

5

GOVERNANCE AND COMPLIANCE



5.1 ETHICS AND COMPLIANCE

(102-16)

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

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

In 2021, Kao, and thus all group companies, adopted the revised "The Kao Way". This revision establishes "Integrity as the only path" as a core value. We see integrity as the starting point for compliance and its promotion is the basis for gaining the respect and trust of all our stakeholders.

In the Business Conduct Guidelines (BCG), we define specific guidance on how to implement 'The Kao Way' in a manner that is applicable to all group companies. It defines fundamental principles based on the principles of corporate ethics, implements measures focused on reducing serious compliance risks, and promotes a working atmosphere that allows any non-compliance to be reported immediately so that appropriate corrective action can be taken as soon as possible.

The BCG is available to all Kao employees and Kao stakeholders on Kao's website, the corporate intranet KOMPASS, KCE website and local intranets.

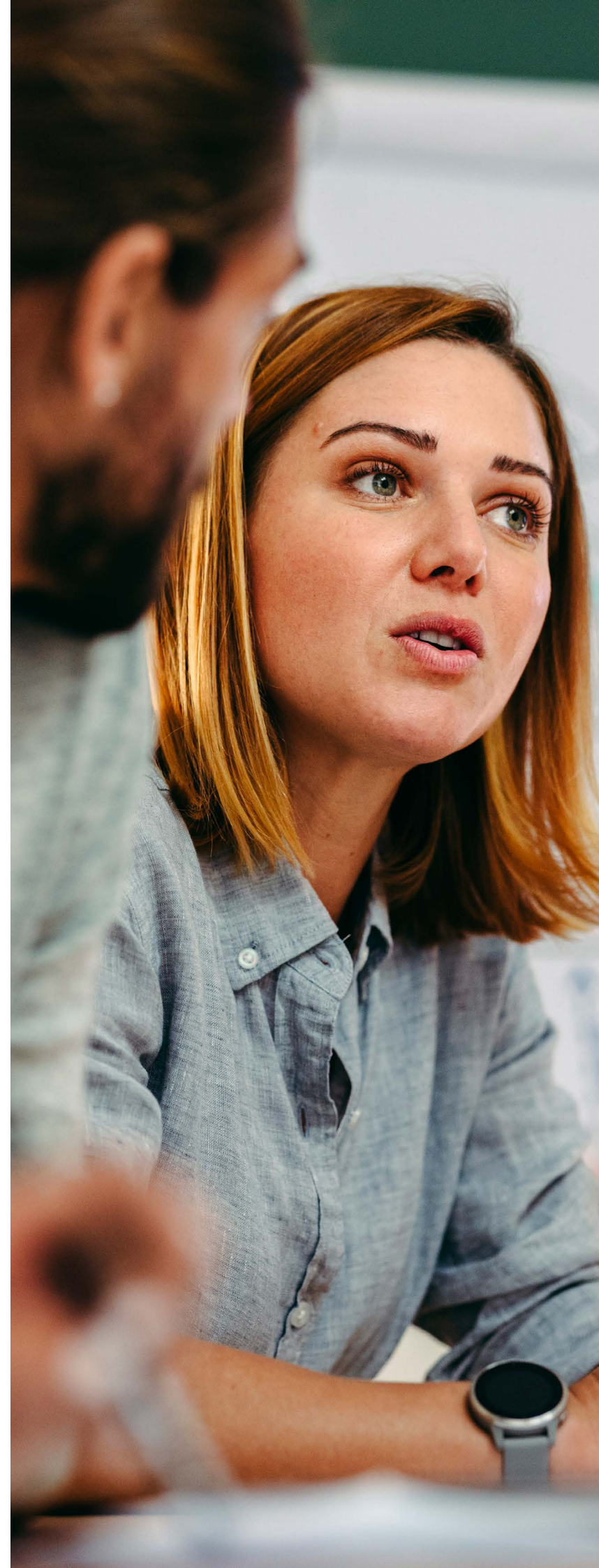
In KCE companies, effective corporate governance is based on the promotion of the corporate culture and corporate image, ensuring the deployment and control of corporate policies.

To ensure maximum effectiveness of the Code of Conduct, activities are implemented to reduce compliance risks, as well as to encourage prompt and appropriate decisions when misconduct is reported. The syllabus of the Integrity workshops cover these topics too.

In this sense, and within the scope of corporate reporting, the company regulations establish the obligation to report any breaches of the BCG. In 2022, no reports have been issued in KCE companies.

In line with the above, the company promotes the diligent management of personal data, in compliance with the General Data Protection Regulation (GDPR), approved by the European Union on 25 May 2018. The following year, Kao decided to set up Information Security Committees (ISCs) in all group companies.

These committees are made up of representatives from the various corporate areas that are directly involved in monitoring and controlling the protection of personal data and the company's confidential assets. The ISCs meet periodically to supervise the implementation of activities and detect possible risks and incidents, and report annually to Kao on these activities.



The main actions carried out by the companies of the group in 2022 have focused on continuing the actions developed in 2021: preparation of the Trade Secrets Manual, the design of training 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 2022.

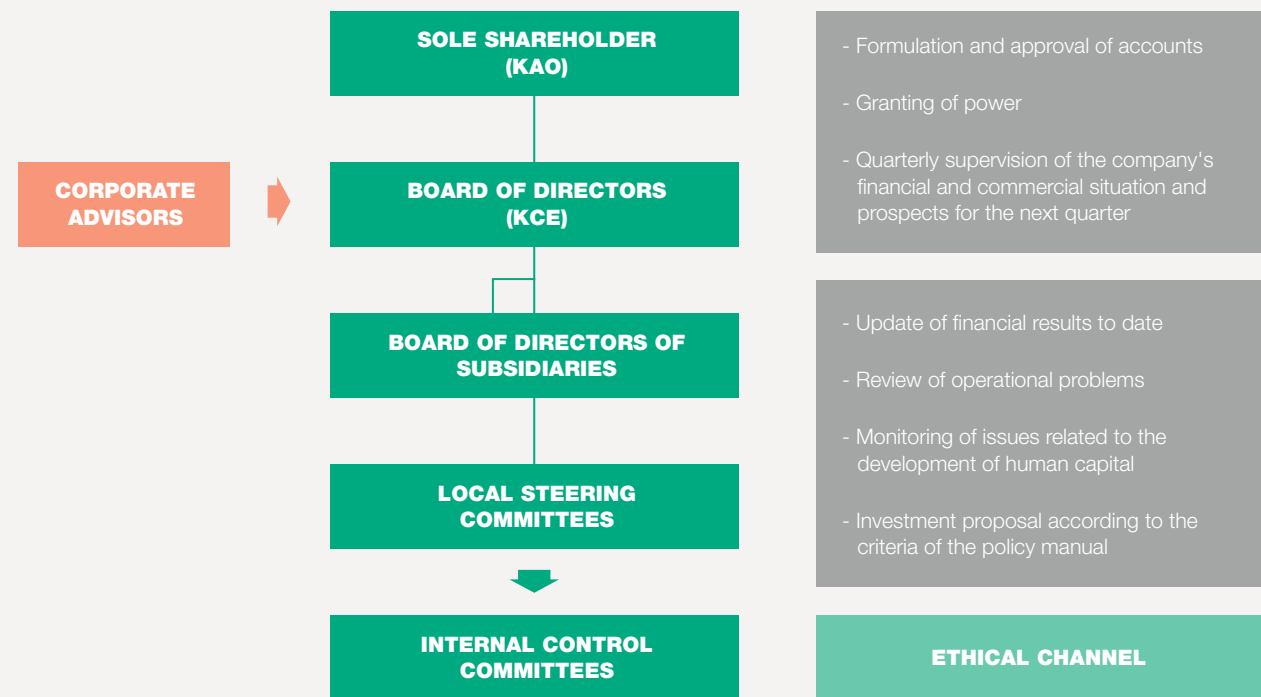
Finally, the BCG states that the company will conduct its business transactions and activities in compliance with the laws of each country or region, including those related to competition, thereby adhering to the principle of free and fair competition to ensure the trust of the company's customers and consumers and society in general.

During 2022, all KCE companies have complied with the annual report to the KCE Management Committee on antitrust matters, reporting 28 duly completed forms without detecting any risks that could jeopardize corporate governance.

5.2 GOVERNANCE BODIES

(102-18)

Corporate Governance is based on the establishment of management structures together with internal control mechanisms, as shown in the graph below:



INTERNAL CONTROL COMMITTEES:

-  Information security committee
-  Risk and crisis management committee
-  Committee to promote responsible care
-  Quality management committee

5.3 ANTI-CORRUPTION, BRIBERY AND PREVENTION OF MONEY LAUNDERING

(103-2) (103-3) (102-16) (205-1) (205-3)

KCE is committed to fighting corruption in all its forms, including extortion and bribery.

KCE adopts all the regulations set out in the Kao anti-bribery guidelines, which specify the rules and obligations regarding the protocol for entertainment and gifts, as well as the guidelines for preventing corruption, including the assessment of risks in this area during the process of selecting agents and distributors and renewing their contracts.

On anti-corruption and bribery and conflict of interest, in accordance with Kao's anti-corruption guidance, KCE maintains a firm stance against bribery by not offering or receiving any form of bribery in connection with business operations. The company understands bribery to mean cash payments, gifts, entertainment or other benefits intended to encourage favourable business treatment.

Everyone in the Kao Group is expected to act in the best interests of the company and, on this premise, will avoid any activity that impairs or could reasonably impair their ability to objectively perform their duties and responsibilities.

During 2022, all subsidiaries have confirmed the publication on their intranets or local platforms and on Kompas - the corporate intranet - of the guidelines for avoiding conflicts of interest and anti-corruption and bribery regulations, requesting confirmation that the referenced 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 secretariat on matters pertaining to conflict of interest and anti-corruption and bribery.

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. During the year 2022, KCE has reported 387 anti-corruption forms duly completed and with the appropriate approvals, and no conflict of interest forms have been reported in any of the KCE companies, and no cases of corruption have been detected.

Regarding the prevention of money laundering, in 2021 the group policy was developed and formalised. KCE has adopted this policy, along with adherence to 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 the minimization of cash receipts and payments by giving preference to bank transfers.

Everyone in the Kao Group is expected to act in the best interests of the company

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

(415-1)

The Corporate Code of Conduct explicitly prohibits 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 KCE group level amounts to 56,467 euros.



5.4 HUMAN RIGHTS

(103-2) (103-3) (102-16) (407-1)

Human rights are fundamental rights and, for this reason, KCE strives to build a society in which no person suffers prejudice or discrimination.

The Code of Conduct clearly stipulates the need to respect human rights and to ensure that all Group companies systematically and permanently guarantee the rights of children (and the right to decent work) and reject organized human crime in all its forms.

In 2015 Kao published the [Human Rights Policy](#), approved in May 2021 by the ESG Committee. This policy is adopted by all group companies and outlines our commitment to respect human rights in all our business activities, as well as specific actions to achieve it.

We work to identify, prevent or mitigate adverse human rights impacts through due diligence processes.

(412-1) (409-1) (408-1)

During 2022, no operation has been identified as having a significant risk in terms of child labour, young workers exposed to hazardous work and/or forced or compulsory labour.

Zero cases detected of non-compliance cases

5.5 INTEGRITY LINE

(102-16)

Specific guidance on how to implement 'The Kao Way' is defined based on the Business Conduct Guidelines (BCG), ensuring that all employees are able to report and consult on compliance issues when necessary.

The main objective of the ethics channel is to provide staff with a communication tool to report conducts that contravene the company's code of conduct.

This service, called the 'Integrity Line', is accessible 24 hours a day, every day of the year and is provided by an independent company, which protects and guarantees the anonymity of those people who wish to report to the organization something they consider inappropriate or unethical, in accordance with KCE's policy.

During 2022 Kao changed the service provider of the Integrity Line, now called Ethicspoint. This communication was distributed globally, and its usage guidelines were translated into all KCE's official languages.

In 2022, there have been no reported allegations in any of the group companies, with one case reported to Kao's ethics channel in relation to one of the KCE group companies.

(411-1) (419-1) (406-1)

Throughout 2022, KCE has not recorded any cases of disciplinary action for breaches of the Code of Conduct or human rights violations.

(412-2)

During 2022, a worldwide awareness-raising campaign was conducted in commemoration of World Human Rights Day.

All group companies shared the commemorative poster and various awareness-raising messages were published on our intranet.



5.6 STAKEHOLDERS AND COMMUNICATION CHANNELS

(102-43)

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.

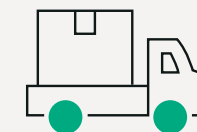


KCE'S STAKEHOLDERS AND COMMUNICATION CHANNELS



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

During 2022, through the survey form of the Non-Financial Report 2021 available on the KCE website, we have noted the growing interest among KCE staff in ESG issues, with environmental issues prevailing as the topics of greatest interest, followed by those related to society and, ultimately, governance.