

SUSTAINABILITY REPORT

2021





“Against this uncertain backdrop, the KCE Group is reinforcing its ESG strategy with a mission to create a KIREI future for people, society and the planet.”

Dear readers,

Again this year, I am writing to you all to present Kao Chemicals Europe’s non-financial reporting performance throughout 2021, a challenging year, which we have successfully managed to overcome thanks to the dedication and resilience of our team and the collaboration of our stakeholders.

2021 was again marked by the pandemic, and this challenge was compounded by difficulties such as supply instability, disruption in global logistics, and sharp increases in raw materials, natural gas and transport prices, etc., which resulted in loss of a few business opportunities.

The Japanese word ‘Kirei’ describes something that is clean, well-ordered and beautiful, thus, this corporate philosophy drives us to persevere in our goal of becoming an indispensable company to

achieve sustainable growth for society and industry, through the corporate motto “Sustainability as the Only Path”.

The key aspects covered in this report focus on the areas of Ethics and Compliance, Climate Change and Energy Efficiency, Circular Economy and Waste Management, Pollution Reduction, Occupational Health and Safety, and Contingency Planning for Emergencies and Natural Disasters, since those have been identified as material topics by our stakeholders.

I invite you to read more about our 2021 sustainability progress in this report.

Daisuke Hamada, [KCE President](#)

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1.

GENERAL INFORMATION



1. GENERAL INFORMATION

1.1. BUSINESS MODEL:
BUSINESS ENVIRONMENT AND ORGANIZATION

Kao Chemicals Europe, S.L. (hereinafter, KCE) forms a part of Kao Corporation, a Japanese multinational with headquarters in Tokyo (Japan).

KCE was founded in 1999, thereby integrating the organizations of Kao Corporation, S.A. (Spain), hereinafter KCSA, and Kao Chemicals GmbH (Germany), hereinafter KCG.

In 2005 Quimikao (Mexico), hereinafter QK, joined KCE organization; in 2012, 0.1% of Kao Brazil Ltd. was acquired, and in 2017 the Kao Chimigraf Group (Spain), hereinafter KCHI, was brought on board.

KCE produces and trades surfactants, aroma chemicals, aroma compounds, various families of technical applications products, polyester resins, high-quality toner for professional applications and inks for digital and analog printing.

The company has several production sites located in Emmerich (Germany), Guadalajara (Mexico), Rubí, Olesa de Montserrat, Mollet del Vallès, and Barberà del Vallès (Spain); the latter, where the European headquarters is located.

KCHI carries out its productive activities in Mollet del Vallès, Alcalá de Henares and Aldaya, in addition to Rubí.



EXTERNAL EVALUATION

KCG, QK, KCHI and KCSA have subscribed a system of audits on a voluntary basis, the overcoming of which proves the suitability of their method to achieve the objectives pursued.

COMMITMENT TO SOCIETY



EVALUATION BY SOCIETY

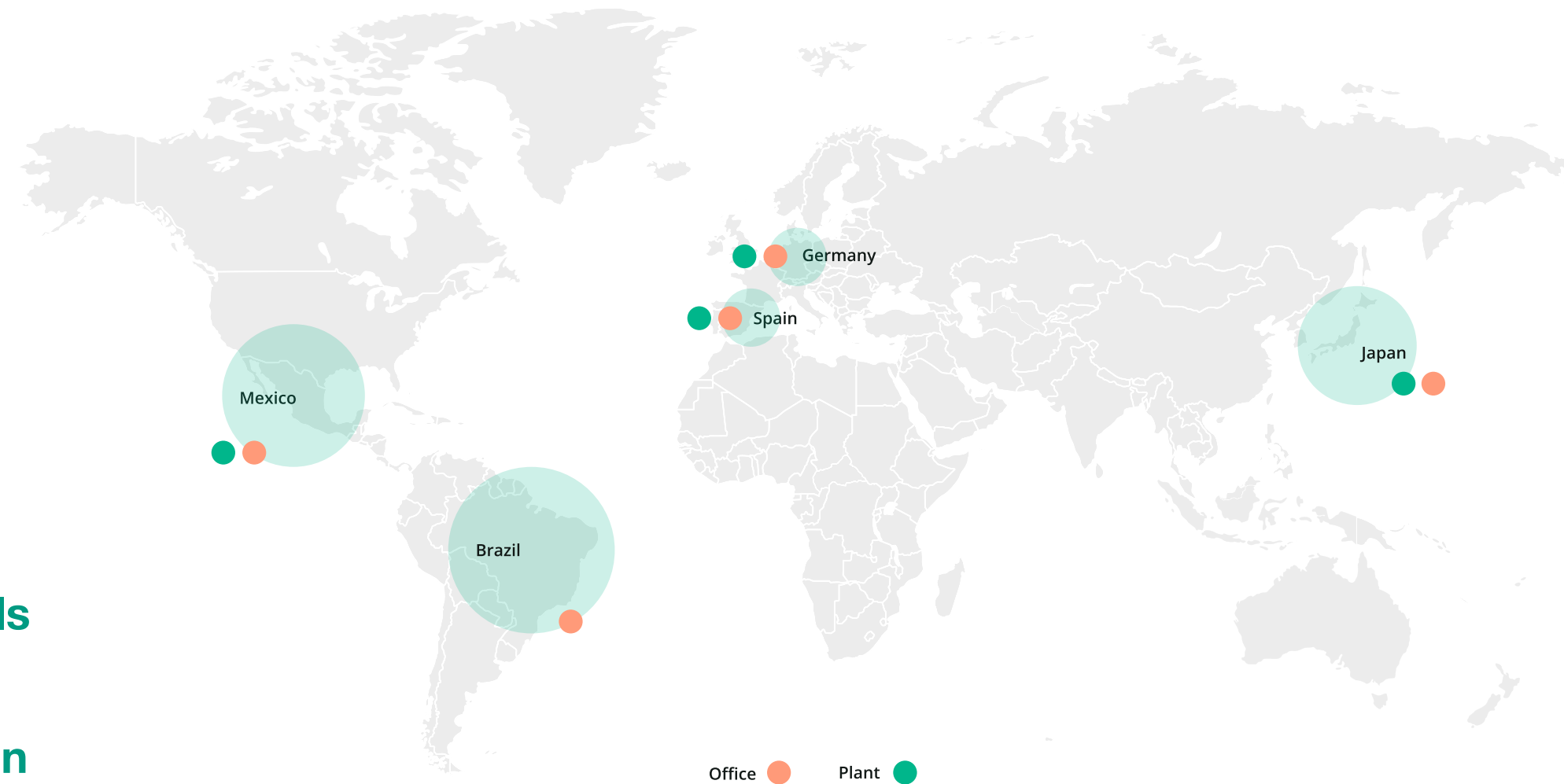


1.2. GLOBAL PRESENCE

From our production sites located in Spain, Germany and Mexico, we supply products to all five continents. Sales have been made in more than 100 countries in 2021; mainly in Europe (67% by volume), followed by North America (28% by volume) and, to a lesser extent, Asia, South America, Africa and Oceania.

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

**Kao
Chemicals
Europe
Global
Expansion**



The company has six business units dedicated to different applications depending on the industry receiving its products, which are described below:

Business Fields



Surfactants for Consumers Applications

- **Personal Care:**
 - Hair Care
 - Body Care
 - Skin Care
- **Laundry & Cleaning:**
 - Dishwashing
 - Industrial and Institutional cleaning
 - Laundry Care
 - Hard Surface Care



Oleochemicals

- Fatty alcohols
- Fatty amines



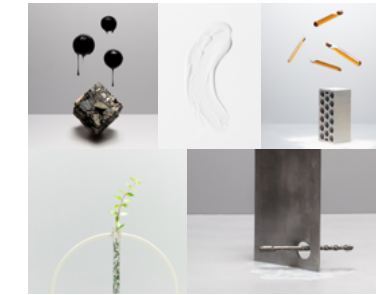
Fragrances & Aroma Chemicals

- **Aroma Chemicals:**
 - Ingredient Specialites
- **Aroma Compounding:**
 - Fine Fragrance
 - Home Care
 - Air Care
 - Personal Care
 - Fabric Care



Imaging Materials

- Polyester-based resins
- Toners for copiers and printers
- Pigment dispersions



Surfactants for Technical Applications

- Road additives
- Oil and gas
- Mineral flotation
- Building
- Fertilizers
- Metalworking
- Surfactants miscellaneous
- Coatings



Printing Inks

- Flexography & Rotogravure
- Inkjet

1.3. OBJECTIVES AND STRATEGIES OF THE ORGANIZATION

Kao Chemicals Europe is a company with a technical and innovative orientation focused on satisfying the needs of its customers and society, always following the established ethical values.

In this line, KCE has set a group growth plan in the medium term and a second in the long term, in which sustainability aspects play an essential role in its achievement.

Specifically, the commitments set for the period 2021 are:



COMMITMENT TO FOSTERING A DISTINCTIVE CORPORATE IMAGE:

- **Become a company focused on the needs of the client/consumer.**

During 2021, KCE has continued to develop and implement different digital media with the intention of improving communication, updating information and facilitating its accessibility to customers.



COMMITMENT TO PROFITABLE GROWTH:

- **Net sales CAGR of more than 5%**

Despite the complicated situation arising from Covid-19, the company has been able to establish the counter measures necessary to be able to continue the operation. The pandemic has affected KCE's business quite differently, but the result is seen as very reasonable.



COMMITMENT TO RETURNS TO STAKEHOLDERS:

- **Employees:** through an adequate remuneration system, benefit sharing and health support.
- **Customers:** maximizing win-win relationships.

KCE is a purely customer-oriented company, so in 2021, and despite the impact of the coronavirus, continuing and establishing new relationships with them has continued to be a priority.

- **Society:** Promote a framework of relationships with stakeholders.

By fulfilling these commitments, the intention is to achieve the objective of turning Kao Chemicals Europe into a reference company for customers, staff and the community.

One of the basic concepts of this strategy continues to be sustainability as a guide to contribute to the maintenance of our planet and improve people’s lives, as well as innovation and collaboration with clients, key elements for Kao.

This sustainability report has been prepared taking into account the recommendations of the Global Reporting Initiative (GRI). The data collected here comes from the company’s Non-Financial Report, where the information can be consulted in greater detail. Throughout the chapters of the document, a report on the environmental, social and government impacts of Kao Chemicals Europe is made and data relating to 2021 are included on the following issues:



Environmental matters



Matters regarding ethics, compliance and governance



Matters regarding Human Capital in relation to employment and work organization



The company’s commitments to society regarding sustainable development



Matters regarding Human Rights



Contribution to SDG

CONTRIBUTION TO THE SDGS

The following table lists the Sustainable Development Goals that affect each of the areas listed throughout this report and reference to GRI sustainability reporting standards.

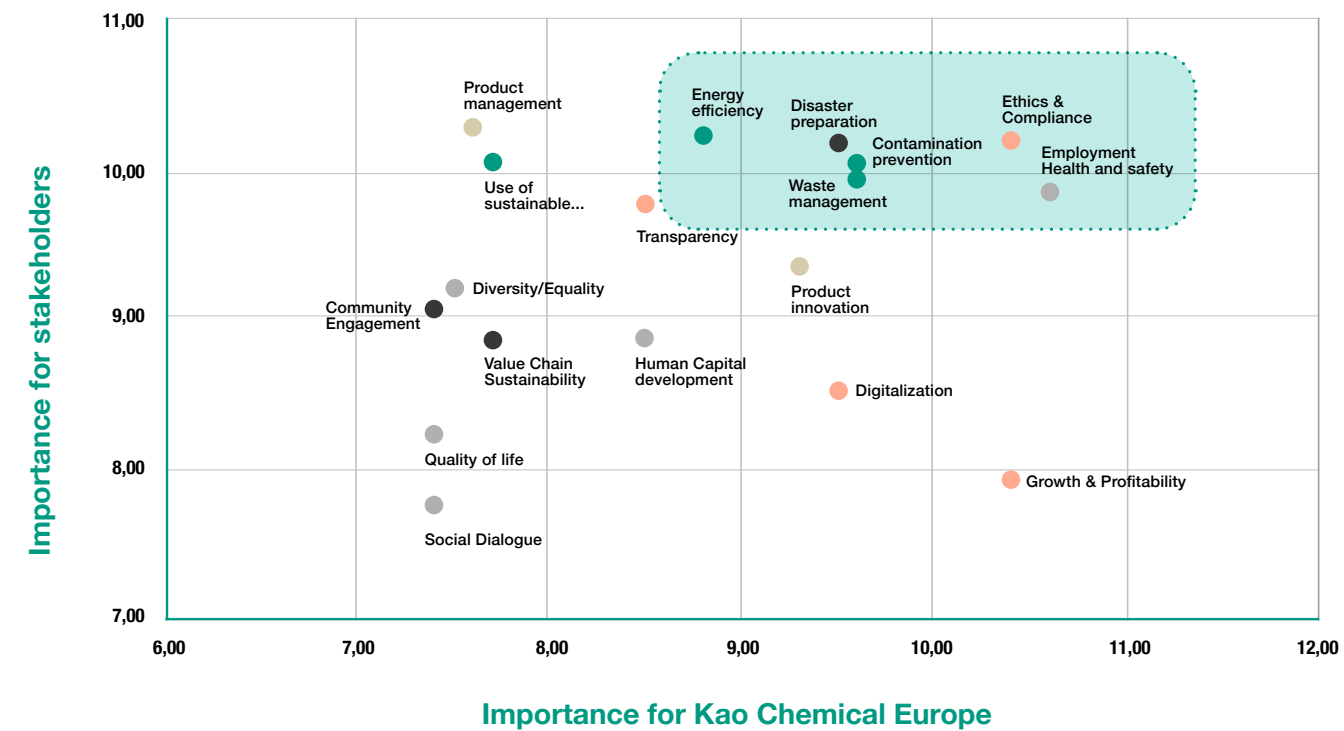
AREA	GRI	CONTRIBUTION TO THE SDGS
CO ₂ emissions management	GRI 305: Emissions	<div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div></div>
Use and prevention of water pollution	GRI 303: Water and effluents	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>6 CLEAN WATER AND SANITATION</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>14 LIFE BELOW WATER</div></div>
Preventing air pollution	GRI 305: Emissions	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>
Waste management	GRI 306: Waste generated	<div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div><div>14 LIFE BELOW WATER</div><div>15 LIFE ON LAND</div></div>
Chemicals management	GRI 301: Materials	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>6 CLEAN WATER AND SANITATION</div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>
Biodiversity management	GRI 304: Biodiversity	<div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div><div>15 LIFE ON LAND</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div>
Occupational health and safety	GRI 403: Occupational health and safety	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div></div>
Human rights	GRI 402: Labour/management relations GRI 406: No discrimination GRI 407: Freedom of association and collective bargaining GRI 408: Child labour GRI 409: Forced or compulsory labour GRI 412: Human rights assessment GRI 414: Supplier social assessment	<div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>10 REDUCED INEQUALITIES</div><div>16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS</div></div>
Commitments to society	GRI 413: Local communities	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>4 QUALITY EDUCATION</div><div>13 CLIMATE ACTION</div><div>15 LIFE ON LAND</div></div>

1.4. MATERIALITY ANALYSIS

In 2020, KCE conducted a review of the material topics identified in 2019, incorporating two material aspects relevant to the organization, arising from the global situation from the COVID-19 pandemic: digitization and planning for emergencies or natural disasters.

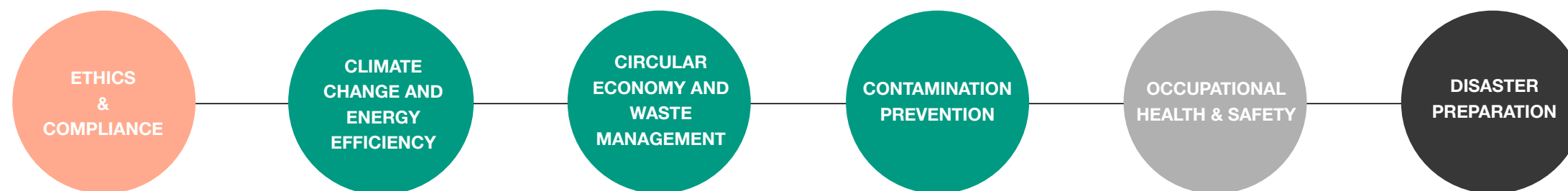
This new materiality analysis followed the methodology established by the parent company, Kao Corporation.

Considering the global situation during 2021, it was decided to continue working with the results of the 2020 and do not carry on a new materiality analysis.



Through the materiality analysis, the relevance of the most important aspects of business strategy and corporate responsibility has been measured, stakeholder expectations have been identified and an action plan has been established














to respond to the detected needs, with priority aspects being the same as in 2019, with the exception of Disaster preparation plan, clearly derived from the impact of the pandemic:



1.5. CONTRIBUTION TO SUSTAINABLE DEVELOPMENT: PRODUCTS AND SOLUTIONS

In this context, the company strives to contribute to sustainable development and a better quality of life for people, maximizing the potential of employees. To achieve the objectives set, and in

line with the strategies mentioned in the previous paragraph, the following table gives some examples of the products and technical solutions that have been disclosed during 2021:

PRODUCT APPLICATIONS	PROPERTIES	CONTRIBUTION TO SUSTAINABLE DEVELOPMENT	IMPACTS ON COMMUNICATION CHANNELS
ECO FRAGRANCES <i>Fragrances</i>	<ul style="list-style-type: none">• Biodegradable raw materials and fragrances		<ul style="list-style-type: none">• Jornadas Congreso Español Detergencia (Spain-virtual)
AKYPO FOAM LM 25, DANOX HC-30, EMAL 10G-3 <i>Personal hygiene</i>	<ul style="list-style-type: none">• Waterless formulas• High natural content• Reducing the use of water• Savings in transport	 	<ul style="list-style-type: none">• 6th Beauty Innovation Days / Beauty Cluster (Spain-virtual)
AKYPO LF series LEVENOL F-200 <i>Detergent</i>	<ul style="list-style-type: none">• Ultra-concentrated formulas to be diluted• Reducing the use of water• Savings in transport	 	<ul style="list-style-type: none">• SEPAWA (Germany-virtual)
TETRANYL L9-90 <i>Fabric Softener</i>	<ul style="list-style-type: none">• Vegetal origin• Local raw materials	 	<ul style="list-style-type: none">• SEPAWA (Germany-virtual)
INKJET Inks <i>Printing</i>	<ul style="list-style-type: none">• Eco-friendly formulations• Cardboard Marking, Coding & Addressing	  	<ul style="list-style-type: none">• Virtual Drupa / FESPA (Germany-virtual)
TRASUT-RA <i>Roads</i>	<ul style="list-style-type: none">• New Technology• Quick open to traffic• Application at lower temperature	  	<ul style="list-style-type: none">• Euroasphalt & Eurobitume Congress (Mexico-virtual)

PRODUCT APPLICATIONS	PROPERTIES	CONTRIBUTION TO SUSTAINABLE DEVELOPMENT	IMPACTS ON COMMUNICATION CHANNELS
DANOX RAP series Roads	<ul style="list-style-type: none">• Easy to use in asphalts• Higher yield at lower dosage	<div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div></div>	<ul style="list-style-type: none">• Euroasphalt & Eurobitume Congress (Mexico-virtual)
SK FERT series Fertilizers	<ul style="list-style-type: none">• Storage and transport improvement	<div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>	<ul style="list-style-type: none">• CRU Phosphates (USA-virtual)• Article published in World Fertilizer
COLMIN, DANOX FL series Mineral extraction	<ul style="list-style-type: none">• Optimization of the selective mineral extraction process	<div><div>14 LIFE BELOW WATER</div><div>15 LIFE ON LAND</div></div>	<ul style="list-style-type: none">• CRU Phosphates (USA-virtual)
AKYPO, AKYPO ROX, KAO FINDET, FOSFODET Lubricants	<ul style="list-style-type: none">• Higher yield at lower dosage• Improves Lubricant properties	<div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div></div>	<ul style="list-style-type: none">• Society of Tribologists and Lubrication Engineers Annual Meeting (USA-virtual)
MIGHTY LF-10C Construction	<ul style="list-style-type: none">• Grinding agent for cement• Shortening time for cement and less energy consumption	<div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>	
AKYPO LF 2 Metal treatment	<ul style="list-style-type: none">• Multi-functional hydrotape• Less temperature and water needed	<div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>	

2.

**MAKING
THE WORLD
HEALTHIER &
CLEANER**



2. MAKING THE WORLD HEALTHIER & CLEANER

Through the corporate program ‘Eco Together’, created in 2009, the group establishes its commitment to environmentally responsible management and the implementation of environmental conservation efforts together with customers, suppliers, production outsourcing partners, local communities, NGO, governments and other stakeholders.

In 2020, based on the medium and long-term goals of our Kirei lifestyle plan, targets for 2030 were changed and set with respect to the environment and safety. From the review of targets, in 2021 the group maintains the targets except for decarbonisation for which a more ambitious target for 2030 is being set.

Our objectives cover various areas: environmental decarbonization, increasing the rate of renewable energy from purchased electricity and reducing the absolute value of GHG emissions, waste reduction (zero waste in landfill and simple incineration) as well as in the prevention of air and water pollution to improve the disclosure of VOC and COD emissions.



The commitments made by 2030 are as follows:

AREA	INDICATOR	TARGET VALUE	BASE YEAR
DECARBONIZATION	Reduction emissions scope 1+2 CO ₂ , absolute	55%	2017
	Renewable purchased electricity	100%	—
ENERGY	Energy consumption	1%	Previous year
	Ratio to landfill and to incineration	<1%	—
ZERO WASTE			
WATER CONSERVATION	Water consumption	45%	2005
	Procurement of RSPO-certified palm oil	100% ¹	—
RESOURCES			

The target value is that to be achieved in 2030, taking a specific year as a starting point (base year) set for each indicator, except for some that do not need it.

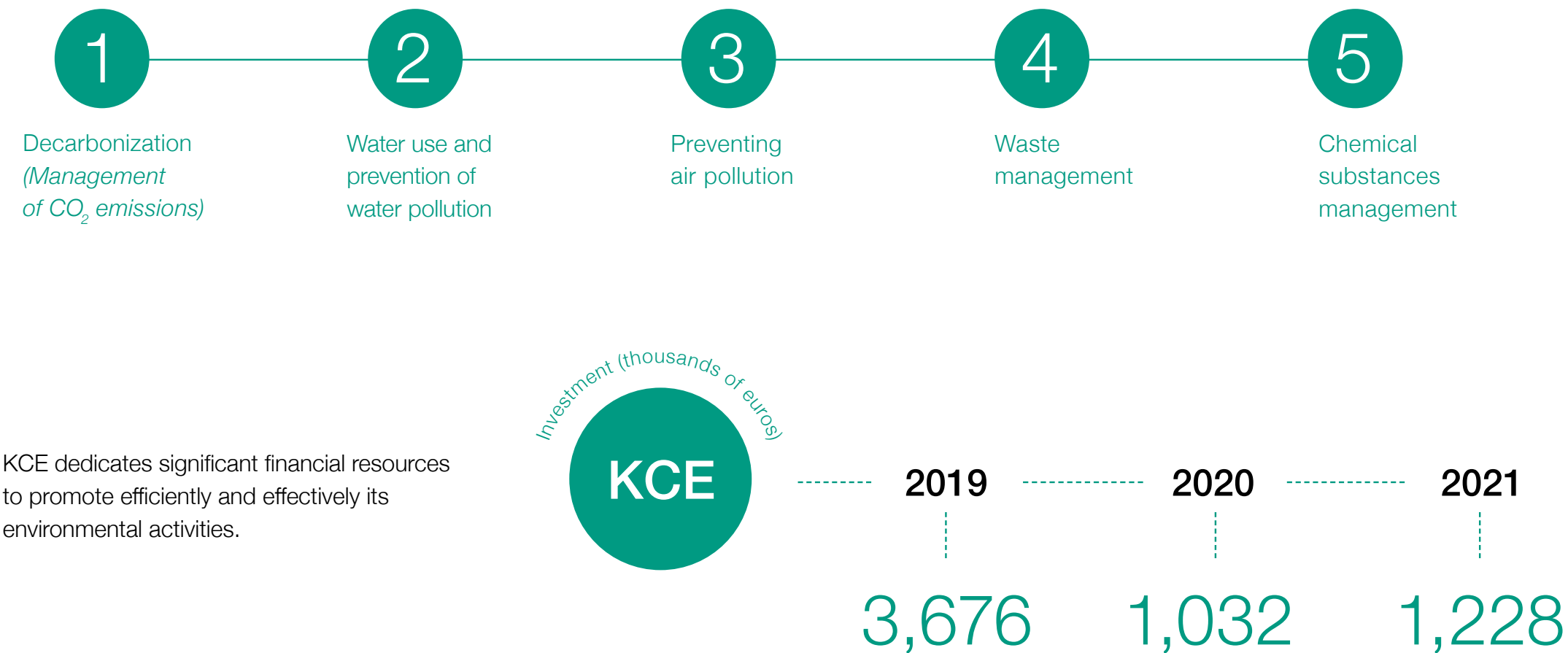
¹ Target to be achieved by 2025.

2.1. MAIN ENVIRONMENTAL FACTORS

The global environmental trend of most concern to KCE is **climate change**. The possibility of suspending operations due to extreme meteorological phenomena, such as drought, floods and global warming, as well as the increase in costs due to more severe regulations pose risks for the company.

Current lifestyles also contribute to the development of a number of specific environmental problems, including climate change, resource depletion, environmental pollution, water security and biodiversity loss.

Taking all these risks into account, the company has identified five areas on which it aims to focus its environmental efforts:



KCE dedicates significant financial resources to promote efficiently and effectively its environmental activities.

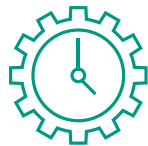
2.1.1. DECARBONIZATION

KCE’s activity involves the emission of greenhouse gases either from the activity itself (direct emissions) or because of the activity itself (indirect emissions).

KCE considers the amount of greenhouse gas emissions from fuel and electricity consumption from production activity itself and sales as the most significant problem. The following are the initiatives developed to reduce such emissions:



IN THE ACQUISITION OF RAW MATERIALS:
green purchasing concepts are incorporated, and specific actions are carried out in the different subsidiaries.



INCLUSION IN THE MANUFACTURING PROCESS OF
initiatives to reduce energy consumption, use of cleaner energy, use of more environmentally friendly coolants and equipment maintenance to prevent coolant leaks and other greenhouse gases.



IN THE DEVELOPMENT PROCESS:
when deciding to launch new and improved products, it is verified that they meet the environmental standards described by the design guidelines for the environment.



IN THE DISTRIBUTION PROCESS:
through the increase in volumes dispatched by shipment, the use of cleaner methods and the improvement of load ratios.

Contribution to the SDGs



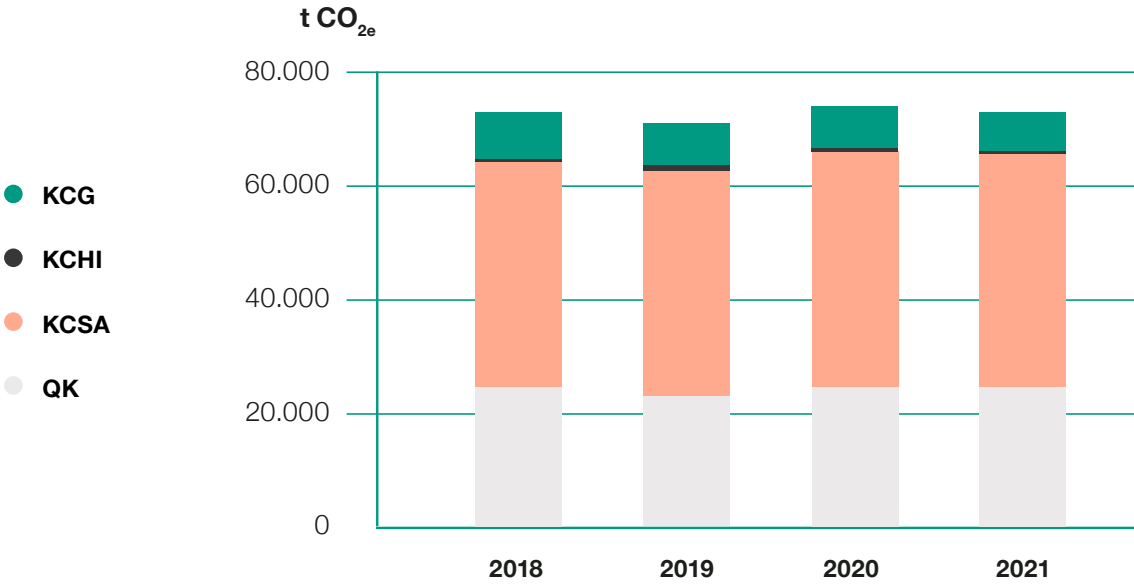
Energy efficiency is one of the environmental aspects that allows us to improve our environmental impacts insofar as greater efficiency implies a more efficient use of resources and a lower impact on the generation of CO₂ emissions.

For this reason, considering the origin of our CO₂ emissions, the decarbonization objective is unequivocally linked to the energy efficiency objective, which translates into lower consumption. For the latter, we must achieve an annual reduction of 1% compared to the previous year and, in relation to emissions, an ambitious 55% compared to the initially set target (22%) to align ourselves with the commitments of the European Union through the ‘Fit for 55’ program.

This is the first target to achieve the goal of reducing CO₂ emissions to zero by 2040 and becoming carbon negative by 2050 to combat global warming.

The KCE indicators for 2021 are shown below, as well as their comparison with the previous year.

Direct GHG emissions (scope 1) per company



Direct Greenhouse gas emissions (GHGs)²

KCE	2019	2020	2021
TOTAL DIRECT (SCOPE 1) GHG EMISSIONS (t CO ₂ e)	71,018	74,492	72,620
SCOPE 1 EMISSIONS / PRODUCTION (kg CO ₂ e/t)	166.05	170.85	168.96
TOTAL ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS (t CO ₂ e)	3,925	4,527	5,675
SCOPE 2 EMISSIONS / PRODUCTION (kg CO ₂ e/t)	11.61	12.51	15.45
OTHER INDIRECT (SCOPE 3) GHG EMISSIONS (t CO ₂ e)	23,754	22,645	22,960
SCOPE 3 EMISSIONS / PRODUCTION (kg CO ₂ e/t)	91.56	56.77	51.59
TOTAL GHG EMISSIONS (ALL SCOPES) (t CO ₂ e)	98,697	101,664	101,256
GHG / PRODUCTION (kg CO ₂ e/t)	223.44	225.93	236.00

² In italics, modification of the scope 1 emissions reported previously, by including the CO₂ from the emissions of the decarboxylation process corresponding to KCSA.

Greenhouse gas (GHG) emissions in absolute value decrease, same as per ton of final production. The decrease compared to 2020 for Scope 1 and 2 emissions was 724 tons (0.9%).

Compared to 2017, the base year for this indicator, CO₂ emissions were reduced by 18%.

Energy consumption data

Both energy consumption and consumption rate have slightly decreased (1%) due to:

- The growing demand for products that require higher energy consumption for their preparation to the detriment of those that require less consumption.
- Construction of new facilities without associated production and/or that have been in the start-up regime.
- Climatic conditions, such as abnormally low temperatures (-20°C) and heavy snowfall in KCG, which have led to higher consumption.

KCE	2019	2020	2021
TOTAL ENERGY CONSUMPTION (MWh)	404,308	422,342	407,246
TOTAL ENERGY CONSUMPTION / PRODUCTION (MWh/t)	0.95	0.96	0.95
ELECTRICITY CONSUMPTION (MWh)	79,168	82,802	85,129
RENEWABLE ELECTRICITY CONSUMPTION (%)	71.25	80.88	80.74
ELECTRICITY CONSUMPTION / PRODUCTION (MWh/t)	0.18	0.16	0.20
NATURAL GAS CONSUMPTION (GJ)	1,225,451	1,288,536	1,276,190
NATURAL GAS CONSUMPTION / PRODUCTION (GJ/T)	3.68	3.81	3.93
THERMAL CONSUMPTION (MWh)	307,392	323,543	326,431
THERMAL CONSUMPTION / PRODUCTION (MWH/T)	0.69	0.72	0.75
OTHER ENERGY CONSUMPTION (MWH)	4,645	4,474	4,332

During 2021, all electricity consumed by KCG, KCSA y KCHI (except KCHI France) came from renewable sources. For its part, QK is in the process of contracting this type of energy and 17% of the energy consumed by KCHI France is of renewable origin. As a result, renewable electricity consumption has increased to 81% in 2021.

2.1.2. WATER CONSERVATION AND POLLUTION PREVENTION

Currently, KCE is working to reduce water consumption in each production plant and to reduce wastewater through the application of the 3R (reduce, reuse, and recycle) technique, the search for new technologies, the optimization of maintenance work and the improvement of wastewater treatment facility management.

Contribution to the SDGs



The long-term goals for 2030 are aligned with those of the group, if they are achievable for each of the organizations that constitute KCE.

To reach the long-term objective (45% by 2030), the objective for 2021 was to achieve a reduction of 41% compared to 2005.

Water consumption data

KCE	2019	2020	2021
TOTAL WATER WITHDRAWAL (m³)	1,492,891	1,606,119	1,525,046
WITHDRAWAL / PRODUCTION (m³/t)	2.76	2.96	2.92
WATER CONSUMPTION (%)	235,015	224,528	212,971
WATER CONSUMPTION / PRODUCTION(m³)	0.53	0.50	0.51

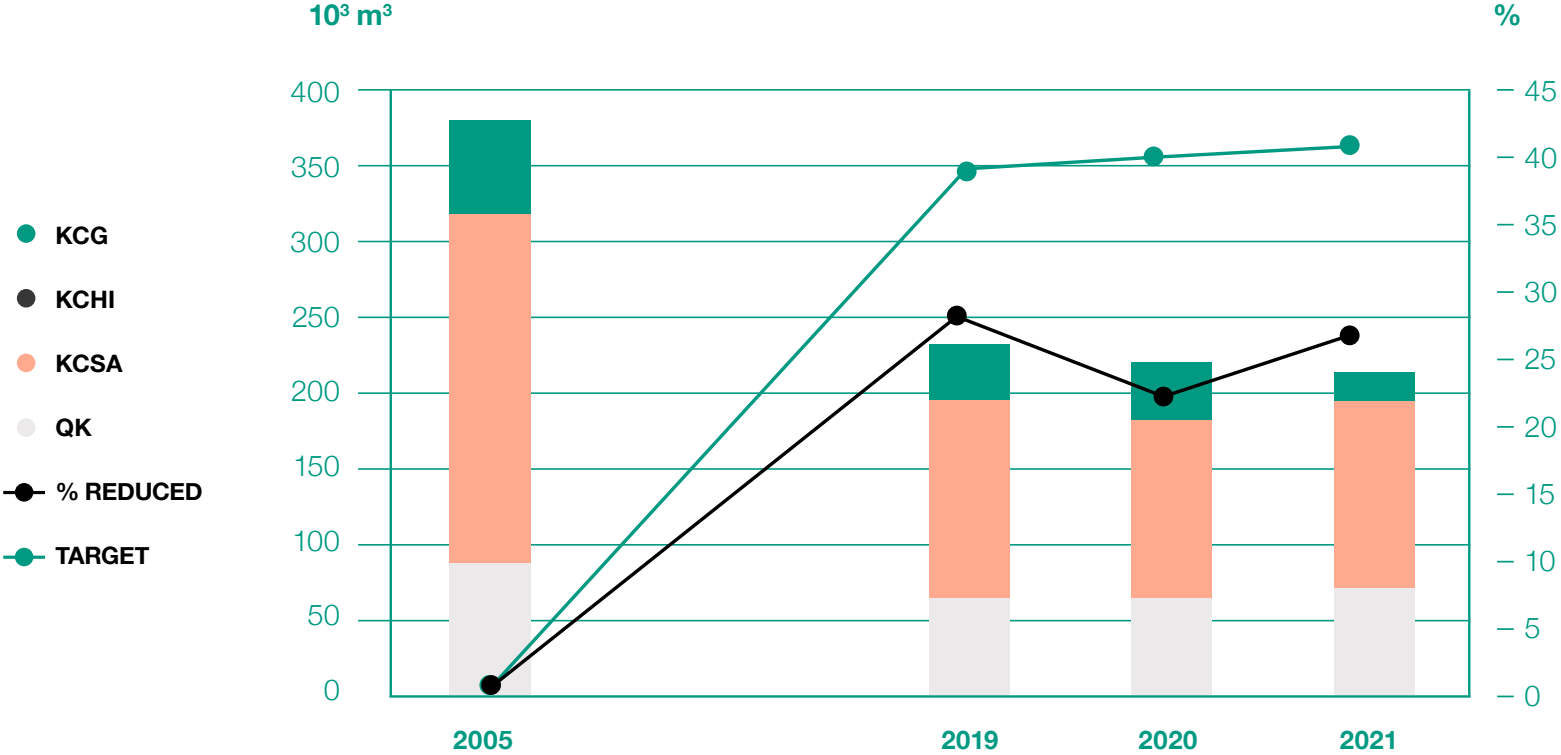
KCE’s water extraction has decreased by 81,000 m3 compared to the previous year. Approximately 14% has been for consumption. The extraction rate per ton produced has decreased by 1% compared to the previous year and 44% compared to 2005 (base year).



The main KCE’s water users are KCG and KCSA, which have reduced their extraction in 2021. However, this decrease is not transferred to the rate (m3/t) because certain uses (such as refrigeration or steam systems) are necessary in facilities that they do not have associated productions such as storage tanks.

On the part of QK, the increase is due, on the one hand, to the water needs demanded by the new plant built in 2020 and which has been operating normally throughout the year, and, on the other, to the consumption of water from the State wastewater treatment plant, the quality of which requires treatment prior to use, which translates into a higher volume to compensate for the rejection due to quality aspects. KCHI water consumption only represents 1% of KCE’s water consumption.

The discharge remains unchanged compared to the previous year. The TOC pollution load dropped by 9,249 tons compared to the previous year, a per-ton reduction of 10%, mainly due to the actions carried out by QK.



2.1.3. AIR POLLUTION PREVENTION

The main commitments made in this area are aimed at strict compliance with specific laws and regulations, as well as the development of the principle of pollution prevention. This entails, among other actions, the gradual introduction of better available techniques, the modification of processes in favour of reducing emissions and close monitoring thereof.

The promotion of communication with interested parties is also contemplated. Along these lines, it should be noted that three of the companies that make up KCE (KCG, QK and KCSA) already publish emission data under the PRTR (Pollutant Release and Transfer Registers).

Contribution to the SDGs



Substances
emission data

KCE	2019	2020	2021
CO EMISSION (kg)	21,131	22,310	22,497
CO EMISSION / PRODUCTION (kg CO/t)	0.05	0.06	0.06
NO _x EMISSION (kg)	54,024	56,751	55,440
NO _x EMISSION / PRODUCTION (kg/t)	0.12	0.12	0.13
CH ₄ EMISSION (kg)	1,547	1,619	1,582
CH ₄ EMISSION / PRODUCTION (kg/t)	0.00	0.00	0.00
HFCS EMISSION (kg)	173	178	72
SO ₂ EMISSION (kg)	492	468	439
SO ₂ EMISSION / PRODUCTION (kg/t)	0.00	0.00	0.00
PM EMISSION (kg)	953	1,097	1,160
PM EMISSION / PRODUCTION (kg/t)	0.00	0.00	0.00
VOCs EMISSION (kg)	115,428	87,226	68,420
VOCs EMISSION / PRODUCTION (kg VOCs/t)	1.54	1.23	1.02



The actions taken to minimize diffuse emissions has made it possible to reduce VOC emissions by 18,380 kg (22%) and the rate by 17% compared to 2020.

As regards emissions from fuel gases (CO, NO_x and SO₂), there are no significant variations compared to 2020.

On the other hand, regarding particulate emissions, KCSA is the KCE company reporting the highest emissions.

Lastly, there is an improvement in VOC emissions. The KCE company with the highest VOC emissions is KCHI, as the activity itself involves the handling of volatile solvents (the emissions of the rest are negligible in comparison).

2.1.4. WASTE MANAGEMENT

KCE is working to reduce waste generation in its plants and offices, encouraging the application of the 4R technique (reduce, reuse, recycle and replace).

Among many other actions, work is being done to improve the performance of production processes to reduce the generation, reuse of packaging and revaluation of waste. Adequate waste management is also carried out to ensure that its impact is the most environmentally friendly.

The objectives in this area, as for the water vector, are aligned with those of the group. In this sense, it is defined as an objective for 2030 that the waste of industrial origin destined for landfill or incineration is less than 1%.

Contribution to the SDGs



Waste management data

KCE	2019	2020	2021
TOTAL WASTES (t)	15,284	15,448	14,395
TOTAL WASTES / PRODUCTION FINAL (kg/t)	38.93	37.62	35.65
TOTAL HAZARDOUS WASTES (t)	12,545	12,533	11,878
TOTAL HAZARDOUS WASTES / PRODUCTION (kg/t)	29.15	27.15	26.08
VALUATION OF TOTAL WASTES GENERATED (%)	70.73	61.22	67.07

The amount of waste generated has decreased by approximately 1,000 tons compared to the previous year; and the rate of waste generation per ton produced has decreased, improving by 5%.

All companies have contributed to reducing the amount of waste, with KCSA and QK being the ones that have contributed most significantly.

Another fact to note is that of the reduction of 1,000 tons, 68% comes from hazardous waste.

In terms of recycling, the recovery rate of reused or recycled waste has been 67%, including energy recovery.

2.1.5. MATERIALS MANAGEMENT

KCE’s business involves the use of materials to manufacture and package the products. In this area, work is being done to provide more indicators that include not only the raw materials but also the materials used for packaging the product and auxiliary materials.

As previously mentioned, KCE is working on improving the performance of production processes, directly impacting the reduction of waste and, therefore, lower consumption of raw materials.

Another line of work that year after year acquires more relevance is related to the design of products that are more respectful of the environment; either by the consumption of less dangerous raw materials, use of recycled raw materials, material delivery format and reuse and/or use of recycled packaging mainly.

In the acquisition of materials, the quantities, format, and origin of the supply are also taken into consideration.

Raw materials usage data

KCE	2019	2020	2021
RAW MATERIALS (t)	304,109	307,491	290,012
RAW MATERIALS / FINAL PRODUCTION (t/t)	0.80	0.80	0.79



Responsible consumption and production of materials

Kao recognizes the importance of global issues and risks such as scarcity of resources, global warming, degradation of biodiversity and other environmental problems, as well as human rights, and, to contribute to resolution of global issues, Kao strives for sustainable procurement of raw materials.

KCE uses a wide range of raw materials in the production of its products. The consumption of raw materials in 2021 was 290 thousand tons and the production was of 380 thousand tons, maintaining the ratio of raw materials / final production (t/t).

Palm oil is used in many of our products, and it is predicted that future demand will increase steadily as a result of population

increases on a global scale, making deforestation and shortages of raw materials issues of concern. At KCE, we continue to develop technologies that use non-edible natural oil sources as alternatives to palm oil.

Kao has made a public commitment to support the reduction of forest destruction and achieve zero deforestation by implementing two projects related to the consumption of sustainable materials (palm oil and wood, paper and pulp derivatives).

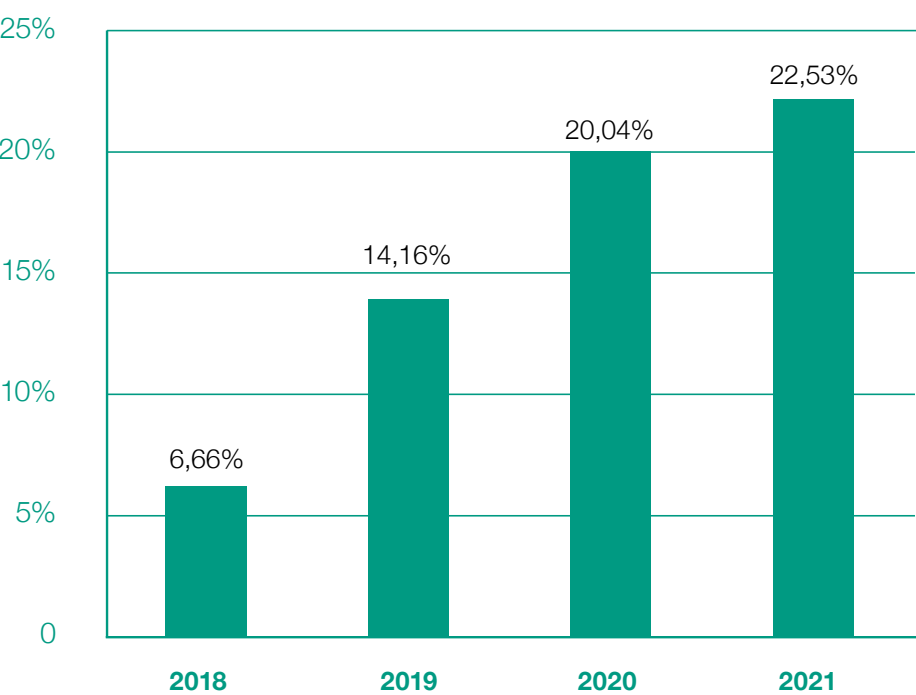
Likewise, KCE has done the same with its customers, through the supply of sustainable products, in particular, using sustainable palm oil. All KCE subsidiaries have obtained RSPO certification – the most

complete for the palm oil sector, with the exception of KCHI, which does not use palm oil in its processes. KCE's commitment is to supply all products based on sustainable palm oil if the customer so requires.

In 2020, Kao Corporation, the parent company of KCE, established the initiatives for the acquisition and supply of sustainable palm oil, setting a series of priority activities, among which it is worth highlighting the objective set for 2025 to acquire 100% certified oil according to the RSPO for palm oil used by the Kao Group.



The following graph shows the percentage of RSPO raw materials that KCE has consumed in 2021.



According to the results shown, a growing consumption of products based on sustainable palm oil can be observed. Collaboration with clients and with Kao’s subsidiaries has made it possible to increase the percentage of RSPO certified products and thus be able to contribute to the transformation of the market towards more sustainable supply chains.

Decarbonization is one of the challenges that we have set ourselves as strategic and one of the measures adopted to achieve decarbonization is the continuous study of renewable raw materials to replace those derived from oil.

Some of the raw materials purchased by KCE may contain minerals from conflict zones.

On January 1, 2021, a new EU regulation came into force around four minerals from conflict zones: gold, tungsten, tin and tantalum. The regulation requires EU importers of these metals and minerals to ensure that they use only responsible and conflict-free sources.

KCE is not a direct importer of these minerals and therefore has no obligations under the aforementioned regulation.

However, we believe that we have a responsibility to verify the origin of such substances from our suppliers. To this end, all suppliers are requested to provide information on the use of minerals from conflict zones through the CRC (Certificate of Regulatory Compliance) document, and when applicable, are required to present evidence of origin in the validation process in accordance with established internal protocols. This process is performed annually to ensure that all products supplied to KCE are free of conflict minerals.

2.1.6. CHEMICAL MANAGEMENT

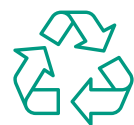
Within the Kao Group, there is a global procedure of its own for all affiliates –called the Comprehensive Chemical Substances Management System– that since 2017 has been implemented in all Kao affiliates worldwide.

The company continuously strengthens the functionality of the Comprehensive Chemical Substances Management System, in response to the increasingly strict regulatory requirements, the growing diversity in the chemical substances handled and the planned commercial expansion in new countries and commercial areas.

Taking this objective into account, the series of initiatives that mark the course of KCE in the field of chemical substance management can be summarized in the following measures:



RISK ASSESSMENT OF CHEMICAL SUBSTANCES



MANAGEMENT OF THE LIFE CYCLE OF CHEMICAL SUBSTANCES



COMMUNICATION OF RISKS ON CHEMICAL SUBSTANCES WITH INTERESTED PARTIES





RISK ASSESSMENT OF CHEMICAL SUBSTANCES:

On the one hand, carry out risk assessments of the priority substances for KCE, in accordance with the medium-term plan, and implement the global deployment of the Comprehensive Chemical Substances Management System in order to guarantee product safety and its use in the applications and countries for which it is being designed. On the other hand, carry out detailed studies of any product or new raw material that is used in KCE.



MANAGEMENT OF THE LIFE CYCLE OF CHEMICAL SUBSTANCES:

Plan and implement risk reduction measures and hazardous labelling based on the Global Harmonized System (GHS), a standard defined by the United Nations to standardize classification criteria and labelling throughout the world, using the appropriate language for each country.



COMMUNICATION OF RISKS ON CHEMICAL SUBSTANCES WITH INTERESTED PARTIES:

Through a public disclosure of the results of the activities to promote the management of chemical products at the international level and communication of interested parties.

Every chemical substance that we use or manufacture at KCE follows an exhaustive verification program of European regulations as well as the main regulations worldwide in order to know the real situation of these materials and thus be able to guarantee their safety and proper use.

Without a doubt, REACH is the most important European regulation to follow when it comes to Product Safety. During 2021, several substance registrations have been carried out with ECHA and others have been updated. In this sense, the European team is in charge of monitoring and obligations at the level of the entire Kao Group, for both our products and the raw materials we use. In particular, all suppliers are requested to provide information on the REACH registration of raw materials by means of the CRC (Certificate of Regulatory Compliance) document.

In order to improve our environmental performance globally, during 2021 a team has been created to implement the calculation of the Life Cycle Assessment and the Carbon Footprint of KCE products. The objective is to implement the integration of this calculation in future developments of new products or modifications of existing processes, with the purpose of improving their Carbon Footprint.

2.2. BIODIVERSITY MANAGEMENT

The company defines biodiversity conservation as an area of environmental intervention as part of its ‘Responsible Care’ activities.

Greater knowledge, awareness and sensitivity to environmental aspects entails expanding the scope of KCE’s actions, among which conservation and promotion of biodiversity stand out.

The following are the consolidated indicators for the last years:

KCE	2019	2020	2021
SOIL OCCUPANCY (%)	42.06	41.99	42.06
TOTAL LAND USE (m²)	187,259	186,934	187,793
TOTAL SEALED AREA (m²)	254,556	256,006	254,834
SURFACE PERMEABILITY (SEALED SURFACE /SURFACE ESTABLISHMENT) (%)	57.17	57.50	57.08
TOTAL AREA IN THE CENTRE ORIENTED ACCORDING TO NATURE (m²)	96,286	94,836	97,289
INTERNAL OCCUPATION BIODIVERSITY (INTERNAL SURFACE ORIENTED TO NATURE / SURFACE ESTABLISHMENT) (%)	21.63	21.30	21.79
TOTAL AREA OUTSIDE THE CENTRE ORIENTED ACCORDING TO NATURE (m²)	24,874	24,874	24,874
EXTERNAL OCCUPATION BIODIVERSITY (SURFACE EXTERNA ORIENTED TO NATURE / SURFACE ESTABLISHMENT) (%)	5.59	5.59	5.57

³ Japan Business Initiative for Biodiversity is a cluster made up of different companies committed to biodiversity conservation. Kao is member since the foundation in 2008.

Basic biodiversity indicators

Kao Group has deployed a methodology based on the land use standard – developed by JBIB³ – to better understand the situation of biodiversity and evaluate the progress of conservation in all its facilities worldwide. For this purpose, each establishment formalizes an evaluation questionnaire, distributed into the following concepts:

- Biodiversity management
- Response to exotic species
- Circulation of matter
- Water circulation
- Biological monitoring
- Employee participation
- Cooperation with externals
- Others

KCE carries out a series of actions to improve year after year. Although this year has been somewhat atypical due to the emergence of COVID-19 - it has led to the cancellation of some of the planned actions and the modification of the approach of others - initiatives to improve biodiversity have continued.

The planting of different species has been carried out in the centres.

In KCSA, invasive species control actions have been maintained; the monitoring of the nest boxes and the insect hotel installed in 2020 has been carried out and the placement of nest boxes has been expanded in the centres of Olesa de Montserrat and Mollet del Vallès.

The initiative to choose the species of the year, in this case the sparrow, has also been launched and, throughout the year, information has been disseminated to make it known. The purpose of this initiative is to disclose the species that inhabit our establishments and learn more about them.

For its part, KCHI has proceeded to install nest boxes, carry out outreach activities in which information has been provided on the most common species in the area, information on natural areas around the centres, etc.

Contribution to the SDGs



Placement of nest boxes



Specie of the year



Species plantation



3.

HUMAN CAPITAL DEVELOPMENT



3. HUMAN CAPITAL DEVELOPMENT

3.1. SOCIAL AND PERSONNEL ISSUES

The human team is the most important asset of the company. Kao Corporation and its subsidiaries strive to create a corporate environment and culture in which both individuals and the company can grow together, maximizing the potential of each employee and contributing positively to society.

EMPLOYMENT

In 2021, KCE had a total of 1,112 people employed in the organization (863 men and 249 women), 28 more people than in the previous year





PROMOTING EQUALITY

In 2021 Kao Corporation was selected for another year for inclusion in the Bloomberg's Gender Equality Index as one of 380 companies worldwide that have demonstrated excellent performance in developing measures to advance gender equality.

All KCE subsidiaries have as the maximum the application of principle 5 of Kao's code of conduct, called the 'Kao Business Conduct Guideline' or BCG, which determines to "respect the diversity of the workforce and maximize its potential" to reinforce the solidity of Kao Group. For this reason, companies of the group develop and implement initiatives aimed at applying the code of conduct, as well as specific actions related to equal treatment and opportunities within them.



SALARY GAP

KCE maintains the commitment to effectively apply the principle of equal salary for work of equal value, and takes it as a basis in its remuneration policy, adopting it in its salary application practice both at the time of the beginning of the collaboration and in subsequent reviews.

The remuneration system for people who work at KCE is adapted to the salary structure established in the collective agreements of the sector and in the specific company agreements applicable in each country, which, as a general rule, are made up of a base salary depending on the job position and bonuses and supplements linked to the experience, knowledge and conditions of the jobs that, in no case, are due to gender reasons or biases.



SOCIAL RELATIONS WITH THE STAFF

KCE maintains an open dialogue with the staff globally. In accordance with the principles of the Global Compact, all aspects related to full freedom of affiliation and the effective recognition of the right to labour bargaining are met.

The planning and structure of dialogue with the staff and their representatives is operationalized at the local level according to each specific need and the legal framework of the country in question. In companies based in Europe, the agreement of the chemical sector of each of the countries (Spain and Germany) is applied, covering the entire workforce. As a result of the agreement with the social representation in each case, there is a specific improvement of conditions that exceeds that stipulated by regulations in each sectoral collective agreement.

In the case of Quimikao, the workforce is covered by two different modalities that share some benefits, such as grocery vouchers, savings fund, and punctuality bonus.



WORK-LIFE BALANCE AND DIGITAL DISCONNECTION

With a view to improving labour relations, KCE tries to create an environment in the company that makes it easier for its human team to achieve a higher quality of life, a balance between personal and family life and the development of their professional careers. To do this, a set of measures to reconcile family and work life and options adapted to different situations are articulated.

3.2. TRAINING

Through its Human Resources policies, KCE aims to contribute and ensure continuous development, aligned with the demands of the organization and the changes in the market in which it operates.

For this reason, we work so that the staff has the necessary training to attend not only to the requirements of their job, but also to face the demands of the future derived from the use of new technologies, equipment, instruments, etc. or those derived from the need to assume greater responsibilities or projects.

The training programs and actions carried out at KCE pursue the improvement and growth of people, both from a personal

and professional perspective, under the principle of effectiveness. For this, the training offer is analysed and reviewed on a continuous basis, so that it is always possible to respond to the needs detected at all times in the performance of the functions and that, in turn, allows compliance with the established standards of excellence.

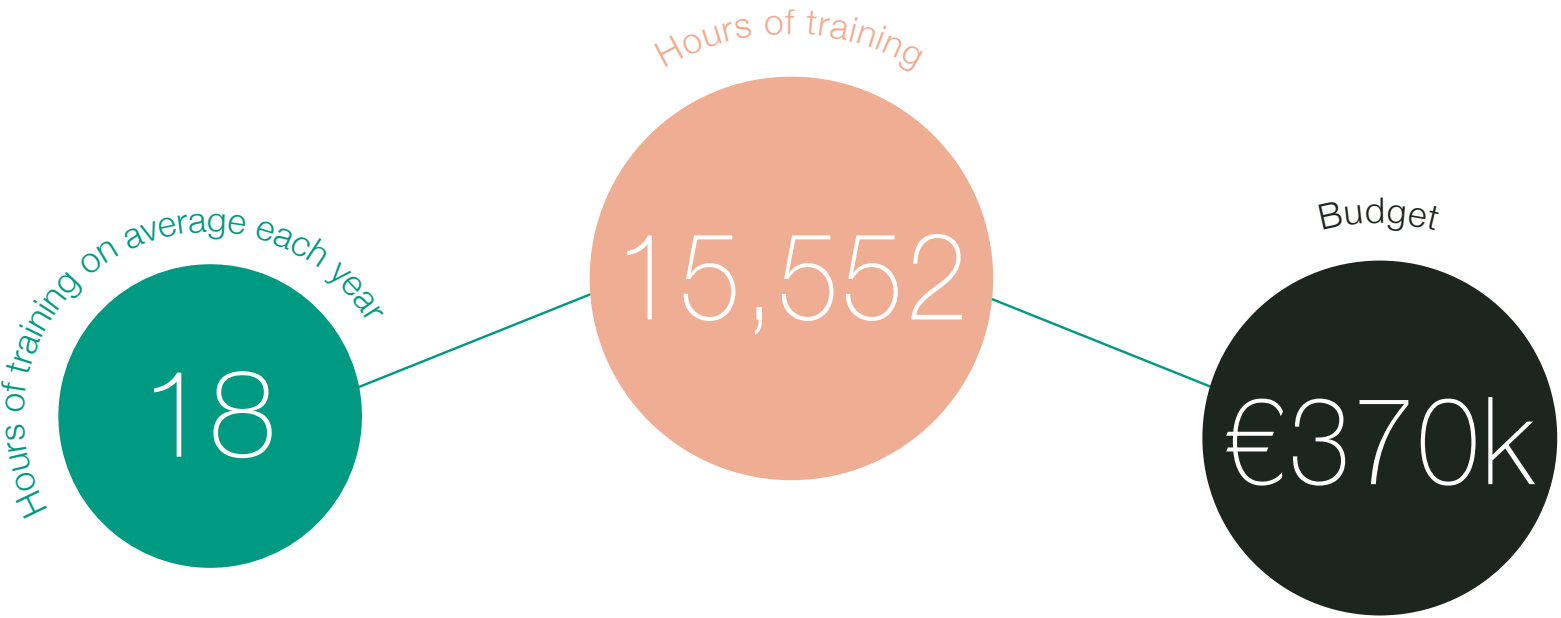
The learning process begins from the moment in which there are new incorporations to the staff, since they receive a guided and systematic reception plan that allows them to integrate into their work environment and acquire basic notions of the operation of the organization,

as well as safety, environmental and quality criteria and those operating standards specific to the function or position to be performed. This plan includes an initial training program called ‘Orientation program for new employees’.

In 2021, a total of 71 people participated in the “Orientation Program for New Employees”.

Training figures

With a total of 855 people trained (77% of the workforce) the average number of hours of training by gender being an 18.1 for men, and an 18.5 for women.



During this year, and due to Pandemic situation, in those training actions that the methodology allowed, have been adapted to an online format in an asynchronous way or virtual training in a synchronous way, which has allowed to maintain some of the actions initially planned. The acceptance by the participants of the new teaching modalities has been positive, and has allowed the development of training actions while maintaining an optimal level of use. The Virtual Training methodology has allowed a training program to be carried out to the Sales & Marketing staff of all the subsidiaries, which had been planned since 2020.

Training in risk prevention

Each of the KCE companies annually develops and implements risk prevention training programs for their teams. These programs take into account the legally required training, as well as that based on the risks inherent to each of the companies, and are aimed at achieving health and safety objectives. It also ensures that new employees or personnel changing jobs receive adequate training.

For this 2021, the total number of training hours in HSE criteria is 5,406, which represents 34% of the training actions carried out during the year.





Compliance Training

To reinforce and ensure the knowledge of the Kao Business Conduct Guidelines by the entire KCE staff, in 2021 were carried out several training actions during the month of October, established as the month of compliance by Kao Japan.

In KCE, the company organizes training and awareness sessions through “Integrity Workshops”, in which the staff is trained and sensitized on compliance to prevent conducts that violate the ethical principles that make up the mission, company vision and principles based on ‘The Kao Way’.






3.3. HUMAN RESOURCES POLICY

-  Guarantee equal treatment and opportunities and non-discrimination on grounds of origin, nationality, race, religion, gender, disability, age or sexual orientation.
-  Ensure fairness in the selection processes, taking into account only criteria of merit, capacity and suitability of the applications.
-  Guarantee the transparency of the processes, ensuring that are objective and impartial.
-  Ensure that people who join are aligned with KAO principles and values.



in terms of
diversity
and inclusion

-  Respect diversity, promoting non-discrimination based on race, age, gender, marital status, ideology, political opinions, nationality, religion, sexual orientation or any other personal, physical, psychological or social condition.
-  The recognition of different capacities, promoting the integration of all people and respect for social diversity.
-  Promote throughout the organization the principle of equal opportunities and treatment, the basis of personal and professional development.
-  Promote gender equality in regard to access employment, training, professional promotion and working conditions.
-  Identify and eliminate in the organization any form of sexual or moral harassment.

4.



CORPORATE CULTURE

4.1. OCCUPATIONAL HEALTH AND SAFETY

Promoting health and safety is a priority for KCE, which is why the company ensures that its workspaces are safe and healthy environments.

KCE is a member of the ‘Responsible Care®’ program, a voluntary, public and active initiative by companies in the chemical sector whose objective is to ensure that member companies achieve continuous improvements in in relation to safety and protection of health and the environment, in accordance with the principles of Sustainable Development.

‘Responsible Care®’ is a global program that is 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)

In 2021, the self-assessment program has been unified at the level of European companies for the first time, which allows, from now on, to have a benchmarking of results with national and sector scope. Likewise, it allows a better link with the requirements of the UN Sustainable Development Goals.

Kao Corporation, and by extension KCE, has a health and safety policy based on the principles of ‘Responsible Care’ and, therefore, includes clear commitments in these areas.

Diagnóstico precoz de la diabetes

Alrededor del 50% de la enfermedad permanece sin diagnosticar y el retraso en descubrirla implica que cuando se diagnostica presenta alguna complicación. Mantener el nivel de azúcar en la sangre en un rango saludable disminuye las complicaciones derivadas de la diabetes por lo que los expertos recomiendan revisar el azúcar en sangre con frecuencia.

Puedes solicitar esta prueba al servicio de vigilancia de la salud de forma gratuita a través de Albert Marsal. El resultado se obtendrá de forma inmediata con un simple pinchazo en el dedo y estar en ayuno de 4 horas previas.

amarsal@quironprevencion.com

Fecha límite: 30 de junio del 2021

Realizar la prueba B (panel metabólico básico) presenta múltiples beneficios, dado que aportará información respecto las concentraciones de glucosa en sangre.

DÍA MUNDIAL DE LA COLUMNA VERTEBRAL

16 DE OCTUBRE

Según la Organización Mundial de la Salud (OMS), hasta el 80% de la población mundial sufre de dolores de espalda o cuello, a lo largo de períodos relativamente extensos en su vida y la mitad de la población activa sufre dolor de espalda o cervical al menos una vez al año.

El dolor de espalda y las patologías músculo-esqueléticas, sobre todo aquellas que se asocian a la columna vertebral no son exclusivos de las personas de edad avanzada, sino que las personas jóvenes y de edad media las sufren con gran frecuencia, si no adoptan las debidas precauciones, en las tareas cotidianas: tareas informáticas, trabajo doméstico, realización de compras, etc.

CON EL OBJETIVO DE DAR A CONOCER LA IMPORTANCIA DE LA COLUMNA VERTEBRAL, ESTE AÑO REALIZAREMOS UNA SERIE DE ACTIVIDADES A LAS QUE OS ANIMAMOS A PARTICIPAR.

TALLER ON LINE: REAL FOOD

MIÉRCOLES 9 DE JUNIO A LAS 12.00

Descubre los mejores consejos para mantener una alimentación saludable de la mano de un especialista de Sanitas.

¿Qué es comida real?: Comida Real son todos aquellos alimentos mínimamente procesados o cuyo procesamiento industrial o artesanal no haya empeorado la calidad de la composición o interferido negativamente en sus propiedades saludables presentes de manera natural.

TALLER ON LINE CONOCIENDO LA DIABETES

MARTES 11 DE MAYO A LAS 12.00

En este taller, un profesional médico de Sanitas nos explicará qué es la diabetes, los efectos y sus causas. Además, repasaremos los tipos de diabetes que existen así como los síntomas y tratamientos.

Aprende a manejar la enfermedad y prevenirla en origen

4.2. RISK, POLICY AND REGULATORY PREVENTION MANAGEMENT

The preventive policy represents the commitment assumed by the highest executive level of KCE before the collective of its employees and society.

Each of the KCE companies has an occupational safety management system. In the case of KCG, KCSA and since 2021 KCHI, these systems are certified according to the ISO 45001 standard. For its part, QK has a security management system certified according to the Integral Responsibility scheme.

Hazard identification, risk assessment and accident investigation
Each of the KCE companies has resources aimed at hazard identification and risk assessment, with people and/or services contracted with the proper technical qualification legally required to do so.

Based on the results of the risk assessments carried out in each company, actions are planned to eliminate or control them.

In a complementary manner, Kao Japan annually sets health and safety improvement objectives, which each company develops and, in turn, complements with specific actions.

4.3. OCCUPATIONAL SAFETY MANAGEMENT

Regarding health surveillance, every year all KCE companies offer their employees the possibility of undergoing medical examinations. They are also carried out in the case of new hires and reinstatements after prolonged leave.

With the aggregated information from the Medical examination results, epidemiological studies are elaborated. They are also used to develop preventive health campaigns for each company.

4.4. COMMUNICATION, CONSULTATION AND PARTICIPATION IN HEALTH AND SAFETY

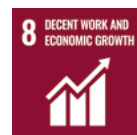
Committees have been set up in each company to ensure communication, consultation and participation in health and safety, in accordance with the regulations of the country in which the company is located.

4.5. HEALTH PROMOTION

KCE is committed to health through the active implementation of support programs for this area, and develops initiatives to promote healthy lifestyles, both for its team members and for their families and other groups, through cooperation with other entities and associations.

Some noteworthy activities carried out in 2021 include:

Contribution to the SDGs



KCG

Physical and mental condition

To cope with the high mental demands of today's lifestyle, the 'Kognifit' program was implemented. In terms of physical fitness, actions such as the promotion of the 'five-machine' or the competition for the number of steps taken were carried out (a total of 497,428, equivalent to 380 km).

QK

Physical activity

Home confinement has led to stress and monotony, QK has motivated its staff to participate in virtual exercise sessions, encouraging physical activity, all focused on a cause to help shelters and food banks.

KCHI

Eating habits

The promotion of good eating habits has been carried out through the delivery of healthy and proximity products, together with information on the benefits of their frequent consumption. All this combined with the rest of the aforementioned health promotion activities.

KCSA

Muscle stretching

Throughout the year, different practical activities have been carried out with muscle stretching exercises, both for people working in factories and for those working in offices. A Nordic Walking course was also held in the natural environment of one of the work centres.



4.6. HUMAN RIGHTS

Kao Human Rights Policy outlines our commitment to respecting human rights in all of our business activities, as well as specific actions toward this end.

All companies of Kao group adopt the corporate principles as well as the corporate philosophy defined in “The Kao Way”, shared among all Kao employees globally.

In July 2021 Kao Corporation revamps its corporate philosophy with the aim of better reflecting the essence and spirit of Kao in terms of who we are, how we live and what we want to become as a company driven by the ESG strategy that strives to create a more sustainable life for people, today and tomorrow.



The revamping of the TKW was carried out in a participatory process in which the employees were involved in working groups that were set up in the various companies of the Kao Group, including some of the subsidiaries of Kao Chemicals Europe.

‘The Kao Way’ is further developed in the Kao Business Conduct Guidelines (BCG) - adopted by all group companies.

The BCG clearly stipulate the need to respect human rights and to ensure that all group companies systematically and permanently guarantee children’s rights (protection, education, health care and decent nutrition) and decent working conditions, as well as rejecting organised human crime in all its forms.

Kao and its affiliates strive to achieve the targets linked to the Sustainable Development Goals (SDGs) to contribute to the sustainability of the world. KCE is focusing on issues where we as a company can make a significant contribution, such as climate protection, sustainable consumption and production.

5.

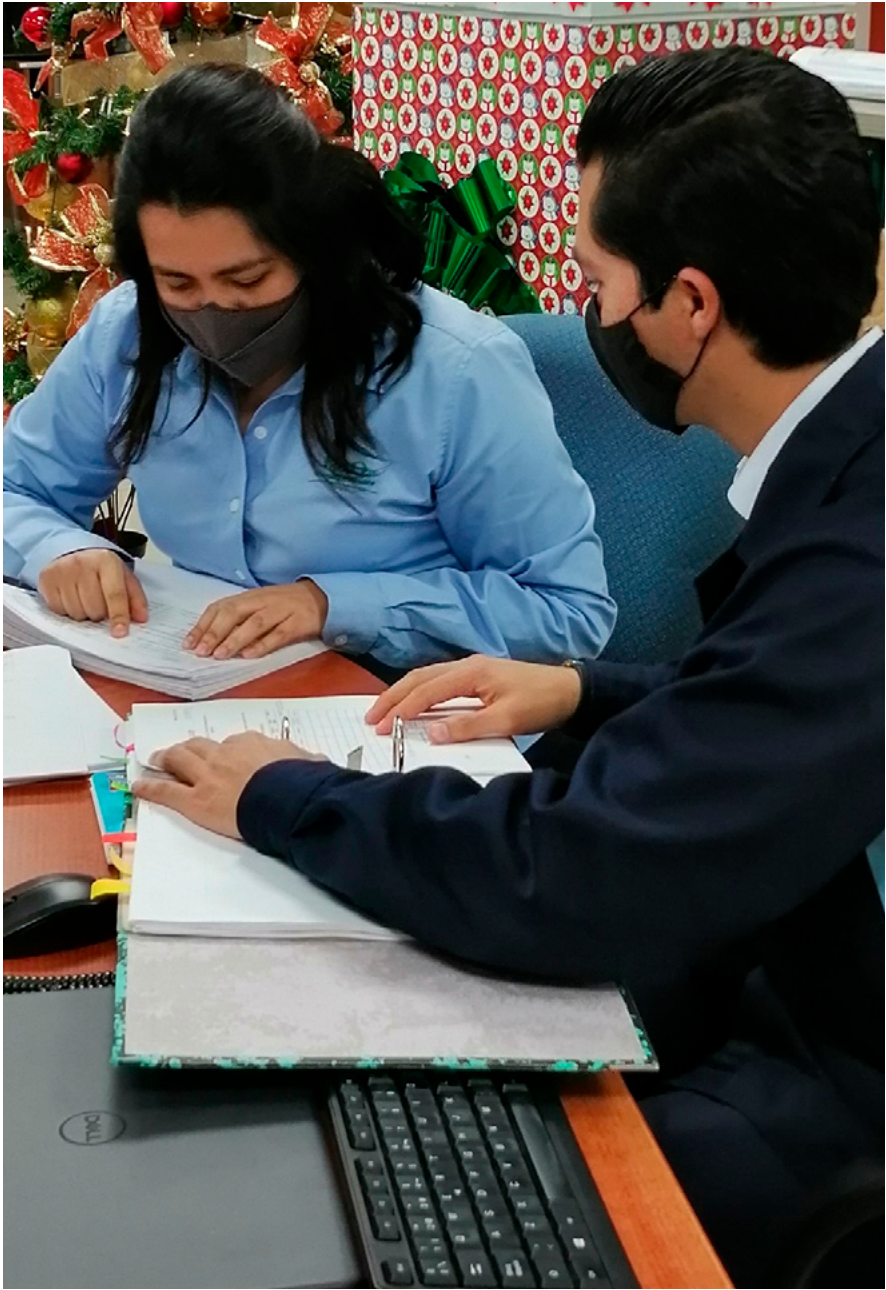
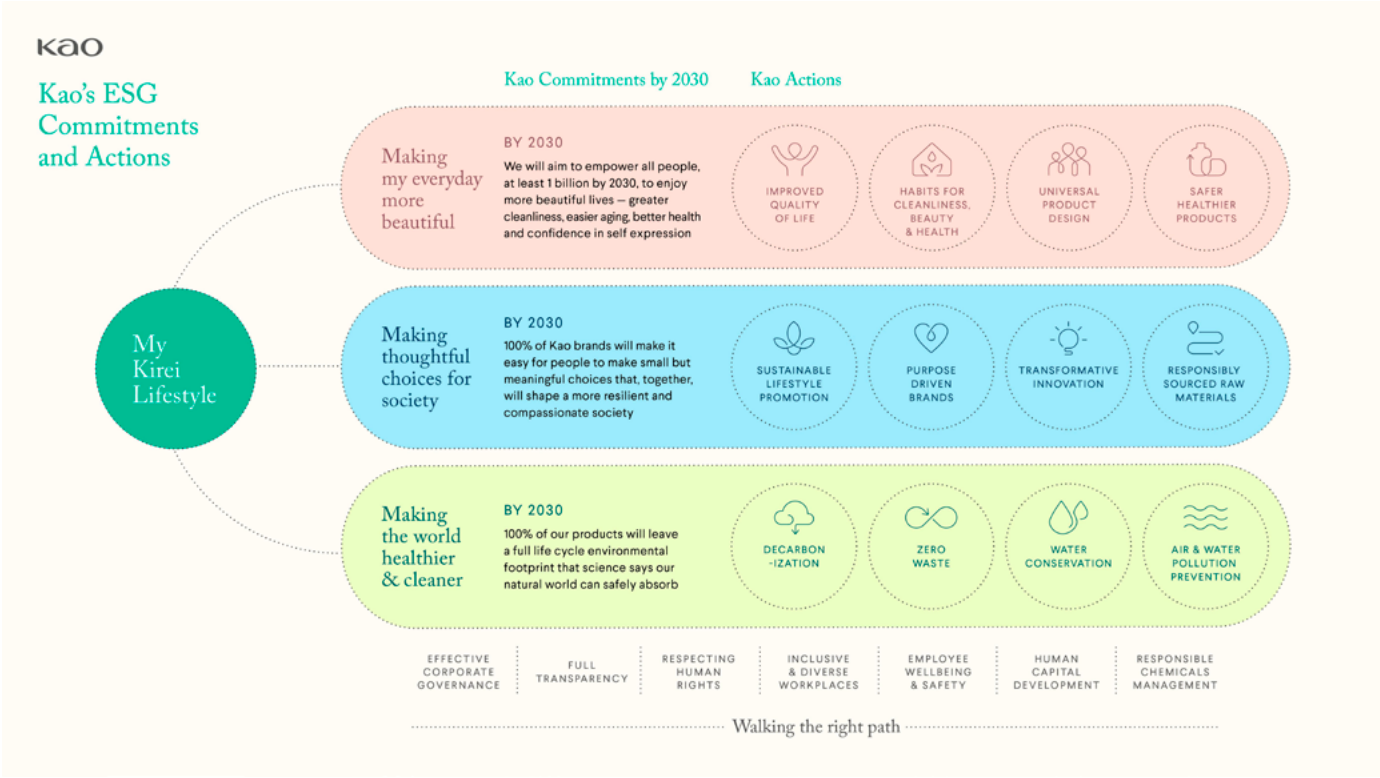
CORPORATE GOVERNANCE



5. CORPORATE GOVERNANCE

Kao Group is firmly committed to strengthening not only its financial strategies, but also its non-financial initiatives and strategies. This is why the corporate strategy at global level - and therefore also to be implemented in all group companies - is based on ESG (Environment, Society and Governance) criteria.

With regard to Governance, given its growing importance, KCE devotes all its efforts to improving the effectiveness of corporate governance, in line with its values and corporate philosophy, by analysing the corporate governance system whenever necessary, conducting business in a fair and honest manner, as well as acting in accordance with laws and ethics and responding to society's expectations.





FIGHTING CORRUPTION

KCE is committed to fighting corruption in all its forms, including extortion and bribery, and to developing specific policies in this area.

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 will maintain a firm stance against

bribery by not offering or receiving any form of bribery in connection with business operations.

Kao Group’s Money Laundering Prevention Policy was developed and formalised in 2021. KCE has adopted this policy, adding the legislation in force in the countries of its subsidiaries.

The policy defines the mandatory assessment of the identity and legitimacy of customers and suppliers before entering into business relationships, as well as the minimization of cash receipts and payments by giving preference to bank transfer.



INTEGRITY LINE

The ethics channel provides staff with a communication tool to report conducts that go against the company’s code of conduct through an anonymous phone call.

This service 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 organisation something they consider inappropriate or unethical, in accordance with KCE’s policy, principles and values (discrimination on grounds of race, religion, age, etc., sexual harassment, unfair labour practices, conflict of interest, disclosure of confidential information, destruction or falsification of information, etc.).

6.

**CORPORATE
CITIZENSHIP
ACTIVITIES**



6. CORPORATE CITIZENSHIP ACTIVITIES

KCE’s adoption of the global ESG strategy and vision determines its Corporate Social Responsibility actions with the aim of contributing to sustainable development and the development of society.

The basic areas of action are the promotion of nature conservation and biodiversity activities, support for education and collaboration with local organizations and non-profit organizations.



6.1. ENVIRONMENTAL ACTIONS

In 2021, the German subsidiary KCG carried out the usual clean-up activities on the banks of the Rhine River.



For its part, KCHI has proceeded to install nest boxes, carry out dissemination activities in which information has been provided on the most common species in the area, information on nature areas around the centres.

KCSA has maintained its annual contribution to the reforestation of the green area surrounding the town of Mollet del Vallès, participating in the traditional “Festa de l’arbre”, which has been carried out in a reduced format and adapted to the sanitary safety measures.



6.2. ACADEMIC COLLABORATIONS

In all KCE companies, partnerships have been established with educational institutions, such as high schools or universities, for work placements.

KCG contributes to local schools through financial donations and, in Mexico, QK provides scholarships to students at the Colegio Nacional de Educación Profesional Técnica (CONALEP) and technological equipment to the Colegio de Estudios Científicos y Tecnológicos del Estado de Jalisco (CECYTEJ), which offers technological education at middle and higher levels.



KCSA, for its part, has continued with its programme of support for students of intermediate and higher training cycles in chemistry through the awarding of grants to facilitate the continuation of their studies. The students receiving grants through this programme belong to the high schools of Barberà del Vallès and Mollet del Vallès



6.3. DIRECT IMPACT ON THE COMMUNITY AND VULNERABLE GROUPS AT RISK OF EXCLUSION

In this area, KCE organises annual campaigns that result in various activities.

As for KCG, the company collaborates on a regular basis with various local institutions through donations and sponsorship actions aimed at the Municipal Fire Brigade and various cultural and sports associations to promote healthy habits. In 2021 the company supported the victims of the floods that occurred in the country, as well as various sports events.

QK collaborates through a monetary and product donation with the Albergue del Padre Pío and the 12 Apostles Dining Room, as well as with the Hospitales Civiles de Guadalajara Foundation. In 2021, the company collaborated with the association “Together Against Pain” and continued its product donation programme to various institutions.



In Spain, KCHI and KCSA participate in a food collection in collaboration with local institutions, the Food Bank and the Red Cross, as well as in the collection of toys for the Red Cross campaign in Mollet and Olesa and the Social Services of Barberà del Vallès.



7. GLOSSARY

The following abbreviations and acronyms are used in this Report:

ANIQ:	National Association of Chemical Industry (Mexico)
BCG:	Business Conduct Guideline
CECYTEJ:	College of Scientific and Technological Studies of the State of Jalisco
CH₄:	Methane
CO:	Carbon monoxide
CO₂:	Carbon dioxide
CO₂e:	Carbon dioxide equivalent
CONALEP:	National College of Technical Professional Education of the State of Mexico
COD:	Chemical Oxygen Demand
ECHA:	European Chemicals Agency
ESG:	Environmental, Social and Governance
FEIQUE:	Spanish Chemical Industry Business Federation
GHG:	Greenhouse Gases
GHS:	Globally Harmonized Chemical Classification and Labelling System
GRI:	Global Reporting Initiative
HFC:	Hydrofluorocarbons
IFRA:	International Fragrance Association
JBIB:	Japan Business Initiative for Biodiversity
KCE:	Kao Chemicals Europe
KCSA:	Kao Corporation, S.A.
KCG:	Kao Chemicals GmbH
KCHI:	Kao Chimigraf
N:	Nitrogen
NGO:	Non-Governmental Organization
NOx:	Nitrogen oxides

7. GLOSSARY

The following abbreviations and acronyms are used in this Report:

PM:	Particulate matter
PRTR:	Pollutant Release and Transfer Registers
PSR:	Product Regulation and Safety
QK:	QuimiKao
REACH:	Registration, evaluation, authorization and restriction of chemicals
RSPO:	Roundtable on Sustainable Palm Oil
SDG:	Sustainable Development Goals
SO ₂ :	Sulfur dioxide
TOC:	Total Organic Carbon
VCI:	German Chemical Industry Association
VOCs:	Volatile Organic Compounds

SUSTAINABILITY REPORT

2021

