

Kao

# Sustainability as the only path

Kao Sustainability Report

2023

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## How to use this PDF

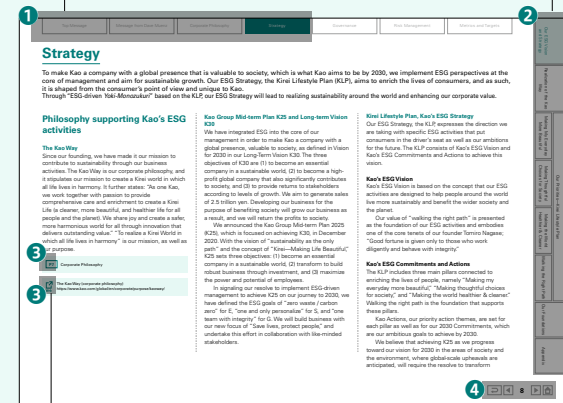
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\* Please note that, depending on the operating environment, the navigation buttons may not work, or may not display properly. If you experience this, please download the document.

# Editorial Policy GRI 2-2, 2-3

The Kao Integrated Report presents a comprehensive range of financial and ESG information with the goal of communicating the Kao value creation story to stakeholders in a way that is easy to understand. The Kao Sustainability Report 2023 is designed to complement the Kao Integrated Report 2023, and presents a comprehensive picture of the value that Kao provides. This report introduces various activities aligned with our ESG Strategy, the Kirei Lifestyle Plan (KLP), that contribute to a sustainable world, along with detailed performance data.

## Scope

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and affiliates). Environmental and social performance data covers Kao Corporation, its subsidiaries, and NIVEA Kao, while human capital development data covers Kao Corporation and its subsidiaries.

Exceptions to the scope of this data are clearly stated in the text.

In this report, “Kao” refers to the Kao Group. Individual organizations are named where necessary in order to delineate boundaries or scope.

## Organizations covered



List of Kao Group companies  
<https://www.kao.com/global/en/corporate/outline/group-companies/>

## Period

FY2022 (January 1, 2022–December 31, 2022)

Some qualitative information includes FY2023 performance data.

## International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) have been applied since FY2016. The per-unit sales quoted in

this report are based on Japanese standards up to FY2015, and on IFRS from FY2016 onwards.

## Independent assurance

Reports have been independently assured since 2003. KPMG AZSA Sustainability Co., Ltd. provides independent assurance for this report. Indicators subject to assurance are marked with a check (☑). These indicators are listed in the independent assurance report and the GRI Standards table.

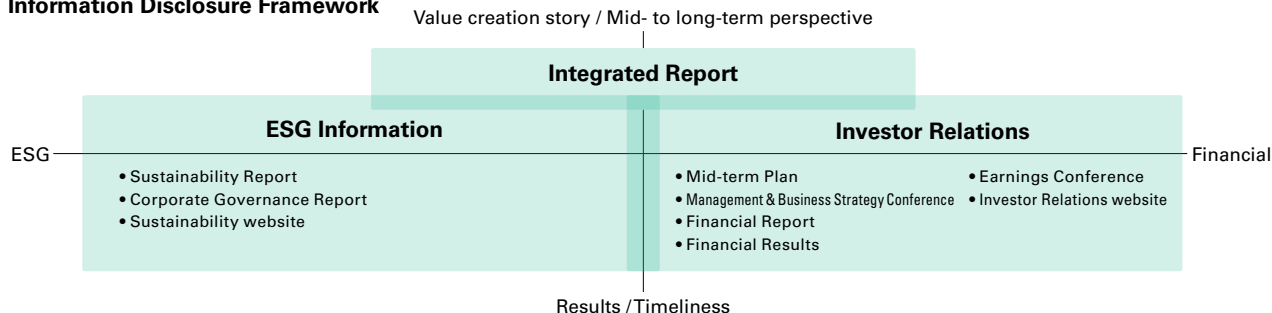
## Issuance period

Date of Issue May 26, 2023  
 Next report scheduled for May 2024  
 (Previous report issued: June 29, 2022)

## Guidelines referenced

- GRI Sustainability Reporting Standards  
\* GRI reference numbers are shown alongside page titles
- Environmental Reporting Guidelines (2018) from the Ministry of the Environment of Japan
- Japan Chemical Industry Association (JCIA) Environmental Accounting Guidelines for Chemical Companies (November 2003)
- ISO 26000 (Guidelines on Social Responsibility)
- SASB Standards

## Information Disclosure Framework



- SDG Compass
- TCFD Recommendations
- UN Guiding Principles Reporting Framework



- [Reports]
- ➔ Kao Integrated Report 2023
  - ➔ Kao Sustainability Report 2023 (this report)
  - ➔ Corporate Governance Report
  - ➔ Financial Report
- [Websites]
- ➔ Kao Corporate Information
  - ➔ Investor Relations
  - ➔ Sustainability
  - ➔ Research and Development

## Disclaimer on forward-looking statements

Forward-looking statements contained in this report are based on information available at the time of publication, and on assumptions that management believes to be reasonable. These statements are not guarantees that Kao will achieve its targets. Various factors may result in substantially different outcomes.

# Top Message GRI 2-22

## Protecting Future Lives



Representative Director  
President and Chief Executive Officer

*Y. Haselbe*



Kao Integrated Report 2023  
Top Message

<https://www.kao.com/global/en/investor-relations/library/reports/>

Kao has defined its Purpose as “to realize a Kirei world in which all life lives in harmony;” and it has declared “protecting future lives” and “sustainability as the only path” as its vision for the Kao Group Mid-term Plan 2025 (K25).

The circumstances surrounding our business are undergoing significant changes. In the face of this, we are promoting dual-tracked reforms based on the concepts of Reborn Kao, which aims to revitalize existing businesses, and Another Kao, which aims to create future focused new businesses. We believe that ESG strategies will be more vital than ever to solve social challenges while developing our businesses.

The core approach for executing ESG strategies is ESG-driven *Yoki-Monozukuri*. This means approaching things in a way that minimizes energy, substances, and effort involved in creating products, while also contributing to a circular society in which consumers are fulfilled by many kinds of value in a strong and enduring manner. We define this as “maximum value with minimum waste” solving social challenges with the smallest possible resource consumption and the largest possible product value.

We will also bolster our ESG perspective in marketing. By taking not only the distinctive functional value of our products but also the sustainability value created through ESG-driven *Yoki-Monozukuri* and delivering both types of value to consumers’ hearts, we will develop our businesses through loyalty marketing that nurtures strong bonds with our customers.

Through a holistic approach of creating products that solve social issues and marketing that expresses the sustainability value created in this process, we will develop our businesses while also tackling the issues that society faces.

We started specific initiatives in 2022 for Another Kao with the intent to create a new business model, which also aims to achieve business growth while addressing social challenges. For example, the mosquito repelling skincare product launched in Thailand in June 2022 was a business based on our aspiration to protect the lives of the Thai people from dengue fever. This initiative gained strong support from the government and our business partners, and it has served to help the people of Thailand at an unprecedented speed.

We will transform our manufacturing from an approach driven by consumption to one where resources are circulated. This represents a transition from a linear economic model based on units and volumes to a circular economy based on quality and human connections. To this end, we aim to build a sustainable business model that is poised for success.

We will carry out business reforms amid the ongoing challenging global business environment. We view the current turbulence as an opportunity to reform, and will fully utilize the vitality of Kao Group employees. Furthermore, we will continue to work together with all stakeholders to engage in activities that will help us deliver a Kirei Life to people all over the world.

# Message by Dave Muenz GRI 2-22

## Pursuing Twin Goals: Resolution of Social Issues and Business Development



**Dave Muenz**

Director, Managing Executive Officer  
Senior Vice President of the ESG Division,  
in charge of Strategic PR Division

Kao's vision of 'protecting future lives' and 'sustainability as the only path' as outlined in our mid-term K25 strategy has guided and accelerated our commitment to ESG management. The rapid and complex changes that are impacting our business are only expected to intensify, and ESG strategies are becoming more important than ever.

Kao's ESG strategy, the Kirei Lifestyle Plan (KLP), sets forth a unique direction and a set of ambitious targets for our ESG activities, while putting the people we serve at the center of our actions. Our ESG strategy focuses on three commitments with 19 Kao actions to realize our ESG Vision. It is aimed at providing care and enrichment for all people and the planet. Our ability to seize opportunities and mitigate risks through the lens of ESG will lead to business growth and advance a virtuous cycle of benefits to society and all of our stakeholders.

### **Creating Future Value through Business Practices that Contribute to People and the Planet**

Based on our foundational principles of benefiting society while generating future financial value for Kao, it's essential that we accelerate the integration of ESG into our daily business practices.

At Kao, innovation is the driving force behind serving our customers, developing our business, and addressing the pressing environmental and social issues we face in today's world.

Through innovations within the various aspects of the KLP, we will drive true transformational change in the world with wholistic sustainability solutions in Resource Preservation & Circularity, and Regeneration of Nature, to realize a Kirei Lifestyle for all.

Creating maximum value from the limited and precious resources of our planet is core to our product development. Zero Waste within the KLP is driven by our efforts in Resource Preservation & Circularity. Our chemical product *NEWTLAC 5000* can make pavements more durable using recycled plastic and can play a role in building a sustainable circular society.

Our efforts in Regeneration of Nature can be seen in our surfactant base called Bio IOS, which utilizes an under-used portion of palm oil, helping to reduce the pressure on deforestation while ensuring supply of essential hygiene products. We will continue to expand the use of this material.

Moreover, in 2022, driven by our desire to 'protect future lives,' we succeeded in developing and launching a people-friendly mosquito repelling skincare formula. Aiming to eradicate infectious diseases caused by mosquitos, Kao adopted a unique collaborative business approach. We forged partnerships with stakeholders within the community, such as governments, local authorities, and distributors, to address this common social issue and share the responsibility to find sustainable solutions. While still in its initial stages, we believe that this type of approach can create positive transformation for society and the business, and identify ways to develop new markets and customer loyalty.

# Message by Dave Muenz GRI 2-22

## Kao's ESG Innovations

### Resource Preservation and Circularity

### Regeneration of Nature



For People

Realization of Kirei Lifestyle

choosing and using Kao's products. This will increase Kao's corporate value through enhanced awareness of ESG activities.

### A Kirei Life for All

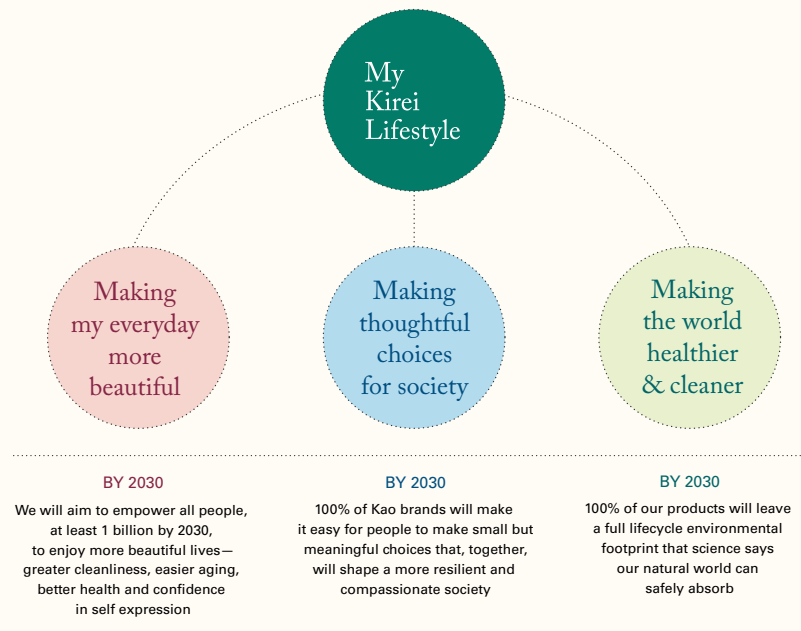
Kao will continue to evolve our ESG strategy to ensure we have updated and relevant policies, actions, and management in place. Biodiversity will be an area we will step up activities in, as well as DE&I which will be promoted across the value chain for creating a more inclusive world.

Through our essential innovation at R&D and engaging and co-creating with various stakeholders in novel ways, we will empower our *Yoki-Monozukuri* from an ESG perspective. Our ESG-driven management will support Kao's sustainable growth and at the same time create significant positive impacts on people, society, and the planet.

### Sharing our ESG Vision

Another key to realizing a more sustainable society is enabling people to enjoy sustainable lifestyles with ease and comfort. This will also include encouraging people to make sustainable choices more consciously. As part of this effort, Kao launched a new communication strategy in 2022. Designed to convey Kao's commitment to the environment and society in an approachable way, we created the slogan "Mottainai" ("Wastefulness - Never today, nor tomorrow"). The key objective of this communication is engaging consumers to consciously be a part of the solution simply by

## Kao's ESG Commitments



# Corporate Philosophy

The “Kao Way” is our corporate philosophy formulated in 2004 to pass on the spirit and culture cultivated by our predecessors to the next generation. In 2021, we updated our mission statement with a new mission of “Symbiosis” for further transformation, adding a vision of “Staying ahead of expectations” and action principles of “Daring to take on challenges.”

This corporate philosophy is deeply ingrained in each and every employee. From the formulation of mid- to long-term business plans to decision-making in day-to-day operations, all activities are consistent by relying on The “Kao Way.” This is the driving force that brings together diverse assets and employee strengths to address social and business issues. It is also a guideline that overlaps personal growth with the company’s development and contribution to society, creating job satisfaction and a sense of fulfillment.

Common basis for dialogue among all employees globally

- Mission as a purpose for existence
- Unwavering fundamental values
- Vision to aim for
- Principles of action that we value



The Kao Way (corporate philosophy)  
<https://www.kao.com/global/en/corporate/purpose/kaoway/>

## Mission

### To realize a Kirei world in which all life lives in harmony

As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei life—a cleaner, more beautiful, and healthier life for all people and the planet. We share joy and create a safer, more harmonious world for all through innovation that delivers outstanding value.

The Japanese word *kirei* describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.

## Vision

### To be closest to the individual and beyond their expectation

By deeply knowing and understanding our world and its people, we aim to improve people’s lives beyond their expectations for a future where humans and nature thrive together.

# Strategy

To make Kao a company with a global presence that is valuable to society, which is what Kao aims to be by 2030, we implement ESG perspectives at the core of management and aim for sustainable growth. Our ESG Strategy, the Kirei Lifestyle Plan (KLP), aims to enrich the lives of consumers, and as such, it is shaped from the consumer's point of view and unique to Kao.

Through "ESG-driven *Yoki-Monozukuri*" based on the KLP, our ESG Strategy will lead to realizing sustainability around the world and enhancing our corporate value.

## Philosophy supporting Kao's ESG activities

### The Kao Way

Since our founding, we have made it our mission to contribute to sustainability through our business activities. The Kao Way is our corporate philosophy, and it stipulates our mission to create a Kirei world in which all life lives in harmony. It further states: "As one Kao, we work together with passion to provide comprehensive care and enrichment to create a Kirei Life (a cleaner, more beautiful, and healthier life for all people and the planet). We share joy and create a safer, more harmonious world for all through innovation that delivers outstanding value." "To realize a Kirei World in which all life lives in harmony" is our mission, as well as our purpose.

P7 Corporate Philosophy



The Kao Way (corporate philosophy)  
<https://www.kao.com/global/en/corporate/purpose/kaoway/>

### Kao Group Mid-term Plan K25 and Long-term Vision K30

We have integrated ESG into the core of our management in order to make Kao a company with a global presence, valuable to society, as defined in Vision for 2030 in our Long-Term Vision K30. The three objectives of K30 are (1) to become an essential company in a sustainable world, (2) to become a high-profit global company that also significantly contributes to society, and (3) to provide returns to stakeholders according to levels of growth. We aim to generate sales of 2.5 trillion yen. Developing our business for the purpose of benefiting society will grow our business as a result, and we will return the profits to society.

We announced the Kao Group Mid-term Plan 2025 (K25), which is focused on achieving K30, in December 2020. With the vision of "sustainability as the only path" and the concept of "Kirei—Making Life Beautiful," K25 sets three objectives: (1) become an essential company in a sustainable world, (2) transform to build robust business through investment, and (3) maximize the power and potential of employees.

In signaling our resolve to implement ESG-driven management to achieve K25 on our journey to 2030, we have defined the ESG goals of "zero waste / carbon zero" for E, "one and only personalize" for S, and "one team with integrity" for G. We will build business with our new focus of "Save lives, protect people," and undertake this effort in collaboration with like-minded stakeholders.

### Kirei Lifestyle Plan, Kao's ESG Strategy

Our ESG Strategy, the KLP, expresses the direction we are taking with specific ESG activities that put consumers in the driver's seat as well as our ambitions for the future. The KLP consists of Kao's ESG Vision and Kao's ESG Commitments and Actions to achieve this vision.

#### Kao's ESG Vision

Kao's ESG Vision is based on the concept that our ESG activities are designed to help people around the world live more sustainably and benefit the wider society and the planet.

Our value of "walking the right path" is presented as the foundation of our ESG activities and embodies one of the core tenets of our founder Tomiro Nagase; "Good fortune is given only to those who work diligently and behave with integrity."

#### Kao's ESG Commitments and Actions

The KLP includes three main pillars connected to enriching the lives of people, namely "Making my everyday more beautiful," "Making thoughtful choices for society," and "Making the world healthier & cleaner." Walking the right path is the foundation that supports these pillars.

Kao Actions, our priority action themes, are set for each pillar as well as for our 2030 Commitments, which are our ambitious goals to achieve by 2030.

We believe that achieving K25 as we progress toward our vision for 2030 in the areas of society and the environment, where global-scale upheavals are anticipated, will require the resolve to transform



# Strategy

ourselves to help bring positive transformation to society. As the importance of governance is growing, we will further strengthen the effectiveness of our governance in line with our core value of “walking the right path.”

Individual mid- to long-term targets have also been set for each of the 19 Kao Actions to facilitate effective and reliable activities.

## Business growth through realizing the Kirei Lifestyle

K25 is based on the approach of developing our business for the purpose of benefiting society, and achieving business growth as a result. This philosophy is symbolized by the fact that our purpose is to realize a Kirei world in which all life lives in harmony and the vision of K25 is “sustainability as the only path.” We believe that our ESG actions taken with the goal of enriching the lives of consumers and realizing a sustainable world will result in business growth and creation of a cycle where generated profit is returned to stakeholders, consumers and the wider society. The KLP is the main driver to achieve this management vision, and ESG is therefore positioned as investment and the basis for our future finances.

It is said that technological innovation is essential to address the serious social issues of today and to realize a sustainable society. Kao is focusing on *Yoki-Monozukuri* based on innovation proposals, and “ESG-driven *Yoki-Monozukuri*,” which incorporates innovative technologies based on essential research, will be a major strength. Furthermore, we believe that Kao can trigger innovations that transcend technology. We believe we can support Kao’s sustainable growth and

have a significant impact on people, society, and the planet.

We will deepen our existing fields of business and expand into new business domains based on the Kirei Lifestyle Plan, thereby amplifying our transformative impacts on society and achieving business growth at the same time. The plan to build our business with the new focus of “Save lives, protect people” set forth in K25 is part of this.

The KLP will also contribute to increasing our corporate brand value and product brand value. The spirit of the KLP is also integrated into our products, campaigns, programs, communications and other activities. We believe that contributing to enriching the lives of consumers and to society and environmental sustainability will allow us to gain the trust of consumers and a wide range of stakeholders, earn a strong reputation, and contribute to enhancing our corporate brand value.

One of the Kao Actions is “Purpose driven brands.” It strengthens the brands’ purpose/reason for existing and gains empathy from consumers, thus contributing to greater brand loyalty. This is why we set purpose-driven brand development as the pillar for high profitability in our core businesses in K25. We will develop strong ties with consumers through loyalty marketing, thereby improving our high-profit structure.

Under K25, which integrates the concept of ESG, we will further strengthen “ESG-driven *Yoki-Monozukuri*” rooted in our purpose. We believe that this will lead to Kao becoming a company essential for a sustainable world, development of business linked to contributing to a sustainable world, and business growth as a result.



Kao Integrated Report 2023 Our Value Creation  
<https://www.kao.com/global/en/investor-relations/library/reports/>

# Strategy

## Kao's ESG Vision

A Kirei Lifestyle means living a beautiful life inside and out.

A Kirei Lifestyle is full of compassion.

Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei Lifestyle is enjoying today, with the peace of mind that those joys will be there tomorrow.

It's the chance to express who you truly are, with the confidence that you are walking the right path.

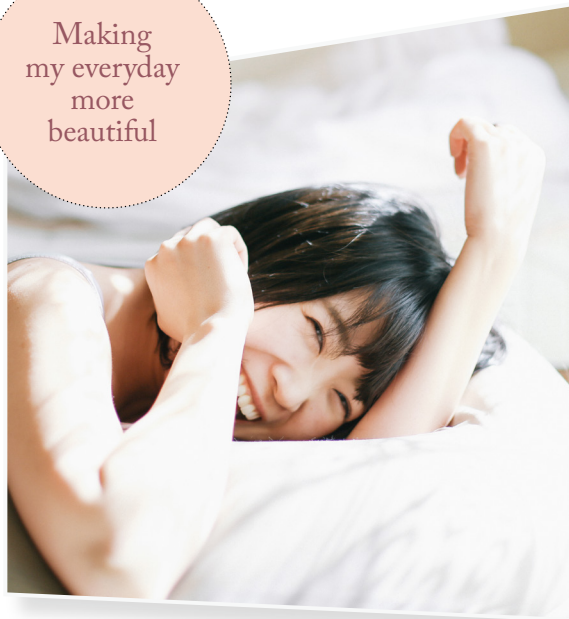
Even in the smallest, everyday moments.

That's why, at Kao, everything we do is in service of this lifestyle.

It's why we do what is right, not what is easy.

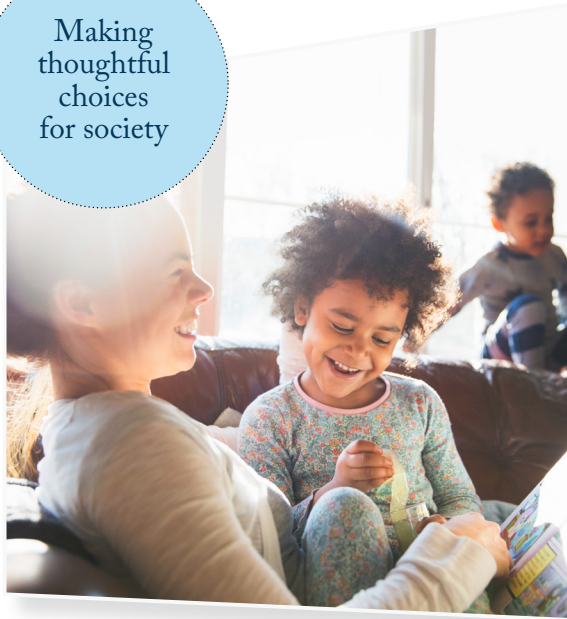
We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei Lifestyle.

Making my everyday more beautiful



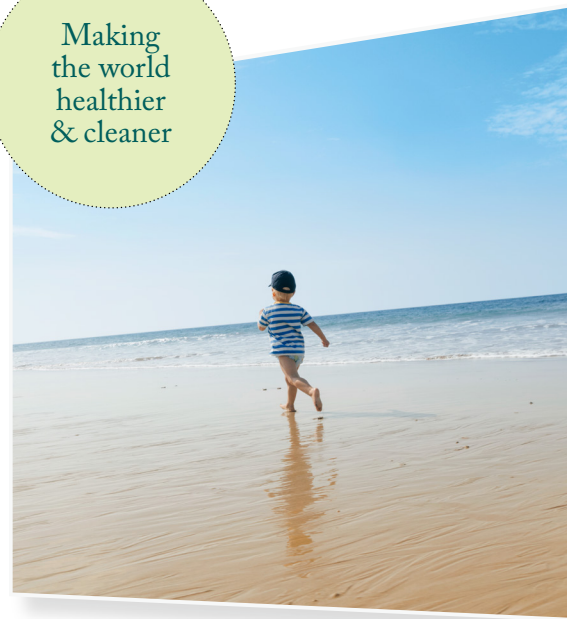
BY 2030  
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self expression

Making thoughtful choices for society



BY 2030  
100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society

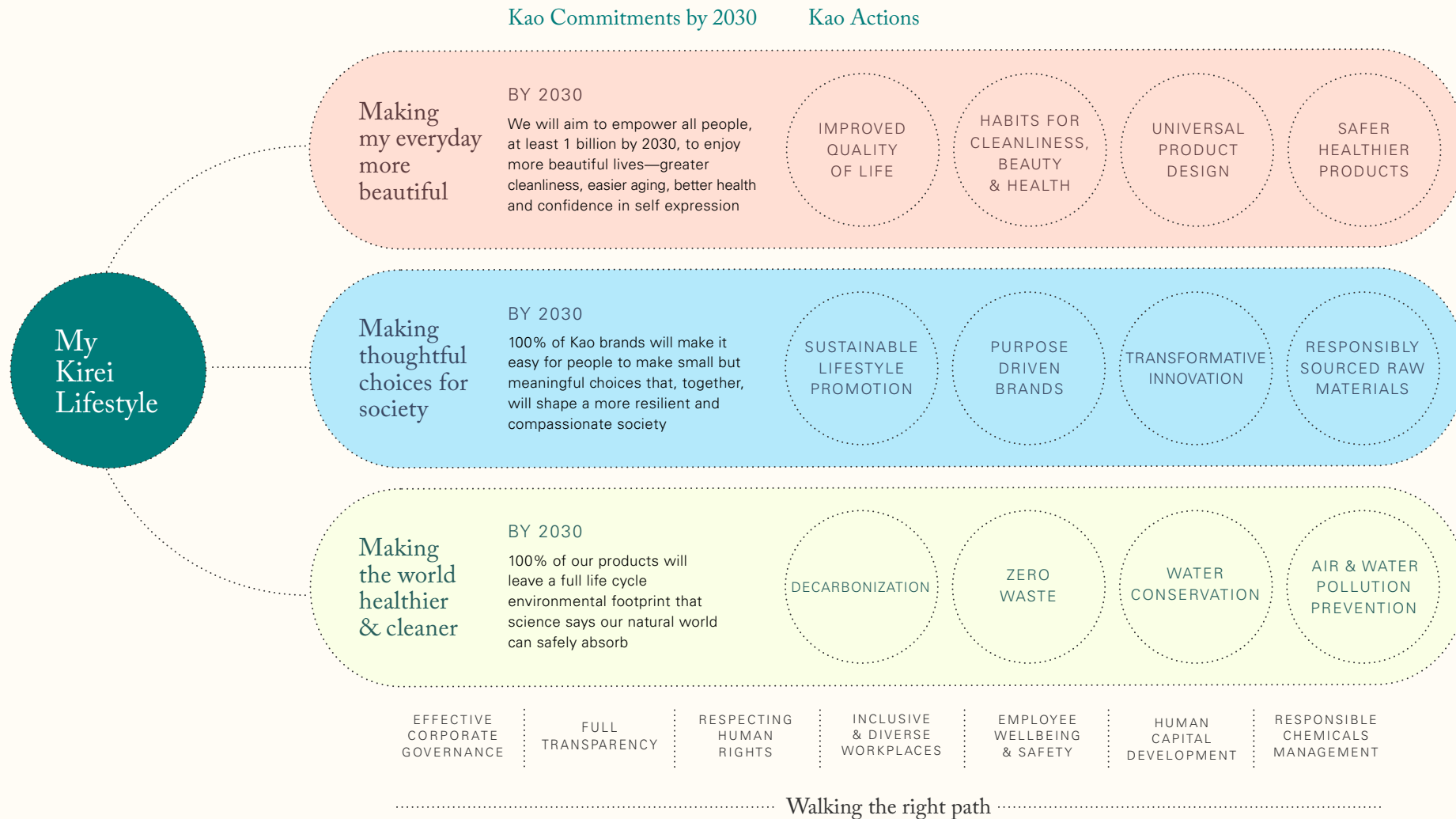
Making the world healthier & cleaner



BY 2030  
100% of our products will leave a full lifecycle environmental footprint that science says our natural world can safely absorb

# Strategy GRI 3-2

## Kao's ESG Commitments and Actions



- Our ESG Vision and Strategy
- Realization of the Kao Way
- Making My Everyday More Beautiful
- Making Thoughtful Choices for Society
- Making the World Healthier & Cleaner
- Walking the Right Path
- Our Foundations
- Appendix

# Strategy

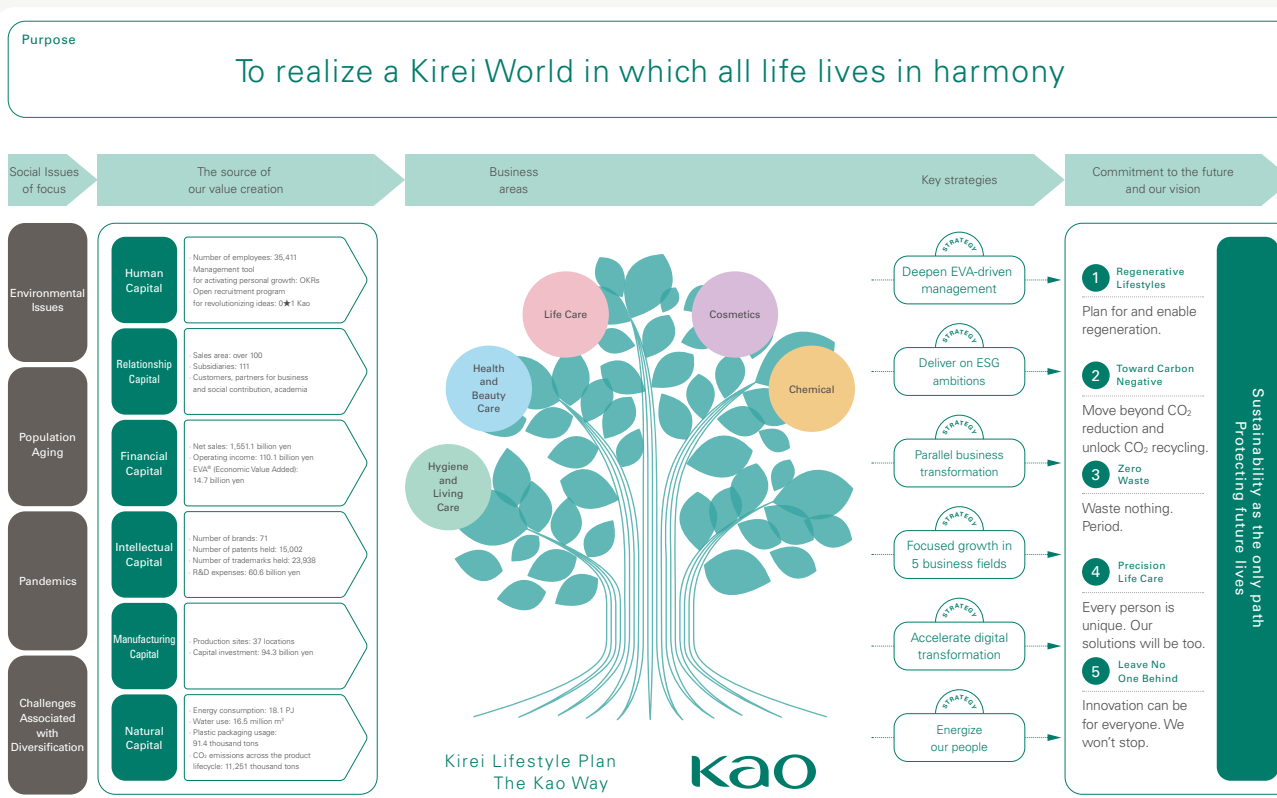
## The Kao value creation model



Kao Integrated Report 2023  
<https://www.kao.com/global/en/investor-relations/library/reports/>

The Mid-term Plan “K25” is an important milestone aimed at our purpose to realize a Kirei world in which all life lives in harmony. We will transform our business model to improve Kao, making it a company that protects future lives based on the concept of sustainability as the only path. Furthermore, together with many like-minded partners, we will accelerate our progress toward the next stage of value creation and profitable development.

## Value Creation Model

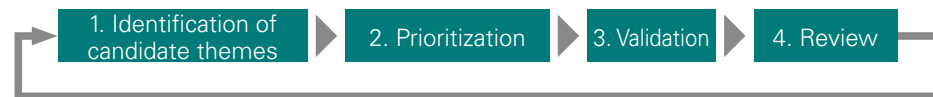


# Strategy GRI 3-1

## Selection process for the Kao Actions as material themes

Kao selected the 19 Kao Actions in the Kao ESG Commitments and Actions through the following four steps.

### Selection process



### Selection of Kao Actions implemented in 2018

#### 1. Identification of candidate themes

##### 1.1 Making a list of candidate themes

We used the following to help identify candidate themes:

- ISO26000
- GRI Standards
- SDGs
- Evaluation items used by ESG assessment bodies
- Global mega-trends
- In-house workshops
- Materiality at other companies
- Third-party opinions

As a result of this process, 78 candidate themes (17 environmental, 37 social and 24 governance) were selected.

#### 1.2 Top management interviews

We held interviews with eight members of top management including representative directors, directors and managing executive officers, and compiled their thoughts and requests regarding Kao's ESG Strategy.

#### 1.3 Region-based workshops

Using a workshop format in the regions of Asia, the Americas and Europe, we identified activities that would simultaneously satisfy business needs, sustainability needs and customer and consumer needs from the viewpoint of our operational sites. We then identified elements in those activities that serve becoming a company with a global presence.

### Objectives of selecting the Kao Actions

1. Targeted action in view of changing social circumstances and issues, and the changing expectations for Kao
2. Strategic implementation of ESG activities based on Kao policy and changes in business environment and strategy
3. Efficient investment and effective use of management resources

#### 2. Prioritization

Of the 78 candidate themes identified in 1.1, we asked some external stakeholders and employees to rate their priority in growing our business and increasing our corporate value.

##### Evaluator attributes

- External stakeholders: 32 (21 Japanese, 11 non-Japanese)
- Employees: 71 (39 Japanese, 32 non-Japanese)

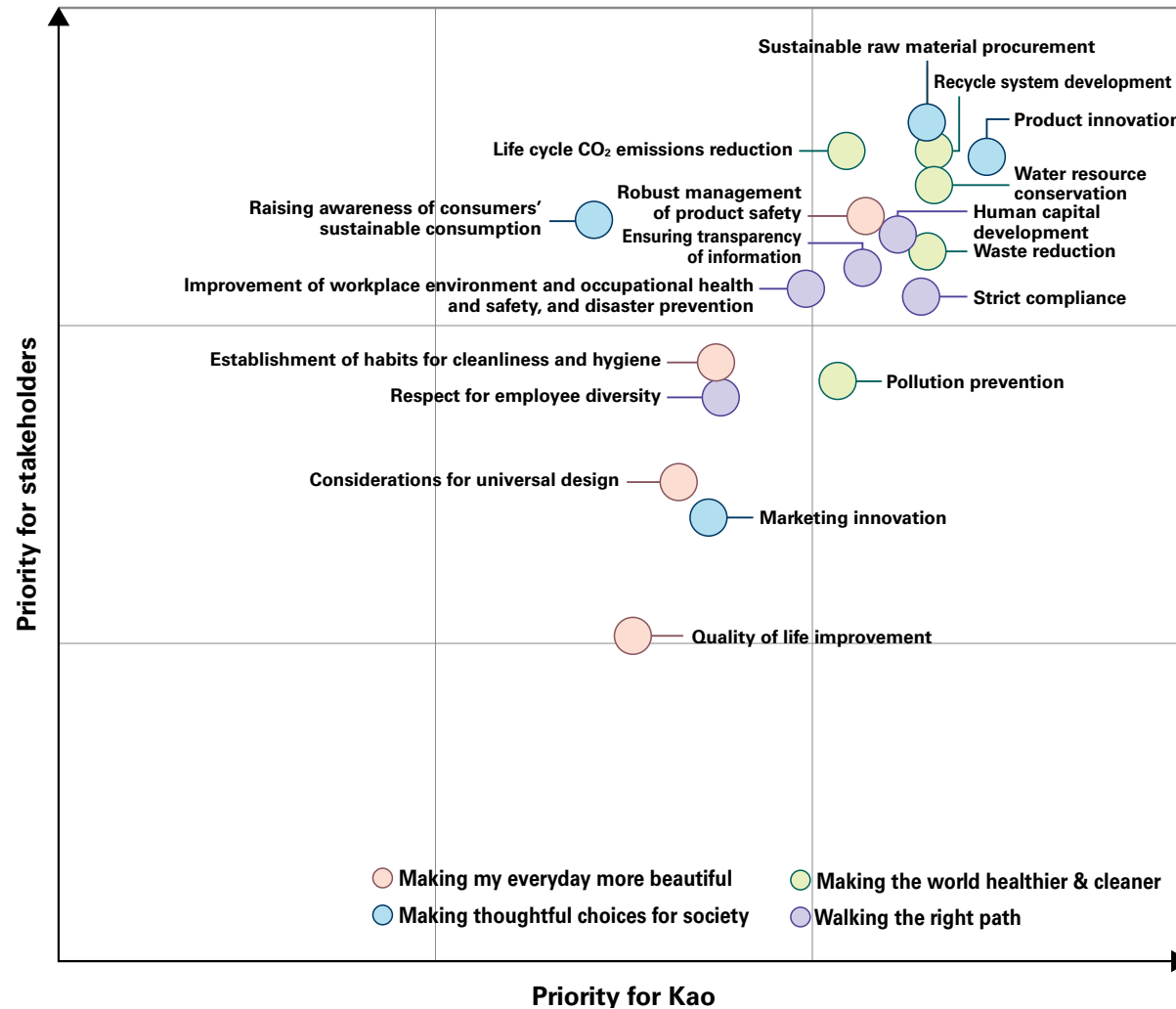
External stakeholders who provided evaluations fall under the following groups:

- Consumers/customers
- Suppliers
- Local communities
- NGOs / NPOs
- Academia
- Industry groups/same-industry companies
- Shareholders/Investors

# Strategy GRI 3-1

We then organized the results of their evaluations in the Matrix of Materiality, which maps materiality along two axes: priority for stakeholders and priority for Kao. In evaluating the level of materiality for Kao, we consider Kao's medium- to long-term impact on the environment and society in accordance with the principle of double materiality.

**Matrix of Materiality**



The ESG Promotion Meeting, attended by division leaders, reviewed materiality based on the results of the evaluations and third-party opinions, and then selected the 19 Kao Actions.

Themes that were not included in the Kao Actions despite being relatively highly rated in the evaluations will be managed and implemented under a separate organization. For instance, "Disaster preparation and reconstruction assistance" was highly rated externally. These themes have been and will continue to be implemented under the Responsible Care Promotion Committee.

### 3. Validation

The ESG Committee (now ESG Managing Committee) reviewed the 19 Kao Actions selected in the ESG Promotion Meeting, and the Board of Directors approved them.

Based on this, divisions set their own targets and action plans to conduct ESG activities.

### 4. Review

The 19 Kao Actions will be periodically reviewed and revised using the selection steps 1 to 3. In addition, the actions are reviewed each year at a meeting of the ESG External Advisory Board.

**P18** Our ESG Vision and Strategy > Governance

# Strategy

## Relationship between our Commitment to the Future and the KLP Kao Actions

The Mid-term Plan 2025 (K25), published in 2020, indicated our focus on four social issues based on rapid changes around the world: Environmental issues, Population aging, Pandemics, and Challenges associated with diversification. We also declared our policy to upgrade existing businesses and accelerate the creation of new businesses. Our Commitment to the Future was established in 2021 by incorporating KLP Kao Actions that were strongly related to business activities. Going forward, we will clarify indicators for each commitment according to the growth of our business.

### Indicators corresponding to our Commitment to the Future

We will specify the indicators and KPIs for each theme in accordance with progress in the formulation and execution of business plans.

Commitment to the Future	Corresponding priority theme and indicators of the KLP
<p><b>1</b> Plan for and enable regeneration.</p>	<p><b>[Improved quality of life]</b></p> <ul style="list-style-type: none"> <li>The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people</li> </ul> <p><b>[Habits for cleanliness, beauty and health]</b></p> <ul style="list-style-type: none"> <li>Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty and health using Kao products and services</li> </ul> <p><b>[Universal product design]</b></p> <ul style="list-style-type: none"> <li>% of new or improved products that meet Kao's Universal Design Guidelines</li> </ul> <p><b>[Sustainable lifestyle promotion]</b></p> <ul style="list-style-type: none"> <li>Cumulative number of people reached by awareness-raising activities for promoting environmentally friendly lifestyles and realizing a sustainable world</li> </ul>
<p><b>2</b> Move beyond CO<sub>2</sub> reduction and unlock CO<sub>2</sub> recycling.</p>	<p><b>[Decarbonization]</b></p> <ul style="list-style-type: none"> <li>% reduction in absolute full lifecycle CO<sub>2</sub> emissions</li> <li>% reduction in absolute scope 1 + 2 CO<sub>2</sub> emissions</li> <li>% of renewable energy in electricity consumption</li> </ul>
<p><b>3</b> Waste nothing. Period.</p>	<p><b>[Zero waste]</b></p> <ul style="list-style-type: none"> <li>Quantity of fossil-based plastics used in packaging</li> <li>Quantity of innovative film-based packaging penetration for Kao and others per annum</li> <li>Plastic recycling rate with Kao involvement</li> <li>Practical use of innovative film-based packaging made from collected pouches</li> <li>% of recycled plastic used in PET containers (Japan)</li> <li>% of the waste generated from Kao sites, ratio of waste that cannot be recycled</li> <li>* Beginning with production sites</li> <li>% reduction of discarded products and discarded promotional materials</li> </ul>
<p><b>4</b> Every person is unique. Our solutions will be too.</p>	<p><b>[Improved quality of life]</b></p> <ul style="list-style-type: none"> <li>The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people</li> </ul>
<p><b>5</b> Innovation can be for everyone. We won't stop.</p>	<p><b>[Improved quality of life]</b></p> <ul style="list-style-type: none"> <li>The number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people</li> </ul>

# Strategy

## Contributions to the SDGs

Looking ahead to 2030, Kao is focused on the SDGs that have been agreed upon and adopted by the international community. As indicators for realizing a sustainable society, the SDGs set forth an integrated approach for improving the economy, society and the environment. Contributions by companies are considered extremely important to achieving the SDGs.

As indicated below, we are working to address the Kao Action topics set in the Kao ESG Commitments and Actions with the aim of achieving the SDGs.

### The SDGs that the 19 Kao Action topics contribute to

Kao Actions	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
<b>Making my everyday more beautiful</b>																		
Improved quality of life			●		●								●					●
Habits for cleanliness, beauty & health			●			●												●
Universal product design										●		●						●
Safer healthier products			●									●		●				●
<b>Making thoughtful choices for society</b>																		
Sustainable lifestyle promotion				●							●	●						●
Purpose driven brands												●						●
Transformative innovation									●			●	●					●
Responsibly sourced raw materials								●		●		●			●			●
<b>Making the world healthier &amp; cleaner</b>																		
Decarbonization							●					●	●					●
Zero waste												●		●	●			●
Water conservation						●						●			●			●
Air & water pollution prevention			●			●						●		●				●
<b>Walking the right path</b>																		
Effective corporate governance								●										●
Full transparency								●				●						●
Respecting human rights					●			●		●								●
Inclusive & diverse workplaces					●			●		●								●
Employee wellbeing & safety			●					●										●
Human capital development			●	●	●			●		●								●
Responsible chemicals management			●			●						●		●				●



# Strategy

## Impacts on society through the value chain

Our business activities have various effects on society through the value chain.

The table below shows the 19 Kao Actions set in the Kao ESG Commitments and Actions, our ESG Strategy and their relationship to the value chain. The items indicate areas where our impact on society is particularly large and where the expectations on us are similarly greater. These are high-priority areas for our business growth and increasing our corporate value.

Relationship between the 19 Kao Actions and the value chain

Kao Actions	Material procurement	Development / Manufacturing	Distribution	Sales	Use	Disposal / Recycling
<b>Making my everyday more beautiful</b>						
Improved quality of life				●	●	
Habits for cleanliness, beauty & health				●	●	
Universal product design				●	●	●
Safer healthier products					●	●
<b>Making thoughtful choices for society</b>						
Sustainable lifestyle promotion				●	●	●
Purpose driven brands	●	●			●	●
Transformative innovation	●	●			●	●
Responsibly sourced raw materials	●					
<b>Making the world healthier &amp; cleaner</b>						
Decarbonization	●	●	●	●	●	●
Zero waste	●	●	●	●	●	●
Water conservation	●	●	●	●	●	●
Air & water pollution prevention		●			●	●
<b>Walking the right path</b>						
Effective corporate governance	●	●	●	●	●	●
Full transparency	●	●	●	●	●	●
Respecting human rights	●	●	●	●	●	●
Inclusive & diverse workplaces		●	●	●		
Employee wellbeing & safety		●	●	●		
Human capital development		●	●	●		
Responsible chemicals management	●	●	●	●	●	●

# Governance

GRI 2-12, 2-13

Our ESG governance functions under the supervision of the Board of Directors and is managed by the President & CEO and subordinate organizations. The governance structure is designed to reflect the objective and progressive viewpoints of outside committee members, enable precise decision-making by management, and implement activities rapidly.

## Kao's ESG governance

We have a flexible and robust ESG governance structure in order to respond swiftly to the major changes taking place globally, ensure the expansion of business, and solve social issues. This ESG governance will support the realization of Kao Group Mid-term Plan K25 and Long-term Vision K30.

Characteristics of this structure include an organization with participation by outside committee members that functions to provide oversight and advice, and the swift and targeted implementation of management decisions broken down into innovation and initiatives.

The Board of Directors is responsible for supervising ESG issues, including risks and opportunities, under which the President & CEO and subordinate organizations are responsible for executing business operations.

## Supervision by the Board of Directors

The Board of Directors consists of individuals with the appropriate knowledge, experience, and competence to oversee ESG. In addition to a number of directors and auditors who are well versed in ESG matters, the board also consists of directors and auditors with the diverse expertise required for ESG supervision (→ p. 267). In addition to the regular reports twice a year, reports are made to the Board of Directors on the execution of ESG-related matters, depending on the content of the agenda as appropriate. Contents of the report include policies and strategies as well as the targets, KPIs, and

progress of activities. The ESG-related KPIs are discussed by the Compensation Advisory Committee for Directors and Executive Officers, and approved by the Board of Directors.

## Overall ESG management

The overall execution of ESG is done under a structure in which the ESG Managing Committee is the highest authority. The ESG Managing Committee discusses and decides the direction of activities related to the ESG Strategy, and reports the status of activities to the Board of Directors. Comprising outside experts, the ESG External Advisory Board provides external viewpoints that are input into our ESG activities. The ESG Promotion Meeting works to achieve the ESG Strategy, the ESG Steering Committees strive to ensure reliable and timely execution for priority issues, and the ESG Task Force proposes activities for focus themes. Under this ESG governance, each division implements activities.

The ESG Managing Committee is chaired by the President & CEO, and its members consist of senior management. The ESG Promotion Meeting is chaired by the Director and Managing Executive Officer of the ESG division, and is attended by the heads of business divisions, regions, and functional and corporate divisions. They are able to make swift management decisions on ESG matters, and the structure enables each division to conduct ESG activities. The ESG Steering Committees are owned by board-level executives who are given a certain level of decision-making authority, and are characterized by their ability to work in tandem with the ESG Managing Committee to

ensure that ESG initiatives are implemented in a reliable and timely manner. The priority issues are decarbonization, plastic packaging, human rights and DE&I, and Chemical stewardship.

The ESG External Advisory Board is made up of external experts who provide advice and suggestions to issues raised by the ESG Managing Committee and offer outside viewpoints that are input into management.

## Management of ESG-related risks and opportunities

ESG-related risk management is controlled by the Risk & Crisis Management Committee, one of the relevant committees under the Internal Control Committee, which regularly monitors the materiality of risks and manages key ones.

ESG-related opportunity management is conducted by the ESG Promotion Meeting (which meets ten times a year) and the ESG Steering Committees (held as appropriate for each steering committee) under the ESG Managing Committee.

## Expansion into ESG initiatives

The themes covered by this ESG governance system are basically ESG in general, but we promote strategic ESG by focusing mainly on KLP themes. The company-wide goals and KPIs formulated for each KLP theme are incorporated into the activities of each division, and the progress of activities and KPIs are aggregated and monitored by each of the committees mentioned above.

# Governance

GRI 2-12, 2-13

We are building effective governance and integrating ESG into divisional policies, targets, and plans by having divisions engage in ESG-driven operations based on divisions taking responsibility for management and reporting in the organization. Divisions also conduct these operations for global Kao Group companies, with individual group companies conducting activities as appropriate according to the content.

In this way, we are interlinking the activities of the ESG Managing Committee, the ESG Promotion Meeting, and the ESG Steering Committees, connecting the activities of the responsible divisions for the 19 Kao Actions and other divisions, and incorporating ESG activities into divisions, including their global operations.

In order to promote the implementation of ESG initiatives by each employee and as an organization, ESG is incorporated in the human resource evaluation system. The human resource evaluation system is called Objectives and Key Results (OKR), and it began in 2021. All employees, including directors, audit & supervisory board members and executive officers, set a portion of their total targets as ESG targets, and they are evaluated based on the degree of challenge in the undertaken activities. Using this system, all employees will work together to tackle ESG issues and ramp up the level of activity.

## Implementing the Kao Actions in the KLP

- The responsible divisions design the details of the respective actions, devise the mid- to long-term targets, regularly consolidate data on divisional progress, and manage the company-wide progress.
- The target divisions devise and implement their divisional targets and activity plan for each action.

## ESG promotion at divisions

- Each division creates its promotion structure. They devise their divisional targets and activity plan, and implement the PDCA cycle.
- The progress of divisional activities is reported to the ESG Promotion Meeting, which then gives the divisions feedback, including requests to revise plans.
- Global implementation by divisions is the general rule, with support for implementation by individual Kao Group companies provided as needed.
- The members of the ESG Promotion Meeting in each division give direction and guidance on incorporating the company-wide ESG Strategy into divisional strategy.
- The level of ESG activities is ramped up by linking them with the OKR framework.

# Governance GRI 2-9, 2-13, 2-17

## Roles, structure, frequency of meetings and agenda of each organization

Organization	Roles	Structure	Performance (2022)	
			Frequency of meeting	Main deliberated items
<b>ESG Managing Committee</b>	<ul style="list-style-type: none"> <li>Develop policy and strategy for Kao's ESG activities</li> <li>Gain an understanding of the issues, risks and opportunities for the sustainability of Kao and the world at large, and for ESG</li> <li>Deliberate and decide on matters raised by the ESG Promotion Meeting and the ESG Steering Committees</li> <li>Make decisions on investments for promoting ESG activities</li> <li>Confirm the status of company-wide ESG activity implementation and take action accordingly</li> <li>Report to the Board of Directors on the status of ESG activities throughout the company</li> </ul>	Chair: President & CEO Members: Senior managing executive officers, managing executive officers, other executives	Six times/year	<ul style="list-style-type: none"> <li>Discussion and approval of Basic Policy on Biodiversity, etc.</li> <li>Deliberated on and approved the revised draft of the mid- to long-term targets for the KLP</li> <li>Examined the proposals from the ESG External Advisory Board</li> <li>Discussed and approved ESG investment projects</li> <li>Reviewed the progress made on each Kao Action in the KLP</li> <li>Held lectures by external experts (twice)</li> </ul>
<b>ESG External Advisory Board</b>	<ul style="list-style-type: none"> <li>Give advice and recommendations for issues raised by the ESG Managing Committee from outside viewpoints</li> <li>Provide information to the ESG Managing Committee to enable development and implementation of world-class plans</li> <li>Provide opportunities for collaboration and cooperation with external parties</li> </ul>	Members: External influential experts <ul style="list-style-type: none"> <li>Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption, etc.</li> <li>Ruma Bose Chief Growth Officer, Clearco Specialization: Human rights, entrepreneurship support, etc.</li> <li>Jalal Ramelan Chairman, ESG Indonesia Specialization: Sustainable development field</li> <li>Helmut Schmitz Director of Communication and Public Affairs, Der Grüne Punkt - Duales System Holding GmbH &amp; Co. KG Specialization: Recycling systems for packaging, etc.</li> <li>Laura Palmeiro Sustainable Finance Director, Danone Specialization: Sustainability, finance, etc.</li> </ul>	Twice/year	<ul style="list-style-type: none"> <li>Proposed expectations for and risks to Kao based on the social climate</li> <li>Reviewed and evaluated the progress made on the KLP</li> </ul>
<b>ESG Promotion Meeting</b>	<ul style="list-style-type: none"> <li>Promote implementation of the ESG Strategy based on the direction decided by the ESG Managing Committee and its directives and suggestions</li> <li>Confirm the status of divisional ESG activities and take action accordingly</li> <li>Establish task forces as necessary to implement focus themes</li> </ul>	Chair: Person responsible for the ESG Division Members: Responsible persons at business divisions, regions, functional divisions and corporate divisions	Ten times/year	<ul style="list-style-type: none"> <li>Formulated the draft Basic Policy on Biodiversity, etc.</li> <li>Drafted proposed revisions to the mid- to long-term targets in the KLP</li> <li>Confirmed the progress and future plan for each Kao Action in the KLP</li> <li>Confirmed the progress of division ESG activities</li> <li>Held lectures by external experts (twice)</li> </ul>

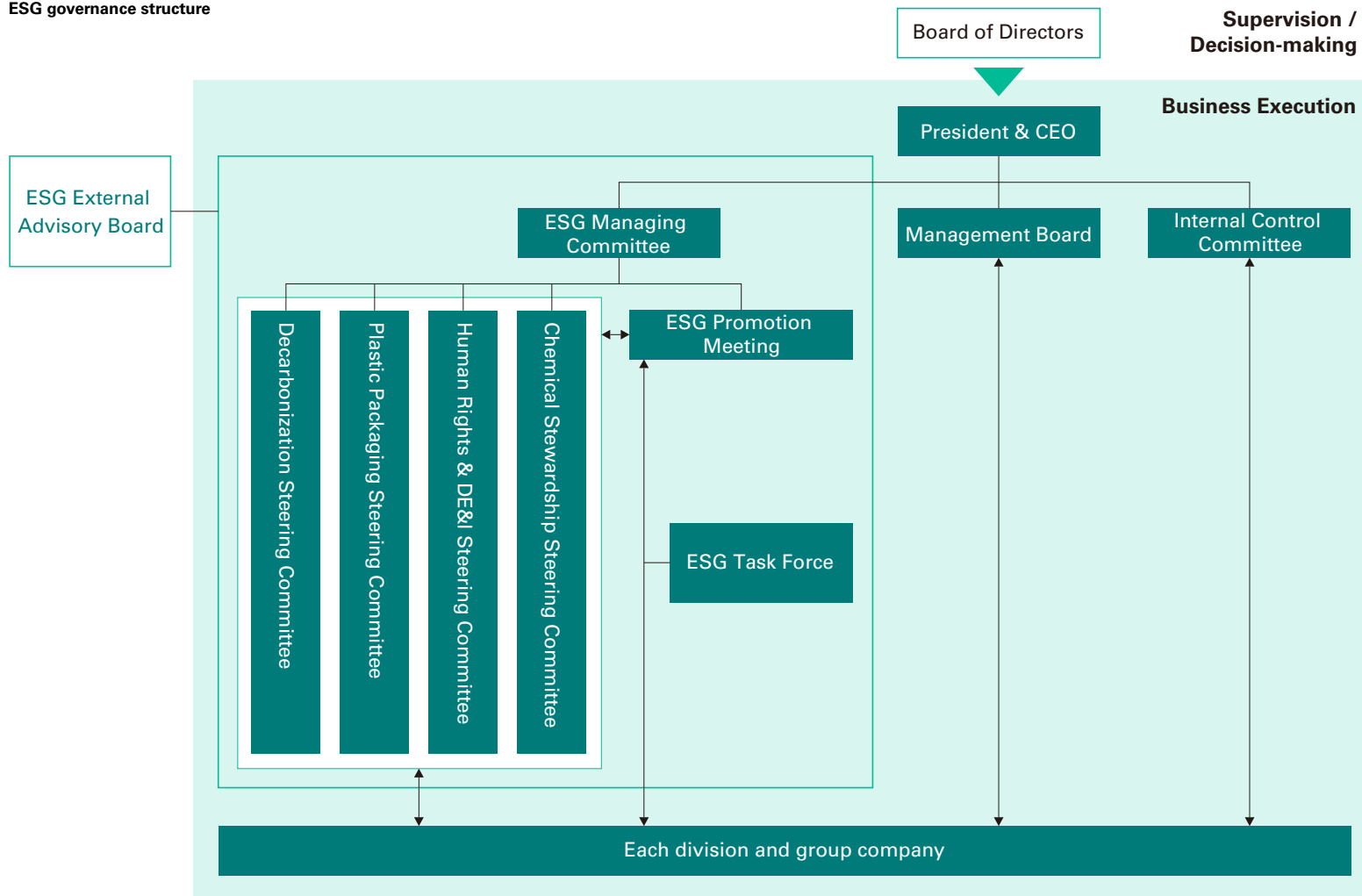
# Governance GRI 2-9, 2-13, 2-17

Organization		Roles	Structure	Performance (2022)	
				Frequency of meeting	Main deliberated items
ESG Steering Committee	Decarbonization	<ul style="list-style-type: none"> <li>Promote rapid decarbonization activities through centralized discussions on decarbonization response measures and business opportunities for mitigation and adaptation to achieve carbon zero in 2040</li> <li>Appropriate management of climate change risks based on the results of scenario analysis</li> </ul>	Owner: General Manager, R&D Members: Staff of R&D, Procurement, Supply Chain Management, CP Business, Chemical Business, ESG	Three times/year	<ul style="list-style-type: none"> <li>Development of a policy for the activities of the Decarbonization Steering Committee</li> <li>Reorganization of opportunities and risks</li> <li>Discussion on 2030 GHG reduction potential</li> </ul>
	Plastic packaging	<ul style="list-style-type: none"> <li>Discuss activities related to plastic packaging, a key issue for KLP Action "Zero Waste" to realize a circular society, in a centralized manner and promote activities strongly and promptly.</li> <li>Promote activities in conjunction with the Decarbonization Steering Committee, Water Conservation, and Biodiversity</li> </ul>	Owner: Deputy General Manager, R&D Members: Staff of CP Business, R&D, and Procurement	Three times/year	<ul style="list-style-type: none"> <li>Discussed and approved project proposals for Innovation for Recycling initiatives</li> <li>Confirmed Innovation for Reduction initiatives</li> <li>Discussed responses to the Plastic Resource Circulation Act of Japan</li> </ul>
	Human rights and DE&I	<ul style="list-style-type: none"> <li>Under the supervision of the ESG Managing Committee, promote and manage the Kao Group's human rights-related activities, including human rights due diligence, in an integrated manner in accordance with the Kao Human Rights Policy</li> <li>Under the supervision of the ESG Managing Committee, formulate the Kao Group's policy on DE&amp;I, and centrally promote and manage activities based on the policy</li> </ul>	Owner: Executive officer in charge for the Human Capital Development Members: Staff of Human Capital Development, ESG, Procurement, Supply Chain Management, CP Business	Once/month	<ul style="list-style-type: none"> <li>Developed draft DE&amp;I policies</li> <li>Developed a draft human rights risk map</li> <li>Developed activities and proposed KPIs for DE&amp;I promotion throughout the value chain, including within the Kao Group</li> </ul>
	Chemical stewardship	<ul style="list-style-type: none"> <li>Promote voluntary management of chemical substances throughout the product lifecycle by the SAICM Promotion Committee</li> <li>Develop policies and reduction/phase-out plans for chemical ingredients contained in products, taking into account progress of regulations, science, and other factors</li> <li>Disclose information on our approach to the use of chemicals and the results of safety assessments, and communicate with stakeholders</li> </ul>	Owner: General Manager, Product Quality Management Members: Staff of ESG, R&D, and Product Quality Management	As needed	<ul style="list-style-type: none"> <li>Developed reduction and phase-out plans for selected chemical ingredients (microplastics, propylparaben, butylparaben, etc.)</li> <li>Promoted initiatives to disclose Kao's approach to ingredients of high social concern</li> <li>Participated in discussions with government agencies and others to develop international targets for chemical substance and waste management after 2020</li> </ul>
ESG Task Force	<ul style="list-style-type: none"> <li>Establish for individual focus themes when an inter-divisional structure is needed. Propose activities based on the detailed plan developed by the ESG Promotion Meeting</li> </ul>	Members: Staff of the division relevant to the focus themes	As needed	Launched a project to build a global ESG data platform by the Transparency Task Force and began various design and development activities, and partially systematized the flavor ingredient disclosure function.	

Note: Refer to p. 270 for the Board of Directors and p. 278 for the Internal Control Committee and Risk & Crisis Management Committee.

# Governance GRI 2-9, 2-13, 2-17

ESG governance structure



\* As of December 2022

# Governance

## Message from the ESG External Advisory Board



**Ms. Rika Sueyoshi**  
CEO, Ethical Association

I am now in my third year serving on the ESG External Advisory Board. During this time, Kao has worked earnestly to boost its sustainability while pushing the Kirei Lifestyle Plan forward. International affairs had a particularly heavy impact on companies in 2022, though Kao demonstrated many efforts that reflected the current global situation, such as its support for refugees from Ukraine and its actions taken against the COVID-19 pandemic.

In terms of “S,” society, within ESG, Kao’s efforts in the past few years for the social challenges surrounding palm oil deserve particular recognition. Kao has carried out a full range of multilayered initiatives and human rights due diligence activities, bringing it to a position for leading and teaching the entire industry in terms of traceability, sustainable procurement, alternative ingredients, farm support, and other areas. Kao’s activities for supporting oil palm smallholders have gained attention from outside the company for the way it has solved human rights issues in a distinctive way. I believe there is demand for Kao to communicate in more detail to the outside world about the challenges it faced through these initiatives, as well as the kinds of (collaborative) actions it is taking.

In terms of “E,” the environment, Kao has made a broad range of efforts related to plastic packaging toward its goal for decarbonization. Plastic materials in packaging were

a competitive field in the past, but I expect a shift toward non-competitiveness in this field going forward. I also predict that there will be demand for collaborative efforts with competitors and local governments to build systems for collection (reverse logistics) and other initiatives. Kao’s distinctive qualities have enabled it to swiftly sense changes like these, and I believe the company can lead the industry and demonstrate its capabilities as a rule maker going forward. Also, while it is important to achieve a circular economy for plastic materials to the greatest degree possible, I would also like Kao to break away from a worldview that is predicated on plastic. On top of addressing issues within the realm of the existing business model, Kao should also step outside of the box with new challenging ideas that change the founding principles of the business and work to create new markets.

Last but not least, my most crucial suggestion for Kao is to not only reduce its impact on the natural environment to near-zero, but to also revive areas of the natural environment that were destroyed through economic activities rooted in mass production and consumption. This involves incorporating the regenerative approach that is currently gaining attention in many other fields. In other words, I encourage Kao to pursue a structure for activities that directly result in restoring the natural environment as the company engages in its main business. Take, for example, the common agricultural practice of using large quantities of chemicals, pesticides and synthetic fertilizers, which have harmed both the land and workers’ health. It is of course crucial to avoid the use of such chemicals, but apart from this, Kao could adopt no-till farming, cover crops and other agricultural methods based on more natural techniques to grow produce, while also taking a regenerative organic approach to revive the soil.

I would like Kao to explore a business method in which making more products brings greater contributions toward restoring the environment. Action along these lines would

help bring Kao’s vision of leading the world within reach. The same goes for human rights as well. The goal is not to simply avoid human rights violations within the supply chain. Rather, it is crucial to build an ecosystem through raw material procurement and other business activities with a view toward economically enriching the community involved with these activities while at the same time causing no harm to the environment or people’s health. By realizing an ecosystem like this, consumer will contribute to the solution by using more of Kao’s products, rather than being part of the problem. I hope that Kao will seriously reconsider a regenerative approach for the environment, human rights and other fields, and that it will incorporate this approach into its business going forward.

### Message from Kao about the comments

The 2023 message expressed expectations that we incorporate the concept of “Regenerative” into our business management. On this point, in April 2022, we revised our Basic Policy on Biodiversity, publicly announcing our aim to take action leading to the conservation and restoration of biodiversity and the regeneration of the natural environment, as well our goal to help create a future based on co-existence with nature. As an example of our “Regenerative” business, we have developed and introduced a durable asphalt pavement modifier made using waste PET. In 2022, we launched a mosquito repellent product using Kao’s unique technology in Thailand, kicking off our #GUARD OUR FUTURE project, which seeks to protect future lives from mosquitoes. We will continue to conduct business activities that help to regenerate both the environment and society at large through the use of our products.

# Governance

## Message from the ESG External Advisory Board



**Ms. Ruma Bose**  
Chief Growth Officer, Clearco

As a new member of Kao's ESG Advisory Board, I have been so impressed by how serious and pioneering the company is in its commitment to leadership on this transformational journey. Although there remains scope for further improvement, ESG is now deeply embedded in Kao's DNA, in the C-Suite and throughout the workforce. Increasingly this commitment is appreciated by all of Kao's many stakeholders.

This is a time when globally what constitutes best practice in ESG is evolving and deepening rapidly. This change is taking place at different rates in each of the E, S and G categories. Additionally, 2022 has been a year when ESG has become increasingly controversial, especially in the United States, as those who claim it is too politically correct vie with those who believe too much ESG is only skin deep. I am encouraged that this controversy has not shaken Kao's commitment nor slowed down its efforts to go deeper. Nor has it been significantly slowed by what remain difficult economic conditions in much of the world.

On the environmental front, across the business community the move to zero carbon has become a "gold standard," along with a growing focus on protecting nature and biodiversity. Kao is clearly committed to leading on both

these fronts, not least by adopting this year an internal price for carbon that is among the most demanding in the corporate world. It is also moving fast on its embrace of a low waste "circular economy" strategy and is asking the right questions about how it can make its impact on nature positive and sustainable.

Kao has also made many significant contributions to "S," society, including this year supporting refugees from the war in Ukraine. Yet in common with most businesses it now needs to achieve greater coherence, and alignment with its higher corporate purpose, in its S work.

Compared with E, there is little agreement among and across the business and investor communities about what constitutes best practice in S, let alone what to measure and what benchmarks to set. Yet I expect to see greater clarity on this front quite soon; Kao has a great opportunity to be a leading company in shaping this important new consensus. Kao's existing workforce sustainability initiatives are a good starting point, as are recent initiatives to empower even the tiniest contributors to its supply chain, such as its new grievance procedure for small palm oil farmers.

I am also looking forward to Kao building on its recent communications work to educate consumers about how they can help advance ESG, such as new "*mottainai*" (wastefulness) advertising campaign. From a societal leadership perspective I like how these adverts try to encourage broad behavioral change by consumers rather than narrowly promoting Kao products.

I am also encouraged by conversations I have had with Kao leadership about how it can better tell the story of its remarkable progress on ESG to the broader community of influence, so that it is looked to for inspiration by other companies around the world trying to figure out ESG for

themselves. This is a proudly humble company, but the outside world has much to learn from its progress on ESG. I look forward to engaging with Kao more deeply on this important narrative work in 2023.

### Message from Kao about the comments

The 2023 message contained expectations that we communicate to consumers how they can contribute to promoting ESG themselves through using our products. In response, we launched a series of corporate advertisements in July 2022 to convey our corporate approach and initiatives for creating a sustainable world. Through the message of "Wastefulness—*Mottainai*. Never today, nor tomorrow," the series informs consumers about our products, services, and corporate approach that stem from "ESG-driven *Yoki-Monozukuri*," our strategy for contributing to a circular society. The series aims to encourage consumers to notice small instances of wastefulness in their daily lives and take action to eliminate them, and to spread this positive behavior throughout society as a whole.



# Governance

## Message from the ESG External Advisory Board



**Mr. Jalal Ramelan**  
Chairman, ESG Indonesia

As I write this message, Kao Corporation has just been announced that it has received an A rating from CDP in the areas of Climate Change, Water Security, and Forests. In 2022, only 12 of the 15,000+ companies assessed by the CDP will receive an A rating in all three categories. This number decreased compared to 2021 where 14 companies received it, while in 2020 there were 10. Kao Corporation has been declared Triple A for three consecutive years.

For those familiar with CDP's rating methodology, I do not need to explain anything about what these ratings mean. However, most stakeholders need to be informed about this. As can be read on the CDP page, "To earn an A score from CDP, organizations must show environmental leadership, disclosing action on climate change, deforestation or water security. They must demonstrate best practice in strategy and action as recognized by frameworks such as the TCFD, Accountability Framework and others. As well as having high scores in all other levels these companies will have undertaken actions such as setting science-based targets, creating a climate transition plan, developing water-related risk assessment strategies, or reporting on deforestation impacts for all relevant operations, supply chains and commodities."

As someone who studied how the methodology was created and utilized by CDP, I cannot help expressing admiration for those who manage environmental issues at Kao Corporation. And my admiration is even higher when I remember that various awards in other environmental fields have also been obtained by Kao Corporation in its operations throughout the world.

Furthermore, Kao Corporation's efforts in managing social issues have also shown high performance. Likewise in issues related to corporate governance. Therefore, it is not surprising that this company has been in the FTSE4Good Index since 2008, has also been a constituent of the MSCI ESG Leaders Indexes since 2017, and many more. As 2022 draws to a close, ESG Book lists the 100 companies (out of 10,000+ with a market capitalization of over USD10 billion) with the highest ESG score, and Kao Corporation is ranked 25th. Again, a high appreciation from third parties who independent and highly credible.

However, I see that Kao Corporation has not been optimal in utilizing its ESG performance, or more precisely its sustainability performance, in communications with the stakeholders. Most companies with sustainability performance equal to, or even lower than, Kao Corporation, use sustainability issues more frequently in their communications. I just checked the Kao Corporation website and found that neither the latest CDP assessment for 2022 nor the ESG Book ratings that I mentioned above have been included in the External Evaluation section. For practitioners of corporate sustainability communications everywhere, this must be a real shock.

Therefore, I will never tire of encouraging Kao Corporation to further utilize its environmental, social and governance performance through intensive and extensive communication with all stakeholders. Kao Corporation also

needs to keep looking to find room for improvement and communicate all progress. ESG is built on the belief that companies that manage material sustainability issues well will tend to have strong financial performance. And, that relationship will only exist if the sustainability performance of Kao Corporation is communicated to the wider public at the right level and in the right way.

### **Message from Kao about the comments**

The 2023 message included expectations that we provide more information on our environment, social, and governance (ESG) performance in our external communication with stakeholders. It was indicated that some stakeholders were not receiving information, that certain information still needed to be provided, and that there was room for improvement in the communication about our ESG performance. Going forward, we will employ methods for wider communication in accordance with the characteristics of our stakeholders and work to provide information on ESG performance in a timely and transparent manner. We are also improving the Kao website to ensure the latest information is available online in a form that is easily to understand.

# Governance

## Message from the ESG External Advisory Board



**Mr. Helmut Schmitz**

Director of Communication and Public Affairs,  
Der Grüne Punkt - Duales System Holding  
GmbH & Co. KG

2022 has brought us light and shadow, severe energy crises and war, but also successes in the fight against the pandemic and a growing awareness of plastic sustainability issues.

Plastic packaging plays an important role for Kao's business in many areas. For packaging in the FMCG-sector this ranges from the project with the start-up "Talking Hands" and the Guhl brand to the recycling activities with partner KOSÉ. Partnerships like the one with KOSÉ in plastics recycling or with Costco and Cainz in a reusable packaging project reflect good first steps into a complex strategy for sustainable solutions. But it is just a first step.

An integrated circular economy for plastic has to be based on three key principles: **eliminate and innovate all problematic and unnecessary plastic items, so that plastic needed is reusable, recyclable or compostable and circulate all plastic items in use to keep them in the economic and technical system.**

This approach, if sincere and built on realistic steps, requires time, creativity, persistent commitment and cooperation. Kao's dialogue in this area indicates this willingness.

It is good for sure to communicate about one's own activities and commitments, but the question of credibility

should not be underestimated. A well-known global commitment is led by the Ellen MacArthur Foundation, in collaboration with the UN Environment Programme. It is worrying, however, when the Foundation's current Progress Report (2022), with a view to the targets set by the participating FMCG companies themselves for 2025, states that the ambitions with regard to recycled content or recyclability, for example, are great, but performance is rather poor and the majority of the targets set will not be achieved by 2025.

This is where Kao's communication and activities stand out. No promises are made that turn out to be unrealistic after just a few years and damage credibility.

An interesting and promising strategic example from the Kao report of 2022 is the reusable foldable container systems used in cooperation with Costco and Cainz. The transition requires some logistical adjustments, but there are international suppliers and reliable data on the positive impact is already available from many countries.

Voluntary commitments are key to accelerate progress but they cannot be the only mechanism to create systemic change towards a circular economy. Policies and regulations play a crucial role to create the needed level playing field, necessary for markets and competing companies.

Here, engaged companies like Kao can also speed up the process through taking initiative. In March 2022, the UN decided to negotiate a global plastics agreement by 2024 to address the pressing problem of plastic use and pollution. The inaugural conference with representatives from 150 countries took place in Uruguay in November 2022.

It was interesting at the conference to see that more and more companies want to play a central role in implementing the circular economy of plastics using Extended Producer Responsibility (EPR) as an important

instrument. In Uruguay, for example, EPR organizations from more than 40 countries, including from Asia Packaging Recycling Organization Vietnam, described in a common position paper what contribution companies can make via EPR.

Cooperation and involvement of all stakeholders in all parts of the world is key to achieve the common goal towards a circular economy.

### Message from Kao about the comments

The 2023 message expressed expectations that we will continue to work with other companies to create a circular economy based on an integrated approach to plastics. In response, we have carried out initiatives to circulate plastic resources in collaboration with other companies in our industry and affiliated organizations. In 2022, to create a new framework for collecting and upcycling plastic resources, we established the "RecyCreation Lab" through a co-creation project with Keio University, Kamakura City, and other participating companies and organizations. In addition, in collaboration with small and medium-sized enterprises, we introduced collapsible containers as recyclable packaging materials, and have commenced a trial to demonstrate their effectiveness in terms of reducing environmental impact and improving work efficiency. We will continue to explore initiatives for industry, government, academia, and private-sector collaboration in an effort to develop solutions that help to create a sustainable world.

# Governance

## Message from the ESG External Advisory Board



**Ms. Laura Palmeiro**

Sustainable Finance Director, Danone

By the end of my first year of collaboration with Kao, I must say I am impressed by its long track record of performance in the ESG arena.

2022 has been a year full of important achievements, such as being the only Asian company included in the CDP Triple A List, the collaboration with Unilever to reduce the CO<sub>2</sub> footprint of palm-derived ingredients, the launch of *Bioré GUARD Mos Block Serum* that I will help save lives from mosquitoes in South-East Asia, as well as other original initiatives to tackle waste, pack recycling and water sanitation.

But what impresses me the most is the fact that ESG topics seem to be embedded in all aspects of the organization's operational activities, in the core of its culture, including collaborating with partners. All this, enhanced by their deep-rooted Japanese legacy of respect, care and hygiene put Kao within a group of very selected few companies in the world in terms of ESG expertise and performance. Yet, Kao remains quite humble regarding its achievements, probably because they perceive it as their duty, just the right thing to do.

But in a world that is in desperate need for new technical solutions, new legislation, and new indicators to

guide investments, I believe that the time has come for system-changing advocacy to be considered as integral part of the duty of leaders.

I believe Kao should not shy away from the historic call of both duty and opportunity to leave a footprint in the international arena. An opportunity to gain greater global recognition for its achievements, to advocate within the new worldwide standards-setting processes and to unequivocally establish its ESG performance as a business and financial competitive advantage.

Regarding the latter, having consecrated my professional career to both finance and ESG topics, I can only conceive future business models being done in a sustainable way, that is, encompassing both value creation for a myriad of diverse stakeholders, including shareholders.

Transforming business' activities into more environmentally or socially responsible ones requires new financing that puts great pressure on organizations' financial equation. In theory, these investments should support future-fit organizations that are better protected from environmental and social risks, preferred by its customers and consumers, more attractive in the labor market and so forth. Still, in the transition times we are living today, these business and financial advantages are not yet so obvious because of a lack of relevant tools, indicators, and case-studies to prove it.

I can only think of a handful of companies that could be as prepared as Kao to take on this global challenge, proving the alignment of purpose and profit as a way of creating value for everyone.

This demands internal rigor to consider ESG indicators as part of every business decision-making process, seamless collaboration among ESG, R&I and Operations departments, something that Kao is already doing. Adding

the Finance department to systematically analyze the business case for these investments and discussing these concrete, data-based findings with investors could have an impact in the system that defines how these actions can be rewarded by stronger and/or preferential flow of capital.

In a nutshell, the day that the business community will find the way to prove that doing good for the planet and people equals superior ROI, financial markets will follow the evidence and we will have collectively made a gigantic step forward.

I dream of Kao taking the leadership role it deserves in this global endeavor.

### Message from Kao about the comments

The 2023 message expressed that in the current era where there is strong demand for considering ESG indicators in business decision-making, to attract stronger and more beneficial capital throughout the entire industry, we must systematically analyze investment target projects and discuss survey results based on concrete data with investors. While we have actively engaged with investors in the past, to address this point, we will work to enhance disclosures and dialogue by deepening discussion through our ESG Steering Committees. These discussions will be based on information and data that is better integrated with our business, and will focus on our social and environmental impact as well as business growth and shareholder returns. While various standards for ESG disclosures are continuing to be put in place across the globe, we will strive to enhance disclosures to meet the demands of society.

# Governance GRI 2-29

## Stakeholder engagement

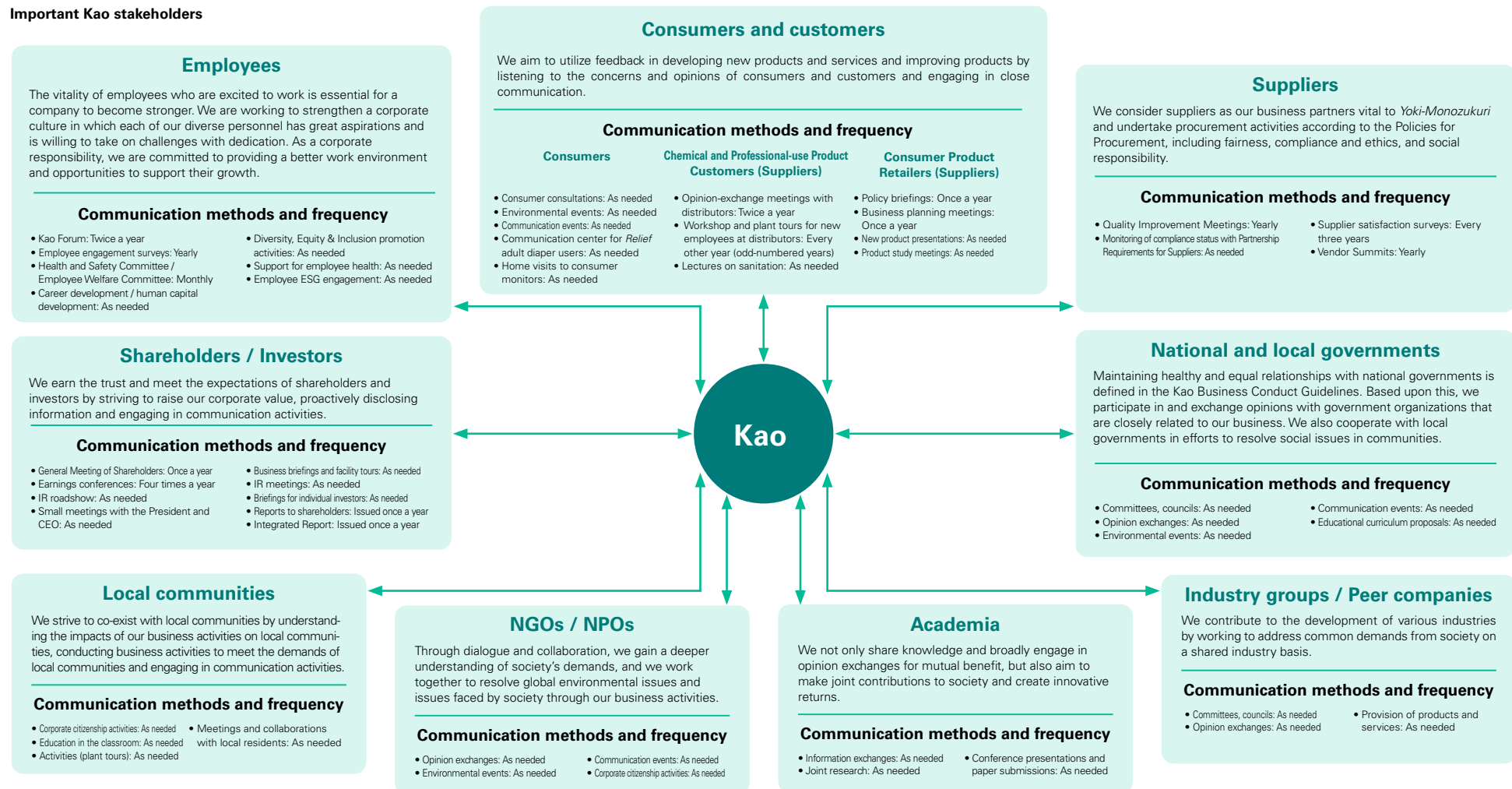
Kao's important stakeholders include consumers and customers as well as suppliers, employees, local communities, national and local governments, non-governmental and non-profit organizations (NGOs / NPOs), academia, industry groups and peer companies, and shareholders and investors.

In the Kao Way, our corporate philosophy, we define our vision as this: "By deeply knowing and understanding our world and its people, we aim to improve people's lives

beyond their expectations for a future where humans and nature thrive together." Through two-way communication with stakeholders, we deepen mutual understanding and provide information useful to society and in daily life, and use feedback we receive to improve our management, corporate activities and services, including by reporting on feedback to the Management Board and Board of Directors and having feedback reflected in deliberations of material matters.

Specific collaboration/engagement initiatives with stakeholders are described in each activity report.

### Important Kao stakeholders



# Governance

Specific collaboration/engagement initiatives with stakeholders are described in each activity report. Click on the name of each activity under “Specific Activities” for more information.

## Collaboration & engagement with stakeholders

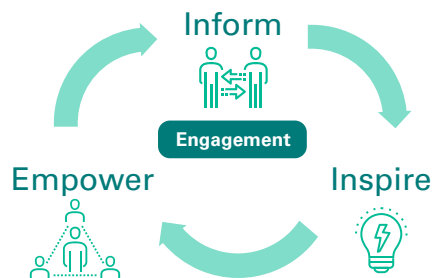
Stakeholders	Initiatives			
<b>Employees</b>	<ul style="list-style-type: none"> <li>○Employee ESG engagement</li> <li>○Realization of the Kao Way</li> <li>○Improved quality of life</li> <li>○Habits for cleanliness, beauty &amp; health</li> <li>○Universal product design</li> <li>○Safer healthier products</li> <li>○Sustainable lifestyle promotion</li> <li>○Purpose driven brands</li> </ul>	<ul style="list-style-type: none"> <li>○Transformative innovation</li> <li>○Responsibly sourced raw materials</li> <li>○Decarbonization</li> <li>○Zero waste</li> <li>○Water conservation</li> <li>○Air &amp; water pollution prevention</li> <li>○Effective corporate governance</li> <li>○Full transparency</li> </ul>	<ul style="list-style-type: none"> <li>○Respecting human rights</li> <li>○Human capital development</li> <li>○Inclusive &amp; diverse workplaces</li> <li>○Employee wellbeing &amp; safety</li> <li>○Responsible chemicals management</li> <li>○Risk and crisis management</li> <li>○Responsible care (RC)</li> <li>○Product quality management</li> </ul>	<ul style="list-style-type: none"> <li>○Information security</li> <li>○Strategic digital transformation (DX)</li> <li>○Intellectual property</li> <li>○Tax strategies</li> <li>○Biodiversity</li> <li>○Communication with consumers</li> <li>○Process safety and disaster prevention</li> <li>○Corporate citizenship activities</li> </ul>
<b>Consumers and customers</b>	<ul style="list-style-type: none"> <li>○Improved quality of life</li> <li>○Universal product design</li> <li>○Safer healthier products</li> <li>○Sustainable lifestyle promotion</li> <li>○Purpose driven brands</li> </ul>	<ul style="list-style-type: none"> <li>○Responsibly sourced raw materials</li> <li>○Decarbonization</li> <li>○Zero waste</li> <li>○Water conservation</li> <li>○Air &amp; water pollution prevention</li> </ul>	<ul style="list-style-type: none"> <li>○Effective corporate governance</li> <li>○Full transparency</li> <li>○Respecting human rights</li> <li>○Employee wellbeing and safety</li> <li>○Responsible chemicals management</li> </ul>	<ul style="list-style-type: none"> <li>○Responsible care (RC)</li> <li>○Product quality management</li> <li>○Strategic digital transformation (DX)</li> <li>○Biodiversity</li> <li>○Communication with consumers</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>○Sustainable lifestyle promotion</li> <li>○Responsibly sourced raw materials</li> <li>○Decarbonization</li> <li>○Zero waste</li> </ul>	<ul style="list-style-type: none"> <li>○Water conservation</li> <li>○Effective corporate governance</li> <li>○Full transparency</li> <li>○Respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>○Responsible chemicals management</li> <li>○Risk and crisis management</li> <li>○Product quality management</li> <li>○Information security</li> </ul>	<ul style="list-style-type: none"> <li>○Biodiversity</li> </ul>
<b>Shareholders/Investors</b>	<ul style="list-style-type: none"> <li>○Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>○Investor Relations websites <a href="https://www.kao.com/jp/investor-relations/">https://www.kao.com/jp/investor-relations/</a></li> </ul>		
<b>National and local governments</b>	<ul style="list-style-type: none"> <li>○Habits for cleanliness, beauty &amp; health</li> <li>○Safer healthier products</li> <li>○Sustainable lifestyle promotion</li> <li>○Purpose driven brands</li> <li>○Transformative innovation</li> </ul>	<ul style="list-style-type: none"> <li>○Decarbonization</li> <li>○Zero waste</li> <li>○Water conservation</li> <li>○Air &amp; water pollution prevention</li> <li>○Respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>○Employee wellbeing &amp; safety</li> <li>○Responsible care (RC)</li> <li>○Information security</li> <li>○Intellectual property</li> <li>○Tax strategies</li> </ul>	<ul style="list-style-type: none"> <li>○Biodiversity</li> <li>○Communication with consumers</li> <li>○Corporate citizenship activities</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>○Habits for cleanliness, beauty &amp; health</li> <li>○Universal product design</li> <li>○Purpose driven brands</li> <li>○Decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>○Zero waste</li> <li>○Water conservation</li> <li>○Air &amp; water pollution prevention</li> <li>○Respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>○Employee wellbeing and safety</li> <li>○Responsible care (RC)</li> <li>○Biodiversity</li> <li>○Communication with consumers</li> </ul>	<ul style="list-style-type: none"> <li>○Process safety and disaster prevention</li> <li>○Corporate citizenship activities</li> </ul>
<b>NGOs / NPOs</b>	<ul style="list-style-type: none"> <li>○Responsibly sourced raw materials</li> <li>○Decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>○Water conservation</li> <li>○Full transparency</li> </ul>	<ul style="list-style-type: none"> <li>○Respecting human rights</li> <li>○Inclusive &amp; diverse workplaces</li> </ul>	<ul style="list-style-type: none"> <li>○Biodiversity</li> <li>○Corporate citizenship activities</li> </ul>
<b>Academia</b>	<ul style="list-style-type: none"> <li>○Improved quality of life</li> <li>○Transformative innovation</li> </ul>	<ul style="list-style-type: none"> <li>○Water conservation</li> <li>○Full transparency</li> </ul>	<ul style="list-style-type: none"> <li>○Inclusive &amp; diverse workplaces</li> <li>○Employee wellbeing &amp; safety</li> </ul>	<ul style="list-style-type: none"> <li>○Biodiversity</li> <li>○Corporate citizenship activities</li> </ul>
<b>Industry groups / Peer companies</b>	<ul style="list-style-type: none"> <li>○Improved quality of life</li> <li>○Universal product design</li> <li>○Safer healthier products</li> <li>○Sustainable lifestyle promotion</li> <li>○Air &amp; water pollution prevention</li> </ul>	<ul style="list-style-type: none"> <li>○Full transparency</li> <li>○Respecting human rights</li> <li>○Human capital development</li> <li>○Inclusive &amp; diverse workplaces</li> <li>○Employee wellbeing &amp; safety</li> </ul>	<ul style="list-style-type: none"> <li>○Responsible chemicals management</li> <li>○Risk and crisis management</li> <li>○Product quality management</li> <li>○Intellectual property</li> <li>○Tax strategies</li> </ul>	<ul style="list-style-type: none"> <li>○Communication with consumers</li> <li>○Corporate citizenship activities</li> </ul>

# Governance GRI 404-2

## Employee ESG engagement

In order to achieve the goals set forth in K25 and our ESG Strategy, the Kirei Lifestyle Plan (KLP), we believe it is important that all Kao Group employees identify with the Kirei Lifestyle vision and become Kirei Ambassadors themselves to drive activities. Looking towards achieving the Kao Way mission of realizing a Kirei Lifestyle for all, we continue to provide information and inspiration to all employees, and implement engagement measures in order to motivate and empower them. In 2022, we established the ESG *Yoki-Monozukuri* College, a platform to boost ESG education together with engagement tools and content to accelerate the integration of ESG into our business. In addition, we launched the ESG Coffee Chat project, which provides each *Genba* with the opportunity to engage in dialogue around ESG, and introduce best practices and stories about KLP promotion activities at each site.

### The three aspects of employee engagement



### Continuing to increase ESG literacy amongst all employees

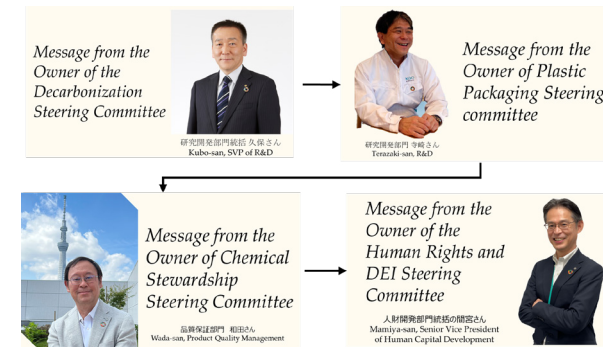
In addition to posting the ESG Trends Newsletter on our internal portal, we have continued to distribute it via e-mail to ensure that it reaches all employees around the globe. Designed to inspire the advancement of ESG-driven *Yoki-Monozukuri*, the newsletter features information on the latest ESG trends globally, as well as ESG activities at various Kao Group locations and a message from the Senior Vice President of the ESG Division touching on internal and external trends.

To further foster an ESG-focused mindset among our employees, in 2022 we published special issues on important ESG themes to coincide with key global events. Of these, the Earth Day special issue, which included a decarbonization quiz in addition to an introduction to the KLP lecture described below, resulted in high engagement with a 48% open rate.

We also launched a new project in which the executive leaders of the ESG Steering Committees address all employees through the ESG Trends Newsletter. The aim of this was to continue to highlight the directionality of ESG management throughout the Kao Group and accelerate business operations in which ESG is continuously incorporated at the *Genba*. In addition, we launched a project that introduces activities carried out by each division towards realizing a Kirei Lifestyle for all.

Owing to the above and other measures, the average open rate of the ESG Trends Newsletter rose sharply from 24% last year to 41% this year, with comments from senior management such as "I appreciate receiving a wide range of global ESG information every month," and "it is very easy to understand and I learn something new every time" from employees.

In order to continuously improve and evolve content, we will carry out a survey on our awareness-raising and communication tools for employees globally.



Top message project by ESG Steering Committee executive leaders (2022)

**Yukio Otsuka**  
Consumer Products Business  
Cosmetics have the power to uplift people and put a smile on their faces. If we can enhance that power while creating cosmetics that are good for society and the environment, I believe we can make even more people smile for years to come. My goal is to contribute to the sustainable development of the cosmetics industry by increasing the value of cosmetics while being considerate of the environment.

**Pursuing Kirei Through PET Cosmetics Bottles**  
We strive to offer excitement to our customers by expressing a brand's charm through its products which as cosmetics inevitably include the design characteristics – the color and texture of the packaging. However, until now, we have struggled with the issue of recycling the colored and decorated plastic bottles used in cosmetics. That's where "chemical recycling technology" came in. As a first stage, we made cosmetics bottles using "chemically recycled PET material" resourced from used beverage PET bottles and were able to produce packaging that was just as beautiful as before. Now, in our second stage, we are partnering internally and externally to take on the challenge of realizing "horizontal recycling" of used cosmetics bottles, creating resources from them, that means bottles to bottles in the cosmetics industry. We will continue to pursue Kirei for our customers, our society, and our planet.

Kirei Actions to introduce KLP activities promoted at *Genba*

# Governance

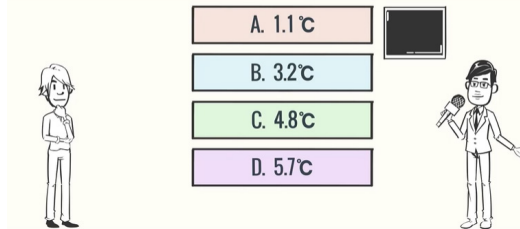
## Empowering all employees with the knowledge of “how” to implement the KLP

We have been creating content for the KLP Lectures, an e-learning program comprising the knowledge needed to implement the KLP, since 2020. The purpose of these lectures is to further educate employees about background information and related knowledge for the Kao Actions in the KLP, global perspectives and standards, and about our activities.

It has been two years since the first Decarbonization program was created, and there have been significant changes in social conditions as well as an evolution in Kao's approach. Therefore, we created a second Decarbonization program to provide explanations of the latest global trends and Kao's decarbonization goals and actions, in a way that is clear and easy to understand. This was published on the intranet and in the ESG Trends Newsletter. The KLP Lecture has been offered in each division in Japan as well as in other Asian countries and AEMEA, in Japanese and English, resulting in the programs being viewed a total of 7,516 times.



Q1. If nothing changes, by up to how many degrees is the average temperature of the earth expected to rise by the year 2100, compared to pre-industrial levels?



Decarbonization 2 e-learning program using live-action and animated videos

## Understanding the “why” and “how” of ESG and business integration and exploring business solutions from an ESG perspective

We have been conducting Kirei Lifestyle Plan Caravan activities to foster an understanding of the “why” behind Kao's shift to ESG management at each division in Japan and at each company in Asia, and have been working to improve employee engagement through online sessions with key people in each country.

In 2022, we launched ESG Coffee Chat, an informal dialogue session between the Senior Vice President of the ESG Division and managers across the business, to help them understand not only why but also how to integrate ESG into business and explore solutions from an ESG perspective.

Eleven sessions have been held to date, attended by a total of 52 managers from AEMEA's Consumer Care and Salon businesses and ESG leaders from Asia. In a post-session survey, one participant commented, “I enjoyed getting the ESG division's Dave's insights and perspectives in person.” “I also liked the small group sessions where everyone was able to ask questions and participate together.” Almost all respondents were

“satisfied” with the session and highly appreciated the opportunity.

In future, we plan to expand this project to the Asian region, including Japan, and into the Chemical business.



ESG Coffee Chat with the Senior Vice President of the ESG Division

# Governance

## Employees' opinions

### ESG and Kao's creation of a sustainable world



#### Susawee Ondam

Kao Industrial (Thailand)

In the new era, making profits is not the only way to build sustainable growth of the company. Building relationships and a sustainable society becomes the new crucial part to be built into business strategies. When the consumers recognize our intention of delivering sustainable happiness of people and the planet, this goodwill will benefit the company and will help to remind them every day and every time they use our products. However, to make it happen Kao Thailand puts an effort into implementing ESG's actions internally to deliver the happiness externally through many activities.

Building ESG society within Kao Thailand, starting with giving knowledge, building their understanding of the definition of the Kirei Lifestyle Plan through in-house training that aligns with Kao Corporation's

ESG Strategy, communicating ESG activities through our own internal channels such as the ESG newsletter and Kao Journal to engage employees with our purpose and realize that they are not additional tasks. Lastly, we demonstrate through activities such as collaboration projects to prevent the spread of dengue fever in Thailand, promoting collection and segregation of plastic waste to be a profitable activity and encouraging people in communities surrounding our factory to appreciate the value of waste. All of these exhibits our purpose and commitment to realizing a Kirei Lifestyle, and that we have to take little but steady steps to earn successful outcomes. To be a part of sustainable society creation for Thai society and Kao, is what we are really proud of.



# Risk Management GRI 3-3

We are reinforcing our risk and opportunity management to ensure risk mitigation and opportunity creation under flexible and resilient ESG governance.

## Risk and opportunity management at Kao

Risk management involves the Risk & Crisis Management Committee regularly monitoring the importance of the risks. Among these, risks that have a particularly large impact on management and require a stronger response are designated as Corporate Risks. For those, risk themes and risk owners are selected by the Management Board, and progress is managed by the Risk & Crisis Management Committee. Each organization takes the lead in addressing risks that can be managed by individual divisions and group companies. In terms of opportunity management, we have established a structure that integrates and manages themes for the entire company to set priorities and promote ESG investments, which is connected to strategic business development.

### Risk management

The Risk & Crisis Management Committee establishes risk and crisis management systems and activity policies based on the Kao Risk and Crisis Management Policy. This is done by each division and group company to identify and assess risks in accordance with activity policies set by the Risk & Crisis Management Committee, and form and implement countermeasures.

The Risk & Crisis Management Committee, together with the Management Board, has selected the 15 main risks of particular importance that could negatively affect impact on sustainable and profitable development, as well as our contributions to the sustainability of the world. Among these main risks, we

have defined corporate risks as those that have a particularly large impact on management and require a stronger response. With respect to corporate risks, once a year the Management Board revises the risk themes and risk owners responsible for addressing them (Executive Officers) based on internal and external risk analysis as well as interviews with management, and the Risk & Crisis Management Committee manages the progress.

**P276** Risk and Crisis Management

### Opportunity management

In 2019, each division proposed a theme for opportunity, from which 20 key themes were identified and set after deliberations by the ESG Committee (at the time). Based on these themes, the divisions in charge incorporate them into their activities and are working on them. The ESG Promotion Meeting and the ESG Managing Committee manage those key themes in an integrated manner throughout the company and verify the progress of activities.

The ESG Steering Committees, which have jurisdiction over each of the themes for which they are responsible, play a central role in the prompt creation and materialization of opportunities in the business.

In particular, the key to integrating ESG into business activities is to make prompt and accurate decisions regarding investments and costs. As such, Kao has clarified the criteria for ESG investment as well as the deliberation and approval process at the ESG Managing Committee in order to activate proposals from each division and make accurate investment decisions. Through these efforts, we are working to

ensure that ESG activities create opportunities and contribute to our business.

# 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	
<b>Making my everyday more beautiful</b>								
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 <sup>15</sup>	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%) <sup>12</sup>	(53%) <sup>12</sup>	98%	99%	100%	2030	10, 12, 17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	—	31%	56%	100% <sup>14</sup>	100%	2030	3, 12, 14, 17
<b>Making thoughtful choices for society</b>								
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 <sup>15,17</sup>	9.4 million <sup>15,17</sup>	11.0 million <sup>15,17</sup>	13.0 million <sup>17</sup>	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

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# Metrics and Targets GRI 2-4

Kao Actions	Indicator	Results				Mid- to long-term targets		SDGs
		2019	2020	2021	2022	Target value	Year	
<b>Making the world healthier &amp; cleaner</b>								
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 <sup>7</sup> , Forest (Palm Oil) A <sup>7</sup>	CDP Climate Change A, Water A, Forest (Timber) A <sup>7</sup> , 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 <sub>2</sub> emissions (Base year: 2017)	4%	4%	4%	6%	22%	2030	7, 12, 13, 17
	% reduction in absolute scope 1 + 2 CO <sub>2</sub> emissions (Base year: 2017)	9%	15%	20%	26%	28%	2025	
						55%	2030	
	% of renewable energy in electricity consumption	22% <sup>8</sup>	29% <sup>8</sup>	40% <sup>8</sup>	49%	100%	2030	
Zero waste	Quantity of fossil-based plastics used in packaging	—	—	91 thousand tons <sup>6</sup>	88 thousand tons <sup>9</sup>	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 <sup>7</sup> , ratio of waste that cannot be recycled <sup>8</sup> 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 <sup>3</sup>	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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# Metrics and Targets

GRI 2-4, 2-27

Kao Actions	Indicator	Results				Mid- to long-term targets		SDGs
		2019	2020	2021	2022	Target value	Year	
<b>Walking the right path</b>								
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 <sup>1</sup>	

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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.

# Metrics and Targets

## 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.

**P158** Making the World Healthier & Cleaner > Environmental Accounting

## 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 CO<sub>2</sub> 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<sup>®</sup> 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 <sub>2</sub> emissions (absolute emissions)	Lifecycle CO <sub>2</sub> 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>

# Realization of the Kao Way

The Kao Way embodies our corporate philosophy and is the foundation for our business activities.

As our cornerstone, the Kao Way provides consistency to group activities from the formulation of mid- to long-term business plans to each business decision that is made every day. Accordingly, it acts as a guiding principle for all of our members, bringing together the growth of our company and that of our individual members. As such, it is an essential element in making the work we do more rewarding and instilling a sense of purpose in all of us. Kao employees share the Kao Way not as a manual or set of rules but as a foundation from which we are able to determine both the meaning of our work and the concerns we share.

In July 2021, the Kao Way was substantially updated for the first time since it was established in 2004.

In 2022, various activities were undertaken to roll out the updated content throughout the company.

## Social issues

Environmental issues are intensifying day by day. We have contributed to improving people's daily lives by offering household and chemical products, but production of goods requires large amounts of substances and energy, and large amounts of waste are also created in the processes of production, distribution, sale and consumption. There is a pressing need to shift our manufacturing from an approach driven by consumption to one where resources are circulated.

In addition, to realize the mission set forth in the Kao Way, to provide care and enrichment for the life of all people and the planet, we must also consider solutions to social issues, such as aging, pandemics and respect for diversity, as well as environmental issues.

## Policies

It is important that employees not only understand the Kao Way, but that they can apply it as the basis for their actions in day-to-day tasks.

In 2021, the Kao Way was substantially updated for the first time since it was established. Without changing the core spirit of the Kao Way, the updated Kao Way emphasizes the three elements to respond to the changes in the wider society; caring for people and the planet, diversity and inclusion, and making bolder moves. To achieve what we aim to by 2030, we will conduct various activities to spread the updated Kao Way throughout the Kao Group.

## Strategy

### Risks and opportunities

#### Risks

Kao aims to become a company with a global presence, valuable to society by 2030.

This is an ambitious goal that is impossible to achieve without all of our diverse employees around the world sharing the same philosophy and working together as one team based on trust. In other words, it will be exceedingly difficult to achieve our goal without the Kao Way serving as the shared language of all Kao employees.



The Kao Way (corporate philosophy)  
<https://www.kao.com/global/en/corporate/purpose/kaoway/>

## Opportunities

A range of social issues have gained broad recognition, and in addition to their economic activities, companies are being called on to make responsible contributions as members of society. To achieve our goal of becoming a company with a global presence, valuable to society by 2030, we must be able to take action on this point.

The Kao Way also shows us how to be a positively-contributing member of society. The Kao Way is the shared philosophy of employees around the world, and as such, the trend in society of expecting companies to make positive contributions to society represents an excellent opportunity for Kao.

## Strategy

By continuing the Kao Way communication activities, we aim to ensure that all Kao employees share the same philosophy, and that our daily activities are based on the Kao Way.

The Kao Way consists of the essence extracted from Kao's history since the founding, and we believe that its succession is important for Kao to continue to exist and remain relevant to society for the next 100 years.

In the long term, we will focus on passing on the spirit and DNA of Kao that we have cherished since our founding to next generations.

To this end, in the short term, we will communicate the content of the Kao Way, which was updated in

# Realization of the Kao Way

2021, to all employees and promote understanding of the areas particularly emphasized in the update.

## Social impact

Since our founding, we have always worked with the belief of doing everything in our power to make society and people’s daily lives better. Put another way, we have consistently made efforts to provide solutions to the social issues that existed at the time. This spirit is also evident in the Kao Way.

Kao products are used by large numbers of people all over the world. We believe that products and corporate activities provided by employees who share the Kao Way and work together as one will help solve various ESG issues, including environmental issues, and lead to the realization of a Kirei Life for all people and the planet.

On the other hand, if the Kao Way is not shared by employees, resolution of social issues will be delayed. We believe that unless we work together as one team, we will not be able to make significant changes in society.

## Business impact

The more the Kao Way becomes widespread throughout the company, the higher the likelihood that the K25 numerical targets will also be achieved, because we can anticipate that employees will display initiative in taking action aligned with our strategy.

## Governance

### Framework

The Kao Way Team at the Head Office exists within Corporate Strategy. This team has the following functions and leads global activities to communicate the Kao Way:

- Deciding the policy for the Kao Way communication activities
- Proposing the standard education program
- Providing communication tools
- Reporting on the progress and results of the Kao Way communication activities to top management
- Overseeing the Kao Way

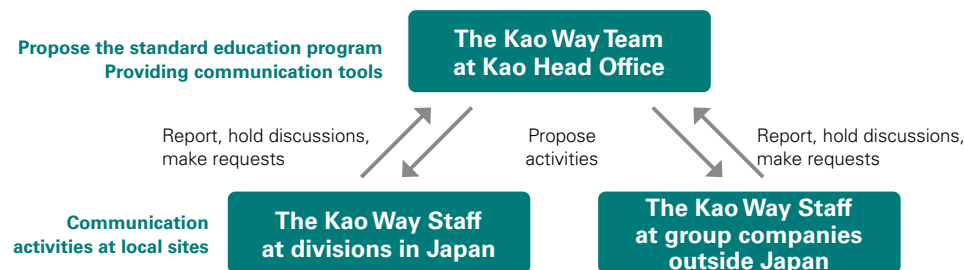
The Kao Way Team supports the Kao Way staff by maintaining close communication, receiving reports and providing advice. The Kao Way communication activities are reported to the supervising executive officer and the president at regular (approximately twice a year) briefing sessions held by the head of Corporate Strategy or above.

The Kao Way team at the Head Office provides standardized education programs and communication tools for the Kao Way staff in all divisions inside Japan and at group companies outside Japan.

The Kao Way staff create the most appropriate program for their organization and implement the education.

Basically, the Kao Way team at the Head Office proposes the framework of activities on a global basis, and the Kao Way staff have the role of embodying these ideas to fit the local situation. We then collaborate through mutual reporting and consultation.

**P18** Our ESG Vision and Strategy > Governance





# Realization of the Kao Way GRI 404-2

## Education and promotion

The Kao Way communication activities have been conducted on a continual basis since the Kao Way was established in 2004.

We have conducted communication programs primarily focused on dialogue for all Kao employees for the purpose of having the Kao Way be understood, supported and reflected in employees' actions. In particular, at the many group companies outside Japan where employees have worked for Kao for a relatively short time, the Kao Way communication activities are constantly conducted for the purpose of fostering a feeling of unity.

As the Kao Way was updated in 2021, the Kao Head Office is once again encouraging group companies to strengthen the Kao Way communication activities.

The Kao Way Team at the Head Office provides a standard education program and communication tools (documents, videos and other materials). As the level of understanding of the Kao Way and organizational issues vary among group companies and divisions, staff in charge of the Kao Way communication lead development and implementation of the communication activities considering the appropriate contents for each organization.

## Collaboration with stakeholders

### Collaboration with the Kao Way staff

We decided to hold new Kao Way Meetings on a regular basis starting in 2022 to share information with the Kao Way staff at group companies outside Japan. By sharing and learning from examples of how the Kao Way communication activities are carried out in other organizations, we hope to further promote the communication of the Kao Way. At the Kao Way Meeting, we set aside time for a question-and-answer

session to exchange opinions. Another initiative for two-way communication is that after the meeting, we distribute a questionnaire asking participants about their impressions of the meeting and for their requests to the Kao Way Team.

## Risk management

Kao aims to become a company with a global presence, valuable to society by 2030, but if the Kao Way, our corporate philosophy, does not permeate the entire Kao Group, there is a risk that we will be late in achieving this goal. To ensure this does not happen, we regularly check with the management of each group company through the annual Japanese version of the Sarbanes-Oxley Act (J-SOX) questionnaire to see if they are carrying out activities to promote the Kao Way. If the results of the questionnaire indicate that there are areas where the Kao Way is not being promoted sufficiently, we follow up by approaching the management of that company directly.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

Communication activities for the updated Kao Way are conducted in all group companies and divisions.

#### 2022 results

We continue to implement the Kao Way communication activities.

- We conducted a communication activity on the Kao Way for employees new to the organization: 41/42 organizations

The cumulative results of activities since the update of the Kao Way in July 2021 are as follows:

- We conducted a communication activity consisting of a lecture or video for employees: 42/42 organizations
- We carried out a dialogue-based communication activity for employees: 26/42 organizations

#### Reviews of 2022 results

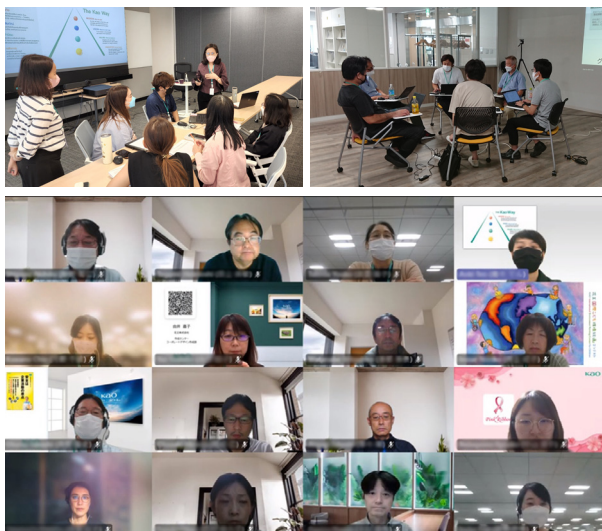
The Kao Way communication activities are progressing well. We are using online workshops and other means to promote dialogue about the Kao Way.

# Realization of the Kao Way GRI 404-2

## Main initiatives

### Implementation of the Kao Way workshops

Following the update of the Kao Way in July 2021, we conducted the Kao Way workshops within and outside Japan in 2022. Each employee read the full text of the Kao Way and discussed what resonated with them. Inspired by this dialogue, each employee shared with their peers their goals for what they would like to do at Kao. Through these workshops, we aim to personalize the Kao Way and to embody it in our daily work.



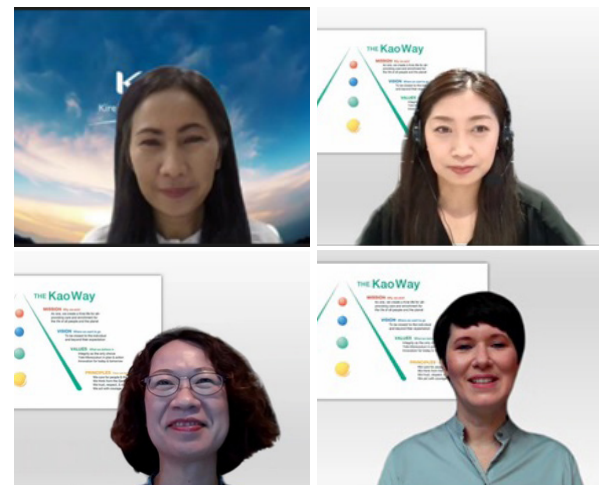
### Kao Group New Employee Welcome Day in Japan

In April 2022, we provided the Kao Way training to 118 new Kao Group employees in Japan. By explaining the history of Kao, and the meaning of the words in the Kao Way, we communicated to new employees that the Kao Way is a philosophy created by extracting the spirit of Kao since our founding.



### Start of Global Kao Way Meetings

Online meetings were held for the Kao Way staff outside Japan to share information on Kao Way communication activities. At the first meeting in August 2022, EMEA and Thailand shared examples of their activities related to the Kao Way, and 48 Kao Way staff from each country participated. In the second meeting in December, the Kao Way staff from the U.S. and Taiwan shared their cases, with 21 people participating. The purpose of the Kao Way Meeting is to further promote the Kao Way communication by learning what kind of activities are being conducted in other countries and organizations, as well as to strengthen the network among the Kao Way staff.



# Realization of the Kao Way

## Employees' opinions

### Maximizing the power and potential of employees through the Kao Way communication activities



#### Yumi Sugihara

Corporate Culture,  
Top Management Support,  
Corporate Strategy,  
Kao Corporation

We promote the implementation of the Kao Way workshops within and outside Japan. During the workshops in Japan, participants discuss what they thought after reading the Kao Way and share with their peers what they want to accomplish at Kao. Using the Kao Way as a starting point, many employees shared their own dreams and goals, and through active dialogue, considered what changes and challenges that would be necessary to realize them.

We will continue to promote the Kao Way to become a common global language for the Kao Group and to support the growth of both Kao and each and every employee.

# Making My Everyday More Beautiful

Page	Kao Action	Activity Highlights for 2022	Key Themes	Page
P 45	<b>Improved quality of life</b>	Through developing repellent technologies and industry-government-academia collaboration, we have been promoting initiatives to protect future lives from dengue fever, which is an infectious disease transmitted by mosquitoes.	Pandemic prevention initiatives	P 48
		We have publicly released our web accessibility policies, promoted activities, and have started providing educational materials geared toward schools for the blind to raise awareness about handwashing. We also made efforts to ensure the availability of sanitary napkins in workplaces and promote the Pink Ribbon Campaign.	Supporting comfortable lifestyles for diverse people	P 48
		We propose health care solutions and promote activities that encourage seniors to get out and about out, along with health promotion and awareness-raising activities.	Activities to extend healthy life expectancies	P 50
P 51	<b>Habits for cleanliness, beauty &amp; health</b>	We are expanding our provision of handwashing materials beyond elementary schools and schools for the deaf to schools for the blind, giving materials to 70% of the nation's schools for the blind in 2022.	Expansion of the Hygiene Program for Nurturing the Next Generation	P 54
		We offered a new environmental program for elementary school students. In 2022, this program was provided to more than 500 schools.	Expansion of the Environment Program for Nurturing the Next Generation	P 55
		Kao and WOTA will promote co-creation by utilizing their technologies, knowledge, and expertise related to water and hygiene to realize a sustainable, small-scale, decentralized water-recycling society.	Business alliance between Kao and WOTA in the fields of water and hygiene	P 55
		We provided support and awareness-raising activities in regard to handwashing, hand sanitizing, and personal hygiene on occasions such as the Fuji Rock Festival music event and various sporting events including the Tokyo Marathon.	Support for handwashing and hand sanitizing at various events	P 56
P 58	<b>Universal product design</b>	Number of new and improved products in Japan that incorporate the UD perspective*: 567 items or 99%. As we constantly review our products, we are introducing a change in the packaging of <i>Attack ZERO</i> . * See note on p. 61	Product development from universal design (UD) perspectives	P 61
		Information on <i>Curél</i> Skincare for Everyone is created and published.	Providing new information from a UD perspective	P 63
		We are engaged in activities that support the lives of cancer patients.	Activities for people outside the company from a UD perspective	P 64
P 65	<b>Safer healthier products</b>	Regarding ingredients of particular interest to society, we disclose our policy with safety information based on scientific evidence. We have made another eight ingredients available in 2022. Eighteen ingredients were released in total against the 18 ingredients set as KPIs (100% publicly traded).	Safe and secure ingredient use and information disclosure	P 67
		We are collaborating with industry associations to compile scientific research related to human health and the environment, and to examine measures for them.	Industry activities	P 68
		We strive for adequate communication with consumers and customers, business partners, etc. When we receive inquiries regarding our use of ingredients or their safety, we provide sufficient information quickly.	Communication	P 68

# Improved Quality of Life

Help people to enjoy more beautiful lives through our products, services and communications.

## Social issues

The effects of global warming and increased UV rays can harm the human body, as seen with heatstroke and skin trouble caused by UV rays.

Infectious diseases arising from increases in the global flow of people, as well as viruses, bacteria, protozoa and other sources, are also becoming a more immediate threat.



**Cool Choice: Current State of Global Warming via the Ministry of the Environment**  
<http://ondankataisaku.env.go.jp/coolchoice/ondanka/> (Japanese)  
**Changes in UV Rays Over Time via the Japan Meteorological Agency**  
[https://www.data.jma.go.jp/gmd/env/uvhp/diag\\_cie.html](https://www.data.jma.go.jp/gmd/env/uvhp/diag_cie.html) (Japanese)

While progress has been made in terms of enhancing women's participation in society, unfairness in the division of labor within the home, and a lack of understanding of the difficulties that women face on the part of both their families and their workplaces, have led to an increased physical burden on women and an increase in the level of stress that they experience.

The increasingly borderless flow of information has shown that all of the world's diverse peoples have the right to live safe and comfortable lives in their own unique way, and it is becoming more important than ever before to have a perspective based on diversity, equity and inclusion (DE&I). For this reason, companies are also being called on to provide products and services that meet a diverse range of needs.

In addition, amid rapidly aging populations, the number of people living with illness is rising, leading to increased economic pressure due to medical and nursing care expenses and a decline in the quality of life of both the elderly and those who support them.



**Cabinet Office: Trends in Global Population Aging**  
[https://www8.cao.go.jp/kourei/whitepaper/w-2020/html/zenbun/s1\\_1\\_2.html](https://www8.cao.go.jp/kourei/whitepaper/w-2020/html/zenbun/s1_1_2.html) (Japanese)

## Policies

To promote actions that support "Making my everyday more beautiful," which is a pillar of the Kirei Lifestyle Plan (KLP), we are working to ensure more people experience greater cleanliness, easier aging, better health, and confidence in self-expression.

To this end, through our wide range of product categories and many leading brands, we will utilize our knowledge and unique technologies across categories to promote products, services, and awareness-raising activities in cooperation with national and local governments, research institutions and other companies.

## Strategy

### Risks and opportunities

#### Risks

If we do not meet global demand for products and services that meet diverse needs, we will not be chosen by consumers or retailers. In the long term, our corporate image and brand value may decline if we are perceived as a company that does not focus on improving the lives of a diverse range of people. Moreover, as population aging advances, the number of people using our brands will decrease if we do not take accessibility and usability for senior citizens into account in our products and services.

### Opportunities

- Increased global hygiene needs
- Greater need for measures to counter UV rays and heatstroke due to climate change
- Various needs due to diversity
- Health promotion needs

### Strategy

To improve the quality of life, we bring products to customers through many leading brands, and our numerous technologies, insights and services enable us to do this more effectively. In addition, by leveraging these assets and integrated capabilities, we can further evolve and spread our products and services through cross-collaboration with other companies, research institutions, public bodies and local governments that share our aspirations.

### Social impact

#### Impacts and responsibilities

While maintaining many leading brands for a variety of needs in the fields of consumer cleanliness, beauty and health, our mission is to develop products, provide information and engage in awareness-raising activities through leveraging our unique technologies and insights. We also recognize that Kao has a considerable impact on society because our products are used by many people.

However, if we fail to strive hard enough, the quality of life of our diverse consumers will not improve, and the industries we operate in may also suffer.

# Improved Quality of Life GRI 3-3, 404-2

## Contributions to the SDGs



## Business impact

Through providing products that contribute to a comfortable, beautiful, healthy life and touch the hearts of people, we can encourage greater loyalty to Kao products, and enhance our brand value, profitability and market competitiveness.

In particular, by utilizing new technologies to lead the way in measures to prevent the spread of infectious diseases in emerging countries, we can increase loyalty among users toward our company and products in the hygiene category in those countries.

Furthermore, we can leverage the unique skincare technologies we have refined over many years to counter the effects of UV rays caused by climate change and heatstroke from global warming. In addition, we can provide solutions for population aging through our original, high-precision monitoring technology and a wide range of existing Kao Group technologies.

We believe that by developing products that meet diverse needs and improving accessibility, we can increase the number of users, provide greater accessibility and usability for many people, and thereby increase loyalty toward our company and brands.

## Governance

### Framework

Risk management in relation to improving the quality of life is carried out by the Internal Control Committee, and opportunity management is conducted by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management related to improving the quality of life is conducted by the Internal Control Committee (twice a year) and its subordinate unit, the Risk & Crisis Management Committee (four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

Opportunity management relating to improving the quality of life is handled by the ESG Managing Committee, which meets six times a year. Comprising

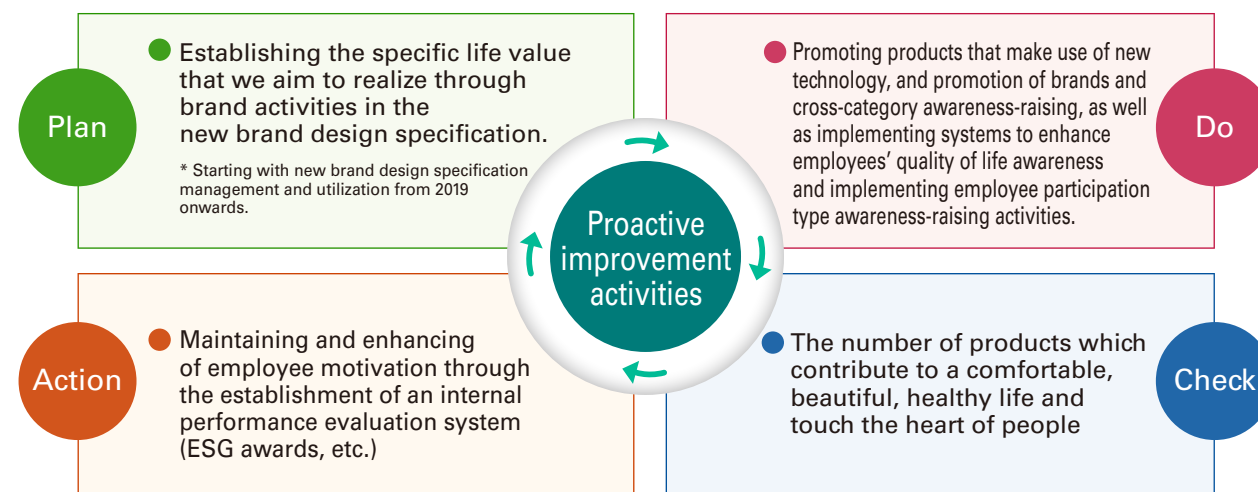
outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

With the implementation of a PDCA (Plan, Do, Check, and Act) cycle that includes proposing products that use new technology, collaboration between employees, consumers and other stakeholders, the wide-ranging information provision both within and outside the company, and obtaining evaluations from third-party organizations, etc., we are constantly reviewing our activity themes and working to expand them.

### PDCA cycle aimed at improving the quality of life



# Improved Quality of Life GRI 3-3

## Collaboration with stakeholders

Consumers are the most important stakeholders in our business activities. To gain full benefit from our many products that improve quality of life, consumers must use them correctly as part of their daily routine. Since we have numerous products that can only address public hygiene if used by everyone rather just individuals, it is important that we work together with large numbers of consumers.

In addition, because our business domains and resources are limited, we can make our technology more effective and apply it in a wider range of applications by collaborating with research institutions and companies in fields outside our business domains. If this approach becomes the industry standard, convenience for consumers will grow.

## Risk management

**P33** Our ESG Vision and Strategy > Risk Management

## Risk assessment

We quickly monitor consumer feedback received at the Consumer Communication Center, promptly share it with relevant departments, and evaluate trends and tendencies through monthly and annual reports.

## Reputational risks

We are working to reinforce our social media monitoring system, continuously strengthen internal education, and revise guidelines and the like regarding social media.

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### 2030 long-term targets

- The number of products which contribute to a comfortable, beautiful, healthy life and touch the hearts of people  
Target for 2030: 7 billion products
- Increase the number of new products that help to enhance quality of life
- Collaborate with research institutions, public bodies, and government agencies to improve quality of life
- Increase initiatives with local governments and other companies

#### 2022 results

- The number of products which contribute to a comfortable, beautiful, healthy life and touch the hearts of people  
2022 results: 4.4 billion items

## Reviews of 2022 results

The quantity was equivalent to that of the previous year.

Even within a challenging market environment due to city-wide lockdowns and the downturn of markets in China along with global inflation, the sanitary napkin brand *Laurier*, which provides ongoing education on menstrual hygiene in Asia and Japan, continued to have strong sales. Seasonal products, such as UV care products that provide awareness-raising activities in the intense heat of Japan's summer, also contributed to sales. For cosmetics, global strategic brands such as *KANEBO* and *KATE* also contributed to sales. There was also a strong response to our insect repellent products launched in Thailand.

# Improved Quality of Life

## Main initiatives

### Saving future lives from dengue fever, an infectious disease spread by mosquitoes

#### GUARD OUR FUTURE

In Southeast Asia, dengue fever, an infectious disease spread by mosquito bites, is a social issue that threatens the lives of people, particularly children.

Kao has therefore developed a new repellent technology that alters the skin's surface to give it properties that mosquitoes dislike, thereby preventing them from staying on the skin. In addition to setting up a system to deliver this technology to those who need it, we have launched initiatives to reduce the harm caused by dengue fever, initially in Thailand, in collaboration with industry, government, and academia.

We hope that freedom from mosquito bites will become the norm for everyone.

Kao is promoting these initiatives to protect future lives from dengue fever under our GUARD OUR FUTURE project.



Saving Future Lives from Dengue Fever, an Infectious Disease Spread by Mosquitoes

<https://www.kao.com/global/en/newsroom/stories/dengue/>



Project product: *Bioré GUARD Mos Block Serum*  
Launched in Thailand in June 2022 (\*not scheduled for launch in Japan)

### Freedom from water stress

#### Partnership with WOTA Corporation

Emerging countries are facing serious challenges in accessing safe water, a precondition for enacting hygiene measures. In developed countries, too, access to safe water often becomes problematic during disasters. It has also been pointed out that Japan is encountering cost issues for water purification systems, especially in depopulated areas.

For this reason, Kao has partnered with WOTA Corporation ("WOTA") to accelerate the social implementation of WOTA's autonomous water reuse system. Through doing so, we will engage in co-creation that leverages our respective technologies and expertise in the spheres of water and hygiene.

We will promote initiatives that include hygiene measures and the prevention of infectious disease in regions suffering from severe water shortages, support for disasters, and the reuse of domestic wastewater in a decentralized model.

While Kao has communicated the importance of maintaining personal hygiene and hygiene in the surrounding environment in Indonesia since 2016, we have more recently collaborated with the Indonesian Ministry of Health to conduct an educational program to shine light on the importance of hygiene and health.



Children using the WOSH water reuse handwashing stand at an elementary school in Indonesia

The program has been conducted across eight cities and 50 schools for over 6,000 people including children, parents and other school community members. We have also installed WOTA's WOSH water reuse handwashing stand in four schools.

### Web Accessibility Policy disclosure

The Kao Group is committed to ensuring that its websites are accessible and can be used easily by everyone, with the goal of people-friendly communication.

To meet our 2025 target of ensuring that all of the Kao Group's websites meet WCAG 2.1 Level AA quality standards, in FY2022, we conducted in-house education to employees on the importance of web accessibility and how to address it, and started to develop our websites in accordance with the Kao Web Accessibility Guidelines.



Web Accessibility Policy

<https://www.kao.com/global/en/web-accessibility/policy/>

As part of these efforts, in FY2022, we created an accessibility-oriented video to ensure that everyone can easily understand how to use our Curél products. By simply watching and listening to the video's instructions, users can perform effective skin care. Through the video, titled "Skin Care for Everyone," we hope that more people will be able to enjoy skin care as part of their daily routine.



Accessibility-oriented video "Skin Care for Everyone"

Available on the official website of *Curél* products for dry, sensitive skin

<https://www.kao.com/jp/newsroom/news/release/2022/20221125-001/>  
(Japanese)



# Improved Quality of Life

## Hygiene Practice Program: Let's All Wash Our Hands Together! For Schools for the Blind

In 2021, we created educational materials as a part of our new hygiene practices program, Let's All Wash Our Hands Together!, so that children could learn how to wash their hands properly in a fun way and acquire good hygiene habits. The materials have been utilized in 54% of Japan's elementary schools (around 10,000 schools). Similarly, in our hopes that children with hearing impairments would also learn good hygiene practices, we developed educational materials titled Let's All Wash Our Hands Together! For Schools for the Deaf in the autumn of 2021. These materials have been used at 63% of Japan's schools for the deaf.

In FY2022, we created educational materials for schools for the blind. In creating the educational materials, we incorporated the opinions of many teachers at such schools for the blind to devise ways to have children with visual impairments enjoy learning how to wash their hands thoroughly.



[Let's All Wash Our Hands Together! For Schools for the Blind \(A new hygiene practices program\)](https://www.kao.com/jp/education/next-generation/handwash_visually/)  
[https://www.kao.com/jp/education/next-generation/handwash\\_visually/](https://www.kao.com/jp/education/next-generation/handwash_visually/) (Japanese)

## Laurier in the Workplace initiative for ensuring the availability of sanitary napkins in the workplace

We have received many comments from women expressing that it can be difficult when menstruation begins suddenly during work and before meetings, or that there is not enough time to leave work to buy sanitary napkins.

Making sanitary napkins available in the workplace like toilet paper reduces one anxiety women face, and enables them to carry out their work with peace of mind.

To create a society where women can express themselves and act freely, we will build a positive cycle that ensures both working women and companies can support each other. We have already implemented the initiative at companies that have endorsed it.



Sanitary napkin box in a restroom

[Laurier in the Workplace](https://www.kao.co.jp/laurier/project/shokuba/)  
<https://www.kao.co.jp/laurier/project/shokuba/> (Japanese)

## Kao Group Pink Ribbon Campaign 2022



### Project for Cancer Education by Pink Ribbon Advisors

Kao supports the Project for Cancer Education by Pink Ribbon Advisors, which was launched by the Japan Society of Breast Health, a certified specified non-profit organization, with the aim of protecting the precious lives of people both with and without cancer and realizing a society that enables confidence in self-expression.

### Donation activities through products

Activities conducted in 2022 include donating a portion of the revenue from selected product sales of the cosmetics brand KANEBO to the cancer education project. Through this ongoing initiative since 2013, we set a product for the campaign each year and support public education activities about breast cancer. Furthermore, the sanitary napkin brand Laurier has launched a campaign to support women's health along with a retweet campaign through the brand's Twitter account, in which the brand makes donations according to retweeted results. In addition to the cancer education project, these donations also went to support activities to raise awareness about cervical cancer.

# Improved Quality of Life

## Product Development

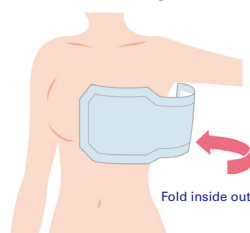
The *Healia Deodorant Pad*, which was jointly developed with Juntendo University in 2019, helps to reduce wound odors due to its outstanding odor removal properties and soft cushioning that makes application comfortable and secure.

 *Healia Deodorant Pad*  
<https://pro.kao.com/jp/brand/healia/> (Japanese)



### Example of use

<For chest region>




## Utilizing the Virtual Human Body Generative Model to propose optimal health care solutions

As each individual consumer has their own unique health condition, a diverse range of effective health care solutions exist for extending healthy life expectancies.

Under a new collaboration, Kao's Virtual Human Body Generative Model\*<sup>1</sup>, developed with the cooperation of Preferred Networks, Inc., will be combined with NTT DOCOMO Inc.'s "d Healthcare"<sup>®\*\*2</sup> and other digital technologies to create optimal healthcare solutions for each individual customer by estimating their state of health.

\*1 Kao and Preferred Networks, Inc. have developed a new system that can estimate various data about health and lifestyle from certain data about the body, etc. For example, from the number of steps taken and body weight, it is possible to estimate values for items such as triglycerides and LDL cholesterol that would normally be measured during a health checkup.

\*2 The "d Healthcare" health management and promotion application for smartphones provided by NTT DOCOMO Inc. records data such as the number of steps walked, weight, blood pressure and body temperature, allowing users to track daily changes on a graph or calendar. Users also have access to free content that can help them enjoy acquiring healthy habits. Users of the paid version of the app can also take advantage of online health advice, enabling them to consult a doctor about a variety of health concerns via 24-hour online chat.

 Kao and PFN Co-Develop Virtual Human Body Generative Model  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220228-001/>

d Healthcare  
<https://health.docomo.ne.jp> (Japanese)

## Awareness-raising initiatives to prevent frailty

We are communicating the value of our products and raising awareness of walking at health centers in areas where senior citizens abound. As part of these efforts, we are distributing the *Odekake Support Book*, which aims to increase understanding about health and the importance of going out.

We conduct lectures that explain how to walk effectively, and also introduce our *Relief* adult incontinence products to actively support senior citizens who are hesitant about leaving home due to incontinence concerns.

In addition to introducing the prevention and awareness-raising activities we are carrying out with local governments, we are also utilizing the Kao Group's extensive sales network to hold seminars at facilities

such as community comprehensive support centers, public halls and senior day care centers.



# Habits for Cleanliness, Beauty & Health

Inspire and enable people to develop better habits for cleanliness, beauty and health through our products, services and communications.

## Social issues

Global warming	<ul style="list-style-type: none"> <li>• Skin damage caused by ultraviolet rays</li> <li>• Increased incidence of heatstroke</li> </ul>
Changes in the hygiene environment	<ul style="list-style-type: none"> <li>• Increased spread of infectious diseases</li> <li>• Growing disparities between regions in terms of public sanitation and hygiene practices</li> </ul>
Obstacles to women's empowerment	<ul style="list-style-type: none"> <li>• Physical and mental discomfort accompanying the body's growth and development, aging, and lifestyle changes</li> </ul>
Inadequate response to the diversification of society	<ul style="list-style-type: none"> <li>• Consumers not able to enjoy equitable access to the benefits of products and services</li> <li>• Inadequate accessibility</li> </ul>

With still no sign of the COVID-19 pandemic abating, people have been continuing to reaffirm the importance of maintaining good hygiene.

## Policies

At a time when people's lifestyles and values are changing, in addition to delivering cleaning and hygiene products that can help consumers live with peace of mind and enjoy a vibrant life, we also promote awareness-raising activities that can enable people to continue a daily routine of hygiene practices and actions along with physical and mental care without special effort by collaborating with schools, regions, and other organizations such as corporations under the policy of Leave No One Behind. We contribute toward making it possible for consumers to realize authentic, healthy lives. In the future, we will be adopting a more proactive approach to implementing activities that aim to promote the adoption of good hygiene practices in the countries of AEMEA (the Americas, Europe, the Middle East, and Africa) and Asia.

## Strategy

### Risks and opportunities

#### Risks

Unless we address social issues such as initiatives in response to global warming, changes in the hygiene environment, obstacles to women's empowerment, and response to diversification, and if we fail to respond to changes in people's needs, it will be difficult to gain the sympathy of consumers and society. As a result, Kao's corporate value and brand value could decline, which could reduce profitability and market competitiveness. Another aspect of the pandemic is that it limits the awareness-raising activities being conducted in the *Genba*.

#### Opportunities

We see these changes and risks as opportunities, so believe it is important to promote corporate activities.

#### Strategy

To help improve people's habits for cleanliness, beauty & health, we bring products to customers through many leading brands, and our numerous technologies, insights, and services enable us to do this more effectively. In addition, by leveraging these assets and integrated capabilities, we can further evolve and spread our products and services through cross-collaboration with educational institutions, research institutions, public bodies, and local governments that share our aspirations.

### Social impact

It can be anticipated that the adoption of habits for cleanliness, beauty & health will help to improve people's quality of life, improve public hygiene, and reduce the risk of infectious diseases.

### Contributions to the SDGs



### Business impact

In Japan, where people are already in the habit of washing their hands regularly, it can be anticipated that having people learn hygiene behavior from when they are children and make it a part of people's daily routine will lead to an increase in the percentage of people and the frequency of use of hand soap, hand sanitizer, and other disinfectant products. Spreading these Japanese hygiene practices to other countries will help improve hygiene practices in the Asia region and should contribute toward a dramatic increase in demand for hygiene products.

# Habits for Cleanliness, Beauty & Health GRI 3-3, 404-2

## Governance

### Framework

Under the supervision of the Board of Directors, risk management in relation to habits for cleanliness, beauty & health is carried out by the Internal Control Committee while opportunities are managed by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to habits for cleanliness, beauty & health is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to habits for cleanliness, beauty & health. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee, and offers outside viewpoints to be reflected into management. The ESG Promotion Meeting then executes the strategies.

**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

Over the period from 2009 to 2019, as part of our efforts to encourage all Kao employees to participate in ESG activities, we visited classes at schools and provided handwashing lessons for children in the early years of elementary school. Participating employees

were able to directly communicate with consumers, including children, and this experience has been utilized in product development.

During the COVID-19 pandemic, while we were concerned that sending employees to visit schools to give lessons might exacerbate the spread of the disease, we also felt that, precisely because this was a pandemic, it was even more important than ever to instill correct hygiene habits in as many children as possible. With this in mind, starting in 2020, we began providing remote classes for preschool children, and we created and provided teaching programs whereby teachers at elementary schools, schools for the deaf, and schools for the blind could make use of teaching materials supplied by Kao in their classes. Some of the educational materials used at schools for the blind were created by our many employee volunteers. For employees, these activities promote an understanding of ESG activities and foster a sense of participation.

### Collaboration with stakeholders

By providing programs tailored to the changes affecting society, we implement activities for nurturing the next generation that help to develop children's life skills and their ability to solve problems. In developing these programs, we collaborate with government agencies, local government authorities, schools, etc. to expand the content of the programs and enable them to be used effectively in the classroom.

## Risk management

In order to ensure that our awareness-raising activities are responsive to the needs of society, we are constantly listening to our stakeholders. We are also

reviewing our methods to achieve our targets, such as by providing educational programs with teaching materials so that our awareness-raising activities can be continued at educational sites even during a pandemic without our employees having to go there.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### 2030 long-term targets

- Cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty and health using Kao products and services  
Target for 2030: 0.1 billion people

Within Japan, we will be focusing on providing teaching materials that teachers can use themselves at school, while combining this with visiting classes, including classes provided remotely, and we will be approaching even more educational institutions, with the aim of establishing good hygiene practices in both preschool-age children and young schoolchildren. We will also be working to disseminate accurate information and expand the scope of hygiene awareness-raising activities in the Asia region and in AEMEA (the Americas, Europe, the Middle East, and Africa) in a similar way to that used in Japan.

#### 2022 results

63 million people

# Habits for Cleanliness, Beauty & Health

## Reviews of 2022 results

We will continue to promote awareness-raising activities through cross-sectoral collaboration with educational institutions, public organizations, and local governments. The cumulative number of people reached through awareness-raising activities is growing as planned toward the 2030 target.

# Habits for Cleanliness, Beauty & Health

## Main initiatives

### Nurturing the next generation through the provision of educational materials

We believe that safeguarding one's own hygiene status helps to safeguard that of society as a whole (in other words, the people around us). In line with this belief, we undertake activities to nurture the next generation, with the aim of cultivating children's life skills and their ability to solve problems, through the provision of educational programs tailored to the changes taking place in society.



Kao Nurturing the Next Generation  
<https://www.kao.com/jp/education/next-generation/> (Japanese)

### Hygiene Practice Program: Let's All Wash Our Hands Together! For First and Second Grade Elementary School Students

Let's All Wash Our Hands Together! is a hygiene practices program to help children in the early grades of elementary school enjoy learning the importance of handwashing and mask-wearing and acquire hygiene practices during the COVID-19 pandemic. The program was provided free of charge from April 2021. As of December 2022, out of approximately 20,000 elementary schools in Japan, more than 10,000 schools have incorporated this program. Many elementary school teachers cooperated with us in creating this program.



Let's All Wash Our Hands Together! (A new hygiene practices program)  
<https://www.kao.com/jp/education/next-generation/handwash/> (Japanese)

### Hygiene Practices Program: Let's All Wash Our Hands Together! For Schools for the Deaf

Let's All Wash Our Hands Together! For Schools for the Deaf is a hygiene practices program to help children with hearing impairments enjoy acquiring hygiene practices. The program began in September 2021, and as of December 2022, it was being used by around 60% of schools for the deaf in Japan. Many teachers from these schools cooperated with us in creating this program. The members of *Kakehashi*\*, an internal community in which Kao Group members with hearing impairments play a central role, were involved in developing this program.

\* *Kakehashi* is an internal community formed within the Kao Group in December 2020 in which employees with hearing impairments play a major role. Based on the philosophy that "By sharing everyone's concerns in a forward-looking manner, people who can't hear and people who can hear can collaborate on building a bridge to the future," *Kakehashi* undertakes both internal and external activities aimed at finding solutions to various social issues.



Let's All Wash Our Hands Together! For Schools for the Deaf (A new hygiene practices program)  
[https://www.kao.com/jp/education/next-generation/handwash\\_deaf/](https://www.kao.com/jp/education/next-generation/handwash_deaf/) (Japanese)

### Hygiene Practices Program: Let's All Wash Our Hands Together! For Schools for the Blind

We created educational materials for schools for the blind in our hopes that children with visual impairments will also acquire hygiene practices. In creating the educational materials, we incorporated the opinions of many teachers at such schools for the blind to devise ways to have children with visual impairments enjoy learning how to wash their hands thoroughly. For example, slides used in this program used inverted black and white text and simple illustrations with consideration toward children with weak eyesight.

Furthermore, we created original gloves which were provided as educational materials for handwashing instruction. These gloves allowed children to use their fingers to touch and easily detect areas that tend to be left unwashed. The educational material was created by our many employee volunteers. Employees with intellectual disabilities from our special subsidiary Kao Peony Co., Ltd.

created and wrapped message cards with Braille stickers for the children and their guardians.



Employee volunteers creating educational materials



Kao Peony employees creating and wrapping educational materials

# Habits for Cleanliness, Beauty & Health



Let's All Wash Our Hands Together! For Schools for the Blind (A new hygiene practices program)  
[https://www.kao.com/jp/education/next-generation/handwash\\_visually/](https://www.kao.com/jp/education/next-generation/handwash_visually/) (Japanese)

## Hygiene Practices Program: Keeping Your Surroundings Kirei

As the next step after the hygiene practices program Let's All Wash Our Hands Together! For First and Second Grade Elementary School Students, we offer the hygiene practices program Keeping Your Surroundings Kirei to help children understand the importance of keeping their surroundings clean. The program began in September 2021, and as of December 2022, it is being used by approximately 1,400 elementary schools (cumulative) in Japan.



Keeping Your Surroundings Kirei (A new hygiene practices program)  
<https://www.kao.com/jp/education/next-generation/personal/> (Japanese)

## Environmental Program: Zero Waste Challenge

We developed the Zero Waste Challenge program with the aim of fostering problem-solving abilities (the ability to participate in society) by enabling children to develop their own ideas toward social issues and engaging proactively through learning about innovations and efforts to reduce waste. The program has been provided since April 2022 for fourth and fifth grade elementary school students. This program was finalized with the cooperation of the elementary school affiliated with Wakayama University's Faculty of Education and under the initiative of the SDGs promotion collaboration between Wakayama City and Kao Corporation. As of December 2022, this program is being used by more than 500 elementary schools in Japan.



P364

Corporate Citizenship Activities > Kao Hygiene Development Program in Vietnam

P365

Corporate Citizenship Activities > Helping to improve menstrual hygiene

## Developing handwashing awareness in Indonesia (Collaboration with WOTA CORP)

PT Kao Indonesia installed the freestanding handwashing stand WOSH in the pedestrian zone in central Jakarta to raise awareness about handwashing during outings. At the same time, WOSH was also introduced to four schools on a trial basis to boost hygiene awareness and to demonstrate handwashing as an established practice. This was a part of the "Anak Kao" school support education program with the Indonesia Ministry of Health and Ministry of Education, to raise awareness among elementary and junior high school students about the importance of good hygiene practices.

Using the knowledge gained from these activities, we plan to do further demonstrations to propose solutions that accommodate local sanitary conditions, awareness, actual conditions, and infrastructure.



Kao and WOTA Partner in the Water and Sanitation Field  
[https://www.kao.com/global/en/newsroom/news\\_release/2022/20220310-001/](https://www.kao.com/global/en/newsroom/news_release/2022/20220310-001/)



## Developing handwashing awareness in the U.S.

Starting from March 2021, Kao USA has been rolling out a new Clean Routine for Healthy Hands program under the *MyKirei by Kao* brand to teach elementary school students in the U.S. the importance of good hygiene practices. This program was developed by modifying the new hygiene practices programs that we have deployed in Japan, and its contents are being revised to accommodate local needs as it proceeds. It aims to support teachers' efforts to provide children with handwashing guidance by using content that treats handwashing as something fun to do, rather than just something that has to be done every day.

As of December 2022, teaching materials have been provided to 14 schools, and it is anticipated that the scope of the program's implementation will be expanded in the future.

# Habits for Cleanliness, Beauty & Health

## Employees' opinions

### To deliver cleanliness to everyone around the world

#### Naoko Ishii

Personal Health Product Development,  
Health and Beauty Care  
Product Business Development,  
Kao Corporation



In 2022, the Tokyo Marathon was in jeopardy due to the COVID-19 pandemic. In this environment and with only eight months from launching a cleaning agent to the start of the marathon, our project had a chaotic beginning. We needed to discuss various aspects over and over, and collaborate with Business ESG Promotion, Research, and other related divisions. Although there were many challenges, especially from a manufacturing perspective, we received strong support from manufacturing divisions such as Supply Chain Management (SCM) and Tokyo Plant, and could complete the special hand cleaner for WOSH, the freestanding, water-reuse handwashing stand, which provides Kao's cleanliness to environments without water.

To be able to provide Kao's philosophy of cleanliness to people from various countries was an outstanding experience and a tremendous joy that I had never felt before. I participated as a disinfection volunteer at the marathon, and along with members of Business ESG Promotion, was honored to directly receive many thanks from marathon runners.

I will continue my journey and look toward further developing WOSH outside Japan, continuing to challenge myself and contributing to *Yoki-Monozukuri*.

## Employees' opinions

### Participated in the production of handwashing materials for schools for the blind

#### Ai Koide

Specialty Stores, Prestige Division,  
Customer Marketing Co., Ltd.,  
Kao Group



I was able to participate as an employee volunteer to help create educational materials for handwashing for use at schools for the blind. Although I joined the initiative casually, believing that it was something I could chip in with, I was impressed by the way these materials were created under the concept of "Leave no one behind," and as a program that enables children to have fun while learning good hygiene practices. I work as a cosmetics instructor. Through my participation in creating educational materials that allowed children with visual impairments to enjoy learning, just like those without any disabilities, the theme of my work is now focused on how to tailor communication to the different skills and mindsets of employees at our distributors.

From now on, I hope to be an instructor who can enable distributor employees to understand objectives and remain positive. I also believe it would be wonderful if more Kao employees become colleagues who can share what they felt through these initiatives created to educate the next generation.



# Habits for Cleanliness, Beauty & Health

## Stakeholder engagement



### Tomonori Terada

Principal, Saitama Prefectural Special Support School Hanawa Hokiichi Academy

The Saitama Prefectural Special Support School Hanawa Hokiichi Academy is the only special-needs school in the prefecture that focuses on education for the visually impaired. The school has a kindergarten, elementary school, junior high school, a general-course senior high school, a major-course senior high school, and a dormitory. The major-course senior high school is for students who have completed senior high school or a special-needs senior high school, and

is a vocational school where students can acquire government certification to become licensed masseurs, acupuncturists, and moxibustion practitioners. As members of society, these government-certified graduates contribute by offering treatments to heal those playing active roles in our world.

Current school education has entered a new phase ushering in educational DX, with each student having their very own information device. Without limiting ourselves to conventional textbooks, supplementary materials based on textbooks, and educational materials created by teachers, I believe that fully utilizing advanced research, corporations, NPOs, corporate CSR, and CSV to boost independent, interactive, and deep learning for children will lead to lifelong active learning. For this project, I received a proposal from Kao saying that they wanted to provide educational materials that would be easy for children with visual impairments to understand when learning about hygiene practices. We were able to create new teaching materials via the respective strengths gained through collaboration

between a school that specializes in creating educational materials to accommodate the special characteristics of its children, and a company that specializes in developing products related to hygiene. Above all else, due to Kao's efforts, these educational materials were subsequently provided to special-needs schools throughout Japan, mainly to those providing education for the visually impaired. It is of great significance for visually impaired children to have first-hand experience and learn how to improve their handwashing habits.

To create a school that works as a foundation to support the development, independence, and social participation of visually impaired children, I believe that along with the children, who are the core of these efforts, parents, local citizens, faculty, and staff also need to do their best in their respective roles, working together to push "Our School" forward. I hope Kao will continue to propose all sorts of collaborations that will enrich school education and the lives of our fellow citizens.



Saitama Prefectural Special Support School Hanawa Hokiichi Academy  
<https://mo-sb.spec.ed.jp> (Japanese)

# Universal Product Design

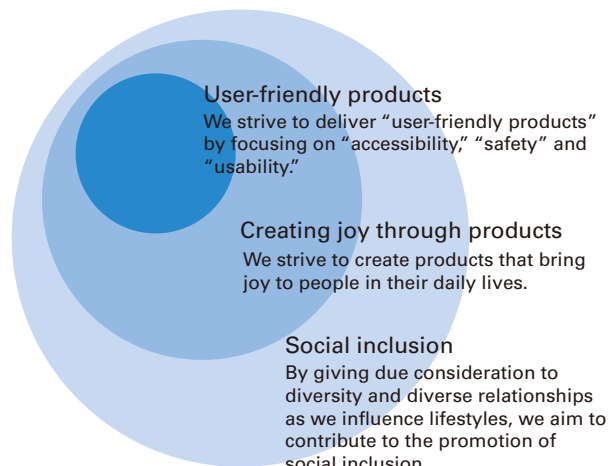
As part of Kao's Environmental, Social and Governance "ESG-driven *Yoki-Monozukuri*" in plan and action, we provide products and services based on our Universal Design Guidelines.

## Social issues

To bring about sustainable growth for society, it is important to realize a world in which all individuals are respected, and in which people can fulfil their potential in the way that suits them best. For this reason, we believe that there is a need to provide products that are easy to use for everyone, regardless of cultural background, nationality, beliefs, ethnicity, gender, identity or abilities, and to provide related information in a way that is easy to access. We also believe that it is important to provide not only functional value but also affective value through products and information for a future in which everyone can lead a healthier, cleaner and more beautiful life.

## Policies

Our purpose is to create a Kirei world for all—providing care and enrichment for the lives of all people and the planet. To this end, it is important to deliver concrete steps so no one is left behind. To achieve this goal, we believe that it is critical to apply the concept of universal design (UD) to each and every product.



### Kao Universal Design Guidelines

- User-friendly products  
We strive to deliver "user-friendly products" by focusing on "accessibility," "safety" and "usability."
- Creating joy through products  
We strive to create products that bring joy to people in their daily lives.
- Social inclusion  
By giving due consideration to diversity and diverse relationships as we influence lifestyles, we aim to contribute to the promotion of social inclusion.

We implement universal product design in accordance with the Kao Universal Design Guidelines, which were formulated in 2011. We will promote "ESG-driven *Yoki-Monozukuri*" and pursue it throughout the company, and by delivering satisfaction and inspiration to all consumers in their daily lives through the use of Kao products, we will strive to create social value through our business to enhance our corporate value.

Specific initiatives to achieve this are set forth below.

### 1. Promoting UD from the perspective of consumers at all touchpoints between consumers and products

At the development stage we verify whether UD—which encompasses simplicity, usability and safety—at all touchpoints with consumers, such as recognition, selection, purchase, use, and disposal, is taken into account. In addition to reviewing the products themselves, we constantly review information provided to consumers in response to consumer feedback after launch.

### 2. In addition to product functionality, realizing information provision and communication that leave no one behind

It is important to provide information, such as how to use a product, so that consumers will use our products in their daily lives. Over and above product functionality, we will strive for information provision and communication that leave no one behind.

# Universal Product Design GRI 3-3

## 3. Promoting UD from a global perspective

Further promotion of UD will require an approach that takes differences in culture and habits into account from a global perspective. At the same time, an approach to UD that takes diversity into account is something that is needed globally, and which will need to be updated on an ongoing basis. While responding to the need for a UD perspective in those countries and regions where there is the highest demand for it, and taking these initiatives as pioneering examples of what can be achieved, we will also be expanding the addressing of UD concerns to bring about an overall enhancement of UD on a global basis.

## Strategy

### Risks and opportunities

#### Risks

If products do not adequately take UD considerations into account, then there is a risk of improper usage by consumers, and of other safety issues. Furthermore, even products developed with safety in mind may be used improperly if easily understood information about how to use them correctly is not provided. Failure in this regard could have a negative impact on safety for consumers, and could lead to a loss of trust in our products and in the company itself. Continuing to provide products and information without considering diversity also erodes trust.

In addition, observing the Act for Eliminating Discrimination against Persons with Disabilities will shift from a moral obligation to a legal one in 2024. In other words, we will be legally obliged to consider removing social barriers to a reasonable extent if people with disabilities ask the company for some consideration.

Delays in responding to these considerations can also undermine trust.

#### Opportunities

Helping to enrich the lives of people all over the world through Kao products, and through the information we disseminate, will reinforce trust in our company as an enterprise that is vital to maintaining a sustainable society.

#### Strategy

We will add the concept of DE&I to the concept of UD, on which we currently work mainly in Japan, and deploy it globally. To this end, by 2025 we will review and conduct the same assessment in the consumer products businesses in the AEMEA (the Americas, Europe, the Middle East and Africa) as we do in Japan.

#### Social impact

We have promoted development and provision of products that anyone can use with ease under the basic concept of our consumer-focused *Yoki-Monozukuri* in plan and action. Going forward, to contribute to the universal SDG target of leaving no one behind, we will deliver satisfaction and inspiration to all the consumers we serve, and strive to enrich people's lives.

Increasing products and information without properly considering diversity has environmental impacts and makes it difficult for consumers to make the right choice.

We will create inclusive experiences with our products, taking diverse values and lifestyles into account.

## Contributions to the SDGs



### Business impact

The need to respond to the hyper-aging society and the diversification of society so that all people can live healthy lives constitute global challenges. By applying our attention to detail to provide products that are easy for diverse groups of people throughout the world to use, and to disseminate product-related information to help realize an inclusive society, we can lift our global presence, which will also lead to growth both as a brand and an enterprise.

## Governance

### Framework

Risk management in relation to universal product design is carried out by the Internal Control Committee, and opportunity management is conducted by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management related to universal product design is conducted by the Internal Control Committee (meets twice a year) and its subordinate organization, the Risk & Crisis Management Committee (meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

# Universal Product Design

GRI 2-28, 3-3, 404-2, 416-1

Opportunity management related to universal product design is conducted by the ESG Managing Committee (meets six times a year). Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

**P18** Our ESG Vision and Strategy > Governance

## Education and promotion

### Deploying a structure for UD-centered manufacturing throughout the company

A cross-business approach is vitally important for UD promotion. Each business division has appointed a UD promotion leader to collaborate with our Consumer Communication Center, which features a consultation window that deals directly with consumer requests and feedback, as well as with R&D and Creative, to promote UD-centered manufacturing.

### Internal education system

We hold Workshops for Promoting Empathy with Elderly People, with the aim of helping our employees develop greater empathy for the elderly and a sense of direct connection with the problems they face. About 800 employees, mainly product development members, have attended the workshops since the first one in 2012. We have distributed videos created by editing the footage of past Workshops for Promoting Empathy with Elderly People during the COVID-19 pandemic as a measure against the infectious disease.

We have also re-examined past examples of UD and shared them with relevant internal functions, together with consumer feedback.

## Collaboration with stakeholders

### Manufacturing that reflects consumers' views

Kao's consumer support desk inside our Consumer Communication Center receives large numbers of consumer comments on and responses to Kao products that are already on sale. These comments are shared in daily, monthly and annual reports, in a manner that considers why the comments were received, the background to the comments, and the feelings that they embody. In addition, the comments are also shared at the Quality Improvement Study Meetings that individual business divisions hold on a monthly basis, and lead to further improvements in products.

By utilizing consumer feedback in product development and improvement, and providing related information, not just at the development stage but also in the after-sales stage, we are able to develop products that are even more user-friendly.

By communicating with diverse consumers, including people with medical conditions or difficulties, we can adjust our approach to both products and information.

## Collaboration with the Accessible Design

### Foundation of Japan

We are working to incorporate the insights from the Accessible Design Foundation of Japan, of which we are a corporate supporter, into the UD of products and provision of information about them.

In 2022, the foundation gave us advice on providing information about products that consumers with hand

impairments can use, and exhibited and introduced the UD of our products at events and other opportunities.

## Exchanging information with consumer administration agencies and consumer groups

By exchanging information on a regular basis with government consumer administration agencies, including local consumer affairs centers, and with consumer groups, we are able to inform them about, and secure their understanding regarding, the proper ways to use and dispose of products, which can help to prevent consumer issues from emerging in advance, and regarding risk prevention, ensuring product effectiveness from a hygiene perspective, and the key aspects of UD. We have also been able to win the support of local communities for our efforts to ensure that consumers can enjoy safe lives with peace of mind.

## Risk management

When developing new or improved products, we identify possible risks and apply insights on what happened with past similar products, etc. Then, relevant functions check these risks to address them in accordance with the company-wide crisis response framework. We also keep a close watch on legal amendments and social trends related to UD considerations, and share information with related divisions to ensure that we can take appropriate actions in a timely manner.

**P33** Our ESG Vision and Strategy > Risk Management

# Universal Product Design

GRI 416-1, 417-1

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### 2030 long-term targets

##### 1. Continuously practice manufacturing from diverse perspectives

We will expand “ESG-driven *Yoki-Monozukuri*” from a UD perspective not only in Japan, but also globally. We will also promote *Yoki-Monozukuri* in plan and action established in collaboration with diverse consumers, taking a broad range of third-party opinions into account with an aim to solving social issues, and widely disclose the processes and content outside the company.

##### 2. Adopt a UD perspective when disseminating information

We will adopt a UD perspective in information dissemination and retail shop design. In particular, by 2025 we will fully utilize DX to provide information on all products, which will enable anyone to easily access and confirm what they need to know when selecting and using those products.

As a leading household goods company, we will consider improving the ways we develop and provide information content and take other initiatives to deliver basic lifestyle information and the like that diverse populations can easily understand.

##### 3. Promote understanding on the part of stakeholders

We aim to enrich the lives of people globally and to contribute to the sustainability of the world by spreading awareness of UD initiatives as widely as possible and fostering understanding of these measures among stakeholders.

### 2022 results

#### 1. Product development from UD perspectives

- Percentage of new and improved products that incorporate UD perspectives\*

Japan: 567 items, 99%

We have launched *media luxe*, *Magiclean Kitchen Air Jet* and other products. *media luxe* is a makeup brand for adults with containers that incorporate universal design in a way that combines user-friendliness and refined beauty. Users can take environmentally conscious action at the same time as enjoying the benefits of their makeup. *Magiclean Kitchen Air Jet*, meanwhile, makes it easy for users to clean everyday kitchen stains on everything from cooktops to sinks. In addition, we have improved our laundry detergent *Attack ZERO* to attack the source of various problems such as stains and odors that are difficult to remove. We also redesigned the package of the *Attack ZERO* variety specially designed for front-loading washers, making it easier for consumers to tell the difference between it and regular *Attack ZERO*.

\* Regarding the data for Japan, up until the year before last, the percentage for improved products was calculated by comparison with the previous products. However, starting from last year the calculation is based on a more precise assessment of whether products feature UD considerations. Improvement percentage data for AEMEA has not been given, because the basis for comparison is being revised.

#### 2. Initiatives targeting diverse groups of people Initiatives to provide information that is easy for many people to understand

- We have started distributing “Skin Care Method for Everyone” for *Curél*, our skin care brand for dry, sensitive skin. This skin care video was created considering accessibility so that more people can use products with little effort.

#### Initiatives to aid people with visual impairments

- We provided lifestyle information content, and our employees volunteered to help record narrated information, for *Home Life*, a voice-based magazine published by the Japan Braille Library.

#### Initiatives to aid people with hearing impairments

- TV commercials with closed captioning
- We have attempted to spread the trend of TV commercials with closed captioning, creating more than 2,000 TV commercials with it. Almost all television stations started supporting TV commercials with closed captioning before October 2022.

We have increased the number of commercials with closed captioning in line with this. As a result, about 80% of our commercials created since October 2022 include closed captioning. We will further promote this initiative with a goal to add closed captioning to all our commercials from 2023.

#### 3. Promote understanding on the part of stakeholders

Although the number of awareness-raising activities has been reduced due to the spread of the COVID-19 pandemic, we provided UD materials for use by elementary school students, and organized an awareness-raising activity for consumers to use products safely and easily in collaboration with a community support center in Kumamoto City.

#### Reviews of 2022 results

We have been emphasizing the UD-driven aspects of product design when launching new products in Japan since 2012, and an emphasis on UD is now firmly established in all segments of our household products. However, as the pursuit of UD is an ongoing process

# Universal Product Design

GRI 416-1, 417-1

with no end-point, we recognize the need for a more objective assessment of our efforts in this area.

We will add the concept of DE&I to the concept of UD, which we are currently working on mainly in Japan, and deploy it globally. To this end, by 2025 we will review and conduct the same assessment in the consumer products businesses in the AEMEA (the Americas, Europe, the Middle East and Africa) as we do in Japan.

# Universal Product Design GRI 417-1

## Main initiatives

### UD considerations in relation to the products that we launched and the information that we disseminated in 2022

We are continuing to develop products that make it possible for diverse groups of people to use our products in a stress-free manner in different circumstances. In this section, we present some examples of how we took UD into account in 2022.

### Package redesign for Attack ZERO to prevent consumers from buying the wrong product in store

We launched *Attack ZERO* in 2019. This product features the highest-ever cleaning power among the *Attack* series, and for the first time in our history provides a product specially designed for front-loading washers.

Since its launch we had announced through TV commercials and the like that there is regular *Attack ZERO* as well as *Attack ZERO* specially designed for front-loading washers at stores. However, we used to intermittently receive inquiries from consumers who bought regular *Attack ZERO* or *Attack ZERO* specially designed for front-loading washers by mistake. Our Consumer Communication Center used to receive inquiries such as “Can I use *Attack ZERO* specially designed for front-loading washers in a regular washer?” or “I bought *Attack ZERO* specially designed for front-loading washers by mistake. Can I refill the regular bottle with it?”

To prevent customers from buying the wrong product, we have reviewed the design every time we improved the product, considering customer feedback as well.

After improving the package by putting large text saying “For Front-Loading Washers” and a large illustration of a front-loading washer on the front in May 2022, the number of inquiries was 10 percent of the peak.

We will continue initiatives so that customers can choose products in store with ease.

#### Refill packages at the time of launch in 2019



Regular *Attack ZERO*



*Attack ZERO* for specially designed for front-loading washers



#### Refill packages at the time of launching improved versions in May 2022



Regular *Attack ZERO*



*Attack ZERO* for specially designed for front-loading washers

### Creation of skin care information for everyone (*Curél*)

*Curél* is a brand created for dry, sensitive skin. This brand provides skin care products for the face, body, scalp, and the like that focus on care to protect and augment the function of ceramides, and add moisture to skin.

Everyone from babies to the elderly can suffer various skin problems. Some *Curél* target customers and users have visual, hearing or limb impairments. In response, we created and released seven skin care videos in total, with the wish that anyone can readily practice skin care. These are barrier-free videos that consist of illustrations and sound, and can be easily understood by just listening to them or watching them.

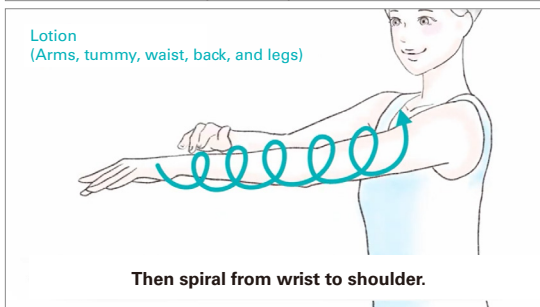
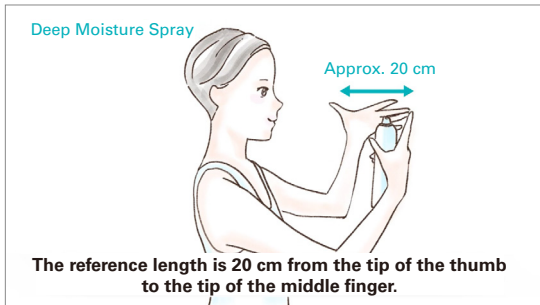
With *Curél*, we have been active in spreading ways to care for skin effectively. We hope that this video distribution will encourage more people to enjoy practicing skin care, and gives everyone an opportunity to rethink the importance of being barrier-free in the field of skin care as well.

# Universal Product Design



## Skin Care Methods for Everyone

Skin Care Methods for Everyone  
[https://www.kao.co.jp/curel/listen\\_care/](https://www.kao.co.jp/curel/listen_care/)



Contents

### Activities to support the life of cancer patients

We jointly hosted Cancer Treatment and Life Fair 2022 organized by CANCER RIBBONZ, an NPO that supports the lives of cancer patients during medical treatment. We focused on presenting *Curél* and oral care products to address skin and oral problems, which many cancer patients suffer from during their fight against the disease. Ahead of their lectures, we exchanged information about oral care with dentists and dental hygienists. We confirmed that our products can contribute a lot by listening to them say that gentle daily care is effective in preventing many oral problems that arise during cancer treatment from becoming severe. Some patients have difficulty putting toothpaste on a toothbrush, especially when they experience side effects such as numbness in their fingers. The dentists and dental hygienists let us know that toothpaste foam and the like are useful in such cases.

Last year, a cancer survivor told us that although skin care is important because the fingertips get rough and dry, it is hard work for cancer patients. We introduced a new video for *Curél*, "Skin Care Methods for Everyone," on that day in response to that remark, receiving positive feedback on how easy the video made skin care.

### Barrier-free access to information

**P367** Our Foundation > Corporate Citizenship Activities > Barrier-free access to information



# Safer Healthier Products

Create products made with carefully selected ingredients that people everywhere can use with peace of mind.

## Social issues

In recent years, as social media including social networking services and blogs have evolved, a wide range of information is now easily accessible online. As a result, more consumers are expressing an increasing interest in the safety and sustainability of ingredients used in daily products. In addition, today it has become possible for consumers to search for related information. At the same time, however, scientifically unfounded, inaccurate information is also available on the web, and such misleading information may spread as if it were the truth.

## Policies

Safety is always our first priority. With this in mind, we care not only about human health and wellbeing but also about the environment and sustainability when developing our products. We disclose our policy based on scientific evidence regarding ingredients of particular interest to society to ensure that our products can be used with peace of mind. We hope to win the approval of many stakeholders and build the bond of trust for future via thorough transparency and responsible communication.

## Strategy

### Risks and opportunities

#### Risks

A wide range of information, including inappropriate information, is available for high-social-interest ingredients. When our products contain such ingredients, there is a risk that the value of the products may not be properly understood. In addition, there is a risk of seriously undermining our trust if we does not indicate our policies on ingredients that health or environmental concerns are expressed.

#### Opportunities

We accurately identify possible risks at Kao and proactively disclose our policies to avoid such risks. Appropriate and clear communication with consumers and customers about our ingredient policies based on scientific evidences helps us to enhance Kao's and our products' credibility. Moreover, communication based on shared information between consumers and customers and the company will become a foundation for increasing trust in the company and an opportunity to contribute to *Yoki-Monozukuri* in plan and action, which includes innovation and value creation.

#### Strategy

We actively disclose our policies to the ingredients used in our products based on our assessment of risks and opportunities. Disclosure of ingredient policies and communication will contribute to maintain and enhance the trust from consumers and customers as well as contribute to the sustainable growth of Kao.

### 1. Identification of high priority ingredients for our policy disclosure

We identify the high-priority ingredients to disclose our policy on the safety and sustainability of ingredients used in our products, based on consumers, customers and social interests around the world.

### 2. Disclosure of our policies based on scientific evidence

We will proactively disclose our policies about ingredients of particular interest to society based on scientifically verified information. By sharing common information and communicating with consumers and customers through these disclosures, we will ensure their correct understanding and build a relationship of trust.

### Social impact

In order for consumers and customers to use our products with peace of mind in a diverse information environment, we believe it is necessary to disclose our policies based on scientifically verified information. By sharing our policies, customers and consumers can enhance their understanding of our products and choose a product with greater confidence. As that trust spreads from the individual to communities and society as a whole, we can build greater trust socially.

# Safer Healthier Products GRI 3-3, 404-2, 416-1

## Contributions to the SDGs



## Business impact

We anticipate that our corporate value and business will be enhanced through disclosing of our policies regarding ingredients of particular interest to society, and we believe that this helps building trust in our products and contributes to *Yoki-Monozukuri* in plan and action.

## Governance

### Framework

We promote activities under the Chemical Stewardship Steering Committee, which has been set up under the ESG Managing Committee. A working group consisting of global members related divisions, assesses risks, identifies ingredients that should be disclosed, and develop a draft policy. The draft policy is consulted with the leaders of relevant Business divisions and R&D divisions before disclosure.

**P18** Our ESG Vision and Strategy > Governance

## Education and promotion

To promote the development of safer healthier products, we collect human and environmental safety information related to our ingredients and products, and share the information on our internal portal site. This information is shared with various divisions such as Business and R&D, so that each employee can enhance their understanding from a global perspective.

## Collaboration with stakeholders

We disclose our policies on ingredients of particular interest to society based on scientifically validated information. Through these initiatives, we maintain and improve the trust of consumers and customers, and support their safe use of our products and selection of suitable ones.

## Communication with consumers and customers to promote their understanding

When we receive inquiries from consumers and customers regarding the safety of ingredients, we analyze them from various perspectives to gain insight from a broader perspective. Based on these analyses, we strive to develop easy-to-understand content and wording for ingredients.

## Collaboration with Relevant Internal Divisions

We continuously collect human health and environmental safety information from all over the world. We utilize it for choosing ingredients and safety evaluation, and for the development of our products which can be used by consumers with peace of mind.

## Collaboration with Industry Associations and Government

We closely review safety information through industry association activities in various countries and regions and communication with government agencies.

## Risk management

We use the following risk management practices when selecting ingredients for policy disclosure, as well as after policy disclosure.

### 1. Selecting ingredients to disclose

The working group assesses the possible risks of the ingredients to be disclosed based on global social trends and scientifically verified information. We then determine at a meeting within the Chemical Stewardship Steering Committee whether the ingredient is important enough to disclose our policy. For those ingredients that we determine to disclose, we take necessary actions quickly.

### 2. Post disclosure follow-up

Even after the disclosure, the working group actively conduct multifaceted investigations and continuously monitor whether new risks have arisen. When new issues are identified, such as updates to regulations or scientific findings, we will promptly take appropriate

# Safer Healthier Products GRI 3-3, 416-1

action to improve public trust, such as revising information or disclosing additional information.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results 2030 long-term targets

We establish policies on ingredients of particular interest to society based on our research into safety information related to human health and the environment, and our evaluation of their validity. As of the end of 2021, we have disclosed our policies on ten ingredients. This means our mid-term goal of announcing our policies for eight ingredients by 2022 has been achieved ahead of schedule. Since we had reached the mid-term target earlier than planned, the long-term target was changed from 16 to 18 ingredients.

### 2022 results

We published our policies for three ingredients (aluminum salt, PEG [polyethylene glycol], and mineral oil) in April 2022 and five ingredients (phenoxyethanol, fluoride, BHT [dibutyl hydroxytoluene], oxybenzone, and octinoxate) in December 2022 on our sustainability website.



About Ingredients Contained in Kao's Products  
<https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/>

### Reviews of 2022 results

The working group held regular meetings in order to thoroughly discuss the contents of each of the eight ingredients and drafted our policies. The draft policies were then reviewed by the heads of related Business and R&D divisions, and further discussed to finalize the policies for publication. We have continuously promoted our activities and disclosed our policies on a total of 18 ingredients, achieving our long-term target of 18 ingredients for 2030 ahead of schedule. We will continue to research from various perspectives, and disclose appropriate information on ingredients of social interest.

# Safer Healthier Products

GRI 2-28, 416-1, 417-1

## Main initiatives

### Safe and secure ingredient use and information disclosure

We will disclose our policies and actions regarding ingredients of particular interest to society in a proactive manner, based on scientifically validated information. We had disclosed our policies relating to ten ingredients (alkyl sulfates, 1,4-dioxane, formaldehyde-releasing preservatives, parabens, plastic microbeads, preservatives, silicones, talc, UV absorbers, and fragrance) so far. In 2022, we disclosed our policies for another eight ingredients of high social interest (aluminum salt, PEG [polyethylene glycol], mineral oil, phenoxyethanol, fluoride, BHT [dibutyl hydroxytoluene], oxybenzone, and octinoxate). We have been continuously promoting our activities and have achieved disclosing 18 ingredients in total in this year.

We have the management system for ingredient information including health impact, environmental impact, as well as fundamental information to promote disclosing our policies on ingredients.



About Ingredients Contained in Kao's Products  
<https://www.kao.com/global/en/innovation/safety-quality/ingredients-contained/>

### Industry association activities / communication

We actively participate in the Japan Cosmetic Industry Association's activities to grasp global regulatory trends related to health and environmental impacts and to examine measures against them. We have played a central role in compiling scientific research, usage surveys in Japan, and submitting opinions for public consultation by the governments, while we work to align with industry associations around the world. Furthermore, we actively participate in the activities of

the Japan Soap and Detergent Association and the Japan Chemical Industry Association. We also participate in industry association activities in major regions of the world to research local information, and contribute to the exchange of information with governments especially in Asia including ASEAN countries.

Moreover, we strive for satisfactory communication with consumers and customers, business partners, etc. For example, when we receive inquiries regarding our use of ingredients or their safety, we provide sufficient information quickly. At the same time, we examine social interest from the inquiries we received and utilize them in our product development.

# Making Thoughtful Choices for Society

Page	Kao Action	Activity Highlights for 2022	Key Themes	Page
P 70	<b>Sustainable lifestyle promotion</b>	We have expanded products using <i>Raku-raku Eco Pack Refills</i> , <i>Smart Holders</i> , and <i>Raku-raku Switches</i> . In addition to utilizing recycled plastic for containers, we have also started using chemical recycled plastic.	Reduction of plastic in packaging containers	P 74
		We developed corporate advertisements that conveyed Kao's corporate stance and efforts to help realize a sustainable society, and introduced Kao's initiatives in an interview format.	Wastefulness— <i>Mottainai</i> . Never today, nor tomorrow.	P 75
		We began providing useful information for a sustainable society. Together with consumers, we aim to reduce environmental impact.	Launched sustainability awareness campaigns on the My Kao website.	P 76
		Collapsible containers, which can be used repeatedly in place of cardboard boxes, were introduced on a trial basis in delivery, display, and sales situations.	Collapsible containers as recyclable packaging materials	P 75
P 77	<b>Purpose driven brands</b>	We clarified our purpose for existing, took specific actions, and communicated.	Purpose-driven brands	P 79
		We conducted an activity called " <i>Laurier</i> in the Workplace" at approximately 20 companies (as of November 2022) to enrich people's lives through the support of our purpose-driven brands.	Approach for creating lifestyles	P 80
		Amid ongoing environmental and hygiene issues, we have developed new products that create a Kirei World in which people coexist in harmony with the planet throughout their lives.	Approach for improving social issues together	P 80
P 83	<b>Transformative innovation</b>	We promote solutions to social issues based on universality, mechanisms, and root causes obtained by examining objects and phenomena in detail through the perspective of science.	Pursuit of <i>Essential Research</i>	P 83
		We realize a Kirei world for people, society, and the planet through technological innovations from forecast and backcast perspectives.	Pursuit of innovation	P 85
		We are working to establish and introduce to the world technologies that defend against mosquito-borne infectious diseases.	Protecting future lives	P 89
P 91	<b>Responsibly sourced raw materials</b>	390 of the 628 phase 1-supported farms received the Roundtable on Sustainable Palm Oil (RSPO) certifications. In addition, we launched a risk survey of farmland on 1,688 phase 2-supported farms started and a fact-finding survey of farms.	Support for oil palm smallholders	P 98
		Operation of the grievance mechanism started in September 2022 for 50 farms on North Sumatra Island in Indonesia.	Introduction of the grievance mechanism	P 98
		Three procurement-related guidelines have been revised.	Renewal of procurement-related guidelines	P 91

# Sustainable Lifestyle Promotion GRI 306-1

Enable people to live more sustainable lifestyles through information, services and products that save precious resources such as energy and water.

## Social issues

Climate change caused by global warming over the last few decades affects people's lives and the natural ecosystems in various ways. For instance, the melting of glaciers, changes in the sea levels, floods and droughts and the like as a result, impacts on marine and terrestrial ecosystems, and impacts on people including food production and health have begun to be observed.



**Cool Choice: Current State of Global Warming via the Ministry of the Environment**  
<http://ondankataisaku.env.go.jp/coolchoice/ondanka/> (Japanese)

Consumer interest in climate change and decarbonization initiatives is also growing.



**Cabinet Office: Public Opinion Survey on Climate Change**  
<https://survey.gov-online.go.jp/r02/r02-kikohendo/gairyaku.pdf> (Japanese)

Building a sustainable society will require not only products and services that leverage enterprise strengths, but new sustainable lifestyle ideas and information. At Kao, we believe that solving these issues requires action to accomplish the goals embodied in “making the world healthier & cleaner” in the Kirei Lifestyle Plan (KLP) as well as for decarbonization, zero waste, water conservation, and air & water pollution prevention.

## Policies

By proactively working on technical innovations and lifestyle solutions characteristic of Kao, we will promote actions for making the world healthier & cleaner in the KLP, and will help to realize sustainable lives for all.

By offering environmentally friendly, sustainable products, and receiving support for our products through the choices consumers make, we will build a sustainable society.

In addition, through our wide range of marketing, information provision, education, and awareness-raising activities, we will strive to foster understanding by consumers themselves of the importance of sustainable lifestyles, and collaborate with them to promote contributions to sustainability.

### Four actions

1. Propose sustainable solutions through manufacturing and products themselves
2. Information provision related to sustainable lifestyle solution
3. Offer opportunities for hands-on learning
4. Conduct activities in collaboration with companies, organizations and public institutions

In the above activities, we will promote awareness-raising activities for a range of topics, including decarbonization, zero waste, water conservation, and air & water pollution prevention through our contact with consumers and in-store sales promotions.

## Strategy

### Risks and opportunities

#### Risks

We believe that if we cannot provide products and services or propose lifestyles desired by society that are sustainable, there will be a negative impact on progress toward a sustainable society; we will lose the trust of consumers and society and be excluded from their companies of choice. This will impair our brand value as well as our profitability and competitiveness in the market.

#### Opportunities

Since many consumers use Kao's products, we have a great deal of responsibility and believe we have a duty to demonstrate leadership to the industry and the world.

When activities that realize a sustainable society are accomplished, the impact will be significant, allowing us to demonstrate our presence globally.

Since Kao's founding, we have strived to enrich daily life through our business activities by listening closely to consumers, and going forward will contribute to solving issues related to the global environment by optimizing the unique technologies we have developed over the last 130 years.

# Sustainable Lifestyle Promotion

GRI 3-3, 306-1, 306-2, 404-2

## Strategy

### Contribution to Kao's ESG Strategy, the Kirei Lifestyle Plan

In promoting sustainable lifestyles, we propose ways to make the world healthier and cleaner, especially through decarbonization, zero waste, water conservation, and air & water pollution prevention.

They will be reflected in all phases of the product life cycle (raw material procurement, development / manufacturing / sales, product transportation, use, and disposal / recycling) of the contents and packaging.

### Contribution to the Mid-term Plan 2025 (K25)

One of the policies of K25's basic framework for 2030 is to become a company that is indispensable to a sustainable society.

We will take full advantage of Kao's knowledge and technologies to lead environmental contribution activities with consumers, local governments, retailers, and industry peers.

### Social impact

Our mission is to support consumer cleanliness, beauty, and health in many of life's situations. This positions us to offer consumers new ways of living through products and services, and we believe that we can work together with consumers worldwide to achieve sustainability.

We believe that providing sustainable products and information impacts society significantly because consumers use Kao products in large quantities.

Conversely, suppose Kao cannot propose or provide solutions in the above situations and quantities. That would delay the transition to a sustainable society in our daily lives. So we recognize our responsibility is a heavy one.

## Contributions to the SDGs



### Business impact

We are aware that consumers go out of their way to choose Kao products. This leads to greater loyalty to our products, and enhances our brand value, profitability and competitiveness.

We will gain a first-mover advantage by proactively leading the industry in creating technologies and systems, and then standardizing them.

## Governance

### Framework

Risk management in relation to promoting sustainable lifestyles is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management related to sustainable lifestyle promotion is conducted by the Internal Control Committee (twice a year) and its subordinate unit, the Risk & Crisis Management Committee (four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

Opportunity management related to sustainable lifestyle promotion is conducted by the ESG Managing Committee (six times a year). Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

In addition, the Decarbonization Steering Committee and the Plastic Packaging Steering Committee, under board-level ownership, have also undertaken strategy formulation and implementation planning, working to ensure reliable and rapid execution.

**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

#### E-learning for all employees within the company

We raise awareness on the current state and issues of decarbonization, LCA, zero waste, and water conservation. In 2022, we revised the latest trends on decarbonization and Kao's goals and initiatives.

#### Monthly meeting on environmental fields in manufacturing

While exchanging rapidly changing information among ESG divisions, research laboratories, and business divisions, we share activity guidelines and technologies and confirm our progress so that *Yoki-Monozukuri* contributes to a sustainable society.

# Sustainable Lifestyle Promotion

GRI 3-3, 306-2, 404-2

## Collaboration with stakeholders

### Business partners

In the procurement of raw materials, we collaborate with our business partners to ensure traceability throughout the supply chain and help to solve social issues such as resource protection and environmental conservation.

### Peer companies

We promote the collection of used packaging together with other manufacturers to realize a circular economy.

### Corporate customers (retailers)

We are working with retailers to repeatedly use collapsible containers for delivery, display, and sales.

### Local governments

We are working with local governments to collect packaging and with universities to conduct various demonstration experiments related to recycling.

### Next generation

In instructional situations, we provide educational materials for fourth- and fifth-grade elementary school children as part of our activities to help the next generation discover the familiar problem of plastic waste / marine debris and local issues, and foster their ability to get involved proactively in solving these problems.

## Risk management

We are taking each of the previously mentioned “four activities” into consideration as we work.

In *Monozukuri*, we check at the product development stage to ensure that products have a low environmental impact, such as by reducing CO<sub>2</sub> emissions and plastic containers.

In information dissemination, we keep abreast of daily improvements in environmental awareness and competitive trends, and confirm that messages are accurately conveyed to consumers when information is disseminated from brands.

With regard to hands-on learning and activities conducted with external parties, we check whether appropriate information is being provided when providing various educational materials to foster the next generation, at the Kao Eco-Lab Museum, and when collaborating with distributors on environmental measures.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

Based on the Kirei Lifestyle Plan’s three commitments, making the world healthier & cleaner, we work for consumers to raise awareness of sustainable lifestyles through the key phrase “Wastefulness—*Mottainai*. Never today, nor tomorrow.”

This will be promoted by providing products and services, disseminating various information (including through websites and social media), and having Kao employees participate in related activities.

Our target is to reach an accumulated global number of 100 million people since 2016.

### 2022 results

The cumulative number of people from 2016 reached by awareness-raising activities for environmentally conscious lifestyles through provision of products and services, dissemination of various information, and activities by Kao employees, is 13.0 million people as of the end of 2022.

In 2022, along with accelerating the shift to environmentally friendly packaging for products and services, we have tried new approaches, including using chemical-recycled plastic and reduced-label containers. We also began new environmentally friendly activities in retail, such as using collapsible containers in stores.

In disseminating information to consumers, we have tried out new corporate advertisements and launched a new website that consolidates specific eco-actions.

Currently, these activities are focused on Japan, but we will expand them worldwide in the long term.

### Reviews of 2022 results

Although the COVID-19 pandemic had not yet subsided, we continued to release environmentally conscious products and provided information to promote activities to realize a sustainable society. It was also significant for us to launch the #What We Can All Do Today website, which consolidates specific eco-actions under the new concept of “Wastefulness—*Mottainai*. Never today, nor tomorrow.”

Going forward, we will accelerate the development of products contributing to decarbonization, zero waste, water conservation, and air & water pollution prevention.



# Sustainable Lifestyle Promotion GRI 306-2

Recently, there has been an increase in environmental awareness in retail, so collaborative activities for collecting packaging for household products are increasing. Our challenges going forward are establishing a collection scheme involving the industry, moving from field testing to actual operation, and using recycled plastics effectively.

# Sustainable Lifestyle Promotion

GRI 301-2, 306-2

## Main initiatives

### Yoki-Monozukuri in plan and action and proposing activities

We have created environmentally friendly products and product packaging innovations—exemplified by our sustainable detergent base, single-rinse laundry detergents and rapid-rinse dishwashing detergents and shampoos—and promoted sustainable lifestyle solutions based on manufacturing and products themselves.

In 2022, along with accelerating the shift to environmentally friendly packaging for products and services, we have tried new approaches, including using chemical-recycled plastic and reduced-label containers.

We also began new environmentally friendly activities in retail, such as using collapsible containers in stores.

### Addressing the environmental challenges presented by containers

We announced our intention to transition almost completely from plastic bottles to refillable film containers for products like shampoo and conditioner by 2030, and are aiming to deploy new technology effectively to reduce the environmental impact. In addition, we have set a goal of boosting the annual quantity of environmentally friendly, innovative film packaging to 300 million units by 2030.

We have been expanding our range of refill packs, reducing plastic waste by approximately 78% when refilling the main container. Our *Raku-raku Eco Pak Refill* also reduces the quantity of plastic used by approximately 80% and is easy to refill.

In addition, we are pushing forward the proposal to stop using the bottles and replace them with the *Smart*

*Holder* pump which lets you use the product repeatedly without refilling and use nearly all of the contents when used as a set with the *Raku-raku Eco Pack Refill*, as well as the *Raku-raku Switch* which makes it easy to dispense a uniform amount of liquid with a light touch when used with the *Raku-raku Eco Pack Refill*.

In the future, we will challenge ourselves with new technology while accelerating the widespread usage of our existing solutions.



### Development of new containers focused on environmental and user friendliness

We adopted a new container for the launch of the improved *Bioré U The Body* foaming body wash in August 2022 that is both environmentally and user friendly.

First, the brand logo was applied to the bottle itself. It allows for a smaller label area than conventional containers, thereby reducing the quantity of plastic used.

The bottle and refill containers are made of 100% recycled plastic (PET) (except for the colorants, label, pump, and cap).



[Web](https://www.kao.co.jp/bioreu/thebody/bodywash/#earth) *Bioré U The Body* foaming body wash  
<https://www.kao.co.jp/bioreu/thebody/bodywash/#earth> (Japanese)

### Chemical-recycled PET material used for the foundation's inner dish

From July 2022, we have been gradually adopting chemical-recycled PET (polyethylene terephthalate) manufactured by PET Refine Technology, Co., Ltd., a subsidiary of JEPLAN Inc., using JEPLAN's chemical-recycling technology, as the material for the inner plates of powder foundation, including the makeup brand *Media's* new products.

[Web](https://www.kao.com/global/en/newsroom/news/release/2022/20220708-001/) Kao uses chemical-recycled PET for its foundation's inner dish  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220708-001/>

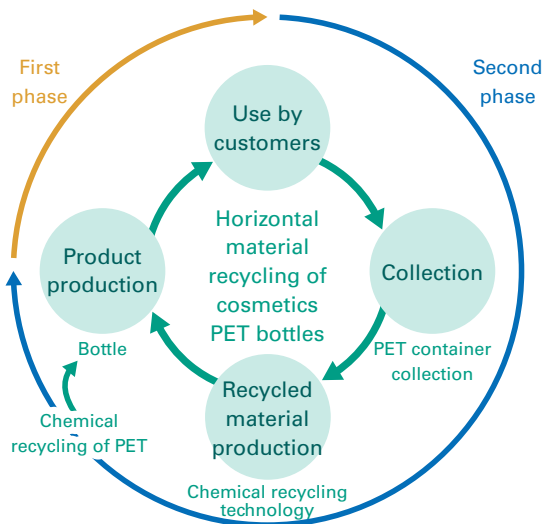
# Sustainable Lifestyle Promotion

GRI 301-2, 306-2

## Initiatives aimed at realizing horizontal material recycling of plastic bottles for cosmetics

We will conduct field testing for recycling collected, used plastic cosmetics bottles, aiming for horizontal material recycling of cosmetic bottles. From February to July 2022, used cosmetics plastic bottle containers were collected at AEON stores in the Kanto area that sell the *TWANY* cosmetics brand and at Color Studio stores in AEON malls, and they will be used in the field testing of horizontal recycling of cosmetics bottles to bottles using JEPLAN, Inc.'s chemical recycling technology.

The first phase will involve the launch of containers made from recycled plastic. The second phase will comprise collecting those containers, recycling the plastic, and making products made from recycled plastic.



Kao begins field testing for in-store collection and recycling of used bottles  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220127-002/>

## Trial introduction of collapsible containers as recyclable packaging materials

Starting in July 2022, Cainz and several Costco stores introduced collapsible containers that can be used repeatedly as product packaging materials on a trial basis in delivery, display, and sales situations.

Until now, recyclable corrugated cardboard has been the primary packaging material used to pack products for delivery to retailers. However, there have been issues related to the burden of opening and disposing of packaging at the store and CO<sub>2</sub> emissions in the recycling process.

In response, Kao and retailers began taking initiatives together to utilize collapsible containers. We identified the benefits and challenges of collapsible containers in various scenarios. In future, we aim to standardize collapsible containers for the entire industry.



Trial introduction of collapsible containers as recyclable packaging materials by Kao and Cainz  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220720-002/>

Trial introduction of collapsible containers as recyclable packaging materials by Kao and Costco  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220728-001/>

## Disseminating information related to sustainable living

### Dissemination and sharing of information with consumers

We use our website, social media and corporate communication activities to disseminate and share a wide range of information with stakeholders. These efforts convey our activities to consumers, and enable us to reflect consumer opinion in *Yoki-Monozukuri*.

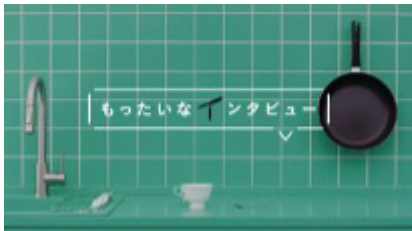
We use principally the following to disseminate and share information relating to sustainable lifestyles with consumers.

### Corporate advertisement series “Wastefulness—Mottainai. Never today, nor tomorrow.” is launched

In July 2022, we launched a series of corporate advertisements, “Wastefulness—*Mottainai*. Never today, nor tomorrow.” to convey our corporate approach and initiatives for realizing a sustainable society.

The series features T-shirts, fry pans, and other items related to Kao products, and in interviews asks consumers to answer questions about what they consider to be wasteful, introducing Kao’s initiatives “Wastefulness—*Mottainai*. Never today, nor tomorrow.” regarding water conservation and refills in a fun and humorous way.

# Sustainable Lifestyle Promotion



Kao Begins Development of the Corporate Advertising Series, "Wastefulness—*Mottainai*. Never today, nor tomorrow."  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220729-001/>

## A new My Kao website is launched to raise sustainability awareness

We launched the new My Kao website in December 2022. We began providing useful information for sustainable living and a sustainable society through the website. Together with consumers, we aim to the reduce environmental impact of using household products and cosmetics.



My Kao Sustainable  
<https://my.kao-kirei.com/sustainable/> (Japanese)

## Kao PLAZA

Kao Plaza is a community website for loyal Kao users in particular and consumers in general. We profile not only sustainable lifestyles but a wide range of our activities, and share opinions from consumers (member registration may be required). The website's Toward a Sustainable Lifestyle section introduces activities for realizing the Kirei Lifestyle.



Kao PLAZA  
<https://member.kao.com/jp/kaoplaza/>

## "Go! Kurashi no Kirei" lifestyle information website

We seek to create a significant social impact by listing Sustainable Development Goals (SDGs) / ecology articles in the section on useful lifestyle information to raise consumers' awareness of sustainable lifestyles.



Go! Kurashi no Kirei (lifestyle information website)  
<https://www.kao.co.jp/life/support/sdgs/> (Japanese)

## Dissemination through social media

We use social media extensively to disseminate information about our solutions and activities. We listen to consumers and draw on their opinions in our sustainability-related activities.



Kao Official Note  
<https://note.kao.co.jp> (Japanese)

Kao Official Twitter  
[https://twitter.com/KaoCorporate\\_jp](https://twitter.com/KaoCorporate_jp) (Japanese)

Kao Official Instagram  
[https://www.instagram.com/kao\\_official\\_jp/](https://www.instagram.com/kao_official_jp/) (Japanese)

Kao Official Facebook page  
<https://www.facebook.com/corp.kao> (Japanese)

Kao Official YouTube channel  
<https://www.youtube.com/user/KaoJapan> (Japanese)

# Purpose Driven Brands

Every Kao brand will have a purpose for existing that improves quality of life and offers solutions to social issues within the communities or societies it touches to realize a Kirei World in which all life lives in harmony.

## Social issues

Globally, there are environmental issues such as climate change and marine plastics, as well as hygiene problems such as pandemics of infectious diseases. In terms of how people live their lives, they are being forced to change their consumption, work styles and much more.

Specifically in Japan, the situation we live in is changing dramatically due to the arrival of a hyper-aging society and the diversification of values and ethnicities.

As with changes in society and the global environment, consumer awareness is also changing. Not wanting to add to disposal caused by mass consumption and purchasing, in response to this more steps are being taken to choose only those things which are necessary.



Cabinet Office: Public Opinion Survey on Climate Change (Conducted in November 2020)  
<https://survey.gov-online.go.jp/r02/r02-kikohendo/index.html>  
(Japanese)

Now there is demand for a mindset where lifestyle is something created and social issues are something improved through collaboration with consumers.

## Policies

When it comes to Kao's brands purpose for existing, we refer to what positive impacts we can make on daily life, society and the planet.

The activities of our purpose driven brand include the following efforts: (1) an explanation of the purpose for existing, (2) specific brand actions, (3) communication.

During our first year of these activities in 2019, we focused on (1) an explanation of the purpose for existing. From 2020 forward, we have been focusing on creating change in the world through (2) specific brand actions and (3) communication, helping consumers enrich their lives. In collaboration with consumers and society at large, we will work on and pursue solutions to social issues as well as global environmental ones.

## Strategy

### Risks and opportunities

#### Risks

The speed of change surrounding people, their lifestyles, society as a whole and the environment is likely to keep accelerating. Brands that are less responsive to change run the risk of having their brand value offerings diminished. This will result in less sympathy for the brand and fewer people using it, which will lead to lower loyalty.

#### Opportunities

In response to diversifying lifestyle values and social environments, Kao will always challenge itself to create brand loyalty through the thoughts expressed in the purpose of our brands, reliable and proven technology, and appropriate communication with consumers.

## Strategy

Kao will continue to enhance its purpose-driven brand management. The Consumer Products Business has set out the purpose of our brands, including the main category-leading brands and G11\* cosmetics brands. Toward realizing the purpose of these brands, we will pursue activities that encompass product development, communication, enlightenment, and more.

We believe these activities will improve Kao's corporate value as a whole, helping to realize a Kirei world in which all life lives in harmony.

Transmitting information on purpose driven brand activities to our consumers and other stakeholders, regularly assessing the activities, and clarifying results and issues, will further enhance our corporate value.

\* The eleven global strategy brands to be strengthened under the new global portfolio that Kao developed in May 2018

## Social impact

Gaining approval and support from consumers and successfully having them align their actions with our goals as a result of strengthening our purpose driven brands and receiving support from many consumers will deliver a positive impact to people's lives, society and the planet through our brands.

# Purpose Driven Brands

GRI 3-3, 404-2

## Contributions to the SDGs



### Business impact

Strengthening purpose driven brands, and thus obtaining support for the brands from large numbers of consumers, will lead to enhanced awareness of our brands in the market and to the value of the brands' presence being conveyed and resonating with consumers, thereby helping to grow market share. By making brands loved and supported by large numbers of consumers, they will contribute to the business as a whole in the long term.

## Governance

### Framework

Risk management in relation to purpose driven brands is carried out by the Internal Control Committee, and opportunity management is conducted by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management in relation to purpose driven brands is conducted by the Internal Control Committee (held twice per year) and its subordinate organization, the Risk & Crisis Management Committee (held four times per year). These committees are headed by the Executive Officer Responsible for Corporate Strategy. Opportunity management in relation to purpose driven brands is conducted by the ESG Managing Committee (held six times per year). Comprising outside experts, the ESG External Advisory Board provides advice and

suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

Communication with consumers is essential for making a positive impact on daily life, society and the planet. In order to achieve this, we provide training to staff that is based on consumer perspectives, working with ESG-driven management and global unity to reconfirm the purpose for existing as a brand.

In addition, conveying brand attitude and participating in awareness-raising activities in order to create social change together with consumers is important. For instance, with *Bioré u*, we were able to develop a foam hand soap that makes handwashing easier, along with "*Awa Awa Tearai no Uta*," an original handwashing song children can enjoy singing as they wash their hands with it. In this way, we have created an opportunity for children to realize the importance and fun of washing their hands and to live clean and healthy lives through handwashing. With the aim of creating a society where anyone can enjoy learning how to wash their hands thoroughly, we started providing educational materials on handwashing for schools for the blind in 2022. In creating those materials, we prepared inverted text for children with weak eyesight with the cooperation of teachers from many schools. In addition, we came up with various ideas such as a training material that uses large characters and illustrations and enables children to understand the content by touching it. We will continue to provide educational materials that

match changes in society so that children will be able to keep smiling in the future.

**P54** Habits for Cleanliness, Beauty & Health > Nurturing the next generation through the provision of educational materials

### Collaboration with stakeholders

Consumers are the most important stakeholders concerning our business activities. It is important to foster empathy and action by creating consumer awareness using various means beyond utilizing different types of media and storefronts. These include school education for the next generation and working with local governments and worksites to launch initiatives that serve a hyper-aging society.

Continuously undertaking these efforts will cultivate a shared sense of purpose, activity, and results. As such, we take an approach that drives us to continue the endeavors to realize our vision for individual brands and our company as a whole.

## Risk management

For each brand, we create a brand design document with the objective of achieving Purpose. We are committed to building strong brands by reviewing our marketing activities through a PDCA cycle every year.

# Purpose Driven Brands

**P33** Our ESG Vision and Strategy > Risk Management

**P278** Risk and Crisis Management > Governance > Framework

**P280** Risk and Crisis Management > Governance > Education and promotion > Risk surveys

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

Clarify the purpose of all of our brands. State the purpose of our brands in a way that is obvious to consumers, and promote consistent communication.

Following the completion of our educational training for brand managers in 2019, we clarified a purpose for each brand. From 2020, we began taking clear, concrete actions in line with these purposes. By 2025 we aim to realize all target activities regarding each of our brands.

Kao will ensure that our individual brands have a purpose for existing that can win the approval of consumers and of society as a whole. From there, we will have those brands align their actions with our goals by responding to changes in consumer lifestyles as well as to social, environmental and hygiene issues, establish evaluation criteria for gauging the status of each brand, and perform verification, and thereby accelerate purpose-driven activities that create a strong bond with consumers. The targets for 2030 are as follows. By 2030, we aim to increase to 100% the percentage of brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness.

### 2022 results

In 2019, we reviewed our brand design from a Kirei Lifestyle Plan (KLP) perspective, characterized the type of positive impact it will have on people's lives, society and the planet, and began to define our purpose.

From 2020, we began taking clear, concrete actions in line with these purposes.

In 2022, we looked at how the living and social environments have changed over several years due to the impact of the COVID-19 pandemic from the perspective of each brand, and reviewed and defined the purposes of 36 brands the Consumer Products Business considers particularly important. As we bring these purposes to fruition, we are initiating specific actions and communications to create positive change in the world. The 2022 results for the 2030 target are as follows. The 2022 result for the percentage of brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness was 53%.

### Reviews of 2022 results

In 2022, through practicing purpose driven brand activities in Asia, AEMEA (the Americas, Europe, the Middle East and Africa) as well as within Japan, we confirmed that many of the brands increased market share and received high recognition from users. On the other hand, while recognizing the spread of activities to bring these purposes to fruition and continuing to make new proposals as future objectives and issues to tackle, we will act with conviction in every activity that has an impact on people's lives, society and the global environment. In doing so, we will reinforce the purpose for existing and strengthen customer satisfaction. The following is a review of 2022 results for the 2030 target. This ambitious target is based on a survey of the degree

of empathy that consumers have for individual brands, and indexes the percentage of brands with which they have a high degree of empathy. The majority of brands received a high degree of empathy. On the other hand, some did not perform well. As such, we will take the results seriously and work to achieve a higher level of empathy in the future.

### Customer satisfaction level

	2020	2021	2022
<b>Favorability level (%) of the product brand among consumers who use Kao products</b>	70.7%	74.3%	73.0%

Note: Selection percentage of preferred brands in each product category

# Purpose Driven Brands

GRI 416-1

## Main initiatives

### Purpose driven brand activities

#### Laurier: Brand activities that contribute to the daily lives of individuals and to social issues

Our *Laurier* sanitary products brand aims to create a society where women can live safely and comfortably with confidence in their self-expression by making the environment surrounding women's lifelong physiological phenomena better. We are doing this through carefully listening to the voice of every person, always being by their side, and engaging in *Yoki-Monozukuri* amid changing work- and lifestyles.

In addition to product development that assures safety and comfort, as an initiative to reduce problems related to menstruation to the extent possible, in spring 2022 we launched *Laurier* in the Workplace. This is a project to supply sanitary napkins to the workplace, as with toilet paper, where women often tend to push themselves too hard even during menstruation. Around 20 companies agreed to join us in the project's first year, and introduced *Laurier* in the Workplace in their workplaces (including those currently under trial implementation as of November 2022). We are also carrying out the project at Kao. We hear from users that *Laurier* in the Workplace has helped them, and also that they would like it to become the norm. Going forward, we will continue to jointly create a new value that makes both workers and companies happy with those companies who agree to take part in this activity.

In addition, since the launch of our *Laurier* brand, we have been continued to work on education at elementary schools about the beginning of menstruation education as a way to support the next generation. This year, we carried out awareness-raising activities by providing a booklet on the basics of menstruation, as well as sanitary napkins, to around

11,000 schools in Japan and other Asian countries.

*Laurier* will promote the creation of an environment that eliminates problems related to menstruation and allows women to be even a little more comfortable during menstruation through such activities that improve the environment surrounding menstruation.



Laurier in the Workplace logo



Image of *Laurier* in the Workplace in a restroom

#### Bioré: Brand activities that contribute to people's lives and to social issues

Owing to the impact of the COVID-19 pandemic, people's awareness of its effect on their lives and of hygiene's importance in their lives has changed, and they are now more much interested in it. Dengue fever is an infectious disease spread by mosquitoes. It has been a major societal problem for countries in Southeast Asia for many years, and is now also spreading to other parts of the world due to the impact of global warming. Kao has also been conducting independent research on how to protect people from mosquitoes in their daily lives. Focusing on mosquitoes' action of landing on the skin, Kao has developed a technology to protect people from mosquito bites by introducing a formulation that covers the skin as a protective shield. This is a new technology with a

mechanism of action that differs from conventional insect repellents such as DEET and Icaridin, which rely on mainly volatile active ingredients. By utilizing this technology, Kao has developed a mosquito repellent product that is not sticky, and is as easy to apply as body lotion. The innovative mosquito repellent product using Kao's unique technology was launched in Thailand under the name *Bioré GUARD Mos Block Serum* in June 2022. A user talked about her reaction to the product: "My kids love playing outside, so I was worried because there are so many mosquitoes out there. But this product is easy to use, smells good, and quickly fits to the skin, so I feel at ease letting my kids play outside (Mother of four- and eight-year-old children)." Kao has formally initiated the #GUARD OUR FUTURE initiative, a global project to protect future lives from mosquitoes. As the first stage of implementation, together with external partners, Kao is making a serious effort to help control dengue fever and other infectious diseases that are spread by mosquitoes. Under #GUARD OUR FUTURE, in addition to cleaning and awareness-raising activities in collaboration with the Ministry of Public Health and local governments in the industrial areas of Thailand, joint awareness-raising and donation activities at schools and hospitals for protecting children (approximately 90 schools in 2022; 200 schools planned for 2023), we are working on field testing to build a system that predicts dengue fever in collaboration with research institutions, universities, and other organizations. In addition, we began collaborating with private companies and the City of Bangkok, who all share the same objective. By awareness-raising Thai citizens on the importance of preventing dengue fever, we encourage them to take preventive actions, aiming to reduce the cases of the disease.



# Purpose Driven Brands

GRI 416-1

Viewing the skin as a protective human interface that connects people to people and people to society, the *Bioré* brand is aiming to protect future lives and make a positive contribution to society where people can live with peace of mind. Kao will continue to offer products in a wider range of categories and build new business models that help people, particularly those who are in trouble, through our brands and initiatives.



*Bioré GUARD Mos Block Serum*



Hosts and guests of honor of an event to raise awareness of dengue fever with the theme of using innovation to control dengue fever: first from left: Mr. Peter Streibl, General Manager, Takeda (Thailand) Limited; fifth from right: Mr. Anutin Charnvirakul, Deputy Prime Minister and Minister of Health, Thailand; fourth from right: Mr. Kazuya Nashida, Ambassador Extraordinary and Plenipotentiary of Japan to Thailand; third from right: Mr. Yoshihiro Hasebe, President and CEO of Kao Corporation; second from right: Mr. Yuji Shimizu, President of Kao Industrial (Thailand) Co., Ltd.



**Kao Launches *Bioré GUARD Mos Block Serum*, a Newly-developed Mosquito Repellent Product, in Thailand**  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220615-001/>

Kao jointly holds an enlightenment event on dengue fever enlightenment event with the Minister of Health of Thailand: Kao announces specific initiatives for the Protecting Future Lives from Mosquitoes project and its resolution  
<https://www.kao.com/jp/newsroom/news/release/2022/20220630-001/>  
 (Japanese)

## **KANEBO: Brand activities to support the lifestyles of individuals and contribute to social issues**

Under the concept, “I HOPE. Going beyond beauty, *KANEBO* heightens hope,” the *KANEBO* brand aims to create a message of hope for the future, as well as unique products, and to be a brand that brings about new insights to overcome stereotyping and a sense of despair. In 2022, *KANEBO* sent out its brand message, “Be Positive,” to encourage people living in a world filled with a sense of despair due to the COVID-19 pandemic to take a step forward. Our feelings in the message brought a sense of excitement and emotional uplift to our customers, business partners, and employees, and they developed empathy for the *KANEBO* brand.

*KANEBO* is committed to creating an exciting future and a world where everyone can demonstrate their innate potential and let their personality shine through, focusing on five actions:

1. Diversity design
2. Women's empowerment
3. Positive aging
4. Children's growth
5. Future oriented

The five actions can be largely divided into two groups. In the first group of actions, *KANEBO* is working on *Yoki-Monozukuri*, communication development, and counseling development that take into consideration people who live beyond the common idea that cosmetics are divided by gender, to realize a brighter society where the value of individuality is respected. *KANEBO Lively Skin Wear*, a foundation launched in 2022 by the *KANEBO* brand, fulfills two major conflicting needs: providing effective cover and creating a youthful appearance with smooth tone and texture. The new foundation, which set forth a new concept of lively skin with make-up effects provided by new *KANEBO* technology, became a hot topic due to its sales being approximately three times higher than the sell-out plan prepared before launch.

In the second group of actions, *KANEBO* is working to support new generations as well as activities that take the global environment into consideration, to achieve an exciting future. In November 2022, we held “Paint Hope on a Wall—Let's Draw a Big Smile Together—,” an art event intended to create hope for children. With the hope of providing opportunities to further expand children's creativity and extend their individuality, paint used was recycled from makeup items that had not been turned into products during the development process. Through an art experience in which the entire wall was used as a canvas to freely paint a picture, children came up with an idea different from usual and realized some of their potential. We held the event with the wish that such their experience would lead to hope for the future.

Under the brand message for 2023, Feel the Power of Hope, *KANEBO* will continue to work on initiatives for a future full of hope.

# Purpose Driven Brands



KANEBO Lively Skin Wear



PAINT HOPE on WALL  
—Let's draw a big smile  
together!—



I Hope. KANEBO 5 Actions

[https://www.kanebo-global.com/global/en/brand\\_concept/our\\_action/](https://www.kanebo-global.com/global/en/brand_concept/our_action/)

KANEBO: "PAINT HOPE on WALL—Let's draw a big smile together!—"

[https://www.kanebo-global.com/global/en/topics/paint\\_hope\\_on\\_wall/](https://www.kanebo-global.com/global/en/topics/paint_hope_on_wall/)

# Transformative Innovation

Pursue *Essential Research* to unleash breakthrough innovations that help realize more sustainable lifestyles by solving social issues and easing people's pains.

## Social issues

The COVID-19 pandemic that has continued since 2019 has had a major impact on people's lives and society, but with the progress of vaccination, stagnant economic activity is beginning to recover. However, social changes, including destabilizing international affairs and rising prices of resources and raw materials in 2022, are greater than ever.

Consumers are also showing shifting values and consumption behavior due to the digitalization of daily life, while being affected by infectious diseases and economic conditions. The world's population is aging rapidly due to demographic changes, and efforts to reduce healthcare costs by extending healthy life expectancy are required.

In addition, the increasing frequency and severity of natural disasters around the world has raised concerns about the spread of losses and damage such as the collapse of infrastructure and ecological systems. To create a sustainable society for the future and counter global warming, companies need to work toward decarbonization, circular economy and decentralization / coexistence with nature.



Ministry of the Environment Annual Report on the Environment, the Sound Material-Cycle Society and Biodiversity in Japan 2022  
<https://www.env.go.jp/policy/hakusyo/r04/pdf.html>

Based on the above changes, Kao is focusing on four issues.

- Normalization of infectious diseases: Concerns that the pandemic will be repeated on a different scale
- Environmental issues: Change in social values regarding mass production, mass consumption, and mass disposal

- Super-aging society: Increasing medical costs, shortage of nursing care workers
- Responding to changes and diversification: Rapid changes in society and the environment, diversification of consumer awareness and values

## Policies

We have adopted the following three basic policies for our Research and Development activities.

1. Strengthen existing businesses: Respond to the needs and issues of consumers and customers with innovative products
2. Create new businesses: Generate the seeds of new businesses and plant them as early as possible
3. Share science and technology with society: Accelerate dissemination to society by sharing the results obtained through presentations at academic conferences and technological collaborations, etc.

Based on these fundamental policies, we swiftly identify changes in consumer lifestyles and social issues, employ science to unveil the mechanisms of phenomena, and apply technology to create products that meet diverse needs. In promoting these research and technology development activities, it is important to pursue *Essential Research* while constantly pursuing innovation.

Our activities are driven by the pursuit of *Essential Research* backed by inquisitive minds. The essence of universality, mechanisms, and root causes revealed through exhaustive investigation of objects and phenomena through the lens of science provides new evidence for solving issues faced by society and consumers, and sparks ideas for new technologies and consumer and customer value creation.

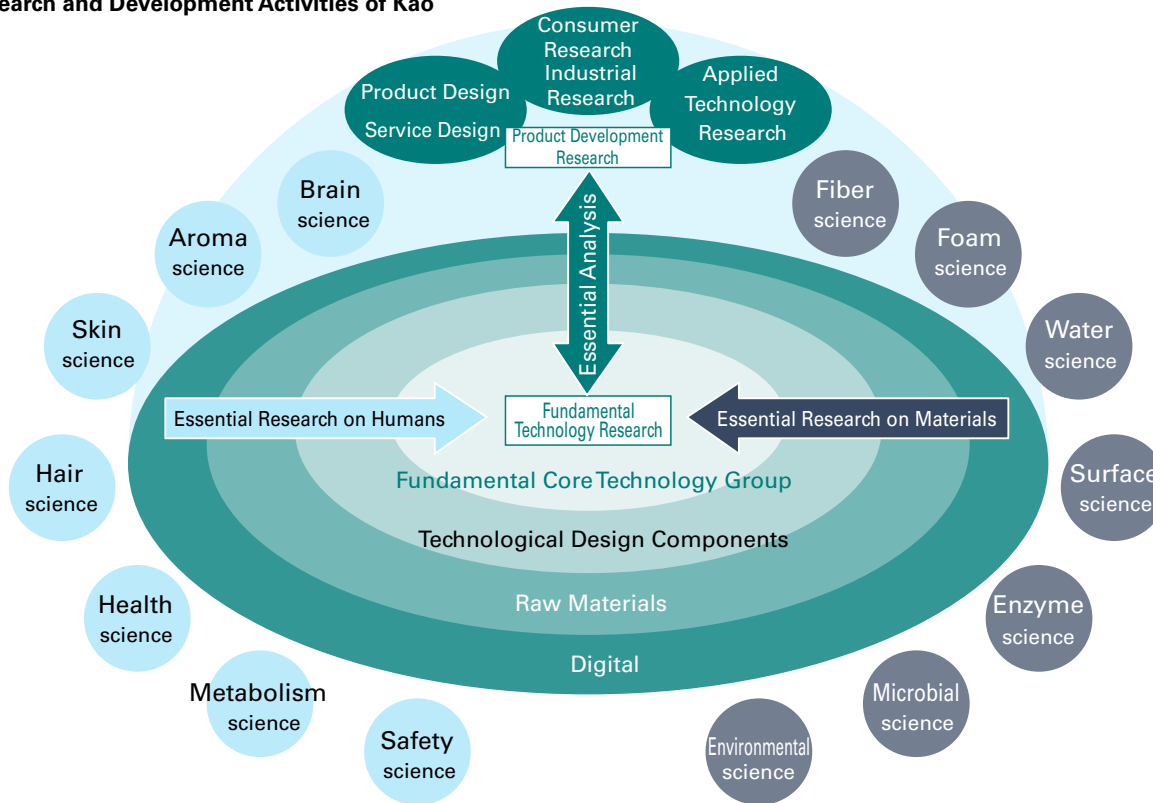
The pursuit of innovation is the embodiment of issue solving and value provision. We promote research activities from two perspectives, hoping to transform technology innovations into new products and services that will enrich the lives of consumers.

One of them is the backcasting perspective, which delves into the needs of consumers and customers, redraws the enriched lifestyles of the future, and works to realize them by making the most of the many research findings and technology assets accumulated at Kao. We will apply our core technologies, such as precise interfacial control, as our strength and combine them with new technologies to create astonishing products and services that will contribute to solving issues in the short- to medium-term, and reflect this in the development of our existing businesses.

The other is the forecasting perspective, which draws up the concept of Kirei for people, society, and the planet to address critical issues that are difficult to solve with current technology, and solves social issues through the pursuit of innovation. We will strengthen existing businesses and create new ones through new technologies that take full advantage of digital and other technologies. New businesses need to quickly roll out their obtained technology to society, improve its reliability with a lean start, and have a system to connect that technology to the business and sustain it. To this end, we will work with a variety of stakeholders to meet the challenge.

# Transformative Innovation

## Research and Development Activities of Kao



## Strategy

### Risks and opportunities

#### Risks

Our goal is to enrich lives and realize a sustainable society in which everyone can confidently lead Kirei lives every day with vitality and peace of mind. In

realizing this goal, the frequent occurrence of disasters due to climate change, environmental pollution caused by increased waste, and the super-aging society and declining birthrate are major risks not only to people's lives but also to our corporate activities, such as the impact on operations and the need to change R&D activities.

R&D activities have a nature that encompasses a wide range of risks, from product improvements for existing businesses to the development of advanced technologies with uncertain marketability. For example, if the original strategy or policy is significantly revised due to entry into a different industry or a change in policy, there is concern that the investment made up to that point will be wasted. There is also a risk that the productivity and competitiveness of R&D activities will lag behind the competitors due to the development of digital technology.

Loss of business opportunities due to damages caused by leaks or disasters involving hazardous materials handled by the R&D department or leakage of technical information on product development strategies or upcoming products prior to launch are also risks to the continuation of business activities.

### Opportunities

The means to alleviate the risks are the many technology assets that we have accumulated to date. We believe that we can continue to give consumers and customers new experiences and satisfaction through our products and services. These products and services leverage our research findings and technology assets accumulated in wide-ranging business domains, as we have done with our core precise interfacial control technology, where we have built up expertise and deployed it for a diverse range of products from clothing to precision electronic components.

### Strategy

Since the founding of our soap and detergent business in 1890, the company has expanded its business in the four areas of beauty in the Beauty Care and Cosmetics business, health in the Health and Life Care business,

# Transformative Innovation

cleanliness in the Hygiene and Living Care business, and environment mainly in the Chemical business, with interfacial control technology as our core technology. Using our accumulated technology assets as our strength, we will promote innovation in the following three directions.

## 1. Strengthen existing businesses by deepening existing technologies (short-term)

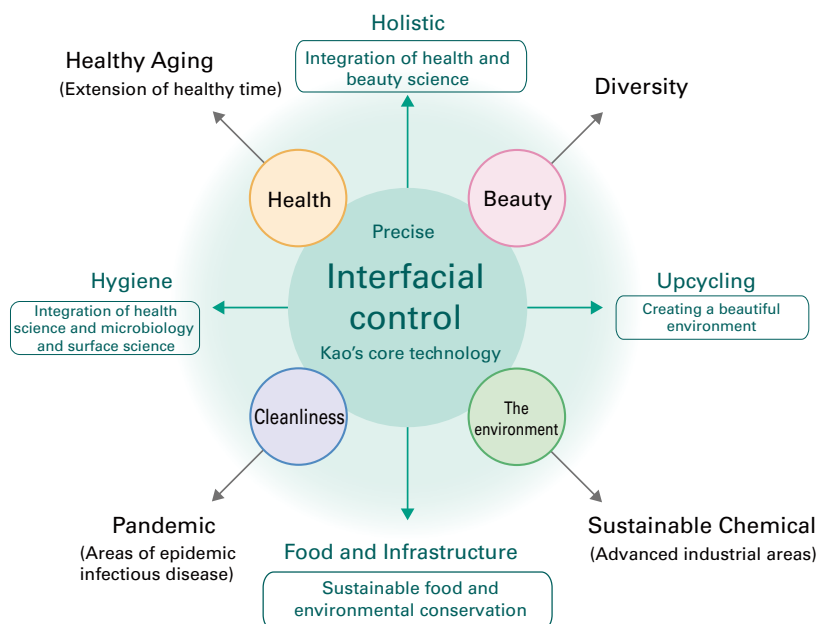
We will accelerate product development by continuously improving and utilizing our technology assets to meet the diversifying values and needs of consumers. We will promote "Maximum with Minimum ESG *Yoki-Monozukuri*," which provides maximum value with minimum use, by selecting raw materials that minimize environmental impact while adding value to products, substituting rare raw materials, and developing

technologies to reduce CO<sub>2</sub> emissions while conserving water and energy when consumers use our products.

## 2. Expand existing business in borderline areas (by 2025)

We will provide products and services that bring unprecedented value by rethinking conventional technologies from the perspectives of Environmental, Social and Governance (ESG) and QOL, and by creating new innovations at the boundaries of existing businesses.

- Hygiene: Safe and secure products and services that protect consumers from infectious diseases and unpleasant environments in daily life through technology to control bacteria and viruses



- Holistic: Products and services that provide a daily life rich in health and beauty both physically and mentally by considering beauty and health as a whole
- Upcycling: Recycling technology that transforms plastic containers and other waste into new resources and asphalt modifiers, etc. that make use of plastic waste
- Food and Infrastructure: Adjuvants that increases food production with the least possible usage of agrochemicals and solutions / services, etc. to strengthen infrastructure

## 3. Creation of new businesses by backcasting from future society (by 2030)

We envision a future society where no one is left behind in the face of global warming, climate change, and a super-aging population, and create new businesses through early implementation of new technologies and business models.

- Infectious diseases: Infection prevention technologies, etc. that can help everyone live safely amid the normalization of infectious diseases
- Population aging: Health care services, etc. to prevent geriatric syndrome and extend healthy life expectancy as we approach the super-aging society
- Diversity: Precision Life Care, etc. that supports and responds to the issues and differences of each individual
- Sustainable Chemicals: Resource-circulating society that recycles waste, CO<sub>2</sub> recycling, etc. instead of wasteful society

## Social impact

We will solve environmental and social issues by offering distinctive technologies and innovative businesses and products in line with our strategy to

# Transformative Innovation

GRI 3-3, 404-2

enrich people's lives, and help to realize a resource-circulating society as well as safer, more reliable, and healthier lifestyles. We aim to become a needed presence for people around the world by continuing to create and offer technology solutions and value.

## Contributions to the SDGs



## Business impact

Research and Development activities will lead to increased sales of new and improved products, higher earnings and brand loyalty, as well as the creation of new businesses.

## Governance

### Framework

Risk management in relation to transformative innovation is carried out by the Internal Control Committee and opportunity management is conducted by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management related to transformative innovation is conducted by the Internal Control Committee (meets twice a year) and its subordinate organization, the Risk & Crisis Management Committee (meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

Opportunity management related to transformative innovation is conducted by the ESG Managing Committee (meets six times a year). Comprising

outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

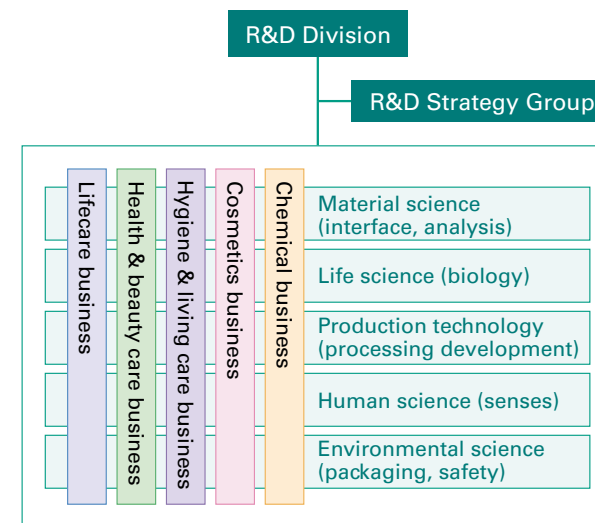
The R&D Division is in charge of promoting transformative innovation. In R&D, each laboratory is positioned as an organization directly under R&D. A system is in place for product development (vertical axis in the figure) and fundamental technology (horizontal axis in the figure) laboratories to accumulate wisdom and organically collaborate with each other. We set R&D strategies in line with our management and business strategies to transform science into technology and technology into unique products and services, thereby contributing to business by solving issues faced by consumers and society.

In the existing business domains of beauty, health, cleanliness, and the environment, our product development laboratories view issues faced by consumers and customers from a scientific angle, collaborate with business divisions to define the policy for the value we will provide at an early stage, and continue to provide innovative products by evolving and making the most of technology assets. In addition, in the new business domains, our research institute for technology development plays a central role in creating technology innovations to address social issues from a future perspective, and we are considering early social implementation and commercialization through collaboration inside and outside the company.

These Research and Development activities are shared with management, including the head of the R&D Division, on a monthly and semi-annual basis to confirm progress.

In order to respond quickly and flexibly to changes in the business and social environment, the R&D Strategy Group acts as an intermediary and sets up a forum in the annual plan for reporting to operational and business management, including Executive Officers, so that policies, strategy implementation, and progress in Research and Development activities are shared. Members of this forum verify progress and revise strategies as necessary, speeding up decision-making and accelerating global growth.

P18 Our ESG Vision and Strategy > Governance



## Education and promotion

To advance our Research and Development activities, we must develop individual researchers' advanced specialization, creativity and originality as well as foster a culture in which many researchers work together to take on challenges in new fields.

# Transformative Innovation

GRI 3-3, 404-2, 416-1

For this purpose, we have established a research report database that all researchers can access to independently browse internal research findings, technology assets and the latest research results. We also provide opportunities to engage with leading-edge science and technology through lectures and technical guidance provided by outside experts.

In addition, we hold presentation sessions with participation and discussion open to all researchers to create opportunities for collaboration where new discoveries can be made through the exchange of ideas. Through the use of online conferencing tools, researchers, including those outside Japan, participate and interact with each other. We emphasize dialogue as well as efficiency through the use of digital technology, leading to innovation through the fusion of different types of knowledge.

## Collaboration with stakeholders

Multi-faceted linkage and collaboration between industry, government and universities are necessary to solve challenging environmental and social issues. Open innovation is one example of this approach. New value is created when two or more parties mutually supplement and combine their technology strengths, and this enables products and services to be quickly delivered to consumers. Especially when it comes to realizing a sustainable society, collaborating with companies that are tackling the same social issues is necessary. To establish a resource-circulating society, we are working together to establish technologies to recycle packaging containers and address methods to newly utilize used diapers through demonstration experiments, with the aim of early social implementation.

By presenting important knowledge gained through Research and Development activities at academic

conferences and through publications, we strive to propagate science and technology. This has earned us high recognition, including awards for various discoveries and technologies.

## Risk management

We address a wide range of risks in our R&D activities, prioritizing risks with the greatest business impact. In order to respond promptly to risks in line with business changes, it is necessary to visualize the degree of progress and risk of research themes, to optimize the allocation of R&D expenses and personnel, and to make modifications according to the situation. It is also important to prepare for changes in the business environment by co-creating with governments and various stakeholders to keep abreast of the latest developments.

Furthermore, while enhancing the serendipity of researchers through experience, we are taking the initiative to incorporate simulation, artificial intelligence, machine learning, and other digital technology to improve the speed of Research and Development by, for example, narrowing down experimental targets.

With regard to risks related to continuing business activities, the Risk & Crisis Management Committee and the Responsible Care Promotion Committee within the Internal Control Committee work together to identify risks such as technical information leaks and chemical substance releases, and conduct self-audits to ensure that all researchers are aware of these risks.

**P33** Our ESG Vision and Strategy > Risk Management

Risks related to transformative innovation are managed within the corporate risk management framework.

**P278** Risk and Crisis Management > Governance

## Targets and metrics

### Mid- to long-term targets and 2022 results

We will advance innovation, aiming to strengthen existing businesses and create new businesses. In our existing businesses, we will meet the expectations of consumers and customers and realize a sustainable society by providing safe and reliable quality as well as environmentally friendly products and services. In new businesses, we aim to make new proposals for social issues such as infectious diseases, hygiene and population aging.

### 2030 long-term targets

We have prepared concrete activity plans for two research objectives to ensure that all researchers conduct Research and Development activities with a high level of awareness.

### 1. Propose products with a major positive impact on lifestyles

Propose ten or more product releases by 2030 incorporating innovations capable of causing major positive change with respect to lifestyles, society or the environment (cumulative beginning in 2019)

# Transformative Innovation GRI 416-1

## 2. Propose businesses and systems with major positive impact on lifestyles

Propose ten or more businesses or schemes by 2030 incorporating innovations capable of causing major positive change with respect to lifestyles, society or the environment (cumulative beginning in 2019)

### 2022 results

To strengthen existing businesses, we are releasing products that solve an even wider range of consumer issues by leveraging our technology assets and combining them with new technologies. In addition, in order to enhance the QOL of consumers in an aging society that will gray even further as time passes, we have launched functional food products that partially assist walking and cognitive functions, and offer health support services using gait monitoring technology in collaboration with external companies.

As an example of expanding the boundaries of existing business, we are promoting *NEWTLAC 5000*, which uses proprietary technology to transform waste PET into an asphalt modifier to improve pavement durability as part of our upcycling\* efforts. Given its capability to also reduce CO<sub>2</sub>, the company's technological capabilities and social usefulness have been recognized by The Association for Resilience Japan at its 8th Japan Resilience Awards, which granted the company the runner-up grand prize and gold prize.

As the COVID-19 pandemic continued worldwide, we expanded our offering of hygiene products both within and outside Japan in 2022, while mosquito-borne malaria and dengue fever are also remaining major social issues. Using a method different from conventional repellents, we developed a technology that protects against bites by making it difficult for mosquitoes to perch on the skin, and launched it as

*Bioré GUARD Moss Block Serum* in Thailand, where dengue fever is common.

Furthermore, in creating new businesses, we are working to commercialize a sebum RNA monitoring technology that enables precise visualization of daily changes in the condition of the skin and body. Based on Kao's technologies such as RNA collection and analysis as well as skin knowledge and databases, we are in the midst of building a business model to propose optimal solutions tailored to each individual through collaboration with external ventures and platforms.

\* To give new value to something that would otherwise be discarded and configure it into a different product

### Reviews of 2022 results

At the Kao Group Technology Innovation session in November 2018, we announced our new technologies in five domains: skin, health, hair, surface chemistry and environment.

In the surface chemistry domain, Bio IOS is an environmentally friendly surfactant derived from natural raw materials that are hard to compete with food applications, and is being expanded into a variety of products because it can reduce carbon dioxide emissions through product formulation. For the hair domain, a naturally occurring source of black hair melanin (coloring ingredient: dihydroindole) that supplements blackness in gray hair is being developed in products ranging from hair color to shampoos and conditioners. In the environment domain, we are collaborating with various stakeholders to conduct demonstration experiments on recycling film packaging, while at the same time, continue to develop technologies for horizontal material recycling to convert the material back into containers.

On the other hand, for the skin domain, fine-fiber technology is characterized by the formation of a natural ultra-thin film by blowing ultra-fine fibers onto the skin, and we are continuing to study applications for it while expanding various research findings. In the health domain, since sebum RNA monitoring technology is new and unique, we aim to commercialize it through social implementation in cooperation with various stakeholders while building consumer value and business models.

Currently, we have set a certain number of innovations as our mid- to long-term targets, aiming to change consumers' lifestyles and enrich society. We are also considering the need to measure the impact of this initiative on both existing and new businesses.



# Transformative Innovation

## Main initiatives

### Development of foam cleaning products by refining precise interfacial control technology (short-term)

Kao has been developing a variety of products by fine-tuning the performance of foam.

Until now, the cleaning power of foam has been considered irrelevant, although its fluffy texture is pleasing. By controlling this foam at a high density, we have found that it spontaneously absorbs oil (dirt) and enhances cleaning power, while little of it is adsorbed into the skin, as the foam cannot easily penetrate the stratum corneum. These characteristics of dirt removal and gentleness to the skin are widely applied to face washes and body cleansers. By increasing foam volume and lather retention, we provide a comfortable, frictionless wash.

In addition, by dispensing the product as foam, even children and the elderly, who have had difficulty working up a lather, can easily spread the cleansing ingredients and thoroughly remove dirt. This property of firm and easy spreading is also applied to hair coloring.

In addition, as improvements to foam breaking helps to conserve water by reducing the amount of water used for rinsing, this technology is also being used for dishwashing detergents.

The act of washing has been around for a long time, but we expect that refining interfacial control technology will expand the world of washing for everyone, enhance the quality of life for increased comfort, and is environmentally friendly.

### Protecting Future Lives Technology to prevent mosquito-borne infectious diseases (medium-term)

Mosquito-borne infectious diseases such as malaria and dengue fever are problems that pose a threat worldwide. To combat them, insect repellents and other agents are commonly used. By carefully observing mosquito behavior, Kao has developed a technology that prevents mosquito bites through application of a low-viscosity silicone oil to create a skin surface that mosquitoes dislike. This is due to the oil quickly wetting and spreading on the mosquito's legs, and applies Kao's core technology of precise interfacial control technology. Furthermore, when combined with a lower concentration of repellent, the number of mosquito landings was markedly reduced. *Bioré GUARD Moss Block Serum*, which employs this technology, was launched in Thailand in June 2022. We plan to promote activities that protect future lives through awareness-raising and research activities related to dengue fever.

### Biochemical production using cassava residue from inedible biomass (long-term)

Bioethanol derived from biomass is anticipated to be applied as an industrial material as well as a substitute for petrochemical fuels. However, since most of them are made from edible biomass such as corn and sugarcane, the issue is to utilize non-edible biomass that does not compete with food sources. Focusing on the residue of cassava, a type of potato cultivated in the tropics and subtropics, Kao has developed an enzyme technology that converts the inedible part, consisting of sugar, to ethanol, after starch extraction. Development of this saccharification enzyme is the result of many years of working on detergent enzyme technology, and features a compact on-site production system that

produces and supplies enzymes at the same plant site through a multi-enzyme production system that uses filamentous fungi to simultaneously produce multiple types of enzymes. Kao Corporation and Kao Industrial (Thailand) Company Limited have launched joint efforts to conduct a demonstration study on a manufacturing system after being selected by the New Energy and Industrial Technology Development Organization (NEDO) at its first public contest for an International Demonstration Project on Japan's Energy Efficiency Technologies (Study of Suitability of Demonstration Requirements) in FY2022. Our goal is to establish and commercialize an integrated production system for environmentally friendly bio-chemical products.

# Transformative Innovation

## Employees' opinions

**We want to deliver new hygiene practices to the world through *Genba*-driven innovation.**



### Kohei Takeuchi

R&D - Sensory Science  
Research 4,  
Kao Corporation

Our experts in various fields discussed in detail how consumers can protect themselves from infectious diseases spread by mosquitoes from various angles with the aim to become a company that protects lives, and created *Mos Block Serum* as a solution. While deepening the technology developed from the core technology of Kao, namely interface science, in our laboratories, we made numerous trips to Southeast Asia, where the dengue fever challenge is a big problem, and went through repeated trial and error until we were sure that this product would become a new practice to prevent mosquito-borne infection. The launch of this product opened up an opportunity to widen our scope to governments and third-party partners. We will also promote awareness-raising and research activities to further accelerate this activity.

# Responsibly Sourced Raw Materials GRI 3-3

Source our raw materials in a more sustainable way that protects natural resources, the environment, safety and human rights through supply chain traceability and dialogue with suppliers.

## Social issues

Major issues in product raw materials procurement include destruction of the local environment and loss of biodiversity due to indiscriminate development, protection of the human rights of workers, safety and hygiene management, forced migration of local residents and health hazards in the supply chain.

## Policies

To promote ESG procurement activities in accordance with our Policies for Procurement, we amended the existing guidelines in June 2022 and developed our Partnership Requirements for Suppliers, ESG Promotion Activities with Suppliers, and High-Risk Supply Chain Management and Sourcing.

The Policies for Procurement include items relating to fairness and equity in trading, adherence to laws and ethics, and social responsibility. We seek to contribute to the establishment of a sustainable society, provide for due consideration for protection of natural resources, environmental preservation and human rights, and support ESG procurement along with compliance with laws and ethics.

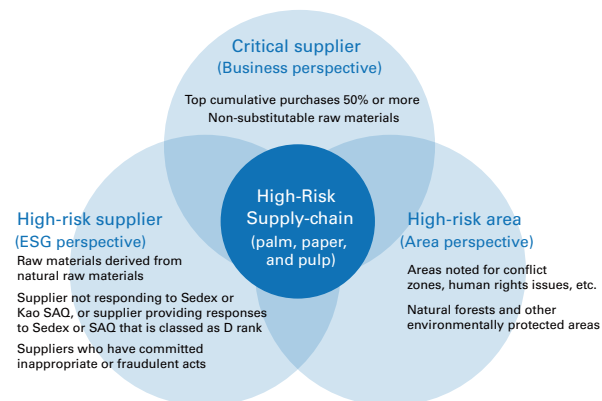
Our Partnership Requirements for Suppliers seek compliance from our supplier in areas such as rules and ethics, human rights and labor, fairness and equity, supply chain management, environmental management, and sustainability. Our standard contract with suppliers clarifies provisions concerning the aforementioned

issues including the environment, human rights and labor.

ESG Promotion Activities with Suppliers encourages the development of a sustainable supply chain, work on a High-Risk Supply Chain, and strengthen collaboration with our business partners. This ensures the traceability of the entire supply chain and contributes to the resolution of social issues such as resource protection, environmental conservation, security and human rights.

High-Risk Supply Chain Management and Sourcing outlines an initiative for sustainable procurement of natural resources, provides the action policy for the procurement of palm oils, paper and pulp, and describes the approach for solution of fundamental issues. Particularly with regard to zero deforestation, we support the NDPE\* and request and confirm that our suppliers and their group companies, as well as their portfolio companies, comply with it.

\* NDPE  
No Deforestation, No Peat and No Exploitation



### Policies for Procurement

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

### Partnership Requirements for Suppliers

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-partnership-requirements.pdf>

### ESG Promotion Activities with Suppliers

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-esg-promotion-activities.pdf>

### “High-Risk” Supply Chain Management and Sourcing

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf>

### Basic Policy on Biodiversity

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

P327

Biodiversity

## Strategy

### Risks and opportunities

#### Risks

Procurement risks may include, among others, the inability to procure raw materials as planned due to fluctuations in prices caused by various factors including abnormal weather, natural disasters, geopolitical influences and international conflicts. Procurement risk may also arise when rapid changes in demand, or problems originating with suppliers, destabilize

# Responsibly Sourced Raw Materials GRI 3-3

procurement and disrupt the supply of products to the market.

In addition, the Kao Group's raw materials are heavily dependent on natural capital such as palm oil, paper and pulp. We must fulfill our corporate social responsibility by achieving sustainable procurement and fully considering environmental issues including natural resources saving, global warming prevention and biodiversity conservation, as well as social issues such as safety, hygiene, the labor environment and human rights. If, as we make efforts to achieve these goals, our commitment to sustainable and responsible procurement comes to be viewed as insufficient due to an issue or issues originating in the supply chain, our brand image and credibility may be damaged.

## Opportunities

ESG procurement of raw materials is important if we are to contribute to a sustainable society.

In terms of ESG procurement for the environment, we promote procurement of palm oil, pulp and paper based on our High-Risk Supply Chain Management and Sourcing. In terms of ESG procurement for society, we conduct human rights due diligence in line with the Kao Human Rights Policy, and supplier risk assessments based on our Partnership Requirements for Suppliers. In addition, the Kirei Lifestyle Plan sets mid- to long-term targets centered on ESG procurement through 2030, and promotes responsible procurement.

By continuing these activities, we aim to become number one in ESG procurement.

## Strategy

For Kao, the most important natural resource is palm, and we are working toward sustainable palm oil

procurement. As part of our commitment to identify and eliminate risks in the supply chain, we will work to ensure farm traceability and move to 100% RSPO certified oil. We will also implement a support system for oil palm smallholders (SMILE program) and a grievance mechanism to resolve fundamental issues.

### P97 Main initiatives

In addition, we undertake a risk assessment based on the ESG survey to identify suppliers' human rights risks. We will request that suppliers that are rated as being high-risk conduct SMETA audits and act on them to address issues.

## Social impact

Along with ESG procurement, stable procurement is also vitally important in promoting *Yoki-Monozukuri* to provide a stable supply of products to consumers and customers. Our Procurement Division is conducting responsible procurement along the two axes of ESG procurement and stable procurement, in addition to competitiveness-enhancing procurement.

By promoting these three procurement-related priorities in concert with our suppliers, we can ensure that consumers and customers can use our products with peace of mind.



## Contributions to the SDGs



## Business impact

Achieving these targets will reduce various related environmental and social risks and contribute to cost reductions. It will also enhance our brand image and social trust.

## Governance

### Framework

Risk management in relation to responsibly sourced raw materials is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

# Responsibly Sourced Raw Materials GRI 2-28, 3-3, 404-2

Risk management related to responsibly sourced raw materials is conducted by the Internal Control Committee (which meets twice a year) and its subordinate unit, the Risk & Crisis Management Committee (meeting four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to responsibly sourced raw materials. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

In addition, the Human Rights and DE&I Steering Committee, under board-level ownership, have also undertaken strategy formulation and implementation planning, working to ensure reliable and rapid execution.

By strategically coordinating three policies; ESG procurement, stable procurement and strategic procurement for enhancing competitiveness, Procurement will achieve competitiveness and promote responsible procurement to all stakeholders. In 2020, to practice responsible procurement, Procurement's organizational structure was reorganized broadly into a Strategic Sourcing Department and an Operational Excellence Department.

The principal mission of the Strategic Sourcing Department is to formulate and implement mid- to long-term procurement strategies based on the three procurement policies, while the principal mission of the Operational Excellence Department is to innovate in terms of efficiency and timely information sharing along the supply chain.

**P18** Our ESG Vision and Strategy > Governance

## Education and promotion

To carry out responsible procurement, each of our Procurement employees must acquire the necessary knowledge, and ensure that they understand and adhere to the Policies for Procurement and related guidelines. To this end, we conduct various training and awareness-raising activities. We use new employee training for recent graduates and mid-career hires, training for young employees and other training programs, for example, to deepen understanding of ESG procurement, stable procurement and strategic procurement.

## Collaboration with stakeholders

We are promoting opinion exchanges with suppliers through vendor summits, quality improvement meetings and other initiatives. We utilize Sedex for supplier monitoring, and by requesting suppliers to obtain Sedex membership and response, we are undertaking to assess risk for our entire supply chain. We are strengthening coordination with our suppliers through various initiatives including the CDP Supply Chain Program, and developing our global procurement activities.

We are also working with our international business partners to provide essential solutions to social issues.

We also continue to engage NGOs in dialogue and respond sincerely to opinions and advice from a variety of perspectives. We are actively exchanging opinions with other companies and external organizations, such as participating in JaSPON in Japan and SUSTAIN internationally, with the aim of realizing sustainable procurement and traceability.

## Risk management

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and adjust measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

**P33** Our ESG Vision and Strategy > Risk Management

# Responsibly Sourced Raw Materials

## Targets and metrics

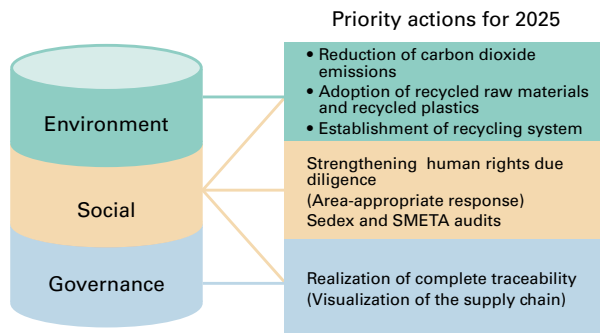
### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

On the environmental side of ESG procurement, we will work to reduce carbon dioxide gas emissions from raw materials, use recycled raw materials and recycled plastics, and establish a recycling system for containers.

In social terms, we will strive to strengthen human rights due diligence on the part of suppliers by promoting Sedex and SMETA audits.

In governance terms, we aim to ensure traceability of raw materials back to their origin and make the supply chain visible.



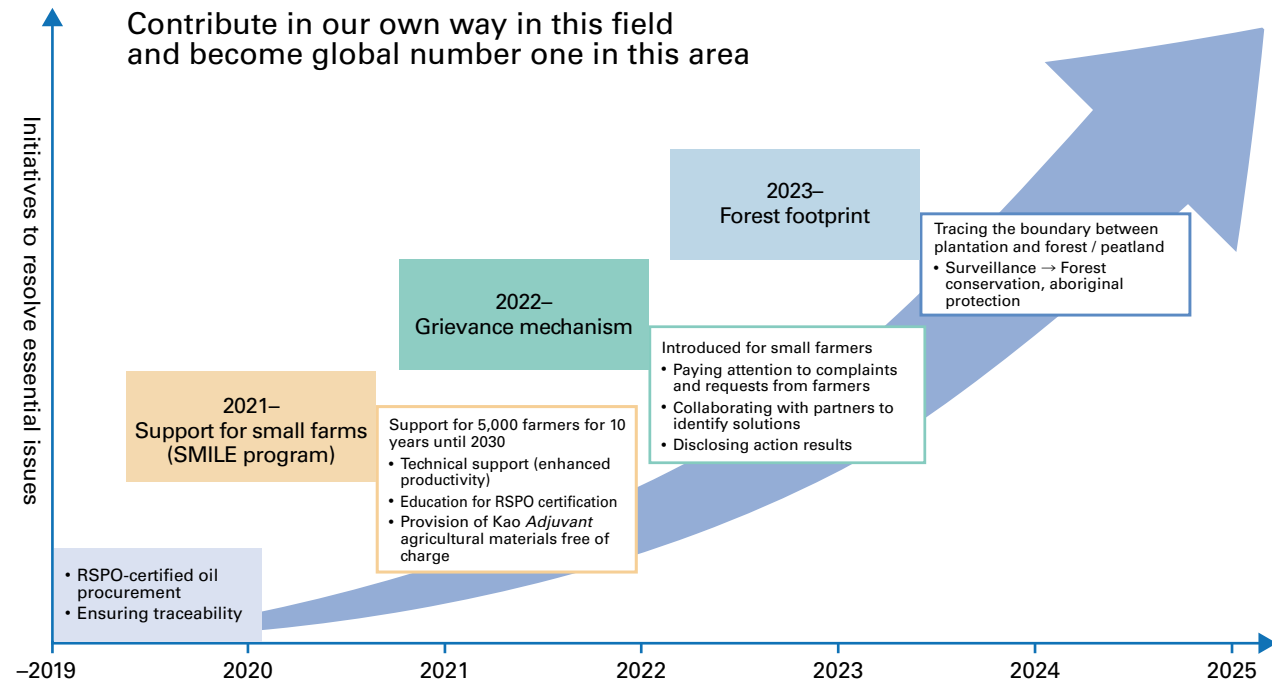
In particular, in relation to procuring palm oil and palm kernel oil, we are expanding our initiatives to solve essential problems in the supply chain, ranging from promoting the purchase of RSPO\*-certified oil and ensuring traceability to supporting small palm farms, establishing a grievance mechanism, and disclosing forest footprints to the public.

### 1. Ensuring traceability

We take into consideration preservation of biodiversity and pursue zero deforestation in our procurement of palm oil and palm kernel oil. In addition, we aim to procure only RSPO-certified palm oil by 2025 and to complete confirmation of traceability back to oil palm landholders, also by 2025.

With regard to paper and pulp procurement, we take into consideration preservation of biodiversity, pursue zero deforestation, and are working toward 100% procurement of certified paper products and pulp used in consumer products by 2025. We will also continue to confirm traceability to the origin.

\* RSPO: Roundtable on Sustainable Palm Oil



# Responsibly Sourced Raw Materials

## 2. Human rights initiatives

We established the Kao Human Rights Policy in 2015 to address various risks associated with human rights issues. In addition to our own activities, we also request that the activities of our suppliers embody respect for human rights based on our Partnership Requirements for Suppliers, and we conduct human rights due diligence accordingly.

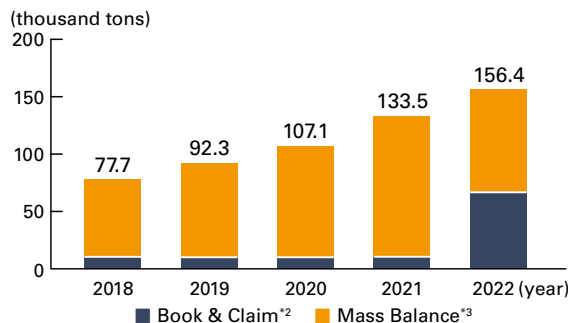
To conduct this risk assessment, in 2014 we joined Sedex, a platform for sharing information on ethical practices by global companies. We have been also encouraging our suppliers to join Sedex. We aim to achieve 100% implementation of due diligence by suppliers by 2025. In addition, we will request that suppliers that are rated as being high-risk conduct SMETA audits and act on them to address issues.

### 2022 results

#### 1. Ensuring traceability

- Palm oil and palm kernel oil procurement Confirmation of traceability to the farms owned and managed by oil and fat suppliers: Complete
- Disclosure of mill list (mill names and locations): Complete
- Procurement of certified palm oil: Ratio of RSPO-certified oil to total palm oil: 34%
- Support for oil palm smallholders: 390 farms received RSPO certification.
- Introduction of the grievance mechanism: Operation started in September 2022.

## Certified palm oil purchases\*<sup>1</sup> (Kao Group)



\*1 Total of certified palm oil, certified palm kernel oil, and certified palm-derived raw materials

\*2 Book & Claim

A certification model in which RSPO-certified credits are traded online between producers and end-product manufacturers/sellers

\*3 Mass Balance

A certification model in which certified oil is mixed with non-certified oil during the distribution process, but the quantity of certified oil is guaranteed.

- Paper and pulp procurement\*<sup>4</sup> Confirmation of traceability: 100% Of this, 97% is certified paper and pulp\*<sup>5</sup> (as of December 2022)

\*4 Covers paper and pulp used in Kao products (excluding some products).

\*5 The ratio of certified materials among paper / pulp materials is tabulated based on the ratio by weight of certified materials for each procured item.

#### 2. Human rights initiatives

We have been conducting assessments based on Sedex since 2017. We expanded these assessments in 2018 to cover all of our global business\*<sup>6</sup>.

- Overall evaluation of supplier risk assessment based on Sedex (as of December 2022): S evaluation: 24%, A evaluation: 38%

Overall evaluation	SAQ response rate* <sup>7</sup>	Sedex risk assessment* <sup>8</sup>	Percentage
<b>S</b>	80% or more	3.0 or more	24%
<b>A</b>	80% or more	2.0 to less than 3.0	38%
<b>B</b>	80% or more	Less than 2.0	29%
<b>C</b>	Less than 80%	—	9%

\*6 The scope of assessment is 1,221 sites that responded to the Sedex new Self-Assessment Questionnaire (SAQ)

\*7 Sedex new SAQ response rate

\*8 Management control score values using Sedex assessment tools (Ranging from 0 to 5; the higher the score, the better the management)

In addition, SMETA audits were initiated for high-risk suppliers in 2021. In 2022, 29 high-risk suppliers—including those found to be non-compliant—underwent SMETA audits and were required to improve their internal systems.

#### Reviews of 2022 results

With regard to confirming traceability to palm oil production regions (palm farms), we have completed tracing to palm oil mills and farms owned and managed by oil suppliers. Regarding traceability back to farms, we will continue to pursue traceability confirmation for small- and medium-scale farms in collaboration with various stakeholders such as suppliers, farmers, NGOs. Regarding support for oil palm smallholders, 390 farms received the Roundtable on Sustainable Palm Oil (RSPO) certifications. The grievance mechanism was introduced and started in September 2022 for 50 farms in North Sumatra, Indonesia.

We once again achieved nearly 100% traceability for paper and pulp producing areas, maintaining the results from 2021, and the certified product ratio was 97%. We will continue to introduce certified products for small-scale suppliers and encourage confirmation of

# Responsibly Sourced Raw Materials

sustainability with the aim of achieving the 100% by 2023, even earlier than our original target of 2025.

To address human rights, we request that all direct materials suppliers worldwide join Sedex, respond to Sedex questionnaires and set up data access rights. As of the end of 2022, suppliers accounting for 88% of global transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program). In the future, besides continuing to encourage suppliers to join Sedex, we will also request improvements from suppliers whose assessment results are low (Scores of B or C).

SMETA audits targeting high-risk suppliers were initiated with two companies during the COVID-19 pandemic in 2021. In 2022, we gained understanding through sufficient dialogue with target companies and conducted audits in 29 companies, almost achieving our goal. We plan to complete audits of suppliers in Japan considered to be high-risk suppliers as of this moment in 2023.



# Responsibly Sourced Raw Materials

## Main initiatives

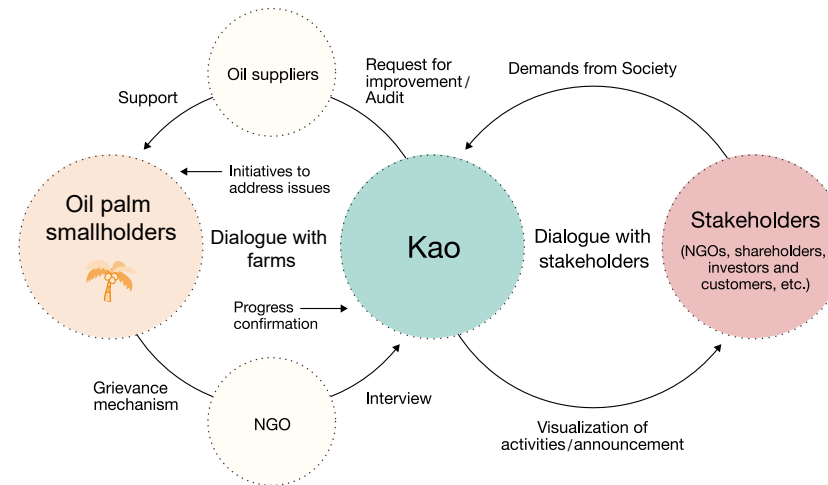
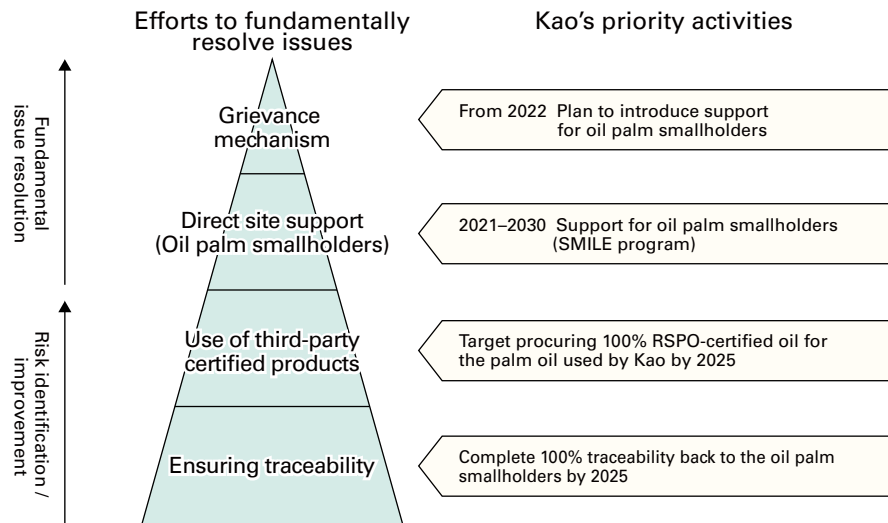
### Palm, the most precious natural resource for Kao

For Kao, the most important natural resource is palm, and we are working toward sustainable palm oil procurement.

We are promoting demand and confirmation of thorough compliance with the NDPE policy and HCSA\* concepts among our oleo-chemical suppliers and their group companies, as well as their portfolio companies.

In addition, by 2025 we aim to expand the use of RSPO-certified oil and complete traceability to oil palm smallholders in collaboration with palm suppliers and NGOs.

\* HCSA: High Carbon Stock Approach



# Responsibly Sourced Raw Materials

## Support for oil palm smallholders

Kao, Apical Group (a company that manufactures and sells oleo chemicals) and Asian Agri (a plantation company) are implementing Smallholder Inclusion for Better Livelihood & Empowerment (SMILE program) to help oil palm smallholders in Indonesia improve productivity and obtain certification for sustainable palm oil, with the aim of establishing a sustainable palm oil supply chain.

These activities aim to enhance the living standards of local farmers and reduce deforestation. By 2030, a plantation manufacturer's team of education specialists will enhance the living standards of approximately 5,000 farms by providing technical training to increase productivity (doubling the target yield) and education to obtain RSPO certification (RSPO basic principles, safety education and yield management methods). Furthermore, doubling the oil palm productivity of all small-scale Indonesian farms would have the effect of reducing new deforestation equivalent to the area of existing palm plantations in Borneo (approximately 4 million hectares).

Phase 1, which began in 2020, provided education on farm management, labor safety, fire management, and RSPO certification to 628 farms in Sumatra.

As a result, 390 plantations have obtained RSPO certification by 2022, and Kao purchases all the certification credits from these certified small oil palm farms. Certification credits for small oil palm farms enables those farms to receive certification premiums directly, thereby providing a steady income for the farmers. In addition, we started phase 2, a risk survey of farmland on 1,688 new farms and a fact-finding survey of farms in November.

In addition, Kao's proprietary *Adjuvant*\* technology has been introduced, and instructions are provided on

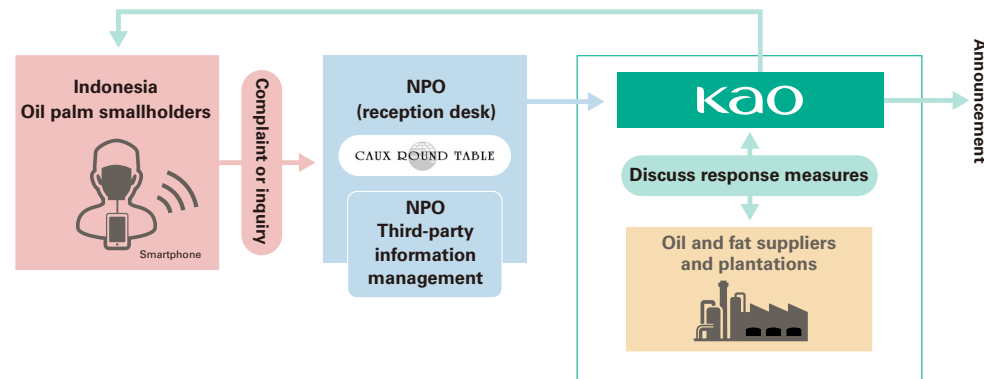
its use. We began testing its use in North Sumatra Province in February 2022, and will gradually provide it to oil palm smallholders as we verify its effectiveness.

\* A high-performance agrochemical spreader developed by Kao that is derived from plant materials. Spread the chemical on the plant surface so that it is wetted and spread during agrochemical application.



## Kao grievance mechanism for oil palm smallholders

- Direct dialogue with owners of oil palm smallholders
- Confirmation, investigation and response to complaints and inquiries
- Follow-up in collaboration with NPOs and suppliers



## Initiative to implement a grievance mechanism

We have initiated the grievance mechanism as a way to rapidly address human rights issues in small oil palm farms in Indonesia, which we will support with SMILE program starting in 2022. The grievance mechanism is an initiative to identify and investigate issues (complaints) in the *Genba* (farms) in collaboration with NPO, resolve the issues proactively, and follow up to confirm resolution.

We started operating the system in September 2022 for 50 farms in North Sumatra, Indonesia, and received about 100 requests and inquiries about the certification system, palm production, and sustainable plantations. We are addressing the inquiries in collaboration with NPO.

We will keep bolstering our activities to solve the roots of issues to enhance sustainability, with dialogue

# Responsibly Sourced Raw Materials GRI 308-2, 414-2

in the *Genba* (farms) as the starting point. Our aim is to then communicate these activities to external stakeholders (NGOs, etc.), and through dialogue, achieve further improvement.

## Collaboration with suppliers

### Supplier monitoring

We use Sedex in confirming compliance with our Partnership Requirements for Suppliers, which define initiatives in such areas as the environment, safety, conformance with laws and social norms, and human rights and labor problems, and in risk assessments. After joining in 2014, we began full-scale use in 2016, and we request that all direct materials suppliers worldwide join Sedex, respond to Sedex questionnaires and set up data access rights.

For suppliers that find it difficult to join Sedex, we also use an original survey form (Kao SAQ) as an evaluation tool to supplement Sedex. Kao SAQ comprises such social responsibility items as compliance, human rights and business practices, and such environmental conservation items as environmental policies, environmental objectives and various categories of environmental management, including pollution prevention (air, water, etc.).

We are also performing this assessment when onboarding new suppliers.

As of the end of 2022, suppliers accounting for 88% of global transactions (on a monetary value basis) were Sedex members (including Kao SAQ, an alternate program<sup>\*1</sup>). We will continue to raise the proportion of transactions with Sedex members in the future.

We also perform risk assessments using Sedex risk assessment tools of those suppliers that have set access rights on Sedex. The results of this assessment are fed back to suppliers, who are asked to review

items requiring improvement to achieve an overall evaluation of A or better.

<sup>\*1</sup> EcoVadis and other survey programs used as alternatives to Sedex

### CDP Supply Chain Program<sup>\*2</sup>

We recognize risks associated with sustainable development based on resource constraints, loss of biodiversity, global warming and other environmental issues as well as issues such as human rights, and are working to sustainably procure raw materials. These initiatives must be managed across the entire supply chain. With regard to climate change, water and forests, we are participating in the CDP Supply Chain Program and asking our key suppliers to disclose relevant information. In 2022, the supplier response rate was 81% in regard to climate change, 90% in regard to water and 97% in regard to forests.

In regard to forests, we are conducting risk assessments by providing information to the CDP Forest Program<sup>\*3</sup>.

<sup>\*2</sup> CDP Supply Chain Program

The CDP is a nonprofit organization operated by institutional investors that requests corporations and other organizations to disclose information relating to climate change, water and forests. The CDP Supply Chain Program is an initiative in which participating enterprises ask the firms that make up their supply chain to disclose information relating to climate change, water resource use and forest resource use via the CDP platform.

<sup>\*3</sup> CDP Forest Program

A CDP initiative in which enterprises are asked to disclose information regarding forest resource management and usage status, etc.

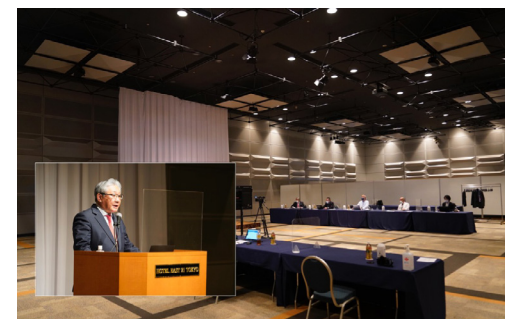
### Kao vendor summits

We hold vendor summits to provide a venue for sharing information and exchanging opinions with suppliers within and outside Japan. Each year, a specific theme is chosen for the vendor summits, and we seek to foster communication in regard to that theme.

The 2022 summit was held remotely as with the previous year (Japan and Taiwan). At the 2022 vendor summit, we and our suppliers presented our initiatives and activities, and called for collaboration to strengthen ESG procurement for responsible procurement (including joining Sedex, conducting SMETA audits, participating in the CDP Supply Chain Program and LC-CO<sub>2</sub> initiative), and stable procurement (including raw material traceability and information security). The supplier award, which was established in 2016, was given to suppliers that demonstrated outstanding achievement in strategic partnerships, ESG, and stable supply, which have replaced the previous categories since 2022.

### Number of companies that participated in the vendor summits (Unit: firms)

	Held inside Japan	Held outside Japan	Total
2018	243	230	473
2019	239	267	506
2020	Suspended	Suspended	—
2021	246	108	354
2022	273	29	302



# Responsibly Sourced Raw Materials GRI 404-2

## Education and promotion

### Employee training and awareness-raising (Japan)

We educate new Procurement employees in our basic approach to procurement, which includes fairness and equity, adherence to laws and ethics and social responsibility. Through such education, we strive to encourage our employees to understand global social issues such as human rights and labor, which are fundamental to the United Nations Global Compact and ISO 26000 principles. In 2022, we conducted education on our basic approach to procurement for five employees newly assigned to the Procurement Division.

### Promoting certification testing (Japan)

So that all Procurement employees understand the relationship between society and the environment, and as education to modify their behavior accordingly, we encourage them to take certification examinations. In 2022, we encouraged employees to take the Certification Test for Environmental Specialists® (Eco Test®), and the cumulative number of employees who have passed the test accounted for 84% of division employees in 2022.

\* Eco Test®: This test promotes an environmentally and economically sustainable society.

# Making the World Healthier & Cleaner

Page	Kao Action	Activity Highlights for 2022	Key Themes	Page
P 102	<b>Decarbonization</b>	We are promoting the introduction of photovoltaic power generation systems for on-site power generation and the purchase of renewable electricity at Kao-owned facilities.	Use of renewable energy	P 113
		We provide a wide range of products that contribute to CO <sub>2</sub> reduction when they are used, such as ultra-concentrated laundry detergents that only require one rinse cycle, and shampoo and dishwashing detergent that reduce the amount of hot water required for rinsing.	Low-carbon products	P 115
		We are working on converting used baby diapers into carbon using carbonizing equipment and applying it to environmental purification and plant cultivation, as well as conducting research and development to convert carbon in the air into materials.	Carbon recycling	P 116
		Demand is growing for UV-care products, antiperspirants and infection control products due to global warming, and for water-saving products arising from the increasing number of droughts, so we are putting more resources into the development of these products.	Applicable products	P 116
P 120	<b>Zero waste</b>	This involves initiatives to reduce the amount of fossil-based plastic used. We are implementing initiatives to reduce, reuse, and replace items.	Innovation in Reduction	P 123
		This involves projects to recover used packaging and recycle it so that it can be used again as recycled plastic.	Innovation for Recycling	P 123
P 137	<b>Water conservation</b>	This involves initiatives for water-saving products, which account for approximately 90% of our water use. We take into account all phases of the project, not just usage scenarios.	Reducing water use throughout the product lifecycle	P 138
		This assesses the drought risk in areas where our offices are located. We will establish watersheds and link them to efforts to reduce water risks accordingly.	Water risk assessment	P 138
P 146	<b>Air &amp; water pollution prevention</b>	We are working to reduce volatile organic compounds (VOCs) and COD, which are considered environmental pollutants.	Disclosing and reducing VOC and COD emissions	P 150
		We are committed to complying with laws and regulations, which is an important element in preventing environmental pollution.	Compliance with environmental legislation	P 150

**P327** Biodiversity

# Decarbonization GRI 201-2

As we work toward the goal of becoming carbon zero (reducing CO<sub>2</sub> emissions to net zero) by 2040, and becoming carbon negative by 2050, besides aiming to reduce CO<sub>2</sub> emissions in our own business activities, we also aim to contribute toward realizing the decarbonized society by helping to reduce emissions in society as a whole, and through carbon fixation to reduce the amount of carbon dioxide in the atmosphere.

## Social issues

### Societal ideals and current issues

Today, the vision for society is to realize net zero emissions of greenhouse gases by 2050, so that the average rise in global temperature can be kept to within 1.5°C higher than pre-industrial revolution levels.

However, according to the Working Group I contribution to the Sixth Assessment Report published in 2021 by the Intergovernmental Panel on Climate Change (IPCC)\*<sup>1</sup>, it is highly likely that human activity has already caused average global temperatures to rise by around 1.1°C over the period between 1850–1900 and 2010–2019, and if the current situation continues, it is possible that this rise may increase to 1.5°C by as soon as 2030.

Global warming is thus already underway, and has been accompanied by an increase in the scale of damage caused by localized torrential rain and typhoons, frequent forest fires, the melting of the Siberian permafrost and other climatic abnormalities.

In response to this situation, in recent years, countries and regions around the world, including the European Union (EU), have been issuing carbon neutrality declarations, and in October 2020 Japan also announced that it would seek to become carbon neutral by 2050. In addition, many local governments within Japan have been declaring a climate emergency in relation to the crisis posed by climate change, and large numbers of business enterprises have announced that they are aiming to realize net zero emissions. In addition, COP27 was held in Egypt in November 2022 and made more effective action all the more important. There have also been movements demanding effective

action on climate change, such as Fridays For Future, in which young people—who represent the future—have played a key role.

\*1 IPCC

Intergovernmental Panel on Climate Change Intergovernmental Panel on Climate Change

This organization was established by the United Nations Environment Programme and the World Meteorological Organization in 1988 for the purpose of conducting comprehensive evaluations from scientific, technical and socio-economic perspectives regarding climate change, its impact, adaptation and mitigation measures.

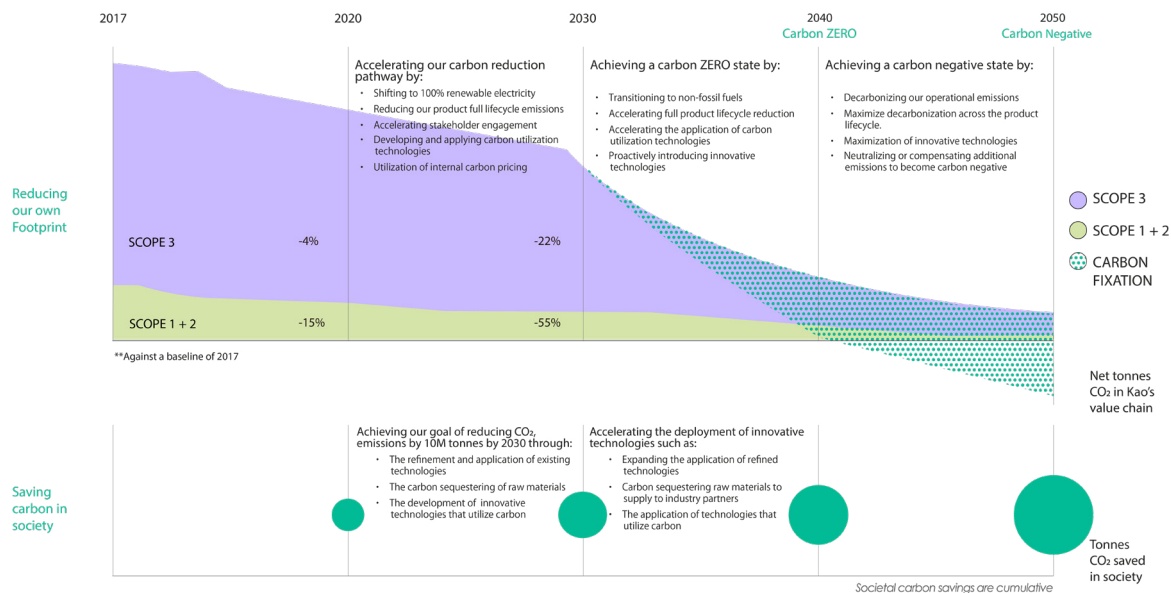
### Kao's current status and assets

We are aiming to achieve carbon zero by 2040, earlier than the standard global target year of 2050. This is a very challenging target that cannot be achieved just through slow evolution of existing technologies and

activities. To achieve this target, we will need to fully utilize all of our existing assets (including production systems and equipment, intellectual property, human capital, internal and external networks and investments), and will need to build an organizational structure capable of speedy decision-making in relation to the promotion of decarbonization. Our R&D capability gives us the ability to undertake innovation based on Essential Research, and we will need to collaborate with external stakeholders in order to maximize this ability.

### What is Kao aiming for?

We are moving speedily from the making of a decarbonization declaration to the implementation stage, and have formulated a roadmap for ensuring that we achieve carbon zero by 2040.



# Decarbonization

GRI 201-2

## Estimation of business impacts by 2030

We evaluated the business impacts in relation to What Kao Aims to Be by 2030 by four product groups. More specifically, we set baseline Profit and Loss (P&L) data for 2030 on the assumption that our company's sales would reach 2.5 trillion yen by 2030 (1.67 times as high as in 2018), and that P&L would grow proportionately compared to 2018. Business impacts were estimated on the basis of this baseline P&L. In order to compare

the respective impact of individual factors on our business based on different climate change scenarios, we performed evaluation for both the 1.5°C scenario<sup>\*1</sup> and 4°C scenario<sup>\*2</sup>. For this reason, evaluation was not performed for some factors even though there was the potential for them to have a significant impact. There were also some factors which might have a major impact by 2050, but which will have only a relatively small impact by 2030.

\*1 1.5°C scenario

This is equivalent to the IEA's NZE 2050 Scenario, 2DS Scenario, IPCC's RCP 1.9 scenario or SSP1-1.9 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 1.5°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.

\*2 4°C scenario

This is equivalent to the IEA's Current Policy Scenario, IPCC's RCP 8.5 scenario or SSP5-8.5 scenario, etc. It refers to the economic measures that would be needed in order to keep the average global temperature rise down to less than 4°C compared to the situation prior to the Industrial Revolution, and to the environmental damage that is expected to result from such a rise in temperature.

## Decarbonization scenario analysis

		Evaluation items	Evaluated financial impact	Impact of climate-related risks and opportunities, and financial planning, for 2030 (+ indicates a positive impact, - indicates a negative impact, ND indicates no impact, and numbers indicate the size of the impact)			Kao's response status	
				1.5°C scenario*		4°C scenario		
Transitional	Policies, laws and regulations	Introduction and/or raising of carbon tax	Increased operating costs due to introduction and/or raising of carbon tax	Increased operating costs due to introduction of new taxes and/or raising of tax rates	---	New carbon taxes are not introduced, and tax rates are not raised	ND	Scope 1+2 emissions reduction targets are set, and emissions reduction activities continue
		Introduction of restrictions on plastics	Taxation of fossil-derived raw materials for packaging	Increased procurement costs due to introduction of new taxes	-	New taxes are not introduced	ND	Public announcement of an Innovation in Reduction implementation strategy Annual adoption targets are set for innovative film packaging, and activities to reduce plastics usage continue
			Increased costs due to use of recycled plastic becoming compulsory	Increased procurement costs due to a rise in the unit price of recycled plastic resulting from the use of recycled plastic becoming compulsory	-	The use of recycled plastic is not made compulsory	ND	Public announcement of an Innovation in Recycling implementation strategy Expanded adoption of packaging made from recycled plastic
	Markets	Rising energy prices	Volatile electricity retail price	Increased costs due to a rise in the electricity retail price	-	Reduced costs due to a fall in the electricity retail price	+	Setting of energy use reduction targets, and proactive installation of solar panels to generate electricity for own use
		Rising raw materials prices	Rising prices for fossil-derived raw materials	Increased procurement costs due to rising crude oil prices	--	Increased procurement costs due to rising crude oil prices	---	Continuing activities to reduce usage of fossil-derived raw materials in product groups that utilize such raw materials
			Rising prices for procurement of palm oil	Increased procurement costs due to supply shortages resulting from tighter restrictions on forest development	-	Unchanged costs due to increased supply resulting from the development of new plantations	ND	Promotion of the development of substitute raw materials (such as algae-derived fats and oils, and unused biomass), and commencement of use
			Rising prices for procurement of pulp	Costs remain unchanged because, although forests fires increase, there is no shortage of supply	ND	Costs remain unchanged because, although forests fires increase, there is no shortage of supply	ND	---
Changes in consumers' behavior	Increased sales of ethical products	Sales increase because of increased demand for ethical products on the part of the generation that will be the main purchasers of Kao products in 2030	++	Sales increase because of increased demand for ethical products on the part of the generation that will be the main purchasers of Kao products in 2030	++	Inviting Ms. Rika Sueyoshi, CEO of the Ethical Association, to become a member of Kao's ESG External Advisory Board Development and provision of ethical products		
Physical	Acute	Intensification of abnormal weather conditions	Increased damage from flooding	Increased risk of flooding, but difficulty in accurately predicting the amount of damage	-	Increased risk of flooding, but difficulty in accurately predicting the amount of damage	-	BCP adjustment Implementation of supplier water risk surveys
	Chronic	Rising average temperatures	Increased sales of sunscreen and antiperspirant products Increased sales of products against infectious diseases	Increased sales in regions and seasons with higher temperatures	+	Sales increase due to more expansion of regions and seasons with higher temperatures	+	Production planning adjustment Development and launch of products against infectious diseases
		Demand for water outstripping supply	Rising operating costs due to increased water use charges	Rising operating costs at plants operating in regions with water shortages	-	Rising operating costs at plants operating in regions with water shortages	-	Setting of water use reduction targets, and continued implementation of water use reduction activities

Note: Kao's assessment based on scenario analysis using the 2°C scenario

# Decarbonization

GRI 201-2

## Policies

Climate change poses a major risk to the realization of an enriched Kirei Lifestyle, both now and in the future. The Kao Way enunciates our mission to “create a Kirei life for all, providing care and enrichment for the life of all people and the planet,” and we are actively implementing initiatives to both mitigate and adapt to global warming in relation to every aspect of our business strategy.

Our Basic Principle and Basic Policies on Environment and Safety states that “We shall contribute to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, materials procurement, manufacture, distribution, sales, usage and waste disposal.”

Furthermore, the Kao Group Responsible Care (RC) Policy contains the following declaration: “We shall strive to continue to reduce the environmental impact of our business operations by promoting reduction of uses of resources such as water and energy.”

We will also promote “eco together” activities in line with the Kao Environmental Statement, which embodies our commitment to ensuring that “Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From raw materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in ‘eco together’ with stakeholders, including consumers, throughout the product lifecycle.”

By formulating our High-Risk Supply Chain Management and Sourcing in relation to palm oil, paper and pulp, we have committed ourselves to a raw

materials procurement policy that recognizes the risks relating to sustainable development.

We are implementing our decarbonization activities based on the policies noted above. We are working not only to reduce the CO<sub>2</sub> emissions at our own worksites, but also to reduce CO<sub>2</sub> emissions throughout the entire product lifecycle. In addition, we are working actively to provide products and services that contribute toward reducing CO<sub>2</sub> emissions for society as a whole. We are also investing in the development of technologies for using the CO<sub>2</sub> in the atmosphere as raw material, and in activities to realize carbon fixation through tree-planting, etc. Furthermore, with regard to offset measures to support decarbonization in sectors outside our business areas, we recognize the importance of such measures—particularly during the transition period—and we are working to implement them.

Through these activities, we aim to reduce net carbon emissions to zero by 2040, and become carbon negative by 2050. At the same time, we are accelerating the provision of products and services that are adapted to the changing climate, and aiming to realize a Kirei Lifestyle for consumers.

### P91 Responsibly sourced raw materials



Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

Kao Environmental Statement  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf>

“High-Risk” Supply Chain Management and Sourcing  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf>

## Strategy

### Risks and opportunities

#### Risks

Transitional risks that we have identified include a possible increase in costs relating to regulatory compliance due to the introduction of carbon taxes, increased expenses relating to product development in response to climate change, and rising raw material costs due to restrictions on the use of fossil fuels.

With regard to physical risks, important risks that we have identified include the risk of flood damage to Kao plants due to the increased frequency of concentrated heavy rainfall occurring over a short period of time, and the possible impact of supply chain disruption on the supply of products.

#### Opportunities

We have identified opportunities that may contribute toward reduced operating expenses due to the effective utilization of resources based on strategies adopted in response to climate change. We have also identified opportunities for increased sales resulting from the ongoing development of products that contribute toward mitigating the impact of climate change, in response to the changes in market demand caused by a shift toward ethical consumption by consumers.

### Strategy

We formulate resilient corporate strategies in response to identified risks and opportunities.

Climate change is a problem that affects the whole of society. In response to this issue, we have proactively set ourselves targets, and by actively developing applications for cutting-edge technologies and other new technologies,



# Decarbonization

GRI 3-3, 201-2

both within Kao and in the wider society, in collaboration with various stakeholders, we aim to demonstrate solutions to the problem of climate change.

In order to reduce greenhouse gas emissions associated with our business activities, we are improving the energy efficiency of our worksites and shifting over to green energy use, and we are continuing to implement initiatives aimed at reducing emissions in collaboration with our stakeholders, by cutting emissions at every stage in the product lifecycle, from raw materials procurement through to product use, disposal and recycling. We are also working actively to provide products and services that contribute toward reducing greenhouse gas emissions associated with product use.

By providing environmentally friendly products that take account of transitional and physical risk, and products suited to the changes in consumer lifestyles that have resulted from climate change, we are making a positive contribution toward creating a Kirei life for all.

## Social impact

By achieving the above goals, we can reduce greenhouse gas emissions and contribute toward mitigating global warming. Additionally, products with low CO<sub>2</sub> emissions during usage can contribute to reduction in consumer spending because they consume less energy and water. Furthermore, they are also effective in reducing the burden of social infrastructure maintenance and renewal concerning energy, water and sewage systems.

## Contributions to the SDGs



## Business impact

Achieving targets (for energy consumption and greenhouse gas emissions) for all sites in the group leads to higher profits as they contribute to the reduction of business activity operating costs. Additionally, the reduction of CO<sub>2</sub> emissions across product lifecycles can be achieved by reducing raw material use and increasing sales of products with low CO<sub>2</sub> emissions during usage, leading to reduced operating costs and to sales growth.

As renewable energy generating costs have been falling steadily for the past few years, switching over to having 100% of the electricity that we purchase generated using renewable energy can be expected to result in reduced electricity purchase costs in the future.

If no action is taken to reduce usage, then by 2030 our overall CO<sub>2</sub> emissions (Scope 1+2) are forecast to rise to a level that is 1.67 times higher than in 2017. However, in order to control our CO<sub>2</sub> emissions (Scope 1+2), in 2006 we adopted an internal carbon pricing system, and for 17 years now we have been implementing investment decision-making that contributes toward decarbonization, for example through the adoption of energy-saving equipment and equipment with low CO<sub>2</sub> emissions, and through the purchasing of renewable energy. Last year, we changed our CO<sub>2</sub> emissions (Scope 1+2) reduction target from a goal of reducing emissions by 22% by 2030 to one of reducing emissions by 55% by 2030. In order to achieve this goal, when adopting new equipment, we will need, as far as possible, to adopt equipment that has low CO<sub>2</sub> emissions, and if we fail to do so, then not only will we have difficulty in achieving our CO<sub>2</sub> emissions reduction target, the equipment that we purchase may end up becoming stranded assets. With this in mind, we have adopted an internal carbon price system that raised the set price from 3,500 yen/ton-CO<sub>2</sub> to 168 dollars<sup>\*1</sup>/ton-CO<sub>2</sub>,

and introduced hot water heat pumps at the Toyohashi Plant in 2022 (scheduled for completion in May 2023) and photovoltaic power generation at the Kashima Plant (scheduled for completion in January 2024). If carbon taxes equivalent to 130 USD/t-CO<sub>2</sub><sup>\*2</sup> are adopted by 2030, then assuming that we achieve the target outlined above, our carbon tax burden will be approximately 7.8 billion yen, which is around 21.0 billion yen less than it would be if we failed to take any action. In this way, by reducing the CO<sub>2</sub> emissions of the products that we manufacture, we are facilitating the supply of products with low CO<sub>2</sub> emissions, and making it possible to meet demand for such products.

<sup>\*1</sup> As it is assumed that new equipment adopted in the future will still be in use after 2030, we have estimated the likely carbon tax rate in 2035 based on the IEAs World Energy Outlook 2021, and changed the base currency from Japanese yen to U.S. dollars from February 2023.  
<sup>\*2</sup> World Energy Outlook 2021

## Governance

### Framework

Risk management in relation to climate change issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk & Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The Responsible Care Department of Corporate Strategy Division acts as the Responsible Care Promotion

# Decarbonization

GRI 3-3, 404-2

Committee Secretariat while the Crisis Management Department of Corporate Strategy Division acts as the Risk and Crisis Management Committee Secretariat.

The Responsible Care Promotion Committee meets twice a year to report on and discuss compliance with laws and regulations, status of CO<sub>2</sub> reduction and other matters. It also sets targets for the following year.

**P18** Our ESG Vision and Strategy > Governance

The Responsible Care Promotion Committee Secretariat conducts monthly checks on compliance with laws and regulations, monitors CO<sub>2</sub> emission and water use, mainly at plants which have a large impact, and keeps abreast of the amount of chemical substances in wastewater, reporting on these and other matters to the head of the committee, committee members, members of the Internal Control Committee, auditors and others. The Risk and Crisis Management Committee, which meets four times a year, manages risks caused by natural disasters and reputational risks.

The Internal Control Committee meets one or more times a year, receiving activity reports from the Responsible Care Promotion Committee, the Risk and Crisis Management Committee and other subordinate committees that it oversees and auditing the activities of those committees.

Opportunity management relating to climate change issues is handled by the ESG Managing Committee, which meets six times a year. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Managing Committee which it supervises, discuss climate change and environmental issues as well as social and governance issues.

The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

## Education and promotion

Our employees are not only in a position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are among those who select such products. We thus recognize the importance of giving our employees the opportunity to learn about global warming through various programs and to actively engage in decarbonization activities of their own accord.

Starting in 2020, we have begun making and disseminating educational videos for internal use that are specific to the themes of the Kirei Lifestyle Plan (KLP). In 2022, we will continue to promote Kirei Lifestyle Plan activities among employees through the update and distribution of decarbonization content and the rollout of other Kirei Lifestyle Plan goals in the future.

## Collaboration with stakeholders

In line with the “eco together” motto of the Kao Environmental Statement, we are working together with a wide range of stakeholders to promote activities aimed at realizing decarbonization. We are also implementing education about decarbonization and working to spread awareness of our initiatives.

## “eco together” with consumers/customers

As the product usage stage accounts for around 40% of total product lifecycle CO<sub>2</sub> emissions, raising consumers’ awareness is extremely important. For example, even if a consumer buys single-rinse laundry detergent, if the consumer sets the washing machine to do two rinses, then there will be no reduction in CO<sub>2</sub>

emissions. It is thus very important for us to accurately communicate the environmental value that Kao products can provide and encourage consumers to use them properly. By organizing a wide range of different events, we aim to get across the importance of CO<sub>2</sub> emission reduction and the environmental value of our activities and products.

## “eco together” with business partners

We aim to realize the Kirei Lifestyle for consumers through “ESG-driven *Yoki-Monozukuri*.” However, this is not something that can be achieved by Kao acting alone. We believe that it is important to share our vision with the business partners at every stage from raw materials procurement through production to delivery and sales, so that we can take action together, and we have established a number of different venues for sharing information with them.

**P72** Sustainable Lifestyle Promotion: Collaboration with stakeholders

In particular, as the raw materials stage accounts for around 40% of total product lifecycle CO<sub>2</sub> emissions, we view collaboration with raw materials suppliers as being especially important.

We also view dialogue with investors and other stakeholders as being very important for the sustainable growth of business enterprises and of the planet, and in March 2019 we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD). By proactively implementing the disclosure of information relating to climate change, we are promoting dialogue with investors and other stakeholders.

# Decarbonization

GRI 3-3, 302-4, 302-5, 305-5

# TCFD

TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES



TCFD  
<https://www.fsb-tcfd.org/>

## “eco together” with society

We proactively participate in activities organized by the United Nations, the central government, local government authorities, and NPOs, etc., where we provide information about our technologies and exchange opinions with other participants.

In order to realize a decarbonized society, reducing the CO<sub>2</sub> emissions associated with electric energy generation is a particularly important approach, and we are working actively to disseminate information about our activities in this area.

## Risk management

With regard to transition risk, we are developing and launching low-carbon products. Both SCM, R&D, and related business units will promote the introduction of renewable energy for purchasing in order to produce low-carbon products. For physical risks, we will calculate the cost of risk avoidance for the entire group and formulate a business continuity plan (BCP) that assumes long-term shutdowns.

## Targets and metrics

### Mid- to long-term targets and 2022 results

We aim to be carbon zero by 2040, and carbon negative by 2050, and we are accelerating our activities to achieve these goals. We will also be maximizing our contribution toward reducing greenhouse gas emissions throughout society as a whole.

### 2030 mid-term targets

We set ourselves the target of reducing the amount of energy consumed at all Kao Group sites by at least 1% per year, and we have maintained this target every year since 2013.

Our target for the reduction of greenhouse gas emissions at all Kao Group sites (Scope 1+2) has been set, based on the Science Based Targets (SBT) 1.5°C scenario, as a reduction of 55% (in absolute terms, compared to 2017). Our target for the reduction of greenhouse gas emissions throughout the product lifecycle (Scope 1+2+3) has been set, based on the SBT 2°C scenario, as a reduction of 22% (in absolute terms, compared to 2017). Both of these targets have been approved by the SBTi.

In addition, in June 2021 we joined the RE100 global corporate renewable energy initiative, and we have set ourselves the target of having 100% of electricity purchased by all Kao Group sites being generated using renewable energy by 2025, and of having 100% of electricity used by the Kao Group sites being generated using renewable energy by 2030.

In addition, we aim to enable society as a whole to reduce greenhouse gas emissions by the equivalent of 10,000 thousand tons-CO<sub>2</sub> through the provision of Kao Group products and services.

Item	Scope	Target for 2030
GHG emissions (absolute quantity)	Across the entire product lifecycle for the Kao Group	22% reduction (compared to 2017)
	All Kao Group sites	55% reduction (compared to 2017)
Energy consumption (Per sales unit)	All Kao Group sites	1% reduction yearly (year-on-year, from 2021)
Electricity used	All Kao Group sites	100% renewable sources
Contribution to emissions reduction	Products, services	10,000 thousand tons-CO <sub>2</sub>



### Long-term targets

#### Reduction of net carbon emissions to zero by 2040 and becoming carbon negative by 2050

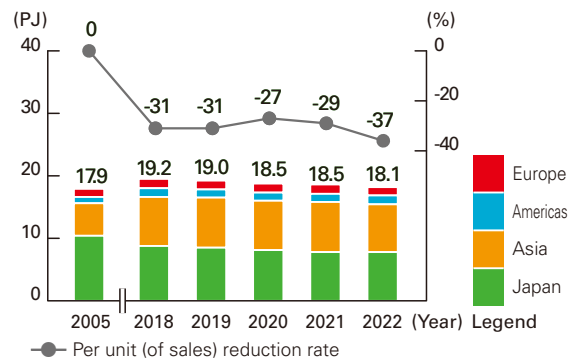
Through our Innovation in Reduction and Innovation in Recycling CO<sub>2</sub> emissions reduction initiatives, and through the various activities that we undertake in collaboration with stakeholders, we are aiming to reduce CO<sub>2</sub> emissions to zero by 2040 and to become carbon negative by 2050.

# Decarbonization

GRI 2-4, 302-1, 302-3, 302-4, 305-5

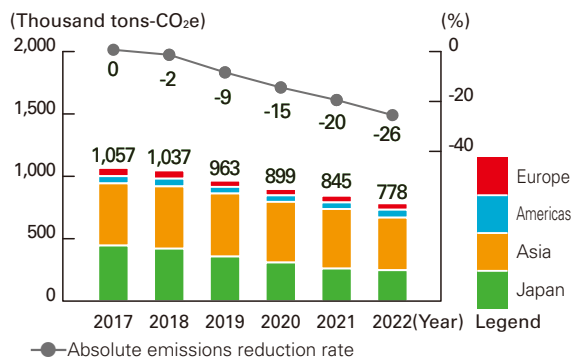
## 2022 results: Actual performance

### Energy consumption (all sites)



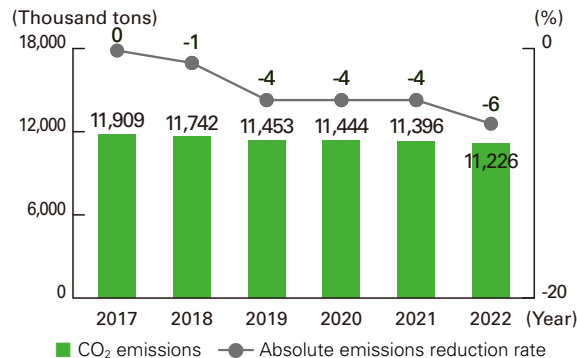
\* Boundary: All Kao Group sites, including company cars in Japan  
 \* Assurance provided for energy consumption figures

### GHG emissions (all sites)



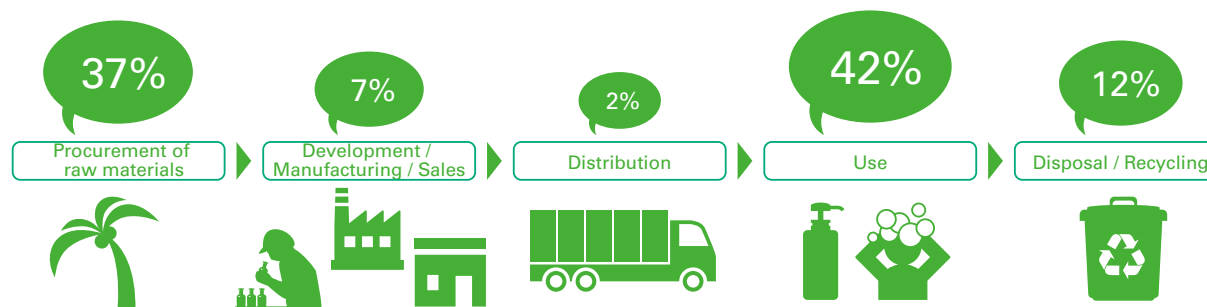
\* Boundary: All Kao Group sites, including company cars in Japan  
 \* Gases included: The seven GHGs specified by the Kyoto Protocol (only CO<sub>2</sub> for sites outside Japan)  
 \* Assurance provided for GHG emissions figures  
 \* The values for 2017–2021 have been revised due to the discovery that the electricity purchased for non-production sites in Europe was renewable energy-derived electricity.

## CO<sub>2</sub> emissions across the entire product lifecycle (Kao Group)



\* "CO<sub>2</sub> emissions over the entire product life cycle" is calculated by multiplying the CO<sub>2</sub> emissions over the product life cycle per unit volume of products sold both within and outside Japan (excluding the Group's production and logistics processes) by the annual sales volume of the product in question and adding up the actual amount of CO<sub>2</sub> emissions over the Group's production and logistics processes. However, this amount does not include emissions related to the use and disposal of Chemical products.  
 \* Assurance provided for CO<sub>2</sub> emissions figures and absolute emissions reduction rate  
 \* Revised values for 2017–2021 due to the revision of Scope 2 in Europe.

## Share of CO<sub>2</sub> emissions accounted for by each state of the product lifecycle for Kao products



# Decarbonization

GRI 2-4, 302-1, 305-1, 305-2, 305-5

## Contribution to emissions reduction

The amount of emission reductions in Kao's business operations as a whole totaled 4,230 thousand tons. Contribution to emissions reduction represents the amount of CO<sub>2</sub> emissions reductions realized by society as a whole through Kao products.

## Amortization of carbon credits

The total amount of carbon credits amortized by Kao came to 27 thousand tons.

## Electricity purchased and electricity used that is derived from renewable energy (%)

	2018	2019	2020	2021	2022
<b>Electricity purchased</b>	7.6	28.3	37.2	51.8	63.4
<b>Electricity used</b>	5.6	21.6	28.8	39.5	48.6

## Reviews of 2022 results

Total lifecycle CO<sub>2</sub> emissions were 170 thousand tons lower than the previous year, and 6% reduction compared to both 2017 and last year. CO<sub>2</sub> emissions increased due to an increase in the market share of dishwashing detergents in Japan, but decreased due to lower sales in Asia, mainly due to urban lockdowns in China, and the introduction of renewable energy at our sites. The main reason for the decline in emissions was slower growth in sales of hand soap and sanitizer (products which had seen a spike in sales due to the COVID-19 pandemic), despite the growth in our overall sales.

Energy consumption for all Kao Group sites combined was 18.1 PJ. Energy consumption per unit of sales was reduced by 10.6% compared to the previous year, surpassing the target of a 1% reduction. Greenhouse gas emissions fell by 26% compared to 2017. Renewable energy accounted for 63% of all electricity purchased, and 49% of all electricity used by the Kao Group.

We offer a wide selection of household products such as water-saving products that reduce CO<sub>2</sub> emissions during the use stage, and also provide various industrial-use products that do the same. We will further expand our range of products that reduce water / hot water and power consumption in the use stage, which contributes a large portion of total lifecycle emissions, and take steps such as reducing the amount of raw materials used and switching raw materials to those made from renewable sources.

## Scope 1 CO<sub>2</sub> emissions (Thousand tons-CO<sub>2</sub>e)

	2020	2021	2022
<b>Japan</b>	242	244	240
<b>Asia</b>	278	264	256
<b>Americas</b>	45	45	51
<b>Europe</b>	51	50	48
<b>Total</b>	616	605	595

## Scope 2 CO<sub>2</sub> emissions (Thousand tons-CO<sub>2</sub>e)

	2020	2021	2022
<b>Japan</b>	68	19	3
<b>Asia</b>	208	213	173
<b>Americas</b>	6	8	7
<b>Europe</b>	1	1	1
<b>Total</b>	282	240	183

Note: The values for 2020 and 2021 have been revised due to the discovery that the electricity purchased for non-production sites in Europe was renewable electricity.

Note: Emissions by scope conform to the Greenhouse Gas Protocol initiative

Scope 1: GHG emissions emitted directly by the company/ organization

Scope 2: Indirect GHG emissions from purchased electricity, heat, etc.

Note: Emission factors

Scope 1: In principle, uses factors defined in the Act on Promotion of Global Warming Countermeasures

Scope 2: In principle, uses the specific factors of the country's laws or regulations. When the specific factor cannot be obtained, the country-based factor released by the IEA is used.

## Purchased electricity, steam, etc. (terajoules)

	2020	2021	2022
<b>Electricity</b>	7,952	7,934	7,634
<b>Heat</b>	0	0	0
<b>Steam</b>	177	232	210
<b>Cooling</b>	0	0	0

Note: Electricity is calculated as the calorific value of the primary energy (at the receiving end in Japan, generating end outside Japan).

## Fuel consumption by fuel type (terajoules)

	2020	2021	2022
<b>Natural gas</b>	8,579	8,723	8,553
<b>Diesel oil</b>	1,334	1,095	1,077
<b>Gasoline</b>	99	104	110
<b>Other</b>	132	126	123
<b>Waste vegetable oil (heat recovery)</b>	347	304	346

# Decarbonization

GRI 305-3

## Scope 3 CO<sub>2</sub> emissions (Thousand tons-CO<sub>2</sub>e)

	2020	2021	2022
<b>1. Purchased goods and services</b> <input checked="" type="checkbox"/>	4,206	4,228	4,109
<b>2. Construction and building of capital goods</b>	259	264	285
<b>3. Fuel- and energy-related activities (not included in scope 1 or scope 2)</b>	59	60	58
<b>4. Upstream transportation and distribution</b> <input checked="" type="checkbox"/>	249	245	241
<b>5. Waste generated in operations</b>	65	68	66
<b>6. Business travel</b>	4	4	5
<b>7. Employee commuting</b>	18	18	18
<b>8. Upstream leased assets</b>	0	0	0
<b>9. Downstream transportation and distribution</b>	111	108	109
<b>10. Processing of sold products</b>	116	131	131
<b>11. Use of sold products</b> <input checked="" type="checkbox"/>	4,653	4,647	4,680
<b>12. End-of-life treatment of sold products</b> <input checked="" type="checkbox"/>	1,438	1,432	1,417
<b>13. Downstream leased assets</b>	0	0	0
<b>14. Franchises</b>	0	0	0
<b>15. Investments</b>	6	5	5
<b>Total</b>	<b>11,184</b>	<b>11,210</b>	<b>11,125</b>

### Category 1: Purchased goods and services

This value is calculated by multiplying CO<sub>2</sub> emissions associated with raw materials per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question.

CO<sub>2</sub> emissions associated with raw materials are calculated by multiplying the weight of raw materials purchased by inventory data (using supplier surveys, documentary data, commercially available databases, etc.).

### Category 4: Upstream transportation and distribution

CO<sub>2</sub> emissions associated with transporting products (both within and outside Japan) while Kao Group acts as consignee.

For Japan, the calculation is made using the criteria specified by the Energy Conservation Act. For areas outside Japan, the calculation is made by Kao based on data for Japan.

### Category 11: Use of sold products

This value is calculated by multiplying CO<sub>2</sub> emissions associated with product use per unit of product sold (both within and outside Japan) by the total annual sales volume of the product in question. Industrial-use products are excluded.

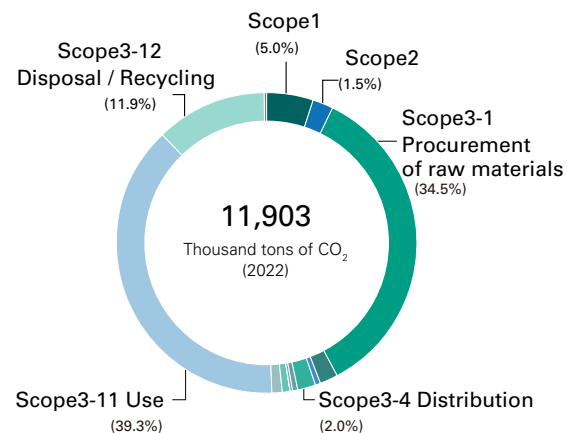
CO<sub>2</sub> emissions associated with product use are calculated by multiplying the amount of water, hot water and electric power consumed during product use by inventory data (using documentary data, commercially available databases, etc.).

### Category 12: End-of-life treatment of sold products

This value is calculated by multiplying CO<sub>2</sub> emissions associated with the disposal or recycling of sold products (both within and outside Japan) by the total annual sales volume of the product in question. CO<sub>2</sub> emissions associated with the disposal or recycling of industrial-use products are excluded.

CO<sub>2</sub> emissions associated with disposal or recycling are the sum of CO<sub>2</sub> emissions associated with disposal or recycling of product content and product packaging. Emissions from product content are calculated by converting all content that consists of fossil-derived carbon into CO<sub>2</sub>. Emissions from product packaging are calculated by multiplying packaging material weight broken down by the appropriate percentage of material in line with each country's performance in this regard by inventory data (using documentary data, commercially available databases, etc.).

\*Kao focuses on the categories of 1, 3, 4, 5, 11 and 12 related to site activities to save energy and reduce waste materials, as well as on the product lifecycle.



## CDP\* evaluation

Our initiatives for the environment have been highly rated by the CDP. In 2022, we obtained an A score for each of Climate Change, Water Security and Forests, becoming a Triple A company for the second consecutive year. Only one company in Japan, and 12 worldwide, received a Triple A score in 2022.

### \* CDP

A non-governmental organization run by institutional investors and headquartered in London. The organization's activities include requiring companies to disclose information on climate change, water, and forests.

## CDP evaluation

Area	2018	2019	2020	2021	2022
Climate Change	A-	A	A	A	A
Forest (Palm Oil / Timber)	A- / A-	A- / A-	A / A-	A / A	A / A
Water	A	A	A	A	A
Supplier engagement	A	A	A	A	A



### Results of CDP response

CDP 2022 Climate Change

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2022-001.pdf>

CDP 2022 Water Security

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2022-002.pdf>

CDP 2022 Forests

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2022-003.pdf>

# Decarbonization

GRI 308-2

## Main initiatives

### Efforts in raw materials procurement

#### Mitigation

##### Vendor Summit

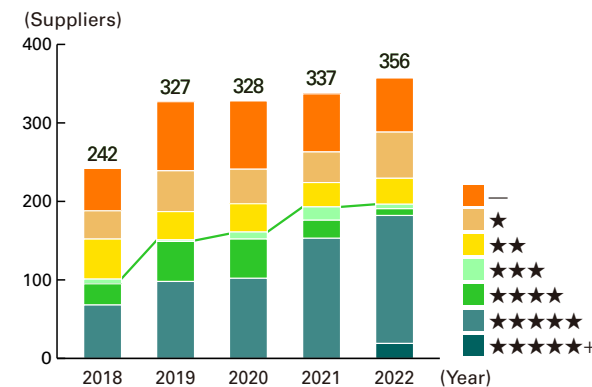
We hold the Kao Vendor Summit, which important suppliers are invited to attend, where we give presentations on our ESG-related initiatives, including decarbonization, and request suppliers' collaboration. The event featured presentations on the activities being implemented by Kao together with suppliers, and invitations to collaborate, with the aim of strengthening ESG-driven procurement (including joining Sedex, participation in the CDP supply chain initiative, etc.) and stable procurement (traceability of raw materials, responding to BCP requirements, etc.).

##### CDP Supply Chain Program (Climate Change)

In 2009, we became the first Japanese company to participate in the CDP Supply Chain Program. From 2017, in expectation that our suppliers will become more active toward promoting CO<sub>2</sub> reduction activities, we have been evaluating CO<sub>2</sub> reduction activities and have been working to provide the results of these evaluations back to our suppliers. In recognition of these initiatives, Kao was awarded the CDP Supplier Engagement Leader, the highest rating for CDP supplier engagement, for the sixth consecutive year.

The 2022 survey results showed that the number of suppliers obtaining an evaluation of at least "three stars" had increased to 196 compared to the previous survey, indicating that the overall supplier activity level had risen. The number of suppliers who failed to respond to the survey was smaller than in the previous year. We are working on engagement to encourage further enhancement of the level of activity implementation.

#### Supplier activity level (Climate Change)



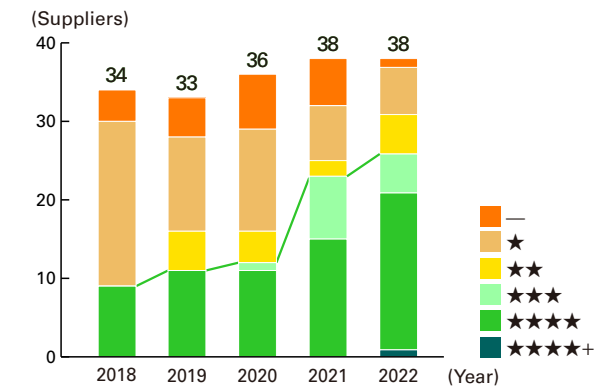
#### CDP Supply Chain Program (Forests)

We have participated in the CDP "Forest" Supply Chain Program since 2018. We expect suppliers providing palm oil, paper or pulp to begin sustainable and responsible procurement, which includes procurement preventing deforestation. We assess forest activity status and provide suppliers with feedback on the results of this assessment.

The 2022 survey results showed that the number of suppliers obtaining an evaluation of at least three stars had increased by six and the number of suppliers who failed to respond to the survey decreased significantly. We will continue to promote ongoing engagement.



#### Supplier activity level (Forests)



#### Low-carbon raw materials procurement

In collaboration with suppliers, we are working actively to adopt raw materials with lower CO<sub>2</sub> emissions by using plant-based and recycled plastics and thinner cardboard. This can make a substantial contribution to reducing CO<sub>2</sub> emissions not only in the manufacturing process but also at the time of disposal and recycling. We have also launched a new initiative to reduce CO<sub>2</sub> emissions from a mid- to long-term perspective, and have joined Genomatica, a leading sustainable materials company, and Unilever as founding members of a venture company to be established in the United States with the aim of supplying alternative palm oil raw materials to the market.

Furthermore, by optimizing the volume and frequency of raw materials deliveries, we are reducing CO<sub>2</sub> emissions in the transport of raw materials.

# Decarbonization

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## More precise calculation of the environmental burden of raw materials for calculating product lifecycle CO<sub>2</sub> emissions (LC-CO<sub>2</sub>)

With the cooperation of those suppliers from which we purchase raw materials that have particularly high CO<sub>2</sub> emissions, we are collecting data on CO<sub>2</sub> emissions produced in the procurement and processing of raw materials. This measure not only improves the accuracy of our CO<sub>2</sub> emission calculations during the raw material procurement process, but also allows us to evaluate the CO<sub>2</sub> emissions reduction initiatives adopted by suppliers, which can then be reflected in lifecycle CO<sub>2</sub> emissions reductions of Kao products.

In 2020, we received the Industrial Science and Technology Policy and Environment Bureau Director-General's Award (Ministry of Economy, Trade and Industry), the highest award, at the Life Cycle Assessment Society of Japan (LCA) Awards, in recognition of our continued initiatives in relation to suppliers.

**P91** Responsibly Sourced Raw Materials

## Adaptation CDP Supply Chain Program (Water)

Due to climate change, extreme weather is occurring in different places. For instance, there is an increase in short-term, localized torrential heavy rain. Reflecting our focus on strengthening suppliers' awareness of the need to put water risk systems in place in relation to flooding of rivers and sewage systems caused by heavy rain, and on getting them to take appropriate action, we have been participating in the CDP "Water" Supply Chain Program since 2015.

**P137** Water Conservation

### Developmental efforts

#### Mitigation

When deciding to launch new and improved products, we verify that the products satisfy the environmental standards outlined by the Design for Environment Guidelines. We also evaluate CO<sub>2</sub> emissions over the entire product lifecycle using the same standards. The results of these evaluations are not only used to determine product launches, but are also incorporated in future product development.

In particular, with regard to products that make use of water during the usage process, we recognize that both the water purification plants that provide drinking water for household use and the wastewater treatment plants that process households' wastewater use a great deal of energy and generate CO<sub>2</sub> emissions, and so we are working actively to develop water-saving products. Furthermore, products such as shampoo that require the use of hot water during the usage process also involve the generation of CO<sub>2</sub> emissions in relation to the heating of the water, so making products that use hot water into water-saving products can be very beneficial.

In addition, we aim to achieve "Maximum with Minimum," or in other words achieving the highest possible quality with the minimum possible raw materials. Based on this approach, we developed the Bio IOS surfactant. This surfactant is used in our *Attack ZERO* laundry detergent product.

We have also been working on the development of manufacturing technology for a new type of photovoltaic cell which is expected to be highly efficient.

We are also undertaking technology development aimed at using CO<sub>2</sub> as a raw material for Kao products.

**P137** Water Conservation



Photovoltaic cell production technology, which is expected to realize a high energy conversion rate, has been developed through collaborative research undertaken by Kao, the University of Tokyo and Kyushu Institute of Technology  
<https://www.kao.com/jp/newsroom/news/release/2019/20190111-001/>  
 (Japanese)

### Adaptation

As global warming progresses, it is apparent that there is a tendency toward higher temperatures and an increased number of sunny days. Demand for UV care products as well as anti-perspirants, etc. is expected to increase during summer. In addition, climate change increases the risk of infectious diseases. In June 2022, *Bioré GUARD Mos Block Serum*, a repellent lotion with innovative Kao proprietary technology, was launched in Thailand to a great response. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase. We are working actively to develop products for which there is high demand in summer, along with water-saving products.

Given that there are expected to be significant restrictions on resource use in future, in order to meet the goals set in the Paris Agreement, there will be high demand for biomass materials that do not compete with food. We have developed Bio IOS surfactant, which uses a type of biomass that does not compete with food and which has not previously been used. Bio IOS surfactant is already in use in our *Attack ZERO* laundry detergent product.



# Decarbonization

GRI 302-4

Our total investment in environmentally friendly R&D, including climate change response measures, in 2022 was 407 million yen, while the total cost of this R&D work was 7,890 million yen.

## Efforts in manufacturing (plants, offices, logistics centers)

### Mitigation

#### 1. Efforts to reduce energy consumption

##### Introduction of high-efficiency equipment and efficient operation of equipment

Continuing from the previous year, equipment such as chillers, air conditioners and compressors were replaced with Best Practice Technologies (BPT) equipment in 2022. Through optimized control using multiple units of air conditioners and compressors, we are operating equipment more efficiently corresponding to fluctuating demand.

In addition, we are switching lights to LED worldwide. Our plants, offices and logistics centers in Japan have accomplished plans announced in 2015, reducing CO<sub>2</sub> emissions by approximately 4.65 thousand tons annually. Affiliated companies outside Japan are also proactively switching to LED lights.

##### Eliminating energy wastage

As in the previous year, in 2022 we continued to take steps to find areas with wasted energy, reduce energy use to the minimum required, and use energy that was unused in other processes.

Aiming to improve the efficiency of steam use, we are continuing to strengthen our steam trap maintenance and increase the amount of steam we recover. We are also actively implementing improvement activities at worksites to optimize the amount of required energy, including lowering the set

temperature of heat-insulated tanks and shortening operating times.

Striving to eliminate energy wastage at our offices, some of the steps we are taking include turning off unnecessary lights, using presence sensors to automatically turn lights on and off, optimizing air conditioner temperature settings and encouraging people to take the stairs to reduce unnecessary elevator use.

We undertook 177 energy-saving activities at Japanese plants and offices in 2022, resulting in approximately 4,007 tons of CO<sub>2</sub> reduction and 580 million yen in cost reduction for the year.

#### 2. Efforts to use cleaner energy

##### Clean-burning fuel

Gas fuel, especially natural gas, is the cleanest fossil fuel. We use natural gas at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

##### Use of renewable energy

We are promoting the introduction of solar photovoltaic power generation systems for on-site power generation at Kao-owned facilities. In 2022, facilities installed at Quimi-Kao, Kao (Hefei), Kao (Shanghai) Processing, and Kao Spain (Olesa Plant) began generating electricity. The total power generating capacity of these systems was 10,467 MWh in 2022. The generating capacity of individual facilities is shown on the next page.

We are also promoting the purchasing of electric power that is generated using renewable energy. Kao Chemicals GmbH, Kao Manufacturing Germany GmbH, Kao Corporation SA's three plants in Spain, Kao Chimigraf, Molton Brown, Kao USA, Kao Corporation's Sakata Plant, Tochigi Plant, Kashima Plant, Sumida

Office, Kawasaki Plant, Odawara Office, Toyohashi Plant, Wakayama Plant, Arida Training Center, Osaka Office, Ibaraki SP, Seiwa Dormitory, Kiwa Dormitory, Minato Club, Kao Sanitary Products Ehime, Kao Paper Manufacturing Fuji, Kao Logistics, Kao Group Customer Marketing and four plants in China (Kao Corporation Shanghai, Kao Chemical Corporation Shanghai, Kao (Hefei) Co., Ltd. and Kao Huludao Casting Materials Co., Ltd.) have all converted to purchasing only electric power that has been generated from renewable sources.

Kao Industrial (Thailand), Pilipinas Kao, Kao Penang Group, and the Head Office of Kao Corporation also purchase renewable electricity.

Use of this renewable power reduced CO<sub>2</sub> emissions by 219 thousand tons.



Photovoltaic (solar) power generating facilities at Sakata Plant

# Decarbonization

GRI 302-4, 305-3, 305-6, 403-7

## Total generating capacity of solar power equipment (2022)

Company / Plant	Total generation (MWh)
Sakata Plant, Kao Corporation	2,459
Tochigi Plant, Kao Corporation	1,560
Kao Sanitary Products Ehime	421
Toyohashi Plant, Kao Corporation	399
Kawasaki Plant, Kao Corporation	395
Atsugi Logistics Center, Kao Logistics	240
Wakayama Plant, Kao Corporation	219
Sumida Kita Logistics Center, Kao Logistics	169
Sumida Office, Kao Corporation	34
Kao Corporation Shanghai	824
Kao Industrial (Thailand)	746
Quimi-Kao, S.A. de C.V.	744
Kao (Hefei)	618
Kao (Taiwan)	531
Pilipinas Kao, Incorporated	366
Kao Penang Group	175
KAO CHIMIGRAF, SOCIEDAD LIMITADA	126
Kao (Shanghai) Chemical Industries	121
Kao USA	120
Kao Spain Olesa Plant	113
PT Kao Indonesia Chemicals	46
Kao Austria Handelsgesellschaft mbH	40
Kao Chimigraf Rubi 1 Plant	67
Kao Chimigraf Rubi 5 Plant	59

### 3. Reducing the volume of leaked refrigerants and other greenhouse gases

Air conditioners and chillers used in manufacturing are charged with fluorocarbon with extremely high global warming potential. To reduce the volume of fluorocarbon leaks from equipment, we have been strengthening our regular equipment inspections.

### 4. Initiative to secure ZEB Ready certification for office buildings

In August 2020, a newly-built office building forming part of our Sumida Office (in Sumida Ward, Tokyo) was awarded ZEB (Net Zero Emission Building) Ready certification. Through the installation of highly efficient, energy-saving equipment such as highly-insulating external walls and water-based radiant air-conditioning, the new building realizes a reduction in energy consumption of 58% compared to a building with standard specifications. The new building also has solar panels on its roof, along with an emergency generator unit, ensuring that the building is ready to cope with natural disasters.

#### Adaptation

With rising summer temperatures, heat stroke prevention is essential in Japan. Especially for our outdoor workers, we have taken measures such as to share the day's heat index, shorten continuous working hours and prepare drinking water.

Additionally, as new water risks, including more powerful typhoons and localized torrential rains, are likely to emerge as a result of climate change, annual water risk surveys are conducted at our plants.

#### Efforts in distribution

##### Mitigation

CO<sub>2</sub> emissions during distribution in Japan were 102 thousand tons-CO<sub>2</sub> in 2022, a 4.6% increase (compared to 2017).

#### 1. Increase shipment volumes per shipment

We are proactively making adjustments including improving loading efficiency, changing product sizes and using larger vehicles.

### 2. Shorten shipping distances

We are continuing to look at ways to revise shipping routes, optimize manufacturing plants and shift which logistics center is used.

### 3. Use cleaner shipping methods

We are pursuing steps such as switching from truck to shipping methods such as rail and ship, which have lower CO<sub>2</sub> emissions (modal shift).

### 4. Improve loading ratios

Having trucks return from their shipping destination with a load, instead of returning empty after unloading, i.e., improving the loading ratio, contributes to improving energy efficiency and CO<sub>2</sub> emissions in shipping.

We are participating in the Cross-ministerial Strategic Innovation Promotion Program promoted by Japan's Cabinet Office. We have partnered with Lion Corporation to launch a smart logistics initiative, with scheduled deliveries having started in October 2020.

The aim is to enhance the productivity of truck transport and reduce CO<sub>2</sub> emissions by implementing two-way transport that integrates deliveries between Kao's Kawasaki Plant (in Kanagawa Prefecture) and the Sakaide Logistics Center (in Kagawa Prefecture), as well as from the Sakaide Plant (in Kagawa Prefecture) of Lion Chemical (a Lion Corporation affiliate) and the logistics centers at Kazo (in Saitama Prefecture), Kashiwa (in Chiba Prefecture) and Sagamihara (in Kanagawa Prefecture).

This new initiative will achieve shorter empty running distances for the trucks by comparison with conventional transportation methods, and is expected to result in a 45% reduction in CO<sub>2</sub> emissions and a 23% reduction in transport costs for both companies combined.

# Decarbonization

GRI 302-4, 302-5, 305-3



Collaborative delivery with Lion Corporation

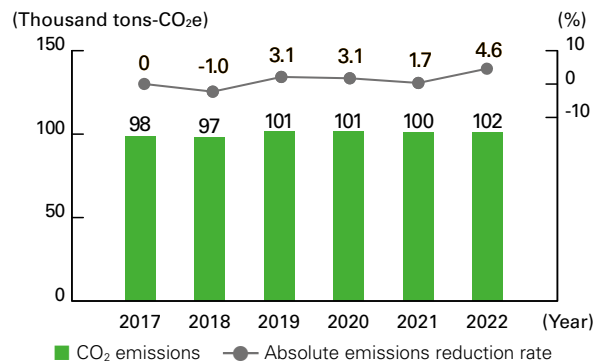
## 5. To enhance visualization of distribution-related energy usage and CO<sub>2</sub> emissions

We had been making preparations to begin calculating distribution-related energy usage and CO<sub>2</sub> emissions outside Japan starting from 2020. However, the calculation and reporting of distribution-related CO<sub>2</sub> emissions outside Japan for 2020 has been based on estimates. We are proceeding with preparations to begin reporting of emissions based on actual distribution performance as soon as possible.

### Adaptation

With the worsening trend toward short-term, localized torrential rain, there is an increased risk of the supply chain from Kao's plants to our customers being disrupted, with Kao being unable to deliver products on schedule, and a possible need to use roundabout routes over an extended period, leading to an increased environmental impact. When risks appear, in order to take appropriate measures in a short amount of time, subsidiaries are charged with managing product transport to our main market in Japan.

## CO<sub>2</sub> emissions from transportation (Japan)



\* Boundary: Kao Corporation and Kanebo Cosmetics Inc.  
\* Assurance provided for CO<sub>2</sub> emissions

### Efforts during use Mitigation

We offer a wide selection of products that contribute to the reduction of CO<sub>2</sub> emissions during the use stage.

Important examples include ultra-concentrated laundry detergents that only require one rinse cycle, and shampoo, body wash and dishwashing detergent that reduce the amount of hot water required for rinsing.

In the laundry detergent segment, in 2009 we launched *Attack Neo*, which reduces the lifecycle CO<sub>2</sub> emissions per wash by approximately 22%. In 2019, we introduced *Attack ZERO*, a concentrated liquid clothing detergent that has redefined the whole concept of clothes washing, which uses Bio IOS, our most advanced ever detergent base, as its main ingredient, and which was followed by *Attack 3X* in 2020. Within Japan, the way in which consumers do their washing has begun to be transformed, with washing machines that come equipped with a button allowing the user to select a single rinse cycle as a standard feature

becoming the norm. Laundry detergents that require only one rinse cycle are offered in Japan and Taiwan.

We also offer other products, such as *Bioré-u the Body Foaming Type*, a body wash, which can be expected to reduce the amount of water used by washing by hand.

To help ensure that when consumers use these products, which are capable of effectively reducing CO<sub>2</sub> emissions, they use them properly, we participate in environmental events hosted by local governments and distribution companies.

We also offer a wide selection of products for industry that allow customers to reduce their CO<sub>2</sub> emissions during the use stage. These include a toner with low-temperature fixing, which reduces the photocopier's power consumption, washing and rinsing agents that can wash and rinse steel plates at low temperature to reduce CO<sub>2</sub> emissions from fuel consumption, a semiconductor wafer cleanser that contributes toward CO<sub>2</sub> emissions reduction by reducing the amount of ultra-pure water and chemical agents used during the cleaning process, an additive for coating material that helps improve fuel economy by reducing the coating weight of wire harnesses for automobiles, and an additive essential to improving dispersion of a required material for fuel-efficient tires to demonstrate their performance.



*Attack ZERO*, a concentrated liquid laundry detergent

# Decarbonization

GRI 302-5, 305-3



Bioré-u the Body Foaming Type, a body wash, which can be expected to reduce the amount of water used by washing by hand

## Adaptation

As global warming progresses, the period of time for which there is high demand for anti-perspirants etc. in the summer is lengthening, and demand is expected to rise. We are therefore working to strengthen our development of these types of products. Additionally, as the probability of droughts occurring increases, the demand for water-saving products is also expected to increase.

Our *sonaeru* website provides information about household products that will be useful in the unfortunate event of a natural disaster occurring, with a particular focus on products that can help people to maintain good hygiene while living in an evacuation facility.



 Kao *sonaeru* website  
<https://www.kao.co.jp/hisaiji/> (Japanese)

## Efforts in disposal and recycling

### Mitigation

CO<sub>2</sub> emissions in the disposal and recycling stage consist of the following two types. One type is the CO<sub>2</sub> emitted as materials and ingredients degrade when packaging, diapers and other materials disposed of by consumers after use are incinerated, or when wastewater containing cleansing and other agents made from petroleum is treated. The other type is CO<sub>2</sub> emitted from using energy required to operate incinerating and recycling equipment and wastewater treatment facilities. In order to simultaneously address these two types of emissions, the most important thing is to reduce the volume of material subject to disposal and recycling. For this reason, as far as possible we recycle waste that is subject to disposal and recycling. In the case of waste that cannot be recycled and can only be disposed of as waste, we adopt a carbon neutral approach.

In line with this philosophy, we refer to initiatives that reduce the amount of waste that needs to be dealt with as Innovation in Reduction. We are applying Innovation in Reduction to the raw materials used in manufacturing packaging and diapers, and to the cleaning agents used in cleaning products. We refer to initiatives in the area of recycling as Innovation in Recycling. We are applying Innovation in Recycling to packaging and to used diapers.

Used diapers are carbonized using carbonization equipment, and the resulting material is then utilized for environmental purification and plant cultivation. We are also undertaking R&D aimed at conversion to new types of carbon material.

We are proceeding with the utilization of biomass plastic and other raw materials that are carbon neutral in terms of the amount of CO<sub>2</sub> emitted during disposal. As a new initiative, we have started a research on a manufacturing model to utilize cassava residue as biomass as a commissioned project by the New Energy and Industrial Technology Development Organization (NEDO), a national research and development corporation.

**P120** Zero Waste

## Adaptation

In the future, as the human population continues to increase, it is anticipated that increasingly strict restrictions will be placed on the extraction of fossil fuels, in order to meet the goals of the Paris Agreement, and as a result restrictions can be expected to be placed on the use of various types of resources. We believe that, in order to realize a decarbonized society, it is vital to reduce the amount of raw materials used, recycle used products whenever possible, and

# Decarbonization

GRI 305-3

only dispose of those products of biomass origin when there is no alternative to disposal.

## P120 Zero Waste

### Examples of major collaboration projects with stakeholders

- Participation in the Green Value Chain Platform and 2°C Target Network Corporate Edition administered by Japan's Ministry of the Environment, offering Kao's scope 3 efforts as an example and contributing to the calculation of scope 3 emissions by corporations
- Cool Choice awareness, promoted by the Ministry of the Environment, and the contribution to lifestyle change for consumers toward decarbonization
- Participation in the Japan Climate Initiative and the spread of information and opinion exchange on climate change measures promoted by various constituents besides the national government
- Participation as a member of the LCA Working Group organized by the Japan Chemical Industry Association. We have disclosed case studies of our carbon lifecycle analysis efforts, and disseminated information to society about the contribution that chemical products can make toward reducing CO<sub>2</sub> emissions.
- Participation in the Supply Chain Program run by the CDP for 13 consecutive years. We are contributing toward the enhancement of suppliers' awareness, and toward promoting a transformation of the types of action taken by suppliers.
- As a member of the steering committee of the TCFD Consortium of Japan, we are contributing toward the disclosure of climate change-related information, and toward the promotion of dialogue. In 2022, we were involved with 29 lectures, interviews etc. relating to decarbonization. Our decarbonization initiatives have contributed toward enhancing awareness in society.

## Employees' opinions

### Decarbonization Initiatives at the Kawasaki Plant



#### Kawasaki Plant

Decarbonization Activities: Yoshiyuki Osumi  
PRD Division Process, Kawasaki Plant  
Low-CO<sub>2</sub> Kawasaki Brand: Chiori Ase  
Human Capital & General Affairs, District SC, Kawasaki Plant

The Kao Group aims to achieve carbon zero by 2040 and become carbon negative by 2050 in order to make a decarbonized society a reality. With this in mind, our goal is to reduce greenhouse gas emissions from our operations by 55% from our 2017 baseline by 2030 in order to achieve SBT 1.5°C.

Major decarbonization activities at the Kawasaki Plant include: (1) Improving yield by post-blending fragrances, dyes, etc. with liquid detergents (eliminating the washing of mixing tanks) and reducing waste and steam consumption, (2) Improving thermal efficiency by maximizing steam generation at cogeneration plants (reducing city gas consumption), (3) Striving to purchase electricity from 100% renewable sources (achieving RE100), (4) Implementing solar power systems (electricity generation: 351 MWh), and (5) Replacing all lighting at the plant with LEDs. These efforts are expected to reduce greenhouse gas emissions by 28.9% in 2022 compared to 2017 levels. This represents an assumed reduction of 10,502 tons of CO<sub>2</sub>. In the

future, we plan to further reduce emissions by considering the introduction of energy services for cogeneration plants (target for 2025).

In November 2022, the grand prize winner of the Low CO<sub>2</sub> Kawasaki Brand\* '22 competition was the *Attack ZERO* produced at the Kawasaki Plant. This product was highly rated for its sustainability, which resulted from the performance of our proprietary surfactant "Bio IOS"; high detergency, which reduces the use of detergent during laundering; product concentration, which reduces the use of plastic consumption of containers and improves distribution efficiency; and impact on the public, which was expected to ripple widely because of its familiarity. This was a great reward for the efforts and aspirations of the research, production and business teams who worked together as one during the long process of trial and error in developing new products and industrializing production facilities. We will continue to deliver this product from the Kawasaki Plant to customers throughout Japan with sincerity and share the joy of this award with all employees involved and encourage them in their daily work. We will reduce CO<sub>2</sub> emissions and contribute to a sustainable society together with our customers.

\* This program was launched in fiscal 2009 as a way for Kawasaki City to widely recognize and publicize Kawasaki products and technologies that contribute to CO<sub>2</sub> reduction throughout their lifecycle with the goal of achieving carbon neutrality by 2050.

# Decarbonization

## Stakeholder engagement



**Mana Saza**  
Director, SWITCH

### Introduction

2022 was year that saw COVID-19 continue and the Russia-Ukraine War begin. These challenges have immediately brought to light how fragile our societies truly are. So it is with great pleasure to write my views as a youth stakeholder in Kao Corporation's report. In this comment, I will explain the low state of climate literacy in Japan, the role of youth in picking up the pace of climate action, and Kao's role in consumer empowerment to create momentum for climate change measures from Japan to the world.

### Youth Stakeholders as New Norm, Marked at COP27

Currently, I am doing research on sustainable development programs at a university in London, a program that was put on hold in 2020 when COP26 was postponed due to COVID-19. Over 330 youth delegates representing more than 140 countries gathered online at Mock COP26 to create a global declaration showing the ambition and dreams of young people worldwide in fighting for a fair, equal,

and green world. We organized the group because we saw the voices of young people being neglected, even though we are the generation that has suffered the most from the climate emergency (MAPA). I was one of the eight core members organizing the movement. At COP26, 25 countries pledged to improve climate education, as written in our declaration. At COP27, we finally secured youth participation in high-level dialogue for the first time at a COP, marking the start to structured participation of youth in decision-making.

### Climate Literacy in Critical Danger in Japan

While organizing Mock COP, I returned to Japan and began my journey of spreading the word of youth in climate action, only to realize the willingness to take ownership of climate issues in Japan lags behind

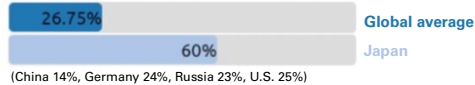
that in the West. Notably, eagerness to alter one's lifestyle and work for climate change in Japan fell by 8% from 2015 to 2021 (Pew Research Center, 2021). On average, 60% of Japanese think that acts for climate change will threaten their quality of life instead of improving it (World Wide Views on Climate and Energy, 2015). The Japanese population's low self-affirmation directly links to the absence of active engagement by individuals in climate change. Based on interviews with 18-year-olds in nine countries, Japanese youths' level of confidence to be drivers for change in our society was the lowest out of the nine at 18.3% (Nippon Foundation, 2019). And although the sustainability literacy of Japanese people may be high, we are substantially lacking in consumer awareness.



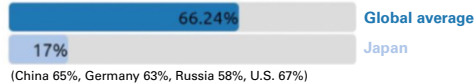
# Decarbonization

Q. What does climate action look like to you?

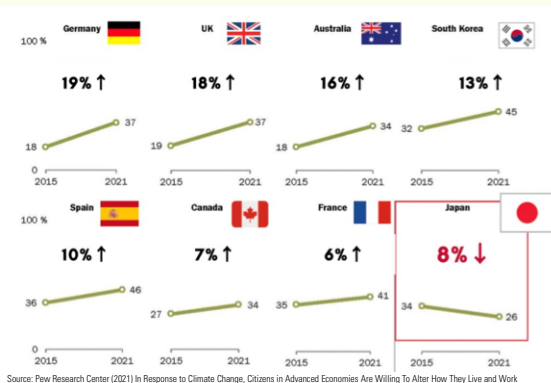
**a. Often a threat to quality of life**



**b. In many cases, it enhances quality of life**



WorldWide Views on Climate and Energy, Implemented June 2015



## Harnessing Consumer Power to Gain Momentum for Climate

The “Kirei Lifestyle Plan” is an extensive strategy and its achievements are outstanding. Kao has instilled sustainability at the core of its business and the company is a role model for others within and beyond its industry. As its next step, focusing on Scope 3 is imperative since it accounts for 14.4% of Japan’s CO<sub>2</sub> emissions (Greenhouse Gas Inventory Office, 2019). What is more, if Kao can harness consumer power, direct impacts on MAPA (Most Affected People and Areas) will be evident because Japan’s CO<sub>2</sub> emissions rank fifth in the world. To reduce the impact of Scope 3, consumers must learn about the impacts of their current consumption, the risks of the climate emergency, and the benefits of choosing a greener option for both their own health and planetary health in the long term. Responding to the call for planetary health from youth and to protect their future—the highest tier for all organizations. Kao should therefore become the pioneer in quickly forming a “1.5°C lifestyle,” providing consumers—especially those in younger generations—with the know-how and infrastructure for a smooth green transition. Of course, the empowerment of consumers is only feasible with cross-disciplinary partnerships. At the center, designing this new partnership and engagement should involve the future generations as exemplified at COP27.

## Conclusion

Our Earth, the very place we call home is literally “on fire.” However, we have the means to put it out, and is just a matter of willingness and active collaboration. To increase the sustainability literacy rate, I chose to create my own NPO in 2021, SWITCH. We work with the UNEP on climate education and are creating our climate change behavior program to teach 3.5% of the Japanese population. According to analysis by Erica Chenoweth, a political scientist at Harvard University, the active participation of 3.5% of a given population will bring fundamental sociopolitical change. I am excited to see Kao join us and in creating this wave of 3.5% and the rest of the world. Let us work in unison to create a Kirei life, for all people and the planet together with youths.

# Zero Waste

GRI 306-1, 306-2

Inspired by a philosophy of “Wastefulness—*Mottainai*, never today, nor tomorrow.”, we aim to contribute to the realization of a zero waste society by ensuring that used products and product packaging are utilized to the maximum possible extent, if necessary by changing their function.

## Social issues

Efforts to build high-level circular economic societies with high-level economic growth are increasingly needed throughout the world. Considering that the world’s resources are limited, standards of living are rising, and the resources needed are steadily increasing as the global population continues to grow, the one-way economic models of the past will no longer support the prosperous lifestyles and culture of the future.

In regions where social infrastructure (i.e., waste treatment systems) is not sufficiently developed for the increases in the amount of waste generated including household waste, there are numerous instances of environmental pollution due to waste being dumped or insufficiently treated at disposal facilities. In addition, improper conduct by consumers after use results in waste dumped on land entering the oceans.

Currently, there is a stable supply of plastic products and packaging in particular that are reasonably priced, lightweight, multi-functional and corrosion-resistant, so they play an indispensable role in realizing consumers’ Kirei Lifestyle. However, many of these plastics are fossil-based and do not decompose naturally unless they are properly disposed of after use, and the volume of marine plastic waste continues to increase. It is estimated that by 2050, there will be more plastic than fish in the ocean, in terms of weight. This marine plastic is starting to have detrimental impacts on marine ecosystems.

To keep the temperature rise due to climate change under 1.5°C and achieve a carbon neutral society by 2050, consumption of fossil fuels must be drastically reduced. Consequently, production of fossil-based

plastics is expected to decrease drastically from the current level. It is clear that existing plastic containers made with large amounts of fossil-based plastics are not sustainable.

In order to both stimulate economic activities and transition to a decarbonized society, the use of fossil-based plastics must be reduced while meeting the growing demand for plastics. In light of this situation, we recognize the growing importance of reducing plastic consumption and of recycling.

An additional issue is that, currently, around one-third of all food produced in the world is thrown away as waste. Given that around 8% of annual GHG emissions derive from food waste, there is a clear need to reduce the amount of food that is wasted.

We supplied products that included 91 thousand tons of plastic packaging, such as bottles and film-type refill packs. In addition, 706 tons of food waste was generated.

We aim to help realize a zero waste society, not only by minimizing the resources used in all processes from new product development through to disposal of used products, but also by trying to ensure that, after use, all products are reused, recycled, or effectively utilized in some other way. We also believe that, in cases where it is unavoidable for something to be disposed of as waste, it should undergo appropriate treatment.



# Zero Waste

GRI 306-1, 306-2

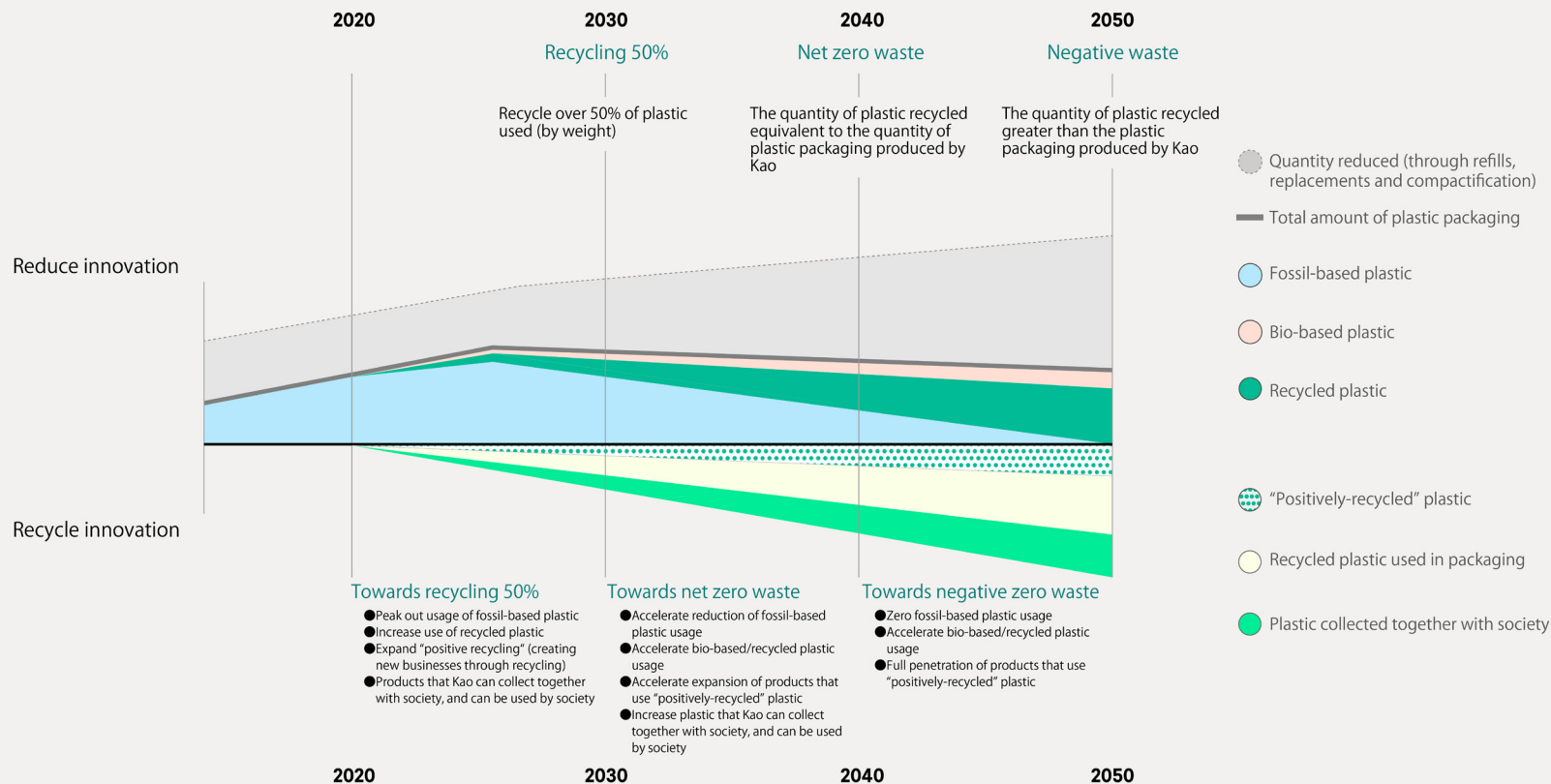
## What is Kao aiming for?

Kao has established a new roadmap for plastic packaging containers with the aim of quickly moving toward a resource-recycling society. We aim to achieve Zero Waste by 2040 and Waste Negative by 2050. Zero Waste refers

to a situation in which the amount of plastic packaging containers used by Kao equals the amount of plastic recycling Kao is involved in. We will reduce the amount of plastic used to the maximum extent possible, and then offset this by developing products and services

using plastic waste generated by society, thereby reducing the amount of plastic used to virtually zero. In addition, Waste Negative is defined as a situation where Kao is involved in more plastic recycling than the amount of plastic packaging containers used by Kao.

## Kao Plastic Packaging Circularity Roadmap



# Zero Waste

GRI 306-2

## Policies

We believe that, in all processes from new product development through to disposal of used products, we should make an effort, as far as possible, to reduce the quantity of product that is subject to being disposed of and recycled, and that we should try to ensure that all waste, regardless of whether it is solid or liquid, is utilized in a way that is useful for society, with the ultimate goal of achieving a net zero waste society. As we see it, we should seek to maximize recycled resources, and when the generation of waste is unavoidable, it should be utilized appropriately.

Our Basic Principle and Basic Policies on Environment and Safety states that “We shall contribute to social sustainability by giving thorough consideration to environmental conservation and human safety in every aspect of our operations, including product development, manufacture, distribution, usage and waste disposal.” Furthermore, the Kao Group Responsible Care Policy contains the following declaration: “We shall reduce, reuse and recycle waste and strive to continuously reduce environmental impact.”

We will also promote “eco together” activities in line with the Kao Environmental Statement, which embodies our commitment to ensuring that “Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From raw materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in ‘eco together’ with stakeholders, including consumers, throughout the product lifecycle.”

With the aim of realizing these policies in concrete terms, in October 2018 we announced Our Philosophy & Action on Plastic Packaging, which clearly enunciates that our action on plastic packaging is driven by our 4R (reduce, reuse, replace, recycle) program based on continuous improvement and bold innovation.

In September 2019 we announced that, as part of our efforts to realize “ESG-driven *Yoki-Monozukuri*,” we would be taking responsibility for our products not only until they are sold, but until they are disposed of, and that we would be focusing heavily on Innovation for Reduction and Innovation for Recycling aimed at building the plastic resource circulating society. To realize our vision, we are collaborating with other business enterprises, local governments and universities as we seek to realize a resource-circulating society.

A further point is that food waste connected to our businesses is of relevance to Kao’s beverage business. In regard to food waste, we are working to reduce the amount of waste generated as much as possible, and striving to ensure that when the generation of waste is unavoidable, this waste is recycled.

**P132** RecyCreation activities



Our Philosophy & Action on Plastic Packaging  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/plastic-packaging-001.pdf>

Kao’s New Challenges for the Future: Accelerating Purposeful Business Commitment with ESG  
<https://www.kao.com/global/en/newsroom/news/release/2019/20190926-001/>

Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

Kao Environmental Statement  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf>

### Efforts in raw materials procurement

To reduce the waste generated when transporting raw materials, we continuously work with external suppliers to adjust the volume and frequency of raw materials deliveries. This contributes to reducing the amount of packaging materials our suppliers procure as well as reducing CO<sub>2</sub> emissions from the transport of raw materials.

In addition, we are continuing our efforts to improve the production methods used by our subcontractors for contracted product manufacturing, for example by providing them with the relevant technology. This contributes to reducing CO<sub>2</sub> emissions associated with raw materials procurement.

# Zero Waste

GRI 306-2

## Initiatives taken in relation to our products

We offer products such as baby diapers and cleaning sheets that become waste after consumer use. While ensuring product performance, we are developing technologies to reduce the amount of raw materials used in products and contribute to reducing waste in order to reduce the amount of waste generated after product use. This also reduces costs and CO<sub>2</sub> emissions in conjunction with waste processing.

We also use recycled plastic for some of our products. As a result, we are able to reduce the amount of virgin plastic used, which leads to a reduction in the use of fossil fuels, the raw material for plastic. We are aware that these measures are important for solving the plastic problem and creating a decarbonized society.

## Initiatives targeting packaging

We are aiming to realize net zero waste for plastic packaging by 2040, and negative waste for plastic packaging by 2050. To achieve these goals, we are undertaking measures in compliance with the ISO 18600 series standards for packaging and the environment. Specifically, we are reducing the amount of materials used in packaging, and in particular we are reducing the use of plastic packaging, which has become a serious issue for society, by adopting a 4R (reduce, reuse, replace, and recycle) approach from the perspectives of innovations for reduction and recycling.

## Innovation for Reduction

This involves initiatives to reduce the amount of fossil-based plastic used.

### Reduce

This involves initiatives to reduce the amount of plastic used in packaging containers. In addition to reducing the quantity of plastic used, we will reduce the use of

fossil-based plastics while aiming to achieve a carbon-neutral society by 2050.

### Reuse

We are promoting the adoption of refill and replacement products. The use of plastic film packaging enables us to slash the use of plastic by around 75% compared to plastic bottles. To expand the use of film packaging, we have continued to make improvements to these refill products according to bottle size, the viscosity of the contents and so on to make refilling easier for consumers, and we encourage the internal and external use of innovative film packaging. We are exploring the possibility of in-store refilling whereby consumers bring packaging to the store and purchase only the products they are filled with. In addition, we have adopted a take-back system for some products, whereby we take back used containers from customers and then clean them and reuse them.

### Replace

We are implementing initiatives to replace fossil-based plastics with alternative materials such as paper and metal. We are also proceeding with initiatives to use plant-based plastic as an alternative for fossil-based plastics. We have been using recycled paper for the carton boxes and instructional inserts for many products, including powdered laundry detergent, since the 1960s, and we plan to expand their use.

## Innovation for Recycling

This involves projects to recover used packaging and recycle it so that it can be used again as recycled plastic.

## Recycle

Based on the fundamental technology that we have accumulated until now, we are focused on creating innovative recycling technologies for used plastic, including the use of recycled plastic for packaging, as well as developing and using high-quality, low-cost recycled plastics, encouraging activities that generate value from used plastic, and using plastic waste for industrial applications. Recycling also includes initiatives to develop packaging that is easy to recycle. We are undertaking initiatives to replace refill packs made from multiple layers of different plastic materials with a single material.

We are establishing a framework to recover used packaging and recycle it, in collaboration with stakeholders such as distributors, competitors and local government authorities, with the aim of helping to build the resource-circulating society. We are also working actively to promote the use of recycled plastic.

## Efforts in development, manufacturing and sales

We are reducing the amount of waste generated at our plants and offices, and we are reusing and recycling waste and other materials inside and outside the company. We have set reduction targets for how much waste we generate and are working companywide to achieve them.

At plants, we are reducing loss of raw materials and products. For example, wastewater sludge is generated as a result of cleaning the mixing and storage tanks for liquid products at the production facility when the product produced is switched. For sheet-type products, a portion of the sheet material is left unused when the material is switched out. We are studying loss reduction countermeasures on an ongoing basis according to the type of loss that occurs.

# Zero Waste

GRI 306-1, 306-2

Because products that are returned from retailers are ultimately disposed of as waste, considerable expense and environmental impact arise including the waste of resources and GHG emissions during the disposal process as well as considerable disposal-related expense. Going forward, we will work with retailers to review product shipping and stock replenishment methods in an effort to minimize waste.

In addition, promotional materials are discarded after use, so we are making a transition to disseminating information using digital means.

## Enhancing waste recycling

It would be difficult to reduce generated waste to zero with the currently available technology. Accordingly, we ensure that generated waste is thoroughly sorted, and we select the most appropriate recycling methods in cooperation with contracted waste treatment providers. We monitor the amount of waste recycled and sent for final disposal along with the amount of waste generated to improve how waste is treated overall.

## Preventing illegal dumping of waste

When contracting waste treatment service providers to dispose of waste generated at our plants and offices, there is a risk of illegal dumping. To reduce this risk, we regularly visit the service providers to verify that the contracted waste is being disposed of appropriately. The Kao Group in Japan has created a database containing information including contracts with waste treatment service providers and the results obtained from surveys of appropriate waste treatment to prevent illegal dumping. This system is also connected to the Electronic Manifest System, which also ensures prevention of illegal dumping.

## Proper storage and treatment of PCB waste

Polychlorinated biphenyls (PCBs) were formerly used in insulating oil, such as in transformers and ballasts, but they have low degradability and therefore pose a risk to human health and can create hazards in living environments. We store and treat waste containing PCB appropriately in accordance with the law until its disposal is contracted to a service provider.

## Reducing food waste

We monitor the generated food waste that is treated through wastewater treatment or incineration and cannot be effectively used for other purposes.

Since food waste is generated when products close to their expiration dates are returned, we are working with our suppliers to extend expiration dates and review return policies. Some returned products can be utilized effectively in methane fermentation and composting. Through activities such as these, we are taking steps to reduce food waste.

## Strategy

### Risks and opportunities

#### Risks

Item	Content
<b>Policies, laws and regulations</b>	Stricter regulations on the processing of waste generated at offices, increased regulation on consumption of plastic packaging (mandatory use of recycled plastic, taxation), mandatory labeling of information on plastic consumption, etc.
<b>Technology</b>	Increased volumes of waste generated from offices in conjunction with the manufacture of new products and unsuccessful attempts to develop technology for reducing plastic consumption or using recycled plastic
<b>Markets</b>	Higher disposal costs as a result of increases in the volume of waste generated in excess of disposal capacity throughout society, changes in consumer preferences, rising costs for virgin plastic or recycled plastic, increased consumption of hygiene-related product packaging due to enhanced consumer hygiene awareness resulting from the COVID-19 pandemic, etc.
<b>Reputation</b>	Criticism of the industry or of individual companies, stronger concerns among stakeholders, changes in consumer preferences, etc.

# Zero Waste

GRI 3-3, 306-1, 306-2

## Opportunities

Item	Content
<b>Resource efficiency</b>	Lower disposal costs as a result of decreases in the volume of waste generated from offices and lower costs for packaging, better transportation efficiency, etc. as a result of reducing plastic consumption
<b>Products, services</b>	Reduction in the volume of waste generated through the development of resource-saving products, higher sales due to expanded use of packaging using less plastic and development of innovative packaging, higher income due to licensing of development technology
<b>Markets</b>	Higher sales due to improved access to new markets, use of public incentives for developing innovative technologies, etc.
<b>Resilience</b>	Improved resilience through actively continuing to promote 3R activities for plastic packaging, and by providing even more environmentally friendly plastic packaging, rather than merely returning to the situation that existed before the COVID-19 pandemic

## Strategy

Plastic packaging containers play an important role in our products because of its versatility and flexibility. At the same time, recognizing that the excessive use of plastic is a common concern for Kao and consumers in terms of its impact on the global environment, we believe that plastic resources used for packaging containers should be recycled as much as possible to create a recycling society. Stakeholders will be aware of our initiatives for the transition to a recycling society that reduces and recycles waste, not just plastics, and will share our values, which will lead to product selection and contribute to increased sales.

## Social impact

We are continuously implementing 3R activities to reduce, reuse and recycle waste generated at plants,

distribution sites and offices and with regard to products and packaging.

In the area of plastic packaging in particular, we are undertaking ongoing development and use of film packaging that reduces plastic consumption by around 75%, and products in refillable film packaging are becoming popular in Japan. We are also rolling out these technologies to overseas group companies, making it possible to reduce the quantity of plastics used in packaging.

Besides our efforts in regard to film packaging, we are also implementing initiatives to reduce plastic consumption through the reuse of bottles.

Through effective coordination between the recycler and the manufacturer, we are getting used products recycled to create recycled products that are useful in consumers' daily lives. Working together with distributors, competitors, local government authorities and other stakeholders, we are putting in place a framework for the collection of used packaging. Having as many other stakeholders as possible participate in this initiative will help make the benefits even more substantial.

Furthermore, efforts to recover waste that has already been released into the environment greatly contribute to the protection of marine and land ecosystems.

By curtailing waste and the like generated from business activities, promoting recycling to achieve zero waste, and developing a society where innovative film packaging that can drastically reduce the quantity of plastics used (to around one-sixth of the former level) is widespread both internally and externally, we will contribute to enhancing resource productivity throughout society as a whole. Doing this will contribute to realizing a circular society and make it

possible to offer consumers clean products in a future society with limited resource availability. These are important approaches for carrying out the Kirei Lifestyle and achieving One Planet Living vision.

## Contributions to the SDGs



## Business impact

It will be necessary to raise productivity in order to curtail the amount of waste and the like generated from business activities. If productivity is raised, manufacturing costs can be reduced. In addition, promoting recycling can also be expected to reduce waste processing costs.

By using innovative film packaging both internally and externally and meeting our targets for reducing plastic consumption, we can boost sales in new markets and earn revenue from licensing our patents.

By increasing consumption of recycled and recyclable plastics, we can also avoid new taxes on the use of fossil-based plastics.

## Governance

### Framework

Under the supervision of the Board of Directors, risk management in relation to zero waste issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

# Zero Waste

GRI 3-3, 306-2, 404-2

Risk management related to zero waste issues is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to zero waste issues. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

In addition, the Plastic Packaging Steering Committee has also undertaken strategy formulation and implementation planning under board-level ownership, working to ensure reliable and rapid execution.

## Education and promotion

Many of our products become waste after use. We are facing this fact earnestly and recognize the importance of giving our employees the chance to learn about the generation of waste from our business activities and used products through various programs and to actively engage in waste reduction measures of their own accord. To this end, we have created many opportunities for employee education. We have been making educational videos for internal use that are specific to the themes of the Kirei Lifestyle Plan (KLP), and we are disseminating one on zero waste.

If, in addition to plants' waste-material reduction activities and technology development that is oriented toward using fewer resources in manufacturing, there is also a strengthening of employees' waste awareness,

then this will help to enhance our activities in this area. A further point is that employees are also consumers, and in their role as consumers it is important that they choose products more carefully and take steps to deal with waste properly.

With regard to packaging, our research laboratories, Procurement, SCM, Business divisions, the ESG Division, etc., engage in a periodic exchange of views regarding our strategy in this area, the issues faced, and how to address them.

## Collaboration with stakeholders

We recognize that in order to help consumers realize the Kirei Lifestyle it is vital for us to deepen mutual understanding with a wide range of stakeholders and collaborate with them by developing mutual communication.

As the waste generated by our production activities impacts local communities, having good communication with local communities is also vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

Methods of processing waste generated from our business activities as well as waste generated by consumers and customers after using our products are regulated by government agencies. To recycle more waste and make it easier to process waste, it is important to implement initiatives in collaboration with municipalities, retailers, recyclers, and commodity manufacturers.

It is also vitally important to share ideas with suppliers and undertake collaborative R&D with them, in order to reduce the amount of plastic used in packaging and enhance its recyclability.

Consumer behavior needs to change in order for consumers to attain the Kirei Lifestyle. We provide

opportunities to think about the Kirei Lifestyle through visits to museums and plants that take Kao products as the theme. This visit program includes displays that enable participants to get a real feel for the amount of waste generated from products manufactured using limited amounts of resources.

## Risk management

In the process of assessing risks and opportunities, the ESG divisions identify risks anticipated at Kao, and conduct risk and opportunity assessments based on feedback from outside experts and staff in internal departments that are implementing initiatives. These are approved by the Internal Control Committee and ESG Managing Committee, respectively.

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and adjust measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

P280

Risk and Crisis Management &gt; Governance &gt; Education and promotion &gt; Risk surveys

# Zero Waste

GRI 306-2, 306-3, 306-4

## Targets and metrics

### Mid- to long-term targets and 2022 results

We are aiming to realize net zero waste for plastic packaging by 2040, and negative waste for plastic packaging by 2050. We will also be maximizing our contribution toward helping society as a whole to reduce plastic packaging usage. Furthermore, we will promote the reduction of waste, not only plastic.

### 2025 mid-term targets

Item	Scope	Targets for 2025
% of recycled plastic used in PET containers	Kao Group in Japan (consumer products)	100%

### 2030 long-term targets

Item	Scope	Target for 2030
Quantity of fossil-based plastics	Kao Group	Will peak and begin to decline
Quantity of innovative film-based packaging penetration	Kao Group and other companies	300 million <sup>*1</sup>
Recycling rate of plastics involving Kao	Kao Group	50%
Amount of waste generated <sup>*2</sup>	Kao Group Production sites <sup>*3</sup>	0 (less than 1%)
Reduction rate of discarded products and discarded sales promotion materials	Kao Group in Japan	95%

We aim for Kao's involvement in plastic recycling to account for at least 50% of the volume of plastic packaging containers used.

We are aiming to reduce the amount of plastic packaging<sup>\*4</sup> used by Kao and by society as a whole by 200 thousand tons.

We are also aiming to use recycled materials for 40% of the plastic packaging containers used by Kao and to peak out the use of fossil-based plastics.

<sup>\*1</sup> Annual penetration amount

<sup>\*2</sup> Amount of waste not recycled from business sites

<sup>\*3</sup> Beginning with production sites

<sup>\*4</sup> Amount reduced through the use of innovative film-based packaging, refill and replacement products, and development of more concentrated products

### 2040 long-term targets

We are aiming to reduce plastic packaging waste to zero<sup>\*5</sup>.

<sup>\*5</sup> This is the state in which the amount of plastic packaging used by Kao is roughly equivalent to the amount of plastic for which resource recovery<sup>\*6</sup> is implemented by Kao.

<sup>\*6</sup> Amount of plastic that is upcycled + Amount of recycled plastic that is used by Kao for containers and packaging + Amount of plastic that is collected by Kao and society in general and used by society.

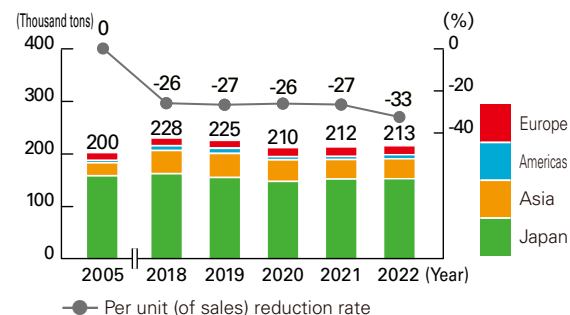
### 2050 long-term targets

We are aiming to reduce the quantity of fossil-based plastics used to zero.

We are also aiming to achieve negative plastic packaging waste<sup>\*7</sup>.

<sup>\*7</sup> This is the state in which the amount of plastic for which Kao implements resource recovery<sup>\*6</sup> is more than the amount of plastic packaging used by Kao.

### Amount of generated waste and other unwanted materials (all sites)



<sup>\*</sup> Boundary: For 2005, all Kao Group production sites, and all non-production sites in Japan. From 2015, some non-production sites outside Japan are also included.

<sup>\*</sup> Assurance provided for amount of generated waste and other unwanted materials.

<sup>\*</sup> Per unit of sales was calculated based on Japanese GAAP in FY2005, and based on International Financial Reporting Standards (IFRS) from FY2017 onwards.

### Amount of generated waste and other unwanted materials

In 2022, the amount of waste generated totaled 213 thousand tons, representing an increase of 1 thousand tons compared to the previous year. As there was an increase in sales, the reduction rate (per unit of sales) was 33%, representing a significant improvement.

### Amount of hazardous waste generated

Of the generated waste, 27 thousand tons constituted hazardous waste. No hazardous waste was transported internationally under the Basel Convention.

### Waste plastics

In 2022, the volume of waste plastics discharged in Japan (including in-house treatment, excluding valuable resources) was 7,340 tons, lower than the previous year result (8,670 tons). Kao Corporation was the only corporate unit to discharge more than 250 tons, with 6,770 tons of waste plastic discharged, which was less than the previous year result (8,110 tons). We will continue our initiatives to reduce the amount of waste by aiming to keep it below the previous year level.

### Recycling

We are promoting the reuse of waste, such as offcuts generated in the production of baby diapers, etc., for example by turning such waste into pallets or using it to make paper products.

Reuse and recycling<sup>\*</sup> of waste, etc. was 195 thousand tons  with a recycling rate of 91%.

We maintained our target of a 0.1% or lower final disposal ratio for waste. We have achieved our target of zero emissions for the 18th consecutive year since the target was set (final disposal ratio to generated waste for all Kao Group offices in Japan).

# Zero Waste

GRI 301-2, 306-2, 306-3, 306-4

Starting from 2021, as a new zero waste indicator, we have begun to calculate a combined landfill disposal and incineration rate, which was 4.2% for all production sites combined in 2022. We are aiming to reduce this rate to under 1% (i.e., to more or less zero) by 2030.

The combined landfill disposal and incineration rate is the share of industrial waste (as defined in Japan) generated by production sites that is disposed of either by landfill disposal (direct disposal by landfill without intermediate processing) or incineration (incineration without heat recovery). Waste that individual countries' laws require be disposed of by landfill or incineration, and waste in countries where there are no facilities for disposal otherwise than by landfill or incineration, is excluded.

\* Boundary: All Kao Group sites, including company cars in Japan

\* Assurance provided for the amount of material recycled

## Reduction rate of discarded products and discarded sales promotion materials

The target for this activity was set in 2021. The performance achieved in 2022 was a 20% reduction rate (14% in 2021).

## Food waste

Since 2018, we have been implementing activities to reduce food waste. For Kao, food waste is generated when products are returned because of damage to packaging or because they are past the best-before dates. In 2022, the amount of food waste disposed of by the Kao Group as a whole totaled 706 tons, of which 8 tons was utilized effectively for methane fermentation or composting\*. We have also been working together with our business partners to revise the rules relating to the return of products that are approaching their expiry date.

\* Besides methane fermentation or composting, this figure also includes the effective utilization of packaging (such as cans or cartons).

## Changes in amount of food waste<sup>☑</sup> (in tons)\*\*

Item	2018	2019	2020	2021	2022
Amount of food waste generated	1,081	251	592	723	706
Amount of food waste utilized effectively <sup>2</sup>	54	20	27	43	8
In-house disposal	1,027	230	565	680	698

\*1 Third-party assurance was obtained for these data from 2021 onwards.

Boundary: Kao's food businesses

\*2 Contracted disposal: Contracted disposal includes methane fermentation or composting, and also effective utilization of packaging (such as cans or cartons)

## Inspection of waste treatment facilities

In 2022, although the impact of the COVID-19 pandemic remains, the number of waste treatment facilities at which on-site inspection could be performed was higher than in normal years. However, by using documentary review, etc. we still managed to evaluate a total of 148 facilities (in Japan), thanks to collaboration from 122 waste treatment companies. The evaluation results showed that there were no waste treatment companies that did not meet Kao's evaluation criteria.

## Amount of packaging materials used, by material type

In 2022, the amount of paper and pulp used was 174 thousand tons. Of this, the ratio of certified paper and pulp was 97%. The amount of metal used in packaging was 4.3 thousand tons, and the amount of glass used was 0.6 thousand tons.

## Horizontal material recycling of film packaging

Since June 2021, we have been developing and verifying recycling technology at our pilot plant for film packaging recycling set up at Wakayama Research Laboratories. Since October 1, 2021, we have also been participating in the project of Kobe Plastic Next: Joining Forces to Recycle Refill Packs. In this project, retailers, consumer product manufacturers, and recyclers (resource recycling business operators) collaborate with the city of Kobe to recycle used refill packs of household and personal care items, with the aim of becoming a circular society.

We are examining easier-to-recycle packaging designs with the aim of raising recycling rates and realizing horizontal material recycling.

## Shift to 100% recyclable, reusable packaging

Plastic packaging used for household products in Japan is required by Containers and Packaging Recycling Law to have a framework in place for recycling. Our plastic packaging is thus already 100% recyclable.

Outside Japan, definitions of what constitutes recyclable packaging vary depending on the country or region, and recyclability also depends on the recycling systems that exist in each country or region. We are therefore working to confirm not only packaging specifications but also the sales areas for each type of packaging.

\* Cardboard, paper, plastic, metal and glass



# Zero Waste

GRI 301-2, 306-2, 306-3, 306-4

## Amount of plastic packaging used

Plastic packaging usage in 2022 was 91 thousand tons. Of this, fossil-based plastic usage amounted to 88 thousand tons.

Kao Corporation now offers 389 refill and replacement products (as of December 2022), with a penetration rate of 79% and approximately 80%. The refill ratio for fabric bleach in particular now stands at approximately 90% (unit basis).

Plastic consumption has been reduced by 84.6 thousand tons through the use of refill and replacement products. If the impact of making products more concentrated is also factored in, then the overall amount of reduction was 144.0 thousand tons, and the reduction rate (compared to if the products had been packaged in the original plastic packaging) was 79.0%.

## Changes in amount of plastic packaging used (in thousand tons)

Item	2019	2020	2021	2022
Amount of plastic packaging used	65.6	116.6	92.9*	90.8*
Recycled material usage rate	0.07%	0.37%	1.5%*	2.9%*

\* Recalculated due to double counting partly

## Quantity of innovative film packaging penetration

In 2022, the total number of products manufactured using innovative film packaging, calculated as the combined total of products that included *Raku-raku Eco Pack Refill* and *Air-in Film Bottle*, was approximately 13 million items.

## Quantity of recycled plastic used

Recycled plastic made from used plastic is utilized for shampoo, conditioner, and body wash products by Kao (Taiwan) Corporation, and it is also used by the salon-oriented *Kerasilk* brand in EMEA and by the *Oribe* brand

in the U.S., as well as by brands such as *Attack ZERO* and *CuCute* in Japan. The total amount of recycled plastic used in 2022 was 2,559 tons (1.5 times as much as in 2021).

## Recycled plastic usage rate in PET packaging

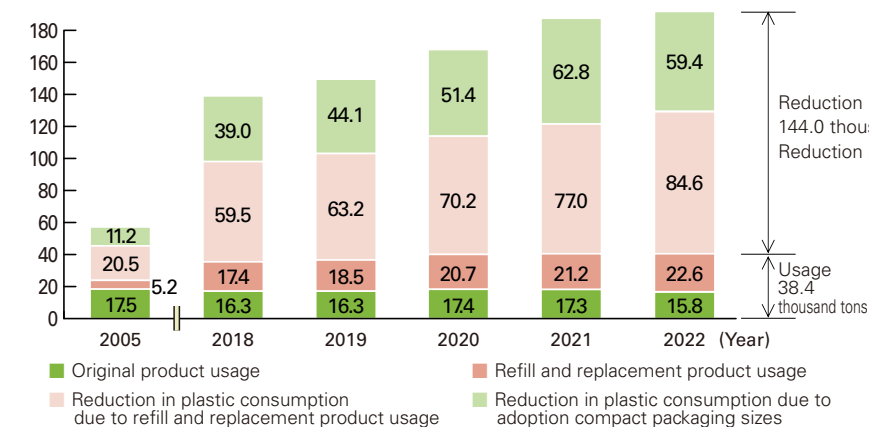
In an initiative targeting household products sold in Japan, we have begun using recycled plastic in the manufacturing of PET packaging, starting with the packaging of *Attack ZERO* and *CuCute Clear Foam Spray*. In 2022, 69% of the plastic used in this PET packaging was recycled plastic.

## Quantity of plant-based plastics used

Plant-based plastics are used for *Merit* shampoo and conditioner, *Segreta* shampoo and conditioner, *CuCute* 1,380 ml containers, *Raku-raku Eco Pack Refill*, and shampoo and treatment, and other products, and the total amount used has reached 513 tons (1.1 times the amount in 2021).

## Usage and reduction volume of plastic in refill and replacement categories

(Thousand tons)



# Zero Waste

GRI 301-2, 301-3

## Main initiatives

### Initiatives taken in relation to our products

#### Reducing the amount of product materials used

We continue to reduce the materials used in making products that become waste after product use by consumers. For example, we reduced the product weight of medium-sized *Merries* disposable taped diapers by 37% while improving the product function compared to its 1990 version.

#### Paper hot water pipes

Paper hot water pipes handled by Chemical Business combine molding technologies with high-temperature material technologies and are made from waste paper. Compared to general ceramic hot water pipes, the amount of raw materials used is reduced to one-tenth and post-use waste to one-sixteenth.

#### Healthy Green Tea

*Healthy Green Tea*, which can help to reduce visceral fat, utilizes a drip method to effectively extract tea catechins, which are the active ingredient, from the tea leaves. In this way, the amount of tea leaves that need to be disposed of by the contract manufacturer as food waste after use is reduced by 37%.

#### Products that use recycled materials

We use recycled materials for some of our products. We have been using recycled paper in the carton boxes and instructional inserts of many products since the 1960s, including powder-type laundry detergents. We use recycled polypropylene (PP) in the measuring spoon for *Attack* powder type laundry detergent, which was first put on the market in 1987, and recycled polyethylene terephthalate (PET) in the fibers of *Quickle*

*Wiper* floor dry cleaning sheets, which first appeared on the market in 1994.

#### Using waste PET to make NEWTLAC 5000 asphalt modifier

The Chemical Business has used our proprietary modification and compounding techniques on discarded PET materials (waste PET) to develop *NEWTLAC 5000*, a new type of asphalt modifier, through positive recycling. The full-scale commercial launch of the new product took place in late 2020.

Besides improving the durability of road surfaces in the same way as conventional asphalt modifiers, asphalt road surfaces that are durable and environmentally conscious can also be created because *NEWTLAC 5000* uses waste PET, the disposal of which has become a problem for society (approximately 1,430 PET bottles are used to cover a road area of 100 m<sup>2</sup>).

#### Recycling of used baby diapers

Field testing of technology to convert used disposable diapers into carbon material began in January 2021, in collaboration with Saijo City, Ehime Prefecture, where Kao Sanitary Products Ehime is located. We have developed carbonization technology that reduces the amount of CO<sub>2</sub> emitted during recycling, while also sterilizing and eliminating odor, and reducing the volume occupied by the recycled material. We are proceeding with activities to develop applications for the carbon material obtained through recycling, including industrial uses, air and aquatic environment purification, and plant cultivation.

The recycling system development has been undertaken through joint research with Kyoto University

Open Innovation Institute, with the aim of realizing social implementation by 2025.

### Initiatives targeting packaging

#### Initiatives to reduce

#### **Smart Holder and Raku-raku Eco Pack Refill**

In 2017, we proposed *Raku-raku Eco Pack Refill*, which can be used with our *Smart Holder*, improving usability and allowing the product to be completely consumed, thus reducing environmental impact. This eliminates the need for an original plastic bottle.

Until now, these were sold only on our online site, but we implemented a full-scale rollout to stores in April 2020. We believe this will make them accessible to more consumers and will encourage use.



Smart Holder and  
Raku-raku Eco Pack  
Refill

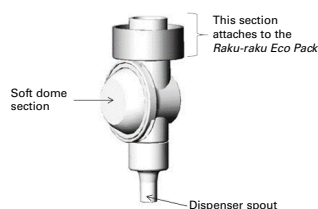
# Zero Waste

## Launch of the Raku-raku Switch for dispensing a fixed amount from film packaging with one light push

*Bioré u The Body—Body Lotion for Wet Skin*, which was launched in September 2020, uses a *Raku-raku Switch* that, when attached to a *Raku-raku Eco Pack Refill*, makes it possible to extract a fixed amount of liquid with just a light touch. Compared to bottles with pumps, *Raku-raku Switch*-equipped products reduce the quantity of plastic used by around 50%. From a universal design perspective, these products have the outstanding feature of being easy to use even for people who do not have much strength.



Raku-raku Switch



P74

Sustainable Lifestyle Promotion > *Yoki-Monozukuri* in plan and action and proposing activities: Addressing the environmental challenges presented by containers

## Air-in Film Bottle technology adopted for use in MyKirei by KAO products sold in the U.S.A.

In April 2020, *Air-in Film Bottle* film packaging developed by Kao began to be used for the first time in *MyKirei* by KAO products sold in the U.S.A. The film is the same kind of soft material used in refill packaging. The bottles gain their rigidity through an air fill, allowing them to stand upright, and compared to conventional pump bottles, they use approximately 50% less plastic.

Additionally, compared to conventional bottles there is less liquid left in the bottles when they are disposed of.



MyKirei by KAO

P80

Purpose Driven Brands > Purpose driven brand activities

## Thin-film packaging

Film packaging already uses less plastic than regular containers, but we are proceeding with efforts to further improve it by making it even thinner. *Attack Easy*, sold in Thailand, uses film packaging that is 29% thinner.



## Use of plant-based plastics

We are actively developing technologies for using plant-based plastics for bottles and refills. Since we began this initiative in 2012, our consumption of plant-based plastics and the range of products for which they are used have continued to expand.

For example, *Raku-raku Eco Pack Refills* are made from 15% plant-based plastic based on its weight.

## Initiatives to reuse (promoting the adoption of refill and replacement products)

We continue to provide refill and replacement products and expand sales of *Smart Holder*.

## Refillable in stores

At *Molton Brown*, following on from the packaging reduction initiative implemented in 2020 (specifically, in-store refill for handwashing products), starting from 2021, reusable bottles and *Aroma Reed Diffuser refills* have been on sale both in-store and online in EMEA and in the Americas. Utilizing refills makes it possible to reduce the amount of single-use plastic and plastic that is disposed of as waste by 82%.



Aroma Reed Diffuser refill

# Zero Waste

GRI 301-2, 301-3

## Initiatives to recycle

### RecyCreation activities

We have been engaged in research toward creating a new resource recycling system. We have proposed the RecyCreation approach, which generates new value by adding technology and the knowledge and ideas of various people to used items. To date, we have continuously conducted verification in five areas with members of the community.

In a trial, we collected used refill packs for laundry detergent, shampoo and other products from members of the community and recycled them to create a block of recycled plastic that symbolizes the creation of various objects and values that will be useful for community development and lifestyle development. In September 2020, we made the decision to collaborate with Lion Corporation on RecyCreation, and began field testing at the Ito-Yokado Hikifune store in Sumida-ku, Tokyo of a program to implement in-store collection and recycling of used refill packs. Over a period of approximately one year from October 30, 2020 to the end of October 2021, we collected approximately 9,500 pieces\* of film packaging. Going forward, we will be aiming to realize horizontal material recycling that makes it possible for film packaging to be recycled for use in the production of film packaging.

\* Calculated by dividing the total weight of collected film packaging (170.2 kg) by the average weight per piece of packaging, which was 18.0 g.  
(In the 2021 report, the calculation was based on an estimated average weight of 14.4 g.)



RecyCreation on Facebook  
<https://www.facebook.com/RecyCreation.jp/> (Japanese)

## The RecyCreation Concept



## Commencement of the verification process for a resource-circulating model project involving horizontal material recycling\* of single-use plastics

Since October 2021, we have been participating in the project of Kobe Plastic Next: Joining Forces to Recycle Refill Packs. In this project, retailers, consumer products manufacturers, and recyclers (resource recycling business operators) collaborate with the city of Kobe to recycle used refill packs of household and personal care items, with the aim of becoming a circular society.

The city of Kobe encourages every resident of Kobe to recycle used refill packs from detergents and shampoo products, etc. by dropping them off in collection boxes placed in 75 locations at retail outlets throughout the city. By leveraging “return trip operations” from retail outlets and cooperation of existing waste collection operators, used refill packs can be collected effectively with minimum environmental impact. Recyclers and manufacturers are working together to achieve horizontal material recycling for film packaging from the collected refill packs, as well as turn them into recycled products that are useful in daily life. Kobe and 16 companies and organizations are collaborating to realize resource circulation. The project aims to set an example to help promote similar activities across Japan.

**KOBE  
PLASTIC  
NEXT**

みんなでつなげよう。  
つめかえパック  
リサイクル

\* Recycling of materials into products with the same application

## Use of recycled materials

Kao (Taiwan) has been using recycled plastic for regular containers since 2016. In 2021, Kao (Taiwan) also started recycling polyethylene, and in 2022, also started recycling polypropylene, which is more challenging to recycle, for use in this way.



# Zero Waste

GRI 301-2, 301-3, 404-2

In EMEA and the U.S. salon launched products made with recycled products in March 2023 for *Kerasilk* and *GUHL* products. The tubes for these products are made of PCR material recovered from the market and recycled.



## Development of film packaging recycling technology

Refill packs can significantly reduce the quantity of plastic used compared to rigid containers and are made from composite materials with many layers rather than a single raw material, as with PET bottles, in order to protect its contents from heat, moisture and UV rays with a thin film. In doing so, the different varieties of recycled ingredients make inhomogeneous plastic, which is difficult to reuse in film packaging under present circumstances.

We aim to improve the rate of recycling and achieve horizontal material recycling by developing and verifying recycling technology at our pilot plant for film packaging recycling set up at Wakayama Research Laboratories in June 2021. The plant will examine effective processes for separation and collection from consumers and easier-to-recycle packaging designs.

In collaboration with Lion Corporation, we have commercialized refill packs that use a portion of horizontal-recycled regenerated materials for liquid detergent refill containers, which will be available in limited quantities at select stores\*.

\* Kao and Lion products at certain Ito-Yokado stores and Welcia Yakkkyoku stores; Kao products only at certain AEON stores.



## Initiatives adopted at our business sites

### Reducing the amount of waste produced

We handle a large number of liquid products, and reducing the sludge produced from treating concentrated wastewater generated in the process of cleaning tanks and switching products is a major issue.

Kao Industrial (Thailand) treats wastewater using separate wastewater treatment facilities according to

the COD concentration of the wastewater, which has successfully reduced the amount of sludge produced and contributes to reducing waste. Fatty Chemical (Malaysia) has also reduced waste through the adoption of sludge dewatering equipment.

Also, to contribute to reducing the amount of generated waste at retailers, we are working with the understanding and cooperation of retailers to reduce the number of boxes used in the delivery of products.

### Enhancing waste recycling Waste recycling in manufacturing

One example of this is recycling the waste generated by the manufacture of diaper and feminine products to be turned into plastic pallets. We began test operation of this system at our plants in 2016, with cooperation from research laboratories and related divisions using the strengths of our matrix management.

By 2020, we were able to recycle 772 tons of waste into approximately 49,620 plastic pallets. This project has now been put on hold, as the required number of plastic pallets had already been secured.

### Spreading internal awareness of zero waste Global RC Meeting

As part of our Responsible Care (RC) activities, RC managers in Japan and RC managers of overseas subsidiaries with manufacturing plants hold an annual meeting. The aims are to invigorate RC activities and raise their level including reducing waste produced by subsidiaries.

In 2022, this activity had to be held through the exchange of documents, because of the COVID-19 pandemic.

# Zero Waste

GRI 308-2, 404-2

## RC Environment Committee of the SCM Division

The RC Environment Committee of the SCM Division meets twice annually to gain an understanding of the conditions at each plant and share information on best practices with the objectives of curtailing the production of waste from plants in Japan and promoting recycling.

## Packaging review meetings

To promote activities and understanding internally, Packaging Technology Research holds packaging review meetings when new and improved products are launched. Members from the relevant divisions, including business units, the SCM Division and the Consumer Communication Center, evaluate the environmental performance of the packaging.

In 2022, a total of 47 meetings were held in Japan, and 9 elsewhere in Asia. All of these meetings were held online.

## Collaboration with stakeholders based on “eco together”

### “eco together” with consumers/customers Awareness-raising activities at the Kao Eco-Lab Museum

To encourage more consumers to choose refill and replacement products that greatly reduce plastic consumption, overviews of our packaging initiatives have been presented at the Kao Eco-Lab Museum and at the EcoPro exhibition.



Display enabling visitors to get a real feel for how much plastic is used in packaging

## Ways to look after and wash eco-friendly reusable shopping bags to keep them clean

With the rise in awareness and concern for the environment, as well as the fact that consumers are increasingly having to pay for plastic shopping bags, 88% of people reported taking an eco-friendly reusable shopping bag with them when they go shopping (according to a survey conducted by Kao in December 2019).

In relation to new legislation in Japan that came into effect in July 2020, requiring consumers to pay for plastic shopping bags in shops, the Kao Consumer Research Center has posted hints on ways to look after eco-friendly reusable shopping bags, which are now being used more frequently, and to keep them clean, on the life information website (Japanese).

## “eco together” with business partners

Recognizing that it is essential to collaborate with manufacturers that are producing materials, recycled plastics, and packaging when developing and launching new packaging, we work together with a wide range of business partners.

## “eco together” with society

### Clean Ocean Material Alliance

We are participating in the Clean Ocean Material Alliance, which was established to encourage global initiatives for solving the ocean plastic pollution problem. The Kao Corporation Director and Chair is chairman of the alliance, and Kao is taking a leading role among Japanese businesses.



Clean Ocean Material Alliance  
<https://cloma.net/english/>

### Japan Partnership for Circular Economy (J4CE)

The trend toward development of the circular economy is picking up speed throughout the world, and we are participating in the Japan Partnership for Circular Economy, which was established to strengthen collaboration between government and the private sector, with the aim of promoting an enhanced understanding of the circular economy among a wide range of stakeholders, including Japanese companies, and of promoting related initiatives. We provided case studies for inclusion in a collection of case studies, and our representatives were included in the panelists for a panel discussion held to accompany the official ceremony that marked the publication of the collection of case studies and the launching of the related website.



Japan Partnership for Circular Economy (J4CE)  
<https://j4ce.env.go.jp/en>

# Zero Waste

## Package collection measures

Together with outside organizations, we are involved in recovering packaging, etc., discharged into the natural environment.

In October 2020, we signed a cooperation agreement with Wakayama City. To protect the ocean from pollution, including marine plastic waste, arising from land-based activities, we have undertaken surveys and collection of marine plastic waste that has accumulated at Tomogashima, Kataonami and Hamanomiya Beach. We are promoting research on reusing recovered marine plastic to make tables and chairs for oceanside facilities, and using it as a road strengthening agent on the oceanside cycling path. We are also engaging in unique clean-up activities for river and ocean waste and in the community.

## Introducing cases at seminars on waste

In Japan, it has been reported that many incidents occur at waste treatment companies, which are caused by not providing sufficient information on the chemical substances to the contractor when contracting the waste treatment.

Therefore, we present cases at various seminars regarding waste with the aim of spreading our knowledge about past successful cases of improving communication with waste treatment companies, and identifying points of improvement in how we communicate information.

Thanks to these activities, there were again no incidents involving waste contracted for disposal from us in 2021.

## Employees' opinions

### Efforts to address the problem of plastic waste in the ocean



**Akiyoshi Saito**

Material Science Research Laboratory and  
Corporate Culture, Corporate Strategy,  
R&D

In October 2020, we concluded a cooperation agreement with Wakayama City for promotion of the Sustainable Development Goals (SDGs). The Wakayama Office, the largest business base in Japan, is located in Wakayama City. Through this collaboration, Kao contributes to the sustainable development of local communities in a wide range of business areas and in the research technologies that support them. Meanwhile, the R&D Division has established the Recycling Science Research Center (a cross-institute project) to address the issues of recycling used plastics and waste with the goal of achieving “zero plastic waste.” As a member of this group, I have been working on the issue of plastic waste in the ocean and the promotion of “matters related to inheriting a rich natural environment, including the sea,” which is one of the objectives of our partnership agreement with the city of Wakayama.

Our efforts to address the problem of plastic waste in the ocean began with “learning” about the problem. The Tomogashima Archipelago off Wakayama City is a group of uninhabited islands in the Kitan Strait, the southern opening of Osaka Bay. It is an enclosed sea area that is known for the large amount of garbage that washes ashore from the Osaka Bay economic zone catchment area. We participated in a survey of the islands with the government and nonprofit

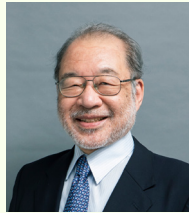
organizations and learned that an unimaginable amount of plastic waste was washing ashore. Kao products were no exception there. We were able to find packaging containers for some of our products that had been on the market more than 50 years ago. Through this experience, the issue of plastic waste in the ocean became a personal matter for me as a Kao employee who delivers products to consumers. I realized that we need to seriously address “the collection and recycling of plastics that have already been released into the natural world,” as stated in Our Philosophy & Action on Plastic Packaging.

For the Collection project, we came up with the idea of characterizing ocean litter as an effective inducement for collecting ocean litter from the perspective of human science and worked with the Kao Institute of Sensory Sciences to create models and content that would lead to changes in consumer awareness and behavior. This project was selected as the Ministry of the Environment’s Local Blue Ocean Vision Promotion Project in fiscal 2021, and as it was recognized as a successful example of balancing the environment and tourism, it was selected again in fiscal 2022. Demonstration experiments are now being conducted. As for recycling, we are studying recycling methods suitable for the materials, properties, and characteristics of discarded materials (especially PET bottles) from the perspective of materials science and conducting research with the aim of applying these methods to infrastructure using Kao’s research resources.

Although these efforts are still in the demonstration experiment stage, we intend to widely publicize our efforts to address plastic waste in the ocean, which we are promoting in cooperation with Wakayama City, and through this issue strengthen the resource recycling system and promote the social implementation of technologies to further realize the 3Rs.

# Zero Waste

## Stakeholder engagement



**Masanobu Ishikawa**  
Specially Appointed Professor /  
Assistant to the President  
Eikei University of Hiroshima

In 2022, Kao's activities moved further ahead. Working together with various groups across Japan, the company made progress in action to collect and recycle plastic containers. The circle of the activity expanded not just quantitatively, but also qualitatively, steadily producing results by aiming to use recycled packaging for company products as planned.

In Kobe there was a total of 16 companies participating in a program to start with, namely 10 manufacturers, four courier companies, and two recycling business operators. The program now involves 12 manufacturers, collecting plastic packaging containers at 76 retail outlets. At the time this article was written (April 27, 2023), the number of collection spots has increased from one in 2022 to 10.

Qualitatively, we have come as far as establishing a technology to manufacture films by recycling materials from collected plastic packaging, producing garbage bags which Kobe City and other

municipalities will then use for clean-up events. We have also achieved the original goal of producing refill packs from materials collected from horizontal recycling products, steadily moving forward toward productization. This technology is unheard of elsewhere in the world, in that practical films were made from PE and PET compound films through material-recycling.

The next step in the collection and resource circulation business in Kobe is to warrant economic sustainability. To do that, much larger amounts of plastic need to be collected, and the cost of collecting, filtering, and storing the plastic needs to be reduced significantly. This problem is consistent with the issues concerning the RecyCreation activities conducted throughout Japan and other similar activities. But solving it will impart enormous and universal value for society as a whole.

Also, the asphalt modifier produced from collected PET bottles is a wonderful invention, in that it not only promotes recycling of plastic, but delivers performance such as making asphalt road surfaces five times more durable and damping down dust. This will help to solve environmental issues and contribute significantly in no small way to economic sustainability by reducing infrastructure maintenance costs.

The two examples mentioned above are both based on interface science—Kao's core competence.

Kao expects to shine further as leader of such activities by demonstrating that an arterial industry can generate new value by applying its core competence to resource circulation.

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

To reach the objectives of achieving carbon zero in 2040 and carbon negative in 2050, as proposed in the previous year, we established the ESG Steering Committees and strengthened our ESG governance structure.

In response to a suggestion that communication is important to obtain cooperation from consumers, we have been preparing posters, flyers, and videos. As for the utilization of collected products, we have been developing recycling technologies and are one step closer to the realization of recycled products. In 2023, we will work with our stakeholders to utilize such communication materials and recycling technologies to gain more cooperation from consumers.



# Water Conservation

GRI 303-1, 303-2

Kao is promoting water conservation throughout the entire product lifecycle by providing products that conserve water during use, and which have high water-saving benefits.

## Social issues

Water is necessary to life for all plants and animals on the planet. All humans also need access to sustainable sources of sanitary water in order to maintain wholehearted satisfaction and enrichment. In Japan, water used for washing apparently accounts for the largest share of total household water usage\*1. Furthermore, given that water used by Japanese households when using Kao products accounts for around 15% of all household water usage in Japan\*2, we recognize that we have a big role to play within society in relation to water resource conservation.

Currently, problems including localized torrential rains and floods, chronic drought and related long-term dry conditions, are arising in many regions and are predicted to grow in severity due to future population growth and climate change.

In addition, water is a local resource, and consequently, for example, even when the same amount of water is taken from a river, there is a significant difference in terms of the impact on water resources between water taken in a water resource-rich basin and water taken in a water-stressed watershed. For this reason, when we undertake sustainable operation, we are aware that we need to take action both to reduce the company's own water risk and to give consideration to the local environment Kao's creating value to address social issues and local residents.

\*1 Water Resources Department, Water and Disaster Management Bureau, Ministry of Land, Infrastructure, Transport and Tourism

\*2 Based on a survey conducted by the Kao Group

## Policies

The product use stage accounts for around 90% of total lifecycle water usage for Kao products, with the raw materials procurement stage accounting for only around 10%. As one of Japan's leading manufacturers of consumer products, we are demonstrating leadership by actively rolling out new, water-saving products and striving to realize effective engagement with government bodies and suppliers.

We continue to implement activities aimed at minimizing the negative impact on water conservation at every stage, from product development through to disposal.

We will promote "eco together" activities in relation to water-saving products, in line with the Kao Environmental Statement, which embodies our commitment to ensuring that "Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From raw materials procurement and production, to distribution, sales, usage and final disposal, we want to engage in 'eco together' with stakeholders, including consumers, worldwide in the life cycle that involves our products."

In our Basic Principle and Basic Policies on Environment and Safety, we undertake to "assess environment and safety aspects throughout the entire lifecycle of the products, from manufacture through disposal, when developing products and technologies" and to "offer products with a lower environmental burden." Furthermore, the Kao Group Responsible Care Policy contains the following declarations: "We will strive to develop technologies for products that

consumers and customers can use with peace of mind, as well as striving to provide products that have a low environmental impact," and "We shall strive to continue to reduce the environmental impact of our business activities by promoting reduction of uses of resources such as water."



Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

Kao Environmental Statement  
[www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf](http://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf)

## Strategy

### Risks and opportunities

#### Risks

The number of people living in the world's major cities continues to increase. If urban water infrastructure is unable to keep pace with urban residents' continually increasing demand for water, then residents may not have enough water to use, and it may be impossible to implement wastewater treatment properly. In this case, citizens' cleanliness and hygiene may be under threat. Furthermore, if the cost of municipal water supply rises, then plant operation costs will rise too, with a risk that this may lead to reduced profits. Plants need to act with consideration for the environment and residents of watersheds, and we believe that failure to do so will give rise to reputational risks among local residents and others.

# Water Conservation

GRI 303-1, 303-2

Due to the effects of climate change, the impact of drought and localized torrential rains is being seen all over the world. Governments and business enterprises are implementing various measures to reduce GHG emissions, but further rises in temperature are inevitable, and the resulting impacts are sure to become even more serious.

Starting in 2020, the COVID-19 pandemic has seen the emergence of new risks and opportunities. At the same time, water use has increased throughout the product lifecycle, particularly during use. As a result, there is a growing possibility that we may not be able to achieve our water reduction targets. Failure to achieve these targets could incur risk of damage to the company's reputation. Even though people's awareness of sanitation has been heightened, if drought occurs, there is a risk that they will not be able to perform cleaning activities adequately, and so will not be able to maintain the Kirei Lifestyle.

## Opportunities

Because the rise in awareness of the need to save water and the need for cleanliness and hygiene, which has emerged in relation to climate change, is closely linked to our business areas, current developments also represent a significant opportunity for us. Continuous implementation of measures to reduce plant water usage in response to the situations outlined above should lead to both cost reductions and increased profits.

Rising awareness of the need to save water will create opportunities for increased sales of water-saving products for washing clothes, washing one's body, etc. Furthermore, rising awareness of the importance of cleanliness and hygiene will generate opportunities for increased sales of all cleansing products.

## Strategy

We recognize that water is not only an important raw material for producing Kao's products, but it also assumes an important role because Kao products that require water are used at home. Due to the influence of global warming and related reasons in recent years, we run an increased risk of drought in many parts of the world. We believe that Kao products that require water should use as little water as possible. Accordingly, we continue to actively develop water-saving products. Once stakeholders recognize our initiatives to save water and understand their value, it will lead to product selection and contribute to increased sales.

## Social impact

We aim to substantially improve water usage efficiency in all stages of the product lifecycles. At our plants, we set targets and continue to aim for water use reduction. We believe that this contributes toward safeguarding the river basins (rivers and their sources) that are used to supply water to the plants.

As a good corporate citizen with strong roots in the community, we work actively to provide support for local residents when their livelihoods are threatened by water risk.

We are also developing water-saving products, which we are rolling out globally, to reduce water use during product use. As we see it, in this way, even if restrictions are placed on water use, consumers can continue to enjoy lives of cleanliness.

Achieving water-use targets for all Kao Group sites will contribute to sustainable availability or supply of fresh water in the river basins where water sources used by plants are located, and will have a positive effect on conserving ecosystems. Moreover, achieving targets for the amount of water used during product

use and during the entire product lifecycle will reduce the burden of waterworks infrastructure maintenance, and reducing the amount of water used by consumers will lead to them paying lower fees for water and sewer services.

## Contributions to the SDGs



## Business impact

Achieving water use targets for all Kao Group sites will contribute to the sustainable availability or supply of fresh water in the river basins where water sources used by plants are located, and will have a positive effect on conserving ecosystems. Moreover, achieving targets for the amount of water used during product use and during the entire product lifecycle will reduce the burden of waterworks infrastructure maintenance, and reducing the amount of water used by consumers will lead to them paying lower fees for water and sewer services. We think that we can expect an increase in sales and contribute to the achievement of the Kao Group Mid-term Plan 2025 (K25) through consumer sympathy for the use of water-saving products not only in drought areas and in times of disaster.

\* Source: Development Bank of Japan, The Water Supply Sector: Future Forecasts and Management Reform, 2017

# Water Conservation

GRI 3-3, 303-1, 303-2, 404-2

## Governance

### Framework

Under the supervision of the Board of Directors, risk management in relation to water conservation issues is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to water conservation issues is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy. The Responsible Care Promotion Committee, which manages policy / regulatory regime and technology risks, and the Risk & Crisis Management Committee, which manages market, reputational and acute risks, are under the Internal Control Committee. These committees are headed by the Executive Officer Responsible for Corporate Strategy.

These committees are headed by the Executive Officer Responsible for Corporate Strategy. The Risk Management & Responsible Care, Corporate Strategy acts as the secretariats for the Responsible Care Promotion Committee and the Risk & Crisis Management Committee.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to water conservation issues. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the

ESG Promotion Meeting executes the strategies. Committee members are the persons in charge of the Business, Sales, R&D, SCM and other divisions, an arrangement which connects divisions horizontally. The Internal Control Committee, and the ESG Promotion Meeting that it supervises, discuss water and other environmental issues, as well as social and governance issues. The committee reports on its activities to the Board of Directors one or more times a year and is audited by the Board of Directors.

**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

As the product use stage accounts for around 90% of total product lifecycle water use, it is important to design products that contribute to saving water. For this reason, we provide employees with numerous opportunities to learn about this.

By giving our employees opportunities to learn about water through various programs, we can ensure that they will actively engage in water conservation activities of their own accord when engaging in water conservation at plants or conducting R&D on water-saving products. This will raise the overall level of our water-saving activities.

Our employees are not only in a position to develop and supply products, but once they leave the company, they are consumers for the rest of their lives and are among those who select such products. Therefore, it is important that employees also undertake measures to conserve water in their role as consumers. Starting in 2021, we have begun making and disseminating educational videos relating to water conservation for internal use for all employees that are specific to the themes of the Kirei Lifestyle Plan.

### Collaboration and engagement with stakeholders

We recognize that, in order to help consumers realize the Kirei Lifestyle, it is vital for us to deepen mutual understanding with all stakeholders and to collaborate with them by developing interactive communication.

As the water consumed in our production activities impacts local communities, having good communication with local communities is vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

In order to solve water issues faced by countries and regions, we actively participate in programs organized by the central government, local government authorities, NPOs, and others. We play a leading role in the Future of Washing Initiative, which is gathering wisdom from industry, academia, government and ordinary citizens across the boundaries of traditional business domains and academic fields, and discussing and proposing washing solutions for the future. We are implementing a water conservation campaign in China and are participating in the Water Project conducted by the Ministry of the Environment of Japan.

It is essential that suppliers in high water-risk sectors understand the need to improve their water management standards and to take appropriate actions. Through the CDP Supply Chain Program, we request that suppliers respond each year. We provide feedback on supplier assessment results in order to enhance the overall level of the activities undertaken by each supplier.

Consumer behavior needs to change in order for consumers to attain the Kirei Lifestyle. We provide opportunities for consumers to think about the Kirei Lifestyle through visits to museums or plants on the subject of the water that all of them use daily. For example, the Kao Eco-Lab Museum has displays that vividly indicate the amount of water required for human needs.

# Water Conservation

GRI 3-3, 303-1, 303-2, 303-5

## Risk management

In the process of assessing risks and opportunities, the Corporate Strategy Division examines risks and opportunities anticipated at Kao, and conducts risk and opportunity assessments based on feedback from outside experts and staff in internal departments that are implementing initiatives. These are approved by the Internal Control Committee and ESG Managing Committee, respectively.

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and adjust measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

**P280** Risk and Crisis Management > Governance > Education and promotion > Risk surveys

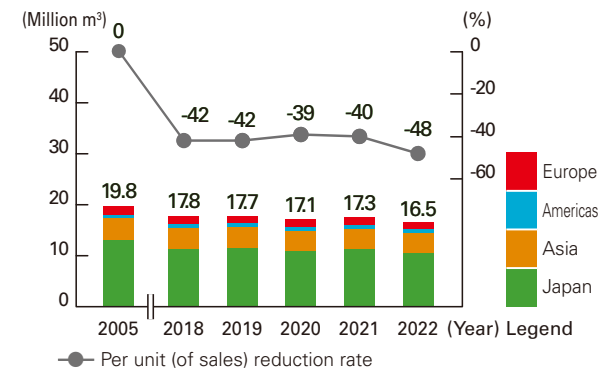
## Targets and metrics

### Mid- to long-term targets and 2022 results 2030 long-term targets

Item	Scope	Target for 2030
Water use (per unit of sales)	All Kao Group sites	45% reduction (compared to 2005)
	Across the entire product lifecycle for the Kao Group	10% reduction (compared to 2017)

At all Kao Group sites, water-saving is promoted on a daily basis in all activities, including production, research and operations. Besides providing water-saving products that help to save water across the entire product lifecycle, we also seek to spread awareness of the importance of saving water to all of our stakeholders.

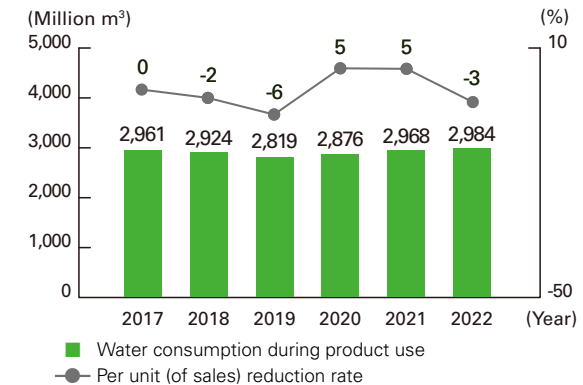
### Water consumption (withdrawal) (all sites)



\* Boundary: For 2005, all Kao Group production sites and non-production sites in Japan. From 2016 all non-production sites are included.

\* Assurance provided for water use (withdrawal)

### Water consumption trends throughout the product life cycle (Kao Group)



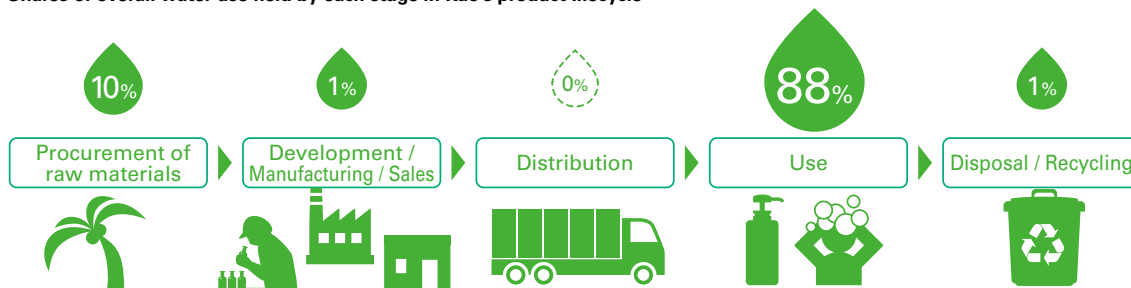
\* "Water consumption throughout the product life cycle" is calculated as the combined total of the amount of lifecycle water use of individual products sold within and outside Japan (excluding use during production and distribution) multiplied by their annual sales quantity and the amount from the group's production and distribution processes. This amount includes water used for procurement in regard to Chemical products but does not include water used in the use and disposal of such products.

\* Assurance provided for water use and per-unit (of sales) % reduction rate

# Water Conservation

GRI 303-1, 303-2, 303-3, 303-4, 303-5

## Shares of overall water use held by each stage in Kao's product lifecycle



## Water withdrawal amount by source (Million m<sup>3</sup>)\*

 (all sites)

	2020	2021	2022
Surface water	0	0	0
Brackish water / seawater	0	0	0
Rainwater	0	0	0
Groundwater (renewable)	5.1	5.4	5.4
Groundwater (not renewable)	0	0	0
Oil-contaminated water / process water	0	0	0
City water	11.8	11.9	11.1
Wastewater from other organization	0.1	0.01	0.03

Note: Boundary: All Kao Group sites

## Wastewater discharge by destination (Million m<sup>3</sup>)\*

 (all sites)

	2020	2021	2022
Rivers / lakes	2.7	2.9	2.8
Brackish water / seawater	5.7	5.7	5.0
Groundwater	0.0	0.0	0.0
Sewage system	2.8	2.9	2.7
Wastewater to other organizations	0.0	0.0	0.0
<b>Total</b>	<b>11.2</b>	<b>11.4</b>	<b>10.5</b>

Note: Boundary: All Kao Group sites

## Reviews of 2022 results

Our water consumption (all sites) came to 16.5 million m<sup>3</sup>, lower than in the previous year. As sales increased, the per-unit (of sales) reduction rate rose to 48%, which was an improvement compared to the previous year, and we achieved a reduction of 41%, well above the 2022 target. Water use at production sites with water intake risks came to 2.9 million m<sup>3</sup>.

Water use across the entire product lifecycle (for the Kao Group as a whole) rose by 16 million m<sup>3</sup> year-on-year. The per-unit (of sales) % reduction in for water use across the entire product lifecycle was 3 percentage points lower than in 2017.

Water consumption increased throughout the product lifecycle due to increased sales of dishwashing detergents. On the other hand, unit water consumption decreased slightly due to the impact of increased sales of price pass-through from higher raw material prices.

The challenge is to reduce water use during the use stage. We are working to further expand our water-saving products.

# Water Conservation

GRI 303-1, 303-2, 308-2

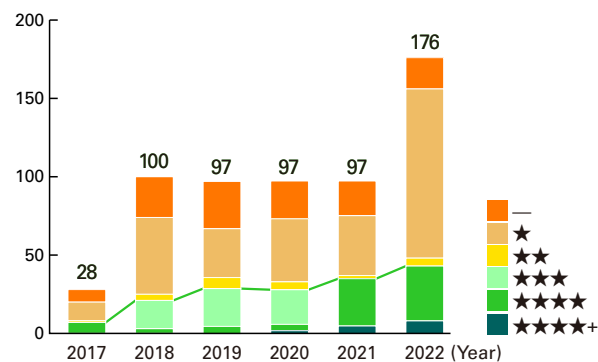
## Main initiatives

### Efforts in raw materials procurement

We began participating in the CDP Supply Chain Program in 2015 and we encourage suppliers in high water-risk sectors to work on improving their water management standards. More specifically, we ask suppliers to fill out the CDP questionnaire survey. We use our unique methods to evaluate suppliers' water management status, and we provide feedback on the evaluation results.

The 2021 survey results showed that the number of suppliers obtaining an evaluation of at least three stars had increased by eight compared to the previous year, indicating that the overall supplier activity level had risen. On the other hand, the number of companies with a one-star rating increased significantly with the addition of 79 newly surveyed companies. We will continue to promote engagement in order to achieve a rating of three stars or higher.

### Supplier activity level (Water)



### Efforts in development, manufacturing and sales Initiatives to reduce water use

We use water as a product ingredient as well as to clean and cool equipment at our plants. We set targets to reduce water use at each plant and are working to reduce consumption and increase recycling based on the 3Rs (reduce, reuse and recycle).

#### Reduce

Multiple plants, including Kao Chemicals Germany, conduct efforts to increase the number of times that water is reused for boilers and for cooling to reduce their water use.

#### Reuse

Rainwater is collected and used to water green spaces at the Sumida Office, Kao Chemical Corporation Shanghai, and Fatty Chemical (Malaysia) Sdn. Bhd.

#### Recycle

Active recycling efforts, such as recovering steam and treating and reusing water that has been used in production processes, are being carried out at many plants.

### Examples of 3R activities

Company name	Content
Kao Chemical Corporation Shanghai	Reduces its water use for the manufacturing of some products by reusing water from reaction processes of other products
Kao Vietnam Co., Ltd.	Introduced a spray technique for washing and sanitizing tanks, resulting in reducing its use of water and steam
Kao Industrial (Thailand)	Returns overflow equipment-cooling water to an equipment-cooling water pool to help eliminate unnecessary water use
Quimi-Kao, S.A. de C.V. (Mexico)	Concluded an agreement with the local community to receive treated water from the community's water purification plant. Reverse osmosis is employed to use sewerage effectively, and Quimi-Kao further purifies the treated water it has purchased and releases water left over from production into a river through the community's facility, thus contributing to local water recycling.

### Climate change scenario analysis

It is reported that changes in the amount of rainfall and the rise in sea levels caused by climate change are not the same around the world, differing between regions. According to the RCP 8.5 scenario, future average annual rainfall will increase in high latitudes and Pacific Ocean equatorial regions, and will decrease in arid mid-latitudes and subtropical regions during the period from 2080 to 2100. According to that scenario, the global average sea level rise will be 0.71 m during that period, with a range from 0.51 m to 0.92 m, a substantial difference.

Accordingly, we assessed water risks caused by climate change at worksites, plants and distribution sites.

For the initial screening, we determined site conditions (primarily confirming nearby rivers, coastlines, elevations and so on from the perspective of

# Water Conservation

GRI 303-1, 303-2

flooding and storm surges), performed checks using existing tools (Aqueduct, hazard maps, etc.) and checked past examples (floods and other natural disasters in the past). Next, we used climate models to compare heavy rain, light rain and storm surge risks with the current climate (1951–2011) at sites identified in the initial screening.

The results indicated that light rain will occur at all sites at about the same frequency as under the current climate, and that heavy rain and storm surges will occur more frequently at some sites, and flooding damage will be at about the same levels that we assumed until now.

There are several sites where a high level of drought risk is anticipated. We have been implementing quantitative evaluation of water resource risk in the drainage basins where these sites are located, using a methodology based on the CBWT method. The results confirmed that the evaluation method used was effective. We are continuing our sequential quantitative evaluation and have identified several plants that are at higher risk. Going forward, besides expanding the scope of evaluation to include more sites, we will be evaluating preventive measures to prevent latent risks from being actualized, and evaluating countermeasures that can be adopted if risks are actualized.

## Efforts during use

As water use in the product use stage accounts for around 90% of water use across the entire lifecycle, we are providing water-saving products and implementing consumer communication in regard to how to use these products properly.

In 2009, we launched *Attack Neo* laundry detergent, which enables washing to be completed properly with only one rinse cycle, in Japan. The year 2019 saw the

launch of *Attack ZERO*, which combines superb cleaning power and odor removal capability with zero detergent residues. Our products for front-load washers, which use less water, can also be used with just one rinse cycle. Laundry detergents that require only one rinse cycle are now offered in Japan and Taiwan. We aim to make one rinse cycle the norm for clothes washing.

Through our Essential Research focused on foam, we have also succeeded in reducing the amount of water used when rinsing with other product categories too. In 2010 we launched *Merit Shampoo*, which uses 20% less water for rinsing than conventional products, followed in 2014 by *CuCute* dishwashing detergent, which also reduces the amount of water needed for rinsing by 20%, and in 2015 by *Magiclean Bathroom* bathroom cleaning liquid, which uses 10% less water for rinsing. We plan to continue rolling out new water-saving products based on our Essential Research.

We also communicate ways to save water to consumers using a variety of approaches. For example, we have developed ecology shampoo techniques to use less water when shampooing hair, and we communicate these to consumers. Communicating ways to conserve water while offering water-saving products truly embodies “eco together,” the slogan of the Kao Environmental Statement.

## Implementing education and activities based on “eco together”

### Employees

- In regard to employee education based on Responsible Care (RC) activities, we implement relevant education for all employees.

- We implement relevant education for all employees working at applicable worksites at plants and research institutes that have secured ISO 14001 certification.
- We hold guided tours of the Kao Eco-Lab Museum for our employees. (We have been conducting online tours for employees to prevent the spread of the COVID-19 pandemic.)

### Customers

- We exhibit on water conservation at the Kao Eco-Lab Museum. (We have suspended tours for the general public to prevent the spread of COVID-19. Instead, we provided explanations about our lives and water through online tours for elementary school students.)

### Business partners

- We hold the Kao Vender Summit for important suppliers.
- We asked suppliers to complete the CDP questionnaire survey.

### Local communities

- Many plants prepare annual environmental reports and communicate with local residents.

### National and local governments

- We conduct a water conservation campaign in China.
- We participated in the Water Project conducted by the Ministry of the Environment of Japan.

## Participation in China’s Nationwide Cleanliness and Water-saving Initiatives water conservation campaign for ten consecutive years

Kao (China) has conducted the Nationwide Cleanliness and Water-saving Initiatives jointly with the Center for

# Water Conservation

Environmental Education and Communications of Ministry of Ecology and Environment, since 2012.

Until now, we focused mainly on water conservation as an activity to draw the attention of university students and the general public in China to water conservation. Starting in 2020, we have increased the number of activity themes, and in 2022 we partnered with the Advertising and Education Center of China's Ministry of Ecology and Environment to launch a new campaign theme, "Towards a Clean and Beautiful China." With the new launch, the campaign continues to focus on university students, soliciting activity proposals from universities around China on various environmental themes such as "plastic reduction," "decarbonization," "biodiversity," and "sustainable development," and supporting the implementation of selected proposals and public relations activities of the universities. Further focus on the strategic direction of environmental priorities in China will integrate the Kao Group's strategies and practices in environmental protection. And we hope that university students will develop more diverse activities, deepen their thinking on environmental issues, and generate innovative ideas for environmental activities.

This campaign combines "online + offline" activities. The national small grants program and mini-programs for universities have been launched. To date, 154 university associations have submitted proposals.

After the application deadline, finalist projects will be implemented with the support of the Publicity and Education Center of the Ministry of Ecology and Environment and Kao China.

## Employees' opinions

### Through the development of skin-friendly cleansing agents



**Asuka Tomikawa**

Skin Care Research Laboratory

At the Skin Care Research Laboratory, we continue to develop cleansers that simultaneously meet the dual goals of "properly removing dirt and relieving the skin of various irritations caused by dirt" and "minimizing the effects of cleansing on the skin (such as lowering the barrier function of the stratum corneum)."

*Bioré u Body Wash Foam-Type* is characterized by the fact that a fine white foam, like whipped cream, comes out just by pressing the pump, which allows anyone to wash their body easily and without friction. We have explored the concept of "not over-washing" to create

products that are more comfortable on the skin and give people a more positive user experience.

When calculating the amount of water used when washing the body, it has been found that water use can be reduced by 12% when washing the body by hand compared to using sponges or other objects (from a web survey, when the water is turned off during foaming and washing). If customer use a liquid-type body wash after foaming it up with a nylon towel or other object, customer will need water not only to rinse off your body but also to rinse the towel. We believe that washing the body by hand is gentle on the skin, frictionless, and saves water by reducing the amount of water needed to rinse objects.

We will continue our research to deliver products that are more friendly to people and the environment and that enable anyone to wash their body with the great feeling that comes from great foam.



# Water Conservation

## Stakeholder engagement



**Norihiro Itsubo**

Professor,  
Faculty of Science and Engineering,  
Waseda University

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

Taking into account the suggestions that we received last year, we are continuing to develop products that will be useful in drought areas and in times of disaster. We can expect to take advantage of *Space Laundry Sheet* and *3D Space Shampoo Sheet*, which have been used in the International Space Station (ISS), not only in space but also in times of disaster, during hospital admissions, and in water-scarce countries and regions. As in the previous year, we have placed *Bioré u Body Wash* on the market for its expected water-conservation capabilities with its foaming property. We will continue to develop water-saving products.

Every year, Kao analyzes water consumption through its entire value chain. The total amount used is approximately three billion cubic meters, or about four percent of all water used in Japan per year, which is approximately 80 billion cubic meters. This is a substantial figure for just one company, which is why expectations are high for how much Kao can contribute to the environment.

I would like to point out two things we expect of Kao. One is to help solve water problems in developing countries, which is a social issue in those countries. In fact, 1.6 billion people lack access to safe drinking water, 2.8 billion do not have sewage systems, and 1.9 billion have no access to any facilities to wash their hands. No safe drinking water means that people must spend many hours a day to get water. If sewage systems are not available, women and girls feel reluctant to go to school. And a lack of hand-washing facilities dramatically increases the risk of catching infectious diseases such as COVID. Some 10 percent of the water used throughout Kao's value chain, or 300 million cubic meters, is for procuring raw materials. Much of it comes from water sources in developing countries, for purposes such as producing palm oil, which means we are indirectly affecting how developing countries source their water. So how will Kao secure its water sources through collaborations with farms and municipalities of the producing nations, and improve the quality of its wastewater? The hope is that projects to solve education and gender issues will be generated through solving water problems in developing countries.

The other expectation related to development of DX. Changing consumer behavior will be key for effectively reducing water stress—this is obvious, as about 90 percent of water consumed in Kao's value chain is used in the consumption phase. For energy, many energy-saving projects have emerged through visualization such as HEMS and with the use of nudging and the like. As for water, although some attempts have been made to save water, there are expectations that data-driven activities will modify consumer behavior through the use of technologies such as smart meters. I once worked together with Kao to compare and analyze environmental performance between refill-type packaging and replacement-type packaging by monitoring how consumers used them. I recall that the results were published in an international journal and played some part in spreading the current replacement-type products through the market. In today's world, copious amounts of monitored data need to be obtained and applied in many ways, and I would like to see Kao become an information platformer to solve water problems.

Currently, LCA, which is used to evaluate the environmental impact of a product's lifecycle, is beginning to transform into an assessment method that covers both the environment and society, including social LCA. And it is a wish of mine for Kao to develop further as an ESG-leader by applying environmental and social LCA to help resolve water issues both in Japan and abroad.

# Air & Water Pollution Prevention GRI 303-2

We will protect human health and the natural environment by preventing pollution of water and air through the manufacture and use of our products.

## Social issues

It goes without saying that air pollution, water pollution and soil contamination can have a significant negative impact on human health, on agricultural crops and other plants, and on ecosystems. In order to create a sustainable Kirei life for all, besides conducting our business activities in a way that does not impose negative impacts, we also aim to work together with stakeholders to address pollution that has already had a negative impact, and to restore things to a sustainable state.

Atmospheric pollutants such as nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter (PM) and volatile organic compounds (VOCs) are known to increase the prevalence of pulmonary diseases such as asthma. Most atmospheric pollutants derive from the burning of fossil fuels or usage of organic solvents. Worldwide, around 8.8 million people die prematurely each year because of atmospheric pollution. In Europe alone, the figure is believed to be over 790,000 (according to a study by the University of Mainz in Germany). At the same time, in recent years there has been a trend for indoor spaces to be made as airtight as possible in an effort to make homes more energy-efficient. As a result, chemical substances in indoor spaces remain in those spaces for long periods of time, and their concentration levels rise. A report (by Yokohama National University in Japan) suggests that this can have a negative impact on human health.

The vast majority of living organisms, including human beings, cannot live without water. Humans also need access to sanitary water in order to maintain Kirei Lifestyles. The main cause of water pollution is various

substances contained in wastewater from plants and household sewage.

Negative impacts on human health resulting from soil contamination include the effects of both direct contacts with polluted soil by touching it or eating it and indirect contacts by using groundwater that has been polluted with harmful substances that have leached out from polluted soil. Significant characteristics of soil contamination include the fact that, once soil contamination starts to occur, harmful substances can accumulate in the soil over a long period, and the fact that people are less likely to be aware of soil contamination than they are of air pollution and water pollution.

We need to speed up the initiatives we are taking, and expand their scope in order to realize the SDGs by 2030. In January 2020, the United Nations started the Decade of Action in relation to the achievement of the SDGs.

## Policies

We utilize a wide range of chemical substances in our products, from home-use products to industrial products, and we continue to implement activities to minimize the negative impacts of chemical substances at every stage from development to post-use disposal.

In our Basic Principle and Basic Policies on Environment and Safety, we undertake to “assess environment and safety aspects throughout the entire lifecycle of the products, from manufacture through disposal, when developing products and technologies” and to “offer products with a lower environmental burden.” Furthermore, the Kao Group Responsible Care Policy contains the following declarations: “We will

strive to develop technologies for products that consumers and customers can use with peace of mind, as well as striving to provide products that have a low environmental impact” and “We shall strive to continue to reduce the environmental impact of our business activities by disposing of wastewater and waste gas appropriately.”

We will also promote “eco together” activities in line with the Kao Environmental Statement, which embodies our commitment to ensuring that “Kao products utilize original Kao-developed technologies to minimize the impact they have on the environment, not just in the manufacturing process, but in the daily life of the customers who use them. From raw materials procurement and manufacturing, to distribution, sales, usage and final disposal, we want to engage in ‘eco together’ with stakeholders, including consumers, throughout the product lifecycle.”



Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

Kao Environmental Statement  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf>

# Air & Water Pollution Prevention GRI 303-2

## Strategy

### Risks and opportunities

#### Risks

Item		Content
Risks	Transitional risk	<p><b>Policies, laws and regulations</b></p> <p>Various policies and legal restrictions on air and water will be enacted, and management costs may increase to comply with them. Investing in better facilities and developing new technologies to comply with policies and regulations will mean higher equipment and operating costs, which could negatively impact our profitability. Additionally, the delayed production schedule could negatively impact sales if national and local governments are urged to pass restrictions on operations due to the state of air pollution in areas where our plants are located and the state of water pollution from plant wastewater discharged in public water.</p> <p>Examples of possible policy or regulatory restrictions</p> <ul style="list-style-type: none"> <li>• Air pollutant regulations</li> <li>• Regulations on substances depleting the ozone layer</li> <li>• Plant wastewater regulation</li> <li>• Regulation of use of chemical substances in products</li> <li>• Product labeling programs for environmental performance or chemical substance</li> </ul>
		<p><b>Technology</b></p> <p>Increasing research and development expenses to address the risks posed to air and water quality will mean higher operating costs, which could negatively impact our profitability. Furthermore, there is a risk that sales growth will not be achieved in the event of failure of technological development.</p>
		<p><b>Markets</b></p> <p>When regulations on air pollutants are tightened on a national or regional level, demand for chemical products that contain few or no substances causing air pollution (such as organic solvents) increases, whereas sales for conventional chemical products are at risk of decline.</p> <p>When regulations on water pollutants are tightened on a national or regional level, demand for professional-use products that contain few or no substances causing water pollution (such as alkali) increases, whereas sales for conventional professional-use products are at risk of decline.</p> <p>Sales could be negatively impacted if technological capabilities for products in development are not on par with market demands.</p>
		<p><b>Reputation</b></p> <p>Our brand owner's reputation is at risk of decline due to the so-called fragrance pollution from scents in fabric softeners and others.</p>
	Physical risk	<p><b>Acute</b></p> <p>Our plants may suspend operations and be unable to continue manufacturing products due to air pollution from forest fires or water pollution from oil tanker accidents. Similar conditions at suppliers' plants could make it impossible for us to procure raw materials, leading to the risk of not being able to continue manufacturing products. There is also a risk that supply chains, from suppliers to our plants, and from our plants to our customers, could be interrupted. These risks would negatively impact sales as we would no longer be able to supply our products to the market, and if such risks actually materialized, would require special measures at additional cost, thus reducing our profits.</p> <p>In addition, if large-scale air and water pollution significantly restrict the lives of consumers, consumption might fall, which would negatively impact sales.</p>
	<p><b>Chronic</b></p> <p>There is a risk that production may be unable to increase at the rate required for future growth due to our plants or supplier's plants being located in areas where air and water pollution are likely to become more severe.</p>	

#### Opportunities

Opportunities	<b>Resource efficiency</b>	Optimizing logistics and reducing the empty running distances for trucks will curtail emissions of air pollutants and lower transportation costs, which would lead to improved profits.
	<b>Products, services</b>	PM, a type of air pollutant, not only has health consequences but, in terms of beauty, it can also cause dull skin. Coal-fired power generation is expected to decline, decreasing the amount of PM in the atmosphere in the medium to long term with the objective of reducing greenhouse gas emissions. However, it is expected to take some time for PM to disappear from all regions around the world, which presents an opportunity for products that respond to PM in the Health & Beauty Care business and the Hygiene & Living Care business.
	<b>Markets</b>	In the industrial sector, there are opportunities for chemical products that reduce organic solvents and dust causing air pollution at <i>Genba</i> . Many of our products are discharged into the water environment after use. Surfactants powerful enough to reduce the usage of surfactants and alkali-free professional-use detergents offer an environmental value that improves water environments.
	<b>Resilience</b>	The manifestation of air pollution caused by PM presents increased sales opportunities by attracting attention to consumer products that respond to PM. Strengthened regulations on organic solvents and dust at <i>Genba</i> present an opportunity to expand demand for chemical products that comply with such restrictions.
		Ongoing measures for air pollution and wastewater pollution at plants help increase our resilience to issues with air and water quality in terms of product manufacturing. In addition, the resilience of our businesses needs to be improved with activities suggesting new products by predicting consumer trends based on consumer feedback from the last 60 years or more and a database built over more than 40 years.

# Air & Water Pollution Prevention

GRI 3-3, 303-2, 404-2

## Strategy

We are implementing activities to prevent air and water pollution at our manufacturing sites. In the unlikely event that environmental pollution from any of our sites is detected, we may be forced to halt production activities, so environmental pollution prevention activities are essential for business continuation.

It is also important to develop products that do not lead to environmental pollution when used. Once stakeholders recognize our initiatives to prevent environmental pollution and understand their value, it will lead to product selection and contribute to increased sales.

The fact that Kao products are likely to be needed to maintain cleanliness in areas where environmental pollution and hygienic conditions are a challenge will also contribute to increased sales.

## Social impact

We are working to prevent air pollution and water pollution in the areas near Kao's production plants by reducing emissions of atmospheric pollutants such as NOx, SOx and volatile organic compounds (VOC) from our plants and reducing organic matter and other substances in wastewater discharged from our plants, by complying faithfully with the relevant laws and regulations in each country and region in which we operate, and by setting reference values that are even more rigorous than those required by law to strictly manage pollutants.

We propose various products for air pollution in the Chemical Business, being considerate of maintaining the health of people working around the world.

In order to ensure the groundwater used by locals is not polluted, we periodically survey the soil conditions at each plant for water pollution.

Additionally, we propose various products to help prevent water pollution in all our business units for household, professional-use and chemical products.

We anticipate that disclosing VOC and COD emissions pertaining to our business activities and engaging in an ongoing dialogue about this will improve communication with the residents around our plants and lead to reduced reputational risks concerning these emissions throughout society.

## Contributions to the SDGs



## Business impact

Anticipated benefits from achieving mid- to long-term targets: business impact

Disclosing VOC and COD emissions pertaining to our business activities will improve the transparency of occupational safety measures and pollution measures. Maintaining employees' health and mitigating risks posed by pollution will contribute to lowering operational costs and improving profitability.

## Governance

### Framework

Under the supervision of the Board of Directors, risk management in relation to air & water pollution prevention is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to air & water pollution prevention is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to air & water pollution prevention. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

**P285** Responsible Care Activities > Governance

**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

We recognize the importance of giving our employees who handle chemical substances a variety of opportunities to obtain knowledge about the impact our business activities and products may have on the

# Air & Water Pollution Prevention

GRI 3-3, 303-2, 404-2

quality of air and water, and to voluntarily and actively engage in pollution prevention activities. We have created many opportunities for employee education accordingly.

Employees are responsible for air and water pollution prevention activities at the plant, as well as research and development of low-VOC and highly biodegradable products. Strengthening employees' air and water quality awareness helps to enhance the overall level of our activities in this area. Furthermore, employees are also consumers, and in their role as consumers it is important that they take steps to prevent air and water pollution.

Specifically, we conduct environmental education including air and water pollution prevention for all employees as part of our Responsible Care (RC) activities. We also provide education encompassing the importance of legal compliance pertaining to air and water pollution to all employees working at plants and research institutes that have obtained ISO 14001 or RC 14001 certification.

## Collaboration with stakeholders

We recognize that in order to help consumers realize the Kirei Lifestyle it is vital for us to deepen mutual understanding with a wide range of stakeholders and collaborate with them by developing mutual communication.

As the substances generated by our production activities that lead to air and water pollution have an impact on local communities, having good communication with local communities is also vitally important. Many of our plants compile an annual environmental report, and communicate with local residents.

Emissions of substances linked to air pollution and water pollution pertaining to our business activities, are regulated by government agencies. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants. Additionally, we continue to conduct water quality surveys not as a single company but as an industry group.

Logistics initiatives are required to help make improvements in air pollution. We are taking part in programs established by the Cabinet Office in collaboration with other companies in this industry.

Consumer behavior needs to change in order for consumers to attain the Kirei Lifestyle. We provide opportunities for consumers to think about the Kirei Lifestyle through visits to museums or plants on the subject of the water that all of them use daily. For example, the Eco-Lab Museum has displays on household sewage and wastewater treatment.

## Smart Logistics in partnership with Lion Corporation

Participating in the Strategic Innovation Promotion Program (SIP) promoted by the Cabinet Office, we started two-way transportation and retail between Kao and Lion Corporation in October 2020. This new initiative will achieve shorter empty running distances for the trucks by comparison with conventional transportation and retail methods, and is expected to result in a 45% reduction in atmospheric pollutant emissions for both companies combined.

## Risk management

Regarding the process of assessing risks and opportunities, the Risk Management and RC Promotion examine risks and opportunities anticipated at Kao and conduct risk and opportunity assessments based on feedback from outside experts and staff in internal departments that are undertaking initiatives. These are approved by the Internal Control Committee and ESG Managing Committee, respectively.

### Integration into corporate risks

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and adjust measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

## Metrics and targets

### Mid- to long-term targets and 2022 results

#### 2025 mid-term targets

Item	Scope	Targets for 2025
% of plants which disclose VOC and COD emissions	All Kao Group sites	100% disclosure

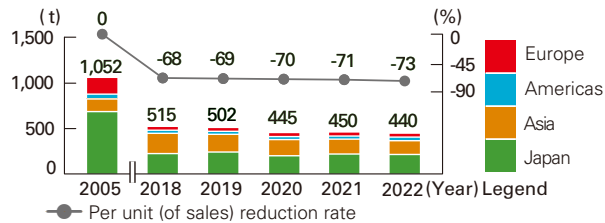
# Air & Water Pollution Prevention

GRI 303-2, 303-4, 305-7, 307-1

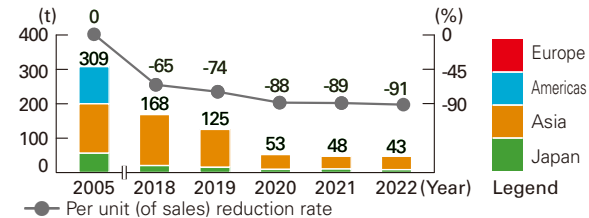
## 2022 results

\* Per unit of sales was calculated based on Japanese GAAP in FY2005, and based on International Financial Reporting Standards (IFRS) from FY2017 onwards.

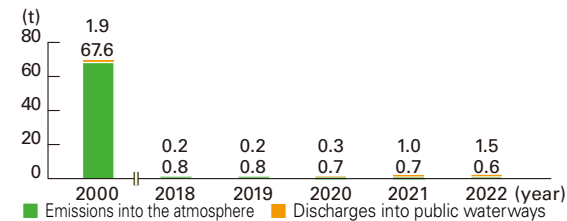
### NOx emissions (all production sites)



### SOx emissions (all production sites)



### Total emissions of chemical substances subject to the PRTR system



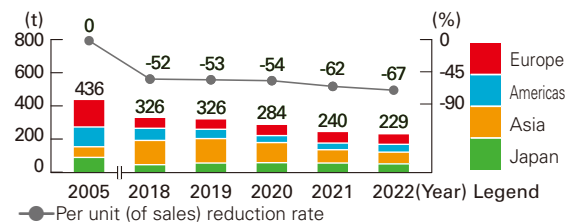
### Emissions of volatile organic compounds (VOCs)

Although we have no facilities subject to the VOC emission regulations provided in the Air Pollution Control Law, we work to voluntarily cut VOC emissions.

For the 100 VOC substances defined in the notice issued by the Director General of the Environmental Management Bureau, Ministry of the Environment, we set voluntary targets on the annual atmospheric emissions from each plant for each substance (5 tons or less in 2005, 3 tons or less in 2009, 1 ton or less in 2010), conducted emission reduction activities and accomplished our targets. We are managing VOC emissions with the current target of maintaining our activities.

The group in Japan handled 32 types of VOCs in quantities over 1 ton in 2022, with total emissions into the atmosphere of 6.8 tons .

### COD pollution load (all production sites)



\* The amount of COD pollution load for wastewater entering sewer systems takes into account the removal rate from sewer systems.

\* Assurance provided for COD pollution load

### Compliance with environmental legislation

In 2020, there was a failure to report minor changes to a wastewater treatment facility (sludge dewatering facility) at the Kawasaki Plant, a periodic inspection failure of the dust collector and insufficient scrubber water flow at Kao Specialties Americas LLC (fine of 146,000 yen), and a leakage of ammonia water at Quimi-Kao, S.A. de C.V. (fine of 460,000 yen).

In 2021, there was a failure to install sufficient gas detection equipment at Kao Huludao Casting Materials Co., Ltd. (fine of 542,000 yen), a failure to report the designated manager (fine of 1,444,000 yen) at the same company, and an exceedance of hydrogen sulfide limits at Kao USA Inc. (fine of 1,192,000 yen).

### Compliance status with environmental laws and regulations

Classification	Unit	2020	2021	2022
<b>Number of deviations<sup>1</sup></b>	Cases	4	3	0
<b>Of which, number of leaks</b>	Cases	1	0	0
<b>Total fines<sup>2</sup></b>	1,000 yen	607	3,178	0
<b>Of which, number of leaks</b>	1,000 yen	460	0	0

\*1 All incidents detected by authorities during the reporting period

\*2 Fines paid during the reporting period

### Reviews of 2022 results

There were no deviations from environmental laws and regulations in 2022.

# Air & Water Pollution Prevention

## Main initiatives

### Initiatives to prevent air pollution

#### Efforts at plants

##### Compliance with laws and regulations

The volume and density of pollutants emitted into the atmosphere are regulated by government agencies. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

##### Using cleaner fossil fuels

As burning of fossil fuels is accompanied by emission of NO<sub>x</sub>, SO<sub>x</sub>, PM, etc., we use natural gas, which is a clean fossil fuel, at all plants outfitted with the necessary infrastructure. Our plants do not use any coal.

##### Reducing emissions of chemical substances subject to PRTR

We began activities in this area by setting a voluntary target for annual emissions of one ton or less for each substance from each plant in fiscal 2000. We achieved this target in fiscal 2002. Since then, we have continued to achieve this voluntary target, excluding leaks of chlorofluorocarbon and similar emissions.

The number of chemical substances subject to PRTR of which we handled over 1.0 ton in 2022 was 69, and the total discharge of such substances into the atmosphere and public water areas was 2.1 tons. In addition, we are voluntarily monitoring and controlling releases and transfers (in the same way as would be done for chemical substances subject to PRTR) of chemical substances that the Japan Chemical Industry Association has specified as being subject to voluntary surveys.

### Reducing emissions of VOCs

Our production plants outside Japan include some plants where they have not been possible to monitor VOC emissions, or where the emissions are relatively high. We are working to monitor and reduce VOC emissions at these plants.

#### Initiatives taken in relation to logistics

##### Smart Logistics in partnership with Lion Corporation

Participating in the Strategic Innovation Promotion Program (SIP) promoted by the Cabinet Office, we started two-way transportation and retail between Kao and Lion Corporation in October 2020. This new initiative will achieve shorter empty running distances for the trucks by comparison with conventional transportation and retail methods, and is expected to result in a 45% reduction in atmospheric pollutants emissions for both companies combined.

#### Initiatives taken in relation to our products

##### LUNAJET water-based pigment inkjet ink

Using the pigment nano-dispersion technology that we had previously developed, we successfully developed LUNAJET, the world's first water-based pigment inkjet ink, featuring a VOC-free design\* which ensures that only very small quantities of VOCs are emitted during printing operations, thereby helping to prevent air pollution and also making a major contribution toward improving the working environment of printing workers. We also confirmed that this water-based pigment inkjet ink technology can be applied to water-based gravure-printing ink.

\* VOC-free design: "VOC-free" is defined as emitting less than 700 ppmC (in carbon conversion terms) of VOC during the printing process.

VOC: General term for organic compounds that are volatile and become gaseous in the atmosphere. In Japan, VOC emissions are regulated by the revised Air Pollution Control Law.

### Visco Top UT thickener for concrete spraying construction

We developed then launched full-scale sales for *Visco Top UT* thickener which significantly decreases dust generated when spraying concrete for mountain tunnel construction. *Visco Top UT* is able to substantially reduce the amount of dust generated even when using powder accelerator, which tends to stimulate dust dispersion. With only half as much thickener as would be needed with a conventional dust reducer, the dust concentration level can be reduced to 2 mg/m<sup>3</sup> or less (as recommended by the new dust guidelines that came into effect in April 2021). This is registered in NETIS\*, the new technology provision system (Number: KT-200035-A) and is anticipated to be utilized in the various tunnel construction commissioned by national and local governments.

\* NETIS: Database system operated with the objective of the Ministry of Land, Infrastructure, Transport and Tourism sharing and providing information on new technologies

### Initiatives to prevent water pollution

#### Initiatives taken in relation to product development

In product development, we take into consideration the impact that wastewater after product use may have on the water environment. More specifically, we have investigated the biodegradability of raw materials that may be discharged into the environment and their impacts on common aquatic organisms using river

# Air & Water Pollution Prevention

water and activated sludge used at wastewater treatment plants. Through this investigation, we are actively promoting the development and use of raw materials with reduced environmental impact. We also plan to use AI and other technologies to investigate chemical substances that are highly environmentally-conscious.

## Efforts at plants

### Compliance with wastewater related laws and regulations

The volume and/or density of pollutants discharged into rivers, the ocean and sewage systems are regulated by government agencies. We have installed wastewater treatment facilities at many of our plants, which are maintained at a high level and properly treat plant wastewater before being discharged outside the plant. We have established our own voluntary management criteria which are even more rigorous than the statutory requirements, and we comply with these to monitor pollutants.

### Surveys of groundwater and soil contamination

In light of our past history of chemical substance use, every year we voluntarily measure the level of substances regulated by environmental standards in the groundwater within plant premises.

### Initiatives relating to wastewater after product use

We are focusing on understanding the actual situation in relation to wastewater discharge after product use and we are conducting our own field surveys on an ongoing basis, such as environmental monitoring of river water to get an idea of the ecological risks of chemical substances.

To respond to globalization, we collaborate with experts to verify the effectiveness of mathematical models and develop new models for monitoring environments outside Japan and predictions of chemical substance concentration in rivers, aiming to ensure our business activities are environmentally conscious of the local environment. Recently in Japan, we are analyzing in detail the impact of chemical substances on the ecosystem using data gathered from ecological monitoring and the river environment.

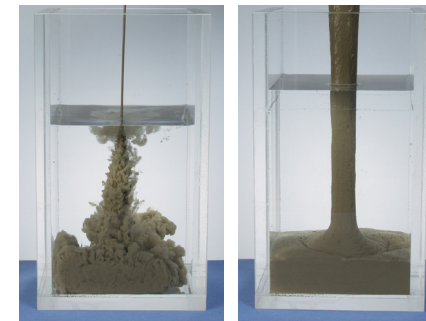
We are also participating in environmental monitoring that has been undertaken by the Japan Soap and Detergent Association (JSDA) since 1998. Currently, we assess the environmental risks posed to the ecosystem targeting four major surfactants in municipal rivers (measured four times a year at seven sites in four rivers). In the surveys conducted so far, the results show that these surfactants have consistently low risks to aquatic organisms.

### Initiatives taken in relation to our products

#### Visco Top high-performance specialty thickener

When undertaking civil engineering work near water (for example, on riverbanks or on the coast), it is vitally important that measures are taken to protect the water from being contaminated. In the case of bridge pier construction for long bridges or suspension bridges that cross ocean straits, because the piers are actually built in the riverwater or seawater, special underwater concrete that has high viscosity and is resistant to washout is used. Furthermore, when construction is undertaken near underground watercourses, care must be taken not to contaminate the groundwater. In this kind of water-related environment, thickening agents must be added to inorganic materials such as grouting materials and concrete to enhance water-immiscible properties.

We have developed *Visco Top*, a high-performance specialty thickener that provides unprecedented viscosity for grouting materials and concrete, and makes it possible to undertake construction work without polluting the riverine or ocean environment. *Visco Top* has been also used in the removal of high-concentration contaminated water from trenches at the Fukushima Daiichi Nuclear Power Plant.



Without the addition of *Visco Top*

With the addition of *Visco Top*



# Air & Water Pollution Prevention

## Smash alkali-free professional-use detergent

Alkali detergent used for hard-to-remove kitchen stains must adjust (neutralize) its pH when the cleaning liquid is discharged to prevent water pollution, while mild cleansers without alkali generally does not have sufficient cleaning effects.

*Smash*, the newly debuted kitchen oil stain detergent, works safely with a neutral formula that has the same cleaning power as an alkali detergent, and contributes to preventing water pollution with its gentle ingredients.



Smash kitchen oil stain detergent

## Employees' opinions

### Visualization of COD and VOC emissions at the Shanghai plant

#### Mao Jian Quan

Kao Corporation Shanghai

The Kao Corporation Shanghai plant is located in a residential area, making it an urban plant.

To gain the trust of visitors, neighbors, and employees, Kao Corporation Shanghai installed a large LED display screen in 2018 that can be seen from outside the premises. The message from the President and CEO, safety slogan, photovoltaic power generation, and environmental emission data (COD and VOC) are displayed on the LED screen for residents and others outside the company to view and share.

The first step in promoting air and water pollution prevention activities is to disclose and visualize emission data, with the goal of promoting energy conservation and emission reduction not only in the company but also in society as a whole.



# Air & Water Pollution Prevention

## Stakeholder engagement



**Kenji Furukawa**

Professor Emeritus, Kumamoto University

Sustainability Report 2022 and the Environmental Activity Data Book.

### 1. Initiatives to prevent air pollution

With respect to the CO<sub>2</sub>, NO<sub>x</sub>, and SO<sub>x</sub> emissions generated by fuel combustion, the conversion to natural gas has resulted in a steady reduction in CO<sub>2</sub> and SO<sub>x</sub> emissions, but NO<sub>x</sub> emissions and the emission unit reduction rates have remained flat. Measures to reduce NO<sub>x</sub> emissions must be focused on the Wakayama Plant because NO<sub>x</sub> emissions at the Wakayama Plant are exceptionally high. Kao is to be commended for voluntarily monitoring and working to reduce VOC emissions at each of its plants, even though it does not have any facilities subject to VOC emission regulations at its domestic plants. However, VOC emissions at plants outside Japan are still in the early stages of being measured and some plants have yet to be measured at all. Our request is that VOC emissions at all plants outside Japan should be measured, that the causes of VOC emissions at plants with high VOC emissions should be clarified, and that reduction targets should be set to ensure that reductions are achieved.

### 2. Initiatives to prevent water pollution

It is commendable that COD emissions have been steadily declining at all Kao production sites. In the future, we would like to see efforts to reduce emissions at plants outside Japan that are emitting large amounts of COD.

### 3. Sludge volume reduction by tubifex worm

The amount of activated sludge attached and immobilized by carriers increases, and the load on the activated sludge (BOD-SS load) decreases, when attachment and immobilization carriers are added to the aeration tanks of wastewater treatment plants. Keeping BOD-SS load at low levels can allow for wastewater treatment without surplus sludge since tubifex worms are at the top of the activated sludge food chain. It is not easy to create a habitat for tubifex worms in industrial wastewater aeration tanks where water quality, temperature, pH, and amount fluctuate greatly. Kao is struggling to select factory wastewater that can provide a stable habitat for tubifex worms, but reducing sludge volume is possible even without providing a habitat for them. If the BOD-SS load can be reduced, rotifers and oligochaetes will be at the top of the food chain, and a reduction in the volume of sludge will be possible. If this condition can be maintained over a long period, the appearance of acclimated tubifex worms is expected to lead to further sludge reduction. If the optimal growth environment of tubifex worms

### Assessments of and expectations for Kao's initiatives on prevention of air and water pollution

The CDP, an international environmental NGO, evaluated global companies' environmental disclosures and initiatives in three areas: Climate Change, Forest, and Water Security, and released the results in December. Ninety-one of the Japanese companies received the highest possible rating (A) in one of the areas. Only 12 companies worldwide have received a triple-A rating, two fewer than last year, in part because of the raising of rating levels. Kao is the only Japanese company to receive the triple-A rating. This means that Kao is recognized as a world leader in environmental information disclosure and initiatives.

The following are comments on Kao's efforts to prevent air and water pollution based on the Kao

# Air & Water Pollution Prevention

cannot be adhered to, we suggest using attached immobilization carriers in the aeration tanks.

#### 4. In closing

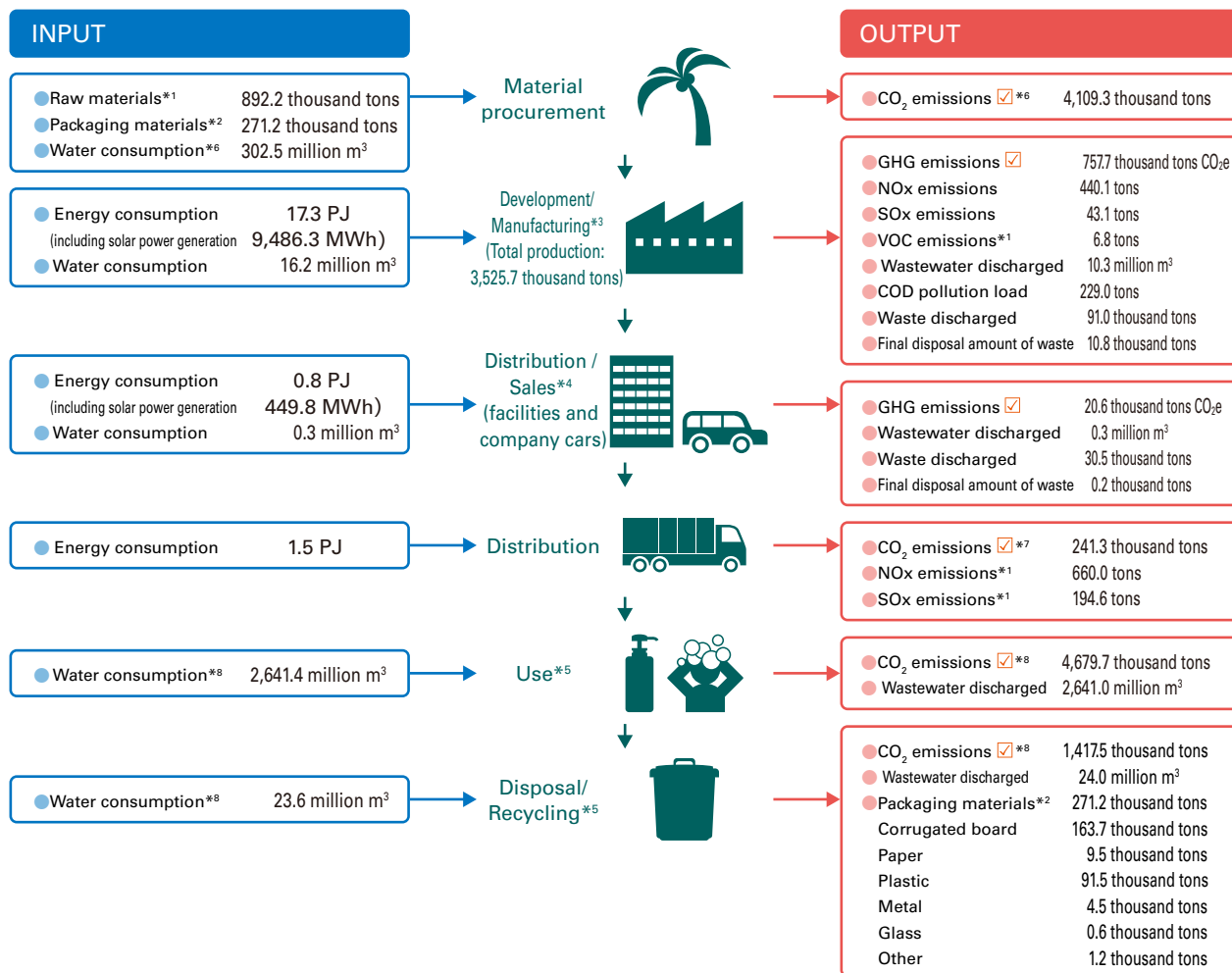
Kao's ESG-oriented corporate management is highly regarded internationally. We expect Kao to steadily promote the transformation from "manufacturing based on consumption" to "manufacturing that recycles resources," as stated in the top message of the Kao Sustainability Report 2022. By involving stakeholders, including the earth itself, in the development of Kao's business, we hope to achieve Kao's purpose of "to realize a Kirei world in which all life lives in harmony."

# Product Lifecycle and Environmental Impact

GRI 301-1, 302-1, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-7

Kao is pursuing efficient resource utilization across the product lifecycle, as well as technologies to achieve further resource and energy savings.

## 2022 business operations and environmental impact



### Scope of calculations

- \*1 Kao Group in Japan
- \*2 For consumer products excluding cosmetics and human health care. Calculated by multiplying the amount of packaging used per product by annual sales in 2022
- \*3 All production sites
- \*4 All non-production sites (including training facilities, company dormitories, etc.)
- \*5 Consumer products
- \*6 Calculated by multiplying the per-unit CO<sub>2</sub> emissions and water usage in the raw materials production stage (excluding Kao Group manufacturing processes) by the annual sales number of consumer and industrial products in 2022
- \*7 The scope is consumer products and industrial products. Figures for Japan are calculated based on the Energy Conservation Act. Figures for outside Japan are calculated multiplying the per-unit CO<sub>2</sub> emissions during transport (calculated based on figures for Japan) by the quantity sold in each country and the estimated domestic transport distance in each country.
- \*8 Calculated by multiplying the per-unit CO<sub>2</sub> emissions and water usage during use or per-unit CO<sub>2</sub> emissions and water usage during disposal by the annual sales number of consumer products

# Product Lifecycle and Environmental Impact GRI 417-1

## INPUT

### ● Raw materials

The amount of raw materials directly used to manufacture products (excluding packaging materials and fuel)

### ● Packaging materials

Total amount of packaging materials (including cardboard) used for products sold

### ● Energy consumption [product development/ manufacturing]

Total amount of energy consumed at manufacturing sites (Scope of solar photovoltaic power generation is limited to onsite power generation)

### ● Energy consumption [distribution / sales (facilities and company cars)]

The amount of energy consumed at nonproduction sites and by vehicles (used for sales activities) (Scope of solar photovoltaic power generation is limited to on-site power generation)

### ● Energy consumption [transportation]

The amount of energy consumed during transportation of consumer products (from plants to distribution bases), industrial products, raw materials, etc.

### ● Water consumption

Industrial water, municipal water, groundwater, rainwater consumed

## OUTPUT

### ● GHG emissions

Total amount of greenhouse gas emissions from sites (seven GHGs defined in the Kyoto Protocol) (in CO<sub>2</sub> equivalent, Scope 1+2)

### ● CO<sub>2</sub> emissions

The amount of CO<sub>2</sub> emitted from manufacturing raw materials, consuming energy and decomposition of ingredients

### ● NO<sub>x</sub> emissions

Total amount of NO<sub>x</sub> emissions from smoke-and soot-emitting facilities and transportation

### ● SO<sub>x</sub> emissions

Total amount of SO<sub>x</sub> emissions from smoke-and soot-emitting facilities and transportation

### ● VOC emissions

Total amount of volatile organic compounds (VOCs) emitted into the atmosphere from production sites

### ● Wastewater discharged

The amount of wastewater discharged at production sites and consumer product use stages

### ● COD pollution load

The amount of COD pollution load in wastewater

### ● Waste discharged and final disposal amount of waste

Of the waste generated from sites, the amount that is sold or consigned as waste or recyclable materials to waste treatment companies, and the amount of waste to landfill

### ● Packaging materials

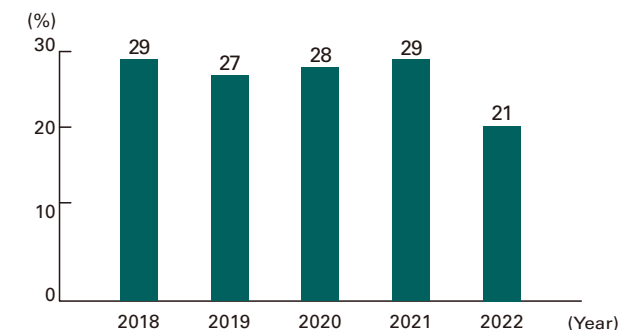
Total amount of packaging materials (including cardboard) used for products sold

## Expansion of the range of products that display the "eco together" logo

Products with lower environmental impact that have passed our rigorous original certification standards display the "eco together" logo.

In 2022, the sales ratio of products (consumer products in Japan) displaying the "eco together" logo was 21%, which represented a decrease compared to the previous year.

## Percentage of total sales held by products displaying the "eco together" logo (consumer products in Japan)



"eco together" logo display standards

<https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/eco-friendly-products-policy.pdf> (Japanese)

List of products displaying the "eco together" logo

<https://www.kao.com/jp/sustainability/klp/policy/eco-products-policy/eco-together-products/>

# Environmental Accounting

To efficiently and effectively promote its environmental activities, Kao quantifies the costs and results of those activities in numerical terms.

## 2022 environmental accounting report

- The aggregation methods we use to comply with the Japanese Ministry of the Environment's Environmental Accounting Guidelines 2005. We also reference the Environmental Accounting Guidelines for Chemical Companies (November 2003) issued by the Japan Chemical Industry Association.
- Boundary: the domestic Kao Group\*<sup>1</sup> and major overseas subsidiaries\*<sup>2</sup>
- Concerns the period from January 1, 2022 to December 31, 2022

**P156** Product Lifecycle and Environmental Impact

\*1 Kao Corporation, Kao-Quaker Company, Limited., Kao Group Customer Marketing Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., Kanebo Cosmetics Inc., e'quipe, Ltd., Kao Professional Services Co., Ltd., Kao Salon Japan CO., LTD., Molton Brown Japan Ltd., Kao Paper Manufacturing Fuji, Kao Business Associe Co., Ltd., Kao Logistics Co., Ltd., Shohi Seikatsu Kenkyusho Inc., Kao Peony Co., Ltd., and Kao Cosmetic Products Odawara Co., Ltd.

\*2 Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao, Incorporated, Kao Industrial (Thailand) Co., Ltd., Kao Soap (Malaysia) Sdn. Bhd., Fatty Chemical (Malaysia) Sdn. Bhd., Kao Plasticizer (Malaysia) Sdn. Bhd., Kao Oleochemical (Malaysia) Sdn. Bhd., PT. Kao Indonesia Chemicals, Kao Specialties Americas LLC, Quimi-Kao, S.A. de C.V., Kao Corporation S.A., Kao (Hefei) Co., Ltd., Kao Chemicals GmbH, PT Kao Indonesia, Kao Manufacturing Germany GmbH, Kao (Shanghai) Chemical Industries Co., Ltd., Kao USA Inc., Molton Brown Limited, Kao Corporation Shanghai, Huludao Jinxing Casting Materials Co., Ltd.

### Environmental conservation costs (categories corresponding to business activities)

(Unit: millions of yen)

Categories	Key activities	Japan		Asia, the Americas, Europe		
		Investment	Cost* <sup>1</sup>	Investment	Cost* <sup>1</sup>	
<b>(1) Business area costs</b>		785	4,361	5,428	5,353	
<b>Breakdown</b>	(i) Pollution prevention	Air pollution prevention, water contamination prevention	61	1,861	1,102	1,983
	(ii) Global environmental conservation	Energy conservation	460	586	1,219	1,011
	(iii) Resource circulation	Resource conservation, waste processing and disposal	264	1,914	3,106	2,357
<b>(2) Upstream/downstream costs</b>	<b>Plant and equipment for eco-conscious products, packaging recycling</b>	13	2,455	0	2,031	
<b>(3) Administration costs</b>	Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,094	4	264	
<b>(4) R&amp;D costs</b>	Eco-conscious R&D	405	7,565	2	325	
<b>(5) Social activity costs</b>	Nature and environmental conservation and tree-planting activities outside worksites, donations	0	22	16	13	
<b>(6) Environmental remediation costs</b>		0	0	0	29	
<b>Total</b>		<b>1,203</b>	<b>15,497</b>	<b>5,876</b>	<b>8,023</b>	

### Environmental conservation costs (categories corresponding to business activities)

(Unit: millions of yen)

Categories	Key activities	Japan		Asia, the Americas, Europe	
		Investment	Cost* <sup>1</sup>	Investment	Cost* <sup>1</sup>
(i) Cost related to global warming measures	Energy conservation	460	586	835	725
(ii) Cost related to ozone layer protection measures	Switch to CFC alternatives	0	0	384	249
(iii) Cost related to air quality conservation measures	Air pollution prevention, dust pollution prevention, malodor prevention	3	505	423	708
(iv) Cost related to noise and vibration measures	Noise prevention	1	5	88	71
(v) Cost related to environmental conservation measures for aquatic, ground, and geologic environments	Water contamination prevention	58	1,351	588	1,190
(vi) Cost related to waste and recycling measures	Resource conservation, industrial waste reductions, recycling	277	4,369	3,106	2,625
(vii) Cost related to measures to reduce chemical risks and emissions	R&D on products and production	409	7,565	2	315
(viii) Cost related to nature and environmental conservation	Nature and environmental conservation and tree-planting activities outside worksites, donations	0	21	20	124
(ix) Other costs	Acquisition and maintenance of EMS certification, environmental publicity, tree-planting within worksites	0	1,083	1	2,343
<b>Total</b>		<b>1,208</b>	<b>15,485</b>	<b>5,874</b>	<b>8,359</b>

### Economic effect associated with environmental conservation activities\*<sup>2</sup>

(Unit: millions of yen)

Details of benefits	Japan	Asia, the Americas, Europe
	Amount	Amount
<b>Revenue</b>	526	304
<b>Cost reductions*<sup>3</sup></b>	Reduction in costs through energy conservation	387
	Reduction in costs through resource conservation	1,645
	Reduction in operation costs (maintenance costs, etc. of eco-conscious equipment)	1,299
<b>Total</b>	<b>2,470</b>	<b>3,349</b>

\*1 Cost includes depreciation costs.

\*2 For economic effects, only amounts from selling valuable resources and fixed assets and the amount of cost reductions are recorded. Economic effects based on assumption such as risk mitigation, so-called "deemed effects" are not recorded.

\*3 The amounts of cost reductions contains only the relevant fiscal year of the annual cost reduction for items generated during that year. Cost reduction amounts generated over multiple years are not included.

# Walking the Right Path

Page	Kao Action	Activity Highlights for 2022	Key Themes	Page
P 161	<b>Effective corporate governance</b>	We have been handling reports and consultations with the protection of whistleblowers in mind for years, but reviewed the framework when the revised Whistleblower Protection Act came into effect in 2022. We told the responders to thoroughly comply with the Act and promoted the compliance hotline internally.	Compliance report and consultation	P 170
		We extract company issues on which we have received reports and consultations, select subjects that require close attention, and endeavor to identify the cause and prevent recurrence of those issues.	Compliance risk reduction	P 167
		We provided training and conducted awareness-raising activities with the aim of preventing harassment by promoting dialogue among employees.	Harassment prevention	P 165
		Kao Corporation maintained its status as one of the World's Most Ethical Companies® in 2022. Kao submitted its entry based on its annual externally evaluated activities as an indicator to check whether its business activities are in line with social changes.	Inclusion in the World's Most Ethical Companies®	P 171
P 173	<b>Full transparency</b>	We created a list of names of fragrance ingredients required for disclosure of information, and developed a system for automatically transferring the list. We minimized the number of human errors in work on information disclosure on the website, and greatly reduced the time from creating information to be disclosed to the disclosure itself.	Creation of an infrastructure for more accurate and timely disclosure	P 176
		New disclosure began with three brands in the Hygiene & Living Care business and Cosmetics business. For other brands whose information has been disclosed, we also updated the information about those brands whose fragrance ingredients had been changed. As of the end of 2022, the KPI progress rate is 18%.	Disclosure of fragrance ingredient names (updates and new disclosure of information)	P 176
P 180	<b>Respecting human rights</b>	We hold cross-departmental discussions in the newly established Human Rights and DE&I Steering Committee with the aim of achieving zero human rights violations.	Activities of the Human Rights and DE&I Steering Committee	P 183
		The Human Rights and DE&I Steering Committee reviewed human rights risks that are assumed in the Kao Group, and identified human rights themes that are important for Kao.	Human rights due diligence (potential risk assessment workshop)	P 189
		In a human rights risk assessment, we conducted interviews directly with foreign workers and technical intern trainees who were identified as being at high risk.	Human rights due diligence (interviews with foreign workers and technical intern trainees)	P 189
P 194	<b>Human capital development</b>	We discussed and implemented the promotion of dialogues and a review of education programs to further use objectives and key results (OKRs), which were introduced in 2021, and the evaluation system linked to OKRs.	OKR utilization	P 201
		Based on the OKRs, we are linking various policies and measures to further challenge our employees. The sharing of OKRs encourages collaboration, leading to workplace-based recognition and awards. We are also actively promoting the activities of 0★1Kao.	Evaluation, compensation, and awards that recognize challenges	P 201
		We provide opportunities for autonomous learning and support our employees to take on new challenges. In areas such as DX human capital development, which Kao is focusing on, the organization is also working as one to achieve the plan.	Career autonomy and self-learning skills development	P 202
		In the Kao Group in Japan, we reviewed the employee survey (FIND) and introduced the new Kao Engagement Survey.	Increase employee engagement	P 204

# Our Priorities—Kirei Lifestyle Plan

P 209	<b>Inclusive and diverse workplaces</b>	We started distributing guidebook and set up a new interview process with supervisors to encourage employees to take maternity / paternity leave in line with their desires and ensure that workplaces are running smoothly.	Support for balancing work and childcare to promote engagement	P 220
		We held a psychological safety workshop to foster an organizational culture where members make diversity into a strength and produce good results in a team through communication.	Fostering an inclusive organizational culture	P 224
P 229	<b>Employee wellbeing and safety: Wellbeing</b>	We renewed the Kao Group Health Declaration and are spreading health maintenance and promotion activities to our employees, their families, regions, occupational fields, and our consumers.	Kao Group Health Declaration	P 229
		We set World Health Day, which is designated by the World Health Organization (WHO), as Kao Group Health Day and delivered a message wishing for the health and happiness of our employees, their family members, and people around the world.	Kao Group Health Day	P 230
		We formulated and promoted a mid-term health plan for 2025. We are developing health maintenance and promotion activities with a focus on six initiatives.	Kao Health 2025	P 233
	<b>Employee wellbeing and safety: Safety</b>	We have established a management system for occupational safety and health, with the aim of reducing the number of occupational accidents.	Preparations for introducing the ISO 45001 Management System in Japan	P 247
		We redid a risk assessment to reduce the risk as much as possible.	Eradication of occupational accidents	P 248
		We enhanced the training based on the possibility of natural disasters occurring, and prepared for them.	Emergency response	P 247
		We assessed the risks posed by chemical substances, and made the members who handle chemical substances aware of the risks and assessment results.	Risk assessment of chemical substances	P 251
P 253	<b>Responsible chemicals management</b>	We exchanged views with the government and relevant parties on the international chemicals and waste management goals in the post SAICM period of later than 2020. We also discussed the cooperative framework among industry, government, and academia.	Post-SAICM	P 259
		We monitored information on the regulatory reform based on EU CSS, and influenced administrators of both inside and outside Japan to make the legislations rational so that the impact on our business will be minimized.	EU Chemicals Strategy for Sustainability (EU CSS)	P 259
		Ahead of the adoption of a post-2020 Global Biodiversity Framework and the operation of TNFD, we reviewed the impact of chemicals management on them.	Impact of chemicals management on the biodiversity conservation and restoration	P 257
		We discussed and updated our knowledge on business risks and opportunities through dialogue with external experts on the current status and issues related to global crises, including climate change, biodiversity loss, and chemical pollution.	Stockholm+50 – our challenge	P 255



# Effective Corporate Governance

Kao is constantly reviewing its highly transparent corporate governance practices (see p. 265 for the Kao Group's corporate governance initiatives) in order to become Kao, a company with a global presence. As an integral part of these efforts and the foundation of our corporate activities, we act in accordance with the law and ethics, and conduct our business activities with integrity while responding to changes in society. This policy is positioned as the first item—walking the right path—of the “VALUES What we believe in” of the Kao Way, our management philosophy, as the teachings of our founder, and we will continue to steadily carry out our business and environmental, social, and governance (ESG) strategies in accordance with this policy. In this chapter, we will introduce our activities to practice walking the right path, which is the foundation of our corporate culture supporting corporate governance.

## Social issues

Now that the COVID-19 pandemic has affected daily life and what we once took for granted is no longer so, we must be prepared for different ways of working, changes to how employees communicate, and non-face-to-face sales activities that have become the new normal, together with new security risks and the like, and different problems that might arise.

In this fluid situation, we consider it important for the advancement of society to create a framework that enables us to anticipate and respond to change in a timely and appropriate manner, and while preparing for risks, to realize employee-friendly, efficient, highly productive workplaces where all employees are treated equally. As such, we will continue to implement initiatives aimed at preventing harassment of any kind.

## Policies

### **Kao's concept of effective corporate governance** **Walking the right path, the foundation of our corporate culture**

We promote day-to-day activities based on the recognition that walking the right path, which has been handed down from our founder, will enhance the effectiveness of corporate governance. In addition to our corporate governance initiatives (p. 265), we consider it essential that each and every employee supports our corporate activities.

### **Policies**

Kao has set forth walking the right path as the first item of its “VALUES What we believe in” in the Kao Way, and has positioned this walking the right path as the starting point for compliance and a guiding principle for maintaining support and trust from all stakeholders.

We have set the following three points as goals for our activities, and are promoting activities throughout the Kao Group (on a global basis) in order to practice the above-mentioned walking the right path each and every day.

1. (1) Ensuring early detection and resolution of legal and ethical violations, and (2) grasping company issues, etc. through hotline responses.

2. Continuous growth and promotion of change through educational and self-awareness raising activities to promote an understanding of the BCG among employees.
3. Keeping the Kao Business Conduct Guidelines (BCG) and rules related to compliance fresh.



Compliance / Integrity

<https://www.kao.com/global/en/corporate/policies/compliance/>

To ensure that these activities are more thorough and effective, we promote activities focused on mitigating serious compliance risks, while at the same time implementing activities aimed at creating an open workplace where any irregularities discovered are immediately reported to the management and appropriate action is taken promptly.

We will also continue to provide education, including messages from top management, to ensure that each and every employee sees compliance as a personal matter, is aware of the actions specified in the BCG and other regulations, acts with an awareness of compliance risk prevention in their work, and creates a comfortable workplace where they can work with consideration for others.

# Effective Corporate Governance

## Strategy

### Risks and opportunities

#### Risks

Delays in response to environmental changes can lead to a risk of a company losing its competitiveness. We also believe that failure to leverage diversity also entails the risk of delayed awareness of change.

In the short term, harassment (power harassment and sexual harassment) may arise due to inability to break away from past values and long working hours that are incompatible with diverse working styles; in the medium and long term, the risk of not being able to demonstrate competitiveness ahead of its time by being hesitant to take on new business challenges, even though it sees the needs of social change; and in the long term, we may see human rights and employment risks caused by an inability to respect diverse employees and supply chains.

#### Opportunities

Since our founding, we have promoted corporate activities based on walking the right path (acting in accordance with laws and ethics, and conducting fair and honest business activities), which is one of our core values. As a result, we have received high ratings from society for sustainability and compliance. This leads to increasing trust on the part of consumers, shareholders and other stakeholders in our products and our company, and also makes it easier for us to hire and retain talented human capital.

In addition, by shifting the concept of compliance and having each and every employee gain the perspective and attitude to take appropriate actions in light of the objectives, we will have an advantage as we

launch new businesses and initiatives in a world of change, leading to new challenges.

#### Strategy

As a strategy for 2030, we will be sensitive to issues that arise in response to changes in the world and society by receiving reports and consultations from employees, identifying risks as early as possible, extracting issues that could become problems for the company, investigating their causes, and taking flexible measures to prevent their recurrence.

To achieve this, we will work on the following:

- (1) We will establish a global legal compliance framework and strive to ensure that each division and region is responsible for the proper conduct of business.
- (2) In the event of a problem, we will promote the operation of an initial reporting framework that promptly reports the problem to head office. We will also improve our framework for receiving reports and consultations from employees and outside the company, so that we can listen to their voices and understand the issues facing the organization.
- (3) In the area of training, we will consider and implement effective training to reduce compliance risks by enhancing management dialogue and raising the awareness of each individual employee.

#### Social impact

- To provide products and services through improved *Yoki-Monozukuri*, including a focus on the environmental perspective, by preventing misconduct and achieving higher-quality results.
- To help bring about clean and enriched lifestyles through providing the above products and services, as well as to help realize the SDGs, such as environmental conservation.
- To maintain and enhance the trust placed on us by our stakeholders, starting with our stockholders and society.

#### Contributions to the SDGs



#### Business impact

- To prevent losses due to fraud and decreased confidence in Kao's products.
- To prevent the spread and prolonged impact of misconduct and minimize damage through early detection and appropriate response.
- To achieve more efficient and higher-quality results and to retain, recruit, and optimize outstanding human capital by creating a workplace where employees can thrive.
- Misconduct will result in losses, erode confidence in Kao's products, and prevent us from attracting talented employees.

# Effective Corporate Governance GRI 2-25, 3-3, 205-2

## Governance

### Framework

Under the supervision of the Board of Directors, the Internal Control Committee manages risks related to effective corporate governance and the ESG Managing Committee manages opportunities. These committees are both headed by the President & CEO.

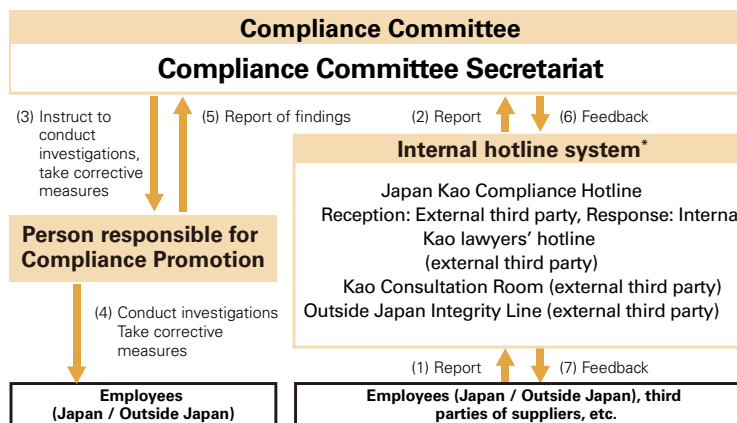
Risk management related to effective corporate governance is handled by the Compliance Committee (which meets quarterly), composed of the heads of each division, and its secretariat (which meets monthly), which prepares policies, annual plans and specific activities to implement these plans, and directs the heads of each division and subsidiary to carry out these activities. As one of the committees reporting to the Internal Control Committee, the Compliance Committee receives an annual evaluation of its activities from the Board of Directors, which leads to actions to improve. The framework for dealing with compliance hotlines involves a shared group compliance hotline, the Compliance Committee, which receives hotline reports, investigation by the Compliance Committee or the people responsible for promoting compliance at subsidiaries, and the necessary corrective measures taken to resolve matters.

We have also put in place a framework for encouraging individual units at the worksite level to report compliance violations and suspected compliance violations, thereby contributing to early resolution of issues, by clarifying the rules governing initial reporting of compliance violations and suspected compliance violations.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to effective corporate governance. Comprising outside experts, the ESG External Advisory Board

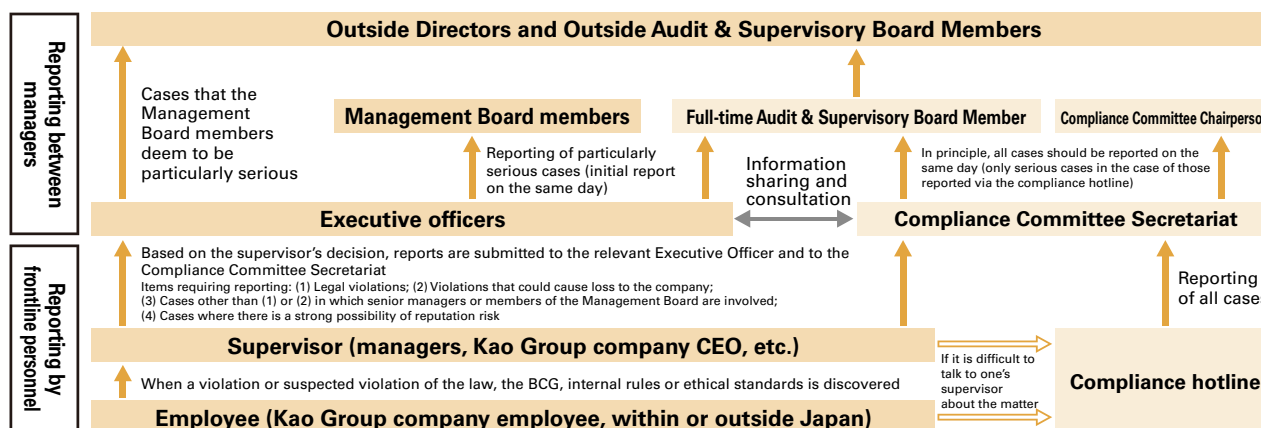
provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

### Compliance hotlines response system



- \* Internal hotline system
- Within Japan: Internal hotline → During business hours  
External hotline → 12:00 am to 9:00 pm (weekdays)  
→ 9:00 am to 5:00 pm (Saturdays, Sundays and national holidays except year-end and New-Year holidays)
  - Outside Japan: External contractors accept hotline calls from all countries in which we operate 24 hours a day, every day

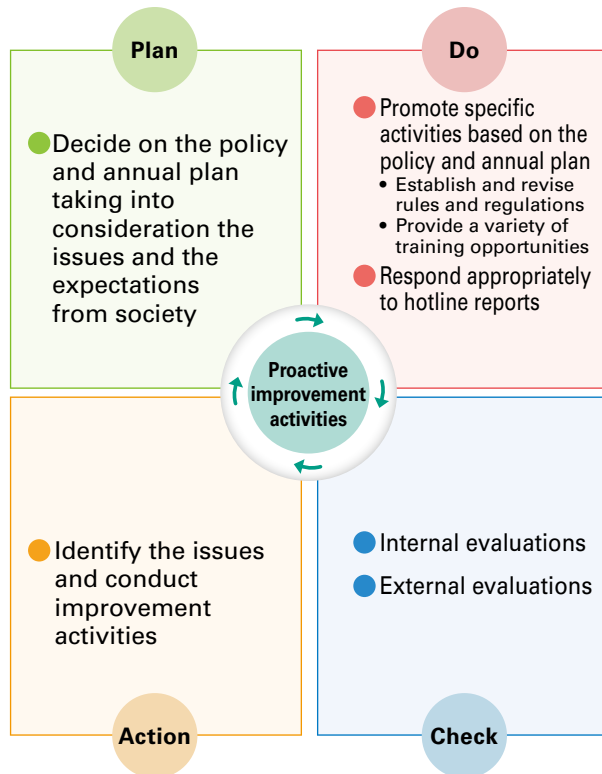
### Rules for initial reporting of violations



# Effective Corporate Governance GRI 2-25, 3-3, 205-2

## **PDCA (Plan, Do, Check, and Act) cycle to continuously improve compliance**

Compliance promotion activities are implemented using the PDCA (Plan, Do, Check, and Act) cycle shown below. The Compliance Committee creates the policy and annual plan, and the Compliance Committee Secretariat breaks it down into specific activities that are then implemented. The activities carried out are evaluated, issues are identified and improvements are summarized to formulate plans for the following year and beyond.



### **Plan / Do**

We have established the Compliance Committee, chaired by a Managing Executive Officer, and comprised of representatives of relevant divisions and affiliated companies.

This committee meets every three months to review the following activities and devise promotional measures to mitigate serious compliance risks and ensure we are walking the right path.

1. Establish a policy of activities to ensure we are walking the right path.
2. Decide to establish or revise internal rules related to compliance, such as the Kao Business Conduct Guidelines (BCG).
3. Establish an annual plan for education and awareness-raising activities within and outside Japan to promote and establish walking the right path.
4. Confirm the operation and response status of the Compliance Reporting and Consultation Hotline.

We also propose necessary amendments to compliance-related rules and regulations and prepare an annual activities report to the Board of Directors through the Internal Control Committee.

The Compliance Committee has a secretariat with the Compliance Department at its center. At the monthly secretariat meeting, the suitability of responses to all reports made to the compliance hotlines within and outside Japan are to be shared before the meeting takes place and then checked and reviewed. In addition, based on the decisions made by the Committee, plans for specific activities are formulated in conjunction with promotions for them. After the Compliance Committee holds a meeting, they also draft and implement plans for specific activities and promote activities in accordance with Compliance Committee decisions in the following month.

### **Check**

#### **Internal evaluations**

##### **• Opinions from the Board of Directors**

The Board of Directors receives an annual activity report in the form of a report on the activities of the Internal Control Committee.

The Board of Directors also monitors and evaluates these activities. This evaluation and feedback are used for improvement through the PDCA (Plan, Do, Check, and Act) cycle.

##### **• Issues identified from compliance hotlines**

At the monthly secretariat meeting, themes that may represent emerging issues for the company are identified based on the trend of incidents for that month, and any necessary action is taken, including framework changes, internal education and awareness promotion.

##### **• Issues identified from risk surveys**

We conduct an annual risk survey, including compliance risks, and use the results to identify risk areas and specific risk scenarios, and then take the necessary steps in collaboration with the relevant divisions.

##### **• Compliance awareness survey**

The Compliance Committee conducts biennial surveys of Group companies within and outside Japan regarding the openness of each organization, etc. Based on the organizational culture trends we identify from these surveys, we create opportunities to hear more about specific workplace situations, and take any action required.

##### **• New initiatives aimed at invigorating and reforming the corporate ethos**

As part of the Objectives and Key Results (OKRs) introduced in 2021 as a new employee motivation measure, all employees express their personal vision of what they want to be. Then, through repeated dialogue

# Effective Corporate Governance GRI 2-25, 3-3, 205-2, 404-2

with their superiors and peers, they set goals and move swiftly towards them.

Within the Objectives and Key Results (OKRs), we can also set targets for activities designed to help employees realize their vision of what each organization should be. Through this process of goal setting and regular dialogue, which has replaced conventional opinion surveys, we promote solving issues and improving the corporate ethos within each organization and strengthen the bonds between employees.

## External evaluations

- **Feedback from third-party organizations, external evaluation organizations, etc.**

By responding to Socially Responsible Investment (SRI) questionnaires that incorporate societal expectations, and by sharing information with other companies, we will incorporate items on which we have not yet taken action into next year's activities as appropriate.

## Education and promotion

What Kao Aims to Be by 2030 includes creating workplaces with an open atmosphere in which each employee is fully aware of the need to prevent compliance violations, and in which any compliance violations that are discovered are immediately reported and promptly dealt with. The result will be employee-friendly workplaces where employees care for others.

To achieve this, each employee must be aware of the consequences of violating compliance, such as incurring damage to and loss of trust in Kao. In addition, managers must be aware of compliance risks that may arise in their own work areas and to take measures to reduce them. Furthermore, in order to create a workplace where everyone can work with peace of mind, employees must be aware of the importance of

accepting the diversity of co-workers and of speaking and acting with consideration for others. With this in mind, we carry out education as appropriate based on the training system outlined as follows. Through this education, we provide opportunities for employees to enhance their awareness, which in turn can help them to recognize compliance as something that is directly relevant to them personally. We also urge employees to make effective use of the compliance hotlines that we provide when they are unsure of the best course of action to take.

Kao Group employees take compliance training designed to learn their role when those roles change significantly, including when they join the company, when they are promoted to managerial positions, and

when they assume responsibility for subsidiaries outside Japan.

In addition, we provide all employees with regular opportunities to review compliance, as well as training from the leader of their division and BCG refresher tests to raise awareness on an ongoing basis. In addition, the Chairperson of the Compliance Committee and the person responsible for the division send out an annual compliance message to communicate the importance of speaking and acting thoughtfully, as well as maintaining an open organizational culture and so on. Education related to laws and ordinances is planned and conducted by designated managing divisions.

## Kao Compliance Training

Region	Theme	Target group	Objectives	Frequency
Globally common	New Employee Orientation	New employees	Learn about Kao's approach to compliance and BCG	Upon joining the company (written pledge)
	Training for managers	Manager training Japan: New managers Outside Japan: Managers	Group work to build managers' awareness for compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	Training by division leaders	Managers / Non-manager employees	Division leaders directly communicate the message to employees to make compliance relevant to them personally	Once every 2 years (alternate each year between Japan / Outside Japan)
	BCG refresher test + compliance awareness survey	Directors, Audit & Supervisory Board Members and Executive Officers / Managers / Non-manager employees	BCG re-learning and identification of divisions with high compliance risks	Once every 2 years (alternate each year between Japan / Outside Japan)
	Compliance message	Managers / Non-manager employees	Regularly reinforce the importance of compliance	Every year
	BCG Casebook	Managers / Non-manager employees	Study the BCG using specific cases	Review after BCG revisions
	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October)
Japan	(1) Basic Course (2) Leading staff level summary training	(1) Employees in their third year of employment (2) Leaders	(1) Learn about the compliance and BCG details that need special attention when operating a Supply Chain Management (SCM) (2) Learn through specific cases	(1) Third year of employment (2) At the time of promotion
	Directors, Audit & Supervisory Board Members and Officers Training Sessions	Executive officers and above	Learn about compliance risks from a management perspective	Every year
Outside Japan	Integrity Workshop	New employees	Learn the content of the BCG in a group discussion format, with examples related to each of the points	Once within 3 years of joining the company

# Effective Corporate Governance GRI 3-3, 205-2, 404-2

## Collaboration with stakeholders

The BCG makes it clear that it encourages its business partners to understand, empathize with, and act on the BCG.

We believe that there is a serious risk that compliance violations by business partners can lead to quality issues and loss of trust in Kao products, and so we are implementing initiatives that prioritize focusing on suppliers of raw materials, contract manufacturers, and business partners engaged in product manufacturing on the Kao Group premises.

In particular, because business partners' failure to safeguard employees' human rights, leading to dissatisfaction, is a major factor in compliance violations, we are promoting measures to prioritize respect for human rights. The specific initiatives being implemented are outlined below.

1. At the annual meeting with business partners, we explain Kao's procurement policies, including compliance, and introduce our compliance hotline.
2. Understanding social needs through external questionnaires and implementing necessary activities

Each year, based on responses received on external questionnaires, we recognize and grasp changes in society through the content of the questions, and establish and pursue activity goals for the following year based on those changes.

3. The compliance hotlines are staffed by an outside clinical psychologist and an independent attorney-at-law who is not a legal counsel and is independent of the Kao Group. While only the number of cases is reported us on a monthly basis, each hotline understands the content and provides the necessary counseling. As they are external parties who listen directly to the voices of our employees, we have a regular opportunity, once or twice a year, to exchange

views with them on the concerns they have about our organizational culture in response to the content of the employee consultations.

## Risk management

With regard to the risk and opportunity assessment process, the Legal examines possible risks and opportunities at Kao and conducts risk and opportunity assessments based on the opinions of personnel in charge of each division implementing internal initiatives and external experts, which are then approved by the Internal Control Committee and the ESG Managing Committee, respectively.

The compliance risk identification and assessment process is as follows:

### • Grasping business issues from compliance hotline cases (including reports through the management line)

- (1) Report monthly at the Compliance Committee Secretariat meeting;
- (2) Identify cases requiring particular attention and closely monitor the causes and measures to prevent recurrence;
- (3) Exchange issues at the quarterly meetings of the Compliance Committee;
- (4) Share the situation at the Managing Executive Officers meeting in the month following the committee meeting;
- (5) Determine the applicability of serious compliance violations during the fiscal year.

### • Compliance awareness survey for understanding organizational culture

- In the risk identification process for K25, which is conducted by the Risk and Crisis Management Division, risk items are presented from the perspective of compliance activities and integrated as enterprise-wide risks.

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

1. Contribute to *Yoki-Monozukuri* by committing to thoroughly instill walking the right path and prevent incidents from occurring.
2. Minimize damage by creating an open workplace that enables early reporting and appropriate response to misconduct.
3. Maximize the utilization of human capital by ensuring that we speak and act with consideration for the position of others and by creating a workplace that is equal and easy to work in for all employees.

#### 2030 long-term targets

- Establish and maintain our legal compliance framework within and outside Japan to ensure consistent *Yoki-Monozukuri*.
- Conduct activities with a focus on high-risk areas to effectively prevent serious compliance violations.
- Clarify reporting rules to encourage early reporting of misconduct and appropriate responses, and ensure that these rules are widely known and thoroughly understood.
- Establish harassment prevention policies and other necessary internal rules to create a comfortable workplace, and ensure that all employees are aware of and comply with such policies and rules.

# Effective Corporate Governance GRI404-2

## 2022 results

### 1. Compliance risk mitigation activities

#### Legal compliance structural reorganization

We have clarified the lead division responsible for promoting compliance with the approximately 250 laws and ordinances that apply to our business in Japan. With the aim of reducing serious compliance risks, appropriate measures have been taken in 2022, mainly by the relevant divisions, in the areas of (1) ensuring an appropriate working environment (prevention of unpaid overtime), (2) prevention of harassment, and (3) operation of a hotline framework that enables employees to feel safe about asking for help.

#### Analysis of underlying causes in cases requiring particular attention, and thorough implementation of policies to prevent recurrence

We identify organizational issues raised by whistleblowing that require particular attention, thoroughly investigate the cause of each incident, summarize each incident, confirm measures to prevent recurrence, and work as an organization to improve the issue.

### 2. Educational activities to promote and establish compliance awareness

- We have conducted a new type of compliance training for newly appointed managers in Japan to discuss compliance risks that can arise when objectives and key results (OKRs) management methods are ineffective.
- We have conducted BCG refresher tests and awareness surveys outside Japan.
- Since April, we have disseminated compliance messages, including a message from the Chairperson of the Committee, and since September, messages

from the heads of each functional division and the President & CEO of Group companies outside Japan, as well as other information provision.

- We have distributed compliance case studies monthly in Japan and twice a year outside Japan via the company intranet to promote understanding through specific case studies.

**P169** Main initiatives: Compliance message

### 3. Development of the compliance promotion framework

With the following measures, we have put in place a system designed to reduce risk by detecting compliance-related problems at an early stage and appropriately resolving them.

- Serious compliance matters were reported to the Board of Directors and other relevant bodies on a quarterly basis through reports from the Compliance Committee, the Executive Officer Committee, the Audit & Supervisory Board members and the Internal Control Committee, and responses were evaluated for appropriateness.
- We comply with the Rules for Operating Compliance Hotlines to build trust in the compliance hotlines and enable employees to use them with peace of mind. In preparation for the implementation of the revised Whistleblower Protection Act in June 2022, we reaffirmed our commitment to fully protect the confidentiality of whistleblowers and informants, and not to seek out or retaliate against them.

**P170** Main initiatives: Compliance hotline operational status and 2022 regulatory violations

### 4. Evaluation activities

- Conducted an awareness survey on the level of penetration of compliance activities and workplace culture outside Japan.
- Identified issues and planned improvement activities through information exchange with other companies and responses to external surveys.

### 5. External evaluation

The company was named one of the World's Most Ethical Companies® for its activities also in FY2022.

**P171** Main initiatives: Seventeen consecutive years on the World's Most Ethical Companies® 2023 list

## Reviews of 2022 results

### Issues and response measures concerning mid- to long-term targets

#### 1. Contribute to *Yoki-Monozukuri* by committing to thoroughly instill walking the right path and prevent incidents from occurring.

In addition to promoting strict legal compliance activities to reduce serious compliance violations, we identify organizational issues triggered by whistleblowing that require close attention. We are promoting activities to encourage a sense of direct connection on the part of the division where the incident occurred, by making the division responsible for investigating the causes in depth, summarizing the incident, and confirming measures to prevent recurrence. Going forward, we will identify priority issues and continue responding to them.

# Effective Corporate Governance

## 2. Minimize damage by creating an open workplace that enables early reporting and appropriate response to misconduct.

Although we have instructed our employees to report compliance matters promptly when they occur, there have been instances of delayed reporting, so we have reinforced awareness of and compliance with the initial reporting requirement.

## 3. Maximize the utilization of human capital by ensuring that we speak and act with consideration for the position of others and by creating a workplace that is equal and easy to work in for all employees.

With respect to power harassment and other forms of harassment, we make targeted efforts to prevent recurrence. Specifically, we have identified organizational issues that require particular attention, starting with whistleblowing as described in 1., and the divisions where such incidents occurred have themselves conducted in-depth investigations into the causes of the incidents, ensuring that measures to prevent recurrence are formulated and implemented.

### Employees' opinions

#### Compliance Promotion Initiatives at KAO INDONESIA CHEMICALS



#### Sally Sinaga

General Affairs,  
PT KAO INDONESIA CHEMICALS  
(The author is the second person  
from the left.)

It is not easy to promote compliance activities in language that is both engaging and easy to understand. We use the aphorism in our training and present winners of the Integrity Training Test with a

mug emblazoned with Kao and compliance logos, and display banners showing compliance messages with the winners' photos and comments in the office. We also appreciate the commitment and effort of all KIC employees, and strive to act as a true compliance model. We would like to bring fresh ideas and contribute to Kao's success and sustainability so that our employees' awareness of compliance will keep rising. We will act with integrity while smiling all the time, and of course, maintaining our security and health.



# Effective Corporate Governance GRI 205-2

## Main initiatives

The BCG serves as our code of conduct for practicing the Kao Way, our corporate philosophy. The content is reviewed annually based on societal demands and the company's own situation, and was last revised in April 2019.

To disseminate BCG's content, we have created the BCG Casebook, a collection of BCG-related case studies in a Q&A format in Japanese, English, and 17 other languages, and share it with related companies.

The BCG explicitly states that it prohibits bribery regardless of the affiliation of the other party, and prohibits facilitation payments, which are small payments made to individual government officials. The BCG and the Donation Guidelines also prohibit political contributions. We have also implemented "Kao Anti-Bribery Guidelines," including those for Group companies outside Japan: Specifically, the Guidelines make it mandatory to set standards for providing entertainment / gifts and for the amount of money received and to report in advance; and they specify measures to prevent bribery, such as assessing bribery risks when selecting business partners and renewing contracts. In 2022, there were no violations related to corruption or bribery within the Kao Group.

Our marketing and advertising activities include fair content and appropriate statements based on facts, avoid exaggerated statements concerning our impact on society and the environment, and take into consideration a wide range of people, including those who could be considered socially vulnerable. We also ensure that information relating to competitors and competing products is not provided to consumers.

In addition, with respect to harassment, we state to the effect that we will not tolerate any harassment of employees or other business associates. Such

harassment includes language or conduct that undermines or insults human rights and personalities.

In addition to the above, Kao has introduced the "Kao Guidelines for Avoiding Conflicts of Interest" for Group companies within and outside Japan. The Guidelines stipulate that permission or notification must be obtained in cases where a person is personally involved in competitive or trading activities with Kao Group companies, invests in companies that engage in such activities, borrows money from or lends to Kao Group companies, or has a close relative involved in such activities.

In October 2021, the Money Laundering Policy was introduced in the Kao Group to clarify its anti-money laundering stance. There were no violations on this matter in 2022.

### Annual confirmation

Once a year, we reiterate the Kao Guidelines for Avoiding Conflicts of Interest and the Kao Anti-Bribery Guidelines to the executives and employees, and check the status of notification of applicable matters to the Compliance Committee Secretariat.

In addition, we investigate the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and new intermediaries or renewing contracts with existing ones.

### Expenditures to trade associations and political organizations

Through our participation in committees, working groups, etc. of trade associations, we convey opinions that could influence enactment and revision of laws to the government. Apart from membership fees to these trade associations, we have confirmed that we have not

made any contributions to political campaigns, political organizations, lobbying activities, trade associations, tax-exempt organizations or other groups that play a role in influencing political campaigns or public policy or legislation.

### Expenditures to trade associations and political organizations

Unit: million yen

	2020	2021	2022
Trade associations	498	485	436
Lobbying activities	0	0	0
Political contributions	0	0	0
Total	498	485	436

### Expenditures to major trade associations

Unit: million yen

	Expenditures
Japan Soap and Detergent Association (JSDA)	39
Der Verband der Chemischen Industrie	28
Personal Care Products Council	25

### Compliance message

To encourage employees to view compliance activities as directly relevant to them, top management sends out compliance messages to promote compliance activities within and outside Japan.

In 2022, the Chairperson of the Compliance Committee's message was "By having the acuity to notice when something is wrong and the courage to speak up, we can protect one another and make the work environment more vibrant and healthier!" With this message, we promoted activities to achieve a vibrant workplace culture by increasing our sensitivity to signs of discomfort in workplaces that are not adapting to changes in society and by raising our voices.

# Effective Corporate Governance GRI 2-25, 2-27, 205-2, 419-1

In addition, the message from the Chairperson of the Compliance Committee was posted on the intranet and on posters, case studies were sent out by each Regional Head and each President & CEO of companies outside Japan, and from 2022, compliance messages and other communications were sent out by the Heads of Functional Divisions in Japan.



## Compliance hotline operational status and 2022 regulatory violations

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area (see diagram on p. 163 for details).

In operating the hotlines, after confirming the caller's wishes, companies take steps to respect the individual's privacy and strive to the maximum extent possible to ensure that callers suffer no retaliation or disadvantage as a result of their good-faith consultation. In principle, companies also receive the caller's consent when an investigation of related parties is conducted. Anonymous inquiries are accepted, but callers are

encouraged to identify themselves to facilitate a proper investigation.

In addition, as noted above, we have clarified the rules for initial reporting of compliance violations and suspected compliance violations and established a framework for receiving reports from individual units at the *Genba* level.

In 2022, we revised the Rules for Operating Compliance Hotlines, which govern the policies and responses of the compliance hotlines to protect whistleblowers and prevent adverse treatment of whistleblowers, and conducted training for those who respond to consultations on points to note when doing so.

In 2022, there were 488 reports made to the hotlines (including group companies outside Japan). Although the number of cases has increased from the previous year, we recognize that this is due to factors such as increased familiarity with the compliance hotline and increased employee awareness. The breakdown of the content of the reports was as follows: approximately 30% related to harassment such as power harassment; approximately 40% related to communication problems in the workplace and working conditions; and approximately 20% related to violations of laws and ordinances. Together, these three categories accounted for approximately 90% of the reports. Violations of laws and regulations include many that are discovered during internal control inspections.

No particular trends were observed in the organizations, worksites or occupations to which callers belonged.

Under walking the right path in the Kirei Lifestyle Plan (KLP) announced in April 2019, we set an indicator of zero serious compliance violations.

These serious compliance violations refer to compliance violations that have a significant impact on management and significantly damage corporate value. Based on the egregiousness of the violations (materiality / significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the impact of the violations both internally and externally, we will seek opinions at the Compliance Committee Secretariat Meeting, Compliance Committee and Audit & Supervisory Board Members Hearings, make decisions based on deliberations at the Management Board, and report the results to the Executive Officers Committee and the Board of Directors.

For the judgement, all cases reported by the compliance hotlines and management lines are reviewed at a weekly meeting to identify issues that should be recognized as concerns for the Company. Based on the discussions at the weekly meeting, at the monthly Compliance Committee Secretariat meeting the Committee identifies matters that may recur or become widespread throughout the Company as requiring particular attention, while obtaining third-party assessments and recommendations from outside attorney-at-law who attends the meeting as an advisor. We also identify potential serious compliance violations among violations of laws and ordinances. The department where an incident occurred will investigate its cause and background, as well as measures to prevent recurrence, and present a summary report at the Compliance Committee meeting. After a process of receiving evaluations and recommendations from each committee member with respect to the report, a final verdict is made on compliance violations that have a significant impact on management and significantly damage corporate value. There were 488 compliance

# Effective Corporate Governance GRI 2-25, 2-27, 419-1

reports and consultations in 2022. Of these, 264 were investigated due to material concerns relating to noncompliance, while 212 cases were subject to some form of corrective action or recurrence prevention, including review of business processes, organizational awareness-raising, and verbal warnings to the individual involved. These matters were discussed and reviewed at meetings of the Compliance Committee Secretariat, the Compliance Committee, and the Management Board and no serious compliance violations as outlined above were found.

In addition, there were six cases of power, sexual, and other forms of harassment by individual employees, one case of conflict of interest (side job during ordinary business hours), and a total of 15 cases within and outside Japan in which employees were dismissed or took advisory retirement due to misconduct such as embezzlement, theft or violence in business, smoking or drinking during working hours, and fraud relating to salary payment.

Compliance violations are divided into three categories: (1) those that need to be addressed as organizational issues; (2) those that require improvement of individual awareness; and (3) those that are discovered during the PDCA (Plan, Do, Check, and Act) cycle of control activities. The Company strives to prevent recurrence by reviewing the adequacy of remediation efforts at meetings of the Compliance Committee Secretariat meeting or the Compliance Committee.

## Seventeen consecutive years on the World's Most Ethical Companies® 2023 list

In March 2023, Kao was recognized as one of the World's Most Ethical Companies® 2023 by the U.S.-based think tank, the 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 award is based on the following five axes: (1) efforts in corporate ethics and legal compliance; (2) responsible activities as a corporate citizen; (3) ethical corporate culture; (4) corporate governance; and (5) leadership, innovation, and reputation in the community.

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 BCG.



## Sharing our insights on compliance with outside groups

To help develop future corporate legal talent, the Head of Legal volunteers his time to lecture at universities and graduate schools on corporate legal affairs and corporate governance. In 2022, lectures on general corporate law were given to law students at two universities (in June and September) and lectures on corporate law and compliance were given to graduate

schools in September and on corporate governance in November.

We also wrote and published the book "The Why and How of Corporate Legal Affairs" in March. Topics such as compliance and sustainability have also been covered, in an effort to convey the excitement of work from a legal perspective not only to those in the legal profession, but also to a wide range of working adults. In conjunction with the book, we also did an online presentation in July to an audience of approximately 1,000 people on the mindset and skills necessary to be a law department leader in management.

# Effective Corporate Governance

## Stakeholder engagement

### Naotaka Kawamata

Attorney-at-Law,  
Marunouchi Sogo Law Office



### Building trust with the Compliance Committee and others

A secretariat was established as a subordinate organization of the Compliance Committee, and

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

In addition to preventive awareness-raising activities, at the Compliance Committee Secretariat monthly meeting, trends and awareness of concerns based on calls to the compliance hotlines are shared to see if there are signs of "illegal activities that must be happening," and cases that may recur or spread throughout the Company as those that require particular attention are identified. We view these cases as the seeds of compliance violations in the Company, and we continue activities to prevent serious violations from occurring. Divisions where violations have actually occurred are asked to consider the causes of the violations and measures to prevent recurrence, including a review of their operations, and to submit a summary report to the Compliance Committee to promote an understanding that the problem is their own. The committee's multi-faceted assessments and recommendations are then used as the basis for improvement activities in the *Genba*.

secretariat meetings are held once a month, with supervising members from the Compliance Department and other divisions. In FY2022, as in FY2021, I participated in the Secretariat meetings as an advisor and contributed the stakeholder engagement section to the Sustainability Report published last year.

In last year's article on stakeholder engagement, I pointed out that, in general, if there are causes that compel compliance violations to occur, then these causes must be eliminated to prevent recurrence, and the Compliance Committee (Secretariat) must discover and dig deeper into the underlying causes (true causes) that lie behind cases of compliance violations.

For FY2022, we have divided alleged compliance violations into three categories: (1) those that should be addressed as organizational issues; (2) those that require improvement of individual awareness; and (3) those that are discovered during the PDCA (Plan, Do, Check, and Act) cycle of control activities. Of these, (1) those that should be addressed as organizational issues often have their root causes hidden within the division concerned, making it particularly important for that division to take the initiative in addressing them. Therefore, the Compliance Committee (Secretariat) requires the relevant divisions to analyze the causes and background of an incident and, based on such analysis, to formulate measures to prevent recurrence. This requires them to recognize that this is an issue that must be proactively addressed by their own divisions. The causes and background of an

incident analyzed by the relevant division and the preventive measures formulated are then critically reviewed by the Compliance Committee (Secretariat) in order to verify from an objective point of view the causes and background analyzed by the relevant division and to ensure that the preventive measures are indeed effective.

However, it is difficult to deal with matters where the Compliance Committee (Secretariat) is not aware of the problem, even if there is an organizational problem. Organizational problems are often latent in the way work is done in each division, which is individually optimized and familiar to each employee, and there is a high bar to clear even if employees are expected to report such issues. In 2022, a compliance message from top management entitled "The power to recognize when something is not right and the courage to speak up—Protect our colleagues and change our workplaces" was displayed on posters. These posters were put up at every workplace to encourage employees to improve their workplaces by "speaking up" through reporting and other means. Keep in mind that employees will only speak up if they trust the Compliance Committee (Secretariat). We expect to gain even more trust in the Compliance Committee (Secretariat) through continued confidence-building activities.

# Full Transparency

Through product transparency Kao aims to build stronger trust with consumers. We believe that sharing information consumers need in a suitable and easily understood way is important if they are to make the right choices for themselves and lead rich lives. We disclose information in a timely manner through our websites and various opportunities to engage with stakeholders.

## Social issues

In modern society, individuals are highly motivated to obtain information that is necessary and important to them. At the same time, the development of social media has made obtaining a wide range of information easy. Ethical consumption, where products and services created with environmental and social considerations in mind are chosen and consumed, is growing on the part of consumers. Consumers are also seeking information about corporate activities with the desire to purchase not only individual products of high quality, but also products from companies they can trust.

However, information about companies and the products and services they offer is still often fragmentary, preventing consumers from making choices that are right and satisfactory for themselves.

## Policies

Regarding transparency, we conduct activities founded on the Kao Way, Kao Business Conduct Guidelines (BCG), and Disclosure Guidelines so that people can easily get the information they need when they need it. This makes it easier to make for individuals to make the right choices for themselves, society, and the planet. And based on that accurate information, we can deepen our dialogue with stakeholders. We will disclose information to all stakeholders in a timely, accurate and

fair manner, aiming to be a company that is trusted and supported by society.

First, transparency must be mainstreamed in all business activities within Kao. We hope that activities can then be expanded and upgraded a step ahead of the scope and level of transparency required by the times, and that transparency will be promoted through the voluntary efforts of employees. We expect that individual movements that began voluntarily blend right in and work together well with each other so that consumers' security and safety will be ensured and a relationship of trust and empathy between companies and consumers will ensue, thereby leading to worthwhile choices for people, society, and the planet.

We will also encourage the integration of each database, which was designed individually for the primary purpose of storing and managing information, and require systemic measures to ensure a smooth two-way flow of information with internal and external stakeholders. We believe that by further enhancing transparency, we can move beyond merely disclosing required information to actively promoting communication and interactive activities that will realize the Kirei Lifestyle Plan (KLP) and lead to "ESG-driven *Yoki-Monozukuri*." We also hope to move closer to the vision set forth in the Kao Way: To be closest to the individual and beyond their expectation.

Since the global COVID-19 pandemic in 2020, many people have become aware of the new value of digital technology, and their daily lives have been changing significantly as a result of the widespread adoption of non-contact and non-face-to-face digital technology in various social activities. Part of that change is how they

access the information they need to guide their consumption behavior and what they actually consume. As such, businesses now place more emphasis on providing value to consumers promptly and in an appropriate way. From that perspective, the power of digital that enables communication not constrained by a specific time or place is essential. We will therefore promote Digital Transformation (DX) for our ESG activities as part of our efforts toward full transparency.

As an enterprise that acts with walking the right path, we aim to become a sustainable company together with various stakeholders, people, society and the planet through the provision of valuable information for science-based products that support consumers' enriched lifestyles.

## Strategy

### Risks and opportunities

#### Risks

If a company is unable to share information that is sufficient in terms of both quality and quantity, at the right time, with a quickly changing market, and with consumers, and if that information is not compatible with the company and the products it offers, then the products to be purchased, or even the company itself, may be excluded from consumers' choices.

# Full Transparency

## Opportunities

People say that the ethical market in Japan is lagging behind that of that in the West in terms of maturity. One cause is that companies in Japan have not provided much information useful for consumers to select ethical products.

“Ethical,” which means performing Earth-, social- and community-conscious behaviors, is an important concept. And it is the concept shared by Kao’s Kirei Lifestyle. If we can integrate appropriate information disclosure with “ESG-driven *Yoki-Monozukuri*” and promptly improve the environment in which consumers can make the right choices in their daily lives, Kao could be a primary driver in developing the ethical market in Japan.

Although Kao has been working for years based on the idea that we should give high priority to providing information to consumers, to date our efforts have not been enough.

Regarding product information, we already provide information about ingredients as well as containers / packaging and environmental impact. This means there is a lot of information we need to manage.

The movement toward transparent information disclosure by businesses is fast becoming more complex. Examples include information that must be disclosed, such as laws and regulations, information on chemicals management, questions about ESG-related information from various rating agencies, the Taskforce on Climate-related Financial Disclosures (TCFD<sup>\*1</sup>) and the Taskforce on Nature-related Financial Disclosures (TNFD<sup>\*2</sup>), which is being developed right now. If we are unprepared for such movements around the world, we will not be able to meet disclosure requirements, leading to a loss in reliability as a company.

On the other hand, if we can respond to what is happening overseas and improve transparency hopefully half a step ahead of our time, we believe it will be possible not only to improve our reliability but to provide outstanding products and services based on feedback from consumers, markets, and investors on the basis of common information.

To stay current with the widespread adoption of non-contact and non-face-to-face digital technology in today’s social activities, we will advance the DX promotion for our ESG activities as part of our initiatives to reach full transparency.

\*1 TCFD: Taskforce on Climate-related Financial Disclosures

\*2 TNFD: Taskforce on Nature-related Financial Disclosures

## Strategy

Kao will further promote *Monozukuri* that factors in ESG perspectives and information in advance (“ESG-driven *Yoki-Monozukuri*”). As such, in addition to the physical performance axis we have always shown, we want to deliver to public view the background and thoughts underlying our products and services.

We also want to develop our transparency-related activities from just responding to external demand (transmitting and answering) to a bilateral communication tool for realizing the KLP. In the response phase, we will need to promote information disclosure, ensure traceability, and develop a user-friendly, readily accessible interface. In the bilateral communication phase, on the other hand, we foresee the need to convey and share our philosophy and suggest customizability to meet consumers’ wants and offer them better lifestyles.

Although we will have to invest a lot of effort even during the response phase in this rapidly changing modern society, we see this project as a short-term, basic goal.

At the same time, we want to lead our transparency-related activities to the following:

- Reduce business risks relevant to ESG and create business opportunities
- Accelerate the integration of ESG with business
- Revitalize in-house activities such as Research and Development

What we think is important here is that improved transparency will be mainstreamed in all business activities within Kao. This means we will have more target items for promoting transparency through the voluntary efforts and new activities that will be established. In doing so, we will surely need to harness the power of digital as mentioned earlier. This will require building a database of valid science-based information and keep it at the ready.

We are proud that the Kao Group’s *Monozukuri* is supported by thorough essential research based on the latest scientific knowledge. For this reason, we can say that Kao’s individual data is extremely reliable, and expect to link that data organically and to create new value and business opportunities.

# Full Transparency GRI 3-3

## Social impact

Obtaining necessary information makes it easier for consumers to choose safe and secure products and services, and lead comfortable lives. In addition, the individual choices of consumers contribute to the SDGs without them being aware of it, and we believe in the need for the environmental impact of these activities to stay within the range that our natural world can safely absorb.

And by providing innovation and new value to the world with appropriate information, we will create new markets and help realize a world that is sustainable and filled with trust.

We expect these efforts to eliminate asymmetries between companies and consumers with respect to the information displayed on products, and increase the number of product choice selection criteria. We believe that consumers and companies accessing the same information will contribute to ESG-driven *Yōki-Monozukuri* in plan & action and the building of a better society.

When consumers choose products that have meaning for them and are safe and reliable based on correct information, it creates opportunities for changed behavior not only for Kao, but for other companies as well. We believe that this will lead to a society where people choose sustainable lifestyles, products, and services that are friendly to the environment and promote biodiversity.

We also believe that as information about issues that arise is shared with the public and becomes visible, new collaborations will form among the individuals, companies and organizations that are entering the market and have the means to resolve those issues.

## Contributions to the SDGs



## Business impact

We believe that when consumers have access to the information they need, and can select products that have meaning for them and are safe and reliable, this will generate opportunities for market expansion, and lead us to take action and develop the right products to meet demand.

In addition, certain retailers select products that incorporate information not only concerning fragrance ingredients, but on other ingredients and the impact they have on the environment. For Kao, undertaking sustainable manufacturing that is friendly to the environment and promotes biodiversity, and promoting product information disclosure, will become more and more important.

Moreover, responding wholeheartedly to increasingly intensified, accelerated, and complex demands for disclosure, such as TCFD and TNFD, and answering written questions to various rating agencies will lead to improved reliability. This will allow us to provide better livelihood support products and services based on feedback from consumers, markets, and investors. Kao regards this trend of demand for disclosure as a benchmark for judging whether we have successfully been solving social issues through our business activities.

## Governance

### Framework

We believe that conveying Kao accurately to all stakeholders will help ensure full transparency. Each managing division promotes activities to enhance transparency.

Of particular importance was our decision to accelerate promotion of these activities from a global, inter-divisional perspective for information relating to products that consumers come in frequent contact with.

To this end, in 2019 we established a task force for disclosing product information in the ESG Promotion Meeting, an organization under the ESG Committee (now the ESG Managing Committee), and it has begun conducting activities focusing first on fragrance ingredient disclosure, for which there is strong global demand. In February 2020, the ESG Committee deliberated on and approved proposals to disclose our Fragrance Policy, and to begin disclosing the names of fragrance ingredients in line with this policy disclosure, as well as deliberating on and approving the targets for 2030.

As of 2022, we have assembled three teams to promote disclosure activities: a team to formulate the general policy and strategy, manage progress, and take care of infrastructure development, and two teams to pursue activities in each business area. Considering the business plan, we are formulating a disclosure plan and moving ahead with organizing information to disclose. We share each other's progress in a plenary meeting held every six months. At the "ESG-driven *Yōki-Monozukuri*" meeting, we shared information on how the issue of information disclosure for products is progressing around the world, and reported on the plan

# Full Transparency

GRI 3-3, 404-2, 417-1

for activities at Kao (as of March) and the progress (as of November) for FY2022 to encourage the members to speed up our disclosure of information. The KPI progress in actual performance for that year has been reported by the ESG Managing Committee.

We also held a meeting about other individual issues once every two weeks to once a month and implemented the PDCA cycle.

**P18** Our ESG Vision and Strategy > Governance

## Education and promotion

Integrity, or walking the right path, is fundamental to the Kao Way, and the basis for the My Kirei Lifestyle. Along with strict observance of laws and regulations, it is considered extremely important that each Kao employee acts with social integrity in accordance with ethics. This attitude is inculcated in Kao employees not only through specific training opportunities, but also through their daily work, and is practiced thoroughly in their daily life.

In addition, in accordance with the “*Genba*-driven” viewpoint set forth in the Kao Way, we learn through dialogue with stakeholders what information consumers the world over need.

## Collaboration with stakeholders

Collaboration with suppliers is essential for enhancing transparency, and we work closely with industry groups to promote product information disclosure.

Moreover, we gather the latest scientific knowledge through ongoing interaction with academics.

We strive to understand the needs of society and the market, not only through direct inquiries from, and

consultations with, consumers relating to product information, but also through dialogue with distributors, NPOs, and NGOs.

## Risk management

Activities related to full transparency will be managed by a task force set up under the ESG Promotion Meeting, a subordinate organization of the ESG Committee.

For this reason, the progress of our activities is reported as needed, and if any problems arise while the activities are underway, they will be reported to and discussed by the superior committee.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

We defined brands as transparent brands when the information that consumers need is available in both quality and quantity. And, we have set the target of making all our brands selling consumer products transparent brands by 2030. We are also looking at how to disclose information in ways that consumers find easier to understand.

### 2022 results

We expanded new disclosure with three brands in total in the Hygiene & Living Care business and Cosmetics business, resulting in a 18% KPI progress rate as of the end of 2022.

Also, we added for disclosure were some items for *SENSAI* in the Cosmetics business, and began disclosure for *athletia* and *SUQQU*.

In order to facilitate more accurate and timely disclosure of fragrance ingredients, we are committed to improving the infrastructure and building an IT system for this purpose.

When we started disclosing names of fragrance ingredients, we would manually carry out all the tasks from the creation of a list of names of fragrance ingredients for disclosure to the reflection of the list on the web page, which required an immense amount of time and effort. Therefore, it was difficult to reflect information in a timely way and we were at risk of human error. To solve these problems, we introduced a function that automatically creates a list of names of fragrance ingredients from the database in July 2021. Since then, we have been using the function for new disclosure and updates.

What we focused our efforts on in 2022 was improving systems related to automatic transfer of the list of names of fragrance ingredients. Passing and receiving data between systems without human intervention offers benefits such as preventing unintended posting errors and cutting the time from creation of information to be disclosed to the disclosure of that information. From November 2021 to September 2022, we had a periodic meeting nearly once a week and advanced the system’s development. In December 2022, we built a mechanism that can reflect data to a specific website with one click.



# Full Transparency GRI 417-1

 Kao online product catalog  
<https://www.kao.com/jp/en/products/>

However, this mechanism has not yet been introduced in some regions in AEMEA (the Americas, Europe, the Middle East and Africa) and Asian countries, so we disclose information only through our brand websites in these regions. In terms of prompt information disclosure, we still have many issues to solve. Brand websites have the advantage that we can express features of and commitment to the brand. In that regard, we view which interface to use for better communication between consumers and the Company according to the type and nature of information as one of our challenges.

Along with the five ingredients of particular interest to society that we disclosed last year, we have also disclosed our approach to alkyl sulfates, formaldehyde-releasing preservatives, 1,4-dioxane and talc on our Japanese and global websites.

**P65** Safer Healthier Products

## Reviews of 2022 results

This year we disclosed the names of fragrance ingredients for three brands.

In our series of disclosure tasks, in 2022 there were still some operations that require human engagement. In 2023 and beyond, we hope to significantly reduce the time required to disclose information, although it will still take some time before we finish preparing the data. However, this does not mean we are aiming to stretch our track record by promoting disclosure in a mechanical way. We would rather determine priority brands strategically when proceeding with our disclosure tasks.

We gather information on fragrance ingredients before formulating a disclosure plan so that the necessary information can be released at any time.

In addition, there has been a recent increase in demands for information, not only relating to fragrance ingredients, but also for other ingredients as well as environmental impact and the overall transparency of our supply chain, and this information must be conveyed to a wide range of stakeholders in addition to consumers. To this end, we will promote further strengthening of internal structures, database enhancement, system linkage and collaboration with internal and external partners, and strive to move up our 2030 deadline for achievement of 100% transparent brands.

# Full Transparency GRI 417-1

## Main initiatives

### Considerations in the product catalog website and individual product websites

We disclose information needed to make decisions about whether products that customers are planning to buy and products that customers already have bought can be purchased and used with peace of mind.

In product catalogs on our website and on individual product websites, we provide information on product features and the ingredients used in products based on scientific evidence.

New disclosure began with three brands in the Hygiene & Living Care business and Cosmetics business. For other brands whose information has been disclosed, we also updated the information about those brands whose fragrance ingredients had been changed. As of the end of 2022, the KPI progress rate is 18%.



Kao online product catalog  
<https://www.kao.com/jp/en/products/>

### Disclosure of Fragrance Policy and names of fragrance ingredients

Kao's Fragrance Policy, issued in May 2020, includes information on our commitment to *Yoki-Monozukuri* and the value we seek to offer through fragrances, and examples of fragrance-related research. In addition, the following three points are listed as disclosure policies.

1. Ensure all of our fragrance formulations are fully compliant with the local regulations of the regions where they are marketed, and ensure that the latest safety data is collected.
2. Only create fragrances using ingredients that are in line with the guidelines set forth by the International Fragrance Association (IFRA).
3. Begin the process of providing information of fragrance ingredients account for 0.01% or more of the product weight.



Fragrance Policy  
<https://www.kao.com/global/en/innovation/safety-quality/fragrance-policy/>

The disclosure threshold (0.01% or more of fragrance ingredients by weight of product) is determined by reference to the SCCS opinion. This standard is consistent with the disclosure standards of peer companies in Europe and the Americas.



SCCS opinion on fragrance allergens in cosmetic products  
<https://www.bibra-information.co.uk/industries/consumer-products>

Based on this basic policy, and in line with the trend in the industry, we began disclosing the names of fragrance ingredients in a total of 19 brands in Japan and the U.S.

### Disclosure of the benefits and safety of chemical substances

In addition to the easily understood information disclosure for consumers and society that we have so far carried out with respect to chemical substances safety, based on our Responsible Chemicals Management Promotion Policy, we began efforts to disseminate information relating to the benefits of chemical substances.

**P253** Responsible Chemicals Management

### Disclosure of policies relating to ingredients regarded as important by society

In 2022, we disclosed our science-based approach to eight ingredients of high social concern aluminum salt, PEG [polyethylene glycol], mineral oil, phenoxyethanol, fluoride, BHT [dibutyl hydroxytoluene], oxybenzone, and octinoxate on our sustainability website.

**P65** Safer Healthier Products

### Supply chain transparency

We are also promoting activities to enhance the transparency of our supply chain. We strive to source our raw materials in a way that protects natural resources, the environment and human rights through supply chain traceability and collaboration with suppliers. We plan to complete traceability confirmation for small oil palm farms by 2025. Starting from 2021, we publish a list of mills from which we source palm oils.

# Full Transparency



2022 mill list  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/progress-2022-001.pdf>

Kao is also working on transparency regarding human rights in the supply chain. In September 2022, with respect to human rights issues in oil palm smallholders, we launched a grievance mechanism in collaboration with Caux Round Table Japan (CRT Japan Committee), a non-profit organization specializing in business and human rights. Starting from approximately 50 farms on the Indonesian island of Sumatra, we will sequentially increase the number of target farms. We will also release relevant inquiry details and results of our response on the Kao website.



Kao Launches Grievance Mechanism for Indonesian Oil Palm Smallholders  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220831-001/>

**P91** Responsibly Sourced Raw Materials

## Employees' opinions

### Toward even faster, more accurate information disclosure



**Yuki Kikuma**

PLMG, Enterprise Business Excellence, Enterprise Information Solutions, Global, Kao Corporation

While fragrances are produced by combining multiple fragrance raw materials into concoctions, they are also used as raw materials included in the formulation of products such as detergents and shampoos. For us, how to manage the complex structures of such fragrances and the ingredients they contain, as well as the product formulations, with a system was an important point. I participated in a project for disclosing names of fragrance ingredients as a member of the IT division. In that project, I had many

consultations on how to realize the management system with the people involved, such as fragrance researchers and staff responsible for product catalogs. We clarified each responsible person's workflow up to disclosure of fragrance ingredients and performed many tests on which part of the flow should be automated in the system. In this way, we worked hard to deliver fragrance information to customers simply, accurately and fast. As a result, we successfully produced a system that directly links fragrance development data to product catalogs, which was a vast improvement over the conventional system. I am pleased with our contribution to the transparency activities. Because our transparency-related activities will continue to intensify, we will keep doing our best to provide a variety of product information, not only fragrance information, in a timely manner so we can meet our customers' wishes for Kao products.

# Respecting Human Rights GRI 2-23

We support and respect international rules relating to human rights, and have developed the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights, and are working to achieve zero human rights violations in all of our corporate activities. The Kao Human Rights Policy was first published in 2015, and was revised in 2021 with the approval of the ESG Managing Committee, which is supervised by the Board of Directors, to reflect social trends and express Kao's commitment more strongly. The policy targets all business activities, including M&A and new projects.

## Social issues

Human rights are fundamental rights, and in a world of diverse values, it is important to build a society in which people respect one another's human rights, and where no one has to suffer from prejudice or discrimination.

Corporate activities are closely linked to the human rights of a wide range of people, including employees, business partners, consumers, and local communities. Under these circumstances, the risk of human rights violations occurring cannot be said to be zero.

For example, "Global Estimates of Modern Slavery: Forced Labour and Forced Marriage," a report on forced or compulsory labor and forced marriage published in September 2022 by the ILO, the international human rights organization Walk Free Foundation, and the International Organization for Migration (IOM), estimated that 28 million people worldwide were in forced or compulsory labor as of 2021. The increasing globalization of business activities has highlighted the risk of forced or compulsory labor among suppliers in developing countries, and it is important for companies to emphasize respect for human rights. Within the workplace, there is a need for mechanisms to support diverse work styles, including working from home, which has increased in the wake of COVID-19, as well as initiatives to leverage the diverse value sense of employees and prevent discrimination. For consumers, if advertising expression infringes on human rights, the human rights of consumers will be directly violated by the advertisements. And if advertisements reposted by consumers on social media incorporate content that

infringes on human rights, consumers may be indirectly complicit in human rights infringement.

We also recognize that global issues such as climate change are closely linked to human rights.

More than ten years have passed since the UN Guiding Principles on Business and Human Rights were approved, and there is an increasing emphasis on corporate human rights initiatives, with discussions, particularly in Europe, to legislate corporate human rights initiatives and their disclosure. Companies have a responsibility to respect human rights. We need to identify human rights risk, implement corrective action when human rights violations have emerged, and continue making an effort to reduce the risk and prevent human rights violations from occurring.

Across all of our corporate activities, we aim to reduce human rights violations to zero, and to solve problems promptly when they unintentionally occur. In particular, we recognize that the two issues of supply chains, including for palm oil, and employee human rights are major social issues for us.

We also recognize the need to accelerate and scale up our efforts to achieve sustainable development goals (SDGs) by 2030.

## Policies

Kao's mission is to create a Kirei life for all—providing care and enriching the lives of all people and the planet. Respect for human rights is essential to achieving this mission.

Across all of our corporate activities, we aim to reduce human rights violations to zero, and to solve problems promptly when they unintentionally occur. Kao promotes respect for human rights in accordance with the Kao Human Rights Policy and other policies as follows.

- Kao Human Rights Policy  
Declaration of our commitment to strive to fulfill our responsibility to respect human rights in all our corporate activities
- Kao Business Conduct Guidelines  
Commitment to respect human rights and the elimination of child labor, human trafficking, and forced or compulsory labor
- Policies for Procurement  
Commitment to fulfilling our social responsibility through procurement that respect human rights
- Partnership Requirements for Suppliers  
Requirements for suppliers to prohibit forced or compulsory labor, child labor, and illegal labor as human right and labor requirements
- ESG Promotion Activities with Suppliers  
Specified activities to grasp the risks associated with human rights and the environment in the supply chain, and make improvements together with suppliers
- "High-Risk" Supply Chain Management and Sourcing  
Specified approaches for solving essential issues regarding human rights and the environment in high-risk supply chains
- Support the CGF's\* Forced Labour Resolution and its Priority Industry Principles.

# Respecting Human Rights GRI 2-23

In addition, we have established a compliance hotline for internal and external reports and consultations. The Compliance Committee plays a central role in discussing and investigating reports and consultations received and takes appropriate steps in response as necessary.



## Kao Human Rights Policy

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

## Kao Business Conduct Guidelines

<https://www.kao.com/global/en/corporate/policies/compliance/business-conduct-guideline/>

## Policies for Procurement

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

## Partnership Requirements for Suppliers

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-partnership-requirements.pdf>

## ESG Promotion Activities with Suppliers

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-esg-promotion-activities.pdf>

## "High-Risk" Supply Chain Management and Sourcing

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supply-chain-management.pdf>

## Support the CGF's\* Forced Labour Resolution and its Priority Industry Principles.

<https://www.kao.com/global/en/sustainability/topics-you-care-about/humanrights/>

## Compliance Hotlines

<https://www.kao.com/global/en/corporate/policies/compliance/compliance-contact/>

\* CGF: The Consumer Goods Forum

## Strategy

### Risks and opportunities

#### Risks

By conducting risk assessments, we recognize that there are risks like those shown in the "Kao Group risks specified through risk assessments" chart, and in particular, high risks relating to the people who we work with, consumers and customers. We conduct periodic risk assessments to evaluate the status of these risks.

#### Short-term:

- Risk of penalties for failure to comply with laws and regulations such as the UK Modern Slavery Act
- Risk of manufacturing products under poor working conditions that can harm workers' health or cause quality problems
- Risk of reputation damage from advertising with inadequate human rights considerations

#### Medium-term:

- Risk of negative impact on purchasing behavior due to damage to Kao Group's credibility caused by lack of consideration for human rights
- Risk of reduced employees motivation and loyalty, resulting in a negative impact on productivity and increased turnover
- Risk of increased turnover negatively affecting recruitment efforts

#### Long-term:

- Risk of losing the trust of society and being unable to continue as a business due to loss of human capital and failure to address social issues

### Opportunities

#### Short-term:

- Opportunities for sales promotion through sympathetic advertising messages that take human rights into account

#### Medium-term:

- Opportunities to establish and maintain good relationships of trust with business partners and positively influence purchasing behavior by increasing confidence in Kao Group
- Opportunities for Kao Group to build and maintain a strong supply chain by increasing respect for human rights among business partners
- Opportunities to increase employees' motivation and loyalty, thereby increasing productivity and reducing turnover
- Opportunities to increase sales and human capital acquisition through improved reputation and empathy for the initiatives being implemented

#### Long-term:

- Opportunities for Kao Group to gain broad public sympathy for its stance and initiatives and to strengthen its initiatives to respect human rights, thereby raising awareness of human rights throughout society and contributing to the realization of a society in which no one suffers from discrimination or inequality

# Respecting Human Rights GRI 2-23

## Strategy

Respecting human rights is an indispensable and important fundamental activity for Kao Group in fulfilling its Commitment to the Future while paying due attention to social issues. In addition, as part of the Mid-term Plan 2025 (K25), we will specifically contribute to Policy 1: Become an essential company in a sustainable world and Policy 3: Maximize the power and potential of employees.

Initiatives to respect human rights are implemented according to the Kao Human Rights Policy.

Recognizing the diversity of human rights issues, the Human Rights and DE&I Steering Committee holds interdepartmental discussions to set direction, promote employees' awareness through awareness-raising, and drive initiatives in each department to achieve the goal of zero human rights violations.

To identify human rights risks, we examine what risks exist in the Kao Group and also conduct risk assessments. As a KPI, we have set the risk assessment implementation rate for Kao Group, suppliers, and on-site subcontractors, and are working to improve the implementation rate. We also ask suppliers and on-site subcontractors to participate in risk surveys and, based on the results, conduct more detailed surveys or audits if we determine that the risks are significant.

Through this risk assessment, we identify risks and address actual or potential adverse impacts on human rights in order to achieve zero human rights violations.



Our Purpose and Value Creation  
<https://www.kao.com/global/en/corporate/purpose/>

Management Strategy and Mid-term Plan 2025 (K25)  
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

## Social impact

Expanding company measures to ensure respect for human rights contributes to enhanced awareness for human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among stakeholders enhances awareness for human rights in society as a whole, mitigates human rights problems such as forced labor, and can also prevent negative environmental impact by reducing indiscriminate development in developing countries. Providing products and services made with consideration for human rights reduces the chances of consumers indirectly infringing on human rights and leads to less human rights violations in society as a whole.

Failure by companies to respect human rights can lead to human rights violations, which in some cases can have a significant impact on society, not to mention those who suffer from such violations.

In the Kao Human Rights Policy, we declare our commitment to human rights in all of our corporate activities. The Kao Business Conduct Guidelines (BCG), which represent the Kao Group's code of conduct, emphasize the need to conduct fair, honest and appropriate transactions, to respect human rights through all company activities, and to respect employees' diversity. We promote fair and equal procurement activities, and ask our suppliers to adopt the same initiatives we do, as set forth in our Partnership Requirements for Suppliers. In addition, we promote *Yoki-Monozukuri* throughout our supply chain, and state clearly in our ESG Promotion Activities with Suppliers that we monitor supplier compliance.

When problems do arise unintentionally, we work to resolve them without delay. We have set up compliance hotlines, etc. to which stakeholders can submit their

views, and when problems start to manifest themselves, we take steps to address them through collaboration between related units.

By working together with a wide variety of stakeholders to implement measures that strengthen respect for human rights, rather than just Kao working alone, and by striving to prevent and mitigate human rights risk, we are able to get closer to our goal of reducing human rights violations to zero, while also contributing toward the realization of our mission, as declared in the Kao Way: As one, we create a Kirei life for all, providing care and enrichment for the life of all people and the planet.

By promoting respect for human rights throughout our corporate activities, we will safeguard the rights of people who we work with, enhance productivity, and earn the trust of consumers.

## Contributions to the SDGs



## Business impact

Corporate human rights initiatives are under increasing scrutiny, and when inadequate initiatives result in human rights violations, corporations are exposed to direct litigation risks and bear the financial burden of legal costs, recovery expenses, etc. There is also greater probability of severe damage to our company image, a lower reputation among consumers, weakened employee loyalty, and loss of trustworthy relations with business partners and suppliers.

Continuing to identify, prevent or mitigate human rights risks in our business activities not only avoids

# Respecting Human Rights GRI 2-23, 2-24, 2-25, 3-3, 404-2

direct economic losses but also contributes to increasing opportunities for consumers to choose our products through their support for our corporate approach, reduces procurement risks by strengthening trust with suppliers, increases opportunities for recruiting talented individuals, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Kao aims to reduce and prevent adverse impacts on human rights, starting with risk assessments, and to achieve zero human rights violations.

## Governance

### Framework

Under the supervision of the Board of Directors, risk management in relation to respect for human rights is carried out by the Internal Control Committee and opportunity management is carried out by the ESG Managing Committee. These committees are both headed by the President & CEO.

Risk management related to respect for human rights is carried out by the Internal Control Committee (which meets twice a year) and its subordinate body, the Risk & Crisis Management Committee (which meets four times a year). These committees are headed by the Executive Officer Responsible for Corporate Strategy.

The ESG Managing Committee (which meets six times a year) is responsible for managing opportunities related to respect for human rights. Comprising outside experts, the ESG External Advisory Board provides advice and suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to

be reflected into management, and the ESG Promotion Meeting executes the strategies.

In addition, the Human Rights and DE&I Steering Committee, under board-level ownership, has also undertaken strategy formulation and implementation planning and is working to ensure reliable and rapid execution. The committee will also establish three working groups (employees, business partners, and community) to set goals and implement initiatives in each working group and related departments. Whenever there is a need to coordinate efforts to prevent or mitigate negative human rights impacts with the missions and business objectives of individual business divisions, the Human Rights and DE&I Steering Committee discusses the issue with the goal of pursuing activities without omitting any.

As human rights issues are so multifaceted, various different units are implementing individual initiatives in this area, depending on the specific stakeholders concerned and the individual topics. Regarding initiatives that relate to our employees, Corporate Strategy plays a central role in implementing initiatives relating to workplace safety and security, while Human Capital Strategy plays a key role in initiatives related to building inclusive and diverse workplaces. Procurement's main responsibility is supplier-related initiatives. The aspect that most directly relates to consumers is the human rights concerns related to representation in advertising. Consumer Products Business and Creative have responsibility for this aspect. In addition, we have set up compliance hotlines to receive reports and requests for consultation from both within and outside our company to facilitate prompt remediation of human right violations.

The Executive Officer in charge of the ESG Division has overall responsibility for our human rights initiatives.

The ESG gathers information on the overall human rights initiatives and reports once a year to the ESG Managing Committee and the ESG Promotion Meeting, which are supervised by the Board of Directors.

With regard to the risk assessment process, the Human Rights and DE&I Steering Committee examines possible risks assumed by Kao across departments and conducts risk assessments based on the opinions of external experts.

\* The members of the Human Rights and DE&I Steering Committee are drawn from the Human Capital, Legal, Business, Procurement, Supply Chain Management (SCM) and ESG divisions. They meet approximately once a month.

**P18** Our ESG Vision and Strategy > Governance

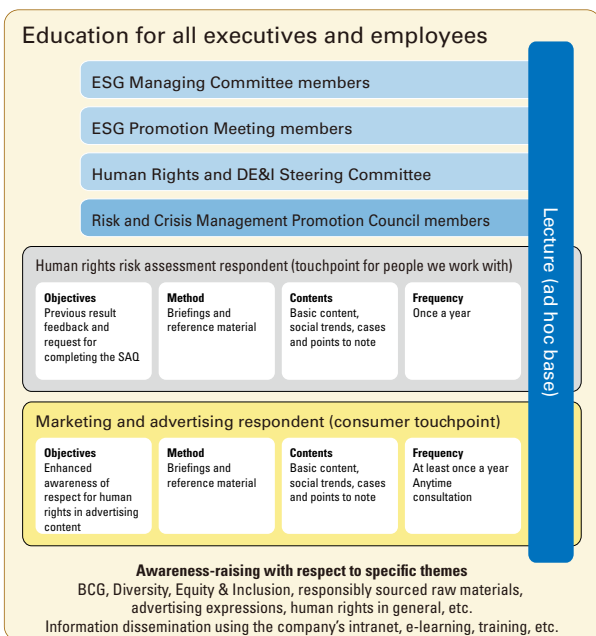
### Education and promotion

To reduce human rights violations to zero, we must prevent and mitigate human rights risks in every aspect of our corporate activities. Moreover, it is important to ensure that every employee has an in-depth understanding of human rights issues, and to implement measures to foster respect for human rights. To this end, we provide information, education, and training in accordance with the Kao Human Rights Policy, and we are also developing the human rights section of the Kirei Lifestyle Plan Lecture, an e-learning program that provides essential knowledge for promoting the Kirei Lifestyle Plan (KLP). We also provide education and training on specific themes, such as compliance, responsible procurement, workplace safety and security, and human capital diversity, taking advantage of various opportunities. The Human Rights and DE&I Steering Committee will discuss more effective program development to further deepen

# Respecting Human Rights GRI 2-24, 2-25, 3-3, 404-2

employee understanding and promote human rights considerations in each employee's work.

- Raise awareness of the importance of respecting human rights in the BCG (Global)
- Raise awareness of the importance of respecting human rights through the company intranet (Global)
- Raise awareness of human rights in accordance with the characteristics of the business (Japan)
- Initiatives for deepening understanding of racial discrimination issues and diversity



## Collaboration with stakeholders

We implement initiatives that promote respect for human rights in all of our corporate activities. The Kao Human Rights Policy states that "We consult with the relevant stakeholders on responses to potential and actual impacts on human rights." We recognize the importance of continuing to raise the level of our activities through dialogue with our employees, suppliers, consumers, local communities and a wide range of other relevant stakeholders with regard to our human rights initiatives.

In dialogue with stakeholders, it is important to hear from parties affected by human rights violations. In addition to those directly involved, we engage in sincere dialogue with experts, NGOs and others who can speak on behalf of those affected by human rights violations.

We utilize a variety of opportunities and methods to ensure that our policies and ethical standards are understood by our employees, suppliers, consumers, shareholders, business partners, local communities and government agencies.

For employees, we strive to understand on-site issues and employee attitudes through the annual Kao Forum, Employee-Management Meetings, and employee engagement surveys. For suppliers, we introduce our activities and engage in an exchange of views at vendor summits. We issue plant site reports to introduce plant activities and gain the understanding of local communities. We also create opportunities for local residents to provide input.

To foster two-way communication with experts, we participate in dialogue with experts from outside Japan organized by the Caux Round Table Japan (CRT Japan) and exchange views with influential thoughts leaders in the global discussion on business and human rights. Through communication with Mr. Hiroshi Ishida,

Executive Director of the CRT Japan, we have recognized the need to promote initiatives for foreign workers and have begun surveying actual situations at on-site subcontractors.

**P204** Human Capital Development > Improving employee engagement

## Risk management

Due to the diversity of human rights issues, they can affect a wide range of stakeholders. We examine and summarize the human rights risks that exist for each of our stakeholders.



# Respecting Human Rights GRI 2-24, 2-25, 3-3

## Kao Group risks specified through risk assessments (those with high risk are underlined>)

	Research and Development	Procurement	Production	Marketing	Logistics	Sales	Disposal	Corporate (Business support)	
Stakeholders	People who we work with (Kao regular and contracted employees, temporary workers, subcontractor employees, affiliate employees and supplier employees) (includes women and migrant workers)	<ul style="list-style-type: none"> <li>Forced or compulsory labor</li> <li>Human trafficking</li> <li>Child labor</li> <li>Poor working conditions</li> <li>Restriction of freedom of association and collective bargaining</li> <li>Inadequate wages (non-payment, or wages below the living wage)</li> <li>Discrimination (age, origin, nationality, foreign and migrant workers (including technical intern trainees), race, discrimination against women, gender, discrimination against members of the LGBTQ+ community, disability and illness, pregnancy / nursing)</li> <li>Any form of harassment</li> <li>Lack of DE&amp;I consideration</li> <li>Equal pay for equal work</li> </ul>	<ul style="list-style-type: none"> <li>Unhygienic accommodations provided by the company</li> <li>Poor working environment, forced or compulsory labor or child labor on oil palm farms</li> </ul>	<ul style="list-style-type: none"> <li>Unhygienic accommodations provided by the company</li> </ul>				<ul style="list-style-type: none"> <li>Invasion of employees' privacy</li> <li>Discriminatory hiring practices</li> </ul>	
	Business partners	<ul style="list-style-type: none"> <li>Deterioration in business partners' working environment due to abuse of Kao's dominant position</li> </ul>							
	Consumers and customers (including women, children and senior citizens)	<ul style="list-style-type: none"> <li>Adverse impact on health or safety due to product design issues</li> </ul>			<ul style="list-style-type: none"> <li>Invasion of customers' privacy</li> <li>Adverse impact on children, senior citizens or women due to inappropriate advertising or promotion</li> </ul>		<ul style="list-style-type: none"> <li>Invasion of customers' privacy</li> <li>Misleading customers through inaccurate statements</li> <li>Misidentification caused by inappropriate packaging and labeling</li> </ul>		
Local communities and indigenous people	<ul style="list-style-type: none"> <li>Harm caused to indigenous inhabitants' culture, traditions, or livelihoods due to construction of plants, etc.</li> <li>Damage caused to ecosystems or local communities due to the construction and/or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, and waste gas discharge)</li> </ul>	<ul style="list-style-type: none"> <li>Harm caused to indigenous inhabitants' culture, traditions, or livelihoods due to construction of plants, etc.</li> <li>Damage caused to ecosystems or local communities due to the construction and/or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, and waste gas discharge)</li> </ul>	<ul style="list-style-type: none"> <li>Harm caused to indigenous inhabitants' culture, traditions, or livelihoods due to construction of plants, etc.</li> <li>Damage caused to ecosystems or local communities due to the construction and/or operation of plants, etc. (including damage to health resulting from plant construction, impact on the water supply, wastewater discharge, and waste gas discharge)</li> </ul>		<ul style="list-style-type: none"> <li>Damage to health caused by leakage of harmful substances during transportation</li> </ul>	<ul style="list-style-type: none"> <li>Damage to health and adverse impact on people's lives caused by mistaken use of products</li> </ul>	<ul style="list-style-type: none"> <li>Damage to health caused by leakages of harmful substances at the time of disposal</li> </ul>	<ul style="list-style-type: none"> <li>Business practices that fall short of internationally recognized human rights standards</li> </ul>	

These risks are reviewed regularly, and in FY2022, the Human Rights and DE&I Steering Committee members reviewed and compiled the risk assessment table, taking into account the opinions of experts.

Of the items listed, we prioritize our response to those that will have a serious impact on stakeholders if the risk materializes. Focusing on the people who we work with who are most affected by infringements, we conduct risk surveys of our employees and suppliers to reduce and prevent adverse impacts. Kao also recognizes the importance of mitigating the risk of human rights violations in advertising, because we publish a large number of advertisements. We have internal mechanisms in place to ensure that multiple checks are performed when creating advertising expressions.

In order to deepen our understanding of human rights issues even in normal times, we also create opportunities to hold dialogues with NPOs and experts and share them internally.

We also have an internal crisis management framework in place to respond quickly if a human rights violation is identified. A response process for compliance hotline reports is in place for compliance violations, etc. In addition, we comply with the corporate risk management systems for risks that may affect quality issues and reputation. For example, if the company believes that its reputation will be adversely affected by criticism of its advertising statements, the company will follow a predetermined procedure, report the matter internally, set up a countermeasure team according to the state of emergency, and respond promptly and appropriately.

**P33** Our ESG Vision and Strategy > Risk Management

# Respecting Human Rights

GRI 2-24, 2-25, 3-3, 412-1, 412-3

## Integration into corporate risks

On behalf of the Kao Group, the secretariat of the Risk & Crisis Management Committee (Risk Management & Responsible Care) conducts comprehensive and topical risk surveys on each division and subsidiary to identify key risks and adjust measures. In principle, the division in charge takes the lead in addressing these risks, but cross-organizational and common risks are addressed in collaboration with related divisions to strengthen the response and are treated as corporate risk issues as appropriate.

Risks related to respecting human rights are managed within the corporate risk management framework, including responses to NPOs, consumer groups, and foundations (EMF, etc.), reputational responses, and actions that damage the Kao brand in the supply chain.

**P278** Risk and Crisis Management > Governance

**P280** Risk and Crisis Management > Risk surveys

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

In all of our corporate activities, we aim to reduce human rights violations to zero and to resolve issues speedily if human rights violations do emerge unintentionally. To this end, we use human rights due diligence and awareness-raising activities to deepen stakeholders' understanding of human rights and continue to identify, prevent, and mitigate human rights risks in Kao's corporate activities.

We conduct risk assessments to identify human rights risks. The goal for our internal risk assessment implementation rate is always 100%. We believe that respect for human rights requires constant and ongoing commitment. Meanwhile, we have started by asking suppliers and on-site subcontractors to collaborate on risk surveys with an implementation rate of 62% and approximately 15%, respectively, as of 2022. We plan to continue to strengthen our efforts and further increase the implementation rate each year.

### 2022 results

#### Human rights due diligence Internal

The Human Rights and DE&I Steering Committee conducted a human rights due diligence potential risk assessment workshop and reviewed human rights risks for each stakeholder across departments. As a result of the workshop, two important human rights themes for Kao were identified: foreign workers in Japan (including those at subsidiaries or affiliates and in the supply chain) and working conditions of producers and farmers from whom Kao procures raw materials.

##### (1) Risk assessment

- We conducted a survey of all Kao Group companies (56 companies) using the Sedex\* Self-Assessment Questionnaire (target company response rate: 100%).
- We conducted a survey of all Kao Group production sites (41 plants) using the Sedex\* Self-Evaluation Questionnaire (response rate of target plants: 100%).

##### (2) Risk identification and remediation

The results obtained in the risk assessment of the Kao Group worksites did not indicate that Kao had caused or contributed to any adverse impact on human rights, such as forced labor or child labor. Therefore, there are no cases of sites making improvements or conducting remediation procedures.

##### (3) Status verification

This year, we identified risks through risk assessments and potential risk assessment workshops.

##### (4) Review of rules and standards

Although Kao Group companies, excluding production sites, had been surveyed using Kao's own Human Rights Checklist until 2021, we have switched to Sedex\*, which is operated by a third party and has a high degree of objectivity, in order to make the survey more reflective of society's expectations.

# Respecting Human Rights

GRI 2-25, 412-1, 412-2, 412-3

\* Sedex: Supplier Ethical Data Exchange.

A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection, and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains

## Suppliers

- We are requesting all of our direct global suppliers to join Sedex, reply to its questions, and grant us data access privileges.
- By the end of 2022, 88% of global transactions (by value) were conducted with Sedex member companies (including alternative programs and Kao SAQ).
- Of the 1,221 sites that had been granted access privileges and replied to Sedex's new Self-Assessment Questionnaire as of December 2022, 24% received an S ranking and 38% received an A ranking in the overall evaluation of Sedex's supplier risk assessment.

**P91** Responsibly Sourced Raw Materials

## Contractors

- As for contractors, we started performing risk surveys using Sedex for on-site subcontractors at production sites in 2021, and the implementation rate of risk assessment was approximately 15% in 2022.
- We conducted on-site interviews with foreign workers (including technical intern trainees) who work for on-site subcontractors at the Wakayama and Toyohashi plants.

## Remediation

- We established hotlines for employees, suppliers and contractors, and support desks for consumers to receive reports and requests for consultation.
- We commenced operations of the grievance mechanism for oil palm smallholders in Indonesia in September 2022.
- To introduce the grievance mechanism for foreign workers employed by on-site subcontractors at each plant, we considered the target workers.

**P91** Responsibly Sourced Raw Materials

## Education Employees

- We disseminated Kao Business Conduct Guidelines (BCG) training, compliance training, and compliance case studies to raise awareness of the concept of respect for human rights.
- We have posted material that addresses human rights, Diversity, Equity, & Inclusion topics on the company intranet to raise awareness among employees.
- We continued the Human Rights section of the Kirei Lifestyle Plan Lecture.
- We conducted various projects in conjunction with World Human Rights Day, including publishing a special issue of the ESG Trends Newsletter, displaying awareness-raising posters at business sites inside and outside Japan, and displaying quizzes on human rights on the tables in the Kayabacho Office cafeteria.
- We conducted training tailored to the characteristics of each business, such as considering human rights when creating advertisements in the Consumer Products Business and ensuring respect for human

rights in sales activities in the Kao Group's Customer Marketing Group.

- We have continued to implement LGBTQ+ study sessions and ALLY\* recruitment, as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.
- We implemented initiatives to deepen understanding of racial discrimination issues and diversity in the Americas, Europe, the Middle East, and Africa (AEMEA).
- We conducted a lecture on Diversity, Equity, & Inclusion by Ms. Tsukiko Tsukahara, President of Kaleidist K.K. and Co-Chair of G20 EMPOWER Japan, at the ESG Management Committee.

\* ALLY: A person who understands and supports LGBTQ+

**P91** Responsibly Sourced Raw Materials

**P161** Effective Corporate Governance

**P209** Inclusive & Diverse Workplaces

## Suppliers

- At vendor summits, we conducted awareness-raising activities with respect to human rights risks.

**P91** Responsibly Sourced Raw Materials

## External

- We presented Kao's initiatives to raise awareness of human rights issues related to the palm oil supply chain to a social studies class on industrial production in Japan at Saitama University Elementary School.

# Respecting Human Rights GRI 2-25, 412-1, 412-3

## Dialogue and consultation

- We communicated with stakeholders by participating in dialogues with experts from outside Japan organized by the Caux Round Table Japan (CRT Japan).
- We exchanged information with experts from other companies, NPOs, international organizations, and government agencies through participation in the Global Compact Network Japan, the Social Sustainability Working Group in the Japan Sustainability Local Group of the Consumer Goods Forum (CGF), and the Japan Sustainability Local Group (JSLG).

## Information disclosure

- Information about our initiatives is shared with consumers using our website, etc.
- In 2015, the “Act to make provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims; to make provision for an Independent Anti-slavery Commissioner; and for connected purposes” (the Modern Slavery Act 2015) was enacted and came into effect in the U.K. A statement noting the measures taken by the group in relation to the act has been posted on our website.
- We submitted a statement from Kao Australia Pty. Limited to the Australian government in response to the Modern Slavery Act 2018 (Commonwealth), which was enacted in Australia in 2018.
- We started preparing the Kao Human Rights Policy Appendix as a document explaining the contents of the Kao Human Rights Policy. The document will be released in 2023.

## Reviews of 2022 results

Through our corporate activities, we aim to reduce human rights violations to zero, and to resolve the issues speedily if human rights violations do emerge unintentionally. We believe that the situation of human rights violations can be determined from human rights risk surveys and feedback from society to the company, and we conduct risk surveys and operate a grievance mechanism. Our goal is to achieve a 100% response rate for human rights due diligence for the Kao Group, suppliers, and on-site subcontractors by 2030. In 2022, the survey implementation rate was 100% for the Kao Group, 62% for suppliers, and approximately 15% for contractors.

The investigation did not reveal any serious human rights violation risks, such as forced labor or child labor, in the Kao Group. We will continue to share Kao Group’s ideas on our Partnership Requirements for Suppliers and ESG Promotion Activities with Suppliers with suppliers and ask for their cooperation, with the aim of obtaining a 100% assessment implementation rate. This year, approximately 38% of suppliers had low assessment results, and we will be seeking improvements from these suppliers. The assessment implementation rate with respect to contractors was higher than 14%, which was our target in this year. We will continue our efforts to gain their understanding and cooperation next year and beyond.

In parallel with the broad rollout of the human rights risk survey, further research (interviews) was conducted on foreign workers, which was identified as an important human rights theme during the potential risk assessment workshop. The interviews were conducted by Caux Round Table Japan (CRT Japan), a non-profit organization working in the field of business and human rights, with foreign workers (including technical intern

trainees) at partner companies of two Kao Group plants. According to the results, the relationship between the company and the workers was assessed as good and no problems were found at this time, including with regard to the working environment and the payment of wages. On the other hand, because foreign workers tend to be placed in vulnerable positions, we increased awareness of the necessity of the introduction of the grievance mechanism. In the next year and beyond, we will check the status of human rights violations based on the feedback obtained from assessments, the Consultation Hotline and the operation of the grievance mechanism in the palm oil supply chain, and continuously try to identify, prevent and reduce human right risks.

- Interviews with foreign workers: We examined issues from the perspective of forced or compulsory labor, living wages and occupational safety.
- Compliance Hotlines: 488 cases of reports and consultations were received regarding harassment, communication problems, labor conditions, and work conditions throughout the year.
- Grievance mechanism in the palm oil supply chain: Approximately 100 requests and inquiries were received on the certificate system, palm production and sustainable farming.

For details on the Compliance Hotlines and the grievance mechanism in the palm oil supply chain, follow the link.

**P161** Effective Corporate Governance

**P91** Responsibly Sourced Raw Materials

# Respecting Human Rights

GRI 2-25, 412-1, 412-2, 412-3, 414-1, 414-2

## Main initiatives

### Human rights due-diligence process

We are making efforts to investigate and identify human rights risks involving the group, including forced labor, workplace labor conditions and discrimination.

We strive to identify, prevent and mitigate negative human rights impacts by conducting risk assessments of various items (including internal, supplier, contractor and new business transactions, such as mergers and acquisitions). We then review the results and identify risks.

### Initiatives in the group

#### Conducted workshop on human rights due diligence and potential risk assessment

We conducted a workshop for the Human Rights and DE&I Steering Committee. Thirty participants from various divisions were divided into groups to discuss human rights risks in Kao's overall corporate activities. The results are reflected in the above-mentioned revision of "Kao Group risks specified through risk assessments." As a result of the workshop, the experts identified foreign workers in Japan (including those at subsidiaries or affiliates and in the supply chain) and working conditions of producers and farmers from whom Kao procures raw materials as important human rights themes for Kao. In response, we conducted interviews with foreign workers from on-site subcontractors at the Wakayama and Toyohashi plants.

### Implementation of risk assessment

Each year, Sedex, a global business ethics information-sharing platform, is used to conduct risk assessments for Kao sites around the world.

In 2022, we achieved a 100% response rate with 41 plants and 56 subsidiaries. The results obtained did not show any serious human rights violation risks at either our production sites or our group companies. There are therefore no cases of mitigation being implemented.

### Initiatives in the supply chain

#### New clauses relating to concern for the environment and for human rights added to standard contract with suppliers

In 2012, new clauses relating to concern for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

### Request for self-assessment and monitoring

Since 2008, suppliers have been required to perform self-assessments of their conformity with the Partnership Requirements for Suppliers, which we then monitor. Since joining Sedex in 2014, we have held presentations to explain Sedex to suppliers, and we continue to request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights. By the end of 2022, 88% of global transactions (by value) were conducted with Sedex member companies (including alternative programs\* and Kao SAQ).

\* EcoVadis and other survey programs used as alternatives to Sedex

**P91** Responsibly Sourced Raw Materials

### Field interviews with foreign workers employed by on-site subcontractors

The Caux Round Table Japan (CRT Japan) conducted face-to-face interviews with technical intern trainees working at the Wakayama plant and managerial staff and supervisors from the employing companies. Technical intern trainees have commented that with the support of the employing company's employees, they appreciated the good work and living environment in place.

At the Toyohashi plant, field interviews were conducted with foreign workers from three on-site subcontractors and supervisors from each company. Results of interviews conducted by the CRT indicated the working environment as highly satisfactory because they had established good relationships with Japanese staff and were assured of fair wages and a living wage.

Although no significant negative human rights impacts were identified in either interview, we increased awareness of the necessity of the introduction of the grievance mechanism for foreign workers who tend to be placed in vulnerable positions.

# Respecting Human Rights

GRI 2-25, 412-2, 412-3, 414-2

## Remediation

### Launched the operation of a grievance mechanism for oil palm smallholders in Indonesia

The grievance mechanism for independent small oil palm farms in Indonesia has been in operation since September 2022.

**P91** Responsibly Sourced Raw Materials

### Studying the implementation of a grievance mechanism for foreign workers employed by on-site subcontractors at the plant

In response to the written contributions of Mr. Hiroshi Ishida, Executive Director of the Caux Round Table Japan (CRT Japan) in the 2021 Sustainability Data Book, Sustainability Report 2022 and subsequent engagements, we have recognized the importance of interacting with foreign workers and establishing a grievance mechanism. To address these issues, we have been preparing to implement a grievance mechanism for foreign workers employed by on-site subcontractors who are considered to be in a vulnerable position. In 2022, we promoted communication with on-site subcontractors for the early introduction of the grievance mechanism.

## Education and promotion

### Raising awareness of the importance of respecting human rights using the BCG (Global)

We implement educational activities to deepen employees' understanding of the BCG, which set out our approach to ensuring respect for human rights among employees in all of our group companies. We conducted compliance training for new employees and new managers, and harassment prevention training at

the request of divisions. We also shared other compliance case studies on the intranet to promote dialogue based on recent cases and to increase tolerance of diversity. In addition, we performed BCG confirmation testing at subsidiaries outside Japan. We have also promoted activities to create a more workplace-friendly culture by having the chairperson of the Compliance Committee and other responsible persons within and outside Japan send an annual compliance message to the entire Group, including subsidiaries outside Japan, to cultivate the ability to recognize when something is not right in the workplace and to praise the courage to speak up against it.

**P161** Effective Corporate Governance

### Raising awareness of the importance of respecting human rights through the company intranet (Global)

To stimulate employee interest, we share information on human rights issues through intranet posts and e-mail newsletters.

This year, we focused in particular on further developing the human rights section of the Kirei Lifestyle Plan Lecture, an e-learning course on Environmental, Social and Governance (ESG) issues that was released in 2021. The lecture introduces human rights-related news events from around the world and our efforts, for example, to support oil palm smallholders. It gives employees an opportunity to deepen their understanding of business and human rights and consider the relationship between their own work and human rights. As a result of distributing a special issue of the ESG Trends Newsletter on World Human Rights Day (December 10) and putting up

posters internally, enrollment in the course increased by 89%, with participants commenting that they wanted to learn more about not only racial discrimination, but also gender discrimination, minority discrimination, and lookism, and that they realized that there were areas that they still did not fully understand.

### Raise awareness of human rights in accordance with the characteristics of the business (Japan)

We have human rights awareness programs in place in each of our divisions in relation to their respective operations. The Kao Group Customer Marketing Group, a sales company, conducted a company-wide human rights awareness and confirmation test focusing on content related to sales activities. The awareness program was administered to 11,378 employees, and all employees who were not working in stores responded to the test. We received comments in the post-survey, such as, "I now know that I need to be extra careful in business meetings, product introductions, business meeting materials, and at points of purchase." The Consumer Products Business has developed an e-learning course on how to consider human rights in advertising expression. This is a learning experience for new employees and transferees involved in product development and marketing. The Cosmetics Business division conducted awareness raising of human rights issues specific to cosmetics under the concept of "Celebration of Individuality." Since the cosmetics business is inextricably linked to gender and lookism, in addition to the Kirei Lifestyle Plan Lecture, a new video was created and developed to show the points to consider when creating advertisements.

# Respecting Human Rights

GRI 2-25, 412-2, 414-2

## **Initiatives to deepen understanding of racial discrimination issues and diversity**

In the Americas, workshops and lectures by experts on social issues were held in conjunction with annual events, such as Black History Month and Pride Month, to increase employees' understanding of issues affecting undervalued and vulnerable groups. We continued holding workshops on unconscious bias and racial discrimination for all employees, as well as new workshops on allyship and microaggressions.

We also established a Diversity and Equity Inclusion Committee, published the newsletter “#StrongerTogether,” and created opportunities for employees to deepen their understanding by sharing their own stories with others to create an inclusive internal culture.

In addition, the Kao Pride Employee Resource Group (ERG) was formed to create a network to promote initiatives that support a wide range of people in the LBGTQ+ community and Allies. The Kao Pride ERG works to promote the career advancement and growth of LBGTQ+ individuals, highlight the diverse voices of every employees in the Americas, and create an open environment where employees can be themselves. The Kao Pride ERG hosted an employee panel discussion on National Coming Out Day and an event with guest speakers to raise awareness about the use of gender pronouns\* and moving away from gender binaries.

EMEA has launched eight ERGs called Kao Communities which focus on gender inclusion, cultural diversity and disabilities, etc. Through the communities, Kao Communities hosted six online awareness events and lectures to promote open conversations on important topics, such as Black History Month, Pride Month, International Pronouns Day, and National Fertility Awareness Week. We also hosted a session on

World Mental Health Day on October 10, with speakers about the black community in Germany.

Activities in Japan are introduced in “Inclusive and diverse workplaces.”

**P209** Inclusive & Diverse Workplaces

## **Dialogue and consultation**

### **Dialogue with experts outside Japan**

In order to obtain objective opinions on Kao's Business and Human Rights initiatives, we participated in a dialogue with experts outside Japan organized by the Caux Round Table Japan (CRT Japan). We explained Kao's initiatives to two experts outside Japan in the field of business and human rights and exchanged views with them. The discussion highlighted the importance of taking concrete actions in collaboration with suppliers to solve issues, and the need to establish a relationship of trust with vulnerable groups to make these efforts effective. This has made us more aware of the need to engage with rights holders and to develop grievance mechanisms.

## **Framework for reviewing advertising expressions from a human rights perspective**

We have a framework in place to ensure that expressions used in advertising, packaging, promotional materials, etc., are reviewed from multiple perspectives to ensure full consideration of human rights. First, the person in charge and their supervisor will check whether the content is free of anything that could be considered an infringement of human rights, and at the same time share the information with our internal creative division (i.e. Advertising Communication). In addition, the Human Rights Meister\* within Advertising Communication also reviews the content, and the ESG division is consulted and confirmed for issues that are difficult to assess. A process to address any issue is in place and operational. Beginning in 2022, this verification process has been extended and is operating in the entire Cosmetics Business.

Through this process, we make appropriate changes to advertising content and strive to perform quality control on advertising so that it is free from content that violates consumers' human rights and human rights are taken into account to earn consumer sympathy and support and exert a positive influence on society.

\* Human Rights Meister

These are human talent that strive to enhance human rights literacy within Advertising Communication, and to lead the division's efforts in this area.

# Respecting Human Rights

## Employees' opinions

### Create products that make everyone happy



#### Hidetoshi Nomoto

General Manager,  
ESG and Business Promotion,  
Global SCM Strategy Center

I believe that if the people involved in a product are not happy, it is not really a good product and the customer(s) who use it will not be satisfied with it. Our products reach our customers through the cooperation of many people, both inside and outside

the company, from research and development, raw material procurement, production, to logistics and sales. It is important to respect the human rights of everyone involved in this process and to create an environment in which everyone can work with equal vigor and enthusiasm.

Since 2016, the Kao Group has been using Sedex to mitigate human rights risks at its own manufacturing sites, and from 2021, the Group is working to expand the scope of this initiative to include on-site subcontractors. Some of our sites have a large number of foreign workers, and we want to create an environment that is easy for everyone to work in.



# Respecting Human Rights

## Stakeholder engagement

### Hiroshi Ishida

Executive Director,  
Caux Round Table Japan  
(CRT Japan)



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

Last year, Mr. Ishida noted the importance of engaging in direct dialogue with vulnerable producers and workers (rights holders) in the supply chain to identify and address situations where people are suffering human rights violations. In response, in 2022, the grievance mechanism for oil palm smallholders in Indonesia was launched. We also interviewed foreign technical intern trainees working at Kao plants to confirm firsthand that there were no human rights violations. Regarding management involvement, which was mentioned as an expectation of us, we initiated activities in the Human Rights and DE&I Steering Committee and made efforts to disclose the discussions held there. We will continue our dialogue with rights holders and intensify our activities.

#### **Kao Group initiatives to promote respect for human rights**

##### ■ **Global Trends: Strengthening the governance framework from an external perspective based on the UNGPs**

This year in Japan, the government has taken a stronger stance, urging companies to strengthen their efforts on business and human rights in a way that includes the supply chain. In EMEA (Europe, the Middle East and Africa), there were calls for due diligence on human rights and the environment, and for a proposed roadmap for transitions to build resilient business models.

##### ■ **What we value about Kao's activities**

For the 2022 activities, we would like to commend ourselves on setting a framework for a management system with an external perspective based on the UNGPs to ensure legitimacy, and operating a PDCA (Plan, Do, Check, and Act) cycle.

- (1) With respect to ESG strategies, the creation of the Human Rights and DE&I Steering Committee in 2022 laid the groundwork for building a more complete management system than ever before.
- (2) This committee brought together relevant divisions and conducted human rights due diligence with third-party organizations to identify human rights themes (foreign workers and palm oil as a raw material).
- (3) With respect to the human rights themes identified in (2) above, we began work in

September on the SMILE project to conduct third-party interviews with technical intern trainees at domestic plants to confirm the existence or non-existence of human rights violations, and on a grievance mechanism for oil palm smallholders that we have been working on for some time.

##### ■ **Kao's expectations for the future**

(1) Implementing human rights and environmental due diligence

Continue to build a foundation of trust through direct dialogue with foreign workers within and outside Japan and oil palm smallholders, including suppliers, and develop a complaint center as part of this trend. In addition, direct dialogue should be established with rights holders to reduce environmental impacts on local communities.

(2) Management involvement (E x S x G)

In EMEA (Europe, the Middle East and Africa), directors are expected to take on more responsibility (role sharing) than ever before. Therefore, management involvement should be strengthened through clearer discussion and decision-making processes in the ESG Managing Committee.

(3) Quality relationship

Enhance corporate value by laying the foundation for a transition roadmap to build a resilient business model through direct dialogue with rights holders and human rights experts outside Japan, as well as with environmental, social, and governance (ESG) investors in the future.

# Human Capital Development GRI 404-2

For a company to become stronger, the vitality of employees who are excited to work is essential. We strive to enhance our corporate culture, through which each of our diverse human capital has great ambition and the drive to take on challenges with dedication. As part of our corporate responsibility, we will provide a better work environment and opportunities to support employee growth.

## Social issues

In addition to intensified global competition with the development of digitalization and reforms toward the synchronization of sustainability between society and companies, since it appeared in 2020, the COVID-19 pandemic has made transformation capabilities necessary that allow for more flexibility than ever while at the same time promoting innovation.

Furthermore, values regarding individual careers and work styles are diversifying more than ever before, and in society overall, the mobility of human capital is becoming even more prevalent.

In the midst of this, we continue to maximize each employee's power and potential and make maximum use of our diverse personnel so that we will contribute to the creation of innovation and the realization of a sustainable society.

## Policies

At Kao, we believe that diverse personnel and the efforts of each and every employee to pursue individual achievements by exercising to the utmost his or her own abilities and characteristics lead to growth as an organization and become the power of our integrated approach. Based on this concept, we aim to create such an environment and corporate culture.

The following are our three policies for human capital development:

### From equality to equity

We provide opportunities for all employees to challenge themselves.

### From the relative to the absolute

We recognize, evaluate, and reward the challenges undertaken by each person.

### From the uniform and formal to the diverse and having initiative

We foster unlimited individual features, characteristics, and motivation.

In accordance with these policies, we will develop initiatives to encourage all employees to tackle the challenges and collaborate across positions, foster corporate culture, and develop human capital to lay the foundation for highly specialized, yet diverse, personnel to fully demonstrate their capabilities and create an environment to realize effective and flexible work styles.

Furthermore, we clearly state roles and responsibilities and endeavor to appropriately evaluate the contributions and challenges undertaken by each employee in order to provide fair evaluations and remuneration without discrimination based on employment status, gender, or other individual attributes. Employee remuneration is set at levels commensurate with our company's capabilities and growth and at levels ensuring market competitiveness through verification of external markets and other factors, while giving due consideration to the cost of living.

## Strategy

### Risks and opportunities

#### Risks

If our organizational culture, work-style reform, and career, skills, and health development are insufficient for allowing diverse personnel to advance, we may be unable to retain or acquire outstanding human capital, which would pose a problem for implementing plans to realize Vision by 2030.

#### Opportunities

By conducting business in a way that enables each member of our diverse workforce to constantly tackle challenges and grow in a healthy and enthusiastic manner and by encouraging collaboration across various positions premised on maintaining positive labor-management relations, we will become a company with a global presence that contributes to the realization of a sustainable society.

### Strategy

The basic concepts of the Mid-term Plan 2025 (K25) are: (1) Become an essential company in a sustainable world, (2) Transform to build a robust business through investment, and (3) Maximize the power and potential of employees. We believe we can become an essential company in a sustainable world by transforming our business with our vibrant, motivated employees who have great ambition while respecting and enhancing each other and fully committing to overcoming challenges.

To Maximize the Power and Potential of Employees, we are promoting various human capital development measures and environmental improvements based on

# Human Capital Development GRI 3-3

the two pillars of our human capital strategy: “providing opportunities for people to grow” and “providing a good work environment.”



Management Strategy and Mid-term Plan 2025 (K25)  
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

## Social impact

- Secure employment through the creation of an environment where diverse personnel can actively participate
- Better products and services and the realization of a sustainable society through making maximum use of human capital
- Contribution to solving social issues by proactively placing human capital in external organizations, such as government agencies and trade associations

To achieve our objectives, we verify and work to improve the activities of our employees and the organization and the conditions of career development, work styles, and remuneration broadly across the organization.

## Contributions to the SDGs



## Business impact

- Retention and acquisition of outstanding human capital by becoming an organization that enables more active participation from diverse personnel
- New business creation and making existing businesses more resilient, which lead to addressing social issues by fostering and implementing a culture that encourages collaboration in tackling challenges

## Governance

### Framework

After the Board of Directors discusses policies for human capital development, we discuss and deliberate the various issues and initiatives and share our progress at the monthly Human Capital Development Committee, whose members consist of top executives. In concrete terms, the committee discusses and deliberates on essential, newly established organizations and reorganization, the appointment and dismissal of key positions, plans for personnel and personnel costs, and the establishment, modification, and elimination of essential personnel initiatives. After implementing these changes, the committee conducts a review, which leads to further improvements.

In addition, to promote activities within the group in accordance with the Guidelines for Human Capital Development, we have introduced a framework that is shared and utilized globally. For example, we make use of human capital information via a global human capital information system and bolster our human capital management and development through Objectives and Key Results (OKRs). We have established job ranking, evaluation, training system, and remuneration policies that are shared globally. We pursue these activities

under Senior Vice President of Human Capital Strategy in collaboration with the human capital development divisions of each group company, both within and outside Japan.

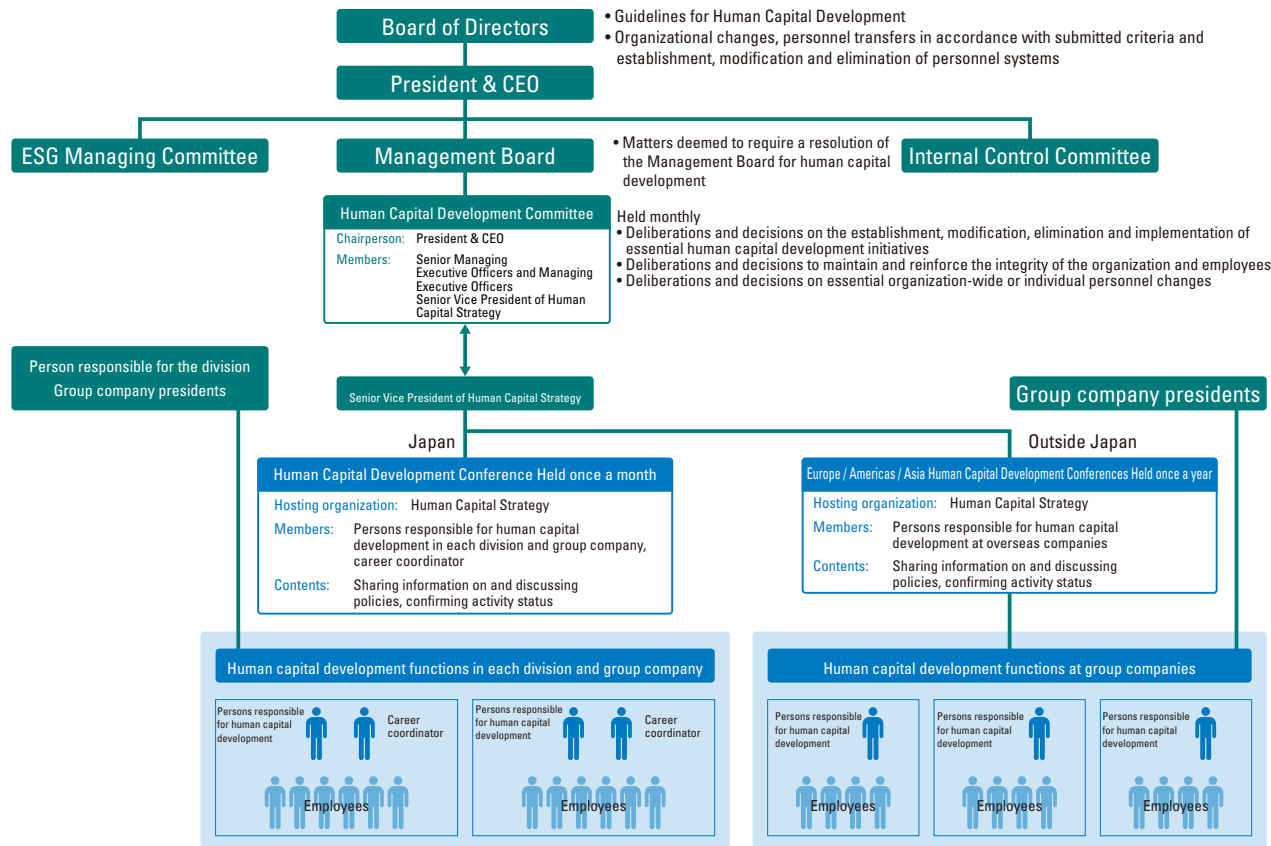
Furthermore, we have set up human affairs functions within major divisions in Japan while also establishing on-site career coordinators who oversee the nurturing of each employee and provide assistance with career development.

The Human Capital Development Conference, which is made up of the people responsible for human capital development in major divisions and group companies in Japan, meets monthly, while persons responsible for human capital development outside of Japan meet on a regular annual basis to share information on and discuss policies relating to human capital development throughout the group and the status of activities at each group company.

**P18** Our ESG Vision and Strategy > Governance

# Human Capital Development GRI 3-3, 404-2

## Human capital development structures



## Education and promotion

Through our internal intranet, we provide an environment where our employees can review our various policies and initiatives on human capital development at any time. We are also working to ensure that these policies and initiatives are disseminated as widely as possible by sharing them in various ways, including training for employees who have just been appointed to managerial positions and training designed to cultivate global leaders.

In addition, we strive to foster understanding between senior management and employees by facilitating opportunities for mutual dialogue, with the objective of developing a sense of unity throughout the group.

We continuously promote these activities and widely share with our employees the direction the company is going and the issues we are facing.

## Collaboration with stakeholders

We hold various activities involving the exchange of views and ideas between senior management and employees as opportunities for dialogue.

We promote mutual understanding between senior management and employees by providing opportunities for the senior management to explain priority issues, such as the company's current situation, policies, and human capital development to employees as well as responding to employees' questions.

In addition, by conducting engagement surveys, questionnaires and studies on work styles, we have established an understanding of the genuine concerns and opinions of employees, which then feeds into ongoing measures to improve human capital development policies and the workplace environment as well as improve our employees' motivation to work.

# Human Capital Development GRI 3-3

Platforms for regular dialogue with employees include Employee Welfare Committees at each office and branch, Employee-Management Meetings at every group company, and the Kao Forum for the group as a whole.

The Kao Forum is held in both Japan and EMEA (Europe, the Middle East, and Africa), with employee representatives from Kao Corporation, Kao Group Customer Marketing Co., Ltd., Kao Professional Services Co., Ltd., Kao Sanitary Products Ehime Co., Ltd., and Kao Transport & Logistics Co., Ltd. participating in the Kao Forum in Japan.

Meetings of the Employee Welfare Committee are conducted monthly, and the Employee-Management Meetings and Kao Forum are conducted twice a year. Continuous mutual information sharing of the content of the discussions and information shared at each meeting is implemented for all employees through employee representatives and Employee Welfare Committees.

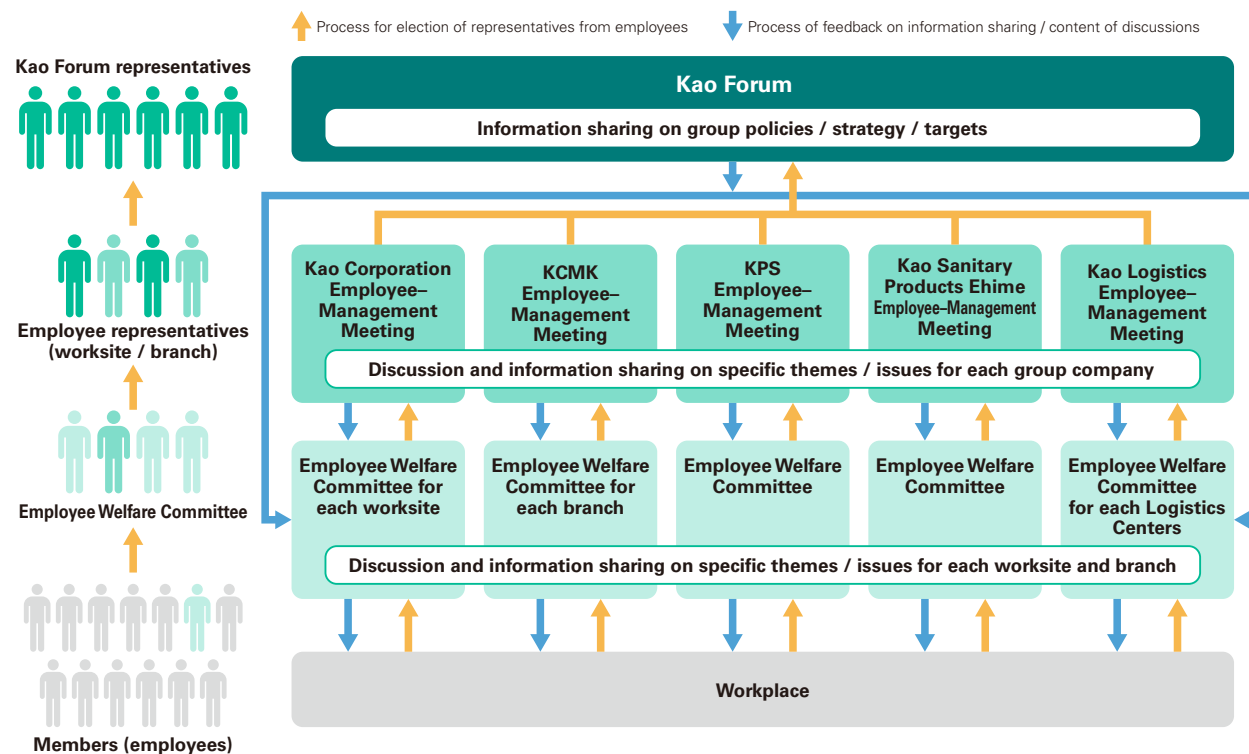
We share company policies with the local union of Kao Corporation's Wakayama Plant and Sakata Plant and the trade union of Kao Group companies and promote understanding through labor-management consultations, thereby reflecting the views of employees in management initiatives.

We recommend policy to government agencies via our participation as a member of the subcommittees of Keidanren (Japan Business Federation). We are also active in the chemical industry association and external employment-related organizations where we present case studies via external lectures, etc.

Note: Within the group as a whole, the percentage of employees who are union members is 29%.

Note: This figure excludes Kao Group member companies that do not track the number of employees who are union members. Due to reasons of information protection and freedom of association within the countries/regions where they operate, some employers do not have the right to confirm union membership.

## Employee dialogue framework



# Human Capital Development GRI 3-3

## Risk management

The Human Capital Strategy Division deliberates risks related to human capital development by using various legal revisions, social trends and statistical data from elements such as personnel, recruiting, retirement, diversity, remuneration / personnel costs / labor productivity, employment, and health management to understand trends while listening to employees through Employee-Management Meetings and engagement surveys along with other information such as the opinions of outside experts.

The risks found through these activities are confirmed by the Internal Control Committee, while issues that need to be addressed are identified at the Human Capital Development Meeting in which the supervisor of the Human Capital Strategy Division and the supervisors of human capital development at each division and company participate. Discussions on response measures and measures with major, company-wide impact are discussed by the Human Capital Development Committee, which consists of senior management, before any of them are implemented.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

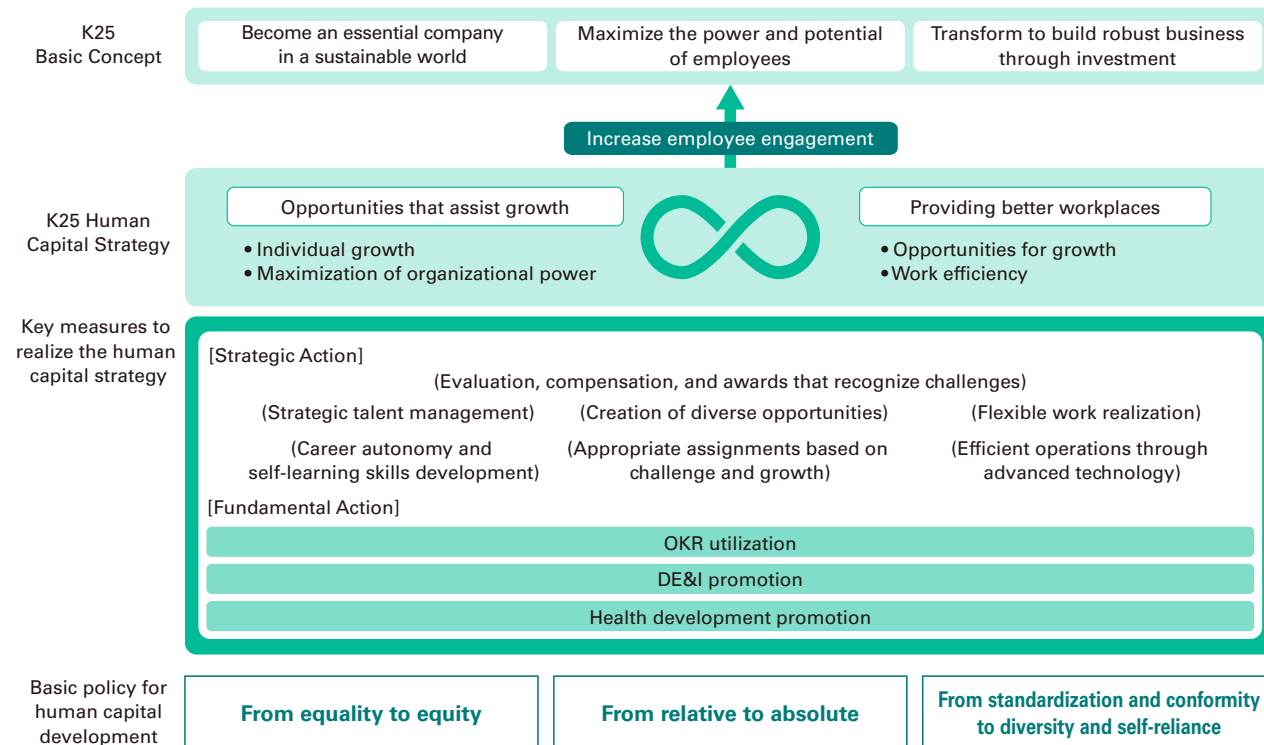
To realize the two pillars of our human capital strategy, “providing opportunities for people to grow” and “providing a good work environment,” we emphasize

the following four perspectives in measures we implement.

- Individual growth
- Maximize organizational strength
- Create an environment for growth
- Work efficiency

These three fundamental and seven strategic actions toward priority measures will act as the foundation for developing and carrying out specific initiatives.

### Position of human capital development activities achieving K25



# Human Capital Development GRI 404-2

## Metrics and targets for realizing the human capital strategy (Updated May 2023)

Human capital strategy and actions to achieve it	KPI	2022	Target 2025
Increased engagement	• Response rate to employee engagement survey	97% <sup>*2</sup>	95%
	• Ratio of highly motivated employees Affirmative answer rate in our employee engagement survey Category: Employees' vitality	68% <sup>*2</sup>	80%

Key Initiatives	Strategic Action	Opportunities that assist growth		
		2022	Target 2025	
• Individual growth • Maximization of organizational power  Providing better workplaces • Opportunities for growth • Work efficiency	Strategic talent management	• Number of candidates planned for the position for which a successor is needed (multiplier)	3.3 times <sup>*4</sup>	7 times
		• Percentage of appointments from potential successors	17% <sup>*4</sup>	80%
	Career autonomy and self-learning skills development	• Career recruitment (DX human capital/specialized human capital)	0.9 times (vs. 2020)	3 times (vs. 2020)
		• Investment in employee training	1.3 times (vs. 2020)	2 times (vs. 2020)
	Evaluation, compensation, and awards that recognize challenges	• Challenge-oriented human capital	25% <sup>*1</sup>	50%
		• Affirmative answer rate in our employee engagement survey Category: "Organizational culture that encourages challenge"	79% <sup>*2</sup>	75%
	Creation of diverse opportunities	• 01Kao proposal fulfillment rate	25%	50%
		• Retention rate for the first 3 years of employment	68%	80%
	Appropriate assignments based on challenge and growth	• Number of human capital dispatched to external organizations/companies	70 people	200 people
		• Number of rotations across departments	438 cases	500 cases
Flexible work realization, Efficient operations through the use of cutting-edge technology	• Work satisfaction Affirmative answer rate in our employee engagement survey Category: Effective and flexible work style	74% <sup>*2</sup>	70%	
	• Workplace satisfaction Affirmative answer rate in our employee engagement survey Category: "Workplace satisfaction"	75% <sup>*2</sup>	80%	
	DX Human Capital	1.5 times <sup>*3</sup> (vs. 2020)	3 times <sup>*3</sup> (vs. 2020)	
	• Total annual hours worked per person	1,803 h	1,810 h	

Foundational Actions	Strategic Action	2022	
		2022	Target 2025
OKR utilization	• OKR implementation rate	62%	75%
		90% <sup>*3</sup>	95% <sup>*3</sup>
DE&I promotion	• Affirmative answer rate in our employee engagement survey Category: "Inclusive organizational culture"	69% <sup>*2</sup>	68%
	• % of female managers	31% (% of female employees: 53%)	70% of "% of female employees"
Health development promotion	• Affirmative answer rate in our employee engagement survey Category: "Degree of GENKI (being energetic, lively, bright)"	77% <sup>*2</sup>	80%
	• Decrease in average number of long holidays	182 days <sup>*5</sup>	126 days <sup>*3</sup>
	• Long-term absenteeism rate	2.74% <sup>*5</sup>	1.5% <sup>*3</sup>

\* Counted in Kao Group unless otherwise noted.

\* Employees include those who are regular employees and those in full-time indefinite-term employment who are non-regular employees

\*1: Employee awareness survey

\*2: Of Kao Group in Japan, Kao Transport and Logistics Co. Ltd. and Inogami Co., Ltd. are not included.

\*3: Only Kao Group in Japan

\*4: Only Kao Corporation

\*5: Of Kao Group in Japan, Inogami Co., Ltd. is not included.

### Reviews of 2022 results

OKR (Objectives and Key Results), a new human capital revitalization system\* we introduced in 2021, is a mechanism\* for maximizing the organization's power by encouraging individual growth and by pooling the power of individuals in line with the company's direction.

As of 2022, we have expanded the OKR system to 90% of our employees in Japan and 62% globally. By further linking evaluation, compensation, and awards, we are creating a culture in which each of our diverse human capital has ever higher aspirations and willingness to take on challenges. In addition, we have further enhanced our programs that encourage autonomous learning to achieve the OKRs that employees have set themselves, as well as expanded programs to develop managers who can encourage growth by challenging members of the organization. We believe it is important to develop these measures in conjunction with the development of 0★1Kao, an autonomous challenge system that transcends divisions, to enable further employee growth.

In addition, based on the recognition that providing a diverse range of opportunities for employees who are willing to take on new challenges will promote further growth as well as maximize organizational strength, we have been reallocating and rotating human capital based on OKRs, career preferences, and aptitude. Through

# Human Capital Development GRI 404-2

strategic talent management, we will continue to promote sustainable organizational management in conjunction with efforts to systematically develop business leaders who will drive the transformation and value creation necessary for the Kao Group.

Furthermore, as a foundation for maximizing individual growth and organizational strength, it is important to create an environment that can encourage such growth and enhance work efficiency. In 2022, we continued our 2021 initiatives to promote flexible work styles based on departments and roles, with the aim of achieving more effective communication and facilitating work. At the same time, we are also using web conferencing, delivery, and RPA (Robotic Process Automation) to improve the efficiency of work itself and to promote a more productive, results-driven work style. By continuously promoting these initiatives, we will increase employees' satisfaction with their work styles and workplaces.

In 2022, we expanded these initiatives and policy development beyond what we achieved the previous year. We believe it is important to further promote these activities based on a recognition that they will surely lead to employee engagement and vitality.

\* All employees specify the major challenges that they will tackle to realize an ideal society and company under the three main pillars of business contribution, ESG, and one team and my dream.



# Human Capital Development GRI 404-2

## Main initiatives

### Use of OKRs

In 2022, we established a system whereby each employee's OKRs are shared with all Kao Group employees, and employees can communicate freely with one another. We are thus accelerating collaboration across countries, regions, jobs, and positions.

An employee survey on the OKR system found that approximately 25% of employees have already set their own goals as challenges and are actively pursuing them, indicating that the OKR system is providing "opportunities for people to grow." At the same time, we have confirmed that dialogue plays an important role in promoting the OKR system, so we are providing programs aimed at improving the dialogue mindset and skills of individuals to further facilitate its spread. In particular, initiatives to improve the quality and quantity of dialogue at the management level have been meticulously implemented by division and by job level.

In addition, we have held a company-wide Dialogue Festival, provided various tools, held Kao Way workshops and webinars to support individual growth, and promoted the creation of a free and vigorous organizational culture. Our research has shown that the Dialogue Festival has had an impact on changing managers' attitudes.

For middle management, we incorporate 360-degree evaluations and self-assessments to provide opportunities for ongoing leadership and management learning. We have also launched "KURUMAZA," an interactive program in which management and participants discuss the issues facing the Kao Group. We are accelerating individual growth and maximizing organizational strength by raising our investment in education.

### Evaluation, compensation, and rewards recognizing the challenges undertaken

#### OKR target setting and evaluation

Targets in the OKR system are set on a medium- to long-term time horizon in consideration of the objectives of the organizations to which employees belong. Daily progress is monitored through regular dialogue with superiors. At the end of the fiscal year, in addition to OKR progress, we evaluate contributions and processes during the year in basic roles and reward diverse challenges. In addition, we have created a corporate culture that encourages employees to take on new challenges through activities (such as challenge-sharing meetings) in which employees share and recognize their various challenges in their workplaces.

#### Rewards

The award system, which was updated with the introduction of the OKR system, rewards employees who set big goals and take on challenges daily. There is daily appreciation (Recognition) for taking small steps toward great ambitions, which are praised and encouraged in employees' regular workplaces; a "Division Award" for challenges that serve as a model for the division; and the "President's Award" for challenges beyond the scope of the division or company, which recognizes individuals and teams according to their activities and honors taking on challenges and collaboration. In 2022, further growth opportunities have been offered, leading to 2.6 times more projects and 2.4 times more employee awards than the average of the past five years prior to the renewal.

### Promotion of 0★1Kao

0★1Kao, which launched in 2021, is an autonomous challenge system based on the open solicitation of new ideas from employees. This system enables employees to freely make proposals to realize their dreams and has developed into a space that encourages them to take on new challenges.

In particular, the "Smile Toen," a diaper subscription childcare support service for nursery schools, and the "Reduction of Environmental Impact and Improvement of In-store Work Productivity through reusable folding containers," which started in collaboration with some chain stores, are contributing to Kao's ESG-driven management initiatives.

### Strategic talent management

To realize discontinuous growth for the Kao Group, we are systematically developing business leaders who will drive the necessary reforms and new value creation as well as promoting a framework to achieve sustainable organizational management.

We identify future candidates for key senior management positions early in their careers, and we systematically and proactively train them, allocate job responsibilities to them, and assign them tasks to develop human capital who will lead the Kao Group.

**P209** Inclusive & Diverse Workplaces

**P229** Employee Wellbeing & Safety

# Human Capital Development GRI 404-2

## Career autonomy and self-learning skills development

### Providing programs that promote self-directed learning

Our self-development programs offer more than 6,000 commuter, distance, and e-learning opportunities, making it easy to learn anytime, anywhere.

During the introductory period of employment, we encourage our employees to learn the Kao Way by sticking to a group-wide face-to-face meeting format, which also serves to help them build an internal network. We also have an autonomous career development program for 45-, 50-, and 55-year-olds, which prompts them to think for themselves about their careers and reskilling as needed.

Managing Human Performance Program (MHPP) training by in-house instructors is provided on an ongoing basis for middle management, who are the key personnel for maximizing organizational strength. At each *KURUMAZA*, a different board member literally sits in a circle with participants to engage in direct dialogue and the frank exchange of ideas. With such *KURUMAZA*, participants are expected to deepen their understandings of management policies and to better link their activities to the organization's strategy. Through dialogue and resonance, we aim to help them realize the importance of collaboration and to become a driving force for expansion that transcends divisions and departments.

### DX human capital development

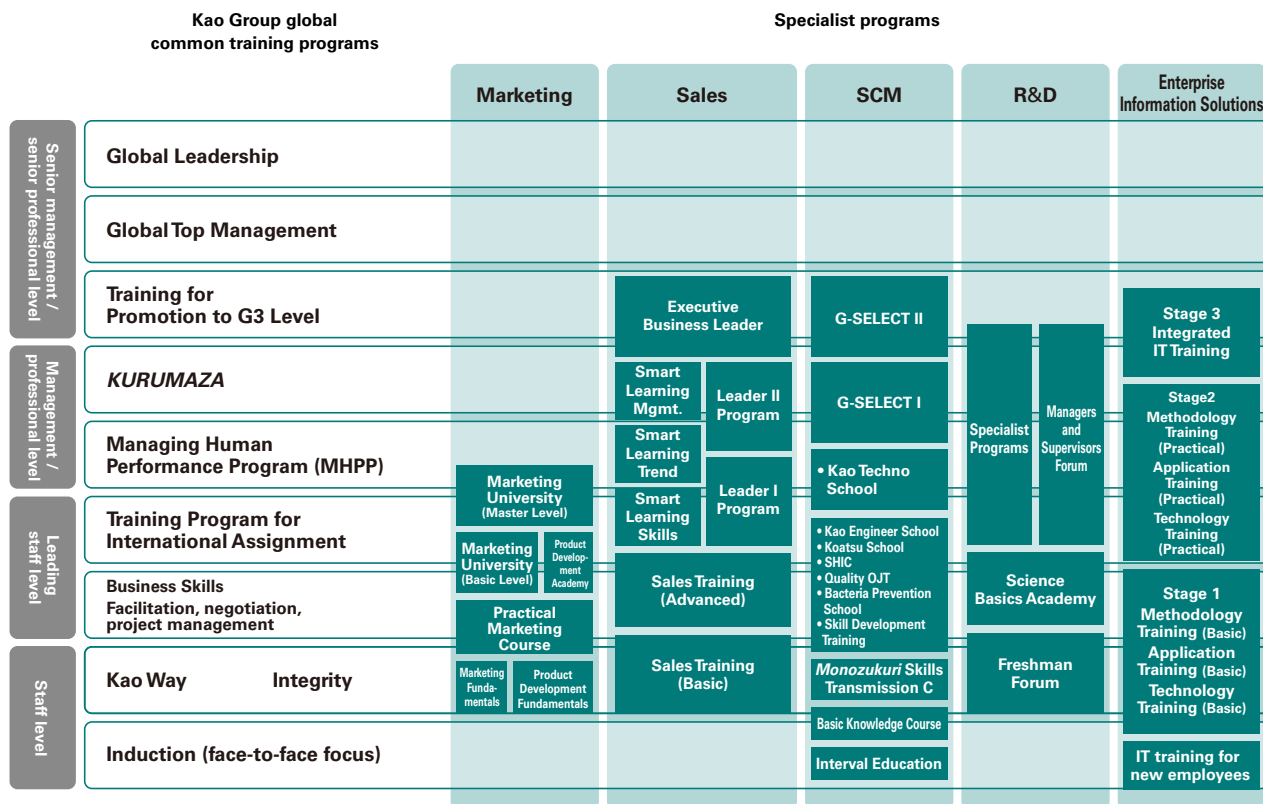
We are actively promoting learning offerings to triple our DX human capital. We provide e-learning programs for applicants to learn about AI, data science, programming, and other topics as well as to encourage the use of digital skills in their work. In

addition, each division offers detailed learning proposals for acquiring the necessary skills for DX.

# Human Capital Development GRI 404-2, 404-3

## Globally common programs and divisional specialized programs

Strengthen the development of human capital that has a high level of expertise and creativity as a source of innovation and that can maximize the potential of the Kao Group by understanding diversity, collaboration, and cooperation based on the Kao Way.



## Appropriate assignments based on challenges and growth

Based on the belief that the abilities and potential of our employees are unlimited, we aim to realize career development that enables each and every employee to play an active role. Under the "Self Education & Development Scheme (SeEDS)\* and the career coordinator system," we carefully ascertained employees' career aspirations, determined their aptitudes, and transferred or assigned them to internal or external positions in coordination with their supervisors.

In 2022, as a foothold to realize the Medium-term Plan, we implemented 438 cross-divisional rotations to develop the skills and careers of employees from a long-term perspective, and to strategically concentrate human capital in new businesses and areas to be strengthened, which we call Another Kao.

\* SeEDS (Self Education & Development Scheme): A system whereby employees report once a year on the skills they have acquired through their work and the directions they wish to take in their careers, and through interviews with their superiors, individual career development is promoted in a planned manner.

## Diverse opportunities for working actively

We are expanding the dispatch of employees to government and industry partner organizations with the aim of utilizing the skills and expertise of our employees in working to solve major issues that society must address. As of December 2022, 70 employees are working outside the Kao Group while making the most of their experience cultivated within the Kao Group.

# Human Capital Development GRI 404-2

## Realization of flexible work

Since the spread of COVID-19 in 2020, we have expanded remote work, such as telecommuting programs, to diversify our work locations and environments. In 2022, to further promote communication, collaboration, and co-creation among employees, we are promoting a work style that permits employees to come to work for a certain amount of time that remains appropriate for their duties and roles. As a result, at present the overall attendance rate in Japan is generally 50%.

In promoting this flexible work style, we have developed and introduced an application called SWS (Smart Work Support), which enables visualization of the telecommuting work situation. Through such measures, we will create an environment in which employees can work safely and efficiently.

## Operational efficiency through the use of advanced technologies

As hybrid work styles that combine remote work and office work are becoming more common, the office environment is changing to facilitate more flexible work styles that enable employees to exercise their creativity, such as through the development of a web conferencing environment.

Moreover, although we have been reducing and streamlining tasks related to inquiries from the past by using RPA and chatbots, we are also actively making efforts toward process improvement and efficiency by developing apps.

We are also building a system to develop the internal DX human capital needed to promote such initiatives, including training in collaboration with external organizations.

## Improvement of employee engagement

In 2022, we conducted an employee engagement survey of the Kao Group in Japan. This is the first time in four years (since 2018) that the content of the survey was significantly revised from the previous survey. With the aim of maximizing employee vitality, the Job Stress Assessment implemented under Japan's Industrial Safety and Health Act was included.

The survey results indicate that the positive response rate in the areas of "willingness to contribute," "attachment to the workplace and pride in work," "sense of purpose and satisfaction (motivation)," and "trust in management," which are considered key factors for engagement, are well above half. However, there are some items that have relatively low affirmative answer rates, such as "vitality through work" and "job satisfaction," and we will take appropriate measures to improve them. Regarding "clarity of management policy" and "opportunities to reflect employees' opinions when there are changes in the organization or work," which showed similar trends, we provide opportunities for direct dialogue between management and the Human Capital Strategy and employee representatives, such as Kao forums, employee-management meetings, and labor-management discussions with the trade union. The content will be widely disseminated and shared with employees through the company website and workplace welfare committees, leading to improvements. We will then proceed to achieve our medium- and long-term targets, while confirming and verifying the results of the annual employee engagement survey.

# Human Capital Development

## Employees' opinions

### One employee's passion can change the future of Kao Corporation



**Takato Kondo**

01Kao Secretariat,  
Corporate Planning, Corporate Strategy,  
Kao Corporation

01Kao started in July 2021 as a program that calls for ideas from all employees including commercialization and internal structure reform. Since then, the passionate ideas that have been proposed have inspired many employees to share their wisdom and offer technological support to shape these ideas and various other ideas within and outside the company, of which many have begun to come to life. On the other hand, the secretariat has also uncovered issues that need to be responded to, such as improving transparency for policy reviews and screening and realizing proposals in a swifter and more efficient manner.

One of the major characteristics of 01Kao is that anyone, regardless of experience, position, or division, is able to propose new businesses and systems. Discussions and feedback from professionals belonging to business divisions and R&D which one rarely comes in contact with is an immense stimulus to the proposer, and at the same time, it motivates participants in open discussions and supporters of the proposal to take on challenges.

In order to maximize the positive aspects of 01Kao, I will continue to strive to take prompt action on the issues uncovered through this operation and towards creating the business that will represent Kao Corporation in the future.

## Main employment systems for diverse work styles (Kao Group in Japan, excluding some affiliates)

Main systems	Content
Flexitime system	With the exception of some shift workers, flexitime is applied to all employees, regardless of grounds. There is no required core time period. The times for the start of work and end of work are set within a flexitime range of 07:00–20:00. Settlement periods have been set at one-month units.
Remote work system	With the exception of some shift workers, remote work is applied to all employees, regardless of grounds. The usage of this system is set for each department based on the nature of their business and its necessity for the operation of the organization. This system can be used in increments of either one day or one hour.
Full time Remote work system	In any unavoidable circumstances for nursing care, family care, childcare, and personal injury or illness, full time remote work is available from a distance. One condition is that the employee is engaging in work that would not be hindered by working outside of the office.
Ability to take annual paid leave in hourly increments	Annual paid leave can be taken in hourly increments up to a maximum of five day-equivalents within any one-year period, regardless of the reason. Special leave for personal injury or sickness
Special leave for Non-work-related Injury or Illness	Special paid leave is available for employees who incurred a personal injury or illness (up to a maximum of either 40 days a year or 20 days a year), which is in principle available when for periods of leave of at least eight days is needed.
Family leave for overseas assignments	Where an employee's spouse is on an overseas assignment and the employee wishes to accompany the spouse, a period of leave of at least one year and no more than two years can be taken.
Special leave for volunteering activities	Special paid leave is available for employees who participate in volunteering activities approved by the company (up to a maximum of 5 days a year). This leave can be taken in increments of either one day or half a day.
Reward Program for Continuous Service special paid leave	Special paid leave is available to commemorate 10, 20, 30 and 40 years of continuous service (up to a maximum of 5 days a year).

Note: Additionally, the system of support for childcare, nursing care and family care is mentioned in the Inclusive & Diverse Workplaces section.

## Employment system utilization status (Kao Corporation)

	2019	2020	2021	2022	Unit
Average hours worked outside regular working hours (per month)	17.7	14.4	14.3	13.4	Hours
Average days of paid leave taken	14.4	13.3	15.5	16.6	Days
Average paid leave utilization rate	74.6	69.6	80.6	85.8	%
Average hours of leave taken in hourly increments	2.98	2.41	2.71	3.15	Hours
Number of employees taking family leave for overseas assignments (male)	0	0	0	0	Persons
Number of employees taking family leave for overseas assignments (female)	8	3	6	7	Persons
Average number of special leave days taken for volunteer activities	1.0	1.0	1.3	3.0	Days
Total number of employees taking special leave for volunteer activities	30	9	90	1	Persons
Number of employees utilizing the Remote work system	584	7,218	7,781	7,653	Persons

Note: Counted in enrolled companies

Note: Regular employees only

# Human Capital Development

GRI 2-7, 2-30, 404-1

## Number of employees / management positions (Persons)

		2019			2020			2021			2022		
		Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Kao Group	Employees	33,603	16,946	16,657	33,449	16,814	16,635	33,507	16,589	16,918	35,411	16,677	18,734
	Management positions	6,770	4,779	1,991	6,501	4,629	1,872	6,539	4,567	1,972	6,974	4,845	2,129
Japan	Employees	22,101	10,809	11,292	22,038	10,715	11,323	21,816	10,485	11,331	23,584	10,404	13,180
	Management positions	4,751	3,745	1,006	4,499	3,634	865	4,495	3,574	921	4,555	3,534	1,021
Of which, Kao Corporation	Employees	7,905	5,979	1,926	8,135	6,077	2,058	8,508	6,147	2,361	8,403	5,974	2,429
	Management positions	2,637	2,158	479	2,712	2,166	546	2,919	2,245	674	2,957	2,238	719
Asia	Employees	7,170	3,900	3,270	7,202	3,914	3,288	7,057	3,876	3,181	6,948	3,848	3,100
	Management positions	1,131	592	539	1,096	551	545	1,111	554	557	1,154	605	549
Europe	Employees	2,934	1,547	1,387	2,830	1,514	1,316	3,222	1,533	1,689	3,376	1,691	1,685
	Management positions	540	276	264	574	296	278	564	268	296	920	545	375
Americas	Employees	1,398	690	708	1,379	671	708	1,412	695	717	1,503	734	769
	Management positions	348	166	182	332	148	184	369	171	198	345	161	184

Note: Data on the percentage of women is mentioned in the Inclusive & Diverse Workplaces section.

## Percentage of employees by nationality (Kao Group) (%)

		2021	2022
Japan	Employees	64.9	69.3
	Management positions	69.4	66.3
Indonesia	Employees	6.0	5.6
	Management positions	2.5	2.3
China	Employees	4.4	4.2
	Management positions	4.8	3.1
Thailand	Employees	4.1	3.6
	Management positions	5.0	4.3
Germany	Employees	2.7	2.5
	Management positions	5.8	4.8
Taiwan	Employees	1.6	1.8
	Management positions	1.6	1.6

Note: Top six countries accounting for the largest shares of employees

Note: Excluding employees where this information is not disclosed.

## Percentage of employees by age group (%)

		2021	2022
Kao Group	< 30 years old	20.6	19.3
	30–50 years old	51.4	51.9
	> 50 years old	27.9	28.7
Japan	< 30 years old	19.5	18.0
	30–50 years old	49.4	49.9
	> 50 years old	31.2	32.1

## Situation regarding union members

		2019	2020	2021	2022
Kao Group	No. of union members (persons)	11,038	10,523	13,097	12,716
	Percentage (%)	36	34	43	29
Japan	No. of union members (persons)	6,979	6,773	8,838	8,560
	Percentage (%)	32	31	40	27

Note: Excluding companies where this information is not disclosed.

## Human capital development investment per employee

		2019	2020	2021	2022
Kao Group	Average hours of training (hours)	14.13	9.19	10.47	12.98
	Average cost of training (yen)	51,000	27,000	29,000	32,000
Japan	Average hours of training (hours)	11.53	9.67	11.81	12.90
	Average cost of training (yen)	58,000	28,000	30,000	32,000

Note: Starting from 2020, training has mainly been conducted online due to the impact of the COVID-19 pandemic. The calculation standard for training hours was clarified in 2022.

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Some data does not include the following company, which accounts for 0.01 % of all Kao Group employees out of 98 consolidated companies.

Washing Systems Limited

# Human Capital Development GRI 401-1

## Situation regarding newly hired employees

		2019	2020	2021	2022
Kao Group	Total (persons)	1,841	1,829	1,568	1,555
	Males	783	783	702	625
	Females	1,058	1,046	866	930
	Female employees as percentage of the total (%)	57.5	57.2	55.2	59.8
Japan	Total (persons)	1,023	1,001	567	208
	Males	407	402	250	110
	Females	616	599	317	98
	Female employees as percentage of the total (%)	60.2	59.8	55.9	47.1
Of which, Kao Corporation	Total (persons)	411	398	269	103
	Males	290	275	170	71
	Females	121	123	99	32
	Female employees as percentage of the total (%)	29.4	30.9	36.8	31.1

Note: Until 2020, excludes companies with HR systems not yet linked (22 out of 98 consolidated companies).

## Percentage of newly hired employees by age group (%)

		2019	2020	2021	2022
Kao Group	< 30 years old	81.5	69.3	68.0	52.5
	30–50 years old	17.7	27.4	27.0	41.3
	> 50 years old	0.9	3.3	4.0	6.2
Japan	< 30 years old	84.8	84.0	90.0	62.0
	30–50 years old	14.7	15.5	10.0	38.0
	> 50 years old	0.5	0.5	0.0	0.0

Note: Until 2020, excludes companies with HR systems not yet linked (22 out of 98 consolidated companies).

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Some data does not include the following company, which accounts for 0.01% of all Kao Group employees out of 98 consolidated companies.  
Washing Systems Limited

## Hiring cost per employee hired (yen)

	2019	2020	2021	2022
Kao Group	-	-	424,480	570,933
Japan	622,206	507,638	624,912	1,650,470

## Percentage of open positions filled by internal candidates (%)

	2019	2020	2021	2022
Kao Group	-	-	79.11	77.72
Japan	87.99	88.70	88.72	94.99

## Percentage of career hires in new hires (%)

	2019	2020	2021	2022
Kao Corporation	25.7	34.0	9.7	35.9
Kao Group Customer Marketing Co., Ltd.	19.7	15.7	8.0	17.4
Kao Beauty Brands Counseling Co., Ltd.	-	-	0.0	0.0
Kanebo Cosmetics Inc.	5.6	13.3	0.0	0.0
e'quipe, LTD.	-	-	-	100.0
Kao Logistics Co., Ltd.	0.0	0.0	0.0	*
Kao Professional Services Co., Ltd.	40.0	44.2	54.8	41.7
Nivea-Kao Company Limited	100.0	100.0	100.0	100.0
Kao Business Associe Co., Ltd.	100.0	100.0	100.0	*
Kao Sanitary Products Ehime Co., Ltd.	36.8	18.2	0.0	*
Kao Cosmetic Products Odawara Co., Ltd.	3.7	0.0	0.0	100.0
Kao Paper Manufacturing Fuji Co., Ltd	50.0	0.0	0.0	100.0
Kao Peony Co., Ltd.	100.0	100.0	0.0	*

Note: An asterisk (\*) indicates no employment

## Situation of re-employed after retirement (Kao Corporation)

	2019	2020	2021	2022
Number of employees who reached retirement age	129	174	183	237
Of which, the number of employees re-employed after retirement	110	144	165	204
Percentage (%)	85.3	82.8	90.2	86.1

# Human Capital Development GRI 401-1

## Situation regarding employee turnover (%)

		2019	2020	2021	2022
Kao Group	Total employee turnover rate	-	-	5.67	6.17
	Voluntary employee turnover rate	-	-	4.03	4.61
Japan	Total employee turnover rate	3.11	2.44	2.24	3.76
	Voluntary employee turnover rate	2.22	1.64	1.53	2.68

Note: The population used for calculating the employee turnover rate in Japan was the number of employees as of the beginning of the year, on January 1, until 2020; from 2021 onwards, this was changed to the number of employees as of the end of the year, on December 31.

## Employee turnover rate by gender (%)

		2019	2020	2021	2022
Kao Group	Male	-	-	41.18	35.10
	Female	-	-	58.82	64.90
Japan	Male	30.70	36.65	43.03	27.62
	Female	69.30	63.35	56.97	72.38

## Employee turnover rate by age group (%)

		2019	2020	2021	2022
Kao Group	< 30 years old	-	-	35.81	36.11
	30–50 years old	-	-	41.76	41.69
	> 50 years old	-	-	22.43	22.20
Japan	< 30 years old	38.45	37.57	35.45	40.92
	30–50 years old	34.29	33.33	32.99	32.02
	> 50 years old	27.26	29.10	31.56	27.06

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Some data does not include the following company, which accounts for 0.01% of all Kao Group employees out of 98 consolidated companies.  
Washing Systems Limited

## Voluntary employee turnover rate by gender (%)

		2019	2020	2021	2022
Kao Group	Male	-	-	36.77	29.78
	Female	-	-	63.23	70.22
Japan	Male	17.67	24.93	30.93	18.64
	Female	82.33	75.07	69.07	81.36

## Voluntary employee turnover rate by age group (%)

		2019	2020	2021	2022
Kao Group	< 30 years old	-	-	44.77	43.81
	30–50 years old	-	-	46.93	47.92
	> 50 years old	-	-	8.30	8.27
Japan	< 30 years old	53.41	55.07	51.05	56.08
	30–50 years old	43.37	43.01	44.45	38.86
	> 50 years old	3.22	1.92	4.50	5.06



# Inclusive & Diverse Workplaces

To make diversity into a strength and contribute to society, we strive to create an environment and culture where each of our employees can maximize their capabilities and individuality, and both individuals and company can develop.

## Social issues

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 a different set of values compared to older generations, people's mindsets about work and life and employees' expectations for their company are changing based on thinking that is unconstrained by what was previously taken for granted.

Under such circumstances, it is essential to proactively approach these social changes by creating an environment and corporate culture where diverse employees feel motivated to work by striving to develop activities that promote Diversity, Equity and Inclusion (DE&I) as a fundamental mode of human capital development in order to create continuous corporate growth.

## Policies

The Kao Way—our corporate philosophy—stipulates 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.

In line with this, we aim to realize a Kao Group whose advantage is the diversity that enables each employee to embrace one another and coexist harmoniously with each other so that Kao will grow sustainably as the world around us changes.

As our efforts regarding business activities through brands, products, and services as well as all company activities, Kao makes it its mission to continue to evolve the entire group's DE&I promotion activities. In 2022, at the global level we advanced discussions toward formulating the Kao Group's DE&I policies to clearly express our commitment and strengthen these activities through building a cooperative system with internal and external stakeholders.

## Strategy

### Risks and opportunities

#### Risks

At workplaces where it is a challenge for diverse employees to feel motivated to work, employee engagement subsides, and so retention of the employees who are the invaluable treasure of the company and hiring of new outstanding employees becomes difficult. Furthermore, homogeneous organizations that do not embrace diversity—especially organizations that lack diversity, including having women in decision-making positions—will not be able to respond adeptly and flexibly to societal changes and will struggle to contribute to sustainable growth of the corporation. In recent years, along with the increased interest in sustainability of the world, interest in activities to promote corporate DE&I for employees is growing around the world. And its importance as a

basis for investment is also rising. In the midst of this, if we do not sufficiently implement DE&I promotion activities to leverage this diversity and furthermore support 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 reputational risks.

### Opportunities

By deeply ingraining DE&I at the Kao Group and realizing inclusive and diverse workplaces that leverage each person's true diversity in ways that transcend simple demographics, Kao will attract and retain outstanding talent with diverse backgrounds and ensure that they stay motivated and can demonstrate their capabilities. Consequently, not only do we expect to provide products and services that cater to the needs of social changes and the diversification of people's values, including creation of new businesses, but we also expect to raise the productivity of our business activities 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 DE&I.

### Strategy

The basic frameworks of the K25 Mid-term Plan are to “become an essential company in a sustainable world,” “transform to build a robust business through investment,” and “maximize the power and potential of employees.” In order to realize the four pillars of our human capital strategy—“individual growth,” “maximization of organizational power,” “opportunities for growth,” and “work efficiency”—It is important that

# Inclusive & Diverse Workplaces GRI 3-3

diverse human capital can come together, each individual recognizes each other, each perspective and way of thinking is accepted and turned into organizational strength. And also it is important to create an environment where each individual can maximize his or her abilities and individuality. As Diversity & Equity promotion activities for making the previously-mentioned concept a reality, we provide each of our diverse personnel, including women, with the support necessary to put down roots in the environment where they can work with peace of mind and obtain fair opportunities. At the same time, as part of our activities to promote Inclusion, we work on education and awareness-raising activities to foster an inclusive organizational culture where all employees understand the significance of DE&I, and all employees can express their ideas with peace of mind and promote healthy debate in a bias-free environment. These initiatives are efforts to make diverse organizations the norm, i.e., to recognize diverse organizations as standard practice, which will lead to the realization of the KLP as well as the realization of the human capital strategy.

## Social impact

Kao provide with presence consumer products and services that consumers use frequently in their daily lives in the markets of Japan and other countries. As a producer of products familiar to the public and widely recognized, Kao's activities that are close to such consumers can affect the entire society as a whole, including consumers themselves. One such set of activities is DE&I, and expansion of Kao's DE&I activities will raise society's awareness of DE&I. Moreover, through our employees' improving of DE&I, consumers will be able to enrich their lives through the

products and services we provide that meet the expectations of their diverse values in countries and markets where Kao will establish a strong presence from now on.

## Contributions to the SDGs



## Business impact

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 the work done each employee. By being a more attractive company, we will improve employee retention and competitiveness as an employer, which will lower recruitment costs.

## Governance

### Framework

After the Board of Directors deliberates on policies for human capital strategy, we deliberate, decide and share our progress on important issues related to DE&I at the Human Capital Development Committee, whose members comprise top executives. After special-purpose organizations within Kao Corporation (i.e. Kao Corporation's D&I, HCS) collaborate with people responsible for human capital development in each division and domestic group company and a DE&I-related specialized organization in Kao Group Customer Marketing (KCMK) Group through the Human Capital

Development Conference, Diversity & Equity promotion meetings and individual meetings to clarify the major issues at the Kao Group in Japan, we plan and implement DE&I promotion activities in line with the policy throughout the Kao Group in Japan. Feedback from the participants in all activities is verified through questionnaires and other surveys and when appropriate, the members of the aforementioned groups exchange their opinions, which are then reflected in subsequent activities. Managers and personnel responsible for human capital development from nine of Kao Corporation's worksites and from major affiliated companies collaborate with the Kao Corporation's D&I, HCS to disseminate information in the workplace regarding DE&I promotion and develop infrastructure for individual support, acceptance and retention of employees who need support.

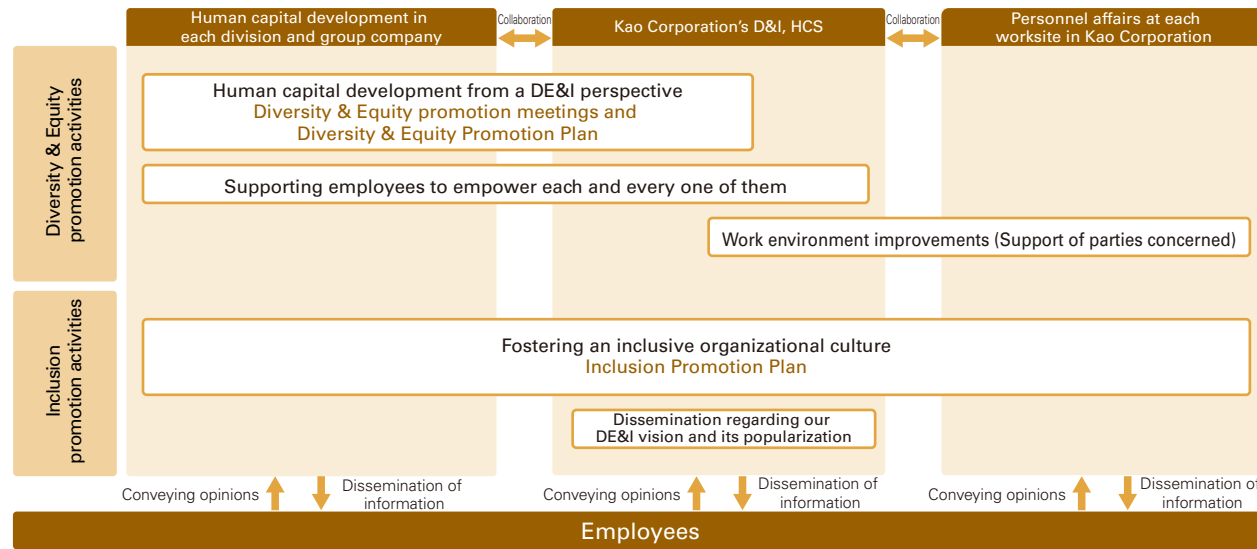
Globally, Kao Corporation's D&I, HCS collaborates with DE&I promotion officers from the Americas (indicating consumer product-related group companies in the U.S., Canada, Australia and New Zealand) and EMEA (indicating consumer product-related group companies in Europe, the Middle East and Africa) to share information, exchange opinions, and promote activities in each region that are tailored to the problems faced there.

In the Americas, the Diversity Equity & Inclusion Board (DE&I Board) represents diversity and works to foster a more diverse, equitable, and inclusive culture for employees. Board Members are internal champions who support employees' diverse needs and the Americas region's DE&I goals. The DE&I Board conducts activities to foster a diverse, fair and inclusive corporate culture.

In EMEA the D&I Steering Board, consisting of 12 senior team members who represent all business

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## Framework for DE&I promotion activities (Kao Group in Japan)



fields, was set up in 2022. EMEA has further established eight employee resource groups (ERG) called Kao Communities. These communities pursue activities related to Gender Inclusion, Cultural Diversity (including ethnicity), All Abilities (focusing on disability and neurodiversity), LGBTQIA+ All Stars, Parents (families with small children), EmpowerAge (multi-generations), infertility treatment and adoption, and support for climacteric disorder.

Moreover, to further promote activities throughout the entire group, we launched the Human Rights and DE&I Steering Committee in 2022. With the aim of improving human rights and DE&I of not only employees but also all stakeholders of Kao including supply chains and society at large, the Human Rights

and DE&I Steering Committee promotes activities across groups and monitors each division's activities.

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## Education and promotion

In order to make diversity a source of power for our organization, we are spreading awareness of the meaning of DE&I, and providing the knowledge and information needed to put it into practice. We conduct training especially for management, who have an important role to maximize the value of diversity, and we implement educational activities for employees working with others who are in difficult situations. We broadly publicize internal positive examples and activities related DE&I 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 and engage in a healthy exchange of opinions drawing from their diverse backgrounds, we have started providing training to deepen all employees' understanding of psychological safety and unconscious bias as a base. We receive feedback from the participants at all activities through questionnaires, and incorporate our employee comments in our activities by reflecting these opinions in subsequent activities.

## Collaboration with stakeholders

Proactive collaboration with NPOs, government agencies and other companies promoting DE&I is essential to encourage understanding and improve awareness of DE&I inside and outside the Kao Group.

To support the balancing of work and childcare, for a decade we have endeavored to change the 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 in order to address various social issues. For women's empowerment, the President & CEO participated in and

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discussed issues at initiatives such as the 30% Club Japan. In addition, Kao Corporation's D&I, HCS, is implementing initiatives for women's empowerment inside and outside the Kao Group in collaboration with other companies through participation in the secretariat's team. Furthermore, we announced our support for The Valuable 500, an international initiative established to get corporations to play a leading role in building an environment in which people with disabilities can participate actively in various business situations, and are striving to promote these activities and increase their societal momentum. In 2022, the Kao Group expressed its support for the Nihonbashi Neurodiversity Project, a new project launched under the auspices of Takeda Pharmaceutical Company Limited. This project involves industry-government-academia activities aiming at building a society where people regard cerebral and neural differences, including developmental disorders, as a form of diversity, and respect each other. We will widely inform our employees about this project. In addition to these activities, as a research member of administrative and other organizations, Kao participates in discussions, introduces our own case studies in lectures and seminars, and accepts company tours at our special subsidiaries.

## Risk management

Through engagement surveys, questionnaires to employees, and via the Employee Welfare Committee, we do our best to grasp whether diverse personnel who are the company's assets are indeed motivated to work for the company. Information on how diverse employees, including female workers, participate actively in the company is monitored through indicators

such as the percentage of female managers. Furthermore, we not only disclose Kao's present status to various stakeholders upon receiving responses to surveys conducted by the government and media and assessments undertaken by various ESG-related organizations, but also track requests from stakeholders and monitor how society at large views our efforts. We also engage in dialogue with investing institutions to ensure they have a deep understanding of our activities, and to improve our activities.

Of the risks mentioned above, Kao Corporation's D&I, HCS, and people responsible for human capital development at each company identify issues that need to be addressed, and responsible people in Human Capital Strategy and those responsible for human capital development from each division/company discuss countermeasures at the Human Capital Development Conference. Before they are put into action, measures having a major effect on a company-wide basis are discussed by the Human Capital Development Committee, which comprises executives.

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## Targets and metrics

### Mid- to long-term targets and 2022 results

#### 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 generate new value. Moreover, to incorporate diverse perspectives in a variety of corporate decision making, we hire talent from diverse backgrounds and encourage their participation. As one indicator of this,

we aim to have the same percentage of female managers as the percentage of total female employees.

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

To keep track of our progress toward the mid- to long-term targets, we are continuing to measure the "inclusive organizational culture" and the percentage of female managers.

### 2022 results

#### Kao Group in Japan

#### Activities to promote Diversity & Equity

To promote human capital development from a DE&I perspective in each division and affiliated company, separate Diversity & Equity promotion meetings were held. Participants in those meetings checked the progress of the Diversity & Equity Promotion Plan and formulated new settings.

In terms of women's empowerment, we sorted through issues and set important actions to meet our mid- to long-term targets. In this effort and from the perspective of enhancing the development of female leaders, we carried out round-table talks with a female fellow (Women's Career Café) and different

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cross-industry study sessions, and the KCMK Group implemented the Diversity promotion project.

In terms of promoting the participation of employees of LGBTQ+ communities, we held round-table talks with transgender employees in order to deepen other employees' understanding of them.

In terms of promoting the participation of non-Japanese employees, we held a wellbeing seminar titled "How interesting differences are." This provided some advice on what we could learn from different cultures, enabling us to turn differences into value and develop an organizational culture that encourages learning from differences.

Continuing our activities to promote normalization toward the advancement of people with disabilities, we promoted collaboration with Vocational Life Consultants for Persons with Disabilities.

To support for balancing work and childcare for employees to take their desired maternity / paternity leave and for seamless operations at the workplace, we started distributing booklets that cover the procedures for processes from pregnancy to childbirth, maternity / paternity leave and reinstatement as well as information that enables such employees to communicate smoothly with their supervisors.

Regarding support for balancing work and family care, we provided an online seminar through which employees could learn how to use company's systems for family care.

## Activities to promote Inclusion

To formulate policies for advancing DE&I in all of the Kao Group's business activities, we advanced discussions with members who are engaged in product development and material procurement in the Human Rights / DE&I Steering Committee at the global level.

As part of our initiative to develop an organizational culture that turns diversity into a strength and produces good results in teams through communication, we held a Psychological Safety Workshop (Basic Edition) in order to achieve employees' understanding and basic knowledge of psychological safety, and to entrench the concept in the workplace.

For awareness-raising issues for women's empowerment, LGBTQ+ employees, non-Japanese employees, employees with disabilities, support for balancing work and childcare/family care, etc., we used various new approaches in addition to the distribution of awareness-raising videos, holding of seminars and events and sharing of good case examples in the company, so that employees of the Kao Group would draw attention to DE&I. Examples of the new approaches include "Quiz to Learn D&I" which includes seven original case study questions, Kao Mates which is an article focusing on individual employees' DE&I and round-table talks with LGBTQ+ employees.

Moreover, we opened a Kao D&I Square, a place to facilitate two-way communication, to encourage spontaneous participation by employees.

## **Kao Group in the Americas and EMEA Activities to promote Diversity & Equity**

Americas has launched Kao Pride, a new Employee Resource Group (ERG), to support the LGBTQ+ community.

EMEA, on the other hand, has launched eight ERGs called Kao Communities, and each community has already started its activities.

## **Activities to promote Inclusion**

Aiming to deepen understanding of topics about social justice and racial equality and encourage desirable

behavior, Americas held virtual events for the employees throughout the year.

EMEA held six online awareness-raising events and lectures to celebrate important dates such as Pride Month or UK Black History Month, and foster open conversation about important topics on International Pronouns Day and Fertility Awareness Week.

## **Reviews of 2022 results**

We were able to work steadily on initiatives for the different issues pertaining to Diversity & Equity promotion activities. Especially on the topic of women's empowerment, we identified problems to solve to achieve the mid- to long-term targets, set important actions, and positioned support for balancing work and childcare (including an increase in the rate of paternity leave taken by male employees) and understanding and exploring psychological safety and unconscious bias, as important actions. From there, we launched comprehensive activities toward achieving the objectives.

Regarding the activities to promote Inclusion, we continuously announce and release two to three new pieces of content every month based on the Inclusion Promotion Plan, enabling us to encourage employees in the group to understand DE&I and ultimately implement these concepts in the workplace. Especially in 2022, we were able to call much attention to diverse employees through new awareness-raising activities. Consequently, we received two to three times more responses than the previous year in terms of the number of participants in events and seminars we held, the number of viewers of our articles and videos, and the number of responses to our questionnaire. More and more employees have been acknowledging psychological safety, which we regard as a key topic. Obvious change has occurred

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within the company, as this subject is incorporated into our organizational goals and activities and we see and hear this term in various situations. While it is important that globally all employees fully understand DE&I and can apply these concepts, that alone is not enough. As such, we are pushing ahead with further initiatives to foster an inclusive organizational culture so that not just employees who are sensitive to DE&I but all employees, including those who are currently indifferent to these issues, are genuinely convinced of their importance and apply DE&I in their day-to-day work.

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## Main initiatives

### Activities to promote Diversity & Equity

We implement Diversity & Equity promotion activities with the aim of fostering an environment and corporate culture where diversity in the organization improves and all employees receive opportunities equitably and can demonstrate their unique capabilities.

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

We make great efforts, including selecting key human capital, to promote, hire, evaluate, and educate employees based on their individual abilities regardless of other attributes. Even in meetings related to personnel affairs attended by executives, we ensure diversity while checking for bias, etc. in attributes of candidates for senior positions.

In 2022, to clarify issues related to DE&I in each division and domestic group company and address those issues consistently, Kao Corporation's D&I, HCS held 17 separate Diversity & Equity promotion meetings with each of responsible personnel and career coordinators of human capital development in each organization. In terms of monitoring the progress of the Diversity & Equity promotion plan, which is formulated and executed for each organization every year and mainly for promoting women's empowerment and human capital development for employees with disabilities, we checked the issues experienced by each organization based on the numerical data pertaining to DE&I, and exchanged opinions about future actions. We will continue to carry out periodic exchanges of opinions between Kao Corporation's D&I, HCS and each organization, and advance the human capital development from DE&I perspective according to the characteristics of each organization.

#### Women's empowerment

We are working on activities to promote women's empowerment based on the idea that it is essential to the growth of Kao as a diversity element that relates to the greatest number of human capital. Under the policy of establishing a working environment and fostering a culture where all employees transcend their own assumptions<sup>\*1</sup>, fully demonstrate their motivation and skills, and work in their authentic self regardless of gender, we intend to incorporate diverse perspectives in various decision-making situations. To realize that, in Japan where the ratio of women in management is not yet equal to the ratio of women in the organization overall, we are working on three priority actions, namely: Development of potential future leaders; Support for balancing work and childcare to promote engagement<sup>\*2</sup>; and Provide management education for unbiased training and promotion opportunities.

<sup>\*1</sup> Gender roles in the division of labor, and the image of a leader, etc.

<sup>\*2</sup> Details are written in the section on Support for balancing work and childcare (p. 219)

#### Development of potential future leaders

##### Female leader training (Kao Group in Japan)

To improve the career motivation of and expand the perspectives for female employees, and establish a place of learning and a network through collaboration with other companies' members, we encourage female employees to participate in training sessions held by external women's organizations (NPOs or PIAs) and different cross-industry study sessions planned and held in collaboration with other companies. From those female employees who have participated in sessions mentioned above, we hear comments such as, "I have successfully decided my course of action," and "I have broadened my perspective through networking with

people in different industries." At the same time, we hear good feedback about the participants from their workplaces.

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

With the aim of having female employees who are willing to be leaders, thinking about their own unique image of what a leader is and inspiring them to form empathic connections with other female workers, we hosted a series of small-group round-table talks with a female fellow (Women's Career Café) as in the previous year. We received some positive feedback such as, "I was inspired by the seniors' experiences and advice on building my career," and "I was impressed by the opportunity to share my concerns and hear about experiences of female leaders of the same generation, so now I feel very positive." This indicated that the round-table talks gave the participants a high degree of satisfaction and transformed their way of thinking (100% of the participants were satisfied and 90% had a positive change in their mindset).

#### Study sessions with female managers in different industries (Kao Corporation)

We participate in different cross-industry study sessions independently organized and run by a female fellow in collaboration with executives at other companies. Under the theme of "Flexible female strength to demonstrate in the new-normal era," we conducted a panel discussion and a group discussion as the host company in FY2022. Approximately 100 female managers from 23 companies attended. Through two-way exchange of opinions, they improved their motivation as manager and built cross-industrial networks.

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## Diversity promotion project (KCMK Group)

Toward achieving an organizational culture where diverse personnel can exercise their creativity, the KCMK Group aims to transform organizational cultures into innovative ones with diversity, flexibility, and fairness. As such, the group launched a selective project in FY2021. To the participants, most of whom are female employees, this project offers various opportunities for significant growth, resulting in the formation of high-level viewpoints and management perspectives. This enables the group to foster future talents that proactively tackle difficult problems head-on and drive the next generation as pioneers and leaders of KCMK reform.

## Provide management education for unbiased training and promotion opportunities

### Diversity management education (Kao Group in Japan)

To employees who have been newly promoted as managers, we provide e-learning on diversity management. We also implement activities that deepen understanding of psychological safety and unconscious bias, which are important elements to make diversity an organization's strength (p. 224).

## Promotion of understanding of women's empowerment (Kao Group in Japan)

In conjunction with International Women's Day in March, we distributed an awareness-raising video called "Let's think about women's empowerment." In this video, we presented information including goals of women's empowerment, factors such as unconscious bias that interferes with the realization of those goals, and tips for avoiding such factors (viewed approximately 700 times). We have received a lot of feedback saying, for

example, "I now understand that women's empowerment provides benefits not only to women but to men as well."

## Gender Pay Indicators

The gender pay gap\* is one indicator of women's advancement and is 106.4% for managers and 90.6% for non-managers at the Kao Group globally. In addition, the annual average amount of remuneration for men and women (data assurance performed by a third party) is shown on p. 228. We believe that this gap is due to the higher percentage of men among employees with more years of service, 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 strategy to eliminate the gender pay gap, we will continue to take steps to further improve our retention of female employees, and as appropriate, increase the percentage of women who are managers, senior managers and executives to align with the percentage of female employees in total in order to advance women's empowerment in the workplace through our initiatives.

\* Ratio of women to men in terms of average annual salary of base salary + other cash incentives

## Promotion of empowerment of employees of LGBTQ+ communities

Under the policy of aiming to create an environment where all employees are respectful of sex, gender identity and gender expression, and sexual orientation, and all employees can authentically express themselves so that we can foster an organizational culture where all employees can fully develop their potential, we are

creating work-friendly workplaces for LGBTQ+ employees and fostering such a culture.

## Fostering an organizational culture where LGBTQ+ employees can work with peace of mind Round-table talks with LGBTQ+ employees (Kao Group in Japan)

To deepen understanding of LGBTQ+ issues, we held a round-table talk with transgender employees in the company for employees who have made an ALLY\* declaration. Approximately 110 employees participated in the talk. Through talks by LGBTQ+ employees about their experiences and points that we should be mindful of, we obtained a lot of feedback saying, for example, "I have increased my understanding of LGBTQ+ issues because I heard directly from a member of the community what they have problems with, which only they themselves can understand." Moreover, we released a video of the round-table talk to our employees, which encourages more employees to have a feeling of closeness to LGBTQ+ employees and grasp the issue as a matter of their own.

\* ALLY

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

## Pride Month awareness-raising activities (KCMK Group)

During Pride Month in June, we provided educational content in the following four topics: (1) Basic knowledge; (2) Communication; (3) Real voice of LGBTQ+ employees in the company; and (4) The global landscape. During this period, many employees thought deeply about respect for individuality. They talked about diversity of gender in each workplace, which became an opportunity for them to understand and accept LGBTQ+ people.



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## Recruiting ALLIES (Kao Group in Japan)

We are continuing recruitment for ALLIES. We have 594 employees who have made an ALLY declaration this year, which comes to 1,072 members in total (year-on-year change: 224%). Employees who make an ALLY declaration are issued with special straps that they are encouraged to wear.

## Kao Pride (Americas)

To establish a network to promote DE&I initiative for supporting LGBTQ+ communities and Allies, Americas launched a new employee resource group (ERG) called Kao Pride. Kao Pride enhances the growth of LGBTQ+ employees, reflects a diverse range of views of people at all levels in the Americas, and works to build a safe, open environment in which all employees can work freely, without limiting its activities just virtue signaling or rainbow washing. In 2022, the Americas participated in the Cincinnati Pride Parade. Kao Pride held a panel discussion by our employees on National Coming Out Day. As an awareness-raising activity to learn about the expansion of gender-neutral pronouns that can be used regardless of gender and to break down the concept of gender binarism, Kao Pride invited a guest speaker and held an event on how to become a better ALLY in one's workplace.

## Improvement of working environments where LGBTQ+ employees can work with peace of mind LGBTQIA+ All Stars (EMEA)

EMEA launched LGBTQIA+ All Stars as one of the ERGs. With support from the D&I Steering Board, LGBTQIA+ All Stars introduced a gender-neutral bathroom in the London office, and the employees can now write a personal pronoun suitable for each individual's gender after their signature.

## Promoting the participation of non-Japanese employees

Under the policy of improving the environment where non-Japanese employees are motivated to demonstrate their unique capabilities and fostering an organizational culture where each employee respects differences in culture, language and concept of values, which will be the company's strengths, we are improving the working environment and fostering a culture where non-Japanese employees can work with peace of mind.

## Fostering an organizational culture where non-Japanese employees can work with peace of mind Distribution of articles introducing non-Japanese employees (Kao Group in Japan)

We started distributing articles that introduce individual non-Japanese employees so that not only employees who work with non-Japanese employees every day, but also those who do not have an opportunity to work with them, can feel closer to non-Japanese employees as a part of diversity in the company, and grasp the issue as their own. In each article, we highlight a non-Japanese employee who works for the Kao Group in Japan. We then give information such as the reason for joining Kao and the employee's thoughts on working here and the workplace environment. The articles also cover interviews with the featured employee's supervisors and colleagues, which is considered to be a good example of inclusion in the workplace and gives employees an opportunity to think of diversity and globalization.

## Well-being seminar that provides an opportunity to learn from other cultures (Kao Group in Japan)

Under the title of It's Brilliant to be Different!, aiming at becoming an organization that regards difference as a value and that learning something from that value

generates new value, we invited a Finnish expert to hold a seminar under the theme of wellbeing. This seminar was viewed by more than 1,000 employees in total via a livestream and video distribution. This gave them an opportunity to know how Finns think of wellbeing, learn new things from a work-style based on this concept, appreciate the good points about Japan, and re-recognize the value that already exists in Japan.

## Improving the working environment so non-Japanese employees can work with peace of mind Providing continuous support for non-Japanese employees who need to temporarily return to their home countries (Kao Group in Japan)

As a special measure, since 2021 we have been continuing to help non-Japanese employees return to their home countries temporarily so they can keep working at Kao while maintaining bonds with their family in their own countries despite various restrictions due to COVID-19. We will continue support from an Equity perspective.

## Promoting the participation of employees with disabilities

Under the 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," we regard disabilities as a type of diversity, endeavor to improve the working environment, and foster a culture where employees with disabilities can work with peace of mind, and make active efforts to employ employees with disabilities.

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## **Improving the working environment so employees with disabilities can work with peace of mind** **Vocational Life Consultants for Persons with Disabilities (Kao Group in Japan)**

We have assigned Vocational Life Consultants for Persons with Disabilities to worksites nationwide to conduct consultations for employees with disabilities. We inform employees with disabilities of Vocational Life Consultants for Persons with Disabilities annually, leading to building awareness of consultations and the comfortable atmosphere in which the consultations take place.

Vocational Life Consultants for Persons with Disabilities hold regularly scheduled meetings to improve their skills as supporters and reinforce the support structure. In 2022, we held a meeting for the consultants who have workers with intellectual disabilities or psychological illnesses at their workplaces. We then exchanged views on problems of employment faced by people with disabilities in each workplace and solutions to the problems. We received feedback from the participants, indicating that the meeting was very helpful because they heard examples from other workplaces and took clues for better support. This will ultimately improve the quality of employee support.

## **Support for mutual understanding and communication among employees with disabilities and their colleagues (Kao Group in Japan)**

We prepared an Employment Manual for People with Disabilities and a Communication Sheet, distributing them on our D&I portal site to promote mutual understanding among employees with disabilities and their colleagues.

We also introduced UD Talk voice-recognition application as a tool to support communication with employees who have hearing impairments. In addition, we are continuing to introduce and apply voice

recognition tools such as UD Talk and live captions for Microsoft Teams inside the company.

## **Support for prospective employees with disabilities (Kao Group in Japan)**

For prospective employees with disabilities, we provide information about the support that the company provides for employees with disabilities before they join, and by confirming in advance what support each employee will need, we help to increase the peace of mind these employees will feel once they become part of the company.

## **Fostering an organizational culture where employees with disabilities can work with peace of mind** **Promoting understanding of disabilities (Kao Group in Japan)**

We periodically take measures to increase employees' understanding of disabilities. In 2022, we created an awareness-raising video under the theme of "Tips for working with employees with disabilities" and released the video on the D&I portal site.

## **Human capital development for employees with disabilities (KCMK Group)**

We assign each employee with a disability to a position which is most suitable for the individual, in accordance with the employee's ability and aptitude. We also rotate them through different parts of the organization as needed to shape their career. When an employee with a disability is transferred to a different workplace, we always hold a study session with the employee's new supervisors and colleagues. Especially when an employee with a hearing disability who requires special care in terms of communication is transferred, we explain to the employee's new supervisors and

colleagues that the ways in which someone with impaired hearing perceives things and the best method of communication differs from person to person, and emphasize the importance to conduct active dialogues with the employee.

## **All Abilities (EMEA)**

EMEA established the All Abilities community as one of the ERGs and supported efforts to improve the accessibility of the new office in London through, for example, barrier-free design. EMEA also introduced the Hidden Disability Sunflower Scheme so that people who have disabilities that are less visible can receive the support they need.

Hidden Disability Sunflower lanyard (used for people who have disabilities that are less visible can receive the support they need)



## **Active employment of people with disabilities**

### **Wasa Group, Production Division, Wakayama Plant**

The Wasa Welfare Factory was established in April 1993 as a place that supports financial and psychological independence as well as social participation. It provides work to people with disabilities along with lifestyle guidance and health management, in cooperation with medical institutions and under Wakayama City's and Wakayama Prefecture's 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 Division). Currently a total of 26 employees, including 21 with disabilities, fill smaller-sized bottles of

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shampoo and conditioner as well as an assortment of Kao travel sets.

## Special subsidiary (Kao Peony Co., Ltd.)

Kao Peony has proactively employed people with severe disabilities, primarily persons with intellectual disabilities, since it was established in 2005. The Production Division provides setting and packaging operations for cosmetics and beauty care products. The Office Support Division, launched in 2017, takes care of administrative and clerical support operations that assist with some of the Kao Group's business processes in Japan. As of January 2023, a total of 87 employees, including 65 employees with disabilities, work at Kao Peony.

## For more employment (Kao Peony Co., Ltd.)

Owing to a change in the business strategy and a fall in the number of inbound consumption, the Production Division has been suffering from a decline in the work of setting cosmetics. As such, the Production Division has started taking care of products it had not handled before toward improving the line operating rate. Cash out is controlled by accepting products that would otherwise be outsourced from plants, resulting in a financial contribution to the Kao Group.

The Office Support Division is involved in a Nurturing the Next Generation program, which is provided to schools nationwide for free by the Business ESG Promotion Department. In creation of School materials for the Blind: Let's Wash Your Hands, a hygiene practice program, the Office Support Division took on not only making gloves for a demonstration but also preparing and packaging message cards with Braille stickers for students and their parents. The division received many words of appreciation from the teachers at schools for the blind. The Office Support Division also held an online

study tour for other companies and received positive feedback, indicating that the study tour was very helpful.

Both divisions are looking for new business opportunities to expand employment of people with disabilities, and will continue to improve the environment in which people with disabilities can work with peace of mind.



Preparing handwashing materials for schools for the blind at the Office Support Division

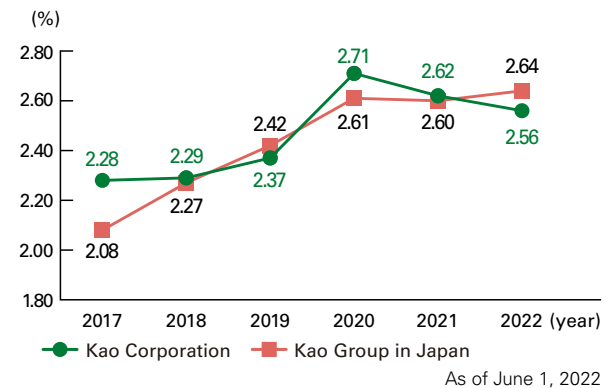


Setting operations at the Production Division

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

Currently, people with disabilities account for 2.64% of the total workforce of the Kao Group in Japan, exceeding the statutory minimum rate (as of June 2022).

## Kao Group employment rate of persons with disabilities\*



\* Scope of calculations

Thirteen domestic affiliates that are classed as special subsidiaries under the Act to Facilitate the Employment 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 Transport & 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.)

## Support for balancing work and childcare

Under the policy of supporting work-life balance, the aim of which is to provide support so that all employees can fully demonstrate their motivation and skills and participate in the workplace while balancing work and their personal lives, we position support for balancing work and childcare as one of the key actions for promoting women's empowerment. As such, we are

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creating an environment and fostering a corporate culture where our employees can stay highly motivated to work while balancing their work and family life with peace of mind at every stage from the employee's or their partner's pregnancy and childbirth to childcare.

## Main support for balancing work and childcare responsibilities

- Provision of the Work and Life Balance Guidebook
- Distributing a guidebook that contains information on procedures related to childcare and information on appropriate communication at home and at work to ensure smooth balancing of work and childcare.
- Distributing a leaflet for male employees with information on taking paternity leave
- Conducting gestation and pre- and post-maternity / paternity leave interviews
- Encouraging communication between employees and their workplace supervisors on maternity / paternity leave 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) and use company-run daycare centers that are available to non-employees of the company that has set up it
- Diversity Management e-learning (for managers)

## Support for balancing work and childcare to promote engagement

### Support for procedures and communication from pregnancy to maternity / paternity leave and reinstatement (Kao Group in Japan)

To promote employees' taking desired maternity / paternity leave and seamless operations at the workplace, we are improving the communication flow inside the

company throughout the process from employees' or their partners' pregnancy to taking maternity / paternity leave and reinstatement of the relevant employee. In 2022, we added a new consultation process that now takes place between an employee who has reported the employee's or the employee's partner's pregnancy and the employee's supervisors. During the consultation, the supervisors are to check what the employee thinks about taking maternity / paternity leave and working during and after the leave. We have also started distributing a guidebook that contains information for the employee and the employee's supervisors on the procedure required in each process and on appropriate communication in the workplace. Also supplied is material that clearly sets out childcare-related systems and support which can be used during pregnancy and after delivery.

### Seminars for employees returning from maternity / paternity leave (*Tatsuno-oshigoto* Seminars) (Kao Group in Japan)

Each year, we conduct seminars for employees and their partners regardless of gender who are about to return to work after having taken more than one month of maternity / paternity leave (*Tatsuno-oshigoto* Seminars) at Kao Group companies in Japan. In 2022 the goal of the seminars was changed from "Continuing to work" to "Working enthusiastically." During these seminars, employees and their partners share ideas about their future careers and talk about how they should balance work and family care or childcare and improve their awareness as they prepare for reinstatement. The seminars included content that provided high levels of satisfaction and led to improvement in the participants' awareness about the reinstatement process. According to one participant, "This was a good opportunity to discuss and think more about my and my partner's career and future lives."

### Increasing the share of male employees taking paternity leave (Kao Group in Japan)

To erase the gender divide from the minds of employees themselves who are in childcare and from the minds of their colleagues, mainly management, we are encouraging male employees to take paternity leave. By encouraging male employees who have not taken paternity leave and their supervisors at the individual level, the share of male employees taking paternity leave has been increasing year on year. The share was 95.6% in FY2022, showing a high level. In 2022, we set up a process for male employees to share with their supervisors how they support their families and what to do during their leave to balance work and time off. This process encourages them to take rewarding paternity leave so they can establish a work-life balance framework.

### Improving reinstatement support (Kao Corporation and some affiliated companies)

We introduced Parenting Future Concierge, a new measure to support employees desiring reinstatement. This allows for the use of company-run daycare centers, which are available to non-employees of the company that has set up the daycare center, so that employees can return to work at the preferred time after taking maternity / paternity leave. We help our employees to return to work at an appropriate time in consideration of their career, in such a way as to broaden the choices of childcare centers available for them.

### Reviewing adoption policies (Americas)

Americas reviewed adoption policies to include reimbursement for legal fees involved to adopt child conceived through surrogacy.

# Inclusive & Diverse Workplaces

GRI 401-3, 404-2, 405-1

## 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 Law for Measures to Support the Development of the Next Generation. Kanebo Cosmetics, KCMK, and Kao Transport & Logistics were respectively awarded Kurumin certifications in 2009, 2011 and 2019.



## Support for balancing work and family care

Under the policy of supporting work-life balance, the aim of which is to provide support so that all employees can fully demonstrate their motivation and skills and participate in the workplace while balancing their work and personal lives, we are striving to improve the working environment and foster a culture where striking a balance between work and family care can be achieved. We aim to realize of enabling each individual to act independently and provide assistance based on a spirit of mutual support.

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

- Provision of the Work and Life Balance Guidebook
- Provision of family care handbooks
- Holding family care seminars
- Establishment of an external family care consultation service
- Reinforcement of family care consultation skills by human capital personnel

## Improving an environment and developing an organizational culture that strikes a balance between work and family care

### Provision of information about balancing work and family care (Kao Group in Japan)

Through the D&I portal site, we are releasing a Family Care Handbook that contains information on family care and a Work and Life Balance Guidebook that clearly describes the company's systems and employee benefit services related to family care. This means our employees will be able to obtain the information they need at any time.

### Family care seminars (Kao Group in Japan)

We hold family care seminars annually. The purpose is for our employees to learn about family care, improve

their balancing framework of work and family care by themselves, and increase the number of supervisors and colleagues who can understand and become attentive to the situation of employees who are carrying out family care. In 2022, we conducted seminars in which employees could learn the steps involved with balancing work and family care and how they can use the company's systems to do so. These seminars earned high praise from participants, who left comments stating that they were able to learn the specifics of preparing for family care, and that they deepened their understanding of the content and how to use the company's systems. At the same time, we distributed video content from the seminars. In this way, we are continuing to provide our employees with a broad range of information on family care.

### Main systems for supporting diversified work styles: Related to childcare, nursing care, and family care (Kao Group in Japan excluding some affiliates)

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. If the company recognizes that the employee is unable to maintain a livelihood, the employee will be paid throughout the period of absence (an amount equivalent to salary will be paid as replacement).	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.
Leave at birth	Paid holidays for parental leave (for ten working days) must be taken during a period until the first April 30 following the child's first birthday.	
Reduced working hours and staggered working hours	<ul style="list-style-type: none"> <li>• These are available until the child completes the third grade of elementary school.</li> <li>• 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 by up to two hours per day.</li> <li>• Maternity / paternity leave can be taken until the first April 30 following the child's first birthday.</li> <li>• The specified working hours and days can be reduced by up to four hours a day and three days a week.</li> </ul>	<ul style="list-style-type: none"> <li>• It is possible to take paid parental leave for up to three years (it can be divided into two times).</li> <li>• Specified working hours can be reduced by up to two hours per day, working days can be reduced to three days a week or half a work day for five days a week, or the specified time for starting or finishing work can be adjusted by up to two hours per day.</li> </ul>
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	Female employees caring for newborns and infants less than one-year old are eligible for a 30-minute child care time up to twice per day.	
Special leave for Short-term and Long-term 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.
Remote work system	<ul style="list-style-type: none"> <li>• In any unavoidable circumstances for childcare, nursing care, and family care, we allow employees to work from home.</li> <li>• One condition is that the employees are engaging in work that would not be hindered by working outside of the office.</li> </ul>	

# Inclusive & Diverse Workplaces

GRI 405-1

## Employment system utilization status related to childcare, nursing care and family care

		2019	2020	2021	2022
Share of eligible employees taking maternity / paternity leave (male) (%)	Japan	–	–	–	95.6
	Kao Corporation	42.6	42.2	51.6	108.7
Share of eligible employees taking maternity / paternity leave (female) (%)	Japan	–	–	–	107.7
	Kao Corporation	96.6	100	100	108.8
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (male)	Japan	–	–	–	1
	Kao Corporation	1	3	2	1
No. of employees taking reduced working hours or staggered working hours to meet childcare responsibilities (female)	Japan	–	–	–	268
	Kao Corporation	122	68	62	41
No. of employees taking nursing care or family care leave (male)	Japan	–	–	–	1
	Kao Corporation	0	0	1	0
No. of employees taking nursing care or family care leave (female)	Japan	–	–	–	7
	Kao Corporation	2	0	3	1
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (male)	Japan	–	–	–	0
	Kao Corporation	0	0	0	0
No. of employees taking reduced working hours or staggered working hours to meet nursing care or family care responsibilities (female)	Japan	–	–	–	5
	Kao Corporation	0	0	0	0

\* Counted in enrolled companies

\* Employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment.

\* Changed the rate of taking maternity / paternity leave to a calculation method based on the Child Care and Family Care Leave Law from 2022.

# Inclusive & Diverse Workplaces

## Activities to promote Inclusion

We are carrying out activities aimed at promoting inclusion, by having all employees grasp the significance of DE&I and develop the skills, environment and culture where employees unlock the value of their diversity as a source of power for the organization.

### Formulation of Kao Group's DE&I policies

As part of Kao's business initiatives through brands, products, and services as well as all company activities, we advanced discussions with members around the globe who are engaged in product development and material procurement in the Human Rights / DE&I Steering Committee in order to continue to evolve the entire group's DE&I promotion activities. These efforts involves deepening discussions about the vision for DE&I promotion activities for our employees. We will soon start informing employees of the vision.

### Fostering an inclusive organizational culture

To cultivate an inclusive organizational culture, we are working on "Understanding and raising interest in DE&I" and "Upskilling and fostering a culture that makes diversity a strength for the organization."

### Understanding and raising interest in DE&I

Each month, the Kao Group in Japan releases two to three items of content relevant to sharing awareness-raising video and seminars, positive examples inside the company, etc. with regard to subject such as women's empowerment, LGBTQ+ issues, non-Japanese employees, employees with disabilities, balancing work and childcare, and balancing work and family care based on the Inclusion Promotion Plan. This allows us to

encourage employees in the group to understand DE&I and ultimately implement these concepts throughout the workplace.

### Kao Mates: Article focusing on the diversity of our employees (Kao Group in Japan)

We started Kao Mates, a project that focuses on individual employees of the Kao Group who have different backgrounds, and introduces them as their true selves. By focusing on employees' diversity and equity and introducing their stories about Inclusion at their workplaces, we hope that other employees will feel closer to DE&I, and become aware that this concept is directly relevant to themselves so they change their behavior. In every other month during 2022, we introduced five employees consisting of two non-Japanese employees, an employee of a LGBTQ+ community, a male employee who has taken long paternity leave, and an employee with impaired hearing. We invited their immediate supervisors and colleagues each time, with their names and pictures. As a result, many other employees became interested in each article as familiar examples, and we received plenty of feedback, including empathy and new discoveries, from readers of the articles (The number of views of each article in a month after posting the article has been approximately 5,000 to 10,000).

### Creating and releasing awareness-raising videos (Kao Group in Japan)

With the aim of providing tips to promote understanding of Diversity & Equity and implement Inclusion in the workplace, we have been creating a series of 10-minute awareness-raising videos within the Kao Group, each of which summarizes an important point. In 2022 we released three new videos under the respective themes

of "Think about how to work with employees of different nationalities and cultures," "Let's think about women's empowerment" and "Tips you need to know about working with employees with disabilities." In addition, we released a lecture video about Kao's full range of D&I promotional activities for all employees in the Kao Group in Japan to view at their leisure. This was previously only available to a limited number of people for training.

### Stimulating communication among employees through opening the Kao D&I Square (Kao Group in Japan)

We set up the Kao D&I Square on Microsoft Teams in June as a place to facilitate two-way communication among employees who are interested in DE&I (370 employees have joined as at the end of December). The Kao D&I Square announces various ways to promote company-wide inclusion. Furthermore, DE&I-related activities of many organizations and communities in the company and social topics are shared and exchange opinions every day in the square. Members can share information on what they have found and what they think through casual information exchanges online, resulting in the gradual expansion of a new network among Kao Group members.

### Quiz to Learn D&I 2022 (Kao Group in Japan)

For Kao Group members in Japan to hear about fresh DE&I topics and Kao's DE&I promotion activities, learn about DE&I in an enjoyable format, and get tips on implementing DE&I in their workplaces, we planned and carried out a project called "Quiz to Learn D&I" for the first time. As a case study for the quiz, we created seven questions relevant to issues that can actually occur in the workplace. It is a multiple-choice quiz and

# Inclusive & Diverse Workplaces

members who have taken the quiz can read the description of each question. As a result, they should be able to deepen their understanding of DE&I and help to carry out DE&I promotion activities themselves. During the first month of it being available, 3,033 employees (total of those who used Japanese version and those who used English version) took the quiz. Some said “I was attracted to it because it was a quiz,” and “I have found some points I should pay attention to in the workplace.” We think this opportunity for our employees to think of DE&I was a resounding success. At the same time, we received approximately 500 comments about our efforts to improve Kao’s DE&I promotion activities, showing our employees’ high level of interest in this topic. We intend to make use of these opinions in future activities. Owing to the many requests received to continue the quiz, we will do it again in the coming year and beyond.

## Holding D&I EXPO 2022 (Kao Group in Japan)

In 2021, in the last three months of the fiscal year we held Kao Diversity & Inclusion EXPO 2022, a special project on the portal site that showcases the present state of DE&I at Kao. In 2022, under the theme of “Let’s learn about Diversity & Inclusion,” we released the aggregate results of answers to “Quiz to Learn D&I 2022” and “My D&I Experiences,” which is the title for free comments received from our employees, as the main content. In addition, we re-informed our employees about various DE&I awareness-raising measures (distribution of records from seminars and events, videos and articles) that we carried out as highlights in 2022. Consequently, the employees who visited the EXPO page can now view a range of content whenever they want. Comments received from the visitors included, “I got to know other

employees’ awareness of DE&I when I saw the aggregate results,” and “I was impressed by the comments on my D&I experience,” indicating the employees’ improvement of understanding of and interest in DE&I.

## Sharing positive examples and activities inside the company (Kao Group in Japan)

We are drawing focus on Kao Group members’ activities to promote Inclusion, and are continuing efforts aimed at sharing these activities. In 2022, in collaboration with employees from the Office Support (OS) Division of Kao Peony, we introduced four topics from among many different business areas, including introducing the detailed and diligent work of our colleagues with disabilities, through video. For many employees who do not have an opportunity to directly see Kao Peony employees during business hours, it was a good chance to see that they are taken care of through the support and activities of the OS Division in many different situations. As such, the OS Division received many messages of gratitude and support. We are glad we did so much to raise awareness about Kao Peony’s OS Division.

## Upskilling and fostering a culture that makes diversity a strength for the organization Psychological Safety Workshop (Basic Edition) (Kao Group in Japan)

Toward developing an organizational culture that makes diversity a strength and produces good results in a team through communication, we have been focusing on psychological safety and unconscious bias as one of our key subjects to raise awareness about since 2021. In 2022, we designed the entire project for us to form teams in which we can share dialogue. The first round

of the project involved conducting the Psychological Safety Workshop (Basic Edition), which is positioned as one of the components of the Dialogue Festival held by the Kao Group in Japan. After watching a video about fundamental knowledge on psychological safety and working individually, we set up a workshop as a place to learn about other participants, where employees who are in the same grade position exchange opinions on actions they will take in the future. As a result of recruiting workshop participants by a show of hands, 150 employees from each company in the Kao Group in Japan, with a total of 10 sessions held. From the participants, we heard some opinions indicating they understood that other members also had similar problems, even though they work in different workplaces, and that as leaders, they want to keep striving to raise the level of psychological safety. This demonstrated that we successfully provided a place where participants can raise awareness, and they received tips on how to improve psychological safety in their own workplaces. We will continue with initiatives to make many more employees aware of psychological safety.

## Courageous Conversations (Americas)

With the aim of thinking about how to deepen employees’ understanding of topics relevant to social justice and racial equality and what we can do to build a more equal society in our cultures and communities as an organization or an individual, we held virtual events for employees throughout the year.



# Inclusive & Diverse Workplaces

## TOPIC External evaluation

### Kao was selected for inclusion in the 2022 Bloomberg Gender-Equality Index

In January 2022, Kao was selected for inclusion in the Bloomberg Gender-Equality Index (GEI) for the fourth consecutive year. The GEI identifies companies that are committed to transparency with respect to gender reporting and to advancing equality for women in the workplace. In 2022, 418 companies were selected for inclusion in the GEI, from 45 countries and regions.

## Employees' opinions

### Changes in the consciousness of employees involving their families

#### Hayuru Suzuki

Diversity & Inclusion,  
Human Capital Strategy,  
Kao Corporation



As one of the key actions regarding promotion of women's empowerment, the Kao Group sets itself the objective of support for balancing work and childcare to promote engagement of women. To help women caring for a child to approach their work with genuine enthusiasm, we think it is important to construct a framework for balancing work and private life in consideration of their future career, and erase the gender divide from the minds of themselves at home and fellow employees at work. The goal is to create an environment where employees can be motivated to work enthusiastically while caring for children.

To this end, in 2022 we started distributing a guidebook on building a framework for balancing work and private life in consideration of employee's future careers. In so doing, we encourage our employees and their partners to share an image of their ideal future career, discuss a cooperative framework to embody the ideal, and then lay out that framework. In addition, we are

trying to change *Tatsuno-oshigoto* Seminars for employees who are about to return to work from maternity / paternity leave and their partners into seminars to construct a framework for balancing work and private life toward career advancement. In this way, we are working on promoting of changes in the minds of not only employees but their families too.

In regard to erasing the gender divide from the minds of themselves at home and fellow employees at work, for years we have been encouraging male employees to take paternity leave. In 2022, considering the revision of the Child Care and Family Care Leave Act, we have begun confirming with employees who are pregnant themselves or their partners whether or not they wish to take maternity / paternity leave. As a result, we now have more employees who have a positive view of taking maternity / paternity leave. Moreover, we have adopted a new process that enables employees and their supervisors to share the employees' thoughts about what to do during leave to support their family and to establish the framework of balancing between work and childcare. This is accelerating our endeavors erase the gender divide from the minds of employees at home.

We will continue to pursue activities that help to realize an environment where all employees can fully demonstrate their motivation and skills and participate in the workplace while balancing work and personal life.

# Inclusive & Diverse Workplaces

## Stakeholder engagement



### Manabu Tsukagoshi

Director, NPO Fathering Japan

Chief consultant,  
Diversity & Work Life Balance Development Dept.,  
Toray Corporate Business Research, Inc.

Under the policy that parents should take care for their children regardless of the parents' gender, Kao has been encouraging male employees to participate in parenting since 2006. In 2010 when Kao was about to take its efforts to the next level, Fathering Japan (FJ) received requests from Kao to cooperate in promoting male employees' involvement in parenting. Since then, I have been working with Kao closely as a seminar lecturer.

I remember being interviewed by many media organizations about seminars in which employees who were about to return to work from maternity / paternity leave participated together with their partners regardless of whether they are Kao employees or not. This was because such seminars were progressive approaches in Japan at the time.

FJ is an NPO that provides support for fathers. The reason why support for fathers is needed in Japan is because those fathers who try to involve themselves in parenting may be frowned upon as minorities.

Although the recent data show that it is still mainly women who take care of child rearing and household chores, there is a growing need for men to get involved with housework and childcare. And nowadays men's skills are improving and needs are increasing in such duties with the increasing number of women who participate in the workforce.

Because the number of dual-income families now surpasses half the total of all conjugal families, supervisors who have members raising small children need to move with the times and balance the needs of families with the company's need to accomplish certain results.

Therefore, it is important to promote women's empowerment, men's involvement in parenting, and supervisors' understanding of their members' situation as a set.

As people develop their careers, everyone has a different attitude to work. Some devote themselves entirely to their job, while others put their career on the back-burner to raise their children. However, Kao considers it important to have an attitude to work that both employees and their partners can grow together in their careers while employees raise their families, and so has been implementing this policy for years.

Despite the fact that the company promotes such a policy, there are couples who cannot completely erase

the gender divide at home and workplace or some cases where a proper system and culture have not been established in their or their partners' workplace. As a result, wives are left to bear the burden.

A shortcut to realizing a situation where employees can keep working with motivation while raising children is how to increase the rate of men taking paternity leave. So to promote men's involvement in child rearing and housework, experience and hands-on experience are more essential than awareness-raising.

For this reason, I got involved in the revision of the Child Care and Family Care Leave Act in 2022 as a part of my NPO activities. This revised law obliges companies to make individual workers who have applied for pregnancy and childbirth leave aware of the system and ask them whether or not they wish to take maternity / paternity leave.

This revision means that any company, regardless of its size and category of business, must explain to its employees about the maternity / paternity leave system. Therefore, male workers should be able to take paternity leave much more easily than before. I am pleased that we have now established an environment where people can build their career while balancing work and childcare with much more peace of mind.

Kao is providing support for balancing work and childcare to promote engagement of employees in such an environment. I look forward to Kao further improving the framework for realizing a favorable cycle of women's empowerment, men's involvement in parenting and supervisors' understanding of their members' situation, and doing its utmost to make it the norm.

# Inclusive & Diverse Workplaces

GRI 405-1

## Situation of female employees (%)

		2019	2020	2021	2022
Employees <sup>*1</sup>	Kao Group	49.6	49.7	50.5	52.9
	Japan	51.1	51.4	51.9	55.9
	Of which, Kao Corporation	24.4	25.3	27.8	28.9
	Asia	45.6	45.7	45.1	44.6
	Europe	47.3	46.5	52.4	49.9
	Americas	50.6	51.3	50.8	51.2
All management positions	Kao Group	29.4	28.8	30.2	30.5
	Japan	21.2	19.2	20.5	22.4
	Of which, Kao Corporation	18.2	20.1	23.1	24.3
	Asia	47.7	49.7	50.1	47.6
	Europe	48.9	48.4	52.5	40.8
	Americas	52.3	55.4	53.7	53.3
Top management positions <sup>*2</sup>	Kao Group	-	-	21.2	19.8
	Japan	-	-	10.2	10.6
Junior management positions <sup>*3</sup>	Kao Group	-	-	32.6	34.2
	Japan	-	22.8	24.7	26.8
Management positions in revenue-generating functions	Kao Group	-	-	30.0	29.7
	Japan	-	18.6	20.0	21.5
Employees in STEM-related positions <sup>*4</sup>	Kao Group	-	-	22.5	23.9
	Japan	-	17.9	20.4	21.1

\*1 Not including Board of Directors and Audit & Supervisory Board Members in Japan until 2020.

\*2 Management positions equivalent to department heads.

\*3 Management positions equivalent to leaders.

\*4 Science and Technology-related function.

## Leadership

	2020			2021			2022			2023		
	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)	Male	Female	Females as percentage of the total (%)
Directors <sup>*5</sup>	7 (3)	1 (1)	12.5	7 (3)	1 (1)	12.5	7 (2)	2 (2)	22.2	7 (2)	2 (2)	22.2
Auditors <sup>*5</sup>	4 (3)	1 (0)	20.0	4 (3)	1 (0)	20.0	4 (3)	1 (0)	20.0	4 (3)	1 (0)	20.0
Executive officers <sup>*6</sup>	26	1	3.7	26	2	7.1	27	3	10.0	28	4	12.5

\*5 The numbers in parentheses indicate the number of external directors and that of external auditors.

\*6 Those who double as a director included.

Note: As of January 1 of each year

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Some data does not include the following company, which accounts for 0.01% of all Kao Group employees out of 98 consolidated companies.

Washing Systems Limited

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

	2019	2020	2021	2022
Average age (Years old)	40.6	40.5	41.0	40.9
Male	41.2	41.0	41.5	41.4
Female	38.8	38.9	39.6	39.9
Average length of employment (Years)	17.7	17.4	17.4	17.6
Male	18.7	18.3	18.4	18.5
Female	14.6	14.7	14.9	15.3

## Percentage of employees with disabilities (%)

	2019	2020	2021	2022
Kao Group	-	-	1.25	1.34
Japan <sup>*7 *8</sup>	2.42	2.61	2.60	2.64
Kao Corporation <sup>*7</sup>	2.37	2.71	2.62	2.56

\*7 Employment rate as of June 1 including non-regular employees and based on government agency calculation standards.

\*8 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.)

# Inclusive & Diverse Workplaces

GRI 405-2

## Base salary + other cash incentives Average annual salary (yen)

		2021		2022	
Kao Group		Total <sup>*1</sup>		—	
		Male	Female	Male	Female
Kao Group	Management level	—	—	10,986,981 <input checked="" type="checkbox"/>	11,693,822 <input checked="" type="checkbox"/>
	Non-management level	—	—	4,605,267 <input checked="" type="checkbox"/>	4,171,253 <input checked="" type="checkbox"/>
Japan	Management level	—	—	9,929,145	8,956,520
	Non-management level	—	—	5,516,230	4,143,616
Of which, Kao Corporation	Management level	10,260,020	9,211,384	10,259,143	9,263,127
	Non-management level	5,597,988	5,468,725	5,625,237	5,411,537

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

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

Note : Third-party assurance obtained.

\*1 Management and non-management level only

## Base salary Average annual salary (yen)

		2021		2022	
		Male	Female	Male	Female
Kao Group	Management level	—	—	7,742,661 <input checked="" type="checkbox"/>	8,837,789 <input checked="" type="checkbox"/>
	Non-management level	—	—	3,418,174 <input checked="" type="checkbox"/>	3,119,435 <input checked="" type="checkbox"/>
Japan	Management level	—	—	6,519,040	5,893,010
	Non-management level	—	—	3,783,388	2,961,574
Of which, Kao Corporation	Management level	6,547,378	5,845,359	6,568,940	5,909,540
	Non-management level	3,670,943	3,571,235	3,731,043	3,582,457

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

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

Note : Third-party assurance obtained.

Note: Counted in enrolled companies unless otherwise noted. Only employees from regular employment in 2021 and earlier. Starting from 2022, employees include those from regular employment and those in full-time indefinite-term employment from non-regular employment. As of the end of December of each year

Note: Some data does not include the following company, which accounts for 0.01% of all Kao Group employees out of 98 consolidated companies.

Washing Systems Limited

## Gender pay gap

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

		2021	2022
Kao Group	Management level	89.7	106.4
	Non-management level	96.1	90.6
Japan	Management level	—	90.2
	Non-management level	—	75.1
Of which, Kao Corporation	Management level	89.8	90.3
	Non-management level	97.7	96.2

Note: Ratio of women to men

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

# Employee Wellbeing & Safety GRI 403-6

The mental and physical health of our employees, which is the source of our business activities, is the foundation of an environment that promotes better work and is an important factor in maximizing individual growth and organizational strength.

Kao will promote Health and Productivity Management® to maximize the power and potential of employees, and will also provide good examples of this approach to workplaces, communities, and consumers.

\*Health and Productivity Management® is a registered trademark of Nonprofit Organization Kenkokeiei.

## Employee Well-being

### Social issues

#### Population aging

With the global trend toward population aging, there has been an increase in the percentage of people affected by chronic diseases. Many senior citizens require support or care due to disease or the deterioration of joints or muscles.

Within Japan, there has been a steady rise in medical expenses because of this situation, and company health insurance unions are experiencing significant financial problems.

#### The spread of infectious diseases

While the COVID-19 pandemic is continuing to spread worldwide and have a significant impact on people's health and social life, vaccination is progressing and new lifestyles are taking root in which people prevent infection in their daily lives.

#### Raising the retirement age and increasing female participation in society

With people tending to work to a more advanced age, and with the increase in the number of working women, it has been reported that around 30% of people will develop cancer while they are still of working age. It can be anticipated that the number of cases of people continuing to work while dealing with chronic diseases such as cancer will further increase.

### Policies

#### Kao Group Health Declaration

Along with promoting healthy bodies, we are striving to expand reliable healthcare based on evidence from inside and outside the company not only for employees and their families but also for communities, workplaces, and consumers. Together we will realize healthy and enriched lives for all.

#### Well-being

Making things better for everyone



The Kao Group incorporates products and healthcare solutions developed through the analysis of basic internal and external health information and healthcare knowledge into its own Health and Productivity Management® and promotes practical health promotion activities in which employees and their families participate.

We will proactively promote the best practices and findings of our initiatives to local communities, workplaces, and consumers to help them realize healthy and enriched lifestyles.

- Together with employees: We will actively support the proactive health promotion efforts of employees and their families to realize a healthy and energetic workplace.
- Together with communities and workplaces: We will proactively disclose the best practices of our initiatives and expand them to communities and workplaces.
- Together with consumers: We will provide products and healthcare solutions that consumers will incorporate into their daily lives.

#### Cultivation of employees with high health literacy

We are working to make our health promotion activities more visible and engaging in Health and Productivity Management® using the PDCA (Plan, Do, Check, and Act) cycle to improve employee health with the aim of increasing the number of employees with high health literacy.

We consider employees with high health literacy as employees who do the following:

1. Independently review and improve their lifestyles based on health check-up results
2. When necessary, consult with a family doctor who can view their health data and provide advice rather than just consulting occupational physicians

# Employee Wellbeing & Safety GRI 403-6

3. Maintain awareness of their mental health and confer with appropriate professionals as needed

## Six health promotion initiatives

Rather than merely fulfilling the minimum requirements for health management that we need to meet as a company, we implement health promotion in line with the six core themes below. Health promotion refers to the independent maintenance and improvement of the employee's own health.

1. Lifestyle-related diseases
2. Cancer
3. Quitting smoking
4. Mental health care
5. Women's health
6. Senior health

## Strategy

### Risks and opportunities

#### Risks

We aim to create a working environment and society in which a variety of lifestyle habit improvement activities can be implemented cheerfully and enthusiastically to help each individual recognize the health issues that are relevant to them personally and work to maintain the best possible health status.

Short-term: Increasing obesity, mental health problems, and infectious disease epidemics

Mid-term: Increasing number of employees with lifestyle-related diseases, cancer, or musculoskeletal or other illnesses associated with advanced age

Long-term: Increasing number of older employees and rising healthcare costs

### Opportunities

As a company, we intend to provide support to help employees who possess health literacy (in other words, who are able to recognize the importance of their own health issues) to improve their health through self-directed, self-disciplined efforts. Programs originally designed to help Kao employees maintain and improve their health are also made available for use outside of the company and are being deployed for health maintenance and promotion activities in local communities and workplaces. We hope that the initiatives at Kao will have a positive influence on local communities and workplaces and contribute to extension of healthy life expectancy for society as a whole.

Short-term: Promotion of preventive activities by providing highly effective health maintenance and improvement programs

Mid-term: Promotion of support for balancing treatment and work

Long-term: Well-being of healthcare financing

### Strategy

#### Mid-term Health Plan Kao Health 2025

We have formulated Kao Health 2025 as a new health value creation activity for the year 2025 that involves employees and their families. While further evolving the knowledge gained through these activities, we will expand it to local communities and consumers to contribute to the health of people around the world.

#### Kao Group Health Day

We have designated World Health Day (April 7), the anniversary of the establishment of the World Health Organization (WHO), as Kao Group Health Day. We will actively support health promotion activities for our employees and their families and through such activities, we will send a message far and wide that we

will support the lives and health of people around the world through our products and services.

### Social impact

#### Employees and their families

We keep endeavoring not only to protect our employees' and their family members' health but to limit excessive increases in medical expenses through preventive initiatives such as promoting lifestyle improvements and putting various health guidance measures in place. In addition, we are focusing our efforts on limiting long working hours through promoting modulated work styles and mental health training for managers from the perspective of creating pleasant workplaces. To help employees suffering from chronic diseases, cancer, or other diseases maintain the right balance between managing their health issues and their work responsibilities, we offer support that, rather than being "one size fits all," is carefully tailored to the actual circumstances of each individual employee.

One of our key assets in this area is the basic health data (including employees' health examination results and records of their participation in related special events) that we have accumulated over a period of many years, which can be combined with job stress assessment results and employment information for complex analysis. We can also leverage our own healthcare expertise to improve health promotion initiatives. In addition, we have Health and Productivity Management know-how, including examples of failures, which is based on our many years of experience in Health and Productivity Management and which we can utilize in our future health maintenance and promotion activities.

# Employee Wellbeing & Safety GRI 3-3, 403-6

## Communities and workplaces

We proactively disclose the best practices of our initiatives. We also provide support and advice to communities and workplaces that are working on health promotion and health and productivity management and contribute to the dissemination of health management knowledge throughout the world.

## Consumers

By providing health information through our website and by other means, we support consumers in their efforts to improve their health in their daily lives.

## Contributions to the SDGs



## Business impact

- Prevention of manpower loss due to decreases in long-term absenteeism
- Reduction in costs of specific health guidance due to decreasing numbers of employees receiving specific health guidance
- Enhanced productivity from more highly motivated employees
- Enhanced productivity of corporate employees due to increases in the number of companies engaging in Health and Productivity Management and healthcare finance well-being in relevant regions

## Governance

### Framework

#### Systematization of the health promotion framework

The company and the Kao Health Insurance Union work in unison, and discussions are held at regular monthly meetings, which lead to the consideration and planning of health promotion strategies.

Major strategies are finalized at a company-wide Health Promotion Committee meeting attended by the executives in charge after consideration is given to working groups and the committee members of the Kao Health Insurance Group as well as employee representatives.

In addition, the mid-term plan and other policies are decided at meetings attended by directors.

At every individual office or branch, the manager and staff of the HR section work together with occupational physicians and nursing staff to promote the decided strategies.

Information on the state of progress in Japan is shared with each group company outside of Japan, and health management specifics are implemented in line with government policy in each country or region.

From 2020 to 2022, in response to the COVID-19 pandemic, we held meetings at the Emergency Countermeasure Headquarters as needed. Measures taken in response to the pandemic, including those taken by group companies outside Japan, were shared and checked during these meetings. To facilitate effective implementation, issues relating to these measures were shared with risk managers and human capital managers via the senior management of individual overseas group companies.

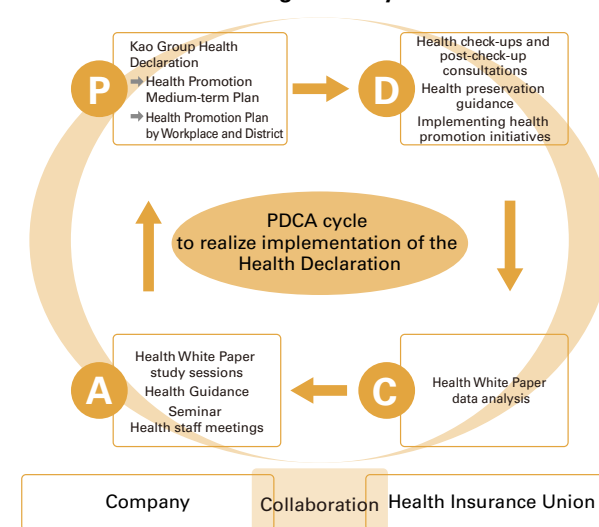
## Increasing the visibility of the Health Promotion Management System

Since 2009, we have compiled a statistical summary of the previous year's health data in an anonymized format (including medical interviews, check-ups, occupations, and diseases), and made this information available to the 19 in-house counseling rooms throughout Japan.

Each in-house counseling room then drafts and implements a health service plan based on the health data of their respective regions.

As needed, we have held Health White Paper study sessions so that employees in charge of human capital and general affairs and occupational health nurses can together learn methods of analyzing the various types of health data and of formulating measures.

### Health Promotion Management System



# Employee Wellbeing & Safety

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## Cultivation of health staff and internal information sharing

Since 1999, we have held annual Health staff meetings for the development of workplace occupational health staff and for information sharing and dialogue among HR section managers and staff who are responsible for employee health tasks within Kao. Since 2020, the Health staff meetings have been held online. In 2022, the meeting was held in September and attended by about 60 participants from all over the country.

In order to further deepen the development of the PDCA (Plan, Do, Check, and Act) cycle for health promotion projects, we solicit and screen examples of activities in each region and award particularly outstanding examples with the Workplace Occupational Health Best Practices Award at these meetings.

KCMK Kinki Branch, Odawara Office, and Tochigi Office were selected as best practices for 2022. On the day of the event, each person in charge gave a presentation about the award and received praise from the participants.

In addition, to deepen the understanding of the company-wide policy Kao Health 2025, the Kao Health 2025 Sharing Session was held remotely with workplace occupational health staff nationwide in July and August. We deepened the dialogue regarding what we want to become in the future and what we would like to work on regarding each of the six themes.

We also encourage occupational health staff to attend training seminars to enhance their skill levels. A total of 112 occupational health staff members have participated in these training seminars, including 23 staff members who attended training seminars for specific health guidance program specialist staff, 64 staff members who attended training seminars for the primary to advanced specific health guidance program staff, and 25 staff members who attended training seminars relating to health services.

**P18** Our ESG Vision and Strategy > Governance

## Education and promotion

Starting in 2022, we have designated April 7 as Kao Group Health Day to encourage our employees to think about their own health.

This initiative is being implemented in recognition of April 7, which is the World Health Organization's (WHO) World Health Day. In line with the WHO theme for 2022 "Our Planet, Our Health," the initiative encourages employees to think about health and the global environment and to register their specific actions as a Health Declaration. 1,349 people registered and several of them were interviewed. We regularly publish articles regarding this on our intranet.

In addition to these initiatives, we are developing various on-site campaigns, seminars, and health promotion activities.

As a result, 28.3% of male employees (an improvement of 0.3% over the previous year) and 22.4% of female employees (an improvement of 1.2% over the previous year) are engaged in lifestyle improvement. There has also been a decrease in "Presenteeism" (where employees go in to work but are unable to perform properly due to health issues), incidents of which have declined by 22.9%.

\* Based on the results obtained from the 2021 periodic health check-up questionnaire

## Collaboration with stakeholders

The health promotion measures and services that we promote within the company are also provided to external stakeholders including consumers.

We also make effective services that we have developed available outside the company based on the needs reported by external experts in occupational health promotion and local government officials. For example, we have made useful contributions toward the

prevention of societal health issues such as metabolic syndrome and locomotive syndrome.

To create new health value, we also promote collaborative research with external organizations.

**P240** Examples of collaboration with stakeholders

## Risk management

We have evaluated risks to employee health in several of our meetings.

- Risks associated with infectious diseases: The Infection Countermeasures Team and the Infectious Disease Risk Assessment Project will work together to assess risks. Whether deliberations on risk assessment are necessary or not will be decided at the Emergency Countermeasure Headquarters Meeting (Japan and Global).
- Risks to employee health: Based on legal requirements, social conditions, employee feedback, etc., the Employee Healthcare Promotion Department will conduct risk assessments in cooperation with Legal and RC Risk Management. We may seek advice from internal and external experts as required. Countermeasures will be decided and reported through the Group Welfare Meeting and other meeting bodies.
- Risks related to Kao Health Insurance Union members: Kao Health Insurance Union conducts risk assessments based on notifications from the government, enrolled members, and other factors. As required, we may seek advice and guidance from the Health and Welfare Bureau or the National Federation of Health Insurance Societies. We decide and report



# Employee Wellbeing & Safety GRI 3-3, 403-6

through our Health Insurance Union Board the countermeasures to be taken.

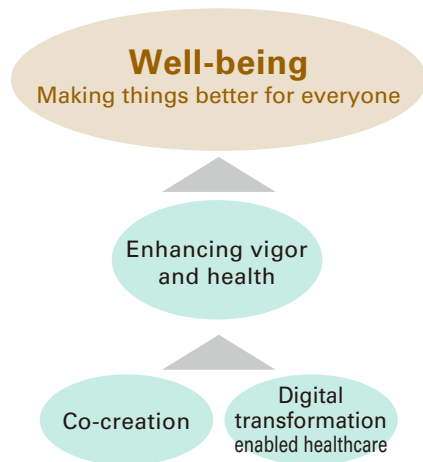
**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets (Kao Health 2025)

Kao Health 2025 aims to promote a vibrant workplace and society with healthcare-conscious employees and their families by improving the lives of each individual.



### Main initiatives

- Six initiatives (lifestyle-related diseases, cancer, quitting smoking, mental health care, females, and seniors)
- Support for balancing treatment and work
- Hazardous operations factor management and risk assessment
- Health promotion with employees, family, and friends

### Important indicators for Kao Health 2025

	Quantitative target	2021		2025 (target)	
		Male	Female	Male	Female
Mental	Degree of <i>GENKI</i>				
	Rate of affirmative answers "I feel vivacious," "I am full of energy," and "I am active," in the stress check	77.8%	77.2%	80.0%	80.0%
	High stress level	9.5%	8.5%	8.6%	7.7%
Physical	High BMI level over 25	27.3%	14.6%	26.0%	14.0%
	Smoking rate	25.1%	15.5%	21.0%	13.1%

Due to the COVID-19 pandemic, the number of employees working at home increased. At the same time, the health of many employees deteriorated mainly because they were unable to go out as usual. Consequently, employees were polarized into two types: those who successfully improved their health through creating a good rhythm in their lives and those who gained weight suddenly or struggled with mental illness due to bad lifestyle habits.

Against such a background, we represent two indicators, "mental" and "physical," as important indicators for Kao Health 2025.

- *GENKI* rate (Degree of vitality): This has been set with the aim of increasing the number of employees who are active and work vigorously regardless of the working environment and working style.
- High stress level: This has been set with the aim of detecting mental problems early, taking care of employees who are struggling with mental problems, and reducing high stress levels. We will monitor the health conditions of employees who are subjected to high stress levels and take care of them.
- High BMI levels over 25: This indicator aims at reducing the BMI value below 25 to protect employees from disease caused by obesity.
- Smoking rate: The smoking rate has been falling in recent years, but especially that of women is still high. We are aiming to reduce the smoking rate to avoid the health risks of both smoking and passive smoking.

The target value of each indicator is calculated and set based on the data on changes over the years.

### Reviews of 2022 results

#### Global

We promoted awareness of Health Day globally in 2022 and educated our group companies outside of Japan about Kao Group's commitment to health.

#### Kao Group in Japan

Compared to FY2020, there is a slight improvement in the number of obese employees. On the other hand, the number of long-term absences from work due to mental health has been increasing, so immediate action is required.

# Employee Wellbeing & Safety GRI 403-6

## Main initiatives

### Measures against infectious diseases

In support of countermeasures against the COVID-19 pandemic, we share the status of infection and countermeasures being taken in each country at the monthly Emergency Countermeasure Headquarters Meeting.

Kao Group in Japan has introduced an infectious disease reporting app to enable it to immediately assess the situation and begin responding to it.

Furthermore, as part of the information awareness program, the following activities are being carried out:

- Posting on the intranet
- COVID-19 pandemic awareness (8 times a year: 62,329 views)
- Monkeypox information
- Awareness-raising emails to employees
- Awareness-raising during Golden Week, summer vacation, and winter vacation (3 times a year)

We also worked to support vaccination against the COVID-19 pandemic.

- Vaccine information and awareness-raising (6 times a year: 63,630 views)
- Employment assistance: Work exemption for leave due to illness caused by adverse reactions on the day of, and the day after, vaccination.
- Additional vaccinations at workplaces: 8 locations, approx. 10,700 persons (for employees, family members, and subcontractors)
- Omicron-specific vaccinations at workplaces: 1 location, approx. 2,300 people (for employees and subcontractors)

### Health management for Japanese personnel on overseas assignment

With regard to employees who are sent to work outside of Japan, we implement health status grading in accordance with the health management guidelines for personnel

working overseas and make a determination as to whether it is appropriate for each employee to be working overseas. Furthermore, personnel is not sent overseas until they have had all of the inoculations required by the FORTH criteria established by the Quarantine Information Office, Ministry of Health, Labour and Welfare.

Regarding health management for employees working outside of Japan, those employees requiring follow-ups receive frequent health follow-up sessions at in-house counseling rooms and may make an appointment to see an occupational physician based on the results of these sessions. In principle, employees stationed outside of Japan were entitled to return to Japan for a health check-up once a year. However, starting in 2020, we have changed to a system whereby such employees can have a health check-up at a local medical facility.

In the case of regions affected by avian influenza, employees visiting or stationed in such regions are encouraged to get vaccinated against influenza. Starting in 2020, as it was possible to subsidize the full cost of vaccination for all employees who wished to be vaccinated against influenza, employees were encouraged to receive the vaccination regardless of where they were located.

### Lifestyle habit improvement initiatives

#### Events and activities

#### **Smart WASHOKU**

*Smart WASHOKU* is a dietary method that leads to less visceral fat accumulation while ensuring sufficient nourishment. Rather than focusing on the overall quantity of food consumed, the *Smart WASHOKU* approach emphasizes three key points to provide a diet that enables people to eat well while still keeping their visceral fat level down: (1) the ratio of protein to fat, (2)

the ratio of dietary fiber to carbohydrates, (3) the ratio of Omega-3 to fat.

- *Smart WASHOKU* online cooking classes were implemented on 4 occasions. Approximately 200 employees and family members participated. This has become a popular event with many requests for participation.
- The *Smart WASHOKU* Challenge was implemented for employees and their families as a summer holiday project. In 2022, we planned to contribute to SDGs by donating 500 yen for every photo posted in the community of a dish you have made at home to the NPO TABLE FOR TWO International. The number of participants increased from 2021, and in 2022, 43 people participated with 103 submitted photos and 51,500 yen donated.
- Two recipe videos for the *Smart WASHOKU* lunches served at the employee cafeteria in the Kao Kayabacho office, Tokyo are disseminated every month. A total of approximately 2,200 people have viewed the videos.



# Employee Wellbeing & Safety GRI 403-6

## Gait Measurement Sessions and Hoco Touch

Gait Measurement analyses how employees walk and makes it possible to gauge their “walking age” and any risks they may face in the future. We also rent out *Hoco Touch* pedometer devices, a unique device developed by Kao that can motivate people to make improvements in their daily living habits.

- *Hoco Touch* were rented out for use at 97 spot locations by 10,634 personnel.
- 23.0% continued to use the devices, of whom 43.6% achieved Rank A walking steps and speeds over one day or more.

Note: A smartphone app has also been provided so that *Hoco Touch* can be used by employees working from home. 31.7% of continued users have made use of this app.

## Information provision and campaign activities

We have been disseminating health information via the company intranet and implementing awareness-raising activities so that employees can take steps to improve their health, regardless of whether they are working on company premises or working from home.

## Internal Survey on Health and Productivity Management Activities and Personal Health

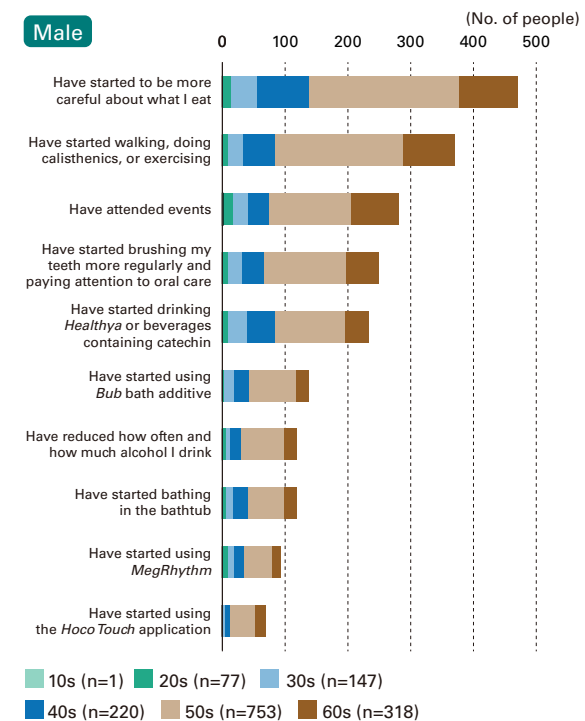
A questionnaire targeting all employees was implemented with the aim of determining employees’ degree of understanding regarding Health and Productivity Management and their subjective health awareness with the aim of leading to future Health and Productivity Management activities and health promotion activities.

## Summary of Survey Results

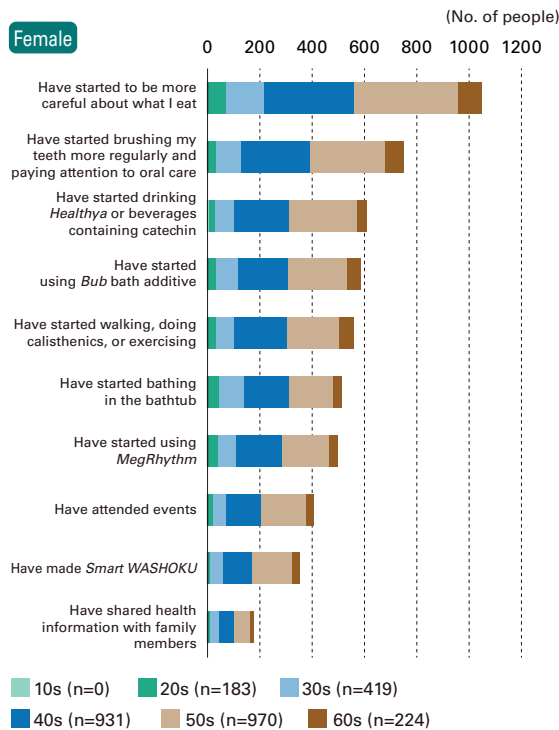
- Implementation period: September 26 to October 5, 2022

- Response rate  
Total: 41.9% (10,584 employees out of 25,275)  
Male: 38.6% (4,306 employees out of 11,157)  
Female: 44.5% (6,278 employees out of 14,118)
- Number of male and female respondents (and average age)  
Male: 4,306 (49.8 years old),  
Female: 6,278 (45.7 years old)
- Kao Group Health Declaration awareness rate  
Male: 67.8%, Female: 75.7%, Total: 72.6%
- Awareness that Kao had been selected as a Health and Productivity Management Brand for eight consecutive years  
Male: 54.0%, Female: 61.4%, Total: 58.4%
- Employees’ personal health maintenance implementation status: Significant variation between male and female employees  
Share of employees currently implementing health maintenance activities:  
Male: 60.7%, Female: 48.2%, Total: 53.3%
- Health issues subjectively felt to be most important  
Male: Weight (27%), Visceral fat (20%), Inadequate exercise (11%)  
Female: Weight (25%), Inadequate exercise (14%), Pain\* (14%)  
Total: Weight (25.8%), Pain\* (13.1%), Visceral fat (12.9%)  
\* Pain includes stiff shoulders, back pain, and headaches.
- Preferences regarding internal events  
• Whole-family participation, Basic, Potential for continuation
- Examples of changes in behavior after reading information disseminated on the company intranet  
• Eating more carefully  
• Started/continued exercising  
• Event participation  
• Paying more attention to oral care

## Information posted on the company intranet Changes in behavior after reading GENKI Project Results for male and female employees (multiple answers permitted)

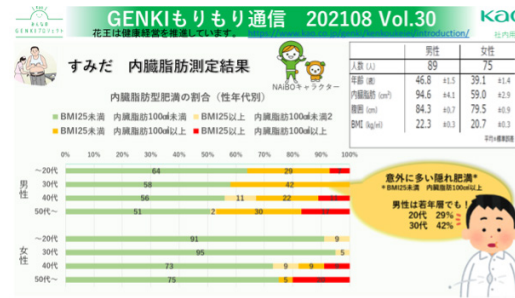


# Employee Wellbeing & Safety GRI 403-6



## Information Provision via the Company Intranet *GENKI Mori Mori Bulletin*

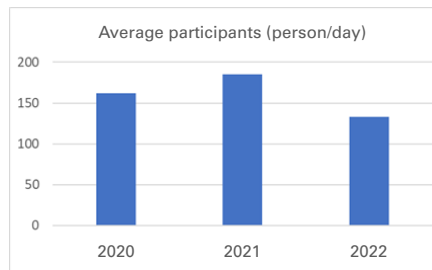
Throughout 2020, we have continued to disseminate health-related information via the intranet as the *GENKI Mori Mori Bulletin*. We present information that employees want to know in an easy-to-understand format and in a timely manner through collaboration between relevant units and research institutes. In FY2022, we continued to devise ways to interest employees with articles on various health events, interviews with people who have achieved their goals, and graphs of data from offices that have conducted in-house measurement sessions (walking and visceral fat).



## Online Radio Calisthenics Club

The Online Radio Calisthenics Club held calisthenics sessions in January and August. During the period, large numbers of employees took part, engaging in lively online communication.

- Period: January 11–14 and August 1–5



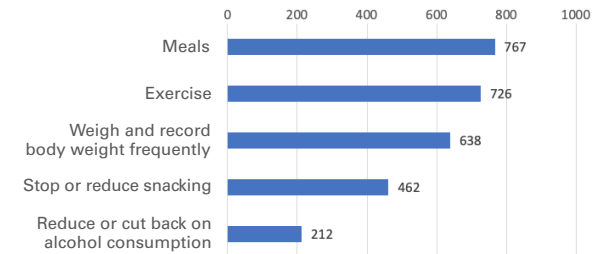
## 42-day Weight-loss Challenge

This campaign, which is designed to encourage employees to try to lose 2 kg in weight over the 42-day period starting in January each year (except employees with a BMI of less than 20), was held from January 17 to February 27, 2022. The company's occupational physicians distributed diet magazines to employees on a regular basis, and participants were able to share their experiences of losing weight through communication

using Microsoft Teams, providing each other with mutual encouragement in their efforts to lose weight.

- A total of 2,689 employees took part (representing a participation rate of 13%), of which 890 (33% of participants) succeeded in losing at least 2 kg.
- The combined total of visceral fat lost by all participants was 2.6 tons.

Number of participants who have achieved/not achieved by weight loss initiatives (No. of people)



## The Pre-examination Self-conditioning Challenge (for employees who received specific health preservation guidance in 2021 and those on a waiting list for specific health preservation guidance)

This campaign encouraged employees to try to lose weight over a 42-day period two months prior to their annual health examination. Participants choose one of three courses: Exercise, Diet, or Rhythm of Life, and with the support of specialized staff for each course (course-specific advice, video distribution, etc.), they worked on self-conditioning by recording their weight and whether or not they have implemented the objectives for each course. Other products supplied during the period included the powder-type *Healthya* for visceral fat control and the *MegRhythm* Eye Mask for relaxation purposes.

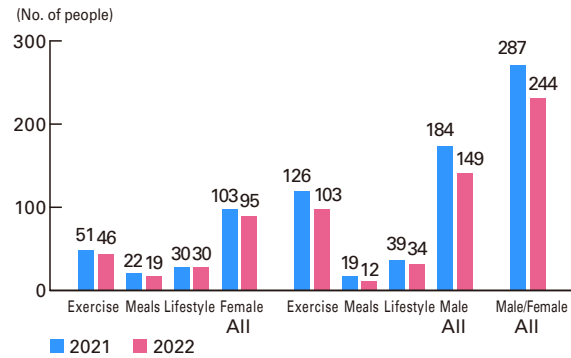
- This has been implemented six times with 350 participants.

# Employee Wellbeing & Safety GRI 403-6

- Results: Abdominal circumference (Male: 85 cm or more, Female: 90 cm or more) of 287 people who received specific health guidance → 244 people

## Participant abdominal circumference: (Male 85 cm, Female 90 cm or more)

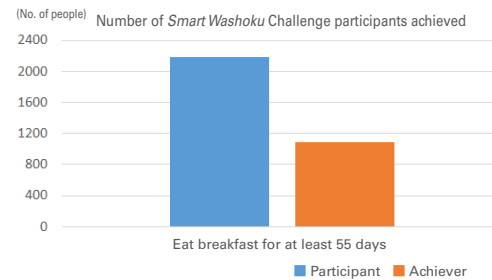
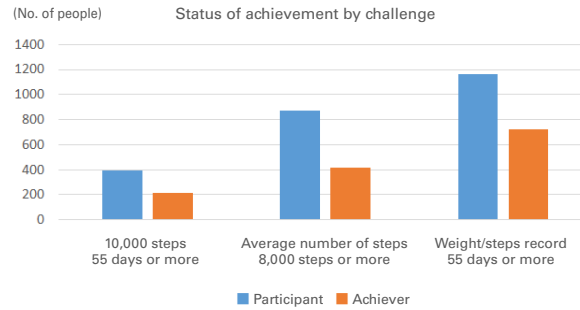
### Number of employees receiving specific health guidance:



## Walking and Smart WASHOKU Challenge

The Spring Walking and the Morning *Smart Washoku* Challenge were implemented over the 70 days period from April 19 to June 27, 2022. An online community was used for posting photos of participants walking, the scenery they saw during their walks, etc., making the event a fun experience. The aim was to get employees into the habit of walking and improve their overall eating habits as well as to create a situation where if someone felt they could not do it on their own, they would be able to carry on with the help of others.

- 2,429 participants in the walking event (a participation rate of 9%). Number of participants that achieved their target: 1,349 (55.5% of the total)
- 2,190 participants in the *Smart WASHOKU* challenge (a participation rate of 9%). Number of participants that achieved their target: 1,091 (49.8% of the total)



## Autumn GENKI Sports Event

Over the period from September 14 to November 30, 2022, the Autumn *GENKI* Sports Event was held to promote participation in sports. The aim was for the participants to continuously take part in a sport of their own choosing at least once a week or three times a week or more. Participants declared which sport they would be taking part in on a community website and then followed through for 78 days.

During this period, we also provided awareness about walking and exercise through videos distributed by the Kao track and field team members and seminars from researchers at the Personal Health Care Products Research, Development Research.

According to the results of a questionnaire conducted after the event, 67% of participants reported

that their participation in sports had become more frequent than before the event.

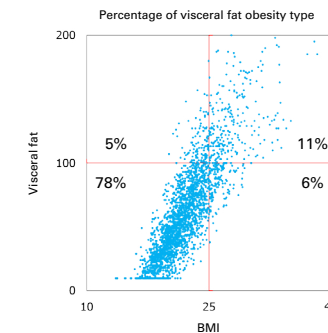
- Participants: 3,437 people
- Number of participants that achieved their target: 1,389 (40%)

## Visceral Fat and Lifestyle Check-up Service (lifestyle habit analysis and visceral fat measurement)

This service helps to enhance awareness of the need to improve lifestyle habits by digitalizing and displaying the results obtained through a survey of lifestyle habits and measurements of visceral fat, which tend to be affected by lifestyle habits.

For visceral fat measurements, three courses were established: (1) measuring using a visceral fat measuring device, (2) using photographs to estimate visceral fat, and (3) estimating visceral fat values based on the results of health check-ups.

- Event participants: 2,556 people



## Best Physical Condition and Best Weight Event

We held a webinar and learned about the importance of aiming for the best physical condition for oneself and the specifics of the body clock, lifestyle, and eating habits. Participants were then challenged to try the

# Employee Wellbeing & Safety GRI 403-6

ways of eating and living that they had learned, and record their experiences on GENKIWeb so that they could feel the changes in their own bodies.

- Online seminar participants 683 people
- Challenge Period: November 29–December 20, 691 participants

## Mental health care

In 2022, we conducted job stress assessments as part of the Kao Engagement Survey (see pages 199 and 204 for details).

Occupational physicians and nursing staff promptly follow up on employees who are assessed as requiring emergency treatment in light of their responses to these stress tests, and individual follow-up e-mails are sent to employees who are judged to display slightly high stress levels.

We also aim to enhance the ability of each individual employee to treat their own mental health through training and the provision of information. We are continuing to foster a corporate culture in which everyone at Kao, including the colleagues at our individual worksites, acquires the ability to pay attention to small but significant changes that have occurred in their own lives, address problems at an early stage, and help each other in times of difficulty.

In addition, we are making effective use of our guidelines for helping to ensure a smooth return to work after long periods of leave. At both the individual employee level and the level of the organization as a whole, we are creating workplaces filled with vitality and higher productivity by implementing activities to help people avoid mental health problems and to address them at an early stage if they do experience them.

We are also working to strengthen employees' ability to cope with various types of stress by

live-streaming self-care seminars bimonthly. Line Care training included a 30-minute video recommendation and a presentation by an outside lecturer.

We made effective use of job stress assessment results to proactively implement mental health care.

## Mental Health Care Projects Implemented in 2022

Item	2022 results
Invigorated workplace ratio	44.7%
Job stress assessments participation ratio	97.04%
High stress level	9.7% (0.8 percentage points higher)
High work engagement level	12.1%
Training for managers	12 sessions with 4,729 participants
Self-care training	4 sessions with 1,399 participants
External EAP usage rate (number of usages / number of target employees)	248 telephone consultations + 24 e-mail consultations + 216 face-to-face consultations (including online) / 25,979 employees = 1.8%
Consultations with internal counselors (career-focused interviews)	15,692 people

EMEA (Europe, the Middle East and Africa) has also established a Mental Health and Well-being Working Group to support mental health by focusing on three issues: mental illness and related stigma, resilience and stress management, and general well-being.

## Smoking cessation initiatives

### Promoting smoking cessation (Japan)

With the aim of making healthy and pleasant workplaces a reality, in January 2018, we began promoting the prohibition of smoking during working hours. Starting from April 2020, having built consensus with management, we have been using the company's intranet to clearly illustrate to employees both the prohibition of indoor smoking and the need for smokers to be considerate of others.

In 2022, in order to reduce the number of new cigarette smokers, we are distributing leaflets and messages to strengthen the prevention of passive smoking and the promotion of smoking cessation.

## Kao Group Stop Smoking Week

The week beginning May 31 (which is World No Tobacco Day) has been designated as Kao Group Stop Smoking Week. During this week, we provide support to help people stop smoking, including the distribution of leaflets on quitting smoking and the dissemination of messages supporting smokers' efforts to stop smoking.

- Implementation of the Kao Group Stop Smoking Challenge
  - In January: A total of 83 employees participated (of which 44 succeeded in quitting smoking)
  - In May: A total of 57 employees participated (of which 27 succeeded in quitting smoking)
  - In December: A total of 62 employees participated (of which 35 succeeded in quitting smoking)
- Kao Health Insurance Union-subsidized smoking cessation treatment was provided for one person.
- Online smoking cessation program led by Kao Health Insurance Union was implemented.
  - Online smoking cessation program: 16 employees participated.

## Women's health

Within Japan, we have established a Women's Health Consultation Service (for e-mail consultations), which arranges for occupational physicians to respond to employees' requests for consultations. Women's Health News is distributed regularly (once every three months) using the company's intranet to help deepen understanding of women's health issues.

We also hold women's health seminars throughout the country.

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## Senior health

We conduct employee interviews at age 58 so that employees can stay healthy and *GENKI* after retiring at age 60.

In 2022, 378 people were interviewed.

## Expansion of health checks for employees working long hours

We are promoting adjustments to working hours. To address the fatigue and stress experienced by employees working long hours, we have undertaken the implementation of more detailed health checks as outlined below. These will facilitate the early detection of symptoms and the identification of potential distress signals from such individuals.

### Health Check Results for Employees Working Long Hours in 2022

Content	2022 results
Meetings with Occupational Physicians	Scope: Employees logging over 80 hours of work outside normal working hours per month Number of eligible employees: 106 Number of employees attending consultations: 105 (Implementation rate: 99%)
Online health check-ups (basic check-ups)	Scope: 1) Employees logging an average of over 80 hours of work outside of normal working hours per month over a period of 2 to 6 months Number of eligible employees: 29 Number of employees attending consultations: 29 (Implementation rate: 100%) 2) Overtime work exceeding 60 hours on average for 2–6 months No. of employees responding to online medical interviews: 700 Of whom, all of 173 employees who had been deemed eligible for consultations by occupational physicians actually received consultations. (Implementation rate: 100%)

## Support for specified fertility treatment

Since 2009, we have been providing support for specified fertility treatment within Japan.

Initially, Kao Health Insurance Union subsidized treatment, but in 2013, responsibility was transferred to Kao Family Association (a mutual aid association). Subsequently, the program has been revised several times. In 2017, financial assistance for male fertility

treatment was added, and in 2020, the application scope was expanded to cover additional companies resulting in all Kao Group companies within Japan now being covered.

In 2022 the annual total of instances of subsidy usage was 246 (two of which involved male fertility treatment), representing a decrease of 16 instances, 94% of the year before.

We have also created an environment in which employees can seek to maintain an appropriate balance between work responsibilities and treatment by making effective use of the various flexible working arrangements that we offer (including a flextime option, a work-from-home option, and the option to take leave in hourly increments).

### Content of support for specified fertility treatment (Japan)

Item	Details
Target group	Employees and their spouses/partners (If both partners are Kao Family Association members, financial support will be provided for only one person)
Subsidy	60% of the co-payment for one round of treatment (up to 120,000 yen), up to 1 million yen per couple (for the co-payment, from which all assistance including public support, etc. has been deducted)

## Promoting the *GENKI* Project

The *GENKI* Project, which was organized in 2020, involves expanding the application of outstanding health solutions that have been implemented within Kao to include employees, their family members, the local community, and society as a whole.

### *GENKI*-Action

In our Human Healthcare, we have for many years now been researching areas such as the relationship between visceral fat and lifestyle and the relationship between walking and health. The knowledge obtained from this research is utilized not only in the

development of new products but also to improve the health of our employees and their families through our health promotion programs. We call this unique approach to health promotion Kao *GENKI*-Action. What makes Kao *GENKI*-Action special is the way it visualizes health status and lifestyle habits, which helps to boost health awareness and encourages people to make effective improvements through lifestyle changes. In order for people to achieve a health-conducive lifestyle without it being too stressful so that they can keep it up over the long term and enjoy doing it, we provide support for building a healthy environment and offer assistance through our company's products.

We also make effective use of *GENKI*-WEB, a health community website for Kao employees, as a platform for Kao *GENKI*-Action by recording daily life activities, holding special health events, etc.

## Kao *GENKI* Project for Everyone

Besides working actively to promote the health of employees and their family members, the Kao Group also shares this knowhow externally with local government authorities, corporations, senior care facilities, etc., thereby providing support for health promotion efforts.

The activity content is disseminated widely throughout society using the Kao *GENKI* Project for Everyone website.



Kao *GENKI* Project for Everyone  
<https://www.kao.co.jp/genki/> (Japanese)

# Employee Wellbeing & Safety GRI 403-6

## GENKI-Action

### Visualization (Awareness)

#### Measurement and analysis of visceral fat and lifestyle habits

～内臓脂肪をマーカーとした～  
**生活習慣測定会**

内臓脂肪ラボ  
**NAiBO®**



- Using unique visceral fat measurement technology and lifestyle analysis algorithms, we hold measurement sessions at worksites throughout Japan.
- We are able to visualize the issues affecting individual employees and individual worksites.
- Health promotion achievements can be realized through changes in visceral fat levels.

#### Using Kao products to help people maintain lifestyle changes

- We are helping people to continue with health-conscious lifestyles through the gifting of and use of Kao products.

### Effective improvement through lifestyle

#### Building a healthy eating environment in which people can enjoy delicious food without accumulating high levels of visceral fat

#### スマート和食



- We provide our unique *Smart WASHOKU* lunches, which allow people to eat well without increasing their visceral fat levels, at employee cafeterias at 11 worksites throughout Japan.
- We also hold special lunch seminars, and *Smart WASHOKU* cooking classes in which employees can participate with their families.

#### Building an environment which encourages walking together enjoyably and effectively

#### 毎日歩いて歩行歩数チェック ホコタッチ

- We have distributed unique *Hoco Touch* pedometers, which enable employees to work out their "walking age" based on how far they have walked youthfully in a given day.
- *Hoco Touch* stimulates communication among employees, who are eager to ask each other "What is your walking age today?"
- We have also launched walking "competitions" for the staff at our plants and sales offices.



Kao  
**GENKI  
Action**

### Examples of collaboration with stakeholders

The health promotion measures and services that we promote within the company are also provided to external stakeholders including consumers.

In order to spread awareness of our employee nutrition improvement program throughout the world, we have joined the Nutrition Japan Public-Private Platform and are undertaking related activities.

Within Japan, we have become an official partner of the Japan Obesity Prevention Association in order to deepen public understanding of obesity and metabolic syndrome and to promote healthy lifestyles that prevent weight gain.

In collaboration with the NPO Healthy City Support Organization, we also prepare reports on our activities in Japan and disseminate them widely throughout the world.

### Awareness of *Smart WASHOKU*

We have also been working to spread awareness of the *Smart WASHOKU* dietary method for eating well without increasing visceral fat.

### Online Seminars

- *Smart WASHOKU* master class e-learning seminar for public health nurses, nutritionists, and other specialists: Held twice as regular sessions, a total of 38 people attended.
- The Online Seminar on Health Promotion and Health and Productivity Management support for specialists, human capital, and general affairs was streamed for free online. 992 people registered for the seminar.

\* *NaiBO*, *Smart WASHOKU*, and *Hoco Touch* are registered trademarks of Kao Corporation.



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## Smart WASHOKU Instagram Online Lessons

- Live-streaming of *Smart WASHOKU* cooking classes using Instagram and YouTube in collaboration with ABC Cooking Studio (administered by ABC Cooking Studio Co., Ltd.) The Instagram Stories posting received approximately 22,000 views. Around 11,000 people viewed the classes on the day that they were held, and there were around 3,300 Instagram Feed and IGTV (Instagram Video) posts.

## Introduction of Smart WASHOKU

- *Smart WASHOKU* was introduced on the BS Yoshimoto TV program “*GENKI ni Itadakimasu.*” TV personality shared her thoughts on visiting our cafeteria and laboratory and tasting *Smart WASHOKU*.
- Video distribution at academic conferences: Our health promotion activities and Health and Productivity Management through *Smart WASHOKU* were introduced to domestic and international experts at the Japan Dietetic Association and the International Congress of Nutrition.

## Lifestyle habit and visceral fat measurement service

- Lifestyle habit measurement: Held at external companies/corporations with 836 participants
- Visceral fat level measurement: Held at National Museum of Emerging Science and Innovation (*Miraikan*) with 3,290 participants

## Get Walking Program

As part of a program to create effective and enjoyable walking environments in workplaces and local communities, we have been distributing our unique *Hoco Touch* pedometer devices and holding Gait Measurement sessions to provide detailed analyses of walking “quality.”

- *Hoco Touch* Pedometer Gait Measurement: Approx. 16,500 people have registered with it at corporate, foundation, and local government facilities  
Active users: Approx. 12,630
- Gait Measurement sessions: Held 12 times externally, with approximately 900 participants

## Comprehensive initiatives in collaboration with local government authorities and research institutes

Initiatives that integrate the health solutions noted above in a comprehensive manner have been implemented in collaboration with local governments and universities.

## Fukushima Prefecture: Health Promotion in Collaboration with Private-sector Enterprises

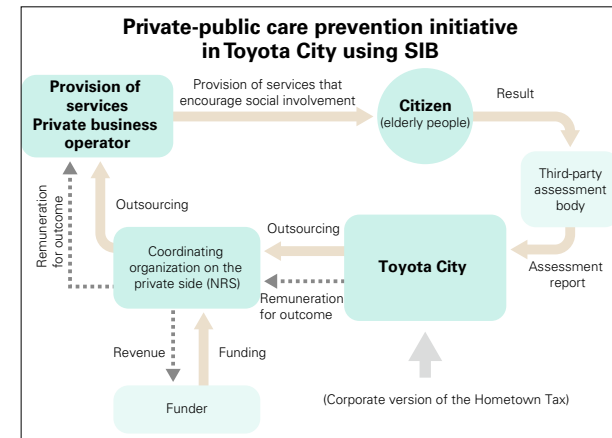
In 2022, for the fifth year in a row, we were commissioned to conduct the Health Promotion in Collaboration with Private-sector Enterprises (proposal project) as well as the Project to Support the Resolution of Health Issues in Disaster-stricken Areas (negotiated contract) as part of Fukushima Prefecture’s support program for the reconstruction of coastal areas. With support from the Fukushima prefectural government and health centers, we are working with six municipalities in the prefecture on health promotion measures and offering walking improvement (promotion) programs for residents and employees of each community.

This year, we have continued to ensure sufficient safety in terms of preventing the spread of the COVID-19 pandemic and recommend daily walking sessions using Gait Measurement and the *Hoco Touch*. Approximately 350 people participated in the program, which showed remarkable improvement mainly among those aged 60 and over and was highly evaluated as a motivational measure for preventing frailty.

## Toyota City, Aichi Prefecture; Genki! All the Time Project to reduce the need for care to be provided, a collaborative project between local government authorities and the private sector

In October 2021, we began providing *Hoco Touch* and Gait Measurement sessions for senior citizens aged 65 or over living in Toyota City. The service was provided to 80 people in the first year (2021). We are aiming to provide the service to 280 people in 2022.

This project is making use of SIB (abbreviation for Social Impact Bond), Japan’s largest-scale initiative in the healthcare sector, and is being implemented as a new initiative for working on social issues.



## Joint research with COI, Hirosaki University

As part of our efforts to contribute toward the building of a sustainable, healthy society, we are undertaking collaborative research with the Center of Healthy Aging Innovation (COI) at Hirosaki University, which is engaged in creating a “lifespan revolution.” Focusing on Aomori Prefecture, which has the shortest average lifespan in Japan, we are conducting social implementation research

# Employee Wellbeing & Safety GRI 2-28, 403-6

that integrates basic research on visceral fat reduction, with its measurements and attention to dietary and exercise habits, with the aim of reducing metabolic syndrome.

In 2022, we published the research findings in six papers. For social implementation, we conducted visceral fat testing at quality-of-life health check-ups, an awareness-raising type health check-up activity implemented at business enterprises and in municipalities in Aomori Prefecture. We also provided *Hoco Touch* devices to 484 people as follow-up after the health check-ups.

## Senior Citizens Research Group of the General Incorporated Payer's Association for Better Healthcare

A Health Project Linking Senior Citizen Health Promotion with Local Government consortium activity is being implemented by the Senior Citizens Research Group of the General Incorporated Payer's Association for Better Healthcare.

The data from this activity are being shared with the Data Health Portal website so that it can be effectively utilized by local government authorities and by health insurance association members.

## Consortium projects focused on senior citizens: General Incorporated Payer's Association for Better Healthcare Senior Citizens Research Group



Health Project Linking Senior Citizen Health Promotion with Local Government Activity Data  
[https://datahealth-portal.jp/?action\\_kouhyou\\_library\\_material=true](https://datahealth-portal.jp/?action_kouhyou_library_material=true)  
(Japanese)

## Information exchange with external organizations

- Participation in events on health and productivity management (organized by the Association for Considering Health and Management) and exchange of information on Health and Productivity Management initiatives in general

- Participation in the Forum for Building Healthy, Vigorous Workplaces (organized by the ICT and Healthcare Promotion Division of the Japan Productivity Center) and sharing of information on mental health issues and on initiatives taken to build employee-friendly workplaces.
- Participation in *Sanpo-Kai* (Occupational Health Research Association) and exchanging views on the occupational health projects of human capital and health staff

## Disseminating Health and Productivity Management and Health Promotion case studies outside of the company (Global) Workforce Nutrition Alliance Commitment

At the Tokyo N4G Summit in December 2021, we announced our commitment to expanding the scope of implementation of our *Smart WASHOKU* and Health and Productivity Management support initiatives. The contents were made into a booklet and distributed worldwide through the Workforce Nutrition Alliance.



Workforce Nutrition Alliance – Case Study Booklet  
<https://www.theconsumergoodsforum.com/global-learning-mechanism-resources/workforce-nutrition-alliance-case-study-booklet/>

## Disseminating Health and Productivity Management and Health Promotion case studies outside of the company (Japan) Seminar Hosted by the Institute for Future Initiatives, The University of Tokyo

On March 8, 2022, Kao Chairman Sawada participated in the relay talk “Designing Sustainable Health and Productivity Management Policies by Prefecture – Toward Health Promotion of the Working-age Generation and Community Revitalization” where he spoke about Kao Health and Productivity Management initiatives and their adoption in local governments. He introduced specific examples of how walking and eating can support health and conveyed that Kao will continue to stand by its

customers by proactively deploying the expertise and solutions it has accumulated through its past activities.

## Update Yourself *Mirai can NOW* Vol. 2

From October 5 to November 28, 2022, we provided *Hoco Touch*, basic walking ability measurements, and visceral fat measurements as part of a body measurement experience at an event held at the National Museum of Emerging Science and Innovation (*Miraikan*). During the event, we also provided *Smart WASHOKU* recipes for the optional tour lunches held once a week and for the lunch boxes sold every Saturday and Sunday at the *Miraikan* 7th floor restaurant.



## SOCIAL INNOVATION WEEK SHIBUYA 2022

We participated in the SOCIAL INNOVATION WEEK SHIBUYA talk session held from November 8 to 13, 2022 where we introduced Kao walking knowledge and its efforts to promote health through the use of *Hoco Touch* under the theme of “*Hoco Touch* for Walking: From Kao Walking Research.”

# Employee Wellbeing & Safety GRI 2-28

## Employees' opinions

### Enhancement of mental health care



**Makiko Sekine**  
Employee Health Care,  
Human Capital Strategy,  
Kao Corporation

The World Health Organization (WHO) suspects that 15% of adults of working age in the world are struggling with mental disorders. Therefore, mental health care in each workplace is required.

In the Kao Group in Japan, we also have an increasing number of employees who are absent from work due to mental disorders, and it is more common in young people. We have re-built a mental health care training system to prevent young adults who have just begun their working lives from suffering from mental health

disorders and expanded the place where our employees can learn both Selfcare and Line Care regarding mental health.

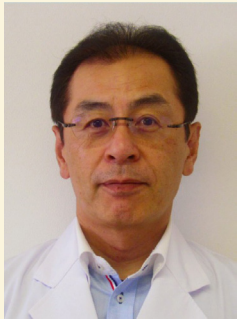
We are providing open, effective programs and conducting efficient operations in cooperation with industrial health specialists such as occupational physicians, so that employees in different workplaces can participate casually even when working remotely.

We will continue to encourage our employees to participate in each program more actively and make them aware of the maintenance and improvement of their own mental health as well as that of their colleagues, which hopefully will lead to common understanding throughout the company.

Through such efforts, we will try to maintain each employee's good mental health condition and contribute to the maximization of the power and potential of employees.

# Employee Wellbeing & Safety

## Stakeholder engagement



### Naoki Sakane

Preventive Medicine Laboratory Chief,  
Clinical Research Center, Kyoto Medical Center

### Evaluation of Kao's Initiatives

The preventive medicine laboratory where I play a role as the leader does studies on preventing diabetes and metabolic syndrome. As a result of our studies, we have successfully proved that the risk of diabetes and metabolic syndrome can be slashed by half if one can change their lifestyle habits. Our next challenge is how to make people change their lifestyle habits in the real world. I have been suggesting various ideas for preventing diabetes and metabolic syndrome to many companies and local governments. However, I do not see very many of them immediately implement the ideas I suggest. In Kao's efforts for its employees and their family members, on the other hand, I see a variety of ideas. What interests me is that the company has done research on work productivity, including the issue of presenteeism. We have also developed a program for improving healthcare workers' work engagement and found how important resources are in the areas of teams and individuals, not only quotas (the degree of work demand). With regard to regional health promotion, I was impressed by the company's dissemination activities of Visceral Fat & Lifestyle Check-ups (visceral fat measurement) and *Smart WASHOKU*, which reduces visceral fat. I am also interested in the fact that health maintenance activities are polarized for both men and women as a result of behavior change research using the company intranet. I hope that the company will adopt a new strategy for those people who do not respond to the current strategy.

### Expectations and suggestions for Kao

Now that companies must make efforts to keep the door of opportunity to work open until employees turn 70, we can say that we are now facing an era of "never retire." Because Kao has also started health care efforts for the elderly, I want the company to take measures to reduce the number of slip-and-fall accidents and prevent frailty. Amidst the COVID-19 pandemic, the development of a system that changes lifestyle habits in response to the New Normal is also expected. I expect that the company will be able to transmit information extensively online. Probably because Japan has a high literacy rate, people generally think that Japan also has high health literacy. However, it is said that Japan's health literacy is lower than that of the EU and other Asian countries\*. Health literacy means how correctly you can select information regarding health and how well you can understand and use the information for better health. In real life, however, we see and hear voluminous amounts of information on health and fitness. Our laboratory is now developing health literacy standards dedicated to health checkups and an evolutionary recommendation system that is useful for health preservation guidance. I expect that Kao will also implement efforts to improve the health literacy of its employees and their family members.

\* The European Health Literacy Survey Questionnaire (HLS-EU-Q47), a comprehensive measure of health literacy, was developed, and based on the results of surveys conducted in Europe, Asia, and Japan. Japan was found to have lower health literacy than countries in the EU and Asia.  
<https://www.healthliteracy.jp/kenkou/japan.html>

# Employee Wellbeing & Safety

## Key Health Indicators for Kao Group Employees in Japan

Item	2018	2019	2020	2021
Percentage of employees undergoing periodic health check-ups	100%	100%	100%	100%
Percentage of employees who underwent follow-up examinations	93.9%	94.9%	88.1%	92.6%
Percentage of employees who eat breakfast at least three times a week	Male 77.6%	Male 77.1%	Male 76.5%	Male 75.8%
	Female 75.5%	Female 76.1%	Female 76.3%	Female 76.5%
Percentage of employees who exercise at least once a week	Male 56.4%	Male 57.5%	Male 60.3%	Male 60.2%
	Female 35.0%	Female 36.5%	Female 40.4%	Female 56.2%
Percentage of employees who walk for at least 60 minutes a day	Male 53.9%	Male 56.0%	Male 55.6%	Male 49.1%
	Female 60.7%	Female 61.7%	Female 60.6%	Female 56.2%
Percentage of employees who get adequate sleep	Male 64.0%	Male 63.0%	Male 63.8%	Male 63.6%
	Female 62.2%	Female 61.9%	Female 62.6%	Female 61.7%
Percentage of employees who do not smoke	Male 72.3%	Male 72.6%	Male 74.0%	Male 75.2%
	Female 80.8%	Female 81.6%	Female 83.0%	Female 84.4%
Percentage of employees engaged in improving their lifestyle habits	Male 28.4%	Male 27.3%	Male 28.0%	Male 28.3%
	Female 18.2%	Female 18.6%	Female 21.2%	Female 22.4%
Percentage of employees who do not drink alcohol every day	Male 81.4%	Male 82.1%	Male 82.0%	Male 82.1%
	Female 91.2%	Female 91.4%	Female 90.6%	Female 90.0%
Percentage of employees with a BMI of 25 or higher	Male 25.5%	Male 26.7%	Male 28.5%	Male 27.3%
	Female 13.4%	Female 14.0%	Female 15.0%	Female 14.7%
Percentage of employees who are at risk of developing metabolic syndrome (age 35 or older)	Male 30.6%	Male 32.3%	Male 36.9%	Male 33.8%
	Female 6.6%	Female 7.4%	Female 8.9%	Female 8.2%
Percentage of employees undergoing continued therapy who are at high risk of diabetes	-	-	-	87.7%
Percentage of employees receiving specific health guidance (age 40 or older)	Male 18.3%	Male 19.0%	Male 22.4%	Male 18.9%
	Female 7.8%	Female 7.9%	Female 9.2%	Female 8.1%
Specific health guidance implementation rate (age 40 or older)	72.2%	71.6%	63.2%	71.2%

## Investment in major health facilities

	Year	Category	Cases	Yen (tax excluded)
GENKI-WEB	2022	Meal analysis		5,450,000
		Communities		5,739,316
		Fee for system usage		5,086,000
GENKI point	2022	Items	4,694	12,779,349
		Donation to Heart Pocket Club	1,293	129,300
Subsidization in each workplace and area (Health Insurance Union PE-Aid)	2021	Health promotion business activities	115	6,764,183

## Deployment of Company-wide Health Promotion Activities (Japan)

Content of activities in 2022	2022 results	2022 Participant satisfaction level
42-day Weight-loss Challenge	2,689 participants	62%
Pre-examination Weight-loss Challenge	350 participants	77%
Online Radio Calisthenics	A total of 1,195 participants	—
Stop Smoking Marathon	202 participants (of whom 106 were successful)	—
Quitting smoking online	16 people	—
Spring Walking and Breakfast Challenge	Walking: 2,492 participants	85%
	Breakfast Challenge: 2,190 participants	
Autumn GENKI Sports Event	3,437 participants	
Seminar on dealing with back and shoulder pain	Held 6 times with 1,063 participants	94%
	Number of people who watched the video: 675	
Best Physical Condition & Best Weight GENKI Challenge	Online calisthenics: Held 7 times with 403 participants	95%
	Seminar participants: 683 people	
Women's Health News	Challenge participants: 691 people	—
	4 issues published (average number of times accessed: 3,624)	
GENKI Mori Mori / Smart WASHOKU Bulletin	14 issues published (average number of times accessed: 2,539)	—
My health profession interview	2 issues published (average number of times accessed: 3,200)	—
Women's health seminar	190 people	94%

## Health Promotion Activities at Each Kao Office (Japan) (Events, seminars, campaigns, etc.)

Content	2022 results
Related to lifestyle-related diseases: Nutrition seminars, strength tests, health fairs, lectures by occupational physicians, etc.	44 programs were held with a total of 18,880 participants.
Quitting smoking	Six programs were held with a total of 1,167 participants.
For women: Women's health seminars, change-of-life seminars, etc.	44 programs were held with a total of 18,880 participants.
Mental: Mental health courses, seminars for beauty advisors, new employees, newly promoted employees, etc.	Nine programs were held with a total of 3,035 participants.

# Employee Wellbeing & Safety

The Kao Responsible Care (RC) Policy includes occupational safety and health guidelines designed to ensure the health and safety of all who work at Kao. By providing workplaces which offer job satisfaction and peace of mind for employees and for their families, we create pleasant working environments.

## Safety

### Social issues

As we have several large-scale chemical plants, process safety and disaster prevention needs are increasingly heightened in the context of accidents at chemical plants and the many natural disasters that have occurred recently. Given this situation, ensuring safe workplace practices and providing a workplace environment where all employees can work safely is a crucial issue for the enterprise.

### Policies

Occupational safety and health guidelines at Kao are enshrined in the Responsible Care (RC) Policy as follows: “Kao strives to provide a comfortable and healthy workplace environment for employees. Kao conducts safety and emergency response drills on a regular basis.” Based on risk evaluation of accidents and incidents, Kao diligently implements management strategies design to protect employees from accidents or incidents that may occur during the course of business activities, in order to maintain stable operations.



Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

### Strategy

#### Risks and opportunities

##### Risks

- Risk of downtime due to occupational illness associated with a major workplace incident or a compromised operating environment
- Risk of loss of societal trust in the company due to the above

##### Opportunities

Kao strives to provide a safe, secure, healthy and welcoming workplace environment by identifying all forms of risk, and evaluating and mitigating factors that have the potential to compromise the workplace health and safety of employees.

##### Strategy

By providing a workplace environment that ensures the health and safety of employees of Kao and our partners as well as their families through our corporate operations, we create an environment that enables them to work with peace of mind and in good health. This serves to expand our business activities and boost our corporate value.

We strive to create a workplace environment that protects employees from various harms and enables them to work in a healthy state of mind and body. To this end, we have set up specific strategies in areas such as equipment and administration in the form of

Kao Responsible Care (RC) targets, with the goal of reducing the rate of workplace accidents and incidents to no more than 0.1 (equivalent to a maximum of seven employees per year) across the entire Kao Group by 2030. The Group is united in making a sustained and ongoing commitment to this target.

#### Social impact

The Kao Group Responsible Care (RC) Policy specifies occupational safety and health-related activity guidelines, and we strive to safeguard the safety and health of everyone working at Kao. We do this by implementing risk assessment of operations, machinery and chemical substances, ensuring thorough implementation of health check-ups and related follow-up, and implementing activities focused on mental health.

By providing workplaces which offer job satisfaction and peace of mind for employees and for their families, we create pleasant working environments.

Enabling all employees to work safely with peace of mind and in good health facilitates the maintenance of normal business activities and the stable supply of products. Moreover, this can facilitate the stabilization of product prices.

# Employee Wellbeing & Safety

GRI 3-3, 403-1, 403-2, 403-4, 403-5, 404-2

## Contributions to the SDGs



### Business impact

By making it possible for all employees to work safely, we will ensure that business activities can be carried on normally, thereby preventing unnecessary expenditure and reducing overall costs, which in turn will lead to higher revenues.

## Governance

### Framework

The Kao Group launched the RC Global Charter with the signature of the President & CEO in 2008. The Kao Group around the world has been pursuing the RC Global Charter since 2014.

The Responsible Care Promotion Committee was set up as part of the Internal Control Committee and reports to the Board of Directors. The Responsible Care Promotion Committee is headed by the Executive Officer Responsible for Corporate Strategy. Responsible Care activities are subject to a self-evaluation and management review process undertaken by the relevant divisions and companies relative to annual targets in the six areas of environmental conservation, process safety and disaster prevention, occupational safety and health, distribution safety, chemical and product safety and community engagement. This ensures continuous improvement geared toward risk mitigation in corporate operations.

These activities are subject to on-site auditing by an external agency to provide objective validity assessments and are linked to the Kao ESG Strategy.

We have established a promotional framework that covers the entire Kao Group, and we implement Responsible Care (RC) activities through the selection of committee members from each division.

Kao's promotion system and activities are described below.

**P18** Our ESG Vision and Strategy > Governance

**P284** Responsible Care Activities

### Education and promotion

To ensure that work can be carried out safely, we draft educational plans related to occupational safety and health for employees and temporary workers, and conduct training for new hires and reassigned personnel. We also identify roles that require special training, and implement training for the employees who require it as needed.

By educating our members, we are able to share information relating to occupational safety and health in the workplace, and can undertake activities aimed at achieving related targets.

In addition, we conduct periodic disaster response drills (for scenarios such as a major earthquake) and regular training to verifying whether employees are safe in the event of a disaster, to make sure that we will be ready for an emergency.

### Collaboration with stakeholders

We strive to create workplaces where all employees can work with safety and peace of mind every day.

Furthermore, in order to ensure the safety of employees of partner companies who work together with us at our worksites, we conduct events related to safety and disaster prevention, such as emergency rescue seminars and fire-extinguishing training, in cooperation with partner companies. Every month, we share safety-related information—including case studies of occupational accidents within Kao and the steps taken in response—with partner companies, and we strive to become an enterprise characterized by safety and peace of mind through collaborative promotion of safety activities.

## Risk management

Responsible Care (RC) activities are designed to ensure the environment, safety and health of employees and wider society. To this end, we implement ongoing risk mitigation activities that involve identifying risks associated with our corporate operations and putting sound countermeasures in place.

The Secretariat of the Responsible Care Promotion Committee scrutinizes the activities of the relevant divisions and group companies to identify actual and potential risks, then implements individual improvements. The results are reviewed by management and reflected in the targets for the following year. The Kao Group has built a framework for steadily implementing such activities.

Three meetings are held regularly every year: the Responsible Care Promotion Committee, the Global RC Meeting and the Japan RC Meeting. This provides the responsible officers from the relevant divisions and group companies with regular opportunities to share and exchange information and clarify risks within the

# Employee Wellbeing & Safety

GRI 3-3, 403-1, 403-2

Kao Group, which enables risk mitigation across the Kao Group as a whole.

We have identified large-scale earthquakes and other natural disasters as a corporate risk and are engaged in ongoing risk mitigation activities. We have prepared initial response procedures in the event of a major earthquake under a major city or in the Nankai Trough. Drills are carried out and verified twice per year. Where necessary, the procedures and their implementation are reviewed and used to improve preparedness for such a disaster. In addition, the Corporate Risk Working Group has also set the activity themes of the Corporate Risk Working Group to address new risks such as flood risks due to tsunamis and heavy rainfall, natural disasters that are expanding and becoming more severe worldwide, and the eruption of Mt. Fuji.

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

We aim to become a company that meets top-level occupational safety and health criteria on a global basis by 2030.

We have set ourselves the goals of cutting deaths and loss of function accidents to zero, decreasing the lost time frequency rate to 0.10 or less, and, with regard to work-related traffic accidents, reducing 100% negligence accidents causing bodily injury to zero, with respect to both Kao employees and employees of affiliates, by 2030.

We will be working steadily to realize these targets, with related backcasting goals and activities being adopted as annual RC targets.

### 2022 results

We implemented activities from the two perspectives of “Eradication of occupational accidents” and “Creating a pleasant working environment and improving the health of our employees.” More specifically, with regard to the eradication of occupational accidents, we have focused on promoting measures to prevent non-work-related accidents, upgrading safety management systems, implementing risk assessments for facilities, operations and chemical substances, promoting near-miss reporting and improvement reporting activities, ensuring thorough implementation of safety management for infrequent operations, ensuring proper implementation of safety training, sharing information about past accidents, and working to prevent traffic accidents by expanding provision of traffic safety education.

As for creating a pleasant working environment and improving employee health, we have strengthened management of the working environment, ensuring effective implementation and follow-up of health check-ups, undertaking health promotion activities, job stress assessments and implementing risk assessments for chemical substances. In addition, at the Health and Safety Committee meetings which are regularly held at each office, we report on activity plans as well as giving result reports, and disseminate this information to employees.



# Employee Wellbeing & Safety

GRI 403-9, 403-10

## 2022 targets and performance (Kao Group)

Item	Indicator	Scope	2019	2020	2021	2022		
			Results	Results	Results	Target	Results	
Occupational accidents	Death / loss of function <sup>*1</sup> (persons)	Including both regular employees and temporary workers (Kao Group) <input checked="" type="checkbox"/>	0	0	0	0	1	
		Breakdown	Japan	0	0	0	—	1
			Asia	0	0	0	—	0
			Americas	0	0	0	—	0
			Europe	0	0	0	—	0
		Subcontractors (Kao Group) <input checked="" type="checkbox"/>	Japan	0	0	1	0	0
			Asia	0	0	1	—	0
			Americas	0	0	0	—	0
			Europe	0	0	0	—	0
		Lost time accidents frequency rate <sup>*2</sup>	Including both regular employees and temporary workers (Kao Group) <input checked="" type="checkbox"/>	0.78	0.53	0.64	0.38 or less	0.65
	Breakdown		Japan	0.67	0.41	0.46	—	0.51
			Asia	0.25	0.07	0.38	—	0.33
			Americas	3.21	2.03	4.40	—	1.91
			Europe	3.30	2.85	1.50	—	2.26
	Subcontractors (Kao Group) <input checked="" type="checkbox"/>		Japan	0.42	0.28	0.41	—	—
			Asia	0.24	0.66	0.23	0.19 or less	0.77
			Americas	0.66	0.85	0.38	—	1.28
Europe		0.06	0.14	0.14	—	0.12		
Subcontractors (Reference: Member companies of Japan Chemical Industry Association)	Japan	0.00	5.51	0.00	—	6.20		
	Asia	4.18	7.88	0.00	—	3.57		
	Americas	0.57	0.59	0.64	—	—		
	Europe	—	—	—	—	—		


\*1 Loss of function accident: Accidents in which there is a continued loss of physical function after treatment for the injury has been completed (with a loss of physical function of Level 5 or higher)

\*2 Lost time frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)

# Employee Wellbeing & Safety

GRI 403-9, 403-10

## 2022 targets and performance (Kao Group)

Item	Indicator	Scope	2019	2020	2021	2022		
			Results	Results	Results	Target	Results	
Occupational accidents	Total accident frequency rate <sup>*3</sup>	Including both regular employees and temporary workers (Kao Group)	2.33	1.90	1.82	1.14 or less	1.75	
		Breakdown	Japan	2.47	2.00	1.73	—	1.84
			Asia	0.49	0.34	0.95	—	0.65
			Americas	6.02	4.05	8.00	—	3.19
			Europe	5.78	4.98	2.44	—	3.20
		Subcontractors (Kao Group)		0.75	1.43	1.07	0.57 or less	1.39
		Breakdown	Japan	1.87	2.18	1.78	—	2.85
			Asia	0.18	0.55	0.55	—	0.18
	Americas		0.00	5.51	0.00	—	6.20	
	Europe		16.70	7.88	2.50	—	4.76	
	Severity rate <sup>*4</sup>	Breakdown	Including both regular employees and temporary workers (Kao Group)	0.01	0.04	0.01	—	0.11
			Japan	0.01	0.05	0.01	—	0.15
			Asia	0.01	0.00	0.01	—	0.00
			Americas	0.02	0.03	0.12	—	0.07
		Europe		0.05	0.08	0.02	—	0.03
		Subcontractors (Kao Group)		0.01	0.03	0.30	—	0.02
Breakdown		Japan	0.04	0.06	0.03	—	0.04	
		Asia	0.01	0.01	0.52	—	0.00	
		Americas	0.00	0.17	0.00	—	0.08	
		Europe	0.03	0.06	0.00	—	0.26	
Subcontractors (Reference: Member companies of Japan Chemical Industry Association)		0.03	0.15	0.15	—	—		
Number of employees who experienced lost work days due to occupational illness (persons)		Including both regular employees and temporary workers (Kao Group) 		0	0	0	0	0
	Breakdown	Japan	0	0	0	—	0	
		Asia	0	0	0	—	0	
		Americas	0	0	0	—	0	
		Europe	0	0	0	—	0	
Traffic accidents	100% negligence accidents causing bodily injury (no. of accidents)	Sales and logistics (Japan)	5	1	3	0	5	
	Accidents other than 0% negligence accidents per 100 vehicles <sup>*5</sup>		6.48	3.68	4.63	8.30 or less	5.01	

\*3 Total accident frequency rate: Number of persons injured in occupational accidents (including accidents without lost work days) per million hours worked

\*4 Severity rate: Number of lost days / total working hours × 1000

\*5 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

## Targets for 2023

In order to become a company that meets top-level occupational safety and health criteria on a global basis by 2030, we have set ourselves the target of striving to prevent accidents and disasters, and we are implementing activities based on the backcasting of accident and disaster prevention targets for 2023.

Note that traffic accident targets are for Japan only.

### Targets for 2023 (Kao Group)

Item	Scope	Indicator	2023 target
Occupational accidents	Regular employees and temporary workers	Death/loss of function <sup>*1</sup> (persons)	0
		Lost time frequency rate <sup>*2</sup>	0.32 or less
		Total accident frequency rate <sup>*3</sup>	0.96 or less
	Subcontractor employees	Death/loss of function <sup>*1</sup> (persons)	0
		Lost time frequency rate <sup>*2</sup>	0.17 or less
		Total accident frequency rate <sup>*3</sup>	0.52 or less
Employees	Number of employees who experienced lost work days due to occupational diseases (persons)		0
	Sales and logistics	100% negligence accidents causing bodily injury (no. of accidents)	0
Accidents other than 0% negligence accidents per 100 vehicles <sup>*4</sup>		7.9 or less	

\*1 Loss of function accident: Accident leading to a continued loss of physical function (loss of physical function rated Level 5 or above) after treatment for injury

\*2 Lost time frequency rate: Number of persons dead or seriously injured in occupational accidents per million hours worked (including only accidents involving at least one lost work day and also the loss of a part of the body or a bodily function)

\*3 Total accident frequency rate: Number of injuries of all types (including those resulting in lost time) due to occupational accidents per million hours worked

\*4 Accidents other than 0% negligence accidents per 100 vehicles: Number of traffic accidents other than 0% negligence / No. of vehicles in fleet × 100

## Reviews of 2022 results

The number of lost-time accidents and the number of traffic accidents in 2022 were about the same as those in 2021.

# Employee Wellbeing & Safety GRI 403-2, 403-4

## Main initiatives

### Status of occupational accident occurrences

In 2022 there were 134 injuries affecting regular employees and temporary workers due to occupational accidents. Of these, 50 injuries resulted in lost time (absence from work). There were no incidences of illness directly associated with the workplace. For occupational accidents involving subcontractors, the number of persons affected was 40, of whom 22 suffered injuries resulting in lost work days.

In Japan, following a death involving a forklift, the cause of the accident was investigated and measures were put in place to prevent the same from happening again.

The most common types of accidents among regular employees and temporary workers were slips and falls arising from carelessness and insufficient checks (44 employees), accidents involving recoil movements (20 employees), and collisions (13 employees). As slip and fall accidents have been the most common type of accident in recent years, in implementing our activities we have focused mainly on strategies to prevent slip and fall accidents.

### Risk assessment of chemical substances

As many types of chemical substances are handled at our manufacturing locations, the risk of damage to human health and of environmental pollution is not negligible. With this in mind, we evaluate the impacts on people and the environment and make provisions to reduce these risks.

In addition, when installing additional equipment or making changes to existing equipment, and when changing the types of raw materials used, we assess the potential impact on human health and on the environment in advance.

These measures have been implemented in response to the UN's Strategic Approach to International Chemicals Management (SAICM) initiative.

### Improving safety awareness with the award system for no accidents that cause lost work days

With the aim of further increasing safety awareness, starting from 2016 the scope of application of the "award system for no accidents that cause lost work days" was expanded to include not only plants inside Japan but also plants outside Japan. In addition, starting from 2021, the scope of application of the safety awards systems (including both the "award system for no accidents that cause lost work days" and the "traffic safety award system") was expanded to include sales companies and logistics companies in Japan that have had significant numbers of occupational accidents.

In 2022, a total of five plants in Japan, five plants outside Japan and seven logistics sites received awards.

#### Award criteria

Stage	Award criteria
1	3 years
2	5 years or 5.4 million hours
3	7 years or 8.1 million hours
4	10 years or 12.2 million hours
5	15 years or 18.3 million hours

#### Award system for no accidents that cause lost work days (2022)

Region	Company / Plant	Stage
Japan	Fuji	Stage 4 (10 years)
	Kawasaki	Stage 2 (5 years)
	Wakayama	Stage 2 (5.4 million hours)
	Tochigi	Stage 1 (3 years)
	Kashima	
China	Kao (Hefei)	Stage 4 (10 years)
	Kao Huludao Casting Materials	Stage 3 (7 years)
Thailand	Kao Industrial (Thailand)	Stage 2 (5 years)
Indonesia	Kao Indonesia (Cikarang Plant)	Stage 2 (5 years)
	Kao Indonesia (Karawang Plant)	Stage 1 (3 years)

### "Award system for no accidents that cause lost work days" (This has also included sales companies and logistics companies from 2022 onwards.)

Company	Region / Office	Stage
Kao Logistics	Tokuyama Center	Stage 3 (15 years)
	Ishikari Logistics Center	Stage 3 (7 years)
	Aiko Center	Stage 3 (7 years)
	Fukuoka Kita Logistics Center	Stage 1 (5 years)
	Sakai Minami Regional Logistics Center	Stage 1 (5 years)
	Kawagoe Logistics Center	Stage 1 (3 years)
	Inazawa Logistics Center	Stage 1 (3 years)



Kao (Hefei) in China received the President's Award for 10 years of operation without a single accident leading to lost work days

The Kao Logistics Tokuyama Center received the President's Award for 10 years of operation without a single accident leading to lost work days



### Sharing safety messages globally

With the aim of enhancing safety awareness globally, since 2017 we have had the company's safety slogans translated into local languages at our worksites outside Japan, and the safety posters on which the President &

# Employee Wellbeing & Safety GRI 403-2, 403-4

CEO appears have been shared globally, being displayed at worksites both inside and outside Japan.

Starting from 2018, safety poster slogans have been chosen through a global competition.

In 2022, the winning entry came from the Sakata Plant. Safety posters with this slogan were distributed for display at Kao affiliates both inside and outside Japan.

Going forward, we will continue to promote this activity, so as to strengthen safety consciousness on a global scale.



Award ceremony for the best entry (Sakata Plant (Japan))

## Creating a pleasant working environment for employees

Besides striving to create a pleasant working environment at all worksites, in order to ensure compliance with working environment standards and relevant laws in each country, we implement surveys of the working environment on a regular basis, and undertake improvement and maintenance management of the workplace environment.



The safety poster featuring the President & CEO was deployed in 12 different local languages (Clockwise from top left: Japanese, English, Simplified Chinese, Thai)

# 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<sup>\*1</sup>), and inadequate management of chemicals and wastes are recognized causing global pollution crisis at the ministerial level in the G7 countries (G7, 2022<sup>\*2</sup>). As discussed for the development of international targets for chemicals management after 2020 (post-SAICM<sup>\*3</sup>), the participation of a wide range of relevant stakeholders and ambitious and concrete actions for chemicals management are required (UN, 2022<sup>\*4</sup>).

\*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>

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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.

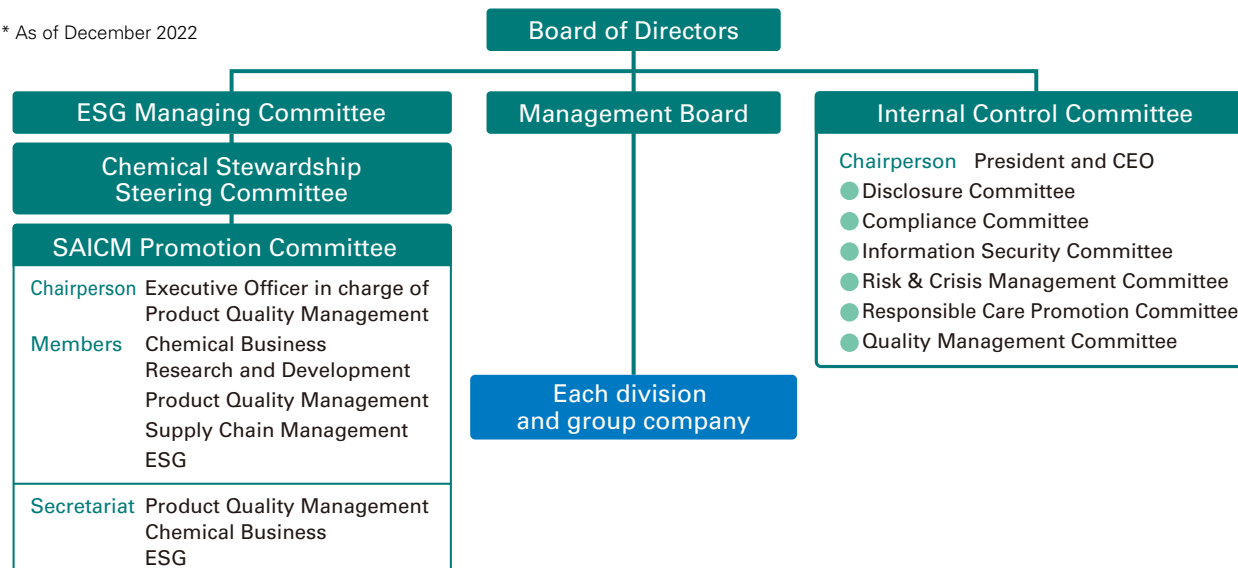
The Committee has established five teams\* to promote strategic initiatives. In addition to meetings of individual teams, the SAICM Promotion Committee meets four times a year to conduct planning, receive progress reports, review projects, propose and discuss new issues, and holds lectures by outside 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-CO<sub>2</sub>, 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\*<sup>1</sup> is implemented\*<sup>2</sup>
- 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/](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](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.

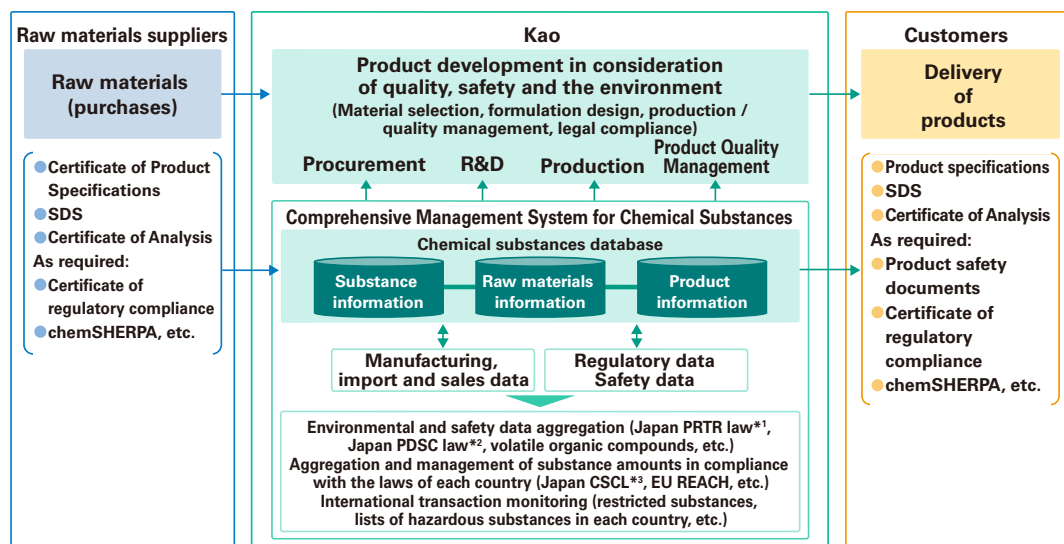
# Responsible Chemicals Management

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](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<sup>\*1</sup>, 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.

<sup>\*1</sup> 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<sup>\*2</sup> 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.

<sup>\*2</sup> 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,<sup>\*3</sup> 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.

<sup>\*3</sup> 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](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 CO<sub>2</sub> 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.

# Our Foundations

Page	Kao Action	Activity Highlights for 2022	Key Themes	Page
P 265	<b>G</b> Corporate governance	Foreign nationals Director and female Director were appointed.	Diversity	P 267
P 276	<b>G</b> Risk and crisis management	We responded from the perspective of ensuring the safety of employees, BCP and reputation risk.	Responding to the Russia-Ukraine issue	P 283
		We discussed the response to the emergence of a variant of COVID-19 and exit strategies for the post-COVID-19 world.	Response to COVID-19's spread and long-term effects	P 283
		"Geopolitical risk" was added to main risks and selected as a corporate risk theme for 2023 based on a risk survey on "Risks that may impede the achievement of the Kao Group's Mid-term Plan K25," analysis of the external environment and interviews with management.	Clarifying main risks, including corporate risks, and strengthening our countermeasures	P 276
P 284	<b>G</b> Responsible care (RC) activities	Implemented on September 29, the report on actual performance activities in the first half of the year, the results report of the RC secretariat audit, and RC targets for the following year were adopted.	Responsible Care Promotion Committee	P 288
		In July and August an audit was conducted on all promotion divisions in Japan and group companies outside Japan to grasp the progress and issues related to the RC activities.	RC Secretariat Audit	P 290
P 293	<b>G</b> Product quality management	We have newly established Quality Management Meetings for each business division for Americas, Europe, Middle East, and Africa region. Key items of the quality management activities were established and their progress were scrutinized at the year-end management review. The results and issues were reported to the Quality Management Committee and reflected in the company-wide policies for the following year.	Promoting company-wide quality management activities	P 298
		We strengthened our compliance with GMP, GVP, and GQP through a company-wide project. For GVP, we enhanced our monitoring system in collaboration with our customer service and sales departments in China, and started its operation before the regulation went into effect in October.	Strengthening quality management to comply with revisions of China's cosmetics laws and regulations	P 297
		We conducted internal audits of the GMP compliance of our own manufacturing facilities and the management of contract manufacturers, and reported the results to the Internal Control Committee. In Japan, two factories newly obtained ISO22716 certification.	Verifying quality management activities through audits and self-checks	P 299
		We have enhanced the e-learning education program by adding such items as the revision of the Pharmaceutical and Medical Device Act, the Consumer Product Safety Law, and pharmaceutical applications and raw material registration. A total of 9,565 Kao Group employees have completed the course.	Strengthening the education programs on quality management	P 299

# Our Foundations

P 300	<b>G</b> Information security	For the purpose of reinforcing security countermeasures, we have produced a security strategy roadmap, secured a budget in line with the roadmap, and are rolling out strategies for reinforcing security. The security strategy roadmap is reviewed from time to time as required.	Reinforcement of cybersecurity measures	P 308
		Kao has established 29 Information Security Committees in countries, areas, and offices outside Japan, and is promoting the implementation of cybersecurity measures and the protection of trade secrets, personal information, and information assets.	Report on activities of Information Security Committees outside Japan	P 308
		Plan: Formulate a plan and review the list of trade secrets, awareness-raising materials, self-check questions, etc. Do: Conduct awareness-raising activities Check: Implement self-checks and audits of partners that have been outsourced to handle personal information Action: Set improvement targets and implement activities	PDCA (Plan, Do, Check, and Act) cycle activities for information security measures	P 306
		Kao's main security measures include conducting hearings of suppliers' security measures, examining risk countermeasures, and studying the abolition of PPAP.	Main Initiatives	P 308
P 309	<b>G</b> Strategic digital transformation (DX)	The new My Kao platform was launched in December 2022 and provides a direct link with customers.	New My Kao platform	P 313
		We proceeded with Precision Life Care, which uses various forms of data accumulated through Essential Research as well as proprietary monitoring technology to predict changes based on consumers' body information, and propose the most suitable solutions.	Precision Life Care proposes optimal solutions for unresolved issues	P 313
		We are pursuing the company-wide strengthening of web accessibility with the aim of providing digital information that is easily accessed by all.	Leave no one behind	P 312
P 316	<b>G</b> Intellectual property	We defined and reviewed rights to create an IP portfolio with no wastage and no leakage.	IP portfolio optimization	P 322
		The relevant business and IP divisions are collaborating diligently to pursue activities in relation to counterfeit versions of our products, technologies, and designs.	Response to the counterfeit product problem	P 322
		The two divisions involved in handling IP collaborated more closely than ever before, and strongly supported the activities that the company aims to implement.	Strengthening collaboration between the two IP divisions	P 317
P 323	<b>G</b> Tax strategies	We ensured full compliance with laws, regulations, and other requirements in relation to taxation in all countries and areas.	Appropriate tax declaration and tax payment	P 323
		We strive to comply with applicable guidelines on cross-border intercompany transactions.	Compliance with OECD transfer pricing guidelines	P 323
		We perform sound tax administration, make appropriate tax payments, and provide full disclosure in line with the relevant laws and regulations of all countries and areas.	Disclosure of actual tax performance	P 325
P 327	<b>E</b> Biodiversity	Amended on April 2022. We made declarations about achieving the Kirei Lifestyle; minimizing our dependency and impacts on nature and biodiversity; maximizing the value for people, society and the planet; preserving and restoring biodiversity; and our aim to regenerate nature.	Amendments to the Basic Policy on Biodiversity	P 328
		Using Kao's flagship product of detergents as an example, we identify key challenges in the value chain, and apply and report the evaluation results to the LEAP approach proposed in the TNFD $\beta$ edition. We also participate in the TNFD forum.	Response to TNFD	P 336
		In July 2021, the Sakata Plant signed the Yamagata Kizuna-no Mori Agreement with Yamagata Prefecture and Sakata City, and began conservation activities in the Shonai coastal black pine forest, located about 1 km north of the plant, with employees participating in the activities twice a year in 2022.	Biodiversity conservation activities at the sites	P 341

# Our Foundations

P 344	<b>S</b> Communication with consumers	We expanded the scope of support to all household products (excluding cosmetics), and the number of users increased by 370% compared to the same month (December) of the previous year.	Approaches to the digital native generation using chat support	P 347
		We constructed a new cosmetics Q&A website, and the number of unique users (UU) accessing the product Q&A website rose to approximately 4.6 million, a year-on-year change of 111%.	Expanded product Q&A website	P 348
		We amended the liaison response in the event of the spread of infectious diseases, disasters or similar, and amended the risk management guidelines.	Initiatives compliant with ISO 10002	P 348
P 352	<b>S</b> Process safety and disaster prevention	The high-pressure gas equipment management conditions were audited by the head office division and verified by the Directors.	High-pressure gas safety auditing and verification	P 356
		In 2022, two earthquake training drills were conducted as scheduled, with the aim of ensuring that the head office organization can function in an emergency.	Emergency Countermeasure Training Drills	P 355
P 358	<b>S</b> Corporate citizenship activities	We provided children and consumers all over the world with the motivation to practice sustainable lifestyles by producing and exhibiting paintings.	The Kao International Environment Painting Contest for Children	P 363
		Kao supports the development of young entrepreneurs who apply business methodologies to solve social issues.	Kao Social Entrepreneurship Schools	P 367
		Kao supports the Cancer Education Project in junior and senior high schools. We aim to improve the health awareness of students and have students have a positive influence on the generation of parents and guardians.	Pink Ribbon Campaign	P 366

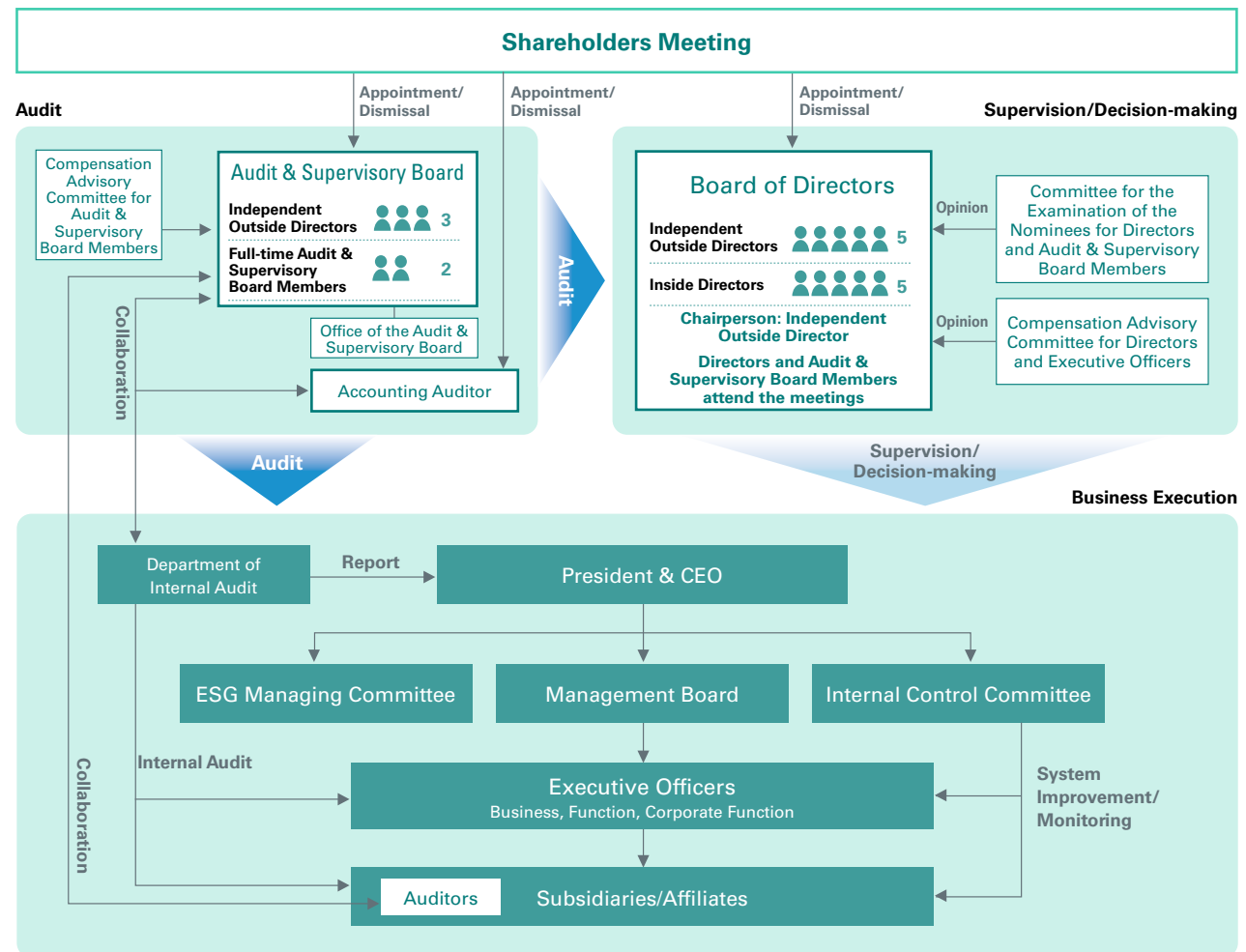


# Corporate Governance GRI 2-9

## Basic policy

In order to sustainably enhance corporate value over the long-term, Kao positions corporate governance as a top-priority management issue and continuously strengthens governance in both systems and operations. Kao's corporate governance is a framework for transparent, fair, prompt and decisive decisionmaking. It takes into account the perspectives of all stakeholders and responds in a timely and appropriate manner to changes that are increasingly diverse, complex, and difficult to predict so that we can contribute to society and continuously enhance corporate value. The foundations of our efforts to achieve this are establishing and operating the necessary management structures and internal control systems, implementing the necessary measures in a timely manner, and demonstrating accountability. In addition, we work to understand social trends at all times and actively engage in dialogue with stakeholders to review the status of corporate governance from time to time and implement appropriate and necessary countermeasures and improvements.

Corporate governance structure (As of March 24, 2023)



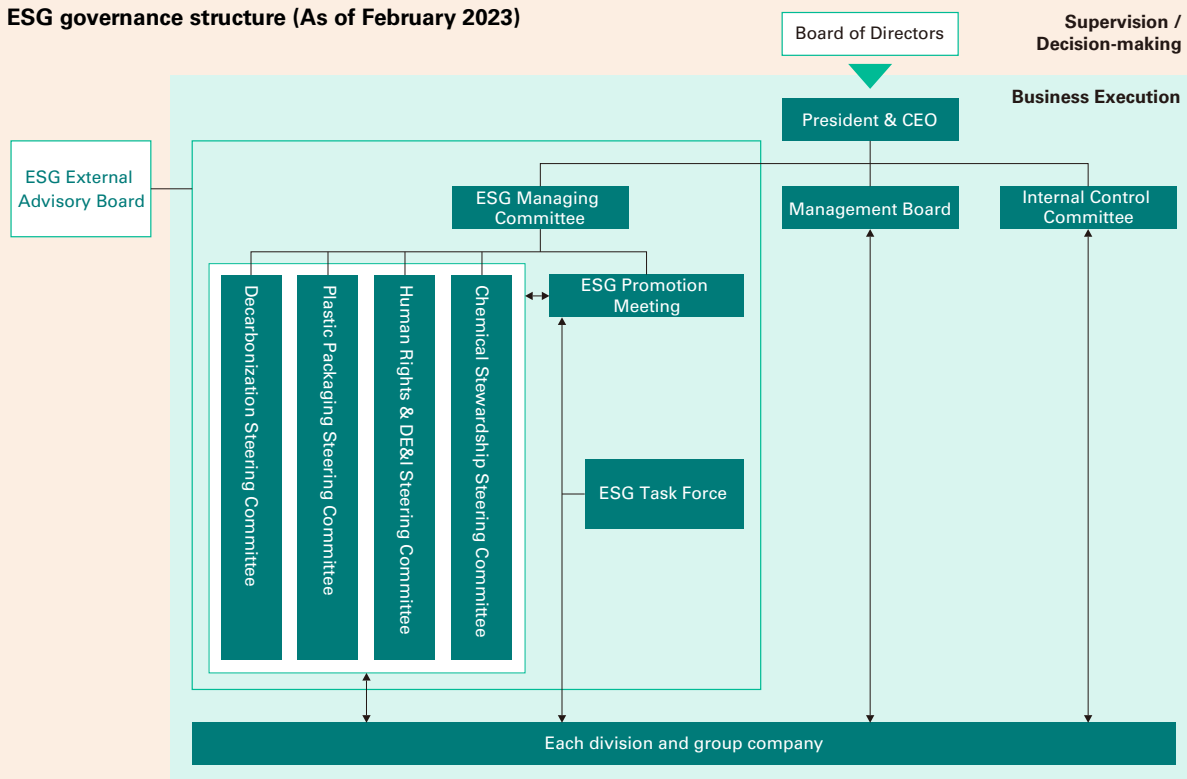
# Corporate Governance GRI 2-9

## ESG Governance Structure

We have a flexible and robust ESG governance structure so that we respond quickly to the major changes taking place globally, aiming to ensure expansion of business opportunities and solve social issues. In our ESG governance structure, under the

Board of Directors, the President and CEO and five subordinate organizations are responsible for business execution. Characteristics of this structure include an organization with outside committee member participation that functions to provide oversight and advice, and the swift and targeted implementation of management decisions broken down into innovation and initiatives.

### ESG governance structure (As of February 2023)



ESG Managing Committee	The ESG Managing Committee is chaired by the President and Chief Executive Officer, and its members include Senior Managing Executives and Managing Executive Officers. These members push forward the ESG strategy, the Kirei Lifestyle Plan (KLP) by developing policy and strategy for our ESG activities, making final decisions on investments, identifying issues, risks and opportunities and confirming the progress of activities.
ESG External Advisory Board	By submitting reports and suggestions in response to queries from the ESG Managing Committee, the ESG External Advisory Board ensures that an external perspective is reflected in our management. To enable Kao to realize world-class plan formulation and implementation, the Board provides information and opportunities for collaboration with external partners, and also offers advice.
ESG Promotion Meeting	The ESG Promotion Meeting is attended by the heads of business divisions. These members promote to realize ESG strategy based on policies, direction, and proposals decided by the ESG Managing Committee.
ESG Steering Committee	For the priority issues, decarbonization, plastic packaging, human rights and DE&I, the ESG Steering Committees coordinate with the ESG Managing Committee and have the ability to make suggestions to divisions and group companies.
ESG Task Force	The ESG Task Force established for individual focus themes when an inter-divisional structure is needed, and propose activities based on the detailed plan developed by the ESG Promotion Meeting.

# Corporate Governance GRI 2-9, 2-10, 2-11

## Stance on balance among knowledge, experience and skills, and on diversity and the size of the Board of Directors

Kao stated the Vision of “Protecting future lives—Sustainability as the only path” in K25. In order to achieve this, the management team carries out operations in line with three policies; 1. Become an essential company in a sustainable world; 2. Transform

to build robust business through investment (Revitalize existing businesses and Create new businesses); 3. Maximize the power and potential of employees.

To supervise that the management team is executing business in accordance with the above policy, we believe it is important that Inside and Outside Directors and Audit & Supervisory Board Members can complement each other’s knowledge, experience and skills and the Board of Directors can demonstrate high effectiveness. We recognize that the Board of Directors can make better contributions toward driving business

and appropriate supervision and auditing when it has multifaceted perspectives informed by diversity in addition to knowledge, experience and abilities. We have a target for women to hold 30% of seats on the Board of Directors by 2025. We will reduce the size of the Board to achieve swift decision making, while taking care to maintain a good balance of diverse personnel. In addition, in order to ensure diversity and independence, outside members will occupy approximately half of the seats on the Board of Directors and Audit & Supervisory Board Members.

### Skill matrix and attending organization

	Name	Affiliation			Experience / Knowledge / Expertise									
		Term of office	Gender	Nationality	Management	Global	Consumer goods industry	Chemical industry	Human capital strategy	Research	Environment/society	IT/DX	Legal / risk management	Finance/accounting
Directors	Michitaka Sawada	14 years and 9 months	Male	Japan	✓		✓	✓	✓	✓	✓			
	Yoshihiro Hasebe	7 years	Male	Japan	✓	✓	✓	✓	✓	✓	✓			
	Masakazu Negoro	—	Male	Japan		✓		✓			✓			✓
	Toru Nishiguchi	—	Male	Japan		✓	✓							
	David J. Muenz	1 year	Male	United States		✓	✓			✓	✓			
	Osamu Shinobe	5 years	Male	Japan	✓						✓		✓	
	Chiaki Mukai	4 years	Female	Japan		✓				✓	✓			
	Nobuhide Hayashi	4 years	Male	Japan	✓	✓								✓
	Eriko Sakurai	1 year	Female	Japan	✓	✓		✓	✓		✓			
	Takaaki Nishii	—	Male	Japan	✓	✓	✓		✓					
Audit & Supervisory Board Members	Yasushi Wada	—	Male	Japan		✓					✓		✓	
	Sadanao Kawashima	2 years	Male	Japan										✓
	Hideki Amano	6 years	Male	Japan		✓			✓				✓	✓
	Nobuhiro Oka	5 years	Male	Japan									✓	
	Takahiro Nakazawa	3 years	Male	Japan										✓

The areas of experience, knowledge, and expertise of each Director and Audit & Supervisory Board Member that are particularly expected of them are marked with a “✓.”

# Corporate Governance GRI 2-9

## Skill matrix and attending organization

Name	Main reasons for marking “✓”	Attending organization					Attendance in FY2022	
		Board of Directors	Audit & Supervisory Board	Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members	Compensation Advisory Committee	Compensation Advisory Committee for Audit & Supervisory Board Members	Directors	Audit & Supervisory Board Members
Directors	Michitaka Sawada	✓			✓		100%(14/14)	—
	Yoshihiro Hasebe	✓			✓	✓	100%(14/14)	—
	Masakazu Negoro	✓			✓		—	—
	Toru Nishiguchi	✓					—	—
	David J. Muenz	✓					100%(11/11)	—
	Osamu Shinobe	Chair		✓	✓	✓	100%(14/14)	—
	Chiaki Mukai	✓		Chair	✓		100%(14/14)	—
	Nobuhide Hayashi	✓		✓	Chair		100%(14/14)	—
	Eriko Sakurai	✓		✓	✓		100%(11/11)	—
	Takaaki Nishii	✓		✓	✓		—	—
Auditors	Yasushi Wada	✓	Chair				—	—
	Sadanao Kawashima	✓	✓				100%(14/14)	100%(9/9)
	Hideki Amano	✓	✓	✓	✓	Chair	100%(14/14)	100%(9/9)
	Nobuhiro Oka	✓	✓	✓	✓	✓	100%(14/14)	100%(9/9)
	Takahiro Nakazawa	✓	✓	✓	✓	✓	100%(14/14)	100%(9/9)

Members attending each organization are marked with “✓”

# Corporate Governance GRI 2-9

## Reasons for selection based on experience/knowledge/expertise

Experience/knowledge/expertise	Reasons for selection
Management	In order to effectively supervise the business execution by management and realize appropriate risk-taking and aggressive governance that encourages prompt and bold decision-making, it is necessary to have experience as top management.
Global	As part of its global strategies, we aim to provide one-of-a-kind value and shift to a local production for local consumption model. In order to properly offer advice and supervise the execution of these activities, it is necessary to have experience and insight in management positions outside Japan and at non-Japanese companies.
Consumer goods industry / chemical industry	In order to effectively supervise business execution through discussions with a bird's-eye view of our entire business domain and insight into future prospects, it is important to have a deep understanding of the business environment and market characteristics in the consumer goods and chemical industries.
Human capital strategy	Employees are our most important assets. In order to sustainably enhance corporate value, we have formulated and executed a human capital strategy based on our corporate strategy. It is necessary to supervise the adequacy and progress of this human capital strategy from expert knowledge and experience.
Research	Our research is the driving force behind the creation of innovative, high-value-added products and services and the enhancement of corporate value. It is necessary to supervise the maintenance and development of our research system and the effective utilization of the created technology assets.
Environment / society	In order to supervise the formulation and execution of ESG strategies that are integrated with our corporate strategies, it is necessary to have an understanding of global trends in ESG and specialized knowledge of environmental and social issues.
IT / digital transformation (DX)	In order to realize K25, we believe that it is essential to have innovative initiatives that actively utilize IT and digital transformation, such as new business creation, digital marketing and digital communications, which are not an extension of existing initiatives. (Utilize executive officers and external human capital to compliment supervision by the Board of Directors.)
Legal / risk management	It is an important challenge in management to recognize various risks in corporate activities, manage them appropriately, and respond strategically, proactively, and ex post facto to legal matters.
Finance / accounting	It is a natural responsibility to ensure the reliability of financial reporting. In order to sustainably enhance corporate value by conducting management in consideration of the improvement of profitability and capital efficiency, based on appropriate capital allocation from a company-wide perspective, it is necessary to have experience, knowledge, and expertise in finance and accounting.

## Succession Plan

Kao places its human capital strategy, including measures for successors to the President and CEO, as a top-priority issues in management. Continued deliberations on this topic are held among the Board of Directors and the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members. With regard to succession planning for the President and CEO, we have indicated the requirements for human capital with a view toward the management environment in the next generation, and we are updating our list of successor candidates. We are also using a skill matrix for developing each

candidate and are deliberating on the insight and experience to reinforce going forward.

In FY2022, the President and CEO indicated the status of succession planning as described above. After deliberation on this point, a response was given regarding the need to suitably deliberate and execute the plan for developing candidates, as well as to make continual updates based on the business environment and the status of candidate development. These matters were reported to the Board of Directors. In addition, with respect to evaluation of the effectiveness of this Committee, it was noted that there is a need to continue deliberations and provide opportunities for Committee members to understand candidates better.

# Corporate Governance GRI 2-13

## Board of Directors

The Board of Directors deliberates on major subjects regarding our management direction from multiple perspectives, and supervises the appropriate execution of management strategy based on diverse viewpoints. It also builds an environment to enable offensive management, by establishing an internal control system and risk management system.

In FY2022, we held an open-minded exchange of opinions about multiple topics including our vision for the Board of Directors and our human capital strategy. In addition, each month the Board receives business execution reports on the major topics deliberated by the Management Board.

### Activities of the Board of Directors—Discussion and implementation of further strengthening supervisory functions and delegation of authority to executive organizations

In FY2022, the Board of Directors deliberated with a focus on the following issues:

Theme	Details of deliberation
How the Board of Directors should function	<p>The Board of Directors discussed the ideal functions of its meetings and the following directions were confirmed: Kao's Board of Directors will conduct a substantial delegation of authority to the executive organizations, and further strengthen its monitoring function to encourage appropriate risk-taking by management and prompt and bold decision-making. In particular, the Board of Directors will effectively supervise the appropriate allocation of management resources, including human capital, and the adequate implementation of strategies by management. It also recognizes that it is the responsibility of the Board of Directors to develop internal controls and risk and crisis management systems, and will build and operate these systems appropriately.</p> <p>Based on the direction we are aiming for, the Board of Directors also discussed the following issues.</p> <ul style="list-style-type: none"> <li>• Revision of the criteria for submission of agenda items to the Board of Directors</li> <li>• Monitoring the progress and issues of the Mid-term Plan</li> <li>• Discussion of knowledge, experience, and skills required by the members of the Board of Directors</li> </ul>
Human capital strategy	<p>Discussions were held on the portfolio of human resources and organizations to confirm whether strategies and plans for maximizing the power and potential of employees and maximizing the use of human resources are appropriately formulated and implemented. It was pointed out that the Company should define roles and human resource requirements that will be necessary for future growth, rather than as an extension of existing strategies, and secure human resources strategically by systematically developing employees and appointing them from outside organizations. We will continue to confirm that these measures are being implemented, leading to fruitful results. We also discussed the progress and the results of the Objectives and Key Results (OKR). We will confirm that members of the Group will increasingly take on a variety of challenges and that further collaboration will be promoted through dialogue.</p>
M&A strategies	<p>After indicating the direction of corporate strategy and business transformation based on the business environment and competitive situation, we discussed the areas, factors, and estimated scale that should be acquired through M&amp;A to strengthen our business portfolio. We will continue to review the effectiveness of the strategy and progress of the plan.</p>
Sustainability (climate change risks/ human rights, etc.)	<p>The Board of Directors received reports on the latest trends and Kao Group's initiatives on major ESG issues, such as climate change risks and opportunities (TCFD compliance), sustainable palm oil procurement (including human rights), and biodiversity, and confirmed the status of their promotion.</p> <p>We also discussed the need for ESG to be included into growth strategies and profitability. We will continue to review issues related to sustainability.</p>

Please refer to the Corporate Governance Report for matters to be deliberated by each committee.

<https://www.kao.com/global/en/corporate/policies/business-risks/>

# Corporate Governance

## Evaluation of the effectiveness of the Board of Directors

Based on the idea that the roles and responsibilities of the Board of Directors must be shared by the entire Board of Directors, we conduct an annual evaluation in order to make improvements aimed at enhancing its effectiveness. We believe that it is effective for all members who participate in meetings of the Board of Directors to conduct an evaluation using a method that entails expressing their own opinions and engaging in free and open discussion. Accordingly, we are currently conducting self-assessment by participating members at a Board of Directors meeting. However, recognizing the usefulness of evaluation from an objective perspective, we continue to consider the introduction of third-party evaluations.

For the FY2022 evaluation, prior to the exchange of opinions for self-assessment at the meeting of the Board of Directors held in January 2023, a survey of the nine Directors and five Audit & Supervisory Board Members was conducted on the topics below. Feedback on the results was then provided before the meeting, during which the discussions and exchange of opinions were conducted.

### Results of the FY2022 evaluation of effectiveness of the Board of Directors

#### 1. Structure, status of operation and deliberations of the Board of Directors

FY2021 Issues	FY2022 Initiatives	Evaluation	Future Initiatives
Further improvements are expected to ensure substantial discussion at meetings of the Board of Directors.	<ul style="list-style-type: none"> <li>Sent materials before meetings and received questions in advance.</li> <li>Allocated half of the available meeting time to presentations and the other half to Q&amp;As.</li> </ul>	<ul style="list-style-type: none"> <li>The Board operated effectively in general.</li> <li>There were times when the information in reports was too granular, resulting in unfocused discussion.</li> <li>Participants engaged in free, open, and constructive discussion, but in some cases, there was not enough time for substantial discussion.</li> </ul>	<ul style="list-style-type: none"> <li>Use a report format to clarify the key points for discussion and reports.</li> <li>Share Q&amp;As with all participants in advance so that more time can be allocated to substantial discussion based on those Q&amp;As.</li> </ul>

#### 2. Agenda item selection and discussion

FY2021 Issues	FY2022 Initiatives	Evaluation	Future Initiatives
Necessary measures will include deepening discussions of issues that impede the achievement of K25, measures to resolve those issues, and actions to be prioritized, as well as conducting regular verification with greater awareness of PDCA	<ul style="list-style-type: none"> <li>Discussed M&amp;A strategies and global strategies for achieving K25.</li> <li>Created and distributed a table showing the status of progress of K25.</li> <li>Had each of the businesses make reports.</li> </ul>	<ul style="list-style-type: none"> <li>Information on the progress of K25 was shared.</li> <li>Issues to be addressed in achieving K25 and interim summaries needed to be discussed in greater depth, including quantitatively.</li> <li>There was a need for stakeholder relations strategies.</li> </ul>	<ul style="list-style-type: none"> <li>Further visualize management indicators and deepen discussion of issues to be addressed in achieving K25 and interim summaries.</li> <li>Present reports at the Board of Directors meetings before and after IR activities.</li> </ul>
Human capital strategy is a management issue for ongoing consideration, and it is necessary to deepen discussions of issues including the allocation, promotion and training of human capital needed for realizing K25 and the evaluation of executive staff.	Discussed human capital strategy reflecting business environment changes and business strategy (three times).	<ul style="list-style-type: none"> <li>Human capital strategy was thoroughly discussed in FY2022.</li> <li>There was a need for further discussion regarding matters such as relation to business strategy.</li> </ul>	Have Executive Officers engage in deeper discussion of human capital strategy, present reports and discussion at Board of Directors meetings.

Although ongoing initiatives and improvements are needed for continuing verification and discussion of internal control, the FY2022 evaluation concluded that internal control was being properly supervised. Some participants felt that there was a need for priority discussion of structural reforms under Reborn Kao and progress on Another Kao including M&A and other matters in addition to the verification of K25 and human capital strategy.

For the results of the evaluation of effectiveness of Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and Compensation Advisory Committee for Directors and Executive Officers, please refer to the Corporate Governance Report.

<https://www.kao.com/jp/corporate/policies/corporate-governance/>

# Corporate Governance GRI 2-18

## The Audit & Supervisory Board

The Audit & Supervisory Board Members are entrusted by shareholders to audit Directors' execution of duties from an independent standpoint, aiming to achieve the sound and sustainable growth of the Kao Group and establish governance that meets the trust of stakeholders.

In FY2022, we conducted auditing activities with a shared sense of urgency and the necessity of reforms recognized by management with regard to the status of implementation of corporate strategy and the status of response to management environmental risks. We adopted a policy which recognizes that stakeholders are demanding a higher level of effective governance and an active disclosure of information.

### Particularly important points in Audit & Supervisory Board Members' activities

#### Lively exchange of opinions

The Audit & Supervisory Board Members attend important meetings and put emphasis on the decision-making process for reaching resolutions, and express their opinions as appropriate.

#### Dialogue with people at the actual sites (*Genba*)

In addition, the Audit & Supervisory Board Members conduct on-site audits and interviews of each division and subsidiary and affiliates. By placing importance on dialogue with people at the *Genba*, they confirm the degree of how well corporate strategy is being shared and whether proactive efforts are being made. They also identify any issues that occur at the *Genba*. At least one Outside Audit & Supervisory Board Member has participated in approximately 70% of the interviews.



Visit and hearing by auditors at the Wakayama Plant

### Composition and execution of duties of the Audit & Supervisory Board

The Audit & Supervisory Board consists of two Full-time Audit & Supervisory Board Members with internal execution experience and diverse knowledge and three Outside Audit & Supervisory Board Members with respective expertise and abundant experience.

In January 2022, the Office of the Audit & Supervisory Board (with five members) was newly established, to assist the Audit & Supervisory Board Members with their duties and to allow the members to serve concurrently as Auditors of subsidiaries.

### Deliberations by the Audit & Supervisory Board

Number of meetings held: 9

Attendance rate: 100%

Duration: Average of 2 hours and 14 minutes

17 resolutions

Audit annual plan, audit report, etc.

38 matters considered

Audit findings, the effectiveness of the group governance, etc.

Evaluation of the effectiveness of the Audit & Supervisory Board: Discussions at the Audit & Supervisory Board based on the results of the questionnaire led to the conclusion that the system at the Board as a whole was functioning effectively during FY2022.



# Corporate Governance

## Major contents of the evaluation

- The Audit & Supervisory Board conducts frank exchanges of opinions.
- The agenda items are proactively selected matters to be considered.
- Information sharing and support by the newly established Office of the Audit & Supervisory Board have been also strengthened.

Going forward, we hope to deepen discussions on the skill matrix of the Audit & Supervisory Board, which aims for greater diversity.

Key audit items	Audit method	Activity results and evaluation of effectiveness
<b>Status of execution of duties by Directors</b>	Attend meetings of the Board of Directors to confirm the status of deliberations	All Audit & Supervisory Board Members attended all meetings. All of them actively expressed their opinions.
	Attend important meetings such as the Management Board to confirm decision-making process and request explanations as necessary	Attendance rate was 100%, reviewed decision-making process and commented on matters to be considered.
	Exchange opinions with management	Representative Directors of Kao (5 times); Outside Directors (2 times); Executive Officers with titles (6 times); Representative Directors of important subsidiaries (3 times); Recognition of management issues and future governance were shared through frank exchanges of opinions.
	Conduct on-site audits and interviews of worksites, divisions, subsidiaries and affiliates within and outside Japan (including confirmation of priority audit items such as internal control.)	114 times <ul style="list-style-type: none"> <li>• Emphasized dialogue (1,136 comments from Audit &amp; Supervisory Board members)</li> <li>• Confirmed improvement status at a later date after completion of action on audit findings. Shared details with Executive Officers along with excellent <i>Genba</i> initiatives.</li> </ul>
	Attend the Committee for the Examination of the Nominees for Directors and Audit & Supervisory Board Members and Compensation Advisory Committee for Directors and Executive Officers	11 times
<b>Effectiveness of the Group governance</b>	<ul style="list-style-type: none"> <li>• Systematize and improve the effectiveness of the Kao Group's structure of Audit &amp; Supervisory Board Members. (Kao, subsidiaries, affiliates)</li> <li>• Improve the effectiveness of audit activities under Group management</li> </ul>	<ul style="list-style-type: none"> <li>• Commenced a system in which members of the Office of the Audit &amp; Supervisory Board concurrently serve as auditors of subsidiaries</li> <li>• All Auditors of subsidiaries and affiliates regularly exchanged opinions to identify and review risks (6 times)</li> <li>• Introduced effectiveness evaluation of the Audit &amp; Supervisory Board at important subsidiaries, and provided training to improve their skills</li> </ul>
	<ul style="list-style-type: none"> <li>• Exchange opinions between the Accounting Auditor and Audit &amp; Supervisory Board Members and report accounting audit results at Board of Directors meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Exchanged opinions (21 times); Reported at meetings of the Board of Directors (2 times)</li> <li>• Audit plan, accounting audit results, key audit items, nonassurance service management, audit quality, etc.</li> <li>• Held global meetings to exchange opinions with auditors within and outside Japan</li> </ul>
<b>Development and operation of internal control</b>	Conduct on-site audits and interviews of worksites, divisions, subsidiaries and affiliates within and outside Japan	Confirmed results of self-inspections and external audit, and also the status of development and operation of internal control systems
	<ul style="list-style-type: none"> <li>• Conduct interviews with the divisions in charge of the second line of internal control</li> <li>• Attend or check minutes of the Internal Control Committee and each affiliate committee</li> <li>• Check the response status of the Compliance Hotline</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted quarterly or semi-annually</li> <li>• Self-inspections and monitoring are taking hold, and responses to issues to deal with have been handled appropriately in principle.</li> <li>• Timely reports are also made to Audit &amp; Supervisory Board Members.</li> </ul>
	Exchange information with the Department of Internal Audit which is the division responsible for internal auditing	4 times
	Evaluate the construction and operation status of the internal control system using a checklist	Generally effective
<b>Proactive disclosure</b>	Evaluated the Company's disclosure status by investigating external requests and disclosure status.	<ul style="list-style-type: none"> <li>• Recommended the points that can be evaluated and points for improvement when exchanging opinions with Management and to related departments. Confirmed the development of the promotion system and the information disclosure status.</li> <li>• Proactively disclosed activities of the Audit &amp; Supervisory Board Members</li> </ul>

# Corporate Governance GRI 2-19, 2-20

## Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers

The compensation system for Directors, Audit & Supervisory Board Members and Executive Officers is aimed at: (1) securing and retaining diverse, outstanding human capital to establish and enhance our competitive advantage; (2) driving concerted initiatives to promote sustainable enhancement of corporate value; and (3) sharing interests in common with shareholders. We have introduced a performance-based share remuneration plan with the aim of boosting awareness of contributing to improvements in our corporate value over the mid- to long-term.

With respect to long-term incentives, we conduct multifaceted evaluations based on three perspectives: business growth indicators and ESG activity indicators, alongside management indicators measured through evaluations in employee engagement surveys and other methods.

With respect to short-term incentives, we have adopted EVA to spur long-term enhancement in corporate value, and the consolidated net sales and profit indicators to promote our daily business activities and foster a sense of unity with our employees. From FY2023, the individual evaluation applied to all Directors except Outside Directors will be more flexible. The Company has also decided to introduce an evaluation confirmation process by Outside Directors and Outside Audit & Supervisory Board members to ensure objectivity and transparency.

Variable bonus	EVA-linked part	<b>Short-term incentive compensation</b> In addition to "EVA" and "consolidated net sales/income," reflect "individual evaluation" in variable bonuses
	Consolidated net sales/profit-linked part	
	<b>Individual performance evaluations</b>	
Performance-based share remuneration		<b>Long-term incentive compensation</b> Evaluate in three perspectives: "business growth," "ESG activities," and "top management activities"
Base salary		

### Summary of Compensation System for Directors, Audit & Supervisory Board Members and Executive Officers

	Base salary	Short-term incentive compensation (Performance-based bonus)	Long-term incentive compensation (Performance-based share incentive)
Eligible for provision	<ul style="list-style-type: none"> <li>Directors</li> <li>Executive Officers</li> <li>Auditors</li> </ul>	<ul style="list-style-type: none"> <li>Directors (Except for Outside Directors)</li> <li>Executive Officers</li> </ul>	<ul style="list-style-type: none"> <li>Directors (Except for Outside Directors)</li> <li>Executive Officers</li> </ul>
Applicable period	—	1 year	5 years (2021–2025)
Method of provision	Amount determined in accordance with role and rank, and provided as fixed monthly compensation	Amount of bonus determined in accordance with degree of achievement of single fiscal-year targets and provided	Kao shares, etc., are delivered within a five-year target period covered by the current mid-term plan.
Clawback	No	No	In the case of a serious compliance violation by the individual in question during the period from the start date of coverage by the system to three years after the final delivery of shares and so on, the Company claims that the delivered shares and so on must be returned.
Performance evaluation period	—	1 year	5 years (2021–2025)
Coefficient / Determination of payout ratio	—	The payout ratio is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.	The coefficient for the variable part is determined within the range of 0–200% in accordance with the degree of achievement of each indicator.
Compensation structure	—	Bonus amount by position when the payout ratio is 100% <ul style="list-style-type: none"> <li>President and Chief Executive Officer: 50% of base salary</li> <li>Executive Officers with titles: 40% of base salary (except for the President and Chief Executive Officer)</li> <li>Other Executive Officers: 30–35% of base salary</li> </ul>	The yearly share remuneration amount when the variable component coefficient is 100% About 30–50% of the base salary of the position

# Corporate Governance GRI 2-19, 2-20

## Evaluation indicator and criteria for short-term incentive compensation

Evaluation indicator	Weight <sup>*1</sup>	Evaluation criteria
EVA	25-35%	Degree of target achievement
Consolidated Net Sales and Income <sup>*2</sup>	25-35%	Degree of target achievement / Degree of year-on-year improvement
Individual performance	50-30%	Degree of individual OKR achievement

\*1 The weight of 3 indicators is determined by position.

\*2 Gross profit less selling and general and administrative expenses

## Evaluation indicator and criteria for long-term incentive compensation

Evaluation indicator	Weight	Evaluation criteria
Business growth	40%	Business growth rate of net sales, profit, etc.
ESG activities	40%	Evaluation by external indicators, and extent of achievement of internal goals (such as the Kirei Lifestyle Plan), etc.
Top management activities	20%	Evaluation of management activities by Kao employees, etc.

## Method of provision of long-term incentive compensation

Type	Composition ratio indicator	Method
Fixed part	30%	Deliver a set number of shares, etc. each year.
Variable part	70%	Delivery of shares, etc. when executive officers resign from their post in accordance with the results achieved in initiatives and activities undertaken as part of the mid-term plan.

## Compensation structure for directors



\*1 In the case of the Representative Director, President and Chief Executive Officer.

\*2 In the case where the variable component coefficient and the payout ratio are both 100%.

## Compensation paid to Directors in FY2022

Classification / number of persons / aggregate amount of remuneration	Amount of remuneration by type (Millions of yen)						
	Classification	Number of persons (persons)	Aggregate amount of remuneration (Millions of yen)	Base salary	Short-term incentive compensation	Long-term incentive compensation Variable part	Long-term incentive compensation Fixed part
Directors (of Outside Directors)		10 (5)	600 (75)	406 (75)	48 (—)	110 (—)	36 (—)
Audit & Supervisory Board Members (of Outside Audit & Supervisory Board Members)		5 (3)	110 (43)	110 (43)	— (—)	— (—)	— (—)
Total (of Outside Directors and Audit & Supervisory Board Members)		15 (8)	710 (118)	516 (118)	48 (—)	110 (—)	36 (—)

The variable part (performance-based part) of the long-term incentive compensation (performance-based share incentives) will be determined after the final year of our Mid-term Plan 2025, which covers the five fiscal years from 2021 to 2025, and therefore, the variable part (performance-based portion) is the amount recorded as a provision for the most recent fiscal year.

## Compensation paid for individual directors in FY2022

Name / aggregate amount of remuneration / corporate classification			Amount of remuneration by type (Millions of yen)			
Name	Aggregate amount of remuneration (Millions of yen)	Corporate classification	Base salary	Short-term incentive compensation	Long-term incentive compensation Variable part	Long-term incentive compensation Fixed part
Michitaka Sawada	130	Submitting company	104	0	18	8
Yoshihiro Hasebe	147	Submitting company	87	19	29	12

Only Director remuneration amounts totaling over 100 million yen are listed.

# Risk and Crisis Management

We strive to make improvements to our risk and crisis management system to respond both promptly and appropriately to changes in the business environment, to prevent risks from happening and to minimize damage and loss in cases where risks manifest.

## Social issues

The growing severity of environmental issues including climate change, plastic waste, and the depletion of water resources, environmental and human rights issues relating to raw material procurement, and the aging of society and the increase in social issues such as sanitation have raised awareness of the environment and health among consumers, leading to a trend toward ethical consumption and growing customer demand for sustainability. In addition, the social environment has been changing dramatically, with repeated outbreaks of the COVID-19 pandemic, destabilization of political and social conditions, and strained diplomatic relations.

On the other hand, stakeholders are also raising their expectations and what they require from companies in terms of corporate compliance, ensuring that products and services provide safety and security, secure information management, safeguarding of human rights, respect for diversity, and timely and appropriate information sharing and disclosure. As these issues diversify, we believe they will also become more complex. We also believe that under these conditions we can play an even greater role as a company that is a part of society.

## Policies

We regard potential negative effects on achievement of the management targets and business activities as a “risk,” and the manifestation of such risk as a “crisis.” We aim to properly manage the various risks and crises that could occur across our business in line with the

response priorities detailed in the Kao Risk and Crisis Management Policy (1. Protection of human lives, 2. Environmental conservation, 3. Continuation of operations, 4. Protection of assets). The Risk and Crisis Management Committee has established risk and crisis management systems and activity guideline, and our divisions and affiliates within and outside Japan conduct risk management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, when a crisis arises, an Emergency Response Team is launched corresponding to the severity of the emergency to promptly and appropriately address the crisis in order to minimize physical damage and financial losses.

## Strategy

### Risks and opportunities

#### Risks

Our business environment remains unclear due to intensifying market competition and changes in market structure, as well as fluctuations in the raw-material market and exchange rates. Furthermore, although there are signs of the COVID-19 pandemic reaching a resolution, the emergence of highly infectious mutant viruses, etc., need to be monitored closely. In addition, rising geopolitical tensions have been accompanied by the fueling of divisions among people. There have also been increasingly serious environmental issues. It is therefore crucial to respond promptly and appropriately to the risks associated with these kinds of changes in the business environment. The Risk and Crisis Management Committee and Management Board have

defined the main risks (see next page) of special importance that could occur negative impact on sustainable and profitable development, and on our contributions to sustainability of the world. Managing divisions have established countermeasure policies for these risks and are managing their progress.

# Risk and Crisis Management

## Main risks

Main risk	Content
1. Risks related to raw material procurement	<ul style="list-style-type: none"> <li>Risk of dramatic fluctuations in the market price or stable procurement of raw materials</li> <li>Risk that our initiatives to achieve sustainable, responsible procurement will be perceived as being inadequate</li> </ul>
2. Risks related to response to social issues	<ul style="list-style-type: none"> <li>Risk of products and services not being accepted by consumers and customers due to initiatives that are inadequate or perceived as inadequate to resolve social issues, such as climate change</li> <li>Risk of being perceived as “greenwashing” * by not being able to adequately show progress on the ESG strategy, Kirei Lifestyle Plan</li> <li>* Greenwashing “Washing” is exaggerating or overstating the environmental and sustainability aspects of a company’s products or services, or making unsupported claims about the environmental or sustainability actions it takes.</li> </ul>
3. Risks related to geopolitics	<ul style="list-style-type: none"> <li>Risk of deterioration in the business environment due to destabilization of political or social conditions, diplomatic tensions, conflicts or other reasons in countries or regions where we do business or procure raw materials</li> <li>Risk of human casualties, temporary suspension of operations, and changes in consumer purchasing due to conflicts between countries or regions</li> </ul>
4. Risks related to pandemics	<ul style="list-style-type: none"> <li>Temporary suspension of operations due to the emergence of a variant of COVID-19, or new viruses, etc.</li> <li>Shrinkage of the cosmetics market due to changes in purchasing behavior brought about by voluntary restraint from going out, etc.</li> </ul>
5. Risks related to large-scale earthquakes, other natural disasters, and accidents	<ul style="list-style-type: none"> <li>Risk of obstacles emerging that hinder our ability to supply our products to the market owing to harm to employees, facilities and supply chain as a result of large-scale earthquakes, large typhoons associated with climate change, floods and other natural disasters</li> <li>Risk of major harm to employees and the surrounding area due to a plant fire or explosion, etc.</li> </ul>
6. Risks related to the quality of products, etc.	<ul style="list-style-type: none"> <li>Risk of serious product quality problems</li> <li>Risk of new safety or environmental issues, or sudden changes in laws and regulations in each country or area</li> </ul>
7. Risks related to information security	<ul style="list-style-type: none"> <li>Risk relating to trade secrets leakage or personal information disclosure, as well as temporary disruption of business operations through an error or intentional actions including cyberattacks</li> </ul>
8. Risks related to reputation	<ul style="list-style-type: none"> <li>Risk of the spread of negative evaluations of inappropriate or careless expressions in information dissemination and marketing activities through social networking services, etc.</li> </ul>
9. Risks related to changes in the retailing environment	<ul style="list-style-type: none"> <li>Risk of not being able to conduct appropriate sales activities in response to the diversification and complexity of its retail channels</li> <li>Risk of failure to respond appropriately to changes in the retail environment, resulting in delivery delays and a significant increase in distribution costs</li> </ul>
10. Risks related to business outside Japan	<ul style="list-style-type: none"> <li>Risk of significant business planning delays due to slow economic growth, political and social instability, sudden changes in laws, regulations and tax systems, an influx of counterfeit products, reputational risk, and others</li> </ul>
11. Risks related to business investment	<ul style="list-style-type: none"> <li>Risk of being unable to generate the expected results, due to worse-than-planned performance, etc. in relation to capital investment and M&amp;A, and others</li> </ul>
12. Risks related to compliance	<ul style="list-style-type: none"> <li>Risk of serious compliance violations at Kao Group companies, contractors, etc.</li> </ul>
13. Risks related to securing human capital	<ul style="list-style-type: none"> <li>Risk of being unable to implement systematically the retention and cultivation of human capital with high-level specialist skills, leaders able to guide change, etc.</li> </ul>
14. Risks related to currency exchange rates fluctuations	<ul style="list-style-type: none"> <li>Risk that fluctuations in the exchange rates between the Japanese yen (as a functional currency) and foreign currencies will be greater than anticipated</li> </ul>
15. Risks related to litigation	<ul style="list-style-type: none"> <li>Risk relating to litigation trends and others</li> </ul>

We define new risks that emerge due to changes in the business environment, or risks that we are already aware of and that may seriously affect management over a long-term period as emerging risks. During our annual review of major risks, we also identify emerging risks with a focus on the following ones.

### Risks related to responses to social issues

We have identified Environmental Issues, Population Aging, Pandemics, and Challenges Associated with Diversification as social issues of focus, and are implementing the Mid-term Plan K25 as well as the ESG strategy, the Kirei Lifestyle Plan (KLP). Of these,

climate change is a key issue, and we recognize transition risks (introducing or increasing carbon taxes, introduction of plastic regulations, raw material price increases, biodiversity conservation) and physical risks (natural disasters). Furthermore, if our efforts to solve these social issues are inadequate or perceived as

# Risk and Crisis Management GRI 2-16, 2-24, 2-25, 3-3

inadequate in relation to our targets, our products and services may not be accepted by consumers and customers, and we may not achieve our sales and market share targets as a result. Failure to adequately show progress toward the KPIs committed to in the KLP may lead to a fall in corporate value, such as being perceived as greenwashing. Lack of response to these issues is a risk that could significantly affect management over the long term.

## Risks related to geopolitical risks

Geopolitical risks have significantly increased in Europe and East Asia, where the Kao Group operates, due to the Russia / Ukraine issue and other factors. Geopolitical risks may also increase in the countries and areas where we procure raw materials. If the business environment in these countries and areas deteriorates due to destabilization of political and social conditions, diplomatic tensions, conflicts or other reasons, and Kao Group corporate activities are affected by human casualties, temporary suspension of operations due to supply chain disruptions, or changes in consumer purchasing due to friction among countries or regions, we may not be able to achieve our sales and profit targets. Lack of response to these issues is a risk that could significantly affect management over the long term.



“Business Risks and Other Risks” section of our Financial Report 2022  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/financial-reports-fy2022e-01.pdf#page=6>

## Opportunities

Faced with social issues and a changing business environment, by clarifying the key operational risks that we face and strengthening our response to them, earning a strong sense of trust from our stakeholders, and providing products and services deemed necessary by society, we strive to make Kao a company with a global presence and valuable to society.

## Strategy

Based on the order of priority of (1) Protection of human lives, (2) Environmental conservation, (3) Continuation of operations, (4) Protection of assets as stated in the “Kao Risk and Crisis Management Policy,” we will appropriately manage risks and crises of importance that may occur throughout our business by taking priority-based measures to deal with them.

## Social impact

Risk and crisis management plays an important role in supporting sustainable profitable development and contribution to the sustainability of society. We aim to provide even better products and services without interruption, and to maintain good relationships based on trust with consumers, customers, business partners, and other stakeholders.

## Business impact

By preventing crises from occurring and minimizing any damage or losses in the event of an occurrence, we will be able to achieve our business activity goals and sustainable and profitable development.

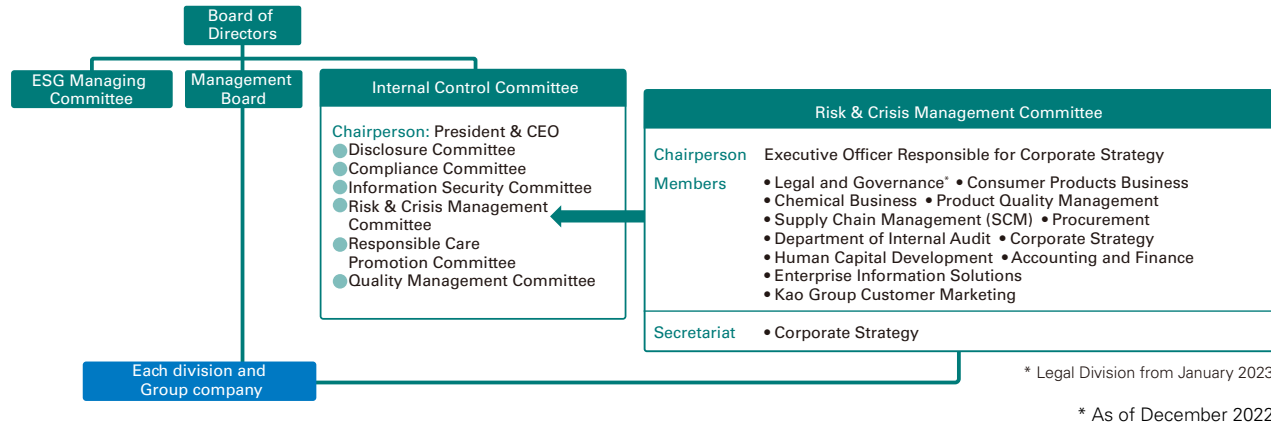
## Governance

### Framework

Risk and crisis management is managed by the Risk & Crisis Management Committee (which meets four times per year), one of the related committees under the Internal Control Committee (meeting twice a year), which establishes management systems and activity policies. Risk & Crisis Management Committee is headed by the Executive Officer Responsible for Corporate Strategy. Divisions and affiliates conduct risk management by identifying and assessing risks and formulating and implementing appropriate countermeasures based on this activity guideline. In addition, we have established the Risk and Crisis Management Promotion Council, held once a month as a subordinate organization of the committee, which discusses proposals with the committee and promotes committee decisions.

# Risk and Crisis Management GRI 2-16, 2-24, 2-25, 3-3

## Risk and crisis management system



The Risk and Crisis Management Committee and Management Board have defined the main 15 risks of special importance that could have a particularly negative impact on sustainable and profitable development, and on our contributions to sustainability of the world. Of these main risks, we designate risks that would have a particularly large impact on our management and that we need to strengthen our response to as “corporate risks.” With respect to corporate risks, once a year, the Management Board revises the risk themes and risk owners responsible for addressing them (Executive Officers) based on an analysis of internal risk surveys and the external environment, as well as interviews with executives, and the Risk & Crisis Management Committee manages the progress. Additional risk themes are added as necessary, in line with changes in the business environment.

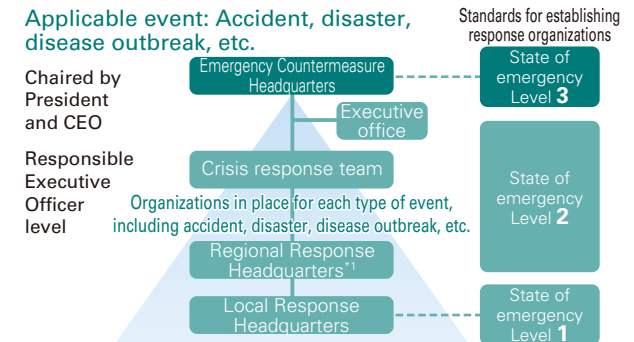
Conversely, in the event of a crisis, in the case of corporate risks, those risk owners, or in the case of other risks, those divisions and affiliated companies

responsible for addressing them, play a central role when it comes to establish an organization for countermeasures. In addition, depending on the magnitude of the impact on the Kao Group as a whole, we also establish Emergency Countermeasure Headquarters with the President & CEO as its general manager to respond to the impact to reduce physical damage and financial loss as much as possible. The Risk Management & Responsible Care, which operates independently of our individual businesses, promotes effective management of risk and crisis in all Kao Group member companies. Besides submitting proposals for improvement, the group also works to identify new risks and risks for which it is not clear which unit has responsibility, and formulates response strategies. The Management Board undertakes verification of risk and crisis management activities on a periodic basis (once a year) and as needed, and this verification is approved by the Board of Directors. The Internal Control Committee monitors the status of the risk and crisis management activities and verifies the effectiveness of the activities.

The performance evaluation of the executive officer in charge of risk and crisis management and the Risk Management & Responsible Care will reflect the degree to which targets for the forementioned activities have been achieved. The performance evaluation of the executive officer in charge of main risks and corporate risks and the lead division will also reflect the degree to which the initiatives have achieved their targets.

### Management framework during times of crisis

Within the Kao Group, when a crisis occurs, the head of the crisis response team will evaluate the level of severity of the crisis on the basis of the potential impact on the Kao Group (designating the crisis as level one, level two, or level three depending on the severity of the accident, disaster, epidemic, etc. in question), and an appropriate organizational framework will be established for dealing with the crisis in accordance with the level of severity.



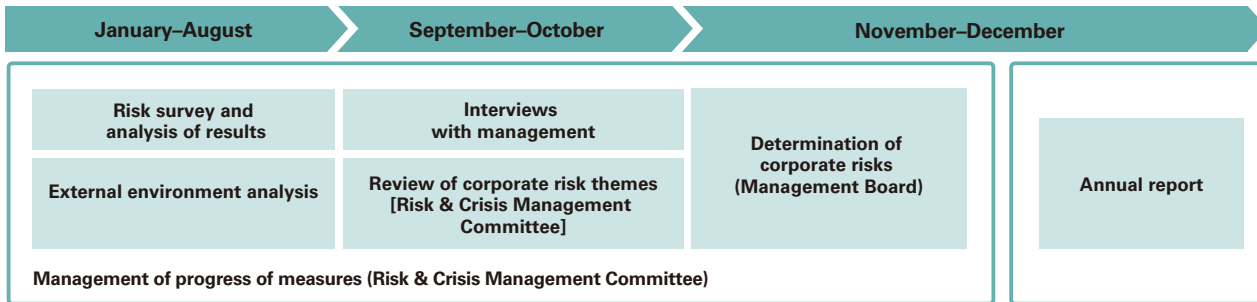
\*1 Regional Response Headquarters: Organization that gathers local information, collaborates with and supports local offices, and makes judgments on regional actions and provides instructions for such actions

#### State of emergency level

- Level 1: Relevant divisions can respond on a local basis
- Level 2: Impact on the operations of multiple divisions and locations
- Level 3: Company-wide impact and impact on Kao's business

# Risk and Crisis Management GRI 2-24, 2-25, 3-3, 404-2

## Risk and crisis management activity process



### Education and promotion

#### **Spreading awareness of the risk management system and activity guidelines**

The Risk & Crisis Management Committee’s Secretariat disseminates information about the designated risk management system and activity guideline formulated by the committee to individual divisions and affiliates. Then, through self-audits, we confirm how well each division and company including affiliated companies outside Japan understands basic policy and activity guidelines, as well as the implementation progress of our activities. Additionally, through the use of our internal portal site, etc., we are able to inform employees about our risk management system, response flow, emergency contacts, guidelines and so on when crises occur. Moreover, we are working to foster understanding and awareness of risks and crises by providing alerts and e-learning on various risks and checking employee attendance and their level of understanding.

#### **Risk surveys**

Risk surveys including both a comprehensive survey and surveys with questions on designated topics, are conducted at each division and affiliate to identify

significant risks and to facilitate the revision of countermeasures where necessary. The results of the surveys are reported back to each division and affiliate to promote ongoing improvement and strengthening of the risk management capabilities of the organization and its employees. For cross-organizational risks and common risks, we are working with each division in charge to strengthen our ability to address these, and if necessary, respond to them as corporate risk themes.

#### **Providing information on risks**

On our internal portal site, we provide employees with an emergency contact and response structure to be used when a risk becomes realized. In addition, to promote an understanding of risk and an immediate, appropriate response in the event of a crisis, we also provide information and education about topics such as how to prepare for and respond to large-scale earthquakes, natural disasters, pandemics, information security risks or reputation risks, as well as key points to note when using social media. Risk education is also provided to directors (including our outside directors) at least once a year by internal or external lecturers. Especially in response to the spread and long-term effects of the COVID-19 pandemic, through our internal

portal site and other means we communicated to employees the status of infections nationally and regionally and work systems and styles to adopt corresponding to national and local government policies as part of our crisis management measures, and employees put them into practice. We also communicated a wide variety of information related to measures against the COVID-19 pandemic. These included ways to strengthen infection countermeasures at workplaces and at home, the response if employees or their family members become infected or are in close contact with an infected person, and systems and precautions for when working from home.

#### **Crisis response training**

We conduct regular emergency response training, comprehensive prevention drills, safety confirmation drills, media training, risk communication training, etc.

#### **Collaboration with stakeholders**

When it comes to risk and crisis management, in order to quickly and properly address these situations it is necessary to conduct activities that deepen mutual understanding with our stakeholders through communication.

For instance, when it comes to maintaining product safety and good quality, stable supply, and fulfilling our responsibility toward social issues, working with suppliers and contractors is essential. In the event of crises such as large-scale earthquakes and typhoons, it is necessary to collaborate not only with suppliers and contractors but also with the government, local governments and industry groups in order to provide relief aid to the affected areas and ensure the continuous supply of needed products and services.



# Risk and Crisis Management GRI 2-24, 2-25

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

By implementing the following basic strategies, we achieve risk and crisis management which support realizing What Kao Aims to Be by 2030: to make Kao a company with a global presence, valuable to society.

- Clarifying and responding to main risks based on changes in internal and external environment
- Responding to risks that may hinder the achievement of the Kao Group Mid-term Plan
- Prompt and appropriate response when risks manifest

#### 2022 results

- Prompt and appropriate response when risks manifest
- Response to COVID-19 spread and long-term effects
- Identifying and responding to significant risks and issues through research on risks that would hinder the Kao Group Mid-term Plan 2025 (K25)
- Clarifying main risks, including corporate risks, and strengthening our response
- Strengthening the risk management activities of divisions and subsidiaries
- Major drills for state of emergency
- Strengthening measures against information disclosure, etc.

#### Clarifying main risks, including corporate risks, and strengthening our counter response

- The Risk & Crisis Management Committee and the Management Board have selected the 15 main risks of particular significance as the risks that could have a negative impact on our sustainable and profitable development, and on our contributions to

sustainability of the world. The details of these main risks and our main measures are disclosed in “Business Risks and Other Risks” in Kao Corporation Financial Report 2022.

- The Risk & Crisis Management Committee managed the progress of the eight corporate risk themes for FY2022.
- Based on internal and external risk analysis, the Management Board has decided on the management system for the eight corporate risk themes for 2023.

# Risk and Crisis Management GRI 2-24, 2-25

## Key themes and measures for corporate risk in 2022

Theme	Details of risks	Main measures
Pandemic response	Risk of health damage to employees and temporary suspension of operations due to the COVID-19 variants or new viruses	<ul style="list-style-type: none"> <li>● We held a meeting of the Emergency Countermeasure Headquarters (headed by the President &amp; CEO) to implement following response focusing on ensuring the safety of employees and their families and on the continuity of business activities. <ul style="list-style-type: none"> <li>● Encouraged vaccinations for employees and their families</li> <li>● Cooperated with the government and local governments and took other measures to continue production activities, especially for daily necessities, in countries and regions where the infections are spreading.</li> <li>● Revised work systems and work styles (implemented hybrid work, eased restrictions on business trips outside Japan, etc.) in light of changes in virus characteristics and infection status, deregulation in each country, etc.</li> </ul> </li> <li>● Revising guidelines and action plans for the next pandemic based on response to the COVID-19 pandemic.</li> </ul>
Large-scale earthquakes and other natural disasters and BCP response	Risk of harm to employees and damage to assets including facilities and difficulties in supplying products resulting from large-scale earthquakes and other natural disasters such as large typhoons and floods brought on by climate change	<ul style="list-style-type: none"> <li>● Enhancing hardware and software measures based on flood risk surveys at each site, and providing disaster prevention education to protect employees and their families</li> <li>● Formulating BCP for long-term suspension of operations in Japan and strengthening BCPs at sites outside Japan</li> </ul>
Response to serious product quality issues	Risk of serious product quality issues arising that would cause the loss of social credibility	<ul style="list-style-type: none"> <li>● Strengthen company-wide response in the event of serious damage arising due to product quality issues</li> <li>● Strengthen internal awareness-raising to prevent serious quality issues from arising</li> </ul>
Response to cyberattacks and personal information protection	Risk of leaks of confidential information or personal information due to an error or to intentional actions including cyberattacks. Risk of temporary suspension of business activities such as supply chain management activity	<ul style="list-style-type: none"> <li>● Strengthen security measures and clarify procedures for responding to incidents</li> <li>● Strengthen global protection of trade secrets, personal information, and information security</li> </ul>
Response to reputation risks	Risk that causes brand value and social credibility to decline due to the spread of negative evaluations about Kao on social media	<ul style="list-style-type: none"> <li>● Strengthen the emergency response system in the event of contingencies</li> <li>● Strengthen the social media monitoring system</li> <li>● Establish a pre-check system in advertising and social media messages and strengthen internal education</li> </ul>

### Reviews of 2022 results

Regarding the COVID-19 pandemic spread and long-term effects, we were able to fulfill social responsibilities, ensuring the safety of our employees and their families in each country and a continuous supply of hygiene-related products through the united response of our entire Group. We also identified risks that could hinder the achievement of the Kao Group Mid-term Plan (K25) through a risk survey on risks that could hinder achievement of the Kao Group Mid-term Plan (K25), an ongoing theme since FY2021, and reflected them in our corporate risk review. We will

continue to strengthen our response by approaching the factors that cause risks.

# Risk and Crisis Management

## Main initiatives

### Prompt and appropriate response when risks manifest

- Response to the Russia-Ukraine issue  
Ensured employee safety and BCP compliance. Considering the reputational risk associated with the conflict between countries and areas, we have suspended product exports and advertising activities to Russia (continuing to export only products that can maintain a minimum of hygienic living conditions for women and infants).

### Response to COVID-19 spread and long-term effects

We held a meeting of the Emergency Countermeasure Headquarters (headed by the President & CEO)\* to implement following response focusing on ensuring the safety of employees and their families and on the continuity of business activities.

- Promoting vaccinations for employees and their families
- In countries and regions where the infection has spread, continue production activities, especially for daily necessities, in collaboration with the government and local governments, etc.
- Review of work systems and work styles in light of changes in virus characteristics and infection status, deregulation in each country, etc. (implementation of hybrid work systems, relaxation of business travel to outside Japan restrictions, etc.)

\* The highest level of emergency, Level 3, established in February 2020

### Clarifying main risks, including corporate risks, and strengthening our counter response

Regarding our 23 major divisions and 4 major subsidiaries within Japan, we conducted a risk survey regarding our ongoing themes from FY2021 of risks that would hinder the Kao Group Mid-term Plan K25. As a result, the significant risks identified included risks related to business and policies, including new businesses, risks related to business continuity, risks related to ESG, and geopolitical risks. Based on the results of this survey, analysis of the external environment, and interviews with senior management, we have added “geopolitical risk” as a main risk item and selected it as our corporate risk theme for 2023. We create risk scenarios for countries and areas that require special attention, develop response systems, and monitor political and social conditions. We will continue to strengthen our response with a focus on ensuring employee safety, securing supply chain networks such as raw material procurement, and reputational response.

### Strengthen risk management activities of divisions and subsidiaries

- We have strengthened the practical ability of sites outside Japan to respond to risks by checking the status of management of selected critical risks and strengthening collaboration with the Kao head office as necessary.
- At the Risk and Crisis Management Promotion Council, we shared and discussed the risk management activities of eight divisions and four subsidiaries within and outside Japan in order to promote improved collaboration and strengthen our risk management activities.

### Major drills for a state of emergency

- Comprehensive emergency drills (implemented at major plants around the world)
- Emergency response training and BCP training presumed for a large-scale earthquake (Japan)
- Safety confirmation drills presumed for a large-scale earthquake (Japan)

# Responsible Care Activities

We vigorously implement Responsible Care (RC) Activities, which are self-monitoring activities by companies engaged in the chemical industry, to ensure safety and environmental conservation in daily operations.

## Social issues

Maintaining a stable supply of products and ensuring the quality and safety of those products, along with providing safe and hygienic working environments and reducing the environmental impact of business activities, are important social responsibilities. These must be fulfilled through our capacity as a company with a chemical business that offers diverse materials, products, and systems to wide-reaching industries with bases both within and outside Japan.

## Policies

As we are engaged in the manufacture, sales and distribution of chemical products, we strive to earn enhanced trust from society by ensuring environmental conservation, health and safety across the product lifecycle (from product development and manufacturing to use, consumption, recycling and disposal), continuously making improvements to these efforts, improving quality of life (QOL) and contributing to a sustainable society.

To achieve this goal, we have established our Basic Principle and Basic Policies on Environment and Safety and the Kao Group Responsible Care Policy, and conduct business activities accordingly.

The group as a whole remains committed to promoting RC activities, having participated in such activities since the 1995 establishment of the Japan Responsible Care Council. In 2008, then-President and Chief Executive Officer Motoki Ozaki signed a declaration of support for the RC Global Charter, and again in 2014 then-President and Chief Executive Officer

Michitaka Sawada signed the revised RC Global Charter. To achieve the objective, we have established the Kao Group Responsible Care Policy based on the basic pillars of RC activities\*, that is self-monitoring efforts governing the environment, safety and health set out by the chemical industry. We set targets each year for our group as a whole, including subcontractors, and implement those activities based on an annual plan.

We have been actively promoting the Kao Group Responsible Care Policy enacted in 2012; however, in 2014 the International Council of Chemical Associations revised the RC Global Charter and in addition to this, the Japan Chemical Industry Association revised its RC Basic Policy in 2016, and so we have also revised our policy in December 2020 to determine activities and targets for 2030. These revisions included updating the content, adding continuing education and giving each item a title to make it easier for employees to familiarize themselves with them.

\* Basic pillars of RC activities: Five objectives of environmental conservation, process safety and disaster prevention, occupational safety and health, chemical and product safety, and distribution safety, and communication with society.



Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

## Strategy

### Risks and opportunities

#### Risks

As all of the Responsible Care Activities are important both for inside and outside our company, neglecting any one of them will produce medium- to long-term risks. Specifically, such neglect will make it difficult to achieve our goal of becoming a company with a global presence, valuable to society by 2030, and will damage the image of our products and our credibility.

#### Opportunities

Medium- to long-term opportunities are building a strong relationship of trust with stakeholders by promoting Responsible Care Activities, which Kao Group companies autonomously pursue, to get closer to our goal of becoming a company with a global presence, valuable to society by 2030 and to further build trust in our product brand image and the company.

### Strategy

For Kao Actions toward 2030 in the Kirei Lifestyle Plan (KLP), that is, decarbonization, zero waste, water conservation, air & water pollution prevention, and employee wellbeing and safety, we set targets for 2030 with annual backcasting goals for these targets to be incorporated into our daily activities.

In addition, all Kao Group companies will promote Responsible Care Activities, namely self-monitoring activities by companies engaged in the chemical industry, by implementing PDCA (Plan, Do, Check, and Act) cycle, and enhance these activities by utilizing the ISO 14001 and ISO 45001 international certification systems, etc.

# Responsible Care Activities GRI 3-3

## Social impact

We have driven Responsible Care Activities that incorporate an Environmental, Social and Governance (ESG) perspective in our business strategy to autonomously ensure aspects of environment, health and safety in the chemical industry. As such, promotion of these activities is helping to creating a sustainable society while building trust-based relationships with society from an ethical perspective. As a result, consumers and corporate customers are able to use our products with confidence, our employees can work in safety and with a sense of wellbeing, and communities neighboring our plants and worksites are able to live in safety and with peace of mind.

These leave the door open to positive influences such as reduced environmental impact, better hygiene, and returns to local communities in the areas of business activities, which bring a higher QOL to stakeholders, including residents of communities.

## Contributions to the SDGs



## Business impact

Employees can work safely and securely because we promote Responsible Care Activities. In addition, business activities can take place normally with a stable supply of products while unnecessary costs are

trimmed. In addition, because these activities not only make it possible for stakeholders, including consumers and corporate customers, to use our products with peace of mind but also include legal compliance. By improving our social reputation we can expect a rise in product and brand popularity as well as expansion of our business.

## Governance

### Framework

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

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

Each company involved in Chemical in the Kao group, including Kao Corporation, participates in planning at the chemical industry association in their respective countries to promote Responsible Care Activities.

**P18** Our ESG Vision and Strategy > Governance

**P265** Corporate Governance

## Responsible care activities framework



# Responsible Care Activities GRI 3-3, 403-5, 404-2

## Education and promotion

The philosophy and policy of RC activities to ensure environmental conservation, health and safety in the product lifecycle must be shared with all Kao employees as well as the staff of its business partners. To do this, the Responsible Care Promotion Committee Secretariat and RC promotion staff from the individual divisions in charge of RC promotion regularly provide education on Responsible Care Activities including environmental conservation, occupational safety and health activities and their policy for Kao employees and the staff of its business partners.

**P288** Our initiatives: Standardization of RC activities

## Collaboration with stakeholders

Communication with society is a fundamental aspect of RC activities, and all Kao Group companies proactively disclose their policies in relation to the environment, health and safety, and the status of activity implementation, and proactively engage in communication with customers, consumers, employees, local communities, etc., striving to secure the support and trust of all stakeholders.

## Risk management

In the process of assessing risk, the Responsible Care Promotion Committee Secretariat identifies risks in light of the results and actual performance of the activities in the previous year and the first half of the current year with regard to each of the six objectives that form the basic pillars of the Responsible Care Activities, assesses and prioritizes the identified risks, and reflects

them in the following year's RC targets. The Kao Group holds the Responsible Care Promotion Committee meeting around September every year, where each member deliberates on and approves such RC targets and reports them to the Internal Control Committee.

Regarding cross-organizational risks and common risks, we address them as corporate risk themes if necessary.

**P33** Our ESG Vision and Strategy > Risk Management

**P276** Risk and Crisis Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

We are promoting day-to-day RC activities to become a top-level global corporation for safety and environmental criteria by 2030.

In order to achieve this, we are striving to take our RC activities to an even greater level and expand their scope while enhancing management system.

Therefore, we set our mid- to long-term targets until 2030 as Kao Group RC targets, with annual backcasting goals for these targets to be incorporated into our daily activities.

## 2022 results

In 2022, we convened the Kao Group Responsible Care Promotion Committee on September 29, and the Japan RC Meeting on December 26. In addition, the RC Promotion Committee Secretariat Audit was conducted between July and August at each group company within and outside Japan and in individual divisions in charge of promoting RC.

As part of the RC Secretariat Audit, the Responsible Care Promotion Committee Secretariat attends annual self-checks conducted by multiple RC promoting divisions to confirm that the RC self-checks are being conducted correctly in line with regulatory and other requirements.

In 2022, many audits were conducted and attended remotely due to the COVID-19 pandemic, but some were performed and attended in person.

Initially, RC personnel from each company had planned to meet together at the Global RC Meeting in November. However, the meeting was cancelled due to COVID-19. Similar to last year, information was shared online instead.

**P265** Corporate Governance

**P290** Our initiatives: Implementation status of the RC Promotion Committee Secretariat Audit

**P291** Our initiatives: Education about RC activities

# Responsible Care Activities

## Reviews of 2022 results

In the area of environment, we met our targets for energy consumption, greenhouse gas emissions, combined landfill disposal and incineration rate, and water use. For the targets set in line with the mid-term targets of the Kirei Lifestyle Plan (KLP), we achieved our target for the rate of renewable energy from purchased electricity but did not reach the target for the rate of disclosure of wastewater COD and VOC emissions.

In the area of safety, we did not achieve targets for the death and loss of function accidents, the lost time frequency rate, and the total accident frequency rate. However, we did achieve all targets concerning lost work days due to occupational illness and logistics-related leakage accidents, with zero incidents.

While we were again unable to achieve some targets this year, we are not changing our initial target values and will aim to make further improvements.

# Responsible Care Activities GRI 403-1, 403-5

## Main initiatives

### Standardization of RC activities

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

### The Kao Group Responsible Care Promotion Committee (September)

At the Kao Group Responsible Care Promotion Committee meeting held in September of each year, members discuss initiatives to clarify courses of action and strengthen the management system, and deliberate on the following year's numerical targets and activity targets based on the group's mid-term targets and on the results of the RC Secretariat Audit conducted in August.

### Global RC Meeting (October to November)

At the Global RC Meeting held from October to November, the Responsible Care Promotion Committee Secretariat explains the group's mid-term targets and targets for the upcoming year, as decided by the Kao Group Responsible Care Promotion Committee, and requests each company to devise its respective targets and to plan for the upcoming year. Representatives from each company present the status of their RC activities and share information within the group.

### Japan RC Meeting (December)

At the Japan RC Meeting held in December, based on these numerical targets and activity targets for the Kao group decided at the Kao Group Responsible Care

Promotion Committee, Responsible Care Promotion Committee members of promotional divisions announced their respective division's plans for the upcoming year, which are discussed by the committee. The RC Promotion members convey the deliberation results to their respective divisions, relating the content in detail to their activity units in an effort to improve and enhance RC activities closely connected to each worksite.

The Kao Group Responsible Care Promotion Committee meeting was held online on September 29, 2022. The RC Promotion Committee Secretariat announced the first half-year results for our group's 2022 RC targets, as well as the results of the RC Promotion Committee Secretariat Audit and the high-pressure gas safety audit. In addition, the promotion divisions also announced the current status of their promotional activities, and finally the group's targets for 2023 were agreed upon for deliberation.

At the Japan RC Meeting, held both online and in person on December 26, RC Promotion Committee members from promotional divisions reported on their 2022 activity results and announced 2023 draft plans for their divisions. The plans were then deliberated on and approved. The RC Promotion Committee Secretariat then reported on the group's 2022 environmental and safety record.

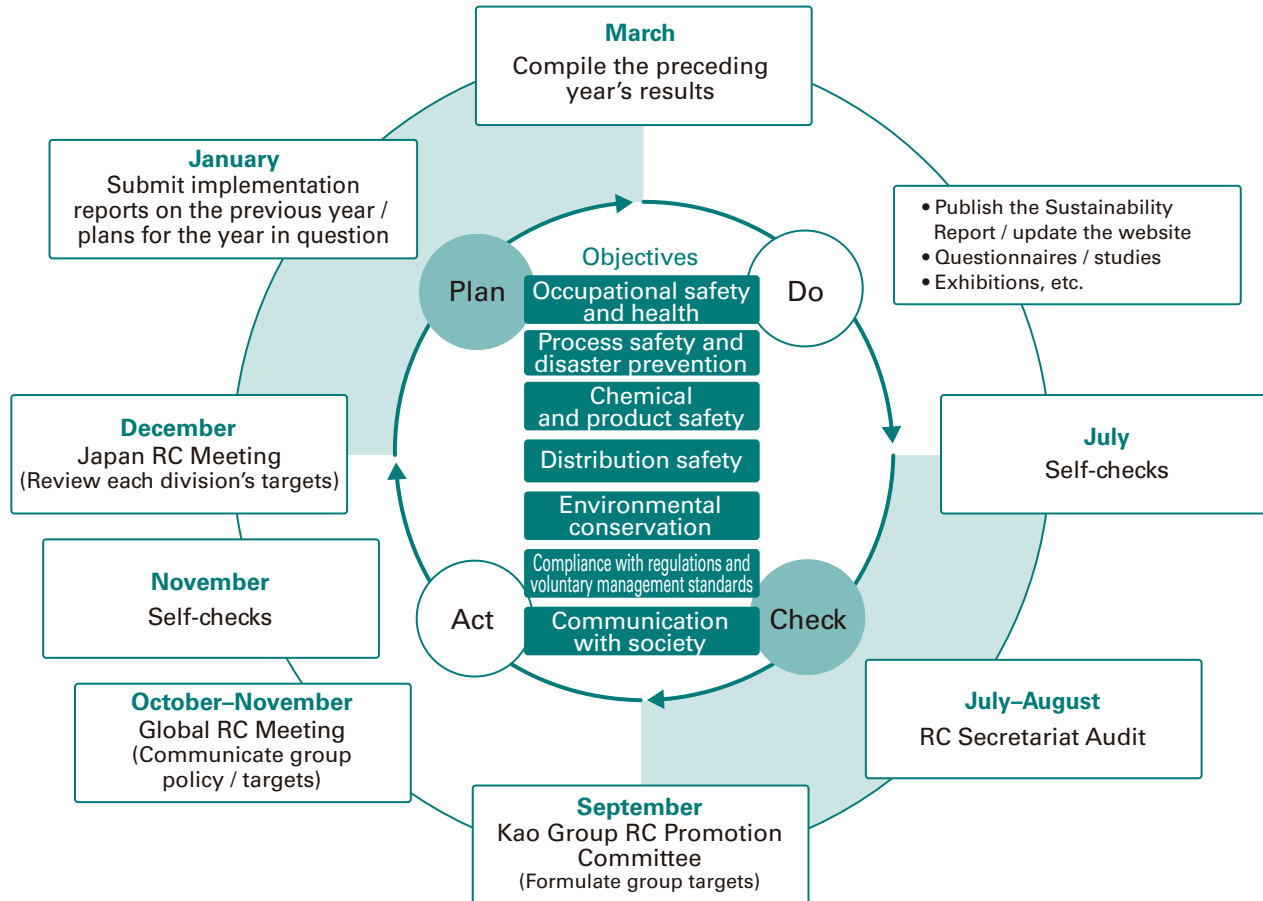
Initially we had planned to hold the Global RC Meeting at the Head Office on November 7 and 8 with the participation of RC promotion staff from each country, but this was canceled again due to the COVID-19 pandemic. The meeting took place online instead, where we confirmed the status of companies' Responsible Care Activities and shared best practices, aiming to energize and improve the Activities.

As we have not been able to hold direct opinion exchanges with RC promotion staff in countries outside Japan due to the COVID-19 pandemic, we held eight information exchanges remotely with individual areas from April to July 2022. At these information exchanges, the secretariat provided a summary of 2021 and reports on activity topics as well as information on 2022 targets and activities, while RC promotion staff in each country reported on their 2021 activities and topics. Participants also exchanged general opinions about RC.



# Responsible Care Activities GRI 403-1

## Annual cycle of Responsible Care Activities



## Utilization of the environmental and safety database

We have developed the Environmental & Safety Data Management System ("Kanchan" System)\* to further reduce both environmental impact and occupational accidents.

The *Kanchan* System automatically calculates our total GHG emissions and the annual frequency and severity rate of occupational accidents, along with other data-based practical information used to reduce our environmental impact and eliminate occupational accidents.

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

\* Environmental & Safety Data Management System (*Kanchan* System)  
Data shared among the group under this system includes that related to energy consumption, greenhouse gas (GHG) emissions, soot and dust emissions, water use, wastewater discharged, wastewater concentration measurements, soil and groundwater measurements, amounts of handling, release and transfer of chemical substances subject to PRTR, waste generated and discharged, and final disposal of waste, occupational accident statistics, and traffic accident statistics.

# Responsible Care Activities GRI 403-2

## Implementation status of the RC Secretariat Audit

At Kao, individual divisions in charge of RC promotion conduct self-checks in July, and the audit team selected by the Responsible Care Promotion Committee Secretariat implements an audit of individual divisions in Japan in charge of RC promotion and affiliated companies outside Japan in August, to determine the progress of Responsible Care Activities and challenges to be addressed.

These results are reported at the Kao Group Responsible Care Promotion Committee held in September and Global RC Meeting held in November and these help formulate the following year's numerical targets and activity targets.

In addition, the audit involves evaluations conducted by scoring the implementation status (implemented / not implemented; implementation rate) by survey item on the checklist used for the audit, as it is carried out

based on company-wide regulations (B-02-00 Rules for RC Secretariat Audit).

From July through August 2022, the RC Secretariat Audit was conducted by using the checklist sheet at eight promoting divisions in Japan and 19 group companies\* with plants outside Japan, with consideration to the degree of safety and environmental impact. In 2021, we revised portions of the checklist to reflect requirements in ISO 14001 and ISO 45001 as well as the self-assessment tool items of the International Council of Chemical Associations, and also made improvements to the evaluation content concerning performance of Responsible Care Activities.

In Japan, the status of various items was confirmed in remote and in-person meetings with RC promoting divisions, such as the current status of compliance with regulatory requirements and standards, the progress of planning, and achievement of numerical targets. Outside Japan, we conducted a paper audit using the

same checklist. It has also been confirmed that all findings from the 2021 audit had been addressed.

Overall, the results of the 2022 RC secretariat audit produced almost the same scores as in 2021. As there was a large number of findings on the management system and occupational safety, which are areas where ongoing monitoring is necessary, we have requested further improvements (see the table below).

\* Kao Corporation Shanghai, Kao (Hefei) Co., Ltd., Kao (Shanghai) Chemical Industries Co., Ltd., Kao Huludao Casting Materials Co., Ltd., Kao (Taiwan) Corporation, Kao Vietnam Co., Ltd., Pilipinas Kao Incorporated, Kao Industrial (Thailand) Co., Ltd., Fatty Chemical (Malaysia) Sdn. Bhd., PT Kao Indonesia, PT Kao Indonesia Chemicals, Kao USA Inc., Kao Specialties Americas LLC, Quimi-Kao S.A. de C.V. (Mexico), Kao Manufacturing Germany GmbH, Kao Chemicals GmbH (Germany), Molton Brown Limited (UK), Kao Corporation S.A. (Spain), Kao Chimigraf, S.L.

## Results of the RC Secretariat Audit (FY2022)

	Supply Chain Management	R&D	Business divisions	Corporate divisions	Group companies in Japan <sup>*1</sup>	Group companies outside Japan <sup>*2</sup>
No. of evaluation responses	247	193	235	500	768	6,362
Average evaluation score [out of 5] <sup>*3</sup>	4.21 (4.26)	4.53 (4.70)	4.83 (4.84)	4.52 (4.49)	4.49 (4.62)	4.54 (4.52)
No. of items requiring further monitoring	1 (4)	0 (1)	0 (0)	5 (6)	6 (7)	-

\*1 Group companies in Japan  
Kao Professional Services Co., Ltd., Kao Group Customer Marketing Co., Ltd., Kao Logistics Co., Ltd.

\*2 Group companies outside Japan  
19 companies (11 in Asia, 8 in Europe and the Americas)

\*3 ( ) indicates 2021 results.

# Responsible Care Activities GRI 403-2, 403-4, 403-5

## Status of international management system certification

Kao has put an RC management system in place throughout the group. We have received ISO 14001 certification, the global environmental standard, as well as ISO 45001 certification, which is the standard for occupational health and safety, in addition to other certifications in individual countries.

## Environmental certifications (ISO 14001, etc.)

Ninety-six percent of our plants have received ISO external certification, and 2.5% have received external certification from the government and other authorities (on a total production volume weighted basis).

Certifications obtained at 15 individual plants in Japan and Asia have been integrated to standardize and upgrade operations. We will expand the scope of certified plants on an ongoing basis and increase the number of integrated plants.

## Occupational health and safety certifications (ISO 45001, etc.)

Obtaining the occupational health and safety management standard is being prioritized for plants outside Japan where enhancement of labor management is needed. The ratio of certified plants is 35% (on a total production volume weighted basis).

Certifications obtained at five individual plants in Asia have been integrated to standardize and upgrade operations. We will examine expanding the scope of certified plants, including by increasing the number of integrated plants, while also considering the inclusion of our Japanese plants in 2023.

## Product quality certifications (ISO 9001, etc.)

Ninety-five percent of our plants have received external certification (on a total production volume weighted basis). We will continue to expand the scope of certified plants.

## List of external obtained certifications



Certification Status of ISO and Other Standards  
<https://www.kao.com/global/en/sustainability/pdf/environment-activity-data/certification/>

## Education about RC activities

The Responsible Care Promotion Committee Secretariat and RC promotion staff in individual divisions in charge of RC promotion regularly provide education on Responsible Care Activities including environment, occupational safety and health, and process safety and disaster prevention for Kao employees and staff at business partners. In 2022 as well, in response to the number of employees who continue to work from home due to the COVID-19 pandemic, we conducted education by effectively deploying an online learning (e-learning) format instead of in-person instruction.

Also in 2022, we ran online training covering disaster prevention in case of a Nankai Trough earthquake as well as a verification survey for all group employees in Japan, mainly targeting the Wakayama Office, where many employees work. The average attendance rate for these training sessions exceeded 80%. In 2022, the Responsible Care Promotion Committee Secretariat carried out RC training for employees 14 times, reaching a total of more than 2,000 employees.

We will continue to actively use e-learning and other means to provide RC-related education.

## TOPIC External evaluation

### The SCM Division receives the Grand Prize in the Responsible Care Awards

Supply Chain Management (SCM) received the RC Grand Prize in the 16th Annual Responsible Care Awards, sponsored by the Japan Chemical Industry Association, for its advanced AI that detects signs of abnormalities in batch processes.

Manufacturing sites for many different products must address challenges such as aged equipment, aging and shortage of human capital, how to pass on technologies, and environmental changes. We were highly commended not only for significantly reducing workloads by implementing a system that uses the AI technology to automate operation monitoring and detect signs of abnormalities, but also for improving productivity, passing on manufacturing technologies, enhancing on-site capabilities, and achieving independence from individual skills by standardizing task monitoring.



# Responsible Care Activities

## Responsible Care (RC) activity data links

Also see the following for the framework of RC activities, details of the major activities, and 2022 results.


### Occupational Safety and Health

**P229** Employee Wellbeing & Safety

### Process safety and disaster prevention

**P352** Process Safety and Disaster Prevention

### Chemical and product safety


 For Safer Use of Chemicals  
<https://www.kao.com/global/en/innovation/safety-quality/saicm/>

Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Product Quality Management  
<https://www.kao.com/global/en/innovation/safety-quality/>

**P253** Responsible Chemicals Management

### Environmental conservation

 Basic Principle and Basic Policies on Environment and Safety  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environment-safety-principle-policies.pdf>

Kao Environmental Statement  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/environmental-statement.pdf>

Environmental Activities and Data  
<https://www.kao.com/global/en/sustainability/pdf/environment-activity-data/>

Responsibly Sourced Raw Materials  
<https://www.kao.com/global/en/sustainability/we/procurement/>


Making the world healthier & cleaner  
<https://www.kao.com/global/en/sustainability/planet/>

**P327** Biodiversity

### Compliance with regulations and voluntary management standards

**P161** Effective Corporate Governance

### Communication with society

 Corporate Citizenship Activities  
<https://www.kao.com/global/en/sustainability/society/>

# Product Quality Management

We implement *Yoki-Monozokuri* in order to create a Kirei life from a consumer and customer perspective. At all stages from raw materials to research and development, production, distribution and sales, we pursue thorough product safety at a high level from a consumer and customer perspective, and strive to keep raising the quality of our products, in order to realize a safe and harmonious world for all life.


## Social issues

As the movement to conserve the environment grows stronger, there is also an increasing interest in how it is impacted by chemical substances, and in support of movements calling to put an end to animal testing. Developed countries are already experiencing aging populations, and developing countries are also expected to have aging populations in the future. Additionally, the spread of the COVID-19 pandemic has changed the hygiene awareness and behavior of consumers around the world. As social issues continue to change in this manner, it is important for companies' activities to actively contribute to solving these issues. At our company, we are working to address social issues such as hygiene, health, the aging population and the environment, through "ESG-driven *Yoki-Monozukuri*."

## Policies

The foundation of our quality management activities is *Yoki-Monozukuri*, which is expressed by our corporate philosophy, the Kao Way. Additionally, the first item of the Kao Business Conduct Guidelines, our code of conduct, states that "We shall always strive to develop and provide socially beneficial and high quality products and services that place emphasis on the health and safety of our consumers and customers to realize sustainable economic growth and to resolve social issues."

We have implemented consumer- and customer-driven quality management activities with the participation of all employees, in all phases from raw material procurement to research and development, production, distribution and sales.


 **Basic Policy for Quality Management Activities**  
<https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/>

### **Safety management across the product lifecycle**

We ensure a high level of product safety and quality so that our products can be used safely, securely and comfortably, through company-wide safety management at every stage from research and development, through commercialization, production and sales, to the after-sales stage. As to raw materials for the product development stage and product ingredients after product launch, we regularly collect information on legislation and safety within and outside Japan. We evaluate a wide range of information from industry sources, NGOs and NPOs, etc., from multiple perspectives including the scientific approach and society's concerns, and formulate necessary countermeasures.

In addition, we earnestly listen to all consumer feedback following product launch, confirm the specifics, and implement precise safety checks and safety management in collaboration with a network that includes medical professionals and governmental authorities. We exchange information with managers in Asia, the Americas, Europe, the Middle East and Africa (AEMEA) on a regular basis to utilize consumer

feedback from all over the world, and undertake activities to enhance our overall level of product safety from a global perspective. Regarding our consumer products, cosmetics and food products, we set standards with the aim of ensuring a high level of safety. This is because the consumer's safety and security is always the highest priority. We regularly conduct a wide range of tests and detailed safety inspections in accordance with the Kao Safety Standards for Household Products. In the event of any concerns, we respond swiftly and appropriately, with consumer safety as the top priority.

 **Safety Standards for Household Products**  
<https://www.kao.com/global/en/innovation/safety-quality/houseware-quality/>

**Safety Standards for Cosmetic Products**  
<https://www.kao.com/global/en/innovation/safety-quality/cosmetics-quality/>

**Safety Standards for Food Products**  
<https://www.kao.com/global/en/innovation/safety-quality/food-quality/>

### **Kao's policy on animal testing**

The global community is taking steps toward the abolition of animal testing, and the group supports this approach.

In our development of cosmetics (including quasi-drugs), we do not and will not conduct animal testing nor do we outsource this task to anyone\*<sup>1</sup>.

For products other than cosmetics, our policy is to not conduct animal testing unless it cannot be avoided due to lack of availability of alternative methods, regulatory requirements or other similar reasons\*<sup>2</sup>.

# Product Quality Management

Ensuring the safety of our products is our utmost priority and, in this regard, we have established and observe the Kao safety standards. In accordance with such standards, we widely collect safety data, make use of our safety information database that contains the knowledge accumulated over many years and adopt alternatives to animal testing as much as possible. After ensuring product safety through the above, we conduct further testing of the product in actual usage settings.

We have been working on the development of alternatives to animal testing since the late 1980s. We believe that alternatives should be official test methods that can be used globally. In this regard, we are actively collaborating with research institutions globally for the development of methods to be adopted as international guidelines. We are also a member of the Cosmetics Europe project for the development of alternative to animal testing. We will continue to proactively work on the development of alternatives to animal testing in cooperation with industry associations, other companies and other related third parties within and outside Japan.

\*1 This excludes instances where we need to respond to societal expectations to evidence the safety of a product or when required to do so by government agencies in particular countries.

\*2 If testing on animals is unavoidable, we keep such testing to a minimum following the principles of animal welfare of the 3Rs (replacement, reduction and refinement).



**Animal Testing Policy**  
<https://www.kao.com/global/en/innovation/safety-quality/animal-testing-policy/>

## Strategy

### Risks and opportunities

Our market is facing various changes, including the diversification of consumer values, growing awareness of environmental issues and concerns regarding the safety of chemical substances, and greater demands for disclosures that promote corporate transparency. In addition, global goods distribution is being driven by an increasingly borderless approach. In the midst of this, countries and areas have begun to build new legal frameworks with the aim of realizing a sustainable society and protecting consumers.

In this changing environment, we believe we can gain opportunities for business growth by addressing the following risks as promptly as possible.

1. Occurrence of serious quality issues.
2. Delayed disclosures and response to new safety and environmental issues.
3. Delayed compliance with regulatory changes in each country and area, delayed establishment of systems for product quality management and consumer support, and an increased burden on operations as a result.
4. Delayed response to the diversification of consumer values due to a reliance on conventional quality management systems.
5. Delayed establishment of quality management systems in new businesses and new business categories.

### Strategy

To address the stated risks and seize opportunities, we are engaging in the following initiatives.

1. Strengthening company-wide capabilities to minimize serious damage caused by quality troubles, and raising internal awareness to prevent serious quality problems from arising.
2. Promoting product developments in anticipation of social concerns, safety concerns of chemical substances, and environmental issues in each country and region; diversifying means of communicating product value with the aim of providing appropriate product information; making quality management activities more visible and strengthening communication with stakeholders by proactively disclosing information.
3. Analyzing the impact of new laws and regulations in various countries and areas, developing a system that enables rapid verification of legal compliance, and introducing a system to centrally consolidate consumer feedback from each country and region.
4. Transitioning to a quality management system that is suited to the times and can respond to diversifying values.
5. Searching for and acquiring external resources to develop a quality management system appropriate for new businesses and new business categories.

### Social impact

We will build social trust by providing products that meet the diversified quality values of consumers and by appropriately disclosing information to all stakeholders in response to growing concerns about the safety of chemical substances and environmental issues.

We also respond to requests for information disclosures that encourage corporate transparency, and

# Product Quality Management GRI 3-3

work to build a more sustainable society and strengthen consumer protection in each country and area.

## Business impact

- Reducing financial loss on product recalls, etc.
- Acquiring new customers and increasing our number of loyal users by conveying the value of our products and services through efficacy claims and advertisements, and gaining consumer affinity for influencing their purchasing behavior.
- Contributing to the expansion of business outside Japan by establishing a strategic quality management system for complying with regulatory changes in each country and area, as well as diversification of supply chains by becoming borderless.
- Helping new business to launch and enter the market

## Governance

### Framework

We also maintain a corporate governance structure that includes internal control systems, and we hold quarterly meetings of the Quality Management Committee, which is a sub-body of the Internal Control Committee with the President & CEO serving as chairperson. Following the policies decided on by the Quality Management Committee, we hold annual Quality Management Meetings for each business field and confirm the quality management activities policy, product quality issues and the progress of our quality management activities. At the end of each fiscal year, based on summary of the Quality Management Meetings for each business division and product quality management audit reports, the Quality Management Committee confirms the efficacy and reliability of the

company-wide quality management system and reports to the Internal Control Committee.

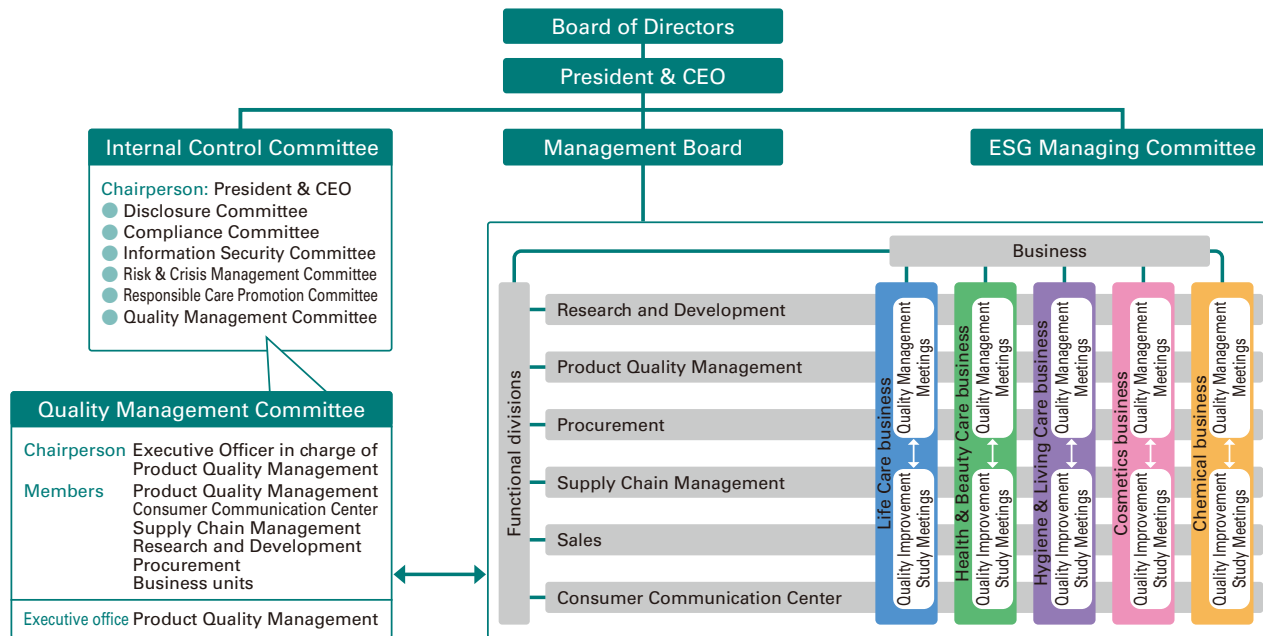
Before a product launch, we adopt gate control to check quality and to verify the evidence comprehensively at the searching, development, commercialization and production stages, thus sufficiently ensuring our high safety and quality standards. After a product is launched, the head of each business division holds a quality improvement study meeting attended by all managers from the business and functional divisions (R&D, quality assurance, purchasing, SCM, sales, and Consumer Communication Center), where opinions and suggestions from consumers and customers are carefully reviewed and applied to improve products, information, and services. We then work to improve our products, information and services based on the results of the reviews. We also hold joint Quality Improvement Study Meetings between Japan and China in product areas such as diapers, sanitary products, and cosmetics.

The Product Quality Management Division oversees and promotes company-wide quality management activities, from research and development, to marketing, production, distribution, and sales. The Executive Officer in charge of quality management supervises the division's activities, submitting periodic reports on these activities at meetings of the Management Board, and reporting on important issues as appropriate. The Executive Officer also participates in discussions regarding important management issues in general.

**P18** Our ESG Vision and Strategy > Governance

# Product Quality Management GRI 3-3, 404-2

## Quality management system



\* As of January 2022

## Education and promotion

So that our corporate philosophy permeates throughout our group, we provide education and training based on the Kao Way and Kao Business Conduct Guidelines, which are the foundations of our quality management activities. We are further strengthening education on quality awareness and regulations such as the Pharmaceutical and Medical Devices Act, Good Quality Practice (GQP) and Good Vigilance Practice (GVP). We also provide education for Good Manufacturing Practice (GMP) and various ISO standards. At our Manufacturing Division, we continue its own QC circle activities based on the number of consumer and customer contacts as

an indicator. We provide various education and awareness-raising initiatives through day-to-day quality management activities and Quality Improvement Study Meetings to ensure permeation of our quality management activities policy. We are also strengthening education for those who are planning to work overseas and group employees outside of Japan, and are working to raise the level of quality management activities of our entire group. In addition, in order to increase motivation, we reward employees who make outstanding efforts toward quality management.

Furthermore, we have made the Kao Group Critical Product Trouble Management System available on the


company intranet along with emergency contact information. Quality management education is performed every year at group companies within and outside Japan; this education includes the Kao Group Critical Product Trouble Management System.

## Collaboration with stakeholders

We believe that collaborating with stakeholders is essential to promote legal compliance and achieve sustainability of the world through “ESG-driven *Yoki-Monozukuri*.” As such, we are promoting collaboration with stakeholders while ensuring reliability with respect to the following.

### Making good use of consumer feedback in *Yoki-Monozukuri*

We use consumer feedback to improve our products, information and services by promptly sharing this feedback through the Kao ECHO System.

 Initiatives to Make Good Use Of Customer Feedback  
<https://www.kao.com/global/en/innovation/safety-quality/improve/>

## Collaboration with contractors

We hold quality-related meetings with contract manufacturers and raw material suppliers to promote consumer- and customer-driven quality improvement activities. We will collaborate with more business partners to develop consumer- and customer-driven quality management activities.

## Actively engaged in industry initiatives

We actively participate in industry activities in each country and region. By actively participating in efforts such as establishment of new standards for quality and



# Product Quality Management GRI 3-3, 416-1

safety as well as new test methods, we strive to provide products that can be used with peace of mind anywhere around the world.

## Collaboration with administrative agencies

We share our viewpoints and make proposals in administrative meetings held in each country and area to contribute to the establishment or revision of standards. We also proactively contribute to the discussions on safety and new regulations in international conferences.

## Risk management

One of the major corporate risks defined by the Risk and Crisis Management Committee and the Management Committee is “6. Risks Related to Product Quality,” which manages the risks such as serious product accidents, the emergence of concerns regarding product safety or environmental issues, changes in laws and regulations in various countries, and failure to respond appropriately to requests for resolution of safety and environmental issues and transparency for product ingredients and safety.

We review feedback from consumers at Monthly Quality Improvement Study Meetings and monitor product quality directly after launch and quality issues arising from design and production factors.

In addition, we monitor the quality management system for our plants in Japan by conducting internal audits for GMP compliance and production management by contractors.

We have also set up the Kao Group Critical Product Trouble Management System to respond in the event that significant safety or quality related issues emerge,

and our group companies both within and outside Japan respond to risk events based on this system.

Furthermore, we conduct surveys and collect information on an ongoing basis to ascertain trends surrounding chemical substances in the fields of science, regulations, and society. Based on the findings, discussions are held at regular meetings attended by members of relevant divisions within the company. Risks are then determined from a broad perspective, and the policies for the use of each substance are decided. We disclose our science-based approach for substances deemed to be of high importance and work to gain the understanding of our stakeholders.

**P33** Our ESG Vision and Strategy > Risk Management

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

1. Lead a sustainable world by pursuing high level of safety and quality together with stakeholders
2. Advance “ESG-driven *Yoki-Monozukuri*” by ensuring legal compliance as well as innovating the way we communicate our products’ value to consumers
3. Build bonds of trust with stakeholders via thorough transparency and responsible communication
4. Grow *Genba* by passion to change and the vitality of the organization coming from diversity

### 2022 results

#### Contributing to the development of the hygiene and healthcare business

Started providing sanitization efficacy information against bacteria and viruses by leveraging change in regulatory framework. It has become legally acceptable for commercial skin sanitizers to claim efficacy against specific strains of bacteria and viruses thanks to the provisions of PSEHB/CND Notification No. 0225-9\*, “Provision of Information Pertaining to the Effectiveness of Pharmaceutical or Quasi-Drug Sanitizers Against Specific Strains of Bacteria or Viruses,” which was issued by the Ministry of Health, Labour and Welfare. In accordance with the notification, we have begun to provide information such as test results concerning the efficacy of our products against specific strains of bacteria and viruses of our *Bioré* brand products (<https://www.kao.co.jp/bioreu/bioreguard/awa/>) and our professional-use products (Kao Professional Services, product information, *Hand Squish EX* Long Nozzle Bottle 800 ml, kao. com).

\* The provision defines the handling of information on the efficacy of sanitizers against specific strains of bacteria or viruses; “Sanitizers,” which refer to pharmaceutical products intended for the sterilization or sanitization of the human body (skin) or objects, and to quasi-drug products intended for the sterilization and sanitization of the skin (limited to products where the efficacy and effect are not restricted to a specific bacteria or virus types).



Launching *Bioré Guard Sanitizer Foam*  
<https://www.kao.co.jp/bioreu/bioreguard/awa/> (Japanese)

*Hand Squish EX* long nozzle 800 mL commercial use  
<https://pro.kao.com/jp/products/kps01/4901301507198/> (Japanese)

# Product Quality Management GRI 416-1, 416-2

## Strengthening our internal work systems to meet the requirements of revised China's CSAR (Cosmetics Supervision and Administration Regulation) especially for the launch of monitoring system on undesired side effects.

Following the enforcement of the CSAR on January 1, 2021, the highest regulation that controls cosmetics in China, a wide range of subordinate regulations came into effect for product quality management, quality control, safety management, traceability, etc. To meet the requirements, we established a company-wide project and strengthened our GMP, GVP and GQP management systems. In regard to GVP, due to the enforcement of the relevant regulation in October 2022 for the monitoring of side effects, it has become mandatory for overseas companies operating in China to report side effects through collaborating with their local subsidiaries. By working with our customer support divisions and sales divisions in China, we strengthened our GVP system and commenced operations for compliance before the regulation came into effect. We will steadily continue post-marketing safety management for the cosmetics we sell in China.

## Company-wide promotion of quality management activities

- Quality management education  
Within and outside Japan: A total of 11,700 employees
- Education relating to GMP standards and ISO standards, etc.: 722 sessions
- Quality Improvement Study Meetings: 227 sessions (110 in Japan, 117 outside Japan)
- QC Circle activities: Three QC conventions per year (involving nine countries and a total of 1,460 participants)

## Product recalls over the last four years\*1

Year	2019	2020	2021	2022
Cases	0	0	0	2 <sup>2</sup>

\*1 Voluntary recalls from consumers and the market with announcements via press release

\*2 Applicable product: *Jergens Ultra Healing Moisturizer* (Kao US), *Curél Cream Ec* (Kao)

## Reviews of 2022 results

As it is now possible to provide information on the efficacy of commercial skin sanitizers against specific strains of bacteria or viruses, we have begun to provide information such as test results. Going forward, we will continue to monitor the responses of our customers while engaging in effective communication.

We will collaborate with local subsidiaries in China to promptly respond to any forthcoming guidelines on the Chinese cosmetics regulations.

We are also working to quickly recover the products that were recalled in 2022 to minimize the impact on customers, and we are striving to prevent recurrence by reviewing our production management system.

# Product Quality Management GRI 404-2, 416-1

## Main initiatives

### Company-wide consumer- and customer-driven quality management activities

#### **Strengthening and promoting quality management activities in AEMEA**

In conjunction with changes in our business structure for the Americas, Europe, the Middle East and Africa (AEMEA), we have newly established quality management meetings for each business for the AEMEA Consumer Care Division, Salon Division, and *Molton Brown*.

At these meetings, we developed priority action items based on our FY2022 company-wide policies for quality management activities. We also conducted a year-end management review in which we confirmed the progress status of the priority action items and examined the quality issues of each business. Activity outcomes were reported on at the 4th Quality Management Committee Meeting and will be reflected in our policies for company-wide quality management activities for the following fiscal year. Through continuous implementation of this PDCA cycle, we will improve the quality management activities of the Kao group in AEMEA.

#### **Strengthening of quality management education programs**

We have conducted quality management education for all departments involved in *Yoki-Monozukuri* each year with the aim of improving quality awareness and acquiring knowledge of quality management activities. Additionally we have developed and implemented an e-learning education system to ensure that anyone can access well-designed quality management education at any time. With this system, we introduced comprehension testing that enables the company to

constantly monitor and to evaluate their understanding of laws / regulations and internal rules / standards.

In 2022, we continued to strengthen e-learning education by adding content on such topics as the revised PMD Act (establishment of a legal compliance structure), the Consumer Product Safety Act, and pharmaceutical regulatory filings and raw materials registration. A total of 9,565 Kao Group members have completed the sessions. We also share case studies on quality-related incidents with relevant divisions through practical education, working to prevent their recurrence.

#### **Verifying quality management activities through audits and self-checks**

In addition to Japan, our group companies in Asia and AEMEA maintain ISO9001 and GMP certification, and two of our plants in Japan have been certified under ISO22716. We audit our own manufacturing facilities, as well as contract manufacturers and raw material suppliers, and hold meetings to improve quality with them. We also get audited by our customers and inspected by authorities.

As part of our efforts to strengthen our product quality management audit and self-check frameworks, we hold Quality Audit Promotion Meeting with participants that include not only Product Quality Management Division personnel, but also leaders from relevant divisions. These meetings are used to help drive audit activities by deciding which areas auditing should focus on.

In 2022, at our group plants in Japan, we conducted internal audits on GMP compliance and the production management of our contractors. Results were reported at meetings of the Internal Control Committee. In addition, the implementation status of external audits

for group companies in Japan, Asia, and AEMEA during the previous year was reported to the Quality Management Committee.



Certification Status of ISO and Other Standards  
<https://www.kao.com/global/en/sustainability/pdf/environment-activity-data/certification/>

# Information Security

We have established 30 Information Security Committees (ISCs) in various countries, areas, worksites and companies. These ISCs take action to strengthen information security in order to protect information assets that include cybersecurity measures, trade secrets (TS), and personal information as well as IT hardware, software and many kinds of data records.

## Social issues

The rapid development and expansion of information technology (IT) has resulted in IT spreading to every aspect of our lives, and it has become an indispensable part of social infrastructure. Disruption to the social IT infrastructure could have a major impact on economic activities due to the interruption of electricity, gas and water lifelines as well as transportation infrastructure. Moreover, cyberattacks have resulted in leaks of information assets including trade secrets and personal information from companies, so ensuring cybersecurity has become a social issue. With the Basic Act on Cybersecurity's enactment in November 2014, the entire country has been working on cybersecurity issues.

At Kao, the ISC in Japan plays a central role in establishing incident response structures and preparing for incidents in collaboration with the Risk & Crisis Management Committee. For technical measures, Enterprise Information Solutions takes the initiative in conducting risk assessments and implementing measures in line with the roadmap for security measures. What we seek is to implement security measures that will prevent cyberattacks and to build and maintain mechanisms and systems that can minimize damage even if we are subjected to cyberattacks.

Also, the protection of personal information has been reinforced in recent years pursuant to the EU General Data Protection Regulation (GDPR) and the laws of individual countries. We are aware that responding to the increasingly rigorous protection of personal information in each country is a social issue. The definition of personal information and the

obligations of companies to handle personal information vary from country to country, depending on their laws. We ascertain the details of personal information protection laws that are enacted and amended, implement the measures that Kao Group companies should take, and comply with the personal information protection laws of each country.

## Policies

We have formulated our Information Security Policy, Guidelines on Handling Trade Secret Information, Guidelines on Handling Personal Information, IT Security Guidelines (for Administrators) (for Users) and Website Application Security Guidelines. We also carefully manage cybersecurity measures, trade secrets (TS), and personal information in accordance with the policy and guidelines. Such efforts are not only carried out in accordance with laws and regulations and the guidelines set forth by government agencies and committees, but are also designed to clarify our management framework and management methods.

The way to handle personal information is disclosed in the Kao Group Company's Privacy Policy. The Kao Group Company Inquiries and Complaints Reception Desk Regarding Personal Information has been established for inquiries or complaints.



Kao Group Company Privacy Policy

Japanese version

<https://www.kao.com/jp/privacy/>

English version

<https://www.kao.com/global/en/privacy/>

For EMEA (Europe, the Middle East and Africa) (GDPR compliant)

<https://www.kao.com/emea/en/privacy/>

Kao Group Company Inquiries and Complaint Reception Desk Regarding Personal Information

Japanese version

<https://www.kao.com/jp/privacy/privacy-contact/>

For the EU (GDPR compliant)

<https://www.kao.com/global/en/EU-Data-Subject-Request/>

## Strategy

### Risks and opportunities

#### Risks

The occurrence of cyberattacks that can cause the long-term suspension of production, sales, marketing and R&D activities, along with the loss of corporate trust due to leaks of information including trade secrets (TS) and personal information, is a major risk.

#### Opportunities

By strengthening cybersecurity measures and the management of information assets including trade secrets (TS) and personal information, such data can be utilized in new ways, new business can be created, and new styles of working will become possible through the use of networks.

# Information Security GRI 3-3

## Strategy

With regard to cybersecurity measures, we have secured a budget in accordance with the security strategy roadmap and implemented measures (determined by the degree of urgency of the security measures and the budget that can be allocated).

In 2022, we introduced various cybersecurity measures such as email security functionality (that renders email attachments and links harmless and prevents email spoofing), account monitoring functionality (a measure to prevent account hacking), and Endpoint Detection and Response (EDR: software that detects suspicious behaviors on PCs and servers and provides prompt responses to them) in AEMEA (the Americas, Europe, the Middle East and Africa) and Japan. We will complete the introduction of EDR in Asia in the first quarter of FY2023. We are also planning a global expansion of a Security Operation Center (SOC) that monitors the networks, servers, and PCs 24 hours a day, 365 days a year, detects suspicious behaviors including cyberattacks and viruses and responds to them immediately. At the same time, we will provide a security education program to our employees.

## Social impact

Kao intends to help improve security measures in the industry and of all companies in Japan by sharing information about the cyberattacks Kao Corporation experienced with the industry and companies in Japan through the information-sharing network. For this reason, we participate in the Initiative for Cyber Security Information Sharing Partnership of Japan (J-CSIP) of the Information-technology Promotion Agency, Japan (IPA), Cyber Intelligence Information Sharing Network of the National Police Agency, and the Information Security Early Warning Partnership scheme of JPCERT/CC. We

also participate in the Security Information Management Subcommittee established by the Japan Chemical Industry Association, an industry organization, and are working to exchange information with other companies.

Implementing cybersecurity measures for the entire supply chain will play a part in improving cybersecurity for the entire industry and for Japanese companies overall.

## Contributions to the SDGs



## Business impact

Cybersecurity measures can reduce costs incurred to respond to leaks of trade secrets (TS) and personal information by preventing such leaks. Also, damage can be minimized if measures are in place to respond to leaks of trade secrets (TS) and personal information.

## Governance

### Framework

#### **Information security management framework**

The Information Security Policy, which is the primary provision regarding information security, stipulates that the President & CEO shall appoint a Chief Information Security Officer (CISO) to take command of, and be responsible for, the supervision of the formulation and maintenance of information security measures. The Chief Information Security Officer (CISO) is an Executive Officer and takes on the position of chairperson of the Information Security Committee (ISC). The ISC supports the protection of information assets (including hardware, software and various types of data files) such as trade secrets and personal information, in order to achieve management goals, takes measures against cyberattacks on the Kao Group as a whole, and responds to the personal information protection laws of each country.

In Japan, we have appointed executive officers to serve as Chair and Vice-Chair of the ISC, and both the committee members and the staff of the committee's secretariat are appointed from different divisions, including Human Capital Development, Enterprise Information Solutions, Marketing, Research and Development, Intellectual Property Management, Supply Chain Management, and Legal and Governance. This allows us to benefit from a wide range of perspectives when determining policies, formulating internal rules, putting management systems in place and implementing awareness-raising activities.

The ISC provides a report to the Board of Directors through the Internal Control Committee every quarter. The report contains the activity targets of the current fiscal year, progress status and performance

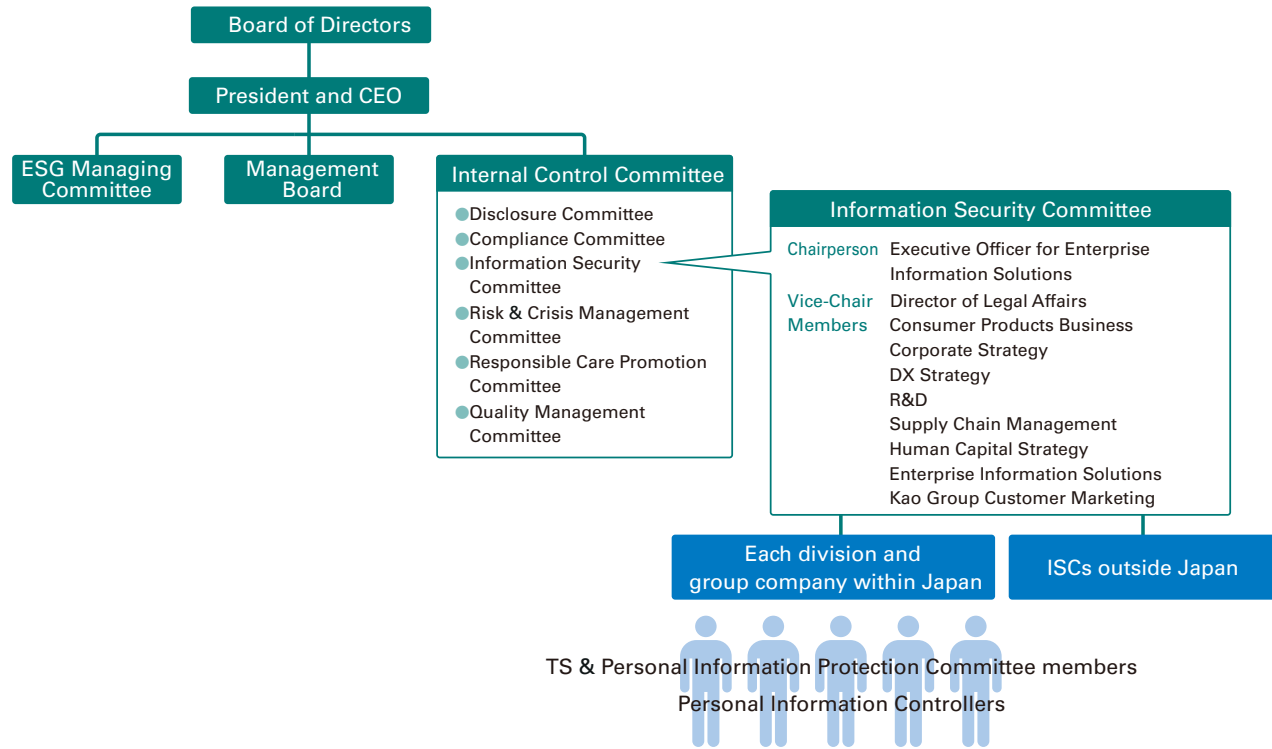
# Information Security GRI 3-3

evaluations, and in the fourth quarter, the activity targets for the coming fiscal year are also reported. In the event of an incident that requires an emergency response, the ISC works in collaboration with the Risk & Crisis Management Committee and reports to management immediately.

Overseas ISCs comprise members of the Managing Boards of each company, and the ISCs are positioned under Japan's ISC. As in the case with Japan, the activities of the ISCs include quarterly activities based on the PDCA cycle, and ISCs are required to submit reports to the ISC in Japan in March of each year.

**P18** Our ESG Vision and Strategy > Governance

## Information security management system



\* As of January 2023

# Information Security GRI 3-3

## Establishment status of Information Security Committee (ISC)

Division	Number	Company / Region
Headquarters	1	Kao Corporation
Consumer Products	2	Kao (Taiwan)
	3	KPSS Taiwan Ltd.
	4	Kao (Hong Kong) Limited
	5	KPSS Hong Kong Ltd.
	6	Kao Industrial (Thailand) Co., Ltd. / Kao Consumer Products (Southeast Asia) Co., Ltd.
	7	PT Kao Indonesia
	8	Kao Singapore
	9	Kao (Malaysia) Sdn. Bhd.
	10	Kao Vietnam Co., Ltd.
	11	Kao Consumer Products (EMEA)
	12	Kao Consumer Products (EMEA) U.S.
	Chemical	13
14		Pilipinas Kao, Incorporated
15		PT Kao Indonesia Chemicals
16		Kao Corporation, S.A. (Spain)
17		Kao Chemicals GmbH
18		Quimi-Kao, S.A. de C.V.
19		KAO Chimigraf, Sociedad Limitada
20		Kao Specialties Americas LLC
21		Kao Collins Inc.
Kao Group		22
Kanebo Cosmetics Inc.	23	Kanebo Cosmetics (Europe) Ltd.
	24	Kanebo Cosmetics Deutschland GmbH
	25	Kanebo Cosmetics Italy S.p.A
	26	Taiwan Kanebo Cosmetics, Co., Ltd.
	27	Kanebo Cosmetics (Thailand) Co., Ltd.
	28	Kanebo Cosmetics Malaysia Sdn. Bhd.
	29	Kanebo Cosmetics Korea Co., Ltd.
	30	Kanebo Cosmetics Rus LLC

## Report format for submission to the ISC in Japan

No.	Item	Content
1	Self-awareness raising activities	Conducted for all employees. Describe the details of awareness raising and the targets.
2	Self-checks	Describe the details of self-checks and the respondents. Which of the following patterns does the respondent belong to? <ul style="list-style-type: none"> <li>• Respondents are selected through sampling of employees in each division</li> <li>• Managers ascertain conditions in their divisions and respond</li> <li>• Other</li> </ul>
3	Setting improvement targets and taking action	Based on the results of self-checks, set improvement targets for those items with poor results and describe an improvement plan.
4	Number of incidents	State the number of cases of theft, loss, erroneous transmission of trade secrets, and theft or loss of information equipment for each type. Describe the details in an incident report.
5	Information relating to personal information	State the amount of personal information that is held, the number of complaints regarding personal information, and the number of requests to delete personal information.
6	Other	Describe reports relating to TS, personal information and cyberattacks, if any.

# Information Security GRI 3-3

## Incident response system

An incident response system has been established and measures are taken to minimize damage in preparation for potential cyberattacks, leaks of information, and other such incidents. To prepare for actual incidents, tabletop exercises are conducted multiple times each year.

## Kao's incident response members and their roles

Name	Members:	Roles, tasks, etc.
Top management	<ul style="list-style-type: none"> <li>Representative Director</li> <li>Audit &amp; Supervisory Board Members</li> </ul>	<ul style="list-style-type: none"> <li>Identifying major incidents</li> <li>Determination and approval of response measures, disclosures and measures to prevent recurrence</li> </ul>
Risk & Crisis Management Committee	<ul style="list-style-type: none"> <li>Chairperson</li> <li>Secretariat</li> </ul>	<ul style="list-style-type: none"> <li>Escalation by the cyberattack / personal information protection response team</li> </ul>
Emergency Countermeasure Meeting CSIRT Computer Security Incident Response Team	<ul style="list-style-type: none"> <li>ISC Chairperson</li> <li>ISC Members</li> <li>ISC Secretariat</li> <li>Risk Management &amp; RC</li> <li>Strategic Public Relations</li> <li>Employee Services &amp; General Affairs</li> <li>MK Platform</li> <li>Consumer CC</li> <li>Responsible divisions</li> </ul>	<ul style="list-style-type: none"> <li>Identifying and responding to incidents</li> <li>Immediate response: determination of network isolation, suspension of server operation, suspension of accounts and other related issues</li> <li>Report to top management: Preparation, reporting and implementation of immediate response measures and measures to prevent recurrence, decisions on disclosure to stakeholders and relevant external organizations</li> </ul>
SOC Security Operation Center	<ul style="list-style-type: none"> <li>Enterprise Information Solutions: Networks, servers and security services</li> <li>Strategic Public Relations: Responses to mass media, preparation of news releases</li> <li>Risk Management &amp; RC: Social media monitoring</li> <li>Customer Success: Management of memberships and campaign-related website</li> <li>Consumer CC: Management of external reports</li> <li>ISC Secretariat: Management of reports from the National Police Agency, IPA and JPCERT/CC</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of various types of monitoring and detection of outliers. If an outlier is detected, report to CSIRT, investigate the cause, and implement technical responses</li> <li>Receive external reports, confirm facts and report to CSIRT</li> </ul>
Stakeholders / Relevant external organizations	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Employees</li> <li>Consumers</li> <li>Mass media</li> <li>Supervisory authorities</li> <li>Police</li> <li>IPA</li> <li>JPCERT/CC</li> <li>Information-sharing networks</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of information to stakeholders, reporting to supervisory authorities</li> <li>Request for support to police, IPA and JPCERT/CC</li> <li>Provision of information to information sharing networks</li> </ul>

Note: Risk Management & RC: Risk Management & Responsible Care, Consumer CC: Consumer Communication Center, MK Platform: Marketing Platform

## Kao's incident response flow

	Detection	Identification	Response
Top management and Audit & Supervisory Board Members Risk & Crisis Management Committee			<ul style="list-style-type: none"> <li>Report</li> <li>Response measures, announcement, approval of measures to prevent recurrence</li> </ul>
ISC (CSIRT)	<ul style="list-style-type: none"> <li>Immediately</li> </ul>	<ul style="list-style-type: none"> <li>Understanding the facts</li> <li>Decision on urgency</li> <li>Emergency Countermeasure Meeting</li> <li>Preparation of management report</li> <li>Requests for external support</li> </ul>	<ul style="list-style-type: none"> <li>Response measures, warnings, announcement, recurrence prevention measures, examination of responses to inquiries, etc., preparations</li> </ul>
SOC	<ul style="list-style-type: none"> <li>Monitoring</li> <li>Reports from employees</li> <li>Reports from outside</li> <li>Social media posts</li> </ul>	<ul style="list-style-type: none"> <li>Continuous analysis</li> <li>Investigation of causes</li> </ul>	<ul style="list-style-type: none"> <li>Response measures, warnings, announcement, recurrence prevention measures, responses to inquiries</li> </ul>
Stakeholders Stakeholders (Relevant external organizations, security companies)		<ul style="list-style-type: none"> <li>Request for support to police, IPA and JPCERT/CC</li> <li>Coordination with contract counterparties</li> </ul>	<ul style="list-style-type: none"> <li>Warnings, announcements, incident reports, information sharing</li> </ul>



# Information Security

GRI 3-3, 404-2

## Education and promotion

Internal education is conducted by each division to ensure that employees throughout the group fundamentally understand the issues of protecting trade secrets (TS) and personal information, in principle. To this end, a general meeting is held each November with Trade Secret & Personal Information Protection Committee members and Personal Information Controllers from each division to

- (1) provide lectures and training on trade secrets (TS), personal information and information security,
- (2) analyze the number of incidents and trends related to Kao's TS and personal information and provide feedback, and
- (3) provide awareness materials for training in each division.

The November 2022 meeting was held in conference rooms and through web conferencing with 321 TS & Personal Information Protection Committee members and Personal Information Controllers participating.

Company-wide educational materials are posted and timely warnings for all staff are provided via the company intranet portal site. Also, to evaluate the effectiveness of the internal education, self-checks are performed. On the basis of the results obtained, any problems that may exist are identified, improvement targets are set, and improvement activities are implemented.

Overseas, each ISC prepares an education and self-inspection plan, carries it out, and submits a report to Japan in March.

## Collaboration with stakeholders

### Cybersecurity measures

In 2022, for security measures throughout the entire supply chain, we interviewed 107 packaging suppliers and 86 raw material suppliers and assessed their security

measures. Procurement has consultations on effective measures for suppliers that are considered high-risk.

### Paper audits of outsourcing partners handling personal information in Japan

We conducted paper audits of 206 service provider companies, confirmed the status of personal information management systems, rules and security management measures, and supervised service providers.

### Website Application Security Guidelines

To present Kao's security requirements to system development contractors and ensure they meet the requirements when carrying out design and development, we have formulated and implemented the Website Application Security Guidelines.

These guidelines contain internal procedures and points of consideration related to the security of system personnel, development personnel, and operations personnel.

## Risk management

Activities to promote trade secrets (TS) and personal information protection conducted in Japan using the PDCA cycle were as follows.

### Plan: Plan formulation and adjustment

- Review of the promotion system and updating of information access authorizations
- Review of trade secrets lists
- Sharing of implementation plans for awareness raising and self-checks

- Report from the Information Security Committee in each country (previous year's results and this year's plan)

### Do: Awareness-raising activities

- Re-inspection of the confidentiality level of trade secrets
- Submission of a pledge by each Personal Information Controller
- Awareness-raising activities for employees

### Check: Self-checks and auditing of outsourcing partners

- Conducting self-audits on trade secrets (TS) and personal information
- Auditing of outsourcing partners that handle personal information

### Act: Improvement activities

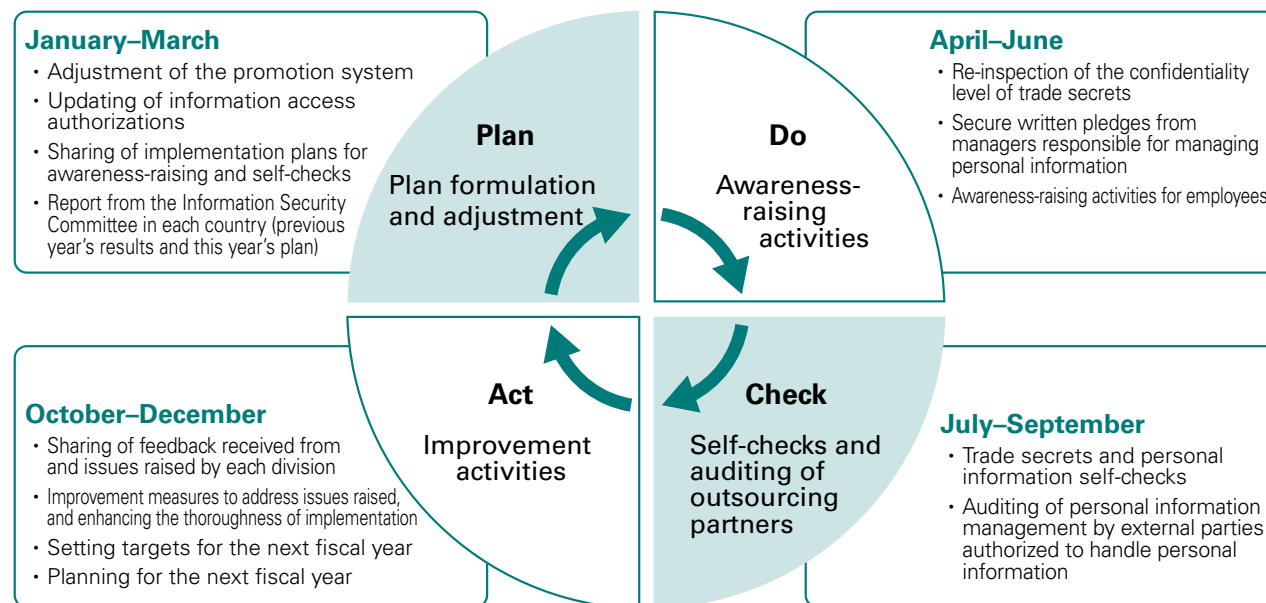
- Summarizing incidents related to trade secrets (TS) and personal information
- Feedback of trade secrets (TS) and personal information self-checks
- Setting improvement targets

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Our ESG Vision and Strategy &gt; Risk Management

# Information Security

## PDCA cycle for information security activities



## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

- Protection of information assets such as trade secrets (TS), personal information, hardware, software and many kinds of data records, including cybersecurity measures
- In the event of an information leak or other emergency, confirmation of facts, decision on a response, and formulation and implementation of measures to prevent recurrence

#### 2022 results

At Kao, there were no serious incidents related to information security, including trade secrets (TS) and personal information protection. No claims relating to personal information were directed to inquiry desks.

#### Plan: Plan formulation and adjustment

- Reviews of 303 TS Promotion Committee Members and 247 Personal Information Controllers
- Review of trade secrets lists by 144 divisions, departments and affiliated companies in Japan
- Reports received from 29 ISCs outside Japan

#### Do: Awareness-raising activities

- Pledge submissions from 2,090 personal data controllers
- Conducted awareness-raising activities in 160 divisions, departments, and affiliated companies in Japan

# Information Security

## Check: Self-checks and auditing of outsourcing partners

- Self-checks on TS in 166 divisions, departments and affiliated companies in Japan
  - Self-checks on personal information in 124 divisions, departments and affiliated companies in Japan
- Audits of 179 outsourcing partners that handle personal information

## Act: Improvement activities

At Kao, there were no serious incidents related to information security, including TS and personal information protection. No claims relating to personal information were directed to inquiry desks.

- 305 members participated in the plenary meeting held on November 15, 2022.
- The number of incidents related to trade secrets (TS) and personal information in 2022 was 78 by the end of October.

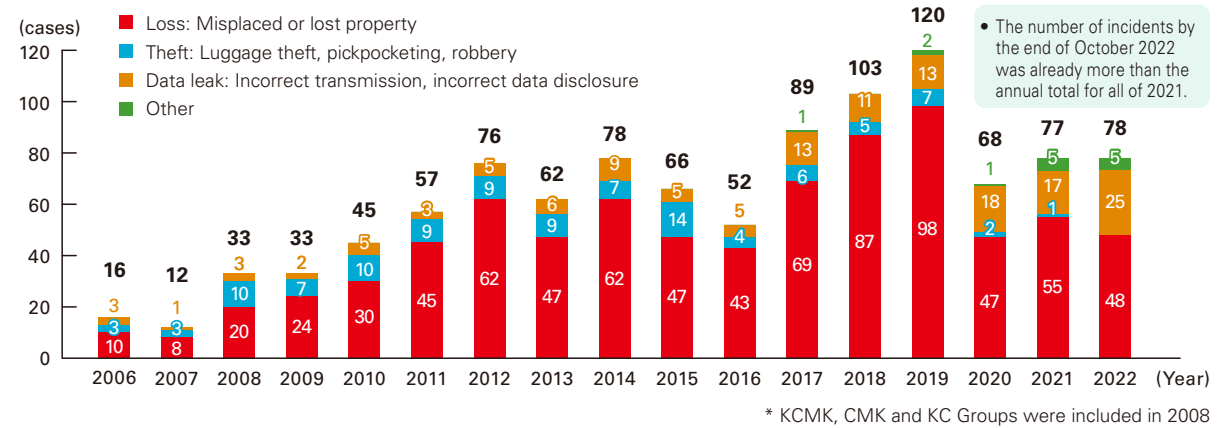
The results of trade secrets (TS) self-checks and improvement targets in 2022 are as follows:

- Review the division manual (trade secrets lists) periodically and clearly write the storage period.
- Carry out thorough management of trade secrets at home and always lock the PC screen when leaving your desk.

As a result of self-checks on personal information in 2022, we established improvement targets as follows:

- Periodically check whether personal information is included in the information handled in your division. If the division obtains and stores personal information, register the personal information in the personal information register system.

## Change in the number of incidents in the Kao Group in Japan (at the end of October 2022)



## Reviews of 2022 results

It is necessary to carry out activities to protect trade secrets (TS) and personal information on a continual basis every year. Since even those who fully understood trade secrets (TS) and personal information protection lose clarity in their knowledge over the years, the risk of an incident occurring increases. It is important that all employees, including new hires and mid-career hires, understand and follow our trade secrets (TS) and personal information protection rules.

In addition, 29 Information Security Committees (ISCs) have been established overseas in overseas regions, corporate groups, and individual companies to promote the protection of trade secrets (TS) and personal information throughout the Kao Group. We check the contents of the activities of each ISC with activity reports which are sent once a year in March from ISCs outside Japan.

# Information Security

## Main initiatives

### **Formulation of activity targets for the Information Security Committees (ISC) in Japan**

The following ISC activity targets for 2022 were set and measures were taken to achieve them.

#### **(1) Main activities of the 29 Information Security Committees overseas**

- KC Russia: Inactive
- Conducting awareness-raising activities: 28
- Conducting self-checks: 26
- Setting targets: 26
- Incidents occurred: 22 cases from 6 companies
- Request for deletion of personal information: 25 (already addressed)
- Request for deletion of EU cookies: 84
- Complaints about personal information: 0

#### **(2) Renewal of cyber insurance**

#### **(3) Responding to the enforcement of the revised Personal Information Protection Act in Japan**

- A briefing about revised rules was held in January.
- Obtaining consent regarding website cookies began in Japan in April.

#### **(4) Interviews with suppliers about security measures**

- We interviewed 107 packaging suppliers and 86 raw material suppliers in June, grasping what risks they were facing and what measures we should take to mitigate those risks.

### **Reinforcement of cybersecurity measures**

#### **(5) Strengthening security measures in accordance with the security strategy roadmap to enhance the security strategy**

- We enhanced email security, website security, account security and endpoint security.

#### **(6) Consideration of the abolition of PPAP**

- Because when a zip file with a password is attached to an email, it is not possible to check it for viruses, we discussed the provision of alternative means and the revision of internal rules so that Kao would not send and receive emails with zip files attached that require a password. We will start implementing the provisions in June 2023.

### **PDCA (Plan, Do, Check, and Act) cycle for information security**

#### **(1) Trade secrets lists, awareness-raising materials and TS and personal information self-check questions reviewed**

#### **(2) Awareness-raising activities implemented (by individual divisions)**

- We pledged to manage electronic data through MS Forms for the use of the personal information dedicated server.

#### **(3) TS and personal information self-checks and audits of personal information outsourcing partners conducted**

#### **(4) The Trade Secret and Personal Information Protection Promotion Meeting was held in November**

- Video presentations of awareness-raising activities
- Explanations regarding the abolition of PPAP

- Report on incidents related to TS and personal information in Japan
- Summary of self-checks
- Setting of improvement targets

# Strategic Digital Transformation (DX)

We are promoting a strategic digital transformation (DX). By making the power of digital technology our ally so as to enable us to communicate at anytime and anywhere, we deliver *Yoki-Mono* (good products) value to our customers on a timely basis and in customized ways and provide solutions that enhance the creativity to our employees.

## Social issues

With such significant changes in the global social and economic environments expected, it is hoped that a society will emerge where everyone can play an active role, free from various restrictions such as region, location, age, and disability going forward.

Also, since the global COVID-19 pandemic in 2020, many people have become aware of the new value and potentials of digital technology, and their daily lives have changed significantly as a result of the adoption of non-contact and remote digital technology in many social activities.

Until now, we have used various leading-edge technology in all stages of the supply chain and implemented DX with a focus on increasing operational efficiency. Going forward, we hope to implement DX using the most recent leading-edge technology, pursue value that can be provided only by a company that is involved in the lives of people throughout their lifetimes, and create a new lifestyle culture in cooperation with various partners.

## Policies

### “WakuWaku Transformation”

By combining Kao’s manufacturing strengths and advanced technologies, we aim to become a “WakuWaku (Exciting) Creative Company” that creates new ways of living.

Through the power of DX, we will create a corporate culture that is “excited about changing society and excited about changing ourselves,” we will enhance the level of value we provide to all stakeholders (employees, customers, shareholders and society), and will continue with initiatives that enable employees to do fulfilling work and meet external expectations even in 2030.

## Strategy

### Risks and opportunities

#### Risks

Falling behind in DX will cause inferiority against competitors in sales, as well as pose risks of not fulfilling our social responsibilities, including delays in ESG activities. In promoting DX, it is essential to comply with laws and regulations, including personal information protection, and to take measures against risks of information breach. In addition to handling personal information with meticulous care and building and monitoring robust systems, we collaborate with our in-house Legal, Global to comply with local laws across the globe.

#### Opportunities

Two perspectives are essential for Kao’s growth—our value propositions conducive to solving social issues, and how the value propositions should be designed to achieve this? While maintaining our commitment to *Monozukuri*, we will continue to place even greater emphasis on delivering optimal value to each and every customer.

In addition, we will actively collaborate with external partners to pursue optimal solutions for our customers and end users.

### Strategy

#### ‘Transforming from a manufacturing company to a UX creation company’

Our goal is not only to sell products but also to deliver the best experiences and devise new ones.

Through DX, Kao aims to become a company that delivers the best experience to customers by staying close to them every day and throughout their lives—in other words, become a “UX” creator. Kao’s unique “UX” and “best experience” approaches comprise two routes: “monitoring” and “solution matching.”

Through monitoring, customers can visibly see their own physical condition and changes in it, or the makeup and hairstyle that suits them, or the state of hygiene in their homes, then find the best solution that suits them, and experience the joy of encountering such a solution. This is what Kao considers “UX,” and this “UX creation” is what Kao aims for through the means of DX.

This also means we will apply DX to “aim for a ‘World of Precision’ where people can share truths and where many genuine elements can contribute to encountering the best,” which was presented in the “Precision Life Care Concept” in March 2022.

Going forward, we will not only be a *Monozukuri* company, but also a company that creates “the best experience,” or “UX.” In other words, we will transform ourselves from a manufacturing company to a UX creation company.

# Strategic Digital Transformation (DX) GRI 3-3

## Social impact

Kao continues to research various aspects of daily life. In doing so, we have developed a Virtual Human Body Generative Model with Preferred Networks, Inc. using multiple monitoring technologies developed through the accumulation of such research to combine products and services tailored to an individual's condition. To provide optimal life care to each of these customers, we will accelerate our efforts to resolve social issues by proposing optimal solutions to unsolved problems in life, lifestyle, and ecology as Precision Life Care in collaboration with a multitude of private enterprises and government agencies.



Kao and PFN Co-Develop Virtual Human Body Generative Model  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220228-001/>



Precision Life Care Concept Briefing

- Presentation  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/investor-relations/pdf/presentations-fy2022-plc-01.pdf>

- Explanatory Video  
<https://www.irwebcasting.com/20220316/2/9ddc26fe7c/mov/main/index.html>

In December last year, we also launched My Kao, a platform to connect directly with customers, and created a new system that enables us to accumulate large amounts of data related to various health and hygiene issues (*Kurashi* Big Data) on a daily basis. We will return this accumulated data to society through participation in industry, government, and academic projects and the dissemination of white papers, and will also support activities that help various kinds of consumers lead richer and healthier lives.



My Kao Release  
<https://www.kao.com/jp/newsroom/news/release/2022/20221215-001/>  
 (Japanese)

## Contributions to the SDGs



## Business impact

Further business expansion is expected through the Digital Transformation (DX) of business divisions (via data-driven marketing and UX) and expansion of Kao fans and direct sales EC by enhancing the My Kao platform.

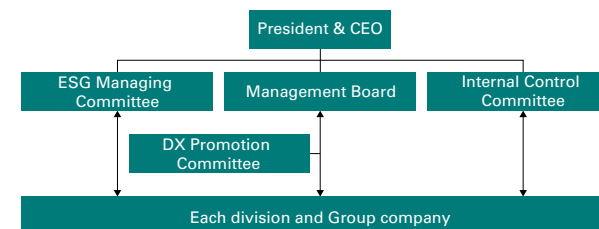
In addition, in proposing and implementing strategies and tactics to radically improve the efficiency of business processes through employing digital technology, we aim to improve the profit structure by boosting business efficiency and adding value to our business results.

## Governance

### Framework

Effective January 2023, three DX-related divisions (Strategic Innovative Transformation, Co-Creation, and part of the Retail Marketing Innovation function of Kao Group Customer Marketing) have been integrated to form DX Strategy, a new company-wide division.

Under the Board of Directors' supervision, the DX Promotion Committee formulates Kao's DX strategies, makes investments, and manages opportunities for specific DX initiatives. The DX Promotion Committee is chaired by the Managing Executive Officer in charge of DX Strategy and advised by the President & CEO. Important matters are deliberated on by the Management Board and reported to the Board of Directors.



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# Strategic Digital Transformation (DX) GRI 3-3, 404-2

## Education and promotion

The Digital Skills Learning Service provides a wide range of learning opportunities for all employees, from basic DX knowledge to specialized ICT-related content, via the intranet. In addition, all leaders and above, including executives, must take a DX literacy course to gain knowledge and foster awareness of how DX is applied in practice. Furthermore, we hold monthly DX Study Meetings to provide information on various case studies, topics, and cutting-edge trends both inside and outside the company. A large number of employees actively participate in each session, leading to the spread of a wide range of DX-related knowledge.

In the Consumer Products Business, we offer a more practical learning program on digital for young employees in the business units. Specifically, we train data analysts with knowledge and skills related to more advanced analysis, as well as provide education and self-study opportunities for the qualification of Web Analyst from the Web Analytics Consultants Association.

## Collaboration with stakeholders

We regard our suppliers as important stakeholders, not merely as customer-vendor relationships, and we aim to develop relationships that can transform companies and create social value together.

We will also work on “co-creation” with our customers. Specifically, we plan to create various “communities” within My Kao through two-way communication with customers, and to work together with them to develop unprecedented products and services. Kao researchers will communicate with My Kao members and work together to devise solutions that have never existed before and attain “happy lifestyles created together.”

## Risk management

We have designated “stagnation and delay of digitalization and DX” as a company-wide key risk, and will conduct risk management while promoting the strategy as one of our top management priorities.

As Kao Corporation, the secretariat of the Risk & Crisis Management Committee (Risk Management & RC Promotion) conducts risk surveys on comprehensive and specific themes for DX Strategy, identifies key risks, and reviews countermeasures. In the case of cross-organizational and common risks, the relevant divisions work together to strengthen their response and, where appropriate, the responses are treated as major company-wide risk issues.

**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 the social structure is undergoing major transformation, how we all consume must also shift from the model of “eliminate” and “spend.” Kao will also progress by shifting away from merely amassing standards and toward business models and services aimed at realizing diverse forms of happiness for consumers. To this end, we will promote LX (Life Service Transformation) unique to Kao that utilizes digital technology.

As a specific initiative, from the perspective of value chain optimization, we will implement “Wastefulness—*Mottainai*, never today, nor tomorrow.” with the power

of digital technology to reduce both opportunity loss and disposal.

In addition, under the slogan of “Leave no one behind,” the entire company will promote enhancements in web accessibility with the aim of providing digital information in ways accessible to all.

Based on its ESG strategy, the Kirei Lifestyle Plan (KLP), Kao is strengthening its environmental and social initiatives with the aim of achieving sustainable and enriched lifestyles from the consumer perspective. Through our initiatives in web accessibility, we will ensure more people in various circumstances will be able to easily find the information they need to choose and use our products.

Our target level is Level AA of the Web Content Accessibility Guidelines (WCAG) 2.1 published by the World Wide Web Consortium (W3C).

### 2022 results

#### Lunasol reduces disposal volume

We launched an initiative beginning last year to predict sales based on both advance online and offline sales in order to reduce the volume of discarded cosmetic products. Disposal of unsold products causes environmental impact including the release of CO<sub>2</sub> during processing, and it is possible to reduce the environmental impact from disposal by reflecting advance sales trends in production plans.

(*Lunasol*: Amount of discarded product (inventory value + returned goods value + discarded packaging material, etc.) Approximately one-fifth of actual disposal in 2020)

# Strategic Digital Transformation (DX)

## Promotion of web accessibility

We have created our own Kao Accessibility Guidelines that target WCAG 2.1 Level AA. We are working to modify and update our current website in accordance with these guidelines, and will also endeavor to ensure that any new websites we create in the future will also comply with these guidelines. In addition, we will periodically review the content of this guideline for improvement. Moreover, we have conducted in-house training on the importance of web accessibility and how to respond in accordance with the Kao Web Accessibility Guidelines, and have started creating websites in compliance with the guideline.



Web Accessibility Policy  
<https://www.kao.com/global/en/web-accessibility/policy/>

## Reviews of 2022 results

We are making steady progress toward our goals, thanks in part to heightened awareness within the company as our activity policy becomes more widespread.



# Strategic Digital Transformation (DX)

## Main initiatives

### Start of the Precision Life Care Concept

Kao possesses many unique technologies that help protect against, prevent, and diagnose diseases in human life, including our RNA monitoring\* technology that predicts potential disease onset based on RNA, and technology that detects changes in the body based on walking conditions. By cross-multiplying data analyzed with a high degree of accuracy using these technologies on a digital life platform, it will be possible to make more precise predictions of health conditions and to offer suitable recommendations on current measures. This is what Precision Life Care proposes. We will grow our digital life platform by also having many partners utilize Kao's monitoring technology in addition to Kao.

#### \* What is RNA Monitoring?

RNA monitoring is a technology that collects and analyzes RNA (ribonucleic acid), which reflects the daily fluctuations of skin conditions, from facial sebum. While DNA is unique to a person and does not change throughout his or her life, RNA, a copy of DNA, is subject to change due to external factors including diet, UV rays, and stress. Therefore, RNA helps to understand skin conditions that change day-to-day due to various environmental factors. In addition, Preferred Networks' deep learning technology, which excels in AI-based deep learning, enables predictions on a person's future skin and health condition when the data obtained from analyzing RNA is analyzed at an advanced level. We will leverage this technology to promote joint research on early diagnosis of diseases including Parkinson's disease.

### Start of My Kao

In December last year, we began operating My Kao, an interactive digital platform that connects directly with consumers. This is Kao's first interactive digital platform that brings together Kao's DX knowledge and assets to co-create the Kirei-Life of each customer.

My Kao has four functions: Know, Experience, Buy, and Create. In addition, by connecting with customers

through One-ID and gaining a deep understanding of them, we will provide various kinds of UX (customer experience). As of December 2022, in addition to providing useful information for daily life based on knowledge acquired through consumer research and manufacturing, Kao will launch Kao Beauty Brands Play Park, an interactive beauty-related community site, and My Kao Mall, an e-commerce function that will start with cosmetics, within My Kao. We will continue to expand services.



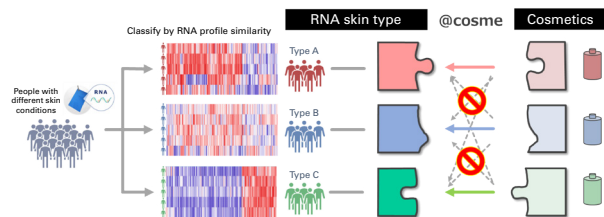
My Kao  
<https://my.kao-kirei.com> (Japanese)

### Evolution of the cosmetics business through sebum RNA monitoring

From 2022, we are working with Istyle Inc., which operates @cosme, to develop a service that creates encounters with cosmetics that suit the individual. This is a matching system that enables users to encounter cosmetics that suit them based on their RNA skin type, which is categorized using sebum RNA monitoring technology.

In the future, we aim to help maximize customer satisfaction and reduce product waste, which is a problem in the cosmetics industry.

# Strategic Digital Transformation (DX)



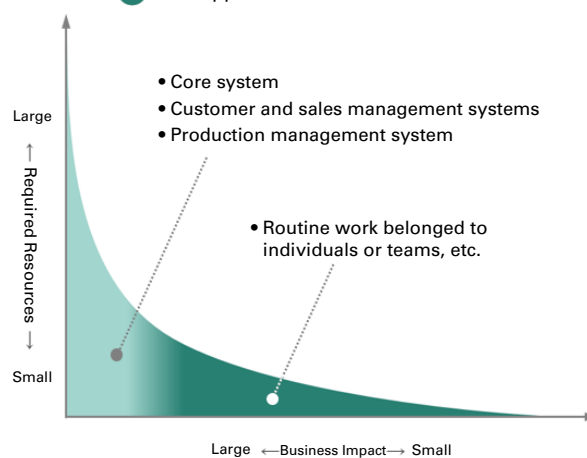
Classify people with different skin conditions into several groups based on RNA skin type  
 Analyze @cosme reviews of people belonging to each RNA skin type group, and estimate cosmetics suitable for that group

## Long-tail DX by citizen developers

We are applying two approaches to pursue better work styles and business processes through DX. Resources are concentrated on projects with significant business impact, such as core systems, and prioritize them for handling. On the other hand, many projects tied to individuals and teams with a limited scope of impact are handled in a grassroots manner by training employees who understand the issues and needs of the field as citizen developers, through reskilling and assisting in the development of low-code applications.

Since the program started in 2021, the number of applicants who want to become citizen developers has continued to rise, and as of February 2023, 673 people have applied. The accumulation of small-scale internal DX (operational efficiency) has produced significant results.

## Two approaches of internal DX



## Complete renewal of Kao's web product catalog

Until now, creating and updating the Kao Web Product Catalog required considerable manual work and procedures, and took approximately one and a half months before information was posted.

Meanwhile, the consultation center receives approximately 3,000 inquiries a month (30% of all inquiries) about stores that carry our products, and we thought that providing a more convenient store search tool would improve convenience and UX.

Furthermore, in March 2021, we fully upgraded our web product catalog, and have continued to improve it since then, in order to provide many people with opportunities to encounter Kao products through multilingual support in preparation for the increase in the number of international residents and visitors to Japan.

## Specific improvements

- Development of an automatic product-page generation system: By building a new automated workflow, we reduced the preparation time from approximately 1.5 months to as little as one day, thereby streamlining the internal page-production process.
- Development of a retailer GPS search function: A unique retailer search function has been developed that maps stores within a 10-km radius of the current location for each SKU searched in the catalog, thereby improving the service as a tool for customers to solve their own queries about retailer information. Currently, the number of store searches is approximately 21,000 per month and is expanding further. This eliminates the stress of customers searching for stores, and in addition, helps to secure a new customer flow to distribution.
- Introduction of multilingual support for Japanese, English, and Chinese: We linked our catalog system to a translation support service to provide multilingual support for our web product catalogs. Increased access by international visitors and improved site recognition and credibility have contributed to the information value of the Kao website.
- Discontinuation of paper product catalogs: By linking to information on product standards for distribution and safety data sheets on chemical substances, we were able to both maintain services for distribution and reduce the production cost of paper product catalogs that would otherwise be distributed.

# Strategic Digital Transformation (DX)

## Employees' opinions

### Ryo Goto

MK Platform Department Head,  
DX Promotion DX Strategy,  
Kao Corporation



Our DX initiatives include improving consumer service through the Kao Group's web product catalog, which is the Kao Group website most utilized by consumers, as well as improving operational efficiency by reviewing operations involved in the production process and creating new workflows.

In addition, in order to respond to inquiries on stores that offer Kao products, we were able to introduce nearby stores using location information and provide detailed product information in multiple languages (Japanese, English, and Chinese) to international residents or visitors to Japan.

The visualization of consumers' current interests from data such as products, locations, and information searched in product catalogs will make it easier to use them in marketing.

We will continue to improve consumer service and contribute to the business.

# Intellectual Property

To realize our goal of “contributing to business and society through intellectual property (IP),” our R&D and business divisions work together to create and protect IP and strategically utilize IP rights.

## Social issues

The environment for intellectual property activities is changing, with demands for technological innovation and the rapid delivery of new and diverse value to address global social issues such as global environmental problems and infectious diseases, as well as the legislation of a patent non-disclosure system from the perspective of Japan’s economic security. In this environment, the problem of counterfeit products, particularly in the Asian region, is becoming more complex and sophisticated, so more advanced countermeasures are required. Solving these problems requires not only our own companies but also the industry at large to work together.

In order to resolve social issues, develop industries and contribute to society, we are working to promote activities in line with our ESG Strategy, the Kirei Lifestyle Plan (KLP). We emphasize utilizing technologies that we created through our fundamental values of *Yoki-Monozukuri* not only in our own products, but also in ways that lead to solutions for social issues, the development of industry, and contribution to society. We believe it is necessary to acquire IP and appropriately enforce rights in order to achieve adequate social implementation and to prevent counterfeiting.

In addition, there is a need for a high degree of reciprocal use of intellectual property in collaboration with external parties to solve social problems.

## Policies

At Kao, our business divisions employ matrix management, where various functions including R&D, production, and sales are encouraged to collaborate and work together organically. To bear fruit from our business and research strategies, we acquire IP, including patents, design rights, trademarks, and other IP rights, for R&D results and names representing brand image generated from the management system, and conduct our business activities from there.

Under this matrix management, the R&D is also carrying out inter-divisional activities between fundamental technology research and product development research, building an IP portfolio based on each of our business strategies that make up Another Kao and Reborn Kao. We are building a framework that comprises the technological assets we have created to utilize in multiple business domains, and putting together a strategic IP portfolio to apply effectively in our business activities.

We also actively pursue the acquisition of rights in Asia, the Americas and EMEA (Europe, the Middle East and Africa) while vigorously protecting ourselves against any infringements of our legal rights, both within and outside Japan. Recently, we have been pursuing measures against counterfeit products in Asia and other regions.

At the same time, we are strengthening our global efforts to respect and avoid infringing on the IP rights of other companies, through undertaking R&D in such a way as to avoid infringing upon them from the initial stages, and reconfirming existing patents before new product launches and taking action where necessary.

At the same time, to maximize the use of intellectual property, we will promote open innovation through collaboration with external parties and encourage activities to deliver higher value products and services to consumers and society. To help solve global social issues, we will co-create new technologies in collaboration with industry and government, and will also flexibly license them and provide access for others to use Kao’s technological assets.

## Strategy

### Risks and opportunities

#### Risks

In cases where it is not possible to acquire developed technology linking industry and public benefit in the form of IP, difficulties arise in the ongoing development of products due to developed technologies easily being counterfeited and hindering expected profits, posing a risk related to realizing What Kao Aims to Be by 2030. Furthermore, the appearance of low-quality counterfeit products gives rise to the risk of failing to meet the expectations of consumers regarding the value of our products. To eliminate these risks, we need to properly secure our IP and exercise the rights.

#### Opportunities

To bring about the KLP, our R&D is working on research and development by establishing themes for solving social issues. However, when it comes to solving these social issues more quickly and surely, there are numerous themes that go beyond our traditional business domain and are too difficult for our company alone. In light of this, we are also working to find

# Intellectual Property GRI 3-3

partners with the same goals and partners who make beneficial use of technology developed at Kao for achieving social implementation.

As such, we will not only employ the intellectual property rights acquired through developing fundamental technologies and the like for our own products, but will also have opportunities to contribute broadly to industry and society in cooperation with our business divisions, with a view to utilizing them in the future and releasing them to the public as part of our commitment to open innovation.

## Strategy

Based on these risks and opportunities, we will develop intellectual property activities that capture the entirety of our business and R&D activities.

In the short term, we will promote the establishment of a system to comprehensively and inclusively acquire and utilize intellectual property rights, including not only industrial property rights such as patents, utility model rights, design rights, and trademarks, but also copyrights, trade secrets, and other intellectual property rights. We will also strengthen collaboration with external parties who will examine globalized intellectual property risks together. This reduces the risk of imitation with multi-layered rights that can address any risk.

In the mid- to long-term, we will further expand the system that enables us to co-create solutions to social issues that Kao aims to address with a variety of like-minded partners outside the company. To this end, we will foster a mindset of co-creation within the company, establish a framework for expanding business earnings through this initiative, and take on the challenge of creating a better system. We believe this will enable us to propose solutions to social issues more quickly and reliably.

## Social impact

We create value that contributes to industry and society and transform IP into assets by pursuing its true nature through particular attention to fundamental technology research and product development research. Amid the need to build new value without delay, we see not just independent development, but also co-creation with outside parties as an important method of development. This is the fundamental concept announced in the Co-creation Innovation and IP Strategy to Accelerate ESG Management presentation that the Senior Vice President of the R&D gave at the Global IP Strategy Forum 2020 held by the Japan Patent Office (JPO) on January 28, 2020.

We use the results obtained through research to make global contributions through IP-related activities conducted by Kao Corporation and its group companies both within and outside Japan working in tandem. In addition, we are reinforcing collaboration with external organizations to respond to social issues and ensuring acceleration in the pace of open innovation based on our IP strategy.

To become an essential company in a sustainable world, we aspire to protect future lives from infectious diseases, etc. and lead the charge to sustainability. In addition to helping to advance technology by publicly releasing inventions that we create, we seek maximum utilization of Kao IP by undertaking open innovation in collaboration with outside parties to solve social problems. Also, public release of socially beneficial inventions contributes to the public good.

## Contributions to the SDGs



## Business impact

Since Kao is a prolific product developer, we can apply Essential Research results to product development in broad range of fields, making it possible to increase the efficiency of R&D through appropriate IP protection. This will enable us to increase product revenues. At the same time, we aim to become an entity that society expects us to be by sincerely addressing and contributing to the resolution of social issues.

## Governance

### Framework

We implement company-wide management of business related IP through the coordinated activities of the Intellectual Property (under R&D) and the Brand Legal Management (under Legal) (Hereinafter, both divisions will be referred to as the Intellectual Property Department).

The Intellectual Property plays a key role strategically applying for and exercising rights relating to patents and technology based designs, which are indicators of key company values from the perspective of technology development capability, in a broad range of fields. The responsible party is the Senior Vice President in charge of R&D.

The Brand Legal Management collaborates closely with business divisions when submitting applications

# Intellectual Property GRI 3-3

and exercising rights relating to design-based designs and trademarks, taking into consideration cost effectiveness. The responsible party is the Senior Vice President in charge of Legal.

The Intellectual Property Department and the Brand Legal Department exchange information in regular liaison meetings. In the past, the discussion was limited to design rights, which are common to both, but in recent years, the weight of the discussion has shifted to the establishment of IP MIX strategies and coordination of anti-counterfeiting measures in response to changes in the diversified use of technology.

Important matters are proposed to and discussed by the Management Board and, if necessary, by the Board of Directors. Most recently, the Management Board deliberated and decided to revise the regulations regarding compensation for inventors, etc., as this is the source of Kao's technological strength and an important investment in intellectual property. Once each year, useful patents and other IP rights that have contributed to business are reported to the Management Board, which deliberates rewards for employee inventions. The results of the deliberations are also reported to the Board of Directors.

Our group as a whole works closely together on R&D activities. In addition to existing IP operations (applications, rights acquisition, contracts, management, information analysis, IP education) conducted while collaborating with business divisions and group companies outside Japan, taking steps to fight counterfeit products and engaging in open innovation, we are also leveraging our IP from more strategic perspectives.

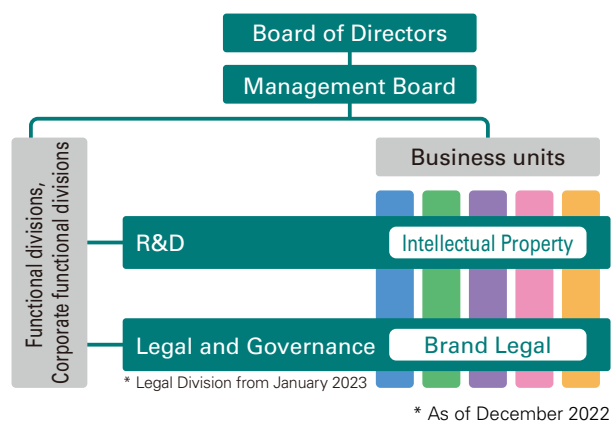
Looking to initiatives aimed at solving ESG issues, we are examining building an organizational team and external structure able to monetize not only IP in our

existing business frameworks but also IP in new business domains.

On the other hand, these activities related to intellectual property involve various risks and opportunities, and risk management is carried out by the Internal Control Committee and the ESG Managing Committee under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

The Internal Control Committee (which meets twice a year) and its subordinate Risk & Crisis Management Committee (which meets four times a year) also manage risks related to countermeasures against counterfeit products outside Japan. These committees are headed by the Executive Officer Responsible for Corporate Strategy.

## IP management framework in Japan



## Management of trademarks and design rights

The Brand Legal Department, which forms part of Legal, is in charge of trademark and design rights (some design rights are handled by the Intellectual Property under R&D). We conduct adequate availability searches for new names or designs so as not to infringe any rights of third parties. We also try to widen the scope of rights acquired to maintain Kao's brand value.

Close collaboration with marketing teams is very important for our trademark activities in particular. Between the Kao Corporation Head Office and three offices in Europe and the U.S., we strive for smooth communication. Furthermore, to ensure timely naming, we support the entire schedule of naming processes, from the beginning of name creation through trademark filing and name decision. Through these activities, we are able to use safely the product names, logos and catchphrases that become the faces of our products, and we are able to provide products that consumers can select and use with reassurance.

We have consolidated systems for promptly eliminating counterfeit products that have been on the rise in recent years. We cooperate with governmental authorities, e-commerce site managers, and peer companies in the industry to this end, while we also reinforce our monitoring of markets including e-commerce sites. By steadily undertaking these measures in response to the damage caused on a daily basis by sophisticated counterfeit products, we are aiming to eliminate counterfeit products and expose their traders so that consumers will not receive counterfeit products.

Furthermore, in anticipation of co-creation with other companies, we are also working on trademarking various

# Intellectual Property GRI 3-3, 404-2

names for the purpose of penetration, establishment, and recognition of our superior technologies and services.



## Education and promotion

We have implemented a wide range of IP education and training programs for researchers aligned with, for example, their years of experience and roles. Not only providing seminars on the patent system as well as seminars and practical training for creating patent specifications, we also provide education that fosters IP management taking business into account and strategic thinking utilizing patents. In 2022, a total of around 430 researchers participated in IP education and training programs. We also make effective use of e-learning program to enhance the effectiveness of our educational activities. Online learning has already been adopted as a tool for IP education and training by our researchers in Asia, the Americas and EMEA.

As a result, researchers have been taking more initiative in acquiring IP rights for technologies and in

building IP portfolio. We expect that repeatedly taking these educational programs according to the number of years of experience enhances the IP literacy of researchers and the technologies and products that they develop will become sources for the creation of functions and appeals that differentiate them from competitors. In fact, through these continuous education we believe we have been able to maintain high standards of annual applicant numbers and registration rates.

Our IP educational programs were reported in Volume 295 of *Tokugikon* (November 2019), a journal published by the JPO.

On the other hand, we recognize that the population aging of IP department members and the restructuring of member education as a new issue to improve the environment in preparation for generational change are new challenges, and we have begun to address these issues.

## Collaboration with stakeholders

To realize "What Kao Aims to Be by 2030," we will take a firm stand against counterfeiting, which is a challenge in the field of intellectual property. By collaborating with IP industry organizations and other companies in our own industry, we have reinforced our measures and are helping to advance the IP industry as a whole.

As a part of those initiatives, we have created opportunities for direct dialogue with management levels in the JPO and European Patent Office, as well as in patent offices in emerging countries, in order to allow us to maintain an accurate grasp of the latest trends in IP administration. Most recently, in 2021, the Commissioner of the Japan Patent Office and Kao's top management had an opportunity to exchange views on IP strategies and other issues. In 2022, we invited an

examiner from the JPO to explain the technology and to ask the Indian government, in cooperation with the JPO, to expand the ceiling of examination cooperation with Japan in India and the fields of application. Through this type of dialogue, while gaining an understanding of recent developments related to examination, which is useful for establishing more stable IP rights, we also request government support for solutions to social issues we have identified.

We have also devised opportunities for direct dialogue with patent attorneys in major countries and areas (including EMEA, the Americas, South Korea, China, and Taiwan) and multiple emerging countries to deepen our understanding of global IP practice and acquire rights in accordance with the legal systems of each country.



Management Strategy and Mid-term Plan 2025 (K25)  
<https://www.kao.com/global/en/corporate/strategy-and-mid-term-plan/>

## Risk management

Business activities involve a variety of risks, and it is important to quickly identify and assess these risks and feed them back to business activities. Kao's Risk Management Department has established subcommittees to address various corporate risks, and the IP Department participates in the counterfeit product risk outside Japan subcommittee, with the General Manager of the Brand Legal Management serving as the promotion leader. There, all stages of mimicry are divided into subcommittees to examine the response at each stage. The results of the study are compiled into a casebook for use within Kao. We are also strengthening our injunction framework with customs authorities and

# Intellectual Property

other government agencies, while sharing information in the anti-counterfeiting subcommittee of an external organization, and collaborating not only with all arms of the Kao Group but also with the government and other companies to develop activities to minimize risk. We conduct these risk and opportunity assessments, which are approved by the Internal Control Committee and the ESG Managing Committee, respectively.

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

We will continue to build an IP portfolio that is optimized in terms of both quantity and quality, and will not only make strategic use of key research results that can create diverse product value globally and across categories, but also provide strong IP support to the R&D to realize the Kirei Lifestyle Plan.

#### 2022 results

The number of new patent applications in 2022 remained at the previous fiscal year's high level thanks to active development of new inventions. The filed applications are held as appropriate IP rights through the process of rights acquisition. Since all of these IP activities are investment activities, we believe that it is necessary to build an optimized IP portfolio for Kao. This year, we developed activities aimed at portfolio optimization, specifically, with a view to mid- to long-term business strategies, extracting IP rights that have reached the end of their usefulness or have little potential for use, and reducing the costs of acquiring and maintaining rights by discontinuing or abandoning rights, so that costs can be allocated to filing and

acquiring rights for new technologies. When we develop new technologies and formulations, we employ a mechanism to check clearance implementation concerning the patents of other companies, to prevent omissions and avoid IP disputes with other companies.

In November 2018, we held a technology innovation session and gave explanations of five innovations with the aims of creating a forum for open innovation, expanding technology exits, and proving an even more diverse range of products. Following these explanations, we have encouraged external collaboration relating to these technologies and encouraged activities for their social implementation.

#### Reviews of 2022 results

By engaging in close communication with research laboratories and collaborating with business divisions, this year we were able to submit necessary applications, acquire rights, avoid infringement of the patents and other rights of other companies, and respond to counterfeit products.

With the aims of becoming a company with a global presence and rapidly providing new and diverse value in the future, we will apply for additional new patents and other rights and encourage their use globally with an eye toward broad deployment, including overseas.

When responding to social issues in the past, we publicly released technologies developed at our company. In recent years, we have likewise gradually provided access to our packaging technology with the aim of reducing the amount of plastic used. Moreover, we have been promoting collaboration with several of our partners, including the recycling of plastic packaging, and are aiming for further co-creation with partners for faster and more reliable social implementation.



Smart Holder and Raku-raku Eco Pack Refill that aim to reduce resource waste

**P120** Zero Waste

In the lead up to 2030, we will strive to be a company that continuously contributes to the creation of a sustainable world and provides the services most strongly needed by consumers.

To that end, we will continue R&D, secure IP rights, and fully leverage our technology assets.



# Intellectual Property

## Examples of technologies publicly released: Shampoo bottle notches

We have been placing a notch with a jagged shape on the sides of shampoo bottles since 1991. This enables people with visual impairments as well as people with normal vision who wash their hair with their eyes closed to identify the bottle by touch.

Believing that a lack of uniformity in the industry concerning the use of these notches would lead to consumer confusion, we withdrew our utility model application and worked through the Japan Cosmetic Industry Association to call on other companies to adopt an industry standard. As a result, the agreement of numerous companies in the industry was obtained. Now, most shampoo bottles have notches, and the use of notches has become an international standard due to Japan taking the initiative (ISO 11156: 2011).



Notches first developed in 1991 (left) and current notches (right)

# Intellectual Property

## Main initiatives

### Handling of IP issues with other corporations

We regard IP rights, including patents, as critical management resources, and are making efforts to effectively and strategically utilize such resources. In cases where IP issues with other corporations arise, we make efforts to resolve these issues through dialogue with those corporations when feasible, and through patent licensing where necessary.

### System of reward for employee inventions

We have a compensation system for our employees, including a compensation system as a bonus for new innovation, and an incentive to honor useful inventions that contribute to our business operations and incentivize further inventions. As for incentives, employees are awarded for patents utilized internally at Kao, which have led to excellent commercial outcomes, as well as license income incentives for patents which have produced significant income as a result of licensing to third parties. Every year the President and CEO offers words of appreciation and encouragement at an awards ceremony for presentation of the incentives to the inventors. In 2022 we continued to implement our incentive system based on licensing income, marking 23 consecutive years since the launch of this system at Kao Corporation. This incentive system undergoes review to keep it up to date, and in 2021 we increased our compensation for inventions to support R&D aimed toward What Kao Aims to Be by 2030.

Systems to reward employee inventions are implemented on a country-by-country basis, and group companies in Asia, the Americas and EMEA continued to establish their own incentive systems.

### IP portfolio optimization

With the aim of realizing the Kirei Lifestyle Plan, we are extending our research and development activities beyond the conventional business domain and into various methods through new initiatives such as Another Kao and Reborn Kao. While filing activities will increase accordingly, there will also be activities to obtain rights for previously filed applications, and those that have been granted rights will be maintained by paying annuities. Since the rights that have become assets through these investment activities are a mixture of those that have already fulfilled their roles and those that are no longer needed due to changes in business plans, periodic inventories have been developed in the past.

In 2022, we reinforced this activity and conducted a more rigorous examination of all foreign patents held, not only to control costs but also to reduce the number of man-hours required for rights acquisition, etc. This allows for the allocation of costs and man-hours to new technological developments (change of investment destination). Through this activity, we have established a framework to sustainably optimize the IP portfolio by suspending or abandoning the rights of approximately 3,000 IP rights in total by making changes to the future inventory policy.

### Responding to the problem of counterfeit products in emerging countries

In business expansion outside Japan, especially in emerging countries, the more locally accepted a product (popular product) is, the higher the risk of counterfeit products and their rapid expansion, making it important to quickly identify counterfeit products and take appropriate countermeasures.

Some counterfeit products are associated with safety concerns. In such cases it is not merely a question of protecting the brand value of the Kao product being counterfeited. Rather, it also becomes imperative that countermeasures to ensure the health and safety of local consumers are put in place.

To combat counterfeit products, we have established a cross-sectional framework of affiliates and divisions within and outside Japan, and continue to take appropriate and prompt action to deal with cases outside Japan, where counterfeit products are frequently discovered. We believe it is also vital to take a firm stand by filing lawsuits to deter the manufacture and distribution of counterfeit products.

In addition, to help prevent counterfeit products from being imported, we have arranged for Kao personnel to act as instructors in Customs training sessions, teaching Customs personnel the key points to identify counterfeit items, and we have also been actively involved in seizure of imported counterfeit products (border protection).

# Tax Strategies GRI 207-1

We ensure transparency regarding taxes, as well as compliance with the tax laws and regulations in every country and region. Furthermore, we also provide various types of education on proper tax management, with each and every employee working to raise tax compliance awareness.

## Social issues

Kao believes that good tax administration and payment in accordance with the relevant laws and regulations in each country will contribute much to the growth of the local economy and society. We understand that international efforts such as the OECD's Base Erosion and Profit Shifting project are important measures in maintaining tax transparency and preventing aggressive tax avoidance. For example, between related parties transfer pricing is determined under the arm's length principle according to their contribution and in accordance with OECD transfer pricing guidelines, calculated based on the functions, assets, and risks involved.



OECD: Corporate Tax Statistics Fourth Edition  
<https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf>

## Policies

The Kao Group Tax Policy is outlined below and is based on Kao's core value of "walking the right path."

### • Tax governance

We respond quickly to tax reform or changes in tax environment in each country by structuring its operations, organizations and systems for risk mitigation to maintain a low tax-risk profile.

### • Tax compliance

We commit strongly to the compliance with tax laws and regulations. In addition, we disclose information in a

timely and proper manner and cooperate with the tax auditor on a good faith basis, when a tax audit is conducted.

- Actions for aligning with the international tax landscape

We commit securing and maintaining the transparent tax position through abiding by the tax laws of countries where we operate and structuring our tax governance framework in line with the spirit of the international measures.

- Tax planning

We only expand our business internationally and implements global business structures that align with our commercial purposes. We commit not to engage in any aggressive tax avoidance or abusive tax planning involving tax havens, harmful tax incentives or treaty shopping.

- Tax risk mitigation

When we identify any tax risk, we take institutionally available measures to mitigate the tax risk proactively.

Please see the Kao Group Tax Policy for more information.



Kao Group Tax Policy  
[https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/corporate-governance/policy/pdf/governance\\_004.pdf](https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/corporate/policies/corporate-governance/policy/pdf/governance_004.pdf)

## Strategy

### Risks and opportunities

#### Risks

We believe that improper tax payment based on interpretation and application that deviates from the intent of laws and regulations, or undermining tax equity through excessive tax savings, will result in the loss of social trust in the company from consumers and customers.

#### Opportunities

We believe that sound tax management and tax payment in compliance with the relevant laws and regulations of each country, as well as appropriate disclosure and accountability to stakeholders, will foster a sense of trust in the company.

### Strategy

As a global company, we will develop transfer pricing policies and operational regulations, and establish a system that minimizes taxation risks in each country by propagating these policies to subsidiaries/affiliates and related departments.

Regarding digital taxation, which is becoming a global trend, our immediate commitment includes a proper handling of Pillar 2, the goal of which is to implement a minimum tax on multinational enterprises. We will also construct a framework in preparation for the future implementation of Pillar 1, which aims for a certain level of distribution of profit for the market economy.

# Tax Strategies GRI 3-3, 207-1, 207-2, 207-3, 404-2

## Social impact

With regard to income generated from business activities in emerging and developing countries, we will not infringe on local taxation rights and ensure fairness by implementing sound tax management in accordance with the relevant laws and regulations of each country and area, and pay taxes appropriately. We also believe that the use of tax havens or tax planning that is not aligned with either commercial purposes or business substance impedes the appropriate payment of taxes in each country and region in which we operate.

## Business impact

We believe that acting in accordance with laws and ethics, paying taxes appropriately, and contributing to the creation of social value that enriches the lives of people through sincere and sound business activities, will result in the growth of brands and companies.

Inappropriate tax payment due to interpretation or implementation that deviates from the purposes of laws and regulations, etc., will not only have financial impacts such as additional taxation, but also impact the sustainability of corporate value.

## Governance

### Framework

The Senior Vice President of Accounting and Finance does business with Tax Accounting Group and tax officers in each country or region. We share information with tax officers in each country or region on a quarterly basis for current and future tax risk comprehension and to resolve issues. By regularly compiling tax issues in each country or region to understand the current situation, our system receives information in a timely manner on urgent tax issues. In addition, a system has been established to coordinate solutions in cooperation with external experts.

Furthermore, important tax issues and strategies are reported or discussed at regular Management Board and Board of Directors meetings. In addition, the Kao Group Tax Policy has been approved by the Directors.

**P18** Our ESG Vision and Strategy > Governance

### Global accounting and finance collaboration

We regularly hold meetings that bring together global leaders in the accounting and finance functions. In the meetings, leaders share company-wide policies, ensure their implementation and discuss new tax issues while communicating with tax officers at our overseas subsidiaries.

### Education and promotion

At Kao, we believe that it is important for both management and employees to promote tax compliance awareness in order for the tax compliance system to function properly.

We strive to reduce tax risks through awareness, education, information sharing and consultation, while ensuring thorough legal compliance.

### Collaboration with stakeholders

We provide timely and appropriate information to the tax authorities and strive to build relationships of trust by responding to all enquiries expediently and in good faith. To minimize tax risks, we periodically consult with tax authorities and external tax advisors in order to address tax filing accuracy.

Additionally, we work with the business community through industry groups in assisting with tax reform requests that contribute to enhancing the international competitiveness of Japanese companies.

### Collaboration with the Japan Chemical Industry Association (JCIA)

Through JCIA, we are actively working on tax reform requests that contribute to improving tax practice efficiency and enhancing corporate competitiveness.

## Risk management

Kao's Tax Accounting Group works closely with related divisions and Group companies to collect information in a timely manner in order to detect and minimize tax risks at an early stage. If a tax risk is identified in the process, they will act quickly and seek advice from external experts as required. For significant tax risks, approval will be obtained based on the internal decision-making criteria of the company.

**P33** Our ESG Vision and Strategy > Risk Management

# Tax Strategies GRI 207-4

## Targets and metrics

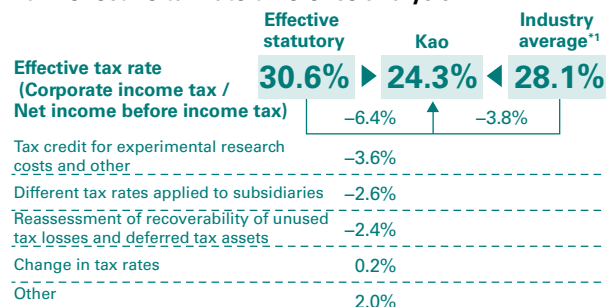
### Mid- to long-term targets and 2022 results

#### Performance report and tax payment record

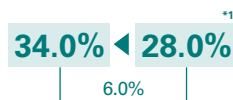
Our effective tax rate for FY2022 was 24.3%. The difference of -6.4% compared to the statutory rate is mainly due to the impact of a tax credit for experimental research costs in Japan, different tax rates applied to subsidiaries outside Japan, and a reassessment of the recoverability of unused tax losses and deferred tax assets. Similarly, the difference with the industry average effective tax rate published by S&P Global is -3.8%. Except for the impact of the tax credit for experimental research costs referred to above, we consider the tax payment to be in line with the industry level.

Also the cash tax rate, calculated as the amount of tax paid divided by net income before income tax, is +6.0% relative to the industry average, an appropriate level of tax payment despite the impact of timing and other factors.

#### 2022 effective tax rate difference analysis



#### Cash tax rates (Corporate income tax paid / Net income before income tax)

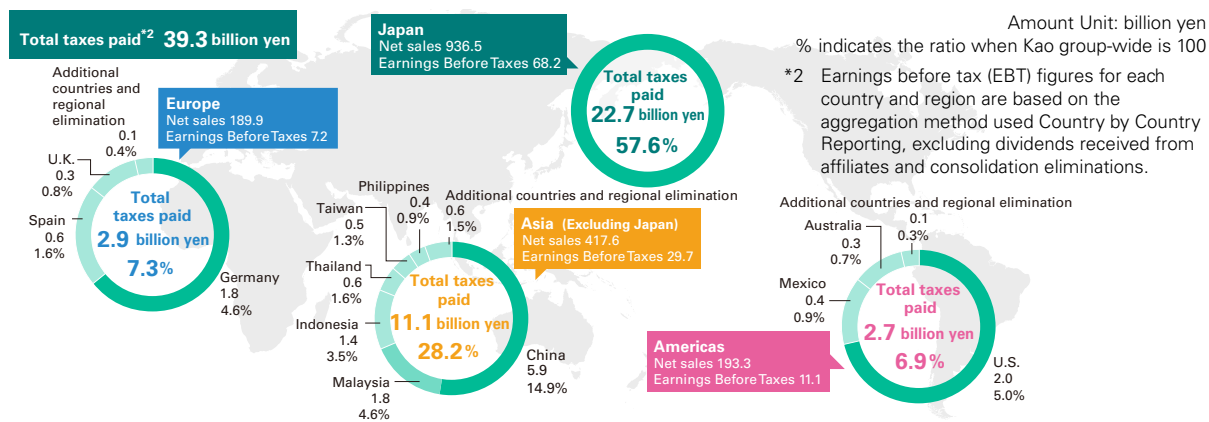


\*1 Household & Personal products

### Kao's performance report and tax payment record in 2022<sup>\*\*</sup>

(Unit: billion yen)

	Net sales	Earnings before taxes	Total taxes paid	Accrued corporate income tax	(No. of employees)
<b>Japan</b>	<b>936.5</b>	<b>68.2</b>	<b>22.7</b>	<b>6.7</b>	<b>(23,604)</b>
China	136.2	15.6	5.9	0.6	(1,432)
Indonesia	71.3	-0.1	1.4	0	(1,996)
Thailand	53.0	2.5	0.6	0.3	(1,324)
Malaysia	76.8	5.9	1.8	0.1	(475)
The Philippines	53.3	-0.5	0.4	0	(199)
Taiwan	39.5	2.8	0.5	0.4	(684)
Singapore	23.6	1.4	0.2	0.2	(169)
Hong Kong	16.1	2.1	0.4	0.2	(211)
Vietnam	7.9	0.1	0	0	(414)
Additional countries and regional elimination	-60.2	0	0	0	(24)
<b>Asia</b>	<b>417.6</b>	<b>29.7</b>	<b>11.1</b>	<b>1.7</b>	<b>(6,928)</b>
Germany	91.7	1.7	1.8	3	(1,085)
Spain	57.7	3.2	0.6	0	(578)
U.K.	25.7	1.5	0.3	0.6	(805)
Switzerland	8.0	0.3	-0	0.1	(113)
Netherlands	4.5	0.2	0	0	(151)
Italy	4.5	0.2	0	0	(43)
France	2.2	0	0	—	(17)
Austria	1.2	0.1	0	—	(31)
Additional countries and regional elimination	-5.7	0.1	0	0.1	(225)
<b>Europe</b>	<b>189.9</b>	<b>7.2</b>	<b>2.9</b>	<b>3.7</b>	<b>(3,048)</b>
U.S.	159.9	9.4	2.0	0.1	(1,380)
Mexico	21.2	1.4	0.4	0	(235)
Australia	7.8	-0.1	0.3	0	(92)
Canada	7.8	0.2	0.1	0	(105)
Brazil	2.0	0.3	0.1	0	(13)
Additional countries and regional elimination	-5.4	-0	0	0	(6)
<b>Americas</b>	<b>193.3</b>	<b>11.1</b>	<b>2.7</b>	<b>0.2</b>	<b>(1,831)</b>
Pan-regional elimination, etc.	-186.2	-0.5			
<b>Total</b>	<b>1,551.1</b>	<b>115.8</b>	<b>39.3</b>	<b>12.3</b>	<b>(35,411)</b>



# Tax Strategies

## List of taxable entities\*

Tax jurisdiction	Company name	Primary business
Japan	Kao Corporation	Brand owner of the Kao brand products (Health & beauty care, Hygiene & living care, Lifecare, Cosmetics and Chemical businesses)
	Kanebo Cosmetics Inc.	Brand owner of the KANEBO brand products (Cosmetics business)
	Kao Salon Japan CO., LTD.	Health & beauty care business
	Kao Field Marketing Co., Ltd.	Business services (e.g., store support services)
	Kao Beauty Brands Counseling Co., Ltd.	Cosmetics business
	Kao-Quaker Company Limited	Chemical business
	Kao Sanitary Products Ehime Co., Ltd.	Hygiene & living care business
	Inogami Co., Ltd.	Hygiene & living care business
	Kao Paper Manufacturing Fuji Co., Ltd.	Hygiene & living care business
	Kao System Logistics Company Limited	Proposed-based sales and operation planning
	Kao Professional Services Company, Limited	Lifecare business
	Molton Brown Japan Ltd.	Cosmetics business
	e'quipe Ltd.	Cosmetics business
	Kao Business Associe Co., Ltd.	Business services (e.g., services including HR, general administration, accounting, etc.)
	Kao Peony Co., Ltd.	Contract services (e.g., manufacturing of consumer products and sample products)
	Kao Cosmetic Products Odawara Co., Ltd.	Cosmetics business
	SENSAI COSMETICS INC.	Cosmetics business
	Kao Group Customer Marketing Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao Transport and Logistics Company Limited	Inventory management and delivery of the Kao brand products
Indonesia	PT Kao Indonesia	Health & beauty care and Hygiene & living care businesses
	PT Kao Indonesia Distribution	Health & beauty care and Hygiene & living care businesses
	PT Kao Indonesia Chemicals	Chemical business
Australia	Kao Australia Pty. Limited	Health & beauty care and Hygiene & living care businesses
Singapore	Kao Singapore Private Limited	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
	Crescent Insurance Pte. Ltd.	Reinsurance underwriting of the Kao Group
Thailand	Kao Industrial (Thailand) Co., Ltd.	Health & beauty care, Hygiene & living care and Chemical businesses
	Kao Holdings (Thailand) Co., Ltd.	Holding company
	Kao Consumer Products (Southeast Asia) Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kanebo Cosmetics (Thailand) Co., Ltd.	Cosmetics business
New Zealand	Kao New Zealand Limited	Health & beauty care business
Philippines	Pilipinas Kao, Inc.	Chemical business
	PKI COMMERCIAL, INC.	Chemical business
Vietnam	Kao Vietnam Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kao (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
Malaysia	Kao Trading (Malaysia) Sdn. Bhd.	Health & beauty care and Hygiene & living care businesses
	Fatty Chemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Soap (Malaysia) Sdn. Bhd.	Health & beauty care business
	Kao Oleochemical (Malaysia) Sdn. Bhd.	Chemical business
	Kao Plasticizer (Malaysia) Sdn. Bhd.	Chemical business
	Kanebo Cosmetics Malaysia Sdn. Bhd.	Cosmetics business
Korea	Kanebo Cosmetics Korea Co., Ltd.	Cosmetics business
Hong Kong	Kao (Hong Kong) Limited	Health & beauty care, Hygiene & living care and Cosmetics businesses
	KPSS Hong Kong Ltd.	Health & beauty care business
Taiwan	Kao (Taiwan) Corporation	Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses
	Taiwan Kanebo Cosmetics, Co., Ltd.	Cosmetics business
	KPSS Taiwan Ltd.	Health & beauty care business
China	Kao Corporation Shanghai	Health & beauty care and Hygiene & living care businesses
	Kao Chemical Corporation Shanghai	Chemical business
	Kao Commercial (Shanghai) Co., Ltd.	Health & beauty care, Hygiene & living care and Cosmetics businesses
	Kao Trading Corporation Shanghai	Chemical business
	Kao (China) Holding Co., Ltd.	Management of affiliates in China (Health & beauty care, Hygiene & living care, Cosmetics and Chemical businesses)
	Kao (China) Research and Development Center Co., Ltd.	Health & beauty care and Hygiene & living care businesses
	Kanebo Cosmetics (China) Co., Ltd.	Cosmetics business
	Kao (Hefei) Co., Ltd.	Hygiene & living care business
	Kao Huludao Casting Materials Co., Ltd.	Chemical business
	Kao (Shanghai) Chemical Industries Co., Ltd.	Chemical business
Kao Shanghai Business Consulting Co., Ltd.	Cosmetics business	

Tax jurisdiction	Company name	Primary business	
U.K.	Molton Brown Limited	Brand owner of the <i>Molton Brown</i> brand products (Cosmetics business)	
	Kao (UK) Limited	Health & beauty care business	
	Washing Systems Limited	Lifecare business	
Italy	KPSS (UK) Ltd.	Health & beauty care business	
	Kanebo Cosmetics Italy S.p.A.	Cosmetics business	
Austria	KAO CHIMIGRAF ITALY, S.R.L.	Chemical business	
	Kao Italy S.p.A	Health & beauty care business	
Netherlands	Kao Austria Handelsgesellschaft mbh	Health & beauty care business	
	Guhl Ikebana Cosmetics B.V.	Health & beauty care business	
Switzerland	Kao Business Service B.V.	Business services (e.g., accounting of the Kao Group)	
	Kao Netherland B.V.	Health & beauty care business	
Sweden	Kanebo Cosmetics (Europe) Ltd.	Cosmetics business	
	Kao Switzerland AG	Health & beauty care business	
Spain	Kao Sweden AB	Health & beauty care business	
	Kao Corporation S.A.	Chemical business	
Czech	Kao Chemicals Europe, S.L.	Chemical business	
	KAO Chimigraf, Sociedad Limitada	Chemical business	
Denmark	Goldwell Cosmetics (CZ) s.r.o.	Health & beauty care business	
	Kao Denmark A/S	Health & beauty care business	
Germany	Kao Germany GmbH	Brand owner of salon products (Health & beauty care business)	
	Guhl Ikebana GmbH	Health & beauty care business	
	Kao Chemicals GmbH	Chemical business	
	Kao Manufacturing Germany GmbH	Health & beauty care business	
Norway	Kanebo Cosmetics Deutschland GmbH	Cosmetics business	
	Kao Norway A/S	Health & beauty care business	
Finland	Kao Finland Oy	Health & beauty care business	
	Kao France SARL	Health & beauty care business	
France	KAO CHIMIGRAF FRANCE, S.A.S.	Chemical business	
	N.V. Kao Belgium S.A.	Health & beauty care business	
Russia	Kanebo Cosmetics Rus LLC	Cosmetics business	
U.S.	South Africa	Kao South Africa Pty. Ltd.	Health & beauty care business
	Kao USA Inc.	Brand owner of mass products (Health & beauty care and Cosmetics businesses)	
	HPC Realty Inc.	Asset management	
	Oak Brook Enterprises Inc.	Asset management	
	Kao America Inc.	Corporate services for affiliates and holding company for Chemical business in the U.S.	
	Kao Chemicals Americas Corporation	Chemical business	
	High Point Textile Auxiliaries LLC	Chemical business	
	Kao Specialties Americas LLC	Chemical business	
	Molton Brown USA LLC	Cosmetics business	
	Kao Collins Inc.	Chemical business	
	SAMGAM, LLC	Asset management	
	Orbe Hair Care, LLC	Health & beauty care business	
	STAR (Delaware) Realty LLC	Asset management	
	Washing Systems Intermediate Holdings, Inc.	Holding company	
	Washing Systems, LLC	Lifecare business	
	Santec Products, LLC	Lifecare business	
	WSI Water, LLC	Lifecare business	
	Custom Chemical Solutions, LLC	Lifecare business	
	BioHygienix, LLC	Lifecare business	
Canada	Kao Canada Inc.	Health & beauty care business	
Brazil	Kao do Brasil Representacao Comercial Ltda.	Chemical business	
	TBP	Health & beauty care business	
Mexico	Quimi-Kao S.A. de C.V.	Chemical business	
	Jergens Mexico, S. de R. L. de C.V.	Health & beauty care business	

Note: Information as of the end of December 2022

Our ESG Vision and Strategy

Realization of the Kao Way

Making My Everyday More Beautiful

Making Thoughtful Choices for Society

Making the World Healthier & Cleaner

Walking the Right Path

Our Foundations

Appendix

Our Priorities—Kirei Lifestyle Plan

# Biodiversity

Our business is made possible throughout the entire product lifecycle by the various ecological systems that exist on the planet and the abundant natural bounty created from biodiversity.

Kao is diligent in procuring sustainable raw materials and developing new technologies in order to use limited resources effectively. This is to help prevent the degradation of biodiversity, one of the most pressing issues facing the entire world. We also strive to minimize the impacts of our business activities on biodiversity and to promote social activities that lead to biodiversity improvements in regions where we have business sites.

In addition, we support the recovery of already polluted ecological environments by tackling issues such as ocean plastic pollution. Kao will help to conserve and restore biodiversity and regenerate the natural environment by promoting engagement with consumers, suppliers, and other stakeholders and by providing suitable products and solutions.

## Social issues

Global Biodiversity Outlook 5 (GBO5) was published by the Secretariat of the Convention on Biological Diversity on September 15, 2020 to analyze whether the Strategic Plan for Biodiversity 2011–2020 and Aichi Biodiversity Targets are being met. Although significant progress was seen for most of the Aichi Biodiversity Targets, it showed that none of the 20 individual targets had been fully realized.

An aspect of current economic activities is that they rely on the consumption of precious natural capital. In addition, humanity’s destruction of nature and biodiversity are leading people to come into contact with species that they never had before, which manifests the risk of new infectious diseases. Businesses are required to solve these problems.

Also, now it is universally recognized that biodiversity and climate change are closely related issues and they must be resolved simultaneously.

The World Economic Forum’s 2022 report on serious global risks for the next decade also ranked biodiversity issues third, behind the failure to address climate change and extreme weather events.

In light of these circumstances and a review of the past, the Kunming-Montreal Global Biodiversity Framework, a new global goal by 2030, was decided at the 15th meeting of the Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity in December 2022.

We consider the 2050 Vision, which aims for a society in harmony with nature, to be unique compared to the previous Aichi Targets in that it incorporates a number of numerical targets and sets goals that society as a whole, including businesses and consumers, should work toward. It is also worth noting that companies are encouraged to assess and disclose information on biodiversity, and that a section on protecting the rights of indigenous peoples, women, and youth has been added to biodiversity-related decision-making.

As a member of international society, we are keenly aware of the need to take action for the conservation and restoration of biodiversity and the regeneration of the natural environment with a strong sense of crisis, acknowledging that the targets set here must be met.

Our business operations benefit from many biological resources, ranging from procurement of raw materials such as palm oil, to Research and Development, manufacturing, use, and post-use disposal. The degradation of biodiversity worldwide will significantly impact the development and sustainability of our business. In Research and Development, there are technologies that have been developed by applying hints from the wisdom of nature and living things, and we consider this to be a benefit of biodiversity as well. Moreover, many of the products that we manufacture and sell are discharged into the environment along with water after use and are eventually purified by natural forces. Yet packaging containers, typically plastic, are

sometimes disposed of improperly, polluting the environment. Accordingly, we are well aware that we need to take biodiversity into account throughout the product lifecycle.

Establishing a process for sustainable procurement of raw materials is also crucial. However, in purchasing RSPO-certified sustainable palm oil, we have been facing various issues over the last ten years in oil palm production regions, including deforestation and the loss of biodiversity as well as human rights violations of people and farmworkers who live there. By taking full advantage of our knowledge and human networks acquired so far, we aim for a future that brings about a positive change for the entire natural environment and all stakeholders connected with our business.

## Policies

Efforts are now underway around the world to reduce negative impacts on nature and biodiversity, increase behavior that has positive impacts, and reverse biodiversity loss to achieve recovery.

The Kunming-Montreal Global Biodiversity Framework includes “a society living in harmony with nature” as its vision for 2050. This vision is exactly the same as the mission of the Kao Way: “To realize a Kirei world in which all life lives in harmony.”

# Biodiversity GRI 304-2

The “Basic Policies on Biodiversity” revised in April 2022, prior to COP15 in December 2022, set forth eight policies as well as the direction to aim for.

In other words, we will live each day in spirit and make thoughtful choices for the benefit of society, thereby ensuring a healthy planet for the future. We aim to realize such a lifestyle (Kirei Lifestyle), to minimize our dependence and impact on nature and biodiversity, and to maximize their blessings to make their full value available to people, society, and the planet, and to conserve and restore the biodiversity that is currently being lost, leading to the regeneration of nature. We will promote activities based on the following policies:

- Grasp the relationship between our business and biodiversity throughout the value chain
- Minimize the impact on biodiversity
- Promote and implement proprietary technology development
- Comply with international agreements
- Conduct business activities that do not damage local ecosystems
- Maximize the impact of collaboration by raising awareness and sharing information among internal and external stakeholders
- Collaborate with external parties to take action to conserve and restore biodiversity and guide nature towards regeneration
- Seek a symbiosis between people, nature, and chemistry

Taking advantage of the opportunity provided by the revision of the Basic Policy on Biodiversity, we will continue the Activities for Biodiversity Conservation that we have been carrying out, and at the same time, we will raise the level of existing activities and carry out new ones as well.



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

**Action Policies on Conservation of Biodiversity**  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/biodiversity-action-policy.pdf>

## Strategy

### Risks and opportunities

#### Risks

Key raw materials that we use include palm (kernel) oil, paper and pulp. Palm (kernel) oil is transformed into a surfactant and mixed into many detergents that we manufacture and sell, including shampoo and body soap. Also, pulp is a crucial raw material used in hygiene products (such as diapers and sanitary napkins), one of our leading product categories.

Future global-scale population growth and economic development may increase demand for detergents and hygiene products, resulting in even further growth in demand for palm oils, paper, and pulp—the main raw materials we need.

Procurement of sustainable raw materials that take biodiversity, human rights violations and other issues into account may give rise to additional costs. However, if we do not consider sustainability in procurement, the inability to procure raw materials over the long term or the substantial impairment of the company’s reputation may call our business survival into question.

In addition, if we maintain a linear economy in which products (including their packaging) are consumed without being recycled or reused, resources will be further consumed and flow into the environment, resulting in increased damage to biodiversity. We need

shift to a resource circular economy and provide products with even greater added value that use fewer resources.

### Opportunities

We established the Basic Policies on Conservation of Biodiversity in 2011 and have been developing new technologies that can contribute to sustainable raw material procurement and the conservation of biodiversity. Then, in April 2022, we revised our Basic Policy on Biodiversity and decided to move from biodiversity conservation to restoration and regeneration through realizing the Kirei Lifestyle. We believe that by practicing KLP and conducting activities in line with the Basic Policy on Biodiversity, we can minimize the loss of nature and biodiversity and the business risks associated with it, and furthermore, the products, technologies, and various activities born from these activities will lead to new business opportunities.

For example, the ESG Promotion Activities with Suppliers, which were revised in June 2021, set targets for confirming zero deforestation in places of origin for palm oil, paper, and pulp, and we are increasing the likelihood of business continuity by taking specific initiatives with suppliers to achieve sustainable raw material procurement in the future.

In addition, Bio IOS, a surfactant that we developed, is a completely new surfactant that utilizes solid fats and oils unsuitable for food. It avoids the issue of competition with food, a concern that aligns with the growing global population. Applications of this technology are expected to expand into solutions for various problems such as the shortage of raw materials. *Attack ZERO*, which contains Bio IOS, is a water-saving liquid laundry detergent that reduces the amount of water used for rinsing, which we believe will help



# Biodiversity GRI 304-2

conserve precious water resources not only in regions with relatively abundant water, but also in places at risk of drought.

## Strategy

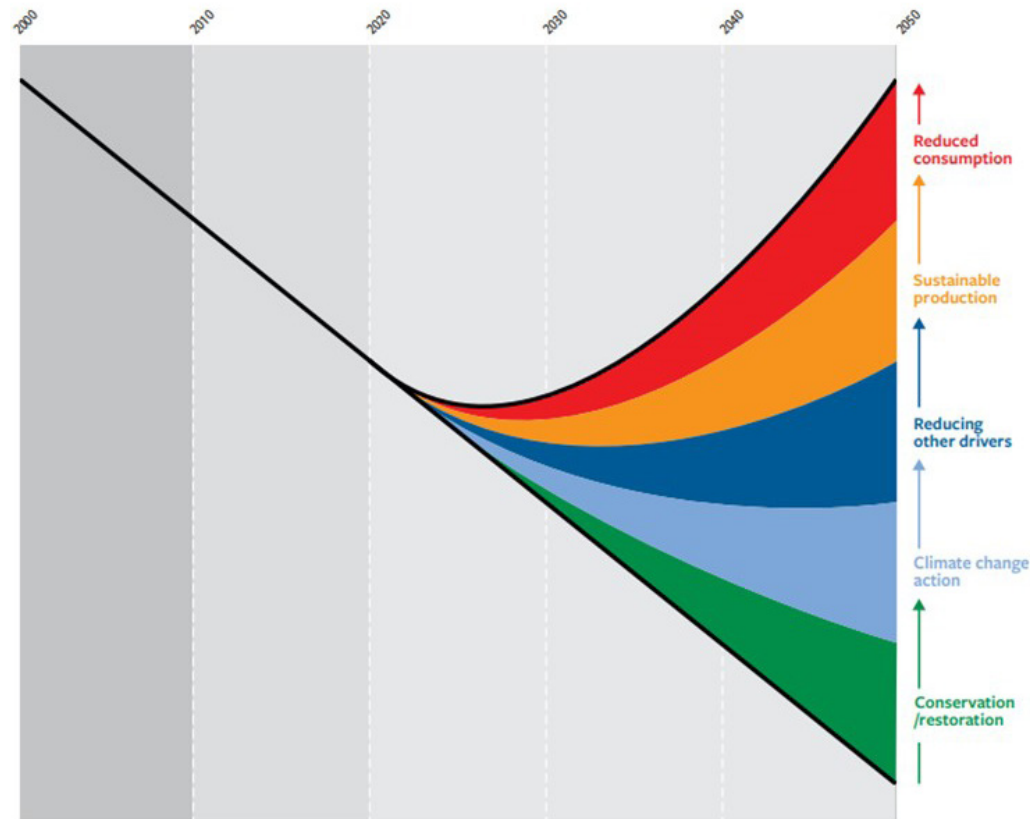
The world has now set the following three time-bound goals, with 2020 as the baseline, to become Nature Positive in 2050.

- In 2020, start activities to achieve the goal of plus-minus zero.
- By 2030, ensure that positive impacts outweigh negative ones.
- By 2050, restore nature to a sustainable state.

Kao's activities to Nature Positive reference the portfolio of actions to reduce loss and restore biodiversity as outlined in the Global Biodiversity Outlook 5.

It states that the recovery of biodiversity can be expected through all the combinations of enhanced conservation and restoration of ecosystems, mitigation of climate change, action on pollution, invasive alien species and overfishing, sustainable production, and reduction of consumption and waste. We believe these activities are relevant to the KLP's Water Conservation, Decarbonization, Air & Water Pollution Prevention, Responsibly Sourced Raw Materials and Zero Waste. In other words, we believe that the promotion of KLPs related to biodiversity itself leads to actions that reduce and restore biodiversity loss. We will also continue the biodiversity conservation activities we have been engaged in with our business sites and local communities.

**A portfolio of actions to reduce loss and restore biodiversity**



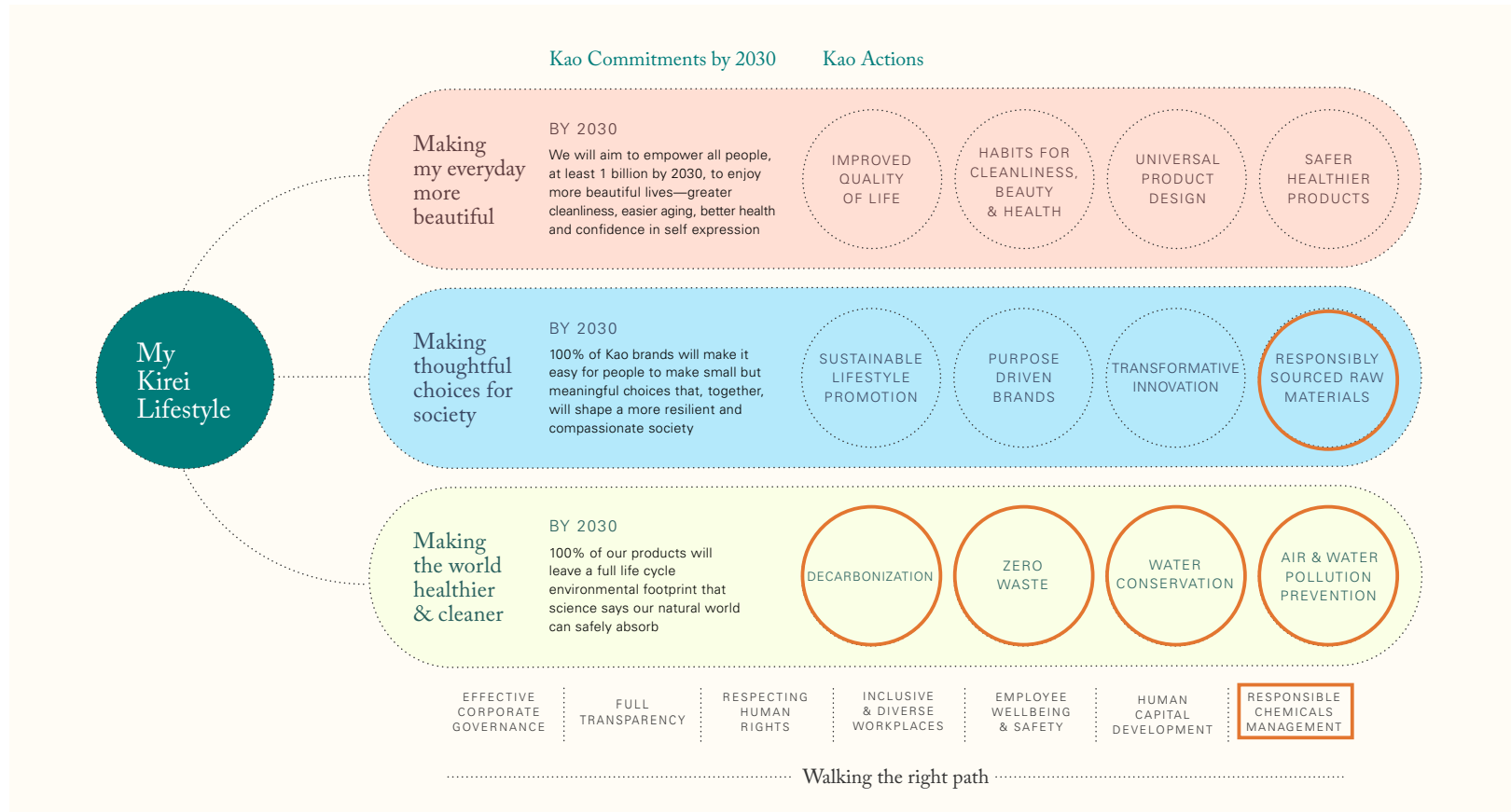
Source: Global Biodiversity Outlook 5 (March 2021, Secretariat of the Convention on Biological Diversity)  
<https://www.cbd.int/gbo/gbo5/publication/gbo-5-en.pdf>

Biodiversity trends (various indicators, left axis) are declining and projected to keep falling under the “business-as-usual” scenario (trend line). A number of areas for action can slow the rate of biodiversity loss, and a full portfolio of actions combined could halt and reverse the decline (turn the tide) and lead to a net increase in biodiversity after 2030. These are, from bottom to top: (1) better conservation and restoration of ecosystems; (2) mitigation of climate change; (3) combating pollution, invasive alien species and overfishing; (4) more sustainable production of goods and services, especially food; and (5) reduction of consumption and waste. However, none of the action areas, alone or in partial combination, can reverse the tide of biodiversity loss. In addition, the effectiveness of each area of action is reinforced by the others (see Part III of the main body of the report for discussion).

# Biodiversity GRI 304-2

Palm substitution technologies, such as those described below, not only contribute to waste reduction and sustainable production, but can also have an even greater positive impact if they are widely adopted around the world.

## Kirei Lifestyle Plan and Biodiversity



# Biodiversity GRI 3-3, 304-2

## Social impact

IPBES\* believes that transformative change in economies, society, politics, and science and technology will be necessary in order to achieve the biodiversity targets. We set targets based on visions and policies specified by ESG-driven management, and push forward toward the prevention and restoration of the degradation of biodiversity and the development of a sustainable society in the future through our innovative technologies, products, and daily initiatives to solve social problems.

\* IPBES  
Intergovernmental science-policy platform on biodiversity and ecological system services

These various processes intended to achieve the 2025 targets relating to sustainable raw-material procurement will restore and recover forest environments at raw-material procurement sites, and lead to improved respect for the human rights of local communities that use those environments.

Forests stabilize global temperatures and climate, and play the role of breakwater systems to prevent disasters because they retain water. Various resources and bounties essential for our everyday lives, such as food, medicine, clean water and air, come from ecosystems and are estimated to have an economic value worth thousands of trillions of yen.

Companies developing and selling products that take biodiversity into consideration, from raw-material procurement to after the product is used, and consumers choosing such products, will bring about a society that better understands the biodiversity within many peoples' daily lives and can help directly and indirectly to restore and regenerate the biodiversity of

the natural environment. If we can use resources at a sustainable level considering the productivity of bio organisms, we will be able to keep using nature's bounty and sustain an enriched lifestyle.

## Contributions to the SDGs



## Business impact

Considerable costs are involved in procuring sustainable raw materials, but we consider these activities an indispensable investment to make our business sustainable and a part of our social responsibility.

As the trend toward ethical consumption is gaining traction in the European and American markets, as well as among Millennials and Generation Z, demand is growing for products using sustainable raw materials that take biodiversity into account. Our presence on the rapidly expanding ethical consumption market is enhanced through the incorporation of a biodiversity approach in the products we offer from the raw material procurement to the product design and development, usage and disposal.

We expect the results of these activities not only to boost our reputation substantially, but also to be of financial and non-financial benefit.

## Governance

### Framework

The loss of biodiversity is one of the major social problems surrounding our company. Among the 19 actions established in the Kirei Lifestyle Plan (KLP), measures such as responsibly sourced raw materials, decarbonization, zero waste (plastic reduction, etc.), air & water pollution prevention, and responsible chemicals management are closely related to biodiversity.

Forests are a source of key raw materials for Kao, and are of course important in terms of sustainable raw material procurement (related to the KLP action responsibly sourced raw materials). Forests are also habitats for diverse organisms, places to store water, and sinks for carbon dioxide, which is a cause of global warming. Preventing the destruction of peatlands, which are sites for storing carbon, along with forests is vital not only from the viewpoint of business continuity, but also the perspectives of biodiversity and global warming control (related to the KLP action of decarbonization).

Moreover, we will take action to prevent air and water pollution from exhaust and wastewater emissions during manufacturing processes. This will be done to minimize the environmental impact of constituent materials and other substances discharged into the environment along with water after product use (related to KLP actions air & water pollution prevention and responsible chemicals management), and reduce the impact that residual plastic packaging in the environment resulting from improper processing can have on biological and ecological system.

Biodiversity involves complex factors that are intertwined, and it is not desirable for any of these activities to be missing or for one activity to have a

# Biodiversity GRI 3-3, 404-2

negative impact on another. For this reason, it is necessary to organize these activities in an integrated manner from the perspective of biodiversity.

To ensure that actions are quickly taken as priority issues, ESG Steering Committees were setup for the first time in 2022 in four key areas. Under the committee owners, who are executive officers, the steering committees coordinate with the ESG Managing Committee and have the ability to make suggestions to each division and group company. In particular, issues related to decarbonization, plastic packaging, and chemical management are all relevant biodiversity topics.

The SAICM Promotion Meeting, a subordinate body of the Chemicals Management Committee, has been promoting discussions on the relationship between chemicals and biodiversity at three of its four meetings a year.

In 2022, from February to April, the ESG Managing Committee discussed and approved the revision of the Basic Biodiversity Policy after preliminary discussions at the ESG Promotion Meeting. The Basic Policy on Biodiversity was released externally in May.

We define conservation of biodiversity as one element of environmental conservation, which is a part of the Responsible Care (RC) activities. We establish policies, targets and plans relating to biodiversity and manage them along with the progress of measures under the RC promotion framework. Regarding the progress of activities, the RC Promotion Committee, the Japan RC Meeting, and the Global RC Meeting (all of which are attended by the director in charge) are held once a year. Information was shared as appropriate at the above meetings (in 2022, the meetings were held in Japan as a hybrid of online and face-to-face meetings, and in several areas outside Japan through online meetings).

**P18** Our ESG Vision and Strategy > Governance

**P285** Responsible Care Activities > Governance

## Education and promotion

After formulating the Basic Policies on Conservation of Biodiversity in 2011, we took other initiatives to provide basic knowledge about biodiversity to employees by such means as e-learning courses for all employees of the Kao Group in Japan and annual environmental training for new employees. In 2022, as in the previous year, we created opportunities to learn about the latest global trends regarding biodiversity and how they relate to our business activities, primarily through training sessions for *Genba* leaders in the Supply Chain Management (SCM) (with participants from within and outside Japan) and follow-up training sessions for new employees. For employees outside Japan, we are conducting information sharing and awareness-raising activities through such venues as the annual Global RC Meeting.

We also view interactions not only within the company but also with other companies and investors as important learning opportunities. For example, we have exchanged views with several companies and taken the opportunity at various meetings organized by Japan Business Initiative for Biodiversity (JBIB) to present Kao's biodiversity activities, and receive opinions and advice from external experts and other companies working together on biodiversity issues.

## Collaboration with stakeholders

In June 2022 we reorganized our procurement policies and guidelines. In other words, we have reorganized and reviewed the contents of our "Partnership Requirements for Suppliers," "ESG Promotion Activities with Suppliers," and "High-Risk Supply Chain Management and Sourcing" under the Policies for Procurement. We collaborate with suppliers to contribute to ensuring traceability throughout the entire supply chain and solving social issues such as resource and environmental conservation, safety and human rights issues. In addition to complying with laws and regulations, we require our suppliers to consider social responsibility and the environment, and we prioritize procurement from suppliers who comply. Consideration for social responsibility and the environment includes issues that are deeply related to biodiversity, such as forest and water conservation.



**Policies for Procurement**  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf>

We consider biodiversity conservation and support zero deforestation when procuring raw materials including palm oil, palm kernel oil, paper, and pulp. We continue to procure palm oil and palm kernel oil, all of which can be traced back to their production area, and to only purchase pulp for which its wood material can be traced back to its production area.

We seek to create a sustainable supply chain for palm oil, and to improve and sustain the productivity of oil palm smallholders in Indonesia. We promote the Smallholder Inclusion for better Livelihood & Empowerment program, which seeks to obtain certification for sustainable palm oil.

# Biodiversity GRI 3-3, 304-2

## P91 Responsibly Sourced Raw Materials



Progress of the SMILE project and commencement of the grievance mechanism  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220413-001/>  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220831-001/>

The Kao Group has business sites around the world. Basic policies on biodiversity conservation are formulated by the Head Office in Japan, but the status of and approaches to biodiversity vary in different countries and regions. We believe that creating opportunities for the active exchange of opinions with various relevant stakeholders in each country and region including governmental agencies, NGOs, NPOs and experts can facilitate the effective implementation of biodiversity conservation activities, and make recommendations to the responsible personnel in each country and area.

We undertake green space conservation activities at each business site in consideration of biodiversity, and arrange events in which employees can participate. We also encourage employees to volunteer for outdoor biodiversity conservation programs. What is more, Kao aspires to deepen understanding of biodiversity among all employees through their active participation in these activities.

At the Eco-Lab Museum at our Wakayama Plant, where the global environment and Kao's ecology technologies are on display, we run community-based awareness-raising activities for elementary school students who will build the future. At the combined greenhouse facilities, the hot and humid climate of

southern countries where palm trees grow is recreated and approximately 60 species of plants can be seen.

## Risk management

Among raw materials procured by Kao, palm oil and paper/pulp are identified as "high-risk supply chains" as supply chains with significant issues from the perspectives of business (purchase amount, etc.), ESG (biodiversity, etc.) and area (protected areas, human rights issues, etc.), and we are working on sustainable procurement based on "High-Risk" Supply Chain Management and Sourcing. We aim for zero deforestation at the source. We support the NDPE\*1 and ask suppliers and supplier group companies to comply with the NDPE policy and HCSA\*2. Through *Genba* dialogue, we will identify risks, determine the nature of the issues, work with suppliers and NGOs to resolve them, and disclose progress. This activity is related to "responsibly sourced raw materials" in the KLP. Procurement takes the lead in this activity and reports to the Directors through the Management Board.

\*1 NDPE:  
No Deforestation, No Peat and No Exploitation  
 \*2 HCSA:  
High Carbon Stock Approach

## P91 Responsibly Sourced Raw Materials

## Targets and metrics

### Mid- to long-term targets and 2022 results

The Kao Way, our corporate philosophy, states that our mission is to create a Kirei life for all, providing care and enrichment for the life of all people and the planet. From the perspective of biodiversity, we believe that caring for all people and the planet means maximizing the value to people, society and the planet by minimizing reliance and impacts on nature without exceeding the capacity of natural production and regeneration.

### Development of a society that can continue to enjoy the benefits of biodiversity

With regard to palm oil, paper, and pulp, which are our main raw materials, we set targets to confirm that there is no deforestation in the places of origin and ensure traceability. We are carrying out specific measures to achieve those targets such as mapping deforestation risks and investigating plants judged as posing high risks. In 2020, we completed the confirmation of traceability back to large plantations, and our object by 2025 is to complete the confirmation of traceability to oil palm smallholders.

We believe that expanding sustainable production of raw materials and establishing procurement systems that do not involve deforestation or human rights violations will help to form a sustainable society that permanently maintains the benefits of biodiversity for all stakeholders.

# Biodiversity GRI 304-2

## Minimizing the impact of products on biodiversity

We seek to minimize the impacts on biodiversity in all processes of our business activities including the impact on the environment from the procurement and use of raw materials, product development, and disposal.

Palm (kernel) oil is used in many of Kao's products, and the demand is expected to increase due to global population growth. As such, there are concerns about deforestation and raw-material shortages. Kao therefore continues to develop technologies to use natural, inedible sources of fats and oils as an alternative to palm (kernel) oil. Kao has already developed Bio IOS, a surfactant that can be used as a surfactant from oil and fat materials, which have been difficult to utilize in the past, and is being applied in laundry detergents. In 2022 we initiated an experimental study to produce bio-based nonionic surfactant from non-edible biomass using cassava residue, a biomass waste product. We are also working on the development of microalgae that can produce oil and fat materials with a high degree of efficiency.

In addition, we are working to minimize the quantitative and qualitative impacts of components discharged into the environment along with water after product use, and to solve the problems of plastic packaging that have already been discarded, as well as ocean plastic pollution.

## Assessing impact on biodiversity throughout the value chain

In 2021, we used Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), a risk assessment tool released under the guidance of the Natural Capital Finance Alliance (NCFA), an international financial industry organization active in the field of natural capital, to identify dependencies on natural capital and impact factors within the company. Among the identified factors were items for which uniform international assessment methods have not been established, and it will take a little more time to perform an overall evaluation with a certain degree of quantitiveness. However, the qualitative indication of notable natural capital and hotspots in our value chain has made it easier to prioritize our activities.

This year, using Kao's flagship product, a detergent, as an example, we identified hot spots in the value chain by benchmarking other companies and conducting additional research using various guidelines and reports, as well as using Geographic Information System tools (GIS).

## Mainstreaming biodiversity

Promoting the procurement and consumption of sustainable palm oil through Japan Sustainable Palm Oil Network to collaborate with other companies and various other measures such as encouraging employees to participate in business site green space conservation activities and outside biodiversity conservation activities contribute to mainstreaming biodiversity.

We also participate in Japan Business Initiative for Biodiversity (JBIB) and the working group for the post-2020 biodiversity framework in Keidanren (Japan Business Federation) to understand the latest

international trends and collaborate and share information with other companies.

There is also a growing movement to disclose how changes in the natural environment and biodiversity affect corporate performance. From April 2022, we are participating in the TNFD\* forum to gather information and provide feedback for the beta version to be released by TNFD. Since TNFD is developing the framework in an open innovation manner, active feedback from companies that are disclosing entities may make the framework easier to use and more suited to actual conditions. We have also joined the TNFD Consulting Group (TNFD Japan Council) to gather information and exchange opinions with companies in Japan. The knowledge gained is shared with the relevant departments within the company, and we strive to be among the first to engage in activities tailored to the global level.

\* TNFD: Taskforce on Nature-related Financial Disclosures

## **2022 results**

### **A new attempt Identification of Kao material issues relating to biodiversity**

In 2021, we used ENCORE, a risk assessment tool, to identify dependencies on natural capital and impact factors within our company.

In our business activities, we use palm (kernel) oil and pulp as raw materials, and surfactants derived from palm oil are formulated into cleansing products. Also, after products are used, they are discharged into the environment along with used water, and some packaging is improperly disposed of and also released into the environment. As a result of this, ENCORE identified factors arising from the use of palm and pulp,

# Biodiversity GRI 304-2

the impact on ecological system after products are discarded, greenhouse gases, waste and so on.

In 2022, we analyzed the entire value chain, using Kao's flagship product, detergents, as an example, in line with the LEAP approach of the TNFD. We identified critical issues upstream, direct operations, and downstream respectively, and identified materialities for each critical issue using a combination of various tools.

## Results of ongoing activities

### 1. Promote procurement of sustainable raw materials

Traceability checks are underway for the procurement of palm oil, palm kernel oil, paper and pulp.

In addition, we are continuing activities to increase the procurement ratio of RSPO-certified oil and to support small-scale palm plantations in obtaining RSPO certification.

### 2. Promote business and social contribution activities that consider local biodiversity

While activities were unavoidably limited due to the spread of the COVID-19 pandemic that has been ongoing since 2020, we conducted many activities that were possible within these constraints.

### 3. Reduce use of copy paper

The number of copies printed per capita in Japan was 93.6% of the previous year's level, achieving the target (below the previous year's level).

### 4. Green Purchasing

The green purchasing rate in Japan was 93.0%.

## Targets for 2023

Annual targets relating to biodiversity are set and managed each year within the RC targets managed through PDCA on a one-year activity unit basis. The 2023 targets are as follows.

### 1. Promote procurement of sustainable raw materials

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### 2. Promote business and social contribution activities that consider local biodiversity

Based on the results of the biodiversity surveys of all Kao Group production sites conducted in 2018 and 2019, each site individually plans feasible biodiversity conservation activities in line with actual conditions.

### 3. Reduce use of copy paper

As an activity that all employees can participate in, we have started reducing the use of copy paper at the Kao Group in Japan. From 2021 onwards, our objectives are to promote this activity globally and print less pages per person than the previous year.

### 4. Green Purchasing

We are promoting green purchasing, which places priority on purchasing products with the least possible environmental impact. We have been taking action in this area based on Act on Promoting Green Purchasing. We have set our 2023 target green purchasing rate in Japan at 100%.

## Reviews of 2022 results

Business and social activities that consider local biodiversity are continuously promoted by each company globally through the enthusiasm of those in charge and participants alike. Since biodiversity activities are meaningful only if they are sustained, we believe it is necessary to build a system and foster a culture so that activities will not cease even if the person or organization in charge changes.

Regarding the reduction of photocopying paper, although the number of employees returning to the office has increased, the amount of paper used has been steadily falling each year by users making an effort to cutting their use of paper.

Regarding the promotion of green purchasing, unfortunately the purchasing rate decreased compared to the previous year and the target of 100% was not reached. We will work to raise the environmental awareness of purchasers and consider reviewing structures for purchasing goods compliant with the Act on Promoting Green Purchasing.

# Biodiversity GRI 304-2

## Main initiatives

### Understanding relationships between business and biodiversity

The ecological footprint assessment completed in 2013 found that the majority of the environmental impact from our business activities resulted from carbon sinks, land on which oil plants were grown, cattle pastures, forests grown for pulp and paper, and fishing grounds affected by surfactants.



Ecological Footprint of Corporate Activities  
[https://www.jstage.jst.go.jp/article/ilcaj/2011/0/2011\\_0\\_164/\\_pdf](https://www.jstage.jst.go.jp/article/ilcaj/2011/0/2011_0_164/_pdf)  
 (Japanese)

In 2021, we used ENCORE to extract the factors that depend on and impact the natural capital of our company, and we extracted five dependent factors and nine impact factors. Each of these factors was identified to derive from palm and pulp, impacts on ecological system after products are discarded, greenhouse gases, waste and so on. We are conducting risk / opportunity analysis and climate change scenario analysis for each of these factors and estimating the financial impacts on our business activities. However, because the analysis was conducted with the entire business in mind, although the scope of coverage was broad, it was not sufficient in terms of digging deeper into each issue.

Therefore, in 2022, we followed the LEAP approach\*1 proposed by the beta version of the TNFD as much as possible, and took an in-depth look at the relationship between business and biodiversity, using detergents, one of Kao's core products, as an example.

We have redefined the issues by examining the results of our 2021 analysis in addition to the latest competitor benchmarks and various guidelines, reports, and other sources. Then, for each of the key issues, we

overlaid a Geographic Information System (GIS)\*2 tool and organized them according to the axis of interest of stakeholders and Kao's business activities. The results are shown below.

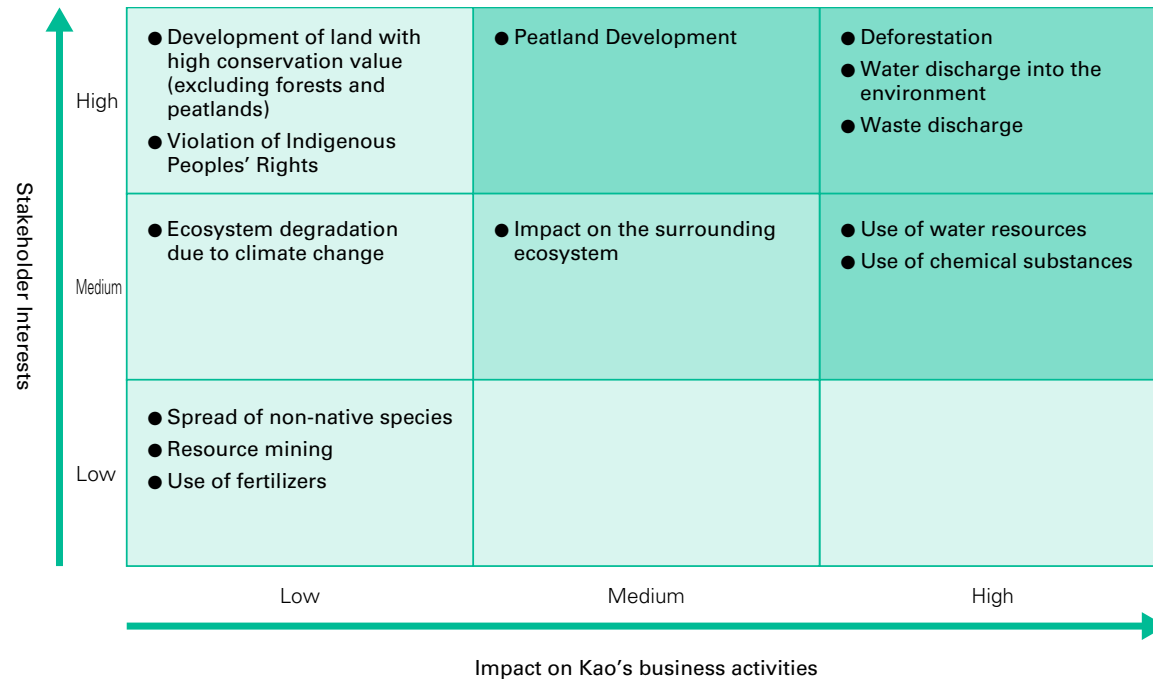
\*1 LEAP (Locate, Evaluate, Assess, Prepare) approach  
 \*2 Geographic Information System (GIS): Technology that comprehensively manages, processes, and visually displays data with location-related information (spatial data) using geographic location as a guide, enabling advanced analysis and rapid decision-making.

### Examples of initiatives using the LEAP approach for detergents

#### Locate: Finding our relationship with nature

As an example of Kao's main product, detergent, we added additional research to the results of the ENCORE

An example of materiality identification for biodiversity (vertical and horizontal axes are relative)





# Biodiversity GRI 304-2

analysis for 2021 and identified 13 issues as biodiversity risks for Kao. The analysis identified as hotspots the countries of origin of palm (kernel) oil, as well as the locations and countries of sale in areas of water stress and water pollution.

### Evaluate: Assess dependence and impact

For the above 13 issues, we investigated not only the risks that were already apparent but also potential risks, and further analyzed them using GIS data.

We have extracted the following factor in terms of dependence on and impact on nature as some issue that could lead to business risk. Deforestation and peatlands development in the country of origin of the palm (“kernel”) oil in the upstream value chain; water use and wastewater in the direct operational process; water use during product use and wastewater from households after use, chemical substance management and “waste discharge” represented by plastic containers.

### Assess: Identification of risks and opportunities

We used two axes, the axis of stakeholder interest and the axis of importance in Kao’s business activities, to create a relative order of the importance of each issue.

As a result, “deforestation,” “drainage into the environment,” and “waste discharge” were identified as the most important issues.

With regard to “waste discharge,” we anticipate risks in some of the countries where Kao sells our products where the infrastructure is not yet fully developed, for example, in some Asian countries. We believe that addressing these issues and developing applications will create opportunities.

### Prepare: Response to and reporting of risks and opportunities

To prevent deforestation, we aim to introduce forest footprint, source 100% RSPO-certified palm oil (kernel oil), and complete traceability confirmation for oil palm smallholders. We are also implementing SMILE, a program to support oil palm smallholders in Indonesia.

As a measure against “wastewater discharged into the environment,” we are promoting the establishment of voluntary controls that are stricter than regulatory values while ensuring compliance with regulations at each of our sites. In addition, we provide measures to prevent wastewater from draining at home, for example, by providing detergents that have good foam release and require less rinse water. Furthermore, we are also developing a new environmental assessment method, namely bio-assessment technology using environmental RNA.

With regard to plastic waste, which has been the focus of much attention in recent years, we are continuing and strengthening our efforts to reduce the quantity of plastics used, utilize recycled resin, and recover plastic containers and establish recycling technologies.

Since the scenario analysis and disclosure requirements in the TNFD were still under development at the time this analysis was conducted, we were not able to include much in this analysis. And this is an example of the results to the extent we were able to address them. We will await further analysis pending completion of the TNFD.

### Reducing the impact of business on biodiversity

To reduce the various impacts on biodiversity of our business activities, we are continually implementing the following measures. These measures are critical for Kao’s ESG Strategy, and they are listed in detail in this report.

- Reduce the use of raw materials and switch to raw materials that can be sustainably procured and have lower environmental impact

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- Reducing CO<sub>2</sub> emissions associated with business activities

**P102** Decarbonization

- Reduce the use of and impact on water resources

**P137** Water Conservation

# Biodiversity

- Promote responsible chemicals management  
Through appropriate chemical management throughout the entire lifecycle of chemicals and using science-based risk assessments, we continue to create products to minimize the burden that chemical place on the environment and ecological system.

## Developing technology to minimize materials used and maximize utilization while cherishing the benefits of biodiversity

For many years, we have produced high-grade industrial fatty alcohols using oil and fat raw materials with carbon numbers of 12 to 14 that can be collected from the fruit of oil palm trees and other sources for use in a variety of household products. Fats and oils with carbon numbers of 12 to 14 only account for 5% of the world's production of fats and oils. The remaining 95% are oils and fats with carbon numbers of 16 to 18 (Oil World Annual 2016). Fats and oils with carbon numbers of 16 to 18 contain solid parts unsuitable for human consumption, and as such the usage of these solid parts has been limited until now. Accordingly, we are generating Bio IOS, a high-quality surfactant, by applying materials science and synthesis technologies for surfactants. Bio IOS has already entered practical use in *Attack ZERO*, a concentrated liquid detergent, since 2019.

Demand for palm (kernel) oil may increase as the demand for food increases due to future population growth. Destroying forests and converting them to palm plantations to meet growing demand is not desirable in terms of biodiversity, nor in terms of climate change with regard to losing forests as GHG sinks.

Therefore, Kao has been developing alternative materials to palm (kernel) oil as a way to meet the

increasing demand for palm (kernel) oil, a raw material for surfactants, without destroying forests.

In 2022 we initiated a demonstration study to produce non-edible bio-based nonionic surfactant from non-edible biomass using cassava residue, which is a biomass waste product. Utilizing Kao's enzymes and enzyme production technologies, cassava residue can now be efficiently broken down into sugars, the raw material for some chemicals. By conducting the saccharification process from enzyme production to saccharification at the same plant site, we also aim to reduce CO<sub>2</sub> emissions from transportation.

Furthermore, as a technology for the future, we are conducting research on substituting palm oil for fats and oils produced by algae, which have less environmental impact.

We believed that the ability to use materials that have been developed to minimize materials used and maximize utilization while cherishing the benefits of biodiversity previously had been of limited use as new ingredients in surfactant. However, the expansion of possibilities to use oils that do not compete with food applications will help to conserve biodiversity.

Additionally, for over 30 years, we have conducted R&D on proteins, such as enzymes, and have continued to develop technologies to efficiently produce proteins using microbes such as bacteria. One of these technologies is protein production technology using *Bacillus subtilis*. This technology contributes to obtaining VHH antibodies that neutralize the novel coronavirus, through joint research with Kitasato University and Epsilon Molecular Engineering, as announced in May 2020. Subsequent research results indicated that nasal delivery of the obtained VHH antibodies can inhibit replication of the novel coronavirus in infected lungs of hamster models. Furthermore, the binding pattern

between the SARS-CoV-2 spike proteins and VHH antibodies was elucidated. These results indicate not only that the VHH antibodies are a potential therapeutic agent for the COVID-19 pandemic, but also that there is potential to expand treatment options using a new administration route in the form of nasal delivery.

Kao has also conducted research on RNA from organisms in the environment (environmental RNA) to establish a highly accurate ecological survey method for biodiversity assessment. By using RNA as an indicator, which degrades more easily than DNA, it is less likely to falsely detect organisms that are not present and is also less susceptible to the effects of domestic wastewater. In addition to a comprehensive method for analyzing fish RNA in river water, we have now developed methods for assessing arthropods (aquatic insects) and algae, which are indicators of water quality. This research has the potential to visualize the true state of ecosystems with high precision without the need to capture living organisms.

Through the use of these technologies, we aim to contribute to the sustainability of society and the environment by minimizing the loss of biodiversity due to human activities.

### P83 Transformative Innovation



Successful Treatment for Coronavirus Disease 2019 in Hamster Models: A Significant Advancement for Clinical Use of VHH Antibodies Administered Nasally  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220117-001/>

Fish RNA, Abundant in River Water, Found to Be Useful for Ecological Research  
[https://www.kao.com/jp/newsroom/news/release/2021/20210817-001/\(Japanese\)](https://www.kao.com/jp/newsroom/news/release/2021/20210817-001/(Japanese))

# Biodiversity

## Compliance with international agreements

We undertake business activities in accordance with international agreements and related national and regional laws on biodiversity determined by the Convention on Biological Diversity and its contracting parties, the Conference of the Parties.

In addition, we were one of the first in Japan to announce support for zero deforestation in the procurement targets set in the Guidelines for Sustainable Raw Material Procurement in 2014. We also signed the New York Declaration on Forests announced at the United Nations Climate Summit held in New York in September of that year.

When using genetic resources, we fully consider ABS\* trends and comply with the Cartagena Protocol on the Use of Genetically Modified Organisms to ensure appropriate use and management of such resources.

Going forward, we will contribute to achieving the targets set in The Kunming-Montreal Global Biodiversity Framework, which was internationally agreed upon in December 2022.

\* ABS: Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization

## Initiatives related to palm oil

We are working to address key social and environmental issues related to palm oil (kernel oil), one of Kao's most important natural resources.

One is to educate the public about sustainable production and productivity improvements and to help them obtain RSPO certification. Approximately 600 plantations are scheduled to be RSPO certified by the end of 2022, and Kao plans to purchase all RSPO certified credits sold by certified oil palm smallholders.

Excessive fertilizer application to the soil can also cause soil contamination, water pollution, and changes in the soil ecological system. To this end, we provide free of charge the *Adjuvant* series, a series of chemicals that allow pesticides to spread evenly across plant surfaces and provide guidance on how to use them. The aim is to boost farm productivity, improve profitability by cutting pesticide use, and reduce environmental impact by avoiding excessive fertilizer application.

In addition, one of the targets of The Kunming-Montreal Global Biodiversity Framework states that the views of local people should be taken into account in biodiversity-related decision-making. We expect that the Grievance Mechanism for oil palm smallholders in Indonesia, launched in September 2022, will also contribute. With respect to human rights issues pertaining to oil palm smallholders, we launched a grievance mechanism in collaboration with Caux Round Table Japan (CRT Japan Committee), a non-profit organization specializing in business and human rights. Starting from approximately 50 farms on the Indonesian island of Sumatra, we will sequentially increase the number of target farms. We will also release relevant inquiry details and results of our response on the Kao website.

### P91 Responsibly Sourced Raw Materials



Progress of the SMILE project and commencement of the grievance mechanism  
<https://www.kao.com/global/en/newsroom/news/release/2022/20220413-001/>

<https://www.kao.com/global/en/newsroom/news/release/2022/20220831-001/>

# Biodiversity

GRI 304-1, 304-2, 304-3

## Business activities that consider the planet's ecological system

We have been active in our own green spaces and have engaged in local contribution activities that consider regional biodiversity. There are multiple certification systems in Japan for corporate green spaces that pursue consideration for biodiversity, and we have received certification for the following plants and offices.

Wakayama Plant: SEGES Excellent Stage 1 certification (2005), Superlative Stage certification (2017)



SEGES green certification website: Wakayama Plant, Kao Corporation  
<https://seges.jp/site/A0509.html> (Japanese)

Kashima Plant: ABINC certification (acquired in 2015 and renewed in 2018 and 2021)

Kawasaki Plant: ABINC certification (acquired in 2018 and renewed in 2021)

Odawara Office: ABINC certification (acquired in 2020 and renewed in 2023)



The 10th Association for Business Innovation in Harmony with Nature and Community (ABINC)<sup>®</sup> certified facilities  
<https://www3.abinc.or.jp/facility/10th-creature-facilites/> (Japanese)

The 13th Association for Business Innovation in Harmony with Nature and Community (ABINC)<sup>®</sup> certified facilities  
[https://www3.abinc.or.jp/facility/13th\\_creature\\_facilites/](https://www3.abinc.or.jp/facility/13th_creature_facilites/) (Japanese)

Even after acquiring certification, each plant has maintained and intensified green space conservation activities. The Wakayama Plant obtained SEGES<sup>\*1</sup> Superlative Stage certification, the highest level among five levels of certification, and has maintained that level. Also, the Kashima Plant renewed its ABINC<sup>\*2</sup> certification in 2018 and 2021, the Kawasaki Plant in 2021, and the Odawara Office in 2023.

- \*1 Social and Environmental Green Evaluation System  
 A system that evaluates high-quality green spaces created by companies as well as their day-to-day activities and efforts and certifies well-maintained green spaces that contribute to society and the environment
- \*2 Association for Business Innovation in Harmony with Nature and Community  
 An organization whose purpose is to create mechanisms that enable people to coexist with living organisms, scientifically and technically verify those mechanisms, and promote their commercialization

## Implementing measures based on global biodiversity evaluation criteria

In contrast to this, to the best of our knowledge, there are no certification systems for corporate green spaces outside of Japan where we have production sites. To address this, biodiversity indicators were introduced in 2017 to determine the extent to which local biodiversity-conscious activities are being carried out at each location where we conduct business around the world, and in 2018 and 2019 we completed biodiversity evaluations at all production sites including those sites that we recently acquired. By utilizing the indicators, we can clarify issues from a biodiversity perspective and improve their score by promoting these activities, which will make confirming their progress simpler.

The primary objective of introducing these criteria is to help conserve the biodiversity of the local ecological systems whose benefits individual sites enjoy, by determining current conditions and actively undertaking biodiversity conservation at individual sites or in nearby green spaces with a clear understanding of targets by employees.

We believe that our thinking is communicated to many people involved, including local residents, in an expanding circle of activity, thereby helping to mainstream the concept of biodiversity.

## Kawasaki Plant Biodiversity surveys and conservation conducted in green spaces

The cohesive green space with evergreen trees (photo above) has become a healing space for our employees. Since 2017, we have continued to survey the creatures that inhabit the green space, and the number of species has been increasing every year. To date, 472 species (286 plant species, 151 insect species, 23 bird species, and 12 other species) have been identified, 58 more species than two years ago in the 2022 survey. It was a pleasant surprise to confirm the presence of two of the most important species: the *Chloris sinica* (birds) and the giant resin bee (insects). This year we also saw larvae feeding on the *Aristolochia debilis* in the breeding and protection area of the *Byasa alcinous* (see picture below). The *Aristolochia debilis* ecology was expanded from four to nine sites, and many *Byasa alcinous* were dancing. Although biodiversity-related events have not been possible for some time due to the prolonged effects of the COVID-19 pandemic, we continue to conduct greening cleanups and flowerbed activities at each workplace, as well as regular information provision to our employees. We also recycle woodchips made from dead trees, prune and cut branches and trees for use in green space trails, and inject pesticide solutions into weakened trees.

In July 2021, we were certified as a Kawasaki SDGs Gold Partner in recognition of our initiatives and declarations toward achieving the SDGs in four areas, including “biodiversity conservation activities through

# Biodiversity GRI 304-1, 304-2, 304-3

the development of on-site green spaces.” We will continue to strive to maintain the green space while promoting symbiosis between living creatures and people, contributing to the local ecological system and maintaining and improving the healing space for our employees.



## **Odawara Office** **Renewal of ABINC certification**

The Odawara Office has approximately 9,000 m<sup>2</sup> of green space, and more than 90% of the trees planted are native species. In 2018, we started our biodiversity conservation activities from the perspective of caring for local biodiversity. After obtaining ABINC certification in February 2020, we have maintained our existing activities and undertaken new initiatives. We passed our renewal audit in August 2022 and were issued a new certificate. The main activities listed under points of strength are as follows.

In 2018, we registered with the Odawara City’s foster care program for the protection of the Sakawa River system medaka (*Odawara medaka*) and received five medaka from the city. In 2019, we successfully hatched medaka eggs, increasing the number to 25. Since 2020, we have been raising medaka in a newly installed medaka pond on a large veranda in our building of the site, which now holds about 130 fish. We plan to return the medaka to Odawara City in 2023. On the same veranda, there is a rooftop green space where we are currently working on raising *Byasa alcinous* (see left picture).

In addition, we are also working to create a new riparian environment in 2022 next to the pavilion located in the greenbelt (Ark Square Garden) placed in the center of the Odawara Office that is habitable for living creatures, and have confirmed aquatic organisms such as *yago* (dragonfly gudgeon). We piled up tree branches generated during tree-thinning operations to provide shelter for organisms, or chipped them to create an environment where *beetle larvae* and other insects can grow (see right picture).



## **Sakata Plant** **Conservation activities based on the Yamagata Kizuna-no Mori Agreement**

In July 2021, Kao Sakata Plant signed the Yamagata Kizuna-no Mori Agreement with Yamagata Prefecture and Sakata City regarding forest creation, and named a 3.4-ha Shonai coastal black pine forest (Ohama area, Sakata City), located approximately 1 km north of the Sakata Plant, as Kao’s Forest Ohama as its activity site. It is said that merchants and farmers in the *Edo* period (1603–1867) planted these black pine forests to prevent flying sand. To pass on the history of the black pine forest as a forest for public benefit to the future, the objectives of the agreement include maintaining its function as a flying sand protection security forest, reducing CO<sub>2</sub> emissions by growing black pine, having employees run corporate citizenship activities, and raising environmental awareness among employees through these activities.

On June 25, 2022, 40 employees from Kao’s Sakata Plant and Kao Group Customer Marketing Tohoku gathered at Kao’s Forest Ohama to clear away weeds, cut underbrush, remove sand from stairs, and collect garbage. Also, on October 15, 27 employees gathered to remove ivy attached to black pines and clean the stairs (see photo above and below). There is a

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promenade that runs from the residential area to the foreshore, and since there are walkers there, we hope that making the promenade easier to walk on will promote health and safety, and that the cleanliness of the promenade will discourage illegal dumping. We also hope to pass on the importance of forest maintenance to the next generation by using this rich forest resource as a place for local children to learn about the environment and become familiar with it.



## Kao (Taiwan) Corporation

### Biodiversity conservation activities in factory green areas

Kao (Taiwan) conducts the following activities related to biodiversity conservation.

- We have created insect hotels that combine bird nests and educational functions using reclaimed wood from furniture and other sources, and have installed them in the plant's green space and near existing water areas, respectively, to provide hiding and breeding places for living creatures (see picture below). We have done an overhaul for the year 2022. Recently, *Psilopogon nuchalis*, birds endemic to Taiwan, have been regularly visiting the nest boxes for nesting, ants are breeding in the insect hotel, and amphibians are breeding in the water area.
- Biological monitoring activities provide a rough idea of the species (mammals, reptiles, amphibians, and insects) that inhabit the site. To help visitors and employees understand the project, we installed a board explaining the birds and plants living in and around the green space (see picture right). In the future, we would like to provide environmental education for new employees and visitors.



## KSA

### Plans to expand the area for planting native wild plants

Kao Specialties Americas LLC (KSA) is a company in High Point, North Carolina in the south of the United States. A mixed forest of various coniferous and broadleaf trees spreads throughout the site. KSA conducted a biodiversity assessment in 2019, learning that highly varied wildlife, including threatened species, inhabit the area.

Since then, KSA has been promoting biodiversity conservation activities in earnest, and employees are also actively participating. In 2021, in addition to existing biodiversity conservation initiatives, KSA set a target of planting 1,000 m<sup>2</sup> (10,764 ft<sup>2</sup>) with native wild flowers on the site by 2025 and launched action to achieve this target. The main objectives of this program are as follows.

- Provide habitats for pollinators such as bees and butterflies

# Biodiversity GRI 304-1, 304-2, 304-3

- Reduce lawn mowing and fuel requirements by converting traditional lawns to flowering grassland  
 In November 2021, KSA employees sowed 220 m<sup>2</sup> of wildflower seeds from the southeastern United States obtained from a local seed farm. The colorful blooms of these plants in August and September 2022 have attracted a variety of insects and have also been a delight to the eyes of employees and delivery drivers (see photo below). Again in April 2022, more than 40 employees planted 223 m<sup>2</sup> of wildflower seeds from the same seed farm, but the mature seedlings were mostly eaten by local migratory geese. Therefore, the planting was modified to be done only in the fall and to include beneficial cover crops to further alleviate the problem.

In October, our employees continued the annual program of planting (adding 90 m<sup>2</sup> of new nursery space) plants native to North Carolina that they had purchased themselves. This year, 24 employees participated, planting 10 new seedlings and tending to existing plants (see picture right).




### Collaboration with other organizations

We have been participating in the JBIB since its establishment in 2008. JBIB is an organization of companies from different industries that seriously consider biodiversity conservation efforts and implement specific initiatives. They are divided into multiple working groups on individual topics and discuss how companies can contribute to biodiversity conservation and restoration. This year, the movement to put together various international frameworks such as COP15, TNFD, and SBT for Nature, has accelerated, and through activities within JBIB, we are obtaining information on international trends and exchanging opinions.

Since last year, we have also been participating in the Japan Business Federation's Open-ended Working Group on the Post-2020 Global Biodiversity Framework. Here, we discuss and make proposals on the content of the Post-2020 International Biodiversity Framework and the domestic policies to be established based on it, as well as the impact on business activities, issues, and requests.

From April 2022, we are participating in the TNFD forum to provide feedback and gather information for the beta version to be released by TNFD. We have also joined the TNFD Consulting Group (TNFD Japan Council) to keep abreast of TNFD developments and exchange information with other companies.

 **TNFD Forum**  
<https://tnfd.global/about/the-tnfd-forum/>



# Communication with Consumers GRI 417-1

By engaging in-depth communication with consumers, we ensure that feedback from customers is utilized to enhance “ESG-driven *Yoki-Monozukuri*” and the services we offer, while providing lifestyle information that helps consumers of all ages solve their own problems. The world in which consumers live and their mindset are significantly changing. These changes include increased natural disasters due to climate change, the impact of epidemics and pandemics on social life, marine plastic waste, and human rights issues, including LGBTQ+ rights and gender equality. Consumers’ interest in businesses is diversifying to encompass initiatives for a sustainable society in addition to products and services. Kao will continue to provide consumer-oriented support and information on products and lifestyles to promote communication with consumers, helping them to live more pleasant lives.

## Social issues

To realize a sustainable society, companies are required not only to develop and provide useful and safe products and services, but also to promote ethical consumption behavior by consumers<sup>\*1</sup>. They are required to provide products and services that are more ESG-focused than ever before.

With the expansion of the B2C E-commerce market, businesses must adapt to diverse electronic channels for providing products and services, as well as from selling through brick-and-mortar stores<sup>\*2</sup>.

The number of foreign nationals living in Japan is also expected to increase in the future. As such, new means of communication that are conscious of information and communication technology and diversity will also be required to communicate with consumers<sup>\*3</sup>.

\*1 Consumer Affairs Agency, “Understanding consumer-oriented business”

\*2 Ministry of Economy, Trade and Industry, “E-commerce Market Survey”

\*3 Immigration Services Agency of Japan, “Number of foreign residents as of the end of 2021 (Reiwa 3)” (The number of permanent residents has increased while the numbers of technical intern trainees and international students has plunged.)

## Policies

We are committed to offering products, services and information that benefit consumers based on the principles of the Kao Way.

We strive to understand what consumers think through consultation, serve as a bridge between consumers and Kao products by providing useful everyday products and lifestyle information, attract more fans to Kao, and contribute to “ESG-driven *Yoki-Monozukuri*.”

1. Appropriate information provision and a management framework that can handle serious risks
2. Participation in “ESG-driven *Yoki-Monozukuri*” that contributes to a sustainable society as formulated by KLP
3. Diversification of communication means through DX and expansion of disclosed information to help consumers solve problems on their own
4. Implementation of a consumer support system resistant to emergencies, including pandemics and natural disasters, and promotion of flexible consumer support with work style reforms



Basic policy for handling consumer enquiries  
<https://www.kao.com/jp/support/products/consumer/#policy>  
 (Japanese)

## Strategy

### Risks and opportunities

#### Risks

1. Dissatisfaction with the lack of information in response to demands for disclosure of ingredients, safety information, and so on as a result of rising consumer awareness regarding safety and security
  - Delayed response or inadequate consideration (environmental, safety) for substances of concern
  - Spreading over social media of incorrect usage directions, mistaken product information, etc.
  - Delayed switching over from products that are difficult to recycle, sort and dispose of and have a heavy environmental impact
2. Use of products that were developed for domestic use in other countries
  - Greater scope of damage from delays in product safety determinations and in judging the potential extent of product accidents within and outside Japan
  - Inadequate consideration for cultural and other differences
  - Spreading of inappropriate advertising expressions, scandals involving celebrity spokespersons, etc. over social media
  - Loss of corporate credibility from leaks of obtained personal information



# Communication with Consumers GRI 3-3, 417-1

- Lower risk sensitivity due to decline in telephone and email inquiries
  - Increased posting of inquiries on social media regarding product quality, compliance and social issues
  - Decreased feedback to businesses due to more sales through e-commerce channels, and increased online negative reviews of consumer support and product quality
- Reduced consumer convenience from production stoppages and delays, increased social unrest from products being out of stock
  - Loss of communication capacity with consumers during disasters, pandemics and the like

## Opportunities

- For consumers
  - Provision of accurate product information relating to ingredients, safety, etc.
  - Disclosure of reliability information relating to security and safety
  - Publication of product information based on the lifecycle assessments
  - Proactive release of information about how to get products and the stores that carry them
- For related divisions
  - Development of new products and opportunities for improvement proposals through global sharing of consumer inquiry information
  - Opportunities to call for improvements in developed products, sold products, advertisements, etc.
- Provision of diversified communication channels to consumers
  - Provision of collected consumer comments and the results of their analysis to related divisions

- Ensuring communication capacity by dispersing locations and times to comply with BCP
  - Provision of diverse work styles leveraging digital technologies to employees in consumer support

## Strategy

- Appropriate information provision and a management framework that can handle serious risks
  - Consumer-focused response to inquiries
- Business activity support with the reorganization of the consumer support system in line with the expansion of new business domains and diversified means of sales promotion communication
  - Enhancement of a system to collect and share consumer comments utilized for “ESG-driven *Yoki-Monozukuri*”
- Acquisition of new inquirers by adding new means of inquiries including non-telephone means
  - Promotion of consumer self-service with the timely provision of Q&As that meet the needs of consumers
- Flexible support system with the expansion of consumer support provided by employees working from home (live chat and telephone support)
  - Expansion of consumer support for BCP through effective use of contractors

## Social impact

- Realization of ethical, environmentally friendly consumption behavior
- Improved quality of life from the perspective of diversity as a result of enhanced information provision, multi-lingual support, and diversification of the means of obtaining information
- Improved quality of life and improved hygiene awareness from having accurate product knowledge and being able to select products with confidence

## Contributions to the SDGs



### Business impact

- Higher efficiency of consumer communication by providing various means of communication
- Enhanced information disclosure leads to increased resolution of issues by consumers on their own, increasing consumer satisfaction and brand loyalty
- Higher efficiency of handling consumer inquiries through virtual responses utilizing AI
- Multilingual support by consumer support desks increases satisfaction and brand loyalty among non-Japanese consumers
- Sustained consumer loyalty to the Kao brand through control of rumor diffusion

## Governance

### Framework

The Consumer Communication Center consists of three departments that are active at the Sumida Office, Osaka Office, and eight branch offices of Kao Group Customer Marketing Co., Ltd.

Activities of the Consumer Communication Center are shared in monthly briefings attended by the responsible Executive Officers and the heads of business divisions. The results of analyses of inquiries are reported in monthly Quality Improvement Study Meetings held by the respective business divisions and attended by related divisions. In these meetings,

# Communication with Consumers GRI 3-3, 404-2, 417-1

attendees discuss improvements to products and displays, as well as to responses to risks, including product quality.

Consumer Relations collects the consultation details including consumer feedback and opinions through open communication with consumers, and immediately registers these details in the ECHO System. In addition, it is responsible for internal training and disseminating and responding to information on risks such as quality and societal issues.

Product Relations conducts activities that contribute to “ESG-driven *Yoki-Monozukuri*,” such as addressing quality risks from the consumer’s perspective and improving products and displays from analysis of consultation data.

Communication Business Promotion helps to ensure smooth operation of consumer communication. This encompasses managing the Kao ECHO System, preparing information, disseminating Q&As about products on the website, gathering information on technology and society, drafting information for external organizations and managing overall operations.

**P18** Our ESG Vision and Strategy > Governance

## Education and promotion

We implement regular external evaluations and training to maintain a high-quality support and consultation and continue to improve this. We strive to provide consistent service and information, by checking the quality of our support with the Quality of Telephone Support Survey conducted by a research firm. With the Support Satisfaction Survey targeting consumers, we identify consumer satisfaction through a net promoter score and consumers’ willingness to continue using products.

We also hold consumer handling training for consumer support members other than those at the Consumer Communication Center (members at the Kao Museum and the DX Strategy Promotion Center). We and consumer support desks of affiliates outside Japan regularly share cases utilizing the comments of consumers, exchanging suggestions for consumer support and *Monozukuri* to improve our consumer support skills.

This year, we started new workshops for business divisions to heed the comments of real consumers collected through the Kao ECHO System and consider improvements to products and marketing strategies. We are actively engaged in efforts to encourage employee understanding of consumer perspectives and to reflect the comments of consumers into our business activities.

## Collaboration with stakeholders

### Exchanging information with consumer affairs centers and consumer groups

We strive to maintain positive relationships with external institutions and organizations, as well as have our approach be better understood, by exchanging information about the Consumer Communication Center’s annual report, recent consumer trends and noteworthy inquiries once a year with public bodies and consumer groups, including consumer affairs centers led by regional government agencies.

### Implementation of exchange activities involving consumer-oriented events

At events such as public lectures and consumer fairs, we offer to consumers a wide range of information concerning laundry, proper handwashing techniques, housecleaning, oral health care, bathing, UD and other

topics. We position these events as opportunities to directly understand the various issues faced by consumers from a different avenue than the support desks and connect them to “ESG-driven *Yoki-Monozukuri*.”

## Risk management

Among all risk information, the Consumer Communication Center defines urgent and significant risk information as Urgent and Significant Feedback and sets steps to respond to such information. Once obtained, Urgent and Significant Feedback is immediately shared with the head of the Center. After looking into the details (including quality-related trouble, critical body symptoms, reputational risks and compliance violations), the head of the Center shares Urgent and Significant Feedback with all related divisions. The responsible divisions are encouraged to act quickly in accordance with protocols set each by Product Quality Management and Risk Management & Responsible Care. Once registered with the Kao ECHO system, Urgent and Significant Feedback is automatically emailed to relevant employees in related divisions to share this information. This process prevents slowing of information sharing and helps us to take action quickly.

**P33** Our ESG Vision and Strategy > Risk Management



Management Systems for Implementing Quality Management Activities  
<https://www.kao.com/global/en/innovation/safety-quality/safety-quality-policy/management/>

# Communication with Consumers GRI 3-3, 417-1



Corporate Governance Structure and Initiatives  
<https://www.kao.com/global/en/corporate/policies/corporate-governance/structure/>

In principle, we direct consumers with compliance-related inquiries to the Compliance Hotlines, and share the Compliance Hotline Operating Policy to enable an appropriate response.



Compliance Hotlines  
<https://www.kao.com/global/en/corporate/policies/compliance/compliance-contact/>

The Consumer Communication Center manages personal information and trade secrets in accordance with the Trade Secret Management Manual and the Personal Information Management Manual. These manuals are customized for the Center's responsibilities and work environment based on Kao's Information Security Policy, Guidelines on Handling Trade Secret Information, Guidelines on Handling Personal Information, and IT Security Guidelines (for Administrators) (for Users). To ensure proper management, at least once a year TS & Personal Information Protection Committee members and supervisors who handle personal information conduct self-checks and keep employees up to date with training and awareness-raising. They also revise rules according to the work environment, including teleworking, to prevent information loss or leakage. Furthermore, the steps to take when information is lost or leaked are available to view at any time. This encourages employees to report any incidents quickly.

**P300** Information Security

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

- Create conditions that allow consumers to seek out information and advice whenever they want and using the mode of communication that suits them
- Offer information about reliability, ingredients and products related to safety and security as well as solutions to problems consumers face in daily life through diversified consumer communication channels, and contribute to enhancing corporate value
- Share and mobilize consumer feedback in many related internal divisions through the Kao ECHO System, and develop new products and improve products not just for Japan but also for global markets
- Strengthen information security in our response to consumers and make available diverse work styles not tied to specific times or locations to maintain our communication capacity with consumers

#### Main initiatives to realize the mid-term objectives

1. Answering consumer inquiries by means such as telephone, e-mail, chat bot and live chat
2. Providing practical information on our website
3. Providing active support for questions posted on Q&A boards (Yahoo! Chiebukuro)
4. Propose "ESG-driven *Yoki-Monozukuri*" from a consumer perspective at internal meetings such as Quality Improvement Study Meetings.
5. Exchanging information with consumer groups and consumer affairs centers
6. Implementation of exchange activities involving consumer-oriented events
7. Collaboration with industry organizations

### 2022 results

#### 1. Answering consumer inquiries by means such as telephone or e-mail (Global)

In 2022, Kao Corporation, Nivea-Kao Co., Ltd. and Kanebo Cosmetics Inc. answered a total of around 173,000 consumer inquiries in Japan received via telephone, e-mail and other means (−4% year on year). The drop is mainly due to a decrease related to COVID-19 (−50% year-on-year). The number of feedback cases rose slightly (+1% year-on-year) while the number of questions dropped by 9% year-on-year. The decline possibly resulted from an increase in self-service thanks to improved Product Q&As site, product catalogs, and other methods of proving information. The proportion of enquiries in the total number of consultations, which had accounted for more than 50% in each of the previous four years, has fallen to around 49% in 2022, and the number of consultations has also fallen to 81% of the total number in 2019.

E-mail inquiries fell to 16,000 (−23% year on year). The fall is due to a rise in the number of consumers who solved problems on their own with enhanced product Q&As and newly introduced chatbots.

By business division, the Skin Care Business received fewer inquiries at approximately 17,000 (−14% year-on-year), and the Home Care Business at approximately 24,000 inquiries (−6% year-on-year), due to a drop in inquiries related to COVID-19. In addition, Cosmetics (*Sofina*, *Curél* and *KANEBO Cosmetics*) received approximately 47,000 inquiries (+3% year-on-year) due to inquiries about new and improved products. The Fabric Care Business received more inquiries at approximately 40,000 (+7% year-on-year) due to complaints related to discontinuation of *Keeping Laundry Starch in Washing Machine*.

# Communication with Consumers GRI 417-1

Excluding Japan, globally we received approximately 26,000 inquiries (−8% year on year).

We hold periodic online meetings for members engaged in consumer support at Kao companies in Asia, which are opportunities to share inquiry information and improve the quality of our inquiry support.

## 2. Providing practical information on our website (Japan)

We improved the content of our product Q&A website, a communication channel that allows consumers to solve problems on their own. The website covers all categories of our consumer products, and now has new webpages for our cosmetics. We also introduced AI-powered chatbots. In 2022, traffic to the product Q&A website increased to approximately 4.6 million UU\* (+11% year-on-year) due to increased views on weekends and weekday nights as well as by young consumers who do not inquire by phone.

We also quickly collect feedback made through the website’s feedback collecting features, search words, and questions asked on live chats, and reflect them on the product Q&A website and AI chatbots.

\* UU: Unique Users

## 3. Providing active support for questions posted on a Q&A board (Japan)

On Yahoo! Chiebukuro, under the user name “kao\_official,” Kao Official Support began providing answers to consumers’ questions posted to the service beginning in 2015. In 2022, an estimated total 700 new questions were answered. On the Q&A service, the answers to questions stay on the feed and can be read by many people with similar issues. The yearly number of views in 2022 of the past questions and answers (approximately 9,000 questions) was around 3.55

million. As a relative high proportion of questions are posed by young people, Kao support desks are able to answer questions for people unable to communicate otherwise. Problems that are different from those directly received by telephone and e-mail are among the top-viewed answers on the site.

Questions about disinfection and sterilization of the virus in 2022 changed mainly to those related to disinfection during home treatment of infected people.

With the temperature rise, Kao Official Support received questions for a long period regarding problems involving sweaty clothes, messy bangs and odors from drying clothes indoors.

More questions were posted regarding which Kao products can be taken on to planes as school and private trips resumed.

Kao Official Support also received more questions regarding lower price products and money saving tips, and many questions regarding 100-yen products, amid the consumer product inflation in line with rising energy and raw material prices. In addition, consumers posted more questions regarding the reward-point campaign for cashless payments than in the previous year.

## 4. External activities Exchanging information with consumer groups and consumer affairs centers

Until 2019, we visited around 100 public bodies responsible for consumer affairs, primarily consumer affairs centers, to exchange information, but due to restrictions on people’s movements and in-person visits, we sent the public bodies the Consumer Communication Center’s activities report just like we did in 2021 and made efforts to communicate that we were continuing the relevant activities.

## Implementation of exchange activities involving consumer-oriented events

In 2022, we resumed in-person exchange activities (wellness lectures in July and washing lectures in November). We also held online public lectures (wellness lectures in February). We will continue holding public lectures differentiating ones in-person and online in and after 2023 as well.

## 5. Initiatives compliant with ISO 10002

We announced in 2019 our compliance with ISO 10002: Quality management–Customer satisfaction–Guidelines for complaints handling in organizations, and are operating in compliance with it. In 2022, we also conducted an internal audit confirming our compliance.

We report to top management on the status of monthly consumer counseling topics, customer harassment countermeasures, and the initiation of home phone counseling, and work to improve the consumer counseling process in response to the judgments and feedback from top management. In 2022, we developed BCP guidelines for infectious diseases and customer harassment countermeasures. We also revised the customer handling procedures in the case of voluntary recalls and the reputational risk response guidelines.

Affiliated companies outside Japan are also starting to apply the inquiry response guidelines based on the requirements of ISO 10002.

# Communication with Consumers GRI 417-1

## Reviews of 2022 results

The product Q&A website and AI chatbots need to provide information that consumers are searching for. We believe we can enable consumers to solve problems anytime on their own through their preferred means of communication by collecting comments from them through online interactive communication, and implementing the PDCA cycle based on the collected information. This information includes feedback received through questionnaires on the website, search words, and live chats.

# Communication with Consumers

## Main initiatives

### Lifestyle Research (Kurashi no kenkyu) website that provides expert information from Kao's consumer research and tips useful for comfortable living

Three years into living with COVID-19, society has seen a gradual shift toward an everyday life with fewer restrictions. However, the invasion of Ukraine by Russia and the depreciation of the yen have caused prices to soar to unprecedented levels, and people have a growing interest in reviewing their lifestyle and taking action to protect their lifestyle due to anxiety about the future, and companies are required to provide highly reliable information.

We launched the Lifestyle Research website in 2014 that provides expert information from our consumer research and tips useful for a comfortable living. In 2022, we redesigned the website to offer a more user-friendly design and smoother navigation. We also worked to provide information in a more effective and timely manner by using past articles in addition to new ones.


Our reports on consumer research surveys featured topics of high interest that also attracted attention as social issues and were sympathized with by many readers. The report topics include the following: the reality of and approach to male menopause as well as female menopause; attitude and behavior changes around men's makeup seen mainly among young men; and a fixed-point survey revealing changes among consumers in their household budgeting as well as in their attitude and behavior around money saving amid soaring prices. The data we have disseminated has been widely reported in newspapers, television, online news, and books.

The Useful Lifestyle Information provides useful information according to the changes in our social situation. Among the information offered are winter

facial care tips for a mask-covered face and also facial massage tutorial videos for post-mask life. We have also made efforts to disseminate reliable information on energy and money saving techniques, which are of great interest to consumers, to help them cope with rising prices by putting them into practice.

The information provided on the Lifestyle Research website has been very well received by consumers. The number of individual visitors to the site has continued to increase each year, reaching a record high along with the number of site visits. We will continue to improve how we provide useful and highly reliable information for consumers via the Lifestyle Research website, with a focus on supporting the everyday life of consumers.



 Lifestyle Research website  
<https://www.kao.co.jp/lifei/> (Japanese)

### Consumer Research Reports Published in 2022 Grasping Consumers' Current and Future Situations

April	Lifestyle Survey through the Lens of Workstyle: Telework-Driven Changes in Housework Time
June	Possible Signs of Menopause Disorders Overcoming Menopause with Accurate Knowledge and Support from Others
August	Overcome the Unprecedented Price Increase Rush! Consumers' Defensive Spending Patterns in 2022
October	Self-Expression with Men's Makeup Beauty-Conscious Men in Their Twenties Want to Have Clear Skin
November	Handling Discomfort and Irritability in Your 40s and Beyond! Have You Heard about Male Menopause?

### Lifestyle information published in 2022 Useful Information for Comfortable Living

February	Face Masks Can Cause Dry Skin Winter Facial Care Tips to Feel More Comfortable
March	How to Better Wash Scarves, Beanies, Gloves and Furs
April	How to Use a Hair Straightener the Right Way: Six Useful Tips for Beginners
May	Kao researcher explains in detail in video "Basic Face Washing" by a professional
June	Three Hints to Preventing Mold and Bacteria in the Bathroom
July	Tips on Saving Money and Power to Fight Inflation and Power Shortages
August	Smelly Feet Remedies and Summer Floor Care
September	How to Fix a Saggy Face and Laugh Lines for Post-Mask Life Facial Massage Tutorial by a Pro
November	Window Screen Cleaning without Using Water or Removing Screens How to Get Rid of Dirt and Clogging
December	Preparation Steps and Detergent to Easily Clean a Greasy Range Hood and Filter

# Communication with Consumers

## Employees' opinions

### Supporting consumers through support channels that suit the current times

#### Kanako Yamauchi

Consumer Relations 3,  
Consumer Relations  
Consumer Communication Center



We started support using live chat as a tool for consumers to solve problems quickly, and asking questions freely if they prefer not calling or emailing.

We find it difficult to quickly understand the intent of consumers as we exchange short messages, but we, as a team, try to prioritize their anxiety and

concerns so that consumers can feel the warmth of person-to-person communication.

We have received comments of appreciation for live chat support from young consumers, consumers with hearing loss, consumers with children and consumers who prefer anonymity due to their sensitive inquiries. We feel that we are one step closer to realizing an environment for everyone to make inquiries easily.

We will strive to offer consumer support that will not leave anyone behind by continuing to introduce new tools that suit the current times and to actively collect comments from consumers.

# Process Safety and Disaster Prevention GRI 3-3, 403-1

We implement process safety and disaster prevention activities with the aim of ensuring the safety of employees and maintenance of safe, stable operations, stipulating matters relating to prevention of accidents, emergency response and strengthened security. Through these activities, we aim to have zero accidents.

## Social issues

As we have several large-scale chemical plants, their process safety and disaster prevention needs are increasingly heightened in the context of the recent increase in the number and severity of accidents at chemical plants and natural disasters.

As such, we will undertake to enhance our safety capabilities, and strengthen our disaster prevention measures on a daily basis.

## Policies

Activities to ensure process safety and disaster prevention are clearly stipulated in the Kao Responsible Care (RC) Policy, which states that Kao will “strive to prevent accidents by improving on-site safety competency” and that furthermore, “Top management will exercise leadership to continuously improve our safety culture and safety infrastructure by putting safety first. We will also maintain safe and stable operations by systematically implementing equipment-related and administrative measures. We shall strive to prevent fires, explosions and chemical spills, place maximum priority on safeguarding human life when responding to natural disasters, and prepare for emergencies by conducting periodical training that takes into consideration the need to strengthen security related to facilities, processes and technology.” We are endeavoring to prevent accidents and disasters in accordance with this policy.



Kao Group Responsible Care Policy  
<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/responsible-care-policy.pdf>

## Strategy

### Risks and opportunities

#### Risks

We regard outages of stable operations from major accidents impacting regions in the vicinities of plants, natural disasters or other factors, and the accompanying loss of societal trust in the company from these things as risks.

#### Opportunities

On the other hand, we think that implementing thorough process safety and disaster prevention initiatives ensures the safety of communities and employees, which leads to trust in the company and enhancement of its brand image, and regard this as an opportunity.

### Strategy

We promote activities related to process safety and disaster prevention as part of Responsible Care (RC) activities and plan and implement them according to Kao Group RC targets.

**P284** Responsible Care Activities

### Social impact

Kao, as a company with large-scale chemical plants, will provide regional communities in which local residents can live in peace of mind and employees at worksites can operate in safety without fear of accidents.

Ensuring the stable provision of products with sound implementation of business activities from safe operations at all worksites. Moreover, this can help to stabilize of product prices.

## Contributions to the SDGs



### Business impact

Mitigation of unnecessary expenses and reductions in overall costs, minimizing lost opportunities and leading to higher revenues through sound implementation of business activities from safe operations at all worksites

## Governance

### Framework

Our daily activities for process safety and disaster prevention are conducted as part of the RC promotion system. In particular, we have built a framework to keep track of accidents or disasters when they occur, through our global emergency reporting network. The organizational framework used in an emergency situation is separate from the Board of Directors, etc.; an emergency organization is established, headed by the President, and takes action under the direct supervision of the President. In addition, when an accident or disaster occurs that we anticipate will have a major impact on our business activities, we will establish an Emergency Response Team Organization headed by the President & CEO. Together as a group, our initial response places top priority on safeguarding human life as we implement measures that include our Business Continuity Plans (BCP)\*.



# Process Safety and Disaster Prevention GRI 3-3, 403-1, 403-5, 403-9, 404-2

\* Business Continuity Plan  
 A plan for continuing key corporate activities through procedures to decide in advance which operations and functions should be continued, and which methods should be applied to continue activities, assuming various situations that cause the interruption and/or shutdown of business activities due to various events and the factors behind their occurrence.

- P18** Our ESG Vision and Strategy > Governance
- P276** Risk and Crisis Management

## Education and promotion

Through education planning using past cases, the latest technologies and knowledge, as well as response drills on process safety and disaster prevention, we are able to communicate skills and strengthen security. Along with this, we strive to raise employees' disaster prevention awareness by planning and conducting drills for natural disasters and fires.

## Collaboration with stakeholders

By conducting events related to safety and disaster prevention in cooperation with partner companies, we aim to further raise disaster prevention awareness and become a safer, more secure company.

In addition, by conducting information exchange meetings on a regular basis with everyone in the regions that surround our plants, we are deepening communication with local communities.

## Risk management

We promote activities related to process safety and disaster prevention as part of Responsible Care (RC) activities, and manage and assess risks according to Kao Group RC targets.

- P33** Our ESG Vision and Strategy > Risk Management
- P284** Responsible Care Activities

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

We actively strive to realize our goal of complete elimination of on-site fires, explosions, leakages and logistics-related leakage accidents.

#### 2022 results

In 2022, to maintain safe, stable operations and work toward eradicating process safety accidents, we conducted safety assessments at our chemical facilities, including enacting policies to prevent abnormal thermal reaction during polymerization or reaction, and implemented policies to respond to natural disasters such as earthquakes and water damage. In addition, we have proactively adopted AI and IoT technologies to reduce the labor required for facilities and improve process reliability, while operating a system that analyzes big data and applies it to the system for detecting signs of process errors.

In addition, detailed implementation specs and plans were drafted for respective divisions with the targets of enriching disaster prevention drills and enhancing security. Also during 2022, the disaster prevention audits we normally carry out each year at our plants outside Japan, to enhance their level of safety and disaster prevention, were postponed to prevent the spread of COVID-19.

Moreover, last year we formulated the Kao Grand Design for Process Safety to be achieved by 2030, and shared the design's 13 action plans, which aim to reinforce our safety culture and fundamentals and enhance safety, with related divisions and plants, and we are promoting activities by incorporating the action plans into each workplace. Small-scale fires occurred in 2022, but there were no accidents involving explosions, leakages, or logistics-related leakages\*1. For every safety accident, we conduct an accident cause analysis using the 4M5E method\*2 and implement measures to prevent similar accidents in the future. In 2023, we will continue activities directed toward our targets of completely eliminating on-site fires and accidents related to explosion, leakage and logistics-related leakage accidents.

\*1 Logistics-related leakages

Accidents involving leakage while products, etc. are being transported

\*2 4M5E method

A method for conducting causal analysis from the standpoint of four M-factors: Man (people), Machine (machine and facility), Media (material and information) and Management (management and education), followed by response policies from the standpoint of five E-factors: Education (education and training), Engineering (technology and engineering), Enforcement (strengthening and strict adherence), Example (model and example) and Environment (environment, background)

# Process Safety and Disaster Prevention GRI 403-9

## Overview of accidents (2022)

<b>Type of accident</b>	Small-scale fires: 5 cases
<b>Overview of accident</b>	<ul style="list-style-type: none"> <li>The frame and chain on a conveyor line scraped against each other, resulting in a fire.</li> <li>During hot work, sparks flew onto flammable material, causing a fire.</li> <li>A flammable material leaked from a centrifuge in a lab caused a fire.</li> <li>Improper installation of the battery cable in an electric hand lift caused a fire.</li> <li>Contents that leaked from the flange of a heater caused a fire.</li> </ul>
<b>Countermeasures being taken</b>	<ul style="list-style-type: none"> <li>Performance of analysis using the 4M5E method to determine the causes of the accidents, and thorough implementation of countermeasures</li> <li>Promotion of equipment replacement, and strengthening of monitoring device provision</li> </ul>

## Targets and performance

Item	Scope	Indicator	2021	2022		2023
			Results	Target	Results	Target
Accidents	Kao Group	Fires, explosions, leakages, etc. (no. of accidents)	5	0	5	0
		Logistics-related leakage (no. of accidents)	0	0	0	0

## Reviews of 2022 results

We strived to completely eliminate safety accidents such as on-site fires, explosions and leakages but did not meet this goal.

For every safety accident, we conduct an accident cause analysis using the 4M5E method and implement measures to prevent similar accidents in the future.

# Process Safety and Disaster Prevention GRI 403-2, 403-5

## Main initiatives

### Emergency response drills to prepare for large-scale disasters

Besides implementing fire response training and emergency evacuation training at the level of individual worksites, we also conduct training on a company-wide basis to prepare for large-scale disasters.

### Training in the use of the system for reporting the safety of Kao employees

To prepare for natural disasters, the Kao Group in Japan has adopted a web-based Employee Safety Confirmation System. Twice yearly, in March and September, all employees undertake personal input drills. The March 2022 sessions included training on how to enter detailed information about the damage using the message field, and the September sessions included training on how to enter information using a smartphone application. We will continue to hold drills on the premise on actual disasters as they occurred.

Below is an overview of uses of the Employee Safety Confirmation System in natural disasters in 2022. Confirmation of employee safety through deployment of the Employee Safety Confirmation System during these natural disasters resulted in no critical human casualties.

In addition, we used the Employee Safety Confirmation System on a weekly basis to check the health of our employees during the COVID-19 pandemic.

#### Usage of the Employee Safety Confirmation System in 2022

Date	Disaster	Result
March 2022	2022 Fukushima earthquake (intensity of 6+)	Safety confirmation completed for 100% by the next day

### Emergency response training assuming an earthquake

We are consolidating organizational units for disaster response in Eastern Japan and Western Japan premised on damage to the Kao Head Office from an earthquake in the Greater Tokyo Metropolitan area. In June 2022, we implemented disaster response drills premised on an earthquake in the Nankai Trough area, involving local organizational units and those in Eastern Japan, while in October we repeated these drills for organizational units in the Kanto area and Western Japan, premised on an earthquake with its epicenter directly under the Tokyo Metropolitan area.

During these drills, statuses were confirmed by IP radio within major disaster response organizational units, and promptly transmitted to Emergency Countermeasure Headquarters through our online internal disaster system and information management portal system. Necessary response drills were carried out by the organizational units responsible for disaster response based on the relevant data. In addition, the President & CEO, who is also the head of the Emergency Countermeasure Headquarters, took part in the October exercise, which simulated an earthquake disaster in the Greater Tokyo Metropolitan area, and conducted a repetitive drill to rescue victims. Due to the COVID-19 pandemic, we applied our ingenuity so that employees could attend the drill from home, using online conferencing tools.

The content of drills is being reviewed on an ongoing basis in light of the lessons learned from past training drills.

The President & CEO joined the drill.



### Emergency evacuation drills based on the scenario that a plant tour is taking place when the disaster occurs

The nine Kao plants in Japan that provide plant tours have prepared protective hoods for use by plant visitors in the event that an earthquake occurs while a plant tour is underway. These plants also implement emergency evacuation drills, with employees taking on the role of plant visitors, to ensure that in the event of emergency visitors can be taken swiftly to a safe place. In the future, we will continue to incorporate drills based on a variety of different scenarios during a plant tour into our annual training plan.



Implementing an emergency evacuation drill with employees taking on the role of plant visitors



### Strengthening process safety and disaster prevention

The SCM Division is actively introducing DX technologies including AI and IoT, and continues to strengthen risk management at chemical facilities through hidden hazard, earthquake and natural disaster response readiness.

In 2022, we established a thermal risk assessment method to evaluate the prevention of fire and explosion

# Process Safety and Disaster Prevention GRI 403-2, 403-5

accidents originating in abnormal reactions in our chemical facilities, and implemented safety measures in accordance with the assessment guidelines.

We also strive to minimize damage due to natural disasters. In addition to promoting ongoing diagnosis and strengthening equipment racks in our facilities as earthquake countermeasures, we continuously consider measures that may be necessary to prevent structural losses at the Wakayama and Toyohashi plants due to ground liquefaction caused by earthquakes.

Our activities to minimize damage include incorporating flood risk countermeasures into our basic policy, and in recent years we have been considering wind risk countermeasures to prevent damage to non-structural members such as roofs and external walls.

The Wakayama Plant underwent an on-site safety competency assessment by the Japan Industrial Safety Competency Center, which they had also received in 2018, to check their safety competency. We will improve weaknesses found at this assessment and further reinforce the strengths.

Our audits of safety, maintenance and other technologies, which are aimed at maintaining and enhancing our global safety level, were conducted remotely due to restrictions on movement imposed by COVID-19.



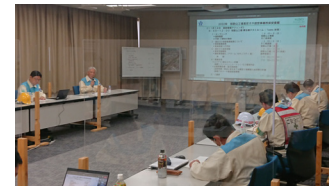
Chemical leakage drill at Kao Specialties Americas LLC

## High-pressure gas safety **High-pressure gas safety inspection, auditing and verification**

The Wakayama Plant has been designated as an Accredited Safety Inspection Executor\* pursuant to the High-Pressure Gas Safety Act. In 2022, a safety audit was implemented by the Safety Management in September and a safety inspection under the direction of the Chair, who also serves as head of safety management, was implemented in November. We were able to confirm that there were no problems with regard to process safety activities.

The high-pressure gas equipment at other Kao worksites also has safety inspection performed by prefectural and external inspection bodies. Safety audit and safety verification for these facilities are also carried out in-house, and a serious effort is being made to ensure safe equipment operation.

\* Accredited Safety Inspection Executor  
It is a company or organization authorized by the Minister of Economy, Trade and Industry to perform self-inspection, either while equipment is in operation or while it is out of operation, to verify whether the safety of specified items of equipment conforms to the relevant technical standards pursuant to the High Pressure Gas Safety Act.



High-pressure gas safety inspection at the Wakayama Plant



## Process safety and disaster prevention educational programs

We create various educational programs for process safety and disaster prevention. For example, the Monozukuri Training Center of the SCM Division is endeavoring to pass on the necessary knowledge and skills to younger technicians, who will be responsible for production sites, by exposing them to simulated technical glitches and hazardous situations.

Promising leaders of the next generation within and outside Japan receive eight months of training to learn about production technology and the spirit of *Yoki-Monozukuri* at Kao's Global Techno School in the Wakayama Plant.

Every year on Disaster Prevention and Volunteers Day, a disaster prevention message is posted to all employees in Japan to enhance their disaster awareness. In addition, days when accidents occurred are designated as Safety Days, to help ensure that the efficacy of past drills is not weakened by the passage of time. Moreover, the Kao Group Disaster Prevention Manual is distributed annually to all employees in Japan.



Nighttime emergency drill at Kao Chemicals Germany

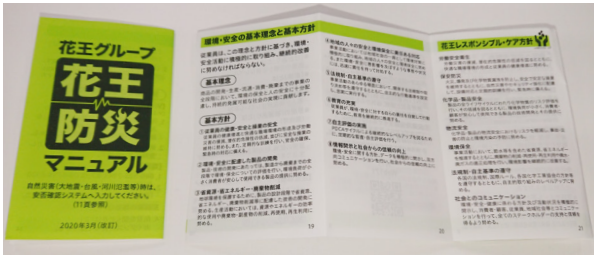
# Process Safety and Disaster Prevention

In 2022, as in the previous year, in response to the increased number of employees working from home due to the effects of COVID-19, we enhanced our e-learning programs, which can also be undertaken at home, and offered them to all employees of our affiliates in Japan.

We provided education on an earthquake in the Nankai Trough area and tsunami for the members of Wakayama Office, which has a large number of employees, as disaster prevention education in 2022.

Process safety education in 2022 covered dangerous substances as defined by the Fire Service Act, which is a necessary area of knowledge for employees of companies that handle chemical products and a fundamental element of regulation for companies. We continued the practical education begun in 2020, and trained participants in handling actual dangerous substances as defined by the Act.

Going forward, we will use e-learning actively to carry out process safety and disaster prevention Kao Group Disaster Prevention Manual education.



Kao Group Disaster Prevention Manual

# Corporate Citizenship Activities

We conduct our corporate citizenship activities with the goal of achieving the Kirei Lifestyle for all around the world and providing care and enrichment for the life of all people and the planet.

To address the social issues that Kao is focusing on, we are working in tandem with local communities and NGOs / NPOs with a long-term perspective. We also set up employee participation activities aimed at creating connections to society and places where employees can learn, along with support for arts and cultural activities in order to further the development of the culture, which is at the foundation of *Yoki-Monozukuri*. We also implement various activities through The Kao Foundation for Arts and Sciences.

## Social issues

Environmental issues that directly impact our lives, such as climate change and wastage, represent pressing problems that require action by the international community as a whole. All people, along with government and industry, need to be aware of these issues and be prepared to change their everyday behaviors.

Cleanliness, hygiene and health are the foundation of people's lives, but there are many people who are not able to benefit from services made possible by modern progress due to inequity stemming from economic disparity as well as disparities based on gender and other attributes. The infection threat associated with the COVID-19 pandemic has had a particularly hard impact on the three billion people\* living in precarious conditions without access to soap or clean water.

Floods, cyclones, heatwaves, and water shortages attributed to climate change have a major impact on, and indeed are inextricably linked to, health and hygiene standards.

Along with making contributions through business activities to help resolve these social issues, it is becoming increasingly important for companies to take action with a big picture perspective, through technological support leveraging their strengths, educational and awareness-raising activities, charitable donations and collaborations.

\* WHO/UNICEF Joint Monitoring Programme (JMP) 2019 "Progress on household drinking water, sanitation and hygiene 2000-2017: Special focus on inequalities"

## Policies

### Global Approaches to Kao Group Corporate Citizenship Activities

At Kao, we integrate corporate citizenship activities into our normal business activities in promoting the Kirei Lifestyle to consumers around the world with a view to creating a Kirei world where all can live together in harmony.

In our corporate citizenship activities we strive to address major social issues of focus as identified by Kao as well as social challenges in diverse communities, and through this to provide motivation and inspiration to our employees to reach their goals.

### Focus areas

- Kao's Focus on Social Issues
  - Environment
  - Population aging
  - Pandemics
  - Impacts of diversity
- Maximize the power and potential of employees

### The Kao Group will place value on following points when we conduct corporate citizenship activities

- Encouraging people to change their behavior to get closer to the Kirei Lifestyle
- Delivering the Kirei Lifestyle to as many people as possible while leaving no one behind
- Co-creation with employees and stakeholders who share our aspirations

- Strengthening compassion for and connection to people, the wider society and the planet

## Strategy

### Risks and opportunities

#### Risks

Without a deeper understanding of societal expectations and social issues, we will lack appropriate consideration for and engagement with stakeholders. In the long term this could lead to customers, employees and stakeholders losing trust in us, which could also potentially damage our brand value in the future.

#### Opportunities

In recent years, these are not only to improve convenience and satisfaction for individual consumers, but also to be part of people's everyday lives fulfilling the desire to make the right choices for a better society and enable the people around them and the society they belong to do the same.

As a consumer goods manufacturer, Kao is committed to corporate citizenship activities that harness our accumulated resources including technical expertise, knowledge base and networks to solve short- to medium-term social issues related to everyday life, such as hygiene, water, general health, quality of life and waste. In this way we believe that we can respond to consumer expectations. In doing so, the aim is to enhance our brand value over the long term, with Kao seen as an indispensable part of the sustainable Kirei Lifestyle.

# Corporate Citizenship Activities GRI 3-3, 404-2

## Strategy

Through a “select and focus” approach to our activities, combined with consistent strategic operations and PR activities steered by a globally integrated coordinating body, we aim to cultivate the trust and empathy of people and work toward the K25 goals.

Furthermore, along with corporate citizenship activities, we will maximize the motivation of our employees to take on and solve social issues in the pursuit of innovative, high-value *Yoki-Monozukuri*. This will in turn enhance our long-term brand value.

## Social impact

In the business domains of beauty, health, cleanliness, the environment, and life, where we have leveraged our own resources and strengths, we will provide various forms of assistance. These include educational and awareness-raising activities, technical support, charitable donations, and cross-industry and multi-sector collaborations, all designed to encourage behavior change among people and contribute to society as a whole.

On the environmental front, we will use environmental communication and awareness campaigns to prompt individual people to make more environmentally conscious choices in everyday life, fueling the drive toward a more sustainable society.

By spreading and instilling proper cleanliness, hygiene and health habits, we expect to improve hygiene and health in the communities we are supporting and contribute to improving living standards over the medium to long term.

Also, we promote corporate citizenship activities and employee participation, and encourage employees to take a broader view of the world and participate in donations and volunteering activities, with a view to actively contributing to the wider world.

## Business impact

As responsible consumption behavior becomes more widespread, we can gain customers’ trust by steadily carrying out activities aligned with our goals and continuing to communicate these externally, which we anticipate will help us attract loyal, long-term customers.

In addition, we believe that by encouraging employee participation in corporate citizenship activities we can stimulate their creativity and drive more innovative and high-value ESG *Yoki-Monozukuri*, through which we can provide new value to society.

## Governance

### Framework

The Strategic Public Relations collaborates with the rest of the organization, as well as with other companies in Japan and around the world, to achieve the Kirei Lifestyle as outlined in the ESG Vision.

All companies and offices within and outside Japan are required to undertake an annual survey of corporate citizenship activities and associated reporting, and to provide the Management Board with annual reports of corporate citizenship activities. The reports include details such as the associated costs.

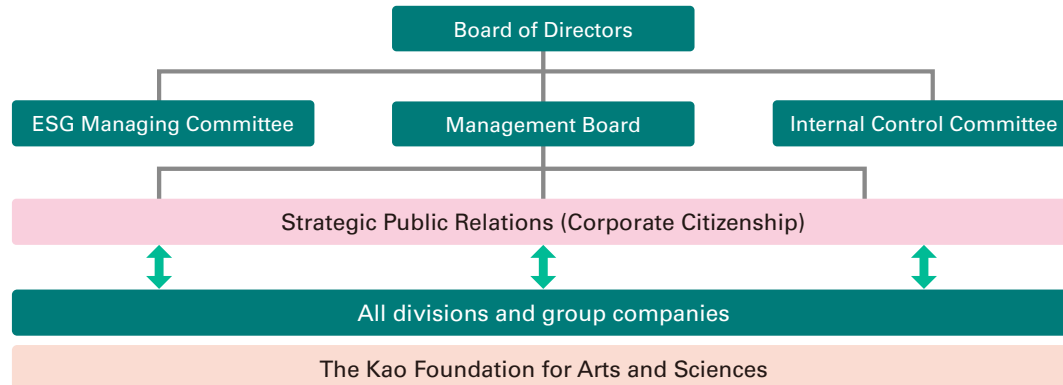
**P18** Our ESG Vision and Strategy > Governance

### Education and promotion

We believe it is important for our employees to give consideration to how people around the world live their lives and to make contributions to achieving the Kirei Lifestyle through our business activities and corporate citizenship activities.

By providing opportunities for employees to interact with people working to solve social problems and to participate in community involvement activities, we encourage our employees to learn about diverse societies, broaden their perspectives, enhance their

### Implementation framework for corporate citizenship activities



# Corporate Citizenship Activities GRI 3-3, 404-2

creativity and collaborative skills, and apply them to better *Yoki-Monozukuri* and community involvement activities.

## Collaboration with stakeholders

So that people around the world can enjoy the benefits of the Kirei Lifestyle, we use dialogue and collaboration with stakeholders to better understand the expectation from our increasingly diverse society, and call on others to join with us to make a greater impact than can be achieved by one company acting alone.

In the areas of hygiene, cleanliness and health, we work closely with specialized international agencies such as UNICEF and UNFPA that have comprehensive knowledge of local conditions, as well as NGOs and local entrepreneurs. On the environmental front, meanwhile, we engage with consumers and collaborate with governments at all levels, as well as schools and NGOs, to drive effective behavior change.


We actively promote employee engagement on the basis that employee participation in corporate citizenship activities cultivates a sense of loyalty to the company and acts as a motivator to make a greater contribution to our business operations as well as to society as a whole.

## Risk management

Should we fail to engage sufficiently with stakeholders and properly consider their expectations, they may lose faith in us over the long term. This could damage Kao's brand value in the future.

In the process of assessing risk and opportunity, the Corporate Strategy determines the expected risks and opportunities at Kao based on the opinions expressed by representatives from the relevant departments and divisions. The assessment process is subject to approval from the Management Board.

**P33** Our ESG Vision and Strategy > Risk Management

 Kao International Environment Painting Contest for Children  
<https://www.kao.com/global/en/sustainability/society/painting-contest/>

## Targets and metrics

### Mid- to long-term targets and 2022 results

#### Mid- to long-term targets

Focusing principally on our business domains of beauty, health, cleanliness, the environment and life-related fields, we help people around the world to enjoy happy, fulfilling and comfortable lives, including people whose issues cannot be addressed directly through our business activities and products and people who are in vulnerable positions.

Furthermore, by having employees participate in our corporate citizenship activities, create connections with society and broaden their perspective, we also aim to bring additional benefits to our business and to society at large.

## Environmental issues

- The Kao International Environment Painting Contest for Children
- By boosting the number of applicants as well as interaction among people involved in exhibitions, we encourage behavioral change by people toward more sustainable living.

### Pandemics, population aging, and impacts of diversity

- Kao Hygiene Development Program in Vietnam
  - (1) Water and Sanitation Project for Schools in Vietnam
  - Kao has collaborated with UNICEF to deliver a three-year project (2021–2023) to promote and improve access to water and hygiene services, primarily at schools in regions that require support. The project will reach 26,580 students and teachers over the three-year period.
  - (2) Infection control and hygiene standards at hospitals
  - Program of initiatives designed to boost infection control and hygiene standards at Hanoi Medical University Hospital
  - (3) Handwashing awareness campaign in Hanoi elementary schools
  - The campaign at elementary schools in Hanoi helps to raise awareness of the importance of handwashing, and instills good cleanliness and hygiene practices in children.
  - (4) Scholarship for Hygiene Management
  - Kao provides one scholarship to an exchange student from Vietnam to study food hygiene management in a master's degree program in Japan. The scholarship program has supported three students since 2018.
  - Menstrual Hygiene Improvement Project in Uganda
  - We will expand our support for social entrepreneurs involved in the manufacture and sale of low-cost sanitary napkins, including support for getting products to market and for promoting the widespread use of sanitary products.



# Corporate Citizenship Activities GRI 203-1

- Pink Ribbon Campaign
- Support for a cancer education project for junior and senior high school students
- Donations to the above project are made through brands and in-house programs.

## Harnessing the power and potential of employees

The aim is to foster trust in our company and encourage collaboration and teamwork among employees, making the company a lively place full of the employees' energy and vitality.

### 2022 results

#### Environmental issues

- The Kao International Environment Painting Contest for Children
- The 13th contest attracted 13,214 entries
- Exhibition of winning entries (displayed at 66 locations on company premises and in public facilities; viewed by 78,852 people)

#### Pandemics, population aging, and impacts of diversity

- Kao Hygiene Development Program in Vietnam
  - (1) Water and Sanitation Project for Schools in Vietnam
    - Conducted water and sanitation training for relevant ministries, community officials and school teachers, as well as school-led hygiene awareness sessions and World Handwashing Day events
    - Conducted surveys to assess the water and sanitation situation and develop action plans in target communities in Dien Bien and Soc Trang provinces
    - Provides water purifiers with ceramic filters As a result, 9,674 students and 533 teachers continue to have access to clean water.

- Designing hygiene facilities with climate and environment in mind Installation plans are underway.
  - (2) Infection control and hygiene standards at hospitals
    - Hospital programs in Vietnam suspended or postponed due to rising numbers of COVID-19 cases
    - (3) Handwashing awareness in elementary schools in Hanoi
      - Baseline study at four elementary schools in Hanoi
        - Assess current hygiene training at schools and type/level of support required
        - Two handwashing training sessions for teachers from 45 schools, led by Hanoi Medical University
        - Handwashing classes and associated monitoring program for 48 elementary schools across two districts
    - (4) Scholarship for Hygiene Management
      - Accepted foreign exchange students in a Japanese master's degree program. The second exchange student was accepted in April 2020 and graduated in March 2022. The third foreign exchange student will begin a master's degree at Kanagawa University of Human Services in April 2023.
    - (5) Menstrual Hygiene Improvement Project in Uganda
      - Strengthening the manufacturing system for launching products. We provide support for expanding the product range into new areas and setting up a production and distribution system to deliver reliable and consistent supplies of sanitary napkins to all who need them.
    - (6) Breast cancer prevention awareness through the Pink Ribbon Campaign
      - Awareness-raising activities at selected Kao Group companies in participating territories in Asia and Europe in October and November
      - Support for a cancer education project for junior and senior high school students

- A portion of proceeds from sales of cosmetics, sanitary products and other product brands is donated to cancer education project
- Employee donation program (Japan): 1,794 employees contribute to the Photo Fund to help fund cancer education project

## Harnessing the power and potential of employees

Generate intuitive visual indicators of employee power and potential, such as positive perceptions of the company after participating in a corporate citizenship program

In Japan, the current level of participation in social contribution activities, as well as their awareness and needs, was confirmed, and effective approaches were made to reach out to targeted employees. As a result, new employees were involved, and a total of 7,832 employees in Japan (5,772 in 2021) participated in social contribution programs and volunteer activities.

In total, approximately 12,100 employees worldwide participated in volunteer activities and program management.

### Corporate citizenship activity expenses

An activity survey of corporate citizenship activities was conducted taking in Kao affiliates, offices and related divisions within and outside Japan. Kao's total expenditure for social contribution activities in 2022 was 1,325 million yen (including 91 million yen for human contribution, 538 million yen for material support, 322 million yen for donations, and 374 million yen for program support\* through business).

# Corporate Citizenship Activities GRI 203-1

## Reviews of 2022 results

While many programs had to be suspended, postponed or reviewed during 2022 due to the ongoing impacts of the COVID-19 pandemic, others were successfully restarted in a new or different form, typically with an online component. We surveyed changes in employee perception following participation in a program, and used the findings to tailor our approach to harnessing the employees' power and potential. This in turn led to an increase in participation rates.

In 2023, we are focusing on making a coordinated global effort to promote these activities.

# Corporate Citizenship Activities GRI 203-1

## Main initiatives

### Environmental issues

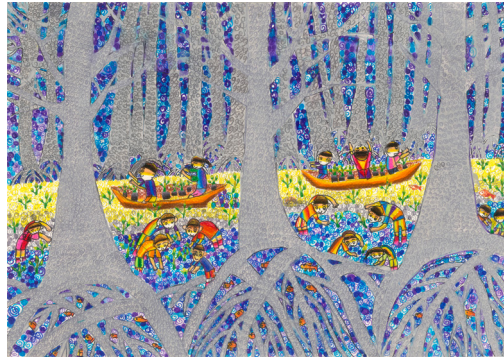
#### The Kao International Environment Painting Contest for Children

##### Sustainable lifestyle promotion

We have been holding the Kao International Environment Painting Contest for Children annually since 2010 in the hope that the paintings and thoughts expressed by children around the world, from their sincere consideration of environmental efforts around them, the earth and its future, will inspire people across the globe to lead and take action to changing sustainable lifestyles for a better world.

#### The 13th Kao International Environment Painting Contest for Children

In 2022, we received 13,214 entries submitted by children from all over the world, including 390 from Japan, 12,355 from the Asia-Pacific region, 90 from the Americas, 211 from Europe and 168 from the Middle East. Following a preliminary screening by Kao designers, the final selection took place in October by internal and external juries. One entry was selected for the “eco together”—Planet Earth Grand Prix and eight were awarded the “eco together”—Kao Prize, while another 23 took out the Eco Friend Prize. The awards ceremony was held online on December 11, 2022.



The “eco together”—Planet Earth Grand Prix winning work  
Title: Help to plant mangroves  
Woraphitcha (10)

#### Painting exhibitions in collaboration with NPOs and local governments

We seek out opportunities to exhibit past prizewinning paintings to the widest possible viewership in order to communicate the ideas and the messages of children around the world, aiming to change peoples’ behavior. The paintings are lent with free of charge to local government environmental agencies, NPOs, and educational facilities through the NPO BeGood Cafe and Kao Group Customer Marketing Co., Ltd. (a Kao Group company).

In 2022, prizewinning paintings were lent to a total of 66 facilities and groups for exhibitions that were viewed by 78,852 people.

We also participated in environmental events organized by local governments on the web, posting paintings, children’s messages and Kao’s online “Museum of Children’s Environment Paintings.” Our website to exhibit paintings has received approximately 700 views.



August / Kagoshima Museum of the Environment



Museum of the Kao International Environment Painting Contest for Children  
<https://www.kao.com/global/en/sustainability/society/painting-contest/>

#### Sustainable Lifestyle Consortium

##### Sustainable lifestyle promotion

Enterprise Network “The Sustainable Lifestyle Consortium,” an initiative of Kao and One Planet Cafe launched in 2021, brings together companies in the lifestyle industry to engage consumers and collaborate with government and local sectors, as well as schools and NGOs, in working to encourage behavioral change of lifestyle.

Two discussion sessions took place in June and July 2022 with consumers who are actively involved in sharing sustainability information on social media and/or engaged with their communities, with member companies. Through these, we identified key issues

# Corporate Citizenship Activities

around communicating with consumers aged in their teens through 30s. We also held a workshop from August through to October where high school student volunteers trialed behavioral change for a month. In December there was an online seminar for employees of member companies to deliver reports of achievements during the year. The seminar included a panel discussion that brought together representatives from the Consumer Affairs Agency, private industry, and consumers. The seminar was attended by approximately 90 Kao employees and a total of approximately 150 employees from member companies (including views of the recorded seminar after the event).



Sustainable Lifestyle Consortium  
<https://www.sustainablelifestyle.jp> (Japanese)



Discussion with consumers (Sustainable Lifestyle Consortium)

## China water conservation campaign



Kao China | Corporate Citizenship | Environment  
<https://www.kao.com/cn/sustainability/society/environment/>

China's Cleanliness and Water-saving Campaign Starts with New Content in 2022  
<https://www.kao.com/global/en/newsroom/news/release/2022/20221021-001/>

## Furusato Environment Conservation Project in Northern Thailand



"FURUSATO" Environment conservation project in North Thailand  
<https://www.kao.com/jp/sustainability/society/environment/furusato-thailand/>  
<https://www.kao.com/global/en/sustainability/society/environment/>

## Kao Creating Forests for Everyone program



"Kao Creating Forests for Everyone" Program  
<https://www.kao.com/jp/sustainability/society/environment/forests/>  
<https://www.kao.com/global/en/sustainability/society/environment/>

## Pandemic

### Kao Hygiene Development Program in Vietnam

Improved quality of life

Habits for cleanliness, beauty & health

We are implementing the Hygiene Development Program in Vietnam with the aim of promoting the widespread adoption of cleanliness and hygiene practices there. This program comprises four components: Leader Development for Infection Control, the Scholarship for Hygiene Management, Enhancing Hygiene in the Community and the Water and Sanitation Project for Schools.

### Leader Development for Infection Control

We are conducting a program in collaboration with Hanoi Medical University in Vietnam to improve infection control and hygiene at hospitals. In 2022, we examined how to further expand the program implemented the previous year to improve the rate of handwashing compliance, but were not able to conduct specific activities in hospital wards due to the COVID-19 pandemic.

### Scholarship for Hygiene Management

By cultivating food hygiene management experts who can play an active role in the health and hygiene field in Vietnam, we aim to contribute to healthy living for Vietnamese citizens. In cooperation with Kanagawa University of Human Services in Japan, we have set

# Corporate Citizenship Activities GRI 203-1

within the university and provide the scholarship to foreign exchange students.

The third foreign exchange student began a master's degree at Kanagawa University of Human Services in April 2023.

## **Enhancing Hygiene in the Community**

In collaboration with Hanoi Medical University, we started organizing handwashing awareness activities for elementary schools in 2020. A baseline study was conducted in 2022 at four elementary schools in Hanoi to assess current hygiene training standards and identify the type and level of support that schools require. Two handwashing training sessions for teachers from 45 schools, led by Hanoi Medical University

Handwashing classes and associated monitoring programs were also provided at 48 elementary schools across two districts.

## **Supporting UNICEF's Water and Sanitation Project for Schools**

Rural and mountainous districts of Vietnam, as well as areas with larger ethnic minority populations, often have poor hygiene and sanitation conditions that cause illnesses such as chronic diarrhea that impede the healthy development of young children. Since 2016, we have been supporting Water and Sanitation Project for Schools through UNICEF.

Based on the results achieved in An Giang province in southern Vietnam's Mekong River basin, support has been extended to Dien Bien province (a northern mountainous region with a large ethnic minority population) from 2018 and to Soc Trang province in the south, which has been affected by natural disasters, from 2022.

In 2022, a water and sanitation survey was conducted in approximately 200 schools in the two provinces. The study found that more than 30% of schools lack adequate clean water and proper sanitation facilities, and more than 50% of schools lack handwashing facilities for children. Training on safe water, hygiene, and customs was also provided to local officials and school teachers. A further 408 teachers from among the training participants gained skills and worked in schools. We also donated water purifiers with ceramic filters to supported schools, ensuring that around 10,000 students and teachers continue to have access to clean water. At the same time, there is a need to set up sanitation facilities that take local climate and environmental changes into account, and plans are currently underway to install them.



A hygiene triggering session with students ©UNICEF Viet Nam

## **Helping to improve menstrual hygiene**

### **Menstrual hygiene education for junior high school students in Indonesia**



Menstrual Hygiene Management Project in Indonesia  
<https://www.kao.com/global/en/sustainability/society/education/>

### **Menstrual Hygiene Improvement Project in Uganda**

Since February 2019, we have partnered with UNFPA to support the company EcoSmart, which was launched by a young social entrepreneur with the goal of

manufacturing and selling low-priced, domestically produced sanitary napkins in Uganda.

Many women in Africa are unable to purchase sanitary napkins due to poverty, and instead use old cloth rags and plant leaves. As a result, cases of serious infections are also seen. In addition, it is not uncommon for girls to stay home from school because they are worried about staining their clothing from not being able to use sanitary napkins, and end up leaving school after falling behind in their classes.

It is our hope that with our support girls and women in Uganda will be able to use sanitary napkins on a continuing basis, and will be able to live life during menstruation in greater hygiene and comfort. We also believe that empowering girls to go to school without absences during menstruation and have equal opportunity to study as boys will contribute to the greater development of Ugandan society as a whole.

In 2022, EcoSmart strengthened the production and distribution system for putting products on the market. The goal is to expand the product range into new areas and set up a production and distribution system designed to deliver reliable and consistent supplies of sanitary napkins to all who need them.



EcoSmart team in protective clothing at a production site ©EcoSmart Uganda

# Corporate Citizenship Activities

## Support for school education through the provision of educational materials

### Habits for cleanliness, beauty & health

### Sustainable lifestyle promotion

**P51** Habits for Cleanliness, Beauty & Health

## Impacts of diversity

### Support for cancer education through the Pink Ribbon Campaign

#### Improved quality of life

Since 2007, we have implemented the Kao Pink Ribbon Campaign every year during the two months of October and November. During this time, we have been conducting a variety of activities within and outside Japan to raise awareness for early screening and detection of breast cancer, with the slogan of “For you and your loved ones.”

One of our main activities in Japan is providing support for the Project of Cancer Education by Pink Ribbon Advisors organized by the Japan Society of Breast Health, an NPO. This project provides cancer education in junior and senior high schools, and in a world where one in two Japanese people will get cancer in their lifetime, is anticipated to raise students’ health awareness as well as create beneficial effects in their caregivers’ generation.

Activities conducted in 2022 include donating a portion of the revenue from selected product sales of the cosmetics brand *KANEBO* to the cancer education project. Through this ongoing initiative since 2013, we set a product for the campaign each year and support public education activities about breast cancer. In addition, the *Laurier* sanitary napkin brand ran a campaign to support women’s health by sending out information via the brand’s website and running a retweet campaign on the brand’s Twitter account, donating an amount based on the results. In addition to the cancer education project, these donations also went to support activities to raise awareness about cervical cancer.

We also proactively undertook awareness-raising activities, conducting a donation program based on employee involvement and producing visuals for the Pink Ribbon Campaign in collaboration with special subsidiary Kao Peony Co., Ltd.

We are actively conducting other activities, such as awareness-raising activities in some stores carrying cosmetics within and outside Japan and via online media as well as collaborating on projects with companies in other industries, to deliver the message to as many people as possible.

**P49** Improved Quality of Life > Kao Group Pink Ribbon Campaign



Kao Group Pink Ribbon Campaign 2022  
<https://www.kao.com/jp/pinkribbon/eng/>



Cancer education class at a junior high school

## Support for the Japan Boccia Association

#### Improved quality of life

Kao is committed to working with employees to address the important social issues of promoting harmonious co-existence and diversity through the parasport of boccia. As a gold partner of the Japan Boccia Association since 2019, Kao is championing the Kao Boccia 10,000 Project with the goal of at least 10,000 people have experience the sport of boccia, including employees and the general public, by 2025.

Kao has remained a gold partner following the Paralympics in 2022. We continue to provide both financial and material support, as well as supply hygiene products to enable safe and secure participation in tournaments and other events. A total of 111 boxes have been supplied to date.

In addition to in-house tournaments, November 2022 saw the launch of Boccia at Home, an initiative of Kao employees keen to get their friends and family members involved. There were 13 contests in 2022 involving 50 participants. Meanwhile, as part of our business activities, we have held 15 hands-on boccia events (for a total of 1,189 people) with local retailers and other organizations. The Wakayama Office held the first workplace boccia competition as a recreational activity. Some 237 people in 31 teams took part, including several employees with disabilities from the Production Division’s Wasa Group. It was a wonderful opportunity for different groups to mingle and experience the principles of co-existence and diversity.

In FY2022, a total of 1,501 people, both internal and external, experienced boccia, bringing the cumulative

# Corporate Citizenship Activities GRI 203-1

total to 1,583 people since 2019 towards the 10,000 target.



Wakayama Office workplace bocchia competition  
Featuring several employees with disabilities from the Production Division's Wasa Group

## Barrier-free access to information



Promoting a Barrier-free Environment  
<https://www.kao.com/global/en/sustainability/society/community/>

## Multiple themes

### Kao Social Entrepreneurship Schools

With the desire to leave a sustainable, brighter world for the next generation, we have been operating Kao Social Entrepreneurship Schools since 2010 to support the development of young social entrepreneurs who are attempting to devise solutions to social issues. In FY2022, we took on three groups of young entrepreneurs who are committed to causes such as eradicating child poverty, building homes to prevent social isolation, and providing

support services for foreign people living in Japan. This brings the total number of entrepreneurs mentored under the program to 38 groups.

In 2022 there were three sessions where the entrepreneurs worked with Kao employees to address the three objectives outlined below.

- (1) To double the employee participation rate from the previous year
- (2) To boost trust in the company and maximize the power and potential of employees by identifying with the Kao Social Entrepreneurship Schools initiative
- (3) To boost awareness of the need to solve societal issues and encourage an entrepreneurial spirit among employees

By expanding the program content and adopting a targeted approach to promoting participation, we have boosted participant numbers to 674, up from 224 last year. In the post-participation questionnaire, many people said they felt proud of Kao for supporting young entrepreneurs, and younger people in particular said that they found it stimulating and relevant to their day-to-day work.



Kao Social Entrepreneurship Schools training camp in FY2022  
\* Masks were removed for the photoshoot only

### Kao Heart Pocket Club

Kao Heart Pocket Club is a donation program set up by Kao Group member volunteers in 2004 for the purpose of providing community aid. Participating employees donate a portion of their monthly salary in multiples of 50 yen. The money is forwarded to NGOs, NPOs and citizen groups, used to fund employee volunteer programs, and is also provided as emergency relief assistance for major disasters. Kao Heart Pocket Club also serves as an opportunity for employees to engage with the community, mainly through volunteering, and helps to raise awareness and understanding of social issues. This fiscal year, we participated in the Onigiri Action as a new initiative, designed to encourage young people to get involved. Onigiri Action enables participants to donate 100 yen to children in Asia and Africa for every photo of an onigiri (triangular rice ball) uploaded. Every 100 yen provides five meals for a child. In total, 1,007 pictures of onigiri were received (well above the target figure of 500) from 388 participants, indicating a latent desire among employees to make a genuine contribution to society as a whole.

- 3,417 members (as of December 20, 2022)
- FY2022 report
- 41 donation projects / Donations of 10,007,000 JPY
- Matching gift of 3,747,000 yen from Kao (equivalent value)
- 388 employees participated as volunteers (excluding Onigiri Action)
- 1,314 people voted to choose the area/region to be supported by a local Kao office
- 833 messages of support were received from employees
- Reports are issued internally once per year

# Corporate Citizenship Activities



Onigiri Action photo competition

## Harmony with communities

### Supporting the arts / Supporting young artists

We have supported arts and cultural activities for the purpose of developing and passing down outstanding arts and culture and contributing to the enrichment of people's lives. While continuing to sponsor selected programs that support the arts in Japan, Kao has pivoted towards support for programs with a specific focus on promoting local communities and nurturing the next generation.

### Hosting the Tokyo Music Competition

We have organized the Tokyo Music Competition (cosponsors: Tokyo Bunka Kaikan, the Yomiuri Shimbun, Tokyo Metropolitan Government) since 2003 to support activities to discover and nurture the next generation of Japanese musicians. Support focused on professional development is a feature of the competition. Winners in each of the sections perform together with orchestras in special concerts, and Tokyo Bunka Kaikan gives five

years of support to prizewinners to hold solo recitals and other music performances.

Despite the pandemic, the event went ahead as planned with additional infection control measures in place. Applications opened in April. Some 445 applications were received across the three categories of piano, brass and vocals. The 12 winners were selected in August.

FY2022 saw some marvelous achievements from 13 past prizewinners, including top rankings and outright wins at music competitions within and outside Japan.



Award ceremony, string section, the 20th Tokyo Music Competition  
Photo: Rikimaru Hotta / Photo courtesy of: Tokyo Bunka Kaikan

### K-BALLET YOUTH

Since 2013, we have been a special sponsor of performances by K-Ballet Youth, a junior ballet company of young dancers whose general manager is Tetsuya Kumakawa. This endorses K-Ballet Youth to offer a place to discover the next generation of dance talent and for dancers to practice in an environment equivalent to a professional company, designed to develop the next generation of artistic performers. Since the very first recital in 2013, nearly 500 young dancers have benefited

from this initiative. Many of them have gone on to become professional dancers, which shows how the K-Ballet Youth program has played an instrumental role in their careers.

Kao was the designated sponsor of the fifth recital in 2022, a performance of Don Quixote, which had been postponed due to the COVID-19 pandemic. This year, as part of a new approach, auditions were accepted from other schools not directly affiliated with the K-Ballet School. Some 90 young dancers were selected from among 200 applicants. The pandemic led to some changes in how things were done, with rehearsals conducted online, for example. The performance, however, was a great success, with many attending on the day.



Fifth recital: Don Quixote  
© Ayumu Gonbi



# Corporate Citizenship Activities

## Sponsorship of Music Sharing’s teaching program

Kao sponsors ICEP, an initiative of the NPO Music Sharing that was founded by violinist Midori Goto in 1992. ICEP is a quartet comprising Goto and young performers from outside Japan. They perform at schools, children’s hospitals, children’s homes and elderly nursing homes in developing countries in Asia. The program, which also provides young musicians with opportunities to engage in corporate citizenship activities, aligns with the Kao commitment to nurturing the next generation. Kao has been a supporter since 2008. The program has been unable to provide live performances since 2020 due to the COVID-19 pandemic. These have been replaced with online initiatives such as the Listening Program for learning about music.

The Listening Program, a series of ten instructional videos made by Goto, was taken up by 64 elementary schools in Hirakata, Osaka during 2022. The program was also sent to schools and hospitals in Japan as well as Japanese schools in the USA, the Netherlands, and Cambodia.



Support of the Arts  
<https://www.kao.com/global/en/sustainability/society/mecenas/>

## Kao Family Concert



Kao Family Concert  
<https://www.kao.com/global/en/sustainability/society/community/>

# Corporate Citizenship Activities

## The Kao Foundation for Arts and Sciences

The Kao Foundation for Arts and Sciences is a unique foundation combining support for the arts and sciences that seeks to promote and further develop essential arts and sciences as well as contribute to the development of research integrating fields in the arts and sciences.

The foundation was established in 1990 with a donation in commemoration of Kao Corporation's 100th anniversary. Its main activities center on the three projects of awarding grants, giving commendations and related projects (support for research integrating the arts and sciences).

The grant project provides grants for art exhibitions and music performances among other activities, grants for scholarly research on the fine arts and music, and in the science and technology field, grant-type scholarships for students in master's programs, and grants under the name of the Kao Science Encouragement Award, given to young researchers conducting unique and pioneering research in the fields of chemistry, physics, medicine and biology.

In 2021, in a bid to address the general lack of female researchers in Japan, Kao launched the Kao Crescent Award program. This program provides grants to female researchers on fixed-term

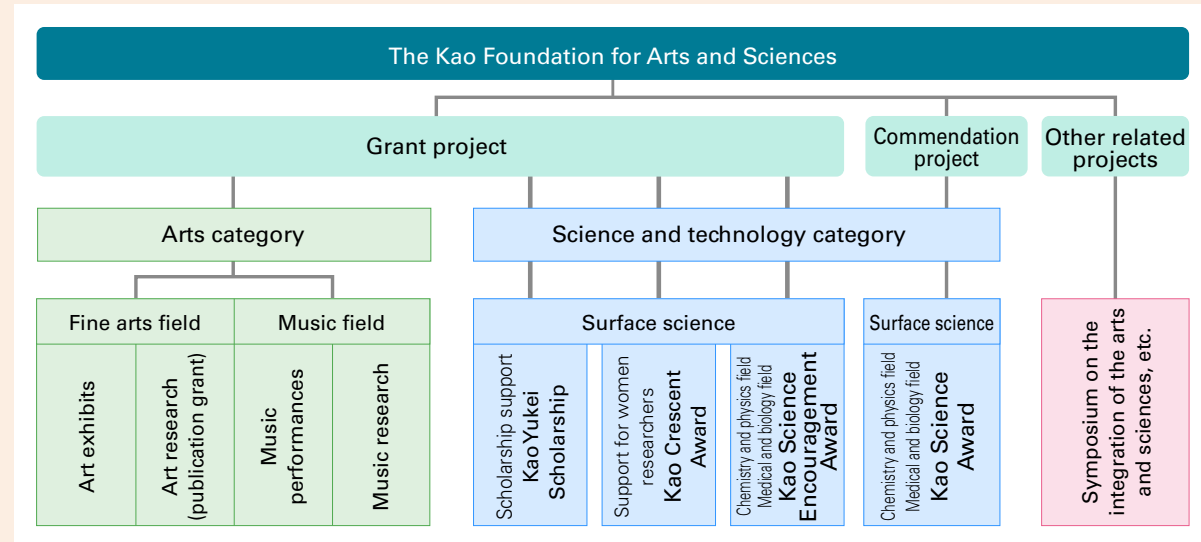
employment contracts. Recipients receive a considerable degree of freedom in how they spend their grants. The aim is to provide a better work-life balance that encourages them to continue their research work, which in turn promotes gender equality in society to the ultimate benefit of all.

The commendation project awards the Kao Science Award to recognize researchers who have achieved distinctive outcomes in basic research in

the fields of chemistry, physics, medicine and biology.

In this era of great uncertainty due to the pandemic among other factors, Kao remains committed to providing consistent and ongoing support for arts and culture as well as for scientific research, which we believe will ultimately stimulate the development of the arts and science in Japan.

### Foundation project organizational chart



# Corporate Citizenship Activities

## Japan Science & Engineering Challenge (JSEC)

We believe that the foundation of *Yoki-Monozukuri* is born from cutting-edge innovations created by science and technology, and in order to contribute to a brighter future, we support fostering young science researchers.

As part of this, we are a special sponsor of JSEC, which is organized by the Asahi Shimbun Company and TV Asahi Corporation and is a contest of independent science and engineering research open to high school and technology college students nationwide. Kao researchers are closely involved in the judging process for three awards, including the Kao Prize.

To mark its 20th anniversary in 2022, we introduced two new initiatives in conjunction with the Asahi Shimbun newspaper designed to increase the number of applicants.

(1) Releasing a video “From Detergent Research to Space” (developing products for use on the Space Station) to show high school students the excitement of corporate R&D activities

(2) Providing all applicants with a gift of a product that utilizes technology similar to that shown in the film

These initiatives combined to push FY2022 applicant numbers to a record 339 research works, well above the previous record of 267.



JSEC2022 FY2022 prizewinners  
<https://manabu.asahi.com/jsec/> (Japanese)

Prizewinners were invited to participate in an online stadium tour. As a new initiative, previous prizewinners who are currently pursuing PhD research were also invited to appear. In total, 154 employees were involved, up from 56 last year. Feedback from participating students included comments such as “I was really nervous presenting to all the Kao employees, so it was wonderful that they were interested in my work,” and “I really want to pursue research that interests me, just like the previous prizewinners.” Kao employees asked questions and provided advice to the students on the day of the presentations, and also forwarded 92 messages of support and congratulations afterwards.



JSEC2022 final judging panel meets on December 11

## Disaster relief

### Efforts in response to the Great East Japan Earthquake

While mobilizing existing corporate citizenship programs and our resources, we are cooperating with NGOs, NPOs, other companies and diverse organizations to conduct activities that are close to consumers' daily lives and aligned with local needs and issues in devastated regions. Currently, our activities focus on the two areas of providing emotional support and self-directed recovery. In terms of emotional support, we have been supporting the Smile Tohoku Project since 2012, where we visit victims of the disaster living in temporary and public housing to interact with them and offer support for their new lives. In terms of self-directed recovery, we are conducting activities to support industrial recovery and community development through support for recovery leaders and employee volunteer activities focused primarily on recovery in the Tohoku region. Activities by Kao employees in 2022 are described below.

### Learning from natural disasters for the future

Over the period March 7–11, in-house cafeterias at 11 Kao offices across Japan introduced a range of Tohoku home-style dishes, served with COVID-19 infection prevention measures in place, as part of a Flavors of Tohoku campaign to encourage employees to engage with the Tohoku region of northern Japan. The aim was to ensure that we remain aware and vigilant of natural disasters at all times. In an era when people are encouraged to refrain from conversation while eating, we also produced an audio presentation for in-house use, to give employees something to listen to during meals. The presentation, called “Learning from natural

# Corporate Citizenship Activities GRI 203-1

disasters for the future,” features prominent figures in the reconstruction effort talking about the work going on now and the outlook for the future. Employees said that the presentation had inspired them to keep supporting the Tohoku region, and that it made them more aware of the importance of disaster preparedness and mitigation strategies.



Audio presentation at in-house cafeterias

## **NEXT TOHOKU ACTION**

In March 2022, the Smile Tohoku Project, an initiative of the Iwate Nippo, Kahoku Shimpo and Fukushima Minpo newspapers, will transition to Next Tohoku Action. Kao Group Customer Marketing will continue to support the reconstruction effort in the Tohoku region.

## **Other disaster relief**

### **Donations for foundational activities**

We donated 5 million yen to the Disaster Relief Volunteer & NPO Support Fund of the Central Community Chest of Japan (social welfare corporation).

## **Support for the Ukraine crisis**

Kao donated 64.5 million yen (500,000 euros) to the UNHCR through the Japan for UNHCR. In addition, Kao Group employees within and outside Japan were encouraged to make donations to the United Nations High Commissioner for Refugees (UNHCR) and other organizations.

# Kirei Lifestyle Plan KPI definitions GRI 203-1

Regarding the mid- to long-term targets of the Kirei Lifestyle Plan that are noted on page 34 to 36, the formulas and factors that comprise each indicator, and the scope of each indicator, are as shown below.

## Making my everyday more beautiful

Kao Actions	Indicator		Target value	Year
	Formula	Factor	Scope	
<b>Making my everyday more beautiful</b>				
Commitment	The number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression		1 billion	2030
	A + B + C (people)	<ul style="list-style-type: none"> <li>•A: Number of people reached by sold products of brands certified as contributing to improving quality of life according to standards set by Kao (people)</li> <li>•B: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty &amp; health (people)</li> <li>•C: Number of people reached by new and improved products that meet Kao's Universal Design Guidelines (people)</li> <li>* Products that can be counted in both A and C are not calculated twice</li> <li>* The number of people in B that can be counted again in A and C are estimated based on assumed conditions and not calculated twice</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group's consumer products</li> <li>•Awareness-raising activities conducted by the Kao Group</li> </ul>	
Improved quality of life	The number of products that contribute to a comfortable, beautiful, healthy life and touch the heart of people		7 billion	2030
	A (products)	<ul style="list-style-type: none"> <li>•A: The number of sold products of brands certified as contributing to improving quality of life according to standards set by Kao</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group's consumer products</li> </ul>	
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)		0.1 billion	2030
	A (people)	<ul style="list-style-type: none"> <li>•A: Cumulative number of people reached by Kirei awareness-raising activities for acquiring habits for cleanliness, beauty &amp; health                             <ul style="list-style-type: none"> <li>•Number reached by awareness-raising activities using products and services provided by Kao employees</li> <li>•Number reached by communication-based awareness-raising activities (websites, social media, etc.)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group</li> <li>•Reporting period: Since 2016</li> </ul>	
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines		100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: Number of products that meet conformance criteria<sup>*1 *2</sup> (pcs)</li> <li>•B: Total number of products (pcs)</li> <li>*1 Up to 2020: Improved products are certified as conforming to Universal Design only if they have new UD considerations compared with before the product improvements</li> <li>From 2021: Certified as conforming to Universal Design if they have UD considerations, irrespective of whether they are new considerations</li> <li>*2 Due to revisions to standards, 2021 and 2022 values are only for Japan</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group's consumer products</li> <li>•New or improved products</li> </ul>	
Safer healthier products	% of targeted ingredients of concern on which views are disclosed		100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of ingredients of concern on which views are disclosed (ingredients)</li> <li>•B: Total number of established ingredients of concern (ingredients)</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group</li> </ul>	

# Kirei Lifestyle Plan KPI definitions

## Making thoughtful choices for society

Kao Actions	Indicator		Target value	Year
	Formula	Factor		
<b>Making thoughtful choices for society</b>				
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		100%	2030
	$(A + B + C + D) / E \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Number of Kao brands that conducted environmental awareness-raising activities to realize sustainable lifestyles (brands)</li> <li>•B: Number of Kao brands that help to solve social issues and that prompt people to feel and relate to the brand's social usefulness (brands)</li> <li>•C: Cumulative number of Kao brands that provided products incorporating innovations able to create transformative, sustainable impacts on lifestyles, society and/or the environment (brands)</li> <li>•D: Cumulative number of Kao brands that provided business and systems able to create transformative, sustainable impacts on lifestyles, society and/or the environment (brands)</li> <li>•E: Number of designated Kao brands</li> <li>* Products that can be counted in A, B, C and D are not calculated twice</li> </ul>	<ul style="list-style-type: none"> <li>•The Kao Group's designated consumer product brands</li> <li>•Awareness-raising activities conducted by the Kao Group's designated consumer product brands</li> </ul>	
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)		0.1 billion	2030
	A (people)	<ul style="list-style-type: none"> <li>•A: Cumulative number of people reached by environmental awareness-raising activities for realizing sustainable lifestyles                             <ul style="list-style-type: none"> <li>•Number reached by awareness-raising activities using products and services provided by Kao employees</li> <li>•Number reached by communication-based awareness-raising activities (websites, social media, etc.)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group</li> <li>•Reporting period: Since 2016</li> </ul>	
Purpose driven brands	% of Kao brands that help to solve social issues and that make people feel and sympathize with the brand's social usefulness		100%	2030
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Number of Kao brands that received a high degree of empathy in the consumer survey (brands)</li> <li>•B: Number of Kao brands that have been designated (brands)</li> </ul>	<ul style="list-style-type: none"> <li>•The Kao Group's designated consumer product brands</li> </ul>	
Transformative innovation	Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)		10 or more	2030
	A (announcements)	<ul style="list-style-type: none"> <li>•A: Cumulative number of announcements relating to products that incorporate innovations able to create transformative sustainable impacts on lifestyles, society and/or the environment</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group consumer products and industrial-use products</li> <li>•Reporting period: Since 2019</li> </ul>	
	Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019)		10 or more	2030
	A (announcements)	<ul style="list-style-type: none"> <li>•A: Cumulative number of announcements relating to business and systems able to create transformative sustainable impacts on lifestyles, society and/or the environment</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group businesses and systems</li> <li>•Reporting period: Since 2019</li> </ul>	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products		100%	2025
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: The weight of certified paper products and pulp (FSC, PEFC, SFI) for the Kao Group's consumer products (t)</li> <li>•B: The weight of paper products and pulp for the Kao Group's consumer products (t)</li> </ul>	<ul style="list-style-type: none"> <li>•Paper products and pulp for the Kao Group's consumer products</li> <li>•Office paper and other paper used in the Kao Group</li> </ul>	
	Confirm traceability to oil palm smallholders		Finish	2025
	A (farms)	<ul style="list-style-type: none"> <li>•A: The number of oil palm smallholders for which traceability has been confirmed (farms)</li> </ul>	<ul style="list-style-type: none"> <li>•Oil palm smallholders</li> </ul>	

# Kirei Lifestyle Plan KPI definitions

## Making the world healthier & cleaner

Kao Actions	Indicator			Target value	Year
	Formula	Factor	Scope		
<b>Making the world healthier &amp; cleaner</b>					
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb			100%	2030
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Number of products satisfying conformance criteria for Decarbonization, Zero waste and/or Water conservation (pcs)</li> <li>•B: Total number of products (pcs)</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group consumer products (top-selling 95% of products)</li> <li>•Except some brands</li> </ul>		
	Kao recognition or achievement level by external ratings firms			Highest evaluation level	Yearly
	—	Obtain A rankings in CDP for Climate Change, Water Security and Forest simultaneously	•Kao Group		
Decarbonization	% reduction in absolute full lifecycle CO <sub>2</sub> emissions (Base year: 2017)			22%	2030
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Annual lifecycle CO<sub>2</sub> emissions of the year in question (t-CO<sub>2</sub>)</li> <li>•B: Annual lifecycle CO<sub>2</sub> emissions of base year in question (t-CO<sub>2</sub>)</li> <li>*Base year: 2017</li> </ul>	<ul style="list-style-type: none"> <li>•Entire lifecycle process for the Kao Group's consumer products</li> <li>•Raw-materials procurement, manufacturing, and distribution process of the Kao Group's industrial-use products</li> </ul>		
	% reduction in absolute scope 1 + 2 CO <sub>2</sub> emissions (Base year: 2017)			28%	2025
				55%	2030
	$(1 - A / B) \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Annual scope 1 + 2 CO<sub>2</sub> emissions for the year in question (t-CO<sub>2</sub>)</li> <li>•B: Annual scope 1 + 2 CO<sub>2</sub> emissions for base year (t-CO<sub>2</sub>)</li> <li>*Base year: 2017</li> </ul>	<ul style="list-style-type: none"> <li>•Factories, offices, logistics centers, and company cars owned by the Kao Group</li> </ul>		
	% of renewable energy in electricity consumption			100%	2030
$A / B \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Quantity of consumed electricity produced from renewable energy (kWh)</li> <li>•B: Quantity of electricity consumption (kWh)</li> </ul>	•Kao Group factories, offices, and logistics centers			
Zero waste	Quantity of fossil-based plastics used in packaging			Will peak and begin to decline	2030
	$A / B \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A: Quantity of plastic packaging (t) used during the year in question</li> <li>•B: Quantity of plastic packaging (t) used during the previous year</li> </ul>	•Quantity of plastic packaging used by the Kao Group (consumer products)		
	Quantity of innovative film-based packaging penetration for Kao and others per annum			300 million	2030
	$A + B$ (pcs)	<ul style="list-style-type: none"> <li>•A: Sales quantity of innovative film-based packaging (Kao Group) (pcs)</li> <li>•B: Sales quantity of innovative film-based packaging using and applying Kao technologies (other companies) (pcs)</li> </ul>	•Kao Group and other companies		
	% recycling rate of plastics involving Kao			50%	2030
$(A1 + A2 + A3) / B \times 100 (\%)$	<ul style="list-style-type: none"> <li>•A1: Quantity of plastic (t) that underwent positive recycling during the year in question</li> <li>•A2: Quantity of recycled plastic (t) used in plastic packaging during the year in question</li> <li>•A3: Quantity of plastic (t) collected by Kao together with society, and used by society during the year in question</li> <li>•B: Quantity of plastic packaging (t) used during the year in question</li> </ul>	•Kao Group			

# Kirei Lifestyle Plan KPI definitions

## Making the world healthier & cleaner

Kao Actions	Indicator			Target value	Year
	Formula	Factor	Scope		
<b>Making the world healthier &amp; cleaner</b>					
Zero waste	Practical use of innovative film-based packaging made from collected pouches			Product launch	2025
	Product launch	•Launch of innovative film-based packaging made from collected pouches	•Kao Group		
	% of recycled plastic used in PET containers (Japan)			100%	2025
	$A / B \times 100 (\%)$	•A: PET containers using recycled plastic (pcs) •B: PET containers (pcs)	•Bottles made of PET material used in the Kao Corporation's household products (excludes cosmetics and commercial-use products)		
	% of the waste the waste generated from Kao sites*, ratio of waste that cannot be recycled *Beginning with production sites			0 (less than 1%)	2030
	$(A + B) / C \times 100 (\%)$	•A: Quantity of waste directly sent to landfill (t) •B: Quantity of waste simply incinerated (incinerated without heat recovery) (t) •C: Quantity of waste emissions (t)	•Waste classed as industrial waste under Japanese law •Excluding waste that must be directly sent to landfill or simply incinerated based on laws, ordinances, or similar		
	% reduction of discarded products and discarded sales promotion materials (Base year: 2020)			95%	2030
Water conservation	$(B - A) / B \times 100 (\%)$				
	•A: Weight of discarded products and discarded sales promotion materials for the year in question <sup>*1</sup> (t) •B: Weight of discarded products and discarded sales promotion materials for the base year <sup>*2</sup> (t) *1 Discarded sales promotion materials: Unshipped portion *2 Base year: 2020				
	% reduction in full lifecycle water use per unit of sales (Base year: 2017)			10%	2030
	$[ 1 - (A_1/A_2) / (B_1/ B_2) ] \times 100 (\%)$	•A <sub>1</sub> : Annual lifecycle water use for the year in question (million m <sup>3</sup> ) •A <sub>2</sub> : Sales for the year in question (hundred million yen) •B <sub>1</sub> : Annual lifecycle water use for the base year (million m <sup>3</sup> ) * Base year: 2017 •B <sub>2</sub> : Sales for the base year (hundred million yen)	•Entire lifecycle process for consumer products of the Kao Group •Raw-materials procurement, manufacturing, and distribution of the Kao Group's industrial-use products		
% reduction in full lifecycle water use per unit of sales in regions with water scarcity (Base year: 2017)			40%	2030	
Plan to disclose in 2024					
Air & water pollution prevention	% of plants that disclose VOC and COD emissions			100%	2025
	$A / B \times 100 (\%)$	•A: The number of factories that disclose VOC and COD emissions (factories) •B: Total number of factories (factories)	•Factories owned by the Kao Group		



# Kirei Lifestyle Plan KPI definitions

## Walking the right path

Kao Actions	Indicator		Target value	Year
	Formula	Factor	Scope	
<b>Walking the right path</b>				
Effective corporate governance	Kao recognition or achievement level by external ratings firms		Highest evaluation level	Yearly
	Selected	Listed as one of the "World's Most Ethical Companies®" by Ethisphere Institute	•Kao Group	
	Number of serious compliance violations per annum		0	Yearly
	A (announcements)	<ul style="list-style-type: none"> <li>•Compliance violations that have a significant impact on management and significantly damage corporate value</li> <li>•These violations are decided through opinions solicited from the Compliance Committee Secretariat (including evaluations and proposals by external lawyers from a third-party perspective), the Compliance Committee and Audit &amp; Supervisory Board Members and deliberations by the Management Board considering the maliciousness of the violation and its impacts inside and outside our company. The conclusions are reported to the Board of Directors.</li> </ul>	•Kao Group	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information		100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of brands that satisfy the following conditions (brands) Brands that disclose the ingredient names for designated ingredients above a defined amount</li> <li>•B: Number of brands that contain the designated ingredients (brands)* *From 2021, the scope is only brands that contain the designated ingredients</li> </ul>	<ul style="list-style-type: none"> <li>•Kao Group's consumer products</li> <li>-The number of brands as of December 31 each year</li> <li>-Excludes foods and tools</li> </ul>	
Respecting human rights	% response rate to human rights due diligence (internal risk assessment)		100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of factories (sites) and companies (companies) that conduct due diligence assessments</li> <li>•B: The total number of Kao Group factories (sites) and companies (companies)</li> </ul>	•Factories and offices owned by the Kao Group	
	% response rate to human rights due diligence (supplier risk assessment)		100%	2025
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of suppliers that have conducted due diligence assessments in the last three years from the applicable year (suppliers)</li> <li>•B: The number of suppliers that Kao did business with in the applicable year (suppliers)</li> </ul>	•Direct materials suppliers of the Kao Group	
	% response rate to human rights due diligence (contractor risk assessment)		100%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of contractors that have conducted due diligence assessments in the last three years from the applicable year (contractors)</li> <li>•B: The number of contractors that Kao has contracted in the applicable year (contractors)</li> </ul>	•Contractors in factories and offices owned by the Kao Group	
Inclusive & diverse workplaces	Affirmative answer rate to questions on "Inclusive organizational culture" in our employee engagement survey		75%	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of affirmative answers to questions on "Inclusive organizational culture" in our employee engagement survey (answers)</li> <li>•B: The number of answers to questions on "Inclusive organizational culture" in our employee engagement survey (answers)</li> </ul>	•Employees of the Kao Group	
	% of female managers		Same as % of female employees	2030
	A / B × 100 (%)	<ul style="list-style-type: none"> <li>•A: The number of female managers (people)</li> <li>•B: The total number of managers (people)</li> </ul>	<ul style="list-style-type: none"> <li>•Employees of the Kao Group</li> <li>•All managers</li> </ul>	

# Kirei Lifestyle Plan KPI definitions

Kao Actions	Indicator		Target value	Year
	Formula	Factor		
<b>Walking the right path</b>				
Employee wellbeing & safety	Lost time frequency rate (per million hours worked)		0.1	2030
	$A / B \times 1,000,000$ (people/million hours)	<ul style="list-style-type: none"> <li>•A: The number of dead and injured (individuals who were absent one or more days from work and lost a body part or function) (people)</li> <li>•B: Total number of actual working hours (hours)</li> </ul>	•Employees of the Kao Group	
	Average number of lost long-term work days (days/people) * Starting from Japan		105	2030
	$(A_1 + A_2 + \dots + A_n) / B$ (days/people)	<ul style="list-style-type: none"> <li>•A: The number of days of leave that satisfy the following conditions (days)                             <ol style="list-style-type: none"> <li>(1) Extended leave of absence of 30 or more consecutive calendar days</li> <li>(2) Personal illness or injury leave, absence from work or leave of absence, except for leave with pay</li> <li>(3) Applicable illness: Personal illness or injury</li> </ol> </li> <li>•B: Total number of employees who took leave of absence from work (people)</li> </ul>	<ul style="list-style-type: none"> <li>•Employees of the Kao Group in Japan</li> <li>* To expand to all employees of the Kao Group</li> </ul>	
	Ratio of employees who have lost long-term work days per 1,000 employees * Starting from Japan		0.12	2030
	$A / B \times 1,000$ (‰)	<ul style="list-style-type: none"> <li>•A: The number of employees who took extended leave of absence, satisfying the following conditions (people):                             <ol style="list-style-type: none"> <li>(1) Extended leave of absence of 30 or more consecutive calendar days</li> <li>(2) Personal illness or injury leave, absence from work or leave of absence, except for leave with pay</li> <li>(3) Applicable illness: Personal illness or injury</li> </ol> </li> <li>•B: Total number of employees (people)</li> </ul>	<ul style="list-style-type: none"> <li>•Employees of the Kao Group in Japan</li> <li>* To expand to all employees of the Kao Group</li> </ul>	
	Affirmative answer rate to questions on "GENKI rate (Degree of vitality)" in our employee engagement survey		85%	2030
$A / B \times 100$ (%)	<ul style="list-style-type: none"> <li>•A: The number of affirmative answers to questions on "Degree of GENKI (being energetic, lively, bright)" in our employee engagement survey (answers)</li> <li>•B: The number of answers to questions on "Degree of GENKI (being energetic, lively, bright)" in our employee engagement survey (answers)</li> </ul>	•Employees of the Kao Group		
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		75%	2030
	$A / B \times 100$ (%)	<ul style="list-style-type: none"> <li>•A: The number of affirmative answers to questions on "Organizational culture in which employees are encouraged to take on challenges" in our employee engagement survey (answers)</li> <li>•B: The number of answers to questions on "Organizational culture in which employees are encouraged to take on challenges" in our employee engagement survey (answers)</li> </ul>	•Employees of the Kao Group	
	Affirmative answer rate to questions on "Effective and flexible workstyle" in our employee engagement survey		75%	2030
$A / B \times 100$ (%)	<ul style="list-style-type: none"> <li>•A: The number of affirmative answers to questions on "Effective and flexible workstyle" in our employee engagement survey (answers)</li> <li>•B: The number of answers to questions on "Effective and flexible workstyle" in our employee engagement survey (answers)</li> </ul>	•Employees of the Kao Group		
Responsible chemicals management	% of chemical products and raw materials with disclosed information on benefits and safety to ensure safe usage for our customers		100%	2030
	$A / B \times 100$ (%)	<ul style="list-style-type: none"> <li>•A: The number of chemical substances for which risk assessments are done and safety assessment documents are made, and are disclosed on the website (categories)</li> <li>•B: The number of Kao priority chemical substances selected from 2020 to 2030 according to production amounts, emissions amounts and public concern (categories)</li> </ul>	•Substances handled by the Kao Group	
	% of areas where impacts on health, environment and safety from chemicals are managed responsibly and sustainably considering their stages from raw-material procurement to disposal		100%	Yearly
$\frac{(A_1 + A_2 + \dots + A_n) + \dots + (A_1 + A_2 + \dots + A_n) \cdot D}{(B_1 + B_2 + \dots + B_n) + \dots + (B_1 + B_2 + \dots + B_n) \cdot D} \times 100$ (%)	<ul style="list-style-type: none"> <li>•A: The number of items assessed by risk assessments on chemical substances (items)</li> <li>•B: The number of items targeted for risk assessments on chemical substances (items)</li> <li>•C: The number of factories (sites)</li> <li>•D: The number of items targeted for risk assessments (1. Display of GHS at workplaces, 2. Maintenance of SDS, 3. Qualitative assessment, 4. Measures to reduce risks)</li> </ul>	•Factories owned by the Kao Group		

# External Evaluations and Recognitions

## External evaluation (as of March, 2023)

For 17 consecutive years, we have been announced by the U.S. think-tank Ethisphere Institute as one of the “World’s Most Ethical Companies®.” For three consecutive years, we have been selected as a triple A company in the three fields of climate change, forest, and water security by the international non-profit organization CDP. Kao has been well-received every year across the globe.

\* “World’s Most Ethical Companies” and “Ethisphere” names and marks are registered trademarks of Ethisphere LLC.



## Our declarations to society



Support for the United Nations Global Compact  
[www.kao.com/jp/corporate/sustainability/our-approach-to-klp/globalcompact/](http://www.kao.com/jp/corporate/sustainability/our-approach-to-klp/globalcompact/)  
 Declaration of Consumer-orientation (Japanese)  
[www.kao.com/jp/corporate/sustainability/our-approach-to-klp/customer-first/](http://www.kao.com/jp/corporate/sustainability/our-approach-to-klp/customer-first/)

## Socially responsible investment indexes (as of March, 2023)

Kao has been included in the following leading indexes in recognition of having this credibility globally.



2022 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数  
 2022 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

Web SRI indexes and evaluations (updated as needed)  
[www.kao.com/jp/corporate/sustainability/recognition/](http://www.kao.com/jp/corporate/sustainability/recognition/)

# External Evaluations and Recognitions

## Major recognitions

Date awarded	Group name	Name of award or external evaluation	Reason / details for selection	Name of provider (sponsoring organization)
2022/1	Kao Corporation	Received the Best Logistics Improvement Award at the All-Japan Convention for Logistics Improvement Case Studies	We received the Best Logistics Improvement Award (Logistics Management Category) at the 2022 All-Japan Convention for Logistics Improvement Case Studies. Kao had launched its workstyle reform project, and was recognized for its efforts toward the goal of boosting productivity by 50% through implementing member ideas and introducing best practices to other plants, in addition to the shift towards telecommuting.	JILS (Japan Institute of Logistics Systems)
2022/2	Kao Corporation	<i>Hakariuri-do</i> and <i>ALLIE</i> awarded at the Japan Packaging Competition	The following two projects secured slots within the top three at the 61st Japan Packaging Competition 2022. The collaboration with Welcia Yakkyoku drugstore for original bottles (four types: laundry detergents <i>Attack ZERO</i> and <i>EMAL</i> , softener <i>Flair Fragrance IROKA</i> and dishwashing detergent <i>CuCute</i> ) used at the <i>Hakariuri-do</i> , a specialty sales area that enables customers to fill their bottles with only the quantity they need, received the Minister of Economy, Trade, and Industry Award. In addition, the collaboration with URBAN RESEARCH for a limited design package to make applying sunscreen enjoyable and appealing received the Ministry of Economy, Trade, and Industry, Commerce and Information Policy Bureau's Director-General Award.	Japan Federation of Printing Industries
2022/2	Kao Corporation	Good Factory Award ( <i>Monozukuri</i> Human Resources Development Contribution Award)	Efforts made toward human resource development, such as developing outstanding educational systems, including reducing training time by opening a global sanitary school, were highly rated.	Japan Management Association
2022/2	Kao Corporation	Received the JIPS Award from the Japan Chemical Industry Association for six consecutive years	Kao is the only company that has been consecutively selected for the JIPS Award since this award began. The total number of JIPS Safety Summaries (GSS) that have been disclosed is 205, the highest number in Japan. With the Safety Science Research and Chemical Business at the core of its activities, Kao has been recognized for its assessment and disclosure of chemical substance risks, and its promotion of reinforcing on-site management in collaboration with related departments from 2012.	Japan Chemical Industry Association (JCIA)
2022/3	Kao Corporation	Awarded the Selection Committee Chairperson's Commendation in the Good Practices of Consumer-Oriented Management Awards	Kao and Lion have both been awarded the Selection Committee Chairman's Commendation in the Good Practices of Consumer-Oriented Management Awards 2021, sponsored by the Consumer Affairs Agency. The Selection Committee Chairman's Commendation is a new award established this fiscal year, and recognizes collaborative efforts by multiple companies that excel in specific consumer-oriented sectors.	Consumer Affairs Agency
2022/4	Kao Corporation	Runner-up and Gold Award at the 2022 Japan Resilience Award	Kao's <i>NEWTLAC 5000</i> , an extremely durable asphalt modifier that uses waste PET, has been commended as an advanced technology and initiative made with the objective of contributing to national land resilience.	Association for Resilience Japan
2022/5	Kao (Taiwan)	2022 <i>Global Views Monthly</i> —CSR and ESG Corporate Social Responsibility Award	Combining with daily life, from product consumption to action initiatives, allow the public to familiarize themselves with ESG in their daily lives.	<i>Global Views Monthly</i>
2022/5	Kao Corporation	Awarded the WorldStar Global Packaging Awards 2022, making it eight consecutive years of receiving the award	<i>Bioré u The Body</i> , <i>Bioré u The Body—Body Lotion for Wet Skin</i> , and <i>Bioré UV Aqua Rich Light Up Essence</i> received the WorldStar Award at the WorldStar Global Packaging Awards 2022.	World Packaging Organization
2022/5	Kao Corporation	The 16th Japan Chemical Industry Association Responsible Care Award Grand Prize	Kao earned high praise for our efforts to construct a system that detects anomalies and automates plant operation monitoring through analysis of big data using advanced AI.	Japan Chemical Industry Association (JCIA)
2022/5	KCSA	FEIQUE Safety Awards (Mollet plant)	The FEIQUE Safety Awards to 36 companies and/or production centers affiliated with FEIQUE, which have recorded zero accidents during the last year.	The Business Federation of the Spanish Chemical Industry (FEIQUE)
2022/7	Kao (Shanghai) Chemical Industries	National "green factory" certification	The selection as a "green factory" is an authoritative recognition carried out by the Ministry of Industry and Information Technology, for enterprises that meet the standards of implementing environmental protection measures, promoting energy saving projects, and building a green manufacturing system into their processes.	Ministry of Industry and Information Technology (MIIT)
2022/8	Kao (Taiwan)	Asia-Pacific Sustainability Action Awards	Promoted children's hygiene and safety education for 11 consecutive years, winning the SDGs Educational Quality Silver Award.	Taiwan Institute for Sustainable Energy (TAISE)
2022/8	Kao Industrial (Thailand)	CSR Golden Award	The CSR Golden Award was given to the factory for implementing CSR that aligns with the seven core subjects in the Social Responsibility Guidelines in Chonburi province.	Chonburi-Social Development and Human Security Department
2022/8	Kao Industrial (Thailand)	CSR-DIW Continuous Award	KIT was implemented in the CSR-DIW program following the seven core subjects of the Social Responsibility Guidelines and KIT's CSR activities, and the report was approved by the Department of Industry (MOI), receiving the CSR-DIW certificate.	Thailand's Ministry of Industry (MOI)
2022/8	Kao (Shanghai) Chemical Industries	Shanghai four-star "green factory"	The selection as a "green factory" is an authoritative recognition carried out by the Ministry of Industry and Information Technology, for enterprises that meet the standards of implementing environmental protection measures, promoting energy saving projects, and building a green manufacturing system into their processes.	Shanghai Industry and Information Technology Commission
2022/9	Kao (Taiwan)	Excellence in Corporate Social Responsibility	Environmental Protection: Promote the Green Product Life Cycle (LCA) Social Responsibility: Rooted in education and caring for the locality for the long term Corporate Commitment: Creating a Smiling and Happy Workplace for Employees	<i>CommonWealth Magazine</i>


# External Evaluations and Recognitions

Date awarded	Group name	Name of award or external evaluation	Reason / details for selection	Name of provider (sponsoring organization)
2022/9	Kao Chimigraf, S.L.	EcoVadis Platinum (Highest)	Kao Chimigraf is among the top 1% of companies ranked by EcoVadis in the ink manufacturing business in the areas of environment, labor practices and human rights, sustainable purchasing, and ethics. This award recognizes the company's level of CSR.	EcoVadis
2022/9	Kao Industrial (Thailand)	National Occupational Safety & Health Awards	KIT has been honored for its excellence in establishing occupational safety and health practices at the national level for the fourth consecutive year.	Thailand's Ministry of Labour (MOL)
2022/9	Kao Industrial (Thailand)	Eco Factory Award	Kao Industrial (Thailand) has complied with ECO factory criteria by attaining an evaluation score greater than 80%. The Eco factory criteria has 14 sections: 1. Efficiency of raw material usage, 2. Energy management, 3. Transportation and logistics, 4. Green procurement, 5. Green areas, 6. Chemical & hazardous management, 7. Water & wastewater management, 8. GHG emissions, 9. Air pollution prevention, 10. Waste management, 11. Occupational health & safety, 12. Biodiversity, 13. Income distribution to society, and 14. Community	IEAT (Industrial Estate Authority of Thailand) and FTI (The Federation of Thai Industries)
2022/10	Kao Industrial (Thailand)	The Prime Minister's Industrial Award 2022 (Energy Management)	The Prime Minister's Industrial Award 2022 (Energy Management) is given to factories that have good energy management and can be a role model to others. KIT has outstanding energy management activities such as 1. Top management giving full support, 2. Selecting high-performance machinery in the first place, 3. Establishing systems that can measure, record and monitor energy consumption, and 4. Employees of all departments are involved in leading continuous energy saving.	Thailand's Ministry of Industry (MOI)
2022/10	Kao Industrial (Thailand)	I-EA-T Sustainable Business Award (ISB Leader)	I-EA-T Sustainable Business Award (ISB award) is an award given to businesses that scored highly in the business impact assessment (BIA) (Governance, Workers, Community, Environment and Customers) and Social Impact Assessment (SIA) according to the criteria. KIT earned a total score that placed it at ISB Leader level (83.7%).	IEAT (Industrial Estate Authorities of Thailand)
2022/11	Kao (Taiwan)	Taiwan Corporate Sustainability Awards	Actively reduce carbon and promote the lifecycle of green products. Diverse innovations provide more sustainable solutions for society.	Taiwan Institute for Sustainable Energy (TAISE)
2022/11	Kao Corporation	The Minister of Economy, Trade and Industry Award for companies implementing the Declaration of Partnership Building	Kao Corporation was selected as an outstanding company among those that made a Declaration of Partnership Building at the Declaration of Partnership Building Symposium, and received the highest honor, namely the Minister of Economy, Trade and Industry Award.	Ministry of Economy, Trade and Industry
2022/12	Kao Industrial (Thailand)	Amata Best Waste Management Award 2022 (Platinum level)	Achieving the highest rank (Platinum rank) in 2022 for waste management conforming to Industrial Estate Authority of Thailand (IEAT) requirements, Kao Industrial (Thailand) received this award for the fifth consecutive year.	Amata Corporation and IEAT (Industrial Estate Authorities of Thailand)
2022/12	Kao (Taiwan)	National Sustainable Development Award	Under the slogan of "Kirei—Making Life beautiful" for consumers, the Kirei spirit is conveyed by promoting ESG actions in the field.	Taiwan Commission on Sustainable Development
2022/12	Kao Indonesia Chemicals	Blue rank in the Corporate Performance Appraisal Program in Environmental Management (PROPER program)	Recognized for 100% compliance in environmental management (hazardous waste, air and water pollution control)	Indonesia's Ministry of Environment and Forestry
2022/12	Kao Indonesia Chemicals	Responsible Care Indonesia Award (Gold)	Excellent Performance in Achieving RCI (Responsible Care Indonesia) Program	RCI National Committee

# Independent Assurance Report GRI 2-5

## Independent Assurance Report

To the Representative Director, President and Chief Executive Officer of Kao Corporation

We were engaged by Kao Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from January 1, 2022 to December 31, 2022 included in its Kao Sustainability Report 2023 (the “Sustainability Report”) for the fiscal year ended December 31, 2022.

### The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Sustainability Report.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Sustainability Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Company’s Sakata Plant and making inquiries and reviewing materials including documented evidence of Kao (Shanghai) Chemical Industries Co., Ltd. as alternative procedures to a site visit, selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Sustainability Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Sustainability Report.


### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director  
KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
May 23, 2023

Notes to Readers of the Independent Assurance Report: This is a copy of the Independent Assurance Report. The original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

To ensure greater transparency of data disclosure relating to environmental and social performance indicators, independent assurance for the Kao Sustainability Report 2023 has been provided by KPMG AZSA Sustainability Co., Ltd. Indicators on which assurance is provided are marked with a check  mark.

### Assured data

Category	Data	Pages
Responsibly sourced raw materials	Certified palm oil purchases (Kao Group)	P 95
	Ratio of certified paper/pulp materials (paper/pulp used in Kao products [excludes some products])	P 95
Decarbonization	Energy consumption (all sites)	P 108
	CO <sub>2</sub> emissions across the entire product lifecycle (Kao Group)	P 108
	GHG emissions (all sites)	P 108
	Scope 1 CO <sub>2</sub> emissions	P 109
	Scope 2 CO <sub>2</sub> emissions	P 109
	Scope 3 CO <sub>2</sub> emissions *Category 1, 4, 11, 12	P 110
Zero waste	CO <sub>2</sub> emissions during distribution (Japan)	P 115
	Amount of generated waste and other unwanted materials (all sites)	P 127
	Amount of waste reused or recycled (all sites)	P 128
Water conservation	Changes in amount of food waste	P 128
	Water consumption across the entire product lifecycle (Kao Group)	P 140
	Water consumption (withdrawal) (all sites)	P 140
	Water withdrawal amount by source (all sites)	P 141
Air & water pollution prevention	Wastewater discharge by destination (all sites)	P 141
	NO <sub>x</sub> emissions (all production sites)	P 150
	Volatile organic compound (VOC) emissions (Kao Group in Japan)	P 150
Product lifecycle and environmental impact	COD pollution load (all production sites)	P 150
	Output: Material procurement: CO <sub>2</sub> emissions	P 156
	Output: Development/Manufacturing: GHG emissions	
	Output: Distribution/Sales (facilities and company cars): GHG emissions	
	Output: Distribution (transportation): CO <sub>2</sub> emissions	
Output: Use: CO <sub>2</sub> emissions		
Inclusive & diverse workplaces	Output: Disposal/Recycling: CO <sub>2</sub> emissions	P 228
	Base salary + other cash incentives: Average annual salary (Kao Group)	
Employee wellbeing and safety	Base salary Average annual salary (Kao Group)	P 228
	Death and serious lost-time accidents: Including both regular employees and temporary workers (Kao Group)	P 249
	Death and serious lost-time accidents: Affiliates (Kao Group)	P 249
	Lost-time accidents frequency rate: Including both regular employees and temporary workers (Kao Group)	P 249
	Lost-time accidents frequency rate: Subcontractors (Kao Group)	P 249
	Number of employees who experienced lost work days due to occupational diseases: Including both regular employees and temporary workers (Kao Group)	P 250

### Scope of assurance

In general, we report the activities of the Kao Group (Kao Corporation, its subsidiaries and NIVEA Kao). Receptive and diverse workplaces data covers Kao Corporation and its subsidiaries. Exceptions to this scope have been clearly stated as annotations to graph and in the text.

This report has been compiled with reference to the GRI Sustainability Reporting Standards. Click on Relevant Sections in Report to display the relevant page.

## General disclosures

GRI 2: General Disclosures 2021			
1. The organization and its reporting practices			Relevant Sections in Report
	2-1	Organizational details	•Kao Group Overview (external link)
	2-2	Entities included in the organization's sustainability reporting	•Editorial Policy
	2-3	Reporting period, frequency and contact point	•Editorial Policy
			•Back cover
	2-4	Restatements of information	•Mid- to long-term targets for the 19 Kao Actions •Decarbonization: CO <sub>2</sub> emissions across the entire product lifecycle (Kao Group) •Decarbonization: Scope 2 CO <sub>2</sub> emissions
2-5	External assurance	•Independent assurance report	
2. Activities and workers			Relevant Sections in Report
	2-6	Activities, value chain and other business relationships	—
	2-7	Employees	•Human capital development: Number of employees and managers
	2-8	Workers who are not employees	—
3. Governance			Relevant Sections in Report
	2-9	Governance structure and composition	•Governance: Roles, structure, frequency of meetings and agenda of each organization
			•Corporate governance
	2-10	Nomination and selection of the highest governance body	•Corporate governance: Stance on Balance among Knowledge, Experience and Skills, and on Diversity and Size of the Board of Directors / Skill Matrix
	2-11	Chair of the highest governance body	•Corporate governance: Skill Matrix and Attending Members
	2-12	Role of the highest governance body in overseeing the management of impacts	•Governance
	2-13	Delegation of responsibility for managing impacts	•Governance •Corporate governance: Board of Directors
	2-14	Role of the highest governance body in sustainability reporting	—
	2-15	Conflicts of interest	—
	2-16	Communication of critical concerns	•Risk and crisis management: Governance
	2-17	Collective knowledge of the highest governance body	•Governance: Roles, structure, frequency of meetings and agenda of each organization
	2-18	Evaluation of the performance of the highest governance body	•Corporate governance: Evaluation of the effectiveness of the Board of Directors
	2-19	Remuneration policies	•Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers
	2-20	Process to determine remuneration	•Corporate governance: Compensation system for Directors, Audit & Supervisory Board Members and Executive Officers
	2-21	Annual total compensation ratio	—

GRI 2: General Disclosures 2021				
4. Strategy, policies and practices		Relevant Sections in Report		
	2-22	Statement on sustainable development strategy	•Top Message	P4
			•Message from Dave Muenz	P5-6
	2-23	Policy commitments	•Respecting human rights: Social issues / Strategy / Governance	P180-184
	2-24	Embedding policy commitments	•Respecting human rights: Governance / Risk management	P183-186
			•Risk and crisis management: Governance / Targets and metrics	P278-282
	2-25	Processes to remediate negative impacts	•Effective corporate governance: Governance	P163-165
			•Effective corporate governance: Compliance hotline operational status and 2022 regulatory violations	P170-171
			•Respecting human rights: Governance / Risk management / Targets and metrics / Main initiatives	P183-191
	2-26	Mechanisms for seeking advice and raising concerns	•Risk and crisis management: Governance / Targets and metrics / Main initiatives	P278-283
			•Effective corporate governance: Governance	P163
	2-27	Compliance with laws and regulations	•Metrics and Targets: Mid- to long-term targets for the 19 Kao Actions	P36
			•Effective corporate governance: Compliance hotline operational status and 2022 regulatory violations	P170-171
	2-28	Membership associations	•Universal product design: Collaboration with stakeholders	P60
			•Safer healthier products: Industry association activities / communication	P68
			•Responsibly sourced raw materials: Collaboration with stakeholders	P93
			•Employee wellbeing and safety: Information exchange with external organizations	P242
			•Biodiversity: Collaboration with other organizations	P343
5. Stakeholder engagement		Relevant Sections in Report		
	2-29	Approach to stakeholder engagement	•Governance: Stakeholder engagement	P28
			•“Collaboration with stakeholders” in each section	—
	2-30	Collective bargaining agreements	•Human capital development: Union member situation	P206
GRI 3: Material Topics 2021				
	3-1	Process to determine material topics	•Strategy: Selection process for the Kao Actions as material themes	P13-14
	3-2	List of material topics	•Strategy: Kao’s ESG Commitments and Actions	P11
	3-3	Management of material topics	•Risk Management	P33
			•“Governance / Risk Management” in each section	—



200: Economic topics					
Economic Performance			Relevant Sections in Report		Indicators on which third-party assurance is provided (✔)
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	—	—	
	201-2	Financial implications and other risks and opportunities due to climate change	•Decarbonization: Social issues / Strategy	P102-105	
	201-3	Defined benefit plan obligations and other retirement plans	—	—	
	201-4	Financial assistance received from government	—	—	
Market Presence					
GRI 202: Market Presence 2016	202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	—	—	
	202-2	Proportion of senior management hired from the local community	—	—	
Indirect Economic Impacts					
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	•Corporate citizenship activities: Targets and metrics	P361-363	
			•Corporate citizenship activities: Main initiatives	P365 P367 P371-372	
	203-2	Significant indirect economic impacts	—	—	
Procurement Practices					
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	—	—	
Anti-corruption					
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	—	—	
	205-2	Communication and training on anti-corruption policies and procedures	•Effective corporate governance: Governance	P163-166	
			•Effective corporate governance: Compliance message	P169-170	
205-3	Confirmed incidents of corruption and actions taken	— (P171 Compliance hotline operational status and 2022 regulatory violations: No applicable incidents)	—		
Anti-competitive Behavior					
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	— (P171 Compliance hotline operational status and 2022 regulatory violations: No applicable incidents)	—	
Tax					
GRI 207: Tax 2019	207-1	Approach to tax	•Tax strategies: Policies / Strategy	P323-324	
	207-2	Tax governance, control, and risk management	•Tax strategies: Governance / Risk management	P324	
	207-3	Stakeholder engagement and management of tax-related concerns	•Tax strategies: Collaboration with stakeholders	P324	
	207-4	Country-by-country reporting	•Tax strategies: Performance report and tax payment record	P325	

300: Environmental topics					
Materials	Relevant Sections in Report			Indicators on which third-party assurance is provided <input checked="" type="checkbox"/>	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	<ul style="list-style-type: none"> <li>Product lifecycle and environmental impact</li> </ul>	P156	
	301-2	Recycled input materials used	<ul style="list-style-type: none"> <li>Sustainable lifestyle promotion: Main initiatives</li> </ul>	P74-75	
			<ul style="list-style-type: none"> <li>Zero waste: Targets and metrics</li> </ul>	P128-129	
			<ul style="list-style-type: none"> <li>Zero waste: Initiatives taken in relation to our products</li> </ul>	P130	
	301-3	Reclaimed products and their packaging materials	<ul style="list-style-type: none"> <li>Zero waste: Initiatives targeting packaging</li> </ul>	P132-133	
			<ul style="list-style-type: none"> <li>Zero waste: Initiatives taken in relation to our products</li> </ul>	P130	
		<ul style="list-style-type: none"> <li>Zero waste: Initiatives Initiatives targeting packaging</li> </ul>	P132-133		
Energy					
GRI 302: Energy 2016	302-1	Energy consumption within the organization	<ul style="list-style-type: none"> <li>Decarbonization: Targets and metrics</li> </ul>	P108-109	
			<ul style="list-style-type: none"> <li>Product lifecycle and environmental impact</li> </ul>	P156	
	302-2	Energy consumption outside of the organization	—	—	
	302-3	Energy intensity	<ul style="list-style-type: none"> <li>Decarbonization: Targets and metrics</li> </ul>	P108	
	302-4	Reduction of energy consumption	<ul style="list-style-type: none"> <li>Decarbonization: Targets and metrics</li> </ul>	P107-108	
			<ul style="list-style-type: none"> <li>Decarbonization: Efforts in manufacturing (plants, offices, logistics centers)</li> </ul>	P113-115	
302-5	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> <li>Decarbonization: Targets and metrics</li> <li>Decarbonization: Efforts during use / Efforts in disposal and recycling</li> </ul>	P107 P115-116		
Water					
GRI 303: Water and Effluent 2018	303-1	Interactions with water as a shared resource	<ul style="list-style-type: none"> <li>Water conservation: Social issues / Policies / Strategy / Targets and metrics / Main initiatives</li> </ul>	P137-143	
			<ul style="list-style-type: none"> <li>Water conservation: Policies / Strategy / Governance / Risk management / Targets and metrics</li> </ul>	P137-141	
	303-2	Management of water discharge-related impacts	<ul style="list-style-type: none"> <li>Air &amp; water pollution prevention: Policies / Strategy / Governance / Risk management / Targets and metrics / Initiatives to prevent water pollution</li> </ul>	P146-150	
			<ul style="list-style-type: none"> <li>Water conservation: Targets and metrics</li> </ul>	P141	<input checked="" type="checkbox"/>
	303-3	Water withdrawal	<ul style="list-style-type: none"> <li>Product lifecycle and environmental impact</li> </ul>	P156	
			<ul style="list-style-type: none"> <li>Water conservation: Targets and metrics</li> </ul>	P141	<input checked="" type="checkbox"/>
			<ul style="list-style-type: none"> <li>Air &amp; water pollution prevention: Targets and metrics</li> </ul>	P150	<input checked="" type="checkbox"/>
	303-4	Water discharge	<ul style="list-style-type: none"> <li>Product lifecycle and environmental impact</li> </ul>	P156	
			<ul style="list-style-type: none"> <li>Water conservation: Targets and metrics</li> </ul>	P140-141	<input checked="" type="checkbox"/>
	303-5	Water consumption	<ul style="list-style-type: none"> <li>Product lifecycle and environmental impact</li> </ul>	P156	
Biodiversity					
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<ul style="list-style-type: none"> <li>Biodiversity: Business activities that consider the planet's ecological system</li> </ul>	P340-343	
	304-2	Significant impacts of activities, products, and services on biodiversity	<ul style="list-style-type: none"> <li>Biodiversity: Strategy</li> </ul>	P328-331	
			<ul style="list-style-type: none"> <li>Biodiversity: Targets and metrics / Main initiatives</li> </ul>	P333-337	
	304-3	Habitats protected or restored	<ul style="list-style-type: none"> <li>Biodiversity: Business activities that consider the planet's ecological system</li> </ul>	P340-343	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—	—	—	

Emissions					
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	•Decarbonization: Targets and metrics	P109	<input checked="" type="checkbox"/>
			•Product lifecycle and environmental impact	P156	<input checked="" type="checkbox"/>
	305-2	Energy indirect (Scope 2) GHG emissions	•Decarbonization: Targets and metrics	P109	<input checked="" type="checkbox"/>
			•Product lifecycle and environmental impact	P156	<input checked="" type="checkbox"/>
	305-3	Other indirect (Scope 3) GHG emissions	•Decarbonization: Targets and metrics	P110	<input checked="" type="checkbox"/>
			•Decarbonization: Efforts in distribution / Efforts during use / Efforts in disposal and recycling	P114-117	(1, 4, 11, 12)
			•Product lifecycle and environmental impact	P156	<input checked="" type="checkbox"/>
	305-4	GHG emission intensity	—	—	
	305-5	Reduction of GHG emissions	•Decarbonization: Targets and metrics	P107-109	<input checked="" type="checkbox"/>
	305-6	Emissions of ozone-depleting substances (ODS)	•Decarbonization: 3. Reducing the volume of leaked refrigerants and other greenhouse gases	P114	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	•Air & water pollution prevention: Targets and metrics	P150	<input checked="" type="checkbox"/>	
		•Product lifecycle and environmental impact	P156		
Effluent and Waste					
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	•Sustainable lifestyle promotion: Strategy	P70-71	
			•Zero waste: Social issues	P120-121	
			•Zero waste: Strategy	P124-125	
	306-2	Management of significant waste-related impacts	•Sustainable lifestyle promotion: Governance / Risk management / Targets and metrics / <i>Yoki-Monozukuri</i> in plan and action and proposing activities	P71-75	
			•Zero waste: Social issues / Policies / Strategy / Governance / Risk management / Targets and metrics	P120-129	
306-3	Waste generated	•Zero waste: Targets and metrics	P127-129		
306-4	Waste diverted from disposal	•Zero waste: Targets and metrics	P127-129		
306-5	Waste directed to disposal	—			
Environmental Compliance					
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	•Air & water pollution prevention: Compliance with environmental legislation	P150	
Supplier Environmental Assessment					
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	—	—	
	308-2	Negative environmental impacts in the supply chain and actions taken	•Responsibly sourced raw materials: Collaboration with suppliers	P99	
			•Decarbonization: Efforts in raw materials procurement	P111-112	
			•Zero waste: Collaboration with stakeholders based on "eco together"	P134	
			•Water conservation: Efforts in raw materials procurement	P142	

**400: Environmental topics**

Employment		Relevant Sections in Report		Indicators on which third-party assurance is provided <input checked="" type="checkbox"/>	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	•Human capital development: Human capital data	P207-208	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	—	—	
	401-3	Parental leave	•Inclusive and diverse workplaces: Main systems for supporting diversified work styles: Related to childcare, nursing care, and family care (Kao Corporation)	P221	
<b>Labor/Management Relations</b>					
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	—	—	
<b>Occupational Safety and Health</b>					
GRI 403: Occupational Safety and Health 2018	403-1	Occupational health and safety management system	•Employee wellbeing and safety: Governance / Risk management	P247-248	
			•Responsible care (RC) activities: Main initiatives	P288-289	
			•Process safety and disaster prevention: Governance	P352-353	
	403-2	Hazard identification, risk assessment, and incident investigation	•Employee wellbeing and safety: Risk management / Targets and metrics	P247-248	
			•Employee wellbeing and safety: Status of occupational accident occurrences / Risk assessment of chemical substances / Creating a pleasant working environment for employees	P251-252	
			•Responsible care (RC) activities: Implementation status of the RC Secretariat Audit / Status of international management system certification	P290-291	
	403-3	Occupational health services	—	—	
	403-4	Worker participation, consultation, and communication on occupational health and safety	•Employee wellbeing and safety: Governance	P247	
			•Employee wellbeing and safety: Improving safety awareness with the award system for no accidents that cause lost work days / Sharing safety messages globally	P251-252	
	403-5	Worker training on occupational health and safety	•Responsible care (RC) activities: Education about RC activities	P291	
			•Employee wellbeing and safety: Governance	P247	
			•Responsible care (RC) activities: Governance	P286	
			•Responsible care (RC) activities: Standardization of RC activities	P288	
•Responsible care (RC) activities: Education about RC activities			P291		
•Process safety and disaster prevention: Governance			P353		
403-6	Promotion of worker health	•Employee wellbeing and safety: Employee Well-being	P229-242		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	•Decarbonization: Efforts in manufacturing (plants, offices, logistics centers): Adaptation	P114		
403-8	Workers covered by an occupational health and safety management system	—	—		
403-9	Work-related injuries	•Employee wellbeing and safety: Targets and metrics	P249-250	<input checked="" type="checkbox"/> (Partial data)	
		•Process safety and disaster prevention: Targets and metrics	P353-354		
403-10	Work-related ill health	•Employee wellbeing and safety: Targets and metrics	P249-250	<input checked="" type="checkbox"/> (Partial data)	

Training and Education					
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	<ul style="list-style-type: none"> <li>•Human capital development: Human capital development investment per employee</li> </ul>	P206	
	404-2	Programs for upgrading employee skills and transition assistance programs	<ul style="list-style-type: none"> <li>•Governance: Stakeholder engagement</li> </ul>	P30	
			<ul style="list-style-type: none"> <li>•“Governance” in each section</li> </ul>	—	
			<ul style="list-style-type: none"> <li>•Realization of the Kao Way: Main initiatives</li> </ul>	P42	
			<ul style="list-style-type: none"> <li>•Responsibly sourced raw materials: Main initiatives</li> </ul>	P100	
			<ul style="list-style-type: none"> <li>•Zero waste: Spreading internal awareness of zero waste</li> </ul>	P133-134	
			<ul style="list-style-type: none"> <li>•Effective corporate governance: Targets and metrics</li> </ul>	P167	
			<ul style="list-style-type: none"> <li>•Human capital development</li> </ul>	P194-204	
	404-3	Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> <li>•Inclusive and diverse workplaces</li> </ul>	P212-221	
<ul style="list-style-type: none"> <li>•Product quality management: Strengthening of quality management education programs</li> </ul>			P299		
Diversity and Equal Opportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	<ul style="list-style-type: none"> <li>•Inclusive and diverse workplaces: Activities to promote Diversity &amp; Equity</li> </ul>	P215-222	
	405-2	Ratio of basic salary and remuneration of women to men	<ul style="list-style-type: none"> <li>•Inclusive and diverse workplaces: Human capital data</li> </ul>	P227	
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	—	—	
Freedom of Association and Collective Bargaining					
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—	—	
Child Labor					
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	—	—	
Forced or Compulsory Labor					
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	—	—	
Security Practices					
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	—	—	
Rights of Indigenous Peoples					
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	—	—	

Human Rights Assessment					
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> <li>Respecting human rights: Targets and metrics / Human rights due-diligence process</li> </ul>	P186-189	
	412-2	Employee training on human rights policies or procedures	<ul style="list-style-type: none"> <li>Respecting human rights: Targets and metrics</li> <li>Respecting human rights: Human rights due-diligence process / Education and promotion</li> </ul>	P187 P189-191	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<ul style="list-style-type: none"> <li>Respecting human rights: Targets and metrics</li> <li>Respecting human rights: Human rights due-diligence process</li> </ul>	P186-188 P189-190	
Local Communities					
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> <li>Responsible chemicals management: Main initiatives</li> </ul>	P259-260	
	413-2	Operations with significant actual and potential negative impacts on local communities	—	—	
Supplier Social Assessment					
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	<ul style="list-style-type: none"> <li>Respecting human rights: Human rights due-diligence process</li> </ul>	P189	
	414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> <li>Responsibly sourced raw materials: Collaboration with suppliers</li> <li>Respecting human rights: Human rights due-diligence process</li> </ul>	P99 P189-191	
Public Policy					
GRI 415: Public Policy 2016	415-1	Political contributions	— (P169 Main Initiatives: Report confirming that political donations have not been made)	—	
Customer Health and Safety					
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> <li>Universal product design: Risk management / Targets and metrics</li> </ul>	P60-62	
			<ul style="list-style-type: none"> <li>Safer healthier products: Risk management / Targets and metrics / Safe and reliable ingredient use and information disclosure</li> </ul>	P66-68	
			<ul style="list-style-type: none"> <li>Purpose driven brands: Purpose driven brand activities</li> <li>Transformative innovation: Risk management / Targets and metrics</li> <li>Product quality management: Risk management / Targets and metrics / Main initiatives</li> </ul>	P80-81 P87-88 P297-299	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<ul style="list-style-type: none"> <li>Product quality management: Targets and metrics</li> </ul>	P298		
Marketing and Labeling					
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	<ul style="list-style-type: none"> <li>Universal product design: Targets and metrics / Main initiatives</li> </ul>	P61-63	
			<ul style="list-style-type: none"> <li>Safer healthier products: Safe and reliable ingredient use and information disclosure</li> </ul>	P68	
			<ul style="list-style-type: none"> <li>Product lifecycle and environmental impact: Expansion of the range of products that display the "eco together" logo</li> <li>Full transparency: Targets and metrics / Main initiatives</li> <li>Communication with consumers: Strategy / Governance / Targets and metrics</li> </ul>	P157 P176-178 P344-349	
417-2	Incidents of non-compliance concerning product and service information and labeling	—	—		
417-3	Incidents of non-compliance concerning marketing communications	—	—		
Customer Privacy					
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	—	—	
Socioeconomic Compliance					
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	<ul style="list-style-type: none"> <li>Effective corporate governance: Compliance hotline operational status and 2022 regulatory violations</li> </ul>	P170-171	

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	•Corporate governance	P265
6.3 Human rights	•Respecting human rights	P180
	•Kao Business Conduct Guidelines (external link)	—
6.3.3 Due diligence	•Our ESG Vision and Strategy	P8
	•Responsibly sourced raw materials	P91
	•Effective corporate governance	P161
	•Respecting human rights	P180
	•Employee wellbeing and safety	P229
6.3.4 Human rights risk situations	•Respecting human rights	P180
	•Inclusive and diverse workplaces	P209
6.3.5 Avoiding complicity	•Responsibly sourced raw materials	P91
	•Respecting human rights	P180
	•Employee wellbeing and safety	P229
6.3.6 Resolving grievances	•Effective corporate governance	P161
	•Communication with consumers	P344
6.3.7 Discrimination and vulnerable groups	•Employee wellbeing and safety	P229
	•Corporate citizenship activities	P358
6.3.8 Civil and political rights	•Effective corporate governance	P161
	•Human capital development	P194
6.3.9 Economic, social, and cultural rights	•Effective corporate governance	P161
	•Employee wellbeing and safety	P229
	•Corporate citizenship activities	P358
6.3.10 Fundamental principles and rights at work	•Effective corporate governance	P161
	•Human capital development	P194

	Relevant Sections in Report	
6.4 Labor practices		
6.4.3 Employment and employment relationships	•Effective corporate governance	P161
	•Human capital development	P194
	•Inclusive and diverse workplaces	P209
	•Employee wellbeing and safety	P229
6.4.4 Conditions of work and social protection	•Human capital development	P194
6.4.5 Social dialogue	•Human capital development	P194
6.4.6 Health and safety at work	•Employee wellbeing and safety	P229
	•Responsible care (RC) activities	P284
	•Process safety and disaster prevention	P352
6.4.7 Human development and training in the workplaces	•Human capital development	P194
6.5 The environment		
6.5.3 Preventing pollution	•Our ESG Vision and Strategy	P8
	•Making the world healthier & cleaner	P101
	•Responsible chemicals management	P253
6.5.4 Sustainable resource use	•Our ESG Vision and Strategy	P8
	•Responsibly sourced raw materials	P91
	•Making the world healthier & cleaner	P101
6.5.5 Climate change mitigation and adaptation	•Our ESG Vision and Strategy	P8
	•Making the world healthier & cleaner	P101
6.5.6 Protecting the environment, biodiversity, and restoring natural habitats	•Our ESG Vision and Strategy	P8
	•Responsibly sourced raw materials	P91
	•Making the world healthier & cleaner	P101
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6.6 Fair operating practices		
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	•Corporate governance	P265
6.6.4 Responsible political involvement	•Effective corporate governance	P161
6.6.5 Fair competition	•Effective corporate governance	P161
	•Corporate governance	P265
6.6.6 Promoting social responsibility in the value chain	•Our ESG Vision and Strategy	P8
	•Responsibly sourced raw materials	P91
	•Effective corporate governance	P161
	•Corporate governance	P265
	•Communication with consumers	P344
6.6.7 Respect for property rights	•Effective corporate governance	P161
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6.7 Consumer issues		
6.7.3 Fair marketing, factual and unbiased information, and fair contractual practices	•Responsibly sourced raw materials	P91
	•Communication with consumers	P344
6.7.4 Protecting consumers' health and safety	•Product quality management	P293
	•Communication with consumers	P344
6.7.5 Sustainable consumption	•Making the world healthier & cleaner	P101
	•Zero waste	P120
	•Product quality management	P293
6.7.6 Consumer service, support, and complaint and dispute resolution	•Product quality management	P293
	•Communication with consumers	P344
6.7.7 Consumer data protection and privacy	•Effective corporate governance	P161
	•Information security	P300
6.7.8 Access to essential services	•Communication with consumers	P344
6.7.9 Education and awareness	•Universal product design	P58
	•Making the world healthier & cleaner	P101
	•Product quality management	P293
	•Communication with consumers	P344
	•Corporate citizenship activities	P358

	Relevant Sections in Report	
6.8 Community involvement and development		
6.8.3 Community involvement	•Our ESG Vision and Strategy	P8
	•Making my everyday more beautiful	P44
	•Making thoughtful choices for society	P69
	•Making the world healthier & cleaner	P101
6.8.4 Education and culture	•Biodiversity	P327
	•Making my everyday more beautiful	P44
	•Habits for cleanliness, beauty & health	P51
	•Sustainable lifestyle promotion	P70
	•Biodiversity	P327
6.8.5 Employment creation and skills development	•Corporate citizenship activities	P358
	•Corporate citizenship activities	P358
6.8.6 Technology development and access	•Making my everyday more beautiful	P44
	•Making thoughtful choices for society	P69
	•Habits for cleanliness, beauty & health	P101
6.8.7 Wealth and income creation	•Making my everyday more beautiful	P44
	•Making thoughtful choices for society	P69
	•Walking the right path	P159
6.8.8 Health	•Employee wellbeing and safety	P229
	•Corporate citizenship activities	P358
6.8.9 Social investment	•Making my everyday more beautiful	P44
	•Making thoughtful choices for society	P69
	•Making the world healthier & cleaner	P101
	•Walking the right path	P159



This report has been compiled with reference to the recommendations for disclosure given by the Task Force on Climate-related Financial Disclosures (TCFD). Click on Relevant Sections in Report to display the relevant page.

## Governance

Recommendation: Disclose the organization's governance pertaining to climate-related risks and opportunities.		
Recommended disclosure content	Relevant Sections in Report	
a) Framework of the Board of Directors' oversight of climate-related risks and opportunities	•Decarbonization: Governance	P105
	•Water conservation: Governance	P139
	•Risk and crisis management: Governance	P276
b) The role of management in assessing and managing climate-related risks and opportunities	•Decarbonization: Governance	P105
	•Water conservation: Governance	P139
	•Risk and crisis management: Governance	P276

## Strategy

Recommendation: Disclose the actual or latent impact on the business, strategy, and financial planning of climate-related risks and opportunities if such information is important.		
Recommended disclosure content	Relevant Sections in Report	
a) Climate-related risks and opportunities the organization has identified over the short-, mid- and long-term	•Decarbonization: Social issues	P102
	•Decarbonization: Strategy	P104
	•Water conservation: Social strategy	P137
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c) Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C-or-lower scenario	•Risk and crisis management: Targets and metrics	P281
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## Risk management

Recommendation: Disclose how the organization is identifying, evaluating, and controlling climate-related risks.		
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	•Decarbonization: Governance	P105
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	•Risk and crisis management: Policies	P276
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b) Organization's processes for managing climate-related risks	•Risk and crisis management: Targets and metrics	P281
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	•Water conservation: Governance	P133
	•Risk and crisis management: Policies	P276
c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	•Risk and crisis management: Governance	P278
	•Risk and crisis management: Targets and metrics	P281
	•Decarbonization: Governance	P105
	•Water conservation: Governance	P133
	•Risk and crisis management: Policies	P276
	•Risk and crisis management: Governance	P278

## Metrics and Targets

Recommendation: Disclose indicators and targets used in the evaluation and control of climate-related risks and opportunities if such information is important.		
Recommended disclosure content	Relevant Sections in Report	
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	•Decarbonization: Targets and metrics	P107
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b) Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse-gas (GHG) emissions and related risks	•Metrics and Targets	P34
	•Decarbonization: Targets and metrics-Scope 1, 2 and 3 CO <sub>2</sub> emissions	P109
c) Targets used by the organization to manage climate-related risks and opportunities, and performance against targets	•Metrics and Targets	P34
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KaO

Kirei—Making Life Beautiful

## Kao Corporation

14-10, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo 103-8210, Japan

ESG

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