



# **CORPORATE SOCIAL RESPONSIBILITY**

**REPORT 2018**

## CONTENTS

MESSAGE FROM THE PRESIDENT GRI 102-14 .....	4
PROFILE & STRATEGY .....	5
1. Group presentation GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7 .....	6
1.1. Activities .....	6
1.2. Organization .....	6
1.3. 2018 Key figures .....	6
1.4. Notable events and highlights GRI 102-10 .....	7
2. Our CSR commitment GRI 102-16 .....	8
3. CSR Evaluation by third party .....	8
4. Governance and ethics .....	9
4.1. CSR committee .....	9
4.2. Code of ethics GRI 102-16 .....	10
4.3. Quality system .....	10
4.4. Organizations GRI 102-13 .....	10
5. Stakeholders GRI 102-40 .....	10
6. Risk and opportunities .....	11
6.1. Risks .....	11
6.2. Opportunities .....	12
1. CSR priorities .....	14
2. 2018 Key figures GRI 102-8, 401-1, 401-3 .....	14
3. Health and safety GRI 403-9 .....	17
4. Employee training .....	17
5. Employee well-being .....	18
ENVIRONMENT .....	20
1. CSR priorities .....	21
2. Consumption and natural resources and wastes generation .....	21
3. Energies .....	21
3.1. Energies consumption .....	21
3.2. Actions to reduce the energy footprint .....	22
4. Water management .....	23
5. Supply chain management: Transportation footprint .....	23
6. Sustainable raw materials .....	24
6.1. Sustainable palm oil .....	24
6.2. Charcoal: Solidarity sourcing and traditional knowledge preservation .....	24
6.3. Natural label .....	25
COMMUNITY .....	26
1. Running for a cause .....	27

2. Solidarity day..... 27

3. Solidarity purchasing ..... 27

4. Donations ..... 27

ACTION PLAN 2019-2020..... 28

NOTE ON THE CSR REPORT GRI 102-50, 102-51, 102-52, 102-53 ..... 30

GRI CONTENT INDEX ..... 31

MESSAGE FROM THE PRESIDENT GRI 102-14

We are pleased to share the results of our Corporate Social Responsibility strategy in 2018.

Throughout our 2018 CSR report we have highlighted the main outlines of our CSR ideas and actions.

We remain focus on operating our activities in a safe, responsible and ethical manner.

As a chemical company, environment and safety are on the top of our priorities.

Today sustainability and business success are closely tied.

We work day after day to become better. Although we are well on our way, some work remains to be done.

Our commitment to CSR and sustainable business practices reflects our will to contribute to make a better world.

Yoshinori WAKI



# **PROFILE & STRATEGY**

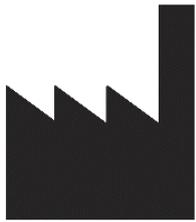
## 1. Group presentation GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7

### 1.1. Activities

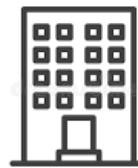
DAITO KASEI founded in 1950 is a privately owned, medium-sized, Japanese company with its headquarter in Osaka. We are manufacturer and distributor of cosmetic ingredients, plastic masterbatches and inks. Cosmetic division represents almost 90 % of total sales.

Our cosmetic ingredients portfolio contains treated powders and specialty ingredients such as sensory and visual effect modifiers or emulsifiers.

Our clients range from small-medium-sized companies to the world's largest multinational cosmetic companies.



**4** manufacturing sites in Japan and **1** in France



**2** distribution sites in China and France.

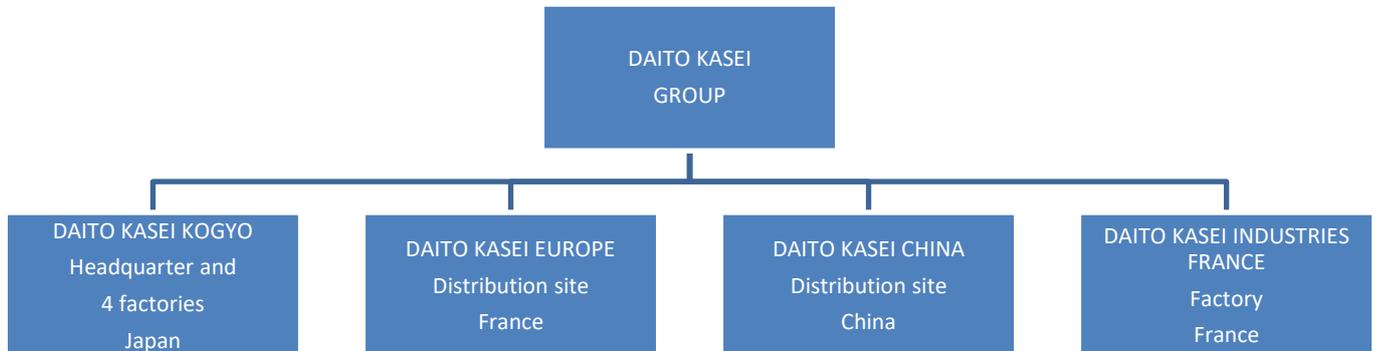
We have a presence **in more than 50** countries through sales, distribution and manufacturing operations



**4** Application laboratories



### 1.2. Organization



### 1.3. 2018 Key figures



**278** employees (permanent/temporary contracts)



**3M\$** invested in **R&D**

The R&D primarily takes place in Japan. Some R&D work is carried out in partnership with universities.

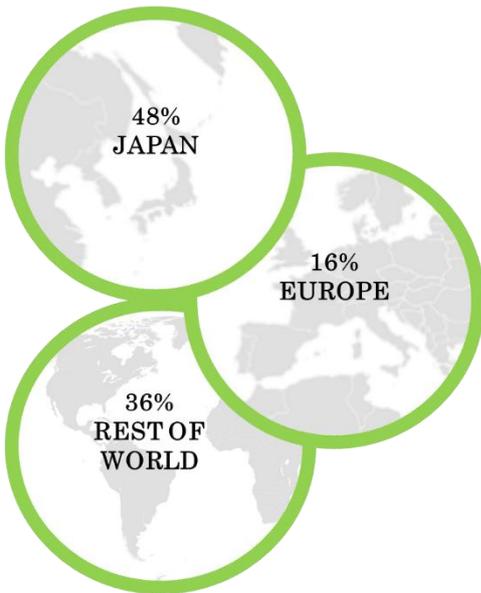


More than **3000 tons** of manufactured products



**More than 200** suppliers around the world

**Sales repartation by geographic area**



Japan represents almost half of DAITO KASEI sales. Europe is the second largest sales area.

**1.4. Notable events and highlights GRI 102-10**



In January, DAITO KASEI KOGYO obtained the Youth Yell certification. Only 13 companies are certified in Osaka Prefecture.

Youth Ale certification system, set up by the Minister of Health, Labor and Welfare of Japan, is to promote the employment of young people. Youth Yell certification is attributed to small and medium-sized enterprises who show excellent employment management of young people and employees.

On July 13<sup>th</sup>, DAITO KASEI inaugurated with Chemico Inter Corporation Co.Ltd their joint venture DCAC center (Daito Chemico Asia Color Cosmetic Center) in Bangkok. DCAC center is specialized in color cosmetic products and serves as DAITO's application center to provide technical support to clients.

We extended our production capacity by opening a new manufacturing building on Okayama site in Japan.

## 2. Our CSR commitment GRI 102-16

### “Creating the harmony for future”

DAITO KASEI is committed to working more closely with people and society, in respect of the environment, for sustainable future development.

We conduct honest business activities in compliance with national and international laws and regulations.

We manage our company to be fair and open for all the stakeholders.

## 3. CSR Evaluation by third party

Our performance in the sustainability area are evaluated by third party and by our clients. We strive to develop our operations on the basis of the feedback we receive.



On 2019, we received “Silver Level Recognition” by an external third party “EcoVadis”, the first collaborative platform providing Sustainability Ratings for global supply chains. Since the last survey in 2017, we passed from Gold to Silver level. We decreased our score from 64 to 60. Our overall score is 2 points from the gold level. We will work harder on improving our CSR approach, and thus our EcoVadis score. Our EcoVadis assessment report indicated certain improvement areas, mainly the level of reporting).

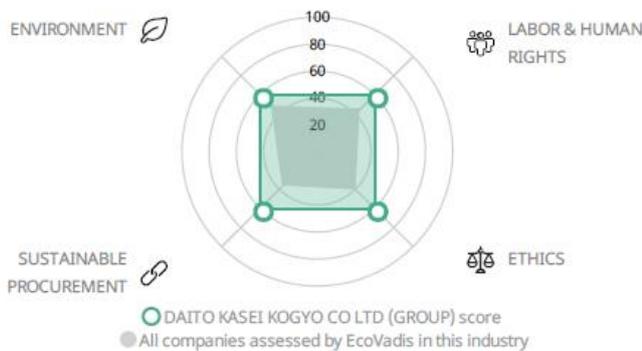
The evaluation covers 21 criteria across four themes: environment, fair labor practices, ethics/fair business practice, and supply chain. The methodology is based on international CSR standards including the Global Reporting Initiative, the United Nations Global Compact, and ISO 26000. It is supervised by a scientific committee of CSR and supply chain experts to ensure reliable third-party CSR assessment.

The performance is evaluated on the 4 CSR themes. The overall score is the weighted average of the theme score.

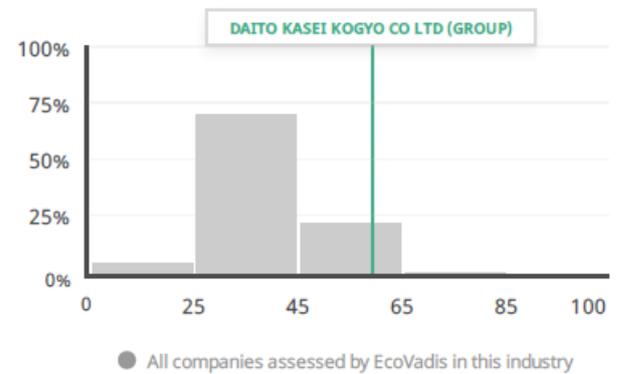
## Position of DAITO KASEI compared to the average of all companies assessed by EcoVadis



Theme score comparison



Overall score distribution



2018 Score

**C**

Score level

**Awareness**

We participated in the CDP climate change and received a score of C this is higher than the Chemicals average of D and higher than the Asia regional average of D.

#### 4. Governance and ethics

##### 4.1. CSR committee

The committee is composed of the CSR coordinators of each business unit and the financial director.

The committee meet once a year.

The role of the committee is to:

- Define the CSR goals and targets
- Find actions
- Follow up the implementation of the actions

The action plan is presented by the financial director to the CEO who validate it.

#### 4.2. Code of ethics GRI 102-16

Our actions are guided by our Code of Ethics, which is based on the Universal Declaration of Human Rights and the ten principles outlined in the UN Global Compact. We incorporate key elements, which are human rights, intellectual property, work conditions, environment, and integrity.

#### 4.3. Quality system

Two Japanese manufacturing sites and the headquarter are ISO9001 certified since February 2014. Based on this international standard we continue to have regular management reviews, internal audits and develop actions to improve this system and to increase reliability and customer satisfaction.

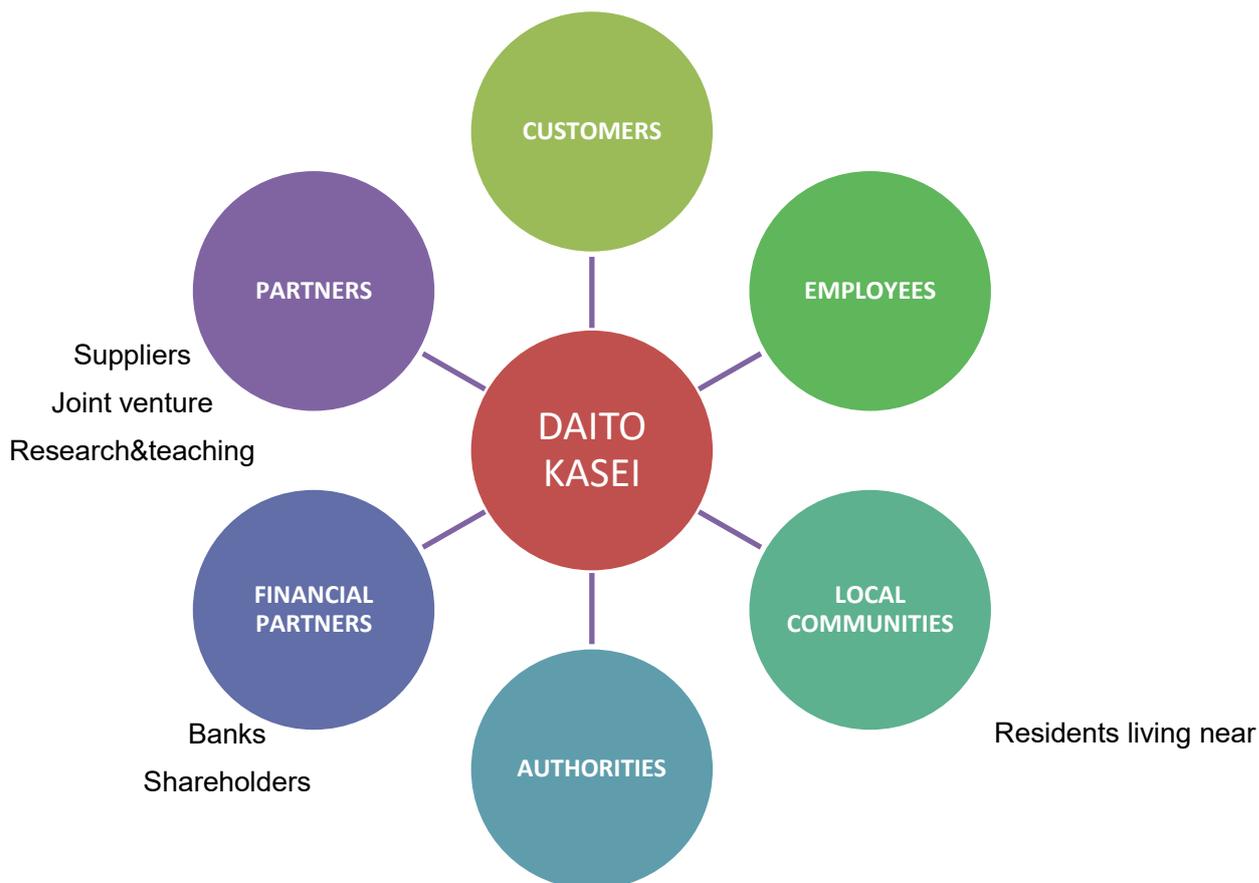
#### 4.4. Organizations GRI 102-13

DAITO KASEI is a member of ten associations:

- Japan traffic safety association
- Japan Safety of Hazardous Materials association
- Japan labor laws association
- Cosmetic Valley
- CSR workshop coordinated by Osaka Chamber of Commerce and Industry
- Ingrecos, French section of EFfCI European Federation of Cosmetic Ingredients
- Osaka Chamber of Commerce and Industry
- Osaka Prefectural Manufacturing & Industrial Association
- The Society of Cosmetic Chemists of Japan
- West-Japan cosmetic industry association

#### 5. Stakeholders GRI 102-40

DAITO KASEI identified the groups, organizations and individuals that are either impacted or which have an impact on the company. The figure below shows which groups of stakeholders are most important.



The group manages its relations with these different partners by maintaining continuous dialogue.

## 6. Risk and opportunities

### 6.1. Risks

#### Client's expectations

Sustainability in the cosmetics industry has received growing interest from consumers, cosmetics industries and organizations. Increasing concerns about cosmetics safety, environmental impacts as deforestation and social impacts have intensified the attention given to this topic leading to changes in clients' expectations. Our clients are looking for ingredients considered more sustainable but having similar or higher performances. If we are not able to provide innovative solutions we could lost significant market share.

#### Regulation

Increased concerns regarding the safe use of chemicals and their potential impact on health and environment have resulted in more restrictive regulations and could lead to new regulations. This could result in higher operating costs to comply with regulations (directly or indirectly by our suppliers).

### Climate change

Climate change may result in more frequent extreme weather events or natural disasters. These events could damage our production facilities and the ones of our suppliers leading to disrupt production and delivery delays and result to plant repair costs and penalty fee for late delivery or order cancellation. Four of our five manufacturing sites are located in Japan.

To mitigate risks associated with severe extreme weather events, we put in place emergency plans. Standards and regulations are becoming more stringent in response to climate change issues. The production facilities should be less energy-intensive so to upgrade the equipment investments are needed.

## 6.2. Opportunities

### Climate change

To contain global warming to 2°C, global emissions of greenhouse gases will need to decrease. In order to reduce our direct greenhouse gas emissions we will have to reduce the emissions from our productions (energy efficiency, optimizing production process, use renewable energy...) All these actions could improve our productivity and reduce our energy consumption that will reduce our costs of production in long term.

### Client's expectations and regulation

Societal awareness of the risks that the chemicals pose in terms of pollution and working conditions has grown.

New regulation could offer the opportunity to propose alternative solution and increase our sales.

For example plastic pollution of the oceans represents a growing environment concern and new regulations are put in place. DAITO KASEI offers substitutes for microplastic beads based on renewable material: CELLULOBEADS series. The products are obtained from wood of forests that are managed in a proper and sustainable manner (PEPC, FSC).

The sales of CELLULOBEADS series increased of 60 % since 2016.

Innovation and sustainable solutions offer a wide range of opportunities



# OUR PEOPLE

1. CSR priorities

We established the following priorities:

- Zero work place accidents
- Diversity and equal opportunity
- Attract and maintain talent

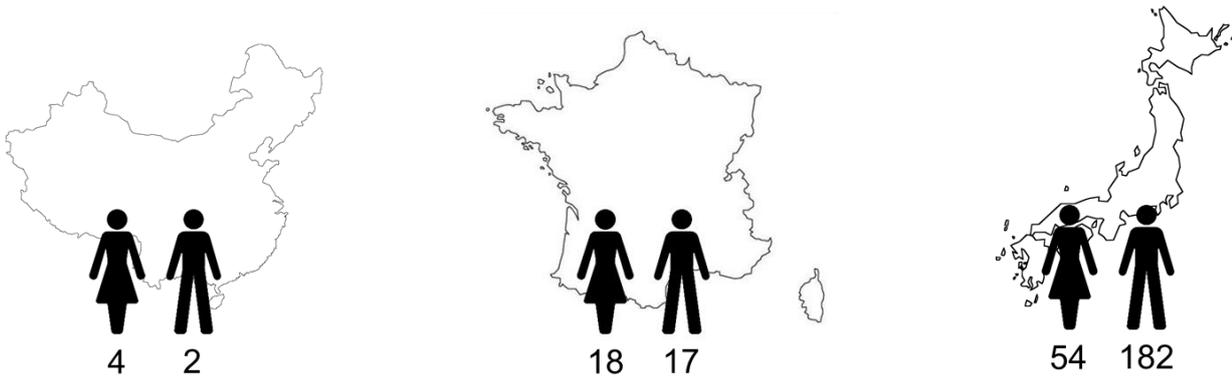
2. 2018 Key figures GRI 102-8, 401-1, 401-3

**Geographical breakdown of DAITO KASEI permanent employees by region/gender at December 31st**

**2%** in China

**13%** in FRANCE

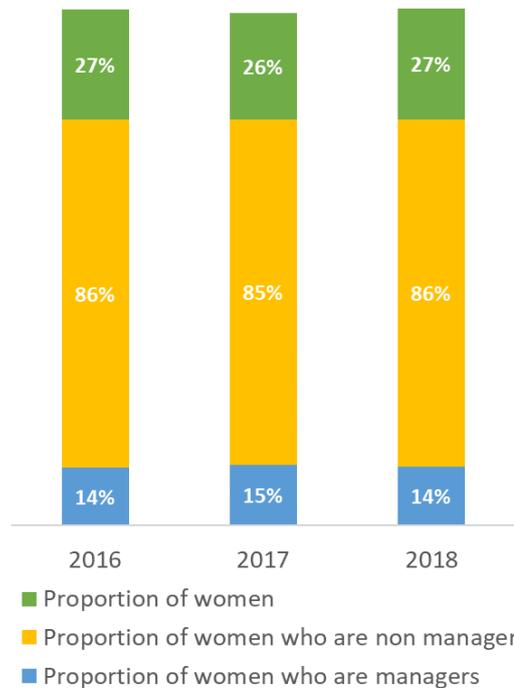
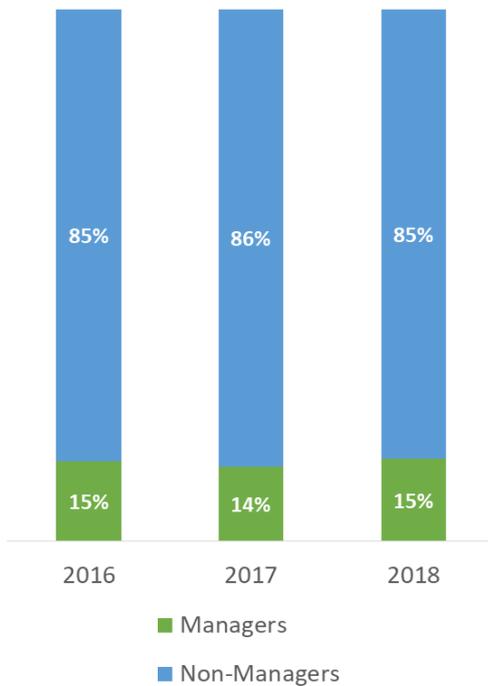
**85%** in JAPAN



In 2018, 27% of DAITO KASEI's employees were women. The proportion of women in production is low, while the proportion of women in R&D, customer service and sale is higher.

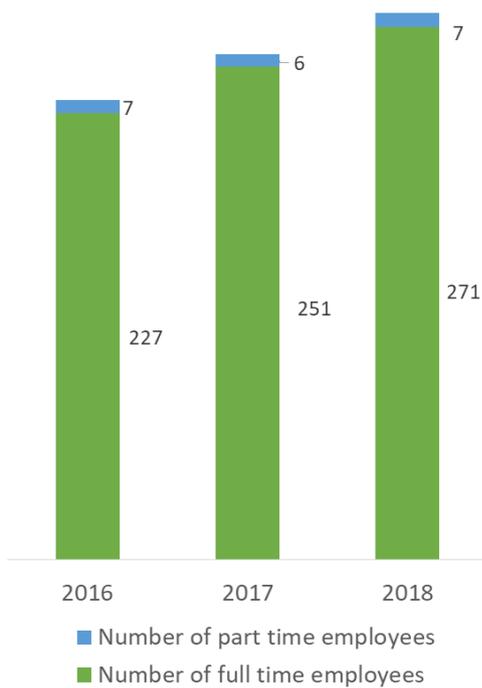
**Status repartition of employees at December 31st**

**Status repartition of women at December 31st**



15% of managers in total, 26% of the managers in DAITO KASEI are women.

**Status repartition of employees at December 31st**

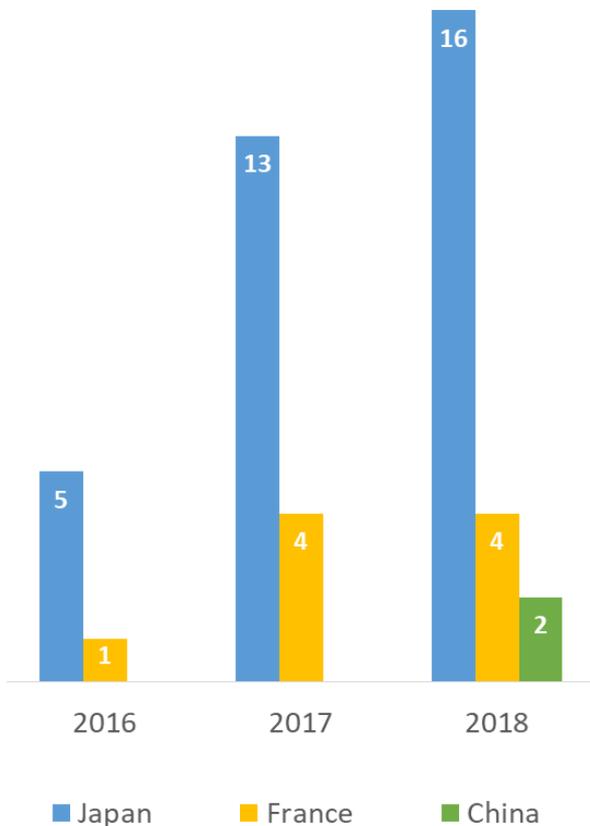


**Number of temporary jobs in 2018**

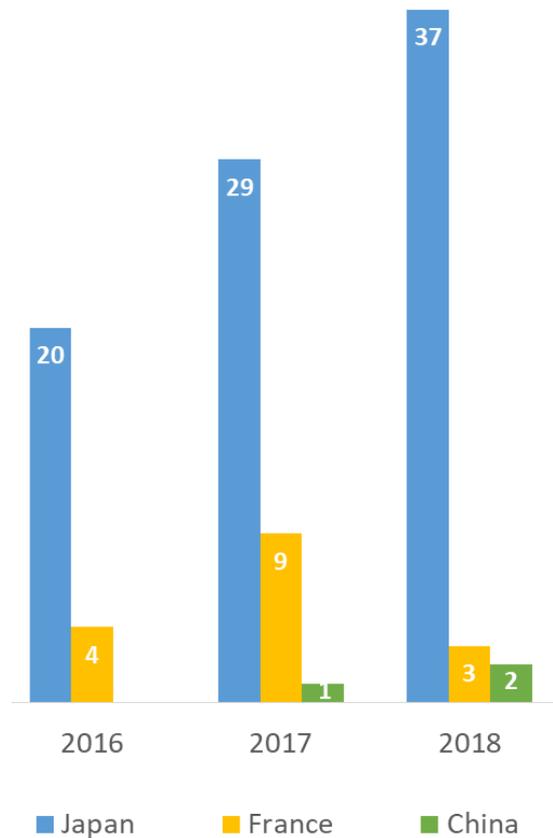


The degree of part-time and temporary employment is low. In 2018, 50% of the temporary work transformed into a permanent employment.

**Number of leaving employees**



**Number of new hires**



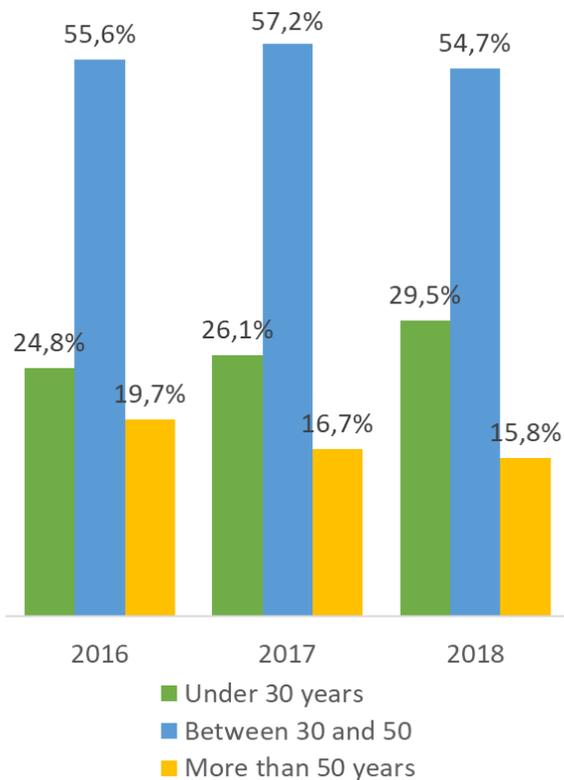
The turnover rate was 8% in 2018. (The number of employees that left the company as a percentage of the total number of employees by year-end).

### Number of employees with disabilities



The number of employees with disability is stable.

### Age pyramid of permanent employees at December 31st



### Length of service in years of permanent employees at December 31st



The average length of service within the Group is 8.7 years, identical to that of 2017.

DAITO KASEI strives to ensure both youth employment and the retention of older workers in their jobs. The share of young people in the workforce increase slightly, while the rate of employees aged over 50 is approaching 16%.

### Parental leave (excl. maternity and paternity leave)

	2016	2017	2018
Number of employees taking parental leave	2	4	1
Number of employees returning to work after parental leave	2	2	4
Number of employees returning to work after parental leave (year n-1) and were still employed 12 months after their return	NA	2	2

Only women took parental leaves in 2016, 2017 and 2018. The return to work and retention rates are 100%.

### 3. Health and safety GRI 403-9

A safety and healthy environment is a fundamental right for all employees and essential for ensuring stable and efficient operations.

DAITO KASEI group complies with local regulations on working hours. The production sites operate in two or three shifts of 8 hours.

Hazardous chemicals are handled in our factories. We ensure the safety of the working environment through technical safety measures, appropriate protection (collective and individual protection), and readily available safety data sheets.

Before implementing a new process the first step is to determine whether the process and the chemicals used could be a hazard to our employees or to the environment and to estimate the risk extent to which our employee or the environment could be exposed.

An exhaustive list of the chemicals in workplace, where they are located, how much quantities are stored...is available.

We control exposure to the hazardous substances or situation to as low level as is possible.

	2016	2017	2018
Number of accident at work (with or without injury leave)	2	3	0
Frequency rate of accidents at work with injury leave	0	0	0
Number of employees trained for safety	138	173	195

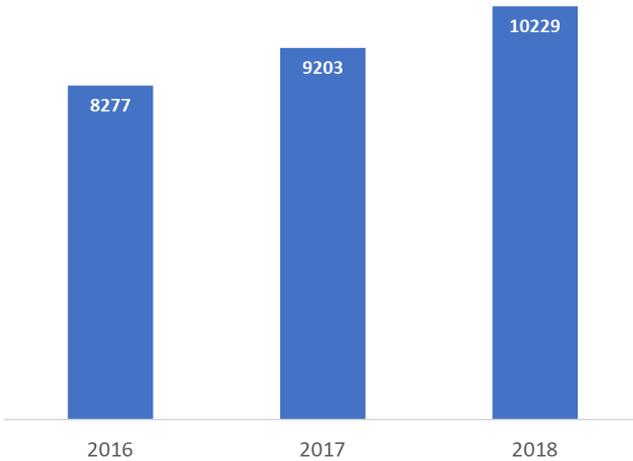
No fatal or high consequences injuries and no absences resulting from injuries in 2018.

### 4. Employee training

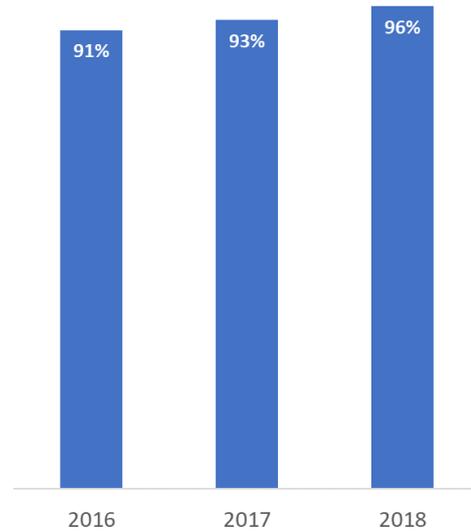
To develop our business, we strongly believe that our people should have the opportunity to develop their skills and build the careers they want and deserve. Raising the overall ability level of employees is the key for strengthening our organization.

We encourage employees to develop their career and improve their abilities.

**Number of training hours**



**Proportion of employees who received training**



**5. Employee well-being**

Our employees are essential to our ongoing success. Our ability to satisfy our clients depends upon employee well-being.

The health and wellness of our employees is very important to us. We believe that wellbeing at work is fundamental to the company's success. A good balance between work and personal life has a significant effect on well-being at work.

In France they experience teleworking with the employees of the sale department before possibly to enlarge it to other departments.

During the Week for Quality of Life at Work the logistic site in France organized some workshops.

**Self message workshop**



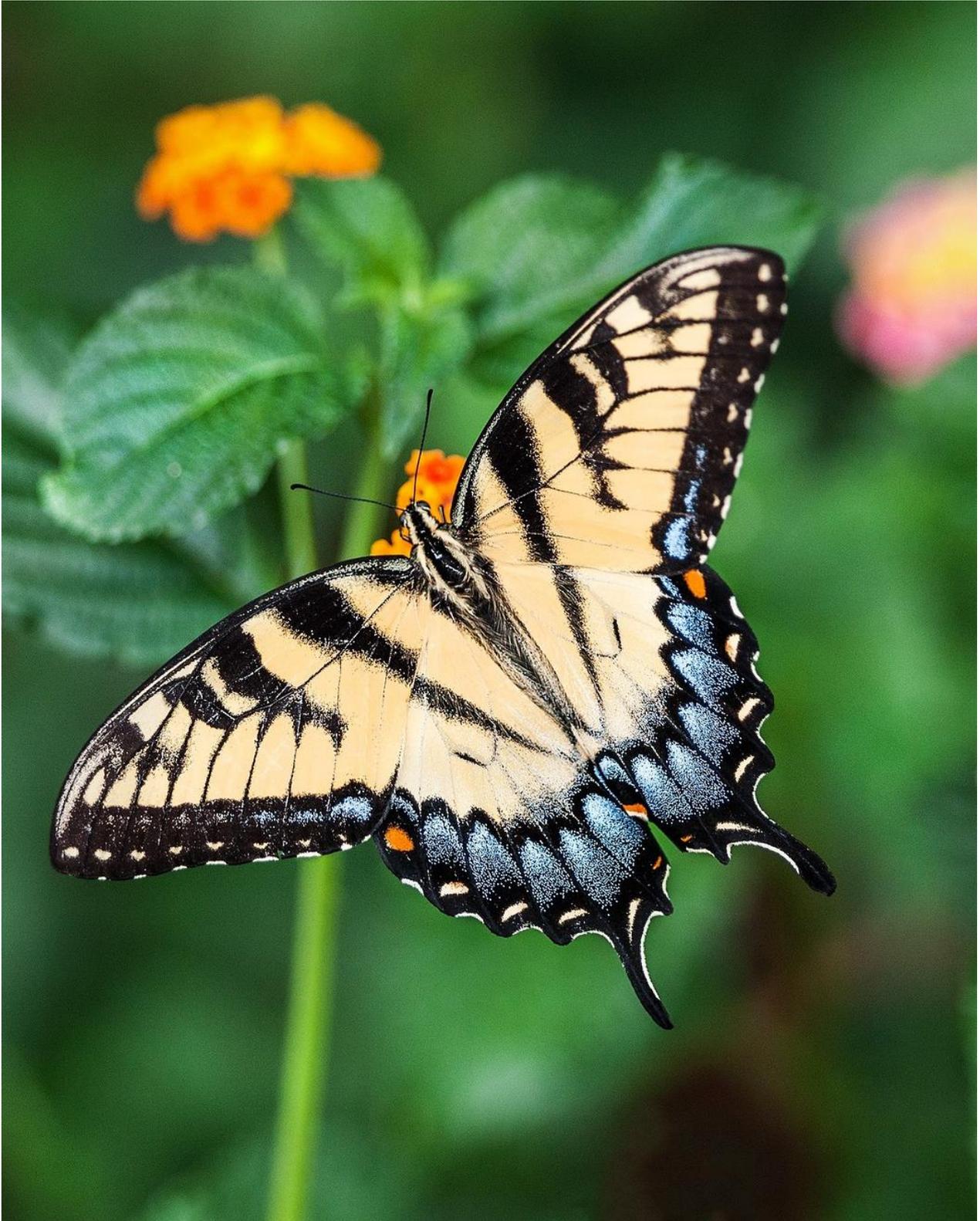
**Lunch box workshop**



In Japan, personnel leisure time activities like ski or gardening clubs are offered to the employees.

We like to share some great moments of conviviality together.





# ENVIRONMENT

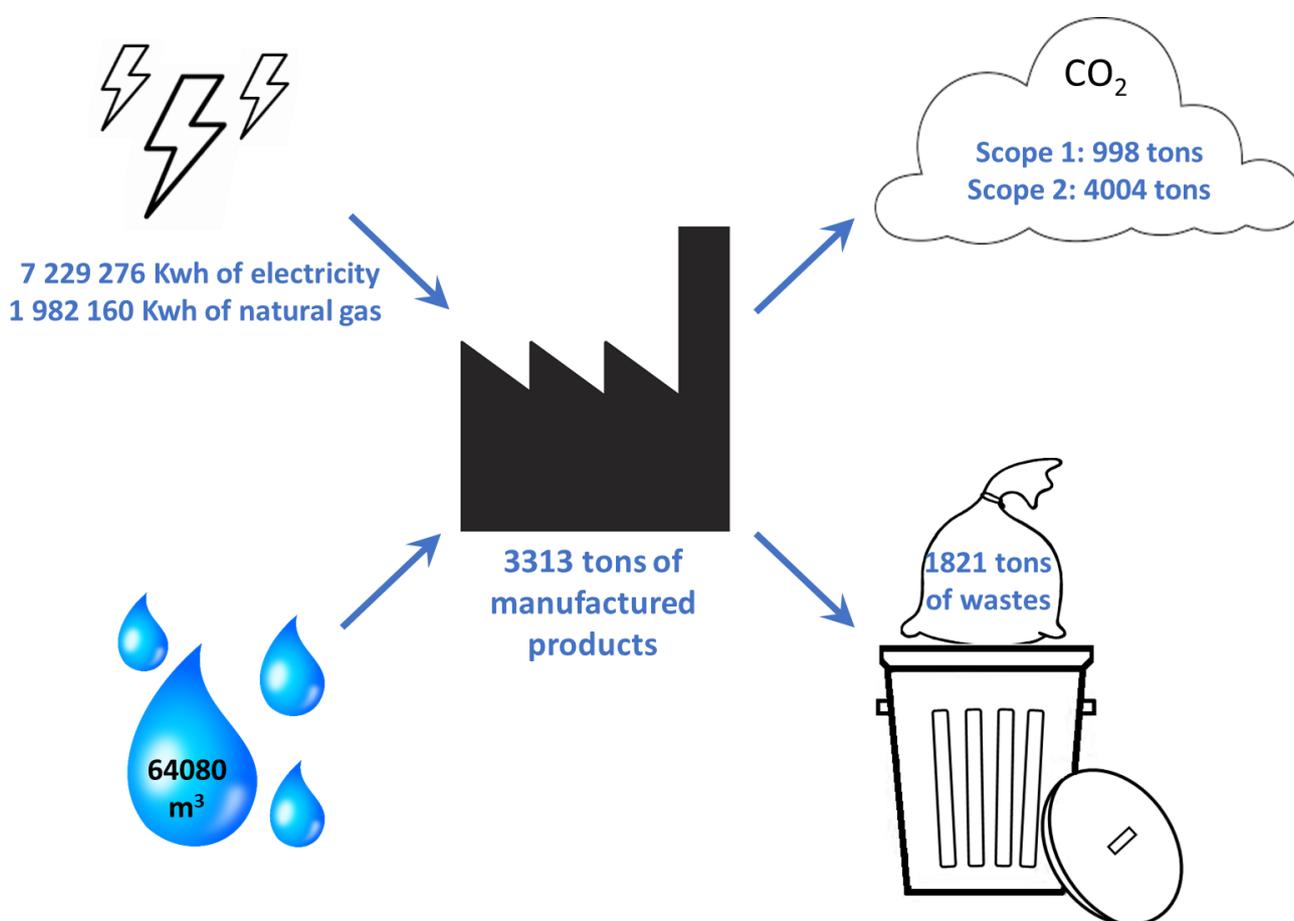
### 1. CSR priorities

We established the following priorities:

- Reduce the amount of waste and give priority to recycling or energy recovery of waste
- Reduce energy consumption and study the possibility to use renewable energy
- Find more environmental friendly transport solution
- Optimize the water management

### 2. Consumption and natural resources and wastes generation

The following diagram presents consumed natural resources and wastes generated by all DAITO KASEI Group production facilities

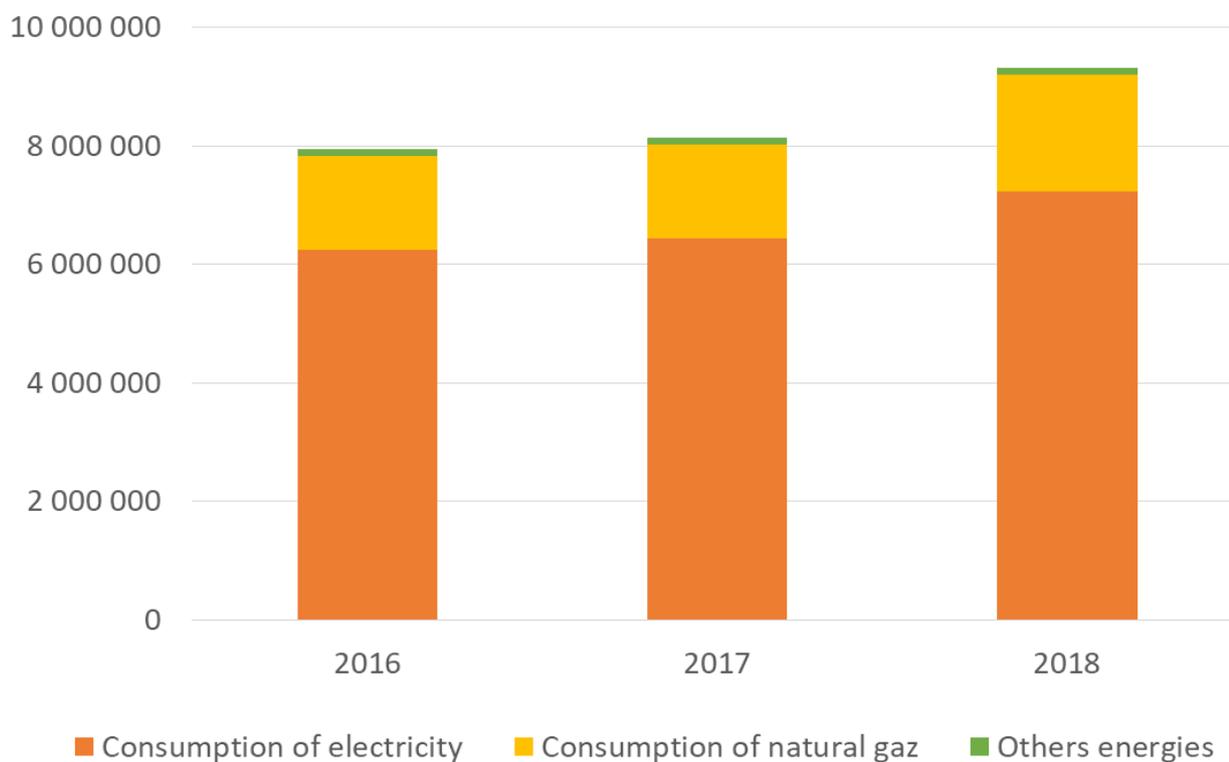


### 3. Energies

#### 3.1. Energies consumption

	2016	2017	2018
Consumption of natural gaz in Kwh per Kg of manufactured products	0,5	0,5	0,6
Consumption of electricity in Kwh per Kg of manufactured products	2,0	2,0	2,2
Energy consumption by country			
France (%)	11	12	12
Japon (%)	89	88	88

## Energies consumption repartition



### 3.2. Actions to reduce the energy footprint

#### 3.2.1. Renewable energy or carbon offset

The distribution site in France subscribed 100% renewable energy tariff for the electricity. It means that all of the electricity consumed is matched by the purchase of renewable electricity by the energy supplier. No renewable electricity and renewable electricity get mixed up together on the grid. Every kWh used is helping to promote and support the development of green energy. The manufacturing site in France subscribed 100% carbon offset for the natural gas supply.

#### 3.2.2. Optimizing lighting

Conventional lighting systems are continuing to be replaced by energy-efficient LED systems in Japan.

#### 3.2.3. Thermal isolation jackets

In the French factory flexible removable thermal insulation jackets have been set up on singular points such as steam traps or valves with two objectives:

- reduce potential personal hazard
- conserve energy by reducing heat loss and so saving energy

#### 4. Water management

Water is used in our production facilities as an ingredient in the finished product (water based powder dispersion), as solvent and in processing for cooling or to generate steam as well as cleaning production lines. The relative proportion of these uses depends on the industrial activity and clients orders, and differs at each site.

We rigorously controls and monitors the quality of effluent. All the process water is treated in wastewater treatment facilities on our manufacturing sites.

We participated in the CDP water in 2018. We received a level B- rating (management level).

#### 5. Supply chain management: Transportation footprint

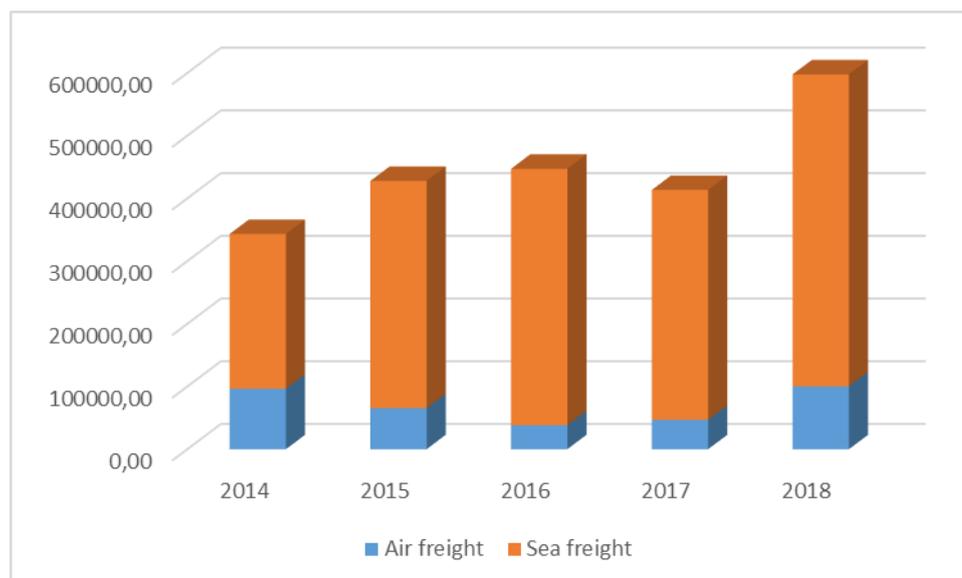
Our products are primarily manufactured in Japan and with the expansion of our sales worldwide, the transportation sector is a major source of our greenhouse gas emissions.

In Europe, we consider transportation to be a key parameter for our sustainable development strategy.

We adopted several measures to reduce the impact of this sector:

- Order planification based on annual client forecast
- Grouping of clients orders
- Improving the loading rate of containers
- Minimize the importation by air

#### Evolution of importation in Kg by air and sea



In 2018 DAITO KASEI imported 17% of its products by air. Since 2017 the percentage of goods imported by air from Japan is again increasing but at a level not yet comparable to the one of 2014. We will look to solutions to reverse the current trend.

## 6. Sustainable raw materials

We are working to increase the proportion of our products based on renewable raw materials wherever this is both possible and appropriate. Our goal is to propose natural alternatives for some of our synthetic products but without compromising the performances.

### 6.1. Sustainable palm oil

Since 2016 all the palm oil derivatives bought have been covered RSPO credits.

In 2018 we applied for the Mass Balance/Segregated RSPO certification for our sites in Japan and France.

### 6.2. Charcoal: Solidarity sourcing and traditional knowledge preservation

DAITO KASEI supports the program of Wakayama prefecture and joined the Forest of Company program in 2017.

The objective of the Wakayama prefecture program is:

- to promote the preservation of a traditional knowledge
- to create value locally
- and to protect the environment through the preservation of the forest.

The binchotan charcoal is prepared by highly trained craftsmen. The basics of making Kishu Binchotan can be learned in a year or so but acquiring the needed knowledge to obtain charcoal of high quality is an instinct that takes several years to develop.

Today there are around twenty traditional charcoal kiln in Japan, five are located in Wakayama prefecture. In the last century there were around 5000 kilns.

DAITO KASEI sponsored a piece of forest of 2.53 ha name “Egao no Mori” 6000 trees will be planted including 3000 Ubame oaks. To produce 300-400Kg of charcoal between 6 and 13 trees (trunks) are needed. Leaves and branches are used as compost. The smoke emitted can be condensated to obtain a liquid called raw charcoal vinegar that can be used as a pesticide.

DAITO KASEI only source binchotan charcoal obtained from Ubame oak harvested according to traditional selective cutting method and carbonized according to the traditional process.

During our third Global Challenge meeting on May 2018, we inaugurated our forest and planted some trees.



### 6.3. Natural label

We have 35 products certified COSMOS.



# COMMUNITY

## 1. Running for a cause



A DAITO KASEI EUROPE team raced the fourth edition of “Lisa forever”. Its aim is to raise funds to fight against childhood brain tumor. This race takes place in Taverny. Since the first edition DAITO KASEI EUROPE participate to this running.



## 2. Solidarity day



DAITO KASEI EUROPE participated for the second consecutive year to the solidarity day “Put your shoes in the company” of ELA foundation. Its aim is to raise funds to fight against leukodystrophies. This day of solidarity is an opportunity to create internal cohesion and an original way to alert on this disease. The concept is simple: employees should multiply their steps without changing their working day. For each step, the participating company undertakes to pay 0.1 € to ELA.

## 3. Solidarity purchasing



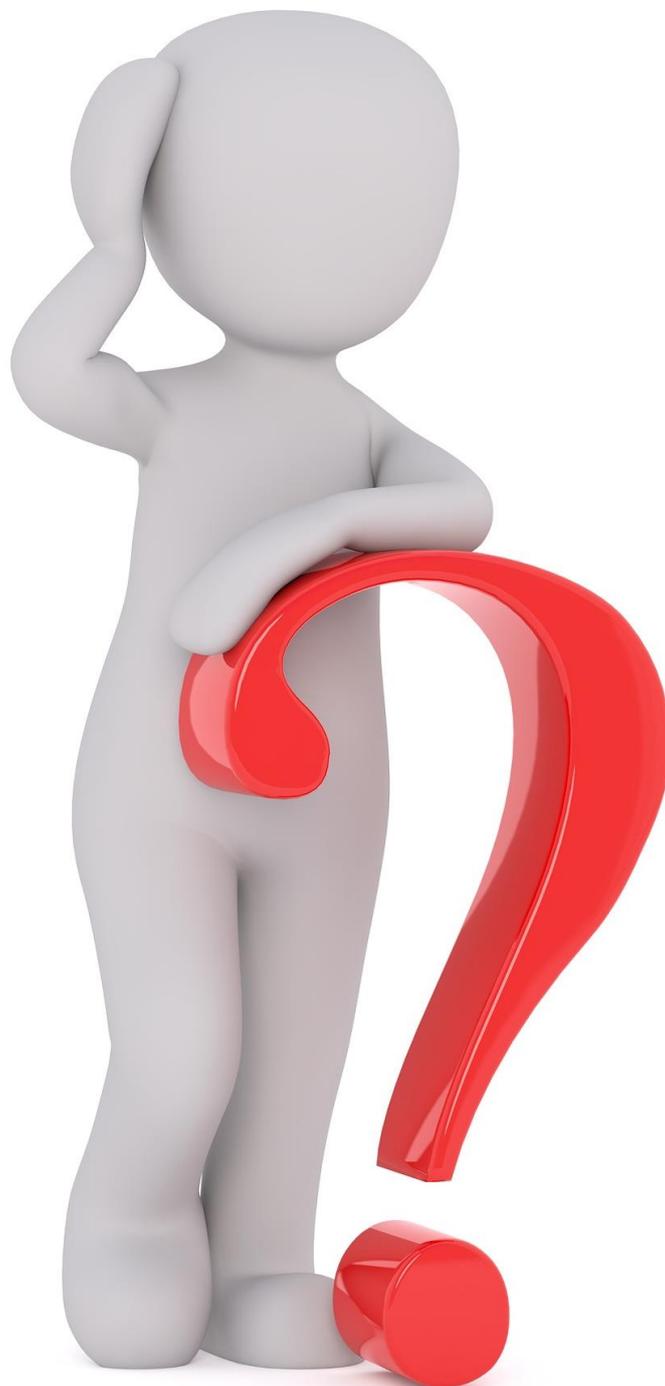
For new year wishes, DAITO KASEI EUROPE accompanied its traditional cards with a handmade angel with tea bag. <https://tbagdesigns.co.za/>.

## 4. Donations

Our company gives financial donations to non-profit organizations in the fields of health or education for examples.

In 2018, we donate to Clarins crowdfunding for Arthritis Foundation and participated to their feetweek operation.

Every year in Japan we donate to Central Community Chest, also known as the Red Feather. Red Feather has historically been a leader in solving social issues.



# **ACTION PLAN**

**2019-2020**



Ensure a safe working environment  
Improve working conditions and work environment



Ensure sustainable consumption of energies  
Study the possibilities to use renewable energies  
Ensure sustainable management of water  
Prevent waste generation



Study the solutions to implement more environmental friendly transports

**NOTE ON THE CSR REPORT** GRI 102-50, 102-51, 102-52, 102-53

DAITO KASEI's CSR performance is reported annually.

The indicators were chosen based on a combination of our CSR commitments, Global Reporting Initiative (GRI) standards, as well as the expectations of our clients.

This material references Disclosures 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-10, 102-13, 102-14, 102-16, 104-2-40, 102-50, 102-51, 102-52, 102-53 and 102-55 from GRI 102: General disclosures 2016, Disclosures 401-1 from GRI 401: Employment 2016. And Disclosures 403-9 from GRI 403: Occupational health and safety 2016.

The primary aim of reporting is to enable the group to enhance its sustainability management.

Logistic centers are excluded from the reporting scope, with the exception of transport, and people and safety.

Headquarter and sales offices are also excluded from the reporting scope, with the exception of people and safety.

This report covered 2018 (year ended December 31, 2018)

The latest CSR report was published on [www.daitokasei.com](http://www.daitokasei.com) on July 2018.

Any questions about the content of this report may be sent using the contact form at [www.daitokasei.com](http://www.daitokasei.com).

**GRI CONTENT INDEX** GRI 102-55

The following points are reported based on GRI standards

GRI standards disclosure	Description	Page
GRI 102 General Disclosures 2016	102-1 Name of the organization	6
	102-2: Activities, brands, products, and services	6
	102-3: Location of headquarters	6
	102-4: Location of operations	6
	102-5: Ownership and legal form	6
	102-6: Markets served	6
	102-7: Scale of the organization	6-7
	102-8: Information on employees and other workers	14-16
	102-10: Significant changes to the organization and its supply chain	7-8
	102-13: Membership of associations (A list of the main memberships of industry or other associations, and national or international advocacy organizations)	10
	102-14: Statement from senior decision maker	4
	102-16: Values, principles, standards and norms of behavior	9-8
	102-40: List of stakeholder groups	11
	102-50: Reporting period	30
	102-51: Date of most recent report	30
	102-52: Reporting cycle	30
102-53: Contact point for questions regarding the report	30	
102-55: GRI Content Index	31	
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	16
	401-3 Parental leave	16
GRI 403 Occupational health and safety 2016	403-9 Work-related injuries	17

