



Kao  
Chemicals  
Europe

2019

# Sustainability Report



# Letter from the President of KCE

Dear readers,

At Kao Chemicals Europe we strive to implement our philosophy, 'The Kao Way', at all levels of our organization, since we are convinced that it will provide us with a better understanding of our mission and values as a company, guaranteeing new impetus towards progress.

We are a company that advances with solid principles, where integrity and innovation are synonymous of the responsible and sustainable progress that we must understand and apply to our work. I firmly believe that our success must be based on the three 'C' - Contribution to society, Commitment without fear of failure and Communication / Cooperation from person to person, from company to company and from technology to technology.

Our 2019 roadmap has been marked by the transition to high value-added businesses, the development of eco-friendly products and the restructuring of low-profit areas with the aim of achieving profitable growth and promoting a framework of relationships with stakeholders, in which sustainability aspects play an essential role towards its attainment.

It is our challenge to make of Kao Chemicals Europe a better organization that strives to achieve everyone's satisfaction through permanent and mutual communication with our stakeholders and, from the company, we will put all our efforts and enthusiasm into making it possible.

“

I firmly believe that our success must be based on the three 'C' - Contribution to society, Commitment without fear of failure and Communication / Cooperation from person to person.

”

Daisuke Hamada | *President of KCE*



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# 1 General information

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# 1.1 Business model: business environment and organization

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

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

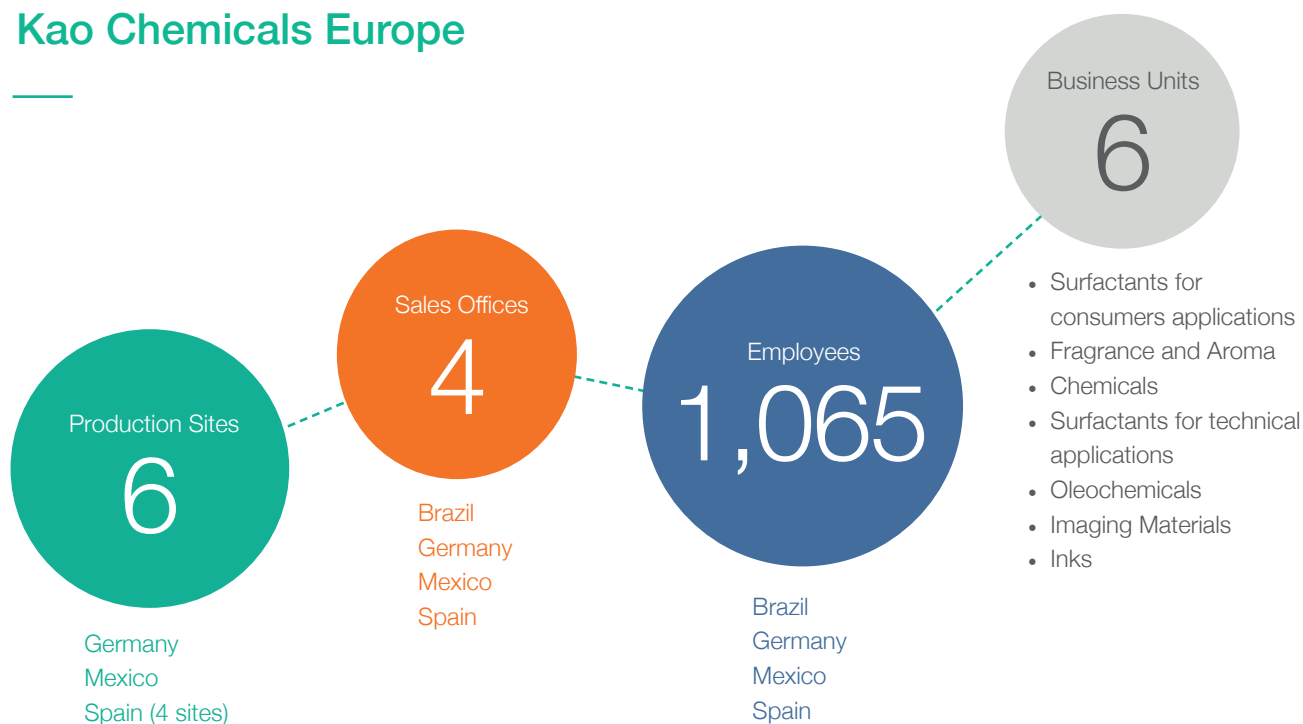
In 2005 Quimikao (Mexico), hereinafter QK, joined KCE organization; in 2012, 0.1% of Kao Brasil Ltda was acquired, and in 2017 the Kao Chimigraf Group (Spain), hereinafter KCHI, was brought on board.

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

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

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

## Kao Chemicals Europe





## Year 2019 – Production sites of Kao Chemicals Europe

**KCG**

Emmerich (Germany)



**QK**

Guadalajara (Mexico)



**KCHI**

Rubí (Spain)



**KCSA**

Barberà del Vallès (Spain)



Olesa de Montserrat (Spain)



Mollet del Vallès (Spain)



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

## Kao Chemicals Europe - Business Fields



### Surfactants for Consumer Applications (SCA):

development, production, sales and marketing of raw materials, mainly surfactants, used in all kinds of products dedicated to personal and household care.



### Fragrances and aroma chemicals:

development, production, sales and distribution of aroma chemicals and compounds for perfumes aimed at the consumer industry and, in particular, the fragrance industry.



### Surfactants for Technical Applications (STA):

development, production, sales and marketing of surfactants and additives aimed at various technical applications in the road, construction, oil and gas industry, flotation of minerals, fertilizers, metals and others.



### Oleochemicals:

key unit in Kao's global business. In Europe, the main families of products manufactured and traded are alcohols and fatty amines.



### Imaging materials:

development, production, sales and marketing of a wide range of personalized products according to the needs of the client and the market, such as polyester based resins and toners for copiers and printers.



### Printing inks:

development, production, sales and marketing of inks and varnishes for flexography, gravure and digital printing systems, especially for the printing of containers and packaging.

## Voluntary certifications and recognitions

COMMITMENT TO SOCIETY	EVALUATIONS BY SOCIETY		
 <b>Network Japan WE SUPPORT</b>	 <b>RSPO</b>	 <b>Sedex Member</b>	 <b>Dow Jones Sustainability Indices</b> <small>In Collaboration with RobecoSAM</small>
	 <b>MSCI</b> 2018 Constituent MSCI ESG Leaders Indexes	 <b>FTSE4Good</b>	 <b>Bloomberg</b> <small>Sustainability Index</small>
	 <b>2018 WORLD'S MOST ETHICAL COMPANIES</b> <small>WWW.ETHICALSPHERE.COM</small>	 <b>CDP</b> <small>GLOBAL LEADERS</small> <b>2019</b>	 <b>CDP</b> <small>A LIST</small> <b>2019</b> <b>CLIMATE</b>
	 <b>CDP</b> <small>A LIST</small> <b>2019</b> <b>WATER</b>	 <b>2019 ecovadis</b> <small>Gold Medal</small>	 <b>GLOBAL100</b> <small>Best Sustainable Companies in the World</small>
	 <b>AENOR</b> <b>Environmental Management</b> <small>ISO 14001</small>	 <b>AENOR</b> <b>Energy Management</b> <small>ISO 50001</small>	 <b>AENOR</b> <b>Occupational Health &amp; Safety</b> <small>OHSAS 18001</small>
	 <b>AENOR</b> <b>Registered Company</b> <small>ISO 9001</small>	 <b>ROBECOSAM</b> <b>SUSTAINABILITY AWARD</b> <b>Bronze Class 2019</b>	 <b>DNV GL</b> <small>ISO 14001 • ISO 45001 ISO 9001:2015</small>
	 <b>ESPOSIBLE CARE</b> <small>Compromiso de la Industria Química con el Desarrollo Sostenible</small>	 <b>ISNet</b> <b>CERTIFIED</b>	 <b>EURONEXT vigeoiris</b> <small>WORLD500</small>

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



# 1.2 Geographical presence

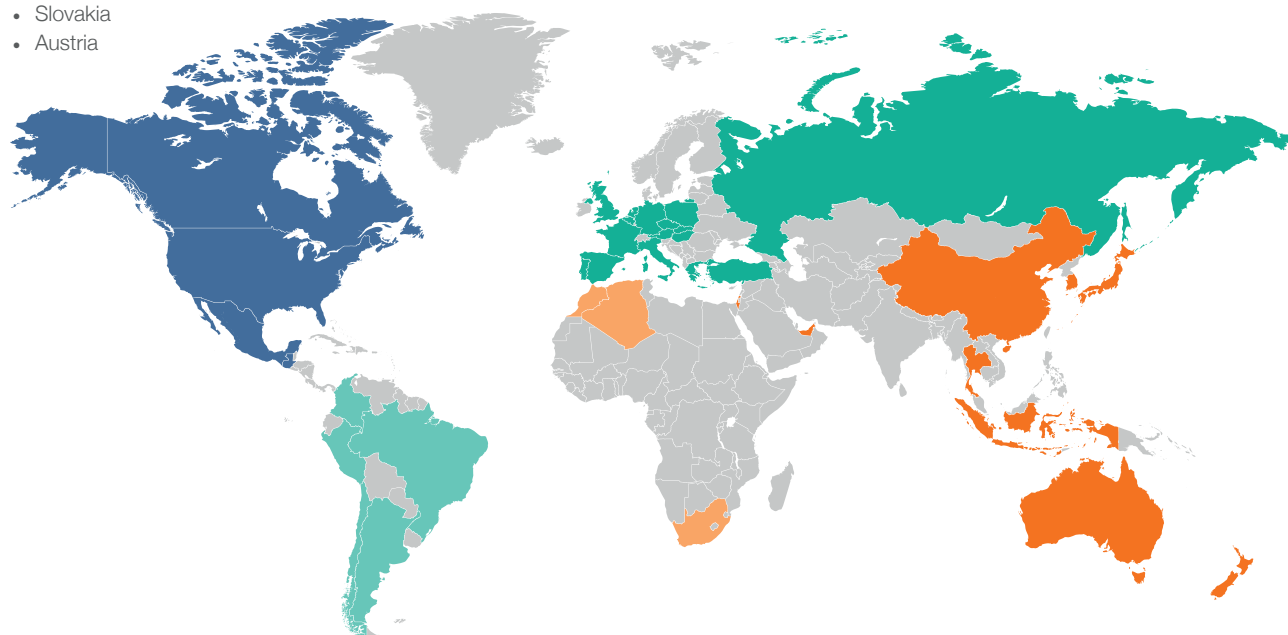
The company supplies products to all five continents. In 2019 sales have been made in more than 100 countries; mostly in the European market (55%), followed by Latin America (20%) and, to a lesser extent, Asia, Africa and the United States.

## Kao Chemicals Europe Global Expansion

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

### Business development by region and country

 EUROPE	 ASIA & OCEANIA	 SOUTH AMERICA	 NORTH AMERICA	 AFRICA
<ul style="list-style-type: none"> <li>• Spain</li> <li>• Germany</li> <li>• France</li> <li>• Netherlands</li> <li>• Belgium</li> <li>• Italy</li> <li>• United Kingdom</li> <li>• Turkey</li> <li>• Russia</li> <li>• Greece</li> <li>• Poland</li> <li>• Portugal</li> <li>• Czech Republic</li> <li>• Hungary</li> <li>• Slovakia</li> <li>• Austria</li> </ul>	<ul style="list-style-type: none"> <li>• Japan</li> <li>• Israel</li> <li>• South Korea</li> <li>• Thailand</li> <li>• China</li> <li>• Indonesia</li> <li>• United Arab Emirates</li> <li>• Australia</li> <li>• New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>• Brazil</li> <li>• Colombia</li> <li>• Argentina</li> <li>• Chile</li> <li>• Peru</li> </ul>	<ul style="list-style-type: none"> <li>• Mexico</li> <li>• USA</li> <li>• Guatemala</li> <li>• Canada</li> </ul>	<ul style="list-style-type: none"> <li>• Morocco</li> <li>• Algeria</li> <li>• South Africa</li> </ul>



# 1.3 Objectives and strategies of the organization

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

Among the commitments set for the period 2019-2020 we highlight:

1

Promote a distinctive corporate image, being a company focused on the needs of the client / consumer.

2

Promote a framework of relations with stakeholders; with the workforce, through continuous salary improvements, distribution of benefits and health support; and with customers, maximizing win-win relationships.

In keeping with these commitments, the company aims to achieve its goal of making Kao Chemicals Europe a benchmark company for customers, employees and the community.

This sustainability report has been prepared taking into account the recommendations of the Global Reporting Initiative (GRI). The data collected here comes from the company's Non-Financial Information Statement, where the information can be consulted in greater detail.

Throughout the chapters of the document, a report on the environmental, social and government impacts of Kao Chemicals Europe is made and data relating to 2019 are included on the following issues

- Environmental matters
- Matters regarding Human Capital in relation to employment and work organization
- Matters regarding Human Rights
- Matters regarding ethics, compliance and governance
- The company's commitments to society regarding sustainable development
- Contribution to SDG

The following table shows the Sustainable Development Goals that affect each of the areas that appear throughout this report.

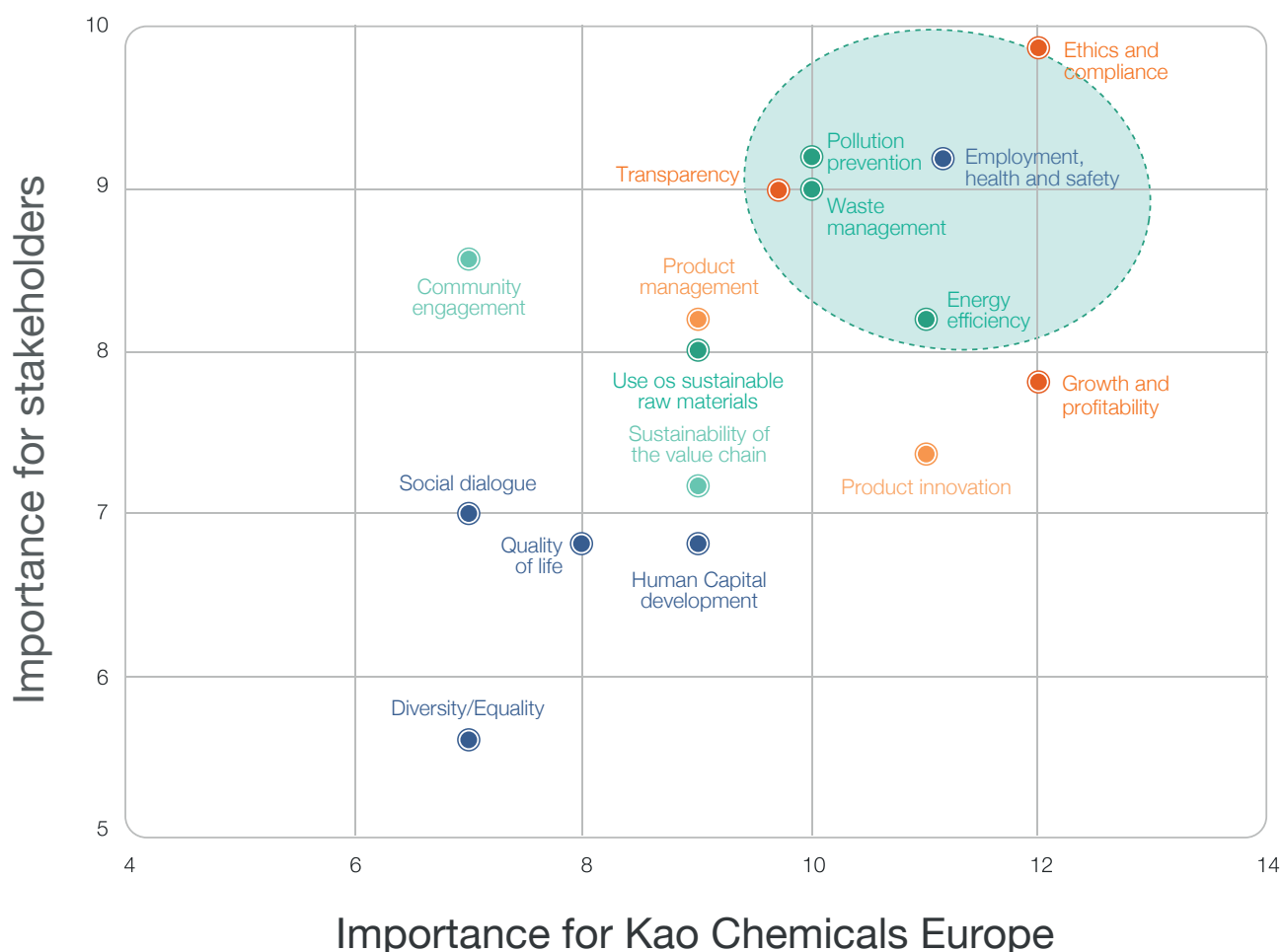


**THE GLOBAL GOALS**  
For Sustainable Development

Contribution to SDGs	Sustainable Development Goals
Management of CO2 emissions	
Use and prevention of water pollution	
Prevention of air pollution	
Waste management	
Chemical Substance Management	
Biodiversity management	
Occupational health and safety	
Human rights	
Commitments to society	

This report is intended to provide information on topics considered relevant to the company and its stakeholders.

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



Through the materiality analysis, the relevance of the most important aspects of the business strategy and corporate responsibility has been measured, the expectations of the stakeholders have been identified and an action plan has been established to respond to the detected needs, the most relevant being:





# 1.4 Contribution to sustainable development: products and solutions

KCE has a responsible approach to the Environment, Safety and Health throughout the entire life cycle of its products; from design, production, distribution and consumption to its elimination 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 following the strategies discussed in the previous section, the following table lists some examples of the products and technical solutions that have been promoted during 2019:

Product Application	Properties	Contribution to sustainable development	Presence in congresses, trade fairs, etc.
<b>AKYPO FOAM LM 25</b> Personal hygiene	<ul style="list-style-type: none"> <li>Low irritation</li> <li>Very creamy foam</li> <li>Easily thickened</li> </ul>	<ul style="list-style-type: none"> <li>High concentration</li> <li>High content of renewable carbons</li> <li>Excellent eco-toxicological profile</li> <li>Responsible production and consumption</li> </ul>	<ul style="list-style-type: none"> <li>IN-COSMETICS (France)</li> <li>COSMETORIUM (Spain)</li> <li>SEPAWA (Germany)</li> <li>Publication of articles of scientific dissemination in NCP and SCM</li> </ul>
<b>DANOX HC-30</b> Conditioner	<ul style="list-style-type: none"> <li>It allows to formulate cosmetics in a single step</li> <li>It allows to formulate cosmetics without solvents</li> </ul>		
<b>AKYPO LF-2</b> <b>LEVENOL F-200</b> Detergent/Degreaser	<ul style="list-style-type: none"> <li>Ecolabel criteria</li> <li>Highly concentrated formulas</li> </ul>	<ul style="list-style-type: none"> <li>Less impact on the environment</li> <li>Responsible production and consumption</li> </ul>	
<b>TETRANYL L6-90E</b> Softener	<ul style="list-style-type: none"> <li>Vegetal origin, 100% natural</li> <li>ECOCERT Certificate</li> </ul>		<ul style="list-style-type: none"> <li>H3i (UK)</li> <li>Professional Cleaning (Russia)</li> <li>SEPAWA (Germany)</li> </ul>
<b>EMANON XLF</b> <b>LEVENOL F-200</b> Detergent	<ul style="list-style-type: none"> <li>Ultra-concentrated and / or dilutable formulas</li> <li>'Clean Earth' concept</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of water consumption</li> <li>Reduction of CO<sub>2</sub> emissions</li> <li>Packaging reduction</li> </ul>	
<b>E-KAO NEO</b> Fragrance	<ul style="list-style-type: none"> <li>100% of natural origin (ECOCERT/COSMOS)</li> <li>European Ecolabel criteria Nordic Swan criteria</li> <li>They do not contain allergens</li> </ul>	<ul style="list-style-type: none"> <li>Less impact on the environment</li> <li>Increased consumer safety</li> </ul>	<ul style="list-style-type: none"> <li>IN-COSMETICS (France)</li> <li>SEPAWA (Germany)</li> </ul>
<b>MIGHTY 21 PR</b> Construction	<ul style="list-style-type: none"> <li>Superplasticizer for concrete and mortar</li> <li>High processability</li> </ul>	<ul style="list-style-type: none"> <li>Energy saving</li> <li>Infrastructure improvement</li> </ul>	<ul style="list-style-type: none"> <li>European Coating Show (Germany)</li> </ul>
<b>TRASUT-RA</b> Road	<ul style="list-style-type: none"> <li>New technology</li> <li>Quick opening to traffic</li> <li>Application at lower temperature</li> </ul>	<ul style="list-style-type: none"> <li>Energy saving</li> <li>Infrastructure improvement</li> </ul>	<ul style="list-style-type: none"> <li>TxAPA (USA)</li> <li>CalAPA (USA)</li> <li>Congreso Ibero Latinoamericano del Asfalto (México)</li> </ul>
<b>KAO FINDET MB-212</b> Metl treatment	<ul style="list-style-type: none"> <li>Effective emulsifier</li> <li>Increases the useful life of metallurgical fluids</li> </ul>	<ul style="list-style-type: none"> <li>Good environmental profile</li> <li>Waste reduction</li> </ul>	<ul style="list-style-type: none"> <li>STLE (USA)</li> <li>Kühlschmierstoff Forum (Alemania)</li> </ul>
<b>AMIDET TEC N</b> Metal Treatment	<ul style="list-style-type: none"> <li>European origin</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emission reduction</li> </ul>	
<b>Inks</b> Printing	<ul style="list-style-type: none"> <li>Compostable</li> <li>Water-based, without VOC</li> <li>EN 13432 certified</li> </ul>	<ul style="list-style-type: none"> <li>Less impact on the environment</li> </ul>	<ul style="list-style-type: none"> <li>Drupa (Germany)</li> <li>Alimentaria (Spain)</li> <li>Conference on printing sector trends (Spain)</li> </ul>

A close-up photograph of a green leaf with a water droplet, partially visible in the top right corner of the page.

# 2 Our contribution to the environment

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## 2.1 Main environmental risks that affect the organization

The global environmental trend of most concern to KCE is climate change. The possibility of suspending operations due to extreme weather events, such as drought and global warming, and the increase in costs due to the strengthening of regulations pose risks to the company.

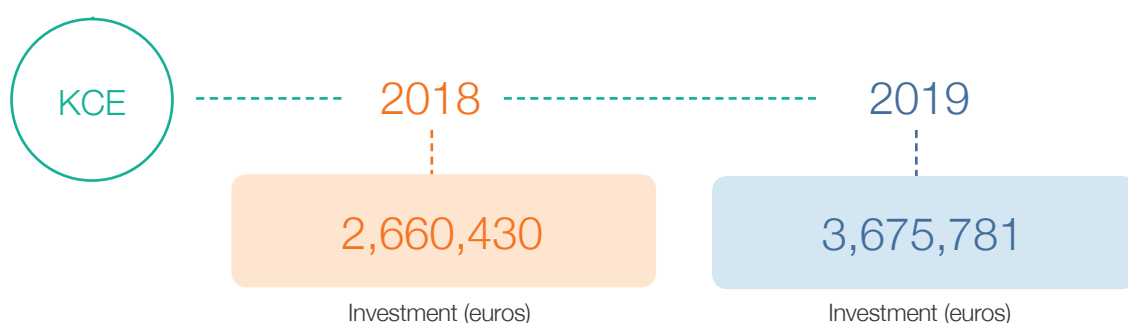
Additionally, the current lifestyle contributes to the development of a series of specific environmental problems, including the aforementioned climate change, the depletion of resources, environmental pollution, the security of water supply and the loss of biodiversity.

Taking these risks into account, the company has identified four areas on which it wants to focus its efforts on the environment:

KCE is aligned with Kao Corporation's commitment to contribute to sustainable growth, taking careful care of the conservation of the environment and the safety of people



KCE invests significant economic resources to promote its environmental activities efficiently and effectively, as shown in the following graphic.



## 2.2 Policies, commitments, results and indicators

Through the 'Eco Together' (<https://www.kao.com/jp/en/environment/>) corporate program, created in 2009, the group establishes its commitment to environmentally responsible management and environmental conservation efforts together with customers, suppliers, production subcontracting partners, local communities, NGOs, governments and other interested parties.

This plan includes the different actions planned to achieve the corporate environmental objectives and monitors their achievement.

The actions that KCE has implemented for each of the action areas are summarized below:

### CO<sub>2</sub> emissions management

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

- **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 comply with the environmental standards described by the design guidelines for the environment.
- **In the manufacturing process:** initiatives are included to reduce energy consumption, use cleaner energy and more environmentally friendly refrigerants, maintain equipment to prevent leaks of refrigerants and other greenhouse gases.
- **In the distribution process:** through the increase of the volumes dispatched by shipment, the use of cleaner methods and the improvement of the load ratios.

#### Contributions to SDG





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.

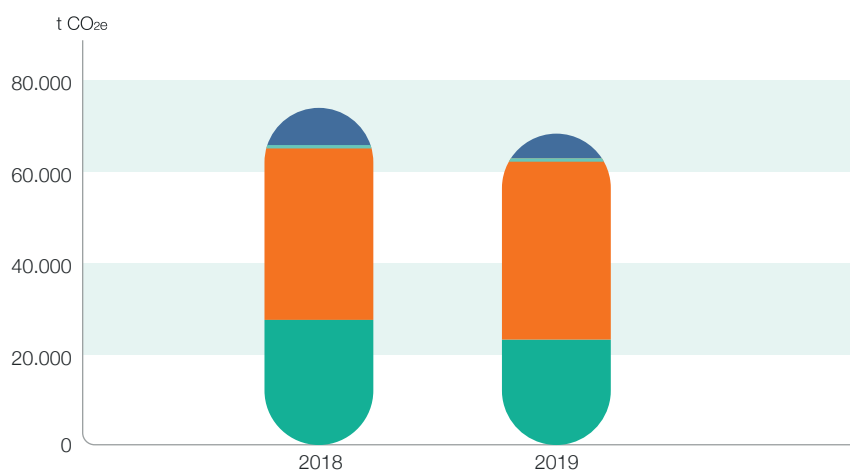
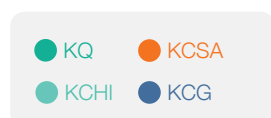
The KCE indicators for 2019 are shown below, as well as their comparison with the previous year.

## Direct emissions of greenhouse gases (GHG)

KCE	2018	2019
Total direct GHG emissions (scope 1) (t CO <sub>2</sub> e)	72,335	70,169
Emissions scope 1 / finished prod (kg / t)	156,22	165,67
Total indirect GHG emissions (scope 2) (t CO <sub>2</sub> e)	21,684	3,925
Scope 2 emissions / finished prod (kg / t)	49,39	11,61
Emissions reach 3 / finished prod (kg / t)	82,26	66,63
Total GHG emissions (tCO <sub>2</sub> e)	116,344	92,108
Total GHG emissions / finished prod (kg / t)	246,74	210,59

Greenhouse gas (GHG) emissions per tonne of final product in KCE have decreased compared to the previous year, basically due to the purchase of green energy. The reduction compared to 2018 for scope 1 and 2 emissions per tone of final product has been 14%.

## Total direct GHG emissions (scope 1) per company



## Use and prevention of water pollution

Currently, KCE dedicates efforts to reduce water consumption in each production plant and to reduce waste water, by applying the 3R technique (reduce, reuse and recycle), the search for new technologies, optimization of maintenance actions and improvement of the management of wastewater treatment facilities.

### Contributions to SDG



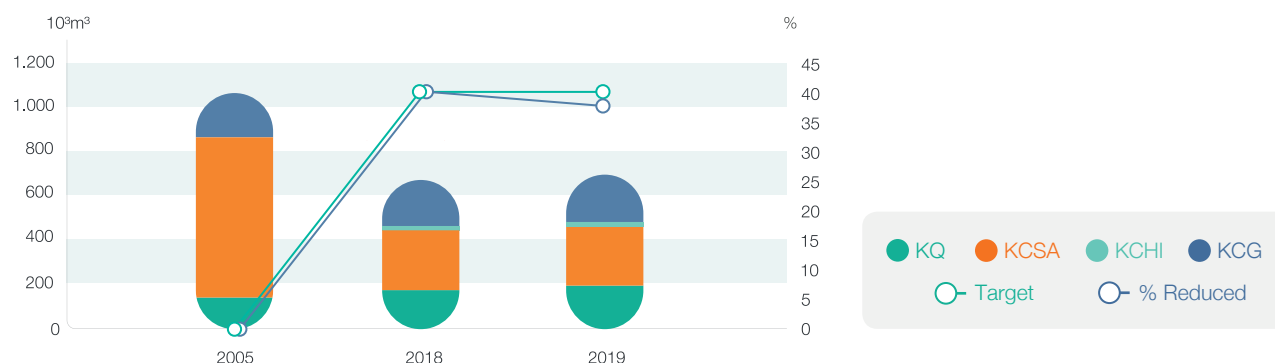
In 2013, the group set the 2020 targets for water consumption corresponding to all KCE plants, and the objective is to achieve an annual reduction of 1% taking 2005 as base.

Work is currently underway to establish long-term objectives that are aligned with those agreed by the group, as long as they are assumable for each of the organizations that constitute KCE.

### Water consumption data

KCE	2018	2019
Total water consumption (m3)	627.890	649.779
Final consumption / production (m3 / t)	1,27	1,44
Mains waters (%)	52,02	58,94

KCE's water consumption has been almost 650,000 m3, about 22,000 m3 more than the previous year. The consumption rate per tone produced has increased by 13% in the same period.



The higher consumption of water in KCE has been mainly due to QK, and it is a consequence of the use of water coming from the State treatment plant. As it does not have the quality necessary to be used without prior treatment, it implies a greater volume of consumption to compensate the rejection for quality aspects.

At this point, it should be noted that a 37% reduction in water consumption has been achieved compared to 2005.

Water consumption in KCE centres is basically mains

water, although there are some well-authorized and controlled collection wells in some facilities.

Regarding the pollutant load of wastewater, the representative parameter is total organic carbon (TOC), which is expressed as a third of the chemical oxygen demand (COD). The TOC pollution load has decreased by just over 30 tons compared to the previous year, and represents a reduction per produced tone of 23%.

The wastewater discharges in the KCE work centres are discharged into the municipal wastewater network.

## Waste management:

KCE dedicates efforts to reduce the generation of waste in its plants and offices, promoting 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 generation, reuse of packaging and revaluation of waste. Likewise, adequate waste management is carried out, so that its impact is the most favourable at environmental level.

### Contributions to SDG



### Waste management data

KCE	2018	2019
Total waste (kg)	13.861.711	15.284.110
Total waste / final production (kg / t)	33,88	38,93
Total hazardous waste (kg)	10.441.599	12.544.461
Total hazardous waste / final production (kg / t)	23,66	29,15
Recovery of total waste generated (%)	61,25	59,60

Despite the efforts to reduce waste in all work centers, the amount of waste generated has increased by 1,422 tonnes compared to the previous year, and the rate of waste generation per tonne produced has risen 5 points. There are various circumstances that influence the result:

- The increase of activity as a consequence of new facilities, processes or products, such as the QK hydrogenation plants for the production of tertiary amines or the new activity of KCHI.
- Changes in the production mix. This indicator is representative, but not very sensitive to variations in current products, which, whether due to quality, use or the business area itself, have a more unfavourable ratio.

Despite this, taking into account the group's objective in this area, the reduction achieved has been 20% compared to 2005.

Of the waste generated, 12,544 tonnes are classified as dangerous; just over 2,100 tons compared to the previous year. This increase is due to the fact that QK has had to manage as product waste that it had stored from previous years, the recovery of which was not feasible.

Regarding recycling, the recovery rate of reused or recycled waste has been 60%.

Full data are available in KCE Non-financial report.

As previously mentioned, KCE works to improve the performance of production processes, directly impacting the reduction of waste and, consequently, less consumption of raw materials.

In 2019 there is a reduction in the total consumption of raw materials, as well as in the rate of raw materials per final product, although it is true that this result is affected by the production mix.

## Chemical substances management

Kao is actively involved in the rationalization management of chemicals by using scientifically based risk assessment and management procedures to minimize their adverse effects on human health and the environment.

In 2001 the group established the Comprehensive Chemicals Management System, in which coherent Kao Group codes (Master Index) were assigned to individual products and raw materials. This system allows immediate verification of the quality of raw materials, safety, antibacterial grade and regulatory information for each product.

In 2017, the functionality of the existing system was expanded and, one year later, its widespread adoption by Kao affiliates around the world was promoted.

Kao's will is to continue strengthening the functionality of the Comprehensive Management System for Chemical Substances.

With this objective in mind, the series of initiatives that set the course for KCE in the field of chemical substances management are summarized in the following measures:



• **Risk assessment of chemical substances:** carry out risk assessments of those substances that are a priority for Kao.

• **Chemical life cycle management:** to plan and to implement risk reduction measures and dangerous labeling based on the Globally Harmonized System (GHS).

• **Chemical risk communication with stakeholders:** through public dissemination of the results of activities to promote the management of chemicals at the international level and the communication to stakeholders.

KCE guarantees the regulatory compliance of its chemical products in all the countries where the company supplies. In addition, it is monitored the constant changes of international chemical regulations, applying notifications and/or registers in China, Korea, Turkey, UK, Canada, USA and Eurasia; and following-up the Embargos and Sanctions List, among others, to ensure worldwide compliance.

### Contributions to SDG



KCE is promoting the carrying out of risk assessments of priority chemical substances for the company, with the aim of continuing this activity later.

During 2019, ten substance registrations were carried out at the European Chemicals Agency (ECHA) and eight more substances were updated, while monitoring volumes, applications and requirements for the rest of the almost 200 substances that the company has registered.

Additionally, all registered substances defined as nanomaterials were studied in order to update the registry with the new requirements existing in Europe for such substances.

Lastly, KCE has participated in organizing the following events for the disclosure and discussion of Chemical Product Safety:

#### • Special internal disclosure:

- Workshop on green schemes for fragrances
- Workshop on ecolabelling in cosmetics and detergency
- Documentation and regulations in sending samples
- Annual assembly: animal testing

#### • Participation and organization of external events:

- European Notification Panel
- Exposure Scenarios & REACH - Madrid
- Fragrances workshop - Barcelona
- Regulatory Training. REACH. Green Schemes – Barcelona

## 2.3 Biodiversity management

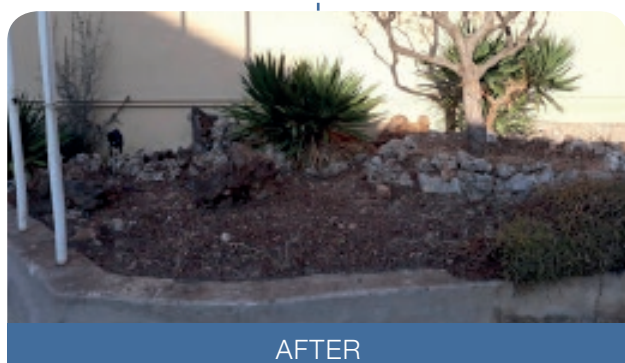
The company defines the conservation of biodiversity as an area of environmental intervention within its “Responsible Care” activities.

Greater knowledge, awareness and sensitivity in environmental aspects involves broadening the scope of KCE’s actions, among which the conservation and promotion of biodiversity stands out.

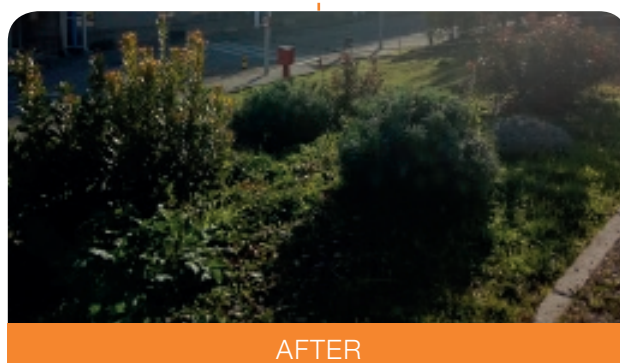
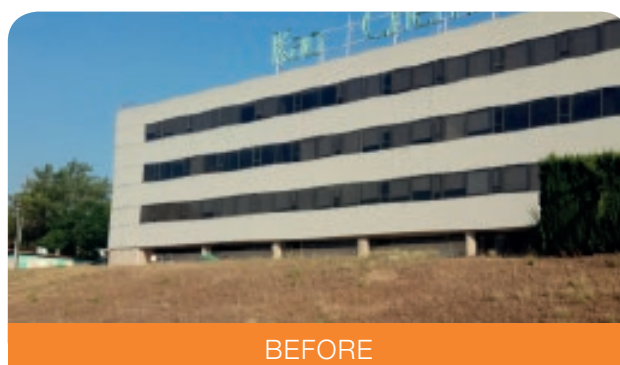
KCE has carried out a series of actions in order to improve year after year. Some of these actions are related to an improvement in biodiversity, such as the control and elimination of invasive species - such as, for example, *Carpobrotus edulis* (cat’s claw) at the KCSA plant in Olesa de Montserrat or the planting of different species to increase biodiversity in Barberà del Vallès–, while other actions have been aimed at raising awareness, training and raising awareness among staff

### 2019 actions

#### Control and removal of invasive species



#### Plantation aromatic species



Cleanings have also been carried out in areas close to the company's facilities, such as on the banks of the Rhine and Llobregat rivers.



### Contributions to SDG





# 3 Social and personnel issues

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Employees is the most important asset of the company. Kao Corporation and its subsidiaries strive to create an environment and a corporate culture in which both people and the company can grow together, maximizing the potential of each employee and contributing positively to society. KCE shares and aligns with KJ's goal of reinforcing the development of leadership for the next generations so that they are able to anticipate change and manage the company so that all employees, from their diversity, can carry out their work in an enthusiastic manner, also contributing to society.





## 3.1 Our people

### Promotion of equality

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Kao Corporation was selected in 2019 to be included in the Bloomberg Gender Equality Index as one of the 325 companies worldwide that have demonstrated an excellent performance in the development of measures that allow progress in gender equality.

All KCE subsidiary companies have as their maximum the application of principle 5 of the Kao code of conduct, called 'Kao Business Conduct Guideline' or BCG, which determines to "respect the diversity of employees and maximize their potential" to reinforce solidity of Kao Group.

For this reason, all European companies develop and implement actions aimed at applying the code of conduct, as well as specific actions linked to equal treatment and opportunities within them.

Specifically, in KCG the General Law of Equal Treatment applies and there are two people from the company who

are responsible for ensuring compliance with the legal obligations of the German Law of Equal Treatment.

At KCHI, the Equality Plan is in full negotiation with the social representation, although two other people from the Human Resources department have already been trained to act as agents of equality.

On the other hand, KCSA already had a first Equality Plan that was developed in 2009 and that has been updated in 2019 after the renewal of the "Commitment of Kao Corporation, S.A. with Equal Opportunities", which symbolized the beginning of this new Equality Plan. For its development, the company trained two new people from the Human Resources area in 2019 as agents of equality to develop this Second Plan.

### Salary gap

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KCE maintains its commitment to effectively apply the principle of equal pay for work of equal value, and takes it as a basis in its remuneration policy, adopting it in its practice of applying wages both at the time of the employee's incorporation and in subsequent reviews.

The remuneration system for people who work at KCE is adapted to the salary structure established in the sector's collective agreements 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, 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 company is aware of the need to continue working to reduce the gender gap, since it is also evident in the low female presence on management committees.

## Work-life balance and digital disconnection

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

# 3.2 Occupational health and safety

Preserving the health and safety of the workforce is a priority for KCE. For this reason, the company ensures that its workspaces are safe and healthy environments. In fact, as mentioned 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 member companies achieve continuous improvements in relationship with safety and protection of health and the environment in accordance with the principles of Sustainable Development.

## Management of labor risks, policies and regulations

Each of the KCE companies has a labour safety management system. In the case of KCG and KCSA, this system is certified according to OHSAS 18001. Since this standard will be replaced by ISO 45001 in a short period of time, both companies have already started working on the transition. At KCG, a preparatory audit has even been carried out to obtain ISO 45001.



On the other hand, the security policies of KCE companies with establishments susceptible to generating an accident with external affectation 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.

## Education and training in risk prevention

Each of the KCE companies annually develops and implements risk prevention training programs for its teams. In these programs, the legally required training is taken into account, as well as that based on the risks inherent to each of the companies, and they are aimed at achieving the health and safety objectives.



Each of the KCE 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.

## Initiatives

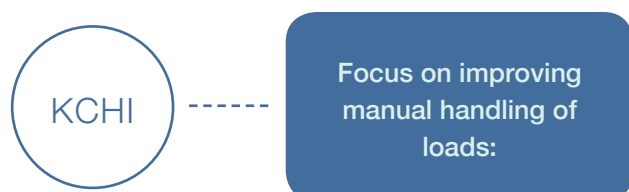
Apart from the objectives set by Kao Corporation and those of each company, the different subsidiaries of KCE carry out additional actions, taking into account the idiosyncrasy and current environment of each company. Some of them are detailed below:





QK has completed a work program that has been developed over several years consisting of adapting the chemical risk information system to the GHS system.

In 2019 QK has again organized its own health and safety week with different activities aimed at raising awareness in this area.



KCHI has focused its strategy on improving the manual handling of loads and on the management of areas classified by the risk of explosive atmosphere (ATEX).



On the occasion of the celebration of the World Day for Safety at Work, the first Security Day at KCSA have been organized in the centers themselves. In these days, face-to-face workshops were organized, the main ones being:

- Work at height: virtual experience related to the prevention of falls from height (3D).
- Road safety: rollover simulator and practical talk by RACC (Royal Automobile Club of Catalonia).
- Static electricity and ATEX: workshop to check how the electrostatic charge is generated, dissipated and discharged; how to control electrostatic charge to reduce risk and how to act within ATEX zones.



## Contributions to SDG





On the other hand, Kao Corporation is committed to health by actively implementing programs to support the health.

For this reason, KCE implements initiatives to promote healthy lifestyles, both for team members and their families, cooperating with other entities and associations.

- Contributions to gym fees, massages and yoga classes
- Information about alcoholism and drugs
- Sports events



An anti-smoking campaign and awareness-raising actions have been carried out on the importance of maintaining good physical condition through the so-called back schools, which promote optimal postural hygiene.

- Yoga Masterclass
- International chocolate day celebration
- Positive psychology workshop
- Resource workshop to manage caregiver stress



## Contributions to SDG



## 3.3 Social relations with employees and their representatives

At KCE, an open dialogue is maintained globally with the staff. In accordance with the principles of the Global Compact, all aspects relating to full freedom of affiliation and the effective recognition of the right to labor negotiation are complied with.

Every year the Kao European Forum takes place, in which the management of the European region, the CEOs of the different subsidiaries and the social representation of each of them participate, in order to establish relationships of trust that encourage dialogue and The cooperation.

In 2019 the Kao European Forum was held on June 4, 2019 in Amersfoort (Netherlands).

## 3.4 Training

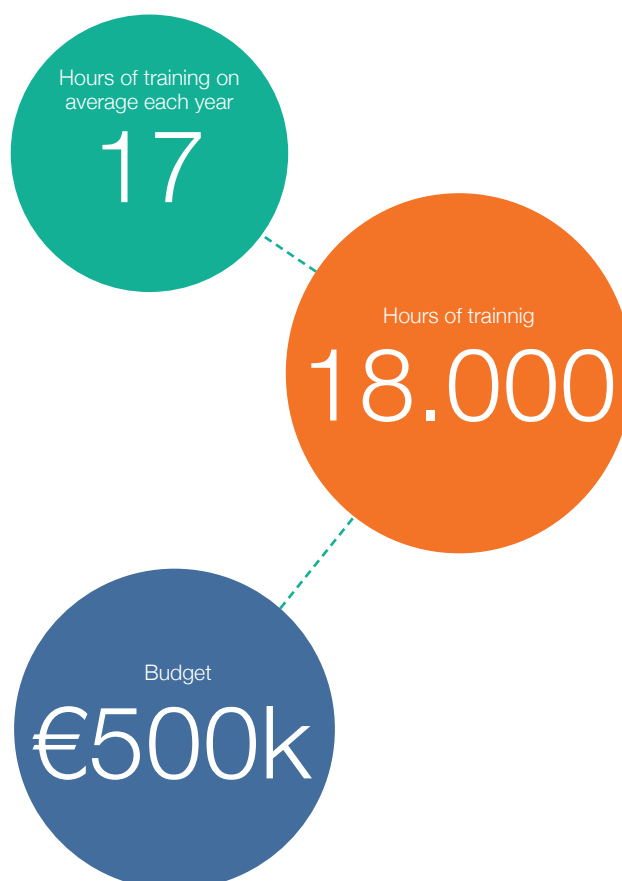
### Training Policy

KCE, through its Human Resources policies, 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, work is carried out so that the employees have 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. To do this, the training offer is continuously analyzed and revised.

The learning process begins from the moment the employees join the staff, as they receive a guided and systematic welcome plan that allows them to integrate into their work environment and acquire basic notions of how the organization works, as well as Safety, Environment and Quality criteria and those operating rules specific to the function or position they are going to perform. This plan includes an initial training program for new employees, called 'New Employee Orientation Program'.

### Training hours





# 4 Human rights

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

It defines the mission of the Kao Group: to strive for the satisfaction and enrichment of people's lives and to contribute to the sustainability of the world.

In fulfillment of this mission, the responsibility is assumed to respect human rights, which are the

fundamental rights of all human beings, through the entire process of providing products and brands of excellent value.

In this sense, Kao's Business Conduct Guide (BCG) clearly stipulates respect for human rights.

In 2015 Kao Corporation defines and publishes the company's Human Rights Policy, establishing the following points:

Compliance with  
applicable laws and  
regulations

Respect for human  
rights through  
business activities

Due diligence  
of human  
rights

Repair of  
adverse  
impacts

Education

Dialogue  
and  
consultation

At KCE, compliance with ethical principles is also required to the different suppliers with which it works, and, as will be detailed in section 7.3. Procedures have been developed for their evaluation that include social, environmental and equality and non-discrimination issues.

The full policy is available on the Kao Japan website ([www.kao.com](http://www.kao.com)).

Disclosure  
of information

## Contributions to SDG





# 5 Compliance and governance

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

In order to detect and prevent the risks of corruption, bribery and harassment, KCE has various mechanisms with application to the following areas:

**Anti-corruption  
and bribery**

**Antitrust**

**Conflict  
of interest**

**Surveillance of  
intellectual property,  
data confidentiality and  
cybersecurity**

**Control of cash  
vouchers**

**Presidential signature  
and company seals**

In the area of anti-corruption and anti-bribery and conflict of interest, in accordance with Kao's anti-corruption guideline, KCE will maintain a firm stance against bribery by not offering or receiving any of its forms in relation to commercial operations. The company understands by bribery cash payments, gifts, invitations or other benefits with the intention of promoting a favorable business deal.

**Reporting  
of misconduct**

## Privacy Policy

Since 2018, the diligent management of confidential information, personal data, as well as the intellectual property of the company and third parties, governs the appointment of a Data Protection Coordinator at companies located in the European Union, whose responsibilities define reporting and advise the company and supervise compliance with the Global Data Protection Regulation (GDPR), approved by the European Union on May 25, 2018.

In 2019, Kao Corporation determines that Information Security Committees (ISCs) are established in all group companies. During the year, activities related to the protection of confidential information, personal information and information assets have been implemented.

## Contributions to SDG



# 6 Social Environment

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One of the principles included in the Kao Corporation code of conduct is the commitment to contribute to the enrichment of society through activities that constitute a social contribution and, since 2012, the group focuses its Corporate Responsibility activities in three basic areas: the environment, education and the community. With this objective, the group carries out activities that contribute to the formation of a fairer and more sustainable environment.

In July 2018 Kao Corporation establishes a new division, the ESG Division designed with the aim of contributing to the well-being of all people, trying to achieve sustainable growth and social development, as well as the protection of the planet.

In this context, and with the firm conviction of the importance of integrating corporate responsibility activities and contributions to society through business, Kao created the 'Kirei - Making Life Beautiful' as a key concept, and whose message is shared by all its subsidiaries.

The Corporate Social Responsibility actions are addressed at the meetings of the local Management Committee of each of the companies that constitute KCE, and, in turn, are reported annually to the parent company, which integrates them into the Global Sustainability Report of Kao Group.

The community support projects carried out by KCE subsidiaries throughout 2019 are described below:

## Environmental actions

The German subsidiary KCG has collaborated in cleaning the banks of the Rhine river, while KCSA has done the same with the Llobregat river as it passes through the Barcelona municipality of Abrera. Additionally, KCSA collaborates with local cultural and naturalist associations and gives support in the reforestation actions in Mollet del Vallès (Barcelona) and in the repopulation of indigenous vegetal species of Abrera.



KAO CHEMICALS GMBH



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## Collaborations in the academic field

In all KCE companies, collaboration agreements have been established with study centers, such as institutes or universities, to carry out internships in the workplace.

In this context, KCG contributes to local schools through financial donations and, in Mexico, QK provides study scholarships to students of educational institutions National College of Professional Technical Education (CONALEP) and College of Scientific and Technological Studies of the State of Jalisco (CECYTEJ). On an annual basis, QK sponsors a 5 and 10 kilometer race to promote family

values and the benefits of physical exercise and organizes a visit for students from the Technological University of Jalisco to its production plant.

KCSA has provided aid to students of intermediate and higher chemistry training cycles by providing scholarships that facilitate the continuity of their studies.

Throughout the year, the company also organizes open days and visits to production plants for high school students, training cycles and university degrees.





QUIMIKAO



KAO CORPORATION SA

## Direct impact on 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 German company collaborates with various local institutions through donations and in 2019 carried out a campaign to encourage its teams to register as bone marrow donors.

Together with KCSA, KCG organizes several occupational workshops for people with physical and mental disabilities. QK collaborates through a monetary and product donation with the Albergue del Padre Pío and the Comedor 12 apóstoles, as well as with the Fundación Hospitales Civiles de Guadalajara. The company also joins the campaign to collect food and toys.

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



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KAO CHIMIGRAF



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### Contributions to SDG



## Glossary

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ANIQ:	National Association of Chemical Industry (México)
ATEX:	Atmosphere Explosive
BCG:	Business Conduct Guideline
BCP:	Business Continuity Planning
CECYTEJ:	College of Scientific and Technological Studies of the State of Jalisco
CEO:	Chief Executive Officer
CH <sub>4</sub> :	Methane
CO:	Carbon monoxide
CO <sub>2</sub> :	Carbon dioxide
COD:	Chemical Oxygen Demand
CONALEP:	National College of Professional Technical Education of the State of México
CSR:	Corporate Social Responsibility
ECHA:	European Chemicals Agency
EFfCI:	European Federation for Cosmetic Ingredients
EMAS:	Eco-Management and Audit Scheme
EPI:	Individual Protection Equipment
ESG:	Environmental, Social and Governance
FEIQUE:	Federación Empresarial de la Industria Química Española
GDPR:	General Data Protection Regulation
GHG:	Greenhouse Gases
GHS:	Globally Harmonize System
HFC:	HydroFluoroCarbon
FI :	Frequency Index
HSC:	Health and Safety Committee
ISC:	Information Security Committees
IT:	Information Technologies
JBIB:	Japan Business Initiative for Biodiversity

**KBR:** Kao Brasil Ltda  
**KCE:** Kao Chemicals Europe  
**KCSA:** Kao Corporation, S.A.  
**KCG:** Kao Chemicals GmbH  
**KCHI:** Kao Chimigraf  
**MES:** Suspended Matter  
**N:** Nitrogen  
**NF3:** Nitrogen trifluoride  
**NOX:** Nitrogen oxides  
**OIDD:** Occupational Disease  
**P:** Phosphorus  
**PFC:** PerFluoroCarbon  
**PM:** Particulate material  
**PRTR:** State Register of Emissions and Pollutant Sources  
**QK:** QuimiKao  
**REACH:** Registration, Evaluation, Authorisation and Restriction of Chemicals.  
**SCA:** Surfactant Consumer Application  
**SCM:** Supply Chain Management  
**SDS:** Sodium dodecyl sulfate  
**SF6:** Sulfur hexafluoride  
**SI:** Severity Index  
**SO2:** Sulfur dioxide  
**STA:** Surfactant Technical Application  
**TOC:** Total Organic Carbon  
**VCI:** German Association of Chemical Industry  
**VOCs:** Volatile Organic Compounds  
**VP:** Vicepresidente



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Corporate Business Planning and Coordination  
Corporate Strategy