

Metrics and Targets GRI 2-4

We have set metrics and targets for three commitments and 19 key action themes that symbolize the realization of Kao's ESG Strategy, the Kirei Lifestyle Plan. The progress is managed using the PDCA (Plan, Do, Check, and Act) cycle, with the aim of boosting the level of initiatives and steadily achieving targets.

Mid- to long-term targets for the 19 Kao Actions

Kao Actions	Indicator	Results				Mid- to long-term targets		SDGs
		2019	2020	2021	2022	Target value	Year	
Making my everyday more beautiful								
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression	—	—	0.47 billion	0.49 billion	1 billion	2030	3, 5, 6, 10, 12, 14, 17
Improved quality of life	The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	—	4.7 billion	4.4 billion ¹⁵	4.4 billion	7 billion	2030	3, 5, 12, 17
Habits for cleanliness, beauty & health	Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services (cumulative since 2016)	30 million	34 million	45 million	63 million	0.1 billion	2030	3, 6, 17
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines	(44%) ¹²	(53%) ¹²	98%	99%	100%	2030	10, 12, 17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	—	31%	56%	100% ¹⁴	100%	2030	3, 12, 14, 17
Making thoughtful choices for society								
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	—	—	—	63%	100%	2030	4, 8, 9, 10, 11, 12, 13, 15, 17
Sustainable lifestyle promotion	Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world (cumulative since 2016)	6.5 million ^{15*7}	9.4 million ^{15*7}	11.0 million ^{15*7}	13.0 million ¹⁷	0.1 billion	2030	4, 11, 12, 17
Purpose driven brands	% of Kao brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness	—	—	—	53%	100%	2030	12, 17
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)	2	3	4	5	10 or more	2030	9, 12, 13, 17
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)	—	1	3	5	10 or more	2030	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	91%	94%	96%	97%	100%	2025	8, 10, 12, 15, 17
	Confirm traceability to oil palm smallholders	Completed for large plantations	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Completed up to own farm managed by oleo chemicals supplier	Finish	2025	

*1 Change of indicator and target value

*2 Value based on former definition

*3 Reviewed detailed 2022 requirements

*4 Exceeded initially set targets, see p. 67 for detailed information.

*5 Revised from actual values disclosed in 2022

*6 Recalculated due to double counting partly

*7 Corrected results published on May 26, 2023 (Excluded counting in or before 2015 and double counting, recounted)

*8 Corrected results published on May 26, 2023 (Recounted due to some omissions)

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Kao Actions	Indicator	Results				Mid- to long-term targets		SDGs
		2019	2020	2021	2022	Target value	Year	
Making the world healthier & cleaner								
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	—	—	6%	12%	100%	2030	3, 6, 7, 12, 13, 14, 15, 17
	Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A ⁺ , Forest (Palm Oil) A ⁺	CDP Climate Change A, Water A, Forest (Timber) A ⁺ , Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	Highest evaluation level	Yearly	3, 6, 7, 12, 13, 14, 15, 17
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	4%	4%	4%	6%	22%	2030	7, 12, 13, 17
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)	9%	15%	20%	26%	28%	2025	
						55%	2030	
	% of renewable energy in electricity consumption	22% ^{*3}	29% ^{*8}	40% ^{*8}	49%	100%	2030	
Zero waste	Quantity of fossil-based plastics used in packaging	—	—	91 thousand tons ^{*6}	88 thousand tons ^{*9}	Will peak and begin to decline	2030	12, 14, 15, 17
	Quantity of innovative film-based packaging penetration for Kao and others per annum	—	7 million	11 million	13 million	300 million	2030	
	% recycling rate of plastics involving Kao	—	—	1%	3%	50%	2030	
	Practical use of innovative film-based packaging made from collected refill packs	—	Ongoing development	Ongoing development	Ongoing development	Product launch	2025	
	% of recycled plastic used in PET containers (Japan)	—	—	19%	69%	100%	2025	
	% of the waste generated from Kao sites ¹ , ratio of waste that cannot be recycled ^{*Beginning with production sites}	—	—	9.1%	4.2%	0 (less than 1%)	2030	
	% reduction of discarded products and discarded promotional materials (Base year: 2020)	—	—	14%	20%	95%	2030	
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	6%	-5%	-5%	3%	10%	2030	6, 12, 15, 17
	% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)	—	—	—	Plan to disclose in 2024 ^{*3}	40%	2030	
Air & water pollution prevention	% of plants which disclose VOC and COD emissions	VOC 0%,COD 100%	VOC 0%,COD 100%	VOC 65%,COD 100%	VOC 68%,COD 100%	100%	2025	3, 6, 12, 14, 17

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Kao Actions	Indicator	Results				Mid- to long-term targets		SDGs
		2019	2020	2021	2022	Target value	Year	
Walking the right path								
Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level	Yearly	8, 16
	Number of serious compliance violations* per annum *Compliance violations that have a significant impact on management and significantly damage corporate value	0	0	0	0	0	Yearly	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	—	9%	12%	18%	100%	2030	8, 12, 16, 17
Respecting human rights	% response rate to human rights due diligence (risk assessment across internal, suppliers, and contractors respectively)	Internal: 100% suppliers: 20% contractors: 0%	Internal: 100% suppliers: 55% contractors: 0%	Internal: 100% suppliers: 60% contractors: 3%	Internal: 100% suppliers: 62% contractors: 15%	100%	2030 *Suppliers: 2025	5, 8, 10, 17
Inclusive & diverse workplaces	Affirmative answer rate to questions on "Inclusive organizational culture" in our employee engagement survey	—	Did not conduct	Did not conduct	69% (Japan)	75%	2030	5, 8, 10
	% of female managers	29.4% (% of female employees: 49.6%)	28.8% (% of female employees: 49.7%)	30.2% (% of female employees: 50.5%)	30.5% (% of female employees: 52.9%)	Same as % of female employees	2030	
Employee wellbeing & safety	Lost Time Frequency Rate (per million hours worked)	0.78	0.53	0.65	0.65	0.1	2030	3, 8
	Average number of lost long-term work days (days/people) *Starting from Japan	129	146	197	182	105	2030	
	Ratio of employees who have lost long-term work days per 1,000 employees *Starting from Japan	0.198	0.185	0.232	0.287	0.12	2030	
	Affirmative answer rate to questions on "Degree of GENKI (being energetic, lively, bright)" in our employee engagement survey	—	Did not conduct	Did not conduct	77% (Japan)	85%	2030	
Human capital development	Affirmative answer rate to questions on "Organizational culture in which employees are encouraged to take on challenges" in our employee engagement survey	—	Did not conduct	Did not conduct	79% (Japan)	75%	2030	3, 4, 5, 8, 10
	Affirmative answer rate to questions on "Effective and flexible work style" in our employee engagement survey	—	Did not conduct	Did not conduct	74% (Japan)	75%	2030	
Responsible chemicals management	% of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers	—	—	14%	29%	100%	2030	3, 6, 12, 14, 17
	% 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	—	—	96%	98%	100%	Yearly ¹	

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Metrics and Targets

2022 results

Three commitments

1. Making my everyday more beautiful

The actual figure for 2022 was 490 million people, up from 470 million people in 2021. Through our products and awareness-raising activities, we have helped approximately 500 million people around the world to live cleaner, healthier, and more secure lives as they age, with confidence in self-expression and a comfortable lifestyle.

Of the people we helped, 110 million were from Japan, 210 million from Asia, 100 million from the Americas, and 50 million from EMEA (Europe, the Middle East and Africa).

We will expand our proposals from the consumers' point of view to more people around the world in order to reach the goal of one billion people by 2030.

2. Making thoughtful choices for society

The performance achieved in 2022 was a 63%. This is the result of adding 5 and 5 (see p. 34) actuals (see p. 374 for formula) for the two "Transformative innovation" goals to the 53% 2022 actual for the "Purpose driven brands" goal (see p. 34). The results show that 63% of the brands resonated well with consumers or were able to propose and realize products, businesses, and systems that have a significant and positive impact on lifestyles.

There was no contribution to the "Sustainable lifestyle promotion" target. This is because the environmental awareness activities covered by this target are basically developed as a Kao brand.

To achieve 100% by 2030, Kao, through its brands, will enable consumers to make small but meaningful

choices and help to bring about a more vibrant and caring society.

3. Making the world healthier & cleaner

The actual performance for 2022 was 12%, up by six percentage points from 6% in 2021. The fact that *CuCute* dishwashing detergent met the conformity requirements in 2022 was a major contributing factor. *CuCute* had already met the decarbonization and water conservation conformity requirements because of its high water-saving performance, but with the introduction of recycled PET resin in the 2022 container, the refill feature of the product also met the zero waste requirement, thus satisfying all conformity requirements.

We will contribute to the realization of a healthy and clean planet through *Yoki-Monozukuri* in plan and action from an ESG perspective, aiming to achieve 100% by 2030.

Beneficial effects on business

1. Business growth

Beneficial effects of products made with sustainability in mind

Products with excellent environmental performance contributed greatly to the business. When products meet the strict conformity requirements of the commitment to make the world healthier and cleaner (such as *Attack ZERO* laundry detergent and *CuCute* dishwashing detergent) and make a greater contribution to sales than average, they do not only affect the global environment positively, but also the business.

In addition, 2022 was a year in which we launched new products and services from the perspective of solving social issues.

Dengue fever, which has long been a social problem in Southeast Asian countries, is an infectious disease transmitted by mosquitoes, and Kao launched a new repellent called *Bioré GUARD Mos Block Serum* in Thailand in June 2022. We are concurrently strengthening our support for measures against infectious diseases through external collaborations, such as holding dengue fever awareness events with the Ministry of Public Health of Thailand, collaborating with local government agencies and others on a project to prevent the spread of dengue fever, and establishing a cooperative framework with Takeda Pharmaceutical Company Limited.

In November, Kao also launched a new service that contributes to the realization of a comfortable lifestyle for each and every individual, which is the goal of Kao's ESG Strategy. The skin analysis service using sebum mRNA monitoring represents the creation of a new business domain and model for Kao.

The vastness and diversity of Kao's business domain enables us to view social issues from various angles and commercialize them. The use of NEWTLAC, an additive for asphalt made from waste PET bottles that significantly improves the durability of paved roads, is steadily increasing. The Chemical Business, which targets industrial businesses, also provides important business opportunities for customers with strong interests in solving social issues.

The same is true for the Consumer Products Business in terms of creating opportunities for collaborations with customers. In recent years, retailing companies around the world have been aggressively developing their sustainability initiatives, and Kao has been collaborating with them to expand business opportunities.

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2. Cost reductions

Economic effects as a result of environmental conservation measures

We received an economic benefit of 5.8 billion yen in 2022. The largest factor was natural resources saving, which contributed 3.0 billion yen.

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3. Risk reductions

Supply chain risks have been under significant scrutiny in recent years. Palm oil, one of Kao's main raw materials, poses risks in terms of the environment and human rights, and we strive for accurate management. It is difficult to grasp the situation of human rights in some areas compared to environmental issues, but it requires careful handling precisely because of its noble nature. Kao launched a grievance mechanism for small farms in Indonesia in September 2022 in collaboration with Caux Round Table Japan (CRT Japan Committee), a non-profit organization.

We are also promoting an approach to convert raw materials themselves into sustainable products. Bio IOS, an environmentally friendly cleaning ingredient in *Attack ZERO* laundry detergent, is a natural raw material that does not compete with food applications and contributes to CO₂ reduction. We are also examining alternative raw materials to reduce procurement risks. In September 2022, we invested in a venture company established in the U.S. as a founding member, with the aim of supplying the market with alternative raw materials to palm oil.

4. Increased credibility

In March 2023, we were selected as one of the World's Most Ethical Companies 2022[®] by the U.S. think-tank Ethisphere Institute. We have been selected for 17 consecutive years since the award's inception in 2007. We are the only Japanese company, and the only consumer goods and chemicals manufacturer in the world, to have been selected for 17 consecutive years.

This recognition reflects the fact that the spirit of walking the right path passed down from our founder continues to be implemented by all Kao Group members in our day-to-day operations through the practice of The Kao Way and the Kao Business Conduct Guidelines.

Beneficial effects on society

Among our initiatives to work directly with society, we position efforts through external collaborations as important initiatives that produce effects that amplify our impact. The issue of plastic waste has become a global problem, and it is a topic that needs to be addressed by society as a whole. The establishment of recycling systems, in particular, is a challenge in many parts of the world. Kao is promoting various initiatives to solve this social issue in collaboration with local governments, retailing companies, and competitors. For example, we are participating in a project in which the City of Kobe, retailers, manufacturers of daily necessities, and recyclers collaborate to recycle refill packs for daily necessities.

Innovation is key in making a transformative impact on society. Kao is constantly challenging itself to innovate and solve issues through its cultivated research and development capabilities. One example is the demonstration experiment we are conducting in collaboration with Kyoto University on a used disposable

diaper carbonization recycling system. Carbonization equipment has been installed in childcare facilities, and we are in the process of confirming its effectiveness and issues.

We also believe it is important to accurately communicate its impact on society. By clarifying the scale and quality of the impact, we will improve corporate value and fulfill our accountability with regards to investments. In 2022, we continued to participate in the ESG Disclosure Study Group and deepened discussions on how to disclose information on ESG. In addition, since 2018, we have converted our social impacts into monetary equivalents, and in 2022, we also used the indicators in the table below to calculate and assess the impact on society.

Theme	Output	Impact
Decarbonation	Lifecycle CO ₂ emissions (absolute emissions)	Lifecycle CO ₂ emissions (absolute emissions) social cost
Zero waste	Amount of plastic packaging used	Amount of plastic packaging used (social cost)



Study on returns to Kao's stakeholders 2017
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf>