

# Message by Dave Muenz GRI 2-22

## Integrating Sustainability Into Our Business and Balancing ESG and EVA



### David J. Muenz

Director, Managing Executive Officer  
Senior Vice President, ESG, Global  
Responsible for Strategic Public Relations

**With our commitment to *Yoki-Monozukuri* with an ESG perspective, Kao will continue to pursue value creation for our consumers through solutions for social issues, as well as optimization of our business operations across the value chain. This will bring positive impact to ROIC and EVA and contribute toward our finances.**

### ESG strategy strengthens our *Global Sharp Top* approach

With rapid changes in our business environment, meeting various social challenges from an ESG perspective will boost stakeholders' confidence and therefore Kao's presence in the marketplace. Kao's ESG strategy, the Kirei Lifestyle Plan (KLP), describes ambitious goals for the future and a detailed direction of ESG activities with a focus on consumers and customers. The KLP works on resolving key social issues, which include Decarbonization, Zero Waste, and Human Rights, while striving for business growth.

Our *Global Sharp Top* approach is about creating unique brands with high-performing products that have strong loyalty and high repeat purchase levels. As we transition to a more sustainable world, the KLP will be put into action with sustainability embedded in our operations and in the unique propositions we offer to our customers. This will further increase customer satisfaction and loyalty, thus further enhancing the *Global Sharp Top* approach.

### Creating a Kirei life for all

Our corporate philosophy, the Kao Way, defines our mission as realizing a Kirei World in which all life lives in harmony. It is about creating a Kirei Life for all—providing cleanliness, beauty and health for the life of all people and the planet. Making a difference to sustainable lifestyles through our business has been a central tenet for Kao since the founding of the company.

As we pursue K27 and beyond with the vision of "Sustainability as the only path" by embedding ESG strategically into our business, Kao will lead the way in realizing a sustainable world. We will deliver high value proposals from an ESG perspective to consumers around the world and fulfill our purpose of creating a Kirei life for all and increase our corporate value along the way.

#### ESG Value Proposals lead to Business Growth

We are already seeing our proposals from an ESG perspective bear fruit in creating new value for our consumers. *Bioré UV Aqua Rich Protect Mist* enables consumers to easily reapply UV during the day thus protecting their future well-being, and *Laurier* has been building empathy and loyalty with its purpose-driven branding.

Our interactive digital platform My Kao offers product proposals for consumers based on results of a skin analysis service equipped with a proprietary AI algorithm. This approach allows our consumers to enjoy a higher quality of life and results in more repeat purchases.

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The bottle refill for *CuCute* dishwashing detergent with about 40%\*1 less plastic usage is easily crushable for disposal and has been well received for its environmentally-friendly features. Products like this, which address issues from an ESG perspective, have contributed to the development of new markets and increasing customer loyalty. We will continue to promote value proposals from an ESG perspective to consumers globally.



\*1 Conventional weight ratio for product packages

## Realizing a Sustainable World with our stakeholders

Engaging with users of our products and raising the entire society's awareness of ESG is key to realizing a sustainable world. Starting in 2022, Kao began promoting the message "Wastefulness—*Mottainai*. Never today, nor tomorrow." to communicate Kao's actions for the environment and society in an approachable way. The objective is to engage people to consciously address environmental issues simply by choosing and using Kao products.

Through this message, we are seeing positive results that show raising awareness of the benefits of

using our environmentally-friendly and socially-conscious products can strongly encourage people to choose our products. We will continue to enhance Kao's corporate value through ESG activities and contribute towards supporting consumers in leading sustainable lives as a result of using our products.

## ESG Activities Make Our Business Sustainable

ESG will be critical in ensuring our businesses are sustainable. We reduced CO<sub>2</sub> emissions (Scopes 1 + 2) from all Kao Group sites by 35% in 2023 compared to 2017 (base year), a steady progress toward achieving the target of 55% reduction by 2030. In our efforts to create a more circular society, we are promoting the use of recycled plastic for PET packaging, achieving an 81% usage rate in Japan, our biggest market.



Sourcing responsibly is another key focus area for Kao. We closely cooperate with partners for the procurement of one of Kao's key materials, palm oil, towards the establishment of a sustainable supply chain free of deforestation and human rights violations. This includes securing traceability to oil palm smallholders, providing support to oil palm smallholders in Indonesia, and purchase of RSPO-certified sustainable palm oil. We share the latest progress on our Palm Oil Dashboard, which is a page that introduces activities related to palm oil procurement.

Through these actions and the wholehearted implementation of our efforts based on the KLP, we believe that Kao will continue to be a leader in sustainability, improve our financial performance as measured by EVA and ROIC, and grow our business globally.



Palm Oil Dashboard  
<https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>