

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 operations.

Kao's creating value to address social issues

Social issues we are aware of

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.

Kao's creating value

We have implemented Responsible Care (RC) activities to autonomously ensure aspects of environment, safety and health in the chemicals industry. We aspire to creating a sustainable society while building trusting relationships with society from an ethical perspective by promoting these activities.

Risks related to realization of our vision by 2030

Neglecting any one of the basic pillars of RC activities will be harmful to our social reputation as each of these is vital for the chemical industry.

Opportunities related to realization of our vision by 2030

Building a strong relationship of trust with the community by promoting RC activities, which are autonomously pursued by corporations, will further facilitate the trust of stakeholders in our products and the company.

Contributions to the SDGs



Policies

We carefully safeguard individuals and the environment at every step of business, from product development to manufacturing, distribution, use, disposal, and recycling, with part of our mission being to help bring about sustainability in society.

The 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 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
www.kao.com/global/en/sustainability/environment/statement-policy/policy/responsible-care/



→ p.177 Corporate Culture > Occupational safety

Framework

The Responsible Care Promotion Committee is positioned as one of the Internal Control Committees chaired by the President, reporting to the Internal Control Committee quarterly. The Internal Control Committee gives an overview activity report for its subsidiary committees to the Board of Directors.

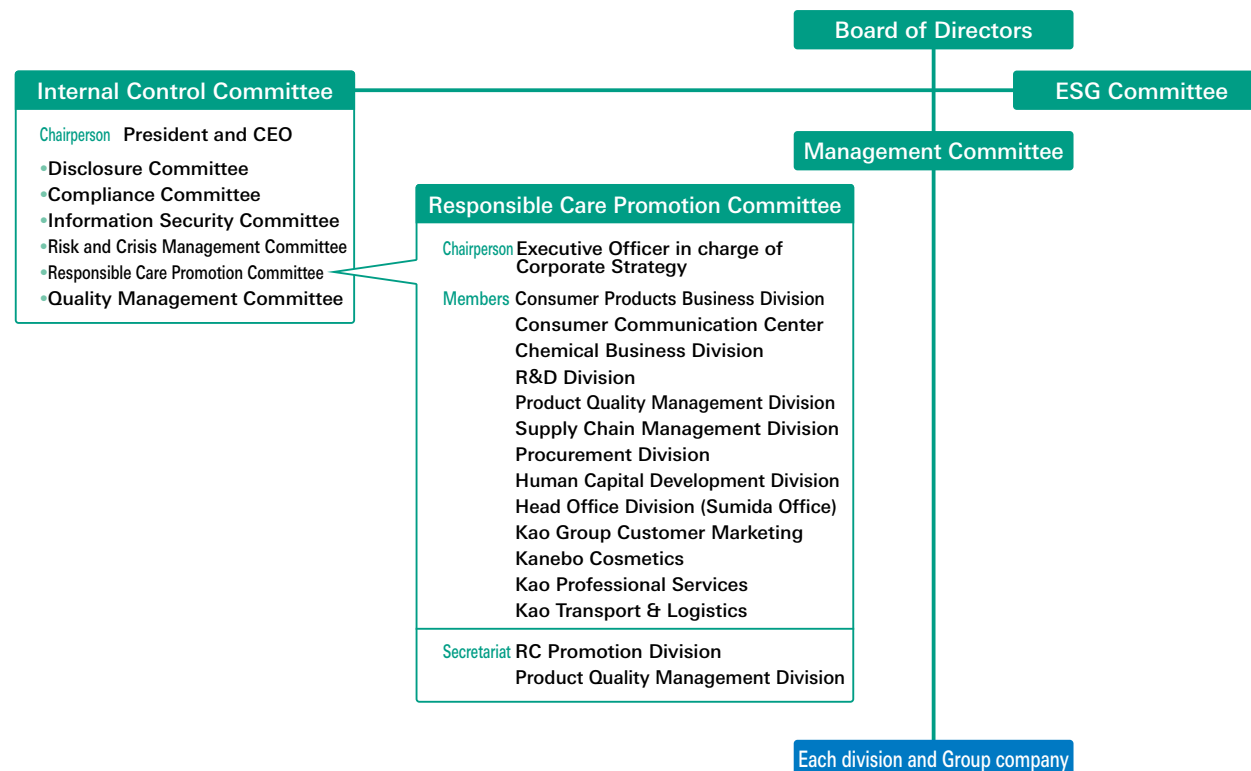
Senior Vice President (Managing Executive Officer) serves as the chairperson of the Responsible Care Promotion Committee which is composed of 14 members: representatives from four divisions, in addition to representatives of the eight promotional divisions* within Japan, and the Quality Management Division staff, meeting once per year. The RC Promotion Division and Product Quality Management Division serve as the secretariat of the committee.

Each company involved in the Chemical Business in the 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 2018.

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 environmental conservation, occupational safety and health activities for Kao employees and the staff of its business partners.

In 2018, the RC Promotion Committee Secretariat carried out RC group training 49 times, reaching a total of 1,212 employees (23 times within Japan with a total of 1,043 participants; and 26 times in Asia, the Americas, and Europe with a total of 169 participants).

In 2015, the basic RC education program was provided for the group employees in Japan and this initiative was also thereafter implemented via e-learning courses for recent graduates and employees hired mid-career.

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.



→ p.113 Community > Corporate citizenship activities

Mid- to long-term targets and performance

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, it is striving to take its RC activities to an even greater level and expand their scope while enhancing management system.

Anticipated benefits from achieving Mid- to long-term targets

Cost reductions or profit increase

Business activities are implemented normally with stable provision of products while unnecessary costs are cut down.

Impacts on society

There is a possibility of positive influences such as reduction in environmental impacts, improvements in sanitation, and returns to society in the areas of business activity, which facilitates a resulting improvement in the lifestyles of stakeholders, including residents of communities.

Performance in 2018

Performance

In 2018, Kao convened the group RC Promotion Committee on September 26, the Global RC meetings on November 5 and 6, and the Japan RC Meeting on December 19.

In addition, the RC Promotion Committee Secretariat Audit was conducted between July and August at each group company within and outside Japan and individual divisions in charge of RC promotion. Furthermore, as part of the Secretariat Audit, the RC Promotion Committee Secretariat oversaw self-checks by each promotional division where they were in attendance to confirm that these RC self-checks were correctly implemented in line with regulatory and other requirements. The RC Promotion Committee oversaw the Safety and Disaster Prevention Audit of the SCM Division, which was implemented in July 2018.



→ p.198 Our initiatives: Standardization of RC activities
p.200 Our initiatives: Implementation status of the RC Promotion Committee Secretariat Audit

Reviews of performance

While waste targets as part of environment and all items of safety were not achieved, we will maintain and promote the initial targets by 2020.

Our initiatives

Standardization of RC activities

The eight promotional divisions within Japan and all affiliated companies outside Japan promote the RC activities as shown below based on our Responsible Care Targets set by the Kao Group RC Promotion Committee, through drafting activity plans aligned with various operational requirements, industries, and business categories.

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 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 group's mid-term targets and targets for the upcoming year, as 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 group.

At the Japan RC Meeting held in December, based on these numerical targets and activity targets for the 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 26, 2018. The RC Promotion Committee Secretariat announced the group's overall first-half results in relation to 2018 RC targets, and the results of the RC Promotion Committee Secretariat Audit. The promoting divisions also announced the current status of their promotional activities and finally the group's targets for 2019 were agreed upon for deliberation.

The Global RC Meeting was held at the Kayabacho Head Office on November 5 and 6, with 18 attendees from 15 affiliated companies outside Japan (12 the previous year). The meeting furthered understanding of Kao RC Policy and 2019 targets were confirmed.

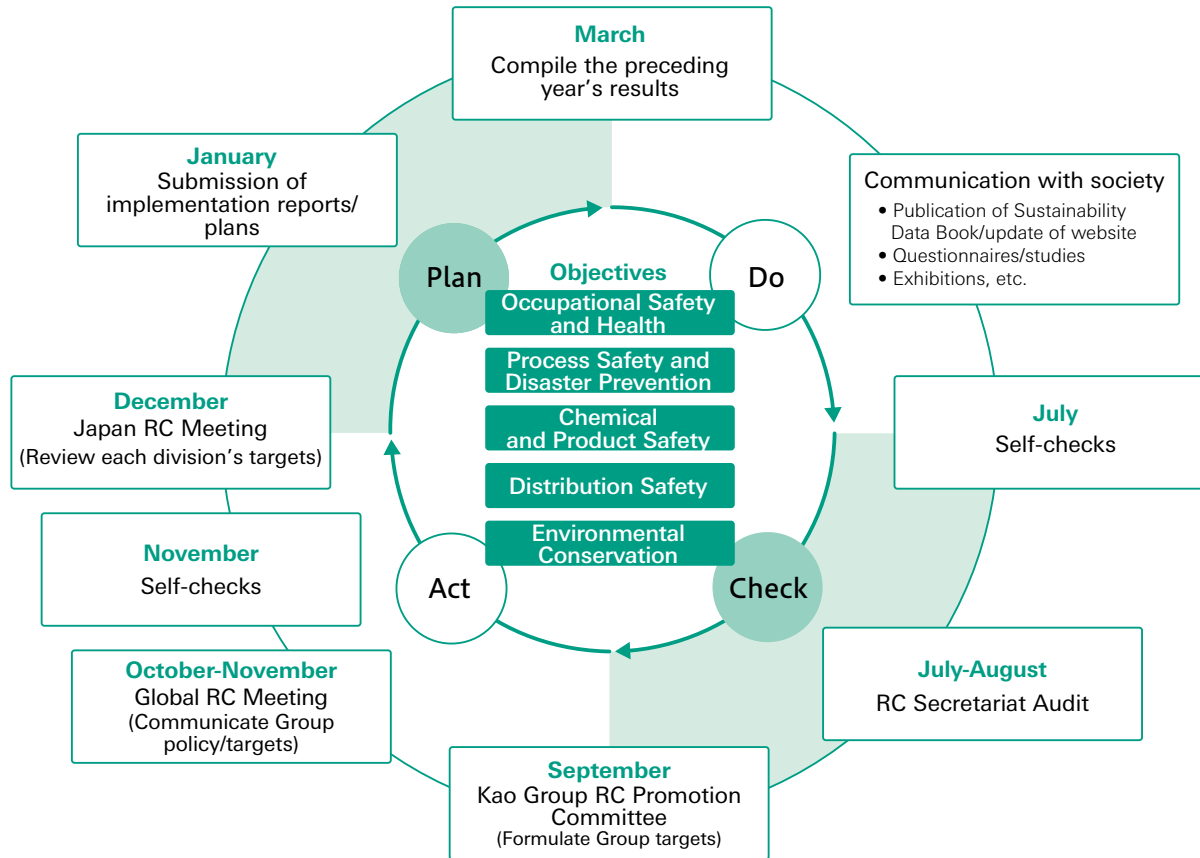
Participants were able to observe how RC activities and advice were implemented at other companies, analyze strengths and weaknesses, and share best practices, and enhance communication among members of the global RC.

At the Japan RC Meeting, held on December 19, RC Promotion Committee member of respective promotional divisions announced their 2019 draft plans, with the plans then deliberated and approved. The RC Promotion Committee Secretariat then reported on the group's 2018 environmental and safety record.



Japan RC Meeting

Annual cycle of RC activities



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 our 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 currently exploring to a practical system for the efficient use of environmental and safety data by the group with the Information Technology Division, as part of deliberations on transitions to new systems.

* Environmental & Safety Data Management System (KANCHAN System)

Data shared among the group under this system includes that related to energy consumption, GHG emissions, soot and dust emissions, water consumption, wastewater discharged, wastewater conservation 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.

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 held in September and Global RC Meeting held in November and these help formulate the following year's numerical targets and activity targets.

In addition, the audit involves evaluations by scoring the implementation status (implemented/not implemented; implementation rate) by survey item on the checklist used for the audit, as it is implemented based on company-wide regulations (B-02-00 The Rules for RC Secretariat Audit).

From July through August 2018, the RC Promotion

Committee Secretariat Audit was conducted by using the checklist sheet at eight promoting divisions in Japan and 19 group companies* with plants outside Japan, with consideration to the degree of safety and environmental impacts. In 2018 the scope of the checklist for the audit was expanded from its conventional form, facilitating a more advanced confirmation of the promotion status for activities.

In addition, a separate checklist was drafted for regulatory compliance status and the system for environmental and safety aspects in the current year, and was used to implement an audit.

In Japan, in meetings with the promotional divisions, various statuses were confirmed, such as the current status of compliance with regulatory requirements and criteria, progress in planning and achieving numerical targets. Outside Japan, the checklist to confirm regulatory compliance system was sent to companies, and a paper audit was conducted of the response results. It has also been confirmed that all

findings from the 2017 audit had been addressed.

As a result of the 2018 RC Promotion Committee Secretariat Audit, all eight promotional divisions in Japan achieved an average evaluation score of 4.5 or higher, indicating that the RC promotion mechanism has become entrenched. Meanwhile, there were many findings on occupational safety for which further monitoring and improvement have been requested. Outside Japan, all companies saw an improvement in the evaluation scores compared to those in 2017 (see table below).

* Kao Corporation Shanghai, Kao (Hefei) Co., Ltd., Kao Chemical Corporation Shanghai, Kao (Shanghai) Chemical Industries Co., Ltd., Kao Huludao 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 Secretariat Audit (2018)

	SCM Division	R&D Division	Business divisions	Corporate divisions	Affiliated companies in Japan ^{*1}	Affiliated companies outside Japan ^{*2}
No. of questions	202	159	249	331	534	5,982
No. of items requiring further monitoring	2	8	1	5	6	—
Average evaluation score [5-point scale] ^{*3}	4.92 (4.88)	4.92 (4.94)	4.88 (4.82)	4.90 (4.88)	4.90 (4.84)	4.48 (4.30)

*1 Group companies in Japan

Kao Professional Services Co., Ltd., Kao Group Customer Marketing Co., Ltd., Kao Transport and Logistics Co., Ltd..

*2 Group companies outside Japan

19 companies (12 in Asia, 7 in Europe and the Americas).

*3 () indicates 2017 results.

Implementation of Safety Awareness Survey

We independently instituted and implemented the Safety Awareness Survey to survey employee awareness of safety and facilitate ongoing safety activities. This was implemented for the Japanese SCM division in its inaugural year of 2018 and will be rolled out to the R&D Division, Sales Division, and employees outside Japan going forward.

Status of international management system certification

Kao has implemented an RC management system throughout the group, with some plants having received ISO 14001 certification, the global environmental standard, as well as OHSAS 18001 certification, which is the standard for occupational health and safety, in addition to other certifications in respective countries.

Environmental certifications (ISO 14001, etc.)

95% of our plants have received external certification (based on total production volumes standard). Certifications obtained at 15 individual plants in Japan and Asia have been integrated to standardize and upgrade operations. Furthermore, we completed the changeover to the 2015 version in 2018. We will expand the scope of certified plants on an ongoing basis and increase the number of integrated plants.

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

Obtaining the occupational health and safety management standard has been promoted at plants outside Japan which experience more work-related accidents compared to those within Japan and need enhancement of labor management. 35% of the plants have certification (based on total production volumes standard).

In 2018 we completed initiatives at five plants in Asia for the integration of certifications obtained at individual plants in order to facilitate standardized and upgraded operations. 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.)

95% of our plants have received external certification (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
www.kao.com/global/en/sustainability/environment/activity-data/certification/



Responsible Care (RC) grand prize awarded to SCM Division

Our SCM Division received the grand prize of the 12th Responsible Care (RC) Award from the Japan Chemical Industry Association for its initiatives for environmental impact reduction at manufacturing worksites.

It was awarded this in light of its sustainable energy conservation activities, including early adoption within its industry of city gas for plant production energy needs, and gas cogeneration facilities (cogeneration-type energy system), which resulted in halving CO₂ emission intensity (intensity in 2016 from 1990). In addition, it was highly praised for its environmental impact reduction activities including zero emissions from waste (final disposal percentage) and reduction of CFC emissions.



Awards ceremony