

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 within and outside Japan to ensure that our products can be used with peace of mind. We hope to win the approval of many stakeholders and build a bond of trust for the 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 do not indicate our policies on ingredients regarding which health or environmental concerns are expressed.

Opportunities

Appropriate and clear communication with consumers and customers about our ingredient policies based on scientific evidence helps us to enhance Kao's and our products' credibility. Communication based on shared information with consumers and customers leads to contribution to *Yoki-Monozukuri*, which includes innovation and value creation, providing opportunities for Kao to grow into an essential company in a sustainable world.

Strategy

We actively disclose our policies about the ingredients used in our products based on our assessment of risks and opportunities in light of social trends within and outside Japan. Disclosure of ingredient policies and communication will contribute to maintaining and enhancing the trust to consumers and customers, as

well as developing Kao as an essential company in a sustainable world.

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 by precisely understanding the trends of stakeholders such as consumers, customers and distributors, as well as social issues from a global perspective. We determine the priority orders of ingredients to disclose our policy according to impacts on business, such as the number of products and the countries and areas of sale, in order to avoid business risks and develop further.

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 on our websites within and outside Japan. By sharing common information and communicating with consumers and customers through these disclosures, we will ensure their correct understanding, build a relationship of trust, and enhance our corporate value.

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

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enhance their understanding of our products and choose a product with greater confidence. Trust spreads from the individual to communities and society as a whole, which leads to greater trust.

Contributions to the SDGs



Business impact

We believe that disclosing our policies based on scientifically verified safety information about the ingredients used in our products allows consumers and customers to select Kao products with confidence, consequently generating opportunities for market expansion.

Additionally, communication with consumers and customers through these disclosures is expected to help strengthen trust on products and leads to the enhancement of corporate value.

Governance

Framework

We promote activities in the Chemical Stewardship Steering Committee under the ESG Managing Committee. A working group consisting of members related divisions within and outside Japan, assesses risks, identifies ingredients for which information should be disclosed, and develops draft policies. The Chemical Stewardship Council, consisting of the leaders of relevant Business divisions and R&D divisions, is consulted regarding such draft policies before disclosure.

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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 areas 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 social trends

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within and outside Japan and scientifically verified information. We then determine at the Chemical Stewardship Council, consisting of 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 conducts multifaceted investigations and continuously monitors whether new risks have arisen. When new issues are identified, such as updates to regulations or scientific findings, we will promptly take appropriate action to improve public trust, such as revising information or disclosing additional information.

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Metrics and targets

Mid- to long-term targets and 2023 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. We have actively promoted activities and disclosed the policies about 18 ingredients selected as long-term targets in 2022 ahead of schedule. Meanwhile, we have continued to conduct surveys and consider enhancing information disclosure because social concerns and issues are influenced by changes in the social situation

as well as ethics and values. To enhance information disclosure, we reviewed ingredients about which we should disclose our policies, expanding the scope to ingredients that we avoid using in our products as well in order to provide information so that consumers can use our products with more confidence. As a result, we identified 12 new ingredients and decided to aim to disclose policies about 30 ingredients, updating our existing goal of 18 ingredients.

2023 results

In September 2023, we disclosed our policies about two key ingredients (octocrylene and homosalate) which are of high social concern and which we consider important for global expansion in our skincare business, on our sustainability website. We also promoted activities to disclose information on ingredients that we avoid using in Kao products.



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

Reviews of 2023 results

The working group held regular meetings in order to thoroughly discuss the contents of each of the two ingredients and draft our policies. The draft policies were then reviewed by the leaders 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 20 ingredients. Twenty ingredients were released in total against the 30 ingredients set as KPIs (67% publicly traded). We are also preparing information on

ingredients that we avoid using in our products on an individual basis and we plan to disclose it soon.

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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. By 2022, We had disclosed our policies relating to 18 ingredients (alkyl sulfates, 1,4-dioxane, formaldehyde-releasing preservatives, parabens, plastic microbeads, preservatives, silicones, talc, UV absorbers, fragrance, aluminum salts, PEG (polyethylene glycol), mineral oil, phenoxyethanol, fluoride, BHT (dibutyl hydroxytoluene), oxybenzone, and octinoxate). In 2023, we disclosed our policies relating to two key ingredients (octocrylene and homosalate), which we consider important for global expansion in our skincare business. We have been continuously promoting our activities and have achieved disclosing 20 ingredients in total in FY2023. We also promote activities for information disclosure and enhance appropriate information regarding ingredients that we avoid using in our products.

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



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Industry association activities / communication

We actively participate in the Japan Cosmetic Industry Association's activities to ascertain global regulatory trends related to health and environmental impacts and to examine measures regarding 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 various countries and areas 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. We also examine social interest from the inquiries we received and utilize them in our product development. On top of that, we endeavor to deepen understanding of the safety of chemical substances through a presentation at an academic society.



The Japanese Environmental Mutagen and Genome Society:
 Speech subject No. S4-4
https://jems2023.jp/en/program_en.pdf