

Risk Management GRI 2-16, 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 impact 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 reviews 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.

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Opportunity management

In 2019, each division proposed a theme that would serve as an 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.