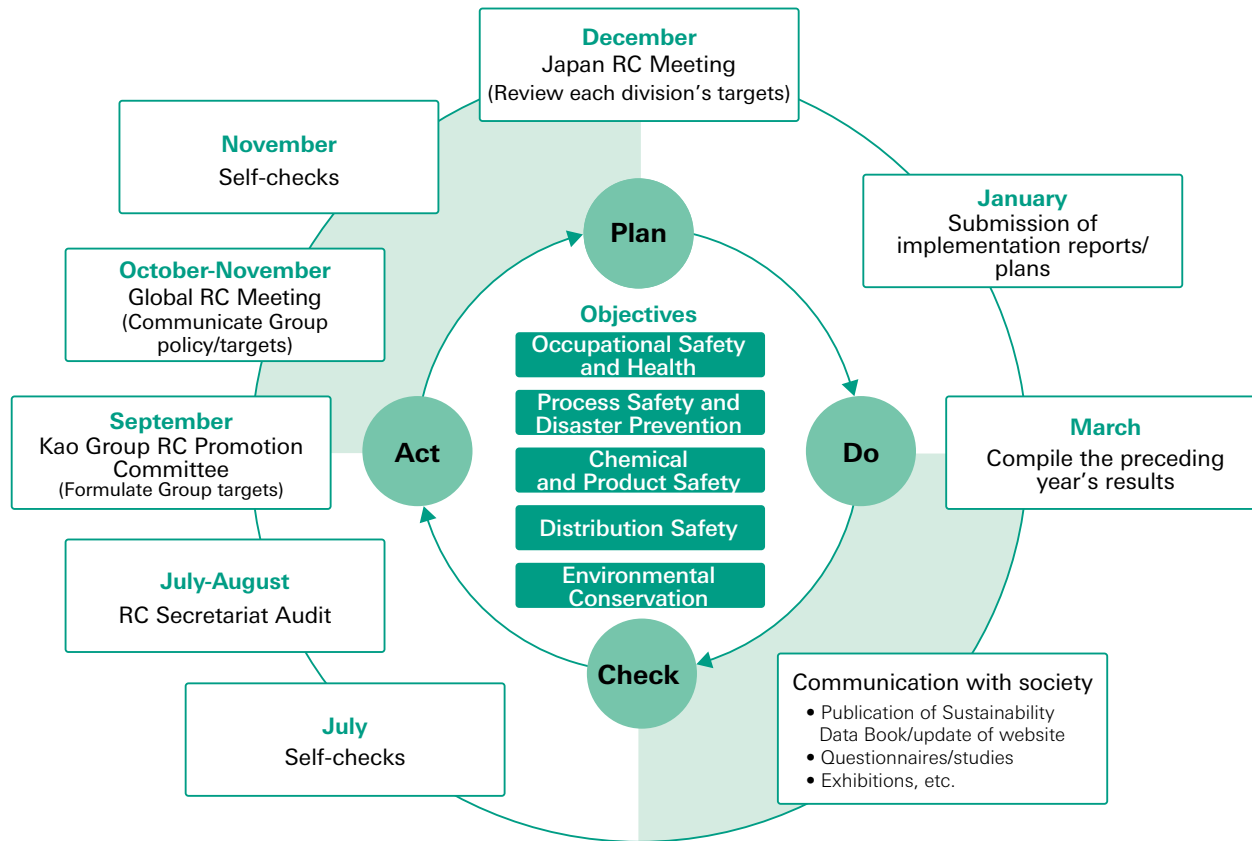
activities. Finally, the Kao Group's RC targets for 2018 were agreed upon for deliberation.

The Global RC Meeting was held at the Kayabacho Head Office on November 6 and 7, with attendance by 15 people from 12 affiliated companies outside Japan (13 the previous year). The meeting promoted understanding of Kao RC Policy and 2018 targets were confirmed. Participants were able to observe how RC activities and advice were implemented in other companies, analyze strengths and weaknesses, and share best practices, with the interactive communication leading to enhanced global RC activities. In 2017, the first group discussion was conducted to open dialogue on issues at each company and to share information.

At the Japan RC Meeting held on December 6, RC Promotion Committee member of promotional division announced their 2018 draft plans; the plans were then deliberated and approved. The RC Promotion Committee Secretariat then reported on the Group's 2017 environmental and safety record.

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Annual cycle of RC activities



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Utilization of environmental and safety database

Kao has developed the Environmental & Safety Data Management System (KANCHAN System)* to further reduce both environmental impact and occupational accidents.

The KANCHAN System automatically calculates Kao's total GHG emissions and the annual frequency and severity rate of occupational accidents, along with other data-based practical information used to reduce our environmental impact and eliminate occupational accidents.

We are planning to shift to a new system that will enable the effective sharing of environmental and safety data. In 2017, we discussed the details of the system with the Information Technology Division, aiming for a 2019 implementation.

* Environmental & Safety Data Management System (KANCHAN System)

Data shared among the Kao Group under this system includes those related to energy consumption, GHG emissions, soot and dust emissions, water consumption, wastewater discharged, wastewater concentration measurements, soil and groundwater measurements, amounts of handling, release and transfer of PRTR materials, waste generated and discharged, and final disposal of waste, occupational accident statistics, and traffic accident statistics.

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Implementation status of the RC Promotion Committee Secretariat Audit

At Kao, individual divisions in charge of RC promotion conduct self-checks in July, and the audit team selected by the RC Promotion Committee Secretariat implements an audit of individual divisions in Japan in charge of RC promotion and affiliated companies outside of Japan in August to determine the progress of RC activities and challenges to be addressed.

These results are reported at the Kao Group RC Promotion Committee and Global RC Meeting held in each September and help formulate the next year's activity targets.

Between July and August, 2017, the RC Promotion Committee Secretariat Audit was conducted by using a checklist sheet at eight promotion divisions in Japan and 20 affiliated companies with plants outside Japan*, with consideration for the degree of

influence of the safety and environmental aspects. In addition to the existing checklist sheet, in 2017, a new checklist sheet that can evaluate the safety and environmental activities was used for the audit.

In Japan, in meetings with the promotion divisions, various situations were confirmed, such as the current state of compliance with regulatory requirements and criteria, progress in planning and achieving numerical targets. Outside Japan, the checklist sheet was sent to companies, and a paper audit was conducted of the response results. It has also been confirmed that all findings from the 2016 audit had been improved.

As a result of the 2017 RC Promotion Committee Secretariat Audit, all eight promotion divisions in Japan achieved the average evaluation score of

4.5 or higher, indicating that the RC promotion mechanism are being established. On the other hand, there were a number of findings on occupational safety, for which further monitoring and improvement have been requested. Outside Japan, more than half of the companies saw an improvement in the evaluation scores compared to those in 2016 (see table below).

* Kao Corporation Shanghai, Shanghai Kanebo Cosmetics Co., Ltd, Kao (Hefei) Co., Ltd., Kao Chemical Corporation Shanghai, Kao (Shanghai) Chemical Industries Co., Ltd., Huludao Jinxing Casting Materials Co., Ltd, Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao Incorporated, Kao Industrial (Thailand) Co. Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., PT Kao Indonesia, PT Kao Indonesia Chemicals, Kao USA Inc., Kao Specialties Americas LLC, Quimi-Kao S.A. de C.V. (Mexico), Kao Manufacturing Germany GmbH, Kao Chemicals GmbH (Germany), Molton Brown Limited (UK), Kao Corporation S.A. (Spain)

Results of RC Promotion Committee Secretariat Audit (2017)

	SCM Division	R&D Division	Business divisions	Corporate divisions	Affiliated companies in Japan ^{*1}	Affiliated companies outside Japan ^{*2}
No. of questions	151	124	184	251	410	3,262
No. of items requiring further monitoring	2	4	2	8	8	—
Average evaluation score [5-point scale] ^{*3}	4.88 (4.87)	4.94 (4.96)	4.82 (4.73)	4.88 (4.38)	4.84 (4.51)	4.30 (4.16)

*1 Affiliated companies in Japan.

Kao Professional Services Co., Ltd., Kao Group Customer Marketing Co., Ltd., Kao Customer Marketing Co., Ltd., Kanebo Cosmetics Sales, Inc., Kao Transport & Logistics Co., Ltd.

*2 Affiliated companies outside Japan.

20 companies (13 in Asia, 7 in Europe and the Americas)

*3 () shows 2016 results.

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Status of international management system certification

Kao has implemented an RC management system in all Kao Group, and furthermore, some plants have also received ISO 14001 certification, the global environmental standard, as well as OHSAS 18001 certification, the standard for occupational health and safety, in addition to further certification in respective countries.

Environmental certifications (ISO 14001, etc.)

The percentage of Kao plants which have received external certifications is 95% (based on total production volumes standard).

Certifications obtained at 15 individual plants in Japan and Asia have been integrated to standardize and upgrade operations. We will expand the scope of certified plants on an ongoing basis, while updating to the 2015 version and increasing the number of integrated plants.

Occupational health and safety certifications (OHSAS 18001, etc.)

The occupational health and safety management standard has been obtained at plants outside Japan, which face more work-related accidents

when compared to those in Japan and whose enhancement of labor management is being promoted. The percentage of Kao plants with the certification is 35% (based on total production volumes standard).

In order to standardize and upgrade operations, we are undertaking initiatives at five plants in Asia to integrate the certifications obtained at the individual plants. We will expand the scope of certified plants on an ongoing basis, while updating to ISO 45001 and increasing the number of integrated plants.

Product quality certifications (ISO 9001, etc.)

The percentage of Kao plants which have received external certification is 95% (based on total production volumes standard). We will continue to expand the scope of certified plants.

List of external obtained certifications



→ Certification Status of ISO and Other Standards

<http://www.kao.com/global/en/sustainability/environment/activity-data/certification/>

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Wakayama Plant receives the Excellence Award at the Responsible Care Awards

Wakayama Plant received the Excellence Award of Responsible Care Awards from The Japan Chemical Industry Association (JCIA).

The award is aimed to commend work sites with outstanding achievements and contributions to the further development of responsible care activities.

The award went to the Safety Enhancement Project Team at Wakayama Plant in recognition of its initiatives for safe and sound operation focusing on three hazard source management systems (change control system, design know-why guidance and manuals for emergency) as safety enhancement measures at chemical plant facilities.



Awards ceremony

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