

# 사람이 희망이다

**2015** Yuhan-Kimberly  
Sustainability Report:  
Summary



## About This Report

Guidelines	GRI (Global Reporting Initiative) G4 Guidelines, BEST Guidelines 2.0*, and ISO 26000
Reporting Scope	Major supply chain and all operating sites in Korea
Reporting Period	January 2014 to December 2014 (including part of the performance from the first half of 2015 and the entire reporting years especially for the 10 <sup>th</sup> anniversary of this report)
Reporting Base	Based on fiscal year. At least 3-year time series (for economic and environmental performance data, 5-year and 18-year time series, respectively) (The currency used in this report: Korean won (KRW))
Reporting Assurance	Independent assurance statement
Reporting Cycle	Annually (first publication in 2006)
Organization of Report	Reporting in accordance with the latest GRI G4 Guidelines; preferential reporting of material issues based on materiality assessment; reinforced reliability
Disclosure Principle	The report is available online at <a href="http://www.yuhan-kimberly.co.kr">www.yuhan-kimberly.co.kr</a> .
Further Information	Please contact Environmental Management Work Group, Sustainable Management Division, Yuhan-Kimberly at +82-2-528-1351.

\* BEST (Business Ethics is the Source of Top performance) Guideline 2.0: The guideline for sustainability reporting was upgraded in joint with the Mirae Forum to release the version 2.0

## Independent Assurance Statement

The Business Institute for Sustainable Development (the Assurer), led by the Korea Chamber of Commerce & Industry, was requested by Yuhan-Kimberly Co., Ltd. (YK) to serve as an independent 'third-party assurance institute' for the '2015 Yuhan-Kimberly Sustainability Report' (the YK Report), and submits the assurance statement as follows.

### Context and scope

The purpose of this assurance report is to identify any major errors or biases in the YK Report, to conduct independent assurance procedures to determine whether the sustainability management issues of YK were appropriately reported, and to present an assurance opinion.

### Assurance Standards and Restrictions

The Assurer performed the assurance evaluation in consideration of the three accountability principles of AA1000AS (2008), the principles for defining report content and report quality of the Global Reporting Initiative (GRI) G4 guidelines, and the 7 core subjects of ISO 26000. Physical inspections were conducted at the Headquarters located in Seoul and at the Daejeon Mill. The scope of the assurance evaluation was limited to only those performances stated in the YK Report and excludes data from previous years and data reported online.

### Major Assurance Procedures

For the assurance process, results of the interviews with YK's employees and other relevant documents provided by YK were examined. Major assurance procedures undertaken are as follows:

- Review of the application of the company's internal sustainability report standards
- Review of the YK Report contents and the information collection process
- Review of the YK Report contents related to the materiality test, core issues, and company policies
- Performance of physical inspections and interviews with employees.

### Opinions

The Assurer performed the assurance evaluation in accordance with the procedures identified above, and the YK Report was modified by YK if and when deemed necessary. Based on the assurance evaluation, The Assurer is not aware of any significant errors in the YK Report and confirmed that the YK Report was written in accordance with GRI G4 guidelines (Comprehensive option). The opinions of The Assurer produced as a result of its as-

urance evaluation and in consideration of the AA1000APS accountability standards are explained below.

- Inclusion: YK gathers major concerns and opinions from core stakeholders, including its employees, partners, customers and local communities through stakeholder communication channels.
- Materiality: YK identified major sustainability management issues through the materiality test and other major issues by compiling opinions from each stakeholder group.
- Responsiveness: YK responded properly to the issues in which stakeholders are interested by evaluating core sustainability management issues that are identified and reporting their plans for improvement.

### Recommendations

The Assurer makes the following recommendations within a scope that does not affect the assurance results:

- YK has been publishing their Sustainability Report for 10 years and has pursued a balance between economic, social and environmental sustainability through expanding stakeholder engagement and concentrating on the development of sustainable products. The Assurer recommends that, based on their achievements over the past 10 years, YK develop an action plan that explains their vision and strategy for sustainability management and present a model that fosters harmony between business and society.
- YK endeavours to minimize the environmental impact of their products by establishing an efficient environmental management system. YK is especially interested in reducing the total weight of waste by performing improvements in process efficiency and maximizing recycling etc. The Assurer recommends YK develop a system to involve both the product development team and the material supply team in the planning and design phase of their products in order to reduce the environmental impacts of their products and packaging throughout their life cycle, including the disposal phase.

August 2015  
President  
Chun, Subong



## Company Overview

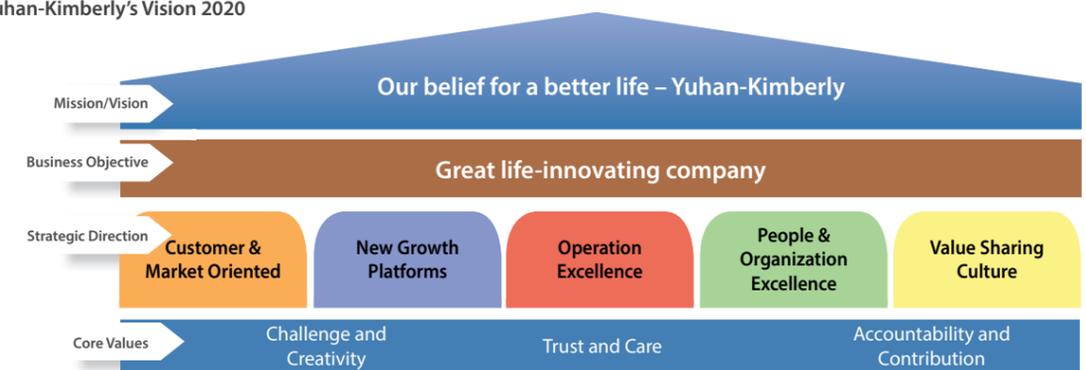
Company name	Yuhan-Kimberly	Date of establishment	March 30, 1970
Type of business	Manufacturing	President & CEO	KyooBok Choe
Number of employees	1,758 (as of 2014)	Sales	1,400.7 billion won (as of 2014)
Sales composition	Domestic 83.3%, Export 16.7% (as of 2014)		
Major brands	Huggies, My Bidet, Double 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), Gimcheon, Daejeon, Cheongju		
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 wipes, skincare products and Unilever products, industrial products (industrial wipers and protective gear), senior panties and suppliers, bathroom supplies (liquid soap, bulk toilet paper, hand towels, air fresheners), medical supplies (gowns, accessories, surgical drapes), nonwoven fabric, thermal insulation and shading material for agriculture, etc.		

## Vision and Core Values

Yuhan-Kimberly is committed to fulfilling core values like challenge and creativity, trust and care, and accountability and contribution.

In 2010, we established our vision for 2020. In 2013, we carried out efforts to clarify our vision by sector, and introduced a collaboration-reinforced organization system to secure the flexibility and efficiency of the organization. In 2015, we updated our vision.

### Yuhan-Kimberly's Vision 2020



## Ethics and Compliance

The CEO of Yuhan-Kimberly has renewed his pledge to commit to ethical management every year for the past 10 years.

Yuhan-Kimberly's competitiveness comes from and is underpinned by its ethical management and compliance management. Since 2004, the CEO of Yuhan-Kimberly has declared our commitment to such values by declaring the pledge of ethical management through Business Ethics and Sustainability management for Top performance (BEST Forum). In 2012, we installed the ethical and legal division directly under immediate control of the CEO, and also operate the Internal Control Work Group, Internal Control Committee, and Self-Compliance Working Committee. We have established the code of conduct and guidelines and conducted education on the code of conduct on a regular basis. We also recommend our partners to establish and implement their own voluntary codes of conduct.

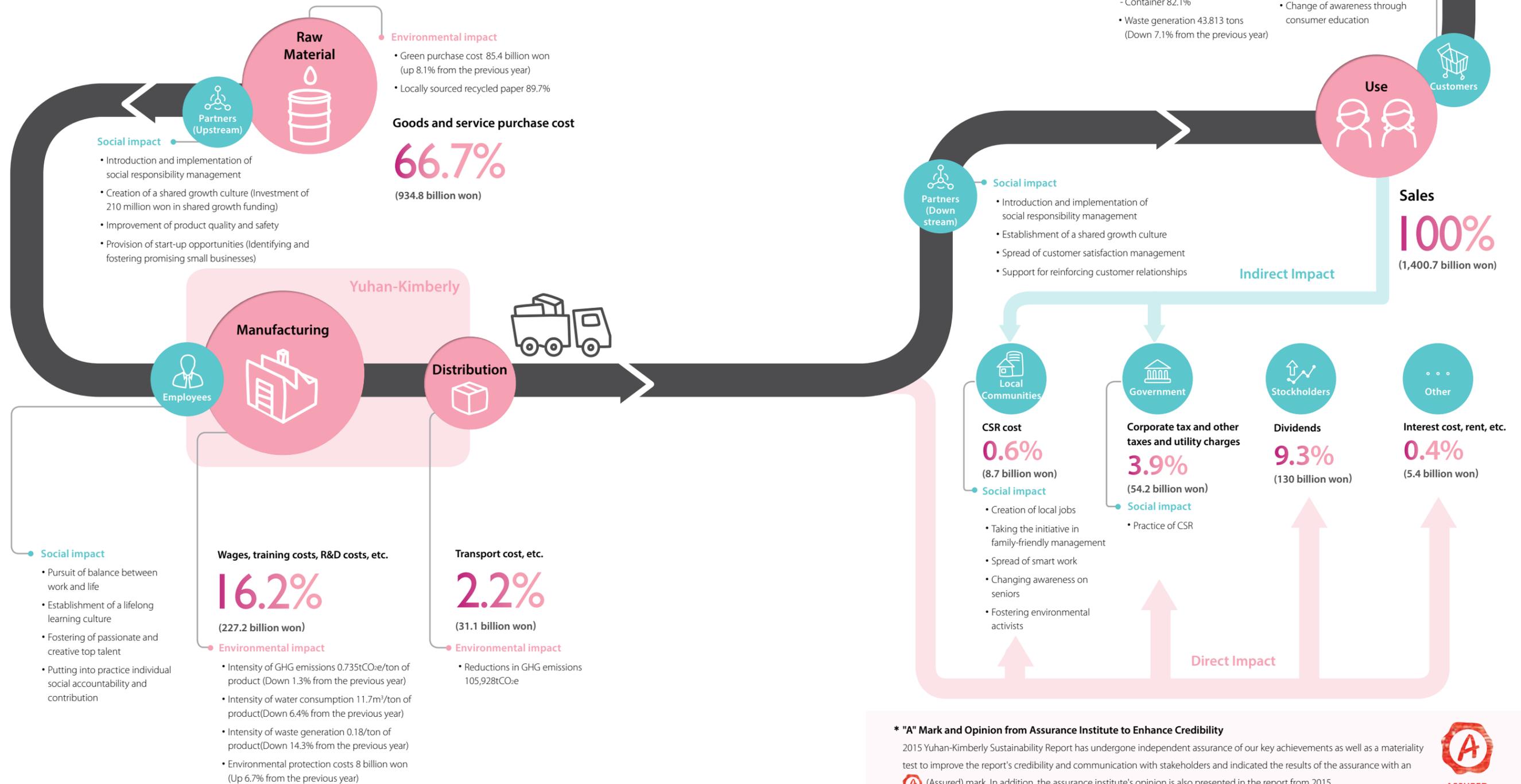
## Corporate Governance

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

Yuhan-Kimberly is a joint company comprised of Yuhan Corporation and Kimberly Clark, who hold a 30% and 70% stake, respectively. There was no change in the governance structure in 2014, with the company's total number of stocks issued remaining at 40 million, and paid-in capital amounting to 200 billion won. The constitution of the Board of Directors is determined through the general meeting of stockholders in accordance with the commercial laws of the Republic of Korea, and the board makes decisions on the matters stipulated in laws or articles of association as well as important matters related to business management. As for compensation, directors and auditors are paid within the annual remuneration cap approved by the general meeting of stockholders held in March 2014 (director 3.5 billion won, auditor 500 million won). For sustainable management, any interest related to stockholders (investment, constitution of the board, distribution, etc.) is discussed by the general meeting of stockholders, and the CEO, who holds delegated authority from the board, holds subcommittees regularly to facilitate sustainable management. The company's top decision-making organizations in social responsibility management are the Vision Leadership Team and Social Responsibility Committee. Vision Leadership Team consists of the CEO and heads of business and function. In 2014, it convened a total of 12 meetings for risk management and performance evaluation regarding economic, social and environmental issues. Social Responsibility Committee is a decision-making organization regarding the direction and principles of social accountability and contribution, budget allocation and new business. It was held a total of four times in 2014.

## How does Yuhan-Kimberly redistribute its values?

We redistribute values that we create through our business into the value chain including our surrounding environments and supply chain. We redistribute values from our total sales to them, ranging from raw material costs to costs to be distributed to end stakeholders based on economic profitability, social accountability and environmental soundness, and disclose such information transparently. We thank all our stakeholders who have contributed to furthering Yuhan-Kimberly.



**\* "A" Mark and Opinion from Assurance Institute to Enhance Credibility**

2015 Yuhan-Kimberly Sustainability Report has undergone independent assurance of our key achievements as well as a materiality test to improve the report's credibility and communication with stakeholders and indicated the results of the assurance with an **A** (Assured) mark. In addition, the assurance institute's opinion is also presented in the report from 2015.



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



## Our belief for a better life - Yuhan-Kimberly

### We have found a keyword for future innovation from consumer-driven management in 2015.

Dear stakeholders,

2015 is a meaningful year that signals the 45<sup>th</sup> founding anniversary of Yuhan-Kimberly. Despite the rapidly changing business environment, I believe that we can take the lead to embrace and seize on opportunities for innovation, while also creating collaborative relationships along the road to growth, as long as we consider everything in consumer-centric ways. In this sense, Yuhan-Kimberly is determined to become the world's best sales and marketing company by putting consumers at the center of our focus. With this report, we will navigate our achievements and challenges in sustainability management in view of last year, and report our plan for 2015.

**• Overall Sustainability Management**

- Selected as a Respected Company for 12 years in a row and a Great Place to Work for 6 years in a row.

**• Economy**

- Total sales 1,400.7 billion won (up 2.5% from the previous year), Increase in online sales by 17%.  
- Opening of an automated warehouse in Gimcheon, and construction of a production facility for Kleenex Drycell hand towels.

**• Society**

- Attainment of the 30<sup>th</sup> anniversary vision of our CSR campaign 'Keep Korea Green', Evolution of Creating Shared Value(CSV), Spread of family-friendly management, Continued effects for win-win growth.  
- Extension of Smart Work Center, Installation of a women's network organization K-WIN, Introduction of the annual 7-hour volunteering goal program.

**• Environment**

- Reduction of GHG emissions by 3.0% from the government's emission allowance and reduced intensity of GHG emissions by 1.3% from the previous year.  
- Reduction of product carbon emissions (Huggies Nature Made, baby diaper), Production of eco-labeled products.

Yuhan-Kimberly is a company that grows alongside society. We are committed to becoming a company that relentlessly innovates for our stockholders, employees, society and consumers. We will strive to become a Consumer Centric World Best Marketing & Sales Company that leads on a global level and secure competitiveness in the global market. We appreciate your ongoing interest and helpful advice. Thank you.

August 2015  
KyooBok Choe  
President & CEO of Yuhan-Kimberly

## Yuhan-Kimberly's commitment to the UN Global Compact Principles for 2014

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. In particular, we have measured and managed the progress of our achievements in the main principles through stakeholder surveys. We will continue to fulfill our social responsibilities by fulfilling such principles.

Category	Principles	Yuhan-Kimberly Regulations	Yuhan-Kimberly Commitment	
Human Rights	1. We support and respect the protection of internationally proclaimed human rights.	<b>Protection of Human Rights</b> • 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]	• Enterprise-wide training on Code of Conduct (once a year in May) • Sexual harassment prevention training	
	2. We make sure that we are not complicit in human rights abuses.	<b>Prevention of Human Rights</b> • Guidelines to Selecting Business Partners [Ethical Soundness of Organization] • Items for Evaluation of Business Partners [Wage and Employment]	• Compliance with the obligation of protecting personal information • Introduction of fair trading self-compliance program • Regular evaluation of partners in the category of human rights	
Labor	3. We uphold the freedom of association and the effective recognition of the right to collective bargaining.	<b>Freedom of Association</b> • 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]	• Labor union membership - 99.9% • Labor management committee on a quarterly basis • Grievance committee on a quarterly basis • Wage negotiation once a year	
	4. We eliminate all forms of forced and compulsory labor.	<b>Prohibition of Compulsory Labor</b> • Article 21, Chapter 3: Rules of Employment [Overtime, Night Work and Holiday Work] • Article 35, Chapter 4 CBA [Extended Hours, Night Work, Holiday Work]	• 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)	
	5. We effectively abolish child labor.	<b>Prohibition of Child Labor</b> • Article 18, Chapter 3: Rules of Employment [Labor Time] • Article 34, Chapter 4, CBA [Labor time]	• No employees of under 18 • Reflection to the items for evaluation of business partners (wage and employment) • Selected the Child-Friendly Business	
	6. We eliminate discrimination in respect of employment and occupation.	<b>Prohibition of Discrimination</b> • 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]	• The equal principle applied to the starting wage for male and female college graduates • Representation of women (office workers 37.8%, senior management positions 19.4%)	
	Environment	7. We support a precautionary approach to environmental challenges.	<b>Prevention of Environmental Problems</b> • 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]	• Annual green purchasing of 85.4 billion won • Environmental management training held for employees and partners (1,446 persons)
		8. We undertake initiatives to promote greater environmental responsibility.	<b>Environmental Responsibility</b> • 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]	• 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.
9. We encourage the development and diffusion of environmentally friendly technologies.		<b>Environment Friendliness</b> • Procurement Philosophies [Support for Production of Superior Products through Technological Innovation] • Environmental Management Policies [Continuous Environmental Improvement]-Reduction, Reuse and Recycling Efforts	• Release of sustainable products (53.2% of the revenue) • Release of innovative products	
Anti-corruption	10. We work against corruption in all its forms, including extortion and bribery.	<b>Anti-corruption</b> • Chapter 2, Code of Conduct [Scope of Gift and Entertainment] • Chapter 2, Code of Conduct [Prohibition Against Giving Gifts to Public Officials] • Article 11, Rules of Employment [Prohibition] Against Accepting Rewards, Gifts, or Entertainment from Business Partners • Fair Trading Self-Compliance Manual: Section 2 [Things to Consider by Business Type] and Section 4 [Practical Checklist]	• Anti-corruption training (Online training separately provided) • Vitalization of fair trading self-compliance training	

Online: <http://www.yuhan-kimberly.co.kr>

# Economy

## DMA (Disclosures on Management Approach)

**81.9** billion won

### Yuhan-Kimberly's Approach

We set a long-term financial goal for 2020 and all of our teams have cooperated systematically in intensively managing our economic performance.

### Material Issues on Economy

- Sustainable products and brands
- Senior care business
- Development of innovative products
- Development of new businesses
- Ongoing research, investment and development

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### 2014 Target and Performance

**Long-term goal 2020** Attaining sales of **5** trillion won

2014 target	2014 Performance
<b>1,407.1</b> billion won (Net income ratio 10.09%)	<b>1,400.7</b> billion won (Net income ratio 10.28%)

### 2014 Target Achievement

**Sales target achievement** **99.5%**

**Net income ratio target achievement** **101.9%**

The target achievement percentage rose from the previous year ▲  
(sales 9.8%p, net income ratio 1.9%p)

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### Key Performance in 2014

<b>+3.2%</b>	<b>+2.5%</b>
Expansion of the domestic market	Rise in sales
<b>+2.4%</b>	<b>+6.3%</b>
Rise in net operating profits	Rise in net profit during the term

### Composition of Sales by Item (2014)

### STAKEHOLDER SURVEY 'Innovative Company'

**Result** | According to the results of the stakeholder survey regarding innovative company, the awareness of innovative company of employees, partners and local communities declined except that of customers.

**Action** | Yuhan-Kimberly has implemented innovative management through R&D and investment. In addition, we have been establishing a creative corporate culture by establishing a reinforced cooperative organization system and introducing Smart Work. We will never cease to improve our company's innovative image by actively reporting such activities.

## Management Index by Numbers

### Balance Sheets and Income Statements

Unit\_100 Million won

Category	2010	2011	2012	2013	2014	
<b>Balance Sheet (Financial Position)</b>	Current Assets	4,337	4,805	5,246	4,723	5,126
	Non-current Assets	3,933	4,210	4,534	4,889	5,355
	Total Assets	8,270	9,015	9,780	9,612	10,481
	Current Liabilities	1,776	2,052	2,334	2,079	2,520
	Non-current Liabilities	0.49	151	362	92	380
	Total Liabilities	1,777	2,203	2,696	2,172	2,900
	Capital	2,000	2,000	2,000	2,000	2,000
	Capital Surplus	625	625	625	625	625
	Retained Earnings	3,868	4,187	4,460	4,815	4,956
	Total Stockholder's Equity	6,494	6,812	7,085	7,440	7,581
Total Liabilities and Stockholder's Equity	8,270	9,015	9,780	9,612	10,481	
<b>Income Statement (Economic Performance)</b>	Sales	12,094	13,041	14,128	13,660	14,007
	Cost of Goods Sold	7,839	8,713	9,093	8,834	8,900
	Gross Profit	4,255	4,328	5,035	4,827	5,107
	Selling and G/A Expenses	2,760	2,975	3,378	3,192	3,434
	Operating Profit	1,495	1,353	1,657	1,634	1,673
	Non-operating Profit	307	238	232	209	219
	Non-operating Charges	490	163	161	145	141
	Income Before Income Taxes	1,312	1,427	1,728	1,698	1,751
	Income Tax Provision	370	309	355	342	310
	Net Income	942	1,119	1,372	1,356	1,441

### Financial Index

Unit\_100 Million won

Category	Key Management Indexes	Yuhan-Kimberly <sup>1)</sup>				Homeopathic industry (large companies) average <sup>2)</sup>				Manufacturing (large companies) average <sup>2)</sup>				
		2010	2011	2012	2013	2014	2010	2011	2012	2013	2010	2011	2012	2013
<b>Growth</b>	Increase Rate of Sales (%)	6.64	7.83	8.33	-3.31	2.54	12.47	5.53	-0.20	-1.18	19.12	14.33	4.09	-1.15
	Increase Rate of Tangible Assets (%)	8.26	-5.42	8.71	7.74	4.01	8.33	2.62	0.92	1.76	11.65	9.45	5.32	3.09
	Increase (decrease) Rate of Net Income (%)	-36.84	18.79	22.69	-1.21	6.26	-	-	-	-	-	-	-	-
<b>Profit-ability</b>	Ratio of Operating Profit to Net Sales (%)	12.36	10.37	11.73	11.96	11.95	5.51	3.57	6.07	4.97	7.67	6.13	5.43	5.57
	Ratio of net Profit to net Sales (%)	7.79	8.58	9.71	9.92	10.28	3.60	0.72	3.65	2.56	7.12	4.74	4.71	3.69
	Return on Assets (ROA, %)	11.39	12.41	14.03	14.10	13.74	3.25	0.66	3.31	2.22	7.91	5.41	5.20	3.83
	Return on Equity (ROE, %)	14.11	16.81	19.75	18.67	19.18	6.14	1.30	6.50	4.28	15.48	10.38	9.84	6.92
<b>Safety</b>	Current Ratio (%)	244.20	234.22	224.78	227.13	203.41	119.19	104.58	102.25	102.93	117.59	118.41	127.71	136.76
	Quick Ratio (%)	165.39	174.19	168.79	175.06	145.37	79.23	70.69	71.45	70.46	88.11	86.86	95.52	104.52
	Debt Ratio (%)	27.36	32.33	38.05	29.19	38.25	92.82	102.08	91.21	91.04	91.26	92.60	85.54	77.49
	Fixed Assets to Long-term Capital Ratio (%)	60.57	60.46	60.89	64.91	67.27	93.36	98.05	99.03	98.81	91.17	90.55	87.63	84.93
<b>Activity</b>	Total Asset Turnover Ratio (Times)	1.34	1.44	1.51	1.50	1.39	1.41	0.91	0.91	0.87	1.11	1.14	1.10	1.04
	Receivables Turnover Ratio (Times)	9.66	9.95	10.37	10.63	11.54	9.76	6.49	6.36	6.73	7.60	7.31	6.99	6.95
	Inventories Turnover Ratio (Times)	10.29	9.94	9.91	11.13	11.01	11.43	8.91	9.44	9.37	11.75	11.04	10.67	10.77
	Tangible Assets Turnover Ratio (Times) <sup>3)</sup>	3.47	3.70	3.95	3.53	3.42	3.53	1.70	1.72	1.60	3.09	3.21	3.08	2.93

1) **Unit** Each index has been calculated based on the amounts specified in Yuhan-Kimberly's annual report.

2) **Benchmark** 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 companies and manufacturers in the same line 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.

3) Due to numerical errors, the tangible assets turnover ratios in 2010 through 2013 have been corrected.

# Yuhan-Kimberly's Sustainable Products



## Development of Guidelines to the Development and Management of Sustainable Products (2013-)

Yuhan-Kimberly divides production into five stages: raw material, manufacturing, product performance, packaging and product certification. We define and manage sustainable products by assessing the economic, social and environmental performance for each stage. In 2014, Yuhan-Kimberly ran a total of 298 products\* of 26 brands under 6 product categories. They represent 34.6% of the entire products, and 53.2% of the sales is created from these sustainable products.

\*Yuhan-Kimberly's sustainable products have been calculated by excluding all redundant products found in product categories. The same content in different packing units has been treated for the purposes of the calculation as being the same product.

Category	1.Raw materials	2.Manufacturing	3.Product performance	4.Packaging	5.Product certification
Criteria	<ul style="list-style-type: none"> <li>Reduction in raw material usage</li> <li>Improved environmental effect</li> <li>Use of domestic materials</li> <li>Use of recycled materials</li> <li>Use of certified materials (FSC, organic, non-additive, edible, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Domestic production</li> <li>Redesigned production process (Improved efficiency and environmental impacts)</li> </ul>	<ul style="list-style-type: none"> <li>Improved product performance</li> <li>Decreased consumer complaints (over 10%)</li> </ul>	<ul style="list-style-type: none"> <li>Reduced packaging material usage</li> <li>Reduced packaging space</li> </ul>	<ul style="list-style-type: none"> <li>Korea Eco-labeling certification</li> <li>Carbon footprint certification</li> <li>ECO-CERT certification</li> <li>Life Cycle Assessment (LCA)</li> </ul>

### Carbon Footprint Certification of Huggies Nature Made, a Diaper that Cares about Nature

Huggies Nature Made, an eco-friendly product made of nature-derived materials, was showcased in 2008 after 3 and a half years of development. In 2011, it became the first Korean diaper that acquired carbon footprint certification(7 cases). Huggies Nature Made used 100% natural plant ingredients in all surfaces of the diaper that make contact with the skin from 2012, and introduced a leg cuff made of natural plant ingredients in 2014, and has been upgraded with an improved elasticity of the waistband, leading to renewal of the carbon footprint certification. Recently, Huggies Nature Made is contributing to the expansion of the naturalism diaper market, and in 2014, it became the first naturalism diaper that registered a 10% market share.



### Huggies Nature Made's Eco-friendly Baby Wet Wipes Certified with ISO 22716

Huggies Nature Made Baby Wet Wipes, where natural pulp represents 70% of its entire materials, was released in July 2014. It is the first Korean wet wipe that acquired ISO 22716, a global cosmetics manufacturing and quality control certification, and was also analyzed to have 'no irritation' in a skin stimulation test by a U.S. skin clinical laboratory and the patch tests of domestic skin clinical laboratories.



### Kleenex Drycell Hand Towel that reduces usage by absorbing faster

Yuhan-Kimberly released Kleenex Drycell hand towel that provides less usage over conventional hand towels with stronger and faster absorption. The company invested about 80 billion won in installing and operating the required facilities in the Gimcheon mill in 2014, and commenced production from March 2015.

As it allows users to dry hands only with a single piece thanks to its superior absorption power, speed, and essential properties of a hand towel, it reduces unnecessary waste and cost. The excellent absorption power, absorption speed and nice and thick feel of the product are possible as hot air from the drier dries moisture in paper in three-dimensions instead of the compression process, maintaining the volume of paper, and also forms space between fibrous tissues called air pockets, which improve absorption power.



# Society

## DMA (Disclosures on Management Approach)

### Yuhan-Kimberly's Approach

Yuhan-Kimberly manages its social performance indexes mainly focused on material aspects identified from a survey with its stakeholders: employees, partners, customers and local communities.

### Material Issues on Society

<b>Employees</b> <ul style="list-style-type: none"> <li>Smart Work</li> <li>Respect for diversity and prohibition of discrimination</li> <li>Family-friendly management</li> <li>Healthy labor-management relations</li> <li>In-company communication</li> <li>Fair reward system</li> <li>Challenging and creative organizational culture</li> <li>Improvement and development of personal abilities</li> </ul>	<b>Partners</b> <ul style="list-style-type: none"> <li>Win-win activities for partners</li> <li>Selection of fair trading partners</li> <li>Support for partners</li> </ul>	<b>Local communities</b> <ul style="list-style-type: none"> <li>The 'Keep Korea Green' campaign</li> <li>General CSR activities</li> </ul>
	<b>Customers</b> <ul style="list-style-type: none"> <li>Responsibility for products and security of product safety</li> <li>Customer-driven management</li> </ul>	

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### Key Performance in 2014\_Employees

- 19.4% Ratio of female senior management positions
- 0.11% Industrial disaster rate

### Partners

- 37.5% Ratio of local purchases
- 74 partners: The number of primary partners who participated in fair trading and win-win growth agreement
- 210 million won: Win-win growth fund

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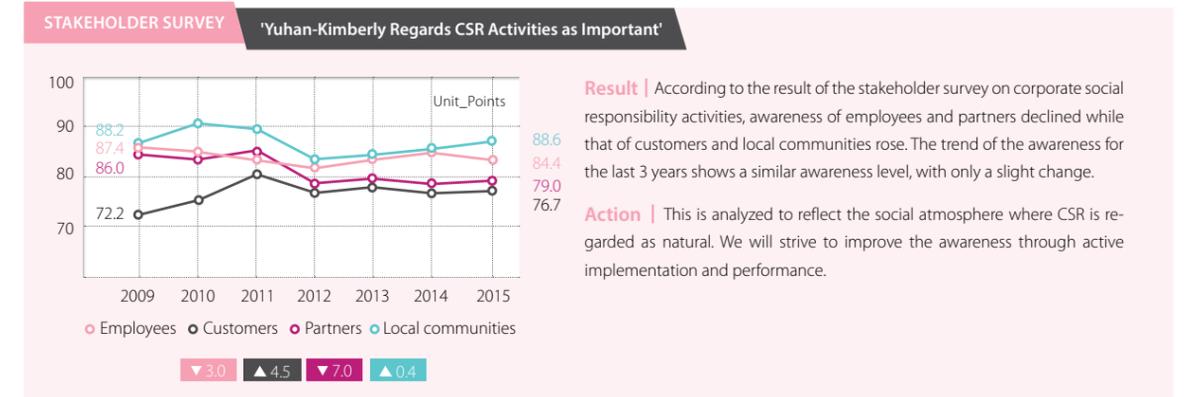
### Customers

- 323,101 customers: The number of customers who participated in consumer education
- 2% Reduction in consumer complaints from the previous year
- 4,547 customers: The number of customers with complaints who participated in CRM\* program

### Local Communities

- 10 employees: The number of new employees from local communities
- 68 leaders: The number of female leaders fostered
- 7 hours: The volunteering hours per employee

\* CRM(Consumer Relation Management)



**Result** | According to the result of the stakeholder survey on corporate social responsibility activities, awareness of employees and partners declined while that of customers and local communities rose. The trend of the awareness for the last 3 years shows a similar awareness level, with only a slight change.

**Action** | This is analyzed to reflect the social atmosphere where CSR is regarded as natural. We will strive to improve the awareness through active implementation and performance.

# Employees

As of 2014, Yuhan-Kimberly has a total of 1,758 employees, up 2.1% from the previous year. By occupation, production employees represent 57.5%, while office job employees account for 42.5%. The average period of continuous service is 17.3 years. In 2014, the company hired a total of 21 new employees, with the ratio of new female employees accounting for 71.2%. The representation of female employees has been rising over the past 5 years. The ratio of women in senior management positions amounts to 19.4%.

## Employment Status by Numbers (As of December 31, 2014) A

Classification	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>Employment</b>	Employees (person)	1,706	1,695	1,689	1,688	1,663	1,656	1,690	1,722	1,758
	Employment of the disabled (%)	2.0	2.1	2.2	2.2	2.3	2.3	2.5	2.5	2.5
	Contract employees (person)*	24	19	9	2	1	1	6	4	38
	Job creation rate (%)	1.5	-0.6	-0.4	-0.24	-1.48	-0.42	2.11	1.89	2.09
	Average continuous service period (year)	12.6	13.3	14.0	13.9	15.9	15.7	16.3	16.8	17.3
	Average working hours per month (hour)	182	183	184	181	180	179	180	171	168
	Average number of days absent (day)	11	5	1	0	0	6	0	0	0
	Loss days (day)	130	329	190	0	163	479	244	500	167
<b>New Employment</b>	New employees (person)	69	25	44	13	12	51	55	55	21
<b>Retirement</b>	Retirement rate (%)	-	-	2.3	1.5	1.98	1.21	1.18	1.92	1.91
<b>Female Employment</b>	Number of female employees (person)	268	266	270	263	263	273	283	298	329
	Percentage of females in total workforce(%)	15.7	15.7	16.0	15.6	15.8	16.5	16.7	17.3	18.7
	Percentage of females at senior management levels (%)	3.4	15.7	17.1	17.1	17.6	17.7	18.8	17.6	19.4
	Percentage of females among total office employees (%)	39.4	39.9	40.1	33.7	33.9	35.3	35.1	35.6	37.8
	Percentage of females among new recruits (%)	29.4	48.0	31.0	20.0	55.6	52.0	36.4	42.4	71.2
<b>Maternity/ Childbirth</b>	Maternity leave usage rate (%)	100	100	100	100	100	100	100	100	100
	Maternity leave users (person)	21	25	33	31	29	24	25	23	16
	Return-to-work rate after maternity leave (%)	100	100	100	100	100	100	100	100	100
	Baby care leave users (person)*	1	5	15	17	20	22	23	16	24
	Female employees baby care leave usage rate (%)	4.8	20.0	45.5	51.6	68.9	91.7	88.0	83.0	84.0
	Return-to-work rate after baby care leave (%)	100	100	92.3	100	100	100	100	100	100
<b>Labor</b>	Number of employees joining the labor union (person)	961	953	945	939	935	903	887	899	897
	Rate of employees joining the labor union (%)	80.5	80.0	83.4	83.7	88.0	88.0	99.0	99.8	99.9
<b>Work Safety</b>	Industrial disaster rate (%)	0.12	0.06	0.06	0.0	0.18	0.06	0.06	0.29	0.11

\* The number of contract employees rose in 2014 as some dispatched workers were converted to contract employees due to the characteristics of their duties and the internship program was vitalized.

\* No male employees used baby care leave in 2014.

- **Employment of the disabled:** Monthly average number of employees x 12, subject to the estimation criteria by Korea Employment Agency for the Disabled. Yuhan-Kimberly's employment quota for the disabled is 2.5%.
- **Job creation rate:** (number of employees this year - number of employees last year) / number of employees last year x 100 (This rate does not include non-regular positions such as contract and dispatch workers.)
- **Loss days:** Counted based on the absent days of workers injured due to minor or serious accidents in a mill specified in their medical certificates. Loss rate is calculated based on GRI criteria (loss days / total working hours x coefficient)
- **Rate of employees joining the labor union:** (enrolled workers/eligible workers) x 100 (employees in charge of managerial and supervisory work (section chief level or above), HR, labor, planning, marketing, general administration, bookkeeping, accounting, cashier work, funds, secretarial work, driving, and security are not included in eligible workers.) Since 2012, the company has included non-annual salary workers in eligible workers.
- **Industrial disaster rate:** (number of accidents / number of full-time workers) x 100

## Reinforcing Family-friendly Management for Fulfilling Accountability and Contribution

As a leading family-friendly management company in Korea, Yuhan-Kimberly has presented a healthy family model to overcome the nation's low birth rate and aging society. In the early 1990s, we introduced flexible working systems and lifelong learning systems, and from 2010, declared family-friendly management to put into practice 'accountability and contribution', core values of our Vision 2020. We also launched a program for fathers, and since 2014, we have operated a pilot workshop for prospective retirees.

## Evolution of the Way of Working - Smart Work

In 2011, taking into account the four aspects of space, IT, corporate culture and personnel system based on our core values, we introduced Smart Work. We established an open seat system and introduced a telecommuting program to create a new corporate culture based on flexible time and space. In addition, we opened the Smart Work Center in Jukjeon(Innovation center), Gunpo, Chungju, Daejeon, Gimcheon and Busan, as part of our various effects to make a more flexible and creative culture.

# Partners

## The Number of Partners of Yuhan-Kimberly

1,227

### Definition and Composition of Yuhan-Kimberly Supply Chain

Yuhan-Kimberly divides partners into upstream and downstream partners according to the value chain. The upstream includes suppliers of raw materials and finished products, while the downstream includes stores (distribution) and partners related to direct distribution transaction, advertising business, IT and financial services. There were a total of 1,227 partners of Yuhan-Kimberly in 2014, 9.5% of which are foreign companies. There were a total of 200 new partners in 2014, and they were evaluated and selected according to the partner selection criteria including social responsibility aspects.

# Customers

## The Number of Materials under Control Specified in the Product Safety Policy 2015

59

### Safety Policy on Baby and Child Care Products

On January 14, 2015, Yuhan-Kimberly disclosed its policy on the safety of infant and child goods. This disclosure is part of 'Consumer Centered Management', our core policy for 2015, which reflects our will to transparently disclose our commitment towards producing safe products and continuously make efforts to uphold it. You can see more information on our website(www.yuhan-kimberly.co.kr). The products subject to this initiative are: diapers, baby wet wipes, and skincare products for babies and children.

# Local communities

## Attaining the Vision of Planting 50 Million Trees (1984-2015) A

In 2014, celebrating the 30<sup>th</sup> anniversary of our 'Keep Korea Green' campaign, Yuhan-Kimberly finally achieved the goal of planting 50 million trees. We aimed for the planting and growing of 50 million trees, a figure that also happens to reflect the entire population of Korea, and fulfilled the target as planned. We created school forests and grew forests on government-owned land in Korea and since 1998, we have participated in restoring natural environments in North Korea as well as other countries around Korea, including China and Mongolia.

## Announcement of New Vision of 'Keep Korea Green' 2014-2015

To attain the new vision of 'Co-existence between Forests and People', Yuhan-Kimberly selected three projects, including a project of establishing and disseminating new models of urban forests and regional forests and the Future Forest for restoration of forests in North Korea, and reorganized our main programs through the aim of fostering leaders and sharing values. We are currently developing participation programs to foster 'forest' leaders and share values. In 2014, we launched the new Woopoopoo campaign based on an online channel for young generations.

## Introduction of Creating Shared Value (CSV) Management for Solving the Issue of Aging Society and Seizing Opportunities for Senior Care Business

In December 2012, Yuhan-Kimberly introduced 'Creating Shared Value (CSV)' as a management strategy to help address the issue of the aging society in Korea and link it to new opportunities in senior care business. Through this strategy, we have been interconnecting various activities, including identifying and fostering small businesses that provide senior care goods and services, creating a distribution ecosystem for senior care goods, creating jobs for seniors, and carrying out the Active Senior Campaign.

# Environment

## DMA (Disclosures on Management Approach)

### Yuhan-Kimberly's Approach

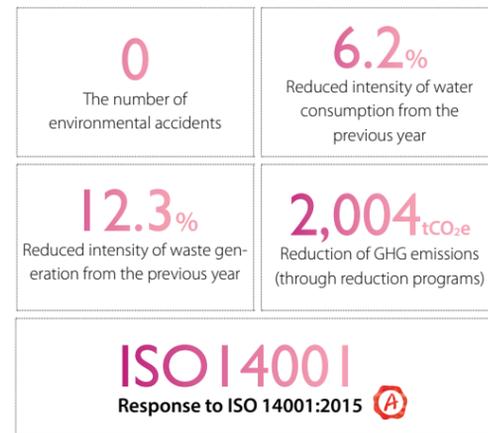
Since proclaiming a commitment to environmental management in 1996, Yuhan-Kimberly has been endeavoring to attain its environmental goals. In particular, we have actively responded to various environmental issues, such as the United Nations Framework Convention on Climate Change, the Korean government's target management system for GHG emissions and energy use, identification of cost reduction tasks for production process and reduction in GHG emissions.

### Material Issues on Environment

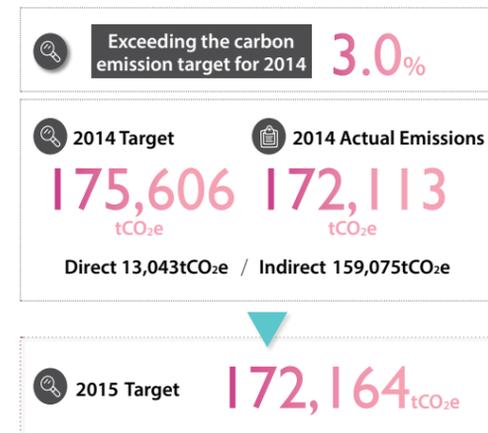


Response to climate change

### Key Performance in 2014

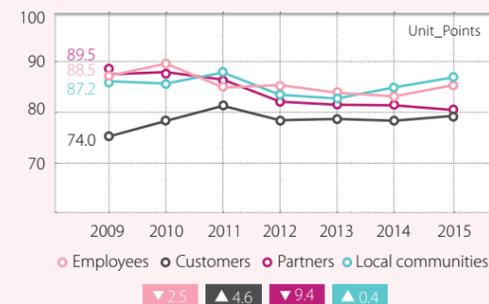


### 2014 Target Achievement



### STAKEHOLDER SURVEY

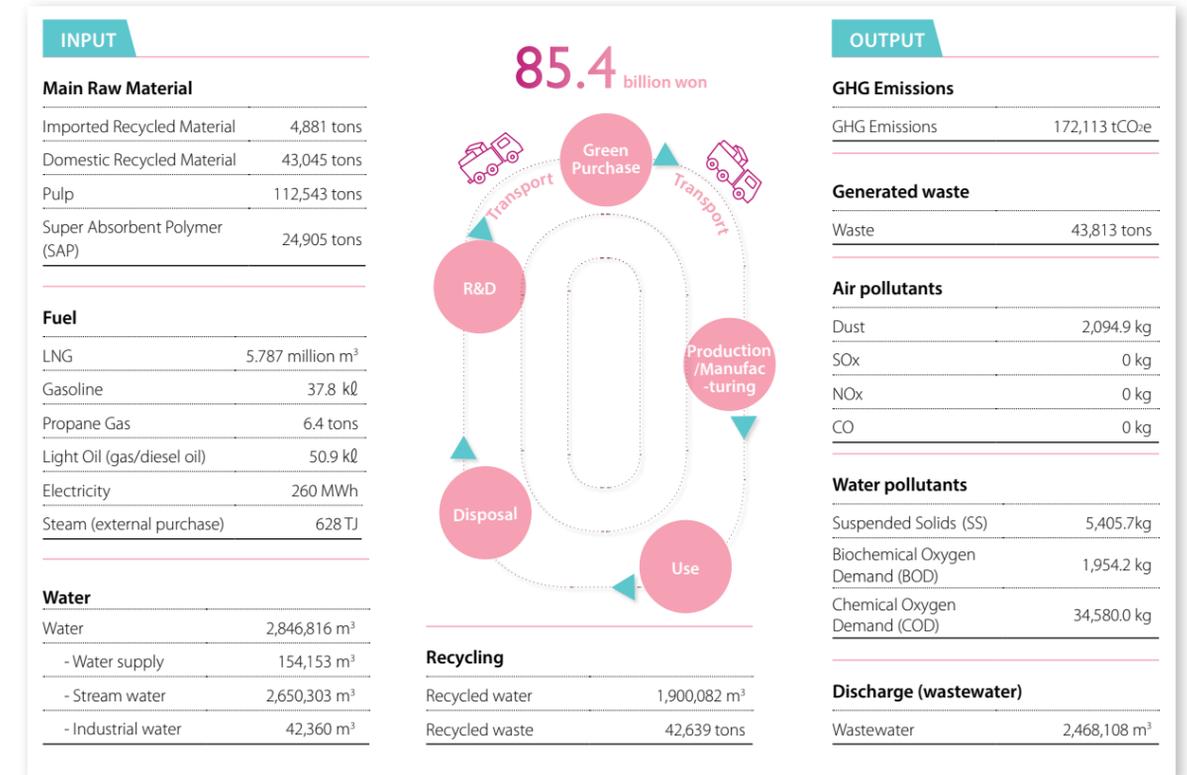
#### "Yuhan-Kimberly Puts Environmental Management into Practice"



**Result** | According to the results of the stakeholder survey on how well the company fulfills environmental management, the awareness of two external stakeholders, customers and local communities, rose while the awareness of employees and partners, which are internal stakeholders, declined.

**Action** | To improve the awareness of internal stakeholders, we plan to reinforce communication with them by holding briefing sessions on environmental management and reaffirming our commitment.

### Material Flow **A**



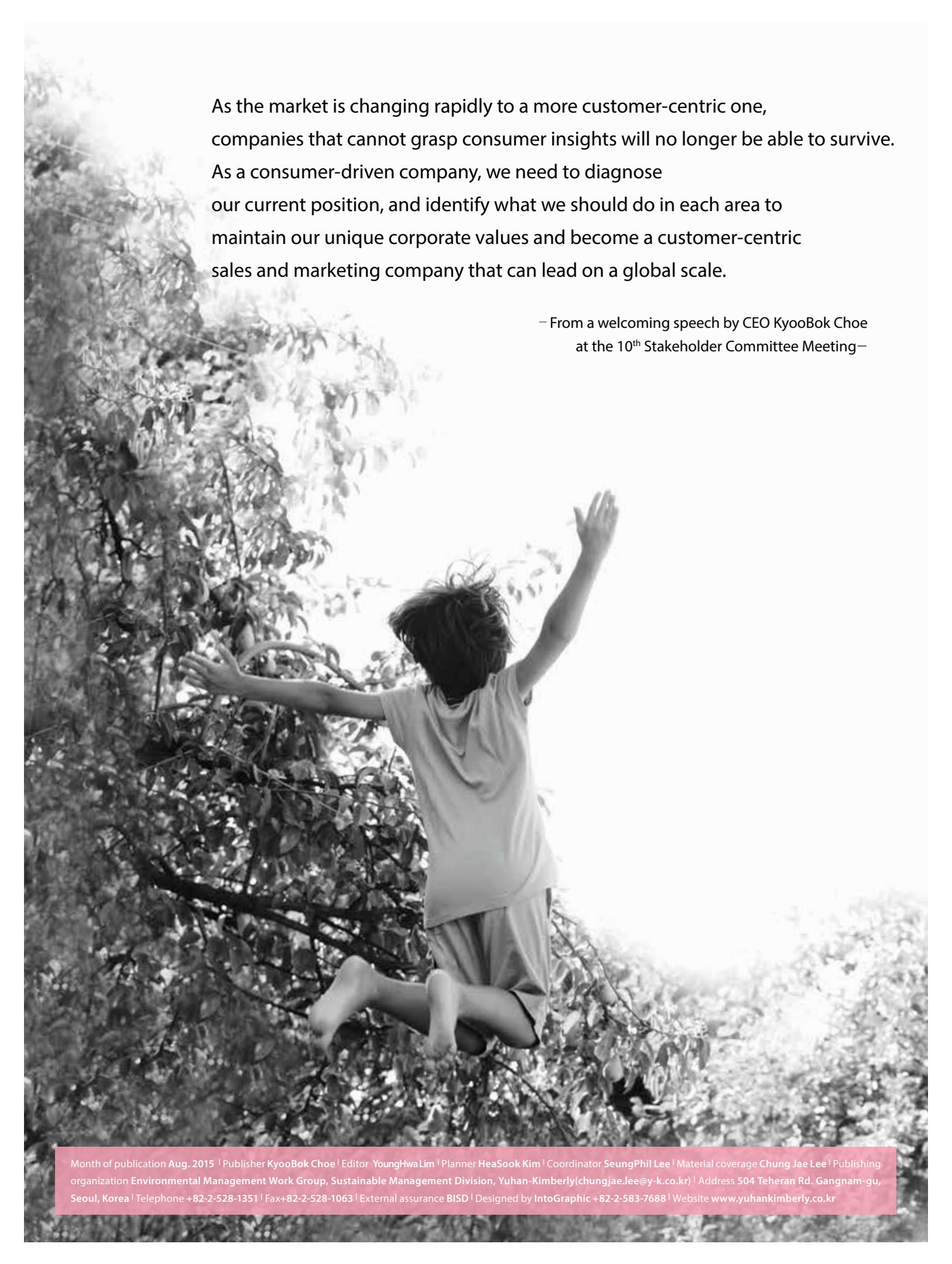
### Trends in Environmental Performance over 18 Years (1997-2014)

Since proclaiming a commitment to environmental management in 1996, Yuhan-Kimberly has continued to manage environmental indexes and is committed to improving its overall performance.

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Environmental Protection Cost	Total Cost (100 Mil. won)	-	52.8	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	161.8	
	Percentage to Net Sales (%)	-	1.3	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	1.2	1.2		
Water Usage (m <sup>3</sup> /product ton)	25.6	25.0	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	11.7		
Recycle	Ratio of Domestic Recycled Fiber (%)	10.1	14.2	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	89.7	
	Ratio of Recycled Water Usage (%)	39.3	41.6	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	40.0	
Water Purity Control	Treated Water Discharge (m <sup>3</sup> /product ton)	19.9	17.4	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	10.2	
	Total Suspended Solids	Water	0.17	0.14	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	0.022
		Pollution Emissions (kg/product ton)	0.07	0.07	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	0.008
Chemical Oxygen Demand	Water	0.33	0.35	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	0.143	
	Solid Waste Generation (ton/product ton)	0.54	0.50	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	0.18	
Green House Gas Reduction	Total Emissions of CO <sub>2</sub> (1,000 t CO <sub>2</sub> e/year)	-	-	151	139	160	175	170	163	168	156	155	161	164	179	171	169	166	172	
	Intensity of CO <sub>2</sub> Emissions (tCO <sub>2</sub> 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	0.745	0.735	
	Chlorofluorocarbons (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	16.3	
Air Purity Control	NOx (kg/product ton)	1.595	1.175	0.851	0.577	0.506	0.467	0.506	0.449	0.409	0.152	0.066	0.053	0.028	0.07	0	0	0	0	
	SOx (kg/product ton)	1.443	0.994	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	0	
	Dust (kg/product ton)	0.187	0.223	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	0.009	

\* Since 2007, the intensity of GHG emissions has been calculated by dividing the GHG emissions from production mills by the sum of output.

\* Since the removal of the incinerators in Gunpo and Gimcheon mills, there have been no emissions of NOx and SOx.



As the market is changing rapidly to a more customer-centric one, companies that cannot grasp consumer insights will no longer be able to survive. As a consumer-driven company, we need to diagnose our current position, and identify what we should do in each area to maintain our unique corporate values and become a customer-centric sales and marketing company that can lead on a global scale.

– From a welcoming speech by CEO KyooBok Choe  
at the 10<sup>th</sup> Stakeholder Committee Meeting–