

# Effective Corporate Governance

“Walking the Right Path” is a value that we carefully cherish, based on the words of our founder, Tomiro Nagase, and it is deeply rooted in Kao’s corporate culture. With this value as a foundation, we aim to achieve an effective corporate governance by complying with laws and ethics and practicing business activities with integrity.

Risks	Strategy		Metrics, targets and results			Initiatives	Financial impact
<ul style="list-style-type: none"><li>• Damage to brand value and corporate value caused by legal and compliance violations, and business losses</li><li>• Decline in employee vitality, deterioration of the workplace culture and loss of competitiveness due to the departure of talented employees</li><li>• Stagnation of operations or withdrawal of investment due to compliance violations or human rights violations by business partners</li></ul>	Overall	(1) Building and operating a company-wide, autonomous compliance system	Metrics	Targets	2024 results	Compliance risk mitigation activities—Verification of measures to prevent recurrence— (1) (4)	<ul style="list-style-type: none"><li>• Increased sales due to improved brand value</li><li>• Increased investment and business growth due to improved investor confidence</li><li>• Reduction in fines and legal costs due to compliance with laws and regulations</li><li>• Prevention of business losses by decreasing harassment, so reducing the number of employees with mental health problems and the number of employees leaving the company (preventing loss)</li></ul>
		(2) Improving the level of activities by utilizing external evaluations	Number of serious compliance violations* (1) (3) (4) (5) (6) (7)	0 annually	0	Annual confirmation of anti-bribery and conflict of interest avoidance (1)	
	Risk reduction	(3) Establishing and accurately operating a reporting and consultation hotline	Kao recognition or achievement level by external ratings firms (Highest level: Selected as one of the World's Most Ethical Companies®) (2)	Highest evaluation level	Highest evaluation level	Selected as one of the World's Most Ethical Companies® (2)	
			Number of compliance reports and consultations (3)	—	434		
Number of cases where a fact-finding investigation was conducted due to concerns about a violation (3)			—	243			
(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence			Number of corrective and recurrence prevention measures, such as reviewing business processes, raising awareness within the organization and giving verbal warnings to the target person (3)	—	111	Centralized management of compliance hotline case records (3)	
	Number of disciplinary actions (dismissals, voluntary resignations) (3)	—	18				
	Number of cases related to anti-competitive behavior and bribery (1) (3) (7)	—	0				
	Employee training	(5) Raising awareness of compliance through employee education					Education and promotion of the Kao Business Conduct Guidelines (5)
					Promotion and establishment of employee compliance awareness (5)		
					BCG refresher test and compliance awareness survey (5)		
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Business growth through the revitalization of <i>Yoki-Monozukuri</i></li><li>• Improved competitiveness by recruiting and retaining talented personnel through the creation of a comfortable workplace</li><li>• Improved ability of companies to take on challenges by reinforcing appropriate employee behaviors and attitudes</li><li>• Enhanced corporate value by improving the reliability of brands and companies</li></ul>	External collaboration	(6) Promoting compliance and respect for human rights with business partners	Expenditure on industry organizations (7)	—	573 million yen	Collaboration with stakeholders (6)	<b>Environmental and social impact</b> <ul style="list-style-type: none"><li>• Suppression of social injustice through fair corporate practices</li><li>• Economic health through the prevention of corruption</li><li>• Improvement of working conditions and promotion of employee rights protection</li></ul>
		(7) Anti-bribery and conflict of interest avoidance	Expenditure on lobbying activities and political contributions (7)	—	0 yen	Advocacy activities (7)	
						Sharing our insights on compliance with outside groups (7)	

\* The numbers at the end of the metrics, targets, and initiatives indicate the strategy identifiers.

Walking the Right Path

> Effective Corporate Governance

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

## Strategy

To reduce the risk and create opportunities for Effective Corporate Governance, we are implementing strategies that are unique to Kao, effective, and contribute to business growth and solving social issues.

### ■ Social issues

For Kao to remain a sustainable and competitive entity, it is essential to have an accurate understanding of social issues. An understanding of social issues will not only mitigate business risks for Kao but will also be an important starting point for identifying new business opportunities that will drive growth. Kao recognizes the following social issues related to this theme.

- Increased awareness of compliance in the wake of a series of management crises caused by a loss of trust due to corporate scandals
- Impact on corporate value and the evaluation of companies with compliance problems by investors, business partners and consumers, and the acceleration of the speed of diffusion of corporate reputation due to the development of an information society
- Diversification of working styles, the fluidity of human resources and the decrease in the working population have led to an increased focus on work environments and corporate/organizational culture, as well as the social issue of eliminating harassment

### ■ Risks and opportunities

In a business environment that includes the social issues described above, Kao faces various risks while also identifying new business opportunities. Identifying risks and opportunities is an important process in formulating corporate strategies and measures. The main risks and opportunities identified by Kao in this theme are as follows.

#### Risks

- Damage to brand value and corporate value caused by legal and compliance violations, and business losses
- Decline in employee vitality, deterioration of the workplace culture and loss of competitiveness due to the departure of talented employees
- Stagnation of operations or withdrawal of investment due to compliance violations or human rights violations by business partners

### Opportunities

- Business growth through the revitalization of *Yoki-Monozukuri*
- Improved competitiveness by recruiting and retaining talented human capital through the creation of a comfortable workplace
- Improved ability of companies to take on challenges by reinforcing appropriate employee behaviors and attitudes
- Enhanced corporate value by improving the reliability of brands and companies

### ■ Strategy

Kao has formulated the following strategies to respond to the identified risks and opportunities. Corporate governance is the foundation for all activities based on Walking the Right Path—one of the values of the Kao Way, the corporate philosophy—and is also an essential element for achieving the Mid-term Plan K27. Through the following strategies, we aim to achieve highly transparent and effective corporate governance by practicing business activities with integrity and honesty, in compliance with laws and ethics.

#### (1) Building and operating a company-wide, autonomous compliance system

We establish a foundation for legal compliance by building a company-wide, division- and region-specific autonomous compliance system and ensuring its proper operation, and we ensure that the actions of our employees and organization are appropriate.

Related initiatives: [P172](#) Compliance risk mitigation activities—Verification of measures to prevent recurrence, [P172](#) Annual confirmation of anti-bribery and conflict of interest avoidance

#### (2) Improving the level of activities by utilizing external evaluations

By actively incorporating external perspectives and introducing new elements, we continuously raise the level of compliance activities throughout the organization.

Related initiative: [P176](#) 19 consecutive years on the World's Most Ethical Companies® 2025 list

#### (3) Establishing and accurately operating a reporting and consultation hotline

We aim to understand the situation of the organizational culture through the establishment and accurate operation of a reporting and consultation hotline, and by providing appropriate support and follow-up. This will enable us to identify and resolve compliance issues at an early stage.

Related initiatives: [P172](#) Change to compliance hotline and re-notification, [P172](#) Centralized management of compliance hotline case records

#### (4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence

In response to cases of compliance violations or suspected violations, we not only deal with individual incidents, but also identify and address issues at the organizational level.

#### (5) Raising awareness of compliance through employee education

We aim to raise awareness of compliance through employee education and regularly assess the state of awareness among employees by taking the necessary measures. This will effectively reduce compliance risks.

Related initiatives: [P173](#) Education and promotion of the Kao Business Conduct Guidelines, [P174](#) Promotion and establishment of employee compliance awareness, [P174](#) BCG refresher test and compliance awareness survey, [P175](#) Kao Group initiatives to prevent harassment

#### (6) Promoting compliance and respect for human rights with business partners

By promoting compliance and respect for human rights with our business partners, we aim to reduce the risk of external relationships involving Kao.

Related initiative: [P175](#) Collaboration with stakeholders

#### (7) Anti-bribery and conflict of interest avoidance

We prevent bribery and avoid conflicts of interest in relationships with business partners, industry associations and other organizations by thoroughly assessing bribery risks, implementing internal guidelines and ensuring highly transparent business operations.

Related initiatives: [P175](#) Advocacy activities, [P176](#) Sharing our insights on compliance with outside groups

#### Impact generated by implementing the strategies

We believe that the aforementioned strategies will have the following financial, environmental and social impacts.

##### Financial impact

- Increased sales due to improved brand value
- Increased investment and business growth due to improved investor confidence
- Reduction in fines and legal costs due to compliance with laws and regulations
- Preventing business losses by reducing the number of employees with mental health problems and the number of employees leaving the company due to a decrease in harassment (preventing loss)

##### Environmental and social impact

- Suppression of social injustice through fair corporate practices

- Economic health through the prevention of corruption
- Improvement of working conditions and promotion of employee rights protection

#### Strategic resilience

Compliance is heavily dependent on the awareness and understanding of employees and organizations, so we are improving employee awareness and establishing a system that accurately understands the situation of individuals and organizations and responds appropriately. We are also building a scheme that will lead to company-wide improvements by taking fundamental measures based on cause analysis, including organizational structure and systems. In addition, we believe that a strategy that incorporates third-party organizations and external perspectives and aims to improve based on objective evaluation criteria will be resilient in the future.

### Metrics and targets

To improve the effectiveness of our strategies, we have established performance metrics related to risks and opportunities, and we regularly monitor progress. We have set targets for the metrics related to particularly important risks and opportunities, and we are steadily promoting initiatives by utilizing the PDCA cycle to track progress toward achieving these targets.

#### Targets and progress

Strategy	Metrics	Results					Mid- to long-term targets	
		2020	2021	2022	2023	2024	Target value	Year
(1) (3) (4) (5) (6) (7)	Serious compliance violation* cases	0	0	0	0	0	0	Every year
(2)	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	Every year

\* Serious compliance violation: Compliance violations that have a significant impact on management and significantly damage corporate value

The above two are targets that express the realization of the Kirei Lifestyle Plan.

## Metrics and results

Strategy	Metrics	Results		
		2022	2023	2024
(3)	a. Number of compliance reports and consultations	488	647	434
(3)	b. Number of cases where a fact-finding investigation was conducted due to concerns about a violation	264	322	243
(3)	c. Number of corrective and recurrence prevention measures, such as reviewing business processes, raising awareness within the organization and giving verbal warnings to the target person	212	179	111
(4)	d. Number of disciplinary actions (dismissals, voluntary resignations)	15	30	18
(4)	e. Number of cases related to anti-competitive behavior and bribery	0	0	0
(4)	f. Fines and settlements related to anti-competitive behavior and bribery	0 yen	0 yen	0 yen
(1)	g. Expenditure on industry organizations	436 millions of yen	535 millions of yen	573 millions of yen
(1)	h. Expenditure on lobbying activities	0 yen	0 yen	0 yen
(1)	i. Political contributions	0 yen	0 yen	0 yen

### a. Trends in the content of reports

We received 434 reports and consultations (including from group companies outside Japan). In 2023, the number of reports and consultations increased due to the return to the office following the transition to the fifth category of COVID-19, a general inspection by the division in charge of laws and regulations, and an increase in employee awareness, but in 2024, we believe that these numbers have slightly decreased. The breakdown of the reports and consultations is as follows: excluding inquiries about personnel and accounting, compliance procedures, feedback and cases of violations by other companies, about 20% are related to harassment, such as power harassment; about 21% are related to human relations; about 20% are reports and consultations related to work and work attitudes in the workplace; and about 22% are related to fraud and violations. These four categories make up about 83% of the total. 90% of all reports of legal violations are made through the management line.

No particular trends were observed in the organizations, worksites or occupations to which whistleblowers belonged.

### b. Number of cases where the facts of a report or consultation were confirmed

Of these 434 reports and consultations, 243 were investigated due to concerns about compliance violations.

### c. Number of corrective and recurrence prevention measures implemented

As a result of the fact-finding investigation, 111 cases were found in which some kind of corrective

action or recurrence prevention measure was implemented, including a review of business processes, internal organizational awareness-raising and verbal warnings to the individual involved.

### d. Number of substantiated harassment cases and disciplinary actions, including dismissals

There were 10 cases of harassment by individual employees, such as power harassment and sexual harassment, that were recognized and resulted in some form of punishment. In addition, there were 18 cases of misconduct, such as embezzlement and theft, that resulted in disciplinary dismissal or voluntary resignation on a global basis.

### e, f. Status of legal proceedings, fines, and settlements related to anti-competitive behavior and bribery

In FY2024, there were no violations of the anti-competitive behavior, anti-corruption and anti-bribery guidelines, guidelines for avoiding conflicts of interest, or anti-money laundering policy within the Kao Group.

### g. Amount of expenditures to industry associations

The breakdown of expenditures to the main industry organizations are as follows.

#### Expenditures to major trade associations

Unit: million yen

	Expenditures
Japan Soap and Detergent Association	40
Personal Care Products Council	34
Der Verband der Chemischen Industrie	33

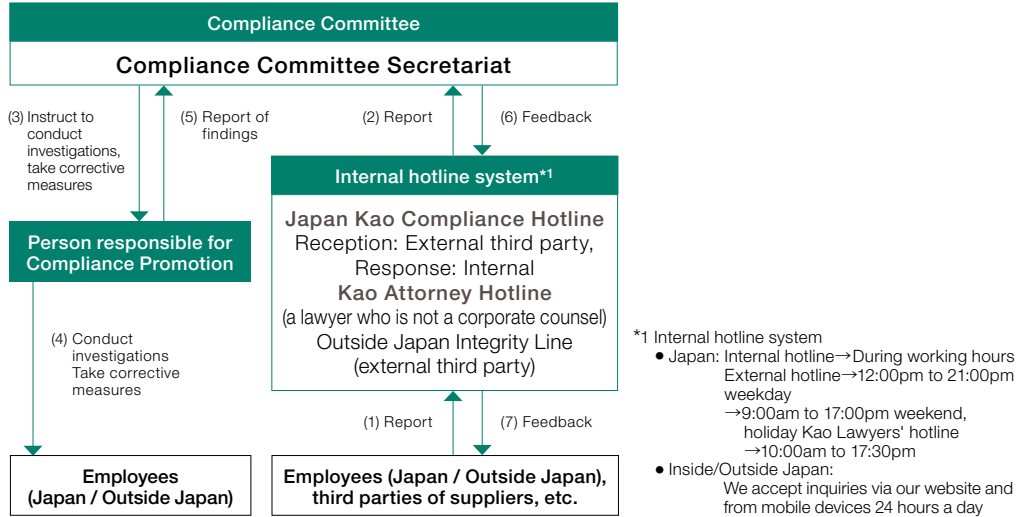
## Governance

The Legal Division is in charge of promoting Effective Corporate Governance. Specifically, Under the supervision of the Board of Directors, the Compliance Committee meets quarterly to formulate policies and annual plans, and to instruct the managers of each division and subsidiary to implement them. In addition, the committee receives an annual evaluation from the Board of Directors, and reviews and improves its activities. Furthermore, the secretariat meeting, which supports the activities of the committee, is held once a month to ensure a continuous promotion system.

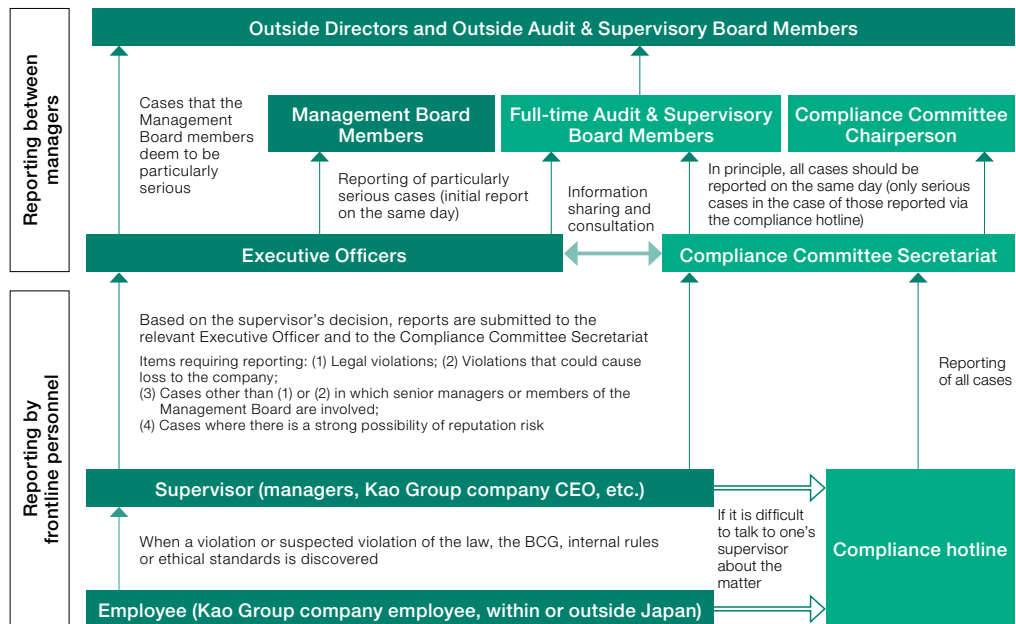
In addition, we have established a compliance reporting and consultation hotline that is shared across the entire group, and we have put in place a system that accepts reports of legal violations or suspected violations and carries out prompt investigations and corrective measures. This service also works in collaboration with the compliance promotion officers at each subsidiary to resolve issues.

 Our ESG Vision and Strategy > Governance

### Compliance hotline response system



### Rules for initial reporting of violations



## Risk and opportunity management

### Policies

In implementing Effective Corporate Governance, Kao has established the following policies as guidelines for its daily operations and decision-making. For details, please see the website.

#### Activity goals for the practice of Walking the Right Path, one of the core values of the Kao Way

- (1) Early detection and resolution of legal and ethical violations, etc., through reporting and consultation, and (2) Identification of company issues, etc.
- Promoting understanding of the Kao Business Conduct Guidelines (BCG) through educational activities for employees, and promoting continuous growth and change
- Maintaining the freshness of BCG and compliance-related regulations

\* The three elements that constitute Walking the Right Path:  
"Respect, fairness, empathy and purpose," "Lawful and ethical business" and "Corporate responsibility"

### Kao Business Conduct Guidelines

The Kao Business Conduct Guidelines (BCG) are a code of conduct for putting the Kao Way, our corporate philosophy, into practice. While the basic ideas remain the same, the content is reviewed every year based on social demands and the company's situation, and was most recently revised in April 2019.

- The BCG explicitly states that it prohibits bribery regardless of the affiliation of the other party, and prohibits facilitation payments, which are small payments made to individual government officials. The BCG and the Donation Guidelines also prohibit political contributions.
- Our marketing and advertising activities include fair content and appropriate statements based on facts, avoid exaggerated statements concerning our impact on society and the environment, and take into consideration a wide range of people, including those who could be considered socially vulnerable. We also ensure that information relating to competitors and competing products is not provided to consumers.
- With respect to harassment, we affirm that we will not tolerate any harassment of employees or other business associates. This includes language or conduct that undermines or insults human rights and dignity.

### Reference regulations in the Kao Business Conduct Guidelines

The following rules have been introduced to group companies within and outside Japan to explain the details of the BCG items.

Walking the Right Path

> Effective Corporate Governance

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management



- **“Kao Guidelines for Avoiding Conflicts of Interest”**

Kao has introduced the “Kao Guidelines for Avoiding Conflicts of Interest” for group companies globally. The Guidelines stipulate that permission or notification must be obtained in cases where a person is personally involved in competitive or trading activities with Kao Group companies, invests in companies that engage in such activities, borrows money from or lends to Kao Group companies, or has a close relative involved in such activities

- **“Kao Anti-bribery Guidelines”**

In accordance with the BCG, we have set specific standards for the amount of entertainment and gifts that can be provided or received, and we require prior reporting. In Japan, we summarize the implementation status every six months and post it on the company intranet to share it with the *Genba* divisions. They specify measures to prevent bribery, such as assessing bribery risks when selecting business partners and renewing contracts.

- **“Global Anti-Money Laundering Policy”**

We have a clear stance on anti-money laundering.

- **“Kao Human Rights Policy”**

The policy was established in 2015 as the policy for respecting human rights within Kao Group.

- **“DE&I Policy”**

This policy, which was formulated in 2023, is a policy that advocates respect for diversity.

## Management process

The status of our initiatives to address the risks and opportunities associated with Effective Corporate Governance is managed through the following processes: planning, implementation, evaluation of results and corrective action, and we are working to make steady improvements.

### P (Planning)

Formulation of activity policies and annual activity plans, executive board meetings, reporting to the Board of Directors as appropriate and secretariat support. Approval by the Compliance Committee chair.

### D (Implementation)

Promoting activities (establishing and revising regulations, providing training opportunities), responding to reports.

\* Please see the initiatives (P171-176).

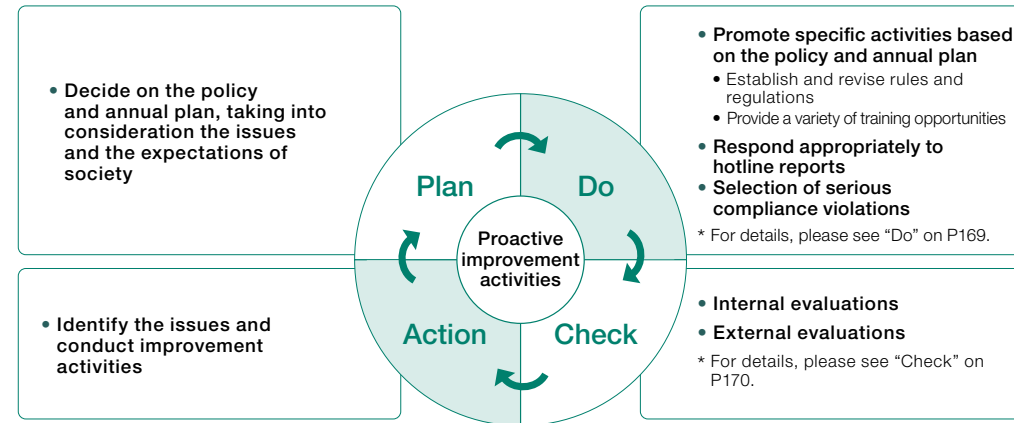
### C (Evaluation of results)

Monitoring and evaluation by the Board of Directors, identification of issues through reports and

consultations, evaluation of the results of risk surveys, compliance awareness surveys and employee awareness surveys, and external evaluation.

### A (Corrective action)

Identification of issues and improvement activities based on the evaluation results above.



### Do

- **Compliance hotline operational status**

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area.

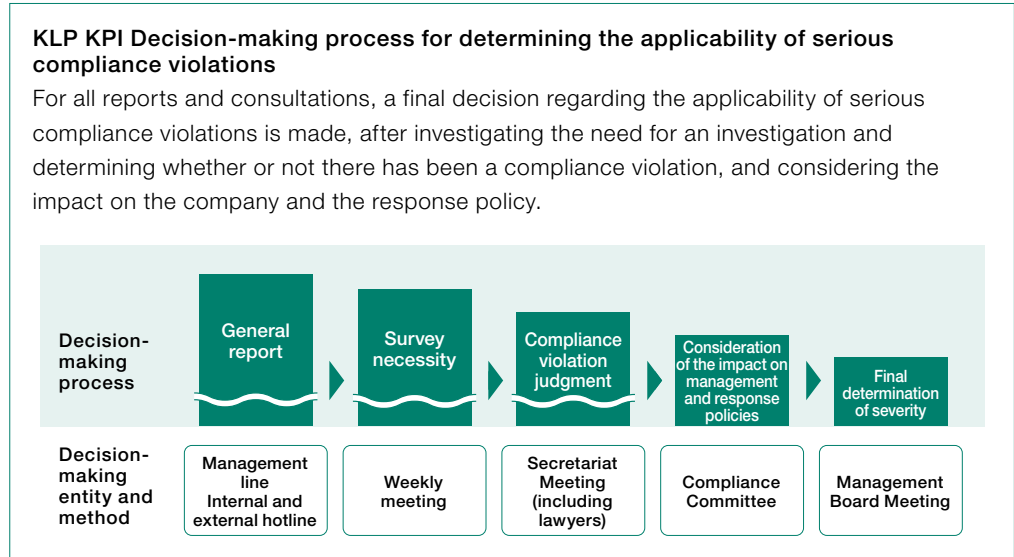
When operating the hotlines, companies confirm the whistleblower’s wishes in accordance with the Rules for Operating Compliance Hotlines, the responsible persons who have previously pledged to maintain confidentiality regarding the reporting and consultation cases, take steps to respect the individual’s privacy and strive to the maximum extent possible to ensure that whistleblowers suffer no retaliation or disadvantage as a result of their good-faith consultation. In addition, when conducting an investigation of the persons concerned, in principle, we obtain the consent of the informant or person making the consultation first, and when conducting an interview with the subject, we obtain the interviewer’s signature on a written pledge that they will not search out or cause any disadvantage to the informant before conducting the interview. Anonymous inquiries are accepted, but whistleblowers are encouraged to identify themselves to facilitate a proper investigation.

In addition, as noted above, we have clarified the rules for initial reporting of compliance violations and suspected compliance violations and established a framework for receiving reports from individual units at the *Genba* level.

#### • Selection process for serious compliance violations

The serious compliance violations refer to compliance violations that have a significant impact on management and significantly damage corporate value. Based on the egregiousness of the violations (materiality / significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the impact of the violations both internally and externally, we will make decisions based on deliberations at the Management Board after internal review, and report the results to the Executive Officers Committee and the Board of Directors.

For the judgment, all cases reported by the compliance hotlines and management lines are reviewed at a weekly meeting to determine whether an investigation is necessary. Based on the survey results and the discussions at the monthly Compliance Committee Secretariat Meeting, the Committee identifies matters that may recur or become widespread throughout the company as requiring particular attention while obtaining third-party assessments and recommendations from an outside attorney-at-law who attends the meeting as an advisor. We also identify potential serious compliance violations among violations of laws and ordinances. The department where an incident occurred will investigate its cause and background, as well as measures to prevent recurrence, and present a summary report at the Compliance Committee Meeting. After a process of receiving evaluations and recommendations from each committee member with respect to the report, the final impact on management and response policy will be examined. The final judgment of the severity is made at the Management Board in January of the following year.



#### Check:

##### Internal evaluations

#### • Opinions from the Board of Directors

The Board of Directors receives an annual activity report in the form of a report on the activities of the Internal Control Committee.

The Board of Directors also monitors and evaluates these activities. This evaluation and feedback are used for improvement through the PDCA (Plan, Do, Check and Act) cycle.

#### • Issues identified from compliance hotlines

At the monthly secretariat meeting, themes that may represent emerging issues for the company are identified based on the trend of incidents during the relevant period, and any necessary action is taken, including framework changes, internal education and awareness promotion, and so on.

#### • Issues identified from risk surveys

Kao conducts an annual compliance awareness survey, in addition to a company-wide risk survey that includes compliance risks such as corruption and bribery. We identify risk areas and specific risk scenarios based on the scores from each organization and free-form text responses, and take the necessary actions in cooperation with relevant divisions.

#### • Compliance awareness survey

The Compliance Committee conducts annual surveys of group companies globally regarding the openness of each organization, etc. Based on the organizational culture trends that we identify from these surveys, we create opportunities to hear more about specific workplace situations and take any action required.

#### • Linking employee compensation with compliance

A portion of the incentive compensation for management is determined based on ESG-related targets, and indicators are used to promote the Kao Way, compliance and sustainable business practices. Specifically, the KLP target of zero serious compliance violations is also used as an evaluation and compensation indicator for Executive Officers and Directors. In addition, if there is a violation of employment regulations, the Kao Business Conduct Guidelines, or other rules, standards or manuals established by the company, disciplinary action may be taken, including a reduction in pay, demotion or dismissal (during implementation, we comply with relevant laws and regulations).

#### • Integration of compliance and the code of conduct into employee performance evaluation systems

The actions taken are evaluated to determine whether they meet the standards of the action

principles of the Kao Way (“Coexistence,” “*Genba*-driven viewpoint,” “We trust, respect & need each other” and “Daring to take on challenges”). In addition, OKR, which is used to evaluate employee performance, is expected to consider three categories: “Business Contribution,” “ESG” and “One Team & My Dreams,” and to depict the challenges of each individual in order to chart the course for Kao and for the realization of a sustainable society.

External evaluations

• Evaluation by an advisory attorney

A secretariat was established at Kao as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month, with supervising members from the Compliance Department and other divisions. The attorney attends the secretariat meetings as an external advisor, and provides advice from a third-party perspective. We also make use of this information for recurrence prevention measures, and continue to work to identify issues based on reports and consultations as well as prevent serious violations from occurring. In addition to receiving recommendations on specific initiatives as Stakeholder Engagement in the Kao Sustainability Report from 2021, we also receive advice on promotion activities at meetings and strive to make improvements.

• Feedback from third-party organizations, external evaluation organizations, etc.

By responding to Socially Responsible Investment (SRI) questionnaires that incorporate societal expectations, and by sharing information with other companies, we will incorporate items on which we have not yet taken action into next year’s activities as appropriate.

Initiatives

Kao is engaged in a variety of initiatives aimed at Effective Corporate Governance. These initiatives are based on the aforementioned strategies and are being promoted in coordination to achieve our goals. Here, we would like to introduce some of the important initiatives from among the many we are undertaking.

For information on our Corporate Governance initiatives, please see the following URL.

 Corporate Governance  
<https://www.kao.com/global/en/corporate/policies/corporate-governance/>

Strategy		Initiatives	
Overall	(1) Building and operating a company-wide, autonomous compliance system	Compliance risk mitigation activities—Verification of measures to prevent recurrence	Annual confirmation of anti-bribery and conflict of interest avoidance
	(2) Improving the level of activities by utilizing external evaluations	Selected as one of the World's Most Ethical Companies®	
Risk reduction	(3) Establishing and accurately operating a reporting and consultation hotline	Change to compliance hotline and re-notification	Centralized management of compliance hotline case records
	(4) Thorough analysis of the causes of compliance violations and cases of suspected violations, and prevention of recurrence		
Employee training	(5) Raising awareness of compliance through employee education	Education and promotion of the Kao Business Conduct Guidelines	Promotion and establishment of employee compliance awareness
		BCG refresher test and compliance awareness survey	Kao Group initiatives to prevent harassment
External collaboration	(6) Promoting compliance and respect for human rights with business partners	Collaboration with stakeholders	
	(7) Anti-bribery and conflict of interest avoidance	Advocacy activities	Sharing our insights on compliance with outside groups

Making Thoughtful Choices  
for Society

Making the World Healthier  
& Cleaner

Walking the Right Path

> Effective Corporate  
Governance

Full Transparency

Respecting Human  
Rights

Human Capital  
Development

Inclusive & Diverse  
Workplaces

Employee Wellbeing  
& Safety

Responsible  
Chemicals  
Management



**Compliance risk mitigation activities  
—Verification of measures to prevent  
recurrence—**

Region: Global

Corresponding strategies: (1) (4)

Kao has clarified the lead division responsible for promoting compliance with the approximately 250 laws and ordinances that apply to our business. We confirm that activities are being carried out appropriately by having each group submit an action plan for activities in the first quarter of each year and a report on activities in the fourth quarter to the Compliance Committee Secretariat.

Of the compliance violations that have occurred, those that meet the criteria for malignancy based on the severity of the violation (materiality/significance of the violations of laws and ordinances, intentionality, continuity and organizational nature of the violations) and the degree of impact of the violation within and outside the company are identified as serious potential compliance violations. We then investigate each case in depth, examine the causes of the occurrence, summarize the case, confirm measures to prevent recurrence and work as an organization to improve the issue.

In 2024, approximately six months after the implementation of measures to prevent a recurrence of the “serious potential compliance violations” case selected in 2023, the Compliance Committee was informed of the implementation of the measures to prevent a recurrence, as well as the situation after implementation (including the results of questionnaires to employees), and a verification was conducted to determine whether the measures to prevent a recurrence were functioning effectively.

**Annual confirmation of anti-bribery and  
conflict of interest avoidance**

Region: Global

Corresponding strategy: (1)

For the purpose of ensuring the effectiveness of anti-bribery and conflict of interest prevention measures, we reiterate the Kao Guidelines for Avoiding Conflicts of Interest and Kao Anti-Bribery Guidelines to the executives and employees of group companies within and outside Japan once a year and check the status of reporting of relevant

matters to the Compliance Committee Secretariat.

In addition, through the people in charge of the Global Consumer Care Business and Chemical Business, we investigate whether there are any concerns about the global situation regarding the function of the Anti-bribery (anti-corruption) Checklist used when selecting new cross-border distributors and intermediaries or renewing contracts with existing ones.

**Change in compliance hotline and  
re-notification**

Region: Global

Corresponding strategy: (3)

Kao has established compliance hotlines inside and outside the company, or only outside the company, according to the needs of each country and area.

Employees who can report or consult include not only Kao employees, but also temporary employees, limited-term employees and employees of subcontractors who are stationed on-site at the workplace.

For the hotline, it is possible to contact the company from personal smartphones by reading the two-dimensional barcode on the poster displayed at the worksite, and we have also standardized the display of a compliance content icon on the home screen on company smartphones, allowing access to compliance information at any time.

In addition, from December 2024, the hotline for locations outside of Japan has been changed to a hotline that serves as the initial reception point, handled by a subcontractor in Japan via the web and mobile.

**Centralized management of compliance  
hotline case record**

Region: Global

Corresponding strategy: (3)

We record and store information in the compliance reporting and consultation database accepted by the Kao Group, and strive to understand the compliance status of the entire group.

## Education and promotion of the Kao Business Conduct Guidelines

Region: Global  
Corresponding strategy: (5)

Our vision for 2030 includes creating workplaces with an open atmosphere in which each employee is fully aware of the need to prevent compliance violations, and in which any compliance violations that are discovered are immediately reported and promptly dealt with. The result is workplaces that continue to be employee-friendly and in which employees care for others.

To achieve this, each employee must be aware of the consequences of violating compliance, such as incurring damage to and loss of trust in Kao. In addition, managers must be aware of compliance risks that may arise in their own work areas and take measures to reduce them. Furthermore, in order to create a workplace where everyone

can work with peace of mind, employees must be aware of the importance of accepting the diversity of co-workers and of speaking and acting with consideration for others.

With this in mind, we carry out education as appropriate based on the training system outlined as follows. Through this education, we provide opportunities for employees to enhance their awareness, which in turn can help them recognize compliance as something that is directly relevant to them personally. We also urge employees to make effective use of the compliance hotlines that we provide when they are unsure of the best course of action to take.

Kao Group employees take compliance training designed to learn their role when those roles change significantly, including when they join the company, when they are promoted to managerial positions and when they assume responsibility for subsidiaries outside Japan.

In addition, we provide training in formats and content tailored to the needs of the organization in response to requests from divisions, regularly provide opportunities for all

### Kao Compliance Training

Region	Theme	Target group	Objectives	Frequency
Globally common	New Employee Orientation	New employees	Learn about Kao's approach to compliance and BCG	Upon joining the company (written pledge)
	Training for managers	Manager training Japan: New managers Outside Japan: Managers	Group work to build managers' awareness of compliance risk reduction	Japan: At time of promotion to manager Outside Japan: Every 3 years
	BCG refresher test + compliance awareness survey	Directors, Audit & Supervisory Board Members and Executive Officers / Managers / Non-manager employees	BCG re-learning and identification of divisions with high compliance risks	Yearly
	Compliance message	Managers / Non-manager employees	Regularly reinforce the importance of compliance Additionally, division leaders directly communicate the message to employees to make compliance relevant to them personally	Yearly
	BCG Casebook	Managers / Non-manager employees	Study the BCG using specific cases	Review after BCG revisions
	Compliance case studies	All employees	Study compliance points to keep in mind through cases at Kao and other companies	Japan: Every month Outside Japan: Twice a year (April, October)
Japan	New information dissemination	All employees (including subcontractors in factories and offices)	Learn about compliance-related points of concern through cartoons showing examples from the company and other companies, and practice with a sense of urgency	Approx. 4 times a year
	Directors, Audit & Supervisory Board Members and Officers Training Sessions	Executive officers and above	Learn about compliance risks from a management perspective	Yearly
Outside Japan	Integrity Workshop	New employees	Learn the content of the BCG in a group discussion format, with examples related to each of the points	Once within 3 years of joining the company

employees to reflect on compliance, and conduct BCG refresher tests and compliance awareness surveys every year.

Education related to laws and ordinances, such as prevention of corruption, prevention of bribery, prevention of harassment, and compliance with competition laws including appropriate payments, is also planned and conducted by designated managing divisions.

As part of our awareness-raising activities, we use compliance messages from the chair of the Compliance Committee and division managers to convey the importance of considerate speech and behavior, as well as of a transparent organizational culture.

In addition, we use posters with cartoons to convey topics that should be communicated to all employees in a timely manner in response to incidents that have occurred, so that employees can develop a sense of crisis and awareness of issues.

### Promotion and establishment of employee compliance awareness

Region: Global

Corresponding strategy: (5)

#### Compliance message

To encourage employees to view compliance activities as directly relevant to them, top management sends out compliance messages to promote compliance activities globally.

In 2024, the Chairperson of the Compliance Committee's message, "See something wrong? Speak up!" continued to be displayed. With this message, we promoted activities to achieve a vibrant workplace culture by increasing our sensitivity to signs of discomfort in workplaces that are not adapting to changes in society and by raising our voices after noticing something is wrong.

Along with a message from the Chairperson of the Compliance Committee on posters, compliance messages and other communications were sent out by the Heads of Global Functional Divisions and each Regional Head, as well as the President & CEO of each company.



#### Compliance case studies

In Japan, we generally prepare a case study once a month and publish it on the company intranet. The themes are based on reports received at the compliance hotlines and actual cases that have occurred at the company or other companies. They are incorporated into case studies in a timely manner to share problems and issues and to provide an opportunity for employees to view events and risks as their own personal matters.

Outside of Japan, English-language versions of global case studies are conducted twice a year (April and October) at group companies.



#### Four-panel cartoon posters to raise awareness

In FY2024, we continued activities to convey a sense of crisis through four-panel cartoons on topics that have occurred within the company or outside the company that we want to share with our employees. A poster featuring product management has been posted.

### BCG refresher test and compliance awareness survey

Region: Global

Corresponding strategy: (5)

We conduct a BCG refresher test and compliance awareness survey every year for all global employees to provide regular opportunities to reflect on compliance and raise awareness on an ongoing basis.

The implementation rate for this year's BCG refresher test was 95%. The BCG refresher test consists of six questions in total, and the questions review the basic BCG concepts.

In addition, the compliance awareness survey included 20 questions, with optional

free-response sections to gather employee opinions on the questions and understand the background of their responses. The 20 questions cover a range of topics, including the degree of penetration and effectiveness of awareness-raising activities, communications from directors and superiors regarding compliance, the situation regarding reporting and consultation, and the situation and atmosphere in the workplace (including opinions on improvement measures).

We checked the correlation between the engagement survey, job stress assessment, and number of reports and consultations in the organization, which are conducted at the same time in each division/company by the human capital development division, and confirmed that the background of the score and the response to it were being made in the organization, and provided feedback to the entire company. In addition, by comparing the responses with those of previous years, we were able to confirm that the situation in each organization as a whole is improving. In regions outside Japan, we also confirmed that the situation and issues in each organization are improving, and the necessary measures are being taken to further improve the situation.

### Kao Group initiatives to prevent harassment

Region: Global

Corresponding strategy: (5)

The Kao Group has announced and declared its human rights policy, which states that it supports and respects international norms regarding human rights that should be enjoyed by all people in the world, as well as national action plans (NAPs) on business and human rights in each country. This policy not only applies to all executives and employees of the Kao Group (Kao Corporation, its subsidiaries and affiliates), but also requires business partners, suppliers and other stakeholders to respect and not infringe on human rights.

We have a system in place to ensure that not only are corrective measures taken and recurrence prevented in response to consultations about harassment that occurs within the company, but that reports are also made to superiors based on the manual in the case of customer harassment from outside the company. We ensure that employees do not have to deal with harassment alone, and we also respond sincerely to the other party and take the necessary steps to resolve the issue.

### Collaboration with stakeholders

Region: Japan

Corresponding strategy: (6)

The BCG makes it clear that it encourages its business partners to understand, empathize with and act on the BCG. We believe that there is a serious risk that compliance violations by business partners can lead to quality issues and loss of trust in Kao products, and so we are implementing initiatives that prioritize focusing on suppliers of raw materials, contract manufacturers and business partners engaged in product manufacturing on the Kao Group premises.

In particular, because business partners' failure to safeguard employees' human rights, leading to dissatisfaction, is a major factor in compliance violations, we are carrying out operations with stakeholders on a daily basis with respect for human rights. We hold meetings with business partners as part of our specific activities. At our annual meetings with raw material suppliers and product manufacture contractors, we explain Kao's procurement policies, including compliance, and introduce our compliance hotline.

In addition, for business partners to whom we contract product manufacturing work at Kao Group sites, we introduce our compliance hotline and also raise awareness about respecting human rights, including details on compliance when asking them to respond to human rights risk surveys by Sedex and when giving feedback.

[P112](#) Responsibly Sourced Raw Materials > Collaboration with stakeholders, [P193](#) Respecting Human Rights > Conducting human rights risk surveys internally and for suppliers and contractors

### Advocacy activities

Region: Global

Corresponding strategy: (7)

Kao believes that addressing global environmental and social issues requires collaboration and cooperation with diverse partners. Therefore, we engage in collaborative activities with industry associations and maintain engagement with policymakers.

> Effective Corporate  
Governance

Full Transparency

Respecting Human  
Rights

Human Capital  
Development

Inclusive & Diverse  
Workplaces

Employee Wellbeing  
& Safety

Responsible  
Chemicals  
Management

## Governance

In our advocacy activities, we adhere to the “Guidelines on External Organization Activities” approved by the Corporate Committee, chaired by a Managing Executive Officer overseeing the Corporate Planning Division, which applies to the entire Kao Group. The responsibility department, which leads each activities, regularly assesses, reviews, and monitors participation according to this guidelines, and reports the status of these confirmation to the Corporate Planning Divisions.

## Dealing with disagreements

If there is a discrepancy between Kao's stance on measures against climate change and other environmental and social issues, and the stance and activities of the participating organizations or initiatives, or if we believe that the activities of these organizations or initiatives are insufficient, we will engage in activities such as collaborating with other companies to strengthen measures. If the discrepancies or insufficiencies are significant, we will consider withdrawing from these organizations or initiatives.

## Expenditures

In Kao's advocacy activities, we annually confirm that, except for membership fees to industry associations, we do not make donations to political campaigns, political organizations, lobbying activities, non-taxable organizations, or other organizations that influence political campaigns, public policy, or laws. (See P167 for the results)

19 consecutive years on the World's Most  
Ethical Companies® list

Region: Global  
Corresponding strategy: (2)

In March 2025, Kao was recognized as one of the World's Most Ethical Companies® by the U.S.- based think tank, the Ethisphere. Kao is one of six companies that have won the award for 19 consecutive years since it was established in 2007. In 2025, out of the 136 companies selected, only three companies in the Health & Beauty Care category, which Kao belongs to, were awarded.

This award is based on the following five factors: (1) efforts in corporate ethics and compliance; (2) environmental and social impact; (3) culture of ethics; (4) governance; and (5) third-party management.

This recognition reflects the fact that the spirit of walking the right path passed down from our founder continues to be implemented by all Kao Group members in our day-to-day operations through the practice of the Kao Way and the BCG.

Kao continues to incorporate activities that need to be strengthened into the following year's activities based on the evaluation in the Benchmark Score Report received after winning the award, which is shared with other award-winning companies.

Sharing our insights on compliance with  
outside groups

Region: Japan  
Corresponding strategy: (7)

To help develop future corporate legal talent, the Head of Legal gives lectures at universities and university law schools on corporate legal affairs and corporate governance. In 2024, lectures on general corporate law were given to law students at two universities (in April) and lectures on corporate law and compliance were given to two university law schools in October.

In addition, the person in charge of compliance contributed an article on Kao's compliance initiatives in the October 2024 issue of the Corporate Legal Association Report, published by the Association of Corporate Legal Departments, which serves as a forum for information exchange for those in charge of corporate legal affairs. The person in charge of compliance also exchanged information on compliance in general with six other companies and shared information on Kao's initiatives.



> **Effective Corporate Governance**

Full Transparency

Respecting Human Rights

Human Capital Development

Inclusive & Diverse Workplaces

Employee Wellbeing & Safety

Responsible Chemicals Management

Employees' opinions

# Managing Governance and Compliance Training in the Americas Region



**Brian Riddle**

Vice President, Legal  
General Counsel  
Kao USA Inc.

The Americas region, which includes North and South America, Australia and New Zealand, features varying laws and cultural nuances across territories. From the United States' stringent and ever-changing corporate governance laws, to Brazil's evolving anti-corruption regulations, as well as a diverse range of advertising laws, social media content regulations, intellectual property laws, and wide-ranging data security and privacy requirements, we adopt a tailored approach to navigate these complexities. This includes prioritizing trainings that address local laws, ethical dilemmas and corporate governance best practices.

To enhance training effectiveness, we deliver training in a variety of methods such as e-learning modules, in-person workshops, and interactive videos. Our online learning management system (LMS) facilitates flexible training and tracks employee progress, allowing completion at their own pace while maintaining records.

Beyond formal training sessions, our Legal and

Leadership teams work collaboratively to foster a culture of compliance within the organization and to promote an environment where ethical behavior is valued, and compliance is seen as a shared responsibility. Our Leadership team plays a crucial role in demonstrating a commitment to integrity and accountability.

In the Americas, managing governance and compliance training requires a strategic approach that accounts for the region's diverse regulatory and cultural landscape. As the regulatory environment continues to evolve, effective governance and compliance training will remain a cornerstone of sustainable business operations in the region.

> Effective Corporate  
Governance

Full Transparency

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Rights

Human Capital  
Development

Inclusive & Diverse  
Workplaces

Employee Wellbeing  
& Safety

Responsible  
Chemicals  
Management



Stakeholder engagement

Establish compliance through  
the supply chain

**Naotaka Kawamata**

Attorney-at-Law,  
Marunouchi Sogo Law Office

**Kao's response to the views expressed last year**

The Compliance Committee Secretariat has been checking all reports and consultations to respond to the expectations of employees who have used the reporting and other systems to speak up. For cases that were judged to be in violation of compliance, we examined the effectiveness of recurrence prevention measures submitted by the site, and after receiving necessary reviews as appropriate, we proceeded with initiatives aimed at improvement. From FY2024, we added a process to further verify the effectiveness of these measures, and in cases where we saw that recurrence prevention measures were not functioning effectively, we conducted reviews in light of the actual situation, and proceeded with initiatives aimed at ensuring that effective measures without overburden, waste or inefficiency were continuously implemented. In addition to cases that fall under compliance violations, we have also looked at situations in the workplace that seem to lack respect (incivility), and have been working on activities (such as case studies, information dissemination through awareness posters and training) to create a better workplace where each and every employee can positively exert their abilities. As a result of these efforts, the number of cases where inappropriate situations occurred due to a lack of awareness in the workplace, such as those seen in FY2023, has decreased, and cases of anachronistic harassment have also disappeared. On the other hand, there is an increasing number of reports due to differences in values caused by changes in the social environment and the resulting changes in employee awareness. We will continue to pay attention to these changes and work to maintain a workplace where employees can work energetically and demonstrate their abilities.

A secretariat was established at Kao as a subordinate organization of the Compliance Committee, and secretariat meetings are held once a month, with supervising members from the Compliance Department and other divisions. I have been sitting in on these secretariat meetings as an outside advisor since 2021.

Kao's business activities are not carried out solely within the company; they are achieved by gaining the cooperation of many partner companies and selling to many customers. Accordingly, when discussing the establishment of compliance, it is necessary to consider the whole supply chain—not just Kao—and aim for integrated compliance throughout the entire supply chain.

Kao's Compliance Committee (secretariat) has been working to change the mindsets of employees in recent years by using the concept of "incivility." However, employees' mindsets will not change simply by ordering them to follow the stipulation "We shall not engage in any form of harassment" in the Kao Business Conduct Guidelines (BCG). Fundamentally, employees must independently accept the concept of respecting their fellow coworkers and treating them with courtesy and consideration. Similarly, with respect to establishing compliance through the supply chain, if the concept of incivility has permeated fully through it, it will be naturally unlikely for acts of harassment to occur toward partner company employees.

When looking at individual aspects of compliance through the supply chain, we can find several relevant cases. There are not only many instances of Kao employees carrying out actions that could be viewed as harassment against partner company employees, but also many instances of issues in the internal management of partner companies. There are many small businesses among Kao's partner companies, and I imagine that some of them may still have a low level of awareness regarding compliance. With regard to these companies, it is not sufficient to simply ask them to enforce compliance. Instead, it may be crucial to first encourage partner companies to understand the need for improving their management conditions and then work together to consider measures for doing so while providing support in consideration of each partner company's circumstances.

Kao's Compliance Committee (i.e. its secretariat) is bolstering its activities for establishing compliance not only within itself but also across the entire supply chain including partner companies and customers. I expect Kao to carry out further initiatives in the future.