Non-Financial Report 2025

Kao Chemicals Europe

Financial year ended 31 December 2025

In a challenging year, we reaffirmed our commitment to sustainability, moving towards becoming a more responsible, efficient and future-ready company.

Katsunori Yamaguchi
President & amp; CEO

Letter from the chairman

Contributing to create a sustainable society

Dear readers,
It is my pleasure to present the non-financial report for the 2025 financial year, a year which, once again, has been characterised by a complex global environment and a prolonged economic slowdown in Europe. Despite these circumstances, I would like to express my appreciation and gratitude to everyone at Kao Chemicals Europe for their commitment, professionalism and adaptability, as well as to our stakeholders for their continued support.
Throughout 2025, the European economy has continued to face an uncertain outlook. Although inflation has shown some signs of easing in certain countries, volatility in energy and food prices, coupled with high interest rates for much of the year, has continued to affect households and businesses. In this challenging environment, we have maintained a responsible, long-term outlook, reinforcing our strategic priorities and moving forward with determination on the commitments that guide our business.
Sustainability remains a key priority for KCE. Our objective is clear: to evolve into a more efficient and responsible company, aligned with the environmental and social challenges facing the chemical sector. Throughout the financial year, we have driven initiatives to reduce our environmental footprint, accelerate the adoption of renewable energy, and incorporate technologies that improve energy efficiency. In the field of product development, sustainability continues to guide our design and manufacturing decisions, contributing to the advancement of the circular economy and the improvement of the environmental performance of our solutions. We are also continuing to work on preparations for compliance with the European Deforestation Regulation (EUDR). Although its implementation has been postponed once again, we are continuing to make progress on the internal processes necessary to ensure a robust and responsible adaptation when it comes into force.
This report outlines the progress made in 2025 in areas that are key to our organisation: ethics and compliance, climate change and energy efficiency, the circular economy and waste management, pollution reduction, health and safety at work, and people and human rights. All of these reflect our commitment to continuing to build a company that is more sustainable, more resilient and more committed to its community.
I invite you to find out more about the progress we have made and the steps we are taking to continue improving our sustainability performance.

About this report

About this report


Barberà del Vallès (Spain)


Rubí (Spain)


Emmerich (Germany)


El Salto, Jalisco (Mexico)

The aim of this Non-Financial Report is to provide a transparent, rigorous and comprehensive overview of the management of social, environmental and governance issues deemed material to Kao Chemicals Europe, S.L.U. during the 2025 financial year. The report has been prepared with the aim of providing all stakeholders with clear, relevant and comparable information, incorporating quantitative indicators and historical data that enable an analysis of the year-on-year evolution of our performance, in accordance with the GRI Standards; furthermore, on a voluntary basis, the information in certain sections has been expanded in line with the European Sustainability Reporting Standards (ESRS), in order to move towards a reporting model more aligned with the new European regulatory requirements. This document has taken into account the scope of consolidation of the Group's Consolidated Financial Statements, which is set out in note 2 of the Consolidated Annual Report.

This report has undergone independent external verification in accordance with the provisions of Law 11/2018 on Non-Financial Information and Diversity, thereby reinforcing the reliability and quality of the data reported.

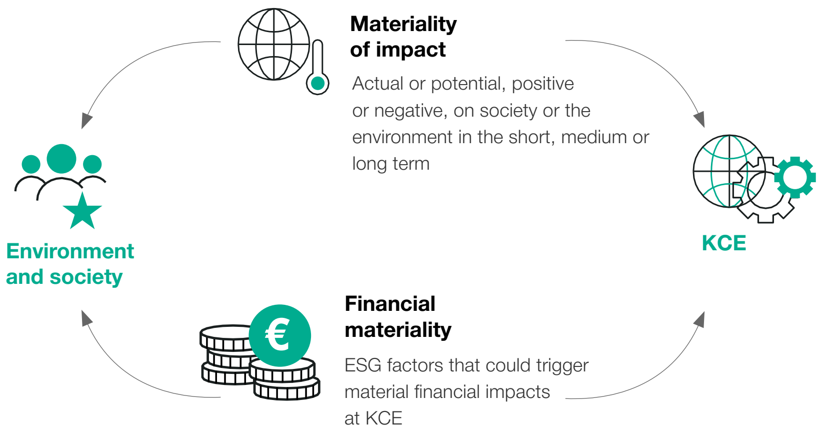
Please note that, in line with the requirements set out by the ESRS, the content of this Report has been determined on the basis of the double materiality analysis carried out by the organisation. This process enables the identification of issues that have a significant impact on the environment —impact materiality— and those that may have a significant influence on the company's financial, operational or reputational position —financial materiality—. The combination of both perspectives ensures that the information presented meets the expectations of our stakeholders and accurately reflects the risks and opportunities associated with sustainability.

This document therefore represents an exercise in transparency and accountability, and reflects Kao Chemicals Europe's commitment to sustainable, consistent and long-term management.

Double materiality analysis

The double materiality analysis forms the methodological basis of this Non-Financial Disclosure Statement and enables the identification of sustainability issues that are relevant to both Kao Chemicals Europe (KCE) and its stakeholders. This approach integrates two complementary perspectives: on the one hand, the impacts that the company's activities have on the environment and society; on the other, the risks and opportunities that these aspects may present for the organisation's business model, strategy and future performance.

During 2024, and in accordance with the requirements set out by the European Sustainability Reporting Standards (ESRS), KCE carried out a Double Materiality Analysis (hereinafter DMA) with the aim of identifying and prioritising the issues that should be considered material from both perspectives. This process is based on identifying those aspects that generate actual or potential impacts on the environment, as well as the risks and opportunities that may have a significant influence on the company's operations and future situation. Combining both dimensions helps guide decision-making and ensures that the information disclosed meets the expectations of stakeholders and addresses the organisation's strategic challenges.



The analysis was carried out in accordance with EFRAG guidelines and incorporated a comprehensive methodology based on active listening and dialogue with various stakeholders. Quantitative consultations were conducted, and sector-specific information, specialist studies, analyst forecasts and best practices from other companies in the chemical sector were reviewed. This approach enabled the integration of a broad and well-rounded perspective, combining the external context with the organisation's internal priorities.

1-Analysis of the External and Internal Context

2-Identification of impacts, risks and opportunities

3-Assessment of IROs

4-Consultations with stakeholders

5-Identification of material IROs

6-Monitoring and validation of the DMA

Double materiality analysis

1-Analysis of the External and Internal Context

External context

— Regulatory framework: review of current and emerging ESG regulations with potential implications for KCE's operations and value chain.
— Industry trends: analysis of the ESG performance of competitors and industry leaders in the chemical sector to identify emerging practices and issues considered material within the industry.
— Social and reputational expectations: assessing stakeholders' perceptions and demands through public debates, social media and specialist organisations.
— Research and specialist publications: review of sector-specific reports, rankings and sustainability analyses produced by expert bodies to identify issues recognised as global priorities.

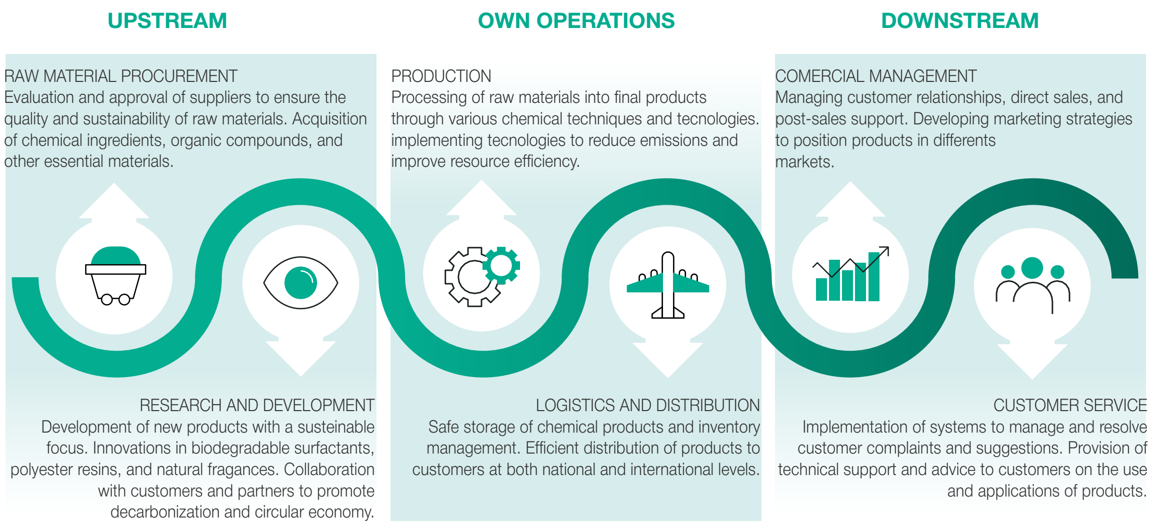
Internal context

— Scope of the review: a review of all KCE's activities and operations across the various regions where it operates, ensuring a comprehensive overview of the potential impacts associated with its activities.
— Value chain: an assessment of upstream and downstream relationships, including suppliers, customers and other strategic partners, to identify material issues that may arise beyond direct operations.
— ESG objectives and strategic ambition: aligning the analysis with the company's ESG commitments, policies and targets, ensuring consistency between the identified materiality and the corporate vision.
— Internal insights: gathering information from employees, management teams and governing bodies on ESG priorities, risks and opportunities.

Value Chain

— Comprehensive mapping of the value chain: identification of all relevant activities, entities and relationships involved in the creation and delivery of products and services.
— Upstream and downstream coverage: analysis of earlier stages (raw material extraction, suppliers, initial logistics) and later stages (distribution, customer use,end of product life).
— Multi-geographical approach: taking into account all the regions where KCE operates or where its value chain has a significant impact.
— Identification of critical issues: identification of activities or relationships with potential environmental, social or governance impacts that are relevant to the materiality analysis.

KCE VALUE CHAIN



Double materiality analysis

2-Identification of impacts, risks and opportunities

KCE carried out the identification and assessment of Impacts, Risks and Opportunities (hereinafter referred to as IROs), taking into account:

- Regulatory reference: assessment based on the comprehensive list of environmental, social and governance topics and subtopics set out in ESRS 2, Article 16 of the European Sustainability Reporting Standards.
- Integration with previous materiality assessments: combining regulatory requirements with the issues already identified by KCE in previous years, ensuring continuity and consistency.
- Structured assessment: analysis of IROs across all subsidiaries, followed by the consolidation of an overall result for the group.
- Specific assessment tool: use of a tool developed by KCE to ensure traceability, consistency and the recording of adjustments to thresholds, weightings and scores.
- Strategic alignment: identifying the most significant sustainability aspects for operations and the value chain, ensuring consistency with stakeholder expectations and corporate objectives.

3-Assessment of IROs

The criteria and scales defined in the KCE methodology have been applied to the assessment of IROs, with each aspect being evaluated according to its magnitude, probability and economic relevance, in line with the requirements set out by the ESRS.

Impact assessment

Impact: The effect that a company's activities, products or relationships have on people or the environment, whether positive or negative.

Positive or Negative

Actual or Potential

Financial outlook

Risk: An uncertain event or condition which, if it were to occur, could adversely affect the company's business model, strategy or ability to create value.

Opportunity: An uncertain event or circumstance which, if it were to occur, could have a positive impact on the business model, strategy and value creation.

Metrics used for IROS prioritisation

IMPACTS

- Scale: refers to the significance that an impact, risk or opportunity holds for stakeholders and for the organisation.
- Scope: describes the area affected by an incident, taking into account its geographical extent, its impact on the value chain or other relevant areas.
- Remediability: refers to the complexity involved in correcting, mitigating or reversing the effects of a negative impact.

IMPACTS, RISKS AND OPPORTUNITIES

- Probability: indicates the likelihood that an impact, risk or opportunity will materialise.

RISKS AND OPPORTUNITIES

- Magnitude: reflects the financial scale of the outcome associated with a risk or opportunity, taking into account its potential impact on the company.

Double materiality analysis

3-Evaluación de IROs

Materiality of impact

The impacts are classified as follows:

— **Current positive value**:
(Scale + Range) × 1.5

— **Positive potential**:
(Scale + Scope) × 1.5 × Probability

— **Negative score**:
(Scale + Scope) + Remediability

— **Negative potential**:
(Scale + Scope + Remediability) × Probability

SCALE

5	Very serious impact
4	Serious impact
3	Moderate impact
2	Minor impact
1	Very limited impact

PROBABILITY

AMOUNT	PROBABILITY	DESCRIPTION
5	Very high	100% occurrence
4	High	Occurrence rate exceeding 75%
3	Mid	Occurrence rate exceeding 50%
2	Low	Incidence exceeding 25%
1	Very low	Incidence of less than 25%

SCOPE

AMOUNT	PROBABILITY	DESCRIPTION
5	Global	It affects large geographical areas and large populations.
3	Medium	It affects specific regions (country, county) or specific groups (staff, customers, suppliers).
1	Limited	It affects a local area or a small, clearly defined group.

REMEDIABILITY

AMOUNT	PROBABILITY	DESCRIPTION
5	Inevitable	It is not possible to return to the state prior to the impact.
4	Very difficult	It takes more than five years and resources from various departments.
3	Difficult	It takes between 2 and 5 years and requires significant resources.
2	With effort	It takes less than two years and requires specific resources.
1	Easy	It can be rectified in less than a year without significant resources.

Double materiality analysis

3-Evaluación de IROs

Financial materiality

Risks and opportunities are categorised as follows:
— Risk:
(Scale + Economic value)/2) × Probability × 1.25
— Opportunities:
(Scale + Economic value)/2) × Probability × 1.25

PROBABILITY

AMOUNT	PROBABILITY	DESCRIPTION
5	Very high	>75% occurrence
4	High	50%-75% occurrence
3	Mid	25%-50% occurrence
2	Low	10%-25% occurrence
1	Very low	<10% occurrence

ECONOMIC ASSESSMENT

AMOUNT	PROBABILITY	DESCRIPTION
5	Very serious damage	> 20.000.000 €
4	Serious injury	5.000.000 € -20.000.000 €
3	Localised damage	2.000.000 € -5.000.000 €
2	Minor damage	100.000 € -2.000.000 €
1	No damage or only minor damage	< 100.000 €

4-Consultations with stakeholders

To determine the significance of each material impact, issue, sub-issue or sub-sub-issue, the involvement of the following identified stakeholders was taken into account:

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Double materiality analysis

5-Assessment of IROs

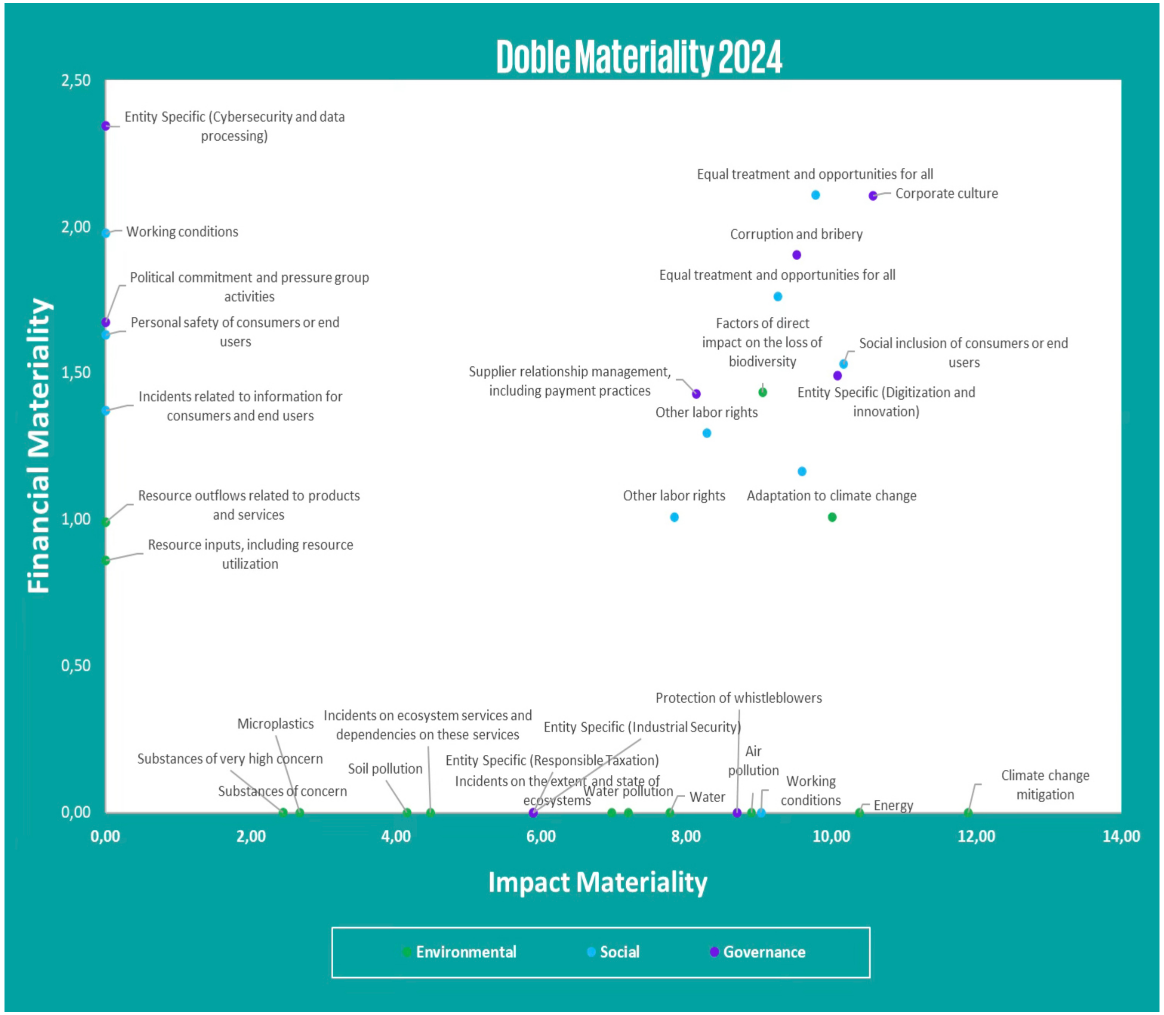
As KCE comprises several subsidiaries, the assessment of the IROs required first considering the results achieved by each entity and then consolidating them into a single dual materiality matrix for the group. To this end, each subsidiary was assigned a specific weighting based on its relative impact within KCE, using criteria linked to size, such as the number of employees, net sales and other key performance indicators.
This approach ensures a balanced representation of each entity's contribution. Thus, Kao Chemicals GmbH (KCG) and Kao Corporation, S.A.U. (KCSA) receive the maximum weighting of 1, whilst QuimiKao, S.A. de C.V. (QK) is assigned a weighting of 0.8 and Kao Chimigraf, S.L.U. (KCHI) a weighting of 0.5.

For the overall results, a theme or sub-theme is considered significant if it meets any of the following criteria:

- Its impact materiality is material when its value exceeds 8.32.
- Its financial materiality is material when its value exceeds 1.70.
- It is material either on the basis of impact, financial materiality, or both.

Setting thresholds

- The materiality threshold for impact is set at 8.32%.
- The financial materiality threshold is set at 1.70%.



Double materiality analysis

6-Monitoring and validation of the DMA

To ensure a comprehensive understanding of the group's activities and to gather detailed information for the Double Materiality Analysis, KCE has established a structured approach involving the departments responsible for the Environmental, Social and Governance pillars. These departments carry out the activities set out in the procedure and ensure the quality and consistency of the process.

Roles and responsibilities:

— Internal ESG and Corporate Teams:
Responsible for coordinating working sessions with the cross-functional teams for each pillar (Environmental, Social and Governance), ensuring methodological alignment and consistency in the analysis.

— Cross-functional teams within each subsidiary:
Responsible for identifying and assessing Impact, Risk and Opportunity (IRO) factors, taking into account each company's strategic priorities and specific operational context.

— Subsidiary Management Committees:
Once the IROs have been assessed by each subsidiary, the ESG and Corporate teams consolidate the results and present them to the relevant Management Committees. These committees review the proposals, make any necessary amendments and approve the final version for submission to the KCE Management Committee.

— KCE Management Committee:
Acts as a supervisory body and performs functions equivalent to those of the Board. It reviews the consolidated results, makes the necessary adjustments and grants final approval.

This governance framework ensures that the analysis is robust, transparent and fully aligned with KCE's strategic objectives, reinforcing the group's commitment to sustainability and responsible business practices.

In this regard, during the final stage of the process, the results of the Double Materiality Analysis were presented to and approved by the Management Committee.

The weighted consolidation of results from all KCE Group subsidiaries was presented at the level of Theme, Sub-theme and Impact, Risk and Opportunity (IRO). This structured approach ensures that the KCE Group's consolidated matrix accurately reflects the specific operational realities of each subsidiary, whilst maintaining a unified strategic vision.

The preliminary consolidated results were presented to senior management during the Management Committee meeting in November 2024. During this session, a strategic decision was taken to reassess environmental issues. This review was prompted by the extreme environmental conditions faced in 2024, specifically the severe droughts that affected our operations at Quimikao (QK) and Kao Corporation, S.A.U. (KCSA).

In Catalonia (Spain), the water shortage crisis posed a significant operational risk. Consequently, environmental experts from all subsidiaries carried out a reassessment that raised the materiality thresholds for Water and Marine Resources, officially designating it as a material issue for the Group. Furthermore, to ensure comprehensive ethical oversight, corruption and bribery were incorporated into the materiality assessment of the Quimikao subsidiary.

Double materiality analysis

The evaluation process was managed using a dynamic working document that provided detailed visibility at both subsidiary and global levels. Following internal checks and final adjustments carried out in December 2024, the results were presented to the KCE Management Committee for final approval.

These adjustments have been fully incorporated into the final matrix, which, categorised by themes and sub-themes, serves as the definitive reference framework for our sustainability disclosures and the strategic prioritisation of the next reporting cycle.

THE FOLLOWING TABLE SETS OUT THE CORE TOPICS FOR KCE.

ESG	SHE	SUBTOPIC
Environmental	E1-Climate change	Adaptation to climate change
Environmental	E1-Climate change	Adaptation to climate change
Environmental	E1-Climate change	Energy
Environmental	E2-Pollution	Air pollution
Environmental	E3-Water and marine resources	Water
Environmental	E4-Biodiversity and ecosystems	Factors directly contributing to biodiversity loss
Social	S1-Own employees	Working conditions
Social	S1-Own employees	Other working conditions
Social	S2-Workers in the value chain	Working conditions
Social	S4-Consumers and end users	Personal safety of consumers or end users
Governance	G1-Business conduct	Corporate culture
Governance	G1-Business conduct	Protection of whistleblowers
Governance	G1-Business conduct	Political engagement and lobbying activities

1. Business model

KAO Chemicals Europe

Kao Chemicals Europe, S.L.U. (KCE) is a company specialising in the manufacture and marketing of surfactants, fragrance ingredients, perfumery compositions, various ranges of technical products, polyester resins, high-quality toner for professional applications, and inks for digital and analogue printing. The company is part of Kao Corporation, a Japanese multinational headquartered in Tokyo, and has its headquarters in Barberà del Vallès (Spain).
KCE was established in 1999 through the merger of Kao Corporation, S.A.U. (KCSA) in Spain and Kao Chemicals GmbH (KCG) in Germany. The group subsequently expanded its international presence with the incorporation of QuimiKao (QK) in Mexico in 2005, the acquisition of a 0.1% stake in Kao Brasil Ltda (KBR) in 2012, and the integration of Kao Chimigraf (KCHI) in Spain in 2017.

This report covers the consolidated scope of KCE, comprising the following subsidiaries, each of which plays a specific role within the group:

— Kao Corporation, S.A.U. (KCSA) – Spain
Production and commercial operations centre specialising in surfactants, oleochemicals and products for personal and home care.

— Kao Chemicals GmbH (KCG) – Germany
Manufacturing plant and commercial hub for Central Europe, specialising in technical surfactants and industrial applications.

— QuimiKao, S.A. de C.V. (QK) – Mexico
Manufacture and distribution of surfactants and specialty chemicals for the Mexican and Latin American markets.

— Kao Chimigraf, S.L.U. (KCHI) – Spain
Specialising in inks, varnishes and solutions for digital and analogue printing for the industrial market.

— Kao Brasil Ltda (KBR) – Brazil
A minority stake (0.1%) that strengthens the group's presence in South America and facilitates commercial coordination in the region.

The integration of these entities enables KCE to operate as a cohesive group, with industrial, commercial and innovation capabilities spread across different regions of the world.

1.1 What we do

KCE operates through six business lines tailored to different applications depending on the target industry:

- Oleochemicals: production and marketing of amines and fatty alcohols, mainly in Europe.
- Surfactants for household use (SCA): raw materials—primarily surfactants—intended for use in personal care and household products.
- Surfactants for technical applications (STA): surfactants and additives designed for sectors such as road construction, the construction industry, oil and gas, mineral flotation, fertilisers, metals and other industrial applications.
- Fragrances and chemical scents: chemical scents and fragrance formulations designed for the consumer goods industry, particularly the fragrance sector.
- Printing materials: a range of specialised products, such as polyester resins and toners for professional photocopiers and printers.
- Printing inks: inks and varnishes for flexography, rotogravure and digital printing systems used in the graphic arts industry.

This diversified portfolio enables KCE to meet the needs of a wide range of sectors, whilst maintaining a competitive position in global markets and in industries with high technical requirements.


ASPHALT


CONSTRUCTION


FERTILIZERS


LAUNDRY & CLEANING


AROMA CHEMICALS

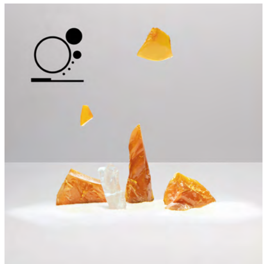

FRAGRANCES


INDUSTRIAL FLUIDS & LUBRICANTS


MINERAL FLOTATION


OLEOCHEMICALS


PERSONAL CARE


IMAGING MATERIALS


INKS

1.2 Global presence

KCE operates either directly or through agents and distributors, adapting to the specific characteristics of each region. Since its establishment, the company has a broad and strategic geographical presence, enabling it to position itself as a leading global supplier in most of the sectors in which it operates.

PRODUCTION CENTRES

KCG
A production facility in Emmerich (Germany).

QK
A production facility in El Salto, Jalisco (Mexico).

KCHI
It carries out its manufacturing operations at five production sites in Spain: Rubí (the main site), Mollet del Vallès, Alcalá de Henares and Aldaya.

KCSA
Three production sites located in Olesa de Montserrat, Mollet del Vallès and Barberà del Vallès (Spain); the latter is also home to KCE's European headquarters.

Barberà del Vallès

Olesa de Montserrat

Mollet del Vallès

In 2025, the group's products were sold in 102 countries, with distribution figures reflecting the relative importance of each market:

— Europe: 65% of volume and 61% of sales.
— South America: 20% of volume and 18% of sales.
— Asia: 7% of volume and 12% of sales.
— Africa and Oceania: a small but stable share.

Although the group's origins explain the high concentration of activity in Europe, its international expansion has driven sustained growth in the Americas and increasingly close collaboration with the Kao Group's subsidiaries in Asia.

MARKETS

THE AMERICAS
KCE began operations in El Salto, Jalisco (Mexico) over 40 years ago. Since then, it has established a strong presence in the Mexican market and has developed initiatives to expand across Latin America. Its partnership with Kao Specialties America has strengthened its position in North America.

EUROPE
With production facilities in Spain and Germany, the company has successfully diversified its manufacturing and commercial activities, establishing itself as a leading player in the European market.

ASIA
KCE works closely with the Kao Group's Asian subsidiaries with the aim of driving business growth across the region and capitalising on operational and commercial synergies.

1.3 2025 at a glance

This section provides an overview of the group's growth and key ESG indicators, offering a clear picture of the business's performance and progress in the area of sustainability.

BUSINESS

Production (t)
326,627

Net sales (millions of euros)
776

PROVEEDORES

Proveedores locales
>50%

Contratos con cláusulas ESG
93%

SOCIETY

We take part in projects aimed at:
— Revitalising natural spaces and public areas
— Supporting children and young people to promote equal opportunities
— Sponsor cultural, social and sporting events
— Work with NGOs dedicated to improving women's lives

GOVERNANCE

No cases detected in breaches of the Code of Conduct

Donations and sponsorship
52,532€

ENVIRONMENT

Total direct GHG emissions (Scope 1) (t CO_{2e})
48,848

Total indirect GHG emissions (Scope 2) (t CO_{2e})
0

Other GHG emissions (Scope 3) (t CO_{2e})
1,023,502

Reduction in CO_{2e} emissions compared with 2017 (Scope 1 and 2)
30.2%

Percentage of RSPO-certified palm-derived raw materials
16.5%

Consumption of electricity from renewable sources
100%

OUR PEOPLE

Staff structure:

Men
870

Women
259

6% Women in executive positions

93% Of staff are on permanent contracts

81% staff have received training

Training hours
15,469

Investment in training
468,952€

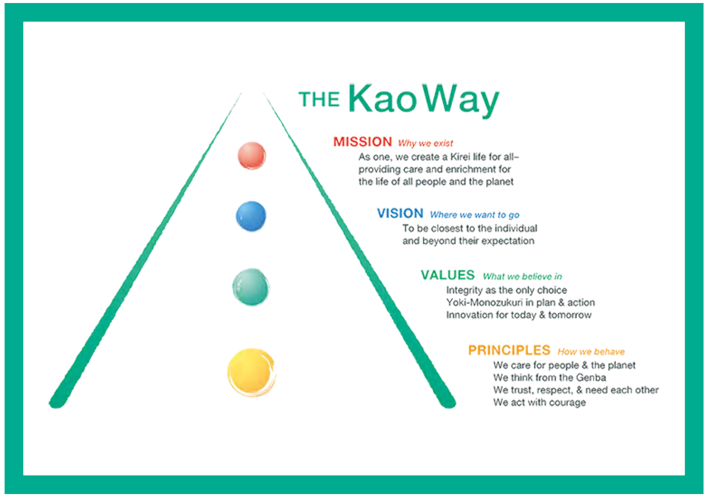
KCE: our business model

1.4 Philosophy The Kao Way

Together, we create a Kirei life for everyone, contributing to people's well-being and caring for the planet.

The Kao Way defines our corporate principles, guides our conduct and sets the direction for our future. It encapsulates our mission, vision and values, and is one of the most important cultural pillars shared by everyone who is part of Kao worldwide.

The principles and values of The Kao Way reflect our commitment to respecting and protecting human rights, and underpin our dedication to diversity, inclusion and integrity in all our operations.



MISIÓN	VISIÓN	VALUES	PRINCIPLES
As one, we create a Kirei life for all-providing care and enrichment for the life of all people and the planet.	To be closest to the individual and beyond their expectation.	Integrity as the only choice. Yoki-Monozukuri in plan & action. Innovation for today & tomorrow.	We care for people & the planet. We think from the Genba. We trust, respect, & need each other. We act with courage.

Together, we create a Kirei life for everyone, contributing to people's well-being and caring for the planet.

KCE: our business model

1.5 The Kirei Lifestyle: our ESG strategy

Sustainability as the only path
The Kirei Lifestyle Plan (KLP) is Kao's ESG strategy and serves as the framework that guides our innovation, our decision-making and our contribution to society. Through the KLP, we integrate sustainability into every aspect of our business, creating value for our customers and the environment.

KCE's ESG Vision

A Kirei lifestyle means enjoying the present with the peace of mind that this sense of well-being will continue into the future. It is an opportunity to express who you are, with the confidence that you are acting responsibly. Even in the most everyday moments.
At Kao, everything we do is dedicated to this purpose. That is why we choose to do the right thing, even when it is not the easiest option. We put our innovation, creativity and imagination to work in pursuit of a clear mission: to enrich people's lives and contribute to a sustainable future.

KCE: our business model

1.6 KCE's objectives and strategies

Kao Chemicals Europe is a subsidiary of Kao Corporation, and as such our mission, values, objectives and strategy are fully aligned with those of our Japanese parent company.
Our Value Creation Model is geared towards bringing about a Kirei World, where all forms of life coexist in harmony. This approach stems from a firm conviction: sustainability is the only viable path to the future.

In this context, KCE is reinforcing its commitment to Kao's global objectives:
— Zero carbon emissions by 2040
— Negative carbon footprint by 2050

1.6.1 Trends in the operating environment

KCE defines its objectives by analysing issues relevant to the company and its stakeholders, as well as global trends that could have a significant impact on its operations:

— The global geopolitical situation continues to affect the economy and the chemical industry, particularly in Europe, where high energy costs, limited demand and strict regulations are undermining competitiveness.
— The proliferation of regulations and legislation, particularly within the EU, has an impact on international trade agreements.
— Supply chains remain complex, a situation exacerbated by regional conflicts and weather events affecting key routes such as the Middle East and the Panama Canal.
— The rise in imports from outside the EU and global industrial restructuring are affecting the availability of raw materials and the sector's competitiveness.
— Growing public awareness of climate change is driving new regulatory requirements and market expectations.
— The new trade agreements (EU–Mercosur, EU–India) could open up significant opportunities for the European chemical industry.

1.6.2 KCE Objectives

To be an indispensable partner for our customers in a sustainable world

Transforming the company through investments that drive a strong and resilient business

To create a diverse and inclusive environment where people can fulfil their full potential

1.6.3 Strategic pillars of the KCE 2027 Plan

— Sharp Top's Global Strategy to accelerate transformation and the achievement of objectives.
— Promoting high value-added products, improving cost competitiveness and expanding markets.
— Global collaboration as "ONE KCE", fostering synergies between business units and cultural diversity.
— Product portfolio management, actively developing solutions with high environmental and social value, promoting locally sourced raw materials and circular economy principles.
— Development of bio-based products, in collaboration with Kao Japan.
— Global regulatory alignment, working with other EMEA subsidiaries and head office to anticipate EU requirements.

1.6.4 Results for 2025

2025 was a challenging year for the European chemical industry, which was affected by low demand and high energy costs, the imposition of import tariffs in some countries, and a rise in exports of Asian products to Europe. Against this backdrop, Kao was unable to achieve its expected results.

Despite the circumstances, KCE made progress on new applications and began selling some of them.

The new biomass plant began operating in 2025, helping to reduce emissions and strengthening relationships with local suppliers, thereby making them less dependent on geopolitical factors.

By 2025, KCE is positioning itself for sustained growth by proactively integrating sustainability into its operations and anticipating an increasingly demanding regulatory environment.

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KCE: our business model

1.7 Aligning the UN SDGs with KCE's strategy

The integration of the Sustainable Development Goals (SDGs) is a central element of KCE's and the Kao Group's ESG strategy. Kao Corporation began its efforts to align with global sustainability standards in 2005 by joining the UN Global Compact, and following the establishment of the SDGs in 2015, it expanded its commitment to contribute directly to these goals.

The company integrates sustainability into its global innovation strategy through the Kirei Lifestyle Plan and the Global Sharp Top, incorporating the SDGs into product development since 2019.

Its SDG-based approach bolsters stakeholder confidence and its reputation for ethical practices. Kao creates social value and meets consumer needs through products aligned with the SDGs, whilst ensuring effective management of regulatory risks and its long-term viability.

Since 2019, KCE has been working systematically to understand how its operations, products and strategic decisions contribute to the SDGs, and how these can reinforce long-term value creation.

A structured process based on international standards

In 2025, as part of the ESG Culture Plan, KCE carried out a comprehensive exercise to assess the company's contribution to the SDGs and prioritise those most relevant to its operations. This project was developed by a cross-functional team at KCE, comprising representatives from different departments and levels of seniority, and was supported by a specialist external consultant. The process was based on a methodology certified by IFGICT, ensuring its rigour, traceability and alignment with international sustainability standards. This work included a comprehensive review of KCE's mission, initiatives and governance, as well as a detailed analysis of the alignment between the company's projects and the 169 specific targets that make up the 17 SDGs. The result was a clear identification of strengths, gaps and opportunities for improvement in environmental, social and governance matters. The work carried out enabled the definition of a set of prioritised SDGs, measurable KPIs and initial targets, as well as the identification of existing environmental, social and governance initiatives. The results were presented to and agreed with KCE's Board of Directors, which validated the identified priorities and their integration into the corporate strategy. From 2025 onwards, these results will be incorporated into internal governance through the ESG committees and working groups and into reporting processes in accordance with ESRS requirements, ensuring transparent monitoring, active stakeholder engagement and continuous improvement.

Prioritised SDGs for KCE

The analysis identified two categories:

— Priority SDGs, where there are a greater number of mandatory targets and significant room for improvement.

— SDGs of lower priority, where current performance is strong or relevance to KCE's activities is limited.

The work carried out in 2025 marks a turning point in the integration of the SDGs into KCE's strategy. From now on, the prioritised SDGs will guide strategic planning, the defined KPIs will enable progress to be measured objectively, and ESG governance will incorporate these results into its decision-making processes.

The priority SDGs include:

- SDG 7 Affordable and clean energy
- SDG 8 Decent work and economic growth
- SDG 9 Industry, innovation and infrastructure
- SDG 12 Responsible production and consumption

All these SDGs were prioritised due to their close link to KCE's industrial activities and to the current challenges facing the chemical sector, particularly in the areas of energy efficiency, decarbonisation and responsible resource management. Key areas identified include:

— Improving energy efficiency and standardising processes across subsidiaries, with a view to optimising energy consumption and enhancing operational competitiveness.

— The importance of strengthening supplier risk assessment, particularly in the context of complex supply chains.

— Aligning R&D procedures across subsidiaries to accelerate innovation and ensure technical consistency, with a focus on eco-design to reduce environmental impact.

— The promotion of quality employment, lifelong learning and safe working conditions.

— The adoption of more circular production models, prioritising waste reduction, the reuse of materials, and efficiency in water and energy use.

— Promoting solutions and materials with high environmental and social value, in line with the transition towards a more sustainable industry.

These SDGs reflect KCE's commitment to responsible growth, sustainable innovation and the creation of shared value.

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KCE: our business model

1.8 Innovation for sustainability

In 2025, we strengthened the integration between our R&D activities and the material issues identified in our double materiality analysis. This approach ensures that every new development incorporates sustainability criteria aligned with the company's strategic objectives right from the outset.

Innovation is therefore aimed at generating positive impacts in areas such as climate change mitigation, energy efficiency, biodiversity conservation, pollution reduction and consumer safety.

Throughout the financial year, a number of product launches have demonstrated our R&D department's ability to translate product design into tangible environmental and social benefits. The key developments are outlined below.

Key innovations for 2025

— DANOX SLL and DANOX LS38 (Personal Care)
These ingredients for personal care formulations enable cold processing, significantly reducing the temperature required in our customers' manufacturing processes. Their biodegradability and low toxicity reduce the environmental impact on ecosystems, particularly aquatic ones, and contribute to consumer safety. Furthermore, their ease of rinsing off improves the user experience and optimises water consumption.

— NERASOFT S10 (Fabric Care)
This cationic surfactant enables the formulation of highly concentrated products, reducing water transport and the amount of packaging material required. Furthermore, concentrates using NERASOFT S10 can be diluted with tap water (not distilled), a feature that reduces the water and energy consumption associated with manufacturing a traditional (non-concentrated) fabric softener and makes it easier for the end consumer to use concentrates.In addition to its contribution to climate and energy issues, its potential to reduce packaging waste aligns with future circularity objectives.

— SK FERT S7086 (Fertilisers)
This innovation improves flowability, reduces caking and controls dust in fertiliser products, particularly during handling and storage. The reduction in airborne particles directly contributes to lower air pollution, whilst improved safety in logistics operations enhances working conditions throughout the value chain. Its application in UAN enhances operational stability and reduces wastage.

KCE: our business model

All these innovations underpin KCE's commitment to a responsible R&D model that incorporates sustainability criteria from the earliest stages of design. This approach is structured around four key pillars:

— Eco-design, prioritising energy efficiency, biodegradability and the reduction of environmental impacts throughout the product's life cycle.

— Consumer and worker safety, incorporating criteria relating to operational reliability and risk reduction during use and handling.

— Optimisation of resources and circularity, through concentrated formats, reduced use of materials and low-temperature processes that cut energy consumption.

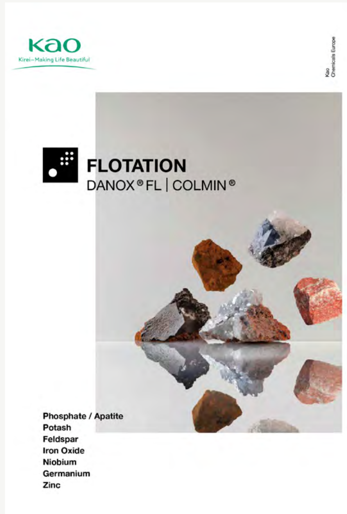
— Protecting biodiversity by promoting the development of products that minimise persistent impacts on ecosystems and reduce pressure on natural environments.

This framework guides KCE's innovation activities and ensures that every new development makes a tangible contribution to the company's environmental, social and governance objectives.

— KaoroCaps™ (Flavours and fragrances)
KaoroCaps™ introduces a technology for biodegradable microencapsulated fragrances into our portfolio, designed to offer a viable alternative to traditional melamine-based products, which dominate the market and are non-biodegradable. This innovation reduces the presence of microplastics both in formulations and in wastewater following the use of products containing KaoroCaps, thereby reducing pressure on aquatic ecosystems and contributing to the protection of biodiversity, a key material issue. Although microplastic pollution is not yet listed as a material issue, it is recognised as a relevant area due to its potential future impact.

— COLMIN 10 and COLMIN 12 (Mining)
These products are designed to improve the selectivity and efficiency of flotation processes in mining, enabling operators to maximise the performance of extraction processes and make better use of mineral resources. These operational improvements can reduce energy consumption and associated emissions.

— Furthermore, the incorporation of eco-design principles into the design of these products has led to a 30% reduction in their Cradle-to-Gate environmental footprint.



KCE: our business model

1.9 External assessments and certifications

1.9.1 Certifications

KCE is firmly committed to quality, product safety and operational excellence. In this context, several of the Group's subsidiaries hold internationally recognised certifications that guarantee compliance with stringent standards in the areas of manufacturing, sustainability and traceability.

	KCG	QK	KCHI	KCSA
ISO 9001	✔	✔	✔	✔
GMP			✔	✔
ISO 14001	✔		✔	✔
EMAS			✔	✔
ISO 50001	✔			✔
ISO 45001	✔		✔	✔
RSPO CERTIFICATE	✔	✔		✔
ISCC PLUS CERTIFICATE	✔			

Good Manufacturing Practice (GMP)

The GMP (Good Manufacturing Practices) certificate is awarded to companies that have implemented a system of good manufacturing practices; it follows the same structure as the ISO 9001 standard, which it complements. These certifications ensure that production processes meet strict criteria regarding control, hygiene, traceability and consistency.

All these activities and certifications are subject to regular internal and external audits, which ensure that standards are maintained, continuous improvement takes place, and compliance with regulatory and corporate requirements is upheld.

At KCE, its implementation has evolved gradually:

— KCSA first obtained EFfCI GMP certification for its Olesa and Mollet plants in 2014. This certification, based on the guidelines of the European Federation of Cosmetic Ingredients Manufacturers (EFfCI), applies to all products intended for the cosmetics and detergents markets.

— KCHI subsequently obtained GMP certification for its inkjet factory, in accordance with the guidelines set out in European Regulation 2023/2006 on good manufacturing practices for materials and articles intended to come into contact with food.

— In 2023, KCHI's dispersion plant also obtained GMP certification, extending the scope of good manufacturing practices within the subsidiary.

ISCC Plus certification

In 2024, KCG obtained ISCC PLUS (International Sustainability & Carbon Certification) certification, an internationally recognised standard that enables the company to offer bio-based products under the mass balance scheme. This certification enhances the traceability of sustainable raw materials and contributes to the company's corporate goals of decarbonisation and the circular economy.

KCE: our business model

1.9 External assessments and certifications

1.9.2 External assessments: SEDEX and EcoVadis

At Kao Corporation, sustainability is a guiding principle that shapes our business decisions and the way we operate. As part of this commitment, KCE participates in internationally recognised external assessments that enable us to measure our ESG performance, enhance transparency and ensure continuous improvement.

SEDEX is one of the most widely used platforms globally for assessing responsible business practices. Through its SMETA methodology, it assesses key areas such as labour rights, health and safety, environmental management and business integrity. All KCE sites take part in these annual assessments, which enables us to:

— Identify risks and opportunities for improvement in our operations.
— To align our practices with international standards.
— To strengthen the trust of customers, suppliers and other stakeholders.
— Demonstrate due diligence regarding human rights and sustainability within the supply chain.

EcoVadis, for its part, assesses companies' performance across four pillars: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement. This assessment enables us to benchmark our practices against industry best practice and international benchmarks. In this assessment, Kao Chemicals GmbH (KCG) was awarded the Platinum Medal, the highest distinction, excelling particularly in the areas of labour and human rights.

Participating in EcoVadis has enabled KCE to:

— Identify strengths, such as the existence of robust policies and key certifications.
— Identify areas for improvement and draw up specific action plans.
— Moving towards a comprehensive framework for sustainability due diligence.
— Promote the digitisation of reporting, ensuring traceability and transparency.

These assessments are not an end in themselves, but a tool for strengthening our culture of accountability, anticipating regulatory requirements and building the trust of our stakeholders.

KCE: our business model

1.9.3 Alliances and commitments

In addition to external certifications and assessments, KCE actively participates in industry initiatives that reinforce our commitment to sustainability, safety and responsible management.

KCE participates in the Responsible Care programme, a global initiative within the chemical industry aimed at continuously improving safety, health and environmental protection. This programme is managed through national associations:
— In Germany, by the German Chemical Industry Association (VCI).
— In Mexico, by the National Association of the Chemical Industry.
— In Spain, by the Spanish Chemical Industry Federation (FEIQUE).

The subsidiaries KCG, QK and KCSA are signatories to Responsible Care. KCHI is unable to join the programme as it is not a member of FEIQUE; however, it plays an active role in ASEFAPI, the Spanish Association of Paint and Printing Ink Manufacturers, thereby reinforcing its commitment to good industry practice.

Furthermore, KCSA has been using CyberVadis since 2023 as a tool to assess the maturity of its information security management system. This independent platform provides a standardised assessment validated by analysts, enabling:
— Identify cybersecurity risks.
— Prioritise improvement measures.
— Strengthen the organisation's digital resilience.

KCE also encourages participation in various voluntary initiatives addressing environmental, social and corporate governance issues. These commitments complement our sustainability framework and enable us to make progress in key areas such as responsible supply chain management, industrial safety, business ethics and sustainable innovation.

Below are some of these initiatives, broken down by subsidiary:

These sector-specific partnerships and commitments complement our external certifications and assessments, and reinforce the framework of accountability, transparency and continuous improvement that guides KCE's operations.

	KCG	QK	KCHI	KCSA
EcoVadis (Platinum rating)	✔	✔	✔	✔
Sedex	✔	✔	✔	✔
Responsible Care®	✔	✔		✔
CyberVadis				✔

2. Corporate structure and governance framework

Corporate structure and governance framework

The corporate governance of Kao Chemicals Europe S.L.U. (KCE) is based on a robust, transparent and clearly defined framework, designed to ensure effective oversight of environmental, social and governance (ESG) issues, responsible decision-making and full alignment with the Kao Group's global guidelines. This model combines centralised strategic oversight with the operational autonomy necessary for each subsidiary to manage its activities efficiently and in accordance with local regulations.

2.1 Organisational structure

KCE is part of the Kao Group, a Japanese multinational headquartered in Tokyo. Kao Corporation is the sole shareholder of KCE and exercises direct control over the company. In turn, KCE acts as the European holding company and sole shareholder of its affiliated companies, as shown in the corporate organisation chart.

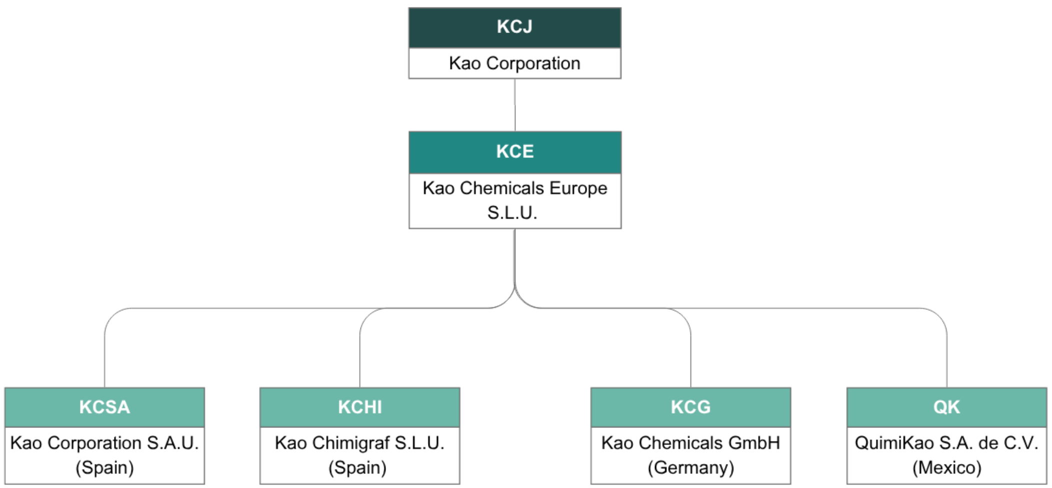
2.1.1 Governing Body – Joint Directors

KCE has two joint directors, who are responsible for making the decisions reserved for them under applicable legislation and internal corporate governance rules. These decisions include, amongst others:

- Preparation and approval of the annual accounts
- Approval of the Non-Financial Information Statement (NFR) Granting and revocation of powers of attorney
- Quarterly review of the financial and commercial situation
- Review of forecasts and decisions with strategic, financial or legal impact.

The governing body does not intervene in day-to-day operational management, which is delegated to the executive bodies, except in cases where the law or corporate regulations require formal approval.

CORPORATE ORGANIZATION CHART OF KCE



This structure enables consistent strategic oversight, whilst preserving the individual accountability and operational autonomy of each subsidiary.

2.1 Governing bodies and executive committee

2.1.2 Comité de Dirección de KCE (MANECOM) / Comité Ejecutivo

The Management Committee is the company's principal executive decision-making body. It comprises the CEO, who also acts as a joint director, and five vice-presidents responsible for key operational areas. The CEO chairs the Committee and has the final say in decision-making.

The Committee meets monthly to review:

— Financial performance, turnover and profitability.
— Budget implementation and corrective measures.
— Strategic investments and business development.
— Human capital management.
— Implementation of the ESG strategy and sustainability targets.
— Risk management, including litigation and compliance risks.

Decisions that require formal approval or that fall within the remit of the governing body are referred to the appropriate body.

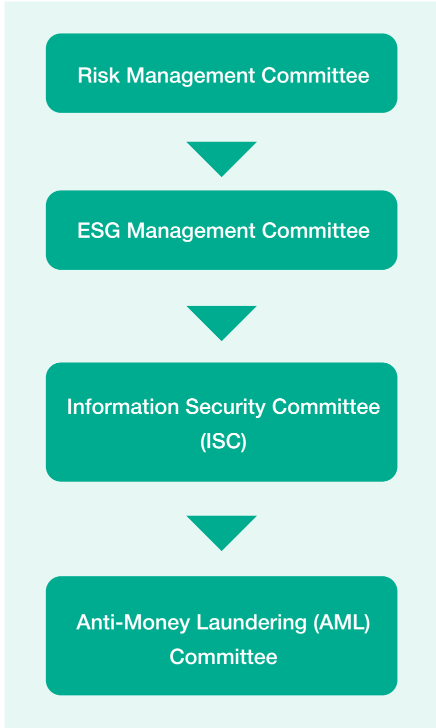
2.1.3 Governing Bodies of Subsidiaries

Each subsidiary has its own governing body (a board of directors or statutory directors, depending on local legislation). These bodies play a role equivalent to that of the joint directors of KCE and are responsible for:

— To approve decisions subject to local regulations
— To formalise agreements reached at the operational management level
— Monitor regulatory compliance and responsible management

2.1.4 Internal Control Committees

KCE has set up a number of technical and specialist committees to manage operational, regulatory and compliance risks.
These include:



These committees analyse, monitor and manage specific risks within their areas of responsibility. Decisions with cross-functional or strategic implications are referred to the relevant Local Committee or the Management Committee.

2.2 Composition of the Executive Committee / 2.3 Knowledge and skills of the Executive Committee

The composition of the Executive Committee is a key element of KCE's governance model, as this body is responsible for overseeing the company's operational management and ensuring the proper implementation of the corporate strategy, including the supervision of ESG matters. Its structure reflects the diversity of functions critical to the business and ensures that decisions are made with a holistic view, aligned with the Kao Group's principles and regulatory expectations regarding sustainability. Through this body, KCE coordinates between the various operational areas, implements corporate policies and integrates sustainability into strategic decision-making.

On 1 January 2026, a significant organisational change took place: Mr Yamaguchi assumed the role of President &; CEO. For this reason, the foreword to this report is signed by him, whilst Mr Hoshikawa—who served as CEO in 2025—appears in the Management Committee organisation chart.
At KCE, 24% of management and decision-making roles are held by women; however, there are currently no women on the Executive Committee. There is no representation of employees or other workers on this body.

A balanced composition of the Executive Committee is essential to ensure effective oversight and decision-making that is aligned with the company's strategic objectives. The skills matrix reflects the diversity of experience, knowledge and capabilities of its members.

HIROMITSU HOSHIKAWA
CHAIRMAN & CEO
Extensive experience in corporate management and global business operations.

FRANCESC FOSSAS
VICE-PRESIDENT OF SALES & MARKETING
Expertise in R&D and extensive experience in global business management.

ESTEVE GRANADA
VICE-PRESIDENT OF STRATEGY & DEVELOPMENT
Experience in human-centred management, employee coaching, problem-solving and strategic roadmaps.

NOBUMICHI KAMIYOSHI
VICE-PRESIDENT OF RESEARCH & DEVELOPMENT
Expertise in R&D and extensive experience in global business management.

TAKESHI HANAUE
VICE-PRESIDENT OF ENGINEERING & OPERATIONS
Experience in ESG investment, environmental and safety technology, equipment and control technology, TCR/Quality.

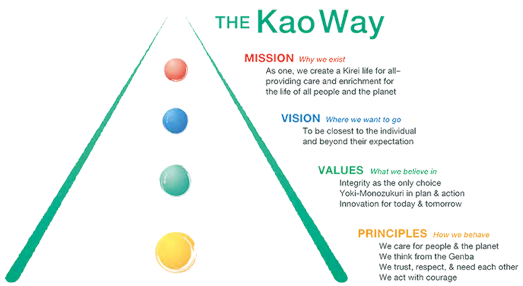
TAKASHI YAMAMOTO
VICE-PRESIDENT OF FINANCE & ACCOUNTING
Experience in financial management and international experience.

2.4 Governance framework of the Executive Committee and ESG oversight

KCE embeds sustainability at the heart of its strategic framework by identifying key ESG impacts, risks and opportunities.

Esteve Granada,
VP Strategy & development.

The Kao Group's corporate philosophy is embodied in the Kao Way, which sets out the principles that guide day-to-day work across all group companies. Kao executives must convey that compliance is the cornerstone of the company and act as role models for the entire organisation.



The Kao Business Conduct Guidelines provide specific guidance on how to put the Kao Way into practice. These guidelines were revised in January 2026 to reflect changes in the social and regulatory environment.

The Executive Committee assists the CEO in managing the company and is responsible for:

— Lead the implementation of the Business Conduct Guidelines.
— Act as role models.
— Communicate guidelines and expectations to their teams.
— Monitor ESG risks and opportunities.
— Integrating sustainability into decision-making.

The Board of Directors and the management bodies oversee ESG matters, including risks and opportunities, ensuring that they have the necessary knowledge and skills to do so. In this regard, the Management Committee attended a two-day face-to-face training course on:

— ESG challenges and trends.
— Due diligence in human rights.
— Building a responsible supply chain.
— Reputation management and stakeholder relations.

KCE embeds sustainability at the heart of its strategic framework by identifying key ESG impacts, risks and opportunities. This approach strengthens the company's resilience, ensures business continuity and fosters long-term value creation across three pillars: People, Planet and Profitability

3. Corporate governance

KCE conducts its business fairly and honestly, acting in accordance with the law, ethical principles and society's expectations. Our governance model is based on transparency, integrity and accountability, ensuring that all decisions are made in line with the Kao Group's values and our commitment to contributing to a sustainable future.

3.1. Long-term management strategy

The Kao Group's vision for 2030 focuses on balancing profitable and sustainable growth with a significant contribution to society. Our aim is to establish a global presence that delivers real value to people, the planet and our stakeholders, ensuring that our operations remain relevant in a constantly evolving environment. Through our ESG initiatives, we aspire to maintain this relevance and strengthen trust in the way we operate.

In 2023, Kao established its Corporate Governance Policy with the aim of strengthening long-term value creation and consolidating responsible management practices. This policy reflects our commitment to The Kao Way corporate philosophy and underpins our aspiration to contribute to a Kirei World, where people and the planet thrive together. The policy sets out clear principles to ensure transparent, fair and timely decision-making, incorporating the expectations of our stakeholders and anticipating emerging risks.

Strong governance is essential to advancing the Group's sustainability ambitions. We are therefore constantly working to improve our governance systems and operational practices, strengthening the mechanisms that enable us to prevent, detect and manage legal, regulatory and reputational risks. This approach not only safeguards the integrity of the company, but also creates opportunities to strengthen the trust of our stakeholders and ensure business continuity.

In this context, the governance strategy includes specific measures to mitigate critical risks and negative impacts, enhance positive impacts, and capitalise on the opportunities identified in the double materiality analysis.

3.2. Effective corporate governance

Our approach to governance is based on four key pillars:

- To establish robust management structures that enable effective oversight and clear accountability, particularly in relation to identified risks such as regulatory non-compliance or potential exposure to corrupt practices, which could have significant reputational and legal consequences.
- Maintain robust internal control systems that safeguard regulatory compliance, ethical conduct and operational integrity, strengthening crime prevention and the early detection of transactions with sanctioned entities, thereby protecting business continuity and the integrity of commercial relationships.
- To respond proactively to emerging risks and opportunities, integrating sustainability into strategic decision-making and strengthening key areas such as information security and data protection, in light of the risk of cyberattacks or data breaches that could compromise sensitive information.
- To promote responsible and transparent conduct, in line with our corporate purpose of 'Walking the right path', by harnessing the positive impact of implementing strict codes of conduct, training programmes and ethics channels that guarantee whistleblower protection and foster a culture of integrity.

Through these efforts, Kao is reinforcing a governance framework that underpins sustainable business growth, builds stakeholder trust and enables the company to fulfil its long-term responsibility towards society and the environment.

All KCE holding companies are assessed annually by EcoVadis on aspects such as anti-corruption controls, anti-competitive practices and responsible information management.

These assessments confirm that KCE has a structured approach to sustainability, with commitments, policies and concrete actions, as well as detailed information on their implementation across all the Group's subsidiaries. This process also helps to identify opportunities for improvement and to enhance transparency in areas of critical importance to the company.

The KCE Group operates under a corporate governance framework designed to ensure ethical and responsible management in compliance with applicable regulations across all its subsidiaries, in line with the principles and standards of the Kao Group.

Throughout 2025, the focus was on strengthening anti-money laundering systems, the fight against corruption, sanctions management and the consolidation of the compliance framework. Progress was also made in strengthening ethical channels, information security governance and data protection, ensuring a consistent and uniform approach across the KCE Group. These measures directly address the risks identified in the double materiality analysis and enable the Group to capitalise on key opportunities, such as improving the trust of customers and partners, reducing operational risks and consolidating a corporate culture based on integrity.

3.2.1 Prevention of money laundering

With regard to anti-money laundering (AML), KCE applies the Kao Global Anti-Money Laundering Policy, supplemented by the KCE Anti-Money Laundering Policy, which applies to all subsidiaries. This regulatory framework sets out definitions, risk assessment criteria, operational procedures, departmental responsibilities and escalation procedures, ensuring a consistent approach aligned with Kao Group standards.

All subsidiaries of the KCE Group have a local AML committee responsible for overseeing the implementation of the policy, coordinating preventive measures and carrying out regular monitoring. Furthermore, each subsidiary has documented local procedures that integrate AML controls into cross-functional processes, customer and supplier registration, payments and accounting controls; thus, although they are not always explicitly referred to as "AML procedures", they incorporate safeguards consistent with the corporate approach.

The subsidiaries KCSA and KCHI deliver AML training every two years, whilst QK and KCG are making progress towards standardising the frequency, content and coverage metrics. The AML committees carry out regular internal reviews to verify the effectiveness of controls and monitor the implementation of corrective actions.

This system addresses risks identified in the double materiality analysis, such as potential exposure to transactions linked to illegal activities or sanctioned counterparties, which could result in legal sanctions and reputational damage. The existence of cross-functional controls, regular training and ongoing review mechanisms enables us to anticipate these risks and strengthen the integrity of the Group's financial transactions.

3.2. Effective corporate governance

3.2.2 Prevention of bribery and corruption

KCE adheres to the Kao Group Anti-Bribery Guidelines, which govern the handling of gifts, hospitality and donations; dealings with public officials; the approval of exceptions; and the accounting records required for compliance purposes. This framework is supplemented by internal controls, including:

— Limits and authorisations for invitations and gifts.
— Due diligence procedures for business partners and suppliers.
— Documentation requirements and traceable records in the accounts for audit purposes.

In February 2025, the KCE Board approved the Supplier Code of Conduct, which incorporates ethical and compliance requirements into its relationship with the supply chain. Adherence to this code is mandatory in supplier selection and management processes, thereby strengthening the prevention of bribery and corruption throughout the value chain.

Each subsidiary provides specific training on bribery prevention tailored to its area of operation and disseminates Kao Japan's guidelines, including an annual reminder. The KCE Group is working to standardise the frequency and scope of this training, with the aim of ensuring the consistent and effective implementation of anti-corruption guidelines across the Group.

This set of measures addresses risks identified in the double materiality analysis, such as potential unwitting involvement in cases of corruption or the absence of effective controls, which could lead to legal liability and reputational damage.

At the same time, the implementation of strict codes of conduct, documentary controls and training programmes has a positive impact by embedding ethical business practices and strengthening the trust of customers, partners and regulatory authorities.

Furthermore, KAO's Guidelines on Business Conduct establish a clear and strict framework regarding corporate integrity. Among other provisions, they explicitly prohibit contributions to political parties and to charities that are not registered or whose activities cannot be properly verified. This prohibition is reinforced in the Donations Policy and the Anti-Bribery Guidelines adopted by all Group companies, ensuring that any external contributions are made in a responsible and transparent manner, in line with corporate values.

In this context, donations and sponsorships are managed in accordance with criteria of due diligence and traceability, ensuring that each contribution serves legitimate and socially relevant purposes. During the 2025 financial year, the value of donations and sponsorships made by the Group amounted to €52,532, reflecting KAO's commitment to initiatives that generate a positive impact on society, always within a framework of strict compliance

3.2.3 Sanctions and Due Diligence

For sanctions management and due diligence, KCE uses automated tools and external platforms that enable real-time checks with full traceability. SAP Global Trade Service (GTS) is operational across all subsidiaries and performs automatic counterparty checks at key points in the business cycle: registration, activation and operations (orders and shipments).

In 2025, KCSA and KCG implemented the D&B Risk Analytics module, replacing the Onboard platform and significantly expanding analytical and monitoring capabilities. This integration enables:

— Assign ratings and classify counterparty risk
— Identify Politically Exposed Persons (PEPs) and cross-check them against sanctions and watchlists
— To analyse ownership structures and identify beneficial owners
— Continuous monitoring with early warnings
— Enrich the information with verifiable external sources
— Generate automated records and workflows for traceability and escalation

These checks apply to all counterparties and clients, with enhanced controls in place for higher-risk jurisdictions. The results guide the implementation of due diligence measures proportionate to the risk identified, determine the frequency of ongoing monitoring, and form the basis for any escalations to the compliance team.

The "Sanctions & Embargoes Instruction" operating procedure, which is currently in the final stages of development, will define roles, procedures for managing matches, and escalation protocols.

This continuous verification system directly addresses risks identified in the double materiality analysis, such as the possibility of doing business with sanctioned entities or failing to detect relevant red flags, which could result in financial penalties and reputational damage. At the same time, the automation and traceability of controls create opportunities to improve operational efficiency, enhance due diligence and strengthen the integrity of business relationships.

3.2.4 Compliance and Ethics Framework

The KCE Group's compliance framework is designed to ensure that all subsidiaries operate ethically and responsibly, in line with the specific regulatory requirements of each jurisdiction, whilst remaining consistent with the Kao Group's values and principles. This approach enables the organisation to anticipate and manage relevant risks identified in the double materiality analysis, such as those arising from regulatory non-compliance—including labour, human rights, health and safety, tax, data protection and confidentiality regulations—as well as those associated with the absence or ineffectiveness of crime prevention models, which could result in reputational damage or criminal liability for the organisation and its directors. At the same time, the implementation of strict codes of conduct and continuous training programmes has a positive impact by reinforcing the ethical culture and ensuring operations that are consistent with international standards of corporate integrity.

3.2.4.1 Compliance Guidelines and Policies

KCSA has formally adopted a set of Compliance Guidelines that are mandatory for all employees. These guidelines, available on the corporate intranet, set out the ethical and compliance principles that must govern KCSA's conduct, as well as the duties and responsibilities of employees in relation to regulatory compliance. KCHI is currently in the process of adopting its own guidelines, modelled on those currently in force at KCSA.

In accordance with applicable Spanish legislation, the Spanish subsidiaries of the KCE Group have implemented a compliance system designed to prevent, detect and manage legal and regulatory risks. Both subsidiaries have voluntarily adopted a Compliance Manual setting out how the system operates and the body responsible for overseeing it. In the case of KCHI, the formal appointment of the compliance body is pending. KCG also has a compliance officer.

In this context, KCSA has carried out a compliance risk analysis which has identified the main areas of exposure and set out a specific action plan for 2026, aimed at mitigating and managing the risks identified.

Compliance training is an essential part of corporate culture. For this reason, the Spanish subsidiaries of the KCE Group that have implemented or are in the process of implementing a compliance system in accordance with Spanish regulations plan to provide mandatory annual training to all employees from the moment they join the company, ensuring they have a proper understanding of their compliance obligations.

In addition, throughout the year, Kao Japan's compliance guidelines and standards are regularly communicated to all employees of the KCE Group, including:

- Compliance awareness surveys, which assess employees' level of knowledge and commitment to the compliance culture.
- Statements from the President on ethics and compliance.
- Annual compliance activity questionnaires (Compliance Activity Questionnaire 2025), which collect information on potential breaches, measures taken and the outcomes of the compliance system.

These initiatives reinforce the consistency and uniformity of the Kao Group's ethical and regulatory framework, strengthening the organisation's ability to prevent legal and reputational risks and fostering a culture of integrity that presents a key opportunity to enhance stakeholder trust.

3.2.4.2 Ethics Channel and Reporting Systems

All subsidiaries of the KCE Group have an ethics channel designed as a formal, structured and confidential mechanism that enables employees and third parties to report or seek advice, in good faith, regarding potential breaches of applicable regulations, internal policies or ethical and integrity standards. This system is an essential element of the compliance framework, as it facilitates the early detection of incidents and helps to mitigate legal and reputational risks associated with a lack of control or the inadequate management of irregularities. The double materiality analysis identifies a positive impact resulting from the effective use of these channels, particularly in terms of whistleblower protection and the proper handling of complaints, thereby reinforcing the Group's culture of integrity. KCG and QK use the global ethics channel set up by Kao Japan, which is publicly accessible via the corporate website. This channel allows communications and enquiries to be submitted by email or post using a specific form that collects the information required to process the case and offers the option to remain anonymous. The global channel's website describes the process for handling communications and the safeguards offered to whistleblowers.

In compliance with Law 2/2023 on the protection of whistleblowers, the Spanish companies KCSA and KCHI have their own internal ethics channel, accessible via the corporate website, QR codes in the workplace and internal applications. This channel allows employees and third parties to submit reports securely, select the organisation and category of the incident, and decide whether or not to identify themselves, ensuring in all cases the confidentiality of the whistleblower's identity and that of the individuals concerned.

3.2. Effective corporate governance

Reports received are forwarded directly to the Head of the Internal Reporting System, who acts with functional independence and handles cases in accordance with the ethics channel management protocol approved and published by the company. This protocol sets out the deadlines for acknowledgement of receipt and processing, the rights of the whistleblower and those affected, and measures to protect against retaliation. During the 2025 financial year, five incidents were recorded at KCSA, all of which were handled in accordance with internal procedures and applicable regulations.

Furthermore, Kao Japan promotes the effective use of reporting channels and a culture of integrity through regular communications to all employees, sharing messages from the Chair of the Compliance Committee and global case studies that describe risk scenarios and explain how these should be identified and reported via the available ethics channels. These initiatives enhance the consistency of the compliance system and reinforce a corporate culture based on transparency and accountability.

3.2.4.3 Information Security and Data Protection

All KCE subsidiaries have an Information Security Committee responsible for overseeing matters relating to system security, the protection of personal data and the management of confidential information. This governance framework addresses risks identified in the double materiality analysis, such as potential weaknesses in system protection measures, which could lead to cyberattacks impacting brand reputation, public perception and the security of corporate data. Proper management of these risks also creates opportunities to strengthen technological resilience, improve stakeholder confidence and foster a culture of cybersecurity throughout the organisation.

In 2025, in response to the increasingly stringent European regulatory framework on cybersecurity, KCSA's Information Security Committee submitted a proposal to senior management to formally appoint a Cybersecurity Officer. A specific training plan was also approved, to be rolled out in two phases: an initial session aimed at the management team and a second phase for all staff. These measures enable progress towards compliance with Directive (EU) 2022/2555 (NIS2) and allow us to anticipate the obligations arising from its future transposition into Spanish law.

At the same time, the Group's companies strengthened their operational cybersecurity controls, tailored to the technological environment of each subsidiary. The measures implemented include:

- Enhanced protection for access and login, particularly for remote access, privileged accounts and vendor connections.
- Formulation of internal procedures at KCSA for the logging and monitoring of system activity.
- Safety inspections of industrial systems and environments at KCG.
- External cybersecurity assessment at KCSA, including critical system recovery testing.
- Network security enhancements at KCSA, replacement of key perimeter security equipment at QK, and upgrading of network devices at KCHI.
- Cybersecurity awareness initiatives for staff at KCG, KCHI and QK.

With regard to the protection of personal data, the KCE Group has a corporate framework based on Regulation (EU) 2016/679 (GDPR), set out in the KCE Group Privacy Policy, which defines the principles governing data processing, the applicable legal bases and the procedures for exercising rights.

On this basis:

- KCG has a well-established privacy governance framework and has appointed a Data Protection Officer (DPO).
- KCSA and KCHI are moving forward with the adoption of the same model, developing inventories of processing activities, risk analyses and supplier assessments using the OneTrust platform, which has been implemented by Kao Japan as a standard privacy management system.
- Training and awareness-raising initiatives have been launched: specific training in Germany and initial sessions at KCSA, with plans to roll this out across the entire organisation.
- At QK, data protection is managed in accordance with Mexican regulations, with the aim of gradually aligning with the KCE Group's standards.

During 2025, no incidents or data breaches involving personal data were reported at any of the KCE Group's subsidiaries, reflecting the effectiveness of the controls in place and the organisation's commitment to data protection.

Strategy and Management Model

Kao has drawn up its Risk and Crisis Management Policy with the aim of effectively managing risks across all management and business activities, thereby reducing both the impact when a risk materialises and the likelihood of it occurring. This policy establishes a common framework for all Group companies, ensuring a consistent and proactive approach to managing the strategic, operational, environmental and structural risks that may affect the business.

Risk management involves the Risks and Crisis Management Committee regularly reviewing the significance of risks, assessing how they have developed and the effectiveness of the measures put in place. Based on this monitoring, all Group companies identify and assess risks and subsequently formulate and implement appropriate countermeasures. This approach enables the risks identified in the double materiality analysis to be integrated into corporate management, including those related to the regulatory environment, sustainability, business continuity or reputation, as well as the opportunities arising from more robust management aligned with ESG objectives.

The management model implemented at KCE, known as Risk Management, is integrated into the corporate programme and is led by Kao. This model takes into account both risks—potentially negative impacts on the achievement of objectives and business operations—and crises, understood as the materialisation of such risks. 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 environment, and detailing the main crises that must be reported.

The Risk Management programme is overseen directly by the CEO of each KCE company, in conjunction with the designated Risk Manager, and covers various types of risk that may affect the Group. For each prioritised risk, a Risk Owner is appointed, who is responsible for coordinating mitigation measures alongside a dedicated team.

The general approach involves carrying out the following activities:

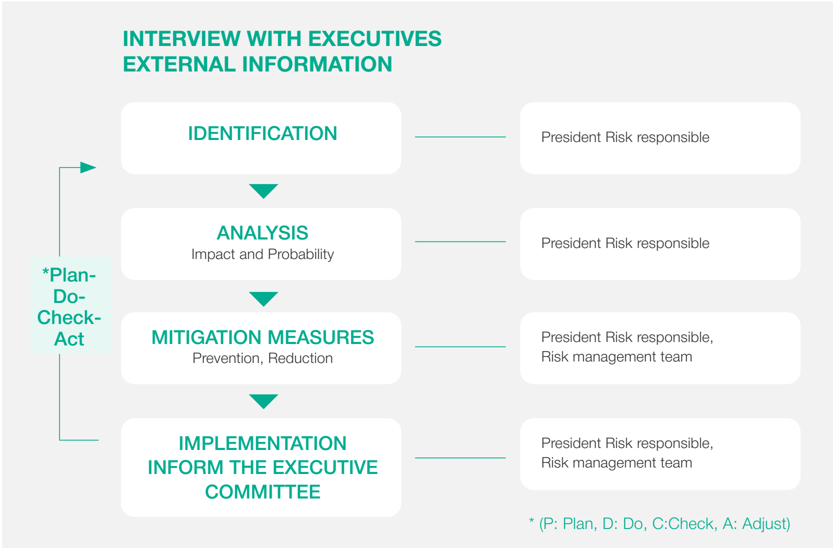
—Identify all potential risks and their causes. The methodology provides a checklist of typical risks associated with the activity, grouped into country-specific risks and management-related risks.

— Assess the level of impact and the likelihood of occurrence. The system enables you to determine the likelihood, the severity for the business and the level of response available.

— Define preventive or mitigating measures, through action plans tailored to each accident scenario and specific systems to manage the risk.

— Establish action plans in the event that the risk materialises, with a view to minimising the consequences and damage, including recovery and contingency plans.

With regard to opportunity management, Kao has established a framework that integrates and manages issues across the organisation in order to prioritise and promote ESG investments, particularly those linked to strategic business development and the creation of sustainable value.



3.3. Global risk analysis

During 2025, none of these risks *had a significant impact on KCE, or its stakeholders.*

Strategic Risks

RISK	RISK MANAGEMENT (PREVENTION/MITIGATION)
Loss of profit	— We will continue to focus on the efficient management of tangible and intangible assets to ensure they are used to their full potential. — Continuous improvement of production processes to enhance operational efficiency and reduce waste. — Regular monitoring to ensure that stock levels are aligned with demand, thereby avoiding both overstocking and stock-outs. — To ensure an agile organisational structure, supported by greater automation and digitalisation, in order to boost productivity and operational efficiency.
Digital transformation	— Establishment of a strategic plan for company-wide digital transformation. The organisation will continue to advance its digital agenda by implementing a strategic framework for company-wide digital transformation, which will ensure alignment across all functions and enable a more integrated, efficient and data-driven operating model. This approach strengthens long-term competitiveness and supports the transition towards increasingly automated and intelligent systems.
Commercial	— The organisation has been actively monitoring market dynamics and emerging trends throughout the year in order to anticipate changes in consumer behaviour and competitive conditions. At the same time, the company has regularly reviewed and adapted its business strategy, ensuring alignment with changing market requirements and maintaining a resilient market position.

Environmental and Sustainability Risks

RISK	RISK MANAGEMENT (PREVENTION/MITIGATION)
Climate change	— Progress continues to be made in developing a programme to improve production processes, with a strong focus on energy efficiency, reducing CO_2 emissions and optimising water use. These improvements are designed to enhance environmental performance whilst ensuring long-term operational resilience.

Operational Risks

RISK	RISK MANAGEMENT (PREVENTION/MITIGATION)
Accident at the plant	— The company has continued to ensure operational continuity by maintaining, upgrading and modernising its facilities, giving priority to those classified as critical. — Comprehensive risk assessments have been carried out on a regular basis, supplemented by systematic internal and external audits to ensure robust security controls and full compliance with regulations.
Shortage or scarcity of raw materials	— The company has continued to ensure the continuity of supply, placing particular emphasis on critical and strategic raw materials. This has involved maintaining well-defined safety stock policies, expanding multi-supplier sourcing models, and prioritising local suppliers to reduce dependency risks and strengthen resilience throughout the supply chain.
Software piracy and cyberattacks	— Over the past year, the organisation has continued to strengthen its cybersecurity stance, maintaining clear security standards and intrusion prevention protocols across all critical systems. This work is ongoing, supported by ongoing awareness and training programmes that ensure staff remain vigilant and well-prepared to recognise and respond to potential cyber threats.

Structural Risks

RISK	RISK MANAGEMENT (PREVENTION/MITIGATION)
Loss of skilled staff and/or difficulty in adapting the workforce to new challenges	— To safeguard organisational stability, the company has continued to implement structural and organisational measures over the past year to ensure that the workforce remains aligned with the changing needs of the business. This work is ongoing, supported by comprehensive talent management initiatives, including the identification and assessment of skills, structured development and retention programmes, and robust succession planning to ensure long-term organisational continuity.

3.4. Human Rights

Human rights are a cornerstone for KCE, which is committed to building a society in which no one suffers prejudice or discrimination. This commitment is an essential part of the Kao Group's aspiration to create a 'Kirei' life for everyone, by embedding respect for human rights in all business activities and in its relationships with employees, business partners and communities.

The Code of Conduct sets out the obligation to respect human rights and to ensure that Group companies systematically protect children's rights, promote decent work and combat organised crime. Its fundamental principles include:

— To conduct fair, honest and appropriate transactions.
— To respect human rights in all the company's activities.
— Respect the diversity of our workforce and maximise their potential.

Kao published its Human Rights Policy in 2015; it was last revised in April 2023 by the ESG Committee and overseen by the Board of Directors. This policy sets out our commitment to respecting human rights in all our business activities and outlines the measures required to ensure this:

— Compliance with applicable laws and regulations.
— Respect for human rights in all business activities.
— Due diligence in relation to human rights.
— Remediation in the event of identified adverse impacts.
— Appropriate training for all managers and staff.
— Dialogue, consultation and dissemination of information.

In 2023, Kao established its Diversity, Equity and Inclusion (DEI) Policy, designed to enable individual values and talents to shine. In 2024, the Human Rights Policy was strengthened and published in 19 languages to ensure it is accessible to all Group employees. The policy is available on the KCE website in English, Spanish, German and Portuguese.
https://www.kaochemicals-eu.com/common/project/pdf/policies/kce-human-rights-policy-en.pdf

KCE is firmly committed to diversity, equity and inclusion, strengthening collaboration with employees, business partners and society to promote equal opportunities. The DEI policy applies to all employees of the Kao Group.

3.4.1 Kao Group Modern Slavery Statement

Kao Corporation publishes its Modern Slavery Statement on a regular basis, in accordance with Section 54 of the UK Modern Slavery Act 2015. This statement outlines the measures taken by Kao Corporation and its group companies to prevent slavery and human trafficking within their operations and supply chains.

3.4.2 Risk Management

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

In 2025:

— No operations were identified as posing a significant risk of child labour.
— No exposure of young workers to hazardous work was detected.
— No cases of forced or compulsory labour were reported.
— No disciplinary measures were recorded for breaches of the Code of Conduct or for human rights violations.

These results reflect the effectiveness of the human rights framework that has been put in place and the integration of due diligence into the Group's operational processes.

3.5. Stakeholders and Communication Channels

KCE maintains a two-way dialogue with its stakeholders to deepen mutual understanding and gather their input. The company systematically identifies, prioritises and maps its stakeholders based on their potential impact on the business, their interests and their willingness to engage. The perspectives of these groups are incorporated into management discussions and strategic decision-making.

KCE provides timely, transparent and accessible information to build long-term relationships based on trust. It also regularly assesses its performance in terms of engagement to drive continuous improvement and openly communicate the results.

Current policies

In 2024, the Policy on the Disclosure of Financial, Non-Financial and Corporate Information was adopted, applicable to all KCE companies. Its aim is to ensure the active, effective and transparent disclosure of information, thereby strengthening trust with stakeholders and facilitating two-way communication.

In 2025, the Executive Committee approved the Stakeholder Engagement Policy, reinforcing the company's commitment to a robust governance structure based on partnerships with public and private entities across all its subsidiaries, as well as on open and responsible communication.

KCE'S MAIN STAKEHOLDERS
AND THEIR COMMUNICATION CHANNELS INCLUDE:

WORKERS

— KCE Web
— Corporate Intranet
— Intranet internal HR, HSE, A&F
— KCE Sustainability Report and Non-Financial Report
— Information boards and signage
— Lectures and activities
— Social media
— Committees
— Others: meetings and face-to-face contact, internal email communication, letters of any kind, internal and/or external presentations, etc.

SUPPLIERS

— KCE Web
— KCE Sustainability Report and Non-Financial Report
— Lectures and activities
— Social media
— Others: meetings and face-to-face contact, internal email communication, letters of any kind, internal and/or external presentations, etc.

CUSTOMERS
(Corporate)

— Direct business contacts
— KCE Web
— KCE Sustainability Report and Non-Financial Report
— Social media
— Others: meetings and face-to-face contact, internal email communication, letters of any kind, internal and/or external presentations, etc.

PUBLIC INSTITUTIONS

— KCE Web
— KCE Sustainability Report and Non-Financial Report
— Social media
— Others: meetings and face-to-face contact, internal email communication, letters of any kind, internal and/or external presentations, etc.

MEDIA

— Direct contacts (response to enquiries)
— KCE Web
— KCE Sustainability Report and Non-Financial Report
— Social media

SOCIETY
(including NGOs and local associations)

— KCE Web
— KCE Sustainability Report and Non-Financial Report
— Meetings and gatherings
— CSR events and activities
— Social media

This approach enables KCE to incorporate the expectations of its stakeholders into its corporate strategy, thereby enhancing transparency, trust and the creation of shared value.

4. Our commitment to the environment

4.1. KCE's approach to the environment

As a chemical company with industrial operations in Europe and Mexico, KCE integrates environmental protection into all its operational and strategic decisions. This commitment involves minimising the environmental impacts of our activities, anticipating regulatory requirements — including the Green Deal, REACH, the Seveso Directive on the prevention of major accidents and the Industrial Emissions Directive — and promoting innovation towards cleaner, more efficient and circular processes.

KCE's environmental management is directly aligned with the Kao Group's philosophy and strategies, which are based on programmes such as Responsible Care® (see the 'Alliances and commitments' section). Furthermore, each subsidiary incorporates into its management practices the legal requirements of its country, applicable regional agreements and programmes, and the commitments made to the communities in which it operates.
In addition, KCE companies incorporate the requirements arising from voluntary certifications such as ISO 14001, EMAS or ISO 50001, as appropriate (see the 'Certifications' section). This common framework enables environmental management to be applied across the entire value chain: from the inflows and production technologies to energy consumption, product marketing and the end-of-life phase.
This approach is reflected in the principles and mechanisms of environmental governance set out in the corporate policy approved by High Management, as well as in the incorporation of environmental criteria into strategic planning and investment assessment. Each subsidiary adapts these principles to its specific business and operational context.

4.2. Environmental commitments for 2030

KCE's environmental commitment is permanent, measurable and verifiable. It combines regulatory compliance, prevention and a commitment to reducing our environmental impact, whilst contributing to the sustainable transition of the chemical sector. Through clear objectives, investment in clean technologies, rigorous controls and transparency with stakeholders, we aim not only to minimise environmental risks, but also to create shared value for customers, employees and communities.

This commitment takes the form of specific targets set for defined periods, which are regularly updated and accompanied by performance indicators at both KCE and subsidiary level.

In 2020, the environmental ESG targets for the period 2020–2030[1] were set:

AREA	INDICATOR	TARGET VALUE[2]	BASE YEAR
Decarbonisation	Reduction in CO_2 emissions under Scopes 1 and 2 (absolute)	55%	2017
Energy	Purchased renewable electricity	100%	-
	Reduction in energy consumption	1%	Previous year
Zero waste	Landfill and incineration rates for industrial waste	<1%	-
Water conservation	Reduction in water consumption	45%	2005
Resources	RSPO-certified palm oil	100%[3]	-

1 In 2021, the decarbonisation target was revised to be more ambitious than the one originally set.
2 The target value is the level to be achieved by 2030, using a specific year (the base year) set for each indicator as the starting point, with the exception of a few indicators for which no base year is specified.
3 Target to be achieved by 2025.

The following sections describe the main management approaches for each environmental area, as well as the indicators used to assess performance. There are two types of indicators:

— Absolute indicators, which reflect the total annual value of consumption, production, emissions or generation (e.g. m³ of water consumed). They are calculated as the sum of the absolute values for each subsidiary.
— Relative indicators, which relate the absolute value to production activity (for example, m³ of water per tonne produced), i.e. the ratio. They are calculated as the sum of each company's total annual absolute value and the annual reference value representing the activity (the sum of each company's production).

4.2. Environmental commitments for 2030

Key Corporate Policies

KCE's environmental management is based on a robust and coherent set of corporate policies, approved at both Kao Group and local levels, which set out the principles, commitments and guidelines that steer the actions of all subsidiaries. These policies form the framework for identifying and managing the material impacts, risks and opportunities associated with climate change, pollution, water, biodiversity, resource use and the circular economy.

In all its activities and planned investments, KCE applies the precautionary principle; in other words, where there is any doubt regarding a serious environmental impact, it selects the most conservative and safest course of action.

Globally, the Kao Group has policies in place that set out its environmental vision and commitment to sustainability, including:

— Basic Principles and Policies on the Environment and Safety, which set out the fundamental principles governing environmental and safety practices.
— The Kao Group Responsible Care Policy, which sets out the company's commitments to safety, health and environmental protection.
— The Kao Environmental Statement, which sets out the Group's environmental vision.
— Kao's Sustainable Product Development Policy, which incorporates sustainability criteria into product design and development.
— Action Policy on High-Risk Supply Chain Management and Sourcing, which sets out the principles for responsible supply chain management.

In line with this global framework, KCE has developed its own policies that adapt its corporate commitments to the European context and the specific characteristics of its operations:

— The KCE Sustainability Policy, which sets out the company's general sustainability principles.
— KCE Environmental Policy, which sets out the company's environmental commitments regarding climate change, pollution, water, biodiversity and resource use.
— The Chemical Product Safety Policy and the Responsible Management of Chemicals Policy, which set out the criteria for the safe and responsible management of chemicals.
— Policy on the Disclosure of Financial, Non-Financial and Corporate Information, which ensures transparency in the disclosure of information.
— Stakeholder Engagement Policy, which governs relations with stakeholders.

KCE's environmental policy is scheduled to be rolled out across KCE's subsidiaries throughout 2026. Each subsidiary will incorporate, as a minimum, the areas that have been identified as relevant to the policy.

— Climate change: this has been assessed as material across all subsidiaries
— Pollution: this has been assessed as a relevant topic in all subsidiaries except KCHI. Specifically, the sub-topic of air pollution has been assessed as relevant.
— Water: this issue has been assessed as non-material for KCE. Specifically, it has been assessed as material for QK and KCSA, and non-material for KCG and KCHI. Given that the score obtained using the methodology analysed is on the borderline of the threshold for being considered material, management agreed to report on this issue as if it were material.
— Biodiversity: material has been assessed at KCG and KCSA, but not at QK and KCHI.
— Circular economy and waste: this has been identified as a material issue for KCE (for all subsidiaries except KCHI). As regards the sub-issues, only 'waste' has been identified as material for KCE, although it is not considered material for KCHI.

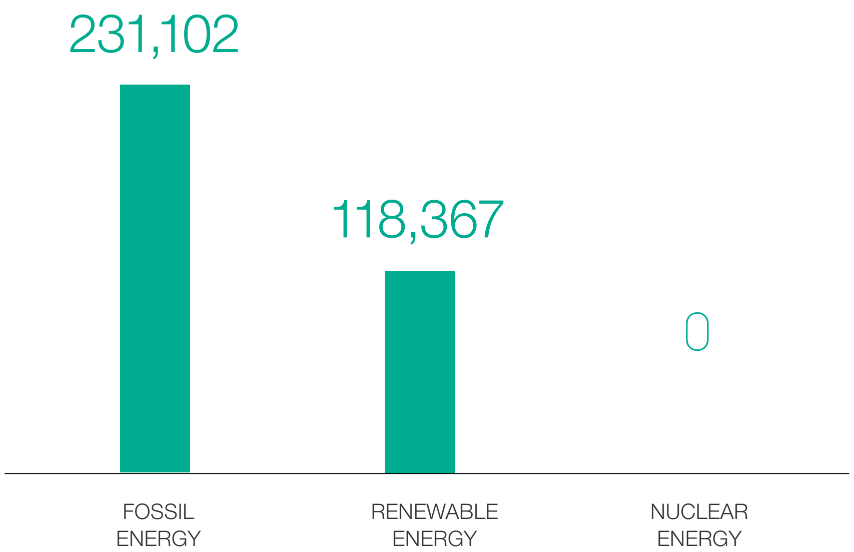
This set of policies forms the basis of KCE's environmental management system and ensures that all the activities described in the following sections are carried out within a common framework, in line with international standards, the expectations of stakeholders and the strategic objectives of the Kao Group.

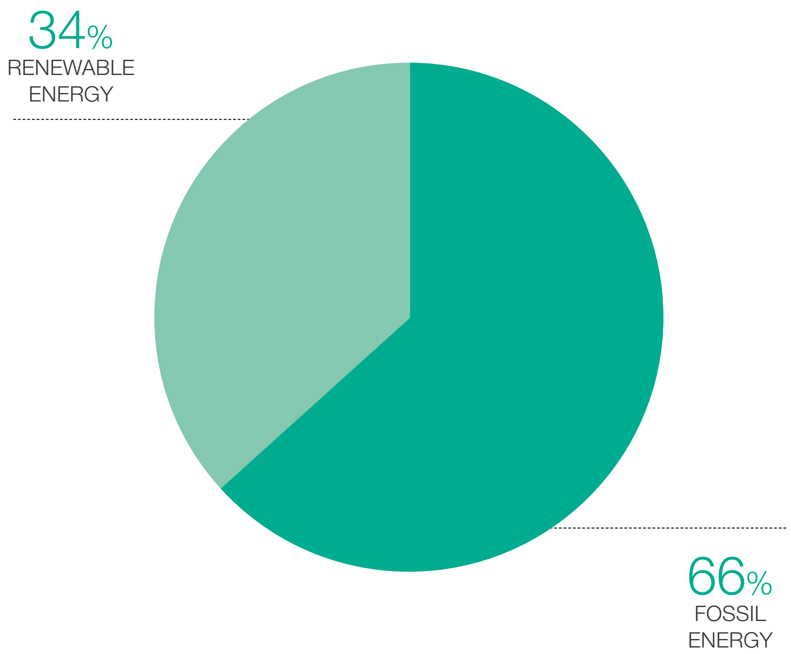
4.3. Main environmental risks affecting the organisation

Kao has identified the key environmental risks that could affect the Group's sustainable and profitable development. These risks include the growing challenges associated with decarbonisation, plastic waste management and the expansion of producer responsibility, which may lead to increased taxation and corporate burdens. It also considers risks arising from biodiversity loss, extreme weather events and potential supply chain disruptions, as well as the impacts associated with the closure of facilities due to environmental pollution.

Alongside these risks, the Group also identifies significant opportunities, such as improving efficiency, reducing regulatory and tax costs, and strengthening customer and consumer loyalty through greater environmental responsiveness. The corporate strategy is geared towards reducing CO_2 emissions throughout the product lifecycle, promoting the recycling of plastics and other resources, conserving water, and preventing air and water pollution both during production and when the products are in use.

KCE incorporates these risks and opportunities into its own analysis, tailoring them to the specific characteristics of each subsidiary, its operations and existing controls. The identification of environmental risks is the result of combining the risks defined by the parent company, the double materiality analysis and the systematic risk management process. This approach enables KCE to gain a clear understanding of the environmental issues that require greater attention and prioritisation.





4.4. Climate Change

Climate change, caused by global warming over recent decades, is having a significant impact on ecosystems and people's lives. Retreating glaciers, rising sea levels, floods, droughts and other extreme weather events are affecting marine and terrestrial ecosystems, jeopardising food production and having a direct impact on human health.

KCE's key environmental commitments are closely linked to climate change mitigation, given that industrial activity generates both direct and indirect greenhouse gas emissions. The Kao Group, and by extension KCE, has set a target of achieving net-zero CO_2 emissions by 2040 and becoming carbon negative by 2050.

To make progress towards these objectives, efforts to reduce direct emissions through the decarbonisation of production facilities are being stepped up, as are initiatives targeting the value chain. Furthermore, the product portfolio is being reviewed and adapted with a focus on its carbon footprint.

At the same time, KCE is working to strengthen the resilience of its facilities against the effects of climate change. As a first step, the physical and transition risks with the greatest potential impact have been identified, and action plans are being developed to manage them.

Incorporating sustainability-related performance into incentive schemes.

Sustainability-related incentive schemes are managed at each subsidiary in accordance with the Group's guidelines. In this regard, in 2025 KCSA introduced a new category called 'sustainability', through which ESG objectives will be incentivised.

4.4.1 Analysis of physical risks arising from climate change

In 2024, KCE carried out a process to identify and assess the physical and transition risks associated with climate change that affect each subsidiary. Physical risks stem from an increase in extreme weather events and changing climatic conditions, whilst transition risks are linked to regulatory, technological, reputational and market changes on the path towards a carbon-neutral economy.

The analysis was carried out in accordance with the TCFD recommendations, the adaptation criteria of the European Taxonomy, in collaboration with Marsh, and drawing on the technical expertise of each subsidiary. With regard to physical risks, climate change models predict how climate-related hazards will evolve over time and quantify the physical damage this is expected to cause to a specific asset or portfolio.

The findings of the physical risk analysis can be summarised as follows:

SHORT TERM (2026)	MEDIUM TERM (2030)	LONG TERM (2050)
Physical risks arising from weather events are mitigated through insurance, whilst other chronic risks linked to droughts have a significant impact.	The most significant physical risks remain the same, but their likelihood and/or impact are increasing: droughts, water stress and changes in average temperatures.	Droughts will be the key risk to the business, as water availability will be affected. Furthermore, water stress will increase, prompting the company to invest and change its operations. The costs associated with rising temperatures will continue to rise, but they will not be particularly significant.

With this analysis, KCE has completed the risk identification and assessment stages and has begun the phase of planning adaptation measures. This planning will incorporate the actions already underway and should lead to a gradual reduction in the identified risks.

At Kao Group level, a programme has been launched to address climate change adaptation, starting with the identification of facilities located in areas at risk of water scarcity or with a high probability of experiencing extreme natural events, and setting specific targets for these sites.

4.4. Climate Change

4.4.2 Transition plan

To make structured progress towards our climate goals, KCE has drawn up a plan for transitioning to net-zero emissions, which represents a key milestone in our environmental strategy. This plan sets out the roadmap that will guide the gradual reduction of greenhouse gas emissions across Scopes 1, 2 and 3, with the exception of indirect emissions associated with the end consumer's use of our products.
The roadmap is based on a fundamental principle: prioritising the reduction of emissions at source, through improved energy efficiency, the decarbonisation of processes and the transformation of the value chain. Once all opportunities for reduction have been exhausted, the plan provides for the offsetting of residual and unavoidable emissions through carbon neutralisation or offset mechanisms, always in accordance with environmental integrity criteria.

This approach enables operational and investment decisions to be steered towards a low-carbon model, in line with the Kao Group's commitments and with regulatory and societal expectations regarding climate change.

KCE'S TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION AND ADAPTATION

CHAPTER	CONTENTS
1. Purpose	To comply with legal requirements, in particular: Royal Decree 214/2025, which establishes the obligation to calculate the carbon footprint and to draw up and publish GHG reduction plans (in the NFR). CSRD. E1-1 – Transition plan for climate change mitigation. AR1.
2. Scope	KCE [Kao Chemicals GmbH (KCG); QuimiKao, S.A. de C.V. (QK); Kao Chimigraf, S.L.U. (KCHI); Kao Corporation, S.A.U. (KCSA)].
3. Definitions	KAO, KCE
4. Background	KCE has a long history in energy management, dating back well before the base year (2017). Some notable milestones achieved prior to the base year include: — Environmental and energy management certifications [ISO 14001: KCG 2001, KCHI 2012, KCSA 2003, QK (in progress); EMAS: KCHI 2023, KCSA 2005; ISO 50001: KCG 2014, KCSA 2014, KCHI (in progress)]. — Electricity supply certified as 100% renewable at KCG 2016. After the base year: — All subsidiaries to be supplied with electricity certified as 100% renewable by the end of 2025. — Solar panels at KCHI 2021, KCSA 2022 and QK 2023. — Biomass boiler at KCSA, owned by ENGIE, 2025.
5. Strategy	Kao is implementing strategies that contribute to business growth and the resolution of social issues.
5.1. Social issues	Kao recognises the following social issues relating to this topic: — Deterioration of sanitary conditions due to climate change — Loss of biodiversity due to climate change — Depletion of resources and energy problems caused by dependence on fossil fuels

4.4. Climate Change

KCE'S TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION AND ADAPTATION

CHAPTER	CONTENTS
5.2. Risks and opportunities	The group assessed the financial impacts under 1.5 °C and 4 °C warming scenarios. It identified transition risks (rising commodity prices, carbon taxes, supply shortages) which it plans to address through innovation, with the aim of mitigating risks and creating new business opportunities. It also assessed physical risks (water scarcity, flooding) and identified opportunities for mitigation (increased demand for water- and energy-saving products) and adaptation (improved business resilience).
5.3 Strategies	Kao aims to achieve sustainable development for society and businesses facing the challenge of climate change through the following strategies: 1. Promote innovative initiatives to achieve the goal of net-zero carbon emissions by 2040 and negative emissions by 2050. 2. Reduce CO_2 emissions throughout the product lifecycle. 3. Work with stakeholders on the procurement, distribution, use, disposal and recycling of raw materials. 4. Promote decarbonisation through domestic carbon pricing. 5. Promoting renewable energy and energy saving. 6. Develop and expand the range of water- and energy-saving products. 7. Develop and roll out climate change adaptation products. 8. To provide products and services that help reduce CO_2 emissions in society.
6. Medium and long-term objectives	Medium-term objectives (2030): — GHG emissions (absolute figures) across the entire product lifecycle for the Kao Group: a 22% reduction compared to 2017. — GHG emissions (absolute figures) across all Kao Group plants: 55% reduction compared with 2017. — Energy consumption (per unit sold) across all Kao Group plants: 1% annual reduction from 2021. — Electricity used across all Kao Group plants: 100% from renewable sources. Long-term goals: to reduce net carbon emissions to zero by 2040 and achieve carbon neutrality by 2025.
7. Policies	The Kao Group has announced various policies designed to support climate change mitigation and adaptation. KCE has incorporated the Group's commitments into its own set of policies, the most recent of which is the KCE Environmental Policy. Each local branch updates and disseminates policies that support the commitments set at a higher level, such as: — Energy Guidelines (2020), Guidelines on Biodiversity, Environmental Protection and Climate Action (2024) and the Sustainability Policy (2025) at KCG. — Comprehensive Management Policy (2024) in QK. — Integrated Management System Policy, covering issues relating to quality, the environment, health and safety, and biodiversity (2024) at KCHI. — General Policy on Sustainability and Risk Prevention (2023) at KCSA.

4.4. Climate Change

KCE'S TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION AND ADAPTATION

CHAPTER	CONTENTS
8. Decarbonisation levers and key actions	Efforts are being made throughout the entire life cycle to decarbonise the operations of the subsidiaries:

Efforts in raw materials precurement. | Efforts in manufacturing (plants, offices, logistics centers). | Efforts in distribution. | Efforts during use. | Efforts in disposal and recycling.

Scope 3 | Scope 1 & 2 | Scope 3

CHAPTER	CONTENTS
9. Manufacturing efforts (Scopes 1 and 2)	The manufacturing process for this product relies on multiple energy sources, some of which produce greenhouse gas emissions: — Natural gas (KCG, QK and KCSA). — Diesel (all subsidiaries). — Petrol (QK). — Refrigerant for chillers and air-conditioning equipment (all branches). In addition, KCE also utilises emission-free energy sources: — Certified electricity from renewable sources. — Photovoltaic panels (QK, KCHI and KCSA). — Biomass (KCSA, owned by ENGIE). KCE's main initiatives at its manufacturing sites to mitigate climate change stem from Strategy 6 and focus on: — Energy management (see the certifications obtained in section 4, Background) — Reducing energy consumption by: 1. The introduction of high-efficiency equipment and the efficient operation of such equipment. Examples of recent initiatives and future projects include: — KCG: Process optimisation based on energy consumption monitoring (cleaning procedures, monitoring of steam traps, etc.) and investment in high-efficiency technology (e.g. heat pumps, replacement of burners). — QK: Pumping strategies based on operational intensity, and the introduction of a new cooling unit and new interconnections to improve efficiency and reduce greenhouse gas emissions. — KCHI: Phasing out diesel fuel for heating at the Rubí site, replacing it with an air-to-air heat pump system and introducing energy monitoring software — KCSA: Installation of a new compressor, redesign of the compressed air generation system and reduction of electricity consumption by shutting down the absorption chiller and using a hire chiller (Olesa), as well as automation of temperature control in several tanks and installation of a new chiller for the pilling machine (Mollet).

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9. Manufacturing efforts (Scopes 1 and 2)	2. Reduce energy losses. For example, through the following projects: — KCG: Utilisation of waste heat (e.g. hot water production) and reduction of the set temperature of thermally insulated tanks, as well as shortening of certain operating times. — QK: Implementation of an insulation programme (natural gas savings) and flash steam recovery. — KCHI: Motion sensors in warehouses and low-traffic aisles, combined with reduced compressor load, enabling them to operate more efficiently. — KCSA: Monitoring and repair of air leaks at the Olesa, Mollet and Toner sites. — At all branches, work is currently underway to switch to LED lighting, monitor and inspect steam traps, etc. 3. Use cleaner energy: — Natural gas: the cleanest fossil fuel. Essentially, it serves as a source of the thermal energy required for our processes. — Electricity: 100% from renewable sources (see point 4, Background). — Solar energy: 781 kWp of installed photovoltaic capacity. — Biomass: 16 tonnes per hour, commissioned in 2024 (KCSA, owned by ENGIE) — Installation of electric car chargers at KCHI and KCSA. — Hydrogen: KCG is working to transition from fossil fuels to green hydrogen for its major consumers. — To reduce the volume of refrigerants and other greenhouse gases that escape. KCE is also taking steps at its manufacturing sites to adapt to climate change. Notable among these are the measures implemented at KCG: — Risk of heavy rain: following a detailed expert analysis, it has been determined that there is no risk of flooding of the factory's infrastructure or damage to the plant and infrastructure. — Wind and snow risks: Research carried out by external experts shows that no risks associated with snow and wind are currently anticipated in terms of plant safety. Furthermore, the indirect risks posed by wind to the plant and employees have been analysed, and preventive measures have been incorporated into our internal disaster prevention plans. Investments and financing: KCE has met its 2030 targets for reducing Scope 1 and 2 emissions. However, it is planning a number of investments to make further progress towards decarbonisation, for example: — At KCG, a new cooling unit, new compressors, etc. (KCG €1.04 million). In addition, the company is taking steps to facilitate the potential conversion of natural gas burners to hydrogen (H_2 pipeline from 2030). — A number of projects are currently being evaluated at QK. — At KCHI, a new heat pump to replace the diesel system (€60,000) and other related works, such as new solar panels (€135,000). — At KCSA, the most recent and significant investment is the construction of a biomass plant (owned by ENGIE) in Olesa (€15.3 million). KCE is tackling the next challenge (carbon neutrality by 2040) with the confidence needed to analyse current and future technologies, monitor market trends and define the best strategy without rushing into things.

4.4. Climate Change

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10 Efforts in the procurement of raw materials	Greenhouse gas emissions from raw materials are classified under Scope 3, Category 1, and currently account for the majority of Scope 3 emissions. The main measures KCE is implementing to mitigate these emissions stem from strategies 2 and 3, and focus on sourcing raw materials with low carbon emissions. At the same time, the calculation of emissions from raw materials is gradually improving, for example by increasing the use of primary data. All these measures require us to strengthen our collaborative relationships. With regard to adaptation, the following key measures are being implemented at KCG: — Introduction of climate-related risk analysis for raw material suppliers, for example, assessment of drought risk, flood risk and heat stress in regions of origin. — Development of a multi-source supply concept to mitigate weather-related supply disruptions. — Development of substitution strategies for critical raw materials. — Prioritising suppliers with proven climate adaptation strategies. — The use of supplier data not only to reduce emissions, but also to: — Assessment of climate risks in the supply chain — Identification of raw materials with high CO_2 content and a high transition risk — Establishment of strategic security reserves for climate-critical raw materials. — Incorporating potential CO_2 costs into the assessment of raw materials and the calculation of product costs.
11 Distribution efforts	GHG emissions from raw materials are classified under Scope 3, Category 9, and currently account for a third of Scope 3 emissions. KCE's logistical efforts to mitigate climate change stem from strategies 2, 3 and 5, and focus on: — Increase shipment volumes per shipment — Reducing delivery times — Use greener delivery methods — Improving load factors — Improve the visibility of energy consumption and CO_2 emissions associated with distribution — Innovation in distribution through the use of reusable packaging (KCG and KCSA are introducing new IBCs with a green layer; at KCG, pallets made from 100% recycled plastic and a layer of recycled plastic). From late 2025, sustainable three-layer technology (plastic drums and IBCs) has been introduced. The middle layer contains approximately 30% recycled plastic.

4.4. Climate Change

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12. Efforts during use	Greenhouse gas emissions from raw materials are classified under Scope 3, Category 11, and no calculations have been carried out to date. The wide variety of uses that our products can have makes calculation extremely difficult. Sectoral studies suggest that this could account for the second-largest share of Scope 3 emissions. The fact that no figures are yet available does not prevent measures from being taken to reduce emissions during product use, in line with strategies 1, 2, 6 and 8. Some examples include: — Akypo Sugar: an 'eco-friendly' Akypo without ethoxylate (KCG). — Mighty acts as a superplasticiser and enables the total amount of water added during concrete production to be reduced by approximately 5–10%. (KCG) — Asphalt additives that reduce the application temperature (QK). — Promotion of LED-curable inks: Through its products, Kao Chimigraf aims to facilitate and encourage the transition from UV lamps to LEDs, thereby minimising energy consumption during the curing process (printing and drying) (KCHI). — Development of additives for hot-mix asphalt, which enable the application temperature to be reduced (KCSA). — Production of a low-temperature-fusing toner, which reduces the photocopier's energy consumption (KCSA).
13. Efforts towards disposal and recycling	CO_2 emissions from waste disposal and recycling stem from two sources: 1. The carbon released when used materials (mainly packaging) are incinerated or when petroleum-derived substances in wastewater are treated. 2. The CO_2 associated with the energy required to operate incineration, recycling and wastewater treatment facilities. The main mitigation strategy involves reducing the volume of material that needs to be disposed of or recycled. Waste is recycled wherever possible; non-recyclable waste is managed using carbon-neutral approaches. Product packaging is closely monitored and prevention plans have been put in place. In terms of sustainability, measures such as the implementation of a more sustainable IBC and the introduction of pallets made from 100% recycled plastic reduce the environmental impact of packaging throughout its entire life cycle.
14. Results, metrics	The table below shows KCE's results over recent years, the reference year (baseline), as well as the target for the reporting year and the long-term target.

STRATEGY	METRICS	RESULTS (%)				MID-TO-LONG TERM OBJECTIVES	
		2017	2023	2024	2025	TARGET	YEAR
(4) (5)	% CO_2 reduction (absolute quantity) scopes 1 & 2	0	35.02	40.88	57.19	55%	2030
(5)	% renewable sources in electricity used	-	78.03	92.80	99.97	100%	2030

4.4. Climate Change

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15. Internal communication	The NFR report is distributed annually to all affiliated members by the company. It is also available on the KCE website.
16 Role of administrative, management and supervisory bodies	Each subsidiary has its own transition plan for climate change mitigation and adaptation, which has been approved by the corresponding President following validation by STECOM. This KCE Transition Plan for Climate Change Mitigation and Adaptation has been drawn up by consolidating information from all subsidiaries.

4.4.3 Mitigation measures

To achieve this objective, KCE is promoting initiatives aimed at reducing energy consumption, improving efficiency and moving towards cleaner energy sources across all its facilities.

The main areas of focus are as follows:

1. Improved energy management

KCE promotes the implementation of energy management systems certified to the ISO 50001 standard.

— KCG was certified in 2013.
— KCSA in 2014.
— KCHI is in the final stages of the certification process.

2. Reduction in energy consumption

KCE is developing various actions to reduce energy consumption in its facilities.

2.1 Introduction of highly efficient equipment and optimised operation

As in previous years:

— Gradual replacement of refrigeration units, air conditioning systems and compressors with more efficient models that use refrigerants with a lower environmental impact.
— More efficient operation of equipment through optimised controls that adapt to demand (frequency converters for pumps and agitators, automation in distillation, etc.).
— Replacement of conventional lighting with LED technology at KCG, QK and KCSA; KCHI has already completed the transition.

2.2 Reducing energy losses and optimising energy use.

Measures are being implemented to eliminate losses and make use of the energy generated in other processes:

— Waste heat recovery systems and combined heat and power units.
— Improving steam efficiency by enhancing the maintenance of steam traps and increasing recovery.
— Installation of heat recovery systems, such as the heat-recovery thermal oxidiser at the MDJ-2 plant, which reduces VOC emissions and enables energy to be recovered for steam generation.
— Application of energy efficiency criteria in new facilities, such as KCSA's MDJ-2 plant.
— Improving thermal insulation in tanks and pipes.
— Condensate recovery.
— Optimisation of process parameters (times, temperatures, operating conditions).

The Kao Group has set ambitious climate targets: to reduce CO_2 emissions by 55% by 2030 (compared with 2017), to achieve net-zero emissions by 2040, and to become carbon-negative by 2050.

4.4. Climate Change

3. Use of renewable energy and increased energy self-sufficiency

3.1 Gas natural

Natural gas remains KCE's primary energy source due to its lower environmental impact compared to other fossil fuels. It is used to generate electricity and process heat (steam). However, efforts are underway to reduce its use and gradually replace it with renewable energy.

3.2 Renewable energy

Purchase of renewable electricity

— KCG since 2016
— KCSA since 2019
— KCHI since 2020 (KCHI France since 2024)
— QK from 2025

Renewable energy generation

KCE is promoting the installation of photovoltaic systems. The current capacity stands at 781 kWp, distributed as follows:

QK 499 kWp

KCHI (Rubí) 185 kWp

KCSA (Olesa) 97 kWp

Biomass

At KCSA (Olesa), from 2025 onwards, steam will be supplied by a biomass boiler operated as part of a joint venture with Engie. This measure reduces fossil fuel consumption and lowers emissions intensity following the shutdown of the combined heat and power plant.

4. Reduction in emissions of refrigerant gases and other GHGs

Air conditioning and refrigeration systems contain fluorocarbons with a high global warming potential. To minimise leaks, routine inspections have been stepped up. At KCSA, the replacement of a refrigeration unit in Mollet enabled the refrigerant to be replaced with R-1233zdE, an HFO with a lower GWP.

5. Optimisation of process conditions

Improvements are being made to control systems to optimise equipment operation and reduce energy consumption, including:

— Optimisation of compressed air systems.
— Installation of variable frequency drives on pumps and mixers.
— Automation of distillation plants.

4.4.4 Adaptation measures

Following the completion of the analysis of physical risks arising from climate change, KCE has prioritised its adaptation measures, particularly in relation to scenarios of water scarcity that could significantly affect the QK and KCSA sites. Water availability is a critical factor for business continuity, which is why the company has identified this risk as one of its most significant strategic priorities.

Globally, the Kao Group is working on a plan to reduce water use per unit of sales across the entire life cycle, with a particular focus on regions experiencing water stress and using 2017 as the baseline year (see the section on 'Water and Marine Resources').

In addition, both the Group and KCE are promoting the installation of photovoltaic systems for self-consumption. This measure helps to reduce dependence on the external electricity supply and strengthens operational resilience in the face of potential power cuts or grid instability.

4.4.5 Measures to reduce the carbon footprint of our products

Throughout 2025, KCE has continued to make progress in integrating the Product Carbon Footprint (PCF) as a key metric in the climate management of its portfolio. The work has focused on three areas: methodological improvement, strengthening internal capabilities, and cross-functional coordination of decarbonisation initiatives.

Improving the quality of PCF data: throughout the financial year, the accuracy, traceability and consistency of the data used in PCF calculations have been enhanced by:
— Analysis of variability and precision by product family.
— Securing a larger volume of primary emission factors from strategic suppliers.
— Implementation of more accurate internal systems for monitoring energy consumption, performance and direct emissions.
These improvements reinforce the robustness of the methodology and ensure it remains in line with national and European regulatory requirements.

Internal capacity building: in 2025, a training programme on sustainability and PCF methodologies was launched for the R&D department, with the aim of integrating climate impact variables into product and process design from the earliest stages of development.

Cross-functional Working Group on Portfolio Decarbonisation: a group has been set up comprising representatives from Innovation, R&D, Engineering and Maintenance, Product Safety and Business to coordinate portfolio decarbonisation initiatives. Its main areas of focus include:
— Analysis of the portfolio from a climate perspective.
— Ongoing review of methodological accuracy.
— Identification of key indicators associated with processes and raw materials.
— Development of a roadmap for reducing the portfolio's carbon footprint, in line with corporate objectives.

In 2026, progress will be made on expanding primary data, improving the governance of PCF data and designing the decarbonisation roadmap, thereby consolidating the PCF as a central element in technical, industrial and commercial decision-making.

The carbon footprint values for raw materials have been included in the Scope 3 calculation.

4.4.6 Objectives relating to climate change mitigation and adaptation

In 2020, the environmental ESG targets for the period 2020–2030[4] were set:

AREA	INDICATOR	TARGET VALUE	BASE YEAR
Decarbonisation	Reduction in CO_2 emissions under Scopes 1 and 2 (absolute)	55%	2017
Energy	Purchased renewable electricity	100%	-
	Reduction in energy consumption	1%	Previous year

[4] 2In 2021, the decarbonisation target was revised to be more ambitious than the one originally set.

4.4.6.1 Energy consumption and mix

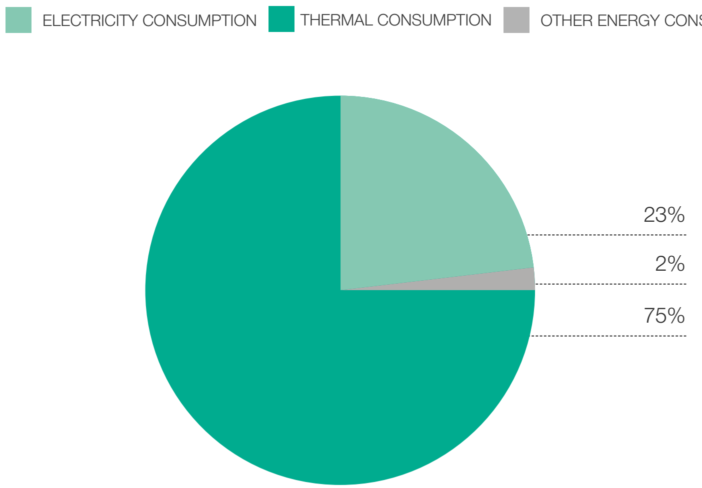
The chemical industry is energy-intensive; energy is an essential resource for its operations and currently remains linked to the generation of greenhouse gas emissions. KCE's energy mix has evolved significantly, shifting from a predominant reliance on fossil fuels towards an increasing use of renewable sources.

This transition process began in 1977 with the replacement of diesel with natural gas at KCSA and was consolidated in 2019, when all the electricity consumed by KCE came from renewable sources. The most recent milestone is the decommissioning of the KCSA cogeneration plant in 2023 and the installation, in 2024, of a biomass boiler at the same site (owned by ENGIE), the impact of which is reflected in the 2025 indicators.
From 2025, QK also consumes 100% renewable electricity.

Environmental awareness and the need for decarbonisation remain the main drivers of this transition.

Breakdown of KCE's current energy mix:

DISTRIBUTION BY TYPE OF ENERGY USE



ENERGY CONSUMPTION	2023	2024	2025
Total energy consumption (MWh)	358,229	356,620(*)	359,887
Total energy consumption / Final production (MWh/t)	1.10	1.03	1.10
Electricity consumption (MWh)	79,649	84,763(*)	82,104
Consumption of electricity from renewable sources (%)	78.03	92.80(*)	100
Electricity consumption / Final production (MWh/t)	0.24	0.24	0.25
Natural gas consumption (GJ)	1,057,192	919,475	808,813
Natural gas consumption / Final production (GJ/t)	3.23	2.66	2.48
Heat consumption (MWh)	276,828	270,274	271,379
Heat consumption / Final production (MWh/t)	0.85	0.78	0.83
Other energy consumption (MWh)	1,686	1,538(**)	6,405

(*) Figure corrected compared with the 2024 version (the KCSA figures have been amended because there is an additional invoice in June relating to the Mollet centre).
(**) Corrected figure; an error occurred when the data was transferred.

Overall energy consumption and the consumption ratio have increased compared with the previous financial year, mainly due to QK's operations, which saw a rise in thermal energy consumption and other forms of energy consumption. This is linked to the operation of the combined heat and power plant and the increased use of fuel for internal transport. The consumption of natural gas for hydrogen production has also been taken into account.

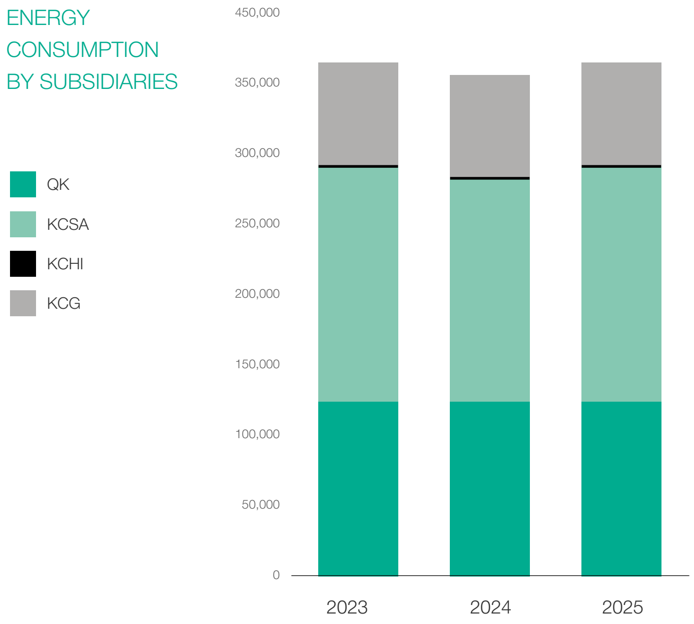
4.4. Climate Change

It is important to bear in mind that these indicators are influenced by the production mix. KCE has a highly diverse portfolio, which affects these indicators in different ways. Another factor to consider is that production has fallen, which has a negative impact on the indicators:

— There are fixed costs that are not directly linked to production (such as office costs).
— Each plant has a minimum operating consumption, regardless of the volume produced.
— A decline in production increases the relative ratios.

Finally, by 2025, QK was sourcing all its electricity from renewable sources.
Of particular note is the fall in natural gas consumption at KCSA (3,015,950 Nm³, 31,408 MWh), due to the purchase of steam from a biomass plant rather than generating it on-site using natural gas.

ENERGY CONSUMPTION BY SUBSIDIARIES



4.4.6.2 Scope 1, 2 and 3 emissions

KCE closely monitors its greenhouse gas (GHG) emissions, which are categorised in accordance with the GHG Protocol into direct emissions (Scope 1) and indirect emissions (Scopes 2 and 3). This categorisation enables the company to understand the source of its emissions, identify the main areas of impact, and effectively target mitigation measures.

Classification of emissions
— Scope 1: direct emissions resulting from the combustion of fuels in stationary sources (boilers, turbines, pumps), from physical or chemical processes, from transport in vehicles owned or controlled by KCE (including leased vehicles), as well as fugitive emissions from leaks in equipment, particularly air-conditioning and refrigeration systems.
— Scope 2: indirect emissions associated with the purchase and consumption of electricity.
— Scope 3: indirect emissions generated off-site, linked to the value chain. These include the transport of raw materials and finished products, staff commuting, business travel and waste management.

The gases included in the inventory are CO_2, CH_4, N_2O, HFC, PFC and SF_6.

Calculation methods
Scope 1
— Emissions from combustion are calculated by applying the emission and oxidation factors set out in the regulations of each country in which KCE operates; this involves applying the emission and oxidation factors for the relevant fuels to fuel consumption.
— Emissions associated with refrigerant gases and fire suppression systems are determined on the basis of the refills carried out and the global warming potential (GWP) of each substance, in accordance with Regulation 517/2014.
— There is currently no data available on emissions associated with business travel and journeys made by KCG and QK staff in their own vehicles.

Scope 2
Indirect emissions associated with purchased electricity are calculated in accordance with the regulations in force in each country where KCE has operations. All subsidiaries hold certificates confirming the percentage of renewable energy purchased.

Scope 3

KCE calculates Scope 3 emissions in accordance with the Corporate Value Chain Accounting and Reporting Standard (Scope 3), which classifies emissions into 15 categories. This approach allows each category to be analysed individually and justifies its inclusion or exclusion from the inventory.

Trends in emissions.

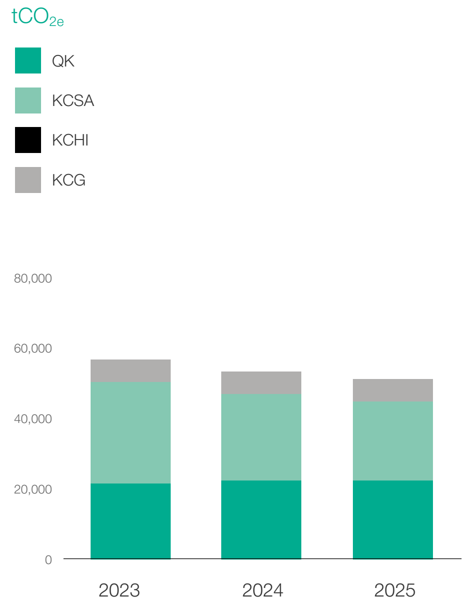
KCE monitors its Scope 1, 2 and 3 CO_2 emissions, as shown below:

KCE	2023	2024	2025
Total direct GHG emissions (Scope 1) (t CO_{2e})	57,729	54,913	48,740
Scope 1 emissions / final product (kg CO_{2e}/t)	176.66	158.71	149.22
Total indirect GHG emissions (Scope 2) (t CO_{2e})	3,974	1,255	0
Scope 2 emissions / final product (kg CO_{2e}/t)	12.16	3.63	0
Other GHG emissions (Scope 3) (t CO_{2e})	21,630	842,718	1,023,502
Scope 3 emissions / final product (kg CO_{2e}/t)	66.16	2,435.68	3,133.55
Total GHG emissions (t CO_{2e})	83,364	898,886	1,072,242
Total GHG emissions per unit of final product (kg CO_{2e}/t)	254.97	2,598.02	3,282.78

Overall, Scope 1 and 2 emissions have fallen by 30.4% (21,274 tonnes) compared with 2017, the base year for this indicator. In contrast, Scope 3 emissions show a significant increase due to the inclusion of categories that had not been quantified in previous years.

SCOPE 1 EMISSIONS

Direct emissions have fallen compared with the previous financial year, mainly due to the purchase of steam from a biomass plant, which has led to a reduction in steam production through the combustion of natural gas at KCSA's Olesa de Monserrat site and, consequently, a reduction in CO_2 emissions.



SCOPE 2 EMISSIONS

Scope 2 emissions will be completely eliminated by 2025, as QK completes its transition to sourcing 100% renewable electricity. The other subsidiaries were already using 100% renewable electricity.

Furthermore, the supply of steam from biomass at KCSA helps to reduce the indirect emissions associated with energy consumption.

SCOPE 3 EMISSIONS

Scope 3 emissions have risen significantly compared with the previous year, mainly because this report includes emissions associated with categories for which calculations have now begun.

KCE	2023	2024	2025
1. Goods and services purchased	683,121	808,539	988,777
3. Activities relating to fuel and energy (not included in Scope 1 or Scope 2)			1,201
4. Transport and distribution upstream	4,872	11,575	12,846
5. Waste generated during operations	114	1.832	2.496
6. Business travel	291	238	290
7. Employees' commutes to work	853	864	1.219
9. Transport and distribution downstream	15,500	19,669	16,673

These emissions are expected to continue rising in the coming years, as new indirect sources that are not currently quantified are taken into account.

Coverage by branch.
The following table shows which subsidiaries report each Scope 3 category in each financial year, reflecting the gradual expansion of the scope of the inventory.

KCE	2023	2024	2025
1. Goods and services purchased	KCG, QK, KCSA	Todas	Todas
3. Activities relating to fuel and energy (not included in Scope 1 or Scope 2)			KCSA
4. Transport and distribution upstream	KCSA	QK, KCSA	KCG, QK, KCSA
5. Waste generated during operations	KCSA	KCHI, KCSA	KCG, KCHI, KCSA
6. Business travel	KCSA	KCHI, KCSA	KCG, KCHI, KCSA
7. Employees' commutes to work	KCSA	KCSA	KCG, KCHI, KCSA
9. Transport and distribution downstream	KCG, QK, KCHI, KCSA	KCG, QK, KCHI[5], KCSA	Todas

5 KCHI reports only the emissions associated with a shuttle.

4.4. Climate Change

Specific methodologies by category

SCOPE 3 CATEGORY	CALCULATION METHODOLOGY
1. Goods and services purchased	Primary product carbon footprint (PCF) data is collected from all suppliers of the selected raw materials, based on their purchase volume over the course of the year. The primary data received from suppliers has been assessed internally against minimum criteria to determine whether it was obtained in accordance with ISO standards and/or the TfS standard. Data deemed acceptable has been weighted according to purchase volumes and added to the secondary values for raw materials for which no response was received from suppliers. The secondary data, also weighted by volume, comes from the Ecoinvent and Sphera databases, and is the same data that has been deemed suitable for calculating the LCA of products manufactured at KCE. Transport is not included (this is covered in category 4).
3. Activities relating to fuel and energy	Emissions relating to purchased electricity are calculated as the product of the amount of electricity purchased and the emission factor provided by the Catalan Climate Change Office.
4. Transport and distribution upstream 9. Transport and distribution downstream	To calculate these figures, the group uses its own methodology, which combines distances travelled, modes of transport and emission factors.
5. Waste generated during operations	In 2023, KCSA only quantified emissions associated with waste transport, calculated using the methodology set out in categories 4 and 9. In 2024, KCSA also quantifies emissions associated with waste treatment. Furthermore, KCHI has included emissions associated with transport.
6. Business travel	They are calculated using an own methodology.
7. Workers' commutes	They are calculated using an own methodology that combines data from the workforce and from the applications used to record work-related travel, with official statistical data and factors. The calculation method has been documented and the various assumptions made have been set out in detail.

4.5. Pollution prevention

Due to the nature of its processes and materials, the chemical industry inherently has the potential to cause environmental impacts. For this reason, pollution prevention is a central pillar of KCE's environmental management. From the design phase of each project, technical and operational criteria are incorporated to prevent—and, where this is not possible, to minimise as far as possible—any form of air, soil or water pollution.

KCE has a set of environmental policies that have been approved at both Kao Group and local levels. Among these, the KCE Environmental Policy sets out the fundamental commitments regarding the management of material impacts, risks and opportunities associated with pollution, with a particular focus on air pollution.

This policy serves as a framework for all affiliated companies. Those subsidiaries for which pollution has been identified as a material issue—all except KCHI—plan to incorporate these commitments into their local policies throughout 2026.

4.5.1 Measures and remedies relating to pollution

KCE implements a range of measures to prevent air, soil and water pollution in the areas where it operates, as well as to reduce the pollutant load in the wastewater generated by its processes.

These initiatives are structured around three main areas:

— Reducing pollutant generation at source through process improvements, cleaner technologies and the appropriate selection of raw materials.

— Good operational practices, including preventive maintenance, environmental monitoring and staff training.

— Application of best available techniques (BAT), progressively incorporating technological solutions that minimise emissions and discharges.

All these measures are aimed at strict compliance with applicable legislation and the implementation of the principle of pollution prevention. This involves the gradual introduction of new technologies, the modification of processes to reduce emissions, and the thorough monitoring of environmental parameters.

KCE publishes emissions data for KCG, QK and KCSA as part of the PRTR (Pollutant Release and Transfer Registers) scheme. -For KCSA, this includes data relating to the Olesa de Montserrat and Mollet del Vallès sites-.

4.5.2 Pollution-related targets and metrics

The Kao Group has set a target to publish the volatile organic compound (VOC) emissions of each subsidiary by 2025. KCE companies have been disclosing this information for several years, with the exception of KCG, which began publishing its in 2024.

4.5.2.1 Air, water and soil pollution

AIR POLLUTION

The main atmospheric emissions associated with KCE's operations are combustion gases (NOx and CO), volatile organic compounds (VOCs) and, to a lesser extent, particulate matter.

Since its inception, KCE has implemented measures to prevent and minimise the impact of its atmospheric emissions, including:

1— Replacing diesel with natural gas in boilers.
2— Installation of condensers to recover volatile substances.
3— Design of high-integrity systems.
4— Localised extraction systems and filters to reduce particulate emissions.
5— Installation of condensers whose gases are fed into scrubbers to reduce VOCs.
6— Installation of thermal oxidisers.
7— Programmes for the regular monitoring of emissions and ambient air quality.

KCSA is currently developing a leak detection and repair (LDAR) programme in line with best available techniques.

4.5. Pollution prevention

KCE carries out a quantitative monitoring of emissions of CO, NOx, CH_4, HFC, PFC, NF_3, SF_6, PM and VOC.
In 2025, the following is observed:
1— Reduction in combustion emissions (CO, NOx, SO_2) due to lower natural gas consumption, particularly as KCSA has started purchasing steam this year.
2— HFC emissions are concentrated in KCSA and QK, with the latter accounting for 89%, and are linked to leaks in air-conditioning equipment.

All subsidiaries report VOC emissions, although only KCHI reports fugitive emissions, which are significant due to the handling of volatile solvents involved in its operations. The others report only channelled VOC emissions, which are minimal compared to those reported by KCHI.

KCHI has continued to implement measures relating to its emissions. The increase of 18,5 tonnes compared with the previous year is mainly due to two factors:
1— Increase in solvent production
2— The need for smaller-scale production leads to more cleaning operations in open processes, which in turn results in higher levels of fugitive emissions.

The aggregate emissions of HFCs and PM do not include data from KCG. Emissions of the pollutants PFCs and NF_3 are not included as they are not generated at KCE.

KCE	2023	2024	2025
CO emissions (kg)	19,916	18,567	18,234
CO emissions / Final production (kg CO/t)	0.06	0.05	0.06
NOx emissions (kg)	42,617	37,009	29,878
NOx emissions / Final production (kg/t)	0.13	0.11	0.09
CH_4 emissions (kg)	1,306	1,169	1,036
CH_4 emissions / Final production (kg/t)	0.00	0.00	0.00
HFC emissions (kg)	137	228	439
HFC emissions / Final production (kg/t)	0.00	0.00	0.00
SF_6 emissions (kg)	0	0	0
SF_6 emissions / Final production (kg/t)	0.00	0.00	0.00
SO_2 emissions (kg)	390	400(*)	335
SO_2 emissions / Final production (kg/t)	0.00	0.00	0.00
PM emissions (kg)	921	1,057	1,015
PM emissions / Final production (kg/t)	0.00	0.00	0.00
VOC emissions (kg)	65,206	79,776	98,252
VOC emissions / Final production (kg/t)	0.20	0.23	0.3

(*) Data corrected due to an input error

4.5. Pollution prevention

PREVENTION OF NOISE AND LIGHT POLLUTION

KCE carries out regular noise monitoring outside its facilities to ensure compliance with legal limits and to identify any increases that may require corrective action. The levels recorded remain within the typical ranges for industrial activities.

With regard to light pollution, all centres comply with the relevant regulatory requirements.

WATER POLLUTION

KCE has wastewater treatment facilities at all its production sites, except at:
— KCG, whose wastewater is treated off-site at the local treatment plant, as it meets the relevant requirements.
— KCSA Barberà, whose wastewater is comparable to urban wastewater and which has a homogenisation tank.
— KCHI, whose waters are also comparable to urban waters.

KCE's wastewater treatment plants utilise physicochemical and biological technologies, after which the treated water is discharged into municipal treatment plants. Water quality is monitored several times a day to ensure compliance with limit values.
The levels of pollutants in wastewater have varied in recent years due to changes in the operations of manufacturing plants, and a number of measures have been taken to reduce these levels. Furthermore, the quantities of pollutants that may be discharged into water are regulated in each country.
In 2025, work began on the modernisation of the water treatment plant in the centre of Mollet del Vallès, with the aim of increasing its capacity and facilitating future developments aimed at a more efficient use of water resources.

KCE	2023	2024	2025
Wastewater discharge (m^3)	379,639	421,367	416,215
Discharge / Final production (m^3/t)	1.16	1.22	1.27
COT (kg)	213,436	243,275	211,251
COT / Final production (kg/t)	0.65	0.70	0.65
WE (kg)	21,284	15,813	24,828
MONTH / Final production (kg/t)	0.07	0.05	0.08
N (kg)	36,695	40,589	46,628
N / Final production (kg/t)	0.11	0.12	0.14
P (kg)	970	473	1,798
P / Producción final (kg/t)	0.003	0.001	0.01

The total volume of water discharged fell slightly in 2025, although the ratio per tonne produced increased due to the production mix and the fact that some of the discharge, such as sanitary water, is not dependent on the level of activity. KCG and KCSA managed to reduce their discharge volumes, in the latter case as a result of the consumption restrictions imposed by the government during the drought.

The discharge parameters show a general increase due to reduced water usage, with the exception of TOC, which has decreased.

The treated wastewater is discharged into the municipal sewer system. Furthermore, given the chemical nature of the operations, groundwater is monitored regularly at most production sites.

The possible presence of nanomaterials, PFAS, SoCs and microcontaminants is currently being studied and considered.

SOIL POLLUTION

Preventing soil contamination is a top priority for KCE at all its sites, given that its operations are inherently prone to causing pollution. For this reason, before any new facility is built, a specific assessment is carried out to identify potential risks and plan the necessary mitigation measures. From the design stage onwards, consideration is given to the presence of sensitive aquifers, areas vulnerable to contamination, and the materials and equipment required to ensure maximum integrity.

Storage facilities and handling areas are constructed with watertight sump pits and containment systems that are subject to regular inspections and maintenance. In addition, leak- and corrosion-resistant tanks, containers and vessels are used, thereby reducing the risk of contamination seeping into the ground.

KCG and KCSA operate networks of piezometers that enable regular analysis of groundwater and the surrounding soil to detect potential contaminants. At KCSA, Monitoring and Control Plans (PSC) are also implemented at the frequency stipulated by regulations. The Olesa de Montserrat and Mollet del Vallès sites have environmental impact assessments that are updated in line with changes made at each site.

All subsidiaries maintain emergency and spill response protocols, which are kept up to date and tested through regular drills, in order to ensure a swift and effective response. Should a situation arise where access is restricted, preventing the recovery of materials, any liquid or solid waste generated is managed appropriately prior to disposal, in full compliance with regulations.

Staff training is a key element: regular sessions are held on safe working practices, spill management and emergency procedures, with the aim of safeguarding groundwater quality and soil health at all sites.

SUBSTANCES OF CONCERN AND SUBSTANCES OF HIGH CONCERN

KCE has carried out a comprehensive analysis of its raw materials and products in relation to the official list of substances of very high concern (SVHC) published by ECHA, in accordance with Article 59(10) of the REACH Regulation.

The results show that:
— KCE does not manufacture any products that could be classified as substances of very high concern.
— Four raw materials included on the SVHC list are procured, along with a further seven that contain a minor component classified as such.

Of the four raw materials listed:
— Three are used as reagents; they are completely consumed during the process and do not remain in the final product.
— The fourth is incorporated into specific formulations, always intended for uses permitted under current legislation.

All these raw materials are handled in strict accordance with the safety standards derived from their hazard classifications, ensuring that they are handled safely and in compliance with the relevant regulations.

4.6. Water and marine resources

The Kao Group considers the sustainable use of water to be one of the fundamental pillars of its environmental management. The company drives initiatives across all its subsidiaries to promote the conservation of water resources, with the aim of ensuring that this limited resource can be passed on to future generations. The Group's vision focuses on creating sustainable value that enables a safe and comfortable life, in harmony with all living things on the planet.

In this context, KCE is implementing measures to ensure a more efficient and responsible use of water, focusing its efforts on the development of new technologies and prioritising:
— Reducing consumption.
— The reduction, reuse and recycling of wastewater.
— The optimisation and improvement of wastewater treatment facilities.

The aim is to use only the water required to carry out the activity without compromising the availability of the resource, whilst ensuring compliance with legal requirements regarding abstraction, consumption and discharge.

WATER WITHDRAWAL

WATER WITHDRAWAL
KCE obtains water from three main sources:
— Groundwater, which constitutes the main source (KCG, QK and KCSA).
— Water sourced from third parties, used across all subsidiaries.
— Water from the municipal treatment plant, pre-treated for use (QK).
KCG, QK and KCSA have their own properly authorised and monitored wells. In the case of KCG, groundwater is used in an open-loop system for cooling and is subsequently returned to the River Rhine. QK is taking steps to increase the use of reclaimed water and reduce groundwater withdrawal and third-party water consumption.

Water has been assessed as a non-material issue for KCE as a whole, although it is considered material for QK and KCSA. As the score obtained falls on the materiality threshold, management has decided to continue reporting on this issue as if it were material.

The Kao Group recognises a number of social issues related to water, including:
— The spread of areas experiencing water scarcity, exacerbated by climate change.
— A decline in the quality of water for human consumption due to pollution.
— Localised overconsumption and an increase in droughts linked to industrial activities.
— Rising demand for water due to urban development.
— Inadequate water infrastructure in certain regions.

Based on these risks and opportunities, the Group has developed its own water strategy, aimed at enhancing the availability and quality of water resources, improving water use efficiency, and ensuring the resilience of operations in a context of increasing water stress. This strategy combines responsible water management across all facilities with the development of technologies and products that promote more sustainable use, whilst fostering collaboration with stakeholders and ensuring strict compliance with applicable regulations.

4.6. Water and marine resources

4.6.1 Measures and resources relating to water and marine resources

KCE has identified various levers for water efficiency and key actions throughout the life cycle of its products, with a particular focus on the manufacturing phase. The management of water-related risks and opportunities is structured around processes of planning, implementation, evaluation and continuous improvement.

MANUFACTURING EFFORTS

The main initiatives at production sites stem from corporate strategies and focus on:
— Water management under ISO 14001.
— Improving understanding of water usage at each facility, with a greater level of detail in line with the Best Available Techniques (BREF WGC).
— Tracking and monitoring consumption, increasing the number of meters installed to assess water usage.
— Reducing consumption through: more efficient equipment and closed-loop systems, eliminating leaks, optimising washing procedures, recovering condensate, and using cooling systems with lower energy consumption (e.g. reverse osmosis to treat reject water).
— Recirculation and reuse, using recirculation technologies for cooling and washing.
— Treatment and reuse of greywater for cleaning or irrigation.
— Preventive maintenance and real-time monitoring to detect leaks.
— Efficient use of reagents and improvement of their environmental impact.
The subsidiaries are drawing up an investment roadmap to meet water efficiency targets.

EFFORTS IN THE ACQUISITION OF RAW MATERIALS

These initiatives focus on efficiency, supply security and technological innovation, prioritising suppliers and materials with a lower water footprint.

EFFORTS IN PRODUCT DISTRIBUTION

The measures are aimed at improving logistical efficiency, digitalisation and reducing energy consumption and, by extension, the water consumption associated with energy production. Key initiatives include:
— Route optimisation using specialist software.
— Consolidation of freight and the use of more efficient modes of transport (e.g. rail). Dry cleaning systems or high-efficiency equipment in logistics centres.
— Improving energy efficiency in warehouses.
— Reducing the use of packaging materials that consume large amounts of water, and prioritising recycled or reusable materials.
— Use of sensors and real-time monitoring technologies.

EFFORTS DURING PRODUCT USE PHASE

These initiatives focus on innovative design, technological efficiency and raising awareness among customers and consumers to promote responsible water use.

EFFORTS TO DISPOSE OF AND RECYCLE

KCE focuses its efforts on minimising the use of fresh water in waste management processes, reusing industrial wastewater and reducing water pollution – the so-called grey water footprint. When selecting waste management providers, priority is given to those that incorporate technologies capable of recycling water on-site, treating and reusing it in operations such as cleaning, cooling or rinsing, thereby reducing the need for fresh water.

KCE also implements specific measures to prevent and reduce the pollutant load of its discharges, through internal self-monitoring and external inspections carried out at intervals tailored to each parameter. These measures ensure compliance with the established limits and enable a gradual improvement in the quality of the discharged water.

Other key strategies include water conservation through material recycling and the application of circular economy principles in product design and end-of-life management. Reducing waste decreases the amount of water required for its final treatment, thereby enhancing overall water efficiency.

ADAPTATION MEASURES

The Kao Group has conducted a study to identify each site's exposure to water-related risks, such as droughts or floods. The results show that the QK, KCHI and KCSA sites are affected by these risks. As a next step, the Group has set a specific target aimed at mitigating and managing these risks, which is to be implemented by each subsidiary.

4.6.2 Objectives and metrics

With regard to water, KCE has set the following objectives for the period 2020–2030:

STRATEGY	INDICATOR	TARGET VALUE	BASE YEAR
(2)	Reduction in water consumption	45%	2005

KCE is thus aligning itself with the Kao Group's corporate target of reducing water consumption by 45% by 2030 compared with 2005.

Furthermore, in line with strategies 2, 5 and 6, the group has set a new target: all plants located in areas experiencing water stress must define and achieve an individual water management target, focusing on water extraction. These targets must be defined by 2026.

The regions of Mexico and Spain where KCE's subsidiaries operate are classified as areas at risk of water scarcity. Consequently, stricter measures have been introduced at QK, KCHI and KCSA.

In this context, in 2025 KCSA carried out its first water audit, which serves as the starting point for a structured assessment of water management at its sites. This audit will help identify opportunities for savings, investment needs and the elements required to define internal water governance and key performance indicators (KPIs). The lessons learnt will be shared with the other subsidiaries.

KCSA has set itself the goal of achieving AWS (Alliance for Water Stewardship) certification by 2030.

For its part, KCHI, although less water-intensive, has set a target of reducing water consumption by 10% by 2028 compared with 2025 at its Madrid site, through measures to contain domestic water consumption.

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4.6. Water and marine resources

WATER WITHDRAWAL

KCE keeps a detailed record of water usage at each site.

KCE	2023	2024	2025
Water withdrawal (m³)	1,395,687	1,399,998	1,283,450
Withdrawal / Final production (m³/t)	4.27	4.05	3.93
Groundwater	966,897	958,336	830,293
Water from third parties	425,010	373,435(*)	336,983
Water recovered from other organisations	3,780	68,227	116,264

(*) Data corrected due to an input error

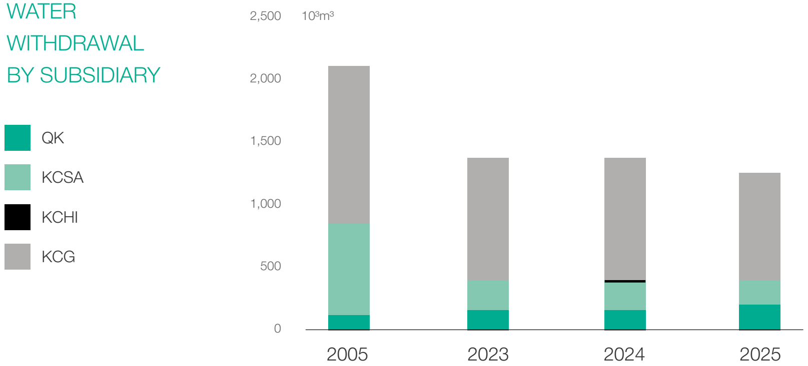
In 2025, total withdrawal fell by 116.458 m³ compared with 2024, and the ratio per tonne produced fell by 3%, indicating greater efficiency in the use of the resource. This improvement has been achieved despite the fact that some subsidiaries expanded their production facilities.

At KCSA, a number of measures were implemented, including adjustments to operating conditions, improvements to the control loops of cooling towers, condensate recovery, and the installation of flow restrictors on showers and taps.

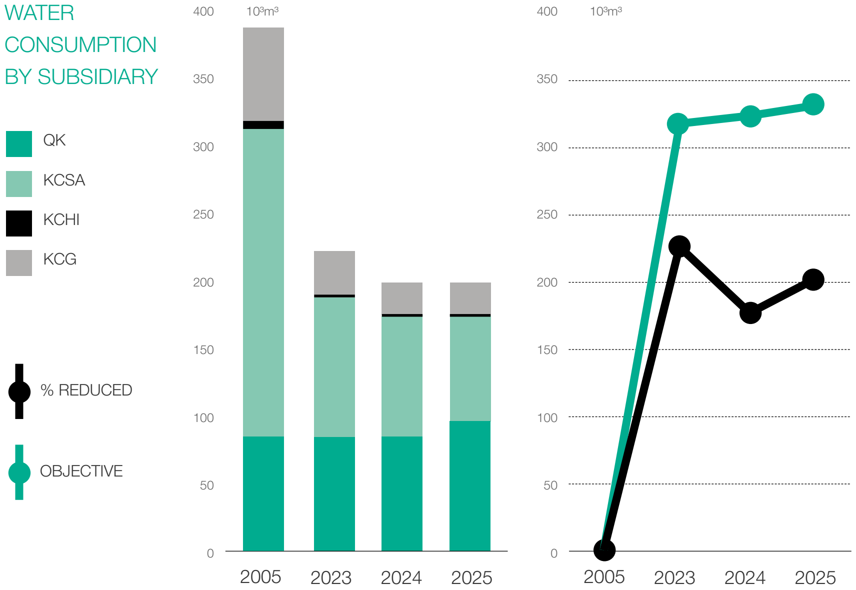
At QK, an increase has been observed due to the greater use of reclaimed water, the quality of which results in a higher rejection rate at the reverse osmosis plants.

Compared with the base year of 2005, the extraction rate has fallen by 44%.

WATER WITHDRAWAL BY SUBSIDIARY



WATER CONSUMPTION BY SUBSIDIARY



WATER CONSUMPTION

Water consumption is calculated as the difference between the amount of water withdrawal and the amount of water discharged.

KCE	2023	2024	2025
Total water consumption (m³)	210,490	184,528	185,572
Consumption / Final production (m³/t)	0.64	0.53	0.57

Total consumption remains stable compared with the previous year, although the ratio has risen by 7%. This trend can be explained by:

— The drought affecting the KCSA since 2023, which has necessitated the introduction of strict water-saving measures.

— The existence of consumption that is independent of production (cooling, tank heating, domestic use).

— The influence of weather conditions, particularly extreme temperatures.

Compared with 2005, water consumption has fallen by 58%.

4.7. Biodiversity and ecosystems

As part of the Kao Long-Term Plan (KLP), the Kao Group has identified a number of strategic issues that are particularly closely linked to biodiversity:
1— Decarbonisation.
2— Zero waste.
3— Water conservation.
4— Prevention of air and water pollution.
5— Responsible management of chemicals.
6— Responsibly sourced raw materials.

KCE's commitments in these areas are set out in the preceding and following chapters, with the exception of the responsible management of chemicals, which is addressed in this chapter due to its direct link to biodiversity and ecosystems.

Responsible management of chemicals covers all stages of the process:
— Supply of raw materials (upstream)
— Operation of the sites
— Application and use of the products (downstream)

Biodiversity has been assessed as a material issue for KCE, and was found to be material for KCG and KCSA, but non-material for QK and KCHI. In this analysis, the aspects considered material for KCE focus on factors that directly contribute to biodiversity loss and those that affect the extent, condition and functionality of ecosystems and ecosystem services. Dependencies on these services, however, have been assessed as non-material. For the material sub-issues, impacts and opportunities have been identified relating to the sourcing of raw materials and the application of products. Although the operation of the facilities has not been found to be material, the Group considers this area equally relevant and has implemented measures to minimise the impact of production on people and the environment.

KCE is developing a biodiversity transition plan that integrates ecosystem protection into its business strategy. This plan will enable the identification of impacts and dependencies—risks and opportunities—and contribute to the long-term sustainability of the business.

The approach is aligned with global goals, such as the Global Biodiversity Framework, and incorporates principles of nature restoration and the circular economy, ensuring that the business model evolves towards practices that preserve ecosystems.

KCE has a number of environmental policies in place, approved at both Group and local level. Specific commitments regarding biodiversity are mainly set out in:
— The policies on sustainability, chemical safety and responsible management of chemicals, which set out the commitments regarding the management of chemicals.
— The Environmental Policy, which sets out the company's commitments regarding the management of material impacts, risks and opportunities associated with the protection of biodiversity and ecosystems.

This policy serves as a framework for subsidiaries. KCG and KCSA plan to incorporate these commitments into their local policies throughout 2026, including aspects such as:
— Factors that have a direct impact on biodiversity loss, particularly those related to the cultivation and harvesting of species used as raw materials, sustainable agricultural practices and—in the case of KCG—the use of pesticides and other substances.
— Impacts on the extent and condition of ecosystems resulting from soil sealing, habitat fragmentation and pollution associated with the use of manufactured products (such as asphalt) and—in the case of KCG alone—the construction of roads to link plantations.

Since 2024, KCSA has had a Biodiversity Policy in place, which includes an explicit commitment to halt and reverse biodiversity loss, in line with SDG 15 "Life on Land", and involves identifying and assessing the impacts and dependencies of its activities.

4.7. Biodiversity and ecosystems

4.7.1 Actions and resources relating to biodiversity and ecosystems

The following section outlines the main actions undertaken by KCE to implement the aforementioned policies, organised according to the different stages of the process.

SOURCING OF RAW MATERIALS

The Kao Group promotes the adoption of green purchasing criteria, prioritising the procurement of sustainable raw materials and encouraging business activities that take local biodiversity into account. It also drives the shift towards raw materials sourced sustainably and with a lower environmental impact, such as those certified by the RSPO.

Deforestation and the RSPO

Kao remains committed to helping reduce deforestation and achieving zero deforestation through two key initiatives:

— Sustainable use of palm oil.

— Sustainable use of wood, paper and pulp products.

In terms of governance, the Group has set itself the objective of ensuring full traceability of raw materials right back to their source, particularly in the case of palm oil. KCE is currently assessing the possibility of adopting this same objective within its supply chain. In relation to the European Deforestation Regulation (EUDR, 2023/1115), KCE is identifying requirements and potential measures to ensure compliance.

ISCC and the bio-content of products

KCE is conducting ongoing research into renewable raw materials to replace petroleum derivatives, in line with the Group's decarbonisation measures. One of the most relevant initiatives is the offering of products with higher bio content, supported by ISCC certification, which allows products to be marketed under the mass balance scheme.

OPERATIONS AT OUR PREMISES

To minimise the impact on biodiversity associated with the operation of its facilities, KCE is pursuing two complementary strategies:

— Measures aimed at modifying processes in order to reduce the use of raw materials and gradually replace them with less hazardous alternatives.

— Measures aimed at protecting and promoting biodiversity in the immediate vicinity of the centres and on their own premises.

KCE's production sites are located in industrial estates, and three of them are situated near areas of natural interest. Although day-to-day operations do not affect these areas, a serious incident could have a limited impact. For this reason, all sites have been built in accordance with current regulations and are equipped with systems to monitor and control significant environmental aspects.

Each facility has a self-protection plan in place, which identifies potential accident scenarios and sets out the procedures to be followed based on the resources available.

COMPANY	NATURAL ENVIRONMENT	MASS OF WATER
KCG	DE4203401: 'Unter Niederrhein' Special Protection Area (SPA) DE4103301: Dornicksche Ward (designated as a bird sanctuary) DE4405301: Fisheries protection zones on the Rhine between Emmerich and Bad Honnef (fisheries protection zone)	River Rhine (approx. 300 m)
QK	-	River Santiago (approx. 150 m)
KCHI	-	-
KCSA	-	-
Olesa de Montserrat	ES5110012: Montserrat - Rocas Blancas - River Llobregat	River Llobregat (approx. 70 m)
Mollet del Vallès	ES5110025: River Congost	Besòs River (approx. 200 m)

4.7. Biodiversity and ecosystems

The growing knowledge and environmental awareness has broadened the scope of actions to conserve and promote biodiversity. In this regard, the Kao Group has developed a methodology based on the land use standard of the Japan Business Initiative for Biodiversity (JBIB), which enables the assessment of the state of biodiversity and progress in its conservation across all the Group's sites.

In 2017, a self-assessment form was provided to all subsidiaries, which they all completed in 2018 (KCHI completed it in 2019).

Other outsanting initiatives

— Environmental impact assessments prior to the construction of new facilities.
— Management of changes in land use and alterations to the extent or condition of ecosystems.
— Biodiversity awareness campaigns, such as KCSA's annual 'Species of the Year' initiative, which in 2025 will focus on the wolf.
— Planting of trees, shrubs and aromatic plants at the centres in Barberà, Mollet and Olesa.
— Monitoring of nest boxes and insect hotels at the three centres.
— Measures to prevent, reduce and mitigate fires associated with the operation of facilities.

KCE markets products that strictly comply with the relevant regulatory requirements. Furthermore, the company works proactively to progressively reduce the hazards posed by the substances it uses, both to people and to the environment. The company is developing a methodology to assess its product portfolio from various perspectives, including hazard potential and biodegradability, which will enable it to monitor the impact of its products on biodiversity and ecosystems.

4.7.2 Objectives and metrics

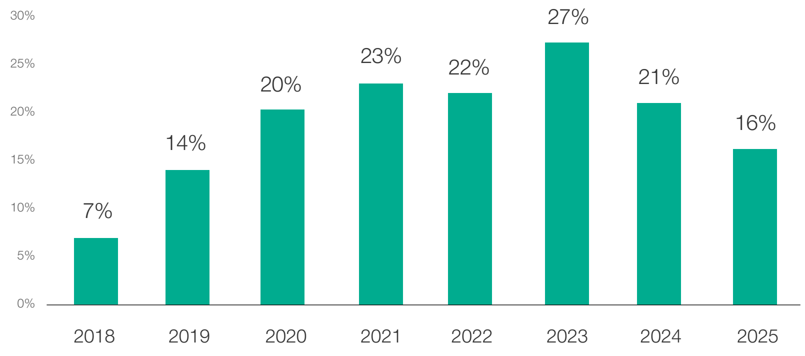
KCE has established targets and metrics to monitor the impact on biodiversity at every stage of its operations.

SUPPLY OF RAW MATERIALS

Kao remains firmly committed to reducing deforestation and achieving zero deforestation, particularly through its sustainable palm oil and wood-based materials programmes. The aim is to position the company as a leader in responsible sourcing, ecosystem protection and supply chain transparency.

	KCG	QK	KCSA	TOTAL KCE
2023	25.3%	34.8%	31.9%	27.3%
2024	17.3%	89.8%	16.2%	21.1%
2025	10.8%	86.4%	30.1%	16.5%

TRENDS IN THE CONSUMPTION OF RSPO-CERTIFIED RAW MATERIALS



KCE continues to develop technologies based on non-edible natural sources as alternatives to palm oil, and uses sustainable palm oil when requested by the customer. It also offers products based on NDPE (No Deforestation, No Peat, No Exploitation) raw materials.

4.7. Biodiversity and ecosystems

The entry into force of the European Deforestation Regulation (EUDR) has been postponed until January 2027. Although certain aspects, such as geolocation, are still under discussion, Kao is closely monitoring regulatory developments to ensure compliance.

In 2025, the downward trend in the consumption of sustainable palm oil-based raw materials continues, standing at 16%. This decline is linked to the global economic situation and the adoption of the Book & Claim model by some customers.

Performance by subsidiary

— KCSA: shows a significant improvement on 2024, returning to stable levels of around 30%.
— KCG: as it is the plant with the highest purchase volume (75–80% of the total), its decline in 2025 has had a direct impact on the overall percentage.
— QK: most notable trend; after starting at 0% in 2018–2020, it reached 89.8% in 2024 and remains at similar levels in 2025.

KCE continues to explore synergies with other European divisions to improve value chain management.

OPERATIONS AT OUR PREMISES

To monitor the state of local biodiversity, Kao uses the JBIB methodology, which is based on a self-assessment questionnaire that analyses:

— Biodiversity management.
— Response to invasive alien species.
— The circulation of matter.
— Water circulation.
— Biological monitoring.
— Employee participation.
— External partnerships.
— Other relevant points.

Biodiversity indicators and their trends:

KCE	2023	2024	2025
Land use (%)	42.00	42.93	42.93
Total floor area (m²)	184,922	189,856	189,856
Total sealed area (m²)	257,523	263,577	263,577
Surface permeability (sealed surface / total surface area) (%)	58.49	59.59	59.59
Total area in the centre allocated to nature (m²)	88,454	88,348	88,348
Internal biodiversity coverage (nature-oriented area on site / total site area) (%)	20.09	19.98	19.98
Total nature-oriented area off site, classified by land use (m²)	24,874	24,874	24,874
Total nature-oriented area off site/ site area) (%)	5.65	5.62	5.62

In 2025, KCSA dedicated its annual campaign to the wolf, organising outreach activities and monitoring local wildlife. Tree-planting initiatives were also carried out at the centres, and the new edition of the Biodiversity Policy (December 2024) was disseminated.

4.8. Resource use and circular economy

KCE's operations involve the inflow of resources into its facilities and the generation of products and waste (outflows), both of which have the potential to have a positive or negative impact on biodiversity and ecosystems. In order to reduce these impacts and move towards a more sustainable model, KCE has begun developing a transition plan aimed at reducing the environmental footprint associated with resource use and promoting circularity in all phases of its operations.

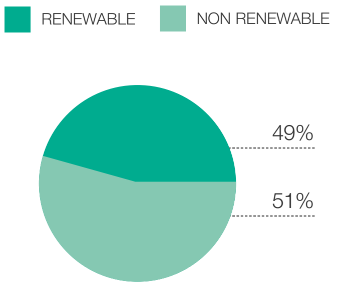
This approach will enable us to gradually minimise the extraction of non-renewable resources, strengthen waste prevention measures and reduce pollution associated with production processes.

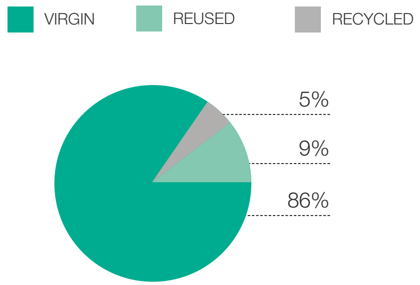
Inflows

In 2023, a process was launched to identify and classify the raw materials used by KCE, with the aim of gaining a better understanding of its dependencies on biodiversity and moving towards an analysis of risks and opportunities. This study was updated in 2025, yielding the following results:

— 76% of the supplies have been classified.
— Of these, 51% are renewable and 49% are non-renewable.
— As for the origin: 86% is virgin material, 9% is recycled and 5% is reused.

The changes compared with the previous financial year are minimal.





This analysis does not include packaging materials, which are managed separately under the Extended Producer Responsibility (EPR) framework established by the European Union. KCE continues to improve the quantification of the materials contained in packaging placed on the market and focuses on compliance with legal requirements in the various European countries.

In the coming financial years, it is expected that specific data will be available on:

— The percentage of recycled material in the packaging.
— The packaging prevention plans.
— An analysis of the risks and opportunities associated with resource use, taking into account current and potential impacts, dependencies, transition and physical risks, systemic risks, and the communities likely to be affected in the extraction areas.

Outflows

KCE's outflows consist mainly of products and waste.

Products

All products manufactured by KCE undergo a thorough verification process to ensure compliance with European standards and key international regulations, thereby guaranteeing their safety and proper use. This verification covers not only the main substance but also all known traces and impurities.

The resulting information is used to prepare mandatory and voluntary documentation, promoting transparency and providing clients with comprehensive information.
The packaging used varies depending on the type of business:

— KCG, QK and KCSA supply exclusively to industry, so they use industrial packaging.
— KCHI also uses commercial packaging and, in some cases, packaging intended for the end consumer.

The formats include IBCs, metal or plastic drums, steel or aluminium cans, aluminium or plastic bottles, big bags, sacks and pallets, mostly made of wood.

Waste

In 2025, KCE generated 12,980 tonnes of waste, 82% of which was classified as hazardous. All waste was managed by authorised waste management operators, ensuring it was treated appropriately. Resource use and the circular economy have been assessed as material topics for KCE, with the exception of KCHI.

4.8. Resource use and circular economy

KCE also has a number of environmental policies in place, approved at both Group and local level. Specific commitments regarding resource use and the circular economy are set out primarily in:

— The policies on sustainability, chemical safety and responsible management of chemicals, which set out the commitments regarding the management of chemicals.
— The Group's procurement policies, which have a direct impact in this area.
— The Environmental Policy, which sets out the company's commitments regarding the management of material impacts, risks and opportunities associated with resource use and the circular economy, particularly in relation to waste.

This policy serves as the framework for all subsidiaries. All of them (KCHI is not obligated since it is not material for the company) plan to incorporate specific commitments relating to waste management, in particular the promotion of reuse and recovery through authorised waste management operators.

4.8.1 Measures and initiatives relating to resource use and the circular economy

Inflows

KCE is moving towards an increasingly circular production model, driving forward a range of initiatives aimed at reducing resource consumption, minimising environmental impacts and improving efficiency in the use of materials. Key initiatives include:

— Reducing material consumption by optimising production processes.
— Replacing hazardous substances with safer alternatives, whilst incorporating eco-design criteria into KCSA's Innovation and Development departments.
— Reducing the generation or toxicity of hazardous substances by incorporating health and safety criteria into eco-design.
— Use of recycled materials in both manufacturing and packaging.
— Prioritising the use of recycled materials, such as paper.
— Incorporation of eco-friendly or bio-based materials.
— Environmental emergency measures, incorporated into each establishment's self-protection plans, to manage incidents with a potential environmental impact.
— Safe management of hazardous substances, including labelling, storage, handling and transport in accordance with applicable regulations.
— Regular staff training in the safe handling of hazardous substances.

At a corporate level, the Kao Group has had a Comprehensive Chemical Management System in place since 2017, which is applied across all its companies worldwide. KCE is continually strengthening this system to meet increasingly stringent regulatory requirements, the growing diversity of substances handled, and commercial expansion into new markets.

Outflows

Products

KCE is promoting measures aimed at a more circular approach to the management of its products. Key initiatives include:

— Improving the efficiency of production processes.
— Reducing and reusing packaging.
— Upcycling of materials that are no longer classified as waste when sold as products.

Waste

Continuous improvement in waste management is an ongoing priority for KCE. In addition to preventing waste generation and ensuring it is properly treated, the company is exploring new management approaches that will help it move towards a circular economy. Key areas of focus include:

— Mapping of waste streams, with detailed identification and classification of each stream and its final destination.
— Reducing internal waste through the reuse, recovery or recycling of materials. Some innovative developments include upcycling initiatives that transform waste into products with improved properties.
— Waste recovery, by identifying companies that use waste as raw materials or a source of energy. As a result, KCE has maintained recovery rates of over 60% since 2018.
— Restriction on the cross-border movement of hazardous waste, limiting it to cases where there are no recovery facilities in the country or where such facilities are not technically or economically viable.
— Staff training in waste reduction and proper waste sorting.

4.8. Resource use and circular economy

4.8.2 Objectives and metrics

The Kao Group has set two main objectives relating to resource use:

— Increase the procurement of RSPO-certified palm oil.

— Reduce waste generation.

KCE aligns itself with these objectives and updates the metrics and indicators used to assess its level of compliance on an annual basis. It also employs additional metrics to analyse the implementation of circular economy policies.

Tickets

When it comes to palm oil, Kao remains firmly committed to reducing forest destruction and achieving zero deforestation, particularly through its sustainable palm oil and wood-based materials programmes. The aim is to position the company as a leader in responsible sourcing, ecosystem protection and supply chain transparency.

When it comes to the procurement of materials in general, the quantities, format and source of supply are taken into account.

In 2025, KCE consumed 239,000 tonnes of raw materials and produced 327,000 tonnes of finished goods, representing a 5% reduction in the raw materials-to-finished goods ratio compared with the previous year.

RAW MATERIAL USAGE DATA:

KCE	2023	2024	2025
Raw materials (t)	236,793	272,246	240,371
Production (year-on-year)	326,951	345,989	326,627
Raw materials / (t/t)	0.62	0.77	0.74

CLASSIFICATION OF KCE'S MATERIAL INFLOWS

KCE	2023	2024	2025
Significant raw materials (t)	181,189	204,433	183,512
Significant raw materials / Final production (t/t)	0.48	0.58	0.56
Significant renewable raw materials (t)	81,107	90,628	93,748
Significant renewable raw materials (t) / Final production (t/t)	44.76	44.33	51.09
Reused (t)	8,237	9,299	8,706
Reused / Significant renewable sources (%)	10.16	10.26	9.29
Recycled (t)	16,861	11,399	14,169
Recycled / Significant renewable sources (%)	20.79	12.58	15.11
Virgin (t)	56,009	45,236	70,873
Virgin / Significant renewables (%)	69.06	49.91	75.60
Significant non-renewable raw materials (t)	88,109	103,489	89,764
Significant non-renewable raw materials (t) / Final production (t/t)	48.63	50.62	48.91
Reused (t)	0	0	0
Reused / Significant non-renewable resources (%)	0	0	0
Recycled (t)	0	4,804	2,739
Recycled / Non-renewable (%)	0	4.64	3.05
Virgin (t)	88,108	91,577	87,025
Virgin / Non-renewable (%)	100	88.49	96.95

Departures

Products

KCE systematically tracks the products it manufactures in relation to the raw materials used, enabling it to assess the efficiency of production processes and identify opportunities for improvement in resource use. This analysis helps to strengthen circularity and optimise the balance between material inputs and outputs.

Waste

With regard to waste, the Kao Group set the following target in 2020 for the period 2020–2030:

AREA	INDICATOR	TARGET VALUE	BASE YEAR
Zero waste	Landfill and incineration rates for industrial waste	<1%	-

4.8. Resource use and circular economy / 4.9. Legal compliance

The amount of waste generated excludes construction waste, as this is a one-off occurrence. In 2025, KCSA generated 3,587 tonnes of construction waste as a result of the refurbishment of the wastewater treatment plant in the centre of Mollet del Vallès

KCE	2023	2024	2025
Waste generated (t)	11,016	13,329	12,980
Waste generated / Final production (t/t)	0.03	0.04	0.04
Hazardous waste (t)	8,844	11,345	10,613
Hazardous waste / Final production (t/t)	0.03	0.03	0.03
Recovery rate of waste generated (%)	71.51	75.25	76.55

In 2025, the total amount of waste generated fell by 349 tonnes compared with the previous year. An analysis by subsidiary shows:
— KCG: reduces both waste generation and its waste ratio.
— KCSA: Total generation is down, but the ratio remains unchanged due to the product mix, which has had the greatest impact in this area.
— QK and KCHI: both generation and the ratio are increasing.

KCSA remains the subsidiary generating the highest volume of waste. At QK, the increase is mainly due to the rise in sludge resulting from the greater use of reclaimed water.
The recycling rate, including energy recovery, has increased compared with the previous year and, for the fourth consecutive year, remains above 70%, reaching 76.55% in 2025.

Food waste

KCSA (Barberà del Vallès) and QK have canteens on their premises, where meal portions are adjusted to prevent food waste.

At KCSA, the company responsible for the service runs the “Stop Food Waste Programme”, which includes:
— Minimising wastage throughout the entire supply chain.
— Daily measurement of waste generated.
— Awareness-raising and training initiatives aimed at kitchen staff and diners.

Packaging

Over the past two years, KCE’s subsidiaries based in the European Union have implemented numerous measures to comply with legal requirements regarding packaging and packaging waste (such as Regulation 40/2025 or Royal Decree 1055/2022, which applies in Spain).

The main measures include:
— Compilation of specifications for packaging and packaging waste.
— Participation in collective extended producer responsibility schemes (e.g. GENCI in KCG, IMPLICA in KCHI, ENVALORA in KCSA).
— Declarations regarding packaging submitted to the competent authorities.
— Coverage of the costs associated with the management of final waste.

4.7.3 Investment and costs allocated to environmental activities by KCE

KCE	2023	2024	2025
Investment (thousands of euros)	2,081	13,569	2,350
Environmental costs (thousands of euros)	12,071	12,281	15,196

4.9. Legal compliance

KCE strictly complies with all its legal obligations regarding environmental matters. However, in 2025, a fine was imposed on the Barberà del Vallès site for exceeding the limit value for nitrate concentration in wastewater. The associated fine amounted to €1,234.

5. Our people

Our people

Our aim: to ensure that everyone has the conditions, tools and opportunities to grow, innovate and contribute to the organisation's sustainable success.

At Kao Chemicals Europe (KCE), people are at the heart of everything we do and of our vision for the future. Talent management, well-being, equal opportunities and health and safety are key pillars of our corporate and sustainability strategy.

Our commitment is based on fostering a working environment where everyone can develop professionally, add value and be part of a project that makes a positive and sustainable contribution to society and the planet.

As a subsidiary of the Kao Group, we align our practices with global human capital development guidelines, which set out principles aimed at moving from equality to equity and promoting diverse, agile organisational models based on individual initiative. These principles reinforce a culture that fosters motivation, growth and the contribution of every individual, establishing a working environment where diversity, inclusion and mutual respect are essential elements. At KCE, we understand that social sustainability is built through strong working relationships, transparent policies, equal opportunities and a firm commitment to health, safety and wellbeing. We therefore promote initiatives ranging from continuous training and professional development to equal pay, the inclusion of people with disabilities, cultural diversity and the active participation of staff in improving the working environment. Our goal is clear: to ensure that every person who is part of KCE has the conditions, tools and opportunities necessary to grow, innovate and contribute to the organisation's sustainable success.

Key Corporate Policies

Set out below are the key policies that guide people management at KCE. Each of these policies forms a strategic pillar that guides our actions and ensures a coherent, responsible framework that is aligned with the Kao Group's values.

— Equality and Diversity Policy: This policy promotes equal treatment and opportunities in all people management processes, prevents any form of discrimination, and fosters diversity as an essential element for innovation, internal cohesion and organisational performance. It ensures that decisions are based on objective and transparent criteria, thereby reinforcing an inclusive and respectful culture.

— Talent Development Policy: This policy promotes continuous learning, reskilling and career development plans, ensuring that every individual can grow professionally and meet both current and future challenges. It incorporates corporate tools, training programmes and assessment processes that enable the identification of potential, the strengthening of skills and the promotion of professional growth in an equitable manner.

— Health and Safety Policy: Ensures a safe and healthy working environment through certified systems, a well-established culture of prevention, and structured processes for the identification, assessment and mitigation of risks. This policy safeguards the physical and emotional well-being of staff and ensures compliance with the most stringent standards in the chemical industry

— Social Dialogue Policy: This policy establishes formal and informal participation mechanisms that foster labour relations based on transparency, respect and collaboration. Through committees, employee representatives and forums for dialogue, this policy ensures the active involvement of staff in the continuous improvement of the working environment and the development of our people management practices.

— Remuneration Policy: Ensures fair, transparent and market-aligned pay criteria, incorporating regular reviews and measures to reduce pay gaps. This policy ensures that remuneration is fair, competitive and consistent with each individual's responsibilities and contributions.

— Policy on the Inclusion of People with Disabilities: This policy promotes direct employment and collaboration with social organisations, ensuring accessibility, workplace adaptations and alternative arrangements where necessary. It reinforces KCE's commitment to genuine and effective inclusion, going beyond mere regulatory compliance.

— Wellbeing Policy: This policy promotes a healthy work-life balance, emotional health and the overall wellbeing of staff through initiatives, programmes and resources that enhance the quality of working life. It helps to create a healthy, motivating and sustainable working environment.

5.1 Staff structure

The workforce structure at Kao Chemicals Europe (KCE) reflects the maturity of a well-established industrial organisation, with distinct internal dynamics across the various companies within the group. An analysis of the consolidated figures for the 2025 financial year reveals stable performance, moderate growth and a workforce that combines experience, technical expertise and a solid operational foundation.
The total number of employees stands at 1,129, confirming a modest but steady increase compared with previous years. Although moderate, this growth reflects a positive trend in the volume of business and in the company's ability to retain talent, whilst maintaining a balanced workforce structure that is aligned with the needs of the business.

1.129
Employees at KCE

259
Woman

870
Man

Women account for 23% of the total workforce. Although this percentage has risen slightly compared with previous years, the gap remains significant, particularly in technical, operational and leadership roles, where the number of women remains low.

This pattern is common in industrial sectors and serves as a starting point for increasing the number of women at all levels of the organisation. The improvement seen in new hires—where the proportion of women exceeds their current share of the workforce—points to a positive trend that should be consolidated in the coming years.

TEMPLATE
BY GENDER

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	196	213	136	317	8	870
Women	64	30	38	127	0	259
TOTAL	260	243	174	444	8	1,129

Staff numbers have grown moderately since 2022, reflecting a well-established workforce structure.

EVOLUCIÓN
DE LA PLANTILLA

KCE	2022	2023	2024	2025
Men	849	860	870	870
Women	249	249	256	259
TOTAL	1,098	1,109	1,126	1,129

5.1 Staff structure

The age breakdown reveals a workforce with a high level of experience and a significant proportion of senior staff:

TEMPLATE BY
AGE GROUPS

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
≤ 18	1	-	-	-	-	1
18-29	63	66	10	39	-	178
30-50	103	138	97	207	4	549
≥ 51	93	39	67	198	4	401
TOTAL	260	243	174	444	8	1,129

The 30–50 age group accounts for almost half of the workforce, reflecting a solid base of employees at the peak of their professional careers. Meanwhile, the over-51s account for 35.5%, which constitutes one of the most significant risk factors in the consolidated figures, as it points to a scenario of critical staff turnover that will need to be managed in the coming years.

The presence of the 18–29 age group (178 people) highlights opportunities to strengthen generational succession and attract young talent, particularly in technical and operational areas.

5.1.2 Differences between group companies

Although the overall figures paint a picture of stability, the differences between individual companies are key to correctly interpreting the workforce structure.

— KCSA: It is the company with the highest absolute volume and, as such, the one that has the greatest influence on overall fluctuations. Its weighting largely determines the performance of the consolidated figures, in terms of both headcount and FTEs, new hires and the breakdown by professional category.

— KCG: It introduces variability in contractual arrangements, being the company with the highest proportion of fixed-term and part-time contracts. This characteristic makes it a key focus for policies aimed at stabilising employment contracts.

— QK-KCHI: They have more stable structures, with almost all contracts being permanent, and a more technical organisational setup. Their stability helps to balance the overall financial position.

— KCE IND: It maintains a consistent and stable structure, with a lower weighting in the consolidated accounts, but with a composition that is consistent with its business activities.

These differences are highly valuable for identifying risks and opportunities, as they reveal that stability is not uniform across the entire area and that interventions must be tailored to the specific circumstances of each institution.

5.1 Staff structure

5.1.3 Contractual arrangements

The consolidated group has a robust employment model, characterised by a high degree of contractual stability:

— Over 90% of contracts are permanent.

— 41 fixed-term contracts (4%).

— 36 part-time contracts (3%).

ANNUAL AVERAGE AND DISTRIBUTION OF CONTRACT MODALITIES

P: Permanent Contract. T: Temporary Contract. PT: Part-Time Contract.

	KCG			QK			KCHI			KCSA			KCE IND			TOTAL KCE		
	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT
Men	65%	8%	2%	88%	-	-	78%	-	-	68%	2%	1%	100%	-	-	73%	3%	1%
Women	12%	3%	10%	12%	-	-	22%	-	-	28%	-	-	-	-	-	20%	1%	2%
≤ 18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18-29	13%	10%	-	27%	-	-	6%	-	-	7%	2%	-	-	-	-	13%	3%	0%
30 - 50	33%	-	6%	57%	-	-	56%	-	-	45%	1%	-	50%	-	-	47%	1%	2%
≥ 51	30%	-	5%	16%	-	-	39%	-	-	44%	-	1%	50%	-	-	34%	-	2%
President / Vice President	2%	-	-	2%	-	-	1%	-	-	-	-	-	88%	-	-	2%	-	-
Managers	10%	-	2%	5%	-	-	6%	-	-	5%	-	-	13%	-	-	6%	-	-
Group leaders	1%	-	-	4%	-	-	9%	-	-	6%	-	-	-	-	-	5%	-	-
Technician	21%	-	2%	10%	-	-	29%	-	-	25%	-	-	-	-	-	22%	-	-
Administration / Staff / Shift Leader	18%	2%	7%	32%	-	-	27%	-	-	16%	-	-	-	-	-	21%	1%	2%
Factory Workers	27%	-	1%	47%	-	-	28%	-	-	44%	3%	1%	-	-	-	38%	1%	1%
Apprentices	-	8%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2%	0%
TOTAL	77%	11%	12%	100%	-	-	100%	-	-	96%	3%	1%	100%	-	-	93%	4%	3%

5.1 Staff structure

TOTAL NUMBER
AND DISTRIBUTION OF CONTRACT TYPES

P: Permanent Contract. T: Temporary Contract. PT: Part-Time Contract.

	KCG			QK			KCHI			KCSA			KCE IND			TOTAL KCE		
	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT	P	T	PT
Men	169	21	6	213	-	-	136	-	-	303	11	3	8	-	-	829	32	9
Women	32	7	25	30	-	-	38	-	-	123	2	2	-	-	-	223	9	27
≤ 18	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
18-29	35	27	1	66	-	-	10	-	-	32	7	-	-	-	-	143	34	1
30 - 50	87	-	16	138	-	-	97	-	-	200	6	1	4	-	-	526	6	17
≥ 51	79	-	14	39	-	-	67	-	-	194	-	4	4.00	-	-	383	0	18
President / Vice President	4	-	-	4	-	-	1	-	-	1	-	-	7	-	-	17	-	-
Managers	25	-	4	12	-	-	11	-	-	20	-	-	1	-	-	69	-	4
Group leaders	2	-	-	9	-	-	15	-	-	26	-	-	-	-	-	52	-	-
Technician	54	1	5	25	-	-	51	-	-	113	-	-	-	-	-	243	1	5
Administration / Staff / Shift Leader	46	5	19	78	-	-	47	-	-	71	1	1	-	-	-	242	6	20
Factory Workers	70	1	3	115	-	-	49	-	-	195	12	4	-	-	-	429	13	7
Apprentices	-	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21	-
TOTAL	201.00	28	31.00	243,00	-	-	174.00	-	-	426.00	13.00	5.00	8.00	-	-	1,052	41	36.00

The key finding is the distribution of part-time work: the majority of part-time contracts are held by women, which points to a structural pattern that may influence indicators of equality, pay equity and FTE.

Although the consolidated accounts present a stable picture, it is essential to examine the differences between companies:

— KCG accounts for a significant proportion of non-standard employment arrangements (fixed-term and part-time).
— QK, KCHI and KCE IND have virtually identical structures, with permanent contracts predominating.
— Given its volume, KCSA determines the overall performance of the indicator.

These differences mean that contractual stabilisation policies should be directed primarily at KCG and, to a lesser extent, at KCSA.

5.1 Staff structure

5.1.4 Professional categories

The structure of professional categories reinforces the group's corporate identity:

— Operatives: almost 40% of the total (449).
— Technicians: over 22% (249) .
— Administration/staff: around 24% (268).

This structure demonstrates a direct operational reliance on plant-based functions and a significant proportion of technical roles, which calls for clear strategies for training, retention and succession planning.

— KCSA and KCG account for the majority of operational roles.
— QK and KCHI have a higher proportion of technical staff.

In 2025, the consolidated figures show 85 new hires, broken down as follows:

One positive sign is that the proportion of women among new recruits (30.6%) exceeds their current share of the workforce, indicating progress in terms of gender diversity. The new additions are mainly concentrated in:

— Workers
— Technicians
— Administrative staff

This model reflects both the nature of the business and its operational requirements.

TEMPLATE BY GROUPS PROFESSIONALS

	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	0	6	-	16
Managers	23	6	11	1	11	-	12	8	2	-	74
Group leaders	2	-	9	0	11	4	17	9	-	-	52
Technician	49	11	19	6	40	11	66	47	-	-	249
Administration / Staff / Shift Leader	29	41	56	22	26	21	38	35	-	-	268
Factory Workers	71	3	115	0	47	2	183	28	-	-	449-
Apprentices	18	3	0	0	-	-	0	0	-	-	21
TOTAL	196	64	213	30	136	38	317	127	8	0	1.129

NEW HIRES

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	11	15	5	25	3	59
Women	2	6	1	17	-	26
≤ 18	1	-	-	-	-	1
18-29	7	13	4	14	-	38
30 - 50	4	8	1	26	2	41
≥ 51	1	-	1	2	1	5
President / Vice President	-	-	1	-	3	4
Managers	2	2	-	1	-	2
Group leaders	-	1	-	1	-	2
Technician	3	4	1	14	-	22
Administration / Staff / Shift Leader	2	9	3	4	-	18
Factory Workers	2	5	1	22	-	30
Apprentices	4	-	-	-	-	4
TOTAL	13	21	6	42	3	85

5.1 Staff structure

5.1.5 Number of employees who have left the company

Tracking employees who have left the company provides a clear and transparent overview of the situation at each of the Group's subsidiaries during the financial year. The information is broken down by gender, age group and job category.

The following data relates to the 2025 financial year:

	KCG	QK	KCHI	KCSA
Men	2	2	-	-
Women	-	-	-	1
≤ 18	-	-	-	-
18-29	-	1	-	-
30 - 50	2	1	-	1
≥ 51	-	-	-	-
President / Vice President	-	-	-	-
Managers	-	-	-	-
Group leaders	-	-	-	-
Technician	-	-	-	-
Administration / Staff / Shift Leader	-	2	-	1
Factory Workers	2	-	-	-
Apprentices	-	-	-	-

The following data relates to the 2024 financial year:

	KCG	QK	KCHI	KCSA
Men	1	4	1	3
Women	-	-	-	-
≤ 18	-	-	-	-
18-29	-	3	-	-
30 - 50	1	1	-	3
≥ 51	-	-	1	-
President / Vice President	-	-	-	-
Managers	-	-	-	-
Group leaders	-	-	-	-
Technician	-	-	1	-
Administration / Staff / Shift Leader	-	- -	-	
Factory Workers	1	4	-	3
Apprentices	-	-	-	-

Appendix: Data relating to absenteeism.

ABSENTEEISM HOURS 2024	KCG	QK	KCHI	KCSA	KCE IND
Men	20,406	1,328	13,100	54,799	-
Women	4,681	1,120	481	9,793	-
TOTAL	25,087	2,448	13,581	64,592	-

% ABSENTEEISM RATE IN 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%	-

ANNUAL HOURS	KCG	QK	KCHI	KCSA	KCE IND
Horas Anuales	1,950	2,115	1,766	1,732	1,732

ABSENTEEISM HOURS 2025	KCG	QK	KCHI	KCSA	KCE IND
Men	19,347	5,752	13,325	54,204	-
Women	4,580	1,864	5,505	9,833	-
TOTAL	23,927	7,616	18,831	64,036	-

% ABSENTEEISM RATE IN 2025	KCG	QK	KCHI	KCSA	KCE IND
Men	5.10%	1.30%	5.50%	9.90%	-
Women	3.70%	2.90%	8.20%	4.50%	-
TOTAL	4.70%	1.50%	6.10%	8.30%	-

5.2 Remuneration policy

Kao Chemicals Europe's (KCE) remuneration policy is based on the principles of fairness, transparency and competitiveness, ensuring that employees' pay is commensurate with their responsibilities, contributions and the labour market context. This approach ensures a fair pay structure that is aligned with corporate values and geared towards social sustainability.

The analysis of the salary gap is a key element of this policy, as it enables the identification of potential inequalities, the assessment of the effectiveness of the measures implemented, and the definition of actions for continuous improvement. The consolidated study, broken down by company, for the 2025 financial year provides a detailed overview of the remuneration situation within the group, as well as how it has evolved compared with the previous year.

5.2.1 General approach to remuneration policy

KCE's remuneration policy is based on the following principles:

— Internal equity: ensuring that pay differences are based on objective criteria such as job responsibility, experience, training and performance.

— External competitiveness: ensuring that remuneration is set at appropriate levels in relation to the market and the chemical sector.

— Transparency: promoting clear and accessible processes for staff, thereby strengthening trust and internal consistency.

— Regular review: assess the pay structure annually to identify any discrepancies and implement corrective measures where necessary.

— Commitment to equal pay: identifying and reducing unjustified pay gaps between women and men.

This framework enables progress towards a more consistent and fair remuneration model that is in line with best practice in the sector.

5.2.2 Consolidated analysis of the salary gap

The integrated salary gap analysis developed for KCG, KCHI, QK, KCSA and the consolidated KCE enables a comparative assessment of trends between 2024 and 2025. Overall, the group continues to show a positive trend towards reducing pay inequalities, with the consolidated average pay gap standing at around 6% in 2025. This figure represents a slight improvement on the previous year and is accompanied by greater standardisation of pay criteria across the group's companies.

However, the situation is not uniform:

— KCHI continues to show the most significant differences, with wide gaps in certain age groups and occupational categories.

— KCG and KCSA offer more balanced remuneration structures.

— QK continues to show mixed performance, with periods of improvement alongside others marked by greater fluctuations.

AGE GROUP	2024 GAP	2025 GAP
18-29	-3.19%	-3.02%
30-50	6.41%	6.42%
≥ 51	-5.54%	-4.55%

5.2 Remuneration policy

The analysis by age group provides particularly relevant information:

— 18–29 years old: the salary gap has narrowed and now stands at around –3%, reflecting more consistent pay policies for new recruits.

— 30–50 years: more pronounced differences are observed in some organisations, particularly at QK and KCHI, suggesting that promotion procedures and salary supplements should be reviewed.

— ≥ 51 years and over: significant gaps remain in certain societies, although the overall figures show a slight reduction.

PAY GAP

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Average annual salary	-1.82%	-8.9%	17.5%	-10.9%	(2)	6.3%
≤ 18 years	(2)	(1)	(1)	(1)	(1)	(2)
18-29 years	-9.0%	7.2%	-9.2%	-2.4%	(1)	-3.2%
30 - 50 years	0.9%	-10.61%	9.2%	-6.7%	(2)	6.4%
≥ 51 years	-1.7%	-134.7%	26.7%	-20.9%	(2)	-4.5%

AVERAGE ANNUAL SALARY GAP BY PROFESSIONAL GROUP

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
President / Vice President	(3)	(3)	(2)	(2)	(2)	(3)
Managers	10.4%	-24.2%	(2)	-5.2%	(2)	(2)
Group leaders	(2)	(2)	13,0%	-9,4%	(1)	(2)
Technician	3.3%	21.7%	11.1%	5.9%	(1)	8.1%
Administration / Staff / Shift Leader	12.4%	12.4%	5.4%	13.3%	(1)	8.0%
Factory Workers	2.8%	(2)	8.7%	0.1%	(1)	(2)
Apprentices	3.1%	(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 to continue working to reduce the gender gap.

Looking at the data by professional group makes it possible to identify areas where the greatest opportunities for improvement are concentrated:

— There are small and stable gaps in technical and administrative roles.

— The positions of president and vice-president cannot be disclosed for reasons of confidentiality.

— Significant variations are observed between companies in the groups of managers and group leaders.

— Among factory workers, the gap is small or negligible in some subsidiaries.

TRENDS IN THE PAY GAP 2024–2025:

COMPANY	2024	2025
KCG	1.50%	-1.80%
QK	-4.00%	-8.90%
KCHI	16.80%	17.50%
KCSA	7.40%	-10.90%
Consolidated	7.50%	8.30%

Consolidated analysis enables the organisation to implement measures aimed at closing the gaps identified, by refining its job evaluation models, expanding pay transparency mechanisms, strengthening training for team leaders, and promoting equitable career development pathways.

5.3 Diversity, equity and inclusion (DE&I)

Diversity, equity and inclusion are strategic pillars for Kao Chemicals Europe (KCE). Our commitment is focused on creating a working environment where respect, equal opportunities and the full inclusion of all individuals are essential elements of our organisational culture. Diversity not only reflects social reality, but also drives innovation, creativity, collaboration and business sustainability.

KCE's approach combines structured procedures, specialised training, active listening mechanisms and quantitative metrics that enable progress to be assessed and ensure consistency between commitments and actions. This model ensures that diversity management is cross-functional, measurable and aligned with the Kao Group's values.

Our approach to DE&I is based on the premise that diversity enriches teams and that everyone should feel respected and treated equally.

KCE's DE&I strategy is based on ensuring equal treatment and opportunities, regardless of gender, age, background, identity, sexual orientation or any other aspect of diversity. This approach is implemented through:

— Inclusive recruitment and selection processes, based on objective and transparent criteria.
— Fair pay practices, aimed at eliminating unjustified pay gaps.
— Training and awareness-raising programmes aimed at fostering an inclusive culture.
— Active listening techniques, which enable us to identify needs and opportunities for improvement.
— Regular indicators and reports, ensuring rigorous and transparent monitoring.

DE&I Empowerment Program

In 2025, the Kao Group launched the DE&I Empowerment Programme, a common framework that provides everyone in the organisation with essential knowledge on human rights, diversity, equity and inclusion. This programme incorporates global content and tools to strengthen cross-cultural collaboration, dialogue and psychological safety. The programme serves as a training framework to establish a cross-organisational and measurable culture of inclusion, ensuring that all subsidiaries share a consistent understanding of DE&I principles.

DE&I Ambassadors

In 2025, the role of DE&I Ambassador was introduced across all companies in the group. Their role involves:

— Adapt and integrate global content to the local context.
— Sharing best practice between regions.
— Coordinate activities with the HCD teams.
— Report on progress through regular reviews.

This network of ambassadors enables us to identify challenges, drive initiatives and ensure a consistent implementation of the DE&I approach across the group.

La diversidad en KCE se refleja en la variedad de nacionalidades, perfiles profesionales y etapas de desarrollo presentes en la plantilla, aportando una riqueza de perspectivas, experiencias y enfoques que fortalecen la colaboración, la innovación y la capacidad de adaptación de la organización.

5.3 Diversity, equity and inclusion (DE&I)

Work-life balance and shared responsibility

KCE is reinforcing its commitment to shared responsibility and work-life balance by introducing measures that make it easier to reduce and adjust working hours.

— KCSA: In 2025, a total of 25 people benefited from adjustments to their working hours. Of these, 17 were women and 9 were men. The most common measures include starting work before 7:00 am, which benefits 8 people, and a reduced working day for childcare, which benefits 16 people. In addition, 1 person has requested a reduced working day for family care.

— KCHI: Two employees are on reduced working hours to care for their children – one woman and one man. In addition, four employees have flexible working arrangements, with an equal number of men and women.

— KCG: Six women opted for a reduced working week to care for children under the age of 12. In addition, five men and 23 women have individual flexible working arrangements.

— QK: The Federal Labour Act guarantees minimum rest periods, and QK goes further in promoting a healthy work-life balance by offering employees six additional days off.

5.3.1 Company initiatives on diversity

KCSA

KCSA has an LGBTIQ+ Committee responsible for developing the LGBTIQ+ Action Plan and the Protocol for dealing with incidents of LGBTIQ+phobia. This plan includes positive measures aimed at:

— Awareness-raising.

— Prevention of discrimination.

— Diversity training.

— Promoting a culture respectful organisational approach.

Key initiatives in 2025:

— Survey on perceptions of LGBTIQ+ diversity.

— Internal information memos.

— Signage in the workplace.

— Installation of LGTBIQ+ information points in prominent locations.

These measures reinforce KCSA's commitment to inclusion and equal treatment.

KCHI

In 2025, KCHI ran an awareness-raising campaign by sharing the video "All That We Share", as part of the "12 months, 12 causes" programme and in collaboration with the Equality Commission. Progress was also made in managing LGBTIQ+ diversity, with an initial proposal being drawn up with specialist external support.

Awareness-raising initiatives for the entire workforce are planned for 2026.

QK

At QK, the regulatory framework on diversity is based on Mexican law, which guarantees equal treatment, prohibits discrimination in the workplace and promotes inclusion.

Although there is no statutory quota for disability employment in the private sector, QK proactively embraces the principles of accessibility and non-discrimination as cornerstones of its organisational culture.

Taken together, these initiatives reflect KCE's commitment to fostering a diverse and inclusive workplace culture that is aligned with the Kao Group's ESG principles

5.3 Diversity, equity and inclusion (DE&I)

5.3.2 Company initiatives in the area of equality

Equity is a cornerstone of KCE's people strategy. Our initiatives in this area are designed to ensure equal opportunities, address structural inequalities and promote a fair and transparent working environment.

KCSA

KCSA pursues an active equality policy based on its Equality Plan, which is overseen by the Equality Committee, comprising the People Department and the Trade Union Representatives. This body ensures:

— The proper implementation of the measures.
— Monitoring indicators.
— Updating the plan in accordance with current regulations.

The People team at KCSA has undergone specialist training as Equality Officers.

Key initiatives in 2025:

— Awareness-raising activities on key dates (8 March and 25 November).
— Workshop on shared family responsibility.
— Joining the programmes "Empowering Women's Talent y Diversity Leading Company"

These programmes reinforce our commitment to women in leadership and diversity management.

KCHI

KCHI has an Equality Plan overseen by its Equality Committee. In 2025, awareness-raising initiatives were carried out and progress was made on developing proposals to strengthen equality within the organisation.

5.3 Diversity, equity and inclusion (DE&I)

5.3.3 Company initiatives on inclusion

The inclusion of people with disabilities is a strategic pillar that reflects KCE's commitment to equal opportunities, diversity and the well-being of all employees.

KCSA

KCSA demonstrates a firm commitment to the employment of people with disabilities, meeting and exceeding the legal requirements set out in the General Disability Act (LGD).

In 2025:

- Seven people with disabilities are part of the core workforce.
- Partnership with four Special Employment Centres (CETs).
- Adapting workstations for health reasons where possible.
- Participation as a partner company at the "Sí i Millor Di-Capacitats" fair in Barcelona.

These measures enable us to exceed the statutory quota of 2% and have a positive social impact on the employment of people with disabilities, going beyond mere regulatory compliance.

KCHI

KCHI meets the 2% legal quota by directly employing three people with disabilities.

He also works with:

- LaFact, a non-profit organisation that promotes the employment of people with intellectual disabilities.
- Special Employment Centres, by contracting gardening services for their premises.

These initiatives promote labour market integration and contribute to the social development of the region.

QK

In Mexico, although the regulatory framework does not set a mandatory quota for private companies, QK proactively embraces the principles of accessibility and inclusion, embedding them in its organisational culture and people management practices.

As a demonstration of this commitment, the company has produced a medical handbook with a focus on prevention and monitoring, designed to facilitate the adaptation of working conditions where necessary, and to promote inclusive, safe working environments that respect the individual needs of employees. In addition, there are clear signaFactura correcta.ge and designated areas adapted for people with disabilities and for groups with specific needs, including pregnant women and those who are breastfeeding.

KCG

At KCG, as in all our subsidiaries, we actively promote the inclusion of people with disabilities within our workforce. We currently employ six people with disabilities.

In Germany, the Disability Act sets out the framework for ensuring this inclusion, guaranteeing that people with severe disabilities can participate fully in the workplace. To support its implementation, the company has representatives of people with disabilities on both the employer's and the employees' sides, who provide guidance, monitoring and ongoing advice.

Furthermore, companies are required to fill a certain number of positions with people with disabilities.
If this target is not met, a financial contribution (Ausgleichsabgabe) is paid as compensation, thereby reinforcing the organisation's commitment to inclusion and a society based on equal opportunities.

5.4 Health and safety

Health and safety are a key priority for Kao Chemicals Europe (KCE) and a central element in its relationships with stakeholders. The company has a Health and Safety Policy based on the principles of Responsible Care®, which guides all corporate activities and decisions and ensures compliance with legal and preventive requirements. This policy is available to the entire organisation and is reviewed on a regular basis.

All KCE subsidiaries have occupational health and safety management systems in place. KCG, KCSA and KCHI have systems certified to the ISO 45001 standard. QK operates under a system certified under the Comprehensive Responsibility scheme and has launched a programme to obtain ISO 14001 and ISO 45001 certification through an integrated management system, with completion scheduled for 2026. To this end, external consultancy and new support software have been introduced.

5.4.1 Preventive culture

Each KCE subsidiary has specific resources for hazard identification, risk assessment and the planning of preventive measures:

— KCG has an HSE department and safety officers in every department, as well as an external doctor who carries out check-ups and provides advice on occupational health.
— QK has its own preventive healthcare service and an external doctor responsible for medical monitoring.
— KCHI works with an accredited external occupational health and safety service in the four areas required by law.
— KCSA has its own occupational health service, which is part of the Health and Safety Department (HSE), as well as an external primary healthcare unit staffed by doctors and nurses.

Based on risk assessments, each subsidiary plans measures to eliminate or control the identified risks. In addition, Kao sets annual health and safety improvement targets, which each company implements through specific measures.

Key initiatives in 2025

— KCG introduced a new powered air-purifying respirator (PAPR), implemented a Last Minute Risk Assessment (LMRA) process and stepped up emergency response training in collaboration with local authorities.
— QK continued to run intensive training programmes, carry out regular inspections and make improvements to the management of special projects. It launched a safety perception survey recommended by Kao and set up suggestion boxes and a ticketing system to channel requests.
— KCHI made progress in implementing the Safety II approach, stepped up training in fire safety and emergency response, and installed automatic load handlers to reduce ergonomic risks.
— KCSA developed a multi-year improvement plan based on five key areas: learning from accidents, raising awareness, the Safety II approach, focusing on high-risk operations, and incorporating new technologies.

KCE offers medical check-ups to all staff, including new recruits and those returning to work after long-term sick leave. The aggregated results enable the company to conduct epidemiological studies and plan preventive campaigns.

Consultation and participation

Each subsidiary has established consultation and participation mechanisms tailored to the legislation of each country:

— KCG has an Occupational Health and Safety Committee, a Health, Safety and Environment Committee, and the Safety Circle, with representatives from all departments.
— QK has a Joint Health and Safety Committee with trade union representation.
— KCHI and KCSA have joint Health and Safety Committees that meet quarterly. KCSA also has an Inter-Centre Committee.

Coordination with contractors is managed through business activity coordination systems.

5.4 Health and safety

5.4.2 Accident rate

KCE works continuously to reduce the accident rate across all its workplaces, strengthening its safety culture and management systems.

In 2025, there were 15 accidents resulting in sick leave among our own staff, accounting for a total of 488 days lost. The most common types of accident were ergonomic issues (33%) and falls (33%).

Accident rates developed as follows:

— The frequency rate rose by 14%.

— The severity rate rose by 51%, mainly due to the length of sick leave associated with musculoskeletal injuries.

— The corporate target for SR (≤ 0.57) was not met.

In 2025, no occupational illnesses were reported at KCE.

KCE

	2023	2024	2025	≤ 2025 TARGET
Frequency rate (FR) (1)	8.09	6.98	7.49	<= 0.57
Frequency rate for women (2)	0.00	2.73	0.00	-
Frequency rate for men (3)	11.77	9.41	9.72	-
Severity rate (SR) (1)	0.30	0.15	0.24	-
Severity rate for women (2)	0.00	0.11	0.00	-
Severity rate for men (3)	0.43	0.17	0.32	-
Occupational diseases	0	1	0	0
Occupational diseases in women	0	0	0	-
Occupational diseases in men	0	1	0	-

(1) FR = number of accidents with lost time (w+m) / hours worked (w+m) · 10^6; SR = number of days lost per accident (w+m) / hours worked (w+m) · 10^3 | SR = number of days lost per accident (w+m) / hours worked (w+m) · 10^3 | The number of accidents with sick leave, the number of days lost per accident and the hours worked correspond to the sum of the values for each of the KCE companies.

(2) FR (w) = number of accidents with lost time (w)/hours worked (w)· 10^6; SR (w) = number of days lost due to accident (w) /hours worked (w) · 10^3

(3) FR (m) = number of accidents with lost time (m)/hours worked (m)· 10^6; SR (m) = number of days lost per accident (m)/hours worked (m)· 10^3

Days lost per accident: ([accident date]+1) – [Date of medical discharge] in KCG; [Start date of sick leave] – [Date of medical discharge] in QK and KCHI; [Start date of sick leave] – [Date of medical discharge] + 1, in KCSA.

	KCG			QK			KCHI			KCSA		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
FR	6.29	2.09	8.25	5.85	9.73	7.79	9.22	3.07	9.42	10.56	10.16	5.89
FR_w	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.08	0.00
FR_m	8.42	2.76	10.92	6.71	10.91	8.73	11.75	4.00	12.64	23.25	25.17	8.25
SR	0.04	0.01	0.19	0.07	0.10	0.32	1.01	0.01	0.57	0.30	0.34	0.08
SR_w	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.00
SR_m	0.06	0.01	0.25	0.08	0.12	0.36	1.29	0.02	0.77	0.66	0.77	0.11
Occ Dis.	0	0	0	0	0	0	0	0	0	0	1	0
Occ Dis.$_w$	0	0	0	0	0	0	0	0	0	0	0	0
Occ Dis.$_m$	0	0	0	0	0	0	0	0	0	0	1	0

w: mujeres;
m: men.
Occ. Dis.: occupational diseases.

5.4.3 Health promotion

KCE promotes initiatives to raise awareness and encourage healthy lifestyles among its staff, their families and local communities. These initiatives complement occupational health programmes and help to improve physical and mental wellbeing.

Key initiatives in 2025

KCG

KCG organised vaccination campaigns, promoted cycling to work, ran yoga classes and stepped up first-aid training. It also held a Health Week featuring daily activities, training sessions and presentations by experts, including training on ergonomics and healthy eating. These initiatives were accompanied by participatory activities, such as the 'Homerun' charity run, practical sessions on eating habits and yoga classes, which demonstrate the workforce's commitment to an active and healthy lifestyle.

QK

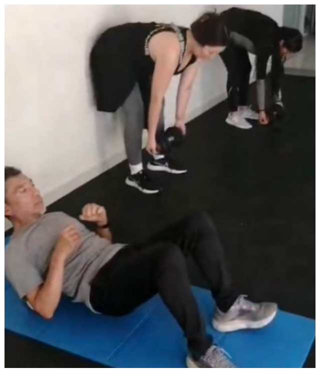
QK has established health promotion as one of its key priorities. The company has a corporate gym and runs a nutrition programme open to all staff, which encourages healthy eating and physical activity tailored to each individual's abilities. The subsidiary has an athletics team that takes part in various races in the Guadalajara urban area, acting as host for the Health Run organised by the El Salto Industrialists' Association and the KAO Family Run. Sessions of the "TANITA" programme complement these initiatives, reinforcing the adoption of healthy habits.

Participants in the "Homerun" charity run.

Sessions on healthy eating.

Yoga classes to improve physical and mental health

Part of the athletics team during a weekly training session.



Exercise session from the "TANITA" programme.

5.4 Health and safety

Training in the use of automated external defibrillators.

Firefighting training.

KCHI

KCHI organised a range of activities as part of the Responsible Care programme (“12 months, 12 causes”), aimed at promoting healthy lifestyles and encouraging active staff participation. These included a healthy recipes competition, a course on good posture and a charity padel tournament. These initiatives were complemented by practical training in firefighting and the use of automated external defibrillators, which strengthen emergency preparedness and contribute to a more robust culture of prevention.

Virtual reality workshop: “The Climb to Wellbeing”.

Padel Day.

KCSA

Through its ‘CUIDA’T’ programme, which this year focused on ‘Protect your brain’, KCSA organised activities centred on emotional wellbeing and cognitive health. These included breathing workshops, wellbeing sessions, training in addiction prevention using virtual reality, and a competition on mental health and the microbiome. These initiatives help raise awareness of the importance of healthy habits and emotional balance.

Training in alcohol and drug prevention (virtual reality).

Winner of the “Microbiota” competition.

5.5 Relations with staff and their representatives

At Kao Chemicals Europe (KCE), managing our relationships with our workforce and their representatives is a cornerstone of the organisation's sustainable development. Our approach is focused on creating an inclusive, participatory working environment based on mutual respect, where structured and ongoing dialogue forms the basis for decision-making and improving the working atmosphere.

The company guarantees the freedom of association and the right to collective bargaining, strengthening communication between management and employees through committees, representatives and forums for dialogue that are tailored to the regulations and specific circumstances of each country and workplace. This approach goes beyond mere legal compliance, fostering trust, transparency and cooperation, and contributing to long-term social and labour sustainability.

KCE has a framework for industrial relations based on:
— Ongoing and structured dialogue between management and the workers' legal representatives.
— Active involvement of works councils and trade union representatives.
— Collective bargaining tailored to the regulations of each country.
— Formal and informal consultation spaces, where work-related, organisational and social issues can be discussed.
— Transparency and cooperation, as guiding principles for the relationship between the company and its staff.

This model enables organisations to anticipate needs, manage occupational and social risks, and strengthen internal cohesion.interna.

At KCE, fostering strong relationships with our staff and their representatives is fundamental to our organisation.

The Kao European Forum is held annually and serves as a meeting place for:
— The European leadership.
— The senior management of the various subsidiaries.
— The works council of each of them.

The aim of this forum is to build relationships based on trust that foster constructive dialogue and effective cooperation between all parties.

In 2025, the meeting took place in September and was held online, with all the group's subsidiaries actively participating.

5.5 Relations with staff and their representatives

5.5.1 Social relations by company

The following section details how social relations operate within each of the companies within the KCE scope, in accordance with their regulatory and organisational framework.

KCSA

KKCSA has a robust framework for stakeholder engagement, based on:

— 3 Works Councils, one for each site: Olesa, Mollet, Barberà.

These committees act as bodies representing and involving staff, facilitating two-way communication and the management of industrial relations at the workplace level.

Corporate negotiation platform.

In 2025, the Negotiating Committee took part in the KCSA initiative to establish a corporate bargaining platform, with the aim of:

— To participate jointly in the negotiation processes.
— To drive improvements in various areas of application.
— Standardise employment criteria.

As a result of this process, a preliminary agreement was successfully signed on 28 November 2025 by the Negotiating Platform, setting out improvements applicable to the years 2025, 2026 and 2027.

This agreement strengthens job security and cooperation between the company and employee representatives.

KCHI

At KCHI, we promote structured collaboration through:

— Quarterly meetings with the Works Council.
— Participation in joint working groups in areas such as: training, job descriptions, work schedules, sustainability (ESG).

These spaces encourage:

— Negotiations are ongoing.
— Active staff participation.
— Improving well-being at work.
— Anticipating organisational needs.

QK

At QK, social dialogue and staff participation are organised through formal and regular negotiation and consultation processes.

Collective Labour Agreement (CLA) Review Committee

This committee meets annually with representatives of the workforce and the company in order to:

— Review pay rises for unionised staff
— Update employee benefits every two years

Profit-Sharing Committee

It is convened annually to jointly review the distribution of profits among employees, ensuring transparency and fairness in the process.
QK combines two types of employment contract: individual employment contracts and collective bargaining agreements (CBAs) for unionised staff.

As at the end of December 2025, 47% of the workforce were union members.

This dual structure ensures legal protection for all workers, whilst allowing for tailored or standardised conditions as appropriate.

5.5 Relations with staff and their representatives

> Overall, at KCE, the management of relations with staff and their representatives makes a significant contribution to the stability of industrial relations, the mitigation of social risks and the company's long-term social sustainability.

KCG

At KCG, the Works Council operates in accordance with the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG), ensuring:

— A fair balance of interests between management and staff.
— Active involvement in key decisions.
— Transparency in workplace processes.

For key issues, binding corporate agreements are established, setting out clear rules and a robust framework, thereby strengthening:

— Trust.
— Cooperation.
— Staff wellbeing.
— The organisation's sustainability.

5.5.2 Coverage under collective agreements and the regulatory framework

Regulatory coverage under KCE varies depending on the country and the applicable legislation:

Spain (KCSA and KCHI)

— Implementation of the General Collective Agreement for the Chemical Industry (21st Edition).
— 100% coverage of workers.
— Harmonisation between sector-specific regulations, Spanish legislation and internal management.

Germany (KCG)

— Collective Agreement for the German Chemical Industry.
— Internal company agreements specific to the workplace

Mexico (QK)

— Individual employment contract.
— Collective labour agreement (CLA) for unionised staff.
— 47% of the workforce are union members.

This framework ensures that all workers are protected by clear, up-to-date rules that are consistent with the legislation of each country.

5.6 Internal communication

Internal communication is a key element of Kao Chemicals Europe's (KCE) people management strategy. A transparent, accessible and two-way flow of information helps to strengthen cohesion, encourage active staff participation and foster a corporate culture based on trust, collaboration and alignment with the Kao Group's values.

KCE maintains an open and ongoing dialogue with all its employees, using a variety of channels and tools to ensure that information is communicated clearly, in a timely manner, and tailored to the needs of each subsidiary and workplace.

This multi-channel approach strengthens trust, cohesion and commitment within teams, ensuring that every individual plays an active role in building a sustainable working environment that is aligned with the group's values.

5.6.1 Corporate internal communication channels

To ensure an effective flow of information, KCE has a range of corporate channels through which it communicates news, policies, procedures, initiatives and content relevant to staff:

- Kompass (Corporate Intranet): A centralised platform where news, policies, procedures, corporate documents and key resources are published. It provides all subsidiaries with access to up-to-date and consistent information.
- Corporate website: An open platform featuring institutional information, relevant updates and content that reinforces the group's identity and reputation.
- Local intranets: Tailored to the specific needs of each subsidiary, they enable the management of internal communications, operational information and content relevant to each country or site.
- Information boards in the workplace: These ensure that all staff have access to information, particularly in operational environments where digital access may be limited.
- Regular meetings: Meetings between trade union representatives, works councils, teams and middle management that strengthen social dialogue and direct communication.
- Digital channels and internal newsletters: Collaborative tools that enable real-time communication, the sharing of news and the reinforcement of corporate culture.

5.6 Internal communication

5.6.2 Internal communication within the company

Each KCE subsidiary tailors its internal communications to its own organisational context, thereby strengthening overall consistency whilst addressing the specific needs of its workforce.

Kompass: Corporate Intranet

Local Intranets

Web corporate

Information panels

Meetings between union representatives and the rest of the staff

KCSA

In 2025, KCSA placed particular emphasis on strengthening internal communication by working with a specialist external consultancy.

This work led to progress in the development of two key tools:
— Internal Brand Guidelines.
— Internal Communications Manual.

Both documents form the basis for establishing a coherent, consistent corporate culture that is aligned with the group's ESG values. Their implementation will improve the clarity of messages, internal identity and the effectiveness of communication channels.

QK

QK has strengthened its internal communication model through active listening and direct staff involvement.

Internal surveys.

Regular surveys are conducted among the entire workforce in order to:
— Gather feedback on service areas.
— Assess the performance of equipment.
— Organise corporate events.
— Assessing the working environment.
This process helps to strengthen internal governance and the well-being of employees.

Physical communication boxes.

QK has four physical post boxes located at strategic points around the site, where staff can send confidential messages:
— Complaints.
— Suggestions.
— Incidents.

Only the President and the Deputy Director of Human Resources have access to these inboxes, ensuring that the information received is handled in a transparent, responsible and confidential manner.

KCHI

KCHI has continued to strengthen its internal communication channels with the aim of ensuring a swift, accessible and consistent flow of information for the entire workforce.

Setting up corporate email accounts.

In 2025, corporate email addresses were introduced for all staff, enabling:
— Direct access to information.
— Consistency in communications.
— Greater interaction between teams and departments.

Wider use of Microsoft Teams.

KCHI is promoting the use of Microsoft Teams as a corporate platform, particularly for:
— Content distribution.
— Communication between teams.
— In-house training.
— Publication of briefings on technical topics such as: IT, digital security, and best operational practices.

These initiatives enable information to be shared in a more dynamic, practical and accessible way, making it easier to access knowledge that is useful in everyday life.

KCG

At KCG, all relevant information is published centrally and across the organisation on the myKCG intranet, ensuring:
— Timely communication
— Consistency in messaging
— Transparency of information
— Equal access for all staff

Furthermore, open and regular communication between management and the Works Council is essential for:
— Maintaining trust
— Ensuring legal compliance
— To facilitate informed decision-making
— Strengthen cooperation between the company and its staff

5.7 Talent development

At Kao Chemicals Europe (KCE), talent development is a strategic priority for ensuring business sustainability, the continuous updating of skills, and the organisation's ability to adapt to a constantly changing environment. Training, continuous learning and performance management are key pillars that enable us to strengthen our workforce's skills, drive innovation and ensure long-term competitiveness.

The training programme is reviewed on an ongoing basis to address identified needs and ensure compliance with internal standards of excellence.

KCE's commitment to professional development is rooted in a vision of responsible people management that promotes growth, equal opportunities and readiness to tackle future challenges. In this way, we promote a learning model that not only enhances current performance but also strengthens organisational resilience and has a positive impact on the wider community.

5.7.1 Model for training and continuous learning

KCE has a structured training management model designed to ensure both regulatory compliance and continuous professional development. This model is organised around:

- Systematic identification of training needs in relation to job roles, processes and applicable regulatory frameworks.
- Development and implementation of the Annual Training Plan, which serves as a key tool for planning, monitoring and control.
- Compulsory training and professional development courses, delivered in both face-to-face and online formats.
- Corporate tools that enable the recording and tracking of training undertaken.

This approach ensures that people have the knowledge and skills needed to perform their duties to a high standard, safely and efficiently, aligning learning with the organisation's strategic needs and promoting employability and innovation.

5.7.2 Key learning areas

The Annual Training Plan sets out a range of training initiatives organised into various key areas, designed to address both the organisation's current needs and future challenges:

- Technical and soft skills: Sector-specific technical training, which is essential to ensure that individuals have the skills required to perform their roles effectively and safely.
- Health, Safety and Environment (HSE): Measures aimed at preventing occupational risks, protecting health, ensuring personal safety and complying with the environmental standards specific to the chemical sector.
- Quality and Quality Assurance (QA): Training designed to strengthen compliance with regulatory requirements, quality standards and procedures relating to production processes.
- Sustainability and ESG criteria: Training designed to foster a responsible corporate culture in line with the Kao Group's global commitments.
- Diversity, Equity and Inclusion (DE&I): Training that helps to foster a working environment based on respect, inclusion and equal opportunities.
- Regulatory compliance and business ethics: Training initiatives designed to promote ethical behaviour, understanding of corporate policies and adherence to The Kao Way.
- Interpersonal, communication and leadership skills: Training designed to strengthen collaboration, team cohesion and the ability to adapt to changing environments.
- Digital and technological skills: Training required to support digital transformation and the evolution of processes, systems and ways of working.

5.7.3 Training 2025: Roll-out of the Kao Academy corporate LMS

In 2025, KCE made progress in strengthening its corporate learning model through the gradual roll-out of the corporate Learning Management System (LMS), Kao Academy, as a common platform for certain key training initiatives, particularly those that are mandatory and cross-functional.

At KCSA, Kao Academy has established itself as the primary tool for training management, enabling:

— Greater traceability of training compliance.
— Uniform access to critical content.
— Centralised record of training completed.

Across the rest of KCE's subsidiaries, the platform is being rolled out gradually for specific training initiatives, ensuring a consistent approach to key content and greater coherence in learning management.

15,469
Training hours

81%
From the KCE staff

468,952€
Investment in training

920
Trained staff

Digitisation of key content.

In 2025, the training course "Living Integrity at Kao" was digitised and integrated into the corporate LMS.

— It became available to KCSA in 2025.
— In 2026, this will be extended to the rest of KCE's subsidiaries.

This content, which focuses on ethical and compliance principles aligned with The Kao Way, serves as a cross-cutting training pillar designed to reinforce ethical behaviour, promote psychological safety and foster a responsible corporate culture.

The roll-out of the training programme is accompanied by systematic monitoring of training activities, which enables an assessment of its scope, effectiveness and annual progress. In 2025, training activity totalled 15,469 hours, representing an increase on previous years and confirming the intensified investment in training. Of this total, 11,888 hours were for men and 3,582 hours for women, reflecting an increase in both groups and growing participation across the workforce as a whole.

HOURS OF TRAINING

	2023	2024	2025
Men	11,695	10,179	11,888
Women	3,081	2,852	3,582
TOTAL	14,776	13,031	15,469

5.7 Talent development

The breakdown by subsidiary shows an active presence tailored to the needs of each centre: KCSA accounted for 7,205 hours, followed by QK with 4,718 hours, whilst KCG recorded 1,833 hours, KCHI totalled 1,607 hours and KCE IND recorded 108 hours.

% OF PEOPLE TRAINED

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	37	94	89	96	100	83
Women	33	97	100	100	-	66
TOTAL	36	94	91	97	100	84

The average number of training hours per person shows a balanced distribution between the sexes, with 16.86 hours for men and 16.66 hours for women. Among subsidiaries, QK stands out with the highest average (20.60 hours) and KCHI with the lowest (10.10 hours), reflecting differences linked to operational needs and the nature of the training content at each centre.

AVERAGE HOURS

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	19.17	18.18	8.67	18.80	13.4	16.86
Women	20.62	37.31	14.68	11.88	-	16.66
TOTAL	19.49	20.60	10.10	16.76	13.4	16.81

5.7.4 Leadership development and corporate culture

In 2025, KCE significantly strengthened its approach to talent development through new strategic initiatives designed to foster a more capable, ethical and sustainable corporate culture.

KCE Board ESG Programme

A specific ESG training programme was rolled out for the KCE Board, with the aim of:
— Strengthen the capacity of the highest governing body to integrate environmental, social and governance criteria into its strategic decisions.
— Align executive leadership with the Kao Group's global standards.
— Strengthen a management model based on accountability, transparency and sustainability.

Strengthening ethical culture

The digitisation of the "Living Integrity at Kao" training programme and its integration into the corporate LMS help to:
— Encourage ethical behaviour.
— Promoting psychological safety.
— To foster a responsible corporate culture.
— Align the entire organisation with The Kao Way.

5.7.5 Talent Management System (TMS)

In 2025, KCE carried out an update to its Talent Management System (TMS), focusing primarily on the overhaul of the individual objectives module. This improvement forms part of KCE's commitment to:
— Transparent and consistent performance management
— The optimisation of processes related to human capital development
—The standardisation of assessment criteria

The TMS has been in use within the Group since 2009 as a key tool for comprehensive talent management, covering:
— Setting and monitoring targets
— Performance appraisal
— Skills development
— Career planning

5.7 Talent development

Rollout planned for 2026

By 2026, we plan to make progress on the design and roll-out of the corporate competencies linked to The Kao Way, which will form a common framework for:

— Performance appraisal
— Identifying potential
— The consolidation of organisational culture

This development will help to ensure consistency in the assessment processes and guarantee that decisions are based on objective criteria.

5.7.6 Relational leadership model

During 2025, KCSA implemented the Relational Leadership Model with its management team and the Executive Committee. This initiative forms part of the corporate strategy aimed at:

— Strengthening leadership skills
— Improving the quality of interpersonal relationships
— Promoting work environments based on trust
— To promote collaboration and effective communication
— Strengthen the leader's role as a facilitator of professional development

The roll-out of the model has enabled progress towards a leadership style more closely aligned with KCSA's cultural values, reinforcing the role of leaders as key drivers in the responsible management of people and the promotion of organisational well-being.

Talent development at KCE is established as a strategic pillar that drives business sustainability, innovation and competitiveness. Through a robust training model, advanced corporate tools, leadership programmes and a culture based on integrity and continuous learning, KCE ensures that its workforce is equipped to tackle both current and future challenges.

APPENDIX: TRAINING DATA

TRAINING HOURS BY AGE AND PROFESSIONAL CATEGORY

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
≤ 18	0	0	0	0	0	0
18-29	395	1,433	107	1,115	0	3,049
30 - 50	922	2,895	804	3,788	42	8,451
≥ 51	516	391	696	2,303	66	3,972
President / Vice President	0	33	16	5	108	161
Managers	139	119	69	298	0	624
Group leaders	40	356	145	480	0	1,021
Technician	844	666	809	1,930	0	4,249
Administration / Staff / Shift Leader	543	2,455	333	879	0	4,210
Factory Workers	267	1,089	235	3,615	0	5,206
Apprentices	0	0	0	0	0	0
TOTAL	1,833	4,718	1,607	7,205	108	15,469

EMPLOYEES TRAINED

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	73	200	121	303	8	705
Women	21	29	38	127	-	215
TOTAL	94	229	159	430	8	920

TRAINING HOURS PER BRANCH

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
Men	1,400	3,363	1,049	5,697	108	11,888
Women	433	1,082	558	1,509	-	3,582
TOTAL	1,833	4,718	1,607	7,205	108	15,469

INVESTMENT

	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
TOTAL	211,312	42,224	25,364	190,052	-	468,952

6. Commitment to society

6.1. Commitment to our customers

Kao acts with respect and fairness, conducting its business with sincerity and diligence, and behaving in an ethical and responsible manner to earn the trust of customers through sound and honest business practices worldwide. Our customers are at the heart of our journey towards sustainability, not only as recipients of our products, but as key partners in building a responsible future. Their role is essential in advancing shared commitments that generate positive impacts for end-users and across the entire value chain.

We place our customers at the heart of our business decisions, building trust by acting in accordance with The Kao Way in all our daily interactions, demonstrating approachability, transparency and courage.

This foundation of integrity and accountability fosters strong, honest relationships, in line with our corporate ESG pillar, Kirei Lifestyle: walking the right path. Our values, combined with our Yoki-monozukuri mindset, enable us to achieve continuous improvements in products and processes, keeping us one step ahead of the evolving needs of our customers and the business environment.

Consumers of our products were identified in the 2024 Double Materiality Analysis (DMA) as a key stakeholder group, due to the material impact that product quality and safety have on their well-being. As a supplier of specialised chemicals, KCE recognises that its operations directly influence end consumers through the integrity and safety of the ingredients supplied to various industries. This analysis also identified the continuous improvement of personal safety through safer products and more efficient technologies as an opportunity, reinforcing the importance of having robust policies in place to manage the impacts, risks and opportunities associated with product quality and safety.

Our mission is to ensure the complete satisfaction of our customers, placing them at the heart of every business decision and enriching lives around the world through innovation and sustainability

In this regard, the policies that underpin our commitment to our customers include:

— Global Corporate Quality Policy, approved by the Global CEO and available on Kao's global website | Kao Group Basic Quality Policy.

— KCE Chemical Safety Policy.

— Responsible Chemicals Management Policy, both of which have been approved by the KCE Executive Committee and signed by the KCE CEO.

These policies are published on the KCE website to ensure transparency for customers and other stakeholders. In addition, the procedures of all our subsidiaries are audited annually by independent external partners. KCE holds a wide range of external certifications and assessments—ISO 9001, ISO 14001, RSPO and EcoVadis—details of which are available on the official KCE website.

The purpose of our control processes, monitoring activities and third-party certifications is to ensure the compliance, safety and quality of our chemical solutions, in line with the highest standards and KCE's ESG strategy. This strategy is implemented through medium- and long-term objectives and associated action plans, the progress of which is reported annually in the Non-Financial Report available on our website.

The most significant impact identified across all KCE subsidiaries in DMA 2024 is investment in new technologies and product processes, which drives continuous improvement and the highest standards of excellence. Both quality and innovation are key pillars of our strategic planning and enable us to deliver exceptional value to our customers.

Quality management is essential to KCE and focuses on continuous improvement and increasing customer satisfaction. This is reflected in our Quality Policy, through which we not only comply with ISO 9001 standards, but also with industry specifications and specific customer requirements, which often go beyond the standard.

6.1. Commitment to our customers

Innovation is a key area in which Kao demonstrates a strong commitment to the environment, working closely with customers to develop cost-effective, sustainable and bespoke solutions.

The Sales and Marketing and Research and Development teams work together to drive innovation whilst monitoring regulatory changes, technological advances and industry trends.

In 2025, these efforts included:
- More efficient and sustainable production facilities for synthetic fragrances such as methyl dihydrojasmonate (MDJ).
- The deployment of sustainable technologies such as NERASOFT S10 for fabric care.

Our sales team, supported by the sustainability team, proactively highlights KCE's ESG progress in meetings with clients and follows up on their requests to help them meet their environmental and social objectives. The communications team regularly updates the KCE website with key points from the annual Non-Financial Report to enhance transparency.

To meet our partners' increasingly complex information requirements, our sales and customer service teams provide dedicated support in managing extensive requests for ESG and other data, whether through bespoke questionnaires or via direct integration with client-specific sustainability platforms.

This year, we are working on standardising and optimising processes to speed up our response to customer questionnaires, thereby driving digital transformation.

Key initiatives include:
- KCSA has established internal guidelines and collaboration channels (Microsoft Teams) to facilitate the completion of questionnaires in real time and ensure coordination between departments.
- KCHI centralises these requests through its Q-SHE department.
- KCG and QK are streamlining their workflows, and QK will roll out a new customer service structure in 2026.

Innovation for efficiency

To keep pace with the growing use of complex digital platforms, KCHI and KCSA are piloting an AI-powered application to automate responses to questionnaires, ensuring greater consistency and faster response times for clients.

6.1.1 Communication channels

Honest, transparent and responsive communication is central to Kao's commitment to its customers.

Our relationship model is based on The Kao Way and, in particular, on the Japanese principle of genba, complemented by digital tools that facilitate efficient and close interaction. Key examples of these tools include the dedicated portal for distributors (Distributors' Area) and the corporate Customer Relationship Management (CRM) system, which centralises and streamlines communications and service activities.

The concept of 'genba', which means 'the actual place' where work takes place, is a cornerstone of customer relationship management. Being present where value is created means visiting customers at their premises when necessary, fostering a closer relationship and gaining a direct understanding of their needs. Furthermore, our staff actively participate in the industry's most important events and trade fairs, strengthening our connection with the market and raising the profile of our solutions.

The Sales and Marketing teams carefully plan these activities to build strong relationships and demonstrate the relevance of our proposals. By adopting the genba mindset, we continually generate valuable ideas and solutions that meet customer expectations and respond to market trends.

6.1. Commitment to our customers

In 2024, KCE developed the Distributors' Area, a secure web interface that has enabled distributors to:

— Get technical and sales advice.
— Request product samples.
— Access technical and regulatory documentation directly, such as technical data sheets and safety data sheets.

Distributors play a key role in connecting KCE with regional markets. The portal empowers them through digitalisation and streamlines processes, whilst other initiatives such as corporate support at trade fairs, the annual marketing plan alignment, pre-launch webinars and training programmes strengthen their competitiveness and service capabilities.

KCE uses an enterprise Customer Relationship Management (CRM) system to deliver excellent experiences through efficient internal processes.

This system is complemented by a marketing automation tool designed to digitise B2B marketing activities. Both tools strengthen business relationships and directly enhance the customer experience, delivering benefits such as:

— Centralised and reliable customer data.
— Precise targeting for effective marketing campaigns.
— Prompt and coordinated responses to requests for samples and support.
— Information that provides tailored solutions.

This set of tools and practices enables KCE to maintain close, consistent and value-driven communication, thereby strengthening trust and collaboration with our clients.

6.1.2 Complaints procedures

KCE has a robust management framework for handling incidents and non-compliance, designed to ensure the highest standards of performance and minimise customer complaints. The complaints system is used as a strategic tool to monitor and improve product safety, in line with our Kirei Lifestyle Plan, thereby strengthening transparency and accountability towards our stakeholders.

Management procedure

KCE's management model aims to minimise complaints and continuously improve customer service. To this end, our processes focus on understanding customers' needs, assessing our performance and carefully analysing the feedback we receive. The process includes:

— Client input: Regular review of performance metrics and proactive feedback provided by clients to better understand their needs.
— Recording and analysis: All complaints and process incidents are recorded and analysed by specialist departments, and are reviewed regularly with all relevant departments.
— Corrective actions: Data analysis guides the implementation of specific preventive and corrective measures to mitigate future risks and drive continuous improvement.
— Regular review: The data is reviewed on a regular basis with the relevant departments to propose measures to prevent or minimise future incidents.

Incident tracking metrics

The metrics show a high level of stability in operational performance. The frequency of complaints received remains low and stable compared with previous years, with slight variations at the QK subsidiary. The following table shows the performance by subsidiary and the total consolidated figure for KCE:

NUMBER OF CLAIMS	KCG	QK	KCHI	KCSA	TOTAL KCE
2023	9	5	5	3	22
2024	7	6	5	3	21
2025	7	9	4	3	23

6.1. Commitment to our customers

In 2025, there were no reported cases of non-compliance relating to health and safety, information and labelling, or marketing communication issues that resulted in sanctions or fines. Furthermore, no KCE subsidiary has set aside financial provisions for compensation arising from claims.

During 2025, no substantiated complaints regarding breaches of customer privacy were identified, and no instances of data leaks, theft or loss of customer data were recorded.

6.1.3 Customer health and safety

Product safety was identified as a material issue in the double materiality analysis (DMA) carried out in 2024. This finding underscores the importance of ensuring that all KCE products strictly comply with applicable regulations and standards, guaranteeing their safe use in their intended applications and contributing to the well-being of end consumers.

Regulatory compliance has always been a non-negotiable priority for KCE. To manage this effectively, the company consistently allocates the necessary resources and embeds compliance into all internal procedures.

This includes:

— Identify the hazardous properties of materials.

— Provide Safety Data Sheets (SDS) that clearly describe the hazards of the product.

— Provide comprehensive information on the safe transport, storage, handling, use and disposal of the product.

In addition, we provide customers with all the technical information they need to meet their specific regulatory obligations. This support goes beyond the legally required content of safety data sheets (SDSs) and includes proactive information sessions to address queries regarding product use across various fields of application, in line with regulations such as the European Cosmetics Regulation and the European Detergents Regulation, amongst others.

Having identified this opportunity in 2024, KCE decided to elevate and formalise all these practices by:

— The KCE Product Safety Policy, approved by the KCE Executive Committee and signed by the CEO in December 2024. This policy consolidates and clearly sets out the company's commitments regarding product safety.

— The KCE Responsible Chemicals Management Policy, which our CEO also signed in 2024, sets out a framework for the responsible management of chemicals across all our operations.

Both policies are available on the KCE website and clearly set out the company's commitments regarding product safety.

The Responsible Chemicals Management Policy also highlights KCE's commitment to the ongoing development of safe and sustainable products, underpinned by our participation in the voluntary Responsible Care programme, which promotes chemical safety standards that often exceed regulatory requirements.

6.2. Commitment to our suppliers

Responsible supply chain management is essential for Kao Chemicals Europe (KCE), as it enables us to guarantee product excellence, ensure business continuity and create long-term value for all stakeholders. Given our presence in diverse and complex supply chains, KCE recognises the importance of building strong, ethical and resilient relationships with its suppliers, integrating ESG criteria into every stage of the procurement process.

This approach addresses the risks identified in the dual materiality assessment, such as potential exposure to poor labour practices, environmental impacts at source or disruptions to the supply chain, as well as key opportunities such as joint innovation, improved traceability and the strengthening of sustainability throughout the value chain.

The Procurement and Operations teams work closely with suppliers to promote the development of products, services and processes, drawing on:

— Expert management and technical expertise within the organisation.
— Relationships based on transparency and integrity, in line with The Kao Way.
— Structured assessment and certification processes that help mitigate critical risks and promote innovation.

KCE manages its relationships with suppliers in accordance with Kao's corporate policies, which are available on the website and set out the principles for ensuring fair, honest and appropriate dealings.

To promote ESG practices within the supply chain, KCE has established:

— KCE's Sustainable Procurement Policy.
— The Supplier Code of Conduct, applicable to both direct and indirect suppliers.

Both documents, available on our website, are based on Kao's Business Conduct Guidelines (BCG) and ensure alignment with corporate values and international standards. The Code addresses key aspects such as:

— Human rights and fair labour practices.
— Environmental responsibility.
— Business ethics.
— Responsible sourcing of raw materials.

Its implementation across the entire supply chain reinforces KCE's commitment to transparency, sustainability and responsible management.

6.2.1 Procurement based on sustainability criteria

KCE incorporates sustainability criteria into its procurement processes to ensure that suppliers act in accordance with Kao's corporate values and international environmental, social and governance standards. This approach helps to mitigate critical risks in the supply chain, as identified through the double materiality assessment, whilst also capitalising on opportunities to strengthen traceability, resilience and responsible innovation.

Kao requires its suppliers to comply with the Group's social and environmental responsibilities, giving priority to those who have already incorporated these commitments into their management systems. To this end, a corporate supplier assessment system has been established that takes into account key areas such as:

— Respect for human rights and fair labour practices.
— Environmental management and sustainability performance.
— Product safety and regulatory compliance.

This system has two objectives:

— to have consistent and comparable information on the suppliers with whom it has a business relationship, and
— standardise the assessment process prior to inclusion on the supplier panel, thereby facilitating decision-making at a global level.

Kao is also strengthening coordination with suppliers through specific initiatives to combat climate change.

For the purposes of this report, KCE carried out an analysis of the ESG clauses included in contracts for raw materials and services entered into in 2025, as well as in agreements with agents and distributors deemed relevant due to their economic or operational impact. The analysis excludes amendments signed prior to 2025.

The following table summarises the results:

INDICATORS	KCG	QK	KCHI	KCSA	KCE IND	TOTAL KCE
% of contracts containing ESG clauses	100%	100%	82%	100%	87%	94%
% without ESG clauses	0%	0%	18%	0%	13%	7%
% Environmental	59%	91%	50%	35%	13%	49%
% Social	94%	91%	50%	35%	13%	54%
% Governance	94%	27%	50%	18%	0%	33%
% The 3 pillars of ESG	59%	27%	50%	18%	0%	33%

These results demonstrate a high degree of integration of ESG criteria into KCE's contracts, particularly in the social and governance dimensions, reflecting the Group's commitment to a responsible supply chain that is aligned with the principles of the Kirei Lifestyle Plan.

6.2.2 Selection, approval and evaluation of suppliers

The integration of ESG criteria into the selection, approval and assessment of suppliers is a key factor in ensuring a responsible and resilient supply chain that is aligned with Kao's corporate values. The Double Materiality Assessment (DMA) carried out in 2024 identified the need to strengthen the responsible sourcing strategy, highlighting risks such as supply chain disruptions, social and environmental impacts at source, and opportunities linked to innovation, traceability and continuous improvement.

To this end, KCE established a structured supplier management process in 2023, which was further developed in 2025 through the collaboration of a cross-functional and cross-subsidiary working group. This group has worked to understand due diligence requirements, review regulatory and client requirements, and align the process with the strategic priorities of the Kirei Lifestyle Plan.

During 2025, the main initiatives undertaken were:

— Implement KCE's Supplier Management process for all new suppliers and existing critical suppliers, with the results reported in the sustainability performance section.

— Review the gap analysis carried out by an external consultant, comparing it with regulatory requirements, customer expectations and internal priorities.

KCE SUPPLIER MANAGEMENT PROCESS

1

Selection of supplier

Before creating a new supplier code in the system, the Supplier Management process is initiated for any new supplier of goods or services.

2

Request for information from the supplier

Sustainability data is collected through:

— KCE's Sustainable Procurement Policy

— Supplier Code of Conduct

— Conflict Minerals Statement

— Supplier Commitment Form

— Self-Assessment Questionnaire (SAQ)

— In addition, Sedex membership is required, or external assessments such as EcoVadis are accepted. In 2025, implementation was accelerated across all subsidiaries for newly established direct and indirect suppliers, as well as critical suppliers.

3

Receipt and storage of documents

The documentation received (Supplier Undertaking, SAQ, external assessments) is stored to ensure traceability and monitoring.

4

Supplier assessment at branch level

Each branch reviews the SAQ responses and the Sedex/EcoVadis scores.

— If a risk is identified, an internal investigation is launched.

— The department responsible draws up action plans, in consultation with the subsidiary's management and, where appropriate, escalates them to KCE's ESG Department.

The objective for 2025 was to extend the process to all relevant and critical suppliers, and to gather feedback in order to strengthen the SAQ and build a more robust process for the future.

6.2. Commitment to our suppliers

- To analyse the current supplier management process, the sustainable procurement policy and the associated
  KPIs, identifying areas for improvement and aligning them with future objectives.
- Develop a value chain due diligence plan, including a new Value Chain Due Diligence Policy and a KCE Due Diligence Strategy, approved in December 2025 by the CEO of KCE.
- Work with other EMEA divisions and the corporate headquarters in Japan to move towards common global standards and harmonised processes.

IMPLEMENTATION
BY BRANCH

KCSA, the digitisation of the process using a P2P system was postponed due to the transition to SAP S4HANA and the global initiative to introduce a new corporate process. Nevertheless, all relevant new suppliers followed the KCE process, with documentation stored on SharePoint.

KCHI, developed criteria for identifying and selecting key suppliers in accordance with internal instruction CPPR.002-8. In addition, Kemchain—an artificial intelligence-based system designed to manage information requests, extract data and archive it automatically—was implemented. In 2026, its integration with SAP and its use in procurement processes will be expanded.

KCG, applied criteria such as quality deviations, non-substitutability, commercial impact, financial stability and ESG incidents. A detailed record was kept of the status of each supplier.

QK, works with suppliers with a proven track record of legal compliance, and local procedures are being developed to fully implement the KCE process.

For contractors at KCG, KCHI and KCSA, a specific document exchange process is in place prior to access to production facilities. KCSA uses dedicated software for this purpose.

6.2.2.1 Suppliers' sustainability performance

RESPECT FOR HUMAN RIGHTS

Respect for human rights and the integration of ESG criteria into the supply chain are central elements of the 'Walking the Right Path' pillar of Kao's Kirei Lifestyle Plan. Within this framework, Kao Corporation has set a global target of achieving 100% human rights due diligence risk assessment for all suppliers of ingredients and packaging, as well as contractors. This commitment addresses risks identified in the double materiality assessment, such as potential human rights violations, environmental impacts at source or lack of traceability, as well as opportunities to strengthen the sustainability, transparency and resilience of the value chain.

Corporate metrics focus on the percentage of suppliers assessed using internationally recognised tools, such as:

— Sedex
— Kao SAQ (Self-Assessment Questionnaire)
— EcoVadis
— SMETA audits for suppliers with critical non-conformities

At present, there are no specific improvement targets for 2025 beyond the collection of information via these platforms, due to the evolving regulatory environment and the need to maintain flexibility in risk management.

In the area of indirect procurement, comprehensive global metrics and performance targets have not yet been established. The strategic inclusion of contractors as indirect suppliers is driven by their ongoing presence on company premises and their importance to operational safety and regulatory compliance.

KCE'S SUPPLY CHAIN SUSTAINABILITY STRATEGY

KCE's strategy focuses primarily on upstream suppliers, as the raw materials, packaging and services used have a significant environmental and social impact at source and account for the majority of the company's expenditure. KCE therefore recognises the need to minimise risks through responsible procurement policies and processes.

Throughout 2026 and the following years, the KCE Working Group will continue to:

— Analysing opportunities for continuous improvement in current processes.
— Developing SMART objectives and a detailed roadmap for implementing the Value Chain Due Diligence Policy and Strategy.
— Assessing the potential extension of the process to other parts of the supply chain.

The KCE Group's supply chain comprises over 3,535 suppliers, with an associated turnover of €664 million, which underscores the importance of having robust evaluation and monitoring processes in place.

IMPLEMENTATION OF THE ESG ASSESSMENT PROCESS

Since late 2023, all KCE subsidiaries have been applying the ESG assessment process to contractors operating on their premises. Initially, priority was given to those with a significant number of workers at their sites, and in 2025 the scope was expanded to include all contractors, regardless of their size.

KCE is progressively rolling out the Sedex, EcoVadis and KCE SAQ schemes, as mentioned above. This approach enables KCE to identify risks, enhance transparency and move towards a more sustainable and resilient supply chain that is aligned with the Kao Group's values.

6.2.2.2 Direct Procurement Management: suppliers of raw materials and packaging

The management of raw material and packaging suppliers is a key pillar in ensuring business continuity, product quality and the sustainability of KCE's supply chain. This area encompasses some of the most significant impacts, risks and opportunities identified in the double materiality analysis, particularly in relation to traceability, reliance on critical suppliers, geopolitical and climate risks, and opportunities to advance decarbonisation and sustainable solutions.

KCE has strengthened the management of its direct suppliers through an integrated approach based on three key areas:

— Business: product criticality, strategic relevance and supply chain resilience.
— Geography: regional risks, geopolitical instability, weather events and regulatory changes.
— ESG: environmental, social and governance performance, including human rights, product safety and regulatory compliance.

RISK ASSESSMENT AND BUSINESS CONTINUITY

In accordance with global corporate guidelines, suppliers are classified according to a risk rating ranging from R1 (highest risk) to R9 (lowest risk).
This system enables:
— Identify critical suppliers.
— Prioritise mitigation measures.
— Reduce exposure to operational disruptions.
— Ensure business continuity and competitiveness.

The geographical perspective adds an additional layer of analysis, taking into account:
— Political or economic instability.
— Climate risks and extreme events.
— Regulatory changes that may affect the availability or cost of raw materials.

To this end, the Procurement department uses specialist data sources from the chemical sector, internal analytical tools and publicly available information.

INTEGRATION OF ESG CRITERIA INTO DIRECT SUPPLIERS

From a sustainability perspective, KCE has achieved 93% coverage in the collection of ESG data from Tier 1[6] suppliers through: Sedex, EcoVadis, and the KCE SAQ (Self-Assessment Questionnaire).

This level of coverage represents a significant step towards a more traceable supply chain that is aligned with Kao's global commitments. The remaining percentage relates to suppliers accounting for approximately 1% of total expenditure, indicating a limited financial risk.

Tier 1 suppliers have been assessed according to specific criteria:
— EcoVadis: the platform's proprietary methodology.
— Sedex: criteria defined by Kao Corporation.
— KCE SAQ: internal assessment framework.
— Integrated global assessment: to ensure consistency and identify significant gaps.

The new direct material suppliers brought on board in 2025 were assessed as part of this process, and no significant risks were identified.

6 A Tier 1 supplier is a first-tier supplier, i.e. one that supplies KCE directly with raw materials, packaging or services essential for production.

6.2.2.2 Direct Procurement Management: suppliers of raw materials and packaging

STRATEGIC PARTNERSHIP WITH SUPPLIERS

KCE selected three strategic suppliers from its affiliate KCSA and carried out a preliminary assessment of the following points as a first step towards understanding the maturity of our suppliers and their transparency in sharing their plans, before extending this exercise to further suppliers.

— Decarbonisation strategies for 2030.
— Bio-based solutions to reduce CO_2 emissions in manufacturing.
— Sharing life cycle assessment (LCA) data to improve transparency and decision-making.

This collaborative effort enables us to turn risks into opportunities, driving sustainable innovation and strengthening the resilience of the supply chain.

RESULTS OF THE DIRECT SUPPLIER MANAGEMENT PROCESS

The direct supplier management methodology enables the identification of potential risks relating to:
— Reliance on high-risk suppliers.
— Exposure to geographical, climatic or regulatory disruptions.
— Gaps in ESG performance.

At the same time, it highlights key opportunities for:
— Diversify supply sources and reduce reliance on a single source.
— Strengthen collaboration with suppliers to accelerate ESG initiatives.
— To promote sustainable innovation and decarbonisation.

This approach positions KCE as a responsible and forward-looking partner, capable of building a supply chain that is more resilient, sustainable and aligned with the Kao Group's values.

DIRECT	KCG	QK	KCHI	KCSA	TOTAL KCE
Total number of suppliers	61	75	143	213	491
Total number of suppliers contacted	61	75	143	213	491
% contacted	100%	100%	100%	100%	100%
Committed to the Code of Conduct and Sustainable Procurement Policy	16	34	91	119	260
% of participants	26%	45%	64%	56%	48%
SAQ, Sedex and EcoVadis responded	60	69	118	210	456
Response rate	97%	92%	83%	99%	93%

6.2.2.3 Other suppliers: indirect purchases

Kao Chemicals Europe (KCE) continues to expand the integration of responsible procurement criteria across its supply chain, including indirect suppliers. This process began in 2022 with a phased approach, starting with the KCSA subsidiary and gradually extending to the other subsidiaries. The incorporation of ESG criteria for this category of suppliers helps to enhance transparency, improve traceability and ensure that contracted services comply with corporate sustainability standards.

During 2024, the approach adopted at KCSA enabled the collection of relevant information on strategic logistics, engineering and maintenance suppliers. During this period:

— A total of 486 indirect suppliers were analysed, with expenditure amounting to approximately €24.7 million.

— Although the 6% of participating suppliers accounted for only a small proportion of the total, they accounted for approximately 43.3% of turnover in these areas.

— Three new suppliers were registered with the Logistics department; all were assessed and found to have no social or environmental impacts.

— No new suppliers were brought on board in the Engineering and Maintenance division, but a support programme was launched with a key contractor to strengthen its performance in the area of corporate social responsibility.

— In total, we worked with 26 contractors, 15 of whom were identified as priority candidates and underwent selection, approval and evaluation processes.

In 2025, low-impact suppliers—such as sole suppliers or minor online purchases—were excluded from the process due to their limited impact on the business. Each subsidiary retains the option to incorporate additional criteria into its local procedures to address specific needs.

For indirect suppliers established in 2025 or identified as critical, 99% were contacted in accordance with KCE's Supplier Management process. Of these:

— 31% signed up to KCE's Supplier Code of Conduct and Sustainable Procurement Policy.

— 29% completed the self-assessment questionnaire (SAQ) or provided results from external platforms such as EcoVadis or Sedex.

The assessments carried out via Sedex did not identify any high risks or significant incidents relating to human rights, child labour or regulatory non-compliance in the data for the 2025 financial year. A higher level of compliance was observed at the KCSA and KCHI subsidiaries, which were the first to fully implement the process.

KCSA, as the pilot subsidiary, has the highest levels of compliance with the Supplier Code of Conduct and the Responsible Procurement Policy (69%), as well as the highest response rate to the SAQ or external platforms (59%). KCHI shows similar results in its response to the ESG questionnaire. At KCG, responses were more varied: some suppliers completed the SAQ and the commitment, whilst others only responded partially. Three suppliers were classified as low risk and one as high risk, although the latter is not a primary supplier. KCG maintains a zero-tolerance policy towards legal non-compliance and is evaluating ESG audits or alternatives where necessary.

KCE recognises the extra effort this process entails for its supply chain partners and anticipates greater participation in 2026, the first full year of roll-out for all indirect suppliers.

RESULTS OF THE INDIRECT SUPPLIER MANAGEMENT PROCESS

INDIRECT	KCG	QK	KCHI	KCSA	TOTAL KCE
Total indirect suppliers	49	235	26	73	383
Contacted	49	235	24	71	379
% Contacted	100%	100%	92%	97%	99%
Committed to the Code of Conduct and Sustainable Procurement Policy	11	44	12	49	116
% of participants	22%	19%	50%	69%	31%
SAQ / Sedex / EcoVadis responded	8	49	11	42	110
Response rate	16%	21%	46%	59%	29%

6.2.3 Promotion of local suppliers

Geographical proximity is a key strategic factor in KCE's supplier selection criteria. In line with the Kirei purpose and our corporate commitment to sustainable development, this approach aims to drive socio-economic growth in the communities where we operate, strengthen the resilience of the supply chain and reduce the environmental footprint associated with transport.

KCE defines a local supplier as any commercial entity whose head office is located in the same country as the contracting subsidiary. This definition enables us to assess the local impact of our operations in a consistent manner and to strengthen our contribution to the local business community.

COMMITMENT TO LOCAL DEVELOPMENT

Local suppliers play a significant role in our operations, accounting for between 51% and 93% of the total supply chain, depending on the subsidiary. In financial terms, turnover attributable to local suppliers ranges from 36% to 66%, reflecting their significant contribution to KCE's business.

Analysis by purchase type

An analysis of local recruitment by category reveals trends consistent with previous years:

— Services and investment: local suppliers continue to dominate these sectors, due to the local nature of these activities and the need for operational proximity.

— Raw materials and packaging: these account for a smaller share of local turnover, as many of these supplies come from global markets and require technical or production capabilities that are not always available locally.

This approach enables KCE to strike a balance between operational efficiency, sustainability and its contribution to local economic development.

The performance indicators for the 2025 financial year are set out below:

DIRECT	KCG (Alemania)	QK (México)	KCHI (España)	KCSA (España)	TOTAL KCE (España)
Total number of suppliers	786	1,167	627	1,047	162
Number of local suppliers	672	1,091	395	794	82
% of local suppliers	85%	93%	63%	76%	51%
% of total turnover from local suppliers	36%	63%	66%	48%	52%
% of turnover from local suppliers of raw materials, packaging, energy, etc.*	33%	60%	60%	39%	0%
% of turnover from local suppliers, services and investments *	57%	78%	85%	82%	52%

*These percentages have been calculated based on the total turnover for each item.

6.3. Social commitment

Kao's corporate philosophy, embodied in The Kao Way and the 'Kirei' lifestyle, drives the company to actively contribute to the well-being of people, society and the planet. At KCE, we integrate corporate social responsibility into our operations to promote the Kirei lifestyle and address relevant social issues in the communities where we operate.

KCE works closely with the local community with the aim of contributing to long-term social development and people's well-being, taking on board the challenges and needs of each community as its own.

In 2025, we took part in projects aimed at:
— To revitalise and clean up natural spaces and public areas.
— Supporting children and young people to promote equal opportunities.
— Collecting goods, food and toys for vulnerable families.
— To sponsor cultural, social and sporting events.
— To work with NGOs dedicated to improving women's lives.
— To alleviate the consequences of natural disasters.

6.3. Social commitment

6.3.1 Protecting the natural environment and promoting biodiversity

The active involvement of our staff is essential to strengthening the bond between KCE and the wider community. By 2025:

— KCG carried out the usual cleaning work along the banks of the River Rhine.

— KCSA and KCHI took part once again in the reforestation of the green space in Mollet del Vallès, helping out at the traditional Festa de l'Arbre (Tree Festival).

These initiatives raise environmental awareness and encourage teams to get directly involved in protecting the natural environment.

Rhine River clean-up

Tree Festival

6.3.2 Support for education and equal opportunities

All KCE subsidiaries work with educational institutions, secondary schools, universities and technical colleges to offer work placements and give students an insight into the industrial environment through factory visits.

Among the key initiatives for 2025:

— KCG supported local schools through financial donations.

— KCSA continued its scholarship programme for secondary school chemistry students at secondary schools in Barberà del Vallès and Mollet del Vallès.

— QK launched educational programmes to encourage students to stay in school.

— KCSA works in partnership with the NGO Mujeres Burkina, which supports women living in poverty in Burkina Faso.

— KCHI supports APRAMP, an organisation dedicated to combating the trafficking of women and girls through a human rights and gender-based approach.

These initiatives help to promote equal opportunities and the personal and professional development of young people and vulnerable groups.

Awarding of HPP Riester Scholarships.

Awarding of Josep Sau grants.

UB students visit KCSA's Mollet plant.

Enrollement scholarships support.

6.3.3 Participation in social, cultural and sporting events and initiatives

KCE actively participates in social, cultural and sporting initiatives that strengthen the community and promote social well-being.

In 2025:

— KCG supported local organisations through donations and sponsored the Local Fire Brigade and various cultural and sports associations.
— QK supported the Padre Pío Shelter, the 12 Apostles Dinning facilities, the Los Pinos Children's Shelter and the Hogares Fraternales del Salto through financial and in-kind donations.
— KCHI and KCSA took part in food collection drives with local organisations, the Food Bank and the Red Cross, as well as toy collection drives in Mollet, Olesa, Barberà del Vallès, Rubí and Aldaya.
— KCSA sponsored the publication Notes of the Centre d'Estudis Molletans and the Vila d'Olesa Research Prize.
— KCHI sponsored the youth team of L'Olleria Football Club, and KCSA sponsored Mollet Football Club.

Employee involvement is key to the success of these initiatives, as it strengthens the sense of belonging and amplifies KCE's positive impact on society.

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7. Tax Information

Profits, taxes paid
and grants received.

7.1. Profits, taxes paid and grants received

Since 2004, KCE has been part of a tax consolidation scheme with the Spanish company Kao Corporation, S.A.U., and, from the 2016 financial year onwards, Kao Chimigraf, S.L.U. became part of the group. The remaining companies are not included in the tax consolidation described above and therefore pay tax in the countries where they operate, under the individual tax return regime and in accordance with the tax regulations in force in their respective countries.

KCE complies with its legal tax obligations in all countries where it operates. The breakdown by country of the individual results achieved in 2025 and the income tax expense recognised is as follows:

COUNTRY	A SUBSIDIARY OF KCE	PROFIT BEFORE TAX[7]	INCOME TAX
Germany	Kao Chemicals GmbH	2,563	882
Mexico	QuimiKao S.A. de C.V.	11,101	2,767
France	Kao Chimigraf France SAS	168	0
Italy	Kao Chimigraf, S.L.U. (Branch)	48	26
Spain	Kao Chimigraf, S.L.U. Kao Corporation, S.A.U. Kao Chemicals Europe, S.L.U.	10,707	2,780
Consolidation		(275)	82
TOTAL KCE		24,312	6,537

[7] 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 effect of intra-group dividend distributions. The row for consolidation shows the adjustments arising from the consolidation process in accordance with the Rules for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010.

The breakdown of corporation tax paid during the 2025 financial year, including withholding tax, instalment payments made on account of corporation tax for the current financial year, and payments of the balance due in respect of corporation tax for previous financial years, is as follows:

COUNTRY	AFFILIATED WITH KCE	*WITHHOLDINGS AND ADVANCE PAYMENTS OF CORPORATION TAX FOR THE 2025 FINANCIAL YEAR*	*PAYMENTS OF CORPORATION TAX FOR PREVIOUS FINANCIAL YEARS*	*TOTAL INCOME TAX PAID (RECEIVED)*
				Thousands of euros
Germany	Kao Chemicals GmbH	404	3,128	3,532
Mexico	QuimiKao S.A. de C.V.	3,759	2,269	6,028
France	Kao Chimigraf France SAS	-	-	-
Italy	Kao Chimigraf, S.L.U. (Branch)	14	6	21
Spain	Kao Chimigraf, S.L.U. Kao Corporation, S.A.U. Kao Chemicals Europe, S.L.U.	4,275	(997)	3,279
TOTAL KCE		8,453	4,406	12,859

The figures in brackets are taxes levied

7.1. Beneficios, impuestos pagados y subvenciones recibidas

Finally, the provision recognised as at 31 December 2025, representing the best estimate of the income tax accrued, and for which payment or receipt will occur in the 2026 financial year and subsequent years, is

COUNTRY	AFFILIATED WITH KCE	*PROVISION FOR INCOME TAX PAYABLE (RECEIVABLE) FOR THE 2025 FINANCIAL YEAR*	*PROVISION FOR INCOME TAX PAYABLE (RECEIVABLE) RELATING TO PREVIOUS FINANCIAL YEARS*	*TOTAL PROVISION FOR INCOME TAX PAYABLE (RECEIVABLE)*
				Thousands of euros
Germany	Kao Chemicals GmbH	(76)	90	14
Mexico	QuimiKao S.A. de C.V.	(260)	(11)	(271)
France	Kao Chimigraf France SAS	-	-	-
Italy	Kao Chimigraf, S.L.U. (Branch)	(3)		(3)
Spain	Kao Chimigraf, S.L.U. Kao Corporation, S.A.U. Kao Chemicals Europe, S.L.U.	(1,879)	-	(1,879)
TOTAL KCE		(2,218)	79	(2,139)

The figures in brackets are taxes levied

Finally, the KCE Group received the following public grants during the 2025 financial year, totalling €236,964, of which €211,165 is recorded under the heading ‘Operating grants included in the profit for the year’ and €23,799 relates to the receipt of a grant recorded under the heading ‘Capital grants’.

ITEM	AMOUNT	USE
Patents.	28,010	-
Cost offset of electricity.	28,607	Compensation scheme for energy-intensive consumers in accordance with the provisions of Title III of Royal Decree 1106/2020 of 15 December.
Implementation of an environmental management system	4,745	-
Training.	11,166	Discount on social security contributions
Installation of electric vehicle charging points.	23,799	Plan MOVES III
Write-off of subsidised loan instalment.	138,137	Centre for Industrial Technological Development (CDTI)

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1.1.a	A description of the group's policies, including the due diligence procedures applied to identify, assess, prevent and mitigate significant risks and impacts, as well as verification and monitoring procedures, including the measures that have been taken.	3.3 Management of material issues	5-12

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1.1.1.5	Amount of provisions and guarantees for environmental risks.	3-3 Gestión de temas materiales.	The group will not recognise any environment provisions in 2025. Each KCE company has taken out environmental liability insurance policies with adequate cover to address potential damage arising from pollution, as well as the restoration and clean-up of the environ ment and biodiversity, with the following breakdown of annual cover: — Kao Corporation, S.A.U., Kao Chimigraf, S.L.U., & 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
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2.2.1.4	Measured pay and its breakdown by gender, age and occupational classification or equivalent value.	3-3 Management of material issues.	KCE has stated that it does not intend to disclose information on the average remuneration of staff, senior management and directors, broken down by gender, age and job category.

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		2-20 Procedures for determining remuneration.	KCE states that it does not intend to disclose infor mation on the average remuneration of staff, senior management and directors, broken down by gender, age and job category.
2.2.1.7	Payments into long-term savings schemes and any other receipts, broken down by gender.	201-3 Obligations under defined benefit plans and other retirement plans.	For 2025, the contribution towards the long-term savings scheme has been: QK: 118 KCG: 1,066 KCHI: 0 KCSA: 691 KCE individual: 27 In 2024, it was: QK: 627 KCG: 824 KCHI:0 KCSA: 646 KCE individual: 36
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2.2.2	**Organisation of work.**		
2.2.2.1	Organisation of working hours.	3-3 Management of material issues.	KCE's various subsidiaries have production facilities and central service or office centres. Consequently, regardless of the specific nature of each site, the work organisation includes continuous shift work and split shifts or full-time working hours. At KCG, there are four shifts in the production and quality control areas seven days a week, and from Monday to Friday, there are two shifts in logistics and the raw materials warehouse. Staff in administrative roles work a daily shift of 7 hours and 30 minutes. QK has established rotating shifts in the production area to cover 24 hours a day, 7 days a week; in the logistics area, shifts run from Monday to Saturday in two shifts, whilst office staff work split shifts. At KCHI, there are continuous shifts in the production centres – morning, afternoon and night, Monday to Friday. Staff have a flexible timetable, with a one-hour buffer at the start and end of the working day and a compressed working day on Fridays; likewise, the option to work remotely is available, subject to the organisational needs of the role and the workplace. At KCSA, there are three types of working day and, at the production level, there is a fifth shift covering continuous working hours every day of the year.

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2.2.2.1	Organisation of working hours.	3-3 Management of material issues.	Furthermore, in certain specific production plants, work is carried out on a rotating morning and afternoon shift basis, Monday to Friday, as is the case in the logistics and warehouse area. Staff members have flexible working hours (flexibility agreement), allowing them to start between 7 am and 9 am and finish from 4 pm onwards; it also includes the option to work 65 days a year with a maximum of 2 days a week of remote working, depending on the organisational needs of the role and the workplace. Time recording: The process of recording working hours is systematised at KCG, KCHI and KCSA, whilst at QK no attendance monitoring tool is used, as there is no legal obligation to do so in Mexico. Accordingly, in the case of KCG, KCHI and KCSA, a computerised time-recording system is in place, which allows for the electronic recording and monitoring of working hours and their specific details, as well as requests for holidays or leave. The companies of the KCE group located in Spain, as well as the Mexican subsidiary, QK, have digital disconnection policies in place.

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		403-1 Employee representation on formal joint employee-employer health and safety committees.	

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Glossary

The following abbreviations and acronyms are used in this report:

CEO: Chief Executive Officer
CH_4: Methane
CO: Carbon monoxide
CO_2: Carbon dioxide
TOC: Total Organic Carbon
VOCs: Volatile Organic Compounds
DEI: Diversity, Equity and Inclusion
COD: Chemical Oxygen Demand
ECHA: European Chemicals Agency
OCC: Occupational Diseases
EFfCI: European Federation for Cosmetic Ingredients
EMAS: Eco-Management and Audit Scheme (Community Eco-Management and Audit Scheme)
ESG: Environmental, Social and Governance
MSDS: Material Safety Data Sheet
FEIQUE: Spanish Chemical Industry Business Federation
GHG: Greenhouse gases
GHS: Globally Harmonised System of Classification and Labelling of Chemicals
GMP: Good Manufacturing Practices
HFCs: Hydrofluorocarbons
HSE: Health, Safety and Environment
FR: Frequency rate
SR: Severity rate
KBR: Kao Brasil, Ltd
KCE: Kao Chemicals Europe, S.L.U.
KCSA: Kao Corporation, S.A.U.
KCG: Kao Chemicals GmbH
KCHI: Kao Chimigraf, S.L.U.
MDJ: Methyl Dihydrojasmonate
MES: Suspended Matter
N: Nitrogen
NF_3: Nitrogen trifluoride
NO_x: Nitrogen oxides
SDGs: Sustainable Development Goals
ILO: International Labour Organisation
P: Phosphorus
PFC: Perfluorocarbons
PM: Particulate matter
QK: QuimiKao, S.A. de C.V.
REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals
CSR: Corporate Social Responsibility
RSPO: Roundtable on Sustainable Palm Oil
SCA: Surfactant Consumer Application (surfactant applications for domestic use)
SF_6: Sulphur hexafluoride
SO_2: Sulphur dioxide
SO_x: Sulphur oxides
STA: Surfactant Technical Application
TKW: The Kao Way

Kirei—Making Life Beautiful