



Non-Financial Report

- Fiscal year 2020 -

KAO CHEMICALS EUROPE



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1.- Grounds for the formulation of the Non-Financial Report

1.1.- *Reporting framework* used for the selection of key indicators of non-financial results

This Non-Financial Information Report aims to publicly disclose the results of Kao Chemicals Europe group (hereinafter KCE) carried out during the year 2020, as well as to monitor the evolution of the data and indicators obtained during the financial year.

With this premise, this report provides clear and concise information that is useful for externally verifying the non-financial management carried out by the organization, in accordance with Law 11/2018 of December 28 amending the Commercial Code, the consolidated text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Audit of Accounts, on non-financial information and diversity.

Throughout the chapters of the document, a report on the environmental, social and governance impacts of Kao Chemicals Europe is made and data relating to 2020 are included on the following issues:

- **Environmental issues:** Detailed information on the company's impact on the environment, health, safety and risk prevention in pollution, sustainable use of resources, biodiversity protection and climate change.
- **Issues on human capital in relation to employment and labour organization:** policy information to promote equality and non-discrimination, social relations with work teams and other measures to ensure safety, health, professional development and work-life balance
- **Human rights issues:** implementation of due diligence procedures and prevention of infringement of human rights.
- **Questions about ethics, compliance and governance.**
- **Company's commitments to society for sustainable** development.

To this end, references such as European regulations have been used together with other corporate documentation.

1.2.- Materiality analysis

This Non-Financial Information Statement is intended to provide information on the topics considered relevant to the company and its stakeholders.

During the year analysed, 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. In addition, by collecting the proposal made by the 2019 EINF verifiers to expand stakeholders, a re-evaluation of all material issues, including employee representation, was carried out. This new materiality analysis followed the methodology established by the parent company, Kao Corporation, and which is developed below:

Proceso de selección

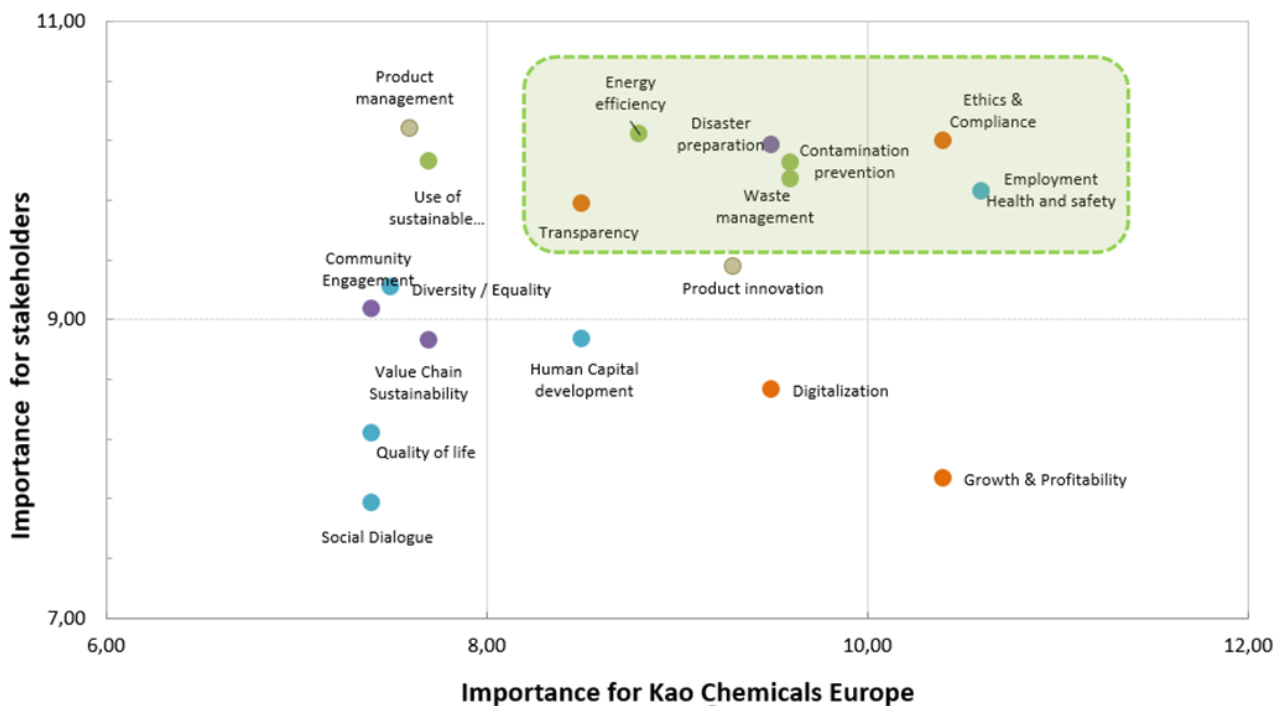


1. **Identification:** Through the collaboration of management and established working groups, material issues that are key to the chemical sector were identified based on ISO 26000, GRI standards, Sustainable Development Goals and global trends. As a result of this process, two more were added to the 16 essential aspects already identified above - Digitization and Contingency Plan for Emergencies or Natural Disasters -, given the changing situation at a global level, and which can be grouped into five main areas:

- Governance:
 - Ethics and Compliance
 - Transparency of Information
 - Growth and Profitability
 - Digitization
- Environment:
 - Climate change and Energy efficiency
 - Circular Economy and Waste Management
 - Contamination prevention
 - Sustainable raw materials use (water consumption, raw materials, efficiency...)
- Employees:
 - Occupational, health and safety
 - Quality of life improvement and well-being
 - Human capital development
 - Social dialogue
 - Diversity/Equality
- Product:
 - Product stewardship /sustainable chemistry
 - Product innovation
- Society / Community / Social Challenges:
 - Community Engagement
 - Disaster preparation
 - Supply Chain collaboration for sustainability

2. **Prioritization:** once the material topics had been identified, they were evaluated with the aim of selecting those with the greatest impact on the company's activity and that more directly affected the interest groups consulted. These stakeholders were: 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.
3. **Validation:** after selecting and prioritizing the material aspects, they were validated by the management of KCE, establishing actions and objectives for each of them.
4. **Review:** at this point it was agreed that the selected material topics would be subject to an annual review and that a new materiality analysis would be carried out based on the results obtained as a result of the revision of the material aspects.

The following chart shows the material aspects evaluated and selected, based on which the company's medium and long-term strategies and objectives have been set:



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, except for the contingency plan, clearly derived from the impact of the pandemic:

- Ethics and Compliance
- Climate Change and Energy efficiency
- Circular Economy and Waste Management
- Contamination 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:

| Priority issues | Description | Development at KCE |
|--|---|--|
| Ethics and Compliance | Measures taken to convey the values, norms and principles reflected in the culture of the company, and to ensure the employees' conduct and its impact on society/ community. | Chapter 5: Human Rights Chapter 6: Governance and Compliance. |
| Climate Change and Energy Efficiency | Measures to adapt to the consequences of climate change and goals to reduce greenhouse gas emissions. Measures taken to improve energy efficiency and the use of renewable energy. | Chapter 3: Environment |
| Circular Economy and Waste Management | Prevention measures, recycling, reuse, and other forms of waste recovery. | Chapter 3, Paragraph 4: Results and Indicators |
| Contamination Prevention | Measures to prevent and reduce or repair emissions that severely affect the environment; any form of air pollution specific to an activity including noise and light pollution. | Chapter 3, Paragraph 4: Results and Indicators |
| Occupational Health and Safety | Measures to ensure good physical and psychological conditions affecting the health of employees, temporary workers, contractor staff and visitors and anyone else in the workplace. | Chapter 4, Paragraph 3: Occupational Health and Safety |
| Disaster Preparation | Measures taken to be prepared in the event of terrorism, pandemics, accidents, climate change, etc. | Chapter 2, Paragraph 8: Global Risk Assessment Chapter 3, Paragraph 3: Major environmental risks affecting the organization |

2.- General Information

2.1.- Letter from the President of KCE

Dear readers,

It is a pleasure to address all of you for another year to present Kao Chemicals Europe's performance in non-financial information throughout 2020, a year filled with challenges, which we have successfully overcome thanks to the unconditional work of our team and the collaboration of our stakeholders.

2020 has posed an unprecedented challenge worldwide for humanity, which has affected us and continues to affect us in all areas of life: personal, family, social and economic, and whose consequences are still unpredictable today.

In such times we place even greater value on the relevance of the “Kao Way”, as well as the values and principles inherent to the philosophy of the Kao Group.



Daisuke Hamada,
President of KCE

The circumstances experienced in all the companies of the KCE group have highlighted the importance of these values and the effort that has meant in adapting against the clock to this new reality to ensure the activity of the company, which is considered essential.

Our priority is, and has always been, to ensure the safety and health of our staff and our collaborators, as well as to offer a rapid response to those sectors of society that, due to their involvement in the health crisis or their vulnerability, have been seriously affected.

As a result of the materiality analysis carried out, and following the methodology established by our parent company, Kao Corporation, the essential aspects of this report are focused on the areas of Ethics and Compliance, Climate Change and Energy Efficiency, Circular Economy and Waste Management, Pollution Reduction, Occupational Health and Safety and a Contingency Plan for Emergencies or Natural Disasters.

However, Kao's commitment is invariable over time, which is why in 2020 we have continued our actions to contribute to sustainable development, carefully preserving the environment and ensuring the safety of people, with the conviction that we will be able to overcome this complex moment in close cooperation with our stakeholders.

2.2.- Business model: business environment and organization

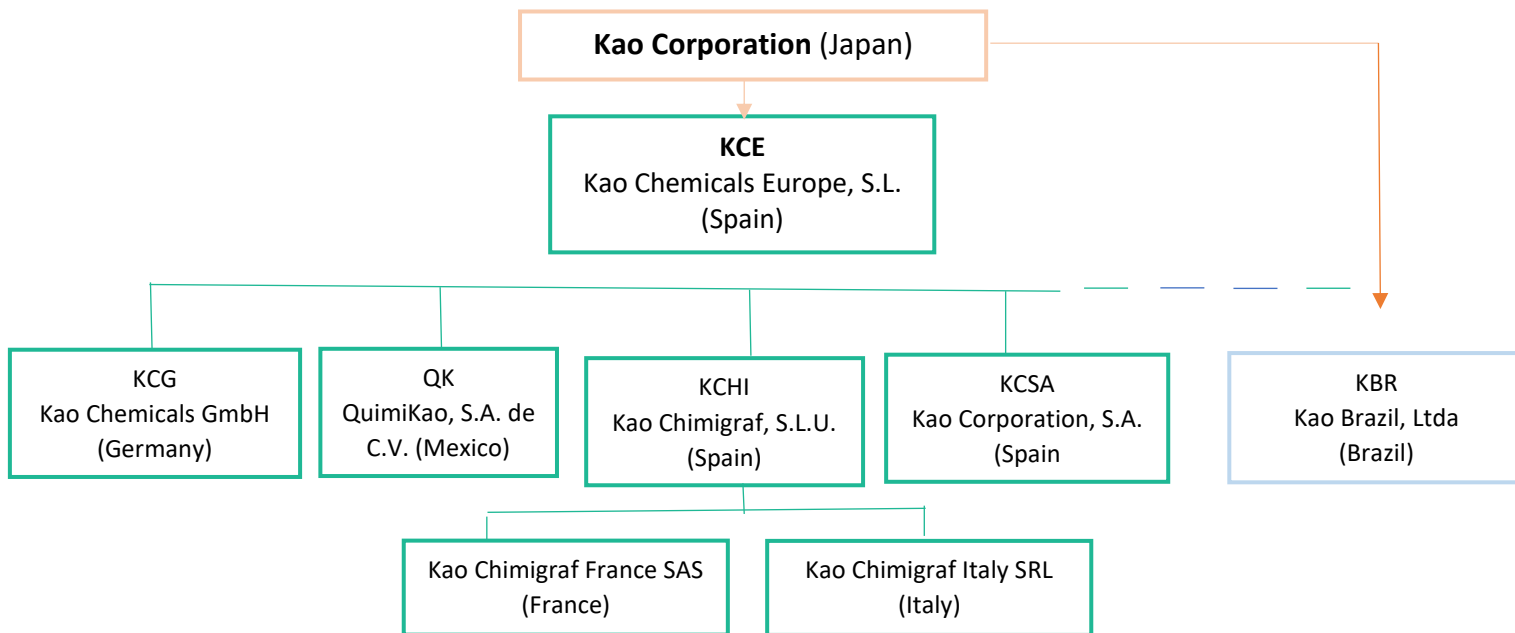
Kao Chemicals Europe, S.L. is part of Kao Corporation (KCJ), a Japanese multinational headquartered in Tokyo.

KCE was founded in 1999, thereby integrating the organizations Kao Corporation, S.A. (Spain), hereinafter KCSA, and Kao Chemicals GmbH (Germany), hereinafter KCG. In 2005 Quimikao (Mexico), hereinafter QK, joined the organization. In 2012 0.1% of Kao Brazil Ltda was acquired, hereinafter KBR; and in 2017 Kao Chimigraf (Spain) was brought on board, hereinafter KCHI.

- KCE is responsible for producing and trading surfactants, aroma chemical, aroma compounds, polyester resins, high-quality- toner for professional applications and inks for digital and analog printing.
- To do this, the company has several production centres located in Emmerich (Germany), Guadalajara (Mexico), Rubí, Olesa de Montserrat, Mollet del Valles and Barberà del Valles (Spain), with the latter being the site of the European Central Office (*headquarters*).
- KCHI, for its part, develops its productive activities in Mollet del Valles, Alcalá de Henares and Xirivella, as well as in Rubí.
- Year 2020 – Kao Chemicals Europe Production Centres:

| KCG | QK | KCHI | KCSA | | |
|---|---|---|--|---|---|
| Emmerich (Germany) | Guadalajara (Mexico) | Rubi (Spain) | Barberà del Vallès (Spain) | Olesa de Montserrat (Spain) | Mollet del Vallès (Spain) |
|  |  |  |  |  |  |

Organizationally, KCE has the following business structure:



Note: Kao Chimigraf France and Italy data are integrated into KCHI data.

Regarding KBR, it should be noted that its activity, which is not productive and is confined to the storage and trading of products, is controlled by KCJ. KCE has no authority over KBR beyond the company's financial information on the 0.03% stake. Therefore, no KBR data are included in this report.

Management Committee:



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

- **Oleochemicals:** the key unit in Kao's global business. In Europe, the main families of products manufactured and marketed are alcohols and fatty amines.
- **Surfactants for Consumer Applications (SCA):** development, production, sale and marketing of raw materials, mainly surfactants, used in all types of products dedicated to personal and home care.
- **Surfactants for technical applications (STA):** development, production, sale and marketing of surfactants and additives for various technical applications in the road, construction, oil and gas, flotation of minerals, fertilizers, metals and other industries.

- **Chemical fragrances and aromas:** development, production, sale and distribution of chemical aromas and compositions for perfumes for the consumer industry and fragrances.
- **Imaging materials:** development, production, sale and marketing of a wide range of personalized products according to the needs of customer and the market, such as polyester-based resins and toners for copiers and printers.
- **Printing inks:** development, production, sale and marketing of inks and varnishes for flexo, gravure and digital printing systems, especially for the printing of containers and packaging.

The following table shows the main business units in each organization:

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

Voluntary certifications and recognitions

KCG, QK, KCHI and KCSA have adhered to a system of audits on a voluntary basis. Passing these audits demonstrates the suitability of their method to achieve the objectives pursued.

The voluntary certifications available for the different KCE companies are:

| | KCG | QK | KCHI | KCSA |
|---|-----|----|------|------|
| ISO 9001 | X | X | X | X |
| ISO 14001 | X | | X | X |
| EMAS | | | | X |
| ISO 50001 | X | | | X |
| ISO 45001 | X | | | X |
| RSPO certification (Roundtable on Sustainable Palm Oil) | X | X | | X |
| SEMARNAT Clean Industry ¹ | | X | | |
| Certificate of Integral Responsibility ² | | X | | |
| Certificate of voluntary commitment ³ | | X | | |

¹ The SEMARNAT Clean Industry certificate offers indicators like ISO 14001 and is biennial in nature. The last certification was made in 2018.

² The Certificate of Voluntary Commitment SEMADET provides data on waste, atmospheric contingencies and other environmental indicators and is biennial in nature.

³ The Certificate of Integral Responsibility is three-year with triennial follow-up audits.

KCG and KCSA migrated this year from OHSAS 18001 certification to ISO 45001 (see the Healthy and Safety section for more details).

The SEMARNAT Certificate and the Certificate of Integral Responsibility are in the process of being renewed, as in Mexico, government agencies have postponed the procedure to 2021.

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 | X (Gold rating) | | X (Gold rating) | X (Platinum rating) |
| Sedex | X | X | X | X |
| “Responsible Care” | X | X | | X |

KCG, KCHI and KCSA have been evaluated by the EcoVadis platform, obtaining in all items an overall score of more than 66 and thus being among the 5% of companies best valued by the platform. The EcoVadis rating covers a wide range of non-financial management systems including environmental impact, labour and human rights practices, ethics and sustainable procurement.

All the KCE companies are members of Sedex, which allows them to manage the KCE supply chain more effectively from their suppliers - through an evaluation of their CSR - to their customers, offering them the opportunity to access their sustainability profile.

As for “Responsible Care”, this is a program in which companies that handle chemicals take voluntary action in relation to the environment, safety and use of chemicals in all processes, from development to disposal. Kao Chemicals Europe promotes “Responsible Care” activities throughout its structure.

The parent company, Kao Corporation, has received different awards during the year under review, including CDP's inclusion in List A for climate change, forests and water, being one of the only ten companies out of the 5,800 evaluated to achieve the highest rating. For its part, KCE has adopted the objectives set in the areas of climate, forest conservation and water conservation, and annually participates in the report that Kao Corporation prepares.



2.3.- Geographical presence

The company supplies products to all five continents, with sales in more than 100 countries in 2020, mainly in Europe (68% by volume), followed by America (22% by volume) and, to a lesser extent, Asia, 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.

2.4.- 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 established a medium-term group growth plan and a second long-term plan in which sustainability aspects play an essential role in its achievement.

Specifically, the commitments set for the period 2020 are:

- To promote a distinctive corporate image, being a company focused on the needs of clients/consumers. In 2020, KCE developed a new website with the intention of improving communication, updating information and facilitating its accessibility to customers.
- Profitable growth of CAGR net sales of more than 3% and operating margin of 15%. Despite the complicated situation arising from COVID-19, the company has been able to establish the necessary counter measures to be able to continue its operations. The pandemic has affected KCE's business quite differently, but the result, also influenced by travel savings, is seen as very positive.
- To promote a framework of relationships with stakeholders; with the workforce, through an adequate remuneration system, profit sharing and health support; and with customers, maximizing *win-win relationships*. KCE is a purely customer-oriented company, so in 2020, despite the impact of the coronavirus, continuing and establishing new relationships with them has continued to be a priority.

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.

At the end of 2020, KCE started to prepare the five-year plan to 2025, aligned with Kao Corporation Japan's strategy. 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, which are key elements for Kao.

2.5.- Contribution to sustainable development: products and solutions

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

In this context, the company strives to contribute to sustainable development and a better quality of life for people. 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 2020:

| Product <i>Application</i> | Properties | Contribution to sustainable development | Impacts on communication channels |
|---|---|--|--|
| FARMIN DM <i>Oleochemicals</i> | · Raw material to produce derivatives used in disinfection | · Lower environmental impact | |
| AKYPO <i>Personal hygiene Lubricants</i> | · Low irritation | · Lower environmental impact | |
| DANOX HC-30 & AKYPO FOAM LM 25 Sustainable formulas <i>Personal hygiene</i> | · Solid formulas · Ultra-concentrated formulas to be diluted by the consumer | · Reduction in and reuse of packaging in consumer products · Reducing the use of water in formulations · Transport savings | · IN-COSMETICS (Virtual) · Publication of a scientific outreach article in the journal <i>NCP</i> |
| LEVENOL <i>Detergent</i> | · Plant origin 100% · Bio OE | · Less environmental impact · Responsible production and consumption | |
| TETRANYL <i>Fabric softener</i> | · Plant origin · Local raw materials | | |
| TRASUT-RA <i>Roads</i> | · New technology · Quick opening to traffic · Application at lower temperature | · Energy saving · Infrastructure improvement | · Eurasphalt & Eurobitume Congress 2020 (postponed to June 2021); article accepted |
| DANOX PT-FR <i>Roads</i> | · High-strength, long-lasting asphalt | · Circular economy · Infrastructure improvement | · ASEFMA Conference (Spain) |
| DANOX RAP-100 & RAP-300 <i>Roads</i> | · Easy to use on asphalt · Higher yield at lower doses | · Circular economy · Pavement recovery · Reducing paving costs | · ASEFMA Conference (Spain) |
| DANOX AR-J <i>Roads</i> | · Easy to use on asphalt · Higher yield at lower doses · Improves the rheological properties of asphalt · Delays road cracks | · Longer road pavement life · Energy saving · Infrastructure improvement · Circular economy | · AMAAC (Mexico) |
| Additives <i>Fertilizers</i> | · Biodegradable · Vegetable origin | · Less environmental impact | · Article published in <i>World Fertilizer magazine</i> |
| DANOX SOL MD <i>Fragrance</i> | · Fragrance for industrial use | · Less environmental impact · Responsible production and consumption | |
| INKJET Inks: 3 solutions <i>Printing</i> | · Water base · Oil base, certified EN 16640 (C content of biological origin) · By UV curing, De-Inkable certified by INGEDE | · Less environmental impact · Facilitates recycling of printed materials | · Social media communications |
| FLEXO inks <i>Printing</i> | · Compostable · Water base · Certified EN 13432 · INGEDE's submergibility certification | · Less environmental impact · Facilitates recycling of printed materials | · Social media communications |

2.6.- Main factors and trends that may affect its future evolution

KCE is present globally both geographically and in different industrial sectors, so the evolution of the environment is very relevant to its business model. In this sense, the factors that the company considers in defining and modifying its objectives and strategies for the future are as follows:

- Regulations, legislation and laws affecting different industrial sectors and their application in different regions –especially in Europe – and international trade agreements.
- Global economic environment.
- Commercial environment and evolution of competitors at a local and global level.
- Social environment: customers and consumers of KCE products, employees, suppliers and community.
- Conservation and protection of the environment: emissions and pollution, energy consumption and raw materials.
- Impact of pandemics.

2.7.- Impact of COVID-19

Like most chemical companies worldwide, KCE has been severely affected by COVID-19. In order to mitigate the effects of the pandemic, the company has implemented the necessary anti-COVID measures in all local companies to allow it to continue its industrial activity and has considered it essential to put the health and safety of workers first.

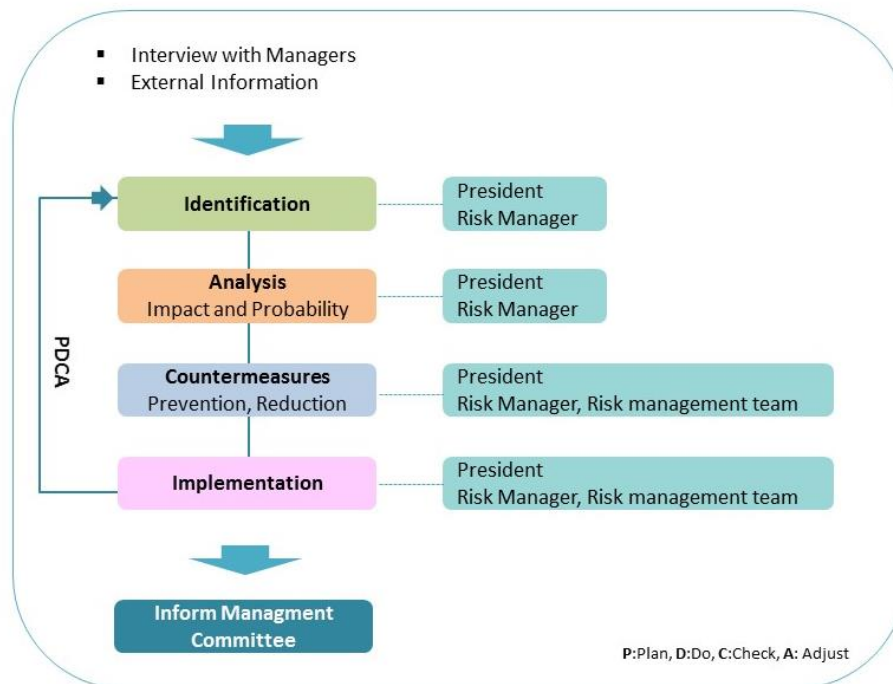
Operational performance has also been affected due to difficulties in sourcing some raw materials, logistical constraints, and variable market demand for KCE products. Disruption in the supply chain, business continuity plans and the response of technological systems to the significant increase in virtual operations are some of the operational aspects that have been raised in business management.

Even within a context of adversity and global uncertainty, KCE has experienced an exceptionally high demand for cleaning and disinfection-related products, while the demand for ingredients for some industrial applications has declined.

2.8.- Global risk analysis

The risk management model implemented at KCE, called “Risk Management”, is integrated into the corporate program and is led by Kao Corporation. Here, both risks - potentially negative impacts on the achievement of objectives and business - and crises - materialization of such risks - are considered.

“Risk Management” is carried out directly by the President of each KCE company together with the designated Risk Manager. In addition, a risk owner is appointed for each of the prioritized risks, together with a work team.



As in the rest of the chapters of the report, the emergence of COVID has had an impact on the perception and management of the risks that are carried out in KCE, making certain aspects that had already been detected previously take on even more relevance, such as the breakdown of the supply chain due to lack of raw materials and computer hacking.

In relation to the possible risks to consider, classified according to whether they are strategic, financial, operational and compliance, and other aspects derived from the last risk analysis carried out in 2020, those that KCE considers may have a relevant impact are set out in the following table, which also shows the actions to be taken to mitigate them. Compared to the previous year, a new risk has been included related to the loss of qualified personnel and / or adaptation of the workforce to new challenges:

| Risk | Prevention/Reduction |
|--|--|
| Accident at an operational centre | <ul style="list-style-type: none"> · Focus on preventive maintenance · Priority in facilities defined as critical · Strengthen security patrols · External audits (authorities, Kao Corporation) |
| Raw materials supply shortage | <ul style="list-style-type: none"> · Focus on strategic raw materials · Define safety stock policies · Keep up to date on market changes · Establish multi-vendor supply strategies · Prioritization of local suppliers |
| Infection or hacking | <ul style="list-style-type: none"> · Specific action plan to prevent intrusion · Define cybersecurity standards · Considering cybersecurity standards at the time of plant design · Raising awareness and training on cybersecurity issues · Establishment of a committee on information security |
| Loss of qualified personnel and/or difficulty adapting the workforce to new challenges | <ul style="list-style-type: none"> · Implement security and organizational measures to maintain the current workforce · Design organizational architecture adapted to new requirements · Implement strategy for talent management: identify and evaluate talent. Staff development, retention and relief plan · Recruitment plan for new staff |

Since some of these risks have come to materialize in different companies, a Crisis Committee has been set up which has made it possible to minimize their impact. It should be noted that at no time have these risks had a relevant impact on KCE or its stakeholders.

During the year, the Crisis Committees established in all the companies have held periodic meetings to deal with aspects such as the identification of essential or critical functions, the steps to follow in activating protocols or procedures - both internally and externally - or the proposal of actions derived from opportunities that, in terms of business management in key areas of the company, have highlighted the health crisis.

In addition to the effects of the pandemic that has affected all companies in the group, in the case of KCSA, accidents occurring in two chemical plants in Catalonia in 2020 have allowed the development of prevention measures associated with the risks identified in situations, relating to the limitation of the supply of raw materials and accidents in an operational centre, both of which were already identified in previous years.

In 2020, no KCE group company has been audited by Kao Corporation regarding the risk of operating centre accidents.

3.- Environment

3.1.- Approach to the environment at KCE

To achieve the 2030 goal of becoming a company with a global presence, Kao is building the foundation for sustainable growth with a focus on ESG-driven management. Kao's ESG vision is based on the concept that our activities are designed to help people around the world live more sustainably, thus benefiting society and the planet.

The parent company determines and establishes the strategic lines of action and defines the corporate guidelines and objectives that are assumed and integrated by each of the subsidiaries, applying them to their environment. These are formulated on the basis of the “Responsible Care” program explained above.

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

3.2.- Policies and commitments

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, NGOs, governments and other stakeholders.

This plan sets out the different actions envisaged for the achievement of environmental corporate objectives and monitors their achievement.

The commitments made by 2030 are as follows:

| Area | Indicator | Target value | Base year |
|--------------------|---|--------------|-----------|
| Decarbonization | Reduction emissions range 1+2 CO ₂ , absolute | 22% | 2017 |
| Energy | Purchase renewable electricity | 100% | - |
| | Energy consumption | 10% | 2020 |
| Zero waste | Amount of non-recyclable waste | 0 | - |
| | Ratio to landfill and incineration | <1% | - |
| Water conservation | Water consumption | 45% | 2005 |
| Biodiversity | Proportion of plants with a score higher than 460 points* | >70%** | - |

Notes: *KCI has defined a methodology in which, depending on the different actions carried out and the urban characteristics of the establishment, the latter receives a biodiversity score (see Biodiversity management in the *Results and indicators* section).

** Under consideration.

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

Point 3.4. of this section summarizes the actions that KCE has put in place for each of the areas of action.

3.3.- Main environmental risks affecting the organization

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 the strengthening of regulations, all 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:

- Management of CO₂ emissions
- Water use and prevention of water pollution
- Preventing air pollution
- Waste management
- Chemical substances management

Investment and costs for environmental activity by KCE¹

KCE dedicates significant financial resources to efficiently and effectively promoting its environmental activities, as shown in the following table.

| KCE | 2018 | 2019 | 2020 |
|--|-------|--------|--------|
| Investment (thousands of euros) | 2.660 | 3.676 | 1.032 |
| Environmental costs (thousands of euros) | 9.879 | 11.110 | 10.766 |

In relation to environmental provisions, the Group does not recognize environmental provisions in 2020.

Each KCE company has subscribed environmental liability insurance policies with adequate coverage to deal with potential damage caused by pollution, restoration and cleanliness of the environment and biodiversity with the following breakdown in terms of annual coverage:

- Kao Corporation S.A., Kao Chimigraf, S.L.U. and Kao Chimigraf France SAS: 12,000,000 EUR
- Kao Chemicals GmbH: 10,000,000 EUR
- Quimi-Kao, S.A. de C.V. : 1,000,000 USD

¹ Table updated based on *Note 18 Environmental information* of the consolidated report.

3.4.- Results and indicators

- CO₂ Emissions Management

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.
- **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.
- **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 distribution process:** through the increase in volumes dispatched by shipment, the use of cleaner methods and the improvement of load ratios.

Contribution to SDGs



In 2013, the group set the 2020 targets for energy consumption and greenhouse gas emissions for all KCE plants and the goal is to achieve an annual reduction of 1% for both.

The KCE indicators for 2020 are shown below, and in comparison with the previous year.

The organization's emissions are classified into direct emissions (Scope 1) and indirect emissions (Scopes 2 and 3):

- **Scope 1:** 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.
- **Scope 2:** indirect emissions associated with energy acquisition and consumption; in the case of KCE, those relating to the purchase of electricity.
- **Scope 3:** indirect emissions as a result of the activity, which are located outside the premises and that 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.

At the moment, supply emissions related to business trips and travel by employees' own vehicles and those related to the transport of raw materials are not available, which are only reported by KCSA.

In relation to emissions from finished product distribution, only the KCG and KCSA data are reported.

Greenhouse gas emissions (GHGs)²

| KCE | 2018 | 2019 | 2020 |
|--|---------|--------|---------|
| Total direct GHG emissions (Scope 1) (t CO _{2e}) | 72,545 | 70,350 | 73,278 |
| Emissions range 1 / prod. end (kg/t) | 156.65 | 166.05 | 170.85 |
| Total indirect GHG emissions (Scope 2) (t CO _{2e}) | 21,684 | 3,925 | 4,527 |
| Emissions range 2 / prod. end (kg/t) | 49.39 | 11.61 | 12.51 |
| Other GHG emissions (Scope 3) (t CO _{2e}) | 22,119 | 23,754 | 22,645 |
| Emissions range 3 / prod. end (kg/t) | 82.26 | 91.56 | 85.15 |
| Total GHG emissions (tCO _{2e}) | 116,554 | 98,207 | 100,634 |
| Total GHG emissions / prod. end (kg/t) | 247.17 | 223.44 | 225.93 |

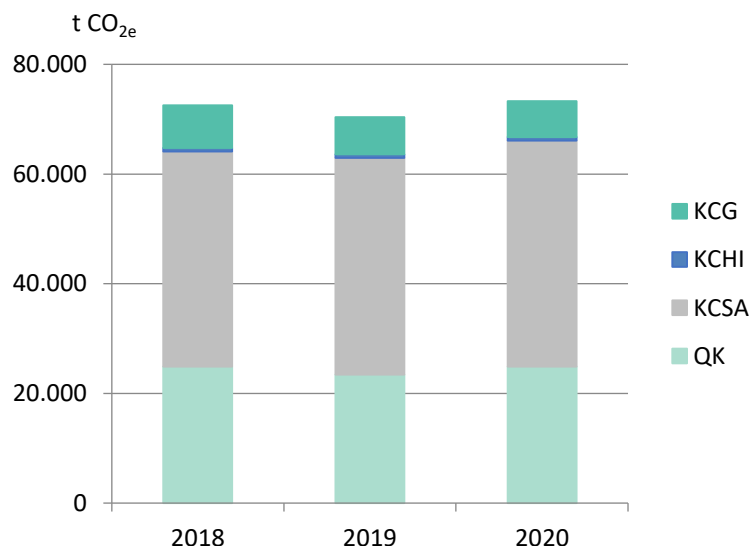
Greenhouse gas (GHG) emissions per ton of final production in KCE have increased versus the previous year despite the green purchase of energy. The increase compared to 2019 for Scope 1 and 2 emissions per ton of final production was 3%.

Compared to 2005, the base year for this indicator, CO₂ emissions were reduced by 20%.

The emergence of the pandemic has led to extraordinary measures, including staff confinement. However, some departments were operated in person, as KCE's activity was considered essential. The rest of the people worked from home.

From an environmental point of view, this measure is positive as emissions related to travel *in itinere* have been reduced.

Direct GHG emissions (Scope 1) per company



² Modification of scope 1 emissions reported above, including CO_{2e} methane and nitrous oxide corresponding to KCSA, as well as Scope 3 emissions for 2019, incorporating those relating to KCSA raw materials (data not available at the time of preparation of the previous report).

Energy consumption data³

| KCE | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|
| Total energy consumption (MWh) | 418,586 | 404,305 | 422,342 |
| Total energy consumption / prod. end (MWh/t) | 0.89 | 0.95 | 0.96 |
| Electricity consumption (MWh) | 81,522 | 79,168 | 80,845 |
| Consumption of electricity of renewable origin (%) | 30.25 | 71.25 | 80.88 |
| Power consumption / final production (MWh/t) | 0.17 | 0.18 | 0.16 |
| Natural gas consumption (GJ) | 1,257,188 | 1,225,451 | 1,288,536 |
| Natural gas consumption / final production (GJ/t) | 3.46 | 3.68 | 3.81 |
| Thermal consumption (MWh) | 321,814 | 307,392 | 323,543 |
| Thermal consumption / final production (MWh/t) | 0,54 | 0.69 | 0.72 |
| Other energy consumption (MWh) | 2,928 | 4,645 | 4,474 |

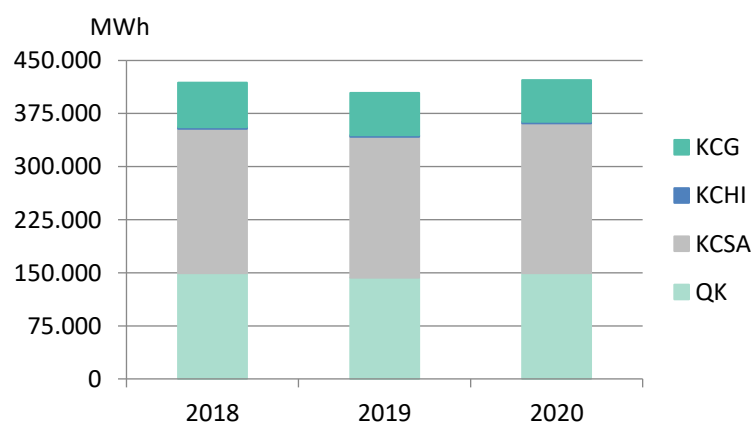
As can be seen, both energy consumption and the consumption rate has shown an increase, mainly due to the product mix.

In recent years there has been a growing trend in the demand for products that require greater energy consumption for their production (products with longer cycle time, with smaller particle sizes, etc.) to the detriment of those that require less consumption. Likewise, the implementation of new facilities has had an influence on this increase.

In relation to electrical energy, the rate of consumption per unit produced in KCE has improved, with an accumulated reduction of 25% compared to 2005, the base year for this indicator.

During 2020, all electricity consumed by KCG, KCSA and KCHI (except KCHI France) came from renewable sources. For its part, QK is in the process of contracting this type of energy. As a result, renewable electricity consumption has increased from 30% in 2018 to 71% in 2019 and 81% in 2020.

Total energy consumption data per company



³ Consumption modification other than 2018 and 2019 by mistake in the gasoline and diesel conversion factor applied in QK.

- **Water use and prevention of water pollution**

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 SDGs



In 2013, the group set targets until 2020 for water consumption in all KCE plants, and aims to achieve an annual reduction of 1%, taking 2005 as a baseline.

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

Water consumption data⁴

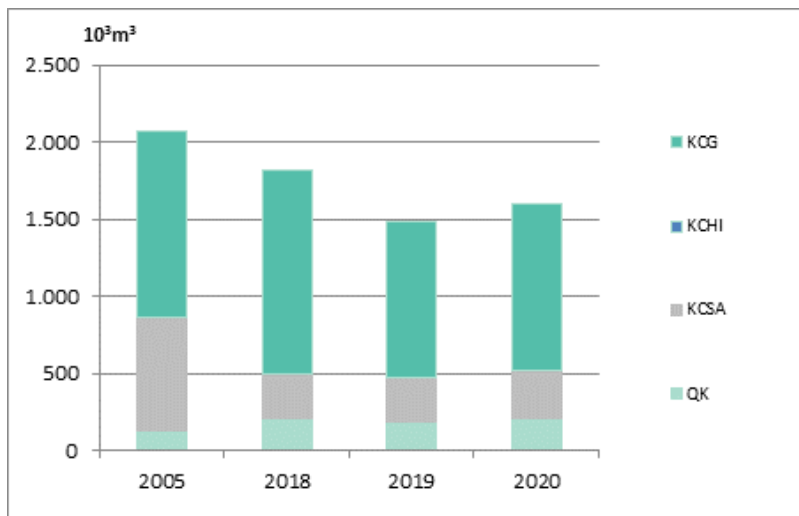
| KCE | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|
| Water extraction (m ³) | 1,816,824 | 1,492,891 | 1,606,120 |
| Extraction / final production (m ³ /t) | 3.14 | 2.76 | 2.96 |
| Mains water (%) | 17.86 | 21.09 | 19.79 |
| Total water consumption (m ³) | 223,311 | 235,015 | 224,528 |
| Consumption / Final production (m ³ /t) | 0.46 | 0.53 | 0.50 |

KCG extracts ground water which it uses as an open circuit for facility cooling. This water is returned to the river Rhine as it is extracted.

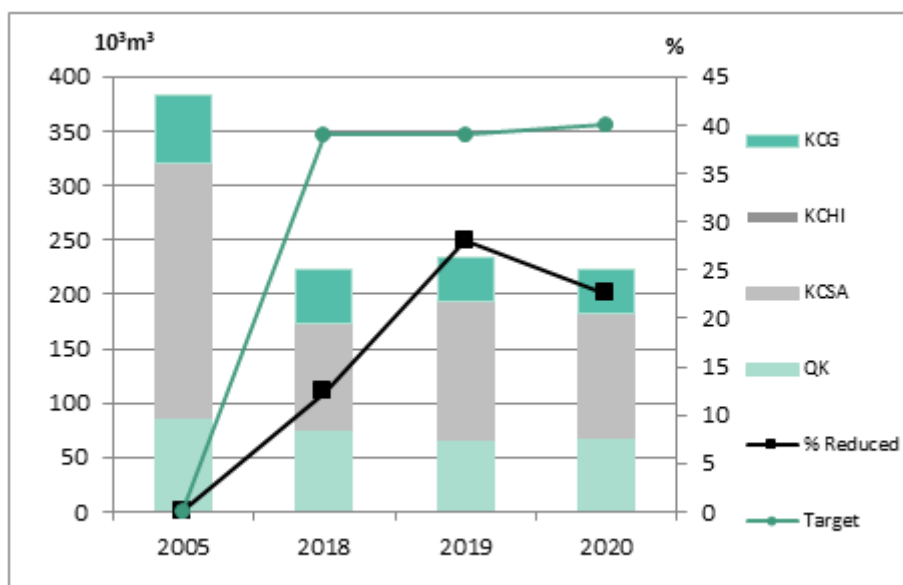
Water extraction represented more than 1,600,000 m³, about 111,200 m³ more than previous year, and approximately half was for consumption. The consumption rate per ton produced increased by 5% over the same period.

⁴ Modification of the values of 2018 and 2019, having incorporated the groundwater that KCG uses in cooling and that is reintegrated into the medium.

Water extraction data



Water consumption data



KCE's biggest water users are KCG and KCSA. In the case of KCSA, extraction increased in 2020 as a consequence of the fact that the facilities built in 2019 (production process of Aromas IV and associated service facilities) remained operative throughout the year. However, both consumption and the rate of consumption have decreased at KCSA; not so in the case of KCG.

On the part of QK, the increase is due 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. Although it represents a higher consumption, it is also a small contribution to circularity.

The pandemic has brought minor changes in this item. The use of sanitary water is unrepresentative in relation to the other uses; except in the case of KCHI, in which it represents 50% of its water consumption. However, the consumption of KCHI only represents 1% of KCE's water consumption.

At this point, it should be noted that a water extraction reduction of 44% was achieved compared to 2005.

Water extraction by source (m³)⁵

| KCE | 2018 | 2019 | 2020 |
|-------------------------------------|-----------|-----------|-----------|
| Groundwater | 1,338,352 | 1,039,989 | 1,127,167 |
| Third party water | 461,822 | 436,347 | 467,001 |
| Wastewater from other organizations | 16,650 | 16,555 | 11,952 |

In the KCE centres the water consumed comes basically from third-party network water and groundwater; some facilities have their own collection wells which are duly authorized and controlled.

Discharge data

| KCE* | 2018 | 2019 | 2020 |
|--|---------|---------|---------|
| Waste water discharge (m ³) | 452,182 | 412,357 | 468,764 |
| Final dumping/production (m ³ /t) | 0.91 | 0.90 | 1.00 |
| TOC (kg) | 391,969 | 361,690 | 303,689 |
| TOC / final production (kg/t) | 0.96 | 0.74 | 0.57 |
| TSS (kg) | 23,450 | 19,116 | 22,044 |
| TSS / final production (kg/t) | 0.08 | 0.08 | 0.08 |
| N (kg) | 74,675 | 79,387 | 72,675 |
| N / final production (kg/t) | 0.22 | 0.29 | 0.26 |
| P (kg) | 1,066 | 1,904 | 1,346 |
| P / final production (kg/t) | 0.00 | 0.01 | 0.00 |

Regarding the pollutant load of wastewater, the representative parameter is total organic carbon (TOC), expressed as a third of the chemical oxygen demand (COD). The TOC pollution load dropped by 58 tons compared to the previous year, a per-ton reduction of 23%.

Wastewater discharge by destination

Wastewater in the KCE work centres is discharged in its entirety to the municipal sanitation network.

- Preventing air pollution

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).

⁵ KCG data are not incorporated

Substances emission data⁶

| KCE | 2018 | 2019 | 2020 |
|--|---------|---------|--------|
| CO emission (kg) | 21,783 | 21,131 | 22,310 |
| CO emission / final production (kg CO/t) | 0.06 | 0.05 | 0.06 |
| NOx emission (kg) | 53,622 | 54,024 | 56,751 |
| NOx emission / final production (kg/t) | 0.12 | 0.12 | 0.12 |
| CH ₄ emission (kg) | 1,403 | 1,547 | 1,619 |
| CH ₄ emission / final production (kg/t) | 0.00 | 0.00 | 0.00 |
| HFCs emission (kg) | 20 | 173 | 178 |
| HFCs emission / final production (kg/t) | 0.00 | 0.00 | 0.00 |
| PFCs emission (kg) | 0 | 0 | 0 |
| PFCs / final production (kg/t) | 0 | 0 | 0 |
| NF ₃ emission (kg) | 0 | 0 | 0 |
| NF ₃ emission / final production (kg/t) | 0 | 0 | 0 |
| SF ₆ emission (kg) | 0 | 0 | 0 |
| SF ₆ emission / final production (kg/t) | 0 | 0 | 0 |
| SO ₂ emission (kg) | 823 | 492 | 468 |
| SO ₂ emission / final production (kg/t) | 0.01 | 0.00 | 0.00 |
| PM emission (kg) | 1,051 | 953 | 1,097 |
| PM emission / final production (kg/t) | 0.00 | 0.00 | 0.00 |
| VOC emission (kg) | 113,215 | 115,428 | 87,226 |
| VOC emission / final production (kg VOC/1000t) | 1.54 | 1.54 | 1.23 |

Contribution to SDGs



As regards emissions from fuel gases (CO, NOx and SO₂), there are no significant variations compared to 2019.

On the other hand, regarding particulate emissions, KCSA is the KCE company reporting the highest emissions. In 2019 and 2020, improvements have been made to emission bulbs, which have been structurally modified and absolute filters have been placed. However, the results do not reflect this situation and the measurements of these spotlights have been postponed due to the pandemic.

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). The actions taken to minimize diffuse emissions (improvements in handling practices, closure of containers, installation of localized extractions

⁶ Changing the value of the cells shaded in italics compared to the previous year's report (incorporation of KCSA emissions pending at the time of reporting).

driven...) has made it possible to reduce this type of emissions by 28,202 kg (24%) and the rate by 19.9% compared to 2019.

KCSA has also contributed to reducing VOC emissions as the regenerative thermal oxidizer installed in the second half of 2019 continued to be operative throughout the year.

- **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.

Contribution to the SDGs



In 2013, the group set the 2020 reduction targets for waste at all KCE plants and a target of achieving an annual reduction of 0.5% on a baseline in 2005.

Waste management data⁷

| KCE | 2018 | 2019 | 2020 |
|---|--------|--------|--------|
| Total waste (kg) | 13,862 | 15,284 | 15,448 |
| Total waste / final production (kg/t) | 33.89 | 38.93 | 37.62 |
| Total hazardous waste (kg) | 10,396 | 12,545 | 12,533 |
| Total hazardous waste / final production (kg/t) | 23.07 | 29.15 | 27.15 |
| Valuation of total waste generated (%) | 73.98 | 70.73 | 61.22 |

The amount of waste generated increased by approximately 200 tons compared to the previous year; however, the rate of waste generation per ton produced fell, with an improvement of 3%.

Although improvement actions are carried out, the indicator does not fully reflect them, since there are various circumstances that influence the result:

- The expansion of activity because of new facilities, processes or products, such as the new AKYPO manufacturing line in KCG, the nitrilation plant (N-3) in QK and the Aromas IV plant in KCSA for the production of lactones.
- Changes in the production mix. This indicator is representative, but not very sensitive to variations in current products which, due to quality, use or the business area itself, have a less favourable ratio.

⁷ Modification of some of the 2018 and 2019 values, without having incorporated the verified table into the final report.

- The production of certain products favours the rate (it provides weight compared to a lower generation of waste) and the production of others, but on the contrary, it penalizes it (little weight produced compared to the higher generation of waste as is the case of the Aroma business).
- The type of waste generated at KCE is diverse and not all of it is directly related to production (for example, machine oil).

Despite this, considering the group's objective in this area, the reduction achieved was 22% compared to 2005.

Of the waste generated, 12,533 tons are classified as dangerous; 12 less versus the previous year. The operations of the new facilities are under study to optimize productivity and adjust the conditions to allow less waste generation.

The pandemic has contributed to greater waste generation, resulting mainly from disposable self-protection products.

In terms of recycling, the recovery rate for reused or recycled waste was 61%.

Actions against food waste

Of the subsidiaries that constitute the KCE group, KCSA's facilities in Barberà del Vallès and QK have a canteen.

To optimize resources and prevent waste generation, strict control of the use of the canteen is carried out, adjusting the menus to staff preferences as well as quantities.

At KCSA, menus are monitored and planned by means of regular meetings with the service company. The service company manages *food stocks* for both canned and fresh food. During the lockdown and in subsequent months, when the number of menus served was drastically reduced due to confinement, in addition to adjusting the variety of the menu, we continued to control menus, thus minimizing food waste. Once normality is restored, the company will continue to explore the possibility of collaborating with local organizations in order to reduce waste generation.

In QK, the waste management route has been maintained, this being a small amount that has not been calculated, due to the decrease in the number of diners due to the impact of COVID. As will be specified in the work organization section, teleworking was imposed in all cases where it was possible.

In the case of KCSA, the emergence of the health crisis in March 2020 was used by the cancellation of the organic fraction collection service to prevent risk to the workers present at the establishment and due to the reduction of external personnel performing this type of tasks, as well as the reduction in menus served.

Raw materials usage data

| KCE | 2018 | 2019 | 2020 |
|--|---------|---------|---------|
| Raw materials (t) | 336,055 | 304,109 | 307,491 |
| Raw materials / final production (t/t) | 0.79 | 0.80 | 0.80 |

As mentioned above, KCE works on improving the performance of production processes, directly impacting waste reduction and hence lower raw material consumption.

- **Chemicals management**

Kao is actively involved in the rational management of chemicals through the use of scientifically based risk assessment and management procedures that have the function of minimizing their adverse effects on human health and the environment.

The group uses its own procedure, called the Comprehensive Chemical Management System, which has been implemented since 2017 in all Kao's affiliates worldwide. The company continuously strengthens the functionality of the Comprehensive Chemical Management System, in response to increasingly stringent regulatory requirements, increasing diversity in manipulated chemicals and planning commercial expansion in new countries and commercial areas.

Taking this objective into account, the series of initiatives that have set KCE's course in the field of chemicals management is summarized in the following measures:

- **Chemical risk assessment:** on the one hand, carry out risk assessments of priority substances for Kao, in accordance with the medium-term plan, and implement the global deployment of the Comprehensive Chemical Management System to ensure 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 all products or new raw materials used in KCE. During 2020, 51 raw materials have been studied and 15 products analysed.
- **Chemicals Lifecycle Management:** Plan and implement hazard reduction and hazardous labelling measures based on the United Nations-defined Global Harmonized System (GHS) to standardize classification and labelling criteria worldwide, using the appropriate language for each country.
- **Communication of chemical risks with stakeholders:** through public disclosure of the results of activities promoting international chemicals management and stakeholder communication.

In 2020, customers were informed of changes in product classification, new information available and the substitution of some raw materials, either through a change in classification or their inclusion in replacement lists of the European Chemicals Agency (ECHA). The process began in 2020 and will end in 2021.

Another important point in substance management, which, in turn, is key to customer management, is the Notification to European Toxicology Centres of all hazardous mixtures. In 2020, the corresponding reports were submitted to ECHA's global authority and to the following countries: Spain, Italy, France and Sweden.

KCE ensures regulatory compliance of its chemical products in all countries in which the company is a supplier. In addition, constant changes in international chemical regulations are monitored, applying notifications and/or registrations in China, Korea, Turkey, the United Kingdom, Canada, the United States and Eurasia, as well as monitoring the Sanction Party List, among others, to ensure global compliance.

Specifically, throughout 2020, all required international requests for Embargoes, Sanctions and Inventories have been analysed. All customer needs have also been studied and the substances that required a special registration by country have been identified, according to commercial needs.

Contribution to the SDGs



KCE promotes the conduct of risk assessments of the priority chemicals for the company, with the vocation of continuing this activity later.

Another line of action is active participation in the working groups of industrial associations, which is disclosed in Kao, and which in turn supports KCE for the new regulations.

During 2020, several substance registries have been carried out at ECHA and more have been updated, while volumes, applications and requirements for the rest of the substances registered by the company have been monitored. Some of the dossier delivered have been reviewed in depth, together with ECHA, obtaining a satisfactory result.

Likewise, several registered substances that meet the definition of nanoparticles have been identified and the update of their registration has begun, which will end in 2021.

In addition to complying with the current Regulations, KCE complies with other voluntary regulations linked to market trends or imposed by non-governmental bodies. In this case, during 2020, fragrance compositions have been reviewed in order to adapt to the new regulations and structure of the 49th amendment to the IFRA (International Fragrance Association) standard. Several products have also been registered in ECOCERT.

Finally, the PSR (Product Safety Regulations) department has organized various seminars and discussions on chemical product security at KCE level for the Sales and R&D departments. The company has been actively involved in national and European events related to the registration of chemicals (European Notification Panel), biocidal regulation, REACH regulation (Registration, evaluation, authorization and restriction of chemicals) and green systems among others.

Responsible consumption and production of materials

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.

The following table shows the percentage of RSPO products that were supplied in 2020 for affiliates who hold this certification:

| % Certified products * | KCG | QK | KCSA |
|------------------------|------|-----|------|
| 2018 | 12.8 | 100 | 33.3 |
| 2019 | 22.7 | 100 | 34.2 |
| 2020 | 32.8 | 100 | 39.4 |

Note: *% Certified products: RSPO certified product sales volume relative to the total sales volume of those same products (certified and non-certified).

According to the results shown, a growing demand for products based on sustainable palm oil can be observed. The collaboration with customers and Kao subsidiaries, which have incorporated into their policies the goals of reducing deforestation, has allowed to increase the percentage of RSPO certified products and thus be able to contribute to the transformation of the market to more sustainable supply chains.

- **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 in 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 past three years:

Basic biodiversity indicators

| KCE | 2018 | 2019 | 2020 |
|--|---------|---------|---------|
| Soil occupancy (%) | 41.61 | 42.06 | 41.99 |
| Total land use (m ²) | 185,253 | 187,259 | 186,934 |
| Total sealed area (m ²) | 255,119 | 254,556 | 256,006 |
| Surface permeability (sealed surface /surface establishment) (%) | 57.30 | 57.17 | 57.50 |
| Total area in the centre oriented according to nature (m ²) | 98,222 | 96,286 | 94,836 |
| Internal occupation biodiversity (internal surface oriented to nature / surface establishment) (%) | 22.06 | 21.63 | 21.30 |
| Total area outside the centre oriented according to nature (m ²) | ND | 24,874 | 24,874 |
| External occupation biodiversity (surface externa oriented to nature / surface establishment) (%) | ND | 5.59 | 5.59 |

Kao Group has deployed a methodology based on the land use standard - developed by JBIB⁸ - 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, with 1000 being the maximum score, distributed into the following concepts:

- Biodiversity management: 450
- Response to exotic species: 100
- Circulation of matter: 75
- Water circulation: 50

⁸ 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.

- Biological monitoring: 125
- Employee participation: 75
- Cooperation with externals: 50
- Others: 75

At group level, the long-term goal (2030) is for the total score of all establishments to reach 460 points.

The following is the score obtained in the Corporate Self-Assessment Questionnaire on Biodiversity:

| KCE | 2018 | 2019 | 2020 |
|---------------------|------|------|------|
| KCG | 225 | 236 | 236 |
| QK | 290 | 290 | 290 |
| KCHI | Nd | 200 | 255 |
| KCSA | | | |
| Olesa de Montserrat | 460 | 515 | 550 |
| Mollet del Vallès | 275 | 325 | 346 |
| Barberà del Vallès | 425 | 495 | 520 |

KCE carries out a series of actions in order 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.

Invasive species control actions have been maintained; In this sense, the elimination of a nest of Asian wasps in the KCSA Barberà del Vallès centre is worth mentioning. In this same centre, nest boxes have been placed to promote the reproduction of different species and an insect hotel.

On the other hand, the planting of different species has been carried out in the centres.

KCHI, which was in a more incipient state to date, has carried out the study of the trees, shrubs and plants of its work centres, as well as the identification of invasive and indigenous species, ending with the preparation of a catalogue describing their qualities, origin, quantity, location, appearance, etc.

In order to ensure such actions in its day-to-day life, KCHI has introduced the concept of biodiversity into the company's Integrated System Policy, as other companies of the group have done previously.

As far as possible, all activities related to biodiversity are carried out in collaboration with city councils or other non-governmental organizations. However, due to the exceptional conditions caused by the pandemic, in 2020 collaborations have been limited.

| Placement of nest boxes | | |
|--|---|--|
| <p>For <i>Otus scops</i></p>  | <p>For <i>Passer domesticus</i></p>  | <p>For <i>Parus major</i>, <i>Cyanistes caeruleus</i></p>  |
| Insect hotel construction | | |
|  |  |  |
| Elimination of invasive species | | |
|  |  |  |

Current impact of the company's activity on protected areas

KCE's production centres are located in industrial estates. Three of the establishments are close to areas of natural interest and, while current activity does not affect day-to-day life, a disaster could give rise to a partial impact.

Below is a table of the location of the establishments with indications of the areas of natural interest near them and to water bodies:

| Company | Nature reserve | Water mass |
|---------------------|--|--------------------------------|
| KCG | DE4203401: Vogelschutzgebiet 'Unter niederrhein' – Protected bird sanctuary DE4103301: Dornicksche Wardconsidered (birdantuary)- bird sanctuary DE4405301: Rhein-Fischutzzonen zwischen Emmerich und Bad Honnef – Fishing protected area | Rhine River (approx. 300 m) |
| QK | --- | Santiago River (approx. 150) |
| KCHI | --- | --- |
| KCSA | | |
| Olesa de Montserrat | ES5110012: Montserrat-Roques Blanques- Llobregat River | Llobregat River (approx. 70 m) |
| Mollet del Valles | ES5110025: Congost River | Besos River (approx. 200 m) |

The establishments and their facilities have been built in accordance with legal regulations, guides and good practices, and have been endowed with equipment such as *capacitors*, *scrubbers*, filters or thermal oxidizers to reduce the impact of the activity, as well as to monitor and control all the environmental aspects identified and, in particular, the most significant ones.

To respond to a possible catastrophic situation, each of the establishments that make up KCE has a self-protection plan that includes different accidental scenarios and establishes the corresponding procedures of action in each case, based on the available means.

Contribution to SDGs



- **Noise and light pollution management**

Annually, noise control is carried out inside the establishments to verify that sound levels are within the legal limits or, on the contrary, to be able to detect an increase in ambient noise and, consequently, take preventive or corrective measures as soon as possible.

In general, the emission levels – noise level emitted abroad – are low and the limits set are not exceeded.

In relation to light pollution, regulatory requirements are met.

3.5.- Legal compliance

KCE is up to date with all its environmental legal obligations and in 2020 the number of sanctions and fines was zero.

4.- 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.

4.1.- Employment

Total number and distribution of staff by gender, age, country and professional classification

In 2020, KCE had a total of 1,084 people employed in its organization, 19 more people than in the previous year. However, it should be noted that in all totals of the tables and graphics that appear in this section are included including the 7 management positions of KCE (1 woman and 6 men), but since the data did not represent much representativeness, the addition of an exclusive category for this group has been rejected, for which reason the inclusion of some of the totals does not correspond to the actual result of the addendums.

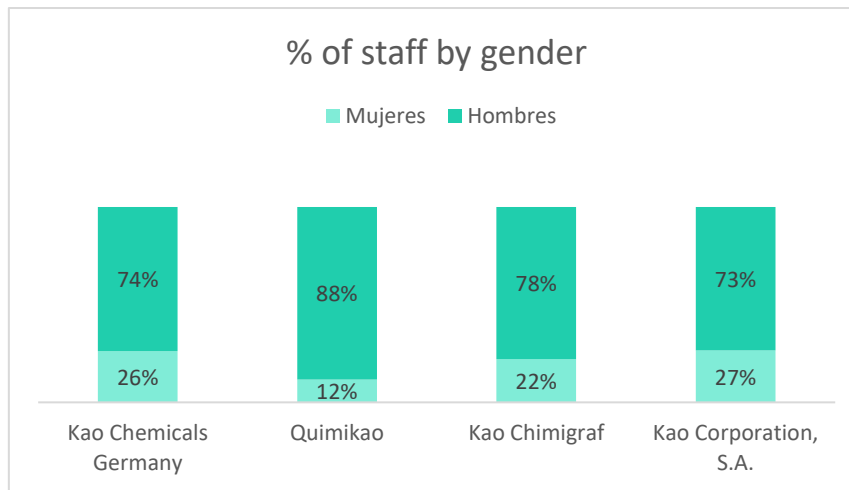
| | Kao Chemicals Germany | Quimikao | Kao Chimigraf | Kao Corporation, S.A. | TOTAL KCE 2020 |
|-------|-----------------------|----------|---------------|-----------------------|----------------|
| Women | 64 | 26 | 38 | 117 | 246 |
| Men | 179 | 197 | 133 | 323 | 838 |
| Total | 243 | 223 | 171 | 440 | 1,084 |

| | TOTAL KCE 2018 | TOTAL KCE 2019 | TOTAL KCE 2020 |
|-------|----------------|----------------|----------------|
| Women | 231 | 232 | 246 |
| Men | 807 | 833 | 838 |
| Total | 1,038 | 1,065 | 1,084 |

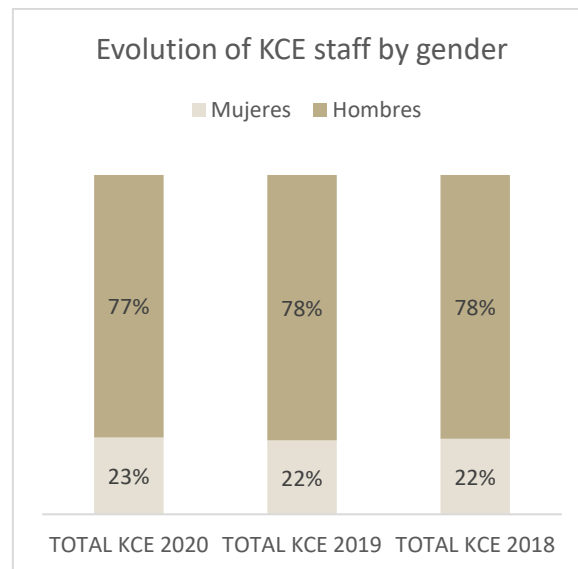
- **Employees by gender**

The female presence is still relatively low in the context of KCE and, as can be seen, it is a global trend that is maintained regardless of having business activities in contexts as socio-culturally different as Germany, Mexico or Spain. This aspect leads to the conclusion that it is a structural problem in the chemical sector, where company workforces are the product of a distortion in origin that is due to antecedents connected with the labour market itself, employment and a lower historical participation of women in production tasks.

This reality does not prevent KCE from continuing to take appropriate measures so that business decisions not only do not favour discrimination, but also seek and facilitate the incorporation of women in all existing tasks or jobs. In this sense, of the 19 new hires that have been made in 2020, it is noteworthy that 14 of them have been women and that this number has increased by 31 since 2018.



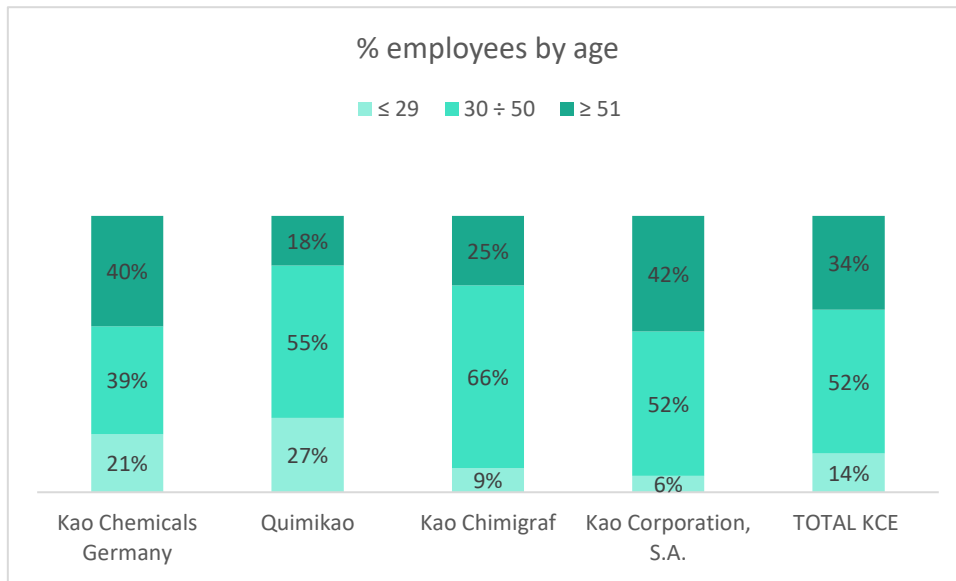
(Mujeres = Female; Hombres = Male)



- Employees by age group**

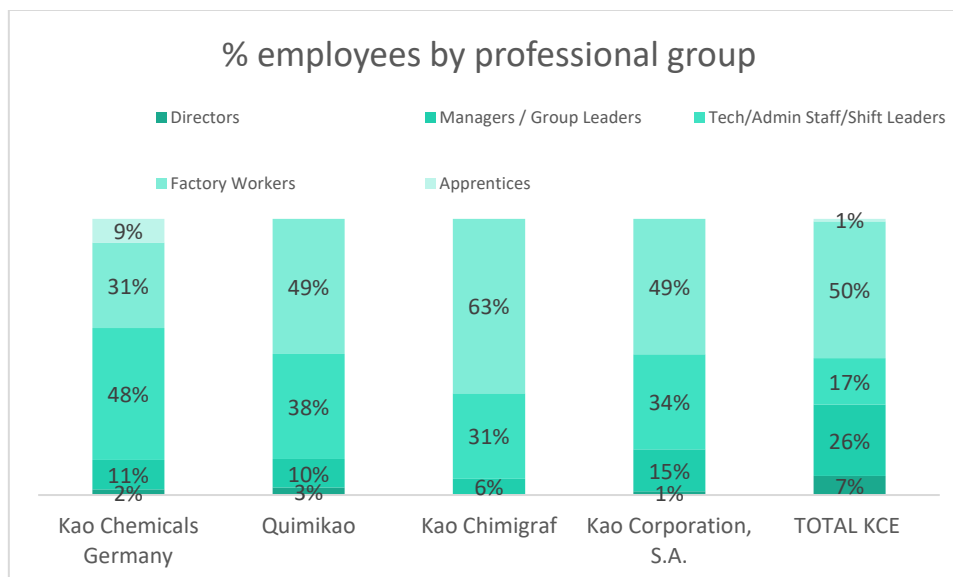
Regarding the age groups, it is found that KCG and KCSA are the workforces with the highest average age. On the other hand, the QK and KCHI workforces register a lower average age, since in both close to 80% are less than 50 years old. Specifically, this percentage is 82% in QK and 75% in KCHI.

| | Kao Chemicals Germany | Quimikao | Kao Chimigraf | Kao Corporation, S.A. | TOTAL KCE |
|---------|-----------------------|----------|---------------|-----------------------|-----------|
| ≤ 29 | 51 | 60 | 15 | 26 | 152 |
| 30 ÷ 50 | 95 | 123 | 113 | 230 | 564 |
| ≥ 51 | 97 | 40 | 43 | 184 | 368 |
| Total | 243 | 223 | 171 | 440 | 1,084 |



- Employees by professional groups**

In relation to professional groups, it can be seen that KCHI's workforce has the largest number of people working as factory operators in the industrial or production area. This is because its production process is more manual and less automated than those that are implemented in the other subsidiaries, where industrial or production area employees represent about 30% to 50% of total workforce.

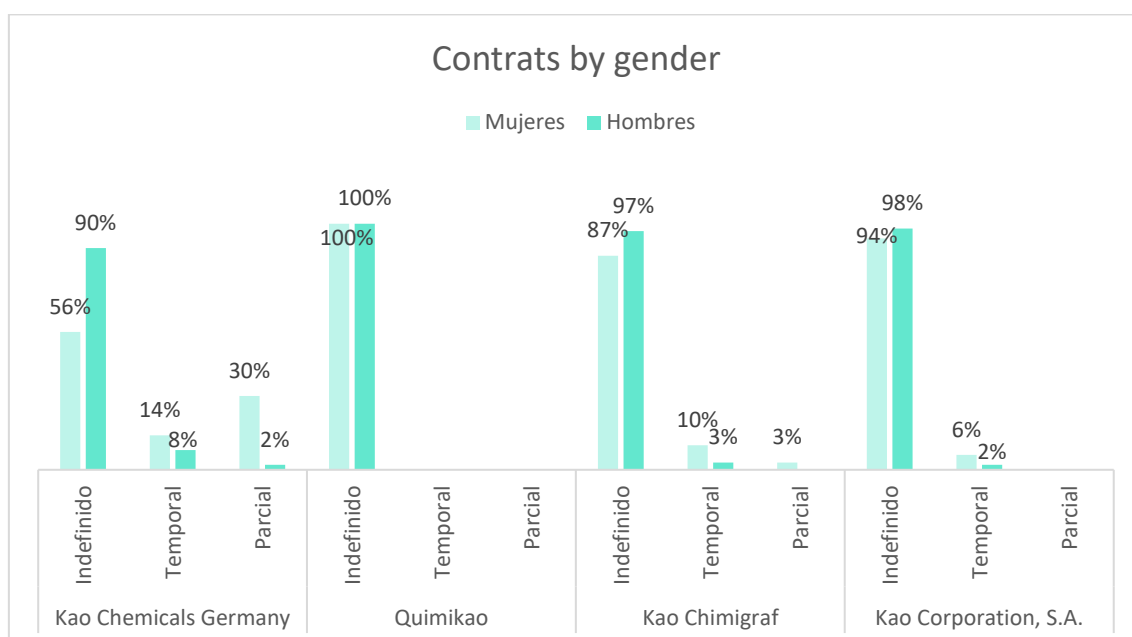


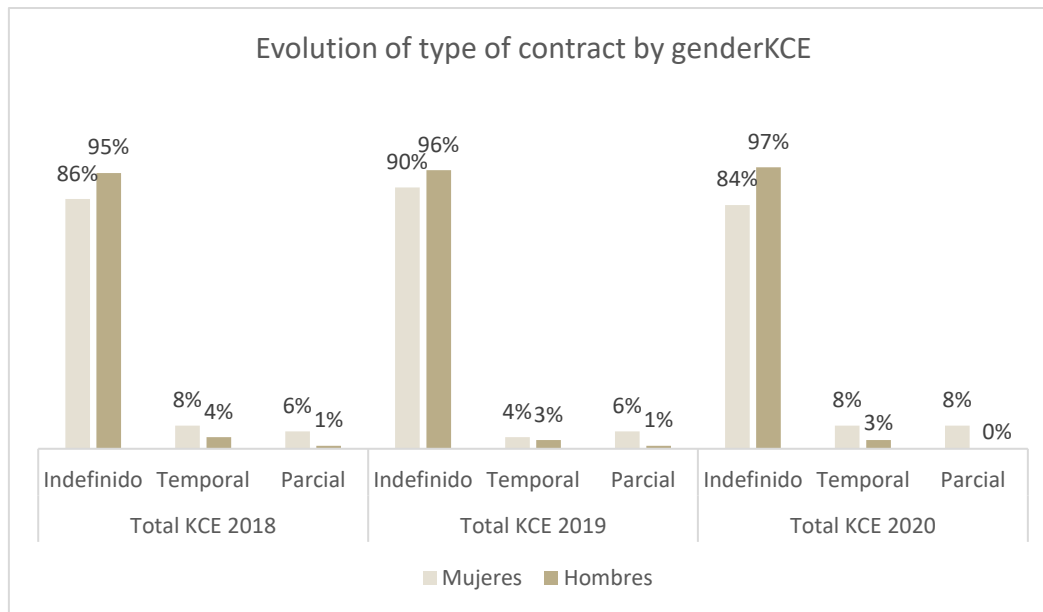
Total number and distribution of employment contract modalities according to gender, age and professional classification

On the modalities of employment contracts existing in KCE, in 2020, following the trend of previous years, permanent or indefinite contracting (I) predominates in very high percentages (94%), versus temporary (T), which shows the company's commitment to stable and quality employment. In this line and emphasizing on the group with a part-time contracts (2%), it should be noted that in all cases this type of contractual relationship has been linked to reasons for conciliation of those involved. A clear example is the women's collective in KCG, where on many occasions, they prefer a part-time contract (P), this group representing 30% of hiring of women in said subsidiary.

| | KCG | | | QK | | | KCHI | | | KCSA | | | TOTAL KCE 2020 | | |
|-------------------------------|-----|----|----|-----|---|---|------|---|---|------|----|---|----------------|----|----|
| | I | T | P | I | T | P | I | T | P | I | T | P | I | T | P |
| Women | 36 | 9 | 19 | 26 | 0 | 0 | 33 | 4 | 1 | 110 | 7 | 0 | 206 | 20 | 20 |
| Men | 161 | 15 | 3 | 197 | 0 | 0 | 129 | 4 | 0 | 316 | 6 | 1 | 809 | 25 | 4 |
| ≤ 29 years old | 27 | 24 | 0 | 60 | 0 | 0 | 12 | 2 | 1 | 22 | 4 | 0 | 121 | 30 | 1 |
| 30 - 50 years | 85 | 0 | 10 | 123 | 0 | 0 | 107 | 6 | 0 | 222 | 8 | 0 | 540 | 14 | 10 |
| ≥ 51 years old | 85 | 0 | 12 | 40 | 0 | 0 | 43 | 0 | 0 | 182 | 1 | 1 | 354 | 1 | 13 |
| Address | 5 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 24 | 0 | 0 |
| Managers/Group Leaders | 24 | 0 | 2 | 23 | 0 | 0 | 10 | 0 | 0 | 66 | 0 | 1 | 123 | 0 | 3 |
| Staff | | | | | | | | | | | | | | | |
| Shift managers | 96 | 1 | 19 | 85 | 0 | 0 | 53 | 0 | 0 | 150 | 1 | 0 | 384 | 2 | 19 |
| Factory operators | 72 | 2 | 1 | 109 | 0 | 0 | 99 | 8 | 1 | 204 | 12 | 0 | 484 | 22 | 2 |
| Apprentices (KCG) | 0 | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21 | 0 |
| Total | 197 | 24 | 22 | 223 | 0 | 0 | 162 | 8 | 1 | 426 | 13 | 1 | 1015 | 45 | 24 |

- Contracts by gender

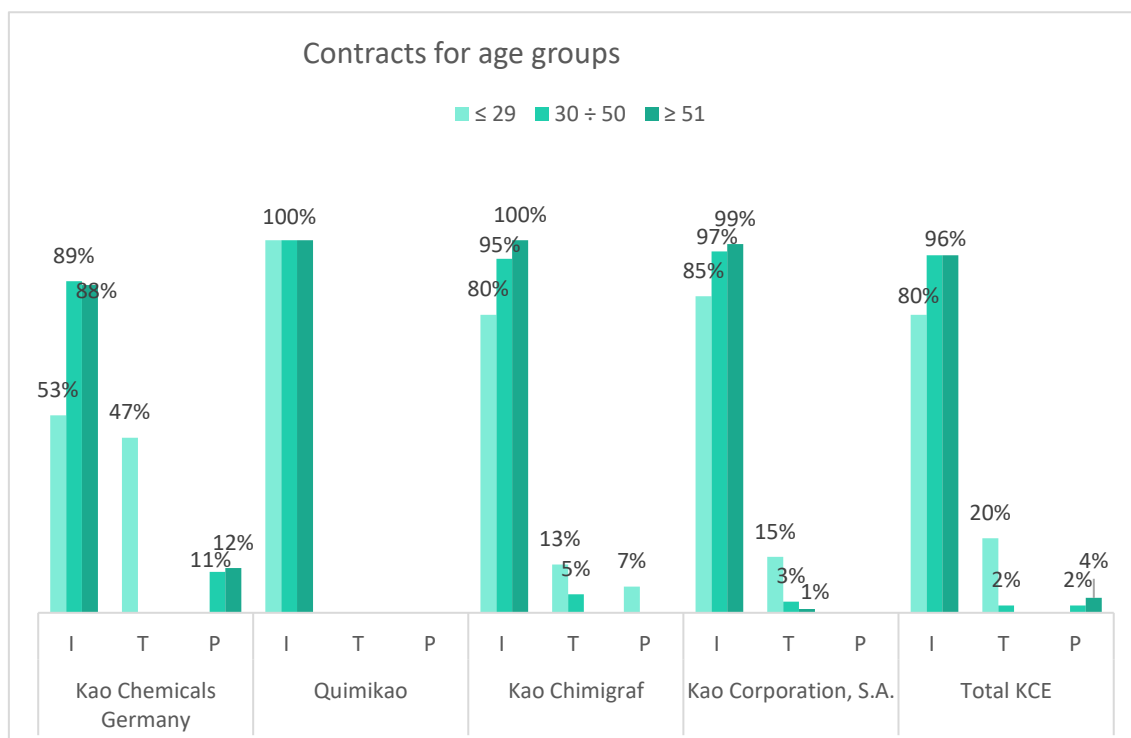




(Mujeres = Female; Hombres = Male ; Indefinido= Indefinite; Temporal: temporary; Parcial= Partial)

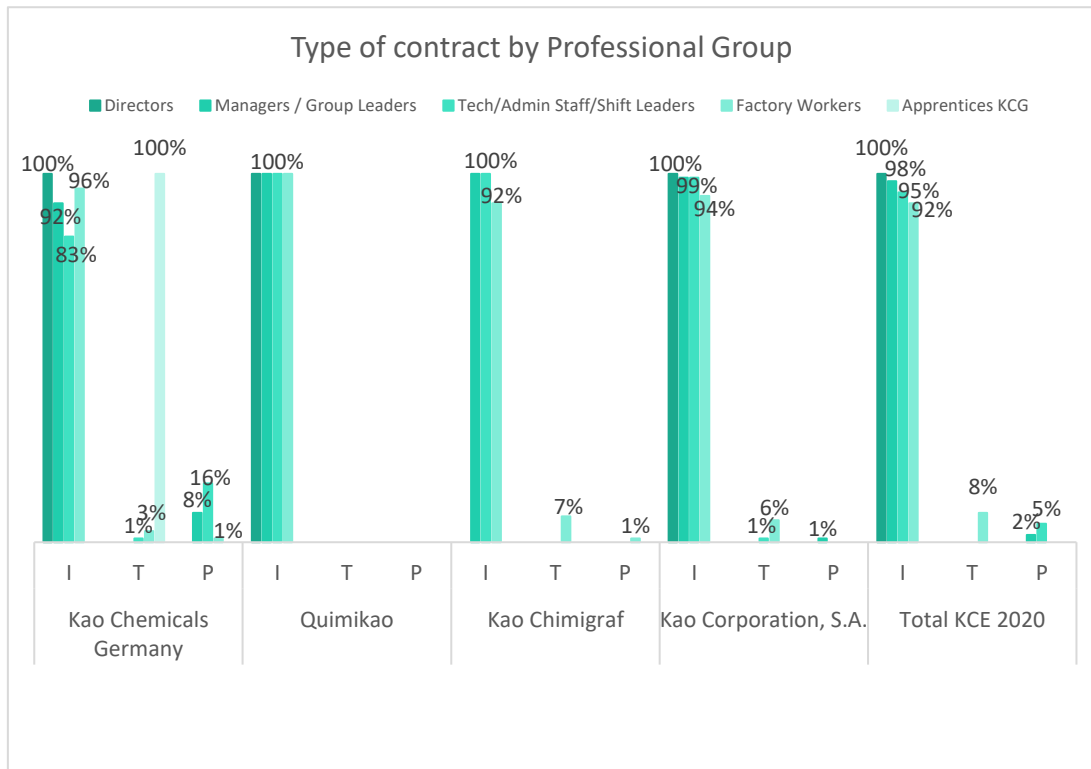
- Contracts for age groups

Employees up to 29 years of age have the lowest rate of permanent hiring, which is associated with the fact that it is a group that is in the consolidation and learning phase of its trajectory in the organization. In this way, despite the fact that the temporary workforce in this age range only represents 20% of all the hiring in KCE, it should be noted that in KCG this modality represents 47%.



- Contracts by professional groups

Regarding professional groups, the predominance of indefinite hiring already mentioned is observed again. On the other hand, the Technical and Administrative group of KCG is the one with the largest part-time hiring having –19 cases out of 116, which represents 16% -. Likewise, the professional group with the longest temporary employment in KCE is the productive area, with 7% in KCHI, 6% in KCSA and 3% in KCG.



New hires

| | KCG | QK | KCHI | KCSA | TOTAL KCE 2020 |
|-------------------------------|-----|----|------|------|----------------|
| Women | 9 | 4 | 5 | 9 | 27 |
| Men | 10 | 8 | 4 | 16 | 38 |
| ≤ 29 years | 13 | 9 | 2 | 10 | 34 |
| 30 - 50 years | 5 | 3 | 7 | 15 | 30 |
| ≥ 51 years | 1 | 0 | 0 | 0 | 1 |
| Management | 1 | 0 | 0 | 0 | 1 |
| Managers/Group Leaders | 2 | 0 | 0 | 2 | 4 |
| Staff /Shift Managers | 5 | 6 | 1 | 4 | 16 |
| Factory workers | 2 | 6 | 8 | 19 | 35 |
| Apprentices (KCG) | 9 | - | - | - | 9 |
| TOTAL | 19 | 12 | 9 | 25 | 65 |

Number of dismissals by gender, age and professional classification

In 2020 there were a total of two cases of dismissal in KCE, which represents a prevalence of 0.18% in the total workforce.

Specifically, one of the dismissals took place at KCSA, while the other took place at KCHI, both belonging to the male collective in the productive area. Regarding the age group, in the case of KCSA it was over 51 years old and in the case of KCHI it was between 30 and 50 years old.

Salary gap

KCE maintains the commitment to effectively apply the principle of equal salary for work of equal value and uses 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.

The following table represents the existing salary gap in KCE by gender, as well as the salary increases made between 2019 and 2020. Accordingly, the negative gap percentages should be interpreted as that there is a difference in the average salary in favour of women, and in the case that they are positive gap percentages, it means that the average salary is higher in the group of men.

Base salary + Plus Convention + Personal Plus (%)

| | KCG | QK | KCHI | KCSA | TOTAL KCE |
|--|-------|--------|-------|-------|-----------|
| Annual Salary average | 3.8% | 9.9% | 14.3% | 20.3% | 13.5% |
| Annual Salary average (≤ 29 years) | 9.5% | -3.0% | 2.9% | 26.6% | 6.8% |
| Annual Salary average (30 - 50 years) | -0.6% | -34.2% | 6.9% | 16.4% | 0.5% |
| Annual Salary average (≥ 51 years) | 1.1% | 47.9% | 30.1% | 21.0% | 19.7% |
| By Professional Group: | | | | | |
| Apprentices | 1.9% | (1) | (1) | (1) | (2) |
| Factory workers | 3.8% | (2) | -0.5% | (2) | (2) |
| Staff | 7.2% | 24.0% | 18.9% | 4.8% | 11.4% |
| Technician & Shift managers | (2) | -27.1% | 24.2% | 5.4% | (2) |
| Managers | -0.9% | (2) | (1) | 1.0% | (2) |
| Group leaders | (2) | (2) | (2) | 10.0% | (2) |
| Management | (1) | (3) | (1) | (2) | (2) |

NOTE: (1) There are no members in this category

(2) Not comparable because there is no representation in one of the groups

(3) No data is provided because it affects individual personal data. Senior managers who are part of KCE are in this situation

Although the data do not indicate large salary differences between genders, since they are within the margins established by art. 6.b) of Royal Decree 902/2020, of October 13, on equal pay between women and men, the company is aware of the need to continue working to reduce the gender gap.

KCE expresses the will not to declare information on the average remuneration of the staff, the management team and administrators, disaggregated by sex, age and professional classification.

Promoting equality

In 2020 Kao Corporation was selected for another year for inclusion in the Bloomberg's Gender Equality Index as one of 325 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, group companies develop and implement initiatives aimed at applying the code of conduct, as well as specific actions related to equal treatment and opportunities within them.

Specifically, at KCG the General Equal Treatment Law is applied and there are two people from the company responsible for ensuring compliance with the legal obligations of the German Equal Treatment Law. In KCHI, in 2020 two people have been appointed as equality agents for the social part. And, as for KCSA, the 2nd KCSA Equality Plan 2020-2023 has been registered in the Department of Labour of the Generalitat de Catalunya, based on the update of the 1st Plan developed in 2009, entering into force on the same day of its record.

Together with the II Equality Plan, the Harassment and Discrimination Prevention Protocol has been developed and registered in KCSA, which aims to prevent sexual and gender-based harassment behaviours, and in the workplace or mobbing, as well as discriminatory acts.

Regarding Human Resources Policy KCE has the will to:

- 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 they are objective and impartial.
- Ensure that people who join are aligned with KAO principles and values.

On the other hand, in terms of diversity and inclusion, the company is committed to:

- 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.

In KCSA during 2020, the Human Resources Framework Policy was communicated to the organization, which disseminates the basic principles of action that should guide people management.

Staff with disabilities

KCE applies its criteria in terms of hiring personnel with disabilities specifically in each of the subsidiaries, depending on their reality, context and applicable legislation in each country.

The reference data are provided below in the context of the company:

In Germany, KCG hired four people with disabilities in 2020 and, in fact, they have a representative on their committee for people with different abilities who work in the company. On the other hand, KCG collaborates with special employment centres through the acquisition of different work materials.

In Spain, three people with disabilities work at KCHI, which complies with the minimum percentage of social inclusion of people with disabilities established by Spanish regulations. For its part, KCSA at the end of 2020, it had hired three people with disabilities on its staff. Moreover, has contracted exterior garden maintenance services, laundry services and the supply of hygiene and cleaning products from its three work centres in Spain to a special employment centre, which exclusively employs people with disabilities. The company also makes donations and monetary contributions to entities that work for the social integration of people with different abilities.

Regarding Mexico, despite the fact that there is no mandatory regulation of application in reference to personnel with disabilities, there are state regulations that act as a declaration of principles in the field of equality and non-discrimination in employment (NMX-R-025 -SCFI-2015 on Labour Equality and Non-discrimination). In accordance with this, in QK during 2020 a contractual relationship was maintained with a person with functional diversity.

Accessibility of facilities

The full integration into the work and social environment of people with disabilities involves eliminating all kinds of physical impediments to material accessibility to the work environment, as well as difficulties in using tools, objects and products, regardless of technical and cognitive abilities. or physical of the person.

To overcome physical barriers, KCE promotes that the work centres in which it carries out its activity are accessible to all people, in conditions of safety, comfort and autonomy. As an application of the foregoing, all the new plans for reform works carried out in the access to work centres include accessibility to them for people with disabilities as a design premise.

Likewise, the company adapts the position and the work tools to the needs of the people who are going to use them.

4.2.- Organization of work

Day registration

The process of registering working hours is systematized in KCG, KCHI and KCSA, while in QK it is not registered through any presence control tool as there is no legal obligation to do so in Mexico.

Organization of working hours

The different KCE subsidiaries have as a common denominator having production centres and a central or staff service area. For this reason, regardless of the specificity of each centre, in the organization of work there are continuous shifts and split or full-time workdays.

In this sense, at KCG there are four work shifts in the production and quality areas seven days a week and, from Monday to Friday, there are two work shifts in logistics and raw materials warehouse. People in staff areas have a daily shift of seven hours and 30 minutes.

For its part, QK has established rotating shifts in the production area to cover 24 hours a day, seven days a week; In the logistics area, working hours are from Monday to Saturday in two shifts, while in offices, part-time work is done.

At KCHI there are also continuous work shifts in the production centres - morning, afternoon and evening, from Monday to Friday. For the staff there is a flexible schedule and on Fridays there is a continuous shift.

Finally, at KCSA there are three types of working hours and, at the production level, there is a fifth shift that covers the continuous working day every day of the year. On the other hand, in a specific production plant there is a rotating shift in the morning and afternoon, from Monday to Friday, as well as in the logistics and warehouse area. The staff personnel have a split working day from Monday to Friday. Likewise, given the social and health situation, during 2020 those people from the headquarters who requested it were offered the possibility of temporarily modifying the working day and making it intensive.

Covid-19 impact

Despite being located in different contexts, given the common social and health situation of 2020, and according to the evolution of the pandemic in each country, KCE has sought to minimize the exposure of the workforce whenever this has been possible, complying with the measures stipulated by governments and security regulations. In accordance with the above, all subsidiaries have encouraged, whenever possible, remote work in those areas where it has been feasible, the physical spaces have been modified in order to maintain distances, and the necessary protective equipment has been provided. Likewise, hygiene measures have been increased and those positions in which face-to-face work was required have been restructured in order to reduce capacity and reinforce security measures.

All subsidiaries have invested in computer equipment in order to facilitate remote work.

In the production centres, since this is considered an essential activity for the country, face-to-face work was maintained, maximizing the prevention and safety measures established by the authorities.

As far as possible, bubble groups were organized in the departments that rotated between face-to-face and remote work, as well as the possibility of adapting the workday and making it intensive for those who so requested.

Additionally, in the case of KCSA, remote work implemented in response to Covid-19 has been accompanied with training for managerial staff on leadership of remote teams, in order to maintain cohesion and development of the groups and promote productivity in remote work.

Absenteeism (absence rates)

The percentage of global absenteeism in 2020 has been estimated at 4.9% with a total of 96,650 hours.

In all KCE subsidiaries, the percentage of absenteeism registered according to gender is higher in the case of men, the weighted average being 5.4%, versus 3.4% in the case of women. An exception is the case of Quimikao, where the female group has a higher percentage despite having fewer hours of absenteeism because, as few women are part of the workforce, the hours of absence have more impact.

These figures are broken down in the following table, according to the percentage of registered absenteeism and its equivalent in number of hours:

| | Kao Chemicals Germany | Quimikao | Kao Chimigraf | Kao Corporation, S.A. | TOTAL KCE 2020 |
|-------|-----------------------|----------|---------------|-----------------------|----------------|
| Women | 2,755 | 2,896 | 963 | 7,925 | 14,538 |
| Men | 13,732 | 12,856 | 12,361 | 43,163 | 82,112 |
| Total | 16,487 | 15,752 | 13,323 | 51,088 | 96,650 |

| | Kao Chemicals Germany | Quimikao | Kao Chimigraf | Kao Corporation, S.A. | TOTAL KCE |
|-------|-----------------------|----------|---------------|-----------------------|-----------|
| Women | 2.7% | 5.6% | 1.5% | 4.0% | 3.4% |
| Men | 4.0% | 3.3% | 5.0% | 7.7% | 5.4% |
| Total | 3.8% | 3.5% | 4.2% | 6.7% | 4.9% |

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.

Consequently, KCE complies with all the legal precepts and requirements requested in each country in which it operates and, in addition, has implemented some additional specific provisions at the local level.

At KCG in particular, each employee has a pocket of excess hours that they can then compensate with breaks. Part-time workdays are more widely used in this centre, where 9% of the workforce - 22 people, 19 women and three men - are welcomed to this possibility, a figure that contrasts with the rest of the subsidiaries, where only one person from KCSA and another from KCHI have this modality.

KCHI, for its part, has a flexible schedule, with an hour of margin in the entry and exit of the working day. Likewise, five people have taken advantage of a reduction in working hours in 2020 to care for children under 12 years of age.

In addition, during this year a digital disconnection course focused on Management was carried out.

In KCSA, in addition to the people who were already undergoing an adaptation of their working day based on their personal needs, 65 people took advantage of the temporary adaptation of the schedule driven by the social situation that has accompanied 2020.

In the case of QK, the Federal Labour Law of Mexico stipulates the obligation to have at least one day of rest after six worked, and determines the mandatory holidays, so the QK staff has six additional days with respect to which the law prescribes.

In order to promote the need to define work and rest time, as well as to guarantee the right to digital disconnection, in 2020 the KCSA Digital Disconnection Policy was launched.

4.3.- 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. In fact, as discussed in previous chapters, 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 affiliated companies achieve continuous improvements in health and environmental safety and protection, in accordance with the principles of Sustainable Development.

'Responsible Care' is a global program that is implemented in 52 countries and is managed as follows:

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

KCG, QK and KCSA are adhered attached to 'Responsible Care'. Looking ahead to 2021, it should be noted that the self-assessment program has been unified at the level of European companies, which will allow - in addition to favouring continuous improvement - to have a *benchmarking* of results with national and sectoral scope. Likewise, it will allow 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 thus includes clear commitments in these areas.

That is why the company continuously implements activities aimed at evaluating the risks of the jobs (operations, work equipment, chemical substances, etc.) and establishing preventive measures. On the other hand, it carries out actions to ensure that the level reached is optimal to guarantee health (measurements of pollutants in the work environment, epidemiological health reports, etc.).

The preventive policy represents the commitment assumed by the highest executive level of KCE vis-à-vis its employees and society. This policy is always present and influences all corporate activities and decisions and is aimed at engaging the organization in complying with preventive and legal requirements, which is why it is available to the entire organization and interested parties and is updated in a timely manner.

Risk, policy and regulatory prevention management

Safety is an imperative for KCE, so all workplaces plan and establish the relevant preventive actions for risk elimination, taking the following measures:

- Evaluation of the risks in the facilities using the methodologies intended for this purpose.
- Planning of actions to prevent serious accidents with consequences for public health and the environment.
- Prevention of risks related to explosive atmospheres, storage of chemical products and transport of dangerous goods, as well as those linked to environmental pollution and the idiosyncrasy of each of the companies and of the countries and regions in which they are located (aging of the workforce, access to public health systems, etc.).
- Information, training and specific awareness for all staff.

Each of KCE's companies has an occupational safety management system. In the case of KCG and KCSA, these systems have been certified according to the ISO 45001 standard since this year. For its part, QK has a certified security management system according to the Comprehensive Responsibility scheme, and KCHI is carrying out actions for a future certification based on ISO 45001, initially scheduled for 2021.

On the other hand, the security policies of KCE companies with establishments susceptible to generating an accident with external effects include management commitments regarding the prevention of fires, explosions or toxic clouds, as well as having facilities and trained personnel. to respond in an emergency.

Internally, the measures related to responding to any incident in this area are framed in the Business Continuity Plan (BCP), a procedure to monitor corporate activities in the event that there are situations that may cause the interruption and / or temporary closure of productive activities.

Regarding health surveillance, all KCE companies have a service that, among other activities, performs periodic medical examinations, prepares epidemiological studies and promotes, when necessary, the adaptation of posts to the health conditions of people. The aggregated information from their studies allows not only to design preventive health campaigns, but also to have quantitative indicators that allow measuring their impact and effectiveness.

Risk prevention training

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 of each of the companies, and are aimed at achieving health and safety objectives. It also ensures that new hires or staff who change jobs receive adequate training.

To reinforce safety awareness, each year a message from the president of Kao Corporation is released, accompanied by a poster with his photograph and the winning slogan of the competition that takes place in the group worldwide.

Since 2016, the group has deployed clear guidelines to ensure that all its affiliates have established a management system and provide training to quickly and adequately address the risks identified in each of them. Likewise, the parent company verifies that each company has the necessary facilities for prevention and protection against serious accidents.

Finally, each of KCE's plants annually conducts emergency drills, in which, in addition to training and instruction in fire response, all company personnel are trained in the management of a serious accident. Unfortunately, most of the drills planned for 2020 have not been possible due to the pandemic, with so-called table drills being held in some cases instead. In these, decision-making is practiced in different scenarios.

Indicators related to workplace accidents

In 2020 there have been 12 accidents with sick leave with 374 days lost.

The two most frequent types of accidents - each representing 25% of the cases - are related to incorrect movements or postures and entrapment, followed by those related to contact with dangerous substances (17%).

Below are the KCE indicators and the target for 2020:

| KCE | 2018 | 2019 | 2020 | Target 2020 |
|--|------|------|------|-------------|
| Frequency index | 9.18 | 5.47 | 6.71 | 0.1 |
| Frequency rate female accidents | ND | 0.00 | 0.00 | - |
| Frequency rate male accidents | ND | 5.47 | 6.71 | - |
| Severity index | 0.01 | 0.01 | 0.21 | - |
| Women's severity index | ND | 0.00 | 0.00 | - |
| Men's gravity index | ND | 0.01 | 0.21 | - |
| Occupational diseases | 0 | 0 | 0 | 0 |
| Women's occupational diseases | 0 | 0 | 0 | - |
| Men's occupational diseases | 0 | 0 | 0 | - |
| % template included in the Health and Safety Committee (CSS) | 6.7 | 6.6 | 6.5 | - |

As can be seen in the table, both the frequency index (IF) and the severity index (IG) have increased slightly from the previous year, even though both remain at relatively low levels. The goal set by KJ, which is stricter every year, is still not reached. Another noteworthy element is the fact that there have been no occupational diseases (EEPP).

The following table details the indicators for 2018, 2019 and 2020 for each of KCE's companies:

| | KCG | | | QK | | | KCHI | | | KCSA | | |
|------------|------|------|------|------|------|------|-------|-------|-------|------|------|------|
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| IF | 2.85 | 2.88 | 0.00 | 4.77 | 4.21 | 4.73 | 30.96 | 13.12 | 22.46 | 5.86 | 4.29 | 4.24 |
| IF women | ND | 0,00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| IF men | ND | 2.88 | 0.00 | 4.77 | 4.21 | 4.73 | 30.96 | 13.12 | 22.46 | 5.86 | 4.29 | 4.24 |
| Ig | 0.01 | 0.02 | 0.00 | 0.10 | 0.11 | 0.10 | 0.52 | 0.27 | 0.97 | 0.20 | 0.04 | 0.04 |
| IG women | ND | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| IG men | ND | 0.02 | 0.00 | 0.10 | 0.11 | 0.10 | 0.52 | 0.27 | 0.97 | 0.20 | 0.04 | 0.04 |
| EEPP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EEPP men | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EEPP women | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

It can be seen that both the frequency and severity index of KCHI have increased significantly compared to the previous year, and they remain the highest values of the group. However, it is important to note that in KCHI the trend of the FI accumulated in the last five years has decreased slightly. On the other hand, the type of main accident continues to be related to musculoskeletal aspects, which is why the implementation of organizational improvements and the introduction of new machinery that allow maximizing the automation of processes and, thus, reducing manual handling of loads continues.

Pandemic safety management

Since the activity carried out by the company is essential for society, all the work centres have maintained production during the pandemic, which has required strict security management and rapid implementation of multiple actions to prevent exposure in the workplace.

In cases where it has been possible, given the type of the job, telework has been arranged, as mentioned in the chapter on work organization.

The main actions in the face of exposure to Covid-19 have consisted of these measures:

- Personal protection: KJ provided masks for all employees since the beginning of the pandemic, when there was a shortage on the market. Currently each company supplies itself autonomously.
- Cleaning and disinfection: also, from the initial moment of the pandemic, hydroalcoholic solutions have been made available to all workers. In parallel, cleaning protocols have been strengthened and common elements disinfection procedures have been established.
- Training and information: dissemination sessions have been held, notices containing summaries and compendia of the available prevention measures have been distributed, and workplaces have been appropriately marked.
- Limitation of exposure through collective or organizational protection systems: multiple protection screens have been installed in offices, control rooms and dining



rooms, mainly. Likewise, spaces have been segregated and flexibility and work-from-home measures have been applied to reduce occupancy.




- Sensitive personnel: the medical services have identified the personnel most sensitive to Covid to provide them with additional measures.
- Management and case management: supported by the health areas of the corresponding prevention services, each company has carried out personalized monitoring of the evolution of the people who have contracted the disease, as well as the close contacts of affected people.
- Other measures: temperature controls have also been implemented and the ventilation conditions have been modified, increasing it and minimizing recirculation, extreme maintenance and filter replacement, etc.

Some of the group's companies have carried out complementary actions, including the one carried out by KCG. During the course of the ISO 45001 audit, the management of the pandemic by an auditing entity has been evaluated. As a result, KCG has obtained the highest possible score and the creation of a crisis management team, the rapid implementation of robust and very well structured measures, as well as intense cooperation with the team and contractors have been noted as strengths.

KCG also highlights the installation of CO₂ detectors in closed spaces, which indicate when ventilation is necessary. This system has been replicated in other KCE companies.

Actions derived from the pandemic

| Extraordinary workplace cleaning and disinfection activities | Placing screens, distance measures and safety signage |
|--|--|
|  |  |
| <p>QK: sanitizing sprays were carried out in all work areas and staff common areas</p> | <p>KCHI</p> |

| CO ₂ measuring devices | Reorganization of common spaces (cantina) |
|--|--|
|  |  |
| KCG | KCSA |
| Temperature measurement | |
|  | |
| QK | |

Additional initiatives

In addition to the objectives set by the parent company and those of each company, the different subsidiaries of KCE carry out their own actions, taking into account the idiosyncrasies and current environment of each company.

Some of them are listed below:

KCG

- Migration of OHSAS 18001 certification to ISO 45001: This project has involved the realization of numerous actions, such as:
 - The establishment of a team to integrate the requirements of the standard into the company's Integrated Management System (IMS).
 - Redesign of major processes and thread consolidation.
 - Development and description of new processes, flowcharts, information on risks and opportunities, key figures, etc.

- Development of the security culture: a project that encompasses different lines of work, such as:
 - Improving safety in construction processes, conducting risk assessments, creating health and safety plans, specific instructions, assigning a safety coordinator, etc.
 - Placing *on-site instructions* to increase safety awareness and prevent accidents with work equipment: these instructions contain the risks, preventive measures, failure or maintenance behaviour, and individual protective equipment to use.
 - The digitization of job security to facilitate certain tasks: the creation of forms that can be completed in the field and the acquisition of devices for data entry (e.g. tablet suitable for ATEX environments) are the main axes of the project.
 - The creation of the 2020 security calendar.
- Training in the prevention of serious accidents: specific training has been imparted aimed at the extinction of electrical and office fires. On the other hand, training had been planned for the extinction of gas fires and leaks, as well as the conduct of exercises with volunteers from the fire station, but they have had to be cancelled due to the pandemic.



QK

- Implementation of new safety procedures to prevent contact with chemical substances, such as the mandatory use of a face protection screen for packaging operations, connection or disconnection of hoses or pumps, or the operation of lines with chemical product - hot or under pressure. The use of mobile phones has also been restricted in the plant.
- Continuation of specialized training for fire intervention teams, as well as awareness-raising actions through talks on the correct use and care of personal protective equipment.
- Construction of a new control room: in 2020 a new room has been put into operation from which control of most of the establishment's processes is centralized. This enables better process monitoring and control, faster decision-making, and effective communication between team bosses and operators.



KCHI

- Improvements in the determination of risks associated with chemicals: the qualitative study of exposure to contaminants has been carried out at the SB & Inkjet plant through the application of the renowned COHSH Essentials methodology.
- Creation of a responsible care management committee to promote activities derived from this program, such as:
 - Strengthening and updating training and organizing workplace risk prevention and firefighting courses.
 - Holding quarterly meetings with those responsible for production and maintenance to analyse and study the accidents that have occurred.
 - The application of the change management system, with periodic monitoring of them until the final closing phase.
 - The implementation of a calendar in which every month an aspect of the 'Responsible Care' philosophy is promoted.

Some of the planned activities have had to be cancelled due to the pandemic.

KCSA

- ISO 45001 certification: as in the case of KCG, the migration to this new certification has involved multiple actions. It is worth highlighting the training course for the company's chain of command (more than 50 people), imparted in a self-taught way to facilitate its completion.
- Improvement of safety in tanker truck loading and unloading stations: the implementation of a project to improve 21 loading and unloading stations has been designed and started, which entails, among others, the lengthening of the existing lifelines, the improvement of the position of workers and the installation of automatic rescue systems.



- Evaluation of psychosocial risks: the 3rd evaluation of psychosocial risks has been carried out, which constitutes a good opportunity to improve the health and safety culture, increase the well-being of the team and reduce accidents.

The application of the selected methodology has led to the creation of an observatory made up of representatives of the staff and the company, together with the technical specialist in psychosocial risks (21 people in total). It has also made it possible to fill in questionnaires anonymously, as well as to hold work meetings (13 focus groups with a total of 79 people).

The participation has been 65% and during the year, an action plan has been drawn up and agreed upon for the coming years.

In parallel to these actions, since 2017, and with the aim of raising awareness about safety around the world, Grupo Kao organizes an annual global safety slogan competition.

Messages in 2020 were to revolve around the themes "Safety first," "Risk prediction," "Safety culture," and "Carelessness is the greatest enemy (lack of care is the main enemy)".

In total, 72 slogans have been submitted to the contest from KCE, the winning designs of which have been posted at the entrances of the buildings and on the notice boards of the different floors.



Contribution to the SDGs



Les Nostres Activitats

BUTLLETÍ RSC 2020



PROGRAMA CUIDA EL TEU COR
DINS EL NOSTRE PROGRAMA INTEGRAL DE LA SALUT, AQUEST ANY VAM INICIAR UNA SERIE D'ACTIVITATS BENEFICIOSES PER LA SALUT CARDIOVASCULAR.



Gener 2020

Fruita per tothom! Es van lliurar caixes de fruita a tots els centres per contribuir al consum de les cinc peces recomanades al dia!



COR I ACTIVITAT FÍSICA

29 Setembre 2020

COINCIDENT AMB EL DIA MUNDIAL DEL COR ES VA ORGANITZAR UNA TROBADA ONLINE ON UN EXPERT DE FISIOTERÀPIA I ACTIVITAT FÍSICA ENS VA PARLAR SOBRE ELS BENEFICIS DE L'ESPORT PER UNA BONA SALUT CARDIOVASCULAR.



Contribution to the SDGs



4.4.- Social relations with the staff and their representatives

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 Kao European Forum takes place annually, in which the management of the European region, the general managers of the different subsidiaries and the social representation of each of these participate, in order to establish relationships of trust that encourage dialogue and cooperation.

In 2020, the Kao European Forum was held virtual and, mainly, it dealt with the impact that Covid-19 has caused on Kao's products, markets and facilities. Experiences have also been shared on the security measures adopted and the challenges that, at the work organization level, confinement and remote work have posed.

Trade union relations

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. Eventually, KCSA contacts personnel services companies to provide support in certain areas of the company; As in the case of the KCSA staff, these personnel are covered by the collective chemical agreement.

In the case of Quimikao, the workforce is covered by two different modalities: on the one hand, 51% of the staff is governed by the individual work contract, on the other hand, the remaining 49% (Factory Workers) are covered by the collective bargaining agreement. Both modalities share some benefits, such as grocery vouchers, savings fund, and punctuality bonus.

At KCG, labour relations (including apprentices) are governed by the collective agreement or agreement for the German chemical industry and, more specifically, by company agreements at the KCG workplace. There is a company committee made up of nine members and a quarterly meeting is held between management and social representation; in the months when there is no meeting, a monthly meeting is held with the economic committee to review the evolution of the business. In addition, social representation is also present in different committees with an interest in different areas: safety, health, personnel matters and the economy.

In QK there is also a collective bargaining agreement, the terms of which are negotiated annually; in even-numbered years the clauses of the collective contract are reviewed and in odd-numbered years only the salary tables. QK has a staff committee made up of six representatives with which a minimum of three ordinary meetings is established annually. The Mexican Federal Labour Law determines the matters that must be dealt with in a mandatory manner.

In the cases of KCHI and KCSA, as they are companies located in Spain, the General Collective Bargaining Agreement of the Chemical Industry is applicable, of national character. In addition, in each of the work centres agreements are signed with the social representation that respond to the specificity of each of these work centres.

In KCHI in particular, there is a company committee made up of nine members with which monthly meetings are held on the status of the company's different businesses. It reports on economic results, projects and structural, organizational, productive improvements, etc. The occupational health and safety committees meet every three months.

With regard to KCSA, having three different work centres, there are three works councils. In Barberà del Vallès, with nine members, in Mollet del Vallès, with five, and in Olesa de Montserrat, with another nine. In order to seek synergies and make communication more effective, a negotiating committee made up of nine members has been created for the set of measures that are within the global scope of KCSA. Ordinarily, quarterly meetings are held in each centre to inform the staff and their representatives of the evolution of the workplace and the business results of KCE and KCSA.

Communication channels

At KCE there is an open dialogue with the whole of its team and, for this purpose, the company has set up specific channels of internal communication which are intended to promote the flow of communication between the management and the staff.

The following are the main channels that the company has and that facilitate the communication of the strategy, objectives and main events:

- KOMPASS corporate intranet and Human Resources intranet.
- Renewal of the KCE website, interactive and communicative
- Access to internal communications on the web, in the section of the company committee. At this point it is worth highlighting the development of the new KCE website.
- Accessible information panels for the entire template in which all signed minutes and agreements are published.
- Meetings between union delegates and other staff.
- The above-mentioned committees.

4.5.- Training

Training policy

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 staff incorporations, 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 2020, a total of 52 people participated in the "Orientation Program for New Employees", distributed as follows in the different KCE subsidiaries:

- KCG: 19 people
- QK: 12 people
- KCHI: 8 people
- KCSA: 13 people

As in other areas of the organization, Covid-19 has had an impact on the development of the planned Training Actions, which has led us to prioritize the planned actions focusing on the training actions linked to legal requirements, as well as those related to the optimal performance of the productive activity.

In those training actions that the methodology allowed, they 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.

Likewise, in order to adapt the training to the needs arising from the situation, some KCE companies have incorporated an unplanned training action, aimed at the management of remote work teams.

One of the innovations that took place in the training field in 2020 is the course on corporate responsibility that was carried out by the entire KCE purchasing department, as well as other members of the KCSA staff, to acquire new capabilities in the responsible management of the supply chain.

Those training actions that have not been developed due to COVID 19, have been incorporated in the Training Plan 2021, adapting them to the new requirements, prioritizing the virtual modality, and reducing the groups in those training actions in which it is necessary to carry out in person.

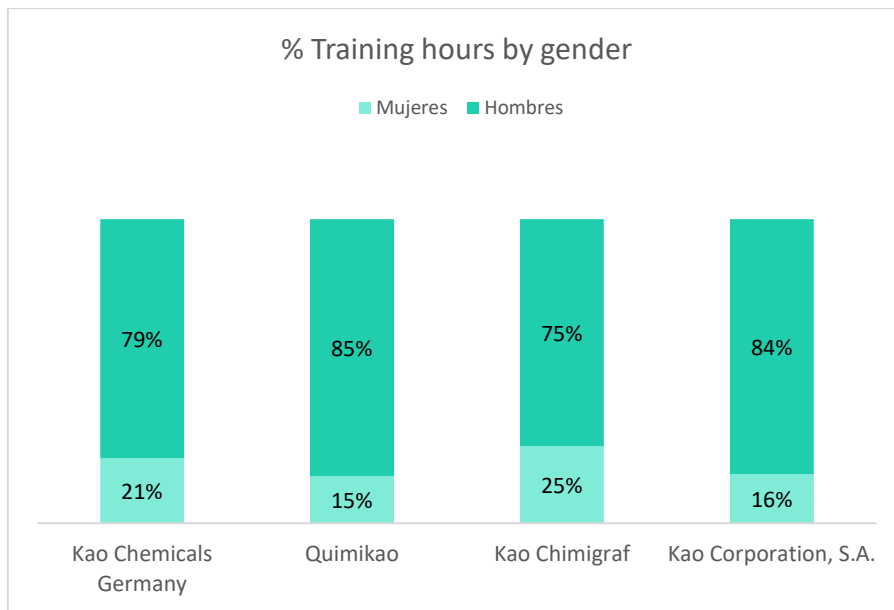
KCE is also committed to keeping its workforce informed about the situation. One of the first actions that took place in all the companies of the group was the creation of a crisis committee, in which regulatory changes were updated at the state level and in which a regular and periodic exchange of information between the subsidiaries and the holding company was favoured. Many of the measures taken, such as travel restrictions, prioritization of remote work and security slogans, have been communicated to all employees of the group via email or remote meetings through managers and in close contact with the corresponding Human Resources departments of the affiliates.

Hours of training broken down by gender

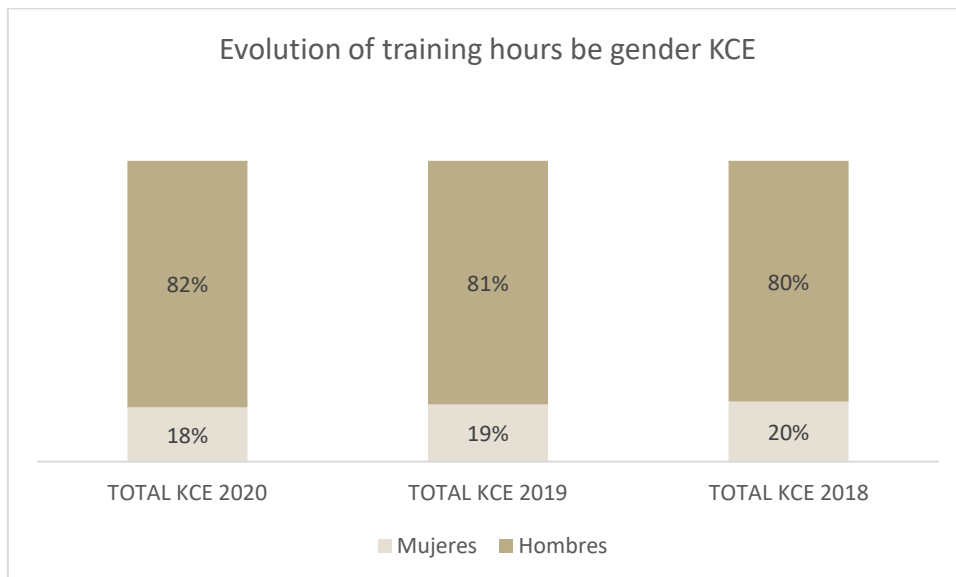
Globally, in 2020 around 13,948 hours of training have been imparted at KCE, with a managed budget of about 400,000 euros, which means that each person has done on average approximately 13 hours of training in the year. It should be noted that, due to the social context derived from covid-19, the overall training hours carried out at KCE have decreased.

| | Kao Chemicals Germany | Quimikao | Kao Chimigraf | Kao Corporation, S.A. | TOTAL KCE 2020 |
|-------|-----------------------|----------|---------------|-----------------------|----------------|
| Women | 354 | 737 | 409 | 960 | 2,460 |
| Men | 1,306 | 4,020 | 1,206 | 4,984 | 11,516 |
| Total | 1,660 | 4,757 | 1,615 | 5,944 | 13,976 |

| | TOTAL KCE 2018 | TOTAL KCE 2019 | TOTAL KCE 2020 |
|-------|----------------|----------------|----------------|
| Women | 3,990 | 3,463 | 2,460 |
| Men | 16,239 | 14,478 | 11,516 |
| Total | 20,229 | 17,941 | 13,976 |



(Mujeres = Female; Hombres = Male)



(Mujeres = Female; Hombres = Male)

The gender differences seen in the graphs above are related to a greater presence of male staff in KCE's workplaces, especially in the areas of production and logistics, which are the ones that concentrate the highest number of training hours. This is because they represent the fundamental core of KCE's business activity, which is based on industrial safety and product quality, which means more hours of training in safety, quality, operational procedures, risk prevention and regulatory compliance.

Likewise, we see that most of the training hours are pooled in the technical and production positions, where most of the staff is located.

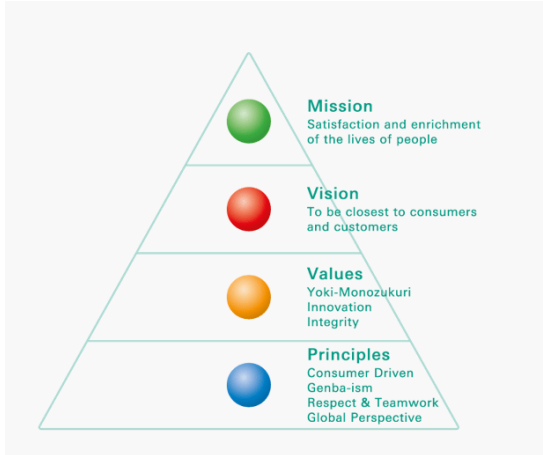
Training hours broken down by job category

| | KCG | % | QK | % | KCHI | % | KCSA | % | TOTAL KCE 2020 | % |
|--------------------------------------|-------|------|-------|------|-------|------|-------|------|----------------------|------|
| Management | 17 | 1% | 154 | 3% | - | - | 14 | 0% | 185 | 1% |
| Managers / Group Leaders | 137 | 8% | 295 | 22% | 111 | 7% | 906 | 15% | 1,450 | 10% |
| Tech / Staff / Shift Managers | 944 | 57% | 3,931 | 66% | 621 | 38% | 1,293 | 22% | 6,789 | 49% |
| Factory operators | 487 | 29% | 377 | 9% | 882 | 55% | 3,732 | 63% | 5,477 | 39% |
| Apprentices (KCG) | 75 | 5% | - | - | - | - | - | - | 75 | 1% |
| TOTAL | 1,660 | 100% | 4,757 | 100% | 1,615 | 100% | 5,944 | 100% | 13,976 | 100% |

5.- Human Rights

5.1.- Policies and commitments

Kao Group's corporate philosophy is defined in 'The Kao Way', which is shared by all the group's companies and all the workforce worldwide.



It defines Kao's mission: to strive for the satisfaction and enrichment of people's lives by helping to make the world a more sustainable place.

In fulfilment of this mission, the responsibility is assumed to respect human rights, which are the fundamental and natural rights of all people.

Kao Japan defined and subsequently published the company's Human Rights Policy in 2015, which is available at www.kao.com.

'The Kao Way' is developed in the Kao Business Conduct Guidelines (BCG) adopted by all companies in the group. This guide clearly stipulates the need to respect human rights and ensure that all companies in the group systematically and permanently guarantee the rights of children (protection, education, health care and decent nutrition) and work in decent conditions, as well as reject organized crime of people in all its forms.



The fourth of the nine fundamental principles set out in the BCG describes the obligation of Kao's Human Rights Policies, which were incorporated to fulfil the company's responsibility under human rights.

These fundamental principles are available on the KCE group website (www.kaochemicals-eu.com/about-us/compliance-integrity).

During 2019 and 2020 Kao Corporation has developed its Vision and Environmental, Social and Governance (ESG) strategy. This strategy of the parent company is made up of a series of actions that will be carried out over the next few years to achieve the commitments adopted, and which are detailed in the aspects collected in the

image, which include as fundamental pillars of the corporate strategy: respect for human rights, the promotion of inclusion and diversity, the well-being and safety of all people and the development of human capital..

Kirei Lifestyle Plan

Kao's ESG Vision

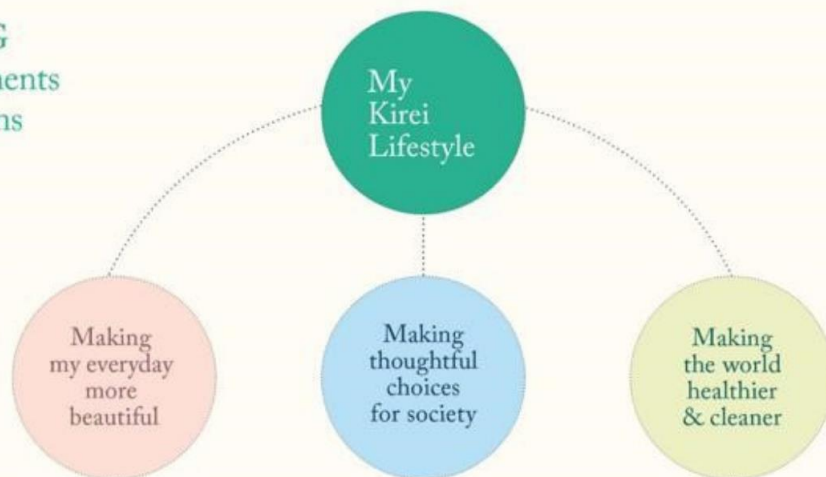
A Kirei lifestyle means living a beautiful life inside and out.

A Kirei lifestyle is full of compassion. Where making your own life clean and beautiful never compromises the beauty and cleanliness of the world around you.

A Kirei lifestyle is enjoying today, with the peace of mind that those joys 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 service of this lifestyle. It's why we do what is right, not what is easy. We put our innovation and imagination to the task of enriching lives by finding ways for people the world over to live the Kirei lifestyle.

Kao's ESG Commitments and Actions



Kao Commitments by 2030

BY 2030
We will aim to empower all people, at least 1 billion by 2030, to enjoy more beautiful lives – greater cleanliness, easier aging, better health and confidence in self expression

BY 2030
100% of Kao brands will make it easy for people to make small but meaningful choices that, together, will shape a more resilient and compassionate society

BY 2030
100% of our products will leave a full life cycle environmental footprint that science says our natural world can safely absorb

Kao Actions



Walking the right path



In the same way, KCE requires compliance with the ethical principles of the different suppliers with which it works and, as will be detailed in section 7.3, it is working on a proposal for the evaluation of suppliers that includes social, environmental and equality and non-discrimination. KCE's objective is to be able to implement it in all the group's subsidiaries during 2021.

Privacy Policy

Since 2018, the diligent management of confidential information, personal data and the intellectual property of the company and third parties, has been implemented along with the appointment of a Data Protection Coordinator in companies located in the European Union, whose responsibilities include informing and advising the company and monitoring compliance with the General Data Protection Regulation (RGPD), approved by the European Union on May 25, 2018.

A year later, Kao Corporation determined that all group companies establish Information Security Committees (ISCs). These committees are made up of representatives of the different corporate areas that have a direct implication in the monitoring and control of the protection of personal data and confidential assets of the company. The ISCs meet periodically to supervise the implementation of activities and detect possible risks and incidents, and report these activities annually to Kao Corporation.

The main actions carried out by the group companies have focused on the design of the informative material and the reporting flow in the event of an incident, on the review of the classification of the company's information assets and on the definition of roles within the committee.

In some of the subsidiaries, new procedures related to information security regulations have been developed. An example of this are the subscription procedure and the procedure for using the digital certificate, both approved and implemented in KCSA during 2020.

Contribution to the SDGs



5.2.- Main risks detected

Throughout 2020, KCE has not recorded any cases of disciplinary action for violating the BCG or infringing human rights.

5.3.- Ethical channel

The BCG defines specific guidance on how to put “The Kao Way” into practice, so that it is applicable to all Kao Group companies around the world, including the executive staff and the entire workforce. Its fundamental standards are based on the group's corporate ethics principles.

To ensure that all employees can report and consult on issues related to compliance with regulations when necessary, internal and external ethical channels have been established in each group company.

It is the responsibility of executives and managers to assume leadership in compliance with the BCG, setting an example for the entire workforce, as well as communicating the business conduct guidelines to all staff.

The current Corporate Conduct Guide (<https://www.kaochemicals-eu.com/sustainability>), revised by Kao Japan in 2019, is published and is available to all Kao employees and stakeholders

on the website of the parent company, on the KOMPASS corporate intranet, on local intranets and on the KCE website. Said publication includes all the relevant information on the functioning of the ethical channels.

The main objective of the ethical channel is to enable the staff to have a communication instrument to report through an anonymous call those behaviours that go against compliance with the company's code of ethics. In this way, any person is in a position to expose the cases in question, providing the minimally necessary data.

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 makes it possible to protect and guarantee the anonymity of all those who want to inform the organization of any fact that they consider inappropriate or unethical, in accordance with KCE's policy, principles and values (discrimination based on race, religion, age, etc., sexual harassment, unfair labour practices, conflict of interest, disclosure of confidential information, destruction or falsification of information, among others).

All companies report on a monthly basis whether or not there have been any violations of the BCG and, if any, the disciplinary measures that have been taken.

To ensure maximum effectiveness of the BCG, activities are implemented to reduce compliance risks, as well as to encourage rapid and appropriate decision-making when inappropriate behaviour is reported. The syllabus taught in Integrity training includes these aspects.

In 2020, no complaint was reported in any of the group companies.

6.- Governance and compliance

Kao's vision for 2030 is to make the group a company with a global presence. To achieve this objective, Kao Group reinforces not only its financial strategies, but also its non-financial initiatives and strategies. For this reason, the corporate plan worldwide - and, consequently, also to be implemented in all group companies - is based on the ESG criteria mentioned above.

Kao's ESG vision is based on the concept that the company's activities must be designed with the aim of contributing to the well-being of all people, trying to achieve sustainable growth and social development, all without renouncing protection of the planet.

Regarding Governance, given its growing importance, KCE dedicates 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.

Specifically, the actions related to good governance are effective corporate governance and full transparency. These actions are two essential pillars of the motto "Walking the right path".

In KCE group companies, effective corporate governance is based on the establishment of direction and management structures and internal control systems through Information Security, Risk and Crisis Management, Promoting Responsible Care and Quality management.

6.1.- Policies and commitments

Fighting corruption

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

This area is clearly defined in the BCG, a guideline adopted by all the companies in the KCE group, as mentioned in previous chapters. Similarly, KCE adopts all the regulations established in Kao's anti-bribery guidelines, which specify the rules and obligations regarding the protocol governing invitations and gifts, as well as guidelines to prevent corruption, including the evaluation of the risks in this matter during the selection process of agents and distributors and the renewal of their contracts.

In the area of 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 of its forms in connection with business operations. The company understands bribery as payments in cash, gifts, entertainment or other benefits with the intention of promoting favourable business treatment.

All those who make up Kao Group are expected to act in the best interest of the company and, with this premise, will avoid any activity that harms or may reasonably harm their ability to objectively perform their duties and responsibilities.

In this sense, the staff is obliged to obtain approvals, make notifications and present reports in cases where there is a real, apparent or potential conflict of interest.

During 2020, all affiliates have confirmed the publication on their intranets or local platforms and on Kompas -the corporate intranet- of the guidelines to avoid conflicts of interest and the anti-corruption and bribery regulations, requesting confirmation that the referenced regulations have been read, as is required by the Kao Japan Internal Control department on an annual basis.

In addition to the annual Integrity training known as the Integrity Workshop, during 2021 a specific training plan on conflict of interest is planned for the staff. Also, on an annual basis, all KCE companies must report to the Kao Corporation compliance committee secretariat on matters pertaining to conflict of interest and anti-corruption and bribery.

On the other hand, with respect to KCE's antitrust policy, the BCG establishes that the parent company will carry out its transactions and commercial activities in compliance with the laws of each country or region, including those related to competition, thus adhering to the principle of free and fair competition to guarantee the trust of customers and consumers of the company and of society in general.

6.2.- Control mechanisms for the main risks

With a preventive purpose, during 2020, 164 duly completed anti-bribery forms were reported to the compliance committee's secretariat, with the appropriate approvals, and no conflict of interest forms were reported in any of KCE's companies, thus not any detecting risks that could pose good governance in jeopardy.

The number of antitrust forms received is also reported annually to this committee. In the course of 2020, 19 have been quantified. As mentioned above, specific training on this subject is planned for the sales department.

6.3.- Training in anti-corruption and prevention of money laundering

To reinforce and ensure the knowledge of the Kao Business Conduct Guideline by the entire KCE staff, in 2020 several training actions were carried out during the month of October, established as the month of compliance by Kao Japan.

During this month, activities focused on reinforcing the corporate message were carried out, one of them being the distribution of posters with a message from the President of the Kao Japan compliance committee and that of each of the companies:



Also, during 2020 all the group companies carried out the BCG refresher test, which is carried out periodically every three years.

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".

The program, also called "Integrity", covers all organizational levels and the aim is to ensure that all areas attend the sessions, lasting approximately two hours, within the framework of the initiative, in three-year cycles. For each of the sessions held, a record of the people who have attended, their signature and the commitment to comply with the BCG principles are reported to Kao Japan.

In 2020, due to the pandemic and confinement situation, it was possible to organize some sessions with very limited capacity and several virtual sessions, such as the one scheduled by QK, which was attended by 107 people.

In the case of companies located in Europe, very small face-to-face formats were chosen. Specifically, the KCSA was attended by 27 people, while at KCHI there were 16. At KCG it was decided to move the seminars to 2021.

The context of the pandemic has not made it possible to carry out the antitrust training that is carried out annually, since it is given by the group's legal counsel, based in Germany, and, given the primarily interactive nature of this training, it has been considered preferable to postpone it to 2021 or, failing that, adapt the contents to an online format as far as possible.

Contribution to the SDGs



6.4 Contributions to foundations, non-profit entities and political parties

As will be discussed in depth in point 7 of this report, dedicated to the social environment, KCE collaborates with associations, NGOs and local institutions within the framework of its CSR strategy, for which it carries out actions of various kinds, such as, among others, reforestation initiatives, collection of products, food and toys, sponsorships in cultural, social and sports activities or, to a lesser extent, monetary donations.

In 2020, the impact of COVID-19 and its derivation to a health, humanitarian and social crisis has clearly determined the priorities in the assignments of the group companies.

The amount of these actions - corresponding to both donations and sponsorships - at a global level amounts to 49,106.2 euros.

KCE defines itself as politically neutral and therefore does not directly or indirectly finance political parties or their representatives or candidates.

7.- Social environment

7.1.- Commitments to society

One of the principles included in Kao Corporation's code of conduct is a commitment to contribute to the enrichment of society through activities that constitute a social contribution.

Making thoughtful choices for society

>

Precisely, KCE's adoption of ESG's strategy and global vision determines its Corporate Social Responsibility actions with the aim of contributing to the sustainable development and development of society. In this sense, the basic areas of action result in the promotion of nature conservation and biodiversity activities, support for education and collaboration with local organizations and non-profit organizations.

Environment

Education

Community

The following are the community support projects carried out by KCE subsidiaries over 2020:

- **Environmental actions**

The German subsidiary KCG carried out the usual cleaning of the banks of the Rhine River during 2020.



With regard to KCSA, as discussed in chapter 3, environmental activities have focused on promoting biodiversity through the planting of autochthonous species - aromatic and climbing - in the workplace, as well as in the installation of nest boxes to promote the reproduction of various species and of an insect hotel at the plant located in Barberà del Vallès. These activities received the collaboration of the employees of each of the plants. Initially, they had been planned as family activities, but, finally and as a consequence of the pandemic, they were carried out internally. During 2021 these actions will continue to be consolidated. Similarly, KCSA has contributed to the reforestation of the green area that surrounds the town of Mollet del Vallès, participating in the traditional "Festa de l'arbre".



- Academic collaborations

Collaboration agreements have been established in all KCE companies with study centres, such as institutes or universities, for internships in workplaces.

In this context, KCG contributes to local schools through economic donations and, in Mexico, QK provides scholarships to students of the National College of Technical Professional Education (CONALEP) and technological articles to the College of Scientific and Technological Studies of the State of Jalisco (CECYTEJ), which provide medium and higher technological education.

Sponsoring für gute Leistungen an Schülerin der Gesamtschule
sponsoring award for good performance for comprehensive school



Stephanie Gironce erhielt einen Gutschein für ein iPad für gute schulische Leistungen!

Stephanie Gironce received a voucher for an iPad for good school achievements!



KCSA, for its part, has provided assistance to students studying for intermediate and higher chemistry degrees through an endowment of scholarships that facilitate the continuity of their studies. Applications are evaluated taking into account income criteria, academic records and personal evaluation. The scholarship students through this program belong to the IES of Barberà del Valles and Mollet del Valles.

In 2020, the number of scholarships awarded to students of training cycles of the educational centre of Barbera with which the company collaborates was doubled.



- **Direct impact on the community and groups of people at risk of exclusion**

With regard to this area, KCE organizes annual campaigns that take the form of various activities.

As for KCG, the company assiduously collaborates with various local institutions through donations, and in 2020 it organized several occupational workshops for people with physical and mental disabilities. The sponsorship actions were targeted at the Municipal Fire Brigade and various cultural associations.

QK collaborates through a monetary and products donation with the Albergue del Padre Pío and El Comedor 12 Apóstoles, as well as with the Fundación Hospitales Civiles de Guadalajara. In 2020 the company has focused its aid campaign on the collection of food, cleaning supplies and medicines. Likewise, on an annual basis, QK sponsors a 5- and 10-kilometer race, which in 2020 was used to promote physical activity from home.



In Spain, KCHI and KCSA participate in food collection in collaboration with local institutions, the Food Bank and 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 Valls. The impact of COVID on the most vulnerable groups prompted KCSA to organize two annual campaigns instead of one, gaining a large share from the entire workforce.



In addition, in April 2020 KCHI has collaborated with the Packaging Cluster in the campaign *Cistelles contra la COVID* (in English, *Food baskets against COVID*) in which, in order to reduce infection, food was distributed to confined people who had tested positive. Specifically, the company has donated ink for the printing of the materials necessary for the initiative, such as the elaboration of the boxes for the distribution.

As for sponsorship actions in cultural, social and sports activities of the local community, in 2020 KCSA carried out the following actions:

- Sponsorship of the *publication Notes*, promoted by the Molletans Study Center, linked to the City Council of Mollet del Valles- and El Premi de Recerca Vila d'Olesa, organized by the City Council of Olesa de Montserrat to promote the area of knowledge about the historical, economic and sociocultural reality of the town.
- Sponsoring the children's Futbol Club Mollet team.
- Collaborations with the Associació d'Amics de l'Orgue in Olesa de Montserrat.

- **Extraordinary donations from the pandemic situation**

In a context such as that experienced during 2020, where in the initial months, all countries were in a state of collapse and uncertainty, the priority of all group companies has been to provide a rapid solution to the problem of the lack of supply of hygiene and personal protection products.

What we stand for: Kao's response to COVID-19

Read our statement of commitment to health prevention and protection policies against COVID19.

[More information](#)



As part of its commitment to the “Kao Way” corporate philosophy, Kao Corporation disseminated through the different websites of the group a statement with the company's commitment to the impact of COVID-19.⁹

The donations made by all the group companies have focused on supplying hydroalcoholic gel and protective equipment to all those institutions and local organizations that so requested.

Kao Chemicals GmbH: donations to hospitals in Emmerich and Rees



Kao Chimigraf: a monetary contribution to Rubí City Council for the purchase of sanitary equipment



(Gràcies Rubí = Thank you Rubí)

⁹ Available in: <https://www.kao.com/global/en/what-we-stand-for/>

Quimikao: donation of material to schools, Cruz Verde El Salto, Medical services and Civil Protection.



Donación de gel hidroalcohólico, mascarillas y otros artículos de protección individual.

(Donación de gel hidroalcohólico , mascarillas y otros artículos de protección individual =Donation of hydroalcoholic gel, masks and other personal protection items)

Kao Corporation, S.A.: donation of material to municipal services



Donación de gel hidroalcohólico.



Material de vendajes, guantes, dispositivos de reanimación y electrocardiógrafo.

Contribution to the SDGs



7.2.- Commitments to customers and consumers

Kao Group seeks to treat others with respect and fairness. To that end it carries out its work with sincerity and diligence in an effort to optimize the performance of individuals and the company as a whole. It thus behaves in an ethical and responsible manner, gaining the trust of customers through solid and honest business activities.

Following the guidelines of the ISO 9001 quality standard, senior management ensures that customer requirements are met to increase their satisfaction, an objective that is part of the group's mission, which aims to meet this goal by being close to them. Based on the corporate values of Innovation, Integrity and the Yoki-Monozukuri concept, constant improvements are made in products and business processes to stay one step ahead of changing customer needs and the business environment.

The ultimate goal of the company is to put the customer at the centre of business decisions. To do this, it works closely with partners to promote the development of customized solutions that

are profitable and sustainable. An example of this is specified in production, which is carried out safely, efficiently and under quality standards with the aim of supplying products to customers in accordance with the commitments made regarding specifications, delivery date and quantity. Additionally, it contributes its experience in the optimization of processes and applications together with its clients, which is known as a solution provider.

On the other hand, it is important to take into account digitization, a key element for the development of innovative and sustainable solutions. In 2020, KCE has started the implementation of a CRM (Customer Relationship Management) that permits the management customer relationships, the comprehensive understanding of value chains and the expansion of market knowledge. In addition, the company offers the possibility of managing demand and related documentation through EDI (Electronic Data Interchange) channels, adding value and increasing efficiency.

Legislative framework, health and safety

In order to safeguard the health and safety of customers in the evaluation procedures of the products that are developed, KCE has established a series of measures to proceed with the search for more appropriate solutions in order to improve sustainability and general health.

Additionally, in compliance with current legislation, the company takes charge of identifying hazardous materials and making the corresponding safety data sheets available to customers and consumers.

During 2020, the information provided to customers related to product safety has been improved, as well as the data provided about other characteristics and properties important for the environment, such as, for example, detailed information on ingredients, ecolabel criteria for consumer products and product properties of various applications. Certain aspects relevant to customers for the future have also been incorporated into the PSR system.

On the other hand, some of the most important actions carried out during 2020 are worth highlighting, such as the update of the Product Data Sheet document for all ACH (Aroma Chemicals) products, the update according to the REACH regulation of safety data sheets for all group products, as well as product registration according to the regulations of the corresponding countries (see section on chemical substances management). Likewise, new certificates have been prepared related to product information, compliance with regulations or international trade regulations.

Regarding Brexit, its development has been exhaustively monitored and all products that are imported and exported to the United Kingdom have been identified, in order to be prepared for next steps (notification, registration ...) and guarantee the continuity of all businesses.

With respect to communication with customers, this is based on the delivery of technical information for each product and safety data sheets, prior to the start of the first shipment and whenever there is an update of these. In addition, information is provided through the established documents and mechanisms about other essential documentation for the correct use and handling of the products supplied by the company, as well as in relation to compliance with the different regulations required. Informative meetings are proactively held with clients to resolve doubts about the use of the products in different fields of application, given that regulations such as the European regulation on cosmetic products or the EU regulation on detergents and food contact must be complied with, among others.

Performance data and complaints and penalties

To better understand customer's needs, the group regularly consults on their performance and carefully examines the proactive reviews they submit to them. Complaints are registered and analysed by the corresponding departments and, if applicable, the necessary preventive and corrective measures are implemented.

Quality management is of vital importance to KCE, in all cases associated with continuous improvement and increasing customer satisfaction. This is reflected in the Quality Policy, through which not only the standards of the ISO 9001 certification are met, but also the specifications of the industry and of each client, requirements that go beyond the norm.

The number of complaints and claims received in this area in KCE is remarkably low, and has decreased compared to the previous year in practically all subsidiaries, even with the sales volume having slightly increased during 2020.

| Nº complaints/ Claims | KCG | QK | KCHI | KCSA | TOTAL KCE |
|--------------------------|-----|----|------|------|-----------|
| 2019 | 13 | 8 | 16 | 8 | 45 |
| 2020 | 9 | 9 | 9 | 6 | 33 |

Regarding the sanctions related to the products, in 2020 no cases were registered.

Data privacy

[KCE's privacy policy](#),¹⁰ in accordance with the General Data Protection Regulation (REGULATION 2016/679 OF THE EUROPEAN PARLIAMENT AND COUNCIL of 27 April 2016), defines the principles governing the different processing of personal data, as well as the procedure allowing data subjects (KCE customers) to exercise their rights.

7.3.- Commitments to suppliers

Dialogue with suppliers is an essential element for the achievement of KCE's objectives, and has different systems to facilitate an adequate and efficient exchange of information and documents.

For Kao, these stakeholders are considered a vital partner, in accordance with the Yoki-Monozukuri corporate value -excellence in products-, and they are evaluated based on purchasing policies following established guidelines.

KCE has adopted the Corporate Conduct Guide (BCG) and Kao's procurement policies for raw materials, goods and services. Likewise, the company has begun to actively communicate these guidelines to all suppliers, with some actions already taking place at the end of 2020.

CSR principles in the supply chain

The group has been a member of the United Nations Global Compact since 2005 and all its subsidiaries promote the 10 universally accepted principles with the aim of promoting sustainable development throughout the supply chain.

¹⁰ This policy is available on the KCE website.

Along these lines, in 2020 the entire KCE purchasing department and other members of the KCSA staff took a course on corporate responsibility for purchasing managers; the key issues were strategy and planning for responsible management of the supply chain and the responsible contracting criteria to be taken into account.

Kao requires its suppliers to comply with the group's social and environmental responsibilities, which is why it prioritizes those collaborators who accept these commitments or those who already integrate them.

At a corporate level, a supplier evaluation system is being promoted that considers different areas, the main ones being respect for human rights and the environment, safety management and product safety. For this purpose, a platform widely implemented in the chemical sector called Sedex (Supplier Ethical Data Exchange) is used, which allows the sharing of data on the supply chain, among others, and is used by more than 50,000 affiliates in more than 150 countries. This tool makes it possible to select suppliers and contractors and even clients based on their behaviour in terms of safety and the environment, as well as in other CSR areas.

In this regard, KCE is working on the review and incorporation of clauses related to CSR aspects in its contracting processes, including those related to suppliers.

Selection criteria and supplier audits

Kao has developed supplier evaluation procedures that include social, environmental, equality and non-discrimination issues, as well as for monitoring compliance with these aspects, with the option of contemplating the possibility of carrying out audits and improvement proposals.

As for KCE, it is working on the application of social, equality and non-discrimination criteria in its supplier selection and approval processes.

First, the company asks its suppliers to join the Sedex platform. If this is not possible, KCE uses its own self-assessment questionnaire. In this context, a first approximation of the new supplier self-assessment questionnaire has been prepared, including CSR criteria, and will start to be sent to some suppliers in 2021 to study its suitability. The most important aspects that comprise it are shown below:

- Governance
- Human resources management
- Occupational risk prevention management
- Environmental management
- Quality management and continuity of services
- Information management
- Corporate social responsibility

In addition, there are specific protocols in place for the evaluation of aspects such as quality, safety and the environment.

KCE is working proactively in the deployment of the criteria to suppliers, through a profound analysis of process management to define the CSR aspects to be applied, depending on the type of supplier, in order to thus be able to prioritize the actions to be carried out.

KCE's code of ethics and conduct includes the basic principles that all suppliers must respect. At the end of 2020, it has started to actively promote the adherence of suppliers to the corporate

conduct guide, and during 2021 this action will be extended to the entire organization, globally for raw material suppliers and at KCSA level for service providers. The subsequent implementation to the rest of the company will be planned once the process management analysis has been completed.

Currently, only raw material suppliers are being evaluated at KCE through Sedex. During 2020, the Sedex platform completely renewed its system, so all adhered suppliers have had to update the information provided. This fact, together with the situation caused by the COVID-19 pandemic, has delayed the evaluation of suppliers during 2020, which has been postponed to 2021.

Due to the health crisis, in 2020 it was not possible to carry out supplier inspections or visits.

Promoting local suppliers

Proximity is part of KCE's supplier selection criteria, as the company understands that, through the procurement of local suppliers, it supports the maintenance and development of the community of the areas in which it operates. It is also an aspect that is linked to environmental awareness, considering that, in the case of collaborators belonging to the areas adjacent to KCE plants, resources such as transport are reduced.

7.4.- Tax information

Benefits, taxes paid and grants received

KCE has been subject to the Consolidated Tax Regime since 2004 with the Spanish company Kao Corporation, S.A.U. and, as of 2016, the company Kao Chimigraf, S.L.U., becoming part of the group. The rest of the companies are not included in the tax consolidation described above, for which reason they are taxed in the respective countries in which they operate, under individual tax returns and in accordance with the tax regulations in force in their country.

KCE complies with its legal obligations regarding taxes in all the countries in which it is present. The aggregation by country of the individual results obtained in 2020 and the taxes paid is as follows:

| Thousands of euros | | | |
|--------------------|------------------------------|-----------------------|------------------------|
| Country | KCE affiliate | Benefits before taxes | Taxes on Benefits Paid |
| Germany | Kao Chemicals GmbH | 28,069 | 6,319 |
| Mexico | Quimikao S.A. de C.V. | 9,420 | 1,693 |
| France | Kao Chimigraf France SAS | 92 | 0 |
| Italy | Kao Chimigraf Italy SRL | -53 | 0 |
| Spain | Kao Chimigraf, S.L.U. | 33,316 | 8,118 |
| | Kao Corporation, S.A.U. | | |
| | Kao Chemicals Europe, S.L.U. | | |
| Consolidation | | -1,220 | - |
| TOTAL KCE | | 69,624 | 16,130 |

Notes: Net Income before tax: for each country, the corporate income tax resulting from the implementation of the General Accounting Plan approved by Royal Decree 1514/2007 is shown, and the result of the distribution of intragroup dividends is excluded. The consolidation row shows the adjustments derived from the consolidation process according to the Rules for the Formulation of Consolidated Annual Accounts approved by Royal Decree 1159/2010.

Lastly, the KCE group has received the following public subsidies during financial year 2020, totalling EUR 465,599:

| Concept | Amount (euros) | Note |
|------------------------|----------------|--|
| Innovation projects | 308,815 | Pulpaktion project, which aims to provide innovative cellulose-based composite packaging solutions |
| CO ₂ rights | 152,864 | Rights allocated free of charge |
| COVID-19 | 3,920 | COVID-19 aid in Italy |

8.- Contribution to SDGs

The following table lists the Sustainable Development Goals that affect each of the areas listed throughout this report:

| Area | Contribution to SDGs | | | | |
|---------------------------------------|----------------------|--|--|--|--|
| CO ₂ emissions management | | | | | |
| Use and prevention of water pollution | | | | | |
| Preventing air pollution | | | | | |
| Waste management | | | | | |
| Chemicals management | | | | | |
| Biodiversity management | | | | | |
| Occupational health and safety | | | | | |
| Human rights | | | | | |
| Commitments to society | | | | | |

9. - Glossary

The following abbreviations and acronyms are used in this Report:

ANIQ: National Association of Chemical Industry (Mexico)

ATEX: Atmosphere Explosive (Atmósfera explosiva)

BCP: Business Continuity Planning

BCG: Business Conduct Guideline

CECYTEJ: College of Scientific and Technological Studies of the State of Jalisco

CEO: Chief Executive Officer

CH₄: Methane

CO: Carbon monoxide

CO₂: Carbon dioxide

CONALEP: National College of Technical Professional Education of the State of Mexico

CSR: **Corporate** Social Responsibility

CSS: Health and Safety Committee

COD: Chemical Oxygen Demand

ECHA: European Chemicals Agency

EEPP: Occupational Diseases

EFFCI: European Federation for Cosmetic Ingredients

EMAS: Eco-Management and Audit Scheme

EPI: Personal protective equipment

ESG: Environmental, Social and Governance

FEIQUE: Spanish Chemical Industry Business Federation

GDPR: General Data Protection Regulation

GHG: Greenhouse Gases

GHS: Globally Harmonized Chemical Classification and Labelling System

HFC: Hydrofluorocarbons

IF: Frequency Index

IFRA: International Fragrance Association

IG: Gravity Index

ISC: Information Security Committees

IT: Information Technologies

JBIB: Japan Business Initiative for Biodiversity

KBR: Kao Brazil Ltda

KCE: Kao Chemicals Europe, S.L.

KCSA: Kao Corporation, S.A.

KCG: Kao Chemicals GmbH

KCHI: Kao Chimigraf, S.L.

N: Nitrogen

NF₃: Nitrogen trifluoride

NO_x: Nitrogen oxides

P: Phosphorus

PFC: Perfluorocarbons

PM: Particulate matter

PRTR: State Register of Pollutant Emissions and Sources

PSR: Product Regulation and Safety

QK: QuimiKao

REACH: Registration, evaluation, authorization and restriction of chemicals

RSPO: Roundtable on Sustainable Palm Oil

SCA: Surfactant Consumer Application

SCM: Supply Chain Management

SDS: Sodium Dodecyl sulfate

SF₆: Sulfur hexafluoride

SO₂: Sulfur dioxide

STA: Surfactant Technical Application

TOC: Total Organic Carbon

TSS: Total Suspended Solids

VCI: German Chemical Industry Association

VOCs: Volatile Organic Compounds

VP: Vice President

10. - Verification and list of contents according to Law 11/2018

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