

# Yuhan-Kimberly 2018 SUSTAINABILITY REPORT

People are our source of hope


2018 Sustainability Report Overview

About This Report

Reporting principle	GRI (Global Reporting Initiative) Standard, The Ten Principles of the UN Global Compact
Reporting scope	Major supply chain and all operating sites in Korea
Reporting period	January 2017 to December 2017 (including part of the performance from the 1 quarter of 2018)
Reporting base	Based on fiscal year, at least 3-year time series presented
Assurance	Third party's assurance statement
Reporting cycle	Annually (first publication in 2006)
Structure of report	Reporting in accordance with the GRI Standard (Core option), preferential reporting of material topic based on materiality assessment
Disclosure principle	The report is available online at website (www.yuhan-kimberly.co.kr), web report (csr.yuhan-kimberly.co.kr)
Further information	Please contact Corporate Sustainability, Yuhan-Kimberly Tel. +82-2-6411-0283

Implementing the Digitalization of Sustainability Report

Yuhan-Kimberly has published web reports to enhance the transparency and accessibility of information on sustainability management since 2017.




**VIDEO**

The content with this icon includes information in video format. You can watch the video clip by clicking it on the PDF file.

8p

60p

64p



**WEB REPORT**

More information is available on the web report. (csr.yuhan-kimberly.co.kr)

5p

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31p

47p

People are our source of hope

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이 다

Yuhan-Kimberly **2018**  
Sustainability Report  
**Women Special Edition**

2018 Sustainability Report, what are different from the previous edition?

1. Highlighting efforts for women empowerment

We highlighted women-related ones among the CSR activities for 48 years since our foundation.

2. Enhancing the collection of stakeholders opinion

The communication with stakeholders have been enhanced through social media, and the number of participants has increased by 54% compared to the previous year (a total of 8,639 participated).

Following last year, the 2018 issue was also published as a special edition by aligning with **the Sustainable Development Goals (SDGs)** and reflecting the opinions of stakeholders.

Yuhan-Kimberly defines its stakeholders as customers, partners, employees, and local communities. Yuhan-Kimberly transparently discloses its business direction and performance through management disclosure, shareholders’ meeting, BOD meeting, annual report, and website, and also actively listens and responds to the opinions of stakeholders through diverse communication channels.

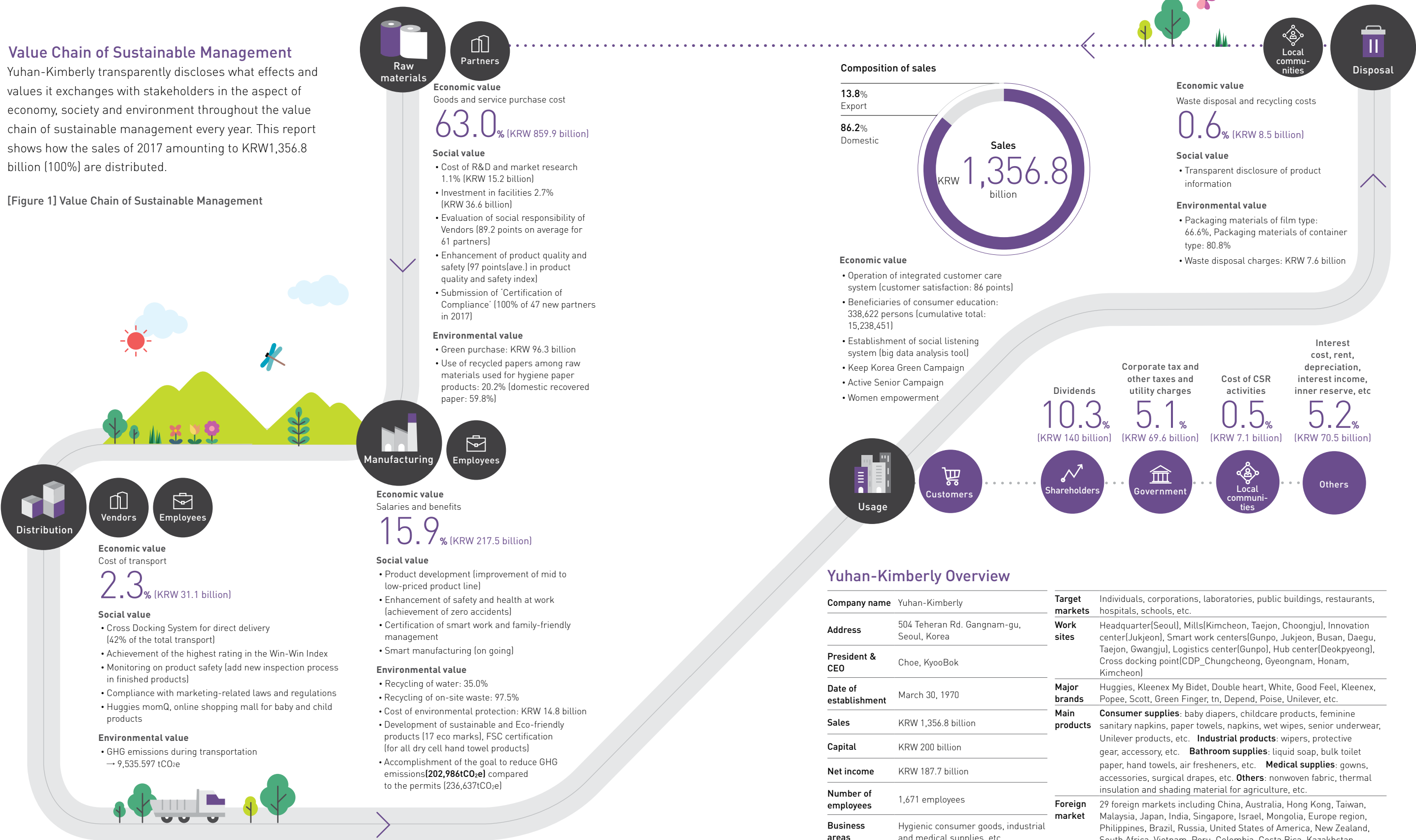


# How does Yuhan-Kimberly Redistribute its Values?

## Value Chain of Sustainable Management

Yuhan-Kimberly transparently discloses what effects and values it exchanges with stakeholders in the aspect of economy, society and environment throughout the value chain of sustainable management every year. This report shows how the sales of 2017 amounting to KRW1,356.8 billion (100%) are distributed.

[Figure 1] Value Chain of Sustainable Management



## Yuhan-Kimberly Overview

<b>Company name</b>	Yuhan-Kimberly	<b>Target markets</b>	Individuals, corporations, laboratories, public buildings, restaurants, hospitals, schools, etc.
<b>Address</b>	504 Teheran Rd. Gangnam-gu, Seoul, Korea	<b>Work sites</b>	Headquarter[Seoul], Mills[Kimcheon, Taejon, Choongju], Innovation center[Jukjeon], Smart work centers[Gunpo, Jukjeon, Busan, Daegu, Taejon, Gwangju], Logistics center[Gunpo], Hub center[Deokpyeong], Cross docking point[CDP_Chungcheong, Gyeongnam, Honam, Kimcheon]
<b>President &amp; CEO</b>	Choe, KyooBok	<b>Major brands</b>	Huggies, Kleenex My Bidet, Double heart, White, Good Feel, Kleenex, Popee, Scott, Green Finger, tn, Depend, Poise, Unilever, etc.
<b>Date of establishment</b>	March 30, 1970	<b>Main products</b>	<b>Consumer supplies:</b> baby diapers, childcare products, feminine sanitary napkins, paper towels, napkins, wet wipes, senior underwear, Unilever products, etc. <b>Industrial products:</b> wipers, protective gear, accessory, etc. <b>Bathroom supplies:</b> liquid soap, bulk toilet paper, hand towels, air fresheners, etc. <b>Medical supplies:</b> gowns, accessories, surgical drapes, etc. <b>Others:</b> nonwoven fabric, thermal insulation and shading material for agriculture, etc.
<b>Sales</b>	KRW 1,356.8 billion	<b>Foreign market</b>	29 foreign markets including China, Australia, Hong Kong, Taiwan, Malaysia, Japan, India, Singapore, Israel, Mongolia, Europe region, Philippines, Brazil, Russia, United States of America, New Zealand, South Africa, Vietnam, Peru, Colombia, Costa Rica, Kazakhstan
<b>Capital</b>	KRW 200 billion		
<b>Net income</b>	KRW 187.7 billion		
<b>Number of employees</b>	1,671 employees		
<b>Business areas</b>	Hygienic consumer goods, industrial and medical supplies, etc.		

Please refer to Yuhan-Kimberly Webpage (<http://www.yuhan-kimberly.co.kr/Company/History>)

## Yuhan-Kimberly Sustainable Management

### Yuhan-Kimberly Overview and Value Chain of Sustainable Management

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- Sustainability Management Organization
- Vision and Keywords
- Corporate Governance and Ethical Management
- Crisis Management
- Communication with Stakeholders
- [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

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\_We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination
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## CEO Message

### Our Belief for a Better Life\_Yuhan-Kimberly

### In 2018, We restart ourselves with a new pledge



Dear respected stakeholders,  
Greetings to you all. This year marks Yuhan-Kimberly's 48<sup>th</sup> anniversary since its foundation in 1970. In other words, we have only two years left to prepare for the upcoming 50th celebration in 2020. In 2017, the persistent low birth rate led to the shrinkage of the market, and economic polarization, chemical substances, sensitivity to safety, and fine dust drew much attention from the public. Also, digital transformation, which requires a new business model, became a hot topic. Besides, as the issue of economic polarization was raised in 2016, women were encouraged to speak out for their rights. They influenced businesses to make safe products for women's health in 2017, and made announcements to overcome structural discrimination in 2018.  
Under these circumstances, Yuhan-Kimberly has renewed its commitment to consumer-centered management. This 13<sup>th</sup> sustainability report was prepared to talk more about market change and preparation, and also social responsibility for women at the corporate level.

### Overall Sustainability Management\_Selected as the “Most Admired Company” for 15 Consecutive Years

In 2018, Yuhan-Kimberly was selected as the most respected company in Korea, ranking fifth in total, for 15 consecutive years. The company also received the UNGC Value Award in the category of social values for its campaign “Keep Korea Green” that contributed to dealing with climate change by creating healthy forests in the Korean peninsula and neighboring countries. In addition, it was awarded with a commendation from the Minister of Trade, Industry and Energy for its contribution to Win-Win growth through the innovation of supply chain management (manufacturer-distributor-consumer).  
However, Yuhan-Kimberly still has a long way to go to achieve its sustainability goals. In 2017, the low fertility had a catastrophic impact on our society. The number of newborns fell below 400,000 to record 350,000. Such decrease in the number of newborns and fertile women has severely affected the diaper and feminine hygiene products market. Also, as many of distribution channels were converted to online, the number of small domestic and foreign brands entering the market has been increasing to threaten our market share. In particular, the issue of product safety has considerably affected our sales performance: the total sales have been reduced by KRW 143.1 billion from the previous year. Moreover, the falling exports of diapers have resulted in the decrease of sales from export by KRW 78.6 billion from the last year. Nevertheless, we will make continuous efforts to achieve our mission and vision “Our Belief for a Better Life” as a respected and socially responsible company. We will take these adverse circumstances as an opportunity, not an obstacle, to achieve our sustainability management goals. I ask for your encouragement and support.

### Economic Performance\_ Achieving KRW 1,356.8 billion in Sales, a Preemptive Response in the e-commerce Market is Required.

**2017 Performance** While dealing with sudden changes in the market and distribution environment and also safety issues, Yuhan-Kimberly recorded the total sales of KRW 1,356.8 billion in 2017 in an adverse business environment of slow growth and declining exports. The decreased sales in its key businesses of children and women's products were compensated by the growth of sales in the vision category, such as mask, tampon, overnight pad, Depend underwear, and My Bidet. Also, the continuous growth of Family Care Business and unexpected high growth of B2B business contributed to the sales of the company. Despite these difficulties, Yuhan-Kimberly made an investment of KRW 36.5 billion for future growth and productivity improvement. Its capacity and system were also upgraded for the digital transformation age. To be specific, a smart manufacturing process was introduced to Taejon mill; the online monitoring and analysis system were enhanced to identify consumer needs in real time; and a management system that focuses on consumers, customers, and market was established. The labor union entrusted the management with the authority to increase wages, and company-wide efforts were made to reduce costs and expenses. In addition, collaborative work was promoted to minimize defective products and integrate the logistics of metro and Anyang.

**2018 Tasks** Yuhan-Kimberly will enhance the capacity for change by restructuring the existing businesses but still emphasizing their strengths under the slogan “Re! Start, Win Together”. We have five major tasks to accomplish in 2018.

**First, we will preemptively respond to market changes by making consumer-oriented innovations.** We will take a wider perspective on competition. In the past, we used to focus on the quality and price of products only. However, we are now figuring out how to be more competitive in the aspect of total supply chain, and will give the value back to consumers. Finding a business model that allows the direct delivery of products from factory to consumers is an attempt of that kind. We will improve our competitiveness by using the total value chain, and revamp the e-commerce group.

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**Second, we will create new growth opportunities.** We will continue to create new growth opportunities in B2B, Family Care, and products of vision category. We will also make changes in baby wipes and senior care. Investments will be made in fixed assets by actively utilizing available assets. After getting the approval for a new facility in B2B (jumbo roll tissue converting line), many things including production capacity will be improved.

**Third, we will improve our fundamental to respond to market pressures.** Since the market situation can get worse at any time, we need to increase our competitiveness. We believe that there will be a huge difference between companies that make persistent efforts for digitalization and those that do not over the next one to three years. For a healthy body, muscles all over the body need to be developed in a balanced way. And now is the time that we need to spend more on digitalization. To that end, we will not simply reduce costs but redistribute them for efficient execution. We will decrease failure rates by making decisions based on data, and enhance capacity throughout all business areas by accelerating digital transformation.

**Fourth, product safety is the most basic value.** To regain trust from consumers, we will establish a system that ensures the quality and safety of products in advance. Yuhan-Kimberly aims at making products that consumers can trust and use. To that end, we will strive to secure the safety of raw materials, ensure the transparency of product information, and regain the trust in manufacturers. Our efforts to provide safe products include improving the quality assurance organization, disclosing the ingredients of products on the website, and displaying product information on product packages as well as ingredients of product according to new regulations.

**Fifth, we will innovate our organizational culture.** Organizational culture is the key to achieve our goals. We will make our organization stronger based on flexibility, agility, openness, and collaboration. We will adjust our organization and how to work in a new business environment. We believe winning culture, pride as a respected company, and persistent innovation are the three pillars of our company. And we need to recover the three as soon as possible.

## Social Performance\_ Persistent Efforts to Grow Together with Society

Yuhan-Kimberly pursues a Win-Win growth with society. We promote not only economic growth but also growth with local communities. To that end, we put corporate values on safety, ethics, compliance, environment, Win-Win growth, and social responsibility. Our representative CSR activities include the campaign “Keep Korea Green”, Creating Shared Value (CSV) to promote businesses for seniors, activities to empower women, and smart work management.

**Set up a tree nursery in Hwacheon to recover damaged forests in North Korea** In 2017, Yuhan-Kimberly Set up a tree nursery in Hwacheon to produce tree seedlings that will be used for the recovery of damaged forests in North Korea. And the first seedlings will be shipped in 2018. As fine and yellow dust are moving across borders, we have expanded the areas for forestation. We planted more than 10 million trees in Mongolia to restore devastated forests, and concluded an agreement with local communities for forest management. Moreover, we made a long-term agreement to create a coexisting forest model with Choongju, following Kimcheon and Taejon, and have continued to form urban forests. In the aging population era, we also encourage senior citizens to have a job and make social contributions by operating a business ‘Senior Care Manager’ and opening ‘Senior Forest School’

[Table 1-1] Sustainability Management Performance and Goals

Evaluation: exceed ● meet ① require efforts ○

Category	2017			Goals in 2018
	Goals	Performance	Evaluation	
Economy	• Achieving year-on-year growth targets	• Total sales growth: -9.5%	○	• Increasing the growth rate in the main category from the previous year
	• Securing the continuous growth in sales of vision category products	• Vision category: -4.3% (except baby wipes of 13.4%)	○	• Maintaining the growth in sales of vision category • Securing the competitive edge/competence in the e-commerce market (increasing the number of momQ members and improving digital competence in all areas)
	• Making efforts to improve product safety	• Selecting 74 Chemicals of Concern(CoC) • Strengthening the organization of product safety • Expanding eco-labelled products (17)	●	• Implementing the policy to extend the CoC coverage
Society	• Keeping promises with society	• The CEO taking a pledge of ethical management (Mar) • Complying with the UN Global Compact Principles • The CEO declaring to achieve the SDGs (Sept) • Donating 1 million sanitary pads to 13,888 girls in low-income • Expanding mid to low-priced sanitary pads (launching ‘Good Feel Pure’ medium and large size of sanitary napkin and panty liner) • Lowering the price of sanitary pads (‘Good Feel Pure Cotton’ products in Jan 2018) • Signing a contract for coexisting forest (Choongju) in Feb 2018 • Opening the Senior Forest School (78 persons) • Senior Job-senior care managers (30 persons)	①	• The CEO taking a pledge of ethical management • Complying with the UN Global Compact Principles • Achieving Win-Win growth (encouraging partners to promote ethical management and to submit ‘Certification of Compliance’) • Creating jobs for seniors • Enhancing women’s competence [promoting the leadership of female employees in NGOs, making donations for gender equality in society]
	• consumer-centered management and improving customer satisfaction (83 points)	• Achieving the overall satisfaction score of 86 points	●	• Improving the overall satisfaction score compared to the previous year
Environ-ment	• Achieving the goal to reduce GHG emissions : 236,637tCO <sub>2</sub> e(reducing 23,912tCO <sub>2</sub> e compared to the permits)	• Amount of emissions: 202,986tCO <sub>2</sub> e(reducing 33,651tCO <sub>2</sub> e compared to the permits) • Aligning with Kimberly-Clark 2022 Sustainability Management Goals: applying to all areas	①	• Reducing the amount of emissions compared to the permits  • Expanding eco-labelled products (eco mark, FSC certification)

\* Vision category: health & beauty care, baby wipes, skin care, Scott towel, Depend stylish underwear, mask, Kleenex My Bidet, tampon, wearable overnight, Clean Wet Wipes, etc.

**Celebrating the 30<sup>th</sup> green camp for adolescent girls** Yuhan-Kimberly strives for women empowerment. The company provides adolescent girls, women employees in NGOs and companies with an opportunity and an environment for lifelong learning, and contributes to 21 projects for gender equality by making 75% of its employees voluntarily participate in a donation relay. In particular, the year of 2018 is all the more meaningful in that it marks the 30<sup>th</sup> anniversary of Green Camp which was established to promote environmental leadership among adolescent girls (4,387 in total). This report is a special edition titled “Yuhan-Kimberly and Women” to show our related activities.

**Making efforts for the shard growth with partners** One of the most important stakeholders of Yuhan-Kimberly is its partners. As a result of win-win business activities based on mutual trust, the evaluation score of 61 partners in 2017 went up by 1.3 points from the previous year, and we are happy to receive the highest rating in the Win-Win Index for two consecutive years.

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Environmental Performance\_ Exceeding the Target of Reducing GHG Emissions in 2017 (202,986tCO<sub>2</sub>e)

**Taking the lead in reducing GHG emissions** As a result of setting energy consumption goals for each site of business and managing their GHG emissions, Yuhan-Kimberly exceeded the target of reducing GHG emissions in 2017. The company will collaborate with the energy team of Kimberly-Clark Corporation in 2018 to improve the energy efficiency of Kimcheon mill that accounts for more than 75% of the total GHG emissions. FYI, Taejon mill was re-designated as eco-friendly company in 2017 since its first designation in 1997 for its excellent management of environmental pollutants and compliance with the stricter regulations on water and air pollutant emissions. Yuhan-Kimberly will identify the GHG reduction potential in the manufacturing process and strive to reduce GHG emissions throughout the product life cycle in the near future.

**Expanding the policy of procuring eco-friendly pulps** Yuhan-Kimberly counts Eco-friendliness and a will to develop sustainable products are significant value we pursue. To meet the consumer needs for product safety and eco-friendly pulps, we acquired the international certification of Forest Stewardship Council Chain of Custody (FSC CoC) for the manufacturing process of Kleenex dry cell hand towel products in 2015, and of domestic diaper and pants products in February, 2018. We tried to obtain the certification for all lines of tissue products in 2017 but failed to do so due to the lack of supply and demand of certified pulps. In 2018, we will make more efforts to ensure the safety of chemical substances and develop sustainable products. Also, we will redefine the sustainability of products that we pursue and reestablish the specific categories.

In Closing\_ Regrets and Tasks Ahead

So far, I have explained the current market changes and conditions that Yuhan-Kimberly is faced with. Regarding the low fertility and low growth, sudden changes in distribution, various consumer needs, competition with low price products due to the integration of Korean, Chinese, and Japanese markets, and falling exports, the existing business model cannot provide us with a solution. Thus, we need to have more elaborate plans and strong determination. While sticking to the basics including consumer-oriented management, product safety, eco-friendliness, and ethical management, Yuhan-Kimberly will focus on bringing about product innovation, building digital capacity in the e-commerce market, and increasing its market share. We will also grow while fulfilling our social responsibility by dealing with social issues. In addition, we will establish a new business model throughout the whole process, and improve the family-friendly management model for a better work and life balance. Taking our experience of 2017 as a stepping stone, we will make the year of 2018 more meaningful to open another new 50 years. I sincerely ask for your interest and support. Thank you.

May 2018  
Yuhan-Kimberly President & CEO Choe, KyooBok

KB Choe

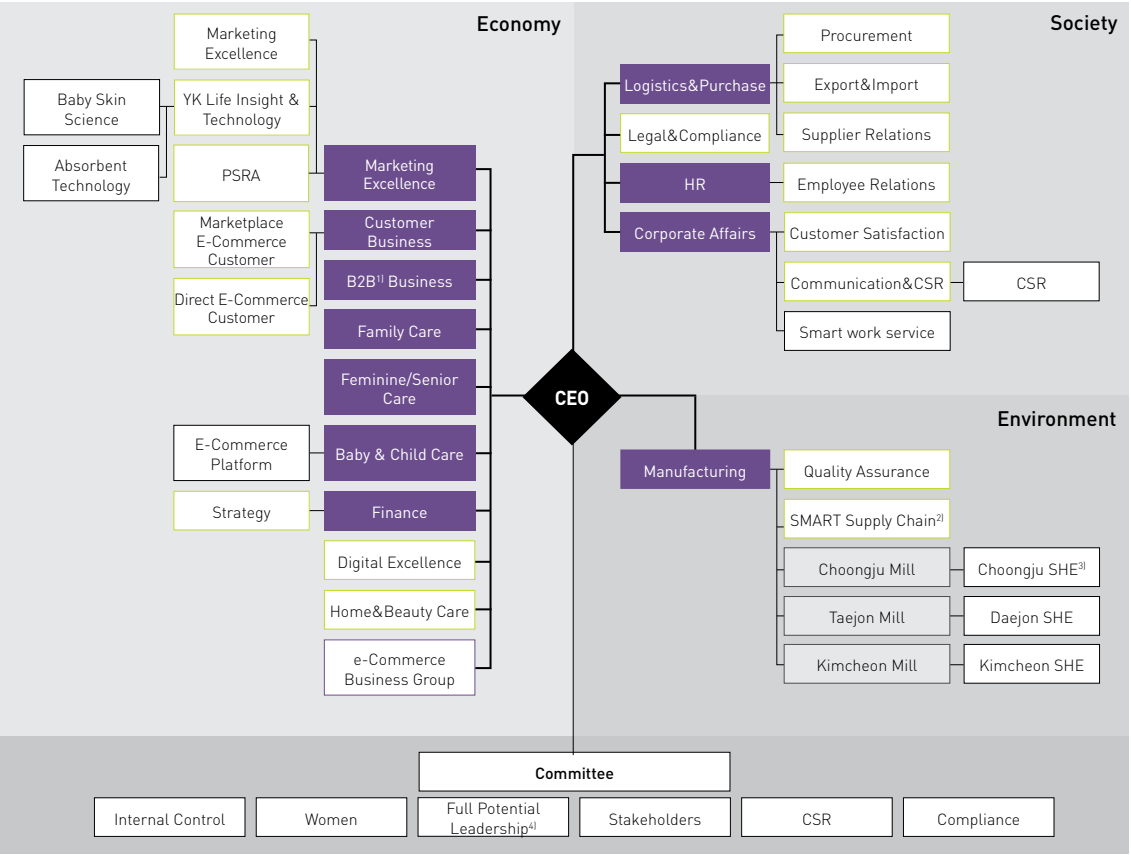
Sustainability Management Organization

Yuhan-Kimberly has an exclusive organization of sustainability management. The organization was up-graded from a division to a function in 2016, managing and reporting the overall activities in the eco-nomic, social, and environmental areas that are required for sustainable growth. It also engages in CSR activities and communication with stakeholders including customers and employees.

Yuhan-Kimberly raised the status of relevant organizations to improve the management of product quality and safety in March 2017. The Quality Department in the manufacturing and production sector was upgraded to the Quality Assurance Division, and the Baby Skin Science Lab and the PSRA in the research center were more strengthened.

To actively respond to the e-commerce market, Yuhan-Kimberly established an e-commerce business group, under the direct control of the CEO, in January 2018. As corporate polices change, organizations need to follow suit. The growing importance of the e-commerce market has led to the creation of inte-grated organizations, which we think will bring growth momentum to the company by maximizing the corporate capacity and securing differentiated competitiveness. We believe the new establishment of collaborative organizations according to market changes will contribute to promoting the sustainability of the company.

[Figure 1-1] Sustainability management organizational structure (As of April 2018)



1) B2B (Business to Business): Business to sell products and services to corporation and public organization. Industrial hygiene products, industrial safety products, hospital hygiene products, etc. are included  
2) SMART Supply Chain Division: Organization for smart manufacturing  
3) SHE: Safety, Hygiene & Environment  
4) Full Potential Leadership Team is the highest decision-making body, and it manages and evaluates performance of economic, social, environmental, and risk management.

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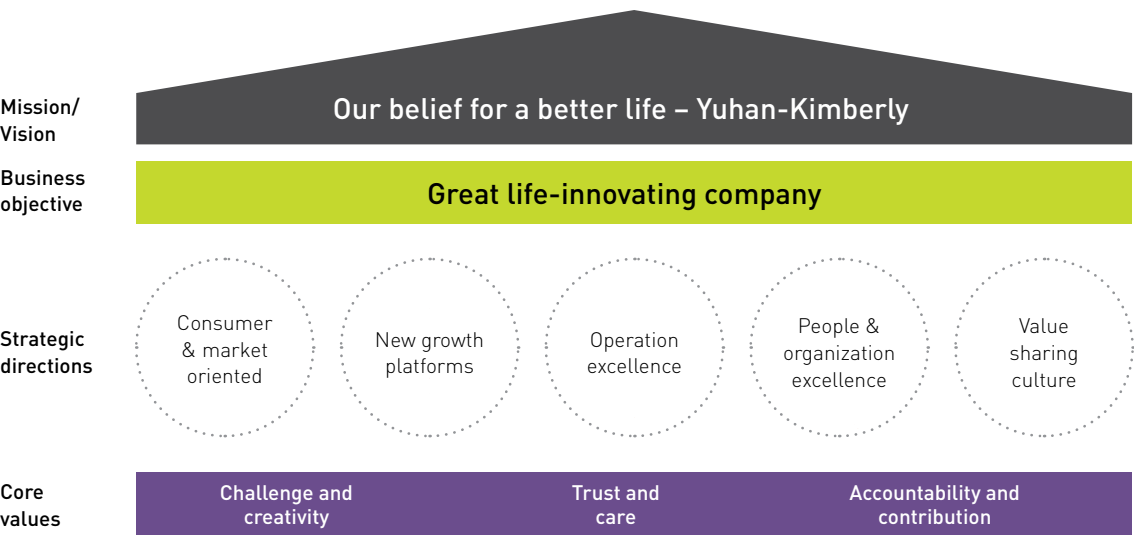
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Vision and Keywords

Yuhan-Kimberly strives to achieve its mission and vision “Our Belief for a Better Life”. By providing customers with values in the form of better products, services and environments, we will emerge as a great life-innovating company. We established the Vision 2020 in 2010, developed visions by sector, strategic directions and roadmap in 2013, and updated the vision in 2015. We also established the business of vision category to more focus on accomplishing our vision.

[Figure 1-2] Vision Roadmap and 2018 Slogan



The CEO suggests the management keywords of the year that he will focus on together with employees. The keywords are presented along with the vision and sales target to elaborate how to achieve the goals. The keyword of 2018 is “Re! Start, Win Together” for both labor and management.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vision & sharing	Establishing the Vision 2020			Suggesting a roadmap for execution	Starting training on core values for employees	Updating the Vision 2020			
Major keywords					‘We found answers from fields’	Becoming the world’s best consumer-centered marketing & sales company’	Three key words - Full Potential - Digitalization - Agility	#{Hash tags} - #Full Potential - #Digitalization - #Agility	Re-start, Win Together
Training on core values		Under-standing of core values	CoA*	Positive innovation	CoA 2.0	‘Becoming the world’s best consumer-centered marketing & sales company’	Full Potential Digitalization Agility		Re-start, Win Together

\* CoA: Culture of Accountability

Corporate Governance and Ethical Management

Corporate Governance

**Characteristic** Yuhan-Kimberly was established in 1970 as a joint venture between Yuhan Corp.(30%) and Kimberly-Clark Corporation [70%]. There is no change in the total number of shares amounting to 40 million and the paid-in capital of KRW 200billion and also in corporate governance as of 2017. The shareholders’ meeting and the board of directors as the top decision-making bodies decide on key business operations of the company as prescribed in the commercial code as well as the Articles of Association, and review and decide on major management issues for the sustainable growth of the company.

**Composition and remuneration of the BOD** The Board of Directors consists of eight members (seven directors and one auditor) who are elected with required qualifications in management and accounting at the shareholders’ meeting. If the chair cannot attend the meeting, those who are entitled play the role of the chair in accordance with the acting procedure prescribed by the BOD. Key investments requiring the approval of shareholders are decided with the consent of a majority, and directors with stakes in a certain agenda cannot participate in voting. The remuneration is paid in consideration of the base salary and performance pay (financial and non-financial) within the annual ceiling (KRW3.5billion for directors and KRW 500 million for auditors), which was approved at the shareholders’ meeting in March, 2017. The annual salary of each member is decided based on evaluation results, and finalized by applying the average wage in the market stated by an outside consultancy and the internal wage increase rate.

[Table 1-2] Status of Yuhan-Kimberly Board of Directors

Role	Name	Note	Tenure
Member of Board of Directors (Chairperson)	Jeff P. Melucci	Chief Law Officer of Kimberly-Clark International	~March 2019
Member of Board of Directors (President and CEO)	Choe, KyooBok	President and CEO, Yuhan-Kimberly	~March 2019
Member of Board of Directors (President)	Jeff Doherty	Chief Financial Officer of Yuhan-Kimberly	~March 2019
Member of Board of Directors	Lee, JungHee	President and CEO, Yuhan Corporation	~March 2019
Member of Board of Directors	R.G. Olsen	Ex-CFO of Asia Pacific, Kimberly-Clark Asia Pacific	~March 2019
Member of Board of Directors	Chin, JaeSeung	Head of Feminine Senior Care Business, Yuhan-Kimberly	~March 2019
Member of Board of Directors	Kim, SungHoon	Head of the Baby & Child care Business, Yuhan -Kimberly	~March 2019
Auditor	Lee, JongHo	Certified public accountant	~March 2019

**Activities of the BOD and discussion of sustainability management agendas** We held one shareholders’ meeting and four BOD meetings in 2017. At the shareholders’ meeting, approval of the annual report and financial statements, and appointment of new directors were decided. At the BOD meetings, decisions were made regarding deliberation of agendas at the shareholders’ meetings, reporting of the evaluation on the internal accounting management scheme, review and deliberation of remuneration for directors and auditors, and discussion of strategies for sustainable growth. The total number of decisions made was 17 and the average attendance rate of directors was 100%.

The CEO is entrusted with the authority to management of all businesses by the BOD, periodically organizing six subcommittees for sustainability management to discuss relevant agendas. Particularly, the subcommittee of social responsibility was held four times in 2017 to deal with agendas on how to explore sustainable development through CSR activities.

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Ethical Management

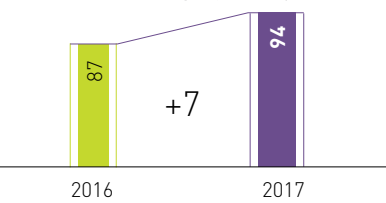
Yuhan-Kimberly has operated an exclusive organization of ethical management, the Legal Counsel and Compliance Division, and the CEO has declared the practice of ethical management internally and externally. The Division was newly established in 2012 under the direct control of the CEO, collaborating with the Internal Control Work Group, Internal Control Committee, and Compliance Working Committee. The CEO has participated in the ceremony to declare ethical management organized by the BEST Forum since 2004.

In 2017, we enhanced training on ethical management including personal information protection and fair trade. Based on the identification of potential risks in the previous year, we conducted a series of activities to prevent risks, and also declared three major policies that prohibit retaliation at workplace and added them into the code of conduct. The total number of whistle blowing was two and the results were posted on the intranet. Employees completed training sessions on code of conduct, anti-corruption and bribery, sexual harassment, and protection of personal information (99% except those on leave of absence). Also, employees of sales and procurement departments received training on fair trade.

In order to create the culture of fair trade, we have required business partners to submit the ‘Certification of Compliance’ since May 2017 on the event of signing a contract so that our employees and partners can work together in a transparent and fair manner. The submission has been completed by all of new partners but yet to be done by existing ones. We have introduced and managed the ‘Fair Trade Compliance Program’ since 2012, and there was no case of sanctions for violation of the Fair Trade Act in 2017. Yuhan-Kimberly operates a helpline (1-844-524-3571) 24/7 for receiving reports on violations of the code of conduct, along with the cyber ombudsman which is a channel for handling grievances, The helpline is managed by a third party designated by Kimberly-Clark, one of the shareholder companies, to allow anonymous reporting. Yuhan-Kimberly is subject to the Foreign Corrupt Practice Act(FCPA), a U.S federal act, and no case of violation occurred in 2017.

The quarterly meetings of the Compliance Committee were held in 2017 and the results were shared. The Committee, which consists of the CEO, CFO, Legal Counsel and Compliance Officer, and Heads of Businesses, discussed pending issues, set directions, and made decisions. Also, the content of discussion and the best practices of ethical management are shared with the counterpart of Kimberly-Clark.

[Figure 1-3] I know how to report ethical issues or instances of misconduct that I witnessed in the company. [Unit: point]



In case of ethical issues or instances of misconduct, the score of being aware of how to report has increased to 94 points. We have provided employees with training on ethical management and compliance management. The result of 2017 survey shows that the score went up by 7 points from 2015. In addition, upon the occurrence of any related issues, we take immediate actions, provide training, and share results to build up trust.

HIGHLIGHT IN 2017-2018

Our efforts to Ethical Management Practice in 2017	
Case 1 Improvement of compliance rules	<p><b>Background</b> To promote the practice of ethical management, we emphasize four ground rules for compliance (speak up, prohibition of retaliation, prevention of conflict of interest, and protection of company's confidential information), and added 'mutual respect' in Feb 2018.</p> <p><b>Our effort</b> The five ground rules for compliance are promoted through executive meetings, compliance letters, and training on fair trade/Code of Conduct.</p>
Case 2 Prevention of bid rigging	<p><b>Background</b> We found a case of bid rigging for industrial goods in 2014 and voluntarily reported it to the FTC. As a result, we were ordered to take corrective measures in Feb 2018.</p> <p><b>Our effort</b> To prevent recurrence, we required the Legal Counsel and Compliance Division to make a preliminary assessment of biddings, and enhanced training on fair trade.</p>

Crisis Management

The Crisis Prevention Committee, which consists of in-house experts in product safety, has been operated since 2012. In order to focus on preemptive countermeasures regarding products in 2014, the Committee has realigned the areas of interest into eight sectors including product safety, quality, consumer, legal affairs, and media, and been participated by the Head of Innovation Center and the Director of Legal Counsel and Compliance Division. The Committee listened to the expectations of the product safety advisory group, which is composed of external experts, in June 2017. Its main activities include the implementation of policies on baby and children product safety and voluntary disclosure of the ingredients of sanitary napkins.

Upon the occurrence of safety issues, crisis management teams were organized for a better response in 2017. Each team was formed for the issues of recall of air fresheners and baby wipes in January, and safety of sanitary napkins in the latter half. By doing so, we declared our safety first policies, and took a series of actions including immediate recall and recovery and public announcements. In the case of baby wipes, after being notified by the Ministry of Food and Drug Safety (MFDS) that our products must be recalled despite their low health risk, we conducted voluntary recall of a wider range based on the identification of even the slightest amount of methanol mixed with raw materials. Since that incident, we have strengthened the advance verification of raw materials used in products.

For crisis prevention at the company level, we share media issues and corporate responses with employees. For each issue, media coverage and public issues are summerized and provided to employees every month, and corporate responses are shared if necessary. In this way, we encourage our employees to understand what crisis the company is going through and how to respond. In April and November of 2017, a survey was conducted on the impact of negative issues on consumer perception (participated by 2,100 employees), and in April, the crisis management manual was updated and the results of public issues were shared with the management at the executive workshop. In September, a presentation on the issue of sanitary napkin safety was held for employees.

The assessment of potential risks was conducted to identify 13 categories of crisis management in 2017. We assessed the influence and probability of potential risks in 25 crisis types including product, process and human, established 13 categories of management including foreign substances and safety of raw materials, and reflected them in the crisis management manual.

The crisis management manual has been improved every year. Upon the occurrence of crises, we take measures according to the manual. In March 2017, the manual was improved to unify the operation of crisis management teams centering on the core team of each division and to focus on dealing with crises. In April, the checklist on preparation, response and recovery regarding three major agendas that have the biggest influence among potential risks was elaborated according to the CFI regulations.

HIGHLIGHT IN 2017-2018

Efforts to improve the crisis management manual and its content	
January 2017	Explicitly defining the procedures of handling local and global issues, and improving the process to approve the crisis management manual
February 2017	Responding to errors in the computer system and improving the recovery procedures
March 2017	Creating a position of coordinator in the crisis management team
February 2018	Reflecting the results of 2018 potential risk assessment and changes in organizations

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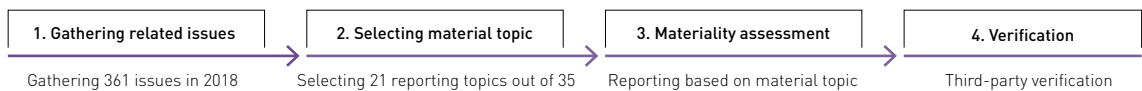
## Communication with Stakeholders

### \_Material Topics of Sustainability Management

#### Communication based on Material Topics

The most material topics of 2018 are product safety, and personal information protection among new topics. The material topics of 2018 include product safety, customer health and safety management, and personal information protection. What is noteworthy is that protection of personal information, expansion of customer communication, enhancement of consumers' rights to choose products, promotion of Win-Win growth and management, development of eco-friendly products, and minimization of environmental impact have emerged as new material topics. We have conducted a survey on stakeholders to identify material topics every year since 2007. A total of 361 topics were collected in 2018, respectively, and 21 topics of priority were selected among them in 2018 (Feb 2 to 10). The materiality assessment process and data were verified through the third party's validation.

[Table 1-3] Materiality assessment process



[Table 1-4] Material topic by rank in 2018

Rank-ing	Material topic	External stake-holder	Internal stake-holder	Average	Ranking in 2017
1	Product safety	90.6	89.0	90.5	3
2	Consumer health & safety	89.3	85.7	89.2	1
3	Personal information protection	87.9	83.0	87.7	New
4	Workplace safety	86.2	84.5	86.1	4
5	Environment-friendly product development	85.6	82.8	85.5	New
6	Provision of product and service information	85.5	81.3	85.3	2
7	Communication with customer	83.8	81.9	83.7	New
8	Environmental management	83.8	80.3	83.6	New
9	Enhancement of consumers' rights to choose products	83.1	80.9	83.0	New
10	Ethics & compliance management	80.4	78.7	80.4	5
11	Win-Win growth	79.3	76.4	79.1	New

Rank-ing	Material topic	External stake-holder	Internal stake-holder	Average	Ranking in 2017
12	Climate change	79.3	75.5	79.1	12
13	Collaboration culture	78.8	77.6	78.8	11
14	Human resource development and fostering	78.6	77.2	78.6	8
15	e-commerce	78.4	79.4	78.4	10
16	Work-life balance	78.3	77.0	78.3	13
17	Product innovation	78.2	78.9	78.2	6
18	Women's empowerment and diversity	78.2	75.8	78.2	New
19	Local community engagement and development	78.0	76.6	78.0	7
20	New growth engine	75.1	78.1	75.2	9
21	Utilization of smart manufacturing and digitalization	73.2	72.4	73.1	14, 15

[Figure 1-4] Material topic ranking in graph



Note. The changes in key elements of sustainability management that stakeholders selected (from 2012 to 2018) are presented in the appendix.

#### Communication through Stakeholder Engagement

Yuhan-Kimberly implements sustainability management based on the opinions of stakeholders. Through continuous communication and engagement with stakeholders, we identify needs for each group and actively respond to them in order to build a healthy and trusted relationship.

[Table 1-5] Communication channels for stakeholders

Customer	Partner	Employee	Local community	Shareholder
Communication channel				
<ul style="list-style-type: none"><li>Website</li><li>College student reporters</li><li>Integrated Customer Support Center</li><li>TFT to handle customer complaints</li><li>Survey on the satisfaction with new products</li><li>Customer survey</li><li>Customer education</li><li>Factory tour in groups</li><li>Factory tour for dissatisfied customers</li><li>Stakeholder survey</li></ul>	<ul style="list-style-type: none"><li>Agreement on fair trade and mutual growth</li><li>Presentation on mutual growth by representatives</li><li>Website to promote mutual growth</li><li>Win-Win Academy</li><li>Information sharing system for mutual cooperation</li><li>Portal for suppliers</li><li>Report and suggestion from partners</li><li>CCM mentoring for partners</li><li>Newsletter</li><li>Stakeholder survey</li></ul>	<ul style="list-style-type: none"><li>Intranet</li><li>Open Executive Meeting</li><li>Presentation on management status</li><li>Employee suggestion system, cyber ombudsman system</li><li>Labor-Management Council, Meeting, and Workshop</li><li>Occupational Safety, Health, and Environment Committee</li><li>YK Story</li><li>K-WIN</li><li>Social Responsibility Committee</li><li>Working-level meeting for environment management</li><li>Stakeholder survey</li></ul>	<ul style="list-style-type: none"><li>Sustainability report</li><li>CSR activities</li><li>Media relation</li><li>Stakeholder Committee</li><li>Survey on corporate image</li><li>Engagement in government policy</li><li>Woopoopoo Campaign through social media</li><li>Regular consultative group of hygiene product manufacturers</li><li>Stakeholder survey</li></ul>	<ul style="list-style-type: none"><li>Shareholders' meeting</li><li>BOD meeting</li><li>Annual report</li><li>Town Hall Meeting</li></ul>
Interested issue (material topic 1~5)				
<ul style="list-style-type: none"><li>Product safety</li><li>Consumer health &amp; safety</li><li>Personal information protection</li><li>Workplace safety</li><li>Environment-friendly product development</li></ul>	<ul style="list-style-type: none"><li>Provision of product and service information</li><li>Consumer health &amp; safety</li><li>Collaboration culture</li><li>Personal information protection</li></ul>	<ul style="list-style-type: none"><li>Product safety</li><li>Consumer health &amp; safety</li><li>Workplace safety</li><li>Personal information protection</li><li>Environment-friendly product development</li></ul>	<ul style="list-style-type: none"><li>Consumer health &amp; safety</li><li>Product safety</li><li>Workplace safety</li><li>Environment-friendly product development</li><li>Personal information protection</li></ul>	<ul style="list-style-type: none"><li>Capital investment</li><li>Stable corporate governance</li><li>Economic performance</li></ul>
Our response				
<ul style="list-style-type: none"><li>Disclosure of the ingredients of sanitary pads on the website (from 2016)</li><li>Overall Customer Satisfaction: 86 points</li><li>Certification to ensure the security of personal information (Feb 2018)</li><li>Stakeholder survey (8,639 participants)</li></ul>	<ul style="list-style-type: none"><li>Partner Evaluation System (61 companies)</li><li>Inspection of partners regarding the protection of personal information (14 companies)</li></ul>	<ul style="list-style-type: none"><li>Reinforcement of product safety organization</li><li>Recruitment of professional staff</li><li>Zero accidents on worksites</li><li>100% completion of training on personal information protection</li><li>Empathy and Communication Committee (Apr 2017)</li><li>Labor-Management Discussion (Jan 2018)</li><li>Introduction of eco-friendly products (sanitary pad – La Nature)</li></ul>	<ul style="list-style-type: none"><li>Contribution to the development of local communities</li><li>Local purchase (30.4%)</li><li>Honest tax payment</li><li>Fulfillment of social responsibilities</li><li>CSR activities</li><li>Keep Korea Green campaign, women empowerment, employee volunteer work, and donations (for women rights, the marginalized, etc.)</li><li>Improvement of hygiene and health</li><li>Consumer education for 338,622 persons, and launching a blog 'We are on our period'</li></ul>	<ul style="list-style-type: none"><li>One shareholders' meeting</li><li>Four BOD meetings</li><li>17 agendas</li><li>100% Attendance</li></ul>

\* Please refer to the page 84-85 for detailed description of the stakeholder communication

#### HIGHLIGHT IN 2017-2018

Our efforts for product safety and personal information protection in 2018	
<b>Materiality Topic Rank No.1</b> What efforts are we making to ensure product safety?	<b>Background</b> Product safety was selected as No.1 Materiality Topic in 2018, and also a topic of priority by stakeholders (employees and customers). <b>Our effort</b> We have strengthened the safety standards and quality assurance organization, provided correct information on products, and voluntarily disclosed the ingredients of sanitary napkins.
<b>Materiality Topic Rank New</b> What efforts are we making to protect personal information?	<b>Background</b> The Personal Information Protection Act was enforced in 2011 and recently revised (Oct 2017), and the incidents of hacking and personal information leakage have continuously occurred. Against this backdrop, the protection of personal information has emerged as a new material issue for companies. <b>Our effort</b> Yuhan-Kimberly acquired the certification of Information Security Management System (ISMS) after the evaluation by ITA and deliberation by KISA in Feb 2018. We consolidated the security system for online customer services, and laid the foundation for systematic information protection and management at the company level. Security management was promoted through employee training and designation of Cyber Clean Week. Also, security inspection was conducted on 14 outsourcing companies that deal with personal information, and the results were posted on the main screen of the integrated brand site considering the legal implications in Jan 2018. ( <a href="http://www.ykbrand.co.kr/Terms/TermsPop?type=yk8">http://www.ykbrand.co.kr/Terms/TermsPop?type=yk8</a> )

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**Collecting customer opinions through 560,000 surveys in 2017** Yuhan-Kimberly listens to the opinions of stakeholders and reflects them in its business activities. The company transparently discloses its business performance through sustainability reports, and considers various consumer opinions, which are collected through consumer counseling, big data analysis and market research, in product improvement.

**Holding the 14<sup>th</sup> Stakeholder Committee in July 2017 to collect opinions on “How to Secure Product Safety for Consumers”** The participants included six experts from consumer groups, NGOs, and academic circles, and also the CEO and 50 executives and leaders of main businesses. A number of tasks were discussed to manage safety risks in advance, provide consumer-oriented information, and meet various consumer needs and expectations. Yuhan-Kimberly has held the Stakeholder Committee every year since 2011, and more than 30% of the members consist of women to promote the diversity of opinions.

[Table 1-6] Cases that reflected the opinions of Stakeholder Committee in 2017

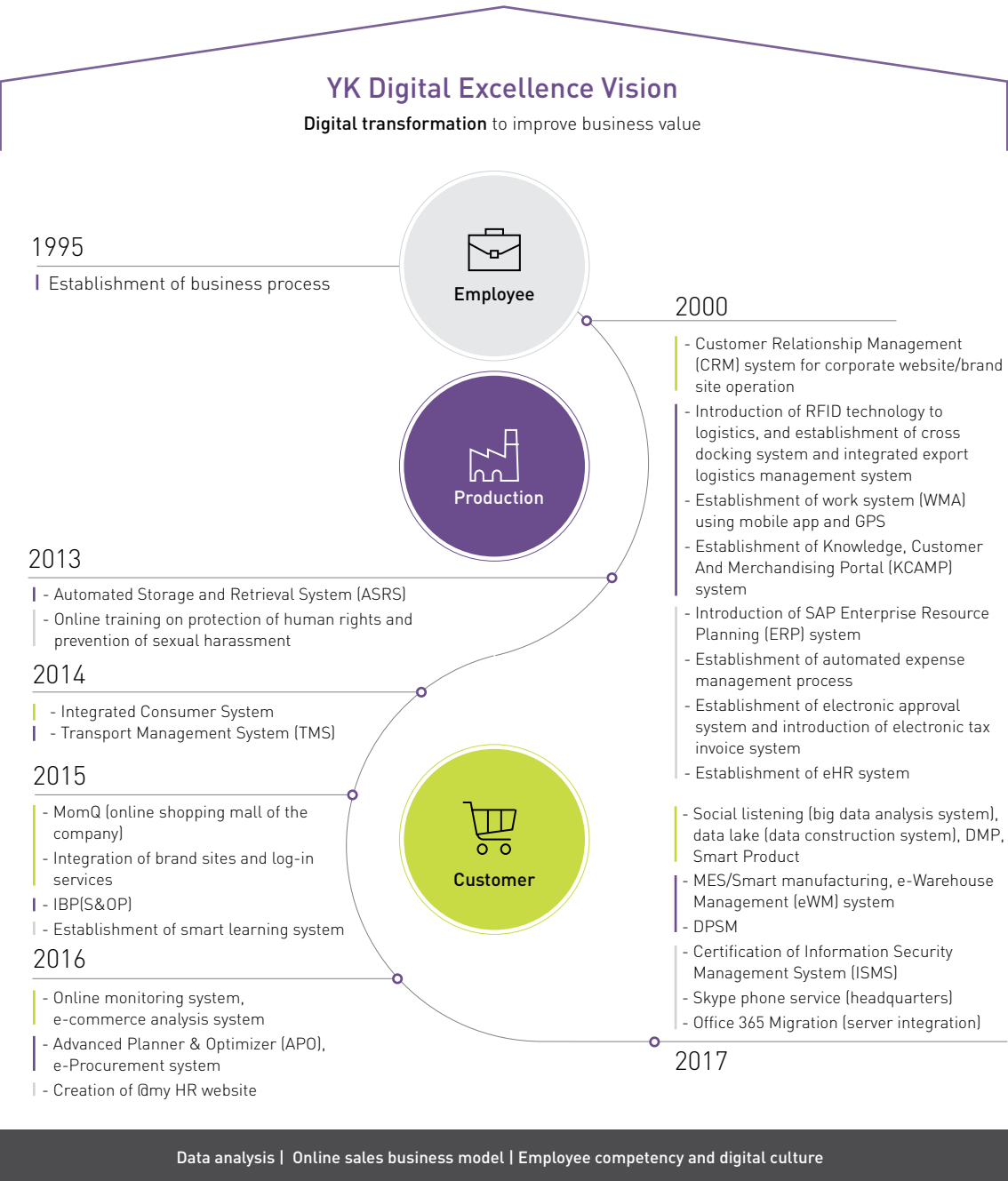
Subject	Summary of opinions	Cases of reflection
Establishment and examination of safety procedures	Identification of consumer expectations and setting of goals	Reflection of social demands for product safety – improvement of self-inspection of product ingredients
	Reinforcement of designated departments	Restructuring of Quality Assurance Division and Product Safety Guarantee Department
	Establishment of safety procedures throughout the whole process	Enhancement of product safety management system
	Proactive management of safety risks	Prevention of risks based on the leading indicator of product quality and safety
Consumer communication strategy	Composition of multi-consultative group	Composition of quality and safety advisory group and conclusion of agreement on the safety management of consumer chemical products
	Establishment of consumer communication strategies	The world’s best consumer-centered marketing & sales company – promoting consumer-centered management
	Provision of consumer-oriented information	Enhancement of consumers’ right to know – disclosure of the ingredients of sanitary pads on the website, operation of a blog for relevant issues
Social responsibility	Preparation of channels for consumer engagement	Implementation of system to analyze social listening data
	Establishment of new safety standards	Improvement of the management of chemicals of concern
	Check of sustainability goals and strategies	Alignment with Kimberly-Clark 2022 Sustainability Management Goals and the CEO’s declaration to achieve the SDGs
	Preparation of measures to meet various consumer needs	Introduction of curation for customer relationship management
	Reflection of social demands for product safety	Recruitment of professional staff including dermatologists
	Establishment of new directions for product innovation	Introduction of new products that minimized environmental impact and reflected personal consumption trends

Yuhan-Kimberly Preparing for the Future

Innovation Management\_ Digital Transformation

**We will lead and promote changes in the age of digital transformation.** Yuhan-Kimberly takes the lead in developing science and technology and accepting changes in the business environment so that it can promote innovation and consumer-oriented management. In 2017, we completed the establishment of a specific system and capacity building activities for digital transformation.

[Figure 1-5] Efforts for digital transformation



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## Product Planning and Marketing

**Establishing integrated digital platform** Our efforts to establish a digital platform have been continued since 2014. And finally in 2017, we completed the development of infrastructure, which is a base server system, application for consumer sales that provides a business system, and integrated digital platform that allows data analysis. These developments have enabled us to better understand consumers and market through real-time analysis, and make data-based decisions.

**Securing a base for data analysis** From March to July in 2017, a base for data analysis was established in three areas: ① data lake that stores data, ② tableau platform that shows data analysis, and ③ big data analysis portal that consists of dashboards. We will make a more in-depth analysis including data on actual sales.

## Production

**Establishing a digitalization system in factory to improve manufacturing competitiveness from 2018** Yuhan-Kimberly will establish the Mill Execution System(MES), which serves as a base for manufacturing innovation and smart manufacturing, at Taejon mill in the third quarter of 2018. Approximately KRW2.6billion being invested in, the system will enable the collection of information on materials, production and quality in real-time, and also the organic planning-control-execution on the production spot. This will enhance the accuracy of decisions, decrease the amount of waste and number of consumer complaints, optimize the process, and improve the reliability of facilities.

**Securing a base and capacity for big data analysis by forming a big data core team** We strengthened the data infrastructure while executing the test operation of real-time product weighing sensor (Nov. 2017 to Mar. 2018), and researched on how to use big data in reducing quality variation as an academic-industrial collaboration project with Keimyung University from October to December. Also, a big data core team, which is a learning organization, was formed in the head office of smart supply chain to learn about analysis tools and how to use them.

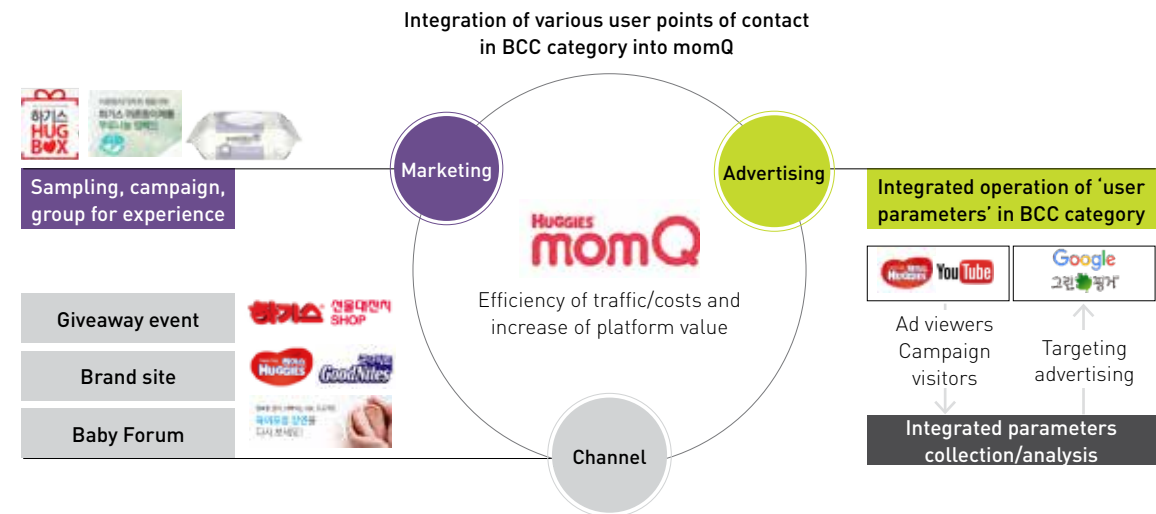
**Establishing a system to analyze the real-time energy consumption at tissue factory** Kimcheon mill, which produces tissue products, established the Energy Metering System (EMS) that monitors and analyzes the real-time energy consumption to remove energy waste factors and secure a foundation for optimization of energy consumption in July. Also, data analysis and TRIZ were used to plan how to reduce energy consumption at paper production facilities, and decrease of natural gas and electricity consumption led to the reduction of energy cost by KRW110 million in 2017.

## Sales and Distribution

**Expanding channels through e-commerce\*** With the growth of e-commerce market, online sales, particularly of baby products, are rapidly increasing. Considering the characteristics of the new sales channel where speed is important, we have consolidated the foundation for providing services based on the total supply chain, which deliver products directly from factories to consumers.

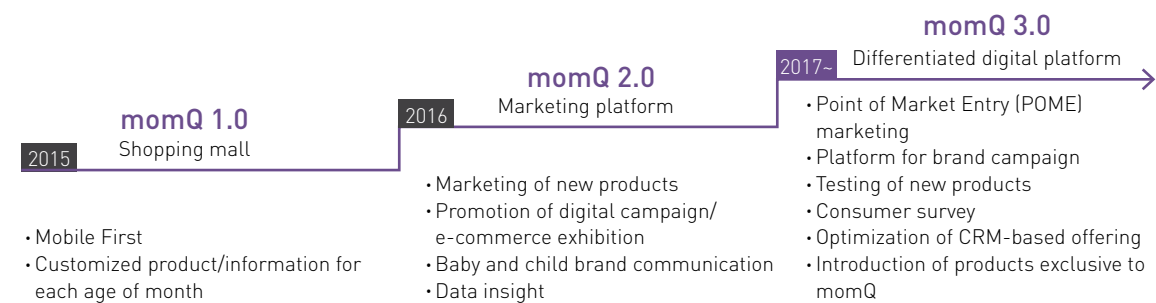
\* e-commerce: Activity of buying and selling of products and services online or over the internet.

**Enhancing the capacity of e-commerce organization through collaboration** In January 2018, Yuhan-Kimberly established e-commerce business group, in the form of a collaborative organization, to promptly respond to changes in sales channels. The collaborative organization consists of three project groups including e-commerce marketing, analysis and new business, and concentrates capacity on e-commerce-related tasks while maintaining their original positions.



**Huggies momQ evolving into a marketing platform** Yuhan-Kimberly has operated Huggies momQ, an online shopping mall of baby products since 2015. Having 440,000 members in 2017 (64% of increase from the previous year), the shopping mall has been evolving into a brand marketing platform. In 2018, we will continue to provide baby product information of 5 brands as well as differentiated information and service by integrating the mileage program and childcare consulting service.

[Figure 1-6] MomQ\_ Digital platform for consumer experience



**Promoting customized curation services and various benefits** Yuhan-Kimberly has provided customers with services and benefits in the form of curation commerce since 2017 by analyzing the purchase data of momQ and offering customized products. The data-based Customer Relationship Management (CRM) will be expanded to all categories of baby and children products in 2018.

**Innovation in e-commerce logistics - Reducing defective products through Cross Docking System** Since 2012, Yuhan-Kimberly has built cross docking points across the country where manufactured goods are classified and repackaged, instead of being stored at each logistics facility as inventory, and sent directly to customers. This has allowed the reduction of defective product rate and the improvement of warehouse use and inventory soundness. In 2017, 42% of the total goods were transported by using the cross docking system.

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## [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

## 2018 Sustainability Management Highlights "Yuhan-Kimberly and Women"

- Protection of Women's Rights \_We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination
- Enhancement of Women Leadership \_We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

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- Economic Performance
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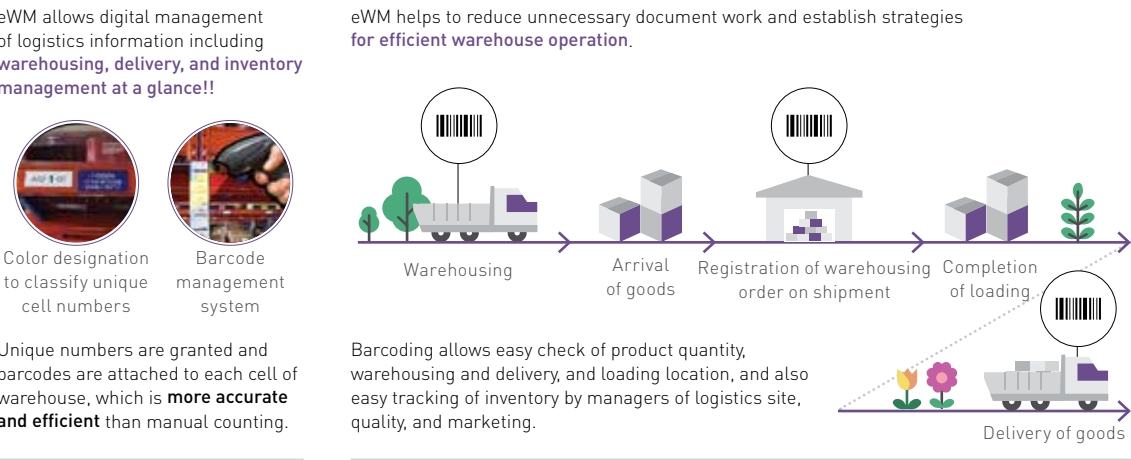
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**Introducing the Extended Warehouse Management (EWM) to the logistics center in Deok-pyeong** We innovated the system at Deokpyeong logistics center in March 2017. We used to manage inventories manually but now utilize PDAs to handle inventories and manage accounting at the same time, which allows the elimination of unnecessary document work and tracking of production dates throughout the whole process from warehousing to unstoring. Eventually, our inventory management has been improved and business process has been simplified.

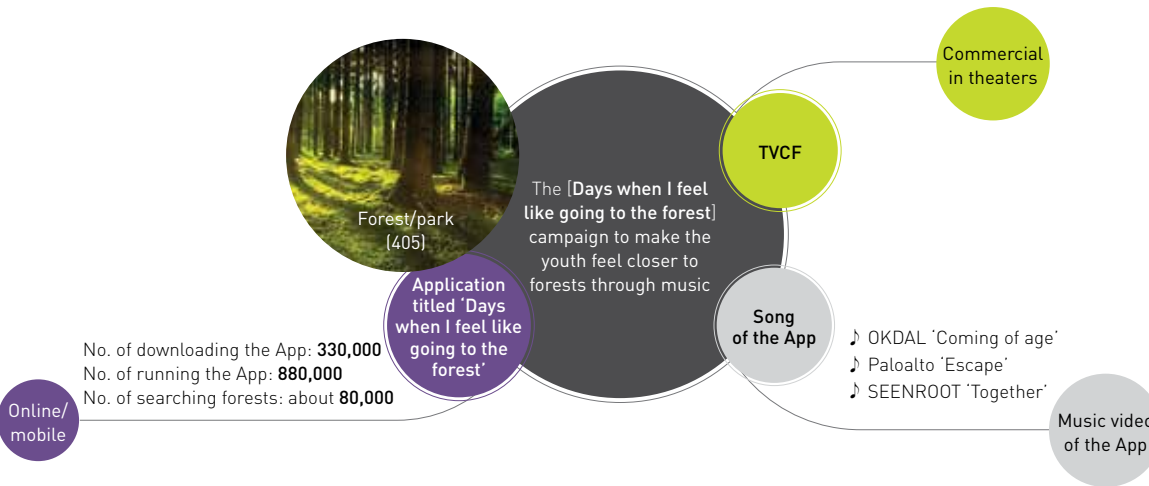
[Figure 1-7] Our one-step warehouse inventory management system



### Communication with Customers

**Digital communication with the youth** From June to September in 2017, Yuhan-Kimberly operated a mobile application using geofence technology to encourage the youth to feel closer to forests while listening to music. By using the application 'Days when I feel like going to the forest', users can search the nearest forests, and when visiting one of 405 forests, urban parks, and forests on campus across the country, a push message is sent to play the music that users had created and downloaded. As a result, the awareness of the campaign (77.9%(1.5%+)) and level of closeness to forests (44.1%(7.0%+)) all increased among those in their twenties. We will continue to carry out and improve our campaigns to call attention to the value of forests in line with the changes of the times and generations.

[Figure 1-8] We met those in their 20s at various points of contact based on music and mobile.



## 2018 Sustainability Management Highlights Yuhan-Kimberly and Women

-Our CSR activities for gender equality and women empowerment-

## Yuhan-Kimberly 2018 SUSTAINABILITY REPORT

People are our source of hope

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Materiality  
Assessment Result

- Product safety 1<sup>st</sup>
- Consumer health & safety 2<sup>nd</sup>
- Enhancement of consumers' rights to choose products 9<sup>th</sup>
- Local community engagement and development 19<sup>th</sup>
- Women's empowerment and diversity 18<sup>th</sup>



MANAGEMENT APPROACH

We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination.

**WHY IS THIS TOPIC SO IMPORTANT?**

Biological differences between men and women should not be an element of discrimination. However, in the Korean society, there has been a social taboo against menstruation and sanitary napkins for a long time. In 1970s when sanitary napkins were first introduced, they were not publicly on sale. Until early 1990s, women had to carry sanitary napkins in a black plastic bag, hide them not to be noticed by men, and worry about period leakage, and there was no TV commercial for sanitary napkins. However, things have been improved along with changes in the distribution environment and social perception. As economic polarization aggravated in 2016, the issue of those who cannot afford to buy sanitary napkins was highlighted. In 2017, the safety issue of sanitary napkins drew the public's attention to women's health and safety and sparked a lot of discussion.

**WHAT IS OUR APPROACH?**

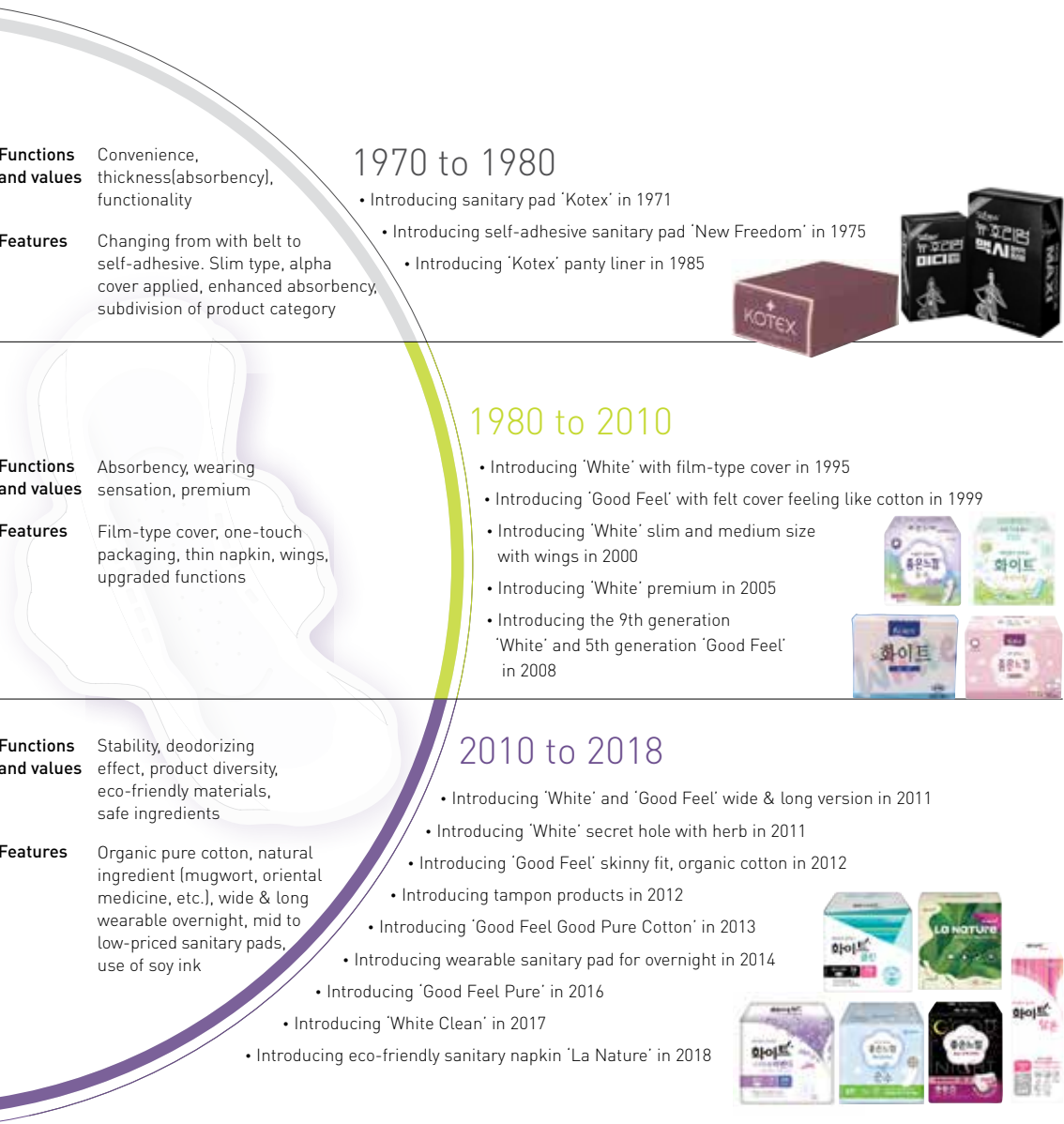
As a manufacturer of female hygiene products, Yuhan-Kimberly actively responds to the social demands for safe sanitary napkins, and fulfills the responsibility to create an environment where women can use clean, comfortable, and safe sanitary pads during their period. As economic polarization has been aggravated, we launched sanitary pads of various types and prices so that no woman is discriminated against during her period on the basis of economic reasons. Also, we began to donate sanitary pads to the adolescent girls who cannot afford to buy them. We make continuous efforts to ensure women's health and safety, and disclose the ingredients of sanitary napkins.

HOW DO WE MANAGE THE PERFORMANCE?		
Offering a wide choice of sanitary napkins	Donating sanitary napkins to women in the low-income bracket	Organizing an employee donation campaign to raise funds for women empowerment
Performance in 2017		
<ul style="list-style-type: none"><li>• Introducing a mid to low-priced product 'White Clean'</li><li>• Launching an eco-friendly product 'La Nature'</li><li>• Reducing the price of premium products</li></ul>	<ul style="list-style-type: none"><li>• Donating 1 million sanitary pads</li></ul>	<ul style="list-style-type: none"><li>• Conducting a donation relay 'Hope to Our Daughters' 1,253 employees and their families participating in the donation</li></ul>
Future plan		
<ul style="list-style-type: none"><li>• Expanding the supply of mid to low-priced products and ensuring their safety</li></ul>	<ul style="list-style-type: none"><li>• Donating 1 million sanitary pads in 2018</li><li>• Providing a video image for youth education on first menstruation</li></ul>	<ul style="list-style-type: none"><li>• Continuing the donation relay to protect women's rights in 2018</li></ul>

1-1. Providing Female Hygiene Products Since 1970s

**Transforming the socially tabooed term and use of sanitary napkins into a culture** Yuhan-Kimberly launched the facial tissue 'Kleenex' and sanitary napkin 'Kotex' after it was founded in 1970. We introduced sanitary napkins for the first time in Korea by commercializing the blotting paper called 'cellucotton' which was used for medical purpose by nurses during the First World War. In 1970s, sanitary napkins were made of cotton, requiring efforts to wash and dry and affecting women's style of clothing and activity. However, our products contributed to improving these inconveniences. We have taken the lead in encouraging women to freely use sanitary napkins in the social environment where even the word 'period' used to be socially tabooed, and also developed the thinner sanitary pads with better absorption while ensuring their eco-friendliness.

[Figure 2-1] Our sanitary napkins that have evolved along with the lifestyle of Korean women



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**Making efforts to provide better products in domestic market** Domestic market of sanitary napkins has been released since 1970 when Yuhan-Kimberly was founded. The market was expanded by domestic companies in 1980s and then by global companies in 1990s, causing fierce competition over quality and premium products. The Korean consumers used to prefer pure cotton cover, organic pure cotton cover, and high functional products. However, the recent growth of e-commerce market has encouraged them to use more imported products and also eco-friendly and low-priced ones. In addition, products have been more diversified to include tampon, menstrual cup, panty liner as well as disposable and cotton sanitary pad.

**Expanding product diversity to include high-quality and low-priced ones** Since the story of adolescent girls who had used shoe inserts instead of sanitary napkins during their period because they could not afford them drew much attention from the public in 2016, the social demand for lower-priced products has been increasing. Accordingly, Yuhan-Kimberly introduced a lower-priced sanitary napkin ‘Good Feel Pure’ that ensures basic quality and safety in 2016, and ‘White Clean’ in 2017. Also, the company has reduced the price of ‘Good Feel’ pure cotton line products, and strived to expand the supply of mid to low-priced sanitary napkins since Jan 2018.

**Launching ‘La Nature’ made of natural ingredients in 2018** Yuhan-Kimberly launched ‘La Nature’, an eco-friendly sanitary napkin, for women who prefer natural ingredients in January 2018. The product used natural absorbents from Scandinavia only, organic pure cotton for cover, and soybean oil for printing on the package. Also, the product was certified by Dermatest and its price is 30 percent less than that of other eco-friendly European products.

**Disclosing all ingredients of sanitary napkins** Yuhan-Kimberly has voluntarily disclosed the ingredients of sanitary napkin products on its brand site since 2016. Since sanitary napkins are classified as quasi-drugs, they must be approved for sale by the MFDS. The safety of raw materials for each item and plans for quality management are reviewed before manufacturing or importing and only products that meet the requirements are allowed for sale. The revised pharmaceutical law (all ingredients of quasi-drugs including sanitary napkin and mask must also be disclosed) was passed in September 2017 and will be enforced from October 2018.

**Ensuring the safety of ingredients of sanitary napkins** In 2017, much attention was drawn to the safety issue regarding sanitary napkins. ECOFEM, a civic group, and Prof. Kim Mahn-Goo’s team at Kangwon National University conducted research on toxic substances in some sanitary napkin products, which was followed by the total inspection and risk assessment by the MFDS in September and December. The results show that the detected amount does not have a harmful effect on human body. Yuhan-Kimberly has complied with domestic and overseas standards and also proactively applied the European standard for eco-friendly textiles to manage product safety. The company participated in the regular consultative group meeting for quasi-drug manufacturers in December 2017 to reduce the amount of VOCs found in sanitary napkins, and engages in preparing industrial voluntary agreements, identifying the reasons for occurrence, and reducing the amount of VOCs.

HIGHLIGHT IN 2017-2018

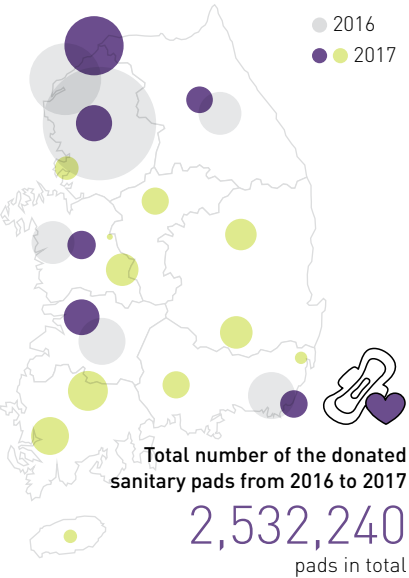
Launching a blog “We are on our period” to provide information on women’s health in 2017

Women want to know about the physical changes that occur during their period, such as cramps and PMS. In this regard, Yuhan-Kimberly launched a blog “We are on our period”, which is an open menstruation encyclopedia for women’s health. The blog provides expert columns written by 24 experts including 12 medical professionals to ensure the accuracy and expertise of the content on women’s health. The information mainly focuses on what to know about one’s period, and the main users consist of those in their 30s (47%) and 20s (33%).

1-2. Campaign to Donate 1 Million Sanitary Pads to the Adolescent Girls in Low Income Families

**Conducting campaigns to protect women’s rights** As a manufacturer of sanitary napkins, Yuhan-Kimberly strives to support a better women’s life by providing quality products and services. As part of the efforts to protect the rights of women who cannot afford to buy sanitary napkins, we donate sanitary pads especially to adolescent girls in needs.

[Figure 2-2] Sanitary pads donation



**Donating 1 million sanitary pads to adolescent girls in low income families** For adolescent girls in low income families, Yuhan-Kimberly kept its promise to donate 1.5 million sanitary pads in May 2016. The donated pads were delivered to schools across the country through the collaboration among the company, Korea Foundation for Women and Education Office, and also to Seoul Pharmaceutical Association so that teenage runaways can get them at pharmacies at any time. In 2017, we collaborated with Korea Foundation for Women and National Association of Community Child Centers (1,668 centers applied) to donate 1 million sanitary pads (1,819 boxes of ‘Good Feel’ and ‘White’) to 13,888 teenage girls aged from 10 to 19. In 2018, we will also help adolescent girls in low income families prepare for their first period and learn how to use sanitary pads.

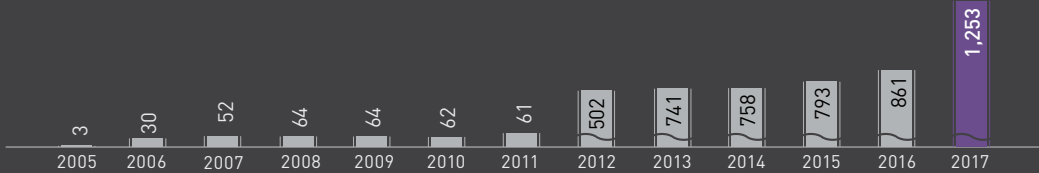
**Participating in the campaign to donate one sanitary pad for one comment** In August 2017, Yuhan-Kimberly participated in the sanitary pad donation campaign, which was co-organized by ‘Pink Diary’, an application to maintain regular periods, and ‘Hot Cider’, a new program of OnStyle, and donated additional 50,000 pads. The number of donated pads is equal to that of participants, and girls in low income families across the nation were benefited through Seoul Youth Health Center.

HIGHLIGHT IN 2017-2018

Employees participating in the donation relay ‘Hope to Our Daughters’ to promote the culture of gender equality for 13 years

**Voluntary and regular donations for women empowerment** Yuhan-Kimberly’s employees have participated in the donation relay ‘Hope to Our Daughters’ (organized by Korea Foundation for Women) since 2003. The collected funds were used for the promotion of gender equality, empowerment of women, prevention of violation, protection of women’s rights, and support of next-generation women campaigns. In 2017, the number of campaign leaders at each worksite was increased from 1 to 4, and a number of activities were conducted to promote the campaign. As a result, the participation of employees has increased by 45% compared to the previous year: 1,253 employees participated and KRW 48,151,500 were collected.

[Figure 2-3] Number of participants in the donation relay to protect women’s rights (unit: person)



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2

WOMEN'S EMPOWERMENT  
ENHANCEMENT  
OF WOMEN  
LEADERSHIP

Materiality Assessment  
Result

- Provision of product and service information 6<sup>th</sup>
- Communication with customer 7<sup>th</sup>
- Human resource development and fostering 14<sup>th</sup>
- Women's empowerment and diversity 18<sup>th</sup>
- Local community engagement and development 19<sup>th</sup>

Influential Stakeholders



Link to SDGs



MANAGEMENT APPROACH

We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

WHY IS THIS TOPIC SO IMPORTANT?

What are the position of and expectations for women in the Korean society? With the advancement of industrialization, the social participation of Korean women has increased. And along with the higher level of education, their economic participation has also expanded. Nevertheless, women still suffer from gender discrimination and inequality, and are not represented as equally as men when deciding policies in key areas. This means that our society is losing an opportunity for growth because women's capacity and resources are not fully utilized. Our society needs a new leadership, and not only individual women but also the government and companies need to make active efforts.

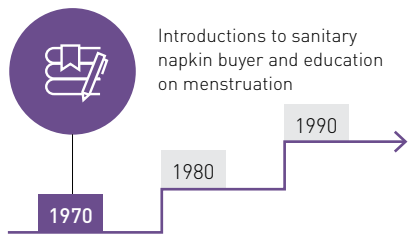
WHAT IS OUR APPROACH?

As a manufacturer of female hygiene products, Yuhan-Kimberly has carried out a variety of CSR activities to build the capacity of women and improve the quality of their life. Targeting adolescent girls, female activists in NGOs and female employees in companies, the activities have encouraged women to develop leadership by providing a lifelong learning model for a long time based on continuity and authenticity. To be specific, we started menstruation education at school in 1970s, environmental leadership programs for teenage girls in 1980s, and gender education for female NGO activists in 2000s. Also, we joined the efforts to secure 30% female representation on corporate boards and established a women's network in 2010s.

HOW DO WE MANAGE THE PERFORMANCE?

Menstruation education for teenage girls	Environmental leadership development for teenage girls	Gender leadership development for female NGO activists	Leadership development for female employees in the workplace
Performance in 2017			
327,600 girls	Total number of participants 4,387 girls	Total number of participants 667 women	Women resources 17.8%
Future plan			
• Content improvement and continuous education	• 50 <sup>th</sup> green camp in 2018 • Camp to maintain the forest environment for 30 years and more	• Short and long-term scholarship projects in 2018 • Trilateral collaboration among the company, NGO and university	• Leadership improvement through continuous support for K-Win • Continuous membership of the 30% Club

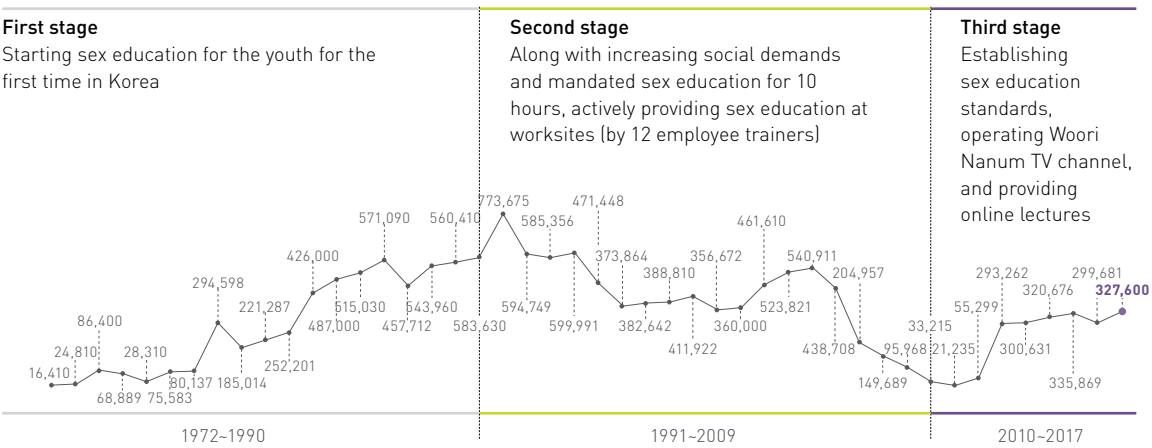
2-1. Providing Education on Menstruation and Gender Equality  
Contents for 46 Years



**Raising the youth's awareness of menstruation through education since 1970s** Since 1972 when there was no education on menstruation in the Korean society, Yuhan-Kimberly has provided education on sex and period at elementary, middle and high schools for 46 years. We have continued the education even after 2001 when sex education at elementary school was mandated, and offered lectures through online platform (Woori

Nanum TV channel) since 2010s. In 2017, 330,000 students at elementary, middle and high schools received education on period using the online content provided by Yuhan-Kimberly, and the total number of beneficiaries from 1972 to 2017 amounts to 15,180,732. In addition, we have provided sanitary napkins to school health rooms from 1972 to 2017.

[Figure 2-4] Participation in our annual education on menstruation (1972 to 2017) (unit: person)



[Table 2-1] Online education in 2017

Classification	Child education	Primary education	Secondary education	Total
Target	Kindergarteners, lower grades in elementary school	4 <sup>th</sup> to 6 <sup>th</sup> grades in elementary school	Middle and high school students	
Content	Personal hygiene for children	Preparation for first period and prevention of sexual violation	Sexual values, gender equality, etc.	338,622 participants in 2017
Method	Online lecture	Online lecture	Online lecture	
No. of participants	11,022	67,072	260,528	

\* No. of participants: Yuhan-Kimberly's education programs are mostly provided in online format and for all classes at school. Youth education: Please visit the blog which is operated for educating youths about menstruation, for more information. <https://blog.naver.com/ourperiodwithyk>

HIGHLIGHT IN 2017-2018

Yuhan-Kimberly's thoughts\_ " Say menstruation confidently since it is a natural fit"

Menstruation is a correct word but most of women learn about it in another word, Seng-ri in Korean school. Seng-ri is a common word for women so that Yuhan-Kimberly uses this word in the name of blog for the convenience of people who look for menstruation information.

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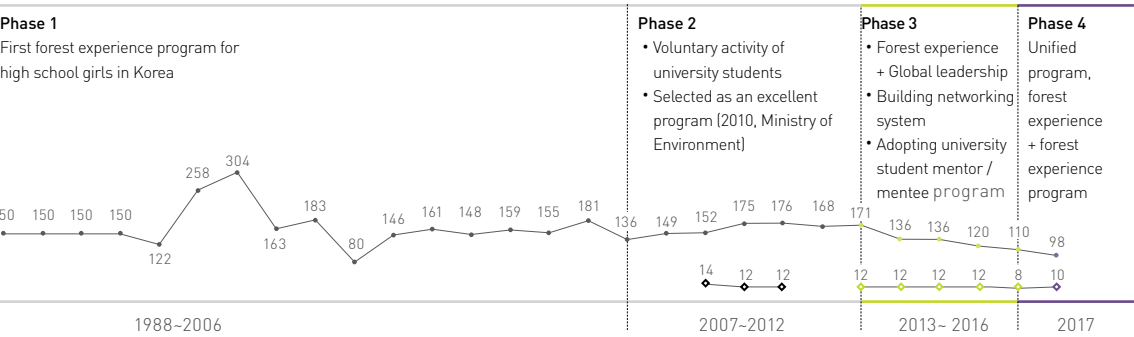
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## 2-2. Environmental Leadership Education for Adolescent Girls for 30 Years

**Forest experience program participated by 4,300 girls** The UN Agenda 21 states that “the participation of women and the youth is all the more important in environmental preservation”. As part of its CSR activities, Yuhan-Kimberly launched the ‘Keep Korea Green’ campaign and has operated an annual forest experience program (Green Camp) that lasts 3 nights and 4 days since 1988 to develop environmental leadership among high school girls who will take the lead in protecting the forests and environment in the future. The camp is co-organized by Korea Forest Research Institute, and participated by about 30 experts in various fields. A total of 4,300 students have attended the camp from 1988 to 2017 and learnt the importance of forests and environment. Moreover, college students who experienced the program before also participate as a mentor to create a virtuous cycle. The program contributes to realizing value sharing management by nurturing next-generation female environmental leaders and also improving the corporate image and trust, which can lead to revenue generation.

[Figure 2-5] Green Camp participants status (1988~2017) (unit: person)    Participant    University students (volunteer)

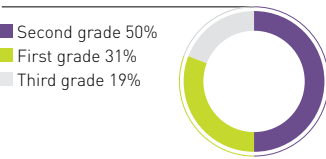


**2017 Green Camp Held** The 49<sup>th</sup> Green Camp was held at Sangdangsanseong Natural Recreational Forest (July 25 to 28, 2017). 814 high school girls and 231 university girls applied and 98 of high school girls and 10 university girls were finally selected. The camp was co-organized by Yuhan-Kimberly, Korea Forest Research Institute, and National Natural Recreation Forest Office, and sponsored by Korea Forest Service. A number of special lectures on forests were provided including forests and trees, natural disasters, and woodcraft. This program has been certified as ‘Environmental Education Program’ by the Ministry of Environment (3 times in a row since 1<sup>st</sup> in 2010), and celebrates its 30<sup>th</sup> anniversary in 2018.

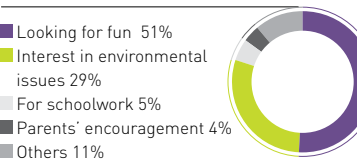
[Table 2-2] Case studies on the participants of Green Camp

Year	Title	Author	Journal
2014	Changes among the youth through ecological experience : focusing on 2014 Green Camp participants	Choi Il-Seon, Hah Si-Yeon	Journal of Korea Academic Society of Tourism and Leisure Vol. 25 No. 5(Serial Number 76, 2014)
2015	Effects of forest experience on the attitude towards forests, environmental sensitivity and trait anxiety of high school girls: focusing on 2015 Green Camp participants	Uhm Moon-Seol, Hah Si-Yeon, Lee Yeon-Hee Forest Welfare Research Division of Korea Forest Research Institute	Journal of Korean Institute of Forest Recreation Vol. 19 No. 4 (2015)
2017	Emotional changes among the youth according to the motive of participation in Green Camp	Jang Jin, Lee Yeon-Hee, Hah Si-Yeon Forest Welfare Research Division of Korea Forest Research Institute	Journal of Korean Forest Society Vol. 106 No. 2 (2017)

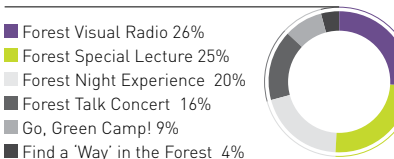
Grade of participants in 2017 Green Camp



Motive of participation in 2017 Green Camp



Preference over forest experience programs (total)



## 2-3. Developing the Leadership of Female NGO Activists for Gender Equality for 11 Years

**Enhancing the leadership of female NGO activists for gender equality and feminist standpoint** Yuhan-Kimberly has provided female activists who are making vision for the future of our society with an opportunity for lifelong learning since 2007. Going through two programs for the short and long-term, a total of 667 women leaders in NGOs have been produced. The long-term program offers scholarships for one year in line with the course on women’s studies at the NGO Graduate School of Sungkonghoe University, and has been incorporated into the master’s course since 2009, emerging as the biggest course on women’s studies in Korea. The short-term program opens an intensive course on NPO leadership at a school designated by Korea Foundation for Women every year, which was Chonnam National University in 2017. Moreover, the company will strive to increase the influence of women on society through active engagement in relevant policies.

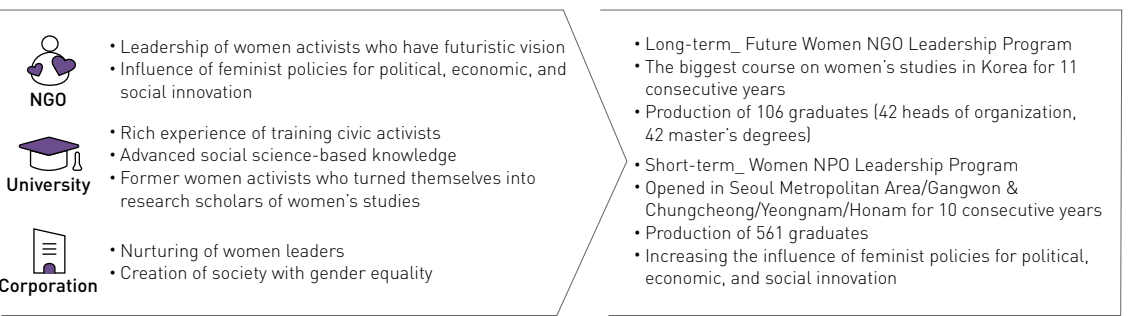


**Suggesting social cooperative model to nurture future women leaders** The tri-lateral collaboration among Yuhan-Kimberly, NGO and university provides a model for sustainable reeducation system to integrate gender perspective into our society and lay the foundation for gender equality. The model also

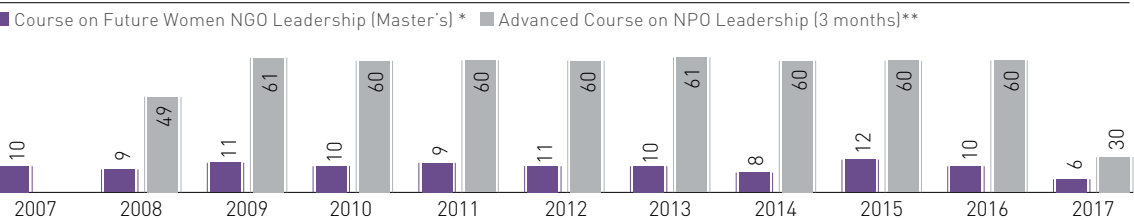
contributes to supporting women’s movements, improving local women’s movements, and conducting CSR activities that promote gender equality and women’s rights. The summary is as follows:

- This CSR activity is an education program to contribute to nurturing women leaders for the future of our society.
- This program is operated based on the trilateral collaboration among Yuhan-Kimberly, Korea Foundation for Women and university (the Foundation for selection and operation, university for education, and the company for required expenses).
- The process of selecting scholarship students is managed by the Foundation without the involvement of the company.
- Scholarships are not directly granted to individuals since the funds for scholarships are donated by the company to the Foundation for the execution of this program.

[Figure 2-6] Performance of Scholarship Program for Women NGO Leadership



[Figure 2-7] Current status of Scholarship Program for Women NGO Leadership (unit: person)



\* Yuhan-Kimberly, Korea Foundation for Women, Korean Women’s Association United, Sungkonghoe University

\*\* Yuhan-Kimberly, Korea Foundation for Women, University (Ewha Womans University from 2008 to 2009, Keimyung University from 2010 to 2011, Sangji University in 2012, Ewha Womans University from 2013 to 2015, Chonbuk National University in 2016, Chonnam National University in 2017)

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## 2-4. Joining the Effort of the 30% Club for Women Empowerment in the Workplace

**Advocating 30% female representation in society** Yuhan-Kimberly has supported the activities of Future Forum to promote the diversity of society since 2013, and also those of the 30% Club to secure 30% female representation in top executive positions as a corporate member. In addition, the company sponsors relevant conferences and seminars by raising funds and sharing spaces for diversity promotion. FYI, 30% means the minimum ratio that is required for minorities to express their opinions in a decision-making group.

**Respecting the leadership of women and value of diversity in corporation** Yuhan-Kimberly provides its women employees with fair opportunities for growth and training on capacity building. In 2011, the Chief Diversity and Inclusion Officer was appointed and the Women's Committee was organized, and in 2014, the Korea Women's Interactive Network (K-WIN) was launched with a corporate budget allocated. As of 2017, the number of women employees at Yuhan-Kimberly is 298(17.8%): women account for 36.4% of office employees, 68.8% of new recruits (including contract employees), and 12.9% of executives (higher than directors).



**Operating women's network organization (K-WIN)** The K-WIN has been operated in four divisions of growth, connection, participation and communication since 2014, and held a number of conferences for working women in the Korean society. In

June 2017, the organization hosted a Women's Committee Workshop for women team leaders and executives, and in November, a training session on capacity building for 43 women managers in cooperation with Korea Institute for Gender Equality Promotion and Education.

**Promoting family-friendly management and smart working** Since the early 1990s, Yuhan-Kimberly has introduced flexible working hours and lifelong learning system, and also promoted family-friendly management according to life cycle stages. We developed a maternity incentive program in 2000, and have been awarded the 'Best Family Friendly Management' certification since 2008. Our family-friendly policies include flexible working and support for childbirth and childcare, families, employees, and cultural activities, and promote work-life balance through staggered working hours, 4-team double shifts, On-field Work System, Smart Work Center, and leaving work on time.

\* You can find more information on page 57-59.

**Making efforts to prevent women's career interruption** We have held regular meetings for pregnant employees since 2009 to discuss how to prepare for childbirth and leave and resolve the relevant issues in a way to promote maternity protection activities. These efforts are contributing to the prevention of women's career interruption and creation of a women-friendly corporate culture.

[Table 2-3] Activities to prevent women's career interruption by phase

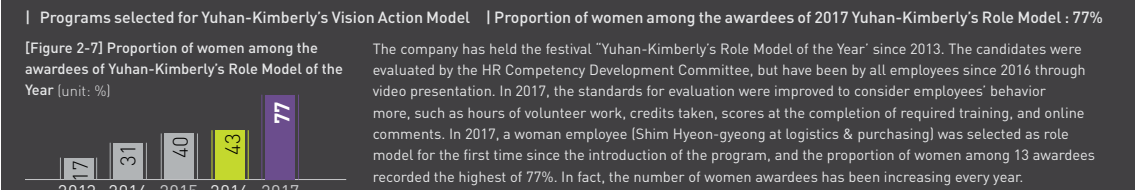
Phase	Pregnancy	Breastfeeding	Childcare	Caring
Obstacle	Risk of miscarriage	Space for breastfeeding	Physical difficulties	Occurrence of family affairs
Solution	Leave for prenatal diagnosis, exclusion from dangerous work	Space for maternity protection and breastfeeding at all worksites	Telecommuting, staggered working hours, parental leave, in-house nursery	Professional counselling, support for medical expenses

**Government's policy for women empowerment and Yuhan-Kimberly's response** Since joining the Committee on the Elimination of Discrimination against Women in 1984, Korea has established and implemented a number of policies for gender equality based on the Framework Act on Women's Development. Accordingly, Yuhan-Kimberly has complied with the relevant laws and regulations, and also established policies and culture of gender equality according to life cycle stages.

[Table 2-4] Government policies and YK family-friendly policies

Classification		Government policy	Our compliance		Our family-friendly policies
			Compliance with laws and regulations	Leading the way	
Pregnancy & childbirth	Leave before and after childbirth	Ordinary wages for 90 days	●		
	Parental leave for spouses	Paid leave for 3 days	●		
	Leave for miscarriage and stillbirth	Ordinary wages for up to 90 days	●	●	Pregnancy of 11 weeks and 10 days (5 days according to the law), pregnancy of 12 to 15 weeks and 30 days (10 days according to the law)
	Incentives for childbirth	Local government grants	●	●	Birth grant (KRW 500,000 for the first, KRW 800,000 for the second, KRW 1.8 million for the third, and KRW 3.5 million for the fourth or more), regular meetings for pregnant employees
	Women's health	Free examination of cervical cancer (for those aged over 20) and breast cancer (for those aged over 40)	●	●	Cervical cancer and breast cancer added to regular checkup Spaces for maternity protection such as seats designated for pregnant women and feeding room
Childcare	Childcare leave	80% of ordinary wages for 3 months to those with children who are aged under 8 or second grader in elementary school	●		Those with children aged under 8
	Shorter working hours	40% of ordinary wages for 4 months to those with children who are aged under 8 or second grader in elementary school	●	●	Flexible working hours for all employees. 4-team double shifts (production), staggered working hours (office), on-field work system (sales), telecommuting, flexible lunch hours, etc.
	Childcare	Mandatory establishment of in-house nursery at operating sites with 500 full-time employees (more than 300 women employees)	●	●	In-house nursery (Taejon mill), support for children's education expenses (for 3 years before attending school, KRW 3.6 million in total), support for school expenses including college tuition regardless of the no. of children, support for school expenses of children with disabilities, and school for encouraging fathers
Family-friendly policy	Leave for family care	Those with family members who need care	●		
	Support for psychological and financial counseling			●	EAP operation, 24-hour counseling service (8 times per year)
	Support for medical expenses			●	KRW 4 million for employees and KRW 3.5 million for their spouses and unmarried children
	Support for lifelong learning			●	Online language school for employees and their families
	Support for family events			●	Leave for four ceremonial occasions and expenditure for congratulations and condolences
	Support for funeral expenses			●	Support for employees and their lineal family members
	Retirement program			●	Opportunity for lifelong learning to prepare for retirement at age 60
	Day of family love			●	Campaign to leave work on time, turning off light on time
	Invitation of family members			●	Family volunteer work to plant trees, family festival at worksite, etc.

### HIGHLIGHT IN 2017-2018



**Yuhan-Kimberly Sustainable Management**

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- CEO Message
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- Corporate Governance and Ethical Management
- Crisis Management
- Communication with Stakeholders
- [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

**2018 Sustainability Management Highlights "Yuhan-Kimberly and Women"**

- Protection of Women's Rights  
\_We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination
- **Enhancement of Women Leadership**  
\_We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

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## 2018 Report on Sustainable Management Performance

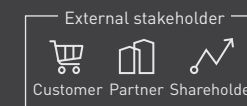
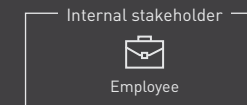
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### Economic Performance

#### Materiality Assessment Result

- e-Commerce 15<sup>th</sup>
- Product innovation 17<sup>th</sup>
- New growth engine 20<sup>th</sup>

#### Influential Stakeholders



#### Link to SDGs



#### MANAGEMENT APPROACH

We Focus on the Growth of  
Vision Category Products for  
our Sustainable Growth.



#### WHY IS THIS TOPIC IMPORTANT?

Good economic performance is a fundamental element of corporate growth. However, the current business environment is not favorable to us. Slow growth has continued along with low fertility regimes. The 4<sup>th</sup> industrial revolution has come, digitalization has transformed distribution channels, consumer needs have been more diversified, and competition across borders have become fiercer. Despite the adverse circumstances, such as competition with low-priced products and falling exports, we will strive to secure the competitive edge for the future.

#### WHAT IS OUR APPROACH?

In the rapidly changing environment of distribution channels, Yuhan-Kimberly strives to keep to the basics of consumer-centered management. While maintaining the market share in the existing market, we diversify our business portfolio by selecting vision category products with growth potential. We build digital capacity in the organization to lead the e-commerce market that is rapidly evolving, and also develop products that reflect consumer needs. Moreover, we make efforts to create better value in the entire process from manufacturing to logistics to sales.

#### HOW DO WE MANAGE PERFORMANCE?

Operation of online shopping mall (momQ)	Response to e-commerce channels	Separate management of new categories
Performance in 2017		
• No. of members: 440,000 (280,000 in 2016)	• Sales growth: 25% (compared to 2014)	• Growth of Clean Wet Wipe: 192.3% (compared to 2016) • Growth of mask/sanitizer: 116.1% (compared to 2016)
Future plan		
• Increasing value as marketing/media platform and developing customized model by applying IoT technology	• Accelerating transformation in all categories	• Responding to climate change and increasing business influence

## Yuhan-Kimberly 2018 SUSTAINABILITY REPORT

People are our source of hope

#### Yuhan-Kimberly Sustainable Management

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Economic Achievements in Table

Financial performance (Unit: KRW 100 million)

Category	2015	2016	2017
Sales (rate of change)	15,191 ( 8.45%)	14,999 (-1.26%)	13,568 (-9.54%)
Net income (rate of change)	1,407 (-2.30%)	1,791 (27.27%)	1,482 (-17.28%)
Total assets (rate of change)	10,682 (1.92%)	10,577 (-0.98%)	10,434 (-1.35%)
Export volume (per sales)	2,950 (19.42%)	2,655 (17.70%)	1,869 (13.78%)

\* Decrease in export volume due to increased production volume in China (sales of diaper in China is decreased)

Distributed economic value (Unit: KRW 100 million)

Category	Type	2015	2016	2017
Partners	Goods and service purchase costs	9,770	9,443	8,599
Employees	Wages, Employee benefits costs	2,638	2,200	2,175
Local community	Government Corporate tax, other taxes and utility charges	635	760	696
	Local community/ Customer CSR costs	82	82	71
Shareholders	Dividends	1,350	1,450	1,400
Others	Other costs (rent, depreciation cost etc.)	728	791	623
In-house reservation		57	341	82
Total revenue (sales + interest income, etc.)		15,260	15,067	13,646

Composition of sales (Unit: %)

Category	2015	2016	2017
Domestic	80.6	82.3	86.2
Export	19.4	17.7	13.8

Composition of sales by business (Unit: %)

Category	2015	2016	2017
Baby diaper	38.0	36.7	30.7
Wet wipes, towel, senior panties, skincare, etc.	17.6	17.7	18.7
Facial tissues and toilet paper	16.2	16.5	18.9
Feminine sanitary napkin	15.5	16.0	16.2
B2B business	12.7	13.1	15.5

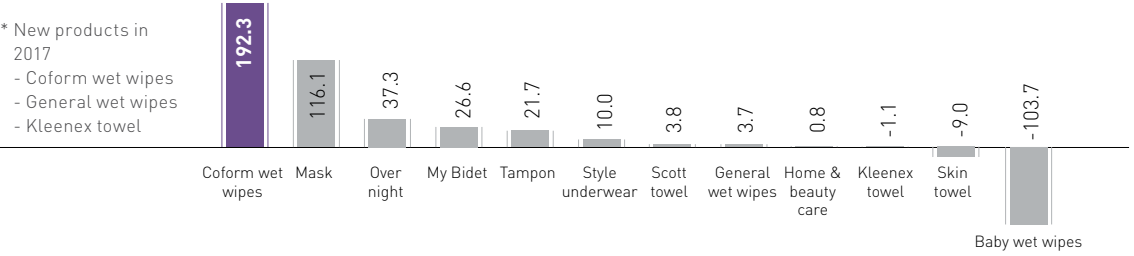
Cost reduction (Unit: KRW million)

Category	2015	2016	2017
Production	30,970	27,912	28,139
Distribution	2,944	1,394	1,398
Purchase	20,718	26,710	21,633
Total	54,632	56,016	51,170

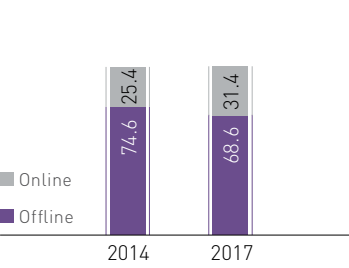
Securing New Growth Engines\_Vision Category Products

**Managing business portfolio for future growth** In response to market changes, Yuhan-Kimberly has selected vision category products and consistently managed them for new growth. However, the safety issue of baby wipes negatively affected the growth of vision category products in 2017 (recording -4.3%, 13.4% except baby wipes). We will introduce new products by applying higher safety standards to achieve growth in the vision category.

[Figure 3-1] Growth in vision category products in 2017 (Unit: %)

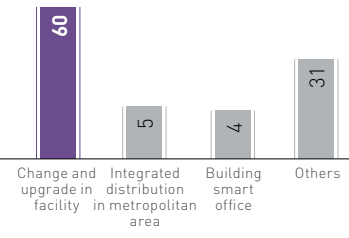


[Figure 3-2] Online sales ratio (Unit: %)



**Pursuing growth in the e-commerce market** The online market has been rapidly expanding along with changes in consumer purchasing patterns. For the past 4 years (from 2014 to 2017), our sales in the online market has increased by 6%p. We are making every effort to achieve growth in the online market as follows: introducing CRM-based customized curation services, turning our online shopping mall (momQ) into a marketing platform through the integration of 5 brands, and operating an online business group.

[Figure 3-3] Investment in key facilities in 2017 (Unit: %)



**Investing in facilities and R&D activities** New products, technologies and facilities are of significance in securing sustainable growth engines. Preparing for the growing e-commerce market, Yuhan-Kimberly has invested approximately KRW 11 billion in R&D and KRW 4.3 billion in market research (KRW 15.2 billion in total). Also, 2.7% of the sales amounting to KRW 36.6 billion was invested in facilities, mainly for upgrading equipment and products. Furthermore, the number of our patents has increased from 88 in 2016 to 113 in 2017.

**Increasing exports and developing new overseas markets** Yuhan-Kimberly exported its products to 29 countries in 2017. Thanks to its effort to develop new products for export, the company could introduce super premium diapers, White wearable for overnight, Kotex pants for pregnant women, etc. to Hong Kong, Taiwan, Israel, Japan, and China. However, the overall exports have decreased by 3.9%p from the previous year due to the falling exports of diapers to China.

[Table 3-1] Number of countries for export per product (from Jan to Dec 2017)

Product	Diaper	Pants	Baby wet wipes	Depend	feminine sanitary napkins	General wet wipes	Home supplies	B2B	Hydroknit*	UCTAD**	Others
Number of nations	9	4	11	7	8	15	5	9	6	11	11
No. of countries for export (29 nations)	China, Australia, Hong Kong, Taiwan, Malaysia, Japan, India, Singapore, Israel, Mongolia, UK, Italy, Philippines, Brazil, Russia, Ukraine, United States of America, New Zealand, South Africa, Vietnam, Costa Rica, Peru, Colombia, Chile, Venezuela, Bolivia, Ecuador										

\* Hydroknit: A material made by a patented method of Kimberly-Clark. Physically combining felt and pulp by using high water pressure, the material contains no chemical additives.  
\*\* UCTAD: A tissue production facility at Kimcheon mill that applied the method of drying materials with air (tissues with higher absorbency can be produced by creating a number of pores in them).

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## Providing Products with Future Social Value

**Products that embrace minority consumers** In recent days, consumers are paying more attention to the influence of products on society. In this regard, Yuhan-Kimberly strives to develop products that reflect the needs of minority consumers by putting social values before profits. We are making products that provide a fair access to the market for preterm infants, the disabled, and the elderly.

[Figure 3-4] Products that promote social value

- **Purpose**  
Products for active seniors
- **Period of improvement**  
May 2017

- **Background**  
In 1993, Yuhan-Kimberly has introduced 'Depend Stylish Pants', underwear for active life of senior citizens who suffer from urinary incontinence since 2012. The needs for senior products have increased since then along with expanding nursing facilities for the aged.

- **Our response**  
We introduced comfortable underwear to nursing facilities for the elderly. Given their mobility difficulties, the underwear used materials that provide maximum comfort.

Products that promote social value



Depend comfortable underwear



Nature Made S-step

- **Purpose**  
Products for the disabled
- **Period of improvement**  
September 2017

- **Background**  
Good Night Pants for children who suffer from enuresis was introduced in May 2009, and improved from magic tape-type to pants-type in Nov 2016. However, we received consumer complaints from customers who use the product during the day and want the previous version of magic tape-type back.

- **Our response**  
We started the reproduction of magic tape-type pants for the convenience of the disabled and the rights of minority consumers since September 2017.



Magic Tape Good Night pants

- **Purpose**  
Products for preterm infants
- **Period of improvement**  
July 2017

- **Background**  
We realized that preterm infants in neonatal intensive care centers have weak immune systems and very soft skin and thus need delicate materials and thin pads.

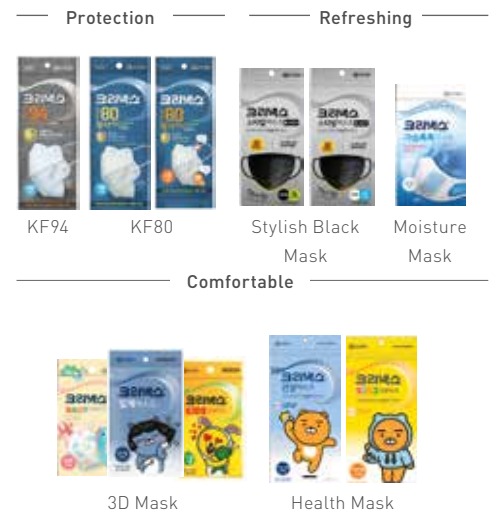
- **Our response**  
We reflected the opinions of nurses at neonatal intensive care centers (17 at 5 hospitals) in the stage of product development, and introduced Nature Made S-step(XS/S) to provide more options for consumers. (In August 2017, we started free support of products for newborns weighed under 2.2kg. More information is available on page 68)

## Providing Products that Enhance Consumer Health and Safety

**Kleenex mask to combat fine and yellow dust** In recent years, fine and yellow dust sweeping the country has increased the social interest in the use of masks. Yuhan-Kimberly has provided Kleenex Yellow Dust Mask(KF80), approved by the MFDS in 2014, to consumers. Being manufactured domestically, the masks boast a four-layer electret filter to protect respiratory organs from yellow and fine dust. KF is an acronym for Korean Filter, and the numbers next to the KF mark, such as 80, 94, and 99, signify the rough percentage of particles masks can prevent. We are also promoting 'Mobile Children's Story Class' to protect children's respiratory health, and donated 15,000 yellow dust masks to Korean Federation for Environmental Movement(KFEM) in June 2017.

[Table 3-2] Types of our mask

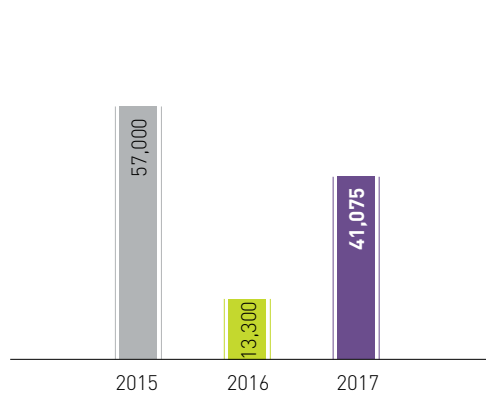
Date of launch	Product	No. of type
January 2015	Kleenex Yellow Dust Mask (large/small)	7
	Kleenex Health Mask (adults/women/children)	
	Kleenex 3D Mask (adults/children)	
January 2016	Kleenex KF94 Epidemic Prevention Mask (large)	3
	Kleenex Moisture Mask (adults)	
	Kleenex Baby Mask	
	Kleenex Stylish Mask (adults)	
January 2017	Kleenex 3D Mask KAKAO (adults/children)	2
April 2017	Kleenex Stylish Black Mask (large/medium for adults/children)	3
January 2018	Kleenex Health Mask KAKAO (large/medium for adults/children)	3
February 2018	Happy Home/Kleenex Yellow Dust Mask (large/medium/small)	3
March 2018	May Breeze Yellow Dust Mask (large/medium/small)	3
General Mask (Kleenex, March 2018)		Total 15



[Table 3-3] Types of our mask

Purpose	Brand	No. of types	By function/type
General	Kleenex	15	Yellow dust, heath, style, 3D, child, baby, Kakao, black, etc.
Industrial	KIMTECH, Clean Guard	15	Dustproof, scientific, etc.
Medical	Yuhan-Kimberly	8	Dental, surgical, etc.
Total		38	

[Figure 3-5] Kleenex mask campaign and sponsorship (unit: piece)



Year	Type	Beneficiary	Quantity (piece)
2015	Donation	Pyeongtaek Public Health Center, Korean Red Cross	57,000
2016	Donation	Ewha Womans University Medical Center	9,000
	Education	Except children's education on the use of masks (Mobile Children's Story Class)	3,300
	Sponsorship	KBS 1 Radio - sponsorship of fine dust prevention campaign	1,000
2017	Donation	Except Ewha Womans University Medical Center, Korean Federation for Environmental Movement	19,000
	Education	Except children's education on the use of masks (Mobile Children's Story Class)	3,375
	Sponsorship	Metropolitan Fire & Disaster Headquarters, Exhibition on Fine Dust Prevention, etc.	18,700
Total campaign			111,375

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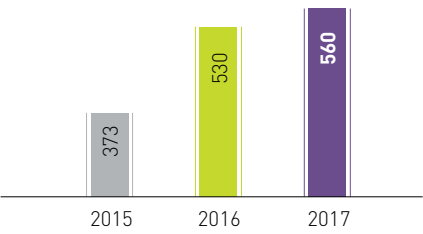
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Improving Competitiveness through Product Innovation

[Figure 3-6] Customer survey for product innovation (unit: 1,000 people)



**Improving functions by reflecting consumer opinions** We have strengthened customer survey for product innovation, which resulted in the increased participation by 7% from the previous year. In particular, we are applying innovative technologies to the manufacturing of diapers in various aspects of air permeability, absorbency, softness, and size.

**Introduction of 95 new products** Yuhan-Kimberly has innovated its products for better life of consumers every year. In 2017, we launched or renewed a total of 95 products, including Huggies Magic Plus for babies with big thighs, Crisp Dry Pants with absorbency of up to 12 hours, White Clean, a mid to low-priced sanitary napkin with basic functions, and Pop-Up Jumbo Roll Toilet Tissue.

[Table 3-4] New products in 2017

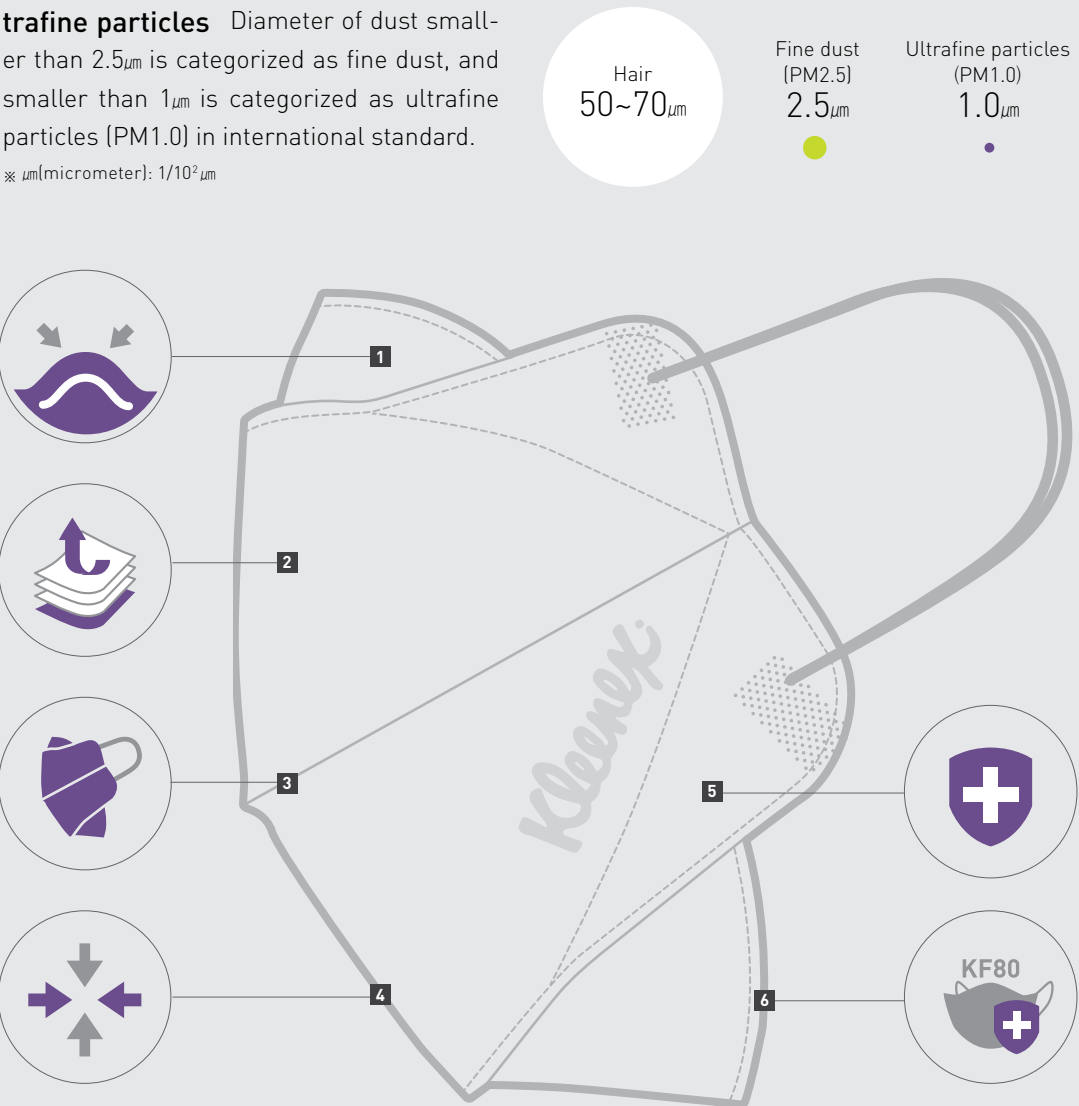
Category	Name of product	Description
Baby/child products	Diaper_Nature Made for Preterm Infants	Small size for preterm infants and soft cover for their delicate skin
	Diaper_Magic Slim & Soft	Improving wearing sensation and absorbency, and adding delicacy and slimness
	Diaper_Magic Plus	Improving wearing sensation for babies with big thighs
	Diaper_Nature Made for Summer	Super-premium products for summer
Childcare products	Baby wipes_Doctor Mommying	Baby wipes developed based on skin research and through systematic verification process
	Baby wipes_Reli: U	Brand emphasizing comfortable feeling
	Skin care_Green Finger Baby Ceramide	Facial moisturizing lotion, soothing gel lotion
	Skin care_Green Finger Sun Pact and Refill	Renewal of the existing pact-type sunscreen (2016), addition of refill-type
	Skin care_Green Finger My Kids Fresh	Skin care for kids who do a lot of outdoor activities
Female hygiene products	Panty liner_Good Feel Pure	Mid to low-priced panty liner launched in March 2017 after introduction of sanitary napkin in 2016
	Sanitary napkin_White Clean	Mid to low-priced sanitary napkin with high absorbency and function of preventing leakage like ‘Good Feel Pure’
	Sanitary napkin_White Garden Fresh	Maximization of deodorizing effect to 99%
	Sanitary napkin_Good Feel La Nature	Eco-friendly sanitary napkin made with natural absorbent materials from Scandinavia
Senior products	Underwear_Depend Safe Plus	Extended width and better air permeability for those with mobility difficulties
	Underwear_Depend Comfortable Underwear	Elastic Lycra fabric that provides maximum comfort for those who do rehabilitation exercise
Family Care products	Tissue_Kleenex Ultra Clean	Nonfluorescent, 3-ply toilet paper made with natural pulp and fresh aqua fragrance added
	Tissue_Kleenex Forest Phytoncide	3-ply embossing toilet paper made with pure and natural pulp containing phytoncide
	Tissue_Kleenex Clean Care	100% pure natural pulp, no color and fragrance, 3-ply facial tissue
B2B products	Mask_Face Shield	Addition of film layer that prevents fluid penetration, 4-layer surgical mask
	Jumbo roll tissue_Kleenex Air Cell	Excellent absorbency (air cell) and water flushable for public toilets
	Jumbo roll tissue_Kleenex Center-Pull	Pop-up tissue for public toilets to reduce waste

Information for customers

**Difference between fine dust and ultrafine particles** Diameter of dust smaller than 2.5μm is categorized as fine dust, and smaller than 1μm is categorized as ultrafine particles (PM1.0) in international standard.

※ μm(micrometer): 1/10<sup>2</sup> μm

[Figure 3-7] Standard for fine dust



- 1

**A functional nose support**  
Not falling down and preventing fogging on the eye glasses
- 2

**4-layer super-electret filter**  
Protecting respiratory systems from yellow dust and micro dust by using the upgraded 4-layer super-electret filter
- 3

**4-piece foldable design**  
Comfortably attaching to the face without touching lips due to the 4-piece foldable design technology exclusive to Kleenex® Yellow Dust Mask
- 4

**Compact size**  
Ensuring easiness in carrying it due to the compact packaging design
- 5

**Product approved as a sanitary aid**  
Enabling an assured wear as a sanitary aid approved to block yellow dust and micro dust
- 6

**KF80 Yellow Dust Mask approved by the Ministry of Food and Drug Safety**  
Blocking over 80% of yellow dust, harmful substances and micro dust

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| Social Change in and our Response to the B2B Market |

## We Will Contribute to Promoting the Culture of Hygiene and Infection Prevention in our Society

**B2B business in 2017 recording double-digit growth** Yuhan-Kimberly provides products through the Business to Business (B2B) channels as well. We developed our B2B products (jumbo roll tissue, hand towel, hand sanitizer, and medical and industrial supplies) in line with the increasing efforts to promote hygiene, infection prevention and safety in our society. Organically responding to changes in customers, channels and products, our B2B business in 2017 achieved growth of 11% in domestic demand despite the low growth regime. Our goal in 2018 is to accomplish growth of 15% compared to the previous year.

[Figure 3-8] Functionalized industrial products



### Environmental changes in B2B market

**Growth of online and e-commerce markets.** The market for B2B business operators has been increasing by more than 20% each year.

**Spread of the culture of hygiene, such as 'Wash Your Hands Campaign'** As the culture of washing hands was spread to prevent infectious diseases, the demand for hand towels has been increasing.

**Enforcement of the Act on the Improvement of Public Toilets without Bins in 2018 and higher demand for water flushable tissues.** The Act on the Improvement of Public Toilets without Bins will be enforced in 2018.

**Market growth due to surgical packs covered by the National Health Insurance and scientific business growth.** Since Feb 1 in 2018, surgical packs have been covered by the National Health Insurance.

### Our strategic directions

**Focusing on emerging channels and promoting digital transformation.** We have strengthened digital marketing activities to secure growth opportunities through e-commerce. In line with changing channels, we provide videos on product demonstration, digital brochures, and content for digital devices. We also supply products exclusive to the e-commerce market (ePack line- Jumbo roll, hand towel, wiper, glove, etc.) to meet consumer needs. In 2018, we will add more products to ePack, such as Kleenex Air Cell 140m and Clean Guard Glove G45 and G50.

**Increasing UCTAD operation rate and profits.** Our toilet papers and hand towels manufactured at Uncrepped Through Air Dryer (UCTAD) facilities boast high absorbency and absorption speed and do not tear easily. Also, our new facilities designated for B2B, such as Jumbo Roll Tissue Converting, have been approved for establishment to promote the culture of hygiene.

**Securing growth opportunities through product differentiation.** Yuhan-Kimberly will achieve business growth and contribute to realizing social value with its water flushable tissues, such as Premium Air Cell Jumbo Roll and Center-Pull Jumbo Roll.

**Prompt response and product development.** The existing surgical packs were included in the expenses of hospitals. However, the new law will contribute to revitalizing the market of surgical packs and increasing the awareness of infection prevention. We are striving to develop surgical packs, and also secure growth opportunities in the expanding scientific business by improving the quality of industrial supplies, such as mask, sterile protective clothing, wiper, and glove.

## Social Performance

### Materiality Assessment Result

- Consumer health & safety 2<sup>nd</sup>
- Personal information protection 3<sup>rd</sup>
- Workplace safety 4<sup>th</sup>
- Win-Win growth 11<sup>th</sup>
- Collaboration culture 13<sup>th</sup>
- Human resource development and fostering 14<sup>th</sup>
- Work-life balance 16<sup>th</sup>
- Local community engagement and development 19<sup>th</sup>

### Influential Stakeholders



### Link to SDGs



### MANAGEMENT APPROACH

We Will Strive to Create Social Value Together with Employees, Customers, Partners, and Local Communities.



### WHY IS THIS TOPIC IMPORTANT?

In recent years, businesses have shifted their focus from economic value to social value. The government is establishing the Framework Act on Social Value, and consumers and investors are urging businesses to pay more attention to social value and fulfill their social responsibilities. Accordingly, CSR efforts are becoming a key competitive factor in business. Yuhan-Kimberly has been selected as the 'Most Respected Company in Korea' for 15 consecutive years, but will not rest on its laurels and will make more efforts for change.

### WHAT IS OUR APPROACH?

While actively communicating with various stakeholders, we are fulfilling our social responsibilities, such as enhancement of customer health, establishment of hygiene culture in society, improvement of lifelong learning for employees, promotion of Win-Win growth with partners, and contribution to and investment in local communities. To be specific, we are enhancing consumer confidence by providing transparent information on products, strengthening product safety organizations, and promoting communication with customers through various channels. We are also pursuing Win-Win growth with partners by supporting the Win-Win Fund and operating the Win-Win Academy. Furthermore, we are nurturing talents and encouraging employee career development, and contributing to the development of local communities through tree planting and forestation.

### HOW DO WE MANAGE PERFORMANCE?

Improving product safety policy and organization	Promoting customer communication	Pursuing Win-Win growth with partners	Achieving work-life balance	Developing local communities
Performance in 2017				
2017 performance: establishing voluntary guidelines on the use of materials (selecting 74 chemicals of concern)	Collecting the opinions of stakeholders (560,000) and enhancing customer confidence by obtaining the ISMS certification	Recording the average score of 89.2 points at the evaluation of partners	Introducing leave for learning and for refresh (15 days per year)	Forestation and acreage under management: 1,705,459m <sup>2</sup> (accumulated)
Future plan				
Maintaining the management of voluntary guidelines on the use of materials to enhance material safety	Providing professional counseling for customers according to their needs	Strengthening the social responsibility of partners	Promoting work-life balance by encouraging employees to take a leave for self-improvement	Leading forestation to respond to climate change

## Yuhan-Kimberly 2018 SUSTAINABILITY REPORT

People are our source of hope

### Yuhan-Kimberly Sustainable Management

- Yuhan-Kimberly Overview and Value Chain of Sustainable Management
- CEO Message
- Sustainability Management Organization
- Vision and Keywords
- Corporate Governance and Ethical Management
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- [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

### 2018 Sustainability Management Highlights "Yuhan-Kimberly and Women"

- Protection of Women's Rights  
\_We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination
- Enhancement of Women Leadership  
\_We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

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Social Achievements in Table

Category				Unit	2015	2016	2017
Customer	Customer satisfaction survey			Point	-	83.1	86.2
Partner	Evaluation system (including social responsibility criteria)			Point	87.7	87.9	89.2
Employee	Employment	Total number of employees		Person	1,748	1,708	1,671
		Employment type	Permanent(99.2%)	Person	1,700	1,669	1,658
			Contract(0.8%)	Person	48	39	13
		Occupational classification	Production(48.5%)	Person	844	833	811
			Office(51.5%)	Person	904	875	860
		Gender	Female	Person	329	323	298
			Male	Person	1,419	1,385	1,373
		Employment of the disabled		%	2.41	2.41	2.49
		Job creation rate		%	-0.57	-2.29	-2.17
		Average continuous service period		Year	17.9	18.6	19.7
		Average working hours per month		Hour	164	165	163
		Average number of days absent		Day	0	0	0
		Loss days		Day	244	69	0
	New employment and retirement	New employees	Total	Person	11	18	16
			Rate of new female employees	%	61.9	63.5	68.8
			Rate of new male employees	%	38.1	36.5	31.2
		Retirement rate		%	1.89	2.16	1.68
		Turnover rate		%	1.47	2.16	1.38
	Training	Training hour per employee		Hour	71.5	81.3	56.8
		Training cost per employee		KRW 10 thousand	116.2	78.4	78.4
	Female workforce	Female workforce ratio		%	18.8	18.9	17.8
		Females above senior management levels		%	18.9	17.1	12.9
		females among total office employees		%	37.9	38.9	36.4
	Maternity and childbirth	Maternity leave users		Person	18	9	17
		Return-to-work rate after maternity leave		%	100	95	100
		Baby care leave users		Person	21	17	18
		baby care leave usage rate of female		%	100	78	77
		baby care leave usage rate of male		Person	1	1	3
		Return-to-work rate after baby care leave		%	100	100	100
		Retention rate after return from baby care leave		%	95	95	88
	Labor	Number of employees joining the labor union		Person	878	864	853
		Rate of employees joining the labor union		%	99.3	98.5	99.5
	Work safety	Number of industrial accident		Case	3	3	0
		Industrial accident rate		%	0.17	0.18	0
Local community	Donation			KRW million	2,384	3,232	3,135

※ Job creation rate: (number of employees in reporting year – number of employees in previous year) / number of employees in previous year x 100  
※ Loss day: Calculated with days written in medical certificate which is submitted by injured employees from mills

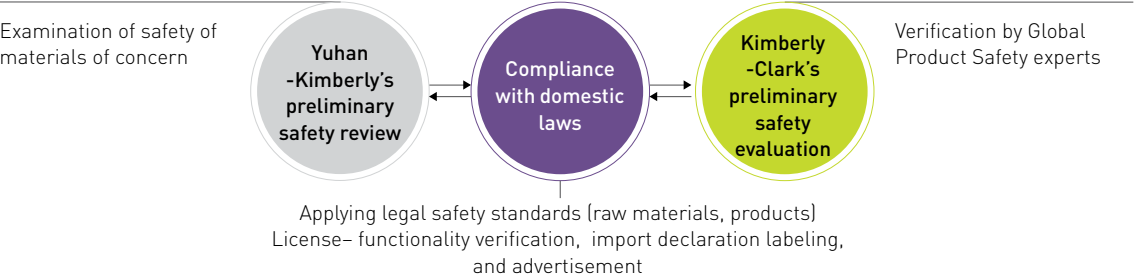
Customer

135,315cases  
Cases for providing information to customers through Integrated Customer Support Center

Preventative Activity for Product Safety

**Securing product safety from development to consumer use** Yuhan-Kimberly pays attention to importance of product safety. We manage product safety through complying with domestic laws, conducting a preliminary review on our own, and evaluating with Kimberly-Clark’s Global Product Safety standards (assurance with experts).

[Figure 3-9] Integrated Product Safety Assurance Process



[Table 3-5] Preliminary review of product safety and related laws and regulations (2014~2017)

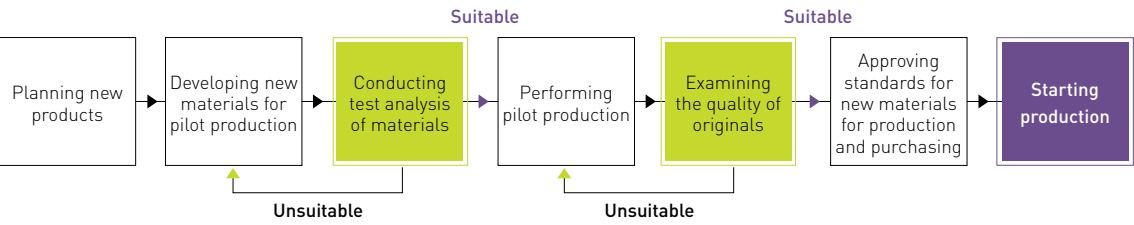
Year	2014	2015	2016	2017
Review of product safety and related regulations (case)	147	175	234	216
Management of materials of concern (type)	59	59	74	74

\* 74 Materials of concern is provided in the following link(<http://www.yuhan-kimberly.co.kr/Product/Develop>)

Establishing preliminary safety inspection process for new products

As part of its prevention efforts, Yuhan-Kimberly has established a preliminary safety inspection process considering the safety, legal compliance, and potential social issues of new products. Based on the guidelines on the use of materials in 2017, a total of 216 cases (104 package reviews, 91 license registrations, and 21 safety reviews of products and materials) were reviewed in advance. Also, products in circulation have been monitored and found to comply with legal and voluntary standards.

[Figure 3-10] Preliminary Material Verification Process



Ensuring product safety by limiting the use of CoC

Yuhan-Kimberly has introduced and managed the voluntary guidelines on limiting the use of chemicals of concern since January 2014. The guidelines were applied to baby/child products in January 2015 and to all products in 2016, and also expanded the coverage of CoC to 74 types in 2017. Particularly, since the voluntary recall of wet wipes in January 2017, we have established the standards for material safety (17 including felt, high molecular absorber, adhesive, and packing material) to enhance material safety.

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Our Efforts to Ensure the Safety of Sanitary Napkins

**Details about the safety issue of sanitary napkins in 2017** Yuhan-Kimberly puts much emphasis on ensuring product safety. In August 2017, the safety issue of sanitary napkins regarding the harmful effects of Volatile Organic Compounds (VOC) was raised but cleared up after the total inspection of sanitary napkins and diapers by the MFDS from November to December. We participated in the regular consultative group meeting for quasi-drug and hygiene product manufacturers (5 companies) in December 2017 to make an agreement on self-control safety management. Also, we launched an eco-friendly sanitary pad ‘La Nature’ to take the lead in reducing chemical use by using toluene-free ink and less adhesives and conducting research on natural ingredients.

[Table 3-6] Social agreement and declaration for safety management in 2017

Title	Period	Partner	Description
Signing of voluntary agreement on the safety management of consumer chemical products	February 2017	Yuhan-Kimberly, Ministry of Environment, Ministry of Food and Drug Safety, Korea Environmental Industry & Technology Institute	Strengthening self-inspection of product ingredients, improving policies that prioritize safety management, developing voluntary guidelines on product safety management, establishing a monitoring system
Declaration of voluntary agreement on safety management by the regular consultative group of quasi-drug and hygiene product manufacturers	December 2017	Yuhan-Kimberly, LG-Unicharm, KleanNara, P&G Korea, Welcron Healthcare	Monitoring product safety issues, sharing cases of consumer damage, finding solutions, establishing and complying with self-standards for quality management and improvement

**Providing correct information for customer safety** Yuhan-Kimberly has voluntarily disclosed all ingredients of sanitary napkins on its website since 2016. The revised pharmaceutical law will make it mandatory to disclose all ingredients of quasi-drugs including sanitary pads and masks on their container and packaging from 2018. As the Act on the Management of Hygiene Products will be enforced from April 19 in 2018, we are making more efforts to ensure the quality of diapers, toilet tissues and kitchen towels and to manage information disclosure in their advertisements.

[Table 3-7] Three standards for ensuring the safety of sanitary napkins


Basis for safety assurance	Management in detail
Compliance with the MFDS Safety Standards for Quasi-Drugs	Character, coloring, acid/alkali, fluorescent whitening agent, formaldehyde, mass, amount of absorption, exudation, intensity
Compliance with the European standard for eco-friendly textiles [Oeko-Tex Standard 100, Class 1]	150 types including allergic/cancerogenic dyes, chlorinated benzene/toluene, polycyclic aromatic hydrocarbons(PAH), and heavy metals
Managing the harmful effects of VOCs by applying stricter standards than those for indoor air quality and drinking water	
<div>• <b>Definition of terms</b></div> <div>• <b>Hazard:</b> A unique property of chemical substances that can impose harmful effects to human health or the environment, such as toxicity of chemical substances</div> <div>• <b>Risk:</b> The amount of damage that can be inflicted on human health or the environment from exposure to harmful chemical substances, Risk = Harmfulness X Exposure</div> <div>• <b>Volatile Organic Compounds, VOCs:</b> Organic chemicals with volatile properties. Organic compounds that evaporate easily. Hundreds of organic compounds are classified as VOCs, including benzene, toluene, acetone, formaldehyde, etc. VOCs can be naturally released like phytoncide from trees or human-made like gases from laundries, gas stations, or various transportation means, and some are known to be beneficial or harmful to human health.</div>	

HIGHLIGHT IN 2017-2018

**[Case study] Communicating with customers on product recall and safety issues of sanitary pads**

Yuhan-Kimberly recalled 5 types of air fresheners (spray type) and some wet wipes in Jan 2017. The recall of wet wipes resulted from methanol found [0.003%~0.004%] in excess of the allowed amount [0.002%]. Accordingly, we formed the Crisis Prevention Committee to establish a recall process, criteria of refund and response guidelines, and opened the online registration page and customer center in parallel for a prompt response. Customer inquiries also increased in August regarding the media coverage on the side effects of sanitary pads, and thus we added more counselors to the Integrated Customer Support Center to focus on customer communication.

Refund registration due to the recall of Huggies wet wipes and Green Finger wet wipes



[Table 3-8] Timeframe of major issues and results of customer communication in 2017

Major issue	Time of occurrence	Customer communication channel	Number of communications
Recall of B2B _Scott Watchman air freshener	January	Retailors (clients), Integrated Customer Support Center	259
Recall of baby wipes	January	Registration page on website, Integrated Customer Support Center	71,736
Inquiries on safety issue of sanitary pads	August	Integrated Customer Support Center	5,919

Consumer-Centered Management System and Customer Communication

**Operating customer satisfaction division dedicated to customer communication** Yuhan-Kimberly held the Consumer Centered Management (CCM) Committee twice a year (Apr and Nov 2017), and 10 Quality Work Stream (QWS, two added in 2017, held on a monthly basis) consultative groups according to product category. We also conduct pre-inspections on product packaging and window descriptions to prevent consumer damages from misuse.

**Strengthening improvement efforts through innovation in customer communication channels and integrated analyses** At Yuhan-Kimberly, material resources are not considered as cost but investments for consumer-centered management, and thus we have continued to distribute resources for improvements. The integrated customer management system built in 2014 has utilized the Voice of Customers (VOCs), which are collected through both online and offline channels, for improvement activities. In 2015, we launched a mobile chat solution and the Woori Nanum TV mobile web service, as well as a consumer complaint dashboard for employees. In addition to the complaints registered internally, the Social Listening Analytics system was established in 2016 to improve product properties and service inconveniences. Besides, we have made improvements in the Stem B2B consulting division for integrated customer care.

**Training manufacturing employees to enhance expertise and reduce consumer complaints** Since 2016, Yuhan-Kimberly has operated a collaboration program "Winning Quality" with manufacturing employees to reduce consumer complaints. This program was carried out 8 times in 3 factories with 408 trainees, in cooperation with the manufacturing division. As a result, 14 major complaints from the manufacturing site were reduced by 18%, and complaints on impurities by 9%.

[Figure 3-11] Operating Winning Quality Cooperative Organization



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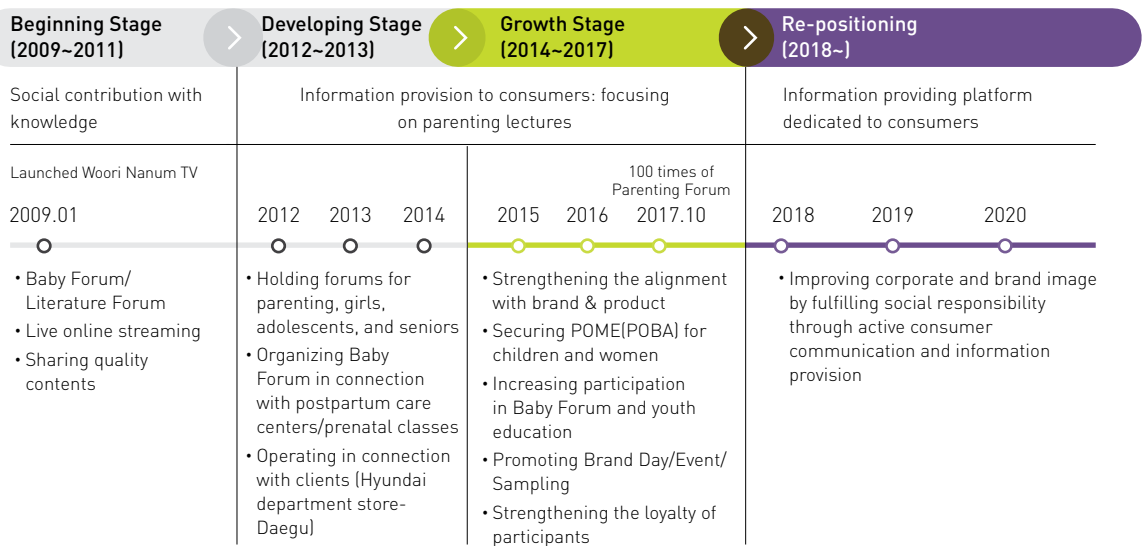
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**Providing 100 lectures through consumer education program "Baby Forum"** The Baby Forum (operated from 2009 to 2017, with 75,000 parent and parent-to-be participants) was launched in 2009 on the online consumer education platform, and delivered its 100<sup>th</sup> lecture in Oct 2017. The Forum was initiated with the vision to provide role models for parents and broaden social consensus on happy parenting in the era of low birth rates. About 100 experts including doctors and psychologists have shared information on parenting skills, infant and baby health, safety issues, and communication with children. In 2018, the platform was moved to momQ (www.momq.co.kr), our baby product shopping mall, to provide useful information on parenting and relevant products from the perspective of consumers.

[Figure 3-14] Growth Phases of Baby Forum



**Strengthening the management of customer information** Yuhan-Kimberly abides by the Personal Information Protection Act and Information and Communications Network Act. In 2017, we improved the notifications for collection and use of personal information by the Integrated Customer Support Center, pursuant to the strengthened ISMS certification requirements and management system. In January 2018, a new process was developed to automatically process the acquired customer information through the system.

HIGHLIGHT IN 2017-2018

**Acquiring Information Security Management System (ISMS)**  
\_ Acquiring certification for operation of Yuhan-Kimberly's e-commerce service for baby and child products (momQ) \_ Period: 23 Feb, 2018~ 22 Feb, 2021

Yuhan-Kimberly acquired the Information Security Management System (ISMS) certification after the evaluation by TTA and deliberation by KISA. ISMS is a comprehensive security system certification that ensures corporations manage all activities to protect their data assets from various threats. By acquiring this certification, our momQ service is now acknowledged both internally and externally for its security, stability, integrated management, and reliability.

Partners

1,036 partners  
Number of partners

Sustainable Supply Chain Management

**Number and type of partner companies** Yuhan-Kimberly has made efforts for Win-Win growth with its business partners based on trust and communication. As of 2017, we have 1,036 partners and 90.4% of them are domestic companies. In 2017, we signed new partnerships with 47 companies. Our partners include raw material suppliers, end-product suppliers, retailers, direct sellers, advertising agencies, and IT and financial companies.

**Regional distribution and purchasing of partner companies** Yuhan-Kimberly has its partners at home and abroad (China, the US, Japan, Hong Kong, etc). 19.6% of our domestic partners are located in the metropolitan area (Seoul, Gyeonggi, Incheon), and purchases from other regions account for 30.9% of the total turnover. The highest amount of regional purchase is made in Daegu-Gyeongbuk area (where Kimcheon mill is located), taking up 14.9% of the total turnover.

[Table 3-11] Partners by region (unit: company)

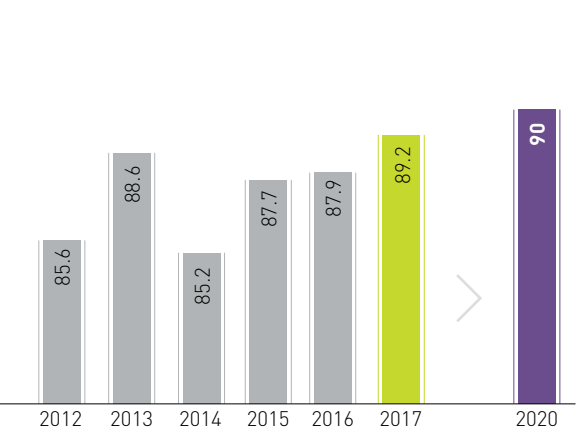
Country	Number of partners	Country	Number of partners	Country	Number of partners	Country	Number of partners	Country	Number of partners
Korea	937	Hong Kong	5	Italy	4	Thailand	3	Chile	1
China	17	Taiwan	5	Canada	4	Sweden	2	Sri Lanka	1
United States of America	27	Malaysia	4	UK	3	Germany	2	New Zealand	1
Japan	8	Singapore	4	Australia	3	Austria	1	Switzerland	1
								Total	1,036

Strengthening Sustainability of Partner Companies

**Evaluation system that covers social responsibility** Since 2007, Yuhan-Kimberly has reflected social and environmental performance in annual partner evaluations. In 2012, we began to put more focus on social responsibility in partner evaluations, and from 2017 we introduced an evaluation system that requires anti-corruption pledges. The evaluation is comprised of 4 chapters and 72 questions, checking the fulfillment of social responsibilities for worker safety, income and employment, ethical management, and environmental system. In 2017, 61 partners were evaluated, recording an average score of 89.2, up 1.3 points from the previous year. In addition, there were no major accidents regarding safety, environment, human rights, and society within our partners.

Evaluation sector	Details	Distributed scores
Quality management	Quality system requirements, management responsibilities, resource management, product realization, measurement analysis and improvement	38 points
Social responsibility	Environmental system, fire management, worker safety, income and employment, ethical management, health management	44 points
House-keeping	3Jung 5S (meaning: Proper Items, Proper Quantity and Proper Place & Sort, Systemize, Sweep, Sanitize, Self-discipline), workplace environment, identification, pollution prevention	13 points
Process capacity	Process system, improvement activities	5 points

[Figure 3-15] Partner capacity evaluation system: average score (unit: point)



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## Win-Win Growth

**Signing agreements on fair trade and Win-Win growth** Even before the concept of Win-Win growth was highlighted, we had been operating relevant programs with our partners. We established a mutual cooperation organization (2002), a mutual cooperation information system (2008) and a dedicated group CP/ Win-Win growth team (2013), and also signed agreements on fair trade and Win-Win growth with 72 partners in 2017. The Win-Win management division has provided support for not only tier 1 but also tier 2 partners, and engaged in technical support of 48 cases, technology protection of 6 cases, and support of 16 companies for new recruitments, while offering information on raw and subsidiary materials and mutual cooperation funds.

[Table 3-12] Main program for Win-Win growth and its performance

Main programs	Performance in 2017
Financial support	Managing KRW 17 billion in mutual cooperation fund (with IBK): As of Feb 28, 2018, we have supported KRW 15.07 billion for 31 partners (tier 1, tier 2, B2B retailers, B2C retailers)
Technique, quality improvement	Holding regular meetings with partners on quality partnership, supporting establishment of quality systems, supporting escrow of technical data, etc.
Training	Operating Win-Win Academy and conducting on-site training
Human resource, employment	Improving the manufacturing process of partners, dispatching experts for quality system improvement (to 16 companies)
Sales and competitiveness improvement	Supporting exports of partners, operating a comprehensive diagnosis system, checking business conditions and supporting productivity increase
Communication improvement	Operating information provision system on consignments and receiving feedback

**Providing Win-Win training for tier 1 & tier 2 partners** In 2017, 158 employees of 44 partners participated in 8 training sessions provided by the Win-Win Academy. The training was about management strategies to overcome crisis, conflict management, and strength based leadership.

**Operating cash payment monitoring system** We have been operating the monitoring system on cash payments since December 2014, as part of the efforts to support the government's plan for Shared Growth between Large Enterprises and SMEs. In 2017, 36 partners of tier 1 and 341 of tier 2 joined this system. If tier 1 partners receive support from Yuhan-Kimberly regarding cash payments and extension of payment dates, they are guided to provide the same support to tier 2 partners.

## HIGHLIGHT IN 2017-2018

### [Evaluation] Achieving the highest rating in the Win-Win Index

Yuhan-Kimberly was selected as a company with the highest excellence in the Win-Win Index led by the Korea Commission for Corporate Partnership, for three consecutive years in 2015-2017. We are in a honorary company as a highest excellence from it. We will strive to grow as a partner who even shares social responsibilities, moving beyond economic and technical support.

Category	Unit	2015	2016	2017
Win-Win Index	Grade	Best	Best	Best
Average score from partner evaluation (social responsibility, quality management, etc.)	Point	87.7	87.9	89.2

※ Win-Win Index is a quantifying index to evaluate companies' level of mutual growth for the purpose of fostering Win-Win growth between large and small-sized companies.



## Employees

### Workplace Safety

**Achieving 0% industrial accident rate through safety-first polices in workplaces** Yuhan-Kimberly places top priority on safety. We have an organization dedicated to safety and support special medical checkups on a regular basis for employees exposed to harmful substances. Our labor and management run the Occupational Safety, Health, and Environment Committee each quarter to enhance workplace safety and productivity.

[Table 3-13] Occupational Safety, Health, and Environment Committee status

Category	Committee members	Total employees / employees from mills	Key agenda and improvements	Industrial accident status
Kimcheon mill	Company 11 + Labor union 11	408/310	Awarding employees with excellent safety records, deliberating partial amendment of the law, improving pedestrian walkway and entrance door sill	—
Taejon mill	Company 9 + Labor union 9	429/307	Establishing a standard dress code policy for visitors entering worksites, complying with outdoor worker safety standards, strengthening safety in confined spaces	—
Choongju mill	Company 7 + Labor union 7	251/193	Replacing safety boots, adjusting safety requirements during circle activities, sharing legal amendments, holding a 3-year zero accident event	—
Distribution center	Company 3 + Labor union 3	42/42	Eliminating dust generation risk factors, improving walkways and safety guards, making one-way streets for cars	—

### Instilling safety culture and conducting labor-management safety inspection process

Our labor and management jointly operate the integrated safety inspection process on a weekly basis, which led to identifying 1,269 risk factors in 2017, of which 96.9% was improved. We also share safety issues at monthly leadership meetings. At Kimcheon mill, a video contest on pedestrian safety was held in Apr 2017 (with 12 submissions), contributing to raising safety awareness and achieving zero accidents.

[Table 3-14] Risks jointly identified by labor and management and improvements (2015~2017)

Category	2015			2016			2017		
	Detected (case)	Improved (case)	Improved (%)	Detected (case)	Improved (case)	Improved (%)	Detected (case)	Improved (case)	Improved (%)
Choongju mill	501	450	89.9	347	325	93.7	340	325	95.6
Kimcheon mill	508	460	90.6	388	380	98.0	338	325	96.2
Taejon mill	915	847	92.6	605	560	92.6	529	519	98.1
Distribution center	323	302	93.5	25	24	96.0	62	60	96.8
Total	2,247	2,059	91.6	1,365	1,289	94.4	1,269	1,229	96.9

### Providing employee healthcare programs

Yuhan-Kimberly operates fitness facilities and health promotion programs for employees to encourage them to quit smoking, do exercise and prevent diseases. In Mar 2018, the Taejon mill was re-certified (2011.8.30~2020.8.29) as a Workplace with Excellent Health Promotion Activities for Workers by the Ministry of Employment and Labor and the Korea Occupational Safety & Health Agency (KOSHA), which implies that Yuhan-Kimberly's labor and management pursued the right activities to prevent work-related diseases.

[Table 3-15] Grievance registration and resolution in 2017

Category	Description		Number of registration	Resolution
Grievance registration and resolution	HQ	Installing additional computer monitors, improving the air quality of offices, etc.	4cases	177 cases (100%)
	Kimcheon mill	Checking monthly work data, having early lunch on training days, improving working clothes, etc.	10cases	
	Taejon mill	Improving smoking rooms and open spaces, replacing sofas at lounges, etc.	147cases	
	Choongju mill	Improving heating systems at worksites, improving the environment of fitting rooms, etc.	12cases	
	Distribution center	Building new fitness facilities and fitting rooms, operating weekend farms, improving the check process for entering and exiting vehicles	4cases	

1,229 cases  
The number of proposals for workplace safety improvement

## Yuhan-Kimberly 2018 SUSTAINABILITY REPORT

People are our source of hope

### Yuhan-Kimberly Sustainable Management

- Yuhan-Kimberly Overview and Value Chain of Sustainable Management
- CEO Message
- Sustainability Management Organization
- Vision and Keywords
- Corporate Governance and Ethical Management
- Crisis Management
- Communication with Stakeholders
- [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

### 2018 Sustainability Management Highlights "Yuhan-Kimberly and Women"

- Protection of Women's Rights \_We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination
- Enhancement of Women Leadership \_We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

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Facilitating Labor-Management Collaboration

**Delegating wage bargaining to management** As part of the efforts to overcome the difficult business environment, the labor union delegated wage bargaining rights to the management in Mar 2017. The management status was shared through presentations in Apr-May 2017, followed by the pre-sentation on management strategies and the labor-management discussion to overcome crisis held in Jan 2018. Moreover, each workplace has a joint team comprised of labor and management to pursue shared goals. The labor union membership was 99.5% (853 employeeess) in 2017, and new union representatives (chairperson, branch leader) were elected in Sep and Nov 2017.

**Grievance resolution process** We hold a quarterly meeting of the Labor-Management Council (with the participation of the CEO) to promote communication and common interests between labor and management. We also have the Employment Security and Employee Encouragement Council to resolve grievances related to respect for human rights, anti-corruption, non-discrimination, etc. When a grievance is registered, the result of resolution is notified within ten days. In 2017, grievances were resolved 100% (total 177 cases) and there were no human rights issues such as discrimination.

Fair Compensation and Evaluation

**Prohibiting discrimination and protecting human rights** Along with the Code of Conduct for Employees, we set and follow the standards for human rights to guarantee the freedom of association and collective bargaining; protection against child labor, forced labor and exploitation of labor; non-discrimination; environmental protection; and prevention of corruption and bribery. We are also supporting our suppliers and partners to abide by the same standards.

**Evaluation and Compensation - ensuring fair evaluation and compensation & providing career development programs** We operate a performance management process, and review and discuss our performance three times per year. Performance ratings are given each year by the committee and new employees will receive the same base salary regardless of gender or profession. As of 2017, the base salary for new hires is 172% higher than the minimum wage. We are supporting all employees for self-development and providing those to be retired with opportunities for re-employment, startup, career management, and social participation.

**Supporting education for retirement** Yuhan-Kimberly has a retirement pension plan to provide employees with stable retirement benefits and old-age income security. We comply with the government guidelines on retirement payment and apply a progressive retirement payment system based on years of service. Since 2016, we have jointly developed education programs on the super-aged society with the Future Forum and been supporting the participation of our employees. Seven employees participated in 2017.

Developing and Nurturing Talents

**Introducing credit system self-managed by employees** Yuhan-Kimberly emphasizes the importance of life-long learning to its employees. In this regard, we introduced a credit system in 2016 and strengthened online education in 2017 to provide more opportunities of self-learning.

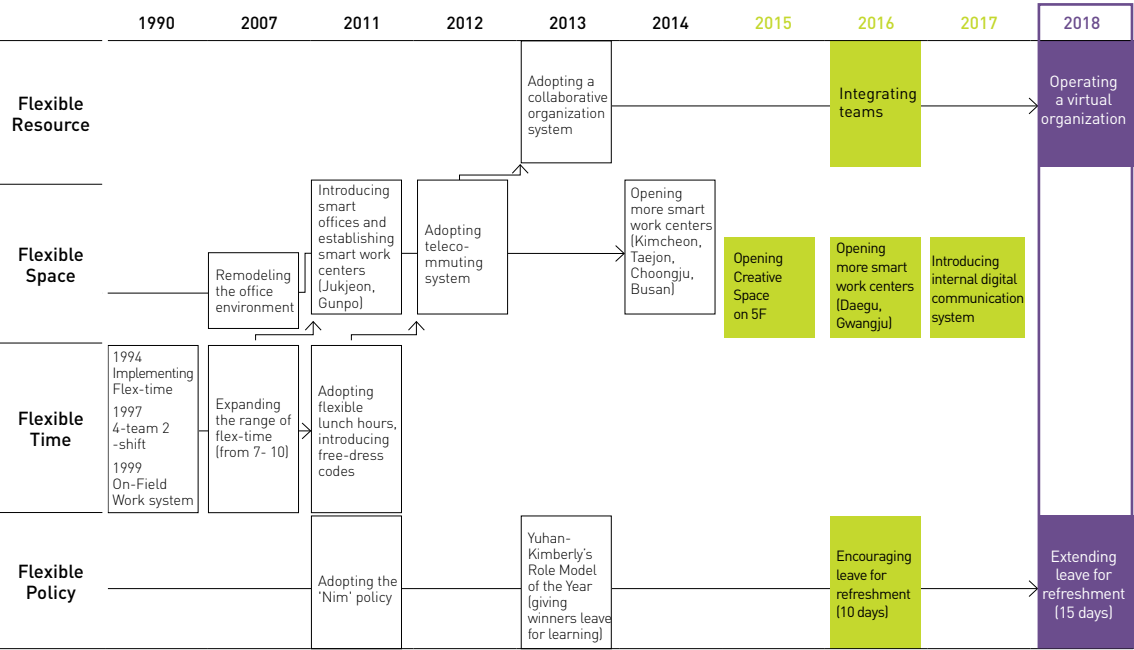
**Strengthening digital competency and securing diversity of employees** In 2017, we focused on strengthening the digital competency of our employees for big data analysis and utilization. A Social Championship Program was held for our marketing and support group employees, which will be expanded to all. For manufacturing employees, we have introduced smart manufacturing, and provided technical trainings and workshops. We also strived to diversify (female recruits 68.8%, experienced worker recruits 30.8%, 18 employees dispatched overseas) our talent pool in 2017.

Work-Life Balance for Employees



**Flexible work hours and continuous evolution of work spaces** We believe the happiness of employees is the source of corporate competitiveness. From the 1990s, we have introduced the Flex-Time Work scheme, On-field Work System for sales, and the 4-team 2-shift system along with the lifelong learning system for employees. Moreover, we adopted a family-friendly management policy according to life cycle stages to overcome the difficulties in the era of low-birth and aging society, which led us to acquire the certification of family-friendly company in 2008. We have revised the family-friendly concept in 2011, and built a more horizontal and flexible environment with the introduction of smart offices and smart work schemes. As a result, our employees are now able to enjoy more hours at home, while strengthening their smart work capabilities to respond to digitalization. In 2017, the office at Kimcheon mill was upgraded to a smart office, and the phone system in the headquarters was improved.

[Figure 3-16] Improvement in smart work



**Strengthening organizational flexibility** Yuhan-Kimberly introduced the 'Nim' policy and work groups in 2011. By allowing employees to call others by their names with the suffix 'Nim', not by their business titles, the 'Nim' policy has contributed to promoting horizontal communication and the culture of mutual respect. From 2014, we have also replaced the name "team" with "work group," and have made efforts to improve the flexibility of the organization itself from 2016.

**Introducing leaves for refreshment and learning** Yuhan-Kimberly is active in building the culture that encourages employees to take leaves. In 2016, we test operated a new system where annual leaves for refreshment will be designated in advance and our HQ employees would make plans accordingly. The system proved to be highly satisfactory among employees, so we officially introduced it in 2017 and extended the leave to 15 days per year from 2018. The culture of taking leaves is contributing to raising the level of satisfaction with life for our employees.

[Table 3-16] Types of newly adopted leaves

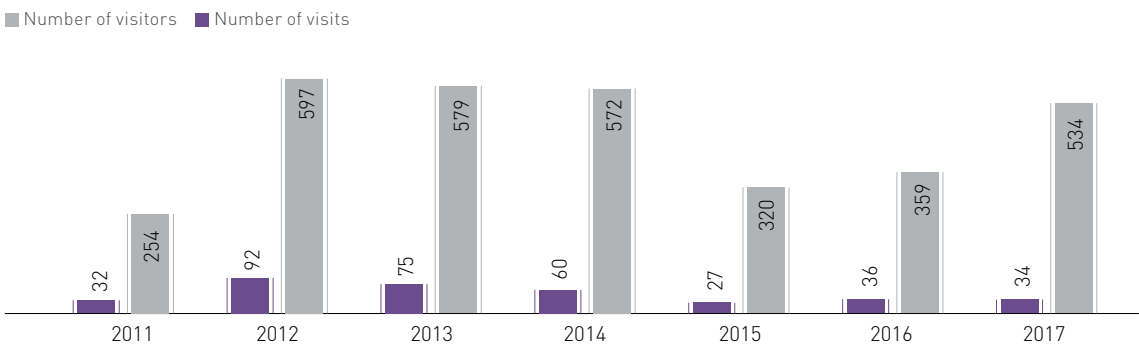
Category	Adopted year	Description
Refreshment leave	2016	Given to HQ employees, 10 days per year in 2016 to 2017, extended to 15 days per year in 2018. Provided as annual plan so that employees can take a leave for refreshment all at once.
Learning leave	2013	1 <sup>st</sup> winner of Yuhan-Kimberly's Role Model of the Year will be given a 4-week leave with a cash reward of KRW 10 million, 2 <sup>nd</sup> winner will be given a 2-week leave, etc.

**Building a successful organizational culture** In 2017, we implemented the Winning Culture project to promote a positive organizational culture. We have selected 6 best practices (from 496 participants) in 2017 (Apr-Dec), and have shared them through videos and on/offline newsletters.

**Social sharing of smart work** The smart office and smart work system we introduced changed the lives of our employees. It also led to many social and environmental achievements such as minimizing car movements and reducing the environmental burden, and enhancing the flexibility of commuting hours. Since 2011, Yuhan-Kimberly has been sharing its smart work experience with the society. In 2017, our story was shared with 534 people from 34 entities through direct visits.

\* Please refer to the page 34-35 for further information about family-friendly management policy.

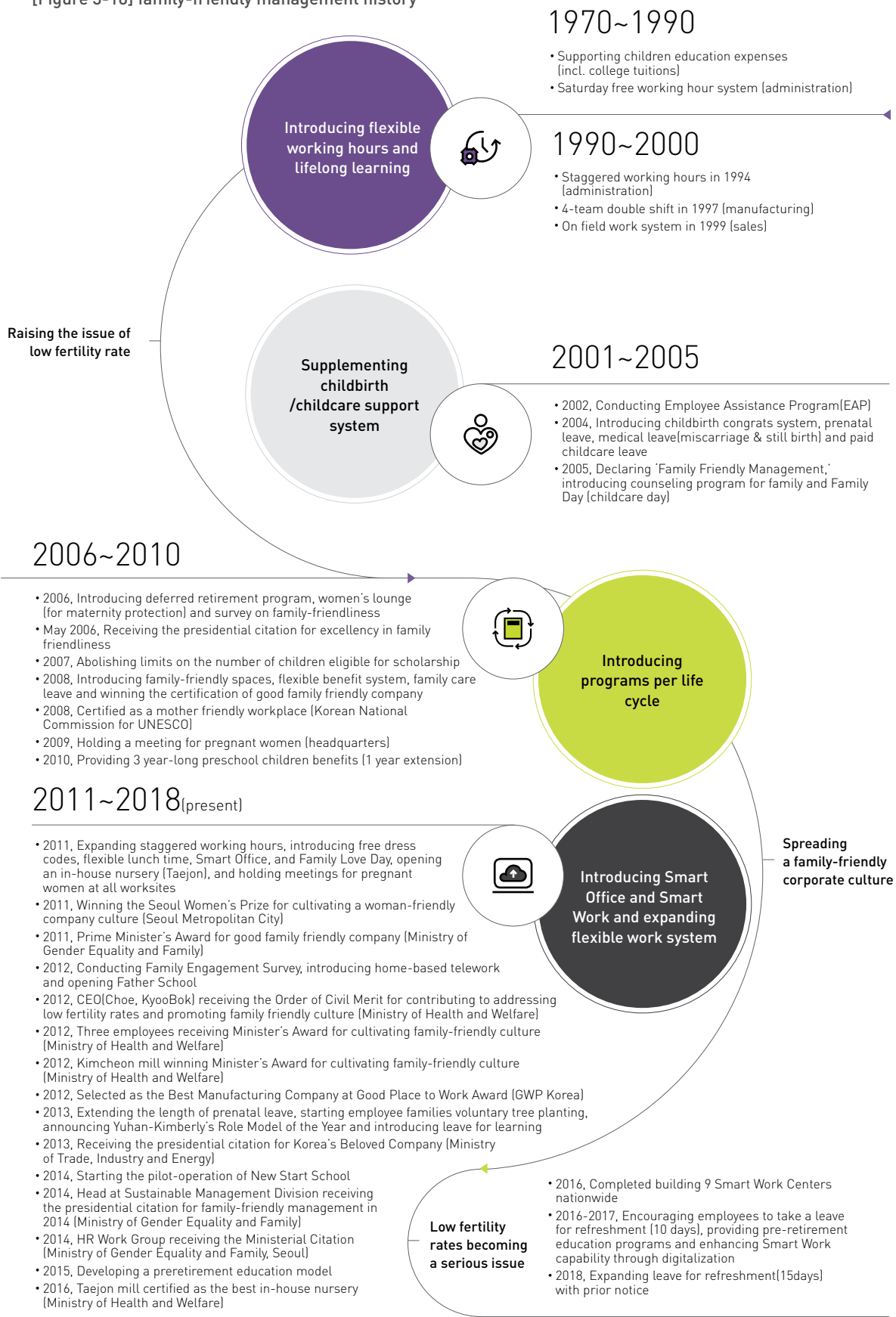
[Figure 3-17] Status of visits for benchmarking Yuhan-Kimberly's smart work



[Table 3-17] Digitalization training status in 2017

	Program name	Target	Trainer (unit: person)	Description	Period (month)
Production	Engineer capability building workshop	Engineers with less than 5 years of experience (3 times)	23	Strengthening basic of smart manufacturing	2017. 04-07
	Job training_ Smart manufacturing discussion	Job trainees in Job trainees in Taejon mill	100	Explanation base on module and system, smart supply chain, etc.	2017. 05-11
	System utilization training	Manufacturing division engineers	30	Training base on data collection, analysis, monitoring	2017. 08
	Engineer training for smart manufacturing	Manufacturing division engineers (2 times)	28	Introducing new technology for engineer	2017. 09-10
Marketing	Social Championship Workshop	Marketing and Support group (2 times)	38	Operating pilot program which adapt marketing cases	2017. 02-11
	E-commerce market analysis system utilization training	Sales, Marketing (13 times)	100	Analyzing e-commerce sales, distribution, etc.	2017. 02-08
For all employees	Big data analysis system utilization training	Related persons in charge (8 times)	37	Social listening program, etc.	2017. 03-12
	Digitalization training -HR development	For all employees	38	Job training and online training through e-learning system	2017. 01-06

[Figure 3-18] family-friendly management history



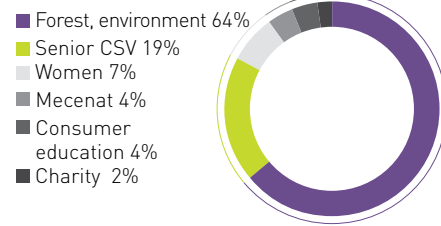
## Local Community

### We make more values in society through Forest&Environment, Women, Senior, and Charity

Yuhan-Kimberly fulfils its social responsibility and contribution as part of its core values to realize the mission and vision, 'Our Belief for a Better Life.' We carry out social responsibility largely in four areas and make the details public. Please refer to 25-35 pages for our CSR activities for women.

703,300 trees  
Number of trees for tree planting and afforestation

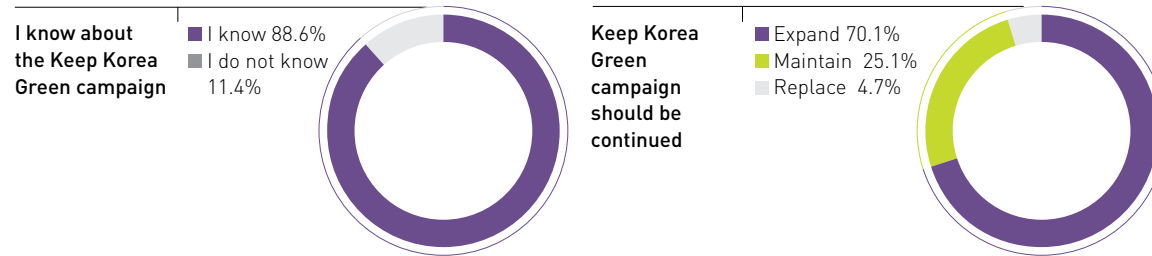
[Figure 3-19] Portfolio of CSR



[Table 3-18] CSR performance 

Category		Unit	2015	2016	2017	Accumulated
Forest, environment (Second stage)	Digital communication performance for Keep Korea Green campaign	Person	10,185	13,165	28,947	55,436(2014~)
	Forest creation and management area	m <sup>2</sup>		1,096,459	609,000	1,705,459(2016~)
	Number of trees (vegetation, high tree)	Tree		22,977	160,100	183,077(2016~)
	Participants (volunteer)	Person		2,273	2,787	5,060(2016~)
	Planting trees with newlyweds	Person	600	600	650	20,770(1985~)
	Green Camp participants (highschool girls)	Person	120	110	98	4,387(1988~)
Senior	Senior Forest School participants	Person		79	78	157(2016~)
	Job creation including senior manager, etc.	Job	45	119	129	459(2002~)
Women	Scholarship Fund for NGO Women Leadership	Person	72	70	36	667(2007~)
	'Love for life' newlywed school (overcoming low birth rate)	Person	166	180	288	1,660(2009~)
	Giving out feminine sanitary napkins	Person		699,786	13,888	713,674(2016~)
Donation	1% donation from monthly salary(low-income senior)	Person	1,277	877	1,042	3,196(2015~)
	100 people donation relay campaign (gender equality)	Person	793	861	1,253	5,243(2005~)

[Figure 3-20] Public awareness of Keep Korea Green campaign



\* Sep 2017, 1,000 participants, Feb 2018, 3,042 participants, participated in the survey

### CSR Activities for Forest&Environment Protection\_Keep Korea Green Campaign (1984~2017)

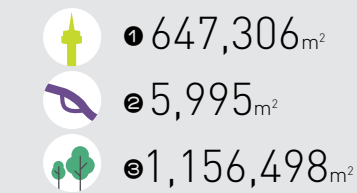
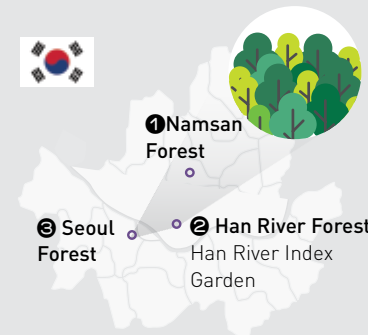
Yuhan-Kimberly has fostered the healthy development of society and forest environment over the last 35 years since 1984 by implementing the Keep Korea Green campaign. During the first stage (1984-2014, 30 year-long tree planting and afforestation), we achieved the goal of planting 50 million trees, and the projects in the second stage (2015-2025) are underway. Representative programs are Urban Forest for the coexistence of forest and human, Future Forest, Coexisting Forest, tree planting with newly-weds, Senior Forest School, and forest experience program for adolescent girls.

## PROJECT 1

### Urban Forest-A solution to Address the Micro Dust Issue

With the concentration of residential areas in big cities, Yuhan-Kimberly has led environmental changes by carrying out a school afforestation campaign since 1998. We have participated in forming Seoul Forest since 2003 and have carried out a neighborhood forest campaign since 2007. At present, we have urban forest project by forming forest together with civic groups and the city government at Namsan and the Han River in the metropolitan area.

[Figure 3-21] Urban Forest activities in 3 regions



**Regional progress** We formed Index Garden at the Han River from 2016 to 2017. We planted 2,343 trees and 3,710 flower roots at Ttukseom Han River Park and created a park of 5,995m², providing a resting space for visitors. The Garden created in 2017 was estimated to offset about 160 tons of carbon emissions. In 2013, the number of volunteers reached 1,250 and 10,513 trees were planted through the Han River Forest campaign.

[Table 3-19] Urban Forest performance

Category	year	Afforestation area (ha)	Afforestation (tree)	Participated citizen (person)	Activity
Performance	2015	809.74	4,694	70	Gardening of Han River index garden
	2016	2,031.47	70,089	524	
	2017	292.13	3,100	293	
	Total	3,133.34	77,883	887	

## PROJECT 2

### Coexisting Forest-A model for Future Forest of Korea

Yuhan-Kimberly launched the Coexisting Forest project in 2014 as part of its 'Keep Korea Green' campaign. The project aims to build a model for future forest of Korea over the next 10 years at public lands (407ha) in three areas (Kimcheon, Taejon and Choongju) with the help of government, a civic group (Forest for Life), local citizens and experts. In the environmental aspect, Coexisting Forests are expected to offset carbon emissions amounting to 56,000 tons over the next 10 years. In the social and economic aspects, forests generate social jobs as well as various types of services, such as senior volunteers and green gyms. From 2015 to 2017, a total of 3,767 people participated in the Coexisting Forest project and looked after 29,900 trees. The figure was estimated according to the forest carbon offset project plan.

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\_We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

### Report on Sustainable Management Performance

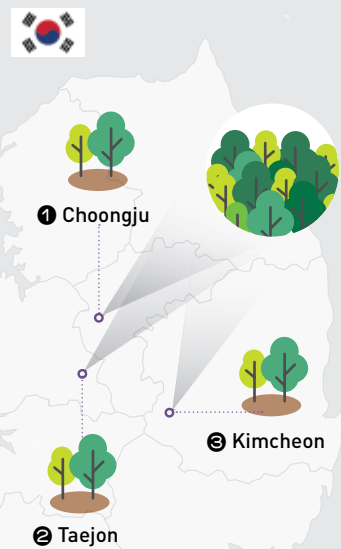
- Economic Performance
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[Figure 3-22] Coexisting Forest in 3 regions



**Regional progress** We made plans and built the foundation from 2015 to 2017. We designated years from 2018 to 2021 as those to expand the program and target and thus to encourage active participation. A joint agreement on afforestation was signed for coexisting forests in Kimcheon and Taejon in 2015 and 2016. Kimcheon forest project was active in 2017 and Taejon forest project will be boosted in 2018. For Coexisting Forest in Choongju, a joint agreement on afforestation is to be signed in February 2018, presenting a model that provides a healthy forest and welfare services to a local community.

[Table 3-20] Co-existing Forest performance

Category	Year	Available afforestation area (ha)	Afforestation area (ha)	Afforestation (tree)	Participated citizen (person)	Activity _Facility repair
Perfor- -mance	2015	-	3.5	10,500	625	Installing forest trail information board (15), name tag for tree (147), warehouse deck (1)
	2016	84.1	4	12,400	1,653	
	2017	26.4	2.6	7,000	1,489	
	Total	110.5	10.1	29,900	3,767	
Plan	2018	117.4	3	9,000		11 notice boards

① Daegok-ri, Judeok-eup, Choongju  
647,306m<sup>2</sup>

② Choo-dong, Dong-gu, Taejon  
1,210,000m<sup>2</sup>

③ Churyang-ri, Daedeok-myeon, Kimcheon  
2,220,000m<sup>2</sup>

### PROJECT 3



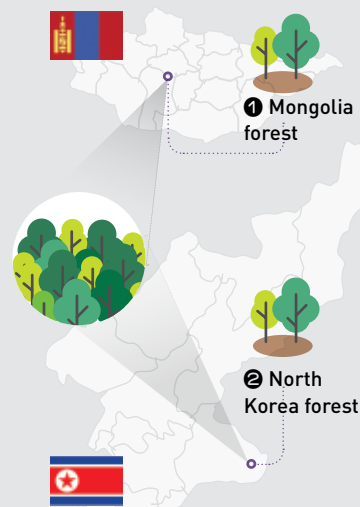
### Forests for the Future-Preparing for the Age of Forests beyond Borders and Environmental Cooperation

**Forests in North Korea\_ Seedling nurseries opened in Hwacheon in 2017** Yuhan-Kimberly has carried out a project to recover the damaged forests in North Korea based on its success experience with Keep

Korea Green campaign since 1984. We opened the Hwacheon seedling nursery (1.1 ha or 11,000 m<sup>2</sup>) in Gangwon-do in September 2017 and have grown seedlings for the forests in North Korea, preparing for the era of inter-Korean cooperation. The Hwacheon nursery consists of three greenhouse nursery units and five outside growth facilities that can grow up to 450,000 trees. 150,000 pine tree seedlings will be shipped firstly in 2018. We built the Geumgansan seedling nursery (3 greenhouse nursery units and 2ha sized outside units for up to 200,000 trees per year) and provided a total of 12,942,150 trees (758.75kg worth seeds and 543,397 trees) for forest restoration in North Korea as a joint project with Northern Regional Office of Korea Forest Service and Forest for Life.

Category	Unit	1984 -1998	1999 - 2009	Total
Afforestation for recovering the damaged forests in North Korea	Tree	12,894,595	12,897,995	25,792,590

[Figure 3-23] Future Forest in 2 regions



① Tujin Nars, Mongolia

32,500,000m<sup>2</sup>

② Hwacheon-si, Gangwon-do

11,000m<sup>2</sup>

### Afforestation in Mongolia\_Signing a 3-year agreement in

**2017** Yuhan-Kimberly has participated in forest restoration projects in Mongolia after embarking on an afforestation project in 1999 to prevent the desertification of Mongolia, one of the origins of yellow dust. We planted about 10 million trees (2003 to 2014, 3,250ha) in Tujin Nars whose forests were devastated by large-scale wild fire, generating environmental improvements and economic benefits. Since then, we have continued to look after planted trees by renewing the 3-year plan (2017 to 2019) with local residents and the Mongolian government. This presents a mature model for forests beyond borders. While selling products in the Mongolian market, we are also carrying out a number of CSR activities. The Northeast Asian Forest Forum[civic group] has joined the effort along the way.

[Table] Future Forest performance

Category	Year	Available afforestation area (ha)	Mongolia scholarship student(person)	Cultivating (sapling)	Activity _Facility maintenance
Perfor- -mance	2015	100	2		Installation of 15 notice boards
	2016	100	2		
	2017	100	2	150,000	Cultivating center (Sep 2017)
	Total	300	6	150,000	
Plan	2018	100	2	45,000	Installation of Mongolia observatory

### Keep Korea Green Programs for Stakeholder Engagement

**2017 Tree planting with the newlyweds (1985-2017)** Yuhan-Kimberly will continue to plant trees at the public land (140,000m<sup>2</sup>) of Yanggam-myeon, Hwansung-si for 5 years from 2017, cultivating a 'Forest for Newly Wed.' In 2017, 600 people including 500 newly-weds, social leaders, staff of Yuhan-Kimberly and Korea Forest Service gathered together to plant 8,000 fir and wild cherry trees. While planting trees for the next generation, the newly-weds were reminded of the value of forests. The event was jointly hosted by Peaceful Forest and Yuhan-Kimberly, and Korea Forest Service and the National Forestry Cooperatives Federation offered the land and guidance for tree planting.

**Operating a forest experience program for high school girls (1988-2017)** Yuhan-Kimberly operates the Green Camp which is a forest experience program for high school girls to promote their environmental leadership. In 2017, 49<sup>th</sup> Green Camp was held and 98 girls participated. The Green Camp is operated through cooperation with the National Institute of Forest Science. \* Please read the page 32 for details.

**2017 Discovery of Beautiful Forests (2010-2017)** Yuhan-Kimberly has hosted the Beautiful Forest Contest along with Forest for Life, taking the lead in discovering beautiful forests and conserving them. In 2017, we discovered 245 beautiful forests and designated 9 of them for preservation.

[Table 3-22] Discovery of beautiful forest through contests (unit: site)

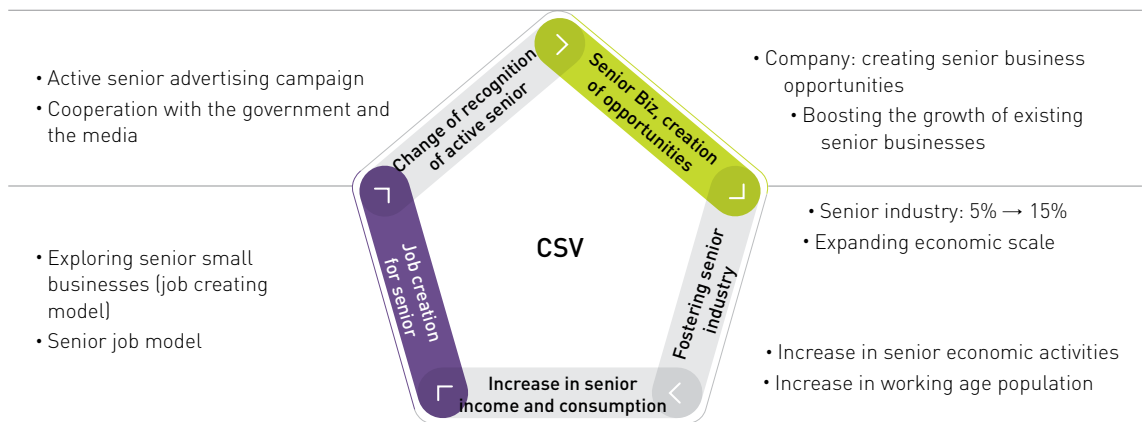
Category_year	2000-2009	2010	2011	2012	2013	2014	2015	2016	2017	Total (accumulated)
Number of the discovered beautiful forest	169	13	11	11	10	11	-	11	9	245

## CSR Activities in the Low-Fertility and Aging Society

### CSR Activity for Senior Citizens\_CSV

**Promoting senior business ecosystem and active senior campaign** Since 2012 Yuhan-Kimberly has led the development of CSV (Creating Shared Value) model to prepare for the aging society and to create new markets. We created ‘Senior Fund’ and fostered small senior businesses and social enterprises, expanding the job market for seniors. We planned the 29 Seconds Film Festival (308 entries) along with Korea Economic Daily to arouse sympathy with active senior life.

[Figure 3-24] Fostering senior industry, CSV model

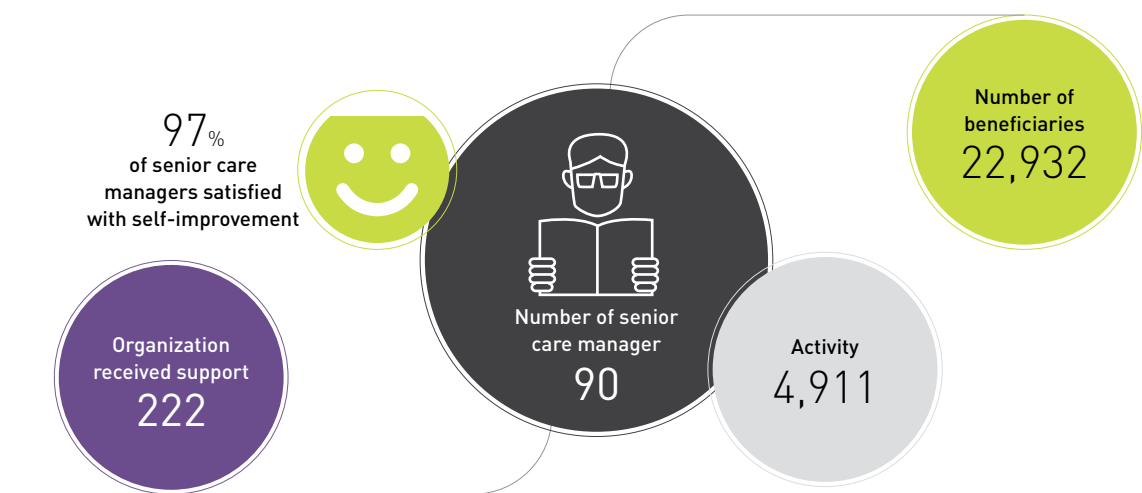


\* Reference video—<https://www.youtube.com/watch?v=HtwmlzHlcb8>, <https://www.youtube.com/watch?v=90ivYBHwbrM>

**Senior Care Manager Project (2016~2017)** Along with the Work Together Foundation, Yuhan-Kimberly sends out retired nurses and physical therapists aged over 55 years to elderly care facilities and day care centers. A total of 60 senior care managers worked at 146 facilities in 2017. The number will increase to 90 as 30 new managers will be added to provide services at 200 facilities.

[Figure 3-25] Senior Care Manager Project

\* Accumulated figure from 2016 to 2017



[Table 3-23] Performance in senior job creation with accumulated figures (2012~2017) (unit: person)

Category	2012	2013	2014	2015	2016	2017	Description of task
Senior care manager, fostering SMEs	17	52	150	187	297	426	Supporting senior facility, direct and indirect job creation
Fostering distribution system for senior industry	13	4	7	16	25	25	Managing stores and sales
Call center - Consultation for senior products	2	9	9	8	8	8	Consultation for senior products CRM
Total	32	65	166	211	330	459	

### Exploring and developing six small enterprises to foster senior industry ecosystem in 2017 (2012~2017)

Yuhan-Kimberly and the Work Together Foundation have fostered 6 small enterprises (32 in accumulation) and 6 kinds of products and services (71 in accumulation) until 2017. We plan to explore and foster five more small businesses.

[Table 3-24] Case study for supporting senior business growth

Name of organization	Product/service	Name of organization	Product/service
Say Global	Senior tutor for Korean language education	T School	4060 Creation School (knowledge-based start-up)
8cups	Smart bottle for right water/drink consumptions	Kongsaemi	Processed food development using local specialties
Withtory	Running the senior design brand 'Withtory'	Zero Space	Sustainable fashion for seniors

### Launching comprehensive living support services through public benefit retailers (2017~)

Yuhan-Kimberly started providing service support in partnership with 50 Plus Korean, a social entity, and Senior Hub Co. Ltd., a public benefit retailer. Senior product stores (golden friends store) and customer support centers preferentially hire seniors aged over 55 years. A total of 459 jobs have been created by 2017 through small enterprise exploration and development.

### CSR Activities for Seniors Preparing for Aging Society

**2017 Senior Forest School (2016~2017)** Yuhan-Kimberly has run 'Senior Forest School,' a back-to- mountain village program, two times a year targeting seniors who seek new ways of life in forests in the era of ageing society. 79 and 78 seniors participated in 2016 and 2017, respectively. This program is operated in partnership with the National Institute of Forest Science and Forest for Life, an environmental movement organization.

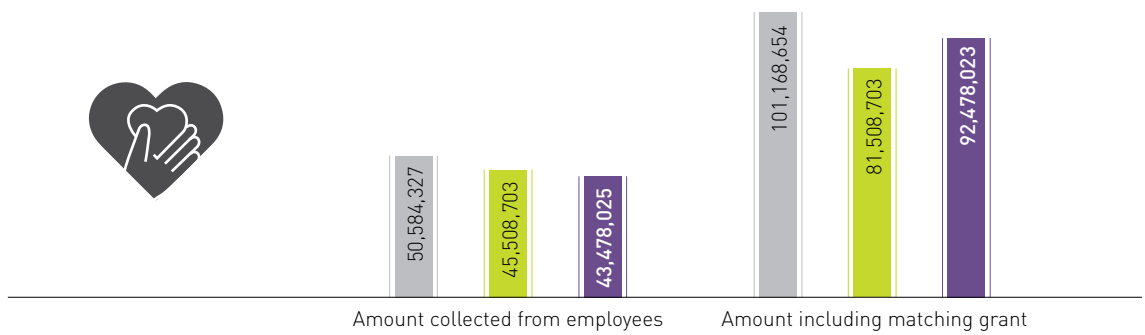


### CSR Activities for Marginalized Seniors in Ageing Society

**Donating 1 % of monthly salary with warm heart at the end of 2017** Employees at Yuhan-Kimberly participate in a donation campaign of giving out 1% of their monthly salary at the end of each year. When they donate 1% of their December salary, the company matches the same amount. In 2017, 1,042 employees participated, a 19% increase from the previous year, in the donation reaching KRW 92 million. The collected money was delivered through the Korea Medical Assistance Foundation to 2,502 seniors at 161 organizations including Seoul Center for Dementia, Gyeonggi Center for Dementia, five long-term care hospitals and Gwangjang Social Welfare Center.

[Figure 3-26] Donation amount of 1 % donation campaign by year (unit: KRW)

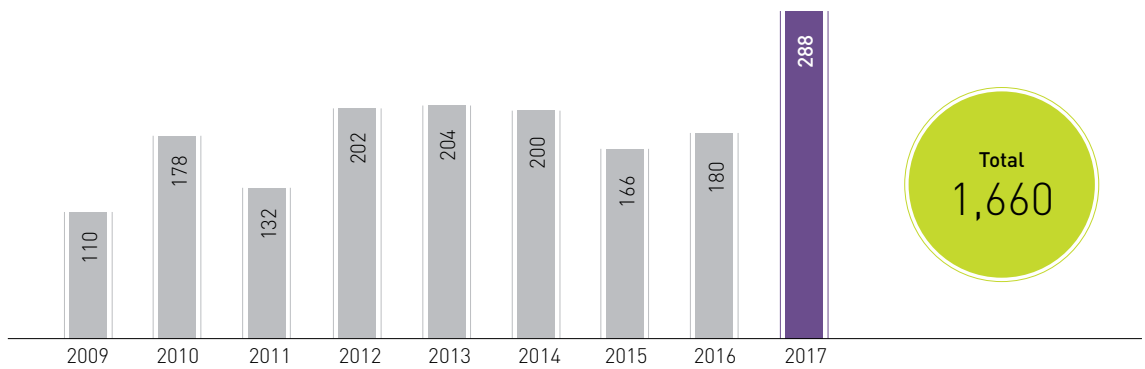
■ 2015 ■ 2016 ■ 2017



### CSR Activities to Emphasize the Importance of Life in the Age of Low Fertility

**Communication School for Newlyweds to overcome low fertility rates** Yuhan-Kimberly has run the Newly-Wed School in partnership with Seoul YWCA since 2009 as part of its CSR programs to overcome low fertility. The program helps newly-weds understand each other better and grow into happy parents through communication when they face conflicts after marriage. By learning the importance of life and family in the low fertility era, participants can build a sound family model. We have run the program 18 times from 2009 to 2017 with 1,660 participants. 2018 marks the 10<sup>th</sup> anniversary of the program and the goal is to reach 2,000 participants in accumulation.

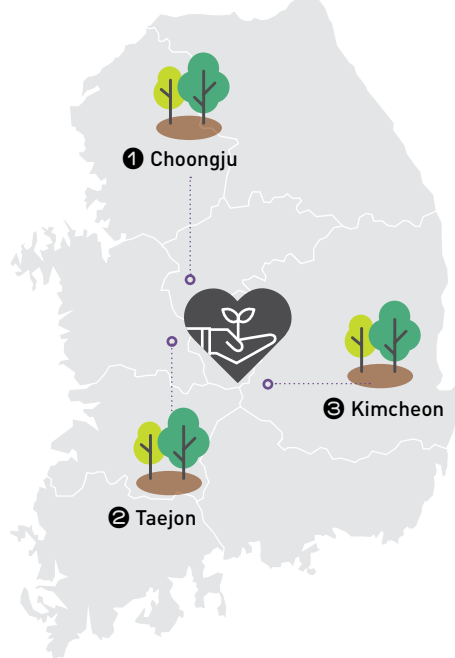
[Figure 3-27] Current status of Newly-Wed School (unit: person)



### Donation and Volunteering

**Annual tree planting by family volunteers (2013~2017)** Yuhan-Kimberly has held tree planting events with family volunteers since March 2012. On April 1, 2017, 401 employees and their families in Choongju, Taejon, and Kimcheon planted 5,700 trees. Employees at the headquarters planted trees in the Han River over two times as part of the Urban Forest campaign.

[Figure 3-28] Employee volunteering activity by year (planting)



		Unit	2015	2016	2017
Choongju	Participant	person	-	175	127
	Planted tree	tree	-	3,000	4,500
	Planting area	ha	-	1	1.5
Taejon	Participant	person	250	350	4,500
	Planted tree	tree	4,500	4,500	500
	Planting area	ha	1.5		1.5
Kimcheon	Participant	person	200	220	130
	Planted tree	tree	3,000	400	700
	Planting area	ha	1		0.5

**Employee volunteering hours reaching 3,395 hours in 2017** In addition to the CSR activities of the company, employees at Yuhan-Kimberly make a contribution to local communities and look after neighborhood around the year. The intranet has a page for volunteering in which employees set their goal and manage the progress. The total volunteering hours reached 3,395 hours in 2017 with the average volunteering per person of 2 hours.

**Development funds for three local communities** Three Yuhan-Kimberly factories provide development funds to local communities. Kimcheon mill donated KRW 90 million to Kimcheon Human Resource Development Foundation for scholarship over nine times from 2009 to 2017. Taejon mill has helped 'Save the Children' to publish local booklets on children's rights since 2016 and Choongju mill as carried out the Hope Sharing Campaign for low-income families along with Community Chest of Korea.

[Table 3-25] CSR activity of mills in 2017

Year	Mill	Program	Organization	Target	Amount
2017	Kimcheon	Fund for local community development	Kimcheon Human Resource Promotion Foundation	Scholarship for youth from low-income group	KRW 10 million
	Taejon	Education fund for rights of the children	Save the Children	Community child center, etc., producing educational material	KRW 10 million
	Choongju	Sharing Kimchi in Choongju region	Saemaeul Center, Choongju	Low-income group	KRW 3 million
		Hope Sharing campaign in 2017	Community Chest of Korea	Low-income group	KRW 7 million

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What Kind of Sharing does  
Yuhan-Kimberly Make for Society?

“Huggies launched a diaper donation campaign for premature babies.”

868,800  
Number of donating diapers  
for premature babies (pad)



Donating diapers for premature babies (new campaign in 2017) Yuhan-Kimberly conducted the CSR activities for newborn babies in the age of low fertility rates starting from 2017. Around 30,000 babies are born premature every year with underdeveloped organs in need of more care. Premature babies refer to those weighed under 2.5kg or born earlier than 37-week gestational age. They come to the world earlier than expected. Huggies produce small-size diapers (for babies weighed under 2.2kg) and medium-size diapers (for babies weighed about 3.5kg). Small-size diapers are sold at momQ and provided free for hospitals. We donated 868,800 diapers (about 6,000 boxes) in 2017.



Hope Bank-Employee Voluntary Program(donating diapers)

Donating diapers returned for size change (2012~2017) Yuhan-Kimberly launched the Hope Bank in 2013 along with local neighborhood and organizations to donate unopened diapers returned for size change. Employees repackaged diapers, feminine sanitary napkins and senior underwear and delivered them to low-income facilities, single mother facilities and social welfare facilities in the neighborhood. As returned diapers were shared with local communities, they generated social values as well as environmental values because they were not discarded to generate CO<sub>2</sub> and GHG emissions. The Hope Bank relay was conducted in all sites nationwide over four times in 2017. A total of 104 employees participated and 5,679 bags of diapers were delivered to local communities.

- Environmental benefit: 0.4tCO<sub>2</sub>e GHG emission reduction
- Economic benefit: reproduction of waste value (saving KRW 680,000 incineration cost)
- Social benefit: providing 3months’ worth diapers for 1,114 babies at 30 childcare support organizations in 4 regions.

[Table 3-26] Diaper donation in 2017

Category	Target	Year of beginning	Quantity	Amount of donation	Donating and distributing organization
Donating diapers for premature babies	Premature babies	2017	868,800pads	About KRW 70,000,000	MomQ and hospital (parents of premature babies)
Hope Bank donating diapers	Family in need	2012	5,679bags	KRW 37,977,855	Community Chest of Korea in Chungbuk, Taejon, Gyeongbuk (30 organizations in total) Single Mother Family Association, Korea Teenager Protection Association, etc.

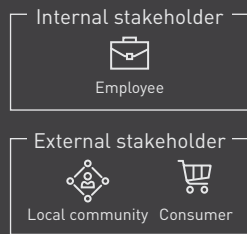
\* Amount of donation is caculated according to tax law.

Environmental  
Performance

Materiality Assessment  
Result

- Environment-friendly product development 5<sup>th</sup>
- Environmental management 8<sup>th</sup>
- Climate change 12<sup>th</sup>

Influential Stakeholders



Link to SDGs



MANAGEMENT APPROACH

We Will Do Our Best for  
Environmental Management in  
a Way to Respond to Climate  
Change



WHY IS THIS TOPIC IMPORTANT?

Climate Change poses the biggest threat to the humanity. Since the Paris Agreement in 2015, the world has responded to climate change to achieve the GHG reduction targets. Accordingly, companies are required to systematically manage carbon emissions and environmental impact of products spanning from the use of eco-friendly raw materials, their application and to recycling. As a personal hygiene product manufacturer, Yuhan-Kimberly takes the environment impact of production and consumption seriously, and makes efforts for healthy ecosystem.

WHAT IS OUR APPROACH?

Yuhan-Kimberly establishes and monitors the environmental management improvement plan for each place of business under its low carbon vision and environmental management system (ISO 14001). Moreover, the Sustainable Management 2022 Plan of Kimberly Clark is reflected on the programs of our business projects. We acquired the FSC CoC certification for diapers and underwear consumed in the domestic market in February 2018, promoting eco-friendly management from product design to manufacturing, let alone the compliance with laws and regulations.

HOW DO WE MANAGE THE PERFORMANCE?

Certified eco-friendly products	Waste recycling	GHG reduction effort	Rationalization of logistics bases
Performance in 2017			
17 eco-mark products are certified by FSC Coc. (as of February, 2018)	Waste recycling rates 97.5%	Exceeding the target of reducing GHG emissions compared to the allowed amount [33,651 tCO <sub>2</sub> e]	GHG emissions from transportation and delivery [9,535.597 tCO <sub>2</sub> e]
Future plan			
Expanding eco-friendly certification at home (eco-mark and carbon foot print) and abroad	Setting the target for waste minimization and monitoring the progress continuously	Meeting the GHG emission reduction target in 2018	Less than 4% of reverse-shipping rates and 70% of direct delivery rates in 2018

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People are our source of hope

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Environmental Achievements in Table

Category	Type	Unit	2010	2011	2012	2013	2014	2015	2016	2017
Environ-mental protection cost	Total cost	KRW 100 million	125.1	124.7	147.0	157,1	161,8	177,1	171,9	148,1
	Percentage to net sales	%	1.0	1.0	1.0	1,2	1.2	1.2	1.1	1.1
GHG emission	GHG emission allowance (goal)	tCO <sub>2</sub> e	-	-	209,598	164,386	175,606	238,130	243,016	236,637
	Total GHG emission	tCO <sub>2</sub> e	178,787	170,750	168,351	166,177	172,097	201,723	204,943	202,986
	Direct (Scope 1)	tCO <sub>2</sub> e	54,334	49,124	45,284	45,920	13,042	17,161	20,638	21,257
	Indirect (Scope 2)	tCO <sub>2</sub> e	124,456	121,630	123,069	120,260	159,058	184,564	184,308	181,730
	Intensity of GHG emissions	tCO <sub>2</sub> e/ product ton	0.748	0.792	0.736	0.745	0.735	0.779	0.812	0.865
Energy	Energy use	TJ	3,441	3,312	3,430	3,379	3,445	3,945	4,009	3,977
Water	Water use	m <sup>3</sup> /product ton	14.4	15.0	12.3	12.5	11.7	15.3	13.9	15.2
	Municipal water	m <sup>3</sup>	132,568	159,735	171,295	169,311	154,153	167,206	148,251	130,293
	Stream water	m <sup>3</sup>	2,765,717	2,737,461	2,650,303	2,650,303	2,650,303	3,719,091	3,332,427	3,401,403
	Industrial water	m <sup>3</sup>	480,537	284,636	71,146	61,892	42,360	38,480	36,060	29,914
Waste	Waste generation	ton/product ton	0.22	0.23	0.21	0.21	0.18	0.20	0.18	0.16
	Ratio of recycled waste	%	88.6	91.6	95.8	98.1	98.9	90.4	97.9	97.5
Recycle	Ratio of recyled paper use	%	39.0	39.5	33.5	33.5	29.9	33.4	29.8	20.2
	Domestic recycled paper	%	91.8	86.5	86.1	92.5	89.7	78.3	71.8	59.8
	Ratio of recycled water use	%	43.4	42.1	39.5	39.8	40.0	37.1	39.7	35.0
Water purity control	Treated water discharged		m <sup>3</sup> /product ton	11.6	12.9	10.6	10.7	10.2	13.5	12.4
	Water pollution	Total suspended solids	kg/product ton	0.027	0.025	0.020	0.023	0.022	0.041	0.043
		Biochemical oxygen demand	kg/product ton	0.015	0.012	0.012	0.008	0.008	0.013	0.015
		Chemical oxygen demand	kg/product ton	0.155	0.161	0.153	0.149	0.143	0.222	0.243
Air	Dust	kg/product ton	0.006	0.011	0.012	0.013	0.009	0.028	0.024	0.023
Cost for diaper waste		KRW 100 million	40	44	82	82	85	90	88	76
Cost for package recycle		KRW 100 million	6	6	7	6	7	9	9	9

\* Since the destruction of incinerators at Gunpo and Kimcheon mills in 2011, NOx and SOx emissions have become zero.

Minimizing Environmental Burden

[Figure 3-29] Link with 2022 Sustainability Strategy



\* Source Kimberly-Clark 2016 Sustainability Report

quarterly working-level meetings and potential issues and solutions are discussed together. Preventative activities are strengthened by conducting self-assessment of environment, health and safety and cross-evaluation using the ISO 14001 system at different business places. In February 2018, our diapers and underwear for the domestic market received the FSC CoC certification.

**Compliance with environmental regulations and continuant program upgrade** All of our business places comply with the Framework Act on Environmental Policy, Clean Air Conservation Act, Clean Water Conservation Act and Waste Control Act. Environmental data of effluent at Kimcheon mill is reported to the government through a remote water quality monitoring system. The program was upgraded in October 2017 to prevent system-related issues. No administrative disposition was imposed in 2017.

**Harmful substance management and leakage prevention** Yuhan-Kimberly uses all chemical substances through the pre-approval application process and proceeds with the purchase after review by safety, health and environmental personnel. Kimcheon and Taejon mills underwent off-site consequence analysis of chemical substances according to the Article 23 of the Chemicals Control Act (Preparation and Submission of Off-Site Consequence Analyses on Chemical Accidents). The factories received outside expert consulting (Dec. 2017) for report to the Ministry of Environment from 2019, and are preparing improvement reports for the government. We conducted education on chemical substances for health managers, periodic risk assessments and chemical substance updates. We carry out emergency training upon chemical leakage according to the in-house crisis response drill manual.

**Management by defining sustainable products** Even without relevant international standards, Yuhan-Kimberly has defined sustainable products according to five stages since 2013 and confirmed eligible product groups, brands and the number of products. As of February 2018, we hold 17 environmental labels and two forest certifications. We will continue our efforts to clarify the definition and criteria of sustainable products in detail.

202,986 tCO<sub>2</sub>e  
Exceeding the GHG emission target

**Preventative Approach to Environmental Problems**

**Vision and goal for environmental management** Yuhan-Kimberly establishes environmental management improvement plans and monitors each business place according to its low carbon vision and environmental management system (ISO 14001). 5 areas (social impact, forest & fiber, waste & recycling, energy & climate change and SCM) are examined under the Sustainable Management 2022 Plan of Kimberly Clark. Goals and execution status are reviewed at the

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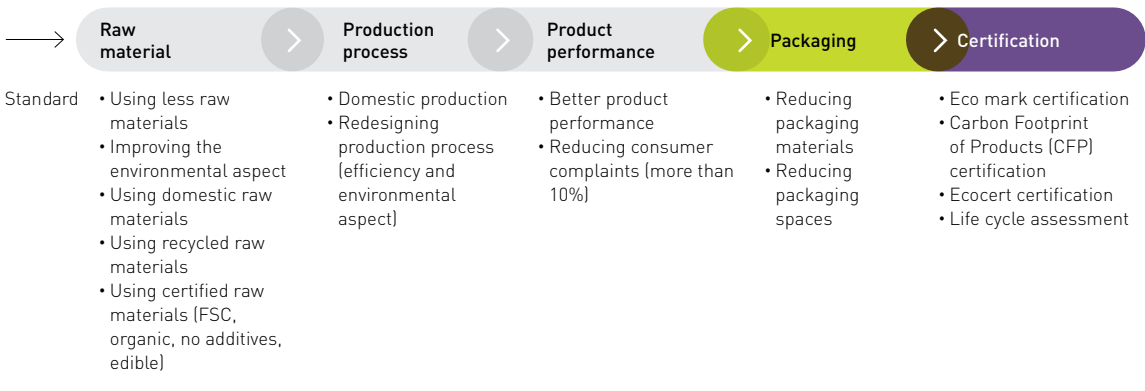
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[Figure 3-30] Sustainable eco-friendly product development



[Table 3-27] Yuhan-Kimberly’s sustainable product guidelines/minimizing environmental impact of products

Category	Strategic direction	Related products in 2017
Raw material	Using less raw materials, improving the environmental aspect, using domestic raw materials, using recycled raw materials, using certified raw materials (FSC, organic, no additives, edible)	<ul style="list-style-type: none"><li>• All products of dry cell hand towel (FSC CoC)</li><li>• Diaper and pants for domestic market (FSC CoC)</li></ul>
Production process	Domestic production, Redesigning production process (better efficiency and environmental aspect)	
Product quality	Reducing consumer complaints (more than 10%)	
Packaging	Reducing packaging materials, Reducing packaging spaces	
Product certification	Eco mark certification(refer to the left list)-17 types, CFP (Carbon Footprint of Products), OCS 100 certification, LCA (Life Cycle Assessment)	Kleenex dry cell hand towel standard F250S, R280, smart R180, R300, standard R160 Popee jumbo roll toilet paper 500m, 600m Popee embossing toilet paper 35m (2-ply), 50m (2-ply) Popee embossing jumbo roll toilet paper 300m, 500m Save toilet paper 50m (2-ply) Save jumbo roll 500m (1-ply), 250m (2-ply), 300 (2-ply) Kleenex cell air freshener, citrus scent

[Table 3-28] Yuhan-Kimberly’s major environmental certifications

Environment certification	Category	Period	Certification agency	Note
Business site	Green Company	2017.07.04-2020.07.03	Ministry of Environment	Taejon mill
		2018.02.20-2023.02.19	Ministry of Environment	Choongju mill
	ISO 14001	2016.10.04-2018.10.19	SGS	Taejon mill
		2016.12.24-2019.12.23		Kimcheon mill
		2016.12.05-2018.10.26		Choongju mill
Product	Excellent Business in Health Promotion	2011.08.30-2020.08.29	Ministry of Employment and Labor	Taejon mill
	FSC CoC[Forest Stewardship Council Chain of Custody]	2015.08.06-2019.06.13	FSC	Kimcheon mill, dry cell hand towel products
		2018.02.20-2023.02.19		Taejon mill, domestic diapers, pants
	Eco Labelling	2016/2017~ (products with diffetent period)	Korea Environmental Industry Technology Institute,	17 types in 2017 (Kleenex hand towel, Popee tissue, save jumbo roll, Kleenex air freshener, etc.)
	OCS 100 (Organic Content Standard 100)	2010-[different for each product]	Control Union	Good Feel Pure Organic Panty Liner Good Feel Pure Organic Pad – ultra slim/slim/over night (introduced in 2012) White Organic Cotton Tampon (introduced in 2015) La Nature Pad (introduced in January 2018)

## Support for Eco-Friendly Technology Development and its Spread

**Green purchase practice of buying eco-friendly pulps** Yuhan-Kimberly emphasizes the eco-friendliness of the entire manufacturing process including purchase of pulps. By doing so, we provide consumers with opportunities to use green products and seek sustainability through the effective use of resources. Complying with green purchase policies, we purchased KRW 963 worth FSC certified pulps in 2017. The entire production line of Kleenex dry cell hand towel at Kimcheon mill acquired the FSC CoC (Forest Stewardship Council, Chain of Custody) certification and received annual confirmation according to certification standards. We follow international guidelines by expanding certification and evaluating annual follow-up management. Moreover, we use eco-friendly raw materials at the production development stage and keep monitoring our efforts to reduce the environmental load of product life cycle.

[Table 3-29] Acquisition of FSC CoC certification

Name of product	Mill	Acquired time	Certification period
The entire production process of Kleenex dry cell hand towel	Kimcheon mill	August 2015	2015.08.06-2019.06.13
Diapers and underwear for the domestic market	Taejon mill	February 2018	2018.02.20-2023.02.19

**Using domestic recycled papers for 59.8%** Pulps and recycled papers are raw materials used for hygiene paper products such as toilet papers produced at Kimcheon mill. Recycled papers are divided into domestically recovered papers or imported ones. In 2017, the rate of recycled paper use was 20.2% and 59.8% of them was domestic ones.

**Installing new feeder system to reduce chemicals for wastewater treatment** Kimcheon mill tested the anion coagulant feeder system to use less amount of polymer coagulant and improve sludge dehydration rates. After tests were proved effective, we invested KRW 70 million in October 2017 and installed the new feeder system. As a result, the amount of coagulant used for one ton of sludge was down from 2.24kg to 1.65kg. The amount of chemicals used for wastewater treatment was minimized by monitoring changes in wastewater properties. In total, we saved KRW 40.3 million (16%) out of chemical costs for wastewater treatment (KRW 245.3 million) in 2017.

**Replacing environmental facilities to reduce water pollutants** We spent KRW 400 million on Gimchoen Mill from June to December 2017 to replace aging waste water treatment facilities (interior structure of 1st sedimentation tank and underground sludge pipes) to prevent possible environmental accidents. We also exchanged the interior structure of the cooling tower to improve water treatment efficiency that was tempered by rising wastewater temperature in summer. By doing so, Kimcheon mill lowered the COD (chemical oxygen demand) from 21.9 mg/l (June–September 2016) to 17.7 mg/l in 2017.

## Effective Resource Utilization

**97.5% recycling of all site waste** We set the target for gross amount of wastes and wastes per manufactured product and monitors the daily status to minimize wastes at production sites. As for diaper production, the target waste amount was set separately for raw materials, subsidiary materials and discarded products to minimize wastes created from the entire manufacturing process. 97.5% of wastes from production were reused, recycled or incinerated and landfill was avoided. In 2017, 97.5% of wastes were pulp sludge, defective diapers and remnants from raw/subsidiary materials. The rest 2.5% were miscellaneous wastes and paper powders from air pollution prevention facilities. Leftover cloths from nonwoven fabric factories were reprocessed as raw materials to minimize waste amount during production process. The total amount of waste was 37,919 ton in 2017, a 16.5% down from the previous year. Wastes for a ton of manufactured products was 0.16 ton, down 11% from the previous year. We plan to improve the recycling rates by discovering paper power recycling companies in 2018.

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**Efforts to reduce energy use** Taejon mill saved 1,836 tons of steam usage (worth KRW 84 million) in 2017 by reusing the waste heat created from producing cloth for wet wipes for heating during winter. We also annually saved 220,000kWh by using high efficiency waste transport pans at waste treatment zones. We also installed the centralized panel and control system to have light only upon entry and re-placed outside light (250 → 80W) and floodlight (400 → 100W) with high efficiency LED lighting, saving 130,000kWh (worth KRW 14million). Kimcheon mill accounts for 85% of energy consumption at Yuhan-Kimberly. We evaluated its energy reduction potential through diagnosis in March 2018 and found out an improvement opportunity of annually saving KRW 2.5billion. We plan to embark on the improvement plan starting from the 3<sup>rd</sup> quarter, 2018.

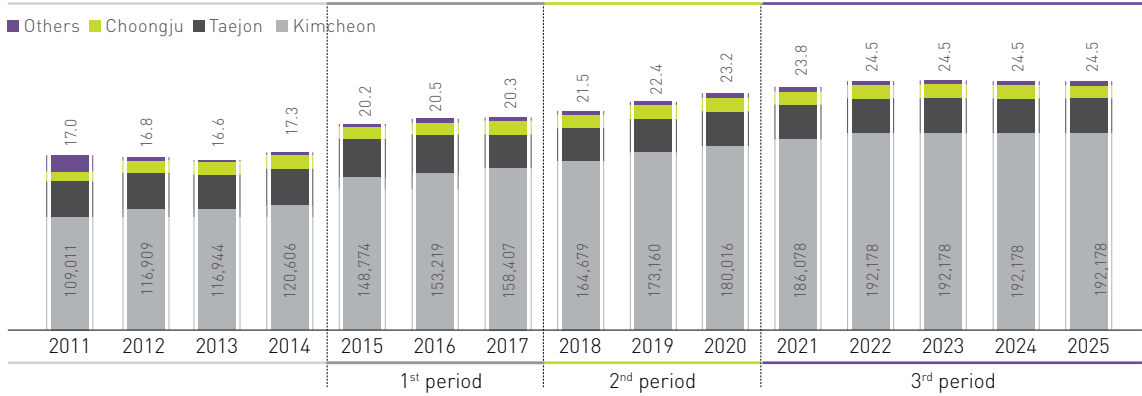
**Efforts to use less water and to reuse more** In October 2017, Kimcheon mill newly replaced two micro filtration automatic filters used to recycle treated waste water. This reduced the amount of clean water used when water treatment facilities went wrong or when the amount of recycled water was instantaneously in short supply. After the replacement, water usage was reduced by 0.2m<sup>3</sup> compared to the previous year (25.0m<sup>3</sup> per a ton of products) and water-recycling rates went down by 5.0%p (35%).

**Implementing Waste Charge and EPR (Extended Producer Responsibility) system** We paid KRW 7.6 billion in 2017 as diaper waste charge. We complied with EPR (films and packaging materials 66.6% and containers 80.8%) and paid KRW 800 million for recycling fees. The diaper waste charge system has been in place since 1993.

## Responding to Climate Change

**Exceeding the 2017 GHG emission target (236,637tCO<sub>2</sub>e)** Yuhan-Kimberly set the energy consumption target and has strived to meet the GHG emission reduction goal. We emitted 202,986tCO<sub>2</sub>e (direct 21,257tCO<sub>2</sub>e, indirect 181,730tCO<sub>2</sub>e) in 2017, exceeding the GHG emission target set by the government. The result of the previous year will be certified in May 2018 by the Greenhouse Gas Inventory and Research Center. Using the Emissions Trading Registry System, the excess of GHG reduction (33,651tCO<sub>2</sub>e) will be carried forward to the 2<sup>nd</sup> period or sold through over-the-counter market. We will reinvest the earned money in improving the manufacturing environment and energy facilities or use it wisely for the 2<sup>nd</sup> stage emission trading system.

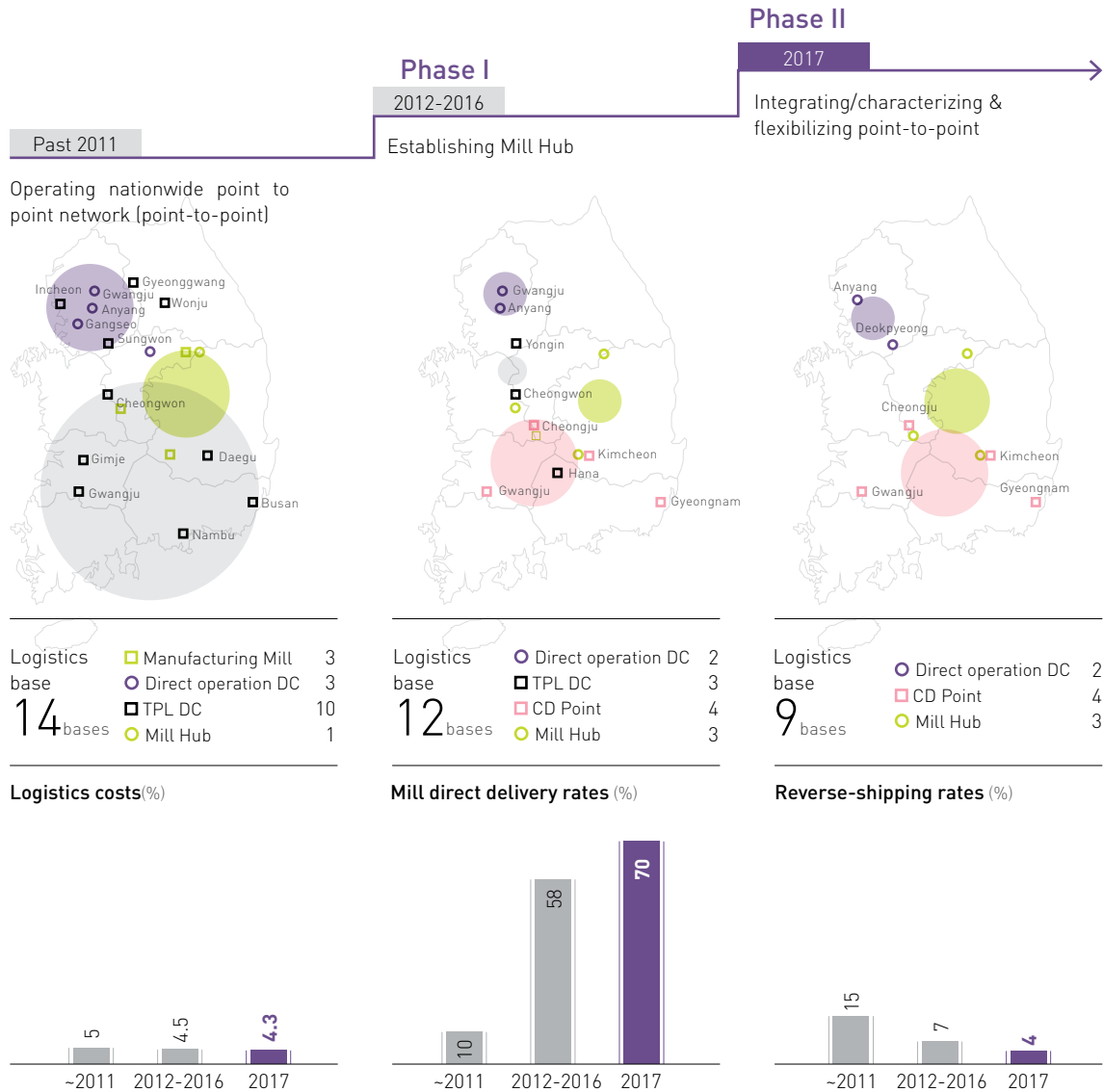
[Figure 3-31] Yuhan-Kimberly's current GHG emission and mid and long-term prospects (unit: 10,000 ton)



### Future tasks in 2018

- Revising eco mark certification standards for Kleenex dry cell hand towel (40gsm)
- Redefining sustainable products and subdividing categories
- Expanding domestic (eco mark and carbon footprint) and international eco mark certifications
- Establishing Yuhan-Kimberly Environment 2022 Vision

[Figure 3-32] Innovation history in distribution network



## Green logistics-reducing environmental impact through network rationalization

Yuhan-Kimberly has carried out the logistics network rationalization project for effective shipping and transportation, integrating existing 12 bases into 9 in 2017. As a result, we reduced environmental impact from transportation and transportation lead-time and saved KRW 350 million. In 2017, 3,434,838.189kl diesel was used for transportation and delivery, emitting GHG 9,535.597tCO<sub>2</sub>e. We plan to lower the reverse-transportation rates among bases below 4% and improve factory direct delivery to 70%. Diesels used for transportation and GHG emissions are excluded from the emission report and verification. However, we have operated the logistics system in which products were delivered to distribution centers or retailers directly from mills in order to reduce the GHG emissions and to realize green logistics.

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To the Readers of YK 2018 Sustainability Report:

### Foreword

Korea Management Registrar Inc.(hereinafter “KMR”) has been requested by of Yuhan-Kimberly (hereinafter “YK”) to verify the contents of its 2018 Sustainability Report (hereinafter “the Report”). YK is responsible for the collection and presentation of information included in the Report. KMR’s responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

### Scope and standard

YK describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMR’s assurance team(hereinafter “the team”) evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standard indices as below, where professional judgment of the team was exercised as materiality criteria

- GRI Reporting Principles
- Universal Standards
- Topic Specific Standards
- Management Approach
- Economic Performance
- Indirect Economic Impacts
- Anti-Corruption
- Materials
- Energy
- Water
- Emissions
- Effluents and Waste
- Environmental Compliance
- Indirect-Economic Impacts
- Employment
- Labor/Management Relations
- Occupational Health and Safety

- Training and Education
- Diversity and Equal Opportunity
- Non-Discrimination
- Freedom of Association and Collective Bargaining
- Child Labor
- Forced or Compulsory Labor
- Supplier Social Assessment
- Customer Health and Safety
- Customer Privacy

This Report excludes a data sand information of joint corporate, contractor etc. which is outside of the organization, i.e. YK, among report boundaries.

### Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

### Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with YK on the revision of the Report. We reviewed the Report’s final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

**Inclusivity** Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability

- YK is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder YK left out during this procedure.

**Materiality** Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

- YK is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

**Responsiveness** Responsiveness is an organization’s response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

- The assurance team could not find any evidence that YK’s counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the ‘Core Option’ of GRI standard.

### Recommendation for improvement

We hope the Report is actively used as a communication tool for stakeholders and recommendation for improvements.

- **Continuous Improvement of Assessment and Compensation System:** Appropriate evaluation and reward systems are very important in sustainability management. In the future, it is advisable to review key performance indicators (KPIs) from the CSR perspective and develop and encourage sustainability of Yuhan-Kimberly

### Our independence

With the exception of providing third party assurance services, KMR is not involved in any other YK’s business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

May 8<sup>th</sup>, 2018  
CEO Hwang Eun Joo



황은주

[Table 6-1] Reflected cases from recommendations of external assurance.

Topic	Recommendation of third party’s assurance	Applied cases on 2018 Sustainability Report
Responsiveness	Keep the balance between positive and negative issues	Reporting details of products safety regarding wet wipe and sanitary pad
Collecting the opinions of material topics	Encouraging to increase the number of stakeholders for survey	increasing people through SNS Channel
Sustainability data management	Sustainable quantitative data management as a sustainability	mid- and long-term sustainable data
Enhancing accessibility of report	Improving transparency and accessibility via web report.	maintaining web/mobile report and better service

### Yuhan-Kimberly Sustainable Management

- Yuhan-Kimberly Overview and Value Chain of Sustainable Management
- CEO Message
- Sustainability Management Organization
- Vision and Keywords
- Corporate Governance and Ethical Management
- Crisis Management
- Communication with Stakeholders
- [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

### 2018 Sustainability Management Highlights “Yuhan-Kimberly and Women”

- Protection of Women’s Rights \_We Will Take the Lead in Protecting Women’s Rights to Make Sure that Difference does not Become Discrimination
- Enhancement of Women Leadership \_We cooperate with Society to build women leadership up; Adolescent girls, female NGO, and women employees

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### Appendix

#### Third Party’s Assurance Statement

- GRI Index
- UN Global Compact Participating in the Singing Ceremony to Support the UN Global Compact 10 Principles and SDGs
- UN Sustainable Development Goals
- Yuhan-Kimberly’s Partners and Association Membership
- Stakeholder Engagement and Management Applies
- Major Awards



GRI\* Index

2018 Yuhan-Kimberly Sustainability Report highlights 21 material topics drawn from materiality assessment.

Standards	Index	UN SDGs	UNGC	WEPs**	Reporting page
UNIVERSAL STANDARDS (GRI 100)					
102-1	Name of the organization		22		5
102-2	Activities, brands, products, and services			5	5
102-3	Location of the organization's headquarters				5
102-4	Location of operations				5
102-5	Nature of ownership and legal form				15
102-6	Markets served				5
102-7	Scale of the organization				5
102-8	Total workforce by employment type, employment contract and region	8			5
102-9	Description of the organization's supply chain		2		4-5
102-10	Significant changes to the organization's size, structure, ownership, or supply chain				No changes made
102-11	Precautionary Principle or approach				17
102-12	External initiatives	15, 16, 17, 18		7	82-83
102-13	List of the main memberships of industry or other associations				83
102-14	A statement from the most senior decision-maker of the organization		1, 19, 9, 10		8-12
102-15	Key impacts, risks, and opportunities				17
102-16	Organization's values, principles, standards, and norms of behavior	16			14
102-17	A description of internal and external mechanisms for ethics and compliance	16	12, 13, 14		16
102-18	Governance structure of the organization		2		15
102-22	Composition of the highest governance body and its committees	5, 16			15
102-23	Whether the chair of the highest governance body is also an executive officer in the organization	16			15
102-27	Measures taken to enhance the highest governance body's knowledge				15
102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management		20		15
102-32	The highest committee or position that formally reviews and approves the organization's sustainability report				15
102-35	Remuneration policies for the highest governance body and senior executives for the following types of remuneration				15
102-38	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees				15
102-40	A list of stakeholder groups engaged by the organization				19
102-41	Percentage of total employees covered by collective bargaining agreements	8	7, 8		56
102-42	he basis for identifying and selecting stakeholders				19
102-43	Stakeholder engagement				19
	Customer sastisfaction				50
102-44	Key topics and concerns raised				19
102-45	Entities included in the organization's consolidated financial statements				Annual report
102-46	Process for defining the report content and the topic Boundaries				2
102-47	Material topics identified in the process for defining report content				18
102-48	Restatements of information given in previous reports				No restatement made
102-49	Changes in reporting				2
102-50	Reporting period for the information provided				2
102-51	The date of the most recent previous report				2
102-52	Reporting cycle				2
102-53	The contact point for questions regarding the report or its contents				2
102-54	Claims of reporting in accordance with the GRI Standards		21		2
102-55	GRI content index				2
102-56	External assurance				78-79

\* Global Reporting Initiative

\*\* UNGC Women's Empowerment Principles

Standards	Index	UN SDGs	UNGC	WEPs**	Reporting page
MANAGEMENT APPROACH (GRI 103)					
103-1	Explanation of the material topic and its Boundary				26, 30, 37, 45, 69
103-2	The management approach and its components	1, 5, 8, 16			
103-3	Evaluation of the management approach				
ECONOMIC PERFORMANCE (GRI 200)					
201-1	Direct economic value generated and distributed	1, 2, 5, 7, 8, 9			38
201-2	Financial implications and other risks and opportunities due to climate change	8, 13			41
201-3	Defined benefit plan obligations and other retirement plans				56
203-1	Infrastructure investments and services supported	2, 5, 7, 9, 11			60-68
203-2	Significant indirect economic impacts	1, 2, 3, 8, 10, 17			60-68
205-1	Operations assessed for risks related to corruption	16			16, 53
205-2	Communication and training about anti-corruption policies and procedures	16			16
205-3	Confirmed incidents of corruption and actions taken	16			16
ENVIRONMENTAL PERFORMANCE (GRI 300)					
301-2	Recycled input materials used	8, 12			73
301-3	Reclaimed products and their packaging materials	8, 12			74
302-1	Energy consumption within the organization	7, 8, 12, 13			74
302-4	Reduction of energy consumption	7, 8, 12, 13			74
302-5	Reduction in energy requirements of products and services	7, 8, 12, 13			71
303-3	Water recycled and reused	6, 8, 12			70, 74
305-1	Direct (Scope 1) GHG emissions	3, 12, 13, 14, 15			70, 74
305-2	Energy indirect (Scope 2) GHG emissions	3, 12, 13, 14, 15			70, 74
305-4	GHG emissions intensity	13, 14, 15			70
305-5	Reduction of GHG emissions	13, 14, 15			70
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	3, 12, 13, 14, 15			70
306-2	Waste by type and disposal method	3, 6, 12			70
306-3	Significant spills	3, 6, 12, 14, 15			71
307-1	Non-compliance with environmental laws and regulations	12, 13, 14, 15, 16	11		71
308-1	New suppliers that were screened using environmental criteria				53
SOCIAL PERFORMANCE (GRI 400)					
401-1	New employee hires and employee turnover	5, 8			46
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	8		3	57-59
401-3	Parental leave	5, 8		2	46
402-1	Minimum notice periods regarding operational changes	8			56
403-1	Workers representation in formal joint management-worker health and safety committees	8			55
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	3, 8			46
404-1	Average hours of training per year per employee	4, 5, 8			46
404-2	Programs for upgrading employee skills and transition assistance programs	8		4	56
404-3	Percentage of employees receiving regular performance and career development reviews	5, 8			56
405-1	Diversity of governance bodies and employees	5, 8			15, 46
405-2	Ratio of basic salary and remuneration of women to men	5, 8, 10		2	56
406-1	Incidents of discrimination and corrective actions taken	5, 8, 16		1	55-56
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	8	6		55
408-1	Operations and suppliers at significant risk for incidents of child labor	8, 16	3		56
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	8	4, 5	6	56
414-1	New suppliers that were screened using social criteria	5, 8, 16			53
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	16			55
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	16			50

Yuhan-Kimberly  
2018  
SUSTAINABILITY  
REPORT  
People are our source of hope

Yuhan-Kimberly  
Sustainable Management

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Management

- CEO Message

- Sustainability Management  
Organization

- Vision and Keywords

- Corporate Governance and  
Ethical Management

- Crisis Management

- Communication with  
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- [Yuhan-Kimberly Preparing  
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## UN Global Compact

**Yuhan-Kimberly’s commitment to the UN Global Compact principles** Since signing up for the UN Global Compact in 2007, Yuhan-Kimberly has complied with 10 principles on human rights, labor, environment and anti-corruption. We submit the COP (Communication on Progress) every year and will fulfill our social responsibility by continuously practicing the principles.

[Table 4-2] Activity for responding to UNGC

Category	Principle	Our regulation	Our effort	Reporting page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	• Management policy [human rights] • Article 35, Personnel Rules and Regulations [status guarantee] • Code of Conduct [considerations for employees] • Article 27, Chapter 2, CBA [relief of unfair disciplinary action]	• Company-wide training on the Code of Conduct (once a year, 7 times) • Training on sexual harassment prevention • CEO’s declaration to support the achievement of SDGs (Sept. 2017)	16 16 11
	2. make sure that they are not complicit in human rights abuses.	• Guidelines on personal information protection • Guidelines on partner selection [sound ethics of the organization] • Items for partner evaluation [pay and employment]	• Complying with the obligation of protecting personal information [certified] • Introducing fair trade self-compliance program • Regularly evaluating partners on human rights (61 tier1 partners)	19 16 53
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	• Article 10, Chapter 2, CBA [assurance of union activity] • Article 11, Chapter 2, CBA [prohibition of unfair labor practices] • Article 66, Chapter 7, CBA [labor-management council, grievance committee members, grievance committee] • Article 75, Chapter 9, CBA	• Labor union membership 99.5% • Labor-management council on a quarterly basis, a total of four times • Grievance committee on a quarterly basis, a total of four times • Wage bargaining once a year	55 19 55 56
	4. the elimination of all forms of forced and compulsory labour;	• Article 21, Chapter 3, work rules [overtime, night, holiday work] • Article 35, Chapter 4, CBA [extended, night, holiday work]	• Extended, night and holiday work are conducted under labor-management agreement • Exclusion of pregnant workers from harmful and risky work places/prohibition of night duty for pregnant workers • Items for partner evaluation [wage and employment]	56 59 53
	5. the effective abolition of child labour; and	• Article 18, Chapter 3, work rules [working hours] • Article 34, Chapter 4, CBA [working hours]	• No employees aged under 18 • Items for partner evaluation	56 53
	6. the elimination of discrimination in respect of employment and occupation.	• Article 89, Chapter 9, work rules [prohibition of gender discrimination] • Article 45, Chapter 5, CBA [equal pay for work of equal value] • Chapter 2, Code of Conduct [Considerations for employees]	• Equal starting wages for male and female college graduates • Female workforce ratio [office workers 36.4%, senior management positions 12.9%]	56 46
Environment	7. Businesses should support a precautionary approach to environmental challenges;	• Purchase principles [eco-friendly raw material purchase and production] • Environmental management principles [environmental load minimization] • Environmental management principles [prevention of environmental accidents]	• Annual green purchase worth KRW 9.63 million • Environmental management education for employees and partners	73 71
	8. undertake initiatives to promote greater environmental responsibility; and	• Core value-based [social responsibility and contribution] environmental conservation activities • Chapter 2, Code of Conduct [environmental protection] • Purchase philosophy [mutual profit generation by cooperating with partners] • Environmental management principles [leading role in environmental protection campaign]	• Forest protection campaign • The best company in Win-Win growth • Including social responsibility items for partner evaluation	58 52 51
	9. encourage the development and diffusion of environmentally friendly technologies.	• Purchase philosophy [support for good product manufacturing technological innovation] • Environmental management principles [constant environmental improvement] specifying efforts for reduction, recycling and reuse	• Introducing innovative products • Waste recycling rates : 97.5% • Sustainable management of products	41 70 68
	10. Businesses should work against corruption in all its forms, including extortion and bribery.	• Chapter 2, Code of Conduct [specified gift and treatment criteria] • Chapter 2, Code of Conduct [prohibition of giving money to public officials] • Chapter 11, work rules [particulars of prohibition] prohibition of rewards, gifts and feast • Chapter 2, Fair trade voluntary compliance manual [considerations per work type], Chapter 4 [practical application checklist]	• Company-wide training on the Code of Conduct (once a year, July) • Anti-corruption training [separate from online training] • Actively conducting fair trade self-compliance training • Partners submitting the ‘Certification of Compliance’	16 16 16 16

## Participating in the Singing Ceremony to Support the UN Global Compact 10 Principles and SDGs

Yuhan-Kimberly participated in the signing ceremony to support 10 core values of UN Global Compact and Sustainable Development Goals held on September 11, 2017. We won the UNGC Value Award in recognition that ‘Keep Korea Green’ campaign since 1984 enhanced forest’s function of offsetting carbon emissions and the company took initiative in responding to climate change.



## UN Sustainable Development Goals

The UN SDGs are a follow-up project of Millennium Development Goals (MDGs) and the goals that the world will jointly promote over the next 15 years from 2016 to 2030. Yuhan-Kimberly has set and managed mid- and long-term goals in strategic alignment with SDGs to contribute to sustainable development.

[Table 4-3] Activity for responding to UN SDGs

UN SDGs	Activity	Reporting page
1. End poverty	Giving out feminine sanitary napkins to adolescent girls in low-income families and volunteering activities	29, 67
3. Ensure healthy lives and promote wellbeing	Providing convenient products for women[high quality, mid-and low-price ranged, eco-friendly feminine sanitary napkins], strengthening the ingredient safety of feminine sanitary napkins	27-28
4. Ensure equitable quality education and lifelong learning	Providing menstruation education contents, environmental leadership education, gender equality leadership program for women at NGOs and social collaboration model	31-33
5. Achieve gender equality	Giving out feminine sanitary napkins to adolescent girls in low-income families, providing consumer education, female activist scholarship program, and conducting donation relay of ‘Hope to Our Daughters’ and 30% club member activities	26-35
8. Sustainable economic growth and productive employment	Promoting vision category growth, e-commerce market expansion, product innovation, family-friendly management, and senior job creation	39, 42, 57-59, 64-66
10. Reduce inequality	Providing a wide range of choices including mid-and low priced feminine sanitary napkins, conducting 1 million feminine sanitary napkin donation campaign for adolescents in low-income families	27-29
11. Sustainable cities and human settlements	Urban forest alleviating urban heat island, small forest contest	60-63
13. Action to combat climate change and its impacts	Carbon offsetting through Coexisting Forest and solving micro dust issue through Urban Forest, efforts to reduce GHG emission	61-62, 74-75
15. Protect terrestrial ecosystem	Tree planting by newly-weds, seedling nurseries to recover the forest in North Korean and supporting the Mongolian forest restoration	62-63
17. Global partnership	Participating in the signing ceremony of supporting the UNGC principles and SDGs	82-83

## Yuhan-Kimberly's Partners and Association Membership

We have membership of 47 major societies and associations.

Gumi-Kimcheon Safety Manager Council, The Organization of Consumer Affairs Professionals in Business (OCAPI), Kimcheon Chamber of Commerce & Industry, Gyeongbuk Environmental Engineering Federation, Green Business Association, Daegu Gyeongbuk Environment Protection Association, Daegu Gyeongbuk PSM Safety Management Association, Daedeok Industry Association, Korean Nurses Association, Korean Bar Association, Korea Industrial Safety Association, Korea Cosmetic Association, Meerae Forum, Ministry of Justice Republic of Korea [Korean Probation Office], Kimcheon Conference, Korea Fire Safety Association, Korea Safety Equipment Association, European Society for Pediatric Dermatology, Global Compact Network Korea, Ethical Management CEO Club/ Ethical Management SM Forum, Association of Dangerous Substances Director, The Federation of Korean Industries, Research Head Conference, Chungnam CEO Association, Choongju CEO Association, Choongju Eumseong center for victim of crime, Chungnam High-tech Complex Association, Korea Employers Federation, Fair Competition Federation, Korea Environmental Engineers Association, MASOK, Korea Marketing Association, Korea International Trade Association, Korea Environmental Prevention Association, Korea Association of Occupational Health Nurses, Korea Industrial Technology Association, Korea Fire Safety Association, Environment and Safety Director Association, Intree 4.0 Association, Korea Personnel Improvement Association, Korea Medical Device Industry Association, Korea Electric Engineers Association, Korea Electric Power Engineers Association, Korea Paper Association, Korea Paper Resource Association, Korea Air Protection Academy, Korean Society of Supply Chain Management, CSV Society

We have 32 major partner organizations.

3,4 Industrial Complex Management Conference, 50+Korean, KOKJE, Climate Change Center, Green Consumer Network in Korea, Green Korea, Northeast Asian Forest Forum, Literature House Seoul, Friends, Community Chest Of Korea, National Forestry Cooperative Federation, IPS, Seoul YWCA, Seoul Green Trust, Forest for Life, Ecofem, Eco Leadership Center, Sanitation Product Business Consultative Organization, Peace Forest, Korean Academic Society of Business Administration, Korea Management Association, The Korean Association of Gerontology and Geriatrics, Korea Logistics Society, Korea Women’s Association United, Korea Foundation for Women, Korea Women’s Hot Line, Korea AEO Association, Korea Technical Association of The Pulp and Paper Industry, KSQM, Korea Toilet Association, Toilet Paper Fair Trade Association, Green Fund

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## Stakeholder Engagement and Reflect it in Management

**2018 stakeholder survey and continuous management** Yuhan-Kimberly sets its sustainability direction based on the stakeholder survey since 2006. According to the result of 2018 survey, product safety, and consumer health and safety are selected as material topics. Yuhan-Kimberly will make every effort to fulfill the material topic related social activities.

[Table 4-4] Number of stakeholder survey participants (unit: person)

	2006	2007	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Accumulated number of participants
External	248	182	321	7,833	5,549	859	2,052	4,802	2,412	4,463	4,173	4,645	8,302	45,841
Internal	1,021	431	430	430	481	407	345	526	660	554	304	978	337	6,904
Total	1,269	613	751	8,263	6,030	1,266	2,397	5,328	3,072	5,017	4,477	5,623	8,639	52,745

[Table 4-5] Analysis of Yuhan-Kimberly's material topic trend (2012~2018)

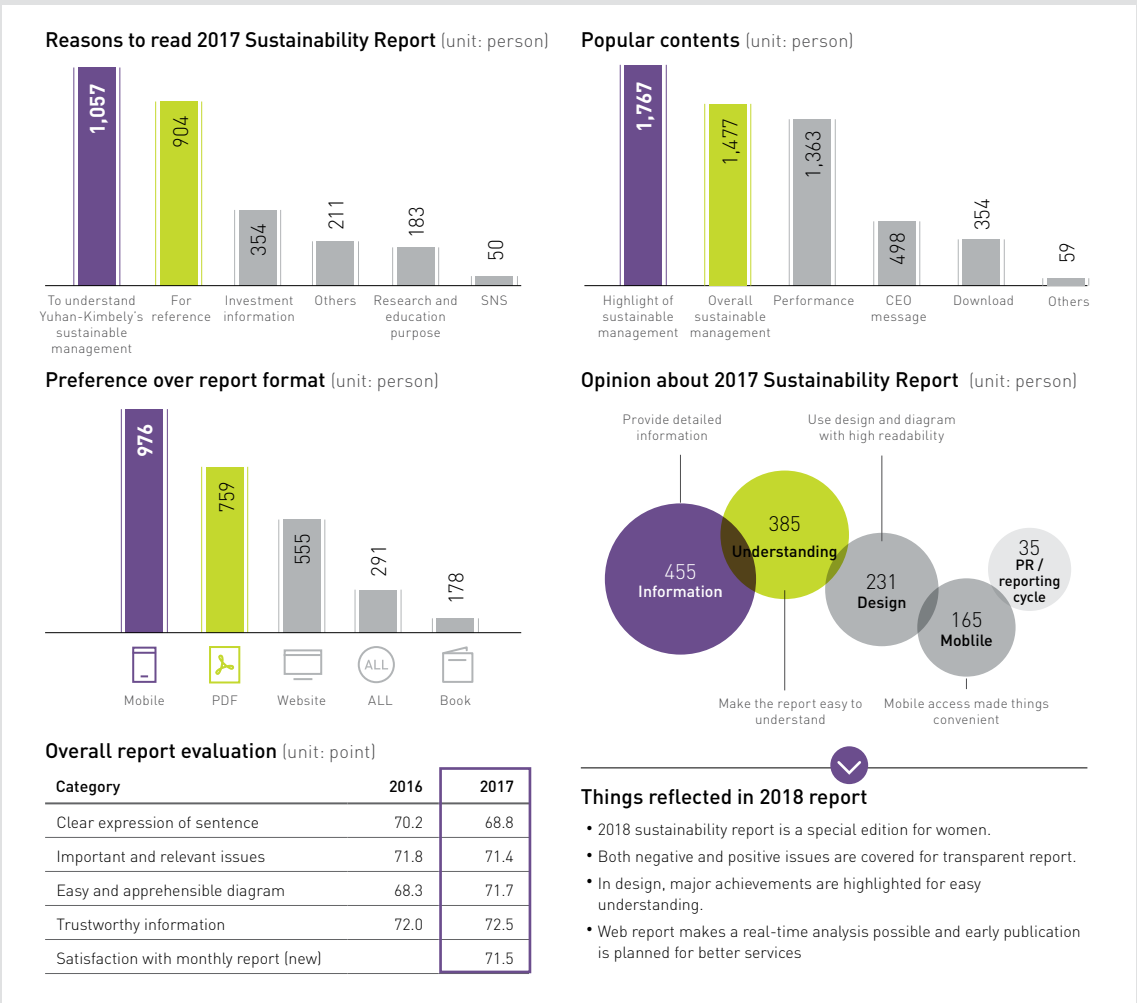
Category	1st	2nd	3rd	4th	5th
Customers	2012 Product safety	Customer satisfaction	Environment-friendly product development	Ethical and transparent management	Observing environmental laws
	2013 Product safety	Customer satisfaction	Environment-friendly product development	Observing environmental laws	Culture of respecting for life and child
	2014 Product safety	Customer satisfaction	Sustainable improvement	Environment-friendly product development	Observing environmental laws
	2015 Product safety	Customer satisfaction	Observing environmental laws	Sustainable improvement	Socially responsible management
	2016 Consumer health & safety	CSR activities	Customer satisfaction	Environment management	Sustainable product
	2017 Consumer health & safety	Quality management and product safety	Provision of product and service information	Workplace safety	Product innovation
	2018 Product safety	Consumer health & safety	Personal information protection	Workplace safety	Environment-friendly product development
Partners	2012 Product safety	Customer satisfaction	R&D and innovation	New product development	Win-Win growth
	2013 Customer satisfaction	Product safety	R&D and innovation	Win-Win growth	Ethical and transparent management
	2014 Product safety	Observing environmental laws	Customer satisfaction	Ethical and transparent management	New product development
	2015 New product development	Product safety	Customer satisfaction	Product innovation	Observing environmental laws
	2016 -	-	-	-	-
	2017 Consumer health & safety	Quality management and product safety	CSR activities	Creation of future business value	Workplace safety
	2018 Provision of product and service information	Consumer health & safety	Product safety	Collaboration culture	Personal information protection
Employees	2012 Management leadership	Product safety	Customer satisfaction	R&D and innovation	New product development
	2013 Management leadership	New market	New market	Product safety	Customer satisfaction
	2014 Management leadership	Product safety	New market	New product development	Product innovation
	2015 Product safety	Management leadership	Observing environmental laws	Ethical and transparent management	New market
	2016 Ethical and transparent management	Consumer health & safety	Customer satisfaction	Business strategy	Work-life balance
	2017 Provision of product and service information	Consumer health & safety	Workplace safety	Ethical and transparent management	Quality management and product safety
	2018 Product safety	Consumer health & safety	Workplace safety	Personal information protection	Environment-friendly product development
Local community	2012 Ethical and transparent management	Customer satisfaction	Product safety	Environment-friendly product development	Observing environmental laws
	2013 Product safety	Management leadership	Customer satisfaction	Ethical and transparent management	Environment-friendly product development
	2014 Product safety	Observing environmental laws	CSR activities	Trust-building	Customer satisfaction
	2015 Product safety	Observing environmental laws	CSR activities	Environment-friendly product development	Customer satisfaction
	2016 -	-	-	-	-
	2017 Workplace safety	CSR activities	Consumer health & safety	Quality management and product safety	Provision of product and service information
	2018 Consumer health & safety	Product safety	Workplace safety	Environment-friendly product development	Personal information protection

[Table 4-6] Materiality assessment process

1. Gathering related issues	2. Selecting material topic	3. Materiality assessment	4. Verification
1) Review of internal and external issues, issues from the previous year, sustainability management standards and evaluation (GRI G4, UNGC 10 Principles, ISO26000, DJSI), legal and policy research, media review, Internal KPI review 2) Constitution of issues pool	3) Composition of Aspects Classification of issues 4) Selecting of material topics Basis of risk occurrence probability and risk impact severity	5) Prioritizing material topics Stakeholder survey (8,639 participants) and interview 6) Selection of reporting issues Prioritizing material topics based on stakeholder opinions and business strategy	7) Third-party verification External verification of the Materiality Assessment process, verification on whether reporting is centered on material issues
• 361 issues were collected in 2018	• Selecting 21 reporting topic among 35	• Make decision to report with material topic	• External verification

**Reflecting readers opinion** Yuhan-Kimberly carried survey out to listen to readers' opinion after publishing 2017 sustainability report. The survey was carried out by utilizing SNS and 2,759 readers participated (2017.3.8~2018.3.12). The survey result showed that the Highlight of Sustainable Management is the most popular contents, and majority of participants read the sustainability report for the purpose of understanding Yuhan-Kimberly's sustainable management. Furthermore, the most preferred sustainability report formats were mobile and PDF. Real-time processing is enabled due to digital accessibility enhancement which is newly adopted since 2017. As a result, Yuhan-Kimberly decides to publish the sustainability report earlier for expanding social influence.

[Figure 4-1] Results of 2017 report reader feedback



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- Social Performance
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### Appendix

- Third Party's Assurance Statement
- GRI Index
- UN Global Compact  
Participating in the Singing Ceremony to Support the UN Global Compact 10 Principles and SDGs
- UN Sustainable Development Goals
- Yuhan-Kimberly's Partners and Association Membership
- Stakeholder Engagement and Management Applies
- Major Awards



## Major Awards

### 2017-2018 Social Reputation of Yuhan-Kimberly

#### Company in overall

Mar. 2018	President and CEO (Choe, KyooBok) winning Silver Prize in 2018 Global Business & Peace Awards, by UNGC Network Korea, UNAOC, RFBF(Religious Freedom & Business Foundation)
Feb. 2018	Ranking fifth in Korea's Most Admired Company(KMAC), securing top 10 spots for 15 consecutive years/ranking 1 <sup>st</sup> in household item (Korea Management Association Consulting, KMAC)
Nov. 2017	President and CEO (Choe, KyooBok) winning the Grand Prize in productivity management (Korea Productivity Association)
May 2017	Chosen as good digital transformation company by DX Awards (IDC)

#### Economy

Dec. 2017	Winning Korean Reader's Choice Awards(KRCA) for 6 consecutive years (Korea Standards Association)
Dec. 2017	Huggies Nature Made winning 'Marketing Innovation Award' at 1 <sup>st</sup> KOTLER Award (Dong-A Ilbo, Korea Marketing Association and Channel A)
Nov. 2017	Winning the Grand Prize in manufacturing by Korea SCM Association and Ministerial citation (Ministry of Trade, Industry and Energy)
Mar. 2017	Huggies (19yrs from 1999), feminine sanitary napkin (17yrs from 2001), Kleenex, Popee (15years from 2003) winning 1 <sup>st</sup> place in Korea Brand Power Index (K-BPI) in respective field (KMAC)

#### Society

Nov. 2017	Winning Korean Reader's Choice Awards(KRCA) for 6 consecutive years (Korea Standards Association)
Sept. 2017	Winning the UN Global Compact Value Award (UNGC Network Korea)
Feb. 2017	Ranking 3 <sup>rd</sup> in Korea's Most Admired Company(KMAC), securing top 10 spots for 14 consecutive years/ranking 1 <sup>st</sup> in household item (Korea Management Association Consulting, KMAC)

#### Environment

Jul. 2017	[Taejon mill] Re-designated as green company by Geum River Agency (Ministry of Environment)
Apr. 2017	[Taejon mill] Winning 2017 Crystal Tree Awards Mill Excellence (Kimberly-Clark)
Jan. 2017	[Taejon mill] Winning 'A class' in 2016 Safety and Health Win-Win Growth Cooperation Program (Ministry Employment and Labor)

#### 'Keep Korea Green' campaign and advertisement

Jan. 2018	'Days when I feel like going to the forest' winning Digital Media Events Category, 2017 &AWARD (Korea Digital Enterprise Association)
Jan. 2018	Winning silver prize in Craft field at Seoul Creative Festival (Seoul Creative Festival executive committee)
Dec. 2017	'Days when I feel like going to the forest' winning the Best Slogan, (SM C&C) (Korea Adverting and PR Practitioner's Society)
Nov. 2017	'Days when I feel like going to the forest' campaign winning special prize in CF song at 2017 Korea Advertising Award (Korea Federation of Advertising Association)
Apr. 2017	Winning gold prize at TV, Grand Prize in Radio at 2016 24 <sup>th</sup> This Year's Advertising Awards (Korea Advertising Society)
Mar. 2017	Winning radio advertisement at 25 <sup>th</sup> People's Choice Advertisement Awards (Korea Advertisers Association)
Jan. 2017	Winning bronze prize at 14 <sup>th</sup> Seoul Creative Festival (Seoul Creative Festival executive committee)

### Stakeholders who participated in publishing the report

**Overall** Choe, KyooBok, Kim, HeaSook, Lee, SooYun, Lee, JiWon

**Economic part** Kwon, MiYeon, Hwang, EoYeon, Yeo, SangJik, Ryu, JaeWook, Lee, HoSun, Jung, ChangWon, Seo, SungWook, Lee, JeHeun, Woo, ChangJae, Min, JoungSun, Lim, JiWon, Bang, SeongHyun, Bae, HyunJeong, Lee, YeongJong, Lee, NamYeon

**Social part** Cho, GyooSik, Kim, YeonGil, Kim, HeeWoong, Yoo, Ran, Kim, JinHee, Byun, JeongOk, Ahn, TaeKun, Kwon, SoonChan, Lee, JunHo, Choi, YoungSuk, Jung, SukHoon, Shin, SoYoung, Choi, SungTaek, Kim, HyunHee, Baek, SangKi, Hong, SeungPyo

**Environmental part** Lee, SeungPhil, Kim, TaeSeok, Jung, ChangGyoon, Lee, GilYeong, Shin, BongGyoon, Hyun, JoonSik, Park, GwangHoo, Ahn, JeongJu, Jung, SangJin, Yoo, GwangHo, Lee, JeongGil, Lee, DalSeok, Lim, TaeHwan, Chun, YongHoon, Cho, YoungHee

**External Assurance** KMR **Consultation** Marcspen **Design** IntoGraphic

**Cover picture** Lee, SangYeob

# 2018 Re-start, 2018 Win Together



#### Stakeholder survey

Thank you for reading the sustainability report. In order to make the report better, we would like to listen to your opinion. Please participate in the survey through the QR code provided.

csr.yuhan-kimberly.co.kr

## Yuhan-Kimberly 2018 SUSTAINABILITY REPORT

People are our source of hope

### Yuhan-Kimberly Sustainable Management

- Yuhan-Kimberly Overview and Value Chain of Sustainable Management
- CEO Message
- Sustainability Management Organization
- Vision and Keywords
- Corporate Governance and Ethical Management
- Crisis Management
- Communication with Stakeholders
- [Yuhan-Kimberly Preparing for the Future] Innovation Management\_Digital Transformation

### 2018 Sustainability Management Highlights "Yuhan-Kimberly and Women"

- Protection of Women's Rights  
\_We Will Take the Lead in Protecting Women's Rights to Make Sure that Difference does not Become Discrimination
- Enhancement of Women Leadership  
\_We cooperate with Society to build women leadership up;  
Adolescent girls, female NGO, and women employees

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### ■ Major Awards

“All our decisions should be toward consumer-centered management that can help to give more values for consumers, not from the internal point of view. Our mission is to help consumers to have better life....

All domestic companies are in difficult situation at the shrinking market, needless to say, distributors and manufacturers.

On the other hands, new channels are being introduced and many changes are underway. Our task at this moment is to be more faster and be more flexible for consumers' needs.”

- CEO message at the Executives workshop in April 2018 -

