

사람이 희망이다

2014
Yuhan-Kimberly
Sustainability Report:
Summary

People are
our Source
of Hope

희망이다

About This Report

Standards and Criteria	GRI (Global Reporting Initiative) G4 Guidelines, BEST Guidelines 2.0*, and ISO26000
Reporting Scope	Major supply chain* and all operating sites in Korea
Reporting Period	January 2013 to December 2013 (including part of the performance for 2014)
Reporting Base	Based on fiscal year. At least 3 year time series (For economic and environmental performance data, 5 year and 15 year time series, respectively) (Unless otherwise stated, the currency used in this report is Korean won, KRW)
Reporting Assurance	Independent assurance statement
Reporting Cycle	Annually
Organization of Report	Report completed according to the GRI G4 Guidelines, with reinforced credibility centered on material issues
Disclosure Principle	The report available on the website www.yuhan-kimberly.co.kr .
Further Information	Please contact Yuhan-Kimberly Sustainable Management Division +82-2-528-1351

* BEST (Business Ethics is the Source of Top performance) Guideline 2.0:

The guideline for sustainability reporting was developed by the Ministry of Trade, Industry and Energy in association with the Korea Chamber of Commerce and Industry (KCCI) and Institute for Industrial Policy Studies (IPS). The guideline incorporated indexes considered in the Mirae Forum in 2008 and its current release is version 2.0.


* Supply Chain:

2014 Yuhan-Kimberly Sustainability Report complies with GRI G4 Guidelines on the reporting of its supply chain and the contents herein.

1. Materiality test reflects opinions from our upstream and downstream partners and stakeholders.
2. The life-cycle assessment (LCA) of products includes assessment of the environmental impact of the supply chain.
3. The environmental performance section includes the status of GHG emissions in the distribution phase.
4. The environmental performance section includes the status of environmental training for partners.

What is New in 2014 Yuhan-Kimberly Sustainability Report? :

This report has the following differences from the last year's report in terms of its structure and content.

1. Redistribution of values – includes economic, social and environmental performances
2. Introduction of a mark to improve credibility 
3. Independent assurance of the materiality test process and results
4. Expansion of case report (special pages and stories)
5. Introduction of Yuhan-Kimberly's challenges for its four agenda points

Company Overview

Company name	Yuhan-Kimberly	Date of establishment	March 30, 1970
Type of business	Manufacturing	President & CEO	KyooBok Choe
Number of employees	1,722 (as of 2013)	Sales	1,366 billion won (as of 2013)
Sales composition	Domestic 83%, Export 17% (as of 2013)		
Major brands	Huggies, My Bidet, Double Heart, White, Good Feel, Kleenex, Popee, Scott, Green Finger, tn, Depend, Poise		
Business areas	Hygienic consumer goods, industrial and medical supplies		
Work sites	Seoul (Headquarters), Kimcheon, Daejeon, Chungju		
Target markets	Individuals, corporations, laboratories, public buildings, restaurants, hospitals, schools, etc.		
Main products	Consumer supplies such as baby diapers, childcare supplies, feminine sanitary napkins, facial tissues, toilet paper, paper towels, napkins, wet wipess, skincare products, Unilever products, senior pants and suppliers, industrial products (industrial wipers and protective gear), bathroom supplies (liquid soap, large scale tissue, hand towel, air freshener), medical supplies (gowns, accessories, surgical drapes), nonwoven fabric, thermal and shading material for agriculture, etc.		

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2014 Yuhan-Kimberly Sustainability Report: Summary

People are our Source of Hope

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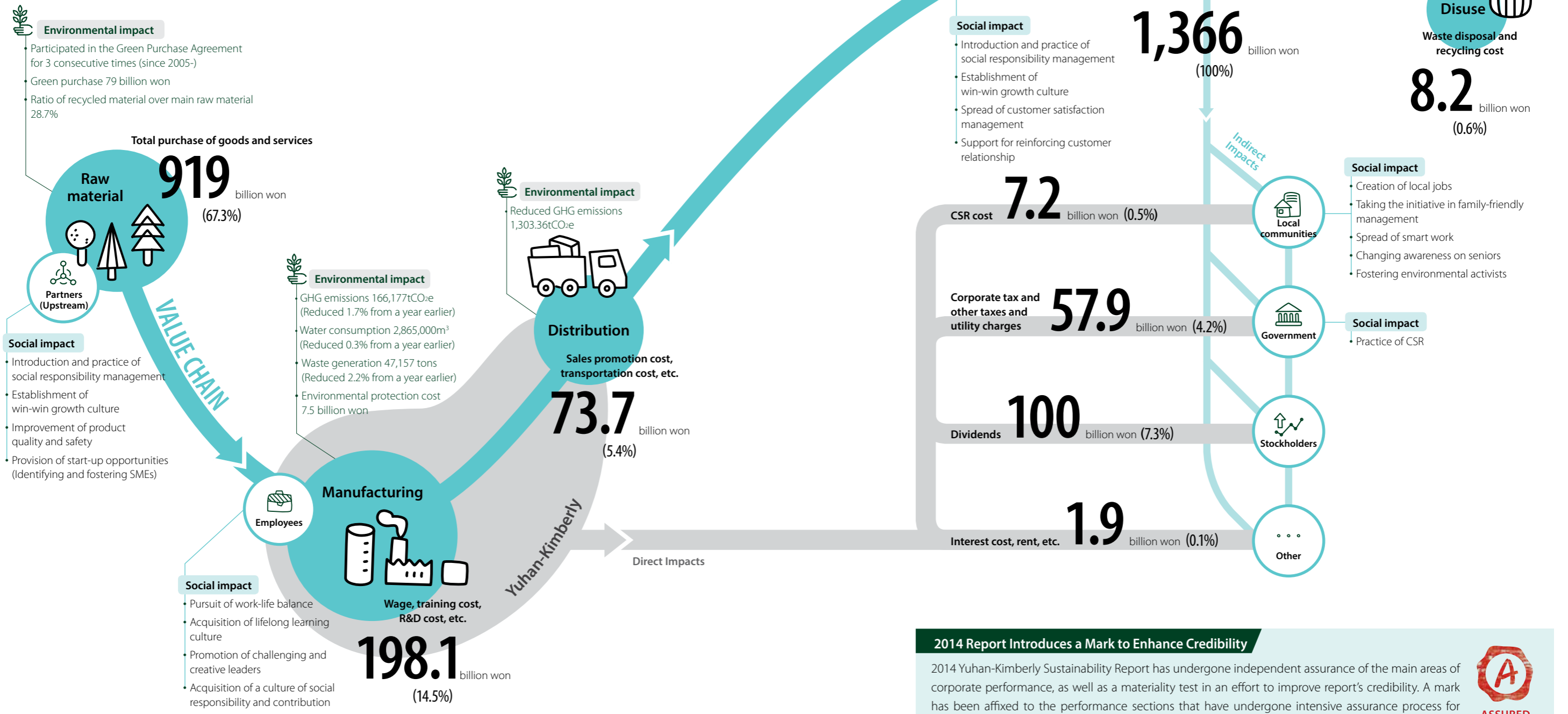
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YUHAN-KIMBERLY AT A GLANCE

What is the social impact of Yuhan-Kimberly?

Yuhan-Kimberly's sustainability management is designed to pursue sustainable development by integrating and implementing all business processes for greater economic profitability, social responsibility and environmental soundness. Accordingly, we redistribute the value added through its business activities to the value chain, including its supply chain and the environment surrounding it, to create both direct and indirect ripple effects.

Redistribution of Values by Yuhan-Kimberly - Economic, Social and Environmental Impacts



2014 Report Introduces a Mark to Enhance Credibility

2014 Yuhan-Kimberly Sustainability Report has undergone independent assurance of the main areas of corporate performance, as well as a materiality test in an effort to improve report's credibility. A mark has been affixed to the performance sections that have undergone intensive assurance process for transparent reporting.



* Economic impact is expressed based on the ratio of the values distributed to stakeholders over the sales according to the Annual report. (Sales = 100%)

* Further information not included in this report can be found at the Yuhan-Kimberly website (www.yuhan-kimberly.co.kr).
- Company history, etc.

CEO MESSAGE



Our belief for a better life -
Yuhan-Kimberly
We pursue
future-oriented
responsible
management.

Dear stakeholders,

In 2014, Yuhan-Kimberly was selected the Most Admired Company in Korea for the 11th year running. Last year, we won the top spot in the Korean Sustainability Index (KSI) and were awarded the Presidential Citation of the Most Loved Company in Korea. Yuhan-Kimberly continues to grow through the love and support it has received from our many stakeholders. We sincerely appreciate the love and support that all our stakeholders have given us. For your reference, the following shows a summary of our performance in 2013.

Economy | Total sales 1,366 billion won, decreased 3.3% from a year earlier, Investment of 89 billion won for future growth, Continued product innovation.

Society | Announcement of the vision of 'Keep Korea Green' campaign, celebrating its 30th anniversary, and an effort to create shared values. Fostering global leaders, Renewal of Family-Friendly Company certification, Renewal of Consumer Centered Management certification, Installation of WinWinGrowth Work Group and signing of win-win growth agreement.

Environment | Reduction of GHG emissions by 1.6% from a year earlier, Reduction of GHG emissions from production (per ton) by 11.9% over 2007.

In 2014, we are focusing on three key tasks. First, we are striving to diversify our business structure. We will increase the ratio of growth and new business areas, while building an e-commerce platform to respond to the rapidly changing market, develop new export markets, and attract new investors. Second, we will reinforce our core capabilities. We believe that all the answers we need can be found by listening to consumers and the markets. We will therefore accelerate our innovations in our existing systems and products, production and business models, by focusing on our consumers and markets. Third, we will further reinforce our corporate culture, which is our strength. While reinforcing the principles and practice of ethical management, compliance management and safety fist management, we will accelerate our implementation of cooperative management. We believe these tasks give us the direction we need for our survival and growth.

2014 is the year Yuhan-Kimberly puts its future-oriented responsible management into practice. We appreciate your interest, support and any feedback. Thank you.

July 2014
KyooBok Choe
President & CEO of Yuhan-Kimberly

최규복

Yuhan-Kimberly's commitment to the 10 UN Global Compact Principles for 2013

Since signing up to the UN Global Compact in 2007, Yuhan-Kimberly has complied with the ten UN Global Compact Principles on human rights, labor, environment and anti-corruption and publishes an annual Communication on Progress (COP) report. We will continue to fulfill our social responsibilities by adhering to such principles.

Human Rights Labor Environment Anti-corruption

<p>01 We support and respect the protection of internationally proclaimed human rights.</p> <p>02 We make sure that we are not complicit in human rights abuses.</p> <p>03 We uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p>04 We eliminate all forms of forced and compulsory labor.</p> <p>05 We effectively abolish child labor.</p>	<p>06 We eliminate discrimination in respect of employment and occupation.</p> <p>07 We support a precautionary approach to environmental challenges.</p> <p>08 We undertake initiatives to promote greater environmental responsibility.</p> <p>09 We encourage the development and diffusion of environmentally friendly technologies.</p> <p>10 We work against corruption in all its forms, including extortion and bribery.</p>
<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Management Policies [Respect of People] Article 35, Personnel Rules and Regulations [Status Guarantee] Code of Conduct [Considerations for Employees] Article 27, Chapter 2, CBA [Relief of Unfair Disciplinary Action] <p>2013 Performance</p> <ul style="list-style-type: none"> Enterprise-wide training on the Code of Conduct (once a year, in May) Training on how to identify, prevent and report sexual harassment 	<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Guidelines to Selecting Business Partners [Ethical Soundness of Organization] Items for Evaluation of Business Partners [Wage and Employment] <p>2013 Performance</p> <ul style="list-style-type: none"> Stakeholders survey - Assessment of ethical management Introduction of Compliance Program Regular evaluation of partners regarding human rights
<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Article 10, Chapter 2, CBA [Guarantee of Union Activities] Article 11, Chapter 2, CBA [Prohibition of Unfair Labor Practices] Article 66, Chapter 7, CBA [Labor Management Committee, Grievance Committee members and Grievance Committee] Article 75, Chapter 9, CBA [Bargaining Principles] <p>2013 Performance</p> <ul style="list-style-type: none"> Labor union membership - 99.8% Labor management committee on a quarterly basis Grievance committee on a quarterly basis Yearly wage negotiations 	<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Article 21, Chapter 3, Rules of Employment [Overtime, Night Work and Holiday Work] Article 35, Chapter 4 CBA [Extended Hours, Night Work, Holiday Work] <p>2013 Performance</p> <ul style="list-style-type: none"> Extended time, holiday or night work are conducted under labor-management agreement Prohibition of harmful and risky work and night duty for pregnant workers Reflection to the items for evaluation of business partners (wage and employment)
<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Article 18, Chapter 3, Rules of Employment [Labor Time] Article 34, Chapter 4, CBA [Labor time] <p>2013 Performance</p> <ul style="list-style-type: none"> No employees of under 18 Reflection to the items for evaluation of business partners (wage and employment) Selected the Child-Friendly Business 	<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Article 89, Chapter 9, Rules of Employment [Prohibition of Gender Discrimination] Article 45, Chapter 5, CBA [Wage] Offer equal pay for work of equal value Chapter 2, Code of Conduct [Considerations for employees] <p>2013 Performance</p> <ul style="list-style-type: none"> The equal principle applied to the starting wage for male and female college graduates Female workforce ratio (office workers 35.6%, executives 17.6%)
<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Procurement Philosophies [Support for Procurement of Eco-Friendly Raw Materials and Production of Eco-Friendly Products] Environmental Management Policies [Minimizing Environmental Load] Environmental Management Policies [Prevention of Environmental Accidents] <p>2013 Performance</p> <ul style="list-style-type: none"> Annual green purchasing of 79 billion won Environmental management training held for employees and partners (1,644 persons) 	<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Core Value [Social Contribution] Spearhead environmental preservation campaigns Chapter 2, Code of Conduct [Environmental Protection] Procurement Philosophies [Realizing Mutual Benefits through Collaborative Partnership] Environmental Management Policies [Leadership in Environmental Protection Campaigns] <p>2013 Performance</p> <ul style="list-style-type: none"> Forest protection campaign 'Keep Korea Clean' Management of 15-year environmental management performance trend Partner win-win cooperation program - Daejeon and Chungju mills acquired Grade A
<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Article 11, Rules of Employment [Prohibition] Against Accepting Rewards, Gifts, or Entertainment from Business Partners Section 2, Compliance Program Manual [Things to Consider by Business Type] and Section 4 [Practical Checklist] <p>2013 Performance</p> <ul style="list-style-type: none"> Enterprise-wide training on the Code of Conduct Anti-corruption training (online training separately provided) Vitalization of Compliance Program training 	<p>Yuhan-Kimberly Regulations</p> <ul style="list-style-type: none"> Chapter 2, Code of Conduct [Scope of Gift and Entertainment] Chapter 2, Code of Conduct [Prohibition Against Giving Gifts to Public Officials] <p>2013 Performance</p> <ul style="list-style-type: none"> Release of sustainable products (45% of the sales) Release of innovative products

Vision and Core Values

Yuhan-Kimberly's mission and vision

Yuhan-Kimberly's mission and vision is 'Our Belief for a Better Life - Yuhan Kimberly'. In October 2010, we announced our Vision 2020, and set our business objective of becoming a 'Great life-innovating company'. In 2013, we carried out a project to establish the vision of each Business & Function linked with the company's vision. In an effort to attain our Vision 2020, we introduced a collaboration reinforcement organization program* in 2013 and has improved the flexibility and efficiency of our organization.

* Collaboration reinforcement organization program Yuhan-Kimberly's 'teamless' organization system designed to reinforce cooperation between members of a team, teams and divisions.

Yuhan-Kimberly's Vision 2020

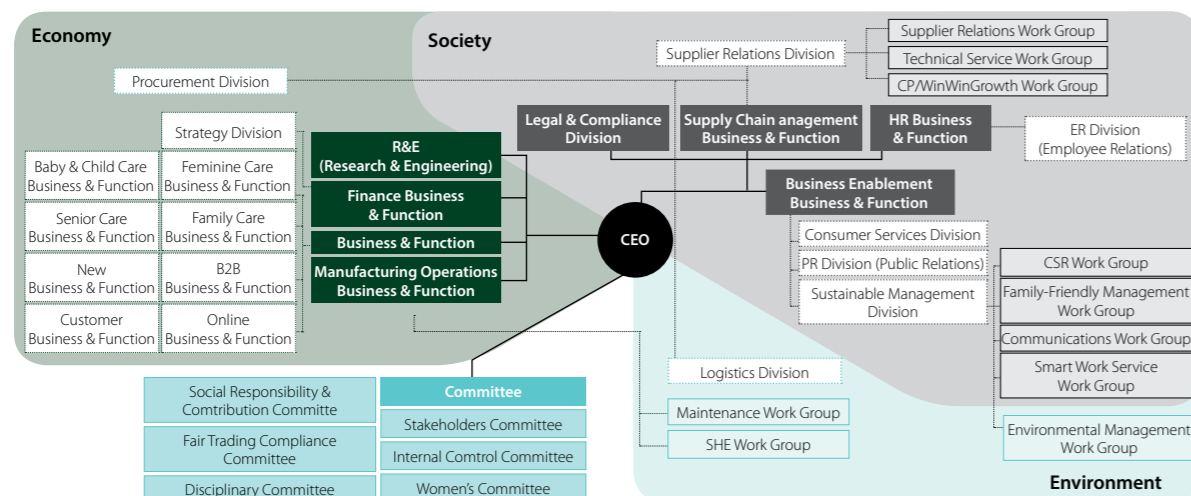


Organization and Business of Social Responsibility Management

Social Responsibility Management Organization (As of May 2014)

Yuhan-Kimberly runs a dedicated Sustainable Management Division, an organization responsible for overseeing social responsibility management. The Sustainable Management Division consists of the CSR Work Group, Environmental Management Work Group, Family-friendly Management Work Group, Communications Work Group and Smart Work Service Work Group. By appointing a chief officer in charge of diversity and engagement, Yuhan-Kimberly has clearly signaled its commitment to social responsibility management.

Social Responsibility Management Organization (As of MAY. 2014)



Corporate Governance

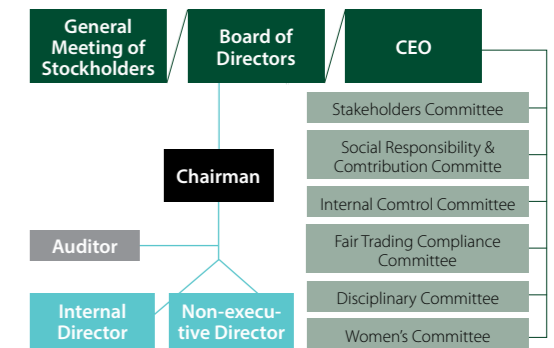
2 companies | Yuhan-Kimberly is a joint company comprising Yuhan Corporation and Kimberly Clark.

Governance overview

Yuhan-Kimberly is a joint company comprising Yuhan Corporation and Kimberly Clark, who hold a 30% and 70% stake, respectively. As of the end of 2013, the company's total number of stocks issued stands at 40 million, and paid-in capital is 200 billion won. There was no change in the governance structure in 2013. The Board of Directors discusses various matters related to stockholder relations and the CEO who is empowered by the board convenes meetings of separate committees, to listen to the opinions of the company's stakeholders in order to identify sustainability agenda points related to the economy, society and environment.

Constitution and reward of the Board of Directors

The Board of Directors makes decisions on the matters stipulated in laws or articles of association as well as important matters related to business management. The constitution of the board is determined through the general meeting of stockholders. The board consists of total eight members (7 directors and 1 auditor) and, in 2013, the first female director was appointed. As to reward, directors and auditors are paid a sum of their basic annual salary and a bonus calculated on the basis of financial and non-financial management performance of the organization within the annual remuneration cap of 3.5 billion won.



The top decision-making organization in social responsibility management – Vision Leadership Team

Vision Leadership Team is the company's top decision-making organization in social responsibility management. It consists of the CEO and heads of business and function, and convenes a monthly meeting for risk management and performance evaluation regarding economic, social and environmental issues. In 2013, a total of one grievance case was reported.

Ethical Management

10 years | The CEO of Yuhan-Kimberly has pledged to continue to strengthen corporate social responsibility and ethical management for the past 10 years.

General principles of ethics and training on the code of conduct

To reinforce awareness of ethical management within the company, Yuhan-Kimberly shares a code of conduct based on ethical management, and conducts training on the code. Our employees are encouraged to act with a yardstick for judgment regarding bribes, anti-corruption, information protection, faithful tax payment, fair trading compliance, sexual harassment prevention, and respect for human rights and diversity.

Installation and operation of hot line

In May 2013, we installed a dedicated hot line regarding the code of conduct to receive and resolve grievances quickly. When a report on an issue related to ethics is received a disciplinary committee is convened after a review of the report.

* The hot line is run by Kimberly Clark, and any grievance report can be submitted to the hot line around the clock. (Contact: 00798-1-1-008-3594)

Introduction and training of Compliance Program

Yuhan-Kimberly introduced a compliance program (CP) in January 2012 to promote transparent and ethical trading. This program aims to encourage the company itself to comply with fair trade best practice so that the company and all its employees can be protected from violating laws and to prevent any possible collusion or instance of unfair trading.

Open Communication with Stakeholders

38 channels | Yuhan-Kimberly communicates with its stakeholders through 38 channels.

Stakeholder communication channels

Yuhan-Kimberly's stakeholders include: stockholders, employees, partners (upstream/downstream), customers and local communities. We have established communication channels that take into account the characteristics of each stakeholder group and faithfully collect their opinions. Since 2006, we have conducted a stakeholder survey of our employees, partners, customers and local communities, and utilized the results to select material issues.

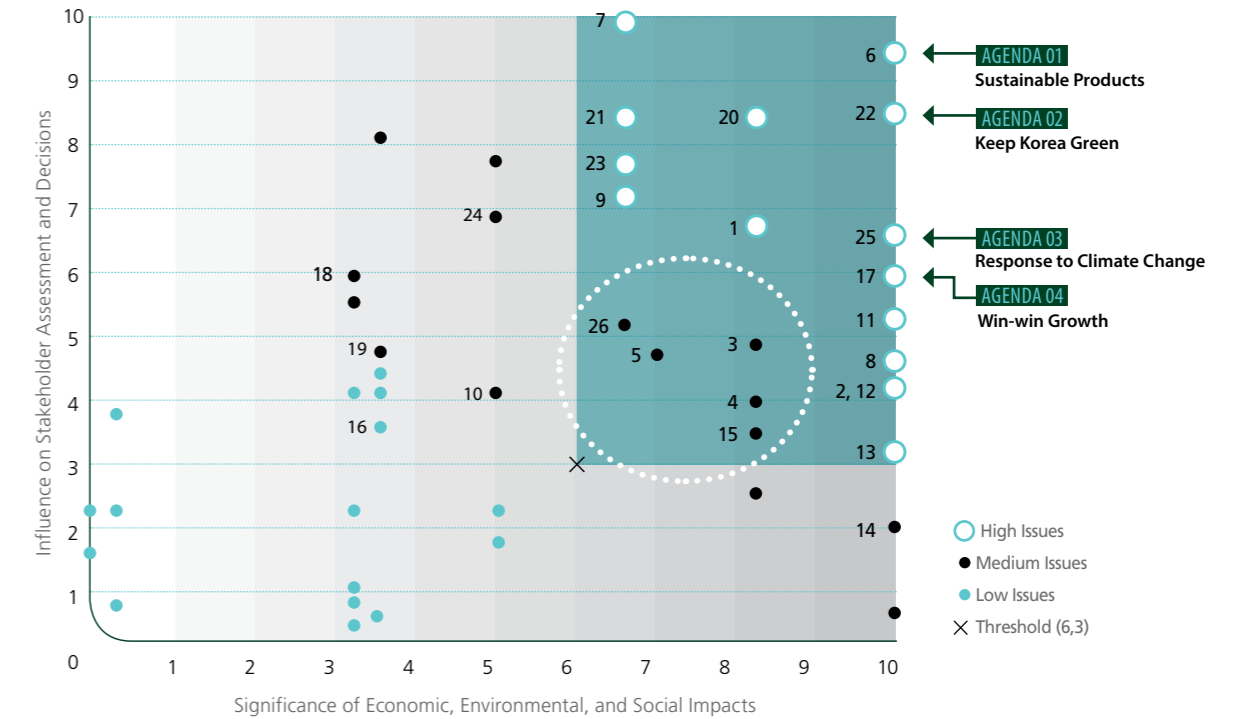
Stakeholder communication channels in 2013



2014 Material Issues

26 material issues | "Sustainable products and brands" is the issue with the highest significance of economic, social, and environmental impact and the highest influence on stakeholder assessment and decisions.

Yuhan-Kimberly conducts a Materiality Test™ by collecting the opinions of internal and external stakeholders, and publishes a report that focuses on material issues that have been selected based on the results of the test. The material issues for 2014 have been selected based on the comprehensive results of the Materiality Test™ and the stakeholder survey. In addition to addressing issues that have been found to be of high significance, this report also presents other issues that need to be managed. These issues to be managed are selected based on two criteria. The issues to be managed are: first, five issues of medium significance which are placed above (6, 3)*, the thresholds* for 2014, and second, six material issues by stakeholders not included in the issues of high significance.



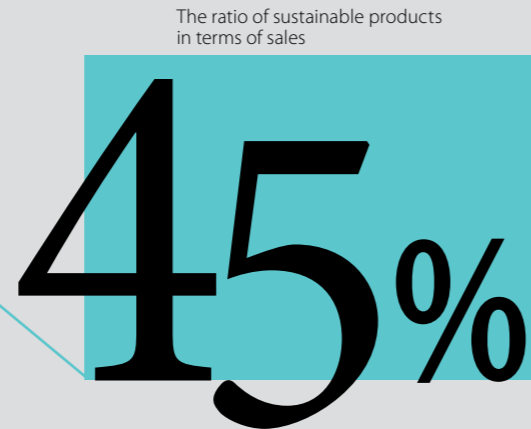
General	1. Management leadership 2. Stakeholder communication 3. Long-lived company 4. Ethical management and legal compliance 5. Risk management	Employees	11. Family-friendly management 12. Smart Work 13. Cementing the foundation for challenging and creative organization culture 14. Internal communication 15. Personal performance improvement and ability development 16. Fair reward system	Customers	20. Responsibility for products, security and product safety 21. Customer satisfaction management
Economy	6. Sustainable products and brands 7. Development of innovative products 8. Senior care business 9. Financial performance 10. New market development	Partners	17. Win-win growth activities for partners 18. Support for partners 19. Selection of fair trading partners	Local communities	22. Keep Korea Green 23. General CSR activities 24. Community-based management
				Environment	25. Response to climate change 26. Efficient use of resources

* Yuhan-Kimberly set the threshold for stakeholder issues below that for internal issues to reflect a wider spectrum of opinions from its stakeholders and broadened the range of issues by adopting the threshold (6, 3) below that (8, 4) for the last year.

* **Threshold** This report, in accordance with GRI G4 Guidelines, sets a threshold for the significance of economic, environmental and social impact and the influence on stakeholder assessment and decisions, and reports any issue above the threshold as the issues to be managed, regardless of the result of Materiality Test.

AGENDA 01

How is Yuhan-Kimberly making sustainable products?



DMA | DISCLOSURES ON MANAGEMENT APPROACH

How does Yuhan-Kimberly define sustainable products? | Yuhan-Kimberly divides production into five stages: raw material, manufacturing, product performance, packaging and product certification, and defines and manages sustainable products accordingly.

How is Yuhan-Kimberly approaching the sustainable product issue? | Yuhan-Kimberly considers the impact of products on the environment and society from the initial product development stage. Sustainable products are selected based on the result of sustainability evaluation by stage, ranging from raw material to product certification. Yuhan-Kimberly runs guidelines for the development, production and management of sustainable products, and manages sustainable products by referring to the ratio of the number and sales of sustainable products over those of the entire products.

Key performance in 2013 | Yuhan-Kimberly set a quantitative target for sustainable products as a proportion of all products, and has managed sustainable products by establishing and running guidelines for the development and management of sustainable products.

Sustainable raw materials	Sustainable manufacturing	Sustainable product performance	Sustainable packaging	Sustainable product certification
<ul style="list-style-type: none"> Ratio of recycled material usage: 28.7% Expansion of sustainable material usage (organic material, edible material and nonadditive material) 	<ul style="list-style-type: none"> Improvement of the production process of all Huggies products: Zero water consumption and waste reduction 	<ul style="list-style-type: none"> Improvement of product performance through new methods: Scott Hand Towel (improved absorption and wet strength) 	<ul style="list-style-type: none"> Reduced packaging space: tn New packaging material: Good Feel Reduced packaging material: Green Finger 	<ul style="list-style-type: none"> Carbon footprint certification: Huggies Nature Made ECO-CERT product: Bebe deForet Korea Eco-labeling certification: 17 products

Challenge of YK

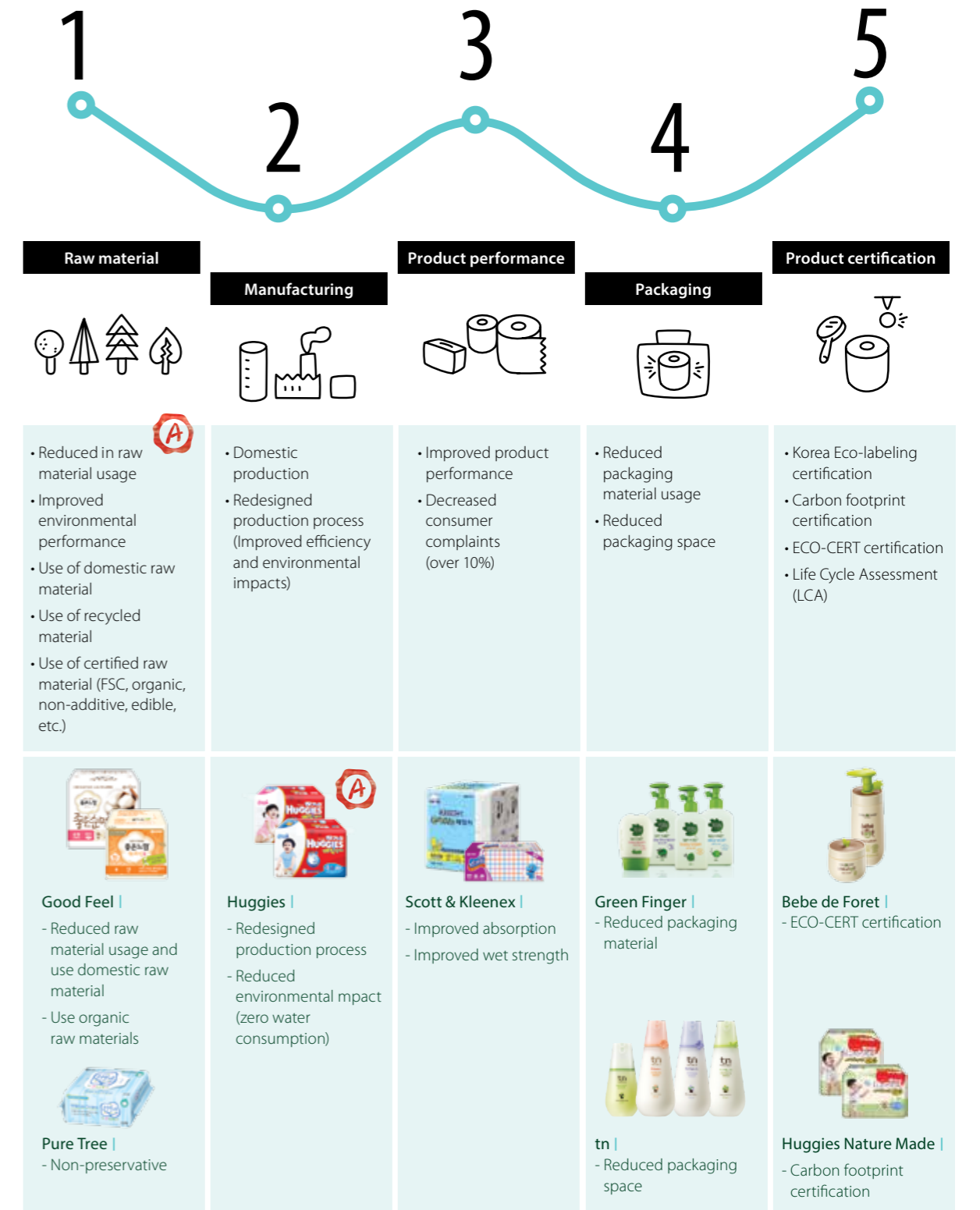
Improved quality of green products

Yuhan-Kimberly has conducted research on alternatives to raw materials such as pulp and it has developed environmentally-friendly (recycled) materials to expand the development of sustainable products. In many cases, recycled materials remain simply unfeasible in terms of economic and environmental concerns caused by their relatively high usage of materials and low efficiency. However, they are expected to become a reasonable alternative in the near future. Accordingly, Yuhan-Kimberly plans to conduct environmental assessment for the whole process, and continue its efforts, including improving the quality of raw materials.

HyungBeom Kim, Head of Innovation Center, R&E Division

Sustainable products managed in five stages

In 2013, Yuhan-Kimberly ran a total of 304 sustainable products of 26 brands under 6 product categories. They represent 33% of the entire products, and 45% of the sales is created from these sustainable products.



* In counting sustainable products, Yuhan-Kimberly regarded the same product in different packaging units as one product.

AGENDA 02

Is the 'Keep Korea Green' campaign continuously evolving for greater social responsibility and contribution?

Progress of the campaign of planting 50 million trees (As of the end of December 2013)

97.9%

DMA | DISCLOSURES ON MANAGEMENT APPROACH

Why 'Keep Korea Green'? Having started in 1984, the 'Keep Korea Green' campaign is the most widely known and celebrated CSR program and environmental management program run by Yuhan-Kimberly. 30 years from its launch, the campaign has becoming so much more than a corporate social responsibility activity: it is evolving into a national campaign open to all.

How is Yuhan-Kimberly approaching the 'Keep Korea Green' campaign? For the 30th anniversary of the campaign, Yuhan-Kimberly set out new vision and goals. The campaign's new vision is the co-existence of forests and people and we will realize our belief for a better life through this vision. In line with our existing campaigns, such as our school forest and urban forest campaigns, we will extend the scope of forests and expand green spaces through working with local volunteers. We will train female environmental leaders who will lead the next generation, and we will strive to promote the value of Korea's forests through online platforms and the media.

Key performance in 2013 The 'Keep Korea Green' campaign is typically evaluated based on various quantitative performance indicators. This year marks the 30th anniversary of the campaign and, to celebrate, we conducted a survey of our stakeholders in an effort to collect their opinions, and the stakeholder survey conducted in 2014 includes a measure of influence.

New vision	Goal progress	Stakeholder assessment	Main programs
<ul style="list-style-type: none"> Co-existence of forests and people Growing forests Dreaming forests Sharing forests 	<ul style="list-style-type: none"> The campaign to plant 50 million trees Progress rate 97.9% with 489.5 million trees planted as of 2013 	<ul style="list-style-type: none"> Survey on the awareness of the 'Keep Korea Green' campaign - 2,074 external stakeholders - Campaign preference: Positive respond 72.3% - Awareness of its main programs: 31.4% - Intention to participate in its programs: 58.9% 	<ul style="list-style-type: none"> Planting Tree Campaigns <ul style="list-style-type: none"> - Management of forests in government-owned land - School forests, urban forests and town forests - Forestation in Mongolia Meeting between forests and people <ul style="list-style-type: none"> - Planting trees with newlyweds - Youth green camp Employee participation and promotion nationwide <ul style="list-style-type: none"> - Employee voluntary service - Advertisement on 'Keep Korea Green'

Challenge of YK

30 years old campaign and new attempts

The 'Keep Korea Green' campaign has been implemented over the last 30 years, and now it is one of the best examples of CSR activity in Korea. Despite being widely recognized for its authenticity and excellence, the campaign in fact has a somewhat old-fashioned image. Yuhan-Kimberly will work hard to refresh the campaign's image while maintaining its proud tradition of excellence. **CSR Work Leader, ChanSoon Choi**

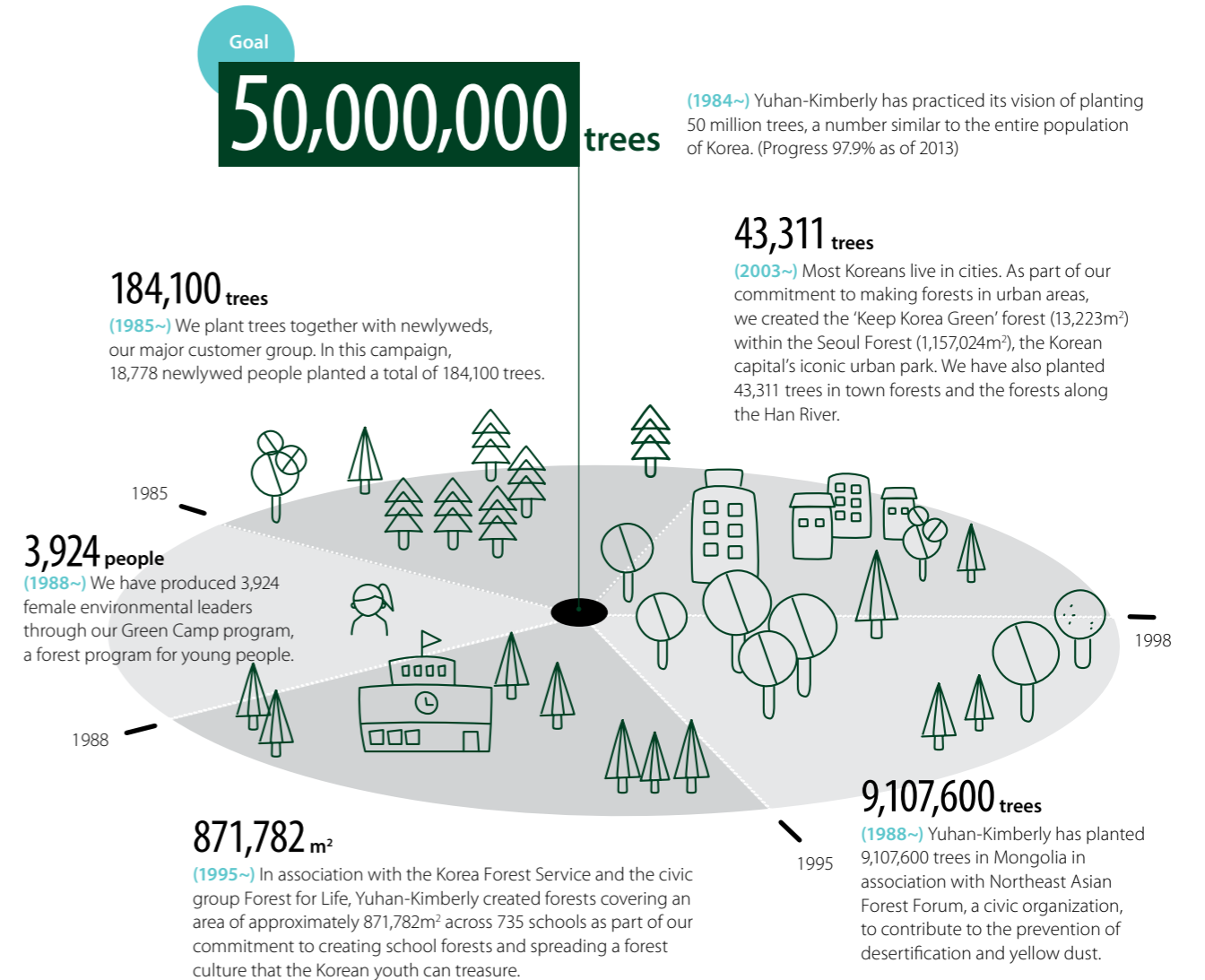
SINCE 1984

Performance of 'Keep Korea Green' in numbers



Yuhan-Kimberly began the 'Keep Korea Green' campaign, its foremost CSR program, in 1984 to restore forests in Korea that were then decimated. As the campaign has contributed to society through the planting and managing of trees over the past 30 years, it is now one of the best-known environmental campaigns in Korea.

'Keep Korea Green' in numbers



Main activities of the 'Keep Korea Green' campaign

Planting trees	Meeting between forests and people	Employee participation and promotion nationwide
<ul style="list-style-type: none"> Planting trees in government-owned land (1984~) Restoration of devastated land in North Korea (1988~) Creation of school forests (1999~) Forestation in Mongolia to prevent desertification (2000~) Creation of urban forests and town forests (2003~) 	<ul style="list-style-type: none"> Planting trees with newlyweds (1985~) Youth green camp (1988~) Publication of environment series (2000~) Discovery and preservation of beautiful forests (2000~) 	<ul style="list-style-type: none"> Employee voluntary service (1984~) Partnership with NGOs (1984~) Advertisement on 'Keep Korea Green' (1984~)

AGENDA 03

How is Yuhan-Kimberly responding to climate change?



DMA | DISCLOSURES ON MANAGEMENT APPROACH

Why is climate change response so important to Yuhan-Kimberly? | With a global consensus on the impending crisis of global warming, responding to the threat posed by climate change has become a global challenge. The Kyoto Protocol, which includes specific targets for GHG reduction, came into effect in 2005 specifically as a way to formulate a global response to climate change worldwide, and Korea has also introduced various programs to reduce GHG emissions. Indeed, Korea has implemented a target management scheme for GHG and energy in an aim to reduce GHG emissions by 30% over the projected BAU (Business As Usual) GHG emissions by 2020. In line with this effort, companies need to invest more in systematic GHG management and analysis of carbon reduction potential.

How is Yuhan-Kimberly approaching the climate change issue? | Yuhan-Kimberly declared environmental management in 1996 and installed an exclusive environment team to formulate its response to climate change. For the integrated control of sustainable management, we incorporated the Environmental Management Work Group into the Sustainable Management Division, and we have also actively engaged in domestic and overseas initiatives and groups. In particular, following the low carbon vision unveiled in 2010, we have set out and implemented the main business objectives for 2020 in terms of climate change, products and establishments.

Key performance in 2013 | Yuhan-Kimberly has observed the GHG emission allowances for 2013 as allocated by the government based on the guidelines to the target management for GHG and energy. For this, the environmental management organization reported the monthly performance over the target for each establishment to management including the President and CEO, and attained effective reductions of GHG emissions totaling 4,942tCO₂e through the concerted development and implementation of reduction programs.

Low carbon operation	Low carbon product	Low carbon society	Low carbon supply chain
<ul style="list-style-type: none"> Monthly monitoring and reporting of emissions by workplace Steam energy reduction diagnosis project Energy saving project 	<ul style="list-style-type: none"> Acquisition of Korea Eco-labeling certification for toilet paper and hand towel products Life Cycle Assessment(LCA) of Huggies Premier 	<ul style="list-style-type: none"> Carbon credit by reducing GHG emissions: 39,642.6tCO₂e R&D on diaper recycling technology 	<ul style="list-style-type: none"> Introduction of cross docking and automatic vehicle allocation system Support for establishing GHG inventory* for partners

* **Inventory** The list of GHG emissions prepared by identifying and estimating direct and indirect GHG emission sources within the scope of corporate activities



Internal GHG reduction and external purchase according to the carbon emissions trading scheme

Yuhan-Kimberly implemented environmental management in 1996, and has made efforts to reduce its environmental impact, including in terms of GHG and energy, through continuous improvement. We view it to be more economical to buy emission credits in the carbon market than to undergo internal efforts to reduce emissions when the carbon emissions trading scheme comes into effect in 2015. However, Yuhan-Kimberly will continue to strive to identify areas of improvement in a bid to reduce emissions to fulfill its duty as an environmentally friendly corporation. **Environmental Management Work Leader SeungPhil Lee**

Formulating a coordinated climate change response through low carbon vision and road map

Yuhan-Kimberly established its low carbon vision and road map in 2010 to respond to climate change, and has since launched GHG reduction programs. To attain the goal of reducing GHG emissions by 30% and of increasing sales of green products by 30% over BAU* by 2020, Yuhan-Kimberly has declared its core values to be low carbon operations, low carbon products, low carbon society and low carbon supply chain. We have worked to improve processes and engage in various environmental projects, including an early GHG reduction project, pilot emission trading project, and target management scheme for distribution energy.

* **BAU (Business As Usual)** The projected emissions if no action is taken.

Yuhan-Kimberly's low carbon vision and road map

Vision 2020 Creating Sustainable Future				
Vision				
Mission	Reduce GHG emissions by 30% and increase green products sales by 30% over BAU.			
Core values	Green Operation	Green Product	Green Society	Green SCM
Programs	<ul style="list-style-type: none"> Low carbon management system Carbon performance management system Web-based carbon emission management Renewable energy use Energy optimization 	<ul style="list-style-type: none"> Development of low carbon products Carbon labeling Use of local resources Expansion of green marketing Use of environmentally friendly materials 	<ul style="list-style-type: none"> Voluntary carbon credits Support for development of government policy Keep Korea Green Engagement in CDP* Climate change communication 	<ul style="list-style-type: none"> Quantification of GHG emissions from SCM Optimization of SCM base Green partnership Vitalization of primary distribution* and back hauling*

* **CDP (Carbon Disclosure Project)** CDP is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. They hold the largest collection globally of self reported climate change, water and forest-risk data.

* **Primary Distribution** The distribution method in which large distributors transport manufacturers' products to reduce the operation of empty trucks, as well as environmental impact and cost.

* **Back Hauling** A trucking method to reduce GHG emissions and costs by returning to the originating point with the truck fully loaded, rather than driving empty.

Efforts to reduce GHG emissions

Yuhan-Kimberly was designated as a company that falls within the new emissions regulations unveiled in the Framework Act on Low Carbon and Green Growth in 2010. For this reason, every year since 2010, we have been allocated emission allowances from the government and have fulfilled our obligation. Our three mills subject to the project - Kimcheon, Daejeon and Chungju mills - exceeded their GHG emissions target for 2013 by 0.1%, posting GHG emissions of 164,156tCO₂e.

Status of GHG emissions

The total GHG emissions of Yuhan-Kimberly for 2013 were 166,177tCO₂e (direct emission: 45,919tCO₂e, indirect emission: 120,258tCO₂e), reduced 1.7% from a year earlier. In addition, our energy consumption increased by 2.9% from a year earlier to 3,379TJ (direct consumption: 902TJ and indirect consumption: 2,477TJ). Other indirect GHG emissions derived from transportation by directly-run or outsourced distribution centers were 6,966tCO₂e, reduced 1.0% from a year earlier.

* **Increasing energy consumption** Korea's emission factor of energy and power rose by 6.7% from 9.0GJ/MWh in 2012 to 9.6GJ/MWh in 2013. In fact, the energy usage in 2013 decreased approximately 2.0%p from a year earlier.

R&D on diaper recycling technology

In 2014, Yuhan-Kimberly conducted the nation's first pilot project for collecting used diapers in cooperation with Nowon-gu, Seoul. The project is still in the pilot stage, and the ultimate scale of recycling will be determined based on the efficiency of the separation and collection of diapers, as well as due to recycling technology, equipment investment size, and economic feasibility. This research project on diaper recycling is, in part, supported by government-run research institutes, universities and recycling companies. Yuhan-Kimberly plans to suggest efficient separation and collection systems to improve recycling technology based on the results of the pilot project. For reference, Yuhan-Kimberly launched its research on diaper recycling technology in 2011 to reduce environmental impact by recycling used diapers.

AGENDA 04

How is Yuhan-Kimberly practicing win-win growth?

17 billion won

The win-win cooperation fund created to support partners

DMA | DISCLOSURES ON MANAGEMENT APPROACH

Why is win-win growth so important to Yuhan-Kimberly? | We live in an age of global competition. To thrive, we need to focus on win-win growth, as it is one of the main indicators to determine competitive edge. Yuhan-Kimberly strives to realize real win-win growth by monitoring and practicing fair trade rules, including through giving opportunities equitably to partners, competing fairly, sharing results created through efforts, and distributing profits gained from cooperation.

How is Yuhan-Kimberly approaching win-win growth? | Underlying the win-win growth of Yuhan-Kimberly is its long corporate culture of pursuing win-win relationship. The company's 'Keep Korea Green' campaign, which this year marks its 30th anniversary, seeks win-win growth with local communities, and the active senior campaign that has recently been launched aims to promote win-win growth with all ages of society. The corporate culture of win-win growth has also been applied to the company's relationship with its partners. Through active communication and various win-win growth programs, Yuhan-Kimberly has improved mutual understanding and trust with its partners, and has also actively supported its partners to reinforce their competitiveness. We have worked hard to achieve win-win growth in a systematic manner. In January 2012, we introduced the compliance program for fair trade, and in 2013, formed an organization exclusively in charge of win-win growth. We also signed a win-win growth agreement and prepared related programs.

Key performance in 2013 | We strive to improve our win-win growth performance by including a win-win growth index and the results of evaluation of the agreement for fair trade and win-win growth in the items for performance evaluation of CP/WinWinGrowth Work Group. In addition, we utilize the results of our partners in the stakeholder survey held in 2014 to reflect their opinions in our management activities.

Win-win growth system	Win-win growth program	Win-win growth culture	Win-win growth evaluation
<ul style="list-style-type: none"> Operation of compliance program (CP) Signing of a fair trade and win-win growth agreement Incorporation of win-win growth index in the evaluation Promotion of performance sharing system 	<ul style="list-style-type: none"> Purchase support: Payment conditions, improved period, and sales expansion Financial support: Win-win cooperation fund Human resource and training support Win-Win Academy, technical expert support 	<ul style="list-style-type: none"> Designation of Win-win growth Day Seminar with CEOs of partners for win-win growth Presentation on vision for retail stores 	<ul style="list-style-type: none"> Opening of a website for handling grievances of partners Stakeholder Survey 2014: Awareness of win-win growth in 2013: 71.2 points (Increased 8.1 points from a year earlier)



Challenge of YK

Limited partner support costs and demand for more support

Yuhan-Kimberly has made efforts for win-win cooperation with its partners since 2002. Our win-win cooperation program has primarily focused on support for only a section of partners, such as material suppliers and toll processing companies. To expand this support program to an enterprise-wide win-win growth program, it is necessary to expand the program to all partners, including retail stores. To realize this requires extra financial and human resource support. For this reason, Yuhan-Kimberly strives to develop programs to support its partners by utilizing internal resources as much as possible. [WinWinGrowth Work Leader HaEun Myung](#)

Is Yuhan-Kimberly striving to spread win-win growth?

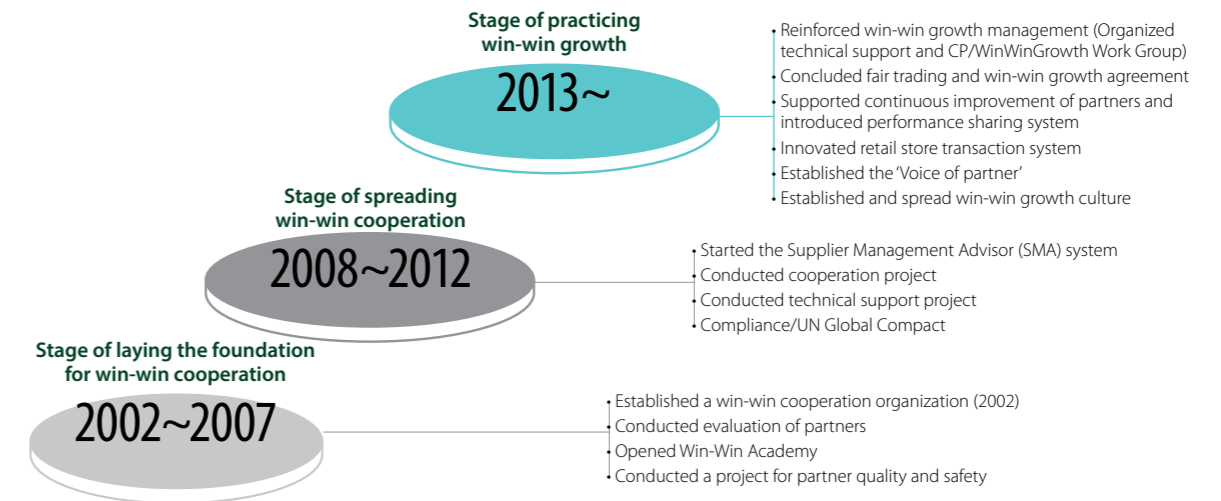
IN 2002 | Yuhan-Kimberly introduced win-win growth management in 2002 and has fulfilled its social responsibility together with its partners.

Vision and goal of win-win growth

Yuhan-Kimberly was already practicing win-win growth management with its partners in a variety of ways long before the concept of win-win growth first appeared. Over time, win-win growth management has evolved to include not only financial and technical support, but also social responsibilities that are shared with partners. In addition, we have also introduced the concept of 'Creating Shared Value (CSV)*' to our senior care business, since it is impossible to secure global competitiveness without first making progress in the industrial ecosystem. This step has enabled us to establish a network by identifying and fostering promising small senior care companies to create a new win-win growth model.

* **Creating Shared Value** A new management flow through which new business opportunities can be created in the course of resolving social issues

History of Yuhan-Kimberly's commitment to win-win growth



Installation and operation of an exclusive win-win growth organization

Yuhan-Kimberly launched CP/WinWinGrowth Work Group, an organization tasked exclusively with promoting win-win growth, in May 2013. We have focused on achieving win-win growth in a systematic manner and, for reference, we formed the Supplier Relations Division in charge of win-win growth in 2002. For more than a decade, we have made concerted efforts for win-win growth, including offering systematic technical support to our partners, helping to develop win-win growth strategies, and operating cooperation programs. In January 2012, we introduced a compliance program.



Acquisition of 'Excellent' grade in Win-win Growth Index

Yuhan-Kimberly began to announce Win-win Growth Index in 2013. The Win-win growth Committee announced the result of evaluation of win-win growth index for 2013 in June 2014 and, in this index, we were awarded the "Excellent" grade. For reference, in Korea, 56 large companies were subject to the evaluation of win-win growth index in 2011, and this number increased to 109 in 2013. Yuhan-Kimberly joined this group in 2013.

Opening Joint Distribution Center for win-win growth with retail stores

In May 2014, Yuhan-Kimberly opened a Joint Distribution Center in Byeolnae-dong, Namyangju, Gyeonggi-do that aims to achieve win-win growth with retail stores. The new joint distribution center has been designed to optimize operating stock and distribution costs. This center is the first example in the industry of a joint distribution center model between manufacturer and retail stores. This provides opportunities to vitalize cooperation between the company and retail stores, including through joint stock operation and joint shipping.

Economic Performance Report

Investment in the future in 2013 **89 billion won**

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Material issues on economy

According to the result of Yuhan-Kimberly's Materiality Test 2014, materiality issues in the field of economy included 'sustainable products', 'innovative products', and 'senior care business'. For more details, see 'Sustainable Products' (p.12-13).



Yuhan-Kimberly's approach

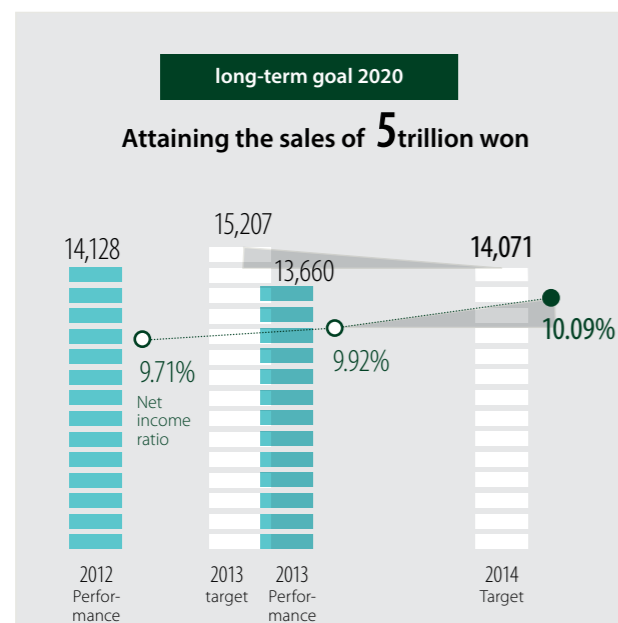
Yuhan-Kimberly set its management goal as 'Great life-innovating company' to attain its Vision 2020. As the financial goal is the core performance of the company, all its organizations are directly engaged in the goal, and cooperate organically with one another to attain it.



Key performance in 2013

Due to the internal and external challenges that the company faced in 2013, its financial performance declined from a year earlier. In 2014, Yuhan-Kimberly will attain its goals with the spirit of challenge and creativity.

2013 Targets and Performance (Unit: 100 million won)



- Sales declined by 3.3% from a year earlier, and the net income ratio increased by 0.21%p from a year earlier
- Faced with sluggish demand in the domestic market, the company minimized the decline in sales through maintaining market dominance

Core strategies and objectives for 2014

Attraction and execution of investment	<ul style="list-style-type: none"> • Extension for a paper towel manufacturing process and commencement of the operation of automated storage in Kimcheon Mill • Investment improvements to plants
Reinforcement of capabilities for existing core business	<ul style="list-style-type: none"> • Growth by 3.6% from a year earlier • The market share of diaper and pants - 65% • Bathroom tissue 31% and facial tissue 37% • The market share of feminine sanitary napkins - 57%
Acceleration of the vitalization of growing business areas and new market development	<ul style="list-style-type: none"> • Growth by 11% from a year earlier (including new businesses) • Senior pants 27% • Wet wipes for kids 13% • Wet wipes for toilet (My Bidet) 54% • Kitchen towel 9%
Diversification of the items and destinations of exports	<ul style="list-style-type: none"> • The ratio of exports to total sales - 15% • Entrance into Japanese market and expansion of its export ratio • Preparation for the export of paper towel products in 2015

Cost and expense reduction -25 billion won

Management Index by Numbers

Balance Sheets and Income Statements (Unit: 100 Million won) **A**

Category		2009	2010	2011	2012	2013
Balance Sheet	Current Assets	4,965	4,337	4,805	5,246	4,723
	Non-current Assets	3,613	3,933	4,210	4,534	4,889
	Total Assets	8,579	8,270	9,015	9,780	9,612
	Current Liabilities	1,561	1,776	2,052	2,334	2,079
	Non-current Liabilities	166	0.49	151	362	92
	Total Liabilities	1,727	1,777	2,203	2,696	2,172
	Capital	2,000	2,000	2,000	2,000	2,000
	Capital Surplus	625	625	625	625	625
	Retained Earnings	4,227	3,868	4,187	4,460	4,815
	Total Stockholder's Equity	6,852	6,494	6,812	7,085	7,440
Income Statement	Total Liabilities and Stockholder's Equity	8,579	8,270	9,015	9,780	9,612
	Sales	11,341	12,094	13,041	14,128	13,660
	Cost of Goods Sold	7,102	7,839	8,713	9,093	8,834
	Gross Profit	4,238	4,255	4,328	5,035	4,827
	Selling and G/A Expenses	2,552	2,760	2,975	3,378	3,192
	Operating Profit	1,686	1,495	1,353	1,657	1,634
	Non-operating Profit	457	307	238	232	209
	Non-operating Charges	211	490	163	161	145
	Income Before Income Taxes	1,932	1,312	1,427	1,728	1,698
	Income Tax Provision	442	370	309	355	342
Net Income	1,491	942	1,119	1,372	1,356	

Financial Index **A**

Category	Index	Yuhan-Kimberly				Same line companies (large companies) average*			Manufacturing (large companies) average*		
		2010	2011	2012	2013	2010	2011	2012	2010	2011	2012
Growth	Increase rate of sales (%)	6.64	7.83	8.33	-3.31	12.47	5.53	-0.20	19.12	14.33	4.09
	Increase rate of Tangible assets (%)	8.26	-5.42	8.71	7.74	8.33	2.62	0.92	11.65	9.45	5.32
	Increase (Decrease) rate of Net income (%)	-36.84	18.79	22.69	-1.21	-	-	-	-	-	-
Profitability	Ratio of operating profit to net sales (%)	12.36	10.37	11.73	11.96	5.51	3.57	6.07	7.67	6.13	5.43
	Ratio of net profit to net sales (%)	7.79	8.58	9.71	9.92	3.60	0.72	3.65	7.12	4.74	4.71
	Return on Assets (ROA, %)	11.39	12.41	14.03	14.10	3.25	0.66	3.31	7.91	5.41	5.20
Safety	Return on Equity (ROE, %)	14.11	16.81	19.75	18.67	6.14	1.30	6.50	15.48	10.38	9.84
	Current ratio (%)	244.20	234.22	224.78	227.13	119.19	104.58	102.25	117.59	118.41	127.71
	Quick ratio (%)	165.39	174.19	168.79	175.06	79.23	70.69	71.45	88.11	86.86	95.52
	Debt ratio (%)	27.36	32.33	38.05	29.19	92.82	102.08	91.21	91.26	92.60	85.54
Activity	Fixed assets to long-term capital ratio (%)	60.57	60.46	60.89	64.91	93.36	98.05	99.03	91.17	90.55	87.63
	Total asset turnover ratio (times)	1.34	1.44	1.51	1.50	1.41	0.91	0.91	1.11	1.14	1.10
	Receivables turnover ratio (times)	9.66	9.95	10.37	10.63	9.76	6.49	6.36	7.60	7.31	6.99
	Inventories turnover ratio (times)	10.29	9.94	9.91	11.13	11.43	8.91	9.44	11.75	11.04	10.67
	Tangible assets turnover ratio (times)	3.44	3.47	3.70	3.95	3.53	1.70	1.72	3.09	3.21	3.08

* There have been some changes in figures while adjusting figures based on 1 million Korean won and rounding them off.

* **Standard of Comparison** As a healthcare and sanitary product company, Yuhan-Kimberly uses the average ratios of manufacturers (large companies) for more effective comparison. The above average ratios of same line companies and manufacturers are the ones of the 'C17. Pulp, paper and paper product' industry (large companies) and the manufacturing (large companies) specified in Financial Statement Analysis (FSA) published annually by the Bank of Korea.

* **Standard of Amount** Each index has been calculated based on the amounts specified in Yuhan-Kimberly's annual report.

* From 2011, according to the change in formation method of Bank of Korea, 2009 and 2010 numerical values are applied differently than the previous report.

Social Performance Report

Average training hours per person **123** hours

DMA | DISCLOSURES ON MANAGEMENT APPROACH

Material issues on society

Yuhan-Kimberly manages its social performance by categorizing stakeholders as employees, partners, customers and local communities. The Materiality Test we conducted has shown that the material issues facing stakeholders include family-friendly management, smart work, cementing the foundation for challenging and creative organization culture, personal performance improvement and ability development, win-win activities for partners, responsibility for products, security and product safety, customer satisfaction management, 'Keep Korea Green' campaign, and general CSR activities.

Yuhan-Kimberly's approach

Yuhan Kimberly manages social performance indicators through focusing on material issues by stakeholder. The relevant organizations include Sustainable Management Division, Supplier Relations Division, Customer Services Division, and HR Business & Function. Yuhan-Kimberly runs the core programs required to improve stakeholder satisfaction and support better performance for each stakeholder. We carry out various activities, including family-friendly management, win-win growth programs, customer satisfaction management, and CSR programs.

Key performance in 2013

Yuhan-Kimberly complies with laws and regulations. We conduct comprehensive surveys of stakeholders and reflect their opinions in our social programs to improve program quality.

Employees

- Job creation rate: 1.89%
- Ratio of office job women 35.6%
- Industrial disaster rate: 0.29%
- Talent training: Average 123 hours per person
- Global leaders: 49 persons
- Family-friendly management: Renewal of family-friendly company certification Fathers School and conference for pregnant women

Partners

- Local purchase: 36.2% of the total purchase amount
- Evaluation of partners: The evaluation includes items for social responsibility.
- Win-Win Academy: 6 times with total 152 companies
- A project for continuous improvement of partners: 4 partners
- Development of a performance sharing system model

Customers

- Product safety: Pre-inspection of new products and control over harmful material
- Compliance with Bioethics and Safety Act
- Consumer complaint improvement TFT divided into 5 product categories
- Consumer Centered management: Supporting 2 partners to obtain certification
- Consumer training: Online platform-based training

Local communities

- Employment of local talent: 9 persons
- Fostering female leaders: 71 persons
- Family-friendly activities: 100 couples for the Newlywed School
- Solving polarization: Hope Bank
- Spontaneous CSR activities: Total 331 cases with 4,907 participants

Reinforcing of competitiveness through communication and training

As of December 31, 2013, Yuhan-Kimberly has a total of 1,722 employees, increased 1.9% from a year earlier. By occupation, production employees represent 58.0%, while office job employees 42.0%. The average years of continuous service is 16.8. In 2013, the company hired a total of 55 new employees, with the ratio of new female employees accounting for 42.4%. Thanks to our continued efforts to increase the number of female employees, the proportion of female employees as a share of total employees has continuously increased over the last 5 years.

Employment Status by Numbers A

Classification	2006	2007	2008	2009	2010	2011	2012	2013	
Employment	Employees (person)	1,706	1,695	1,689	1,688	1,663	1,656	1,690	1,722
	Employment of the disabled (%) ¹⁾	2.0	2.1	2.2	2.2	2.3	2.3	2.5	2.5
	Contract employees (person)	24	19	9	2	1	1	6	4
	Job creation rate (%) ²⁾	1.5	-0.6	-0.4	-0.24	-1.48	-0.42	2.11	1.89
	Average continuous service year (year)	12.6	13.3	14.0	13.9	15.9	15.7	16.3	16.8
	Average working hours per month (hour)	182	183	184	181	180	179	180	171
	Average number of days absent	11	5	1	0	0	6	0	0
Loss days ³⁾	130	329	190	0	163	479	244	500	
New Employment	New employees (person)	69	25	44	13	12	51	55	55
	Retirement rate (%)	-	-	2.3	1.5	1.98	1.21	1.18	1.92
Female Employment	Number of female employees (person)	268	266	270	263	263	273	283	298
	Percentage of females in total workforce (%)	15.7	15.7	16.0	15.6	15.8	16.5	16.7	17.3
	Percentage of females at senior management level (%)	3.4	15.7	17.1	17.1	17.6	17.7	18.8	17.6
	Percentage of females in total office employees (%)	39.4	39.9	40.1	33.7	33.9	35.3	35.1	35.6
Maternity/Childbirth	Percentage of females in new recruit (%)	29.4	48.0	31.0	20.0	55.6	52.0	36.4	42.4
	Maternity leave usage rate (%)	100	100	100	100	100	100	100	100
	Maternity leave users (person)	21	25	33	31	29	24	25	23
	Return-to-work rate after maternity leave (%)	100	100	100	100	100	100	100	100
	Baby care leave users (person) *	1	5	15	17	20	22	23	16
	Female employees baby care leave usage rate (%)	4.8	20.0	45.5	51.6	68.9	91.7	88.0	83.0
Labor	Return-to-work rate after baby wcare leave (%)	100	100	92.3	100	100	100	100	100
	Number of employees joining the labor union (person)	961	953	945	939	935	903	887	899
Work Safety	Rate of employees joining the labor union (%) ⁴⁾	80.5	80.0	83.4	83.7	88.0	88.0	99.0	99.8
	Industrial disaster rate (%) ⁵⁾	0.12	0.06	0.06	0.0	0.18	0.06	0.06	0.29

* No male employees used baby care (paternity) leave in 2013.

1) Employment of the disabled Monthly average number of employees x 12, subject to the estimation criteria by Korea Employment Agency for the Disabled. In reporting to the government, an employee with severe disabilities is counted as two persons, and Yuhan-Kimberly's employment quotas for the disabled is 2.5%.

2) Job creation rate (number of employees this year – number of employees last year)/ number of employees last year x 100

3) Loss days Counted based on the absent days of workers injured due to accidents in a mill.

4) Rate of employees joining the labor union (enrolled workers/eligible workers) x 100. Employees in charge of managerial and supervisory work (above section chief level), HR, labor, planning, marketing, general administration, bookkeeping, accounting, cashier work, funds, secretary work, driving, and security are not included in eligible workers. From 2012, the company began to include non-annual salary workers in eligible workers, and will continue to include them.

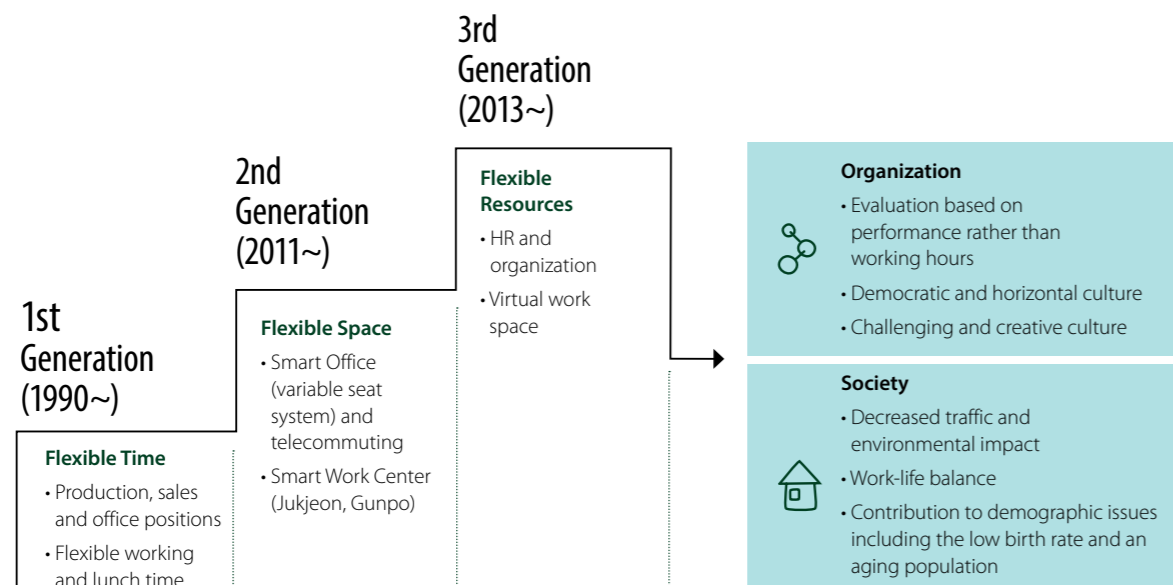
5) Ground for calculation of industry disaster rate (number of accidents/ number of full-time workers) x 100

Smart work

Yuhan-Kimberly strives to establish a more innovative and creative corporate culture. We introduced 'Smart Work' in 2011 in an effort to enable our employees to work in a more efficient and creative manner through providing a more autonomous environment. Furthermore, we established the Smart Office in the Main Office and the Jukjeon Office, and opened the Smart Work Center in Gunpo and Jukjeon. Our Main Office is specially designed to improve spatial efficiency and boost open communication and collocation through an open seat system. In addition, we have also introduced a telecommuting system and flexible lunchtime system. Such efforts show our commitment to putting a greater emphasis on autonomy and expanding our network. For reference, Yuhan-Kimberly has implemented several flexible working systems, including the four crews two shifts system for production employees and the staggered office hour system for managerial positions, and the field commuting system for sales position. We are proud to have won the K-GWPI (Korea Great Work Place Index) for some years running.

Smart work system

Yuhan-Kimberly has established and gradually introduced three phases of a smart work system in order to run an enterprise-wide smart work system. In 2013, to secure resource flexibility, we introduced a collaboration reinforcement organization program by reorganizing Work Groups as basic units. Moreover, to create working environments amenable to flexible time and space constraints, we solidified trust between superiors and staff, published manuals to clarify our business goals and apply performance assessment, and have improved the attainment of our business objectives by function and our performance measurement.



Contribution to local communities

Training and employment of local talent A

Yuhan-Kimberly is eager to employ local workers for its mills in order to develop local talent. Of the 9 new recruits employed in 2013, 7 employees (78%) are local residents. Kimcheon mill maintains a high ratio of local employees: over 70% of all employees and 75% of superiors are from Daegu and Gyeongsangbuk-do.

Voluntary CSR engagement by employees

Yuhan-Kimberly actively encourages its employees to participate in voluntary service activities. In 2013, a total of 4,907 employees participated in 331 voluntary service activities, donating 253 million won. In 2013, Yuhan-Kimberly launched a voluntary service page in its intranet and, in 2014, it introduced a voluntary service target management system. This enables us to manage the voluntary service index in a transparent manner on our system every year.

Donation and voluntary service with family

Yuhan-Kimberly holds a Family Voluntary Service Day on the third Saturday of March every year to allow its employees to conduct voluntary service activities with their family. In 2014, we conducted a tree-planting program in three of our mills and adjacent areas. We have also renewed the record of the number of participants in a donation relay through an enterprise-wide donation campaign (Korea Foundation for Women) by participating in the campaign together with employee families.

Environmental Performance Report

The duration of environmental management **17** years

DMA | DISCLOSURES ON MANAGEMENT APPROACH

Material issues on environment

The Materiality Test we conducted has shown that the material issues on the environment were a 'response to climate change' and 'efficient resource use'. We have selected the response to climate change as one of the four agenda points. For more details, see 'Response to climate change' (p.16-17).

Yuhan-Kimberly's approach

Since declaring environmental management in 1996, Yuhan-Kimberly has continued to practice it through active engagement in domestic and global initiatives and groups. We continue to set ourselves challenging environmental goals and work hard to attain them in an effort to respond to various environmental issues, including UNFCCC (United Nations Framework Convention on Climate Change), governmental Greenhouse Gas and Energy Target Management System, identification of cost reduction tasks for production processes and a reduction in GHG emissions.

Key performance in 2013

Yuhan-Kimberly strictly manages its environmental performance based on quantitative targets. To respond to climate change, we not only strive to reduce GHG emissions and energy usage, but we also make efforts to reduce water consumption, waste and harmful material.



Resource saving

- Reduction in the usage of raw materials: Reduction in imported recycled paper by 49.6%
- Reduction in fuel usage
 - Gasoline 27.9%
 - Steam 39.9%
- Reduction in water usage by 0.32%



Waste reduction

- Waste recycling: 45,704 tons
- Waste recycling ratio: 96.9%
- Water recycling: 1,892,000m³
- Water recycling ratio: 39.8%



Control over harmful materials

- Harmful material control: 3 kinds
- Risk assessment and monitoring
- Installation of oil-retaining walls
- Scenario-making and training for spills
- Harmful material spills in 2013: Zero

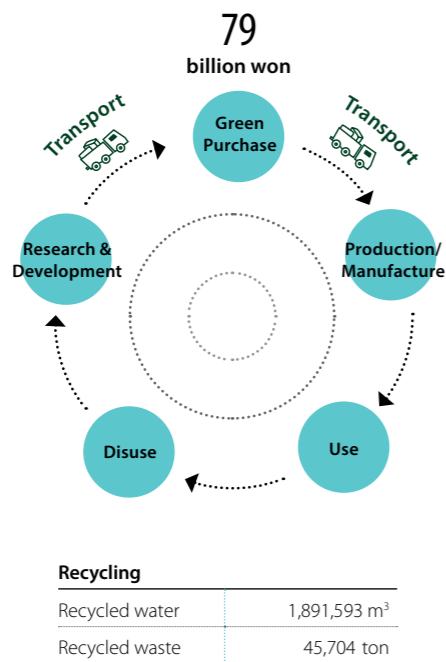


Environmental training

- Environment training by mill: Total 1,664 participants
- For new recruits, environment and safety managers and partners
- Training content: Environmental Management System (EMS) and environmental impact assessment, field safety, environmental job, and harmful material handling etc.

Material Flow

Main Raw Material INPUT	
Imported Recycled material	3,779 ton
Domestic Recycled material	46,443 ton
Pulp	99,857 ton
Super Absorbent Polymer (SAP)	25,138 ton
Fuel	
LNG	20,652 million m ³
Gasoline	35.9 kℓ
Propane gas	5.3 kg
Diesel	50.5 kℓ
Electricity	257,065 million kWh
Steam (external purchase)	13,268 GJ
Water	
Water	2,865,243 m ³
- Water supply	169,311 m ³
- Stream water	2,634,040 m ³
- Industrial water	61,892 m ³



Green House Gas (GHG) OUTPUT	
GHG	166,177 tCO ₂ e
Waste	
Waste	47,157 ton
Air Pollutants	
Dust	1,966.1 kg
SOx	0 kg
NOx	0 kg
CO	0 kg
Water Pollutants	
Suspended Solids (SS)	5,295.8 kg
Biochemical Oxygen Demand (BOD)	1,803.5 kg
Chemical Oxygen Demand (COD)	34,149.0 kg
Discharge	
Waste water	2,458,414 m ³

Trends in Environmental Performance over 15 years (1999~2013)

Category	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
Environmental Protection Cost	Total Cost (100 Mil. won)	57.3	65.2	88.1	91.6	83.6	84.5	94.2	90.5	86.9	90.8	125.8	125.1	124.7	147.0	157.1	
	Percentage to Net Sales (%)	1.1	1.1	1.3	1.3	1.2	1.2	1.2	1.1	1.0	0.9	1.1	1.0	1.0	1.0	1.2	
Water Usage (m ³ /product ton)	24.5	18.7	14.1	11.5	10.0	8.9	9.7	9.9	10.0	11.7	13.8	14.4	15.0	12.3	12.5		
Recycle	Ratio of Domestic Recycled Fiber (%)	18.9	37.3	57.7	74.2	70.8	76.0	74.8	76.8	81.7	85.8	89.9	91.8	86.5	86.1	92.5	
	Ratio of Recycled Water Usage (%)	41.0	34.9	46.1	55.5	61.8	59.2	57.3	57.3	56.3	50.8	43.1	43.4	42.1	39.5	39.8	
Water Purity Control	Treated Water Discharge (m ³ /product ton)		13.5	13.0	11.2	8.2	7.5	6.3	6.4	6.4	7.4	8.6	11.1	11.6	12.9	10.6	10.7
	Water Pollution Emission (kg/product ton)	Total Suspended Solids	0.17	0.11	0.05	0.02	0.01	0.01	0.01	0.01	0.02	0.03	0.03	0.027	0.025	0.020	0.023
		Biochemical Oxygen Demand	0.09	0.05	0.03	0.01	0.01	0.01	0.01	0.01	0.02	0.01	0.02	0.015	0.012	0.012	0.008
		Chemical Oxygen Demand	0.43	0.29	0.18	0.14	0.12	0.09	0.09	0.09	0.11	0.11	0.14	0.155	0.161	0.153	0.149
Solid Waste Generation (ton/product ton)	0.47	0.38	0.38	0.44	0.45	0.37	0.34	0.28	0.26	0.25	0.23	0.22	0.23	0.21	0.21		
Green House Gas Reduction	Total Emission of CO ₂ (1,000 tCO ₂ e/year)		151	139	160	175	170	163	168	156	155	161	164	179	171	169	166
	Unit Emission of CO ₂ (tCO ₂ e/product ton)		-	-	0.909	0.875	0.863	0.867	0.879	0.800	0.834	0.806	0.793	0.748	0.792	0.736	0.735
	Chlorofluorocarbon (CFC) (kg)		-	-	47.5	19.7	24.3	63.4	51.0	35.3	22.2	17.1	26.7	4.8	19.6	8.2	8.2
Air Purity Control	NOx (kg/product ton)		0.851	0.577	0.506	0.467	0.506	0.449	0.409	0.152	0.066	0.053	0.028	0.070	0	0	0
	SOx (kg/product ton)		0.581	0.341	0.154	0.058	0.067	0.060	0.070	0.020	0.004	0.005	0.001	0.0001	0	0	0
	Dust (kg/product ton)		0.173	0.119	0.077	0.058	0.042	0.021	0.016	0.008	0.004	0.003	0.006	0.006	0.011	0.012	0.013

Independent Assurance Statement

We were engaged by Yuhan-Kimberly Co., Ltd. (YK) to provide independent assurance on the information presented in 2014 Yuhan-Kimberly Sustainability Report ('the Report'). YK is responsible for preparing the Report, which includes economic, social, and environmental aspects of financial and non-financial performance information. It is our responsibility to provide assurance opinion on the Report.

- Context and scope |**
Our engagement was designed to provide limited assurance on whether:
1. YK has properly applied the "GRI Principles for Defining Report Content";
 2. The information in the Report is fairly stated in terms of materiality aspects, based on the reporting criteria set out in 'About This Report';
 3. The information contained in this Report is accurate and complete

The scope of our engagement is to provide assurance of non-financial information following the KPMG Sustainability Assurance Manual™ (KSAM™), and confirm accuracy of the financial data included in page 21 of this Report. To obtain a thorough understanding of YK's financial results and position, the audited financial statements of YK for the fiscal year ended 10 March 2014 which was confirmed by external auditor.

In preparing the report, YK used the Comprehensive Option of Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the outline and referred to BEST Guideline and ISO26000. (Assurance on 2013 GHG emission and energy use data were performed separately)

We conducted our engagement in accordance with the ISAE3000, which includes independence and competency of the assurance team in the requirement.

We conducted our engagement in compliance with the requirements of the IFAC (International Federation of Accountants) Code of Ethics for Professional Accountants, which includes requirement of excluding any information and opinion that can influence the writing of the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence, due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

We conducted our engagement with a multidisciplinary team including specialists in stakeholder engagement, auditing, environmental, social and financial aspects, and professionals with years of experience in Corporate Social Responsibility assurance services.

- Our work includes the following procedures:
- A review of YK's stakeholder engagement process
 - A review of YK's selection methodology for material issues and materiality assessment process
 - Conducted media analysis and internet search for references during the reporting period
 - Interviews with selected managers in headquarter and Chungju mill to verify financial and non-financial data
 - Confirmed the source of non-financial information including database and internal documents
 - With regards to the financial data included, verified that they were correctly derived from YK's audited financial statements on page 21
 - Confirmed whether appropriate and comprehensive content is included, in accordance with G4 guideline

During our engagement, we discussed the necessary changes to the Report with YK and reviewed that these changes were adequately incorporated into the final version.

- Opinions and conclusions |**
On the GRI Principles for Defining Report Content:
- In relation to the principle of Stakeholder Inclusiveness:
 - YK operates key stakeholder group which includes customers, employees, suppliers, shareholders, local communities and implements stakeholder engagement process.
 - We are not aware of any key stakeholder group that has been excluded from stakeholder engagement in the Report.
 - In relation to the principle of Sustainability Context:
 - YK explains its effort to consider economic, social and environmental aspects of management process in business planning and performance review process.

- We confirmed that YK recognizes sustainability comprehensively and applies it into management and stakeholder communication.
- In the relation to the principle of Materiality:
 - YK has strengthened materiality assessment process to determine the core issues to report, and has included the results of the related information in this year's report.
 - We did not find any important Corporate Social Responsibility information that had been excluded during the materiality assessment process.
 - In relation to the principle of Completeness:
 - YK applies reporting scope, boundary and temporal criteria.
 - In terms of criteria mentioned above, we confirmed the Report is suitable for stakeholders to assess the sustainability performance.

On the content of the report
In order to provide our limited assurance statement of the Report, we reviewed the following 2013 non-financial information.

Overall Sustainability Report	
<ul style="list-style-type: none"> • Business Outcome and Mid-long term assignments • Vision and Core Value Implementation Guidelines • New Organization System • Characteristics of Governance • Board of Directors and Compensation • BOD Performances 	<ul style="list-style-type: none"> • CSR Chief Executive Structure and the Roles • Ethical Management and Anti-Corruption Training • Hotline • Risk Management System • Stakeholder Communication • Materiality Test • Product Safety
Four Agenda Points of Social Responsibility Management	
<ul style="list-style-type: none"> • Sustainable Products - Wet wipes, Diapers • "Keep Korean Green" Campaign - Forestation project in Mongolia • Response to Climate Change - Reduction of GHG emission, Resource circulation, Green logistics • Win-win growth - Win-win growth program, Integrated assessment system for supply chain 	
Report on Performance of Social Responsibility Management	
<ul style="list-style-type: none"> • Financial statement, Distribution of economic values, Exports, Investment in R&D, Senior care business • Employees - Safety and health policy, retirement pension plan, HRD, Family-Friendly Management • Partners - Supporting programs for partners • Consumers - Control over harmful materials, Product safety, Compliance with bioethics and safety act, Customer satisfaction survey • Community - Community development & recruitment 	<ul style="list-style-type: none"> • Material flow, Compliance with environmental law, Environmental performance data

Reporting Information
Based on the above work, we conclude that the information in the Report does not appear to be unfairly included.

- Recommendations |**
Below recommendations have not influenced the conclusions of our assurance, however, we believe the following matters can be considered in the future for improved sustainability reporting:
- YK developed <IPS Materiality Ratings Scheme> on the basis of GRI G4 Guidelines to strengthen its materiality assessment process. <IPS Materiality Ratings Scheme> is to be continuously developed and applied to enhance the materiality assessment in the future.
 - YK explains its effort to reduce environmental impact of supply chain in this report. Including social impact as well would cover all of the set reporting boundary.
 - YK implements comprehensive social assessment of suppliers for purpose of win-win growth and risk management. We recommend to do such assessment online for it will enhance efficiency to manage objectivity and results.

We have discussed the reporting process and observations with YK. They were receptive to our comments.

Seoul, June 2014
KPMG SAMJONG Accounting Corp.
CEO Kim, Kyo Tai



Kyo Tai Kim

⁶ To improve assurance quality of Sustainability report, KPMG developed standard methodology in accordance with ISAE3000, on the basis of the expertise of accounting firm
⁷ International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by International Auditing and Assurance Standards Board

Cover story

Fathers School was established to reinforce the family-caring ability of men. The role of fathers is changing in Korea. It is vital for men today to improve their ability to take care of their children to manage both their job and family at the same time. That's why Yuhan-Kimberly runs 'Fathers School,' an idea first suggested in a survey of stakeholders on family relationships conducted under the theme, 'Happy fathers make a happy workplace.' We will continue to hold the 'Fathers School' program and share the results with others in order to reinforce men's ability to take care of their children.

The history of Yuhan-Kimberly Sustainability Report

- 2006 • Awarded the Grand Prix at the first Sustainability Management Awards (Seoul School of Integrated Sciences & Technologies)
- 2007 • Awarded the Grand Prix at the second Sustainability Management Awards for 2 consecutive years (Ministry of Commerce, Industry and Energy)
• Ranked first in the Sustainability Report Evaluation (Hankyoreh Shinmun)
- 2008 • Awarded the Prime Minister Prize at the third Sustainability Management Awards (Ministry of Knowledge Economy)
- 2009 • Awarded the Grand Prix at the Sustainability Management Awards for 3 consecutive years
• Awarded the Sustainability Report Prize at the Korean Sustainability Conference (Korea Standards Association)
• Selected UNGC Notable COP (UNGC)
- 2010 • Awarded the Grand Prix at the Global Green Management Excellence Awards (Korea Management Association Registration)
• Ranked first in the Korean Sustainability Index (KSI) (Korea Standards Association)
- 2011 • Awarded the Sustainability Report Prize at the Global Standard Management Awards (Korea Management Association Registration)
• Awarded the Sustainability Report Prize at the Korean Sustainability Conference (Korea Standards Association)
- 2012 • The President and CEO was awarded the Order of Civil Merit, Camellia Medal for his contribution to working to solve the issues of a low birth rate and the need for family-friendliness
• Awarded the Best Prize at the Seoul Environment Awards
• Awarded the Minister of Environment Citation for excellent Korea Eco-labeling certification
• Awarded the Sustainability Report Prize at the Korean Sustainability Conference (Korea Standards Association)
- 2013 • Awarded the Presidential Citation of the Most Loved Company in Korea (Ministry of Trade, Industry and Energy)
• Awarded the Sustainability Report Prize at the Korean Sustainability Conference (Korea Standards Association)
• Awarded the Golden Prize in the Radio Category at the Korea Advertising Awards 2013 (Korea Federation of Advertising Associations)
• Awarded the Ministry of Health and Welfare Appreciation Plaque at the Senior Employment Conference 2013 (Ministry of Health and Welfare)