KCI 2021
Sustainability Report

Better Beauty through Advanced Science

KCI

About this Report

Report Overview

This year marks the 2nd anniversary of publishing our sustainability report. This report provides an account of not only our financial performance but also our strategies and operations to achieve a sustainable future, and our key progress on this journey. In the years to come, KCI will reflect the opinions of stakeholders through the release of sustainability report, and embed them at all levels of our business management.

Reporting Period

This report covers our sustainability activities and performance from January 1, 2021 through December 31, 2021. For some of quantitative data, it contains data from the past three years from 2019 through 2021. And some of qualitative data in early 2022 are also included.

Reporting Scope and Boundaries

This report covers KCI's all business sites including the headquarters, domestic plants, and overseas warehouses. The financial data provided herein are in line with the consolidated financial statements prepared in accordance with the Korean Version of International Financial Reporting Standards (K-IFRS). And the scope of non-financial data covers all domestic business sites' sustainability management performance. Yet, some of indicators of overseas business sites are excluded due to restraints on data collection.

Reporting Principles and Framework

This report aligns with the Core Option of Global Reporting Initiative (GRI) Standards. In addition, we comply with various global initiatives, such as TCFD, SASB, and UN SDGs.

Data Assurance

With the aim of ensuring the reliability and quality of this report, the data in this report have been subject to third-party verification. And the results are available on page 64p.

Inquiries

This report is available on our homepage (http://www.kciltd.com/en/main/). If you have any questions or feedback, please feel free to contact us using the contact details below.

Homepage ➔

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CEO Message

"KCI will take a leap forward as the global No.1 personal care ingredients company"

KCI CEO
Jinyong Lee

Dear esteemed stakeholders,

KCI has become a leading player in the personal care ingredients market. On our journey towards a company that delivers health and beauty, our stakeholders and employees have joined us with their unwavering support and interest since our inception, which has been a driving force of our remarkable growth. Taking this opportunity, I deeply appreciate each and every one of you.

The aftermath of COVID-19 still lingered in 2021, causing uncertainty in global economy ahead, and extreme weather and climate crisis made business environment even worse. However, KCI turned the bleak reality that hit the whole world into opportunity by responding to the market with its distinctive strategies. As part of the strategies, we scaled up our own production capacity to a maximized degree to overcome the disrupted logistics while increasing the number of high caliber clients by regional hub. And we made great strides in terms of manufacturing innovation as a result of active Total Productive Maintenance (TPM) activities. Now, it is time to challenge ourselves to move towards a sustainable company beyond just profit-generating one. KCI set up its target of leaping into 'Globally Respected Company' to supply sustainable personal care ingredients that allow the planet and humans to coexist. The 2nd sustainability report provides a clear picture of our detailed strategies to become a global standard ingredient provider.

First, we will take a leap forward to becoming a global standard in personal care ingredients.

Humankind uses a variety of personal care products in everyday life. KCI has been a stable supplier of the best ingredients to globally renowned brands on the basis of its long-standing cooperative partnerships with them. Taking advantage of the technological prowess accumulated and a wealth of experience in the personal care sector, we will evolve into a 'Globally Respected Company.' Furthermore, we have formulated the strategies for M&A to solidify our global presence. In accordance with this, we will take over companies with outstanding technologies and market competitiveness, develop new businesses that can create maximized synergy in collaboration with them, and diversify our portfolio. This strategy will prove our global competitiveness once again.

Second, we will redouble our efforts to develop eco-friendly materials.

As personal care products are in close contact with our bodies, it is critical to take special care of what ingredients they are made of. We put all our efforts into developing safe ingredients so that eco-friendly values can be enjoyed by both nature and humanity. Dimethyl lsosorbide (DMI) we developed is an eco-friendly personal care material that has no harm to human body made of sorbitol, an ingredient for food. In addition, we are working on the development of surfactant that is highly biodegradable, conditioning polymer, and emulsifier to supply to global clients. With an aim to widely supply such eco-friendly materials to the domestic and foreign markets, we have been equipped with a state-of-the-art digital system. We have advanced the innovative digital technology, such as CRE and NEW-ERP, adopted last year, continuously upgrading our business management system.

CEO Message

Third, we will practice ESG management as an eco-friendly company leading the chemical industry.

We fully understand and endorse the idea that a company's role has to change as the times change. Accordingly, we actively reinforce ESG management that has already been settled as a 'New Normal.' The value of KCI is derived from products. We endeavor to achieve a sustainable product life cycle without generating harm in the entire process from product production to use and disposal. As a result, we obtained the 'Gold Level' certification, which is only granted to the top 5% in EcoVadis's sustainability (CSR) evaluation that evaluates social responsibility performance. We achieved this just one year after the publication of the first sustainability report last year, launching a signal for the beginning of our ESG management. More efforts will be made to deliver viable ESG management that raises ability to execute on site. By 2030, we will reinvent ourselves as a leading eco-friendly company by significantly increasing the targets of recycling and reducing waste generation. On top of that, as a corporate citizen, we will faithfully fulfill our social responsibilities and roles for shared growth with the local community. Above all, we will secure transparency in sustainability management on the foundation of responsible and ethical management led by the Board of Directors, aiming to establish the ESG management system.

Going forward, we will continue to annually publish sustainability reports to reflect on our past performance and set goals for a better future, competing against ourselves. For the happiness of the global environment, humanity, and all our stakeholders, KCI will leap forward as the No.1 global eco-friendly personal care ingredients company beyond simply producing and supplying raw materials. We ask for your further encouragement and support for KCI's innovative challenge to disseminate 'sustainable health and beauty' all across the world. Thank you very much.

KCI CEO Jinyong Lee
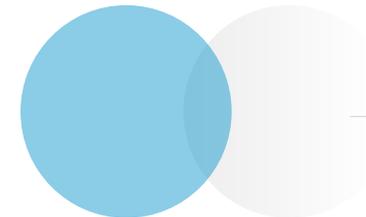
Company Profile

KCI

KCI is a specialty chemical manufacturer producing high quality and highly stable ingredients used in cosmetics and daily necessaries. Polymer, a raw material for shampoo, and surfactant, an ingredient for hair conditioner, are among our main products. Our key products manufactured through our own R&D capabilities were selected as the World Class Products in recognition for their outstanding quality and technologies. In recent years, KCI has redoubled its efforts to develop innovative ingredients to lead the personal care market where the preference for the eco-friendly trend is growing in importance. Going forward, we will grow into a company that contributes to the dissemination of the value of sustainable beauty to all people, providing the whole world with natural ingredients that save both the planet and humankind.

Certification

With the aim of relieving customers concerns for chemical products, KCI has established its management system that governs quality, environment, and safety and health. In accordance with our stringent and systematic system, we manufacture high quality cosmetics and functional ingredients that meet the regulations and legal requirements. Among them, 'PQ-10,' a natural cationic product derived from cellulose, and cationic surfactant extracted from the fatty acid of natural rape seed oil were selected as the 'World Class Products,' which is a clear demonstration of our excellent quality. In addition, we have acquired many certifications from official certificate authorities, which also proves our outstanding technological prowess and product safety.

Our Status

Company Name	KCI LIMITED
Date of Establishment	February, 1985
Date of Listing	Listed on KOSDAQ in 2001
CEO	Lee Jin-yong
HQ Location	221, Daejuk 1-ro, Daesan-eup, Seosan-si, Chungcheongam-do
Business Area	Chemistry
Revenue	KRW 81.5 billion
Net Income	KRW 10.16 billion
Capital	KRW 97.37 billion
No. of Employees	167

* Based on the consolidated financial statements as of December 2021

List of Certificates

COSMOS Approved Certification for organic & natural cosmetics

ISO 45001 Occupational Health and Safety Management System

ISO 14001 Environmental Management System

HALAL Indonesia HALAL

RSPO Mass Balance Roundtable on Sustainable Palm Oil

CDP Carbon Disclosure Project

EcoVadis-CSR (Corporate Social Responsibility) Ratings platform

ISO 9001 Quality Management System

ISO 22716 Guidelines on Good Manufacturing Practices

EFfCI The European Federation for Cosmetic Ingredients

World Class Product of Korea

Company Profile

Vision 2025

Under the vision of 'Sustainable Health & Beauty Life,' KCI has established 'Vision 2025,' a mid- to long-term growth strategy. Our objective is to develop ourselves into the global standard material company in the personal care sector by supplying innovative raw materials to the world. To this end, we established strategies to expand customer and product portfolios and lay the groundwork for long-term growth, and we have actively pushed forward them with concrete action plans in line with each strategy.

Vision	**Sustainable Health & Beauty Life**
Orientation/ Goal	**A leap forward as a global standard material company in the personal care sector**

Company Strategy	**Expanding customer portfolios**	**Expanding product portfolios**	**Laying the foundation for long-term growth**
	Acquiring more MNC* clients	Developing personal care materials converged with bio-food	Enhancing global sales capabilities
	Nurturing large distributors and having partnerships with them	Securing growth opportunities with global personal care M&A	Promoting ESG and advancing production capacity

System Capabilities	**Global**	**Digital**	**Convergence technology**	
System	Governance	Talent/Culture	Risk management	ESG
Value	**A leap to become a globally respected company**			

* MNC: Multinational Corporation

KCI Value

Sustainable Health & Beauty Life

Our vision is to become a company that spreads 'sustainable health and beauty.' To this end, we are making all-out efforts to broaden the scope of eco-friendly product line and expand our presence into new markets at home and abroad. We have set up six values; trust, challenge, innovation, talents, customer-oriented, and performance-oriented, as the Code of Conduct to underpin our strategies to create a better future. These six values serve as a set of standards for employees to follow in terms of their way of thinking or acting in business operations. KCI has turned these core values into action, thereby providing special value with excellent products and services, ensuring that all our employees are evaluated and rewarded in a fair manner by giving them opportunities for constant growth, and figuring out the various ways to achieve co-prosperity for society.

Trust

We pay respect to each other, and earn trust from society and customers through transparent business operations and social contribution activities.

· Be open-minded to embrace diversity and respect each other
· Think and work from the perspective of customers
· Share work-related data with coworkers in an efficient manner
· Be consistent in accordance with principles

Challenge

We never stop challenge ourselves with 'can-do-sprit' and iron will to get things done to identify new businesses and succeed.

· Be bold and go for it when there is a chance for success
· Learn not only from success but also failure
· Fulfill the mission with a passion to be the best
· Be careful when making a decision, be agile when putting into action

Innovation

With a productive critical mind and relentless innovation in place, we secure competitiveness over our products and services and lead the market.

· Think out of the box and seek for new ways
· Find root causes and solution when spotting a problem
. Embrace and encourage creative thinking and idea
· Be one step ahead of customers' needs and change ahead of others

Sustainable Health & Beauty Life

Talents

Our competitiveness lies on our employees. Therefore, we identify and nurture talents. And our employees do their best to develop themselves to grow with the company.

· Set up your own vision in line with the company's goals
· Sharpen up your job skills to be the best
· Share knowledge with coworkers to create synergy
· Be persistently committed to identifying and cultivating talents

Customer-oriented

We are well cognizant that customers are at the heart of our survival. We deliver differentiated values catering for customers, thereby fully satisfying them.

· Think and work from the perspective of customers
· Make decisions based on what your customers want.
· Strive to find creative solutions to issues raised by customers
· Build capacity to respond to customers' needs in a swift manner

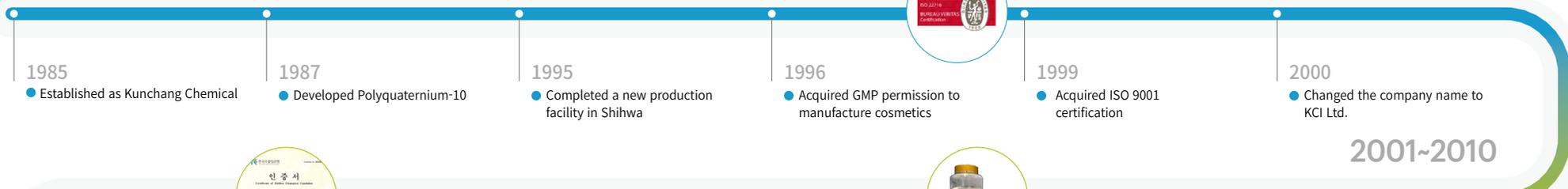### Performance-oriented

Our employees work hard to accomplish company goals and the company makes sure fair and square performance assessment and corresponding reward.

· Make every effort until you reach the goal
· Reinforce executive ability to reach higher
· Evaluators make sure that performance assessment is made in an objective and rational manner
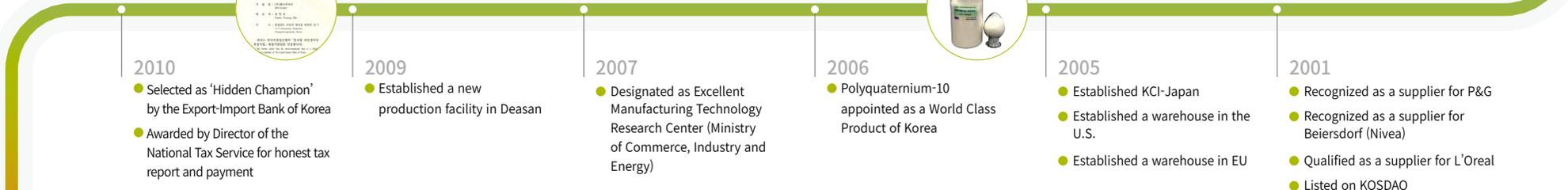· Be positive about rewarding high performers better

History

Since our inception in 1985, we have served as an innovator in the cosmetics ingredient sector especially with the development of 'Polyquaternium-10' in 1987. Built on this success, we constructed Sihwa Plant in 1995 and stepped up our capacity to manufacture ingredients for daily necessities. In 2000, we changed the company name to KCI with a spur to our expansion into overseas markets. Our products have been recognized for their excellence and outstanding technology in the global market by supplying raw materials to world-leading companies, such as L'Oreal, P&G, and Unilever, and we have currently maintained close relationships with them. As we ranked second in the global personal care field beyond Korea, we are currently striving to become a sustainable company that is beneficial to nature, humankind, and society. The gold rating in the 2021 EcoVadis CSR was a demonstration of our continued endeavors. Going forward, we will continue our innovative challenges to become an eco-friendly personal care material company that leads the global market.

1985~2000

1985
- Established as Kunchang Chemical

1987
- Developed Polyquaternium-10

1995
- Completed a new production facility in Shihwa

1996
- Acquired GMP permission to manufacture cosmetics

1999
- Acquired ISO 9001 certification

2000
- Changed the company name to KCI Ltd.

2001~2010

2010
- Selected as 'Hidden Champion' by the Export-Import Bank of Korea
- Awarded by Director of the National Tax Service for honest tax report and payment

2009
- Established a new production facility in Deasan

2007
- Designated as Excellent Manufacturing Technology Research Center (Ministry of Commerce, Industry and Energy)

2006
- Polyquaternium-10 appointed as a World Class Product of Korea

2005
- Established KCI-Japan
- Established a warehouse in the U.S.
- Established a warehouse in EU

2001
- Recognized as a supplier for P&G
- Recognized as a supplier for Beiersdorf (Nivea)
- Qualified as a supplier for L'Oreal
- Listed on KOSDAQ

2011~Present

2014
- BTAC appointed as a World Class Product of Korea
- Received Jang Young-Shil Award for the commercialization technology of the tertiary fatty amines
- Obtained EFfCI certification

2016
- Certificated by RSPO
- Received CDP grade B

2017
- Became a subsidiary company of Samyang Group
- Received silver rating in Ecovadis CSR

2018
- Carried out a merger with ONO Chemical
- Obtained MUI Halal certification

2019
- Acquired ISO 45001 certification
- Acquired ISO 14001 certification

2020
- Approved with COSMOS certification

2021
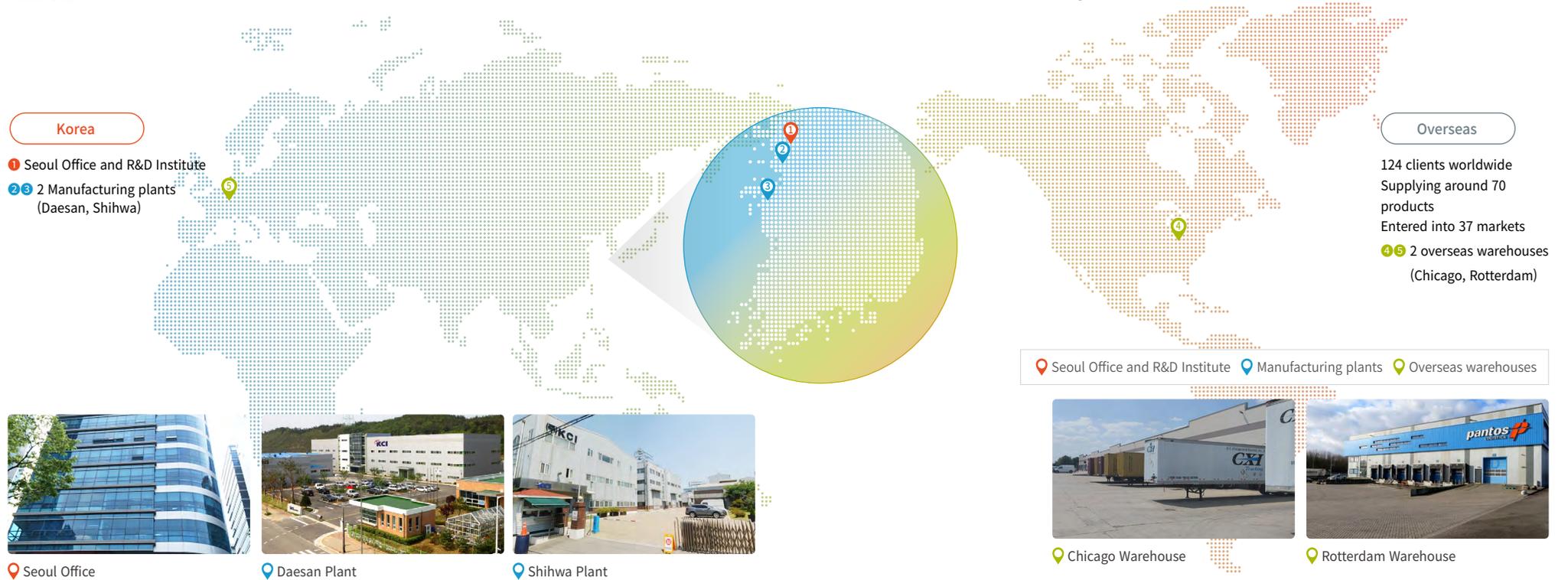- Received gold rating in Ecovadis CSR

Our Business Sites

Domestic Sites

KCI has Seoul Office, R&D Institute, and two factories (Daesan, Shihwa). In particular, 'Tech Center' research center develops alternative items and new functional raw materials for diversifying our business.

Overseas Sites

With the aim of minimizing global risks, we operate warehouses in Chicago, the United States, and Rotterdam, the Netherlands. Based on the business sites in and outside Korea, we export around 70 products to 37 countries in strategic partnerships with 124 clients worldwide.

Korea
1 Seoul Office and R&D Institute
2 3 2 Manufacturing plants (Daesan, Shihwa)

Overseas
124 clients worldwide
Supplying around 70 products
Entered into 37 markets
4 5 2 overseas warehouses (Chicago, Rotterdam)

Seoul Office and R&D Institute   Manufacturing plants   Overseas warehouses

Seoul Office

Daesan Plant

Shihwa Plant

Chicago Warehouse

Rotterdam Warehouse

KCI Business Sites

Business site	Location	Major processes and services
Seoul Office and R&D Institute	Geumcheon-gu, Seoul	Sales, purchasing, R&D, etc.
Daesan Plant	Seosan, Chungcheongnam-do	Production, logistics, etc.
Shihwa Plant	Siheung, Gyeonggi-do	Production, logistics, etc.

Business site	Location	Major processes and services
Chicago Warehouse	Chicago, USA	Storage, transportation, and handling
Rotterdam Warehouse	Rotterdam, Netherlands	Storage, transportation, and handling

Our Products

Conditioning Polymer
PQ-10 & Guar Polymer

Our main product, conditioning polymer, is a raw material used in shampoos and other items. Among them, PQ-10 is a cationic polymer derived from cellulose, which is an eco-friendly conditioning material that can be used not only in shampoo but also in body wash and other products. PQ-10's outstanding functions of keeping hair hydrated and protecting and repairing damaged hair have been proven, making it easy to comb and style hair. Thanks to these excellent functions, it was selected as a 'World Class Product of Korea' by the Ministry of Commerce, Industry and Energy in 2006.

Cationic guar, guar polymer, is an eco-friendly ingredient for shampoos, body washes, and conditioners. It has high viscosity and a conditioning effect depending on its molecular weight, which makes it super easy to comb without getting tangled regardless of hair condition, and gives a soft and luxurious feel when using it on hair or skin. As of now, we are working on the development of two new products taking advantage of a new technology that is one level higher than the current one.

Methyl Gluceth Derivatives

Methyl gluceth derivatives is a non-ionic ethoxylated* methyl glucose ether derived from corn. It's a moisturizing and thickening agent used in various skin care, hair care, and body wash products. Thanks to its hypoallergenic and soft nature, it is widely used for baby products.

* Ethylene oxide: a substance used for synthetic raw materials and sterilization

BTAC, BTMS

Cationic surfactant is a quaternary cationized product of tertiary fatty acid amine extracted from natural rapeseed oil fatty acid. It is effective in moisturizing and glowing the hair, preventing hair tangles and static electricity, which is mainly used for hair conditioners and treatments. In recognition of such outstanding functions, the product was selected as a World Class Product of Korea by the Ministry of Commerce, Industry and Energy in 2014. We also established the production capabilities for the raw materials by capitalizing on our commercialization technology of tertiary fatty acid amines developed by ourselves. On the basis of this competitive edge, BTAC and BTMS are being widely supplied to many multinational companies, showing steady sales growth.

MPC Derivatives

MPC derivatives is a biomimetic biocompatible substance as it has a similar structure to the human cell membrane. Based on its excellent moisturizing effect and functions to restrain the formation of blood clots and absorption, it is widely used in diverse fields, including cosmetics, personal care products, contact lenses & its storing or cleaning solution, medical instruments, textile, cell culture equipment, and medical polymer materials. KCI is using the high biological characteristics of MPC derivatives to develop medical polymer materials for hollow fiber membranes or stents, artificial organs, or plastic surgery prostheses, giving impetus to enter new markets.

Our Products

Multicare Series

It is a high molecular composite material composed of polymer, oil, and surfactant. With its significant thickening, emulsifying, and solubilizing functions giving improved textures, it is mainly used for skin care and hair care products. KCI has supplied raw materials with various textures so that clients can select raw materials that are most suitable for the concept of their finished products while currently developing three types of new products.

Natural oil,
Sugar-based Moisturizer

Natural oils and sugar-derived moisturizers are raw materials that have been commercialized as cosmetic moisturizers using vegetable oils and sugar-alcohols. As natural ingredients, they are less irritated to the skin and have excellent moisturizing and skin conditioning effects. Dut to the recently growing customers' preference for eco-friendly products, KCI is expanding the proportion of products based on natural ingredients.

Fatty Acid Esters

Fatty acid ester is a natural emollient that reacts with fatty acids with alcohol, primarily used in skin care. There are diverse textures and functions (thickening, dispersing, cleaning, etc.) depending on the type of fatty acid and alcohol we use. KCI is additionally developing five new products on the foundation of its strategy to diversify fatty acid ester products and further sharpen the competitive edge of its products. Going forward, it is expected that the competitiveness of eco-friendly products will be further reinforced when the skin care raw materials are supplied more with the launch of new products.


New Products
DMI, Piroctone Olamine

We are in the process of developing Dimethyl Isosorbide (DMI) that has functions such as penetration aid, solvent, and anti-irritant so that the active ingredients can be effectively delivered to the body. DMI is an EWG* Grade 1 product using eco-friendly plant-derived ingredients. It is highly effective in protecting the human body from external stimulation, thereby it can be applied to skin care, UV protection, and tanning products. Currently, we are jointly conducting convergence research with Samyang Group, with an anticipation for it to become a representative product in strengthening our eco-friendly product portfolios in the future. Piroctone olamine is an active ingredient with outstanding antifungal, anti-dandruff, and anti-itch functions. Besides, it is an eco-friendly raw material with low toxicity, irritation, and environmental impact as a replacement for zinc pyrithione, which was designated as a prohibited substance in Europe. We strive to expand our product portfolio, developing active ingredients such as piroctone olamine in collaboration with Samyang Group.

*EWG: Environmental Working Group is an American group that specializes in research. The group evaluates the safety of the ingredients of cosmetic products on a scale of 1 to 10.

ESG Journey
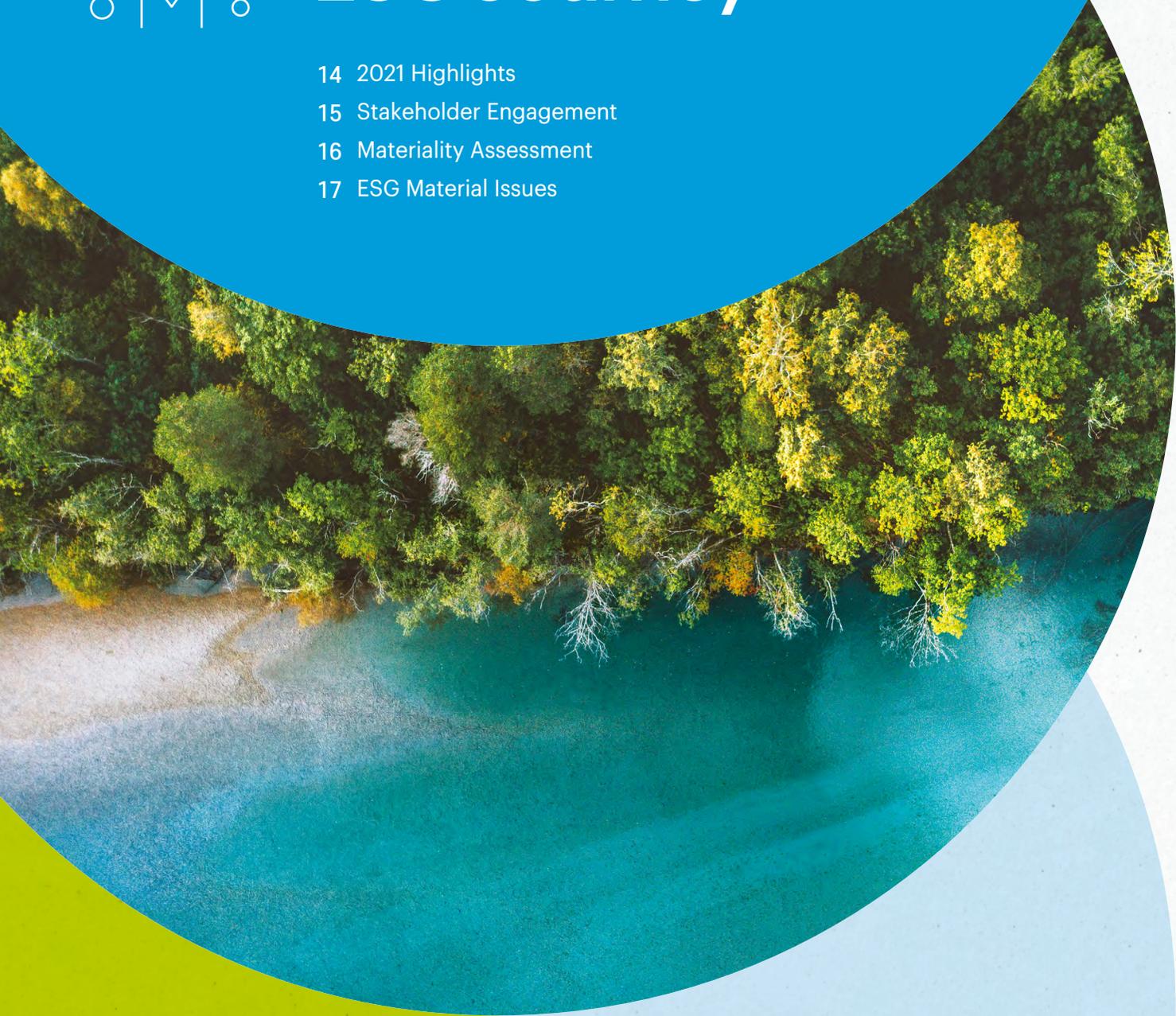
2021 Highlights

Published the 1st Sustainability Report

Communicated with all stakeholders in a transparent manner by disclosing our management philosophy, vision, strategies, and achievements through the publication of the first sustainability report

Achieved a Gold rating from EcoVadis

Acquired 'gold level' certification of EcoVadis's sustainability assessment, which is only granted to the top 5%, based on our enhanced ESG management response capabilities

Hit a record high in sales (KRW 81.5 billion)

Achieved the best performance since our inception through strategies, such as maximizing our own production, expanding quality partners, and implementing production innovation

Operated commuter buses at Daesan Plant

Elevated work satisfaction level by securing the systems for employees' convenience

Joined UN Global Compact (UNGC)

Declared the 10 principles in the areas including environment, human rights, and anti-corruption, which are the corporate's core values through joining 'UNGC' sustainable initiatives

Initiated Total Productive Maintenance (TPM) activities

Continued innovation and advancement of production process through carrying out total productive maintenance (TPM)

Stakeholder Engagement

Stakeholder Definition and Communication

In recent years, we are seeing stakeholders' growing interests in corporate ESG management. In order to meet the demand from stakeholders, KCI has defined its key stakeholders as employees, customers, partner companies, shareholders, and local communities that have direct and indirect impacts on our business operations, and always paid attention to their voices. In addition, communication channels tailored to each group have been established so that we can reflect their opinions in our management. Going forward, KCI will capitalize on a variety of communication channels to actively interact with all kinds of stakeholders to lay the foundation for sustainability to create happiness for all.
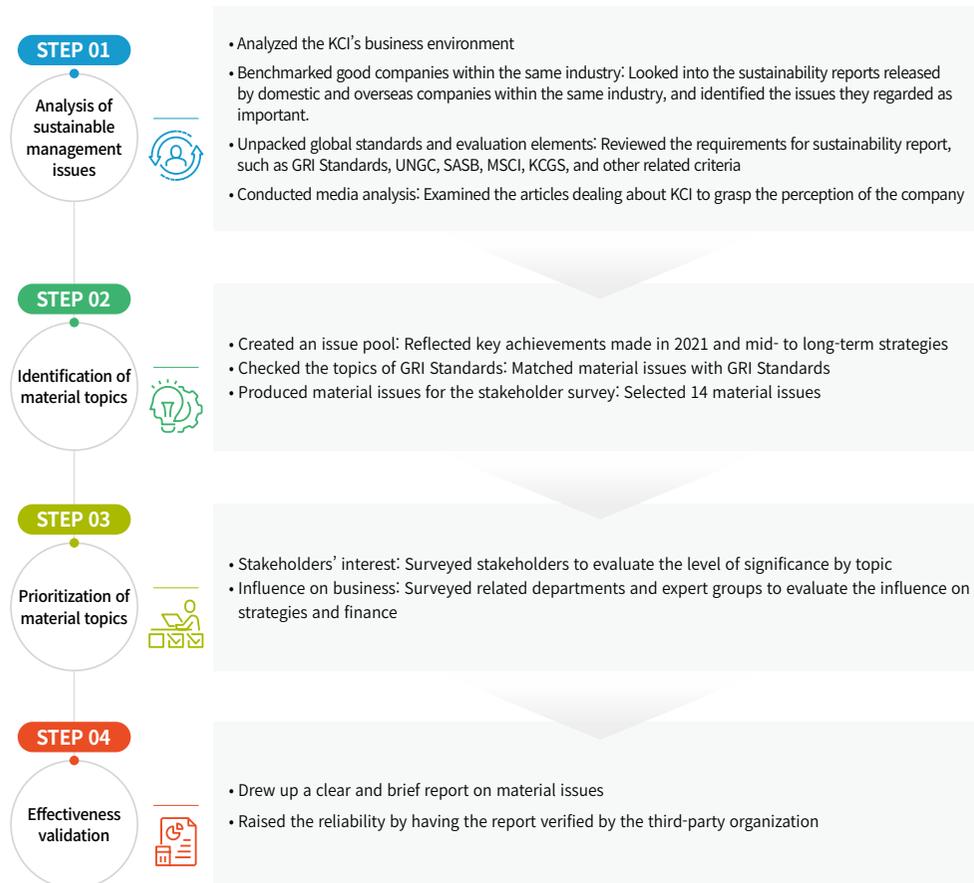
	Shareholder and investor	**Partner company**	**Employee**	**Customer**	**Local Resident**
Stakeholders' Key Concerns	• Corporate value enhancement • Economic performance creation • Sound governance system establishment • Transparent disclosure of data • Revenue generation and distribution	• Fair transaction • Safety and health establishment • Shared growth • Antitrust action • Safe ingredients supply	• Corporate value enhancement • Fair recruitment, performance assessment and compensation • Welfare improvement • Human rights • Work and life balance • Employee health enhancement	• Product quality management and safety improvement • Climate action • Stable supply of products • Eco-friendly production • ESG-related risk management reinforcement	• Climate action • Plant hazardous substance management • Ethics management • Human rights management • Constant social contribution activities
Communication Channels	·General shareholders' meeting ·IR	• Regular survey • Telephone survey	• Labor-Management Council • Occupational Safety and Health Committee	• Regular survey • Telephone survey	• Local governments' websites* and publication of booklets in collaboration with related organizations • Participation in local councils (Daesan Industrial Complex Council)
Responses	• Reported on business performance through regular disclosure • Advanced mid- to long-term business strategies	• Encouraged partner companies to release sustainability reports and conducted assessments • Established a supply chain management policy	• Provided educational programs to sharpen employees' capabilities • Carried out activities to improve corporate culture • Built a fair performance evaluation system	• Collected customers' opinions feedback • Conducted sales and marketing activities • Evaluated ESG-related aspects and responded to clients' audits	• Distributed information on toxic chemical substances and how to respond in the event of an chemical accident • Prepared a social contribution project plan through the Daesan Industrial Complex Council

* Posted a plan for chemical accident prevention and management on the website of Seosan City Hall

Materiality Assessment

Materiality Assessment Process

With the aim of grasping the key concerns of diverse stakeholders, KCI identified key issues that affected its business management, and conducted a materiality assessment. For the accurate assessment, we went through the analysis of industrial trends and global guidelines, surveys targeting stakeholders and expert groups, industry benchmarking, and media monitoring. Based on the results, a total of 14 salient issues were selected.

STEP 01

Analysis of sustainable management issues

- Analyzed the KCI's business environment
- Benchmarked good companies within the same industry: Looked into the sustainability reports released by domestic and overseas companies within the same industry, and identified the issues they regarded as important.
- Unpacked global standards and evaluation elements: Reviewed the requirements for sustainability report, such as GRI Standards, UNGC, SASB, MSCI, KCGS, and other related criteria
- Conducted media analysis: Examined the articles dealing about KCI to grasp the perception of the company

STEP 02

Identification of material topics

- Created an issue pool: Reflected key achievements made in 2021 and mid- to long-term strategies
- Checked the topics of GRI Standards: Matched material issues with GRI Standards
- Produced material issues for the stakeholder survey: Selected 14 material issues

STEP 03

Prioritization of material topics

- Stakeholders' interest: Surveyed stakeholders to evaluate the level of significance by topic
- Influence on business: Surveyed related departments and expert groups to evaluate the influence on strategies and finance

STEP 04

Effectiveness validation

- Drew up a clear and brief report on material issues
- Raised the reliability by having the report verified by the third-party organization

Materiality Assessment Results

Our Sustainability Materiality Assessment Matrix ● Environment ● Society ● Governance

Influence on Stakeholders / Business Impact on KCI

NO	Material Issue	GRI Topic	GRI Topic Page
1	Innovative Management through Business Diversification	GRI 201	45~46
2	Customer-oriented Management	GRI 416, 418	26~27
3	Occupational Health and Safety	GRI 403	28~31
4	Sustainable Products and Operations	GRI 416	32~33
5	Climate Action	GRI 305, 306	21~22
6	Supply Chain Management	GRI 414	34~35
7	Resource Use and Contaminants	GRI 305, 306	23~24
8	Win-Win Labor-Management Relations and Talent Cultivation	GRI 404, 405	36~39
9	Ethics Management and Legal Compliance	GRI 205, 206, 307, 419	47~48
10	Information Security	GRI 418	40~42
11	Human Rights Protection	GRI 412	43
12	Governance	GRI 102	49~50
13	Stakeholder Engagement	GRI 102	15
14	Local Community	GRI 413	15

ESG Material Issues

KCI surveyed internal and external stakeholders, and experts to understand the relevance with stakeholders and the influence on business of each topic. Based on the results, a total of 14 overarching issues were produced. The detailed materiality assessment process for the identification of the issues is available on Page 16 of this report. The surveys revealed that, among the 14 issues, the issue that has the biggest impact on our business and sustainable management was 'management innovation through business diversification,' which plays an essential role in reinforcing corporate future competitiveness and raising brand value. KCI has embedded these issues in its strategies to accomplish sustainable growth. And we took a close look at the backgrounds behind the selection of the top 14 issues including 'management innovation through business diversification,' based on which we came up with the management strategies and examined our responses and progress we have made so far. Along with this, we have set up the goals to contribute to the achievements of US SDGs* as follows. In addition, KCI analyzed each of material topics in a systematic manner to formulate effective strategies for sustainable management and put them into action.

	Material Issue	Background	Management Strategy	Key Activities and Progress	UN SDGs
Environmental	Climate action	With the deterioration of climate crisis, the international community has been tightening the regulations on GHG (Greenhouse Gas) mitigation in each sector. These circumstances are imposing a heavier pressure on companies to reduce their GHG emissions. Accordingly, it is required for companies to set up their GHG mitigation targets and implement the strategies to reach the goals, thereby proactively responding to the environmental regulations.	As a chemical manufacturer, we put eco-friendly management at the heart of our management, and are responding to stringent environmental regulations in an active manner. In an effort, we have set up the guidelines on environmental issues and energy use for all our employees to follow. In particular, we have paid heed to the management of toxic chemical substance emission. Furthermore, we have complied with the energy-related guidelines at the group level to join the effort to reach carbon neutrality.	• Obtained and implemented ISO 14001 certification • Convened the Safety, Health, and Environment Committee led by plant managers once a quarter • Provided climate change-related education	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
	Resource use and contaminants	Industrial process causes resource depletion and waste disposal, which, in turn, deteriorates environmental pollution. Accordingly, companies are required to establish strict resource circulation and waste management system, assuming the responsibility for environmental contamination. In particular, chemical manufacturers cannot be immune from the handling and management of harmful chemical substances. Therefore, they should tighten their handling standards and facility safety management.	Externally, we are cooperating with local communities to minimize the emission of toxic chemicals while internally conducting an inspection of facilities once a week, thereby managing chemical handling equipment in a stringent manner.	• Signed a business agreement with a related organization on the reduction of the concentrations of toxic chemicals in air in Deasan-eup, Seosan-si (Daesan Plant) • Carried out an inspection on resource management and pollutant emission on a weekly basis	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social	Customer-oriented management	Key stakeholders determine the success of companies. For this reason, it is required for companies to open communication channels through which they reach out to their customers to figure out their complaints and opinions. By doing so, companies need to understand customers' needs and reflect them in all aspects of their management, which will affect product manufacturing and supply. And this will culminate in improved customer satisfaction.	KCI has strained every nerve to boost communication with its clients. As part of the efforts to increase the number of fronts where we meet customers, we have ramped up digital sales and marketing activities. On top of that, we have built an online platform where customers look up ingredients.	• Conducted a customer satisfaction survey • Reinforced digital marketing (by taking advantage of the online platform where customers can look up ingredients) • Actively responded to clients' audits	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

* UN SDG : Sustainable Development Goals, 17 goals that humanity must ultimately achieve from 2015 to 2030 set by the UN for sustainable development of the international community
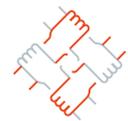
Social

Material Issue	Background	Management Strategy	Key Activities and Progress	UN SDGs
Occupational health and safety	Stakeholders are paying more attention to workplace accidents and health. Under this circumstance, companies need to play their part and bear the responsibility. Putting the safety and health of employees first, companies should become a safe workplace where the occurrence of industrial accidents is minimized.	With a view to preventing workplace accidents in every corner of procedures, we declared the 'Environmental, Health, and Safety Guidelines,' and have complied with the guidelines since then. Furthermore, we have educated all employees on occupational safety and health to raise their awareness of chemical substance handling. In addition, we have always reviewed practical measures that can be taken in the event of an emergency.	• Internally and externally educated and trained employees on workplace safety on a regular basis • Nurtured professional supervisors	3 GOOD HEALTH AND WELL-BEING / 8 DECENT WORK AND ECONOMIC GROWTH
Sustainable products and operations	Today, customers seek for value consumption just beyond product purchase. To keep pace with this trend, companies should deliver sustainable products enabling customers to realize sustainable value. This is an integral part of corporate survival and future growth engine. Therefore, it is required to draw up the strategies to carry out R&D activities and evolve manufacturing technologies.	Multifaceted efforts are being made to select sustainable ingredients that benefit both the planet and humankind. We are devoting all our strength to discover and use natural ingredients to develop biodegradable, eco-friendly, and sustainable products.	• Increased RSPO*- and COSMOS**- certified products • Complied with domestic and overseas regulations • Developed products made of Polyglyceryl esters * RSPO: Roundtable on Sustainable Palm Oil, international certification for eco-friendly palm business ** COSMOS: COSmetic Organic Standard, international certification for natural organic cosmetics and ingredients	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Supply chain management	There is a growing number of cases of sustainable issues within supply chain affecting corporate reputation and management. This shows how significant it is for companies to manage their supply chain in an efficient and transparent manner. Companies should help partner companies to establish sustainable systems, and activate communication with them to form a win-win relationship.	KCI has established its supply chain management system to join the efforts to create a sustainable society and environment. In order to help our suppliers grow in a sustainable manner, we have monitored and provided a venue to deal with identified issues.	• Acquired RSPO certification • Provided education for employees and suppliers	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Win-win labor-management relations and talent cultivation	Win-win labor-management relations and talent cultivation are one of core growth drivers. Accordingly, companies should be cognizant that their future competitiveness lies in their employees, and redouble their effort to develop their talents. In addition, mutual respect between the labor and management, such as the guarantee of work and life balance, and corporate culture built on trust is needed.	With the objective to sharpen our employees' capabilities, we have provided various educational courses ranging from basic one, such as document work, to professional course. In the face of COVID-19, we have adopted a flexible work from home system to ensure the safety of our employees while securing convenient facilities for workers at Daesan Plant who are difficult to work from home, thereby improving their satisfaction.	• Furnished basic competency and job training • Introduced a work from home system for 50% of employees (response to COVID-19) • Improved the conditions of dressing rooms and lounges • Run commuter buses • Reviewed four meals per day	8 DECENT WORK AND ECONOMIC GROWTH
Information security	The emergence of the 4th industrial revolution and big data requires companies to tightened their policy to protect all kinds of data related to stakeholders. It is overarching to operate a stable system to protect personal data from evolving cyberattacks, such as hacking or ransomware.	With the aim of safeguarding customers' and stakeholders' data safely, we have strengthened our security system. Furthermore, our employees are trained on data protection so that they raise their awareness of security.	• Operated an e-mail security solutions (SpamSniper, Fire eye, etc.) and V3 • Reviewed the adoption of document security solution (MS 365) • Provided education on data protection	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

	Material Issue	Background	Management Strategy	Key Activities and Progress	UN SDGs
Social	Human rights protection	Human rights issues related to corporate business operations have been in the spotlight. Under this circumstance, the failure or insufficient response to human rights management may result in a serios business disruption. Accordingly, it is essential for companies to formulate their human rights policy and due diligence system to make human rights management permeate every corner of their management.	Putting the human rights of our employees at the heart, we have established a process to deal with their grievances, thereby protecting the human rights in a practical manner. When it comes to the cases reported on workplace sexual harassment, we get to the bottom of the cases, and transfer to a different business site or give a reprimand to an assailant according to the gravity of their offense to separate them from victims.	• Provided education on the prevention of workplace bully and sexual harassment • Set up a complaint handling process	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
	Local community	It is one of duties for companies as corporate citizens to fulfill to promote a shared and sustainable growth with local communities. Companies should carry out a variety of activities, such as maintaining win-win relationships with local communities, and lending support to neighbors in need, to pursue social value.	As part of the strategy to grow and prosper with local communities, we are working with the Daesan Industrial Complex Council on social contribution activities.	• Joined the campaign named 'Environment Love Trekking with Companies' • Voluntarily Anyangcheon Stream clean-up activities • Donated firefighting facilities for housings of the vulnerable	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
Governance	Innovative management through business diversification	Amid the COVID-19 pandemic and global economic crisis, we are seeing a growing uncertainty about the survival of companies. In this situation, the diversification of business portfolio plays a pivot role in determining corporate sustainability. Companies need to embed portfolio diversification in their management to achieve sustainable growth.	We are reinforcing the R&D pipeline by strengthening our own R&D activities and collaborating with the Group for R&D. Furthermore, we have sharpened our strategic products' competitiveness to supply more, and accelerated the development of products made of natural ingredients.	• Expanded the scope of product line made of biocompatible and active ingredients • Developed new multicare products • Developed products made of Polyglyceryl esters	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Ethics management and legal compliance	Stakeholders are increasingly demanding for companies to take the ethical responsibility. As the regulations regarding ethics management or anti-corruption have become more stringent, companies should enact their code of conduct and make sure the compliance with it.	In accordance with the guidelines of Samyang Group that declared its ethics management in 2013, we have embraced the five principles and practical guidance on human rights management in all levels of our business operations. And all our employees have pledged to put ethics management into action, thereby joining the effort to disseminate a culture of legal compliance.	• Educated all employees on ethics management at the company level • Wrote a pledge every year	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
	Governance	Sustainable management has become the talk of the town, which has put a governance system in the spotlight. Against this backdrop, companies should make their governance more professional and independent, putting a sound governance system as top priority.	In order to create a sound governance system, we have promoted our Board's independence and expertise. In addition, we disclose the data in regard to shareholders and the status of the BOD (Board of Director) on our website so that our stakeholders can look up the information.	• Disclosed data in a transparent manner for stakeholders (shareholders and status of the BOD) • Strengthened the BOD's independence and expertise	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Stakeholder engagement	To figure out stakeholder groups who affect business management and manage them is one of the companies' obligations. Being aware of the significance of the communication with stakeholders, companies should have diverse communication channels in place to persistently pay attention to their voices.	In order to meet the demand from stakeholders for ESG management, we communicate through diverse channels and disclose our ESG-related data in our sustainability reports in a transparent manner.	• Published a sustainability report every year • Actively participated in domestic and overseas ESG evaluations	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Environmental

Why Does It Matter?

Climate change posed by global warming has become the greatest threat to humanity. We are seeing extreme weather events, such as floods, droughts, heavy downpours, or scorching heat, around the globe. To combat climate change, the international community is redoubling its efforts to curb global warming, and each country is stepping up policies to mitigate greenhouse gases (GHGs).

Climate Action

As extreme climate change is deteriorating into climate crisis all across the globe, eco-friendly management has become an integral part of business operations. All key nations are tightening their carbon reduction targets and related regulations. Against this backdrop, KCI has come up with a roadmap to achieve carbon neutrality, and strived to mitigate its GHG emissions and energy consumption to deliver environmentally friendly management and curtail carbon emissions.
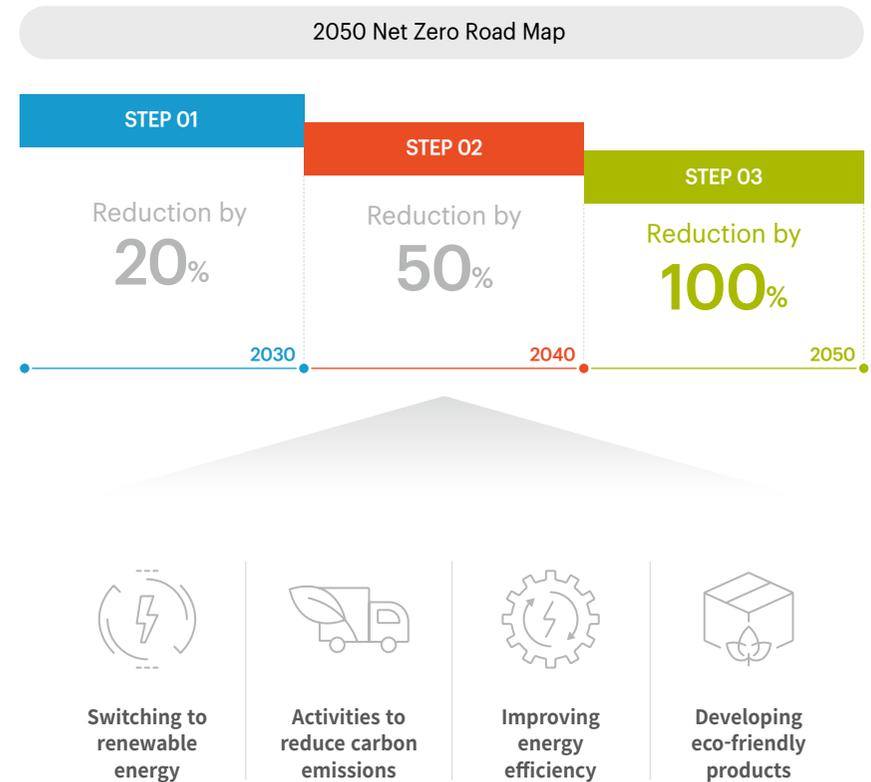
Responses to Climate Change

Our Activities to Combat Climate Change

In order to attain eco-friendly management, KCI will join the initiative aimed to combat climate change, and reinvent itself as a leading chemical manufacturer in terms of environmentally friendly business operations. To this end, we are going to mitigate GHG emissions and energy consumption, and reach net-zero by 2050. Likewise, KCI has made every effort to become a responsible member of the global community.

Carbon Neutrality
Major countries around the globe set up their Nationally Determined Contributions (NDCs) and Korea also declared its goal to reach carbon neutrality by 2050. In line with the trend, KCI is mapping out its mid- to long-term roadmap to achieve net-zero by 2050, and gearing up to reduce its GHG emissions by 20% compared to 2020 by 2030.

2050 Net Zero Road Map

STEP 01	STEP 02	STEP 03
Reduction by **20**%	Reduction by **50**%	Reduction by **100**%
2030	2040	2050

Switching to renewable energy	Activities to reduce carbon emissions	Improving energy efficiency	Developing eco-friendly products

Activities to Reduce GHGs

KCI set up its 2030 GHG emission reduction target, based on which it manages its emissions every year. And multifaceted efforts are being made, including the establishment of an inventory system and regular monitoring, to put its reduction policy into action as well as to conduct practical activities to reach carbon neutrality.

GHG Emissions

Item	Content	Unit	2019	2020	2021
GHG emissions	Direct GHG emissions (Scope 1)	tCO$_2$eq	2,282.69	2,499.86	2,211.67
	Indirect GHG emissions (Scope 2)	tCO$_2$eq	2,845.81	3,166.90	3,223.37
	Total GHG emissions (Scope 1 + 2)	tCO$_2$eq	5,128.50	5,666.76	5,435.04
	Other GHG emissions (Scope 3)	tCO$_2$eq	-	4,244	6,304
	GHG emission intensity (Scope 1, 2)	tCO$_2$eq/ton	0.58	0.58	0.57

Energy Management

KCI has established its energy management plan along with its guidelines on energy management, in accordance which it has managed its energy consumption. The guidelines specify the responsibilities and authority, and scope of work in terms of energy use, and also stipulate the goals for energy saving and safety. In 2018, we were designated as a 'energy intensive company,' since we consume more than 2000toe per year. Accordingly, we submit a report on energy use every year, diagnosis our energy consumption status, and hire personnel in charge of monitoring energy consumption and GHG emissions in accordance with the relevant laws. On top of that, we put emphasis on energy saving and climate action while the QA part provides environmental education for all employees at Daesan Plant on a yearly basis. The theme of the education was 'microplastics' in 2021 and 'what is green chemistry?' in 2020.

Energy Efficiency Improvement

KCI has strived to improve the efficiency of energy use since the introduction of EnMS in 2020. The lights at the plants have been replaced with high-efficiency LED ones, and heat pipes have been insulated, and activities have been carried out for waste heat recovery. And the adoption of Indirect Evaporative Cooler (IEC) in 2021, which operates in a way of reusing exhaust heat emitted from the inside to outside, enables us to less use energy for cooling, and also not to use refrigerant gas, which has contributed to the mitigation of GHG emissions.

Energy

Item	Content	Unit	2019	2020	2021*
Energy consumption	Total energy consumption	MWh	17,449.66	19,224.56	18,059.53
	- Electricity	MWh	6,188.56	6,886.83	7,009.62
	- Natural gas	MWh	11,165.68	12,250.18	10,955.86
	- Gasoline	MWh	28.79	22.17	40.05
	- Diesel	MWh	66.63	65.38	54.01
	Energy intensity	MWh/ton	1.97	1.98	1.89

* National emission factor in 2017 adopted since 2021

Environmental Regulations

Item	Content	Unit	2019	2020	2021
Violation of environmental laws	No. of chemical leaks	cases	0	0	0
	No. of environmental law violations	cases	2	1	0
	Fines incurred by environmental law violations	KRW million	2.4	1.6	0

Environmental Education

Item	Content	Unit	2019	2020	2021
Environmental education	Hours of environmental education per employee	hours	2.59	3.42	2.69
	Rate of employees completing environmental education course	%	100	100	100

Resource Use and Contaminants

With a view to preventing natural resource depletion as well as to addressing environmental issues posed by resource consumption, constant efforts in regard of resource reuse, recycle, and circulation are required. In order to meet the stringent requirements for the management of waste resources and hazardous chemicals, KCI has separated waste by type and also minimized waste generation, thereby reducing our impact on the environment.

Resource Use

We are seeing worsening water scarcity all around the world along with the fluctuations in precipitation patterns and sea level rise. KCI is well aware of the gravity of water resource management, and has carried out multiple activities to cut down on our water consumption and effluent discharge in an active manner.

Water Pollution and Effluent Management

KCI has set its emission standard as below 80% of the legal one to minimize the emission of toxic substances, and monitored the emission status on a regular basis. In addition, we use only amount of process water required in order to minimize water consumption as well as the energy used for effluent disposal. Effluent is treated at our own effluent treatment facility, and then discharged into a public effluent treatment plant for treatment by a specialized treatment company to make sure it is safely discharged.

Water and Effluent

Item	Content	Unit	2019	2020	2021
Water consumption	Water withdrawal	ML	34.48	29.90	30.99
	Water consumption	ML	19.17	15.93	17.59
	Water discharge	ML	15.31	13.97	13.40
Effluent discharge and recycled water	Effluent discharge	ML	11.01	11.74	11.33
	Recycling effluent	ML	0	0	0
	Chemical Oxygen Demand (COD)	ton	3.42	1.17	0.88
	Biochemical Oxygen Demand (BOD)	ton	0	1.52	0
	Suspended Solids (SS)	ton	1.62	0.26	0.85

Air Pollutant Management

KCI has put in place the guidelines on air, water, noise, and vibration management so as to actively address environmental issues. Pursuant to the guidelines, we have conducted environmental impact assessments, and formulated a plan on hazard management to respond to environmental accidents. Being well aware of the harmfulness of air pollutants, we have regularly replaced activated carbon and filters of prevention facilities, and installed low-NOx boilers that emit less NOx.

Air pollutant emissions

Item	Content	Unit	2019	2020	2021
Air pollutant emissions	Dust (PM3)	ton	0.29	0.44	1.04
	SOx	ton	0.013	0.013	0.055
	NOx	ton	5.676	2.430	2.517

Waste Management

Waste Generation Reduction and Recycling

KCI has set up its guidelines on waste management to minimize waste generation as well as to improve the efficiency of resource use. In accordance with the guidelines, we have defined the authority and roles of those in charge of waste management (Plant Director, Environmental Safety Department Head, etc.), checked the status of waste generation, reported on how to dispose of waste to fulfill our legal obligations, and separated and collected waste. When it comes to the waste subject to the notification of the Minister of Environment, we have written and preserved reports on its toxicity in accordance with the Wastes Control Act. In addition, taking the environmental impact into account, we have designed procedures not to generate unnecessary by-products. As a result, all our procedures do not emit by-products, which has contributed to the minimization of our environmental impact.

Waste

Item	Content	Unit	2019	2020	2021
Waste generation by type	General waste	ton	128.58	100.06	122.96
	- Landfill	ton	11.65	16.23	33.72
	- Incineration	ton	113.56	65.85	53.92
	- Recycling	ton	3.37	17.98	35.32
	- Others	ton	0	0	0
	Designated waste*	ton	780.68	1,752.94	1,690.31
	- Landfill	ton	0	0	0
	- Incineration	ton	16.25	9.29	0.49
	- Recycling	ton	763.26	1,740.01	1,687.32
	- Others	ton	1.17	3.64	2.50
Total waste generated	Total waste generated	ton	909.26	1,853	1,813.27
Total waste recycled	Total waste recycled	ton	766.63	1,757.99	1,722.64
	Rate of waste recycled	%	84	95	95

* Waste generation increased due to the changes in the method of managing designated waste since 2020

Hazardous Chemicals Handling and Management

Management of Hazardous Chemical Substances

In order to prevent an accident in the course of toxic chemicals handling, KCI has established guidelines on hazardous chemical substance management. In accordance with the guidelines, the authority and roles of personnel in charge of toxic chemicals handling (Plant Director) are defined along with a set of criteria regarding the preservation, storage, use, and how to respond to leakage. And we also make sure that the toxic chemicals handling equipment is inspected before its operation while regular and frequent inspections and safety diagnosis are carried out for hazard prevention and control.

Our Responses to Chemical Accidents

KCI has strained every nerve to efficiently manage harmful chemicals and prevent any chemical leaks through multifaceted efforts including the prior notification to all local residents before the use of chemicals and the formulation of the plan on chemical accident prevention and management. Moreover, an emergency response drill is carried out on a quarterly basis to quickly respond to an accident and evacuate the place. And training progress is also managed.

Training on Safe Handling of Chemicals and Activities

With the aim to train employees on how to respond to a toxic chemicals-related accident at workplace, KCI has provided training for all its employees once a year. Furthermore, we have educated managers, technicians, and personnel in charge of the handling of harmful chemical substances, thereby raising our employee's environmental awareness.

Social

Why Does It Matter?

As corporate social responsibility has grown in importance, companies is playing a more significant role.
A company should put all its efforts into providing distinctive value to customers, becoming a trustworthy workplace where its members respect each other, contributing to the development of local communities, nurturing talents to grow further, and achieving the shared growth with its suppliers.

Customer-oriented Management

Customers determines the success of a company. Many companies define their target customers, based on which they set up their business strategies and run their business including sales and marketing activities. KCI has made every effort to deliver ESG management, paying its attention to the voices of customers to reflect their opinions, such as their demand for eco-friendliness, diversity, or sustainability, in our operations.

Customer Satisfaction Management

Creating New Customer Value

Communication with customers underpins the growth of companies. Accordingly, KCI has conducted customer satisfaction surveys to listen to our customers' voices ranging from our products & services to overall management. Along with this, we have joined an ESG assessment and various international initiatives while expanding the scope of eco-friendly-certified products so that we can earn a better corporate reputation and raise customer satisfaction.

ESG Assessment

KCI received a Gold rating in 2021 from EcoVadis, which is a business sustainability ratings platform. KCI ranked among top 5% of evaluated companies out of 100,000 companies in more than 200 industries from 175 countries. This result is a clear demonstration of KCI's outstanding ESG management progress, which has become a key driver of its stable expansion of supply chain. Furthermore, we won B, B, and C ratings in the categories of climate change, water, and forest respectively from CDP, a global environmental information disclosure platform. Going forward, we will strive to reach out to more stakeholders through the publication of sustainability reports.

Halal Policy

Putting universal human rights value at its heart, and respecting all races and cultural diversity, KCI has strived to produce Halal certified products. Halal certification means permitted according to Islamic law, and it has been emerged as an effective means to prove that Halal-certified raw materials are not harmful to the human body in recent years. KCI has in place its Halal Certification Management Team that assumes the role of proactively developing products in a systematic manner as well as formulates a stringent procurement procedure based on the list of base materials assured by LPPOM MUI, the Indonesian certification. So far, we have obtained Halal certifications for a total of 55 products, including conditioning polymer (PQ-10, Guarquat series) and cationic surfactant (BTAC, BTMS). And the efforts are still being made to be certified for more products. In the years to come, we will be committed to satisfying our customers through regular reports and education. For more details regarding our policy, visit the section of 'Halal Policy' ⬈ on our website.

COSPOS Approved Certification

The endeavors are being made to acquire COSMOS (COSMetic Organic and Natural Standard) Certification, a globally recognized European certification for organic & natural cosmetics, for more products. COSMOS Approved means that 'nonorganic ingredients meet the strict requirements of COSMOS in terms of their raw materials and manufacturing processes.' The COSMOS Approved ingredients can be used for the manufacturing of organic finished goods or natural finished goods. Seven products of Guarquat series and one product of PGLCP 102KC RSPO MB are COSMOS Approved. Going forward, we will acquire more COSMOS Approved, thereby delivering a higher level of satisfaction to customers.

Engaged in International Initiatives

With a view to achieving sustainable goals as well as pursuing the shared growth with the global community, KCI has been engaged in various international initiatives. In December 2021, we joined the member of UNGC, an initiative seeking for corporate sustainability, followed by the declaration of the ten principles including human rights, labor, environment, and anti-corruption. In April 2022, we joined Korea Responsible Care Council, an initiative in pursuit of sustainable chemical industry, and set up Responsible Care as one of our goals. In accordance with this, we have actively and voluntarily carried out activities to improve our environment, safety, and health with an official declaration.

Customer Complaint Handling

KCI has managed customers' grievances and complaints in a systematic manner from the complaint recognition to handling. Utilizing the data collected from customers, we have resolved the complaints while striving to prevent the recurrence of the complaints.

❶ Reviewing the necessity of change in approval and responding to approval changes based on customer complaints
❷ Conducting on-site sales activities
❸ Operating a customer complaint response manual

Customer Complaint Response Process

Receiving complaints > Assessing the risk and determining the report level > Investigating the cause and establishing prevention measures > Corrective and preventive actions(CAPA) > Notifying customers

Customer Management

KCI accepts customers' inquiries through its website or e-mail, and then the personnel of the company in charge of the report item deals with it based on the feedback and opinions of Tech Center, Production, or Quality Teams. And we have kept customer information, inquiries, and handling results on our database to keep track of the developments.

Customer Safety and Health

Item	Content	Unit	2019	2020	2021
Product safety	No. of products recalled	numbers	0	0	0
	Tons of products recalled	ton	0	0	0
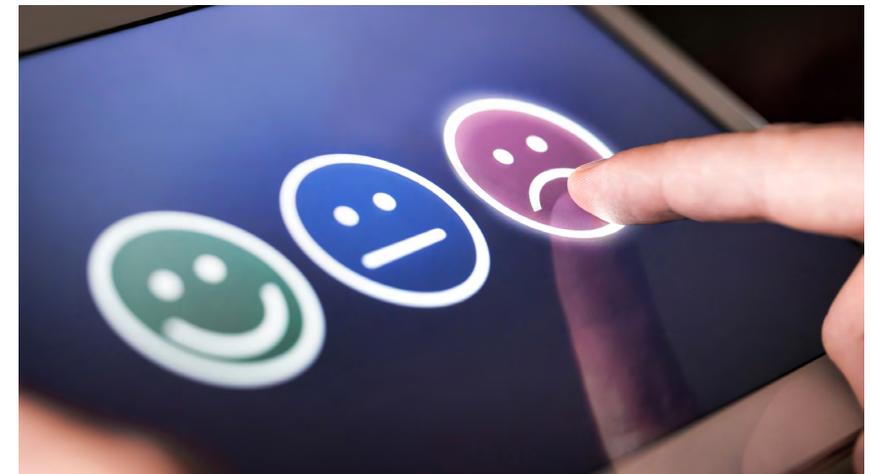
Occupational Health and Safety

Putting employee's safety, health, and environment above, KCI has made all-out efforts to prevent workplace accidents as well as become a pleasant workplace. As part of the efforts, we have stepped up our safety and health management while providing related education with a variety of activities, thereby embedding a culture of safety and health into every corner.

Implementation of Health and Safety Management

Health and Safety Management
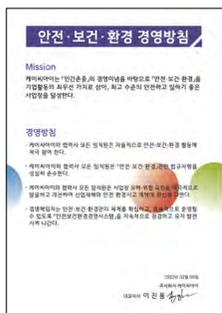
ISO 45001 certification

Under the goal of 'Zero industrial accidents, general accidents, accident rate, and procedure accidents by 2030,' KCI has set up its safety and health management system (ISO 45001 certification). And we carry out activities to improve the working environment and prevent employee safety accidents. We appointed managers and supervisors who take charge of safety and health management while entrusting an external agency to assess our work environments to proactively eliminate risk factors. Our labor and management are working together to create a pleasant workplace to further grow as well as to maintain and enhance safety and health for our employees. In addition, we always discuss with contractors to take required safety and health measures to prevent industrial accidents.

Operation of ESH Embedded IT System

We have in place an integrated ESH IT system which embraces all regulations and work standards in regard of environment health safety. This system enables all our business sites to be consistent in conducting their work, and also each work to be related through the system to ramp up the EHS management system.

Safety and Health Management Implementation Process
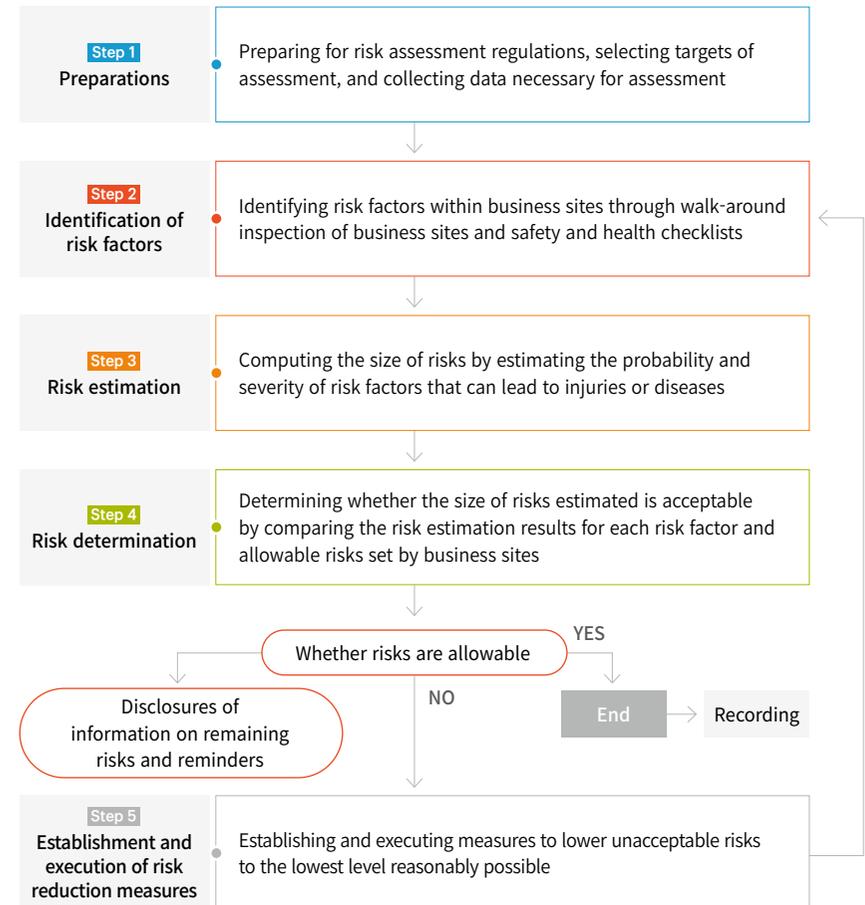
Step 1 Preparations	Preparing for risk assessment regulations, selecting targets of assessment, and collecting data necessary for assessment
Step 2 Identification of risk factors	Identifying risk factors within business sites through walk-around inspection of business sites and safety and health checklists
Step 3 Risk estimation	Computing the size of risks by estimating the probability and severity of risk factors that can lead to injuries or diseases
Step 4 Risk determination	Determining whether the size of risks estimated is acceptable by comparing the risk estimation results for each risk factor and allowable risks set by business sites

Whether risks are allowable — YES → End → Recording

NO

Disclosures of information on remaining risks and reminders

Step 5 Establishment and execution of risk reduction measures	Establishing and executing measures to lower unacceptable risks to the lowest level reasonably possible

Enhancing Safety and Health Management

In compliance with PSM regulations, we have work permits, conduct risk assessments, and provide safety protection gear and training in confined spaces. Through our efforts to measure the working environment semi-annually to improve the working environment exposed to harmful factors, we are reinforcing the overall management of safety and health.

Safety and Health Education and Activities

We provide regular monthly safety and health education and PSM education for all our employees. Safety work training on risk factors is offered through risk assessment of each machine, equipment, and process aiming to minimize disasters on top of highly effective programs, such as information on accident cases, ways to handle safety equipment, and first aid training. In addition, we regularly let our employees receive general and special health checkups to support their health care and disease prevention.

Reduction Efforts for Occupational Accident

Item	Content	Unit	2019	2020	2021
ISO 45001 certification	No. of certified business sites	numbers	1	1	1
	Ratio of certified sites	%	33	33	33
Occupational safety and health training	No. of target trainees	persons	173	183	150
	No. of people completed the training	persons	171	181	149
	Ratio	%	99	99	99
	Training hours per employee	hours	34.7	32.8	24.9

COVID-19 Response

We have built a communication system and emergency response process aligning with the group's COVID-19 Contingency Plan. Our response activities and confirmed cases are continuously shared with our employees.

Major Response Measures

1) Drawing up the COVID-19 Contingency Plan to update and share information periodically
2) Conducting refresher education on the company's policies, such as COVID-19 management guidelines, action rules when symptoms occur, and definition of close contactors
3) Strengthening access restrictions and inspection of persons given access
4) Supporting hygiene supplies and performing disinfection
5) Temporarily closing, downscaling, and separating multi-purpose facilities
6) Inspecting daily labor status (status of persons on self-quarantine, status of persons who can work)

COVID-19 Contingency Plan

COVID-19 Contingency Plan

Safety management
- Establishing management guidelines and action rules
- Conducting refresher education on the company's policies

Health management
- Supporting hygiene supplies and performing disinfection
- Temporarily closing, downscaling, and separating multipurpose facilities

Labor management
- Strengthening access restrictions and inspection of persons granted access
- Inspecting daily labor status (status of persons on self-quarantine, status of persons who can work)

Crisis Management at the Workplace

Crisis Management System

KCI is setting up measures to prevent and prepare for crises at the workplace and to respond and recover appropriately to minimize the adverse impact when a crisis occurs.

Purposes of Establishing Crisis Management System

❶ To protect the life and safety of employees and business partners
❷ To protect properties, such as facilities, information, and reputation
❸ To secure the trust of stakeholders, including customers and shareholders
❹ To increase the crisis response capabilities of employees and business partners and foster a crisis management culture

Crisis Management Organization

We formed a crisis management organization to swiftly and appropriately respond to the crises by the type of situation, carrying out preventive activities to remove any risk factors that may occur in advance.
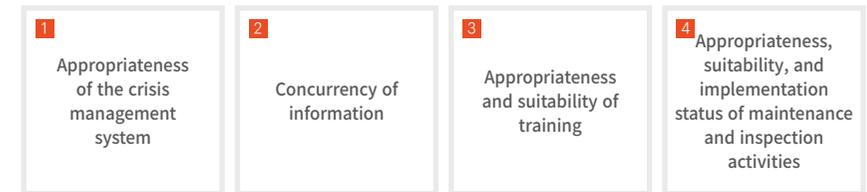
Crisis Management Organization

Emergency Measure Committee
- Chair : Group Head
- Members : BU Head, PU Head

General Situation Office
- Office managers : BU Head, PU Head
- Members - required : Planning Team Manager, Crisis related Team Manager

Communication Team

Corporate Response Team

Corporate Support Team

On-site Response Support Team

Emergency Control Office
- Officer : Crisis Officer (Plant Manager)
- Members : Crisis Managers

Response Control
Response Team/ Control Team

Emergency Action
Action Team/ Firefighting Team

Emergency Support
Operation Team

Emergency Aid
Medical Team/ Exit Team

Inspection of Workplace Crisis Response Status

We check the adequacy of the crisis management system at the workplace that has been established and diagnose the update of information and the relevance and suitability of training, carrying out education / training, evaluation, document management, management review, and improvement activities.

Primary Purposes

| 1 Appropriateness of the crisis management system | 2 Concurrency of information | 3 Appropriateness and suitability of training | 4 Appropriateness, suitability, and implementation status of maintenance and inspection activities |

Execution System

Status diagnosis
- Selecting key risk factors and inspecting and improving the risk prevention activities of each department
- Checking the legal compliance status related to environmental issues and safety through crosschecking among business sites and identifying problems in facilities and equipment

Education and training
- Education on the crisis management system, mindset campaign, etc.
- Inspecting the practicality and adequacy of crisis response trainings, evaluations, crisis management systems, and procedures

Evaluation
- Evaluating compliance with the crisis management policy and plan (regulation)
- Managing changes, such as in crisis management strategies and document records

Improvement and review
- Improving inadequate equipment and processes
- Reviewing problems derived from major changes, training, and evaluation and making decisions regarding improvement measures

Safety and Occupational Accident

Item	Content	Unit	2019	2020	2021
Working hours	Total working hours	hours	372,784	394,056	348,315
Safety management	Occupational accident	cases	0	0	2
	General accident	cases	6	0	3
	Accident rate	%	3.82	0	4.85
	Process accident	cases	1	1	1
	No. of violations against safety-related regulations	cases	0	0	0
Absence from work	Absence rate	%	0.05	0	0.26
Occupational accident (employees)	No. of labor loss cases	cases	0	1	2
	Lost Time Injuries Frequency Rate (LTIFR)	%	0	2.54	5.74
	No. of labor loss days	days	0	243	55
	Lost Time Injury Severity Rate (LTISR)	%	0	0.62	0.16

Crisis Response Manual

KCI minimizes damage from accidents by determining the requirements for crisis response procedures that can be applied in the event of accidents and taking adequate and effective measures.

In accordance with the principles of group companies, establishment principles were established based on the following items. The response measures are divided into three steps : the receipt of the report and dissemination of information on the situation; the judgment of the situation and emergency response; and the operation of the company-wide organization and exit. The Crisis Response Procedure is prepared to include minimal items required for each step.

❶ Our priority goal is to protect the lives of employees and stakeholders.
❷ We establish the crisis response procedure for each key risk factor derived after risk
❸ We clarify the roles and responsibilities of the crisis response organization.
❹ The Procedure is written clearly and concisely to be accessible to all workers.
❺ The Crisis Response Procedure is prepared as a document and furnished in a place easily accessible to all workers.
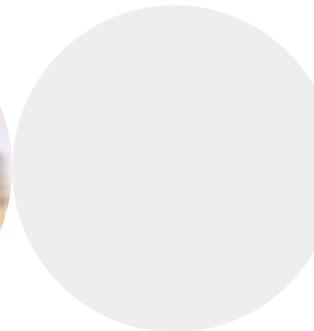
Sustainable Products and Operations

The foundation of corporate values is our products and services. KCI strictly manages its products, endeavoring to offer safe products to clients by taking into consideration the factors affecting society and the environment in the course of product development and production.

Product Quality Innovation and Safety Management

Enhancing Product Sustainability

We consider multiple laws in connection with different chemical substances that differ by counties such as Korea, the EU, and the U.S., as well as stakeholder demands, and identified risks and opportunities in our production and management of products. When production is completed, we conduct random quality inspections on all products. We make efforts to stably produce high-quality products with high levels of environmental and human safety and functionality.

Quality Management

KCI produces high-quality raw materials through a quality management policy built on 'standard compliance, quality innovation, quality pride, customer satisfaction, and human resource development' and an organized and systematic quality management system. We strive to respond to clients with the best quality. Besides, we consistently maintain certifications from recognized institutions, including ISO 22716 (good manufacturing practices for cosmetic products) and EFfCI-GMP (European Federation for Cosmetic Ingredients-GMP).

> **Quality / Environment / Safety Management System** | We have set up the manual for quality, environment, safety, and health that meets the needs of customers and stakeholders, legal and regulatory requirements, and conformity and effectiveness of ISO 9001·14001·45001. Through the objective, systematic, and documented process, our quality, environment, safety, and health management system is being consistently improved and developed.
>
> **Chemical Substance Management System** | We register and manage chemical substances, and 'change control' is used to manage new substances and to carry out related procedures for licensing. In terms of hazard chemicals that are used after going through preliminary reviews in accordance with laws such as the Act on the Registration and evaluation, etc. of Chemical Substances, we report the log of usage. We are also creating an environment for efficient business management by introducing an enterprise resource planning (ERP) system while identifying potential health effects of products and services to further raise product safety.

Elevating Product Sustainability

With an aim to overcome the safety and environmental hazards of chemical products, we use natural raw ingredients such as beans, rape flowers, natural oils, sugars, and glycerin in our production, increasing the proportion of product certified by RSPO or COSMOS. Besides, we comply with domestic and international sustainability guidelines. Our entire products and key raw materials follow the Act on the Registration and e valuation, etc. of Chemical Substances and European laws, including REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). To make sure that we do not any harm to the environment and consumers, and earn trust from customers, we conduct through safety assessments.

Eco-friendly Activities

In order to minimize its environmental footprint at all procedures ranging from product manufacturing to supply, KCI has set its standards for the emissions of harmful substances below 80% of the legal one. And we measure the emissions of air pollutants or effluent by ourselves to collect data on the emissions. According to the results of measurement, we have ameliorated our pollution prevention facilities. Our eco-friendly activities are reported to the authorities on a regular basis, and we also go through thorough inspections to protect the air and water resources of local communities.

ISO 9001 certification   ISO 14001 certification   ISO 22716 certification   EFfCI-GMP certification

Air pollutant treatment facility (scrubber)

Wastewater treatment facility

Process Improvement and Optimization | Through a continuous production plan, KCI shortens the manufacturing process, saves cost, time, and energy, efficiently producing a variety of products.

Advancement of Energy Efficiency | In order to improve energy efficiency, we are suspending the operation of old facilities and making the efficiency of facilities higher. We strive to reduce power consumption with the introduction of inverters in wastewater treatment facilities, while adopting high-efficiency pumps, and replacing the lighting with high-efficiency LEDs. Improving the insulation of heat transfer pipes and waste heat recovery are also being implemented to minimize the energy consumption.

Introduction of Energy Management System | Energy Management System (EnMS) is utilized in systematically managing resources and processes to achieve management goals for the efficient use of energy. The EnMS enables active energy monitoring by tracking the amount of energy consumption and consumption patterns in real-time. Capitalizing on the system, we will utilize energy in a more efficient manner, identifying issues in regard to energy use.

Energy-saving Activities in Daily Life | With an aim to create an eco-friendly culture within the company, we have encouraged people to comply with heating and cooling temperatures, set monitor screen savers, turn off lights at lunchtime, and reduce the use of paper and paper cups. Besides, we make endeavors to mitigate greenhouse gas emissions by introducing shuttle buses and carpooling systems for commuting. In addition, electric cargo handling machines are being considered to be introduced in the company.

Soil Contamination Test | Under the enforcement regulations of the Soil Environment Conservation Act, we regularly conduct soil contamination tests on each of our business sites. The items of inspection include; benzene, toluene, ethylbenzene, xylene, and TPH. As a result of inspection, there was no source of pollution found, and we passed for all areas of the test.

Recycling and Reuse of Resources | We annually submit our implementation plan for recycling goals to the related institution, thereby fulfilling our social responsibility on recycling and reusing resources. Our goal is to reach higher than 70% of the recycling rate, striving to use limited resources on the Earth to the fullest by minimizing hazardous wastes and recycling resources.

Sustainable Activities

Item	Content	Unit	2019	2020	2021
Sustainable product	Amount of purchasing eco-friendly products and services[1]	KRW million	397	1,181	1,357
	Amount of selling eco-friendly products and services[2]	KRW million	1,324	3,412	5,139
	Ratio of purchasing RSPO MB-certified raw materials[3]	%	5.8	5.4	15
ISO 14001	Total business sites	numbers	3	3	3
	Certified business sites	numbers	1	1	1
	Ratio	%	33	33	33

1) Based on the RSPO-certified raw materials

2) Based on the products certified by RSPO or COSMOS

3) Amount of purchasing RSPO MB (Mass Balance) raw materials / Total amount of purchasing raw materials

Supply Chain Management

As the scope of corporate responsibility has expanded to the overall value chain, the issues of labor, environmental damage, and safety throughout the supply chain make impact on the products, services, or company reputation. We prevent adverse issues in cooperation with our suppliers, and receive evaluation concerning the appropriateness of our supply chain in line with the needs of stakeholders.

Partner Company Management

Sustainable Supply Chain Management

We prioritize win-win cooperation with our suppliers, which reflect the needs of stakeholders with the objective of promoting sustainable management activities. When managing the supply chain, we rate our suppliers by evaluating all areas from quality, process, environment, labor, safety to health, followed by grading them with the total score. Accordingly, we carry out tailored management by the grade regarding inspection frequency and action outcome confirmation. We grant additional incentives when suppliers are engaged in sustainable management activities, such as EcoVadis evaluation, UNGC membership, and ISO 14001·45000·37001 certification. In contrast, suppliers with too low grades or issues are subject to review for contract termination or changes. We have operated this supplier evaluation criteria as above so that our suppliers can actively participate in sustainability management.

Sustainable Supply Chain Management Guidelines

Labor and Human Rights
- Anti-discrimination
- Anti-harassment
- Prohibition of child labor exploitation
- Improvement of worker treatment

Safety and Health
- Occupational safety management
- Work environment management
- Emergency response
- Disaster and disease management

Environment
- Environmental licensing and reporting
- Hazardous substance management
- Environmental emissions management
- Improvement of resource efficiency
- Response to product environmental regulation

Ethics and Fair Trade
- Observance of business ethics
- Compliance with fair trade
- Transparent disclosure of information
- Protection of intellectual property rights
- Information security

RSPO Certification for Responsible Purchasing

Palm oil is an eco-friendly ingredient widely used for cosmetics and personal care products. Its growing demands have led to the main culprit of deforestation and labor exploitation of production workers. Being aware of the problem, we acquired the Roundtable on Sustainable Palm Oil (RSPO) certification for the first time in the domestic cosmetic raw material field in 2016. Aiming for continued management, we have documented, applying the RSPO Supply Chain Certification Standard regulations to check if the raw materials are complying with the RSPO Mass Balance (MB)* throughout the entire process of warehousing, storage, sales, and shipment. We make endeavors to gradually expand the scope of RSPO certification. The company-wide efforts are made to use more traceable raw materials by having regular internal meetings and providing related training.

* A display of the ratio of certified palm oil to non-certified palm oil on the product

CERTIFIED SUSTAINABLE PALM OIL™
RSPO
MIXED
2-1009-19-000-00

Sustainable Policy

We have put in place and complied the sustainability policy based on RSPO certification standards since 2018 aiming for the sustainable supply chain management. We clearly stipulated ban deforestation, protect peatlands, and have a positive social and economic impact on local communities in our policy and signed a pledge to comply with the Universal Declaration of Human Rights. On the foundation of the policy, we pursue sustainability in the entire process of product production on top of fulfilling our social and environmental responsibilities that may arise outside the production process. The details of our sustainability polity is disclosed on the homepage.

Supplier Code of Conduct

KCI established the Supplier Code of Conduct for CSR to stipulate matters concerning the human rights of workers and ethical management that our partner companies should follow, striving to prevent corruption and create a transparent corporate culture. We have built an ESG cooperation system so that all our partner companies faithfully fulfill and comply with the Code in relation to labor and human rights, safety and health, environment, ethics, and fair trade. We continuously support them to meet our social responsibility management principles and philosophy. The feasibility of the supplier CSR management policies is regularly reviewed once a year, and additional reviews are carried out when relevant laws are enacted, revised, or significantly changed in the internal and external environment.

Supply Chain Management

Item	Content	Unit	2019	2020	2021
Supplier	No. of total suppliers	numbers	116	133	115
	No. of major suppliers	numbers	5	5	5
	Amount of purchase from all suppliers	KRW million	35,259	40,402	41,912
	Amount of purchase from major suppliers	KRW million	24,310	20,063	25,111
Supply chain contract clause	Ratio of major suppliers that have signed the Supplier Code of Conduct	%	0	0	0
	Ratio of major suppliers signed the contract including environment, labor, human rights and ethical requirements clause	%	0	0	0
Supply chain CSR evaluation	No. of major suppliers that are included in CSR evaluation (ratio)	%	5(100)	5(100)	5(100)
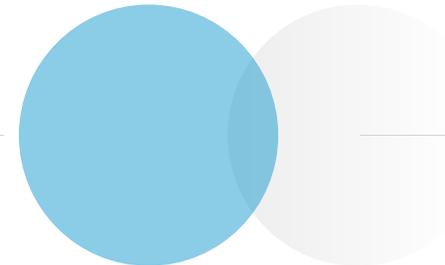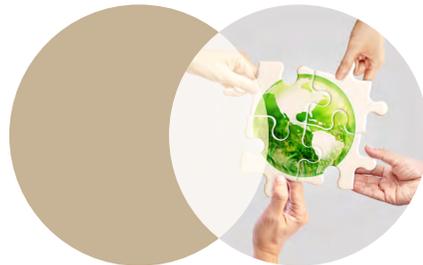
Win-Win Labor-Management Relationship and Talent Cultivation

With an objective of creating a happy work environment and sharpening the capabilities of its employees, KCI is actively promoting human resource development, win-win labor-management, and welfare systems. We seek sustainable growth by facilitating an organizational culture, keeping in mind that our employees are the company's most valuable resource.

Win-Win Labor-Management Relationship and Talent Nurturing Strategy

Securing Talents and Capacity-Building Strategy

KCI guarantees free labor union activities and strictly responds to discrimination and harassment by gender, age, and religion of employees based on Article 46 of the collective agreement. And we discuss working conditions annually, such as wages and welfare benefits, through collective bargaining the Labor-Management Council. On top of that, we will operate a pilot MBO-based evaluation management system from the second half of 2022 for fair evaluation and compensation, followed by fully operating it as the standard for evaluation and compensation of all employees from 2023. We are continuously investing in improving the working environment and developing personal job competencies, and we will continue to increase our welfare benefits and education costs per capita in the future.

Employee Composition

Item	Content	Unit	2019	2020	2021
No. of regular positions	Male employee	persons	134	149	139
	Female employee	persons	22	21	20
	Total	persons	156	170	159
No. of contract positions	Male employee	persons	1	2	6
	Female employee	persons	0	0	2
	Total	persons	1	2	8
No. of managers	Male employee	persons	36	39	43
	Female employee	persons	4	4	5
	Total	persons	40	43	48
	Ratio of female managers	%	10	9.3	10.4
	Ratio of female employees in senior management	%	0	0	0
Total no. of employees	Male employee	persons	135	151	145
	Female employee	persons	22	21	22
	Total	persons	157	172	167
	Ratio of female employees to total employees	%	14	12.2	13.2
Employees by age	Under age 20	persons	0	0	0
	Age 20 - 29	persons	40	37	20
	Age 30 - 39	persons	64	73	70
	Age 40 - 49	persons	32	37	43
	Age 50 or above	persons	21	25	34
Vulnerable employees	Ratio of handicapped employees	%	1.92	1.76	1.80
	Ratio of employees of national merit	%	0	0	0

Employment and Turnover

Item	Content	Unit	2019	2020	2021
New recruitment	Male employee	persons	35	25	14
	Female employee	persons	2	1	5
	Total	persons	37	26	19
No. of leavers	Male employee	persons	28	9	20
	Female employee	persons	2	2	4
	Total	persons	30	11	24
Turnover rate	Male employee	%	20.7	6.0	13.8
	Female employee	%	9.1	9.5	18.2
	Total	%	19.01	6.39	14.37
Voluntary turnover rate	Male employee	%	17.7	5.2	7.6
	Female employee	%	9.1	9.5	9.1
	Total	%	16.56	5.81	7.78
Length of service	Average length of service	years	5.5	5.9	6.7
	Average length of service for male employee	years	5.9	6.0	6.8
	Average length of service for female employee	years	5.1	5.8	6.2

Work Environment

Item	Content	Unit	2019	2020	2021
Monthly average remuneration per capita	Male employee	KRW million	3.4	3.5	3.7
	Female employee	KRW million	2.8	3.0	3.0
	Total	KRW million	6.2	6.5	6.7
Equal pay	Management position	%	66	64	67
	Non-management position	%	95.3	97.7	94.9

Employee Education

Item	Content	Unit	2019	2020	2021
Hours of education	Hours of education per capita	hours	5	5	5
Expenditure of education	Expenses of education per capita	KRW 10,000	11	10	11
Job training	Ratio of employees completing job training	%	100	100	100

Various Welfare Benefit Systems

We make all our efforts to offer a pleasant working environment while supporting a stable and healthy life for our employees. We pay school expenses for children, child support, and family allowances while providing health checkups. In addition, we operate welfare benefit programs, such as reduced working hours for pregnant women and long-term service rewards for efficient working life. In 2022, we increased the number of commuter buses for employees at production plants and provided birthday gifts as part of our efforts to improve the working environment of our employees.

Support for Stable Life

Assistance with child educational expenses	Support for children's high school and university tuitions (applied after 1 year of employment)
Assistance with child support expenses	Provision of KRW 100,000 monthly for one preschool child
Assistance with family allowances	Provision of KRW 50,000 monthly for a parent (including spouse's parent) aged over 60
Assistance with events of congratulations and condolences	Provision of expenditure, wreath, and holidays for the events of congratulations and condolences

Support for Healthy Life

Assistance with health checkups	Comprehensive health check-up support for the purpose of checking the health status of employees and preventing and early detection of diseases(35-year-old person once, 40-year-old person every year, spouse every other year)
Operation of cafeteria	Operation of cafeteria for factory employees

Support for Pleasant Life

Provision of summer holiday and holiday bonus	Summer vacation support and a small sum of vacation bonus
Assistance with recreational facilities	Assistance with condominium usage (Sono Hotels & Resorts)
Operation of factory commuter buses	Commuter bus operation for factory workers
Long-term service reward	Long-term service reward (10 years, 20 years, 30 years)
Provision of birthday gifts	Provision of gift vouchers for birthdays

Childcare Leave and Welfare

Item	Content	Unit	2019	2020	2021
No. of employees on childbirth leave	Male employee	persons	3	2	5
	Female employee	persons	0	2	1
	Total	persons	3	4	6
No. of employees on childcare leave	Male employee	persons	0	0	1
	Female employee	persons	0	1	2
	Total	persons	0	1	3
Ratio of employees returning to work after childcare leave	Male employee	%	-	-	100
	Female employee	%	100	0	100
	Ratio of employees working for more than 12 months after childcare leave	%	0	100	100
Welfare	Expenses for welfare	KRW million	221	259	1,971
	Expenses for welfare compared to sales	%	3.16	3.41	2.42

Win-Win Labor-Management Relations

We respect the freedom of association and collective bargaining under the International Labor Organization (ILO) convention and domestic labor laws. The Labor-Management Council is held on a quarterly basis to revamp the organizational culture and handle grievances. The decisions made in the meetings are equally applied to all employees or related persons. A labor union has been also established and operated, and we are seeking a win-win labor-management model through it.

Labor-Management Council Regulations
1) Productivity improvement and performance distribution
2) Recruitment, placement and training of workers
3) Prevention of labor disputes
4) Handling of workers' grievances (including the grievances concerning the Equal Employment Act, such as education, placement, promotion, and dismissal)
5) Improvement of safety, health, and a working environment and health check-ups for workers
6) System improvement of human resources and labor management
7) General principles of employment adjustment, such as relocation, retraining, and dismissal of personnel due to management or technical circumstances
8) Operation of work and break time
9) Improvement of systems, including payment method, system, and structure
10) Introduction of new machines and technologies, or improvement of work processes
11) Establishment or revision of work guidelines
12) Support for Employee Stock Ownership Plan (ESOP) and other property formation for employees
13) Matters concerning compensation to the workers for their inventions or others
14) Promotion of workers' welfare
15) Installation of worker monitoring equipment within business sites
16) Matters to protect female workers' maternity and to support work-life balance
17) Matters concerning other labor-management cooperation

Labor Union

Item	Content	Unit	2019	2020	2021
Labor union and collective agreement	No. of union members	persons	0	82	77
	Ratio of employees subject to collective agreement	%	0	100	100

Information Security

Equipped with an information security system in connection with the Group, KCI is putting the policies and systems for personal data protection in place. We operate physical and awareness security solutions to raise awareness of information security, striving to strengthen response procedures by identifying risks.

Data Security System

Personal Information Security System and Policy

We continuously make efforts for safe and thorough information protection management under the Samyang Group's personal data protection policies and guidelines. Our information protection management system is systematically operated in line with the security policy, and we control and supervise personal data so that it can safely processed.

Personal Data Handling Policy

KCI places great importance on safeguarding the users' personal information and operating a personal data handling policy based on related laws, such as the Personal Information Protection Act and the Protection of Communications Secrets Act. We disclose the personal information handling policy on the main screen of our homepage so that users can easily check it at any time. We also them of the use of personal data and the current status of protection measures for it. We are seeking continuous improvement of the personal data handling policy. For instance, we ensure the safety of personal information and operate related civil complaint services. In the event of any requirements or social changes, we constantly revise it according to the relevant procedures.

Personal Information Processing System

We operate database system and application system to process personal data. We applied a step-by-step approach, interlocking the access control, menu and screen display, encryption, and log management.

Authentication and access control ▸ Menu and screen display ▸ Encryption ▸ Log management

Personal Information Protection Rules

Information Protection Action Rules

❶ Using authorized and genuine software programs
❷ Prohibiting access to websites that use personal information when using the Internet in a public place
❸ Turning PCs off once a day and turning power off when not using PCs
❹ Recommending password setting

Personal Information Handling Rules

❶ Acquiring consent when collecting and using personal information
❷ Separately managing the safety of stored personal information to prevent access by unauthorized persons
❸ Completely and irrecoverably destroying personal information after use
❹ Not storing personal information, such as resident registration numbers, credit card numbers, and bank account numbers, on PCs
❺ Deleting personal information when changing PCs and mobile phones
❻ Immediately reporting any personal information leakage accident to the information protection organization

Preventing Ransomware Infections

❶ Deleting emails with suspicious sources or attachments without opening
❷ Keeping operating systems and work software programs up-to-date
❸ Regularly backing up data not stored in central storage spaces (safe space)
❹ Being cautious about sharing PCs or folders (to be shared with the minimal number of parties)
❺ Blocking network connections and reporting infections to the information protection organization to prevent their spread

Raising Information Security Awareness

Identification of Information Security Risks

Owing to the growing use of the internet and reinforced global accessibility, the risk of being exposed to cyberattacks such as hacking and ransomware is increasing. We can easily witness accidents, such as the leakage of corporate business data or customers' personal data. Accordingly, the significance of risk management systems responding to them has come to the fore.

Response Plan against Information Security Risks
In compliance with the Group's security policy, we operate both physical and awareness security solutions to cope with internal and external risks of information security.

| Physical Security Solution |

With an aim to safeguard internal personal information and work data and to respond to security risks, we operate the security systems as below.

❶ Introduction of a document security system : Security of documents, including Word, Excel, and PPT
❷ Introduction of an integrated PC management system : System that manages PCs, portable storage devices, wireless networks, and illegal software programs
❸ Introduction of an anti-spam system : Blocking spams, malicious codes, and virus emails to reduce email security threats and work inefficiencies
❹ Advanced persistent threat (APT) solution : Solution for intelligent attacks, such as ransomware, malicious codes, DDOS, and network invasions (hacking)
❺ VPN : External access to the internal network to provide a security network environment

Document security
• Document security system

APT security
• APT response solution
• Anti-spam system

Comprehensive IT security of the Group

PC security
• Integrated PC security
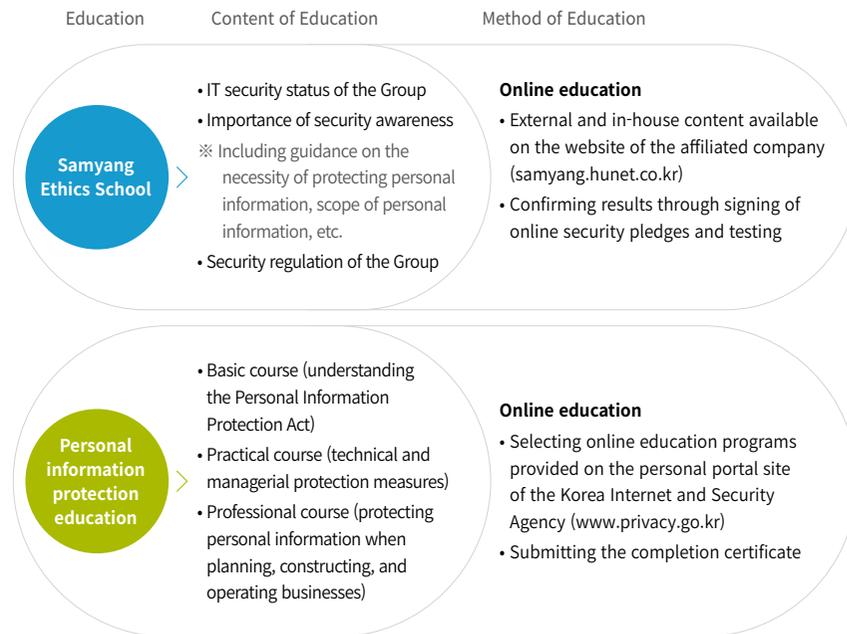
External security
• VPN

| Awareness Security Solution |

We provide Samyang Ethics School for the entire employees and education on personal information protection targeting the people handling personal data, aiming to establish the work security mindset. Besides, we raise security awareness through the 3 Code of Conduct for Group Security and the Group's information security compliance pledge.

Security Compliance Pledge

Information Security Education Status

Education	Content of Education	Method of Education
Samyang Ethics School	• IT security status of the Group • Importance of security awareness ※ Including guidance on the necessity of protecting personal information, scope of personal information, etc. • Security regulation of the Group	**Online education** • External and in-house content available on the website of the affiliated company (samyang.hunet.co.kr) • Confirming results through signing of online security pledges and testing
Personal information protection education	• Basic course (understanding the Personal Information Protection Act) • Practical course (technical and managerial protection measures) • Professional course (protecting personal information when planning, constructing, and operating businesses)	**Online education** • Selecting online education programs provided on the personal portal site of the Korea Internet and Security Agency (www.privacy.go.kr) • Submitting the completion certificate

Information Protection Activity

Item	Content	Unit	2019	2020	2021
Information protection education	No. of target employees	persons	156	170	167
	No. of people completed the education	persons	156	170	167
	Total	%	100	100	100
Customer information management	No. of violations against customer information protection	cases	0	0	0

Three Major Security Action Principles

1 **Make sure to discard important documents that contain business information regarding the company.**
• Shred printouts that contain important information after use.
• Manage printed documents to prevent others from viewing or transporting them.

2 **Regularly clean your mailbox at least once every three months.**
• Delete unnecessary emails right away.
• Emails in inboxes should be emptied after three months.

3 **Use the official communication channel to share information.**
• Listen attentively to various news and messages about the company through the official communication channel.
• Accurately share details of meetings based on the minutes instead of spreading them discretionally.

Human Rights Protection

KCI strictly complies with the Labor Standards Act and the Sexual Equality Employment Act while practicing human rights management and stipulating anti-discrimination. We annually provide human rights education for all employees and conduct a grievance-handling process to protect victims.

Human Rights Management

Implementation of Human Rights Management

On the foundation of respect for the human rights and human dignity of all our stakeholders, including employees, clients, local communities, and partner companies, we strive to realize human rights management in consideration of human rights issues throughout the entire process of our business activities. To this end, we established a human rights policy in 2019 in compliance with the global human rights standards, including the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and the UN Global Compact Ten Principles. We make multifaceted efforts to uphold the human rights of not only our employees but also all stakeholders related to our business activities.

Human Rights Policy

1) **Respect for Human Rights**: Respecting the human rights of all members and stakeholders
2) **Prohibition of Discrimination and Respect for Diversity**: Providing equal opportunities, prohibiting discrimination
3) **Fair Compensation and Opportunity**: Fair compensation according to ability and performance
4) **Ban on Forced Labor**: Prohibiting forced labor against one's free will
5) **Ban on Child Labor**: Complying with employment age, excluding work harmful to youth
6) **Personal Data Protection**: Establishing customer data protection system, complying with laws
7) **Abidance by Working Hours and Conditions**: Abiding by legal working hours and working conditions
8) **Freedom of Association**: Ensuring freedom of association and the right to collective bargaining
9) **Pursuit of Fair Trade**: Recognizing equal rights with partner companies and contributing to human rights expansion
10) **Human Rights of Local Residents**: Promoting human rights and improving quality of life in local communities

Management Respecting Human Rights

We stipulated the prohibition of discrimination based on gender, age, religion, and region in the entire process of recruitment, evaluation, and compensation, aiming to promote employment of the disabled and local talents and to raise workforce diversity. We also provide education for sexual harassment prevention and disability awareness for all employees with the objective of prohibiting discrimination in the workplace and creating an inclusive work environment.

Grievance-handling Process

In the event of receiving reports in regard to bullying or sexual harassment in the workplace, we start investigating immediately through the Grievance-Handling Committee, and the fact-finding process is operated according to the law as well as the victim's protection measures. When any damage is confirmed through the Personnel Committee, we take disciplinary measures against the perpetrator, and confidentiality is strictly guaranteed throughout the entire process.

Grievance Handling Process

Case receipt ▷ Counseling ▷ Investigation ▷ Measures upon confirmation ▷ Monitoring

Human Rights Education and Related Report

Item	Content	Unit	2019	2020	2021
Sexual harassment prevention education	Education hours per employee	hours	1	1	1
	Ratio of employees who completed training	%	100	97	100
Education to raise awareness of the disabled	Education hours per employee	hours	1	1	1
	Ratio of employees who completed training	%	100	97	100
Violation of human rights	Report related to human rights	cases	0	0	0

Governance

Why Does It Matter?

Transparent corporate governance is vital in securing stakeholder trust. Companies should abide by laws and ethics and reinforce management responsibilities to establish a sound corporate culture. It is crucial to realize stable corporate management and protect shareholder rights and interests by establishing a sustainable management system based on the engagement and communication of members.
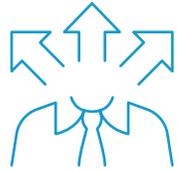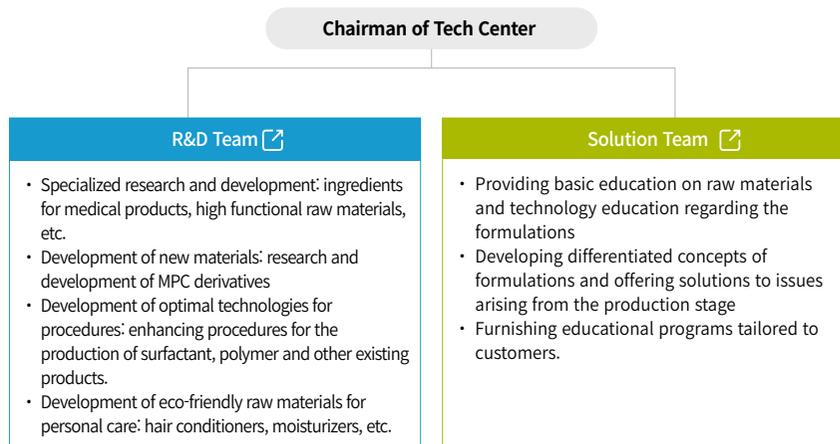
Innovative Management through Business Diversification

For sustainable growth, KCI closely checks the international situation and industry trends, identifying risks and opportunities and continuously investing in research and development. As the demand for skin care products increases as external activities are limited, particularly due to the influence of the COVID-19 pandemic, we will expand into skincare products in our portfolio that have been focused on the hair care market.

Business Management

KCI Tech Center

KCI Tech Center develops the world's highest quality functional raw materials for household goods and cosmetics. It comprises Research and Development (R&D) Team and Solution Team, and outstanding researchers are cooperating with clients' developers using advanced equipment and technologies. R&D Team develops differentiated raw materials that meet the customers' needs and strives to improve product processes through process optimization. Solution Team provides training on raw materials and cosmetic formulation techniques, and provides customized solutions to solve problems that occur during the production process.
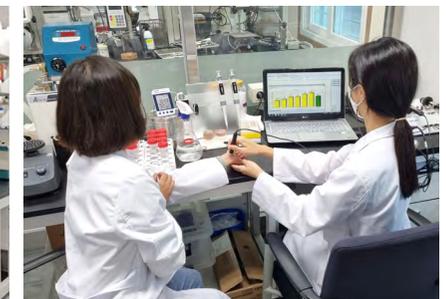
Organization

Laboratory for analysis

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Chairman of Tech Center
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R&D Team ⧉	Solution Team ⧉
· Specialized research and development: ingredients for medical products, high functional raw materials, etc. · Development of new materials: research and development of MPC derivatives · Development of optimal technologies for procedures: enhancing procedures for the production of surfactant, polymer and other existing products. · Development of eco-friendly raw materials for personal care: hair conditioners, moisturizers, etc.	· Providing basic education on raw materials and technology education regarding the formulations · Developing differentiated concepts of formulations and offering solutions to issues arising from the production stage · Furnishing educational programs tailored to customers.

Laboratory for experiment

Clinical test

Disclosure of Our Technical Data

KCI discloses technical data of our products to give stakeholders access to the raw materials so that our stakeholders gain a better understanding and utilize them better. The data is available in the section of 'Technical Data' of the website. ◰

Advancement of Business Structure
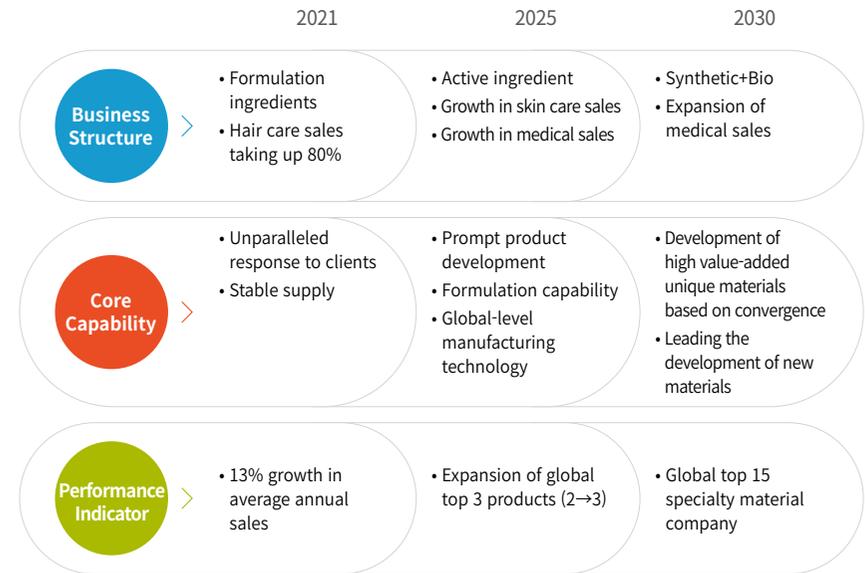
Product Portfolio Expansion

Capitalizing on our R&D and production capabilities accumulated in the skincare market, we are expanding the thickener for skin care and multi-care product line, supplying those products to domestic and multinational global companies. We started to develop poly glycerin ester products, which are natural emulsifiers that can replace the existing ethylene oxide-based chemical emulsifiers. As such, we make diverse efforts to lead the global market, responding to changes in global trends.

We also seek to expand our business to the medical field. Using MPC derivatives, which are biocompatible raw materials, we developed the Icare series applicable to contact lenses as well as the Medicare M100KC series applicable to medical devices and pharmaceuticals, thereby actively targeting related markets.

On top of that, we make a strenuous effort to increase our share in the global market. In order to diversify export markets, we put efforts into entering emerging markets, such as India and Africa, while researching to develop products that meet the needs of each race and nation.

The multifunctional composite raw material industry has considerable potential to grow further in the future. We will do our best to propose customized solutions and produce and supply high-value and high-quality products to the global market.

Direction of Our Business Vision

	2021	2025	2030
Business Structure	• Formulation ingredients • Hair care sales taking up 80%	• Active ingredient • Growth in skin care sales • Growth in medical sales	• Synthetic+Bio • Expansion of medical sales
Core Capability	• Unparalleled response to clients • Stable supply	• Prompt product development • Formulation capability • Global-level manufacturing technology	• Development of high value-added unique materials based on convergence • Leading the development of new materials
Performance Indicator	• 13% growth in average annual sales	• Expansion of global top 3 products (2→3)	• Global top 15 specialty material company

Ethics Management and Legal Compliance

So as to grow sustainably as a company, it should practice ethical and compliance management by fulfilling its economic, social, and environmental responsibilities. Being mindful of it, KCI complies with laws and ethics and has a mutually trustful relationship with various stakeholders, including clients, shareholders, and business partners, striving to follow the ethics management principles.

Ethics and Compliance Management

Ethics and Compliance Management System

We carry out management activities in accordance with the ethics management principles and practice guidelines of the Group. The ethics management principle is a criterion for judgment and behavior to abide by the law and ethics and to fulfill the company's original role and social responsibility. Practice Guidelines are more detailed, containing the reporting regulation, prohibition of improper solicitation and bribery, and compliance with fair trade.

Principles and Practice Guidelines for Ethics Management

We strive to raise awareness of compliance and internalize a culture of integrity and ethics in accordance with the ethical management principles of the Group. We practice banning improper solicitation and bribery and complying with fair trade according to the principles and practice guidelines. We have followed a transparent and fair management principle toward our clients, shareholders, and partner companies.

Pledge to Practice Ethics Management

Samyang Ethics School

Key Content of the Code of Ethics

Clients	• Providing the best products and services / differentiated values	• Protecting customer information and respecting the right to know
Shareholders	• Expanding shareholders' interests and company value	• Accounting transparency and disclosure of company information
Partner companies	• Pursuing fair trade and shared growth with partner companies	• Banning unethical acts, such as bribery/receiving benefits/accepting hospitality
Employees	• Responsibility and duty of employees • Employee behavior • Fair business conduct	• Protecting company assets • Creating a sound and safe workplace
Country and society	• Company's social responsibility • Environmental protection and safety	• Establishing a sound market order through fair trade

Establishing a Culture of Ethics and Compliance

Ethics and Compliance Management Education

With an aim to imbed ethics management and create an anti-corruption culture, we provide Samyang (Group) Cyber Ethics School training once a year for all employees, including the BOD members and the management. The subjects of the education are mandatory to sign and submit the Pledge to Practice Ethics Management before applying for the training evaluation.

Educational Content for Ethics Management

Year	Educational content	Total education hours
2019	Ethics management, prevention of sexual harassment, personal data security, improving awareness of the disabled (4 courses)	5
2020	Ethics management, prevention of sexual harassment, improving awareness of the disabled (3 courses)	3.2
2021	Prevention of sexual harassment, improving awareness of the disabled, prevention of workplace harassment, ethics management, information security (5 courses)	4

Ethics Education and Unethical Behavior

Item	Content	Unit	2019	2020	2021
Ethics education	Ratio of employees who completed the ethics education	%	100	100	100
Violation of ethics management	No. of violations against Code of Conduct	cases	0	0	0
	No. of reports concerning corruption or bribery	cases	0	0	0
	No. of legal measures taken for corruption or bribery	cases	0	0	0
	No. of violations against non-competitive behavior, monopoly, or fair trade	cases	0	0	0
	No. of legal measures taken for non-competitive behavior, monopoly, or fair trade	cases	0	0	0

KCI Code of Ethics

We established the Code of Ethics to set the standards for judgment and behavior for employees, aiming at the proper implementation of ethics management principles. ⬈ Accordingly, employees should follow laws, norms, and regulations in performing their duties, report violations, and never act unethically against stakeholders.

Internal Audit on Corporate Ethics

Item	Content	Unit	2019	2020	2021
Business sites undergo internal audits concerning corporate ethics	No. of business sites undertake audits	numbers	0	0	0
	No. of total business sites	numbers	3	3	3
	Ratio	%	0	0	0

Governance

KCI discloses its BOD composition, performance evaluation, and other information in a transparent manner for elevating the corporate value and promoting shareholder rights and interests. Through a transparent disclosure of governance information, we will realize sustainable growth as a trusted company.

Current Governance Status

Board of Directors

Our Board of Directors (BOD) is the highest decision-making body that resolves major management issues of the company. It makes an effort to step up corporate value and promote the rights and interests of stakeholders, including shareholders. In the organizational structure and operation, we comply with laws, articles of incorporation, and BOD regulations while establishing a candid and sound governance structure.

BOD Composition

The BOD determines the company's fundamental management policies and key matters related to business execution, consisting of one executive director, one independent director, and two other non-executive directors. In order to supervise the management and resolve issues entrusted by the general shareholders' meeting, a regular board meeting is held once a quarter, and temporary meetings are held if necessary. Decisions are made with the attendance of a majority and a majority of the directors present.

Current Composition of Board of Directors

Division	Name	Gender	Date Appointed	Expected Completion of Term	Career
CEO(Chairman of the BOD)	Jin-Yong Lee	Male	2018.01.01	2024.03.22	· Director of strategic planning department at Samyang Holdings · Head of Culture&Global at Samyang
Independent directors	Jong-Cheol Yang	Male	2021.03.22	2024.03.22	· Head of facility and materials team at Samyang · Director of Ulsan Plant at Samyang
Other non-executive directors	Seok-Hwan Yoon	Male	2022.03.21	2025.03.22	· Financial director of Samyang Packaging · (current) IC head and Global Growth PU head at Samyang Holdings
	Hwi-Weon Seo	Male	2022.03.21	2025.03.22	· AM BU sales PU head at Samyang · (current) AM BU head at Samyang

Independence of the BOD

We make it mandatory to appoint outside directors to secure the independence and diversity of the BOD. Directors and auditors are appointed at the general shareholders' meeting, not by the company or the CEO. When appointing auditors, we limit the voting rights of the largest shareholder, and other shareholders appoint them through a resolution. By appointing experts, who have no interest in large shareholders as outside directors and guaranteeing a three-year term, we support their independent work performance.

Expertise of the BOD

We secure the expertise of the BOD by appointing directors with industry experience and knowledge in various fields. We provide seminars and training opportunities to support the building of professional capabilities for appointed directors, sharing the long-term growth and development of the company.

BOD

Item	Content	Unit	2019	2020	2021
BOD operation	No. of board meetings held	Number	4	5	6
BOD attendance rate	Inside directors	%	100	100	100
	Independent directors	%	100	100	100
Independence	Total	persons	4	4	4
	Inside directors	persons(%)	3(75)	3(75)	3(75)
	Independent directors	persons(%)	1(25)	1(25)	1(25)
Diversity	Male	persons(%)	4(100)	4(100)	4(100)
	Female	persons(%)	0(0)	0(0)	0(0)
Expertise	Director with industry experience	persons(%)	4(100)	4(100)	4(100)
	Financial expert	persons(%)	0(0)	0(0)	0(0)
	ESG expert	persons(%)	0(0)	0(0)	0(0)

BOD Remuneration

We do not link the evaluation and the compensation of outside directors so that the independence of outside directors is not disrupted. The remuneration of directors is determined at the general shareholders' meeting. It is within the limit of the director's remuneration approved at the general shareholders' meeting in accordance with Article 388 of the Commercial Act, the articles of incorporation, and the BOD regulations. The maximum limit of the director remuneration approved at the 2021 general shareholders' meeting is KRW 1,500 million, and the total amount of remuneration paid to directors was KRW 342 million.

Remuneration

Item	Content	Unit	2019	2020	2021
Total amount of BOD remuneration	Inside directors	KRW million	359	353	324
	Independent directors	KRW million	18	18	18

Appendix

ESG Facts & Figures

Financial Performance

Statements of Financial Position

(Unit: KRW)

Description	2019	2020	2021
Assets			
Current assets	42,315,219,768	42,420,315,703	51,965,282,606
Cash and cashable assets	9,781,849,603	8,989,812,034	6,272,439,644
Financial assets	2,000,000,000	1,103,578,678	2,020,094,176
Accounts receivable and other current receivables	12,563,335,282	11,306,298,890	17,181,380,683
Other current assets	529,892,446	665,141,948	808,887,527
Inventories	17,440,142,437	20,355,484,153	25,682,480,576
Non-current assets	35,971,686,719	42,101,519,185	45,403,556,894
Tangible assets	34,292,473,802	39,063,768,688	41,432,372,239
Non-tangible assets	432,266,210	1,561,053,511	2,585,951,162
Financial assets	256,579,864	216,896,864	251,371,864
Investments in associates	719,051,642	655,231,227	697,978,464
Deferred tax assets	271,315,201	604,568,895	435,883,165
Total assets	78,286,906,487	84,521,834,888	97,368,839,500

(Unit: KRW)

Description	2019	2020	2021
Liabilities			
Current liabilities	13,167,553,106	8,832,450,163	13,766,614,993
Trade and other payables	6,762,632,994	6,007,799,449	10,514,101,233
Short-term borrowings	4,000,000,000	1,000,000,000	-
Financial liabilities	91,950,949	121,014,998	308,007,653
Other current financial liabilities	143,606,913	252,017,634	475,164,207
Current tax payables	2,169,362,250	1,451,618,082	2,469,341,900
Non-current liabilities	31,388,347	1,112,018,614	1,029,583,592
Long-term borrowings	-	1,000,000,000	1,000,000,000
Financial liabilities	31,388,347	112,018,614	29,583,592
Other non-current liabilities	-	-	-
Deferred tax liabilities	-	-	-
Total liabilities	13,198,941,453	9,944,468,777	14,796,198,585
Capital			
Capital	5,635,000,000	5,635,000,000	5,635,000,000
Capital surplus	6,741,615,790	6,741,615,790	6,741,615,790
Capital adjustments	(4,710,354,939)	(4,182,246,665)	(4,182,246,665)
Accumulated other comprehensive income	(101,006,036)	(107,441,407)	(115,408,345)
Earned surplus (deficit)	57,522,710,219	66,490,438,393	74,493,680,135
Total equity	65,087,965,034	74,577,366,111	82,572,640,915

ESG Facts & Figures

Statement of Comprehensive Income

(Unit: KRW)

Description	2019	2020	2021
Sales	69,641,355,070	73,251,256,889	81,501,152,546
Cost of sales	46,069,810,160	49,439,031,388	54,512,434,402
Gross profit	23,571,544,910	23,812,225,501	26,988,718,144
Selling and administrative expenses	9,075,965,809	9,720,510,486	14,545,565,781
Operating income (deficit)	14,495,579,101	14,091,715,015	12,443,152,363
Other income	1,289,199,370	1,224,506,500	1,383,939,584
Other expenses	1,112,455,434	1,907,818,352	478,499,434
Financial income	117,323,975	399,599,764	89,565,129
Financial expenses	99,733,471	275,898,022	362,021,693
Earnings in equity method	-	2,534,060	110,297,919
Net profit (loss) before income tax	14,689,913,541	13,534,638,965	13,186,433,868
Income tax expense	3,275,034,939	2,919,478,508	3,031,152,126
Net profit (loss) for the year	11,414,878,602	10,615,160,457	10,155,281,742
Other comprehensive income (loss)	27,877,744	(6,435,371)	(7,966,938)
Items reclassified to profit or loss for the year (Other comprehensive income or loss after tax)	27,877,744	(6,435,371)	(7,966,938)
Equity adjustments in equity method	27,877,744	(6,435,371)	(7,966,938)
Total comprehensive income	11,442,756,346	10,608,725,086	10,147,314,804
Earnings per share			
Basic profit per share (loss)	1,061	987	944
Diluted profit per share (loss)	1,061	987	944

Environment

(Unit: KRW)

Item	Content	Unit	2021	2030 Target
GHG	Direct GHG emissions (Scope 1)	tCO_2eq	2,211.67	1,999.89
	Indirect GHG emissions (Scope 2)	tCO^2eq	3,223.37	2,533.52
	Intensity of GHG emission (Scope 1, Scope 2)	tCO_2eq/ton	0.57	0.52
Air Pollutant	Dust (PM3) concentration	mg/m^3	2.59	1.1
	NOx concentration	ppm	35.1	24.22
	SOx concentration	ppm	1.295	0.2
Water	Water consumption	ML	17.59	12.74
Energy	Total energy consumption	MWh	18,059.53	15,379.65
Waste	Total waste discharge per unit	Amount of waste generated (ton)/Sales price KRW million	0.0224	0.02024
	Waste recycling rate	%	95	99
	General Waste	ton	122.96	80.05
	Designated Waste	ton	1,690.31	1,402.35
Environmental law violations	Chemical spills	cases	0	0
Customers' safety and health	Number of products recalled	cases	0	0
	Amount of products recalled	ton	0	0

ESG Facts & Figures

Social

Labor

Item	Content	Unit	2021	2030 Target
Employee diversity	Ratio of handicapped employees	%	1.8	3.5
	Ratio of employees of national merit	%	0	6
	Ratio of female employees to all employees	%	13.2	20
	Ratio of female executive members	%	0	20
Working environment	Annual average remuneration per capita	KRW million	62.66	72.24
Employee welfare	Expenses of welfare compared to sales	%	2.42	4.50
Education	Hours of education per capita	hours	5	6.5
	Expenses of education per capita	KRW 10,000	11	15
	Ratio of employees competing job training	%	100	100

Human Rights

Item	Content	Unit	2021	2030 Target
Human rights education	Ratio of employees who completed sexual harassment prevention education programs	%	100	100
	Ratio of employees who completed education programs to improve awareness of the disabled	%	100	100

Occupational Health & Safety

Item	Content	Unit	2021	2030 Target
Safety management	Occupational accident	cases	2	0
	General accident	cases	3	0
	Accident rate	%	4.85	0
	Process accident	cases	1	0
Occupational accident	Lost Time Injuries Frequency Rate (LTIFR)	%	5.74	0
	Lost Time Injury Severity Rate (LTISR)	%	0.16	0
Reduction efforts	Ratio of employees who completed the occupational safety and health training	%	100	100

Sustainable Procurement

Item	Content	Unit	2021	2030 Target
Supplier chain contract clause	Ratio of major suppliers that have signed the Supplier Code of Conduct	%	0	100
	Ratio of major suppliers signed the contract including environment, labor, human rights and ethical requirements clause	%	0	100
Supplier chain CSR evaluation	Ratio of major suppliers that are included in CSR evaluation	%	100	100

Information Security

Item	Content	Unit	2021	2030 Target
Information security	No. of information security accidents	cases	0	0

ESG Facts & Figures

Governance

Ethics Management

Item	Content	Unit	2021	2030 Target
Ethics education	Ratio of employees who completed the ethics education	%	100	100
Violation of ethics management	No. of internal reports related to the violation of Code of Conduct, corruption, bribery, and anti-competitive behavior	cases	0	0
	No. of legal actions against unfair trade practices	cases	0	0

Risk Management

Risk Management System

We are still in the grip of COVID-19, seeing political and economic instability at home and abroad. Under this circumstance, risk management has never been more important than ever. KCI has identified possible risks throughout our whole management operation and established response strategies by risk type for the prevention.

Risk Management Team

Risk Management Team consists of the heads of each division and the factories. The team assumes the role of preventing risks and making quick decisions when responding to risk occurring. In case that a risk is considered critical to have a huge impact on our management, the management and executive members drive response activities and monitor the development of the response.

Risk Management Process

Identification	At this stage, we figure out the environmental and managerial changes that each division faces, and our capabilities to define internal and external issues. And then, we go through SWOT analysis to classify internal issues into strength or weakness while categorizing external issues into opportunity or threat.
Analysis	Risks are rated on a scale of 5 points in terms of 'materiality' and 'possibility' with internal and external issues, demand from stakeholders and the result of SWOT analysis taken into account.
Planning and Action	We determine the root causes the risks we identify through the evaluation, which is followed by the establishment and implementation of diverse detailed plans for enhancement.
Monitoring and Reporting	The results of monitoring are reported on a regular basis and action is taken to improve the situation.

Risk Management

Types of Risk

Category	Risk	Details
Finance	Operational Risk	① Natural disaster ② Facility fire ③ Equipment failure and damage
	Quality Risk	① Quality of raw and subsidiary materials ② Defects in manufacturing process (degradation or malfunction of equipment, human error) ③ Product contamination (deterioration, discoloration, foul smell, impurity, etc.) ④ Defective packaging and labels (packaging container damage, unlabeled or mislabeled products, labels removed) ⑤ Inconsistency in quality ⑥ Defects resulting from improper storage (physical property change, packaging deterioration, product contamination) ⑦ Defects in transportation (packaging damage, product contamination)
	Supply Risk	① Transportation process ② Short supply or supply suspension of raw materials
	Market Risk	① Exchange fluctuations
Non finance	Employee Risk	① Workers' injury or absence
	Environmental Risk	① Climate change ② Water ③ Forest

Risk Response Strategy

We have established five response strategies to counteract the identified risks along with action plans for each strategy to prepare ourselves for complicated risks.

Risk Response Strategy	Contents
Securing safety inventory	• Securing enough stocks of target products to ensure delivery within due date even in an emergency situation or when a risk occurs • Identifying possible problems when securing key base materials in advance to prevent manufacturing- or business-related risks from occurring • Being easy to respond to temporary and fluctuating risks but not enough for persistent risks, so combining with other strategies
Dual sourcing of raw materials	• Securing stocks makes it possible to deal with temporary short supplies or supply suspension of raw materials, but the dual sourcing of raw materials is required to counteract long-term short supplies or suspension of raw ingredients arising from supply chain- or transportation-related issues • Securing two or more supply chains per one raw material
Recovery plan for equipment	• Recovery plan required and used when equipment failure, fire or other reason stops production. • Strategy to secure production continuity through reducing repair period, and using alternative equipment and external agency service • Implementing the plan on the installation of additional production equipment to prepare for risks and increase production capacity
Warehouse	• Strategy for risk occurrence regarding transportation or stock loss due to fire or natural disaster • Having two warehouses in place at home and abroad with response strategies, such as recovery plan or the plan to use an alternative warehouse in case that the warehouses are damaged.
Replacement	• Plan for the possible absence of workers due to disease, injury, or strike to ensure consistent quality and production efficiency • Standardization of a production process for swift response and development of job training for each role

TCFD

TCFD

TCFD is an initiative launched in 2015 by Financial Stability Board (FSB), with support from G20 Finance Ministers and Central Bank Governors, aiming to promote the disclosure of climate change-related information. Internal and external stakeholders, including investors, utilize TCFD information in corporate management activities and decision-making processes. KCI aligns with TCFD's 11 recommended disclosures in terms of our climate change-related business operations as follows. In addition, we plan to come up with detailed action plans in the form of road map.

	TCFD	Disclosure	CDP
Governance			
A	Describe the board's oversight of climate-related risks and opportunities	KCI defines climate change as a material issue that affects sustainable development. The BOD and top management discuss the matter on a regular basis. The CEO concurrently serves as the chairman of the BOD and the chairman of the Management Committee, which resolves key management issues, taking the lead in proposing and resolving climate-related agendas every quarter. In addition, the Management Committee establishes a corporate-wide roadmap to identify and respond to climate-related risks. The committee quarterly receives reports on management status and reviews feasibility in consideration of the situation, followed by suggesting improvement plans.	C2.1, C2.2, C2.2a
B	Describe management's role in assessing and managing climate-related risks and opportunities	Daesan Factory accounts for more than 90% of our total energy consumption and GHG emissions, and it launches Safety, Health and Environment Committee in 2019 that consists of factory managers and convenes a meeting on a quarterly basis. The committee is in charge of identifying environmental issues with a focus on the assessment and management of the identified risks. Final decisions are reviewed by the management including our CEO, and the committee establishes, implements and manages action plans, following their opinions.	C1.2
Strategy			
A			

Risks and Opportunities	
Short-term	① Domestic polices and laws ② Stakeholders' changed behaviors within the market
Medium-term	③ Disruption to raw material supply
Short- and medium-term	④ Impacts of climate change on our production facilities

B	Describe the impact of climaterelated risks and opportunities on the organization's businesses, strategy, and financial planning	① Domestic policies and laws ｜More and more people are getting aware of the gravity of climate change around the world. In November 2021, the Korean government raised the national greenhouse gas reduction target (NDC) for 2030 to 40% compared to 2018 and announced it to the international community. This act defines corporations whose energy consumption surpasses 2,000toe as an 'energy-intensive company' and makes them subject to supervision. Our Daesan Factory reports our energy use every year since it was designated in 2018, and conducts energy diagnosis every five year. In addition, the factory hires an employee dedicated to monitoring energy use, cost and the amount of emissions so as to comply with our legal obligations. Failure to fulfill the obligation results in KRW 23 million of fines and may pose a big financial risk. Accordingly, KCI fully discharges our duties to abide by the laws and joins the efforts to combat environmental issues. ② Stakeholders' changed behaviors within the market ｜We are seeing more and more people raising their voice that companies should be fully responsible for the environment and society in their business operation. Global cosmetics and household goods companies, which are KCI's major customers, have already declared an active response to the climate change crisis and are implementing carbon-neutral policies such as RE100. Against this backdrop, KCI has invested in research and development of using bean or rape flower extracts to make new products. On top of that, we have become COSMOS certified for natural cosmetic products and RSPO-certified for sustainable palm oil production while improving and replacing our equipment for better production efficiency. And we expect these efforts to help us secure customers when we roll out new products or tap into new markets. ③ Raw material supply ｜KCI is a company that manufactures products with raw materials we receive and sell them. Accordingly, the stable supply of the materials is key to our business. Especially, we use ingredients of plants growing in Southeast Asia, and they are prone to precipitation or temperature change. It means that climate change can pose a huge threat to us. For example, El Niño in 2015 gave rise to more than tenfold increase in the price of the bean (Guar Gum), which put a heavy burden on our business. In preparation for the crisis like this, KCI signs long-term supply contracts and dualizes the sourcing of ingredients of offset these risks. ④ Impacts of climate change on our production facilities ｜We are seeing the growing frequency of abnormal weather conditions which stem from climate change. Extreme weather events, such as scorching heat, heavy snow and rain, can do damage to facilities, disrupt the supply, and cause the absence of workers, which leads to the deterioration of operation efficiency and financial cost. Furthermore, prolonged temperature rise increases the power consumption of facilities, such as reactors or freezers. Hence, KCI has made every effort to reduce our energy use replacing all of pumps in our factories with high-efficiency products. We will put our focus on improving energy efficiency in the long term although it costs more in the short term	C2.1a, C2.3, C2.3a, C2.4, C2.4a

TCFD

	TCFD	Disclosure	CDP
C	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including 2°C or lower scenario	KCI endorses the global efforts to reduce the average temperature of the earth to under RCP 4.5 (Temperature rise 2.8°C). We set our carbon dioxide and energy use mitigation target, putting our energy efficiency strategy into action based on the projection of carbon dioxide concentration. In the years to come, KCI will strive to offer a variety of product lines adding more low-carbon and eco friendly products.	C3.2, C3.2a, C3.2b
Risk Management			
A	Describe the organization's processes for identifying and assessing climaterelated risks	With the purpose of managing risks in a more structured manner, KCI has established response organizations by business field and a decision making system while selecting key risks and keeping an eye on them. In particular, we receive ESG assessments such as CDP evaluation to actively figure out environmental risk elements like climate change. In addition, we compile the results of evaluations, identify risks, use professional consulting services to get a proper understanding of status quo, and define the areas of improvement and tasks for each. And then, we prioritize the tasks to be done, taking the levels of impact on our business and stakeholders into consideration. Based on this, plans for improvement are made.	C2.1, C2.2, C2.2a
B	Describe the organization's processes for managing climate-related risks	We do business in line with the implementation plans for identified tasks. If we identify risks that we don't discover at the time of establishing or carrying out a plan, we review its validity and draw up a plan for enhancement and also provide a regular check on finished tasks. On top of that, we set our management standards for the emissions of harmful pollutants and their pollution levels higher than the government while replacing decrepit equipment and adopting new systems. By doing so, we put our efforts into combating risks arising from climate change.	C2.1, C2.2
C	Describe how processes for identifying, assessing, and managing climaterelated risks are integrated into the organization's overall risk management	Climate change is a culprit of rising temperature, heavy snow and rain, and deforestation. And they serve as both direct and indirect risks to supply chains. KCI is also well aware that such environmental risks are serious as much as financial risks. In response, we reflect environmental risks in our BCP plan designed to counteract an emergency situation.	C2.1, C2.2
Metrics and Targets			
A	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	KCI regularly conducts the evaluation of environmentally hazardous substances emitted from plants, making endeavors to maintain the emissions below the level of the government's regulations. On top of that, we annually check the GHG emissions, energy and water usage for the transition into a low carbon society. Our three-year GHG emissions are as follows. For other detailed environmental data, please refer to page 22 in this report.	C4.1, C4.2, C4.2a, C4.2b, C9.1

<table>
<tr><th>GHG emissions</th><th>Unit</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>Scope 1</td><td rowspan="3">tCO₂eq</td><td>2,282.69</td><td>2,499.86</td><td>2,211.67</td></tr>
<tr><td>Scope 2</td><td>2,845.81</td><td>3,166.90</td><td>3,223.37</td></tr>
<tr><td>Scope 3</td><td>0</td><td>4,224</td><td>6,304</td></tr>
</table>

	TCFD	CDP
B	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas(GHG) emissions, and the related risks	C6.1, C6.3, C6.5, C12.4
C	Describe the targets used by the organization to manage climaterelated risks and opportunities and performance against targets	C4.1a, C4.1b, C4.2, C4.2a, C4.2b

In addition, we are in the process of drawing a mid- to long-term roadmap with the goal of realizing carbon neutrality by 2050 at the group level. We have proposed to achieve a 20% reduction in GHG emissions by 2030 compared to the level of 2020. We will join the global movement to respond to the climate change crisis through active carbon emission reduction activities and energy efficiency improvement policies.

SASB

SASB, a non-profit organization founded in 2011, has established international standards for reporting ESG factors in connection to financial performance.
We will disclose relevant information in accordance with SASB's guidelines and set up information management plans.

Topic	SASB Code	Accounting Metric	Unit	KCI's Response
Sustainability Index				
Greenhouse Gas Emissions	RT-CH-110a.1	Gross global Scope 1 emissions	tCO$_2$eq	22p
		Percentage covered under emissions-limiting regulations	%	Not an internally managed indicator
	RT-CH-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	N/A	Aiming to achieve the goal to mitigate GHG emissions by 20% compared to 2020 until 2030, we have annually monitored GHG emissions. Besides, we introduced FEMS to encourage all of our employees to take part in GHG reduction efforts while sharing emission levels of Daesan Factory on our dashboard.
Air Quality	RT-CH-120a.1	Air emissions of the pollutants	NOx (excluding N2O)	t	23p
			SOx	t	23p
			Volatile organic compounds (VOCs)	t	Not an internally managed indicator
			Hazardous air pollutants (HAPs)	t	Not an internally managed indicator
Energy Management	RT-CH-130.a.1	Total energy consumed	%	22p
		Percentage grid electricity	%	0
		Percentage renewable	GJ	0
		Total self-generated energy	GJ	0

SASB

Topic	SASB Code	Accounting Metric		Unit	KCI's Response
Water Management	RT-CH-140a.1	Total water withdrawn		m³	23p
		Total water consumed		m³	23p
		Percentage of each in regions with High or Extremely High Baseline Water Stress		%	0
	RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations		Number	0
	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks		N/A	In recognition of water pollution risks generated in the course of chemical processing, KCI is fully committed to water resource management. In product production, we focus on reducing water consumption, such as using the cleaning hose that are attached with a trigger-operated gun. We set our own discharge standards more stringently than domestic laws in order to minimize harmful substances that cause water pollution. The wastewater is first treated at our wastewater treatment plant. After that, it goes to a public wastewater treatment plant, which has been contracted with us. We safely discharged it after the secondary treatment.
Hazardous Waste Management	RT-CH-150a.1	Amount of hazardous waste	Amount of hazardous waste generated	t	24p
			Percentage recycled	%	24p
Community Relations	RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests		N/A	KCI makes efforts to gain support and encouragement through actively contributing to the local community nearby the business sites. As part of endeavors, we regularly render cleaning activities around our sites, and announce possible risks that can occur during the production process on the homepage of a municipal office for the prevention of damage. Furthermore, we carry out volunteer activities and give donations to communities, striving to win-win with local society.
Workforce Health & Safety	RT-CH-320a.1	Total recordable incident rate (TRIR)	Direct employees	Rate	31p
			Contract employees	Rate	0
		Fatality rate	Direct employees	Rate	0
			Contract employees	Rate	0
	RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks		N/A	KCI holds the Occupational Safety and Health Committee every quarter. The committee, in which the management and workers participate in equal numbers, appropriately identifies potential hazards at the site and promptly decides on countermeasures. In addition, we evaluate organic compounds and dust that may be generated in the work environment through an external specialized agency every half year, and share the evaluation results on the company bulletin board. Through this, employees are aware of the identified hazardous and risk factors and participate in preventive activities. General health check-ups and special medical examinations are also provided regularly for employees. A health agency visits those who are diagnosed in the examination every month for continuous diagnosis and consultation.

SASB

Topic	SASB Code	Accounting Metric	Unit	KCI's Response
Product Design for Use-phase Efficiency	RT-CH-410a.1	Revenue from products designed for use-phase resource efficiency	KRW	27,862,457,136
Safety & Environmental Stewardship of Chemicals	RT-CH-410b.1	Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances	%	56.46
		Percentage of such products that have undergone a hazard assessment	%	100
	RT-CH-401b.2	Discussion of strategy to manage chemicals of concern and develop alternatives with reduced human and/or environmental impact	N/A	KCI establishes and advances a chemical substance management system. The system offers a safe environment of product manufacturing for employees while minimizing the impact on local residents and the environment. We also vigorously conduct research and development on eco-friendly raw materials in our Tech Center. Currently, a number of eco-friendly products have been developed, Going forward, we will continue to invest in R&D. We intend to minimize adverse effects on the environment through this and strive to make inroads into new markets with our eco-friendly product line.
Genetically Modified Organisms	RT-CH-401c.1	Percentage of products by revenue that contain genetically modified organisms (GMOs)	%	0.27
Management of the Legal & Regulatory Environment	RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	N/A	① The government keeps announcing laws and policies related to chemical products including cosmetics. Under the circumstances, we recognize the high possibility of rising risks if violating laws, which may result in increased financial costs, degraded reputation, or contract withdrawal. Therefore, we make strenuous efforts to comply with changing laws. ② In response to legal changes, we constantly modify internal regulations and manuals. The revision is decided at the board or executive meetings. ③ We have dedicated personnel for this as we were designated as the 'energy-intensive company' by the government.
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1	Process Safety Incidents Count (PSIC)	Number	1
		Process Safety Total Incident Rate (PSTIR)	Rate	0.574
		Process Safety Incident Severity Rate (PSISR)	Rate	Not an internally managed indicator
	RT-CH-540a.2	Number of transport incidents	Number	0
Activity Metrics				
Production by reportable segment	RT-CH-000.A		m³ or t	Undisclosed due to trade secrets

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Independent Assurance Statement

To stakeholders of KCI

Marcspon (hereinafter 'the verification agency') verified the data of KCI Sustainability Report 2021 (hereinafter 'the report') upon KCI's request, and releases the following assurance statement. KCI takes responsibility for writing this report, and Marcspon's responsibility is limited to the assurance statement of the data regarding sustainable business operations within the scope defined as below.

Standards for verification

The verification agency aligns with Type 1 of AA100AS (2008), one of the international verification standards, and Moderate Level for data assurance, based on which, Marcspon evaluated if the data contained in this report fits into inclusivity, materiality, and responsiveness. Weather the data meets the requirements of the GRI Standards and ISO 26000 standard is also checked. The verification period was from January 1, 2021 to December 31, 2021, which is the same as the reporting period of this report. The scope of the verification includes efforts for environmental achievements including performances for social and economic responsibilities.

Verification process

Marcspon verified whether the data contained in this report is true or not, and its internal process for writing this report as follows.

- Review the methodology and process used for data collection
- Review references and data used for key arguments
- Interview with the stakeholders associated with applicable business activities or performances within the reporting period
- Process for the selection of issues that can affect the whole business operation of KCI or stakeholders deem important
- Verify if the report meets the GRI Standards in terms of its contents and quality

Verification results

The verification agency confirms that the report reflects KCI's sustainable business operations and its performances in a faithful and fair manner without grave errors or bias, and complies with the 'Core Option' of the GRI Standards. The report reflects the principles of inclusiveness, materiality, and responsiveness of AA1000AS (2008) in a proper way, and the details is as follows.

- Inclusivity: KCI puts in place a process for stakeholders' participation, shares information with stakeholders, and embraces their opinions and feedback through a variety of communication channels.
- Materiality: The report reflects KCI's critical issues in a balanced manner through the materiality assessment of economic, environmental, and societal issues. And we don't think there is no material issue that is not covered by this report.
- Responsiveness: We confirm that the report provides the accounts of identified material issues and reacts to stakeholders' opinions through KCI's response process.

Our suggestion for enhanced sustainable management

The verification agency thinks highly of KCI's efforts and progress in sustainable management, and recommends KCI to focus on tangible target-oriented management for persistent enhancement down the road. And we suggest that KCI establish long-term goals by business area in terms of sustainable management to manage its achievement level on a yearly basis while motivating employees to reach the goals in an active manner. Efforts to share the sustainable management-related accomplishments with external stakeholders to resonate are required beyond the establishment of the system for sustainable management.

AA1000
Licensed Assurance Provider
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marcspon

December 2022
Representative Consultant,
Han Jeongwon