

# Inclusive & diverse workplaces 102-12, 102-15, 103-1, 103-2, 103-3, 404-2

We firmly believe that the vitality and synergy derived from diversity drives our business developments. We therefore strive to create an environment and culture where each of our employees is able to maximize their capabilities and individuality, and both individuals and company can develop.

## Kao's creating value to address social issues

### Social issues we are aware of

Social values and lifestyles are undergoing significant changes and are diversifying. In addition, business has become globalized, economic and social uncertainty has increased. Nowadays as people with diverse backgrounds and values are becoming consumers and employees, such as Generation Z who are said to have newer values compared to older generations, people's mindset about work and life and employees' expectations for their company are changing based on thinking that is unconstrained by things previously taken for granted.

In these circumstances, it is essential to actively approach these social changes by creating an environment and corporate culture where diverse employees feel motivated to work by actively developing Diversity & Inclusion (D&I) promotion activities as a fundamental activity for human capital development in order to create continuous corporate growth.

### Risks related to realization of What Kao Aims to Be by 2030

At workplaces where it is a challenge for diverse employees to feel motivated to work, employee engagement subsides, and it becomes harder to retain the employees who are the invaluable treasure of the

company and hire new outstanding employees. Furthermore, homogeneous organizations that do not embrace diversity and especially organizations that lack diversity including female employees in decision-making positions will be unable to adeptly and flexibly respond to societal changes and will struggle to contribute to their sustainable corporate growth. In recent years, along with the increased interest in sustainability of the world, interest in corporate D&I promotion activities for employees is growing around the world and its importance as a basis for investment is also increasing. In the midst of this, if we do not sufficiently implement D&I promotion activities to leverage this diversity and furthermore promote the advancement of female employees which is an aspect of diversity related to most of our workforce, this could pose a risk to our corporate growth, which may lead to reputation risks.

### Opportunities related to realization of What Kao Aims to Be by 2030

By deeply ingraining D&I at Kao Group and realizing inclusive and diverse workplaces that leverage each person's true diversity extending beyond simple demographics, we will attract and retain outstanding talent with diverse backgrounds in the company and ensure that they stay motivated and are able to demonstrate their capabilities. Consequently, new business creation is expected to be revitalized leading to products and services that meet the needs of societal changes and the diversification of people's

values, and the productivity of our business activities conducted by each employee is expected to be strengthened by increasing employee engagement. Thereby, further growth as a company is anticipated, leading to improved ratings from society at large and investors and enabling us to help increase the societal momentum of D&I.

### Kao's creating value

In our changing society, it is necessary to bring together various ideas based on a wider background to provide products and services that are always useful for consumers who have different values in differing circumstances worldwide. Therefore, it is also essential to foster an environment and culture that attracts employees with diverse backgrounds and where they can sufficiently demonstrate their capabilities. We conduct D&I promotion activities to achieve this.

These activities allow our diverse employees to demonstrate their capabilities, make new value creation possible based on diverse ideas and innovation, and enable us to provide products and services that help consumers and customers lead an enriched life far into the future.

### Contributions to the SDGs



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## Policies

We stipulate in the Kao Way, our corporate philosophy, that we create inclusive workplaces where every person can develop their potential as a professional and a human being, that we treat everyone we encounter with respect and openness, and that we embrace the world's diversity of cultures, nationalities, beliefs, races, genders, identities and abilities and respect and value all people in our organization, our business partners and the communities we serve, just as they are.

Moreover, we aim to make diversity our strength and contribute to society to become a company that continues to grow sustainably in our changing society. This means that we aim to be an organization that can produce new value by bringing together diverse ideas created by our employees demonstrating their unique capabilities.

Therefore, as part of our diversity promotion activities, we will retain our workforce in an environment that is work-friendly for all our diverse talent, including female employees and provide the necessary support to provide opportunities equitably. As part of our inclusion promotion activities, we will implement education and awareness-raising activities to foster a culture where all employees understand D&I envisioned by Kao and can individually put them into practice as well as one where each employee feels comfortable to communicate their own opinions and can discuss ideas in an unbiased environment. In doing so, we aim to become a team with diversity, respect each other as individuals, incorporate different perspectives and ideas, and transform them into the power of our organization, and also aim to create an

environment where each individual can maximize their own capability and individuality.

## Education and promotion

In order to make diversity a source of power for our organization, we are spreading awareness of the meaning of D&I, and providing the knowledge and information needed to put it into practice. We conduct training for management, who have an important role to play here, especially in terms of emphasizing the value of diversity, and we implement educational activities for employees working with others who are in difficult situations. We broadly publicize positive examples of D&I inside the company and D&I related activities via intranet with the objective of our employees viewing this as relevant to them and recognizing the importance of taking initiative. Furthermore, to be an organization where employees can demonstrate their unique capabilities, we are introducing training to deepen all employees' understanding of psychological safety and unconscious bias as a base and build the skills to appropriately put this into action. We receive feedback from the participants at all activities through questionnaires and incorporate our employee comments in our activities by reflecting these opinions in the next activities.

## Collaboration and engagement with stakeholders

Proactive collaboration with NPOs, government agencies

and other companies promoting D&I is essential to encourage understanding and improve awareness of D&I inside and outside the Kao Group.

In supporting balancing work and childcare, for ten years, we have endeavored to change mindsets of our employees who are raising children in collaboration with the NPO, Fathering Japan, which advances initiatives to increase the number of happy fathers who can address various social issues. For women's empowerment, the President and Chair participated in and discussed issues at the 30% Club Japan and the Group of Male Leaders Who Will Create a Society in Which Women Shine, an initiative organized by the Gender Equality Bureau of the Cabinet Office. Kao Corporation's D&I, HCD is implementing initiatives for women's empowerment inside and outside the Kao Group in collaboration with other companies through activities with the secretariat's team. In 2021, we newly participated in G20 EMPOWER as an advocate company and will further enhance our initiatives in the future by collaborating globally with other companies and experts. Furthermore, we announced our support for The Valuable 500, an international initiative established to get companies playing a leading role in building an environment in which people with disabilities can participate actively in business, society and the economy in general, etc., and are striving to promote these activities and increase their societal momentum. In addition to these activities, we also have participated as a member of the study groups of government agencies and various organizations, giving corporate case study presentations at lectures and seminars and arranging tours of our special subsidiary, etc.

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## Framework

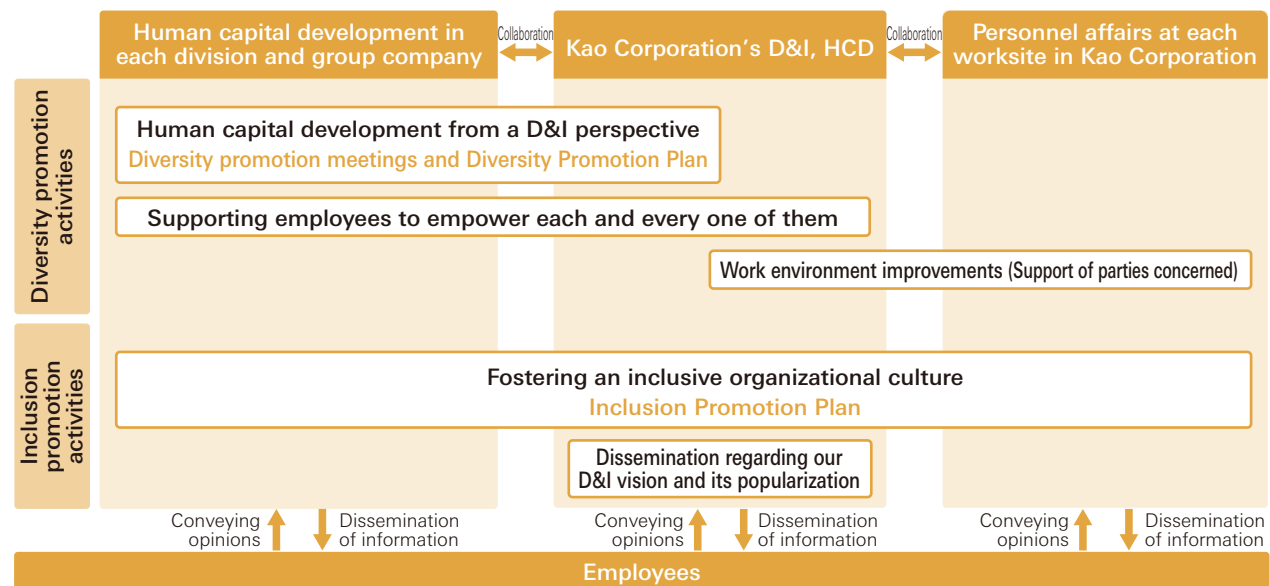
After special-purpose organization in Kao Corporation (i.e. Kao Corporation's D&I, HCD) collaborate with persons responsible for human capital development in each division and domestic group company and a specialized organization in Kao Group Customer Marketing (KCMK) Group through the Human Capital Development Conference, diversity promotion meetings and individual meeting to clarify the major issues at Kao Group in Japan, we plan and implement D&I promotion activities throughout Kao Group in Japan. For important issues related to D&I, discussion is held and decisions are made by the Human Capital Development Committee, which consists of executive officers. Feedback from the participants in all activities are verified through questionnaires and other surveys and when appropriate, the members of aforementioned groups exchange their opinions, which is then reflected in the next activities. Responsible managers and personnel of human capital development from nine worksites of Kao Corporation and from major affiliated companies collaborate with the Kao Corporation's D&I, HCD to disseminate information on views at workplace regarding D&I promotion and develop infrastructure for individual support, acceptance and retention of employees who need support.

Globally, Kao Corporation's D&I, HCD collaborates with human capital officers from the Americas (indicating

consumer product-related group companies in the U.S., Canada, Australia and New Zealand) and EMEA (indicating consumer product-related group companies in Europe, the Middle East and African countries) to share information, exchange opinions, and promote activities in each region that are tailored to the problems faced there. At Americas, not only does our Human Capital Development carry out D&I promotion activities, we have established an Inclusion & Diversity Advisory Board, consisting of employees outside of the division,

that promotes organizational change from a D&I perspective in collaboration with the Human Capital Development. At EMEA, preparations are underway to establish the Diversity and Inclusion Board as an organization to promote D&I. Going forward, we will build a collaborative framework that encompasses Asia to further promote global collaboration.

### Framework for D&I promotion activity (within Japan)



Philosophy, strategy & framework  
 Making my everyday more beautiful  
 Making thoughtful choices for society  
 Making the world healthier & cleaner  
 Walking the right path  
 Fundamental section  
 Appendix

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## Mid- to long-term targets and performance

### Mid- to long-term targets

To make diversity our strength, we aim to develop an inclusive organizational culture where employees demonstrate their unique capabilities and integrate them to produce new value. Moreover, to incorporate diverse perspectives in a variety of corporate decision-making, we hire talent from diverse backgrounds and encourage their participation, and as one indicator of this, we aim to have the same percentage of female managers as the percentage of total female employees.

Thereby, we implement activities to formulate Kao Group's D&I vision and instill it globally, awareness-raising activities to ensure all employees understand each other's diverse backgrounds and properly conduct themselves and initiatives to gain a deeper understanding of psychological safety and unconscious bias as part of our inclusion promotion activities. In addition, as part of our diversity promotion activities, we strive to conduct human capital development from a D&I perspective and to advance the participation of women, LGBTQ+ and non-Japanese employees, people with disabilities, and people with childcare or family care responsibilities.

To check our progress on the mid- to long-term targets, we are reassessing our employees'

awareness of "an inclusive organizational culture" and continuing to measure the percentage of female managers.

### Anticipated benefits from achieving mid- to long-term targets

#### Business impacts

We can provide better products and services based on diverse ideas and innovation, which will lead to corporate growth. By increasing employee engagement, we can strengthen the productivity of our business activities conducted by each employee. By being a more attractive company, we will improve employee retention and competitiveness as an employer, which will lower recruitment costs.

#### Social impacts

We will raise D&I awareness by society as a whole through the expansion of D&I in business. Consumers will achieve an enriched lifestyle through our provided products and services that meet the expectation of their diverse values.

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## Performance in 2021

### Performance

#### Kao Group in Japan

##### **Inclusion promotion activities**

We created a video message about our envisioned D&I, drafted introductory articles on positive examples of D&I inside the company and related activities so that employees grasp how D&I is relevant to them and put it in action, and created an awareness-raising video to encourage further understanding of diverse backgrounds, all of which were then disseminated company-wide employees via intranet. In addition, we implemented seminars as new initiatives to gain a deeper understanding of psychological safety and unconscious bias, which are integral for becoming an inclusive organization. We broadcast the recordings of these seminars about psychological safety to company-wide employees. We conduct questionnaires for viewers and participants of all activities to clarify their merits and areas that need improvement by analyzing the scores (e.g. usefulness or clarity of content) and comments in these questionnaires and use these findings in the next activities.

##### **Diversity promotion activities**

To promote human capital development from a D&I perspective at every division and affiliated

company, we provided data on D&I to each division and affiliated company, verified the implementation of the Diversity Promotion Plan and reconfigured the plan.

As part of our efforts to enhance our training of female employees for women's empowerment, we implemented round table talks with female executive officers (Women's Career Café), career panel discussions and at KCMK Group, a diversity promotion project.

At Kao Corporation, we held LGBTQ+ study sessions about promoting the participation of LGBTQ+ employees for all members of Human Capital Development to help create an employee-friendly workplace.

We conducted interviews with the relevant parties to promote the participation of non-Japanese employees and implemented special measures allowing them to visit their home countries during the COVID-19 pandemic based on the feedback given in those interviews.

Continuing our activities to promote normalization for the advancement of people with disabilities, we released materials to promote better understanding of disabilities and promoted collaboration with Vocational Life Consultants for Persons with Disabilities.

To support childcare, we continued holding online seminars for employees returning from childcare leave, revised the relevant procedures from pregnancy to childbirth, childcare and reinstatement intended for employees to take their desired childcare leave and for seamless operations at the workplace, and drafted guidelines that cover information on proper workplace communication.

To support family care, we broadly publicized the family care handbooks with awareness-raising videos and continued to hold online seminars on balancing work and family care started last year.

#### Kao Group in Americas and EMEA **Inclusion promotion activities**

At Americas, we share a different Diversity and Inclusion topic each month with employees sharing their own personal stories of how they overcame challenges of discrimination with a monthly column on the intranet, as well as during the monthly communications meeting. Throughout the year, external speakers have been invited to speak to employees and answer questions to help promote an inclusive workplace by strengthening understanding and awareness. In addition, Unconscious Bias and Understanding Racism

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sessions were conducted to provide understanding of key concepts of bias and how it manifests at work, as well as how to recognize and address manifestations of racism. Employee Resource Group (ERG) continued activities to address the needs of specific employee populations, such as women and young professionals, while guided by Human Capital Development.

At EMEA, we conducted D&I surveys and genba listening tours of our employees with the support of external experts, which will form the basis of our D&I promotion activities in 2022. To raise awareness about the barriers to inclusion, we implemented training on unconscious bias and held D&I awareness coffee chats around “Pride” (LGBTQ community) and “Anti-racism” (EMEA BAME\* employee group).

\* BAME: Black, Asian and minority ethnic

## Diversity promotion activities

At EMEA, we advanced the participation of female employees by continuing to provide mentoring to support career development to become top managers. In 2021, we started new mentorships for 20 people.

In group companies in the U.K., we posted job

opportunities on job boards focused on attracting talent from the LGBTQ+, black and ethnic minority and disabled communities, and implemented initiatives to increase the diversity of our organization.

## Reviews of performance

Since 2020, we have continued to focus on educational activities to help employees grasp how D&I is relevant to them aiming to foster an inclusive organizational culture. As a result, we could disseminate D&I information more frequently to our employees and ultimately change their mindsets since most of the employees who viewed this information gained a better understanding of D&I and considered how to reflect this in their daily activities. Specifically, we secured the understanding of top management on the concepts of psychological safety and unconscious bias and their importance. While it is important that globally all employees fully understand this and can apply these concepts, this is not sufficient in this regard. We are pushing forward further initiatives to foster an inclusive organizational culture so that not just employees who are sensitive to D&I but all employees, including those who are indifferent to these issues

at present, are genuinely convinced of their importance and apply D&I in their day-to-day work.

We were able to work on initiatives for the different issues pertaining to diversity promotion activities. In addition to these current initiatives for women’s empowerment, we collaborated with female executives to implement new initiatives to raise women’s awareness of how to become leaders conducted in different formats, such as small round table talks and panel discussions, which were able to change the mindsets of participants. In 2022, we will further expand the scope of these initiatives.



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## Our initiatives

### Diversity promotion activities

We implement diversity promotion activities aiming to foster an environment and corporate culture where diversity in the organization is improved and all employees are given opportunities equitably and can demonstrate their unique capabilities.

#### Human capital development from a D&I perspective (Kao Group in Japan)

We thoroughly promote, hire, evaluate and educate employees based on their individual ability regardless of other attributes. We set target values for selecting core human capital according to the composition of the workforce, and we are steadily implementing selecting and development regardless of personal attributes. Human capital meetings conducted by executive officers engage in discussions while confirming that women are included among the candidates for senior positions.

We continued to hold diversity promotion meetings, which were newly established in 2020 to clarify issues for D&I at each division and group companies in Japan and steadily address these issues (however, these were only held at divisions that request them in FY2021) and shared new information with figures on D&I so that we can independently review and conduct activities at each organization. In conjunction with this, we verify the implementation of our action plan drafted last year and formulate further promotion plans. In the future, these figures on D&I will continue to be shared to measure changes

overtime and the diversity promotion meetings will be implemented as a place for regular exchange between Kao Corporation's D&I, HCD and each organization, enhancing human capital development from a D&I perspective within the entire Kao Group.

#### Women's empowerment (Kao Group in Japan)

We promote women's empowerment as one aspect of diversity that is related to most of our workforce. As a result of our analysis, we believe that it is important to enhance the pipeline, especially the managers class, in order to increase the percentage of women in decision-making positions. Thereby, we are committed to providing development for human capital to be promoted, support for childcare so that our employees feel motivated to work and management training to achieve unbiased career development and advancement.

For career development, we mainly provide opportunities to participate in leadership training sponsored by external women's organizations (NPOs and Public Interest Incorporated Associations), host round table talks with female executives and seminars to encourage female employees to perceive their own unconscious biases and change their professional mindset, and provide opportunities to participate in different cross-industry study sessions independently organized and run by female executives in collaboration with executives at other companies. This ultimately improves employees' career motivation, expands their perspectives, and allows them to learn and network through collaboration with the members of other corporations.

#### Women's Career Café (Kao Corporation)

We held small round table talks with female executives inside the company, Women's Career Café, aiming for female employees to discover their forward-looking ambitions to become leaders fostering a professional mindset as well as to grasp the challenges that they face (both on an individual and organizational level). This activity garnered a high degree of satisfaction from participants and was able to change their mindset. One participant stated, "Being able to hear these talks from veterans in business and female leaders from the same generation spurred me into action and made me feel more positive about my career as well." Another mentioned, "I got tips to advance my career that made me interested in training myself to think from the perspective of a leader." From FY2022, we will continue to expand the scope of these activities.

#### Career panel discussion (Research and Development, Kao Corporation)

We held career panel discussions in which female executives were panelists initially for the Research and Development, which has many female members but few female managers, aiming to transform mindsets so that a wider range of female employees become leaders. These discussions were able to change the mindsets of participants. For instance, one commented, "Because I'm a woman, I felt the pressure that I had to plot out my career path on my own, but I'm relieved that there's another approach to flexibly advance my career." Another one stated, "I would like to find more possibilities for myself leveraging my unique insight as a woman without being restricted by my gender."

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## **Diversity promotion project (KCMK Group)**

A project is in progress to drive forward the training of female employees as one of our strategies for diversity promotion to create an organizational culture where our talent from diverse backgrounds are able to demonstrate their creativity. Employees participate in round table talks with executives and retired female employees and major meetings. We also have lively group discussions with the next generation of leaders to lead to employees' personal growth. The project leaders strive to concretely tackle challenges as the pioneers and driving force of KCMK transformation and lead the next generation of human capital.

## **Mentoring programs (EMEA)**

In Europe, mentoring has been used since 2014 as a successful tool to support the career development of talented employees to a higher management level. We can ensure that know-how transfer, corporate knowledge, networking and succession planning are properly managed and actively perceived as adding value by successful managers. Women in particular are encouraged to pursue the mentoring route and further their career to senior management levels. We launched a new mentoring cycle in 2021 with 20 mentoring relationships.

## **Gender pay indicators**

The gender pay gap (calculated on the basis of average annual salary, defined as base salary + other cash incentives) is one indicator of women's advancement, and is 89.7% for managers and 96.1% for non-managers at Kao Group globally. In addition, the annual average

amount of remuneration for men and women at Kao Corporation (data assurance performed by a third party) is shown on p. 219. We believe that this gap is due to the higher percentage of men among employees with longer service years, who tend to earn higher salaries, as well as among employees in higher-paying job groups, especially in Japan, since there is no established wage gap between male and female employees in the same roles. Therefore, as part of our policy to eliminate the gender pay gap, we will continue to take steps to further improve our retention of female employees through our initiatives to advance women's participation in the workplace and appropriately increase the percentage of women who are managers, senior managers and executives to be in line with the percentage of total female employees.

## **LGBTQ+ employees' advancement (Kao Group in Japan)**

To promote employee understanding of LGBTQ+ issues, we published basic information on our D&I portal site so that employees may refer to them at any time. In 2021, we broadcast awareness-raising videos about LGBTQ+ related changes in Japanese society as well as coming out and outing, which improved our employees' understanding of LGBTQ+ related issues, prompting comments such as "I could apply this to my own work" and "I found it a valuable resource because I had never anticipated coming out."

In addition, we are continuing recruitment for ALLY\*, where 478 employees have made statements in support of it to date (as of December 2021). Employees who make an ALLY declaration are issued with special straps which they are encouraged to

wear.

\* ALLY

Participants are people who express understanding and are supportive of LGBTQ+ people.

## **LGBTQ+ study sessions (Human Capital Development, Kao Corporation)**

We hosted LGBTQ+ study sessions for all members of Human Capital Development, aiming to ensure that the staff dealing with personnel acquire the correct information and use it in their day-to-day work in order to create an employee-friendly workplace for LGBTQ+ employees. At these sessions, the speakers communicated issues that LGBTQ+ employees often face at the workplace and explained considerations for language use and how to address these issues from the perspective of providing support for employees. In addition, ahead of others in the company, the restrooms used primarily by members of the Human Capital Development were made available to employees in the gender they self-identify as, providing an opportunity to consider creating a workplace where LGBTQ+ employees can work with greater peace of mind.

## **LGBTQ+ lecture (Kao Beauty Brands Counseling)**

Since 2020, LGBTQ+ lectures have continued to be held as part of Advanced Master Training to learn more about practical customer service. Lectures contained group work with lively discussions on how to better serve in store customers. In addition, we are making efforts to improve our environment by creating a place for information exchange and interaction with LGBTQ+ employees utilizing online conference tools and the exchange of various opinions.



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## Promoting the participation of non-Japanese employees Interviews with parties concerned (Kao Corporation)

We conducted individual interviews for all interested non-Japanese employees employed at Kao Corporation to identify the challenges that these non-Japanese employees with different languages and cultures face while working in Kao Group in Japan. We were able to identify their strong work motivations, extensive challenges they faced including career development and the uncertainties and inconveniences during the COVID-19 pandemic. In the future, we will promote the participation of non-Japanese employees and foster multicultural collaboration by pushing forward initiatives for each of these challenges.

## Homecoming support during COVID-19 pandemic (Kao Group in Japan excluding some affiliated companies)

In these interviews with the relevant parties, many individuals brought up that they were unable to visit their home countries for several years due to the COVID-19 pandemic. Therefore, we implemented special measures to provide support to non-Japanese employees in visiting their home countries by permitting teleworking from quarantine facilities during the quarantine period when entering other countries as part of their measures to prevent the spread of COVID-19.

## Promoting the participation of employees with disabilities

We position support for people with disabilities as an important part of our D&I efforts, and have formulated a basic policy of "Striving for a society where people with and without disabilities work and live together, we create workplace environments for employees with disabilities that make life

easier for them and foster a sense of pride in one's work."

## Promoting normalization

- Every year, we administer a questionnaire to employees with disabilities, asking about the current status of their disability and any problems they may be experiencing at work and work with internal stakeholders to help resolve any issues.
- We also assign Vocational Life Consultants for Persons with Disabilities to worksites nationwide to conduct consultations for employees with disabilities. We hold an Employees with Disabilities Support Meeting once each year to help the consultants upgrade their skills and strengthen the overall support system for persons with disabilities. In 2021, a total of 23 Vocational Life Consultants for Persons with Disabilities participated throughout Japan and shared the employment issues that people with disabilities have at the workplace and some solutions. We received feedback from many participants indicating that this was a good reference when responding at their own workplaces, which will ultimately improve the quality of employee support.
- We prepared a Disabled Person Employment Manual and a Communication Sheet and distributed them on our D&I portal site to promote mutual understanding among employees with disabilities and their colleagues.
- We introduced UD Talk voice-recognition application to support communication with employees who have hearing impairments. We are continuing to introduce and apply voice recognition tools such as UD Talk and live captions for Microsoft Teams inside the company.
- For prospective employees with disabilities, we provide

information about the support that the company provides for employees with disabilities before they join the company, and by confirming in advance what support each employee will need, we help to reduce worry for these employees after they join the company.

- We periodically hold seminars, tours of our special subsidiary and other events for all employees to increase understanding of disabilities. In 2021, we drafted materials to better understand disabilities and released them on the D&I portal site.
- The Wasa Welfare Factory was established in April of 1993 as a place supporting financial and mental independence as well as social participation, providing work to people with disabilities along with lifestyle guidance and health management, in cooperation with medical institutions and under Wakayama City and Wakayama Prefecture guidance and subsidies. In 2020, we acquired it from Sumiya Social Welfare Corporation in Wakayama City, and are handling its operation as the Kao Wakayama Plant (Wasa Group Production) now. Currently a total of 26 employees, including 21 with disabilities, fill smaller sized bottles of shampoo and conditioner as well as an assortment of Kao travel sets.

## M2M Project (KCMK Group)

We are promoting activities for the M2M Project (minority ↔ majority) aimed at generating a vitality of diversity by encouraging employees with disabilities to express themselves. Our employees with disabilities formulate and disseminate their plan to promote better understanding of disabilities under the theme of "For accurate knowledge and

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proper understanding.” We had enthusiastic responses from employees who participated, wondering what the best practices for communication were and what they can do at stores handling customers with disabilities. Furthermore, we are showing how employees with disabilities participate at the workplace by launching a place for communication with employees with disabilities called Kokokara, holding round table talks with employees with disabilities and proactively publishing related content in the company newsletter.

## Measures implemented at special subsidiaries (Kao Peony)

Kao Peony Co., Ltd., a special subsidiary, has actively employed persons with severe disabilities, primarily persons with intellectual disabilities, since it was established in 2005, and the Production Division has achieved the same production rates as those on lines operated by persons without disabilities. The Office Support Division, established in 2017 has been working to expand the scope of its business activities and employment. As of January 2022, a total of 80 employees work at Kao Peony, including 61 with disabilities. In 2021, despite the continued impacts of COVID-19 since 2020, we have held activities while considering work styles with both divisions. In particular, the Office Support Division has promoted diversification through activities such as those introduced below.

## New challenges (Kao Peony)

Collaborating with the GENKI Project, we supported reception work at session venues using the avatar robot, OriHime. The members remotely controlled the OriHime robot from the Kayabacho Office to check the physical condition and the temperature of the participants, and

guided them into the room, which was well received by the participants. (Serving about 320 customers in 4 locations)

In collaboration with RecyCreation, we created exhibitions using Okaeri-blocks sent to stores for two businesses that placed collection boxes. This was featured in many media interviews, and we have received enthusiastic feedback from these businesses that they could visually showcase collected and recycled pouches.

For the Pink Ribbon Campaign, we planned, proposed and created origami works as part of our continued awareness-raising activities inside the company started last year. We created two curtains using 7,000 origami cranes and exhibited them at two worksites in Kayabacho and Sumida. We have received feedback from employees who saw the origami cranes, commenting on how the message was conveyed through this work.



Pink Ribbon Campaign origami crane curtain



Reception work support at session venues (Remote control)

## Participation in international initiatives

In 2019, Kao Corporation President signed a declaration for the approach and initiatives of The Valuable 500, an international initiative established to get companies playing a leading role in building an environment in which people with disabilities can participate actively in business, society and the economy in general, etc.

In 2021, we worked to provide information by

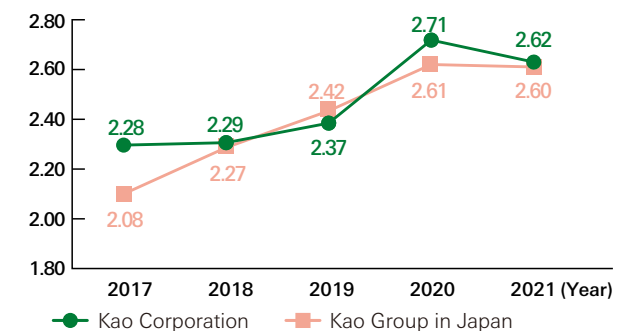
responding to a global survey for companies who joined The Valuable 500 and compiled useful case studies.

- Making my everyday more beautiful > Universal product design **P49**
- Corporate citizenship activities > Support for the Japan Boccia Association > Barrier-free access to information **P358**

## Employment rate of persons with disabilities (Kao Group in Japan)

Currently, persons with disabilities account for 2.60% of the total workforce of the Kao Group in Japan, exceeding the statutory minimum rate (as of June 2021).

### Kao Group employment rate of persons with disabilities\* (%)



\* Scope: As of June 1, 2021  
 Thirteen domestic affiliates that are classed as special subsidiaries under the Act on Employment Promotion of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Field Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., Kanebo Cosmetics Inc., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji and special subsidiary Kao Peony Co., Ltd.)

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## Support for childcare

Under the basic policy for work–life balance support aimed at providing support so that each employee can fully demonstrate their motivation and skills and participate in the workplace while balancing work and their personal life, we are creating an environment and fostering a corporate culture with the expectation that our employees are able to balance their work and family life with an easy mind through every life stage from the employee’s or their partner’s pregnancy and childbirth to childcare and continue to have the motivation and capabilities to actively participate in the company.

### Main support for balancing work and childcare responsibilities

- Conducting pre- and post-maternity / paternity leave interviews
- Encouraging communication between employees on maternity / paternity leave and their workplace supervisors using maternity / paternity leave reports
- Holding seminars for employees returning from maternity / paternity leave (Tatsuno-oshigoto Seminars)
- Provision of an on-site day care facility (*Merries Garden*)
- Distributing a leaflet with information on systems that support the life–work balance targeting male employees
- Conducting a survey about men’s childcare roles
- Diversity Management e-learning (for managers)

### Revised procedures from pregnancy to childcare leave and reinstatement

In line with the successive amendment of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members as of April 2022, we revised our procedures throughout the process from employees’ or their partners’

pregnancy to taking childcare leave and reinstatement intended for the relevant employee to take their desired childcare leave, and for continuing seamless operations at the workplace. In addition, with expert advice, we drafted guidelines for the relevant parties and their supervisors that contains details the necessary procedures for every stage and provides information on proper workplace communication. In the future, we will spread these guidelines intended for employees to stay motivated to work by establishing a work–life balance framework by taking childcare leave adjusted to their unique situations.

### Seminars for employees returning from childcare leave (Tatsuno-oshigoto Seminars) (Kao Group in Japan)

Each year, we conduct seminars for employees regardless of gender who are about to return to work after having taken over one month of childcare leave (Tatsuno-oshigoto Seminars) at Kao Group companies in Japan. In addition to encouraging partner participation and helping employees prepare their attitudes and raise their awareness regarding reinstatement, these seminars communicate the importance of building cooperative relationships with partners and family both in family life and career development. Since 2021, we also conducted lectures and group work which were the same as the in-person versions via live stream with online conference tools. This contains substantial content which attained a high level of satisfaction leading to improvement in the participants’ awareness of reinstatement, with one participant commenting, “This was a good opportunity to discuss and think more about work styles and my future life with my family.”

### Awareness-raising videos to promote paternity leave (Kao Group in Japan)

The understanding and support of the workplace is important for male employees to take paternity leave when their children are born. We used awareness-raising videos to provide information to acquire the knowledge and skills so that other employees can lend a hand and take concrete actions. This leads to improved manager awareness in relation to paternity leave. There was feedback about how useful the practical examples to encourage taking leave was and how participants wanted to make an environment where childcare leave is accessible.

### Paternity leave panel discussion (KCMK Group)

We held a panel discussion to encourage male employees to take paternity leave. Experienced employees who took leave and their supervisors took to the stage and discussed how they got the understanding from people inside and outside the Kao Group, how to handle a request for leave from a member of one’s team, and what should be done to encourage employees to take childcare leave in the future. This was a good opportunity for employees who participated to gain new insight. Participants left comments, such as “It was easy to understand because I can feel the passion of the panelists’ experiences” and “it was helpful that this allowed me understand how my supervisor feels.” There was also feedback stating that “it would be interesting to have discussions in small groups or something like that.”

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## External evaluation of childcare support measures

In 2016, Kao Corporation was awarded Platinum Kurumin certification for creating a supportive workplace for employees with children, in accordance with the provisions of the Act for Measures to Support the Development of the Next Generation. Kanebo Cosmetics, KCMK and Kao Logistics were respectively awarded Kurumin certifications in 2009, 2011 and 2019.



## Support for family care

In accordance with our fundamental policies of enabling each individual to act independently and providing assistance based on a spirit of mutual support, we are taking measures to educate employees and to promote mutual understanding in the workplace with the aim of preventing employees from leaving work the cause of family care obligations. In 2021 we held an online seminar for employees nationwide (approximately 240 participants). This was highly rated by the participants who left comments about how they learned specific steps to prepare for family care, that the instructor's lecture was based on real-world experiences and easy to understand, and how relieved they felt that there were many other people in similar

situations. In addition, we delivered a recording of this seminar, for those who could not attend.

We also undertake the provision of information including introduction of family care handbooks, and provide consultation services where appropriate.

### Main support for balancing work and family care responsibilities

- Holding family care seminars
- Provision of family care handbooks
- Reinforcement of family care consultation skills by human resources personnel
- Establishment of an external family care consultation service

### Common initiatives to support balancing work and childcare or family care responsibilities

- Individual guidance before using leave systems
- Encouraging employees to make full use of relevant allowances and services
- Provision of the Work and Life Balance Guidebook

## Inclusion promotion activities

We implement inclusion promotion activities aimed at having all employees understand our envisioned D&I and developing the skills, environment and culture where employees unlock the value of their diversity as a source of power for the organization.

### Popularization of the vision to promote D&I

We delved deeper into discussions about Kao Group's

D&I promotion vision so that all employees understand our envisioned D&I and exemplify this concept. In the future, we will exchange opinions globally and push forward activities to instill the D&I vision as the Kao Group's global vision in our employees.

We produced and broadcast a concept movie entitled "What is Diversity & Inclusion?" to provide tips for every employee to perceive D&I as relevant to them and put these concepts into practice.

### Fostering an inclusive organizational culture

We continue to disseminate information via the portal site to provide a foundation for inclusion promotion activities at Kao Group in Japan. Our key content consists of broadcasting awareness-raising videos, holding internal seminars and events, and sharing positive examples from inside the company on different themes pertaining to women, LGBTQ+ and non-Japanese employees, people with disabilities, and those who are balancing work and childcare or family care. We update and release content two to three times a month under the Inclusion Promotion Plan to encourage employees in the group to understand D&I and ultimately implement these concepts in the workplace.

### Diversity & Inclusion Expo 2021

In October to December 2021, we held our first trial of Kao Diversity & Inclusion Expo 2021 on the portal site. Under the theme of "We create our Diversity & Inclusion," we streamed the concept movie, held a seminar with this theme, and reintroduced the awareness-raising content back issues. Many

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employees viewed and participated in these.

## **Diversity management seminar**

We held a seminar with an external expert entitled “Reasons for having a lively team” in order to gain a better understanding of motivation for career and diversity management so that employees with diverse backgrounds demonstrate their unique capabilities. The first part of the seminar conveyed the “key points for creating your own career” to employees balancing work with childcare, whereas the second part imparted considerations for assisting diverse employees’ career growth to their managers (with 550 participants on the day and 550 views of the recorded seminar). We received feedback such as, “I want to grow in a style that suits me” as well as “I recognized anew the importance of dialogue.”

## **Understanding and exploring psychological safety and unconscious bias**

Under the theme of “Let’s have a dialogue toward our dreams,” as part of our first initiative to improve employees’ understanding we hosted seminars in Japanese with simultaneous English interpretation about psychological safety and unconscious bias, which are integral to create an inclusive organizational culture.

In the seminar entitled “How to create psychological safety that encourages dialogue and facing challenges” where an external expert were featured, around 600 people who were mainly managers participated in the

live stream on that day (and there were 2,000 views of the recorded seminar as of the end of December 2021). This was a good opportunity for participants to gain a deeper insight into psychological safety for effective teams and flexibility as part of leadership and to master the tips to put this into practice.

Similarly, in the seminar on unconscious bias presented by an external expert, around 550 people who were mainly managers participated in the live stream on that day (and there were 585 views of the recorded seminar). The participants learned how to recognize and address unconscious bias and examples of this leading to positive results.

Providing online live streaming and a recording of both these seminars enable employees in different positions all over the country to participate in and view these lectures and leads to a high-level satisfaction from participants because not only are these lectures straightforward and chock-full of examples from each speaker, but also the moderators emphasized interactive communication making use of the chat and voting features.

In the future, these activities will be expanded globally to gain an understanding of psychological safety and unconscious bias and create a better organizational culture.

## **Sharing positive examples and activities inside the company**

We feature inclusion promotion activities at the

workplace and by volunteers as accessible and positive examples in articles and videos with the objective of raising awareness so that employees perceive D&I as relevant to them and take initiative. In 2021, the article featuring a team in Sakata Plant which produces diapers entitled “Toward the realization of ‘A line that anyone can operate: Changes in the workplace born from the welcoming of female operators to male employee-only production lines’” covered various workplace improvement activities and changes in the mindsets of employees to be receptive of female employees as line operators at the production line for diapers that handles many heavyweight materials. This led to the realization of the necessity and importance of D&I with employees commenting about how they want to incorporate this perspective at their own workplace and that it spurred them to consider how to create an environment that is better for everyone.

In addition, we presented the community activity, “KAKEHASHI” run by volunteers, most of which are people with hearing disabilities in Kao Group in Japan. (For more information, see p. 47.)

## **Courageous Conversations (Americas)**

A virtual event series for employees was conducted throughout the year exploring social justice and racial equity topics. The events are intended to encourage collective understanding and action and to explore how, we as an organization and as individuals, can



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work to build greater equity in our shared culture and communities.

## **EYPIC activities (Americas)**

In Kao CP Americas, a new ERG activity, EYPIC (Empowering Young Professionals—Inspiring Change) was launched to create a network of young professionals that will promote personal and professional empowerment tailored to their unique skills and mindsets. It aims to bridge the gap between millennials and other generations in the work place, to develop young professionals through conversations, pathways and plans tailored to young professionals, to allow all Millennials in varying departments to connect and meet, and to increase exposure of Kao to the community using the unique skillsets of millennials and young professionals within the Kao organization. Through the EYPIC Newsletter, in conjunction with Corporate Communications, we will highlight employees within Kao organization that have a story to tell about volunteering at their local animal shelter, coaching a youth sports team, or speaking out against racial injustice.

## Topic External evaluation

### **Kao was selected for inclusion in the 2021 Bloomberg Gender-Equality Index**

In January 2021, Kao was selected for inclusion in the Bloomberg Gender-Equality Index (GEI) for its third year in a row. The GEI identifies companies that are committed to transparency in gender reporting and to advancing equality for women in the workplace. In 2021, a total of 380 companies were selected for inclusion in the GEI, from 44 countries and regions.

### **Kao was selected by the Ministry of Economy, Trade and Industry as a Semi-Nadeshiko Brand**

In March 2021, Kao was selected for the Semi-Nadeshiko Brand list as a company that has made outstanding achievements in advancing women's participation in the workplace. The Nadeshiko Brand is a joint effort between the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to accelerate government efforts to promote women's advancement as the core of its growth strategy, with plans to select and publicize companies that are promoting active participation by women, including the creation of an environment where they are able to continue working. At Kao, in order to promote a more flexible and diverse work style, we have established a flextime system (with no required core hours), leave taken in hourly increments, and—to be more compatible with family care including caregiving and childcare—one with reduced hours, a system for taking leave and working-from-home system, which we encourage our employees to use. These efforts and financial performance were thoroughly evaluated.

## Employees' voice

### Going beyond women's assumptions



**Natsuko Kusumi**  
D&I, Human Capital Development,  
Kao Corporation

Kao Group believes that women's empowerment is essential for the growth of our business as one aspect of diversity that is related to most of our workforce. One example of a factor impeding women's empowerment is that some women lack confidence and have unconscious bias when it comes to imagining roles of female employees and leaders. In 2021, we hosted small round table talks with female executives, Women's Career Café and at the Research and Development, career panel discussions, aiming to encourage participants to be aware of their unconscious biases and change their professional mindsets and to enable women to discover their forward-looking ambitions to become leaders. The participants brought up that this changed their mindsets. For example, one participant commented, "Listening to the stories of female leaders and speaking about my own experiences made me feel more positive about my career." Another stated, "Because I'm a woman, I felt the pressure, but I'm relieved that there's another approach to flexibly advance my career."

In the future, we will promote awareness-raising activities and career development for female employees and training for management, aimed at being a company where female employees feel confident to demonstrate their capabilities.



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## Main systems for supporting diversified work styles: Childcare, nursing care and family care related (Kao Corporation)

Main systems	Content	
	Childcare related	Nursing care and family care related
Leave	In principle, maternity / paternity leave can be taken until the first April 30 following the child's first birthday. Paid leave is provided for the first five days after the commencement of childcare leave.	Nursing care and family care leave can be taken for a maximum period of one year. During the period in which nursing care and family care leave is permitted, such leave can be taken in a maximum of three blocks of time.
Reduced working hours and staggered working hours	These are available until the child completes the third grade of elementary school. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.	Along with flexible working hours, this system can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Either specified working hours can be reduced by up to two hours per day, or the specified time for starting work or finishing work can be adjusted.
Flexible working hours	In principle, this can be implemented, on the request of the company, until the first April 30 following the child's first birthday. Employees can either work three days a week, or work a half day five days a week.	Along with reduced working hours and staggered working hours, this system can be utilized for a period of up to three years. Alternatively, this benefit can be taken in up to two blocks of time within the three-year period. Employees can either work three days a week, or work a half day five days a week.
Restriction on extra working hours	Up until the first April 30 following the child's enrollment in elementary school as a first grader, the employee can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night.	Employees who have family members requiring nursing care or family care for a period of more than two weeks can request either limits or exemption to perform work outside normal working hours, work on holidays, or work late at night either.
Child Care Time Program	Female employees who are caring for newborns to infants less than one-year old are eligible for a child care time program of 30 minutes up to twice per day.	
Special leave for nursing care and family care	Special paid leave of up to 5 days every year is available when short-term leave is needed for emergency care of sick or injured children, and for the child's vaccination appointments and health check-ups, until the child completes the third grade of elementary school. This leave can be taken in increments of either one day, half a day, or one hour.	Special paid leave is available for employees who need to fulfill nursing care or family care responsibilities which is applicable for spouses, children, the employee's parents, the employee's parents-in-law, grandparents, siblings or grandchildren (up to a maximum of either 40 days a year or 20 days a year). This leave can be taken in increments of either one day, half a day, or one hour.

## Employment system utilization status related to childcare, nursing care and family care (Kao Corporation)

	2018	2019	2020	2021
Share of eligible employees taking maternity / paternity leave (male) (%)	46.6	42.6	42.2	51.6
Share of eligible employees taking maternity / paternity leave (female) (%)	94.2	96.6	100	100
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	12	1	3	2
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	102	122	68	62
No. of employees taking nursing care or family care leave (male)	2	0	0	1
No. of employees taking nursing care or family care leave (female)	2	2	0	3
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	1	0	0	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	0	0	0	0

Note: Including non-regular employees

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## Situation of female employees (%)

		2018	2019	2020	2021
Employees*1	Global	49.8	49.6	49.7	50.5
	Japan	51.4	51.1	51.4	51.9
	Of which, Kao Corporation	23.8	24.4	25.3	27.8
	Asia	46.1	45.6	45.7	45.1
	Europe	46.1	47.3	46.5	52.4
	Americas	50.2	50.6	51.3	50.8
Executive officers*2	Global	8.0	8.0	9.4	9.3
	Japan	6.0	5.7	6.0	5.6
	Of which, Kao Corporation	5.7	8.3	8.3	10.8
All management positions	Global	27.3	29.4	28.8	30.2
	Japan	18.4	21.2	19.2	20.5
	Of which, Kao Corporation	16.8	18.2	20.1	23.1
	Asia	46.9	47.7	49.7	50.1
	Europe	49.2	48.9	48.4	52.5
	Americas	50.4	52.3	55.4	53.7
Top management positions*3	Global	—	—	—	21.2
	Japan	—	—	—	10.2
Junior management positions*4	Global	—	—	—	32.6
	Japan	—	—	22.8	24.7
Management positions in revenue-generating functions	Global	—	—	—	30.0
	Japan	—	—	18.6	20.0
Employees in STEM-related positions*5	Global	—	—	—	22.5
	Japan	—	—	17.9	20.4

\*1 Not including Board of Directors and Audit & Supervisory Board Members in Japan until 2020. Only regular employees from 2021.

\*2 Including Board of Directors, Audit & Supervisory Board Members and Executive officers.

\*3 Management positions equivalent to department heads.

\*4 Management positions equivalent to leaders.

\*5 Science and Technology-related function.

## Average age and average length of employment (Kao Corporation)

	2018	2019	2020	2021
Average age (years)	41.8	40.6	40.5	41.0
Male	42.6	41.2	41.0	41.5
Female	39.4	38.8	38.9	39.6
Average length of employment (years)	17.8	17.7	17.4	17.4
Male	19.2	18.7	18.3	18.4
Female	13.5	14.6	14.7	14.9

## Percentage of employees with disabilities (%)

	2018	2019	2020	2021
Global	—	—	—	2.01
Japan*1,*2	2.27	2.42	2.61	2.60
Kao Corporation*1	2.29	2.37	2.71	2.62

\*1 Employment rate as of June 1 including non-regular employees and based on government agency calculation standards.

\*2 The scope is as follows.

Thirteen domestic affiliates that are classed as special subsidiaries under the Act on Employment Promotion of Persons with Disabilities (Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Beauty Brands Counseling Co., Ltd., Kao Field Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kao Logistics Co., Ltd., Kao Business Associe Co., Ltd., Kanebo Cosmetics Inc., e'quipe, LTD., Kao Cosmetic Products Odawara Co., Ltd., Kao Paper Manufacturing Fuji and special subsidiary Kao Peony Co., Ltd.)

## Gender pay gap

### (Average annual salary of base salary + other cash incentives) (%)

		2021
Global	Management level	89.7
	Non-management level	96.1
Kao Corporation	Management level	89.8
	Non-management level	97.7

Note: Ratio of women to men

Note: Difference between men and women is due to the difference in the number of people in each job grade, not to the difference in wages for the same work.

## Base salary + other cash incentives

### Average annual salary (yen)

		2021	
		Male	Female
Kao Corporation	Management level <input checked="" type="checkbox"/>	10,260,020	9,211,384
	Non-management level <input checked="" type="checkbox"/>	5,597,988	5,468,725

Note: Difference between men and women is due to the difference in the number of people in each job grade, not to the difference in wages for the same work.

Note: Regular employees only (does not include contract employees, temporary employees, and other non-regular employees).

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during FY2021.

Note: Third-party assurance obtained from 2021 onward.

## Base salary Average annual salary (yen)

		2021	
		Male	Female
Kao Corporation	Management level <input checked="" type="checkbox"/>	6,547,378	5,845,359
	Non-management level <input checked="" type="checkbox"/>	3,670,943	3,571,235

Note: Difference between men and women is due to the difference in the number of people in each job grade, not to the difference in wages for the same work.

Note: Regular employees only (does not include contract employees, temporary employees, and other non-regular employees).

Note: Excluding short-time employees, employees on leave, and employees who joined or left the company during FY2021.

Note: Third-party assurance obtained from 2021 onward.

Note: Regular employees only, unless otherwise noted. Data are calculated as of the end of December in each year.

Note: Some data do not include the following 4 companies which account for 0.04% of all Kao Group employees out of 98 consolidated companies.

Kao do Brasil Representacao Comercial Ltda., Kao Chemicals Europe, S.L., TBP and STAR (Delaware) Realty LLC