

Metrics and Targets

GRI 2-4

We have set metrics and targets for three commitments and 19 Kao Actions 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	Metrics	Results					Mid- to long-term targets		SDGs
		2019	2020	2021	2022	2023	Target value	Year	
Making my everyday more beautiful									
Commitment	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	0.48 billion	1 billion	2030	3, 5, 6, 10, 12, 14, 17
Improved quality of life	Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people	—	4.7 billion	4.4 billion	4.4 billion	4.1 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	51 million ^{*6}	59 million	0.1 billion	2030	3, 6, 17
Universal product design	% of new or improved products that meet Kao's Universal Design Guidelines	(44%) ^{*2}	(53%) ^{*2}	98%	99%	99%	100%	2030	10, 12, 17
Safer healthier products	% of targeted ingredients of concern on which views are disclosed	—	17% (31%) ^{*2}	30% (56%) ^{*2}	60% (100%) ^{*2}	67%	100%	2030	3, 12, 14, 17
Making thoughtful choices for society									
Commitment	% of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society	—	—	—	59% ^{*6}	61%	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	9.4 million	11.0 million	13.0 million	14.0 million	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%	57%	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	6	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	6	10 or more	2030	
Responsibly sourced raw materials	% of certified paper products and pulp for consumer products	91%	94%	96%	97%	98%	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	Completed up to traceability checks to farms: 87%	Finish	2025	

*1 Change of metrics and target value

*2 Value based on former definition

*3 Value based on former definition (Japan only)

*4 Reviewed metrics for 2023

*5 Corrected results (Recounted due to some omissions)

*6 Corrected results (Recalculated due to double counting)

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Kao Actions	Metrics	Results					Mid- to long-term targets		SDGs
		2019	2020	2021	2022	2023	Target value	Year	
Making the world healthier & cleaner									
Commitment	% of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb	—	—	9% ^{*5}	14% ^{*5}	17%	100%	2030	3, 6, 7, 12, 13, 14, 15, 17
	Kao recognition or achievement level by external ratings firms	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A-	CDP Climate Change A, Water A, Forest (Timber) A-, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	CDP Climate Change A, Water A, Forest (Timber) A, Forest (Palm Oil) A	Highest evaluation level	Yearly	3, 6, 7, 12, 13, 14, 15, 17
Decarbonization	% reduction in absolute full lifecycle CO ₂ emissions (Base year: 2017)	4%	4%	4%	6%	15%	22%	2030	7, 12, 13, 17
	% reduction in absolute scope 1 + 2 CO ₂ emissions (Base year: 2017)	9%	15%	20%	26%	35%	28%	2025	
	% of renewable energy in electricity consumption	22%	29%	40%	49%	57%	55%	2030	
Zero waste	Quantity of fossil-based plastics used in packaging	—	—	91 thousand tons	88 thousand tons	74 thousand tons	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	14 million	300 million	2030	
	% recycling rate of plastics involving Kao	—	—	1%	3%	6%	50%	2030	
	Practical use of innovative film-based packaging made from collected refill packs	—	Ongoing development	Ongoing development	Ongoing development	Product launch	Product launch	2025	
	% of recycled plastic used in PET containers (Japan)	—	—	19%	69%	81%	100%	2025	
	% of the waste generated from Kao sites ¹ , ratio of waste that cannot be recycled ^{*Beginning with production sites}	—	—	9.1%	4.2%	4.3%	0 (less than 1%)	2030	
Water conservation	% reduction in full lifecycle water use per unit of sales (Base year: 2017)	6%	-5%	-5%	3%	6%	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 2025 ^{*4}	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%	VOC 84%, COD 100%	100%	2025	3, 6, 12, 14, 17

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Kao Actions	Metrics	Results					Mid- to long-term targets		SDGs
		2019	2020	2021	2022	2023	Target value	Year	
Walking the right path									
Effective corporate governance	Kao recognition or achievement level by external ratings firms	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (World's Most Ethical Companies® selection)	Highest evaluation level (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	0	Yearly	
Full transparency	% of consumer product brands for which people can easily access complete ingredients information	—	9%	12%	18%	22%	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%	Internal: 100% suppliers: 81% contractors: 19%	100%	2030 *Suppliers: 2025	5, 8, 10, 17
Inclusive & diverse workplaces	Score for "Inclusive organizational culture" in our employee engagement survey (perfect score: 100) ^{*1}	—	—	—	(69%) ^{*3}	62	75 ^{*1}	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%)	31.1% (% of female employees: 53.1%)	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	0.71	0.1	2030	3, 8
	Average number of lost long-term work days (days/people) *Starting from Japan	129	146	197	182	195	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	0.256	0.12	2030	
	Score for "Vitality" in our employee engagement survey (perfect score: 100) ^{*1}	—	—	—	(77%) ^{*3}	59	70 ^{*1}	2030	
Human capital development	Score for "Organizational culture in which employees are encouraged to take on challenges" in our employee engagement survey (perfect score: 100) ^{*1}	—	—	—	(79%) ^{*3}	61	80 ^{*1}	2030	3, 4, 5, 8, 10
	Score for "Work satisfaction" in our employee engagement survey (perfect score: 100) ^{*1}	—	—	—	(74%) ^{*3}	60	75 ^{*1}	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%	38%	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%	93%	100%	Yearly	

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2023 results

Three commitments

1. Making my everyday more beautiful

In 2023, “the number of people empowered to enjoy more beautiful lives—greater cleanliness, easier aging, better health and confidence in self-expression” was 480 million, a slight decrease from 490 million in 2022. There were slight decreases and slight increases in each region, but overall they were offset and remained mostly unchanged. The challenge is to further advance globalization. Of this total, the cumulative number of people reached by awareness-raising activities for acquiring habits for cleanliness, beauty & health using Kao products and services increased from 51 million in 2022 to 59 million in 2023.

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

In 2023, the “percentage of Kao brands that make it easy for people to make small but meaningful choices that, together, shape a more resilient and compassionate society” was 61%, up from 59% in 2022. This is the result of 57% (See p. 86) of the 2023 actuals for the “purpose driven brands” metric, plus 6 actuals and 6 actuals (See p. 41) for the two “transformative innovation” goals (See p. 385 for calculation formulas). These results show that 61% 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 help to bring about a more vibrant and caring society.

3. Making the world healthier & cleaner

In 2023, the “percentage of Kao products that leave a full lifecycle environmental footprint that science says our natural world can safely absorb” was 17%, up from 14% in 2022. In addition to *Attack* laundry detergent, with high water-saving performance, the sales volume of *CuCute* dishwashing detergent, which meets the conformity requirements, increased, and the launch of new improved products that meet the conformity requirements and new products that meet the conformity requirements contributed to the increase. For example, *eco-peko bottle for the future*, an environmentally conscious product launched with *CuCute*, is made of much less plastic than traditional plastic bottles and contributes to a drastic reduction of CO₂ emissions from product production and disposal. Through *Yoki-Monozukuri*, we will contribute to realizing a healthy and clean planet through planning and action from an ESG perspective, aiming to achieve 100% by 2030. 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

Products with excellent environmental performance contributed greatly to the increase in overall sales of Consumer Products Business products.

Sales of products that meet the strict environmental conformity requirements applied in the commitment to make the world healthier and cleaner increased 26% over the previous year. This increase resulted from the increasing number of environmentally conscious products for *Attack*, Kao’s laundry detergent, and *CuCute*, Kao’s dishwashing detergent. At the same time, the increase in sales and market share of these brands contributed to the sales of the Fabric and Home Care business. Furthermore, the new products, which use an environmentally friendly container, were supported by consumers who are highly conscious of sustainability, which stimulated their purchasing behavior. A typical example is the environmentally friendly refill container, *eco-peko bottle for the future*, launched in September 2023 from the *CuCute* dishwashing detergent brand. This product is easy to crush at the time of disposal by making the bottle’s plastic as thin as possible while maintaining the ease of refilling. As a result, not only was the burden of dishwashing lessened as a whole, but the quantity of plastic used was also reduced by approximately 40% (the percentage of the weight of the container compared to the existing product). Because of these reasons, the product is gaining support from sustainability-aware consumers, and the number of users who are highly involved in sustainability has increased by 20% (over the previous year, according to INTAGE SCI) since the product was launched,

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contributing to the expansion of sales and market share. *CuCute* saves approximately 20% of water when rinsing (compared to our product) and contributes to CO₂ reduction during use. As consumers are expected to become more environmentally conscious in the future, we will provide environmentally friendly products to achieve social sustainability through environmental conservation, while at the same time growing our business.

In recent years, the need for sunscreen to protect the skin from ultraviolet rays has increased, and UV care products have become one of the key categories driving the business. The new product *Bioré UV Aqua Rich Aqua Protect Mist* launched in 2023 became a big hit, capturing 6.8%*¹ of the sunscreen market share. We believe this is partly due to the fact that we have solved the challenge related to the improvement of QOL, making sunscreen easy to reapply while on the go.

This case indicates that we can create new categories by reviewing consumer problems from a sustainability perspective, even in existing businesses. We also created a business model that provides a customer experience from an ESG perspective, which leads to product proposals. My Kao, an interactive digital platform with consumers, offers an AI-based skin measurement service called *HADA RECO*, which has been used approximately 400,000 times in the first nine months since its launch. Based on the measured results, this service suggests appropriate products along with skincare and beauty advice. This service, which makes people want to continue, has increased the rate of repeat purchases of products. We believe that this kind of linkage between the provision of things and customer experience and manufacturing from an ESG perspective is one approach that will not only

improve QOL at a high level, but also create a new business model and create a *Global Sharp Top* business.

*1 INTAGE SRI + Sunscreen Market Jan -Dec 2023 Value Share

 **HADA RECO**
<https://hadareco.kao-kirei.com/>

2. Cost reductions

Economic effects as a result of environmental conservation measures

The economic effect in 2023 was 8.46 billion yen, a significant increase from 5.8 billion yen in 2022. This was due to the promotion of cost reduction efforts at each manufacturing site, which resulted in significant cost savings of 4.55 billion yen through resource conservation.

P165 Making the World Healthier & Cleaner > Environmental Accounting


Impact on financing costs

In 2023, we have initiated two sustainability-linked financing initiatives. One is the Sustainability Linked Loan, which has a low interest rate requirement and has achieved an "A" rating in at least two of CDP's three ratings. The other is the Sustainability Linked Bond, in which the interest rate can be reduced by reducing CO₂ emissions (Scope 1 + 2) by 39% by FY2026 compared to 2017.

3. Minimizing risks

We continue to conduct human rights due diligence and awareness-raising activities to identify, prevent, and mitigate human rights risks in our corporate activities. Among those activities, we have been advancing our efforts, especially in two areas we had identified as noticeable human rights risks: subcontractors at manufacturing sites with foreign workers and the palm oil supply chain. As a result, no serious human rights risks such as forced labor or child labor were found in the Kao Group by 2023.

We are also working to achieve sustainable procurement of palm oil, a key material, and to ensure traceability to avoid environmental risks. Ensuring 100% traceability is a foundational initiative to avoid risk and is essential for stable business continuity. By 2023, traceability to palm oil mills is 99% complete and to palm plantations is 87% complete. We are also promoting the SMILE Program, an initiative aimed at resolving the essential issue of palm oil procurement, namely, the issue of oil palm smallholders. By 2023, we could support a total of 3,083 farms. Our activities and achievements related to palm oil procurement are disclosed on our Palm Dashboard.

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

4. Increased credibility

In March 2024, we were selected as one of the World's Most Ethical Companies 2024® by the U.S. think-tank Ethisphere Institute. We have been selected for 18 consecutive years since the award's inception in 2007. Excluding six other companies around the world, we are

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the only company in Japan and the Asian region to have been selected for 18 consecutive years. We believe that this recognition reflects our attitude of walking the right path, which has been passed down from our founder, or acting in accordance with the law and ethics, and conducting our business activities with integrity continues to be implemented by all Kao Group members, and our corporate culture fostered by the attitude.

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. Plastic waste, which is a global social issue, is a theme that needs to be addressed by society as a whole. Kao is working to build a recycling system in collaboration with local governments, retailing companies, and competitors. As one specific initiative, Kao has conducted a series of demonstration experiments with local governments, companies, and retailers to establish a sustainable collection scheme for used refill packs and to develop technologies for recycling them. For example, we are participating in a project in which the City of Kobe, retailers, commodity manufacturers, and recyclers are collaborating to recycle refill packs of household and personal care items. In May 2023, we realized horizontal material recycling technology for used refill packs and developed and launched a refill pack partially made of recycled materials. We will also contribute to the promotion of recycling in society and the industry as a whole by spreading the technology developed by Kao widely within the industry. In parallel, we will further examine ways to solve social implementation issues by

establishing a scheme to increase the amount of used refill packs collected and by reducing costs.

We believe it is important to clearly state the magnitude and quality of the impact of Kao's business on society, and to fulfill our accountability for improving corporate value and investment. In 2023, 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 2023, we also used the indicators in the table below to calculate and assess the impact on society.

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



Study on Returns to Kao's Stakeholders In FY2017

<https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/databook-2017-study.pdf>