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Environmental, Social, and Corporate Governance (ESG) Policy

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1. Policy Overview

1.1 Kaizen Institute and ESG

Kaizen Institute (KI) is a global consulting organization and is a part of the Kaizen Global Group of Companies (KGGC), with offices in various geographic and cultural locations worldwide. Since the founding by Masaaki Imai in 1985, KI has been driving and supporting companies to achieve their goals of excellency around the world. The authentic and holistic way of building sustainability in companies' operations has been the commitment ever since.

However, having healthy financial results for KI or for our clients is no longer good enough. Pursuing our Environmental, Social, and Corporate Governance (ESG) became an obligation for all of us within KI.

KI joined the United Nations Global Compact (UNGC), in January 2020, to systematically pursue the Sustainability Development Goals (SDGs). Through processes and actions, we are committed to strengthen KI's ESG practices and by integrating the SDG's, this will help KI in remaining the leading organization within the Continuous Improvement consultancy sector.

1.2 Our ESG Mission

Kaizen Institute is striving to make a positive impact on ESG globally.

All actions and decisions we take must have a positive impact on ESG. We also strive to make such an impact through collaboration with our clients, as our teams help solve their most urgent challenges.

We are committed to work towards eliminating poverty, inequality, unrest, and environmental stress, while governing our actions and behaviors professionally to reflect our core values and the KAIZEN™ Methodology.

1.3 Obligations

The ESG Policy and all related documents are to be read, understood, and used as guidelines for KGGC and all associated members.

It is our responsibility to progressively integrate ESG perspectives into our business and daily activities, as well as support our client portfolio by improving their ESG practices.

1.4 ESG Organization

It is critical to define the responsibilities and expectations to implement ESG standards successfully within the entire organization.

The ESG Initiative of Kaizen Institute is planned and guided by KI's ESG Team, under the responsibility of its Global Leadership, within KI's Global Operations. KI's Global Leadership and ESG Team are committed to creating and regularly reviewing ESG related policies and materials and overseeing and supporting internal implementation. These efforts may be made with the cooperation of other specific KI members and/or any of the KGGC.

As the ESG Team administrates and guides the ESG journey for KI, it is the responsibility of KI leadership at all levels to follow these guidelines and standards, as they are corporate standards. Their responsibilities also include, but are not limited to, the assigning of respective ESG roles and responsibilities within their respective KGGC, and ensuring appropriate measures of communication, training, auditing, and reporting.

The ESG Team monitors the implemented procedures to continuously measure the compliance and progress of our ESG standards, which is then reported to the UNGC.

2. Why ESG?

**ESG stands for
Environmental,
Social, and Corporate
Governance**

The term ESG refers to Environmental, Social and Corporate Governance within an organization. It is a framework that evaluates the non-financial performance regarding social and environmental impact and corporate governance practices.

It is expected that KGGC and their members will pursue and improve our ESG actions according to these standards. Healthy ESG practices will not only create the strength for our organization for the future but will also provide our stakeholders with trust in KI, assuring them that our values are aligned with their expectations.

Utilizing ESG efforts in our daily work is essential to fulfill our ESG mission.

2.1 Approach to ESG

The integration of ESG standards in KI's daily work and behavior is essential to fulfill our mission and create sustainable advantages for our clients. We must not focus only on risk assessment or elimination of the obvious, but we must proactively identify opportunities for improvement.

How we will transfer our ESG efforts to our business practices may include, but not limited to:

- ESG is set up as a project at the highest Hoshin level in KI;
- Create global standards and implement them;
- Develop and measure KPIs;
- Utilize KGGC business audit for compliance;
- Provide ESG training opportunities;
- Increase client projects to support SDGs;
- Create an ESG community within KI for effective information sharing; and
- KGGC embrace ESG in their daily work, projects, and related activities.

We will manage our ESG efforts by setting targets, measuring impact, and creating and implementing standards throughout KI's operations. We will do this by focusing on matters that are meaningful to our members, clients, suppliers, and all other stakeholders.

2.1.1 ESG Focus Areas

The following list outlines examples of ESG standards that are to be measured and monitored as efficiently as possible.

Environmental Standards	Social Standards	Governance Standards
<ul style="list-style-type: none"> • Greenhouse gas emissions • Air pollution • Waste management, including sourcing and recycling • Energy management and efficiency • Sourcing of energy (green energy before others) • Resource management (water, gas, etc.) 	<ul style="list-style-type: none"> • Diversity, equity, inclusion • Non-discrimination and anti-harassment • Human rights and modern slavery • Employee health and safety • Labor relations and practices • Customer privacy and security • Product quality and safety 	<ul style="list-style-type: none"> • Corporate governance and oversight • Risk management • Conflicts of interest • Transparency (including financial and operational reporting) • Fraud, anti-bribery, and anti-corruption

We must set targets and implement standards that support various ESG principles.

2.2 Principles of ESG and KAIZEN™ Authenticity

2.2.1 Environmental Principles

KI recognizes that climate change is a systemic issue, affecting all sectors and contributing to the imbalance of the ecosystem. We also acknowledge that greenhouse gases are associated with climate change, posing an increasing threat to living organisms. Hence, we must evaluate, measure, and reduce our environmental footprint by following our ESG standards.

Our KAIZEN™ Business System (KBS) includes environmental assessments and strategies, thus creating the foundations to encourage engagement across our organization and with our customers.

2.2.2 Social Principles

KI believes that Diversity, Equity, and Inclusion (DEI) strategies are the catalyst for success and innovation in the workplace. A diverse array of life experiences is valuable and serves to support our business.

Ethical labor and human rights are fundamentals of our KAIZEN™ Principles and we are striving to further improve our social impact across our organization and within our sphere of influence.

2.2.3 Corporate Governance Principles

It is evident that good corporate governance is essential for any company's long-term success. Ethical business practices, according to our core values, are non-negotiable for all KI members and all of our relationships we have with partners, customers, and suppliers.

3. ESG Execution

3.1 Compliancy and Support

To empower the organization in following and ensuring compliance with the ESG policy, the ESG Team is committed to developing and providing training and audit material on this set of policies. It is expected that all KGGC leadership incorporates these documents into their Daily KAIZEN™ and implements regular audits to sustain the ESG standards. These audits may be voluntary or mandatory, based on the content. Further, the ESG Team may run periodic surveys to better understand the Gemba, remaining current and relevant.

3.2 ESG Client Projects

In the endeavor to make an impact, KI is continuously leading projects on global and local levels that support the SDGs. Examples of KI's compensated and pro-bono efforts include, but are not limited to, training programs designed for disadvantaged people (SDGs 4, 5 and 8), and various project offerings assisting known non-governmental organizations (SDGs 4, 5 and 8).

We must increase the number of consulting projects that directly improve SDGs, and to do so, we need a platform to share our experiences, knowledge, and skills. We commit to creating such a platform for KI's ESG Community, where ESG ambassadors can gather fuel for the engine and be positive influencers for others.

3.3 Reporting

Since joining the United Nations Global Compact (UNGC) in January 2020, KI has been submitting an annual Communication on Progress (CoP), which reports our organizational efforts of implementing the United Nation's Sustainability Development Goals (SDGs). Find the [latest report here](#). Progress will be also reported to KI members via various methods from time to time.

4. ESG Documents and Library

All current and future ESG related corporate documentations, including this policy, can be found within the KAIZEN™ Information Management (KIM) system, under FINANCE / ADMIN / Internal Guidelines and Policies, and finally under [ESG Policy](#) (KI internal link). It includes guidelines and policies related to ESG, covering topics such as DEI and environmental, KI's Code of Conduct (COC), KI's Corporate Governance System, and more. We intend to release more documentation as our ESG practices progress, to include ESG consulting projects information.

In case of any questions or comments, please do not hesitate to contact the ESG team at email: esg@kaizen.com

5. Glossary

Climate change – Long-term fluctuations of temperatures and weather patterns. It can be initiated by natural cycles, but human activity has been the main accelerator since the 1800s (source: [United Nations](#)).

CoP – Communication on Progress; a report required every year by all participants of the UNGC. It provides data driven information about the participant's progress in implementing the SDG goals and principles of the UNGC. Find KI's reports [\[here\]](#)

ESG – Environmental, Social, and Corporate Governance; a set of practices used to evaluate a company's operational performance as it relates to social and environmental impact and compliance to the core values. [\[Learn more\]](#)

Greenhouse gas – a gas that absorbs and releases energy from the sun and Earth's atmosphere. The collection of these gases causes the greenhouse effect, which is a contributor to climate change (source: [Wikipedia](#)).

Risk assessment – an evaluation which determines possible mishaps, their likelihood and consequences, and the tolerances for such events (source: [Wikipedia](#)).

SDG – Sustainable Development Goal; there are 17 interlinked global goals designed to be a "shared blueprint for peace and prosperity for people and the planet, not and into the future". They are intended to be achieved by 2030. [\[Learn more\]](#)

UNGC – United Nations Global Compact; a non-binding United Nations pact to encourage businesses and firms worldwide to participate by adopting sustainable and socially responsible policies and report on their implementation. Kaizen Institute became a participant of the UNGC in 2020. [\[Learn more\]](#)

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