

Governance

Kao's ESG governance is carried out under the supervision of the Board of Directors, with the President & CEO and each division and group company responsible for business execution. By incorporating objective and advanced perspectives from Outside Directors and experts, Kao has established a framework that facilitates precise decision-making by management, swift execution by each division, and the promotion of innovation.

Kao's ESG governance

We have a flexible and robust ESG governance structure in order to swiftly respond to the major changes taking place globally, aiming to expand business and to address social issues. Our ESG governance provides a system for supervising and promoting ESG initiatives to incorporate environmental (E) and social (S) perspectives into Kao's management and business activities, and supports the realization of the Mid-term Plan "K27" and the Long-term Management Vision "K30."

Under this system, the President and CEO as well as divisions and Group companies are responsible for executing business operations under the supervision of the Board of Directors, which is responsible for decision-making. Characteristics of this system include the ability to provide the swift and targeted implementation and to promote the creation of innovation by incorporating third-party perspectives from outside directors and experts into management decisions and new businesses.

Supervision by the Board of Directors

The Board of Directors ensures that it has the appropriate knowledge, experience, and competence to supervise ESG issues. In order to oversee overall management from multiple perspectives, we consider a balance of expertise and position ESG matters also as requiring specialized knowledge to address. Therefore, we appoint a number of Directors and Audit & Supervisory Board Members who are well-versed in ESG matters.

The Board of Directors receives regular reports twice a year and reports on policies and strategies as well as targets, KPIs and progress of activities from the ESG Managing Committee, which deliberates and discusses ESG issues. In this way, the Board of Directors oversees the execution status.

The ESG-related KPIs to be reflected in the compensation policy are discussed by the Compensation Advisory Committee for Directors and Executive Officers and approved by the Board of Directors. Starting from fiscal 2024, the ratio of short-term and long-term incentive compensation against base salary has been revised to 1:1:1 for the Representative Director,

President and Chief Executive Officer. Long-term incentive compensation incorporates the "ESG Activities Evaluation indicators" consisting of the achievement of the KLP's priority targets (weighted at 25%) and the results of external evaluations by major ESG evaluation organizations (weighted at 15%). The achievement of KLP's priority targets is based on a multifaceted evaluation and consists of decarbonization (CO₂ emissions reduction rate), zero waste (plastic recycling rate), percentage of female managers, and the number of serious compliance violations.

Evaluation indicators for the variable portion of the performance-based share incentive plan

	Evaluation indicator		Weight	Scale	Objective
Business Growth Evaluation	Degree of overall business growth, sales, profit, and EVA (ROIC)		40%	5-point scale	The degree of contribution to continued growth and sound financial management is evaluated.
	Achievement level of KLP (Kao Kirei Lifestyle Plan) priority targets Decarbonization (CO ₂ emissions reduction rate), Zero Waste (Plastic recycling rate), Ratio of female managers, Number of serious compliance violations, etc.		25%	7-point scale	Solution to a variety of social issues and contribution to a sustainable society are evaluated from multiple perspectives.
Top Management Activities Evaluation	External evaluation results by major ESG rating agencies		15%	7-point scale	
	Relative TSR evaluation	Comparison with TOPIX (including dividends)	5%	7-point scale	The adequacy of corporate governance is evaluate
		Comparison with benchmark companies	5%	7-point scale	
Employee engagement survey results	Employee engagement survey results		10%	7-point scale	

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- Corporate Governance Report Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
<https://www.kao.com/global/en/corporate/policies/corporate-governance/>
 - Integrated Report 2025, P53-60 Corporate Governance
<https://www.kao.com/global/en/investor-relations/library/reports/>

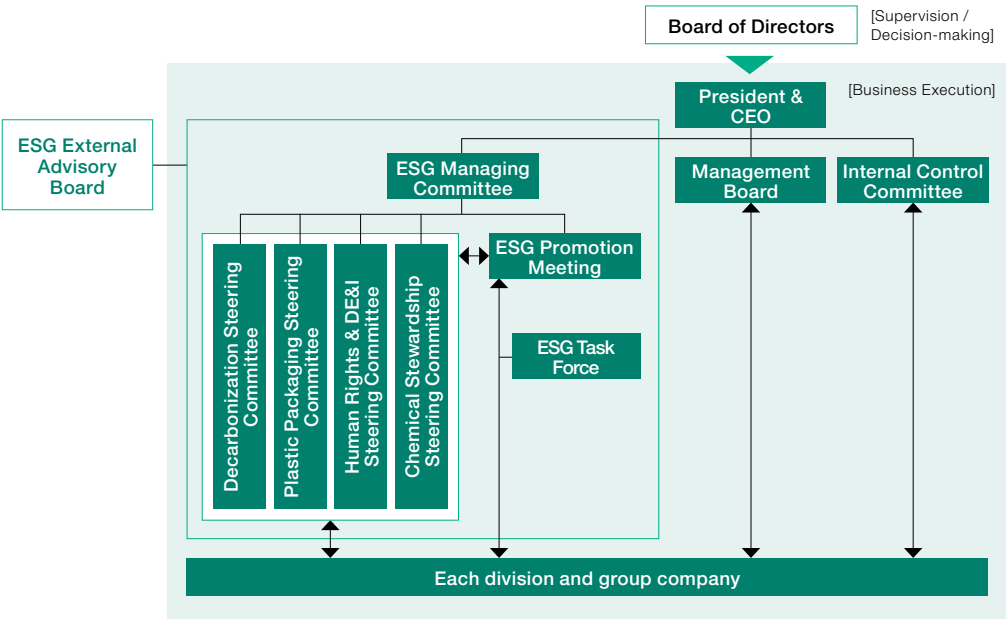
ESG management framework

The overall execution of ESG has a governance structure with the ESG Managing Committee chaired by the Representative Director, President and Chief Executive Officer as the highest authority. The ESG Managing Committee, which consists of management, discusses and decides on the direction of activities related to the KLP, and reports the status of activities to the Board of Directors. In addition, the ESG External Advisory Board, which is comprised of outside experts, provides reports and recommendations in response to the consultations of the ESG Managing Committee, and reflects the third-party perspectives of outside directors and experts in management.

We have established the ESG Promotion Meeting, which works to achieve the KLP, and the ESG Steering Committee, which strives to ensure reliable and timely execution for priority issues. Based on the decision made by the ESG Managing Committee, the ESG Promotion Meeting promotes ESG-related activities throughout the Kao Group and monitors the progress of each department. The ESG Promotion Meeting is chaired by the Senior Vice President and the Executive Officer of the ESG division, and the meeting attendees are made up of the people responsible for business divisions, regions, functional divisions, and corporate divisions. The ESG Steering Committee will promote initiatives based on the priority issues of decarbonization, plastic packaging, human rights and DE&I, and chemical stewardship, respectively. People at the officer level are responsible as the owners of each issue and are granted a certain level of decision-making rights. The ESG Steering Committee works in conjunction with the ESG Managing Committee to ensure that initiatives are implemented promptly and reliably in each area. The ESG Task Force, which proposes activities related to key themes, plays a role in promoting the activities of each division and group company.

ESG-related risk management is carried out by the Internal Control Committee (which meets twice a year and is chaired by the Representative Director, President and CEO), and opportunity management is conducted by the ESG Managing Committee (which meets six times a year and is chaired by the Representative Director, President and CEO).

ESG governance structure



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

Organization	Roles	Structure	Performance (2024)	
			Frequency of meeting	Main deliberated items
ESG Managing Committee	Deliberate, discuss, or report the following items that concern the entire Kao Group: <ul style="list-style-type: none">• Basic approach to and policy of ESG• ESG policy sharing, strategy, activities, external communications, etc.• Decisions on investments for promoting ESG activities• Trends, issues and opportunities for the sustainability of the world at large and for ESG• Active stakeholder engagement by ESG Managing Committee members	Chair: Representative Director, President and Chief Executive Officer Members: Senior Managing Executive Officers, Managing Executive Officers, other executives Observer: Full-time Audit & Supervisory Board Members	Six times/year	<ul style="list-style-type: none">• Deliberated on and approved the disclosure policy of the Kao Sustainability Report 2024, the details of disclosure including the progress made on KPIs• Deliberated on and discussed proposals submitted by the ESG Steering Committee• Deliberated on and approved the disclosure of financial impact information based on TNFD• Deliberated on and approved ESG investment projects• Deliberated on and approved the ESG fund budget for fiscal 2025• Examined the proposals from the ESG External Advisory Board• Reviewed the progress made on each Kao Action in the KLP
ESG External Advisory Board	<ul style="list-style-type: none">• Give advice and recommendations for issues raised by the ESG Managing Committee from outside expert viewpoints and based on a high level of expertise• Provide information to the ESG Managing Committee to enable the development and implementation of world-class plans• Provide opportunities for collaboration and cooperation with external parties• Evaluate Kao's ESG activities	Members: External influential experts <ul style="list-style-type: none">• Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption, etc.• Ruma Bose CEO, Amura Group Specialization: Human rights, entrepreneurship support, etc.• Mike Jefferson Director, Verde Research and Consulting Ltd. Specialization: Waste management, Recycling systems, etc.	Twice/year	<ul style="list-style-type: none">• Proposed expectations for and risks to Kao based on the social climate• Evaluated the progress made on the KLP and raised issues• Provided advice on ESG investment and the disclosure of its impact information• Provided advice for circular economy and advocacy activities• Provided advice for compliance with European regulations (environment, information disclosure, etc.)• Provided advice on DE&I and human rights approaches and initiatives• Provided advice on sustainable marketing• Provided advice for ESG communication• Provided advice for internal engagement
ESG Promotion Meeting	<ul style="list-style-type: none">• Implement the ESG Strategy to integrate it with business based on the direction decided by the ESG Managing Committee and its suggestions• Supervise and examine to implement key ESG actions• Compile the issues faced by each division and region in promoting ESG activities and propose solutions to the issues to the ESG Managing Committee	Chair: Executive Officer, Senior Vice President, ESG Members: Responsible persons, etc. in business divisions, functional divisions, corporate divisions and regions	Eight times/year	<ul style="list-style-type: none">• Drafted proposed revisions to the mid- to long-term targets in the KLP• Confirmed the progress and future plan for each action theme in the KLP• Formulated concrete plans for integrating ESG with business• Formulated an ESG investment strategy• Decided on the direction of the information disclosure in the Kao Sustainability Report 2024• Global compliance to new laws and regulations• Confirmed the promotion of ESG activities in each division and region and identified issues• Enhanced global collaboration between groups• Increased engagement with employees• Established a cooperative system with the Kao Life-in-Harmony Foundation and implemented collaborative activities

* Please refer to the following for information on the Board of Directors.

-  • Corporate Governance Report [Principle 4.1] Roles and Responsibilities of the Board (1)
<https://www.kao.com/global/en/corporate/policies/corporate-governance/>
- Integrated Report 2025, P53-60 Corporate Governance
<https://www.kao.com/global/en/investor-relations/library/reports/>
- The Board of Directors, Corporate Governance
<https://www.kao.com/global/en/corporate/policies/corporate-governance/directors/>

* Please refer to the following for information on the Internal Control Committee and Risk & Crisis Management Committee.

-  Risk and Crisis Management
<https://www.kao.com/global/en/corporate/policies/business-risks/>

CEO Message

Message from Senior Vice President of ESG

Executive Summary

Corporate Philosophy

Kao's Vision for 2030 "K30" and the Mid-Term Plan "K27"

Strategy

Metrics and Targets

Governance

Risk and Opportunity Management

Organization		Roles	Structure	Performance (2024)	
				Frequency of meeting	Main deliberated items
ESG Steering Committee	Decarbonization	<ul style="list-style-type: none">• Draw up a GHG reduction plan• Promote rapid decarbonization activities through centralized discussions on decarbonization response measures and business opportunities for mitigation and adaptation to achieve carbon zero in 2040• Appropriately manage climate change risks based on the results of scenario analysis	Owner: Managing Executive Officer, Senior Vice President, R&D Members: Staff of R&D, Procurement, Supply Chain Management, Global Consumer Care Business, Chemical Business, ESG	Five times/year	<ul style="list-style-type: none">• Discussed a 2030 GHG reduction strategy• Discussed the progress made to achieve decarbonization-related KPIs and responses to address issues• Discussed on fixation of carbon dioxide
	Plastic packaging	<ul style="list-style-type: none">• 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• Promote activities in conjunction with the Decarbonization Steering Committee, Water Conservation and Biodiversity	Owner: Executive Officer, Vice President, R&D Business Research Center (Beauty & Healthcare field) and Deputy Director, Research Strategy Promotion Center Members: Staff of Corporate Planning, R&D, Procurement, Global Consumer Care, ESG	Eight times/year	<ul style="list-style-type: none">• Formulated a draft policy and discussed and approved the actions regarding Innovation in Recycling initiatives (collection and recycling)• Formulated a draft policy and discussed and approved the actions regarding Innovation in Reduction initiatives (reducing the amount of materials used and using recycled materials)• Responded to the Plastic Resource Circulation Act of Japan
	Human rights and DE&I	<ul style="list-style-type: none">• Centrally promote and manage the Kao Group's human rights-related activities, including human rights due diligence, in accordance with the Kao Human Rights Policy• Centrally promote and manage the Kao Group's DE&I activities based on its DE&I Policy	Owner: Senior Executive Officer, Senior Vice President, Human Capital Strategy Members: Staff of Human Capital Strategy, ESG, Procurement, Supply Chain Management and Global Consumer Care Business	Once/month	<ul style="list-style-type: none">• Promoted activities based on the human rights and DE&I Policy• Proposed and took employee awareness measures for understanding and implementing the DE&I Policy• Enhanced global expansion of human rights due diligence, including holding workshops to identify potential human rights risks, shared the risks identified in the risk assessment, and promoted activities at relevant divisions and subsidiaries• Discussed initiatives for living wages as part of human rights due diligence
	Chemical stewardship	<ul style="list-style-type: none">• Promote voluntary management of chemical substances throughout the product lifecycle by the GFC* Promotion Committee• Develop policies and reduction/phase-out plans for the use of raw materials used in products taking into account progress of regulatory trends, science, and other factors by the Chemical Stewardship Council• Disclose information on our approach to the use of chemicals and the results of safety assessments, and communicate with stakeholders <p>* Global Framework on Chemicals – For a Planet Free of Harm from Chemicals and Waste</p>	Owner: Executive Officer, Senior Vice President, Product Quality Management Members: Staff of ESG, R&D, and Product Quality Management	Once/month	<ul style="list-style-type: none">• Understood the European Green Deal and other regulatory trends in product raw materials and identified raw materials and products subject to such policy and regulations• Disclosed ingredients of high social concern among which are not used in Kao's consumer products• Participated in the domestic policy discussions as a member of the industrial association, which was initiated in response to the results of an international meeting to set targets for the GFC• Participated and contributed to the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (Cefic)
ESG Task Force		<ul style="list-style-type: none">• Establish for individual focus themes formulated at the ESG Promotion Meeting that require an inter-divisional structure• Propose and promote activities based on detailed plans	Members: Staff of the division relevant to the focus themes	As needed	<ul style="list-style-type: none">• Promoted the project to establish a global ESG data platform. Developed a data lake as a foundation, stored the necessary data, and linked the various data sets. Launched an aggregation and search system for packaging and chemical substances.• Disclosed fragrance ingredient names.