

2024

FISCAL YEAR

NON-FINANCIAL REPORT

KAO CHEMICALS EUROPE

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LETTER FROM THE PRESIDENT

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Dear readers

I am pleased to report on the performance of Kao Chemicals Europe in terms of non-financial information for 2024, a year marked by significant changes and challenges globally. Although it has been in general another difficult year, we have managed to successfully overcome it thanks to the efforts of everyone in our organisation in close collaboration with our stakeholders.

Throughout 2024, the global economy has faced many challenges. High inflation and rising energy and food prices have affected people's daily lives. In addition, rising interest rates have caused concerns about slowing economic growth, adding pressure on businesses and households.

In this demanding scenario, KCE is more committed than ever to sustainability, aiming to achieve results by presenting specific proposals with ESG perspectives in the chemical industry.

Transforming into a much greener company is an essential initiative for KCE as a forward-thinking company that cares about society and the planet. We aim to strengthen strategies to reduce environmental impact, promote the adoption of renewable energies and implement energy-saving technologies. In addition, in product development, we prioritise sustainability in design and manufacturing processes, advancing the circular economy. These initiatives will not only enhance KCE's reputation as an environmentally conscious company but also contribute to long-term profitability.

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

I invite you to read this report¹ on our progress on sustainability in 2024.

Hiromitsu Hoshikawa.
President of KCE

¹ For enquiries about this report, please contact: corpcom@kao.es

ABOUT THIS REPORT

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The purpose of this Non-Financial Information Statement is to publicly disclose information about the management of social, environmental and governance issues at the Kao Chemicals Europe, S.L.U. group in 2024. With this premise, clear and concise information is made available to stakeholders, as well as qualitative data from previous years, to facilitate comparisons.

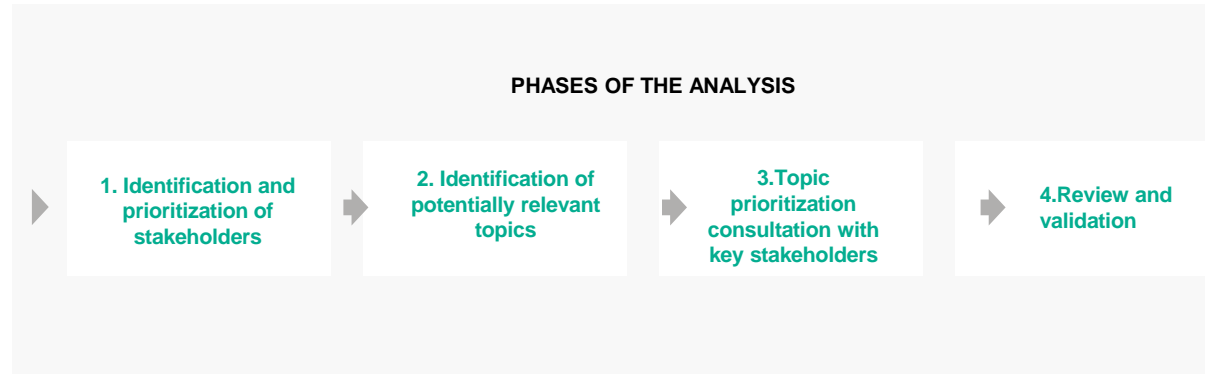
It should be noted that this report has been verified by an independent third party, in accordance with Law 11/2018 on Non-Financial Information and Diversity and has been prepared in accordance with the essential option of the GRI Standards.



DOUBLE MATERIALITY ASSESSMENT

2-29 / 3-1 / 3-2

This Non-Financial Information Statement is intended to provide information on topics considered material to KCE and its stakeholders. The concept of double materiality has been incorporated into this report, with the aim of obtaining an inaugural double materiality matrix in line with the upcoming CSRD requirements. The double materiality assessment performed in 2023, which combines “financial materiality” and “impact materiality”, followed the process explained below.



1. IDENTIFICATION AND PRIORITIZATION OF STAKEHOLDERS

The main objective of this step is to review stakeholders and prioritize them according to the importance for KCE.

2. IDENTIFICATION OF POTENTIALLY RELEVANT TOPICS

The previously identified material topics from 2020 are compared to global and sectorial trends, as well as benchmark references followed by an ESG risk assessment analysis, creating a list with potentially relevant topics.

3. TOPIC PRIORITIZATION CONSULTATION WITH KEY STAKEHOLDERS

The Stakeholder engagement plan was maintained, as opposed to the previous materiality assessment, including CEO, community, local administration, investors, unions, employees, chemical associations, customers and suppliers. A consultation with key stakeholders is performed, resulting in the prioritization of material topics. From an impact perspective, two focus groups were assembled and online surveys conducted with internal and external stakeholders. Financial materiality is incorporated by carrying our internal sessions with key people in the organization, considering both global and sectorial ESG impact risks.

4. REVIEW ANDN VALIDATION

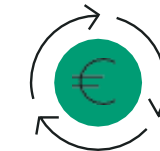
This step consists of reviewing and validating the double materiality matrix and the final list of material topics with the KCE Management Committee.

The double materiality analysis helps to measure the relevance of the most prominent aspects of our business strategy and corporate social responsibility, identify expectations from our stakeholders, and establish an action plan to address to the identified needs, resulting in the tailored and expanded list of priority topics indicated below:

ENVIRONMENTAL



Climate Change



Use of Resources and Circular Economy



Pollution Prevention

SOCIAL



Occupational Health and safety



Talent Attraction & Retention



Human Rights

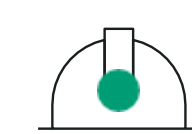


Responsible chemical Management

GOVERNANCE



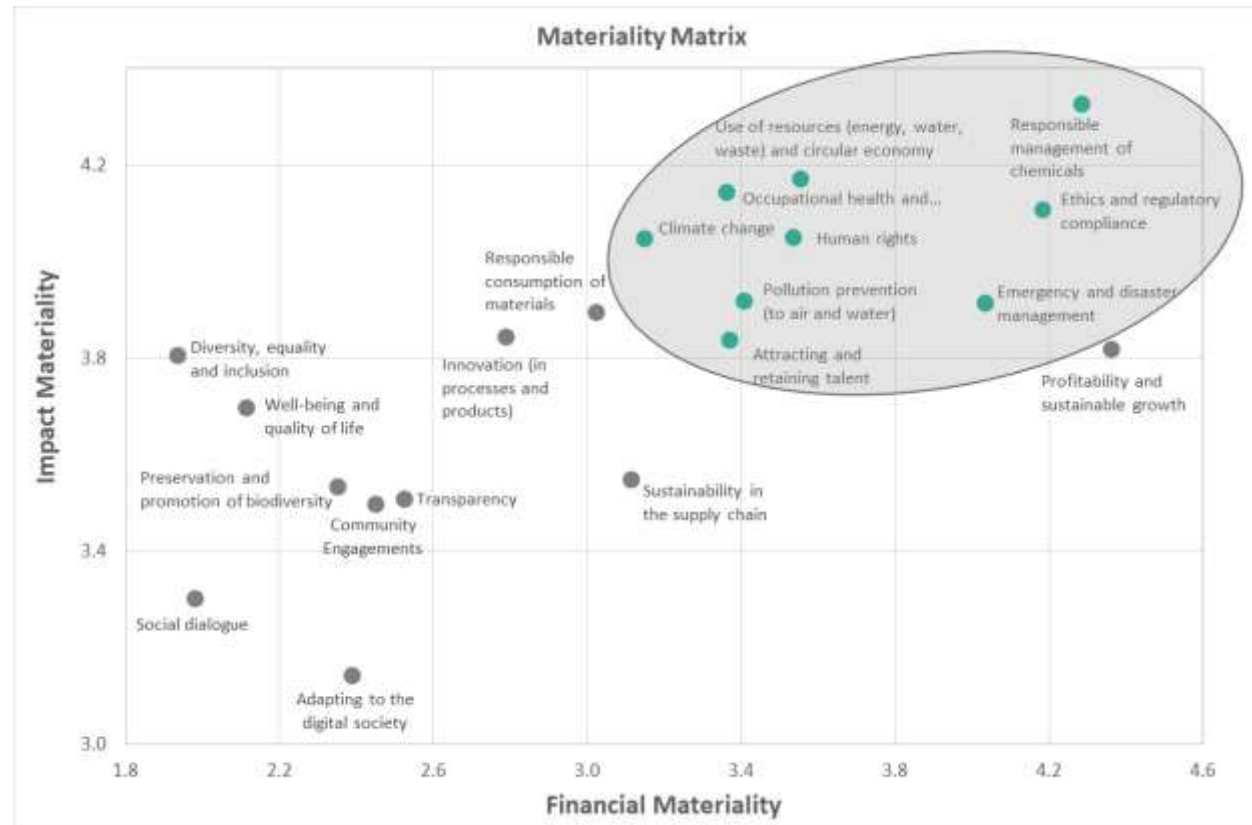
Ethics and Regulatory Compliance



Emergency and Disaster Management



Material topics are presented in the following matrix



In the various sections of this report, data and actions pertaining to the relevant aspects are presented, as outlined in the following table, along with information regarding the other assessed material topics.

Material Topics	Description	Development at KCE
Ethics and Regulatory Compliance	Measures adopted to ensure that a company operates according to the principles of ethics and integrity throughout its business model, to uphold a robust compliance system, to implement effective information mechanisms, to manage legal and regulatory environment and to establish a process for risk identification and management.	Chapter 6: Our People Chapter 4: Governance
Climate Change	Measures aimed at the mitigation and reduction of greenhouse gas emissions and carbon footprints, continuous improvement of processes to reduce emissions and environmental impact, and implementation of a climate-change mitigation and adaptation strategy.	Chapter 5: Our commitment to the environment
Use of Resources (energy, water, waste and circular economy)	Measures applied to the proper management, measurement, and optimization of resource consumption (water, energy) with the aim of minimizing environmental impact throughout the value chain, promoting efficient energy consumption and the search for sustainable and renewable alternatives, encouraging responsible water consumption, particularly in areas of water stress, improving the responsible management of generated waste, especially in the case of hazardous waste, and promoting a circular economy by encouraging the three 'R's: reduce, reuse, and recycle.	Chapter 5: section 5.6.5: Use of resources and circular economy

Pollution prevention (air and water)	Measures to control and reduce particle emissions, carbon emissions that significantly affect the environment, or any other specific types of air pollution (including noise pollution), in addition to ensuring the control, measurement, and reduction of water emissions, and implementing an effective wastewater management system.	Chapter 5: section 5.5: Pollution prevention
Occupational Health and Safety	Measures to prioritize and promote safety and health in the workplace, to prevent, identify, and manage occupational risks, ensuring appropriate training in safety and health that fosters a healthy lifestyle for the physical and mental well-being of workers.	Chapter 6: section 6.4: Occupation health and safety
Emergency and Disaster Management	Measures undertaken to formulate a contingency plan to proper for any type of emergency and/or natural disaster.	Chapter 4: section 4.2: Global Risk Analysis
Talent attraction and retention	Measures focused on promoting the attraction, recruitment, and retention of talent, the management of talent and skill development, as well as the adaptation of training to align with employee needs and their job roles, thus enhancing of our employees' skillsets.	Chapter 6: section 6.7: Talent development
Responsible management of chemicals	Measures to ensure the quality and safety of our chemical substances (regulations, certifications, and audits), to comply with regulations and/or international chemical industry agreements, to advocate for the application of ecological principles in the design and innovation of our products, manufacturing, resource consumption, and health and safety in the workplace.	Chapter 5: section 5.6.2: Chemical substance management
Human Rights	Measures aimed at the management and promotion of human rights, identification and management of potential risks related to human rights violations according to the markets and countries in which the company operates, and the implementation of a whistle-blower channel.	Chapter 4: section 4.4: Human rights

Throughout 2024, we have diligently engaged with these material topics, and additional information can be found in each of the chapters specified. Concurrently, we have conducted a second double materiality analysis (following EFRAG standards) and a risk assessment of climate-related topics.

The development of material points in 2024 led to the creation and approval of the following policies: Product Safety Policy, Responsible Chemical Management Policy, and Own Labor Policy. It is important to emphasize that we are presently engaged in the ongoing development and implementation of new policies pertaining to material issues identified as priorities.

The second double materiality analysis done in 2024 allows us to identify and assess Impacts, Risks, and Opportunities (IROs), while enabling us to anticipate CSRD needs.

The climate change report helps to identify areas for improvement and to prioritize the creation and approval of new policies.

2024 AT A GLANCE

BUSINESS

Production (t)

345,989

Net Sales (million euros)

767

OUR PEOPLE

STAFF COMPOSITION

870

Men

256

Women

24%

Women in executive positions

93%

Workforce on permanent contracts

63%

Staff trained

13,031

Training hours

441,222€

Training investment

ENVIRONMENT

Total direct GHG emissions (scope 1) (t CO₂e)

54,913

Total indirect GHG emissions (scope 2) (t CO₂e)

1,255

Other indirect GHG emissions (scope 3) (t CO₂e)

842,718

Compared to 2017, CO₂ emissions (scope 1 and 2) have been reduced by

40.9%

Total percentage of RSPO certified palm-derived raw materials

21%

Renewable electricity consumption

92.79%

SUPPLIERS

Contracts with ESG clauses

97%

TOTAL Local suppliers

>70%

SOCIETY

Collaboration with the communities around us:

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

GOVERNANCE

Zero breach of conduct cases detected

48,982€

Donations and sponsorship actions

1 KAO CHEMICALS EUROPE



KAO CHEMICALS EUROPE

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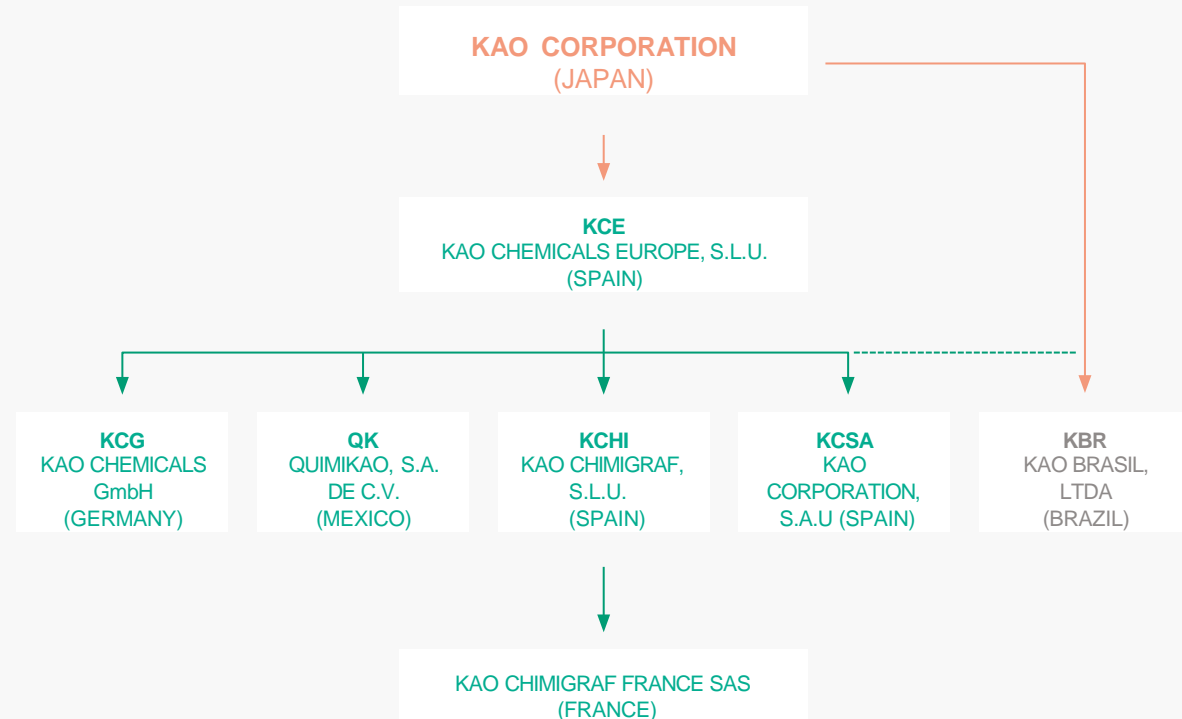
Kao Chemicals Europe, S.L.U. is a company dedicated to the manufacture and sale of surfactants, aroma chemicals, compositions for perfumery, several families of technical products, polyester resins, high-quality toner for professional applications, and inks for digital and analogue printing.

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

The headquarters of Kao Chemicals Europe, S.L.U. are located in Barberà del Vallès (Spain).

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

BUSINESS STRUCTURE:



Note: The data of Kao Chimigraf France SAS are generally integrated into KCHI's data. Kao Chimigraf Italia SRL was liquidated and its operations transferred to KCHI through the creation of a branch in Italy. KCE has no authority over KBR beyond the financial information of the current 0.03% stake it holds in the company. It is for this reason that KBR data is not included in this report.

1.1 OUR ACTIVITY

2-6

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



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



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



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



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



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



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

BUSINESS UNITS AT KCE SUBSIDIARIES:

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

1.1.1 PRODUCTION SITES

2-1



The company has several production sites:

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

KCG



Emmerich (Germany)

QK



Guadalajara (Mexico)

KCHI



Rubí (Spain)

KCSA



Barberà del Vallès (Spain)



Olesa de Montserrat (Spain)



Mollet del Vallès (Spain)



1.2 OUR PRESENCE IN THE WORLD

2-1 / 2-6

● PLANT
● OFFICE



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

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

In 2024, products were sold in 104 countries, with the European market accounting for the majority with 68% of volume and 60% of sales, followed by the South American market with 18% of volume and 18% of sales. The Asian market, meanwhile, accounted for 7% of volume and 12% of sales and, to a lesser extent, the African and Oceanian markets.

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

MARKETS

Americas: The company began operations in Guadalajara (Mexico) 40 years ago. Over the years, the company has consolidated its business in the Mexican market and carried out actions to continue expanding in Latin America. Cooperation with the affiliate, Kao Specialties America, allows us to expand into North America.

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

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





Globally, KCE's net sales in 2024 totalled 767 million euros. The following table illustrates the evolution of production and net sales data.

1.2.1 OUR GROWTH IN 2024

2-6

The objectives and results obtained in 2024 are in line with the business strategy and promote, through innovation and collaboration with customers and stakeholders, our sustainable development.

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

KCE

Production (t)

Net sales (million euros)

355,286

928

2022

2022

326,951

749

2023

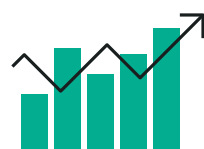
2023

345,989

767

2024

2024



2

KCE, OUR BUSINESS MODEL



2.1 THE KAO WAY PHILOSOPHY

2-23

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

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

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



2.2 THE KIREI LIFESTYLE PLAN, OUR ESG STRATEGY

2-22

KAO'S ESG VISION

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

Sustainability as the only path

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

2.3 KCE'S OBJECTIVES AND STRATEGIES

2-22

Kao Chemicals Europe is a holding company belonging to the Japanese multinational Kao Corporation. Therefore, our mission, values, objectives and basic strategy is totally aligned with the Kao Corporation.

Our Value Creation Model aims to create a Kirei World in which all life lives in harmony. Our objectives and strategies are designed according to our strong belief that sustainability is the only path. In alignment with Kao's commitment, we are dedicated to accelerating our efforts to achieve zero carbon emissions by 2040 and attain a negative carbon balance by 2050.

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

- The complex geopolitical landscape significantly affects the global economy and the chemical industry. Notably, the chemical sector in Europe is experiencing substantial challenges due to high energy costs, limited demand, stringent regulations, and relatively high fixed costs, which contribute to competitiveness difficulties within the segment.

- The proliferation of regulations, legislation, and standards, especially in Europe, has a significant impact on international trade agreements. One recent example is the EU Deforestation Regulation (EUDR).
- Increasingly competitive markets, with more companies trying to gain market share in the same geographical area.
- The complexity of the supply chains, especially with the availability of strategic raw materials. Additional factors, like the war in Gaza and low water levels in the Panama Channel, have compounded issues of cost and availability for raw materials.
- Limited availability of raw materials. Due to the difficult world-wide economic situation, some companies are re-structuring operations, concentrating product manufacturing in certain geographical areas.
- Increased social awareness in relation to the conservation and protection of the environment and the effects of the climate change.
- Acceleration of digitisation and the use of artificial intelligence as a basic tool for business development.

KCE 2025 GOALS



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



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



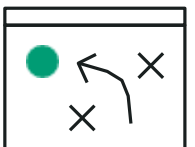
To create a diverse and inclusive environment where people can develop to the fullest.

STRATEGIC PILLARS OF KCE'S 2027 PLAN

In 2024, in alignment with Kao Japan and in an effort to accelerate the 2027 medium-term company transformation plan, we added the four following strategies:

- Build Global Sharp Top business: global shift to essential highly profitable business.
- Global Sharp Top Human Capital / Organizational management: decisive investment in human capital. Withdrawal from matrix management.
- Improve capital efficiency / profitability: maximize the value of management capital.
- Build business through co-creation with Partners: Faster maximization of technology assets.

In 2024, we continued to work on the 2025 Strategic Plan, aligned with Kao's strategy and launched in late 2020.





Accordingly, KCE's strategic pillars for 2025 and the 2027 medium-term plan include:

- Promotion of high value-added products. Consolidate and expand in existing markets, leverage this key chemistry to other application segments.
- Promotion of global growth strategies in close collaboration with other Kao group affiliates.
- Continue to enhance global collaboration between KCE affiliates as ONE KCE, fostering synergies between the different Business Units to maximize results and to increase the company's cultural diversity.
- Improve cost competitiveness with optimal cost design.
- Geographic expansion: strengthen core growth and accelerate business expansion in new geographical areas. Expand the business in the main markets: Europe, the United States, and LATAM, and accelerate global expansion to create a business base in emerging markets.
- Strengthen and accelerate business development through partnership with external companies as well as through mergers and acquisitions.
- Product portfolio management: actively develop solutions and materials with high environmental and social value. Promote the search for local raw materials and apply circular economy criteria in the development of new products and solutions.
- Continuous collaboration with Kao Japan to develop Kao's bio- products and Kao's bio business.
- Accelerate digital transformation, innovating through the active adoption of digital technologies and improving customer interactions and communication.
- Achieve significant growth in volumes and Net Sales as well as on marginal income (MI) and profitability.

RESULTS IN 2024

In terms of results, we highlight the following:

- Despite a very tough economic environment, 2024 results showed a very significant improvement versus the previous year. Some business units achieved the 2024 budget figures. In all cases, results are in line with the strategy of the business plan.
- In 2024, KCE made considerable progress in the development of new applications, launching sales for some of them.
- KCE has also added new product sales in 2024.
- Continuous consolidation and enhancement of different digital promotion models as key marketing tools.
- Internal focus on strengthening operations of the new 2023 facilities to maximize efficiency and productivity. Notably, the new biomass thermal power plant at KCSA will allow us to reduce emissions.
- We have made very significant progress thanks to the collaboration of the different business units, which has enabled us to offer distinctive solutions and provide more global responses to customers' needs.

CONTRIBUTION TO THE SDG

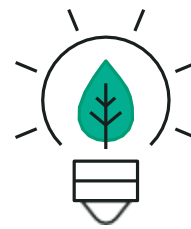
The following table shows the Sustainable Development Goals that KCE is working toward according to the company's ESG commitments:

Area	Contribution to SDGs
Responsible governance. Ethics and business conduct.	9, 13, 16
Responsible governance. Human Rights.	5, 8, 10, 16
Commitments to society (community, customers, suppliers)	3, 4, 6, 10, 13
Our people. Equality. Talent development. Health and safety at work.	3, 4, 5, 8
Environment. CO ₂ emissions management.	7, 12, 13
Environment. Use and prevention of water pollution.	6, 12, 14
Environment. Preventing air pollution.	12
Environment. Waste management.	12, 14
Environment. Biodiversity management.	9, 12, 15
Environment. Use of resources (energy, water, materials, etc.)	6, 7, 12, 13, 15
Chemicals management.	3, 6, 7, 12, 13, 14



2.4 INNOVATION FOR SUSTAINABILITY

2-6



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

We combine our strengths with those of our customers and partners, working together to reduce the carbon footprint of our activities and products and to implement actions consistent with the circular economy principles by designing more sustainable materials, production processes and novel technical solutions that are more respectful of the environment and people.

The whole organisation, and particularly the R&D and the Manufacturing areas, works toward:

- The continuous improvement of our processes to reduce their environmental impact both in terms of material consumption and reduction of emissions and waste.
- The development of new products, applying circular economy concepts and optimising the use of materials and the creative reuse of waste products (upcycling), which have better properties and/or additional advantages.
- The development of biodegradable and low aquatic toxicity products, ensuring the reduction of hazardous trace chemicals, and the avoidance of hazardous additives.
- The optimization of product formulations that contribute to the reduction of water use and CO₂ emissions, while ensuring regulatory compliance and consumer safety.
- The optimisation of packaging to reduce material consumption.



2.5 CERTIFICATIONS

2-23 / 3-3



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

	KCG	QK	KCHI	KCSA
ISO 9001	✓	✓	✓	✓
GMP			✓	✓
ISO 14001	✓		✓	✓
EMAS			✓	✓
ISO 50001	✓			✓
ISO 45001	✓		✓	✓
RSPO CERTIFICATION	✓	✓		✓
ISCC PLUS CERTIFICATION	✓			

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

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

KCG obtained certification from the International Sustainability & Carbon Certification (ISCC PLUS certification) in 2024, allowing it to offer bio products under the mass balance scheme.

All of these activities are audited both internally and externally.

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

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



2.6 ALLIANCES AND INITIATIVES

2-28

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



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

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



Kao received several awards in 2024. Among them, inclusion on the CDP A List for climate change, forests and water security for the fourth consecutive year, being one of only 10 companies out of the 24,800 to achieve the highest rating in all three categories. For its part, KCE has adopted the objectives established in the areas of climate, forest conservation, and water security, and annually participates in the report that Kao prepares.



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



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



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

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



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

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

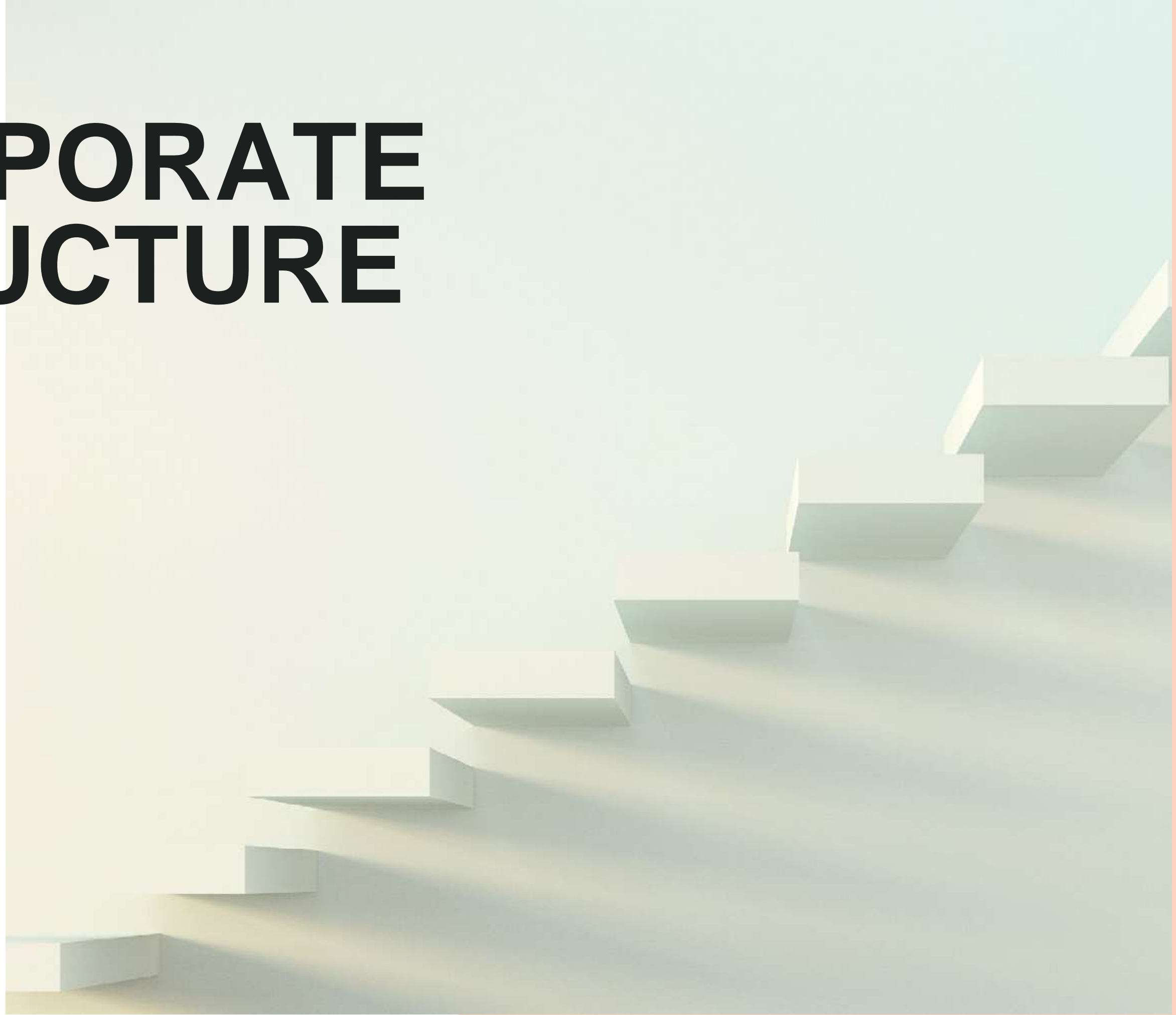
KCG, QK and KCSA are members of Responsible Care®. KCHI is not eligible for membership because it is not a member of FEIQUE. However, it does belong to ASEFAPI (the Spanish Association of Manufacturers of Paints and Printing Inks).



CyberVadis is an independent assessment platform for information security management systems. The platform offers a standardised and analyst-validated assessment, which provides a detailed and accurate view of information security management maturity. At KCSA, the ISC committee decided to use this platform as a management tool from 2023 onwards.

3

CORPORATE STRUCTURE

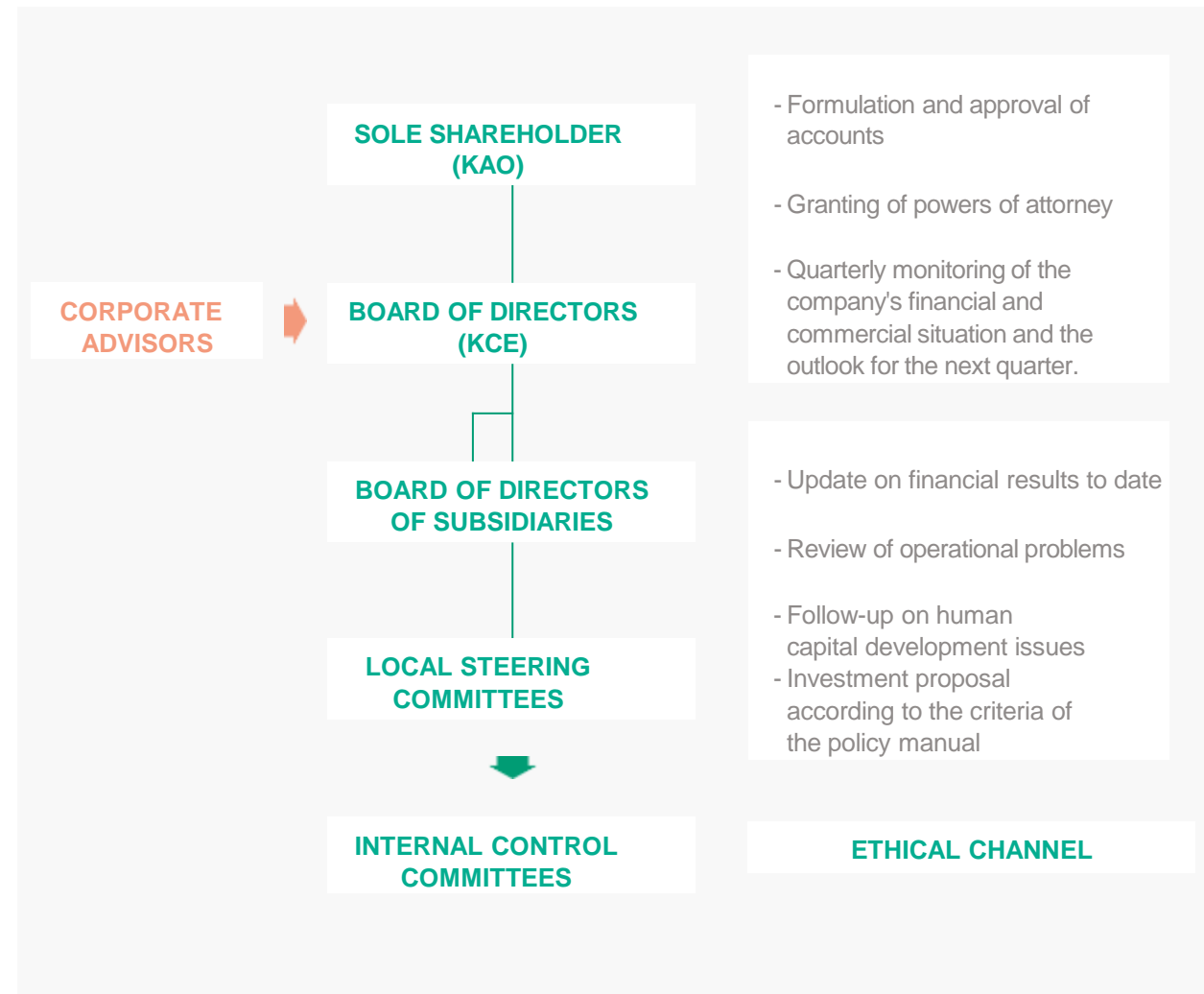


3.1 GOVERNING BODIES AND STEERING COMMITTEE

GOVERNANCE BODIES

2-9

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



MANAGEMENT COMMITTEE

2-9

KCE's Management Committee consists of the CEO and five Vice Presidents, four men and one woman, each responsible for one of the company's operational areas.

The members of the Management Committee assist the CEO in the management of the company, with the CEO serving as Chair of the Management Committee, who is the ultimate authority and has final say.



In accordance with Kao's Policy Manual, the Management Committee discusses the economic situation of the company on a monthly basis, including the evolution of turnover and profit, budgetary developments, and the appropriate countermeasures for deviations from the Budget. In addition to the financial situation of the company, other topics addressed at Committee meetings related to Human Resources, investments, and high-impact risk management. The committee meets monthly.

Each of the affiliated companies has as its governing body the local Management Committee composed of the President and the Vice Presidents of Operations and Sales (in the case of some affiliates, the Vice President of R&D is also a member of the committee), which monitors the company's activities (results, investment approval, and important issues in the areas of production, engineering, organisation, human resources and risk management).

" We are focused on exploring strategies to achieve sustainability goals while simultaneously driving business growth and ensuring that ESG principles are integrated into the core operations and long-term planning of the company ".

Francesc Fossas, VP Sales & Marketing

4 CORPORATE GOVERNANCE



KCE conducts its business in a fair and honest manner, acting in accordance with laws and ethics and meeting the expectations of society.

LONG-TERM MANAGEMENT STRATEGY

The Group's vision for 2030 focuses on harmonising sustained profitable growth with a contribution to society. Our aim is to move toward a global presence by being a company of value to society. Through our ESG initiatives we aim to maintain our relevance to people, society and the planet in the future. On governance (G), we are committed to effective management and acting with integrity, in partnership with our stakeholders and with the aim of remaining a profitable company while creating a better future.

In 2023 Kao established the Corporate Governance Policy, positioning corporate governance as a top priority for the management team to sustainably enhance the long-term value of the company. The policy also strengthens our commitment to a Kirei world in which all people live in harmony with the planet, which is the message of our corporate philosophy, The Kao Way.

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

The basis of our efforts in this regard is to establish and operate the necessary management structures and internal control systems, to implement the necessary measures in a timely manner, and to always act in a responsible and transparent manner in accordance with the corporate purpose of "Walking the right path".

EFFECTIVE CORPORATE GOVERNANCE

All KCE holding companies are assessed annually by the ECOVADIS platform on aspects such as anti-corruption controls, anti-competitive practices and responsible information management. In accordance with the ECOVADIS methodology, KCE ensures a structured sustainability approach and has tangible commitments, policies and actions with detailed information on implementation, for all European subsidiaries at an advanced level and for the Mexican subsidiary at a suitable level.



4.1 ETHICS AND BUSINESS CONDUCT



2-24

KCE is dedicated to improving the effectiveness of corporate governance in line with its values and corporate philosophy, The Kao Way.

Specific guidance on how to implement The Kao Way across all group companies is defined in the Business Conduct Guidelines (BCG).

This guide is available to all employees and stakeholders on the Kao website, the KOMPASS corporate intranet, local intranets and the KCE website. In addition, incidents of possible breaches of the Code of Conduct, if any, are included in the corporate reporting to the parent company. In 2024, no cases were reported at KCE.

In line with the above, the diligent management of personal data is governed by the General Data Protection Regulation (GDPR), approved by the European Union on 25 May 2018. All group companies have established Information Security Committees (ISCs).

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

All KCE companies have such committees, which meet on a regular basis to supervise the implementation of activities and detect possible risks and incidents, reporting these activities to Kao on an annual basis.

The main actions carried out by the group's companies in 2024 focused on raising awareness of possible IT fraud, training actions, improvements in reporting and the definition of roles within the committee.

In 2024, Kao Corporation's Information Security Committee (ISC) revised Kao Corporation's "IT Security Guidelines for Administrators" and "IT Security Guidelines for Users" and is rolling them out globally.

418-1

No incidents related to the privacy policy were reported in 2024.

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

In 2024, all KCE companies complied with the annual report to the KCE Management Committee on antitrust matters, and 35 duly completed forms were submitted without detecting any risk that could jeopardise corporate governance.

4.2 GLOBAL RISK ANALYSIS

2-12 / 2-13

STRATEGY AND MANAGEMENT MODEL

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

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

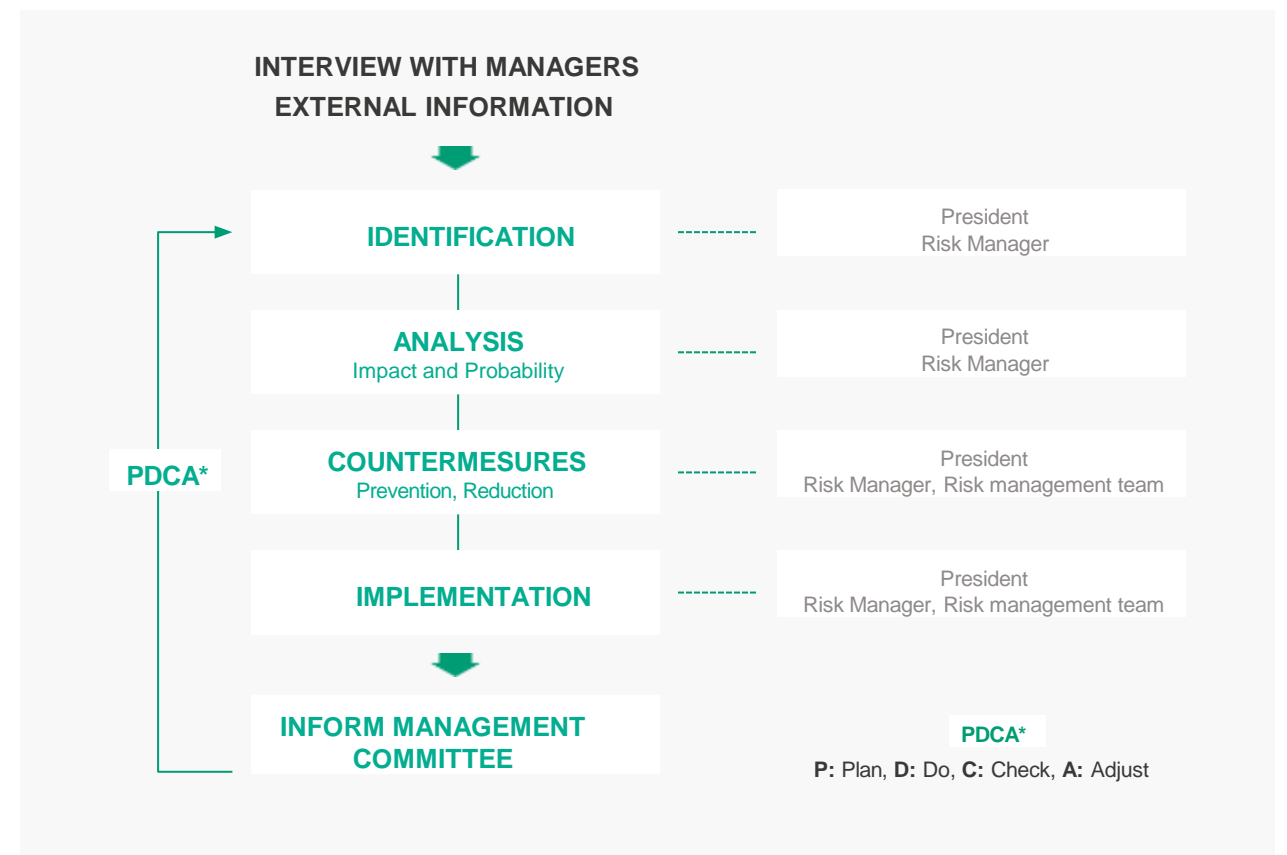
The risk management model implemented at KCE, called Risk Management, is integrated into the corporate programme and is led by Kao. Both risks (potentially negative impacts on the achievement of objectives and business) and crises (materialisation of such risks) are considered here.

In 2024 Kao revised its Risk and Crisis Management policy, specifying the responsibilities of the Risk Committee, incorporating the need to identify emerging risks in the current VUCA context, and detailing the main crises to be reported.

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

The general approach involves carrying out the following activities:

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



Of the possible risks to be considered, classified according to whether they are strategic, environmental and sustainability, operational and structural, those that KCE believes may have a significant impact are shown in the following table, which also shows details mitigation actions to be taken..



STRATEGIC RISKS

Risks	Risk management (Prevention/Mitigation)
Loss of profit generation	<ul style="list-style-type: none"> • Optimising intangible and tangible fixed assets. • Optimising production processes. • Maintaining adequate inventory volumes. • Having a workforce and organisational structure appropriate to the business and promoting automation and digitisation.
Digital business transformation	<ul style="list-style-type: none"> • Establishing a company-wide strategic plan for digital transformation.
Commercial	<ul style="list-style-type: none"> • Assessing market trends. • Evaluating and adapting the business strategy.

ENVIRONMENTAL AND SUSTAINABILITY RISKS

Risks	Risk management (Prevention/Mitigation)
Climate change	<ul style="list-style-type: none"> • Establishing an ambitious plan to improve our production processes with the aim of achieving energy efficiency, reduction of CO2 emissions and efficiency in water consumption.

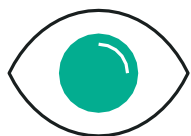
OPERATIONAL RISKS

Risks	Risk management (Prevention/Mitigation)
Plant accident	<ul style="list-style-type: none"> • Maintaining and renovating of our facilities, with special attention to those defined as critical; carrying out exhaustive risk assessments and regularly establishing internal and external control audits.
Lack or shortage of raw materials	<ul style="list-style-type: none"> • Focusing on strategic raw materials, defining safety stock policies, establishing multi-supplier supply strategies and prioritising local suppliers.
Hacking and cyber-attack	<ul style="list-style-type: none"> • Definition of security standards and specific plans to prevent intrusions. • Raising awareness and training for our staff in the field of cybersecurity.

STRUCTURAL RISKS

Risks	Risk management (Prevention/Mitigation)
Loss of qualified staff and/or difficulty in adapting the workforce to new challenges.	<ul style="list-style-type: none"> • Implementing security and organisational measures to maintain the workforce and design of the organisational architecture adapted to new requirements. • Implementing talent management strategies, identifying, assessing and establishing a staff development, retention and succession plan.

During 2024, none of these risks had a material impact on KCE or its stakeholders.



4.3 FIGHT AGAINST CORRUPTION, BRIBERY AND MONEY LAUNDERING

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

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

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

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

All KCE companies carry out risk and control activities for gifts, entertainment, donations and sponsorships. In this regard, all employees are required to obtain approval, disclose and submit reports in cases where there is an actual, apparent or potential conflict of interest. As set out in the Anti-Bribery Guidelines, gifts, entertainment and business-related expenses must be reasonable and proportionate. They should be in accordance with the laws and customs of the countries where they are given and received, and under no circumstances involve cash gifts.

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

In 2024, all affiliates published (on their intranets or local platforms, and on Kompas, the corporate intranet) the guidelines for avoiding conflicts of interest, corruption, and bribery.

KCE companies comply with annual reporting to the secretary of the Kao Compliance Committee on matters pertaining to conflicts of interest and anti-corruption and bribery.



INTERNAL CONTROL MECHANISMS

Within the framework of corporate reporting on compliance matters, and as an internal control mechanism, anti-corruption control forms are duly completed to ensure the appropriate approvals in all operations related to representation expenses. In 2024, KCE completed 404 forms with no conflicts of interest or cases of corruption reported at any of the companies.

With regard to the prevention of money laundering, the group's policy was developed and formalised in 2021. KCE has adopted this policy, in addition to the legislation in force in its subsidiary countries.

This policy defines the mandatory assessment of the identity and legitimacy of customers and suppliers before entering into business relations, as well as the minimisation of cash receipts and payments, giving preference to bank transfers. All group companies report to Kao Corporation's compliance secretary the number of transactions that have required due diligence.

4.3.1 CONTRIBUTIONS TO FOUNDATIONS, NON- PROFIT ORGANISATIONS AND POLITICAL PARTIES

415-1

The Business Conduct Guidelines explicitly prohibit contributions to political parties and unregistered or unknown charities, a prohibition also detailed in the Donations Policy and Anti-Bribery Guidelines established by Kao and adopted by all group companies.

The value of both donations and sponsorships group-wide amounts to 48,982 euros.

4.4 HUMAN RIGHTS

3-3 / 2-23 / 407-1

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

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

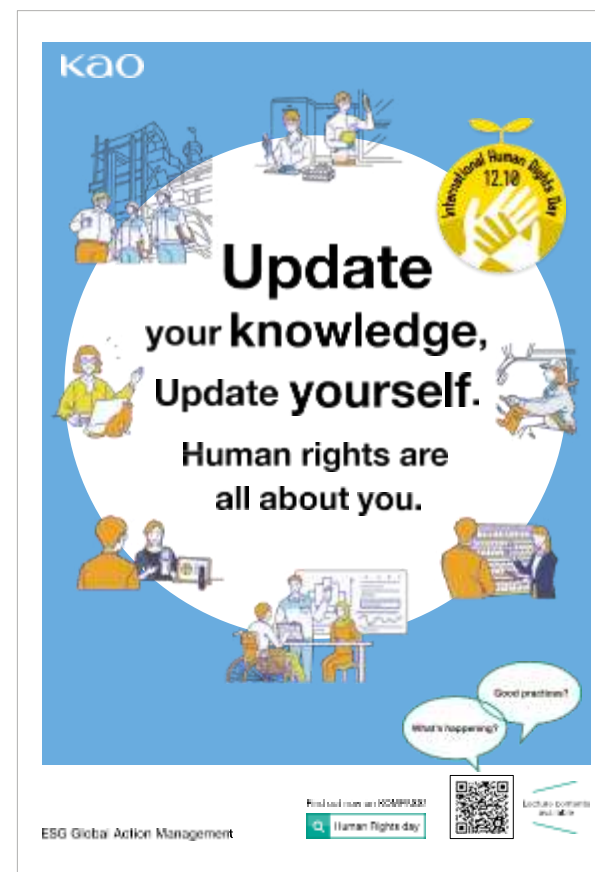
Fundamental principles of [the Code of Conduct](#):

- Conduct fair, honest and appropriate transactions
- Respecting Human Rights in the company's activities
- Respecting the diversity of employees and maximising their potential

Kao published the company's [Humans Rights Policy](#) in 2015, which was last reviewed in April 2023 by the ESG Committee and overseen by the Board of Directors. This policy outlines our commitment to respect human rights in all our business activities, as well as specific actions to achieve this:

- Compliance with applicable laws and regulations
- Respect for Human Rights in all business activities
- Human Rights Due Diligence
- Remediation in the event of identified negative human rights impacts
- Appropriate training for all management staff and all employees.
- Dialogue and consultation, and dissemination of information

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



4.5 ETHICAL CHANNEL

2-23

The Business Conduct Guidelines includes all relevant information on the operation of the ethics channels, ensuring that all employees can report and consult on compliance issues when necessary.

The main objective of the ethics channel is to provide staff with a communication tool to report, by means of an anonymous call, any conduct that violates compliance with the Guidelines.

This service, called [EthicsPoint del Grupo Kao](#), is accessible 24 hours a day, every day of the year and is provided by an independent company, which protects and guarantees the anonymity of those individuals who wish to bring to the organisation's attention something they consider inappropriate or unethical, in accordance with KCE's policy, principles and values.

The EthicsPoint whistleblowing channel ensures compliance with both the European Directive 2019/1937 on the protection of persons who report breaches of Union law, as well as the internal regulations through which the Spanish and German states have transposed this directive (law 2/2023 on the protection of whistleblowers and the Hinweisgeberschutzgesetz, respectively). Likewise, this whistleblower channel is also available for the company QK, although it is not directly affected by this European directive.

In 2024, no complaints were reported at any group companies, although one case was reported through the EthicsPoint that affects a KCE group company located in the European Union, but which in no case falls within the objective scope of Directive 2019/1937 or the national law that implements it.

In 2024, the Human Rights Policy was strengthened and published in 19 languages in order to make it accessible to all employees of the Group. The policy is available on the KCE website in English, Spanish, German and Portuguese.

<https://www.kaochemicals-eu.com/publications>

We are committed to further advancing our actions on diversity, equity and inclusion, enhancing collaboration with our stakeholders, including employees, business partners, and society at large, to promote equal opportunities for all people. This DEI Policy applies to all Kao Group employees.

RISK MANAGEMENT

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

409-1 / 408-1

In 2024, no operations were deemed to be a significant risk for child labour nor were young workers exposed to hazardous work and/or forced or compulsory labour.

2-27 / 411-1 / 406-1

Throughout 2024, KCE recorded no cases of disciplinary action for breaches of the Code of Conduct or human rights violations.



4.6 STAKEHOLDERS AND COMMUNICATION CHANNELS

2-29

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

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

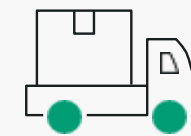


KCE STAKEHOLDERS AND COMMUNICATION CHANNELS



EMPLOYEES

- KCE Web
- Corporate intranet
- Internal intranets: HR, HSE, A&F
- EINF and KCE Sustainability Report
- Information panels and signage
- Conferences and activities
- Social networking
- Committees
- Other: meetings and direct contact, internal communication via email, letters of any kind, internal and/or external presentations, etc.



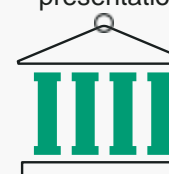
SUPPLIERS

- KCE Web
- EINF and KCE Sustainability Report
- Conferences and activities
- Social networking
- Other: meetings and direct contact, internal communication via email, letters of any kind, internal and/or external presentations, etc.



CUSTOMERS (Corporate)

- Direct commercial contacts
- KCE Web
- EINF and KCE Sustainability Report
- Social networking
- Other: meetings and direct contact, internal communication via email, letters of any kind, internal and/or external presentations, etc.



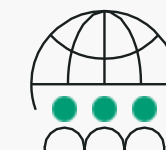
PUBLIC INSTITUTIONS

- KCE Web
- EINF and KCE Sustainability Report
- Social networking
- Other: meetings and direct contact, internal communication via email, letters of any kind, internal and/or external presentations, etc.



MEDIA

- Direct contacts (answering queries)
- KCE Web
- EINF and KCE Sustainability Report
- Social networking



SOCIETY (Including NGOs and local associations)

- KCE Web
- EINF and KCE Sustainability Report
- Meetings and gatherings
- CSR events and activities
- Social media

In 2024, the policy regarding the communication of economic-financial, non-financial and corporate information that applies to KCE companies was approved. The purpose of this policy is to ensure the commitment to disclose information in an active, effective and transparent manner, developing a relationship of trust between KCE and its stakeholders, which at the same time allows two-way communication.

5 OUR COMMITMENT TO THE ENVIRONMENT



5.1 ENVIRONMENT APPROACH AT KCE

3-3 / 2-27

Environmental management at KCE is directly determined by our corporate philosophy and strategies, which in turn are based on programmes such as Responsible Care (see section 2.6).

Also integrated into KCE's environmental management is compliance with each country's legislation, as well as the pacts and programmes of each region, such as the European Green Deal.

Finally, each KCE company incorporates the requirements derived from the internal commitments assumed with the local communities, as applicable, and those of any voluntarily adopted certifications, such as ISO 14001, EMAS or ISO 50001, depending on the company (see section 2.5).

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



5.2 ENVIRONMENTAL COMMITMENTS FOR 2030

In 2020¹, we established our ESG objectives for 2020-2030 :

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

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

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

² Target to be achieved by 2025.



5.3 MAIN ENVIRONMENTAL RISKS THAT AFFECT THE ORGANIZATION

3-3

Kao has identified the main risks that could negatively affect the Group's sustainable and profitable development. KCE has prioritised those with the greatest impact in the context of its activity and its environment and has established its own management and monitoring plan (see section 2.7.1). These include the environmental risks associated with climate change, for which we distinguish between physical and transition risks.

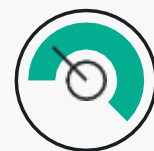
These risks include the possibility of suspending operations due to extreme weather events, increased costs due to tighter regulations, resource depletion, environmental pollution, water supply security and loss of biodiversity (see section 5.4).

Another line of work that allows KCE to determine environmental risks is related to the performance of double materiality analyses, as previously described. Consequently, KCE has a clear understanding of which environmental issues to prioritize.

The following sections describe the main focus for each area of environmental management, as well as the indicators that determine their degree of performance. There are two types of indicators:



Those that indicate the total annual absolute value -consumption, production, emission or generation- in the area considered; for example, annual water consumption expressed in m³. They are calculated as the sum of the absolute value of each KCE company.



Those that indicate the relationship between this absolute value and the object of the activity (production expressed in tons), that is, the ratio or rate, such as the cubic meters of water consumed per unit produced (m³/t). They are calculated as the sum of the total annual absolute value of each company and the annual reference value representing the activity (sum of the productions of each company), meaning the ratios from all previous years have been recalculated.

5.4 CLIMATE CHANGE

3-3

Climate change caused by global warming affects people's lives and the natural environment in various ways. Impacts are observed in glaciers, sea level rise, floods, droughts and other extreme weather events, which have consequences for marine and terrestrial ecosystems, and affect food production and people's health. Climate change has been identified as a material topic.

At present, each KCE company has an environmental policy that reflects its own commitments in this respect. However, the "KCE ENVIRONMENTAL POLICY", currently in development, will be common to all of them.

In turn, each of KCE's companies has established environmental targets regarding climate change mitigation and energy, which derive directly from the group. In addition, the group is developing targets related to adaptation, especially for those companies located in areas at risk of water scarcity.

The following are the metrics and indicators that show KCE's compliance with climate change targets (see section 5.6.1 for energy).



5.4.1 CLIMATE CHANGE MITIGATION

(3-3) 305-1 / 305-2 / 305-3 / 305-5

KCE tracks Scope 1, 2 and 3 CO₂ emissions, as shown below:

KCE	2022	2023	2024
Total direct GHG emissions (scope 1) (t CO _{2e})	72,330	57,729	54,913
Scope 1 emissions / production (kg CO _{2e} /t)	203.58	176.66	158.71
Total indirect GHG emissions (scope 2) (t CO _{2e})	5,075	3,974	1,255
Scope 2 emissions / production (kg CO _{2e} /t)	14.28	12.16	3.63
Other indirect GHG emissions (scope 3) (t CO _{2e})	16,831	21,630	842,718
Scope 3 emissions / production (kg CO _{2e} /t)	47.37	66.16	2,435.68
Total GHG emissions (t CO _{2e})	94,236	83,364	898,886
Total GHG emissions / production (kg CO _{2e} /t)	265.24	254.97	2,598.02

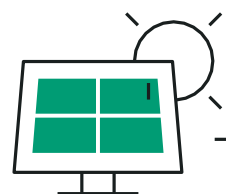
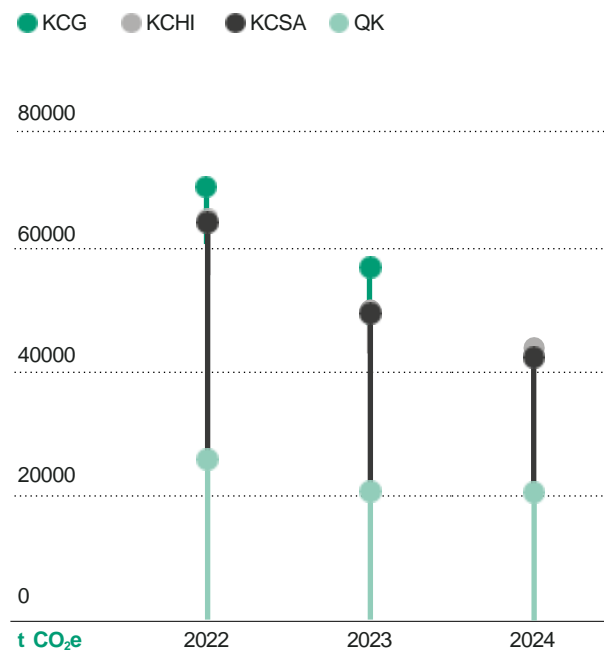
CO₂ emissions (scope 1 and 2) have decreased by 40.9% (38,866 t) compared to 2017, the base year for this indicator. Scope 3 emissions have increased due to the inclusion of categories that had not been reported to date. The information regarding each of the scopes is detailed below.

SCOPE 1 EMISSIONS

There is a decrease compared to the previous year, mainly due to the shutdown of the cogeneration plant at KCSA's Olesa de Monserrat facility in 2023, as well as the decrease in QK's natural gas consumption, as the cogeneration plant did not operate in 2024.

While Scope 1 emissions, except at KCSA, have increased, this is not the case for the ratio. The only company with an increased ratio is KCHI; this is due to the introduction of emissions related to company vehicles. It should be noted that KCHI's emissions are of little relevance compared to the rest of the companies.

DIRECT GHG EMISSIONS (SCOPE 1) BY KCE COMPANIES



SCOPE 2 EMISSIONS

Scope 2 emissions have also been reduced, as has the ratio per ton of production, as QK has made progress in the gradual process of purchasing green energy (77% in 2024, 100% planned for 2025), 100% of the remaining subsidiaries' electricity is from renewable sources.

In 2024, KCSA signed a contract with ENGIE to supply steam from the biomass boiler that the company built at the Olesa de Monserrat facility.

SCOPE 3 EMISSIONS

Unlike Scopes 1 and 2, Scope 3 emissions show a very significant increase with respect to the previous year, which is mainly due to the fact that this report includes heretofore unquantified emissions, such as those associated with the purchase of materials.

The following table details the scope 3 emissions considered. It should be noted that the attached annex includes a breakdown of the subsidiaries that report in each of the categories.

KCE	2022	2023	2024
1. Purchased goods and services	-	683,121	808,539
4. Upstream transportation and distribution	5,749	4,872	11,575
5. Waste generated in operations	-	114	1,832
6. Business travel	-	291	238
7. Employee commuting	-	853	864
9. Downstream transportation and distribution	11,082	15,500	19,669

In the coming years, they are expected to continue to increase due to the quantification of indirect emission sources, which are not currently included.



5.4.2 MITIGATION ACTIONS

3-3

We are committed to the goal of zero CO₂ emissions by 2040 and being carbon negative by 2050.

In our commitment to help mitigate climate change, each KCE company has drawn up a decarbonisation plan that corresponds to the objectives established in the short, medium and long term.

Each plan includes a large number of measures, some of which are already established, such as the purchase of electricity from renewable sources, the installation of photovoltaic panels, the replacement or shutdown of facilities that use fossil fuels (natural gas) and the replacement of technology used in lighting fixtures with LEDs.

In the same vein, since 2006, the group has implemented *Internal Carbon Pricing (ICP)*, a system aimed at prioritizing investments in more efficient technologies with low CO₂ emissions, as well as in climate-resilient activities.

In parallel, the group is intensifying actions to reduce emissions, both direct and indirect emissions, which include:

- **In the procurement of raw materials:** these incorporate green purchasing concepts and specific at the different subsidiaries.

- **In the product development process:** these ensure compliance with the environmental standards described in the design guidelines.
- **In the manufacturing process:** these include initiatives to reduce energy consumption by introducing more efficient equipment and eliminating energy loss points, We also promote the use of cleaner energy, more environmentally friendly refrigerants and maintain equipment to prevent leakage of refrigerants and other greenhouse gases. The selection of air conditioning and refrigeration equipment is made according to criteria defined by the group, which consider the environmental impact of the refrigerant. In addition, we have a defined plan for the progressive replacement of equipment using refrigerant gases with the highest impact, in line with the Kigali Amendment to the Montreal Protocol.
- **In the distribution process:** by increasing shipment volumes, these promote cleaner freight methods and the improvement of cargo ratios.

5.4.3 ACTIONS FOR ADAPTATION

3-3

The group has launched efforts aimed at adapting to climate change, by first identifying facilities located in areas at risk of water scarcity or that are highly likely to suffer extreme weather events.

In 2024, KCE identified and assessed the physical and transitional risks associated with climate change affecting each subsidiary.

Physical risks are those arising from an increased number of extreme events and changing climatic conditions, while risks associated with the transition to a carbon neutral economy are related to regulatory, technological, reputational and market changes.

The process was carried out based on the recommendations of the TCFD¹, the adaptation criteria of the European Taxonomy, the collaboration of the Marsh Company and the vision of each of the subsidiaries.

¹Task force on Climate-related Financial Disclosures (TCFD)

Specific findings for physical hazards

SHORT TERM (2024)	Physical risks due to climatic events are mitigated with insurance, while other chronic risks related to droughts have a major impact.
MID TERM (2030)	The most relevant physical risks are the same—droughts, water stress and change in average temperatures—but their probability and/or impact increases.
LONG TERM(2050)	Droughts will the main risk to the business as water availability is affected. In addition, water stress will increase, causing the company to invest and change its operations. Costs due to temperature rises will continue to grow but will not remain very relevant.

Thus, KCE has completed the risk identification and assessment phase and will begin planning adaptation solutions, which will incorporate the actions already underway, and together they should lead to a reduction of the identified risks.

Some of the solutions already underway include:

- KCE reports monthly volumes of the different existing water supplies. The group's objective, by 2024, was to establish a plan to achieve a reduction in water use over the entire lifecycle per unit of sales, especially in water-scarce regions, with 2017 as the base year. This reduction target is expected to be defined by the group in 2025.
- KCE promotes the installation of solar panels that generate electricity for its own use, reducing dependence on external supply while increasing the company's resilience in case of need.

PHOTOVOLTAIC CAPACITY

QK



499 kWp

KCHI (Rubí)



185.33 kWp

KCSA (Olesa)



97 kWp

5.5 POLLUTION PREVENTION

3-3

Pollution prevention has also been identified as a **material topic**.

At present, each KCE company has an environmental policy that reflects its own commitments in this respect. However, in order to ensure explicit mention of each of the material topics and subtopics, the "KCE ENVIRONMENTAL POLICY" is being developed, which will be common to all of them.

It should be noted that KCE carries out multiple actions to prevent air, soil and water pollution in the areas near the production plants, in addition to reducing the pollutant load of the wastewater it generates.

5.5.1 AIR POLLUTION PREVENTION

3-3

KCE's main commitments focus on strict compliance with specific laws and regulations and the development of the principle of pollution prevention. This involves, among other actions, the gradual introduction of best available techniques, the modification of processes in favour of emission reduction and their exhaustive monitoring.

KCE publishes emission data from KCG, QK and KCSA as part of the *Pollutant Release and Transfer Registers (PRTR)*.

AIR EMISSIONS

305-7

KCE carries out quantified monitoring of CO, NO_x, CH₄, HFCs, PFCs, NF₃, SF₆, PM and VOC emissions, the results of which can be consulted at the end of the report.

These include the reduction of pollutant generation at the source, the application of good practices in the operation of the facilities, and the use of the best available techniques to combat pollution.

However, these actions are often not conceptualized as objectives, so work is underway to define them for future years.

The following are the metrics and indicators that show KCE's level of performance in terms of pollution prevention.

This monitoring shows that in 2024 emissions from combustion gases (CO, NO_x and SO₂) declined due to the decrease in natural gas consumption, derived from the definitive shutdown of KCSA's cogeneration (in 2023 it was operational for 5 months) and the temporary shutdown of QK's cogeneration.

In terms of particulate emissions, KCSA and QK report the highest emissions. The increase observed is basically due to higher production. HFC emissions correspond to KCSA and QK, with QK being the main contributor this year.

As in previous years, VOC emissions are reported by all group companies except KCG. Among the reporting companies, only KCHI reports diffuse emissions, which are significant due to the handling of volatile solvents involved in its activity. KCSA and QK report only channelled VOC emissions, which are minimal compared to those reported by KCHI (whose emissions rose in 2024). It should be noted that KCHI has continued to implement actions to minimize diffuse emissions. The increase of 12.1 tons over the previous year is primarily due to 2 aspects:

- An increase in the production of solvents
- A delay in the removal of waste due to unavailability of dates by the managers; this led to the removal of 10 tons of solvent in January, which would detracted from the overall VOC count.



5.5.2 WATER POLLUTION PREVENTION

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

KCG does not need an additional on-site wastewater treatment plant, as its wastewater is discharged directly into the local sewage treatment plant, because KCG's wastewater meets local requirements. KCG is not required to have its own wastewater treatment plant.

DISCHARGE DATA 303-4

KCE monitors wastewater including the amount of water discharged, the mass load of TOC, SS, N and P, as well as their respective ratios to final production, as shown in the tables at the end of the report.

The amount of water discharged by KCE in 2024 increased significantly, by just over 41.7 Mm³. The ratio per ton produced has also increased with respect to the previous year.

KCSA and QK are the main contributors to this increase. In the case of KCSA, the most notable increase occurred at the Mollet facility, caused by the variation in the production mix. In the case of QK, the increase is attributable to the procurement of more regenerated water from the government treatment plant, which must be osmosed and involves the generation of rejects from this type of facility. Additionally, all companies have decreased their respective water consumption, except QK and KCHI.

The TOC¹ pollution load has increased by approx. 30 tons compared to the previous year. KCG has mainly contributed to the increase and is due to the start-up of the new production plant TAP 3. The largest reduction occurred at QK and KCSA.

Pollution load per ton produced increased by 7.7%, which is commonplace when consumption drops, production rises, and optimised purification treatments are maintained. Other factors that explain this increase concern the start-up of production plants and the production mix, since shorter production runs and more frequent product changes lead to increased cleaning.

The only parameter that decreases at KCE and the affiliates is suspended matter. Nitrogen and phosphorus decrease in KCSA, but increased at the remaining companies.

Wastewater is discharged into the municipal sewage system after treatment. In addition, since our business involves the use of chemicals, groundwater is monitored at most of our production sites.

The possible presence of nanomaterials, PFAS, SoCs or micropollutants is currently under examination and consideration.



5.5.3 OTHER FORMS OF POLLUTION

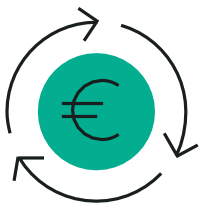
PREVENTION OF NOISE AND LIGHT POLLUTION

Noise levels outside KCE's production centres are periodically monitored to verify noise levels. The goal is to ensure that these are within the legal limit or to detect an increase in environmental noise and, consequently, to adopt preventive or corrective measures as soon as possible. In general, emission levels - the level of noise emitted to the outside- are usual for this type of activity and the established limits are not exceeded.

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

¹ In relation to the pollutant load of wastewater, the representative parameter is total organic carbon (TOC), which is expressed as one third of the chemical oxygen demand (COD).

5.6 USE OF RESOURCES AND CIRCULAR ECONOMY



The use of resources and circular economy has also been identified as a **material topic**.

In 2024, KCE has approved the "RESPONSIBLE MANAGEMENT OF CHEMICALS POLICY" which reflects its commitment to chemical management. In addition, KCSA also updated its "Biodiversity Policy" in 2024, incorporating a clear commitment to halt and reverse biodiversity loss, and focusing, among other aspects, on SDG 15 "Life of terrestrial ecosystems", and on the identification and assessment of impacts and dependencies of the company's activities on biodiversity.

In future years, with the deployment of these policies, the establishment of new environmental objectives in addition to those that have already existed for years, such as the RSPO, as described below (see section 5.6.1. should be considered,

Certainly, at KCE we are making progress in the development of an increasingly circular production model. To achieve this, we apply process improvements that have a direct impact on the reduction of waste and the consumption of raw materials.

5.6.1 RESPONSIBLE CONSUMPTION AND PRODUCTION OF MATERIALS

301-1

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

We also made progress in the design of more environmentally friendly products through the use of less hazardous or recycled raw materials, the reuse of packaging and eco-design.

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

In 2024, all families or aroma chemicals and surfactants produced at KCE were modeled in the GABI-SPHERA software. From these models, the carbon footprint value of each product produced at KCE can be easily obtained by following the certified methodology and creating a report to communicate the result to customers on demand. For the calculations, carbon footprint data of raw materials from suppliers was collected. In cases where such values were not obtained, databases were used. All of these raw material carbon footprint values have, in turn, been included in the calculation of our Scope 3 (see section 5.4).

The following sections detail the metrics and indicators that show the level of KCE's performance in terms of resource use and circular economy,

The procurement of materials takes into consideration the quantities, format and source of supply. In 2024, 272M tons were consumed and 346M tons were produced, resulting in a 23% increase in the ratio of raw materials to final production (t/t), as shown in the following table.

RAW MATERIAL USAGE DATA

KCE	2022	2023	2024
Raw materials (t)	270,063	236,793	272,246
Production (t/t)	355,286	326,951 ¹	345,989
Raw materials / Production (t/t)	0.69	0.62	0.77

¹ An error has been detected in the number submitted in the previous year, in which 325,871 was declared instead of 326,951.

TRANSITION TO IMPROVE THE USE OF RESOURCES AND CIRCULAR ECONOMY

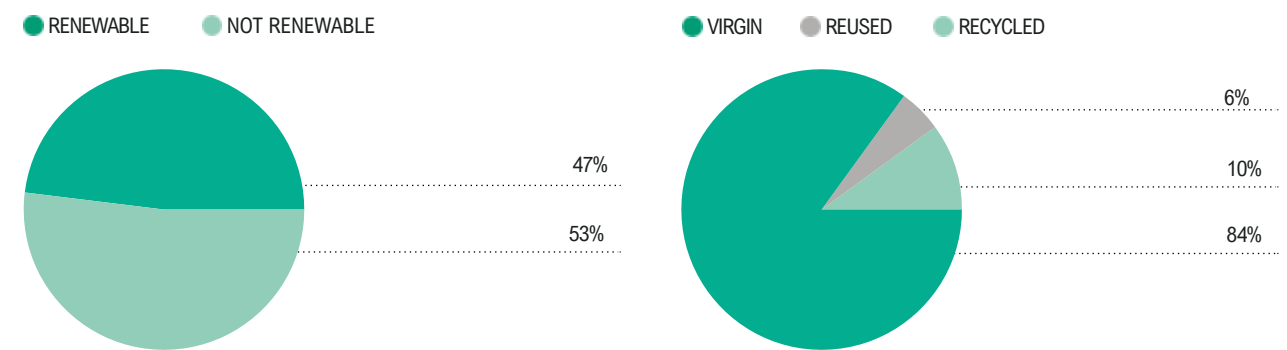
KCE's activities involve the use of resources that, to a greater or lesser extent, could impact biodiversity and ecosystems, either positively or negatively.

To reduce the environmental impact of our resource use, KCE intends to develop a transition plan to improve such use and contribute to a circular economy. By doing so, we will gradually minimize the extraction of non-renewable resources and further prevent waste generation and reduce pollution.

In 2023, a process was initiated to identify the inflows considered material and their classification, in order to learn more about biodiversity dependencies and to be able to initiate a risk and opportunity analysis as the next step.

This study was carried out again in 2024 and, as a result, 71% of KCE's inputs were classified. Of these, 47% were found to be renewable and 53% non-renewable. It was also found that 84% of the materials used are virgin, 10% are recycled and 6% are reused.

The variations with respect to the previous year are minimal. The table at the end of the document expands on the above data.



Deforestation, RSPO

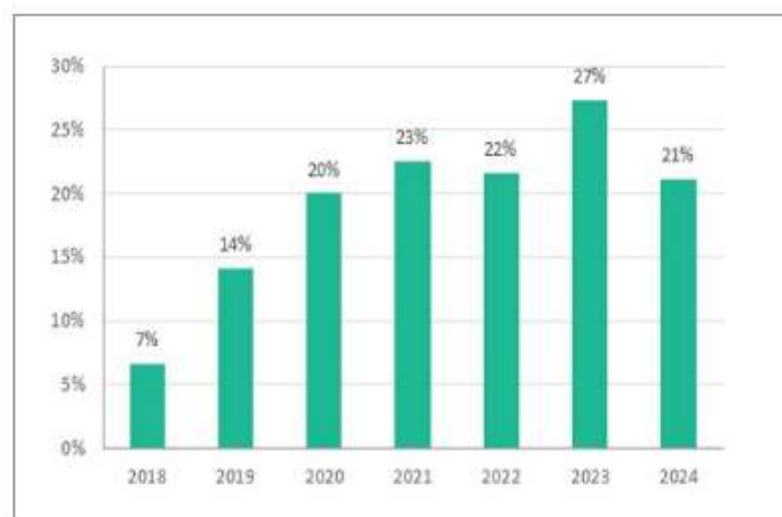
Kao is committed to supporting the reducing of forest destruction and achieving zero deforestation, through the fulfillment of two projects related to the consumption of sustainable materials: palm oil and wood derivatives, paper and pulp. In 2020 Kao established initiatives for the procurement and sourcing of sustainable palm oil², setting a series of priority activities aimed at procuring 100% RSPO certified oil by 2025.

PERCENTAGE OF RSPO-CERTIFIED PALM-DERIVED RAW MATERIALS IN THE PERIOD 2022-2024

	KCG	QK	KCSA	TOTAL KCE
2022	20.8%	12.0%	30.9%	21.6%
2023	25.3%	34.8%	31.9%	27.3%
2024	17.3%	89.8%	16.2%	21.1%

²<https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/>

EVOLUTION OF RSPO RAW MATERIAL CONSUMPTION



At KCE, we are advancing the development of technologies that use natural, non-edible oil sources as alternatives to palm oil and we use sustainable palm oil in the production of our products. All KCE subsidiaries have obtained RSPO certification with the exception of KCHI, which does not use palm oil in its processes.

At KCE we are committed to supplying our products, based on palm oil or derivatives, using sustainable raw materials, if required by the customer. Similarly, we also supply our products using NDPE (Non-Deforestation, Non-Peat and Non-Exploitation) raw materials.

In 2024, there was a decrease in the consumption of sustainable palm oil-based raw materials globally by KCE. However, at QK there was a very significant increase, due to demand from the cosmetics and household hygiene consumer markets. KCG and KCSA show a significant decrease due to declining demand attributable to the global economic situation and the introduction of the "Book & Claim" supply model (RSPO credits) by some customers.

In terms of governance, Kao established the goal of ensuring the ability to trace raw materials to their origin and make the supply chain visible, especially for palm oil. KCE is considering establishing the same objective in its own supply chain.

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

KCE is constantly examining renewable raw materials to replace petroleum derivatives, as part of the measures adopted under the group's decarbonisation plan. One initiative undertaken in recent years is to offer products with a higher Bio content, and as mentioned in chapter 2.5, we have obtained ISCC certification, which allows us to offer Bio products under the mass balance scheme.

In 2023, KCE published a statement on conflict minerals on its website⁷. Although the company is not a direct importer of these minerals and therefore has no obligations under EU Regulation 2017/821, we consider it our responsibility to verify the origin of all our raw materials.

Given the nature of our business activities, KCE's exposure to conflict minerals is indirect and very limited. However, we may potentially be exposed to these minerals through the use of catalysts in the manufacture of some of our products. For this reason, we require all our suppliers to provide information on the use of conflict minerals through the CRC (Certificate of Regulatory Compliance) document. In addition, where required, they must submit evidence of the CMRT (Conflict Minerals Reporting Template) report during the supplier approval process, in accordance with our internal protocols.

Annually, we request an updated CMRT report to ensure that all products supplied to KCE are free of conflict minerals.

In 2024, not a single supplier we work with uses minerals from conflict zones.

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

⁷ [kce-conflict-mineral-statement-2023.pdf \(kaochemicals-eu.com\)](https://www.kaochemicals-eu.com/kce-conflict-mineral-statement-2023.pdf)

5.6.2 CHEMICALS MANAGEMENT

Kao has had its Integrated Chemical Management System in place since 2017 and is applied in all its companies globally. KCE continuously strengthens its functionality in response to increasingly stringent regulatory requirements, growing diversity in handled chemicals and planned business expansion into new countries and business areas.

Chemical management process at KCE:

REGULATORY EVOLUTION OF CHEMICAL SUBSTANCE MANAGEMENT:

- Conduct detailed studies of all new products and raw materials developed and used at KCE.
- Reassess priority substances for KCE, in accordance with regulatory requirements relating to the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

GENERATION AND UPDATING OF SAFETY DATA SHEETS:

- Generate the Safety Data Sheet (SDS) for all products produced by KCE. The function of the SDS is twofold: to inform all organization members internally of the hazardousness of the products produced at our facilities and to provide the information contained in the document of our products to the recipients. The SDS includes chemical product information, hazard identification, fire-fighting or accidental release measures, handling and storage information, toxicological and ecological information, transport information, regulatory information, and more.
- Whenever a chemical safety report is prepared for a substance, an annex with exposure scenarios for the identified uses will be included in the SDS.

- The SDS is updated as new hazard information or new data that may affect risk management measures becomes available. The most recent version is provided to all internal and external customers to whom the product was supplied within the previous 12 months. Any updates are duly recorded.

MANAGING PRODUCT SAFETY THROUGHOUT THE CHEMICAL LIFECYCLE:

- Ensure the correct labelling of the products handled at our facilities based on the Global Harmonized System (GHS) from the moment they enter our facilities or are produced therein, until their shipment, either as products or as waste. We also ensure that all employees are made aware of the classification and labelling documentation (SDS and labels) for all our products.

COMMUNICATING CHEMICAL SUBSTANCE RISKS TO STAKEHOLDERS:

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

Every chemical substance used or manufactured at KCE follows an exhaustive verification programme of European regulations and global standards to ensure its safety and proper use.

Verification is not only performed on the substance itself, but encompasses all known traces and impurities it may contain. This information is used to generate all the necessary documentation, both mandatory and voluntary, which is then circulated internally to provide better information and transparency to our customers.

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



PARTICIPATION IN ASSOCIATIONS

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



DATABASES

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

In 2024, several substances were registered with ECHA and more were updated, while the volumes, applications, and requirements for the remaining substances that KCE has registered were monitored.

KCE's European team is responsible for the monitoring and obligations of the Kao Group, for both the products and raw materials we use. In particular, suppliers are asked to provide information on the REACH registration of raw materials through the CRC (Certificate of Regulatory Compliance) document.

In addition to complying with mandatory regulations, the company complies with other voluntary regulations linked to market trends or imposed by non-governmental organizations.

In this regard, in 2024, fragrance compositions were revised to adapt them to the 51st Amendment of the IFRA (International Fragrance Association). We also registered several products with ECOCERT and responded to the possibility of our products being Ecolabel certified when required.

Dissemination of regulatory and product safety concepts is fundamental for KCE. In 2024, the regulatory department participated in internal dissemination sessions with the relevant departments, as well as in monthly dissemination sessions on new regulatory developments affecting our products. In addition, the company participates in national and European events related to the registration of chemical substances (European Notification Panel), the regulation of biocides, the REACH regulation and green schemes, among others.

5.6.3 ENERGY

KCE promotes initiatives to reduce energy consumption and improve efficiency at all its production centres and facilities.

ENERGY CONSUMPTION

302-1 / 302-3 / 302-4

KCE	2022	2023	2024
Total energy consumption (MWh)	404,944	358,229(*)	356,507
Total energy consumption / Final production (MWh/t)	1.14	1.10 (*)	1.03
Electricity consumption (MWh)	82,645	79,649	84,668
Electricity consumption from renewable sources (%)	63.28	78.03 (*)	92.79
Electricity consumption / Final production (MWh/t)	0.23	0.24	0.24
Natural gas consumption (GJ)	1,278,508	1,057,192	919,475
Natural gas consumption / Final production (GJ/t)	3.60	3.23	2.66
Thermal consumption (MWh)	314,588	276,828(*)	270,274
Thermal consumption / Final production (MWh/t)	0.89	0.85(*)	0.78
Other energy consumption (MWh)	7,711	1,686	1,426

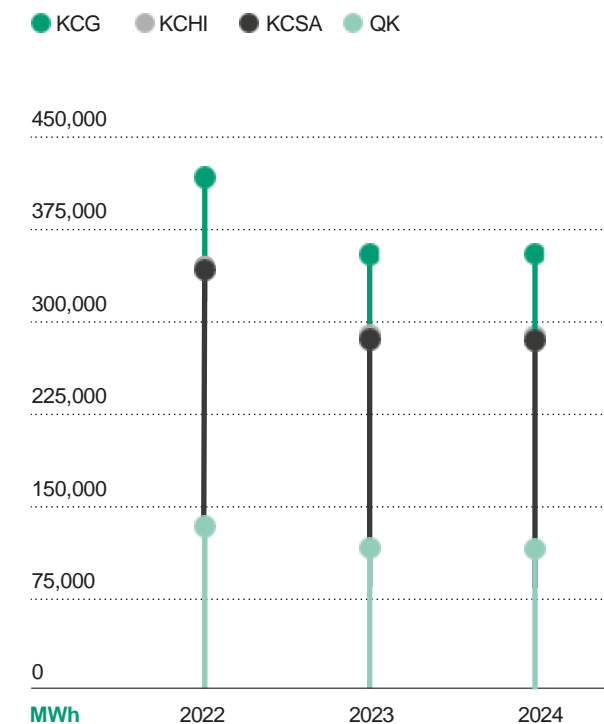
(*) Data corrected with respect to the 2023 version (an error was detected in the KCSA data entry).

KCE's overall energy consumption and the corresponding ratio declined with respect to 2023 due to the definitive shutdown of the cogeneration plant at KCSA and the cessation of operations at QK. Despite the start-up of new facilities, consumption and the ratio did not increase due to the energy efficiency actions undertaken. At QK, the energy related to the transport of water from the government water treatment plant decreased.

The percentage of electricity consumption from renewable sources increased by 23% as a result of the certification provided by QK's electricity supplier. Of note is the decrease in "other energy consumption", primarily at QK, due mainly to the decline in the use of fuel for vehicles.

Compared to the previous year, the base year for this indicator, the energy consumption ratio decreased by 6%. In 2024, 100% of the electrical energy consumed by KCG, KCSA and KCHI (except for a small office in KCHI France, which represents 0.3% of KCHI's consumption) came from renewable sources.

ENERGY CONSUMPTION BY SUBSIDIARIES



5.6.4 WATER

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

Water management has been identified as a **material topic**. At present, each KCE company has an environmental policy that reflects its own commitments in this area. In addition, the "KCE ENVIRONMENTAL POLICY" is being developed, which will be common to all of them.

This policy will incorporate specific commitments for those companies located in areas at risk of water scarcity.

In turn, each KCE company has established environmental targets in relation to water consumption, which are derived directly from the group.

The following are the metrics and indicators that show the level of achievement of KCE's objectives and performance in terms of water.

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

WATER WITHDRAWAL

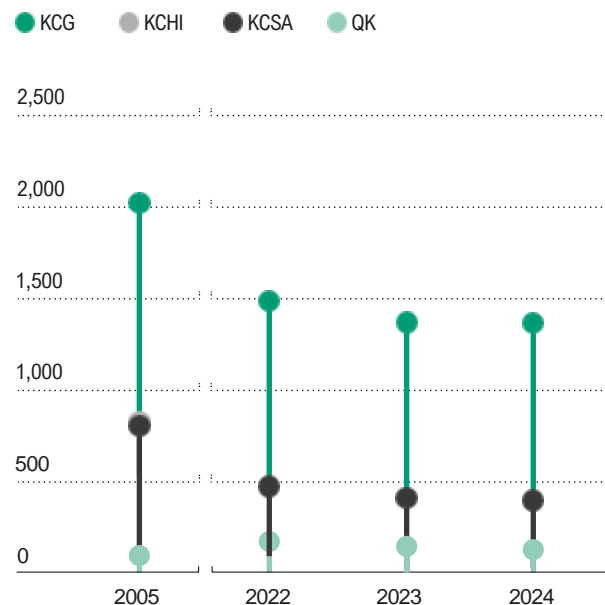
303-3

KCE gets its water from three different sources, the primary source being groundwater withdrawal. The company extracts the largest amount of groundwater for use at open circuit for cooling facilities, which is ultimately returned to the Rhine River. Some KCE facilities have their own duly authorised and controlled wells for the withdrawal of water. QK uses water from a municipal treatment plant that is treated before use, as one of the measures established to improve circularity in water management.

Water extraction increased by 4,311 m³ with respect to 2023, but the extraction rate per ton produced fell relative to the previous year (5%), a fact that illustrates greater efficiency in the use of this resource; even more so if we take into account the new production plants in operation.

Compared to 2005, the base year for this indicator, the water withdrawal rate decreased by 39%.

WATER WITHDRAWAL BY SUBSIDIARY



WATER CONSUMPTION

303-5

Water consumption is calculated as the difference between water withdrawal and discharge.

Water consumption at KCE decreased compared to last year by 25,962 m³, and the ratio by 17%. The reduction in water consumption is attributable to KCSA which saw the most significant reduction in terms of ratio.

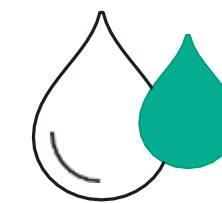
KCSA is located in Catalonia, a region of Spain that has been experiencing a severe drought since 2023, which has led to the adoption of measures to minimize water consumption.

It is worth highlighting water consumption independent of production, e.g. for cooling or heating of storage tanks or for sanitary use. should be highlighted, The lower the total consumption, the greater the influence of this base consumption on the water consumption rate.

On the other hand, temperature changes, as well as extreme conditions, also have an influence in this area.

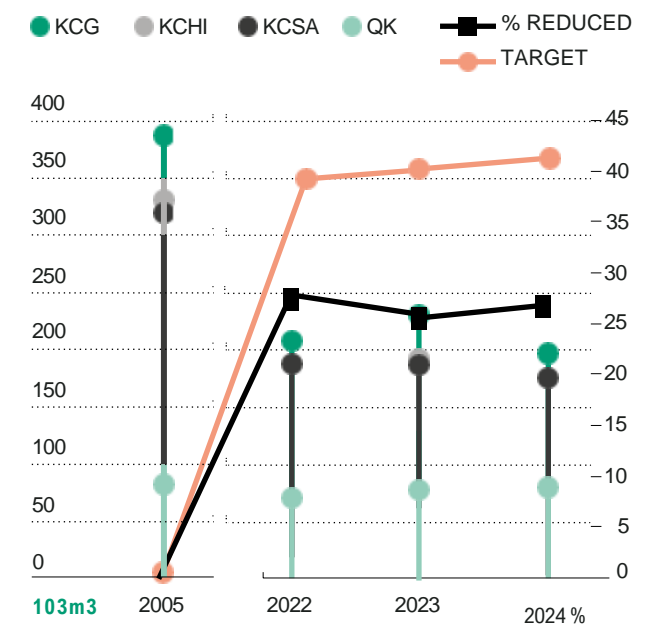
Compared to 2005, the base year for this indicator, the water consumption rate has decreased by 60%.

WATER CONSUMPTION



210,490 m³ 2023
184,528 m³ 2024

WATER CONSUMPTION PER SUBSIDIARY



103m³ 2005 2022 2023 2024 %



5.6.5 WASTE

KCE implements measures aimed at more circular management. Among other actions, progress underway on improving the performance of production processes, reducing and reusing packaging, and ending the status of waste, thanks to the commercialization of these substances as products.

Waste management is included in the section on the circular economy and resource management, which has been identified as a **material topic**.

At present, each KCE company has an environmental policy that reflects its own commitments in this area. However, the "KCE ENVIRONMENTAL POLICY" currently in development, which will apply to all of them.

In turn, each of the KCE companies has established environmental targets for waste generation and disposal, which are derived directly from the group.

In this regard, a target has been set for 2030 for industrial waste destined for landfill or incineration to be less than 1%.

Metrics and indicators that show the level of achievement of KCE's objectives and performance in terms of waste are detailed in the appendix.

The amount of waste generated, indicated in the table in the appendix, excludes construction waste, which is generated on an ad hoc basis.

The amount of waste generated increased compared to the previous year by 2,310 tons. While QK and KCHI managed to decrease both waste generation and rate, both increased at KCG and KCSA. This is because both companies started up new production plants (TAP 3 and MDJ-2, respectively).

The company that generates the most waste is KCSA, which has increased production of the products that generate the most waste.

The start-up of the TAP 3 and MDJ-2 plants masks the minimization actions being carried out to reduce waste.

The degree of waste recovery -including energy recovery- increased with respect to the previous year and, for the third consecutive year, remained above 70%.

WASTE GENERATED



ACTIONS TO REDUCE FOOD WASTE

KCSA in Barberà del Vallès and QK dining facilities onsite, where food quantities are adjusted to avoid food waste.

At KCSA, the company that prepares the food maintains the "Stop food waste program", which minimises food waste throughout the chain; the waste generated is measured daily and awareness actions (training of both kitchen staff and diners) regarding food waste prevention are offered.



5.7 BIODIVERSITY

Biodiversity is an issue of particular importance because of the impact of KCE's activities on the extent and condition of ecosystems.

In 2024, KCE approved the "RESPONSIBLE MANAGEMENT OF CHEMICALS POLICY" which reflects its commitments regarding chemicals management. In addition, KCSA also updated its "Biodiversity Policy" in 2024, incorporating a clear commitment to halt and reverse biodiversity loss, and focus, among other aspects, on SDG 15 "Life of terrestrial ecosystems", and on the identification and assessment of impacts and dependencies of the company's activities on biodiversity.

In addition to what is indicated in section 5.6 regarding the circularity objectives, it should be noted that KCE has advocated for the protection and promotion of biodiversity at its own establishments and surrounding locations since 2018.

The following are the metrics and indicators that show the level of KCE's performance in terms of biodiversity conservation within the framework of the Responsible Care® programme.

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

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

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

The score obtained by KCE in 2024 is as follows:

KCE	2022	2023	2024
KCG	236	236	236
QK	290	290	290
KCHI	405	385	415
KCSA			
Olesa	595	595	595
Mollet	386	391	391
Barberà	535	555	555

KCE's production sites are located in industrial parks and three of which are close to areas of natural interest, Although they are not affected by current activity, a disaster could partially affect them.

All KCE production sites are built according to legal regulations with due monitoring and control of all identified environmental aspects, particularly, those of greater significance.

In order to respond to a possible catastrophic situation, each KCE site has a self-protection plan that covers accident scenarios and establishes the corresponding action procedures according to the means available.

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

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

BIODIVERSITY INDICATORS AND THEIR EVOLUTION

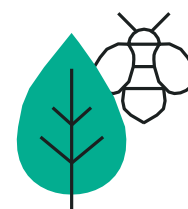
KCE	2022	2023	2024
Land occupancy (%)	42.26	42.00	42.93
Total land use (m2)	188,664	184,922	189,856
Total sealed area (m2)	261,265	257,523	263,577
Surface permeability (sealed surface/established surface) (%)	58.52	58.49	59.59
Total area in the centre oriented according to nature (m2)	90,858	88,454	88,348
Internal occupancy biodiversity (internal area oriented to nature / establishment area) (%)	20.35	20.09	19.98
Total area outside the centre oriented according to nature (m2)	24,874	24,874(*)	24,874
Biodiversity external occupancy (external area oriented to nature / establishment area) (%)	5.57	5.65	5.62

(*) Data corrected with respect to the 2023 version (typographical error).

INITIATIVES FOR THE PRESERVATION OF BIODIVERSITY:

In 2024, the following actions were carried out:

- At KCSA, the year was dedicated to the Fungi kingdom, through the development of different activities, such as conferences, a mushroom recipe contest, a contest to demonstrate knowledge of the Fungi kingdom, various posters and a cultivation workshop. The nest boxes and insect hotels installed in 2020 and 2021 were monitored, and certified organic fertilizers were used. The year ended with a new edition of the Biodiversity policy.
- This FY at KCHI, the questionnaire was revised, prompting the modification of certain answers, in accordance with some of the measures carried out during the year:
 - Installation of new permeable pavement at the entrance of CF (Central Factory), which allows for the proper drainage of rainwater.
 - Planting of native plants throughout the FC entrance area.
 - Activity carried out by workers to get to know the environment (flora and fauna) at KCHI's main centre in Rubí.
 - The use of non-aggressive pesticides in all cases (maintenance of green areas/pest control).
- Different plant species were planted at the KCE centres.



5.8 LEGAL COMPLIANCE

2-27 Compliance with laws and regulations

KCE is up-to-date with all its legal obligations in environmental matters, although in 2024 there were two sanctions, both at KCSA, with fines amounting to €18,297.

One was motivated by a defect in compliance with the Decret de Sequera (Drought Decree), specifically, for exceeding water consumption in the last quarter of 2023 at one of KCSA's facilities. The second was related to excess NOx in the emissions associated with RTO-2.



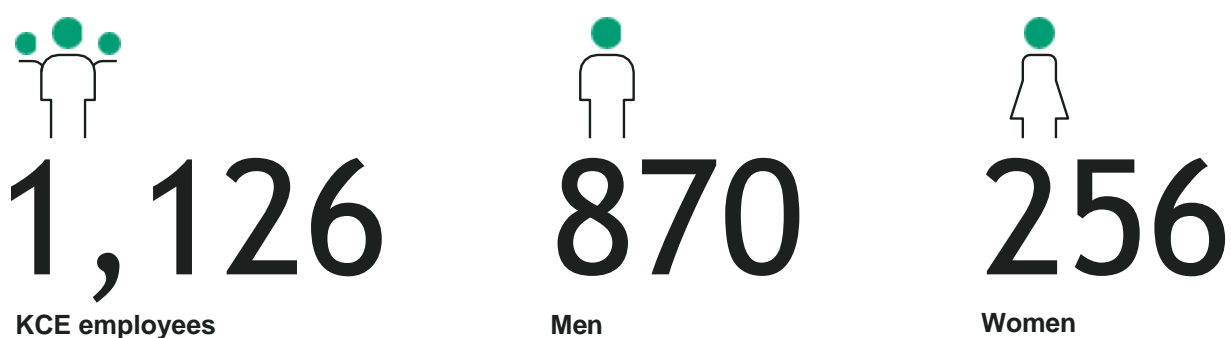
6. OUR PEOPLE



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

6.1 STAFF STRUCTURE

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



BY GENDER

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	195	207	134	326	8	870
Women	63	24	39	129	1	256
TOTAL	258	231	173	455	9	1,126

KCE STAFF EVOLUTION

	TOTAL KCE 2022	TOTAL KCE 2023	KCE 2024
Men	849	860	870
Women	249	249	256
TOTAL	1,098	1,109	1,126

BY AGE GROUPS

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
≤ 18	2	-	-	-	-	2
18-29	65	62	8	42	-	177
30 - 50	95	131	98	208	3	535
≥ 51	96	38	67	205	6	412
TOTAL	258	231	173	455	9	1,126

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

Under no circumstances are they exposed to work considered dangerous, according to the ILO convention.

BY PROFESSIONAL GROUP

	KCG		QK		KCHI		KCSA		KCE IND		TOTAL KCE
	M	W	M	W	M	W	M	W	M	W	
President/ Vice President	4	-	3	1	1	-	1	-	6	1	17
Managers	20	6	9	-	11	-	10	7	2	-	65
Group leaders	3	-	8	-	11	4	28	16	-	-	70
Technicians	50	13	20	7	40	11	55	38	-	-	234
Administration / Staff / Shift Leader	24	38	54	16	24	22	36	32	-	-	246
Employees	73	3	113	-	47	2	196	36	-	-	470
Apprentices	21	3	-	-	-	-	-	-	-	-	24
TOTAL	195	63	207	24	134	39	326	129	8	1	1,126

The details of the information summarised below are available in the tables at the end of this report (Annex: table of contents).

405-1 / 401-1

The presence of women is relatively low at all KCE subsidiaries and corresponds to a structural problem in the chemical sector, where it has historically been very low. To reverse this situation, we promote the incorporation of women at the company and in the different job categories.

In 2024, 113 people joined KCE, of which 27% were women and 73% men.

By 2024, 93% of KCE's total workforce held permanent or indefinite employment contracts

and 5% were temporary. Part-time contracts accounted for 2% in 2024, for reasons of work/life balance.

Specifically, 2% of KCE women are covered by part-time contracts for reasons of work/life balance.

The group with the lowest rate of permanent contracts are people up to 29 years of age. However, temporary staff in this age range only accounted for 3% of all contracts at KCE in 2024, and KCG was the subsidiary with the most contracts in this type. The professional group with the highest rate of temporary contracts at KCE is the production area, which accounts for 2% of the group's temporary contracts.

6.2 COMPENSATION POLICY



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

KCE is committed to effectively implementing the principle of equal pay for work of equal value and bases its remuneration policy on this from the start of the collaboration and in subsequent reviews.

The remuneration system is adapted to the salary structure established in the collective agreements of the sector and in the specific company agreements applicable in each country. Salaries usually consist of a base salary according to the job and bonuses and supplements linked to experience, knowledge and job conditions.

KCE also hires the services of leading consulting firms dedicated to analysing salary references in the sectors and countries where it operates to ensure an adequate standard of living based on the best practices of companies present in the market.

6.3 EQUALITY, DIVERSITY AND INCLUSION

405-1 / 406-1

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

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

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

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

At KCE, we maintain a firm commitment to apply and develop the Diversity, Equity and Inclusion Policy ([Kao | Diversity, Equity and Inclusion Policy](#)) published in 2023.

With the launch of Kao DEI STECOM, all group companies share the various actions developed over the last year.

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

KCHI and KCSA have Equality Plans in place that comply with current legislation. The first KCSA Equality Plan dates from 2009; the most recent was approved in 2024 (effective 2025-2028).

KCG applies the General Law on Equal Treatment and employs two people who are responsible for ensuring compliance with the obligations of said law.

QK applies the official Mexican norm NOM-035-STPS-2018.

Since 2022, KCHI has official donated to the NGO APRAMP, a non-profit organisation that focuses its efforts on combating the trafficking of women and supports the guidance and protection of victims of gender-based violence. Additionally, in 2023, it started a training programme to raise awareness of equality matters, and maintained active communication with staff on the equality measures adopted, encouraging communication and the submission of suggestions.

KCSA continues to disseminate the Harassment and Discrimination Prevention Protocol, which was launched in 2020. This protocol is accessible to all people in the organisation through the Human Resources intranet. Raising awareness among staff on equality issues is key and to that end, we instituted a training programme to educate staff on the subject, which was included at the KAO Academy in 2024.

KCSA has a guide (a poster and a flyer) of non-sexist and inclusive communication, which is available to all employees as a reference.





3-3 / 405-1

At KCE we are committed to the effective labour integration of people with different abilities and we ensure compliance with the applicable legislation in each country.

In total, at KCE there are 15 people with some variety of disability (12 men and 3 women).

- In **Germany**, there are six people at KCG (five men and one woman). Its committee includes a representative of company employees with different abilities.
- In **Spain**, the General Disability Law requires companies with more than 50 employees to integrate 2% of differently-abled personnel into their workforce, or to contract the equivalent in product or service billing with Special Employment Centres (CET).
 - At KCSA, the 2% reserve corresponds to nine people, six of whom are on staff (four men and two women). It has been granted authorisation for exceptional measures, so it subcontracts products and services for the equivalent of eight employees, which far exceeds the legal minimum.
 - At KCHI, the 2% reserve corresponds to three employees, all of whom are on staff (three men). In addition, KCHI collaborates with LaFact (a non-profit organisation that employs more than 200 people with intellectual disabilities in the Vallès area) by outsourcing the handling of a process previously carried out at the Mollet plant.

- In **Mexico**, although there is no regulation, state regulations are applied that act as a declaration of principles in the area of equality and non-discrimination in the workplace (NMX-R-025-SCFI-2015 on equality in the workplace and non-discrimination).

At KCE we collaborate with entities dedicated to the labour inclusion of people with different abilities and at risk of social exclusion. In 2024, KCG purchased work material from special employment centres.

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

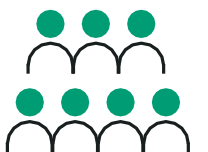
Since 2021, KCHI has collaborated with an NGO in Rubí, focused on facilitating the learning of Spanish and Catalan by people from other countries, in order to promote their incorporation into the social and work environment. The collaboration consists of an annual financial donation for the acquisition of teaching materials and cultural outings with the participants. The Human Resources Department has offered to guide the participants on how to prepare their CVs and how to approach job interviews. Employees of KCHI are encouraged to volunteer at the NGO as language partners.

We ensure that workplaces are accessible by adapting them to the needs of all people. Likewise, every construction project involves an analysis of accessibility measures.

3-3

At KCE we strive to promote the quality of life and well-being of our staff by implementing specific measures at the local level:

- **KCG**: all employees have a pool of excess hours they can later offset with breaks. Part-time working hours are more widely implemented at KCG. In 2024, six women opted for a reduction in working hours to care for children under 12, and five men and 23 women have individual flexible working hour agreements.
- **KCHI**: has a flexible schedule, with an hour's margin at the start and end of the work day. Remote work is an option in all areas and positions that allow it organisationally. Two people (one woman and one man) accepted a reduction in working hours in 2024 to care for children under 12, and agreements were reached to adapt working hours with one man and two women.
- **KCSA**: Flexible hours (flexibility agreement) have been implemented, facilitating entry between 7 am and 9 am and leaving after 4 pm, in addition to incorporating the possibility of working remotely for one day a week, taking into account the organisational needs of the position and the workplace. Eleven people benefited from a reduction in working hours to care for children under 12, and seven women and three men had their working hours adapted during 2024.
- **QK**: Mexico's Federal Labor Law stipulates the obligation to have at least one day of rest after six days of work and determines the mandatory holidays. QK employees have six additional days with respect to those prescribed by law.





6.4 HEALTH AND SAFETY

403-1

Health and safety is a material issue, both from the group's perspective and from the perspective of its stakeholders.

Kao and, by extension, KCE have a Health and Safety Policy based on the principles of Responsible Care®. The policy influences all corporate activities and decisions and is aimed at communicating the organization's commitment to compliance with preventive and legal requirements. The policy is available to the entire organization and stakeholders and is updated on a regular basis.

403-8

All KCE subsidiaries have an occupational safety management system. In the case of KCG, KCSA and KCHI, these systems are certified in accordance with ISO 45001.

For its part, QK has a safety management system certified under the *Responsabilidad Integral* (Comprehensive Responsibility) scheme. In parallel, a work program has been established to obtain ISO 14001 and ISO 45001 certifications, based on a single management system that will also integrate quality management. This objective is expected to be achieved in the first quarter of 2026. To this end, an external consultant has been hired, and new software has been integrated to facilitate implementation.

6.4.1 PREVENTIVE CULTURE

403-2

Each of KCE's subsidiaries has resources for hazard identification and risk assessment.

- KCG has an HSE department. In addition, the company has designated *safety officers* in all departments, who support the work of specialists and participate in the company's safety committee. KCG works with an external doctor, who performs medical check-ups and advises on occupational health.
- QK has a preventive occupational health and safety service with in-house staff. QK works with an external doctor in charge of health monitoring.
- KCHI has a nationally recognized external prevention service, with the four legally required specialties (occupational safety, industrial hygiene, ergonomics and psychosociology and health surveillance).
- KCSA has its own prevention service integrated into the HSE department. Occupational health is outsourced to a specialized company that provides a basic health unit, consisting of one person with a degree in medicine and another with a diploma in nursing.

Based on the results of the risk assessments carried out by each KCE subsidiary, actions are planned to eliminate or control these risks. In addition, Kao sets annual health and safety improvement objectives, which each subsidiary develops and complements specific actions.

The security actions carried out in 2024 include the following:

- At KCG, development of the process management system continued. In addition, a new management programme for internal training courses was implemented and a new digital HSE tool was introduced, through which the management of hazardous substances is reviewed and optimised..
- QK continues to emphasise the intensity of training programmes, as well as the maintenance of a continuous inspection programme (patrols, inspection of leakage points or unsafe conditions), and the improvement of the management of special jobs, in order to strengthen the culture of safety. These programmes also include contractors.

It should be noted that QK distributed a safety perception survey, based on a methodology directly recommended by Kao and verified by Niigata University.

- KCHI has implemented several initiatives to improve safety and reduce accident rates. These include updating our emergency plan, promoting key training (such as electrical risk, use of mobile equipment, etc.), and continuing to raise awareness among employees through informative talks and cascading committees. The Safety II approach, based on resilience and continuous improvement, has also been actively promoted to foster a more robust safety culture.
- At KCSA, the implementation of the Safety II programme has been enhanced through working groups that analyse the variability of specific operations and establish the optimal way to carry them out.

403-3

KCE offers medical examinations to its entire workforce. These are also performed for all new recruits and for reinstatements after prolonged leaves of absence.

With the aggregate information from the results of the examinations, epidemiological studies are prepared, and preventive health actions and campaigns are planned at each branch.

403-4

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

- KCG has an Occupational Health and Safety Committee, in which the Works Council participates, which meets at least four times a year. In addition, there is a Safety and Environment Committee in which expert representatives on regulations derived from the Seveso Directive also participate.
- The Behaviour Based Safety Committee includes representatives from all operational departments, and members improve the safety culture to prevent incidents based on behaviour, by creating their own actions and programmes.
- At QK there is a Joint Health and Safety Committee made up of workers appointed by the company and union representatives, who meet once a month to detect unsafe conditions.
- At KCHI and KCSA there are joint Health and Safety Committees made up of staff representatives and representatives appointed by each company. They meet quarterly and facilitate regular and periodic consultation on risk prevention activities. At KCHI, at work centres with less than 10 people, there are no Works Councils or personnel delegates. However, efforts are made to promote the consultation and participation of workers through meetings and forums open to dialogue. At KCSA, an Intercentre Health and Safety Committee has been established to address issues common to all work centres.

Health and safety communication and consultation by contractors is managed through other systems, specifically in KCHI and KCSA, through the coordination of business activities.

6.4.2 ACCIDENTS

403-9 / 403-10

At KCE we work to reduce the accident rates at all our work centres, continuously reinforcing the preventive culture and the risk prevention management system of each company.

In 2024, there were 14 accidents involving sick leave among our own personnel, with a total of 291 days lost. Among KCSA's accidents, one stands out, resulting in 101 days of sick leave (a worker experienced pain in his leg when accessing the forklift).

The most frequent types of accidents are cuts and contact with hazardous substances (21% each).

KCE's frequency and severity rates have improved, by 14% for IF and 51% for IG. This is due to the significant reduction of accidents with respect to the previous year at KCG and KCHI, which offsets the increase at QK.

Even so, the target value established by the group for FI (≤ 0.27) was not reached.

Finally, it is worth mentioning the declaration of an occupational disease at KCSA, specifically allergic/irritative dermatitis.



6.4.3 HEALTH PROMOTION

403-6

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

In 2024, KCG carried out various activities aimed at improving physical and mental health, including vaccination campaigns, promoting the use of bicycles for commuting to work, and yoga courses. The company also participated in the "Homerun" charity race and has a mountain bike team. Special training courses were also organised for lifeguards, including training in the use of the automated external defibrillator.



At QK, health promotion continues to be a highlight. The establishment has a gymnasium and maintains a nutrition program open to all personnel, which promotes good nutrition and recommends the practice of sports depending on the physical aptitudes of each person.

It has an athletics team and participates in the different races held throughout the year in the urban area of Guadalajara, hosting the health race organized by the El Salto Industrial Association and the KAO Family race.



Health promotion through participation in races

At KCHI, various activities were carried out to promote health under the Responsible Care programme ("12 months, 12 causes"). Among them was a healthy recipe contest to encourage good eating habits for Valencia's workforce and cardiovascular health. Each month focused on different activities with this objective (internal step competition through Strava, short Yoga and CrossFit sessions led by the staff and fruit delivery, among others).



Smoothie workshop

Finally, as part of the "CUIDA'T" programme, dedicated this year to the prevention of musculoskeletal disorders, KCSA carried out activities dedicated to healthy eating, such as the "Smoothies" workshop, physical activity, like the "Strengthen your back" workshop and Ergo Coach (guided by specialists), plus the "Lifecycle and the locomotor system" conference and the "Best practices for the prevention of musculoskeletal disorders" contest.



Ergo Coach" workshop



Promoting cardiovascular health



«Cuida't» Contest



Promoting cardiovascular health



"Qigong" workshop

6.5 LABOUR RELATIONS WITH THE STAFF AND THEIR REPRESENTATIVES

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

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

KCE maintains an open dialogue with the workforce and complies with all aspects relating to full freedom of association and effective recognition of the right to labour negotiation.

Europe hosts an annual forum, in which the European management, the general management of the different subsidiaries and the labour representatives of each assemble to build relationships of trust that encourage dialogue and cooperation. In 2024, no forum was held due to organizational issues. However, the dates for 2025 are already planned, given its importance.

- Labour relations at KCG are regulated by the collective agreement for the German chemical industry and, more specifically, by company agreements at the KCG workplace. KCG has a Works Council, which participates in the quarterly meeting between management and labour representatives. In addition, labour representatives are also present on the specific committees for various areas: safety, health, personnel, and economic.
- QK has a collective bargaining agreement, the terms of which are negotiated annually. QK has a staff committee which meets at least three times a year. The Mexican Federal Labor Law determines the issues that must be addressed on a mandatory basis.

- At KCHI and KCSA, the General Collective Agreement of the National Chemical Industry applies. In addition, agreements that correspond to the specifics of each workplace are entered into with labour representatives.
- KCHI has a Works Council that meets monthly to discuss company's various businesses. In parallel, the Occupational Health and Safety Committee meets every three months.
- KCSA has three different work centres, each with its own Works Council. Quarterly meetings are held at each centre to report on their progress and business results of KCE and KCSA. In order to strengthen synergies and streamline communication, a negotiating committee consisting of nine members was created for the set of measures that fall within the global scope of KCSA.

6.5.1 UNION RELATIONS

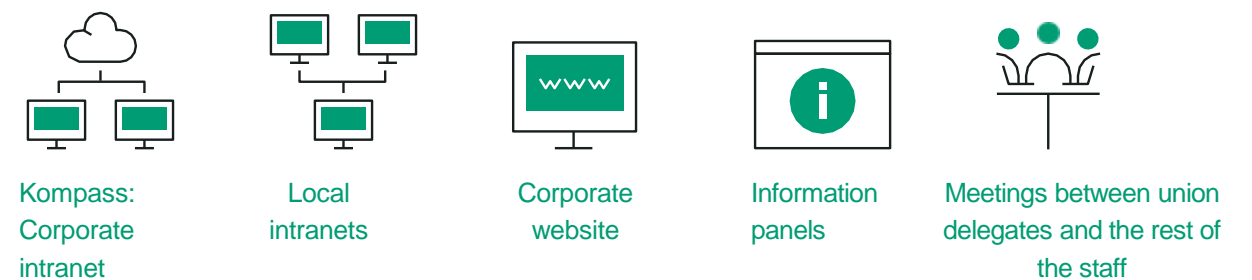
Dialogue with employees and their representatives is structured on a local level in accordance with the legal framework of each country.

- In Europe, the chemical sector agreements of Spain and Germany apply, covering the entire workforce, in addition to a specific improvement in conditions that exceeds those stipulated in each sector-specific collective agreement.

- In the case of QK, the workforce is legally covered by two different modalities. Fifty-one percent of the staff is governed by the individual employment contract and the remaining 49% (factory staff) is covered by the collective employment contract. Both modalities share certain benefits, such as food vouchers, savings funds and a punctuality bonus.

6.6 INTERNAL COMMUNICATION

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



6.7 TALENT DEVELOPMENT

404-2

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

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

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

404-1

13,031

Training hours

837

Trained people

63%

of KCE Staff

441,222€

Investment in training

Training hours	2022	2023	2024
Men	12,710	11,695	10,179
Women	2,601	3,081	2,852
TOTAL	15,312	14,776	13,031

TRAINING HOURS PER EMPLOYEE

Training hours	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	2,280	2,590	997	4,305	6	10,179
Women	627	372	287	1,564	3	2,852
TOTAL	2,907	2,962	1,284	5,869	9	13,031

The difference in the number of training hours between men and women is related to the greater presence of men at KCE's workplaces, especially in the production and logistics areas, which concentrate the largest number of training hours. This is because they are the core of KCE's business activity based on industrial safety and

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

In 2024, the average number of training hours by gender at KCE was very similar: 15.57 for men and 15.02 for women.

AVERAGE TRAINING HOURS PER EMPLOYEE

% Training hours	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	24.26	14.63	13.28	14.11	3.3	15.57
Women	28.48	18.58	10.25	13.48	2.5	15.02
TOTAL	25.06	15.03	12.46	13.94	3.0	15.45

HOURS AND AVERAGE BY EMPLOYEE AND CATEGORY

	KCG		QK		KCHI		KCSA		KCE IND		TOTAL KCE	
	hours	x	hours	x	hours	x	hours	x	hours	x	Hours	x
President/ Vice President	-	-	30	7.5	10	10	-	-	9	1.3	49	2.9
Managers	168.5	6.5	118	13.1	24.5	2.2	134.8	7.9	-	-	445.8	6.9
Group leaders	34	11.3	31	3.9	123	8.2	442	10	-	-	630	9
Technicians	1,437	22.8	253	9.4	553.5	10.9	1,256.4	13.5	-	-	3,499.9	15
Administration / Staff / Shift Leader	521.5	8.4	928	13.3	273.5	5.9	680.3	10	-	-	2,403.3	9.8
Employees	745.5	9.8	1603	14.2	299	6.1	3,355.8	14.5	-	-	6,003.3	12.8
Apprentices	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,906.5	11.3	2,963	12.8	1,283.5	7.4	5,869.2	12.9	9	1.3	13,031.2	11.6

Most training hours focus on technical and production positions, where the majority of the staff is located. Compared to 2023, in 2024 there was greater emphasis on internal training in strategic cross-cutting content: ESG and corporate culture.



6.7.1 TRAINING ACTIVITIES

404-2

In 2024, various workshops were held at all KCE subsidiaries, with the aim of raising awareness and transmitting the importance of corporate principles in our daily lives with a total of 99 people participating in 2024 (QK 61 and KCSA 38).

- All KCE subsidiaries coordinate the Orientation Programme for new employees. In 2024, 83 people participated.
- In 2024, the Operational Leadership Programme continued, focused on the development of skills in productive environments. The goal is to develop and enhance the skills of this group to a high degree of satisfaction.
- At KCHI, the “Communicating by Applying the Best Attitude” (CALMA) project, that began in 2022 targeting 32 managers and in which 54 employees participated in 2023, was postponed to 2025. To include the participation of all staff, the activity will be redesigned and adapted to those who do not use email, telephones, or hold meetings, and will focus on non-aggressive communication and stress management, in addition to issues of Diversity and Equality.



TKW Workshops

TRAINING IN RISK PREVENTION AND SAFETY

403-5

All KCE subsidiaries implement annual risk prevention training programmes, taking into account the legally required training and the risks specific to each subsidiary. Each KCE plant conducts annual emergency drills in which, in addition to training and instruction in fire response, all personnel are trained in managing serious accidents.

In 2024, the number of training hours in HSE was 4,383, representing 30% of the training carried out during the year.



HSE TRAINING HOURS BY GENDER

	KCG	QK	KCHI	KCSA	KCE
Men	829	232	458	2,801	4,320
Women	35	28	66	575	704
TOTAL	864	260	524	3,377	5,024

TRAINING IN ANTI-CORRUPTION AND PREVENTION OF MONEY LAUNDERING

205-2

KCE organises training and awareness sessions through integrity workshops, in which the team is trained and made aware of compliance with the ethical principles of the company's mission, vision and principles (based on The Kao Way). Training covers all staff across all organisational levels of KCE and ensures its frequency every three years.

Various practical Anti-Trust Training sessions have been held, attended by 353 KCE staff.

In 2024, Kao shared different messages with all group companies aimed at reinforcing compliance culture through training actions. Among them, a message of the president of the compliance committee of Kao Japan and the president of each company was disseminated through posters. To better illustrate some examples, actions were carried out to disseminate case studies on compliance.

ESG TRAINING

As regards training related to ESG activities (EcoVadis, Sedex, NFR (non-financial information statement), etc.), we have carried out various e-learning training sessions and seminars in which those responsible for evaluations and reports related to the topic have participated. They also cover aspects such as due diligence in human rights, good labour practices and possible improvements in human resources policies.

The ESG Xperience, a custom-developed course with 293 participants, was delivered at KCSA.

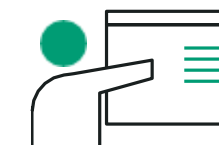
In 2024, KCSA & KCHI conducted training on sustainable procurement management with AENOR, with a participation of 21 employees at KCSA and 14 at KCHI.

Likewise, training was also provided on more specific topics, such as RSPO certification on sustainable palm derivatives.

The number of people who participated in the periodic training and the initial RSPO course for each KCE subsidiary in 2024 is specified below.

NUMBER OF PEOPLE TRAINED IN RSPO

	KCG	QK	KCHI	KCSA	KCE
Ongoing training	47	11	NA	83	141
Preliminary training	11	3	NA	4	18
TOTAL	58	14	NA	87	159



7 COMMITMENTS TO SOCIETY



7.1 COMMITMENT TO OUR CUSTOMERS

2-29 / 3-3

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

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

Our Quality Policy defines and develops the commitments and basic principles through which we guarantee that our processes and products meet the needs and expectations of our

customers, ensuring legal compliance and commitment to our ESG strategy. We also ensure that our policy is communicated to all employees and suppliers.

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

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

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

Both systems make it possible to refine, organise, and centralise customer information, as well as to identify spending habits, needs, interests and business interactions.

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

In 2024, KCE started developing a Customer Portal consisting of a secure business website interface, where clients can resolve issues on their own or get guidance in response to their queries.

This new feature will be rolled out incrementally. In this first phase, clients will have corporate documentation at their disposal and will be able to fill in delivery specification forms digitally, leaving an accessible record and generating a workflow with relevant internal approvals. New functions are expected in the coming years allowing customers to perform tasks, such as checking account balances, downloading technical documents, reporting complaints, requesting samples, viewing transaction history, and more.

We expect that the Customer Portal will provide countless advantages to both clients and the business: 24/7 availability, reduced wait times, cost savings, better customer experience and consistency of service. Our strategy is to develop a user-friendly tool with self-service capabilities that is customized, personalized, secure, compliant, and integrated.

7.1.1 CUSTOMER HEALTH AND SAFETY

416-1 / 417-1

One of the priority material issues for KCE, according to the dual materiality analysis carried out in 2023, is Health and Safety. Therefore, in 2024, the Product Safety Policy was defined as an essential part of our commitment to the responsible management of chemical substances along the entire value chain of products.

The aim of this policy is to ensure the correct identification and dissemination of safety, health and environmental hazards associated with the chemicals handled at KCE, enabling their safe management and thereby protecting employee health, operational safety, customer safety and the environment, while ensuring compliance with product safety regulations.

To this end, we identify the hazardousness of materials and provide our customers with safety data sheets that explicitly state the health, safety and environmental hazards and include appropriate information for the safe transport, storage, handling, use and disposal of our products, ensuring compliance with legal regulatory requirements for product safety.

In 2024, the Responsible Management of Chemicals Policy was defined to establish a framework for the responsible management of chemicals in all our operations, ensuring safety throughout the value chain.

One of the commitments made through this policy is to ensure the research and development of safe and sustainable products and processes through collaboration throughout the product lifecycle (raw material sourcing, development, manufacturing, distribution, sale, use, disposal/recycling), while at the same time encouraging the substitution of substances of concern.

In terms of communication with customers, we provide all technical information on each product and safety data sheets prior to the first shipment and whenever there is an update. We also provide information, through the established documents and mechanisms, on any other documentation that is essential for the correct use and handling of the products or related to compliance with the various applicable regulations.

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



7.1.2 COMPLAINT SYSTEMS

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

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

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

No. complaints	KCG	QK	KCHI	KCSA	TOTAL KCE
2022	9	9	6	4	22
2023	9	5	5	3	22
2024	7	6	5	3	21

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

7.1.3 DATA PRIVACY

418-1

The [KCE Privacy Policy](#)¹, in accordance with the current EU General Data Protection Regulation, defines the principles governing the various types of personal data processing, as well as the procedure for exercising the rights of data subjects (KCE customers).

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

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

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

In 2024, there were no cases of non-compliance relating to health and safety, information and labelling, or marketing communication issues for our products that resulted in a sanction or fine.

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

In 2024, no substantiated complaints relating to breaches of customer privacy were identified and no cases of leakage, theft or loss of customer data were recorded.



7.2 COMMITMENT TO SUPPLIERS

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

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

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

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

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



In order to promote ESG activities in our supply chain, KCE has its own Sustainable Procurement Policy and Code of Conduct for suppliers, available on the [KCE website](#). The Code of Conduct sets out the basic principles that all suppliers must adhere to, while the Sustainable Procurement Policy sets out our principles and values, and the actions we will take to ensure that we comply with the principles of fairness, ethics and sustainability, while ensuring the fair procurement of raw materials (see section 5.6.1 "Responsible use and production of materials").

¹ This policy is available on the KCE website.

7.2.1 PURCHASING WITH SUSTAINABILITY CRITERIA

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

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

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

KCE incorporates clauses related to sustainability aspects in our contracting processes with suppliers of raw materials and services, agents and distributors.

The percentage of new contracts with suppliers of services or raw materials that include ESG clauses (environment, ethics, labour, human rights, etc.) for each KCE subsidiary is shown below. To obtain this result, we only considered contracts that are relevant or material to the company, either because of their economic impact or because of their importance to the overall operation of the company.

Contracts signed before 2024 but modified in 2024 on issues not related to ESG have not been considered.

	KCG	QK	KCHI	KCSA	KCE	TOTAL KCE
% contracts with ESG clauses	90	100	95	100	100	97



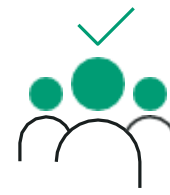
7.2.2 SELECTION, APPROVAL, AND EVALUATION OF SUPPLIERS

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

The process is divided into three stages:

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





KCE communicates these guidelines to the organisation's most relevant suppliers, and launched the ESG assessment of suppliers in late 2020.

In order to digitise this entire process and proceed with implementation at all KCE subsidiaries, two projects were initiated in 2024 at KCSA as a test platform.

One project consists of implementing a new system for indirect purchasing (P2P), including supplier selection, approval and evaluation, which is scheduled to be launched in the first quarter of 2025, and once consolidated, feasibility will be studied for the rest of the affiliates.

The second project consists of a revision of the purchasing manual and the current sustainable purchasing guide, under the premise of the ISO 9001:2015, ISO 20400:2017, ISO 31000, and industry best practices in purchasing management to obtain a sustainable purchasing guide applicable to the entire organisation that includes supplier evaluation, approval and audit questionnaires.

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

In the case of KCSA, contracted software is available to facilitate processing.

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

SUPPLIER SUSTAINABILITY PERFORMANCE

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

The KCE Group's supply chain exceeds 3,500 suppliers with a turnover of 675 million euros.

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

As for contractors, all KCE subsidiaries started to apply the ESG assessment process as of late 2023 for those operating at our facilities with a sizeable number of employees.

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

RAW MATERIALS AND PACKAGING SUPPLIERS

KCE's raw materials and packaging purchasing department has set a 2024 target to obtain sustainability information from 90% of suppliers representing 95% in purchase value.

Regarding the objective set for 2024, the following table shows the number of Raw Materials and Packaging suppliers that adhere to our proposal and the percentage with respect to the total number .

	KCG	QK	KCHI	KCSA
Total number of suppliers	59	73	131	224
Number of adhered suppliers	53	59	98	216
% of adhered suppliers	90	81	75	96

The 2024 target set for raw material and packaging suppliers was achieved at KCG and KCSA , and it is necessary to continue the actions initiated among all KCE affiliates to reach Kao's global target in 2025.

In 2024, we initiated business relations with 22 new suppliers. The entire certification process can be completed for 50%, with finalisation for the remaining suppliers expected by early 2025. No potential social or environmental impacts have been detected for those suppliers assessed.

In 2024, several visits were made to raw material suppliers, mainly for quality-related issues, but other aspects related to sustainability were also addressed. In addition, audits were carried out on two suppliers, selected according to internal risk management criteria; the results of both audits were satisfactory, with no potential social or environmental risks detected.

Regarding the evaluation of suppliers who have provided the requested information, a review of this information has been initiated, and a risk analysis matrix created.

For the risk analysis of the supply chain, a detailed study has been carried out on three levels: Business, Geographical Area and Sustainability. For the evaluation of suppliers from a sustainability perspective, performance has been analysed based on the indicators provided by Sedex, EcoVadis and the KCE evaluation questionnaire.

Based on the risk matrix, a classification of raw material suppliers has been made and in 2025 the corresponding actions will be initiated depending on the risk detected.

OTHER SUPPLIERS

In 2022, implementation of this process began in KCSA's logistics and engineering and maintenance departments.

In 2024, turnover was around 24.7 million euros, and 486 suppliers were involved. Although the adhered suppliers only represent 6% of the total number of suppliers, in terms of turnover they represent approximately 43.3 .

KCSA

Total no. of suppliers	486
No. of adhered suppliers	29
% of adhered suppliers	6
% turnover of adhered suppliers	43.3



7.3 SOCIAL COMMITMENT

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

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

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

KCE collaborates with the communities around us with the aim of contributing to social development and the well-being of people over the long-term, making their challenges and objectives our own.

Not only do we support those in need today, but we also focus on training future generations to create a Kirei lifestyle - in harmony with society and the environment - for all people through collaboration with local communities, NGOs and non-profit organisations.

In 2024 we took part in projects dedicated to:

- Revitalising and cleaning up natural spaces.
- Supporting children and young people to promote equal opportunities.
- Collecting goods, food and toys for vulnerable families in the communities where KCE has a geographical presence.
- Sponsoring cultural, social and sporting events.
- Partnering with NGOs that help improve women's lives.
- Alleviating the consequences of natural disasters.



Regarding new suppliers in 2024, three were registered in the Logistics department, and no potential social or environmental impact was detected.

The engineering and maintenance department had no new suppliers. As a result of the ESG assessment, it initiated an accompaniment plan with one of its suppliers (contractor) to improve the corporate social responsibility area of this company.

In 2024, the company worked with 26 contractors overall, 15 of which were considered priority, and therefore the supplier selection, approval and evaluation procedure explained above was followed.

	KCG	QK	KCHI	KCSA
No. of contractors	1	10	-	15
No. of contractors evaluated	1	3	-	11

Based on the information gathered, no human rights violations are expected at any of the contractors assessed and no potential social or environmental impacts were detected.

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

7.2.3 PROMOTION OF LOCAL SUPPLIERS

203-2 / 204-1

Proximity is part of KCE's criteria for supplier selection, supporting community development and minimising our environmental impact. At KCE, we define local suppliers as those located in the subsidiary's country.

The following table shows the data for the suppliers we worked with in 2024.

The percentage of local suppliers ranges from 40 to 94%, with a turnover of 27 to 66%, depending on the activity of each affiliate.

If we analyse local suppliers by type of purchase, we observe that the percentage of turnover is clearly higher for local suppliers of services and investments, while suppliers of raw materials and packaging have lower turnover, as many raw materials come from geographical areas other than those of our headquarters.

DATA BROKEN DOWN BY KCE SUBSIDIARY

	KCG (Germany)	QK (Mexico)	KCHI (Spain)	KCSA (Spain)	KCE IND (Spain)
No. total suppliers	820	1157	612	1078	164
No. local suppliers	696	1086	407	816	68
% local suppliers	85	94	67	76	41
% total turnover of local suppliers	40	64	66	46	27
% turnover of local suppliers of raw materials, packaging, energy, etc.*	37	60	59	38	0
% turnover of service and investment local suppliers*	59	79	85	82	27

* These percentages are calculated from the total turnover of each item.



Festa de l'Arbre



Rhine River clean-up

7.3.1 CARING FOR NATURE AND PROMOTING BIODIVERSITY

In 2024, KCG carried out the usual tasks of cleaning the banks of the Rhine River and, for yet another year, KCSA contributed to the reforestation of the green area surrounding the town of Mollet del Vallès, participating in the traditional "Festa de l'Arbre" (Tree Festival).

KCHI sponsored an activity to identify the flora and fauna surrounding the Rubí plant and to raise awareness of the city's biodiversity, while encouraging teamwork.

7.3.3 PARTICIPATION IN SOCIAL, CULTURAL AND SPORTING EVENTS AND INITIATIVES

We participate in social and educational initiatives in our communities. KCG supports various local institutions through donations and sponsorship of the Municipal Fire Brigade and various cultural and sports associations.

In Spain, KCHI and KCSA are involved in food drives in collaboration with local institutions, the Food Bank, and the Red Cross, as well as in the collection of toys for the Red Cross in Mollet, Olesa, Barberà del Valles, and Rubí.

7.3.2 SUPPORT FOR EDUCATION AND EQUAL OPPORTUNITIES

All KCE affiliates partner with educational institutions, such as secondary schools and universities to offer internships at the company. In this context, KCG supports local schools with financial donations.

KCSA continues its programme to support chemistry students with intermediate and advanced degrees to continue their studies. Scholarship students attend the IES of Barberà del Vallès and Mollet del Vallès. At the same time, QK provides study grants to students at the Colegio Nacional de Educación Profesional Técnica (National College of Technical Vocational Education).

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

The Spanish subsidiary, KCSA, collaborates with the NGO Mujeres Burkina, an organisation that aims to help women living in poverty in Burkina Faso. KCHI also supports APRAMP, which fights the trafficking of women and girls from a human rights and gender perspective.



Awarding of HPP Riester Scholarships



Awarding of Josep Sau grants



Meeting between QuimiKao staff and internship students



UB students visit KCSA's Mollet plant

QK collaborates, through monetary and product donations, with the Padre Pio Shelter and the Comedor 12 Apostoles, the Albergue Infantil Los Pinos and the Hogares Fraternales del Salto



KCSA sponsors the publication "Notes", promoted by the Centre d'Estudis Molletans, in collaboration with the Mollet del Vallès Town Council, and the Premi de Recerca Vila d'Olesa, aimed at recognising research in any field with content linked to Olesa de Montserrat or its surroundings. KCHI has sponsored the children's team of the Club de Futbol L'Olleria and KCSA the children's team of the Futbol Club Mollet.

In 2024, KCHI collaborated with the Red Cross to alleviate the effects of the DANA in Valencia through a monetary contribution.

We actively promote the engagement of KCE employees because their participation in socially committed activities cultivates a sense of belonging at the company and increases their contribution to society as a whole.



8 TAX INFORMATION



8.1 PROFITS, TAXES AND SUBSIDIES

201-1 / 207-4

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

KCE complies with its statutory tax obligations in all countries where it operates. The breakdown by country of the individual results obtained in 2024 and the income tax expense is as follows:

Country	KCE subsidiary	Profit before tax ¹	Taxes on profits
THOUSANDS OF EUROS			
Germany	Kao Chemicals GmbH	11,911	3,842
Mexico	QuimiKao S.A. de C.V.	15,131	3,995
France	Kao Chimigraf France SAS	24	-
	Kao Chimigraf, S.L.U.		
Spain	Kao Corporation, S.A.U.	21,619	5,158
	Kao Chemicals Europe, S.L.U.		
Consolidation		-13	178
TOTAL KCE		48,672	13,172

¹ Profit before tax: for each country, the profit before tax resulting from the application of the General Accounting Plan approved by Royal Decree 1514/2007 is shown, excluding the result of the distribution of inter-group dividends. The row for consolidation shows the adjustments arising from the consolidation process in accordance with the Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010

The breakdown of income taxes paid in 2024 including withholdings, payments made on account of income taxes for the current year and payments of the differential tax liability for income taxes of previous years is as follows:

Country	KCE subsidiary	Income tax withholdings and instalments for FY 2024	Payments of taxes on profits for previous years	Total income tax paid (Collected)
THOUSANDS OF EUROS				
Germany	Kao Chemicals GmbH	404	(6,122)	(5,718)
Mexico	QuimiKao S.A. de C.V.	832	(217)	616
France	Kao Chimigraf France SAS	-	-	-
	Kao Chimigraf, S.L.U.			
Spain	Kao Corporation, S.A.U.	5,443	(25)	5,418
	Kao Chemicals Europe, S.L.U.			
TOTAL KCE		6,679	(6,363)	315

Parenthetical values are refunded taxes.

The accrual posted on 31 December 2024 corresponding to the best estimate of the accrued income tax payable or receivable in 2025 and subsequent years is as follows:

Country	KCE subsidiary	Provision for income tax payable (receivable) for 2024	Provision for income tax payable (receivable) relating to prior periods	Total provision for income tax payable (receivable)
THOUSANDS OF EUROS				
Germany	Kao Chemicals GmbH	3,367	-	3,367
Mexico	QuimiKao S.A. de C.V.	3,149	(847)	2,302
France	Kao Chimigraf France SAS	-	-	-
	Kao Chimigraf, S.L.U.			
Spain	Kao Corporation, S.A.U.	(958)	-	(958)
	Kao Chemicals Europe, S.L.U.			
TOTAL KCE		5,558	(847)	4,711

Finally, the KCE Group received the following public grants in FY 2024, totalling 83,059 euros, recorded as "income-related grants transferred to profit or loss".

Concept	Amount	Note
Patents	11,804	-
Compensation of electricity costs	65,498	Compensation mechanism for electricity-intensive consumers in accordance with Title III of Royal Decree 1106/2020 of 15 December 2020
Training	5,757	Discount on Social security payments



ANNEXES



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OUR COMMITMENT TO THE ENVIRONMENT

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

- **Scope 1:** direct emissions resulting from the combustion of fuels in stationary sources, such as boilers, turbines and pumps; those related to physical or chemical processes; those corresponding to the transportation of vehicles owned or controlled by KCE, such as leasing vehicles or coaches; as well as fugitive emissions resulting from equipment leaks, especially those from air conditioning and/or refrigeration equipment.
- **Scope 2:** indirect emissions associated with the purchase and consumption of energy; in the case of KCE, those related to the purchase of electricity.
- **Scope 3:** indirect emissions resulting from activities outside the facilities and associated with the value/supply chain of goods and services. This group includes emissions related to the transport of raw materials and finished products.

The greenhouse gases considered are: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

The organization's emissions are classified as direct emissions (scope 1) and indirect emissions (scopes 2 and 3):

Regarding Scope 1 emissions:

- The calculation methodology to determine the emissions generated by the combustion of fuels is that established by the regulations of each of the countries in which KCE's facilities are located and consists of applying the corresponding fuel emission and oxidation factors to fuel consumption.
- In the case of refrigerant gases or fire protection systems, they are determined through the recharges carried out and the global warming potential of the substance involved.
- At the moment, the company is not in a position to provide emissions related to commercial and commuting trips by employees using their own vehicle. Fourth IPPC assessment report (Regulation 517/2014).

Scope 2 emissions: indirect emissions associated with the purchase and consumption of energy are calculated according to the regulations established in each country where KCE facilities are located. Certificates indicating the percentage of renewable energy purchased are available.

With respect to Scope 3 emissions, the subsidiaries that report in each of the categories are indicated below:

KCE	2022	2023	2024
1. Purchased goods and services ⁽¹⁾		KCG, QK, KCSA	All
4. Upstream transportation and distribution ⁽²⁾	KCSA	KCSA	QK, KCSA
5. Waste generated in operations ⁽³⁾		KCSA	KCHI, KCSA
6. Business travel ⁽⁴⁾		KCSA	KCHI, KCSA
7. Employee commuting ⁽⁵⁾		KCSA	KCSA
9. Downstream transportation and distribution ⁽²⁾	KCG, KCSA	KCG, QK, KCHI ⁽⁶⁾ , KCSA	KCG, QK, KCHI ⁽⁶⁾ , KCSA

Notes:

1. Primary product carbon footprint (PCF) data is collected from all suppliers of the selected raw materials, based on their purchase volume, during the year. The primary data received from suppliers have been internally evaluated with minimum criteria to determine whether they were obtained following ISO and/or TfS standard. Data considered acceptable were weighted according to purchase volumes and added to the secondary values of raw materials for which no response was obtained from suppliers. The secondary data, also weighted by volumes, come from the Ecoinvent and Sphera databases, and are the same as those considered appropriate for the GWP calculations for products manufactured at KCE. Transportation has not been included (it is included in category 4).
2. To calculate them, the group's own methodology is used, combining distances travelled, means of transport and emission coefficients.
3. In 2023 KCSA only quantified emissions associated with waste transportation, calculated using the methodology indicated in note 1. In 2024, KCSA has also quantified emissions associated with waste treatment. In addition, KCHI has incorporated emissions associated with transportation.
4. They are calculated following a proprietary methodology.
5. They are calculated following a proprietary methodology, which combines data from the workforce and from the applications in which work-related travel is recorded, with factors and official statistical data. The calculation method has been documented and the different assumptions made have been detailed.
6. KCHI reports only the emissions associated with a shuttle.

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OUR COMMITMENT TO THE ENVIRONMENT

TABLE 1 - Details of mass and production-related emissions. The mass emission of HFCs, PM and VOCs does not include KCG data.

KCE	2022	2023	2024
CO emissions (kg)	23,639	19,916	18,567
CO Emission / Final production (kg CO/t)	0.07	0.06	0.05
NOx emission (kg)	55,031	42,617	37,009
NOx emission / Final production (kg/t)	0.15	0.13	0.11
CH ₄ emission (kg)	1,584	1,306	1,169
CH ₄ emissions / Final production (kg/t)	0.00	0.00	0.00
HFCs emission (kg)		137	228
HFCs emission / Final production (kg/t)	0.00	0.00	0.00
PFCs emission (kg)	0	0	0
PFCs emission / Final production (kg/t)	0.00	0.00	0.00
Emission NF ₃ (kg)	0	0	0
NF ₃ emission / Final production (kg/t)	0.00	0.00	0.00
SF ₆ emission (kg)	0	0	0
SF ₆ emission / Final production (kg/t)	0.00	0.00	0.00
SO ₂ emission (kg)	477		363
SO ₂ emissions / Final production (kg/t)	0.00	0.00	0.00
Emission PM (kg)	1,076	921	1,057
PM emission / Final production (kg/t)	0.00	0.00	0.00
VOC emission (kg)	65,677	65,206	79,776
VOC emission / Final production (kg/t)	0.18	0.20	0.23

TABLE 2- Characterization of KCE's material inputs

KCE	2023	2024
Significant raw materials (t)	181,189	204,433
Significant raw materials / Final production (t/t)	0.48	0.58
Significant renewable raw materials (t)	81,107	90,628
Significant renewable raw materials (t) / Final production (t/t)	44.76	44.33
Reused (t)	8,237	9,299
Reused / Significant renewables (%)	10.16	10.26
Recycled (t)	16,861	11,399
Recycled / Significant Renewables (%)	20.79	12.58
Virgins (t)	56,009	45,236
Virgins / Significant renewables (%)	69.06	49.91
Significant non-renewable raw materials (t)	88,109	103,489
Significant non-renewable raw materials (t) / Final production (t/t)	48.63	50.62
Reused (t)	0	0
Reused / Non-renewable significant (%)	0	0
Recycled (t)	0	4,804
Recycled / Significant non-renewable (%)	0	4.64
Virgins (t)	88,108	91,577
Significant virgin / Non-renewable (%)	100	88.49

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TABLE 3- Energy consumption

KCE	2022	2023	2024
Total energy consumption (MWh)	404,944	358,229(*)	356,507
Total energy consumption / final product (MWh/t)	1.14	1.10(*)	1.03
Electricity consumption (MWh)	82,645	79,649	84,667
Electricity consumption from renewable sources (%)	63.28	78.03(*)	92.79
Electricity consumption / Final production (MWh/t)	0.23	0.24	0.24
Natural gas consumption (GJ)	1,278,508	1,057,192	919,475
Natural gas consumption / Final production (GJ/t)	3.60	3.23	2.66
Thermal consumption (MWh)	314,588	276,828(*)	270,274
Thermal consumption / Final production (MWh/t)	0.89	0.85(*)	0.78
Other energy consumption (MWh)	7,711	1,686	1,426

(*) Data corrected with respect to the 2023 version (an error was detected in the KCSA data entry).

TABLE 4 - Water Withdrawal

KCE	2022	2023	2024
Water withdrawal (m ³)	1,530,279	1,395,687	1,399,998
Extraction / Final production (m ³ /t)	4.31	4.27	4.05
Groundwater	1,050,762	966,897	958,336
Third-party water	474,933	425,010	382,887
Reclaimed water from other organizations	4,584	3,780	68,227

TABLE 6 - Detail of water discharge characteristics (the mass emission of TSS, N and P does not incorporate KCG data)

KCE	2022	2023	2024
Wastewater discharge (m ³)	430,912	379,639	421,367
Wastewater discharge / Final Production (m ³ /t)	1.21	1.16	1.22
TOC (kg)	215,193	213,436	243,275
TOC / Final Production (kg/t)	0.61	0.65	0.70
TSS (kg)	16,764	21,284	15,813
TSS / Final production (kg/t)	0.05	0.07	0.05
N (kg)	49,086	36,695	40,589
N / Final production (kg/t)	0.14	0.11	0.12
P (kg)	1,073	970	473
P / Final production (kg/t)	0.003	0.003	0.001

TABLE 5 - Water consumption

KCE	2022	2023	2024
Total water consumption (m ³)	231,596	210,490	184,528
Consumption / Final production (m ³ /t)	0.65	0.64	0.53

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TABLE 7- Generated waste

KCE	2022	2023	2024
Total waste (t)	12,939	11,016	13,329
Total waste / Production (t/t)	0.04	0.03	0.04
Total hazardous waste (t)	10,717	8,844	11,345
Total hazardous waste / Production (t/t)	0.03	0.03	0.03
Valorisation of total waste generated (%)	77.77	71.51	75.25

TABLE 8 - Investment and costs for environmental activity by KCE

KCE	2022	2023	2024
Investment (thousands of euros)	2,516	2,081	13,569
Environmental costs (thousands of euros)	12,652	12,071	12,281

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TABLE 9- Staff by age groups

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
≤ 18	2	-	-	-	-	2
18-29	65	62	8	42	-	177
30 - 50	95	131	98	208	3	535
≥ 51	96	38	67	205	6	412
TOTAL	258	231	173	455	9	1126

TABLE 10 –Staff by professional group

	KCG		QK		KCHI		KCSA		KCE IND		TOTAL KCE
	H	M	H	M	H	M	H	M	H	M	
President/ Vice President	4	-	3	1	1	-	1	-	6	1	17
Managers	20	6	9	-	11	-	10	7	2	-	65
Group leaders	3	-	8	-	11	4	28	16	-	-	70
Technicians	50	13	20	7	40	11	55	38	-	-	234
Administration / Staff / Shift Leader	24	38	54	16	24	22	36	32	-	-	246
Employees	73	3	113	-	47	2	196	36	-	-	470
Apprentices	21	3	-	-	-	-	-	-	-	-	24
TOTAL	195	63	207	24	134	39	326	129	8	1	1126

TABLE 11-New hires by gender, age and category

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	11	22	6	42	2	83
Women	4	3	6	17	-	30
≤ 18	-	-	-	-	-	0
18 - 29	10	18	3	23	-	54
30 - 50	5	7	9	30	1	52
≥ 51	-	-	-	6	1	7
President/ Vice President	-	-	-	-	1	1
Managers	1	-	-	-	1	2
Group leaders	-	-	-	4	-	4
Technicians	4	3	2	8	-	17
Administration / Staff / Shift Leader	1	5	5	8	-	19
Employees	2	17	5	39	-	63
Apprentices	7	-	-	-	-	7
TOTAL	15	25	12	59	2	113

TABLE 12 -Types of contracts by gender, age and category

	KCG			QK			KCHI			KCSA			KCE			TOTAL KCE		
	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT
Men	168	22	5	207	-	-	134	-	-	306	20	-	8	-	-	823	42	5
Women	35	6	22	24	-	-	39	-	-	121	7	1	1	-	-	220	13	23
≤ 18	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
18 – 29	39	25	1	62	-	-	8	-	-	30	12	-	-	-	-	139	37	1
30 – 50	81	1	13	131	-	-	98	-	-	199	8	1	3	-	-	512	9	14
≥ 51	83	-	13	38	-	-	67	-	-	198	7	-	6	-	-	392	7	13
President/ Vice President	4	-	-	4	-	-	1	-	-	1	-	-	7	-	-	17	-	-
Managers	25	-	1	9	-	-	11	-	-	17	-	-	2	-	-	64	-	1
Group leaders	2	-	1	8	-	-	15	-	-	44	-	-	-	-	-	69	-	1
Technicians	56	2	5	27	-	-	51	-	-	92	1	-	-	-	-	226	3	5
Administration / Staff / Shift Leader	43	1	18	70	-	-	46	-	-	65	3	-	-	-	-	224	4	18
Employees	73	1	2	113	-	-	49	-	-	208	23	1	-	-	-	443	24	3
Apprentices	-	24	-	-	-	-	-	-	-	0	-	-	-	-	-	-	24	-
TOTAL	203	28	27	231	-	-	173	-	-	427	27	1	9	-	-	1043	55	28

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TABLE 13- - Average by type of contract

	KCG			QK			KCHI			KCSA			KCE			TOTAL KCE		
	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT
Men	65%	9%	2%	90%	-	-	77%	-	-	67%	4%	-	89%	0%	0%	73%	4%	0.4%
Women	14%	2%	9%	10%	-	-	23%	-	-	27%	2%	0,2%	11%	0%	0%	20%	1%	2%
≤ 18	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
18 – 29	15%	10%	0%	27%	0%	0%	5%	0%	0%	7%	3%	0%	0%	0%	0%	12%	3%	0%
30 – 50	31%	0%	5%	57%	0%	0%	57%	0%	0%	44%	2%	0%	33%	0%	0%	45%	1%	1%
≥ 51	32%	0%	5%	16%	0%	0%	39%	0%	0%	44%	2%	0%	67%	0%	0%	35%	1%	1%
President/ Vice President	2%	0%	0%	2%	0%	0%	1%	0%	0%	0%	0%	0%	78%	0%	0%	2%	0%	0%
Managers	10%	0%	0%	4%	0%	0%	6%	0%	0%	4%	0%	0%	22%	0%	0%	6%	0%	0%
Group leaders	1%	0%	0%	3%	0%	0%	9%	0%	0%	10%	0%	0%	0%	0%	0%	6%	0%	0%
Technicians	22%	1%	2%	12%	0%	0%	29%	0%	0%	20%	0%	0%	0%	0%	0%	20%	0%	0%
Administration / Staff / Shift Leader	17%	0%	7%	30%	0%	0%	27%	0%	0%	14%	1%	0%	0%	0%	0%	20%	0%	2%
Employees	28%	0%	1%	49%	0%	0%	28%	0%	0%	46%	5%	0%	0%	0%	0%	39%	2%	0%
Apprentices	0%	9%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%
TOTAL	79%	11%	10%	100%	0%	0%	100%	0%	0%	94%	6%	0,2%	100%	0%	0%	93%	5%	2%

TABLE 14 - Base Salary Ratio

	KCG	QK	KCHI	KCSA	KCE	TOTAL KCE
Average annual salary	1.45%	-4%	16.8%	7.4%	(3)	7.5%
Average annual salary gap (≤ 18 years)	(2)	(1)	(1)	(1)	(1)	(2)
Average annual salary gap (18 - 29 years)	-13.0%	1.0%	-10.5%	4.2%	(1)	-5%
Average annual salary gap (30 - 50 years)	2.6%	9.90%	9.0%	13.1%	(2)	8.4%
Average annual salary gap (≥ 51 years)	4.6%	-125.3%	25.4%	1.5%	(3)	-2.1%
Average annual salary gap by Professional group						
President/ Vice President	(3)	(3)	(3)	(3)	(3)	(3)
Managers	21.7%	(2)	(2)	-4.4%	(1)	46.1%
Group leaders	(2)	(2)	12,8	3.0%	(1)	46.4%
Technicians	9.3%	27.7%	16.2	7.1%	(1)	11.7%
Administration / Staff / Shift Leader	10.8%	9.7%	6.3	2.9%	(1)	7.3%
Employees	2.6%	(2)	(2)	(1)	(1)	(2)
Apprentices	1.6%	(1)	(1)	(1)	(1)	(2)

NOTE:

(1) There is no group.

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

(3) No data is provided because it affects individual personal data. Management staff from KCE are in this situation.

The company is aware of the need to continue working to reduce the gender gap. Relatively speaking, the salary gap is narrower among younger groups; this fact can be linked to seniority in older groups.

TABLE 15- Benefit Plan and Retirement Plans

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Thousands of euros	824	627	-	646	36	2,133

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TABLE 16- Total hours of absenteeism 2023

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	18,056	3,080	6,031	51,903	-	79,070
Women	3,924	512	750	9,285	-	14,471
TOTAL	21,980	3,592	6,781	61,188	-	93,541

TABLE 17- Theoretical annual hours per worker 2023

	KCG	QK	KCHI	KCSA	KCE IND
Annual Hours	1,950	2,115	1,752	1,732	1,732

TABLE 18- Absenteeism percentage 2023

	KCG	QK	KCHI	KCSA	KCE IND
Men	4.8%	0.7%	2.5%	9.3%	-
Women	3.2%	1.0%	1.2%	4.3%	-
TOTAL	4.4%	0.7%	2.3%	7.9%	-

TABLE 22 and TABLE 23- Indicators related to workplace accidents

KCE	2022	2023	2024	Objective 2024
Frequency rate (FR) ⁽¹⁾	7.60	8.09	6.98	<= 0.27
Accident frequency rate for women	ND	0,00	2.71	-
Accident frequency rate for men	ND	11,77	9.46	-
Severity rate (SR) ⁽²⁾	0.13	0.30	0.15	-
Severity rate women	ND	0.00	0.11	-
Severity rate men	ND	0.43	0.17	-
Occupational diseases	0	0	1	0
Occupational diseases women	0	0	0	-
Occupational diseases men	0	0	1	-

(1) FR= n° of lost-time accidents_{w+m}/ hours worked_{w+m} · 10⁶
 (2) SR= n° days lost due to accidents_{w+m}/ hours worked_{w+m} · 10³

TABLE 19- Total hours of absenteeism 2024

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	20.406	1.328	13.100	54.799	-	89.633
Women	4.681	1.120	481	9.793	-	16.075
TOTAL	25.087	2.448	13.581	64.592	-	105.708

TABLE 20 - Theoretical annual hours per worker 2024

	KCG	QK	KCHI	KCSA	KCE IND
Annual hours	1.732	2.115	1.766	1.732	1.732

TABLE 21 - Absenteeism percentage 2024

	KCG	QK	KCHI	KCSA	KCE IND
Men	6.0%	0.3%	5.5%	9.7%	-
Women	4.3%	2.2%	0.7%	4.4%	-
TOTAL	5.6%	0.5%	4.4%	8.2%	-

	KCG			QK			KCHI			KCSA		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
FR	6.39	6.29	2.09	5.97	5.85	9.73	12,37	9.22	3.07	7.38	10.56	10.16
FR _w	0.00	0.00	0.00	ND	0.00	0.00	0.00	0.00	0.00	ND	0.00	4.08
FR _m	6.39	8.42	2.76	ND	6.71	10.91	12.37	11.75	4.00	ND	23.25	25.17
MR	0.07	0.04	0.00	0.06	0.07	0.10	0.33	1.01	0.01	0.13	0.30	0.34
MR _w	0.00	0.00	0.00	ND	0.00	0.00	0.00	0.00	0.00	ND	0.00	0.16
MR _m	0.10	0.06	0.01	ND	0.08	0.12	0.43	1.29	0.02	ND	0.66	0.77
O. Diseases	0	0	0	0	0	0	0	0	0	0	0	1
O. Diseases _w	0	0	0	0	0	0	0	0	0	0	0	1
O. Diseases _m	0	0	0	0	0	0	0	0	0	0	0	0

w: Women ; m: Men

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0.1	Business model		
0.1.a	Brief description of the Group's business model (corporate environment and organisation)	2-2 Entities included in sustainability reporting	8
		2-6 Activities, value chain, and other business relationships	8-11;16-17;50-51
		2-9 Governance structure and composition	19
0.1.b	Geographical presence	2-1 Organisational details	Av. Puig dels Tudons, 10 E, 08210 Barberà del Vallès, Barcelona. Spain. 4;8-10
0.1.c	Goals and strategies of the organisation	2-22 Sustainable Development Strategy Statement	3;13-15
0.1.d	Main factors and trends that may affect future evolution	2-6 Activities, value chain, and other business relationships	11
0.2	General		
0.2.1	Mention in the report of the national, European, or international reporting framework used for the selection of key indicators of non-financial results included in each section		5-6
1	Environmental issues		
1.1	Overview		
1.1.a	A description of the Group's policies on these issues, including due diligence procedures for the identification, evaluation, prevention, and mitigation of significant risks and impacts and verification and control, including the measures taken.	3-3 Management of material topics	22-23
1.1.b	The results of these policies should include key indicators of relevant non-financial performance that enable the monitoring and evaluation of progress and that favour comparisons between companies and sectors	3-3 Management of material topics	22-23
1.1.c	The main risks related to these issues associated with the Group's activities, including, where relevant and proportionate, trade relations, products, or services that may have negative effects on these areas, and how the Group manages these risks.	2-12 Function of the principal governing body in the management of impacts 2-13 Delegation of responsibility for impact management 3-3 Management of material topics	22-23

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1.1.1	Detailed overview		
1.1.1.1	Regarding the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	2-27 Compliance with laws and regulations	37
1.1.1.2	Regarding environmental assessment or certification procedures	3-3 Management of material topics	16;28
1.1.1.3	Regarding resources dedicated to the prevention of environmental risks	3-3 Management of material topics	58-59
1.1.1.4	Regarding the application of the precautionary principle	3-3 Management of material topics	24-25
1.1.1.5	Regarding the amount of provisions and guarantees for environmental risks	3-3 Management of material topics	In relation to environmental provisions, the Group does not recognise environmental provisions in 2024. Each KCE company has environmental liability insurance policies with adequate coverage to handle the potential damage caused by pollution, restoration, and cleansing of the environment and biodiversity with the following breakdown in terms of annual coverage: - Kao Corporation, S.A.U., Kao Chimigraf, S.L.U., y Kao Chimigraf France SAS: EUR 12,000,000 - Kao Chemicals GmbH: EUR 10,000,000 - QuimiKao, S.A. de C.V.: USD 1,000,000
1.1.2	Pollution		
1.1.2.1	Measures to prevent, reduce, or repair emissions that severely affect the environment, considering any form of activity-specific air pollution, including noise and light pollution	305-5 Reduction of GHG emissions	30
		305-7 Carbon monoxide (CO), Nitrogen oxides (NOX), Sulphur oxides (SOX) and other significant air emissions	30;58-59

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1.1.4	Sustainable use of resources		
1.1.4.1	Water consumption and water supply in accordance with local limitations	303-3 Water withdrawal	36;59-60
		303-4 Water spills	36;59-60
		303-5 Water consumption	36;59-60
1.1.4.2	Consumption of raw materials and measures taken to improve the efficiency of their use	301-1 Materials used by weight or volume	60
1.1.4.3	Direct and indirect energy consumption	302-1 Energy consumption within the organisation	35;59-60
		302-3 Energy intensity	35;59-60
		302-4 Reduction of energy consumption	35;59-60
1.1.4.4	Measures taken to improve energy efficiency	302-4 Reduction of energy consumption	35;59-60
1.1.4.5	Use of renewable energy	302-1 Energy consumption within the organisation	35;59-60
		302-3 Energy intensity	35;59-60
1.1.5	Climate change		
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1.1.5.3	Reduction targets voluntarily set in the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose	305-5 Reduction of GHG emissions	30
1.1.6	Biodiversity protection		
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2.1.b	Main risks	3-3 Management of material topics	22-23
2.2	Detailed information		
2.2.1	Employment		
2.2.1.1	Total number and distribution of employees according to criteria representative of diversity (gender, age, country, etc.)	2-7 Employees	40;62-64
		401-1 New employee hires and employee turnover	62-64
2.2.1.2	Total number and distribution of employment contract modalities, annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category	2-7 Employees	40;62-64
2.2.1.3	Number of dismissals by gender, age and professional category	3-3 The management approach and its components	In 2024, there were a total of nine dismissals at KCE, representing 0.8% of the total workforce. At QK, the four dismissals correspond to four men; three of them are in the 18-29 age range and the other one is in the 30-50 age range. Likewise, all of them belong to the group of factory personnel. At KCHI, the data refer to three men in the 30-5 age range, all of whom are factory personnel. At KCSA, the data refers to one man in the 30-50 age range that belongs to factory personnel. At KCE, there was one case, a man over 1 age group, belonging to the Technical group.
2.2.1.4	Average remuneration and its evolution broken down by gender, age and professional category or equal value	3-3 The management approach and its components	KCE does not wish to report information on the average remuneration of the staff, the management team and administrators, broken down by gender, age and professional category.

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2.2.1.5	Wage gap, equal or average company job pay	405-2 Ratio of basic salary and remuneration of women to men	Table from page 62 represents the salary gap at KCE by Gender, Age group and Professional group. Accordingly, any negative gap percentages should be interpreted as showing a difference in the average salary in favour of women, while positive gap percentages indicate that the average salary is higher in the male group: Note that salary gap is calculated considering staff employed during the whole year (from January 1 st 2024 until December 31 st 2024)
2.2.1.6	The average remuneration of directors and managers, including variable remuneration, allowances, compensation	2-19 Remuneration Policies	41
		2-20 Process for determining remuneration	KCE does not wish to declare information on the average remuneration of the staff, the management team and administrators, disaggregated by gender, age and professional category.
2.2.1.7	Payment to long-term savings forecasting systems and any other payment received broken down by gender	201-3 Defined benefit plan obligations and other retirement plans	In 2024, the contribution to the long-term savings plan for KCE totalled 2,133,000 euros. See table on page 62.
2.2.1.8	Implementation of work disconnection policies	3-3 The management approach and its components	43
2.2.1.9	Employees with disabilities	405-1 Diversity of governing bodies and employees	42
2.2.2	Organization of work		
2.2.2.1	Organisation of working time	3-3 The management approach and its components	41-42 All KCE subsidiaries have production sites and central or office service areas. Therefore, regardless of the specifics of each site, work organisation includes continuous shift work and split or full-time work. At KCG, there are four shifts in the production and quality areas seven days a week, and from Monday to Friday there are two shifts in the logistics and raw materials warehouse. Staff members work seven hours and 30 minutes a day. QK has established rotating shifts in the production area to cover 24 hours a day, seven days a week; in the logistics area, the workday is from Monday to Saturday in two shifts, while offices work split shifts. At KCHI, there are continuous shifts in the production centres—morning, afternoon, and evening—Monday through Friday. The staff has a flexible schedule, with a one-hour margin at the beginning and end of the workday and an intensive workday on Fridays, as well as the possibility of working remotely based on the organisational needs of the position and the work centre. At KCSA, there are three types of workday and, at the production level, there is a fifth shift that covers a continuous workday every day of the year. At some specific production plants, however, there is a rotating morning and afternoon shift from Monday to Friday, as well as in the logistics and warehouse area. Staff personnel have a flexible schedule (compact flexibility), allowing them to enter between 7 a.m. and 9 a.m. and to leave from 4 p.m. onwards, as well as the possibility of working one day a week remotely, depending on the organisational needs of the position and the work centre. Time and attendance record: The process of registering working hours is systematised at KCG, KCHI and KCSA, while at QK it is not registered through any presence control tool as there is no legal obligation to do so in Mexico. Accordingly, KCG, KCHI and KCSA have a computerised time recording system, which allows the telematic recording and monitoring of working hours and their specifics, as well as the request for vacation time or leaves of absence. The KCE affiliates located in Spain, as well as the Mexican subsidiary, QK, have digital disconnection policies

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		403-6 Promoting healthy habits	44
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		403-10 Work-related illnesses	
			The formula for calculating the disaggregated male/female accident rates has been improved . In previous reports, both indices included the entire workforce without differentiating by gender. In this report, the denominators already include data for men or women, as appropriate. The data by gender for 2021 and 2022 are presented as unavailable because they cannot be calculated according to this new formula. KCHI KCHI has significantly improved its Incident Frequency (IF) compared to the previous year, while KCSA has experienced a deterioration in its results. Among the accidents in KCSA, no case involved a chemical agent. There were two accidents occurring while walking on pathways, two while handling loads, one during a cleaning process with hot water, and finally, one while accessing a control panel in a packaging area. KCG and QK show slight improvements compared to the previous year in their respective IFs. Regarding the Injury Rate (IG), there is an improvement at KCG, a slight increase at KCG, and a notable increase at both KCHI and KCSA. At both KCHI and KCSA, the increase is attributed to a single ergonomic accident at each company, both of which resulted in long-term absences.
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		402-1 Minimum notice periods regarding operational changes	26
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GLOSSARY

The following abbreviations and acronyms are used in this report:



CEO: Chief Executive Officer	KCSA: Kao Corporation, S.A.U.
CH₄: Methane	KCG: Kao Chemicals GmbH
CO: Carbon Monoxide	KCHI: Kao Chimigraf, S.L.U.
CO₂: Carbon Dioxide	MDJ: Methyl Dihydrojasmonate
COD: Chemical Oxygen Demand	NDPE: Non-Deforestation, Non-Peat and Non-Exploitation
CSR: Corporate Social Responsibility	N: Nitrogen
DEI: Diversity, Equity and Inclusion	NF₃: Nitrogen trifluoride
DQO: Chemical Oxygen Demand	NO_x: Nitrogen oxides
ECHA: European Chemicals Agency	P: Phosphorus
EEPP: Occupational Diseases	PFC: Perfluorocarbons
EFfCI: European Federation for Cosmetic Ingredients	PM: Particulate matter
EMAS: Eco-Management and Audit Scheme	QK: QuimiKao, S.A. de C.V.
ESG: Environmental, Social and Governance	REACH: Registration, evaluation, authorisation and restriction of chemicals
FEIQUE: Spanish Chemical Industry Business Federation	RSPO: Roundtable on Sustainable Palm Oil
FY: Fiscal year	SCA: Surfactant Consumer Application
GHG: Greenhouse Gases	SDG: Sustainable Development Goals
GHS: Globally Harmonised Chemical Classification and Labelling System	SDS: Safety Data Sheet
GMP: Good Manufacturing Practices	SF₆: Sulphur hexafluoride
HFC: Hydrofluorocarbons	SO₂: Sulphur dioxide
HSE: Health, Safety and Environment	SO_x: Sulphur oxides
IF: Frequency Index	STA: Surfactant Technical Application
IG: Gravity Index	TOC: Total Organic Carbon
ILO: International Labour Organisation	TSS: Total Suspended Solids
KBR: Kao Brasil, Ltda	VOCs: Volatile Organic Compounds
KCE: Kao Chemicals Europe, S.L.U.	VUCA: Volatility, Uncertainty, Complexity , Ambiguity

INDEPENDENT ASSURANCE REPORT

IVEnFC

INDEPENDENT VERIFICATION REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

Translation of a report originally issued in Spanish.
In the event of discrepancy, the Spanish – language version prevails

To KAO CHEMICALS EUROPE, S.L.U. shareholders:

Pursuant to Law 11/2018 dated 28 December (hereinafter, "Law 11/2018"), we have proceeded to the verification of the information included in the non-financial information statement (hereinafter, the "NFIS") of KAO CHEMICALS EUROPE, S.L.U. for the fiscal year ended 2024.

We believe that, except for the qualifications indicated in the "Qualifications" section of this report, based on the procedures applied and the evidence obtained during the verification process that we have carried out, the subject of this report, we have not come to our knowledge any question that leads us to believe that the verified information contains material misstatements.

Qualifications

Qualification 1

KAO CHEMICALS EUROPE, S.L.U. has expressed its intention not to disclose information regarding the average remuneration of personnel, management team, and board members, disaggregated by gender, age, and professional classification.

To the best of our knowledge and belief, the evidence obtained during the verification process provides reasonable grounds for issuing this Verification Report with the above-mentioned qualifications.

Methodology and Verification Team

The methodology for the verification of non-financial information consists of audit procedures and mechanisms to verify information and indicators, commonly accepted within the scope of the Conformity Assessment Bodies (as defined by Regulation (EC) no. 765/2008), such as the audit guidelines contained in standard ISO 19011, and particularly:

- Interviews with staff responsible for obtaining and preparing data
- Review consisting of sampling of documents and records (both internal and public)
- Sampling verification of data reliability and traceability
- Assessment of systems for the collection, management and handling of the information and indicators

The verification team was formed by qualified personnel of SGS International Certification Services Ibérica, S.A.U.

Independence

We are an independent entity to KAO CHEMICALS EUROPE, S.L.U. in accordance with the ethics requirements, including those related to independence that are applicable to our activities.

Responsibility of the Management Regarding the Non-Financial Statement

The administrators of the parent company are responsible for the formulation of the consolidated management report and the non-financial information detailed in accordance with paragraph 6 of Article 44 of the Code of Commerce, approved by Real Decreto dated 22 August 1885, amended by Law 11/2018, dated 28 December, amending the Code of Commerce.

SGS International Certification | Trespaderne 29 28042Madrid t34 91 3138115 www.sgs.es
Services Ibérica, SAU

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INDEPENDENT VERIFICATION REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

Responsibility of the Independent Verifier

The objective of the mission entrusted to us has been limited to obtaining limited assurance that non-financial information is free from material inaccuracies and to issuing a verification report of the information included in the state of non-financial information containing our opinion.

This is the translation of the original document in Spanish. In case of any discrepancy, the Spanish document shall prevail over the translation.

Date: 24/04/2025
Digitally signed by Esther Martínez

Signed: Esther Martínez Pardo
SGS International Certification Services Ibérica, S.A.

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Services Ibérica, SAU

Note to Readers of the Independent Assurance Report: This is a copy of the Independent Assurance Report.
The original is kept separately by Kao Chemical Europe, S.L.U. and SGS International Certification Services Ibérica. S.A.U.



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