2020

KCI SUSTAINABILITY REPORT

About This Report

This year marks the 1st anniversary of annual reporting on our sustainability progress. The very purpose of this report is to share our vision, strategy and performance, management philosophy, and other corporate information with a variety of stakeholders including our employees, customers, and partner companies. We expect this report to help us take one step further towards sustainable growth. This report covers both financial and non-financial information.

Reporting Period

The data in this report details our financial and non-financial performance from January 1, 2020 through December 31, 2020. This report embodies three-year performances (2018-2020) for quantitative data to give a better understanding of trends while including some of business operation in the early 2021 for qualitative data.

Reporting Scope and Boundaries

The scope of this report encompasses all of our business sites' operations including the headquarters, domestic factories, and overseas warehouses. Yet, some of social and environmental indicators of overseas business sites are excluded due to restraints on data collection.

Reporting Principles

This report aligns with the core option of the GRI Standards, the reporting standards of Global Reporting Initiatives (GRI). In addition, we take into account other global initiatives such as TCFD, SASB, UN SDGs and others.

Data Assurance

Data in this report has been subject to third-party verification to ensure credibility and quality of the report. The independent assurance statement is also available in this report.

2020

KCI SUSTAINABILITY REPORT

INTERACTIVE GUIDE

Digital interactive functions were used to enhance the information contained in the report and increase convenience. If you press the icon, it leads to related content.

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Inquiry

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Cover Story

Guar is one of base materials for Guar Polymer, our flagship product. We are committed to developing eco-friendly and high value-added ingredients such as Guar Polymer to fulfill our mission to bring better beauty to the people.

CEO Message

Dear stakeholders,

I would like to express my sincere gratitude to each of you for your unwavering support and interest. I am very delighted to publish our first ever sustainability report since our inception, and I firmly believe that it will serve as a meaningful medium to better communicate with you.

In 2020, COVID-19 wrecked havoc on the economy, leading towards a massive economic downturn and significant disruption. Amid this daunting challenge, we delivered around KRW 73.2 billion in revenue and KRW 14 billion in operating income last year. And this remarkable result is attributed to a number of reasons including our business structure that is less prone to economic volatility, active R&D activities, and risk diversification through our strategy for overseas markets. We also carried out a variety of activities to obtain the COSMOS certification that is internationally recognized while achieving better energy efficiency, thereby catering for eco-friendly trends that grip the chemical industry. In addition, we declared '2021 KCI Transformation' aiming for a better future. In the years to come, we will set more challenging and ambitious goals along with viable strategies and action plans. Furthermore, we will make ESG management permeate through our business operation to be fully responsible for the environment and society.

We will never stop innovating to make responsible products.

KCI will spare no pains to develop new products that are safe for both human and nature, by taking advantage of natural ingredients and minimizing the use of harmful substances during the course of product manufacturing so that we stay on top of the eco-friendly trends that gather steam. Our strengths will be used to the fullest to upgrade the functions of raw materials, and on the other hand, we will actively capitalize on bio- and food-based materials. In recent years, we tapped into the medical market with contact lenses and are now putting more efforts into research. More endeavors will be made to develop clean beauty materials that are eco-friendly, hypo-allergenic, and harmless to the human body.

We will build strong capacity and refine our digital-based system.

The chemical industry is highly specialized area, which means poor and insufficient management could lead to immense damage to customers, local communities, or the environment. Keenly aware of this, KCI will hire and nurture experts for every stage of our business, ranging from procurement, to processing, to quality, and to transport, thereby building strong capacity and reinforcing our strength. Building a cooperative and harmonious corporate culture between labor and management is also our focus. And communication channels will be established and secured inside the company to reach out to our employees. Furthermore, the establishment of new ERP and CRM will give us higher work efficiency, enabling us to adjust ourselves to the rapidly changing environment.

We will take into consideration all of our stakeholders including customers, investors, and our employees when it comes to our business operations.

Customers are the foundation for a company. KCI will bring better customer satisfaction while implementing strategies to attract more customers in order to expand our customer base. In addition, we move beyond customers to all of our stakeholders from the perspective of ESG. We promise that KCI will identify and carry out tasks to be done to contribute to the environment and society in coalition with stakeholders.

We do still escape from global political uncertainty and the respread of COVID-19, which brings sense of crisis to the business environment. However, KCI's efforts are not unstoppable to manufacture high quality and safe products as well as to lay the solid foundation for our future. Going forward, KCI will never stop challenging on this journey towards higher values with ceaseless innovation. We will do our best to bring special experiences to all of our stakeholders including customers and shareholders and to make sustainable growth for all.

I wish you good health and happiness.

Thank you.

KCI CEO **Jinyong Lee**

KCI Overview

Specialty chemical manufacturer KCI went public on the KOSDAQ market in 2001. We have earned and accumulated far-reaching know-how through our own R&D activities. Based on this, we produce high quality and high stable raw materials for cosmetics and personal care products. KCI has been supplying to multinational brands, which positions us well in the global market. Going forward, KCI will vault into a company providing products of higher quality that meet the changing needs of the business environment and our customers, developing innovative ingredients, and fully discharging our environmental and social duties.

Our Status

* As of December 31, 2020

Company Name (in Korean/English)
주식회사 케이씨아이 / KCI LIMTED

Business Category
Chemistry

Employee Headcount
170

HQ Location
221, Daejuk 1-ro, Daesan-eup, Seosan-si, Chungcheongam-do

Revenue
KRW 73.2 billion

Operating Income
KRW 14.1 billion

Net Income
KRW 10.6 billion

Our Values

Our mission is to provide customers with better beauty with innovative products manufactured through cutting-edge science. By doing so, KCI aims to meet the ever-changing needs of our customers. To this end, we put six values at the heart of our business operations; trust, challenge, innovation, talents, customer-oriented, and performance-oriented. Based on these values, KCI is creating our own culture.

Core Value	Criteria	Code of Conduct	
Trust	We respect one another, 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 information with coworkers in an effective manner. • Be consistent with principles
Challenge	We never stop challenging ourselves with a 'can-do spirit' and iron will to get things done to seize new business opportunities and achieve success.	• Be bold and give it a try when there is a chance for success. • Learn from success and failure.	• Approach to the work with a passion to be the best. • Be careful when making decisions and be quick to put it into action.
Innovation	To become a leading player, we make every effort to gain a competitiveness edge over our products and services based on ceaseless innovation activities and productive critical thinking skills.	• Be free from practices and seek for new ways. • Never give up on finding solutions when discovering a problem.	• Embrace and encourage creative thinking and ideas. • Be one step ahead of customers' demand, and change.
Talents	Our competitiveness lies on our employees. Therefore, we identify and nurture talents. And our employees do their best to grow and contribute to the advancement of the company.	• Set the vision in line with the goals of the company. • Sharpen up to be the best.	• Share knowledge to create a synergy effect. • Be persistent to identify and nurture talents.
Customer-oriented	We are well cognizant that customers belong at the heart of our survival. We deliver differentiated values catering for our 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 the company goals and the company makes sure fair and square performance assessment and proper reward.	• Make every effort until you make an achievement. • 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.

Our History

1985 ~ 2000

1985
Founded as Keonchang Chemical

1987
Developed Polyquaternium-10

1995
Built Shihwa Factory

1996
Obtaining a permission for GMP(Cosmetic manufacturing) facility

2000
Altered our name to KCI Limited

2001 ~ 2010

2001
- Became a major supplier for P&G
- Became a supplier for
- Beiersdorf (NIVEA)
- Selected as a supplier for L'Oreal
- Listed on the KOSDAQ

2005
- Established KCI-Japan
- Opening US Warehouse
- Opening EU Warehouse

2006
Polyquaternium-10 selected as World-Class Product

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

2009
Established Daesan Factory

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

2011 ~ Present

2014
- BTAC selected as World-Class Product
- Received Jang Yeong-sil Award for the technology enabling the commercialization of tertiary fatty amine
- Obtained EFfCI Certification

2016
- Became RSPO-certified
- Received B rating from CDP

2017
- Became a subsidiary of Samyang Group
- Received Ecovadis CSR-Sliver Rating

2018
- Merged with ONO Chemical
- Received Halal certification

2019
- Acquired ISO 45001 certification
- Acquired ISO 14001 certification

2020
Received a COSMOS Approved certification

KCI Overview

Business Network

KCI has Seoul Office, R&D Institute, and two factories (Daesan, Shihwa). We export 70 products to 37 countries in strategic partnerships with 124 suppliers across the world. With the aim of minimizing global risks, we operate logistics hubs in Chicago, the United States, and Rotterdam, the Netherlands.

In Korea

Seoul Office and **R&D Institute**

2

Manufacturing Plant
(Daesan, Shihwa)

124

Suppliers around the world

About **70** products

We supply

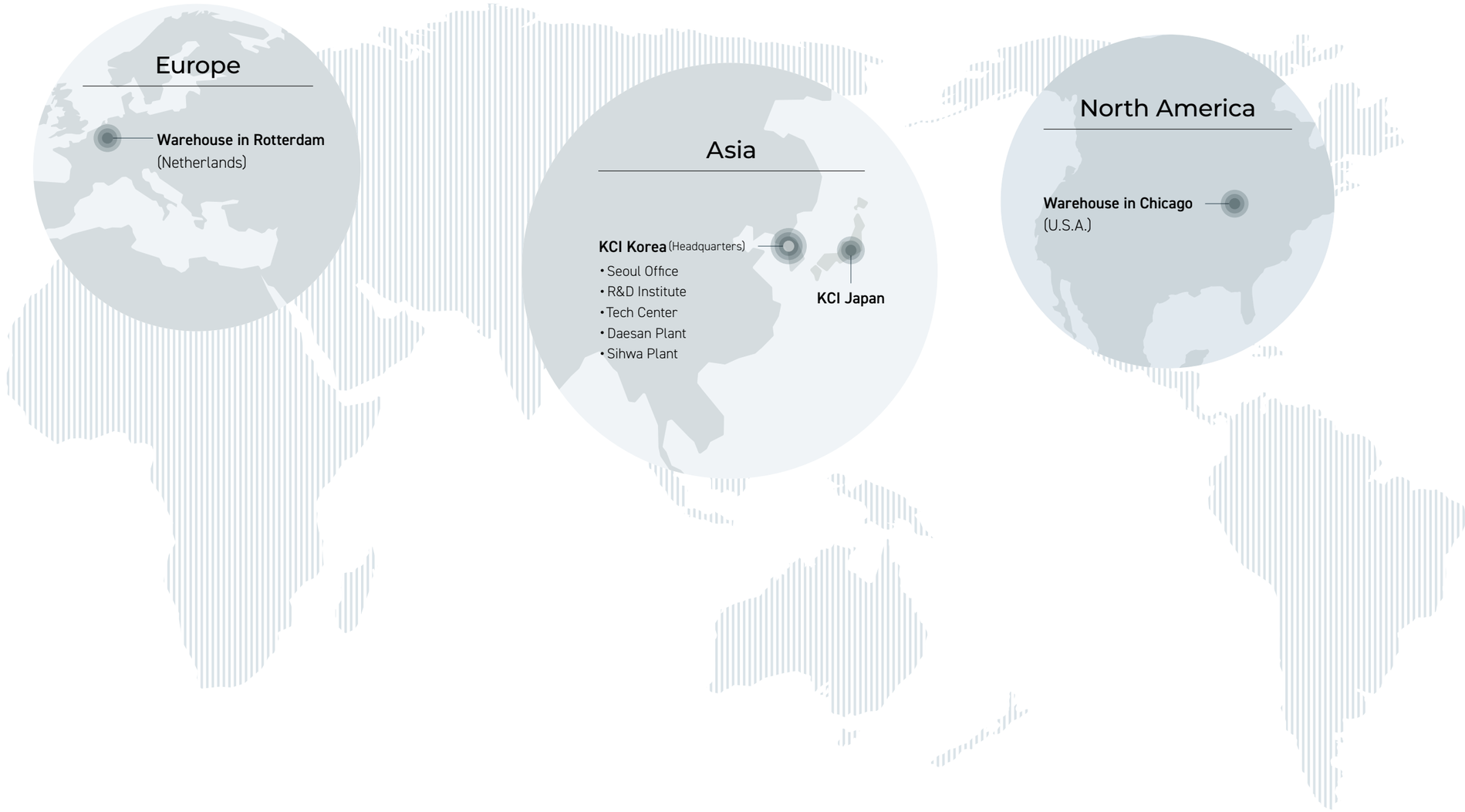
37 countries

We enter

2

Logistics hubs
(Chicago, Rotterdam)

Main Business Area



Product Overview

KCI boasts high quality products that meet the needs of customers and emerging trends, which is attributed to our constant R&D activities, active collaboration with customers and investments. All of our products are supplied to global cosmetic or personal care product manufacturers.

Conditioning Polymer
(PQ-10 & Guar Polymer)

PQ-10 is a water-soluble cationic polymer derived from cellulose which is a natural ingredient. It is an eco-friendly ingredient used for shampoos or body washes. PQ-10's outstanding functions of keeping hair hydrated, protecting and repairing damaged hair have been proved. And this ingredient makes it easy to comb and style hair. These excellent functions earned it the title for World Class Product of Korea in 2016 awarded by the Ministry of Commerce, Industry and Energy.

Guar Polymer, a cationic Guar, an eco-friendly raw material used for shampoos or body washes. The levels of viscosity and conditioning effects depend on its molecular weight. This material enables you to brush your hair very well regardless of your hair type, thereby preventing your hair from tangling and getting smooth hair and skin.

BTAC, BTMS

This is a water-soluble cationic surfactant derived from natural rapeseed oil. The product is mainly used in hair conditioners and treatments with the effect of hair moisturizing and shining, tangling prevention, and static electricity prevention. In 2014, it was selected as 'World-Class Product' by the Ministry of Trade, Industry and Energy. In addition, we have established the foundation for our own raw material production through our technology to commercialize tertiary fatty acid amine, which was developed by KCI.

Methyl Gluceth Derivatives

It is a non-ionic ethoxylated methyl glucose ether derived from corn, a natural ingredient. It's a moisturizing & thickening agent used in various skin care, hair care, and body wash products. It is hypoallergenic and soft to use, which makes it suitable for baby products.

MPC Derivatives

MPC derivative is a biomimetic biocompatible substance as it has a similar structure to the human cell membrane, which brings an outstanding moisturizing effect, restraining the formation of blood clots and protein adsorption. Based on these functions, it is utilized in a variety of products including cosmetics, personal care products, contact lens & its storing or cleaning solution, medical instrument, textile, cell culture equipment, and medical polymer materials. KCI particularly focuses on the development of medical polymer materials used for hollow fiber membrane or stent, artificial organ, or plastic surgery prosthesis, giving impetus to enter into new markets.

Multicare Series

As a high molecular composite material composed of polymer, oil, and surfactant, it has thickening, emulsifying, and solubilizing functions, giving improved textures. It is mainly used for skin care and hair care products. Besides, KCI develops and supplies raw materials with various textures so that customers can select raw materials that are the most optimal for their concept of finished products.

Natural oil, Sugar-based Moisturizer

KCI commercialized this raw material as a cosmetic moisturizer using oils and sugar-alcohols that were used for food. Owing to its natural ingredients, it has great moisturizing and skin conditioning effects. Recently, there are growing interest in eco-friendly and low-irritant natural ingredients and a rising preference for them as well. In response to the trend, we are expanding the proportion of natural ingredients.

Fatty Acid Esters

This is a natural emollient made by reacting fatty acids with alcohol, mostly 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 expanding the sales of skin care ingredients based on our strategy to diversify fatty acid ester products and further reinforce the competitive edge of our products.

Approach to Sustainability

Sustainability Fundamentals

KCI pushes forward sustainable management activities based on the UN SDG Goals with an aim to actively join the efforts in implementing UN SDGs, a shared goal for mankind. Going forward, we plan to pursue sustainable development for all mankind by discovering ways to contribute to the UN SDGs through our business.

Material Topics on Sustainable Management

Classifying 13* material topics, induced by the environmental analysis in and outside KCI, into internal stakeholders and external stakeholders

Internal & External Stakeholders	Internal Stakeholders	External Stakeholders
① Product sustainability ② Expansion of business portfolio ③ Reinforcement of risk management	④ Governance structure ⑤ Ethics and Integrity ⑨ Human Rights ⑩ Labor and work-life balance ⑪ Education and evaluation ⑭ Information security and personal information protection	⑥ Creation of customer value ⑧ Climate change response ⑫ Contribution to the local community ⑬ Sustainable supply chain management

Major Sustainability Goals

Top priorities by topic			
	• More product certifications • Development of new materials and entering into new markets • Acquisition of ISO 31000	• More discussion about ESG agenda • Zero violation of the law • Expansion of human rights education • Higher proportion of female workers • Cultivation of R&D specialists • Zero security accident	• Establishment and operation of CRM • 20% reduction of greenhouse gas and energy use • Facilitating local engagement • Inspection on suppliers

UN Sustainable Development Goals

Our activities to be carried out in 14 areas out of 17 goals in the UN SDGs

* 'Stakeholder engagement' is excluded out of 14 final topics.

Stakeholder Engagement

KCI defines employees, customers, suppliers, shareholders, and local residents as our major stakeholders who make a direct or indirect impact on business activities, and actively listens to their opinions. In particular, we faithfully take part in publishing sustainability reports and conducting ESG evaluations so as to actively meet the growing stakeholders' needs for information disclosure on ESG management. Creating sustainable economic, social, and environmental value that enables both corporates and human society to grow together, we strive to contribute to raising the happiness of all stakeholders. Going forward, we will cherish and reflect on each and every opinion to build a sustainable ground for all of us.

	Communication Channel	Key Interests	
Employees	• Intranet • Labor-Management Council • Occupational Safety and Health Committee	- Higher corporate value - Fair recruitment and performance evaluation/ reward - Better welfare benefits	- Human rights - Work and life balance - Employees' health
Customers	• Regular survey • Telephone survey	- Enhanced product quality management and safety - Climate change action	- Stable supply of products - Eco-friendly production - Reinforced ESG risk management
Suppliers	• Regular survey • Telephone survey	- Fair trade - Establishment of safety and health system - Shared growth	- Prohibition of monopoly - Supply of safe raw materials
Shareholders	• General shareholders' meeting • IR	- Higher corporate value - Economic performance - Establishment of sound and healthy governance	- Transparent disclosure of information - Creation and distribution of profits
Local residents	• Municipal government homepage* and booklet publishment in cooperation with related institutions • Engagement with the local council (Daesan Industrial Complex Council)	- Climate change action - Management of hazardous materials in plants - Ethical management	- Human rights management - Continued social contribution activities

* Disclosure of a hazard control plan to residents through Seosan City Hall homepage

Approach to Sustainability

Materiality Assessment

KCI's sustainability report covers all 14 material topics derived through our business strategies as well as global guidelines. The detailed process of Materiality Assessment is as follows.

Materiality Assessment Process

Topic Pool Analysis 01

- Business environment analysis
- Benchmark other best cases in the same industry
- Review domestic and international standards and guidelines (MSCI, DJSI, CDP/Ecovadis, SASB, TCFD, KCGS)
- Media analysis

▶ Form a pool with 252 topics

Identification of Key Topics 02

- Confirm the topics based on GRI standards (Remove or integrate overlapped topics)
- Check the topics that are unique to KCI
- Remove or integrate overlapped issues
- Induce material topics for stakeholder surveys

▶ Select 14 material topics

Materiality Assessment 03

- Interest level of stakeholders: evaluate each topic's importance for KCI's stakeholders
- Impact level on business: evaluate the impact level of strategy and finance targeting related departments and experts

▶ Prioritize selected topics

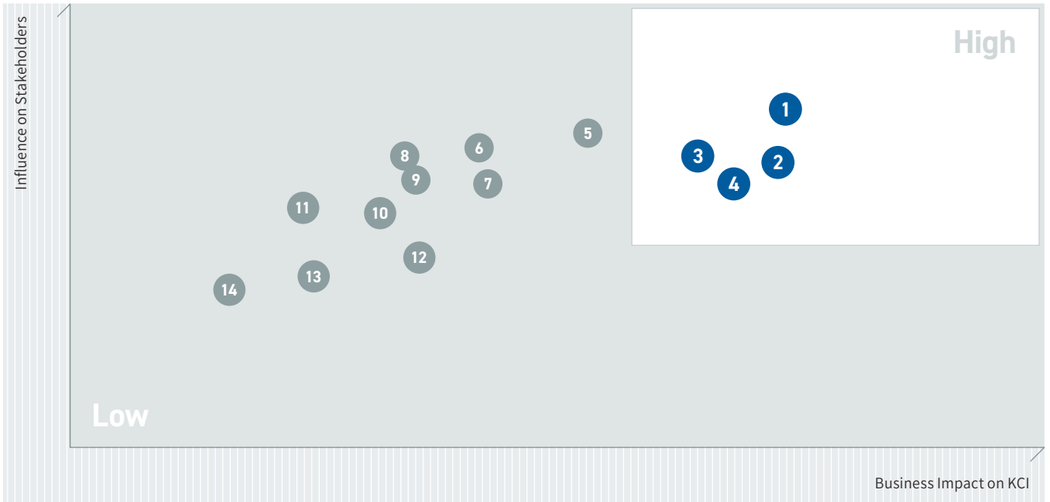
Assurance 04

- Make a clear and simple report mainly in regard to material topics

▶ Raise credibility with the third-party assurance

As a result of the materiality assessment, the topic that makes the most impact on KCI's business characteristics and sustainability management activities is 'product sustainability enhancement'. Following that, 'customer value creation', 'sustainable supply chain management', 'business portfolio expansion' were identified. This sustainability report encompasses priority topics in detail as well as other topics, thereby building strong communication with stakeholders.

Materiality Assessment Result



	Sustainable Management Topic	Page
1	Product sustainability enhancement	18~20
2	Customer value creation	24~25
3	Sustainable supply chain management	16~17, 37~39
4	business portfolio expansion	21~23
5	Tightened risk management	46~47
6	Human rights	34
7	Climate change action	20, 26~29

	Sustainable Management Topic	Page
8	Labor and work-life balance	30~33
9	Ethics and integrity	41~42
10	Information security and personal information protection	39
11	Training and evaluation	33
12	Governance	40~41
13	Stakeholders engagement	13
14	Contribution to local community	36

Our Supply Chain

Associated with SDGs

Next Step

Continued revision of supply chain management regulations

Extended evaluation for supply chain sustainability

Establishment of Code of Conduct for suppliers

Assessment of suppliers on **occupational safety environment**

Background

The scope of corporate responsibility has been expanded to the overall value chain. Under the circumstances, it is easy to find cases where child labor, forced labor, or nature destruction throughout the supply chain deteriorate the added value of final goods or services, posing a grave threat to global companies. Therefore, stakeholders including investors and clients demand a detailed disclosure of the ways how a company manages its raw material suppliers, regarding supply chain management as risk management.

Management Approach

KCI has set up and applied supply chain management policies in the perspective of 'participation' in creating a sustainable society and environment together, rather than sanctioning or evaluating management activities. The policies are assessed and revised frequently in line with the requests from stakeholders as well as internal and external environmental changes. Besides, we have the means to monitor the situation of suppliers at a set period in accordance with the regulations and to derive improvement measures for problems detected. As a part of raising the sustainability of our suppliers and making a better society, we also obtained RSPO certification, in which many global companies around the world participate. We are the first one to acquire the certificate as a cosmetic raw materials company in Korea.

Sustainable Supply Chain Management

Evaluation of Supplier's Sustainability Management

We prioritize the cooperation with suppliers, conducting business activities that meet the needs of stakeholders on the foundation of sustainability. In addition, our suppliers are evaluated in comprehensive areas such as quality, process and environment, labor, safety, and health and graded by the total score. We differentiate them by each grade in the conduct inspection cycle and the confirmation for measures. In case a supplier receives overly low grade or has any particular issue against our regulation, we review the contract termination or change with the supplier. Additional incentives are given in the final score calculation process when suppliers are engaged in sustainability management activities such as EcoVadis, UNGC membership, and ISO 14001·45000·37001 certifications. We encourage our suppliers to actively engage in sustainability management by operating these systems.

Sustainable Supply Chain Management Guidelines

Labor and Human Rights	Safety and Health	Environment	Ethics and Fair Trade
• Anti-discrimination • Anti-harassment • Prohibition of child labor exploitation • Betterment of worker treatment	• Occupational safety management • Work environment management • Emergency response • Disaster and disease management	• Environmental licensing and reporting • Hazardous substance management • Environmental emissions management • Improvement of resource efficiency • Response to product environmental regulation	• Observance of business ethics • Compliance with fair trade • Transparent disclosure of information • Protection of intellectual property rights • Information security

CERTIFIED SUSTAINABLE PALM OIL ™ RSPO MIXED
9-0379-13-100-00

RSPO Certification for Responsible Purchasing

Palm oil is an eco-friendly raw material with excellent biodegradability and is widely utilized in cosmetics and personal care products. However, the growing demand for palm oil has led to deforestation and further brought about severe issues such as the poor working conditions of workers in the industry. As we are keenly aware of these issues, we obtained the Roundtable on Sustainable Palm Oil (RSPO) certification for the first time in the cosmetics industry in Korea, aiming at preventing the problems. We document the RSPO Supply Chain Certification Standard regulations on our own, while meticulously checking the conformity of raw materials to the RSPO Mass Balance (MB)* throughout the entire process from warehousing, storage, sales to shipment. Going forward, we will provide RSPO training and review our management activities through internal audits so that our management is continued to be in line with RSPO certification.

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

KCI Sustainable Policy

With the objective of managing supply chains in a responsible manner, we have established the KCI Sustainability Policy based on the principles and standards of RSPO certification. We pursue sustainability in the production process of all products through the KCI Sustainability Policy, which aims to 'ban deforestation, protect peatlands, and have a positive social and economic impact on local communities'. The policy is applied not only to production but to decision-making and daily work, doing our responsible management activities for both the environment and society. For more details of the KCI Sustainability Policy, please check out the KCI homepage.

Associated with SDGs

Our Product

Next Step

Advancement of the management system in quality/environment/safety

Life Cycle Assessment (LCA)

Advancement of the management system for hazardous chemical substance

Background

The products and services of a company underpin the corporate value. In this regard, companies producing chemical products are still a concern for many consumers. Although chemical products are deeply entrenched in our daily lives, consumers' anxiety arises as mass media and social media show product cases that adversely affect the human body and the environment every year. Thus, the chemical industry and companies should all the more strictly manage their products and thoroughly consider the factors that can make an impact on society and the environment when developing and producing products.

Management Approach

In terms of product production and management, we look into the demands of stakeholders as well as related laws that differ in each country, including the US and EU, while identifying risks and opportunities. We are being particularly careful to prevent the violations of laws by swiftly responding to law amendments, and the training for internal employees and suppliers is continuously provided. In order to stably maintain the same quality, we implement random quality inspections on all products while placing importance on environmental and human safety and high functionality. On top of that, by using eco-friendly raw materials, we make strenuous efforts to achieve a non-hazardous and sustainable product life cycle in the entire process from production, use to disposal.

Raising Product Sustainability

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. The purpose of these efforts is to offer top-notch quality for our customers who dream of development and success.

Of course, we will never be complacent about it. We consistently undertake objective evaluations from official certification bodies to provide customers with credibility. We have maintained a number of quality certifications such as ISO 9001 (quality management systems), 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. At the same time, we identify potential health effects of products and services through preliminary review stage before using chemicals, thereby raising product safety. In the review stage, we use the database containing regulations such as the Act on the Registration and evaluation, etc. of Chemical Substances. For the hazardous chemicals used, we report the log of usage in accordance with the Enforcement Rule of the Chemicals Control Act. Furthermore, we plan to introduce a new enterprise resource planning system (ERP) so that we can create an environment where more efficient business management is enabled through search, utilization, and update of new laws.

Product Sustainability Enhancement

By its nature, chemical products inevitably face issues such as safety and environmental hazards. In this regard, we actively use natural raw materials such as beans, rape flowers, natural oils, sugars, and glycerin in the production, aiming at gaining trust from end-users. We discover new eco-friendly raw materials through R&D and increase the proportion of RSPO/COSMOS certified products, thereby reinforcing our products' sustainability. In addition, all essential raw materials & products for the production in KCI comply with domestic laws and regulations such as the Act on the Registration and evaluation, etc. of Chemical Substances and European laws including REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). We also undergo a thorough evaluation so as not to cause any harm to the environment and human body.

Raising Product Sustainability

Eco-friendly Activities

We fully consider the environmental impact arising from the entire process of product production and supply. Our internal standards for hazardous substance emission limit are strictly set at 80% of the legal standards, and we manage (air and wastewater) values by measuring them from each outlet on our own. We are continuously improving our pollution preventive facilities with the measurement results. We strictly prevent air and water resources in local communities from the influx of contaminants by rendering efforts such as reporting our activities to regulatory authorities.

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.

1

2

1. Air pollutant treatment facility (scrubber)
2. Wastewater treatment facility

Our Business

Associated with SDGs

Next Step

Expansion of multi-use and skincare products in the portfolio

Higher financial performance in terms of revenues, net income, etc.

Expansion of Global Top 3 Products

Business entry **into medical area**

Background

When a company is excessively dependent on a particular business, it will face an immensely adverse effect when a risk occurs in that business. Accordingly, many companies seek to additional boost economic returns and risk dispersion through business diversification. Making inroads into a new market for business diversification will certainly require a variety of strategic decisions. Without objective evaluation of internal competency and thorough preparation and analysis of the external environment, the company will rather suffer from tangible and intangible asset loss.

Management Approach

KCI will become a company that continuously grows, never settling for the present. So as not to miss out on growth opportunities, we closely monitor the international landscape and industry trends, examine risks and opportunities, while investing in sharpening R&D capabilities. Our R&D team and the Solution team are the core assets of the company. These teams conduct joint research with the customer researchers to find out reasonable solutions. On the basis of these endeavors, we will further strive to produce high value-added products with the competitive edge in the new multi-care and medical markets.

KCI Tech Center

KCI Tech Center provides a venue where our excellent researchers work on the development of high quality raw materials based on the strength of cutting-edge equipment and accumulated technology. The center is comprised of two teams; Research and Development (R&D) Team and Solution Team. As we stick to the customer-oriented principle, the developers of client companies also work together at the center. The R&D Team works with them to figure out solutions to problems that could occur during the course of development and production, thereby developing distinguished raw ingredients that meet the needs of clients. The coverage of our research includes alternative items and new functional raw materials as well. Solution Team takes on the role of providing educational programs tailored to each of client. And basic education regarding raw materials along with technology education, such as the formulations is offered by the team. Through these activities, KCI Tech Center has contributed to business diversification, cost saving, and profit maximization. In the years to come, the center will leap forward as a pioneer in the global cosmetic ingredient market with an enterprising & exploratory attitude.

Organization

Chairman of Tech Center

R&D 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.

Solution Team

- 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.

Advancement of Business Structure

Product Portfolio Expansion

In the vice-grip of COVID-19, we are seeing growing demand for skincare products, as opposed to declining needs for color cosmetics. Against this backdrop, KCI decided to enter into the skincare market beyond the haircare market on which KCI has been focusing. Capitalizing on the technologies and production capabilities we have earned through R&D activities, we have expanded our product lines and supplied them to domestic corporations and global multinationals.

In addition, we are tapping into the medical field. Utilizing biocompatible MPC, we've developed Icare series for contact lenses and Medicare M100KC applicable to medical equipment and medicines.

Furthermore, efforts are being made to occupy more market share. With the aim of diversifying our export destinations, we strive to enter into new markets at the stage of industrialization, such as India or African countries. To this end, we focus on the development of products suitable for each race and nation.

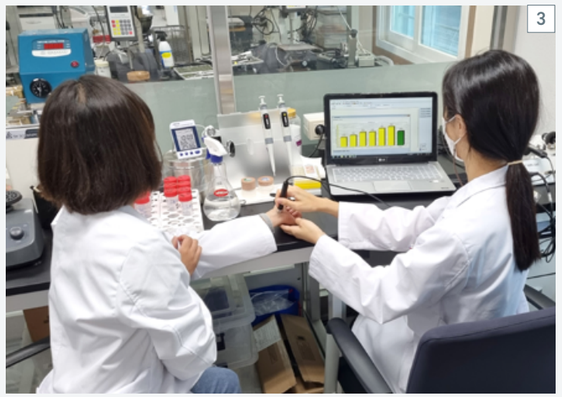
The cosmetics industry is projected to grow and thrive as a front industry. KCI will spare no effort to become a global manufacturer and provider of high value-added and high quality products down the road.

KCI 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.

1

2


3

1. Laboratory for analysis
2. Laboratory for experiment
3. Clinical Test

Associated with SDGs

Our Customer

Next Step

Continuous improvement in key ESG-related scores

New ESG-related business operations (receiving new assessments, declaring new initiatives, etc.)

Efforts to **obtain more certifications**

CRM establishment and **customer satisfaction** management

Background

It is not exaggerated to say that customers decide the success of a company. Accordingly, many company set their target customers to run their business ranging from drawing up strategies, to producing, to selling. They put efforts into not only catching the needs of customers but also handling the complaints of customers.

In light of this, the MZ generation is the most important class of customers in the cosmetics and personal care industries. This generation is responsive to keywords such as eco-friendliness, diversity, and sustainability, being very active in raising their voice toward corporations. Hence, we need to reflect their opinions in our ESG management in the years to come.

Management Approach

Communication with customers underpins our growth. KCI has implemented 'KCI customer satisfaction survey' to listen to customers' voices regarding our products and services, and our entire business operation. The collected data go through systematic analysis, and then are reported to CEO and other key executive members. We also use this feedback to refine the current policies and ongoing tasks.

As for the areas that are difficult to handle with this survey, we use external consulting services while actively responding to ESG assessments such as CDP and EcoVadis to gain higher ratings. On top of that, a wide range of activities are being carried out to earn trust from our customers.

Creation of New Customer Value

ESG Assessment

In recent years the transition into eco-friendliness and carbon neutrality has accelerated. To keep up with this growing trend, KCI has participated in CDP, a global platform of environmental information disclosure, starting with CDP Supply Chain Program which encompasses the impact of our supply chain on climate change, water and biodiversity. And we have expanded the scope of our disclosure to the CDP's Water and Forest assessments. On top of that, we have joined EcoVadis which is a process to evaluate how sustainable a company is. KCI strives to be more sustainable through these efforts while more interacting with stakeholders by sharing more information in a transparent manner through our sustainability report.

Halal Policy

With the purpose of respecting every culture and putting the satisfaction of stakeholders above, KCI has been active to be Halal certified. Halal certification has been emerged as an effective means to prove that Halal-certified raw materials are not harmful to the human body in recent years as opposed to the past where usually food products were subject to this certification for religious reasons. KCI has in place Halal Certification Management Team assuming the role of formulating a stringent procurement procedure based on the list of base materials assured by LPPOM MUI, the Indonesian certification body which governs the fields of food, medicine, and cosmetics. We share this relevant information on a regular basis following internal audits and education. To learn more, please visit the section of 'Halal Policy' of our website.

COSMOS Approved

COSMOS stands for 'COSMetic Organic and Natural Standard'. It's a globally recognized European certification for organic & natural cosmetics. COSMOS APPROVED means that nonorganic products meet the strict requirements of COSMOS in terms of their raw materials and manufacturing processes. The COSMOS APPROVED ingredients can be used for Organic (organic finished goods) or Natural (natural finished goods). Seven products of Guarquat series and one product of PGLCP 102KC RSPO MB are COSMOS Approved. Going forward, we try to obtain more COSMOS APPROED signature. By doing so, KCI will solidify customer trust.

Environment

Policy

Air, Water, Noise, Vibration

KCI has established our guidelines regarding the management of air, water, noise, and vibration, aiming to actively handle the environmental issues. The guidelines elaborate on work process, authorities and responsibilities of employees in charge to make it more effective to deal with the situations harmful to the environment. In accordance with the guidelines, we implement environmental impact assessment to ensure the minimization of hazardous substance emissions before we begin a project while setting our allowable emissions at 80% of the legal allowance. Measurement and monitoring are regularly conducted. If we find that emissions exceed the allowance, it is immediately reported to the head in charge to find root causes and take proper action. As part of efforts to prevent a possible environmental accident from having a bad impact on local communities, we draw up hazard control plans. The plans are posted on the website of local government and annually compiled with other companies' plans into a book.

Energy

We manage our energy consumption according to our own guidelines which specify the responsibilities and authorities, and work scope regarding energy consumption. Following the guidelines, we figure out the use of energy, formulate energy management plans, and monitor city gas and electricity consumption. KCI is designated as an energy-intensive company, so we do our best to discharge all the obligations given to us.

In addition, our QA part provides all employees of Daesan Factory with environmental education once a year to put stress on the gravity of energy-saving and climate action in the course of ISO14001 implementation. In 2020, 'Green Chemical' was the theme of the education while delivering the education under the theme of 'Global Warming and Our Climate Action'.

Waste

With the purpose of minimizing the amount of waste generated, KCI establishes the guidelines on waste management to enhance management efficiency. Based on the guidelines, we defined the roles and responsibilities of those who are responsible for waste management while performing relevant tasks from figuring out waste discharge, to reporting disposal plans observing the laws, to waste separation and collection. In addition, we draw up and keep documents of the information on harmfulness of wastes subject to the announcement by the Minister of Environment in compliance with Wastes Control Act.

On top of that, we consider environmental impact when designing the process so that unnecessary by-products are not generated. Currently, our entire processes do not produce any by-products, keeping the environmental effects at the minimum level.

Targets

Eco-friendliness belongs at the heart of our management philosophy. Accordingly, KCI aims to play a contributing role in protecting our planet by mitigating our GHG emissions and energy consumption. Furthermore, we have raised our waste reduction target and recycling rate by 2030 to prevent environmental degradation. KCI will deliver value in favor of the environment to customers, thereby growing into an eco-friendly leading player in the chemical industry.

Item	Content	Unit	2020	2030 Target
GHG	Direct GHG emissions (Scope 1)	tCO_2eq	2,499.86	**1,999.89**
	Indirect GHG emissions (Scope 2)		3,466.90	**2,773.52**
	Intensity of GHG emission (Scope 1, Scope 2)	tCO_2eq/ton	0.58	**0.52**
Air Pollutant	Dust (PM3) concentration	mg/m^3	0.44	**1.1**
	NOx concentration	ppm	30.25	**24.22**
	SOx concentration		0.2497	**0.2**
Water	Water consumption	ML	15.93	**12.74**
Energy	Total energy consumption	MWh	19,224.56	**15,379.65**
Waste	Total waste discharge per unit	Amount of waste generated (ton)/Sales price (KRW 1 million)	0.0253	**0.02024**
	Waste recycling rate	%	95	**99**
	General Waste	ton	100.06	**80.05**
	Designated Waste		1,752.94	**1,402.35**
Environmental law violations	Chemical spills	Case	0	**0**
Customers' safety and health	Number of products recalled	Case	0	**0**
	Amount of products recalled	ton	0	**0**

GHG and Air Pollutant

Item	Content	Unit	2018	2019	2020
GHG discharge	Direct GHG emissions(Scope 1)	tCO_2eq	2,379.48	2,282.69	**2,499.86**
	Indirect GHG emissions(Scope 2)	tCO_2eq	2,738.36	2,845.81	**3,466.90**
	Total GHG emissions (Scope 1 + 2)	tCO_2eq	5,117.84	5,128.50	**5,966.76**
	Intensity of GHG emission (Scope 1, Scope2)	tCO_2eq/ton	0.59	0.58	**0.58**

GHG and Air Pollutant

Item	Content	Unit	2018	2019	2020
Air Pollutant discharge	Dust (PM3)	ton	0.99	0.29	**0.44**
	SOx	ton	0.013	0.013	**0.013**
	NOx	ton	5.676	5.676	**2.430**

Water and Waste Water

Item	Content	Unit	2018	2019	2020
Water consumption	Water withdrawal	ML	27.29	34.48	**29.90**
	Water use		15.97	19.17	**15.93**
	Water discharge		11.33	15.31	**13.97**
Wastewater discharge and recycling	Wastewater discharge	ML	8.76	11.01	**11.74**
	Wastewater recycling		0	0	**0**
	Chemical oxygen demand (COD)	ton	1.84	3.42	**1.17**
	Biochemical oxygen demand (BOD)		1.72	0	**1.52**
	Suspended solid (SS)		0.89	1.62	**0.26**

Energy

Item	Content	Unit	2018	2019	2020
Energy consumption	Total energy consumption	MWh	17,691.72	17,449.66	**19,224.56**
	- Electricity	MWh	5,954.92	6,188.56	**6,886.83**
	- Natural gas	m^3	1,062,844	1,020,214	**1,119,306**
	- Gasoline	L	3,476.00	3,421.20	**2,634.00**
	- Diesel	L	7,679.65	6,795.62	**6,668.15**
	- Others	MWh	0	0	**0**
	Energy Intensity	MWh/ton	2.05	1.97	**1.98**

Waste

Item	Content	Unit	2018	2019	2020
Waste discharge by type	General waste	ton	132.35	128.58	**100.06**
	- Landfill		10.25	11.65	**16.23**
	- Incineration		64.64	113.56	**65.85**
	- Recycling		57.46	3.37	**17.98**
	- Others		0	0	**0**

Waste

Item	Content	Unit	2018	2019	2020
Waste discharge by type	Designated waste*	ton	682.00	780.68	**1,752.94**
	- Landfill		0	0	**0**
	- Incineration		68.48	16.25	**9.29**
	- Recycling		613.52	763.26	**1,740.01**
	- Others		0	1.17	**3.64**
Total waste discharge	Total waste discharge	ton	814.35	909.26	**1,853**
Total waste recycling	Amount of waste recycling	ton	670.98	766.63	**1,757.99**
	Rate of waste recycling	%	82	84	**95**

* Emissions increase due to changes in designated waste management methods from 2020

Customers' Safety and Health

Item	Content	Unit	2018	2019	2020
Product safety	No. of products recalled	Case	0	0	**0**
	Amount of product recalled	ton	0	0	**0**

Environmental Law

Item	Content	Unit	2018	2019	2020
Environmental law violations	No. of chemical spills	Case	0	0	**0**
	No. of environmental law breaches		2	2	**1**
	Amount of fines incurred by environmental law breaches	KRW 1 million	2.4	2.4	**1.6**

Mitigation Efforts

Item	Content	Unit	2018	2019	2020
Environmental education	Hours of environmental education per capita	Hour	1.24	2.59	**3.42**
	Ratio of employees completing environmental education	%	100	100	**100**
Sustainable consumption	Purchase ratio of RSPO MB-certified raw materials*	%	3.1	5.8	**5.4**
ISO 14001 certification	All business sites	Number	3	3	**3**
	Certified business sites		0	1	**1**
	Ratio	%	0	33	**33**

* Purchase amount of RSPO MB (Mass Balance)-certified raw materials/ total purchase amount of raw materials

Social

Labor

Policy

KCI ensures our compliance with the Labor Standards Act and other labor-related laws in terms of our labor policy to further grow and guarantee security for our employees. Particularly on the basis of Article 46 of the collective bargain agreement, we are extremely stringent in handling any issues of discrimination or harassment derived from gender, age, religion or other reasons of an employee. In accordance with the spirit of equality in the Constitution and the Equal Employment Opportunity and Work-Family Balance Assistance Act, we never disadvantage a person on the ground of gender in employment or any labor conditions both directly and indirectly with no rational reason. We ensure equal opportunities and treatment for both men and women. In case an administrative or judicial authority confirms the discrimination case, we take appropriate measures and corrective actions on related employees. Besides, evaluation and rewards of our employees' performance and responsibilities are implemented in a fair and proper manner by annual or monthly wage system, respecting their work rights.

On top of that, free labor union activities are guaranteed. Working conditions including wage and welfare benefits are discussed at the collective bargain and quarterly meeting of the Labor-Management Council. A mutual consultation in 2020 resolved a pay raise rate and working condition improvement, and as a result, commuting buses are now in operation and welfare facilities including shower rooms are improved. We also plan to reward employees with a long-term service.

In addition, we implement a flexible working system to elevate the work efficiency of our employees. Particularly due to COVID-19 pandemic, we strive to minimize the contact of people capitalizing on the work-from-home system. We provide a shortened work hour system (work hour reduced by 2 hours for 12 weeks at the initial stage and for 12 weeks at the later stage) for pregnant employees, applying legal requirements.

Goal

KCI spares no expense in improving working conditions and building our employee's capacity since we are well cognizant that the company's growth comes from it. Going forward, we will spend more on our employees' welfare and education per capita. Efforts will also be made to increase the number of female and handicapped employees so that we will achieve diversity in terms of employee composition.

Item	Content	Unit	2020	2030 Target
Employee diversity	Ratio of handicapped employees	%	1.76	3.5
	Ratio of employees of national merit		0	6
	Ratio of female employees to all employees		12.21	20
	Ratio of female executive members		0	20
Working environment	Annual average remuneration per capita	KRW 1 million	55.57	72.24
Employee welfare	Expenses of welfare compared to sales	%	3.41	4.50
Education	Hours of education per capita	Hour	5.0	6.5
	Expenses of education per capita	KRW 10,000	10	15
	Ratio of employees competing job training	%	100	100

Employee Composition

Item	Content	Unit	2018	2019	2020
No. of regular positions	Male employee	Person	128	134	149
	Female employee		22	22	21
	Total		150	156	170
No. of contract positions	Male employee	Person	0	1	2
	Female employee		0	0	0
	Total		0	1	2
No. of managers	Male employee	Person	29	36	39
	Female employee		2	4	4
	Total		31	40	43
	Ratio of female managers	%	6	10	9.3
	Ratio of female employees in senior management		0	0	0
Total no. of employees	Male worker	Person	128	135	151
	Female worker		22	22	21
	Total		150	157	172
By age	Under age 20	Person	0	0	0
	20 - 29		32	40	37
	30 - 39		68	64	73
	40 - 49		29	32	37
	50 or above		21	21	25
Vulnerable employee	Ratio of handicapped employees	%	2.00	1.92	1.76
	Ratio of employees of national merit		0	0	0

Labor

Employment and Turnover

Item	Content	Unit	2018	2019	2020
New recruitment	Male employee	Person	39	35	**25**
	Female employee		7	2	**1**
	Total		46	37	**26**
No. of leavers	Male employee	Person	21	28	**9**
	Female employee		6	2	**2**
	Total		27	30	**11**
Turnover rate	Male employee	%	16.41	20.74	**5.96**
	Female employee		27.27	9.09	**9.52**
	Total		18.00	19.01	**6.39**
Voluntary turnover rate	Male employee	%	10.0	17.7	**5.2**
	Female employee		13.0	9.1	**9.5**
	Total voluntary turnover rate		10.66	16.56	**5.81**
Length of service	Average length of service	Year	5.0	5.5	**5.9**
	Average length of service for male employee		5.8	5.9	**6.0**
	Average length of service for female employee		4.2	5.1	**5.8**

Work Environment

Item	Content	Unit	2018	2019	2020
Monthly average remuneration per capita	Male employee	KRW 1 million	2.9	3.4	**3.5**
	Female employee		2.4	2.8	**3.0**
	Total		5.3	6.2	**6.5**
Equal pay	Management position	%	62	66	**64**
	Non-management position		97.0	95.3	**97.7**

Childcare Leave and Welfare

Item	Content	Unit	2018	2019	2020
No. of employees on childbirth leave	Male employee	Person	7	3	**2**
	Female employee		1	0	**2**
	Total		8	3	**4**
No. of employees on childcare leave	Male employee	Person	0	0	**0**
	Female employee		1	0	**1**
	Total		1	0	**1**

Childcare Leave and Welfare

Item	Content	Unit	2018	2019	2020
Ratio of employees returning to work after childcare leave	Male employee	%	-	-	**-**
	Female employee		0	100	**0**
	Ratio of employees working for more than 12 months after childcare leave		0	0	**100**
Welfare	Expenses of welfare	KRW 1 million	249	221	**259**
	Expenses of welfare compared to sales	%	3.96	3.16	**3.41**

Employee Education

Item	Content	Unit	2018	2019	2020
Hours of education	Hours of education per capita	Hour	5	5	**5**
Expenditure of education	Expenses of education per capita	KRW 10,000	12	11	**10**
Job training	Ratio of employees competing job training	%	100	100	**100**

Labor Union

Item	Content	Unit	2018	2019	2020
Labor union and collective agreement	No. of union members	Person	0	0	**82**
	Ratio of employees subject to collective agreement	%	0	0	**100**

Human Rights

Policy

KCI strictly complies with the Labor Standards Act and the Sexual Equality Employment Act in our human rights management. We stipulated the prohibition of discrimination derived from gender, age, religion, and hometown in our recruiting and human resource management regulations. In compliance with the non-discrimination principle in the entire stages from recruiting to evaluation, compensation, and capacity building training, we have put our efforts into respecting diversity as well. Our family-friendly welfare system includes a reduced working hour system for female workers during pregnancy. On top of that, we endeavor to give job opportunities to the disabled and local talents.

We are particularly active in responding to workplace harassment and sexual harassment. Our corporate regulations stipulate the responsibilities for workplace harassment and sexual harassment, and we annually provide related education programs for our employees. In case any harassment or sexual harassment is reported to the Grievance-handling Committee, we immediately carry out an investigation and activate the victim protection measures and legitimate fact-finding process. If any harm is confirmed, the victim's opinion is actively reflected in the disciplinary action of the Personnel Committee. The entire process is handled in full confidence.

Goal

We do our best to prevent human rights issues in the entire process of business operation. While offering human rights education programs for all employees, we will classify the vulnerable and establish a culture of consideration. With our leading human rights management system, we will make zero human rights violations within the company.

Item	Content	Unit	2020	2030 Target
Human rights education	Ratio of employees who completed sexual harassment prevention education programs	%	97	100
	Ratio of employees who completed education programs to improve awareness of the disabled		97	100

Human Rights Education and Related Report

Item	Content	Unit	2018	2019	2020
Sexual harassment prevention education	Education hours per employee	Time	1	1	1
	Ratio of employees who completed training	%	98.6	100.0	97.0
Education to raise awareness of the disabled	Education hours per employee	Time	1	1	1
	Ratio of employees who completed training	%	98.6	100.0	97.0
Violation of human rights	Report related to human rights	Case	0	0	0

Occupational Safety and Health

Policy

KCI established a safety and health regulation for creating a pleasant working environment as well as preventing occupational accidents while designating a manager and a supervisor responsible for safety and health management to resume clear responsibility in case of accidents.

We also regularly provide safety and health training for employees and Occupational Safety and Health Committee in accordance with the regulation. Through the training, employees become aware of precautions for handling heavy or dangerous objects and the necessity for wearing safety gear. Besides, employees regularly get general health checkups and special medical checkups.

On top of that, the working environment assessment is conducted in line with regulations. We eliminate harmful elements in advance through safety and health inspections and improve any inadequate areas.

Goal

As we believe our employees are the most essential asset of the company, we set the goal of 'zero occupational accident, general accident, accident rate, and process accident by 2030'. With an objective to achieve the goal, we continuously perform activities such as employee safety training, strengthening the safety and health system, and improving the working environment.

Item	Content	Unit	2020	2030 Target
Safety management	Occupational accident	Case	0	0
	General accident		0	0
	Accident rate	%	0	0
	Process accident	Case	1	0
Occupational accident	Lost Time Injuries Frequency Rate (LTIFR)	%	2.54	0
	Lost Time Injury Severity Rate (LTISR)		0.62	0
Reduction efforts	Ratio of employees who completed the occupational safety and health training	%	100	100

Safety and Occupational Accident

Item	Content	Unit	2018	2019	2020
Work hour	Total work hour	Time	330,360	372,784	394,056
Safety management	Occupational accident	Case	1	0	0
	General accident		3	6	0
	Accident rate	%	2.67	3.82	0
	Process accident	Case	2	1	1
	No. of violations against safety-related regulations		2	0	0

Occupational Safety and Health

Safety and Occupational Accident

Item	Content	Unit	2018	2019	2020
Absence from work	Absence rate	%	0.06	0.05	**0**
Occupational accident (employee)	No. of lost labor occurrence	Case	0	0	**1**
	Lost Time Injuries Frequency Rate (LTIFR)	%	0	0	**2.54**
	No. of lost days	Day	0	0	**243**
	Lost Time Injury Severity Rate (LTISR)	%	0	0	**0.62**

Reduction Efforts for Occupational Accident

Item	Content	Unit	2018	2019	2020
ISO 45001 certification	No. of certified business sites	Number	0	1	**1**
	Ratio of certified sites	%	0	33	**33**
Occupational safety and health training	No. of target trainees	Person	159.9	173.1	**183.1**
	No. of people completed the training		157.9	171.1	**181.1**
	Ratio	%	99	99	**99**
	Training hours per employee	Hour	37.1	34.7	**32.8**

Social Contribution

Social Contribution Performance

Item	Content	Unit	2018	2019	2020
Social contribution expenses	Total amount of social contribution expenses	KRW 100 million	0.17	0.16	**0.15**
	Amount of cash donated		0.025	0	**0**
	Amount of kind donated		0	0	**0**
	Amount of political donations		0.12	0.16	**0.15**
	Amount of policy-level donations		0.025	0	**0**
	Amount of supports for local community projects		0	0	**0**
Employees' social contribution activities	No. of employees participated	Person	0	0	**15**
	Volunteering hours per employee	Hour	0	0	**0.3**

Anyangcheon Stream clean-up volunteer activities in 2020

Sustainable Procurement

Policy

Our ultimate goal in terms of supply chain management is to secure the most competitive supply chain in the market, and to upgrade the procurement capabilities and qualifications. To this end, we have worked hard to systematize the work process for rational purchasing decisions and supplier management. Our supplier rating and incentive system exemplify it. KCI conducts inspections in various ways such as in-person visits or document investigations to figure out how our suppliers deliver their sustainable management, based on which we rate them. And we exempt suppliers from being inspected for two years when they show good performance in this regard. This is also a means to encourage suppliers to engage in sustainable management. KCI's suppliers should carry out responsible activities in areas including labor, human rights, safety, and the environment in line with the guidelines we provide.

Supply Chain Sustainability Management Policy

① **Compliance with Law in Business Activities**	• Establishing policies in accordance with law • Monitoring and supervising compliance • Zero tolerance principle for bribery and corruption • Prohibiting anti-competitive behavior • Abiding by information protection policy • Prompt reporting of quality and safety issues
② **Assurance on Workers' Rights**	• Concluding labor contract through mutual agreement, documentation, and signature process • Policies and regulations on hiring, disciplinary action, promotion, and contract termination • Appropriate explanations for workers • Providing continued education for workers • Having personnel in charge of employment policies and procedures • Guaranteeing the free movement of workers • Direct employment principle
③ **Child Labor**	• Minimum employment age regulations • Health check-up and support for child workers • Reflecting ILO child labor regulations • Protecting safety of child workers • Manager training on child labor
④ **Fair Pay**	• Displaying payment details • Meeting the minimum wage • Deducting wage according to laws (i.e. tax) • Evaluating if equal pay is applied
⑤ **Compliance with Working Hour Regulations**	• Preparing overtime regulations (including the prohibition of forced labor) • Ensuring continuous rest for at least 24 hours per week • Prohibiting overtime work of 60 hours per week • Ensuring overtime incentives
⑥ **Guaranteed Labor Union Rights**	• Ensuring union establishment and participation rights • Providing training for union managers and supervisors • Prohibiting discrimination against union members
⑦ **Occupational Safety and Health**	• Occupational safety and health policies and procedures • Education and dissemination of policies and procedures • Providing personal safety gear • Performing regular inspections of facilities and fire safety • Checking if a health and safety committee is formed or not

Sustainable Procurement

Supply Chain Sustainability Management Policy

⑧ **Grievance Handling System**	• Education on grievance handling channels and guaranteed confidentiality • Objectivity and fairness principle • Implementing victim protection measures • Making appeal possible
⑨ **Land Security**	• Prohibiting illegal land acquisition • Having land and property due diligence process in place • Implementing FPIC process (Free, Prior and Informed Consent)*
⑩ **Lessening of Environmental Impact**	• Complying with environmental laws • Providing education on environmental law • Checking if the environmental policy includes content regarding water resources, energy, hazardous substances, air, deforestation and waste disposal • Disclosing environmental performance

* FPIC (Free, Prior and Informed Consent): the right of the local community to agree or disagree with the project, being aware of the environmental impacts on land customarily owned and used by indigenous peoples in advance

Goal

Aiming to improve sustainable procurement and sustainability capabilities, we will conduct CSR evaluation and CSR on-site audits of all key suppliers by 2030. We will also continue to improve the sustainability evaluation criteria for suppliers so that the evaluation can be effective and reliable.

Item	Content	Unit	2020	2030 Target
Supply 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
Supply chain CSR evaluation	Ratio of major suppliers that are included in CSR evaluation	%	100	100

Supply Chain Management

Item	Content	Unit	2018	2019	2020
Supplier	No. of total suppliers	Number	119	116	133
	No. of major suppliers		5	5	5
	Amount of purchase from all suppliers	KRW 1 million	35,151	35,259	40,402
	Amount of purchase from major suppliers		20,247	24,310	20,063

Information Security

Childcare Leave and Welfare

Item	Content	Unit	2018	2019	2020
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	Number of major suppliers that are included in CSR evaluation	Number	5	5	5

Policy

We manage various customer data and personal information in accordance with the personal information policy based on relevant laws, including the Personal Information Protection Act and the Protection of Communications Secrets Act. In order to cope with sophisticated cybercrime, voice phishing, ransomware damage, we continuously give information protection security training to our employees.

Goal

We will constantly reinforce our information protection activities so that we can maintain zero in the number of related crimes.

Item	Content	Unit	2020	2030 Target
Information security	No. of information security accidents	Case	0	0

Information Protection

Item	Content	Unit	2018	2019	2020
Information protection training	No. of target trainees	Person	150	156	170
	No. of people completed the training		150	156	170
	Ratio	%	100	100	100
Customer information management	No. of violations against customer information protection	Case	0	0	0

Governance

Policy

KCI complies with laws, articles of incorporation, and the Board of Directors regulations in organizational structure and operation. In addition, the appointment of outside directors is compulsory for the purpose of securing independence and diversity. Directors and auditors are appointed at the general shareholders' meeting, not by the company or the CEO. When appointing auditors, the voting rights of the largest shareholder are restricted and other shareholders are appointed by resolution. As of August 2021, there are three inside directors and one outside director. Regular board meetings are held once a quarter, and temporary board meetings are held if necessary. Decisions are made with the attendance of a majority and a majority of the directors present.

CEO (Chairman of the BOD)	Non-Executive Director		Outside Director
Jin-Yong Lee	Do Kim	Sang-Hoon Lee	Jong-Cheol Yang
Male	Male	Male	Male
• Strategic planning department at Samyang Holdings, Director • Head of Culture&Global at Samyang	• Head of Chemical Research Institute at Samyang • (current) Head of AM BU at Samyang	• Bain&company Korea, Principal • (current) IC head of Samyang Holdings	• Head of facility and materials team at Samyang • Director of Ulsan Plant at Samyang

Board of Directors (BOD)

Item	Content	Unit	2018	2019	2020
BOD operation	No. of board meetings held	Number	11	4	**5**
BOD attendance rate	Outside director	%	100	100	**100**
	Inside director		100	100	**100**
Independence	Total	Person	4	4	**4**
	Inside director	Person (%)	3(75)	3(75)	**3(75)**
	Outside director		1(25)	1(25)	**1(25)**
Diversity	Male	Person (%)	4(100)	4(100)	**4(100)**
	Female		0(0)	0(0)	**0(0)**
Expertise	Director with industry experience	Person (%)	4(100)	4(100)	**4(100)**
	Financial expert		0(0)	0(0)	**0(0)**
	ESG expert		0(0)	0(0)	**0(0)**

Ethics Management

Evaluation and Remuneration

Item	Content	Unit	2018	2019	2020
Total amount of BOD remuneration	Inside director	KRW 1 million	328	359	**353**
	Outside director		14	18	**18**

Policy

KCI conducts business activities in line with the ethical management principles and action guidelines of the Group. The ethical management principles are the standards of judgment and behavior to abide by laws and ethics and to fulfill the company's roles and social responsibilities. The action guideline is more detailed, containing reporting regulations, prohibition of improper solicitation and bribery, compliance with fair trade, and many more.

Goal

With an objective to create an anti-corruption culture and internalize ethics management, we plan to regularly provide ethics and anti-corruption education sessions for all employees including BOD members and executives. Along with that, we aim to achieve zero violations against ethics and anti-corruption by 2030 on the strength of tightened ethics policies.

Item	Content	Unit	2020	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	Case	0	**0**
	No. of legal actions against unfair trade practices		0	**0**

Ethics Management

Corporate Ethics Internal Audit

Item	Content	Unit	2018	2019	2020
Business sites undergo internal audits concerning corporate ethics	No. of business sites undertake audits	Number	0	0	**0**
	No. of total business sites		0	0	**0**
	Ratio	%	0	0	**0**

Ethics Education and Unethical Behavior

Item	Content	Unit	2018	2019	2020
Ethics education	Ratio of employees who completed the ethics education	%	100	100	**100**
Violation of ethics management	No. of violations against Code of Conduct	Case	0	0	**0**
	No. of reports concerning corruption or bribery		0	0	**0**
	No. of legal measures taken for corruption or bribery		0	0	**0**
	No. of violations against non-competitive behavior, monopoly, or fair trade		0	0	**0**
	No. of legal measures taken for non-competitive behavior, monopoly, or fair trade		0	0	**0**

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Financial Performance

Statements of Financial Position

(Unit: KRW)

Description	The 30th Period (Dec. 2020)	The 29th Period (Dec. 2019)
Assets		
Current assets	42,420,315,703	42,315,219,768
Cash and cashable assets	8,989,812,034	9,781,849,603
Financial assets	1,103,578,678	2,000,000,000
Accounts receivable and other current receivables	11,306,298,890	12,563,335,282
Other current assets	665,141,948	529,892,446
Inventories	20,355,484,153	17,440,142,437
Non-current assets	42,101,519,185	35,971,686,719
Tangible assets	39,063,768,688	34,292,473,802
Non-tangible assets	1,561,053,511	432,266,210
Financial assets	216,896,864	256,579,864
Investments in associates	655,231,227	719,051,642
Deferred tax assets	604,568,895	271,315,201
Total assets	84,521,834,888	78,286,906,487
Liabilities		
Current liabilities	8,832,450,163	13,167,553,106
Trade and other payables	6,007,799,449	6,762,632,994
Short-term borrowings	1,000,000,000	4,000,000,000
Financial liabilities	121,014,998	91,950,949
Other current financial liabilities	252,017,634	143,606,913
Current tax payables	1,451,618,082	2,169,362,250
Non-current liabilities	1,112,018,614	31,388,347
Long-term borrowings	1,000,000,000	-
Financial liabilities	112,018,614	31,388,347
Other non-current liabilities	-	-
Deferred tax liabilities	-	-
Total liabilities	9,944,468,777	13,198,941,453
Capital		
Capital	5,635,000,000	5,635,000,000
Capital surplus	6,741,615,790	6,741,615,790
Capital adjustments	(4,182,246,665)	(4,710,354,939)
Accumulated other comprehensive income	(107,441,407)	(101,006,036)
Earned surplus (deficit)	66,490,438,393	57,522,710,219
Total equity	74,577,366,111	65,087,965,034

Statement of Comprehensive Income

(Unit: KRW)

Description	The 30th Period (Dec. 2020)	The 29th Period (Dec. 2019)
Sales	73,251,256,889	69,641,355,070
Cost of sales	49,439,031,388	46,069,810,160
Gross profit	23,812,225,501	23,571,544,910
Selling and administrative expenses	9,720,510,486	9,075,965,809
Operating income (deficit)	14,091,715,015	14,495,579,101
Other income	1,224,506,500	1,289,199,370
Other expenses	1,907,818,352	1,112,455,434
Financial income	399,599,764	117,323,975
Financial expenses	275,898,022	99,733,471
Earnings in equity method	2,534,060	
Net profit (loss) before income tax	13,534,638,965	14,689,913,541
Income tax expense	2,919,478,508	3,275,034,939
Net profit (loss) for the year	10,615,160,457	11,414,878,602
Other comprehensive income (loss)	(6,435,371)	27,877,744
Items reclassified to profit or loss for the year (Other comprehensive income or loss after tax)	(6,435,371)	27,877,744
Equity adjustments in equity method	(6,435,371)	27,877,744
Total comprehensive income	10,608,725,086	11,442,756,346
Earnings per share		
Basic profit per share (loss)	987	1,061
Diluted profit per share (loss)	987	1,061

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.

Types of Risk

Category	Finance				Non finance	
Risk	Operational Risk	Quality Risk	Supply Risk	Market Risk	Employee Risk	Environmental Risk
	① Natural disaster ② Facility fire ③ Equipment failure and damage	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)	① Transportation process ② Short supply or supply suspension of raw materials	① Exchange fluctuations	① Workers' injury or absence	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 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 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. TCFD information plays a vital role when domestic and overseas stakeholders make decisions regarding investment. 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 roadmap.

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 has a huge impact on our sustainability. Accordingly, we regularly bring up this issue as a key agenda item at the board meetings so that it is discussed at the top-management level. CEO assumes Chairman of the Board of Directors and Chairman of Management Committee which takes on the role of handling key management issues. CEO plays a leading role in putting climate change-related issues on the agenda and making decisions. Furthermore, we put in place Executive Committee right under CEO and the committee identifies climate change-related risks and formulates company-wide roadmaps. And management status is reported on a quarterly basis and the committee reexamines validity and provides solutions to improve the situations. 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.	C1.1, C1.2
B	**Describe management's role in assessing and managing climate-related risks and opportunities**		
Strategy			
A	**Describe the climate-related risks and opportunities, and financial impact that KCI has identified over the short, medium, and long term**	**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 ① Domestic policies and laws More and more people are getting aware of the gravity of climate change around the world. Against this backdrop, the Korean government set the target of mitigating GHG emissions by 24.4% below 2017 levels by 2030 and submitted it to United Nations (UN) while enacting and implementing Energy Use Rationalization Act. 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. Our key accounts, including global manufacturers of cosmetics and daily necessities, are requiring us to be eco-friendly and manufacture not only functional but also safe products. 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.	C2.3, C2.3a, C2.4, C2.4a
B			

TCFD		Disclosure	CDP
B	**Describe the climate-related risks and opportunities, and financial impact that KCI has identified over the short, medium, and long term**	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.	
C	**Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios**	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.	
Risk Management			
A	**Describe the organization's processes for identifying and assessing climate-related 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
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.	
C	**Describe how processes for identifying, assessing, and managing climate-related 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.	

TCFD

TCFD		Disclosure	CDP
Indicators and Targets of Reduction			
A	**Indicators 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 27 in this report.	C4.1, C4.1a, C4.1b, C6.1, C6.2, C6.3
B	**Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions**	Besides, we presented our goal to mitigate GHG emissions by 20% from the 2014 level by 2030 and to reduce 20% of energy usage of each production unit by 2030 compared to the level of 2018. As it is expected to see the government's announcement in regard to the 2050 carbon neutrality scenario in late October 2021, we plan to raise the target if possible after conducting appropriate trend analysis and feasibility tests. We will faithfully execute our plan as scheduled, actively responding to climate change so that we can actually realize our reduction goal in the future.	
C	**Targets used by the organization to manage climate-related risks and opportunities and performance**		

GHG emissions	Unit	2018	2019	2020
Scope 1	tCO_2eq	2,379.48	2,282.69	2,499.86
Scope 2		2,738.36	2,845.81	3,466.90

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_2eq	27p
		Percentage covered under emissions-limiting regulations		%	100
	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	With an aim to accomplish our goal to reduce GHG by 20% compared to the level of 2014, KCI checks on GHG emissions every year. 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	NO_x (excluding N_2O)	ton	28p
			SOx		28p
			Volatile organic compounds (VOCs)		0
			Hazardous air pollutants (HAPs)		0
Energy Management	RT-CH-130.a.1	Total energy consumed		GJ	28p
		Percentage grid electricity		%	0
		Percentage renewable		%	0
		Total self-generated energy		GJ	0
Water Management	RT-CH-140a.1	Total water withdrawn		m^3	28p
		Total water consumed			28p
		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

SASB

Topic	SASB Code	Accounting Metric		Unit	KCI's Response
Water Management	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks		N/A	KCI mostly uses natural raw materials extracted from plants in the production process. In this regard, an adequate amount of water resource is considered a critical resource of our supply chain, because insufficient water will bring about difficulties in growing plants, which in turn will pose a risk in quality and facility management. Accordingly, we greatly emphasize managing water resources, while focusing on the reduction of the absolute amount of water usage. We cut down water use in the course of product production by using cleaning hoses attached with the trigger-operated gun. Using well-treated recycled water is also actively being considered as it can alleviate the potential risks.
Hazardous Waste Management	RT-CH-150a.1	Amount of hazardous waste	Amount of hazardous waste generated	ton	29p
			Percentage recycled	%	29p
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	35-36p
			Contract employees		0
		Fatality rate	Direct employees		0
			Contract employees		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.
Product Design for Use-phase Efficiency	RT-CH-410a.1	Revenue from products designed for use-phase resource efficiency		KRW	25, 285, 422, 480

Topic	SASB Code	Accounting Metric	Unit	KCI's Response
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	%	49.65
		percentage of such products that have undergone a hazard assessment		100%
	RT-CH-401b.2	Discussion of strategy to (1) manage chemicals of concern and (2) 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)	%	0.38
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	0.818
		Process Safety Incident Severity Rate (PSISR)		-
	RT-CH-540a.2	Number of transport incidents	Number	0
Activity Metrics				
Production by reportable segment	RT-CH-000.A		m^3 or ton	Undisclosed due to trade secrets

GRI Standards

Universal Standards (GRI 100)

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Independent Assurance Statement

To readers of KCI Sustainability Report 2020

Marcspon (hereinafter 'the verification agency') verified the data of KCI Sustainability Report 2020 (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 ISO26000 standard is also checked. The verification period was from January 1, 2020 to December 31, 2020, 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 000-8

marcspon

September 2021
Representative Consultant,
Han Jeongwon

KCI Certifications

COSMetic Organic and Natural Standard Approved	**ISO 45001** Occupational Health and Safety Management System	**ISO 14001** Environmental Management System
HALAL Majelis Ulama Indonesia (MUI) HALAL	**RSPO Mass Balance** Roundtable on Sustainable Palm Oil License No.: 9-0379-13-100-00	**CDP** Carbon Disclosure Project
EcoVadis-CSR (Corporate Social Responsibility) Evaluation Platform	**ISO 9001** Quality Management System	**ISO 22716** Cosmetic Good Manufacturing Practices
EFfCI The European Federation for Cosmetic Ingredients	**World Class Product of Korea** World Class Product of Korea	