

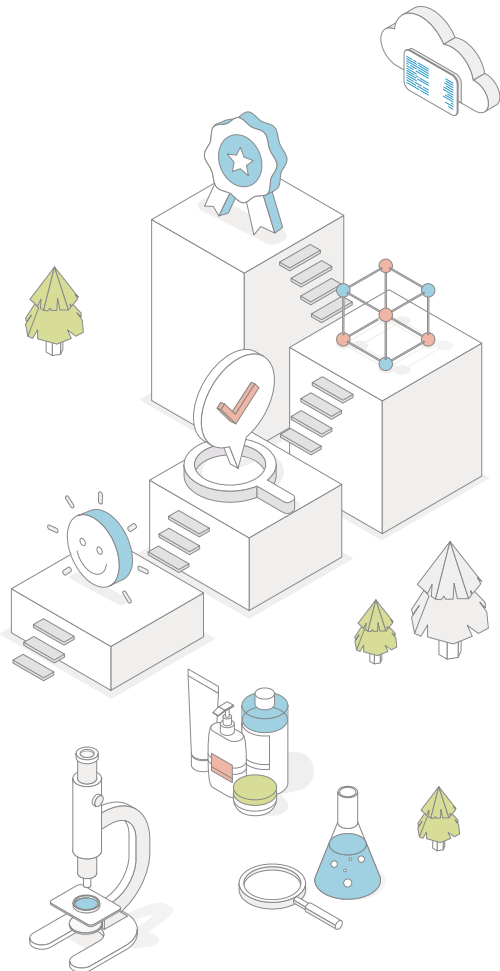
2022 SUSTAINABILITY REPORT

KCI 2022 Sustainability Report

Sustainable Health & Beauty Life



About this Report



Report Overview

This report is the third edition of KCI's Sustainability Report. KCI published this report in June 2023 to transparently disclose the future plan and performance of sustainable management to its stakeholders and actively communicate with them. It is published annually in Korean and English. We will continue to actively incorporate stakeholders' opinions through the Sustainability Report and reflect them in our management activities.

Reporting Period

The reporting period included in this report is from January 1, 2022 to December 31, 2022 and the report contains the sustainable management activities and performance of KCI. To track quantitative performance, data from the last three years, from 2020 to 2022, have been included for comparison. In addition, some items on qualitative activities may include data from the first half of 2023, in consideration of the time publication.

Reporting Scope

The financial data provided herein are in line with the consolidated financial statements prepared in accordance with the Korean Version of International Financial Reporting Standards (K-IFRS). And the scope of non-financial data covers all domestic business sites' sustainability management performance. In the event that the scope of the report does not align with the established Standards, any disparities will be explicitly delineated. Some of indicators of overseas business sites are excluded due to restraints on data collection.

Reporting Principles and Standards

This report aligns with the Global Reporting Initiative (GRI) Standards 2021. We also created the report in accordance with the Sustainable Development Goals of the UN Global Compact, TCFD, and SASB. The financial performance is provided based on the Korean International Financial Reporting Standards (K-IFRS).

Third-party Verification

The financial information in this report has been assured through an accounting audit performed by an independent auditor. In order to ensure its objectivity, fairness, and credibility reliability, this report was assured by an independent assurance provider Korea Management Registrar (KMR) that has no interest relation with KCI.

Inquiries

You can find and download KCI's sustainability report on its website (<https://www.kcilt.com>). If you need any further information or have any questions, please feel free to contact us using the contact details below.

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CEO Message



CEO, KCI
Jinyong Lee

“We will convey sustainable health and beauty to the world through tireless pursuit of challenges and innovations”

To realize its vision of ‘Sustainable Health and Beauty Life’, KCI continues its efforts toward becoming a global innovative company in the personal care industry. Last year, KCI achieved record-breaking sales of KRW 109.6 billion while implementing sustainable practices. We also achieved significant awards, such as the President’s Award for Corporate Innovation from the Korea Chamber of Commerce and Industry and the Gold Medal given to the top 5% in the EcoVadis’ Sustainability Rating. KCI will continue to reinforce its sustainable business foundation and achieve meaningful results through proposing new customer values.

Securing future growth through an advanced business portfolio

KCI is leading the market for hair conditioner materials by developing independent technologies. While consolidating our leadership in the haircare market, we will continue to take on challenges for future growth. First of all, we plan to strengthen our capabilities to meet the evolving customer demands and expand the sustainable product portfolio by accelerating our advance into the skincare and medical device markets based on our MPC (Methacryloyloxyethyl Phosphoryl Choline), MPC derivatives, and Multicare series products. In addition, we will improve stability of the supply chain through M&A and become a top-notch global personal care material company.

Accelerating the Development of Eco-friendly Materials and Strengthening the Implementation of Net Zero

KCI has introduced activities favorable to the environment, such as replacing cosmetic ingredients with eco-friendly ones. In particular, by adopting eco-friendly strategies, we developed naturally-derived products such as DMI (Dimethyl Isosorbide) made with biomass-based eco-friendly materials and the Polyglycerin ester series derived

from natural fatty acids and alcohols. KCI will strengthen R&D to secure future leading technologies and develop convergence technologies that can create synergies in the food and medical biotechnology areas and thereby accelerate the development of eco-friendly materials. Moreover, we aim to become the leading eco-friendly company by raising the waste reduction and recycling goals by 2030.

Building the Foundations for Sustainable Business by Strengthening ESG Management

Since the publication of its first Sustainability Report in 2020, KCI has been making continuous efforts to establish an ESG management system. We organized the ESG Committee to create a decision-making system that integrates various ESG perspectives. We also established ESG procurement and environmental management policies to fulfill our social responsibility throughout the product life cycle, from purchase of raw material to production and disposal. This year, we will not only increase corporate value by strengthening ESG strategy targets and company-wide implementation but also contribute to the creation of a sustainable economy that benefits all stakeholders.

Guided by the principles of ESG management, KCI is committed to enhancing the societal and environmental landscape of the personal care industry. Furthermore, we will adapt and innovate consistently to provide top-tier personal care materials with dependable supply chains to the global market. Your interest and support for KCI’s dynamic and captivating endeavors are greatly appreciated.

Thank you for taking the time to read.

Company Profile

A Company that Spreads Sustainable Health and Beauty

KCI

KCI is a specialty chemical manufacturer producing high quality and highly stable ingredients used in cosmetics and daily necessities. Polymer, a raw material for shampoo, and surfactant, an ingredient for hair conditioner, are among our main products.

Our key products manufactured through our own R&D capabilities were selected as the World Class Products in recognition for their outstanding quality and technologies. KCI has been dedicating its full capacity to innovate ingredient development to lead the environmentally conscious personal care market, which is highly sensitive to eco-friendly trends.

Moving forward, KCI will continue its efforts to become a company that spreads the value of sustainable beauty to all of humankind by globally supplying nature-derived ingredients that contribute to saving the planet and benefiting humanity. The vision of KCI is to combine environmental protection and beauty by providing innovative products and solutions for a sustainable future. We will continue research and development and do our best to provide valuable products to our customers.

Company Name	KCI LIMITED
Date of Establishment	February 1985
Date of Listing	Listed on KOSDAQ in 2001
CEO	Jinyong Lee
HQ Location	221, Daejuk 1-ro, Daesan-eup, Seosan-si, Chungcheongnam-do, Republic of Korea
Business Area	Chemistry
Sales (*)	KRW 109.6 billion
Net Income (*)	KRW 17.8 billion
Assets (*)	KRW 123.1 billion
Persons (*)	179 persons

(*) As of the end of December 2022





Company Profile

Vision 2025

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

Vision

Sustainable Health & Beauty Life

Goal

A leap forward as a global standard material company in the personal care sector

Company Strategy

Expanding Customer Portfolios

Acquiring more MNC* clients

Nurturing large distributions and having partnerships with them

Expanding Product Portfolios

Developing personal care materials converged with bio-food

Securing growth opportunities with global personal care M&A

Laying the Foundation for Long-term Growth

Enhancing global sales capabilities

Promoting ESG and advancing production capacity

Business Capabilities

Global

Digital

Convergence technology

System

Governance

Talent/Culture

Risk management

ESG

Value

A leap to become a globally respected company

*MNC: Multinational Corporation



+ KCI Value

KCI Value

Sustainable Health & Beauty Life

Our vision is to become a company that spreads ‘sustainable health and beauty.’ KCI focuses on expanding eco-friendly products and developing high value-added materials to enhance its business portfolio and pioneer new markets. For a brighter future, we seek to spread our corporate culture of six values: trust, initiative, innovation, talent, customer-oriented, and performance-oriented, to provide special values to our customers with excellent products and services, while ensuring that all our employees are evaluated and rewarded in a fair manner by giving them opportunities for constant growth, and figuring out the various ways to achieve co-prosperity for society.

Trust



We hold mutual respect in high regard, fostering trust from both society and customers through our transparent business practices and dedicated efforts towards social contribution.

- Embrace diversity with an open mind and extend mutual respect
- Adopt a customer-centric mindset in thinking and actions
- Efficiently share work-related data with colleagues
- Uphold consistency in alignment with guiding principles

Initiative



We relentlessly embrace challenges with an unwavering ‘can-do’ spirit and resolute determination to accomplish tasks, continuously striving to uncover novel business opportunities and achieve success.

- Seize opportunities for success with courage and determination
- Derive lessons from both successes and failures
- Pursue our mission with unwavering passion for excellence
- Exercise caution in decision-making, yet act swiftly and decisively

Innovation



Empowered by a proactive critical mindset and unyielding commitment to innovation, we fortify our competitive edge across products and services, charting a pioneering path in the market.

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

Sustainable Health & Beauty Life

Talent



Our employees are the cornerstone of competitiveness. Accordingly, we identify and cultivate talent, while our dedicated workforce consistently strives for personal growth along with the company's development.

- Align personal vision with the company’s objectives
- Cultivate expertise to excel in the role
- Foster collaboration by sharing knowledge with colleagues
- Demonstrate unwavering commitment to recognizing and nurturing talent

Customer-oriented



We are aware that customers are integral to our sustainability. By providing distinctive values to their needs, we lead to the highest level of customer satisfaction.

- Think and work from the perspective of customers
- Make decisions based on what 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 dedicated workforce strives to achieve corporate objectives, and in return, the company ensures equitable and transparent performance evaluations, accompanied by appropriate rewards.

- Persistently endeavor until the goal is attained
- Reinforce executive ability to reach higher
- Assess performance objectively and rationally
- Embrace a positive approach to rewarding top achievers more generously



+ History

History

Since its establishment in 1985, KCI has emerged as a pioneering force in the innovation of cosmetic ingredients. Notably, the development of ‘Polyquaternium-10’ in 1987 received significant recognition. Building on this achievement, the establishment of the Shihwa Plant in 1995 further bolstered our capacity to manufacture essential daily necessity ingredients. In 2000, the strategic change to the name ‘KCI’ reflected our motivation to expand into international markets. Our products have received acclaim for their excellence and cutting-edge technology in the global market, serving as vital raw materials for industry leaders including L’Oreal, P&G, and Unilever. These relationships remain steadfast, underscoring our stature in the global personal care sector. As we ranked second in the global personal care field beyond Korea, we are currently striving to become a sustainable company that is beneficial to nature, humankind, and society. Recently, KCI has earned the EcoVadis CSR gold rating for the second time in a row. Moving forward, we are committed to undertaking further innovative initiatives to solidify our position as a trailblazing eco-friendly personal care material company at the forefront of the global market.

1985-2005

- 1985
 - Establishment
- 1995
 - Completed a new production facility in Shihwa
- 1999
 - Acquired ISO 9001 certification
- 2000
 - Changed the company name to KCI Ltd.
- 2001
 - Listed on KOSDAQ
- 2005
 - Established KCI Japan
 - Established warehouses in EU and the U.S.

2006-2016

- 2016
 - Obtained RSPO certification
 - Received CDP grade B
- 2014
 - Obtained EFfCI certification
 - BTAC appointed as a World Class Product of Korea
- 2009
 - Established a new production facility in Daesan
- 2007
 - Designated as Excellent Manufacturing Technology Research Center (Ministry of Commerce, Industry and Energy)
- 2006
 - Polyquaternium-10 appointed as a World Class Product of Korea



2017-Present

- 2017
 - Became a subsidiary company of Samyang Group
 - Received silver rating in EcoVadis CSR
- 2018
 - Carried out a merger with ONO Chemical
 - Obtained MUI Halal certification
- 2019
 - Acquired ISO 45001 certification
 - Acquired ISO 14001 certification
- 2020
 - Obtained COSMOS Approved certification
- 2021
 - Received gold rating in EcoVadis CSR

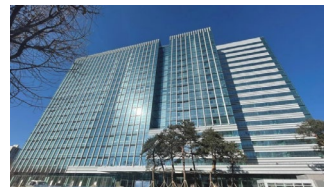
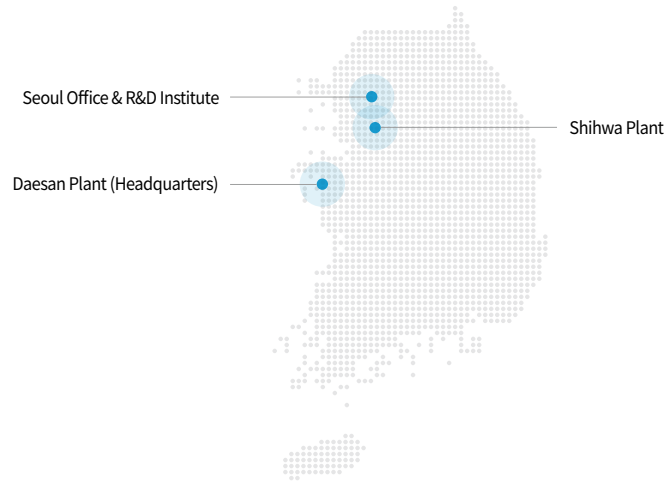




Introduction of Business Sites

Domestic Sites

KCI has a domestic office and R&D Institute in Seoul and two factories located in Daesan and Sihwa, respectively. In particular, 'Tech Center' research center develops innovative technologies and new functional raw materials for advancing the business.



Seoul Office & R&D Institute



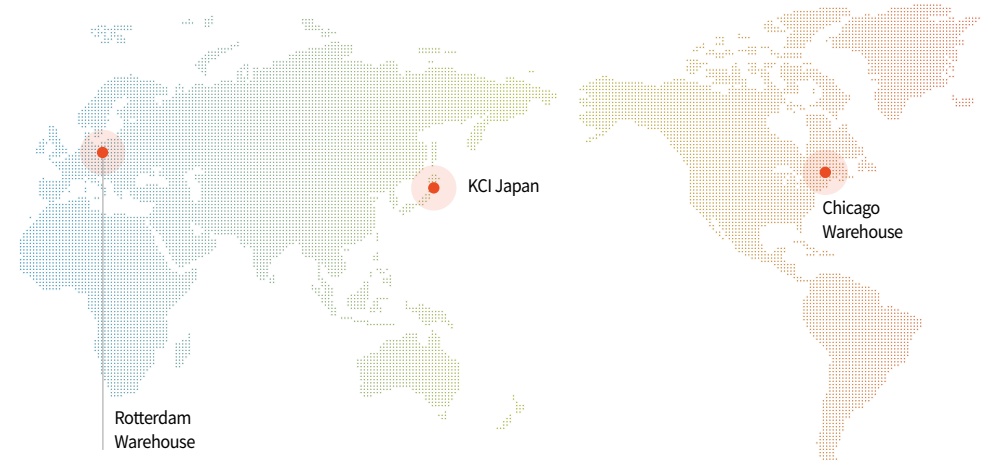
Daesan Plant (Headquarters)



Shihwa Plant

Overseas Sites

In pursuit of mitigating global risks, we have established warehouses in Chicago, United States, and Rotterdam, Netherlands, alongside the presence in KCI Japan. Leveraging the business sites both within and beyond Korea, we have cultivated strategic alliances with diverse clients. We have strategic partnerships with various customers based on the domestic and overseas business sites, and in 2022, we supplied 120 types of products to 218 clients across 52 countries.



KCI Japan



Chicago Warehouse



Rotterdam Warehouse



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

Business site	Location	Major processes and services
KCI Japan	Chiba, Japan	Wholesale and retail
Chicago Warehouse	Chicago, USA	Storage, transportation, and handling
Rotterdam Warehouse	Rotterdam, Netherlands	Storage, transportation, and handling



Introduction of Products



Conditioning Polymer

Guar Polymer & PQ-10

Conditioning polymer, KCI's main product, serves as a raw material in shampoos and various other personal care products. Notably, the guar polymer stands out as an environmentally conscious component for shampoos, body washes, and conditioners. With its elevated viscosity and conditioning attributes, its molecular weight imparts effortless detangling, irrespective of hair condition. This ensures a smooth, luxurious experience during application on hair or skin, leaving a soft and lavish sensation.

PQ-10 is a cationic polymer derived from cellulose sourced from cotton pulp. Similar to Guar Polymer, it is an environmentally friendly conditioning agent used in products such as shampoos and body washes. PQ-10's outstanding functions of keeping hair hydrated and protecting and repairing damaged hair have been proven, making it easy to comb and style hair. Thanks to these excellent functions, it was selected as a 'World Class Product of Korea' by the Ministry of Commerce, Industry and Energy in 2006, and its technology was recognized.



Cationic Surfactant

BTAC, BTMS

Cationic surfactant is a quaternary cationic product of tertiary fatty acid amine extracted from natural rapeseed oil. It is effective in moisturizing and glowing the hair, preventing hair tangles and static electricity, which is mainly used for hair conditioners and treatments. In recognition of such outstanding functions, the product was selected as a World Class Product of Korea by the Ministry of Commerce, Industry and Energy in 2014. It also established the production base for the raw materials through its own commercialization technology of tertiary fatty acid amines developed by KCI. Capitalizing on this distinctive competitive advantage, BTAC and BTMS are being extensively supplied to numerous multinational corporations, evidencing a consistent sales growth.



MPC Derivatives

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



Active Delivery Enhancer

We are currently engaged in the development of Dimethyl Isosorbide (DMI), which possesses multifunctional properties such as penetration enhancer, solvent, and irritation mitigator for the effective delivery of active ingredients to the body. DMI is categorized as an EWG* Grade 1 product, crafted from eco-friendly plant-derived components. Its remarkable efficacy in shielding the human body from external irritants positions it as a suitable candidate for applications in skincare, sun protection, and tanning formulations. Presently, we are collaboratively conducting pioneering research with Samyang Group, envisioning DMI to emerge as a flagship product that fortifies our future eco-friendly product portfolio.

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



Rheology Modifier/Thickener

Multicare Series

Comprising polymers, oils, and surfactants, this high molecular composite material showcases remarkable attributes including substantial thickening, emulsifying, and solubilizing properties, thereby enhancing overall textures. This composition finds prominent application in skincare and haircare formulations. KCI has provided an array of raw materials encompassing diverse textures, empowering clients to choose materials that align with their end-product concepts. Also, we are recently engaged in the development of three additional types of new products.



Methyl Gluceth Derivatives

Methyl gluceth derivatives are moisture-retaining and thickening agents derived from a non-ionic ethoxylated* methyl glucose ether sourced from corn. These derivatives find predominant application in skincare, haircare, and body wash products. Notably gentle on the skin and renowned for their soft, tactile sensation, they are widely embraced in products designed for infants as well.

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



Natural Oil, Sugar-based Moisturizer

Natural oils and sugar-derived moisturizers are raw materials that have been commercialized as cosmetic moisturizers using vegetable oils and sugar-alcohols. Being natural ingredients, they cause less skin irritation while delivering exceptional moisturizing and skin conditioning effects. Notably, there has been a noticeable rise in consumer preference for eco-friendly products. With this burgeoning customer demand in mind, KCI is dedicated to further increasing the presence of products formulated with natural ingredients.



Fatty Acid Esters

Fatty acid ester is a natural emollient that reacts with fatty acids with alcohol, primarily used in skincare. There are diverse textures and functions (thickening, dispersing, cleaning, etc.) depending on the type of fatty acid and alcohol we use. KCI is additionally developing five new products on the foundation of its strategy to diversify fatty acid ester products and further sharpen the competitive edge of its products. Going forward, we anticipate that the competitive edge of eco-friendly products will be further bolstered through the augmented provision of skincare raw materials accompanying the launch of new products.



ESG Journey

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ESG Management System

Direction of ESG Management System

1 We Grow for a Sustainable Future for Everyone.

KCI systemized its values, such as principles and trust, and selected its ESG management goals and tasks considering the trend. After establishing the ESG management system, we strive to make all subsidiaries implement sustainable management at the global level. The reinforcement of ESG business portfolios and ESG management system advancement have been selected as the key tasks. Based on this, we will make short-term and mid- to long-term improvement plans and do the prioritized tasks accordingly.

2 We Think about the Environment for Tomorrow that Everyone Dreams of.

We continue to discover and improve factors that affect the environment to protect the environment and enable humanity to lead affluent and convenient lives.

3 We Do our Best to Create a Society where We can Prosper Together.

We strive to fulfill our social responsibility by seeking to provide support to the local community, happiness to our members, collaboration with our suppliers, and to become a company that consumers can trust.

4 We Practice Transparent Management that Everyone can Trust and Rely on.

We seek stable corporate management and protection of shareholders' rights and interests by creating a transparent management environment by complying with ethical management and compliance management and establishing a sustainable management system based on the right governance.

5 We Pledge to Establish and Implement Ethical Management Principles.

In the process of expanding and growing our business, we strive to maintain ethical management principles by building mutual trust with various stakeholders such as customers, shareholders, and suppliers.

ESG Management System Advancement



ENVIRONMENT

Response to Climate Change
2050 Net Zero

Realization of a Circular Economy
Water stress management, Joining global initiative

Environmental Management System
Company-wide goal management, Strategizing the product environment



SOCIAL

Employee Operations
Establishment of human rights and diversity risk response system

Safe Working Environment
Establishment of specialized safety management system for each industry

Customer-centered
Establishment of ESG-based product management system

Supply Chain Sustainability
Establishment of ESG evaluation system in supply chain and expansion of support

Responsible Participation
Expansion of the role as corporate citizens through the creation of social value



GOVERNANCE

Corporate Governance
Expansion of shareholder rights, Establishing shareholder involvement management system

Ethical Management System
Reinforcement of transparent stakeholder communication

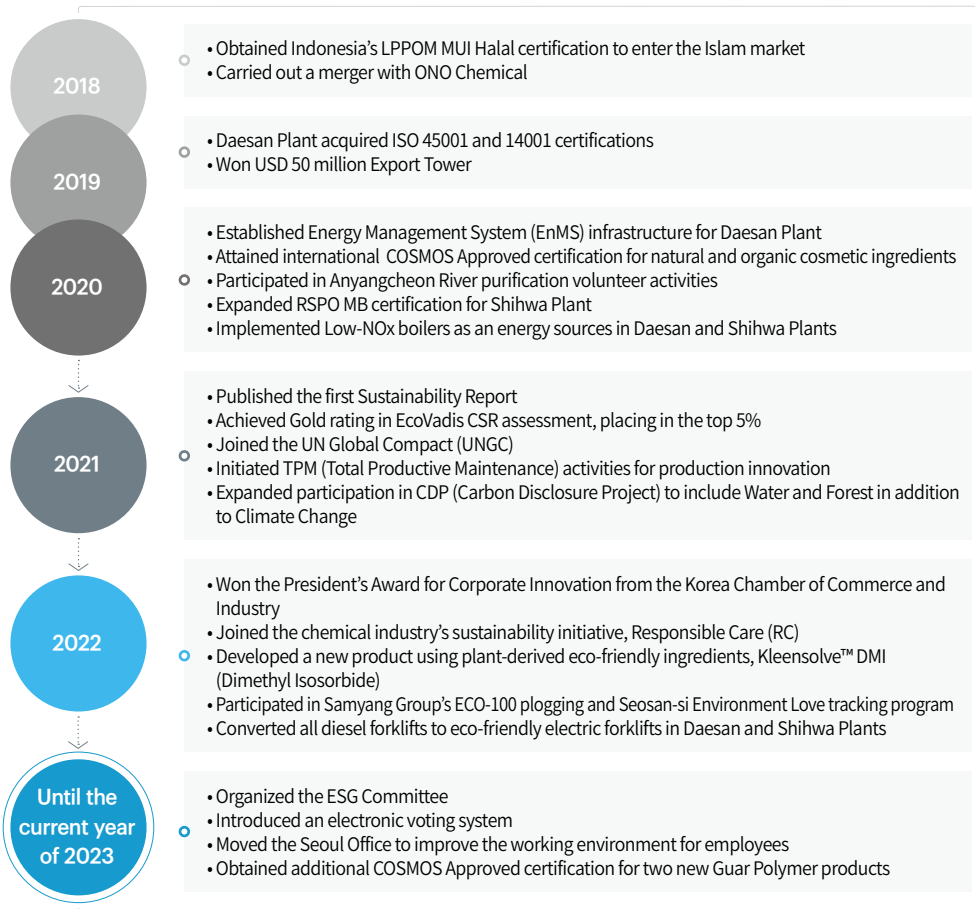
ESG Management System
Development of ESG governance and organizational function/capabilities



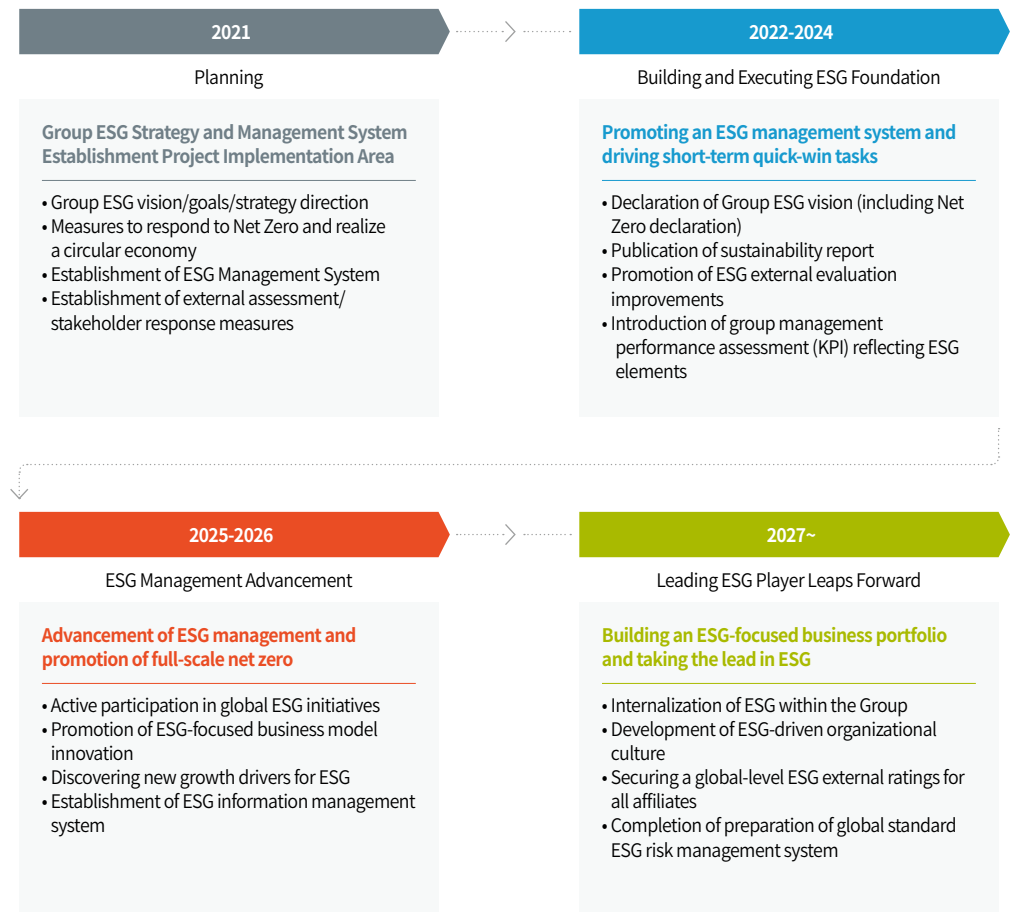
ESG History and Future

KCI is pursuing sustainable growth by considering environmental, social, and governance aspects in its management activities. To this end, we are strengthening mutual trust and cooperation by transparently disclosing ESG management activities to stakeholders and promoting communication management. We continue to strive for sustainable growth and are actively engaged in ESG.

ESG HISTORY



ESG Roadmap



+ 2022 Highlights

2022 Highlights

President's Award for Corporate Innovation from the Korea Chamber of Commerce and Industry

Selected as an excellent company in recognition of its innovative achievements, such as having a global No. 1 product and commercializing MPC for the first time in Korea, and its ESG management



EcoVadis Gold Medal

Strengthened ESG management and won the Gold Medal given to the top 5% in the EcoVadis' sustainability rating



Achieved the Highest Annual Sales of KRW 109.6 billion

Attained an unparalleled milestone with a peak annual sales figure of KRW 109.6 billion through strategic optimization of in-house production, sourcing premium suppliers, and fostering innovation in production processes



Customer Satisfaction Survey

Conducted a customer satisfaction survey in cooperation with an external organization to create customer-oriented business plans and collect customer opinions



Responsible Care (RC)

Participated in the RC (Responsible Care) Committee in Korea to proactively promote initiatives within the chemical industry aimed at enhancing environmental, safety, and health standards



Continuous TPM for Production Innovation

Continuously driving production process innovation and enhancement through Total Productive Maintenance (TPM) activities, which aim to optimize and refine operations





Stakeholder Engagement

Definition and Communication of Stakeholders

KCI defines shareholders and investors, suppliers, employees, customers, non-profit organizations, and associations as important stakeholder groups, taking into account their legal, financial, and operational responsibilities and impact. KCI recognizes that communication with stakeholders is very important, and to this end, we have established and operate communication channels for each stakeholder. We provide space and methods for conversation by key stakeholder groups, listen to and analyze various opinions of each stakeholder, and reflect them in the corporate management process based on this. Through these efforts, KCI has led to close cooperation and communication with stakeholders, identifying major interests of each stakeholder, establishing strategies to cope with them, and achieving continuous development and growth.

	Shareholder and Investors	Suppliers	Employees	Customers	Local Resident
Major Interests of Stakeholders	<ul style="list-style-type: none"> • Shareholder value maximization • Stable financial performance • Governance transparency enhancement • Business portfolio advancement • ESG risk management 	<ul style="list-style-type: none"> • Fair trade • Establishment of safety and health guidelines • Win-Win growth • Antitrust Act • Sustainable trade 	<ul style="list-style-type: none"> • Corporate value enhancement • Fair recruitment, performance assessment and compensation • Improvement of employee benefits • Human rights management • Work and life balance 	<ul style="list-style-type: none"> • Product quality management and safety improvement • Stable supply of products • Climate change mitigation • Eco-friendly production • ESG-related risk management reinforcement 	<ul style="list-style-type: none"> • Climate change mitigation • Hazardous substance management • Ethical management • Human rights management • Ongoing social contribution activities
Communication Channels	<ul style="list-style-type: none"> • Regular and special meetings of shareholders • IR disclosure data (Business Report and Sustainability Report) 	<ul style="list-style-type: none"> • Regular survey • Telephone survey 	<ul style="list-style-type: none"> • Labor-Management Council • Occupational Safety and Health Committee • Town hall Meeting 	<ul style="list-style-type: none"> • Regular survey • Telephone survey • Customer satisfaction survey 	<ul style="list-style-type: none"> • Publication of local governments' websites* and booklets in collaboration with related organizations • Participation in local councils (Daesan Industrial Complex Council)
Responses Activities	<ul style="list-style-type: none"> • Reporting business performance through regular disclosures • Sophisticating medium and long-term business strategies 	<ul style="list-style-type: none"> • Encouraging suppliers to participate in sustainable management and conducting evaluations • Establishing supply chain management policies 	<ul style="list-style-type: none"> • Conducting education programs to strengthen the competency of employees • Promoting for activities that improve organizational culture • Building a fair performance evaluation system 	<ul style="list-style-type: none"> • Customer-centric business plans based on customer satisfaction surveys • Sales and marketing activities • ESG assessment and response to audits 	<ul style="list-style-type: none"> • Distribution of information on hazardous chemical substances and response information in case of chemical accidents • Social contribution project planning through Daesan Industrial Complex Council

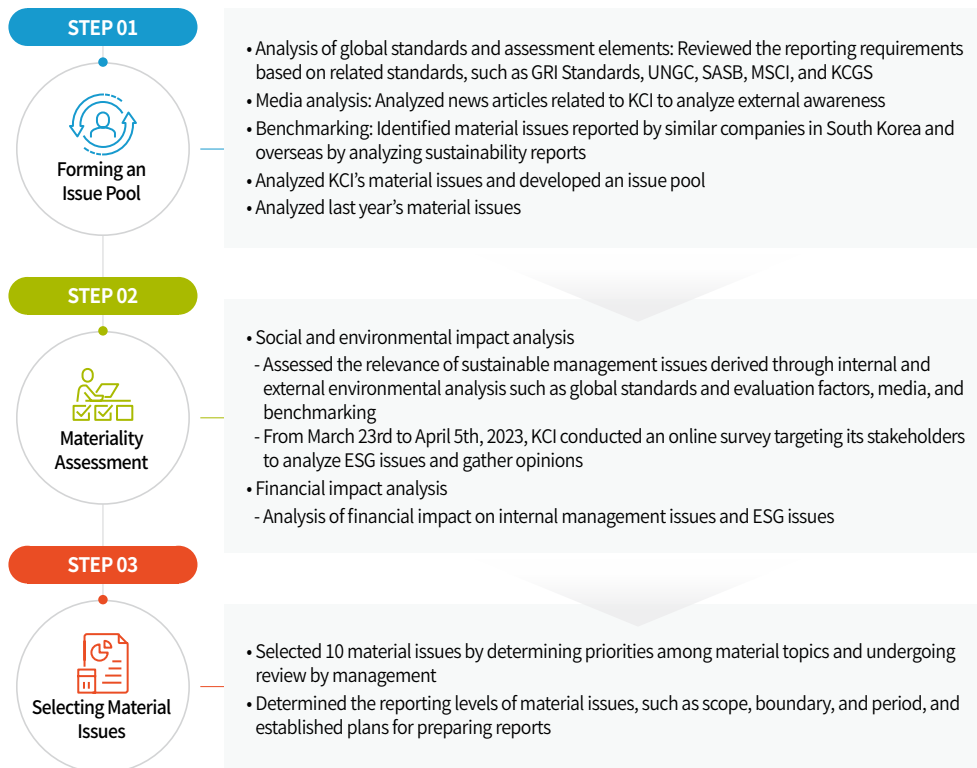
* Posted a plan for chemical accident prevention and management on the website of Seosan City Hall



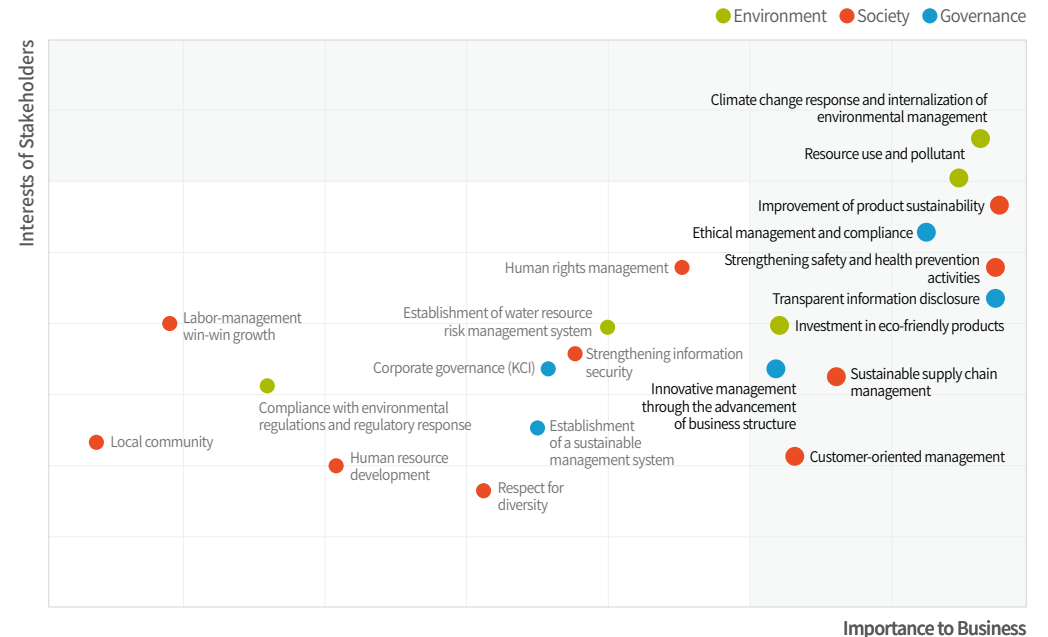
Materiality Assessment

Materiality Assessment Process

To advance sustainable business practices, KCI undertook a comprehensive materiality assessment utilizing GRI standards and the concept of Double Materiality Assessment introduced by the EU Corporate Sustainability Reporting Directive (CSRD) guidelines. Double Materiality Assessment entails considering the impact of a company's operational activities on society (Inside-out) as well as the influence of specific issues on the company's operations (Outside-in) in the context of sustainability issues. Through this approach, KCI systematically assessed the reciprocal impact between the company and society. Consequently, a total of 20 issue clusters were evaluated, culminating in the identification of 10 critical material issues that are imperative for our sustainable business practices.



Materiality Assessment Results



Classification	Issue	Social and Environmental Impact	Financial Impact	GRI Topic	Reporting Page
Material Issue	Climate change response and internalization of environmental management	●●●	●●●	GRI 305, 306	22~24
	Resource use and pollutant	●●●	●●●	GRI 305, 306	25~26
	Investment in eco-friendly products	●●○	●●○	GRI 301	27
	Customer-oriented management	●●○	●●○	GRI 416, 418	29~31
	Strengthening Safety and Health Prevention Activities	●●○	●●●	GRI 403	32~35
	Improvement of product sustainability	●●○	●●●	GRI 416	36~38
	Sustainable supply chain management	●●○	●●○	GRI 414	39~40
	Innovative management through the advancement of business structure	●●○	●●○	-	49~50
	Ethical management and compliance	●●○	●●●	GRI 205, 206	51~52
	Transparent information disclosure	●●○	●●●	-	53~55



ESG Material Issues

Prior to the publication of the sustainability report, KCI conducted surveys with internal and external stakeholders as well as experts to ascertain the relevance and business significance of stakeholders. Through this process, 10 key issues were identified. The evaluation process for determining the significance of these key issues is documented on page 17 of the report.

In comparison to 2021, there have been certain modifications in material issues for the year 2022. ‘Investment in Eco-Friendly Products’ has been designated as a material issue due to its assessment as a pivotal element for sustainable growth and corporate survival. Additionally, ‘Climate Change Response and Internalization of Environmental Management’ as a material issue reflects KCI’s role and responsibility in enhancing corporate value and competitiveness, while ‘Ethics and Regulatory Compliance’ and ‘Transparent Information Disclosure’ underscore KCI’s commitment to embedding ESG management into its business strategy for qualitative growth.

KCI will continue to publish the Annual Sustainability Report to respond to the selected material issues systematically. The countermeasure results will be transparently disclosed, and we will actively communicate with stakeholders. Moreover, we will conduct a materiality assessment simultaneously to understand the ESG management trend and stakeholders’ interests. The information will be reflected in corporate strategies and administrative decisions to strengthen ESG management.

We have thoroughly examined the rationale for selecting the ten material issues. In line with this, it has analysed KCI’s response status and major achievements, and objectives aimed at contributing to the realization of the United Nations Sustainable Development Goals (UN SDGs*) as follows. More detailed information is elaborated upon in the Environmental, Social, and Governance Section of this Report.

Classification	Material Issue	Background of Selection	Issue Management Strategy	Major Activities and Outcomes	UN SDGs(*)
Environmental	Climate change response and internalization of environmental management	Climate change caused by global warming is continuing, resulting in the increasing frequency and damage of natural disasters. This environment is directly related to corporate management. Companies experience increasing costs caused by environmental destruction, facility damage caused by disasters, and regulations of the international community. In addition, international initiatives were implemented to respond to climate change, and national and local governments strengthened their regulations on eco-friendly management and climate change. Accordingly, companies need to take a proactive response.	KCI built an ESH system (environment, safety, and health system) for eco-friendly management to fulfill its corporate social responsibility. In addition, Samyang Group recognizes the corporate responsibility and role from the energy and environment perspective, so it established a 2050 Net Zero roadmap to respond to climate change.	<ul style="list-style-type: none"> Built an ESH system for eco-friendly management and strengthen eco-friendly management system Established 2050 Net Zero roadmap Obtained and implemented ISO 14001 Held quarterly meetings of the Safety, Health, and Environment Committee led by plant managers Conducted climate change-related education and training 	
	Resource use and pollutant	Resource depletion and waste resulting from industrial processes pose significant environmental challenges. Companies need to take responsibility for this environmental pollution and build an effective resource circulation system and a strong waste management system. In particular, chemical companies must guarantee safety in handling hazardous chemicals. Therefore, it is necessary to further strengthen the handling standards and facility safety management.	We strive to minimize the emission of hazardous chemicals by cooperating closely with the local community. The chemical handling facilities are managed with weekly facility inspections. We prioritize environmental sensitivity and fulfill our responsibilities in this regard.	<ul style="list-style-type: none"> Signed agreements with relevant authorities to reduce concentrations of hazardous chemicals in the air in Daesan-eup, Seosan-si (Daesan Plant) Carried out an inspection on resource management and pollutant emission on a weekly basis Managed the amount of waste and processed waste 	
	Investment in eco-friendly products	As the challenges of climate change, resource depletion, and ecosystem degradation intensify, a growing number of enterprises are acknowledging their environmental obligations and the imperative for commensurate measures. Governments have enacted rigorous regulations to safeguard the environment and promote sustainable development, while heightened consumer interest in eco-friendly products is evident. In reaction, companies are proactively shifting their focus towards the adoption of ecologically responsible practices.	Aligned with the prevalent eco-friendly trend within the chemical industry, KCI is actively leveraging natural materials and engaging in the development of biodegradable raw materials. In addition, we continuously identify and address factors that affect the environment and invest in eco-friendly products to make people’s life prosperous and convenient.	<ul style="list-style-type: none"> Expanded and development of products based on natural ingredients Obtained COSMOS Approved certification Conducted regular inspection of facilities for eco-friendly product production Invested in environmental facilities for pollution reduction 	



* UN Sustainable Development Goals (SDGs): 17 ultimate goals determined by the UN for humankind to attain from 2015 to 2030 for the sustainable development of the international community








+ ESG Material Issues

Classification	Material Issue	Background of Selection	Issue Management Strategy	Major Activities and Outcomes	UN SDGs
Social	Customer-oriented management	We need to build a communication channel to listen to customers' voices because they are the key stakeholders determining the company's success. This communication process allows us to understand and apply their needs to corporate management. As a result, their needs influence product production and supply, and we can satisfy their satisfaction. In a nutshell, communication helps improve the relationship between a company and its customers and strengthen its competitiveness.	We strengthen communication with our clients to maximize customer satisfaction. To this end, we have bolstered our sales and marketing strategies to extend our avenues of engagement with our customers. Through the utilization of an online platform, they can conveniently and expeditiously access pertinent product information. Of notable significance, we have established an online raw material search platform, designed to facilitate our customers in promptly acquiring the specific information they seek. Through this, we have strengthened communication with our customers and increased the accessibility and convenience of our products.	<ul style="list-style-type: none"> Conducted customer satisfaction surveys Carried out digital marketing (online raw material search platform) Responded to clients' audits 	
	Strengthening safety and health prevention activities	As the significance of corporate social responsibility becomes more widely acknowledged, companies are also realizing their accountability in matters of safety and the environment. With growing concerns about safety and environmental issues, the systematic establishment and implementation of strategies to minimize safety and environmental impact are increasingly emphasized.	KCI prioritizes the safety and health of employees as a core corporate responsibility. Our safety and health management policy guides us to establish a systematic approach. Through our comprehensive management system, we conscientiously implement safety measures to minimize incidents and illnesses, fostering a heightened sense of responsibility among our staff.	<ul style="list-style-type: none"> Declared the SHE Management Principles Conducted internal and external safety education regularly Trained specialized management supervisors to nurture 	
	Improvement of product sustainability	Today, customers seek for value consumption just beyond product purchase. To keep pace with this trend, companies should deliver sustainable products enabling customers to realize sustainable value. This is an integral part of corporate survival and future growth driver. Therefore, it is required to draw up the strategies to carry out R&D activities and evolve manufacturing technologies.	Multifaceted efforts are being made to select sustainable ingredients that benefit both the planet and humankind. We are devoting all our strength to discover and use natural ingredients to develop biodegradable and eco-friendly products. Through this, we will make efforts to provide products that positively influence the planet and people.	<ul style="list-style-type: none"> Increased RSPO(*1) and COSMOS(*2) certified products Complied with domestic and overseas regulations Developed products made of Polyglycerin esters <p>(*1) RSPO: Roundtable on Sustainable Palm Oil, international certification for eco-friendly palm business (*2) COSMOS: COSMetic Organic and Natural Standard, international certification for natural organic cosmetics and ingredients</p>	
	Sustainable supply chain management	There is a growing number of cases of sustainable issues within supply chain affecting corporate reputation and management. This highlights the paramount significance of managing the supply chain for companies. Companies should assist suppliers in establishing sustainable systems and foster communication to foster mutually beneficial relationships.	KCI has established its supply chain management system to join the efforts to create a sustainable society and environment. In order to help our suppliers grow in a sustainable manner, we have monitored and provided opportunities to deal with identified issues. Through this endeavor, KCI upholds a sustainable supply chain while fostering a constructive rapport with suppliers, culminating in favorable outcomes for all stakeholders involved.	<ul style="list-style-type: none"> Acquired RSPO certification Established Supplier Code of Conduct and ESG procurement policy 	





+ ESG Material Issues

Classification	Material Issue	Background of Selection	Issue Management Strategy	Major Activities and Outcomes	UN SDGs
Governance	Innovative management through the advancement of business structure	While uncertainty is rising because of the global economic crisis and the COVID-19 pandemic, it is becoming a crucial task for companies to keep and develop their growth drivers. Companies need to cultivate new markets and increase their competitiveness through business portfolio advancement and continuous innovation. To achieve this, they should rebuild their management strategies, optimize resource allocation, and proactively engage in investments to fortify their growth engines.	KCI strengthened its R&D pipeline with individual R&D and joint development with Samyang Group companies. This enabled us to reinforce the existing strategic products and increase their supplies. In addition, we are accelerating the development of natural products following the global trend. With these efforts, we strive to innovate continuously and provide valuable products to our customers.	<ul style="list-style-type: none"> Expanded natural ingredients-based products Developed new Multicare products Developed Polyglycerin ester products 	 
	Ethical management and compliance	The fulfillment of corporate social responsibility is now widely acknowledged as an essential facet of business management. Consequently, regulations concerning ethical conduct and anti-corruption measures are being rigorously enforced on a global scale. Companies that adhere to such regulations while concurrently generating economic value are emerging as pivotal constituents of the next-generation business landscape. Within this context, businesses are increasingly compelled to embrace ethical and compliant practices as imperative components of sustainable management.	Adhering to Samyang Group's 2013 declaration of ethical management, our company has wholeheartedly adopted the five guiding principles and practical directives for human rights management throughout all tiers of our business activities. All our employees have committed to actively practicing ethical management, thereby contributing to the promotion of a culture rooted in legal compliance.	<ul style="list-style-type: none"> Strengthened the ethics and compliance management system Provided ethics and compliance management education Wrote an ethics pledge annually 	 
	Transparent information disclosure	With the concept that the expertise and independence of governance are essential for continuous growth, the social interest in governance is growing. It is recognized as important to disclose information transparently and communicate with stakeholders. These are acknowledged as essential elements for creating a sustainable management environment, enabling future preparation and growth.	KCI is dedicated to promoting robust governance and ensuring sustainable management practices. To this end, we strengthened the expertise and independence of directors. As the demand for ESG management increases, we created the ESG Committee in 2023 to implement sustainable management while disclosing information transparently for communication with stakeholders. KCI pursues shares values with its stakeholders to pursue continuous growth and sustainable development.	<ul style="list-style-type: none"> Transparently disclosed information to stakeholders Strengthened the independence and expertise of the board of directors Established the ESG Committee 	





Environmental

- 22 Climate Change Response and Internalization of Environmental Management MATERIAL
- 25 Resource Use and Pollutant MATERIAL
- 27 Investment in Eco-friendly Products MATERIAL

Environmental challenges pose significant concerns for society. Companies must mitigate their environmental footprint, commit to sustainable practices, and fulfill their social obligations. By doing so, we can ensure a healthy life and sustainable development for future generations. KCI leverages natural materials to minimize waste and cultivate an eco-friendly culture. Through these endeavors, we uphold our responsibility to environmental issues, advance sustainable development, and pave the way for a brighter future.





MATERIAL

Climate Change Response and Internalization of Environmental Management

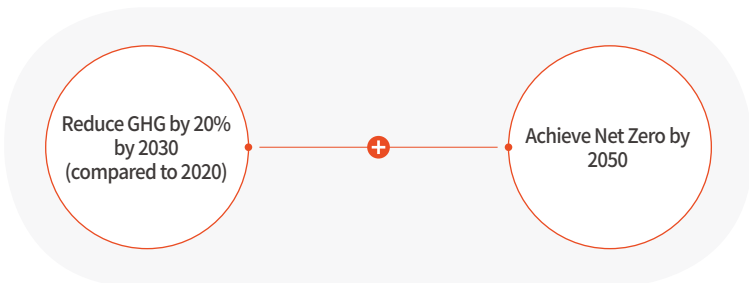
The climate crisis is a problem that everyone should responsibly solve, and being eco-friendly has become essential in corporate management. Major countries around the world require companies to engage in eco-friendly policies and take actions to mitigate climate change. Accordingly, it is necessary to analyze the global environmental trend and prepare a proactive response system. KCI pursues environment preservation and people's prosperous life at the same time, and seeks to build a systematic management system to realize sustainable management. In addition, we reflect the efforts to protect the environment to our strategies and core values and implement sustainable management through environmental management.



Response to Climate Change

Climate Change-related Activities

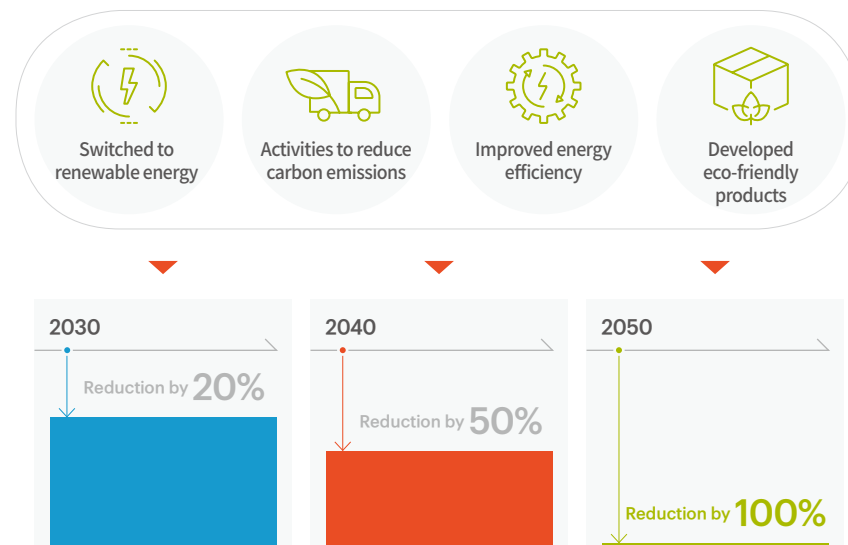
KCI actively participate in CDP's initiatives to follow the response trend in climate change and satisfy customers' requirements. Based on this, we strive to reduce greenhouse gas emissions and energy consumption to become a leading eco-friendly company in the chemical industry. In addition, we make an effort to achieve Net Zero by 2050 and fulfill the responsibility as a member of the global society. The ESG Committee always confirms and discusses related issues to contribute to making a better society.



Net Zero

Aligned with the global commitment to Net Zero, KCI has formulated a comprehensive roadmap to attain Net Zero by 2050. In line with this trajectory, we have set a 2030 goal of reducing greenhouse gas emissions by 20% relative to the 2020 baseline.

2050 Net Zero Roadmap





Activities to Reduce GHG Emissions

KCI has established a clear GHG emission reduction target for 2030, providing a foundation for ongoing annual emissions management. To actively realize this reduction commitment and progress toward Net Zero, we have implemented a comprehensive approach encompassing the development of an inventory system, regular monitoring, and tangible initiatives.

GHG Emissions

Classification	Unit	2020	2021	2022(*2)
Direct GHG emissions (Scope 1)	tCO ₂ eq	2,499.86	2,211.67	2,275.17
Indirect GHG emissions (Scope 2)	tCO ₂ eq	3,166.90	3,223.37	3,376.86
Total GHG emissions (Scope 1 + 2)	tCO ₂ eq	5,666.76	5,435.04	5,652.03
Other GHG emissions (Scope 3) (*1)	tCO ₂ eq	-	8,748.09	9,325.66
GHG emission intensity (Scope 1, 2) (*1)	tCO ₂ eq/ton	0.57	0.56	0.53

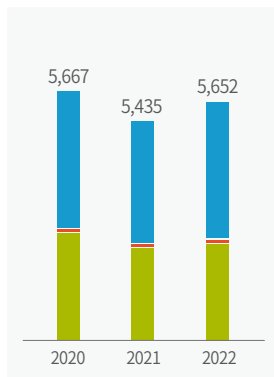
Target GHG emissions in 2022 (Scope 1 + Scope 2) **5,596 tCO₂eq**

(*1) The variance in data values from the previous year's report is attributed to a modification in the calculation methodology.

(*2) The 2022 national emission factors have been applied since 2022

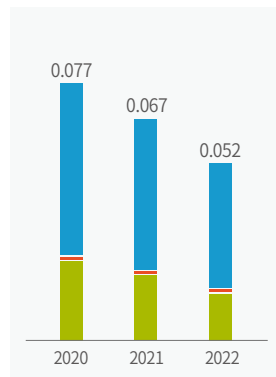
Annual emissions

(Unit : tCO₂eq)



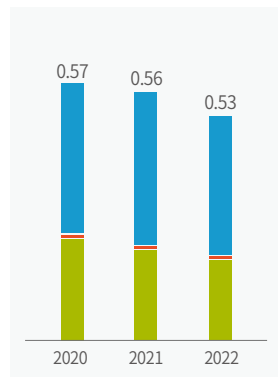
Emissions per sales

(Unit : tCO₂eq/KRW million)



Emissions per production

(Unit: tCO₂eq/ton)



■ Scope 1 Fixed combustion
 ■ Scope 1 Mobile combustion
 ■ Scope 2 Electricity use

Energy Management

KCI has established its energy management policy and plans to analyze and manage its energy consumption. The policy and plans specify the responsibilities, authority, and scope of work regarding energy use, and we also set a goal for energy saving and safety. KCI was designated as an 'energy-intensive company' that consumes more than 2,000toe per year. Accordingly, we submit an annual report on energy use, make a regular energy diagnosis, and have dedicated employees to monitor energy consumption and GHG emissions.

Energy Efficiency Improvement

In 2020, KCI made diligent efforts to enhance energy utilization efficiency through the implementation of the Energy Management System (EnMS). Notably, high-efficiency LED lights replaced traditional lighting systems within our plants, and thermal insulation was applied to heat pipes to recover waste heat. Furthermore, the adoption of an indirect evaporative cooler (IEC) facilitated energy reduction by reutilizing waste heat, without the use of refrigerant gases, thereby contributing to the reduction of greenhouse gas emissions.

Energy Consumption (*1)

Classification	Unit	2020	2021	2022(*2)
Electricity	TJ	66.11	67.29	67.81
Liquid natural gas	TJ	48.24	43.14	44.43
Gasoline	TJ	0.09	0.16	0.21
Diesel	TJ	0.25	0.21	0.17
Total energy consumption	TJ	114.69	110.80	112.62
Energy intensity	GJ/ton	11.55	11.52	10.49

Target energy consumption 2022 **111 TJ**

(*1) The variance in data values from the previous year's report is attributed to a modification in the calculation methodology.

(*2) The 2022 national emission factors have been applied since 2022



Internalization of Environmental Management

Policy and Goal of Environmental Management

KCI continuously investigates and improves environmental impact factors for the planet and people's prosperous life. To this end, we comply with Korean environmental laws and internal environmental regulations while strengthening preventative activities to minimize potential environmental problems such as pollutant leakage. In addition, we educate all employees on the importance of eco-friendly management and make efforts to prevent environmental accidents. KCI established and complied with environmental management policies approved by the ESG Committee.



ISO 14001 Certification

Environmental Management Organizational System

KCI formulates environmental objectives and devises comprehensive plans to ensure systematic implementation of eco-friendly management across all business sites. Each site is equipped with a dedicated environmental management department responsible for overseeing related activities. These departments actively engage in environment management initiatives and subsequently report their results to the CEO. This well-structured process allows for company-level decision-making and effective realization of our commitment to eco-friendly management.

Compliance with Environmental Laws

KCI manages, records, and understands safety, health, and environmental laws using internal lists.

Environmental Management System Certification

KCI has implemented global environmental management and Safety, Health, and Environment (SHE) systems in accordance with internationally recognized ISO 14001 and ISO 45001 standards. These systems set SHE standards for the company's operations, emphasizing exceptional performance in governance, production, and services. Through these systems, KCI strives for sustainable management, ensuring compliance with relevant laws to mitigate legal risks.

Environmental Education

KCI's Quality Assurance (QA) Part conducts annual environmental education for all employees to prevent environment-related risks, emphasizing the importance of energy saving and climate actions. The education covered 'The destroyed Earth' in 2022, 'fine plastic' in 2021, and 'green chemistry' in 2020. In addition, managers and employees who handle hazardous chemicals are thoroughly educated to ensure they understand chemical management. Furthermore, we continuously provide an opportunity to learn about environmental issues and policies so that employees can recognize the importance of environmental management.

Biodiversity Conservation Responsibility

KCI recognized biodiversity conservation as an important social responsibility and established related policies. They were approved by the ESG Committee and encouraged to be followed. To restore the natural ecosystem and preserve biodiversity, KCI investigated its businesses' potential impacts on the biodiversity of the surrounding areas and strived to minimize their negative effects.



Violation of Environmental Laws

Classification	Unit	2020	2021	2022
Number of chemical leakage incidents	Cases	0	0	0
Number of environmental law violations	Cases	1	0	1
Fines for environmental law violations	KRW million	1.6	0	0.48



MATERIAL

Resource Use and Pollutant

In order to prevent resource depletion and address environmental issues, continuous endeavors towards resource reutilization, recycling, and circulation are essential. Meeting stringent regulations on waste and hazardous chemicals management, KCI segregates waste by type and actively curtails waste generation, thereby lessening our environmental footprint. Furthermore, we have set a target to decrease water consumption, air pollutants, and waste by 20% by 2030 in relation to 2020, and we are diligently working towards the accomplishment.

Resource Use

Amidst the increasing global concern over escalating water scarcity, coupled with the variability in precipitation patterns and rising sea levels, KCI recognizes the critical significance of water resource management. In response, KCI has undertaken proactive measures to curtail water consumption and effluent discharge, reflecting the deep awareness of the gravity of this issue.

Water Risk Management

Water shortages have been intensifying worldwide, and interest in water issues is growing. Although KCI does not collect water from areas with significant water stress, our chemical business' production process uses an enormous amount of water, so we particularly emphasize the importance of water resource management. We established a stronger internal environment management standard and proactively prepared for the government's regulation.

Water Quality Contamination and Wastewater Management

KCI is dedicated to minimizing water quality contamination. To achieve this, we have set our wastewater discharge standards to be 80% below the legally prescribed limits. We regularly monitor our discharge levels and utilize only the necessary process water to reduce water usage and minimize energy consumption in wastewater treatment.

Wastewater undergoes primary treatment in our own facilities, followed by secondary treatment in public wastewater treatment facilities, ensuring safe discharge. We strictly adhere to wastewater management regulations to maintain compliance.



Water treatment facility in Daesan Plant

Water Consumption (*1)

Classification	Unit	2020	2021	2022
Water withdrawal	ML	29.83	31.10	45.59
Water consumption	ML	15.69	17.26	25.21
Water discharge (*2)	ML	14.13	13.83	20.38

Target water consumption in 2022 **24.45 ML**

Effluent Discharge and Recycled Water

Classification	Unit	2020	2021	2022
Effluent discharge (*3)	ML	11.74	11.33	18.74
Recycled effluent	ML	0	0	0
Chemical oxygen demand (COD)	Ton	1.17	0.88	1.22
Biochemical oxygen demand (BOD)	Ton	1.52	0	0
Suspended solids (SS)	Ton	0.26	0.85	1.35

(*1) The variance in data values from the previous year's report is attributed to a modification in the calculation methodology.

(*2) Water discharge includes effluent discharge, indirect coolant discharge, and outsourced treatment discharge.

(*3) Effluent discharge: discharge from the treatment facilities on business sites



Air Pollutant Management

KCI is committed to mitigating the environmental impact of air pollutants. We strive to minimize emissions of pollutants such as SOx, NOx, and dust by maintaining air pollutant emission concentrations below 80%. In cases where a facility or process exceeds emission standards due to errors, prompt corrective measures are implemented to reduce emissions. In addition, we prepared guidelines for air, water quality, noise, and vibration to respond to air pollution and environmental problems. KCI also conducts an environmental impact evaluation and creates a hazards management plan.

Recognizing the risks posed by air pollutants, KCI undertakes proactive measures. This includes the routine replacement of activated carbon and filters in our prevention facilities, the installation of low-NOx boilers with effective NOx reduction capabilities, and the implementation of scrubbers utilizing liquid to eliminate air pollutants. Furthermore, we have established an air emission facility monitoring system for real-time measurement of pollutants and ongoing monitoring of the performance of air emission and prevention facilities.

Air Pollutant Emissions

Classification	Unit	2020	2021	2022
NOx	Ton	2.43	2.52	1.29
SOx	Ton	0.01	0.06	0.07
Dust	Ton	0.44	1.04	0.42

Target NOx emissions in 2022 ————— **1.27 ton**

Target SOx emissions in 2022 ————— **0.07 ton**

Target dust emissions in 2022 ————— **0.41 ton**

Waste Management

Waste Reduction and Recycling

For sustainable management, KCI created waste management guidelines to minimize waste generation and increase the efficiency of resource use. We have defined the roles and responsibilities of the individuals overseeing waste management, reported treatment strategies in accordance with legal obligations, and meticulously conducted waste collection and segregation. In addition, we create and store hazardous information of the wastes subject to report by the Minister of Environment and design eco-friendly processes to prevent generating unnecessary wastes. Some wastes are treated by external companies and recycled by KCI. In addition, we create a resource recycling performance and implementation report to compare targets with actual figures.

Waste

Classification	Unit	2020	2021	2022
General waste	Ton	100.06	122.96	130.37
- Landfilled	Ton	16.23	33.72	43.39
- Incineration	Ton	65.85	56.92	54.96
- Recycled	Ton	17.98	35.32	32.02
- Others	Ton	0	0	0
Designated waste	Ton	1,752.94	1,690.31	1,539.10
- Landfilled	Ton	0	0	0
- Incineration	Ton	9.29	0.49	33.72
- Recycled	Ton	1,740.01	1,687.32	1,505.38
- Others	Ton	3.64	2.50	0
Total waste generated	Ton	1,853.00	1,813.27	1,669.47
Waste generation per sales	Ton/KRW million	0.0253	0.0222	0.0152
Volume of waste recycled	Ton	1,757.99	1,722.64	1,537.40
Waste recycling rate	%	95	95	92
Hazardous waste generation	Ton	0	0	0

Target for waste generated in 2022 ————— **1,684 ton**

MATERIAL

Investment in Eco-friendly Products

Aligned with the prevailing eco-conscious direction in the chemical sector, KCI embraces the use of natural materials and pursues the development of biodegradable alternatives. In addition, we maintain an ongoing effort to identify and enhance elements that affect the environment, thereby contributing to its safeguard. We also allocate resources towards the creation of eco-friendly products that enrich the quality of life and enhance convenience for individuals.



Expanding Investment in Eco-friendly Facilities

Investment in Environmental Facilities for Eco-friendly Management

KCI regularly inspects facilities to produce eco-friendly products and invests in outdated facilities to reduce hazardous and risky facilities. All business sites installed low NOx boilers and scrubbers to reduce air pollutants while introducing TOC analyzers to analyze water pollution and improve the water resource environment. In addition, we introduced waste steam condensing discharge facilities to prevent workers from being exposed to hazardous substances and improved wastewater trenches to improve the working environment.



Low NOx boiler (10 tons)



Low NOx boiler (3 tons)

Installation of Low-NOx Boiler

Boiler type	Pollutant	Unit	Concentration before treatment	Concentration after treatment	Maximum acceptable concentration	Processing efficiency
10.0 tons/hrx1 type	NOx	ppm	128.56	38.30	60	70.21%
3.0 tons/hrx1 type	NOx	ppm	128.56	23.10	60	82.03%

Development of Eco-friendly Products

Use of Natural Ingredients

With customers' increasing preference for eco-friendly products, KCI has expanded the proportion of natural ingredient-based products. KCI's main product, conditioning polymer (PQ-10, Guar Polymer), is a natural product used in shampoo and body wash. The upcoming development, Dimethyl Isosorbide (DMI), is a plant-derived eco-friendly ingredient with an EWG Grade 1 rating, indicating its non-harmful nature to humans. The other flagship products, cationic surfactants, natural oils, sugar-derived moisturizers, and fatty acid esters are also based on natural ingredients, and we also develop biodegradable products.

Moreover, our conditioning polymer (Guar Polymer) and Fatty acid ester products have obtained COSMOS Approved certification, and we refrain from using animal-derived ingredients and conducting animal testing in our product development and manufacturing processes.



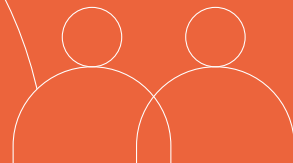


Social

- 29 Customer-oriented Management MATERIAL
- 32 Strengthening Safety and Health Prevention Activities MATERIAL
- 36 Improvement of Product Sustainability MATERIAL
- 39 Sustainable Supply Chain Management MATERIAL
- 41 Human Rights Management and Human Resource Development
- 45 Strengthening Information Security

Sustainable management is essential to meet the evolving social demands and expectations placed on corporations.

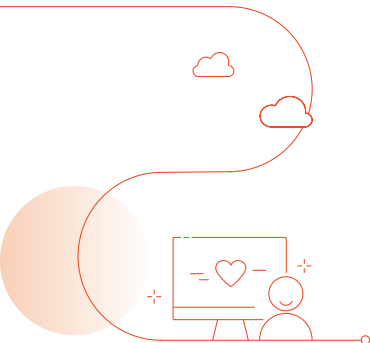
This is particularly significant due to the increasing anticipation from various stakeholders. Accordingly, companies should understand the various demands of stakeholders and reflect them in management activities. In particular, companies should make efforts to fulfill social responsibility in their relationship with customers, shareholders, employees, local communities, and suppliers. As the uncertainty increases and the management environment rapidly changes, the need has emerged to solve multiple social problems local communities face and create social values.



MATERIAL

Customer-oriented Management

The market environment becomes more competitive as customer requirements continue to change. Accordingly, companies strengthen their competitiveness with customer-oriented methods, such as prioritizing customer satisfaction, increasing product and service quality, and improving customer service. KCI also prioritizes customer value realization and strives to improve the quality of its products and services and fulfill its customer requirements. In addition, we provide customer-oriented services to address their complaints, lead the market trend, and plan to provide optimal products based on customer satisfaction and a customer-oriented perspective. KCI is diligently working to establish customer-centric management practices that encompass feedback from customers, incorporating elements such as eco-friendliness, diversity, and sustainability.



Customer Satisfaction Management

Creating New Customer Value

Active communication with customers is a crucial factor in a company's growth. We have engaged in an ESG assessment and participated in various international initiatives. Additionally, we are broadening the range of eco-friendly certified products to enhance our corporate reputation and elevate customer satisfaction.

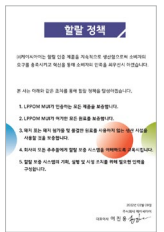
ESG Assessment

KCI has been honored with a consecutive two-year gold medal distinction in sustainability assessment by EcoVadis. This accolade acknowledges companies ranking within the uppermost 5% among 100,000 enterprises across 175 nations, thereby facilitating their global supply chain expansion. In the CDP assessment, commendable grades of A-, A-, and B- in the areas of climate change, water, and forest underscore our commitment to eco-friendly management practices. We remain steadfast in our pursuit of enhanced sustainable management through ongoing refinement, transparent reporting, and active engagement with stakeholders.



Halal Policy

Based on various races, respect for culture, and universal human rights, KCI has strived to produce Halal-certified products. They were certified by Indonesian LPPOM MUI, and the certification particularly attracted interest as proof of harmlessness. KCI has the Halal Certification Management Team to prepare product development and comply with the certified raw materials. In addition, we have obtained Halal certifications for 56 products, including conditioning polymer (PQ-10, Guarquat series) and cationic surfactant (BTAC, BTMS). We attentively listen to customers' feedback and prioritize their contentment. Our dedication to ensuring customer satisfaction is exemplified through consistent reporting and educational initiatives. Further details concerning our Halal policy can be accessed on the official website.



COSMOS Approved Certification

KCI strives to increase the number of COSMOS (COSMetic Organic and Natural Standard)-approved products, a globally recognized European certification for organic & natural cosmetics. Particularly, the COSMOS Approved certified ingredients signify that 'non-organic ingredients, along with all their components and manufacturing processes, comply with COSMOS' stringent standards. The COSMOS Approved ingredients can be used for the manufacturing of organic finished goods or natural finished goods. KCI has already obtained COSMOS Approved certification for nine products in the Guarquat series and one product, PGLCP 102KC RSPO MB, and will continue to enhance the range of certified products to ensure high customer satisfaction.





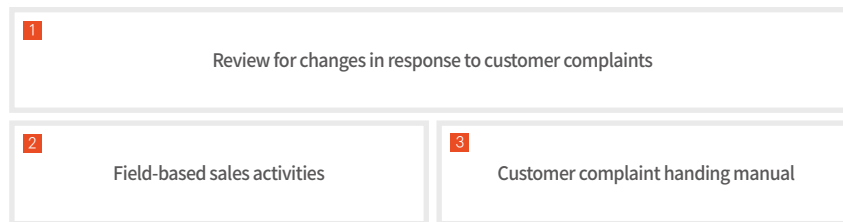
Engaged in Sustainable Initiatives

KCI pursues sustainable development and international cooperation and joined various initiatives. In December 2021, we joined the member of UNGC, an initiative seeking corporate sustainability, followed by the declaration of the ten principles, including human rights, labor, environment, and anti-corruption. In April 2022, we joined the Korea Responsible Care (RC) Council, an initiative in pursuit of voluntary environment, safety, and health improvement of the chemical industry. Our continued engagement in diverse initiatives underscores a proactive approach to sustainable development.

Customer Complaint Handling

KCI prioritizes customer satisfaction and has a systematic management system to promptly respond to complaints about its products and services. We meticulously analyze customer feedback, identify underlying issues, and proactively implement remedial actions. Moreover, we are committed to preventative measures to preclude recurring complaints, and regularly collect customer opinions and reflect them in improving products and services.

Strategies to Enhance Customer Satisfaction



Customer Complaints Response Process

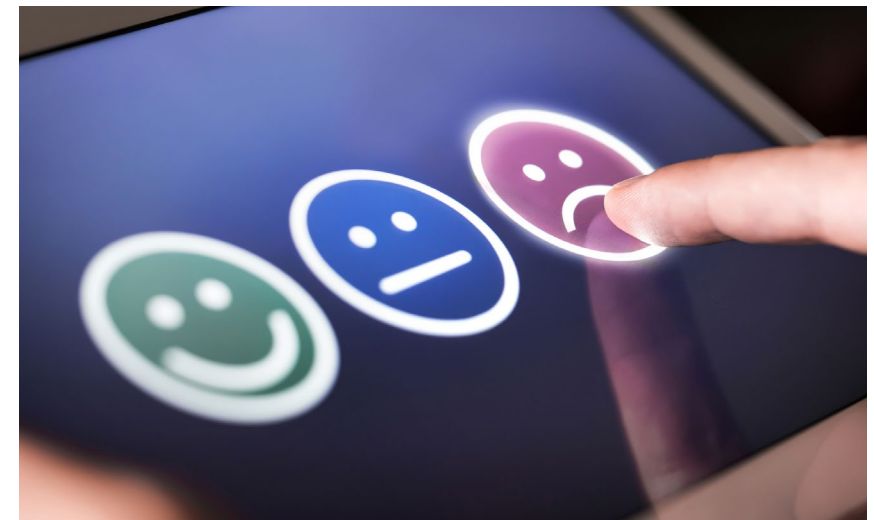


Customer Management

KCI promptly and systematically responds to the complaints from its customers. KCI accepts customers' inquiries through its website or e-mail, and then the personnel of the company in charge of the report item deals with them based on the feedback and opinions of Tech Center, Production, or Quality Teams. To facilitate this, we meticulously maintain a database encompassing customer information, inquiries, and resolution records, ensuring consistent management. KCI remains committed to agilely meeting customer demands, preventing recurrence of dissatisfaction, and continually striving to enhance service provision.

Customer Safety and Health

Classification		Unit	2020	2021	2022
Product safety	No. of products recalled	Cases	0	0	0
	Amount of products recalled	Ton	0	0	0





+ Customer-oriented Management

Customer Satisfaction Survey

Enhancement of Customer Satisfaction through Effective Communication

Open communication with customers is essential for a company's growth. KCI implements customer-oriented business plans through customer satisfaction surveys for its continuous development.

Conducting Customer Satisfaction Surveys

KCI prioritizes customer satisfaction and has a systematic management system to handle product or service complaints promptly. External companies conduct customer satisfaction surveys, and we thoroughly analyze results, identify problems, and solve complaints promptly with active actions. In addition, we take preventative measures to avoid repeated complaints, listen to customers' voices, and reflect them in improving products and services.

Customer Satisfaction Survey and Results in 2022

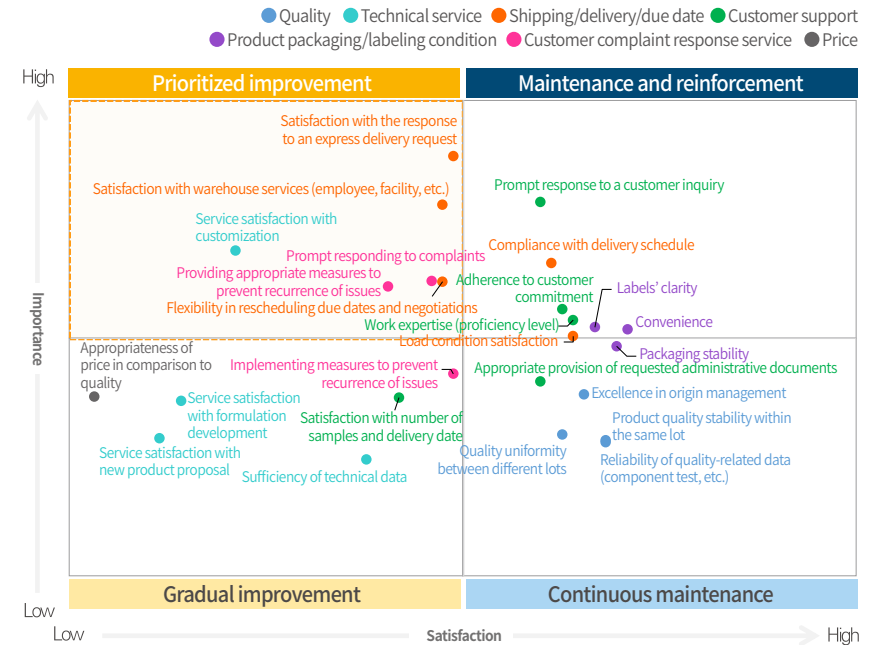
- 1 The overall satisfaction level continues to remain very high, scoring 81.48 points.
- 2 Categories such as 'Product packaging/labeling condition' (83.64 points) and 'Quality' (82.64 points) have garnered ratings above 80, indicating strong satisfaction.
- 3 Customer satisfaction with 'Quality' exhibits a relatively higher level among domestic customers compared to their overseas counterparts.
- 4 'Price' and 'Technical services' received comparatively lower ratings in comparison to other evaluated categories.

· Respondents: 269 customers, encompassing both Korean and global clients of KCI
 · Data Collection Method: Conducted via an online survey

Based on the survey results, we plan to further strengthen product packaging and labeling and establish strategies to increase the satisfaction of overseas clients while maintaining the satisfaction of Korean clients.

In addition, we will make tireless efforts to improve technical services, price, and quality. To this end, we will keep trying to increase the production and maximize the efficiency in the production process while increasing the technical services expertise and customer satisfaction.

Customer Satisfaction Survey Analysis



Implement Customer-oriented Business Plans

Based on the customer satisfaction survey, KCI reflects customers' requirements in its business plans. In particular, we pursue sustainable supply utilizing natural ingredients while minimizing customers' inconvenience by providing necessary technologies. With these efforts, we provide continuous satisfaction to customers and make a growth of the company.



MATERIAL

Strengthening Safety and Health Prevention Activities

KCI is dedicated to providing a safe and healthy working environment for all employees. We consistently work on enhancing disaster prevention measures and optimizing working conditions. The safety and health management initiatives encompass safety education and activities, fostering a safety-conscious culture that underscores our commitment to employee well-being. Through these endeavors, we uphold our responsibility for safety and health.

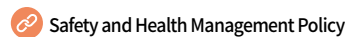
Implementation of Safety and Health Management

Safety and Health Management System

Under the goal of 'zero occupational accidents, general accidents, accident rate, and process accidents by 2030,' KCI has set up its safety and health management system (ISO 45001 certification). We carry out activities to improve the working environment and prevent employee safety accidents. At the same time, we appointed managers and supervisors who take charge of safety and health management. In particular, external agencies assess KCI's work environment to eliminate risk factors proactively. KCI and its employees cooperate to make a better work environment and discuss the company's development, the improvement of employees and contract workers, and occupational disaster prevention. KCI provides a safe and healthy work environment and establishes safety and health policies prioritizing the safety and health of employees. The ESG Committee approves the policies, and the company strives to comply with them.



ISO 45001 certification



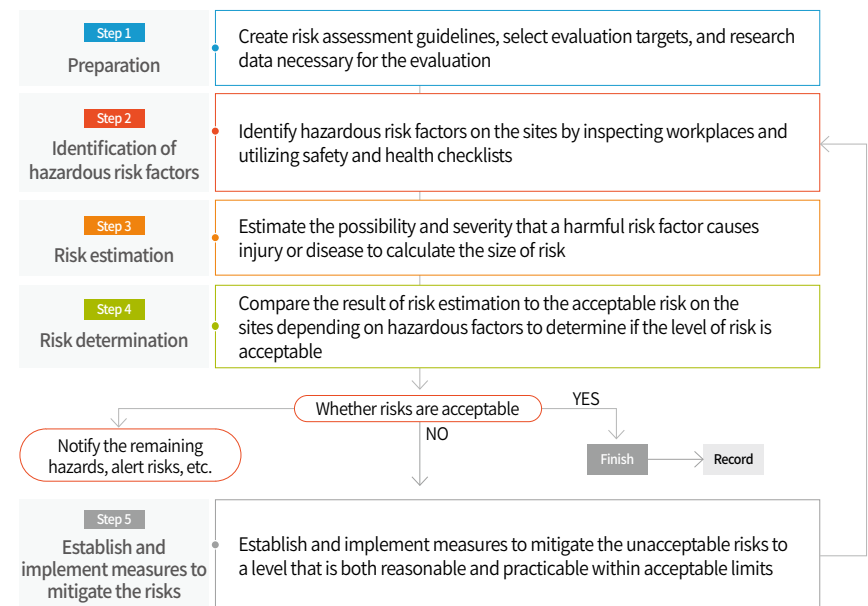
Operation of ESH Integrated IT System

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

Enhancing Safety and Health Management

KCI complies with SHE management and the PSM (Process Safety Management) regulations. We implement various safety and health measures, such as work permits, risk assessment, protective equipment, and confined space education. Also, we conduct a semiannual evaluation of the work environment to mitigate harmful factors and support employees' safety and health.

Safety and Health Management Process



Safety and Health Education and Activities

Safety and Health Education

We provide regular monthly safety and health education and PSM education for all employees. Comprehensive safety training addressing risk factors is conducted through individual assessments of machinery, equipment, and processes. This training aims to mitigate potential disasters. Additionally, our highly effective programs include sharing accident case information, demonstrating the proper use of safety equipment, and providing first aid training. These trainings allow us to make a safe and healthy work environment, and we prioritize the safety and health of all employees.

Efforts to Reduce Occupational Accidents

Classification	Content	Unit	2020	2021	2022
ISO 45001 certification	No. of certified business sites	Sites	1	1	1
	Rate of certified sites	%	33	33	33
Occupational safety and health training	No. of target employees	Persons	183	150	168
	Persons completed training	Persons	181	149	168
	Ratio	%	99	99	100
	Training hours per employee	Hours	33	25	26

Safety and Health Prevention Activities

KCI places a priority on the safety and health of employees. To create a safe work environment, we organized the Safety, Health, and Environment Committee to conduct regular safety inspections and make improvements. In addition, we conducted a joint inspection with contract companies to prepare for safety and health-related accidents and inspected regular safety inspections in cooperation with the employees. The hazards and risk factors identified by these efforts are promptly addressed. New facilities are introduced, and the existing facilities are repaired if necessary to prevent safety accidents.



Introduced a static electricity induction equipment



Labor-management joint safety inspection



Crisis Management at the Workplace

Crisis Management System

We have established an organizational and governance system aimed at preventing potential workplace accidents and ensuring prompt responses to safety crises.

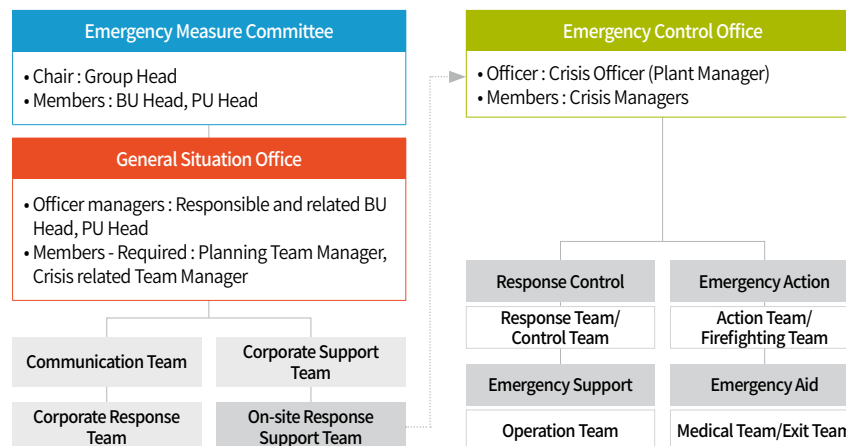
Purposes of Establishing Crisis Management System

- 1 To protect the lives and safety of employees and suppliers
- 2 To protect properties, such as facilities, information, and reputation
- 3 To secure the trust of stakeholders, including customers and shareholders
- 4 To increase the crisis response capabilities of employees and suppliers and foster a crisis management culture

Crisis Management Organization

We have established a crisis management organization to effectively and promptly respond to various types of crises based on the situation. This includes conducting proactive activities to eliminate potential risk factors in advance.

Crisis Management Organization



Inspection of Workplace Crisis Response Status

We assess the effectiveness of the established workplace crisis management system by evaluating the relevance and adequacy of information, training, and updates. This involves conducting education and training, evaluations, managing documents, performing management reviews, and implementing improvement activities.

Primary Purposes



Crisis Response Manual

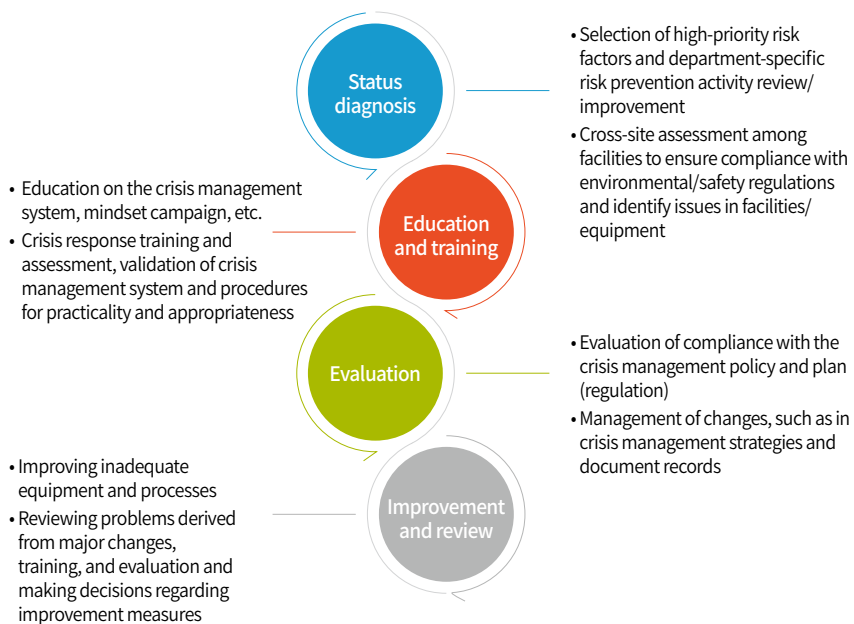
KCI minimizes damage from accidents by determining the requirements for crisis response procedures that can be applied in the event of accidents and taking adequate and effective measures. In accordance with the principles of group companies, establishment principles were established based on the following items. The response measures are divided into three steps: the receipt of the report and dissemination of information on the situation; the judgment of the situation and emergency response; and the operation of the company-wide organization and exit. The Crisis Response Procedure is prepared to include minimal items required for each step.

- 1 Our priority goal is to protect the lives of employees and stakeholders.
- 2 We establish the crisis response procedure for each key risk factor derived after risk
- 3 We clarify the roles and responsibilities of the crisis response organization.
- 4 The procedure is formulated in a clear and concise manner, ensuring accessibility for all employees.
- 5 The Crisis Response Procedure is prepared as a document and furnished in a place easily accessible to all workers.



+ Strengthening Safety and Health Prevention Activities

Execution System



Response to Serious Accidents Punishment Act

KCI manages the CEO's responsibility and observance of duty to respond to Serious Accidents Punishment Act. We made a standard manual and checklists, and report them regularly. These play a critical role in building a safe workplace. In addition, we set a goal and evaluate performances to guarantee compliance with relevant laws and regulations. All business sites need to conduct necessary inspections and take action actively to place priority on safety and health.

Safety and Occupational Accident

Classification	Content	Unit	2020	2021	2022
Working hours	Total working hours	Hours	394,056	348,315	345,488
	Occupational accident	Cases	0	2	0
Safety management	General accident	Cases	0	3	4
	Accident rate (*1)	%	0	2.87	2.29
	Process accident	Cases	1	1	2
	No. of violations against safety related regulations	Cases	0	0	2
Absence from work	Absence rate	%	0	0.26	0
	No. of labor loss cases	Cases	1	2	1
Occupational accident (employees)	Number of victims	Persons	0	2	0
	Lost Time Injuries Frequency Rate (LTIFR) (*2)		2.54	5.74	2.89
	No. of labor loss days	Days	243	55	40
	Lost Time Injury Severity Rate (LTISR) (*3)		0.62	0.16	0.12

(*1) The data values are different from the previous year's report due to a change in the calculation method.
 (*2) Lost Time Injuries Frequency Rate (LTIFR) = (Number of labor loss cases) X 1,000,000/Total work hours
 (*3) Lost Time Injury Severity Rate (LTISR) = (Number of labor loss days due to injuries) X 1,000/Total work hours

Work-related Injuries and Illnesses

Content	Unit	2020	2021	2022
Number of deaths due to work-related injuries	Cases	0	0	0
Number of recorded work-related injuries	Cases	0	2	0
Number of deaths due to work-related diseases	Cases	0	0	0
Number of recorded work-related illness	Cases	0	0	0



MATERIAL

Improvement of Product Sustainability

The value and position are derived from the quality and reliability of products and services that satisfy the customer's needs and expectations. To provide safe and reliable products to its customers, KCI fulfills the responsibility for society and the environment when maintaining, developing, and producing products. We increase customer satisfaction, pursue sustainable business growth, and create social values through this effort.

Product Quality Innovation and Safety Management

Improvement of Product Sustainability

KCI considers different chemical substance-related laws and regulations by country, stakeholder requirements, and identified risks and opportunities in product production and management. Before producing products, we prioritize the customers' safety and operate a thorough quality management system. A quality test is conducted for all products, and we continuously make efforts to produce quality products with environmental and health safety and high functionality.

Quality Management

KCI declared the quality management philosophy 'standard compliance, quality innovation, quality pride, customer satisfaction, and human resource development.' Based on this, we built a systematic quality management system to produce high-quality materials. We obtained various official institutions' certifications to satisfy customers' needs, including globally recognized ISO 22716 (Good Manufacturing Practices for Cosmetics) and EFfCI-GMP (European Federation for Cosmetic Ingredients-GMP). In addition, we strengthened our human resources so that experts utilize the latest technologies and their knowledge to produce high-quality raw materials and strive to provide customers the best quality and satisfaction.

Improvement of Product Sustainability

With an aim to overcome the safety and environmental hazards of chemical products, we use natural raw ingredients such as beans, rape flowers, natural oils, sugars, and glycerin in our production, increasing the proportion of products certified by RSPO or COSMOS. Besides, the products comply with the Korean laws and regulation such as the Act on the Registration and Evaluation of Chemicals and the European laws including REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). The product stability test helps us guarantee the safety of customers. In 2022, KCI completed the cosmetic ingredient code registration in compliance with China's new Cosmetics Supervision and Administration Regulation (CSAR). Through this, we gain customer trust and pursue sustainable management that minimizes side effects on the human body and environment.

Quality, Environment, and Safety Management System | KCI created the quality, environment, safety, and health manual that satisfy customers' and stakeholders' requirements, legal and regulatory requirements, and the compatibility and effectiveness of ISO 9001, 14001, and 45001. We will continue to improve and develop the management system utilizing an objective and systematic written process.

Chemical Substance Management System | KCI registers and manages chemical substances, and its 'change control' system manages and approves new substances. Before using chemical substances, on the other hand, we review legal regulations, such as the Act on the Registration and Evaluation, etc. of Chemical Substances, and report the use of hazardous chemical substances following the enforcement rules of the Chemical Substance Control Act. We confirm our products' and services' potential impacts on health to increase product safety. Furthermore, we plan to create an efficient work management environment by introducing an ERP system.



+ Improvement of Product Sustainability

Sustainable Activities

Classification	Content	Unit	2020	2021	2022
Sustainable product	Amount of purchasing eco-friendly products and services (*1)	KRW million	1,181	1,357	3,234
	Amount of purchasing eco-friendly products and services (*2)	KRW million	3,412	5,139	13,519
	Ratio of purchasing RSPO MB-certified raw materials (*3)	%	5.4	15	7.4
ISO 14001	Total business sites	Numbers	3	3	3
	Certified business sites	Numbers	1	1	1
	Ratio	%	33	33	33

(*1) Based on the RSPO MB (Mass Balance)-certified raw materials
 (*2) Based on the RSPO MB- and COSMOS Approved certified products
 (*3) Amount of purchasing RSPO MB raw materials / Total amount of purchasing raw materials

Eco-friendly Activities

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



Wastewater treatment facility



ISO 9001

ISO 14001

ISO 22716

EFPI GMP Certification



+ Improvement of Product Sustainability

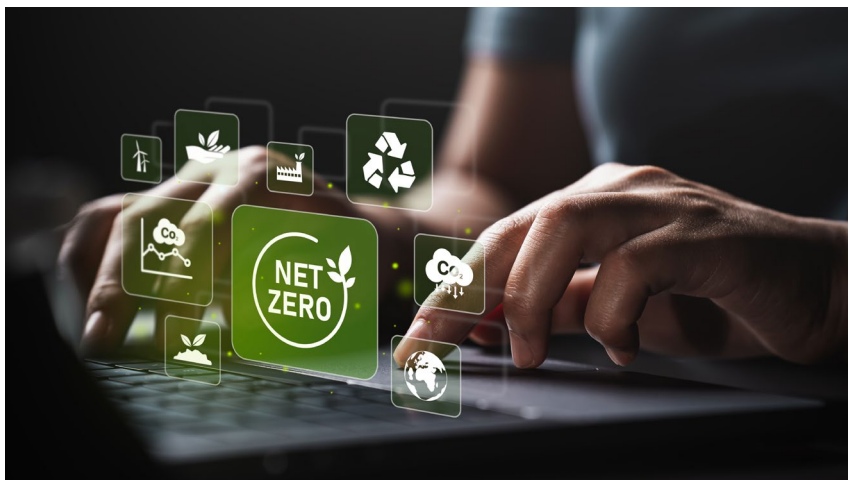
Process Improvement and Optimization | Through a continuous production plan, KCI shortens the manufacturing process, saves cost, time, and energy, efficiently producing a variety of products.

Advancement of Energy Efficiency | To enhance energy efficiency, we have undertaken measures such as the temporary shutdown of outdated facilities and the optimization of existing ones for increased efficiency. Our commitment to reducing power consumption involves the implementation of inverters within wastewater treatment systems, the adoption of high-efficiency pumps, and the replacement of lighting fixtures with energy-efficient LEDs. Additionally, we are focusing on enhancing the insulation of heat transfer pipelines and implementing waste heat recovery systems to minimize 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.

Inspection of Soil Contamination Levels | Under the enforcement regulations of the Soil Environment Conservation Act, we regularly conduct inspection of soil contamination levels 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.



Hazardous Chemicals Handling and Management

In order to prevent an accident in the course of hazardous chemicals handling, KCI has established guidelines on hazardous chemicals management. In accordance with the guidelines, the authority and roles of personnel in charge of hazardous chemicals handling (Plant Director) are defined along with a set of criteria regarding the preservation, storage, use, and how to respond to leakage. Also, we make sure that the hazardous chemicals handling facility is inspected before its operation while regular and frequent inspections and safety diagnoses are carried out for hazard prevention and control. Through this, we minimize the risk of an accident and strive to protect the safety and health of our employees.

Responses to Chemical Accidents

KCI actively manages hazardous chemicals, notifies all local residents before the use of chemicals, and prepares the plan on chemical accident prevention and management to ensure safety. In addition, an emergency response drill is continuously carried out on a quarterly basis for rapid response and dissemination, and evacuation system in the event of a chemical accident, and the training results are thoroughly managed and improved. Through this, it ensures the safety of all chemicals used, and best efforts are made to protect the safety and environment of the local community.

Training on Safe Handling of Chemicals and Activities

With the aim to train employees on how to respond to a hazardous chemicals-related accident at workplace, KCI has provided training for all its employees once a year. Furthermore, according to the Chemical Substances Control Act, we have educated hazardous chemical supervisors, technical human resources, and other person in charge of the handling of hazardous chemicals, thereby raising our employees' environmental awareness.

Education for Personnel Handling Hazardous Chemical

Classification	Content	Unit	2020	2021	2022
Environment education	Number of people completed the education	Persons	107	40	105
	Rate of employees completed the education (*)	%	62.21	23.95	58.66
	Hours of the education	Hours	1,460	318	1,400

(*) Number of people completed the education / Total number of employees

MATERIAL

Sustainable Supply Chain Management

As the scope of corporate responsibility has expanded to the overall value chain, the issues of labor, environmental damage, and safety throughout the supply chain directly and indirectly make impact on the products, services, or company reputation. KCI takes preventive measures in close cooperation with suppliers, and conducts frequent assessments to identify stakeholder needs. Through this, we prevent adverse issues and carry out continuous management activities.

Supply Chain Management

KCI pursues sustainable management activities, so it values the cooperation for the co-prosperity with suppliers. When managing the supply chain, we rate our suppliers by evaluating all areas from quality, process, environment, labor, safety to health, followed by grading them with the total score. Accordingly, we carry out tailored management by the grade regarding inspection frequency and action outcome confirmation. We grant additional incentives when suppliers are engaged in sustainable management activities, such as EcoVadis evaluation, UNGC membership, and ISO 14001 · 45000 · 37001 certification. In contrast, suppliers with too low grades or issues are subject to review for contract termination or changes. We participate in sustainable management with the suppliers through thorough supplier management and lead continuous mutual cooperation.

Sustainability Policy

Corporate responsibility no longer covers only products or services. Responsible supply chain management includes problems raised by the general value chain. Accordingly, KCI obtained RSPO (Roundtable on Sustainable Palm Oil) certification for the sustainable production of palm oil and complied with the sustainability policy since its establishment in 2018. The policy stipulated No Deforestation, Protection of Peat Areas, and a positive social and economic impact on local communities and signed a pledge to comply with the Universal Declaration of Human Rights. In addition, it pursues sustainability in the entire process of product production, and it is also an effort to fulfill the responsibility for society and the environment. KCI's efforts include preventing anti-corruption through a close cooperation with suppliers and frequent adequacy evaluation depending on stakeholders' requirements. The details of the sustainability policy can be found on the website

Sustainability Policy

Sustainable Supply Chain Management Guidelines



Supplier Code of Conduct

KCI established the Supplier Code of Conduct to build a sustainable supply chain. The ESG Committee approved it to guide the suppliers to comply with the policy. The Code of Conduct stipulates employees' human rights and ethical management to prevent corruption and create a transparent corporate culture. We encourage the suppliers to practice the Code regarding labor, human rights, safety, health, environment, ethics, and fair trade to create an ESG cooperative system and follow the responsibility management principles of KCI.

Supplier Code of Conduct



+ Sustainable Supply Chain Management

To this end, we annually review the feasibility of the policy and conduct additional reviews depending on the changes in laws and the environment. KCI pursues sustainable businesses in cooperation with our suppliers.

ESG Procurement Policy

KCI complies with environment-related laws to fulfill the social responsibility and practice ESG procurement considering environmental factors and sustainability from the early stage of procurement. We prioritize the employees' human rights and purchase products from suppliers that practice environmental protection and sustainable management. This procurement policy makes us fulfill our social responsibility as a sustainable company. KCI established an ESG procurement policy, and the ESG Committee approved it to encourage the company to comply.



ESG Procurement Policy

- 1 Respect for human rights: Select suppliers that comply with international working conditions and human rights principles
- 2 Environmental protection: Cooperate with suppliers committed to environmental protection
- 3 Supply of sustainable raw material: Monitor environmental and social problems in the supply chain

Supplier Evaluation Management Process

To maximize the business effect, KCI discovers new suppliers with technical skills and expertise and builds a strategic partnership through regular performance analysis. The procurement department and the suppliers are regularly evaluated. We strive to develop a strategic long-term business relationship with them in line with these efforts.



RSPO Certification for Responsible Procurement

Palm oil is an eco-friendly ingredient widely used for cosmetics and personal care products. Its growing demands have led to the main culprit of deforestation and labor exploitation of production workers. Being aware of the problem, we acquired the Roundtable on Sustainable Palm Oil (RSPO) certification for the first time in the domestic cosmetic raw material field in 2016. Aiming for continued management, we have documented, applying the RSPO Supply Chain Certification Standard regulations to check if the raw materials are complying with the RSPO Mass Balance (MB)* throughout the entire process of warehousing, storage, sales, and shipment.

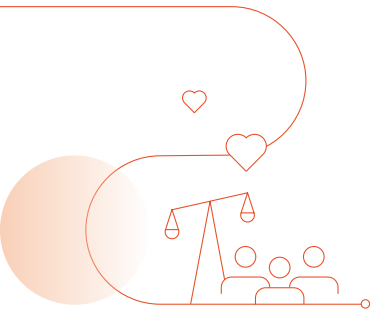


In addition, KCI focuses on continuous management and improvement to expand the scope of RSPO certification. We make company-wide efforts to utilize traceable raw materials by having regular internal meetings and providing related training. We have been recognized internationally as an environmentally-friendly company by actively adopting eco-friendly production methods and contributing to sustainable palm oil production.

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

Supply Chain Management

Classification	Content	Unit	2020	2021	2022
Supplier	Total number of suppliers	Numbers	133	115	130
	Total number of major suppliers	Numbers	5	5	6
	Total purchase amount	KRW million	40,402	41,912	64,939
	Total purchase amount from major suppliers	KRW million	20,063	25,111	4,985
Supply chain contract clause	Ratio of major suppliers that have signed the Supplier Code of Conduct	%	0	0	0
	Ratio of major suppliers signed the contract including environment, labor, human rights and ethical requirements clause	%	0	0	0
Supply chain CSR evaluation	No. of major suppliers that are included in CSR evaluation (ratio)	Numbers(%)	5(100)	5(100)	6(100)



Human Rights Management and Human Resource Development

KCI strictly complies with the Labor Standards Act and the Sexual Equality Employment Act while practicing human rights management and stipulating anti-discrimination. We annually provide human rights education for all employees and conduct a grievance-handling process to protect victims. KCI actively operates HR development, labor-management co-prosperity, and welfare programs to strengthen the employees' competence and create a fulfilling work environment. We also strive to vitalize the organizational culture and prioritize the employees.

Human Rights Management

Implementation of Human Rights Management

We respect all stakeholders' human rights and dignity and strive to practice human rights management in all activities. In 2019, the human rights policy was established. On the other hand, we have complied with global human rights standards, such as the Universal Declaration of Human Rights and the Ten Principles of the UN Global Compact. In addition, the communication and cooperation with all stakeholders, including customers and suppliers, to protect the human rights of the employees and stakeholders engaged in management activities. We also conduct human rights education and training to realize human rights management. The ESG Committee approved the KCI's human rights management policy, and it is required to comply with them.

[Human Rights Management Policy](#)

• Human Rights Management Policy •

<ul style="list-style-type: none"> (1) Respect for Human Rights (2) Prohibition of Forced Labor (3) Prohibition of Child Labor (4) Prohibition of Discrimination (5) Prohibition of Sexual Harassment and Bullying (6) Guarantee of Freedom of Association and Collective Bargaining 	<ul style="list-style-type: none"> (7) Compliance with Wages and Working Hours (8) Compliance with Safety and Health Regulations (9) Responsible Supply Chain Management (10) Protection of Customer & User Rights and Privacy
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Human Rights Respect Management

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

Grievance Handling Process

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

Grievance Handling Process





Human Rights Education and Related Report

Classification	Content	Unit	2020	2021	2022
Sexual harassment prevention education	Education hours per employee	Hours	1	1	1
	Ratio of employees who completed training	%	97	100	100
Education to raise awareness of the disabled	Education hours per employee	Hours	1	1	1
	Ratio of employees who completed training	%	97	100	100
Violation of human rights	Report related to human rights	Cases	0	0	0

Labor-Management Co-prosperity

Labor-Management Relationship for Co-prosperity

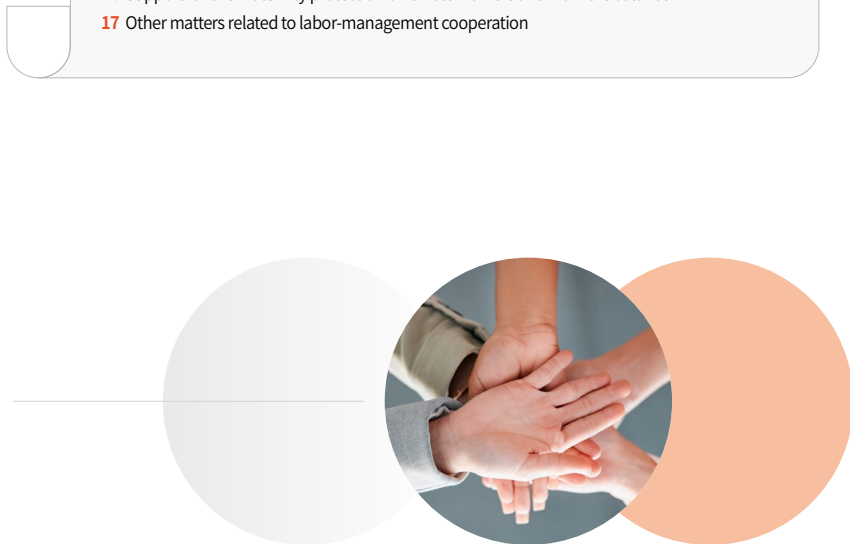
We respect the freedom of association and collective bargaining under the International Labor Organization (ILO) convention and domestic labor laws. The Labor Management Council is held on a quarterly basis to revamp the organizational culture and handle grievances. The decisions made in the meetings are equally applied to all employees or related people. A labor union has been established to discover labor-management co-prosperity model. In line with these efforts, we pursue to improve the work environment, protect the rights and interests of employees, and encourage the cooperation and co-prosperity of the company and the employees.

Labor Union and Collective Agreement

Classification	Content	Unit	2020	2021	2022
Labor union	Number of people eligible for the union	Persons	111	101	104
	Number of people who joined the union	Persons	82	77	76
	Union membership rate	%	74	76	73
	Number of labor-management council meetings	Times	4	4	4
Collective agreement (applied to all employees)	Collective agreement application rate	%	100	100	100

Labor-Management Council Regulations

- 1 Improved productivity and performance distribution
- 2 Recruitment, assignment, education, and training of workers
- 3 Prevention of labor disputes
- 4 Grievances of workers (including grievances related to the Equal Employment Act, on issues related to education, assignments, promotions, dismissals, etc.)
- 5 Improvement of safety, health, and other work environments and the promotion of the health of workers
- 6 Improvement of personnel and labor management systems
- 7 General principles of employment adjustment, such as reassignment of workers, retraining, and dismissal for managerial or technical reasons
- 8 Operation of working and resting hours
- 9 Improvement of wage payment methods, systems, and structures
- 10 Introduction of new machines and technologies or improvement of work processes
- 11 Enactment or revision of work guidelines
- 12 Support for Employee Stock Ownership Plan (ESOP) and other property formation for employees
- 13 Remunerations for workers regarding job-related inventions, etc.
- 14 Improved welfare for employees
- 15 Installation of worker monitoring facilities within business sites
- 16 Support for the maternity protection of female workers and work-life balance
- 17 Other matters related to labor-management cooperation



Human Resource Development Strategy

Human Resource Acquisition and Development Strategy

Based on Article 46 of Collective agreement, we strictly prohibit discrimination and bullying for the employees' gender, age, and religion while guaranteeing free labor union activities. The Labor-Management Council discusses the wage, welfare, and working condition. In the second half of 2022, we conducted a pilot employee performance evaluation based on MBO. In 2023, it will be applied as a fair evaluation and rewards standard. We continue to invest in the work environment and the development of expertise, and the welfare and education budgets will gradually increase.

Work Environment

Classification	Content	Unit	2020	2021	2022
Average wage per person (monthly) (*)	Male	KRW million	3.6	3.7	3.9
	Female	KRW million	3.0	3.1	3.2
	Average wage per person	KRW million	3.5	3.7	3.8
Equal wage	Management position	%	64.0	66.6	73.2
	Non-management position	%	97.7	94.9	95.6

(*) The data values are different from the previous year's report due to a change in the calculation method.

Employee Education

Classification	Content	Unit	2020	2021	2022
Education time	Education time per person	Times	5	5	28
Education costs	Education costs per person	KRW 10,000	10	11	14
Job training	Ratio of employees completing job training	%	100	100	100

Flexible Corporate Culture and Work-Life Balance

Horizontal Corporate Culture

We created various communication channels to build a horizontal corporate culture and encourage internal opinion exchange. The employees' ideas are actively applied to improve products and services. In addition, we encourage our employees to give feedback with an open mind and create a corporate culture that respects all employees' voices regardless of their positions.

Furthermore, we strengthen the teamwork by creating a demonstrative atmosphere and encouraging the team members to share their information and knowledge freely. To this end, we reinforce the internal education and communication programs and support individual competence development.

The new headquarters introduced a smart office with flexible seating arrangements to provide a flexible work environment and pursue horizontal culture. It allows the employees to work flexibly, depending on their capabilities and performances. At the same time, communication within an organization and cooperation are encouraged to increase work efficiency. Moreover, we introduced a smart office with the latest technologies and innovative infrastructures to improve the work satisfaction and productivity of the employees.



Seoul Office's Smart Office



Town Hall

Various Welfare Programs

We make all our efforts to offer a pleasant working environment while supporting a stable and healthy life for our employees. We pay school expenses for children, child support, and family allowances while providing medical checkups to support the employees' health. In addition, we reduce working hours for pregnant women and give long-term service rewards to build a flexible work environment. After its start in Daesan Plant in 2021, the operation of commuter buses was expanded in Shihwa Plant in 2022 and the Seoul Office in 2023. We also have many work environment improvement programs, such as birthday gifts for employees.

Support Healthy Life

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

Support for Stable Life

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

Support for Pleasant Life

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

Strengthening Information Security

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

Information Security System

Personal Information Security System and Policy

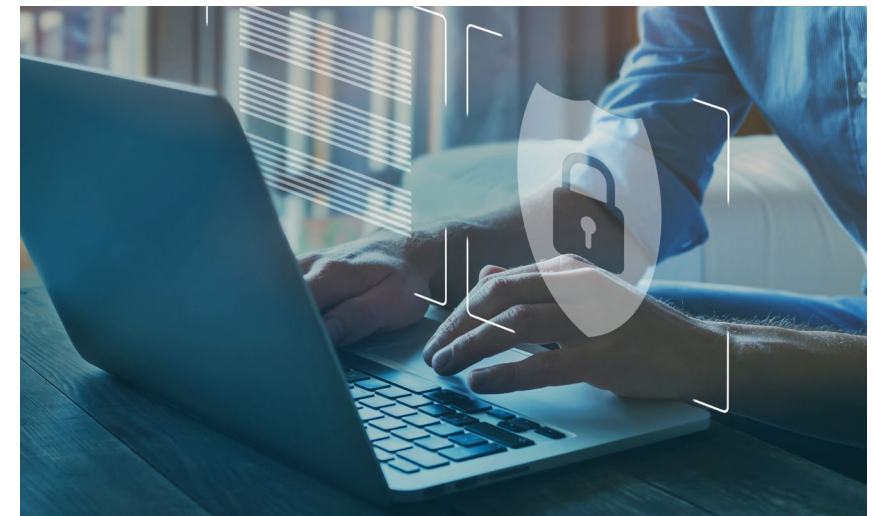
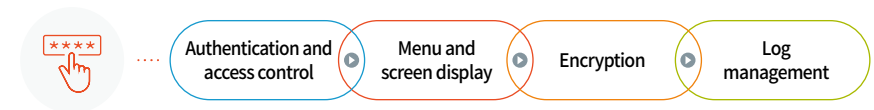
KCI makes its utmost effort for safe and thorough information protection management, complying with the personal data protection policy and guidelines of Samyang Group. The general management and supervision safely process personal data through the information security system, complying with the security policy. We always improve the preparation and countermeasures against security threats.

Personal Data Handling Policy

KCI places great importance on safeguarding the users' personal information and operating a privacy policy to comply with the Privacy Act and the Communications Privacy Act. We disclose the privacy policy on the website so that users can easily check it at any time. We also inform the use of personal data and the current status of protection measures. We seek continuous improvement of the privacy policy by securing the stability of personal data and operating customer services. If the company needs a new privacy policy, or it is needed because of social changes, the policy is revised according to relevant procedures. Personal data is protected and defended against the potential risks caused during the personal data handling process to maintain user reliability and improve service quality.

Personal Information Processing System

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





Personal Information Protection Rules

Information Protection Action Rules

- 1 Using authorized and genuine software programs
- 2 Prohibiting access to websites that use personal information when using the Internet in a public place
- 3 Turning PCs off once a day and turning power off when not using PCs
- 4 Recommending password setup



Personal Information Handling Rules

- 1 Acquiring consent when collecting and using personal information
- 2 Separately managing the safety of stored personal information to ensure that only authorized personnel have access
- 3 Completely and irrecoverably destroying personal information after use
- 4 Not storing personal information, such as resident registration numbers, credit card numbers, and bank account numbers, on PCs
- 5 Deleting personal information when changing PCs and mobile phones
- 6 Immediately reporting any personal information leakage accident to the information protection organization



Preventing Ransomware Infections

- 1 Deleting emails with suspicious sources or attachments without opening
- 2 Keeping operating systems and work software programs up-to-date
- 3 Regularly backing up data not stored in central storage spaces (safe space)
- 4 Being cautious about sharing PCs or folders (to be shared with the minimal number of parties)
- 5 Blocking network connections and reporting infections to the information protection organization in case of infection



Raising Information Security Awareness

Identification of Information Security Risks

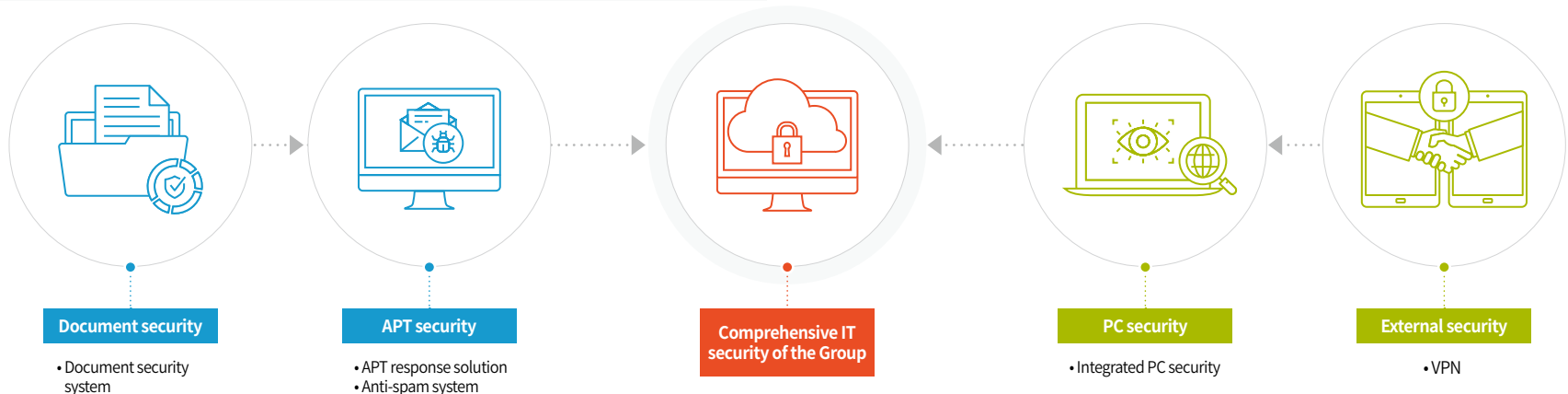
Owing to the growing use of the internet and reinforced global accessibility, the risk of being exposed to cyberattacks such as hacking and ransomware is increasing. We can easily witness accidents, such as the leakage of corporate business data or customers' personal data. Accordingly, the significance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

In this regard, KCI complies with Samyang Group's security policy and operates a security solution to respond to internal and external information security risks.

Physical Security Solution

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

- 1 Protect the lives and safety of employees and suppliers
- 2 Protect the assets such as facilities, information, and company reputation
- 3 Secure the trust of stakeholders such as customers and shareholders
- 4 Strengthen risk response capabilities of the employees and suppliers





+ Strengthening Information Security

Awareness Security Solution

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



Security Compliance Pledge

Information Security Education Status

Education	Content of Education	Method of Education
<p>Samyang Ethics School</p>	<ul style="list-style-type: none"> IT security status of the Group Importance of security awareness ※ Including guidance on the necessity of protecting personal information, scope of personal information, etc. Security regulation of the Group 	<p>Online education</p> <ul style="list-style-type: none"> External and in-house content available on the website of the affiliated company (samyang.hunet.co.kr) After completing the course, signing an online security pledge and taking an exam to confirm learning outcomes
<p>Personal information protection education</p>	<ul style="list-style-type: none"> Basic course (understanding the Privacy Act) Practical course (technical and managerial protection measures) Professional course (protecting personal information when planning, constructing, and operating businesses) 	<p>Online education</p> <ul style="list-style-type: none"> Selecting online education programs provided on the personal portal site of the Korea Internet and Security Agency (www.privacy.go.kr) Submitting the completion certificate

Information Protection Activity

Classification	Content	Unit	2020	2021	2022
Information protection education	No. of target employees	Persons	170	167	173
	No. of people completed the education	Persons	170	167	173
	Ratio	%	100	100	100
Customer information management	No. of customer data leakage, identity theft, and data loss	Cases	0	0	0
	No. of proven customer personal data-related complaints	Cases	0	0	0
Investment amount	Information security investment	KRW	-	20,370,000	19,669,785

Three Major Security Action Principles

- 1 Ensure the proper disposal of critical documents containing company business information.**

 - Crush the printouts with important contents after use.
 - Manage the paper document printed so that no one can easily see it or take it.
- 2 Empty Mailbox Regularly at Least Every 3 Months.**

 - Delete unnecessary emails right away.
 - Mail that has passed 3 months will be emptied collectively.
- 3 Use the Official Communication Channel to Share Information and Notify.**

 - Pay attention to various company news and messages disseminated through official communication channels.
 - Refrain from disseminating meeting details arbitrarily and ensure information sharing through minutes instead.





Governance

- 49 Innovative Management through the Advancement of Business Structure MATERIAL
- 51 Ethical Management and Compliance MATERIAL
- 53 Transparent Information Disclosure MATERIAL

It is essential for sustainable management to establish sound governance and build a trusting relationship with stakeholders. In particular, transparent and fair governance is critical in gaining the trust of stakeholders. With the increasing requirement of all stakeholders, such as shareholders, customers, employees, suppliers, and local communities, a company needs to improve governance continuously and build a transparent management environment.



MATERIAL

Innovative Management through the Advancement of Business Structure

For sustainable growth, KCI closely researches the global economy and industry trends, analyzes opportunities and risks, and invests in R&D continuously. Considering the increasing demands for skincare products caused by the expanding beauty market, we strive to expand the existing haircare market-focused portfolio to the skincare product sector.

Business Management

Advancement of Business Structure

Product Portfolio Expansion

Capitalizing on our R&D and production capabilities accumulated in the skincare market, we are expanding the thickener for skincare and multicare product line, supplying those products to domestic and multinational global companies. In particular, we try to respond to global trend changes and lead the global market. For example, we developed Polyglyceryl ester products, which are natural emulsifiers to replace the existing ethylene oxide-based chemical emulsifiers.

KCI is preparing to expand its business area to the medical device material field. Using MPC derivatives, which are biocompatible raw materials, we developed the Icare series applicable to contact lenses as well as the Medicare M100KC series applicable to medical devices and pharmaceuticals, thereby actively targeting related markets.

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

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

Direction of Our Business Vision

	2022	2025	2030
Business Structure	<ul style="list-style-type: none"> Focused on haircare products (85% of total sales) 	<ul style="list-style-type: none"> Expansion of skincare business Active Medical device materials 	<ul style="list-style-type: none"> Natural-based and natural-oriented materials Expansion of medical device materials
Core Capability	<ul style="list-style-type: none"> Supply stability Customer customizing 	<ul style="list-style-type: none"> Prompt product development Formulation capability Global-level production technology 	<ul style="list-style-type: none"> Development of high value-added unique materials based on convergence Leading the development of new materials
Performance Indicator	<ul style="list-style-type: none"> 16% growth in average annual sales for the last five years 	<ul style="list-style-type: none"> Expansion of global top 3 products (expansion from 2 existing products to 3 products) 	<ul style="list-style-type: none"> Global top 15 specialty material company





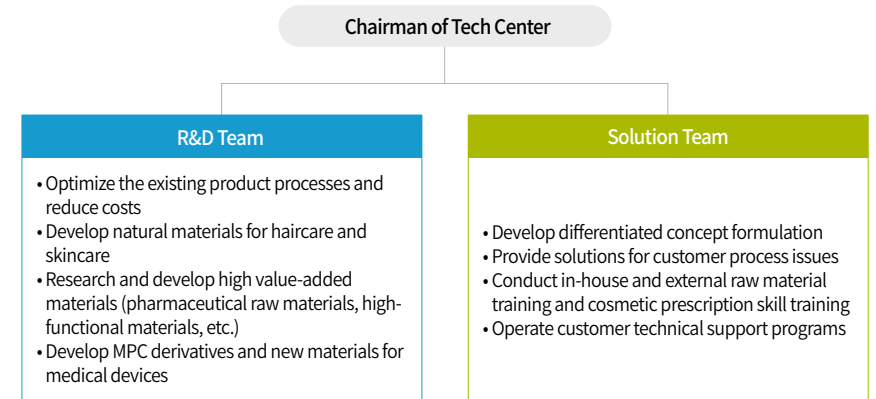
KCI Tech Center

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

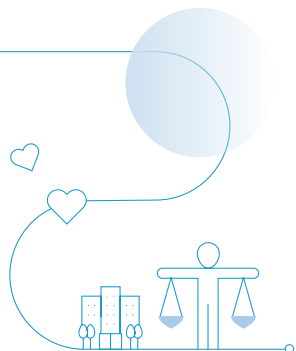
Disclosure of Our Technical Data

To enhance stakeholders’ understanding and usability of production materials, KCI provides technical information about products through ‘Products’ section on the official website. The provided technical information offers the necessary details for customers to correctly use the products. It allows customers to understand the pros and cons of the products and their functions and learn how to use them properly so that they can utilize the products effectively. In addition, experts can learn the technical characteristics and fundamentals, so the data may help them develop, maintain, and improve products.

Organization



Solution Lab



MATERIAL

Ethical Management and Compliance

For a company to sustain continuous growth, it should practice ethical and compliance management by fulfilling its economic, social, and environmental responsibilities. Being mindful of it, KCI complies with laws and ethics and has a mutually trustful relationship with various stakeholders, including clients, shareholders, and suppliers, striving to follow the ethics management principles. In addition, through sustainable management, we will create values for stakeholders and play an essential role in social and financial development. Furthermore, we pursue corporate management that contributes to people's happiness.

Ethics and Compliance Management

Ethics and Compliance Management System

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

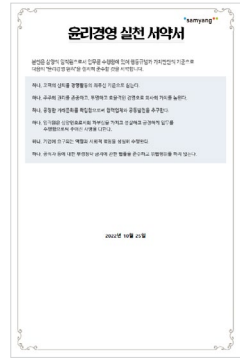
Principles and Practice Guidelines for Ethics Management

We strive to fulfill legal responsibility and pursue transparent corporate culture in accordance the ethical management principles of Samyang Group. We follow the guidelines such as banning improper solicitation and bribery, and fair trade. We also have established and followed a transparent and fair management principle toward our clients, shareholders, and suppliers.

Key Content of the Code of Ethics

Customer		<ul style="list-style-type: none"> Delivering the finest products, services, and providing differentiated values 	<ul style="list-style-type: none"> Protecting customer information and respecting the right to know
Shareholders		<ul style="list-style-type: none"> Maximizing the interests of shareholders and the company's values 	<ul style="list-style-type: none"> Increasing accounting transparency and disclosing company information
Suppliers		<ul style="list-style-type: none"> Pursuing fair trade and win-win growth with suppliers 	<ul style="list-style-type: none"> Prohibiting unethical acts such as the receipt of valuables, entertainment, special treatment, and bribery
Employees		<ul style="list-style-type: none"> Responsibility and duty of employees Attitude of employees Fair execution of duties 	<ul style="list-style-type: none"> Protecting the properties of the company Creating a healthy and safe work environment
Nation and society		<ul style="list-style-type: none"> Corporate social responsibilities Environmental protection and safety 	<ul style="list-style-type: none"> Establishing a sound market and order through fair competition





Pledge to Practice Ethics Management



Samyang Ethics School Completion Certificate

Establishing a Culture of Ethics and Compliance

Ethics and Compliance Management Education

With an aim to imbed ethics management and create an anti-corruption culture, we provide Samyang (Group) Cyber Ethics School training once a year for all employees, including the BoD members and the management. Prior to taking the education, participants are required to sign and submit an Ethics Management Pledge, thus endeavoring to ensure that all employees are aware of and practice ethical management.

Educational Content for Ethics Management

Year	Educational content	Total education hours
2020	Ethics management, prevention of sexual harassment, improving awareness of the disabled (3 courses)	3.2 hours
2021	Prevention of sexual harassment, improvement of awareness towards people with disabilities, prevention of workplace harassment, ethics management, information security (5 courses)	4 hours
2022	Prevention of sexual harassment, improvement of awareness towards people with disabilities, prevention of workplace harassment, ethics management, information security (5 courses)	5 hours

Ethical Management Education

Classification	Content	Unit	2020	2021	2022
Ethics education	Ratio of employees who completed the ethics education	%	100	100	100

Violation of Ethics Management

	Content	Unit	2020	2021	2022
Violation of ethics management (*)	No. of anti-corruption / bribery investigations	Cases	0	0	0
	No. of violations against Code of Conduct	Cases	0	0	0
	No. of reports on corruption or bribery	Cases	0	0	0
	No. of legal measures taken for corruption or bribery	Cases	0	0	0
	No. of legal measures taken for unfair trade practices, such as anti-competitive behavior and monopoly	Cases	0	0	0

(*) During the report period, there have been no lawsuit against an organization or its employees regarding a contract terminated or not renewed because of corruption.

KCI Code of Ethics

We established the Code of Ethics to set the standards for judgment and behavior for employees, aiming at the correct implementation of ethics management principles. Based on this, employees are required to adhere to laws, norms, and regulations in performing their duties, prohibit unethical conduct, and actively report any violations to maintain trust with stakeholders.

Workplace Corruption Risk Assessment

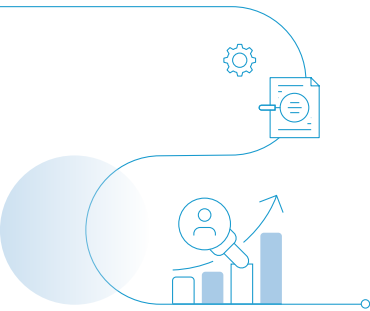
	Content	Unit	2020	2021	2022
Offices that conduct a corruption risk assessment	Offices that conducted the assessment	Numbers	0	0	0
	The entire offices	Numbers	3	3	3
	Ratio	%	0	0	0



MATERIAL

Transparent Information Disclosure

Transparent information disclosure is necessary to pursue continuous growth and practice sound management as a company. It plays a critical role in building trust, sharing interests with stakeholders, and becoming a credible company. KCI fulfills this responsibility for its shareholders and stakeholders while disclosing information transparently to raise trust.



Current Governance Status

Board of Directors

As the highest decision-making body, KCI's Board of Directors strives to increase the interests of its shareholders. Its composition and operation comply with laws, constitution, and BoD regulations, focusing on realizing transparent and sound governance. Through this, KCI implements reliable corporate management, maintains a positive relationship with stakeholders, and pursues sustainable growth.

BoD Composition

The BoD determines the company's fundamental management policies and key matters related to business execution, consisting of one inside director, one outside director, and two other non- inside directors as of the end of March 2023. In order to supervise the management and resolve issues entrusted by the general shareholders' meeting, a regular board meeting is held once a quarter, and special meetings are held if necessary. Decisions are made through a majority of attendance and a majority of attending directors.

Current Composition of Board of Directors

(As of the end of March 2023)

Classification	Name	Gender	Date Appointed	Expected Completion of Term	Career
CEO (Chairman of the BoD)	Jinyong Lee	Male	2018.01.01	2024.03.20	Director of Strategic Planning Department at Samyang Holdings Head of Culture&Global at Samyang Corporation
Outside Directors	Jongcheol Yang	Male	2021.03.22	2024.03.20	Head of Facility and Materials Team at Samyang Corporation Director of Ulsan Plant at Samyang Corporation
Other Non-executive Directors	Seokhwan Yoon	Male	2022.03.21	2025.03.20	Financial Director of Samyang Packaging IC Head and Global Growth PU Head at Samyang Holdings
	Chiwan Lee	Male	2023.03.20	2026.03.20	Director of Information Electronic Materials Research Center at Samyang Corporation Director of Convergence Materials Research Center at Samyang Corporation Director of Chemical Research Center at Samyang Corporation



Independence of the BoD

We make it mandatory to appoint outside directors to secure the independence and diversity of the BoD. Directors and auditors are appointed at the general shareholders' meeting, not by the company or the CEO. When appointing auditors, we limit the voting rights of the largest shareholder, and other shareholders appoint them through a resolution. By appointing experts, who have no interest in large shareholders as outside directors and guaranteeing a three-year term, we support their independent work performance. KCI focuses on transparent and sound management while raising stakeholder trust and pursuing continuous growth by securing the independence and diversity of the Board of Directors.

Strengthening and Supporting the Expertise of the BoD

We secure the expertise of the BoD by appointing directors with industry experience and knowledge in various fields. We provide seminars and training opportunities to support the building of professional capabilities for the directors. KCI maintains a board of directors with the best expertise and management skills, respond to industry trends and technological changes, and strives to maintain a competitive edge. KCI focuses on transparent and sound management while raising stakeholder trust and pursuing continuous growth by securing the independence and diversity of the Board of Directors.

BoD

(As of the end of December 2022)

Classification	Content	Unit	2020	2021	2022
BoD operation	No. of board meetings held	Numbers	5	6	5
BoD attendance rate	Inside Directors & Other Non-executive Directors	%	100	100	100
	Outside Directors	%	100	100	100

(As of the end of March 2023)

Classification	Content	Unit	2020	2021	2022
Independence	Inside Directors & Other Non-executive Directors	Persons(%)	3(75)	3(75)	3(75)
	Outside Directors	Persons(%)	1(25)	1(25)	1(25)
	Total	Persons(%)	4(100)	4(100)	4(100)
Diversity	Male	Persons(%)	4(100)	4(100)	4(100)
	Female	Persons(%)	0(0)	0(0)	0(0)

Board Skills Matrix

(As of the end of March 2023)

Name	Jinyong Lee	Jongcheol Yang	Seokhwan Yoon	Chiwan Lee
Management/Strategic Planning/Financial Administration	●		●	
Production/R&D		●		●
Chemistry	●			●
ESG	●	●	●	

ESG Committee

KCI established an ESG Committee to manage internal and external ESG issues and make administrative decisions. The ESG Committee reviews and analyzes strategies related to the environment, social values, governance, and important management policies (environment, biodiversity, safety and health, human rights, the Supplier Code of Conduct, and ESG procurement policy) to ensure that KCI makes long-term and sustainable growth. It also officially reviews and approves the Sustainability Report as a body that manages and supervises the performance and problems of sustainable management strategies. The first ESG Committee meeting held on May 11, 2023, reported the ESG vision system, 2050 Net Zero Roadmap, and the publication of the Sustainability Report, and the materiality assessment results and six ESG Management Policies were resolved. It also plans to present and review agendas such as non-financial indicator improvement plans and the report on domestic and international evaluation results.

The 1st ESG Committee Report and Resolution

1. Report
 - 1.1 ESG vision system
 - 1.2 2050 Net Zero Roadmap
 - 1.3 Publication of 2022 Sustainability Report
2. Resolution
 - 2.1 Resolution 1 : Approval of 2022 ESG materiality assessment
 - 2.2 Resolution 2 : Decision on ESG management policies
 - (1) Environmental management policy
 - (2) Safety and health management policy
 - (3) Biodiversity policy
 - (4) ESG procurement policy
 - (5) Supplier Code of Conduct
 - (6) Human rights management policy

ESG Committee's Major Agendas

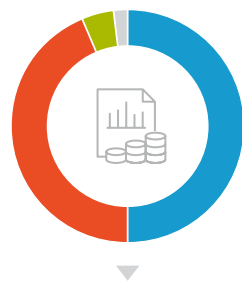
- 1 Establish the future direction and plan of ESG management strategies
- 2 Evaluate ESG performances and activities
- 3 Publish the Sustainability Report
- 4 Matters with the cooperation of external professionals
- 5 Matters of the establishment and revision of the ESG Committee regulations
- 6 Matters delegated by the Board of Directors or deemed necessary by committees



Director Remuneration and Shareholder-friendly Management

Director Remuneration

KCI ensures the independence of outside directors by not linking their assessment and compensation. The remuneration of directors is determined at the general shareholders' meeting. It is within the limit of the director's remuneration approved at the general shareholders' meeting in accordance with Article 388 of the Commercial Act, the articles of incorporation, and the BoD regulations. The maximum limit of the director remuneration approved at the 2022 general shareholders' meeting is KRW 1,500 million, and the total amount of remuneration paid to directors was KRW 408 million.



■ Largest shareholder and related parties

50.02%

■ Individual

43.63%

■ Treasury stock

4.52%

■ Foreigner

1.83%

Remuneration

(As of the end of December 2022)

Classification	Content	Unit	2020	2021	2022
Total director remuneration	Inside directors	KRW million	353	324	390
	Outside directors	KRW million	18	18	18

Stock Issuance and Share Ratio of Major Shareholders

KCI grants equal voting rights depending on the type and number of shares. Shares carry one vote per share, while preferred shares have no voting rights. As of the end of December 2022, the number of issued common shares is 11,270,000, and KCI does not have preferred stock. The number of shares given the right to vote is 10,760,200, or 95.5% of the total issued shares.

(As of the end of December 2022 / Unit : shares)

Classification	Types of Stocks	Number of Shares	Note
Total number of shares issued	Common stock	11,270,000	-
	Preferred stock	0	-
Number of non-voting shares	Common stock	509,800	Treasury stock
	Preferred stock	0	-
Number of voting shares	Common stock	10,760,200	-

Shareholder Composition

As of the end of 2022, the shareholder of KCI is composed of the largest shareholder and related parties of 50.02%, domestic individuals and others of 43.63%, treasury stocks of 4.52%, and foreigners of 1.83%.

Shareholder-friendly Management

Shareholder Interest Protection

KCI provides sufficient information to shareholders by sending a notice of call or using the Financial Supervisory Service's electronic disclosure system 14 days prior to the shareholders' meeting. In addition, in order to enhance shareholder rights protection, convenience in exercising voting rights, and shareholder participation, KCI introduced an electronic voting system at the 32nd shareholders' meeting in accordance with a board resolution on February 17, 2023. Although KCI does not adopt a written voting system, it sufficiently explains to all shareholders prior to meetings and leads the participation of those who find it difficult to exercise their voting rights by using the electronic voting system. Furthermore, if requested by shareholders, KCI exercises voting rights on their behalf.

Shareholder Return Policy

KCI has been consistently implementing dividends to enhance shareholder value. The dividend amount is determined by taking into consideration factors such as net profit, dividend payment trends, domestic and international economic conditions, and market environment. Additionally, KCI strives to ensure that shareholders can receive dividends stably and practices transparent information disclosure by disclosing the dividend status for the past five years on its website.

Communication with Shareholders

KCI discloses corporate information on its company website (www.kcilt.com), the Financial Supervisory Service's electronic disclosure system (<http://dart.fss.or.kr>), and the Korea Exchange's corporate disclosure channel KIND (<http://kind.krx.co.kr>), ensuring that all shareholders have equal access to the same information. We provide timely and useful information to investors and shareholders through the 'Investor Information' section on its website. This includes stock information, financial information, IR resource, shareholder meeting (including voting ratios for each agenda), and announcements. Additionally, KCI provides an English and Chinese version of its website for foreign investors and continues to practice transparent information disclosure for sustainable management through EcoVadis ratings and CDP assessment. Efforts are consistently being made to provide professional non-financial information, and the results will be disclosed through KCI's official website.



Appendix

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ESG Facts & Figures

Our financial information accord with the Korean version of International Financial Reporting Standards (K-IFRS). For Environmental, Social, and Governance data, any partial differences in the scope have been specified through notes within the report.

Financial Information

Statement of Financial Position

(Unit: KRW)

Classification	2020	2021	2022
Current assets	42,420,315,703	51,965,282,606	74,376,524,947
Non-current assets	42,101,519,185	45,403,556,894	48,753,511,420
Total assets	84,521,834,888	97,368,839,500	123,130,036,367
Current liabilities	8,832,450,163	13,766,614,993	24,697,373,232
Non-current liabilities	1,112,018,614	1,029,583,592	246,460,733
Total liabilities	9,944,468,777	14,796,198,585	24,943,833,965
Capital stock	5,635,000,000	5,635,000,000	5,635,000,000
Capital surplus	6,741,615,790	6,741,615,790	6,741,615,790
Capital adjustments	(4,182,246,665)	(4,182,246,665)	(4,182,246,665)
Accumulated other comprehensive income	(107,441,407)	(115,408,345)	(166,116,511)
Retained earnings	66,490,438,393	74,493,680,135	90,157,949,788
Total equity	74,577,366,111	82,572,640,915	98,186,202,402
Total liabilities and equity	84,521,834,888	97,368,839,500	123,130,036,367

Statement of Comprehensive Income

(Unit: KRW)

Classification	2020	2021	2022
Sales	73,251,256,889	81,501,152,546	109,605,027,221
Cost of sales	49,439,031,388	54,512,434,402	70,717,518,531
Gross profit	23,812,225,501	26,988,718,144	38,887,508,690
Selling and administrative expenses	9,720,510,486	14,545,565,781	17,010,226,333
Operating income	14,091,715,015	12,443,152,363	21,877,282,357
Other income	1,224,506,500	1,383,939,584	6,186,544,781
Other expenses	1,907,818,352	478,499,434	4,852,127,037
Financial income	399,599,764	89,565,129	785,045,476
Financial expenses	275,898,022	362,021,693	1,398,349,412
Earnings in equity method	2,534,060	110,297,919	102,486,604
Net profit (loss) before corporate tax	13,534,638,965	13,186,433,868	22,700,882,769
Corporate tax expense	2,919,478,508	3,031,152,126	4,884,573,116
Net profit (loss) of the year	10,615,160,457	10,155,281,742	17,816,309,653
Other comprehensive income (loss)	(6,435,371)	(7,966,938)	(50,708,166)
Items reclassified to profit or loss for the year	(6,435,371)	(7,966,938)	(50,708,166)
Equity adjustments in equity method	(6,435,371)	(7,966,938)	(50,708,166)
Total comprehensive income	10,608,725,086	10,147,314,804	17,765,601,487
Earnings per share			
Basic profit (loss) per share	987	944	1,656
Diluted profit (loss) per share	987	944	1,656



ESG Facts & Figures

Environmental

2030 TARGET DATA

Classification	Content	Unit	2022		2030 Target
GHG	Direct GHG emissions (Scope 1)	tCO ₂ eq	2,275.17		1,999.89
	Indirect GHG emissions (Scope 2)	tCO ₂ eq	3,376.86		2,533.52
	GHG 배출 집약도(Scope 1, 2)	tCO ₂ eq/ton	0.53		0.52
Air pollutant	NOx concentration	ppm	Daesan	Shihwa	24.22
			36.25	17.70	
	SOx concentration	ppm	Daesan	Shihwa	0.20
			2.00	1.35	
	Dust (PM3) concentration	mg/m ³	Daesan	Shihwa	1.10
			2.66	2.20	
Water	Water consumption	ML	25.21		12.74
Energy	Total energy consumption	TJ	112.62		91.75
Waste	Total waste emission intensity	Ton/KRW million	0.0152		0.0202
	Waste recycling rate	%	92		99
	General waste	Ton	130.37		80.05
	Designated waste	Ton	1,539.10		1,402.35
Environmental law violations	Chemical substance leakage incident	Cases	0		0
Customer safety and health	Number of products recalled	Cases	0		0
	Amount of products recalled	Ton	0		0

Social

2030 TARGET DATA

Labor

Classification	Content	Unit	2022	2030 Target
Employee diversity	Ratio of disabled employees	%	1.1	3.5
	Ratio of veteran employees	%	0	6
	Ratio of female employees to all employees	%	16.76	20
	Ratio of female executive members	%	0	20
Working environment	Average remuneration per capita (annual)	KRW million	61.90	72.24
Employee welfare	Expenses of welfare compared to sales	%	0.29	0.45
Education	Hours of education per capita	Hour	28	6.5
	Expenses of education per capita	KRW 10,000	14	15
	Ratio of employees completing job training	%	100	100

Human Rights

Classification	Content	Unit	2022	2030 Target
Human rights education	Ratio of employees who completed sexual harassment prevention education programs	%	100	100
	Ratio of employees who completed education programs to improve awareness towards people with disabilities	%	100	100



ESG Facts & Figures

Occupational Safety and Health

Classification	Content	Unit	2022	2030 Target
Safety management	Occupational accident	Cases	0	0
	General accident	Cases	4	0
	Accident rate	%	2.29	0
	Process accident	Cases	2	0
Occupational accident	Lost Time Injury Frequency Rate (LTIFR)	%	2.89	0
	Lost Time Injury Severity Rate (LTISR)	%	0.12	0
Reduction efforts	Ratio of employees who completed occupational safety and health training	%	100	100

Sustainable Procurement

Classification	Content	Unit	2022	2030 Target
Supply chain contract clause	Ratio of major suppliers that have signed the Supplier Code of Conduct	%	0	100
	Ratio of major suppliers that have signed the contract including environment, labor, human rights, and ethical requirements clauses	%	0	100
Supply chain CSR evaluation	Ratio of major suppliers included in CSR evaluation	%	100	100

Information Security

Classification	Content	Unit	2022	2030 Target
Information security	Number of information security accidents	Cases	0	0

Governance

2030 TARGET DATA

Classification	Content	Unit	2022	2030 Target
Ethics education	Ratio of employees who completed ethics education	%	100	100
Violation of ethics management	Number of internal reports related to the violation of the Code of Conduct, corruption, bribery, and anti-competitive behavior	Cases	0	0
	No. of legal actions against unfair trade practices	Cases	0	0

Environmental

Air Pollutant(*)

Classification	Unit	2020		2021		2022	
		Daesan	Shihwa	Daesan	Shihwa	Daesan	Shihwa
NOx concentration	ppm	30.25		35.10		Daesan 36.25	Shihwa 17.70
SOx concentration	ppm	0.25		1.30		Daesan 2.00	Shihwa 1.35
Dust concentration	mg/m ³	Daesan 0.44	Shihwa 2.85	Daesan 2.59	Shihwa 2.33	Daesan 2.66	Shihwa 2.20

(*) As Shihwa Plant began to manage NOx and SOx data in 2022, only Daesan Plant data are provided for 2020 and 2021.



ESG Facts & Figures

Social

Employee Composition

Classification	Content	Unit	2020	2021	2022
No. of regular positions	Male	Persons	149	139	144
	Female	Persons	21	20	26
	Total	Persons	170	159	170
No. of contract employees	Male	Persons	2	6	5
	Female	Persons	0	2	4
	Total	Persons	2	8	9
No. of managers (*1)	Male	Persons	39	43	43
	Female	Persons	4	5	5
	Total	Persons	43	48	48
	Ratio of female managers	%	9.30	10.42	10.42
	Ratio of female employees in senior management	%	0	0	0
Persons	Male	Persons	151	145	149
	Female	Persons	21	22	30
	Total	Persons	172	167	179
	Ratio of female employees	%	12.21	13.17	16.76
By age	Under age 20	Persons	0	0	0
	Age 20-29	Persons	37	20	31
	Age 30-39	Persons	73	70	73
	Age 40-49	Persons	37	43	45
	Age 50 or above	Persons	25	34	36
Vulnerable employees	Ratio of disabled employees	%	1.76	1.80	1.10
	Ratio of veteran employees	%	0	0	0

(*1) Managers or above-level employees

Employment and Turnover

Classification	Content	Unit	2020	2021	2022
New recruitment	Male	Persons	25	14	15
	Female	Persons	1	5	11
	Total	Persons	26	19	26
Recruitment by age	Under age 30	Persons	9	8	14
	Age 30-50	Persons	14	6	12
	Above age 50	Persons	3	5	0
No. of turnover	Male	Persons	9	20	12
	Female	Persons	2	4	5
	Total	Persons	11	24	17
Turnover by age	Under age 30	Persons	1	11	4
	Age 30-50	Persons	8	10	9
	Above age 50	Persons	2	3	4
Turnover rate	Male	%	5.96	13.79	8.05
	Female	%	9.52	18.18	16.67
	Total turnover rate	%	6.39	14.37	9.50
Voluntary turnover rate (*2)	Male	%	5.20	7.59	8.05
	Female	%	9.50	9.09	16.67
	Total voluntary turnover rate	%	5.81	7.78	9.50
Retention period	Male	Year	6.0	6.8	7.8
	Female	Year	5.8	6.2	5.2
	Average retention period	Year	5.9	6.7	7.4

(*2) Number of voluntary turnovers / total number of employees



ESG Facts & Figures

Parental Leave and Welfare

Classification	Content	Unit	2020	2021	2022
Persons on childbirth leave	Male	Persons	2	5	2
	Female	Persons	2	1	3
Persons on childcare leave	Male	Persons	0	1	3
	Female	Persons	1	2	2
Persons returning to work after parental leave	Male	Persons	0	0	1
	Female	Persons	0	2	1
Persons who worked for 12 months after returning from parental leave	Male	Persons	0	0	0
	Female	Persons	1	0	2
Ratio of employees returning to work after parental leave	Male	%	100	100	100
	Female	%	100	100	100
Welfare	Expenses for welfare	KRW million	259	272	317
	Expenses for welfare compared to sales (*)	%	0.35	0.33	0.29

(*) Due to a change in calculation methodology, the data values differ from the previous year's report.

Governance

Creation and Distribution of Economic Value

Classification	Unit	2020	2021	2022
Business area	Number	1	1	1
No. of domestic business sites	Number	3	3	3
Products and services provided	Ton	9,066	9,582	8,965
Sales	KRW million	73,251	81,501	109,605
Expenses related to sales (cost of sales, selling and administrative expenses)	KRW million	59,160	69,058	87,728
Interest expenses for creditors and lenders	KRW million	54	26	68
Corporate expense	KRW million	2,919	3,031	4,885
Corporate tax paid	KRW million	3,969	1,842	3,553
Corporate tax burdened	KRW million	3,250	2,860	4,775
Donation	KRW million	0	0	0
Total dividends	KRW million	2,152	2,152	2,690



Risk Management

Risk Management System

Due to political and economic instability at home and abroad, the importance of risk management is becoming increasingly important. KCI prepares response strategies to identify and prevent various latent risks throughout its corporate activities. KCI will ensure safety and sustainability by establishing effective response strategies for each risk.

Risk Management Team

Risk Management Team consists of the heads of each division and plants. The team assumes the role of preventing risks and making quick decisions while responding to risks occurring. In case that a risk is considered to have a considerable impact on our activities, the management and executive members establish response strategies and continuously monitor the development of the response. KCI strives to minimize risks and maintain corporate stability.

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 and Evaluation	Risks are rated on a scale of 5 points in terms of 'materiality' and 'possibility' with internal and external issues, demand from stakeholders and the result of SWOT analysis taken into account.
Planning and Action	We determine the root causes the risks we identify through the evaluation, which is followed by the establishment and implementation of diverse detailed plans for enhancement.
Monitoring and Reporting	The results of monitoring are reported on a regular basis and action is taken to improve the situation.





Risk Management

Types of Risk

Classification	Risk	Details
Finance	Operational risk	<ul style="list-style-type: none"> ① Natural disaster ② Facility fire ③ Equipment failure and damage
	Quality risk	<ul style="list-style-type: none"> ① Quality of raw and subsidiary materials ② Defects in manufacturing process (degradation or malfunction of equipment, human error) ③ Product contamination (deterioration, discoloration, foul smell, impurity, etc.) ④ Defective packaging and labels (packaging container damage, unlabeled or mislabeled products, labels removed) ⑤ Inconsistency in quality ⑥ Defects resulting from improper storage (physical property change, packaging deterioration, product contamination) ⑦ Defects in transportation (packaging damage, product contamination)
	Supply risk	<ul style="list-style-type: none"> ① Transportation process ② Short supply or supply suspension of raw materials
	Market risk	<ul style="list-style-type: none"> ① Exchange fluctuations
Non-finance	Employee risk	<ul style="list-style-type: none"> ① Injury or absence of workers
	Environmental risk	<ul style="list-style-type: none"> ① Climate change ② Water ③ Forest

Risk Response Strategy

KCI has established five response strategies to counteract the identified risks, along with action plans for each strategy to prepare for complicated risks.

Risk Response Strategy	Content
Securing safety inventory	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Strategy for risk occurrence regarding transportation or stock loss due to fire or natural disaster • Having two warehouses in place at home and abroad with response strategies, such as recovery plan or the plan to use an alternative warehouse in case that the warehouses are damaged
Replacement	<ul style="list-style-type: none"> • 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



GRI Index

KCI published its sustainability report for the period between January 1 and December 31, 2022, according to the GRI Standard 2021. Additionally, KCI has complied with the nine requirements under GRI 1 (2021). There are no sector standards applied separately, as chemicals have not been announced. Regarding material issues of KCI for the 2022 reporting period, refer to the 'Materiality Assessment' section in this report.



General Disclosures

Index	Description	Remarks
Organization and its reporting practices		
2-1	Organizational details	5
2-2	Entities included in the organization's sustainability reporting	2
2-3	Reporting period, frequency, and contact point	2
2-4	Restatements of information	Modified information is annotated in the appropriate location
2-5	External assurance	72~73
Activities and workers		
2-6	Activities, value chain, and other business relationships	5~11
2-7	Employees	58~59
2-8	Workers who are not employees	58~59
Governance		
2-9	Governance structure and composition	53~54
2-10	Nomination and selection of the highest governance body	53~54
2-11	Chair of the highest governance body	53~54
2-12	Role of the highest governance body in overseeing the management of impacts	53~54
2-13	Delegation of responsibility for managing impacts	53~54
2-14	Role of the highest governance body in sustainability reporting	53~54
2-15	Conflict of interests	53~54
2-16	Communication of critical concerns	53~54
2-17	Collective knowledge of the highest governance body	53~54

Index	Description	Remarks
2-18	Evaluation of the performance of the highest governance body	N/A Not applicable
2-19	Remuneration policies	55
2-20	Processes to determine remuneration	55
2-21	Annual total compensation ratio	N/A No information disclosed
Strategy, policies, and practices		
2-22	Statement on sustainable development strategy	4
2-23	Policy commitments	4, 13, 24 (Environmental Management), 32 (Safety and Health Management), 39 (Supplier Code of Conduct), 40 (ESG Procurement Policy), 41 (Human Rights Management), 51 (Ethics Management)
2-24	Embedding policy commitments	4, 13, 24 (Environmental Management), 32 (Safety and Health Management), 39 (Supplier Code of Conduct), 40 (ESG Procurement Policy), 41 (Human Rights Management), 51 (Ethics Management)
2-25	Processes to remediate negative impacts	16, 41
2-26	Mechanisms for seeking advice and raising concerns	54
2-27	Compliance with laws and regulations	24, 52
2-28	Membership associations	71
Stakeholder Engagement		
2-29	Approach to stakeholder engagement	16
2-30	Collective bargaining agreements	42



GRI Index

Material Topic

Index	Description	Remarks
GRI 3: Disclosures on Material Topics		
3-1	Process to determine material topics	17
3-2	List of material topics	18~20
3-3	Management of material topics	18~20

GRI 200, 300, 400 : TOPIC STANDARD

Material issues

Index	Description	Remarks	
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	52	
205-2	Communication and training about anti-corruption policies and procedures	52	
205-3	Confirmed incidents of corruption and actions taken	52	
GRI 206: Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	52	
GRI 302: Energy			
302-1	Energy consumption within the organization	23	
302-2	Energy consumption outside of the organization	N/A	Not applicable
302-3	Energy intensity	23	
302-4	Reduction of energy consumption	23	
302-5	Reductions in energy requirements of products and services	N/A	No information disclosed
GRI 303: Water and Effluents			
303-1	Interactions with water as a shared resource	25	
303-2	Management of water discharge-related impacts	25	
303-3	Water withdrawal	25	

Index	Description	Remarks	
GRI 303: Water and Effluents			
303-4	Water discharge	25	
303-5	Water consumption	25	
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	23	
305-2	Energy indirect (Scope 2) GHG emissions	23	
305-3	Other indirect (Scope 3) GHG emissions	23	
305-4	GHG emissions intensity	23	
305-5	Reduction of GHG emissions	23	
305-6	Emissions of ozone-depleting substances (ODS)	N/A	No information disclosed
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	26	
GRI 306: Waste			
306-1	Waste generation and significant waste-related impacts	25~26	
306-2	Management of significant waste-related impacts	26	
306-3	Waste generated	26	
306-4	Waste diverted from disposal	26	
306-5	Waste directed to disposal	26	
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	39~40	
308-2	Negative environmental impacts on the supply chain and actions taken	39~40	
GRI 403: Occupational Safety and Health			
403-1	Occupational Safety and Health management system	32~35	
403-2	Hazard identification, risk assessment, and incident investigation	32~35	
403-3	Occupational health services	44	



+ GRI Index

GRI Index

Index	Description	Remarks
GRI 403: Occupational Safety and Health		
403-4	Worker participation, consultation, and communication on occupational safety and health	32~35
403-5	Worker training on occupational safety and health	32~35
403-6	Promotion of worker health	44
403-7	Prevention and mitigation of occupational safety and health impacts directly linked by business relationships	32~35
403-8	Workers covered by an occupational safety and health management system	32~35
403-9	Work-related injuries	35
403-10	Work-related ill health	35
GRI 405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	53
405-2	Ratio of basic salary and remuneration of women to men	43
GRI 407: Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	40
GRI 408: Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	40
GRI 409: Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor	40
GRI 414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	39~40
414-2	Negative social impacts in the supply chain and actions taken	39~40
GRI 416: Customer Safety and Health		
416-1	Assessment of the health and safety impacts of product and service categories	36~38
416-2	Incidents of non-compliance concerning the safety and health impacts of products and services	36~38

Non - Material issues

Index	Description	Remarks
GRI 201: Economic Performance		
201-1	Direct economic value generated and distributed (EVG&D)	61
201-2	Financial implications and other risks and opportunities due to climate change	22 Actual details described in CDP
GRI 202: Market Presence		
202-2	Proportion of senior management hired from the local community	54
GRI 203: Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	68
203-2	Significant indirect economic impacts	68
GRI 401: Employment		
401-1	New employees hired and employee turnover	60
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	44
401-3	Parental leave	61
GRI 402: Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	42
GRI 404: Training and Education		
404-1	Average hours of training per year per employee	38, 42, 43, 47, 52
404-2	Programs for upgrading employee skills and transition assistance programs	43
GRI 406: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	41
GRI 413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	68
413-2	Operations with significant actual and potential negative impacts on local communities	68
GRI 418: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	47



SASB

The Sustainability Accounting Standards Board (SASB) refers to the sustainability accounting standards for each industry announced by the SASB in the United States in 2011. The SASB presents sustainability risk topics that are highly associated with each industry and recommends companies to continuously report on the topics and communicate with investors and stakeholders. KCI will disclose relevant information in accordance with SASB's guidelines and establish information management plans.



Topic	Accounting Metric	SASB Code	Report Page and Response
Sustainability Index			
GHG Emissions	Gross global Scope 1 emissions	RT-CH-110a.1	p.23
	Percentage covered under emissions-limiting regulations		Not an internally managed indicator
	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	RT-CH-110a.2	Aiming to achieve the goal to mitigate GHG emissions by 20% compared to 2020 until 2030, we monitor GHG emissions annually. Besides, KCI has introduced the Factory Energy Management System (FEMS) to encourage all of its employees to take part in GHG reduction efforts. By sharing emission levels of Daesan Factory on our dashboard, we raise the GHG reduction awareness of all our employees.
Air Quality	NOx emissions (excluding N ₂ O)	RT-CH-120a.1	p.26
	SOx emissions		p.26
	Volatile organic compounds (VOCs) emissions		Not an internally managed indicator
	Hazardous air pollutants (HAPs) emissions		Not an internally managed indicator
Energy Management	Total energy consumed	RT-CH-130.a.1	p.23
	Percentage grid electricity		-
	Percentage renewable		-
	Total self-generated energy		-
Water Management	Total water withdrawn	RT-CH-140a.1	p.25
	Total water consumed		p.25
	Percentage of each in regions with High or Extremely High Baseline Water Stress	-	
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	RT-CH-140a.2	-
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	In recognition of water pollution risks generated in the course of chemical processing, KCI is fully committed to water resource management. In product production, we focus on reducing water consumption, such as using the cleaning hose that are attached with a trigger-operated gun. Additionally, we set our own discharge standards more stringently than domestic laws in order to regulate harmful substances and minimize water pollution. Wastewater undergoes initial treatment at our own wastewater treatment facility and is then safely discharged after secondary treatment at a public wastewater treatment plant through outsourcing. Through these efforts, we minimize water pollution and drive the effort to manage sustainable water resources.
Hazardous Waste Management	Amount of hazardous waste generated	RT-CH-150a.1	p.26
	Percentage recycled		p.26



+ SASB

SASB

Topic	Accounting Metric	SASB Code	Report Page and Response
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	KCI makes efforts to gain support and encouragement through actively contributing to the local community nearby the business sites. We participate in a local council, Daesan Complex Council, to gather opinions from residents and communicate with them. We regularly render cleaning activities around our sites, and announce possible risks that can occur during the production process on municipal office websites for the prevention of damage. We carry out volunteer activities and give donations to communities, striving to grow with local community through support and cooperation.
Sustainability Index			
Workforce Safety and Health	Total Recordable Incident Rate (TRIR) of direct employees		p.35
	Total Recordable Incident Rate (TRIR) of contract employees	RT-CH-320a.1	-
	Fatality of direct employees		-
	Fatality of contract employees		-
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	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. 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	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1	KRW 27,284,799,462
Safety and Environmental Stewardship of Chemicals	Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances	RT-CH-410b.1	65.58 %
	Percentage of such products that have undergone a hazard assessment		100 %
	Discussion of strategy to manage chemicals of concern and develop alternatives with reduced human and/or environmental impact	RT-CH-401b.2	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 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. KCI intends to minimize adverse effects on the environment through this and strives to make inroads into new markets with its eco-friendly product line.
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-401c.1	0.09%
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	① The government keeps announcing laws and policies related to chemical products including cosmetics. Under the circumstances, KCI recognizes 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, KCI constantly modifies internal regulations and manuals, which are decided at the board or executive meetings. ③ KCI has dedicated personnel for this as it was designated as a 'energy-intensive company' by the government.
	Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC)	2
	Process Safety Total Incident Rate (PSTIR)	RT-CH-540a.1	1.13
	Process Safety Incident Severity Rate (PSISR)		Number of transport incidents
	Not an internally managed indicator	RT-CH-540a.2	0
Activity Metrics			
Production	Production by reportable segment	RT-CH-000.A	Undisclosed due to trade secrets



TCFD

TCFD is an initiative launched in 2015 by the Financial Stability Board (FSB), with support from G20 Finance Ministers and Central Bank Governors, aiming to promote the disclosure of climate change-related information. Various stakeholders, including investors, utilize TCFD information in corporate management activities and decision-making processes. KCI has disclosed the following climate change-related activities according to 11 recommended procedures based on the information disclosure framework. Going forward, we plan to concentrate on preparing a roadmap containing detailed plans. Additionally, we will gain trust from stakeholders and work toward the goal of sustainable management by disclosing climate change-related information transparently.

TCFD		Disclosure by KCI		CDP								
Governance												
A	Describe the board's oversight of climate-related risks and opportunities.	KCI perceives the significant impact of climate change on sustainable development, and the BoD and top management discuss the matter on a regular basis. The CEO concurrently serves as the chairman of the BoD and the chairman of the Management Committee, taking the lead in proposing and resolving climate-related agendas every quarter. The Management Committee establishes a corporate-wide roadmap to identify and respond to climate-related risks. The committee evaluates the feasibility of goals each quarter, proposes plans for performance improvement, and concentrates on climate-related issues.		C1.1								
B	Describe the management's role in assessing and managing climate-related risks and opportunities.	Daesan Plant, accounting for more than 90% of KCI's total energy consumption and GHG emissions, has held the Occupational Safety and Health Committee driven by the plant manager once a quarter since 2019. The committee comprehensively identifies environmental issues related to the Daesan Plant, while focusing on the evaluation and management of identified risks. Final decisions are reviewed by the management including our CEO, and the committee establishes, implements, and manages action plans according to their opinions.		C1.2								
Strategy												
A	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<table border="1"> <thead> <tr> <th colspan="2">Risks and Opportunities</th> </tr> </thead> <tbody> <tr> <td>Short-term</td> <td>① Domestic policies and laws ② Stakeholders' changed behaviors within the market</td> </tr> <tr> <td>Medium-term</td> <td>③ Disruption to raw material supply</td> </tr> <tr> <td>Short- and medium-term</td> <td>④ Impacts of climate change on our production facilities</td> </tr> </tbody> </table>			Risks and Opportunities		Short-term	① Domestic policies 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
Risks and Opportunities												
Short-term	① Domestic policies and laws ② Stakeholders' changed behaviors within the market											
Medium-term	③ Disruption to raw material supply											
Short- and medium-term	④ Impacts of climate change on our production facilities											
B	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<p>① Domestic policies and laws With the increasing global awareness of the climate change crisis around the world, in November 2021, the Korean government raised the national GHG reduction target (NDC) for 2030 to 40% compared to 2018. The government has enacted and enforced the 'Energy Use Rationalization Act' to practice this target. Accordingly, KCI has been classified as an 'energy-intensive company' since 2018. Daesan Factory submits annual energy consumption reports and performs energy diagnosis every five years, operating personnel dedicated to monitoring energy use, cost, and emissions. In the future, we will participate in the national environmental response efforts, comply with laws, and fulfill our obligations to prevent financial risks.</p> <p>② Stakeholders' changed behaviors within the market With the increasing demand for environmental and social responsibilities, global cosmetics and household goods companies are already implementing Net Zero policies. KCI has already begun to manufacture products using eco-friendly materials and invested in R&D of new products. We have become RSPO and COSMOS certified to participate in sustainable palm oil productions and conduct equipment replacements to increase the efficiency of production facilities. Our efforts will help us secure customers in the long-term by launching new products and entering new markets.</p> <p>③ Raw material supply KCI is a company that manufactures and sells products by receiving raw materials, and the stable supply of materials is key to our business. Especially, products that use ingredients of plants growing in Southeast Asia are sensitive to climate change, We face various business risks, such as the sudden rise in bean prices caused by the El Niño phenomenon in 2015. We will sign long-term supply contracts and dualize the sourcing of ingredients in preparation for such risks.</p> <p>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 conditions can do damage to facilities, disrupt the supply, and increase electric power consumption. KCI aims to increase energy efficiency and reduce energy consumption by introducing high-efficiency pumps. KCI plans to focus on improving long-term efficiencies and endure short-term rises in costs.</p>		C2.1, C2.3, C2.3a, C2.4, C2.4a								



+ TCFD

TCFD

TCFD	Disclosure by KCI		CDP
Strategy			
C	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including 2 °C or lower scenario.	KCI endorses the global efforts to reduce the average temperature of the earth to under RCP 4.5 (temperature rise 2.8 °C). We set our carbon dioxide and energy use mitigation target, putting our energy efficiency strategy into action based on the projection of carbon dioxide concentration. In the years to come, KCI will strive to offer a variety of product lines adding more low-carbon and eco-friendly products.	C3.1
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. We receive ESG assessments such as CDP evaluation to figure out environmental risk factors and diagnose the situation. Based on these assessments, we determine inadequacies, prioritize the tasks to be done based on the impact on our business and stakeholders, and establish plans.	C2.1, C2.3, C2.3a
B	Describe the organization's processes for managing climate-related risks.	If a risk that we have not identified arises, we review its validity and draw up a plan for enhancement. Besides providing a regular check on finished tasks, 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.	KCI regards environmental risks caused by climate change, such as rising temperature, heavy snow and rain, and deforestation, to be as important as financial risks. When establishing BCP plans to prepare for crises, we consider environmental risks sufficiently.	
Metrics and Targets			
A	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	KCI conducts the evaluation of environmentally hazardous substances to maintain the emissions below the level of the government's regulations. We monitor GHG emissions, energy, and water usage for the transition into a low-carbon society. On the group level, we have planned mid- to long-term roadmaps to attain Net Zero by 2050, setting a goal for reducing GHG emissions by 20% in 2030 compared to 2020. We will join the global movement to respond to the climate change crisis. Data on GHG emissions can be found on p. 23.	C4.1, C4.2
B	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.		C6.1, C6.2, C6.3, C6.5, C6.5a, C6.10
C	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.		C4.1a, C4.1b, C4.2b, C4.2c



Awards, Associations, and Certifications

Awards












Year	Name of Award
2010	Selected as a 'Hidden Champion' by the Export-Import Bank of Korea
	Awarded by the Director of the National Tax Service for honest tax payment
2014	Received Jang Young-Shil Award (commercialization technology of tertiary fatty amines)
2015	Won the USD 30 Million Export Tower Award
2019	Won the USD 50 Million Export Tower Award
2022	Won the Corporate Innovation Award from the Korea Chamber of Commerce and Industry

Associations

UNGC (UN Global Compact)	Korea Responsible Care Council
Korea International Trade Association	Korea Environmental Preservation Association
Korea Chemicals Management Association	

Certifications

Various global certifications prove the outstanding technological prowess and product safety of KCI.

 ISO 45001 Safety and Health Management System	 ISO 14001 Environmental Management System	 COSMOS Approved COSMETIC Organic and Natural Standard
 HALAL Indonesian Halal (MUI HALAL)	 RSPO Mass Balance Roundtable on Sustainable Palm Oil (License No.: 2-1009-19-100-00)	 CDP Carbon Disclosure Project
 EcoVadis-CSR (Corporate Social Responsibility)	 ISO 9001 Quality Management System	 ISO 22716 Guidelines on Good Manufacturing Practices for Cosmetics
 EFFCI European Federation for Cosmetic Ingredients	 World Class Product of Korea	



Independent Assurance Statement

To readers of KCI 2022 Sustainability Report

Introduction

Korea Management Registrar (KMR) was commissioned by KCI to conduct an independent assurance of its 2022 Sustainability Report (the “Report”). The data and its presentation in the Report is the sole responsibility of the management of KCI. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with KCI and issue an assurance statement.

Scope and Standards

KCI described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR’s assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with GRI standards 2021 was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process.

- GRI Sustainability Reporting Standards 2021
- Universal standards
- Topic specific standards
 - GRI 205 : Anti-corruption
 - GRI 206 : Anti-competitive Behavior
 - GRI 305 : Emissions
 - GRI 306 : Waste
 - GRI 403 : Occupational Health and Safety
 - GRI 414 : Supplier Social Assessment
 - GRI 416 : Customer Health and Safety
 - GRI 418 : Customer Privacy

As for the reporting boundary, the engagement excludes the data and information of KCI’s partners, suppliers and any third parties.

KMR’s Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report;
- reviewed materiality assessment methodology and the assessment report;
- evaluated sustainability strategies, performance data management system, and processes;
- interviewed people in charge of preparing the Report;
- reviewed the reliability of the Report’s performance data and conducted data sampling;
- assessed the reliability of information using independent external sources such as Financial Supervisory Service’s DART and public databases.

Limitations and Recommendations

KMR’s assurance engagement is based on the assumption that the data and information provided by KCI to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.



Independent Assurance Statement

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with KCI on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

Inclusivity

KCI has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

Materiality

KCI has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

Responsiveness

KCI prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of KCI's actions.

Impact

KCI identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with KCI and did not provide any services to KCI that could compromise the independence of our work.

June 2023 Seoul, Korea

CEO *E. J. Hwang*





Report Production

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Supply chain and suppliers	Ahn Seungwook
Governance and Board of Directors	Yang Junghun
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