Kao’s approach

Kao conducts fair and impartial procurement activities based on legal and ethical principles. While aiming to contribute to the realization of a society with sustainable development, we fulfill our corporate responsibilities with consideration for resource protection, environmental conservation, safety and human rights.

Kao’s creating value to address social issues

Social issues we are aware of

In procuring raw materials for products, environmental destruction and loss of biodiversity due to indiscriminate development at the producing area has become a serious issue.

Protecting the human rights of laborers, safety and hygiene management, the forced relocation of local residents from producing areas, and damage to health are also pressing issues in our supply chain, which provides raw materials and services.

Risks related to realization of our vision by 2030

Procurement risks include supply risks relating to the stable procurement of raw materials and other goods, and reputational risks, which have the potential to manifest in the event of not appropriately responding to social issues.

Although we have taken measures such as drafting BCP for supply risks, addressing reputational risks in terms of social and environmental issues has taken on greater importance in recent years.

Opportunities related to realization of our vision by 2030

To appropriately address the aforementioned risks, we are conducting human rights due diligence based on the Kao Human Rights Policy, and supplier risk assessments based on the Guidelines for Supplier’s Assessment for social issues, and promoting procurement of palm oil, paper and pulp based on the Guidelines for Sustainable Procurement of Raw Materials for environmental issues. We believe that doing this encourages consumers to support us and helps sustain positive relationships with suppliers and the stable supply of raw materials, which in turn leads to company growth and increased corporate value.

Contributions to the SDGs

Policies

We have formulated Guidelines for Supplier’s Assessment and Guidelines for Sustainable Procurement of Raw Materials to facilitate the practical implementation of procurement activities in accordance with our Policies for Procurement.

We conduct procurement activities based on our Guidelines for Supplier’s Assessment, which position suppliers as an essential partner in Yoki-Monozukuri. In our procurement activities, we give priority to those suppliers that place importance on social responsibilities, including compliance with laws, regulations and social norms, protection of human rights, assurance of health and safety and fair trade, and to those suppliers that collaborate fully on environmental issues such as the environmental management system that we consider to be important. We also give priority to procurement of raw materials and packaging that give due consideration to environmental concerns.

Our standard contract with suppliers clarifies provisions concerning the aforementioned issues including the
Sustainable and responsible procurement

The Procurement Division formulates strategy to conduct sustainable and responsible procurement. It has set up the Sustainability Group in the Planning Division and the Sustainable and Responsible Procurement Panel, which meets five times a year.

Under this strategy, the Raw Materials Division and the Packaging Materials Division conduct procurement in accordance with the Guidelines for Sustainable Procurement of Raw Materials. Meanwhile, the Indirect Materials & Services Division conducts green purchasing of office and other supplies, and the Machinery & Equipment Division is introducing environmentally friendly equipment and fixtures.

The strategy and activities of the Procurement Division are reported to the Board of Directors via reports to the Management Committee.

The Global Procurement Meeting (see right) is held once a year.

Education and promotion

Employee training and awareness-raising (Japan)

We educate new Procurement Division employees in our basic approach to procurement, which includes fairness and equity, adherence to laws and ethics and social responsibility. Through such education, we strive to encourage our employees to understand global social issues such as human rights and labor, which are fundamental to the United Nations Global Compact (UNGC) and ISO 26000 principles.

In 2018, nine employees newly assigned to the Procurement Division received education in our basic approach to procurement.

Promoting certification testing (Japan)

With the aim of educating all Procurement Division employees in the relationship between business operations, society and the environment and of encouraging them to modify their behavior accordingly, Procurement Division employees have been encouraged to take the Certification Test for Environmental Specialists® (Eco Test®*1), the Examination of Compliance Proficiency for Practical Business (ECPPB®*2) and the Japan Business Law Examination*3.

In 2018, the pass rates for these examinations for Procurement Division employees were 77% for the Eco Test, 69% for the ECPPB and 73% for the Japan Business Law Examination.

Education through e-learning (Global)

We are building an educational program for sustainability based on e-learning for all employees of the Procurement Division. We will begin implementing this program in 2019 for the purpose of having these employees acquire the knowledge required to engage in sustainable and responsible procurement activities. We aim to have all employees take the program in 2019.

Global Procurement Meeting (Global)

The Global Procurement Meeting, which is attended by procurement managers from our affiliates, is held once a year. The Meeting provides a venue for education and verification regarding the group’s procurement policy and sustainable, responsible procurement.

*1 Eco Test®
This test promotes an environmentally and economically sustainable society.

*2 ECPPB®
This test views compliance as fulfilling social expectations which lies behind laws and regulations, and it aims to cultivate compliance skills that embody an awareness of the social expectations that underpin compliance-related laws and regulations, and a systematic understanding of the laws and regulations that are particularly important for business enterprises.

*3 Japan Business Law Examination®
This test aims to have people acquire practical legal knowledge that forms the foundation of legal compliance competency indispensable in business.

Guidelines for Supplier’s Assessment

Guidelines for Sustainable Procurement of Raw Materials
Mid- to long-term targets and performance

2020 mid-term targets

1. Promoting the sustainable procurement of raw materials

Procurement of certified raw materials
With the goal of realizing zero deforestation, we are aiming to switch to procuring palm oil, paper and pulp from sustainable sources by 2020.

With regard to procurement of palm oil and palm kernel oil, besides joining the RSPO*1 and promoting the obtainment of SCCS*2 certification and the procurement of certified sustainable palm oil, we are also aiming to confirm zero deforestation in the producing areas and 100% procurement of palm oil and palm kernel oil traceable to the source by 2020.

Regarding procurement of paper and pulp, we are aiming to ensure that, by 2020, all paper, pulp and packaging materials used in our products, and all paper used in the offices, are either recycled paper or paper from a sustainable source. In particular, in the case of pulp, by 2020 we aim to purchase only pulp that has traceability back to the area where the timber was logged.

Sustainable sourcing of natural plant resources

We recognize that indiscriminate harvesting of natural plant resources has led to their depletion and resource plundering, and are continuing to diversify sourcing routes and to convert natural plants to artificially cultivated materials, giving due consideration to the natural environment and the community in the producing areas.

2. Human rights initiatives

We established the Kao Human Rights Policy in 2015 to address various risks associated with human rights issues. In addition to our own activities, we also request that our suppliers’ activities embody respect for human rights based on the Guidelines for Supplier’s Assessment, and we conduct human rights due diligence accordingly.

To conduct this risk assessment, in 2014 we joined Sedex, a platform for sharing information on ethical practices by global companies. We have been also encouraging our suppliers to join Sedex. By 2020, we aim to achieve a 70% rate of Sedex participation (for suppliers in Japan, on a purchasing value basis).

Starting from 2017, we have also implemented supplier risk assessment using Sedex.

3. Green procurement

With regard to purchasing of indirect materials such as stationery and office supplies, in line with the Ministry of the Environment’s calls to implement green procurement, we have formulated Green Procurement Standards, which give priority to purchasing environmentally conscious products.

We are also pursuing the introduction of environmentally friendly equipment and fixtures such as LED lighting, and signing contracts with electric power companies that have low CO2 emissions factors.

Anticipated benefits from achieving mid- to long-term targets

Cost reductions or profit increase

Reduced costs of addressing criticism from NGOs and NPOs, improved brand image, improved social credibility.

Impacts on society

Contributions to the sustainability of the world through raw materials procurement.

*1 RSPO (Roundtable on Sustainable Palm Oil)
A roundtable group to promote the production and use of sustainable palm oil.
https://www.rspo.org/

*2 SCCS (Supply Chain Certification System)
A supply chain system created for the purpose of producing, selling and delivering products to customers using sustainable palm oil harvested at plantations certified by the RSPO that meet rigorous standards for biodiversity preservation.
Performance in 2018

Performance

1. Promoting the sustainable procurement of raw materials

Procurement of certified raw materials
- Palm oil and palm kernel oil procurement
  Confirmation of traceability to the palm oil mill based on supplier information: Approximately 98% completed in purchased amount
  Palm kernel oil mill verification by third-party organizations: 4 mills that are representative of palm kernel oil mills in their respective regions
- Paper and pulp procurement*1
  100% confirmation of traceability
  Of this, 86%*2 ratio of certified paper/pulp materials*2 (as of December 2018)

*1 Covers paper/pulp used in Kao products (excludes some products).
*2 Calculated based on the ratio of certified materials as of December 2018 and the annual procurement amount for 2018.

- Sustainable sourcing of natural plant resources
  Glycyrrhizinate derivatives used in cosmetics and quasi-drug products are produced from glycyrrhiza (licorice root), a leguminous plant. Starting from 2016, we have been switching from wild glycyrrhiza to glycyrrhizinate derivatives produced from cultivated glycyrrhiza in specified plantations to achieve biodiversity preservation and sustainable use.

2. Human rights initiatives

We have been conducting assessments based on Sedex since 2017. We expanded these assessments in 2018 to cover all of our global business and added new evaluation standards.

- Overall evaluation of supplier risk assessment based on Sedex (as of September 2018): S evaluation: 24%, A evaluation: 40%

3. Green procurement

The percentage of our total procurement conforming to the Green Procurement Standards in 2018 was 87%.

Reviews of performance

Traceability to the palm oil mill has almost reached our target. For derivative products whose traceability to the palm oil mill cannot be confirmed, we take supplementary measures such as purchasing RSPO-certified raw materials.

Regarding palm oil mills determined to need observation in our risk assessment, we are conducting on-site visits in stages.

Confirming traceability to the production area (palm plantation) is a major challenge. There are a massive number of palm plantations including small-scale farmers. Confirming this traceability is not feasible, so we have begun exploring ways to use external initiatives.

Traceability to the paper and pulp production area has almost reached our 2020 target. We will continue to introduce certified products for small-scale suppliers and encourage confirmation of sustainability.

Collaboration with stakeholders

Sustainable procurement

We are promoting sustainable procurement in two ways: the purchasing of palm oil and paper and pulp products certified as sustainably procured, and confirming traceability. We have begun procurement of certified palm oil and certified paper by requesting that our suppliers in Japan obtain certifications.

To confirm traceability, we are conducting verifications and risk assessments by third-party organizations on information of the raw materials supply chain.

Partnering with our suppliers

We are strengthening coordination with our suppliers through various initiatives including Sedex, vendor summits, quality improvement meetings, CSR self-assessment monitoring, and the CDP Supply Chain Program, as we develop our global procurement activities.
Sustainable and responsible procurement 308-2, 414-2

Our initiatives

Initiatives toward sustainable procurement of palm oil and palm kernel oil

We implement sustainable raw materials procurement with respect to palm oil and palm kernel oil, which are key raw materials for Kao, in accordance with our Guidelines for Sustainable Procurement of Raw Materials.

We are also an RSPO member, and are working to create a traceable supply chain for palm oil.

Palm oil and palm kernel oil procurement

We are implementing sustainable palm oil procurement with respect to palm oil and palm kernel oil, which are key raw materials for Kao, in accordance with our Guidelines for Sustainable Procurement of Raw Materials.

We are also an RSPO member, and are working to create a traceable supply chain for palm oil.

Achieving traceability to oil palm plantations by 2020

Sustainable Palm Oil Procurement Guidelines targets and 2018 performance

In the procurement of palm oil and palm kernel oil, we have committed to considerations relating to biodiversity conservation and support for zero deforestation, and have set four goals toward their realization.

<table>
<thead>
<tr>
<th>Targets</th>
<th>2018 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. By the end of 2015, purchase only sustainable palm oil traceable to the mill for use in Kao Group consumer products.</td>
<td>Mapped palm kernel oil mills with confirmed traceability and released the map on our website</td>
</tr>
<tr>
<td>2. By 2020, adequately confirm zero deforestation at the source through cooperation with plantations, suppliers (mills and refineries) and third-party organizations. In addition, we will not take part in procurement activities that use high conservation value (HCV<em>1) forests, high carbon stock (HCS</em>2) forests or peatlands.</td>
<td>On-site investigations of palm kernel oil mills determined to need observation in risk assessments by third-party organizations conducted in 2017: 2 mills</td>
</tr>
<tr>
<td>3. By 2020, purchase only sustainably sourced palm oil that is traceable to the plantation for use in Kao Group consumer products.</td>
<td>Confirmation of traceability to the palm oil mill based on supplier information: Approximately 98% completed in purchased amount</td>
</tr>
<tr>
<td>4. By 2020, work to obtain RSPO SCCS certification of Kao Group manufacturing sites in order to build a traceable supply chain for the group.</td>
<td>Number of RSPO SCCS certifications obtained: We have obtained RSPO SCCS certification for 36 sites globally</td>
</tr>
</tbody>
</table>

Certified palm oil purchases*1*2 (Kao Group)

- Total of palm oil, palm kernel oil and their derivatives.
- Some data have been revised and figures for 2017 have been changed.
- Book and Claim system: RSPO-certified palm oil credit trading system. By purchasing “certification credits” issued in proportion to the amount of palm oil produced and registered by plantations certified by the RSPO, users of palm oil are considered to have purchased the amount of certified palm oil corresponding to the amount of credits. This system encourages plantations to produce certified oil.
- Mass Balance system: A certification system that permits mixing of RSPO-certified palm oil with non-certified palm oil.

<table>
<thead>
<tr>
<th>Year</th>
<th>Book and Claim system</th>
<th>Mass Balance system</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>24.2</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>34.6</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>54.4</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>77.7</td>
<td></td>
</tr>
</tbody>
</table>

*1 HCV (High Conservation Value)
*2 HCS (High Carbon Stock)
Traceability to small oil palm farmers

In 2017, we joined the Bluenumber*1 Initiative with the aim of helping to ensure traceability and transparency with respect to palm oil procurement. With regard to palm oil, we encourage the registration of information relating to oil palm plantations, palm oil mills, palm kernel oil mills and palm oil refiners, as well as the characteristics of their workers, the production locations, the products, and the details of the production activities, so that this information can be used to confirm traceability. We conducted a pilot study in 2018 and verified the efficacy of the system. On the other hand, this study also revealed issues with its deployment to small-scale palm plantations and endeavor to resolve these issues together with stakeholders.

We are collaborating with other participating companies and the NPO/NGO that is the administrative organization to be able to effectively use this system to establish traceability to small-scale palm farmers.

*1 Bluenumber
The Bluenumber Initiative was launched at the U.N. Sustainable Development Summit on September 29, 2015.

The aim of the initiative is to promote the participation of workers, producers and inhabitants of rural communities in the digital economy.

**2 SUSTAIN (Sustainability Assurance & Innovation Alliance)
An initiative that uses blockchain technology to have actors in the palm oil industry share supply chain information.

Dialogue with small oil palm farmers

We joined in the Stakeholder Engagement (SHE) Programme conducted by Caux Round Table Japan (CRT Japan) in Malaysia and Indonesia and visited small oil palm farmers and to hold dialogue with them. In Indonesia, we participated in a meeting with local NGOs to discuss efforts to address environmental and human rights issues, and received information about the situation at palm plantations, the issues they face and activities aimed at resolving them. We are continuing our efforts to establish a sustainable palm oil supply chain. We will also continue dialogue to address the issues faced by small-scale palm plantations and endeavor to resolve these issues together with stakeholders.

Response to suspension of RSPO certification for the IOI Group

RSPO suspended its certification in 2016 over complaints about forest development in Ketapang, Indonesia. We suspended purchases of RSPO-certified products from IOI Group until improvements were confirmed through objective verification by the third party designated by RSPO. We continued to engage in dialogue with IOI Group even during our suspension of purchasing its certified products, and have confirmed its improvement process. In consideration also of the strong evaluation of IOI Group’s supply chain transparency from other outside groups, we have resumed purchases of certified products from IOI Group. RSPO has also reported that it has concluded its complaint procedure through a complaint panel (council).
Sustainable and responsible procurement

**Initiatives toward sustainable procurement of paper and pulp**

We are pursuing procurement of sustainable paper and pulp raw materials based on our Guidelines for Sustainable Procurement of Raw Materials.

Regarding the adoption of FSC-certified paper, we began using the paper for our product containers and packaging in 2013. In 2016 we became the first company in Japan to start using FSC-certified corrugated paper.

As of December 2018, the ratio of certified paper/pulp materials* (FSC, PEFC or other certification) among our paper and pulp products was 86%.

In July 2018, we jointly announced the Forest Stewardship Council Certified Procurement Declaration together with six other companies in Japan.

* Calculated based on the ratio of certified materials as of December 2018 and the annual procurement amount for 2018. Covers paper/pulp used in our products (excludes some products).

**Sustainable Pulp and Paper Procurement Guidelines targets and 2018 performance**

We have committed to including considerations for biodiversity preservation and our support for zero deforestation in paper and pulp procurement.

<table>
<thead>
<tr>
<th>Targets</th>
<th>2018 results</th>
<th>Rate of achievement (%) of the 2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>By 2020, we will purchase only recycled paper and paper produced with due consideration for sustainability for the paper and pulp used in Kao Group products, packaging materials and office paper. When using pulp other than waste pulp (virgin pulp), we will purchase only pulp that is traceable to the source, and confirm zero deforestation at producers of wood materials through cooperation with suppliers and third-party organizations.</td>
<td>Traceable paper and pulp: 100% (certified paper and pulp: 86%)</td>
<td>100%</td>
</tr>
<tr>
<td>In July 2018, we jointly announced the Forest Stewardship Council Certified Procurement Declaration together with six other companies in Japan.</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Using Sedex in supplier monitoring**

We use Sedex in confirming compliance with the Guidelines for Supplier’s Assessment, which define initiatives in such areas as the environment, safety, conformance with laws and social norms, and human rights and labor problems, and in risk assessments. We request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights.

The number of sites for which data access rights have been established worldwide as of the end of 2018 is 1,474. Within Japan, data access rights have been established for 503 sites, which represent 62% of overall procurement value. In 2018, we conducted risk assessments using the Sedex assessment tool for suppliers that have established access rights with Kao (as of September 2018).

We gave back the results of our assessment to the suppliers. We will request revisions to items that require improvement so that the suppliers can receive an overall evaluation of A or better.

For suppliers in particular that receive an overall evaluation of B and have a Sedex risk evaluation of “high,” we visited them to share the issues that need addressing and requested that they conduct improvement measures.

For suppliers who have difficulty joining Sedex, we also use our original survey form as an evaluation tool to supplement Sedex. We have fully revised the items involving confirmation of corporate social responsibility such as compliance, human rights and business practices, as well as items involving confirmation of environmental protection such as environmental policies, environmental objectives and various categories of environmental management, including pollution prevention (air, water, etc.), and began using this with some suppliers in 2018.

When beginning to use a new supplier, we also conduct an equivalent assessment.

**Results of 2018 supplier risk assessments based on Sedex**

<table>
<thead>
<tr>
<th>Overall evaluation</th>
<th>SAQ response rate**</th>
<th>Sedex risk assessment***</th>
<th>Kao evaluation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>S</td>
<td>100% or more</td>
<td>Low</td>
<td>Excellent</td>
<td>24%</td>
</tr>
<tr>
<td>A</td>
<td>100% or more</td>
<td>Low</td>
<td>Good</td>
<td>40%</td>
</tr>
<tr>
<td>B</td>
<td>100% or more</td>
<td>Medium or High</td>
<td>Needs improvement</td>
<td>14%</td>
</tr>
<tr>
<td>C**</td>
<td>Less than 80%</td>
<td>-</td>
<td>Needs response</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>10%</td>
</tr>
</tbody>
</table>

*1 Response rate to Sedex self-assessment questionnaire for suppliers.

*2 Evaluation using the Sedex assessment tool that uses three levels (low, medium, high) of potential risk manifestation.

*3 SAQ without responses are evaluated as high risk, so all cases of a SAQ response rate of less than 80% uniformly receive a C evaluation.

*4 Not evaluated due to inaccessible response results.
Kao Sustainability Data Book 2019

Sustainable and responsible procurement 102-12, 308-2, 414-2

Our initiatives

Kao vendor summits

We hold vendor summits to provide a venue for sharing information and exchanging opinions with suppliers within and outside Japan. Each year, a specific theme is chosen for the vendor summits, and we seek to foster communication in regard to that theme.

At the Japan vendor summit in 2018, we asked suppliers to actively cooperate with the CDP Supply Chain Program*1, which is an initiative for sustainable and responsible procurement, and to join Sedex. In 2016, we began to present awards to suppliers for excellence in the areas of Quality, Cost, Delivery, Information Sharing, and Company Management and Sustainability.

In 2018, Mr. Hiroshi Ishida of Caux Round Table Japan (CRT Japan) gave a lecture on Business and Human Rights, where he discussed changes in the environment around companies and the significance of CSR initiatives among other topics.

In 2018, the supplier response rate was 78% in regard to climate change, 76% in regard to water, and 91% in regard to forests. In regard to forests, we are conducting risk assessments by providing information to the CDP Forest Program.*2

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CDP Supply Chain Program

We recognize risks associated with sustainable development based on resource constraints, loss of biodiversity, global warming and other environmental problems as well as problems such as human rights, and are working to sustainably procure raw materials. These initiatives need to be managed across the entire supply chain. With regard to climate change and water, we are participating in the CDP Supply Chain Program*1 and asking our key suppliers to disclose relevant information. In 2018, we began requesting that suppliers disclose information on forests as well, and expanded the scope of suppliers of Kao group companies outside Japan. We held informational briefings for suppliers in Japan, with 153 firms attending.

In 2018, the supplier response rate was 78% in regard to climate change, 76% in regard to water, and 91% in regard to forests. In regard to forests, we are conducting risk assessments by providing information to the CDP Forest Program.*2

Number of companies that participated in the vendor summits (Unit: firms)

<table>
<thead>
<tr>
<th>Year</th>
<th>Held in Japan</th>
<th>Held outside Japan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>183</td>
<td>233</td>
<td>416</td>
</tr>
<tr>
<td>2015</td>
<td>214</td>
<td>285</td>
<td>499</td>
</tr>
<tr>
<td>2016</td>
<td>246</td>
<td>279</td>
<td>525</td>
</tr>
<tr>
<td>2017</td>
<td>245</td>
<td>258</td>
<td>503</td>
</tr>
<tr>
<td>2018</td>
<td>243</td>
<td>230</td>
<td>473</td>
</tr>
</tbody>
</table>

*1 CDP (Carbon Disclosure Project) Supply Chain Program
CDP is an international NPO (with its headquarters in London) that is sponsored by institutional investors. CDP implements various activities to encourage business enterprises, etc. to disclose information relating to climate change, water resource use and forest resource use. The CDP Supply Chain Program is an initiative in which participating enterprises ask the firms that make up their supply chain to disclose information relating to climate change, water resource use and forest resource use via the CDP platform.

*2 CDP Forest Program
A CDP initiative in which enterprises are asked to disclose information regarding forest resource management and usage status, etc.
In its 2018 Sustainability Data Book, the Kao Group (Kao) demonstrates commendable efforts to integrate the United Nations Sustainable Development Goals (UN SDGs) throughout its business operations.

Characteristic to Kao’s approach is a working relationship between the design, sourcing, and sustainability departments, which is exemplified by values-driven procurement for palm oil, pulp, and paper. More specifically, Kao has committed to source 100-percent of these materials from certified sustainable sources by 2020 to reduce deforestation and its contributions to climate change. This initiative follows a detailed traceability chart that monitors every phase of procurement, from oil palm plantations to mill, refineries, and chemical plants.

Such detailed product tracing supports Kao’s commitment to socially responsible business; however, to meet the SDGs of responsible production, Kao is recommended to expand its traceability and sourcing model beyond the present scope.

This aim requires developing a comprehensive supplier list that includes all tiers of the value chain. By mapping the upstream supply chain, Kao may identify high environmental impact suppliers and evaluate whether they pose risks to its operations due to environmental noncompliance, an analysis that enables the company to respond efficiently to priority areas and field issues as they arise.

To address resource consumption, Kao has practiced meaningful supplier engagement through studies on how to minimize water use and collaboration to reduce waste in manufacturing and packaging. Kao has also used the Institute of Public & Environmental Affairs (IPE) database to screen its suppliers in China and put pressure on factories found in violation of legal standards to take corrective action. In light of prior success, this same process of supplier engagement may be scaled up to include all cases of pollution or noncompliance to clean up any remaining harmful practices throughout the supply chain.

Kao might also host trainings to support suppliers through rectification, or offer incentives for good environmental performance, in the interest of long-term partnerships.

Kao presents thorough environmental awareness by completing the voluntary Japan Pollutant Release and Transfer Registry (PRTR), which documents the use and transfer of pollutants in air emissions, wastewater, or solid waste. This measuring and disclosing practice may also be expanded to suppliers outside of Japan, which will provide consumers and investors with full confidence in the social responsibility of Kao as a brand fully aligned with the SDGs. Additionally, tracking and publishing this data from the supply chain verifies year-on-year reductions within the company’s total environmental footprint, the majority of which derives from the product manufacturing process.

The Kao Group is undoubtedly an environmental leader in the household and personal care industry, and it is because of these foundational efforts that the recommendations above reach for such a high degree of supply chain management and transparency.

Looking forward, Kao is recommended to focus more on its supply chain, expand green procurement to all tiers and invested companies, work with suppliers toward regulatory compliance, and practice greater corporate accountability through information disclosure.

As a leader, Kao is uniquely placed to influence others in the industry, by extending this reach beyond Japan, and educating consumers, investors, and other stakeholders on the benefits of green procurement up and down the supply chain, Kao has the opportunity to change the way today’s businesses practice sustainable development.

Comments from Institute of Public & Environmental Affairs (IPE)

MA Jun
Director
Institute of Public & Environmental Affairs (IPE)