



사람이  
희망이다

2013  
Yuhan-Kimberly  
Sustainability Report:  
Summary

People are  
our Source  
of Hope

## About this Report

<b>Standards and Criteria</b>	GRI (Global Reporting Initiative) G4 Guidelines, BEST Guidelines 2.0*, and ISO 26000
<b>Reporting Scope</b>	Major supply chain and all operating sites in Korea **
<b>Reporting Period</b>	January 2012 to December 2012 (including part of the performance for 2013)
<b>Reporting Base</b>	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)
<b>Reporting Assurance</b>	Independent assurance statement
<b>Reporting Cycle</b>	Annually
<b>Organization of Report</b>	Reporting in line with the latest GRI G4 Guidelines; 4 chapters in total; preferential reporting of material issues based on materiality assessment; new 'Performance Index by graph' to see data at a glance
<b>Disclosure Principle</b>	The report available on the website <a href="http://www.yuhan-kimberly.co.kr">www.yuhan-kimberly.co.kr</a> . The appendix on the compliance with GRI Guidelines, BEST Guidelines, UNGC and ISO 26000 available
<b>Further Information</b>	Please contact Yuhan-Kimberly Sustainability reporting team +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'

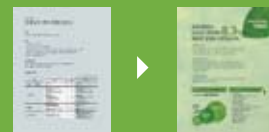
The following information of 2013 Yuhan-Kimberly Sustainability Report includes supply chain in accordance with GRI G4 Guidelines.

1. Materiality assessment reflects opinions from our upstream and downstream partners among our stakeholders.
2. The life-cycle assessment (LCA) of products includes the entire supply chain. (Huggies premium diapers)
3. The social performance report includes improvements in the equipment efficiency of our partners.
4. The environmental performance report includes the status of GHG emissions by phase including that of our supply chain.

## What is New in 2013 Yuhan-Kimberly Sustainability Report?

With the amendment to GRI G4 Guidelines in May 2013, this report has the following differences from the preceding reports in terms of its constitution and contents.

1. Prepared in accordance with GRI G4 Guidelines
2. Expanded scope of reporting (Supply chain included)
3. Improved process of materiality assessment  
(Divided partners into upstream and downstream ones and reinforced stakeholders' voice)
4. Reporting by material issue (Focused on material issues selected through materiality assessment)
5. Reinforced quantitative performance index  
(Introduced 'Performance Index by graphs' to allow data to be visualized at a glance)
6. Reinforced DMA (Provided in-depth basis for materiality assessment and the management policy for each material issue, and switched to key performance-orientation configuration)



\* Further information not included in this report, such as company history, can be found at the Yuhan-Kimberly website ([www.yuhan-kimberly.co.kr](http://www.yuhan-kimberly.co.kr)).

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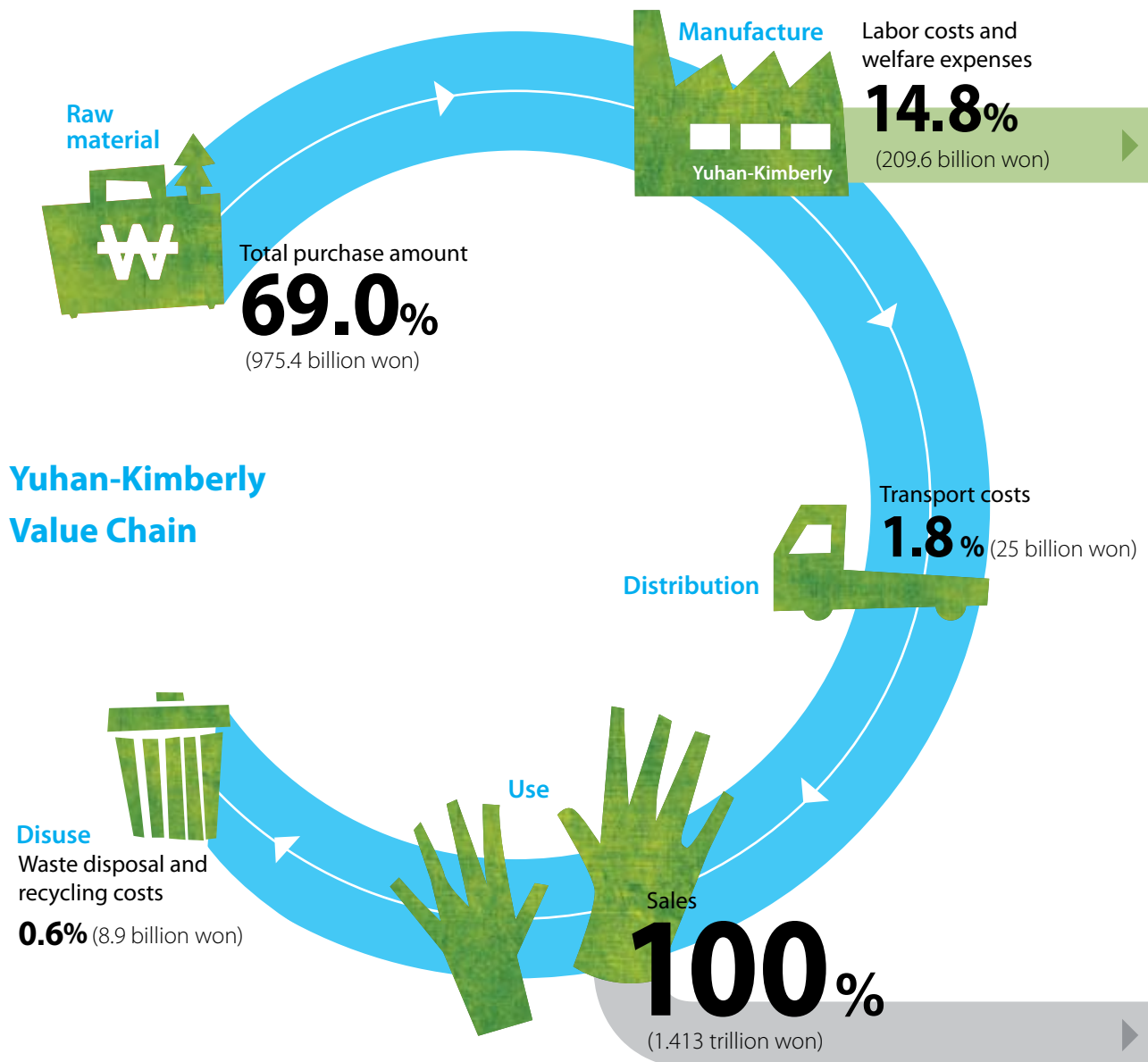
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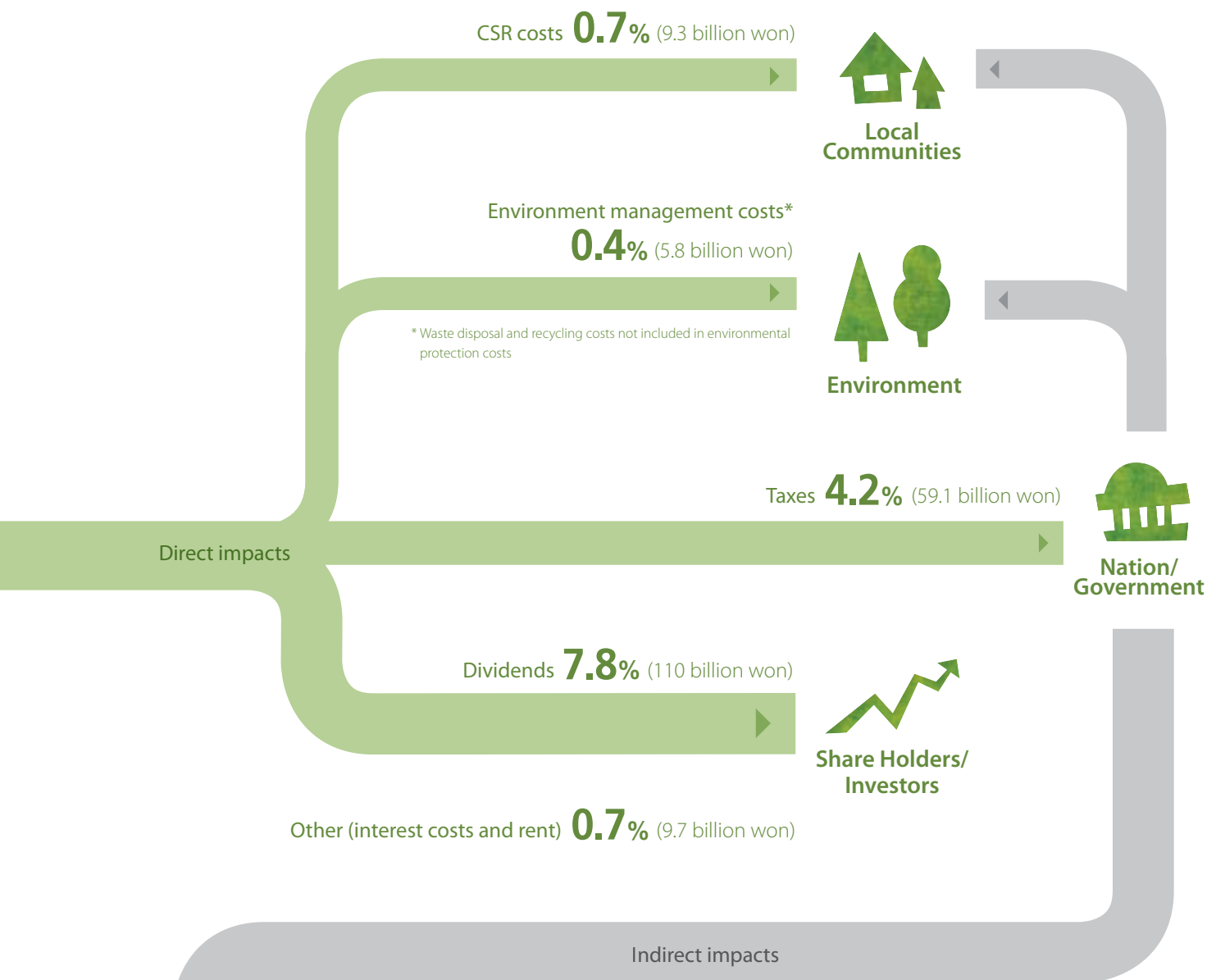
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# What is the Social Impact of Yuhan-Kimberly and its Supply Chain?

Yuhan-Kimberly pursues socially responsible growth by redistributing all the economic values it generates through its business activities across the value chain, including its supply chain and the external environment surrounding it. By paying costs incurred in the value chain including in raw material procurement, manufacture and distribution, we contribute to the distribution of economic values. The payments for these costs are then redistributed to support other companies or local communities, creating direct and indirect ripple effects of benefit to society as a whole.

## Distributed Economic Values of Yuhan-Kimberly





### Company Overview

**Company name** Yuhan-Kimberly  
**Date of establishment** March 30, 1970  
**Type of business** Manufacturing **President & CEO** KyooBok Choe  
**Number of employees** 1,690 (as of 2012) **Sales** 1.413 trillion won (as of 2012) **Sales composition** Domestic 81%, Export 19% (as of 2012)  
**Major brands** Huggies, Double Heart, White, Good Feel, Kleenex, Popee, Scott, Green Finger **Business areas** Hygienic 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** Baby diapers, childcare supplies, feminine sanitary napkins, facial tissues, toilet paper, paper towels, napkins, wet tissues, skincare products, consumer supplies such as Unilever products, 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.

## 01 OVERALL SUSTAINABILITY REPORT

### CEO Message



Dear Stakeholders,

Yuhan-Kimberly has had a year of challenge and creativity with all its members working together amid a challenging economic environment. It is thanks to such efforts, made consistently and comprehensively, that we have been selected the Most Admired Company in Korea for 10 years running. We are well recognized domestically, winning the top spot of the Korean Sustainability Index (KSI), the Business Innovation Award and being awarded the title of Smart Work Superior Company. We would like to express our sincere gratitude to our stakeholders for always supporting and encouraging Yuhan-Kimberly. Our economic, social and environmental performance in 2012 is as follows:

- **Economy** / Sales of 1.413 trillion won, up 8.3% from a year earlier, with substantial investment made for the future
- **Society** / Commitment to reinforcing ethical management, smart management, win-win growth management and consumer-centered management
- **Environment** / Confirmed the improvement of environmental performance by 10% from ten years ago through LCA of diapers, and reduced GHG emissions by 10.5% from a year earlier

Yuhan-Kimberly works relentlessly to achieve our Vision 2020, which outlines ways to achieve a healthy future. Our sales increased 8.3% from a year earlier despite the challenging economic environment, including the protracted global economic crisis and worsening economic polarization, as well

as the issues posed by rapidly aging populations with low birth rates. We are also investing nearly 107.2 billion won to create a better future for us all. In addition, Yuhan-Kimberly regards being family-friendly, society-friendly and environment-friendly as essential to sustainable management. To develop as a healthier company, we continue to put into practice our ethical management and anti-corruption activities, practice respect for human rights, uphold diversity and embrace and improve open communications across our organizations, members and partners. From an environmental standpoint, we have focused on sustainability at the product level.

Yuhan-Kimberly's achievements reflect the efforts made across the entire value chain, rather than efforts made alone. Based on GRI G4 Guidelines, we reviewed the outcomes of our sustainable management from the perspective of the entire process value chain, primarily in terms of the material issues identified through materiality assessment. Yuhan-Kimberly will do its utmost to become a good, but resolute company rooted in the value of sincerity while relentlessly pursuing innovation. We always appreciate your unstinting support and interest. Thank you.

August 2013 KyooBok Choe  
President & CEO of Yuhan-Kimberly

최규복

# Vision and Core Values

In 2010, Yuhan-Kimberly announced its Vision 2020, entitled 'Our Belief for a Better Life'. We have subsequently and continuously embodied the objectives needed to attain this vision. Last year, we declared 2012 to be the year of challenge and creativity to secure the foundation for sustainable growth, and we have strived to attain our new goal of becoming a 'Great Life-innovating Company'.

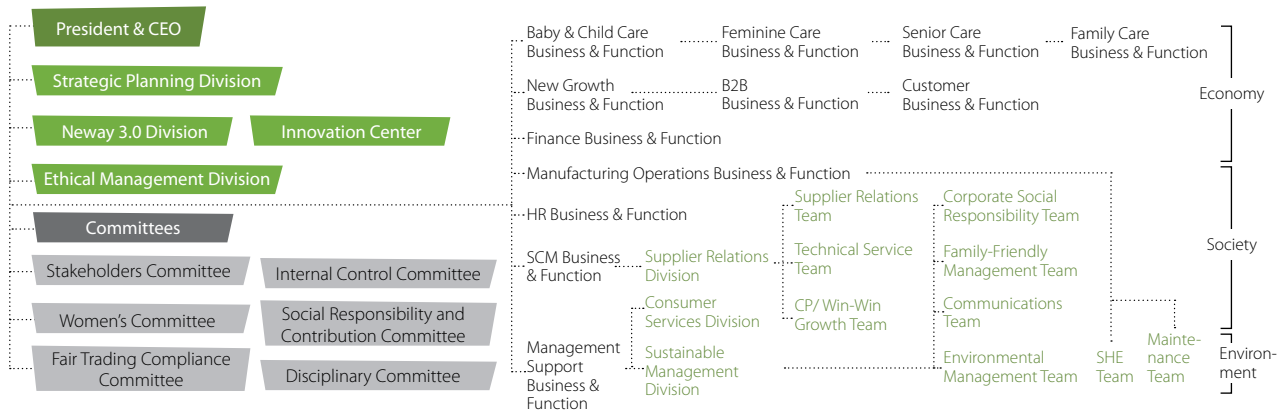
## Yuhan-Kimberly's Vision House



# Organization and Business of Social Responsibility Management

Yuhan-Kimberly runs Sustainable Management Division, an organization exclusively for social responsibility management. Comprising four teams (Social Cooperation Team, Family-Friendly Management Team, Communications Team and Environmental Management Team), the Sustainable Management Division embodies Yuhan-Kimberly's commitment to social responsibility management and its implementation. We continue to strengthen our social responsibility management organization. In 2012, we installed Ethical Management Division directly under CEO control and launched Technical Service Team under the Supplier Relations Division.

## Social Responsibility Management Organization (As of Aug. 2013)



# Corporate Governance

## Governance overview

Yuhan-Kimberly is a joint company comprising Yuhan Corporation and Kimberly Clark, who hold a 30% and 70% stake, respectively. Not being listed on the stock exchange, Yuhan-Kimberly is composed of two stockholders in the proportion of 5:2. With the first female director appointed in 2013, the company's board of directors is healthy in terms of diversity thanks to the mix of foreign and domestic directors. As of the end of 2012, 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 2012.

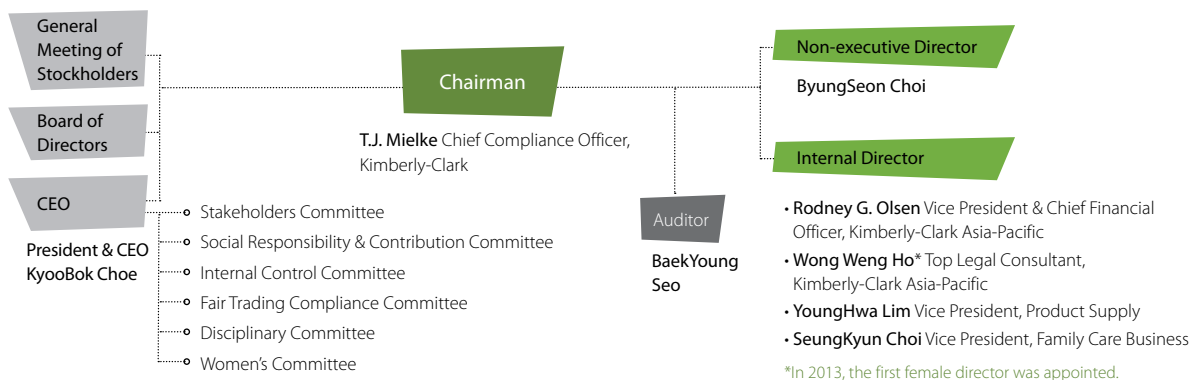
The board of directors discusses various matters related to stockholder relations (e.g., investment, constitution of the board of directors and profit distribution), and committees led by the CEO discuss a variety of economic, social and environmental issues and reflect on the opinions of internal and external stakeholders. Through this, the board and committees address the company's problems related to the governance structure of a joint company. In 2012, Yuhan-Kimberly also installed the Social Responsibility and Contribution Committee.

## Constitution and compensation of the Board of Directors

The board of directors is a body that makes decisions on the matters stipulated in laws or articles of association as well as important matters related to business management. The board is composed of seven directors and one auditor, who are appointed by the general meeting of stockholders on the basis of professional expertise in management and accounting. Appointed directors supervise the company's management, while the auditor checks the activities of the directors. The board of directors complies with Korean commercial law regarding corporations. Important matters that require the approval of stockholders, such as major investment decisions and entry into new business areas, are determined by a majority of votes, and any director who has a conflict of interest with respect to the item being discussed is excluded from voting in accordance with the articles of association.

In terms of compensation, 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 in accordance with the relevant policy matter stipulated within the annual remuneration cap of 4 billion won as decided at the general meeting held in March 2012. A board meeting is convened on a regular basis in accordance with the annual operation plan with urgent issues being addressed through special board meetings called on an ad hoc basis. In 2012, a total of five general meetings and board meetings were held, and the attendance rate of non-executive directors has been maintained at 60%.

## Constitution and Roles of the Board of Directors (As of March 1, 2013)



## The Highest governance body of social responsibility management

The full authority of business management of Yuhan-Kimberly is delegated by the board of directors to the company's president & chief executive officer (CEO), who is a professional manager. A CEO sets up objectives and strategies in economic, social and environmental areas, with economic, social and environmental impacts and risks supervised and managed through a vice-president meeting. In addition, to obtain advice and make decisions that reflect the voices of internal and external stakeholders, the Stakeholders Committee, which comprises experts in each area, is convened twice a year. The company also runs other committees under the control of the CEO to continuously manage performance and address problems in economic, social and environmental areas. Such committees include the Social Responsibility & Contribution Committee, Internal Control Committee and Fair Trading Compliance Committee.

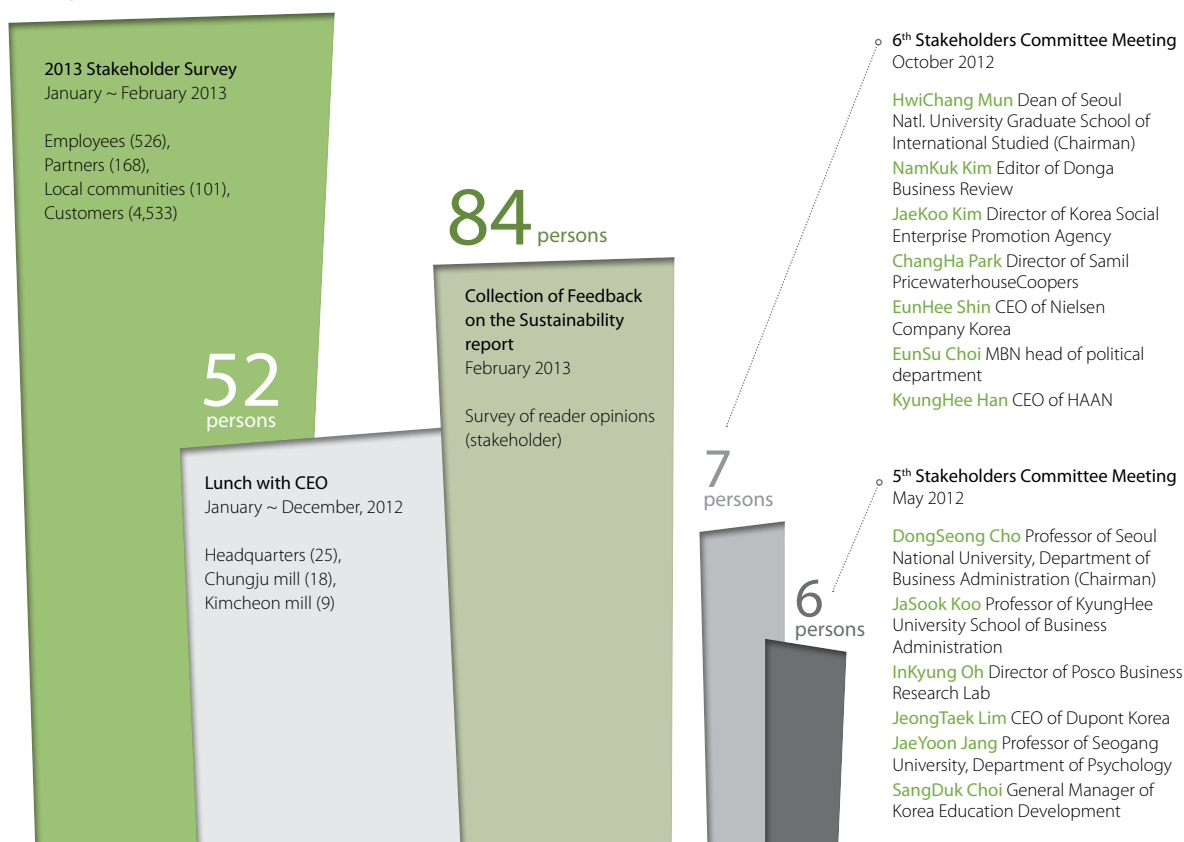


# Stakeholder Engagement

## Engagement and communication with stakeholders

Yuhan-Kimberly communicates with stakeholders through its website and annual Sustainability Report. In an effort to take on board the opinions of a wide range of stakeholders, the company has since 2006 conducted a survey with various stakeholders, including employees, partners, customers and local communities. The Sustainability Report undergoes independent assurance prior to publication and is subject to feedback following publication. In addition, since 2010, the company has held a Stakeholder Committee twice a year primarily with experts by topic area. Giving a voice to stakeholder concerns, as collected through various channels, ensures Yuhan-Kimberly continues to grow sustainably.

**5,328** persons



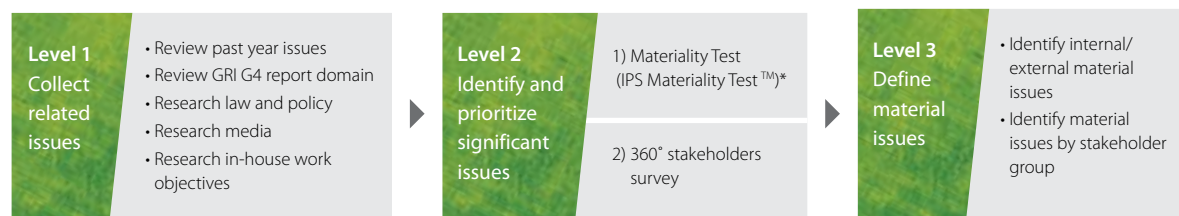
## Summary of Stakeholders Committee Meetings

	5th Stakeholders Committee Meeting (May 2012)	6th Stakeholders Committee Meeting (October 2012)
<b>Topic</b>	Yuhan-Kimberly embraces Challenge and Creativity	Yuhan-Kimberly embraces Challenge and Creativity II (Business Aspect)
<b>Description</b>	<ul style="list-style-type: none"> <li>• Establish a corporate culture that encourages challenge and creativity</li> <li>• Vitalize communication</li> <li>• Focus on the internalized and phased approach of challenge and creativity</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforce existing business to respond to external changes</li> <li>• Enter new business areas that leverage core capabilities</li> <li>• Add Creating Shared Value (CSV) to corporate social responsibility</li> <li>• Enter senior care business</li> </ul>
<b>Feedback and Action</b>	<ul style="list-style-type: none"> <li>• Reinforce smart work</li> <li>• Provide tablet PCs and support their use in work</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforce senior care business</li> <li>• Develop and introduce the Yuhan-Kimberly CSV model</li> </ul>

# 2013 Materiality Issues

This report deals with material issues identified based on the opinions gathered from internal and external stakeholders. Materiality testing is a method to prioritize issues surrounding a company based on their materiality. An innovation for the materiality assessment in 2013 is that material issues have been selected based on the results of a survey conducted with all stakeholder groups, including employees, customers, (upstream and downstream) partners and local communities. Yuhan-Kimberly will publish a report that addresses the issues identified as important among stakeholders based on the results of the survey. The survey results will also be the basic data referenced in establishing corporate social responsibility strategies and objectives for 2014.

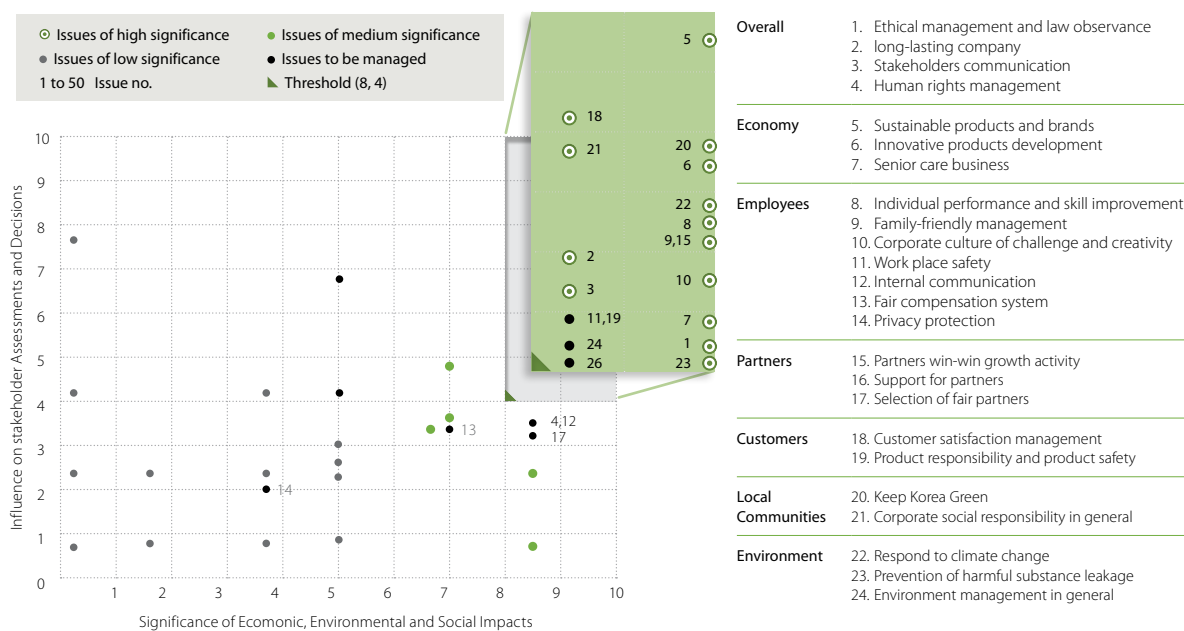
## Process of Defining Material Issues



\* **IPS Materiality Test™** / A materiality test model developed by The Institute for Industrial Policy Studies (IPS) in 2006 for the development of sustainable management strategies and preparation of sustainability reports. It identifies issues suitable to the characteristics and status of a company through phased testing.

## Materiality test

The material issues of the 2013 Sustainability Report have been identified according to the combined results of the materiality test and 360° stakeholder survey. In addition to the issues identified to be of high significance, this report also presents other issues to be managed. The issues to be managed are selected by using the threshold concept\* introduced in GRI G4 Guidelines; four issues of middle significance placed above the threshold (8, 4) and five stakeholder's material issues not included in the issues of higher significance, which were selected as the issues to be managed. In determining the threshold, Yuhan-Kimberly set 8 points for internal issues and 4 points for stakeholder issues in an effort to reflect a wider spectrum of opinions from its stakeholders.



\* **Threshold** / GRI G4 Guidelines set a threshold point for significance of economic, environmental and social impacts and for greater impact from stakeholder assessment and decisions, and recommend reporting issues positioned above the threshold as material issues.

# Yuhan-Kimberly's Commitment to the 10 UN Global Compact Principles for 2012

Since signing to the UN Global Compact in 2007, Yuhan-Kimberly has complied with the ten UN Global Compact Principles and submitted our annual Communication on Progress (COP) every year. We will continue to fulfill our social responsibilities through preemptive implementation of these principles.

Category	Principles	Yuhan-Kimberly Regulations	2012 Performance
Human Rights	1. We support and respect the protection of internationally proclaimed human rights	<b>Protection of Human Rights</b> <ul style="list-style-type: none"> <li>• Management Policies [Respect of People]</li> <li>• Article 35, Personnel Rules and Regulations [Status Guarantee]</li> <li>• Code of Conduct [Considerations for Employees]</li> <li>• Article 27, Chapter 2, CBA [Relief of Unfair Disciplinary Action]</li> </ul>	<ul style="list-style-type: none"> <li>• Training on Code of Conduct (once a year)</li> <li>• Sexual harassment prevention training (1,600 persons completed the program)</li> </ul>
	2. We make sure that we are not complicit in human rights abuses	<b>Prevention of Human Rights</b> <ul style="list-style-type: none"> <li>• Guidelines to Selecting Business Partners [Ethical Soundness of Organization]</li> <li>• Items for Evaluation of Business Partners [Wage and Employment]</li> </ul>	<ul style="list-style-type: none"> <li>• Regular evaluation of business partners in the field of human rights</li> <li>• Introduction of Compliance program</li> <li>• Stakeholders survey_ Assessment of ethical management</li> </ul>
Labor	3. We uphold the freedom of association and the effective recognition of the right to collective bargaining	<b>Freedom of Association</b> <ul style="list-style-type: none"> <li>• Article 10, Chapter 2, CBA [Guarantee of Union Activities]</li> <li>• Article 11, Chapter 2, CBA [Prohibition of Unfair Labor Practices]</li> <li>• Article 66, Chapter 7, CBA [Labor Management Committee, Grievance Committee members and Grievance Committee]</li> <li>• Article 75, Chapter 9, CBA [Bargaining Principles]</li> </ul>	<ul style="list-style-type: none"> <li>• Labor union membership of 99%</li> <li>• Labor management committee on a quarterly basis</li> <li>• Grievance committee held</li> <li>• Wage negotiation once a year</li> </ul>
	4. We eliminate all forms of forced and compulsory labor	<b>Prohibition of Compulsory Labor</b> <ul style="list-style-type: none"> <li>• Article 21, Chapter 3: Service, Rules of Employment [Overtime, Night Work and Holiday Work]</li> <li>• Article 35, Chapter 4 CBA [Extended Hours, Night Work, Holiday Work]</li> </ul>	<ul style="list-style-type: none"> <li>• Extended time, holiday or night work are conducted under labor-management agreement</li> <li>• Prohibition of harmful and risky work and night duty for pregnant workers</li> <li>• Reflection to the items for evaluation of business partners (wage and employment)</li> </ul>
	5. We effectively abolish child labor	<b>Prohibition of Child Labor</b> <ul style="list-style-type: none"> <li>• Article 18, Chapter 3: Service, Rules of Employment [Labor Time]</li> <li>• Article 34, Chapter 4, CBA [Labor time]</li> </ul>	<ul style="list-style-type: none"> <li>• No employees of under 18</li> <li>• Reflection to the items for evaluation of business partners (wage and employment)</li> <li>• Selected the Child-Friendly Business (2013)</li> </ul>
	6. We eliminate discrimination in respect of employment and occupation	<b>Prohibition of Discrimination</b> <ul style="list-style-type: none"> <li>• Article 89, Chapter 9, Rules of Employment [Prohibition of Gender Discrimination]</li> <li>• Article 45, Chapter 5, CBA [Wage] Offer equal pay for work of equal value</li> <li>• Chapter 2, Code of Conduct [Considerations for employees]</li> </ul>	<ul style="list-style-type: none"> <li>• Female workforce ratio (office workers 35.1%, executives 18.8%)</li> <li>• The equal principle applied to the starting wage for men and women</li> </ul>
Environment	7. We support a precautionary approach to environmental challenges	<b>Environmental Precaution</b> <ul style="list-style-type: none"> <li>• Procurement Philosophies [Support for Procurement of Environment-Friendly Raw Materials and Production of Environment-Friendly Products]</li> <li>• Environmental Management Policies [Minimizing Environmental Load]</li> <li>• Environmental Management Policies [Prevention of Environmental Accidents]</li> </ul>	<ul style="list-style-type: none"> <li>• Annual green purchasing of 84.6 billion won</li> <li>• Environmental management training held for employees (272 employees)</li> </ul>
	8. We undertake initiatives to promote greater environmental responsibility	<b>Environmental Responsibility</b> <ul style="list-style-type: none"> <li>• Management Policies [Social Contribution] Spearhead environmental preservation campaigns</li> <li>• Chapter 2, Code of Conduct [Environmental Protection]</li> <li>• Procurement Philosophies [Realizing Mutual Benefits through Collaborative Partnership]</li> <li>• Environmental Management Policies [Leadership in Environmental Protection Campaigns]</li> </ul>	<ul style="list-style-type: none"> <li>• Forest protection campaign 'Keep Korea Green'</li> <li>• Partner win-win growth program</li> <li>• 15 years environmental management performance</li> </ul>
	9. We encourage the development and diffusion of environment friendly technologies	<b>Environment-friendly Development</b> <ul style="list-style-type: none"> <li>• Procurement Philosophies [Support for Production of Superior Products through Technological Innovation]</li> <li>• Environmental Management Policies [Continuous Environmental Improvement] Reduction, reuse and recycling efforts</li> </ul>	<ul style="list-style-type: none"> <li>• Release of sustainable products</li> <li>• Release of innovative products</li> </ul>
Anti-corruption	10. We work against corruption in all its forms, including extortion and bribery	<b>Anti-Corruption</b> <ul style="list-style-type: none"> <li>• Chapter 2, Code of Conduct [Scope of Gift and Entertainment]</li> <li>• Chapter 2, Code of Conduct [Prohibition Against Giving Gifts to Public Officials]</li> <li>• Article 11, Rules of Employment [Prohibition] Against accepting rewards, gifts, or entertainment from business partners</li> <li>• Section 2, Compliance Manual [Things to Consider by Business Type] and Section 4 [Practical Checklist]</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise-wide training on Code of Conduct</li> <li>• Anti-corruption training (online training separately provided)</li> <li>• Training on Compliance program</li> </ul>

# AGENDA 01

## What are Yuhan Kimberly's Sustainable Products?

# 33%

Sustainable products represent 33% of the entire Yuhan-Kimberly products.

### DMA

#### Disclosures on Management Approach

##### Materiality of sustainable products

There is a growing interest in product sustainability as the foundation for the corporate economy. Sustainability management reports published in Korea are also shifting from reporting on overall performance at the company level to reporting on economic, social and environmental performance at the product level. Accordingly, this report will also report the performance of Yuhan-Kimberly's sustainable products in each stage of raw material, manufacture, product performance, packaging and certification.

ranging from raw material to product certification. Our sustainable products are created through the cooperation of all our divisions related to production and sales, including R&E division and production mills and marketing divisions by product. In 2013, recognizing the importance of sustainable products, Yuhan-Kimberly is planning to prepare guidelines for the systematic development, production and management of products, and will continue to increase the ratio of sustainable products relative to overall product mix.

##### Yuhan-Kimberly's management approach to sustainable products

From the development stage of a product, Yuhan-Kimberly considers its impact on the environment and society, especially focusing on the management of product safety. Sustainable products are selected based on the result of sustainability assessment of a product by a systematic process

##### Key performance in 2012

Yuhan-Kimberly defines and manages sustainable products and will continue to carry out the development and performance management of sustainable products. We will set up and manage quantitative goals such as the number of products and sales amount.



**Develop Sustainable Products**

- Establish guidelines to sustainable product development
- Sustainable products account for 33% of the entire products



**Source Sustainable Raw Materials**

- Ratio of recycled material usage 29.1%
- Expand sustainable material usage (Organic material, Edible material, Non-additive material)



**Certify Sustainable Products**

- Carbon Footprint certification \_ Huggies Nature Made
- ECO-CERT products \_ Bebe de Foret
- Korea Eco-labeling certification \_ 26 products



**Use Sustainable Packaging Materials**

- Reduce packaging space \_ TN
- International Package Design Awards 2012 \_ Bebe de Foret
- Reduce the use of packaging material \_ Senior supplies

# Yuhan Kimberly's Sustainable Products

## Yuhan Kimberly's sustainable products

Yuhan-Kimberly divides the production process into five stages (raw material, manufacturing, product performance, packaging and product certification), and selects sustainable products by assessing the economic, social and environmental performance of products for each stage. In 2013, Yuhan-Kimberly has a total of 339 sustainable products in 29 brands across 6 product categories, which represent 33%\* of its total products.



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

## How is Yuhan Kimberly's Senior Care Business Going?

As of 2013, Yuhan-Kimberly is providing consultation services regarding commercialization to a total of four selected small and medium sized enterprises (SMEs).



### DMA

#### Disclosures on Management Approach

##### Materiality of senior care business

Statistics Korea forecasts that by 2050, the Korean population will reach an average age of 53.4 with the ratio of the population aged 65 or above increasing dramatically by 38.2%. As population aging accelerates, there is a growing active senior segment of the population aged 50 or above who seek products that can ease the inconveniences they face day-to-day resulting from aging. Yuhan-Kimberly has prepared for the growing active senior market, reinforcing and managing the business as a core business area in the future. In 2012, in line with such efforts, the company installed its first own production line at Chungju mill.

##### Yuhan-Kimberly's management approach to senior care business




Yuhan Kimberly's senior care business is broadly divided into the senior pants business and senior supplies business. The former aims to support active seniors to carry out social activities more vigorously through their retirement, while

the latter aims not only to improve the employment and income of aged segments of the population and make life more convenient for them on a day-to-day basis, but it also aims to support small and medium sized enterprises to find a market and increase their sales. Yuhan-Kimberly will continue to conduct R&D and investment to attain its goals of both growth and addressing social issues at the same time by preemptively responding to the senior care market, which is anticipated to grow as a core consumption market in the next 10 years.

##### Key performance in 2012

Yuhan-Kimberly regards the senior care business as a business that's critical to attaining Vision 2020, and is planning to utilize it as a business model to address social issues. Together with sales, therefore, we also include the creation of jobs for seniors in the evaluation of the performance of the senior business.

#### YK's senior business performance management

 Attain Vision 2020	 Opportunity for Win-win Growth	 Opportunity for Job Creation
<b>Increasing sales of senior care business</b> <ul style="list-style-type: none"> <li>Senior care business sales in 2012: 18.96 billion won</li> <li>1.34% of the total sales</li> </ul>	<b>Senior supplies</b> <ul style="list-style-type: none"> <li>Selected 50 SMEs in 2012</li> <li>Selected final 4 SMEs to receive consulting on commercialization process</li> <li>1,548 Golden Friends members</li> </ul>	<b>Creation of senior employment</b> <ul style="list-style-type: none"> <li>52 employees aged 55 or above in 2012</li> <li>3 senior supplies sales persons in 2012</li> <li>Planning to hire 19 employees from seniors in 2013</li> </ul>

# Promotion of Senior Care Business

## What is Active Senior?

A generation who enjoys activities and hobbies which promote their health and who have sufficient time to do so following retirement and their children leaving home. They have the desire of self-realization in a new chapter of their lives.

## Improvement of the quality of life for active seniors - Senior Style Pants

Yuhan-Kimberly launched senior style pants, which are disposable pants that escape from the negative image of senior underwear products such as adult diapers and incontinence pants. The new 'Defend Style Pants' is a product developed to improve the negative image of incontinence among consumers. They are just like normal pants, soft to the touch and enabling a natural body line and active movement.

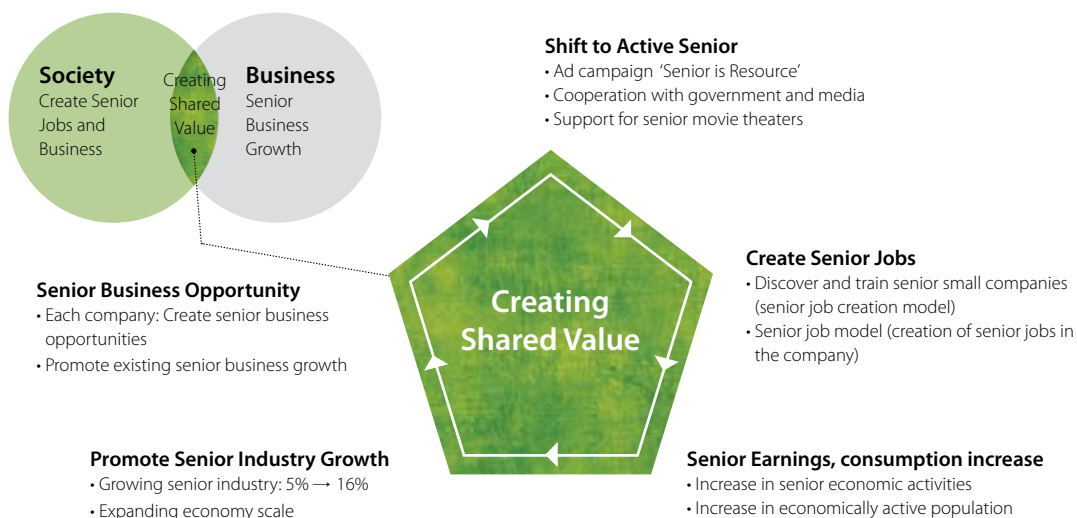
## Introduction of 'Creating Shared Value(CSV)' model - Senior supplies

Yuhan-Kimberly has pursued win-win growth with small and medium sized manufacturers of senior supplies through its senior supplies business. We find and foster small and medium sized enterprises which have difficulties driving sales due to weak marketing and sales capabilities, despite possessing outstanding technologies and ideas, and are supplied with products from them. For this, we are currently developing an open sourcing site to identify good manufacturers of senior supplies.

# Yuhan-Kimberly's Creating Shared Value (CSV) Management

Yuhan-Kimberly pursues a 'Creating Shared Value (CSV)' management model whereby the company promotes its senior business while contributing to addressing the pressing social problem of aging in Korean society. CSV in essence means creating shared values to open up new business opportunities in the course of addressing social problems. This model originated in the idea that the social issues involved in an aging society can be an opportunity, rather than a problem, and that, from this perspective, if seniors become active seniors, they will contribute to resolving the perceived problems to do with aging. CSV aims to contribute to the development of society as a whole through creating new business. For this, Yuhan-Kimberly strives to expand senior employment by establishing 'senior occupation fund' and fostering small companies and social enterprises.

## Yuhan-Kimberly's CSV Mission and Concept



# AGENDA 03

## How is Yuhan-Kimberly Implementing Ethical Management?



Yuhan Kimberly's executive has upheld an Ethical Management pledge for 9 years running.

### DMA

#### Disclosures on Management Approach

##### Materiality of ethical management

Yuhan-Kimberly has implemented a variety of training programs and activities to internalize an ethical corporate culture.

##### Yuhan-Kimberly's management approach to ethical management

Yuhan-Kimberly has made continuous efforts to implement ethical management. In 2012, it installed an Ethical Management Division exclusively for ethical management and has put into practice ethical management by combining the new division organically with other related groups such as the Internal Control Team, Internal Control Committee and Fair Trading Compliance Committee. Every year, the CEO and President of Yuhan-Kimberly participates in the

CEO Ethical Management Pledge with other CEOs in Korea, emphasizing ethical management in his communication with the company's employees. Yuhan-Kimberly conducts enterprise-wide training on the Code of Conduct, and strives to establish a culture that regards accountability as critical to professional standing. Yuhan-Kimberly will continue to practice ethical management.

##### Key performance in 2012

Yuhan-Kimberly supports individual practice of ethics by sharing the Code of Conduct and the Compliance Manual, and responds to any unethical activities such as corrupt acts by summoning a Disciplinary Committee.

#### Ethical Management System



- General principles of ethics\_Code of Conduct
- Manual of Compliance Program
- Compulsory integrity agreement

#### Ethical Business Evaluation



- Immediate receipt and solution of grievances\_hotline
- Ethical management recognition survey\_85.5 points in 2012

#### Ethical Management Training



- Anti-corruption online lecture
- Training on Code of Conduct
- Sexual harassment prevention training
- Compliance Program online training
- Training on ethical management and compliance management

#### Ethical Culture



- Ethical Management Pledge of CEO and executive body
- Establishment of a culture that regards accountability as important
- Efforts to reinforce internal voluntary restraint



# AGENDA 04

## How is 'Keep Korea Green' Campaign Evolving?

- Phased efforts to attain the vision of planting 50 million trees

A total of 680 employees and their families have volunteered in tree planting activities.

680 people

### DMA

#### Disclosures on Management Approach

##### Materiality of 'Keep Korea Green'

Since its very first forest protection campaign to address social problems that was implemented when Korea's forests were still devastated by war and domestic poverty was still rife, Yuhan-Kimberly has relentlessly continued such campaigns over the last 29 years. The 'Keep Korea Green' campaign is recognized as Yuhan Kimberly's representative social contribution program and the oldest environmental management campaign in Korea.

Yuhan-Kimberly has planted all the trees in state-owned or public land. The 'Keep Korea Green' campaign has several sub-programs, including environmental education for the next generation, cooperative activities such as the restoration of foreign forests, and the management of urban and town forests, including the school forest campaign. The company continuously implements campaigns which are run successfully in association with major forest organizations across Korea.

##### Yuhan-Kimberly's management approach to 'Keep Korea Green'

Yuhan-Kimberly set a target of planting and growing 50 million trees, the number of Korean population, by 2014, which will be the 30<sup>th</sup> anniversary of its 'Keep Korea Green' campaign. We are currently in the process of finalizing an advanced plan aimed at creating forests in which humans, forests and culture all co-exist, to be unfolded post 2014.

##### Key performance in 2012

The 'Keep Korea Green' campaign is evaluated based on various quantitative performance indicators, and some parts of the evaluation, including campaign improvement plans, are managed in connection with the performance evaluation of division heads.



##### Attainment of Goal

- Planting 50 million trees by 2014
- As of 2012, total 46.81 million trees planted, 94% progress



##### Main Programs

- Planting and growing trees
  - Plant trees on public land
  - School forests
  - Urban/Town forests
  - Create forests in Mongolia
- Meeting between forests and human
  - Plant trees with Newlyweds
  - Youth green camp
- In-house participation and social dissemination
  - Employee voluntary service
  - 'Keep Korea Green' ads



##### Cooperative Group

- Forest for Life
- Northeast Asian Forest Forum
- Seoul Green Trust
- Korean Federation for Environmental Movement
- Green Korea
- Citizen's movement for Environmental Justice
- Eco Peace
- Forest of Peace

**03 REPORT ON PERFORMANCES OF  
SOCIAL RESPONSIBILITY MANAGEMENT**

Yuhan-Kimberly's sales in 2012 grew **8.3%** from a year earlier.

**Material economic issues**

Yuhan-Kimberly's materiality assessment for 2013 identifies Sustainable products and Innovative products development as a material issue in economy, and sustainable products have been selected one of the four agendas, which is described in more detail on page 12.

**Yuhan-Kimberly's management approach to economic issues**

As part of the vision of attaining sales of 5 trillion won by 2020, Yuhan-Kimberly maximizes economic performance through intensive management including focusing on KPIs. As economic performance is the key element of company performance, all organizations of the company are engaged in this and cooperate organically with one another to attain goals pursuant to its achievement.

**Key performance in 2012**

Economic performance is evaluated based on the quantitative performance indicators set up at the beginning of the year, and regular inspections encourage goal fulfillment.

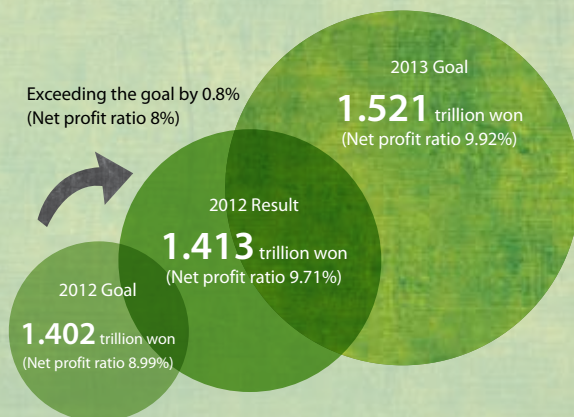


**Attainment of Goal**

Mid to long-term goal:

**Sales of 5 trillion won in 2020**

Exceeding the goal by 0.8%  
(Net profit ratio 8%)



**Core Strategies and Goals in 2013**



**Attraction and execution of investment**

- Approve the extension of UCTAD line and construction of automated warehouse (AS/RS) in Kimcheon mill
- Commence the operation of machine for Baby Wet wipes (Coform)
- Complete the automated warehouse (AS/RS) in Daejeon mill

**Reinforcement of the capability of existing core business**

- 7% growth from a year earlier
- Over 15% growth of diapers/pants sales online (Online market share of over 56%, up 5% from a year earlier)

**Accelerated vitalization of growth business and entrance into new markets**

- 20% growth from a year earlier (Including new business)
- 120% growth of senior pants sales
- 27% growth of baby wet wipes sales
- 430% growth of toilet wet tissues (My Bidet)
- 26% growth of youth skin care products

**Costs and expenses reduction by 30 billion won**

**Diversification of export items and destinations**

# Management Index by Numbers

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

Category		2008	2009	2010	2011	2012
Balance Sheet	Current Assets	4,793	4,965	4,337	4,805	5,246
	Non-current Assets	3,507	3,613	3,933	4,210	4,534
	Total Assets	8,300	8,579	8,270	9,015	9,780
	Current Liabilities	1,357	1,561	1,776	2,052	2,334
	Non-current Liabilities	132	166	0.49	151	362
	Total Liabilities	1,489	1,727	1,777	2,203	2,696
	Capital	2,000	2,000	2,000	2,000	2,000
	Capital Surplus	625	625	625	625	625
	Retained Earnings	4,186	4,227	3,868	4,187	4,460
	Total Stockholder's Equity	6,811	6,852	6,494	6,812	7,085
	Total Liabilities and Stockholder's Equity	8,300	8,579	8,270	9,015	9,780
	Income Statement	Sales	10,221	11,341	12,094	13,041
Cost of Goods Sold		6,350	7,102	7,839	8,713	9,093
Gross Profit		3,871	4,238	4,255	4,328	5,035
Selling and G/A Expenses		2,397	2,552	2,760	2,975	3,378
Operating Profit		1,474	1,686	1,495	1,353	1,657
Non-operating Profit		442	457	307	238	232
Non-operating Charges		304	211	490	163	161
Income Before Income Taxes		1,612	1,932	1,312	1,427	1,728
Income Tax Provision		459	442	370	309	355
Net Income		1,153	1,491	942	1,119	1,372

## Financial Index

Category	Index	Yuhan-Kimberly				Same line companies (large companies) average*			Manufacturing (large companies) average*		
		2009	2010	2011	2012	2009	2010	2011	2009	2010	2011
Growth	Increase rate of sales (%)	10.95	6.64	7.83	8.33	3.18	12.47	5.53	0.39	19.12	14.33
	Increase rate of Tangible assets (%)	3.26	8.26	-5.42	8.71	7.59	8.33	2.62	6.57	11.65	9.45
	Increase (Decrease) rate of Net income (%)	29.26	-36.84	18.79	22.69	-	-	-	97.64	-	-
Profitability	Ratio of operating profit to net sales (%)	14.87	12.36	10.37	11.73	8.92	5.51	3.57	6.43	7.67	6.13
	Ratio of net profit to net sales (%)	13.15	7.79	8.58	9.71	5.68	3.60	0.72	5.77	7.12	4.74
	Return on Assets (ROA, %)	17.38	11.39	12.41	14.03	4.75	3.25	0.66	5.73	7.91	5.41
	Return on Equity (ROE, %)	21.82	14.11	16.81	19.37	8.72	6.14	1.30	11.50	15.48	10.38
Safety	Current ratio (%)	318.14	244.20	234.22	224.78	122.3	119.19	104.58	116.81	117.59	118.41
	Quick ratio (%)	251.98	165.39	174.19	168.79	90.20	79.23	70.69	90.56	88.11	86.86
	Debt ratio (%)	25.20	27.36	32.33	38.05	83.59	92.82	102.08	100.83	91.26	92.60
	Fixed assets to long-term capital ratio (%)	51.49	60.57	60.46	60.89	92.25	93.36	98.05	91.26	91.17	90.55
Activity	Total asset turnover ratio (times)	1.32	1.46	1.45	1.44	0.84	0.90	0.91	0.99	1.11	1.14
	Receivables turnover ratio (times)	9.68	9.61	9.17	9.80	6.39	6.93	6.49	6.99	7.60	7.31
	Inventories turnover ratio (times)	10.29	9.94	9.91	10.81	10.12	9.61	8.91	11.06	11.75	11.04
	Tangible assets turnover ratio (times)	3.39	3.34	3.81	3.79	1.55	1.65	1.70	2.76	3.09	3.21

\* 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.

# Status of Innovative Products and New Products

## Status of new products

Each year, Yuhan-Kimberly develops new products for customers and the environment through relentless product innovation. In 2012, the company released a variety of sustainable products, such as Green Finger Bebe de Foret (organic cosmetics), the organic line of Good Feel (feminine napkin), Hand and Face (wet wipes made from edible material), and Depend Style pants (senior care product), as well as innovative products created by combining different functions, such as SCOTT® Reusable Towel.

## Yuhan-Kimberly's innovative products 'SCOTT® Reusable Towel' and 'My Bidet'

The reusable towel is an innovative product that can reduce product usage and waste thanks to its wet strength which is three times greater than normal kitchen towel products. This superior performance was realized through a special method combining pulp with non-woven fabric, while two times higher wet absorption enables its reuse.

My Bidet, a toilet wet tissue, was released based on the result of a survey that 65% of consumers are not satisfied with using only toilet paper. Combining the merits of toilet paper and bidets, My Bidet loosens easily in water in a toilet bowl. It is an innovative product that can bring changes to the way we use the toilet.



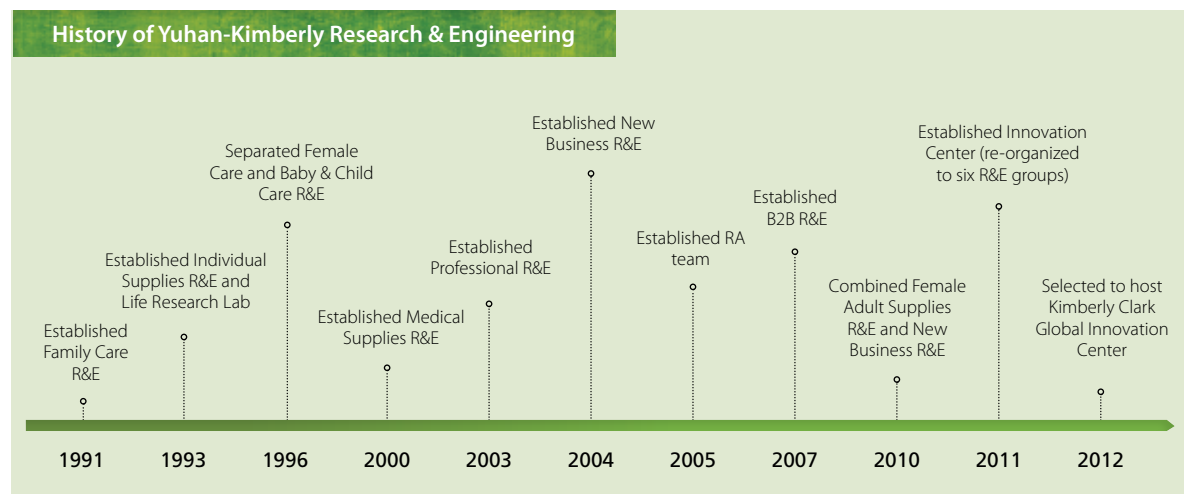
SCOTT® Reusable Towel  
(Released in July 2010)

My Bidet (Released in February 2013)

# Innovation Management, Creative Management

## Innovation Center, the center of future product innovation

Yuhan-Kimberly opened the Innovation Center in Jukjeon, Gyeonggi Province in 2011 for product innovation and creation. At present, the center has six product development teams (Family Care, Feminine Care, Baby & Child Care, Skin Care, Senior Care and B2B) and one Regulatory Affairs (RA) team, striving to develop new products. The center currently has a total of 57 research scientists, 39% of whom are women.



Yuhan-Kimberly provides each employee with an average of **159 hours** of training to reinforce their professional capabilities.

**Material social issues**

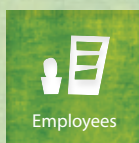
Yuhan-Kimberly manages four categories of social issues: employees, partners, customers and local communities. We identify material issues by category through materiality assessment, including Keep Korea Green, Individual performance and skill improvement, Family-friendly management, Partners win-win growth activities, Customer satisfaction management, and Corporate culture of challenge and creativity. This report is primarily focused on such issues.

**Yuhan-Kimberly's management approach to social issues**

Yuhan-Kimberly manages social performance indicators primarily with regard to material issues by major stakeholder. With the exception of stockholders, we manage all stakeholders including employees, partners, customers and local communities. Yuhan-Kimberly's social performance management is implemented by several company-internal organizations such as the Supply relations Division, Consumer Services Division, Sustainable Management Division, and HR & Management Support Business & Function. In particular, we have introduced a system of family-friendly management and strive to assimilate it as part of the salient corporate culture to support a harmonious work & life balance for our employees. We also pursue socially responsible growth with our business partners by introducing various policies aimed at supporting that. We also seek customer satisfaction and make it our priority to realize socially responsible growth with local communities, and we have developed and run various programs and projects specifically designed for this purpose.

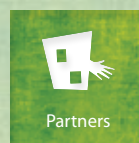
**Key performance in 2012**

Yuhan-Kimberly has established strict internal policies in accordance with legal requirements, and actively assesses and manages its social performance through such policies. Since 2006, we have conducted a Stakeholder Survey on a yearly basis, sharing any problems identified as part of this with management, and striving to make improvements, as appropriate.



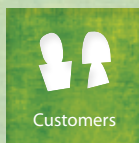
Employees

- **Safety First** Industrial disaster rate 0.06%
- **Training** 159 hours per employee on average
- **Lifelong learning** Provision of tablet PC to all employees
- **Family-friendly** Maternity leave use rate 88%  
Rate of return to work after maternity leave 100%



Partners

- **Procurement from local suppliers** 36.4% of the entire purchase amount
- **Partner assessment** The item of social responsibility added
- **Win-win growth academy** 6 sessions, participated by total 36 partners
- **Win-win growth partnership program** Participated by total 34 partners
- **Partner sustainability report** 4 partners



Customers

- **Listen to customers** Mobile customer support center
- **Customer satisfaction survey** 98% satisfaction out of 1,243 respondents
- **Product safety** Safety clearance system
- **Customer grievance** Total 137,830 cases handled, 6% reduced



Local Communities

- **Protection of forests and environment** Keep Korea Green
- **Mecenat** Literature House (Seoul)
- **Family-friendly activities** School for Newlyweds 204 persons and School for Senior couples 160 persons
- **Women friendly activities** Female leader training 71 persons
- **Solution to polarization** Opening of Hope Bank
- **Voluntary social responsibility activities** Total 119 cases, participated by total 2,401 persons

# Reinforcing Competitiveness through Communication and Training

Yuhan-Kimberly has a total of 1,690 employees (as of December 31, 2012). By type of occupation, production workers and office workers represent 59.4% and 40.6%, respectively, and the average continuous time with the company among employees is 16.3 years. Newly hired employees in 2012 total 55 people, including 6 non-regular workers, and the ratio of new female workers relative to all new recruits is 36.4%. The employment creation rate has increased for the last 5 years, with expansions to the employment ratio of disabled and female workers.

## Employment Status by Numbers

Classification		2005	2006	2007	2008	2009	2010	2011	2012
Employment	Employees (person)	1,680	1,706	1,695	1,689	1,688	1,663	1,656	1,690
	Employment of the disabled (%) <sup>1)</sup>	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.5
	Contract employees (person)	19	24	19	9	2	1	1	6
	Job creation rate (%) <sup>2)</sup>	4.9	1.5	-0.6	-0.4	-0.24	-1.48	-0.42	2.11
	Average continuous service year (year)	11.8	12.6	13.3	14.0	13.9	15.9	15.7	16.3
	Average working hours per month (hour)	184	182	183	184	181	180	179	180
	Average number of days absent	5	11	5	1	0	0	6	0
	Loss days <sup>3)</sup>	378	130	329	190	0	163	479	244
New Employment	New employees (person)	111	69	25	44	13	12	51	5
Retirement	Retirement rate (%)	-	-	-	2.3	1.5	1.98	1.21	1.18
Female Employment	Number of female employees (person)	260	268	266	270	263	263	273	283
	Percentage of females in total workforce (%)	15.5	15.7	15.7	16.0	15.6	15.8	16.5	16.7
	Percentage of females at senior management level (%)	3.5	3.4	15.7	17.1	17.1	17.6	17.7	18.8
	Percentage of females in total office employees (%)	40.4	39.4	39.9	40.1	33.7	33.9	35.3	35.1
	Percentage of females in new recruit (%)	21.0	29.4	48.0	31.0	20.0	55.6	52.0	36.4
Maternity/ Childbirth	Maternity leave usage rate (%)	100	100	100	100	100	100	100	100
	Maternity leave users (person)	18	21	25	33	31	29	24	25
	Return-to-work rate after maternity leave (%)	100	100	100	100	100	100	100	100
	Baby care leave users (person) *	1	1	5	15	17	20	22	23
	Female employees baby care leave usage rate (%)	0.0	4.8	20.0	45.5	51.6	68.9	91.7	88.0
	Return-to-work rate after baby care leave (%)	100	100	100	92.3	100	100	100	100
Labor	Number of employees joining the labor union (person)	961	961	953	945	939	935	903	887
	Rate of employees joining the labor union (%) <sup>4)</sup>	80.4	80.5	80.0	83.4	83.7	88.0	88.0	99.0*
Work Safety	Industrial disaster rate (%) <sup>5)</sup>	0.18	0.12	0.06	0.06	0.0	0.18	0.06	0.06

\* No male employees used baby care (paternity) leave in 2012.

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** are 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) X100. 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.

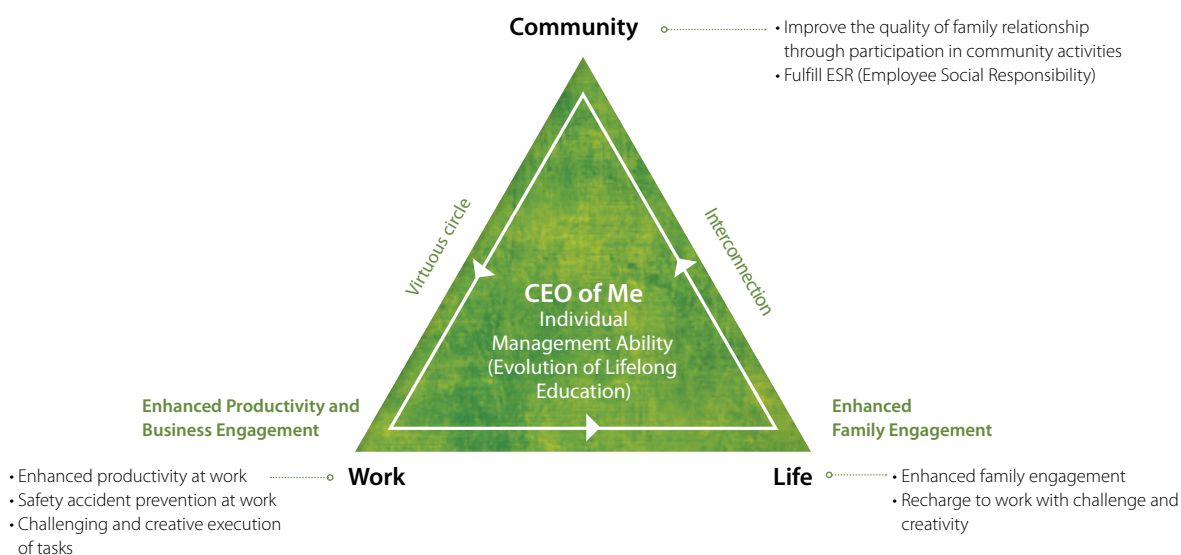
5) **Ground for calculation of industry disaster rate** / (number of accidents) x 100 / number of full-time workers

# Family-friendly Management

## Reinforcing family-friendly management to implement 'Accountability and Contribution'

Since the early 1990s, Yuhan-Kimberly has run a flexible work system and lifelong learning system that includes support for marriage, childbirth, child care and retirement among employees in appreciation of the burden of family responsibilities for each stage of the life cycle and to help its employees maintain a healthy and growing family. With the establishment of our vision 2020 in 2010, we have reinforced our implementation of family-friendly management as one of the two most critical parts for the enactment of our core values of accountability and contribution. In 2012, we decided to more clearly define the concept of family-friendly management to improve family engagement and consequently contribute to local communities. CEO of Yuhan-Kimberly was awarded the Order of Civil Merit in recognition of the contributions to addressing low fertility rate and promoting family-friendly services on July 11, 2012 at the 1<sup>st</sup> Population Day Ceremony.

## Concept of Yuhan-Kimberly's Family-friendly Management



## Opening of 'Fathers School' for better care-giving fathers

Considering it important to improve fathers' ability to assume the role of care-giver within the family as a solution to overcoming the low birth rate and vitalize family-friendliness, Yuhan-Kimberly held Fathers School in May and October, 2012, under the topic of 'A happy father makes a happy workplace'. In this program, a total of 20 male employees completed the program, learning how to understand and communicate with their children and take care of themselves. To improve fathers' ability to take care of their children, Yuhan-Kimberly will continue to hold Fathers School, disseminating cases of best practice.

**Note:** Yuhan-Kimberly is a family-friendly company certified by the Korean government (Ministry of Gender Equality and Family). The company obtained certification first in 2008, and has continued to obtain recertification subsequently.

## The first 'Family Engagement Survey' to disseminate family-friendly culture

Yuhan-Kimberly established a family-friendly management model for its employees and their families and conducted the family engagement survey with employees and spouses for the first time since its establishment. The results of the survey, which was participated in by a total of 460 people, showed that Yuhan-Kimberly employees' satisfaction with family engagement was as high as 91%. This result has been utilized as the basic data to establish family-friendly management systems and culture.

Yuhan-Kimberly will strive to reduce GHG emissions by 30% over business as usual (BAU) by 2020. It also makes efforts to attain **30%** growth of green product sales.

#### Material environmental issues

According to the result of its materiality assessment, Yuhan-Kimberly's material issues in environment include Respond to climate change, Prevention of harmful substance leakage and Environmental management in general.

#### Yuhan-Kimberly's management approach to environmental issues

In 1996, Yuhan-Kimberly launched a system of environmental management and has ever since continuously run an exclusive environmental management team. In 2011, the company brought in the Environmental Management Team in the Sustainable Management Division for the integrated management of sustainable management. The Environmental Management Team has participated in the pilot carbon emissions trading scheme since 2011, taking a leading role and producing strong results. It also strives to reduce the usage of resources and the amount of waste. In addition, based on the company's low carbon vision set in 2009, the team will respond to environmental issues by establishing key performance indicators (KPIs) from the perspective of climate change, products and business sites for the period up to 2020.

#### Key performance in 2012

Yuhan-Kimberly was designated as a company to be managed in accordance with the Low Carbon Green Growth Act and has evaluated and managed the relevant indicators based on the standard operation procedure for GHG energy management by objective. Accordingly, every year we are assigned with an allowable emission limit for GHG and energy, set reduction goals by work site and fulfill our obligations in accordance with the plan.



#### Respond to Climate Change

- **GHG reduction** Down 1% from a year earlier
- **Carbon emission exchange pilot project** 4% of total exchange volume, 24.8 billion won
- **Logistic energy management by objective** Down 7% from a year earlier



#### Reduce Disposal

- **Waste recycled** 46,329 ton
- **Recycled paper used** 29.1% of total raw material
- **Water reused** 1,873,000 ton



#### Reduce Energy

- **Tolerable energy emission in 2013** 3,168TJ
- **Energy reduction amount in 2012** 12.6 TJ
- **Energy reduction investment amount** 2.06 billion won



#### Manage Harmful Substances

- **Harmful substances management** Total 3 kinds
- **Hazard evaluation and monitoring**
- **Install barricade wall for leakage prevention**
- **Prepare scenario about leakage situations and train**
- **Harmful substance leakage incidences in 2012**  
None



# Respond to Climate Change

In preparation for the estimated GHG emission in 2020 (BAU\*), Yuhan-Kimberly has established a goal of reducing GHG by 30% and increasing sales of green products by 30%. Accordingly, we have improved its production process, and participated in various projects such as a GHG early reduction project, pilot project for emission exchange, and logistic energy management by objective project. In 2010, Yuhan-Kimberly was designated as a company to be managed in accordance with the Low Carbon Green Growth Act, and in March 2012, submitted to the government the statement of GHG emission and energy usage for 2011 after receiving independent assurance. The company was assigned with Greenhouse gas Emission Allocation, from the government in October 2012, and submitted the implementation plan to the government in December, and has implemented the project according to the plan since then. Our three mills subject to the project - Kimcheon, Daejeon and Chungju mills - exceeded their GHG emission and energy usage goals for 2012 by 0.8% and 8.6% respectively, posting GHG emissions of 166,875t CO<sub>2</sub>e and energy usage of 3,244TJ.

## Low Carbon Vision and Road Map

### Green Operation

#### Low Carbon Operation

##### Programs (mid-to long-term plan)

- Low carbon management system
- Carbon performance management system
- Web-based carbon emission management
- Use of renewable energy
- Energy optimization

- 1998 - Carpool campaign
- 2000 - Voluntarily agreed to energy saving and GHG emission reduction
- 2004 - Participated in GHG emission mock trading
- 2006 - Developed guidelines to green purchase
  - Carbon emission trading and reforestation study
  - Participated in GHG reduction performance registration program
- 2007 - Improved diaper packaging process
  - Registered GHG emission reduction business (Korea Energy Management Corporation)
  - Participated in research on GHG reduction potential (Korea Energy Economic Institute, Korea Paper Association)
- 2008 - Replaced part of energy sources with solar energy

- 2009 - Established GHG inventory\* (Daejeon, distribution)
- 2010 - Expanded GHG inventory (Gunpo, Kimcheon)
- 2011 - Established Green Office (Headquarters)
  - Climate change leadership training (participated by CEO)
  - Responded to GHG energy management by objective and objective negotiation (Ministry of Trade, Industry, and Energy)
  - Established Smart Work Center (Gunpo, Jukjeon)
- 2012 - January: Monitoring of emissions from work sites by month
  - April: Kimcheon mill applied integrated material manufacture process
  - May: Daejeon and Chungju mills replaced light fixtures with LEDs.

### Green Product

#### Low Carbon Products

##### Programs (mid-to long-term plan)

- Low carbon product development
- Carbon labeling
- Local material use
- Expansion of green marketing
- Use of environment-friendly material

- 1993 - Participated in Korea Eco-labeling certification
- 2000 - Tissue LCA
- 2001 - Diaper LCA
- 2003 - DTP LCA
- 2007 - Environment-friendly diaper LCA
- 2008 - Participated in mid-and long-term industrial roadmap development project ((Korea Energy Economic Institute, Korea Paper Association)
  - Feminine napkin LCA
- 2010 - Participated in energy management system standardization project (Korea Paper Association)
  - Introduced carbon footprint system

- 2011 - Nature Made obtained Carbon footprint certification
  - Signed Green Card MOU (Ministry of Environment)
  - Obtained Green Star certification
- 2012 - August: Localized production of Defend Style Pants
  - October: Diaper LCA
  - November: Hand towel products obtained Korea Eco-labeling program
  - December: Reduced package usage of TN by reducing packaging space

### Green Society

#### Low Carbon Society

##### Programs (mid-to long-term plan)

- Voluntary carbon credit
- Support for government policy development
- Keep Korea Green campaign
- Participation in CDP
- Climate change communication

- 1984 - Keep Korea Green campaign
- 1985 - Planted trees with newlyweds
- 1988 - Green Korea, Green Childrens campaign
- 1995 - School Forest campaign
- 1999 - Forest Restoration campaign for prevention of desertification
- 2000 - Hosted the national conference of Beautiful Forest (Forest for Life, Korea Forest Service)
  - Opened website for forest related information
  - Youth Green Camp
- 2002 - Launched City Forest campaign
- 2005 - Bicycle ride campaign (Daejeon mill)
- 2009 - Kimberly Clark awarded for its bicycle ride campaign
  - Participated in low-carbon green consumption campaign (hosted by Home Plus)

- 2011 - Signed MOU for pilot project for emission trading in the industrial development category (Ministry of Trade, Industry and Energy)
  - Participated in pilot project for GHG emission trading
  - Signed an agreement for logistics energy management by objective (Ministry of Land, Transport and Maritime Affairs, Korea Transportation Safety Authority)
  - Daejeon mill selected Green Wheel Workplace (Ministry of Environment)
- 2012 - April: Each work site planted trees in their respective area
  - July: Participated in pilot project for emission trading in industrial development category

### Green SCM

#### Low Carbon Supply Chain

##### Programs (mid-to long-term plan)

- Quantification of GHG emissions from supply chain
- SCM base optimization
- Green partnership
- Vitalize transportation of preceding distribution/replication

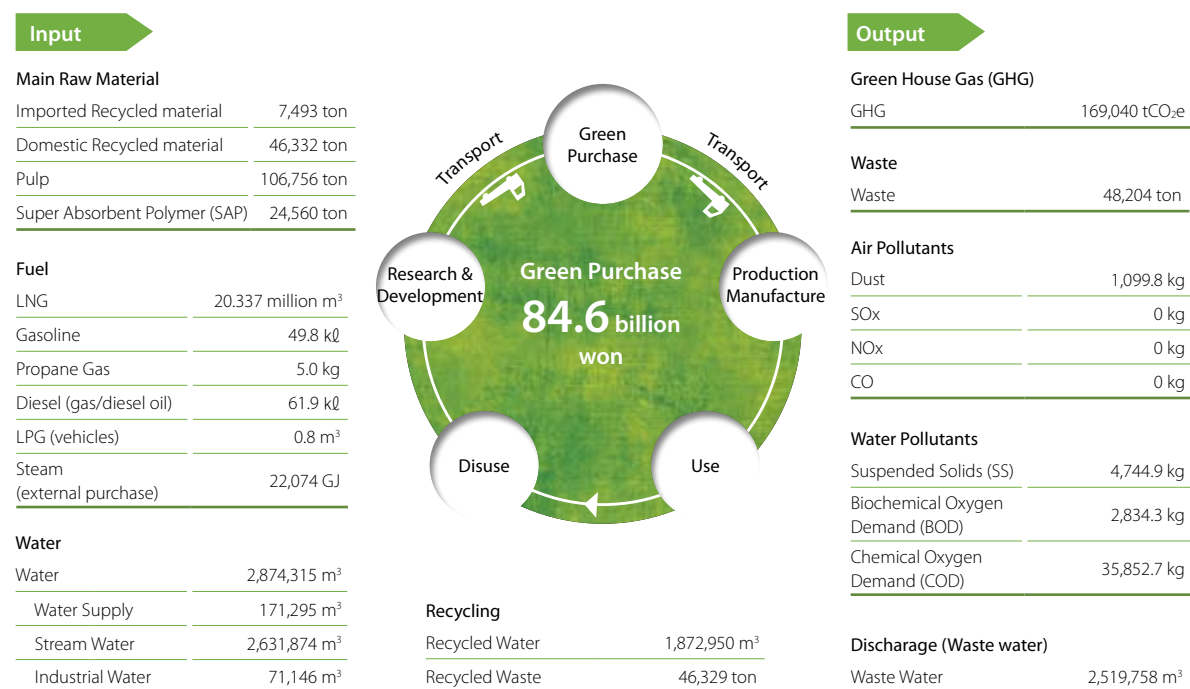
- 2003 - Partners cleaner production skills relocation diffusion business (2003~2006)
- 2009 - Introduced system for supply chain carbon footprints
  - The first Support Supply Chain Carbon Management (SCCM)

- 2010 - The second Support Supply Chain Carbon Management (SCCM)
  - Established green logistics strategy
- 2011 - Continued SCCM project.
- 2012 - Improved efficiency through optimization of palletes
  - December: Applied for Green Credit program.

\* BAU (business as usual) /The amount of emission estimated when any special action is not taken.

\* Inventory / A list of GHG emissions estimated based on the GHG sources, direct and indirect, within the scope of business activities. The Kyoto Protocol defines six greenhouse gases. Scope 1 refers to direct emission from fixed or mobile combustion sources, Scope 2 refers to energy indirect emissions from purchase of electricity, steam, etc., and Scope 3 refers to other indirect emissions.

# Material Flow



## Trends in Environmental Performance over 15 years (1998~2012)

Category		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
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	
	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	1.0	
Water Usage (m <sup>3</sup> /product ton)		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	
Recycle	Ratio of Domestic Recycled Fiber (%)	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	
	Ratio of Recycled Water Usage (%)	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	
Water Purity Control	Treated Water Discharge (m <sup>3</sup> /product ton)	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	
	Water Pollution Emission (kg/product ton)	Total Suspended Solids	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
		Biochemical Oxygen Demand	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
		Chemical Oxygen Demand	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
Solid Waste Generation(ton/product ton)		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	
Green House Gas Reduction	Total Emission of CO <sub>2</sub> (1,000 tCO <sub>2</sub> e/year)	-	151	139	160	175	170	163	168	156	155	161	164	179	171	169	
	Unit Emission of CO <sub>2</sub> (CO <sub>2</sub> e/product ton)	-	-	-	0.909	0.875	0.863	0.867	0.879	0.800	0.742	0.720	0.741	0.844	0.808	0.723	
	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	
Air Purity Control	NOx (kg/product ton)	1.175	0.851	0.577	0.506	0.467	0.506	0.449	0.409	0.152	0.066	0.053	0.028	0.070	-	-	
	SOx (kg/product ton)	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	-	-	
	Dust (kg/product ton)	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	

# Independent Assurance Statement

We were engaged by Yuhan-Kimberly Co., Ltd. ('YK') to provide independent assurance on the information presented in Sustainability Report 2013 ('the Report'). YK is responsible for preparing the Report, including the identification of stakeholders and material issues. Our responsibility is to provide an opinion on the Report.

## Our engagement was designed to provide limited assurance on whether:

1. YK has applied the "GRI Principles for Defining Report Content";
2. The information in the Report is fairly stated in all material respects, based on the reporting criteria set out in 'About This Report'.

The scope of our engagement conforms to the KPMG Sustainability Assurance Manual™(KSAM™)\*, including the aspect of "materiality".

With regard to the financial data, our procedures were limited to verifying that they were correctly derived from YK's audited financial statements. To obtain a thorough understanding of YK's financial results and position, the audited financial statements of YK for the fiscal year ended 15 March 2013 should be consulted.

In preparing the report, YK applies the Sustainability Reporting Guidelines(G4) of the Global Reporting Initiative(GRI) and referred to BEST Guideline, UN Global Compact and ISO26000. (Assurance on the 2012 GHG emission data was performed separately)

We conducted our engagement in accordance with the ISAE3000\*.

Among other things, these standards contain requirements regarding the independence and competency of the assurance team.

We conducted our engagement in compliance with the requirements of the IFAC (International Federation of Accountants) Code of Ethics for Professional Accountants which requires, among others, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client. 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 similar engagements in the related industries.

## Our work included the following procedures:

- An evaluation of the results of YK's stakeholder engagement process
- An evaluation of YK's process for determining material issues
- Conducted media analysis and internet search for references to YK during the reporting period
- Interviews with selected managers to verify financial and nonfinancial data during the reporting period
- Review of internal documentation and data base, including the aggregation of data into information as presented in the Report
- With regard to the financial data included in the key figures, verified that they were correctly derived from YK's audited financial statements

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.

## On the GRI principles for defining report content:

### In relation to the principle of Stakeholder Inclusiveness:

- YK operates communication channels with customers, employees, partners, shareholders, local community and others through the stakeholder participation process.
- We are not aware of any key stakeholder group which has been excluded from dialogue in the Report.

### In relation to the principle of Sustainability Context:

- YK presents 'Creating Shared Value(CSV)' as a business model in the Report that contributes to solving aging population problems, which is a social challenge, while fostering related businesses.

- We confirmed that YK recognizes sustainability comprehensively and applies it to management and stakeholder communication.

### In the relation to the principle of Materiality:

- YK conducts a materiality test in determining material issues.
- We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.

### 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 suggest our limited verification opinion of the Report, we reviewed the following 2012 non-financial information.

Overall Social Corporate Responsibility	<ul style="list-style-type: none"> <li>• Management status seminar organized by CEO</li> <li>• Board attendance of non-executive directors: 3/5 (60%)</li> </ul>
Social Responsibility Agenda	<ul style="list-style-type: none"> <li>• Organic Exchange Certificates for 'Good Feel'</li> <li>• Kimberly-Clark global compliance status</li> <li>• Status of senior employment in the area of senior products: 3 people</li> <li>• Forestry business performance for prevention of desertification in Mongolia: 1,024,000 trees</li> </ul>
Economic Performance	<ul style="list-style-type: none"> <li>• Amount of production cost and cost savings: 32.5 billion KRW</li> <li>• Research and development cost: 13.3 billion KRW</li> </ul>
Social Performance	<ul style="list-style-type: none"> <li>• Ratio of basic salary of a new employee compared to the legal minimum wage: 205%</li> <li>• Reduction rate in customer complaints: 6%</li> <li>• Test report from specialized organization about hazardous substances on human</li> </ul>
Environmental Performance	<ul style="list-style-type: none"> <li>• Reduction rate of CO<sub>2</sub> emission per ton of product compare to the previous year: 10.5%</li> <li>• Effectiveness of reduction of CO<sub>2</sub> emission by carpooling and biking in Daejeon factory: 3,657 trees</li> <li>• Chemicals and oil outflow response procedures of Chungju factory</li> <li>• Water consumption per ton of product: 12.3m<sup>3</sup></li> </ul>

## Conclusions

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

Without prejudice to our conclusions presented above, we believe the following matters can be considered for improved sustainability reporting:

- YK needs to clarify its reporting period for quantitative performance data in the Report. Except for inevitable circumstances, we recommend enhancing comparability by reporting within the stated period.
- YK is applying a materiality test model in defining material issues. Validity of procedures and reliability of results should be maintained at all times even if the test model is modified in the future.

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

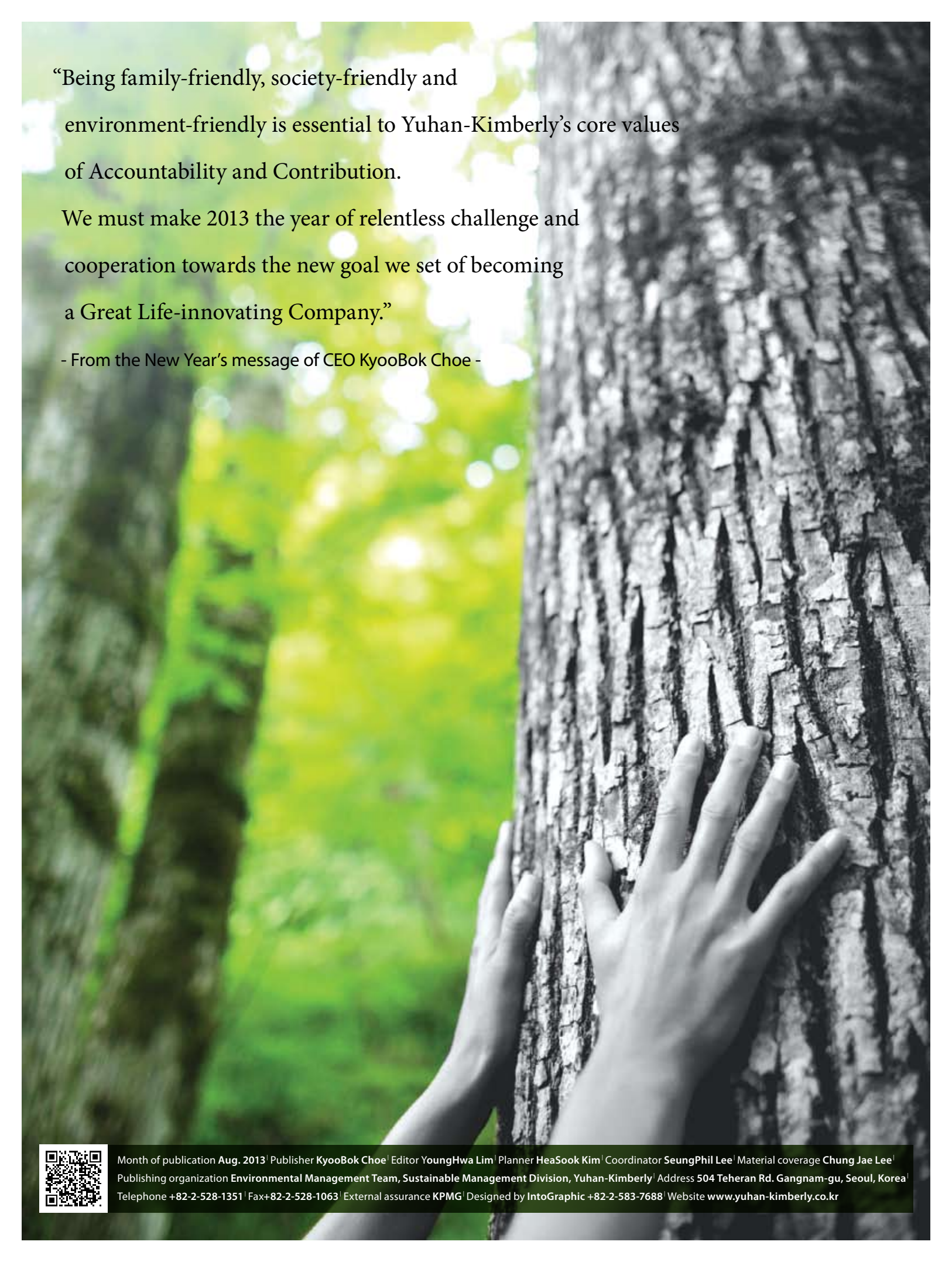
Seoul, August 2013  
KPMG SAMJONG Accounting Corp.  
CEO Kim, Kyo Tai



*Kyo Tai Kim*

\* To improve assurance quality of Sustainability report, KPMG developed standard methodology in accordance with ISAE3000, on the basis of the expertise of accounting firm

\* 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



“Being family-friendly, society-friendly and environment-friendly is essential to Yuhan-Kimberly’s core values of Accountability and Contribution.

We must make 2013 the year of relentless challenge and cooperation towards the new goal we set of becoming a Great Life-innovating Company.”

- From the New Year’s message of CEO KyooBok Choe -

