

# Responsible chemicals management

102-11, 102-12, 102-15, 103-1, 103-2, 103-3

Kao believes that it is important for people around the world to enjoy the benefits provided by chemicals and to have safety and peace of mind in society with the proper management of the risks of chemicals. Through its ESG (environmental, social, governance) initiatives, Kao will take the lead in responsible chemicals management to help realize such a society.

## Kao's creating value to address social issues

### Social issues we are aware of

Chemicals foster our lifestyles and are essential for the enrichment of the lives of people globally. On the other hand, chemicals can have negative impact on human health and the environment.

The global chemicals market is expected to double by 2030 compared to 2017, and environmental releases of chemical substances are also expected to increase.

This issue was raised at the 5th United Nations Environment Assembly (UNEA-5; held in February 2021), where chemical pollution was recognized as a threat along with climate change and the loss of biodiversity. In addition, consumers are becoming increasingly concerned.

At UNEA-5, however, it was suggested that these areas are interconnected and have common causes and that if they are addressed in an integrated manner, interconnected and mutual benefits will be delivered, and therefore, chemicals management that goes beyond simple reduction is needed.

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

If chemicals are not properly managed, there can be adverse effects on human health, the environment and society, which can make it difficult to continue our business.

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

By promoting responsible chemicals management that includes measures against climate change and biodiversity loss as well, we are contributing to the realization of a sustainable society and gaining opportunities to earn the trust of society.

### Kao's creating value

We have endeavored to actively undertake chemicals management in accordance with the Strategic Approach to International Chemicals Management (SAICM), an international target for 2020. Based on the results of these activities, we have started new chemicals management promotion activities centered on the responsible chemicals management of the Kirei Lifestyle Plan (KLP), our ESG Strategy for the period until 2030. Through these activities and by applying the Comprehensive Management System for Chemical Substances that can respond to substances of high social concern, we are contributing to the creation of safety and peace of mind in society where

people around the world can enjoy the benefits of chemicals and their risks are properly managed.

### Contributions to the SDGs



# Responsible chemicals management 102-43, 404-2, 413-1

## Policies

We believe in a safe society where people around the world can enjoy the benefits provided by chemicals with peace of mind. To that end, the risks associated with chemicals should be properly managed. Through our ESG initiatives, we want to take the lead in responsible chemicals management to help actualize such a society.

With “walking the right path” as the foundation of our activities, we are voluntarily and strategically taking action with a focus on the following three activities, understanding the essence and values of international rules, the laws and regulations of each country and region, and voluntary standards of industry groups and so on relating to chemicals.

### (1) Develop products and processes with low environmental impact

- Minimize environmental impact throughout the product lifecycle

### (2) Use management systems\* to optimize risk assessment methods, assess risks and strengthen risk management

- Optimize risk assessment methods for efficient chemicals management
- Foster community safety and a sense of trust by having zero chemical accidents

\* Chemical information, safety information, legal information, volume and application information, etc.

### (3) Actively disclose information concerning benefits, safety and our activities and engage in continuous communication

- Make information on chemicals' benefits and

safety available in an accessible and easy-to-understand way

- Effectively communicate with all people around the world to earn trust



Responsible Chemicals Management Promotion Policy  
[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/saicm-policy.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/saicm-policy.pdf)



Kirei Lifestyle Plan—Kao's ESG Strategy > Mid- to long-term targets

## Education and promotion

To raise awareness of chemicals management and deepen correct understanding among employees, we continuously provide training and lectures conducted by outside experts. In FY2021, we implemented the following programs.

- Briefings on chemical laws and regulations for workers who handle chemicals
- Training on the hazards of chemicals at manufacturing workplaces
- Lecture by an outside expert entitled Material Cycle and Management: Thinking from the Perspectives and Trends Required for a Sustainable Society

## Collaboration and engagement with stakeholders

Mutual understanding is essential for stakeholders including consumers to use chemicals safely and lead

safe lives with peace of mind. We share information about chemical risks with stakeholders to reach a common understanding (risk communication), and ensure community safety and trust via communication.

### 1. Collaboration and communication with consumers

We engage in continuous communication relating to chemical risks so that products can be used safely and with peace of mind.

- Collaboration on university courses

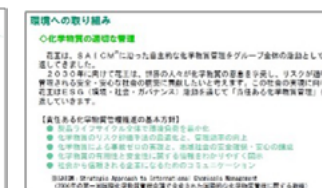


Held a course on environmental communication in collaboration with the Department of Environment, Saitama Prefecture and Nippon Institute of Technology  
[www.nit.ac.jp/topics/2021eco\\_com](http://www.nit.ac.jp/topics/2021eco_com) (Japanese)

Cooperation for an introductory course on cosmetics in the Faculty of Pharmacy at Musashino University  
[www.musashino-u.ac.jp/academics/faculty/pharmacy/pharmaceutical\\_sciences/curriculum.html](http://www.musashino-u.ac.jp/academics/faculty/pharmacy/pharmaceutical_sciences/curriculum.html) (Japanese)

- Communication with local residents

Our plants in Japan continuously disseminate information on their initiatives relating to chemicals handled at the plants through plant site reports so that neighborhood residents can live with peace of mind.



A Wakayama Plant site report describing the Responsible Chemicals Management Promotion Policy

# Responsible chemicals management <sup>413-1</sup>

## 2. Collaboration with customers and distributors

We share and manage information with customers and distributors so that chemicals can be handled safely throughout the supply chain and the maximum benefits of chemicals can be derived.

### Providing information on chemicals in products

In September 2017 we became the first in the industry to adopt chemSHERPA\*<sup>1</sup>, an information communication scheme for chemical substances in products developed under the initiative of the Japanese Ministry of Economy, Trade and Industry, and we have continued our efforts to use regulatory information on chemicals contained in industrial products in the supply chain.

\*1 chemSHERPA

A new scheme that facilitates sharing information on chemical substances in products across the entire supply chain to address broadening regulations and appropriately manage chemical substances contained in products on an ongoing basis

### GHS-compliant SDS\*<sup>2</sup> and product labeling

We issued SDS that comply with the GHS rules of each country and region and applied product labels so that industrial products can be used properly in accordance with local laws and regulations.

\*2 SDS

Safety Data Sheet  
Document providing information to ensure safe and appropriate handling of chemicals, such as names of substances contained in the product, information about potential hazards and handling precautions

### Information provision and sharing via a private network

We use a private network with industrial product sales distributors to provide information online such as SDS and chemSHERPA-CI\*<sup>3</sup> and hold information sharing sessions\*<sup>4</sup> to continuously encourage chemicals management throughout supply chains.

In October, we conducted biennial online training for new employees of sales distributors and explained about chemicals management.

\*3 chemSHERPA-CI

Data entry support tool and output format for communicating information on specified chemical substances

\*4 Including online sessions

## 3. Collaboration with administrative bodies

We held four meetings with government agencies to exchange information so that we can deepen trust with regulatory authorities involved with chemicals and promote better chemicals management as a company that handles chemicals.

Topics: ESG investment and financing, optimal chemicals management in the future, regulatory amendments, information transfer and use

## 4. Collaboration with industry organizations

We have participated in various activities to contribute to chemicals management in industries.

In 2021, a roadmap and assessment results for revision of the REACH, CLP, and Cosmetic Products Regulations pursuant to the EU's Chemicals Strategy

for Sustainability were released. To minimize the impact on our future business, we communicated with the government through industry groups in which we play important roles.

In addition, we planned a forum for dialogue among key persons in industry, government and academia in Japan, shared our understanding of new ways of chemicals management, and broadly presented the details to the public through papers and seminar presentations. Through these initiatives, we worked to gain the trust of society and enhance corporate value.



Safe Engineering Symposium and General Discussion, Science Council of Japan (lecture and planning)  
[www.scj.go.jp/ja/event/2021/312-s-0630-0702.html](http://www.scj.go.jp/ja/event/2021/312-s-0630-0702.html) (Japanese)

Paper entitled "Perspective of Chemicals Management after WSSD 2020 Goal" submitted to the Journal of the Japan Society on Water Environment  
[www.jswe.or.jp/publications/journals/contents/2021/pdf/mokuji\\_44\\_08.pdf](http://www.jswe.or.jp/publications/journals/contents/2021/pdf/mokuji_44_08.pdf) (Japanese)

Chemical Watch lecture (three times)

[events.chemicalwatch.com/200528/global-business-summit-europe-north-america-and-asia-2021/programme](https://events.chemicalwatch.com/200528/global-business-summit-europe-north-america-and-asia-2021/programme)

[events.chemicalwatch.com/270749/key-regulatory-updates-europe-asia-and-the-americas/programme](https://events.chemicalwatch.com/270749/key-regulatory-updates-europe-asia-and-the-americas/programme)

[events.chemicalwatch.com/270750/the-eu-chemicals-strategy-for-sustainability-one-year-on/programme](https://events.chemicalwatch.com/270750/the-eu-chemicals-strategy-for-sustainability-one-year-on/programme)

# Responsible chemicals management 102-20

## Framework

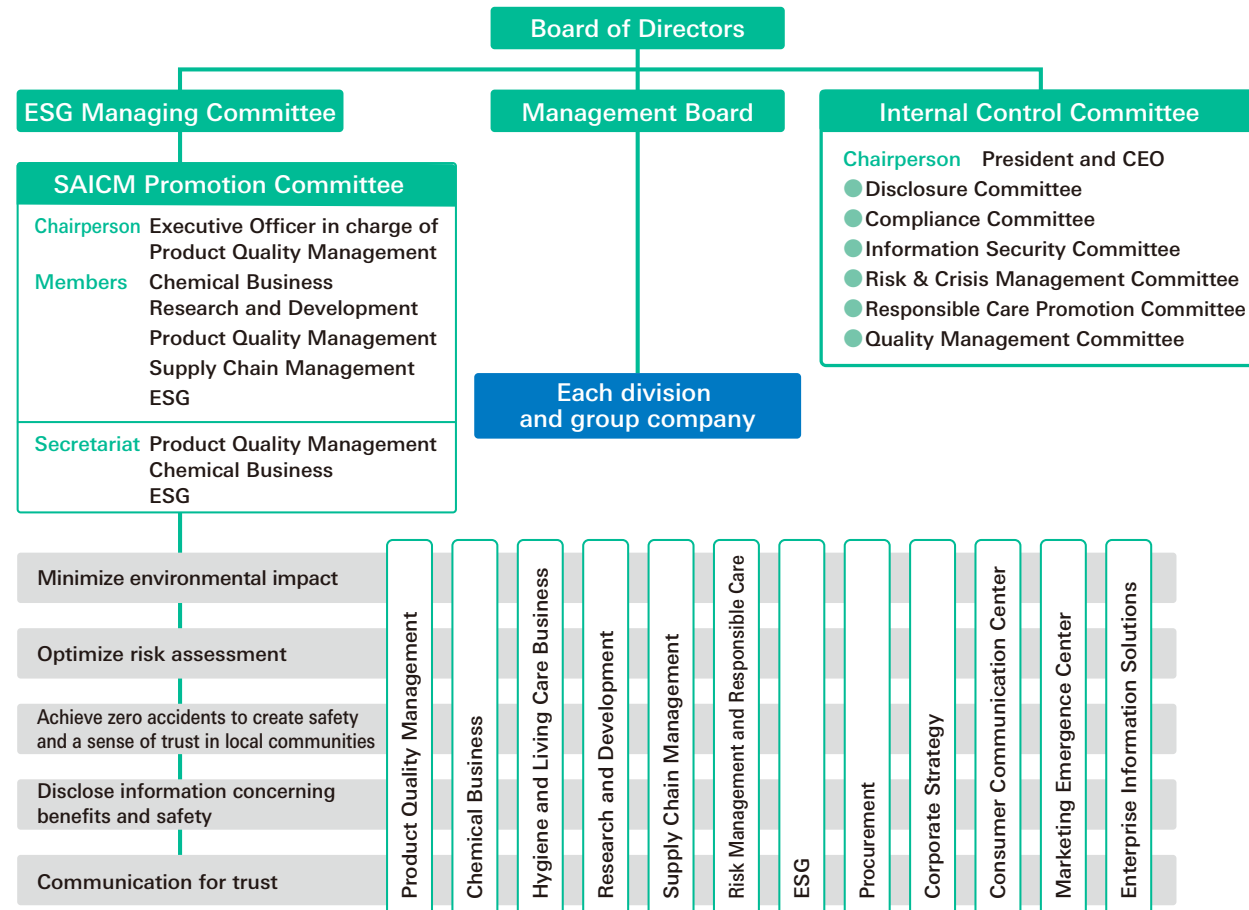
In addition to “Responsible chemicals management,” we formulated the KLP for chemicals including “Safer healthier products” and “Full transparency,” and we created a framework in which suitable divisions take action for each objective and can collaborate at any time.

The responsible chemicals management referenced in this chapter is led by the SAICM Promotion Committee, which was established in 2012 under the ESG Managing Committee, which is chaired by the President and Chief Executive Officer, to strategically address international goals relating to chemicals management.

The SAICM Promotion Committee is chaired by the Managing Executive Officer responsible for overseeing the Product Quality Management, and members are chosen from key divisions. Proposed initiatives are reflected on the day-to-day operations of individual divisions. A sound decision-making process is maintained by having the decisions made reported to the ESG Managing Committee, the Management Board or the Executive Officers Meeting, as appropriate, at least once a year.

The committee identified five new core promotion activities in 2021 and has established teams corresponding to each to undertake action. In addition to meetings by individual teams, the SAICM Promotion Committee meets three to four times a year to conduct planning, receive progress reports, review projects, propose and discuss new issues, and listen to lectures by outside experts.

Framework for promoting responsible chemicals management activities



\* As of December 2021

# Responsible chemicals management <sup>102-11</sup>

## Mid- to long-term targets and performance

### 1. Mid-term targets / 2030 long-term targets

As our interim targets for 2030, we formulated the Kao Group Mid-term Plan 2025 (K25) to make Kao a company with a global presence, valuable to society. For the first target, “Become an essential company in a sustainable world,” measures to solve global environmental issues will be essential. With “walking the right path” as the starting point for our activities, we set the following targets to be achieved by 2030 in order to develop our business activities in a sustainable manner by implementing responsible chemicals management.

#### (1) Develop products and processes with lower environmental impact

We will contribute to the creation of a sustainable society by proposing to society the development and manufacture of products that minimize the environmental impact of chemicals in all stages of the product lifecycle, from raw material procurement to development, manufacturing, sales, use, disposal and recycling and by promoting the implementation of such activities in cooperation with society.

#### (2) Use management systems to optimize risk assessment methods, assess risks and strengthen risk management

We will develop optimal chemicals risk assessment methods, use management systems, and promote reinforcement of actual risk assessment and management. We will strive to achieve zero accidents at plants to ensure

safety and foster a sense of trust in local communities. In addition, we will share the results of research on optimization of risk assessment methods and assessment results with society to contribute to the appropriate and efficient management of chemicals risk throughout society.

#### (3) Actively disclose information concerning benefits, safety and our activities and engage in continuous communication

We will foster the trust and confidence of society related to chemicals by providing accurate and easy-to-understand information on chemicals and our specific initiatives and by conducting ongoing communications with stakeholders.

We formulated and announced indicators (KPIs) regarding this approach in 2020.

KPI 1: Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers

KPI 2: Percentage of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurement to disposal



Kirei Lifestyle Plan—Kao's ESG Strategy > Mid- to long-term targets

### 2. Anticipated social impact from achieving mid- to long-term targets

(1) We will reduce the environmental impact of chemicals throughout society by continuously

supplying to markets products developed to minimize environmental impact throughout the supply chain.

(2) Our risk assessment methods can be utilized throughout society, and it is expected that the level and efficiency of chemicals management in society as a whole will be improved by sharing research findings of risk assessment method optimization and risk assessment results with government agencies and industry groups.

(3) Stakeholders' accurate knowledge of chemicals and products containing chemicals and their proper handling will be improved, thereby fostering safety and peace of mind and the trust of society, by disclosing information on chemicals and by enhancing communication using such information to a wide range of stakeholders including consumers, customers, employees, distributors and government agencies.

### 3. Business impacts / Social impacts

#### Business impacts

By developing products with lower environmental impact and continuously bringing them to market, we will increase our market share for environmentally friendly products, leading to sustainable business growth.

#### Social impacts

By further strengthening cooperation with industry, government and academia and sharing and collaborating with society regarding chemicals management initiatives, we will ensure the safety and peace of mind of people and contribute to solving various social problems including environmental problems.



# Responsible chemicals management

## Performance in 2021

We conducted activities in line with the plan for 2021. We are continuing our efforts to minimize the risk from chemicals through product and process development, safety assessments and on-site risk management, and to earn the public trust and peace of mind regarding chemicals through communication including information disclosure.

### **(1) Develop products and processes with lower environmental impact**

- Developed products that contribute to improving use of sustainable raw materials, reducing LC-CO<sub>2</sub>, conserving water and reducing waste

### **(2) Use management systems to optimize risk assessment methods, assess risks and strengthen risk management**

- Reviewed the selection criteria for Kao priority assessment substances and selected assessment substances for the next ten years
- Published a paper about using environmental RNA to improve the precision of ecological surveys for biodiversity preservation
- Started creating a system for centralized management of environmental safety information relating to chemicals in order to reinforce chemicals risk management at Kao plants

### **KPI: Percentage of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw materials procurements to disposal**

We continued to manage impacts on health, environment and safety at business sites (GHS indication, SDS updates, risk assessments), taking into consideration stages from raw materials procurements to disposal; 96% of Kao plants

### **(3) Actively disclose information concerning benefits, safety and our activities and engage in continuous communication**

- Created communication materials for accurate understanding of the risks and benefits of chemicals
- Amid rising anxiety and expectations regarding chemicals, started investigating the thoughts of consumers, their background and methods of communication to address concerns

### **KPI: Percentage of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers**

We released three safety summaries on Kao priority assessment substances evaluated in 2019 (the release rate was 14% of the target through 2030) and 28 GPS Safety Summaries for chemical products.



Web

Three categories: Amidepropylbetaine, sorbitan fatty acid esters, polyoxyethylene sorbitan fatty acid esters  
[chemical.kao.com/global/sustainability/saicm/article\\_05/](https://chemical.kao.com/global/sustainability/saicm/article_05/)

Kao Receives JCIA's "JIPS Award" for the Fifth Consecutive Year for Its Chemical-Related Initiatives  
[www.kao.com/global/en/sustainability/topics/sustainability-20210602-001/](https://www.kao.com/global/en/sustainability/topics/sustainability-20210602-001/)

- Conducted an exchange of opinions with university students relating to chemicals to solve the environmental problems



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Collaboration and engagement with stakeholders

- Disclosed our policies relating to ingredients of high social concern and fragrance ingredient names



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Making my everyday more beautiful > Safer healthier products



P168

Walking the right path > Full transparency

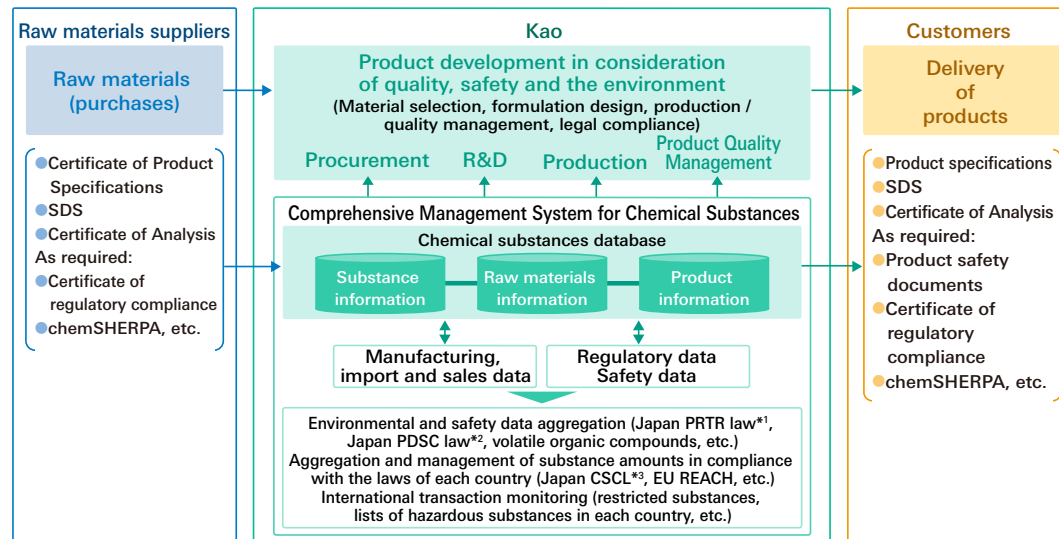
In the above efforts, we applied the Comprehensive Management System for Chemical Substances and endeavored to manage and disclose information on safety evaluations results, volume management, regulations and substances of high social concern.

# Responsible chemicals management 102-11, 102-15

The Comprehensive Management System for Chemical Substances provides a database of information on the raw materials included in products from industrial to consumer products. The system makes it possible to verify the quality, safety, anti-bacterial grade, regulatory and other information on raw materials used in each product. If a problem with a raw material arises, or if risk from a new substance of concern emerges, we can rapidly identify the scope of impact and take appropriate action.

We continuously enhance the functions of the system, which aims to manage the latest information related to chemical substances used in our products, to adapt to global changes in regulatory requirements and our business expansion into new business fields and regions.

## Comprehensive Management System for Chemical Substances



<sup>\*1</sup> Japan PRTR law: Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

<sup>\*2</sup> Japan PDSC law: Poisonous and Deleterious Substances Control Act

<sup>\*3</sup> Japan CSCL: Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

## Reviews of performance

In our efforts relating to chemicals management, we updated our framework looking ahead to 2030, formulated an activity plan, and steadily implemented the 2021 plan. In particular, we worked to earn the trust of society by disclosing information and engaging in communication, and the results of these efforts led to the awards. We also actively tackled new issues (for example, establishing a highly precise ecological survey method for conserving biodiversity by focusing on environmental RNA) in response to growing social interest and advances in science and technology.

Internationally, more ambitious stakeholder partnership and collaboration is being required for sound chemicals and waste management.

We will contribute to the development of a sustainable society by comprehensively working on problem solving through the fusion of individual activities and cooperation with society.

# Responsible chemicals management<sup>102-43</sup>

## Our initiatives

### Activity topics

#### Create forums for dialogue among industry, government and academia for social implementation of chemicals management

In 2021, in addition to climate change and biodiversity loss, the international goals of chemical management toward post-SAICM were discussed within and outside Japan. It is necessary that all stakeholders work together more ambitiously to tackle the various chemical substance issues that cannot be solved by individual companies on their own (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, and Consumer Protection, Germany, 2021).

In order to link past achievements and issues of industry, government and academia in Japan to the next decade's efforts to implement chemicals management in society, at the 51st Safety Engineering Symposium (hosted by the Science Council of Japan), issues and measures looking ahead to 2030 were discussed and a certain degree of common understanding was achieved. We participated as a speaker and an organizer, performed planning, created opportunities for dialogue, coordinated common understanding and documented the results.



51st Safety Engineering Symposium  
[www.scj.go.jp/ja/event/2021/312-s-0630-0702.html](http://www.scj.go.jp/ja/event/2021/312-s-0630-0702.html)  
 (Japanese)

#### Common understanding achieved through dialogue

Target: Create and independently use a next-generation framework through public-private partnerships in which materials circulate in the supply chain without regulation, information is transmitted in a value-communicating manner, and knowledge is passed on

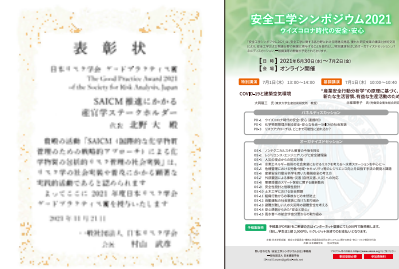
Background:

- Changes in society and the environment, limitations of regulations due to diversification, increasing expectations for self-management
- Necessity of materials circulation in the chemical lifecycle from manufacturing to disposal and recycling

In recognition of these results and the results of efforts to date, the Society for Risk Analysis Japan awarded the Good Practice Award to the industrial, governmental and academic stakeholders in Japan involved in the promotion of SAICM.



The Good Practice Award of the Society for Risk Analysis Japan (implementation of SAICM in society)  
[www.sra-japan.jp/cms/award-2021/](http://www.sra-japan.jp/cms/award-2021/) (Japanese)



We communicated these achievements through overseas seminar presentations.



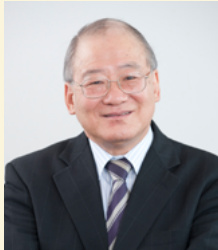
“Perspectives from Japanese government and industry toward 2030 based on the well-balanced regulations and self-initiatives”

[events.chemicalwatch.com/270749/key-regulatory-updates-europe-asia-and-the-americas/programme](https://events.chemicalwatch.com/270749/key-regulatory-updates-europe-asia-and-the-americas/programme)



# Responsible chemicals management 102-44

## Stakeholder engagement



**Dr. Masaru Kitano**

President, Akikusa Gakuen Junior College

### Kao's response to the views expressed last year

In 2021, Dr. Kitano indicated that he expected us to engage in new ways of communication targeting residents near plants and consumers and to conduct chemical safety education for elementary and junior high school students.

In response to this expectation, we disclosed our vision and activities for sound chemical management beyond 2020 in the site reports of plants in Japan and continued dialogues with local residents. In addition, since educational support is linked to future generations, we conducted chemicals communication with university students in cooperation with Musashino University in January and with the Department of Environment, Saitama Prefecture and the Nippon Institute of Technology in July. We also organized a panel discussion open to the public for dialogue among industry, government and academia to discuss new collaboration and disseminate information within and outside of Japan for the social implementation of chemicals management.

We continue to promote chemicals management in order to fulfill our responsibilities as a company that handles household products and industrial chemicals.

## Expectations for new approaches to responsible chemicals management

In November 2021, stakeholders in industry, government and academia involved in the promotion of SAICM received the Good Practice Award for social implementation of comprehensive risk management of chemicals through SAICM from the Society for Risk Analysis Japan. With respect to industry in particular, I believe that the results of the three projects that Kao had been implementing under the SAICM Promotion Committee since 2012 have made significant contributions.

The five approaches indicated below for achieving the vision for 2030 were announced.

1. Minimize environmental impact throughout the product lifecycle
2. Foster community safety and a sense of trust by having zero chemical accidents
3. Optimize risk assessment methods for efficient chemicals management
4. Make information on chemicals' benefits and safety available in an accessible and easy-to-understand way
5. Effectively communicate with all people around the world to earn trust

It goes without saying that all of these are important for responsible chemicals management.

I will present my opinions from the perspective of the SDGs with respect to 1 and 5.

Environmental impact is defined in the Basic Act on the Environment as "negative effects of human activities on the environment which may cause hindrances to environmental conservation." The causes of environmental conservation issues include not only pollution, such as air pollution and water pollution, but also resource depletion.

Specifically, it is necessary to develop biodegradable products and switch to sustainable raw materials including renewable raw materials and recycled materials.

Responsible consumption and production by consumers and industries, respectively, are essential in order to maximize the benefits of chemical substances and use them wisely. To this end, ensuring trust based on the communication specified in 4 and 5 is the most important issue. Fortunately, consumer confidence in Kao products is high when viewed from the perspective of sales as well.

In the future, consumers will select products more from the perspective of reliable quality than price, which includes not only performance, but also environmental impact.

I look forward to your efforts as a top runner toward the fulfillment of the five policies listed above.