

Responsible Chemicals Management

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, and governance) initiatives, Kao will take the lead in responsible chemicals management to help realize a sustainable society.

Social issues

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

Climate change, biodiversity loss, and pollution are recognized as the three planetary crises (UNEP, 2021^{*1}), and inadequate management of chemicals and wastes are recognized causing global pollution crisis at the ministerial level in the G7 countries (G7, 2022^{*2}). As discussed for the development of international targets for chemicals management after 2020 (post-SAICM^{*3}), the participation of a wide range of relevant stakeholders and ambitious and concrete actions for chemicals management are required (UN, 2022^{*4}).

*1 United Nations Environment Assembly
<https://www.mofa.go.jp/mofaj/files/100153120.pdf>

*2 G7 Climate, Energy and Environment Ministers' Communiqué
<https://www.env.go.jp/content/000039435.pdf>

*3 SAICM
Strategic Approach to International Chemicals Management

*4 IP4.2 (2022)
<http://www.saicm.org/Portals/12/documents/meetings/IP4/Statements/ICCM5%20President%20Opening%20Remarks.pdf>

Policies

Kao considers responsible chemicals management as one of the key initiative themes in our ESG strategy.

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.



Responsible Chemicals Management Promotion Policy
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/saicm-policy.pdf>

P36

Our ESG Vision and Strategy > Metrics and Targets

Strategy

Risks and opportunities

Risks

If chemicals are not properly managed throughout their lifecycles, there can be adverse impacts on our health, the planet and society, making it difficult to continue our business.

Furthermore, our business competitiveness may decline if we do not respond appropriately to the changes in global society and the chemical industry anticipated in the European Chemicals Strategy for Sustainability (CSS).

Opportunities

By promoting responsible chemicals management, we will maximize the benefits of chemicals and contribute to realize a sustainable society, including measures for climate change and biodiversity loss. This will also help us earn the trust of society and enable our business to grow.

Strategy

Kao considers chemicals management as one of the key issues to tackle in our ESG strategy. In April 2022, we established the Chemical Stewardship Steering Committee as a subsidiary of the ESG Managing Committee to reflect the decisions made by the ESG Managing Committee on SAICM promotion activities and business activities more promptly.

With “walking the right path” as the foundation of our activities and under the basic principle of responsible chemicals management, we understand the essence and value of international rules, laws and regulations of each country and region, and voluntary standards of industry associations and so on relating to chemicals. We will voluntarily and strategically take action with a focus on the following three initiatives, trying to maximize the benefits of chemicals.

(1) Develop products and processes with reduced environmental impact

- Minimize environmental impact throughout the product lifecycle

(2) Leverage 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.

Responsible Chemicals Management

(3) Proactively disclose benefits, safety and our action, and continuously communicate

- 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

Social impact

Chemicals management is deeply related to various social and environmental issues, such as resource depletion, climate change, biodiversity loss, water shortage, air and water pollution, plastic and waste problems, misinformation, and provision of false information. By further strengthening our cooperation with the industry, government and academia and sharing the activities regarding chemicals management initiatives in collaboration with society, including risk assessment, we will contribute to ensure the safety and peace of mind of people and to solve various social problems, including environmental problems, based on our policies and strategies.

Contributions to the SDGs



Business impact

Kao will realize sustainable business growth by continuously releasing products that have minimal environmental impact throughout their entire lifecycle, from raw-material procurement to disposal and recycling.

By disclosing information on chemical substances to a wide range of stakeholders, i.e. consumers, customers, employees, distributors, administrative bodies and others, and by promoting effective communication with that information, we can improve the understanding of chemicals and products containing them and promote proper handling methods. This is expected to build trust, in addition to ensuring safety and peace of mind for the society, thereby enabling our business to grow.

Responsible Chemicals Management GRI 3-3, 404-2

Governance

Framework

Starting in 2022, the SAICM Promotion Committee is taking the lead in promoting voluntary chemicals management throughout the product lifecycle under major policies formulated by the Chemical Stewardship Steering Committee, a subsidiary of the ESG Managing Committee.

The SAICM Promotion Committee is chaired by the Executive Officer, and the members are elected from key divisions. Proposed initiatives are reflected on the day-to-day operations of individual divisions. The Committee ensures that its decisions are reported at the ESG Managing Committee, the Management Board, or the Executive Officers Meeting through the Chemical Stewardship Steering Committee at least once a year to maintain a sound decision-making process.

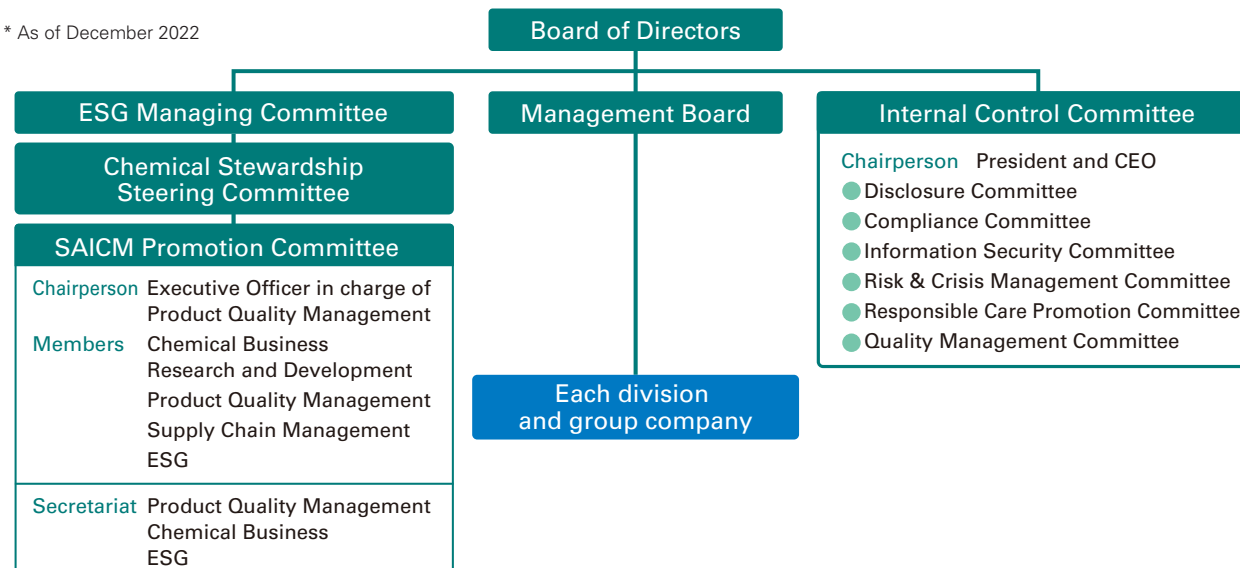
The Committee has established five teams* to promote strategic initiatives. In addition to meetings of individual teams, the SAICM Promotion Committee meets four times a year to conduct planning, receive progress reports, review projects, propose and discuss new issues, and holds lectures by outside experts.

In January 2022, we newly established the Kao SAICM Expert Advisory Panel to reflect external perspectives. The panel consists of the Chairperson of the SAICM Promotion Committee and outside experts and continues to pursue the true value of the initiatives by receiving suggestions and advice on the concept and methods of responsible chemicals management.

* Minimize environmental impact, optimize risk assessment, achieve zero accidents to create safety and a sense of trust in local communities, disclose information concerning benefits and safety, and communicate for trust

Framework for promoting responsible chemicals management activities

* As of December 2022



P18 Our ESG Vision and Strategy > Governance

Education and promotion

To raise awareness of chemicals management and deepen correct understanding, we continuously provide education for employees, including lectures by outside experts. In FY2022, 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
- Lectures by outside experts
 - SAICM and UNEA5
 - Stockholm +50

Collaboration with stakeholders

Mutual understanding is essential for stakeholders, including consumers, on the benefits of proper use of chemicals that will lead them to lives with peace of mind. We share information on chemical risks with stakeholders to reach a common understanding (risk communication), and ensure community safety and trust via communication.

We also work with academic societies and other experts engaged in chemicals management.

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.

Responsible Chemicals Management GRI 3-3, 404-2

Collaboration with customers and distributors

Various information is transferred through the supply chain from upstream to downstream to ensure all the relevant business partners appropriately handle chemicals complying with domestic and international chemical regulations. Kao also works with its customers and distributors to efficiently communicate and manage information.

Collaboration with administrative bodies

We continuously engage in dialogue and cooperate with domestic and foreign administrative bodies to deepen the trust with regulatory authorities involved with chemicals and promote more appropriate chemicals management as a company that handles them.

Collaboration with industry organizations

We participate in various activities to contribute to chemicals management in industries.

Risk management

We identify issues related to chemicals that are occurring or are likely to occur in the respective fields of science, regulation, and society worldwide. With the SAICM Promotion Committee taking the central role, we sort out risks and opportunities and prioritize important issues. For example, we continuously implement the PDCA (Plan, Do, Check, and Act) cycle at sites where chemicals are handled, with the aim of having zero accidents.

These initiatives are regularly reported to the ESG Managing Committee through the Chemical Stewardship Steering Committee.

P33 Our ESG Vision and Strategy > Risk Management

Targets and metrics

Mid- to long-term targets and 2022 results

Mid- to long-term targets

As our interim long-term targets for 2030, we formulated the Mid-term Plan 2025 (K25) to make Kao a company with a global presence, valuable to society. Measures to solve global environmental issues will be essential to meet the first target, “become an essential company in a sustainable world.” 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 reduced 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 the 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 research results of optimization of risk assessment methods and assessment results with society to contribute to the appropriate and efficient management of chemicals risk throughout society.

(3) Proactively disclose benefits, safety and our action, and continuously communicate

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 (Target 100% (2030))

We select chemical substances for disclosure based on their impact on people and the environment and their importance in Kao’s corporate activities.

Responsible Chemicals Management

KPI 2: Percentage of areas where the impacts on health, environment, and safety from chemicals are managed responsibly and sustainably while considering their stages from raw materials procurement to disposal (Target 100% (annually))

The requirements for management vary with changes in society and environment. We work to minimize the impact with the best realistic and available solutions for each case.

P36 Our ESG Vision and Strategy > Metrics and Targets

2022 results

We conducted activities in line with the plan for 2022. 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 reduced environmental impact
 - Developed products that contribute to improving the use of sustainable raw materials, reducing LC-CO₂, conserving water, and reducing waste.
 - Continued to study on the evaluation axes for measuring progress in the development of products and processes with reduced environmental impact.
- (2) Use management systems to optimize risk assessment methods, assess risks, and strengthen risk management
 - Evaluated Kao priority assessment substances (2 categories)

- Made presentations at academic conferences and submitted papers on safety evaluation techniques that do not use animals (e.g., the Japanese Society of Toxicology, the Japanese Society for Alternative to Animal Experiments, etc.)
- Identified risks and opportunities that chemicals management brings to biodiversity before the Post-2020 Biodiversity Framework is formulated and TNFD*1 is implemented*2
- Continued to create a system for centralized management of environmental safety information relating to chemicals in order to reinforce chemicals risk management at Kao plants

*1 TNFD: Taskforce on Nature-related Financial Disclosures

*2 Kao Basic Policy on Biodiversity

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-basic-policy.pdf>

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

We continued to manage impacts on health, the environment, and safety at business sites (GHS indication, SDS updates, and risk assessments), while taking into consideration stages from raw materials procurements to disposal: 98% of Kao plants (3) Proactively disclose benefits, safety and our action, and continuously communicate

- Began creating videos to help school teachers and others better understand the risks and benefits of chemicals.
- Continued communication on risks of chemicals with pharmaceutical students.

- Categorized descriptions and definitions of words to clarify the benefits of chemicals.
- Explored content improvement and dialogue methods to resolve questions and concerns about chemicals, based on consumers' thoughts and their backgrounds.

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 2020 (the release rate was 29% of the target through 2030) and 26 GPS Safety Summaries for chemical products.



3 categories: dialkyl quaternary ammonium salt, sulfosuccinic acid ester, and pentaerythritol monostearate
https://chemical.kao.com/global/sustainability/saicm/article_05/

Kao Receives JCIA's "JIPS Award" for the Sixth Consecutive Year for Its Chemical-Related Initiatives
https://www.nikkakyo.org/basic/page/JIPS_award.html (Japanese)

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

P65 Safer Healthier Products

P173 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.

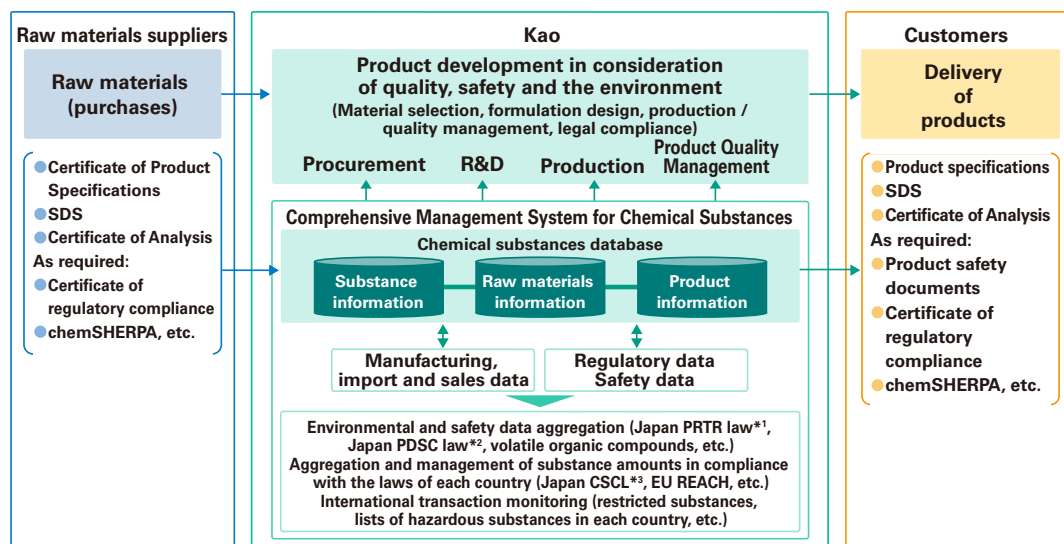
Responsible Chemicals Management

We operate the Comprehensive Management System for Chemical Substances to properly manage chemical substances.

We create a database of information on raw materials, products and the contained chemical substances in this system, and manage information on safety and regulations. This system realizes a high level of traceability. For example, once a problem with a raw material arises, this system enables us to quickly identify the impact on our business and to establish appropriate actions.

We will continue improving the system and enhancing its functions to keep up with global trends in laws and regulations related to chemical substances and changes in the business environment.

Comprehensive Management System for Chemical Substances



*1 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
 *2 Japan PDSC law: Poisonous and Deleterious Substances Control Act
 *3 Japan CSCL: Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

Reviews of 2022 results

We implemented the 2022 plans, including two KPIs, to realize the 2030 mid- to long-term targets. In particular, since regulatory reforms based on the EU CSS are expected to have a global impact, we worked to minimize the business impact on Kao by engaging in dialogue with industry associations and administrative bodies both within and outside Japan and responding to public consultations in order to ensure that the regulations would be more appropriate.

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 GRI 413-1

Main initiatives

We made ongoing efforts to communicate with a variety of stakeholders regarding chemicals as follows:

Collaboration and communication with consumers

- Collaboration with university courses
Cooperated for a course on cosmetics industry of the Faculty of Pharmacy at Musashino University



Curriculum, Faculty of Pharmacy, Musashino University
https://www.musashino-u.ac.jp/academics/faculty/pharmacy/pharmaceutical_sciences/curriculum.html (Japanese)

- Communication with local residents
Our plants in Japan continuously disseminated information on their initiatives relating to chemicals handling through plant site reports so that neighborhood residents can live with peace of mind.

Collaboration with customers and distributors Providing information on chemicals in products

We provided regulatory information on chemical substances contained in our industrial products and other information, and continued to communicate efficiently with the supply chain by utilizing chemSHERPA^{*1}, an industry-wide communication format.

In addition, we have developed a system for automatically collecting and documenting various information necessary for each product from our proprietary Comprehensive Management System for Chemical Substances, and respond efficiently and promptly to the rapidly increasing number of inquiries from our customers regarding chemical regulations. We have also deployed this system to our international affiliates.

^{*1} chemSHERPA

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

GHS-compliant SDS^{*2} and product labeling

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

In particular, we finished revising SDSs and labels in Japan to comply with the 2019 JIS revision by May 2022, the end of the grace period.

^{*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 utilized a private network with industrial product distributors to provide information online, such as on SDSs and chemSHERPA-CI,^{*3} and continuously encouraged chemicals management throughout the supply chain. For main distributors, we hold an online information exchange meeting on comprehensive safety management every December. In addition to explaining the latest legal and regulatory trends, we asked for understanding of and cooperation for Kao's initiatives in chemicals management.

^{*3} chemSHERPA-CI

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

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 more sound chemicals management as a company that handles chemicals.

Themes: Post-SAICM, Regulatory science, Information infrastructure development, EU Chemical Strategy for Sustainability (EU CSS)

Collaboration with industry organizations

In accordance with the EU CSS, a variety of public consultations to revise REACH, CLP, Cosmetic products, and Detergents regulations were conducted in 2022. We worked to collect information to minimize the future impact on our business and communicated with administrative bodies through industry groups, where we play important roles, for rational legislations.

In addition, in 2021, the Society for Risk Analysis Japan presented the Good Practice Award to industry, government and academia stakeholders involved with the promotion of SAICM, and Dr. Masaru Kitano, the representative of the stakeholders, and Kao co-authored a paper to pass on the value of chemicals management and build trust with society.



The Society for Risk Analysis Japan
Risk Studies Research 2022, Vol. 31, No. 3.
https://www.jstage.jst.go.jp/article/jjra/31/3/31_SRA-0390/_article-char/en

The Good Practice Award (implementation of SAICM in society)
<https://www.sra-japan.jp/cms/srajaward2021/> (Japanese)

Responsible Chemicals Management GRI 413-1

Challenges to achieve 2030 mid- and long-term targets (SAICM Promotion Committee)

In addition, in order to increase internal and external engagement and achieve the vision for 2030 earlier, the SAICM Promotion Committee set “What We Aim to Be by 2030.” We have high aspirations and will actively take on big challenges.

Our Vision toward 2030

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, Kao wants to take the lead in responsible chemicals management to help actualize such a society by 2030.

What We Aim to Be by 2030

- Kao develops and runs a framework/system through which anyone can easily access to information on Kao products' safety and benefit at any time.
- Kao's disseminating information are adopted in science contents and contribute to children's awareness/understanding of chemicals.
- Kao's assessment technology and chemical management method are applied for sound management of chemicals all over the world.
- Kao is selected as a regular member of the international goal conference for sound chemicals management leading this field.



Public Symposium “Safety Engineering Symposium 2021”
<https://www.scj.go.jp/ja/event/2021/312-s-0630-0702.html>

Responsible Chemicals Management

Stakeholder engagement



Kazuo Matsushita

Professor Emeritus, Kyoto University

The year 2022 marked 50 years since the first United Nations Conference on the Human Environment was held in Stockholm, Sweden, and 30 years since the Earth Summit was held in Rio de Janeiro, Brazil. Meanwhile, the United Nations has issued warnings related to the triple crisis to the planet, i.e., climate change, biodiversity loss, pollution (management of chemicals and waste). These circumstances call for more responsible chemicals management, including measures to tackle climate change and biodiversity loss.

Kao is leading the way in responsible chemicals management through their ESG initiatives, with the aim of building a safe society where people around the world can enjoy the benefits provided by chemicals whose risks are properly managed with peace of mind. Their approaches are to (1) minimize environmental impact, (2) achieve zero accidents, (3) optimize risk assessment, (4) disclose clear information on the benefits and safety of chemical

substances, and (5) communicate to become a company trusted by society.

I highly commend the basic stance the company takes in pursuing the above, with “walking the right path” as the starting point for their activities. Specifically, they (1) pursue safety with a humble attitude toward chemical substances, (2) disclose and share information to brand their initiatives for responsible chemicals management, and (3) actively engage in dialogue with society to help change consumers’ behavior.

Indeed, in their efforts to minimize environmental impact, the company has set lifecycle CO₂ reduction targets and metrics for sharing progress management to further visualize the progress. In terms of optimizing risk assessment methods, the company has received the “JIPS Award” for six consecutive years and numerous academic awards for disclosing safety assessment results. Such achievements are a testament to the company’s success.

For information disclosure and communication to improve trust, the company is planning contents for interactive communication to ensure transparency and gain trust, and is creating multiple narrative stories for general consumers. Through such new initiatives, they are expected to properly communicate information based on science, while

successfully improving its reliability and verifying the effects on changing behaviors.

I hope that the company will continue to promote communication as a front runner trusted by society, while understanding the essence and value of the development of international rules, trends in laws and regulations in each country and region, and the voluntary standards of industry associations.