



# **CORPORATE SOCIAL RESPONSIBILITY REPORT 2020**

## About CSR report publication

At DAITO KASEI GROUP, we believe CSR are at the core of our activities. This is why, for the past 10 years we have set standard of conduct, followed UN Global Compact and ISO26000 as well as pursued our CSR activities. We have since 2015 published our annual CSR reports on our website. This is because we believe that a company values dwells in part in its CSR which contribute to a better society by answering stakeholders' needs.

For our company, CSR activities started as demand from society to comply to industrial moral and ethical codes but now it has become an objective to make society more sustainable were both economic and social value coexist. It then became clear that we had to deal with SDGs.

We conduct our CSR activities with SDGs in mind. This CSR report was made based on the goals we favor the most among the 17 SDGs: "3. Good health and well-being", "4. Quality education", "9. Industry, innovation, and infrastructure", "12. Responsible consumption and production", "13. Climate action" and "17. Partnerships for the goals".

We think that by answering stakeholders' expectations, conducting CSR activities while respecting SDGs, we can increase our value to society and grow more ethically.

At DAITO KASEI GROUP, we have set a CSR promotion bureau which aims at spreading the words to every employee. The point is that everyone understands that 「individual actions」 can make the difference.

Our efforts to SDGs will be of humble scale but we will pursue our management effort. Our actions will be presented in every CSR reports in a transparent manner.

28<sup>th</sup> June 2021

DAITO KASEI KOGYO Co., Ltd

CSR bureau

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## 1. Company profile

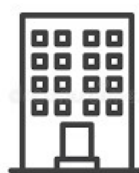
### 1.1 Our activity

DAITO KASEI is a private manufacturer of cosmetic ingredients that was established in 1950 in Osaka, Japan. Our main range of products consists of surface-treated powders and pigments, but we also propose a variety of functional materials such as emulsifiers and film formers. Our customers range from small businesses to multinational corporations.



**4** plants in Japan

**1** plant in France



**2** distribution sites in China and France

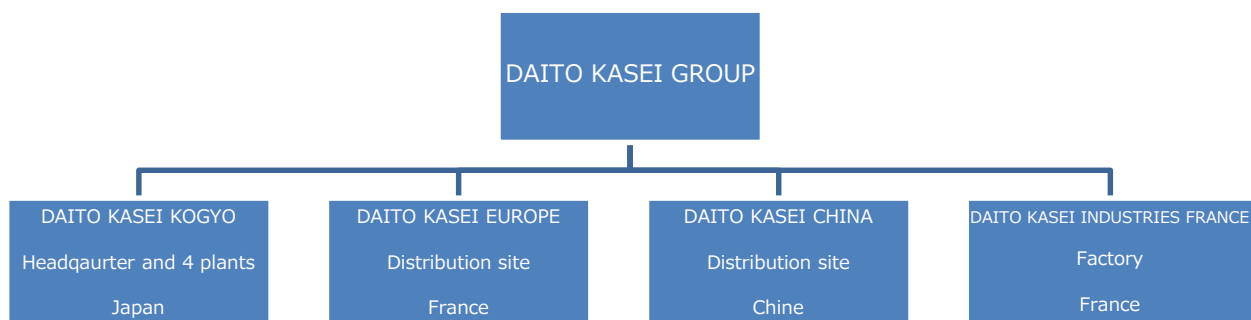
Our business is spread in more than **50** countries.



**4** formula development labs



### 1.2 Organization



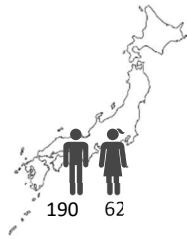
Figures and statistics



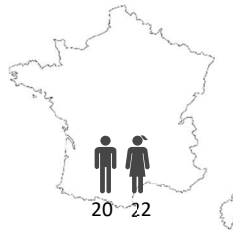
**295** employees (full-time and others)

**Employees breakdown by region and gender as of 31 December 2020**

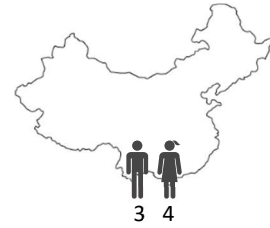
**Japan 85%**



**France 13%**



**China 2%**



**3 Million \$** in R&D expenditure

R&D activities are mainly conducted in Japan. We also engage in joint-development with universities and other research establishments

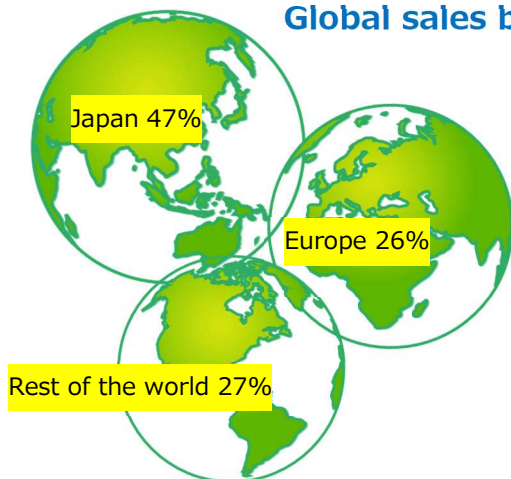


More than **1,950tons** of products manufactured



More than **200 suppliers** across the globe

**Global sales breakdown by area**



Japanese market is the biggest market for DAITO KASEI with about half of global sales. Europe is the second most important area with more than a quarter of sales.

## **2. CSR commitment**

### **2.1 CSR standards**

We set the following 4 standards to strictly follow CSR.

Code of ethics

Environmental policy

Risk management policy

Responsible purchasing policy

The above standards were established based on the 10 principles of the United Nations Global Compact. They constitute our essential guidelines for corporate ethics, labor, human rights, environment, and sustainability. More information is available on our website, in the “Sustainability” section.

### **2.2 Conducting activities with SDGs**

Along with complying strictly with the action plan set in our standards we conduct our actions following SDGs. We think we can contribute to make a sustainable society where social and economic values coexist.

We conduct all our activities in respect of existing laws and social ethics.

## **3. Appropriate business conduct**

In order to conduct our business in an appropriate way DAITO KASEI GROUP (Japan, France, China) applies the following.

### **3.1 Decision-making**

The board of directors decides of management planning, business decisions, investments above a certain amount, organizational change, etc. To make decision-making faster, board meetings are organized immediately when needed and decisions are taking promptly.

### **3.2 Accounting**

To prove the transparency of our financial situation we receive guidance and are regularly audited by certified public accountants with evaluation by a third-party. We received congratulations from tax office for how well our finances are managed.

### **3.3 Fair transactions**

Business transactions are conducted to be fair as regard to the other party.

### **3.4 Intellectual property**

We respect our company and our trade partners' intellectual properties.

### **3.5 Corruption prevention**

We do not get involved in activities such as bribery, excessive treating, conflicts of interest, and so on.

### **3.6 Rejection of criminal groups**

We do not hold any relation with criminal groups.

### **3.7 Business continuity plan**

We arrange for business continuity plan for natural disaster.

## **4. Aiming for a happy workplace**



Protecting the rights of our employees and ensuring a friendly workplace is most important to us. We are constantly working to improve our employees' workplace.

### **4.1 Tolerant working conditions**

Guarantying employee's right is indispensable to conduct business fairly. Without consideration for gender, race, age, or disability we behave equally towards every employee so that everyone can work at full potential. Similarly, salaries are paid without consideration for gender, race, age, or disability.

### **4.2 Compliance with labor laws and improvement of workplace**

#### **Protect employees' rights**

In order to comply with labor laws, we conduct internally regulation training and information session with licensed social insurance consultant. We also consult lawyers when needed.

Regarding harassment and complaints an inquiry counter has been established and each employee has undergone a proper training in 2020.





### **Preventing corruption**

We established a claim contact bureau for our supplier regarding any eventual harassment or bribery from our employees. We inform internally our employees about our policy regarding bribery and conflicts of interest and all must agree.

### **Training youth for the future**

Youth Yell is a government program for small and medium-sized enterprises that certifies companies that propose particularly good conditions for employment and education to young people. We have received certification in 2018 since then we have been maintaining those standards.

In 2020, less than 50 companies in Osaka have received this certification.

### **To a women-friendly workplace**

In 2020, all of the 5 women who took maternity leaves, all got back to their original job when returning.

### **Consideration for employee's health**

We organize medical examination regularly and propose additional examination to those mandatory by law such as (breast cancer, colorectal cancer, etc.). During the inspection tour of our industrial physician employees are free to consult and ask questions. Employee's vaccination against influenza is entirely covered and financial aid is granted for his/her family.

### **Disable persons employment**

In 2020, there was 6 disabled persons, a rate complying with the law.

## **4.3 Sanitation and safety of employees**

It is indispensable to operating a business properly and is a fundamental right to work in a safe and healthy environment.

### **Working hours**

In DAITO KASEI GROUP, local regulation concerning working hours is strictly respected. Our manufacturing department operate in 2 or 3 shifts of 7.5h.

### **Chemicals management**

Chemicals are used in our plants, but workers' safety is guaranteed by technical safety measures, safety gears and clothing. SDS of chemicals are available to anyone in plants they are used.

## Risk management

Thorough risk management examination is conducted when new products are being developed to ensure the safety of both our employees and the environment. Lists of all stored chemicals are made that include storage location as well as quantity in order to guarantee proper management.

## Work accident

The table below shows the number occurrences of work-related injuries:

Year	2018	2019	2020
Number of incidents in plants	0	1	0
Number of injury leaves	0	0	0

## Welfare consultation with industrial physician

In Japan, workplaces of more than 50 persons are bound by law to appoint an occupational physician. We do so even in facilities with fewer employees. During the inspection tour of our industrial physician employees are free to consult and ask questions.

## 5. Employee's fulfilment through learning



Building a work environment where employees can fulfil themselves is related to the possibility for them to learn new abilities and be satisfied overall. There is absolutely no doubt that employees' fulfilment is necessary to company growth. To make this possible, we enforce the following measures:

### New employees' training

All new employee is taught four weeks about business manners, harassment, company policy and safety regulation among other things.

### ISO9001 training

Each department conduct training for ISO9001 (rules and procedures) and improvement according to an annual plan by on-the-job training. With this continuous training, employees understanding deepens, which allows continuous improvement of a more reliable quality control system

### EFfCI training

In October 2020, two external consultants set two days of training in which 92 employees participated. We are aiming at getting EFfCI certification in 2022. Our entire

company is sharing objectives and roles, and every employee who participated in the training are taking the initiative to lead the movement.

### **Harassment training**

We believe it is indispensable to build a healthy work environment where everyone is free to express himself. In Japan harassment prevention law was passed in 2020 and has been applying to large size companies.

For small and medium size companies the law will apply from 2022. We are getting ready, every employee bis ongoing training.

### **Language training**

French and English classes are proposed once a week to employees who need it.

### **External training**

We conduct cosmetic technical training organized by partner organizations.

### **Compensation for professional certification**

Employees certificated with handling hazardous substances, hygiene management or information management certification can claim special remuneration.

### **Staff evaluation interview system**

Every six months employees take an interview with their superior/manager to discuss employees' satisfaction and fulfilment.

Employees are encouraged to participate in seminars and exhibitions related to their work field to boost their skills.

## **6. Product development and market expansion for a sustainable society**



### **6.1 Aiming a reducing plastic pollution**

#### **CELLULOBEADS**

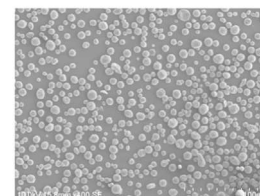
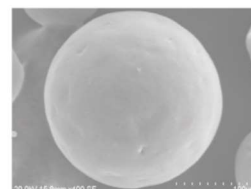
Since the early 20th century, synthetic molecules have been developed thanks to progress made in oil chemistry. This technology undoubtedly changed our way of life. But among the three hundred million tons of synthetic molecules produced last year, plastic wastes have proved to be problematic as they have had a greatly negative impact on the environment. Microplastics, which the United Nations Environment Program defines as being below 5mm in diameter, are found absolutely everywhere is

the environment. Concerns about the ecosystem and the food chain have been growing. In fact, in some regions where microplastic pollution is particularly severe, many birds and fish were found dead with their stomach full of those plastic waste. Also, microplastics have the property of absorbing hazardous products like flame-retardant and insecticide which worsens even more their impact on the environment. As a response, many countries passed laws to limits their usage and many alternative products with good marine biodegradability are being developed.

CELLULOBEADS is a natural product made of marine biogradable beads of cellulose from FSC<sup>1</sup> certified wood.

<sup>1</sup>The Forest Stewardship Council (FSC) is an international non-profit, multi-stakeholder organization established in 1993 that promotes responsible management of the world's forests. After inspection by an independent certification agency, FSC certification is possible if criteria are met.

Its properties make it a great alternative to microplastic beads. The increase in demand is the past years let us to invest in new equipment and increase production.



## 6.2 Protection the richness of water



### Sacran

SACRAN is a polysaccharide extracted from suizenjinori, an alga that only grows in the pure water springs located at the foot of Mt. Aso volcano in Kumamoto prefecture.

Thanks to its excellent water-retaining capacity, not only it provides moisture to the skin, but it also forms a protective layer.

However, suizenjinori is a delicate endangered species that requires the purest water to live. At DAITO KASEI, we are committed with local villagers to protect and develop the habitat of suizenjinori to allow it to thrive and prosper.



## 6.3 Aiming at renewable resources provisioning

### RSPO certification

Palm oil from African palm tree is used in biofuels and consumer goods such as

processed food, medical goods, cosmetics, and detergents. This year seventy thousand tons were produced, twice more than twenty years ago. The surface dedicated to palm oil tree cultivation have increased steadily but this growth has lacked proper environmental management. This led to uncontrol clearcutting of forest, destruction a high conservation value virgin forest and peats, decrease in biodiversity, child labor, etc. DAITO KASEI uses palm oil as an ingredient in many products. However, because we support the preservation of the environment and human rights, we obtained RSPO SCC certification<sup>4</sup> (Mass Balance)<sup>2</sup>. Since then we have been able to supply suitable ingredients to our customers.

<sup>2</sup>RSPO SCC certification: a system of certification based on “standards and principles” for sustainable palm oil. We obtained the supply chain certificate.

### **Binchōtan powder**

With the care of human, mountain trees can grow more beautifully to the benefits of the mountain entire ecosystem. The ubamegashi trees which grow in the Kinan region of Japan greatly contribute the flood and landslide control. Those trees have been used for more than a millennium to make binchōtan a typical Japanese charcoal of high quality. The tree is not just burnt to make fuel, it is first steamed in order to make burning long-lasting and prevent production of flame and smoke. This technique, a revolution for the people of the time, was brought from China by a Japanese monk called Kūkai in the 9th century. It spread rapidly all over the archipelago.



Since that time the Kishū region have specialized in cultivating flat-leaf trees and protecting them to produce a uniquely hard, slow-burning binchōtan. Once pulverized in very thin powder it can be used as a cosmetic ingredient of entirely natural origin and notably as an alternative to carbon black, an oil origin product.

### **Natural origin product**

As previously mentioned, we are pursuing the development and use of natural origin ingredient to support sustainability in our society. For more details, please take a look at our online catalogue - <https://www.daitokasei.com/en/product/chemical.php>.

For interested customers, we also have a range of more than 60 COSMOS certified products.

## 7. Customer satisfaction



### 7.1 Quality control system

#### Quality management to maintain satisfaction

Proper quality control makes management more harmonious and efficient and improves business transparency. It also has positive impact on work environment and use of resource by decrease energy consumption and waste or reducing employee working hours for example. We are conscious that quality control goes beyond CSR activities, that it is an essential part of our work. We think it also benefits our stakeholders and customers.

#### Quality management system audit by big customers

We have been audited by large customers concerning our quality control system and except minor problems results were satisfactory. We are working on solving the problems that were pointed out rapidly and efficiently.

#### Improving employees understanding a quality system to respond to global needs



In Japan, in addition to the offices and factories that were certified ISO9001, all have obtained ISO9001:2015. We are now preparing for EFfCI certification.

In October 2020, external consultants set two days of training in which 92 employees participated. We are aiming at getting EFfCI certification in 2022. Our entire company is sharing objectives and roles, and every employee who participated in the training are taking the initiative to lead the movement.

### 7.2. CSR activity evaluation

We reckon that the evaluation of our CSR activities by our customers is indispensable to maintaining a trustful relation and ensuring future business development.

#### CSR activity third party evaluation

We are regularly evaluated by international sustainability rating agency such as

EcoVadis, CDP and Sedex. We disclose the results of those evaluations so that our customers can review them freely. We guarantee that our facilities are inspected separately by independent parties and that we cooperate with our customer to fill up their CSR questionnaires.

### **Results and response to evaluation by EcoVadis, CDP, Sedex**

Results of each platform are as below.

#### **EcoVadis**

EcoVadis focuses on four aspects in particular: environment, work habit, ethic, and materials sustainability. In 2020 we were rated in top 6% and received a silver medal.

#### **CDP**

CDP rates the strategy of companies for climate change and disclosure of greenhouse effect gas. In 2020 we were rated average as compared to Asia regarding climate change and water security.

#### **Sedex**

Sedex specialized in assessing risk management regarding labor practices in the supply chain. In 2018 we were rated highly by large customers.

### **Response in respect to evaluation platform**

In consideration with results and in order to improve ourselves we order working obtaining ISO4001 certification.

## **8. Measures for protecting the environment for a better future**



We believe contributing to a more sustainable society is a mission that we must accomplish for us and our children. We develop new products and markets in consideration with our objective of making society more sustainable, to reduce greenhouse gas and preserve the environment in compliance with environmental laws.

### **8.1 Strict compliance with environmental laws**

All production facilities of DAIKO KASEI GROUP comply with laws and regulations established by local government. These facilities undergo government audit regularly to check levels of compliancy.

In addition to those government audits, we also investigated in 2019 on our own initiative all our Japanese facilities. We reviewed compliancy regarding environmental

laws, energy consumption, waste treatment, PRTR law (Pollutant Release and Transfer Register), atmospheric pollution, fire law, etc. No major problem was discovered but measures for improvement were taken. We are committed in conducting such investigation on regular basis.

## **8.2 Strengthening our effort for the environment**

In Japan, we are working on obtaining ISO4001 certification before early 2023.

## **8.3 Individual efforts for greenhouse gas reduction**

In our French subsidiary, DAITO KASEI EUROPE, all electricity is renewable. In our factory DAITO KASEI INDUSTRIES carbon offset is respected.

In Japan, we are shifting from regular lights to LED with completion planned for 2021.

## **9. Partnership**



### **9.1 Answering stakeholders' needs**

Our reason of being as a company is to have a management that is such as it contributes in making our society better while answering stakeholders' needs. We have a direct impact on our stakeholder's activities, suppliers, employees, financial institutions, local governments, and related institutions.

We are conducting many actions to comply with 17 SDGs and ISO2600 which are guideline for United Nations 10 Global Compacts.

### **9.2 Organizations to which we belong**

DAITO KASEI belongs to the following organizations:

- Osaka Chamber of Commerce and Industry
- Osaka Prefectural Manufacturing & Industrial Association
- The Society of Cosmetic Chemists of Japan
- West-Japan Cosmetic Industry Association
- EFCI – European Federation for Cosmetic Ingredients (DAITO KASEI EUROPE)
- Cosmetic Valley (DAITO KASEI INDUSTRIES)
- Osaka Chamber of Commerce and Industry's CSR workshop
- Tenma Association for Labor Standard
- General Incorporated Foundation - Japan Association for Safety of Hazardous Materials
- General Incorporated Foundation - Japan Traffic Safety Association



### **9.3 Job creation and local partnership**

We contributed to local job creation, environmental protection by cooperating with local society.

#### **Suizenjinori aquaculture**

Suizenjinori enters in the composition of SACRAN, a product we are developing markets for. It grows in the pure mineral waters of mount Aso in Kyushu. In order to be able to keep using suizenjinori we pay most attention to local aquaculture and protection of the environment. It matters both for the environment and local jobs.

#### **Cooperation with other company to produce environment friendly products**

##### **Cellulobeads outsourced production**

Cellulobeads is a biodegradable alternative to microplastic developed mostly for western customers whose demand in growing. To be able answer the demand linked to an increase of attention to the environment we outsource production to Rengo Co., Ltd. We are working on spreading the use of Cellulobeads to contribute to the protection of the environment.

#### **Protection of the environment with local stakeholders**

##### **Forest protection activity: “The forest of smiles”**

In 2017 we joined the “Kigyō no Mori” project which helps protecting forest in Wakayama.

This project aims at promoting and keeping ancestral knowledge and techniques as well as valorizing and protecting nature. The owner of the forest, inhabitants, and employees of more than 80 participating companies teamed up together to achieve those goals.

At DAITO KASEI, we have been taking care of a terrain that we baptized “Egao no Mori”, the forest of smiles. Employees from our subsidiaries in France and China have joined our Japanese employees to plant trees with the assistance of the inhabitants and local associations. This has been a profoundly astonishing experience as we learnt a lot from each other, and all enjoyed the beauty of nature.

However, in 2020 we were unable to conduct this action due to corona virus. We will resume our action as soon as possible. We started with 3,000 ubamegashi trees and now have more than 6,000 trees. In the future, when they are bigger, we estimate that they will absorb about 10,700kg of carbon dioxide per year.

