Special Edition for the 50th Anniversary of Foundation
15th Report

50 years

People are our Source of Hope

2020 Yuhan-Kimberly SUSTAINABILITY REPORT

Yuhan-Kimberly

KEEP KOREA GREEN

About This Report

Reporting principle	Global Reporting Initiative(GRI) Standards, The Ten Principles of the UN Global Compact
Reporting scope	Major supply chains and all operating sites in Korea
Reporting period	January to December 2019 (including Q2 2020 results)
Reporting base	Based on the fiscal year, at least three-year time series presented
Assurance	Third-party's assurance statement
Reporting cycle	Annually (first publication in 2006)
Structure of report	In accordance with the GRI standards, focusing on material topics
Disclosure principle	Available online in the form of web report (csr.yuhan-kimberly.co.kr)

2020 Sustainability Report, what is different from the previous edition?

1. Looking Back on Our History in Commemoration of the 50th Founding Anniversary and Tasks to be Done This report embodies what we have prepared in celebration of the 50th anniversary of our foundation.

2. Our Response to COVID-19 This report reveals our efforts to respond to COVID-19.

3. Use of major global guidelines The Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD), and the UN Guiding Principles Reporting Framework were served as a guideline for reporting.

4. Search function in web report A search function has been added to our web report for enhanced customer service. This increases information accessibility and allows customers to use content in a fast and convenient manner.

Yuhan-Kimberly defines stakeholders as shareholders, employees, communities, partners, and customers. We transparently disclose our management directions and performance through sustainability reports, shareholders' meetings, board meetings, business reports, and the website. Also, we listen to the voices of our stakeholders and respond quickly through various communication channels.

Stakeholders who participated in publishing 2020 Sustainability Report

Overall	Choe, KyooBok / Kim, HeaSook / Choi, ChanSoon / Lee, SooYun
Economic part	Kang, Yeonha / Kim, SangJin / Noh, HyungKyun / Bae, HyunJung / Seo, SungWook / Cho, YongJoon / Jeon, YangSook / Kim, GuenHo / Min, JoungSun / Lim, JiWon / Yoon, SeungHyun / Lee, YoungJong / Lee, NamYeon / Lee, WanKoo
Social part	Kim, DoHyup / Kim, HyunHee / Baek, SangKi / Cho, SungHo / Lee, HeeDa / Jeong, DaEun / Kim, ChulSoo / Kim, YoungIl / Kim, HeeWung / Byun, JeongOg / Lee, DaHye / Lee, JiWon / Jung, SukHoon / Choi, YoungSuk
Environmental part	Lee, JunHo / Park, KyungJun / Kim, Yong / Ahn, JiYeon / Lee, SeungPhil / Lim, JongHwan / Kim, KyoungEun / Yeo, SangJik / Jung, SangJin / Hyun, JoonSik / Chun, YongHoon / Shin, SoYoung / Lim, TaeHwan / Cho, YoungHee
External Assurance	Korea Management Registrar Inc.(KMR)
Consultation	Marcspon Inc.
Design	intoGraphic

Digitalization of Sustainability Report Our first sustainability report was published in paper form in 2006. Since 2017, we have promoted information transparency and accessibility through web reporting. New functions, such as navigating to relevant pages in the report and shortcut to web report, are added in 2020.

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How does Yuhan-Kimberly Redistribute its Value?

Value Chain of Sustainable Management

Yuhan-Kimberly has grown by redistributing the value created from its business activities to stakeholders. The impact and value of our business activities in the aspects of economy, society, and environment have been described in the value chain of Sustainability, includes digitalization performance starting from 2020.

Creation and Distribution of Economic Value

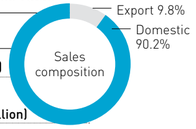
Sales KRW 1,333.2 billion

Dividends 11.8% (KRW 158 billion)

Corporate tax, other taxes and public utilities' charge 5.1% (KRW 68.4 billion)

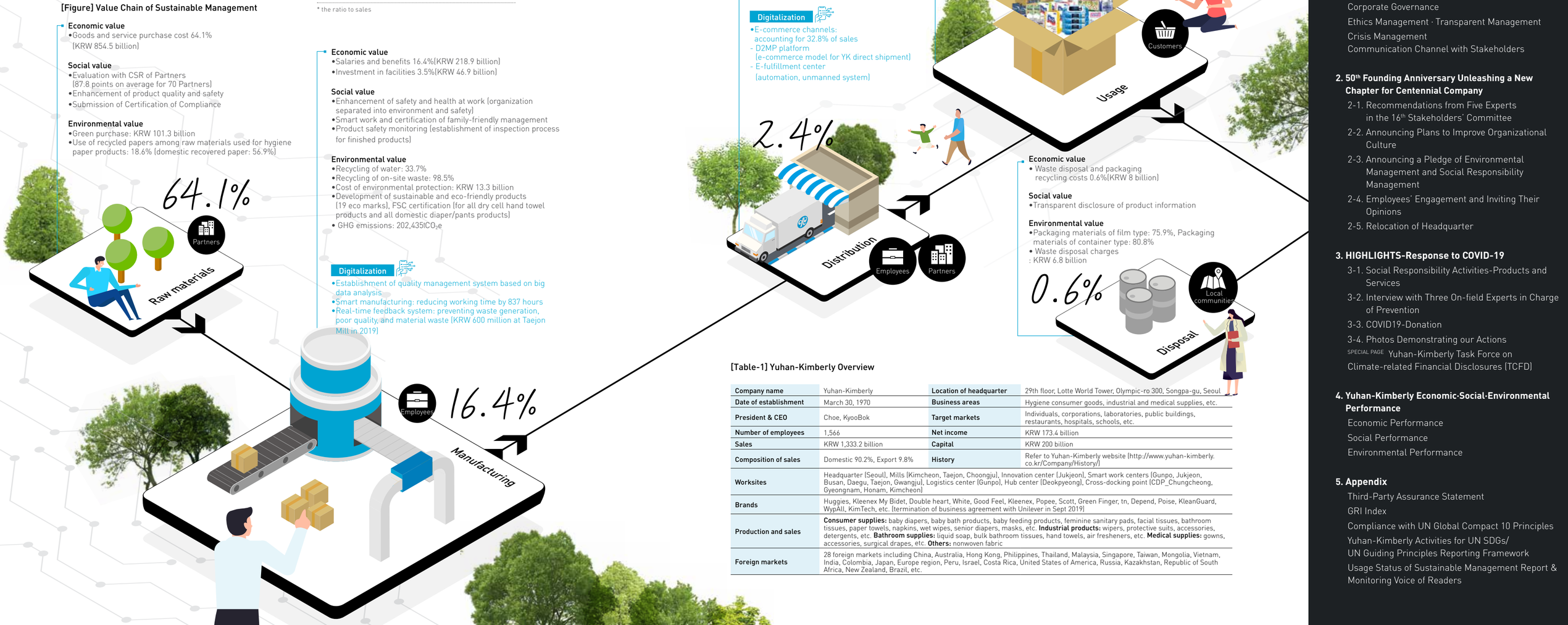
Cost of CSR activities 0.4% (KRW 5.8 billion)

Miscellaneous (Interest cost, rent, depreciation, interest income, internal reserves, etc.) 4.7% (KRW 63 billion)



* the ratio to sales

[Figure] Value Chain of Sustainable Management



[Table-1] Yuhan-Kimberly Overview

Company name	Yuhan-Kimberly	Location of headquarter	29th floor, Lotte World Tower, Olympic-ro 300, Songpa-gu, Seoul
Date of establishment	March 30, 1970	Business areas	Hygiene consumer goods, industrial and medical supplies, etc.
President & CEO	Choe, KyooBok	Target markets	Individuals, corporations, laboratories, public buildings, restaurants, hospitals, schools, etc.
Number of employees	1,566	Net income	KRW 173.4 billion
Sales	KRW 1,333.2 billion	Capital	KRW 200 billion
Composition of sales	Domestic 90.2%, Export 9.8%	History	Refer to Yuhan-Kimberly website (http://www.yuhan-kimberly.co.kr/Company/History/)
Worksites	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)		
Brands	Huggies, Kleenex My Bidet, Double heart, White, Good Feel, Kleenex, Popee, Scott, Green Finger, tn, Depend, Poise, KleanGuard, WypAll, KimTech, etc. (termination of business agreement with Unilever in Sept 2019)		
Production and sales	**Consumer supplies:** baby diapers, baby bath products, baby feeding products, feminine sanitary pads, facial tissues, bathroom tissues, paper towels, napkins, wet wipes, senior diapers, masks, etc. **Industrial products:** wipers, protective suits, accessories, detergents, etc. **Bathroom supplies:** liquid soap, bulk bathroom tissues, hand towels, air fresheners, etc. **Medical supplies:** gowns, accessories, surgical drapes, etc. **Others:** nonwoven fabric		
Foreign markets	28 foreign markets including China, Australia, Hong Kong, Philippines, Thailand, Malaysia, Singapore, Taiwan, Mongolia, Vietnam, India, Colombia, Japan, Europe region, Peru, Israel, Costa Rica, United States of America, Russia, Kazakhstan, Republic of South Africa, New Zealand, Brazil, etc.		

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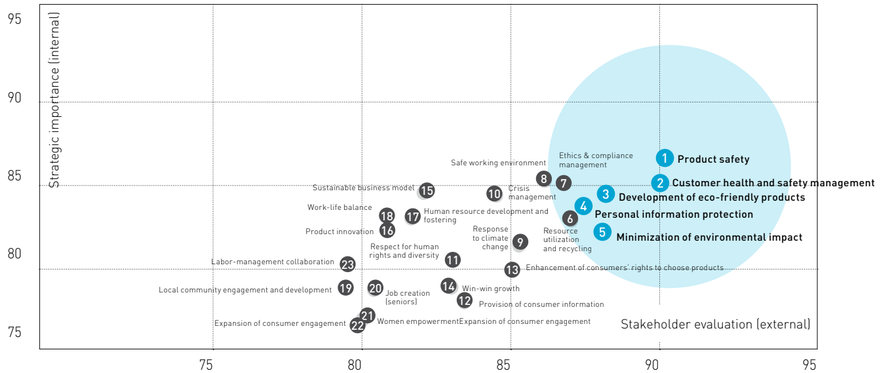
2020 Materiality Assessment

Ranking No.1 in Product Safety Materiality, The Increasing Importance of "Customer Health and Safety Management" in a COVID-19 World

Why is this topic important? Yuhan-Kimberly has selected a number of topics in regard to sustainable management through materiality assessment every year. In 2020, 35 topics out of about 500 issues were selected for reporting, and 23 of them were designated as key topics. 5,869 participants in total took the stakeholder survey. Being covered in the 2020 sustainability report, the top 5 materiality topics selected by stakeholders are important in giving a clear direction on how to become a long-lived company.

[Figure-1] 2020 Yuhan-Kimberly Materiality Topics



Key implications of 2020 Materiality Assessment The top 5 topics identified from the 2020 materiality assessment include product safety, customer health and safety management, development of eco-friendly products, personal information protection, and minimization of environmental impact. In particular, it is noteworthy that "safety and environmental issues" ranked high along with personal information protection, and customer health and safety management, which ranked ninth in 2019, took up the second spot in 2020. This can be attributed to the COVID-19 pandemic, which raised the interest of stakeholders in customer health and safety management.

[Table-2] Materiality Topics by Rank in 2020

2020 Rank	2019 Rank	2020 Materiality Topics	Stakeholder evaluation (external)	Strategic importance (internal)	Average
1	1	Product safety	90.2	86.8	90.0
2	9	Customer health and safety management	89.9	85.1	89.7
3	3	Development of eco-friendly products	88.2	84.5	88.1
4	2	Personal information protection	88.1	82.2	87.8
5	6	Minimization of environmental impact	87.4	83.7	87.3
6	7	Resource utilization and recycling	87.0	82.9	86.8
7	5	Ethics & compliance management	86.8	85.1	86.7
8	8	Safe working environment	86.1	85.3	86.1
9	10	Response to climate change	85.3	81.4	85.1
10(new)	–	Crisis management	84.5	84.2	84.4
11	13	Respect for human rights and diversity	84.4	82.4	84.3
12	12	Provision of consumer information	83.4	77.9	83.1
13	4	Enhancement of consumers' rights to choose products	83.0	78.7	82.8
14	16	Win-win growth	82.9	80.3	82.7
15	21,22,23	Sustainable business model	82.1	84.7	82.3
16	14	Product innovation	82.1	82.6	82.1
17	15	Human resource development and fostering	82.0	83.0	82.1
18	17	Work-life balance	80.9	83.2	81.0
19	18	Local community engagement and development	80.8	78.0	80.6
20(new)	–	Job creation (seniors)	80.4	78.6	80.3
21	19	Women empowerment	80.1	77.1	80.0
22	11	Expansion of consumer engagement	80.0	76.8	79.8
23	20	Labor-management collaboration	79.4	78.6	79.4

SPECIAL PAGE

The OECD Better Life Index (BLI) and Yuhan-Kimberly's efforts

Yuhan-Kimberly's efforts for a better life

What should we do for a better life? Apart from developing products and services of good quality, Yuhan-Kimberly also strives to reduce inequality across society so that everyone can live a happier and better life. In this regard, this report contains our efforts for a better life based on the OECD Better Life Index (combining results in 11 dimensions of well-being including income and health, jobs and earnings, education and skills, and environmental quality every year. 36 member countries as of 2019, effective from 2011). In 2020, Korea was ranked higher than the average in housing, education and skills, health status, and personal security while lower in work-life balance, environmental quality, social connections, and subjective well-being. Also, continuous efforts are required to reduce GHG emissions per capita, protect endangered species, and promote gender equality in politics.

[Table-3] The OECD Better Life Index (BLI) and Yuhan-Kimberly's efforts

2020 Korea's BLI in 2020			Yuhan-Kimberly's response
Work and job quality Job quality is measured with employment rate, wage gap, and long working hours. Korea's employment rate is 74.1%, which is lower than the OECD average of 76.5%, and the wage gap is 34.6%, much higher than the OECD average of 12.9%.	Employment rate(average) Percentage of the employed population among those aged 25-64 years	KOR 74.1 OECD 76.5	The number of new hires: 34 in 2018 → 53 in 2019
	Gender wage gap (Inequality) It is Referring to the average wage gap between women and men.	KOR 34.6 OECD 12.9	Providing the same amount of starting salary for both male and female college graduates Average wage gap for women against men : 27.5% in 2018 → 24.9% in 2019
Environmental quality This dimension is measured with exposure to air pollution compared to the WHO guidelines. The environmental quality of Korea was 99.2%, extremely higher than the OECD average of 62.8%.	Exposure to outdoor air pollution (inequality) : percentage of the population living in areas that exceeded the WHO guidelines for air quality	KOR 99.2 OECD 62.8	Zero emissions of air pollutants, such as NOx and SOx (2011-2019): removal of incinerators at Kimcheon and Gunpo Plants in 2011
Social connections This dimension is measured based on time of social interaction and lack of social support (percentage of people who answered that they have no one to rely on when having difficulties in their life). The time Koreans spend on social interaction was 4.9 hours, less than the OECD average of 6 hours, and 19.2 percent of respondents said they have no one to rely on, which is much higher than the OECD average of 8.6 percent.	Social interaction time (average): hours per week	KOR 4.9 OECD 6	Donation of diapers to low-income households: Hope Bank 5,289 bags in 2018 → 15,324 bags in 2019
	Lack of social support (inequality) : percentage of people who answered they have no one to depend on when having difficulties in their life	KOR 19.2 OECD 8.6	Donation of sanitary pads to low-income girls: Daughters, Cheer up! 1.46 million pads in 2018 → 1.08 million pads in 2019
Subjective well-being This dimension shows the level of satisfaction with life-based on a 10-point scale. Korea recorded 6.1 points, while the OECD average was 7.4 points. Also, the negative response rate was 17%, higher than the OECD average of 13%.	Level of satisfaction with life (average) 10-point scale average	KOR 6.1 OECD 7.4	Employee Engagement Survey (work-life balance question: our company helps me to maintain a work-life balance.) 77 points in 2017 → 87 points in 2019
	Negative response (inequality) Percentage of respondents who answered that they have more negative feelings and emotions than in the past	KOR 17 OECD 13	

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Major Awards and Social Reputation

Overall Sustainability

2020.02	Ranking fourth korea's Most Admired Company 2020 All Star, selected for 17 consecutive years (Korea Management Association Consulting, KMAC)
2019.11	Winning grand prize in customer business category of the manufacturing sector at '2019 Korea Competitiveness Awards' (The National Competitiveness Innovation Committee)
2019.10	Ranking No. 1 in household sector, (for 9 consecutive years) in '2019 Korean Sustainability Index (Korean Standards Association, KSA)
2019.10	Winning the first place in 2019 KRCA (Korean Readers' Choice Awards) (winning 8 times in the manufacturing sector) (KSA)
2019.07	2019 Korea Accounting Award-Best Award (Maeil Business News Korea)
2019.02	Ranking fifth Korea's Most Admired Company 2019 All Star, selected for 16 consecutive years (Korea Management Association Consulting, KMAC)

Certification

2019.12	Receiving recertification of family-friendly company (Dec.01, 2019~Nov.20, 2022) (Ministry of Gender Equality and Family)
2019.04	Obtaining recertification of Authorized Economic Operator (AEO, Dec.31, 2018~Dec.30, 2023) (Korea Customs Service)

Economy

2020.02	[Design] Kleenex Tissue & Wet Tissue for Runny Nose, winning 'iF 2020 Package Design Award' (iF International Forum Design)
2020.01	[Brand] Defend, raking 1st in the senior item category in 2020 Korea Brand Hall of Fame (Institute for Industrial Policy Studies)
2019.11	[Brand] Sanitary pad Good Feel, winning the grand prize in the Instagram sector at Korea SNS Awards 2019 (Korea Association for Social Contents' Development)
2019.08	[Brand] POND'S, TikTok moment being selected as best practices of brand communication
2019.06	momQ, winning the grand prize in the baby product-specialized shopping mall category at 2019 National Service Awards (Institute for Industrial Policy Studies)
2019.04	[Brand] Ranking 1st in the sanitary pad category in Korea Brand Power Index for 17 consecutive years (Korea Management Association Consulting, KMAC)
2019.04	[Brand] Lipton, ranking "2019 the Best Brand" (The Korea Economic Daily)
2019.02	[Design] Sanitary pad La Nature, winning 'iF 2020 Package Design Award' (iF International Forum Design)

Social/Environment

2020.02	Blog on women's menstrual period, 'We Have Menstruation', winning gold prizes in four categories including corporation, blog, contents and medical one at 2020 AVA Digital Awards (Association of Marketing and Communication Professionals)
2019.12	Winning the Minister's prize for contributions to making best workplace and cultural innovation at 2019 Labor-Management Culture Awards (Ministry of Employment and Labor)
2019.12	Achieving first class in 2018 Win-Win Growth Index (National Commission for Corporate Partnership)
2019.12	Rated excellent in compliance with fair trade agreement and being awarded a prize of Fair Trade Commission's chairperson (Fair Trade Commission)
2019.12	Donation to the Hope Bank, being awarded a citation for contributions to leading and education adolescents (Ministry of Justice)
2019.12	Winning Dominant of the Value in the social value category at 2019 Management Grand Awards (Korea Management Association Consulting, KMAC)
2019.11	Receiving appreciation plaque for Kimcheon Mill donations and volunteer work (Korea Transportation Safety Authority)
2019.06	Winning the grand prize in household category in 2019 Consumer Complaint Handling Evaluation (Consumer News)

Advertisement

2020.02	[Sanitary Pad] Winning the prize for White Fresh Day Campaign in the digital advertisement & campaign category at &Award (&Award committee)
2020.01	[Keep Korea Green] Receiving main prize for 'Sleep Tight Contest' at &Award (&Award committee)
2020.01	[Keep Korea Green] Winning silver prize in the TV commercial category in the 17th Seoul Creative Festival for 'Dawn of Tree' and 'Night of Tree' (Seoul Creative Festival Executive Committee)
2019.01	[Keep Korea Green] Winning bronze prize in Seoul Creative Festival for 'How Far Does Our Nature Reach?' (Seoul Creative Festival Executive Committee)

2019 Korea Sustainability Index (KSI), ranking No. 1 in household
(for 9 consecutive years, Korean Standards Association, KSA)
2019 Korea Readers' Choice Awards (KRCA), ranked No. 1 (8 times in the manufacturing, KSA)
2020 Corporate Register Reporting Awards(CRRA, England),
ranked No. 4 in creativity in communications

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CEO Message 50th Anniversary of Foundation

"We will unlock a new future leading us to a centennial company"

Dear stakeholders, March 30, 2020 marked the 50th anniversary of our inception.

Looking back on the past 50 years, Yuhan-Kimberly has made its way based on our belief for a better life in the aspects of economy, society and the environment, having risen to the challenge with society on the strength of your support and affection. We are very pleased to embark on our new journey toward a company with centennial history. Taking this opportunity, we appreciate your support and encouragement once again.

Under the direct influence of low fertility and low growth of economy in Korea, Yuhan-Kimberly is actively searching for opportunities to grow. We, however, are faced with unprecedented crises we have never experienced; blurred boundaries among industries, changing concepts of company, competitor and customer, rising protectionism, the rapidly changing distribution environment, regulations and increasing raw materials prices, and the outbreak of Coronavirus Disease (COVID-19). We disclose transparently our efforts toward creating values in the face of the crisis as well as finding new opportunities, so we are very delighted to invite you to our 2020 sustainability report.

Sustainability Management Overview-Earning meaningful evaluations, such as the most admired companies for 17 consecutive years

Yuhan-Kimberly, marking the 50th anniversary of its founding, has gained a great reputation on a variety of fronts. We were selected as one of the most admired companies (4th place) in Korea for 17 consecutive years in 2020 while winning awards and receiving good assessments in terms of brand power, Korea Sustainability Index, Win-Win Growth Index, labor-management culture, social value, accounting and family friendly culture last year and early this year. Going forward, we will nurture our strength while challenging our weakness to be a better company.

Economic Value

Performances in 2019 and Tasks for 2020 Amid tough market conditions, we achieved a 2% increase in sales in the domestic market in 2019, which resulted from a balanced growth among our key businesses including women, senior, family and B2B business. Especially a sharp decrease in the baby goods business put us in difficulty. However, we fought quite well to minimize the loss, not falling in proportion to a 10% decline of birthrate caused by low fertility. Meanwhile, we put businesses, which fall into the vision category for the future, at the heart of our management. As a result, we posted an 11.6% annual growth, which underpinned the overall growth. Another accomplishment we made in 2019 was to invest in the future. A total of KRW 46.9 billion was committed to new equipment, including Jumbo Roll Tissue machine, senior product machine, thin-tech core equipment, and bathroom tissue machine. These new investments will play a huge role in the future.

In spite of the growing uncertainty triggered by COVID-19, Yuhan-Kimberly set an economic goal, thereby clarifying the direction in which we have to go forward.

First, business innovation will be our main focus to increase our market share of our domestic key businesses, thereby we will never stop growing in our core business areas. Yuhan-Kimberly launches more than 2,000 new products a year through innovation, and newly launched goods made up 14.2% in sales in 2019. Especially in the baby and child care market, we plan to roll out ultra-thin diapers, which are one-third of the existing ones in thickness, to be successful in the market. By doing so, on one hand, we will minimize the decline in sales growth in the diaper market and, on the other hand, we will put more focus on feminine care and family care products to further develop them to reach our goal.

Second, we will develop our new business and expand its presence in new markets to drive future growth. As part of efforts toward this goal, we will manage the portfolio of vision category businesses, which have shown double-digit growth every year, while investing more in new production facilities to raise the market shares of related products and their growth rate. Online sales market is taking over, which ushers in an era of borderless distribution. Yuhan-Kimberly entered the e-commerce market in China (Cross Border) in 2019 and our task is to make our sales full-fledge in this market. Starting with baby products, we will expand to feminine care and other products. To this end, we will ensure what we call 'super gap' quality management, which means the gap between us and competitors is too wide to catch up with, as well as cost competitiveness.

Third, we will promote digital transformation and new investment. Yuhan-Kimberly has digitalized our manufacturing sector to enable smart manufacturing and continued to facilitate the digitalization further. In addition, a platform-centered business model will be newly established to be more competitive in the face of the changing market landscape. We are transforming our business model into a sustainable one through the combination of products and additional services as well as mass-customization, which is the compound word of 'mass' and 'customization'. Our own platform, momQ, will also be elevated in its value.

Fourth, marking the 50th anniversary of our foundation, we will relocate our headquarters in 23 years and reset our home ground where we will be based on our journey toward the future. The relocation is more than economic investment in the future. It will bring about changes to the way we work and create new momentum for future growth. We are very pleased to open a new chapter for the next 50 years in new headquarters. Taking this opportunity, we will expand smart work system as well as change the way we work in a way that employees with full of curiosity and enthusiasm come up with creative solutions to problems while the corporate culture encourages our workers to be flexible in response and to enjoy taking up challenge, thereby making our company actively respond to changing customers and society, which, in turn, lives up to our customers' expectations.

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Social Value

Performances in 2019 and Tasks for 2020 Yuhan-Kimberly has kept our stakeholders at the heart of our management of social performance and value. In 2019, for social value creation, we strived to stick to the basics across all functions ranging from safety, ethics and law compliance, human rights management, customer-oriented management, win-win growth, and CSR. These efforts earned us good evaluation with a fair number of awards in key areas such as shared growth and labor and management relations. Many meaningful activities were also conducted. These include hosting Future Design Festa, which was designed to prepare for the future, to invite a variety of suggestions from our employees, launching Keep Korea Green campaign to plant trees for afforestation (planting a total of cumulative 53,772,995 trees since 1984, 1,880,000㎡ of area in 2019) as part of our contribution activities for the local community, and declaring School Forest Vision for Urban Forest Project. In addition, we put in place other major programs, including the 35th Newlyweds Tree Planting event and 51st Green Camp for Highschool girls, while providing more scholarships for female NGOs in order to raise their leadership and the awareness of gender equality. Volunteer activities and donations were also conducted for the vulnerable.

The year of 2020 is seeing an unusual circumstance caused by COVID-19. So, we will put our focus on what we have to do for our society hit hard by the disease. First, ensuring safety and health will be our priority. Second, we will put overcoming COVID-19 first in using what we have prepared for the celebration of the 50th anniversary of our establishment. Third, our key social contribution activities will go on. Yuhan-Kimberly is experiencing that activities for social responsibility have evolved with the changing needs of stakeholders and social issues. On March 30, which marked the 50th anniversary of our foundation, we declared 'Yuhan-Kimberly Social Contribution 2020 – Keep Korea Green, Keep Our Society Green', which meant a lot since the declaration was our commitment to going hand in hand with society nurturing us in pursuit of healthy growth. We promise to constantly strive to be socially responsible.

Environmental Value

Performance in 2019 and Tasks for 2020 Action on climate change plays an essential role in achieving business sustainability for Yuhan-Kimberly, as a consumer goods company, emits greenhouse gases (GHGs) across our entire supply chain from raw materials sourcing, manufacturing to disposal. Thus, we set a target of GHG emission allowance for each business site based on 2019 data and conducted programs for energy efficiency optimization and GHG emissions mitigation to manage them. As a result, we surpassed the target of allowable emissions set by the government by 1% at 202,435 tCO_2e (direct: 23,749 tCO_2e, indirect: 178,688 tCO_2e) in 2019 and we submitted our emissions statement with a verification result certified by a third-party organization to the Ministry of Environment.

Yuhan-Kimberly makes sure the compliance with the Framework Act on Environmental Policy Clean Air Conservation Act, Waste Control Acts, and Act on Integrated Management of Environmental Pollutants, in all our business sites. All of our three manufacturing sites have maintained the certification of ISO14001 Environment Management System. In order to minimize waste, we have set a total waste production level and basic unit-based objectives (the amount of waste generated against the number of products produced), and separated the objective for raw and subsidiary materials from one for waste to monitor daily status. Furthermore, we have made every effort to minimize our carbon footprint over our transportation and all distribution stages since 2009, which resulted in 3,501,605L of diesel used for delivery and a 0.3% reduction in GHG emissions at 9,345 tCO_2e in 2019. We also saved logistics cost worth KRW 586 million in 2019 through our GHG emissions mitigation program.

[Table 1-1] 2019 Sustainability Management Performance and Goals

Evaluation: Exceed ◉ Meet ● Required Efforts ○

Catego-rya	Goals	Performance	Eval-uation	Goals in 2020
Economy	1. Growth increase in the main category from the previous year	1.4% growth in key categories in the domestic market compared to last year Feminine care, Family care, B2B▲	◉	• Gain the market share in key businesses compared to the previous year • Sales growth in new categories • New business model development • Digital transformation • Relocation of headquarters in celebration of the 50th anniversary of our founding
		Baby & child care ▼	○	
	2. Success in cross-border	First entry into the cross–border market, to sell diapers and sanitary pads	○	
	3. Acceleration of growth in new products, development of products in new product category	11.6% Growth in Vision Category Compared to the Previous Year Competitive edge in the e-commerce market/capacity building-number of momQ members increasing to 850,000 (31% increase from the previous year, increase by 200,000)	◉	
	4. Successful startup of fixed assets	Investment of approx. KRW 46.9 billion in product innovation facilities (3.5% compared to sales)	●	
Society	5. Consistent social responsibility and sustainable management	Engagement of stakeholders and consensus reinforcement Communication through sustainability report (36,299 persons) Stakeholders' Participation in Contribution through the Donation Platform (521,212 engaged) Submission of Communication on Progress (CoP) at UN Global Compact (Sept.)	◉	• Corporate culture innovation • Product safety and consumer-oriented management reinforcement • Social responsibility activities continuation
		CEO's pledge of ethics management (Apr.)	●	
		Keep Korea Green campaign (564,630 trees) Raising More Promotion Fund for Women NGO Leadership Sanitary Pad Donation (1.08 million pads, 4,925 people)	●	
		Best company in win-win growth Index for the fourth consecutive year	◉	
		Enhancement of business competitiveness through communication with customers (intention to repurchase: 85.4 points) Grant of rights to discontinue counseling after the declaration of human rights of emotional laborers by Customer Support Center (40 cases)	●	
	6. Improvement of product safety and customer confidence	Policy to expand the list of materials with safety concerns – managing 74 types of materials	●	
	7. Labor-management collaboration	Labor-Management Culture Awards (Dec.)	◉	
Environment	8. Environmental Management 3.0	Environmental Management 3.0 Declaration and target Setting by 2030	◉	• Responding to climate change_Accomplishing carbon reduction targets • Launch of greener products
	9. Response to climate change_ Achievement of reduction in GHG emissions allowance	Accomplishment of carbon reduction target in 2019 (by 1,999 tCO_2e) From 2019 GHG emission allowance : 204,434 tCO_2e → to actual emission: 202,435tCO_2e	●	
	10. Expansion of eco-labelled products	19 types of products with Korea Eco–Label All diaper and pants products for the domestic market with FSC certification	◉	

Vision category: managed for future growth and thus selected according to growth strategies every year (12 types in 2018, 9 types in 2019: My Bidet, Scott Towels, coform wet wipes, La Nature, Wearable Overnight, Depend Style Pants, baby wipes, skincare, and handwash)

[Table 1-2] 2019 Vision Category Products and Growth Rates

My bidet	Scott towels	Coform wet wipes	La Nature	Overnight	Senior underwear	Baby wipes	Skincare	Handwash
10,7%	–5,4%	–3,2%	30,1%	20,8%	18,6%	9,2%	7,0%	25,0%

One step further, in 2020, we declared Environmental Management 3.0 and committed ourselves to apply sustainable materials 100%, putting a carbon-neutral policy in place while managing and disclosing environmental indicators. 2020 is the first year when we convert our plan into action. We have set targets for 2020 by major departments and implemented programs to achieve them. Our goals are to reduce GHGs by 30% against BAU and to reach 30% in sales of green products. Details are as follows.

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First, we will use more sustainable materials to raise the proportion of them. In order to reduce our impact on the environment, the efforts to use eco-friendly raw materials as well as to increase recyclable materials are required more than any time. In this regard, we will raise the proportion of sustainable materials in baby and feminine care products to 95% while replacing materials of family care and B2B products with eco-friendly ones 100% by 2030. We aim for the expanded application of sustainable materials, the reduction in resource uses, and the facilitation of consumer communication in 2020.

Second, we will reduce GHG emissions against the goal. Yuhan-Kimberly set an energy objective to manage GHG emissions every year. With the aim of responding to climate change issues, including the allocation for the third plan period for the emissions trading system, we are working on the adoption of solar power generation equipment and the expansion of it. In addition, we will conduct an assessment to figure out the amount of GHG emissions that can be reduced, thereby mitigating emissions, reducing GHG intensity, and reaching our goal for 2030.

Third, we will realize a low carbon supply chain. To fulfill our eco-friendly logistics responsibilities, we established Vision 2030 in 2019. Under the vision, we set reverse-shipping rate between bases at 2.9% or less and the rate of direct shipment from plants at 68% or more in 2020.

Wrapping up_Accelerating Innovation with Safety First for 50 Years to Come

What should be our first step toward a centennial company? Our answer to the question is high level of safety, ethics management in compliance with laws and social contributions. Our first mission or value is to contribute to the safety of our consumers, employees, partner companies, and their families. People in every corner of our society are suffering in the aftermath of COVID-19. And Yuhan-Kimberly is standing at the starting point of another 50 years. In this situation, we will make our way forward, assuming responsibility for securing safety. Second, we will consolidate our key businesses where we have been strong, while keeping one eye on tomorrow. To this end, we put our emphasis on discovering new channels and markets as well as developing new business models. By doing so, we will strive to transform ourselves into a total solution company providing not only products but also services. Open innovation and digital transformation will be promoted with an unremitting effort toward 'super gap' quality innovation. To accomplish this, we will sharpen and systemize the capability of both individuals and organization in line with the changing way of working in the wake of COVID-19. Furthermore, we will further develop our horizontal corporate culture, one of our strengths, while being more agile and consistent in carrying into execution.

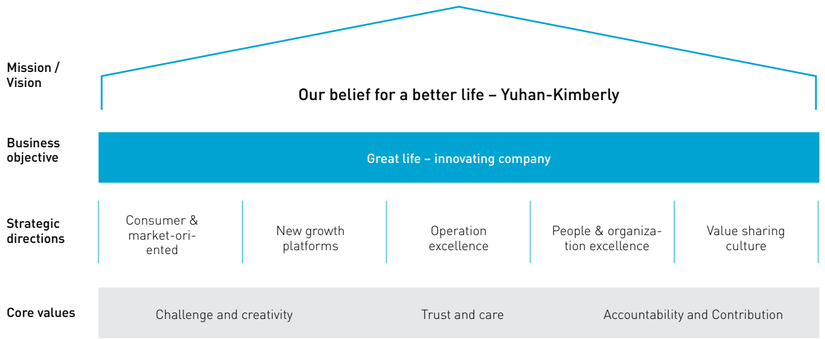
Dear stakeholders, Yuhan-Kimberly promises you better life with bigger hope and more new opportunities. 2020 will be a turning point for a huge change, and we have a tradition of growing in the face of changes and unleashing new opportunities by solving social issues. Yuhan-Kimberly will strive to draw an ambitious blueprint and to make more significant contributions to society. We look forward to your attention and affection. Thank you very much.

Good Luck for 2020!

July 2020
Yuhan-Kimberly President & CEO

Vision and Sustainable Organization

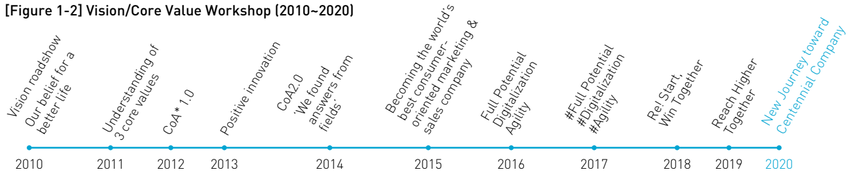
[Figure 1-1] Vision Roadmap



Mission & Vision Yuhan-Kimberly's mission and vision is "Our belief for a better life – Yuhan-Kimberly". Our implementation road map was completed in 2013, based on the mission and vision reestablished in 2010. For the internalization of corporate vision, employee training on three core values: challenge and creativity, trust and consideration, responsibility and contribution has been conducted and also the "Yuhan-Kimberly People of the Year" award has been granted every year to individuals who fully implemented these values.

Internalization of Core Values and Management Slogan Employee training on the internalization of core values was conducted in 2019 with 476 staff members attending and for 4 hours per person.

[Figure 1-2] Vision/Core Value Workshop (2010~2020)



* CoA(Culture of Accountability)

Highlight |

The 'Yuhan-Kimberly People in 2019' who embodied core values and vision action model

We have selected 'Yuhan-Kimberly People of the Year' based on work performance, hours of community service and training, employee voting and results of evaluation from group assessment since 2013. A total of 90 employees have won this award.

- Challenge and Creativity Award (Kang, JaeYoon, Baby & Child Care)
- Trust and Consideration Award (Ryu, SiHyung, Manufacturing & Production)
- Responsibility and Contribution Award (Kim, JuSuk, Logistics & Purchasing)
- World's Best Consumer-oriented Marketing & Sales Company Award (Huh, Dam, B2B Business)

Combination of our CSR symbol with company Logo

We have used the combination of our company logo and symbol for the 'Keep Korea Green' campaign since 2018 to reveal our robust will toward the fulfillment of our corporate social responsibility. The combined symbol is used for our product packages, product advertisements, leaflets, corporate advertisements and sustainability reports all.

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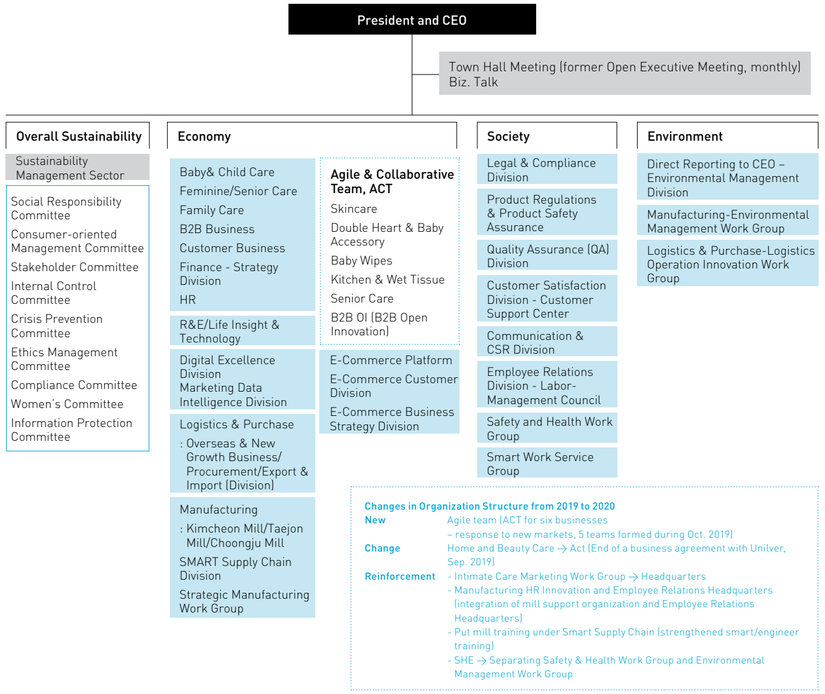
Sustainable Organization The organizational structure of Yuhan-Kimberly is composed of sectors, divisions, and workgroups. The Sustainability Management Sector has the Chief Diversity and Inclusion Officer and the Chief Privacy Officer, and consists of Customers Satisfaction Division, Communication & CSR Division, and Smart Work Service Workgroup. In addition, major committees are organized to realize the founding purpose and values of the company. In 2019, the Social Responsibility Committee was held four times.

[Figure 1-3] Sustainability Management Organizational Structure (as of March 30, 2020)



Highlight | Discussion of Sustainability Issues between Shareholder Management and Yuhan-Kimberly's Employees

Town hall meeting with representatives of two shareholder companies (Mar 26, 2019) We shared the agenda of the shareholders' meeting and the BOD meetings, and discussed how to achieve sustainable growth, including major facility investment plans for the future and expansion of export through cross-border trading.

Meeting with Lee, JungHee, President and CEO of Yuhan Corporation (Feb 20, 2020) The CEO Lee JungHee shared the status of Yuhan Corp.'s new business and asked for sustainable and progressive collaboration in social responsibility activities.

Corporate Governance

Corporate Governance-Joint Venture Yuhan-Kimberly was established in 1970, as a joint venture between Yuhan Corp. (30%) and Kimberly-Clark Corporation (70%). The total number of issued shares is 40 million, and the amount of paid-in capital is KRW 200 billion. Yuhan-Kimberly is operated by professional manager system. The CEO, delegated by the Board of Directors, is responsible for the overall management of the company.

*Choe, KyooBok President and CEO of Yuhan-Kimberly on the left, Lee, JungHee, President and CEO of Yuhan Corporation on the center and Mike Hsu of Kimberly-Clark on the right

Composition the BOD The Board of Directors consists of eight members with expertise in management and accounting (seven directors and one auditor). A total of eight directors and auditors were selected at the 2019 general shareholders' meeting and Aaron Powell, President of Kimberly-Clark Asia Pacific, was appointed as the chairperson of the board in March 2020. The Board of Directors operates under the Commercial Code of the Republic of Korea and, in the absence of the chairman, the chairmanship is assumed by those who are entitled to it in the order prescribed by the BOD. Yuhan-Kimberly puts in place a range of subcommittees, including Stakeholder Committee and Social Responsibility Committee, to ensure the health and sustainability of the company.

[Table 1-3] Yuhan-Kimberly BOD (as of March 2020)

Role	Type	Name	Gender	Note	Term of office
Director/Chairperson	Non-standing	Aaron Powell	M	President of Kimberly-Clark Asia Pacific	March 2020 to March 2023
Director/President and CEO	Standing	Choe, KyooBok	M	President and CEO, Yuhan-Kimberly	March 2019 to March 2022
Director/President	Standing	Jeff Doherty	M	Chief Financial Officer of Yuhan-Kimberly	
Director	Non-standing	Lee, JungHee	M	President and CEO, Yuhan Corporation	
Director	Non-standing	Deborah Vaughn	F	VP and Chief Legal Counsel APAC, Kimberly-Clark	
Director	Standing	Chin, JaeSeung	M	VP and Head of the Baby & Childcare Business, Yuhan-Kimberly	
Director	Standing	Kim, SungHoon	M	VP and Head of the Family Care Business, Yuhan-Kimberly	
Auditor		Lee, JongHo	M	Certified public accountant	

Evaluation and Remuneration of the BOD The remuneration for directors and auditor is paid within the annual ceiling (KRW 4 billion for directors and KRW 500 million for auditor), which was approved at the shareholders' meeting in March 2019. Incentives are determined by the financial and non-financial performance of the organization, and the performance of the highest decision-making body is evaluated by a higher-level decision-maker according to their member-specific goals. The annual salary of each member is determined in accordance with their evaluation results and also internal increase rates and market average wages provided from an external consulting agency.

Activities of the BOD and Discussion of Sustainability Management Issues In 2019, one shareholders' meeting and three BOD meetings were held. A total of 18 decisions were made, and the attendance rate of directors was 100%. At the shareholders' meeting, business reports and financial statements were approved, and new directors and auditor were appointed. The Board reviewed the agenda of the shareholders' meeting, examined the internal accounting control system, determined the remuneration for directors and auditor, and discussed the strategies for sustainable growth. In particular, after the BOD meetings in 2019 and 2020, a discussion meeting and a town hall meeting with employees were arranged to share the agenda and directions of sustainability management.

Facility Investment for Sustainability In order to promote the growth and capacity building of Yuhan-Kimberly, the two major shareholders have continued investment in facilities, which has reached KRW 48.2 billion in 2019. Also, they share strategies for sustainable development and praise our hard work for outstanding performance. In June 2020, the Energy Project of UCTAD Tissue Machine at Kimcheon Mill (saving KRW 1.62 billion per year) was selected as best practice in Energy Innovation at the 2020 Crystal Tree Awards organized by Kimberly-Clark.

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Ethics Management · Transparent Management

Ethics Management Organization Yuhan-Kimberly has operated the Ethics & Compliance Division, an exclusive organization for promoting ethics management, report to CEO. At the Division, professional lawyers review legal matters in advance. Related organizations include the Internal Control Workgroup, the Internal Control Committee, and the Compliance Working Committee, and the Ethics Management Committee is convened every quarter. The Internal Audit Organization consists of employees with more than 15 years of financial and field experience. The results of department inspection are directly reported to the top management.

Ethics Policy and CEO's Effort to Promote a Culture of Ethics At the beginning of each executive meeting, we emphasize the five corporate principles of ethics management to reiterate that all employees have a right to speak freely and not to be retaliated against. Since July 2019, "Safety is the core value" has been added to the set of principles at the request of the CEO. The Yuhan-Kimberly Code of Conduct serves as a guide to make right decisions and create a culture of integrity. Along with the code of conduct, anti-corruption policy, fair trade policy, and fair trade and compliance program are also available on intranet. Since the adoption of anti-retaliation policy, employees have been more encouraged to freely express their opinions and actively report problems, if any. Also, our consistent recommendation has made 70 partner companies have their own code of conduct as of 2019. Currently, as a member of the BEST (Business Ethics and Sustainability management for Top performance) Forum, Yuhan-Kimberly strives to promote ethics management across society, and the CEO joined the declaration of ethics management in 2019 BEST Forum.

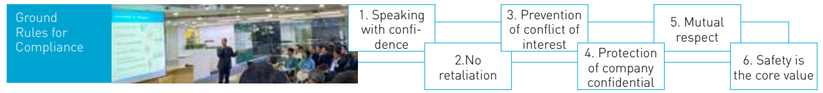
Yuhan-Kimberly's No Retaliation Policy Promises Three Things

1. We will take appropriate corrective action, reviewing candidly raised concerns in an objective manner.

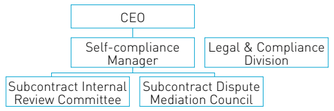
2. Employees who raise concerns will be protected from any form of retaliation.

3. When retaliation is reported, we will conduct a thorough investigation and take corrective measures of up to a dismissal.

[Figure 1-4] Yuhan-Kimberly 6 Ground Rules for Compliance



[Figure 1-5] Self-compliance Organization



Compliance Program We adopted a compliance program (CP) in January 2012 to be in line with a principle of fair shared growth, and we continue to comply with laws and spread the culture of compliance. In order to facilitate these efforts, we designated a dedicated department and a self-compliance manager to manage the program effectively.

Ethics and Fair Trade Training Yuhan-Kimberly provides all employees with compulsory training on personal information protection, and corruption and bribery prevention. In 2019, 100 percent of employees (excluding those on leave) completed the course. Sales and purchasing managers are offered fair trade and compliance training, while new contractors and primary Partners are evaluated on ethics management, human rights, and social responsibility as well as business capabilities. The average time of ethics training per employee was 3.6 hours in 2019, and 100 percent of employees (excluding those on leave) finished the course. There were no violations of the Fair Trade Act in 2019.

Reporting Channels for Violation of Code of Conduct Including Third-Party Partners at Yuhan-Kimberly, a cyber ombudsman system and a 24-hour helpline for third-party Partners (1-844-524-3571) are operated for employee grievance handling and resolution. Yuhan-Kimberly is subject to the Foreign Corrupt Practices Act (FCPA), a US federal law. In 2019, there were no disciplinary actions against employees by the Disciplinary Committee.

*Foreign Corrupt Practices Act (FCPA): A law that prohibits U.S. entities and those listed on the U.S. stock market from bribing government officials in third countries to benefit their business interests.

Highlight | Winner of 2019 Korea Accounting Awards– Best Prize

Yuhan-Kimberly received the Best prize at the 2019 Korea Accounting Awards hosted by Maeil Business Newspaper. We were recognized for performing a complete and thorough audit based on an advanced accounting system and operating the internal audit organization efficiently. It was also highly appreciated for undergoing external audits to enhance transparency in financial reporting.

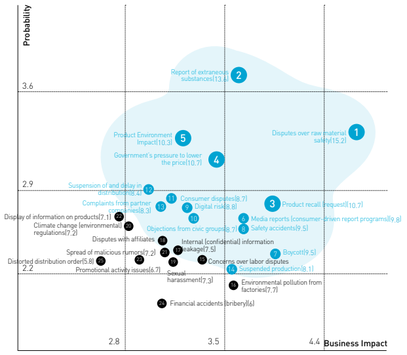
Crisis Management

Crisis Prevention Committee Yuhan-Kimberly is operating a Crisis Prevention Committee responsible for the preemptive response against a product-related crisis. Aiming for resolving issues in regard to product safety and regulations, product quality, laws, media, and public, the committee is joined by various internal experts. In 2019, regarding the mandatory labeling of use-by-date (three years) for sanitary pads, we provided our customer with related information on the purpose of this revision of the law and what consumers have to consider when they purchase sanitary pads through our website for feminine care products and the press. On top of that, we trained our employees in Baby & Child Care on crisis management in September 2019 so that they internalize a sense of crisis prevention.

[Figure 1-6] Crisis Prevention Council

Diagnosis of Potential Risk Factors for 2020 and Identification of Management Items for Risk Management Yuhan-Kimberly diagnoses potential risk factors every year. We surveyed 57 major stakeholders for possible risk factor diagnosis in December. The survey revealed that the most serious potential risk lied in product safety (raw material) while risk factors including product environmental impact, boycott, and product recall grew in their risk level. We identified 14 items, to be intensively managed, from 25 crisis types in 4 areas including product, process, human, and company, and integrate these items into our crisis management manual. We identified 14 items, to be intensively managed, from 25 crisis types in 4 areas including product, process, human, and company, and integrate these items into our crisis management manual.

[Figure 1-7] 2020 Yuhan-Kimberly Risk Map



[Figure 1-8] Crisis Response Procedure

Those who detect any crisis or probable crisis should immediately contact the leader of a team/headquarters.

At the earliest possible

The leader of a team/headquarters briefs related core teams on the situation.

At the earliest possible

If the leader of a core team in the department decides it as a crisis situation, it is immediately reported to a core team (the chief manager of crisis management or a delegated person) and representative of the company, while convening a crisis management team meeting. If necessary, urgent measures can be taken to a minimum within discretion.

At the earliest possible

Reviewing the regional and global relevance
If it is determined that there is relevance, the core team leader of the department will share it with related regional or global divisions within 12 hours, and the coordinator designated by the core team leader of the department will take in charge of communication.

Crisis management team by issue discusses the following items.
- crisis severity level, host team, decision-maker, response team composition, etc.

At the earliest possible

The core team leader of the department forms a regular crisis management team and operates the crisis management system.

Crisis Management Manual Yuhan-Kimberly has prepared and implemented a systematic risk management manual in response to any possible matters that may affect our management activities. The manual includes the responsibilities of crisis manager, composition of crisis management team, roles and responsibilities, assessment of potential risks, priorities of crisis prevention, procedure of response, communication policies, and communication network of crisis management team. The manual is revised every year with the approval of the Chief of Crisis Management. In February 2020, Yuhan-Kimberly added new guidelines to its media policy and external inquiries and requests/response.

Highlight | Operation of Crisis Management Team

Following the crisis management manual, Yuhan-Kimberly operated a crisis management team (leaders of related departments) to respond to the personal information leakage in 2019. We are operating a company-wide crisis management team, with our CEO participating in the team, to cope with COVID-19 in 2020.

Our Definition of Crisis Crisis refers to a case or incident that may bring about a serious impact on the company's management. (Source: crisis management manual)
– An event that may result in potential or substantial loss of life or serious injury to consumers, employees, customers, or major interested parties in relation to Yuhan-Kimberly
– An event that may cause significant damage to assets owned by Yuhan-Kimberly and our investors or lead to the suspension of normal operation or facilities, although it is temporary.
– An event that may critically hurt the reputation or intangible value of Yuhan-Kimberly and our investors

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Communication Channels with Stakeholders Means of Building Trust

Definition of Stakeholders and Communication Yuhan-Kimberly has strived to find out the needs of stakeholders through unremitting communication. We have built a profound trust with them by actively responding to those needs. Our stakeholders' opinions collected through various channels are promptly reflected in management.

[Table 1-4] 2019-2020 Stakeholder Communication Efforts

2019 Customer Opinions	2019 Customer Surveys	2020 Stakeholder Survey	2020 Reader Feedback
196,961 Cases	4,761,034 Casese	5,869 Persons	4,467 Persons
Provision of service and production information through customer counseling	Operation of the social listening system, big data analysis, market survey (Kantar), etc.	Survey on the awareness, direction, and materiality assessment of sustainable management	Survey on readers of 2019 Sustainability Report for feedback using social media

[Table 1-5] Stakeholder Survey Participants (Unit: person)

Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
External	248	182	321	7,833	5,549	859	2,052	4,802	2,412	4,463	4,173	4,645	8,302	5,064	5,579
Internal	1,021	431	430	430	481	407	345	526	660	554	304	978	337	162	290
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**	**5,226**	**5,869**

[Table 1-6] Stakeholder Communication Channel and Response by Materiality Topic

Stakeholder		Shareholder	Employee	Partner	Customer	Local community
Communication channel	Online	Website Email letter	Intranet Employee suggestion system, online ombudsman	Website to promote win-win growth Portal for suppliers Information sharing system for mutual cooperation	Integrated website Huggies momQ, online shopping mall College student reporters Consumer education and information blog (We Have Menstruation, We Are on Period)	Sustainability report Woopoopoo Campaign through social media Yuhan-Kimberly Hope Bank (donation platform)
	Offline	Shareholders' meeting BOD meeting Annual report Town hall meeting	Open executive meeting Presentation on management status Labor-management council, meeting, and workshop Occupational Safety, Health, and Environment Committee Consumer-oriented Management Committee Social Responsibility Committee Working-level meeting for environment management Korea Women's Interactive Network (K-WIN) Women's Committee Pregnant women's meeting	Agreement on fair trade and win-win growth Presentation on mutual growth by representatives Report, suggestion, and mentoring for partners Newsletter Win-Win Academy	Integrated Customer Support Center TFT to handle customer complaints Customer education Factory tour in groups Baby forum	Stakeholder Committee Social Responsibility Committee Engagement in government policy Regular consultative body of hygiene product manufacturers CSR activities
	Survey	Engagement survey	Stakeholder survey Survey of satisfaction with presentation on management status	Stakeholder survey	Survey on the satisfaction with new products Customer survey Social listening Stakeholder survey	Survey on corporate image Stakeholder survey
Top 5 materiality topics by stakeholder	1st	Product safety	Product safety	Development of sustainable business model (new growth engine, e-commerce market, digitalization, etc.)	Product safety	Enhancement of customer health and safety
	2nd	Enhancement of customer health and safety	Safe working environment	Enhancement of customer health and safety	Enhancement of customer health and safety	Product safety
	3rd	Response to climate change	Ethics & compliance management	Response to climate change	Development of eco-friendly products	Ethics & compliance management
	4th	Ethics & compliance management	Enhancement of customer health and safety	Utilization and recycling of resources	Personal information protection	Personal information protection
	5th	Development of eco-friendly products	Development of sustainable business model (new growth engine, e-commerce market, digitalization, etc.)	Safe working environment	Minimization of environmental impact	Response to climate change
Our response	Performance	One shareholders' meeting Three BOD meetings 18 agendas	Reinforcement of product safety organization, recruitment of professional staff, and zero accidents on worksites 100% completion of personal information protection training and certification Labor-Management Discussion Introduction and certification of eco-friendly products (sanitary pad – La Nature)	Partner Evaluation System (70 tier 1 partners) Personal Information Security Certification	Disclosure of the ingredients of sanitary pads Overall customer satisfaction : 88.2 points Acquisition of Personal Information Security Certification(Feb 2018)	Honest tax payment Social responsibility and contribution : Forest and environmental campaign : Women empowerment : Senior job creation : Volunteer work and donations : Consumer education Fulfillment of pledges (CEO's declaration of ethics management)

[Special Feature]

"On the 50th anniversary of sustainable management, how do we start for another 100 years?"

Here is the Yuhan-Kimberly way that makes its 50th anniversary more meaningful.

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50th Founding Anniversary, Which Direction Should Yuhan-Kimberly Move Forward?

2-1. Shaping "Dignity", Clarifying "Value and Identify" for a Long-Lived Company

[Figure 2-1] Topics Recommended in the Stakeholder Committee

Requirements in three areas to go forward the future beyond 50 years

Changing society/management trends in the future	Challenges for Yuhan-Kimberly to solve	Future response plan in the Yuhan-Kimberly's way
1. Impact of digitalization and the Fourth Industrial Revolution • Acceleration of companies' dissolution, merge, and convergence • Using social media and changing way of collecting consumer data • Traditional manufacturing → subscription economy platform business emergence, servitization rather than simple manufacturing and sales, life consumer goods company → tailored lifestyle/total care service company **2. Reflecting social trends** • M generation (1981-1996) and Z generation emerging as main consumers • Growing number of Single-family/single child family: changing trends toward high-class products in the baby market • Weakened sense of belonging, Intensified individualism • Changing needs of the elderly: AIP (Aging in Place), Young Senior having a younger taste • Advanced technology, smarter technology → uniformity in life, being rule-centered	**1. Response to external environment** • High significance of meeting the complex needs and interests of consumers (more experience, genuine communication, diversified interests) • Agility in response required • Inflow of new competitors due to the convergence between industries **2. Reinforcement of internal competence** • Creation of internal and external consensus on Yuhan-Kimberly's unique value and identity as well as product identity: a consensus required on why we do this business and what kind of value we should seek for • Being agile in dealing with external changes • Elevation of the dignity of the company required, putting humanity and communication first	**[Business Model Innovation]** •Service innovation: subscription sales model, provision of outstanding consumer experience •Product innovation: reflection of new customer needs for cosmetic and senior care products •Platform innovation: utilizing platforms (momQ) that Yuhan-Kimberly owns **[Open innovation]** •Disclosure of fundamental technologies → creation of cooperative innovation •Support for the creative development of start-ups equipped with technologies • Operation of 'company-consumer cooperation Living Lab' for monitor consumer needs **[Consensus Built with Stakeholders]** • Growth as a life total-care company, a companion of lifestyle • Inclusion of Young Korea (YK) generation to become a future innovative company • Creation of consensus on a growing company enjoying with society

Answers to the Questions about the Future In preparation for the 50th anniversary of founding, Yuhan-Kimberly held a meeting of Stakeholder Committee on June 14, 2019, to collect opinions on future trends and direction of change. Participants included Catholic University of Korea Professor Kim KiChan (chairperson), Gachon University Professor Kim HannEarl, Science and Technology Policy Institute Researcher Sung JiEun, Sogang University Professor Ahn JoonMo, Samjeong KPMG economic Researcher Lee HyoJung, Seoul National University Professor Jun SangIn, and Yuhan Kimberly CEO Choe KyooBok. The sustainable management sector organized the meeting, and below is the summary of the meeting.

[Figure 2-2] Identification of Core Keywords

What identity should Yuhan-Kimberly develop over the next 50 years? **Professor Kim, HannEarl(Gachon University) –** It is great to see Yuhan-Kimberly continuing its business activity over the past 50 years, while business life expectancy has been declining in general. However, now is the time to think about the future direction of its management. We have to admit that what we have done so far may be an obstacle to what we are going to do. We need to admit that how the world works has changed, and thus, we need to transform in some ways. Then, what should be changed? I think it is not a product but a business model. In particular, we need to focus on corporate identity issues. The question we need to ask in the digital age is what identity Yuhan-Kimberly will develop over the next 50 years. People say that a good company starts with the question "Why?". Why we do this business and how much we empathize with customers are important, and whether we can make members of society understand what our unique values are and why they really matter to our society will be a significant challenge for future projects.

In my opinion, companies should further raise its dignity to a higher level if they want to create a better society with value. **Professor Jun, SangIn (Seoul National University) –** The socialization of mobility is a social issue as our lives are gradually uprooted in terms of space. I think this trend will give rise to concerns about identity and a sense of belongings. In this sense, Yuhan-Kimberly must focus on values like social responsibility and citizenship to become a company that cares about individuals and their difficulties. Now, only with elevated dignity and class, company's responsibility activities will shine even more. With an aim to upgrade the class, a company can respect the dignity of its employees and value the trends of emphasizing personality, experience, and communication rather than capability. As a company with long heritage, Yuhan-Kimberly should provide products that are likely to last long rather than making products that are likely to be sold well, while moving toward innovation of company image in connection with values.

I hope Yuhan-Kimberly will serve as a pillar in the private sector in resolving social issues. **Researcher Sung, JiEun (Science & Technology Policy Institute) –** Living Lab project is making the place we live and the society into a laboratory so that we can create new business. So far, this project was challenging to succeed as it was driven by the government or the private sector. However, now we are trying to solve this in joint collaboration with the citizens, the government, and the private sector. Living Lab has grown around companies these days, and it has become an integral part of companies' growth strategy and social value. This pilot project should lead to actual business by solving social problems through innovative science and technology. I hope Yuhan-Kimberly will function as a critical pillar in the private sector through Living Lab in easing social concerns.

I wish Yuhan-Kimberly to become a leading company in channel innovation, total-care service, and standardization. **Professor Ahn, JoonMo (Sogang University) –** Let me tell you about the issues of your concern. First, Yuhan-Kimberly needs to innovate its sales channels. Now, consumers might think it is a nuisance even ordering daily necessities, which Yuhan-Kimberly also includes as one of categories. Therefore, products like My Bidet and Green Finger should be sold through a digital channel so that consumers just press a button to get them delivered to registered addresses like we do to order detergents. Second, it is inevitable to move on to the combination of manufacturing and service in the future. After the era of selling individual products, now we are entering into a time for total-care service. Now, the total-care service for all living products can become a main business, and individual products may become the subcategory of the business. Third is about technology regulations. We are ushering in an era when a corporate paradigm cannot be passive in terms of technological regulations. In the face of this era, I think the easiest way to approach is to lead the standardization. We look forward to seeing Yuhan-Kimberly becoming a leader in open social innovation by accommodating digital natives well and understanding their needs amid the trend of companies and customers getting closer.

I wish Yuhan-Kimberly to create eco-friendly values by utilizing a youthful image, agility, individual consumer customization, and technological innovation. **Lee, HyoJung (Director of Samjong KPMG Economic Research Institute) –** I would like to mention three keywords that come up in my mind regarding Yuhan-Kimberly and suggest what to do in the future. The first keyword is Young (YOUNG → YOUNG FOREVER). All generations desire to become young. So, it is required to make efforts to secure this young image to seniors who will be significant consumers in the future. To this end, agility is critical. The second one is life (Life → Lifestyle). Yuhan-Kimberly's products are like a companion that is always around the customers, and it should be linked to lifestyle. Lifestyle has the same meaning as consumer segmentation or personalization. As a company providing personalized lifestyles for individual customers, Yuhan-Kimberly can broaden the ways to interact with consumers by developing its existing platforms. The third keyword is green (GREEN → GREEN 4.0). Efforts to protect the environment by applying the Fourth Industrial Revolution will be the direction in which we have to head toward future development. Therefore, we need to create eco-friendly values by capitalizing on technological innovation.

I hope Yuhan-Kimberly to receive many customer reviews. **Professor Kim, KiChan (Catholic University of Korea, Chair of committee) –** Peter Drucker said, companies can last long only when they solve social problems, not consumer problems. In the past, companies with much money (credits) were considered good companies. However, now, companies having good consumer reviews are good ones. Against this backdrop, Yuhan-Kimberly should develop itself into a company with great reviews. To this end, it is salient to fully understand consumer reviews on social media and other platforms and show a willingness to improve what it lacks. So, I say, as a life solution provider, Yuhan-Kimberly needs to change the scope of its business. I hope Yuhan-Kimberly to become a company that grows and enjoys together with enormous support and trust from people, creating values.

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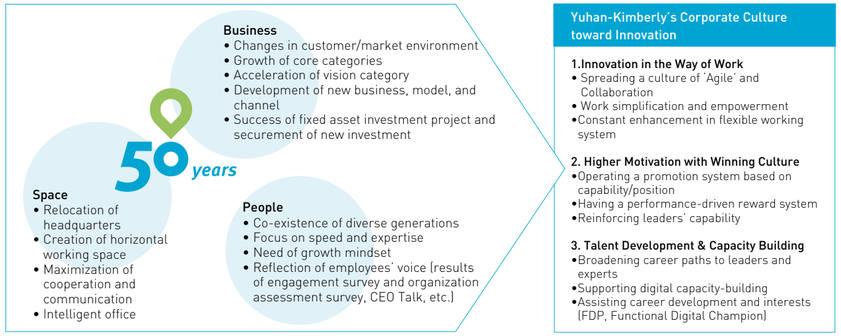
Preparing for the 50th Anniversary_ Announcing Plans to Improve Organizational Culture

CEO Presenting the Right Direction through the Plan for 2020

2-2.Emphasizing 'Innovation of Organizational Culture' as Growth Engine

[Figure 2-3] Yuhan-Kimberly's Corporate Culture toward Innovation



Promoting Innovation in 3 Directions While preparing for its 50th anniversary, Yuhan-Kimberly has emphasized the significance of transforming organizational culture. The CEO Choe, KyooBok announced the direction of change, relocation of headquarters, and innovation of organizational culture at the management briefing in the second half of 2019. In particular, he suggested ways of changing how we work to transform corporate culture, promoting a winning culture and motivation, and nurturing talent and developing capabilities. The three new directions have been implemented since the latter half of 2019.

Transforming the Way of Working-Establishing the ACT team, introducing horizontal title system "Nim", and streamlining work process. As Yuhan-Kimberly has emphasized the flexibility of time-space-resources, the Agile & Collaborative Team (ACT) started its operation in the Emerging Category, especially to increase the flexibility of resources. In addition to the horizontal title system "Nim" introduced in 2011, we have made the title system more position-oriented (chief of section, head of division, and leader of workgroup). The application procedure for business trips has been abolished, and the attachment of receipts is not required for reporting expenses less than KRW 50,000.

Spreading a culture of 'Agile' and cooperation
•Operating an agile & cooperation team
•Facilitating project work groups and virtual groups
•Integrating business titles into 'nim' after a name, encouraging compliments (intranet board)

Work simplification and empowerment
•Ameliorating the attitude of continued evasion and reporting culture (I CAN meeting, 1-page report)
•Improving low value-added work and process (automation/standardization of work, work diet)
•Streamlining e-HR system (abolition of the process for a business trip)

Constant enhancement in flexible working system
•Continuing and advancing flexible work hour system by division/job duty (selective working hours system/flex-time working hour system/flexible work hour/deemed working hours system/autonomous work system)
•Efficiently using Smart Office 2.0

Promoting Winning Culture and Motivation-360-degree Evaluation of Leaders, Job Competency-Oriented Promotion System Our promotion system has turned its focus from performance evaluation and term of office to successful implementation of higher-level tasks. The new system went into effect in June 2020. Moreover, to strengthen the capacity of leaders, a 360-degree evaluation was conducted for the first time in December 2019, and the results were shared in Mar. 2020. Also, we provide a training session for leaders who need to improve their feedback or coaching skills.

Operating a promotion system based on capability/position
• Switching a promotion system to capability/position-focused from assessed result/term of stay-focused
• Abolishing absolute criteria for performance assessment and term of stay
• Performance of higher duty serves as a critical criterion
• Additionally considering work performance, TRP result, vision action model, promotion ratio, etc.

Having a performance-driven reward system
• Making rewards more differentiated according to individual performance (expanding the scope of recipients of individual performance bonus)
• Compensating for the participation of project work groups (reward details are included in the proposal of project work groups)

Reinforcing leaders' capability
• Conducting 360-degree assessment and providing capacity building opportunities
• Oneself (Oct.), lower position employees (Oct., Apr.), direct leaders (Nov.), coworkers/stakeholders (Oct.)
• Enhancing feedback and coaching capability

Developing Human Resources and Capabilities-Interviews and Training for Digital Capacity Building Yuhan-Kimberly has provided employees with training courses on digital capacity building so that they can flexibly respond to changing environments. Trainees are allowed to make a presentation based on the skills they learn through the courses.

Broadening career paths to leaders and experts
• Increasing P3, P4 positions for aspiring leaders and experts
• Improving TRP (Talent Review Process) system to support Dual Career Track

Supporting digital capacity-building
• Encouraging more interviews between leaders and employees regarding career development (utilizing FDP, etc.)
• Preparing a talent pool for position switch

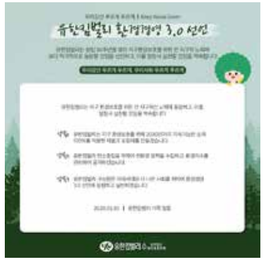
Assisting career development and interests
• Providing training for enhancing digital capacity
• Implementing JMP/Tableau expert courses
• Nurturing digital champions by division

Preparing for the 50th Anniversary_ Announcing a Pledge of Environmental Management and Social Responsibility Management

Environmental Management 3.0 Declaration and Social Contribution 2020 Declaration

2-3. Focusing on the Eco-friendliness of Products and Services by 2030

Yuhan-Kimberly's Declaration of Environmental Management 3.0



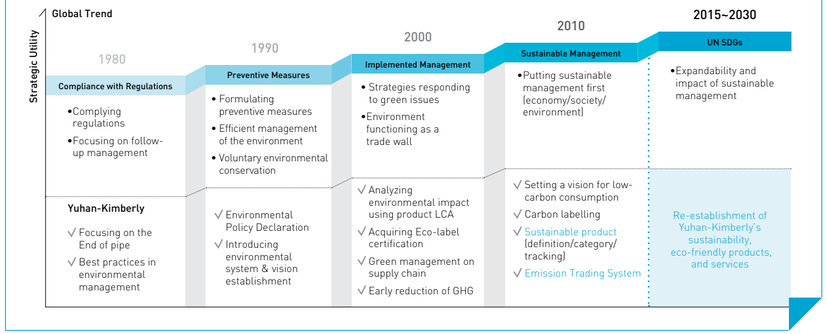
What Efforts Have We Made? Celebrating the 50th anniversary of founding in March 2020, the 'Environmental Management 3.0 Declaration' was announced with the 2030 Challenges for Greener Products. Based on the declaration and list of challenges, we will contribute to creating a better society in the future. In the era of Environmental Management 1.0, we made investment in facilities according to regulations and managed facilities by meeting or exceeding government standards since our foundation in 1970s. In the era of Environmental Management 2.0, we developed a differentiated perspective of environmental management in terms of management innovation. Accordingly, we announced environmental policies in 1996, and defined environmental management as a concept that encompasses knowledge management, quality management, ethics management, and win-win management. During this period, we established and implemented plans for low-carbon supply chain and low-carbon vision.

What Will We Do Now? Yuhan-Kimberly is committed to providing products and services that have environmental value through the declaration of Environmental Management 3.0. We will focus on the use of sustainable materials, carbon neutrality, and resource circulation that affect the entire product life cycle from raw materials purchase, production to recycling. To achieve this goal by 2030, we will conduct life cycle assessment on a regular basis and share monitoring results every year.

[Figure 2-4] Environmental 3.0_Goals of sustainable materials application

Baby & Child Care	Feminine Care	Family Care	B2B	Logistics
• Applying 100% sustainable materials (NatureMade) • Developing low base weight felt for reducing the amount of materials	• Applying 100% sustainable materials (La Nature) • Applying 2nd polybag, a sustainable plastic packaging material	• Applying 100% sustainable materials (tissues, facial tissues, towels) • Applying sustainable plastic packaging materials (BT/PT/wet wipes bundle packaging)	• Applying 90% of sustainable textile(hand towels, jumbo rolls) • Applying sustainable plastic packaging materials to entire categories	• Packaging 100% in e-commerce products • Establishing a digital E2E process in the whole logistics process • Achieving an eco-friendly e-logistics through optimized transport

Highlight | Environmental Management Trend and Our Response



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Goal 1. Products and packaging made of sustainable materials only We need to increase the use of eco-friendly and recycled materials to reduce environmental impact. In this regard, our first goal is to launch sustainable products and brands in main business categories by 2030 by applying more sustainable materials to all products and packaging.

Goal 2. Carbon neutrality "0" in manufacturing and production To achieve the carbon neutrality, we will reduce greenhouse gas emissions by minimizing the use of resources through smart manufacturing; promoting continuous innovation of products; reducing product defects through unparalleled quality control; recycling and discarding leftover raw materials; decreasing energy consumption through the establishment of energy-efficient facilities; and cutting carbon emissions through the innovation of the entire transportation including forward and reverse logistics.

Goal 3. Reduction in resource use, increase in resource recycling Our third goal is to increase the use of recycled raw materials in packaging and products and the sales of products made with recycled materials. To that end, we will expand the use of sustainable and recycled materials and also develop various recycling programs and eco-friendly products. In particular, we will increase the use of recycled plastic materials in packaging to 50% and that of recycled pulp in hand towels and jumbo rolls to 90% by 2030. [In-charge: Corporate Environmental Management]

Yuhan-Kimberly's Declaration of 2020 Social Contribution

What Efforts Have We Made? The 'Keep Korea Green' campaign has been one of the most representative CSR activities of Yuhan Kimberly since 1984. This campaign led to the planting and cultivation of 50 million trees for 30 years from 1984 to 2014 and has evolved into forest and environmental projects and consumer engagement programs for the co-existence of people and forest. Also, we fulfill our social responsibilities through women and consumer empowerment, donation and volunteer work, and mecenat. We have made continuous efforts to create shared value for seniors from 2014.

What Will We Do Now? Celebrating 50th anniversary of its foundation in 2020, Yuhan-Kimberly announced the declaration of '2020 Yuhan-Kimberly's Social Contribution' for more sustainable society over the next 100 years. Under the slogan "Keep Korea Green, Keep Society Green", we renewed our commitment to family-friendly culture for employees, donation and volunteer work for society, and tree planting for the Blue Planet. To grow with society, our social connections will be strengthened so that consumers can also participate in our CSR activities. Along with the 'Keep Korea Green' campaign, we will help women stand on their own feet, reduce economic polarization, and suggest new participatory donation model through the Hope Bank. The integrated product donation platform we established in 2019 changed its name to the 'YuhanKimberlyHopeBank'. We will enhance consumer awareness of product donation through digital communication and encourage employee engagement, and interact with more civic groups for development of local communities and help those in need. The details are as follows.

First, we promote the co-existence of people and forests. The 'Keep Korea Green' campaign provides opportunities for tree planting to the newly-weds, forest experience and education to high school girls, and eco-friendly life in villages to seniors. We transform city schools into forest schools, participate in emergency restoration of areas affected by forest fire, and create a forest in Mongolia to address desertification across the globe.

Second, we build the capacity for diversity and inclusion to create a healthier society. Our activities to protect and empower women and girls include menstruation education for schoolgirls, forest leadership programs, and NGO women's capacity building training. In order to spread a culture of diversity and inclusion, the Korea Women's Interactive Network (K-WIN) was established across the company, and the 'Day of Pregnant Women' was designated and celebrated. Also, the Family-Friendly Company Certification was acquired, and the 30% Club is promoted under the leadership of the Chief Diversity and Inclusion Officer(CDIO).

Third, we spread a culture of sharing across society. Under the name of 'YuhanKimberlyHopeBank', we donate sanitary pads, diapers, and masks, which are the necessities of life, to the underprivileged. We also encourage employees to make individual donations and engage in volunteer work. Apart from product donations, we also make monetary donations, such as donation of 1% of monthly salary at the end of the year, donation for women empowerment, and year-end charity bazaar.

Preparation for the 50th Founding Anniversary_Employees' Engagement and Inviting Their Opinions

Employees say, "We have been doing great over the past 50 years" 94.2%

2-4. Dreaming of Prestigious Life Innovation Company for the Next 50 Years

[Figure 2-5] Future design celebrating the 50th anniversary of founding

Aspiring to Be a 100-Year-Old Company At Yuhan-Kimberly, employees are encouraged to participate in future design development through a design contest called the 'Festa' and a task force team (TFT). The Festa was held from July to November in 2019. Among the 103 employees (33 teams) who submitted final proposals, 12 teams were selected through the process of online voting and executive review. The award-winning works were presented to executives and director-level leaders at the executive workshop in the latter half of the year and are also available on the intranet.

Future Design TFT Based on the surveys and interviews with employees conducted from September to December, a task force published a future design report that proposed 9 ways to work in line with business directions, and organization and culture that employees want. The report was presented to executives, celebrating the anniversary of the foundation in 2020. According to the employee survey, 94.2% of them agreed to the statement that Yuhan-Kimberly has been doing great over the past 50 years. Moreover, 51.4% of respondents said yes to the question of whether the company will survive over the next 50 years. What our employees want the organization and culture to be is to become truly agile in responding to chaining customers and society, thereby never stopping customer satisfactions. Also, we seek Creative Fast Learner, which means solving problems in a creative way through fast learning with curiosity and enthusiasm. Friendly & Fun corporate culture is another one we are looking for so that we are flexible in responding to all environments, change and stakeholders and willing to take up challenges. To that end, the TFT suggested to minimize low value-added work through the streamlining of operations and provide time for creativity so that not only individual employees but also the organization itself can achieve higher performance.

Highlight | Award-winning teams and works at Festa

- Grand prize (2 teams)-Smart parenting business and platform, Business convergence platform with Yuhan Corp.
- Gold prize (2 teams)-Yuhan Kimberly's first franchise, CSR platform project using momQ
- Silver prize (2 teams)-Yuhan-Kimberly e-logistics 2030, 2030 HomQ project
- Bronze prize (6 teams)-Mobility revolution and product evolution, Voice shopping era is coming -Build data, Joint daycare center (WECARE), Good Narae on a good day, Evergreen Project, and Production model using future technology

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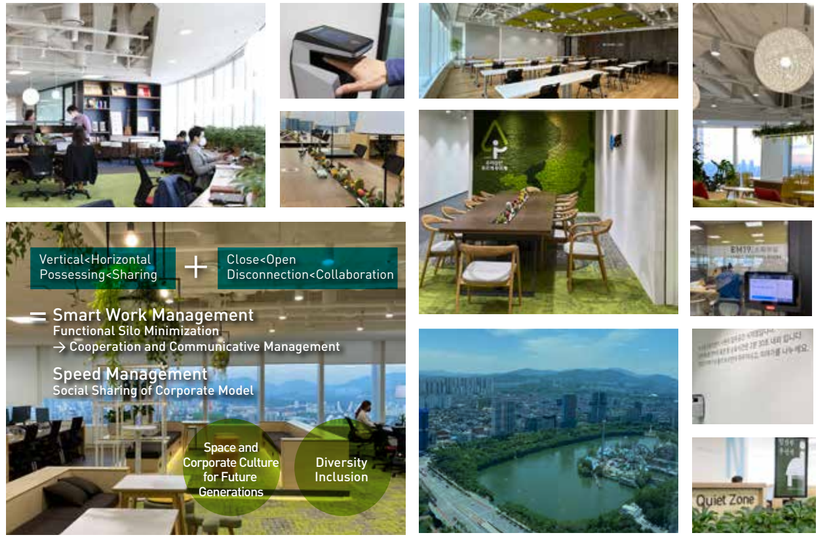
Preparing for the 50th Anniversary_ Relocation of Headquarters

Relocation of Headquarters after 23 Years

2-5. Start the Next 50 Years at a New Place

[Figure 2-6] Relocation of Yuhan-Kimberly's Headquarters (April 2020)



Relocation of Headquarters for the Establishment of Future Corporate Culture Yuhan Kimberly moved its headquarters to 29th floor, Lotte World Tower, Jamsil, Seoul in April 2020 to mark the 50th anniversary of its foundation. Since 2011, Yuhan-Kimberly has taken the lead in presenting the leading representative corporate model by settling the smart office and smart work culture earlier. Currently, we designed a space for the future reflecting Activity Based Workplace (ABW) defined through the combined results of the usage rate of space survey, conducted from 2018 to 2019, interviews with leaders, survey of employees' needs and the location of residential areas.

What Makes New Space Distinguished? The concept of our new headquarters' smart office is 'diversity and inclusion'. Our phase 1 smart office featured horizontality without designated seats, having low partitions, openness and green office in line with our flexible seating policy, which takes up 80% of all seating, and horizontal corporate title usage. Moving to Phase 2, we designed our office to be equipped with more various types of seats, conference rooms and spaces for collaboration so that our employees have more diverse options according to their working style, the purpose of work and taste while maintaining the existing advantages. Especially, on one floor, all departments do not have fixed seats and all employees can meet each other within 2 minutes and 30 seconds to boost interaction and cooperation. We also designed the space for trees to account for more than 2% in pursuit of green office. Paperless company is also our focus.

Future Office Underpinned by Full-fledged Digitalization We have adopted digitalization technologies in our new headquarters office to use space more efficiently and raise work efficiency. The adopted technologies include meeting room seat reservation system, access control through non-contact fingerprint, wireless screen router, smart glass and non-contact meeting improvement system, which will contribute to the improved convenience of our employees and the enhanced environment for work. The establishment of smart office platform enables us to integrate the operation of meeting room reservation, seating occupancy and rest room presence detection. The smart office also allows us to reserve meeting rooms and to raise seating usage rate through mobile device or wallpad. The digitalization lays the foundation for digital competitiveness as well as our agility and flexibility.

[Special Feature]

"In the Era of COVID-19, How Will Yuhan-Kimberly Realize Social Value?"

We have reviewed our efforts to ensure customer health and safety.

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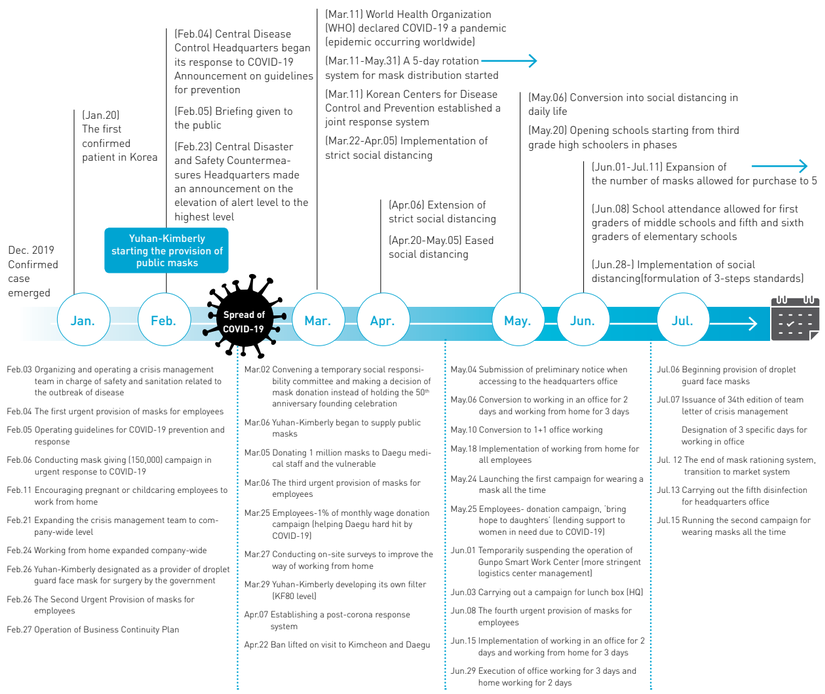
COVID-19 Response_Our Social Responsibilities

3-1. Products and Services

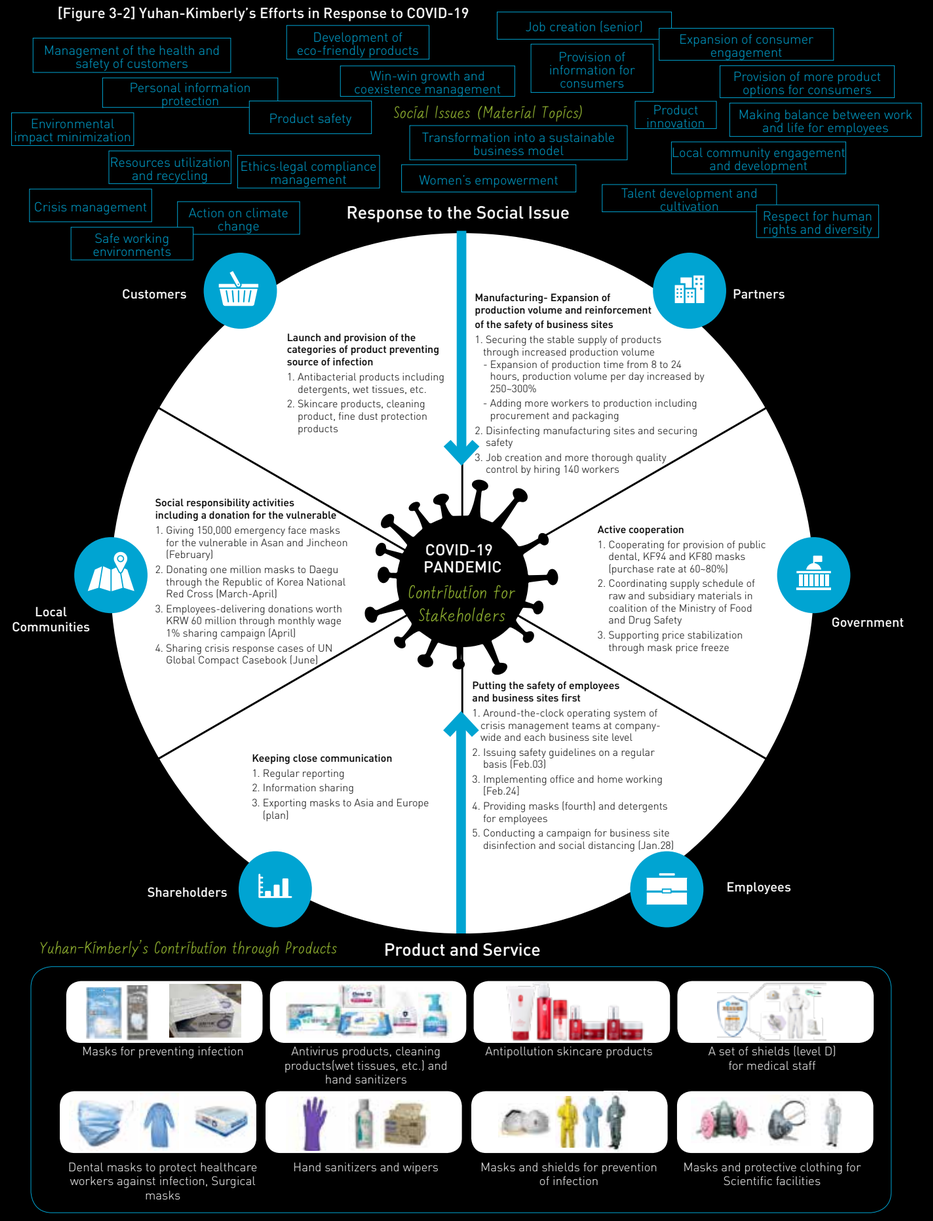
Why Is This Topic So Important? Yuhan-Kimberly faces social disaster called COVID-19. While Coronavirus disease (COVID-19), which emerged in December 2019, has spread across the world, WHO declared COVID-19 a pandemic, which means an epidemic is occurring worldwide, on March 11, 2020, the confirmed cases of the disease surpassed 120,000 in more than 110 countries. Earlier, Korea raised its alert level to the highest, 'serious' level, on February 23, then switched to social distancing in daily life on May 6. However, we still see the prolonged disease in the absence of a vaccine. Yuhan-Kimberly was able to confirm that the world is closely connected due to COVID-19. Recognizing the global disaster situation as a corporate risk threatening sustainability, Yuhan-Kimberly manages the role and responsibilities that it should fulfill as a company in society.

What Is Our Approach? The most important for quarantine from COVID-19 is using masks and washing hands. COVID-19 is spread through droplets or contact, so the government has put emphasis on them as must-do principles. Yuhan-Kimberly can provide products for customers' health and safety management because it started to develop the products, including masks since 1993. We worked with the government to produce public masks while donating one million masks to local communities, including Daegu and Gyeongbuk, instead of hosting the celebration of the 50th anniversary of our founding. Our employees and labor union also joined these contribution activities by donating 1% of their monthly salary. Furthermore, we developed a filter meeting the Ministry of Food and Drug Safety standards based on our machines and technologies to respond to a shortage of filters caused by soaring usage of masks within a short period for social contribution. Through this, we are sharing responsibilities and solidarity in responding to crises.

[Figure 3-1] Yuhan-Kimberly's COVID-19 Response Log



[Figure 3-2] Yuhan-Kimberly's Efforts in Response to COVID-19



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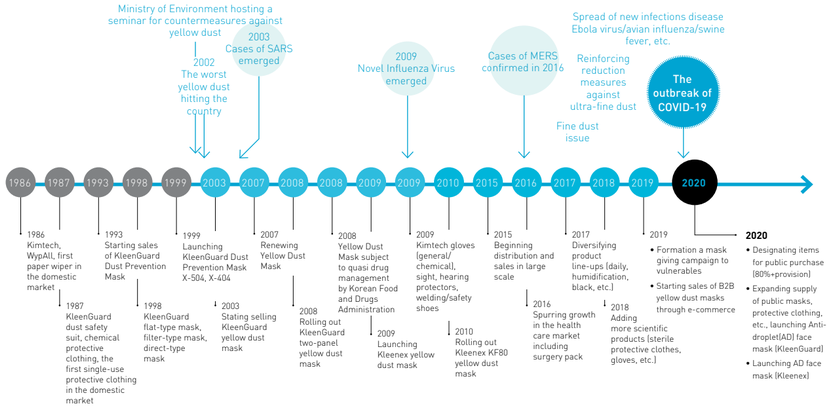
Yuhan-Kimberly and Mask Yuhan-Kimberly has released masks that help to prevent respiratory diseases since 2010. Starting with Kleenex Yellow Dust Mask (KF80) that was approved by the Ministry of Food and Drug Safety in 2014, we have developed and provided a variety of masks for consumers since 2015. So far, we have launched 38 types of masks in three categories: general use (brand Kleenex), industrial use (brand Kimtech, KleenGuard), and medical use (brand Yuhan Kimberly). In response to COVID-19, protective masks with KF (Korea Filter) 80,94, 99 were mostly sold in Korea.

[Figure 3-3] Yuhan-Kimberly's Efforts for the Prevention of Fine Dust and Infection Sources to Safeguard the People's Health



Change in Mask Consumption Pattern Korean consumers did not feel the need to wear a mask before COVID-19. Masks were used when people had a cold or wanted to cover their faces for some reason. The face covering, however, has grown in usage due to rising yellow and fine dust and reached its peak at the time of COVID-19. A mask wearing culture, brought by the pandemic, will continue even after the termination of the situation due to its advantages, which affects mask consumption pattern in the years to come. In July 2020, as it is getting hotter, we are seeing an increase in lightweight droplet guard facial masks. Accordingly, Yuhan-Kimberly developed and is offering Anti-droplet (AD) masks to meet the needs of our customers.

[Table 3-1] Mask consumption and market change before and after COVID-19

Category	Before COVID-19	During COVID-19	After COVID-19
Consumer awareness of masks	Little need to wear face masks Some increase in use due to fine dust	Increased importance of wearing masks to protect from COVID-19 Daily wear for the purpose of social consideration, self-protection, and less damage to others	Increased importance of personal hygiene Higher intention to wear masks even after COVID-19
Daily production volume of masks in Korea (Data - MFDS)	3 million in December 2019	6.59 million in January 2020 11.73 million in March 2020 14.66 million in May 2020 Provision of public masks for stable supply 5-day Rotation System for Purchasing Masks (from March to May) Confirmation to prevent repeated purchase of masks	Increased daily supply capacity Cost, R&D capability Growing need for export Expectation of cost increase Manufacturing cost + toll processing cost secured
Yuhan-Kimberly's response	Provision of masks to respond to yellow dust Function to prevent fine dust	Development of filters for KF anti-droplet public masks Sales of small-size masks for babies and children (aged 4 to 10) ※ Donating 1.15 million masks	Review required ※Continuous donation of masks

* The anti-droplet mask KF-AD (Korean Filter Anti-Droplet) means that it has resistance to airborne liquids. It is KF-AD certified if it does not leak water for 30 minutes after pouring it into the mask after containing 100 ml of water.

Learning from experiences | Interview with three on-field experts in charge of prevention

3-2. What Value Did Yuhan-Kimberly Create From the Response to COVID-19?

Kim, SungWoo
Consumer Goods Sector
GTM/Mask Business (Director)

Yoo, ChangWon
Innovation Center/Project Team/Mask Development (Sr. Research Scientist)

Kim, JongKu
Professional Marketing & Product Development Division/Head of Division (Director)

Major roles?

A leader of mask business in the consumer goods sector. In this crucial period of COVID-19 pandemic, I have played a pivotal role in providing public masks and maintaining a stable supply of masks in the domestic market.

A manager of mask development. We developed our own filter capitalizing on our own machines and technologies in March 2020, thereby contributing to constant filter provision down the road.

A leader of development and marketing in the B2B division. We played a vital role in the supply of personal protective equipment in the field of industrial goods during COVID-19.

What was the most difficult challenge in the initial stage of COVID-19?

Right after the Lunar New Year's holidays, we sold all stocks of masks in just four days owing to skyrocketing demand for them. An unexpected encounter with COVID-19 without preparation put our society in difficulty and companies were struggling as well. With insufficient staff in charge, we participated in meetings held by the government and provided 80% of masks for general consumers while offering 20% as public masks in compliance with the revised policy following the approval for sales consignment in early March. Quantities for public use were lifted on July 1. Yuhan-Kimberly's production capacity contributed to 3 to 5 % of the mask supply of the total. It was hectic and challenging time for us.

The spread of COVID-19 triggered a spike in mask demand, but it was difficult to secure raw and subsidiary materials from overseas. Even though we increased production facilities and working hours, securing filters meeting the standards of the government remained a big challenge. In order to solve this problem, we studied successful records of filters tested, existing patents and more than 100 references, and then suggested a development project on March 27, followed by the first trial in Kimcheon Mill on March 29, which culminated in the development of the filter parallel to KF80. During the pandemic, I could not visit Daegu for business and could not work from home, working till late at the institute, so I am very pleased to see the good result.

Masks for employees responsible for the prevention of infection were in an urgent need. We adjusted our plan to increase the production volume of protective clothing in February, at the initial stage of COVID-19 spread, signed temporary contracts with around 100 sewing companies and provided fabrics for them to manufacture protective clothing to resolve the lack of preventive items. It was so challenging because we had to do this work without any contacts due to full-fledged COVID-19.
I would like to appreciate the company for the decision of price freeze, increase in outsourcing companies and full respect for decisions made by the department in charge of production volume, putting employees' safety above.

The most valuable thing during the response to COVID-19?

I think Yuhan-Kimberly made considerable numbers of meaningful choices when our society suffered from the lack of masks. First meaningful choice was to decide on the role of masks as public goods, made by our crisis management team at the company, and to donate one million of them. For the sake of the health of children, we focused on the provision of masks for baby and small-sized masks, which was also significant but, unfortunately, it was impossible to offer earlier due to the contract cancellation from a manufacturer. Second, we did our best to provide 80% of public masks in close cooperation with the government. Third, it was meaningful to prioritize public spaces, such as fire stations or schools, in providing the remaining 20% of masks. We also tried to stabilize the prices of masks to lower the burden of the public although the price range of masks varied so much that some people said they would pay as much as what we wanted due to the short supply of masks.

Among these meaningful choices, the most significant achievement was to produce filters taking advantage of our non-woven equipment, thereby enabling mass production. This progress enabled us to produce quality filters, the equivalent or more of KF80 level, in collaboration with our production team, not depending on other countries, which also allowed the stable supply of masks. The inspection process to check the compliance with the standard was also reduced from half month to a week on the strength of agile co-working among diverse divisions. When it comes to the development of dust protective facial masks, we focused on the protection of respiratory system while putting emphasis on the prevention of yellow and fine dust for masks for daily life. I think it is quite inspiring that, during the pandemic, consumers started recognizing the advantages of masks, which is to prevent not only droplet infection but also cold during winter. We expect the mask wearing practice to create a new awareness regarding masks.

Mask is the largest visible issue but we made a meaningful contribution in invisible areas as well. That was to provide protective clothing for health care workers and Korean Centers for Disease Control and Prevention workers. Protective clothing is essential to preventive efforts and medical treatments. As a B2B business operator, it is also crucial to offer what are required for disinfection for facilities to secure the safety of users and workers of multi-use facilities, such as restaurants so that our society is going smoothly in the crisis of COVID-19. We provided around 500,000 protective clothing during the intensive preventive efforts.

Where did our competitiveness come from? And what is the future plan?

Yuhan-Kimberly converted into daily life mask business from production site mask one in 2015. Accumulated experiences of mask development enabled us to promptly respond to the crisis. We plan to increase the supply of small masks for children while providing more than 1.5 million of baby masks starting from August. Since April, our Proactive Protection Anytime Anywhere (PPAA) project has taken shape and we are expecting promising results from it. We wish our products to make a contribution to the improvement in the safety and health of the people.

In particular, Yuhan-Kimberly has know-how in non-woven fabric production accumulated over the past 40 years. This has enabled us to develop filters that meet government requirements in such a short period of time. Now that we are now equipped with core technologies for mask filters as a new category besides diaper and sanitary pad, we suggested that we should have our own equipment for this. And we are in preparation for patent for filters developed by us. We expect masks to be used as a fashion item for diverse customers, including child and baby in daily life, beyond just goods for the prevention of infection.

Yuhan-Kimberly serves the best products and consumers who use one of our products do not tend to switch to other brands. This is the feedback we received the most. I think highly of Yuhan-Kimberly's endeavors to maintain the quality of products even when we suffered from a lack of raw materials. Our own non-woven fabric equipment is a big part of our competitiveness even at the time when capability of putting ideas into action and imports were suspended. Safety of all business sites is our priority. We will further spur our efforts to lead the market in the personal protective and hygiene equipment market. KF-AD masks, which were launched in July, are currently on sale.

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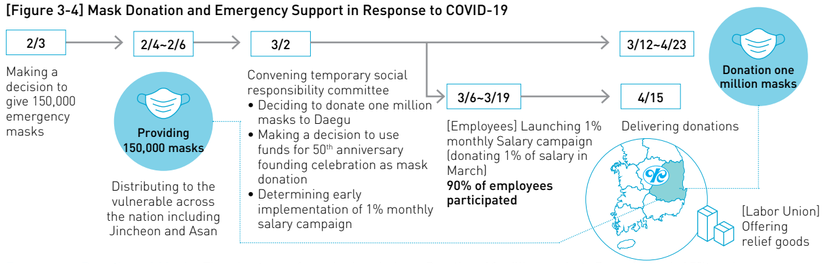
3-3. COVID19-Donation

[Figure 3-4] Mask Donation and Emergency Support in Response to COVID-19



Emergency Donation of Masks The shortage of masks has led to a rethinking of how to ensure the health rights of the vulnerable in the time of COVID-19 pandemic. Against this backdrop, Yuhan-Kimberly secured 150,000 masks for donation and delivered them to the Korean residents from Wuhan, who were quarantined in Asan and Jincheon, local residents, and the underprivileged across the nation. In March, instead of holding a tree-planting ceremony for the 50th anniversary, we donated 1 million masks to medical staff and vulnerable groups in Daegu. The donated products, including 350,000 Kleenex KF80 masks, 350,000 KF94 masks, and 300,000 dental masks, were delivered to Daegu through the Korean Red Cross.

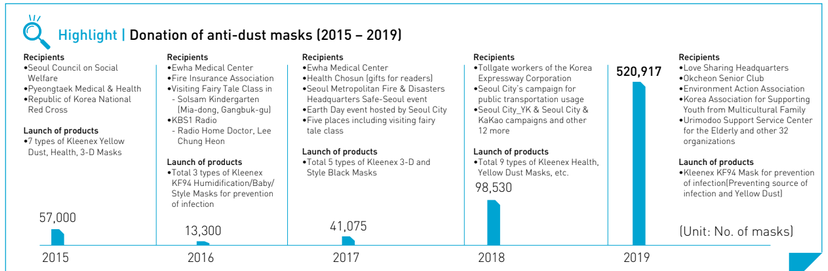
Donation of 1 million masks to Daegu instead of 50th anniversary ceremony

Visit to mask manufacturing sites – suggestion of product feature improvement for supply expansion

Supply of Protective Clothing for Medical Staff Yuhan-Kimberly manufactures anti-infection protective clothing and industrial protective clothing. After the outbreak of COVID-19, we started the expanded production of protective clothing, directly related to the safety of medical staff, from in March. During this process, we discovered and signed a contract with domestic sewing factories that produce military uniforms and clothes, creating a win-win opportunity for the domestic sewing industry, which has suffered from the COVID-19 crisis. By April 2020, 150,000 pieces of protective clothing have been delivered to the Korea Centers for Disease Control and Prevention (KCDC) and also to hospitals, police stations, fire stations, and local public institutions. By the end of June, we will supply about 600,000 pieces of protective clothing, and the amount of additional sales in 2020 is expected to reach approx. KRW 8 billion.

Donation of 1% of Monthly Salary and Delivery of Emergency Relief Fund by Labor Union Yuhan-Kimberly employees conducted a campaign to donate 1% of their monthly salary in March to help the vulnerable and medical staff in Daegu, the most affected area by COVID-19. 90% of employees (1,367 persons) joined the donation drive and collected about KRW 59.8 million. In addition, the labor union raised its fund to deliver relief supplies, including masks, bathroom tissue, sanitary pads, and hand sanitizers, to medical facilities and public institutions in the areas where our worksites are located.

Highlight | Donation of anti-dust masks (2015 – 2019)



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Headquarters

Manufacturing and Logistics

Active Communication

Changing the Way of Working

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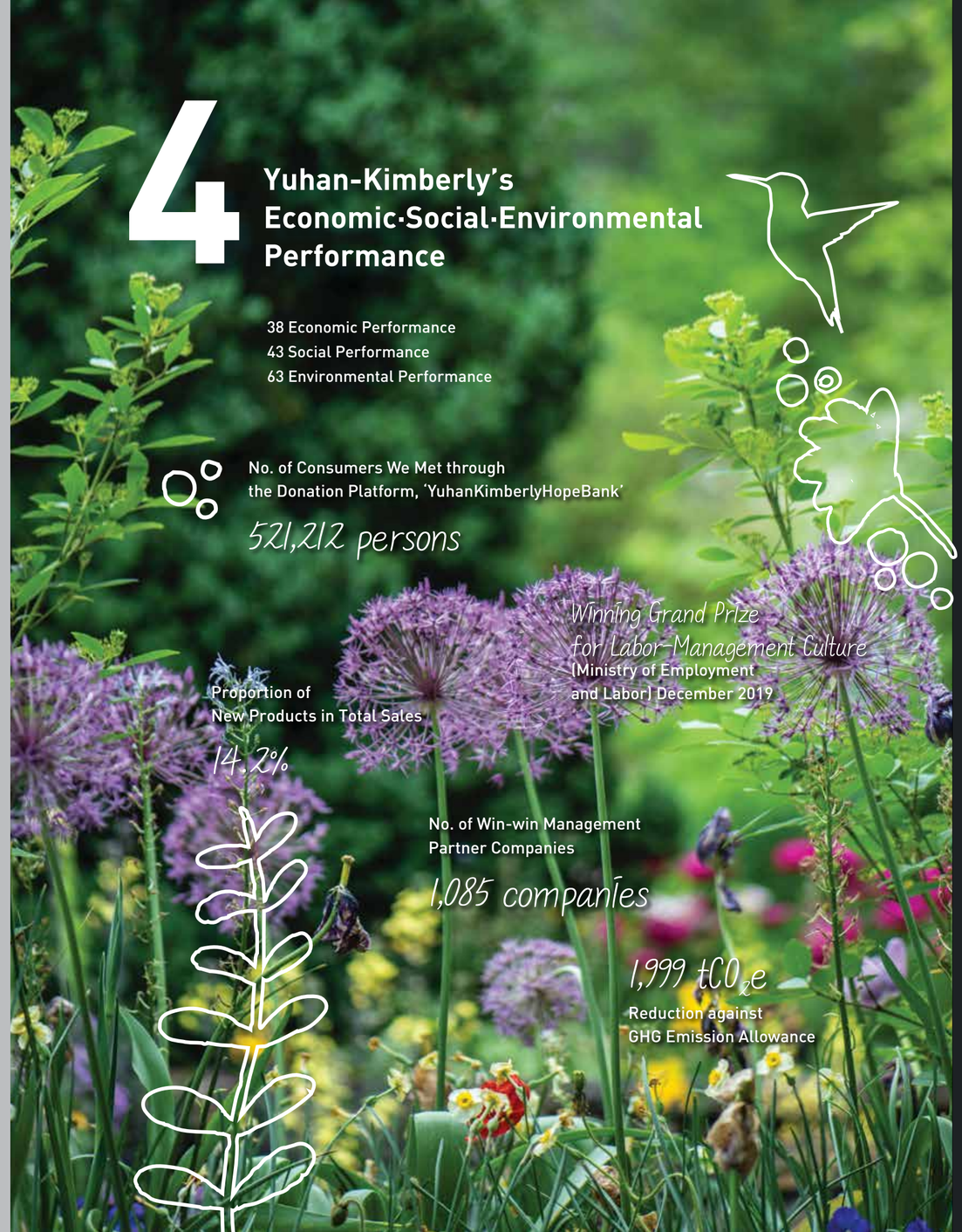
Yuhan-Kimberly Task Force on Climate-related Financial Disclosures (TCFD)

As a consumer goods manufacturer, Yuhan-Kimberly discloses financial information related to climate change. This information disclosure was made by the Financial Stability Board (FSB)'s recommendation for disclosure of financial impacts related to climate change through the establishment of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2015 and the publication of report in June 2017.

	TCFD recommendations	Yuhan-Kimberly's response	Yuhan-Kimberly's plan
Corporate governance	a) Describe the Board's supervision of risks and opportunities related to climate change	The Corporate Environmental Management, under the direct control of the CEO, takes responsibility for environmental management at the company level, including climate change, and discusses climate change and greenhouse gas issues through the quarterly meeting of the Social Responsibility Committee (participated by the chiefs of major functions including the CEO).	Yuhan-Kimberly is currently reviewing the application of the TCFD recommendations, including voluntary participation in the CDP.
	b) Describe the role of management in assessing and managing risks and opportunities related to climate change		
Strategy	a) Describe the risks and opportunities related to climate change that have been identified by the organization over the short, medium and long term	In response to climate change, we have established the short, medium, and long-term plans for the 2030 Environmental Management Plan with the declaration of carbon neutrality from a long-term perspective.	We need to estimate the greenhouse gas emissions, update the internal reduction potential, and actively respond to the emission trading system.
	b) Describe the impact of climate change-related risks and opportunities on the organization's business, strategy, and financial plan	In 2019, the Environmental Management 3.0 Team discussed the 2030 Environmental Management Plan to adapt to and mitigate climate change in the aspects of business function, supply chain, product, and manufacturing. The goals and action plans for each business were established, and the life cycle assessment was conducted for 11 types of major products to explore opportunities to reduce greenhouse gas emissions.	We plan to monitor the climate change adaptation and mitigation programs of each business function and discuss the current status and support plans through consultation with the in-charges of 2030 Environmental Management at each business division every month.
	c) Describe the flexibility of business strategies, considering climate change-related scenarios including the 2-degree scenario	Yuhan-Kimberly's 2030 Environmental Management Plan was announced at the Social Responsibility Committee and the Executive Workshop (Nov 14, 2019), participated by the CEO and chiefs of major sectors. The plan includes the carbon neutrality of manufacturing and production.	We need to strengthen the efforts to reduce greenhouse gas emissions, not only in the manufacturing and production area but also in the supply chain. And the eco-friendly logistics plan included in the 2030 Environmental Management Plan needs to be implemented without an issue.
Risk management	a) Describe the organization's process for identifying and assessing risks related to climate change	At Yuhan-Kimberly, the Corporate Environmental Management, under the direct control of the CEO, and the Environmental Management Promotion Workgroup, directly under the head of manufacturing production, take the lead in discussing how to respond to climate change, including the emission trading system, and also how to reduce risks. Key issues are reported to the management and the CEO.	In 2020, we plan to form a consultative body to discuss financial risks related to climate change response with the Finance Division.
	b) Describe the organization's process for managing risks related to climate change	Yuhan-Kimberly conducts monthly monitoring according to the GHG emission targets set at the company level and also by each worksite, respectively. These targets are reflected in the individual performance goal of the head of the manufacturing division and the leaders of each worksite. The Corporate Environmental Management and the Environmental Management Workgroup in the Manufacturing and Production Division discuss the performance of and improvement programs for climate change response through quarterly meetings.	At Yuhan-Kimberly, the Win-Win Management Division supports the sustainable management of partner companies. We need to make plans to strengthen cooperation with partners to respond to climate change proactively.
	c) Describe how processes to identify, assess, and manage climate change-related risks are integrated into the overall risk management of the organization	The risks related to climate change are reflected in the enterprise-wide risk assessment, which is conducted annually by the crisis management team at the headquarters. Each worksite utilizes this in materiality assessment to prioritize risks and establish improvement programs.	
Index and reduction target	a) Disclosure of indicators used by organizations to assess risks and opportunities related to climate change in accordance with their management strategies and risk management processes	We manage indicators including the total GHG emissions and energy intensity, and disclose the amount of GHG emissions through sustainability reports.	
	b) Disclose the GHG (Greenhouse gas) emissions and related risks in Scope 1, 2, and Scope 3 (if applicable)	Yuhan-Kimberly discloses GHS emissions every year in its sustainability report. Scope 1: 23,749tCO_2e, Scope 2: 178,688tCO_2e, Scope 3: 9,345tCO_2e	Emissions from domestic business trips of employees and partner companies need be reflected in Scope 3.
	c) Describe the objectives that the organization uses to manage climate change-related risks and opportunities and the corresponding performance	Yuhan-Kimberly exceeded its GHG emissions reduction target (by 1.0%) in 2019. We have reflected carbon neutrality of manufacturing and production in the 2030 Environmental Management Plan. And to that end, it plans for emission reduction, re-analysis of reduction potential, and programs to expand renewable energy use and reduce water intensity for paper manufacturing have been established and implemented.	

Financial Stability Board (FSB), Task Force on Climate-related Financial Disclosures (TCFD)



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No. of Consumers We Met through the Donation Platform, 'YuhanKimberlyHopeBank'

521,212 persons

Winning Grand Prize for Labor-Management Culture (Ministry of Employment and Labor) December 2019

Proportion of New Products in Total Sales

14.2%

No. of Win-win Management Partner Companies

1,085 companies

1,999 tCO_2e

Reduction against GHG Emission Allowance

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Economic Performance

At a Glance_ Economic Performance

Financial performance

Category	Unit	2017	2018	2019
Sales (rate of change)	KRW 100 million (%)	13,568(-9.54)	13,272(-2.18)	13,332(0.5)
Net income (rate of change)	KRW 100 million (%)	1,482(-17.28)	1,102(-25.65)	1,371(24.45)
Total assets (rate of change)	KRW 100 million (%)	10,434(-1.35)	10,360(-0.71)	10,338(-0.22)
Export volume (percentage per sales)	KRW 100 million (%)	1,869(13.78)	1,397(10.52)	1,307(9.80)

Domestic and export sales

Category	Unit	2017	2018	2019	YoY Variation (%p)
Domestic	%	86.2	89.5	90.2	0.7
Export	%	13.8	10.5	9.8	-0.7

Sales by business

Category	Unit	2017	2018	2019	YoY Variation (%p)
Baby diaper	%	30.7	23.4	21.0	-2.4
Wet wipes, towels, senior panties, skincare, etc.	%	18.7	21.4	21.1	-0.3
Facial and bathroom tissues	%	18.9	20.4	20.7	0.3
Feminine sanitary pads	%	16.2	17.3	18.6	1.3
B2B business	%	15.5	17.4	18.6	1.2

*Cause of decrease in diaper sales: low fertility leading to a reduction in market size

Distributed economic value

Category	Type		Unit	2017	2018	2019	YoY Variation (%p)
Shareholders	Dividends		KRW 100 million (%)	1,400	1,180	1,580	33.9
Employees	Wages, employee benefits costs		KRW 100 million (%)	2,175	2,442	2,189	-10.4
Partners	Goods and service purchase costs		KRW 100 million (%)	8,599	8,478	8,545	0.8
Local community	Government	Corporate tax, other taxes and utility charges	KRW 100 million (%)	696	542	684	26.2
	Local community/ customer	CSR costs	KRW 100 million (%)	71	60	58	-3.3
Miscellaneous	Other costs (rent, depreciation cost, etc.)		KRW 100 million (%)	623	746	630	-15.5
Internal reserves	Internal reserves		KRW 100 million (%)	82	-78	-208	-166.7
Total revenue (sales + interest income, etc.)			KRW 100 million (%)	13,646	13,370	13,478	0.8

R&D activity and investment

Category	Unit	2017	2018	2019
R&D workforce	Person	42	54	55
Facility investment	KRW 100 million	364.9	391.0	469.1
Ratio of facility investment to sales	%	2.7	2.9	3.5
Sales of new products	KRW 100 million	3,358	2,365	1,891
Ratio of new products in sales	%	24.7	17.8	14.2

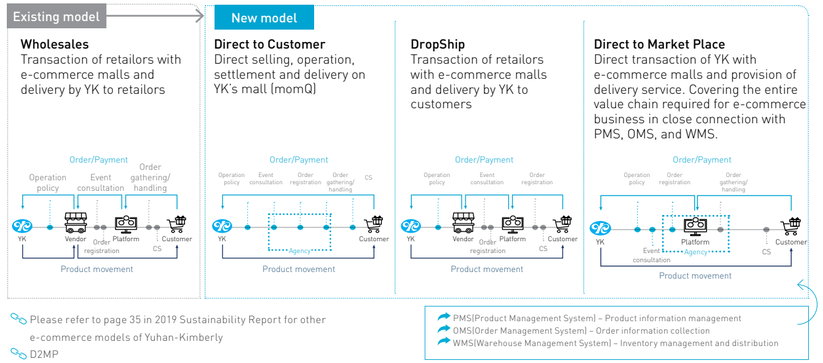
Growth of B2B sales

Category	Unit	2017 Sales	2018 Sales	2019 Sales	Annual growth rate(%)
Growth of B2B sales (domestic)	KRW 1 billion	141.4	157.4	168.2	6.8
ㄴ Industrial supplies	KRW 1 billion	107.3	116.5	122.3	4.9
ㄴ Medical supplies	KRW 1 billion	34.1	40.9	45.9	12.3

Economic Performance and Task 1

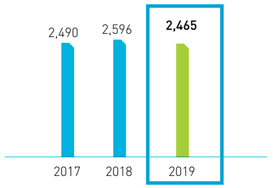
Innovation of Business Model to Lead the Market Change

[Figure 4-1] YK's 4 e-commerce business models



Steady Growth of Core Business-Impact of Continuous Innovation and Change Yuhan-Kimberly's efforts to lead the market change come from product and business model innovation. In 2019, we introduced 2,465 types of new products, which accounted for 14.2% of the total sales. In response to market changes, we have flexibly operated the organization to shorten the product launch cycle, innovated materials, functions and designs, and achieved sales growth of 10% in the feminine products business, 7% in the B2B business, and 2% in the consumer goods business thanks to our unparalleled quality control. The baby product business has minimized the impact of low fertility on the market by releasing new products with thin-tech core technologies applied.

[Figure 4-2] Efforts to release new products (Unit: No. of new product)
(based on new material code)



Market Change 1_Increased Importance of E-Commerce Market With the growth of e-commerce market, Yuhan-Kimberly is expanding its e-commerce* channel by developing DropShip, Direct to Market Place(D2MP), and Direct to Customer(D2C) models. We are targeting not only domestic but also cross-boarder* markets, such as China. In 2019, we signed a contract with Alibaba's Tmall Global and JD.com to sell diaper products and expanded our product line to include feminine hygiene products as we started to sell 'Good Feel' at Tmall Global and Taobao. The online e-commerce market accounted for 32.8% of the total sales in 2019.

* e-commerce: Activity of buying and selling of products and services online or thru internet.
** Cross-Border: Trade occurs between companies in different counties.

Market Change 2_Launching and Expansion of D2MP Platform The D2MP, developed in 2019, is an e-commerce model for dropshipping from directly operated factories. This new model allows to open a Yuhan-Kimberly store on e-commerce marketplaces. Since each stage, from product registration to delivery, is managed by a digital system, human errors, such as wrong delivery, can be reduced and operation efficiency can be improved. By March 2020, we have launched stores on two marketplaces (G-Market, 11 Street), IT platform (Naver, Kakao) and D2MP platform and will expand to Auction in June. In April 2020, we integrated the order, delivery and settlement system into our own shopping mall momQ.

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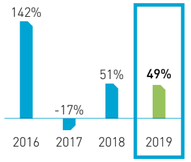
Market Change 3_Growth of D2C Platform momQ Starting as a shopping mall for baby and child products, momQ, a D2C channel, has evolved into a directly operated commerce platform that deals with consumer goods and feminine hygiene products as well. We also communicate with customers through the entire process of brand experience by providing brand information, integrating consumer surveys and promoting various events to encourage customer engagement. Transforming into a consumer engagement platform, momQ now has 850,000 members and 49% of increase in sales year-on-year as of 2019.

[Figure 4-3] momQ sales growth rate (year-on-year)



Market Change 4_Introduction of AI for Better Services The introduction of curated commerce (2017) had a significant effect on the establishment of momQ as a digital platform. Curated commerce conducts an integrated analysis of purchase data and provides customized products and services. Furthermore, we have introduced AI solution (salesforce) to unearth hidden needs of customers in 2019. We design and recommend personalized products for each customer by analyzing their demographic information, shopping behavior, and purchase history.

[Table 4-1] Major new products (2019 to March 2020)

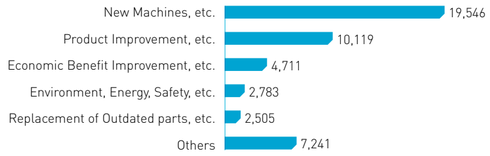
Category		Product	Description
Baby/child products	Diapers & pants	Coupang only NatureMade Bamboo Diaper & Pants	Containing natural bamboo-derived ingredients wider inner top sheet
		NatureMade Organic	100% organic cotton top sheet 10% European absorbent
		Magic Comfort & Magic Pantie Comfort, New Magic Comfort	50% improvement in thickness and oversaturation by applying Thin-Tech Core NatureMade Summer Band-type Diaper-use of biomass material to reduce GHG emissions
Childcare products	Double Heart	Mug Cup _ Mag Mag Straw Cup (3 colors)	Large-capacity straw cup made from polyphenyl sulfone (PPSU) material
Feminine hygiene products	Feminine hygiene products	White Eco-fresh Ultra Slim, White Secret Hole Ultra Slim	Comfort of wearing with the application of single core™ that combined three absorption layers into one International Patent Application: PCT/US2018/028352
		La Nature Signature	Eco-Cert 100% organic pure cotton top sheet and biodegradable waterproof layer with Nordic natural absorbents Biodegradable waterproof layer
		White Eco-fresh Deo Ultra Slim	OK Biobased Certification (2 Star) Use of nature-derived materials for top sheet Natural citric acid to remove odor for 99%
		Good Feel iOO	Korea's first sanitary pad to obtain GOTS certification* 100% pure organic cotton from top sheet to absorbent Compostable biodegradable waterproof layer Non-tar, non-synthetic flavors, non-chlorine bleaching, pesticide-free, chemical-free fertilizer Reuse of packaging materials in paper cartons *GOTS certified: granted to products with more than 70% of organic cotton. International Organic Certification
	Panty liners	Panty Liner_La Nature Signature Liner Long	Eco-Cert 100% organic pure cotton top sheet, Double absorbent layer with 100% Nordic natural absorbents Biodegradable waterproof layer
	Tampon	Tampon _Good Feel Organic Pure Cotton Absorbent	First tampon to receive OK Biobased certification, USDA Biobased certification 100% organic pure cotton absorbents
	Wearable overnight	Good Feel Wearable Overnight	The only NO SAP in Korea. Domestic manufactured. Wide hip cover and premium materials for feeling like underwear.
Senior underwear	Pants	Moms Safe Panty	Maternity panties. Soft pure cotton-feeling top sheet/ comfortable fit
Household goods	Bathroom tissues	Kleenex Deco & Soft	Korea's first 3-D color design. Using natural pulp
	Facial tissues	Kleenex Soft Touch Facial Tissue	Containing sword bean extracts. Containing moisturizing lotion
	Cleaning supplies	Scott Cleaning Product	From housewares business in 2009 to cleaning product market in 2020
Masks	Masks	May Breeze Anti-dust Mask	Super electret filter Triple structure system. Minimizing respiratory leakage with internal close guard
Wet wipes	Baby wipes	Rili:U_Pure Gold, Pure Green, Pure Pink	Nature-derived fabric Using only three main ingredients except for purified water
Skin care	Green Finger	Sun_Sun lotion for outdoor activities	Sunscreen for children exposed to strong UV rays
B2B	Towels	Kleenex® Air Cell Jumbo Roll Premium	Applying UCTAD method Maximizing air gap in the fabric Excellent absorbency and speed
	Masks	KleenGuard® Anti-dust Mask	A cup-type design that reflects the average face size of Koreans headbands separately attached to the body/Adjustable three-level hook/ foldable for storage

Economic Performance and Task 2

Focus and Growth of Vision Category

Acceleration of New Investment for Future Growth In 2019, Yuhan-Kimberly invested approximately KRW 46.9 billion (3.5% of sales) in facilities to build capacity for future growth. We established our expanded facilities to manufacture senior pants and jumbo roll tissues and also to develop new diaper technologies with the investment increased by 1.2 times from 2018. As a result, a total of 20 patents and trademarks were registered (8 domestic, 12 overseas) in 2019 to enhance our future competitiveness.

[Figure 4-4] 2019 Major New Investments (Unit: KRW 1 million)



Business Portfolio Management and Growth_Growth Rate of 11.6% Yuhan-Kimberly has selected and managed products in the vision category* every year based on market growth, market share, and latent demand. In 2019, we added hand wash products to the vision category considering the market share and brand competitiveness. The sales target achievement and growth rate of the vision category were 91.6% and 11.6%, respectively, in 2019.

[Table 4-2] 2019 Vision Category Products and Growth Rates

My bidet	Scott towels	Coform wet wipes	La Nature	Overnight	Senior underwear	Baby wipes	Skincare	Hand-wash
10.7%	-5.4%	-3.2%	30.1%	20.8%	18.6%	9.2%	7.0%	25.0%

* The name of Vision Category has changed to ACTs (Agile & Collaborative Teams) from 2020.

Export to 28 Countries Yuhan-Kimberly has exported its products to a total of 28 countries in 2019. As new products for export, we developed organic sanitary pads (La Vie) and diapers (NatureMade) and premium diapers and pants, and launched them in the U.S., Japan, Vietnam, Australia, and New Zealand markets.

[Table 4-3] Number of Countries for Export by Product (2019)

Product	Diapers	Pants	Baby wipes	Depend	Sanitary pads	General wet wipes	Home supplies	B2B	Hydroknit*	UCTAD**	Others
No. of countries	9	5	7	8	7	16	7	10	6	14	11
Countries for export(28)	China, Australia, Hong Kong, Thailand, Japan, Taiwan, India, Malaysia, United States of America, Singapore, Mongolia, the Philippines, UK, France, Brazil, Russia, Indonesia, Chile, Peru, Saudi Arabia, Argentina, Vietnam, Israel, New Zealand, Costa Rica, South Africa, Bolivia, Colombia										

* Hydroknit: A material made using a patented method of Kimberly-Clark. Physically combining felt and pulp by using high water pressure.
** UCTAD: A method of drying materials with air. A tissue production facility at Kimcheon Mill. Allowing the production of thick tissues with higher absorbency

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Economic Performance and Task 3

Value Creation through End to End Innovation

Smart Supply Chain Management (Smart SCM)_Opening of e-Fulfillment Center in Bugok Logistics Complex Yuhan-Kimberly opened the e-Fulfillment Center in Bugok Logistics Complex in January 2020 to establish an automated logistics system in preparation for the expansion of the e-commerce market. The e-Fulfillment Center is a logistics center that automates the logistics process from warehousing, packaging, inspection, shipment, delivery to return based on the data of order for e-commerce products. Through the data-based cost analysis and inventory management, we contribute to minimizing the use of resources, saving energy, reusing waste, and reducing air pollution. We will realize eco-friendly e-logistics by building a digital-centric E2E process throughout the entire logistics process and implementing logistics digital transformation by 2030.

[Figure 4-5] 2030 Smart SCM Strategy

Customer > Order > Plan for demand > Management of purchased materials > Production > Inventory management > Shipment

↑ Advancement, Standardization, Optimization

1. Digital-centric E2E process
- E2E Process Innovation (optimization > standardization > advancement)
- E2E Data alignment
- E2E Traceability implementation

2. Implementation of logistics digital transformation
- Smart fulfillment establishment (automated and unmanned system)
- Optimization of movement (robots and drones as means of transportation)
- Logistics data control tower (capacity building for data analysis)

3. Eco-friendly logistics
- Direction of eco-friendly logistics strategy (air pollution, energy management, waste)
- Establishment of 7R management process for eco-friendly logistics

▶ **Manufacturing Production Change_ Establishing a Smart Production System** Yuhan-Kimberly has applied digital technology to its manufacturing sector. In the short term, we focus on building a proactive quality control system based on big data analysis and ensuring product traceability. In the mid to long term, we aim to establish a quality assurance system that covers consumer product feedback, process management information, and product and raw material quality information.

▶ **Establishment of Real-Time Feedback System** Visualizing data generated at the manufacturing site (Manufacturing Execution System, MES) enables a driver or an engineer to monitor the process in real-time. The MES has allowed us to prevent waste generation, poor quality, and waste of materials (KRW 600 million at Taejon Mill in 2019) and optimize the entire process.

▶ **Application of Deep Learning Image Analysis Technology** Deep learning image analysis technology is currently being applied to identify amorphous objects in the monitoring system. A system that identifies foreign substances accumulated in nozzles during the manufacturing process has been established at Taejon Mill, and the development of analysis model is underway at Kimcheon Mill to sort out poor quality of products during the packaging process.

▶ **Introduction of the MES with RFID Technology at Kimcheon Mill** The Kimcheon Mill, selected as Kimberly Clark's smart manufacturing model, plans to apply the RFID technology* for the first time in the manufacturing sector, with the consideration of the characteristics of large-scale facilities and process industry. The technology will improve operator convenience and information accuracy, and be applied to the in-depth analysis of energy, downtime, and waste, and also to recipe management functions.

*RFID (Radio-Frequency Identification) technology: A recognition system where a semiconductor chip uses radio frequency to read data stored as tags, labels

▶ **Manufacturing Execution System (MES), Quality Inspection, and Product Acceptance Software System (PASS)** The quality-production operating model that integrates production and quality information analyzes, conducts quality control, and optimizes the process organically. In particular, Taejon Mill enhanced product traceability by publishing an integrated report that can check the unique ID of finished products and materials and accordingly confirm the used materials, process information, and quality test results both ways.

▶ **Introduction of RPA (Robotic Process Automation) that automates simple tasks to streamline business operations** Yuhan-Kimberly has introduced the Robotic Process Automation (RPA) technology that automatically performs repetitive tasks, such as data collection, input, and comparison, to streamline business operations across the company. Fast and precise performance reduces working hours and costs. By introducing the RPA in the manufacturing/logistics/sales sector in 2019, we have saved 3,352 working hours per year. We applied it to repetitive quality-related work of engineers, such as extraction of consumers' complaints or collection of performance indicators from MES system, thereby saving 839 hours annually. We are going to further expand the scope of it to financial accounting, HR and supply management so that employees concentrate on work with higher added values. We are going to further expand the scope of it to financial accounting, HR and supply management so that employees concentrate on work with higher added values.

Social Performance

At a glance_ Social Performance

Category				Unit	2017	2018	2019
Employee	Employment	Total number of employees		Person	1,671	1,577	1,566
		Employment type	Permanent (98.3%)	Person	1,658	1,558	1,540
			Contract (1.7%)	Person	13	19	26
		Occupational classification	Production (48.7%)	Person	811	799	762
			Office (51.3%)	Person	860	778	804
		Gender	Female	Person	298	283	289
			Male	Person	1,373	1,294	1,277
		Employment rate of the disabled		%	2.49	2.19	2.47
		Job creation rate		%	-2.17	-5.63	-0.7
		Average continuous service period		Year	19.7	20.2	20.6
		Average working hours per month		Hour	163	157	162
		Average number of days absent		Day	0	1	2
		Loss days		Day	0	334	732
	New employment and retirement	New employees	Total	Person	16	34	53
			Rate of new female employees	%	68.8	79.4	66
			Rate of new male employees	%	31.2	20.6	34
		Retirement rate		%	1.68	7.29	0.83
		Turnover rate		%	1.38	7.29	0.83
	Training	Training hour per employee		Hour	56.8	45.8	43.6
		Training cost per employee		KRW 10 thousand	31	39	42.6
	Female workforce	Female workforce ratio		%	17.8	17.9	18.5
		Females above senior management levels		%	12.9	15.4	9.8
		Females among total office employees		%	36.4	37.1	37.1
	Maternity and childbirth	Maternity leave users		Person	17	14	15
		Return-to-work rate after maternity leave		%	100	100	100
		Baby care leave users (female)		Person	18	21	23
		Baby care leave usage rate of female		%	77	58	76
		Baby care leave user (male)		Person	3	2	1
		Return-to-work rate after baby care leave		%	100	86	100
		Retention rate after return from baby care leave		%	88	82	85
	Labor	Number of employees joining the labor union		Person	853	821	798
		Rate of employees joining the labor union		%	99.5	100	99.8
	Work safety	Number of industrial accident rate		Case	0	1	2
		Industrial accident rate		%	0	0.06	0.06
Partner	Average point by the evaluation system (including social responsibility criteria)			Point	89.2	89.8	87.8
	Pledge of code of conduct			Case	-	70	70
Customer	Customer satisfaction survey			Point	86	88.7	88.2
Local community	Donation			KRW million	3,135	3,152	2,848

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Employees

Labor Relations_ Guaranteeing Rights of Association and Collective Bargaining & Receiving 2019 Labor-Management Culture Grand Prize YK's labor union boasts 100% of membership (821 persons) in 2019. Association and collective bargaining rights are guaranteed, and Co-Labor & Management Team is operated at each workplace. Labor and management have recently executed unparalleled quality control campaign to promote collaboration and win-win culture. In 2019, business strategy presentation, Labor-Management Council meetings (4 times), and labor-management discussion were held with CEO participation. Back in 2014, labor union introduced benefit-sharing system to achieve growth based on trust and transparency. Yuhan-Kimberly(hereafter YK) was selected as an exemplary labor-management culture company and received the Minister's Prize in Labor-Management Culture Award in 2019 from the Ministry of Employment and Labor. The award has the highest authority in labor relations category. Over the past 3 years, selected as excellent labor-management culture companies (2017-2019) were entitled to apply, and winners were selected through document screening, on-site due diligence, and case presentation competition.

Safety First policy YK puts safety before anything else. Labor & Management Industrial Safety, Health, and Environmental Committee are operated at four workplaces quarterly. Committee has discussed and monitored each workplace's safety and health issues and complied with regulations, including the Occupational Safety and Health Act. In 2019, of 819 risk factors were identified, and 94% of them were eliminated. To identify potential risk factors, labor and management have jointly operated integrated weekly safety inspection process, and the number of industrial accidents was 2 (accident rate of 0.06%) in 2019. Besides, we provide special yearly checkup for employees exposed to toxic substances, excluding regular checkups for all employees. Taejon Mill received recertification of 'Best Workplace with Excellent Health Promotion Activities' (certification period: August 30, 2011 to August 29, 2020) from the Ministry of Employment and Labor and Korea Occupational Safety and Health Agency to prevent work-related diseases. In April 2019, the mill newly achieved certification and accreditation of Authorized Economic Operator (AEO) from the Korea Customs Service after undergoing inspection on legal compliance and safety management (Recertification Period: December 31, 2018 to December 30, 2023).

[Table 4-4] 2019 Occupational Safety, Health and Environment Committee

Worksite	Committee composition	Production employees/ total employees	Key issues and improvements	Industrial accidents
Kimcheon Mill	Management 11 + Union 11	272/387	Repair of ceilings to prevent foreign substances from falling due to the aging truss Improvement of 14 items in Kimcheon Logistics External Safety Inspection (Korea Industrial Safety Association)	N/A
Taejon Mill	Management 10 + Union 10	270/384	Introduction of new safety shoes model/Joint safety campaign/Digitalization of health management	N/A
Choongju Mill	Management 7 + Union 7	194/246	Select the Best Safety Worker/Update safety checklist after investigating cause of finger injury incident. Provision of safety training/Assignment of management supervisor for supervision of high-place work/Training of partners on preventive safety management	1
Logistics center	Management 3 + Union 3	17/22 (onsite/total)	Elimination of risk factors with safety ambassadors and safety management items/ Establishment and implementation of work safety standards for loading and unloading	2

[Table 4-5] Risks Jointly Identified by Labor and Management and Improvements (2017~2019)

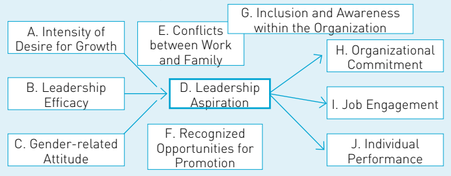
Category	2017			2018			2019		
	Detected (case)	Improved (case)	Improved (%)	Detected (case)	Improved (case)	Improved (%)	Detected (case)	Improved (case)	Improved (%)
Choongju mill	340	325	96	402	389	96	211	198	94
Kimcheon mill	338	325	96	310	305	98	172	168	98
Taejon mill	529	519	98	384	332	86	395	323	82
Distribution center	62	60	97	139	139	100	130	130	100
Total	1,269	1,229	97	1,235	1,165	94	908	819	94

Support for Employee Training_ Digital Capacity Building YK has credit bank system and online education system (Welearning) to support all employees' self-development and lifelong learning. We have formed Functional Excellence Team (FET) across company to allow employees to submit assignments and achieve self-improvement voluntarily. Employees are recommended to take 20 credits per year, and the average training per employee was 43.6 hours, and expense of training was KRW 426,000 in 2019, up 9% from last year.

Digital Capacity Building YK provides employees with digitalization training to promote smart work management and digital culture. In 2019, training on digital capacity building, including big data expert courses, has been expanded to employees in all areas. The manufacturing sector are offered training on how to use manufacturing data and digital platforms. Our digital capacity building is led by three organizations: Digital Excellence Division dedicated to digital transformation (2016), Marketing Data Intelligence Division in charge of e-commerce (2018), and Smart Supply Chain Division responsible for smart manufacturing innovation (2016).

Reinforcing Female Leadership_ Diagnosing Organization for Diversity and Women Empowerment Enhancement To promote women's leadership in company, YK conducted research study with Future Forum and researchers in 2019. By sharing results with society through open seminar, we contributed to increasing female employees' leadership. Moreover, we launched 'SHECAN CONNECT' organization in Asia Pacific region of Kimberly-Clark and participated in high-level leadership career development program in January 2020. Back in 2011, YK appointed Chief Diversity and Inclusion Officer (CDIO) and established Women's Committee. We launched Korea Women's Interactive Network (K-WIN) in 2014. As of the end of 2019, females account for 18.5% of total employees, and the ratio of female executives (higher than directors) is 9.8%.

[Picture 4-6] Leadership Research Model



Human Rights Education_100% Completion of Online Course YK provides human rights training course to employees to foster a culture of respect for human rights. We also offer mandatory training on sexual harassment prevention and disability awareness improvement. All employees completed online training courses in 2019 (excluding those on leave). As the Workplace Harassment Prevention Act was enacted in 2019, we enhanced workplace harassment on regulations and shared the definition and harassment cases with employees to spread culture of mutual respect and consideration company-wide. In July 2019, the ban on workplace harassment, added to the Labor Standards Act, was reflected in our employment rules.

Flexible Time_Extension of Leave for Refreshment to 18 Days per Year Since the 1990s, we have implemented flexible working hours, including flex-time work scheme, on-field work system, and 4-team 2-shift schedule. We put in place a range of flexible working systems following the 40-hour week policy in 2018. These include selective working hours system (in light of the nature of work, keeping total working hours every month on condition of working at least three hours a day), deemed working hours system (salespeople who work outside and employees on business trips regarded as to work for 8 hours a day and 40 hours a week regardless of commuting time, presuming a five-day work) and flexible working hour system (allowing work leaders or above to freely manage daily working hours assuming five-day work). Also, to spread vacation culture, we have notified employees at headquarters of annual plan on "leave for refreshment" for 18 days a year before new year starts. All employees including CEO are

[Table 4-6] Yuhan-Kimberly's New Policies on Vacation and Flexible Working Systems (2013-2020)

Category		Year of Adoption	Targets and Contents
Vacation Policy	Expansion of Vacation for Recharging	2020	Vacation days for headquarters' eligible employees expanded into 18 days a year, preliminary notice of annual plan in the previous year and simultaneous implementation of vacation for recharging
		2018-2019	Vacation days for headquarters' eligible employees expanded into 15 days a year, preliminary notice of annual plan for the next year and simultaneous implementation of vacation for recharging
	Adoption of Vacation for Recharging	2016-2017	Vacation days for headquarters' eligible employees expanded into 10 days a year, giving notice in the previous year and simultaneous implementation of vacation for recharging
	Institution of Vacation for Learning	2013	Grand Prize Winner of Yuhan-Kimberly Role Model Awards receiving the vacation for eight weeks and cash prize worth KRW 10 million, four-week long vacation given to second-award winner
Flexible Working Systems	Working from Home	2020	Allowing all employees to work from home in response to COVID-19 (now operating the combination of office working for 3 days or full week)
	Selective Working Hours System	December 2018	Selective working hours adopted, in light of the nature of work, on a monthly basis on the condition of keeping a total working hour while working at least three.
	Deemed Working Hours System		Recognizing eight hours of working per day and forty hours per week for sales force or other workers on business trip regardless of their commuting times on the condition of five-day work
	Flexible Working Hours System		Allowing work leaders or above to freely manage working hours of one day on the condition of five-day work

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encouraged to use the leave during same period. In 2019, the ratio of employees at headquarter who use flex-time work scheme is 50%, and the average vacation of all employees is 13 days.

Giving Flexibility in Space and Relocating Headquarters to Boost the Respect for Diversity & Establishing Smart Office that Brings in Higher Autonomy and Efficiency Our headquarters' smart office, relocated in April 2020, is upgraded based on our employees' needs for space in five areas encompassing efficiency for collaboration, noise blocking, air quality improvement, Green Office, and technologies for job efficiency. To make the office more efficient for cooperation, we put six types of various seats and diverse meeting rooms reflecting generations, working styles, tastes, and diversity while executing flexible seating system. We also presented a new model for Green Office by making green space account for 2.53%.

Flexible Resources - Operating Flexible Collaboration Team Based on our flexible organizational culture and system, we have strived to maximize the utilization of given resources, time, and space to focus on flexibility, collaboration, communication, and creativity. Since introduction of workgroup in 2013, the concept of flexibility at YK has been expanded to create an ACT (Agile & Collaborative Team) in 2019.

[Table 4-7] Changes through Flexibility in Time, Space and Resources

Category	Smart work 1.0 (1990~2009)	Smart work 2.0 (2010~2019)	Smart work 3.0 (2020~2030)
Making Time Flexible	1990 Leave based on the length of service 1993 Four-shift systems introduction for production workers 1994 Flex-time work scheme (management) 1996 On-field work system (sales) 1997 4-team 2-shift schedule (production)	2011 Flexible lunch hours 2011 Switch off/WLB campaign (headquarters) 2012 Home-based telework (employees who take care of infants) 2012 Reduced working hours during childcare period 2013 Learning leave (4 to 8-week leave for winners of "The Yuhan-Kimberly Role model Award") 2016 Refreshment leave (10 days a year) Leave of absence for family care 2018 Selective/deemed/flexible working hour system, Extension of refreshment leave (15 days a year), Strengthening a leaving office on time campaign, surveying the status of working late and conducting a campaign for meeting culture improvement 2019 Extension of refreshment leave (18 days a year), Expansion of reduced working hours during childcare period, Expansion of parental leave for spouse, Improvement of leave based on the length of service (use in installments), Introduction of leave for family affairs	2020 Telecommuting in response to COVID-19, Extension of refreshment leave (18 days a year)
Making Space Flexible	1997 Relocating headquarters (Daechi, Seoul) 2007 Remodeling offices (headquarters, sales branches included)Installing a space for maternity protection	2011 First establishing of smart offices in headquarters and Jukjeon Innovation Center, building smart work centers in Jukjeon and Gunpo 2014 Establishing smart work centers in Taejon and Busan 2014 Upgrading the management building in Kimcheon Mill and the smart office of headquarters in 2014 2015 Building smart work center_Headquarters creative space 2016 Establishing a smart office in Taejon Mill 2016 Completing the establishment of smart work center in 9 places including Daegu and Gwangju 2017 Establishing smart office in Kimcheon Mill 2018 Surveying headquarters' smart office 2019 Smart work center_Upgrading through relocation into Daegu 2019 Working on the relocation project	2020 Upgrading Smart office through Relocating headquarters in 2020 (Jam-Sil, Seoul)
Making Resources Flexible	1990s Lifelong education 2000s Innovative management	2010 Internal contest/job circulation system 2010 Horizontal title system "Nim" 2011 Learning organization/sector FET (Functional Excellence Team) 2013 Collaborative organization system (Workgroup), Open Executives Meeting 2014 Operating a project work group 2016 Pilot-operation of integrated teams 2016 Introduction of the agility* concept 2018 Operation of virtual organizations in response to e-commerce, Operating a virtual team of headquarters for environmental management 2019 Establishment of 5 ACTs (Agile & Collaborative Team)	2020 Operation of agile organizations (6_added to B2B)

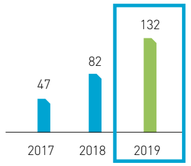
Please refer to page 42 in 2019 Sustainability Report for evolution of family-friendly management by year
Please refer to page 29 in 2019 Sustainability Report for further details of smart work management
* Agile organization : The organizational culture that removes the boundary of departments and forms small teams as necessary

Constantly Operating EAP for Employees' Wellness A total of 131 employees used our Employee Assistance Program (EAP) in 2019. We launched EAP in 2002 and further expanded it to cover family counseling. To promote our employees' healthy lives, we carried out organization diagnosis to figure out our employees' stress levels. We analyzed the causes of stress to enhance our corporate culture.

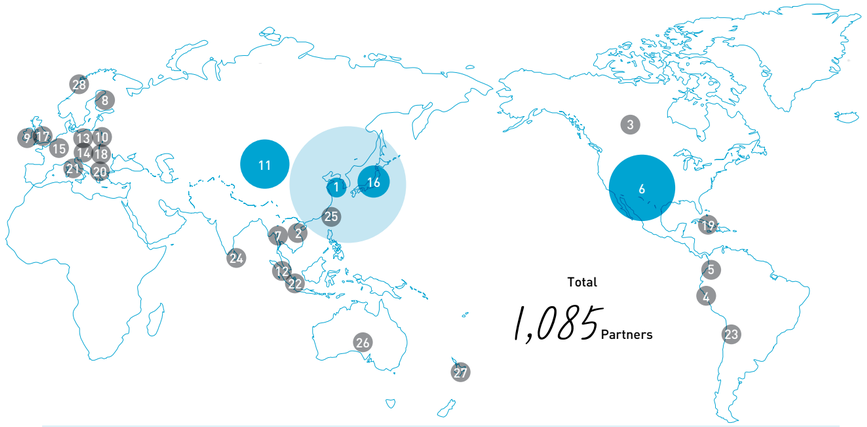
Partners – Win-Win Growth

Number and Type of Partners, Regional Distribution, and Purchase As of 2019, we have 1,085 partners (domestic companies account for 89.3% and their transaction for 74.3%), and the number of new partners was 132. Our partners are mainly engaged in supply of raw materials and finished products, direct transactions with distributors, advertising business, IT, and finance. 86.9% of our domestic partners are located in the metropolitan area (Seoul, Gyeonggi, and Incheon), accounting for 50.5% of the total purchase. In Korea, where major suppliers are located, the purchase amount is the highest at 80.8% of the total transaction.

[Figure 4-7] No. of New Contract Partners



[Figure 4-8] Yuhan-Kimberly's Partners by Region



Country (No. of partners)					
1. Korea (969)	6. The US (24)	11. China (21)	16. Japan (7)	21. Italy (5)	26. Australia (4)
2. Hong Kong (7)	7. Thailand (3)	12. Malaysia (7)	17. The UK (3)	22. Singapore (5)	27. New Zealand (1)
3. Canada (1)	8. Finland (2)	13. Germany (4)	18. Austria (1)	23. Chile (1)	28. Sweden (2)
4. Peru (1)	9. Ireland (2)	14. Switzerland (1)	19. Cayman Islands (1)	24. Sri Lanka (1)	
5. Colombia (1)	10. The Czech Republic (1)	15. Netherlands (1)	20. Romania (1)	25. Taiwan (7)	

Highlight | Best Company in Win-Win Growth Index for Four Consecutive Years

For a sustainable growth of the company, Yuhan-Kimberly carries out a capacity assessment of its partners, such as OEMs and toll processing, to strengthen their competitiveness, and also encourages them to fulfill social responsibilities. Among 72 items in 4 categories, those related to social responsibility management account for 44% and the average score was also the highest, around 90 points. We present concrete strategies, such as strategic manufacturing, and create social value together with our partners.

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Sustainability Management Support for Partner Companies Yuhan-Kimberly operates various programs to achieve shared growth with its partners through the Win-Win Management Division. The partner competency assessment is carried out every year to review their social and environmental performance as well as economic performance. In 2019, a total of 70 partner companies underwent assessment and the average score was 87.8 points. Unfortunately, an employee of our logistics partner was involved with an accident at Choongju Mill in November 2019. Taking the accident very seriously, we made efforts to eliminate direct and indirect causes of the accident, including update of standard operation procedure and safety checklist, and installation of safety monitoring equipment.

Meeting with Partner Companies Yuhan-Kimberly strives for win-win cooperation and competitiveness enhancement through meetings with partner companies. A meeting with 11 partners of outstanding performance was held on April 22, 2019 to introduce them shared-growth programs, and a presentation on strategic manufacturing was provided for about 40 partners at Taejon Mill on August 27.

Shared-Growth Efforts and Performance Yuhan-Kimberly concluded a fair trade and shared growth agreement with 70 partner companies in 2019, and has supported them in various aspects, including finance, technology and quality improvement, sales and competitiveness enhancement, and education and training. In particular, we started supporting partner companies to create jobs for the youth in 2019. As a result, the number of youth employment reached 51, thanks to our operation of online recruitment center for partners only, and support measure of adding points to those with outstanding recruiting performance in the comprehensive assessment. Yuhan-Kimberly has been selected as the best company in the Win-Win Growth Index for four consecutive years since 2015 (organized by the Win-Win Growth Committee, the results of 2019 will be announced in September 2020).

[Table 4-8] 2019 Yuhan-Kimberly's Win-Win Growth Performance

Programs	2019 performance
Financial support	KRW 17 billion in mutual cooperation fund (with IBK)
Technology and quality improvement	Technical support of 37 cases, technology protection of 6 cases
Improvement in the terms of payment for non-contract partners	Improvement in the terms of payment(cash payment rate, payment period, etc.) for non-contract partners through the payment monitoring system 'WinC' 1) Cash payment monitoring on 8 1-tier non-contract partners 2) Cash payment through cash monitoring system: KRW 3,977,960,296 3) Average payment date: 30.3 days
Sales and competitiveness enhancement	Supporting participation in overseas product exhibitions (1 partner company, contributing to overseas market entry), and supporting export by partners (2 partner companies, contributing to sales increase of KRW 850 million)

Please refer to page 45 in 2019 Sustainability Report for sustainable shared growth activities.

Highlight | Meaning and Value of the 2019 Social Compliance Audit (CSC) for Partners

In 2019, Yuhan-Kimberly launched a strategic manufacturing workgroup in the manufacturing function to discover opportunities for the mass production of customized products. The workgroup has been transferred to the win-win management division since June 2020 to strengthen the win-win capabilities of our partners. In April 2019, we conducted a social compliance assessment on 10 partner companies. We worked closely with the win-win management division to promote mutual growth through effective asset management and technical support for process stability and business competitiveness. The assessment covers 8 areas of social responsibility.

CSC(K-C Social Compliance Audit)

1. Prohibition of Forced Labor and Abuse of Labor
2. Protection Against Child Labor
3. Freedom of Association and Collective Bargaining
4. Protection from Discrimination
5. Creation of a Safe and Healthy Workplace
6. Wages, Benefits, and Employment Condition
7. Work Hours
8. Protection of the Environment

Local Community Partners: Major academic societies and associations: 47 / major partners: 32 / cooperation with manufacturing sites by topic

Top Priority to Become a Long-Lived Company through 2020 Stakeholder Survey

Customer - Product Safety and Customer Health & Safety Management

KEY TOPIC 1, 2

Influencing stakeholders		Alignment with SDGs
Internal	External	3 GOOD HEALTH AND WELL-BEING
Employees	Customers, local communities	

Why is this topic so important? These days, people are paying more attention to product safety and customer safety and health, while government regulations are also being strengthened. Yuhan-Kimberly provides customers with quasi-drugs (the Ministry of Food and Drug Safety regulates certain items so that companies must obtain permission in advance before the sale of the product. Safety level and functionality must be proven) that include anti-dust masks and sanitary pads, and also personal hygiene products (regulated by the MFDS and the Ministry of Health and Welfare, respectively) that include toilet tissues and towels. Whether to make a reliable product that meets government standards now determines a company's responsibility and also competitiveness.

What is the Yuhan-Kimberly's approach? Yuhan-Kimberly has been actively disclosing information on products and raw materials to our customers. Our policy on product safety and all ingredients of sanitary pads have been made public on our website at all times since 2016. In accordance with the mandatory labeling of all components of quasi-drugs, in October 2018, we complied with the law in our feminine care products, masks, and hand sanitizers, and we also further covered products such as diapers, tissues, and kitchen towels in abidance by the Hygiene Products Control Act in April 2020. In addition, we voluntarily participated in the Sanitation Product Business Consultative Organization to lead in the efforts to raise safety in wet wipes and to reduce sanitary pads Volatile Organic Compounds (VOCs) in 2019. We also provide information on how to use and store products to customers.

Yuhan-Kimberly has provided products that are needed whenever public health issues, such as fine dust, viruses, and Chemophobia, arise. When the yellow dust problem had worsened in 2002, we soon introduced yellow dust masks in 2003, contributing to the conversion of masks used for certain symptoms or in certain seasons into personal care items. A typical product of such mask is 'KleenGuard Yellow Dust Mask'. After a series of epidemics, such as H1N1 and MERS, swept through Korea, we released KF80 and KF94 masks to help prevent infection with viruses. Meanwhile, as social demands for product safety had increased, eco-friendly sanitary pads and wet wipes were launched in 2017. Yuhan-Kimberly will continue to realize social value by providing products that can protect public health and safety in a timely manner.

Product diversification	Product donation
• Develop new products to respond to social risks	• Make a donation to ensure the health rights of the vulnerable in collaboration with civic groups
• Improve product functionality and diversify designs	
• Change distribution channels	

Major achievements from 2019 through first half of 2020

[Product Safety]

Application of all ingredients of quasi-drug products

[Customer Health & Safety Management]

Stable supply of masks distributed by the government

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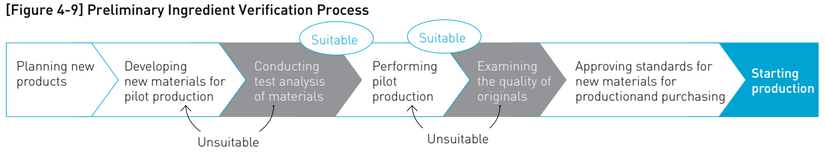
Consumer Product Safety Management Process Yuhan-Kimberly puts the highest value on safety and ethics. We have established a product safety management system to manage the entire manufacturing process from raw materials to product launch. We comply with domestic laws, conduct a preliminary safety review, and undergo the preliminary safety assessment by Kimberly-Clark (verification by Global Product Safety Experts). In this way, we confirm the safety and legal compliance of new products, and also identify potential social issues. In addition, under the leadership of the Product Safety& Regulatory Affairs (PSRA) Division, R&E, quality, safety, manufacturing, and customer satisfaction related departments are collaborating to ensure product safety and quality control.

[Figure 4-9] Preliminary Ingredient Verification Process



Provision of Correct Customer Safety Information_ Ingredient Disclosure Respecting the consumers' right to know, Yuhan-Kimberly has been disclosing all ingredients of sanitary pads on its website since 2016. To relieve consumer anxiety over the issue of Volatile Organic Compounds (VOCs), we took the lead in providing correct information on chemical substances.

Use of Safe Raw Materials and Preliminary Safety Review Regarding the substances with safety concerns that we voluntarily designated, we introduced guidelines on the use of raw materials (74 types). Also, we built a database of information on raw materials. In addition, a set of safety requirements for raw materials (17 types) were developed to ensure safety, and all new products go through a preliminary inspection process before regular production. In 2019, we completed a preliminary inspection of 919 cases in total (336 cases of licensing, 72 cases of product and raw material safety review, and 511 cases of package review).

[Table 4-9] Applied Laws by Product Category - Yuhan-Kimberly Cases

Category	Unit	2015	2016	2017	2018	2019
Review of product safety and related regulations	Case	175	234	216	623	919
Management of materials of concern	Type	59	74	74	74	74

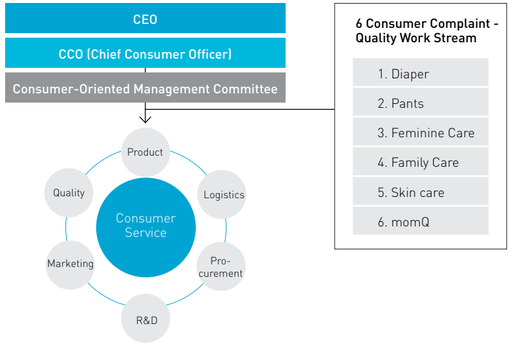
[Table 4-10] Applied Laws by Product Category - Yuhan-Kimberly Cases

As of July 2020

Category			Hygiene products	Quasi-drug products	Cosmetics	Medical device	Device, containers, packages for food	Daily chemical product subject to safety check	Child products	Safety gear for industrial safety	Daily products
	Departments in charge				Ministry of Food and Drug Safety			Ministry of Environment	Ministry of Trade, Industry and Energy	Ministry of Employment and Labor	
Management Areas	Standards for raw materials										
	Registered manufacturing (special wood business) facility management		Diapers Tissues Kitchen towels Hand towels Napkins	Sanitary pads Panty liners Tampon Health/ surgery/ droplet blocking masks Hand sanitizers	Cosmetics Wet wipes Soaps for child	Surgical gloves Surgical Drapes	Gloves for making food		Toy Nursing pads Flat-style masks for child	Protective clothing Safety gloves Safety glasses Dust masks	
	Manufacturing management Quality management										
	Standards for safety review							Sanitizers Diffusers			
	Product Information	Display									General Disposable masks
		Advertising									

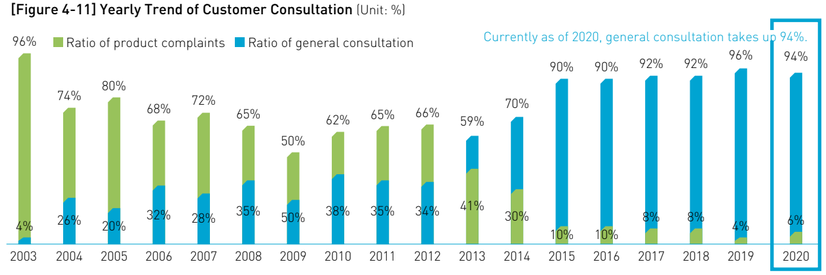
Consumer Complaint Resolution Process and Professional Counseling Service Currently, Yuhan-Kimberly operates the Customer Satisfaction Division, a dedicated organization to handle customer complaints, and the Integrated Customer Support Center (call center), which provides professional counseling services for customers. 6 channels for customer counseling (including customer support, momQ, senior infomercial, baby fair, D2MP e-commerce (newly established in 2019)) as well as the official website and the integrated brand site are in operation to provide consumer information. In 2019, the Consumer-Oriented Management Committee was held twice with the participation of the CEO and employees in manufacturing, quality, and business.

[Figure 4-10] Organization for Consumer-Oriented Management



Providing Accurate Information to Consumers & Making Efforts to Reduce Grievances In 2019, the number of customer consultation cases were about 200,000, and 96% of those were inquiries about service and 4% were customer complaints. With the purpose of lessening customer grievances, which accounted for as much as 96% in 2003, we have provided real-time analysis through Voice of Customer (VOC) system and upgraded the management level of our quality and services through Consumer Complaint Reduction Councils. On top of that, we capitalize on the cooperation among product business department, quality satisfaction headquarters, and production sites for the advancement of our quality, product development, marketing, and services.

[Figure 4-11] Yearly Trend of Customer Consultation (Unit: %)



[Table 4-11] Customer Communication at the Integrated Customer Support Center

Classification		Unit	2017	2018	2019
Customer counseling status	Service counseling	Number of cases	135,315	154,778	181,530
	Product counseling		96,465	14,535	12,252
	Sub total	Number of cases	231,780	169,313	193,782
Customer satisfaction activities	Activities to increase satisfaction of discontent customers*	Person	3,138	4,612	3,179
	Counseling satisfaction	Point	86	88.7	88.2

* Selected among customers who have raised complaints with products within 1 year

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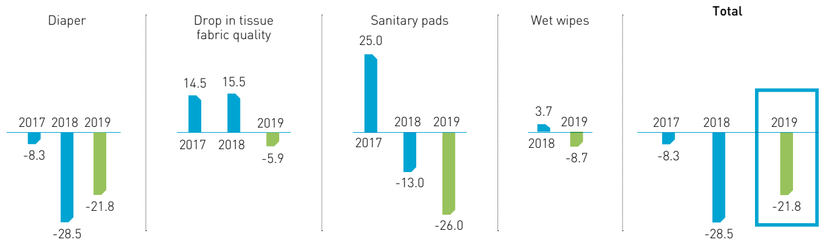
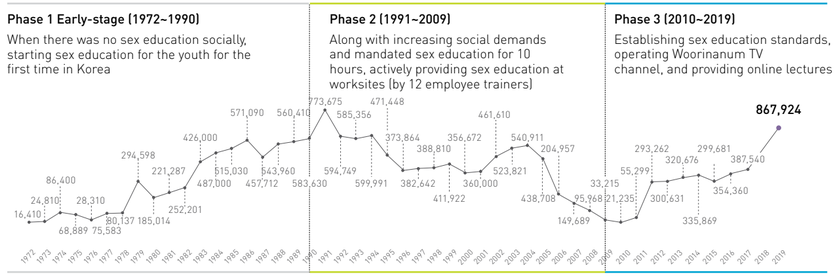
Increase of Convenience for Wet Wipes Users The consumer complaints about wet wipes were mostly related to lint, smell, and pop-ups that occur when sheets are pulled out of the pouch bag. We changed the fabric composition ratio in accordance with the optimized pulp content and strictly managed the quality of lint. While maintaining the thickness of Coform Wet Wipes that uses self-developed fabric, which contains more than 65% of pulp and more than 30% of moisture than general wet tissues, we successfully reduced the amount of lint, leading to a 73.5% of reduction in consumer complaints. We also adjusted the raw material content to improve the smell and also enhanced the pop-up process for the first sheet of tissues to be folded, resolving complaints about the first sheet being torn.

[Figure 4-12] Year-on-year Complaint Rates (2017-2019) by Product



Consumer Education Yuhan-Kimberly provides menstrual education for women and teenagers and information on how to respond to fine dust through online platforms and social media channels. Also, we organize the 'Baby Forum' for momQ users. In 2019, we had strengthened communication through social media channels, such as YouTube (real-time TV & channel operation) and Kakao (Kakao TV & Plus Friends). Also, we produced and distributed an educational video 'Fine Dust Out Classroom' for the lower grades of elementary school (2020).

[Table 4-13] Beneficiaries of Consumer Education (1972-2019) (Unit: Person)



Please refer to page 59 for further details about menstruation education for teenagers.
Baby Forum Youtube Channel 'Baby Salon', Yuhan-Kimberly Youtube Channel, Consumer Education Blog
For more details about the Anti Fine Dust Class, refer to page 28 of the 2019 report.

Highlight | Human Rights Protection for Counselors in accordance with the Act on the Protection of Emotional Laborers

Since the enforcement of the Act on the Protection of Emotional Laborers on October 16, 2018, Yuhan-Kimberly has granted counselors a right to end counseling calls in the middle (Ending Policy). As a result, 49 first warnings, 20-second warnings, and 40 counseling suspensions occurred in 2019. According to the survey on emotional labor by counselors after our Ending Policy was implemented, satisfaction with human rights protection has improved by 6 points in the second half compared to the first half of 2019.

Product Policy that Respects the Right to Choose of Minority Consumers Yuhan-Kimberly fulfills its social responsibility through products. As a consumer goods manufacturer, we have developed products that also meet the needs of minority consumers. Through the effort to promote product inclusion, we have contributed to expanding the right to choose for more customers and improving the quality of life.

[Table 4-12] Products Embodying Social Values

	Senior **Defend-style pad for active seniors (since 2012)**	Premature Babies **NatureMade Level S (since 2014)**	Disabled **Magic Tape Goodnight Pants (since 2017)**	Mothers after Birth **Postnatal care Mom's Safe Pad/Panty (since 2018)**	Girls in the First Menstrual Period **Launch of First Period Panty (since 2020)**
Requirements from Consumers	One out of four 5080 women suffer from urinary incontinence. So, products are needed specifically for seniors who feel uncomfortable because of it in daily lives.	Diapers are needed particularly for premature babies who were born with the weight under 2.5kg or born earlier than 37 weeks of pregnancy period.	The disabled with small body type used Goodnights Pants for children with bed-wetting habit rather than products for adults. In 2016, when the product is upgraded to panty-type from magic tape-type, the disabled users requested to make magic tape ones again.	After childbirth, a mom secretes 'lochia' for three to five weeks while recovering her body. The amount of lochia is larger than normal menstrual period, so the excellent absorption function is required. Also, special product is needed for them to prevent infection in scarred area and weakened skin.	Girls in the first menstrual period are not familiar with using sanitary pads, and it takes time to get used to them. Also, children with developmental disorder need to learn repeatedly about the way to use pads, so schools need training tools for them.
Response of Yuhan-Kimberly	We launched Defend products considering active seniors and made it comfortable. We also launched a campaign to raise awareness in order to support lives of seniors.	We rolled out NatureMade diapers level S (S/XS). Since August 2017, we have also provided the products for premature babies born with less than 2.2kg weight for free.	For the customers' right to choose and convenience of the disabled, we brought Magic Tape type back and have reproduced them since 2017.	We launched 'Mom's Safe Pad/Panty' exclusively for moms after giving birth. We contribute to the recovery of their health as a trustworthy partner for postnatal care.	We produced period panty products so that all girls experiencing first menstrual period regardless of disability can change sanitary pads by themselves while making training materials.

Improvement of Product Quality to Reduce Consumer Complaints For unparalleled quality control, Yuhan-Kimberly has established a set of improvement goals based on product complaints collected through online and offline consumer channels and implemented improvement projects until those complaints are resolved.

Improvement of Leakage in Diapers and Pants Products Since April 2019, we have implemented activities to prevent leakage in diapers and pants. The designs were modified, including adjusting the strength of rubber bands in flaps, and raw materials in absorbents were changed. We have reduced factors that can cause product deviation and developed a test method on leakage that reproduces the actual use environment.

Improvement of Tissue Texture For tissue products, we have set the 'reduction of complaints about low quality of fabric' as the goal of unparalleled quality control. To realize the soft texture of tissues, we improved fabric weaving techniques and used fabric softener. In addition, during the processing, we strived to reduce product deviation in terms of basis weight and strength through lotion improvement and drop rate analysis.

Strengthened Detection of Foreign Substances in Sanitary Pads and Senior Products We carried out a campaign 'My Machine Housekeeping' together with production employees and designated visual management points in the key processes. Adhesive application methods and processes were improved, and vision cameras that detect foreign substances were upgraded. In particular, a color scan vision camera was applied on a trial basis and will be expanded to other production lines in 2020. In 2019, the number of foreign substances in the process had decreased by 12% from the previous year.

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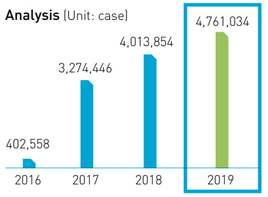
Reflection of Consumer Opinions in Product Development and Innovation Yuhan-Kimberly has listened to the opinions of customers to promote consumer-oriented product innovation. In 2019, the consumer big data that we collected through the social listening system had reached 4,761,034 cases. The big data was analyzed to identify consumer trends and interest and check opinions about convenience. The results were utilized in product innovation. In fact, product development and innovation, where customers are directly and indirectly engaged, are our business competitiveness.

[Figure 4-14] Consumer Big Data Analysis (Unit: case)



[Table 4-13] Release of New Products that Reflected Consumer Opinions (2015~2020)

Theme	Stakeholder opinion	Product and service	Description	Date of release
Safety and quality	I am concerned about the VOCs in sanitary pads	Disclosure of all ingredients in sanitary pads Launch of brand 'La Nature'	Disclosure of product safety policy and all ingredients (website) Launch of eco-friendly brand for consumers who prefer natural ingredients	2016 2018
	I want a thin, soft, and ultra-absorbent diaper	Huggies Max Dry	Release of a thin, flexible, and ultra-absorbent diaper with Thin-Tech Core applied through momQ and big data research	2019
Advanced technology	Is it possible to check if the diaper fits my baby before purchase?	Magic Fitting Room	Curation service customized for Korean babies	Scheduled in 2020
Design	I want a more fashionable face mask.	Kleenex KF80 Yellow Dust Mask Black	Black mask that reflects the trend	2019
Product diversification	The toilet gets easily clogged with wet wipes	My Bidet Kids Soluble	Soluble and convenient use	2014
	I want an easily washable sunscreen	Green Finger Washable Sunscreen	Washable sunscreen for baby	2017
	I need a tiny size diaper for premature babies.	Huggies NatureMade	Introduction of XS and S size for premature babies	2017
	I need a mid to lower priced sanitary pad with basic functionality	Good Feel SoonSoo, White Clean, Good Feel SomSom	Mid to lower-priced sanitary pads with basic functionality and safety	2016 2018
	I need cosmetics that can prevent pollution sources just like a face mask.	Red to Rad	First release of anti-pollution cosmetics for adults that reduce fine dust adsorption	2020

Highlight | Product Issues and Responses

Key issue	Recall of Green Ginger Sun Cleansing Tissue	Consumer complaint about PFR95 surgical mask filed to the MFDS
Period	August 2019	January 2019
Our response	Regarding consumer complaints about product quality (odor, etc.), we immediately submitted a recall report and completed the recall of products sold within the time limit.	We submitted scientific data for explanation to the MFDS about the advertisement with a weak argument for a certain function of the mask and avoided administrative action. Our immediate revision of product information helped consumers use the product properly.
Communication and figure	Integrated Customer Support Center, 105 cases	Integrated Customer Support Center, N/A

KEY TOPIC 4

"What are we doing for personal information protection?"

Why is this topic so important? Along with increasing cyber-attacks, such as ransomware and malicious codes, and stricter policies and regulations for the safety of personal information(or personally identifiable information, PII), more institutional and technical measures are required for business management. The importance of personal information protection has been increasing as it directly affects the trust of stakeholders. Businesses need to proactively protect personal information to manage corporate risks and further ensure sustainable competitiveness.

Affected stakeholders	
Internal	Employees
External	Customers

What is the Yuhan-Kimberly's approach? Yuhan-Kimberly expands markets and innovates the way of working through the advancement of digitalization. As the contact points with customers are more placed in cyberspaces, such as online shopping malls, compared with the past, the amount of personal information to be treated has increased. While establishing the information security management system, we have ensured the safety of personal information at the management, technological, and physical levels.

Management Measures	Technological Measures	Physical Measures
• Establishment and implementation of internal management plans • Assessment of legal compliance • Regular employee education, regular security inspection • Security management and inspection on subcontractors	• Management of access authority to personal information management system, and operation of access control system • Encryption of sensitive data • Installation and operation of PC security programs • Hacking detection and operation of blocking system	• Access control to server room, archive, etc. and operation of CCTV

[Table 4-14] Yuhan-Kimberly Information Security Management System (ISMS)

Trace Management	Measures Implementation	Asset Management	Risk Assessment	Measures Formulation
•Checking the management process of ISMS operation system •Monitoring and trace management •Conducting investigation and internal/external security training	•Taking measures and supplementing vulnerable areas based on our established preventive measures and implementation plan, Improving management procedures and revising the system	•Listing up the system assets within the scope of authentication •Prioritizing by system •Designating and checking persons in charge by system	•Diagnosing vulnerabilities by conducting web/mobile mock hackings •Assessing infrastructure including server/network •Conducting risk examinations by system	•Establishing and taking preventive action built on risk examination •Drawing up a plan

Major Achievements in 2019

Personal Information Protection Liability Insurance

All employees completed mandatory training on information protection in 2019

Highlight | Information Security Management System (ISMS)_ Certification for the operation of Yuhan-Kimberly's baby product e-commerce website(momQ)

Yuhan-Kimberly has acquired the ISMS certification after going through the deliberation of TTA (Telecommunications Technology Association) and KISA (Korea Internet & Security Agency). The ISMS is a certification for the general security system that manages all activities of a corporation to protect information assets from various threats. With this certification, Yuhan-Kimberly's momQ service is now internally and externally recognized for its security, stability, systematic and integrated management, and credibility. (Certification period: 23rd Feb. 2018 – 22nd Feb. 2021)

* Information Protection Management System (ISMS) Certification: a comprehensive security system that manages information asset protection for businesses, evaluated by TTA and deliberated by KISA

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Operation of Information Protection Management System and Disaster Response Training YK's online shopping mall, momQ, has acquired ISMS certification and passed review for renewal. We introduced network connection solution that controls PII and data transmission among business networks since June 2019. We conduct risk assessment for information protection and internal audit yearly while establishing response system for security accidents and disasters and conducting mock annual training on information infringement and disaster recovery.

Remote Worker Personal Information Management YK owns access and authentication tools to detect and block security threats to intranet for remote workers. We established Zscaler Solution in Sep., 2019 and provide authentication tools that use 2-Factor Authentication*-based OKTA Solution to protect information of company and employees. In addition, we announced 6 action plans as most employees work from home due to COVID-19.

* 2-Factor Authentication: along with the basic ID and password authentication, additional authentication is added such as one-time password.

Monthly Review of Personal Information Processing History and Extension of Data Retention Period to 2 Years to Ensure Traceability YK has increased frequency of inspection on personal data processing from quarterly to monthly and data retention period from 6 months to 2 years to ensure traceability. Personal information processor's access date, processing details, and unnecessary or irregular activities have been monitored strictly.

Personal Information Protection Liability Insurance Cyber-attacks have increased regarding the number of victims and scale. YK was insured for PII protection liability worth KRW 500 million in December 2019 to be prepared for customer damage inflicted by personal information leakage and to assume liability for damages. We try not to have any PII leakage of customers and will take our responsibility to compensate for the damages.

[Table 4-15] Minimum Standards for Liability for Damage (Minimum Reserve Amount)

Subscription Amount Calculation Factors for Applicable Business Operators		Minimum Subscription Amount (Minimum Reserve Amount)
Number of Users	Sales	
100,000 ~ 1 million	Over KRW 80 billion	KRW 500 million

Security Inspection on External Companies, Promotion of Employee Awareness of Information Protection We have conducted security inspection on 30 external companies for the two months(June~ July), 2019. The focus of inspection was on personnel security, PC security, access control and management, physical·document·media security, system development and operation security based on checklist, and we found measures to handle and improve issues discovered. In October, we checked whether external companies implemented inspection to identify security vulnerabilities. Programs are provided for employees to develop a sense of responsibility for information protection and learn how to respond to and prevent security threats. Each employee has to take 1.5 hour-information protection training in 2019 (100% completed).

[Table 4-16] 2019 Personal Information Protection Program for Employees

Program	Contents	Period
CYBER CLEAN WEEK	Employees voluntarily conduct self-inspection on documents and PC security	4 sessions, 4 weeks in total
(Personal) Information Protection Training	Conduct video-based and hands-on learning using online education system	1 session, 2 months in total
Accidents Sharing and Information Protection Guide	Share information protection failures through company e-mails and promote awareness	13 sessions in total
Education to Secure Information Protection Stability	In-depth learning on IT managers	1 session

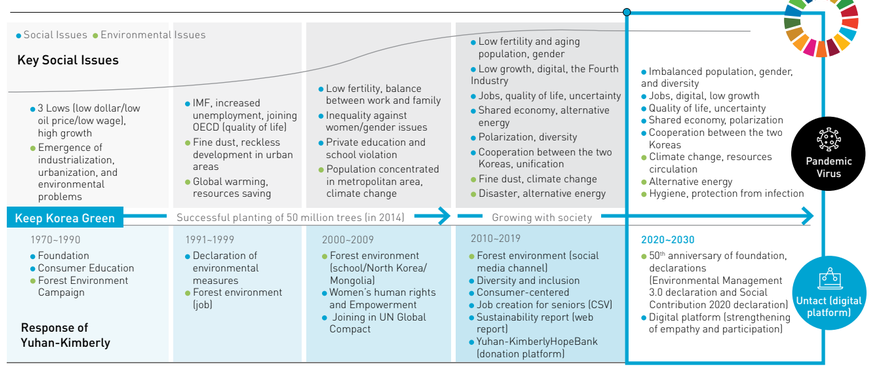
Appointment of Person in Charge of Personal Information Protection and Chief Privacy Officer YK complies with the Personal Information Protection Act and Act on Promotion of Information and Communications Network Utilization and Information Protection. We appointed a person in charge of general information protection affairs, compliance with the personal information handling act, and strengthening and complying with internal guidelines (Chief Privacy Officer), according to the legislations. We reported the appointment to the Ministry of Science, Technology, Information and Communications according to the Article 45 Clause 3 in the revised act. We appointed CPO(Chief Privacy Officer) and the Person in Charge of Personal Information Protection and posted the appointment on website. They take responsibility for general affairs of personal information processing. Also, we established internal control system to prevent PII leakage and misuse, also to protect, manage, and supervise personal information.

Chief Privacy Officer	Person in Charge of Personal Information Protection	Chief Information Security Officer
Kim, HeaSook, Sustainable Management/Chief of Function (Sr. Director)/+82-80-022-7007	Kim, JinHee, Customer Satisfaction Division/ Head of Division (Manager) +82-80-022-7007	Kim GeunHo, Digital Excellence Division/ +82-2-6411-0498

Local Community-Social Responsibility

As a corporate citizen, Yuhan-Kimberly focuses on making joint efforts to address social issues. First, forest and environmental protection, second, development of a new social change model by changing the way of working and living, third, donation and volunteer work to resolve social issues the vulnerable face.

[Figure 4-15] Yuhan-Kimberly's Social Responsibility Response by Key Social Issue



[Table 4-17] Yuhan-Kimberly's CSR Performance

Category		Unit	2015	2016	2017	2018	2019	Accumulated
Forest/ Environment	Forest and environment protection campaign (digital communication)	Person	10,185	13,165	28,947	71,471	164,139	291,046 (2015~)
	Acreage under forestation management	ha	109	224	213	256	188	17,924 (1984~)
	The number of planting (vegetation, high tree)	Trees	326,880	671,757	640,300	769,361	564,630	53,772,995 (1984~)
	Participants (volunteer)	Person	-	2,509	2,183	4,361	2,459	11,880 (2015~)
	Planting trees with newlyweds	Person	600	600	650	650	639	22.083 (1985~)
	Forest and environment education for youths (Green Camp)	Person	120	110	98	98	176	4,661 (1988~)
Senior	Senior_ the Senior Forest School	Person	-	79	78	80	40	295 (2016~)
	Senior_Job creation	Number of cases	54	127	147	168	68	746 (2002~)
Female	Women NGO leadership education	Person	72	70	36	70	72	809 (2007~)
	Newlyweds _ Newly Wed's Communication School	Person	166	180	288	304	544	2,508 (2009~)
	Women in the low-income_Donation sanitary napkins	Person	-	699,786	13,888	10,393	4,925	728,993 (2016~)
Donation and volunteering	Low-income senior_1% donation from monthly salary	Person	1,277	877	1,042	1,040	1,019	5,255 (2015~)
	Gender equality_ Employee donation relay	Person	793	861	1,253	1,211	1,138	7,592 (2005~)
	Vulnerable children _Donation to the Hope Bank	Bag	7,831	8,075	5,679	5,289	15,324	55,207 (2012~)
Consumer	Consumer education_the Baby Forum	Person	11,952	14,738	13,234	23,091	53,170	151,409 (2011~)
	Consumer education_Education on menstruation for the youth	Person	323,917	299,681	354,360	367,540	867,924	16,425,527 (1972~)

Highlight |

Keep Mongolia Green Trade Mark Registration In 2003, Yuhan-Kimberly planted trees in Tujin Nars, Mongolia, to create a forest which was named 'Yuhan-Kimberly Forest' in 2018. In 2019, we registered the trademark 'Keep Mongolia Green' to expand forest beyond borders like in Korea and provided support to establish a healthy forest model.

Presentation of Forest School Vision Celebrating Its 20th Anniversary Yuhan Kimberly commemorates its 20th year of Forest School Campaign, which started in 1999 and hosted a seminar in October 2019 to declare the forest school vision with the Forest for Life. The vision aims to build outdoor and indoor forests at schools by raising forest school funds to create a healthy and creative space for the next generations. Hwarang Elementary School was selected as the first beneficiary.

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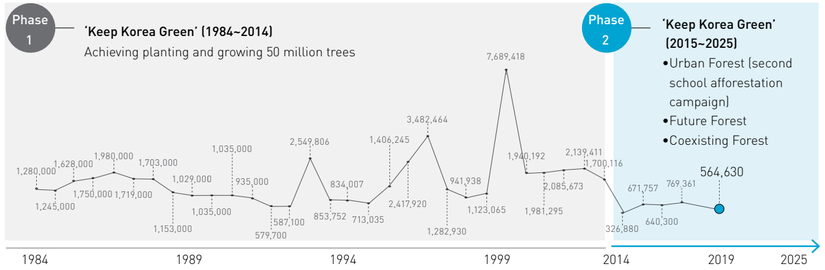
1. Forest and Environmental Protection _

Evolution of 'Keep Korea Green' Campaign

[Figure 4-16] Tree Planting of 'Keep Korea Green' (Unit: tree)



What Efforts Has Yuhan-Kimberly Made to Protect Forests and the Environment? Since its launch in 1984, the 'Keep Korea Green' campaign has grown into Yuhan-Kimberly's representative forest and environmental protection campaign. Since 2014, commemorating 30th anniversary of the campaign, we have continued to contribute to forest protection by developing a forest-human coexistence model. For reference, the accumulated number of trees planted was 53,772,995 and the area of afforestation and plantation was 17,924 ha as of 2019. It has the same effect of absorbing 193,583 tons of carbon dioxide.

The 1st newly-wed tree planting in 1985 watch the video

[Table 4-18] Three Major Projects and Four Participation Programs of 'Keep Korea Green'

Category		Description	2019 Performance	Cumulative Performance
Three Major Projects	Future Forest 1999~2019	Presentation of the Cross-border Cooperation Forest North Korea Forest Phase 1 (1999-2008): Providing saplings and fertilizers to North Korea and constructing a tree nursery on Mt. Geumgang in 1999, constructing a tree nursery in Pyeongyang in 2001, four sessions of tree planting by newly-weds in Mt. Geumgang from 2005-2008 Phase 2 (2009-2019): Trial operation of tree nursery center model in Hwacheon in 2017 to restore wastelands in the North for the future	120,000 saplings newly planted in nursery center Development of operation manual for nursery center modularization	Afforestation and forest nursery on Mt. Geumgang : 13,009,150 trees Number of participants : 931 persons
		Mongolian Forest Phase 1 (2000-2014): Planting 10 million trees on 3,250ha of Tujin Nars nature reserve, a border area with Russia Phase 2 (2015-2019): Afforestation of 500ha,constructing an observatory and creating an exploration center for education.	Afforestation area of 100ha Scholarship grants to 2 local students Construction of observatory and maintenance of trails	Afforestation and forest nursery in Mongolia Forest 11,631,600 trees (2000-2019) Scholarship grants to 10 local students (2015 ~ 2019)
	Urban Forest 1998 ~ 2019	Presentation of eco-friendly social alternatives Expanding small forests in cities with high population density and serious environmental problems, developing school forests in 1998, starting the development of Seoul Forest in 2003, creating Seolrem Garden in 2019 following Namsan and Han River Forest, announcing School Forest 3.0_Forest School Vision and creating two model schools	Completion of Index Garden No.4 _Romantic Garden (2016~ 2019) Afforestation area of 0.5ha 61 citizens participated in planting 1,773 trees	Creation of 737 school forests Launch of forest school project that creates a forest of 6㎡ per student
	Coexisting Forest 2015~2019	Presentation of Local Community Model Forest Developing alternative forest models in public areas (carbon-offsetting effect, social jobs, green gym, etc.)	Available afforestation area of 42 ha Afforestation area of 1ha 3,000 trees planted 171 citizens participated	Coexisting Forest Available afforestation area : 252 ha Volunteers : 4,531 persons Trees planted: 32,100 trees
		Kimcheon Forest A Joint Agreement on Afforestation (2015 ~ 2025)		
		Taejon Forest A Joint Agreement on Afforestation (2015 ~ 2025)		
Participation Programs	Tree Planting by Newly-Weds 1985~2019	Experience of Tree Planting Spreading awareness of environmental protection to newly-weds with planting trees in national forests in every spring. Third-year afforestation by newly-weds (Hwaseong-si, Gyeonggi-do, public land of 90,000㎡)	Newly-Weds (504 persons), social leaders, officials, etc. 639 people participated. Planting 8,000 firs and hawthorns	Number of newly-wed participants : 22,083 persons (1985 ~ 2019)
	Forest Experience Program 1988 ~ 2019	Forest Experience Program for the Youth Holding annual forest experience camps for female high school students since 1988 (Evaluation) a variety of self-led forest experience programs for three nights and four days, including donation of trees for forest recovery through forest walk and forest-themed team projects.	Business Agreement signed with Korea Forest Welfare Institute 51st Green Camp held at National Hoengseong Forest Resort 176 high school girls 10 college student volunteers	51 camps held over the past 31 years Number of participants : 4,661 high school girls (1988 ~ 2019)
	Discovery and Preservation of Beautiful Forests 2000 ~ 2019	Finding Forests to be Preserved in Korea Reviewing and selecting Forests of the Nation since 2000. 18 national contests were hosted and contents were produced and distributed to promote the value of beautiful forests	7 Beautiful Forests were selected and made into films including Simnidaesup Forest in 2019, Pyeongchang Forest for People and Wondaeri Birch Forest	252 beautiful forests discovered across the nation
	Senior Forest School 2015 ~ 2019	Provision of Opportunities for Seniors to Learn about Forest in the Aging Society Helping seniors seek alternative lifestyles through back-to-mountain village programs Promoting the necessity of preparing for second life after retirement and introductory course of back-to-mountain life through talk concert.	Talk concert 1 session, 40 senior participants in 7th Senior Forest School	268 senior graduates from Forest School 4 talk concerts

2. Women and Consumers_

Leadership Improvement and Women Empowerment

What Efforts has Yuhan-Kimberly made for Women? According to 'the Gender Gap Report' announced by the World Economic Forum in 2019, Korea was ranked 108th among 153 countries in the gender equality index and required to make improvements. Since its foundation, YK has provided goods and services to improve the awareness of women's rights and better life. We also implement a variety of CSR activities, such as education, donation, and campaigns. For the leadership improvement of female activists at NGOs, we have extended scholarships granted by schools and civic organizations from 2 to 4 semesters in 2019.

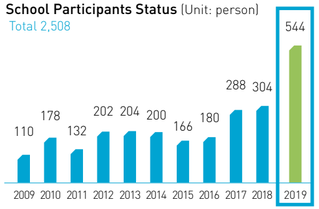
Promotion of Gender Perspective and Leadership Capacity for NGO Women (2007 ~2019) The Scholarship Program for Women Activists of Civic Groups is one of the representative CSR activities of Yuhan-Kimberly to promote gender equality across society and improve women's leadership. The collaboration among women's foundations – women's organizations – schools – businesses has continued for the past 13 years. In 2019, ten women participated in long-term training courses (Sungkonghoe University) and 62 in the short-term program (Ehwa Woman's University). From 2007, a total of 809 women participated in this scholarship program.

[Figure 4-17] Current status of Scholarship Program for NGO Leadership (Unit: person)

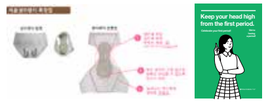
1) Yuhan-Kimberly, Korea Foundation for Women, Korea Women's Association United, Sungkonghoe University
2) Yuhan-Kimberly, Korea Foundation for Women, University (2008~2009 Ewha Womans University, 2010~2011 Keimyung University, 2012 Sangji University, 2013~2015 Ewha Womans University, 2016 Chonbuk National University, 2017 Chonnam National University)

Raising Awareness of Gender Equality through Newly Wed's Communication School (2009 ~ 2019) Yuhan-Kimberly has operated the 'Newly-Weds Communication School' for 11 years with Seoul YWCA to promote healthy family and improve gender equality in family. It was held as an indoor event until 2018, but for the first time in 2019, a total of 3 sessions were held outdoor (22nd and 26th of June and 21st of Sept.) at the Seoul Forest (located in Seongdong-gu) in alignment with our forest and environment program. The participants enjoyed forest talk show, forest concert, family-motto making, etc. with celebrity (comedian Kim, JaeWoo) while learning how to deal with couple issues and how to become a happy couple. In 2019, the number of participants was 544 (2,508 participants and 28 sessions in total).

[Figure 4-18] Newly Wed's Communication School Participants Status (Unit: person)
Total 2,508



Menstruation Education and Awareness Improvement for the Youth (1972 ~ 2019) Yuhan-Kimberly has expanded the beneficiaries of its education programs to include the adolescents from multicultural family and the disabled female adolescents in 2019. We have provided education on menstruation, how to use sanitary pads, understanding of male and female body to 867,924 elementary, middle, and high school students (16,523,766 students in total). We also have published and distributed leaflets on menarche and translated the booklet in five different languages in 2019 (for mentees/mentors), including Korean, Vietnamese, Chinese, English, and Filipino. We began to use the term menstruation instead of the period since 2018. We started to operate online information and education platform called 'We Have Menstruation!' (opened in 2018) together with the blog 'We Are on Period' (opened in 2017).



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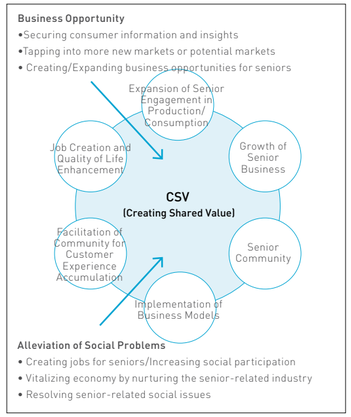
3. Senior_

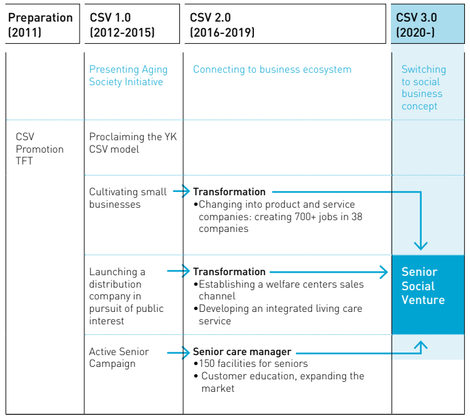
Improvement of Perception and Job Creation

What has Yuhan-Kimberly Been Doing for Seniors? As of the end of 2019, Korea is the aging society, with 14.3% of its population being more than 65 years old. As people start to perceive the senior population as social and economic entities rather than those who need to be supported and protected, job creation for seniors has emerged as an essential task. As a new model of CSR activities, Yuhan-Kimberly has launched 'Creating Shared Value (CSV),' primarily focusing on creating senior jobs.

[Figure 4-19] CSV Model for Fostering Senior Business Ecosystem



[Figure 4-20] CSV Roadmap for Yuhan-Kimberly Senior Business



Phase 1 As part of the effort to create shared values, Yuhan-Kimberly has collaborated with the Work Together Foundation to create more jobs by exploring markets for small enterprises with less than 50 employees that develop and sell senior products and services since 2012. We have nurtured 38 senior SMEs as of 2019 by providing consultation services and supporting the expansion of manufacturing bases.

Phase 2 Since 2016, we have implemented a senior care manager business. We send retired nurses and physical therapists aged 55 and over to nursing homes or daycare centers to provide psychological and sanitation education as a senior-senior care business model. In 2017, we established the 'Senior Hub' to contribute to more active daily life of seniors by providing general life support services and senior products.

Phase 3 Transition to Senior Social Venture_CSV 3.0 (2020 ~) Based on the experience of creating shared values over the last 8 years, Yuhan Kimberly signed a multilateral agreement with Work Together Foundation, Korea Labor Force Development Institute for the Aged, and Korea Association of Community Senior Club Seoul Branch to cooperate in supporting the establishment of Social Senior Venture on September 26, 2019. As a job platform among public interest organizations, senior organizations, and private enterprises, the Senior Venture aims to establish a future community and create and expand quality jobs. On February 21 in 2020, the 'Impact Peoples' was established and started its operation.

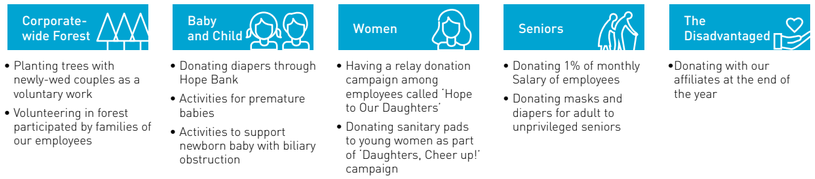
Highlight | Employees Help Seniors – Donation of KRW 89.56 million

Employees of Yuhan-Kimberly have regularly donated 1% of their monthly wages and YK's matching funds to help seniors in need since 2015. We take initiative in helping seniors in need since one of our future businesses targets senior citizens. In 2019, 1,019 employees raised KRW 89.56 million for donation and helped seniors through the Korea Medical Assistance Foundation and the Gwangjang Social Welfare Center.

4. Helping Neighbors _

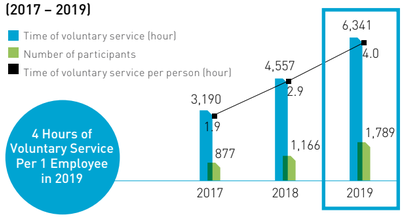
Internalization of Donation and Volunteer Work

[Figure 4-21] Key Areas of Donation and Voluntary Work



What kind of donation and volunteer work does Yuhan-Kimberly do? Yuhan-Kimberly mainly promotes donation and volunteer work related to forests, baby and child, women, and seniors. YK's core values include responsibility and contribution and, therefore, not only the company itself but also our employees have practiced the core values through continued and regular donation and volunteer work. Furthermore, employees are encouraged to set and manage their annual goals by themselves on the volunteer work page of the intranet.

[Figure 4-22] Donation and Volunteer Work of Employees (2017 – 2019)



[Table 4-19] Product Donations to Stakeholders by Business

Donation Type	Classification		Overview	Performance (2019, 2020)	Accumulation
Company-led	Donation of Baby Diapers and Bottles	Donation of Diapers after Size Exchange through Hope Bank 2012–2019	Repackaging some of the unopened diapers that were exchanged due to the wrong size through volunteer work and donating them to single mothers and organizations	15,324 bags were sent to 30 nurseries. Achieving the effects of value recreation of 82tons of waste and GHGs reduction of 0.4tCO_2e per annum	55,207 bags accumulated as of the end of 2019 (approx.3.60 mil pads)
		Donation of Diapers to Premature Babies 2017-2019	Since its launch in 2014, diapers for premature babies weighing under 2.2kg have been donated from 2017. For reference, diapers for premature babies are divided into small size (~2.2kg) and medium-size (2~ 3.5kg).	676,950 pads (worth KRW 85 million) were provided free of charge in 2019.	Accumulated 2,284,350 pads/15,229 babies as of June, 2020
		Launch of Double Heart Clef Lip/Palate Baby Bottle Donation Campaign in 2020	1 out of 1,000 newborn babies has a congenital facial deformity in Korea. We started donating baby bottles to the babies who have difficulty in sucking and eating with heavy breath due to clef lip, gum, or clef palate.	Starting from June, 2020, we plan to distribute the baby bottles to 12 general hospitals equipped with neonatal intensive care units and through momQ mall by the end of this year. (two per baby for free of charge)	New (Trial Operation)
	Sanitary Pad Donation	Sanitary Pad Donation Campaign for Youth Human Rights Protection 2016-2019	Donating 1 million sanitary pads annually since 2016 through 'Daughters, Cheer up!' Campaign for female adolescents in need.	1.08 million sanitary pads were donated in 2019 (1,086,832) * Additionally, wearable sanitary pads were delivered thanks to customer donations (2 rounds, KRW 18,914,000 donated in total)	Accumulated 5,082,608 pads as of the end of 2019
	Face Mask Donation	Fine Dust Out Campaign 2015 – 2019	Face mask giveaway campaign launched along with the education program to improve the awareness of wearing face mask to prevent fine dust. And in 2020, more importance on securing health rights of the vulnerable to prevent the spread of COVID-19.	520,917 masks were distributed to low-incomers, elementary school students and seniors in 2019, a consumer education contents was produced on the proper use of face masks to promote hygiene and health in daily life.	723,702 face masks donated in accumulation as of the end of 2019
Donation from matching grant	Donation for Seniors	Donation of 1% of employees' monthly wages to help seniors in need 2015 – 2019	Employees donated 1% of their monthly wage at the year-end to help seniors in need in the form of matching grants.	In 2019, 1,019 employees donated KRW 88,729,418 in total. * Consumers donated through Yuhan-Kimberly Hope Bank (Donation Platform, KRW 30,515,900)	5,525 employees participated as of the end of 2019
Employees	Donation for Improvement of Women's Human Rights	'Daughters, Cheer up!' Donation Relay 2005 – 2020	Employees have voluntarily participated in the 100 persons donation relay organized by Korea Foundation for Women since 2005. Thanks to the efforts made by the leaders of each mill, the number of participating employees has increased to improve women's human rights.	1,152 employees donated KRW 37,286,624 in 2020, which will help women having difficulty due to the COVID-19.	7,592 employees participated in total as of 2020
	Donation Fund	Donation of proceeds from bazaars by HQ Female Employees' Group 'Yurian' 2019-2020	The proceeds from employee bazaars had been donated to the vulnerable but for women's economic independence since 2019.	KRW 11,320,000 was donated to help women to acquire a certificate for their economic independence in 2020.	
Employees +Consumers + Donation Platform	Funding	Consumer engagement in Yuhan-Kimberly's Hope Bank 2019	A donation platform was established on Naver Happy Bean in 2019 to encourage consumer empathy and participation and various donation models were suggested. In 2020, employee participation programs are expanded on the platform.	KRW 49,429,900 (three sessions) was raised in 2019. 15,263 consumers participated in donation.	15,263 consumers participated (in 2019, 3 sessions)

* Consumer Funding: Donation of sanitary pads to female adolescents was implemented in alignment with the emergency activity to help seniors on the donation platform. (three sessions in 2019)

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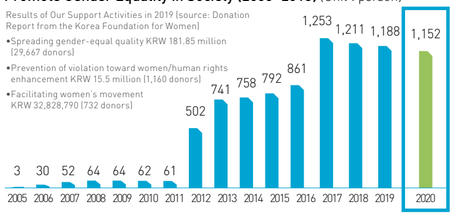
Establishment of Consumer Participatory Product Donation Platform Yuhan-Kimberly established an integrated product donation platform (Naver Happy Bean) in January 2019. We communicate about CSR activities and raise funds for donations with 521,212 consumers every year. The new donation platform is expected to draw consumers' attention to neighbors in need. In 2020, we expanded employee participation programs on the platform.

Donation of Sanitary Pads for Human Rights Protection of Women and Female Adolescents, Donation Relay of Employees for the Internalization of Gender-Equality Culture

Yuhan-Kimberly takes lead in donation to protect women's human rights and to spread a culture of gender equality. In 2019, we have donated 1.08 million sanitary pads to female adolescents in need. In 2018, we opened an online channel to promote consumer participation and introduced a model of consumer participation: sanitary pads are automatically donated as much as the quantity of purchase made in collaboration with the e-commerce channel 11 Street. In 2019, we launched a donation platform in Naver Happy Bean and promoted consumer empathy and participation. We donated sanitary pads and wearable sanitary pads and booklet on the first menstruation with the raised fund. The donated supplies were distributed through community child centers and school social welfare workers across the nation. We have also held a donation campaign for women every April for the last 16 years since 2005 to improve women's human rights. 4 donors have led the donation relay every year starting from 2017, achieving more than 70% of employee participation for three consecutive years, and the donation of 2019 was delivered to the Korea Foundation for Women.

[Figure 4-23] Number of Participants in the Donation Relay to Promote Gender Equality in Society (2005~2018) (Unit : person)



[Table 4-20] Diaper Donation (2012~2020)

Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	Accumulation
Donated bags of diapers after size exchange	1,119	4,964	7,376	7,381	8,075	5,679	5,289	15,324		55,207
Number of pads donated through sharing with premature babies campaign						570,600	723,300	676,950	313,500	2,284,350

[Table 4-21] YK's donation of sanitary pads (2016~2019)

Category	2016	2017	2018	2019	Accumulation
Donation	1.53 million pads (1,532,304)	1 million pads (1,008,352)	1.46 million pads (1,455,120)	1.08 million pads (1,086,832)	5.08 million pads donated (5,082,608)
No. of beneficiaries	699,786	13,888	10,393	4,925	728,993
Description	Since 2016	Named 'Daughters, Cheer up!' Campaign	Carried out the matching campaign with the E-Commerce Channel 11 Street	Carried out the matching campaign with the E-Commerce Channel 11 Street Two sessions of consumer donation on the donation platform	
Donation distributor	Korea Foundation for Women + the Office of Education	Korea Foundation for Women + KACCC	Korea Foundation for Women + KASSW, Community Children Center	Korea Foundation for Women + KASSW, Community Children Center	

Social Contribution Activities by Region The Taejon, Kimcheon and Choongju Mills have helped neighbors in need by raising funds and offering scholarships for the development of local communities. The Kimcheon Mill renovated a soup kitchen in the neighborhood and donated coal briquettes to those in need. The Taejon Mill participated in blood donation and donated coal briquettes to the neighbors in need in Daedeok-gu, Taejon. The Choongju Mill contributes to the local community by participating in the bread sharing and environmental clean-up activities with the elderly.

Highlight | Yuhan-Kimberly Hope Bank_Diaper Donation

Yuhan-Kimberly has provided diapers for low-income families that have former inmates of Youth Detention Center, as part of the 'Infants and Children Nursing Support Program', every year since July 2016 to help reduce child-rearing cost and contribute to their social settlement. YK received a citation from the Minister of Law for its contribution on December 31, 2019.

Environmental Performance

At a glance_Environmental Performance

Category	Type		Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Environmental protection cost	Total cost		KRW 100 million	125.1	124.7	147.0	157.1	161.8	177.1	171.9	148.1	126.0	132.9
	Percentage to net sales		%	1.0	1.0	1.0	1.2	1.2	1.2	1.1	1.1	0.9	1.0
GHG emission	GHG emission allowance (goal)		tCO_2e	-	-	209,598	164,386	175,606	238,130	243,016	236,637	204,434	204,434
	Total GHG emission		tCO_2e	178,787	170,750	168,351	166,177	172,097	201,723	204,943	202,986	202,102	202,435
	- Direct (Scope 1)		tCO_2e	54,334	49,124	45,284	45,920	13,042	17,161	20,638	21,257	22,829	23,749
	- Indirect (Scope 2)		tCO_2e	124,456	121,630	123,069	120,260	159,058	184,564	184,308	181,730	179,274	178,688
	Intensity of GHG emissions		tCO_2e/ product ton	0.748	0.792	0.736	0.745	0.735	0.779	0.812	0.865	0.916	0.903
Energy	Energy use		TJ	3,441	3,312	3,430	3,379	3,445	3,945	4,009	3,977	3,967	4,074
Water	Water use		m^3	3,378,822	3,181,832	2,874,315	2,865,243	2,846,816	3,924,777	3,516,736	3,516,738	3,407,973	3,279,092
	- Municipal water		m^3	132,568	159,735	171,295	169,311	154,153	167,206	148,251	130,293	137,496	136,128
	- Stream water		m^3	2,765,717	2,737,461	2,631,874	2,634,040	2,650,303	3,719,091	3,332,427	3,401,403	3,227,216	3,097,578
	Industrial water		m^3	480,537	284,636	71,146	61,892	42,360	38,480	36,060	29,914	43,261	45,386
	Water usage per volume of products produced		m^3/ product ton	14.4	15.0	12.3	12.5	11.7	15.3	13.9	15.2	15.4	14.6
Waste	Waste generation per volume of products produced		ton/ product ton	0.22	0.23	0.21	0.21	0.18	0.20	0.18	0.16	0.14**	0.15
	Ratio of recycled waste		%	88.6	91.6	95.8	98.1	98.9	90.4	97.9	97.5	97.9	98.5
Recycle	Ratio of recycled paper use		%	39.0	39.5	33.5	33.5	29.9	33.4	29.8	20.2	18.4	18.6
	Domestic recycled paper		%	91.8	86.5	86.1	92.5	89.7	78.3	71.8	59.8	54.3	56.9
	Ratio of recycled water use		%	43.4	42.1	39.5	39.8	40.0	37.1	39.7	35.0	33.5	33.7
Water purity control	Treated water discharged		m^3/ product ton	11.6	12.9	10.6	10.7	10.2	13.5	12.4	13.2	13.3	13.2
	Water pollution	Total suspended solids	kg/ product ton	0.027	0.025	0.020	0.023	0.022	0.041	0.043	0.031	0.038	0.043
		Biochemical oxygen demand	kg/ product ton	0.015	0.012	0.012	0.008	0.008	0.013	0.015	0.020	0.035	0.043
		Chemical oxygen demand	kg/ product ton	0.155	0.161	0.153	0.149	0.143	0.222	0.243	0.207	0.261	0.294
Air	Dust		kg/ product ton	0.006	0.011	0.012	0.013	0.009	0.028	0.024	0.023	0.028	0.017
cost	Cost for diaper wastey		KRW 100 million	40	44	82	82	85	90	88	76	68	68
	Cost for package recycle		KRW 100 million	6	6	7	6	7	9	9	9	9.5	12

* Since the destruction of incinerators at Gunpo and Kimcheon mills in 2011, NOx and SOx emissions have become zero.
** Waste generation per volume of products produced education data for 2018 is corrected.

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Top Priority to Become
a Long-Lived Company through
2020 Stakeholder Survey

KEY TOPIC 3, 5

"What are we doing for the minimization of environmental impact as well as the development of products?"

Affected stakeholders		Alignment with SDGs
Internal	External	12 Responsible Consumption and Production; 13 Climate Action
Employees	Customers, Local Community, Shareholders, Partner, Companies	

Why is this topic so important?

[Development of Eco-Friendly Products] Nowadays, we live in the era of 'climate crisis', beyond climate change. As ethical consumption became a new norm, it is now more important to develop products that generate less carbon throughout the entire process ranging from product packing, product use, to disposal as well as operation and manufacturing at business sites.

[Minimization of Environmental Impact] In the face of worsening climate crisis, many nations around the world set the GHG reduction targets and promised to fulfill their commitment since the 2015 Paris Climate Agreement. Korea also announced its 2030 GHG Reduction Roadmap to reduce 37% of emissions (536 million tons) compared to the BAU (Business as Usual). Businesses should fulfill their social responsibilities to reduce GHGs emissions and minimize environmental impact as a key player in these efforts.

What is our approach? Celebrating the 50th anniversary of its foundation, Yuhan-Kimberly announced the 2020 Environmental Management 3.0 Declaration, a policy to develop green products and minimize its environmental impact by 2030 for the next generations.

[Development of Eco-Friendly Products] The initiative has implemented programs to use sustainable materials for 100 percent in products and packaging materials by 2030. We also began to monitor the 2030 YK Greener Products Guideline Index and operate the Greener Products Assessment Board.

[Minimization of Environmental Impact] The content includes the application of sustainable materials for 100 percent, carbon-neutral policy and environmental index management and disclosure. Especially, the focus will be on the efficient use of water resources at manufacturing sites, active response to climate change, and sustainable production. For reference, all manufacturing sites at Yuhan-Kimberly acquired the ISO14001 (Environmental Management System) certification.

YK Greener Products Guideline Index	Products	Packaging
Efficient use of natural resources (materials) Recycle/reuse Sustainable raw materials Use of sustainable alternative materials Reduction in use	•Minimum use of resources •Recycle-friendly design •Biodegradable resources, etc.	•Reduction in ink use and eco-friendly printing •Recyclable/reusable materials •Reduction in and replacement of plastic use

Company-wide low-carbon programs	**Low-Carbon Operation**	**Low-Carbon Supply Chain**	**Low-Carbon Society**
	•Low carbon management system •Caron performance management system •Web-based carbon emissions management	•Optimization of SCM bases •Green Partnership •Activation of primary distribution/backhaul transportation	•Voluntary carbon credit •Keep Korea Green Campaign •Communication on climate change
Carbon-neutral production and manufacturing	**Efficient Use of Water Resources**	**Active Response to Climate Change**	**Sustainable Consumption and Production**
	•Benchmark workplace for global paper manufacturing water use intensity • $10m^3$/MT	•GHG emissions 30% down (compare to BAU) •Expanded use of renewable energy (solar energy) •Participation in CDP •Low-carbon steam source (Kimcheon)	•100% certification of available recyclable resources •Waste recycling rate of 98.5% •Waste generation down by 30%

Major Achievements in 2019

Development of Eco-Friendly Products

Establishment of Eco-Friendly Management 3.0, green purchase (purchase of FSC certified materials) of 125,214 tons

Minimization of Environmental Impact

Waste recycling rate of 98.5% reduction by 1,999 tCO_2ecompared with the GHG emissions allowance

1. Environmental Performance and Tasks _

Development of Eco-Friendly Product KEY TOPIC 3

[Figure 4-24] Korea's First OK Compost Certified Sanitary Pad ' La Nature Signature Maxi Slim (launched in 2019)

La Nature Signature Maxi Slim, Yuhan-Kimberly's sanitary pad, is applied with **biodegradable cornstarch components** for its water-proof layer and **100% natural materials** for its absorption layer of top sheet. It acquired certification for biodegradable products, Seedling as the first sanitary pad produced in Korea. This **eco-friendly product** is biodegradable for more than 90% in 105 days at the temperature of 58°Cand becomes **100% compost** in 12 weeks. (OK Compost EN13432)

Development of 2030 Eco-Friendly Product Index (Challenges for Greener Products) Yuhan-Kimberly established '2030 challenges for Greener Products' in an effort to develop eco-friendly products to protect the earth environment. We will conduct a life cycle assessment on a regular basis for continuous management and share the monitoring results according to the internal guidelines. In 2019, we engaged in a number of green activities, such as application of sustainable materials, use of less plastic materials, reduction of printing, design of containers with minimum environmental effects to apply sustainable and renewable approaches, make decisions to minimize material use and reduce carbon emissions.

Use of Sustainable Materials (1) Eco-Friendly Pulp Yuhan-Kimberly uses pulps with Forest Certification as subsidiary materials and utilizes the Forest Certification mark on domestic and export products as a marketing policy. We acquired one of the international forest certifications, Forest Stewardship Council Chain of Custody or FSC CoC for our domestic diapers and pants products. In addition, we utilized recycled papers other than pulp to produce hygiene paper products. And the rate of recycled paper use was 18.6% in 2019.

[Table 4-22] Acquisition of FSC CoC Certification

Product Name	Mill	Certification Period
Kleenex dry cell hand towel	Kimcheon	2015.8.6 ~ 2024. 6. 13
Diapers and underwear for domestic market	Taejon	2018.2.20 ~ 2023.2.19

[Table 4-23] Green Purchasing (Purchase of Fabric with FSC Certification)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Certification
Purchase (ton)	95,314	112,766	95,208	106,756	99,857	112,543	116,095	134,041	135,398	140,948	125,214	FSC[1],PEFC[2] , etc.

1) FSC(Forest Stewardship Council)
2) PEFC(Programme for the Endorsement of Forest Certification)

Use of Sustainable Materials (2) Organic cotton diapers, pants and sanitary pads are mostly made of cotton. Yuhan-Kimberly uses more organic cotton in products (70 % increases in Goodfeel) and manages products with stricter certifications, such as Organic Content Standard (OCS) and Global Organic Textile Standards (GOTS). In particular, GOTS is the most rigorous organic certification globally granted to a product that contains more than 70% of organic cotton. Yuhan-Kimberly 'Goodfeel iOO became the first sanitary pad in Korea to acquire the certification. And White Eco Fresh Maxi Slim acquired the OK Biobased European Eco-Cert 3 star for using renewable biomass PE extracted from sugar cane to replace cotton.

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Use of Sustainable Materials (3) Yuhan-Kimberly uses biodegradable films considering its environmental impact from purchase to disposal. La Nature Signature Maxi Slim, which was launched in 2019, acquired 'Seedling', a European certification for biodegradable products, by using biodegradable film containing cornstarch even in water-proof layer. For reference, Yuhan-Kimberly has been participating in government-led projects on the development of biodegradable materials (2004 ~ 2008). Thanks to the efforts, we have developed and launched a series of products that use biodegradable materials, including Huggies NatureMade (partly) in 2008, Scott Natural Kitchen Towels in 2009, Kleenex My Bidet in 2013 and Huggies Nature Bamboo Wet Wipes in 2020.

Skin Care Products with Eco-friendly Design (Tn) For product renewal, we develop a number of eco-friendly designs, such as coatless paper box for packaging, bean oil ink with smaller environmental impact for printing, and uniform materials in containers to increase recyclability. We also changed the packaging design to reduce the use of ink for products, such as Goodfeel Aircushion and Huggies Magic Comfort.

Highlight | Eco-Friendly Cases

Environmental protection efforts through improved designs

Renewal of skin care brands

Huggies Magic Comfort

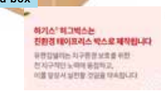
Ink use: reduced by 30%

Efforts to Use Less Plastic

Renewal of Eco-friendly box

2020 Hug Box, a tapeless box

2019 Paper filling in MomQ combined box



Changing BCC outer box material to scrap paper (3.9% reduced)

Changing base paper of BCC Color Box to corrugate E, lowering basis weight (2% reduced)

Label paper of wet wipes
Switching base paper (3.9% reduced), printing ink on the front side of grey label paper
→ Color-switch to yellow and reduce the amount of ink usage

As part of the efforts to achieve the Environmental Management 3.0 Goals, YK is seeking to use less plastic. Especially in 2019, we reduced the use of plastic raw materials mainly in product packaging.

Category		Date	Results
Skincare green finger	Minimization of thickness of plastic container	2019	Reduction in product weight by 16% for 16 products
Kleenex for e-commerce	Removal of handle from packaging	2019	Reduction in the use of unnecessary materials and additives and elimination of unnecessary process
Online shopping mall momQ	Use of paper padding for product delivery	October 2019	Reduction in the use of vinyl padding and plastic tape
Sanitary pad Goodfeel	Use of recycled materials for secondary packaging	October 2019	Replacement of polybag materials with recycled materials for 30% Use of recycled materials for secondary packaging of all feminine products since 2020

2. Environmental Performance and Tasks _

Low-Carbon Management System KEY TOPIC 5

[Figure 4-25] Yuhan-Kimberly Environment Management Low Carbon Vision

Vision	Creation of Sustainable Future			
Mission	Reduction of greenhouse gases by 30% (compared to BAU) and achievement of 30% sales ratio of green products			
Core Values	Green Operation	Green Product	Green SCM	Green Society
Action Programs	• Low carbon management system • Carbon performance management system • Web-based carbon emission management • Use of new and renewable energy • Energy optimization	• Low carbon product development • Carbon labeling • Use of local resource • Expansion of green marketing • Use of eco-friendly material Essentials for a better planet: 100% wood fiber from certified suppliers (FSC, PEFC, SFI etc.)	• Quantification of GHG emission from supply chain • Optimization of SCM base • Green partnership • Actively conducting Primary distribution/ Backhaul transportation	• Voluntary carbon credit • Supporting government development policy • 'Keep Korea Green' campaign • Participation in CDP • Climate change communication

Low Carbon Vision for Climate Change Response Yuhan-Kimberly aims to reduce GHGs to BAU by 30% and increase green product sales by 30% by 2020 under its low carbon vision. In addition, we manage five areas (social impact, forest & fiber, waste and recycling, energy & climate change and supply chain management) in alignment with the Sustainable Management 2022 Plan of Kimberly Clark. Goals and progress are reviewed at the quarterly working-level meetings along with the discussions to discover potential risks and solutions.

Compliance with Environmental Laws and Certification for Environmental Management System Yuhan Kimberly strictly complies with the Framework Act on Environmental Policy, the Clean Air Conservation Act, the Waste Control Act, and the Act on Integrated Management of Environmental Pollutants at all worksites to protect the environment. All of our manufacturing sites have acquired the ISO 14001 (Environmental Management System) of the International Organization for Standardization (ISO), established environmental management improvement plans and, conducted monitoring activities according to the standards. In 2019, no environmental accidents or violations of environmental regulations were reported.

[Table 4-24] Business Site and Environmental Certifications

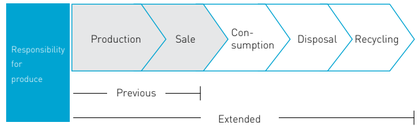
Category	Period	Certification Agency	Mill
Green company	2017. 7. 4 ~ 2020. 7. 3	Ministry of Environment	Taejon mill (recertification under review)
	2019. 11. 27 ~ 2022. 11. 26	Ministry of Environment	Choongju mill
ISO 14001	2018. 10. 30 ~ 2021. 10. 19	SGS	Taejon mill
	2019. 11. 15 ~ 2022. 11. 15		Kimcheon mill
	2018. 10. 27 ~ 2021. 10. 27		Choongju mill
FSC CoC Certification for green pulp	2015. 8. 6 ~ 2024. 6. 13	SGS	Kimcheon mill
	2018. 2. 20 ~ 2023. 2. 19		Taejon mill

Highlight | How do we fulfill the Extended Producer Responsibility (EPR) and pay waste charges?

Yuhan-Kimberly has fulfilled its environmental responsibility throughout the entire manufacturing process starting from production to disposal according to the Extended Producer Responsibility policy. We complied with the EPR policy(for 75.9% of film-type packaging, 80.8% of containers). In 2019, we spent around 1.2 billion for recycling charges and 6.8 billion for diaper waste charges.

* Extended Producer Responsibility: The producer's responsibility is expanded to include event recycling of wastes after use. The system is to create a resource circulation society by reducing wastes generated at source from product design and production stages and expanding recycling.

[Figure 4-26] Extended Producer Responsibility (EPR) System



Source: Korea Environment Corporation

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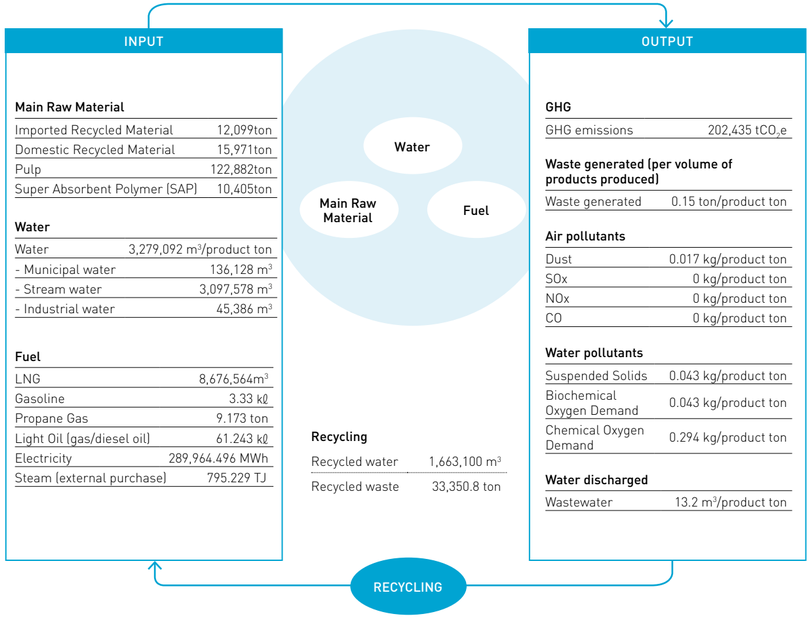
Low-Carbon Operations

2019 GHGs Emissions and Response to Carbon Trading Yuhan-Kimberly manages its GHG emissions according to its annual energy consumption targets. In 2019, our GHGs emissions were 202,435 tCO_2e(23,749 tCO_2e=directly, 178,688tCO_2e=indirectly, certified in May 2020). We conducted a facility energy efficiency improvement project at Kimcheon Mill in the latter half of 2019 in response to the third K-ETS Basic Plan established in 2020. We will exert our efforts to reduce emissions by analyzing reduction potentials by manufacturing site. The amount of GHG reduction that exceeded the target is to be carried forward through the government registration system, and the amount to be carried over in September 2019 was 35,211 tCO_2e.

Kimcheon Mill Improved with High Efficiency Turbo Blower System We invested around KRW 6.5 billion in the Kimcheon Mill in 2019 for the energy optimization of manufacturing facilities and reduction in GHGs emissions. Especially in the tissue and paper towel manufacturing process by introducing high-efficiency Vacuum Turbo Blower. In addition, heat generated from the blower was used for steam recycling in the process and also for fuel supply, reducing the use of natural gas. Thanks to the efforts, the Kimcheon Mill has reduced GHGs emissions to 1.100 tCO_2e/MT, down 3.8% from the previous year.

Solar Panel Installation Project at Choongju Mill After conducting a feasibility study again on the introduction of new renewable energy at manufacturing sites, Yuhan-Kimberly installed 100kWh Solar Panel on the roof of the facility building at the Choongju Mill (330-pyeong wide) and started its operation in December 2019. The annual power consumption is expected to be reduced by 124,100kWh (GHG 57 tCO_2e).

[Figure 4-27] Material Flow Chart 2019



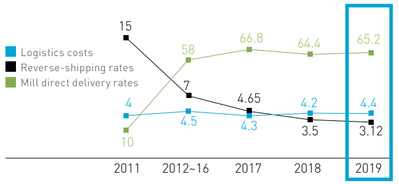
Low-Carbon Supply Chain

[Figure 4-28] Environment-Friendly Logistics Vision 2030

Vision	Becoming global no. 1 environment-friendly logistics company in the field of consumer goods			
Mission	'Securing competitiveness and V2030' by minimizing environmental load of logistics and developing sustainable environment-friendly logistics			
Strategy	**Transportation** (Eco-friendly Transportation and delivery)	**Network** (Eco-friendly network)	**Operation** (Eco-friendly logistics operation)	**Partnership** (Reinforcement of green cooperation)
Core Value	Eco-Friendly	Safety & Health	Energy Saving	

Eco-Friendly Green Logistics Yuhan-Kimberly has strived to minimize its carbon footprint from transportation to logistics since 2009. In 2019, we established Vision 2030 to take full responsibility for green logistics. The amount of diesel used for transportation and shipping was 3,501,605L, and the GHG emissions were reduced by 0.3 % from the previous year to 9,345tCO_2e in 2019. In 2020, we set the target of less than 2.9% in reverse shipping rate between hubs and more than 68% in direct shipment from mills. For reference, diesel usage and GHG emissions for logistics transportation are excluded from preparation and verification of carbon trading statement.

[Figure 4-29] Efforts to Minimize Environmental Load by Optimizing Logistic Network (Unit : %)



* Reverse Shipping Rate: the rate of manufactured products returning to mill for direct shipment after moving to a base center temporarily before being transported through sales channel.

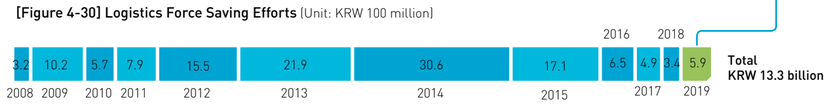
FORCE* Program Through the implementation of GHG reduction programs, we had reduced logistics costs by around KRW 586 million in 2019. We have reduced energy consumption worth KRW 13.3 billion from 2008 through continued transportation cost reduction and innovation projects including reduction in transportation distance with more direct transactions and installation of optimization system in warehouses.

* FORCE Cost Innovation Project

[Table 4-25] Cost Saving through the Innovation in 2019

Period	Description	Saving Cost
January ~ February, 2019	Reduction of shipping expenses through collaboration with Planning Team and efficient warehouse operation	KRW 29 million
January ~ June, 2019	Reduction of transportation expenses through the operation of Coupang Taejon VF	KRW 159 million
January ~ August, 2019	Reduction of transportation expenses from transport contracts in 2019	KRW 255 million
January ~ December, 2019	Reduction of transportation expenses by adjusting the number of pallet return and shipments	KRW 111 million
February ~ December, 2019	Reduction in electricity cost by installing LED lights at Deokpyeong Warehouse	KRW 32 million
Total		KRW 586 million

[Figure 4-30] Logistics Force Saving Efforts (Unit: KRW 100 million)



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Efficient Resource Utilization and Waste Management

Optimization of Resource Input in Manufacturing Process We have continued our improvement activities to maximize the efficacy of chemicals used as raw materials and to avoid their overuse in the production process. In 2019, we achieved improvements in chemical spraying angle and input for maximum permeation and dispersion of dry strength resin into raw materials used in paper towel manufacturing process at the Kimcheon Mill. 4% of resin use and KRW 45 million of cost were saved as a result.

Waste Reduction and Recycling Efforts at Manufacturing Sites In order to minimize waste generated in the manufacturing process, we have set the goals for total waste generation and waste intensity (waste generation compared to production) and managed the targets for raw material and product waste, respectively, through day-to-day monitoring. Most of the waste generated include paper sludge, defective diaper products, and raw material leftovers and are treated in the order of reuse, recycling, and incineration to minimize environmental impact. Leftover fabrics are recycled after recovery and rework to minimize the amount of waste generated. In this way, 2,249.13 tons and KRW 1.4 billion were saved for raw materials in the non-woven fabric manufacturing process at the Kimcheon and Taejon Mills in 2019.

Choongju Mill Certified for Recyclable Resources The Choongju Mill received the certification of recyclable resources for synthetic waste resins (polyvinyl chloride resin excluded) generated from the sanitary pad manufacturing process, according to the Framework Act on Resource Circulation in January 2019. 21.5 % of the entire waste was recognized as recyclable resources at the Choongju Mill in 2019 and the synthetic waste resins generated will be recycled and used to produce plastic containers. The certification will be valid for three years until January 8, 2022. Yuhan-Kimberly is currently reviewing the expansion of the certification to other mills.

[Figure 4-31] Resource Circulation Efforts

* Propylene (PP), Polyethylene (PE), Polyethylene terephthalate (PET)

Water-Saving and Recycling Efforts The Kimcheon Mill has recycled process water since 2015 to save water usage and gradually reduced wastewater. In addition, we monitor and manage the automatic microfiltration system on a regular basis as it comprises an important water purification facility to recycle wastewater. In 2019, the total usage decreased by 3.78% from the previous year to 3,279,092 m^3(14.6m^3/per product ton).

Responsible Wastewater Treatment Yuhan-Kimberly treats wastewater responsibly as it is directly related to the safety of local communities. A scrapper broke down in a primary settling tank, the main wastewater treatment facility at the Kimcheon Mill, in January 2019. The Kimcheon Mill installed a by-pass pipe and a block gate for repair and came up with creative response measures of transporting wastewater to other settling tank using the existing pump and also upgraded its preemptive emergency response programs based on the experience.

The number of stakeholders Yuhan-Kimberly met through the 2019 Sustainability Report

36,299 persons

Consumer Goods Sector in Korea Sustainability Index (KSI)

Ranking 1st for 9 consecutive years

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Usage Status of Sustainable Management Report & Monitoring Voice of Readers

Third Party's Assurance Statement

To the Readers of 2020 Yuhan-Kimberly Sustainability Report:

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of Yuhan-Kimberly to verify the contents of its 2020 Yuhan-Kimberly Sustainability Report (Hereby referred to as "the Report"). Yuhan-Kimberly 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

Yuhan-Kimberly describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a type2, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR's assurance team(hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI Standards which covers the followings.

GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
- Management approach
- Economic Performance : 201-1, 201-2, 201-3
- Indirect Economic Impacts : 203-1, 203-2
- Anti-Corruption : 205-1, 205-2, 205-3
- Materials : 301-2, 301-3
- Energy : 302-1, 302-4, 302-5
- Water : 303-3
- Emissions : 305-1, 305-2, 305-4, 305-5, 305-7
- Effluents and Waste : 306-2, 306-3
- Environmental Compliance : 307-1
- Supplier Environmental Assessment : 308-1
- Employment : 401-1, 401-2, 401-3
- Occupational Health and Safety : 403-1, 403-2
- Training and Education : 404-1, 404-2, 404-3
- Diversity and Equal Opportunity : 405-1, 405-2
- Non-Discrimination : 406-1
- Freedom of Association and Collective Bargaining : 407-1
- Child Labor : 408-1
- Forced or Compulsory Labor : 409-1
- Supplier Social Assessment : 414-1
- Customer Health and Safety : 416-2
- Marketing and Labeling : 417-1
- Customer Privacy : 418-1

This Report excludes data and information of joint corporate, contractor etc. which is outside of the organization, i.e. Yuhan-Kimberly, 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 Yuhan-Kimberly 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. Yuhan-Kimberly 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 Yuhan-Kimberly 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. Yuhan-Kimberly 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 Yuhan-Kimberly'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 standards.

Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

- Yuhan-Kimberly efficiently organized the 50th-year anniversary special report and explained in detail future strategic directions for the next 100 years in the context of sustainability. It demonstrated consistency in reporting key achievements of sustainable management while taking extensive opinions from stakeholders and reflecting them into managerial activities. Also, it presented in-depth analysis of economic performance and advanced innovative efforts for future growth. We recommend that Yuhan-Kimberley switch from cash to accrual accounting regarding the distribution of the economic value in dividends for clarity and timeliness.

Our independence

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

July 24, 2020
CEO

KMR SRV1000 Sustainability Committee Assurance AA1000 Licensed Assurance Provider 000-129

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GRI Index (Global Reporting Initiative Index)

GRI Standards Topic	Disclosure	Description	UN SDGs	UNGC Advanced Level	UNGC Women's Empowerment Principles	Reporting Page	Exteral Assuarnce
General Disclosures							
GRI 102: Organizational Profile	102-1	Name of the organization		22		5	V
	102-2	Activities, brands, products, and services			5	5	V
	102-3	Location of the organization's headquarters				5	V
	102-4	Location of operations				5	V
	102-5	Nature of ownership and legal form				17	V
	102-6	Markets served				5	V
	102-7	Scale of the organization				5	V
	102-8	Total workforce by employment type, employment contract and region	8			5, 43	V
	102-9	Description of the organization's supply chain		2		4–5, 47–48	V
	102-10	Significant changes to the organization's size, structure, ownership, or supply chain				No restatement made	V
	102-11	Precautionary Principle or approach				19	V
	102-12	External initiatives		15, 16, 17, 18	7	76–77	V
	102-13	List of the main memberships of industry or other associations				48	V
GRI 102: Strategy	102-14	A statement from the most senior decision-maker of the organization		1, 19, 9, 10		10–14	V
	102-15	Key impacts, risks, and opportunities				10–14, 19	V
GRI 102: Ethics and Integrity	102-16	Organization's values, principles, standards, and norms of behavior	16			15–16, 18	V
	102-17	A description of internal and external mechanisms for ethics and compliance	16	12, 13, 14		18	V
GRI 102: Governance	102-18	Governance structure of the organization		2		17	V
	102-22	Composition of the highest governance body and its committees	5, 16			17	V
	102-23	Whether the chair of the highest governance body is also an executive officer in the organization	16			17	V
	102-27	Measures taken to enhance the highest governance body's knowledge				17	V
	102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management		20		16, 17	V
	102-32	The highest committee or position that formally reviews and approves the organization's sustainability report				16	V
	102-35	Remuneration policies for the highest governance body and senior executives for the following types of remuneration				17	V
	102-38	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees				17	V
GRI 102: Stakeholder Engagement	102-40	A list of stakeholder groups engaged by the organization				20	V
	102-41	Percentage of total employees covered by collective bargaining agreements	8	7, 8		43–44	V
	102-42	Identifying and selecting stakeholders				20	V
	102-43	Stakeholder engagement				6, 20, 78	V
		Customer satisfaction				51	V
	102-44	Key topics and concerns raised				6, 20, 78	V
GRI 102: Reporting Practice	102-45	Entities included in the organization's consolidated financial statements				Audit report	V
	102-46	Process for defining the report content and the topic Boundaries				2	V
	102-47	Material topics identified in the process for defining report content				6	V
	102-48	Restatements of information given in previous reports				63	V
	102-49	Changes in reporting				6	V
	102-50	Reporting period for the information provided				2	V
	102-51	The date of the most recent previous report				2	V
	102-52	Reporting cycle				2	V
	102-53	The contact point for questions regarding the report or its contents				2	V
	102-54	Claims of reporting in accordance with the GRI Standards		21		2	V
	102-55	GRI content index				74–75	V
	102-56	External assurance				72–73	V
Management Approach							
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary				6, 30, 49, 55, 64	V
	103-2	The management approach and its components	1, 5, 8, 16				V
	103-3	Evaluation of the management approach					V

GRI Standards Topic	Disclosure	Description	UN SDGs	UNGC Advanced Level	UNGC Women's Empowerment Principles	Reporting Page	Exteral Assuarnce
Economic							
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	1, 2, 5, 7, 8, 9			4–5, 38	V
	201-2	Financial implications and other risks and opportunities due to climate change	8, 13			36	V
	201-3	Defined benefit plan obligations and other retirement plans				45, 46	V
GRI 203: Indirect Economic	203-1	Infrastructure investments and services supported	2, 5, 7, 9, 11			58	V
	203-2	Significant indirect economic impacts	1, 2, 3, 8, 10, 17			57–62	V
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	16			18, 48	V
	205-2	Communication and training about anti-corruption policies and procedures	16			18	V
	205-3	Confirmed incidents of corruption and actions taken	16			18	V
Environmental							
GRI 301: Materials	301-2	Recycled input materials used	8, 12			63, 68, 70	V
	301-3	Reclaimed products and their packaging materials	8, 12			65–66	V
GRI 302: Energy	302-1	Energy consumption within the organization	7, 8, 12, 13			63	V
	302-4	Reduction of energy consumption	7, 8, 12, 13			63	V
	302-5	Reduction in energy requirements of products and services	7, 8, 12, 13			63	V
GRI 303: Water	303-3	Water recycled and reused	6, 8, 12			63	V
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	3, 12, 13, 14, 15			63	V
	305-2	Energy indirect (Scope 2) GHG emissions	3, 12, 13, 14, 15			63	V
	305-4	GHG emissions intensity	13, 14, 15			63	V
	305-5	Reduction of GHG emissions	13, 14, 15			63	V
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	3, 12, 13, 14, 15			63, 68	V
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	3, 6, 12			63, 68	V
	306-3	Significant spills	3, 6, 12, 14, 15			67	V
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	12, 13, 14, 15, 16	11		67	V
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria				47	V
Social							
GRI 401: Employment	401-1	New employee hires and employee turnover	5, 8			43	V
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	8		3	44–46	V
	401-3	Parental leave	5, 8		2	43	V
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management–worker health and safety committees	8			44	V
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	3, 8			43–44	V
GRI 404: Training and Education	404-1	Average hours of training per year per employee	4, 5, 8			43	V
	404-2	Programs for upgrading employee skills and transition assistance programs	8		4	44–46	V
	404-3	Percentage of employees receiving regular performance and career development reviews	5, 8			44	V
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	5, 8			17, 43	V
	405-2	Ratio of basic salary and remuneration of women to men	5, 8, 10		2	7	V
GRI 406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	5, 8, 16		1	18, 45	V
GRI 407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	8	6		44	V
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	8, 16	3		45, 48	V
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	8	4, 5	6	45, 48	V
GRI 414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	5, 8, 16			47–48, 76	V
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	16			44	V
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	12, 16			50	V
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	16			55–56	V

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Compliance with UN Global Compact 10 Principles

Yuhan-Kimberly is Selected as a Leading Company in the Field of Women's Empowerment Promotion in 2019 Yuhan-Kimberly joined UNGC in 2007 and is adhering to ten principles in the four major areas of human rights, labor, and anti-corruption. We release the Communication on Progress report to disclose the results of our practice to stakeholders. Yuhan-Kimberly's efforts to spread gender equality and strengthen women's empowerment have been recognized as Korea's first LEAD group in the field of Women's Empowerment in 2019.

[Table 5-1] Activity for responding to UNGC

Category	Principle	Our regulation	2019 Our effort	Reporting page
Human Rights	1. Businesses shouldsupport 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) • Training on sexual harassment prevention • CEO's declaration to support the achievement of SDGs	18, 45
	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(70 tier1 partners) Declaring and implementing emotional workers' human rights	18, 47~48, 55, 56
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 (bargaining principles)	• Labor union membership 99.8% • Labor-management council on a quarterly basis, a total of four times • Grievance committee quarterly, a total of four times • Wage bargaining once a year	44
	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 workplaces/prohibition of night duty for pregnant workers • Items for partner evaluation (wage and employment)	44~46, 48
	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 (wage and employment) • Prohibition of child labor, forced labor and exploitation of labor	45, 48
	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 37.1%, senior management positions 9.8%)	7, 43
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 10.13 million • Establishing the low-carbon vision and roadmap, management of environmental pollutants and hazardous substances and compliance with environmental laws	64~70
	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)	• Declaration of Environmental Management 3.0 and Social Contribution 2020 • Forest and environmental protection campaign • The best company in win-win growth • Including social responsibility part for partner evaluation	25~26, 48, 58
	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 • Establishing the Corporate Environmental Management	54, 65~66
Anti-Corruption	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, Fairtrade voluntary compliance manual (considerations per work type), Chapter 4 (practical application checklist)	• Company-wide training on the Code of Conduct (once a year) • Anti-corruption training (separate from online training) • Actively conducting fair trade self-compliance training	18

Yuhan-Kimberly Activities for UN SDGs

Our Support and Contribution to SDGs and K-SDGs The United Nations adopted the Sustainable Development Goals (SDGs) in 2015 and set 17 common goals for all and 169 detailed tasks to be resolved by 2030 in all areas, including economy, society, and the environment. Each nation is making efforts to achieve the SDGs according to different social situations of the country.

Against this backdrop, the Korean government has also established the Korean Sustainable Development Goals (K-SDGs) to contribute to the accomplishment of the common goals for the international community and to address urgent issues in Korean society. To this end, the Korean government has drawn up five strategies of inclusive society realization, environmental preservation, economic growth, human rights protection and inter-Korean peace establishment, and global cooperation as well as 17 goals, 122 detailed targets, and 214 indicators.

Yuhan-Kimberly announced our endorsement of the UN SDGs and has been striving to reach its goals by reflecting SDGs and K-SDGs in our management activities. Notably in 2019, we were selected as a LEAD company for women empowerment. On top of that, our social responsibility activities were widely shared through 'SDGs Outstanding Company Casebook 2019' published by UNGC and 'COVID-19 Response Casebook'.

UN SDGs in the Perception of Our Stakeholders Yuhan-Kimberly asked 4,467 stakeholders who participated in reader monitoring survey of 2019 Sustainability Report about the most urgent issues among 17 goals of the UN SDGs in Korea. The result showed that our stakeholders think 'health and welfare' is the most salient one to be achieved, with 22% of respondents choosing this issue. As a daily living goods manufacturing company responsible for the health, safety, and quality of life of consumers, we are doing our best to attain this goal.

UN Guiding Principles Reporting Framework

Yuhan-Kimberly is making our utmost effort to safeguard the human rights of our stakeholders. The UN Guiding Principles Reporting Framework (UNGP) reports following contents in line with the guidance for the reporting of human rights issues of a company.

[Table 5-2] UN Guiding Principles Reporting Framework

Category	Report Principles	Details	Reporting page
Governance in favor of respect for human rights	A1. Human rights policy	Disclosure of a will to respect human rights	76
	A2. Internalization of respect for human rights	Efforts for internalizing the respect for human rights	45
Defining focus areas for reporting	B1. List of salient human rights issues	Salient human rights issues related to business activities	-
	B2. Identification of salient human rights issues	Methods of selecting salient human rights issues	-
	B3. Key areas to be managed for salient human rights issues	Methods of selecting region to be managed and areas of human rights issues	-
	B4. Potential human rights issues	Potential human rights issues besides salient human rights issues	-
Management of salient human rights issues	C1. Detailed policy for salient human rights issues	Detailed policies for salient human rights issues	18, 54, 76
	C2. Engagement of stakeholders	Participation of stakeholders by salient human rights issue	20
	C3. Impact assessment	Consistent identification of salient human rights issues	-
	C4. Response to human rights issues	Decision-making process of salient human rights issues and reflecting those on activities	-
	C5. Performance assessment	Effectiveness of activities to resolve salient human rights issues	54
	C6. Follow-up support	Subsequent support for victims of human rights issues	18

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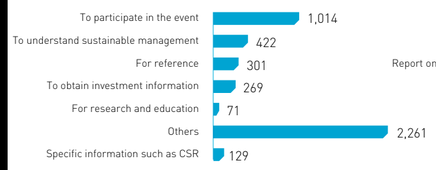
A total of 36,299 stakeholders engaged in 2019 Sustainability Report

Yuhan-Kimberly Sustainability Report is an information channel for giving a better understanding of our overall management. The domestic readers visited our web reports, operated since 2017, the most with the visiting rate of 61.8% and the access rate through mobile devices stood at 19.9%, up 7.1% from the previous year. The revisit rate was 12%. When we conducted monitoring for 2019 report from September 9 through 30 in 2019, a total of 4,467 readers joined our survey. Readers have read our reports to get a full grip on our sustainable management. We have seen an increase in our information reliability for three consecutive years, which proved the social meaning of our reports as reporting channel. As mobile and web reports are taking over, the satisfaction of web reports also rose from the previous year.

What was the purpose of reading the report? (Unit: person)



Which part was most beneficial? (select 2) (Unit: person)

What is your preferred report format? (Unit: persons)

Overall report evaluation

Items	2017	2018	2019
Trustworthy information	72.5	73.6	76.4
Relevance of material topics	71.4	71.3	76.1
Satisfaction with web report	71.5	72.0	75.6
Satisfaction with sustainability report	71.5	73.7	75.3
Easy and apprehensible diagram	71.7	72.4	75.2
Clear expression of sentence	68.8	70.2	74.6
Appropriateness of font size	67.1	72.9	73.8
Better Accessibility of checking needed information	-	-	71.8

'Reliability of Information' evaluated by readers increased for 3 consecutive years Yuhan-Kimberly Sustainability Report has a firm foothold as a trustworthy medium for our general stakeholders like consumers to better understand Yuhan-Kimberly's overall sustainable management. To raise the reliability of the report, we thoroughly verify the information before publication and address adverse issues to ensure transparency of the report.

Things reflected in 2020 report
- Carrying out Social Booster campaign to make readers participate
- Reporting by topic in accordance with materiality assessment focusing on stakeholders
- Reinforcing search function in the web report

Feedback on the 2019 report
- Information (437 persons)
- Understanding (385 persons)
- Design (323 persons)
- Planning and contents (241 persons)
- Accessibility and Sharing (200 persons)
- Promotion (114 persons)

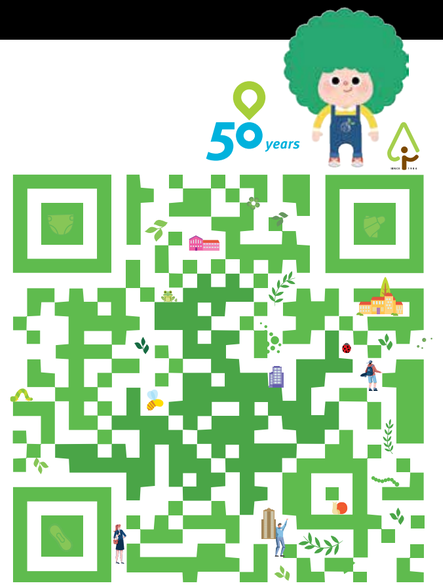
[Figure 5-1] Materiality Assessment Process

1. Gathering related issues
1) Review of internal and external Issues
Issues from the previous year, sustainability management standards and evaluation (GRI Standards, UNGC 10 Principles, ISO26000, DJSI), legal and policy research, media review, Internal KPI review
2) Constitution of topics pool
500 topics were collected in 2020

2. Selecting material topics
3) Composition of Aspects Classification of issues
4) Selecting of material topics
Basis of risk occurrence probability and risk impact severity
Selecting 23 reporting topic among 35

3. Materiality assessment
5) Prioritizing material topics
Stakeholder survey between 2020. 02. 17(Mon)~2020. 02. 28(Fri) (5,869 participants)
6) Selection of reporting Topics
Prioritizing material topics based on stakeholder opinions and business strategy
Make decision to report with material topics

4. Verification
7) Third-party verification
External verification of the materiality assessment process, verification on whether reporting is centered on material topics
External verification



Stakeholder Survey

Thank you for reading our sustainability report.
In order to make this report better, we would like to listen to your opinions.
Please participate in the survey through the QR code provided.
Web report www.csr.yuhan-kimberly.co.kr

How does Yuhan-Kimberly Redistribute its Values?
2020 Materiality Assessment
SPECIAL PAGE Yuhan-Kimberly efforts for a better life
Yuhan-Kimberly Social Reputation

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Vision and Sustainable Organization
Corporate Governance
Ethics Management · Transparent Management
Crisis Management
Communication Channel with Stakeholders

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2-1. Recommendations from Five Experts in the 16th Stakeholders' Committee
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3-1. Social Responsibility Activities-Products and Services
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SPECIAL PAGE Yuhan-Kimberly Task Force on Climate-related Financial Disclosures (TCFD)

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Usage Status of Sustainable Management Report & Monitoring Voice of Readers

" 2020 means a lot to us, marking the 50th anniversary of our inception.
But we are well cognizant that we have to keep our eyes on the new journey toward a centennial company rather than celebration. Although we had many things to celebrate, the COVID-19 pandemic disrupts our regular way of life, and so we are now focusing on how to prepare for the future with modesty. The global pandemic, COVID-19, has led to many changes. Under this circumstance, the relocation of our headquarters in 23 years implies not only a new space for employees but also a new opportunity to change the way of working entirely. At the moment, many of our employees are working from home. In the past, teleworking was regarded as one of the methods to promote work-life balance, but now it will be considered a business model to improve work efficiency. In 2020, I want you to make a real change, a real innovation. Let's change our office environment, let's change our way of working, and let's change our organizational culture. Then, we will find ourselves standing firm for 100 years, 200 years and even further beyond 300 years."

From the CEO's message at the workshop in the first half of the year to celebrate the 50th anniversary in July 2020

Mask Donation for COVID-19 Aid

1,150,000 masks (2020)

1,999 tCO_2e

Reduction against GHG Emission Allowance (2019)

'Keep Korea Green' campaign

53,772,995 trees (accumulated)

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