

Kao

Kirei—Making Life Beautiful

FISCAL YEAR

2023

# NON-FINANCIAL REPORT

KAO CHEMICALS EUROPE



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# LETTER FROM THE PRESIDENT OF KCE

2-22



**Dear readers,**

I am pleased to report the 2023 non-financial information for Kao Chemicals Europe. Looking back, without a doubt, it has been a year of great change, not only in Europe but also globally. It was another difficult year that we managed to successfully overcome thanks to the efforts of all those in our organisation who delivered their best and worked in close collaboration with our stakeholders.

FY 2023 was marked by unstable conditions, prompting changes in global supply chains and a slowdown in world trade. Economically, the situation for chemical manufacturers was challenging overall, although some of our business areas recorded marginal growth.

In this context, Kao is more committed than ever to sustainability, in which our goal is to deliver results by offering specific ESG proposals in the chemical business.

Though recently there has been pushback against ESG criteria, at the same time, significant progress has been made toward a more sustainable world, and the EU is ahead of other countries in the implementation of various regulations. The movement is quickly spreading around the world and has already begun to have a significant impact on our businesses. There is no doubt that, as we look to the future, we must integrate ESG into our business to a much greater extent.

In 2023, KCE, as a company located in Europe, reinforced its commitment to continue pursuing sustainability as part of the Global Kao Vision "Sustainability as the only path".

The essential aspects of this report<sup>1</sup> focus on the areas of Ethics and Compliance, Climate Change and Energy Efficiency, Circular Economy and Waste Management, Pollution Reduction, Occupational Health and Safety, People and Human Rights.

I encourage you to read this report\* detailing our sustainability progress in 2023.

Hiromitsu Hoshikawa,  
President of KCE

<sup>1</sup>Any queries on this report can be sent to: [corpcom@kao.es](mailto:corpcom@kao.es)

# 2023 AT A GLANCE

## BUSINESS

Production (t)

325,871

Net sales (million euros)

749

## OUR PEOPLE

### STAFF'S COMPOSITION

860

Men

249

Women

21%

Women in executive positions

94%

Workforce on permanent contracts

79%

Staff trained

14,776

Training hours

321,000€

Training investment

## ENVIRONMENT

Total direct GHG emissions  
(scope 1) (t CO<sub>2</sub>e)

52,729

Total indirect GHG emissions  
(scope 2) (t CO<sub>2</sub>e)

3,974

Other indirect (scope 3)  
GHG emissions (t CO<sub>2</sub>e)

21,630

Compared to 2017, CO<sub>2</sub> emissions  
(scope 1 and 2) have been reduced by

35%

Total percentage of RSPO certified  
palm-derived raw materials

27%

Renewable  
electricity consumption

77.8%

## SUPPLY CHAIN

Contracts with CSR clauses

28%

TOTAL Local suppliers

>70%

## SOCIETY

Collaboration with the communities around us:

- Initiatives to reforest and clean up natural spaces.
- Support for children and young people to promote equal opportunities.
- Support vulnerable families in the communities.
- Partnership with NGOs that help improve the lives of women

## GOVERNANCE

Zero cases detected  
for breaches of the Code of Conduct

46,300€

Donations and sponsorship actions



# 1 KAO CHEMICALS EUROPE





# KAO CHEMICALS EUROPE

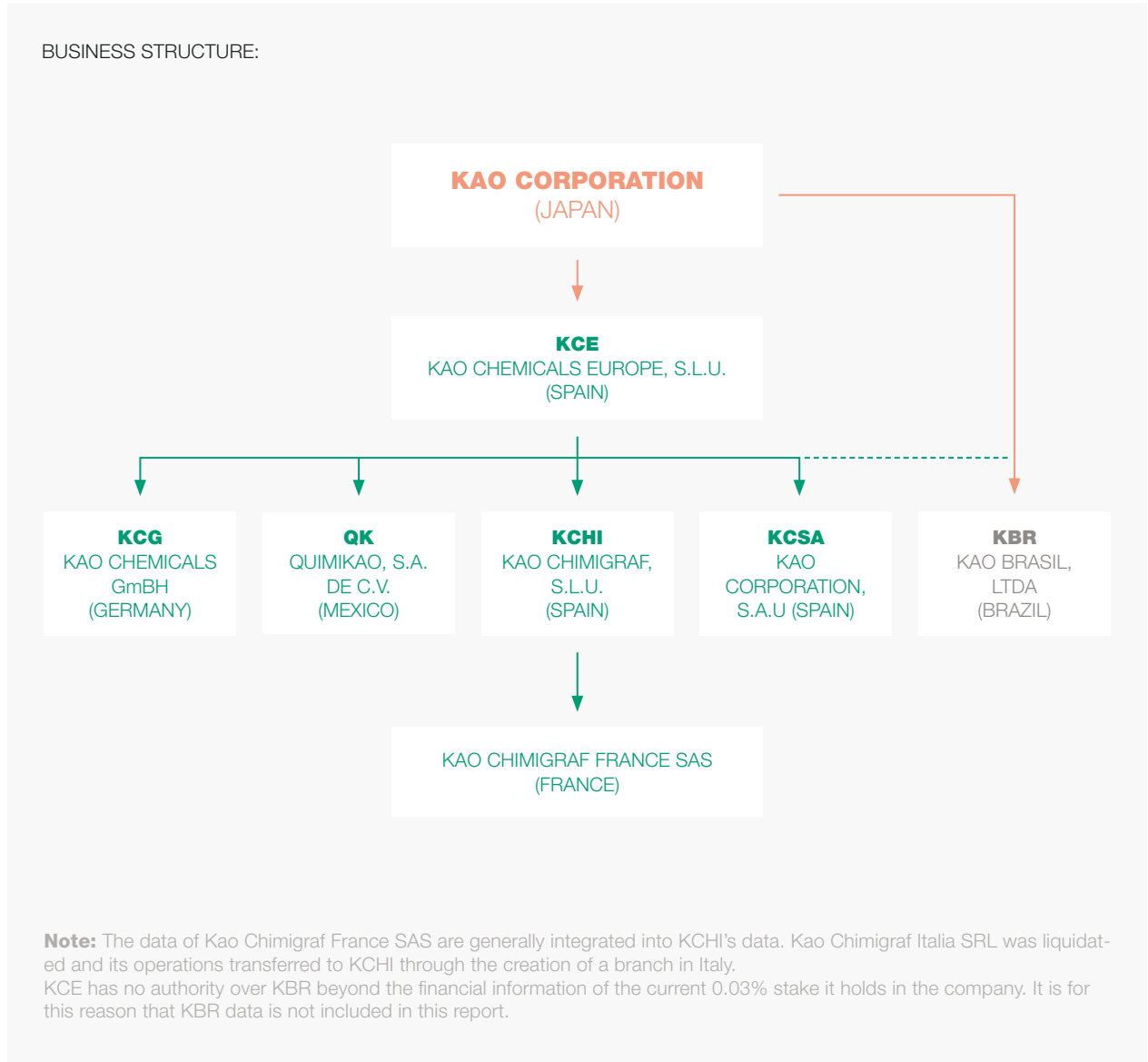
2-1 / 2-2 / 2-6

Kao Chemicals Europe, S.L.U. is a company dedicated to the manufacture and sale of surfactants, aroma chemicals, compositions for perfumery, several families of technical products, polyester resins, high-quality toner for professional applications, and inks for digital and analogue printing.

Kao Chemicals Europe, S.L.U. (KCE) is part of Kao Corporation (Kao), a Japanese multinational headquartered in Tokyo. The headquarters of Kao

Chemicals Europe, S.L.U. is located in Barberà del Vallès (Spain).

KCE was founded in 1999, thus integrating Kao Corporation, S.A.U. (KCSA) from Spain and Kao Chemicals GmbH (KCG) from Germany. In 2005, QuimiKao (QK) from Mexico joined the organisation. In 2012, 0.1% of Kao Brasil Ltda (KBR) from Brazil was acquired; and in 2017 Kao Chimigraf (KCHI) from Spain was brought on board.



# 1.1 OUR ACTIVITY

2-6

At KCE, we carry out our activity across six business lines dedicated to different applications depending on the industry receiving our products.



**Oleochemicals:** In Europe, the main families of products manufactured and sold are fatty amines and alcohols.



**Chemical fragrances and aromas:** chemical aromas and compositions for perfumes for the consumer industry and, particularly, fragrances.



**Surfactants for Consumer Applications (SCA):** raw materials, mainly surfactants, used in all types of products dedicated to personal and home care.



**Imaging materials:** wide range of personalised products according to the needs of customers and the market, such as polyester-based resins and toners for copiers and printers.



**Surfactants for technical applications (STA):** surfactants and additives for various technical applications on roads, in construction, oil and gas, flotation of minerals, fertilisers, metals and other industries.



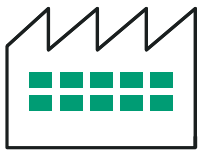
**Printing inks:** inks and varnishes for flexography, gravure and digital printing systems, especially for the printing of containers and packaging.

## BUSINESS UNITS AT KCE SUBSIDIARIES

	KCG	QK	KCHI	KCSA
Oleochemicals	✓	✓		
Surfactants for Consumer Applications (SCA)	✓	✓		✓
Surfactants for Technical Applications (STA)	✓	✓		✓
Fragrances and Aromas				✓
Imaging materials				✓
Printing inks			✓	

1.1.1  
PRODUCTION SITES

2-1



The company has several production sites:

- **KCG:** one production site in Emmerich (Germany)
- **QK:** one production site in Guadalajara (Mexico)
- **KCSA:** three production sites in Olesa de Montserrat, Mollet del Vallès, and Barberà del Vallès (Spain); the European Central Office of KCE is located in the latter.
- **KCHI:** carries out its production activities at four production sites: Rubí (mostly), Mollet del Vallès, Alcalá de Henares, and Aldaya (all in Spain).

**KCG**



Emmerich (Germany)

**QK**



Guadalajara (Mexico)

**KCHI**



Rubí (Spain)

**KCSA**



Barberà del Vallès (Spain)



Olesa de Montserrat (Spain)



Mollet del Vallès (Spain)



# 1.2 OUR PRESENCE IN THE WORLD

2-1 / 2-6

● PLANT  
● OFFICE

**KCE operates directly or through agents and distributors in each area or country, according to the needs detected in the different markets.**

Since its inception in 1999, KCE has been geographically positioned in different regions to become a leading global supplier for the majority of the markets where it operates, supplying products on all continents. In several countries, KCE has grown to be able to address both the local needs and the global requirements of our customers.

In 2023, products were sold in 103 countries, with the European market accounting for the majority with 69% of volume and 61% of sales, followed by the South American market with 18% of volume and 18% of sales. The Asian market, meanwhile accounted for 7% in volume and 12% in sales and, to a lesser extent, the African and Oceanian markets.

Given its origins, KCE's core business remains in the European market. However, due to the company's process of globalisation, it has grown continuously in the American market and collaborated closely with Kao Group subsidiary companies in Asia.



## MARKETS

**Americas:** The company began operations in Guadalajara, Mexico. In recent years, it has consolidated the local Mexican business and continued expanding into the Latin American market. Cooperation with the affiliate, Kao Specialties America, allows us to expand into North America.

**Europe:** With production centres in Spain and Germany, the company has successfully diversified its production and commercial activity, making it a leading company in the European market.

**Asia:** KCE constantly collaborates with the Kao Group's Asian subsidiaries in an effort to perpetuate business growth across Asia.





Globally, KCE's net sales in 2023 totalled 749 million euros. The following table illustrates the evolution of production and net sales data

### 1.2.1 OUR GROWTH IN 2023

2-6

The objectives and results obtained in 2023 are in line with the business strategy and promote, through innovation and collaboration with customers and stakeholders, our sustainable development.

Given the complicated political and social situation in Europe resulting from the war in Ukraine, we have encountered an increase in the price of energy and commodities, as well as a shortage in the availability of some materials. Despite the impact on KCE's business, the company has been able to implement the necessary measures to continue our business.

#### KCE

##### Production (t)

379,994  
2021

355,286  
2022

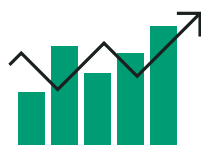
325,871  
2023

##### Net sales (million euros)

708  
2021

928  
2022

749  
2023





# 2 KCE, OUR BUSINESS MODEL





# 2.1 THE KAO WAY PHILOSOPHY

2-23

As one, we create a Kirei lifestyle for all, contributing to the wellbeing and enrichment of people and the planet.

The Kao Way defines our corporate principles, our conduct, and guides our future. It reflects our mission, vision, and values, and is one of the most important cultural elements shared by all Kao people worldwide.

The Kao Way principles and values express our commitment to respect and comply with human rights and reinforce the company's commitment to diversity and inclusion.



# 2.2 THE KIREI LIFESTYLE PLAN, OUR ESG STRATEGY

2-22

Sustainability as  
the only path.

The Kirei Lifestyle Plan (KLP) is our ESG strategy and the path to intensify innovation in all aspects of our business, in an effort to generate added value for our customers and contribute to society.

In 2021, we revised our 2030 vision to make Kao a globally important company for society, integrating sustainability into the core of our business model and management.

## KAO'S ESG VISION

*A Kirei Lifestyle means enjoying today, with the peace of mind that the same joy will be there tomorrow. It's the chance to express who you truly are, with the confidence that you are walking the right path, even in the smallest, everyday moments. That's why, at Kao, everything we do is in the service of this lifestyle. It's why we do what is right, not what is easy. We put our innovation and imagination to work to enrich lives by finding ways for people around the world to live the Kirei Lifestyle.*



## 2.3 KCE'S OBJECTIVES AND STRATEGIES

2-22

KCE is a company with a technical and innovative outlook focused on satisfying the needs and wellbeing of its customers and society, while contributing to sustainable growth. We aim to be an indispensable player in the sustainable growth of industry and society through a medium- and long-term growth plan, in which sustainability plays an essential role.

KCE sets its objectives and commitments according to the issues relevant to the company and its stakeholders, and by analysing trends in the environment that may have a significant impact on the company's activities. Some of these trends are:

- The complex geopolitical environment and market volatility, which have led to a global economic crisis, despite significant declines in energy and raw materials prices;
- The proliferation of regulations, legislation, and standards, especially in Europe, which influence international trade agreements;
- Increasingly competitive markets, with more companies trying to increase their market share in the same geographical area;
- Complexity in supply chains, especially with regard to the availability of strategic raw materials;
- Increased social awareness in relation to the conservation and protection of the environment and the effects of climate change;
- Acceleration of digitisation and the use of artificial intelligence as a lever for business development.

**In 2023, we continued to work with the 2025 Strategic Plan, aligned with Kao's strategy, initiated at the end of 2020.**

### KCE 2025 GOALS



To become an essential company for our customers in a sustainable world.



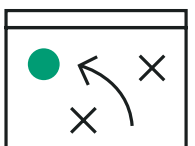
To transform the company through investments in order to build a solid and robust business, based on revitalising current businesses and creating new ones.



To create a diverse and inclusive environment where people can develop to the fullest.

### STRATEGIC PILLARS OF KCE'S 2025 PLAN

- Geographic expansion: strengthen core growth and accelerate business expansion in new areas, optimising the management of our distribution channels. Expand the business in the main markets: Europe, the United States, and South America, and accelerate global expansion to create a business base in emerging countries.
- Strengthen and accelerate business development through mergers and acquisitions and external collaboration and cooperation.
- Product portfolio management: actively develop solutions and materials with high environmental and social value. Promote the search for local raw materials and apply circular economy criteria in the development of new products and solutions.
- Accelerate digital transformation, innovating through the active adoption of digital technologies and improving customer interactions and communication.







## COMMITMENTS AND RESULTS IN 2023

From a business perspective, the following commitments were established for 2023:

- To develop new businesses and expand geographically, consolidating digital marketing and promoting a distinctive corporate image, aimed at addressing customer needs.
- To register significant growth in volumes and net sales (CAGR 7%).
- To foster synergies between KCE's different business units, maximising results and increasing the company's cultural diversity.

In terms of results, we highlight the following:

- The results obtained in 2023, although numerically lower than budgeted, are in line with the strategy of this business plan.
- In 2023, KCE made considerable progress in the development of new applications and products, as well as the consolidation of different digital promotion models. However, due to the unfavourable global economic situation, the numerical targets set were not achieved.

- Despite the difficult situation in Europe, the company has been able to put in place the necessary countermeasures to be able to continue operations. Rising energy and raw material prices and shortages in the availability of some raw materials have affected KCE's business, but the final result can be considered reasonable.

- Investments in 2023 include new facilities to produce MDJ at KCSA and fatty amines at KCG, as well as the new biomass thermal power plant at KCSA, which will allow us to increase production and reduce emissions.

- We have made very significant progress thanks to the collaboration between the different business units, which has enabled us to offer distinctive solutions and provide more global responses to customers' needs (see section 2.4).

From a global perspective, KCE fulfils these commitments with the aim of being a leading company for customers, staff, and the community.

## CONTRIBUTION TO THE SDG

The following table shows the Sustainable Development Goals that KCE is working towards according to the company's ESG commitments:

Area	Contribution to SDGs					
Responsible governance. Ethics and business conduct				9 INDUSTRY INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Responsible governance. Human Rights				5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES
Commitments to society (community, customers, suppliers)	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	6 CLEAN WATER AND SANITATION	10 REDUCED INEQUALITIES	13 CLIMATE ACTION	
Our people. Equality. Talent development. Health and safety at work	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH		
Environment. CO <sub>2</sub> emissions management			7 AFFORDABLE AND CLEAN ENERGY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	
Environment. Use and prevention of water pollution			6 CLEAN WATER AND SANITATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	14 LIFE BELOW WATER	
Environment. Preventing air pollution					12 RESPONSIBLE CONSUMPTION AND PRODUCTION	
Environment. Waste management					12 RESPONSIBLE CONSUMPTION AND PRODUCTION	14 LIFE BELOW WATER
Environment. Biodiversity management				9 INDUSTRY INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	15 LIFE ON LAND
Environment. Use of resources (energy, water, materials, etc.)		6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	15 LIFE ON LAND
Chemicals management	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER



## 2.4 INNOVATION FOR SUSTAINABILITY

2-6



KCE takes a responsible approach to the environment, health and safety throughout the lifecycle of its products, from their design, production, distribution and consumption to their scrapping or disposal for the treatment of the generated by-products.

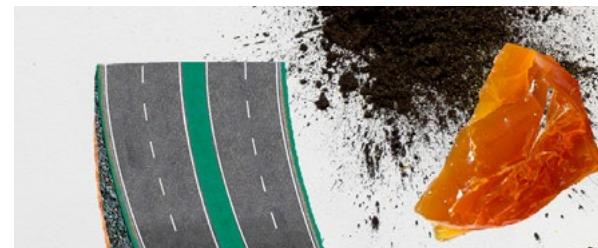
We combine our strengths with those of our customers and partners, promoting the shift to decarbonisation and the circular economy by developing sustainable materials and novel solutions that are more respectful of the environment and people.

To achieve the established objectives, all of the organisation's business units work toward:

- The continuous improvement of processes to reduce the environmental impact both in material consumption and reduction of emissions and waste.
- The development of new products, applying circular economy concepts, optimising the use of materials and the creative reuse of waste products (upcycling), which have better properties and/or additional advantages.
- The development of biodegradable, low aquatic toxicity, ultra-concentrated formulations for use in mini-doses or by dilution, which also contribute to the reduction of water use and CO<sub>2</sub> emissions
- Optimisation of packaging to reduce material consumption.

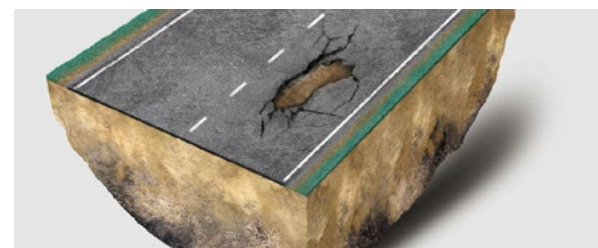
Standouts from the activity carried out in 2023 include the development of new, more sustainable products that minimise the use of fossil fuels, as well as the increase in circular economy policies.

### Surfactants for Technical Applications (STA)



#### ROADS

**DANOX PT-FR** incorporates a residual fraction from our toner production, giving these materials a second life (upcycling). The use of toner waste provides added benefits, improving the pavement's lifespan and incorporating a unique anti-fuel treatment. This not only prevents pollution from fuel spills but also delays the appearance of premature ruts caused by deformations from heavy vehicles, such as buses.



**DANOX PATCH** incorporates a residual fraction from the production of aroma chemicals. It is an additive that reduces bitumen viscosity and provides good mix strength, making it the best solution for cold patching asphalt mixes. It can be dosed in hot bitumen, in the emulsion or in the mixing process. It can also be added in plant facilities or *in situ* conditions.



**DANOX WM** is an additive that reduces the manufacturing, spreading and compaction temperature of asphalt mixes during the paving process while maintaining performance. By paving at lower temperatures (20-40°C), energy consumption and smoke emissions are reduced, positively impacting the carbon footprint, and improving working conditions.

### Fragrances and Aroma Chemicals



#### AROMA CHEMICALS

In 2023, the new facility at the Olesa de Montserrat plant came online to produce **MDJ** (methyl dihydrojasmonate), based on Kao's exclusive technology, which manages to reduce CO<sub>2</sub> emissions and waste generated (saline wastewater). MDJ is one of the most widely used products in the world of perfumery and is ideal for formulating scents for home care and personal hygiene.



#### FRAGRANCES

The ingredient palette is strengthened with new COSMOS raw materials, enabling us to develop natural fragrances for personal hygiene products. One example is the ELEMENTS perfume collection, inspired by nature.





SOFTENERS

New cationic surfactant to formulate sustainable fabric softener formats. This new ingredient allows softeners to be formulated using tap water at room temperature. Waterless products can also be formulated. They can be added directly to the washing machine or diluted at home by the consumer, reducing energy use, water, greenhouse gas emissions, and waste generation. In addition, they protect fibres by increasing the lifespan of clothes.



DETERGENTS

New versions of 100% bio-based ethoxylated glycerine esters (**LEVENOL F-200 BIO** and **EMANON XLF BIO**) and **LEVENOL SF-200** developed from locally sourced raw materials. These new variants allow a 40% reduction in carbon footprint compared to ethoxylated fatty alcohols, improving the sustainability profile of products formulated with these ingredients.



COSMETICS

**AKYPO SUGAR LM 42** is a mild, effective, and sustainable anionic surfactant for personal hygiene formulations. It offers effective cleansing, excellent foaming, and extremely mild properties for the skin and eyes. It is sourced from renewable raw materials, with 96% RCC, is fully biodegradable, and meets COSMOS and EU Ecolabel certification criteria.

Inks Printing



INKS

**ACQUA** are water-based pigmented inks developed using Kao's proprietary Lunajet technology to reduce VOC emissions. This reduction extends the life and maintenance of the printhead. In addition, they have the wettability, jetting stability, quick drying properties, and re-dispersibility required for printing on non-porous surfaces, such as film and achieve high quality reduced-VOC printing.

2.5 CERTIFICATIONS

2-23 / 3-3



KCG, QK, KCHI, and KCSA adhere to a system of voluntary audits. Passing these audits demonstrates the suitability of their method to achieve the intended objectives. The voluntary certifications available for KCE affiliates are as follows:

	KCG	QK	KCHI	KCSA
ISO 9001	✓	✓	✓	✓
GMP			✓	✓
ISO 14001	✓		✓	✓
EMAS			✓	✓
ISO 50001	✓			✓
ISO 45001	✓		✓	✓
RSPO (Roundtable on Sustainable Palm Oil) Certification	✓	✓		✓

The GMP (Good Manufacturing Practices) certificate is awarded to companies that have established a system of Good Manufacturing Practices. This standard follows the same structure as the complementary ISO 9001. In the case of KCSA, the GMP EFfCI certification was obtained for the first time in 2014 for the Olesa and Mollet factories, following the guidelines of the European Federation for Cosmetic Ingredients (EFfCI), and it applies to all products that KCSA manufactures for the cosmetic and

detergent markets. Subsequently, KCHI obtained GMP certification for the Inkjet factory, following the guidelines of European Regulation 2023/2006 on good manufacturing practice for materials and articles intended to come into contact with food-stuffs. Finally, the Dispersions factory obtained this certification in 2023.

All these activities are audited both internally and externally.

KCE also promotes efforts to address issues related to the environment, society, and governance with the aim of contributing to a more sustainable society. Some of these are set out below:

	KCG	QK	KCHI	KCSA
EcoVadis	✓ (Platinum rating)	✓ (Silver rating)	✓ (Platinum rating)	✓ (Gold rating)
Sedex	✓	✓	✓	✓
Responsible Care®	✓	✓		✓



## 2.6 ALLIANCES AND ADHESIONS TO INITIATIVES

2-28

**KCE, in accordance with Kao's guidelines, maintains that addressing ESG issues is essential for long-term business growth.**



In 2005, Kao declared its support for the Ten Principles of the UNGC, in the areas of human rights, labour, environment, and anti-corruption practices, and it makes every effort to support and implement these principles.

Kao and its subsidiaries strive to achieve the targets linked to the Sustainable Development Goals (SDGs) to contribute to the sustainability of the planet. KCE focuses on issues where we as a company can make a significant contribution, such as climate protection, and sustainable consumption and production. [Kao | The United Nations Global Compact.](#)



Kao received several awards in 2023. Among them, inclusion on the CDP A List for climate change, forests and water security for the fourth consecutive year, being one of only 10 companies out of the 21,000 assessed to achieve the highest rating in all three categories. For its part, KCE has adopted the objectives established in the areas of climate, forest conservation, and water security, and annually participates in the report that Kao prepares.

### Sedex<sup>2</sup> Member

Kao has been a member of Sedex since 2014, and all KCE production sites are evaluated using this platform. Sedex provides an online platform for companies to manage and improve working conditions in their global supply chains..

### ecovadis

Kao obtained its first assessment in 2013, and subsequently each of KCE's subsidiaries have joined this initiative. EcoVadis is a company that provides business sustainability ratings..



Kao has set specific targets that are approved and published by the Science Based Targets initiative (SBTi). SBTi provides companies with a clearly defined path to reduce emissions in line with the goals of the Paris Agreement. More than 2,000 businesses around the world are already working with the Science Based Targets initiative (SBTi).

KCE is aligned with Kao's commitment to contribute to sustainable development, making every effort to preserve the environment and ensure the safety of people.



KCE is a member of Responsible Care®, a voluntary, public and active initiative for companies in the chemical sector that drives continuous improvement in environmental, health, safety and security performance, in accordance with the principles of Sustainable Development. Responsible Care® is a global programme managed through the following associations in the countries where KCE subsidiaries are located:

- In **Germany** by the German Verband der Chemischen Industrie (VCI, German Association of the Chemical Industry).
- In **Mexico** by the National Association of the Chemical Industry (ANIQ)
- In **Spain** by the Business Federation of the Spanish Chemical Industry (FEIQUE)

KCG, QK and KCSA are members of Responsible Care®. KCHI is not eligible for membership because it is not a member of FEIQUE. However, belongs to ASEFAPI (the Spanish Association of Manufacturers of Paints and Printing Inks).



# 3

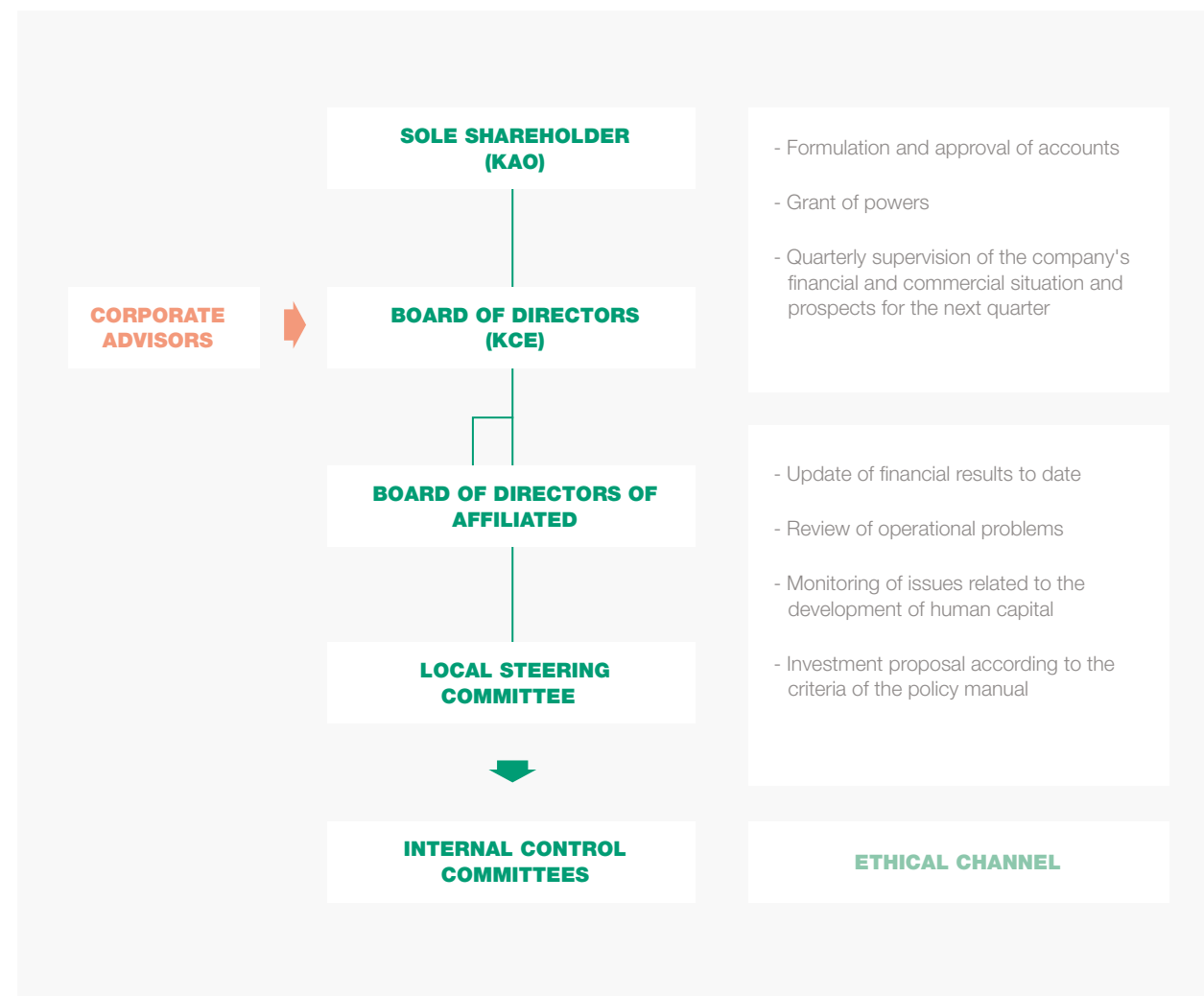
# CORPORATE STRUCTURE



# 3.1 GOVERNANCE BODIES

2-9

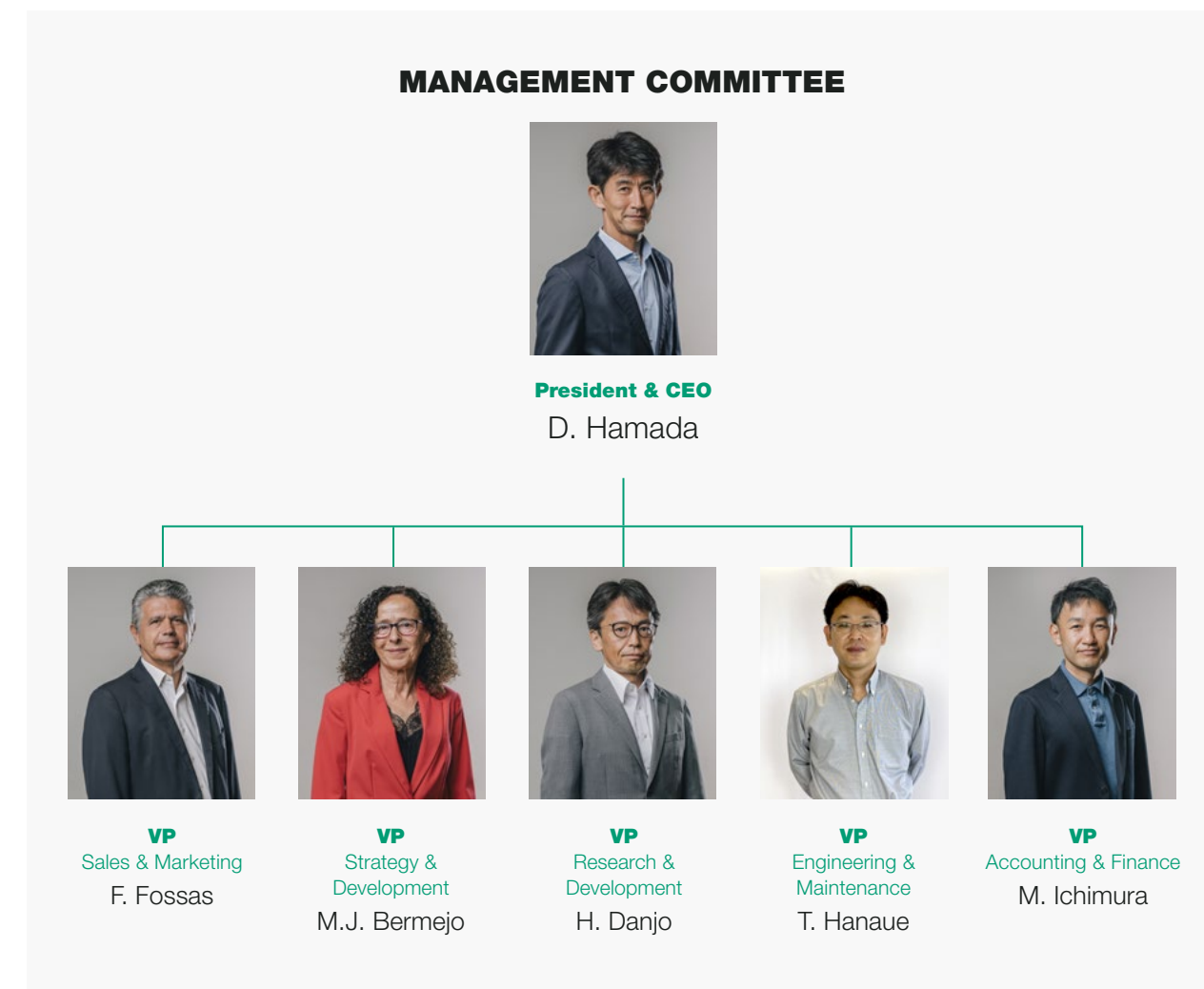
Corporate governance is based on the establishment of management structures and internal control mechanisms, as shown in the graph below:



# 3.2 MANAGEMENT COMMITTEE

2-9

KCE's Management Committee consists of the CEO and five vice presidents (four men and one woman), each responsible for one of the company's operational areas.



In accordance with Kao's Policy Manual, the Management Committee discusses the company's economic situation on a monthly basis, including the evolution of turnover and profit, developments with regard to the budget, and appropriate countermeasures for deviations from the budget. In addition to the financial situation of the company, other topics addressed at Committee meetings include those relevant to Human Resources, as well as investments and high-impact risk management.

**On 1 January 2024, there was a major organisational change when Mr. Hoshikawa was appointed CEO of the company.** The letter in this report, therefore, is written and signed by him, while the Management Committee's organisational chart shows Mr. Hamada, who held the position in 2023.



# 4 GOVERNANCE





2-23

**KCE conducts its business in a fair and honest manner, acting in accordance with laws and ethics and meeting to society's expectations.**

In 2023, Kao established the Corporate Governance Policy, positioning corporate governance as a top priority for the management team, in order to sustainably enhance the company's long-term value. At the same time, it reinforces the commitment to create a Kirei world in which all people live in harmony with the planet, which is our corporate philosophy, The Kao Way.

Kao and all Group companies continually strengthen governance in both systems and operations. By applying the Corporate Governance Policy, KCE views corporate governance as a framework for transparent, fair, prompt, and decisive decision-making, taking into account the perspectives of all stakeholders.

The aim of our efforts is to establish and operate the necessary management structures and internal control systems, to implement the necessary measures in a timely manner, and to always act in a responsible and transparent manner.



## 4.1 ETHICS AND COMPLIANCE

2-24

**KCE devotes all its efforts to improving the effectiveness of corporate governance, in line with its values and corporate philosophy, "The Kao Way".**

Specific guidance on how to implement The Kao Way in a manner applicable to all Group companies is defined in the BCG.

This guidance is available to all employees and stakeholders on the Kao website, on the KOMPASS corporate intranet, on local intranets, and on the KCE website. In addition, and as part of the corporate reporting programme to the parent company, reporting of possible breaches of the Code of Conduct, if any, is included. In 2023, no cases were reported at KCE.

In line with the above, diligent management of personal data governs, in compliance with the General Data Protection Regulation (GDPR), approved by the European Union on 25 May 2018. In 2019, Kao mandated that Information Security Committees (ISCs) will be established at all Group companies.

These committees are made up of representatives from different corporate areas, who are directly involved in monitoring and controlling the protection of personal data and the company's confidential assets.

All KCE companies have formed these committees, which meet periodically to supervise the implementation of activities and detect possible risks and incidents, reporting these activities annually to Kao.



The main actions carried out by the Group's companies in 2023 focused on continuing the actions developed in the last two years: the dissemination of the Trade Secret Manual, the design of informative material and the reporting flow in the event of an incident, the review of the classification of the company's information assets, and the definition of roles within the committee.

418-1

No incidents related to the Privacy Policy were reported in 2023.

The Code of Conduct states that the company will conduct its business transactions and activities in compliance with the laws of each country or region, including those related to competition. In doing so, they will adhere to the principle of free and fair competition to ensure the trust of the company's customers, consumers, and society at large.

In 2023, all KCE companies complied with the annual report to the KCE Management Committee on antitrust matters, reporting 56 duly completed forms without detecting any risks that could jeopardise governance.



# 4.2 GLOBAL RISK ANALYSIS

2-12 / 2-13

## STRATEGY AND MANAGEMENT MODEL

Kao has a Risk and Crisis Management Policy in place, and the Risk and Crisis Management Committee establishes the system and guidelines for action. Based on these, all Group companies identify and assess risks, then formulate and implement the appropriate countermeasures.

In terms of opportunity management, Kao establishes a structure that integrates and manages issues across the organisation to prioritise and promote ESG investments, which are related to strategic business development.

The risk management model implemented at KCE (known simply as Risk Management) is integrated into the corporate programme and is spearheaded by Kao. Both risks (potentially negative impacts on the achievement of objectives and business) and crises (materialisation of such risks) are taken into consideration.

The Risk Management programme is supervised directly by the president of each KCE company, together with the designated Risk Manager, and covers the various types of risks that may affect the Group. In addition, for each of the prioritised risks, a Risk owner is appointed along with a team.

The general approach involves carrying out the following activities:

- Determining all possible risks and their causes. To that end, the methodology provides a checklist with typical activity risks grouped into risks specific to each country and those related to management.
- Assessing the level of impact and the possibility of a risk materialising. In this case, the methodology provides a system to determine the probability, the severity for the business, and the level of response available.
- Considering countermeasures to prevent or reduce the selected risks by means of an action plan for each scenario, with different systems to cover the risk.
- Establishing action measures if a risk materialises, to minimise consequences and damage; establishing recovery and contingency plans..



The risks identified by KCE that may have a relevant impact and the corresponding prevention and/or mitigation measures/actions are described below.

## STRATEGIC RISKS:

### • Risk of loss of profit generation

Obtaining and growing profits is important, but the assets used must be taken into account and the profit they can generate must be maximised. In this regard, the Company focuses on maximising the return that shareholders expect from their investment.

#### **Risk management - prevention, mitigation:**

At KCE, we monitor the Company's profitability and identify those factors and countermeasures that enable profit maximisation. To this end, we promote improvement actions aimed at optimising intangible and tangible fixed assets, optimising production processes, maintaining the appropriate volume of inventories, having a workforce and organisational structure suited to the business and promoting automation and digitisation.

### • Risks associated with implementing the digital business transformation

It is essential to accelerate the digital transformation to avoid the risk of losing

competitiveness in the face of rapidly changing technologies. Risk of loss of market share and growth opportunities.

#### **Risk management - prevention, mitigation:**

KCE has established a strategic plan for the company's digital transformation, identifying digitisation opportunities in key processes, introducing new tools and methodologies, and increasing staff skills in the use of these new technologies.

### • Business Risks

Risk of change in customer preferences, as well as the risk of increased competition as a result of changing market conditions or the emergence of new competitors.

#### **Risk Management - prevention, mitigation:**

KCE regularly assesses market trends, monitors the competitive landscape, and maintains ongoing communication and engagement with its stakeholders, especially customers and suppliers. Strategy is regularly assessed to adapt quickly to rapidly changing environments.



## ENVIRONMENTAL AND SUSTAINABILITY RISKS

### • Risks related to climate change

These include both the physical risks that can interrupt our operations, causing discontinuity in our supply chain, as well as the transition risks due to new regulations, technological changes, and market shifts brought about by climate change. For example, the new energy transition regulation that penalises CO<sub>2</sub> emissions from production processes applies to us.

#### **Risk management - prevention, mitigation:**

An ambitious plan has been established to improve our production processes with the aim of achieving energy efficiency, reducing CO<sub>2</sub> emissions, and optimising water consumption. To that end, the use of the best available techniques is evaluated.

## OPERATIONAL RISKS

### • Risk of an accident at a plant

Risk of accident at production facilities, warehouses, or during service at an operational centre, causing the paralysis of operations and suspension of our product supply.

#### **Risk Management - prevention, mitigation:**

We focus on the maintenance and renovation of our facilities, with special attention to issues defined as critical. We carry out comprehensive risk assessments and regularly conduct internal and external control audits.

### • Lack or shortage of raw materials

Risk of unavailability of raw materials due to external factors, whether caused directly by our suppliers, natural disasters, or geopolitical tensions.

#### **Risk Management - prevention, mitigation:**

We focus on strategic raw materials, defining safety stock policies, establishing multi-supplier inventory strategies and prioritising local suppliers.

### • Risk of phishing and cyber-attack

Risk of a cyber-attack resulting in loss of confidential information, suspension of IT network operations, or suspension of production operations.

#### **Risk Management - prevention, mitigation:**

We define security standards and specific plans to prevent intrusions. At the same time, we raise awareness and train our staff in the field of cybersecurity.

## STRUCTURAL RISKS

### • Risk of loss of qualified staff and/or difficulty in adapting the workforce to new challenges

The lack of availability of qualified staff leads to a loss of efficiency across the company's different areas. This can hinder our ability to adapt to new challenges, such as the digitisation of the business and lead to a subsequent loss of competitiveness.

#### **Risk Management - prevention, mitigation:**

We implement security and organisational measures to maintain the workforce and design the organisational architecture adapted to new requirements.

We implemented talent management strategies, identifying, assessing, and establishing a plan for staff development, retention, and turnover.

It should be noted that at no time have these risks had a significant impact on KCE or its stakeholders.





## 4.3

# ANTI-CORRUPTION, BRIBERY AND PREVENTION OF MONEY LAUNDERING

3-3 / 2-23 / 205-1 / 205-3

The Kao Group is committed to doing business with honesty and integrity in all countries and territories where it operates. No employee of the Company may engage in dishonest practices or any other form of bribery and corruption.

Kao's Anti-Bribery Guidelines specify the rules and obligations regarding the protocol for invitations and gifts, as well as the anti-bribery rules. The latter includes risk assessment during the process of selecting agents and distributors and renewing their contracts.

On matters of anti-corruption, bribery and conflict of interest, in accordance with the Anti-Bribery Guidelines, KCE takes a firm stance against bribery by not offering or receiving any form of bribery in connection with business transactions. The company understands bribery to mean cash payments, gifts, entertainment, or other benefits intended to encourage favourable business treatment.

In this regard, all employees are required to obtain approval, notify, and report cases in which there is an actual, apparent, or potential conflict of interest. As set out in the Anti-Bribery Guideline, gifts, entertainment, and business-related expenses must be reasonable and proportionate, in accordance with the laws and customs of the countries where they are given and received, and cash gifts should always be avoided.

Similarly, employees should question whether there is a business justification for giving a particular gift or entertainment, and whether the gift is reasonable and proportionate in the circumstances and in accordance with good business practice.

In 2023, all subsidiaries published (on their intranets or local platforms, and on Kompas, the corporate intranet) the guidelines for avoiding conflicts of interest, corruption, and bribery, requesting confirmation that these regulations have been read, as required by Kao Japan's Internal Control department on an annual basis.

In addition, all KCE companies have complied with annual reporting to the Kao Corporation's Compliance Committee secretary on matters pertaining to conflicts of interest, anti-corruption and bribery.



## INTERNAL CONTROL MECHANISMS

Within the framework of corporate reporting on compliance matters, and as an internal control mechanism, anti-corruption control forms have been duly completed to ensure appropriate approvals for all transactions related to entertainment expenses. In 2023, KCE reported 358 anti-corruption forms duly completed with the appropriate approvals. No conflict-of-interest forms were reported at any KCE companies, nor were any cases of corruption detected.

Regarding the prevention of money laundering, in 2021, the Group developed and formalised its policy on the matter. KCE adopted this policy to comply with the legislation in force in the countries of its subsidiaries.

The policy defines the obligation to assess the identity and legitimacy of customers and suppliers before entering into business relations, as well as to minimise cash receipts and payments by giving preference to bank transfers.

## 4.3.1

## CONTRIBUTIONS TO FOUNDATION, NON-PROFIT ORGANIZATIONS AND POLITICAL PARTIES

415-1

The Corporate Code of Conduct explicitly prohibits its contributions to political parties. This prohibition is also detailed in the Donations Policy established by Kao and adopted by all Group companies. The Anti-Bribery Guidelines specifically prohibit donations to political parties and unregistered or unknown charities.

**The value of donations and sponsorship actions at the KCE Group level amounts to 46,299 euros.**

## 4.4 HUMAN RIGHTS

3-3 / 2-23 / 407-1

Human rights are fundamental rights and, as such, KCE strives to build a society in which no person suffers prejudice or discrimination. To fulfil the goal of creating a Kirei lifestyle for all, respect for human rights is essential.

The Code of Conduct stipulates the need to respect human rights and to ensure that Group companies systematically and permanently guarantee children's rights and work in dignified conditions, as well as the rejection of organised crime in all its forms.

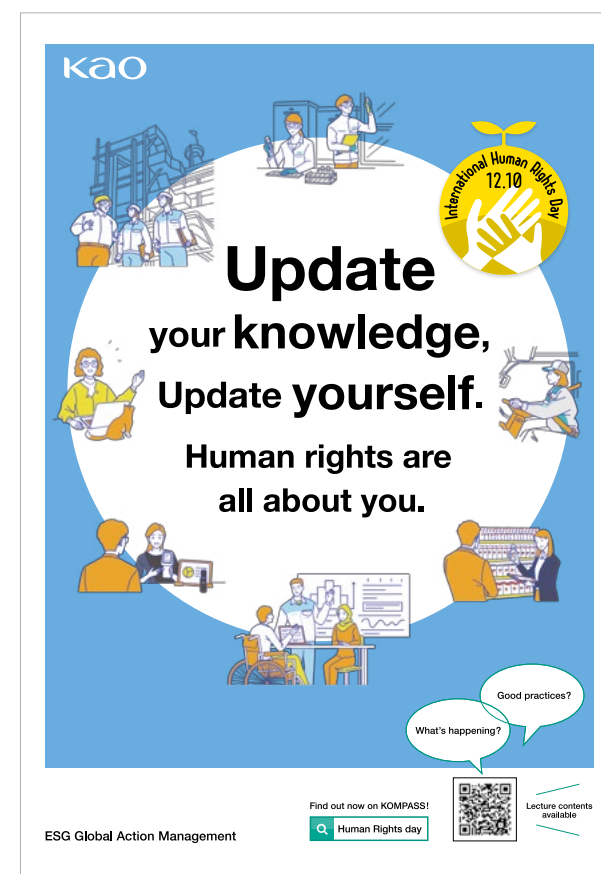
Fundamental principles of the [Code of Conduct](#):

- Conducting fair, honest and appropriate transactions.
- Respecting human rights in company activities.
- Respecting employee diversity and maximising employee empowerment.

Kao published its [Human Rights Policy](#) in 2015; it was last reviewed in April 2023 by the ESG Committee and approved by the Board of Directors.

This policy outlines our commitment to respect human rights in all our business activities, as well as specific actions to achieve this:

- Compliance with applicable laws and regulations;
- Respect for human rights in all business activities;
- Human rights due diligence;
- Remediation in the event of adverse human rights impacts;
- Appropriate training for all management personnel and employees;
- Dialogue, consultation, and dissemination of information.



## 4.5 ETHICS CHANNEL

2-23

In 2023, Kao established the Diversity, Equity and Inclusion (DEI) Policy to let individual values and talents shine through.

We are committed to further advancing our Diversity, Equity, and Inclusion actions, enhancing collaboration with our stakeholders, including employees, business partners, and society at large, in an effort to promote equal opportunities for all people. This DEI Policy applies to all Kao Group employees.

### RISK MANAGEMENT

In accordance with Kao's Human Rights Policy, all KCE Group companies conduct an annual human rights risk assessment on the working environment and incidents of discrimination. This assessment is carried out via the SEDEX platform by means of a questionnaire relating to health and safety issues, the environment, business ethics, working conditions, etc.

409-1 / 408-1

In 2023, no operations were considered to be at risk for child labour, exposing young workers to hazardous and/or forced or compulsory labour.

2-27 / 411-1 / 406-1

Throughout 2023, KCE recorded no cases of disciplinary action for breaches of the Code of Conduct or human rights violations.

Specific guidelines on how to implement "The Kao Way" are defined in the Business Conduct Guidelines (BCG), ensuring that all employees are able to report and check compliance issues when necessary.

The main objective of the ethics channel is to provide staff with a means of reporting behaviour that contravenes the company's Code of Conduct.

This service, called the [Kao Group EthicsPoint](#) is accessible 24 hours a day, 365 days a year, and is provided by an independent company, which protects and guarantees the anonymity of those who wish to report to something they consider inappropriate or unethical, in accordance with KCE's policy.

The Ethics Point channel ensures compliance with the European Directive 2019/1937 for all Kao Group companies established in Europe. Similarly, this whistleblowing channel is also available for the QK company, though not directly affected by this European Directive.

In 2023, there were no allegations reported at any Group company, with one case reported to Kao's ethics channel in relation to one of the KCE Group companies.





# 4.6 STAKEHOLDERS AND COMMUNICATION CHANNELS

2-29

KCE's key stakeholders include our customers, suppliers, staff, local communities, governmental and local bodies, non-governmental and non-profit organisations (NGOs/NPOs), associations and business peers.

Through two-way communication with all of them, we deepen mutual understanding and gather their feedback to improve and develop new products and services.

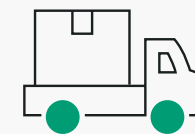


## KCE'S STAKEHOLDERS AND COMMUNICATION CHANNELS



### EMPLOYEES

- KCE website
- Corporate Intranet
- In-house Intranets: HR, HSE, A&F
- Non-financial report and Sustainability Report of KCE
- Company Boards
- Activities and CSR Days
- Social Media
- Committees
- Others: meetings and direct contact, internal communication by email, letters, in-house and external presentations



### SUPPLIERS

- KCE website
- Non-financial report and Sustainability Report of KCE
- Activities and CSR Days
- Social Media
- Others: meetings and direct contact, internal communication by email, letters, corporate presentations



### CUSTOMERS (CORPORATE)

- Business direct contact
- KCE website
- Non-financial report and Sustainability Report of KCE
- Activities and CSR Days
- Social Media
- Others: meetings and direct contact, communication by email, letters, corporate presentations



### PUBLIC ORGANIZATIONS AND ADMINISTRATION

- KCE website
- Non-financial report and Sustainability Report of KCE
- Activities and CSR Days
- Social Media
- Others: meetings and direct contact, communication by email, letters, corporate presentations



### MASS MEDIA

- Direct contacts (reply to inquiries)
- KCE website
- Non-financial report and Sustainability Report of KCE
- Social Media



### SOCIETY (INCLUDING NGOS AND LOCAL ORGANIZATIONS)

- KCE website
- Non-financial report and Sustainability Report of KCE
- Activities and CSR Days
- Social Media
- Others: meetings and direct contact

In 2023, several informative actions were undertaken to inform stakeholders about the Non-Financial Report. Most importantly, the entire workforce was asked to collaborate in the materiality project, which allowed us to learn the impact of the ESG issues that the company's stakeholders think KCE should prioritise. An analysis of the results was carried out in late 2023 and will continue in 2024.



# 5 OUR COMMITMENT TO THE ENVIRONMENT





# 5.1 ENVIRONMENTAL APPROACH AT KCE

3-3 / 2-27

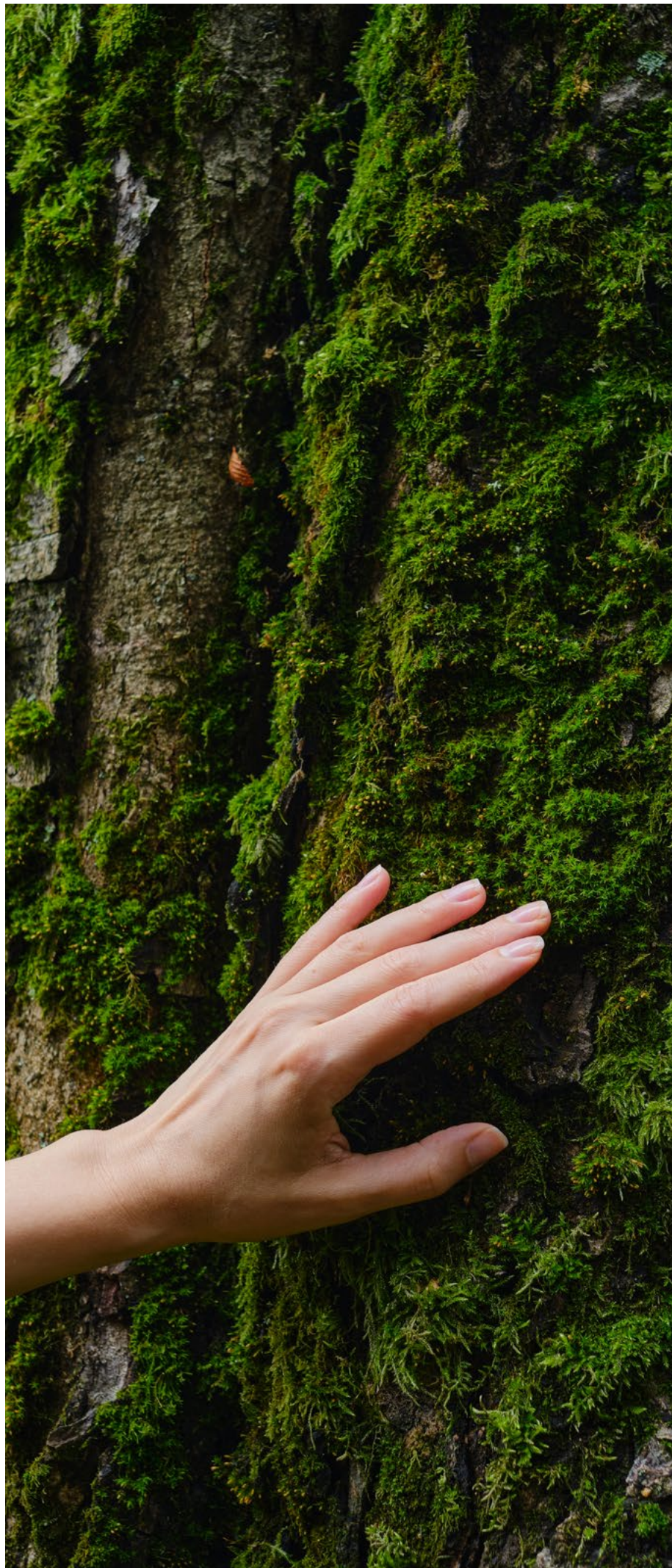
Environmental management at KCE is directly determined by the corporate philosophy and strategy.

Some corporate programmes that shape KCE's environmental management are Responsible Care® (see section 2.6) and Eco Together, created in 2009, through which the Group establishes its commitment to responsible environmental management and carries out efforts in environmental conservation with clients, suppliers, companies to which a portion of production is contracted, local communities, NGOs, governments, and other stakeholders.

In addition, KCE integrates into its environmental management not only everything that derives from the legislation of each country but also from the pacts and programmes of each region in which it is located, such as the "European Green Deal".

Finally, each KCE company incorporates the requirements derived from the internal commitments assumed with the communities in which they operate, where applicable, and those of the certifications to which they have voluntarily obtained, such as ISO 14001, EMAS or ISO 50001, depending on the company (see section 2.5).

Given this, Kao's environmental management focuses on the activity itself, society and the environment, placing emphasis on the entire life cycle, from the inputs used, the processing technology, the energy consumed, the products manufactured, their sale and subsequent disposal.



# 5.2 ENVIRONMENTAL COMMITMENTS 2030

In 2020<sup>1</sup>, we established our ESG objectives for 2020-2030:

Area	Indicator	Target value*	Base year
Decarbonization	Reduction emissions scope 1+2 CO <sub>2</sub> , absolute	55%	2017
Energy	Renewable electricity purchased Energy consumption reduction	100% 1%	- Previous year
Zero waste	Ratio to landfill and to incineration	<1%	-
Water conservation	Water consumption reduction	45%	2005
Resources	Acquisition of certified palm oil according to RSPO	100% <sup>2</sup>	-

\* The target value is to be achieved by 2030, using a specific (base) year as a starting point for each indicator, except for those that do not specify one.

<sup>1</sup> In 2021, the decarbonisation target was modified in a more ambitious direction than initially set.

<sup>2</sup> Target to be achieved by 2025.





# 5.3 MAIN ENVIRONMENTAL RISKS THAT AFFECT THE ORGANIZATION

3-3

Kao has identified the main risks that could negatively affect the Group's sustainable and profitable development. KCE has prioritised those that have the greatest impact within the framework of its activity and environment, and has established its own management and monitoring plan (see section 2.7.1). These include the environmental risks associated with climate change<sup>3</sup>.

These associated risks include the possibility of suspending operations due to extreme weather events, increased costs due to the strengthening

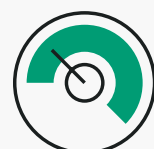
of regulations, depleted resources, environmental contamination, the security of the water supply, and the loss of biodiversity.

In this respect, KCE implements action programmes to reduce the environmental impact on the remaining aspects identified in its assessments: use of water and water pollution prevention, prevention of air pollution, waste management, management of chemical substances, soil preservation, preservation of biodiversity, light pollution, etc.

The following sections detail the progress of these programmes and the associated indicators. There are basically two types of indicators:



Those that indicate the **total annual absolute value** – consumption, production, emission or generation – in the area considered; for example, the annual water consumption expressed in m<sup>3</sup>. They are calculated as the sum of the absolute value of each KCE company. .



Those that indicate the **relationship between the absolute value and the object of the activity** (production expressed in tonnes), that is, the ratio or rate, such as the cubic metres of water consumed per unit produced (m<sup>3</sup>/t). Starting with this year's report, they are calculated as the sum of the absolute total annual value of each company and the annual reference value that represents the activity (sum of the production of each company)<sup>4</sup>, which means that all ratios from previous years have been recalculated.

<sup>3</sup> Risks related to large-scale earthquakes, other natural disasters and accidents. (Risk of obstacles arising that hinder our ability to supply our products to market due to damage to employees, facilities and the supply chains as a result of large-scale earthquakes, major typhoons associated with climate change, floods and other natural disasters. Risk of significant damage to employees and the surrounding area due to a fire or explosion at the plant.)

<sup>4</sup> In previous reports it was calculated as the average of the ratio of each KCE company.

# 5.4 CLIMATE CHANGE

3-3

Climate change caused by global warming over recent decades affects people's lives and the natural ecosystems in many ways. The melting of glaciers, rising sea levels, floods and droughts, and other extreme weather phenomena observed have had consequences on marine and terrestrial ecosystems, affecting food production and people's health.

Our main environmental commitments are linked to the mitigation of climate change, since the activity carried out involves the emission of greenhouse gases, either from the activity itself (direct emissions) or because of the activity itself (indirect emissions).

In 2006, the Group implemented a system aimed at prioritising investments in more efficient technologies with low CO<sub>2</sub> emissions, as well as in climate-resilient activities, the *Internal carbon pricing* (ICP).

At the same time, the Group has intensified actions to reduce both direct and indirect emissions, expanding the reporting of scope 3 emissions, for example, and increasing their monitoring in an effort to reduce them.

In our commitment to collaborate in the mitigation of climate change, each of the companies that make up KCE has developed a transition plan that provides a response in the short, medium and long term. This plan covers already consolidated and incipient measures, such as the replacement of the technology used in lighting with LEDs, the purchase of electrical energy from renewable sources, the installation of photovoltaic panels, and the replacement or shut-down of installations that use fossil fuels, such as natural gas.

In 2023, KCSA ceased operating the cogeneration plant. In 2024 the site plans to use steam from a biomass plant located at the Olesa de Montserrat premises.

Air conditioning and refrigeration equipment is selected according to the criteria defined by the Group, which considers the environmental impact of the refrigerant. In addition, we have a defined plan for the progressive replacement of equipment that uses refrigerant gases with a heavier impact, in line with the Kigali Amendment to the Montreal Protocol.

**We are committed to zero CO<sub>2</sub> emissions by 2040 and being carbon negative by 2050.**





5.4.1  
GREENHOUSE GAS  
EMISSIONS (GHG)

305-1 / 305-2 / 305-3 / 305-5

KCE monitors scope 1, 2 and 3 CO<sub>2</sub> emissions, as shown below:

KCE	2021	2022	2023
Total direct GHG emissions (scope 1) (t CO <sub>2e</sub> )	72,620	72,330	57,729
Scope 1 emissions / production (kg CO <sub>2e</sub> /t)	191.11	203.58	176.66
Total indirect energy GHG emissions (scope 2) (t CO <sub>2e</sub> )	5,675	5,075	3,974
Scope 2 emissions / production (kg CO <sub>2e</sub> /t)	14.94	14.28	12.16
Other indirect GHG emissions (scope 3) (t CO <sub>2e</sub> )	22,960	16,831	21,630
Scope 3 emissions / production (kg CO <sub>2e</sub> /t)	60.42	47.37	66.16
Total GHG emissions (t CO <sub>2e</sub> )	101,256	94,236	83,364
Total GHG emissions / production (kg CO <sub>2e</sub> /t)	266.47	265.24	254.97

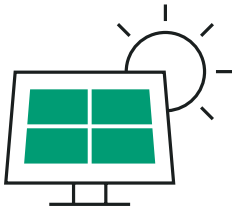
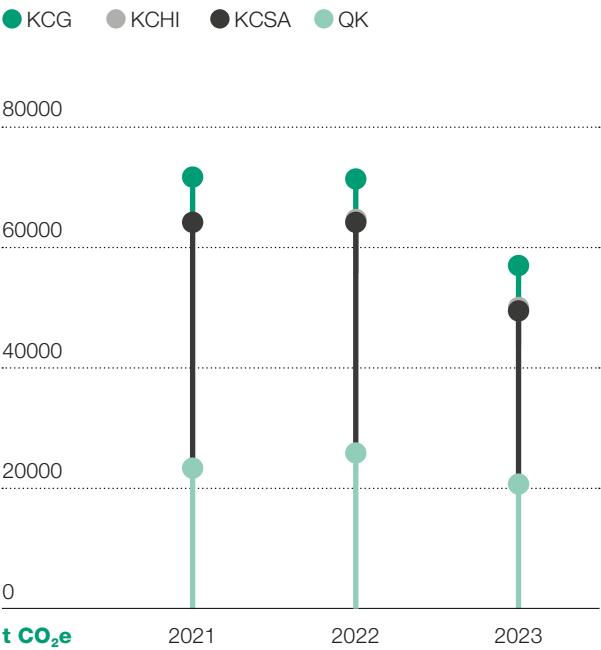
CO<sub>2</sub> emissions (scope 1 and 2) have been reduced by 35% (33,274 t) compared to 2017, the base year for this indicator.

This is the result of several factors, mainly the shutdown of the cogeneration plant in June 2023 at KCSA's Olesa de Montserrat facility, as well as the decrease in QK's natural gas consumption as the cogeneration plant is not operating.

Scope 2 emissions have been reduced, as has the ratio per ton of production, since QK has begun a gradual process of purchasing green energy (65% in 2024, 100% in 2025). One hundred percent of the electricity from the rest of the subsidiaries is of renewable origin.

The increase in scope 3 emissions is mainly due to the fact that this report includes emissions associated with aspects that until now have not been quantified, such as those generated during the distribution of the finished product in the case of QK, those from the mobility of the KCSA workers, and those associated with the waste transportation of the same company. In the coming years, they are expected to continue increasing due to the quantification of minor indirect emissions sources, not currently considered.

DIRECT GHG EMISSIONS (SCOPE 1)  
BY KCE COMPANIES



5.4.2  
ACTIONS FOR  
MITIGATION

3-3

To a lesser extent and depending on the company, there are certain processes that also generate GHG emissions, such as refrigerant gases used in process installations or in the air conditioning of installations.

KCE implements different initiatives to guarantee the reduction of its greenhouse gas emissions:

- **In the acquisition of raw materials:** these incorporate green purchasing concepts and specific actions at the different KCE companies.
- **In the product development process:** these comply with the environmental standards described in the design guidelines.
- **In the manufacturing process:** these include initiatives to reduce energy consumption by introducing more efficient equipment and eliminating points of energy loss. We also promote the use of cleaner energy, more environmentally friendly refrigerants, and equipment maintenance to prevent leaking refrigerants or other greenhouse gases.
- **In the distribution process:** by increasing shipment volumes, these promote cleaner freight methods and the improvement of cargo ratios.

5.4.3  
ACTIONS FOR  
ADAPTATION

3-3

Kao is deploying a line of work aimed at climate change adaptation, identifying those facilities at risk of water scarcity or with a high probability of suffering extreme natural phenomena. For its part, KCE has initiated a process to specifically evaluate the physical risks associated with climate change that affect each subsidiary.

In recent years, drought has become evident in some territories where we operate, which has already led to the adoption of measures to adapt to the availability of this resource.

At KCE, we report the monthly volumes of the various existing water supplies. The objective is, by 2024, to establish a plan that allows us to reduce water use throughout the lifecycle per sales unit, especially in regions with water scarcity, using 2017 as a base year. We expect this reduction target to be defined in 2024.

Regarding energy, KCE promotes the installation of solar panels that generate electricity for own use, reducing dependence on external supplies, while increasing the company's resilience in case of need.

PHOTOVOLTAIC CAPACITY

QK



499 kWp

KCHI (Rubí)



185,33 kWp

KCSA (Olesa)



97 kWp

# 5.5 POLLUTION PREVENTION

3-3

**KCE acts to prevent air and water pollution in areas near production plants and to reduce the pollutant load from its wastewater treatment plants.**

To that end, multiple initiatives are carried out such as reduction at source of the generation of pollutants and the use of the best available techniques to combat pollution.

## 5.5.1 AIR POLLUTION PREVENTION

3-3

KCE's main commitments target strict compliance with specific laws and regulations and the implementation of the principle of pollution prevention. This entails, among other actions, the gradual introduction of the best available techniques, the modification of processes to reduce emissions, and their exhaustive monitoring.

KCE publishes the emissions data of KCG, QK and KCSA under the PRTR (Pollutant Release and Transfer Registers).

### AIR EMISSIONS

305-7

IKCE carries out quantified monitoring of CO, NO<sub>x</sub>, CH<sub>4</sub>, HFCs, PFCs, NF<sub>3</sub>, SF<sub>6</sub>, PM and VOC emissions, the results of which can be consulted in the final section of the report.

This monitoring demonstrates that in 2023 emissions from combustion gases (CO, NO<sub>x</sub> and SO<sub>2</sub>) decreased due to a decline in natural gas consumption resulting from the definitive stoppage of KCSA cogeneration and the temporary stoppage of QK cogeneration.

Regarding particle emissions, KCSA and QK report the highest emissions. The observed decrease is due primarily to the fact that production has been lower. HFC emissions correspond to KCSA and QK, with QK contributing the majority this year.

As in previous years, all Group companies except KCG report VOC emissions. Among those that report, only KCHI reports diffuse emissions, which are significant due to the handling of volatile solvents involved in its activity. KCSA and QK report only channelled VOC emissions, which are minimal compared to those at KCHI. Note that KCHI has continued to undertake actions to minimise diffuse emissions. This year they decreased by 1.6 tons compared to the previous year.

## 5.5.2 WATER POLLUTION PREVENTION

The amount of pollutants that can be released into the water is regulated by each country. KCE has wastewater treatment facilities at most of its production centres, except KCG, where it is treated externally, KCSA Barberà and KCHI, where wastewater is comparable to urban waste.

### WATER DISCHARGE DATA

303-4

KCE conducts wastewater monitoring that includes the amount of water discharged, the mass load of TOC, TSS, N and P, as well as their respective ratios vis-à-vis the final production, as detailed in the tables at end of the report. The amount of water discharged by KCE in 2023 decreased considerably, by just over 51 Mm<sup>3</sup>. The ratio per ton produced also declined relative to the previous year.

QK contributed significantly to this reduction due to a greater acquisition of previously osmotised water that prevents the generation of rejects from this type of facility. Additionally, all companies have reduced their respective water consumption.

The TOC<sup>5</sup> pollution load decreased by 1.7 tons compared to the previous year. The greatest reduction occurred at KCG and QK, while at KCSA it has increased.

However, pollution load per ton produced increased by 8.1%, which is common when consumption drops and optimised purification treatments are maintained. Other factors attributable to this rise involve the decrease in production and the productive mix, since shorter productions and more frequent product changes lead to more cleaning.

The only parameter that increased at KCE, and at all affiliates, is the matter in suspension. This is attributed to the increase in certain cleanings performed at manufacturing facilities.

<sup>5</sup> In relation to the contaminant load of wastewater, the representative parameter is total organic carbon (TOC), which is expressed as one third of the chemical oxygen demand (COD).

Wastewater is discharged in its entirety into the municipal wastewater treatment stations once it has been treated. Additionally, since our activity involves the use of chemical substances, groundwater is monitored at most production centres.



## 5.5.3 OTHER FORMS OF POLLUTION

### PREVENTION OF NOISE AND LIGHT POLLUTION

Noise monitoring is periodically carried out inside KCE's production centres to verify sound levels. The objective is to ensure these levels are within the legal limit or, on the contrary, to detect an increase in environmental noise and, consequently, adopt preventive or corrective measures as soon as possible. In general, emission levels – noise levels emitted outside – are common for these types of activities and the established limits are not exceeded.

In relation to light pollution, the regulatory requirements are met.





## 5.6 USE OF RESOURCES AND CIRCULAR ECONOMY

KCE is making progress in the development of an increasingly circular production model, thanks to the improvement of processes that directly reduce waste and the consumption of raw materials.

Likewise, we are advancing in the design of products that are more eco-friendly thanks to the consumption of less dangerous or recycled raw materials, the reuse of packaging and eco-design. Some new product developments shown in the innovation chapter (2.4), including the creative reuse of waste (upcycling), which provides improved properties and/or additional benefits, are worth highlighting.

In 2021, a team was created to implement lifecycle analysis and calculate the carbon footprint of KCE's products; in 2022, the carbon footprint of 25 products was calculated; and in 2023, the methodology was upgraded to the most widely accepted European standards in the chemical industry. External certification of the methodology has been obtained, which attests to its robustness based on current knowledge.

### 5.6.1 RESPONSIBLE CONSUMPTION AND PRODUCTION OF MATERIALS

Potential impacts to consider in the raw materials procurement process include destruction of the local environment and loss of biodiversity, human rights, health and safety management, and health risks in the supply chain.

The acquisition of materials takes into account the quantity, format and source of the supply. In 2023, a total of 237 thousand tonnes were consumed and 326 thousand tonnes were produced, resulting in a 10% reduction in the ratio of raw materials to final production (t/t), as shown in the table below.

#### RAW MATERIAL USAGE DATA

301-1			
KCE	2021	2022	2023
Raw materials (t) <sup>(1)</sup>	282,051	270,063	<b>236,793</b>
Production (t/t)	379,994	355,286	<b>325,871</b>
Raw materials / Production (t/t)	0.72	0.69	<b>0.62</b>

<sup>(1)</sup> The data for 2021 and 2022 have been modified by eliminating the accounting for semi-finished products at KCHI.

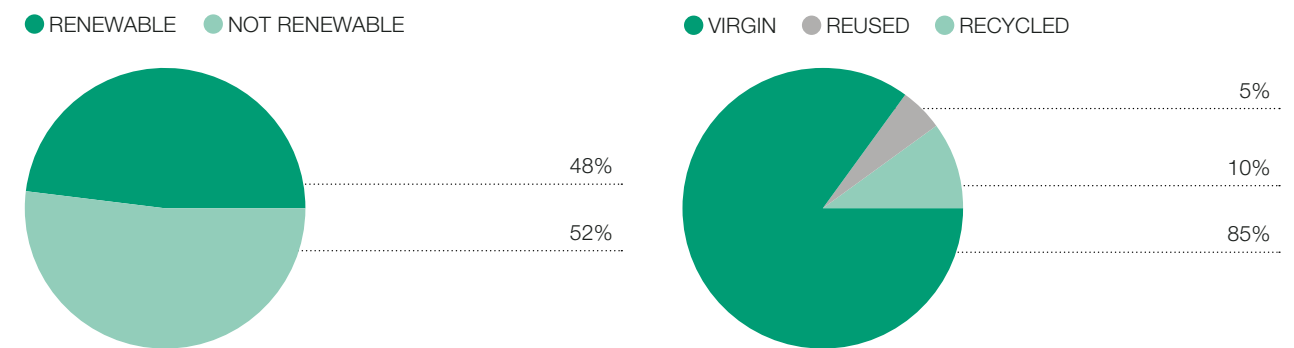
#### TRANSITION TO IMPROVE THE USE OF RESOURCES AND CIRCULAR ECONOMY

KCE's activity involves the use of resources that, to a greater or lesser extent, impact or may impact biodiversity and ecosystems, positively or negatively.

To reduce the environmental impact of our use of resources, KCE intends to develop a transition plan to improve this, while contributing to a circular economy. As a result, we will be able to gradually minimise the extraction of non-renewable resources, prevent waste generation, and reduce pollution.

In 2023, a process began to identify material inflows and their classification, in an effort to learn more about biodiversity dependency and begin an analysis of risks and opportunities as the next step.

As a result, 71% of KCE's inflows have been classified: 48% are renewable and 52% are non-renewable. It has also been confirmed that 85% of the materials used are virgin, 10% recycled and 5% reused. Packaging materials have not been considered in this analysis. The table at the end of the document details the reference data more precisely.

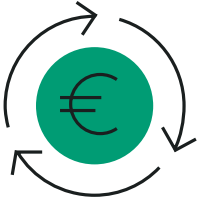


#### PERCENTAGE OF RSPO CERTIFIED PALM-DERIVED RAW MATERIALS IN THE PERIOD 2021-2023

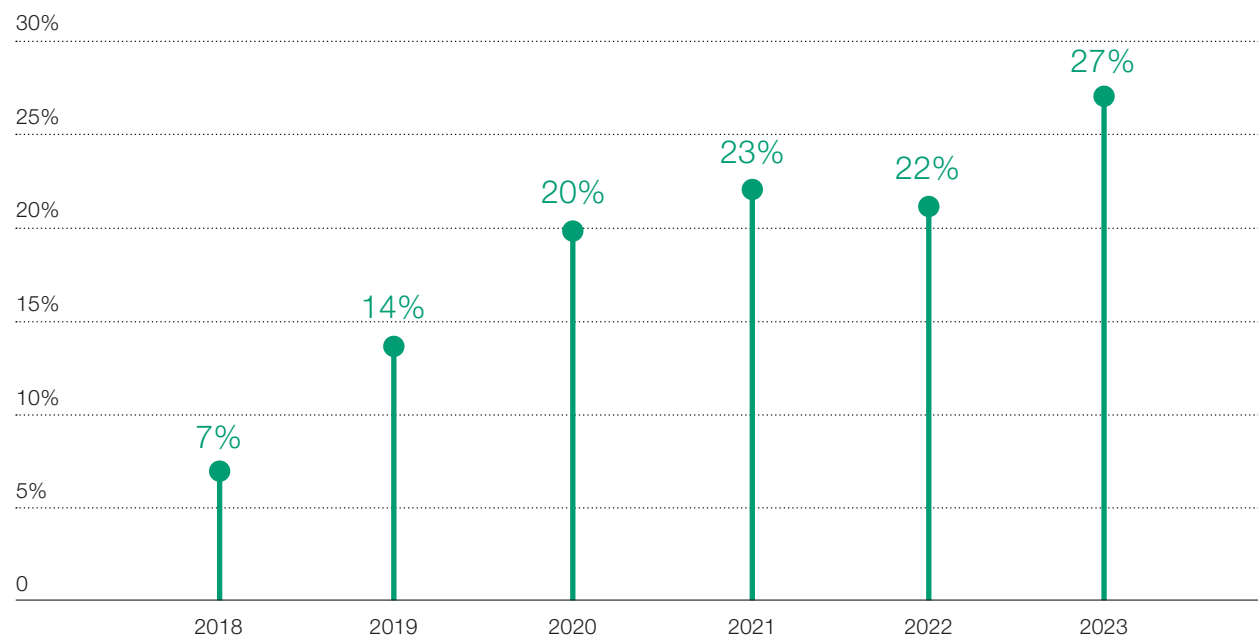
	KCG	QK	KCSA	TOTAL KCE
2021	22.6%	0.3%	26.8%	<b>22.5%</b>
2022	20.8%	12.0% <sup>(1)</sup>	30.9%	<b>21.6%</b>
2023	25.3%	34.8%	31.9%	<b>27.3%</b>

<sup>(1)</sup> Data corrected compared to 2022 version.

<sup>(2)</sup> <https://www.kao.com/global/en/sustainability/we/procurement/progress-2022/>



## EVOLUTION RSPO RAW MATERIAL CONSUMPTION



In 2023, there was an increase in the consumption of sustainable palm oil-based raw materials. The most significant uptick was at QK, due to demand from the cosmetics and household hygiene consumer markets. KCG recovered from the previous year's decline due to the global economic situation and KCSA saw a slight increase.

In terms of governance, Kao has set the objective of ensuring traceability of raw materials back to their source and making the supply chain visible, especially for palm oil. KCE is considering establishing the same objective for its own supply chain.

In relation to the EU Deforestation Regulation (EUDR) (2023/1115), KCE is identifying needs and possible actions to be taken.

**KCE carries out a continuous study of renewable raw materials to replace petroleum derivatives, within the framework of decarbonisation measures, with the aim of meeting the established targets.**

In 2023, KCE published a statement on conflict minerals through its web channel<sup>7</sup>. However, KCE is not a direct importer of these minerals and therefore has no obligations under the current EU Regulation 2017/821, although we believe we have a responsibility to verify the source of all our raw materials.

Due to the nature of KCE's business, exposure to conflict minerals is indirect and extremely limited. KCE may potentially be exposed to conflict minerals through the use of catalysts in the manufacture of some of its products. To this end, all suppliers must provide information on the use of conflict minerals through a CRC (Certificate of Regulatory Compliance) document and, where applicable, must submit evidence of the CMRT (Conflict Minerals Reporting Template) report in the supplier approval process, in accordance with established internal protocols. An updated CMRT report is requested annually to ensure that all products supplied to KCE are free of conflict minerals.

By 2023, 100% of the suppliers we work with do not use conflict minerals.

Kao will not engage with any supplier whose activity does not meet the requirements of the aforementioned regulation and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

<sup>7</sup>[kce-conflict-mineral-statement-2023.pdf \(kaochemicals-eu.com\)](#)

## 5.6.2 CHEMICAL SUBSTANCE MANAGEMENT

Chemicals management processes at KCE:

### CHEMICAL SUBSTANCES RISK ASSESSMENT:

- Detailed studies of all new products and raw materials developed and used by KCE.
- Risk reassessments of priority substances for KCE, in accordance with the regulatory requirements related to the registration, evaluation, authorisation and restriction of chemical substances and preparations (REACH).

### GENERATION AND UPDATING OF SAFETY DATA SHEETS:

- Generate the safety data sheet (SDS) for all products produced by KCE. The function of the SDS is twofold: internally, to inform all members of the organisation of the hazardous nature of the products produced in our facilities and provide the information contained in the document to the recipients of our products. The SDS must include information about the chemical product, hazard identification, fire-fighting measures or, in case of accidental release, handling and storage, toxicological and ecological information, information related to transport and regulatory information, among others.
- In addition, whenever a chemical safety report is created for a substance, the relevant exposure scenarios will be appended to the SDS for the identified uses.

Kao has had a Comprehensive Management System for Chemical Substances in place since 2017, which applies to all its companies worldwide. KCE continually strengthens its functionality in response to increasingly stringent regulatory requirements, the growing diversity of chemicals handled, and expected business expansion into new countries and business areas.

- SDS are promptly updated as soon as any information is available that may affect risk management measures or include new information on hazards. The new updated version will be provided to all customers, internal and external, who have been supplied with the product in the preceding 12 months. Any update will be duly recorded.

### MANAGING PRODUCT SAFETY THROUGHOUT THE LIFECYCLE OF CHEMICALS:

- Ensure correct labelling of the products handled at our facilities based on the Global Harmonised System (GHS) from the moment they enter our facilities or are produced therein until their dispatch, either as products or waste. Likewise, ensure all employees are aware of the documentation related to classifying and labelling (SDS and labels) our products.

### COMMUNICATING CHEMICAL SUBSTANCE RISKS TO STAKEHOLDERS:

- Through public disclosure of the results of international chemical stewardship promotion activities and stakeholder communication.



Every chemical substance that is used or manufactured at KCE follows an exhaustive verification programme of European regulations and the main regulations worldwide, to guarantee their safety and proper use.

Verification is not carried out only on the substance itself, but also includes all traces and known impurities that it may contain. This information is used to generate all the necessary documentation that includes both mandatory and voluntary documentation, which is also circulated internally to provide better information and transparency to our clients.

At KCE, we closely monitor new regulations or modifications that may affect our products and activities:



ACTIVE PARTICIPATION  
IN ASSOCIATIONS:

Our Product Safety team participates in 12 associations of different chemical products, on a national and European level.



DATABASES:

In addition to the public databases to which we subscribe (such as ECHA), we have two international private databases, RegDB (from Sphera) and Ariel (from 3E), which continually collect any news on substance safety, chemicals, and regulations.

In 2023, several substances were registered in ECHA and others were updated, while the volumes, applications, and requirements for the remaining substances that KCE has registered were monitored.

KCE's European team oversees the monitoring and obligations for the entire Kao Group, both for our products and for the raw materials we use. Specifically, information is requested from all suppliers on the REACH registration of raw materials through the CRC document (Certificate of Regulatory Compliance).

In addition to mandatory regulations, we also comply with other voluntary regulations linked to market trends or imposed by non-governmental organisations.

In this regard, in 2023, the compositions of fragrances were reviewed to adapt them to the 51st IFRA (International Fragrance Association) amendment. Several products were also registered in ECOCERT and the products with the possibility of obtaining Ecolabel certifications were updated.

Disclosure of product safety and regulatory concepts is critical to KCE. In 2023, the regulations department participated in internal disclosure sessions with the affected departments and in monthly disclosure sessions on regulatory developments affecting our products. The company also participates in national and European events related to the registration of chemical substances (European Notification Panel), the regulation of biocides, the REACH regulation and green schemes, among others.

5.6.3  
ENERGY

KCE promotes initiatives to reduce energy consumption and advance in the improvement of efficiency at all its production centres and facilities.

ENERGY CONSUMPTION

302-1 / 302-3 / 302-4

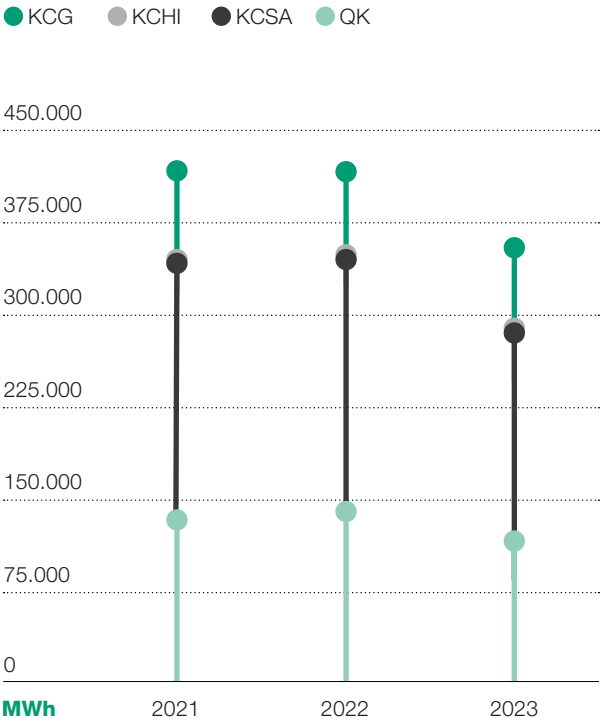
KCE	2021	2022	2023
Total energy consumption (MWh)	407,246	404,944	355,228
Total energy consumption / Production (MWh/t)	1.07	1.14	1.09
Electricity consumption (MWh)	85,239	82,645	79,649
Renewable electricity consumption (%)	75.36	63.28	77.84
Electricity consumption / Production (MWh/t)	0.22	0.23	0.24
Natural gas consumption (GJ)	1,276,190	1,278,508	1,057,192
Natural gas consumption / Production (GJ/t)	3.36	3.60	3.23
Thermal consumption (MWh)	317,895	314,588	273,753
Thermal consumption / Production (MWh/t)	0.84	0.89	0.84
Other energy consumption (MWh)	4,332	7,711	1,686

KCE's global energy consumption and the corresponding ratio fell relative to 2022 due to the definitive stoppage of the KCSA cogeneration plant and the fact that the QK plant has not been operational. At QK, energy related to the transportation of water from the government treatment plant decreased.

The percentage of electricity consumption from renewable sources increased by 23% with certification approval from QK's electricity supplier. The reduction of 'other energy consumption' is worth noting, which focuses on QK and is mainly due to a decrease in the use of vehicle fuel.

Compared to the previous year (the base year for this indicator), energy consumption decreased by 4%. In 2023, 100% of the electrical energy consumed by KCG, KCSA, and KCHI (excl. KCHI France) came from renewable sources.

ENERGY CONSUMPTION BY SUBSIDIARIES



5.6.4  
WATER

KCE establishes measures to promote the sustainable use of water and devotes efforts to the search for modern technologies. The company focuses on reducing consumption; reducing, reusing and recycling wastewater; optimising maintenance work; and improving the management of wastewater treatment facilities.

WATER WITHDRAWAL

303-3

KCE gets its water from three different sources, the primary source being groundwater withdrawal. The company extracts the largest amount of groundwater for use at open circuit for cooling facilities, which is ultimately returned to the Rhine River. Some KCE

KCE has established the goal of reducing water consumption by 45% by 2030, in line with the Kao Group’s target.

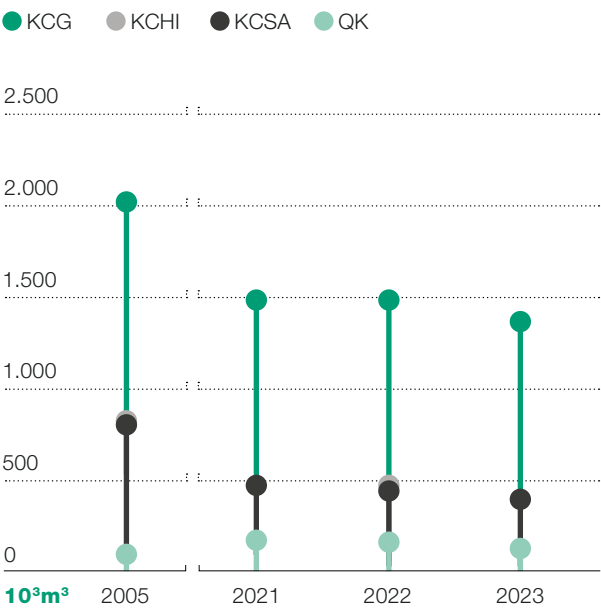
facilities have their own duly authorised and controlled wells for the withdrawal of water. QK uses water from a municipal treatment plant that is treated before use, as one of the measures established to improve circularity in water management.

KCE	2021	2022	2023
Total water withdrawal (m³)	1,525,046	1,530,279	1,395,687
Withdrawal / Production (m³/t)	4.01	4.31	4.27
Groundwater	1,046,241	1,050,762	966,897
Third-party water	468,196	474,933	425,010
Wastewater from other organizations	10,609	4,584	3,780

Water extraction and the extraction rate per ton produced have decreased compared to the previous year (134,592 m³ and 1%, respectively).

Compared to 2005 (the base year for this indicator), the water extraction rate has decreased by 39%.

WATER WITHDRAWAL BY SUBSIDIARIES



WATER CONSUMPTION

303-5

Water consumption is calculated by the difference between its withdrawal and discharge.

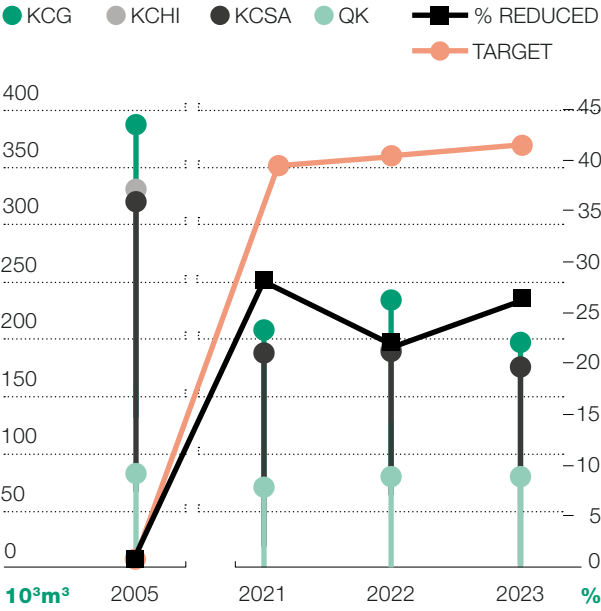
KCE	2021	2022	2023
Water consumption (m³)	212,971	231,596	210,490
Water consumption / Production (m³/t)	0.56	0.65	0.64

Water consumption at KCE decreased relative to last year by 21,106 m³, as has the ratio, which fell 1%. All companies reduced their consumption, the most significant reduction being that of QK.

It is worth highlighting the consumption of water independent of production, for example, water destined for cooling/heating storage tanks or sanitary use. The lower the total consumption, the greater the influence of base consumption on the water consumption rate.

Compared to 2005 (the base year for this indicator), the water consumption rate has decreased by 52%.

WATER CONSUMPTION BY SUBSIDIARIES





## 5.6.5 WASTE

KCE implements measures aimed at more circular management. Among other actions, progress is being made to improve the performance of production processes, to reduce and reuse packaging, and to end the status of waste, thanks to the commercialisation of these substances as products.

### GENERATED WASTE

306-3

KCE	2021	2022	2023
Total waste (t)	14,395	12,939	<b>11,016</b>
Total waste / Production (t/t)	0.04	0.04	<b>0.03</b>
Total hazardous waste (t)	11,878	10,717	<b>8,844</b>
Total hazardous waste / Production (t/t)	0.03	0.03	<b>0.03</b>
Valuation of total waste generated (%)	64.13	77.77	<b>71.51</b>

The amount of waste generated (indicated in the table above) excludes construction waste, as it is generated only occasionally.

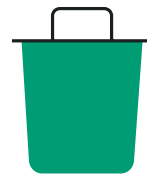
The amount of waste generated decreased by 1,923 tons compared to the previous year, with KCSA being the greatest contributor to this reduction due to the decrease in production—specifically, the production of products that generate the most waste—and the multiple actions implemented.

The degree of waste recovery, including energy recovery, decreased compared to the previous year, but remains above 70%.

### ACTIONS AGAINST FOOD WASTE

KCSA in Barberà del Vallès and QK have cafeterias at their facilities, where the quantities of food are adjusted to avoid food waste.

At KCSA, the food supplier has implemented the “Stop food waste programme”, which minimises food waste throughout the chain; the waste generated is measured daily and awareness actions (training of both kitchen staff and diners) regarding food waste prevention are offered.



In this sense, the 2030 target for waste of industrial origin destined for landfill or incineration is set as less than 1%.

### The rate of waste generated per tonne of final production decreased by 7.5%.



## 5.7 BIODIVERSITY

The company defines the conservation of biodiversity as an area of environmental intervention within its Responsible Care® activities.

Kao has implemented a methodology based on the land use standard developed by *the Japan Business Initiative for Biodiversity (JBIB)* to better understand the biodiversity situation and assess conservation progress at all its centres globally.

To do this, a self-assessment questionnaire on biodiversity addresses the following concepts:

- Biodiversity management
- Response to exotic species
- Circulation of matter
- Circulation of water
- Biological monitoring
- Employee participation
- Cooperation with external parties
- Other

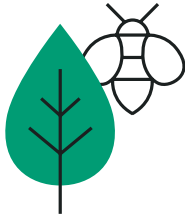
The score obtained by KCE in 2023 is as follows:

KCE	2021	2022	2023
KCG	236	236	<b>236</b>
QK	290	290	<b>290</b>
KCHI	365	405	<b>385</b>
KCSA			
Olesa	585	595	<b>595</b>
Mollet	376	386	<b>391</b>
Barberà	525	535	<b>555</b>

KCE production centres are located in industrial estates. Three of them are near areas of natural interest. Although current activity does not affect these areas, a catastrophe could lead to partial impact.

All KCE production centres are built in accordance with legal regulations, with due monitoring and control of all identified environmental aspects, particularly, those of greater significance. To respond to a possible catastrophic situation, all KCE centres have self-protection plans that include the different accident scenarios and establish the corresponding action procedures in each case, based on available means.





LOCATION OF THE CENTRES WITH INDICATIONS OF NEARBY AREAS OF NATURAL INTEREST AND PROXIMITY TO BODIES OF WATER

Company	Natural resource	Mass of water
KCG	DE4203401: Vogelschutzgebiet 'Unter niederrhein' - Protected bird sanctuary	Rhine river (approx. 300 m)
	DE4103301: Dornicksche Ward - bird sanctuary	
	DE4405301: Rhein-Fischschutzzonen zwischen Emmerich und Bad Honnef - protected fishing area	
QK	-	Santiago river (approx. 150)
KCHI	-	-
KCSA		
Olesa de Montserrat	ES5110012: Montserrat-Roques Blanques-Llobregat river	Llobregat river (approx. 70 m)
Mollet del Vallès	ES5110025: Congost river	Besòs river (approx. 200 m)

BIODIVERSITY INDICATORS AND THEIR EVOLUTION

KCE	2021	2022	2023
Soil occupancy (%)	42.06	42.06	42.00
Total land use (m²)	187,793	188,664	184,922
Total sealed area (m²)	254,834	261,265	257,523
Surface permeability (sealed surface / surface establishment) (%)	57.08	58.52	58.49
Total area in the centre oriented according to nature (m²)	97,289	90,858	88,454
Internal occupation biodiversity (internal surface oriented to nature / surface establishment) (%)	21.79	20.35	20.09
Total area outside the centre oriented according to nature (m²)	24,874	28,874	28,874
External occupation biodiversity (surface externa oriented to nature / surface establishment) (%)	5.57	5.57	5.65

INITIATIVES FOR THE PRESERVATION OF BIODIVERSITY

In 2023, the following actions were carried out:

- At KCSA, a campaign started in 2022 regarding invasive species and, in particular, *Cortaderia de la Pampa*, continued. To close the cycle, this species has been eradicated at the Barberà facility, where there was an infestation. The nest boxes and insect hotels installed in 2020 and 2021 were also monitored, and the exclusive use of organic fertilisers was certified.
- At KCHI, in recent years several actions have been implemented (i.e. including the concept of biodiversity in the company policy and company objectives, installing nest boxes, creating species catalogues, training sessions and bird-ringing, etc.), and we continue working to protect and promote biodiversity, especially in the environments of our work centres.
- Different vegetation was planted at KCE centres.





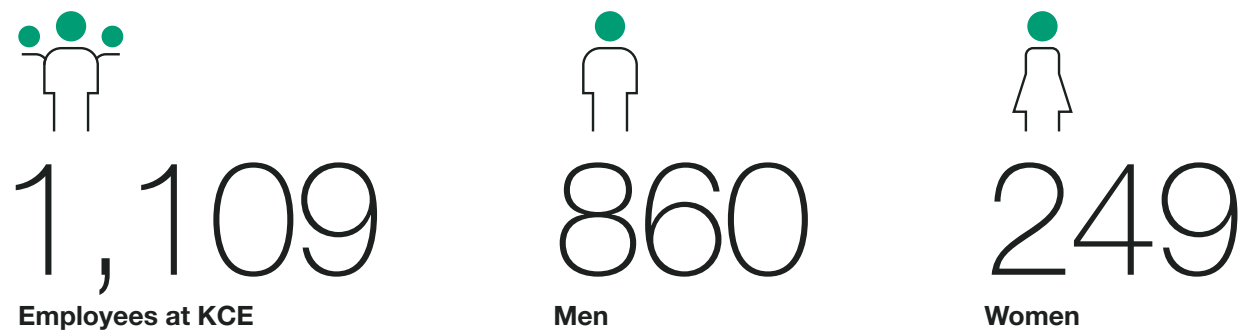
# 6 OUR PEOPLE



Our people are KCE's most important asset. Year after year we remain firmly committed to the quality of work, equal opportunities, respect for diversity, and the development of our talent.

## 6.1 COMPOSITION OF THE STAFF

The tables below show the data for each affiliate. The KCE IND column refers to the people hired directly by KCE. The Total KCE column shows the total of the five companies.



### STAFF BY GENDER

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	191	206	136	321	6	860
Women	63	25	35	125	1	249
<b>TOTAL</b>	<b>254</b>	<b>231</b>	<b>171</b>	<b>446</b>	<b>7</b>	<b>1,109</b>

### KCE'S STAFF EVOLUTION

	TOTAL KCE 2021	TOTAL KCE 2022	KCE 2023
Men	863	849	860
Women	249	249	249
<b>TOTAL</b>	<b>1,112</b>	<b>1,098</b>	<b>1,109</b>

### STAFF BY AGE GROUP

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
≤ 18	2	0	0	0	0	2
18-29	62	59	9	37	0	167
30 - 50	94	129	101	224	2	550
≥ 51	96	43	61	185	5	390
<b>TOTAL</b>	<b>254</b>	<b>231</b>	<b>171</b>	<b>446</b>	<b>7</b>	<b>1,109</b>

Currently, across KCE there are only two people under 18 years of age with an apprenticeship contract at KCG, who are covered under the Apprenticeship Policy, strictly regulated by local legislation.

Under no circumstances are these workers exposed to jobs that may be considered dangerous, according to the ILO convention.

### STAFF BY PROFESSIONAL GROUP

	KCG		QK		KCHI		KCSA		KCE IND		TOTAL KCE
	M	W	M	W	M	W	M	W	M	W	
President/ Vice president	4	0	3	1	1	0	2	0	6	1	18
Managers	18	6	9	0	11	0	15	6	0	0	65
Group Leaders	4	0	8	0	13	3	28	16	0	0	72
Technicians	50	11	19	6	37	13	52	39	0	0	227
Staff / Shift Lead	25	38	54	18	26	19	37	30	0	0	247
Factory Workers	73	4	113	0	48	0	187	34	0	0	459
Apprentices KCG	17	4	0	0	0	0	0	0	0	0	21
<b>TOTAL</b>	<b>191</b>	<b>63</b>	<b>206</b>	<b>25</b>	<b>136</b>	<b>35</b>	<b>321</b>	<b>125</b>	<b>6</b>	<b>1</b>	<b>1,109</b>

The detailed information provided below is available in the table "Verification and list of contents according to law 11/2018".

Employment of women is still quite low at all KCE subsidiaries, which is mainly due to a structural problem in the chemical sector where the presence of women has historically been very low.

To reverse this situation, we have measures that promote the incorporation of women at the company and in the different job categories.

In 2023, a total of 81 people joined KCE, 26% of which were women and 73% men.

In 2023, **94% of the total KCE workforce enjoyed permanent or indefinite contracts,**

while 3% were temporary employees. Part-time contracts accounted for 3% in 2023. In all cases, workers promoted this type of contractual relationship themselves for reasons of work/life balance.

2.1% of all women at KCE work under part-time contracts for reasons work/life balance.

The group with the lowest rate of permanent contracts are those up to 29 years of age. However, the temporary workforce in this age range only accounted for 2% of all hirings at KCE in 2023, with KCG being the subsidiary with the most contracts of this type (9%). The professional group with the highest temporary employment at KCE is the production area, with 2% at KCSA and 1% at KCG, representing 1.2% of the Group's temporary contracts.



## 6.2 COMPENSATION AND BENEFITS POLICY

3-3 / 2-19 / 2-20 / 405-2



KCE is committed to effectively applying the principle of equal pay for work of equal value and uses this as a basis for its remuneration policy, adopting it in the practice of applying wages at the start of employment and at subsequent revisions.

The remuneration system for employees of KCE is adapted to the salary structure established in the sector's collective agreements and in the specific company agreements applicable in each country. As a general rule, wages consist of a base salary,

depending on the position, plus bonuses and supplements linked to experience, expertise, and job conditions.

Additionally, KCE contracts the main consulting companies dedicated to analysing the salary references of the different sectors and countries where it operates, with the aim of guaranteeing an adequate standard of living in accordance with the best practices of the companies present in the market.



## 6.3 EQUALITY, DIVERSITY AND INCLUSION

405-1 / 406-1

In 2023, Kao published its Human Rights Policy ([Kao | Kao Human Rights Policy](#)), detailing its firm commitment to human rights.

*Specifically, the policy reflects the company's commitment "not violate human rights, including the prohibition of human trafficking, forced labour, child labour and all forms of discrimination, as well as freedom of association and the right to collective bargaining, and the guarantee of equal pay for equal work."*

In the area of people management, the Human Rights' Policy is part of our Diversity, Equity, and Inclusion Policy.

*"We are committed to further advancing our actions on diversity, equity, and inclusion by enhancing collaboration with our stakeholders, starting with our employees, and including business partners and all people, in our business through our brands, products and services, and all corporate activities to realise a society in which all people can authentically thrive."*

Kao has also been recognised for the fifth consecutive year by Bloomberg as a companies with excellent performance in developing gender equality measures ([Kao | Kao Selected for Inclusion in the 2023 Bloomberg Gender-Equity Index for the 5th Year Running](#)).

At KCE, we remain firmly committed to implementing and developing the Diversity, Equity and Inclusion Policy ([Kao | Diversity, Equity and Inclusion Policy](#)) published in 2023 for all Group companies. In 2023, Kao and KCE maintained an active dialog to learn about local initiatives aimed at the dissemination and implementation of this policy at KCE.

With the launch of the Kao DEI STECOM, all Group companies shared the initiatives they worked on in the last year.

At KCE we promote equal opportunities and non-discrimination on the basis of nationality, social origin, age, sexual orientation, ideology, or any other personal, physical, psychological or social condition. The following is a description of the main actions carried out by the different affiliates.

KCHI and KCSA have Equality Plans in accordance with current legislation.

KCG applies the General Equal Treatment Act, with two people at the company responsible for ensuring compliance with the law.

In 2022 and 2023, KCSA donated to the NGO, APRAMP, a non-profit association focused on combating the trafficking of women, supporting the guidance and protection of victims of gender violence. This year, a training programme was initiated to raise awareness of equality issues, and active communication was also maintained with the staff on the equality measures adopted, encouraging communication and the submission of suggestions.

KCSA continues to disseminate the Harassment and Discrimination Prevention Protocol, reaching 70% of the total workforce by 2023. Likewise, this protocol is accessible to everyone in the organisation through the Human Resources intranet.



At the same time, a training programme on equality awareness was initiated. Those included in the 2023 training plan have participated, with continuity in the coming years.

3-3 / 405-1

At KCE, **we are committed to effectively integrating people with different abilities** into the labour market and we ensure compliance with the legislation applicable in each country.

In total, KCE employs 13 people with disabilities (nine men and four women).

- In **Germany**, KCG has hired seven people (five men and two women), two more than in 2022. There is a committee representative for people with different abilities who work at the company.
- In **Spain**: The General Law on Disability (“LGD”, formerly “LISMI”) requires that companies with more than 50 employees have 2% staff with disabilities or to subcontract the equivalent to Special Employment Centres (CET) in terms of turnover of products or services.
  - At KCSA, the 2% reserve corresponds to nine workers, three of whom have been hired (one man and two women). The company has been granted authorisation for exceptional measures and therefore subcontracts products and services for the equivalent of 12 workers, far exceeding the legal minimum.
  - At KCHI, the 2% reserve corresponds to three workers, three of whom are employees (three men), so exceptional measures need not be applied.

- In **Mexico**: at QK, despite the fact that there is no applicable regulation regarding staff with different abilities, there are state regulations that serve as a declaration of principles in the field of equality and non-discrimination at work (NMX-R-025- SCFI-2015 on labour equality and non-discrimination).

At KCE, we collaborate with entities dedicated to integrating people with different abilities and/or at risk of social exclusion into the labour market. In 2022, KCG purchased work supplies from special employment centres.

At KCSA, we have subcontracted gardening/maintenance services, laundry services, and the supply of hygiene and cleaning products for its three work centres from a special employment centre.

In 2023, KCHI began collaborating with an NGO in Rubí, focused on teaching Spanish and Catalan to people from other countries, to promote their social and labour integration. The collaboration consists of a donation for the purchase of teaching materials and the provision of classes by KCHI staff. Human Resources have provided guidance in how to prepare the curriculum and approach the first job interview.

We ensure that workplaces are accessible by adapting them to people’s needs. Likewise, all work projects involve the analysis of accessibility measures.

3-3

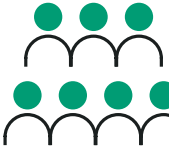
At KCE, we promote the quality of life and well-being of our workforce by implementing specific measures at the local level.

- **KCG**: each employee has a pool of excess hours that they can later offset with breaks. Part-time workdays are more widely implemented at KCG. In 2023, six women took a reduction in working hours to care for children under the age of 12, and 108 men and 56 women have individual flexitime agreements.

- **KCHI**: has a flexible schedule, with a one-hour margin at the beginning and end of the workday. Remote work is an option in all areas and positions that allow it. Two people (one woman and one man) opted for reduced working hours in 2023 to care for children under 12, and a specific agreement was reached (with one woman) to adapt her working hours.

- **KCSA**: flexible working hours have been implemented (flexibility pact), permitting arrival between 7 a.m. and 9 a.m. and departure from 4 p.m., plus the possibility of one day a week of teleworking, according to the organisational needs of the position and the work centre. Ten people took advantage of a reduction in working hours to care for children under 12, and 17 people adapted their working hours in 2023.

- **QK**: Mexico’s Federal Labour Law stipulates the obligation to have a minimum of one day off after every six days worked, with mandatory holidays. QK’s workforce has six days in addition to those prescribed by law.







### 6.4.1 PREVENTIVE CULTURE

403-2

Each of KCE's companies has resources aimed at hazard identification and risk assessment.

- KCG has an HSE department. Additionally, the company has people designated as "safety officers" in all departments, who support the work of specialists and participate in the company's Safety Committee. KCG works with an external-physician, who carries out medical examinations and advises on occupational health.

- QK offers onsite preventive health and safety services with duly trained people from the company itself. QK works with an external physician, in charge of health monitoring.

- KCHI has a nationally recognised External Prevention Service, with the four legally required specialties (occupational safety, industrial hygiene, ergonomics and psychosociology, and health surveillance).

With the aggregate results, epidemiological studies are prepared, and preventive health measures and campaigns are planned for each subsidiary.

Actions to eliminate or control risks are defined based on the results of the risk assessments carried out at each KCE subsidiary. In addition, Kao annually sets health and safety improvement objectives that each subsidiary implements and complements with specific actions.

Each company has its own committees to ensure effective communication, consultation and participation in health and safety, in accordance with the legislation of each country.

Among the actions carried out in 2023, the following are worth highlighting:

- KCG has an Occupational Health and Safety Committee, in which the Works Council participates, and which meets at least 4 times a year. In addition, there is a Safety and Environment Committee in which expert representatives on the Seveso Directive also participate.

- *The Behaviour-Based Safety Committee* features representatives from all operational departments. Members aim to improve safety culture to prevent behaviour-based incidents through the implementation of actions and programmes.

- At QK, there is a Joint Safety and Hygiene Committee made up of employees appointed by the company and union members, who meet once a month and whose main function is to detect unsafe conditions.

- At KCHI and KCSA, there are Health and Safety Committees, which are joint bodies made up of representatives of the employees and representatives designated by each company. The committees meet quarterly and provide regular and periodic rundowns of risk prevention actions. At KCHI, workplaces with less than 10 people have no works councils or personnel delegates. However, efforts are being made to promote the consultation and participation of workers through meetings and forums with open dialogue. At KCSA, an Inter-Centre Health and Safety Committee has been set up to address issues common to all workplaces.

Communication and consultation on health and safety by contractors is articulated through other systems. In the case of KCHI and KCSA, through the coordination of business activities.

- At KCG, the development of the process management system continued. In addition, a new management programme was implemented for internal training courses and a new digital HSE tool was introduced, through which the management of hazardous substances is reviewed and optimised.

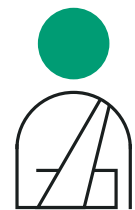
- At QK, 48 security patrols were carried out with contractors, from which 172 areas of improvement were identified.

- At KCHI, special work was done to identify and address the causes of accidents in recent years. For example, we strengthened training and documentation for work involving mobile equipment or special risks; reception plans were improved to guarantee a smoother and safer transition for new employees; and the *Protection against explosions* document was updated to control ATEX-classified areas (Explosive Atmosphere).

- At KCSA, we developed a new edition of the Risk Prevention Management System, which incorporates the latest legal requirements, as well as improvements from audit and Kao recommendations. ESG concepts were also reinforced. Management aspects aimed at a healthy business model were incorporated and the language was reviewed to make it inclusive.

KCE offers all staff the option of medical consultations. These are also carried out for new hires and when employees return after prolonged absences.





## 6.4.2 ACCIDENT RATE

403-9 / 403-10

At KCE, we strive to reduce accident rates at all our work centres through our management system and the constant reinforcement of preventive culture.

In 2023, there were 16 accidents resulting in sick leave among our own personnel, with a total of 587 days lost. The types of accidents that occurred most frequently were related to unsafe movements and/or ergonomic aspects (38%), followed by falls (25%), and contact with dangerous materials (19%).

While the KCE frequency index increased slightly, from 7.60 to 8.09, the severity index increased more significantly, from 0.13 to 0.30. This is because, although the total number of accidents is similar to that of the previous year, two of them have involved long-term sick leave. These two accidents account for 64% of the days lost and, in both cases, they were caused by a bad gesture while handling a drum.

The degree of achievement of the target value for the frequency index established by the Group was not reached and is becoming stricter each year. Finally, we must positively highlight the absence of occupational diseases reported at Group companies.

## 6.4.3 HEALTH PROMOTION

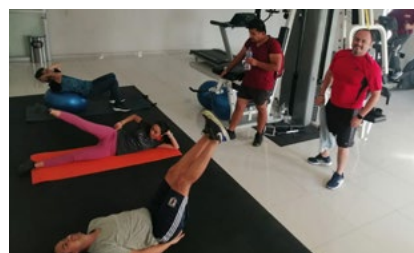
403-6

At KCE, we are committed to health. We develop initiatives to raise awareness and promote a healthy lifestyle for our staff, their families, and the communities around us, through participation and collaboration with entities and associations.

In 2023, KCG engaged in various activities aimed at improving physical and mental health, including vaccination campaigns against influenza and COVID-19, promoting the use of bicycles to get to work, and yoga classes. The company also participated in the "Homerun" charity race and has a mountain bike team. Special training courses were also organised for first responders, including training in the use of the automated external defibrillator.



At QK, we continue to promote physical fitness. There has been a gym on site for many years and a nutritionist provides personalised exercise routines twice a week.



At KCHI, a healthy recipe contest was held to encourage good eating habits among staff, and the safe driving course that began the previous year continued. Another major development is the start of psychosocial risk assessments for workers.

At KCSA, under the 'CUIDA'T' programme, dedicated to the prevention of cardiovascular diseases this year, we organised healthy eating events, such as the Smoothie workshop and the Batch Cooking seminar, and physical fitness activities, like the Workout workshop guided by specialists, in addition to an informative panel about the company's cardiovascular health status, a raffle for several healthy bread baskets, and the "Digital Tools" DETOX conference.



Smoothie workshop



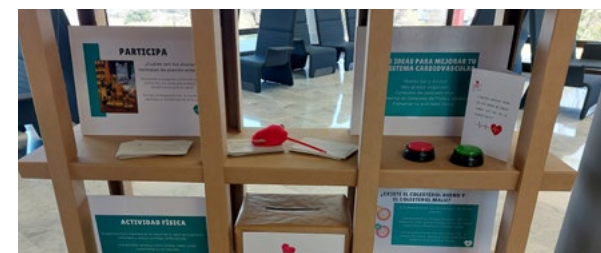
Smoothie workshop



Workout workshop



Cuida't ("Take care of yourself") Contest



Information panel with aggregate data on the employees' cardiovascular health and healthy tips



## 6.5 LABOUR RELATIONS WITH THE STAFF AND THEIR REPRESENTATIVES

2-29 / 2-30 / 402-1 / 403-1 / 407-1

KCE maintains open dialogue with its workforce globally. In accordance with the principles of the Global Compact, the company respects all aspects related to the full freedom of affiliation and the effective recognition of the right to labour negotiations.

A Kao European Forum takes place annually, in which the management team for the European region, the general managers of the different subsidiaries, and the workers' representatives of each of these participate, in order to establish relationships of trust that encourage dialogue and cooperation. In 2023, the Forum was held on 21 and 22 June

in Darmstadt, Germany. The most relevant topics discussed were the new work model (hybrid work), the importance of diversity and inclusion, and the development of career plans.

**The company respects all aspects related to the full freedom of affiliation and the effective recognition of the right to labour negotiations**

- At KCG, labour relations are regulated by the collective bargaining agreement for the German chemical industry and, more specifically, by company agreements at the KCG workplace. KCG has a works council. A meeting between management and workers' representatives is held quarterly. In addition, the workers' representatives are also present on the various committees that regulate different areas: safety, health, personnel and financial matters.
- At QK, there is a collective bargaining agreement, the terms of which are negotiated annually. QK has a works council that holds a minimum of three meetings annually. Mexico's Federal Labour Law determines the mandatory issues that must be addressed.
- In the case of KCHI and KCSA, the National General Collective Agreement of the Chemical Industry applies. In addition, for each of the work centres, agreements are negotiated with the workers' representatives to address the specific needs of each.
- Regarding KCSA, since it has three different work centres, there are three works councils at Barberà del Vallès, Mollet del Vallès, and Olesa de Montserrat. Quarterly meetings are held at each centre to report on the evolution of the workplace and the business results of KCE and KCSA. In order to strengthen synergies and streamline communication, a negotiating committee consisting of nine members was created for the set of measures that fall within the global scope of KCSA.

### 6.5.1 TRADE UNIONS RELATIONSHIPS

Dialogue with the staff and their representatives is structured at the local level and in accordance with the legal framework of each country.

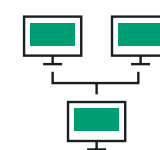
- In Europe, we apply agreements for the chemical sector in Spain and Germany, with coverage for the entire workforce. In each case, there is a specific improvement in conditions that exceeds the stipulations in each sector's collective agreement. KCSA contacts personnel services companies to provide support in certain areas of the company in accordance with legislation. The staff involved are covered by the agreement that applies to their specific activity.
- In the case of QK, the workforce is legally protected by two distinct modalities. Fifty-one percent of staff is governed by the individual work contract and the remaining 49% (factory workers) is covered by the collective work contract. Both modes share benefits, such as food vouchers, savings funds, and a punctuality bonus.

## 6.6 INTERNAL COMMUNICATION

At KCE, we maintain an open dialogue with our entire workforce through the following channels:



Kompass:  
corporate intranet



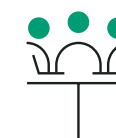
Local  
intranets



Corporate  
website



Information  
panels



Frequent meetings  
between union delegates  
and the rest of the staff

# 6.7 TALENT DEVELOPMENT

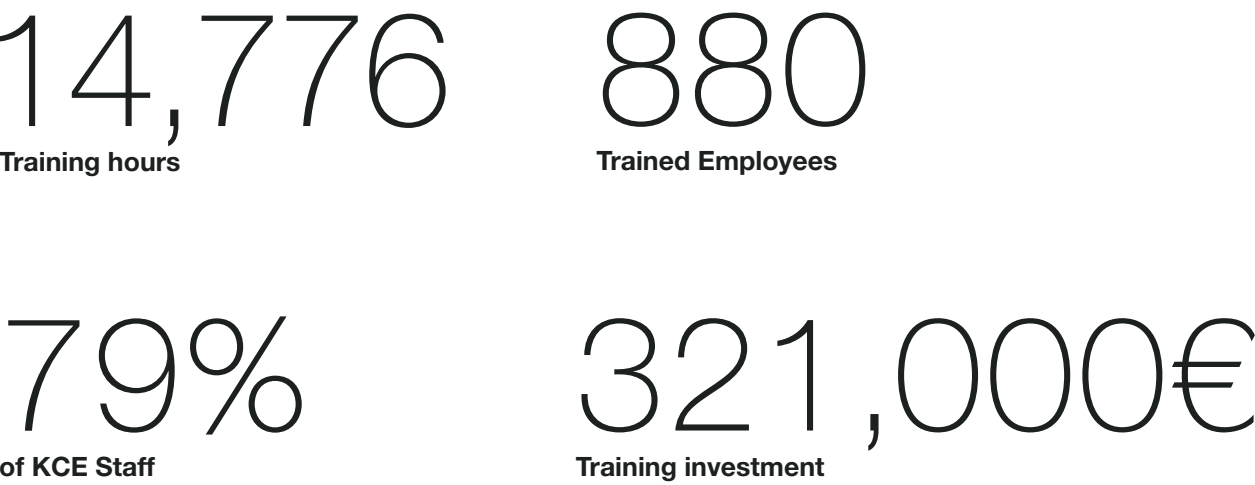
404-2

We strive to create an environment in which all people can grow, by supporting their talent and abilities and maximising their potential. At KCE, we believe that the diversity of our workforce and the promotion of their talent are essential for our growth and development as an organisation.

Through an extensive training programme, we ensure this development is consistent with the demands of the organisation and market changes.

With this objective, we work to guarantee that all people are continuously trained and acquire the skills not only needed to meet the requirements of their job, but also to face the demands of the future. To achieve this, we analyse and review the training offer in an effort to address the needs detected at any given time in the performance of each job function. This, in turn, ensures compliance with the established standards of excellence.

404-1



Training hours	2021	2022	KCE 2023
Men	12,126	12,710	11,695
Women	3,426	2,601	3,081
TOTAL	15,552	15,312	14,776

## HOURS OF TRAINING PER EMPLOYEE

Training hours	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	2,251	2,976	1,116	5,335	18	11,695
Women	447	583	633	1,416	4	3,081
TOTAL	2,698	3,558	1,749	6,751	22	14,776

The difference between the number of training hours for men and women is the result of more men at KCE work centres, especially in the production and logistics areas, where the greatest number of training hours are concentrated. This is because they represent the core of KCE's business activity with regard to industrial safety and product quality and,

consequently, require more hours of training in safety, quality, operating procedures, risk prevention and regulatory compliance.

In 2023, the average hours of training by gender were similar: 13.6 for men and 12.4 for women.

## AVERAGE HOURS OF TRAINING PER EMPLOYEE

% training hours	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	11.8	14.4	8.2	16.6	3.0	13.6
Women	7.1	23.3	18.1	11.3	3.5	12.4
TOTAL	10.6	15.4	10.2	15.1	3.1	13.3

## TRAINING HOURS AND AVERAGE PER EMPLOYEE AND BY JOB CATEGORY

	KCG		QK		KCHI		KCSA		KCE IND		TOTAL KCE	
	hours	̄	hours	̄	hours	̄	hours	̄	hours	̄	hours	̄
President / Vice Presidents	0	0.0	54	13.8	1	1.0	6	3.0	22	3.1	82	4.6
Managers	87	3.6	109	12.1	26	2.4	173	8.2	0	0.0	395	6.1
Group Lead	7	1.8	199	24.8	192	12.0	467	10.6	0	0.0	864	12.0
Technicians	1,178	19.3	511	20.4	575	11.5	1,257	13.8	0	0.0	3,521	15.5
Administrative Staff / Shift Leaders	434	6.9	1,911	26.5	591	13.1	910	13.6	0	0.0	3,846	15.6
Factory Workers	974	12.6	775	6.9	364	7.6	3,938	17.8	0	0.0	6,051	13.2
Apprentices KCG	18	0.8	0	0.0	0	0.0	0	0.0	0	0.0	18	0.8
TOTAL	2,698	10.6	3,558	15.4	1,749	10.2	6,751	15.1	22	3.1	14,777	13.3



Most of the training hours are dedicated to technical and production positions, where most of the staff is concentrated.

Relative to 2022, in 2023 more focus was placed on internal training in strategic cross-cutting content: ESG and corporate culture.



## 6.7.1 TRAINING ACTIVITIES

404-2

In 2023, workshops were held at all KCE subsidiaries with the aim of raising awareness and transmitting the importance of corporate principles in our day-to-day business with a total of 198 participants (KCHI 61, KCSA 80, KCG 57).

- An Orientation Programme for new workers is carried out at all KCE subsidiaries. In 2023, 59 employees participated: 13 at KCG, 10 at QK, 15 at KCHI, and 21 at KCSA.
- KCSA continued to roll out its 2021-2023 corporate skills training programme, whose objective is to enhance and develop the skills of each person in the organisation. In its third year, approximately 89% of the workforce has been covered, with a high degree of satisfaction. We also implemented a new Operational Leadership Programme, focused on the development of skills in production environments, the aim of which is to enhance the skills of this group.
- In 2023, KCHI continued the “Communicating by Applying the Best Attitude” (CALMA) project, in which 54 people participated.



TKW Workshops

### TRAINING IN RISK PREVENTION AND SAFETY

403-5

All KCE subsidiaries implement risk prevention training programmes annually. These programmes cover the legally required training, plus additional training focused on the risks of each subsidiary. Every KCE plant conducts annual emergency drills, in which, in addition to fire response training and instruction, all personnel are trained in managing a major incident.

In 2023, the total number of training hours in HSE was 4,383. This represents 30% of the training carried out during the year.

#### TRAINING HOURS IN HSE BY GENDER

Training hours	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	850.0	30.0	338.5	2,579.0	3.0	3,800.5
Women	76.0	1.0	58.5	446.0	1.5	583.0
<b>TOTAL</b>	<b>926.0</b>	<b>31.0</b>	<b>397.0</b>	<b>3,025.0</b>	<b>4.5</b>	<b>4,383.5</b>

### TRAINING IN ANTI-CORRUPTION AND PREVENTION OF MONEY LAUNDERING

205-2

KCE organises training and awareness sessions through ‘Integrity Workshops’, where the team is trained and informed about compliance matters in an effort to prevent conduct that violates the ethical principles of the company’s mission, vision and principles based on “The Kao Way”. The training sessions are offered to all KCE employees and organisational levels, and must be undertaken every three years.

- In the case of QK, various Integrity sessions were held during the year; 79 people attended.
- In Europe, face-to-face formats were held; 174 employees attended various training sessions held at KCSA, KCHI and KCG.
- Two practical Anti-Trust Training sessions were held; 101 KCE employees participated.

In 2023, Kao shared with all Group companies’ various messages aimed at reinforcing the culture of compliance. Training actions were carried out throughout the year. These included messages from the president of the Kao Japan Compliance Committee and the president of each company, which were disseminated through posters. In addition, awareness actions including compliance cases studies were carried out.

### ESG TRAINING

Throughout the year, ESG training actions and seminars were held, with participation from those responsible for ESG criteria evaluations and reports (EcoVadis, Sedex, EINF, etc.). These addressed aspects such as due diligence in human rights, good labour practices, and improvements in human resources policies.

In 2023, training was also conducted on more specific topics, such as RSPO certification for sustainable palm derivatives.

The number of people who participated in periodic training and in the initial RSPO course for each KCE subsidiary during 2023 is specified below:

#### NUMBER OF PEOPLE TRAINED IN RSPO

	KCG	QK	KCHI	KCSA	TOTAL KCE
Continuous trainings	43	7	NA	60	110
Initial Training	3	4	NA	24	31
<b>TOTAL</b>	<b>46</b>	<b>11</b>	<b>NA</b>	<b>84</b>	<b>141</b>





7

# COMMITMENTS TO SOCIETY



3  
GOOD HEALTH  
AND WELL-BEING

4  
QUALITY  
EDUCATION

10  
REDUCED  
INEQUALITIES

6  
CLEAN WATER  
AND SANITATION

13  
CLIMATE  
ACTION



# 7.1

## COMMITMENTS TO OUR CUSTOMERS

2-29 / 3-3

Kao acts with respect and fairness and conducts its business with sincerity and diligence, behaving ethically and responsibly and earning the trust of customers through solid and honest business activities.

Quality management is of vital importance to KCE, always associated with continuous improvement and increasing customer satisfaction. This is reflected in the Quality Policy, through which we not only comply with ISO 9001 standards, but also with the specifications of the industry and of each customer, requirements that go beyond the standard.

Our Quality Policy defines and develops the commitments and basic principles on the basis of which we guarantee that our processes and

products meet the needs and expectations of our customers, ensuring legal compliance and commitment to our ESG strategy. We also guarantee that our policy is communicated to all employees and suppliers.

Based on the corporate values of Innovation, Integrity and the Yoki-monozukuri concept, constant improvements are made to products and business processes to stay one step ahead of changing customer needs and the business environment.

Our goal is to put the customer at the centre of our business decisions. To this end, we collaborate closely with partners to support the development of customised solutions that are cost-effective and sustainable.

Since 2020, KCE has had a CRM (Customer Relationship Management) that enables the management of customer relationships, a comprehensive view of value chains, and a broader understanding of the market. In 2022, additional functionalities were implemented, such as the Pardot programme, which focuses on digitising B2B business processes. In addition, the company offers the possibility of managing demand and related documentation through EDI (Electronic Data Interchange) channels, adding value and increasing efficiency.

Both systems make it possible to refine, organise and centralise customer information, as well as to identify their spending habits, needs, interests and how they interact with the business.

KCE is currently carrying out various projects to improve the efficiency of its processes through digitisation strategies.

### 7.1.1

## CUSTOMER HEALTH AND SAFETY

416-1 / 417-1

In order to safeguard the health and safety of customers in the evaluation procedures of the products we develop, we have established a series of measures to search for the most appropriate solutions to improve sustainability and health in general. Additionally, in compliance with current legislation, we are responsible for identifying the hazardous nature of materials and making safety data sheets available to customers/consumers that explicitly indicate the risks related to health, safety and the environment.

In terms of communication with customers, we provide all technical information on each product and safety data sheets prior to the first shipment

and whenever there is an update. We also provide information, through the established documents and mechanisms, on any other documentation that is essential for the correct use and handling of the products or related to compliance with the various applicable regulations.

We proactively hold informative meetings with customers to resolve doubts about the use of products in different fields of application in accordance with the regulations in force, such as the European regulation on cosmetic products or the EU regulation on detergents and contact with foodstuffs, among others.



7.1.2

COMPLAINT SYSTEMS

2-29 / 416-2 / 417-2 / 417-3

To better understand customers’ needs, we regularly consult our performance and carefully examine the proactive assessments submitted to us.

Complaints are recorded and analysed by the relevant departments and, if necessary, preventive and corrective measures are implemented.

**KCE has an incident and non-compliance management model that keeps the number of complaints to a minimum.**

The number of complaints received is remarkably low and stable compared to previous years, with slight variations for each member company.

N° complaints	KCG	QK	KCHI	KCSA	TOTAL KCE
2021	6	4	9	4	23
2022	9	9	6	4	22
2023	9	5	5	3	22

In addition to complaint management, KCE registers any type of incident that occurs in the process of supplying an order. Periodically, the data is analysed with the different areas involved and measures are proposed to prevent or minimise these cases, with the aim of continuously improving customer service.

In 2023, there were no cases of non-compliance relating to health and safety, information and labeling, or marketing communications issues for our products that resulted in a sanction or fine.

None of KCE’s subsidiaries have financial provisions for the compensation of claims.

7.1.3

DATA PRIVACY

418-1

The [KCE Privacy Policy](#)<sup>9</sup>, in accordance with the current EU General Data Protection Regulation, defines the principles governing the various types of personal data processing, as well as the procedure for exercising the rights of data subjects (KCE customers).

All subsidiary companies of KCE report annually to the Kao Information Security Committee on incidents in this area through the local Security Committees.

In 2023, no substantiated complaints relating to breaches of customer privacy were identified and no cases of leakage, theft or loss of customer data were recorded.



<sup>9</sup> This policy is available on the KCE website.

7.2

COMMITMENT TO SUPPLIERS

2-6 / 308-1 / 308-2 / 2-23 / 414-1 / 414-2

**Supply chain management is fundamental to achieving product excellence, customer satisfaction, and value for our stakeholders.**

One of the most important aspects of KCE’s development is to build a strong and responsible relationship with our suppliers. We strive year after year to comply with environmental, quality, safety, and human rights standards in all operations, optimising the purchase of materials and services.

Our sourcing and operations teams leverage the organisation’s management expertise and knowledge to work closely with our suppliers to drive product, service, and business development and value creation.

KCE conducts its relationships with suppliers in accordance with Kao’s policies (available on its [website](#)), which detail the actions to ensure that all transactions are fair, honest and appropriate.

In order to promote ESG activities in our supply chain, in 2023, KCE has defined its own Sustainable Procurement Policy and Suppliers’ Code of Conduct (available on [KCE website](#)). The Code of Conduct sets out the basic principles to be respected by all suppliers, while the Sustainable Procurement Policy establishes our principles and values, and the actions we will take to ensure that compliance with the principles of fairness, ethics and sustainability, while guaranteeing fair procurement of the most critical raw materials (see section 5.6.1 Responsible consumption and production of materials).





7.2.1  
PURCHASING WITH  
SUSTAINABILITY  
CRITERIA

Kao requires its suppliers to comply with the Group’s social and environmental responsibilities, which is why priority is given to those collaborators who accept these commitments or those who already integrate them into their practices.

On the corporate level, a supplier evaluation system assesses different areas, specifically, respect for human rights and the environment, safety management, and product safety. This evaluation process has a twofold objective: i) to facilitate access to information on the companies with which we have a commercial relationship and standardise the assessment prior to a possible incorporation into our supplier panel, and ii) to be a reference resource for our purchasing managers on a global level. The Sedex platform is used for this purpose.

Kao is committed to reducing carbon emissions and fighting climate change throughout the supply chain and strengthens coordination with suppliers through various initiatives. Through CDP’s supply chain programme, key suppliers are required to disclose relevant information on climate change, water and forests. KCE is actively involved in providing information related to Kao’s CDP supply chain programme.

Likewise, at KCE, we include clauses related to sustainability in our contracting processes with suppliers, agents and distributors. In 2023, clauses relating to the environment, ethics, labour, human rights, etc., were incorporated.

The percentage of contracts with suppliers that include CSR clauses for each KCE subsidiary is shown below:

	KCG	QK	KCHI	KCSA	KCE	TOTAL KCE
% Contracts with CSR clauses	22	44	0	71	71	28

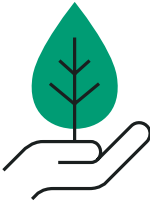


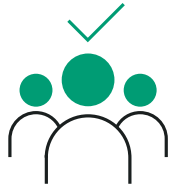
7.2.2  
SELECTION, APPROVAL  
AND EVALUATION OF  
SUPPLIERS

KCE is improving its processes for purchasing goods and contracting services, in terms of supplier management. The process includes checking certain aspects of contractors once they are selected but before rendering the contracted services.

The process is divided into three stages:

- **Obtaining CSR information:** a Sustainable Purchasing sub-process is initiated by sending our Code of Conduct, Sustainable Purchasing Policy, and the self-assessment questionnaire, which must be returned duly signed and completed. Following the Kao guidelines, we also request Sedex platform membership or accept the results obtained from other platforms, such as EcoVadis. This process is applied globally to raw material suppliers and across KCSA for the most prominent suppliers of goods and services.
- **Evaluation:** once the results are obtained, a database is generated and an objective supplier evaluation criterion is established to obtain a map of possible risks.
- **Continuous improvement:** based on each supplier’s report, improvement actions and mutual commitments are implemented with those whose evaluation results are below the set limit.





At KCE, we promote the communication of these guidelines to the organisation's most relevant suppliers, which is why the ESG assessment of suppliers began in late 2020.

We have prepared a guide to assist each purchasing department in creating its own procurement process, which includes the initial CSR assessment of suppliers. Implementation at all KCE subsidiaries will take place in 2024-25.

The provision of services by contractors requires a specific process depending on the contracted activity and the legal requirements of each geographical area. In this regard, and as an example of how KCG, KCHI and KCSA operate, an exchange of documents is established prior to permitting access to any of the production centres and offices.

In the case of KCSA, contracted software is available to facilitate processing. In the case of QK, we work with companies with proven legal compliance, but there is no mechanism in place to review the documents.

## SUPPLIER CSR PERFORMANCE

Kao has a target of 100% implementation of the due diligence system for raw material suppliers by 2025, and 100% for contractors by 2030. In addition, suppliers classified as high risk will be required to conduct SMETA audits and act accordingly to address the issues identified.

	KCG	QK	KCHI	KCSA
Total n° of suppliers	105	121	143	453
Turnover	37%	17%	5%	40%

The KCE Group's supply chain exceeds 3,500 suppliers with a turnover of 620 million euros.

The sustainability strategy for KCE's supply chain focuses primarily on the upstream portion of the supply chain. The raw materials, services and packaging we use for our business have an environmental and social impact at the source that we could minimise through responsible purchasing, as well as representing the highest percentage of our total turnover.

Regarding contractors, all KCE subsidiaries began applying the CSR assessment process by late 2023 for those operating at our facilities with a sizeable number of employees. All information is expected to be collected in the first quarter of 2024.

308-1 / 308-2 / 414-1 / 414-2

KCE's Raw Materials and Packaging Purchasing department has set a target of obtaining CSR information from 75% (by value) of its suppliers by 2023.

For the 2022-23 period, the total number of KCE raw materials and packaging suppliers was 822 (including tier 1 and 2), which invoiced the company approximately 489 million euros.

Regarding the objective set for 2023, the following table shows the number of suppliers that adhere to our proposal, the percentage with respect to the total number of suppliers, and the percentage considering turnover in 2023.

	KCG	QK	KCHI	KCSA
N° of adhered suppliers	82	74	59	368
% of adhered suppliers	78%	61%	41%	81%
% Turnover of adhered suppliers	92%	78%	61%	93%

The 2023 target set for raw material suppliers was achieved globally, with the actions initiated at all affiliates requiring continuation in 2024 to achieve the target individually and to be able to reach Kao's global target in 2025.

The number of new suppliers was relatively low and, due to a lack of resources, the CSR assessment process was not carried out, but will take place in 2024.

In 2022, implementation of this process began in KCSA's Logistics department and Engineering and Maintenance department. In 2023, turnover was around 34 million euros, and 486 suppliers were involved. Although the suppliers that have joined only represent 5% of the total, in terms of turnover they represent approximately 31%.

	KCSA
Total n° of suppliers	486
N° of adhered suppliers	24
% of adhered suppliers	5%
% turnover of adhered suppliers	31%



Regarding new suppliers in 2023, two were registered in the Logistics department, and no potential social or environmental impact was detected. The Engineering and Maintenance department had no new suppliers.

In 2023, several visits were made to raw material suppliers mainly for quality-related issues, but other aspects related to sustainability were also addressed.

7.2.3  
PROMOTION OF  
LOCAL SUPPLIERS

203-2 / 204-1

Proximity is part of KCE's criteria for supplier selection, supporting community development and minimising our environmental impact. At KCE, we define local suppliers as those located in the subsidiary's country, and by 2023 we had more than 70% local suppliers, representing more than 45% of each KCE subsidiary's purchases.

Regarding the evaluation of suppliers that have provided the information requested, a review has begun and in 2024 a risk analysis matrix will be created from three perspectives: business, area, and ESG, following Kao's guidelines.

As part of the implementation of this more sustainable model, KCE has set a goal for the following years to assess the social and environmental practices of all critical suppliers and provide them with tools to jointly improve the aforementioned aspects.

Local suppliers of raw materials, packaging, and energy account for more than 40% of turnover, while suppliers of services and investments account for more than 68% at all KCE subsidiaries.

DATA BROKEN DOWN BY KCE SUBSIDIARY

	KCG (Germany)	QK (Mexico)	KCHI (Spain)	KCSA (Spain)	KCE IND (Spain)
N° total suppliers	852	1095	602	1048	146
N° local suppliers	723	1026	418	804	62
% local suppliers	85%	94%	69%	77%	42%
% total turnover of local suppliers	46%	67%	64%	50%	57%
% turnover of local suppliers of raw materials, packaging, energy etc*	41%	65%	57%	41%	0%
% turnover of service and investment local suppliers*	68%	75%	84%	84%	57%

\* These percentages have been calculated on the total turnover of each item.

7.3  
SOCIAL  
COMMITMENT

2-29 / 3-3 / 203-2 / 413-1



Our Kirei lifestyle philosophy drives us to improve our society and care for the planet.

At Kao, we integrate corporate social responsibility activities into our business operations to promote the Kirei lifestyle by addressing important social issues.

We collaborate with the communities around us with the aim of contributing to the social development and wellbeing of people with a long-term perspective and making their challenges and objectives our own.

In 2023, we participated in the following projects:

- Initiatives to reforest and clean up natural spaces.
- Support for children and young people to promote equal opportunities.
- Campaigns to collect products, food, and toys for vulnerable families in the communities where KCE has a geographical presence.
- Sponsorship of cultural, social, and sporting activities.
- Partnerships with NGOs that help improve the lives of women.
- Collaboration with the Seur Foundation to raise funds to finance medical and orthopaedic treatments for children in need.







Festa de l'Arbre



Rhine River clean-up

### 7.3.1 CARING FOR NATURE AND PROMOTING BIODIVERSITY

KCG carried out the usual task of cleaning the banks of the Rhine River in 2023, and, once again, KCSA helped reforest the green area surrounding the town of Mollet del Vallès, participating in the traditional "Festa de l'arbre".

KCHI raised awareness of the biodiversity around the plant in Valencia.



### 7.3.2 SUPPORT FOR EDUCATION AND EQUAL OPPORTUNITIES

At all KCE subsidiaries, partnerships have been established with educational institutions, such as secondary schools or universities, for internships at the company. In this context, KCG supports local school systems with financial donations.

KCSA continues its programme to support chemistry students with intermediate and advanced degrees through scholarships to continue their studies. Scholarship students attend secondary schools in Barberà del Vallès and Mollet del Vallès. At the same time, QK provides grants to the Colegio Nacional de Educación Profesional Técnica.

Visits for students are organised at all KCE Group plants, bringing the reality of the companies closer to the students.

The Spanish affiliate KCSA collaborates with the NGO Burkina Women, an organisation that helps women living in poverty in Burkina Faso.



HP Riester grant awards ceremony



Josep Sau grant awards ceremony



Meeting with QuimiKao staff and internship students



Secondary school students visit Mollet plant at KCSA

### 7.3.3 PARTICIPATION IN SOCIAL, CULTURAL AND SPORTS INITIATIVES AND ACTIVITIES

We participate in social and educational initiatives in our communities. KCG collaborates with various local institutions through donations and the sponsorship of the municipal fire brigade and various cultural and sports associations.

QK collaborates, through monetary and product donations, with the Albergue Padre Pio, the Comedor 12 Apostles, the Albergue Infantil Los Pinos and Hogares fraternales del Salto.

Albergue Infantil  
Los PinosToy collection  
campaign  
for Red Cross

Collaboration with Food Bank



Charity padel event

KCSA sponsors the publication of Notes, promoted by the Centre d'Estudis Molletans in collaboration with the City Council of Mollet del Vallès and the Premi de Recerca Vila d'Olesa, dedicated to promoting knowledge of the town's historic, economic, and socio-cultural past. KCHI sponsored the children's team, Club Futbol L'Olleria, while KCSA sponsored the children's team, Futbol Club Mollet.







# 8 TAX INFORMATION





# 8.1 PROFITS, TAXES AND SUBSIDES RECEIVED

201-1 / 207-4

Since 2004, KCE has been taxed under the consolidated tax regime with the Spanish company Kao Corporation, S.A.U. and in 2016, Kao Chimigraf, S.L.U. became part of the Group. The other companies are not included in the cited tax consolidation and are therefore taxed in their respective countries on an individual basis in accordance with the local tax regulations in force.

KCE complies with its statutory tax obligations in all countries where it operates. The breakdown by country of the individual results obtained in 2023 and the income tax expense is as follows:

Country	KCE subsidiary	Profit before tax <sup>9</sup>	Taxes on Profits
THOUSANDS OF EUROS			
Germany	Kao Chemicals GmbH	-1,579	-413
Mexico	QuimiKao S.A. de C.V.	6,703	963
France	Kao Chimigraf France SAS	-220	-
	Kao Chimigraf, S.L.U.		
Spain	Kao Corporation, S.A.U.	15,981	3,360
	Kao Chemicals Europe, S.L.U.		
Consolidation		-1,614	133
<b>TOTAL KCE</b>		<b>19,271</b>	<b>4,042</b>

<sup>9</sup> Profit before tax: for each country, the profit before tax resulting from the application of the General Accounting Plan approved by Royal Decree 1514/2007 is shown, excluding the result of the distribution of inter-group dividends. The row for consolidation shows the adjustments arising from the consolidation process in accordance with the Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010.

The breakdown of income taxes paid in 2022 including withholdings, payments made on account of income taxes for the current year and payments of the differential tax liability for income taxes of previous years is as follows:

Country	KCE subsidiary	Income tax withholdings and instalments for FY 2023	Payments of taxes on profits for previous years	Total income tax paid (Collected)
THOUSANDS OF EUROS				
Germany	Kao Chemicals GmbH	6,666	(1,484)	5,182
Mexico	QuimiKao S.A. de C.V.	2,174	200	2,374
France	Kao Chimigraf France SAS	-	-	-
	Kao Chimigraf, S.L.U.			
Spain	Kao Corporation, S.A.U.	5,439	41	5,480
	Kao Chemicals Europe, S.L.U.			
<b>TOTAL KCE</b>		<b>14,279</b>	<b>(1,242)</b>	<b>13,036</b>

Parenthetical values are refunded taxes.

Finally, the accrual posted on 31 December 2023 corresponding to the best estimate of the accrued income tax payable or receivable in 2024 and subsequent years is as follows:

Country	KCE subsidiary	Provision for income tax payable (receivable) for 2023	Provision for income tax payable (receivable) relating to prior periods	Total provision for income tax payable (receivable)
THOUSANDS OF EUROS				
Germany	Kao Chemicals GmbH	(6,228)	-	(6,228)
Mexico	QuimiKao S.A. de C.V.	(1,235)	-	(1,235)
France	Kao Chimigraf France SAS	-	-	-
	Kao Chimigraf, S.L.U.			
Spain	Kao Corporation, S.A.U.	(238)	-	(238)
	Kao Chemicals Europe, S.L.U.			
<b>TOTAL KCE</b>		<b>(7,701)</b>	<b>-</b>	<b>(7,701)</b>

The KCE Group received the following public grants in FY 2023, totalling 2,227,563 euros, recorded as “income-related grants transferred to profit or loss”.

Concept	Amount	Note
CO <sub>2</sub> allowances	425,133	Rights allocated free of charge
Patents	13,244	-
Measures to support the intensive gas industry	1,641,284	Royal Decree-law 11/2022 of June 25 adopting urgent measures in the framework of the National Plan of response to the economic and social consequences of the war in Ukraine
Compensation of electricity costs	101,886	Compensation mechanism for electricity-intensive consumers in accordance with Title III of Royal Decree 1106/2020 of 15 December 2020
Development of new inks 100% bio-based	29,601	Granted by the European Commission
Training	16,415	Discount on Social security payments



# ABOUT THIS REPORT



# ABOUT THIS REPORT

2-3 / 2-5

The purpose of this Non-Financial Information Statement is to publicly disclose information about the management of social, environmental, and governance issues at the Kao Chemicals Europe, S.L.U. Group in 2023. With this premise, clear and concise information is made available to stakeholders, as well as quantitative data from previous years, to facilitate comparisons.

It should be noted that this report has been verified by an independent third party, in accordance with Law 11/2018 on Non-Financial Information and Diversity and has been prepared in accordance with the essential option of the GRI Standards.

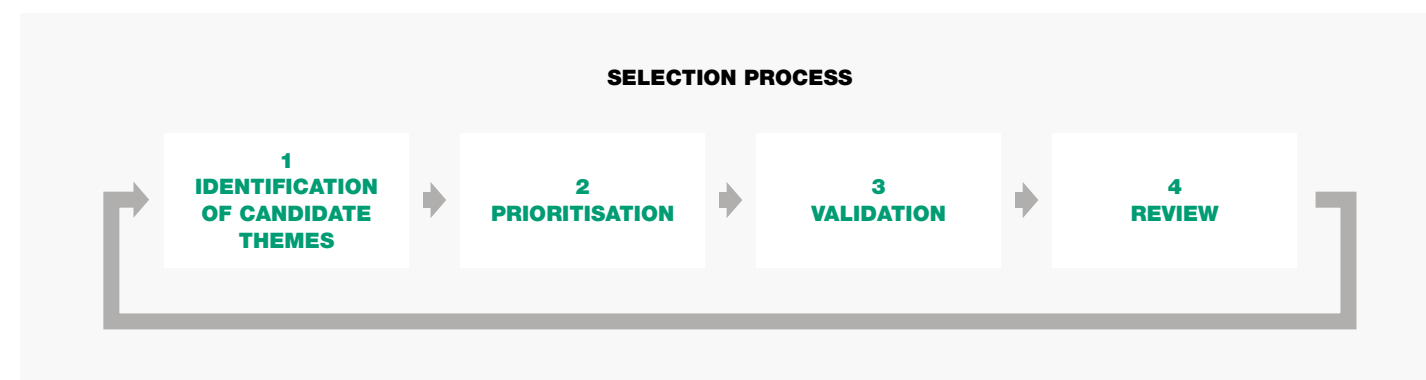


## MATERIALITY ANALYSIS

2-29 / 3-1 / 3-2

This Non-Financial Information Statement is intended to provide information on topics considered material to KCE and its stakeholders. The materiality analysis was updated in 2020. Consequently, it is still valid in 2023.

The analysis followed the methodology established by the parent company, Kao, which is described below:



### 1. IDENTIFICATION OF CANDIDATE THEMES

Through the collaboration of management and established working groups, material issues that are key to the chemical sector were identified based on ISO 26000, GRI standards, Sustainable Development Goals and global trends. As a result of this process, two more were added to the 16 core aspects already identified—Digitisation and Contingency Plan for Emergencies or Natural Disasters—given the changing situation worldwide, which can be grouped into five main areas: governance, environment, employees, product, and society/community/social challenges.

### 3. VALIDATION

After selecting and prioritising the material aspects, they were validated by the management of KCE, establishing actions and objectives for each.

### 2. PRIORITISATION

Once the material topics were identified, they were evaluated with the aim of selecting those with the greatest impact on the company's activity that more directly affect stakeholders. These stakeholders are as follows: CEO, community, local administration, investors, unions, employees, chemical associations, customers and suppliers. To carry out this process, all KCE subsidiaries were involved through a survey of the 18 material aspects previously identified.

### 4. REVIEW

According to the methodology used, the material aspects are being revised. Considering the global situation in 2021, the decision was taken to continue working with the 202 results rather than conduct a new materiality analysis.



The following chart shows the material aspects evaluated and selected in 2020, on the basis of which the company's medium- and long-term strategies and objectives are set:



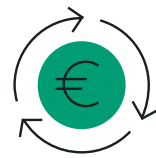
Materiality analysis enables the measurement of the most important aspects of business strategy and corporate responsibility, the identification of stakeholder expectations, and the establishment of an action plan to address the needs detected, prioritising the following aspects:



Ethics, Compliance and Transparency



Climate Change and Energy Efficiency



Circular Economy and Waste Management



Pollution Prevention



Occupational Health and Safety



Disaster Preparation



The different sections of this report contain the data and actions taken in relation to the priority aspects, as indicated in the following table, as well as information on the remaining material topics evaluated:

Prioritized aspects	Description	Development in KCE
Ethics, Compliance and Transparency	Measures adopted to transmit the values, standards and principles reflected in the company's corporate culture, and to ensure the behaviour of employees and their impact on society..	<b>Chapter 6:</b> Our people <b>Chapter 4:</b> Corporate Governance
Climate change and energy efficiency	Measures to adapt to the consequences of climate change and targets to reduce greenhouse gas emissions.  Measures taken to improve energy efficiency and the use of renewable energies.	<b>Chapter 5:</b> Our commitment with the environment
Circular economy and waste management	Measures to prevent, reuse and recycle waste	<b>Chapter 5:</b> Section 5.6.5: Waste
Pollution reduction	Measures to prevent and reduce CO <sub>2</sub> emissions, as well as any other air pollutant specifically derived from an activity.  Actions to prevent and reduce noise and light pollution.	<b>Chapter 5:</b> Section 5.5: Pollution prevention
Occupational Health and Safety	Measures to ensure physical wellbeing and to address possible psychological factors affecting the health of employees, temporary workers, contractors and visitors..	<b>Chapter 6:</b> Section 6.4: Occupational Health and Safety
Contingency plans for emergencies or natural disasters	Measures taken to cope with accidents, pandemics, climate change, terrorist acts, etc.	<b>Chapter 4:</b> Section 4.2: Global Risk Analysis <b>Chapter 5:</b> Section 5.2: Main environmental risks that can affect the organisation

KCE's management is aware of the importance of making progress in the area of sustainability, which is why, during the 2023 financial year, a process of analysing the relevant sustainability issues began with a dual materiality approach, in accordance with the European ESRG 1 standard, the results of which serve as a starting point in the preparation of future sustainability reports. In 2024, we plan to analyse the results obtained and to align ESG objectives and strategic actions in the coming years.



GLOSSARY

The following abbreviations and acronyms are used in this report:

<b>CAGR:</b> Compound Annual Growth Rate	<b>HSE:</b> Health, Safety and Environment	<b>SCA:</b> Surfactants for Consumer Application
<b>CEO:</b> Chief Executive Officer	<b>IF:</b> Frequency Index	<b>SDG:</b> Sustainable Development Goals
<b>CH<sub>4</sub>:</b> Methane	<b>IG:</b> Gravity Index	<b>SDS:</b> Safety Data Sheet
<b>CO:</b> Carbon Monoxide	<b>ILO:</b> International Labour Organisation	<b>SF<sub>6</sub>:</b> Sulphur hexafluoride
<b>CO<sub>2</sub>:</b> Carbon dioxide	<b>IT:</b> Information Technologies	<b>SO<sub>2</sub>:</b> Sulphur dioxide
<b>COD:</b> Chemical Oxygen Demand	<b>KBR:</b> Kao Brasil, Ltda	<b>STA:</b> Surfactants for Technical Application
<b>CSR:</b> Corporate Social Responsibility	<b>KCE:</b> Kao Chemicals Europe, S.L.U.	<b>TKW:</b> The Kao Way
<b>DEI:</b> Diversity, Equity and Inclusion	<b>KCSA:</b> Kao Corporation, S.A.U.	<b>TSS:</b> Total Suspended Solids
<b>ECHA:</b> European Chemicals Agency	<b>KCG:</b> Kao Chemicals GmbH	<b>TOC:</b> Total Organic Carbon
<b>EEPP:</b> Occupational Diseases	<b>KCHI:</b> Kao Chimigraf, S.L.U.	<b>VOCs:</b> Volatile Organic Compounds
<b>EFFCI:</b> European Federation for Cosmetic Ingredients	<b>MDJ:</b> Methyl Dihydrojasmonate	
<b>EMAS:</b> Eco-Management and Audit Scheme	<b>N:</b> Nitrogen	
<b>ESG:</b> Environmental, Social and Governance	<b>NF<sub>3</sub>:</b> Nitrogen trifluoride	
<b>FEIQUE:</b> Spanish Chemical Industry Business Federation	<b>NO<sub>x</sub>:</b> Nitrogen oxides	
<b>FY:</b> Fiscal year	<b>P:</b> Phosphorus	
<b>GHG:</b> Greenhouse Gases	<b>PFC:</b> Perfluorocarbons	
<b>GHS:</b> Globally Harmonised Chemical Classification and Labelling System	<b>PM:</b> Particulate matter	
<b>GMP:</b> Good Manufacturing Practices	<b>PSR:</b> Product Regulation and Safety	
<b>HFC:</b> Hydrofluorocarbons	<b>QK:</b> QuimiKao, S.A. de C.V.	
	<b>RCC:</b> Renewal Carbon Content	
	<b>REACH:</b> Registration, evaluation, authorisation and restriction of chemicals	
	<b>RSPO:</b> Roundtable on Sustainable Palm Oil	



VERIFICATION AND LIST OF CONTENTS  
ACCORDING TO LAW 11/2018

CODE	INFORMATION REQUESTED BY LAW 11/2018	GRI INDICATORS (INDICATIVE)	PAGE/ DIRECT RESPONSE
0	Overview		
0.1	Business model		
0.1.a	Brief description of the Group’s business model (corporate environment and organisation)	2-2 Entities included in sustainability reporting	10
		2-6 Activities, value chain, and other business relationships	10-11, 14-17, 26-27, 95
		2-9 Governance structure and composition	34-35
0.1.b	Geographical presence	2-1 Organisational details	Av. Puig dels Tudons, 10 E, 08210 Barberà del Vallès, Barcelona. Spain. 10, 12, 14-15
0.1.c	Goals and strategies of the organisation	2-22 Sustainable Development Strategy Statement	4-5, 21-23
0.1.d	Main factors and trends that may affect future evolution	2-6 Activities, value chain, and other business relationships	10-11, 14-17, 26-27, 95
0.2	General		
0.2.1	Mention in the report of the national, European, or international reporting framework used for the selection of key indicators of non-financial results included in each section		110
1	Environmental issues		
1.1	Overview		
1.1.a	A description of the Group’s policies on these issues, including due diligence procedures for the identification, evaluation, prevention, and mitigation of significant risks and impacts and verification and control, including what measures have been taken..	3-3 Management of material topics	52-53
1.1.b	The results of these policies should include key indicators of relevant non-financial performance that enable the monitoring and evaluation of progress and that favour comparisons between companies and sectors.	3-3 Management of material topics	52-53
1.1.c	The main risks related to these issues associated with the Group’s activities, including, where relevant and proportionate, trade relations, products, or services that may have negative effects on these areas, and how the Group manages these risks.	2-12 Function of the principal governing body in the management of impacts	54
		2-13 Delegation of responsibility for impact management	
		3-3 Management of material topics	

CODE	INFORMATION REQUESTED BY LAW 11/2018	GRI INDICATORS (ORIENTATIVE)	PAGE/ DIRECT RESPONSE																																																
1.1	Detailed information																																																		
1.1.1	Detailed overview																																																		
1.1.1.1	Regarding the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	2-27 Compliance with laws and regulations	KCE is up to date with all its legal obligations in environmental matters and in 2023 the number of sanctions and fines was zero.																																																
1.1.1.2	Regarding environmental assessment or certification procedures	3-3 Management of material topics	29, 52																																																
1.1.1.3	Regarding resources dedicated to the prevention of environmental risks	3-3 Management of material topics	<div>Investment and costs for environmental activity by KCE*</div> <table><tr><th>KCE</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>Investment (thousands of euros)</td><td>1,228</td><td>2,516</td><td>2,081</td></tr><tr><td>Environmental costs (thousands of euros)</td><td>12,123</td><td>12,652</td><td>12,071</td></tr></table> <div>* Table updated based on Note 18 Environmental information of the consolidated report.</div>	KCE	2021	2022	2023	Investment (thousands of euros)	1,228	2,516	2,081	Environmental costs (thousands of euros)	12,123	12,652	12,071																																				
KCE	2021	2022	2023																																																
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1.1.1.4	Regarding the application of the precautionary principle	3-3 Management of material topics	38-39																																																
1.1.1.5	Regarding the amount of provisions and guarantees for environmental risks	3-3 Management of material topics	<p>In relation to environmental provisions, the Group does not recognise environmental provisions in 2023.</p> <p>Each KCE company has environmental liability insurance policies with adequate coverage to handle the potential damage caused by pollution, restoration, and cleansing of the environment and biodiversity with the following breakdown in terms of annual coverage:</p> <ul style="list-style-type: none"><li>- Kao Corporation S.A.U., Kao Chimigraf S.L.U. and Kao Chimigraf France SAS: EUR 12,000,000</li><li>- Kao Chemicals GmbH: EUR 10,000,000</li><li>- QuimiKao S.A. de C.V.: USD 1,000,000</li></ul>																																																
1.1.2	Pollution																																																		
1.1.2.1	Measures to prevent, reduce, or repair emissions that severely affect the environment, considering any form of activity-specific air pollution, including noise and light pollution	305-5 Reduction of GHG emissions	56																																																
		305-7 Carbon monoxide (CO), Nitrogen oxides (NO <sub>x</sub> ), Sulphur oxides (SO <sub>x</sub> ) and other significant air emissions	<div>58</div> <div>Detail of mass emissions relative to production. The mass emission of HFCs, PM, and VOCs does not include KCG data.</div> <table><tr><th>KCE</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>CO emission (kg)</td><td>22,497</td><td>23,639</td><td>19,916</td></tr><tr><td>CO emission / Production (kg CO/t)</td><td>0.06</td><td>0.07</td><td>0.06</td></tr><tr><td>NO<sub>x</sub> emission (kg)</td><td>55,440</td><td>44,031</td><td>42,617</td></tr><tr><td>NO<sub>x</sub> emission / Production (kg/t)</td><td>0.15</td><td>0.15</td><td>0.13</td></tr><tr><td>CH<sub>4</sub> emission (kg)</td><td>1,582</td><td>1,584</td><td>1,306</td></tr><tr><td>CH<sub>4</sub> emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>HFC emission (kg)</td><td>72</td><td>28</td><td>137</td></tr><tr><td>HFC emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>PFC emission (kg)</td><td>0</td><td>0</td><td>0</td></tr><tr><td>PFC emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>NF<sub>3</sub> emission (kg)</td><td>0</td><td>0</td><td>0</td></tr></table>	KCE	2021	2022	2023	CO emission (kg)	22,497	23,639	19,916	CO emission / Production (kg CO/t)	0.06	0.07	0.06	NO <sub>x</sub> emission (kg)	55,440	44,031	42,617	NO <sub>x</sub> emission / Production (kg/t)	0.15	0.15	0.13	CH <sub>4</sub> emission (kg)	1,582	1,584	1,306	CH <sub>4</sub> emission / Production (kg/t)	0.00	0.00	0.00	HFC emission (kg)	72	28	137	HFC emission / Production (kg/t)	0.00	0.00	0.00	PFC emission (kg)	0	0	0	PFC emission / Production (kg/t)	0.00	0.00	0.00	NF <sub>3</sub> emission (kg)	0	0	0
KCE	2021	2022	2023																																																
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CODE	INFORMATION REQUESTED BY LAW 11/2018	GRI INDICATORS (ORIENTATIVE)	PAGE/ DIRECT RESPONSE																																												
			<table><tr><th>KCE</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>NF<sub>3</sub> emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>SF<sub>6</sub> emission (kg)</td><td>0</td><td>0</td><td>0</td></tr><tr><td>SF<sub>6</sub> emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>SO<sub>2</sub> emission (kg)</td><td>439</td><td>477</td><td>390</td></tr><tr><td>SO<sub>2</sub> emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>PM emission (kg)</td><td>1,160</td><td>1,076</td><td>921</td></tr><tr><td>PM emission / Production (kg/t)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr><tr><td>VOC emission (kg)</td><td>68,846</td><td>65,677</td><td>65,206</td></tr><tr><td>VOC emission / Production (kg VOCs/t)</td><td>1.08</td><td>0.18</td><td>0.77</td></tr></table>	KCE	2021	2022	2023	NF <sub>3</sub> emission / Production (kg/t)	0.00	0.00	0.00	SF <sub>6</sub> emission (kg)	0	0	0	SF <sub>6</sub> emission / Production (kg/t)	0.00	0.00	0.00	SO <sub>2</sub> emission (kg)	439	477	390	SO <sub>2</sub> emission / Production (kg/t)	0.00	0.00	0.00	PM emission (kg)	1,160	1,076	921	PM emission / Production (kg/t)	0.00	0.00	0.00	VOC emission (kg)	68,846	65,677	65,206	VOC emission / Production (kg VOCs/t)	1.08	0.18	0.77				
KCE	2021	2022	2023																																												
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1.1.3	Circular economy and waste prevention and management																																														
1.1.3.1	Prevention, recycling, reuse, other forms of waste recovery and disposal; actions to combat food waste	306-3 Waste generated	68																																												
1.1.4	Sustainable use of resources																																														
1.1.4.1	Water consumption and water supply in accordance with local limitations	303-3 Water withdrawal	66																																												
		303-4 Water spills	59																																												
			Detail of water discharge characteristics. The mass emission of TSS, N, and P does not include KCG data.																																												
			<table><tr><th>KCE</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>Wastewater discharge (m³)</td><td>468,253</td><td>430,912</td><td>379,639</td></tr><tr><td>Wastewater discharge / Production (m³/t)</td><td>1.23</td><td>1.21</td><td>1.16</td></tr><tr><td>TOC (kg)</td><td>294,439</td><td>215,193</td><td>213,436</td></tr><tr><td>TOC / Production (kg/t)</td><td>0.77</td><td>0.61</td><td>0.65</td></tr><tr><td>TSS (kg)</td><td>21,631</td><td>16,764</td><td>21,284</td></tr><tr><td>TSS / Production (kg/t)</td><td>0.06</td><td>0.05</td><td>0.07</td></tr><tr><td>N (kg)</td><td>44,694</td><td>49,086</td><td>36,695</td></tr><tr><td>N / Production (kg/t)</td><td>0.12</td><td>0.14</td><td>0.11</td></tr><tr><td>P (kg)</td><td>1,481</td><td>1,073</td><td>970</td></tr><tr><td>P / Production (kg/t)</td><td>0.004</td><td>0.003</td><td>0.003</td></tr></table>	KCE	2021	2022	2023	Wastewater discharge (m³)	468,253	430,912	379,639	Wastewater discharge / Production (m³/t)	1.23	1.21	1.16	TOC (kg)	294,439	215,193	213,436	TOC / Production (kg/t)	0.77	0.61	0.65	TSS (kg)	21,631	16,764	21,284	TSS / Production (kg/t)	0.06	0.05	0.07	N (kg)	44,694	49,086	36,695	N / Production (kg/t)	0.12	0.14	0.11	P (kg)	1,481	1,073	970	P / Production (kg/t)	0.004	0.003	0.003
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		303-5 Water consumption	67																																												
1.1.4.2	Consumption of raw materials and measures taken to improve the efficiency of their use	301-1 Materials used by weight or volume	<b>Characterisation of KCE material inflows</b>  The following table classifies KCE’s material inputs according to whether they are renewable or non-renewable, and whether they are virgin, reused, or recycled inflows:																																												

CODE	INFORMATION REQUESTED BY LAW 11/2018	GRI INDICATORS (ORIENTATIVE)	PAGE/ DIRECT RESPONSE
			<b>KCE</b> 2023
			Significant raw material (t) 181,189
			Significant raw material / Production (t/t) 0.48
			Renewable significant raw materials (t) 81,107
			Renewable significant raw materials / Production (t/t) 44.76
			Reused (t) 8,237
			Reused / Renewable significant (%) 10.16
			Recycled(t) 16,861
			Recycled/ Renewable significant (%) 20.79
			Virgin (t) 56,009
			Virgin/ Renewable significant (%) 69.06
			Non-renewable significant raw materials (t) 88,10
			Non-renewable significant raw materials / Production (t/t) 48.63
			Reused (t) 0
			Reused / Non-renewable significant (%) 0
			Recycled(t) 0
			Recycled/ Non-renewable significant (%) 0
			Virgin (t) 88,108
			Virgin/ Non-renewable significant (%) 100
1.1.4.3	Direct and indirect energy consumption	302-1 Energy consumption within the organisation	65
		302-3 Energy intensity	65
		302-4 Reduction of energy consumption	65
1.1.4.4	Measures taken to improve energy efficiency	302-4 Reduction of energy consumption	65
1.1.4.5	Use of renewable energy	302-1 Energy consumption within the organization	65
		302-3 Energy intensity	65
<b>1.1.5</b>	<b>Climate change</b>		
1.1.5.1	Important elements of greenhouse gas emissions generated because of the company's activities, including use of the goods and services it produces	305-1 Direct (Scope 1) GHG emissions	57  The organisation's emissions are classified into direct emissions (Scope 1) and indirect emissions (Scopes 2 and 3):  - <b>Scope 1:</b> direct emissions resulting from the combustion of fuels from fixed sources, such as boilers, turbines, and pumps; those relating to physical or chemical processes; those corresponding to the transport of vehicles owned or controlled by KCE, such as rental vehicles or buses and fugitive emissions from leaks in equipment, especially from air conditioning and/or cooling equipment.  - <b>Scope 2:</b> indirect emissions associated with energy acquisition and consumption; in the case of KCE, those relating to the purchase of electricity.
		305-2 Indirect (Scope 2) GHG emissions	
		305-3 Other indirect (Scope 3) GHG emissions	



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			<p><b>- Scope 3:</b> indirect emissions as a result of the activity, which are located outside the premises and are associated with the value chain or supply of goods and services. This group includes emissions relating to the transport of raw materials and finished products, transport of waste, employee travel to and from work, as well as business trips.</p> <p>The greenhouse gases considered are carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF6).</p> <p>Regarding scope 1 emissions:</p> <ul style="list-style-type: none"><li>- The methodology used to calculate the emissions generated by the combustion of fuels is established by regulation in each country where KCE establishments are located and consists of applying the emission factors to fuel consumption and oxidation of the corresponding fuels.</li><li>- In the case of refrigerant gases or fire protection systems, they are determined through the recharges carried out and the global warming<sup>10</sup> potential of the substance involved.</li><li>- For the time being, emissions related to business and commuting trips by employees' own vehicles are not available.</li></ul> <p>Regarding scope 2 emissions: indirect emissions associated with the acquisition and consumption of energy are calculated based on the regulations established in country where KCE is located.</p> <p>Regarding scope 3 emissions:</p> <ul style="list-style-type: none"><li>- Emissions from finished product distribution are reported. To calculate them, the Group's own methodology is used, through which the distances travelled, means of transport, and emission coefficients are combined. The data is reported by KCG, QK and KCSA. KCHI started calculating them in 2023, so it is expected that in the next year this data will be fully representative of KCE.</li><li>- Emissions associated with the transportation of raw materials are reported. They are calculated using the same methodology as in the previous case. Currently only KCSA reports this data.</li><li>- Emissions associated with the mobility of working people are reported. They are calculated following a proprietary methodology that combines data from the workforce and the applications in which work-related trips are recorded, with official statistical data and factors. The calculation method has been documented and the different assumptions made have been detailed. Currently only KCSA reports.</li><li>- Emissions associated with the transportation of waste to different managers are reported. Currently only KCSA reports.</li></ul>
1.1.5.2	Measures taken to adapt to the consequences of climate change	3-3 Management of material topics	57
1.1.5.3	Reduction targets voluntarily set in the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose	305-5 Reduction of GHG emissions	53
<b>1.1.6</b>	<b>Biodiversity protection</b>		
1.1.6.1	Measures taken to preserve or restore biodiversity	304-3 Habitats protected or restored	69-71
1.1.6.2	Impacts caused by activities or operations in protected areas	304-2 I Significant impact on biodiversity of activities, products and services	69-71

<sup>10</sup>Fourth Assessment Report of the IPPC (Regulation 517/2014)



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2	Social and personnel issues					
2.1	Overview					
2.1.a	Policies and results	3-3 Management of material topics	38-39			
2.1.b	Main risks	3-3 Management of material topics	54			
2.2	Detailed information					
2.2.1	Employment					
2.2.1.1	Total number and distribution of employees according to criteria representative of diversity (gender, age, country, etc.)	2-7 Employees	74-75			
		401-1 New employee hires and employee turnover		NEW HIRES	KCG	QK
		405-1 Diversity of governing bodies and employees		KCHI	KCSA	KCE IND
				TOTAL KCE		
				Men	10	22
				Women	3	2
				≤ 18	2	0
				18 - 29	9	16
				30 - 50	2	8
				≥ 51	0	0
				President / Vice president	0	0
				Managers	1	0
				Group Leader	0	1
				Technician	2	3
				Administration / Staff / Shift Leader	2	8
				Factory Workers	0	12
				Apprentices	8	0
				TOTAL	13	24
2.2.1.2	Total number and distribution of employment contract modalities, annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category	2-7 Employees	74-75			



	KCG			QK			KCHI			KCSA			KCE			TOTAL KCE		
	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT
Men	168	19	4	206	0	0	136	0	0	311	6	4	6	0	0	827	25	8
Women	33	8	22	25	0	0	35	0	0	118	6	1	1	0	0	212	14	23
≤ 18	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
18 - 29	38	23	1	59	0	0	9	0	0	34	3	0	0	0	0	140	26	1
30 - 50	81	2	11	129	0	0	101	0	0	215	9	0	2	0	0	528	11	11
≥ 51	82	0	14	43	0	0	61	0	0	180	0	5	5	0	0	371	0	19
President / Vice president	4	0	0	4	0	0	1	0	0	2	0	0	7	0	0	18	0	0
Managers	23	0	1	9	0	0	11	0	0	21	0	0	0	0	0	64	0	1
Group Leader	3	0	1	8	0	0	16	0	0	43	0	1	0	0	0	70	0	2
Technician	55	0	6	25	0	0	50	0	0	89	1	1	0	0	0	219	1	7
Administration / Staff / Shift Leader	43	3	17	72	0	0	45	0	0	65	1	1	0	0	0	225	4	18
Factory Workers	73	3	1	113	0	0	48	0	0	209	10	2	0	0	0	443	13	3
Apprentices	0	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	21	0
TOTAL	201	27	26	231	0	0	171	0	0	429	12	5	0	0	0	1,039	39	31

	KCG			QK			KCHI			KCSA			KCE			TOTAL KCE		
	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT
Men	66%	7%	2%	89%	0%	0%	80%	0%	0%	70%	1%	1%	86%	0%	0%	74.6%	2.3%	0.7%
Women	13%	3%	9%	11%	0%	0%	20%	0%	0%	26%	1%	0%	14%	0%	0%	19.1%	1.3%	2.1%
≤ 18	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.0%	0.2%	0.0%
18 - 29	15%	9%	0%	26%	0%	0%	5%	0%	0%	8%	1%	0%	0%	0%	0%	12.6%	2.3%	0.1%
30 - 50	32%	1%	4%	56%	0%	0%	59%	0%	0%	48%	2%	0%	29%	0%	0%	47.6%	1.0%	1.0%
≥ 51	32%	0%	6%	19%	0%	0%	36%	0%	0%	40%	0%	1%	71%	0%	0%	33.5%	0.0%	1.7%
President / Vice president	2%	0%	0%	2%	0%	0%	1%	0%	0%	0%	0%	0%	100%	0%	0%	1.6%	0.0%	0.0%
Managers	9%	0%	0%	4%	0%	0%	6%	0%	0%	5%	0%	0%	0%	0%	0%	5.8%	0.0%	0.1%
Group Leaders	1%	0%	0%	3%	0%	0%	9%	0%	0%	10%	0%	0%	0%	0%	0%	6.3%	0.0%	0.2%
Technicians	22%	0%	2%	11%	0%	0%	29%	0%	0%	20%	2%	0%	0%	0%	0%	19.7%	0.1%	0.6%
Administrative Staff / Shift Leaders	17%	1%	7%	31%	0%	0%	26%	0%	0%	15%	0%	0%	0%	0%	0%	20.3%	0.4%	1.6%
Factory Workers	29%	1%	0%	49%	0%	0%	28%	0%	0%	47%	2%	0%	0%	0%	0%	39.9%	1.2%	0.3%
Apprentices KCG	0%	8%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.0%	1.9%	0.0%
TOTAL	79%	11%	10%	100%	0%	0%	100%	0%	0%	96%	3%	1%	0%	0%	0%	93.7%	3.5%	2.8%

P: permanent, T: temporary, PT: part time

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2.2.1.3	Number of dismissals by gender, age and professional category	3-3 The management approach and its components	<p>In 2023, there were a total of 14 dismissals at KCE, representing a prevalence of 1.19% in the total workforce.</p> <p>At QK, the three dismissals correspond to two men and one woman; two under 29 and one in the 30-50 age range. Likewise, one of them belongs to the group of Administrative staff / Shift and the other two are factory personnel.</p> <p>At KCHI, the data refer to one man and one woman; one in the 30-50 age group and the other over 51, belonging to the Technician and Team Staff groups, respectively.</p> <p>At KCSA, there were 2 cases, both men; one in the 30-50 age group and one in the over 51 age group; both factory personnel.</p>																																																																																																		
2.2.1.4	Average remuneration and its evolution broken down by gender, age and professional category or equal value	3-3 The management approach and its components	<p>74-76</p> <p>KCE does not wish to report information on the average remuneration of the staff, the management team and administrators, broken down by gender, age and professional category.</p>																																																																																																		
2.2.1.5	Wage gap, equal or average company job pay	405-2 Ratio of basic salary and remuneration of women to men	<p>The following table represents the salary gap it KCE by Gender, Age group and Professional group. Accordingly, any negative gap percentages should be interpreted as showing a difference in the average salary in favour of women, while positive gap percentages indicate that the average salary is higher in the male group:</p> <table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>KCE</th><th>TOTAL KCE</th></tr><tr><td>Average annual salary</td><td>10.7%</td><td>15.3%</td><td>2.3%</td><td>-2.3%</td><td>( 3 )</td><td>9.7%</td></tr><tr><td>Average annual salary gap (≤ 18 years)</td><td>( 1 )</td><td>( 1 )</td><td>( 2 )</td><td>( 1 )</td><td>( 1 )</td><td>( 2 )</td></tr><tr><td>Average annual salary gap (18 - 29 years)</td><td>4.6%</td><td>-12.5%</td><td>1.4%</td><td>2.0%</td><td>( 1 )</td><td>-1.2%</td></tr><tr><td>Average annual salary gap (30 - 50 years)</td><td>15.8%</td><td>9.0%</td><td>4.4%</td><td>2.5%</td><td>( 2 )</td><td>9.4%</td></tr><tr><td>Average annual salary gap (≥ 51 years)</td><td>8.2%</td><td>23.6%</td><td>2.1%</td><td>-96.6%</td><td>( 3 )</td><td>11.3%</td></tr><tr><td colspan="7">Average annual salary gap by Professional group</td></tr><tr><td>President /Vice president</td><td>( 3 )</td><td>( 2 )</td><td>( 2 )</td><td>( 3 )</td><td>( 3 )</td><td>( 3 )</td></tr><tr><td>Managers</td><td>3.2%</td><td>( 2 )</td><td>4.4%</td><td>( 2 )</td><td>( 1 )</td><td>( 2 )</td></tr><tr><td>Group Leader</td><td>-0.5%</td><td>13.3%</td><td>( 2 )</td><td>( 2 )</td><td>( 1 )</td><td>( 2 )</td></tr><tr><td>Technician</td><td>4.9%</td><td>15.5%</td><td>3.9%</td><td>30.5%</td><td>( 1 )</td><td>9.4%</td></tr><tr><td>Administration/ Staff/ Shift leader</td><td>1.6%)</td><td>3.4%</td><td>13.2%</td><td>2.7%</td><td>( 1 )</td><td>6.9%</td></tr><tr><td>Factory Workers</td><td>( 2 )</td><td>( 2 )</td><td>7.0%</td><td>( 2 )</td><td>( 1 )</td><td>( 2 )</td></tr><tr><td>Apprentices</td><td>( 1 )</td><td>( 1 )</td><td>-3.0%</td><td>( 1 )</td><td>( 1 )</td><td>( 2 )</td></tr></table> <p>NOTE: (1) There is no group. (2) Not comparable because there is no representation in one of the groups. (3) No data is provided because it affects individual personal data. Management staff from KCE are in this situation. The company is aware of the need to continue working to reduce the gender gap. Relatively speaking, the salary gap is narrower among younger groups; this fact can be linked to seniority in older groups.</p>		KCG	QK	KCHI	KCSA	KCE	TOTAL KCE	Average annual salary	10.7%	15.3%	2.3%	-2.3%	( 3 )	9.7%	Average annual salary gap (≤ 18 years)	( 1 )	( 1 )	( 2 )	( 1 )	( 1 )	( 2 )	Average annual salary gap (18 - 29 years)	4.6%	-12.5%	1.4%	2.0%	( 1 )	-1.2%	Average annual salary gap (30 - 50 years)	15.8%	9.0%	4.4%	2.5%	( 2 )	9.4%	Average annual salary gap (≥ 51 years)	8.2%	23.6%	2.1%	-96.6%	( 3 )	11.3%	Average annual salary gap by Professional group							President /Vice president	( 3 )	( 2 )	( 2 )	( 3 )	( 3 )	( 3 )	Managers	3.2%	( 2 )	4.4%	( 2 )	( 1 )	( 2 )	Group Leader	-0.5%	13.3%	( 2 )	( 2 )	( 1 )	( 2 )	Technician	4.9%	15.5%	3.9%	30.5%	( 1 )	9.4%	Administration/ Staff/ Shift leader	1.6%)	3.4%	13.2%	2.7%	( 1 )	6.9%	Factory Workers	( 2 )	( 2 )	7.0%	( 2 )	( 1 )	( 2 )	Apprentices	( 1 )	( 1 )	-3.0%	( 1 )	( 1 )	( 2 )
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2.2.1.6	The average remuneration of directors and managers, including variable remuneration, allowances, compensation	2-19 Remuneration Policies	76														
		2-20 Process for determining remuneration	KCE does not wish to declare information on the average remuneration of the staff, the management team and administrators, disaggregated by gender, age and professional category.														
2.2.1.7	Payment to long-term savings forecasting systems and any other payment received broken down by gender	201-3 Defined benefit plan obligations and other retirement plans	For 2023, the contribution to the payment of the long-term savings plan for KCE totalled 1,584,000 euros.														
			<table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>KCE IND</th><th>TOTAL KCE</th></tr><tr><td>Thousands of euros</td><td>840</td><td>117</td><td>0</td><td>598</td><td>30</td><td>1,585</td></tr></table>		KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE	Thousands of euros	840	117	0	598	30	1,585
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2.2.1.8	Implementation of work disconnection policies	3-3 The management approach and its components	133														
2.2.1.9	Employees with disabilities	405-1 Diversity of governing bodies and employees	77-78														
2.2.2	Organization of work																
2.2.2.1	Organisation of working time	The management approach and its components	<p>77-78</p> <p>All KCE subsidiaries have production sites and central or office service areas. Therefore, regardless of the specifics of each site, work organisation includes continuous shift work and split or full-time work.</p> <p>At KCG, there are four shifts in the production and quality areas seven days a week, and from Monday to Friday there are two shifts in the logistics and raw materials warehouse. Staff members work seven hours and 30 minutes a day.</p> <p>QK has established rotating shifts in the production area to cover 24 hours a day, seven days a week; in the logistics area, the workday is from Monday to Saturday in two shifts, while offices work split shifts.</p> <p>At KCHI, there are continuous shifts in the production centres—morning, afternoon, and evening—Monday through Friday. The staff has a flexible schedule, with a one-hour margin at the beginning and end of the workday and an intensive workday on Fridays, as well as the possibility of working remotely based on the organisational needs of the position and the work centre.</p> <p>At KCSA, there are three types of workday and, at the production level, there is a fifth shift that covers a continuous workday every day of the year. At some specific production plants, however, there is a rotating morning and afternoon shift from Monday to Friday, as well as in the logistics and warehouse area.</p> <p>Staff personnel have a flexible schedule (compact flexibility), allowing them to enter between 7 a.m. and 9 a.m. and to leave from 4 p.m. onwards, as well as the possibility of working one day a week remotely, depending on the organisational needs of the position and the work centre.</p> <p>Time and attendance record:</p> <p>The process of registering working hours is systematised at KCG, KCHI and KCSA, while at QK it is not registered through any presence control tool as there is no legal obligation to do so in Mexico.</p> <p>Accordingly, KCG, KCHI and KCSA have a computerised time recording system, which allows the telematic recording and monitoring of working hours and their specifics, as well as the request for vacation time or leaves of absence.</p> <p>The KCE affiliates located in Spain, as well as the Mexican subsidiary, QK, have digital disconnection policies.</p>														

CODE	INFORMATION REQUESTED BY LAW 11/2018	GRI INDICATORS (ORIENTATIVE)	PAGE/ DIRECT RESPONSE																																																																																																																																		
2.2.2.2	Number of absentee hours	403-2 Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities	<div>2022 Information:</div> <div><div>TOTAL ABSENTEE HOURS</div><table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>TOTAL KCE</th></tr><tr><td>Men</td><td>18,690</td><td>3,708</td><td>5,095</td><td>53,469</td><td>80,962</td></tr><tr><td>Women</td><td>4,347</td><td>1,134</td><td>1,462</td><td>5,418</td><td>12,361</td></tr><tr><td>TOTAL</td><td>23,037</td><td>4,842</td><td>6,557</td><td>58,887</td><td>93,323</td></tr></table><div>ANNUAL THEORICAL HOURS/EMPLOYEE</div><table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>TOTAL KCE</th></tr><tr><td>Annual working hours</td><td>1,732</td><td>2,115</td><td>1,752</td><td>1,732</td><td>1,833</td></tr></table><div>ABSENTEEISM PERCENTAGE</div><table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>TOTAL KCE</th></tr><tr><td>Men</td><td>5.8%</td><td>0.9%</td><td>1.9%</td><td>9.7%</td><td>5.3%</td></tr><tr><td>Women</td><td>3.8%</td><td>2.0%</td><td>2.2%</td><td>2.7%</td><td>1.9%</td></tr><tr><td>TOTAL</td><td>5.3%</td><td>1.0%</td><td>2.0%</td><td>7.8%</td><td>4.7%</td></tr></table></div> <div><div>2023 Information:</div><div>Computable absenteeism: The overall absentee rate for 2023 was 4.9% with a total of 93,541 hours.</div><div>At all KCE subsidiaries, the percentage of absenteeism recorded by gender is higher for men, with a weighted average of 4.9%, versus 3.2% for women.</div><div>These figures are broken down in the following table, according to the percentage of recorded absenteeism and its equivalent in number of hours:</div><div><div>TOTAL ABSENTEE HOURS</div><table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>KCSA</th><th>TOTAL KCE</th></tr><tr><td>Men</td><td>18,056</td><td>3,080</td><td>6,031</td><td>51,903</td><td>0</td><td>79,070</td></tr><tr><td>Women</td><td>3,924</td><td>512</td><td>750</td><td>9,285</td><td>0</td><td>14,471</td></tr><tr><td>TOTAL</td><td>21,980</td><td>3,592</td><td>6,781</td><td>61,188</td><td>0</td><td>93,541</td></tr></table><div>ANNUAL THEORICAL HOURS/EMPLOYEE</div><table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>KCSA</th><th>TOTAL KCE</th></tr><tr><td>Annual working hours</td><td>1,950</td><td>2,115</td><td>1,752</td><td>1,732</td><td>1,732</td><td>1,833</td></tr></table><div>ABSENTEEISM PERCENTAGE</div><table><tr><th></th><th>KCG</th><th>QK</th><th>KCHI</th><th>KCSA</th><th>KCSA</th><th>TOTAL KCE</th></tr><tr><td>Men</td><td>4.8%</td><td>0.7%</td><td>2.5%</td><td>9.3%</td><td>0</td><td>4.9%</td></tr><tr><td>Women</td><td>3.2%</td><td>1. 0%</td><td>1.2%</td><td>4.3%</td><td>0</td><td>3.2%</td></tr><tr><td>TOTAL</td><td>4.4%</td><td>0.7%</td><td>2.3%</td><td>7.9%</td><td>0</td><td>4.5%</td></tr></table></div></div>		KCG	QK	KCHI	KCSA	TOTAL KCE	Men	18,690	3,708	5,095	53,469	80,962	Women	4,347	1,134	1,462	5,418	12,361	TOTAL	23,037	4,842	6,557	58,887	93,323		KCG	QK	KCHI	KCSA	TOTAL KCE	Annual working hours	1,732	2,115	1,752	1,732	1,833		KCG	QK	KCHI	KCSA	TOTAL KCE	Men	5.8%	0.9%	1.9%	9.7%	5.3%	Women	3.8%	2.0%	2.2%	2.7%	1.9%	TOTAL	5.3%	1.0%	2.0%	7.8%	4.7%		KCG	QK	KCHI	KCSA	KCSA	TOTAL KCE	Men	18,056	3,080	6,031	51,903	0	79,070	Women	3,924	512	750	9,285	0	14,471	TOTAL	21,980	3,592	6,781	61,188	0	93,541		KCG	QK	KCHI	KCSA	KCSA	TOTAL KCE	Annual working hours	1,950	2,115	1,752	1,732	1,732	1,833		KCG	QK	KCHI	KCSA	KCSA	TOTAL KCE	Men	4.8%	0.7%	2.5%	9.3%	0	4.9%	Women	3.2%	1. 0%	1.2%	4.3%	0	3.2%	TOTAL	4.4%	0.7%	2.3%	7.9%	0	4.5%
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2.2.2.3	Measures to facilitate the work/life balance and promote the co-responsible enjoyment of a work/life balance by both parents	103-2 The management approach and its components	77-78
2.2.3	Health and safety		
2.2.3.1	Occupational health and safety conditions	403-1 Occupational Health and Safety Management System	80, 82
		403-2 Danger identification, risk evaluation and incident investigation	80
		403-3- Health services	81
		403-4 Worker participation, consultations and communication about occupational health and safety	81
		403-6 Promoting healthy habits	82
		403-8 Coverage of the occupational health and safety management system	80-81
2.2.3.2	Workplace accidents, specifically, their frequency and severity, as well as occupational diseases; broken down by gender	403-9 Work-related injuries 403-10 Work-related illnesses	The formula for calculating the disaggregated male/female accident rates has been improved. In previous reports, both indices included the entire workforce without differentiating by gender. In this report, the denominators already include data for men or women, as appropriate. The data by gender for 2021 and 2022 are presented as unavailable because they cannot be calculated according to this new formula.

Indicators related to workplace accidents

KCE	2021	2022	2023	Target 2023
Frequency rate (FR) <sup>(1)</sup>	5.83	7.60	8.09	<=0.32
Accident frequency rate for women <sup>(2)</sup>	N.D.	N.D.	0.00	-
Accident frequency rate for men <sup>(3)</sup>	N.D	N.D	11.77	-
Severity rate (IG) <sup>(1)</sup>	0.11	0.13	0.30	-
Severity rate women <sup>(2)</sup>	N.D	N.D	0.00	-
Severity rate men <sup>(3)</sup>	N.D	N.D	0.43	-
Occupational diseases	0	0	0	0
Occupational diseases women	0	0	0	-
Occupational diseases men	0	0	0	-

(1) FR= number of accidents with sick leavew+m/ worked hoursw+m · 106; SR= number of lost days due to accidentsw+m/ worked hoursw+m · 103 | The number of accidents resulting in sick leave, the number of days lost due to accidents and the hours worked correspond to the sum of the values of each of the KCE companies.  
(2) FRm= number of accidents with sick leave w/ worked hoursw · 106; SRm= number of lost days due to accidentsw/ worked hoursw · 103 .  
(3) FRh= number of accidents with sick leave m/ worked hoursm · 106; SRm= number of lost days due to accidentsm/ worked hoursm · 103 .  
(4) An error is detected in the formula for calculating the SR from the previous year, with the value declared in the NFR 2022 being 0.01 instead of 0.13 as stated in this report.

[illegible]

w: women; m: men

KCHI has notably improved the FR compared to last year, while at KCSA the result has worsened. Among KCSA accidents, in no case has the material agent been a chemical. Two accidents occurred when walking through passageways, two while handling loads, one during cleaning with hot water, and finally one when accessing a control panel in a packaging area. KCG and QK present slight improvements compared to the previous year in the corresponding FR.

The SR, meanwhile, improved at KCG, up slightly at KCG, while there were notable increases at KCHI and KCSA. At both KCHI and KCSA the increase is due to a single accident at each company, of an ergonomic nature, which in both cases led to long-term sick leave.

2.2.4	Social relations		
2.2.4.1	Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them	2-29 Approach to Stakeholder engagement	84-85
		402-1 Minimum notice periods regarding operational changes	84-85
		403-1 Workers representation in formal joint management–worker health and safety committees	84-85
2.2.4.2	Percentage of employees covered by collective agreement by country	2-30 Collective bargaining agreements	84-85
2.2.4.3	Overview of collective agreements, particularly in the field of occupational health and safety	403-4 Worker participation, consultations, and communication on health and safety at work	81
2.2.5	Training		
2.2.5.1	Training policies implemented	404-2 Programmes for upgrading employee skills and transition assistance programmes	86-89
		403-5 Average hours of training per year per employee	88-89



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2.2.5.2	The total number of hours of training by professional category	404-1 Average hours of training per year per employee	87
<b>2.2.6</b>	<b>Universal accessibility of people with disabilities</b>		
2.2.6.1	Universal accessibility of people with disabilities	3-3 The management approach and its components	77
<b>2.2.7</b>	<b>Equality</b>		
2.2.7.1	Measures taken to promote equal treatment and opportunities between women and men	405-1 Diversity of governing bodies and employees	77-79
2.2.7.2	Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities.	405-1 Diversity of governing bodies and employees	77-79
2.2.7.3	Policy against all forms of discrimination and, where appropriate, diversity management	406-1 Incidents of discrimination and corrective actions taken	77
<b>3</b>	<b>Respect for human rights</b>		
<b>3.1</b>	<b>General overview</b>		
3.1.a	Policies and results	3-3 Management of material issues	46-47
3.1.b	Main risks	3-3 Management of material issues	40-43
<b>3.2</b>	<b>Detailed information</b>		
3.2.1	Implementation of human rights due diligence procedures; prevention of the risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy possible abuses committed	2-23 Commitments and policies	20, 29, 38, 44-47, 95
		2-24 Incorporation of commitments and policies	39
3.2.2	Complaints of human rights violations	411-1 Incidents of violations involving the rights of indigenous peoples	47
3.2.3	Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation relating to respect for freedom of association and the right to collective bargaining; eliminating discrimination in employment and occupation; the elimination of forced or compulsory labour; effective abolition of child labour	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	46, 84
		406-1 Incidents of discrimination and corrective actions taken	46, 76
		409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	47
		408-1 Operations and suppliers at significant risk for incidents of child labour	47

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4	Fighting corruption and bribery		
4.1	Overview		
4.1.a	Policies and results	3-3 Management of material topics	44-45
4.1.b	Main risks	3-3 Management of material topics	40-43
4.2	Detailed information		
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