

# COWAY SUSTAINABILITY REPORT 2012



coway

## About This Report

### About This Report

This is Coway's eighth sustainability report. Since we published our first sustainability report in 2005, Coway has continued to share our sustainability management initiatives with stakeholders on an annual basis. In this year's report, we have sought not only to make a transparent disclosure of our sustainability management efforts and performances but also to utilize it as a channel for receiving stakeholder feedback and incorporating it into our operations.

### Reporting Period and Scope

This report covers the period from January 1 to December 31, 2012. For some cases, data from 2010 and 2011 was included to highlight trends and make pertinent comparisons. Information on the 2013 activities and plans were also used where necessary. This report focused mainly on our performances at the Head Office, the Environment Technology Institute, the Environment Quality Institute and production plants along with some accomplishments from overseas operations. Starting this year, logistics centers and water treatment business sites are added to the list of our business sites. We are committed to continually expanding the scope of social and environmental data from overseas operations as part of our efforts towards comprehensive and balanced sustainability management across our business and production sites.

### Reporting Preparation and Principles

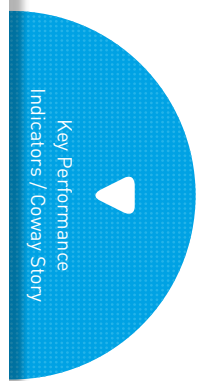
This report was prepared in accordance with the G3.1 guidelines of the Global Reporting Initiative (GRI), the international standard for sustainability reporting. In preparing this report, we have identified issues that reflect our stakeholders' interest and expectations with a materiality analysis and made our best effort to present in-depth information on such issues. Coway is committed to publishing a sustainable report every year.

### New in This Year's Report

In 2012, Coway underwent great changes and faced many challenges. To help our stakeholders better understand where Coway is currently at, we added a section in which CEO directly discusses changes and challenges associated with the company's majority stake sale as well as the future of Coway. Also, we have made a meaningful step forward by establishing a sustainability management framework to facilitate balanced response and management regarding material issues and firmly set the direction for Coway's sustainability management.

### Assurance

To ensure quality and credibility of content and data presented and to increase transparency of reporting procedures, this report has received third party assurance from an independent assurance provider. The assurance statement is available on pages 74-75.



## Contents

### Corporate Overview

Key Performance Indicators	p 01
CEO Message	p 04
About Coway	p 08
Responsible Corporate Governance	p 10
Transparency & Ethics Management	p 12
Risk Management	p 13
Materiality Analysis	p 14
Stakeholder Engagement	p 16
R&D Investment & Innovation	p 17
Brand Value Creation	p 18
Economic Value Creation & Distribution	p 20
2012 Sustainability Management Highlights	p 22

# 1

### Customer Satisfaction Management

1.1 Ongoing Customer Communication	p 26
1.2 Stronger Customer Satisfaction Programs	p 26
1.3 Improved Product Stewardship	p 28
1.4 Stronger Protection for Customer Information	p 30

# 2

### Green Management

2.1 Integrated Environmental Management System	p 34
2.2 Climate Change Response & Water Resource Management	p 37
2.3 Greener Products	p 40
2.4 Greener Life Cycle	p 42

# 3

### Employee Value Creation

3.1 Stronger Employee Communication & Participation	p 46
3.2 Work-Life Balance & Family-friendly Management	p 47
3.3 Fair & Transparent HR/Assessment/Compensation System	p 48
3.4 Talent Cultivation & Employee Capability Development	p 49
3.5 Creating Corporate Culture based on Trust & Mutual Advancement	p 50

# 4

### Community Participation & Development

4.1 Increasing Communication with & Participation in Local Community	p 54
4.2 Comprehensive Management System for Social Contribution	p 55
4.3 Strategic Social Contribution	p 56
4.4 Response to Social Needs & Expectations	p 59

# 5

### Win-Win Supplier Partnerships

5.1 Expanding Communication with Suppliers	p 62
5.2 Establishing Comprehensive Supplier Management System	p 63
5.3 Strengthening Win-Win Growth Programs	p 64
5.4 Increasing Supplier Participation & Social Contribution	p 65

### Appendix

Economic Data	p 67
Social Data	p 68
Environmental Data	p 69
Memberships, Awards & Certifications	p 72
Independent Assurance Statement	p 74
GRI G3.1/ISO26000 Index	p 76
UNGC/MDGs	p 79
Global Network	p 80

## Key Performance Indicators

		2010	2011	2012
Economy	Assets (Unit: KRW 100 million)	13,582	15,765	17,015
	Revenue (Unit: KRW 100 million)	15,018	17,099	18,068
	Operating Income (Unit: KRW 100 million)	2,535	2,425	2,278
	Net Promoter Score (NPS) (Unit: %)	17.2	12.1	21.2
Customer	Number of Rental and Membership Accounts (Unit: 10,000 accounts)	508	545	574
	pay Free* Refund Amount (Unit: KRW 100 million)	151	241	336
	GHG Emissions (tCO <sub>2</sub> e, Scope1+2, net emissions)	5,365	5,455	5,874
Environment	Energy Use (GJ)	101,196	103,927	112,132
	Water Use (m <sup>3</sup> )	87,133	72,356	91,555
	Plastic Recycle (ton)	5,040	6,094	6,081
	Number of Employees	4,188	4,537	4,834
Employee	Percentage of Female Employees	70	68.6	66.3
	Number of Disabled Employees	45	38	39
	Total Training Costs (Unit: KRW 100 million)	18	24.8	11.5
	Number of Employees in Volunteer Group	1,783	1,817	2,030
Local Community	Average Volunteer Hours per Member	17.3	18.4	18.1
	Amount Spent on Social Contributions + Donations (Unit: KRW 100 million)	19.9	14.2	12.4
	Supplier Innovation Support (Unit: KRW 100 million)	-	48.6	38.9
Supplier	No Interest Funding Support for Suppliers (Unit: KRW 100 million)	-	20	17.8
	Number of Certified Green Partners	49	53	55
	Technical Support (Supply Quality, ppm)	369	149	142

\* "Pay Free" is one of Coway's customer service programs provided in partnership with credit card companies. The amount of Pay Free refund is the sum of rental fees paid by customers with card points.

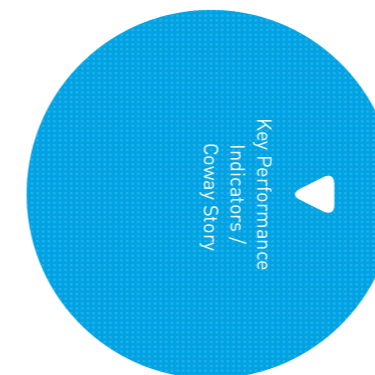
## Coway Story

### Coway's New CI and Slogan

In line with our move to change the corporate name to "Coway" a new corporate identity was created in 2013 to express Coway's customer first value proposition of "Trust" and "Confidence" as well as our traditional corporate culture of "Youthfulness" and "Innovation." The orange color symbolizes "Sensitivity," which embodies both Youthfulness and Innovation, while the blue represents "Technology," which encapsulates Trust and Confidence. The gradation at the center symbolizes Coway striking a beautiful harmony between "Sensitivity" and "Technology," and conveys the company's corporate philosophy - "We strive to become a company that creates best technologies for customers with loving care." Additionally, under the slogan "Adding Value to Lifestyle", Coway pledges to bring brand new values into the world with technologies that create healthy environment and services that make people happy.

### About the Cover

Coway strongly believes that every mundane activity - eating, breathing and sleeping - should make people happy because that's what makes our lives richer. We hope that our work invite happiness to everyday life and add value to living. The cover of Coway's 2012 Sustainability Report expresses our strong commitment towards "Healthy Environment, Happy People" with beautiful images of children, who are our future.



## Contents

### Corporate Overview

Key Performance Indicators	p 01
CEO Message	p 04
About Coway	p 08
Responsible Corporate Governance	p 10
Transparency & Ethics Management	p 12
Risk Management	p 13
Materiality Analysis	p 14
Stakeholder Engagement	p 16
R&D Investment & Innovation	p 17
Brand Value Creation	p 18
Economic Value Creation & Distribution	p 20
2012 Sustainability Management Highlights	p 22

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1.1 Ongoing Customer Communication	p 26
1.2 Stronger Customer Satisfaction Programs	p 26
1.3 Improved Product Stewardship	p 28
1.4 Stronger Protection for Customer Information	p 30

# 2

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2.1 Integrated Environmental Management System	p 34
2.2 Climate Change Response & Water Resource Management	p 37
2.3 Greener Products	p 40
2.4 Greener Life Cycle	p 42

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3.1 Stronger Employee Communication & Participation	p 46
3.2 Work-Life Balance & Family-friendly Management	p 47
3.3 Fair & Transparent HR/Assessment/Compensation System	p 48
3.4 Talent Cultivation & Employee Capability Development	p 49
3.5 Creating Corporate Culture based on Trust & Mutual Advancement	p 50

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4.1 Increasing Communication with & Participation in Local Community	p 54
4.2 Comprehensive Management System for Social Contribution	p 55
4.3 Strategic Social Contribution	p 56
4.4 Response to Social Needs & Expectations	p 59

# 5

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5.2 Establishing Comprehensive Supplier Management System	p 63
5.3 Strengthening Win-Win Growth Programs	p 64
5.4 Increasing Supplier Participation & Social Contribution	p 65

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Economic Data	p 67
Social Data	p 68
Environmental Data	p 69
Memberships, Awards & Certifications	p 72
Independent Assurance Statement	p 74
GRI G3, 1/ISO26000 Index	p 76
UNGC/MDGs	p 79
Global Network	p 80



## CEO Message

Thank for your ongoing trust and support for Coway.

In 2012, Coway underwent a major change; the company's majority shareholder was changed from Woongjin Holdings to MBK Partners. In the process, many of you who deeply care about Coway expressed concerns about the stability and sustainability of Coway as a business. Coupled with the deteriorating business climate from the prolonged economic contraction, it was only natural for stakeholders to become concerned about any possible negative impacts of the control and ownership structure change on Coway's business performance.

Coway, however, has beautifully risen to the challenge, transforming the change into an opportunity for another leap forward. Last year, Coway posted the largest sales in its history with KRW 1.8068 trillion, a 5.7% gain from the previous year, and proved our resilience and competitiveness to overcome any challenge and continue its growth. Although our operating income decreased 6.4% from the previous year to KRW 227.8 billion, it was the result of writing off non-recurring costs, such as disposal of obsolete inventories, in the 4th quarter. Disregarding the non-recurring costs, we recorded a 4.9% gain in operating income at KRW 255.2 billion.

Such respectable results in the rapidly changing business environment were the fruit of our efforts towards improving organizational efficiency and profitability based on sophisticated organizational capability. It was particularly helpful that we were able to expand the home-wellness appliance rental business and successfully launch the new mattress rental & care business, while developing diverse greener products that meet customer needs and strengthening our sales efforts in overseas markets.

But perhaps the most significant of all was the fact that Coway received positive evaluation from external organizations about our overall business activities. In 2012, Coway was honored with such prestigious awards and recognitions as Presidential Prize at the 2012 Green Management Excellent Awards; Grand Prize in the General Service Category of the 2012 Best 100 Companies to Work for in Korea; and Company with Outstanding Quality Competitiveness 2012 by the Korean Agency for Technology & Standards under the Ministry of Knowledge and Economy. Such recognitions again show that our sound corporate culture will act as the foundation for Coway's sustainable growth in each area.

Encouraged by such positive results, Coway established a new corporate identity and announced the vision "THE Lifestyle Design Company" coming into 2013. Based on our renewed drive, we will continue to strive for sustainability management. In particular, we will focus our enterprise capability on expanding customer service and promote innovation to create brand new customer values.

As we make a new start and strive for sound growth, your continued encouragement and interest will be a great inspiration to everyone at Coway.

Thank You.

Joon Kee Hong  
CEO Coway

**Q** Please review the 2012 majority stake sale of Coway and resulting changes in the company's business management.

**A** In August 2012, Woongjin Holdings decided to sell its majority stake in Woongjin Coway to a third party. Subsequently, MBK Partners has acquired 30.9% of shares and become the majority shareholder. Following the acquisition, Woongjin Coway was renamed "Coway" at the extraordinary general meeting convened on November 27, officially parting ways with Woongjin Holdings and becoming part of Coway Holdings, the special purpose company established by MBK Partners.

In line with the control and ownership structure change, Coway redesigned our corporate identity that embodies Coway's customer first value proposition of "Trust" and "Confidence" as well as the traditional corporate culture of "Youthfulness" and "Innovation." This move was intended as a renewal of our commitment to creating greater value for customers, as announced in January 2013.

Vision Announcement **THE Lifestyle Design Company**

In February, Coway announced a new mission and core values along with the new vision 'THE Lifestyle Design Company,' clearly establishing a direction for the company's new start and providing Coway executives and employees with guidelines for their thinking and action. With the announcement, Coway made a complete transformation in terms of corporate structure as well as corporate branding and culture and prepared itself for forward looking management in a more stable and flexible manner.

Amid such dramatic changes, we were still able to maintain business continuity and improved our sustainability as a business. In particular, with renewed focus on customer value creation, we succeeded in continuing our growth trend, recording the greatest sales in our history once again. Coway's key successes of 2012 include expanding the market by continually introducing a variety of new products such as the Hanbyum water filtration appliance (model code: CHP-241N), the Da-Vinci water filtration appliance (model code: CHP-010E) and the Desktop water filtration appliance with icemaker (model code: CHPI-280L); actively expanding product lineup for air purifiers with humidifier and dehumidifier functions to meet customer needs; and successfully launching the mattress rental & care business.

**C H A N G E**

**Q** What is the direction for Coway in the year 2013?

**A** With such changes, Coway has further matured as an organization and business. In 2013, we are going to expand and strengthen our service to delight customers, getting nearer to them with renewed commitment and presenting greater joy and happiness. To this end, we are planning to expand "HEART Service," which was introduced in 2012 as part of tailored customer services, and re-launching it into "New HEART Service" with ungraded quality and service offerings.

"New HEART Service" is not only more elaborate than the existing service but also more meaningful as the service was developed with customer participation. We made an open call for improvement ideas for the existing HEART Service and received more than 12,000 ideas. After careful selection, about 30% of the ideas were incorporated into the service design. Coway will always listen to our customers and strive for service that brings delight to customers.

Another direction Coway is looking at is market expansion through technological innovation. Last year, while changes to the control and ownership structure was taking place, Coway introduced unique products such as the Da-Vinci water filtration appliance (CHP-010E), the world's first water filtration appliance that allows users to choose the taste of water, and the Hanbyum water purifier (model code: CHP-241N), the smallest water filtration appliance in Korea, and created differentiated value for our customers. This year, we are going to lead the market by taking full advantage of our unrivaled R&D capability and focusing on technological innovation. Meanwhile, we are planning to exert our strengths in new business areas. For the first time in Korea, Coway developed the mattress rental & care business and introduced the service in November 2011, offering affordable rental and care service for high priced mattresses. This is a completely new business that no one else has tried before. We have actually created a new market and are enjoying the benefits as the first mover.

2013 Target Revenue KRW	<b>1,920</b> billion	2013 Target Operating Income KRW	<b>291</b> billion
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In 2013, we are also going to make great efforts to develop new businesses, further expanding the mattress rental & care business into a total home care service. By developing new businesses, Coway can benefit from business diversification and increased profits, while providing added value to our customers. In order to inject greater energy into execution of the plan, we declared the new vision in February 2013 and are mobilizing employee commitment. Moreover, we are committed to meeting our sales target for 2013, KRW 1,920 billion, a 6.3% increase from the previous year, as well as operating income of KRW 291 billion, a 27.7% increase from the previous year, and repay the continued support of stakeholders with excellent performance. Stakeholders' continued encouragement and interest will further motivate everyone at Coway to strive for the greatest performance in history.

**C H A L L E N G E**

## About Coway

### About Coway

Established in 1989, Coway is Korea's leading home-wellness appliance company that manufactures water filtration appliances, air purifiers and bidets. We have continued to grow to take leadership in the sector, delivering more popularized, specialized and sophisticated home-wellness appliances. Coway posted record sales in 2012 thanks to our strong and comprehensive product portfolio, including "Coway," the representative brand for the highest-quality water, "CAIRS," which has become synonymous with clean air, to "LooLoo," companion for a pleasant bathroom culture and "Clive," a food waste treatment system. Powered by its innovative technology, Coway has made a successful entry into the water treatment business and is fast becoming a leader in the sector. Launched in 2010, the premium cosmetics brand "Re:NK" is continually expanding its market share with positive response from customers. In 2011, Coway successfully launched a homecare service that provides a mattress rental & care service at affordable prices, creating a new trend in the rental service market. In 2012, the company was renamed Coway and thus separated from Woongjin Holdings. Following the separation, Coway established the new vision "THE Lifestyle Design Company" and is moving forward to become "a company that creates best technologies for customers with loving care." As a responsible corporate citizen, we consider people and the environment as our top priority and are fully dedicated to creating new values for our stakeholders with renewed commitment.

### Corporate Organization

Coway has been making continuous growth based on efficient organization. In 2012, Coway was reorganized into 10 departments, 4 research centers, 4 sub-divisions, 2 departments, 4 factories and 83 teams from the existing structure of 11 divisions, 4 research institutes, 4 sub-divi-

sions, 2 departments, 4 factories and 76 teams (as of March 2012). Such a decision was made to facilitate effective response to rapidly changing business conditions by clarifying the roles and responsibilities of each organization and improving business efficiency. We also have established the "Ethics Management Department" directly under CEO to promote a transparent management culture and further strengthen our organizational efforts towards ethical integrity and social responsibility.

### Corporate Overview

<b>Name of Company</b>	Coway Co., Ltd.
<b>Address</b>	658 Yugu-ri, Yugu-eup, Gongju-si, Chungcheongnam-do
<b>No. of Employees</b>	4,707 (as of yearend 2012)
<b>Date Established</b>	May 2, 1989
<b>CEO</b>	Joon Kee Hong
<b>Business Area</b>	Manufacturing and Sales
<b>Main Products</b>	Water filtration appliances, air purifiers, bidets, water softeners, food waste treatment systems, water treatment, cosmetics, etc.

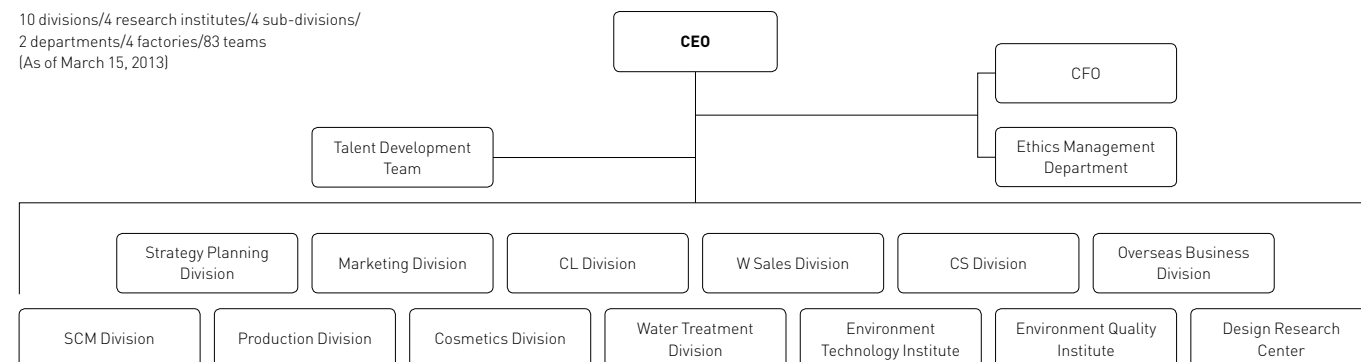
### Financial Overview

(KRW in millions)

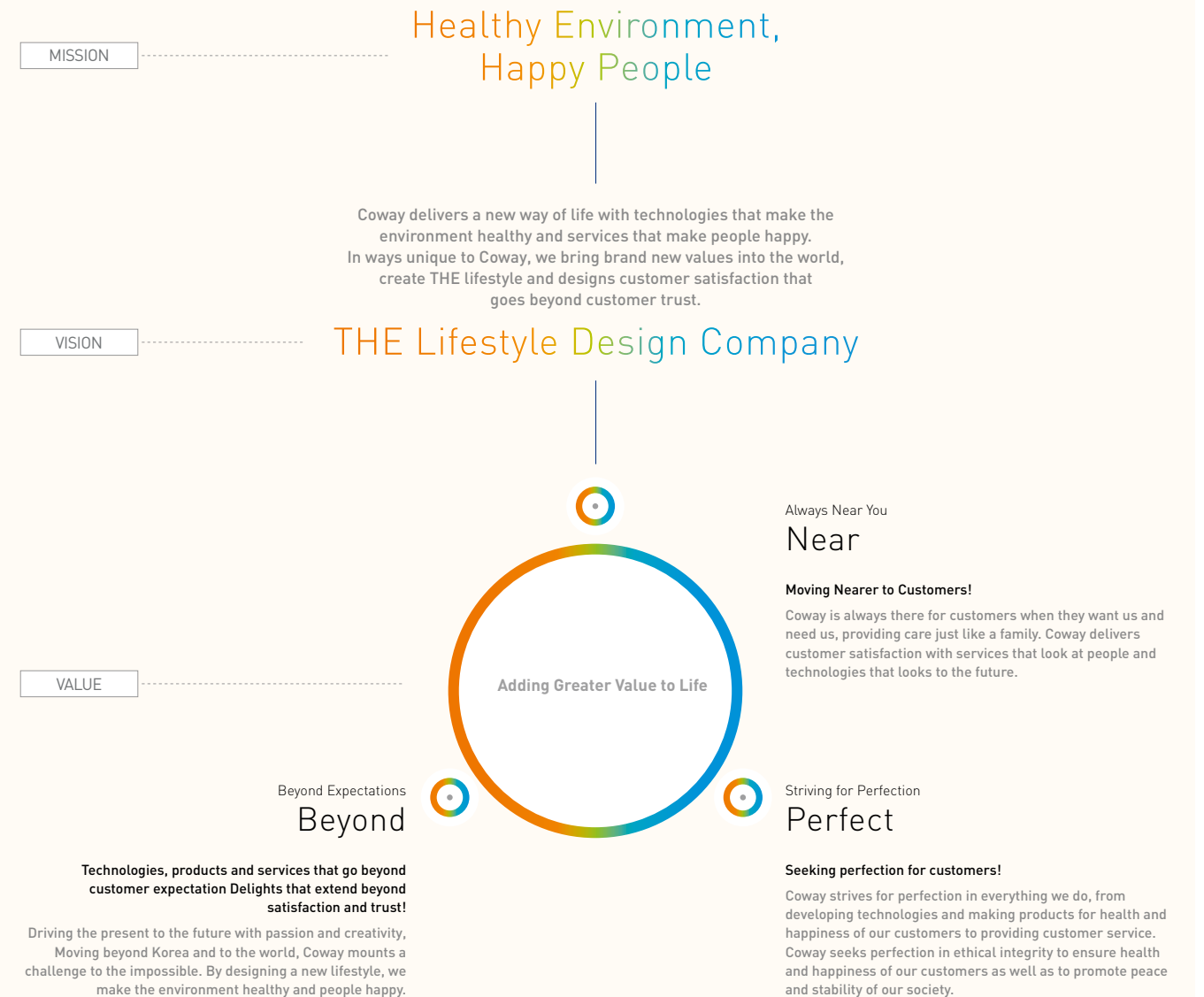
Category	2010	2011	2012
<b>Assets</b>	1,358,254	1,576,459	1,701,508
<b>Liabilities</b>	631,097	828,057	898,788
<b>Equity</b>	727,157	748,402	802,729
<b>Revenue</b>	1,501,812	1,709,868	1,806,833
<b>Operating Income</b>	254,353	243,343	227,812
<b>Recurring Profits</b>	243,257	225,352	161,465
<b>Net Income</b>	183,273	177,106	119,749

### Organizational Chart

10 divisions/4 research institutes/4 sub-divisions/  
2 departments/4 factories/83 teams  
(As of March 15, 2013)



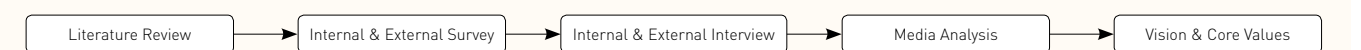
### New Mission & Vision of Coway



### THE Lifestyle Design Company

After the majority stake sale and subsequent separation from Woongjin Holdings in 2012, the company was renamed "Coway." Such changes created needs for reestablishing our corporate identity and motivated us to identify and present a clear direction and specific goals to our employees as part of our efforts to achieve the vision in the near future with new business models and growth engines. As such, Coway re-defined our core values as an independent brand to a new vision in line with our new corporate strategy. The new vision of Coway is our future value identified and defined with the participation of a total of 13,862 internal and external stakeholders (810 Coway employees, 12,552 CODYs and 500 consumers). "THE Lifestyle Design Company" conveys our commitment to delivering a new way of life with technologies that make the environment healthy and services that make people happy.

### Process for Reestablishing Corporate Vision & Core Values



# Responsible Corporate Governance

## Changes to Control and Ownership Structure

In 2012, Coway underwent a major change in its control and ownership structure. The change was triggered by Woongjin Holdings' decision in February, 2012 to sell its majority stake in Coway to overcome financial difficulties. Following the decision, Woongjin Holdings and MBK Partners, a private equity fund, officially agreed on the sale of the majority stake and the contract was consummated according to an appropriate process to establish Coway Holdings as the majority stakeholder of Coway as effective of January 2, 2013. Based on the agreement, a total of 23,829,150 shares, including those hold by affiliated persons, were sold, which is 30.9% of the total number of shares issued. The control and ownership change also resulted in changes to the BOD; the entire members of the BOD at the time of the stake sale resigned, except for CEO Joon Kee Hong. At the extraordinary shareholder meeting held on November 27, 2012, 6 Board members (4 non-executive and 2 external) and an auditor were appointed to form the new BOD. As of March 2013, the Board of Directors of Coway consists of 7 board members and a standing auditor.

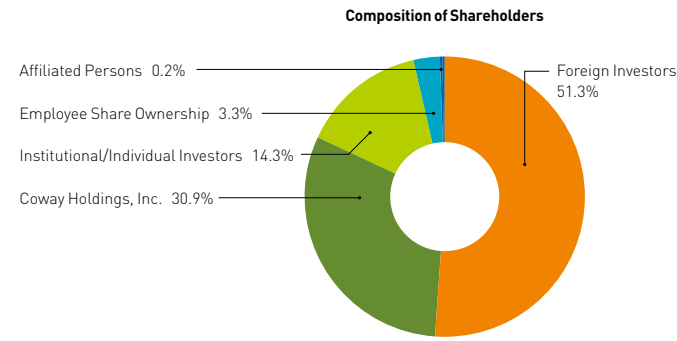
Total Number of Shares Issued **77,124,796**

## BOD Status

The Board of Directors (BOD) plays a crucial role in oversight and monitoring to facilitate efficiency and promote fairness in Coway's management and operations. Duties of the BOD include appointing professional executives with extensive expertise and experience as required by the Articles of Incorporation, making decisions on important management issues, preventing business risks and conducting an internal assessment of top executives' performance. A total of 7 members, including 2 external directors, and an auditor are appointed to fulfill such duties. The operations of the BOD and the activities of each committee are subject to regular evaluations. The percentage of external directors in Coway's BOD is 28.6%.

## Audit

Although Coway does not operate an independent and standing audit committee, a single auditor is appointed (Kyung Hwan Kim) at the general shareholders meeting and entrusted with audit related duties to ensure transparent and independent operations of the BOD. The auditor takes part in BOD meetings to serve as an independent supervisor of the directors and has rights to request account books and documents to departments if deemed necessary to perform his duties as an auditor. In addition, the auditor can be briefed on issues regarding company operation and access management information following the standard procedures when such needs arise.



## Percentage of Shareholders (as of January 2, 2013)

Composition of Shareholders	Number of Shares	Percentage
Foreign Investors	39,541,883	51.3%
Coway Holdings, Inc.*	23,829,150	30.9%
Institutional/Individual Investors	11,044,523	14.3%
Employee Share Ownership	2,520,000	3.3%
Affiliated Persons	169,820	0.2%
Employee Share Ownership Association	19,420	0.0%

\* Coway Holdings, Inc.: A special purpose corporation established by MBK Partners

## BOD Status (as of January 2, 2013)

Name of Directors	Position	Also Serving as
Joon Kee Hong	CEO	CEO, Coway, Co., Ltd.; Chairman of the Board
Michael Byeong Ju Kim	Non-Standing Director	Chairman, MBK Partners
Jong Ha James Yoon	Non-Standing Director	CEO, MBK Partners
Jay H. Bu	Non-Standing Director	Vice President, MBK Partners
Tae Hyeon Park	Non-Standing Director	Senior Managing Director, MBK Partners
In Bum Choi	External Director	Standing Adviser, GM Korea
Jun Ho Lee	External Director	President, Seoul Office, Monitor Group
Kyung Hwan Kim	Auditor	Internal Auditor, Coway, Co., Ltd.

## Compensation for Directors (KRW in millions)

Category	Number of Directors	Total Compensation	Average Compensation per Director
Internal Director	4	801	200
External Director	2	67	33
Auditor	1	155	155
<b>Total</b>	<b>7</b>	<b>1,023</b>	<b>146</b>

## Key BOD Activities

Number of Board Meetings	15 (4 regular and 11 ad-hoc)
Attendance Rate of External Directors	80%
Major Agenda	2012 business plan, quarterly earnings report, sale of shares of other corporations, sale of treasury shares, convening of extraordinary shareholders meeting, etc.

## Protection of Minority Shareholders

Based on our respect for minority shareholders, Coway has established provisions for protecting minority shareholders in Clause 16 of the Article of Incorporation and is making great efforts to protect the rights of minority shareholders. Also, we are putting great efforts into fair, timely and regular disclosures to ensure equal and fair access to management information indiscriminate to the size of shareholding.

### Clause 16 (Protection of Minority Shareholders)

- 1) In accordance with the Commercial Code of Korea and other related laws, all shareholders are awarded with the rights as exclusive and minority shareholders and such rights shall be duly respected by the company's management.
- 2) Shareholders, as defined by the Commercial Code of Korea and other related laws, have the rights to make a written request to access pertinent information related to the company's management and operations including business conducts and financial status of the BOD members. The company shall reply in writing and supply the information within 15 days upon a request, unless such a disclosure can significantly undermine common interest of both the company and shareholders or potentially disclose confidential information.

## Dividends

On average, Coway has paid out about 45% of our net income as dividends to our shareholders every year. However, the BOD decided to not offer cash dividends in the 2012 fiscal year with consideration to the major change to Coway's control and ownership structure from sale and purchase agreement between Woongjin Holdings and Coway Holdings. Instead, the BOD plans to offer dividends in first quarter of the 2013 fiscal year. The plan will be finalized at the BOD meeting scheduled for April 2013 based on the confirmed income statement of the 2012 fiscal year and the sales results from the first quarter of 2013. Unless unlikely circumstances prevent us from doing so, Coway expects to offer dividends similar to the amount from the 2011 fiscal year between mid and late April, during which dividends are usually declared and paid.

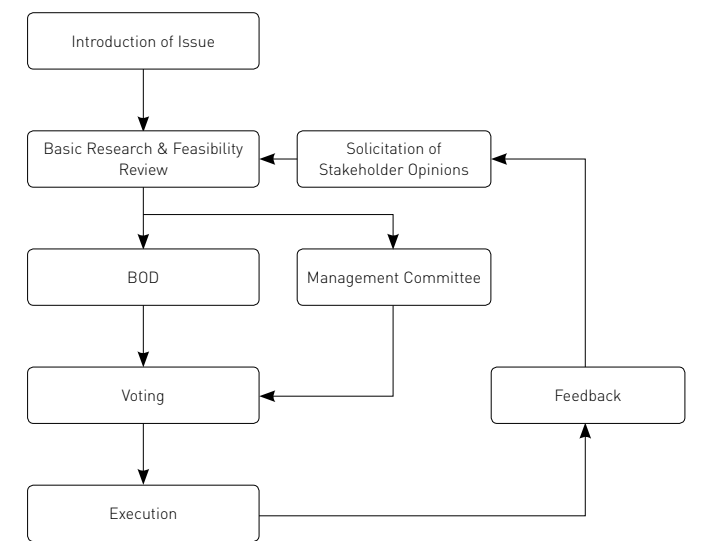
## Interest Costs (Unit: KRW 100 million)

Interest Costs	288
Interest Income	14
Net Interest Costs	274

## Advanced Decision Making Process for Major Investment and Management Issues

The executive decision making body at Coway is shareholders meeting and the BOD with the Management Committee serving as a subordinate decision making body. The BOD makes decisions on important issues such as large size investments and borrowings, merger and split-off, while the Management Committee establishes key business strategies and makes decisions on small size investments and execution of such investments to facilitate efficient operation and speedy decision making. The Management Committee is comprised of three members appointed by the BOD including CEO.

## Decision Making Process for Major Issues



## Solicitation of Shareholder & Investor Opinions

Coway's IR strategy is fully in line with our belief that we need to form "strategic relationship based on trust" with investors. We are also engaging in a variety of IR activities to deliver accurate information to as many investors as possible. Such efforts include regular discussion sessions with CEO, NDRs for domestic and foreign investors and our active participation in conferences hosted by securities companies. In order to provide IR information in a timely manner, Coway actively hosts investor visits. As a result, Coway received the "Excellence in IR" award from the Korea Investors Relations Service for two consecutive years in 2010 and 2011.

## Major Disclosure Activities

Interim Earnings Disclosure
Quarterly, Half Yearly & Annual Report
General & Extraordinary Shareholders Meeting Related Disclosure
Disclosure on the Decision to Sell Shares of Other Corporation
Disclosure on the Sale of Treasury Shares
Disclosure on Changes in Owners' Equity
Disclosure on the Ownership Structure of Large Conglomerates as Required by the Fair Trade Commission

Coway not only complies with annual disclosure requirements laid out by the relevant laws and regulations but also makes proactive and voluntary efforts to disclose and regularly issuing pertinent literatures such as a sustainability report. In the process, we are also striving to make a balanced presentation of financial/non-financial performances and plans.

## Transparency & Ethics Management

### Coway's 3 Cs of Ethics Management

Coway has its own ethics management guidelines named the 3 Cs of ethics management, and everyone at Coway is making best efforts to putting them into practice. The 3 Cs are Code of Conduct, Compliance Check Organization and Consensus by Ethic Training. Moreover, we are committed to prevent ethical risks by embedding ethical integrity into our corporate culture.

#### Code of Conduct

Coway established the Code of Conduct to promote ethics management throughout the organization and present clear action guidelines to our employees. Also, we are offering a variety of ethics training programs to employees and suppliers and engaging ethics campaigns to spread the "Clean Coway" culture throughout the entire organization.

#### Compliance Check Organization

**Ethics Management Department Established to Serve Directly under CEO** — In 2012, we established the Ethics Management Department, which reports directly to CEO, to facilitate effective corporate wide promotion of ethics management. Comprised of the Legal, Assessment and CP Teams, the Ethics Management Department is responsible for preventing a variety of ethical risks associated with our management and operations and for further developing the ethics management system to promote ethical integrity throughout the organization.

#### Unethical Conduct Reporting Process & Whistleblower Protection

— Coway is currently operating an online reporting channel named "With Coway" to ensure that unethical conducts by our employees, such as acceptance of bribes, unhealthy business practices and corruptions, are reported without repercussions to whistleblowers. The identity of whistleblowers is thoroughly protected, and the reported issues are fairly and promptly handled following the internal ethical violation reporting process. The individuals who filed the reports are notified of the outcome and the case is shared internally to promote ethics awareness and prevent recurrence of such practices.

#### Consensus by Ethics Training

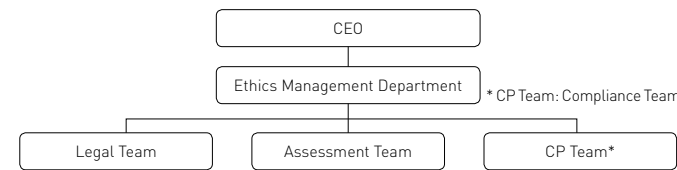
In order to promote the "Clean Coway" culture, we are engaging a variety of campaigns targeting employees and suppliers along with ethics training programs. In 2012, we provided regular on and off-line ethics trainings to our sales workforce and new recruits and produced training videos on ethics management and utilized them in internal trainings and video conferences.

### Campaign (Preventative) & Monitoring

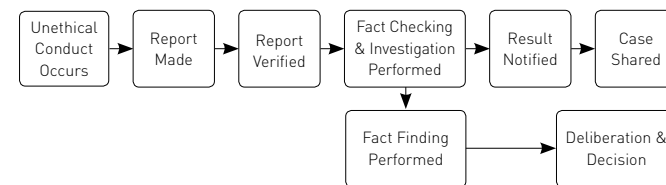
Category	Activity	Topic
Campaign (Preventative)	CEO Message	Raising Ethics Awareness
	Poster	Compliance with Sound Sales & Marketing Practice
	Pop-up Campaign	Sound Use of Corporate Card
Monitoring & Assessment	Regular Assessment	Twice yearly, at entire business and production sites
		Twice yearly monitoring of corporate card usage
	Year-round Monitoring	Illegal sales practice monitoring with the Mystery Shopper program

\* Established separate management standards for HQ and sales workforces and performs monitoring and analysis accordingly

### Compliance Check Organizations



### Process for Reporting Unethical Conducts



### Ethics Training

Medium	Target Audience	Frequency	Topic
Online	Sales Division	7 times	Compliance with Sound Sales Practice, Prevention of Illegal Use of Customer Identity Information, etc.
Offline	Sales Division	Monthly	Compliance with Sound Sales & Marketing Practice, Case Sharing
	New Recruits and New Hires	2 times	Ethics Management

### Our Efforts to Eliminate Irregular Sales Practices

As part of our effort to firmly establish sound and ethical sales & marketing practices, Coway is working hard at eliminating irregular sales practices through a variety of initiatives. First, we have improved our ethics management system, strengthening disciplinary systems and standards, redesigning the investigation process for irregular sales practices and increasing accountability. Also, we have established programs designed to prevent and crackdown such practices, including the mystery shopper program for ongoing monitoring. As part of our prevention efforts, we have produced a video titled "Preventing Top Seven Irregular Sales Practices" and utilized it for employee trainings.

### 2012 HR Committee Decisions

Number of Employees Disciplined	Grounds for Disciplinary Action	Disciplinary Action Taken
85	Supervisory and managerial negligence, Unhealthy sales practice, Irregular sales practice, Inappropriate use of corporate card	Paid suspension, Reprimand, Pay cut, etc.

## Risk Management

### Coway's Risk Management Features

We have further strengthened our risk management system to effectively respond to potential management risks and identify new opportunities from such risks. Upon discovering an issue that could develop into potential risks, each business and division shares it with the Risk Management Committee. Comprised of executives and staff members with relevant expertise, the Committee implements effective measures to prevent or mitigate the risk following a predetermined risk management process. Once a potential risk is identified, the Committee clearly defines accountability of relevant personnel and thoroughly manages the issue.

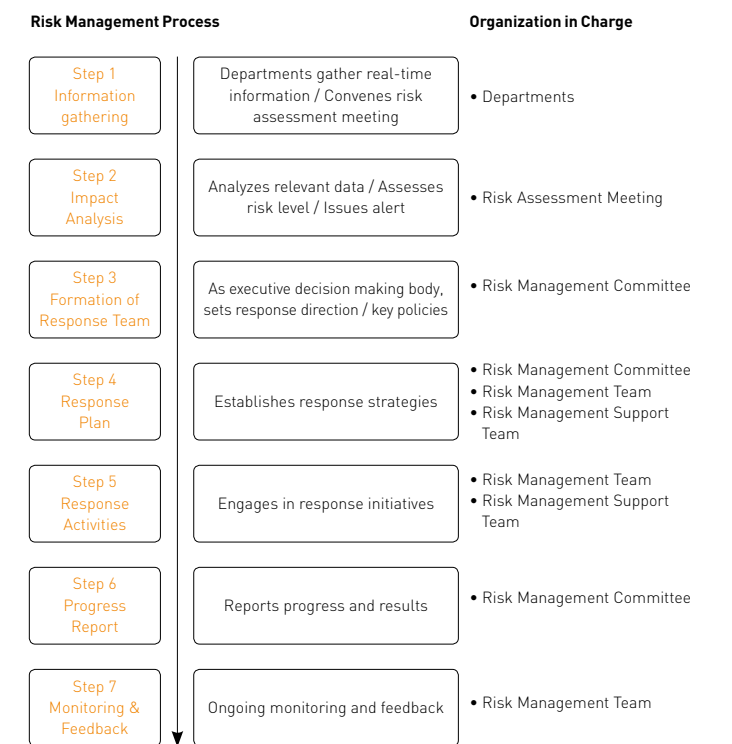
### Risk Management Process

At the center of our risk management efforts is risk impact analysis, based on which Coway assesses the risk level of potential issues, and organizes and operates response teams such as the Risk Management Team, Risk Management Support Team and Media Response Team depending on risk type and level. The Risk Management Team is responsible for implementing corporate level risk management efforts on the issue at hand and leading relevant response activities. The Risk Management Support Team provides any necessary supports to the Risk Management Team, while the Media Response Team is tasked with media response and stakeholder communication. Based on the response system, Coway fully prepares itself for all potential risks and once the risk situation is resolved, makes further efforts to prevent recurrence or lower the risk level through ongoing monitoring and feedback.

### Our Response Strategy to Transform Risk into Opportunity

For efficient risk management, Coway groups enterprise risks into the following three categories – financial, operational and disaster related—and manages them accordingly. In 2012, Coway coped with financial risks such as the economic crisis originated from Europe, rising commodity prices and economic contraction but still managed to overcome the tough business climate and post a sales increase of 5.7% compared to the previous year by making proactive responses based on our systematic risk management process. In the operational side, we had to cope with negative impacts on corporate reputation and brand image from the majority stake sale but succeeded in minimizing the risk by making proactive responses such as transparent information disclosure and proactive introduction of products. As for the implementation of the Greenhouse Gas Target Management System, we made proactive and voluntarily efforts for GHG emissions reduction to overcome risks successfully as well as to transform it into an opportunity for generating financial benefits. Additionally, we are exploring ways to transform disaster related risks, such as global warming and changes in rainfall patterns, into opportunities with appropriate responses.

### Risk Management Process



### Risk Management Organizational Chart





# Materiality Analysis

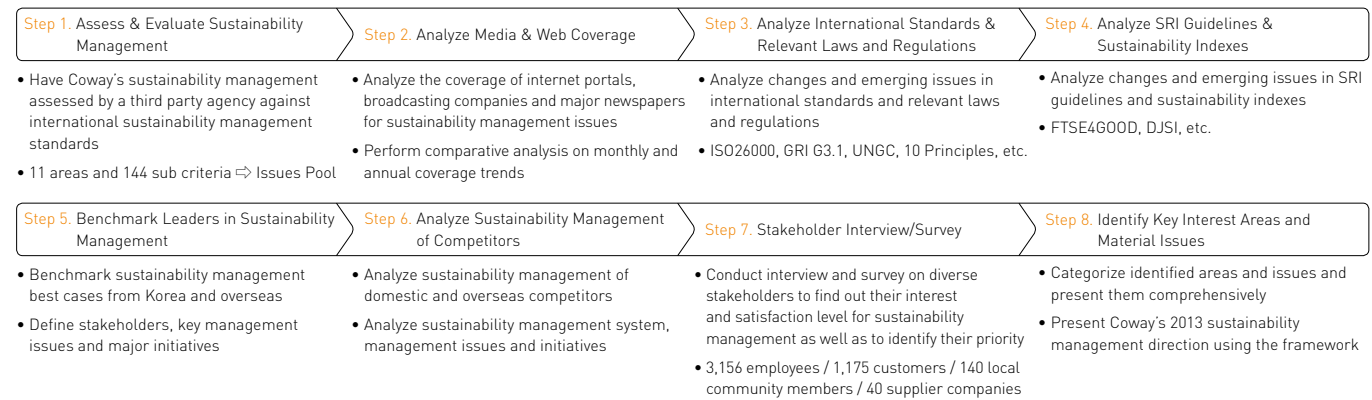
## Overview

In order to achieve a sustainable growth, Coway is actively accommodating diverse stakeholders' opinions and expectations and incorporating them into our operations. Based on such efforts, we have been able to increase the corporate value and deliver results in a sustainable manner. Coway is also performing a materiality analysis to identify internal and external issues and to manage them on an ongoing basis following a systematic process. In 2012, based on a materiality analysis, Coway identified 41 key management issues from 7 different criteria (environment, product, customer, employee, management & strategy, supplier and society & ethics) and made improvement efforts throughout the year. In 2013, we grouped sustainability management criteria into 5 key management, basic management and ongoing management criteria and are implementing improvement efforts for 26 key issues identified across those management criteria. Furthermore, we have established the "Coway Sustainability Management Framework" based on the materiality analysis and set a clear direction for sustainability management for this year.

## Materiality Analysis Process and Methodology

In performing the materiality analysis, international standard assessment and stakeholder survey were weighted 20% and the rest of criteria were each weighted 10%. Based on the step by step analysis results, risk management and comprehensive sustainability management were identified as the most important issues, while the stakeholder survey showed that our stakeholders regarded product safety, management of toxic materials contained in products and customer satisfaction as the most material issues.

## Materiality Analysis Process



## 2013 Materiality Analysis Results



## 2012 Materiality Analysis Results

## 2013 Coway Sustainability Management Framework



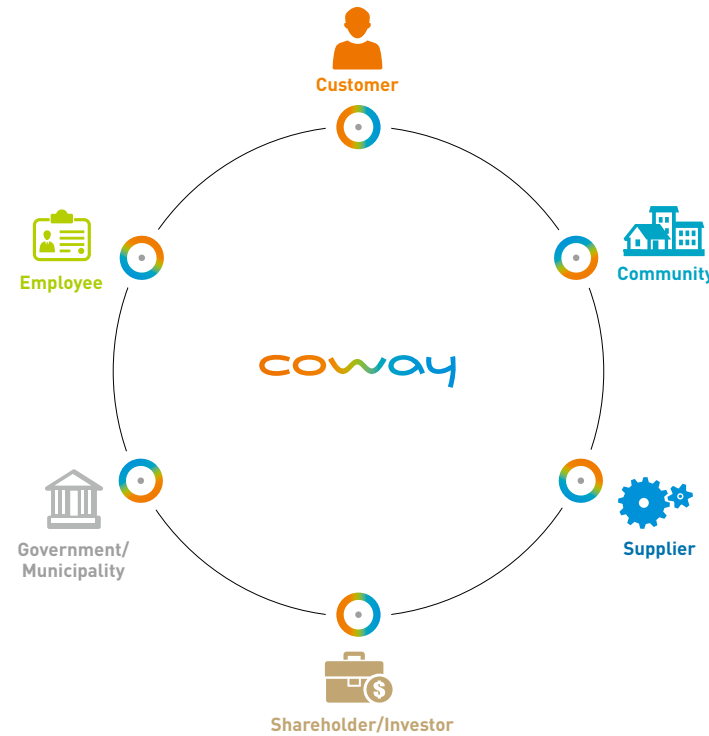
## Establishing Sustainability Management Direction for 2013

The Sustainability Management Framework is a model that clearly presents Coway's sustainability management areas and issues. We have identified 26 sustainability management issues from 5 key management areas, ongoing management area and basic management area based on our 2013 materiality analysis as well as the level of stakeholder's expectations and requirements regarding those issues.

The issues identified through the analysis are further defined with consideration to Coway's management strategy, operations, and corporate culture to best facilitate our sustainability management efforts and managed as a framework that presents the direction for sustainability management. Material issues from the "customer satisfaction management" area including "product safety," "customer satisfaction," "CRM," and "protection of customer information" are defined as internal management issues within the framework and will be managed systematically. Also, other key management issues, such as "management of hazardous substances in product," "greener product and equipment," "prevention of environmental pollution" and "climate change response," are further defined and presented as "comprehensive sustainability management," "climate change response and water resource management," and "greener product and greener lifecycle" in the framework, and management of such issues will be worked into our enterprise functions. Coway has designed the systematic sustainability framework to ensure balanced response and management. We are committed to build a comprehensive sustainability management system so that sustainability management is integrated into the entire business processes and embedded into our employees' business conduct, and that ultimately, our sustainability management efforts are realized into stakeholder value.

## Stakeholder Engagement

We actively solicit opinions and advice from our stakeholders in order to make ourselves more sustainable and continuously generate both tangible and intangible values for stakeholders. Also, we disclose information transparently to facilitate shared growth with stakeholders based on mutual trust. To this end, we proactively gather stakeholder opinions on a variety of management issues through regular and ad-hoc communication led by respective departments.



<p><b>Communication Channel</b> Corporate website, Customer website, CS web portal, VOC, Call center, Talk session with customers, Customer satisfaction survey</p> <p><b>Key Interest</b> Efforts for customer satisfaction, differentiated customer service, systematic customer feedback management, customer complaint handling, thorough protection of customer information</p> <p><b>Customers</b></p>	<p><b>Employee</b></p> <p><b>Communication Channel</b> Labor-Management Council, Grievance resolution system, Intranet, Corporate magazine/SNS, Internal communication programs, Employee satisfaction survey</p> <p><b>Key Interest</b> Fair evaluation and compensation, Training and capability development, Family friendly management, Disclosure of employment status, Working conditions and benefits for non-regular workers</p>	<p><b>Community</b></p> <p><b>Communication Channel</b> Local council meeting (Yugu, Incheon, Pocheon), NGO meeting</p> <p><b>Key Interest</b> Communication with local communities, Disclosure of ethics management performance, Social contribution and volunteer work</p>
<p><b>Government/Municipality</b></p> <p><b>Communication Channel</b> Government funded councils, Fair Trade Commission</p> <p><b>Key Interest</b> Compliance with laws and regulations, Public-Private sector partnership</p>	<p><b>Shareholder/Investor</b></p> <p><b>Communication Channel</b> IR web site, Annual report, BOD meeting, General shareholders' meeting, Ad-hoc IR meeting</p> <p><b>Key Interest</b> Increasing profitability, High dividends policy, Sound corporate governance, Business opportunity, Risk management</p>	<p><b>Supplier</b></p> <p><b>Communication Channel</b> Suppliers' web portal, Coway Partner's Day, Suppliers' Council, Supplier innovation convention, Supplier satisfaction survey</p> <p><b>Key Interest</b> Financial/technology/training support for suppliers, Environment/ethics management support for suppliers, Improvements for suppliers' working conditions</p>

## R&D Investment & Innovation

We believe that "R&D-focused Management" is the best way to remain faithful to our corporate philosophy - "We strive to become a company that creates best technologies for customers." Indeed, our R&D capability is the key driving force behind our growth and a unique value that is not likely emulated by others. Coway is committed to further strengthening our R&D infrastructure and expanding investments to ensure that we provide best-in-class products and services to customers and enable talented researchers to concentrate on their work, free from any restraints.



### Strengthening Future Competitiveness

#### Develop and expand existing product line

- Expand air related product line - p 41

#### Identify Products that Lead to New Businesses

- Develop promising items for future growth (Heath care, kitchen, beauty appliances)

### Improving Process Efficiency

#### Develop and Expand Micro-size/Green Products

- Expand application of innovative technology - p 41
- Expand green technology (energy saving) application - p 41-43

#### Strengthen Innovative/Integrated Product Development

- Develop innovative next generation products - p 22
- Diversify products (features/performance) - p 29

### Strong Competitiveness

#### Strengthen Product Quality and Cost competitiveness

- Reduce costs with smaller and simpler products, and use of common components - p 41
- Explore strategic overseas outsourcing
- Develop innovative materials

#### Budget minded R&D Operations

- Operate R&D budget management process

### R&D Expenses

(Unit: KRW in millions)

Category	2010	2011	2012
Material Costs	6,319	8,265	8,917
Labor Costs	15,719	19,121	14,019
Total R&D Expenses	22,038	27,746	22,936
Ratio of R&D Expenses to Total Sales	1.45%	1.62%	1.27%

### R&D Workforce

Category	2010	2011	2012
Ph.D.	17	23	21
Master	15	156	103
Researcher	183	216	143
<b>Total</b>	<b>315</b>	<b>395</b>	<b>267</b>

### Average Number of Products Developed per Researcher

2011	2012
0.33 models (46 models/140 researchers)	0.40 models (54 models/136 researchers)

### Number of R&D Patent Holdings

Type	2010	2011	2012
Patent & Utility Model Registration	381	292	321

### Patent Holdings by Product Group

(Unit: No. of cases)

Appliance	Air Purifier	Bidet	Water Softener	Food Waste Treatment System	Other
849	309	309	141	205	483
37%	14%	13%	6%	9%	21%

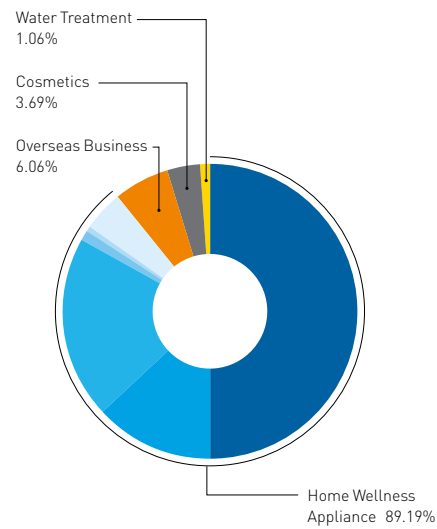
\* Patent Holdings by Product Group (2012): 2,296 patents

## Brand Value Creation

Out of Coway's four home wellness appliance brands, including the brand "Coway," three (water filtration appliance, air purifier and bidet) have the top share in their respective markets. Cosmetics brands such as Re:NK are also gaining on market leaders. All Coway brands strive to create value that "makes the environment healthy and people happy." We will focus our efforts to make our customers happy and the environment healthy with top of the line technology and delightful customer service.

2012 Sales by Brand [KRW in millions]

Category	Brand	2012 Sales	Percentage in Total Sales (%)	
Home Wellness Appliance	Coway	902,940	49.97	
	CAIRS	234,938	13.00	
	LooLoo	360,702	19.96	
	Mattress	24,048	1.33	
	CLIVE	11,163	0.62	
	Other	77,544	4.29	
	Sub Total	1,611,335	89.19	
	Overseas		109,576	6.06
	Cosmetics		66,706	3.69
	Water Treatment		19,198	1.06
Other		18	0.00	
<b>Total</b>		<b>1,806,833</b>	<b>100.0</b>	



Coway

### Home Wellness Appliance

The name "Coway" (combination of the words "co" and "way", meaning "together, we move forward") represents our hope that everyone comes together to end water pollution and makes sure that clean and healthy water is always available.

"CAIRS" represents our aspiration to provide the cleanest air and satisfactory care services to customers.

With "LooLoo," we have brought sophistication into bathroom and we promise healthy and refreshing bathroom culture to our customers.

"CLIVE" represents a delightful kitchen and embodies our vision to become a partner for pleasant life.

A brand new concept in home care service, "Mattress Rental & Care" provides high quality mattress rental and care service at affordable prices. Utilizing our extensive service experience built on the pursuit for perfection, Coway's skilled mattress care specialists make regular visits and manage the sanitation of our customer's mattresses.



### Cosmetics

Created with Coway's cutting edge bioengineering technology, the name "Re:NK" means both "Rebirth New Skin" and "Revolution of New Knowledge." Re:NK promises to become a leader in state-of-the-art skin research with "Smart Beauty Technology."

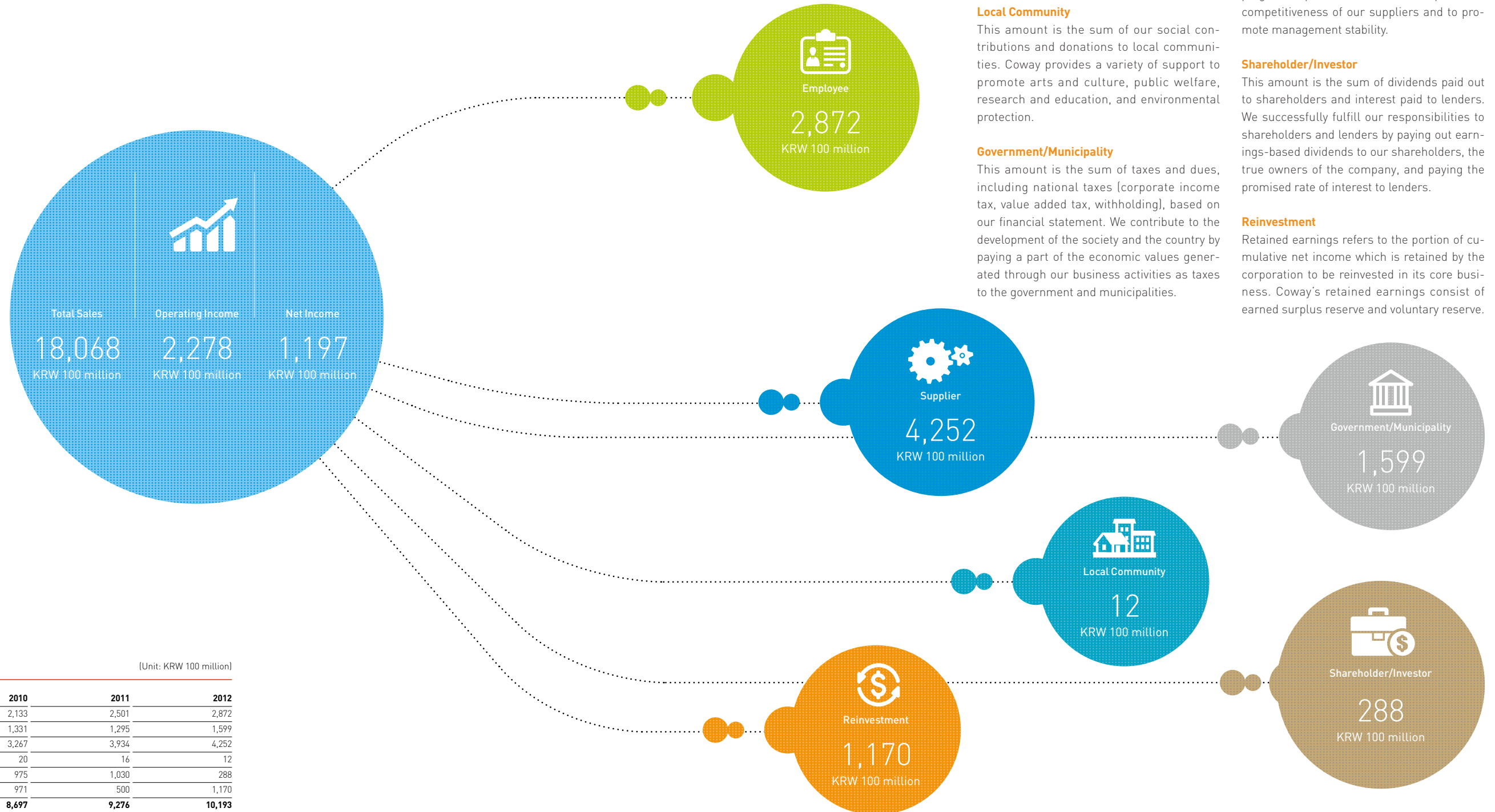
Our traditional herbal cosmetics brand "allvit" was created based on Coway's reinterpretation of herbal cosmetics traditions and represents our "right" spirit - celebrating things from the past and creating relevant value with it.

The name "NATURANCE Fromn" conveys the message that our products are made with rare and natural ingredients from the five seas and six continents. It represents our philosophy to strive for beauty in harmony with nature.



## Economic Value Creation & Distribution

A pioneer in "rental marketing," Coway was the first in Korea to introduce this new business model and led the way for the popularization of home wellness appliances based on cost competitiveness and sophisticated services. In 2012, we continued to grow thanks to effective risk management, successful new product introduction, product quality improvements and active stakeholder engagement. We are making our best efforts to fulfill our role as a responsible corporate citizen by giving back the economic value from our business activities to our stakeholders. We will continue to strive for economic value creation to deliver a greater value to our stakeholders.



**Employee**

This amount is the sum of wages, severance pay and benefits paid to our employees, who are undoubtedly the greatest assets of Coway. We provide a variety of training programs to cultivate talents and to develop individual capabilities, and offer comprehensive benefits designed to improve the quality of life for our employees.

**Local Community**

This amount is the sum of our social contributions and donations to local communities. Coway provides a variety of support to promote arts and culture, public welfare, research and education, and environmental protection.

**Government/Municipality**

This amount is the sum of taxes and dues, including national taxes (corporate income tax, value added tax, withholding), based on our financial statement. We contribute to the development of the society and the country by paying a part of the economic values generated through our business activities as taxes to the government and municipalities.

**Supplier**

This is the sum of purchasing costs paid to our suppliers. In addition to such business and financial transactions, Coway provides interest-free funding support to our suppliers for a set period of time based on their financial situations and business performance in order to help top-performing suppliers to overcome temporary cash flow problems. The program is part of our efforts to improve the competitiveness of our suppliers and to promote management stability.

**Shareholder/Investor**

This amount is the sum of dividends paid out to shareholders and interest paid to lenders. We successfully fulfill our responsibilities to shareholders and lenders by paying out earnings-based dividends to our shareholders, the true owners of the company, and paying the promised rate of interest to lenders.

**Reinvestment**

Retained earnings refers to the portion of cumulative net income which is retained by the corporation to be reinvested in its core business. Coway's retained earnings consist of earned surplus reserve and voluntary reserve.

(Unit: KRW 100 million)

Stakeholder	2010	2011	2012
Employee	2,133	2,501	2,872
Government/Municipality	1,331	1,295	1,599
Supplier	3,267	3,934	4,252
Local Community	20	16	12
Shareholder/Investor	975	1,030	288
Reinvestment	971	500	1,170
<b>Total</b>	<b>8,697</b>	<b>9,276</b>	<b>10,193</b>



2012  
**HIGHLIGHTS**

In 2012, we pressed forward with our sustainable management initiatives, developing products that promote customer health, protecting the environment, and engaging in a broad range of activities to facilitate co-prosperity with the socially marginalized and with stakeholders. This, in turn, further strengthened the foundation for Coway's sustainable growth. We will continue to strive to become a responsible corporate citizen that contributes to social development and increases stakeholder value through business activities.



**1. Announced New CI and Core Value**

With our new start, Coway has established and announced a new corporate identity, corporate vision and core values to renew our brand image and commitment towards customers. The new vision expresses Coway's strong commitment to becoming "THE Lifestyle Design Company" based on our trust with customers, corporate philosophy, and technology leadership built over the past 24 years.

**2. Expanded Rental Business**

We have expanded our mattress rental business into "Mattress Rental & Home Care Service" that offers cleaning service for customer-purchased mattresses as well. It is a new business model that expands our mattress rental service, which has shown solid growth since its introduction. With the service expansion, we are now able to provide a healthy living environment to more customers and further strengthen Coway's standing as a leader in the home wellness market.

**3. Introduced Innovative, Greener Products**

Coway has introduced a broad range of innovative greener products to the market based on our differentiated technology. In 2012, we successfully continued our great tradition with the "Da-Vinci" water purifier (model code: CHP-010E), which successfully resolved sanitation issues and helped save energy by eliminating the water tank, and the "Hanbyum" water purifier (model code: CHP-241N), which is 65% smaller and uses 50% less energy compared to the existing products. Our innovative products were praised as "transforming technology into art," and recognized

with honors such as the New Excellent Technology (NET) Certification (the Da-Vinci water purifier, model code: CHP-010E) and the IR 52 Yang Young Sil Award (the Hanbyum water purifier, model code: CHP-241N) in 2012.

**4. Received Presidential Prize at Green Management Excellence Awards**

Coway received the Presidential Prize at the 2012 Green Management Excellence Awards hosted jointly by the Ministry of Knowledge Economy and the Ministry of Environment. The honor was the result of our ongoing efforts to embed low carbon management into our business practices, such as establishing the "Environmental Information System" and forging a "Carbon Partnership" with suppliers to reduce CO<sub>2</sub> emissions. Coway's ongoing efforts were also highlighted by other awards and recognitions in 2012, such as the Prime Minister's Award at the Green Ranking Awards, the Minister of Environment's Award at the Industry Leaders in Recycling Awards, and the Carbon Management Industry Leader by the CDP Korea, and further cemented our reputation as the No.1 environment company.

**5. Established Asia-Pacific Research Center for Indoor Environment and Health**

Coway signed an agreement with Hanyang University to establish the Asia-Pacific Research Center for Indoor Environment and Health (APARCIEH), Korea's first research center dedicated to indoor air quality research. We plan to invest KRW 1 billion for the next three years for exten-

sive studies on indoor air quality issues and incorporate the findings into developing products that eliminate hazardous substances and pollutants completely.

**6. Selected as "Outstanding Company in Quality Competitiveness"**

For the second consecutive year, Coway was named an "Outstanding Company in Quality Competitiveness" at the 2012 Quality Competitiveness Competition hosted by the Korean Standard Association and the Korean Agency for Technology & Standards (a Ministry of Knowledge Economy affiliate). The recognition was the result of Coway's multidimensional efforts towards product and service quality improvement, best represented by our comprehensive quality management system designed to deliver delights to customers.

**7. Named "Best Company to Work for in Korea"**

Coway was ranked first in the general service category of "the 2012 Best 100 Companies to Work for in Korea," organized and released by the GWP (Great Work Place) Korea. Also named "the Best Company to Work for in Korea" in the manufacturing category in 2011, Coway is making ongoing efforts to create better and more pleasant working conditions and corporate culture for our employees.

**8. Signed Memorandum for Large & Small Business Cooperation**

In order to further strengthen our efforts towards mutually beneficial growth with small and medium sized suppliers, Coway signed a memorandum with the Large & Small Business Cooperation Foundation. Fol-

lowing up on the renewed commitment, we have introduced a policy of engaging in joint innovation efforts with our suppliers to facilitate mutual growth, and newly established a team dedicated to running a variety of support programs for 30 suppliers.

**9. Expanded Initiatives for Addressing Water Shortage**

We are actively taking part in global efforts to address water shortage problems. At the 6th World Water Forum held in March 2012, Coway introduced a container-type simple water filtration system as a solution for supplying clean drinking water in remote or disaster areas suffering from water shortage. We are also making diverse water related social contributions, such as the "Yugu Stream" cleanup project and the "Happy Well" campaign, to lead global efforts to resolve water shortage problems.

**10. Established Industry's First International Standard Product Safety Testing & Certification Center**

In May 2012, Coway established the Coway International Safety Certification Center. Located within the Yugu Plant, the international certification center is set to perform product safety tests and certifications with state of the art equipment and technology that meet international standards. With the launch of the certification center, we have created a one stop certification system that will help us strengthen product competitiveness and make timely response to market demand.



Material Issue 1  
**CUSTOMER SATISFACTION MANAGEMENT**

**OUR APPROACHES**

Coway continues to strive for customer satisfaction and value creation. Our efforts towards customer satisfaction management are guided by the four strategic pillars of "ongoing communication with customers," "stronger customer satisfaction programs," "stronger protection of customer information," and "improved product stewardship." At the center of our efforts is the Customer Centered Management (CCM) System designed to deliver lasting satisfaction to customers based on systematic management and the "New HEART" service implemented to improve the quality of customer satisfaction. Based on such differentiated initiatives for customer satisfaction, Coway earned lasting customer trust in the market and received a record high NPS\* of 21.2% in 2012. Coway is committed to helping our customers enjoy healthier and happier lives by staying one step ahead of customer needs.

\* Net Promoter Score (NPS): A customer loyalty index that shows the loyalty of a company's customer relationships

**OUR ACHIEVEMENTS**

Key Management Issues	2012 Activities	Page No.
Ongoing Customer Communication	• Established a process for incorporating customer opinion into business	p 26
Stronger Customer Satisfaction Programs	• Improved customer access with the CS web portal	p 26
	• Reduced response time for customer complaints by establishing the VOC team at the call center and the daily VOC monitoring system	p 27
Improved Product Stewardship	• Established the Coway Safety Certification Center and implemented the daily quality monitoring program	p 28
	• Improved the performance of water and air purifier filters	p 29
Stronger Protection for Customer Information	• Strengthened protection for customer information with a customer privacy protection solution	p 30
	• Introduced a system for preventing use of customer information without permission	p 30

**OUR KEY INDEX**

Number of Rental & Membership Accounts	Net Promoter Score (NPS)
<b>5.74</b> million	<b>21.2</b> %
Pay Free Refund Amount	
<b>33.6</b> KRW billion	



# 1.1

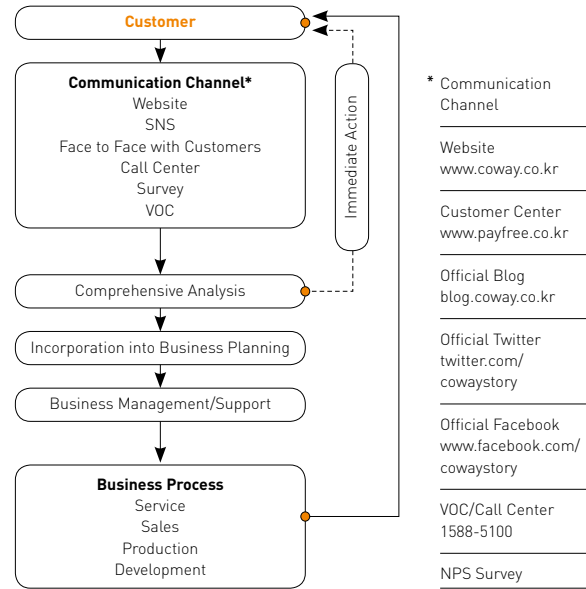
## Ongoing Customer Communication

We make every effort to gain customer trust by respecting customer opinions, providing services that meet customer needs, and continuously creating values that improve customers' lives. Such customer centered management has helped us earn strong customer trust, and more consumers are using Coway products as a result.



Communication is the very first step towards building customer relationship based on trust and achieving customer satisfaction. We gather customer opinions through a wide range of on/offline communication channels and actively incorporate them into product development to deliver greater satisfaction to our customers. When customers share their opinions, we promptly perform a comprehensive analysis based on an internal procedure. Once it becomes clear that immediate improvement is possible, we incorporate the solution into our business process. For cases that require more time and effort, we introduce the issue as a mid to long term assignment and make ongoing effort until customer satisfaction is ensured. Our communication with customers often results in positive outcomes, such as increased customer satisfaction and improved product quality, and often brings financial benefits as well. In 2012, our customer-inspired improvement initiatives created financial benefits of about KRW 1.7 billion.

### Process for Incorporating Customer Opinion into Business



# 1.2

## Stronger Customer Satisfaction Programs

Coway has acquired the "Consumer Centered Management (CCM)" Certification sponsored by the Fair Trade Commission and issued by the Korea Consumer Agency. The certification is granted to businesses that make ongoing improvement efforts from the perspective of consumers. Consumer Centered Management is also the operating and management principle of our customer satisfaction management system. In 2012, Coway set customer satisfaction as our top management goal and strived to improve customer value with a broad range of specialized customer satisfaction programs based on CCM.



### CCM Initiatives

**Reducing Costs Associated with PL\* Failures** — In 2012, Coway provided on-site capability improvement trainings to "CS doctors" and PL managers, and dramatically improved our PL response system. Thanks to such efforts, PL related customer complaints dropped about 11% between 2011 and 2012, from 2,973 to 2,673 cases, resulting in increased customer satisfaction and reduced costs associated with PL failures.

\* PL: Product Liability

**Improving Customer Related Systems & Programs** — In 2012, we made improvements on a variety of customer related

### Number of Rental & Membership Accounts



\* Based on the number of products rented and sold

systems and programs to deliver greater satisfaction to our customers. We strengthened protection for customer information with a new prevention system against use of customer information without permission and improved the membership program to provide greater customer convenience. Also, our new contract document imaging system increased field business efficiency and saved KRW 320 million in costs.

**Sharing CCM Know-how** — Coway is making valuable contributions to mutual growth in our society by widely sharing our CCM knowhow. In 2012, we provided a course that covers such topics as "Understanding CCM" and "Business CS in Practice" to 554 college students nationwide as part of a CCM industry-academia cooperation program. Also, we operated a CCM mentorship program in North Gyeongsang Province, assisting six local SMEs to acquire the CCM Certification. The CCM mentorship program is designed to offer Coway's advanced knowhow on customer service infrastructure and CCM to mentee companies to strengthen their business competitiveness. The 2012 program produced an encouraging outcome with consumer complaints received by the Korea Consumer Agency against our mentee companies decreased by 15% to 155 cases from 178 cases the previous year.

### New HEART Service

"HEART" service is our flagship customer satisfaction program designed to uphold our promise to customers and to help them maintain health. Our aftersales service and 24/7 call center operations allow customers to use Coway products in optimum conditions throughout the rental service period. At our call center, professional customer service representatives respond to customer inquiries in their respective field of expertise and do their best to ensure customer satisfaction. We also solicit feedback from our customers and professional CODYs on an annual basis to improve our service. In 2012, the service program was re-designed and re-launched as "New HEART Service" to pro-

vide more caring service. We have also improved our customer service infrastructure by further developing our VOC (Voice of Customer) management and establishing CS web portal to facilitate faster response to customer issues and to reduce costs associated with risk management and management failures.

**Customer Service with Emotional Strength** — In order to promote customer satisfaction with customer participation, we made an open call for product service ideas and customer satisfaction stories under the title "Wow Service." Customers responded passionately with over 12,000 ideas about strengthening customer relationship, improving product service, and various communication strategies. After careful consideration, about 30% of the ideas were incorporated into the "New HEART Service."

**Advancing VOC (Voice of Customer) Management** — For faster response to customer complaints, we redesigned the VOC management system at our call center. In 2012, we newly established the VOC part to secure sufficient manpower and further strengthened VOC management with a daily VOC monitoring & reporting system, which facilitates real-time reporting of identified issues to relevant departments to enable advance resolution of such issues.

**Smart Response System for Customer Complaints** — In 2012, we established a smart response system to provide swift response to product related customer complaints. The new system not only increased customer satisfaction by dramatically reducing the initial response time by 90% to 1 hour from the previous 12 hours, but also saved costs with process simplification and accurate identification of the cause of complaints.

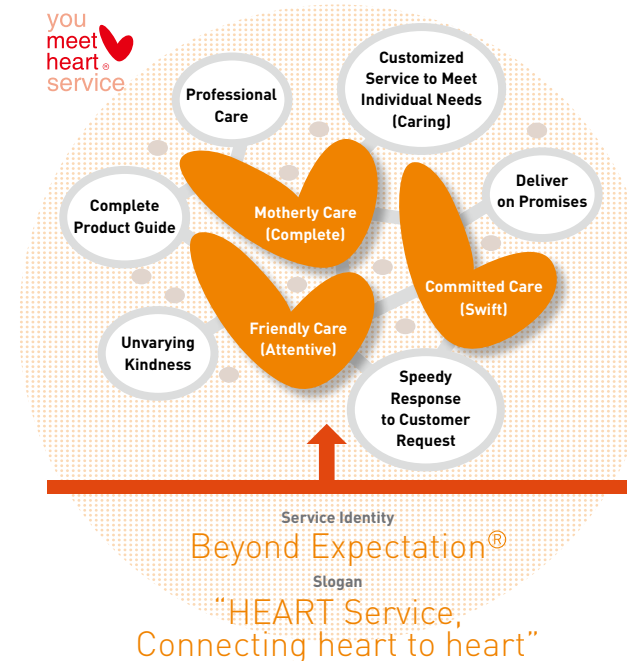
### Handling Customer Complaints

Compliant	Call center service staff (Service Team/Branch) Authenticate customer identity & verify customer bank account for bill payment request	Confirm incident type Process customer complaint & receive A/S request
Measure/Decision/Compensation agreement	CS Dr. Manager in charge	Register field report with smartphone (photographic & video records) Implement appropriate measure Real-time decision on case accountability Discuss compensation

### NPS\* Survey Results



\* Net Promoter Score (NPS): A customer loyalty metric that shows the loyalty of a company's customer relationships. Used as a gauge for business competitiveness  
\* Formula: NPS (unit: %) = Percentage of customers who recommended the company - Percentage of customers who did not recommend the company



# 1.3

## Improved Product Stewardship

We are making continuous efforts to achieve product quality that delivers value to customers. Coway's quality related efforts, led by the Environmental Quality Institute, are focused not only on improving product quality planning and management but also on our working environment for quality assurance and quality improvement. Our corporate-wide efforts to improve productivity, quality, and product safety also include the enterprise preventive management system to prevent quality failures. Additionally, we provide diverse quality management support (i.e. product quality consulting) to our suppliers so as to help them develop R&D capability, build more efficient business system, and achieve a breakthrough in quality improvement in the long run.



### Quality Management System

Coway's product quality management starts from the product development phase, thoroughly complying with safety standards from the very beginning of the process. We also make ongoing efforts to embed green management into our business practices and secured top notch quality competitiveness in greener products. Also, our comprehensive quality management system is hard at work to create new customers in the global market and successfully deliver the product quality that customers expect. Coway received numerous recognitions for such efforts, being named an "Outstanding Company in Quality Competitiveness" by the Korean Agency for Technology & Standards (a Ministry of Trade, Industry and Energy affiliate) and honored with the Customer Quality Satisfaction Award.

### Quality Innovation Initiative

Coway engages in a wide range of quality innovation initiatives to reduce defective rate. Outcomes from such initiatives are translated into financial benefits and managed accordingly.

### Quality Innovation Initiative & Performance

Program	Activities & Performance
Emergency CEO Innovation Conference for Suppliers	Participated by CEOs and employees from 45 suppliers Key defective rates, quality policy and improvement measures shared
Enterprise OEM/ODM Management Innovation	Establishment of the 5 step innovation process from contractor selection through follow up management
New Product Quality DR Gate Establishment & Operation	Establishment and operation of checklist for each DR process Early failure detection and incorporation of failure cases into improvement measures
Consumer Perspective/ Abnormal Testing Method Development	Consumer perspective test (20 cases) Abnormal test (10 cases)
Coway International Safety Certification Center	External promotion of product stewardship KRW 400 million reduction in quality related certification costs and 50% reduction in time required for certification
Expansion of Product Quality Failure Prevention System to Overseas Operations	Expansion and renewal of call center and warranty operation process
Daily Quality Monitoring Program	Implementation of a daily quality report for identifying quality issues and making improvements
Quality Forecast System	Implementation of the quality forecast system for preventing risks associated with production process

### Number of Consumer Safety Related Certifications



\* Certification: KC Electrical Safety Certification (Korea), UL Electrical Safety Certification (U.S.), CE (Europe), PSE (Japan), CCC (China), etc.

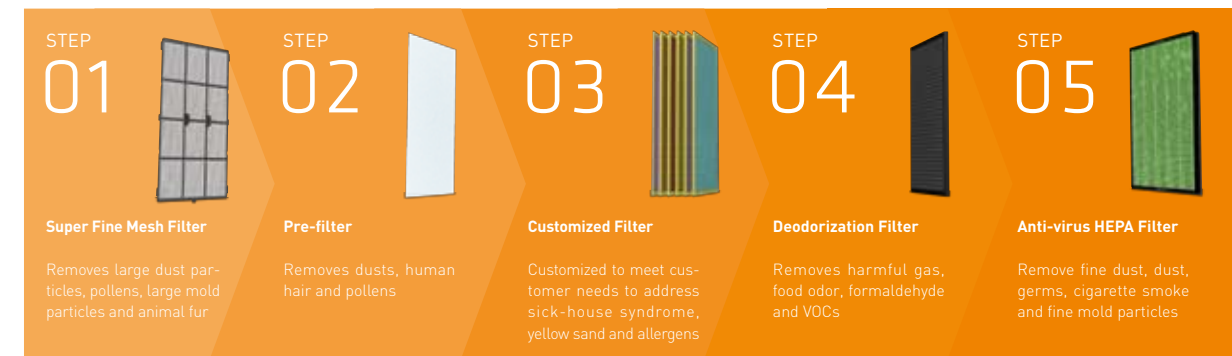
### Filtering System of Coway Water Filtration Appliances



### Water Filtration Appliance Filtering System Performance

Environmental hormones	Removed 100% by the RO system
Sterilization residues (20 items)	Removed 100% by the RO system: 17 items Partially removed by the RO system: 3 items
Pharmaceuticals (22 items)	Removed 100% by the RO system
Heavy metals/other (15 items)	Removed 100% by the RO system: 8 items Partially removed by the RO system: 7 items (Beryllium 99.9%, Thallium 99.9%, Microcystin 99.9%, Iodine 98%, Cesium 97%, Barium 92%, Nickel 97%)

### Filtering System of CAIRS Air Purifiers



### Air Purifier Filtering System Performance

Anti-virus HEPA Filter	Eradicates 99.9% of harmful viruses (based on research by Professor Sang Heui Seo, Research Institute for Influenza Virus, Chungnam University) Destroys 99.9% influenza viruses (based on the HI removal test by University of Tsukuba, Japan) Destroys 99.9% Avian Influenza viruses (based on the AI removal test by Dotorri University, Japan)
Customized Filer	Yellow sand filter: Removes 90.9% of SO <sub>2</sub> and 85.7% of yellow sand (Precipitation & gas removal rate test at Busan Techno Park) Legionella filter: Eradicates 99.9% of legionella (Kyoto University, Japan) New house filter: Continuously injected formaldehyde (with increasing concentration) into a 1 m <sup>3</sup> size space: The concentration level ceased to rise after 30 minutes (Mitsubishi Paper Mill) Herbal medicine anti-bacteria filter: Destroys 99.9% of E. coli (Certification No. 1, Association of Korean Medicine) HI-AI filter: Eradicates 99.9% of virus after contact with HI-AI filter (University of Tsukuba, Japan) Ant-allergy filter: Removes 99% of allergen after 5 minutes (Tokyo University of Agriculture and Technology, Japan)

\*VOCs: Volatile Organic Compounds

### Sensitive Technology of LooLoo Bidets





**Skin Protection Technology of LooLoo Water Softers**

LooLoo water softeners remove metal substances in tap water and help your skin reserve 69.1% more moisture.

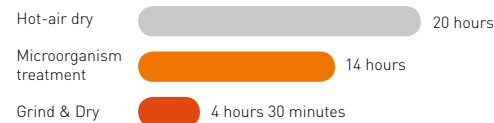
69.1%



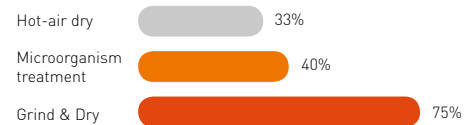
Soap residue created by the metal substances in tap water and surfactants destroy skin barriers.

Removing metal substances in the water minimizes destruction of skin barriers and strengthens skin resilience, leading to a minimal loss of skin moisture.

**Trusted Technology of Food Waste Treatment System CLIVE**



Drying Time Reduced to 4 Hours 30 Minutes with the "Grind & Dry" System



Volume Reduction Rate of "Grind & Dry" 75%

**Responsible Marketing Practice**

In our marketing activities, we strive to fully comply with all applicable marketing & communication laws and regulations of the regions in which we operate. Also, we established an internal review process (performed by the legal team) to promote ethical and responsible communication practices across the organization and provide accurate and objective information to our customers. In particular, we are making constant updates to product user manuals and specifications as they have significant implications for customer safety. Thanks to such efforts, we did not receive any noncompliance in the area of marketing and communication in 2012.

1.4 Stronger Protection for Customer Information

As part of our efforts to fully protect valuable customer information, we have made improvements to our privacy policy and management process, strengthened the role and responsibilities of relevant departments, and minimized employee access to our customer data. As a preventative measure against inappropriate use of customer information, we also implemented an online privacy protection application that thoroughly tracks the use of customer data and increases accountability.

**Customer Privacy Protection Solution**

The customer privacy protection solution prevents customer information leaks by alerting Coway employees about customers' personal information stored in their work PCs and having them either delete or encrypt the information after verification. Coway has installed the solution to all PCs located at our Head Office and sales branches.

**Prevention System for Illegal Use of Personal Identity**

We adopted the prevention system for illegal use of personal identity for our product ordering process in order to maximize data input convenience in the smart ordering process and to reduce risks associated with inappropriate use of customer identity. The system prevents use of customer information without permission by mandating authentication at every step of the process from ordering through installation, and utilizing diverse authentication methods appropriate for each step.

**Prevention System for Illegal Use of Personal Identity**

Process	Before	After
Application submission	<ul style="list-style-type: none"> <li>Resident registration number</li> <li>Automatic draft account information</li> </ul>	<ul style="list-style-type: none"> <li>First six digits of resident registration number</li> <li>Authentication by method of customer's choice</li> </ul>
Smart order	<ul style="list-style-type: none"> <li>Identity authentication</li> <li>Automatic draft account verification</li> </ul>	<ul style="list-style-type: none"> <li>O/B contact to seller's IP phone number, voice recording</li> <li>Applicant self-authentication</li> <li>Identity authentication</li> <li>Automatic draft account verification</li> </ul>
Release request		Transmission of installation authentication number
Product installation		Registration of authentication number prior to installation

**2013 Customer Privacy Protection Initiatives**

As part of our ongoing efforts to strengthen protection for customer privacy, we plan to establish a team dedicated to leading our privacy protection initiatives. The team will assess our privacy management and implement technical and managerial protection measures to best prevent customer information leaks. Also, the team will perform other tasks designed to strengthen our privacy protection management system, such as expanding privacy trainings for employees and sales force, and tightening the control of and access to our customer data.

**Guiding Principle for Protecting Customer Information**

1. Ensure full protection of customer information with a multi-step authentication process (minimum three steps)
2. Prevent inadequate sales practices utilizing the mobile SMS authentication system (order processing system with protection against illegal use of identity)
3. Prevent customer information leaks by establishing a customer information encryption system (privacy protection solution)
4. Perform ongoing monitoring, and strengthen disciplinary actions against those who compromise customer privacy
5. Prevent improprieties by performing ongoing ethics training our sales force
6. Implement and operate CCMS, and make efforts to prevent customer dissatisfaction with the self-regulatory program for customer complaints

**Our Efforts to Secure Product Safety**

Our 2012 sustainability management materiality analysis identified product safety as the most material issue to our stakeholders. In order to address stakeholder concerns, we made a wide range of efforts to further improve our product quality and safety, such as ongoing after-sales management service that promotes customer trust.

**Completion of Coway International Safety Certification Center**

In May 2012, Coway launched home wellness industry's first international safety certification center. Located within the Yugu Plant, the center tests the safety of products and certifies them with cutting-edge equipment and technology. The center houses 120 kinds of equipment for tests related to electrical safety, electromagnetic impact, and standby power. The center performs safety tests to reduce risks such as electric shock and fire, and safety evaluations, including electromagnetic impact monitoring and energy saving related tests. Coway believes that the center will contribute to the development and production of products that meet the standards of countries and to facilitate swift acquisition of major international certifications. The certification center has enabled us to reduce costs and periods in the acquisition of international and national certifications by 30 and 50 percent, respectively.

**Improved Cleaning Service for Water Filtration Appliances**

The HEART Plus Service was first introduced in 2009 to provide periodic cleaning and sterilization services to our rental customers. As part of our efforts to improve hygiene of water filtration appliances, we expanded the HEART Plus service to our membership customers and introduced the "Reborn Service" to offer replacement of regular parts. With the service expanded to membership customers, we are now able to ensure product hygiene throughout product use. Also, we offer parts replacement to our membership customers who have used the product more than 5 years to replace parts that have direct impact on product hygiene, such as internal pipes and faucets. With the services tailored to disparate hygiene needs of each product, we reduced risks associated with product hygiene and achieved service cost efficiency.



HEART Plus Service Recipients  
Before: Rental customers  
After: Rental and membership customers





Material Issue 2  
**GREEN MANAGEMENT**



**OUR APPROACHES**

Guided by our strong vision and mission for environmental management and clear mid to long term targets for climate change response, Coway is making sustained efforts to minimize negative environmental impacts associated with our business activities. In 2012, we further advanced our integrated environmental management system by improving the Hazardous Substance Process Management (HSPM), expanded the take-back and recycling programs, and strengthened environmental impact management. We also continued our efforts for climate change response and GHG emissions reduction with the establishment of the carbon life cycle assessment information system, and focused on creating safe and healthy working conditions for our employees through the integrated EHS information system and employee health promotion programs. Furthermore, we are constantly expanding our line of greener products by identifying greener product elements and incorporating them into our R&D process, and creating a virtuous cycle of turning our environmental management initiatives into products and services.

- Green Management Mission: ECO-WAY (Eco + Co + Way), a path shared by nature and humans
- Green Management Vision: "The 1st Green Global Leader Designing a Healthy Tomorrow"
- Mid to Long Term Target for Climate Change Response: By 2020, reduce 50% of intensity-based GHG emissions and 1% of absolute emissions compared to the 2010 baseline

**OUR ACHIEVEMENTS**

Key Management Issues	2012 Activities	Page No.
Integrated Environmental Management System	• Established mid to long term roadmap and execution strategy	p 34
Climate Change Response & Water Resource Management	• Made effective climate change response with the carbon life cycle assessment information system • Developed a waterless water filtration appliance testing system	p 37 p 39
Greener Products	• Greener product sales increased	p 40
Greener Life Cycle	• Implemented the greener product rating system • Developed greener products and materials with suppliers • Adopted greener refrigerant (R600a) • Achieved energy efficiency with refrigerant-free instant refrigeration and instant hot water systems • Reduced GHG emissions and energy use through product refurbishing, refrigerant take-back, and recycling	p 42 p 42 p 42 p 43 p 43

**OUR KEY INDEX**

Water Use	91,555 m <sup>3</sup>	Net Emissions (tCO <sub>2</sub> e)	5,874 tCO <sub>2</sub> e
Energy Use	112,132 GJ	Plastic Recycling	6,081 ton



# 2.1

## Integrated Environmental Management System

Based on our Integrated Environmental Management System, we strive to achieve our environmental management vision of becoming "The 1st Green Global Leader Designing a Healthy Tomorrow." Established and operated based on the Integrated Environmental Management System, the EHS Management Commission serves as a control tower for managing EHS issues under the direct control of CEO. In addition to conducting annual environmental audit and monitoring, the EHS Management Commission oversees our various initiatives [green corporate culture, green infrastructure, HSPM, and greener product and service development], establishes green communication strategy, and provides related support in accordance with the roadmap for the EHS management.

### Roadmap for Integrated Environmental Management & Execution Strategy

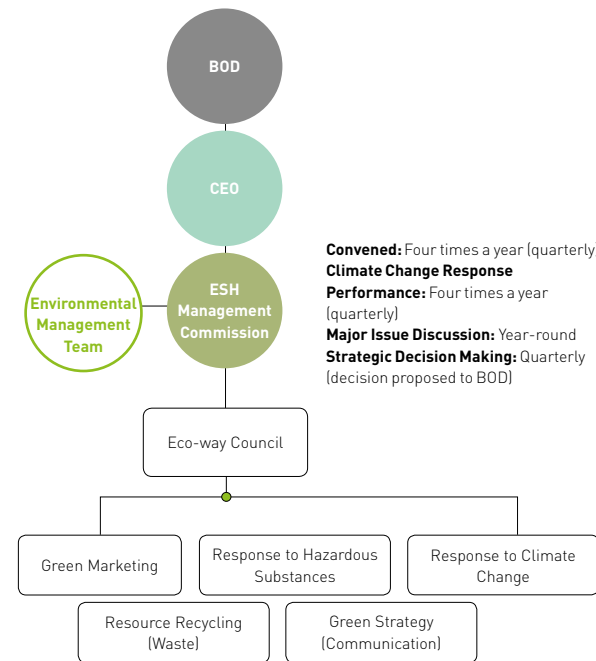
In order to implement our environmental management initiatives, we set the four strategic directions of ECO-Culture, ECO-Infra, ECO-Product & Service, and ECO-Communication, and established a mid to long term roadmap for environmental management and execution plan through 2015. Guided by the roadmap, we are effectively promoting Coway' green corporate image and maximizing our environmental and brand values to strengthen our competitiveness as a sustainable business.

### Integrated Environmental Management Organization

In order to achieve our green management vision and meet our mid to long term targets, the EHS Management Commission was established in 2006 directly under the CEO. The EHS

Management Commission sets up corporate-wide climate change response strategies and green management policies while leading a broad range of initiatives to transform our business sites into low carbon, green sites. Our Environment Management Team is fully dedicated to implementing and supporting the EHS management activities, and serves as the secretariat of the EHS Management Commission. We also established the Eco-way Council to ensure that EHS strategies and policies are effectively implemented in each business area. Once corporate level environmental management process and climate change response strategies are established, the Eco-way Council puts them into working-level EHS operations. Major issues identified at the Eco-way Council are proposed to the EHS Management Commission and are addressed through strategic response activities.

### Coway EHS Management Organization



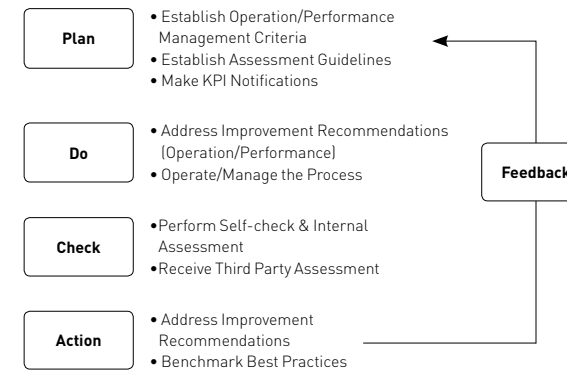
### Roadmap for EHS Management

Strategy	2013	2014	2015
ECO - CULTURE	Green Corporate Culture	<ul style="list-style-type: none"> <li>Expand EHS organization</li> <li>Provide inclusive environmental training &amp; campaign</li> </ul>	<ul style="list-style-type: none"> <li>Provide specialized environmental training</li> <li>Specialize environmental R/R &amp; systemize environmental management organization</li> <li>Implement mobile office</li> </ul>
ECO - INFRA	Green Management System/ Green Utility/ Infrastructure	<ul style="list-style-type: none"> <li>Establish waste management system</li> <li>Expand SCM win-win growth support</li> <li>Acquire Green Business Site Certification</li> </ul>	<ul style="list-style-type: none"> <li>Adopt green accounting</li> <li>Implement green monitoring system</li> <li>Upgrade financial benefits from waste</li> </ul>
ECO-PRODUCT/SERVICE	Cleaner Production/ Greener Product/ Greener Service	<ul style="list-style-type: none"> <li>Expand greener product/parts development</li> <li>Maximize profits from refurbished products/recycling</li> <li>Minimize costs associated with processing waste produced during service provision</li> </ul>	<ul style="list-style-type: none"> <li>Develop and produce top-notch greener products</li> <li>Expand greener service/business discovery</li> <li>Increase green R&amp;D investments</li> </ul>
ECO-COMMUNICATION	Eco-Communication	<ul style="list-style-type: none"> <li>Publish "Integrated Environmental Report"</li> <li>Expand stakeholder engagement</li> <li>Expand disclosure of green information</li> </ul>	<ul style="list-style-type: none"> <li>Build eco-house</li> <li>Establish social enterprise</li> </ul>

### Environmental Audit & Monitoring Process

Based on our environmental audit and monitoring system, we perform regular environmental audit on internal organizations and suppliers. In order to improve the effectiveness of the audit, we also conduct regular and ad-hoc monitoring on environmental initiatives and performances from each management sector. In the 2012 environmental audit, our total score rose by 4 points compared to the previous year (5.3% YoY gain). The improved performance was attributed to our improvement in the resource recycling – managing environmental standards information on the performance management system by utilizing information technology and improving recycling and refurbishing rates. However, our performance in the environmental organization and awareness criteria declined with a decrease in employee training & campaign and the Eco-way council activities from the previous year.

### Environmental Audit & Monitoring Process



### HSPM System & Response to Regulations

Based on the Hazardous Substance Process Management (HSPM) established as part of our integrated environmental management system, Coway thoroughly manages hazardous substances based on internal standards that are stricter than international guidelines to transform all our business sites into "Green Business Sites." Additionally, we introduced the "Green Partnership (G-WP)" certification program and encourage our suppliers to fully comply with the standards on material management and use of hazardous materials, as well as common system requirements prescribed in the "green partner self-check."

### 2012 Additions to HSPM Items

### REACH, LFGB, Food Contact

\* Please refer to Appendix (p. 71) for the entire list of hazardous substance management items

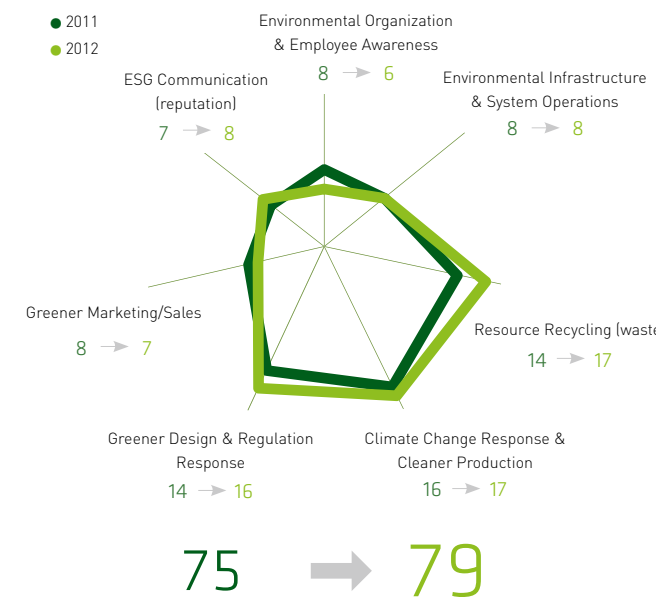
### Integrated Environmental Management Information System

With a majority of our employees working inside an office, the risk of work injuries and illnesses is relatively low at Coway. However, for business sites such as the Yugu Plant and R&D centers that have potential risks of safety accidents, we established the Industrial Health & Safety Committee at each site and implement necessary measures to prevent potential risks. Also, all Coway business sites in Korea have been certified with the ISO 14001 Environment Management System (EMS) Standard. In addition, our Incheon Plant acquired KOSHA 18001 and Yugu Plant acquired OHSAS 18001 as well as KOSHA 18001.

**Integrated Environmental Management IT System** — In 2009, we implemented the SAP EHS system, Korean industry's first

### Environmental Audit & Monitoring Results

(Unit: points)



Criterion	Note
Environmental Organization & Employee Awareness	Employee training & campaign, and Eco-way Council activities decreased
Environmental Infrastructure & System Operations	EIS/MIS implementation required Upgrade of management/performance index required
Resource Recycling (waste)	Standard data management improved Waste product recycling increased IT utilized in performance management
Climate Change Response & Cleaner Production	Energy partnership with suppliers implemented Inventory of logistics centers & employee dormitory completed Carbon Management Financial Report published
Greener Design & Regulation Response	Infrastructure for greener product development established Energy efficiency increased
Greener Marketing/Sales	Greener marketing/sales performance materialized/improved/expanded Improvement in the utilization of certifications in marketing/sales required
ESG Communication (reputation)	ESG related responses improved Increase in stakeholder engagement required
<b>Total Score</b>	<b>Scored 4 points higher (5.3% YoY gain)</b>

integrated environmental management system. The system allows us to control a wide range of environmental management systems (GHG emissions, energy, and hazardous material waste) as well as the health and safety management system and the safety risk management system. The system also allows us to manage employee health & safety related data in a more systemized and efficient manner and greatly helps us make effective prevention efforts against safety accidents.

**Improved Support for Industrial Health & Safety Committee** — Our Health & Safety Committee is in operation at respective business sites to build constant readiness for all types of potential risks. The committee facilitates employee-management discussions and agreements on important health & safety issues to prevent workplace health & safety risks. In addition to incorporating employee feedback into our operations, this committee also mobilizes voluntary employee efforts for improving the working environment and performs periodic corporate-wide assessment to support employee health & safety initiatives.

**Employee EHS Risk Management**

Coway is making diverse efforts to promote our employees' physical and mental health and to prevent industrial accidents and disasters. Our increasing efforts for employee health & safety include managing employees with health risks, and providing smoking cessation programs and the Happy Mind program (psychological counseling service). We also expanded company-sponsored regular health checks to include employee's family members and extended EHS trainings to all business sites and employees. Thanks to such efforts, Coway's work injury & illness rate has remained below the national industry and the manufacturing industry averages for the past three years, and our business sites remained disaster-free

**Employee Health Promotion Programs**

Program	Description
Health Check	Provided annually
Smoking	Smoking cessation clinic and anti-smoking campaigns
Cessation	
Reenergizing Room	Professional massage service for musculoskeletal disease prevention and energy restoration
Refresh Zone	Provision of numerous recreational and resting facilities (ping pong tables, massage chairs and video games)
Happy Mind	Psychological counseling service [provided nationwide since June 2012]

**Work Injury & Illness Rate**

Year	No. of Cases Approved	Coway Average	Manufacturing Industry Average	National Industry Average
2010	4 (non-work related)	0.096%	1.07%	0.69%
2011	5	0.11%	0.94%	0.65%
2012	5	0.11%	0.42%	0.28%

\* Coway's work injury & illness rate: Number of employee-reported work injuries or illnesses / Total number of employees X 100 (5 / 4,537)  
 \* Reference source for national and manufacturing industry's average for work injuries and illnesses: Statistics on Work Injury & Illness and Industrial Disaster by the Ministry of Labor

since 2006. A total of 5 cases of work injuries and illnesses were reported at Coway in 2012, and a total of 541 days were lost from the cases.

**Green Communication**

In order to expand our environmental management efforts externally as well as internally, we are engaging in a broad range of green communication initiatives. Also, we are in the process of establishing an integrated environmental management system for environmental management data to disclose our performances transparently and accurately.

**Food Waste Reduction Campaign** — In August 2012, Coway launched a pilot project to grow vegetable gardens with food waste in association with the Gangdong-Songpa chapter of the Korean Federation for the Environmental Movement. The aim of the project is to reduce food waste by transforming it into a resource with a joint effort of numerous stakeholders including municipalities, environmental NGOs, Gangdong-gu residents and Coway. Starting with this project, we plan to closely collaborate and form constructive relationships with local communities and environmental groups as a basis for our efforts towards addressing highly relevant environmental issues and expanding investments in developing solutions for such issues.

**Green Maker Program** — Launched in 2008, "Green Maker" is a program designed to nurture green talent that has been in operation for 5 years. Open to every university in Korea, Green Makers are making social contributions as well as engaging in environmentally friendly initiatives. 40 members of the 5th class of Green Makers were provided with an opportunity to gain experience in green management by contributing marketing ideas and performing regular assignments for three months. In December 2012, they also hosted a global environment camp held in Kyushu, Japan.

**Carbon Disclosure Project (CDP)** — Since we joined the Carbon Disclosure Project (CDP) in 2009, we have been making ongoing efforts to manage our GHG emissions data and



Food Waste Reduction



Green Maker

to engage in reduction initiatives as part of our commitment towards climate change response. Also, we are introducing low carbon, green management systems to our suppliers and helping them build a systematic carbon management system. As an expression of our commitment to carbon management, we have been publishing annual carbon management reports and communicating our carbon management efforts to diverse stakeholders accurately and clearly. Thanks to such efforts, we were invited to join the Carbon Management Global Leaders Club in 2012 for the second consecutive year.

**Awards & Recognition** — The UNGC named Coway as one of the "C4C (Caring for Climate) Progress Report 2012 Top 25 Performers" in recognition for 1) championing climate change response based on clear awareness of climate change, 2) making GHG emissions reduction efforts based on clear climate change response strategies and policies and specific GHG emissions reduction target, 3) achieving GHG emissions reduction in cooperation with its business partners, and 4) disclosing information on such efforts transparently along with an objective external assurance. We also received the Presidential Prize at the 2012 Green Management Excellent Awards hosted by the Ministry of Knowledge Economy and the Ministry of Environment, and the Ministry of Environment's Prize at the 2012 Recycling Leaders Awards in addition to other numerous awards and recognitions related to environmental and social responsibility.

**Environmental Training** — As part of our efforts to achieve our vision for environmental management, we are expanding programs designed to raise employee awareness and increase their professional knowledge in the area. We also provide trainings to our suppliers to promote win-win green growth and plan to expand our environmental training programs to diverse stakeholders.

**2012 Environmental Training Overview**

Program	Topic	No. of Sessions (Cumulative)	No. of Hours (Cumulative)	Note
Employee Awareness	Environmental training for new hires	1	2 hours	
	Environmental news letter [Eco-Lesson]	6		Online offering (via groupware, bulletin board, employee online community LooLooLaLa)
Professional Training	Greener design, recycling, responding to international regulations, hazardous substance management, etc.	13	261 hours	Includes online class
Supplier Training	Basics of greener product development for suppliers	261	2,088 hours	Onsite assessment on supplier's greener product development, etc.

2.2 Climate Change Response & Water Resource Management

The impacts of climate change do not stop at global warming. There are also a myriad of issues associated with water, an essential resource for human life and survival, such as drinking water supply, sanitation, and water shortage issues. Climate change also has an impact on the underwater ecosystem, which in turn has direct and indirect impacts on our lives. In order to address environmental issues associated with climate change and water resources, both threats to human survival, we are implementing a wide range of strategies and initiatives, such as reducing GHG emissions and water use.



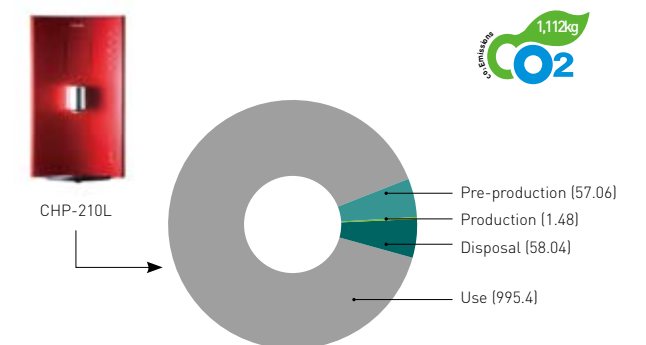
**Climate Change Response**

We are working hard to minimize CO<sub>2</sub> emissions, the major cause of climate change, at all our business locations, from research centers to plants and offices. To this end, we established the integrated carbon management system and are undertaking business process innovations and voluntary energy saving initiatives with the enthusiastic participation of all our employees.

**IT System for Carbon Life Cycle Assessment (LCA)** — As part of our efforts to make effective responses to climate change and to improve our product competitiveness, we implemented Korea's first SAP based IT system for the carbon life cycle assessment of our products. With the system in place, we have the infrastructure to make appropriate responses to climate change on top of our capacity to respond to regulations on hazardous substances and GHG emissions. Moreover, we can help customers make greener choices by providing information regarding carbon emissions associated with the life cycle of our products.

**Example of Carbon LCA**

[Unit: kg(CO<sub>2</sub>e)]



**Mid to Long Term GHG Emissions Reduction Target & Performance**

In 2011, the Korean government amended the Guidelines for the Greenhouse Gas Target Management System, and emissions associated with refrigerants were excluded based on the voluntary verification of GHG emissions. As such, the base year for emissions reduction targets was changed from 2009 to 2010. The adjusted GHG emissions targets for 2012 was 5,349 tCO<sub>2</sub>e in total and 0.29 tCO<sub>2</sub>e/KRW 100 million for intensity, both of which we did not meet with 5,873 tCO<sub>2</sub>e and 0.33 tCO<sub>2</sub>e/KRW 100 million, respectively. The rise in production volume and expansion of business sites in 2012 were the key factors in falling short of our GHG emissions targets. Going forward, we will expand our initiatives for reducing GHG emissions and make ongoing efforts to ensure that we meet our mid to long term reduction targets.

\* Emissions associated with refrigerant were excluded due to the change in 2011 in the Guidelines for the Greenhouse Gas Target Management System.

**GHG Emissions Status**

In 2012, we made some facility improvements to the Yugu Plant by implementing automatic equipment for employee safety and health, and expanding production lines for appliances using a greener refrigerant (R-600a). As a result, electric power use increased slightly, and GHG emissions from the plant remained at the same level as the previous year.

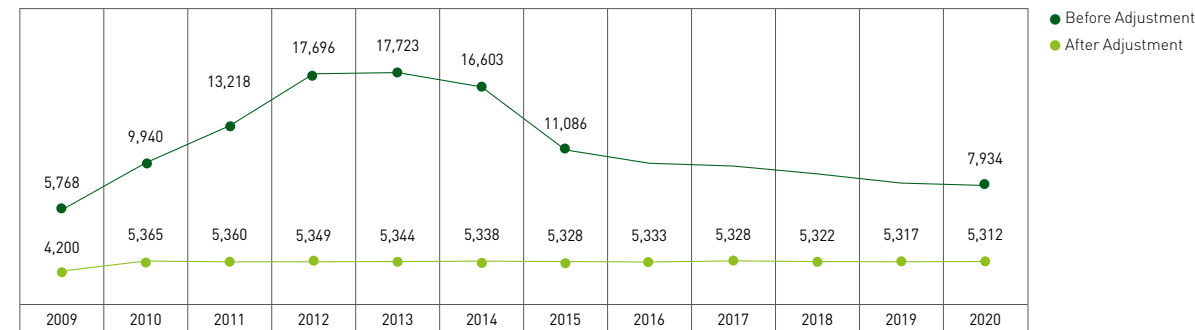
Although GHG emissions from the Incheon Plant decreased about 97 tCO<sub>2</sub>e, it was mostly from a decline in production output. To reduce GHG emissions from the plant effectively, we are implementing diverse measures such as replacing lighting fixtures with LED. GHG emissions from the Pocheon Plant increased about 4 tCO<sub>2</sub>e as the volume of waste product recycled at the plant increased from 2,619 tons in 2011 to 2,997 tons in 2012. However, we have made diverse efforts such as replacing fossil fuel boilers into electric ones in December 2012 and expect to see the results in the near future. GHG emissions from the Seoul Head Office and the Cosmetics Research Institute decreased as the result of indoor temperature management mandated by the Energy Use Rationalization Act. Total GHG emissions from R&D Center increased by 22 tCO<sub>2</sub>e due to an increase in energy use from the rise in the number of products models developed at the facility.

\* 5,456 tCO<sub>2</sub>e in 2011 → 5,874 tCO<sub>2</sub>e in 2012: Total emissions increased due to inclusion of emissions from the Water Treatment Division (for 10 months), logistics centers and new employee dormitory (included in the annual data compared to 2011)

\* Total GHG Emissions from 6 business sites (Yugu Plant / Incheon Plant / Pocheon Plant / Seoul Head Office / Cosmetics Research Institute / R&D Center): Total emissions decreased from 5,170 tCO<sub>2</sub>e (2011) to 5,030 tCO<sub>2</sub>e

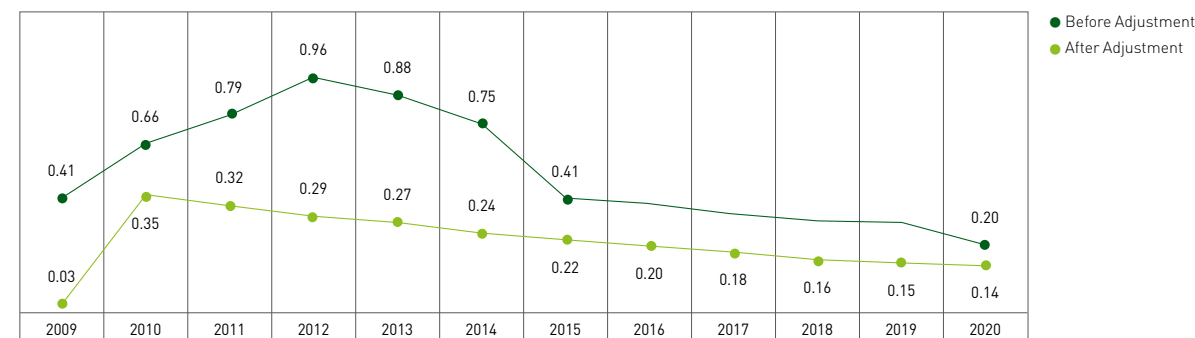
**Mid to Long Term GHG Emissions Reduction Target**

(Unit: tCO<sub>2</sub>e)



**Intensity-Based Reduction Target**

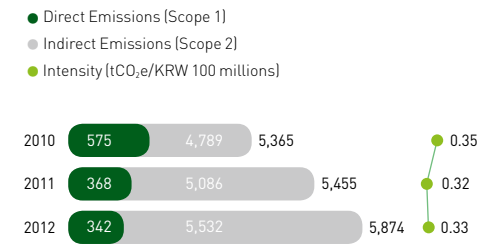
(Unit: tCO<sub>2</sub>e/KRW 100 million)



**GREEN MANAGEMENT**

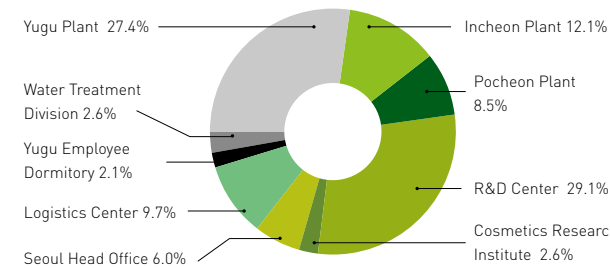
**Total GHG Emissions**

(Unit: tCO<sub>2</sub>e)



\* GHG emissions data for 2012 is an estimate from before the third party verification

**Percentage of GHG Emissions**



**Water Resource Management**

As part of our efforts to protect the environment and design healthy and happy lives to people, we are paying particular attention to managing water resources which have a great impact on human life. As water resources are also closely related to what we do and can have significant impact on our business, we are engaging in diverse activities based on mid to long term water resource management strategies.

**Global Level Water Resource Management Effort** — Inspired by the vision of the UN Global Compact to address water re-

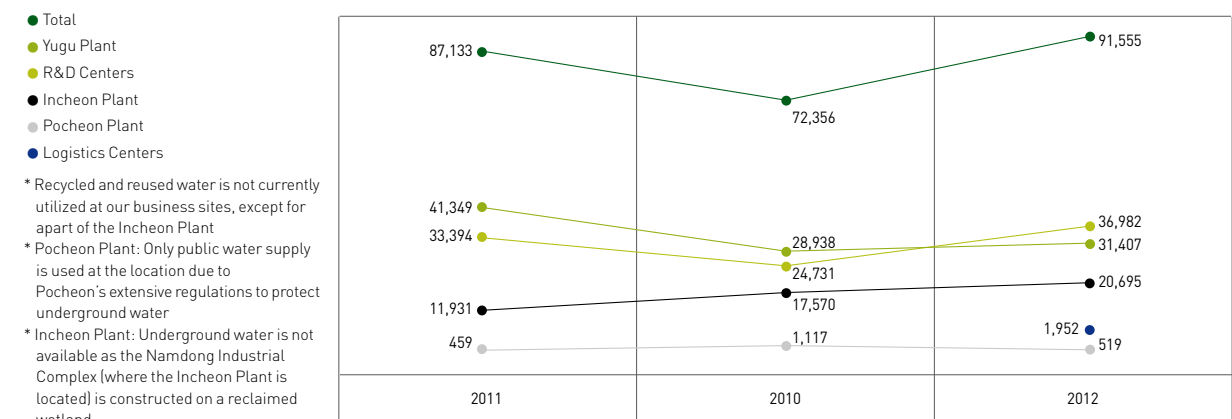
source crisis, Coway became the first Korean company to join the CEO Water Mandate of the UN Global Compact in 2010 and is making voluntary efforts to resolve water related issues and to manage valuable water resources. The Eco-way Council, Coway's working level council for environmental and climate response initiatives, analyzes the risks and opportunities originating from GHG emissions and water resources and incorporates the results into our management strategies and key policies. Our efforts for improving water resource management are also creating positive outcomes for our business, generating direct and indirect benefits.

**Water Resource Management at Our Business Sites (Waterless Test System for Water Filtration Appliances)** — At the Yugu Plant, water is used to test the quality and performance of water filtration appliances. In order to reduce such water use, we invested heavily in techniques that use less water and developed the world's first test system that uses nitrogen and vacuum instead of water. The system generated financial benefits of about KRW 490 million by saving approximately 1,320 tons of water annually, reducing the time required for tests by 38% and increasing productivity by 5.8%. We have expanded the test system to our Incheon and Pocheon plants and are still working hard to develop test systems that use less water and have no negative impact on the environment.

**Water Resource Management by Our Products (Saves Water with Nano-trap Filter)** — As part of our ongoing efforts to reduce waste water from product use, we developed the Nano-trap filter in 2012 and completely eliminated waste water from our water filtration appliances. The 2nm nanomaterial used in the Nano-trap filter delivers high filtration efficiency and eliminates harmful substances effectively. Our water filtration appliances also offer the direct water dispensing feature and require no water tank, which helps users who use a large amount of water or live in areas with low water pressure. With the new Nano-trap filter, our products conserved a total of 903,149 tons of water compared to the product models prior to 2012.

**Total Water Use**

(Unit: m<sup>3</sup>)



\* Recycled and reused water is not currently utilized at our business sites, except for apart of the Incheon Plant

\* Pocheon Plant: Only public water supply is used at the location due to Pocheon's extensive regulations to protect underground water

\* Incheon Plant: Underground water is not available as the Namdong Industrial Complex (where the Incheon Plant is located) is constructed on a reclaimed wetland

# 2.3

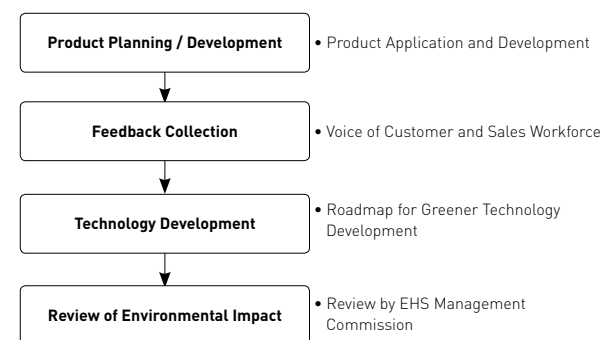
## Greener Products

To us, greener products are those products that reduce burden to the environment by abating GHG emissions throughout their life cycle (from production to use to disposal) and using a minimum amount of natural resources and harmful substances. Coway strives to develop such products with a particular focus on climate change response (improving energy efficiency), resource recycling, and environmental regulations. Going forward, we will continue to develop smaller and lighter micro-sized products that deliver high energy efficiency as well as greater performance and convenience. Moreover, we will take environmental impact into consideration in developing premium products and multi-functional products.



### R&D Process for Greener Products

Our product development process starts from listening to our stakeholders. Their opinions, collected through various channels, are incorporated into product development based on the roadmap for greener technology development. The resulting prototype, or technology, is reviewed by the EHS Management Committee for environmental friendliness. Once the committee approves the prototype, it is developed into a product and introduced in the market.



### Greener Product/Service Elements

All our greener products create minimal impact on climate change with low GHG emissions and high energy efficiency, reduce resource use by increasing product recyclability, and fully comply with environmental regulations for hazardous materials and safety & health.

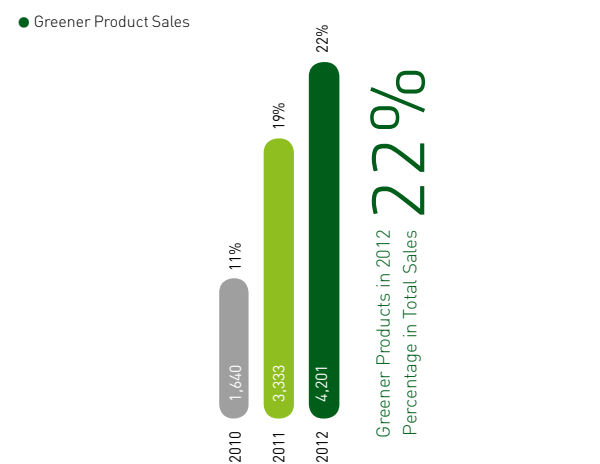
## COWAY ECO PRODUCT / SERVICE

Climate Change	Resource Recycling	Environmental Regulation
<b>Reducing GHG emissions</b> <ul style="list-style-type: none"> <li>Develop technology that reduces GHG emissions</li> <li>Develop products that use renewable energy</li> <li>Develop products that require no power/self-generate</li> </ul>	<b>Reducing resource use</b> <ul style="list-style-type: none"> <li>Reduce product size and weight</li> <li>Use more natural materials</li> <li>Use more recycled materials</li> </ul>	<b>Eliminating hazardous materials</b> <ul style="list-style-type: none"> <li>Eliminate use of materials causing gene mutation/cancer</li> <li>Eliminate use of regulated flame retardants</li> <li>Reduce use of heavy metals</li> </ul>
<b>Increasing energy efficiency</b> <ul style="list-style-type: none"> <li>Develop high energy efficiency products</li> <li>Achieve zero standby power</li> <li>Develop eco control system</li> </ul>	<b>Improving recyclability</b> <ul style="list-style-type: none"> <li>Use degradable materials</li> <li>Use recyclable materials</li> <li>Expand take-back and recycling programs</li> </ul>	<b>Improving safety/health</b> <ul style="list-style-type: none"> <li>Reduce noise/vibration</li> <li>Provide stronger antibacterial/sterilization features</li> <li>Use more natural materials</li> </ul>

### Greener Product Sales

We contribute to the creation of a healthier environment with low carbon, energy efficient products. Such strategies not only help us respond to climate change but also increase our sales in the greener product segment.

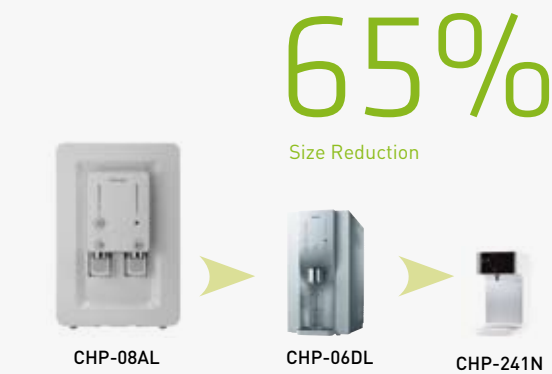
### Greener Product Sales Overview (Unit: KRW 100 millions)



\* Due to a change in the equation used to calculate the amount of greener product sales (as of February 2013), the figures may differ from those presented in the 2012 Carbon Management Report



### 1. Water Filtration Appliance (Model: CHP-241N)



Category	Raw Material Use	Hazardous chemical substances	EU RoHS Compliance
Product Use & Maintenance	Size / material use reduction	Product size reduced by 50% (compared to CHP-06D)	
	Energy use	4.1kWh [Uses 80% less monthly energy compared to CHP-06DL]	
Disposal	GHG emissions	Creates 80% less monthly GHG emissions Creates 85% less GHG emissions in the disposal phase [no refrigerant]	
	Waste generated	Products refurbished and materials reused	

**Reduced the size of water tank with direct water dispensing:** Achieved high removal rate/processing volume with the development of Nano-trap filter  
**Reduced the size by eliminating hot water tank:** Developed instant hot water system that produces water up to 90°C without storage tank  
**Reduced the size by eliminating compressor:** Developed electronic refrigeration system using thermoelectric semiconductor [refrigerant-less]

### 2. Air Purifier (Model: APM-0812DH)



Category	Raw Material Use	Hazardous chemical substances	EU RoHS Compliance
Product Use & Maintenance	Size / material use reduction	Product size reduced 23% (compared to APM-1011YH)	
	Energy use	26W (35% improvement compared to other flagship products)	
Disposal	Waste generated	Products refurbished and materials reused	

### 3. Bidet (Model: BAS14-A)



Category	Raw Material Use	Hazardous chemical substances	EU RoHS Compliance
Product Use & Maintenance	Size / material use reduction	Only Korean bidet product acquired the "Low Carbon Certification"	
	Energy use	8.2 W of standby power (40% reduction compared to bypass mode)	
Disposal	Waste generated	Products refurbished and materials reused	



**Green Plug:** Green Plus is our smart energy-saving technology that records data related to the user's product use in hourly intervals for 14 days. Based on the use pattern, Green Plug controls electric power use and saves energy. According to a test conducted by Coway's Environmental Technology Institute, Green Plug saves up to 40% of monthly energy use (KRW 1,600 of energy bill savings) compared to the bypass mode (based on a four-member household with 12 uses a day).

# 2.4

## Greener Life Cycle

We always think "green" when we develop, sell, dispose and recycle our products. With our "green" mind, we will continue to deliver products and services that minimize negative impacts on the environment.

### Development Greener Product Rating System

Greener Product Rating System



- Coway certified greener products
- Greener products certified by the Korean government and Korean certification agencies
- Greener products certified by international certification agencies
- Global top class greener products
- World's best & first greener products

1

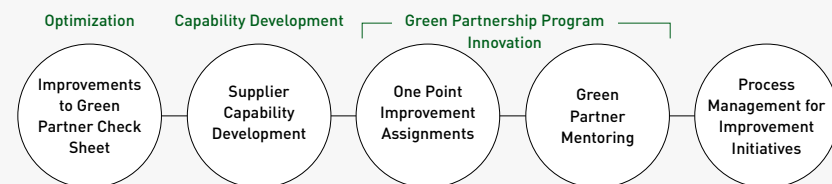
Climate Change	Resource Recycling	Environmental Regulation
Improved energy efficiency	Reduced use of resources	Stronger response to hazardous materials and health & safety
Reduced GHG emissions	Greater recyclability	Full compliance for new products
CHP-270L: Greener refrigerant applied	CHP-010E: Waste water eliminate	Self-sterilizing water filtration appliances
Bidet: Green Plug applied	CHP-241N: Size reduced by 50%	
APM-0812DH: Energy use reduced by 35%		

### Purchasing Green Partnership Certification

Integrated management of data on materials, material quality and parts with the ERP (Enterprise Resource Planning) system



2



- Total Green Purchasing Rate: 93.01%
- Performance from Partnership for Greener Product & Material Development Energy efficiency improved by 41.1% and GHG emissions decreased by 35.3%

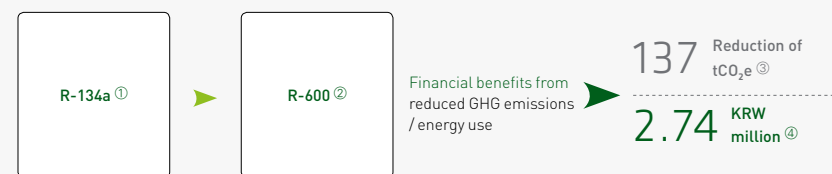
### Production Adoption of Greener Refrigerant (R600a)

Stronger management in the production process to minimize negative impacts on the environment



3

- Product Applied: CHP-270L
- GHG emissions reduction from refrigerant change



### Product Use Green Initiatives for Product Use Phase

GHG emissions reduction initiatives focusing on the product use phase



4

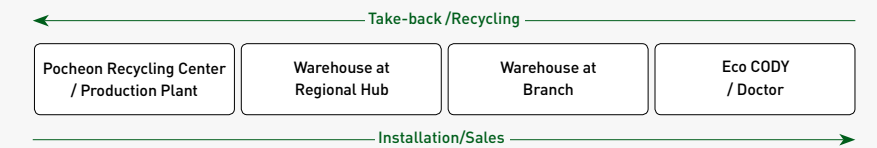
"Hanbyum" Water Filtration Appliance (no-refrigerant instant refrigeration/instant hot water system): Optimizes energy use by producing cold and hot water with the instant refrigeration/hot water system



\* Based on the product use phase defined by the Ministry of Environment's Carbon Footprint Label  
\* Number of CHP-241N units sold in 2012: 161,522

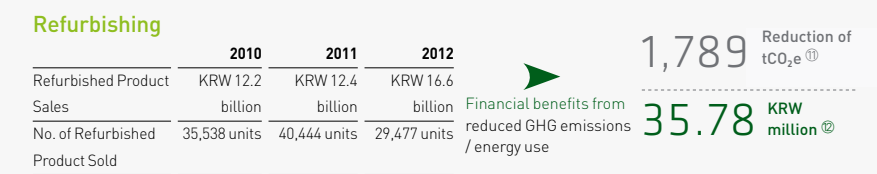
### Take-back / Recycling Reverse Logistics Process

Industry leadership and financial benefits through voluntary waste processing

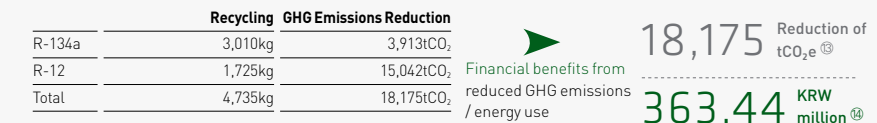


**Waste Product Collection Service**

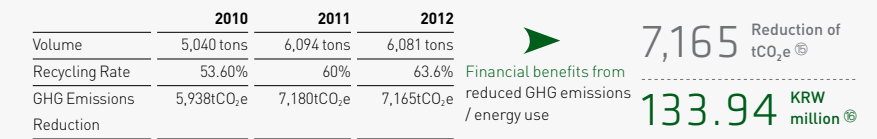
- Provides a free take-back service on delivery of a new Coway product
- Also offers a paid de-installation service for customers who wish to dispose Coway appliances without product purchase



### Refrigerant Recycling



### Plastic Recycling



5

\* Recycled plastics are not used in our products due to consumer aversion and sold to recycling companies  
\* Food waste treatment systems and water softeners are included from 2012

\* Please refer to page 70 from Appendix for the detailed process for calculating the values ① to ⑤



Material Issue 3  
**EMPLOYEE VALUE CREATION**



**OUR APPROACHES**

The greatest asset to a business is its people. Based on the belief that our employees are the true owner of our business activities and the source of customer value creation, we strive for "employee satisfaction management" to help our employees develop their professional capability and achieve their individual vision with great work satisfaction. We also have established a clear direction for talent cultivation with consideration to the current business climate and our corporate vision, while making diverse efforts to promote employee value based on the four strategies of "work-life balance & family-friendly management," "fair HR / assessment / compensation system," "talent cultivation and employee capability development," and "corporate culture based on trust and mutual growth." Going forward, we will continue to strive to become an organization that helps its employees develop into best talent and lead happy professional and personal lives.

**OUR ACHIEVEMENTS**

Key Management Issues	2012 Activities	Page No.
Stronger Employee Communication & Participation	<ul style="list-style-type: none"> <li>Ensured employee participation in a major decision making process</li> <li>Promoted employee's business participation with employee suggestion programs (i.e. Sang-sang Ocean)</li> </ul>	p 46
Work-Life Balance & Family-friendly Management	<ul style="list-style-type: none"> <li>Received the Grand Prize of the 2012 Best 100 Companies to Work for in Korea for two consecutive years</li> </ul>	p 47
Fair and Transparent HR / Assessment / Compensation System	<ul style="list-style-type: none"> <li>Introduced a mentoring program in the evaluation system</li> </ul>	p 48
Talent Cultivation & Employee Capability Development	<ul style="list-style-type: none"> <li>Operated talent cultivation programs such as STEP and CoP</li> <li>Operated the Star Academy, a training program specialized for our service workforce</li> </ul>	p 49
Creating Corporate Culture based on Trust & Mutual Advancement	<ul style="list-style-type: none"> <li>Hosted the Labor-Management Council workshop and talk sessions</li> <li>Operated an on and offline grievance counseling program (ER Culture Lab)</li> </ul>	p 50 p 51

**OUR KEY INDEX**

No. of Employee Suggestions from the Sang-sang Ocean Program

85,165

Total Hours for Employee Training

95,743

Employee Satisfaction

6.7 points

No. of Labor-Management Council Meetings

4





# 3.1

## Stronger Employee Communication & Participation

Coway's employee satisfaction management starts from listening to the employee voice, making overarching efforts for communication, and actively including our employees in the key decision-making process. In 2012, we redoubled our efforts regarding employee communication and saw a 7.5% decrease in turnover rate compared to the previous year, indicating an increase in employee satisfaction and improved organizational competitiveness. Another major achievement last year was deepened trust between labor and management.



Internal Social Network Service 'Kokkiri'



Interactive Conversation with the CEO



Energy & Excitement Promotion Group

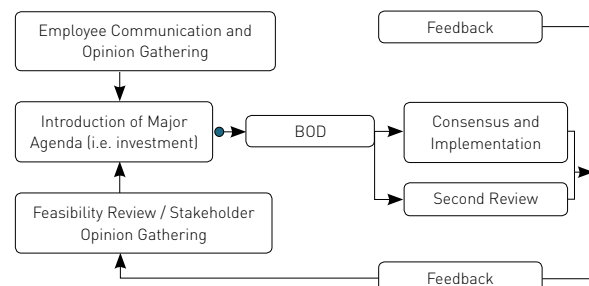


Sang-sang Ocean [Employee Suggestion Program]

### Expanding Employee Participation in Decision Making Process

At Coway, we actively incorporate the opinions of our employees as well as the opinions of external stakeholders into the decision-making process for large scale investments and major management issues. Moreover, our diverse efforts to promote communication between employees and management, including the CEO, enable us to naturally include our employees in the key decision-making process. We have also established a wide range of employee suggestion programs and communication channels to create sufficient opportunities for our employees to express their opinions.

#### Employee Communication and Participation Process



### Employee Communication and Participation Channels

#### Information Sharing Channels

Good Morning Coway	Corporate level communication forum/ Shares business performance, introduces new members, etc.	Monthly
Internal SNS 'Kokkiri'	Internal social network service for employee-management communication	Year-round
Employee Online Community 'LooLooLaLa'	Online communication channel for employees Online vehicle for building and spreading corporate culture	Year-round
Sustainability Report	Internal and external information sharing channel/ Shares the financial and non-financial performance of Coway	Annually
Domestic / Overseas HR Presentation	Shares key HR information such as appointment, promotion, assessment, compensation, training, etc.	Year-round

#### Employee Opinion Gathering Channels

Interactive Conversation with the CEO	Interactive conversation session for the CEO and employees	Monthly
Energy & Excitement Promotion Group	Reports to CEO Produced ideas for creating new corporate culture	Monthly
Sang-sang Ocean	Employee suggestion program for work and new business related ideas	Year-round
Ewoolim	Regular meeting participated by all employees; unique to Coway	Daily (morning)
High-Ting	Designed to build a bond between management and employees through various shared experiences, such as outdoor activities	Monthly

### Sang-sang Ocean (Employee Suggestion Program) Overview

Coway's flagship innovation initiative "Sang-sang Ocean" is an employee suggestion and training program designed to promote innovation in our employees' work. Employees are invited to enjoy fun activities in a virtual ocean and encouraged to express creativity to arrive at innovative ideas. Ideas produced from the Sang-sang Ocean sessions are incorporated into our business and management operations after a review, and employees who suggested the selected ideas receive rewards and benefits. Sang-sang Ocean is not only a program for promoting employee innovation, however, but also a vehicle for renewing our corporate culture, facilitating communication and creating sustainable organizational value. In 2013, we will strengthen the program's collaborative aspect with "Together Sang-sang" to encourage our employees to put their innovative minds to a broad range of issues, from cost saving ideas to new business ideas.

#### Sang-sang Ocean (Employee Suggestion Program) Overview

Year	Total No. of Suggestions	Monthly Average	Average No. of Suggestions per Employee (Monthly)
2010	174,265	14,522	10.8
2011	82,569	11,796	7.2
2012	85,165	7,097	3.9

Key Ideas: Mattress rental business, Waterless test system for water filtration appliance, from 2012 Received the IR 25 Jang Young-Sil Award (CHP-241N), Entry into the dehumidifier market, etc.

### Employee Satisfaction Survey Results

Every year, we conduct an employee satisfaction survey to collect employee feedback and to identify improvements to be made. The survey results are used as a basis for employee communication as well as the data for establishing a comprehensive plan to promote employee satisfaction and an action plan for specific issues.

#### Employee Satisfaction (10 points)



# 3.2

## Work-Life Balance & Family-friendly Management

Helping our employees achieve a balance between work and life and increasing employees' sense of belonging by expanding our responsibility for their families are the key elements of our employee satisfaction management. To this end, we provide a wide range of employee welfare and benefit programs and strive to create corporate culture that facilitates such efforts by continuously communicating the connection between work-life balance and family-friendly management.



#### Programs for Work & Life Balance

Run Away Project	Helps our R&D workforce relieve work stress and become refreshed
Vacation Program for Continued Service	Provides vacation time and expenses based on the number of years in continued service
Benefit Point Program	Supports employees' development by providing benefit points
Employee Club Support	Supports employee clubs and hobbies
Child Care Support	Provides child care facilities and nursing rooms

#### Programs for Employee Families

Coway Day	Supports employee families' office visit and family trip
Coway Happy Farm	Supports employees and their family members to have weekend farming experience. Employees are provided with an opportunity to appreciate their family and to feel greater trust for the company
Family Day	Helps our employees spend more time with their family and become refreshed by designating one workday as the day for leaving work on time
Wedding Anniversary Celebration	Sends gift to employees on their wedding anniversary
Funeral Supply Support	Supports diverse funeral supplies to employees who are bereaved of their family member and offers consolation

### Named "2012 Best Company to Work for in Korea"

Coway is making great efforts to build an advanced HR management system and infrastructure based on our strategic direction for "a stable, efficient and systematic HR system." We are also paying particular attention to emerging HR issues, work & life balance and family-friendly management, to create energetic and sound corporate culture. As a result, Coway was ranked first as the Best 100 Companies to Work for in Korea in the general service category by the GWP (Great Work Place) Korea. Also named "the Best Company to Work for in Korea" in the manufacturing category in 2011, Coway is making ongoing efforts to create better and more pleasant working conditions and corporate culture for our employees.

# 3.3

## Fair & Transparent HR/Assessment/ Compensation System

Coway established a fair HR/assessment/compensation system to help our employees utilize their capabilities to the fullest extent, contribute to achieving organizational goals, and realize their individual career visions.



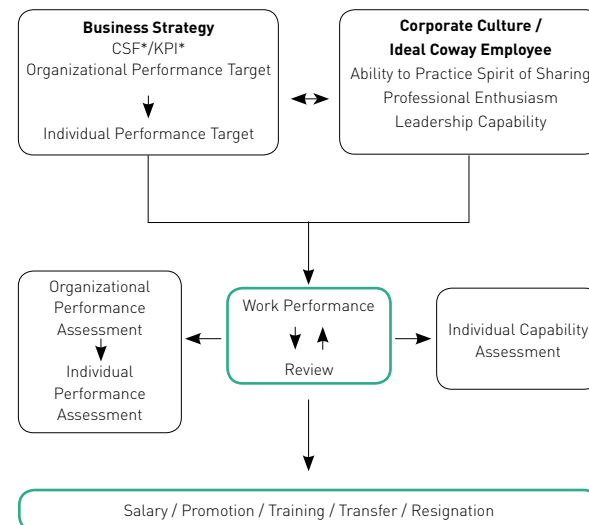
### Operating Principles of HR/Assessment / Compensation System

The operation of our HR/assessment/compensation system is guided by the three principles of "R&R first," "performance first" and "talent cultivation first" to ensure fair and transparent HR/assessment/compensation management. We also established an HR statistics database to ensure the reliability of the HR data and to support accurate and efficient HR management. Our employees are provided with fair opportunities to develop their professional capability and to receive necessary training.

### Fair Assessment System

In evaluating our employees, we assess their professional capability as well as their performance to help them grow into "an ideal Coway employee" in the long term and provide development support tailored to their individual potential and capability. To this end, we perform an absolute assessment of individual performance based on the following four criteria: assessment of organizational and individual performance in connection with our business strategy, assessment of organizational and individual capability for future development, assessment based on open communication, and utilization of the results to motivate employees. Following the multidimensional assessment of individual performance, we reassess the assessment results in conjunction with organizational performance and grade individual performance on a curve to ensure transparency. Also, we establish KPIs for each organization and link them into performance targets for teams and individuals. The progress is systematically monitored and managed with a performance assessment mentorship program. Moreover, we are implementing a three dimensional assessment comprised of self-assessment, supervisor assessment and peer assessment to increase fairness and transparency of our assessment / compensation system.

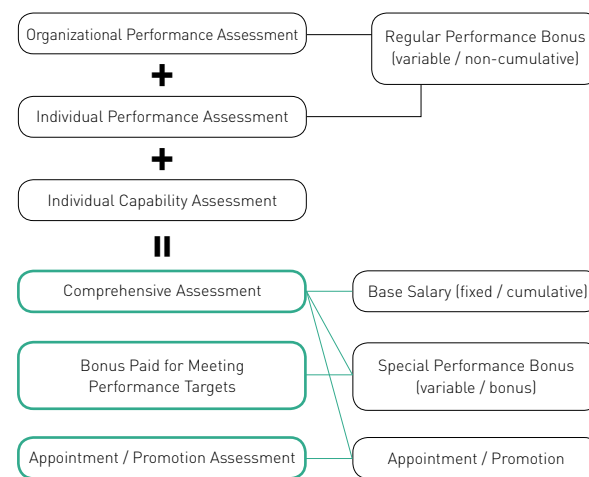
### Assessment System Overview



- 1\_Performs organizational / individual performance assessment based on business strategy
- 2\_Performs capability assessment to develop organizational / individual capability
- 3\_Operates the assessment process based on open communication
- 4\_Provides motivation by utilizing assessment / assessment results

\* CSF: Critical Success Factor  
 \* KPI: Key Performance Indicator  
 \* Assessment Target: All Coway employees (including non-regular workers)

### Compensation System Overview



# 3.4

## Talent Cultivation & Employee Capability Development

In order to encourage and support our employees to share our corporate vision and value and to constantly develop their professional capability, we established and presented a clear model for "Ideal Coway Employee." To help our employees develop into such talent, we implemented a talent cultivation system that provides comprehensive support in improving expertise in the areas of their personal interest as well as in their professional capability development.



### What We Look for in Our People

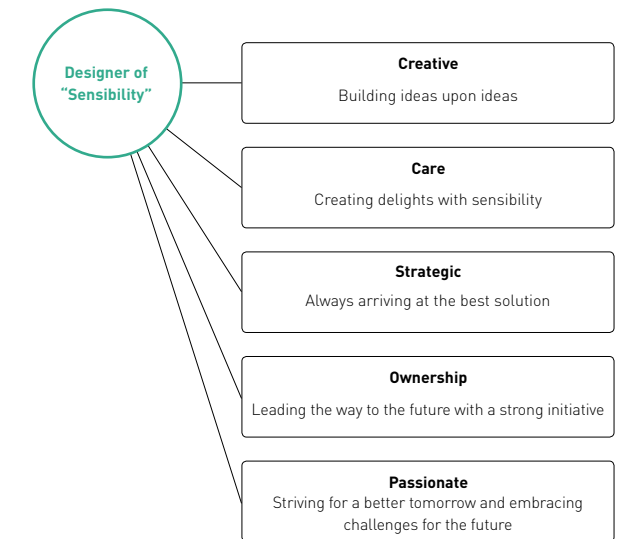
Based on our new mission, vision and core values, we clearly defined the qualities that we look for in our employees in terms of attitude and core competencies. Such qualities are represented by the 5 keywords of "passionate," "ownership," "strategic," "creative," and "caring," and specified into writing as the "Declaration of Coway Employee Identity" to guide the actions of our employees. We plan to utilize the new definition of "Ideal Coway Employee" as guidelines for recruitment, employee goal setting and employee assessment as well as in employee training and talent cultivation. We believe that such efforts will help our employees become "Designers of sensibility" who deliver customer satisfaction and contribute to realizing our corporate vision of becoming "THE Lifestyle Design Company."

### Strategies for Talent Cultivation and Employee Capability Development

In 2012, as part of our efforts to further develop our training system, we focused on improving employee training and capability development support with the CoP (Community of Practice) program as well as training support tailored to individual capability. In 2013, we plan to build a comprehensive training system that offers mobile-learning and to focus on strengthening the Coway identity with membership training.

**STEP(Self Teaching & Education Plan)** — "STEP" is a training program for strengthening individual and organizational capability by inspiring our employees to plan their own training and motivating them to follow through with the plan. To further assist our employees, we have also established the comprehensive STEP management system that provides an at-a-glance look at their progress and facilitates efficient management of the course schedule.

### Ideal Coway Employee



### 2012 STEP Overview

Target	1,117 employees (sales & production workforce excluded)
Audience	* Training for employees in sales and sales management were led by the Training Team from the respective business divisions
Training Costs	KRW 1153.77 million in total (KRW 1,033,000 per participant)
Total Hours (Cumulative)	95,743 (25,777 hours for online training / 69,966 hours for offline training) 86 hours per participant

### 2012 Human Rights Workshop

Program Title	Say NO!: Creating a workplace without sexual harassment
Target	Assistant to Senior Manger
Audience	
Number of Participants	1,049
Total Hours (Cumulative)	2,098

**Promoting Active Learning with CoP** — In August 2011, we introduced the CoP program to promote a culture of collaborative workplace learning. The program encourages employees to form study groups with like-minded colleagues and provides necessary support. Currently, a total of 48 CoP groups from 13 business divisions are in operation, including the practical trading management study group organized by overseas sales staff, the IR study group organized by IR staff and the Production Management Workshop at the Production Division. Coway provides necessary support such as study materials and outside lecturers, and offer training trips to top-performing CoPs. Our employees are taking advantage of the CoP program to improve their capability in the areas of their interest free of time and space constraints.



Mini MBA

**Programs for Employee Capability Development**

**Professional Capability Development**

Mini MBA (Annually)	Training program to foster the next generation of Coway leaders Produced a total of 140 graduates from 7 classes (as of 2012)
12 Week Language Course (Year-round)	12 week language program to foster global talent Awards opportunities for overseas assignment to graduates

**Capability Development through Overseas Training**

Overseas Training WAA (Annually)	Program for discovering new business items and strengthening global perspective Over 150 employees completed overseas benchmarking trip to more than 30 countries (as of 2012)
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**Support for Employee Self-development**

Star Academy (Annually)	Sales & service expert training program for top-performing CODYs Korea's first training program specialized for service workforce
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3.5

**Creating Corporate Culture based on Trust & Mutual Advancement**

We are making constant efforts to spread the values championed by our corporate culture – youthfulness, innovation, trust and confidence – based on our strong belief that our corporate culture will become the leading force behind achieving our new corporate vision, “THE Lifestyle Design Company.” Based on trust and mutual advancement, Coway’s labor-management relationship is a driving force behind our sustained growth as well as a basis for sound corporate culture. We also employ a wide range of programs that help employees work out their personal issues such as the ER Culture Lab and the Happy Mind program to create more sound corporate culture.



**Creating Labor-Management Relationship based on Trust and Mutual Growth**

In order to facilitate labor-management accord, the Labor-Management Council is notified in advance of any major changes in Coway’s business and when necessary, ad-hoc council meetings are held to reach a satisfactory agreement on issues related to employee welfare and working conditions. Our regular Labor-Management Council meetings are attended by employee representatives and management representatives including the CEO to exchange ideas and build consensus as a representative of all Coway employees. In 2012, we hosted a Labor-Management Council workshop and several talk sessions to further strengthen mutual trust and communication.

**Labor-Management Council Overview**

Category	2010	2011	2012
No. of Council Sessions	7	5	4
Major Agenda	Salary raise, Bonus payments, Annual leaves, etc.	Salary raise, Majority stake sale of the company, Managing employee stress, Maintaining working conditions, etc.	
No. of Cases Discussed	7	8	9
No. of Cases Resolved	7	8	9

**ER Culture Lab (Grievance Resolution Center)**

The ER Culture Lab is our official channel for receiving and addressing employee grievances that operates under the guarantee of absolute anonymity. Employees can present grievances of any nature from work related issues to personal problems. In order to increase the true effect of this program and facilitate immediate response, we engaged in ongoing promotion campaigns on the intranet, improved the program’s online accessibility and established an offline center for grievance counseling. With the program, we are able to prevent a wide range of HR risks by helping our employees resolve grievances, strengthen our organizational competitiveness and create corporate culture based on trust.

**ER Culture Lab Overview**

Grievances	Covers personal issues (i.e. personal issues, career vision and personal debt) as well as work related issues (i.e. workplace relationship, assignment, sales related)
Grievance Submission	Online: Bulletin board (Grievance Counseling Room), email, messenger, etc.
Channels	Offline: Phone counseling, visitation and referral
Grievance	Elaborate the issue > Submit the issue > Register the issue >
Counseling Process	Resolve the issue
Result Notification	Within 2 days of registration (1.2 days on average)

**Grievance Resolution Performance**

Item	2011	2012
No. of Cases	140	56
No. of Cases Resolved	140	56
Resolution Rate	100%	100%
Major Grievances	Promotion, sales, work, personal, etc.	Personal, communication, sales, promotion, etc.

**Happy Mind Program**

Launched in June 2011, “Happy Mind” is a psychiatric counseling program we offer to employees in partnership with professional counseling organizations. Started as a local program for Seoul and Gyeonggi Province based employees, it has been expanded to a nationwide program for all Coway employees. The program offers up to 5 sessions of 50 minute private counseling and 2 types of tests for free (annually) and a full guarantee of anonymity for the service recipient upon their request. The program offers counseling on a broad range of personal issues such as emotional problems, family troubles, couple’s issues, relationship troubles as well as work-related issues. This program was introduced as part of our efforts to create healthy work environment and corporate culture by helping our employees work out diverse personal issues and relieve stress.

**Happy Mind Program Overview**

No. of Beneficiaries	15 (including couples)
No. of Sessions	64 (19 for test)
Fund Supported	KRW 5,070,000



Web Screen for Applying to Happy Mind Program



Material Issue 4  
**COMMUNITY PARTICIPATION & DEVELOPMENT**

# 4

## OUR APPROACHES

We base our social contribution efforts on our vision of "advancing the quality of life for the health of our children," and engage in a wide range of social contribution initiatives. In particular, we direct our efforts to protect the environment of the Earth, improve nutritional quality for the socially marginalized, fulfill our responsibilities for future generations, and support the development of low income countries. In order to maximize the impact of our efforts, we also focus on programs that are closely related to our businesses and that improve local communities' environment and quality of life. Going forward, we will incorporate our newly established corporate vision and core values as well as stakeholder interests into our social contribution initiatives to promote community participation and development. Moreover, we will continue to engage in communication with communities and strive to create a corporate culture that promotes voluntary employee participation in our social contribution initiatives for community development. Going forward, we will make our social contribution system more efficient and continuously expand communication with local communities.

## OUR ACHIEVEMENTS

Key Management Issues	2012 Activities	Page No.
Increasing Communication with & Participation in Local Communities	<ul style="list-style-type: none"> <li>Social contribution efforts based on close communication with local communities</li> </ul>	p 54
Comprehensive Management System for Social Contribution	<ul style="list-style-type: none"> <li>Implemented a system for managing social contribution efforts and performances of individual employees</li> <li>Promoted a corporate culture that encourages employee participation in social contribution efforts</li> </ul>	p 55
Strategic Social Contribution	<ul style="list-style-type: none"> <li>Continued our ongoing programs, i.e. the Yugu Stream Beautification Project and the Happy Well Project in Cambodia</li> <li>Implemented social contribution programs based on customer participation</li> <li>Operated the Green Supporters Program in partnership with our suppliers</li> </ul>	p 56
Response to Social Needs & Expectations	<ul style="list-style-type: none"> <li>Engaged in initiatives to improve living conditions of the socially marginalized</li> <li>Engaged in initiatives to improve nutritional quality of the socially marginalized</li> </ul>	p 59

## OUR KEY INDEX

Social Contributions	Donations
<b>9,425</b> KRW 10,000	<b>11.4</b> KRW 100 million
Average Employee Volunteer Hours	Number of Employees in Coway Volunteer Groups
<b>18.1</b> hours	<b>2,030</b>



# 4.1

## Increasing Communication with & Participation in Local Community

Coway strives for mutual growth with communities in which we operate and engages in a wide range of efforts to facilitate community development. Our social contribution initiatives take advantage of our effective communication channels with local communities, and based on ongoing communication, we develop and implement social contribution programs that have a substantive impact on community development.



### Our Definition of Local Community

Our business sites are located in Seoul, Yugu, Pocheon and Incheon. The communities in these regions provide us with quality workforce, administrative support, and constructive feedback as our valuable partners. Influencing each other economically, socially, and environmentally, Coway and these communities have formed a synergetic relationship with mutual benefits. Based on such awareness, we defined local community as "administrative districts where our business sites are located and all entities (residents, municipalities, suppliers, NGOs, civic organizations, educational and research institutions, media outlets, etc.) that influence us and are influenced by us. Going forward, we will continuously expand our definition of community to become a responsible and sustainable global corporate citizen.

### Processes and Channels for Communication with Community

The Plant Management Team at each of our business sites oversees communication with diverse members from the respective communities, including government agencies, local organizations and residents, and carefully gathers their opinions. The Yugu Plant operates the Yugu Regional Promotion Council to exchange ideas and explore paths for mutual growth with local opinion leaders, while the Pocheon Plant engages in a range of regular communication sessions with community members. The Incheon Plant is a member of the Namdong General Affairs Association, a cooperative council organized by the resident companies of the Korea Industrial

Complex. As a member of the association, the Incheon Plant interacts with local community members and gathers a broad range of local opinions. Collected opinions are incorporated into the development and operation of social contribution and community participation programs. Coway's social contribution performances and future plans are shared with stakeholders through our sustainability report and website.

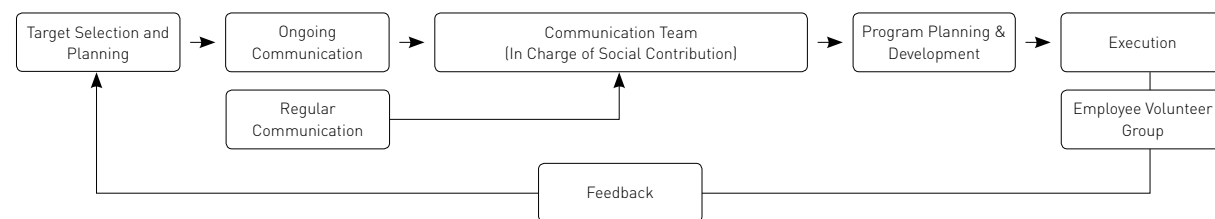
### Community Communication Channels & Our Performances

Yugu Plant	
Channel	Yugu Regional Promotion Council
Membership	40
Objective & Activity	Exchange ideas and discuss local issues with organization leaders (town mayor, police precinct captain, school headmaster, etc.) and opinion leaders of the local community
Convened	Monthly
Pocheon Plant	
Channel	Regular Meetings with the Pocheon City Government, the Sinbuk-myeon Office and the Giji 2-ri Village Foreman
Membership	20
Objective & Activity	1) Pocheon City Government: Discuss administrative support regarding licenses/permissions, business operations, and cooperation on Coway's volunteer activities 2) Sinbuk-myeon Office: Discuss cooperation on defense council related matters 3) Giji 2-ri Village Foreman: Gather the opinions of local residents
Convened	Every Two Months
Incheon Plant	
Channel	Namdong General Affairs Association
Membership	-
Objective & Activity	No activities in 2012
Convened	Ad-hoc

### Developing Social Contribution Programs for Local Communities

Communicating and engaging with local communities is the very first step in our social contribution efforts for identifying the community's needs and exploring ways to make a real difference. In 2012, we further developed our model for mutual growth based on ongoing communication and diverse social contribution programs, such as projects for improving living conditions of low income families, scholarships for students with international and multicultural background, and substituting the year-end ceremony with an employee volunteer event.

### Process for Community Communication and Community Opinion Gathering



### Social Contribution Programs for Local Communities

Program	Initiative & Our Performance
Regular Volunteer Work by Branch Managers from CL Division Business Area	Annual volunteer event that began in 2005. Donation of briquette and Kimchi to those in need from Seoul, Incheon and Busan to help them through winter.
Volunteer Program for Improving Living Conditions of Children from Low Income Households	Promotion engaged in partnership with the discount retail chain Homeplus. Funded a living condition improvement project with contributions from customers and donations from Coway and Homeplus.
Coway Global Scholarship for Students with Multicultural Background	Annual scholarship program that began in 2010. Scholarships (KRW 10 million per student) to ten exchange students from top universities in Asian developing countries who are attending Seoul National University.
Year-end Employee Volunteer Work	Year-end employee volunteer event held in substitution for the company's year-end ceremony. Over 500 employees participated in 2012, and made KRW 50 million in donations.
Woongjin Play C Event for Mongolian Students	Invited 93 students from the International Mongolia School and the Nasom Multicultural Daycare Center, and offered a fun day at the Woongjin Play C. In the works to establish as a regular event.
Talent Donation by Company Clubs	Blue Sea (scuba diving club): Engaged in waterfront cleaning activities in Ulleungdo and the coastal areas of Gangwon Province.
[International] Water Filtration System Donation in Africa	Improved living conditions of a remote village in Ghana, Africa by installing a simplified water filtration system and supplying clean drinking water for 4,000 villagers (100 tons a day).



Kimchi Donation Drive  
Employee Volunteer Event Substituting Year-end Ceremony

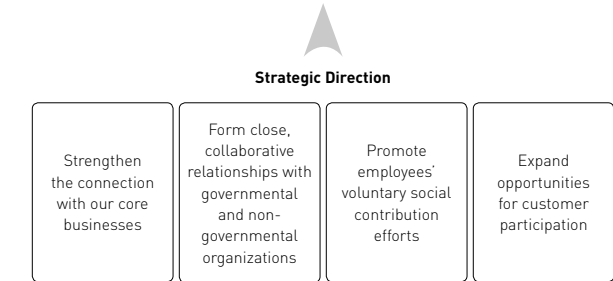
# 4.2

## Comprehensive Management System for Social Contribution

Based on our vision of "improving living conditions for the health of our children" for social contribution initiatives in 2012, we established strategic directions to strengthen the connection between our social contribution programs and core businesses, to form collaborative relationships with governmental and non-governmental organizations, to create corporate culture that promotes employee's voluntary social contribution efforts, and to expand customer participation. A broad range of social contribution efforts are operated systematically with the support of the Communication Team, which is in charge of Coway's social contribution initiatives, and a volunteer coordinator of each team. The corporate volunteer group and employee clubs also make valuable contributions.

### Direction for Coway Social Contribution Initiatives

Vision for Our Social Contribution Initiatives  
Improving Quality of Life to Ensure Healthy Tomorrow for Our Children



### Action Plan Overview

- Strengthen the connection between our core businesses and social contribution programs. Examples include the Yugu Stream Beautification Project and the Happy Well Project in Cambodia, which are closely connected to Coway's core business area of water
- Form collaborative partnerships with relevant agencies and organizations to further increase the effectiveness and impact of our social contribution efforts
- Promote employees' voluntary efforts for social contribution (i.e. employee volunteer groups and company club talent donations) and expand support for employee initiatives
- Expand opportunities for customers to participate in social contribution and form customer relationship based on trust

### Comprehensive Management System for Social Contribution Initiatives

Coway has an efficient organization and system to manage our social contribution programs. Volunteer coordinators of each team support the voluntary social contribution efforts of employees which are organized at the team or the business division level under the leadership of the Communication Team, which is responsible for developing, operating and managing Coway's social contribution efforts. Also, our corporate volunteer group has a membership of 2,030 employees (as of 2012), and many of our company clubs actively practice the spirit of sharing through talent donations. We have provided various supports to help their efforts and established a social contribution performance management system with which employees can independently manage their social contribution performance.

### Key Social Contribution Performances

Although our investment in social contribution initiatives declined in 2012 compared to the previous year, donations and employee volunteer hours remained at similar levels. We also made substantive progress in our social contribution efforts by strengthening the connection between our core businesses and social contribution programs, forging close relationships with local organizations, establishing corporate culture that promotes employees' voluntary social contribution efforts, and expanding customer participation. However, our greatest achievement in 2012 was the fact that we established a

corporate culture where our employees can initiate social contribution efforts. In 2013, we plan to further strategize and systemize our social contribution initiatives based on the new corporate vision and identity. We will also focus on building on what we have already achieved by sustaining our programs, while further expanding inclusive social contribution programs to provide stakeholders with more opportunities to participate in social contribution.

**Social Contribution Key Performance Indicators**

Category	2010	2011	2012
Social	KRW 860 million	KRW 240 million	KRW 94 million
Contributions			
Donations	KRW 1.13 billion	KRW 1.38 billion	KRW 1.14 billion
Average Employee	17.3 hrs	18.4 hours	18.1 hours
Volunteer Hours	[30,800 hours in total]	[33,500 hours in total]	[36,224 in total]
Number of Employees in Corporate Volunteer Group	1,783	1,817	2,030



Beautification of the Yugu Stream



Volunteer Work in Cambodia

**Customer Participation in Social Contribution**

Customer participation is fast becoming the core model for community participation and development programs. Such programs not only provide opportunities for customers to make social contributions by encouraging voluntary participation, but also help us form trust based relationships with our customers. Coway's customer participation programs include the Yugu Rice Donation program, where customers use their "she's well" points from the "Pay Free" website to donate rice, and the Happy Well Project, a project to build wells in Cambodia. In 2012, a total of 300 bags of organic Yugu Rice were donated to the Korean Council of Food Support with the participation of 682 customers, and 27 wells were built in Cambodia with the help of 1,601 customers. In the first quarter of 2013, 20 of the donors will travel to Cambodia to take part in the volunteer program. We will continue to expand customer participation in our social contribution initiatives to create a value we can share with our customers.



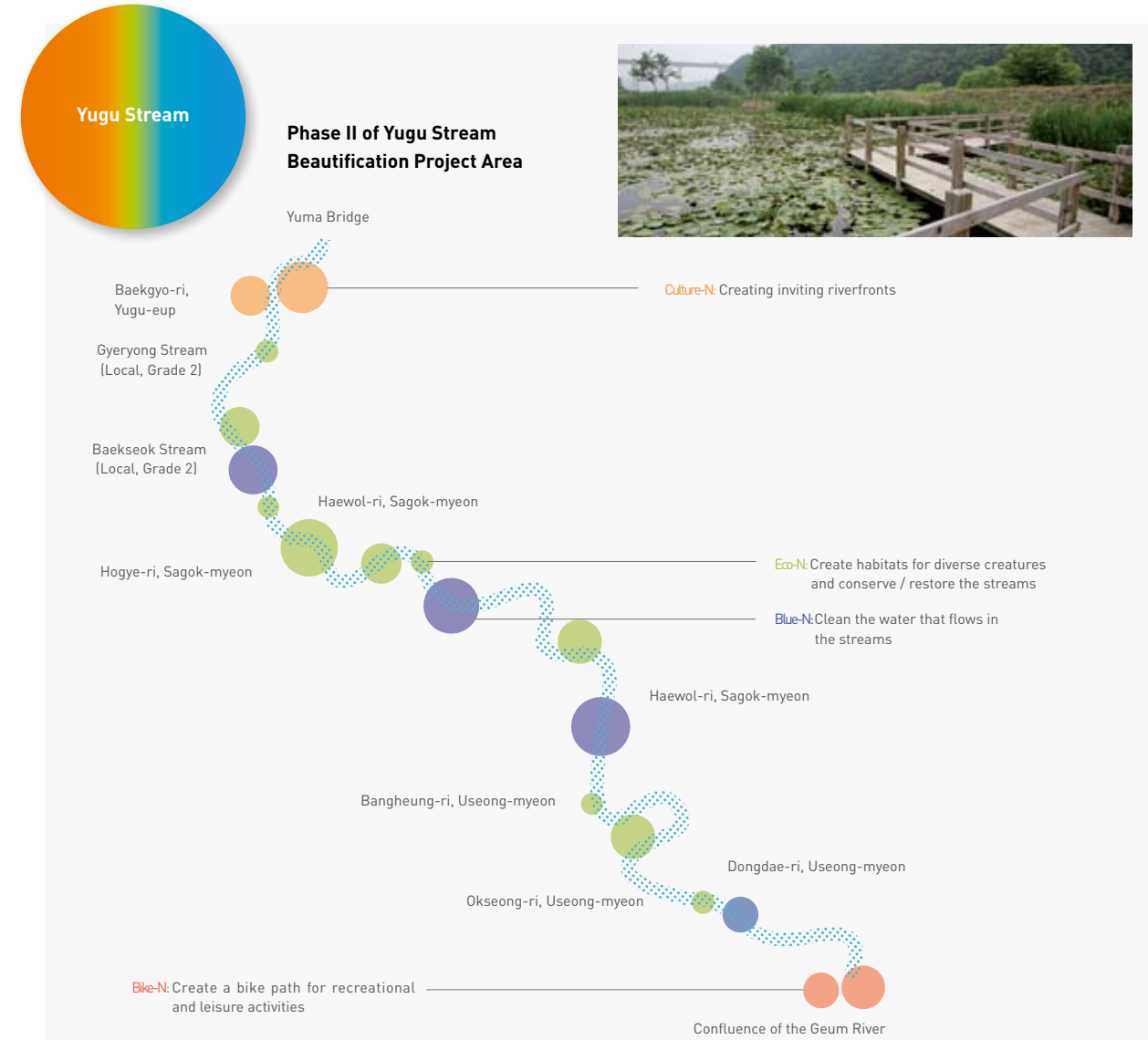
Yugu Rice Donations

**4.3 Strategic Social Contribution**

We focused on social contribution programs that have a strong connection with our core businesses (i.e. The Yugu Stream Beautification Project and the Happy Well Project in Cambodia) while implementing programs that engage stakeholders (i.e. customers and suppliers) in our programs. Such efforts contributed to raising awareness of social contribution and maximizing the impacts of our social contributions initiatives.

**Strategic Social Contribution Initiatives**

At the core of our strategic social contribution efforts are the Yugu Stream Beautification Project and the Happy Well Project, which are also perfectly in line with our four strategic directions: improving the connection between our businesses and social contribution initiatives, strengthening partnerships with governmental and non-governmental organizations, creating corporate culture that promotes employees' voluntary social contribution initiatives, and expanding customer participation. Our long-term commitment to these projects has produced great results, with our growing expertise over time leading to increased effectiveness of the projects. In 2012, we were not able to further expand these two projects due to changes in the company's ownership structure, but we successfully managed to sustain the results thus far achieved by turning it into an opportunity to pursue substantive growth of the program.



**2012 Yugu Stream Beautification Project**

Category	Performance
Number of Participants	254
Number of Times	9
Hours (cumulative)	2,032 hours
Key Achievements	Water quality improvement: Maintained Grade Ia water quality Biodiversity improvement: Ecosystem field research was not conducted in 2012/ Continuous management of water quality to promote biodiversity Yugu Rice Sales: 20,000 (10kg bag) Matching support recycling: Completed

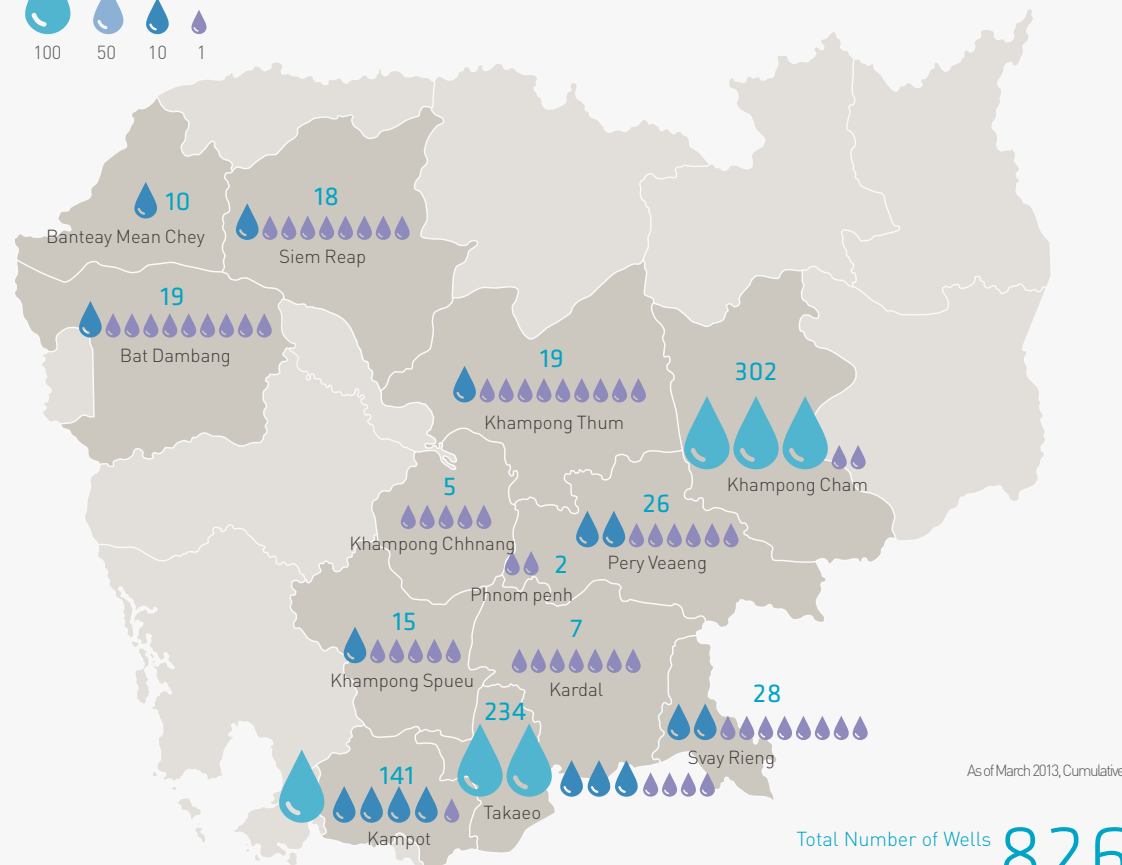
**Phase II Yugu Stream Beautification Project**

Coway successfully improved the water quality and the ecosystem of the local community with the Phase I Yugu Stream Beautification Project (2006-2011). In 2012, building on what we had already achieved, we expanded the project to the lower part of the Yugu Stream and kicked off Phase II Yugu Stream Beautification Project. In partnership with the Ministry of Environment and the City of Gongju, we will continue our efforts to improve the Yugu Stream's water quality and ecosystem through 2016.

Period: 2012- 2016 [5 years]  
Region: Yeongjeong-ri, Sinpung-myeon, Gongju-si - Confluence of the Guem River [22.4km]  
Scope: • Ministry of Environment and City of Gongju [Restoring the Ecosystem at the Main Stream of the Yugu Stream]  
• Coway [Planting Water-purifying Plants at Tributaries of the Yugu Stream / River Cleaning by Employees]



**Happy Well Project (Cambodia) Overview**



As of March 2013, Cumulative

Total Number of Wells **826**

Total Number of Wells Donated by Coway **700**

**Happy Well Project**

Category	2011	2012
Number of Volunteers who travelled to Cambodia	17	22
Number of Wells Donated (Cumulative)	650	767
Number of Benefiting Villages	13 villages, 6 townships, 4 counties, 2 provinces	23 villages, 12 townships, 4 counties, 2 provinces

**Supplier Participation in Social Contribution Initiatives**

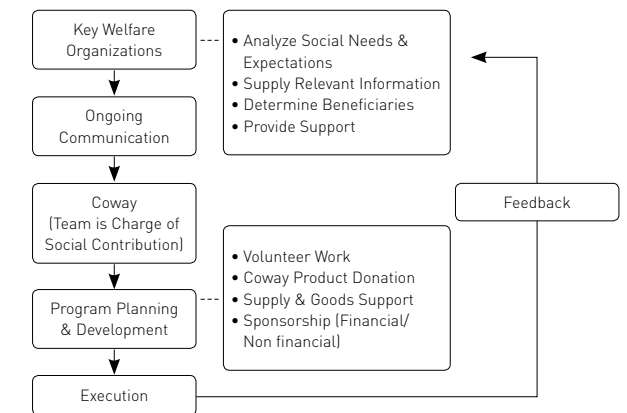
The participation of suppliers in our social contribution efforts not only helps us form a partnership based on trust but also provides an opportunity for mutual advancement based on stronger business competitiveness and effective risk management. In particular, Coway's Green Supporters Program helps our suppliers manage hazardous substances, improve their business site EHS and sanitation, calculate GHG emissions, and perform EHS self-check with the donation of expertise by our employees in the environmental area. The program helped reduce the environmental risk of our suppliers and in turn, strengthened the competitiveness of Coway as well as of our suppliers. Launched in 2012, the Green Supporters Program (volunteer program designed to share our expertise in environmental management with suppliers) is operated in partnership with our suppliers Jeongyang Styropol and KJ, Corp. under the leadership of the Environmental Management Team. We invite supplier participation in social contribution initiatives, such as the program encouraging our suppliers to form at least one sponsorship commitment, and are continuously expanding the scope of joint social contribution initiatives.



Green Supporters Program

the direction for the improvement of our products and services and strengthening of our business competitiveness. We have collaborative partnerships with numerous organizations that have expertise in social issues, particularly social welfare organizations and NGOs, and engage in regular communication with them. Based on insights offered by such organizations, we identify in a timely manner social issues that need to be addressed and follow up with social contribution programs, donations, and supply & goods sponsoring to make a difference.

**Process for Gathering Community Opinions**



**Improving Nutritional Quality and Living Conditions for Socially Marginalized**

In 2012, we directed our attention to the socially marginalized suffering from a food shortage due to the economic recession and the living conditions of low-income families. In partnership with the Korean Council of Food Support, about 50 employees volunteer every month to deliver meals to the elderly living alone, and Coway supported a total of 3,328 bags (10kg/bag) of rice to families in urgent need of food supply. In partnership with the Korea Environment Corporation, we launched a health supporter/consulting program and help low income families living in unhealthy environments improve their living conditions. We also donated 147 units of the Coway air purifier to low income families living in neighborhoods vulnerable to flooding and other disease-causing factors to contain diseases caused by unhealthy living environment. Also, we engaged in the "Sharing Love with Housing" campaign in partnership with the discount retailer Homeplus to improve living and learning conditions of children from low-income families.



Volunteer Program for Improving Living Conditions

**4.4 Response to Social Needs & Expectations**

In order to earn the trust of stakeholders as a responsible corporate citizen, we respond actively to social needs and expectations. In addition to our regular social contribution programs and diverse volunteer activities, we make our best efforts to respond to emerging issues by developing and introducing new social contribution initiatives every year.

**Process for Identifying Societal Needs and Expectations**

Embracing social needs and expectations and making swift responses not only allow us to contribute to community development but also provide us with an opportunity to improve and design lifestyles. This is also an important process in defining



Material Issue 5  
**WIN-WIN SUPPLIER PARTNERSHIPS**



**OUR APPROACHES**

Coway is committed to building win-win partnerships with our suppliers based on sound business dealings because we strongly believe that to achieve sustainable growth, we need to build fair and transparent business relationships with suppliers as a source of value creation and a basis of true partnership that brings mutual advancement. Competitive suppliers make us competitive, while their risk is translated into ours. As such, we make a broad range of efforts to build win-win supplier partnerships based on the four strategic directions: expanding supplier communication and participation, establishing a comprehensive supplier management system, strengthening win-win growth initiatives, and increasing supplier participation and social contribution. In particular, we are focusing on expanding our supplier support programs, including the three key programs (funding and financial support program, integrated raw material purchasing program, technology and innovation support program), into strategic initiatives designed to strengthen competitiveness across our value chain.

**OUR ACHIEVEMENTS**

Key Management Issues	2012 Activities	Page No.
Expanding Communication with Supplier	• Engaged in ongoing communication with suppliers through the Open Purchasing System	p 62
Establishing Comprehensive Supplier Management System	• Improved the selection process for parts suppliers • Established Supplier Relation Management (SRM) System	p 63
Strengthening Win-Win Growth Programs	• Operated the Supplier Sang-sang Ocean Program • Established the vision and mid to long term roadmaps for win-win growth	p 65
Increasing Supplier Participation and Social Contribution	• Continued the Green Partnership Program and the COP Academy • Operated a sponsorship program in partnership with Woongbihoe (Supplier Council)	p 65

**OUR KEY INDEX**

Financial Benefits from Innovation Initiatives  
**3.89** KRW billion

Number of Certified Green Partners  
**55**

Technical Support Program Performance (Supply Quality)  
**142** ppm

Total Savings from Integrated Raw Material Purchasing Program  
**1.16** KRW billion





# 5.1

## Expanding Communication with Suppliers

Coway is committed to building win-win partnerships with our suppliers based on the belief that such a partnership is the very basis of our competitiveness and sustainable management. In order to facilitate lively communication with our suppliers, we utilize various communication channels including the Supplier Sang-sang Ocean Program and the Supplier Council, "Woongbiho," to exchange ideas and explore paths for mutual advancement.



### Our Definition of Supplier

Coway defines supplier as "business partners who supply raw and subsidiary materials and services required in the provision of Coway products and services." As valuable partners, suppliers provide us the foundation to deliver best products and services. To achieve truly sustainable management, we select competitive and socially responsible companies as our suppliers through a fair and transparent selection process. We are also expanding initiatives to establish sound and equal business partnerships (i.e. transparent business process, including the payment process) as part of our ongoing efforts to maintain and further strengthen trust-based partnerships with suppliers.

### Supplier Communication Channels

We have established a wide range of supplier communication channels to promote mutual understanding and business efficiency. We established the Open Purchasing System exclusively for our suppliers to provide access to Coway's purchasing policy, latest production/order data and purchasing consultations. The system also aims to ongoing communication channels, such as the supplier suggestion system. Moreover, we have regular talk sessions with suppliers for in-depth discussions on win-win growth initiatives, and conduct regular supplier surveys to assess supplier satisfaction and address their grievances. In addition, we operate a broad range of communication channels to promote information exchange and cooperation.

### Supplier Communication Channels & Our Performance

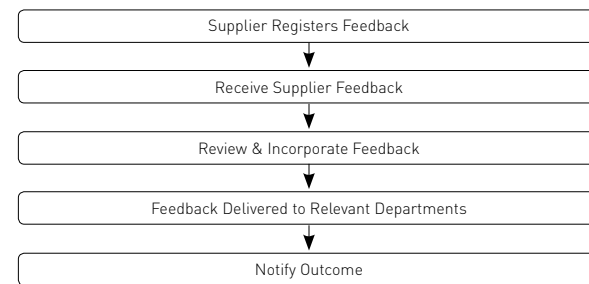
Channel	Frequency	No. of Participants
Supplier Satisfaction Survey	Annually	100 suppliers
Supplier Council (Woongbiho)	Quarterly	20 suppliers
Exchange Group per Material	Every two months	4 teams per material
Supplier Innovation Convention	Annually	35 suppliers
Supplier Web Portal	Year-round	All suppliers
"Open Purchasing System"		

**Woongbiho (Supplier Council)** — Woongbiho is Coway's supplier council launched in 2011 with the participation of 20 suppliers, and serves as a key supplier communication channel that facilitates a broad range of discussions on diverse topics. The council also works to promote communication among suppliers and assist suppliers to proactively respond to the voice of customers and various production-related challenges. In 2013, Coway plans to further expand Woongbiho initiatives, such as quarterly general meetings to share management information and discuss current issues, and exchange groups organized for different materials to share the progress of supplier innovation initiatives. Also, we will exchange information on a broad range of topics and engage in communication initiatives to gather supplier feedback, identify areas for improvements, and share the result of improvement efforts. We believe that such efforts will help us further strengthen the ground for win-win growth.

### Process for Supplier Opinion Gathering

We make ongoing efforts to accommodate the varying needs and opinions of our suppliers, and actively incorporate them into our business and management initiatives following the process summarized below.

#### Process for Supplier Opinion Gathering



### Supplier Satisfaction Survey Results

As part of our efforts to strengthen supplier relationships and improve the purchasing process, we conduct an annual supplier satisfaction survey. However, we were not able to conduct the survey in 2012 because Woongjin Holdings, which had conducted the survey for its affiliates at the group level, went into court receivership. Going forward, Coway plans to conduct the survey internally and incorporate the results into our management strategies.

### Supplier Satisfaction Survey Results (Unit: points)

Category	2009	2010	2011
Supplier Satisfaction	87.3	85.4	86.3
Overall Dimensional Satisfaction	84.5	79.4	81.9
Overall Satisfaction	85.7	82.0	82.8
NPS	80.8	78.7	84.0
Ethical Integrity	92.1	92.7	91.7

# 5.2

## Establishing Comprehensive Supplier Management System

In order to achieve win-win growth with suppliers based on fair and transparent business partnerships, Coway established a fair supplier assessment process. Based on the evaluation results, Coway implements effective win-win growth programs customized to the various needs and circumstances of suppliers. Also, we established a comprehensive supplier management system to provide efficient support and, we make ongoing efforts to promote fair trade.

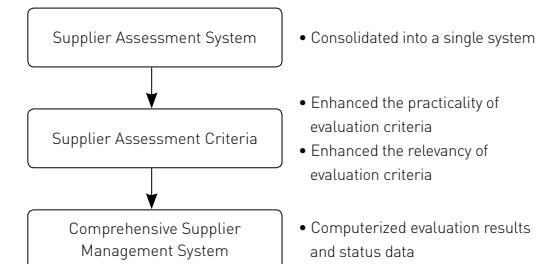


### Improved Supplier Assessment Process

We operate a supplier assessment system to continuously locate excellent suppliers based on fair business partnerships. Our supplier evaluation system is managed fairly and transparently, and the results are used in implementing various win-win growth programs customized to accommodate different levels of suppliers. In addition to basic evaluation criteria such as cost, quality and delivery, Coway's supplier evaluation system assesses suppliers' CRS performance (i.e. ethics management, environmental management, employee rights) to screen out suppliers with operational risks and to encourage voluntary implementation of sustainable management initiatives by suppliers.

In 2012, we made various improvements to our supplier selection and evaluation system to increase efficiency. First, we changed the supplier selection method from price bidding to volume allocation based on the results of potential supplier assessment. The evaluation, which previously comprised of status, Green Partnership, and Quality Management System, was merged into a single supplier assessment management. Furthermore, we carefully reviewed and revised the evaluation criteria and scoring system to enhance the relevancy and effectiveness of evaluation. We also implemented a comprehensive supplier management system to manage supplier data efficiently and to improve the effectiveness of evaluation.

### 2012 Improvements to Supplier Assessment Process



### Supplier Relations Management System (SRM)

Coway established an SRM system to comprehensively manage business activities related to suppliers and purchases. The system increased our business efficiency by effectively consolidating supplier communication channels and accelerating exchange of information and feedback. In particular, the SRM system completed our strategic supplier relationship management system and enabled us to systematically manage the process for locating potential suppliers and fostering top-performing suppliers. Also, the system ensures transparency in the supplier assessment process by systemizing the evaluation process, and facilitates strategic supplier management by effectively managing supplier data (i.e. supplier performance, supplier information, changes in business deals, changes in financial data supplied by credit rating agencies).

### Initiatives for Fair Trade Practice

Coway makes ongoing efforts to maintain fairness and transparency across our supplier selection and evaluation process. Based on the principle of free competition, we provide equal business opportunities to all our suppliers for business deals, strive to forge trust-based relationships based on fair and transparent business transactions, and work towards mutual advancement in the long run. This is also clearly articulated in our Code of Conduct.

### Coway Code of Conduct Chapter 3 Fair Trade

- 1 Equal Opportunity**
  - We provide equal opportunities to all qualified businesses to be selected and registered as our suppliers.
  - Our suppliers shall be selected and registered in a reasonable manner following a fair and objective evaluation process.
- 2 Fair Business Transaction Process**
  - All business dealings shall be handled fairly with all parties on an equal footing, and the conditions and procedures for such dealings shall be finalized after sufficient discussions.
  - All forms of improprieties taking advantage of superior positions are not to be tolerated.
  - Persons with ties to Coway employees, such as family members, relatives, and friends (including those with academic and/or regional ties) shall not be selected as suppliers without undergoing objective verification of their qualifications, such as bidding or comparative estimates.
- 3 Pursuit of Mutual Advancement**
  - We proactively support our suppliers to secure business competitiveness and achieve growth in the long term, and share profits generated from innovations.

# 5.3

## Strengthening Win-Win Growth Programs

We provide a wide range of win-win growth programs to promote mutual advancement. We are also continuously expanding the scope of win-win growth programs, from general management support (i.e. R&D investments, low-interest loans and interest-free funding support) and extending to the integrated raw material purchasing program and support for innovation initiatives.



### Our Win-Win Growth Policy and Strategy

At Coway, we believe that increasing supplier's competitiveness is the most effective way to achieve win-win growth. Competitive suppliers make Coway competitive and in turn, our competitiveness opens doors for suppliers, both in terms of market presence and business performance. To this end, we provide a broad range of win-win growth programs designed to strengthen the resilience and business fundamentals of our suppliers. In addition to providing funding support to facilitate management stability, we also engage in joint innovation efforts with suppliers in diverse areas, including R&D, to create synergy, and expand the scope of cooperation for mutual advancement by establishing a separate collaboration channel for individual issues.

### Performance of 2012 Win-Win Growth Initiatives

**Interest-free Funding Support** — Coway provides interest-free funding support to our suppliers for a set period of time based on their financial situation and business performance to help them focus on improving productivity and product quality without cash flow problems. In 2012, we provided a total of KRW 1.78 billion to two suppliers and extended the maturity date for a supplier to ease their liquidity pressure.

**Co-Prosperity Fund** — In 2011, we launched the "Coway Co-prosperity Fund" as part of our efforts to help our suppliers actively pursue sustainable management initiatives. In 2012, we also raised a total of KRW 9 billion in partnership with local banks and provided low interest loans to help our suppliers overcome cash flow issues and enhancing business competitiveness by strengthening internal capabilities.

**Integrated Raw Material Purchasing Program** — Coway supports suppliers in overcoming difficulties caused by rising commodity prices with an integrated raw material purchasing program. We help our suppliers overcome cash flow strains and secure stable supply of raw materials by purchasing raw materials in large volumes through Coway's proprietary integrated purchasing process and reducing overall costs. Also,

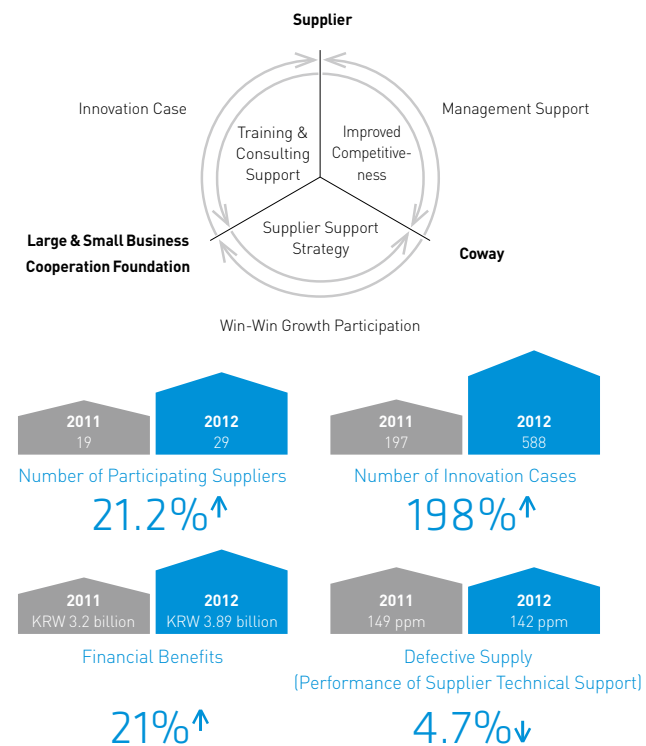
we were able to secure price transparency through direct transactions with commodity companies. Based on such efforts, we saved approximately KRW 1.16 billion in 2012, including KRW 800 million savings from chargeable subcontracting of the raw materials for injected plastic.

### Cost Savings from Integrated Raw Material Purchasing

Category	Savings	Saving Rate
Raw Materials for Plastic (Chargeable Subcontracting)	KRW 800 million	3%
Raw Materials for Press (Chargeable Subcontracting)	-	-
Consolidated Purchasing of PBA Parts	KRW 360 million	2%
<b>Total Savings</b>	<b>KRW 1,160 million</b>	<b>2.4%</b>

**Innovation Support Program** — In partnership with the Large & Small Business Cooperation Foundation, Coway engaged in a variety of supplier innovation programs based on trust, communication and collaboration. After in-depth discussions on supplier support strategy, Coway and the Large & Small Business Cooperation Foundation each provided management support, as well as training and consulting support. Suppliers presented a great model for win-win growth by delivering product competitiveness to Coway and successful innovation cases to the foundation. A total of 29 suppliers participated in our 2012 innovation support programs, a 52% increase from the previous year. The number of innovation cases also rose by 198% to 588, producing financial benefits of KRW 3.89 billion.

### Supplier Innovation Initiatives & Performance



**Supplier Sang-sang Ocean Program** — Coway strengthened communication with suppliers with "Supplier Sang-sang Ocean," our supplier suggestion program participated by 14 suppliers. In 2012, Coway received a total of 65 suggestions on topics such as cost savings (21 cases), productivity enhancement (11 cases), and quality improvement (10 cases). In 2013, we will further expand the program to include more suppliers, and produce more ideas and identify projects that we can work on to collaborate with suppliers to strengthen our technology and cost competitiveness.

### Plan for 2013 Win-Win Growth Programs

As part of our efforts to promote win-win growth, we established a mid-term roadmap based on our vision, "Achieving sustainable win-win growth with Coway." Our 2013 win-win growth objective is to "strengthen fundamentals of suppliers." To this end, we plan to strengthen the technological and business capabilities of our suppliers by bolstering the Supplier Sang-sang Ocean Program, benchmarking leading manufacturing companies, expanding production site innovations, and introducing an ERP system and promoting its use. Moreover, we will expand our win-win growth programs to include secondary suppliers in addition to our primary suppliers to extend win-win growth opportunities to a greater number of suppliers.

# 5.4

## Increasing Supplier Participation & Social Contribution

In order to help our suppliers achieve growth, we provide a broad range of supports based on trust and collaboration. Such programs include the Green Partnership Certification Program, which was established to promote green management among our suppliers, and the COP Academy, which offers opportunities to participate in joint social contribution initiatives and provides practical support such as training and consulting. Going forward, we plan to continuously expand and strengthen initiatives that promote trust and mutual advancement.



### Green Partnership

First introduced in 2007, the Green Partnership Certification is granted to suppliers who meet Coway's standards in the areas of common system indicators, material management and environmentally hazardous substances as stipulated in the "Green Partner Self-evaluation Indicators." In 2012, 55 suppliers acquired the certification.

### Certified Green Partners (No.)



### COP (Coway Open Plaza) Academy

The COP (Coway Open Plaza) Academy was established in 2007 to provide development support to our top-performing small to medium sized suppliers with competitiveness. The program offers a wide range of support, including training (on and offsite) and comprehensive consulting, and helped our suppliers enhance the competitiveness of their workforce and organization. We plan to further expand the program based on our assessment that it serves not only as a training program but also as a channel for providing practical supports to suppliers.

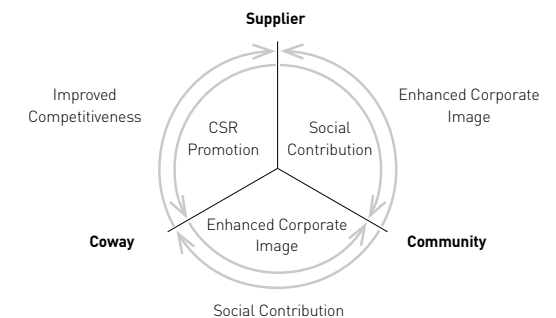
### COP Academy Program Performance

Category	2010	2011	2012
Offsite Training	359	72	79
Onsite Training	-	19 suppliers	29 suppliers

### Operation of Social Contribution Programs in Partnership with Suppliers

As part of our efforts to promote community participation and development, Coway formed sisterhood ties with a rural village and engage in a variety of exchange activities such as volunteering to help farmers, hosting farmer's markets and leading village beautification projects. In 2012, we operated the program in partnership with Woongbihoe, our supplier council, as an opportunity to strengthen our partnership. In the four times we visited the village, we helped farmers, performed village beautification works and contributed to the local economy by hosting farmer's markets where we helped to sell crops produced during our volunteer period. The joint effort by participating suppliers enabled them to enhance competitiveness in sustainable management through heightened awareness of social contribution, and Coway also benefited from improved corporate image.

### Supplier Participation in Social Contribution Programs



# Appendix

## ECONOMIC DATA

### Economic Data

#### Summary of Balance Sheets

(Unit: KRW)

Category	2010	2011	2012
Current assets	441,169,455,659	511,499,151,364	691,276,655,813
Non-current assets	917,084,808,782	1,064,959,877,824	1,010,230,889,971
<b>Total assets</b>	<b>1,358,254,264,441</b>	<b>1,576,459,029,188</b>	<b>1,701,507,545,784</b>
Current liabilities	384,530,070,012	534,279,560,755	719,579,302,501
Non-current liabilities	246,566,890,154	293,777,106,176	179,198,809,923
<b>Total liabilities</b>	<b>631,096,960,166</b>	<b>828,056,666,931</b>	<b>898,778,112,424</b>
Paid-in capital	40,662,398,000	40,662,398,000	40,662,398,000
Capital in excess of par value	97,773,449,148	97,773,449,148	97,773,449,148
Retained earnings	582,918,759,202	677,684,182,975	716,802,060,649
Other	5,802,697,925	(67,717,667,866)	(52,508,474,437)
<b>Total Shareholder's equity</b>	<b>727,157,304,275</b>	<b>748,402,362,257</b>	<b>802,729,433,360</b>
<b>Total liabilities and shareholder equity</b>	<b>1,358,254,264,441</b>	<b>1,576,459,029,188</b>	<b>1,701,507,545,784</b>

#### Summary of Income Statement

(Unit: KRW)

Category	2010	2011	2012
<b>Sales</b>	<b>1,501,812,040,147</b>	<b>1,709,867,512,884</b>	<b>1,806,832,625,803</b>
COGS	490,590,059,135	552,005,591,884	605,383,221,006
Gross profit	1,011,221,981,012	1,157,861,921,000	1,201,449,404,797
SG&A expenses	756,869,440,736	914,518,436,668	973,637,124,791
<b>Operating income</b>	<b>254,352,540,276</b>	<b>243,343,484,332</b>	<b>227,812,280,006</b>
Non-operating income	9,134,637,488	19,932,576,678	23,432,631,552
Non-operating expenses	8,496,236,937	14,403,411,764	28,466,241,146
Financial income	6,377,208,027	2,243,894,076	3,551,546,717
Financial expenses	18,111,175,278	25,764,876,270	61,677,411,697
Investment income from investments in associated/affiliated companies	-	-	(3,187,533,127)
<b>Net income before income tax</b>	<b>243,256,973,576</b>	<b>225,351,667,052</b>	<b>161,465,272,305</b>
Income tax expenses	59,984,105,088	48,246,024,186	41,716,698,658
<b>Net income</b>	<b>183,272,868,488</b>	<b>177,105,642,866</b>	<b>119,748,573,647</b>

#### Government Subsidies

(Unit: KRW)

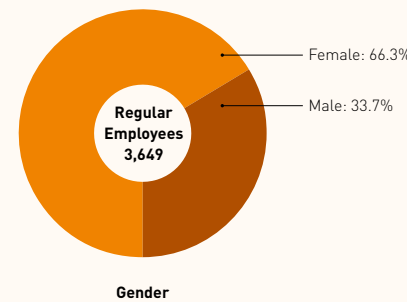
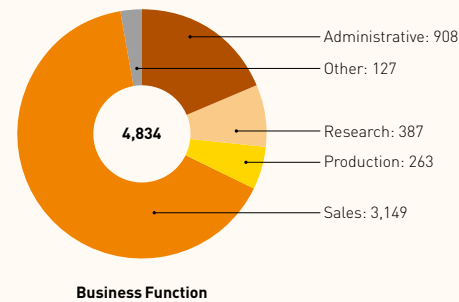
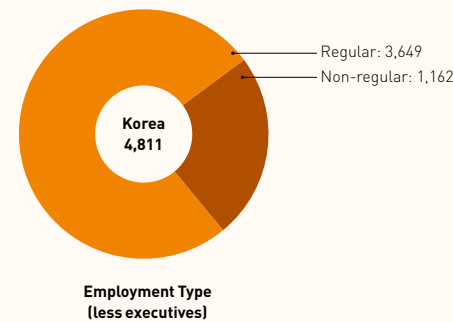
2012	Project	Subsidies in Value	Note
March	Water Regeneration Plant (Daegu-Gyeongbuk Blue Gold Cluster), National Project	80,600,000	Phase 3
	Smart Water Treatment Plant, Government Subsidy	12,000,000	Phase 2
May	Smart Water Treatment Plant, Private Sector Contribution	36,750,000	Coway
	Smart Water Treatment Plant, Private Sector Contribution	15,750,000	Kukdong Construction
	High Quality MBR, Phase 2 Private Sector Contribution	53,100,000	Coway
June	Smart Water Treatment Plant, Private Sector Contribution	350,000,000	GS E&C
	[Air Purifier with Humidifier and Dehumidifier Functions] Taejin Metal R&D Cost Substitution	40,000,000	
August	Large & Small Win-Win Energy Partnership Project Cost	9,090,910	Advance
September	Nature Inspired Engineering, National Project-Government Subsidy Substitution	42,000,000	
	High Quality MBR, National Project-Government Subsidy	354,000,000	
	Water Regeneration Plant, Government Subsidy	182,650,000	
	Jeju Island Cosmetics, Government Subsidy	75,000,000	
November	Large & Small Win-Win Energy Partnership Project Cost	9,090,910	Phase 2
	Jeju Island Aloe Farming, Government Subsidy	180,000,000	Phase 3
	Greener Product Development Infrastructure Project Costs	12,000,000	
December	Greener Product Development Infrastructure Project Costs	240,000,000	
<b>Total</b>		<b>1,692,031,820</b>	

Economic Data	67p
Social Data	68p
Environmental Data	69p
Membership, Awards & Certifications	72p
Independent Assurance Statement	74p
GRI G3.1/ISO26000 Index	76p
UNGC/MDGs	79p
Global Network	80p

## Social Data

Category	Category 2	Unit	2010	2011	2012 Note
Total Employees	Korea	No. of people	4,188	4,537	4,834
	Overseas (on assignment)	No. of people	47	49	44
	Overseas (locally hired)	No. of people	-	883	928
	Executives	No. of people	27	28	23
Business Area	Production	No. of people	274	264	263
	Sales	No. of people	2,717	2,911	3,149
	Research	No. of people	295	363	387
	Administrative	No. of people	779	860	908
	Other	No. of people	123	139	127
	Employment Type	Regular	No. of people	3,084	3,436
	Non-regular	No. of people	1,104	1,101	1,162
	Percentage of non-regular	%	26.4	24.3	24.2
Diversity	Physically challenged	Years	45	38	39
	Average years of service for physically challenged	Years	4.3	4.6	4.9
	Male (percentage)	%	30	31.4	33.7 Based on regular workers, 2012
	Female (percentage)	%	70	68.6	66.3
Average Years in Continued Service	Employees	Years	7.6	6.6	6.1
Turnover Rate	Number resigned	No. of people	493	497	492
	Turnover rate	%	11.77	10.95	10.18
Maternity Leave	Number applied	No. of people	7	14	15
	Return rate	%	57	93	93 Percentage of those who returned to work after their maternity leave (based on those who are still in service as of February 2013)
Employee Training	Total training costs	KRW 100 million	18	24.8	11.5
	Average training hrs. per employee	Hours	93	149	86
	Average training cost per employee	KRW 1,000	1,676	2,028	1,033
Salary & Benefits	Salary	KRW 100 million	1,685	1,984	2,282
	Severance pay	KRW 100 million	136	151	168
	Benefits	KRW 100 million	313	366	422
Productivity	Sales per employee	KRW 1million	373	388	385
	Operating income per employee	KRW 1million	56	55	52
	Value-added labor productivity per employee	KRW 1million	132	129	143
	Labor share	%	40.8	43.8	43.9

\* Coway introduced a defined benefit based retirement pension scheme for its employees in May of 2010. The scheme is applied equally to all employees from one year after they join the company.  
 \* There is no salary gap between male and female employees, and all employees are treated equally in terms of HR policy and employee benefits. The minimum wage for entry-level employees is approximately 290% higher than the legal minimum wage.



## Environmental Data

Category	Category 2	Unit	2010	2011	2012 Note	
Environmental Investment & Operations Costs		KRW 1 million	2,279	2,081	2,518	
Energy Use (Direct, Indirect)	<b>All</b>	<b>GJ</b>	<b>101,196</b>	<b>103,927</b>	<b>112,132</b> Including HQ, R&D centers, Cosmetics Research Institute and production plants (Yugu, Incheon, Pocheon)	
	Direct	Butane	GJ	0	17	22
		LPG	GJ	42	44	43
		Diesel	GJ	1,862	1,812	1,554
		LNG	GJ	4,551	2,307	2,267
		Kerosene	GJ	1,002	383	339
		Propane	GJ	1,282	1,165	1,115
		<b>Direct Total</b>		<b>8,739</b>	<b>5,728</b>	<b>5,340</b>
		Indirect	Electricity	92,452	98,199	106,792
		<b>Indirect Total</b>		<b>92,452</b>	<b>98,199</b>	<b>106,792</b>
	Raw & Subsidiary Use	Plastic	ton	10,139	10,794	8,922
		Metal	ton	6,162	6,229	4,867
		Packaging Material	ton	2,015	2,325	2,000
Water Use	<b>Corporate</b>	<b>m³</b>	<b>87,133</b>	<b>72,356</b>	<b>91,555</b>	
	Yugu Plant	m³	41,349	28,938	31,407	
	Incheon Plant	m³	11,931	17,570	20,695	
	Pocheon Plant	m³	459	1,117	519	
	R&D Centers	m³	33,394	24,731	36,982	
	Logistics Centers		-	-	1,952	
	GHG Emissions	Direct Emissions (Scope 1)	tCO <sub>2</sub> e	575	368	342
		Indirect Emissions (Scope 2)	tCO <sub>2</sub> e	4,789	5,087	5,532
<b>Net Emissions (Scope 1+2)</b>		<b>tCO<sub>2</sub>e</b>	<b>5,365</b>	<b>5,455</b>	<b>5,874</b> Net emissions increased in 2012 due to the launch of our logistics center (July 2011) and inclusion of emissions from the Water Treatment Division.	
<b>Net Emissions Intensity</b>		<b>tCO<sub>2</sub>e/KRW 100 million</b>	<b>0.35</b>	<b>0.32</b>	<b>0.33</b>	
Corporate		tCO <sub>2</sub> e	5,365	5,456	5,723	
Yugu Plant		tCO <sub>2</sub> e	1,731	1,646	1,731	
Incheon Plant		tCO <sub>2</sub> e	846	808	711	
Pocheon Plant		tCO <sub>2</sub> e	495	493	498	
R&D Center		tCO <sub>2</sub> e	1,824	1,688	1,709	
Cosmetics Research Institute		tCO <sub>2</sub> e	89	155	151	
Head Office	tCO <sub>2</sub> e	379	436	354		
Logistics Center	tCO <sub>2</sub> e	-	230	569		
Major Carbon Partnerships	tCO <sub>2</sub> e	44,109	43,667	44,430		
Suppliers (31)	tCO <sub>2</sub> e/KRW 100 million	30.09	30.83	25.99		
Waste Produced	Product	ton	10,250	11,770	12,229	
	Business Site: General	ton	631	743	866	
	Business Site: Designated	ton	30	29	30	
	Service	ton	4,137	5,162	5,642	
					- Product Waste (carbon waste included) - Service Waste (carbon waste and water contained in filters excluded)	
Recycling Rate	Waste Plastics	ton	5,040	6,094	6,081	
	GHG Emissions Reduction	tCO <sub>2</sub> e	5,938	7,180	7,165	
	Metal	ton	4,242	5,143	5,364	
	GHG Emissions Reduction	tCO <sub>2</sub> e	29	36	37	
Work Injury & Illness Rate	Corporate	%	0.09%	0.11	0.11	

\* Air pollutant discharge: Coway produces its product mostly by assembly and does not produce any pollutants that are controlled under the "Enforcement Decree of the Clean Air Conservation Act."  
 \* Water pollutant discharge: Coway directs sewage water to sewage treatment plants for processing and does not discharge any waste water (managed based on the standards prescribed by relevant laws and regulations).  
 \* Substances that deplete the ozone layer: Coway produces GHG emissions from refrigerants (R-134a, R-12) contained in waste products but makes best efforts to reduce GHG emissions by collecting it through the recycling process.

# Environmental Data

## Greener Product Sales in 2012

[Unit: KRW million]

Product	Product Name	Greener Product	Sales	Product	Product Name	Greener Product	Sales	
Water Filtration Appliance	CHP-270L	RoHS Certificate of Conformance, Energy Efficiency Grade 1	11,196	Water Filtration Appliance	CHP-241N	Products certified for carbon foot print and size reduction/registered under greener product supply chain	21,631	
	CHP-06ER	Energy Efficiency Grade 1	6,768		CHP-010E	Environmental Load Reduction	346	
	CHP-06EL	Energy Efficiency Grade 1	48,092		CHPI-280L	Environmental Load Reduction	6,791	
	CHP-06EU[EOL]	Energy Efficiency Grade 1	29,073		CHPI-280L[V2]	Environmental Load Reduction	120	
	CHP-06ER-M	Energy Efficiency Grade 1	2,265		Air Purifier	AP-1008CH	Carbon Footprint Certificate	26,436
	CHP-06EL-M	Energy Efficiency Grade 1	15,023			BAS14-A[Consumer]	Carbon Footprint Certificate	94,348
	CHP-06EN	Energy Efficiency Grade 1	14,317			BAS14-B[Commercial, Green Plug]	Green Plug	98
	APD-1212BH10	RoHS Certificate of Conformance, Energy Efficiency Grade 1	3,195		BAS16-A	Green Plug	112	
	CHP-210L[RED]	Low Carbon Certificate	8,753		[Consumer and Commercial, Green Plug]			
	CHP-08AL[SILVER]	Carbon Footprint Certificate	66,719		Food Waste Treatment System	WM03-A	Eco-Label	236
	CHP-08AL[GOLD]	Carbon Footprint Certificate	5,504			WM03-B[RED WINE][EOL]	Eco-Label	38
	CHP-06DL	Low Carbon Certificate, RoHS Certificate of Conformance	30,004		WM05-A[Black]	Eco-Label	2	
CHP-06DU[EOL]	Carbon Footprint Certificate	163	WM05-B	Eco-Label	4,220			
CP-07BLO[BLACK][EOL]	Carbon Footprint Certificate	19,590	WM07	Eco-Label	5,049			
<b>Total Sales</b>						<b>420,089</b>		

## GHG Emissions Reduction from Refrigerant Collection/Sales & Refrigerant Collection Rate

	Unit	R-134a			R-12		
		2010	2011	2012	2010	2011	2012
Refrigerant used for production	kg	24,517	23,971	21,398	368	534	603
Refrigerant used for product disposal	kg	4,759	7,891	11,552	10,387	9,737	7,568
GHG emissions from refrigerant in waste products	tCO <sub>2</sub> e	4,948	8,207	12,014	90,566	84,907	65,993
Refrigerant collection rate	%	22.9	21.3	26.1	24.9	33.2	22.8
GHG emissions reduction from collection/sales	tCO <sub>2</sub> e	1,134	1,747	3,130	22,585	28,166	15,042

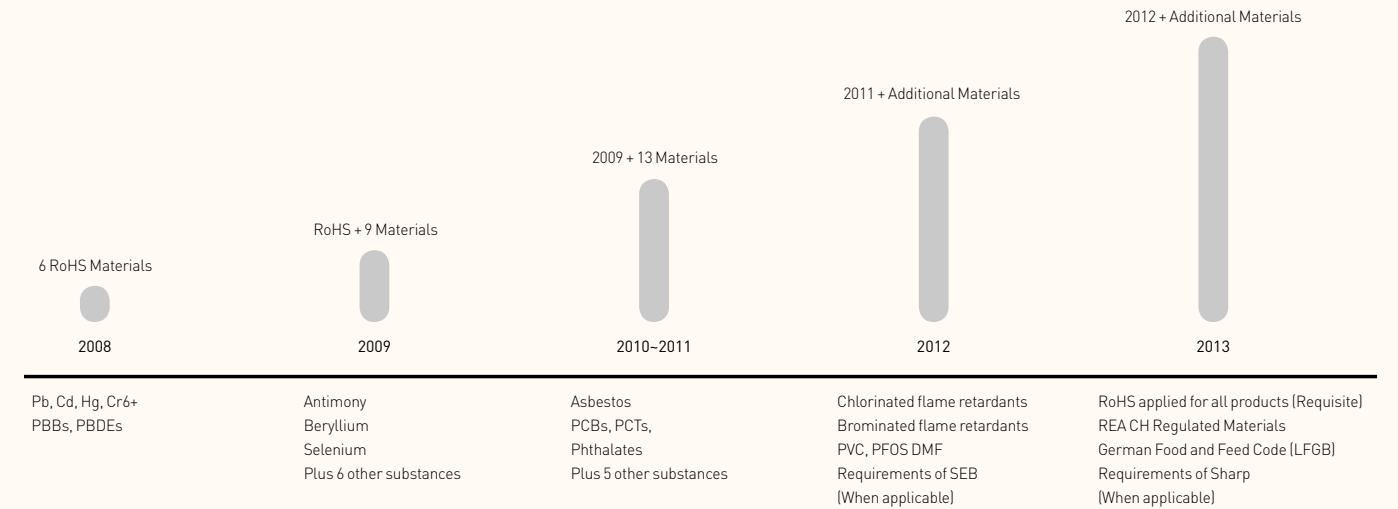
## Calculating Financial Benefits from GHG Emissions and Energy Use Reduction

- ① GHG emissions from R-134a product disposal: 42g X GWP 1,300 = 54,600gCO<sub>2</sub>e = 54kgCO<sub>2</sub>e
- ② GHG emissions from R-600 product disposal: 18g X GWP 0 = 0gCO<sub>2</sub>e = 0kgCO<sub>2</sub>e
- ③ GHG emissions from 2,535 units produced in 2012 (from October) with R-134a = 2,535 units X 54kgCO<sub>2</sub>e = 136,890kgCO<sub>2</sub>e = 137 tCO<sub>2</sub>e
- ④ KRW 2,740,000 of financial benefits generated based on KRW 20,000 per ton
- ⑤ Annual GHG emissions 222.23kgCO<sub>2</sub>e/Monthly electric power use of 37.3kwh
- ⑥ Annual GHG emissions 93.95kgCO<sub>2</sub>e/Monthly electric power use of 16.1kwh
- ⑦ Reduction of 128.28kgCO<sub>2</sub>e/year per unit X number of units sold = 20,720tCO<sub>2</sub>e
- ⑧ KRW 20,000 per ton X 20,720tCO<sub>2</sub>e
- ⑨ 21.2kwh/month X 12 months X number of units sold
- ⑩ KRW 160 per kwh [based on the Energy Efficiency Labeling & Certification standards] X number of units sold
- ⑪ - Water Filtration Appliance/Air Purifier/Bidet (less Water Softener and Food Waste Treatment System) 1,789tCO<sub>2</sub>e of GHG emissions reduction  
- Emissions Standard: kgCO<sub>2</sub>e/unit: Water Filtration Appliance 100, Air Purifier 40, Bidet 30  
- Emissions per unit less product use phase, calculated based on the "Guide on how to assess carbon footprint of goods using electric power" by the Ministry of Environment Ministry of Environment [Water softener excluded as there is no standard]
- ⑫ KRW 20,000 per ton X 1,789 tCO<sub>2</sub>e
- ⑬ Recycling rate for R-134a: 3,010 kg X 0.8 X GWP 1,300 = 3,130 tCO<sub>2</sub>e  
Recycling rate for R-12: 1,725 kg X 0.8 X GWP 10,900 = 15,042 tCO<sub>2</sub>e
- ⑭ KRW 20,000 per ton X 18,175 tCO<sub>2</sub>e
- ⑮ GHG emissions reduction: Based on the Ministry of Environment Standards, using the landfill/incineration/recycling indexes
- ⑯ KRW 20,000 per ton X 6,697 tCO<sub>2</sub>e

# Environmental Data

## Items for Hazardous Material Management

\* Plans to entirely cease the use of 6 SVHCs from January 1, 2014



## Environmental Management & GHG Emissions Reduction Activities in 2012

[Unit: tCO<sub>2</sub>e, KRW]

Coway Internal Initiatives	Reduction Volume	Internal/External Benefits
Adoption of greener refrigerant	137	2,740,000
Waste plastic recycling	6,697	133,940,000
Refrigerant-free, high-speed refrigeration system for water filtration appliances	20,720	414,400,000
Improved energy efficiency from vacuum insulation technology	94.44	1,888,800
Refurbishing of water filtration appliances, air purifiers and bidets	1,789	35,780,000
Replacement to LED	3.75	75,000

## Environmental Investments

[Unit: KRW million]

Category	2010	2011	2012
Facility Operations	578.33	1,052.00	1,810.20
System Operations	419.00	133.50	48.70
Communication	1,281.70	795.60	659.40
New Business	-	100.00	-
<b>Total</b>	<b>2,279.03</b>	<b>2,081.10</b>	<b>2,518.30</b>

- \* Based on Head Office, Production Division and Environment Quality Institute
- \* Facility Operations: Replacement of old facilities, replacement to high efficiency facilities, new investments, etc.
- \* System Operations: IT system implementation, internal assessment, benchmarking, certification, training, validation, etc.
- \* Communication: Response to laws and regulations, external stakeholder engagement, campaign, event sponsoring, etc.
- \* New business: Entry into greener business sectors, i.e. consulting, M&A

# Memberships, Awards & Certifications

## Membership

Name of Organization	Supervised by
UNGC (United Nations Global Compact)	UNGC
Korea Direct Selling Association	Fair Trade Commission
KSA (Korean Standards Association)	Korean Standards Association
Korean Fair Competition Federation	Korean Fair Competition Federation
Organization of Consumer Affairs Professionals in Business	Fair Trade Commission
Korean Society of Consumer Policy & Education	Fair Trade Commission
Korean Consumption Culture Association	Fair Trade Commission
Korean Association of Consumer Professional	Fair Trade Commission
ISTA(International Safe Transit Association)	ISTA
Korea Sustainability Investing Forum	KOSIF
CEO Forum for Green Products	Korea Environmental Industry & Technology Institute
Korea International Trade Association	Ministry of Trade, Industry and Energy
KOTRA	Ministry of Trade, Industry and Energy
Korea Electrical Products Safety Association	Korean Agency for Technology & Standards, Ministry of Trade, Industry and Energy
Korea Institute of Design Promotion	Ministry of Trade, Industry and Energy
KAID	Korea Association of Industrial Designers
Korea Electrical Products Safety Association	Korean Agency for Technology & Standards, Ministry of Trade, Industry and Energy

## Certification

Name of Certification	Certification	Certification Period	Supervising Organization
ISO Quality management system (ISO9001:2008)	Qinyang Plant, Chinese Subsidiary	2013.06.29 ~ 2015.06.28	China United Certification Center (China's ISO9001 certification agency)
New Excellent Technology Certificate (NET)	Direct dispense/instant hot water system technology using platinum heating plate (Product Code: CHP-010E)	2012.07.10 ~ 2014.07.09	Korea Environmental Industry & Technology Institute
Low Carbon Certificate	Water Filtration Appliance (CHP-210L)	2012.07.27 ~ 2015.07.26	Ministry of Trade, Industry and Energy
RoHS Certificate of Conformance	Water Filtration Appliance (CHP-270L)	2012.10.04 ~ 2017.10.03	TUV SUD
	APD-1212BH	2012.08.20 ~ 2017.08.19	SGS
	Water Filtration Appliance (CHP-240,241N)	2012.04.03 ~ 2017.04.02	INTERTEK
Excellent Service Quality Certificate	Appliance repair service	2011.09.23 ~ 2014.09.22	Ministry of Trade, Industry and Energy
New Excellent Technology Certificate (NET)	Direct dispense/instant cold water system technology using external double tank for micro size water filtration appliances	2010.12.28 ~ 2012.12.27	Ministry of Trade, Industry and Energy
	Chemical/Bio Technology: Anti-wrinkle agent containing Bis-retinamido compounds	2011.12.21 ~ 2013.12.20	Ministry of Trade, Industry and Energy
	Advanced water purification technology using MF-NF membrane filters/ optimal blending automation based on water quality data	2011.11.08 ~ 2013.11.07	Ministry of Environment
ISO Quality Management Systems (ISO 9001:2008)	Yugu Plant, Head Office, Incheon Plant, Pocheon Plant	2011.06.24 ~ 2014.06.23	TUV SUD
ISO Environmental Management Systems (ISO 14001:2004)	Yugu Plant, Head Office, R&D center, Incheon Plant, Pocheon Plant	2011.06.24 ~ 2014.06.23	TUV SUD
NEP	Ceramic and nozzle sterilization using electrolysis for bidets [Bidet BA14]	2011.04.29 ~ 2014.04.28	Ministry of Trade, Industry and Energy
Certificate of Origin, Exporter's Certificate	Acquisition of Exporter's Certificate for FTA Origin Verification System	2011.06.10 ~ 2014.06.09	
TR/S Mark Certificate	Drinking water testing for sterilizing water filtration appliance	2011.11.09 ~ 2012.11.08	Korea Testing & Research Institute (KTR)
KOSHA 18001	Incheon Plant, Yugu Plant	2010.05.25 ~ 2013.05.24	Korea Occupational Safety & Health Agency
OHSAS 18001	Yugu Plant	2011.07.14 ~ 2014.07.13	TUV SUD
Carbon Footprint Certificate	Bidet (Model Code: BAS14-A)	2011.02.23 ~ 2014.02.22	Korea Environmental Industry & Technology Institute
Low Carbon Product Label Certificate	Water Filtration Appliance (Model Code: CHP-06DL)	2011.11.25 ~ 2014.11.24	Korea Environmental Industry & Technology Institute
Carbon Footprint Label Certificate	EL767, Food Waste Treatment System (Model Code: WM05-A/B)	2011.10.30 ~ 2013.10.29	Korea Environmental Industry & Technology Institute
Carbon Footprint Label Certificate	EL767, Food Waste Treatment System (Model Code: WM07)	2011.09.28 ~ 2013.09.27	Korea Environmental Industry & Technology Institute
Carbon Footprint Label Certificate	EL767, Food Waste Treatment System (Model Code: WM03-A/B)	2011.09.08 ~ 2013.09.07	Korea Environmental Industry & Technology Institute

## Awards & Recognitions

Award	Award Category	Supervising Organization
Corporate Social Responsibility 2012	CSR Excellence (Private Corporation)	Digital Chosun Ilbo, Ministry of Trade, Industry and Energy, Ministry of Environment, Ministry of Employment and Labor
Quality Competitiveness Competition 2012	Outstanding Company in Quality Competitiveness (2 consecutive years)	Ministry of Trade, Industry and Energy
Presidential Prize, Green Management Excellence Awards 2012	Grand Prize in Green Management	Ministry of Trade, Industry and Energy, Ministry of Environment
Grand Prize, Industry Leaders in Recycling Awards 2012	Ministry of Environment's Award	Ministry of Environment
East Asia 30	Korea CSR Expert Committee Awards	Hankyoreh Newspaper
CDP (Carbon Disclosure Project) KOREA	Carbon Management Global Leaders Club (2 consecutive years)	CDP Korea
Commendation for New Technology Application 2012	Minister of Trade, Industry and Energy's Prize (Director Ki Chun Lee, Environment Technology Institute)	Ministry of Trade, Industry and Energy
Gold Prize, Vision Awards 2012	Sustainability Report	League of American Communications Professionals (LACP)
Corporate Social Responsibility Conference 2012	Excellence in Sustainability Management (AA)	Eco-Frontier, Morgan Stanley Capital International
16th Energy Winner Awards	Excellence in Energy Savings ("Hanbyum" Water Filtration Appliance CHP-241N), Green Appliance Category (Bidet BA13-B)	Consumers Korea
Korea Brand Power Index (K-BPI) 2012	1st Prize in Water Filtration Appliance, Air Purifier, Bidet, Food Waste Treatment System	Korea Management Association
51th IR52 Jang Yong-sil Award	Water Filtration Appliance (CHP-241N)	Korea Industry Technology Association
International Trade Fair Ideas - Inventions - New Products (iENA) 2012	Gold Prize (for anti-wrinkle retinoid derivatives (RS-2A) and cosmetic composition)	International Trade Fair Ideas - Inventions - New Products (iENA) 2012
Pentawards 2012	Bronze Prize, High-end Cosmetics	
National Brand Competitiveness Index (NBCI)	Water Filtration Appliance, Bidet	Korea Productivity Center
Great Work Place in Korea	Grand Prize, General Service	GWP Korea

## International Design Award

### 2012 iF Design Award

- ① Water Filtration Appliance CHP-270, CHP-570
- ② Air Purifier APM-1211GH, AP-0111LC

### 2012 iF Design Award (Communication)

- ③ Cosmetics Brand "allvit"
- ④ Cosmetics Brand "Bidan"

### 2012 Reddot Design Award

- ① Water Filtration Appliance CHP-240N, CHP-010E
- ② Other (WHITE TRE)
- ③ Air Purifier APM-1211GH, AM-1012AD
- ④ Food Waste Treatment System WM07

### 2012 Reddot Design Award (Communication)

- ⑤ Water Filtration Appliance

### 2012 IDEA Design Award

- ① Water Filtration Appliance CHP-290N, Swan, CHP-240N, CHPI-280, Teeny-Weeny(Silver), Smart
- ② Air Purifier APM-1211GH, AP-0111LC
- ③ Bidet Mechanic
- ④ Other Service Brief (Silver), C-hanger, Welcome Package

### 2012 Good Design

- ① Water Filtration Appliance CHP-240N
- ② Air Purifier APM-1211GH, AM-2012AD



CHP-570

WM-07

CHP-270



allvit

APM-1211GH

## Independent Assurance Statement

### To the Stakeholders of Coway:

Coway commissioned the Korea Productivity Center (the "Assurer") to provide an independent assurance of its 2012 Sustainability Report (the "Report").

### Responsibility and Integrity

Coway is entirely responsible for the reliability and accuracy of all information and opinions presented in this "Report". The Assurer holds the responsibility which lies solely in providing a third party verification of the content in the "Report". As an independent assurance agency, the Assurer was neither involved in the process of preparing this "Report" with Coway, nor in any conflicts of interest that may undermine our independence.

### Assurance Standard and Objectives

The independent verification process was planned and performed in accordance with the AA1000 Assurance Standard (2008) Assurance Standard to provide Type 1 moderate level of assurance. This was achieved through the evaluation of the organization's adherence to the AA1000 Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness. Additionally, the assurance was performed to ascertain the organization's adherence to the Global Reporting Initiative (GRI) G3.1 Guidelines in preparing and presenting sustainability performance information.

### Assurance Limitations

Based on the aforementioned assurance standards, the Assurer performed verification of the organization's sustainability performance during 2012 as well as partial verification of the plan for 2013 and data from 2011 and 2010. The scope of our procedures did not include verification of the reliability of data related to Coway's financial and environmental performance (including GHG emissions) and information linked with Coway's website. Site inspection was performed at Coway's Head Office in Seoul and the Yugu Plant, while the overseas production sites were not included in the scope of our site inspection. Therefore, the Assurer clearly states that any additional verification conducted in the future may issue varied results.

### Assurance Methodology

The assurance was undertaken following the methodology specified below:

1. Verified if the Report satisfies requirements for GRI Application level A by reviewing the coverage rate of and presentation method for economic, environmental and social indicators specified in the GRI G3.1 Guidelines
2. Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G3.1 Guidelines
3. Verified objectivity and appropriateness of key issues selected and content presented in the Report by reviewing media reports and performing benchmark analysis.

4. Verified the basis of data and information presented by performing site inspection at Coway's Head Office in Seoul and the Yugu Plant, and verified the internal process and systems through various methods including interviews.

### Findings and Conclusions

It is the Assurer's opinion that the Report presents the sustainability efforts and performance of Coway in a fair and accurate way. Also, the assurance verified that the self-declared requirements claimed by Coway for the GRI Application Level A have been met.

#### 1. Principle of Inclusivity: Stakeholder Engagement

The principle of inclusivity articulates that organizations should include stakeholders in the development and achievement of accountable and strategic responses to sustainability. Based on the findings of these assurance efforts, it is evident that Coway defined its major stakeholders and communicated with each stakeholder group to adhere to the principle of inclusivity. The company clearly understands the expectations of and communication channels for each major stakeholder group (customers, employees, central and local governments, shareholders/investors suppliers and communities). In particular, Coway established a process to incorporate customer feedback into business operations in an effort to achieve one of the most material issues, customer satisfaction, which the Assurer believes to be an excellent example of stakeholder engagement. Going forward, the Assurer recommends that Coway further enhances stakeholder engagement initiatives by managing the feedback collected via stakeholder communication channels more comprehensively and incorporating them into broader areas of its business operations.

#### 2. Principle of Materiality: Selection of and Reporting on Material Issues

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer found that Coway successfully identified issues relevant and material to the company and its major stakeholders through a wide range of methods such as assessment/evaluation of sustainability management, analysis of media coverage and web exposure, analysis of international standards and relevant laws & regulations, analysis of SRI investment guidelines and performance indexes, analysis of sustainable management of leading companies/competitors, and stakeholder interview/survey. Coway also identified material areas and key issues and prioritized them by weighting some evaluation criteria more heavily in the analysis process. "Product safety" and "customer satisfaction & customer relationship management" were identified as key economic issues, while "hazardous substance management" and "greener products and equipment" were identified as key environmental issues and "transparency and ethics management" and "social contribution in communities" as key so-

cial issues. In the Report, Coway presented these material issues in a fairly balanced manner.

#### 3. Principle of Responsiveness: Organizational Response to Issues

The principle of responsiveness articulates that organizations should be responsive to issues that may impact stakeholder performance. The Assurer found that Coway successfully identified the basic, key, and ongoing management criteria as well as the issues relevant to each criterion based on stakeholder needs and expectations, and presented a direction for sustainability management. The Assurer commends Coway for taking into account stakeholder concerns for sustainability management initiatives and its strong commitment to achieving balanced sustainability management. However, the Assurer did not find specific mid to long term sustainability management strategies, systems and plans established in connection with business operations. The Assurer recommends Coway establish specific strategies and targets in connection with business operations to achieve substantive and coherent sustainable management and systematic management of relevant performances. The Assurer believes that such efforts will help Coway achieve sustainable management across its businesses and present strategic directions, results and mid to long term plans for each issue in the future reports.

#### Recommendations

The Assurer commends Coway for making a variety of efforts to improve sustainability and for the resulting performances, and presents the following for improving future sustainability reports and sustainability management.

1. The Assurer recommends that Coway establishes a corporate level strategic system for managing the 2013 Sustainability Management Framework on an ongoing basis and organizes the content of future reports under each sustainability management strategy (i.e. DMA and KPI) to help the understanding of stakeholders.
2. With increasing interest in the environment and Coway's venture into new businesses in the sector, the Assurer recommends that Coway establishes a management system for issues related to water use, biodiversity, and GHG emissions. The Assurer recommends that Coway analyzes the characteristics of each stakeholder group and associated risks/opportunities to establish a strategic stakeholder engagement process. Also, the Assurer recommends that Coway presents issues that stakeholders find important and grounds on which the company made such analysis.
3. In identifying and presenting material issues, the Assurer recommends Coway perform a detailed analysis of the impact of the issues on the company and vice versa, and present the results. In particular, the Assurer wishes to see more detailed impact analysis, performances and plans related to "product safety", which was identified as the most critical issue, and community issues, which are gaining importance at a faster pace compared to other issues.

The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility, which established AA1000, the international standard for stakeholder participation and verification, and is qualified to perform independent assurance engagements. Our Assurance Committee is also comprised of competent experts who have in-depth experience in sustainability management consulting and assurance, and completed the relevant professional training.



March 2013

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Korea Productivity Center

진홍

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태민김

# GRI G3.1/ISO26000 Index

●: Fully reported ◐: Partially reported ○: Not reported N/A: Not applicable

Indicators GRI G3.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
<b>1. Strategy and Analysis</b>				
1.1	Statement from most senior decision-maker in organization	6.2 Organizational Governance	4-7	●
1.2	Description of key impacts, risks, and opportunities		4-7, 13	●
<b>2. Organizational Profile</b>				
2.1	Name of organization	-	8	●
2.2	Primary brands, products, and/or services	-	8	●
2.3	Operational structure	6.2 Organizational Governance	8	●
2.4	Location of organization's headquarters	-	8	●
2.5	Location of overseas branch offices and sites	-	80	●
2.6	Nature of ownership and legal form	-	10	●
2.7	Markets served	-	8	●
2.8	Scale of the reporting organization	-	8	●
2.9	Significant changes during reporting period regarding size, structure, or ownership	-	9	●
2.10	Awards received in reporting period	-	73	●
<b>3. Report Parameters</b>				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	-	About this report	●
3.2	Date of most recent previous report (if any)	-	About this report	●
3.3	Reporting cycle (annual, biennial, etc.)	-	About this report	●
3.4	Contact point for questions regarding the report or its contents	-	81	●
3.5	Process for defining report content	-	14	●
3.6	Boundaries of report	-	About this report	●
3.7	State any specific limitations on the scope or boundary of report	-	About this report	●
3.8	Basis for reporting on comparability from period to period and/or between organizations	-	About this report	●
3.9	Data measurement techniques and bases of calculations for data, including performance index	-	About this report	●
3.10	Explanation of the effects of & reasons for any re-statements of information provided in earlier reports	-	38	●
3.11	Significant changes from previous reporting periods applied in the report	-	38	●
3.12	Table identifying the location of the Standard Disclosures in the report	-	76-78	●
3.13	Policy and current practices with regard to seeking external assurances for the report	7.5.3 Verification	74-75	●
<b>4. Governance</b>				
4.1	Governance structure of organization	6.2 Organizational Governance	10-11	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	-	10	●
4.3	Number of members of highest governance body that are independent and/or non-executive members	-	10	●
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to highest governance body	-	11	●
4.5	Compensation for members of highest governance body, senior managers, and executives	-	76	● Performs regular assessment on the BOD operations and activities. Board members are compensated fairly and appropriately based on the amount approved at the General Shareholders' Meeting.
4.6	Processes in place for highest governance body to ensure conflicts of interest are avoided	-	10	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	-	10	◐
4.8	Internally developed statements of mission or values, codes of conduct, and principles	-	9	●
4.9	Procedures of highest governance body for management of economic, environmental, and social performances	-	76	● Employees can make suggestions on economic, social and environmental issues through the "BOD Agenda" channel offered on the groupware. Submitted issues are discussed at BOD meetings.
4.10	Processes for evaluating highest governance body's own performance	-	10	◐
4.11	Whether and how the precautionary approach or principle is addressed by the organization	-	13	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives	-	79	●
4.13	Membership in associations and/or national/international advocacy organizations	-	79	●
4.14	List of stakeholder groups engaged by the organization	-	16	●
4.15	Basis for identification and selection of stakeholders with whom to engage	-	16	◐
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group	-	16	●
4.17	Key topics and concerns raised through stakeholder engagement, and responses to them	-	14	●
<b>Economic Performance Indicators</b>				
EC1	Direct economic value generated and distributed	6.2 Organizational Governance/ 6.8 Community involvement and development	11, 20	●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.8 Community involvement and development/ 6.8.3 Community involvement/ 6.8.7 Wealth and income creation/ 6.8.9 Social investment	37	◐
EC3	Coverage of the organization's defined benefit plan obligations	6.5.5 Climate change mitigation and action	68	◐
EC4	Significant financial assistance received from government	-	67	●
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	6.4.4 Conditions of work and social protection/ 6.8 Community involvement and development	68	●
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	6.6.6 Promoting social responsibility in the value chain/6.8 Community involvement and development/ 6.8.5 Employment creation and skills development/ 6.8.7 Wealth and income creation	56	◐
EC7	Procedures for local hiring and proportion of senior management hired from the local community	6.8 Community involvement and development/ 6.8.5 Employment creation and skills development/ 6.8.7 Wealth and income creation	68	◐
EC8	Infrastructure investments and services provided primarily for public benefit	6.3.9 Economic, social and cultural rights/6.8 Community involvement and development/6.8.3 Community involvement/6.8.4 Education and culture/ 6.8.5 Employment creation and skills development/6.8.6 Technology development and access/6.8.7 Wealth and income creation/6.8.9 Social investment	55-59	●

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Indicators GRI G3.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
EC9	Understanding and describing significant indirect economic impacts	6.3.9 Economic, social and cultural rights/6.6.6 Promoting social responsibility in the value chain/6.6.7 Respect for property rights/6.7.8 Access to essential services/6.8 Community involvement and development/6.8.5 Employment creation and skills development/6.8.6 Technology development and access/6.8.7 Wealth and income creation/6.8.9 Social investment	20-21	●
<b>Environmental performance indicators</b>				
EN1	Materials used by weight or volume	6.5 The environment	69	●
EN2	Percentage of materials used that are recycled input materials	6.5.4 Sustainable resource use	-	N/A
EN3	Direct energy consumption by primary energy source	-	69	●
EN4	Indirect energy consumption by primary source	-	69	●
EN5	Energy saved due to conservation and efficiency improvements	-	39	●
EN6	Reductions in energy requirements as a result of energy-efficient or renewable energy-based products and services	-	41-43	●
EN7	Indirect energy conservation businesses and achievements	-	39	◐
EN8	Total water withdrawal by source	-	39	●
EN9	Water sources significantly affected by withdrawal of water	-	39	◐
EN10	Percentage and total volume of water recycled and reused	-	-	N/A
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	6.5 The environment	54	◐
EN12	Description of significant impacts of activities, products, and services on biodiversity	6.5.6 Protection of the environment & biodiversity, and restoration of natural habitat	39	◐
EN13	Habitats protected or restored	-	57	●
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	-	57	◐
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	-	○
EN16	Total direct and indirect greenhouse gas emissions by weight	6.5 The environment	39, 69	●
EN17	Other relevant indirect greenhouse gas emissions by weight	6.5.5 Climate change mitigation and action	39, 69	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	-	38-39, 42-43	●
EN19	Emissions of ozone-depleting substances by weight	6.5 The environment	70	●
EN20	NOx, SOx, and other significant air emissions by type and weight	6.5.3 Prevention of pollution	-	N/A
EN21	Total water discharge by quality and destination	-	69	●
EN22	Total weight of waste by type and disposal method	-	69	●
EN23	Total number and volume of significant spills	-	-	N/A
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII	-	-	N/A
EN25	Name of water bodies significantly affected by the reporting organization's discharges of water and runoff	6.5 The environment/6.5.4 Sustainable resource use /6.5.6 Protection of the environment & biodiversity, and restoration of natural habitat	-	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	6.5 The environment/6.5.4 Sustainable resource use/6.6.6 Promoting social responsibility in the value chain/6.7.5 Sustainable consumption	40-43	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	6.5 The environment/6.5.4 Sustainable resource use /6.7.5 Sustainable consumption	43	◐
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5 The environment	77	● Recorded zero environmental non-compliance in 2012.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	6.5 The environment/6.5.4 Sustainable resource use/6.6.6 Promoting social responsibility in the value chain	-	○
EN30	Total environmental protection expenditures and investments by type	6.5 The environment	71	●
<b>Labor practices and decent work performance indicators</b>				
LA1	Total workforce by employment type, employment contract, and region	6.4 Labour practices	68	●
LA2	Total number and rate of employee turnover by age group, gender, and region	6.4.3 Employment and employment relationships	68	●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	6.4 Labour practices/6.4.3 Employment and employment relationships/6.4.4 Conditions of work and social protection	47	●
LA4	Percentage of employees covered by collective bargaining agreements	6.4 Labour practices/6.4.3 Employment and employment relationships/6.4.4 Conditions of work and social protection/6.4.5 Social dialogue/6.3.10 Fundamental principles and rights at work	50	◐
LA5	Minimum notice period(s) regarding operational changes	6.4 Labour practices/6.4.3 Employment and employment relationships/6.4.4 Conditions of work and social protection/6.4.5 Social dialogue	50	◐
LA6	Percentage of total workforce represented in formal joint management worker-health and safety committees	6.4 Labour practices/ 6.4.6 Health and safety at work	50	◐
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	-	69	●
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members	6.4 Labour practices/6.4.6 Health and safety at work/6.8 Community involvement and development/6.8.3 Community involvement/6.8.4 Education and culture/6.8.8 Health	36, 51	●
LA9	Health and safety topics covered in formal agreements with trade unions	6.4 Labour practices/6.4.6 Health and safety at work	36	●
LA10	Average hours of training per year per employee	6.4 Labour practices/6.4.7 Human development and training in the workplace	68	●
LA11	Programs for skills management and lifelong learning and assistance in managing career endings	6.4 Labour practices/6.4.7 Human development and training in the workplace/6.8.5 Employment creation and skills development	49	◐



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Indicators GRI 3.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
LA12	Percentage of employees receiving regular performance and career development reviews	48	●	Regular performance and career development assessment is limited to regular employees in administrative functions (36.1%).
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	68	○	
LA14	Ratio of basic salary of men to women by employee category	68	●	
LA15	Return to work and retention rates after parental leave, by gender	68	○	
<b>Human Rights Performance Indicators</b>				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	63	○	Recorded zero human rights non-compliance in 2012 by thoroughly conforming to domestic laws and conventions established by international labor organizations.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	63	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including percentage of employees trained	49	●	
HR4	Total number of incidents of discrimination and actions taken	68	○	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	50	○	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken	78	●	Coway categorically prohibits child labor as well as forced labor.
HR7	Operations identified as having significant risk for incidents of forced or labor, and measures taken	78	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning human rights relevant to operations	49	○	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	-	N/A	Recorded zero violation of the rights of community members in 2012 (based on legally defined standards).
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessment	63	○	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	51	○	
<b>Society Performance Indicators</b>				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	57	○	
S02	Percentage and total number of business units analyzed for risks related to corruption	12	○	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	12	○	
S04	Actions taken in response to incidents of corruption	12	○	
S05	Public policy positions and participation in public policy development and lobbying	78	○	Presented industry opinions on public policy to government agencies.
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	-	N/A	
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices, and outcomes	-	○	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	N/A	No applicable cases in 2012
S09	Operations with significant potential or actual negative impacts on local communities	-	N/A	
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	57	○	

●: Fully reported ○: Partially reported ○: Not reported N/A: Not applicable

Indicators GRI 3.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
<b>Responsibility Performance Indicators</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed, and percentage of significant products and services categories subject to such procedures	6.3.9 Economic, social and cultural rights/ 6.6.6 Promoting social responsibility in the value chain/ 6.7 Consumer issues/ 6.7.4 Protecting consumers' health & safety	28,31	○
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	6.7.5 Sustainable consumption	-	N/A No applicable cases in 2012
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	6.7 Consumer issues/ 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices/ 6.7.4 Protecting consumers' health & safety/ 6.7.5 Sustainable consumption/ 6.7.6 Consumer service, support and complaint and dispute resolution	40-43	○
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	6.7.9 Education and awareness	30	●
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	6.7 Consumer issues/ 6.7.4 Protecting consumers' health & safety/ 6.7.5 Sustainable consumption/ 6.7.6 Consumer service, support and complaint and dispute resolution/ 6.7.8 Access to essential services/ 6.7.9 Education and awareness	26-27	●
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	6.7 Consumer issues/ 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices/ 6.7.6 Consumer service, support and complaint and dispute resolution	30	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	6.7.9 Education and awareness	30	●
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7 Consumer issues/ 6.7.7 Consumer data protection and privacy	78	● Number of customer claims related to customer information leaks (1.98 million cases) in 2012 was 420 (as of March 5, 2012, cumulative)
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	6.7 Consumer issues/ 6.7.6 Consumer service, support and complaint and dispute resolution	78	○ Conformance to relevant laws and regulations. Recorded zero non-compliance in 2012.

## UNGC/MDGs

### UNGC

We joined the United Nations Global Compact (UNGC) in June of 2006 to comply with the 10 principles in the areas of human rights, labor, environment and anti-corruption in addition to fulfilling our social responsibility as a corporate citizen and pursue growth. Through this sustainability report, we assess where we stand and make pledges for the future.

Category	Principle
<b>Human Rights</b>	01. Businesses should support and respect the protection of internationally proclaimed human rights.
	02. Businesses make sure that they are not complicit in human rights abuses.
<b>Labor</b>	03. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	04. Businesses should uphold the elimination of all forms of forced and compulsory labour.
	05. Businesses should uphold the effective abolition of child labour.
	06. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
<b>Environment</b>	07. Businesses should support a precautionary approach to environmental challenges.
	08. Businesses should undertake initiatives to promote greater environmental responsibility.
	09. Businesses should encourage the development and diffusion of environmentally friendly technologies.
<b>Anti-corruption</b>	10. Businesses should work against corruption in all its forms, including extortion and bribery.

### MDGs

We are fully committed to achieving the 8 Millennium Development Goal (MDGs). Adopted in 2000 and set to be achieved by 2015, the United Nations Millennium Development Goals (MDGs) are an international pledge to reduce the world population living below the poverty line by half. The eight international development goals aim to 1) eradicate extreme poverty and hunger, 2) achieve universal primary education, 3) promote gender equality and empower women, 4) reduce child mortality rates 5) improve maternal health, 6) combat HIV/AIDS, malaria and other diseases, 7) ensure environmental sustainability, and 8) develop a global partnership for development.



# Global Network

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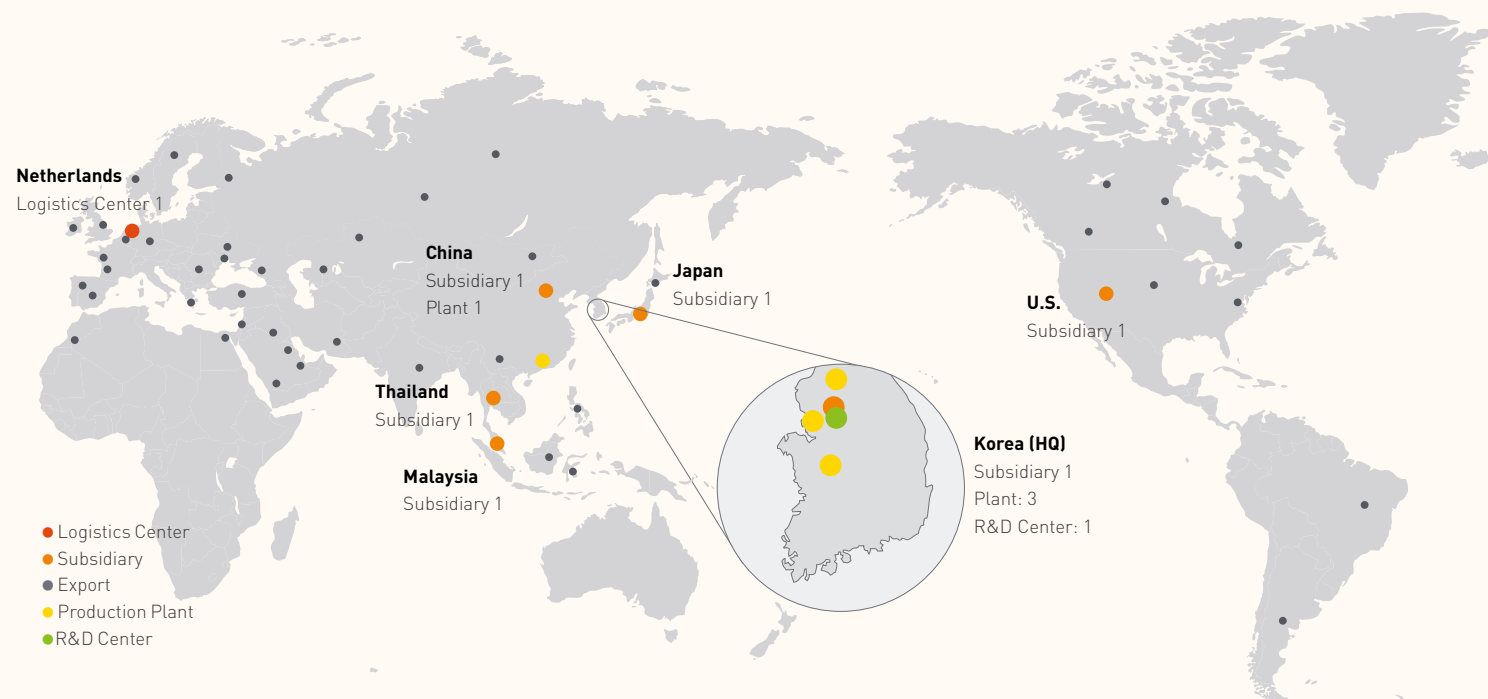
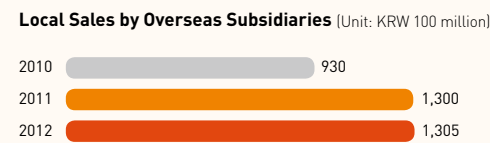
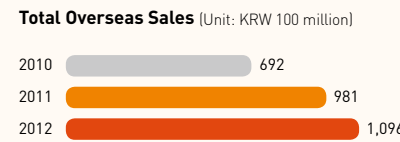
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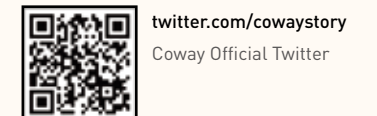
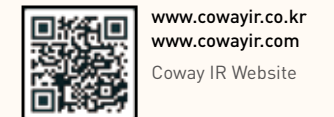
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Coway is fully committed to providing accurate and reliable information on its sustainability management initiatives to stakeholders. The preparation of this report was led by the Communication Team in cooperation with other departments, including the Production Division, the Environment Technology Institute, the Environment Quality Institute, the Marketing Division and the CS Division. We will make ongoing efforts to ensure that our sustainability management efforts are disclosed with greater accuracy through our reports. Your valuable opinion will be greatly appreciated.

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