

COWAY Sustainability 2022

coway

CEO Message

“We are dedicated to providing life care solutions for our customers.”

Dear Valued Stakeholders,

We are now living in a time of unprecedented environmental challenges posed by COVID-19 and climate change. Despite the rapidly changing business environment, Coway has been taking sustainable and innovative initiatives by preemptively and strategically responding to the crises faced by the world.

Since the establishment, Coway has achieved consistent business growth by pushing itself to the limit and taking on new challenges. We have kept challenging ourselves without resting on our laurels as a market leader. As a result, we could finally equip ourselves to provide customers with optimum life care solutions by merging cutting-edge technology such as IoT and big data with our products and services.

The year 2021 was when we made a fresh start through comprehensive innovation in our products, services, and organizational culture. We, for example, introduced the “Icon Water Purifier,” which is recognized as a product that ushered in space innovation; and the high-end wellness and health-related home appliances brand “Noble,” which set a new standard for design and product quality. We also introduced a mobile shopping application and e-Coway system, bringing service innovation to the market. Being acutely aware of the important responsibility of businesses in building a sustainable society, we launched the ESG Committee within the BOD to incorporate ESG into our overall business activities, which allowed us to increase corporate value, and strategically focus on ESG commitments from a long-term perspective.

We are now stepping up to perfect the innovation we have been pursuing for so long. In order to provide tailored services to customers, and upgrade digital tools for employees’ work efficiency, we refined design, technology, and quality to lead product innovation, and engaged in aggressive marketing activities and improved services. Driven by our record-breaking feats in overseas markets, we aim to expand our presence on the world stage. As water purifiers and air purifiers have become essential appliances at homes, schools, restaurants, and airports, among others, we will do our best to make Coway a brand that becomes a way of life around the world.

We are helping people realize the value of healthy life by introducing a wide range of products, particularly water purifiers and air purifiers, which make life more convenient. As a life care solutions provider, we aim to stay ahead of the curve in diverse areas, including digital technology, design, and quality, while always keeping customer value at the center. As a corporate citizen, we will listen to all of our stakeholders in order to contribute to building a sustainable society and earn social trust.

Coway will continue working hard to create a better society and quality of life based on our conviction that we share value with our customers while consistently making commitments to ESG. We are committed to meeting the expectations of our stakeholders as a robust business in 2022 as well. We sincerely appreciate your interest and look forward to your continued support for Coway. Thank you!

June, 2022

CEO

Hae-Sun Lee · Jang-Won Seo

이 해 선, 서 장 원

Value Creation Story

Business Model

Founded in 1989, Coway is a lifestyle service provider that cares about customers' healthy everyday lifestyles. We have developed a peerless business model designed to provide customers with eco-friendly home appliance rentals and professional follow-up services without the burden of ownership. We also offer periodic professional maintenance services to extend product value. In doing so, we could grow consistently, securing over 9.08 million customers at home and abroad and stable cash flow.

We are committed to increasing the value of "Care" — our flagship program, providing various products and services, including "Water Care," "Air Care," "Body Care," "Sleep Care," and "Living Care" — to ensure that all our customers enjoy a safe and clean living environment by drinking clean water and getting a good night's sleep at their homes filled with fresh air. In addition, we have developed the customer-tailored "IoCare (Internet of Care)" by incorporating IT to sharpen our competitive edge. We also continue increasing our customer base through product line and global market extension. Driven by such peerless innovation, we work hard to consistently create value and increase profits for stakeholders.

Business Value Chain

We do our best to provide life solutions based on customer trust and product innovation to our customers for their safe and healthy life anytime and anywhere. To this end, we manage the entire process from the supply of materials and parts, to production, sales, disposal, and recycling from the perspective of corporate sustainability to create robust economic, environmental, and social value.



Consolidated Capital Statement (Quantitative Data)

Category			Unit	2021
Financial capital	Input	Total equity	KRW 100 million	19,044
		Total assets		38,006
	Output	Sales	KRW 100 million	36,643
		Operating profit		6,402
Manufactured capital	Input	Investment in production facilities	KRW 100 million	1,159.9
		Procurement of products and raw materials		5,144
	Output	Product output ¹⁾	1,000 units	30,117
		Average operation rate ²⁾	%	81.7
Human capital	Input	Total cost of education and training	KRW 100 million	3.9
		Duration of employee education ³⁾	hours	93,760
	Output	Productivity per person ⁴⁾	KRW 1 million/person	562
Intellectual capital	Input	R&D expenses	KRW 1 million	48,337
		R&D workforce	people	439
	Output	Intellectual property - patents	case	1,946
		Intellectual property - utility models		33
		Intellectual property - trademarks		3,601
		Intellectual property - design		946
Social capital	Input	Mutual prosperity fund for suppliers	KRW 1 million	15,020
		Technology consulting for suppliers		103
		CSR expenditure	KRW 100 million	11.4
	Output	Suppliers' sales increase ⁵⁾	KRW 1 million	715
		Suppliers' technology protection and escrow	case	7
		Beneficiaries of CSR activities in Malaysia	household	3,600
Natural capital	Input	Investment in environment ⁶⁾	KRW 1 million	1,056
		Total amount of materials used	ton	14,488
		Total energy consumption	GJ	137,423
	Output	Greenhouse gas (GHG) intensity	tCO ₂ e/sales (KRW 100 million)	0.238
		Waste recycled	ton	22,461

1) Product production volume: Product output + filter output

2) Average operation rate: Actual output/maximum production capacity X 100

3) Duration of employee education: Based on plants at home, excluding sales teams

4) Productivity per person: Consolidated sales/Number of employees at the end of 2021

5) Suppliers' sales increase: Amount of sales expansion in the promotion of the management stability base of suppliers, such as localization of procured products

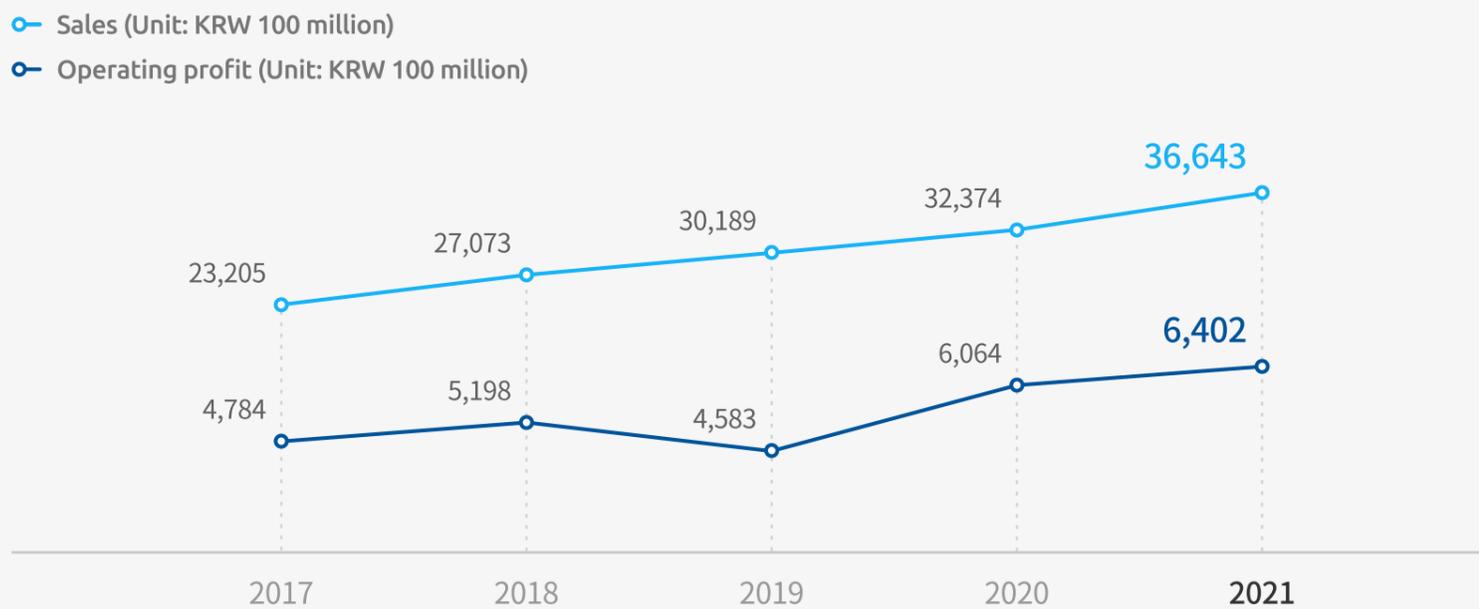
6) Green investing: Green R&D expenditure not included

Economic Value Creation

Coway continued to see sales growth in 2021 as well, hitting KRW 3.6643 trillion in sales — up 13.2 percent from the previous year (KRW 3.2374 trillion). We also achieved KRW 640.2 billion in operating profit and KRW 465.5 billion in net income — up 4.5 percent and 15.0 percent from the previous year, respectively. The total number of active customer accounts has also increased to 9.08 million (including 6.5 million at home and 2.58 million abroad) in 2021 — an increase of 810,000 from the previous year.

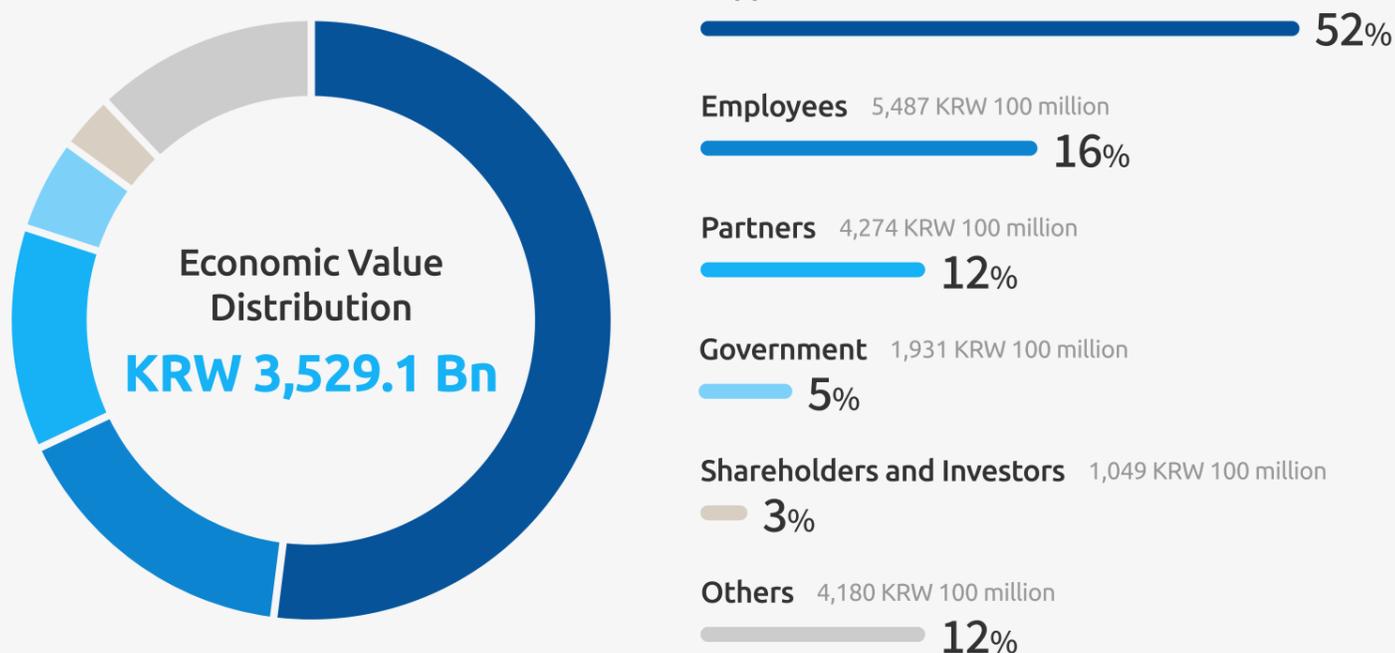
Despite the continued spread of COVID-19, we witnessed sales growth in the green home appliances sector at home and abroad. The sales of home appliances related to health and wellness hit a record high of KRW 2.2453 trillion, up 5.5 percent from the previous year (KRW 2.1273 trillion). Annual sales in overseas branches also grew thanks to the launch of new projects, reaching KRW 1.215 trillion, an increase of 35.6 percent from the previous year (KRW 896.1 billion). In particular, we also saw unrivaled sales growth in the USA and Malaysia with KRW 980.2 billion in Malaysia, up 38.3 percent from the previous year, and KRW 169.6 billion in the USA — up 11.3 percent from the previous year.

Sales and Operating Profit (2017 ~ 2021)



Economic Value Distribution

In 2021, Coway created a total economic value of KRW 3,760.8 billion by combining sales of KRW 3,664.3 billion and other revenues and financial revenues based on consolidation in 2021. Of the created value, KRW 3,529.1 billion was reasonably allocated to stakeholders in consideration of the company's future value and investment efficiency. After all allocations, the economic value of the total reserve of KRW 414.4 billion was added to the total amount of capital.



- Suppliers: Products and raw materials usage (material costs), outsourcing services, consumables, payment fees, depreciation costs, advertising costs, etc.
- Employees: Salary and incentives, retirement salary, benefits
- Partners: Promotion fee and sales fee
- Government: Income tax expense
- Shareholders and Investors: Annual and interim dividends
- Others: Other comprehensive income

Tax Policy

Coway faithfully fulfills its tax reporting and payment obligations based on its reasonable tax strategy. Coway's tax information is transparently disclosed through regular disclosure in the Financial Supervisory Service's disclosure system (<http://dart.fss.or.kr/>). In the financial statements and notes in the audit report, one can check the income tax expense calculation criteria, deferred income tax assets and liabilities, and the composition and tax rate of income tax expenses, and secure transparency and objectivity through external audits. Not only in South Korea but also overseas, we faithfully fulfill the tax obligations of corporations and contribute to the creation of a virtuous cycle structure, such as the government's tax revenue and public service increase.

Coway Tax Policy

- Uphold and observe tax reporting and payment policies.
- Comply with local tax laws and regulations,
- Prohibit transfer of value to areas with a low level of tax jurisdiction,
- Avoid taking advantage of tax structures for the purposes of evasion,
- Avoid the use of confidential jurisdictions, "tax havens" including previous price.
- The Board of Directors provides documented policies on overall risk management, as well as specific areas such as foreign exchange risk, interest rate risk, credit risk, derivative and non-derivative financial instruments, and investments in excess of liquidity.
- When it comes to corporate tax information, we disclose it through the Sustainability Management Report, and the Audit Report which is available at the DART (Data Analysis, Retrieval and Transfer System) of the Financial Supervisory Service.

At Coway, we take a proactive approach in our response to tax risks by monitoring changes in tax regulations and policies. Risk management is conducted by the Funding Department in accordance with policies approved by the Board of Directors. The Funding Department works closely with the business units of associated companies to identify, evaluate, and offset financial risks. The Board provides documented policies on overall risk management as well as specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investments in excess of liquidity. Meanwhile, we ensure compliance with the National Tax Service's policies on voluntary reporting on international transactions. In particular, we prohibit tax evasion using falsified overseas transactions and tax havens. Coway has branches or local subsidiaries in Malaysia, USA, and China. In international transactions with overseas subsidiaries, Coway complies with applicable local tax laws and OECD transfer pricing guidelines. Coway fulfills its tax obligations based on local laws.

Tax Payment Status

2021 Tax Payment Status by Region of Tax Jurisdiction

(Unit: KRW 1,000)

Category	Important business activities	Sales	Profit before tax	Income tax accrued	Income tax paid
Korea	• Rental and sales of products such as water purifiers and air purifiers	2,932,461,499	658,552,414	175,927,650	193,066,319
Asia ¹⁾	• Service provision to members (excluding China)	1,044,821,034	156,111,970	51,989,858	51,989,858
America ²⁾		169,631,024	7,820,353	2,788,414	2,788,414

1) Asia: Malaysia, Thailand, Indonesia, Vietnam, China corporation (excluding Korea)

2) America: USA

Main Composition of Corporate Tax Expenses

Category	Unit	2019	2020	2021
Net income before income tax expenses	KRW 1,000	451,418,558	540,379,082	658,552,414
Corporate tax burden ¹⁾		113,778,104	138,242,247	175,927,650
Tax credit		-182,651	-4,474	-35,122
Permanent difference		6,146,218	-3,187,694	2,348,730
Deferred tax unrecognized among temporary differences ²⁾		1,869,336	7,707,974	7,793,800
Change effect of feasibility judgment		-	-	-
Corporate tax payment (refund)		627,398	-7,928,719	261,770
Others		-3,027,522	838,888	6,769,491
Income tax expense ³⁾		119,210,883	135,668,222	193,066,319
Nominal tax rate ⁴⁾	%	25.20	25.58	26.71
Effective tax rate ⁵⁾		26.41	25.11	29.32

1) Corporate tax burden: Current corporate tax

2) Deferred income tax: expected tax effect due to temporary difference between accounting income and taxable income

3) Income tax expense = current corporate tax + deferred corporate tax

4) Income tax burden/Net income before income tax expense

5) Income tax expense/Net income before income tax expense

Sustainability Management System

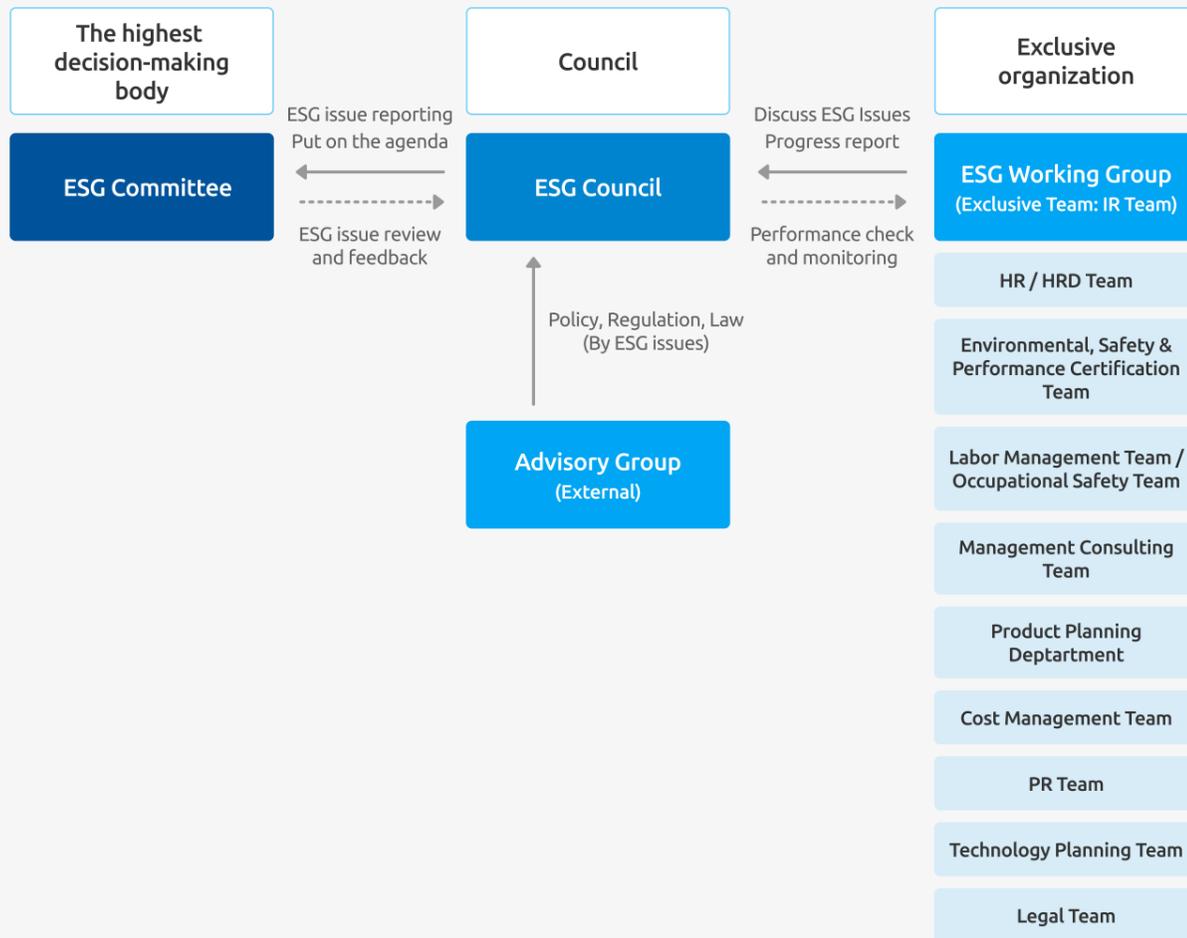
ESG Committee

Coway launched the ESG Committee within the BOD in Aug. 2021 in a bid to respond to ESG issues regarding the environment, society, and governance — and achieve sustainable growth in accordance with the articles of association and BOD regulations. As the highest decision-making body related to the environment, society and governance (ESG), the ESG Committee will play a vital role in creating an active and transparent corporate culture with ESG integrated in it and improving corporate value from a long-term perspective. The ESG Committee is responsible for setting goals and strategic directions for ESG commitments, managing risks, supervising, managing, and reviewing ESG-related business activities, and taking decisions on Coway's ESG commitments.

ESG System

Coway's ESG system consists of three bodies, including the ESG Committee, ESG Council, and ESG Working Group. The ESG Committee, which is the highest decision-making body, consists of two outside directors and the CEO. It deliberates, takes decisions, and reviews major ESG issues to suggest strategic directions for sustainability management. The ESG Council monitors major issues, proposes the ESG Committee's agenda, and discuss particulars, such as ESG strategies, policies, and goals. The ESG Working Group analyzes ESG trends and changes in regulations, consults with outside experts and stakeholders, and supports the ESG Committee and ESG Council. We will continue working hard to grow with stakeholders by incorporating ESG into business based on the ESG system from a long-term perspective.

Organization of the ESG System



Duties of the Committee and Council

Category	ESG Committee	ESG Council	ESG Working Group
Duties	<ul style="list-style-type: none"> Deliberate, take decisions, and review 	<ul style="list-style-type: none"> Set Committee agenda Discuss and report on ESG issues in general 	<ul style="list-style-type: none"> Report the council agenda and take action Operate the ESG Council and Committee Support the ESG Working Group and provide Committee training
Details	<ul style="list-style-type: none"> Take decisions on and review key issues 	<ul style="list-style-type: none"> Formulate and discuss ESG strategies, policy, and goals Set agenda based on progress on ESG commitments Monitor and report on ESG-related issues 	<ul style="list-style-type: none"> Operate the ESG Committee and ESG Council Take actions on major ESG issues proposed by the Council Discuss ESG evaluation indicators and tasks for improvement Conduct surveys on ESG trends and changes in regulations Consult with external experts/collect stakeholders' opinions

Mid- and Long-term ESG Goals and Strategies

Coway has undertaken sustainable business activities even before the launch of the ESG Committee. In 2006, for instance, we pledged ethical and environmental management, thereby laying the foundation for a sustainability management system. In 2009, we voluntarily set a goal to reduce greenhouse gas emissions and took the lead in initiating green management, which earned us the presidential prize at the 2012 Green Management Awards. We then expanded the realm of our ESG commitments to include information protection and subcontractors for mutual prosperity. In 2016, we launched the Unlimited Liability Committee to build and retain customer trust by taking responsibility for our products. In 2021, we reset our mid- and long-term goals to reduce greenhouse gas emissions, and pledged net zero by 2050. We have been striving consistently to grow together with society while increasing our brand value and gaining stakeholders' trust.

Coway Sustainability Management History



Coway is committed to creating social value and building trust with stakeholders by transparently disclosing its performance in the economic, social, and environmental areas. We continue working hard to incorporate ESG into all our business strategies by setting practical mid- and long-term ESG goals by taking internal and external issues into consideration and managing performance consistently. We will contribute to spreading corporate ESG commitments at home and abroad and carry out transparent ESG activities for corporate and social sustainability.

ESG Priority Tasks

In 2022, our ESG Committee and other bodies selected five ESG tasks, namely: 1) Development and application of green technology; 2) response to climate change; 3) plan to use renewable resources; 4) gradual integration of human rights into business; and 5) doubling down on subcontractors' ESG management. In Nov. 2021, the ESG Committee started to take action by deciding to draw up a plan to achieve carbon neutrality and build an IT-based greenhouse-gas management system throughout the entire business process. In Feb. 2022, the committee resolved to revise Coway's human rights policy and subcontractors' code of conduct. We will communicate actively with our stakeholders to fulfill these tasks and ultimately take ESG commitments to the next level.

2022 ESG Priority Tasks

ESG priority tasks	Details
Development and application of green technology	<ul style="list-style-type: none"> Roadmap for mid- and long-term ESG technology development and implementation
Response to climate change	<ul style="list-style-type: none"> Plan to cut greenhouse gas emissions in accordance with the net zero 2050 pledge Analysis of risks and opportunities of climate change (CDP and TCFD)
Plan to use renewable resources	<ul style="list-style-type: none"> Development and implementation of plans to include recycled raw materials in the production of flagship products in accordance with resource circulation vitalization
Gradual integration of human rights into business	<ul style="list-style-type: none"> Revision of human rights policy Human rights in business governance and training Step-by-step plan to incorporate human rights into business
Doubling-down on suppliers' ESG management	<ul style="list-style-type: none"> Suppliers' ESG management ESG consulting and support for suppliers Preemptive response to ESG risks

Stakeholder Engagement and Material Topics

Stakeholder Engagement

We identify those who influence our business activities internally and externally as stakeholders and categorize them into seven groups, including customers, shareholders and investors, employees, partners and suppliers, local communities, academia and media, and the government. In order to collect stakeholders' opinions, we operate a communication channel for each stakeholder group. We encourage stakeholders' engagement and communication on material issues in a bid to improve transparency and efficiency of our business activities and build reliable relationships. Each communication channel is managed by the relevant department.

Stakeholder	Communication channel	Frequency	Major interest
Customers	Company website	Frequently	<ul style="list-style-type: none"> • Product safety and quality control • Product and service experience • Customer complaint handling
	Media and news	Frequently	
	VOC/Call center	Frequently	
Shareholders and Investors	Regular general shareholders' meeting	Once a year	<ul style="list-style-type: none"> • Build corporate value • Increase shareholder value • Sound governance • Business opportunity and risk management
	IR meeting	Frequently	
	Investors/Analysist conference call	Frequently	
	IR webzine	Once a month	
Employees	Labor management council	4 times a year (or more)	<ul style="list-style-type: none"> • Fair performance evaluation and compensation • Competency development • Work-life balace • Diversity-based corporate culture
	In-house online consultation channel	Frequently	
Partners and suppliers	Supplier meeting	Once a year (or more)	<ul style="list-style-type: none"> • Win-win cooperation with suppliers • Support suppliers' sustainability development • Create a healthy working environment
	Electronic purchase system, SCM website	Frequently	
	Partner meeting	Frequently	
Local community	Local committee	4 times a year	<ul style="list-style-type: none"> • Participate in social contribution and community activities • Job creation in the region • Sustainable regional development
	NGO meeting	Frequently	
	Social contribution business and projects	Frequently	
Academia and media	Corporate governance report	Once a year	<ul style="list-style-type: none"> • Transparent information disclosure • ESG data and performance communication
	Regular disclosure such as business reports	5 times a year (or more)	
	Participation in global ESG evaluation	6 times a year (or more)	
	Participation in sustainability initiatives	4 times a year (or more)	
Government	Disclosure to financial supervisory service and fair trade commission	Frequently	<ul style="list-style-type: none"> • Distribution of economic value such as tax payment • Compliance and ethical management
	Legal/Regulatory compliance	Frequently	
	Public-private partnership business projects	Frequently	

Materiality Assessment

Coway conducts Materiality Assessment every year to identify material topics related to sustainability. We created an issue pool by reflecting rapidly-changing business environment, internal and external sustainability issues, and our sustainability management goals. We then analyzed business relevance and stakeholder impacts according to the stakeholder engagement process and prioritized sustainability issues in 2021.

Step 1. Developing the Issue Pool

At Coway, we analyze diverse indicators and develop an issue pool in an effort to identify material topics that reflect changes in the business environment and sustainable management. We identified issues on sustainability and ESG through analyses of global sustainability standards and initiatives. We also conducted an analysis of media research and communication keywords to identify the interests of stakeholders. In doing so, in 2021, we could select a pool of 22 issues on sustainability.

Global Sustainability Standards and Initiatives

Reflect global sustainability standards and initiatives major issues

- GRI (Global Reporting Initiative) Standards
- SASB (Sustainability Accounting Standards Board)
- UN SDGs (UN Sustainable Development Goals)
- DJSI (Dow Jones Sustainability Indices)
- KCGS (Korea Corporate Governance Service)
- MSCI ESG

Media and Communication Key Word Analysis

Analysis of Coway's sustainability management issues and positive/negative issues through media research

- Exposure Period: 2021.01.01 ~ 2021.12.31
- Media: 100 press including 15 major daily newspapers nationwide

Main keyword Analysis of External Communication Materials

- IR data and performance announcement

Step 2. Analysis & Assessment

We conducted materiality assessment in order to identify material issues among the pool of 22 issues. We assessed each issue in terms of their relevance to our business activities and their impact on stakeholders in order to prioritize material issues.

For an analysis of the relevance of the issues to business activity, we focused on internal and industrial relevance to our sustainable management. In order to understand the impact of the issues on our stakeholders, we conducted an online survey to determine and prioritize the areas of stakeholders' interests. Also, we assessed the possible impact of the issues that had been prioritized through an analysis of business relevance and stakeholders on our business value creation in terms of cost, revenue, and risk.

Relevance Analysis - Corporate Internal & Industrial Context

Internal Relevance

Identify internal major issues based on Coway's sustainability management strategy, policy and status analysis

- Review Last year's report on sustainability management
- Check the strategy and policy documents related to sustainability management
- Mid- to long-term sustainable management goal and performance analysis for sustainable management

Industrial Relevance

In-depth issues and context review of corporate reports of other companies in the same industry and analysis of industry-specific evaluation indicators for global sustainability assessment

- In-depth analysis of the report status and issues of 3 overseas companies and 3 domestic companies
- DJSI (Dow Jones Sustainability Indices) Household Durables industry evaluation requirements analysis
- MSCI Household Durables industry evaluation requirements analysis, etc.
- SASB(Sustainability Accounting Standards Board) Appliance Manufacturing, Professional and Commercial Service standards

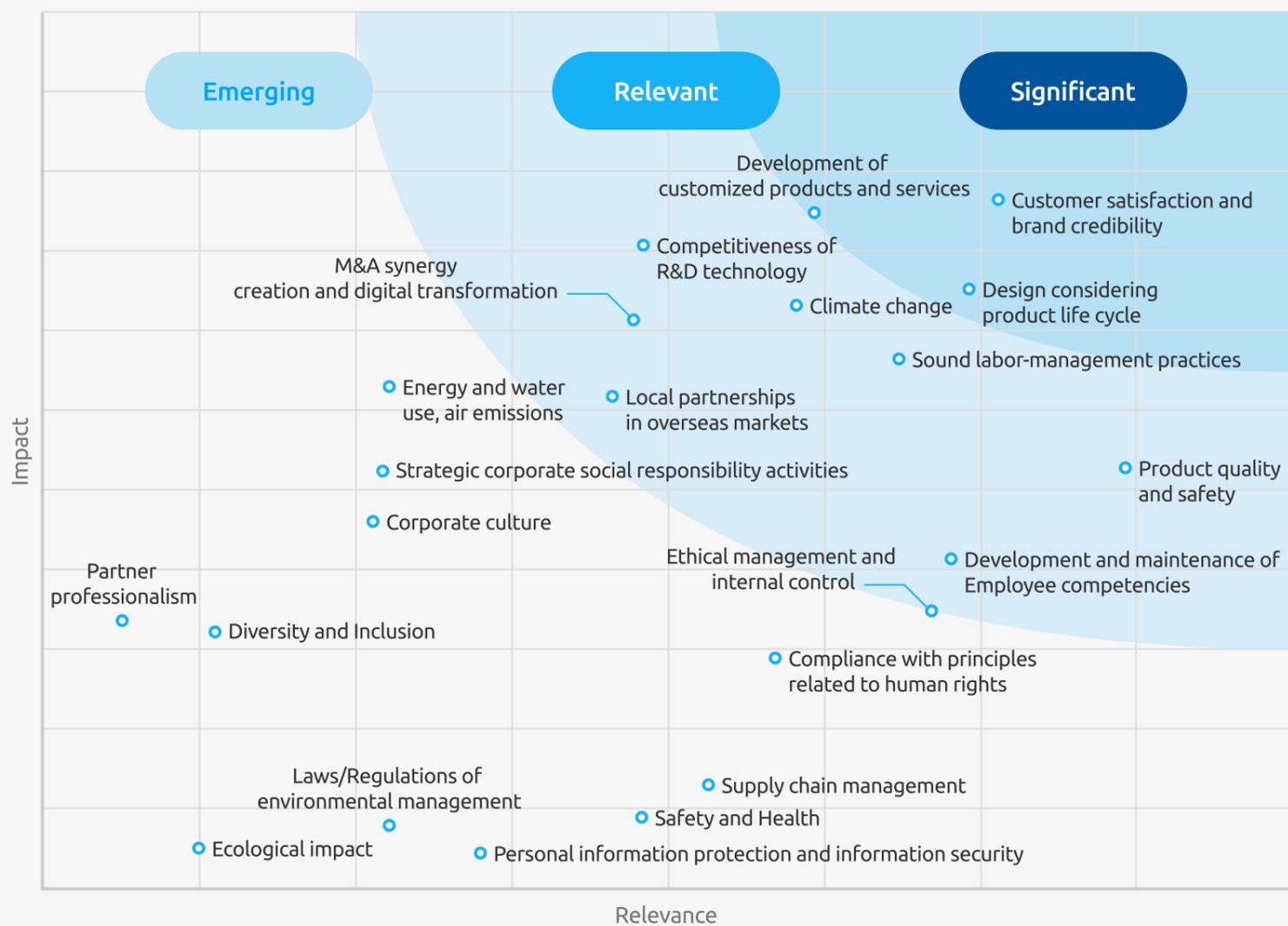
Impact Analysis - Stakeholder Survey

Review of issues reported by peers within the industry and analysis of global sustainability evaluation indicators

- Target: 7 major stakeholders (customers, shareholders and investors, employees, partners and suppliers, government, academia and media, and local communities)
- Period: 2022.03.21 ~ 2022.04.01
- Survey method: Online survey
- Questionnaire: Selection of material topics, evaluation of priority of issues, context investigation of issue selection

Step 3. Reporting

We conducted a materiality assessment and finalized 10 material themes. We provide a web-based report on each theme in terms of its business and social impacts, key KPI, business strategies, actions taken, achievements and best practices in general.



●: high ◐: medium ○: low

No	Material topic	Report topic	Business impact		
			Cost	Revenue	Risk
1	Customer Satisfaction and Brand Trust	Customer Satisfaction Management	◐	●	◐
2	Development of Customized Products and Services	Product and Service Innovation	●	●	◐
3	Design that Takes a Product Life Cycle into Consideration	Life Cycle Management	●	◐	◐
4	Climate Change	Climate Change	●	○	●
5	Robust Labor-management Practices	Employee	●	◐	●
6	Product Quality and Safety	Product Responsibility	●	●	●
7	Competitiveness of R&D Technology	Product and Service Innovation	●	◐	○
8	M&A Synergistic Energy and Digital Transformation	Value Creation Story	●	●	◐
9	Local Partnerships in Overseas Markets	Local Community Contribution	●	◐	◐
10	Employees' Capacity-building and Sustainability	Employee	◐	◐	◐

Materiality Context and Accomplishments

Customer Satisfaction Management

Customer satisfaction is our first and foremost priority. We have made every effort to improve quality of life by providing the best possible products and services to our customers. As a result, we could make great strides in diverse areas for customer satisfaction — including securing the customer satisfaction management system (ISO10002) certification for three consecutive years from 2019; first in the Korea Service Quality Index (KS-SQI); the designation of being the business recommended most by customers; consumer-centric management (CCM) certification; designation as a leader in business for customer satisfaction at the 2021 Korea Management Awards; and winner of four awards at the 2022 Korea First Brand Awards — to name just a few. We also received 82.8 points in the customer satisfaction survey conducted in 2021, an improvement over the previous year. Aiming to reach 87 points in the customer satisfaction survey by 2030, we will continue working hard to earn long-term customer trust and increase brand awareness by providing customers with the “Care” programs customized to their lives as a whole.

Progress

Coway Customer Satisfaction

Category	2018	2019	2020	2021
Customer satisfaction	79.0	75.1	82.5	82.8

(Unit: point)

Activities

Customer satisfaction management system (ISO10002) certification 

Customer satisfaction program 

Real-time Voice of the Customer (VOC) system 

Product and Service Innovation

We are constantly working to ensure that our customers enjoy living a healthy lifestyle, based upon starting the day with clean air, water and getting a good night’s sleep. We continue building our R&D capacity to provide the products and services our customers need and developing more products, including mattresses and bidets — in addition to water purifiers and dispensers and air purifiers, our flagship products. In 2021, we launched a wide range of customized, innovative products, such as IoT water dispensers, which make the best use of space and ensure maximum hygiene, and bidets that are hygienically and technologically innovative as our representative “Care” products. We also provided a free water-quality test service by visiting our customers to check their water safety. We will continue developing the products and services that meet the needs of customers from all walks of life and increase our customers’ quality of life.

Progress

R&D Investment and Outcomes

R&D investment	Unit	2019	2020	2021
R&D expenditure	KRW 1 million	37,671	41,937	48,337
Investment/Sales	%	1.25	1.30	1.32

Activities

Noble Water Purifier, customized premium home appliance for wellness and health 

Introduction of smart self-diagnostics and smart filter-sensing technology 

Open innovation 

Life Cycle Management

Coway is striving to reduce negative environmental impact throughout the product lifecycle, from product-design to use and post-use. In the product-design stage, we make a special effort to reduce resource use, develop alternative materials, improve recyclability, and redesign packaging strategically. We then conduct a life cycle assessment that quantitatively assesses the impact of products on the environment. In the product-use stage, we reduce environmental impact by introducing products that are designed to maximize energy efficiency and in the post-use stage, we recycle waste according to our own recovery and resource recycling process to contribute to the circular economy. Our efforts to reduce the environmental impacts of our products and greenhouse gas emissions in all lifecycle stages earned us 27 green certifications in 2021 and received our stakeholders' acknowledgement of our products' effect on energy conservation and the reduction of carbon footprint.

Progress

Environmental Certifications that Coway Has Obtained in 2021

Certification	2021
Eco label certification	27

Sales of Environmentally Certified Products

Category	Unit	2021
Eco-friendly product sales	KRW 100 million	8,969

Activities

Development of environmentally friendly packaging 

Won energy technology awards 

Waste water treatment filter collection service 

Corporate Governance

Responsible Management Centered on the Board of Directors

The Coway Board of Directors (BOD) has a reasonably robust corporate governance structure featuring effective checks and balances and experts' decision-making power on corporate management allocated by shareholders in accordance with relevant laws and the articles of association. The BOD is responsible for coordinating the interests of stakeholders, monitoring investments and inside transactions, and deliberating and approving transparent compensation, while managing overall corporate risks. It also strives to improve transparency and efficiency of business management.

[Coway Corporate Governance Report 2021](#) ↗

Current Status of the BOD

Name	Position	Gender	Professional experience	Appointed date
Jun-Hyuk Bang	Executive director (Chairman)	Male	'20 ~ Current BOD Chairman, Coway '14 ~ Current BOD Chairman, Netmarble '11 ~ '14 Executive Advisor, Game Business Division, CJ E&M	20.02.07
Hae-Sun Lee	Executive director (CEO)	Male	'20 ~ Current CEO, Coway '19 ~ '20 President, Business Technology Group, Coway '16 ~ '19 CEO, Coway	20.02.07
Jang-Won Seo	Executive director (CEO)	Male	'21 ~ Current CEO, Coway '20 ~ '21 Head of Corporate Management Division, Coway, CFO '20 ~ '20 Head of Coway TF, Netmarble '19 ~ '19 Officer in Investment Strategy and Communication, Netmarble '15 ~ '18 Officer in Management Strategy, Netmarble '01 ~ '15 Senior U.S. Attorney, Sejong Law Firm	20.02.07
Jin-Bae Kim	Independent director	Male	'01 ~ Current Professor in Business Administration, Korea University '97 ~ '01 Assistant Professor, Boston University	20.02.07
Kyu-Ho Kim	Independent director	Male	'21 ~ Current Professor (focused on academic-industrial cooperation), Ewha Womans University '15 ~ '20 Professor (focused on academic-industrial cooperation), Sogang University '13 ~ '14 Executive Director, Media Solution Center of Samsung Electronics	20.02.07

Name	Position	Gender	Professional experience	Appointed date
Bu-Hyun Yoon	Independent director	Male	'20 ~ Current Advisor, LG Display '18 ~ '20 Advisor, LG Uplus '12 ~ '18 Executive Director, Management Planning of MC Business Group, LG Electronics '09 ~ '11 Managing Director in Charge of Finance, LG Electronics '07 ~ '08 Managing Director in Charge of Management Planning, LG Electronics	20.02.07
Da-Woo Lee	Independent director	Male	'18 ~ Current Attorney, Yulchon Law Firm '16 ~ '18 Senior Judge, Chuncheon District Court '15 ~ '16 Judge, Seoul Central District Court	20.02.07
Gil-yeon Lee	Independent director	Female	'09 ~ Current Attorney at Hokma, a law firm '19 ~ Current Member of Human Rights Management, the Korea Copyright Protection Agency '18 ~ '20 Member of the Administrative Appeals Committee, the Board of Audit and Inspection '13 ~ '17 Member of the Law Interpretation and Deliberation Committee, Ministry of Government Legislation '11 ~ '13 Special member of the Special Committee of the Legal Ethics Council, Korean Bar Association '10 ~ '16 Arbitrator of the Seoul City Environmental Dispute Mediation Committee '08 ~ '14 Adjunct professor at Inha University School of Law	22.03.31

BOD Activities in 2021

In 2021, total of 7 board meetings were held, with an average attendance rate of 96.4%.

Round	Date	Agenda	Result	Attendance rate
1	2021.02.16	Approval of the 32nd financial statements and business reports	Approved	100%
		Convocation of the 32nd regular general shareholders meeting	Approved	
		Decision on dividends for the 32nd period	Approved	
		Approval of transactions with stakeholders	Approved	
		Approval of transactions between directors and the company (IGS)	Approved	
		Election of CEO (Each representative)	Approved	
		Cancellation of the grant of stock options	Approved	
		Acquisition of other corporate equity securities (iOBED)	Approved	
		Report on the status of internal accounting management operation by the CEO and internal accounting manager	-	
		Reporting of the Audit Committee's inside accounting management system evaluation report	-	
		The 4th quarter 2020 performance report	-	
2	2021.05.11	Reporting and approval of the 2021 plan for safety and health	Approved	100%
		Approval of transactions between directors and the company (IGS)	Approved	
		Approval of transactions with stakeholders (Cowayentech)	Approved	
		Others - acquisition of other corporate equity securities	Approved	
		Approval of transactions between directors and the company (Netmarble Healer.B)	Approved	
		The 1st quarter 2021 performance report	-	
		Reporting of ESG performance in 2020	-	
3	2021.07.13	Approval of transactions between directors and the company (Netmarble)	Approved	100%
		Approval of transactions between directors and the company (Netmarble Healer.B)	Approved	
4	2021.08.05	Branch installation	Approved	100%
		Creation of the ESG Committee	Approved	
		Appointment of the ESG Committee members	Approved	
		Enactment of the ESG Committee regulations	Approved	
		Approval of transactions between directors and the company (MnB Productions)	Approved	
		The 2nd quarter 2021 performance report	-	
5	2021.09.09	Approval of investment plans	Approved	85.7%
6	2021.11.04	The 3rd quarter 2021 performance report	-	100%
7	2021.12.16	Appointment of compliance officers	Approved	100%
		Approval of transactions between directors and the company (Netmarble Healer.B)	Approved	
		Approval and authorization of the limit of bond issuance in 2022	Approved	
		Approval of the business plans for 2022	Approved	
		Report on the approval of the Management Committee	-	
		Reporting of the agendas approved by the ESG Committee	-	

[BOD activities in the past \(2008~2021\) ↗](#)

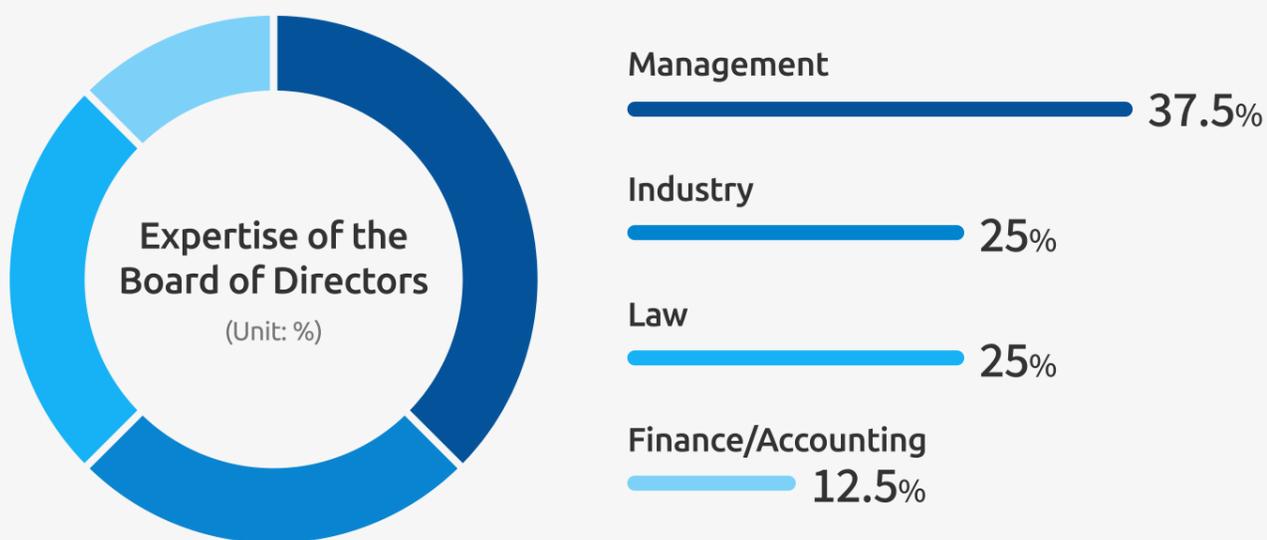
Independence · Professionalism · Diversity

Election of Directors with Expertise and Diversity in Mind

In accordance with Article 382 of the Commercial Act, the BOD consists of three executive and five non-executive directors. The numbers of non-executive directors (62.5 percent) outnumber executive directors, which ensures the BOD's fairness and independence. The BOD members, who are experts in diverse areas, including business management, accounting, and law, make decisions efficiently and carefully.

Coway has an Independent Director Candidate Recommendation Committee to ensure fairness and independence in the selection process. The selection of non-executive directors is finalized at the general meeting. For the selection of directors at the general meeting, detailed information on the candidates including personal history, fields of expertise, recommenders, and transactions with Coway should be provided 14 days prior to the general meeting, to prove their independence of the company. For the transparency and independence of the BOD, we carefully review any conflict of interest, including possession of shares in Coway, and transparently disclose their legal qualifications to stakeholders and shareholders.

The BOD at Coway consists of experts in diverse areas regardless of gender and age, to ensure that it does not represent specific interests or vocational groups. In particular, we seek to sharpen our BOD's competitiveness by stressing the candidates' expertise in the process of selecting non-executive directors. We recruit experts in a wide range of areas, including business administration, industry, finance/accounting, and law for the BOD's diversity and expertise.



Independence of the BOD

Coway makes sure that the Board of Directors (BODs) we appoint meet the qualifications required by the relevant laws and articles of association. Also, we impose restrictions on appointing those who are responsible for damaging corporate value or infringing shareholders' rights and interests as executives by revising the "Personnel Management Regulations for Executives."

We select the non-executive directors transparently and fairly through the Independent Director Candidate Recommendation Committee, which consists of a majority of non-executive directors (two non-executive directors and one executive director). The Independent Director Candidate Recommendation Committee selects candidates for non-executive directors among those who have no conflicts of interest with the company and its largest shareholder and, consequently, can supervise the company's business management independently from the management.

In addition, our BOD is organized in such a way that it does not represent specific interests or specific occupational groups in order for it to effectively exercise checks and balances. For transparent governance, we disclose relevant business processes, procedures, and outcomes. We also have internal regulations, such as the articles of association and BOD regulations, to establish a system of checks and balances among the BOD, management, and non-executive directors.

Evaluation Standard for Independence and Conflicts of Interest

Disqualification Criteria

- ① Directors, executive officers, and employees engaged in the company's business affairs, or directors, auditors, executive officers and employees engaged in the company's business affairs within the past two years
- ② The largest shareholder himself, spouse, and direct ancestor or descendant
- ③ In case the largest shareholder is a corporate body, its directors, auditors, executive officers, and employees
- ④ The spouse and the direct ancestor or descendant of directors, auditors, and executive officers
- ⑤ Directors, auditors, executive officers and employees of the company's parent company or subsidiaries
- ⑥ Directors, auditors, executive officers and employees of corporations with important interests, such as the company's business relationships
- ⑦ Directors, auditors, executive officers and employees of other companies whose directors, executive officers are directors, executive officers and employees of the company

Conflicts of Interest

- ① The same person and people related to the Fair-Trade Act that governs a company in competition with the company
- ② Employees of a company that compete with the company and those belonging to the same corporate group under the Fair-Trade Act or a person who has been an employee within the past two years
- ③ The company's largest shareholder or the second-largest shareholder of a company in a competitive relationship with the company, and an employee of a company belonging to the same corporate group under the Fair-Trade Act, or a person who has been an employee within the past two years

Committees under the BOD

For efficient and professional operation of the BOD, we have set up various BOD Committees, including the Management Committee, Independent Director Candidate Recommendation Committee, Audit Committee, and ESG Committee. As of April 2022, the Management Committee consisted of three executive directors, the Audit Committee, three non-executive directors, and the Independent Director Candidate Recommendation Committee and the ESG Committee, one executive director and two non-executive directors, each. As members of the BOD, non-executive directors hold a majority, which allows the BOD to fulfill its responsibility to check the management in accordance with the principle of checks and balances. The Management Committee consists of executive directors only as it deliberates and decides on diverse matters on business activities. Other committees include non-executive directors with expertise in their fields.



BOD Committee Members and Activities

1. Management Committee

Member	Directors	Purpose and main activity
3 executive directors	Jun-Hyuk Bang(Chairperson), Hae-Sun Lee, Jang-Won Seo	Regulations necessary for the organization and efficient operation - Matters delegated by the board of directors among the company's important management matters - Matters delegated by the BOD from time to time - Other matters that the committee has decided to refer to as important management matters of the company

2. Independent Director Candidate Recommendation Committee

Member	Directors	Purpose and main activity
1 executive director 2 non-executive directors	Da-Woo Lee(Chairperson), Gyu-Ho Kim, Jang-Won Seo	Nomination of non-executive director candidates and equity in selecting the executive directors

3. Audit Committee

Member	Directors	Purpose and main activity
3 non-executive directors	Jin-Bae Kim(Chairperson), Bu-Hyun Yoon, Lee Da-Woo	Audit work - Review of accounting-related documents such as financial statements and the procedures and results of the audit of accounting firms - Review of the operation status of the internal accounting management system

4. ESG Committee

Member	Directors	Purpose and main activity
1 executive director 2 non-executive directors	Jin-Bae Kim(Chairperson), Lee Da-Woo, Jang-Won Seo	Increase long-term corporate value and sustainable growth ESG through supervision of relevant long-term strategies, policies, and issues - ESG management goals and directions - Decision-making on major risks and opportunities - Supervision and review of ESG management activities in general

Performance Evaluation and Remuneration

Performance Evaluation and Remuneration for Non-executive Directors

In order to recruit outstanding experts as non-executive directors and support them in actively fulfilling their duties, we provide reasonable remuneration in consideration of the level of legal responsibility and remuneration level in the same industry. We evaluate non-executive directors qualitatively in terms of attendance and practicality of their suggestions, but we do not reflect it in remuneration and reappointment of non-executive directors. We have a principle of not remunerating non-executive directors based on the evaluation results as it may impair the independence of non-executive directors. Also, we do not grant separate stock option to non-executive directors.

Performance Evaluation System for CEO and Executives

The basic remuneration for executive directors is determined in consideration of their duties and positions, tenure, leadership, expertise, and contribution to the company. Also, we provide incentives (bonuses) based on overall scores and goal fulfillment by taking into consideration growth potential, profitability, and stability in accordance with the key performance indicators(KPI) consisting of qualitative and quantitative indicators. In addition, we adjust bonuses by evaluating project outcomes, performance, and capacity.

The Highest Income Earner - Employee Remuneration Ratio in 2021

Category	Remuneration (Unit: KRW 1,000)	Ratio (Unit: times)
The highest income earner remuneration	1,124,025	20.3
Average employee remuneration	55,353	

Remuneration of Directors and Auditors

Classification	No. of people	Total remuneration (Unit: KRW 1,000)	Average remuneration per person (Unit: KRW 1,000)
Registered director	3	2,442,311	814,104
Non-executive director (Excluding Audit Committee member)	1	42,000	42,000
Audit Committee member	3	126,000	42,000

- 1) The above number of people is based on the number of people in office on December 31, 2021.
- 2) The total amount of remuneration includes all income tax paid by registered directors, non-executive directors, and audit committee members who have been in office or retired in accordance with Article 159 of the Capital Markets and Financial Investment Business Act and Article 168 of the Enforcement Decree of the Act.
- 3) The average remuneration per person was calculated by dividing the total remuneration by the number of people as of December 31, 2021, and it is different from the actual average remuneration per person.

Directors Remuneration

Name	Category	Total (Unit: KRW 1,000)	Standards and methods
Jun-Hyuk Bang	Salary	629,712	The total annual salary is set and paid at KRW 721 million by comprehensively reflecting the duty (chairman of the BODs), leadership, expertise, and contribution to the company. In addition, KRW 315,000 was paid with taxes reflected.
	Incentive	402,710	Bonuses were paid based on the key performance indicators (KPIs) consisting of quantitative and qualitative indicators. The KPIs evaluate quantitative indicators which consist of growth potential, profitability, and stability, and qualitative indicators which include strategic tasks for the year, based on the comprehensive evaluation table to calculate the overall scores.
	Note		Profits from the exercise of stock options, other earned income, retirement income and other income are not applicable.
Hae-Sun Lee	Salary	503,427	The total annual salary is set at KRW 500 million by comprehensively reflecting the duty (CEO), tenure, leadership, expertise, and company contribution, among others, all of which are comprehensively reviewed and paid. In addition, KRW 3.427 million, including benefit points, was paid.
	Incentive	280,000	Bonuses were paid based on the key performance indicators (KPIs) consisting of quantitative and qualitative indicators. The KPIs evaluate quantitative indicators (sales, customer accounts, etc.), which consist of growth potential, profitability, and stability, and qualitative indicators (leadership, growth engines, etc.), which include strategic tasks for the year, based on the comprehensive evaluation table to calculate the overall scores.
	Note		Profits from the exercise of stock options, other earned income, retirement income and other income are not applicable.
Jang-Won Seo	Salary	384,858	The total annual salary is set at KRW 367.648 million by comprehensively reflecting the duty (CEO), leadership, expertise, and company contribution, among others, all of which are comprehensively reviewed and paid. In addition, KRW 17.210 million was paid with taxes reflected.
	Incentive	150,000	Bonuses were paid based on the key performance indicators (KPIs) consisting of quantitative and qualitative indicators. The KPIs evaluate quantitative indicators (sales, customer accounts, etc.), which consist of growth potential, profitability, and stability, and qualitative indicators (leadership, growth engines, etc.), which include strategic tasks for the year, based on the comprehensive evaluation table to calculate the overall scores.
	Note		Profits from the exercise of stock options, other earned income, retirement income and other income are not applicable.

Stock Option Granted for Directors

(Reference date: 2021.12.31)

Recipient	Title	Granted date	Type of stock	Initial granted amount	Current variable option shares		Total variable option shares		Non-exercised amount	Exercise period	Exercise price
					Exercise	Cancel	Exercise	Cancel			
19 executives including Jong-Bae Kim	Non-registered director	Feb. 2013	Common stock	852,000	-	-	361,240	482,640	8,120	2015.02 ~ 2022.02	50,000
11 executives including Yong-Ju Park	Non-registered director	Mar. 2015		571,500	-	-	103,240	449,080	19,180	2017.03 ~ 2024.03	88,670
2 executives including Jin-Hyuk Ahn	Non-registered director	Mar. 2017		87,000	-	-	-	48,140	38,860	2019.03 ~ 2026.03	90,460
22 executives including Jae-Ho Lee	Non-registered director	Apr. 2017		216,972	-	-	-	206,122	10,850	2019.04 ~ 2026.04	98,590
6 executives including Jae-Young Park	Non-registered director	Mar. 2018		104,400	-	5,800	-	45,356	59,044	2020.03 ~ 2027.03	88,330
2 executives including Hyun-Joo Song	Non-registered director	Mar. 2019		69,600	-	4,640	-	30,392	39,208	2021.03 ~ 2028.03	96,030

- 1) Stock option grant methods: selection among issuance of new shares, treasury stock issuance, and difference compensation
- 2) The number of shares in the stock option is determined by the BOD based on the evaluation of goal achievement within the limits set by the company. Accordingly, it does not mean that the all of the above number of shares not exercised at the end of the term are exercisable.

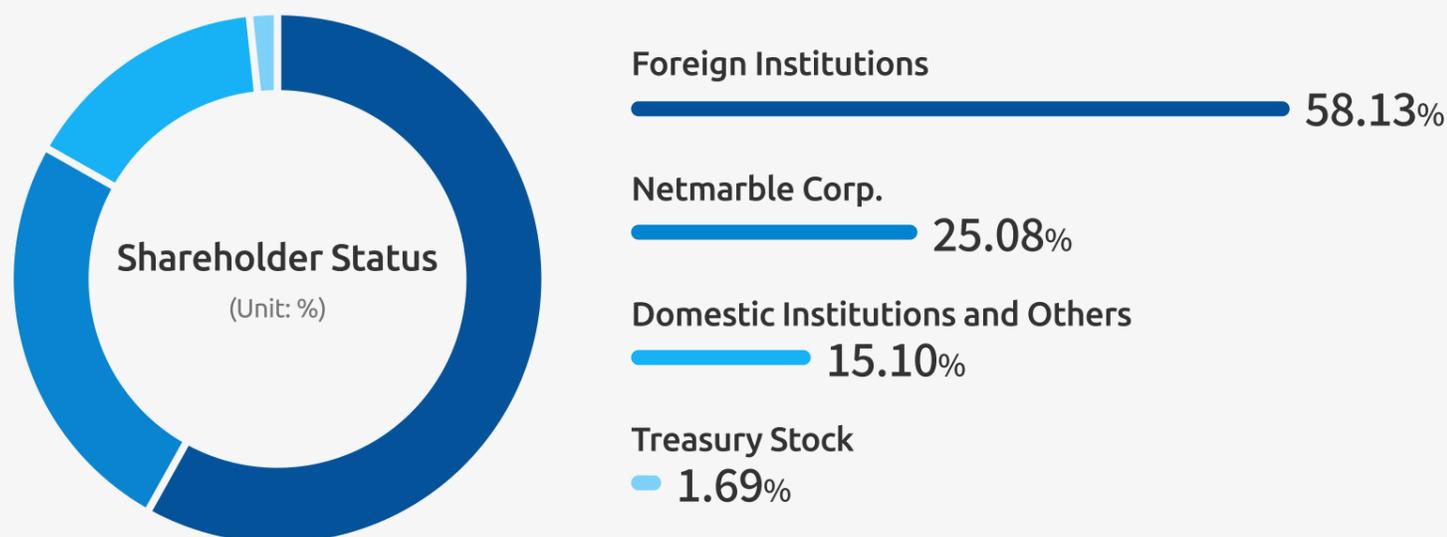
Ownership Structure and Voting Rights

Stocks Owned by Stockholders and Management

As of the end of 2021, Coway's shareholders consisted of Netmarble (25.08 percent), foreign investors (58.13 percent), local institutions and others (15.10 percent), and Coway (1.69 percent). The total number of shares issued by Coway is 73,799,619 shares, which consist of 100% common shares without preferred shares.

Coway follows the principle of 1 voting per share and does not have a differential voting system that grants multiple voting rights to specific stocks. However, voting rights of treasury stocks held as treasury stocks are limited by commercial law. As of the end of December 2021, 72,555,625 shares (98.31% of the total issued shares) had voting rights. Coway does not utilize the written or electronic voting system. Instead, we encourage shareholders who have difficulty in exercising their voting rights to exercise such rights by proxy. Also, we do not use cumulative voting in accordance with the articles of association, but we plan to consider implementing it when necessary in the future.

Shareholder Status



Voting Rights

(Reference date: 2021.12.31)

Category	Number of stocks (Unit: share)	Rate (Unit: %)	Note
Preferred shares	0	0	Without voting rights
Common shares - voting stock	72,555,625	98.31	With voting rights
Common shares - treasury stock	1,243,994	1.69	Without voting rights
Total	73,799,619	100	-

Ethical Management

Ethical Management System

3C Ethical Management

Coway pursues ethical management based on 3C(Code of Conduct, Compliance Check Organization, Consensus by Ethics Education). In a bid to raise ethical awareness, we have formed a compliance supervisory body, including the compliance headquarters and ethical management office, based on the code of corporate ethics to avoid ethical risks. We also provide employees and suppliers with ethical education on a regular basis.



Code of Conduct

For ethical management practice, we added the standards for ethical conduct and value judgment of internal and external stakeholders to the Code of Conduct, which consists of the Charter of Ethics, the Regulations of Ethics, and the Code of Ethics and urges stakeholders to give ethical value a top priority and make it second nature. In 2021, we published the Code of Conduct in English, laying the foundation for the dissemination of ethical management along with our business on the global stage.

[The Charter of Ethics ↗](#) [The Regulations of Ethics ↗](#) [The Code of Ethics ↗](#)

Strengthening of Ethical Management

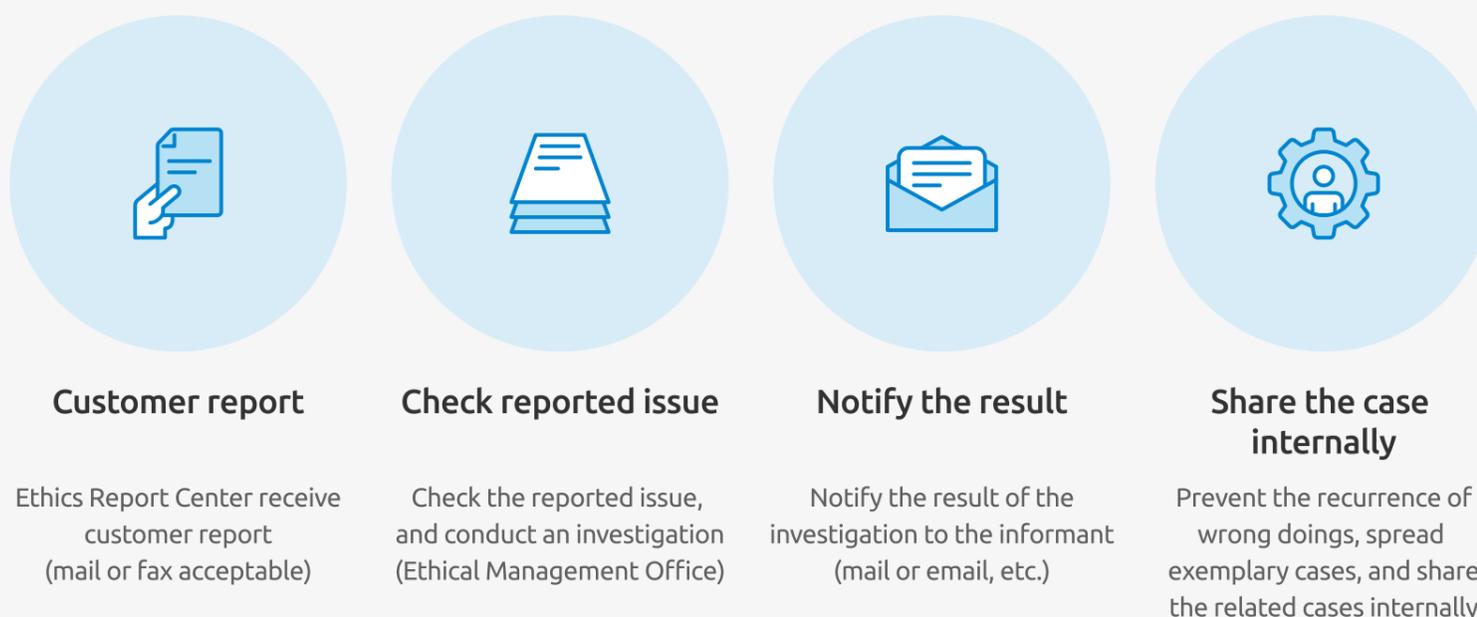
Coway is acutely aware of the importance of responsible ethical practices, and we consequently emphasize ethical management. In 2021, we secured the soundness of business processes by spreading ethical management firmwide to build a virtuous cycle system. We hold an ethical management committee meeting monthly to come up with practical measures for improvement through prompt decision making. We also proactively monitor irregular business activities and analyze causes to improve our business culture, system, and processes. In 2021, we identified 23 issues to be addressed and conducted a survey of newly identified possible irregular activities, ushering in the establishment of voluntary ethical business practice in the field.

Compliance Check and Monitoring

Ethics Reporting Process

We operate a reporting channel on ethical management to receive reports on complaints regarding products, services, business activities and corruption cases related to employees and suppliers. In 2021, we divided the reporting channels into one for customers' complaints on products, services, and sales; and one for corruption involving employees and suppliers. All the complaints and reports accepted through the channels are handled promptly and equitably and the identity of informants and details of the reports are guaranteed to be confidential. In addition, we have prepared guidelines for protecting and rewarding whistleblowers in order to encourage reporting.

[Ethics Reporting Center](#) ↗



Report on Corruption Related to Employees/Suppliers

Category	Unit	2021 ¹⁾
Bribery/Illicit service	case	0
Information leak		1
Unfair transaction		2
Embezzlement/Misuse		0
Bullying/Sexual harassment		1
Other illicit misconduct		3
Total		7

1) Data collected after the separation of the reporting channels in 2021, including all reports from global businesses. 100% action completed on the reported case.

Customer Complaints on Products/Services/Sales

Category	Unit	2021 ¹⁾
Product/Service	case	17
Delay/Unfriendliness		37
Unsatisfactory response/Insufficient information		11
Anomalous sales		40
Total		105

1) Except for anomalous operations, the rest of the data is aggregated after the separation of the customer complaint reporting channel in 2021, and includes all global reports and actions.

Ethics Diagnostic Assessment and Monitoring

Coway conducts diagnostic assessments on a regular basis and when necessary to ensure corporate transparency and robustness while avoiding ethical risks. We also operate a monitoring system on a regular basis to announce the soundness of the sales system and risks occurred, thereby preventing illegal sales activities.

Ethical diagnosis	Description
Diagnostic assessment of work	Continuous regular/frequent/implementation diagnosis - Improving work through diagnosis and enhancing the effectiveness of internal control
Periodic monitoring	Periodic monitoring of irregular and illegal sales activities 1. Identify signs of abnormalities through filtering of all orders received 2. Detect potential risks of abnormal sales activities through periodic monitoring after product installation

Anti-corruption Diagnosis and Actions

In an effort to avoid ethical risks, we conduct anti-corruption diagnostic assessments in all workplaces including global businesses and take appropriate action based on the results. In 2021, we dealt with a total of 11 violations.

Category	Unit	2018	2019	2020	2021
Percentage of workplaces that finished corruption diagnosis	%	100	100	100	100
Actions for violation of the code of conduct ¹⁾	case	4	5	9	11

1) Number of cases of Personnel Committee actual disciplinary actions

Case Winner of Anti-corruption Award at BIS Summit 2021

Coway won the Anti-corruption Award at the Business Integrity Society (BIS) Summit 2021 in recognition of its commitment to sustainable management. The BIS was launched jointly by the UN Global Compact Network Korea and the Korea Sustainability Investing Forum (KoSIF) to promote corporate transparency and create a fair market environment. The winner of the Anti-corruption Award is chosen from among the listed companies based on their ESG performance, anti-corruption risks, ESG assessment by the Korea Corporate Governance Service (KCGS), and UNGC membership. Coway won the award by receiving favorable evaluations in corporate transparency and aggressive ESG integration. We also signed the pledge to shape a transparent society and contribute to creating an anti-corruption environment by sharpening ESG-based corporate competitiveness in line with the BIS's commitment to creating a corruption-free corporate environment.

Ethics Education

Employee Ethics Education

In an effort to create a “Clean Coway” culture, we are providing firmwide ethical management education on a regular basis with the aim of raising employees’ awareness of ethical compliance and encouraging their participation in ethical practices. In 2021, we strived to improve corporate soundness and prevent potential risks by focusing more on online and offline training. In particular, we consistently provide ethical education targeting new hires, seasoned new employees, newly appointed team leaders, and newly appointed department heads.

Status of Employee Participation in Ethical Management Training

Category	Unit	2018	2019	2020	2021
Ethical management training participants ¹⁾	person	4,245	196	5,944	438
Ethical management training participation rate ²⁾	%	89	100	90	100

1) The number of participants in ethical education in 2021 decreased as the firmwide ethical management education is given biennially.

2) Participation rate of required training recipients by year. (Required candidates for 2021: New/experienced employees, new team leader/head of the office)

Risk Management

Risk Management System

Coway operates a company-wide risk management system by classifying risks that may arise from business activities into financial and non-financial risks, and is supervised by the relevant BOD committees and business divisions according to their types and materiality.

The financial risks related to market, credit, and liquidity are monitored by the Finance Committee, while non-financial risks are supervised by the Infinite Responsibility Committee and the ESG Committee, respectively. The financial and non-financial risk management organizations are responsible for monitoring and identifying risks on a regular basis, operating a risk monitoring system designed to analyze the impact of each risk factor, and reporting the results to the Management Committee. Then, Coway takes firmwide actions by taking into consideration the impact and urgency of each risk.

Financial Risk Management

The unpredictability of the financial markets is important for financial risk management. We seek to identify, assess, and avoid financial risks and eliminate the risk factors that potentially have negative impacts on our financial achievements. Financial risks consist of market risks, credit risks, liquidity risks, and capital risks.

Market risk

Board of Directors review interest rates on a regular basis to maintain balance between fixed and variable rate loans. Also, they assess, oversee, and report on risks associated with currency fluctuations.

Credit risk

We do business exclusively with banks and financial institutions that have at least an A credit rating granted by independent credit-rating institutions. For the clients without independent credit ratings, we set risk limits by considering diverse factors, such as their financial status and financial history, among others, and thereby assessing their credit.

Liquidity risk

We monitor liquidity forecasts on a regular basis to ensure that there are no violations regarding loan limits or agreements, to maintain loan limits at appropriate levels and meet the demand for business funds.

Capital risk

We maintain the best possible capital structures to consistently provide profits to shareholders and stakeholders and reduce capital costs.

Non-financial Risk Management

Coway launched the ESG Committee under the BOD to manage and supervise ESG risks related to ethics, environment, labor, human rights, and supply chain, etc. We also formed an ESG Council and ESG Working Group under the ESG Committee to monitor non-financial risks in each area and report important risks to the ESG Committee on a regular basis. For product quality and safety, we operate the Infinite Responsibility Committee under direct control of the CEO to discuss issues related to product quality and safety.

Emerging Risks Management

We monitor and analyze risks that can potentially affect our business environment significantly from mid- to long-term perspectives, to take appropriate actions strategically and preemptively. In 2021, we identified the emerging risks as "Climate change and increased environmental regulations" and "Changes in consumption patterns of environmental home appliances."

Emerging risks	Risk context and impacts on business	Approach to risks
Climate change and increased environmental regulations (Environmental)	<p>As risks caused by climate change pose serious threats to the world, socially and environmentally, many nations are taking tougher measures to address climate change and regulate global warming.</p> <p>Korea enacted the Framework Act on Carbon Neutrality and Green Growth in 2021, setting the national goal, "Carbon Neutrality by 2050". Korea is the 14th nation to legislate its vision for carbon neutrality by 2050. It made a public pledge to cut greenhouse gas emissions by 40 percent by 2030 compared to 2018 as a mid- to long-term goal.</p> <p>The achievement of the Nationally Determined Contribution (NDC) requires determined efforts to reduce greenhouse gas emissions by businesses and industries. Businesses should make consistent investment for greenhouse gas emissions reduction not only in their own realm of business activities, but also in the supply chain and the external realm it has impacts on.</p> <p>As the greenhouse gases we generate are indirect greenhouse gases (scope 2) emitted mostly from electricity, we can mitigate related risks by actively investing in energy efficiency and transition to renewable energy.</p>	<p>Coway undertakes diverse activities to fulfill the goal it set in 2021 to cut greenhouse gas emissions. We formulated a new roadmap for the phased reduction of greenhouse gas emissions by 2030 and 2040, respectively, to achieve carbon neutrality by 2050.</p> <p>Although we do not produce a large amount of absolute greenhouse gas emissions and we are not subject to direct government regulation, we continue to carry out diverse activities to reduce greenhouse gas emissions in the entire process from production to use and disposal.</p> <p>Resource Efficiency ↗</p> <p>In addition, we are expanding investments in renewable energy, especially solar energy, and offset 1,625tCO₂e of greenhouse gas emissions every year with solar power generation by 2025.</p> <p>Renewable Energy Investment Plan ↗</p>

Changes in consumption patterns of environmental home appliances (Economic/Social)

As the e-Commerce market is growing, consumers enjoy more choices than before when purchasing wellness and health-related home appliances. According to the National Statistical Office, online sales of home appliances, electronic equipment, and communication devices reached KRW 21.8 trillion, which was up KRW 3.73 trillion from the previous year. Online shopping is also steadily on the rise. Overseas online sales of home appliances, electronic equipment, and communication devices amounted to KRW 363 billion. The growth of the online market may pose a risk to our business, which provides rental service in person or by visiting customers.

Moreover, MZ generation is becoming an emerging consumer group, and their consumption patterns are taken seriously and analyzed in the wellness and health-related home appliances market.

Millennials and zoomers make purchasing decisions based on the vast information they have access to and their own value systems, and show great interest in the environmental and social impact and meanings of products, brands, and companies.

In this respect, we need to respect the diversity of individual users and deliver the products that evolve into green products with the lowest environmental impact as possible in order to mitigate risks resulting from changes in consumers' needs and demands.

Coway is expanding its online and contactless services to provide new customer experiences. We deal with any problems promptly online, maximizing customer retention and attracting new customers. Especially, our Real-time coordinator matching service and AR smart catalog provide peerless customer experience based on digital platform services.

We are consistently expanding our online business in order to create new opportunities by leveraging e-Commerce. We will continue to evolve in order to create customer value by providing rental services and, at the same time, seek new value by going online strategically.

Digital Innovation ↗

In 2021, we made diverse efforts to meet the demands of MZ generation as a major customer group, and increase the social and environmental value of our products. We choose green designs and packaging to reduce environmental impact by developing green technology for value innovation.

Coway will continue to innovate to create customer value, and at the same time, we plan to explore new values through strategic online expansion.

Customized Products ↗

Product and Service Innovation

Business relevance & Approach

As rapid digital transformation and the continued spread of COVID-19 have affected people's daily lives in many aspects, maintaining competitiveness in technology-driven innovation in the home appliances sector is now more important than ever before. Also, contactless activities in everyday life have become the new normal and people are increasingly spending more time at home, which has prompted increased demand and expectations of the products and services that appeal to human emotions. Since we launched the loCare service, a marriage of AI and IoT technology, we have continued innovating our technology-based products and services to meet the needs of our customers.

Since we opened the Digital Transformation (DX) Center in 2021, we have introduced smart products based on AI and IoT as a leader of digital innovation. Possessing a solid customer base, we analyze big data to promptly provide customized services to meet customer needs and develop more competitive technologies and products by building an open innovation network with other institutions. We will continue to buckle down to develop products and services incorporating cutting-edge technology and pursue IT innovation in all directions for the improvement of quality of life, supported by our unrivaled technology.

Activity

- Develop customized products and services
- Sharpen competitive edge in smart home service through digital transformation
- Build an open innovation network

Performance 2021

R&D expenditure KRW **48,337** million
(up 15.2% YoY, 1.32% of sales)
6,526 patents and intellectual property rights obtained

Business Cases

- Research on promising technology through academia-industry partnerships
- Water-quality certification system
- Obtain AI+ certification for water purifier, air purifier, and bidet

Customized Products

We make every effort to ensure our customers have the utmost comfort in their lives from their perspectives by providing the products and services they need by constantly upgrading our R&D capacity. The Noble Water Purifier series, which we launched in 2021, is designed for customers to choose the product that best suits their lifestyle and space availability. Also, our Double Care/Double Care Plus Bidets represent innovation in hygiene and "Care." In line with our vision of "Best Life Solution Company," we work hard to provide customers with innovative products and unrivaled services to improve their quality of life.

Case Custom-made Home Appliance, Noble Water Purifier Series

The Noble Water Purifier series, launched in 2021, is a custom-made home appliance that provides customers with a wide range of options, allowing them to choose the design, color, management methods, and even type of filter to suit their kitchen design and preference. As people spend more time at home, wellness-related home appliances have been launched to satisfy their tastes like interior designs. In addition, hygiene is innovated through UV LED care, UV faucet-based 99.9% sterilization function, and the automatic regular sterilization function of the internal water pipe.

All models of the Noble Water Purifier series are IoT devices featuring Wi-Fi, and the Noble Water Purifier series is the first of its kind to obtain AI+ certification. In addition, it is equipped with nano trap technology that filters 93 pollutants, including viruses, bacteria, and environmental hormones. It won the Grand Gold Award, the highest grade, at the Water Taste Quality (WTQ) Awards presented by the Korea International Sommelier Association.



Case Double Care/Double Care Plus Bidets

Coway launched its "Double Care/Double Care Plus Bidets," targeting the high-end market. The Double Care Bidet series boasts peerless sterilization and cleaning technology, setting a new standard for bidet hygiene. Also, its smart bidet toilet seat with a sensor that detects the user providing hands-free operation represents the emotional appeal, not to mention convenience, of the innovative technology in the personal hygiene sector.

Technological Innovation

The innovative i-Wave system allows users to set the flush duration, range, and even water pressure as they like. Moreover, the power-saving mode is automatically turned on when the bidet is not in use for a long period of time.

Hygiene Innovation

The 360-degree bubble whirlwind sterilization and cleaning system cleans every corner of the bidet perfectly with electrolyzed water and bubbles, which makes our product 125 percent more effective than other products. In addition, we introduced an anti-bacterial toilet seat that kills 99 percent of bacteria, which allows customers to use the bidet safely without worrying about hygiene risks.

Care Innovation

The AI-loaded loCare system allows users to readily check the remaining life of the filter or bubble cartridge and run diagnostics for trouble shooting. In addition, its soft-close toilet seat creates almost no noise. It is waterproof and equipped with a child mode.

Digital Innovation

Smart Home Competitiveness

As digital technology is applied to all aspects of life these days, business and digital transformation is rapidly taking over all industrial sectors; and smart home technology incorporating cutting-edge technology, such as IoT and AI, has risen as a competitive weapon. At Coway, we are responding proactively to changes in the market through digital innovation centered on our flagship products.

We continue introducing IT-smart products that incorporate IT. Our water purifiers and air purifiers feature diverse functions and options for customers to choose from to suit their lifestyles. The Smart Car Air Mattress, which is slated to hit the market in 2022, automatically adjust the hardness of the mattress to suit the user's body type and sleeping posture, providing the best possible sleep environment. We are thus introducing the best possible smart home systems so that our products merge into individual lifestyles rather than simply becoming a part of life.

IoT and AI Technology Integration

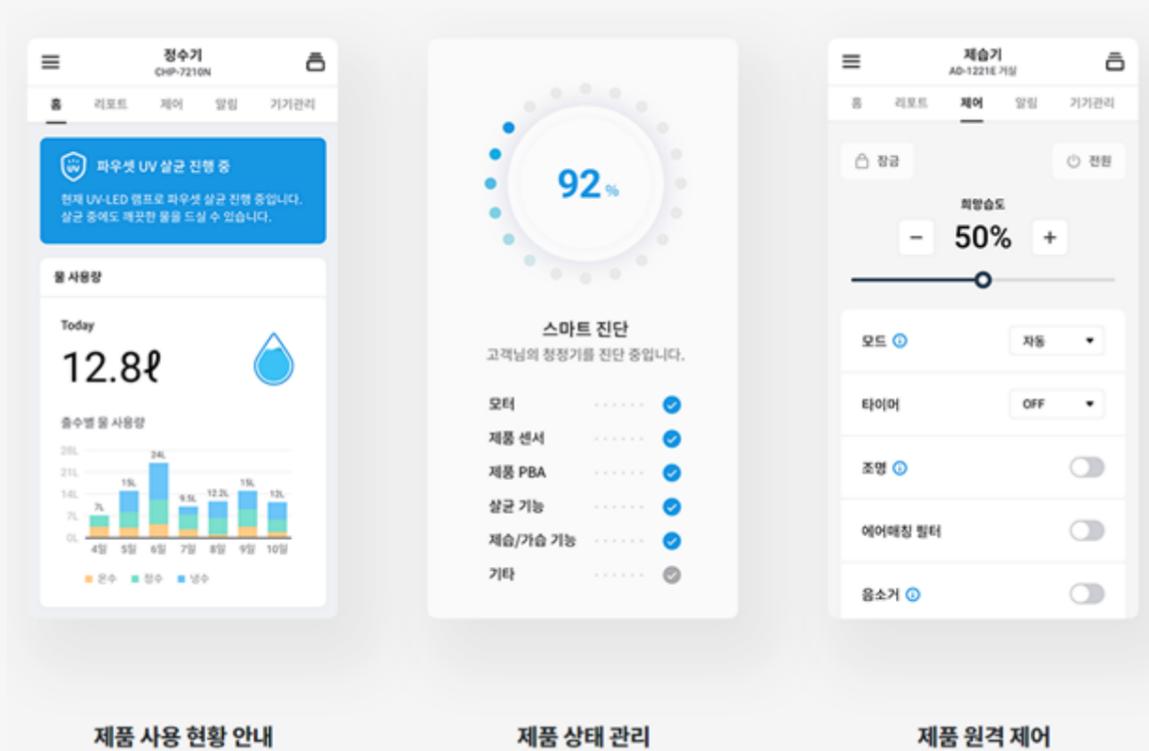
Smart Diagnosis and Smart Filter Sensing System

Coway has introduced Smart Diagnosis and Smart Filter Sensing systems using cutting-edge technologies, such as IoT and AI, for customer convenience. The Noble Water Purifier series, which was launched in October 2021, is equipped with Smart Diagnosis, an AI-based feature that allows the product to manage itself, and users to identify the product status and problems instantly.

The problems thus detected by Smart Diagnosis are delivered to the server, prompting remote diagnosis and troubleshooting. With the Smart Filter Sensing system, the product can manage itself. In other words, AI allows the product to manage everything related to the filter, monitoring the filter to notify when to replace it with a new one and cleaning the filter by itself.

IoCare Remote Control

"IoCare (Internet of Care)" is a cutting-edge service designed to identify the needs of individual customers and provide solutions to them in diverse contexts. We recently introduced the IoCare remote control service so that customers can take control of the product anywhere. For instance, the Silver Care service is set to contact a designated person when the water purifier is not used for 48 hours, a feature that appeals to those who have elderly parents. We will continue developing IoT technology-based customized services to make life as convenient as possible for our customers.



Development Process of Innovative Technology

With IT including IoT and AI evolving and the subscription economy growing, the global home appliances market is rapidly changing to meet customers' needs. As a leader in the rental business in the wellness and health-related home appliances sector, we continue developing innovative technology to keep up with market trends.

Every year we participate in CES, the world's largest consumer electronics and IT show, to introduce our peerless smart products and services to the world. At 2022 CES, we showcased the Smart Care Air Mattress, a marriage of a health-related home appliance and "Sleep Care." It is an innovative product that automatically sets the optimum hardness according to the user's body type and sleeping posture. We announced to the world our determination to create an IT-based mattress customized to each individual. As our technological prowess is being widely recognized in the global market, we will expand the presence of K-rental in the global market through smart home implementation.



R&D Capacity

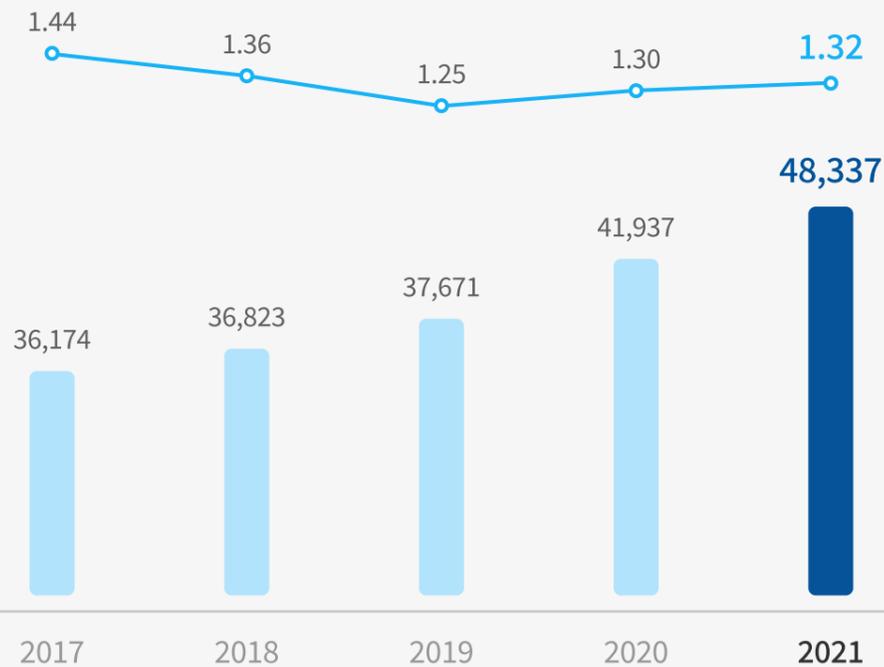
R&D Investment and Outcomes

Coway consistently invests in R&D to fulfill its responsibilities as an expert leader in Korea's health and wellness-related home appliances sector. In 2021, we entered the international market with a solid foothold in the local market to introduce the products that we developed strategically to meet the needs of customers around the world. As a result of the launch of customized products with regional cultures and living environments in mind, we could achieve record-breaking sales in overseas markets. We have also developed innovative products that lead the market in response to the global ESG trends in the consumer sector reflecting the ever-changing living environments and consumption trends, laying the foundation for sustainable growth as well as product-quality improvement through technology and product integration. In addition, we have actively worked together with others through OEMs, ODMs. We will continue pushing our limits farther to open markets for new products while sharpening our technological prowess and expanding our presence on the global stage in the years ahead.

R&D Investment and Performance

■ R&D Expenditure (Unit: KRW 1 million)

○ Ratio to Sales (Unit: %)



* R&D Expenditure: This is the sum of the ordinary R&D expenditure of the selling, general, and administrative expenses on the consolidated income statement and the R&D cost on the manufacturing cost statement and includes the labor costs.

Top 3 R&D Achievements in 2021

Sharpening of competitive edge through strategic technological partnerships internally and externally

■ Noble Induction Freedom

We joined hands with E.G.O., a Germany-based home appliances supplier with top-notch technology, and launched the 100-percent all-free electric range "Noble Induction Freedom." We continue working in partnership with the world's leading home appliances suppliers for strategic technological cooperation to sharpen our competitive edge, and develop new products in the health and wellness-related home appliances sector.

Premium new form factor (design)

■ Noble Water Purifier and Noble Air Purifier series

We applied the premium new form factor to our flagship products, water purifier and air purifier, for innovative designs. The compact-size "hidden moving faucet" of the Noble Water Purifier series is highly space-efficient and hygienic. Also, the Noble Air Purifier series is equipped with the "all-in-one foldable filter" to facilitate filter replacement, shipping, and storage.

Smart Diagnosis and self-management for 3 major product lines

■ Noble Water Purifier and Air Purifier series/Lulu Double Care Bidet series as the first to obtain AI+ certification

Coway's three flagship products, including the water purifier, air purifier, and bidet series, are equipped with Wi-Fi. As IoT devices, these smart products are capable of managing themselves and adjusting themselves to the customer's lifestyle automatically thank to AI embedded in them. All three products have obtained AI+ certification, which is given to high-quality and reliable AI products.

Patents and Intellectual Property Rights

(Unit: case)

Category	2018	2019	2020	2021
Patents	930	1,107	1,147	1,946
Utility models	17	10	3	33
Trademarks	2,841	3,124	3,283	3,601
Design	668	785	841	946
Total	4,456	5,026	5,274	6,526

Open Innovation

Coway is collaborating with outside partners for product competitiveness and technological development. In 2021, we consistently worked with suppliers of household appliances, such as electric ranges and massage chairs, and saw steady sales growth. We will continue building an open innovation network with outside partners to develop innovative products and technologies and obtain accredited certifications in 2022.

1. Academia-industry Partnership with KAIST for the Development of Game-changing Products and Technologies

Coway is working in partnership with KAIST to develop innovative products and technologies for the future. Last year, we jointly conducted research on the effects of the next-generation wellness and health-related household appliances in the making and concluded that the products improve cognitive ability. We will continue carrying out our research activities jointly with academic institutions to lead the market with new services and products.

2. Water Taste Quality Certification System

Coway developed evaluation indicators jointly with the Korea International Sommelier Association in a bid to objectively and fairly assess the taste of water produced by our water purifier products. As of 2021, a total of 57 products (35 RO water purifiers and 22 NT water purifiers), including the Noble Water Purifier series, Icon Stand Water Purifiers, and Prime Water Purifiers, obtained the WTQ certification. We will continue conducting research to provide clean and tasty water and get all of our water purifier models certified.

Product Responsibility

Product Responsibility Governance

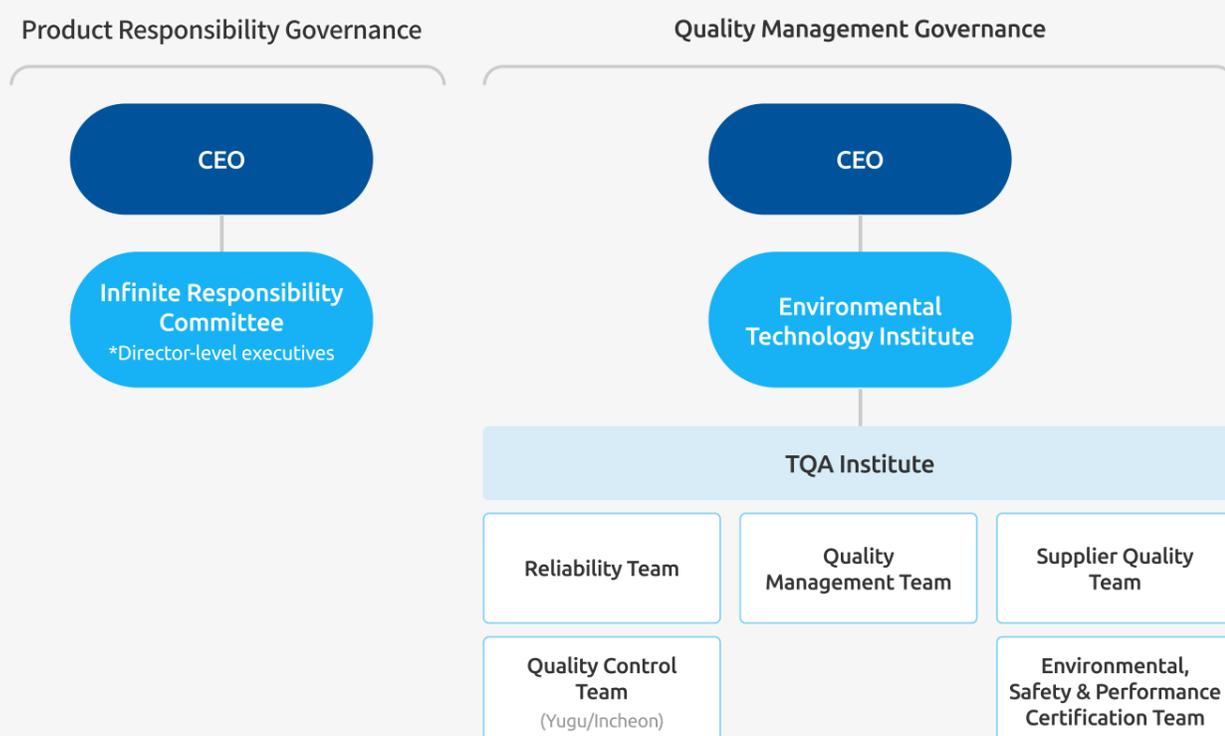
Coway operates the Infinite Responsibility Committee, a consultative body directly under the CEO, and holds a firmwide monthly management meeting led by the CEO for responsible quality-control and management. We also run the Trust & Quality Assurance (TQA) Institute, an integrated quality-assurance body, to manage product quality systematically and efficiently.

Infinite Responsibility Committee

The Infinite Responsibility Committee is responsible for comprehensively reviewing product-quality, safety and customer demands for taking proactive action to resolve problems and provide customers with better products. Consisting of executives, the Infinite Responsibility Committee is under the direct control of the CEO. Members gather together to share agendas to address problems at the company-level process and ultimately enhance customer trust.

TQA(Trust & Quality Assurance) Institute

We operate the TQA(Trust & Quality Assurance) Institute, a quality innovation initiative, to enhance customer trust and customer satisfaction with product quality. Affiliated with the Environmental Technology Institute, the TQA Institute carries out diverse activities for quality management for each sector and proactively responds to potential quality issues. We will do our best to maintain the highest quality by systematically managing product quality through the TQA Institute.



Quality Management System

Coway has formulated the quality management principles in a bid to upgrade product safety and performance. From the R&D stage to product-use to disposal, we conduct an assessment of each step of the process in terms of reliability, safety, and environmental friendliness.

Quality Management Program

Coway runs a wide range of quality-management programs in an effort to ensure quality products and services. The daily quality-check program, for instance, analyzes after-sales service-related data daily to promptly handle any customers' complaints related to product quality. The QS7 program is designed to solve quality-related problems within seven days. The Quality Expert Committee, which consists of experts in quality management, conducts rigorous quality assurance from the customer's perspective at the product development stage.

Program	Description
Daily Quality Control Net	We operate an analysis center designed to analyze important quality-related data, including customer service, product returns, and monitor the results daily to take action to improve quality promptly and properly.
QS7(Quality 7 Days)	When a quality issue occurs, we form an 'Emergency TFT' to address the issue and improve customer satisfaction.
Quality VOC Council	We have integrated quality VOC channels to promptly solve problems via relevant departments and meetings regularly.
Responsibility System for the Worst	We select defective products by product group and take measures to solve the problems by forming a TFT for each problem.
Quality-improvement system	We monitor the problem-solving process via a computerized system and keep working on quality improvement by collecting failure data.
Quality Expert Committee	Experts in diverse areas including design, production, service, and customer, conduct quality assurance from the customer's perspective at the product development stage in order to upgrade product quality.

Quality and Capacity Building

Coway provides a wide range of training programs for quality management capacity-building to quality-related employees by suppliers. In 2021, employees of 46 suppliers completed the training.

Quality-control Capacity Building Training in 2021

Program	Eligibility	Duration	Employees in training (Unit: person)
Production big data analyst training (Off-line)	Employees relevant to production/quality	Three times a year	23
Reliability-related capacity building (Online)	Employees relevant to reliability/quality	Five times a year	164
Quality-control workforce building for suppliers (Online)	Employees relevant to quality control with suppliers (46 suppliers)	Once a year	69

Quality Management Certification

We employ rigorous quality-control measures based on ISO9001, a global standard certification. We will do our best to provide customers with the best possible products and, at the same time, conduct research to minimize negative environmental impacts.

Certification types	Certification standards	Eligibility for certification (Certification realm)	Certification rate (Unit: %)
External certificate	ISO9001	Yugu/Incheon/Pocheon Factories, R&D center, Seoul office	100

Case The 9th Selection of a Company with Excellent Quality Competitiveness at the 2021 Korea National Quality Award(KNQA)

Coway was chosen as the 9th business for quality competitiveness at the 47th Korea National Quality Award(KNQA), which was hosted by the Ministry of Trade, Industry and Energy and organized by the Korea Standards Association in recognition of its consistent efforts to improve quality and customer satisfaction, and achieve outstanding business performance to contribute to sharpening Korea's industrial competitive edge.

Our Trust & Quality Institute, an integrated quality-assurance body affiliated with the Environmental Technology Institute, runs a systematic quality innovation system. It conducts assurance testing in reliability, safety, and environment areas throughout the entire process — from product planning to design, production, and service — to discover potential issues and take preemptive action, which eventually earned us the prize. Also, we boast a top-notch test equipment infrastructure, and operate a product safety-related certification testing lab to promptly respond to local and international trends in safety and certification on control. We also received favorable responses as we operate the Infinite Responsibility Committee under direct control of the CEO and the firmwide quality-management body.

Quality and Safety Management

Integrated Certification System

Coway created a Cross Functional Team (CFT) for firmwide, integrated certification with the aim of managing product safety and performance consistently. With the CFT serving as the leader, we developed a firmwide certification management standard tool to lay the foundation for a certification performance management system in the product-development area. We also conduct regular assurance testing and performance-monitoring of our products to ensure reliability in their safety and performance.

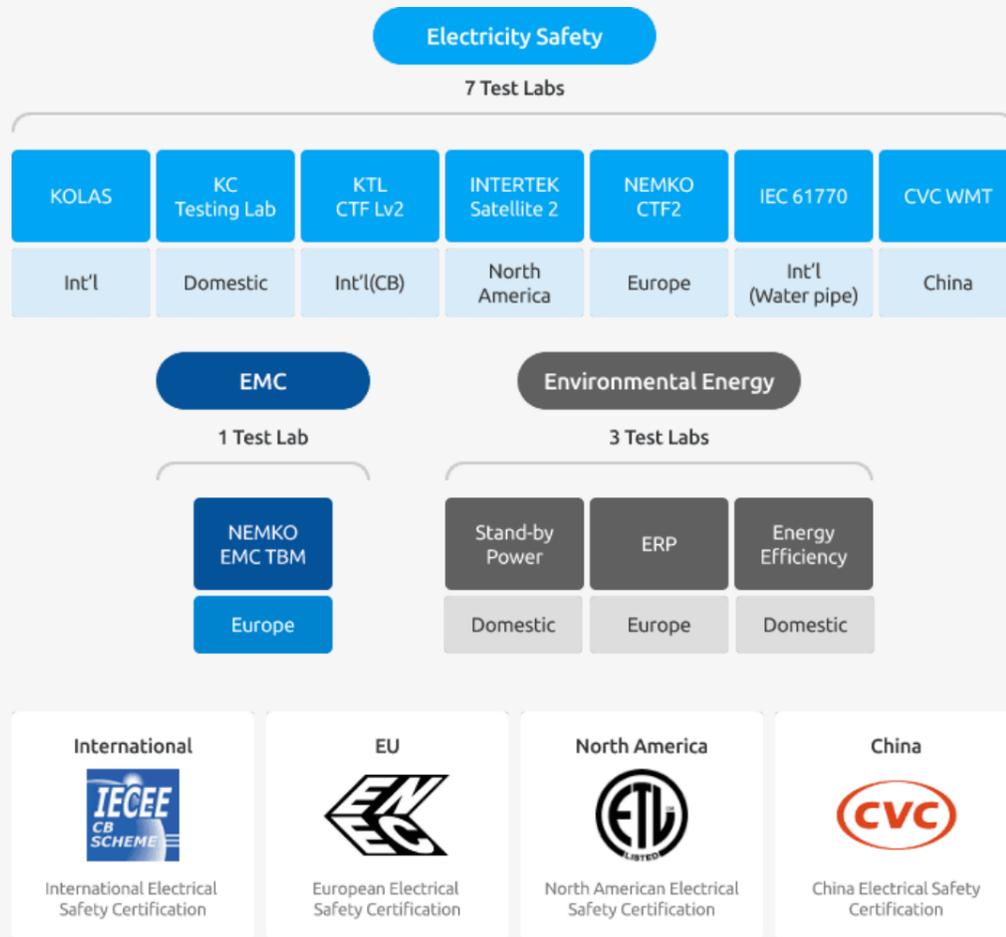
As it is deemed necessary to create an integrated control department in charge of upgrading the certification system and managing the entire certification management process, we reformed the certification management system by organizing the CFT for firmwide integrated certification from Dec. 2020 to Aug. 2021. We consistently upgrade the certification management system by addressing risks in real time through the computerized integrated control system that is kept up to date.



Internationally Accredited Testing Labs and Certifications

Coway operates 11 internationally accredited testing labs to promptly respond to rapidly changing safety trends at home and abroad and certification control. We categorize the testing labs into three areas — electrical safety; electromagnetic compatibility (EMC); and environment & energy — to ensure professionalism and product safety.

International Accredited Test Center Operation



Number of International Accredited Testing Labs' Certified Products

(Unit: product)

Category	2021
Electricity	386
Electromagnetic waves (EMC)	188
Environment/Energy	155

Safety Verification System

Coway strives to produce items that customers can use with trust through its own strict management system. We conduct rigorous tests to ensure that our products are designed for safety — safe from electricity and electromagnetic waves, and use suitable parts — so, there are no problems with mass-produced products before they hit the market.

Verification system	Description
Preliminary safety design assurance	<ul style="list-style-type: none"> • Verification of the sufficient usability and safety since the development of the product in question • Introduction of Coway's own safety test standards more rigid than the standard criteria
Electrical and electromagnetic safety assurance of the developed products	<ul style="list-style-type: none"> • Verification of the products' fulfillment of the safety standard criteria at home and abroad (utilize Coway's internationally accredited testing labs) • Cross-verification through externally accredited testing organizations
Verification of parts validity	<ul style="list-style-type: none"> • Verification of the safety (certification) of parts used in the products
Verification of mass-produced products	<ul style="list-style-type: none"> • Periodic sampling of mass-produced products and re-verification through Coway's testing labs • Review of the product safety management system of each plant and operation of the improvement process

Safety Verification for the Risk-zero Safety of Mass-produced Products

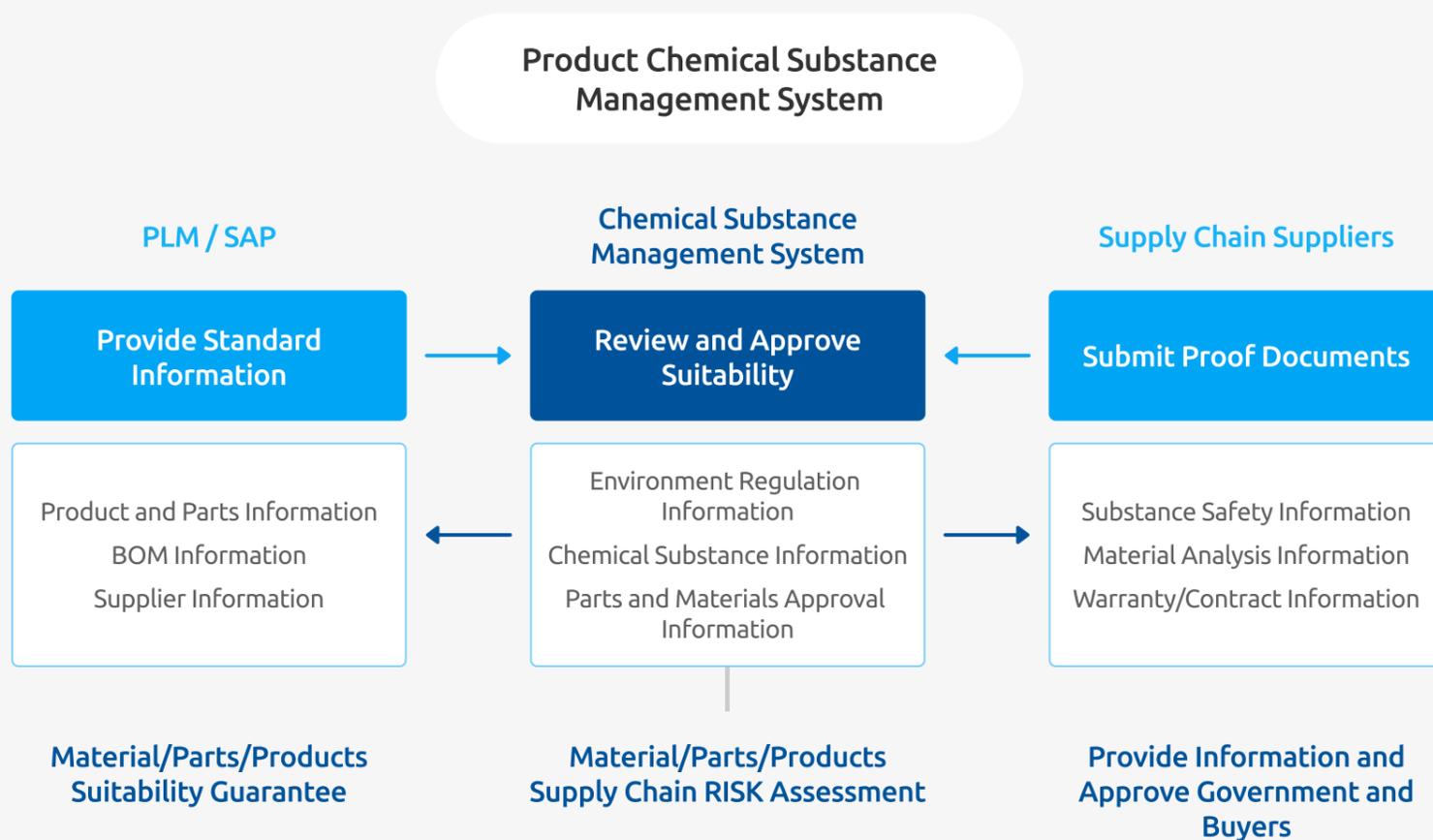
Coway thoroughly inspects the safety of its mass-produced products, aiming to achieve risk-zero safety. Compared to the safety verification conducted on a total of 90 models in 2020, in 2021, we conducted verification on a total of 105 models, including 80 domestic models and 25 overseas models.

Classification	Target	Progress	No. of tests conducted
Domestic	80 models	100%	812 cases
Overseas	25 models		
Total	105 models		

Chemical Management

Chemical Management System

We have adopted a strict policy of managing chemical materials in our products by developing a systematic chemical management system based on the environmental management system in order to avoid related risks. We created a global chemical-control monitoring system, developed a chemical management system and information technology, and built a chemical management system in the mass-production process for zero-chemical pollution. We also respond proactively to chemical-related regulations such as EU RoHS II. In 2021, we established a mattress chemical management system, strengthened the verification of hazardous/chemical substances, and established and verified the European biocide management system. We comply with chemical-related laws at home and abroad to ensure the safety of all household appliances.



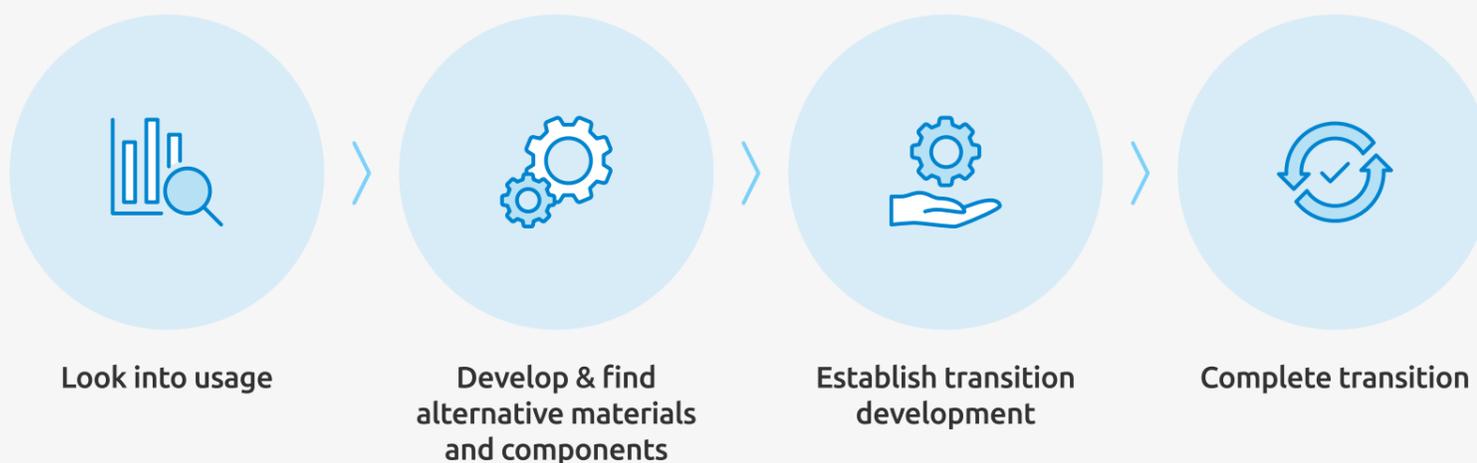
- Currently, products manufactured by Coway comply with chemical management standards and regulations under the “Coway Chemicals Management Guidelines.”
- Substances regulated by the “Coway Chemicals Management Guidelines” are Class I (Prohibited Substances), Class II (Restricted Substances), and Class III (Coway Voluntary Use Prohibited Substances), which apply to all processes of Coway product development and production.

Efforts for Zero-chemical Risks

Year	Management plan
2018	<ul style="list-style-type: none"> In accordance with the strengthening of laws and regulations by country and the expansion of the scope of management, the scope of laws and regulations has been expanded from electrical and electronic products to food and hygiene safety.
2019	<ul style="list-style-type: none"> Strengthen the ability to respond to pre-regulation by establishing a system for monitoring the pre-regulation of chemical substances Proactive response and verification of RoHS II regulation for all products and parts
2020	<ul style="list-style-type: none"> Segmentation of the chemical substance management system and improvement and tightening of the integrated management system Establishment of a domestic biocide management system and verification
2021	<ul style="list-style-type: none"> Digital management system for mattress chemicals and extension of management standards for tougher control Upgrading of the monitoring system for the control of harmful and chemical substances and assurance capacity building Establishment and assurance of European biocide management system

PVC & BFR FREE

Coway is drawing up a plan to voluntarily reduce the use of potentially hazardous substances, such as polyvinyl chloride (PVC) and brominated flame retardants. PVC generates toxic substances and environmental hormones in the process of product use and disposal and has detrimental effects on humans and the natural environment. BFR is known to potentially cause cancer or genetic modification when it enters the human body. Coway plans to make all of its air-purifier products free from PVC and BFR, and minimize the use of potentially harmful substances through consistent monitoring and analysis.



Voluntary Implementation of the Safety Management Agreement

After the humidifier sterilizer scandal and issues related to harmful chemical substances in various household chemical products caused growing concern over the safety of everyday chemical products in the nation, the Ministry of the Environment came up with measures for the safety and management of household chemical products. The Ministry encourages businesses to sign the voluntary agreement for the safe management of household chemical products as part of corporate social responsibility. Since its signing of the second-phase agreement in 2019, as the first company to do so in the wellness-related home appliances industry, Coway continues complying with the agreement as of 2022. By disclosing all ingredients of the products, assessing the safety of each raw material, and striving to reduce the use of hazardous raw materials, we are committed to fulfilling our corporate social responsibility in relation to the safe management of household chemical products and promoting national safety and health.



Case Coway's Air Purifier Filter Named as Outstanding Product for Chemical Reduction

One of Coway's air purifier filters was recognized as an excellent product for chemical reduction at the pilot program the Ministry of Environment and the Green Consumer Network in Korea initiated to promote the reduction of chemical materials in household chemical materials. Started in 2021 as a part of the voluntary agreement for the safety and management of household chemical products pushed by the governments, businesses, and civic groups, the program is designed to urge manufacturers to reduce the use of chemical materials for their products. A "product with fewer chemical substances" refers to a household product that meets the strict criteria for products regarding the harmfulness of materials, or contains less-hazardous materials in replacement of harmful chemical materials.

Coway's air purifier filter was the only product to be named as a "product with fewer chemical substances" in the industry in recognition of our contribution to reducing the use of harmful substances by disclosing all ingredients included in the products in accordance with the voluntary agreement. As a leader in household appliances related to health and wellness, we will continue striving to upgrade the safety and hygiene of our products by fulfilling our responsibilities for consumer safety.

Environmental Management

Environmental Management Policy

Coway's environmental management starts with the vision of "Best Life Solution Company" and the mission of "Creating a healthy and convenient living environment through our innovation". Based on this, Coway is working hard to make the environment healthy and convenient through our products and services. We recognize that making the environment healthy and people happy in the business is a core value of environmental management, and we are actively fulfilling it.

In order to minimize negative environmental impacts throughout the entire business process, we have set the missions, visions, environmental management strategies and goals. We also created an Environmental Management Committee and relevant departments to practice firmwide environmental management. In addition, to prepare for climate change, we have set mid- to long-term goals for greenhouse gas reduction and are establishing implementation plans.

Principles and Strategies for Environmental Management

1. Secure the development of Coway's sustainability and global eco-friendly corporate leadership through continuous investment and innovation in eco-friendly business.
2. Secure continuous value creation in environmental management and driving force of future growth through complying with environmental laws and building advanced environmental management systems.
3. Provide a clean environment for future generations by minimizing environmental impacts through preventive activities such as building a clean manufacturing system to decrease pollutants and GHG emissions.
4. Lead the research and development of green products, services, and technologies, considering environmental feasibility through every step of product and service.
5. Reveal all environmental management information to stakeholders transparently and actively participate in environmental conservation plans for local communities with constant communication.

Environmental Management Strategy

At Coway, we aim to provide eco-friendly products and services to customers while minimizing the environmental impact that inevitably occurs in the course of business activities. We are implementing a forceful and preemptive environmental management strategy to pursue human affluence and, at the same time, global environmental protection.

Coway has set mid- to long-term environmental management goals as "Reducing greenhouse gas emissions by 50% by 2030", "Achieving carbon neutrality by 2050", "Achieving 100% of waste recycling rate by 2030" and "100% Recycling of water resources by 2050". We will continue working hard to fulfill our Sustainable Development Goals (SDGs) by implementing firmwide environmental management policies on climate change and other relevant issues.

We make a healthy and convenient living environment with our innovation.

Best Life Solution Company

Green Global Leader

Add value to environment



Reputation

- Building an eco-friendly company base
- Maximizing environmental brand



Risk Taking

- Preventing environmental safety risks
- Building & Operating Eco-Value Chain



Revenue

- Building and forming Eco-Biz
- Establishing good and virtuous profit structure cycle



Communication

- Expanding eco-friendly communication
- Internalizing Eco-DNA

Environmental Management System

Environmental Management Committee

Coway operates a systematic environmental management system based on the environmental management system (ISO14001) in all factories for efficient management of environment, safety, health and business activities as a whole. We organized the Environmental Management Committee in order to practice firmwide environmental management and named the head of the Environmental Technology Institute as the chief environmental management officer to develop environmental strategies with the Environmental Safety Certification Team. In addition, we have organized the Ecoway Council to discuss environmental issues on a regular basis and set detailed goals related to the environment.

Environmental Management Committee

Environmental Safety Certification Team

- Meeting Cycle: 4 times/year (quarterly basis)
- Environmental Management Performance: 4 times/year (quarterly basis)
- Major Issues: occasional basis
- Decision Making: 1 time/quarter (submitted to BOD meeting)

Ecoway Council

Climate Change

Chemical Management

Resource Circulation

Green Marketing

Communication

Environmental Internal Review

Coway operates a systematic environmental system by adopting an environmental management system that meets global eco-friendly management standards throughout its business activities. Every year, we strive to practice green management that meets the ISO14001:2015 standards, and we validate our environmental performance through periodic internal and external evaluations. This means that we manage our plants in accordance with the internal environmental regulations, which are more strict than international standards, rather than simply obtaining certifications.

Environmental Management System Certifications

Category	Scope of certification
Environmental management system (ISO14001)	100%

Environmental Capacity Building

Coway conducts online/offline training programs every year for all employees and suppliers to respond to climate change, product environmental regulations and safety. In 2021, we provided training on the management of chemicals and digital transformation for workers with suppliers. We plan to strengthen environmental capacity building training for relevant employees in 2022.

Environmental Training Performance

Program	Eligibility	Contents	Participant	Training hours	Duration
Capacity-building for employees relevant to green mattresses/frames	Suppliers	• Management of chemicals in mattresses/frames and responses	9	27 hours (3 hours per person)	1 day
		• Standards for the management of chemicals in mattresses/frames and digital transformation of management and responses	10	30 hours (3 hours per person)	1 day
Webinar on response to environmental regulations on products	Employees	• Background of environmental regulations and recent trends • Introduction of environmental regulations and details	17	34 hours (2 hours per person)	1 day
(Online) Green management	Employees	• Climate change business • Corporate social responsibility and shared value creation • Green consumption and investment • Global warming and environmental issues	5	41 hours (5.1 hours per person)	30 days

Environmental Investment

Category	Unit	2019	2020	2021	Note
Facility operation ¹⁾	KRW 1 million	850.2	447.9	444.2	-
System operation ²⁾		302.5	290.6	324.8	Upgrading of system for regulations on products and parts
Communication ³⁾		227.4	165.0	176.1	Environment-related awards and advertisement
New environmental business ⁴⁾		121.6	812.5	110.8	Coway 001 solar power plant construction from 2020
Total ⁵⁾		1,501.7	1,716.0	1,055.9	-

- 1) Facility operation: Investment in environment/safety-related old facilities and high-efficiency facilities
- 2) System operation: Environment/safety-related system, certification, verification, etc.
- 3) Communication: Response to environmental regulations, environmental networks, award/advertising, etc.
- 4) New environmental business: Environment-related consulting, investment in renewable energy
- 5) Scope of disclosures: Based on 3 local factories and TQA Institute

Environmental Law Violations and Fine

Category	Unit	2018	2019	2020	2021
Number of violations of environmental regulations	case	0	0	0	0
Fine for violation	KRW	0	0	0	0

Climate Change

Greenhouse Gas Emissions Reduction Targets

The financial and non-financial risks posed by climate change are driving major changes in industrial activities worldwide and demanding a transition to a carbon-neutral global community. In line with these changes, Coway has established mid-to-long-term goals to reduce greenhouse gas emissions and actively participate in addressing climate change. We also voluntarily have a third-party verification of greenhouse gas emissions every year.

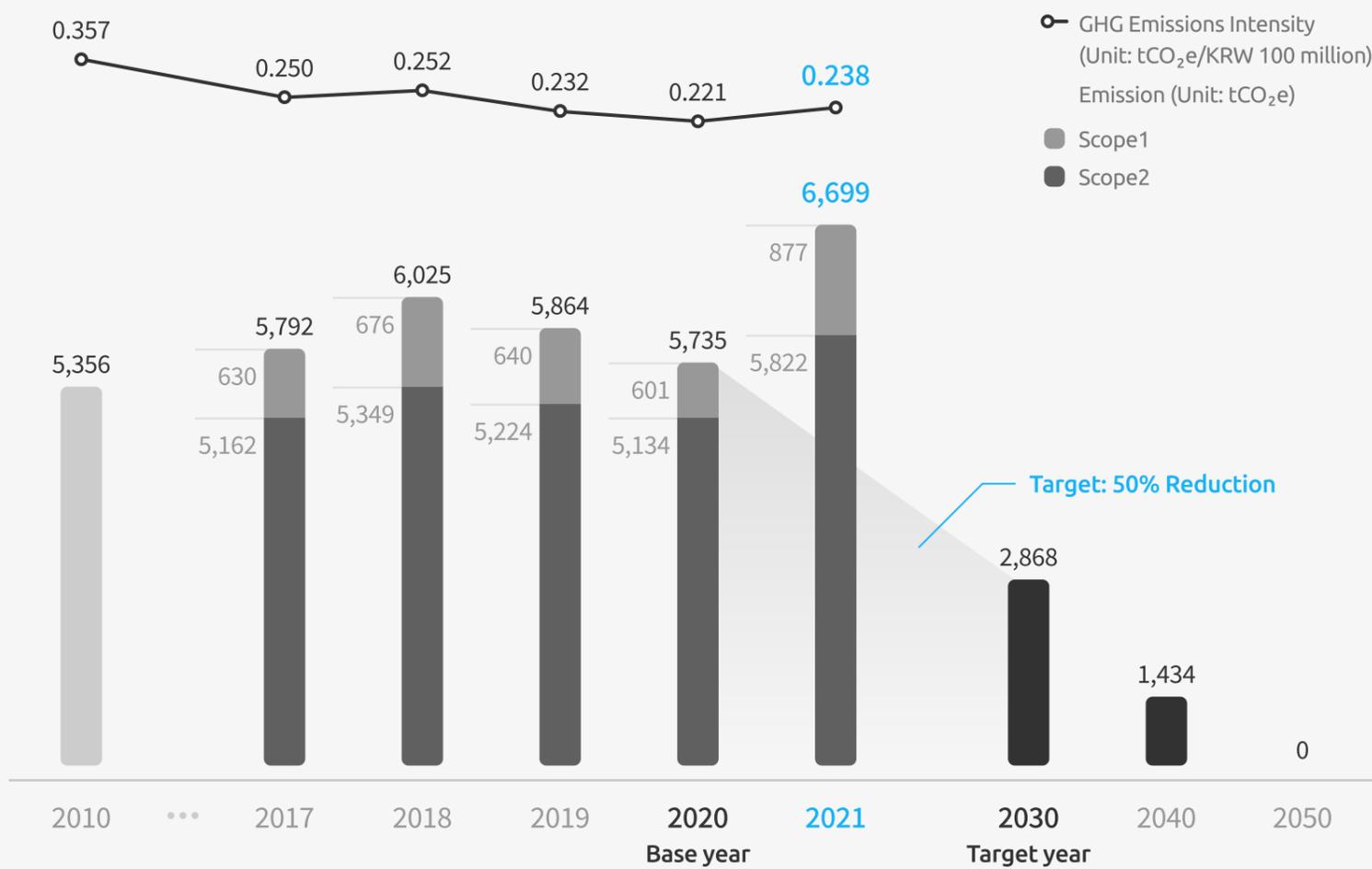
Coway recognized the impact of climate change on business activities and developed a greenhouse gas inventory in 2009. A year later, we set the greenhouse gas emissions reduction target to be achieved by 2020 and met the target. Based on the IPCC special report on the impacts of global warming of 1.5 °C above pre-industrial levels published in 2018, we have set our new mid- and long-term targets for greenhouse gas emissions by 2030, 2040, and 2050. We are also preparing a climate change adaptation plan to achieve carbon neutrality by 2050. We will continue making investments in renewable energy and achieve energy efficiency in the workplace to reduce carbon emissions in all Coway factories.

GHG Emissions and Mid to Long-term Goals

We set mid- and long-term goals for the reduction of scopes 1 and 2 greenhouse gas emissions. We aim to cut greenhouse gas emissions by 50 percent compared to 2020, followed by 75 percent by 2040, and 100 percent by 2050.

Greenhouse Gas Emissions in 2021

In 2021, we saw sales growth at home and abroad, which prompted more production and, consequently, more greenhouse gas emissions by the manufacturing sector. Also, the relocation of the headquarters to Seoul resulted in an increase of greenhouse gas emissions by 16.8 percent to hit 6,699 tCO₂e due to the expansion of the scope of greenhouse gas emissions management. We will do our best to reduce greenhouse gas emissions through systematic management and continue making investments in R&D for more responsible business growth.



Greenhouse Gas Emissions and Annual Targets

Category	Unit	2017	2018	2019	2020	2021	2021 target	2030 target	2050 target
Scope1	tCO ₂ e	630	676	640	601	877	-	-	-
Scope2		5,162	5,349	5,224	5,134	5,822	-	-	-
Total		5,792	6,025	5,864	5,735	6,699	6,221 ¹⁾	2,868	0
Intensity	tCO ₂ e/KRW 100 million	0.250	0.252	0.232	0.221	0.238	-	-	0

1) Energy consumption increased due to sales growth (roughly 5% from the previous year), greenhouse gas emissions increased due to the relocation of the headquarters to Seoul and consequent expansion of the management scope of scope 1 (stationary combustion)

GHG Emissions by Business Site ¹⁾

Category	Unit	2017	2018	2019	2020	2021
Yugu Factory ²⁾	tCO ₂ e	2,151	2,439	2,412	2,555	2,803
Incheon Factory ²⁾		598	651	695	639	797
Pocheon Factory ²⁾		359	189	202	220	235
Environmental Technology Institute (R&D Center) ³⁾		1,708	1,889	1,849	1,660	1,835
Cosmetic Research Institute ⁴⁾		203	126	0	0	0
Seoul Office ⁵⁾		485	439	427	396	694
Logistics Center ⁶⁾		287	292	279	265	335
Total		5,792	6,025	5,864	5,735	6,699

1) The greenhouse gas emission figures for each Business site are calculated as Scope1 + Scope2.

2) Yugu Factory, Incheon Factory, Pocheon Factory: Greenhouse gas emissions increased as a result of sales growth (421tCO₂e)

3) Environmental Technology Institute: Increase of the development of new products and consequent increase of energy consumption for product testing (175tCO₂e)

4) Cosmetics Research Center: Closed in 2018

5) Seoul Office: Relocated to Seoul and consequent increase in greenhouse gas emissions due to expansion of scope 1 (stationary combustion) management (298tCO₂e)

6) Logistics Center: Partial lease termination and reflection of the energy consumed jointly (70tCO₂e)

GHG Emissions according to the Use of Refrigerant

Category	Unit	2017	2018	2019	2020	2021
R-134a Refrigerant usage in product manufacturing	kg	46,580	51,230	46,360	38,530	45,420
R-600a, R-436B Eco-friendly refrigerant usage in product manufacturing		800	5,320	4,010	3,331	1,300

* The amount of green refrigerants used decreased in 2021 due to the introduction of the semiconductor cooling method (refrigerant-free).

Other Indirect GHG (Scope 3) Emissions

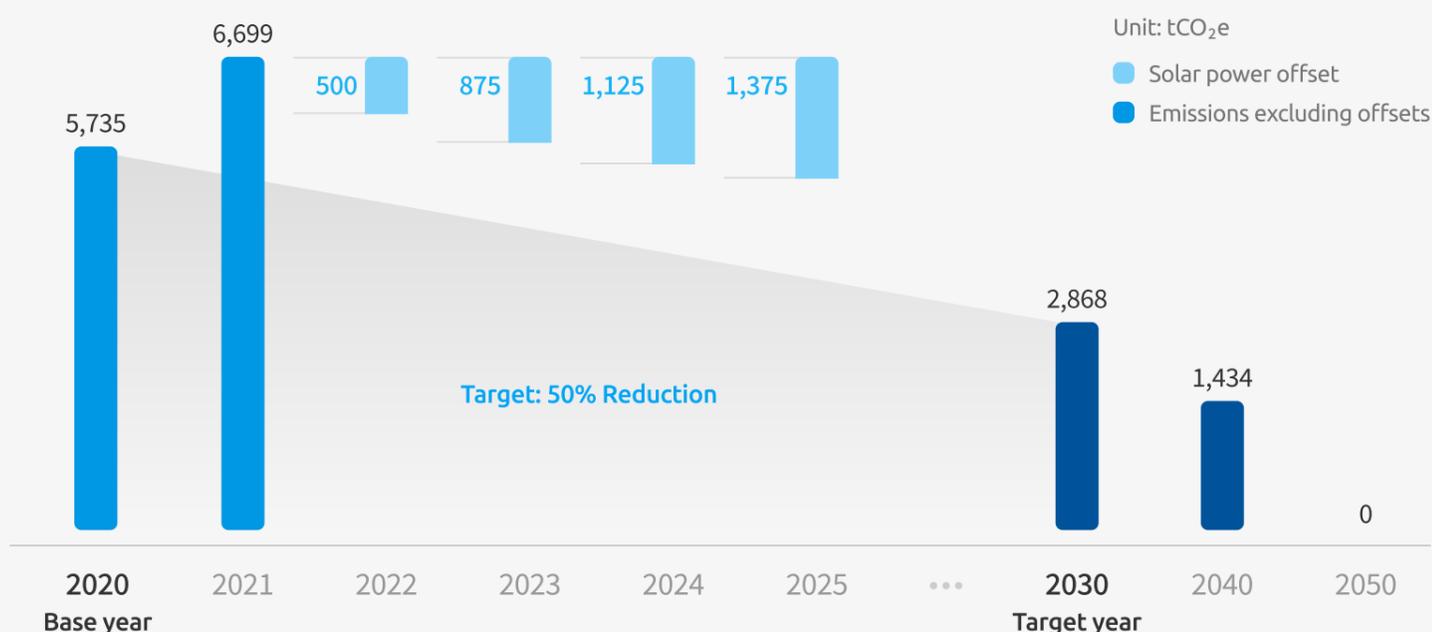
Category	Unit	2017	2018	2019	2020	2021
Domestic logistics/transportation	tCO ₂ e	5,047	5,420	5,491	5,127	4,865
Commuter vehicle		71	71	70	72	67

* We managed carbon emissions caused by suppliers using an IT system from 2010 to 2020. As the system has been worn out and climate change management needs to be more extensive, we are currently building a new system. When the construction of the new system is completed, we plan to disclose carbon emissions caused by suppliers as well as Coway.

Renewable Energy Investment Plan

We stress investment in renewable energy as the most important strategy to achieve our mid-term goals of reducing greenhouse gas emissions. As we rely heavily on electricity as a major source of energy, we strive to replace a large portion of electricity we use with renewable energy in the factories. In preparation for consistent business growth and consequent increase in energy consumption, we plan to build additional solar power plants to offset greenhouse gas emissions.

Solar-power Investment Plans and Reduction of Greenhouse Gas Emissions



Part. Energy and Water - Renewable Energy Generation [↗](#)

Activities for GHG Emissions Reduction in the Plants

Coway is committed to fulfilling its goals for cutting greenhouse gas emissions and energy consumption in each factory. Above all, we are replacing part of the energy we use in the factories with solar energy and building a renewable energy network, joining the efforts to reduce greenhouse gas emissions at the national level. We have been operating the solar power plants that utilize the facilities available in the manufacturing plants, logistics centers, and other relevant bodies to offset greenhouse gas emissions. We will continue working hard to achieve carbon neutrality by participating in third-party Power Purchase Agreements (PPAs) and achieving carbon neutrality throughout the supply chain, among others.

Risks and Opportunities of Climate Change

In accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), we are managing and overseeing climate change-related risks and opportunities with practical action plans to address the global climate crisis. We looked back on our past activities to check our progress in terms of goal-setting and achievements, and analyzed potential risks and opportunities associated with climate change.

The TCFD divides climate change risks into transition risks and physical risks. Transition risks include policy change and changes in the supply chain and market demand in the process of transitioning to a low-carbon society. Physical risks include impacts of extreme weather, such as droughts and floods, and global warming. We are monitoring the negative impacts of climate change on our business and are formulating strategies to address financial impacts from short-term, mid-term, and long-term perspectives.

[2022 Coway TCFD Report](#) ↗

Climate-related Risks

Risk factors		Risks and Coway's actions	Financial impacts	Term
Transition risk	Policy and law	<p>Korea is enacting and revising environment-related laws in order to address climate change and achieve carbon neutrality by 2050. In March 2022, the Korean government finalized the "Enforcement Decree of the Framework Act on Carbon-Neutral Green Growth to Address the Climate Crisis," announcing nationally determined contribution (NDC) to achieve a 40-percent reduction, and laying the foundations for the fulfillment of the plan for national carbon neutrality. It is expected to double down on its detailed policies and regulations for the reduction of greenhouse gas emissions by the industrial sector. Also, the climate change-related new regulations enacted overseas may affect Coway's business strategies or activities for overseas expansion.</p> <p>Coway set its goal to achieve carbon neutrality by 2050 and continue making an effort to reduce greenhouse gas emissions. Our Environmental, Safety & Performance Certification Team monitors climate policies at home and abroad to review and manage changes in regulations.</p>	High	Long term
	Technology	<p>As policies and laws increasingly restrict the use of the substances that cause global warming, new or alternative technologies should be developed.</p> <p>In particular, the refrigerant, which is used in water purifiers, one of Coway's flagship products, has high Global Warming Potential (GWP). We have developed an alternative technology to replace the refrigerant. We consistently develop new technologies to address climate change.</p>	High	Short term
	Market	<p>Consumers increasingly show interest in carbon emissions and resource efficiency and, consequently, their preference for energy-efficient products and demand for green products and services are on the rise as well. Especially, Millennials and Generation X are emerging as one of the largest consumer groups, we should be able to predict their consumption patterns and come up with new products and services to meet their needs; otherwise, we may face the risk of falling behind in the market and even failing to enter a new market.</p> <p>We are focusing on developing energy- and resource-efficient products and contactless services to stay ahead of the curve. We also work closely with other relevant departments and R&D bodies to meet market demand.</p>	High	Mid term
	Reputation	<p>Many stakeholders including investors and consumers nowadays are demanding corporate social responsibilities in relation to ESG, including climate change. Especially, they show interest in how businesses set goals to tackle climate change and translate them into action and use the information in evaluating business sustainability.</p> <p>Accordingly, we are making our climate change-related activities and outcomes and managing reputational risks at home and abroad.</p>	High	Mid term
Physical risk	Acute risks	<p>Problems in the production of parts and supply of raw materials by suppliers due to heavy rain or snow, abnormal temperature triggered by climate change, may lead to the disruption of products and, consequently, affect product supply. Coway is acutely aware of these problems and strives to diversify its supply chains.</p>	Medium	Mid term
	Chronic risks	<p>Climate change is affecting the precipitation patterns in Korea. Accordingly, Korea is expected to pay special attention to the water resource management policy in preparation for water shortages. Conflicts among local communities in relation to the development and use of groundwater are likely to increase as well. Coway is developing production technology designed to replace the water usage process.</p>	Medium	Mid term

Climate-related Opportunities

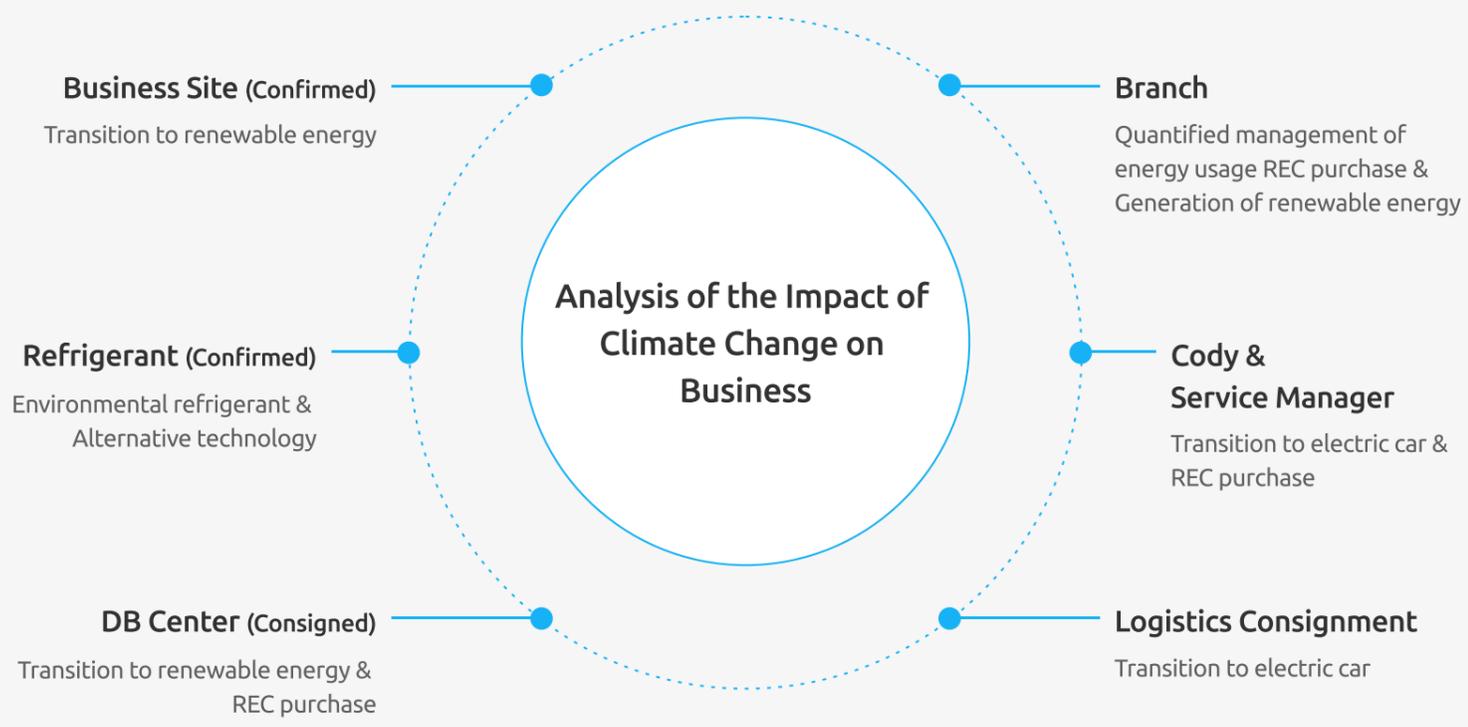
Opportunity factors	Context	Financial impacts	term
Resource efficiency	Climate change may cause difficulties in the supply of raw materials and ultimately the production of products. In order to minimize the environmental impact on business activities and adapt to climate change, Coway operates a waste collection and recycling system. Recycled materials are now supplied to diverse businesses. However, we aim to use recycled materials for our products for better resource efficiency from a mid- and long-term perspective. To that end, we are now developing technologies and applying them in stages.	Medium	Short term
Energy sources	Electricity accounts for more than 90 percent of Coway's main energy source, which is advantageous in reducing greenhouse gas emissions through conversion to new and renewable energy. We operate small solar power facilities and high-efficiency facilities (ESSs) in the factories. We have drawn up a plan for investment in solar power in order to contribute to transitioning to a low carbon society through transition to renewable energy and sales of Renewable Energy Certificates (RECs).	High	Mid term
Product/Service	As consumers are increasingly demanding energy- and resource-efficient products, we strive to lower environmental impacts of our products and reduce greenhouse gas emissions in all stage of product production, from design to production, logistics, use, and disposal. In 2021, the sales of certified green products amounted to KRW 896.9 billion, up 112 percent from 2020. We will continue focusing on R&D to increase the production of energy and resource-efficient products.	High	Short term
Market	Precipitation patterns are changing due to climate change. The frequency of yellow dust and fine dust is increasing due to severe drought caused by changes in precipitation patterns. Due to this climate change, the air purifier market has expanded to the world, providing Coway with a new opportunity to enter the market. In addition, climate change causes water shortage which eventually contributes to expanding the global water market. Coway is already acknowledged as a leading player in the water purifier/dispenser market. We are now expanding our presence in the neighboring nations in Southeast Asia.	High	Mid term
Resilience	As financial risks are increasing due to energy price fluctuations, resilience through renewable energy transition is becoming more important than ever before. We at Coway operate solar power plants in all production plants, logistics, and relevant facilities. We plan to participate in the third-party PPA to contribute to renewable energy transition across the value chain.	High	Mid term

Climate Adaptation Plan

We have set new climate targets by identifying climate-change issues in all business areas, in the manufacturing plants, as we did in the past.

First of all, we aim to join the national effort to fight the climate crisis and cut greenhouse gas emissions by half by 2030 to achieve carbon neutrality by 2050. To that end, we will continue investing in renewable energy, building solar power plants, and step up our efforts toward transition to low-carbon energy to fulfill our goals.

We then plan to develop and apply new and alternative technologies after identifying climate change issues related to our products. More specifically, we aim to apply refrigerant-free cooling technology to all domestically supplied products by 2025 and replace existing refrigerants with eco-friendly refrigerant. In addition, we will minimize our environmental impacts through the purchase of green electric vehicles or emissions permits, on the one hand; and take the lead in addressing climate change, on the other.



Life Cycle Management

Business relevance & Approach

As climate change is accelerating, corporate social and environmental responsibility is becoming an essential aspect of any business. We, at Coway, are committed to utilizing limited resources effectively in order to become a green business that coexists with nature. In order to lead a sustainable future while minimizing our environmental impact, we operate a wide range of programs throughout the entire product life cycle, from product design to decline.

Coway considers environmental impacts throughout the entire product life cycle from production to use, and disposal. We are practicing resource efficiency and carbon emissions reduction by applying structural design and using alternative materials. We also maximize energy efficiency to increase economic feasibility while limiting environmental impacts. In addition, we quantitatively manage waste by collecting waste and recycling them. We will continue doing our best to provide the best possible products and services while minimizing environmental impacts for customers to enjoy a healthy life.

Activity

- Assessment of the product life cycle
- Green product designing and packaging
- Collection and refurbishment for E-waste reduction

Performance 2021

Refurbished Products Sold **9,734**
Cases
Over **4,270** kg Refrigerants Collect
and Recycle

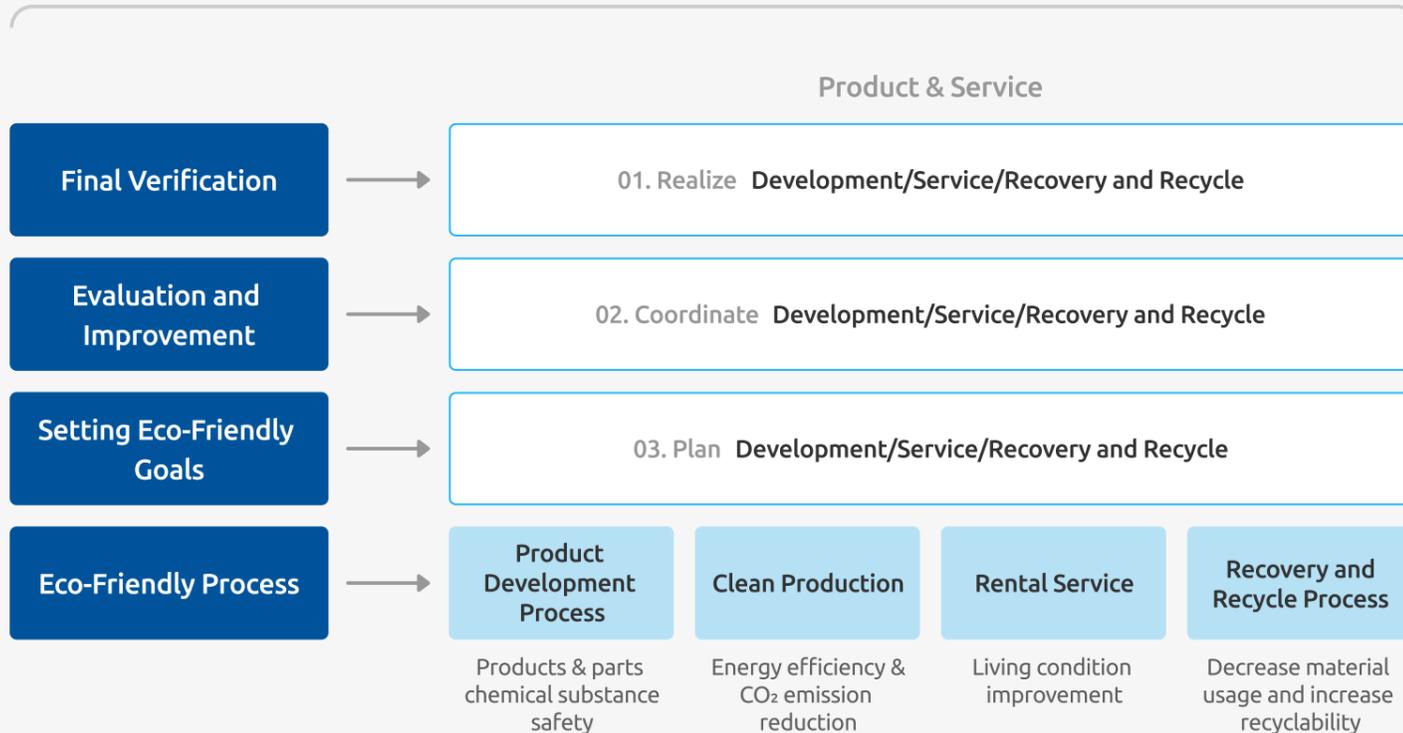
Business Cases

- Water purifier won "Energy Technology Prize" at the "Energy Winner of the Year"
- Obtained 27 environmental certifications
- Obtained green labels for three bidet models

Product Design Considering Environmental Impact of Whole Process

We take our environmental impacts seriously throughout the entire product life cycle from product design to development, production, sales, collection, and recycling. Equipped with technological prowess, we use chemical materials safely, reduce carbon emissions by improving energy efficiency, and lessen negative environmental impacts by using resources efficiently.

Design Eco-Friendly Product, Service and Business



Case Green Packaging and Logistics Design in 2021

Stable packaging is essential for wellness and health-related home appliances as they are at risk of damage or deformation during distribution. Coway thus conducted research in diverse areas, including structural redesign of packaging and sourcing of alternative materials, in order to reduce environmental impacts caused by the use of expanded polystyrene foam (EPS) packaging materials. As a result, we developed green pulp packaging and Air Cell cushion.

Development of Pulp Cushion Packaging

We went through several developmental stages in order to develop renewable pulp cushion packaging by using renewable pulp material that is as excellent as EPS foam for shock absorption and cost effective. In order to overcome the weaknesses of pulp packaging material, which is not as effective a shock absorber as EPS foam, we produced double layered pulp packaging and, as a result, improved its performance significantly. As the pulp packaging is designed to nest, we could cut shipping costs by 76 percent and material costs by 31 percent, which translates into the reduction of carbon emissions by 127.4 tCO₂e¹⁾ compared to the past.

1) Calculated based on 2019-2021 productions.

Air Cell Cushion Packaging

Packaging of small products and parts is essential for an efficient work environment and logistics. We introduced Air Cell cushion for packing parts of our products (filters of self-managing air purifiers and water purifiers). Air Cell refers to an inflatable plastic air bag, which maximizes logistic innovation by reducing the volume by 1/120 while maintaining the same level of buffering effect as EPS foam. Moreover, it is dust- or residue-free and easy to separate for recycling, ultimately facilitating the production packaging, production, and disposal process. We expect to cut the packaging volume by 70 percent compared to EPS foam, investment and logistics costs by 90 percent or more, and carbon emissions by introducing Air Cell cushion packaging.

Life Cycle Assessment

We conduct product life cycle assessments in order to assess the environmental impacts of products quantitatively and reflect them in product development. The life cycle assessment quantitatively measures the potential environmental impacts of products and systems caused by the use of energy and resources throughout the entire life cycle. We are using the simplified life cycle assessment (LCA) method among the evaluation methods in accordance with the ISO14040 standards. In doing so, we practice product stewardship actively in order to minimize the environmental impacts of our products while maintaining a sustainable environment.

Implementation of Life Cycle Assessment

1. Development and Purchase	<ul style="list-style-type: none">• Design eco-friendly products that are easy to decompose and recycle• Securing the safety of chemicals in manufacturing and parts
2. Production	<ul style="list-style-type: none">• Introduction of renewable energy such as solar power generation facilities at business sites• Activities to promote energy efficiency of partner companies• Reducing greenhouse gas emissions generated in the production process
3. Distribution	<ul style="list-style-type: none">• Calculation and management of greenhouse gases from logistics hubs according to the transportation of products
4. Use	<ul style="list-style-type: none">• Development of technology to reduce energy, greenhouse gas, and water consumption and calculation of reduction effect due to product use• Minimize electricity consumption & maximize energy efficiency by applying instantaneous hot water system and high-efficiency inverter cold water system
5. Reclamation and Recycling	<ul style="list-style-type: none">• Recycling of parts and materials, operation of refurbishment system• Quantitative management of the entire process to minimize waste generation• Expand the process of collecting filters for self-managing products

Resource Efficiency in the Usage Phase

We strive to upgrade our technology to provide more functional products to consumers and maximize energy efficiency. Wellness and health-related home appliances are likely to consume electricity around the clock by nature; consequently, energy efficiency is an essential aspect of product competitiveness. We introduced products with energy efficiency in the use phase in 2021 and received positive responses from various stakeholders, including consumers, from all walks of life.

Case Icon Water Purifier Won the Energy Technology Prize at the Energy Winner of the Year Awards

Coway's Icon Water Purifier (CHP-7210N), which was launched in 2021, represents energy innovation that uses semiconductor thermoelectric elements for cooling. We could reduce vibration and noise by eliminating the compressor, on the one hand, and found the best design to reduce the product size and unnecessary energy loss. The water purifier is equipped with an instant hot water system, providing hot water only when it is needed, and capable of saving electricity by 80 percent compared to the hot water storage tank system, which earned it the first-grade energy label.

The innovative second-generation electronic cooling system of Icon Water Purifier does not use refrigerant, thereby making zero emissions possible, and improving cooling efficiency by more than 15 percent compared to the previous model (CHP-242N), and saving energy by 22 percent annually. In recognition of its innovative energy efficiency, Coway's Icon Water Purifier won the Energy Technology Prize at the 24th Energy Winner of the Year Awards, which is held jointly by Consumers Korea and the Ministry of Trade, Industry and Energy.



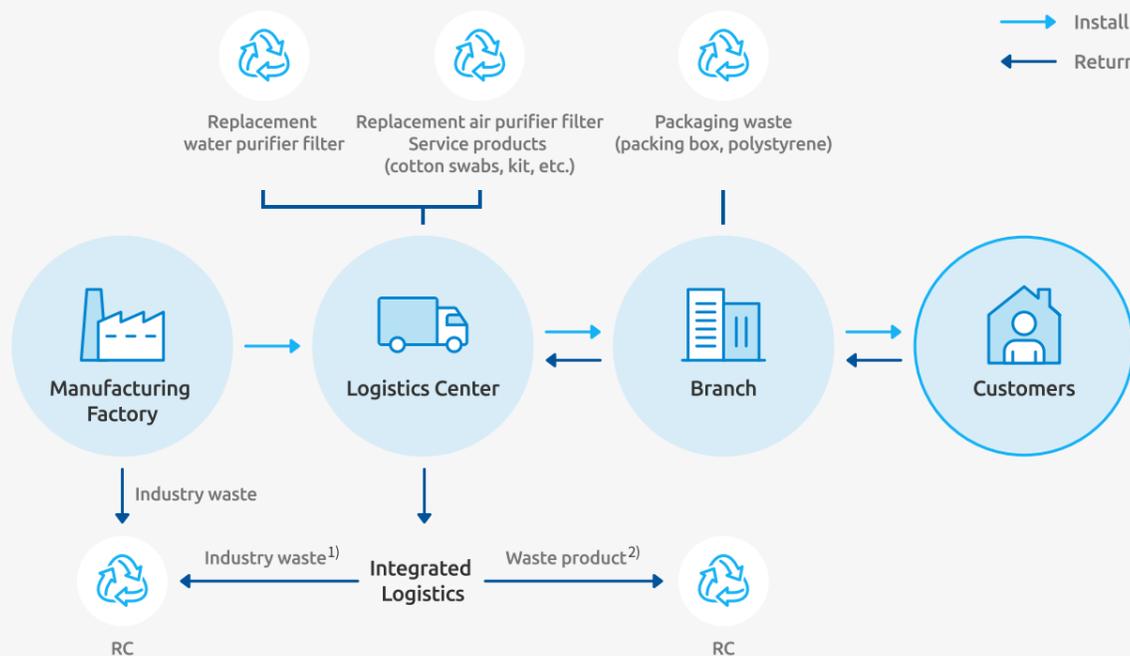
After Use Collection and Resource Circulation

The products in the final stage of the life cycle are collected for the efficient recycling process. The collected items are vast, ranging from product packaging materials to consumables, bulk waste, and disused products. We pick up disused products for free through our own collection process and divide them into industrial waste and disused products to transform them into solid recovered fuels (SRFs) or recycle.

Waste Collection program

Coway is collecting industrial waste, including disused products, parts, and packaging materials, for recycling in a bid to contribute to developing a circular economy and fulfill its corporate environmental responsibility. As the sales of self-management products are growing, we provide the waste filter collecting and recycling service. We collect disused water purifiers, air purifiers, bidets, water softeners, and waste food processors. The waste we collected accounted for 71.5 percent in 2021.

Collection and Recycling Process



1) Industry waste: waste synthetic resin, household refuse, etc.

2) Waste product: Waste synthetic resin, scrap iron, waste oil, waste refrigerant, etc.

* Based on local employees

Air Purifier Filter Collection and Recycling

At the end of Dec. 2021, Coway started providing its "Water Purifier Filter Collecting Service," which is designed to collect and recycle used filters for customers of self-managing water purifiers who replace filters on their own. As the number of customers who use self-managing products is increasing, we have expanded our service to include more customers and collected over 50,000 used filters in three months after the launch. The collected used filters are separated and ground to transform into tool bags, automobile bumpers, etc. We plan to expand the filter collecting service to cover all self-managing products for resource circulation.

자가관리제품 사용 고객 대상

사용 후 필터 회수 서비스 런칭

코웨이와 함께하는 환경보호 활동 필터 리사이클링 캠페인에 참여해 보세요.

코웨이는 환경기업으로서의 사회적 책임을 다하고,
 자원순환제도를 준수하여 환경보호 활동에 적극적으로 임하고 있습니다.
 지구 환경보전과 인간의 풍요로운 삶의 밸런스 유지를 위해 환경경영에 힘쓰고 있습니다.

Refrigerant Collection and Recycling

We continue reducing the use of refrigerants in order to minimize environmental pollution. We also collect the refrigerant (R-134a) that was used for some old products to have them treated safely by the relevant service providers designated by the Ministry of Environment. In 2018, we increased the refrigerant and oil collecting and recycling supplier from one to two. Since then, we consistently monitor their business activities.

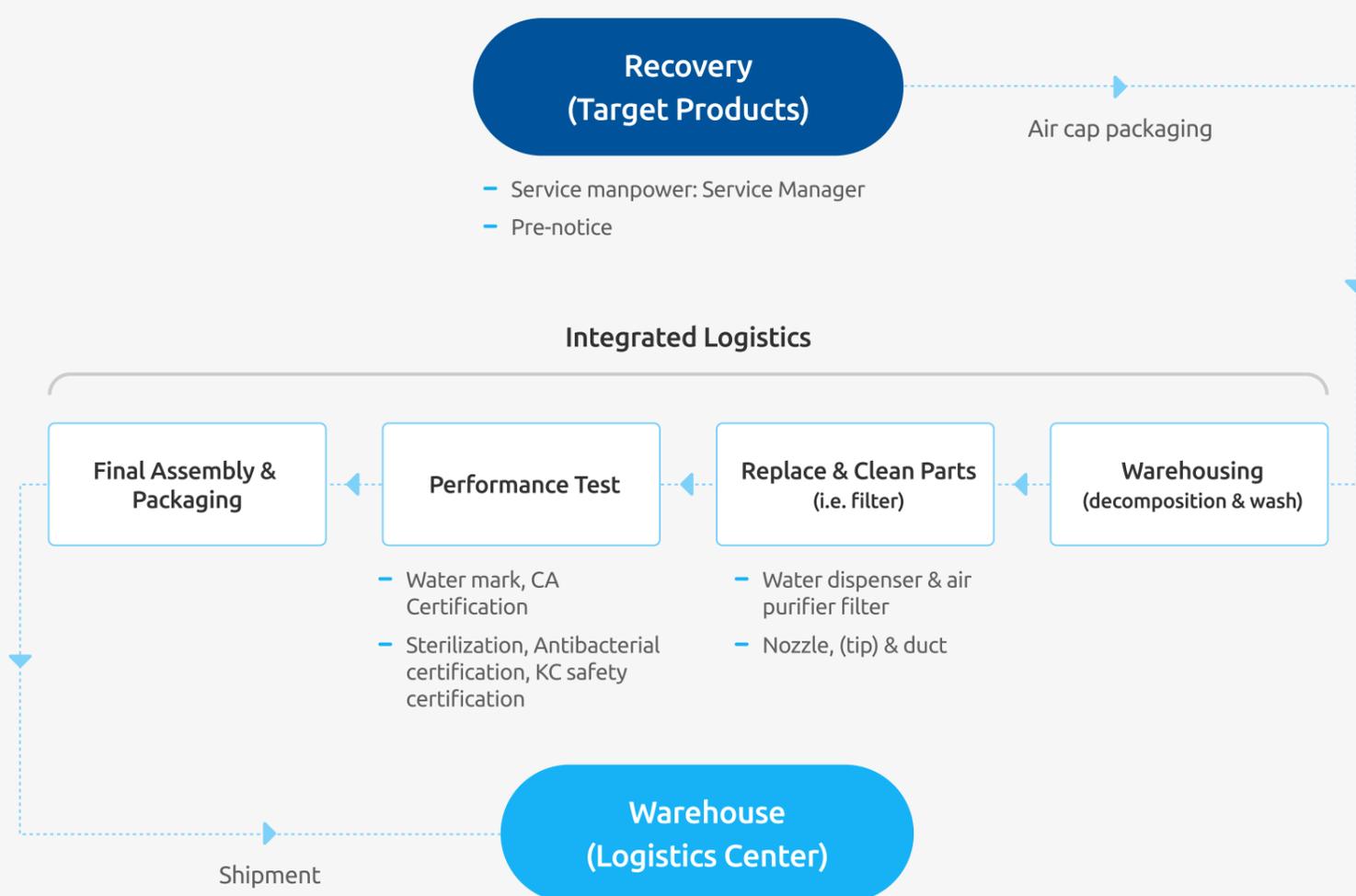
Category	Unit	2019	2020	2021
Refrigerant recovery	kg	6,170	5,770	4,270
Refrigerant recycling		6,170	5,770	4,270

* Data based on the amount of refrigerant collected and recycled by Coway Pocheon Factory and suppliers.

* Reduction of recovery and recycling amount due to reduction of refrigerant product usage by introduction of electronic cooling.

Refurbishment Program

Refurbishment refers to the process of processing the products that have been returned with a change of mind by consumers or displayed in stores and reselling them at reasonable prices. The refurbished products are as good as new as we replace parts with new ones when necessary and conduct rigorous quality testing, which reduces waste treatment and consequently reduces the environmental impact. In 2007, we became the first home appliances rental service provider to introduce the refurbishment program. Since then, we are reducing disused rental products internally and creating value through the supply of cost-competitive products and practicing a circular economy externally.



Refurbished Product Sales

Category	Unit	2018	2019	2020	2021
Water purifier	product	1,757	1,239	4,342	3,328
Air purifier		5,708	1,838	8,245	3,644
Bidet		3,144	3,048	5,203	2,762
Total		10,609	6,125	17,790	9,734
Conversion to greenhouse gas emissions	tCO ₂ e	498	289	920	561

* In 2020, Increased sales significantly compared to the previous year as products with high sales volume were converted to refurbished products.

* Sales and converted greenhouse gas emissions are not in proportion. (Greenhouse gas emissions decrease in proportion to the number of refurbished water purifiers.)

* Calculation based on (kgCO₂e/unit): 100 water purifiers, 40 air purifiers, 30 bidets.

Product Environmental Certification

We continue striving to preserve resources and reduce greenhouse gas emissions by increasing the production of green products, which are well-received by stakeholders from all walks of life, including certification institutions, for their excellence in energy conservation and carbon-emissions reduction.

Environmental Certifications that Coway Have Obtained

Certification	2019	2020	2021 ³⁾
Eco label certification ¹⁾	22	17	27
Water footprint ²⁾	1	1	0

1) Eco label certification: Cumulative eco-friendly products with valid certification in the year. (Including mattress)

2) Water footprint: Quantified environmental impacts by adding up the total amount of water used directly and indirectly for the entire process of product and service such as the acquirement of raw material, production, distribution, usage, and disposal and verified through ISO14046 requirements, the verification requirement of the International Organization for Standardization.

3) The number of green certifications increased in 2021 as the number of grade-1 energy-efficient products, standby power load reduction programs, and green-labeled mattresses increased.

Sales of Green-certified Products

Coway is stepping up its efforts to develop green products to meet the consumer demand for eco-friendly products. We have developed various green-certified products. As a result, we saw a significant increase in the sales of green products during the past two years and achieved 31.4 percent in 2021.

Category	Unit	2019	2020	2021
Sales of green products	KRW 1 million	5,529	8,002	8,969
Sales of green products among sales of products in general	%	21.7	30.3	31.4
- Type 1 ¹⁾		8.3	6.8	6.0
- Type 2 ²⁾		6.7	17.6	21.3
- Type 3 ³⁾		6.7	5.9	4.1

1) Type 1: Products certified by third party (green label, etc.)

2) Type 2: manufacturer declaration (RoHS declaration, etc.)

3) Type 3: Products that passed the LCA (environmental product declaration, water footprint, etc.)

Case Three Coway Bidet Models Certified as Green Products

In 2021, Coway acquired eco-label certification for its three bidet models. The eco-label is given to eco-friendly products to inform consumers of the products and encourage businesses to develop green products and technologies. The eco-labeled bidet models include the 'Coway Self-sterilizing Bidet BAS29-C, Prime Bidet BA14-E, and BA20-A/B/D'. These models received positive reviews as they are energy-efficient products that contribute to energy conservation and use the minimum amount of pollutants in the production process to reduce environmental pollution in the local community.



Energy and Water

Energy Efficiency

Efforts for Energy Efficiency

In 2021, Coway generated 6,699 tons of CO₂e based on Scope 1+2, and electricity accounts for 90 percent of the total energy consumption in all Coway factories. We operate small scale solar power facilities and high-efficiency facilities (ESS: Energy Storage System) in all factories. In order to fulfill our mid- and long-term goals of reducing greenhouse gas emissions by 50 percent and carbon neutrality by 2050, we strive to consistently invest in solar-power generation with proven efficiency and purchase emission rights for transformation into a low-carbon society.

Energy Consumption

Category	Unit	2017	2018	2019	2020	2021	2021 target	2030 target	
Direct energy	LPG	GJ	84	41	0	0	0	-	-
	Gasoline		2,423	2,533	2,587	2,109	1,892	-	-
	Diesel		2,458	2,540	2,773	2,726	2,822	-	-
	LNG		323	554	201	184	4,165	-	-
	Kerosene		432	225	338	148	144	-	-
	Propane		5,294	5,908	5,163	5,398	6,748	-	-
Direct energy total		11,014	11,801	11,062	10,565	15,770	-	-	
Indirect energy	Electricity		106,275	110,142	107,564	105,702	121,653	-	-
Indirect energy total		106,275	110,142	107,564	105,702	121,653	-	-	
Total energy consumption	GJ	117,290	121,943	118,627	116,267	137,423	-	64,020	
Total energy intensity	GJ/Sales (KRW 1 million)	5.055	5.091	4.687	4.485	4.883	-	1.479	
Total renewable energy consumption	MWh	-	237	237	227	224	-	-	
Total non-renewable energy consumption		-	11,473	11,205	11,011	12,672	11,933	-	

* Direct energy consumption consists of "direct emissions from stationary combustion and mobile combustion (Scope 1) and employee commuting (Scope 3)."

* Since it is difficult to directly reduce GHG emissions in the factories, we offset GHG emissions through investment in new and renewable energy facilities or purchase of emission permits.

Renewable Energy Conversion

Since the introduction of a solar-power generation system at our Pocheon Factory on a trial basis in 2013, Coway has utilized renewable energy consistently. In 2021, for instance, we installed solar power in the Yugu Factory (49.5kWh), Incheon Factory (39kWh), Pocheon Factory (45kWh), and logistics center (48.8kWh), respectively. Also, three factories and the logistics center generated and consumed over 224kWh of electricity on their own, which is equivalent to the reduction of over 104.4 tons of GHG emissions. The Energy Storage System (ESS) installed in the Yugu Factory is contributing to reducing peak demand and distributing energy consumption, allowing us to save KRW 127 million per year on average.

Renewable Energy Generation

Category	Unit	Pocheon Factory	Yugu Factory	Incheon Factory	Logistics Center	Total
Capacity	kW	45	49.5	39	48.8	182.3
Operation started	-	Aug. 2013	Sept. 2014	July 2015	June 2017	-
Cumulative power generated	kWh/year	472,550	418,906	336,935	302,495	1,530,885
Cumulative GHG emissions reduced	tCO ₂ e	220.4	195.3	157.1	141.1	714
Power generation efficiency (average)	%	99	93	105	107	-
Power generated in 2021	kWh/year	54,601	56,155	48,667	64,520	223,942
GHG emissions reduced in 2021	tCO ₂ e	25.5	26.2	22.7	30.1	104.4

Water Efficiency

Water Reduction Efforts

Coway uses relatively little water resources in the production process, as the final assembly and inspection comprise is the largest proportion of the production process. While our business activities are closely related to water, we use less water and we use it mostly for leak testing in the production process. We will continue striving to reduce the environmental impact of our water usage by carefully monitoring the amount of water used by type, and by applying the “waterless” system that uses nitrogen and vacuum instead of water.

Water Usage

Water Resource Usage

Category	Unit	2018	2019	2020	2021
Underground water	ton	21,962	29,904	16,777	24,653
Water supply		49,385	60,519	64,751	66,953
Total water resource consumption		71,347	90,423	81,528	91,606
Water discharge after use		71,347	90,423	81,528	91,606
Water consumption intensity	ton/KRW 100 million	2.987	3.573	3.145	3.255

Water Resource Usage by Business Site

Category	Unit	2018	2019	2020	2021 ²⁾
Seoul Office (G-Tower) ¹⁾	ton	-	-	-	7,373
Yugu Factory		34,501	44,357	30,420	34,045
Incheon Factory		4,401	5,725	4,827	5,870
Pocheon Factory		594	1,771	3,221	1,925
Environmental Technology Institute (R&D Center)		26,045	33,183	32,748	34,755
Logistics Center (Yugu)		5,806	5,387	10,312	7,638

1) It includes the additional amount of water used in the headquarters after its relocation to Seoul in 2021.

2) Water consumption increased in accordance with sales increase and consequent increase in production and reliability testing.

Resource Circulation and Nature Conservation

Resources

Resource Efficiency KPI

Coway has been striving to increase recycling, achieve zero waste, and minimize production costs through quantitative waste management. Especially, we are turning waste produced by the plants and bulk waste into solid recovered fuels (SRFs) by 99 percent to go zero waste and developing new products made from recycled materials, thereby contributing to reducing resource consumption. We are developing green management strategies to achieve resource efficiency and generate zero waste, while reducing environmental impacts through the circular economy.



100 %

Waste Recycling Rate by 2030

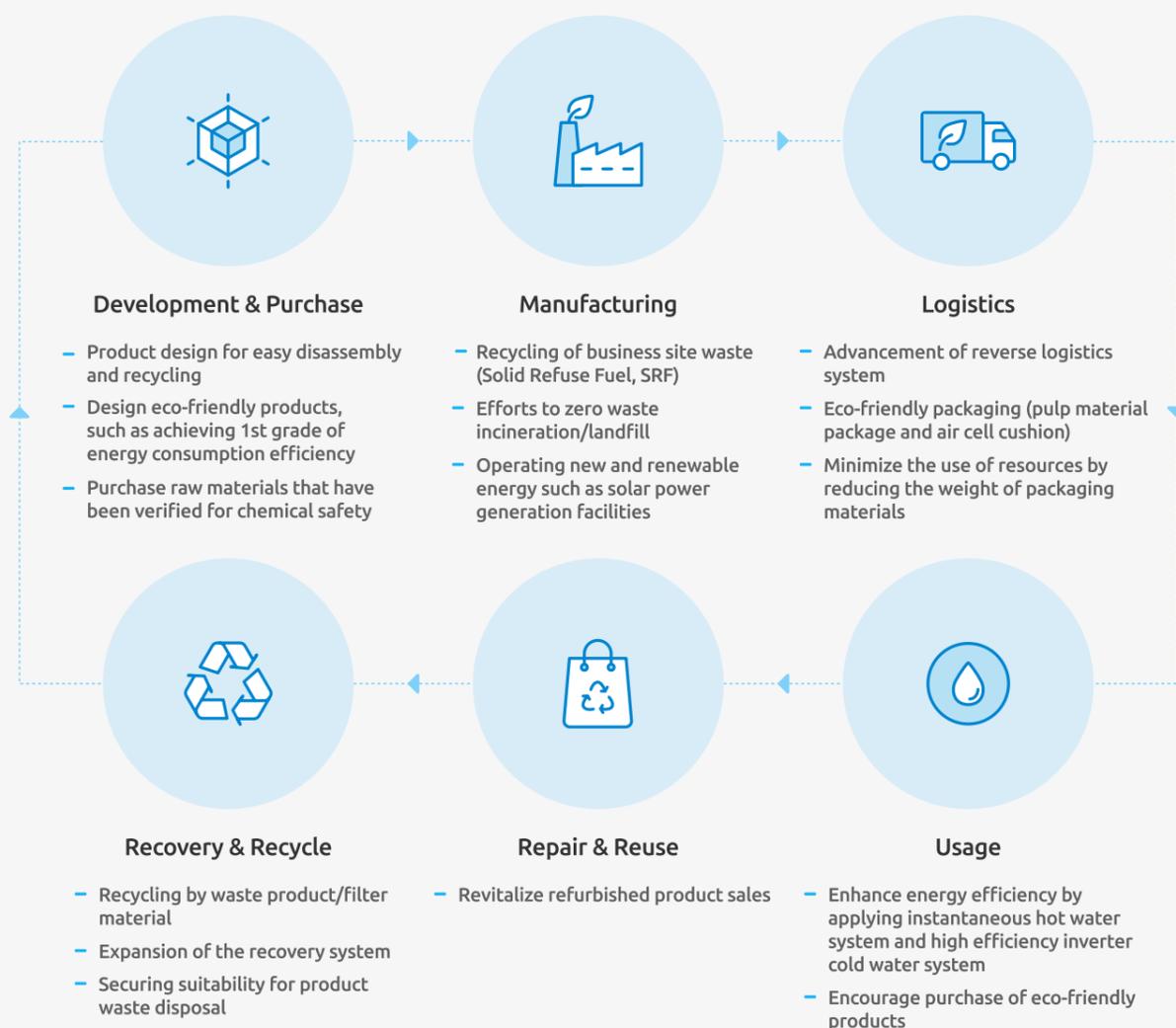


100 %

Industrial Waste Resource Recovery Rate by 2030

Resource Cycle

Coway takes the environment seriously throughout the entire product life cycle, from development and purchase to collection to recycling, in an effort to move toward a more resource-efficient and circular economy. We will step up our efforts to go green and minimize inevitable environmental impacts of business activities with our top-notch technological prowess.



Resource Reduction Efforts

Coway monitors the recycling rate per product to check if it reaches 75 percent or more when developing a new product. In cases where the recycling rate is estimated to be below 75 percent, we change materials to renewable materials or carefully seek ways to increase the rate of recycling per product. In 2021, we used renewable resin at a level of 5 percent of plastic materials exclusively for the production of bidet products on a trial basis. In 2022, we plan to expand the use of renewable resin for the production of air purifiers as well.

Material Usage

Category	Unit	2018	2019	2020	2021
Non-renewable raw materials	Plastic (Filter, 5 product lines) ¹⁾	10,100	10,947	9,982	8,974
	Metal ²⁾	4,537	4,419	4,159	3,622
	Packaging ³⁾	2,131	2,304	1,959	1,892
Renewable raw materials		0	0	0	0
Total ⁴⁾		16,768	17,670	16,100	14,488

1) Filter: water purifier and bidet filter, 5 product lines: water purifier, air purifier, bidet, water softener, food processor (On a domestic basis)

2) Apply metal/plastic theoretical weight to some models

3) Packaging material standard: paper box, packaging vinyl/packaging film, EPS (buffer)

4) Reduced use of materials due to product miniaturization and overseas sales

Plastic Consumption Converted to Greenhouse Gas Emissions

Category	Unit	2018	2019	2020	2021
Plastic consumption	ton	10,100	10,947	9,982	8,974
GHG conversion	tCO ₂ e	21,819	23,648	21,564	19,386

* The amount of plastic used in products is based on the product shipments for the current year (Ministry of Environment) and the converted amount means the estimated amount of indirect greenhouse gas emissions.

* Sourced from the Ministry of Environment's environmental report card evaluation coefficient and waste statistical data.

Greenhouse Gas Reduction Equivalent by Recycling Plastic Wastes

Category	Unit	2018	2019	2020	2021
Recycling amount	ton	5,996	6,503	6,243	5,480
GHG conversion	tCO _{2e}	12,953	14,048	13,486	11,838

* Ministry of Environment Environmental Reporting Indicator Evaluation Coefficient (Carbon Footprint) _ 2021.08.02

* Waste statistics (Korea Environmental Industry and Technology Institute, KEITI Announcement No. 2017-60), Domestic waste (mixed discharge by volume-based system)

Waste and Recycling

Waste Disposal and Recycling Process

As sales of self-managing products are increasing these days, we provide the "Old Water Purifier Filter Recovery Service", which is designed to collect and recycle used filters. In the future, we will expand the disused product pickup service to include self-managing air purifiers and bidets as well as water purifiers, thereby contributing to a circular economy.

Amount of Waste Generated by Type and Recycling Rate

Category		Unit	2018	2019	2020	2021	
Product	Incineration	ton	0	0	0	0	
	Landfill		0	0	0	0	
	Recycle		13,866	13,609	13,204	13,400	
	Subtotal		13,866	13,609	13,204	13,400	
Service	Incineration	ton	0	0	0	0	
	Landfill		0	0	0	0	
	Recycle		8,823	9,124	9,191	9,359	
	Subtotal		8,823	9,124	9,191	9,359	
Business site (Manufacturing factory)	General waste	Incineration	ton	157	217	231	226
		Landfill		0	0	0	0
		Recycle		694	753	825	702
		Subtotal		851	970	1,056	928
	Designated waste	Incineration	ton	0	0	0	0
		Landfill		0	0	0	0
		Recycle		0	0	0	0
		Subtotal		0	0	0	0
Total waste disposed		ton	23,540	23,703	23,450	23,687	
- Waste landfilled			0	0	0	0	
- Waste incinerated with energy recovery			5,032	5,003	5,280	5,159	
- Waste incinerated without energy recovery			157	217	231	226	
- Waste otherwise disposed			18,350	18,483	17,939	18,303	
- Waste with unknown disposal method			0	0	0	0	
Total waste recycled/reused			23,383	23,486	23,219	23,461	
Waste recycling rate		%	99.3	99.1	99.0	99.0	

* Amount of waste based on wellness-related home appliances. (Excluding cosmetics, mattresses included starting 2021)

* From 2016, service wastes are all recycled as solid fuel products. Waste produced by the factories is turned into solid fuel products except for some, and more than 99 percent of them are recycled.

* Due to the Pocheon Factory recycling business's return in 2018, the amount of product waste recycled is counted as Coway's recycling.

* Recycling rate: (Products, Services, Business Site Recycling)/(Products, Services, Business site amount generated) * 100

* 'Waste incinerated with energy recovery' corresponds to the amount of waste recycled, and 'Waste landfilled', 'Waste incinerated without energy recovery', and 'Waste with unknown disposal method' correspond to the amount of waste disposed.

Ecosystem Protection Activities

Case Classroom Forest Project for Promotion of Biodiversity

The Classroom Forest Project is part of Coway's new CSR activities designed for students to study biodiversity and gain a better understanding of carbon neutrality and climate change by growing companion plants. IT provides students with the opportunity to learn about endangered and native species and raise awareness of the importance of biodiversity protection by providing professional environmental education. Also, it allows students to learn about the amount of fine dust and greenhouse gas emissions that plants can reduce, helping the future generations develop more interest in climate change.



Customer Satisfaction Management

Business relevance & Approach

The continued spread of the COVID-19 pandemic and the consequent increase in contactless activities have brought about significant changes in consumers' lifestyles and consumption patterns. Consumer needs and demands for space utilization, IT-based convenience, and non-face-to-face communication have led us to develop customized products leading to innovations in customer service. As a market leader, we push ourselves further to maximize consumer utility by becoming a "Water Care" and "Air Care" service provider with expertise and responsibility without staying in our comfort zone.

In 2021, we launched a wide range of customer satisfaction programs, including the "Reliable Photo Service," which allow customers to check how the products are managed; "Water Quality Testing Service," which is designed to help customers use their water purifiers safely; "AR Smart Catalog," which is a contactless service that utilizes AR technology; and the "Real-time Coordinator Matching Service," which provides customers with customized counseling services regarding Coway products.

Activity

- Customer satisfaction principles and strategies
- VOC (Voice of Customer) channel
- Online and offline customer satisfaction programs

Performance 2021

Customer Satisfaction Survey Results (NPS)

82.8 points

Business Cases

- Customer Satisfaction Management System (ISO10002) Certification
- Consumer-centered Management (CCM) Certification
- Customer Satisfaction Management Leader at the 2021 Korea Management Awards

Customer Satisfaction Management System

Principles and Strategies

Coway intends to enhance its brand value by building long-term trust relationships with its customers. We always listen to the opinions of our customers and make customer satisfaction the standard for all our actions and judgments. In addition, we strive to provide the best products and services and respond quickly and accurately to our customers' needs.

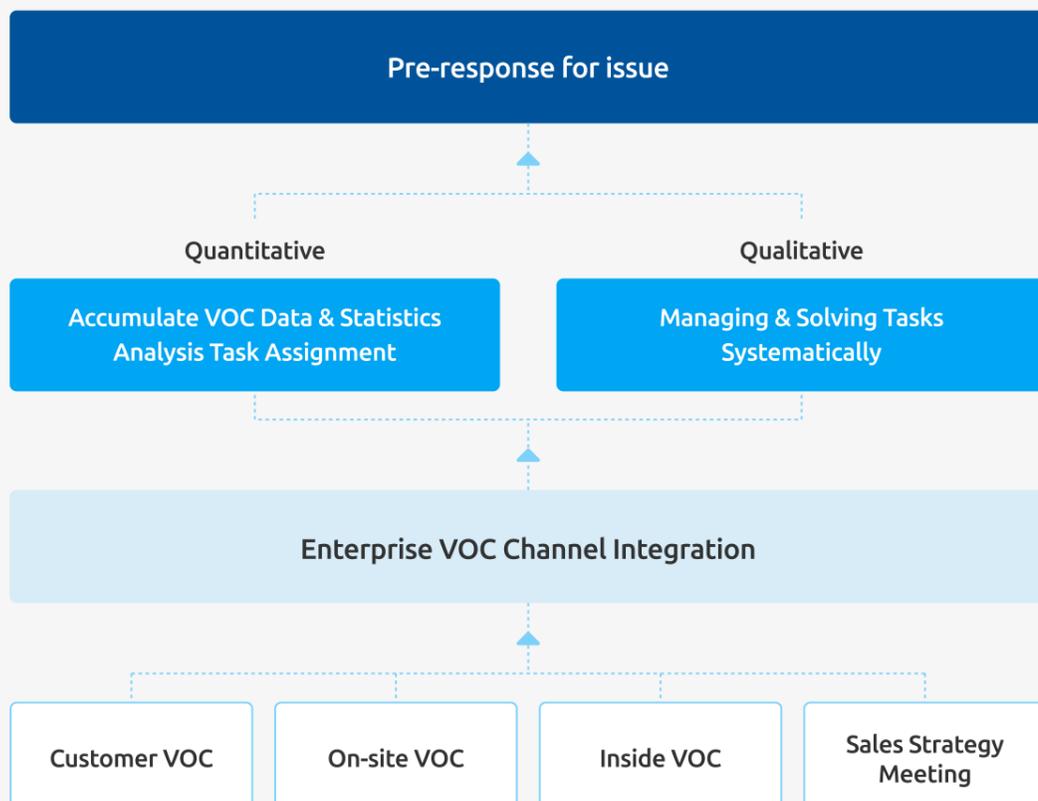
VOC Channel

Coway has integrated the existing Voice of Customer (VOC) channels for efficient VOC management. We use the integrated VOC channel to manage issues proactively by building a process that comprises data collection and analysis, and task identification and fulfillment. The tasks identified through the VOC channel are assigned to the relevant departments and their progress is monitored periodically for improvement. Even after the tasks have been fulfilled, we continue on-site monitoring on a regular basis and conduct a satisfaction survey to ensure the effectiveness of the task fulfilled.

VOC Process



Enterprise VOC Channel Integration



Customer Satisfaction Survey Results (NPS)

Coway has conducted a customer satisfaction survey on a regular basis every year and carried out diverse activities to increase customer satisfaction consistently. As a result, we received 82.8 points, which was up from the previous year, in the customer satisfaction survey that was conducted in 2021.

(Unit: point)

Category	2018	2019	2020	2021
Customer satisfaction survey result	79.0	75.1	82.5	82.8

Customer Satisfaction Activities

Coway's business model is developing together with customers by providing products and services at customer contact points, earning customer satisfaction and trust. We provide new experiences to customers and increase the value of life through innovation in products and services, and we are growing together with customers by providing customized care in all aspects of customer life through continuous research on customer satisfaction.

In 2021, we offered the special parts replacement service for product hygiene management in the summer on a trial basis. In 2022, we plan to expand the program to include more products and implement it as a regular service. We have also uploaded videos that provide information on each product and tips on how to maintain the products on our website as part of our efforts to communicate effectively with customers.

Certification and Awards for Customer Satisfaction Management

Customer Satisfaction Management System (ISO10002) Certification

Coway has been recognized for its customer-service quality by obtaining the 'Customer Satisfaction Management System (ISO10002)' certification from the Korean Management Registrar (KMR) for three consecutive years. ISO10002 certification is an international certification awarded to businesses that systematically and reliably respond to customer needs and expectations according to the customer satisfaction management system standards established by the International Organization for Standardization (ISO). Following the first acquisition of ISO10002 certification in Sept. 2019, Coway was found conformant for the follow-up evaluation conducted in 2021 and obtained the certification for three consecutive years.

Consumer Centered Management (CCM) Certification

In 2021, Coway obtained the Consumer Centered Management (CCM) certification awarded by the Fair Trade Commission. Driven by firmwide digital transformation, we strive to improve the customer experience, listening to customers via online and offline channels and responding appropriately to customer feedback. We operate the Infinite Responsibility Committee under the direct control of the CEO to promptly reflect customer feedback in business activities as a whole. We have also introduced a systematic ethical management system to promptly respond to privacy incidents and other issues related to safety. We will take the lead in consumer centered management on the basis of digital transformation and sharpen our competitiveness in world-class customer satisfaction.



Case Named Customer Satisfaction Management Leader at Korea Management Awards, 2021

Coway was named a "Korean Customer Satisfaction Management Leader" in the Innovation Best Practice category at the 2021 Korea Management Awards. We developed the products and services that merged innovative technologies, including IoT and AI, to increase customer satisfaction, which received positive responses. We are the first in the industry to provide customized care service, "loCare (Internet of Care)" based on IoT technology. We are also developing products that utilize AI to improve customer convenience.



Customer Satisfaction Service Programs

Reliable Photo Service

As consumers are increasingly conscious of hygiene these days, we are providing the Reliable Photo Service, which is available for customers who use Coway's iced water purifier to check their products through photos sent by Coway service coordinators after maintenance visits. The professional service coordinator thoroughly cleans the product, inside and outside, and replaces water filters every two to six months as scheduled. Through the photos the service coordinator sends, customers can make sure that their products are well maintained and retain confidence in our service quality. In addition, we send the "E-maintenance card" to our customers before and after our service coordinators visit them to inform customers of how their products are maintained, and provide diverse customer services, such as FAQ service and live chat.

Self-managing Products and Mobile Push Notification Service

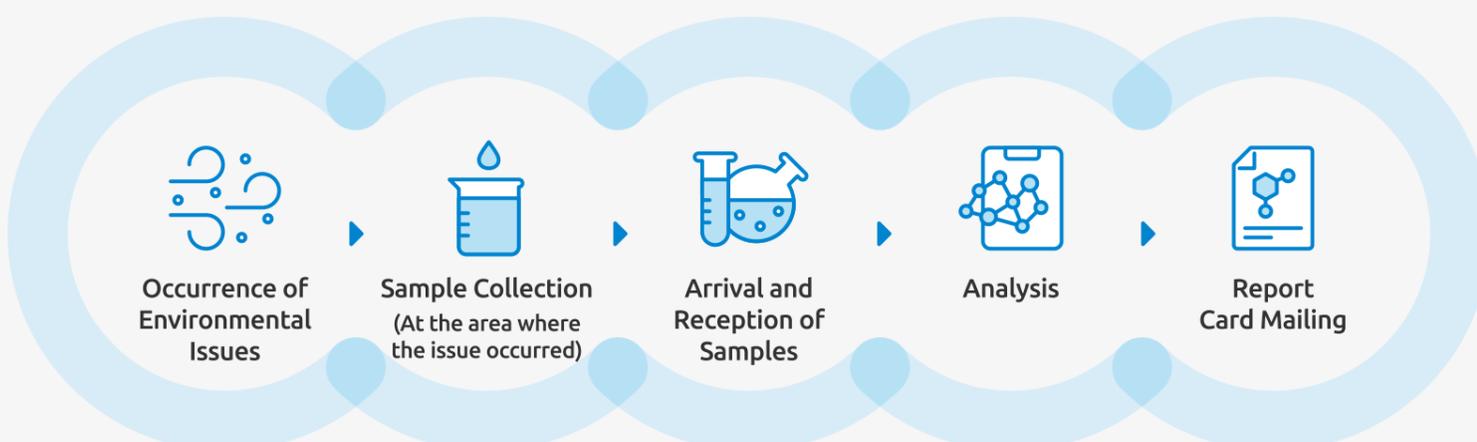
As contactless services in everyday life are increasing and the major groups of consumers are changing, Coway is introducing self-managing products that allow customers to maintain the appliances themselves. Customers can readily maintain products without a service coordinator visiting them by using the tools and self-management and the online user manual we send on a regular basis.

Also, we send push notifications regarding when to replace and maintain filters. We provide our customers with peerless, customized service and communicate with them through push notifications for all service areas, including ordering, installation, maintenance, after-sales service, and return, for customers to save time and money without compromising convenience.



Water Quality Test at Your Door, "Environmental Safety Service"

In order for our customers to use water purifiers without fear, we offer a water-quality testing service, the "Environmental Safety Service" by visiting customers. We offer the Environmental Safety Service for free by visiting customers in order to relieve consumers' concerns about the safety of drinking water, on the one hand, and supply safe water to consumers. We provide the service once per year to consumers who receive water purifier maintenance visiting services by collecting water from the water purifier and conducting water-quality testing at the Coway Environmental Technology Research Center, a nationally accredited analysis institute.



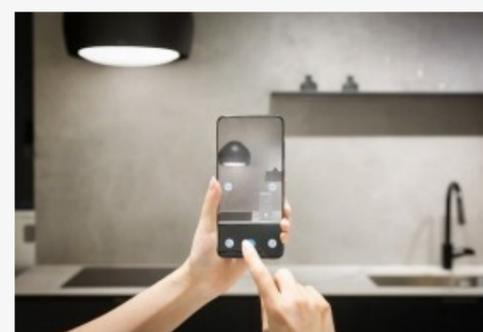
The Environmental Safety Service consists of five steps: occurrence of an environmental issue; sample collection (at the site where the environmental issue occurred); arrival and reception of samples; analysis; and report card mailing. We verify the capacity of our product to purify polluted water promptly and deliver the result to our customers when a water-quality issue arises. When water pollution is caused by hazardous substances, we detect and analyze them based on the water-quality standard items. After the completion of water-quality analysis, the result is sent to customers via the Kakao Talk push notification immediately so that customers can find out the result on the same day. When water-quality issues are not resolved for a prolonged period, we provide a free filter-replacement service in order for customers to use their water purifier in perfect condition.

Customer Satisfaction Online Programs

AR Smart Catalog

The AR Smart Catalog is a convenient contactless customer service we provide by using Augmented Reality (AR) technology. It allows customers to place a virtual product in the real space in real size to see how the product and space go well together. When users aim their smartphone at the place they want, a 3D image of the product is created on the screen. Users can compare up to three products by changing colors and styles of the product and adjusting the location of the products on the screen.

Moreover, users can touch the control panels of the products as if they were real to experience the major functions of the products and learn what it feels like in detail. In case of the air purifier, the AR Catalog shows major functions along with the air flow for each mode three dimensionally, suggesting the ideal location for the product. The AR Catalog fuses the virtual products with the real space to allow customers to find ideal spots for the product in the space and experience the products virtually.



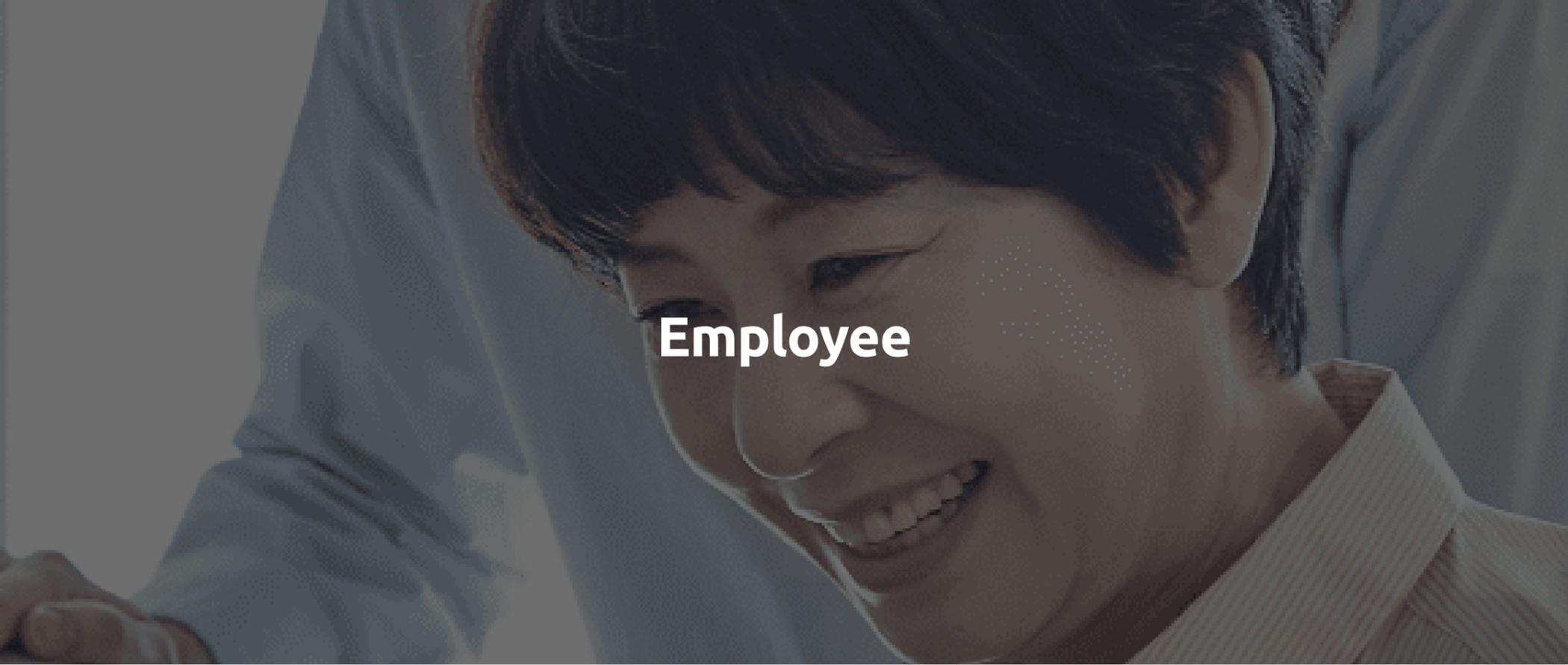
Real-time Coordinator Matching Service

As demand for contactless service is growing, we provide a real-time coordinator matching service based on digital technology in order to efficiently meet the needs of customers. Over 12,000 coordinators across the nation are providing product-related counseling services to customers in real time. When a customer requests a counseling service, a coordinator who is most familiar with the location of the customer is assigned to provide a professional, customized service. We do our best to provide customers with the most convenient shopping environment possible by organically connecting our powerful offline sales infrastructure with online channels.



Official Online Mall "Coway.com"

Coway's official online shopping mall Coway.com is a digital rental platform with upgraded commerce functions that allow customers to readily rent or purchase Coway products by comparing diverse products. It helps customers find the right products for their needs by recommending the products that suit their lifestyles. In line with recent consumption trends, Coway.com is expanding communication with customers. Through its own live commerce channel Coway Live, it plans to share useful information with customers through online housewarming parties and best reviews and provide diverse contents.



Employee

Employee Empowerment

Coway is acutely aware of the importance of recruiting talented professionals who will lead continuous innovation and their capacity-building in a new era for business. We support our employees to develop their full potential and we provide diverse programs for employees to sharpen their professional skills, develop creativity, and build self-motivation and conduct performance evaluations in a transparent and fair way. Coway is growing into a sustainable company with a family-friendly and robust corporate culture for work and life balance.

Employee Education System

Coway operates a systematic education system. The training system consists of courses on diverse topics, including leadership, on-the-job training, onboarding, courses required by law, and required courses. We also provide language education for the development of global talents. In 2021, we provided contactless training using digital tools to prevent COVID-19 infection.



Leadership Training

We provide leadership training to nurture leaders who understand the company's business directions and create organizational performances. We provide customized training for executives and team leaders, online contents education, and training for new positions regularly. In addition, through training for promotion, we support employees to check their personal growth and acquire necessary competencies.

On-the-job & Onboarding Training

We are operating job expert courses to strengthen the business professionalism. We newly established data expert training course, safety and health expert course, and in-house influencer training course (live commerce show host, announcer, reporter) and received good responses. Also, we designed the learning environment to take external job training and e-learning regardless of time and place.

In addition, we provide customized onboarding training to new and experienced employees to help them understand the company and adapt to the organization. Also, we select 'Buddy' to support new employees' company life. We provide 'Buddy Mission Book' to get along with members.

Courses Required by Law & Required Courses

We provide courses required by law, which are related to regulatory compliance and employees' capacity-building. The training consists of prevention of sexual harassment in the workplace, courses to improve awareness of disabilities, and occupational safety and health courses. We promote healthy corporate cultures through legal education.

In 2021, we provided trainings for all employees about the Coway's value system and our products to share the company's direction. The training about the Coway's value system was about the company's vision, mission, talent, and core value. It is conducted as a common course for all employees. And in the product training, we educated the company's core products, which all employees should know.

Employee Education and Training Investment

Category	Unit	2018	2019	2020	2021
Total training cost ¹⁾	KRW 1 million	11,693	11,425	5,803	3,908
Training cost per person ¹⁾	KRW 1 million/person	2.4	2.3	0.8	0.6
Total training hours ²⁾	hour	107,564	109,735	97,207	93,760
Training hours per person ²⁾	hour/person	89.6	61.4	62.3	63

1) The total training cost and training cost per person are based on the total number of employees shown in the 2021 business report.

2) The total training hours and training hours per person are based on local employees except sales staffers.

Performance Assessment Process

We operate a performance assessment process based on equity and rationality for the purpose of nurturing talented professionals. In the Goal Setting process, we set goals through periodic feedback and develop plans in the Interim Inspection. In the Evaluation process, the Evaluation Committee consisting of the heads of each department and the human relations staffers conduct a fair evaluation. We will continue upgrading our performance management system based on due process and fair procedures to ensure that employees focus on achieving their goals.



Fair Remuneration: Average by Gender

Category	Unit	2019	2020 ²⁾	2021
Ratio of female salary to male salary ¹⁾	%	72.1	102.1	87.0

1) Report based on the total amount of remuneration including base pay and performance incentives. (Based on the business report)

2) In August 2020, the number of male employees increased due to the conversion of service managers to full-time positions, but the salary was reflected only for 4 months, temporarily lowering the average male salary in 2020.

Sound Labor-management Practices

Coway is building labor-management relations for mutual prosperity on the basis of mutual trust through transparent communication. We will comply with the constitution and relevant laws to secure employees' rights and improve working conditions and build a labor-management relationship based on trust to promote the common interests of both parties.

Labor Union Membership Status

Category	Unit	2021
Percentage of labor union membership	%	19.8

The Coway management holds a meeting with the labor that represents the Coway employees on a regular basis to make important decisions and changes on business management. We disclose transparently when we have to make significant changes to our business activities and listen to employees in an effort to build a labor-management relations for mutual prosperity. In 2021, we held a labor-management council meetings four times to discuss 12 agendas, including revision of labor-management council regulations.

Number of Agendas Held and Discussed by the Labor-Management Council

Category	Unit	2018	2019	2020	2021
Joint labor-management council meetings	meeting	5	4	5	4
Discussed agenda	case	8	7	9	12
Processed agenda		8	7	9	12

Received Employee Grievance Status

Category	Unit	2018	2019	2020	2021
Received grievances	case	59	28	46	33
Resolved cases		59	28	46	33
Rate of grievance resolution	%	100	100	100	100

Corporate Culture

Family-friendly Policy

Coway has operated diverse programs in an effort to create a family-friendly corporate culture of work-life balance. As a result, we were named a “Best Family-friendly Management” by the Ministry of Gender Equality and Family for the 4th time in a row in 2021.

Program	Description
Fixed time work policy	The PC-Off system encourages employees to leave the office at a fixed time and supports employees to spend more time with their families.
Elementary school entry leave	Five-day paid leave is provided to employees to help their children start elementary school.
Shortened work hour during pregnancy	During the early and late stages of pregnancy when there is a high risk, 2 hours shorter work hours.
Medical leave	Employees who take a medical examination are allowed to have a paid half-day leave.

Case Named the ‘Best Family-friendly Management’ for Four Consecutive Times

Coway had been chosen as a “Best Family-friendly Management” for four consecutive times by the Ministry of Gender Equality and Family. The “Best Family-friendly Management” is given to a business or institution that operates family-friendly programs, such as support for childbirth and childrearing, to provide employees with work-life balance. Since its first certification obtained in 2012, Coway has been operating a wide range of employee benefits programs, such as parental leave for children starting school and paternity leave, and, as a result, will continue to be certified until 2023. We will do our best to create a family-friendly corporate culture and support a work-life balance for employees. We will operate a wider variety of family-friendly programs by keeping in mind that employees’ happiness is the driver of corporate growth.

Parental Leave Status¹⁾

Category	Unit	2018	2019 ²⁾	2020	2021
Number of male parental leave employees	person	16	15	23	43
Number of female parental leave employees		136	146	150	118
Total number of parental leave employees		152	161	173	161
Return rate of work after parental leave	%	99	96	88	84
Retention rate for 12 months after returning from parental leave		78	87	84	88

1) Based on local employees.

2) As of 2019, it has changed to parental leave.

Employee Perk Programs

Coway offers a wide range of employee benefits programs to improve employees’ quality of life. We provide financial support for vacations, special occasions, and healthcare to increase employees’ job satisfaction.

	<p>Perk points</p> <ul style="list-style-type: none"> - KRW 500,000 ~ 1.2 million (paid differently according to job tenure) 		<p>Paid long-term vacation</p> <ul style="list-style-type: none"> - 7th year: 10 days, KRW 1 million - 12th year: 20 days, KRW 2 million
	<p>Home mortgage interest</p> <ul style="list-style-type: none"> - Home mortgage interest covered for first-time home buyers 		<p>Children's tuition</p> <ul style="list-style-type: none"> - Tuition from kindergarten to college
	<p>General health checkup</p> <ul style="list-style-type: none"> - Once a year 		<p>Special leave/gift money</p> <ul style="list-style-type: none"> - Financial support for leave on special occasions, such as marriage, 60th birthday, 70th birthday, 80th birthday, death, childbirth, etc.
	<p>Support for funeral service/material and manpower support</p> <ul style="list-style-type: none"> - Material and manpower support for the funeral of an employee or family member 		<p>Birthday, childbirth, and wedding anniversary gifts</p> <ul style="list-style-type: none"> - Employee's birthday and wedding anniversary gift - Gift for new mom
	<p>Holiday/company anniversary gifts</p> <ul style="list-style-type: none"> - Gift in celebration of New Year's Day, Thanksgiving Day, and Coway anniversary 		

* Based on local employees

Diversity

Diversity Policy and Activity

Coway stresses diversity and non-discrimination in its ethical regulations, ethical practice guidelines, and human rights policies. We pursue a corporate culture in which all employees are not discriminated on the basis of sex, nationality, disability, and religion, among others. We respect the diverse individual backgrounds and ways of thinking as they are and aim to achieve harmonious development. We take discrimination seriously and apply zero-tolerance policies to any discriminatory act.

In addition, we ensure gender equality in human resources management. We comply with laws on equal employment, such as the Labor Standards Act. We consistently select female managers to achieve gender balance and ultimately gender diversity in the workplace.

[Regulations of Ethics, Chapter 2 Section 4: Ethics for Executives and Employees ↗](#)

[Code of Ethics, Chapter 8: Criteria for the Prevention of Sexual Harassment on the Job ↗](#)

[Human Rights Policy, Section 1: Non-discrimination ↗](#)

Discrimination and Bullying in the Workplace in 2021

Category	No. of incidents filed	Actions taken
Discrimination	0	100%
Bullying in the workplace	4	

Ratio of Female Management Positions¹⁾

Category	Unit	2019	2020	2021
Female workforce rate	%	-	49.2	46.2
Manager-level female workforce rate		-	33.3	28.5
- Junior manager		51.2	48.4	41.8
- Senior manager		38.5	15.6	16.7
- Managers of the sales-related departments ²⁾		-	56.4	53.0
Female workforce in STEM ³⁾		-	15.4	18.3

1) Based on local employees.

2) Ratio of manager-level women employees in the Wellness-related Home Appliances Business Headquarters.

3) Percentage of females in STEM(Science, Technology, Engineering, Mathematics)-related departments

Employee Data

Total Employee Status

Category	Unit	2018	2019	2020	2021
Total workforce	person	4,927	4,988	6,571	6,525
Business area	Production	300	321	323	365
	Sales	3,406	3,402	3,456	2,940
	Research	355	366	368	439
	Office	835	868	888	1,291
	Service	-	-	1,504	1,456
	Others	31	31	32	34
Employment type	Full-time	4,627	4,733	6,356	6,393
	Temporary	300	255	215	132
Gender	Male	1,773 (36.0)	1,809 (36.3)	3,337 (50.8)	3,509 (53.7)
	Female	3,154 (64.0)	3,179 (63.7)	3,234 (49.2)	3,015 (46.2)
Minority group	Foreigners	5	5	6	10
	People with disability	49	51	68	67
Nationality	Korea	-	-	6,565	6,515
	New Zealand	-	-	1	1
	USA	-	-	2	3
	Japan	-	-	1	1
	China	-	-	1	3
	Australia	-	-	1	1
	Canada	-	-	-	1

Global Employee Status

Category	Unit	2018	2019	2020	2021
Total workforce	person	1,428	1,673	1,751	2,167
Overseas dispatch		16	24	26	35
Local employment		1,412	1,649	1,725	2,132

Employee Status by Age

Category	Gender	Unit	2018	2019	2020	2021
Executives over 50	Male	person	16	17	17	19
	Female		0	1	2	2
Employees over 50	Male		78	185	401	379
	Female		795	1,131	1,272	1,046
Executives over 30 and under 50	Male		13	13	10	11
	Female		2	0	3	4
Employees over 30 and under 50	Male		1,539	1,513	2,816	2,956
	Female		2,144	1,903	1,837	1,816
Employees under 30	Male		127	81	93	144
	Female		313	144	120	148

Recruitment Status

Category		Unit	2018	2019	2020	2021
New recruits		person	666	595	1,961	532
Position	Employee	person	-	-	1,947	531
	Executive		-	-	14	1
Age	Under 30	person	-	-	94	105
	Over 30 and under 50		-	-	1,641	413
	Over 50		-	-	226	14
Gender	Male	person	-	-	1,689	325
	Female		-	-	272	207
Nationality	Korea	person	-	-	1,960	532
	New Zealand		-	-	1	0

Turnover and Longevity Status

Category		Unit	2018	2019	2020	2021
Turnover rate		%	12.6	10.7	6.7	10.7
- Voluntary turnover ¹⁾		%	99.5	95.6	95.7	93.9
Position	Employee	person	-	-	352	659
	Executive		-	-	5	4
Age	Under 30	person	-	-	80	97
	Over 30 and under 50		-	-	238	315
	Over 50		-	-	39	251
Gender	Male	person	-	-	149	208
	Female		-	-	208	455
Nationality	Korea	person	-	-	357	662
- Involuntary turnover ²⁾		%	0.5	0.5	4.3	6.1
Position	Employee	person	-	-	8	43
	Executive		-	-	8	
Age	Under 30	person	-	-	0	
	Over 30 and under 50		-	-	12	8
	Over 50		-	-	4	35
Gender	Male	person	-	-	8	9
	Female		-	-	8	34
Nationality	Korea	person	-	-	16	43
Average years of employment		year	7.5	7.5	6.8	6.5

1) Resignation

2) Death, retirement, dismissal



Partners and Suppliers

Partner Expertise Enhancement

Coway communicates with customers directly and supports service partners, who provide products and services to customers, for mutual prosperity. Our partners are responsible for increasing brand awareness and value as the first point of contact with customers. We do our best to provide our partners with the best possible support to ensure that they carry out sales activities with pride and provide seamless services to customers.

Partner Configuration

Category		Contents
Before service	Cody (About 12,000)	Provide inspection and hygiene management service for environmental home appliances
	Home-care doctor (About 1,200)	Provide regular mattress hygiene management service to Care Service members
Sales	Door-to-door salesmen (About 2,200)	Provide product information and sales activities to the customers

Support for Partners' Expertise Building

We operate a systematic training program for our partners to provide customers with professional services. The program consists of technical training, which provides professional knowledge on the products and services, and service training, which deals with technological training and door-to-door sales. The technical training is designed for our partners to gain professional knowledge on Coway products and services and service procedures. The service training helps our partners gain a better understanding of their duties and develop a customer-service mindset. In addition, we provide new partners with a mentoring program to help them perform their job stably and stay with us for a long time.

Product Recommendation Service Tool Support

We provide a sales application embedded with mobile content, such as information on products and product promotion so that service partners have easy access while selling products to customers. The app is designed for service partners to have easy access to the information they need, and facilitate their professional sales activities with reference to diverse contents that customers are interested in.

AR Catalog, Mobile Order, and Real-time Matching Service

We introduced an AR catalog application order to improve customer experience in the contactless environment and provide an environment for customers to purchase products conveniently. We operate a mobile order system and real-time coordinator matching service by integrating digital technology. Also, we link offline sales infrastructure and online channel services for customers who prefer to receive counseling service in person.

[Read more ↗](#)

Partner Training Status

Strengthen Partner Work Support System

We have doubled down on our on-the-job support and training system by providing contactless training and customized offline training programs. We run hands-on training program, which enables our partners to gain practical knowledge on our flagship products, and an instructor-accompanying training program. We also operate a support channel to help beginners acclimatize to their work culture through coaching services.

Standardized Coordinator Service Program

We provide an intensive coordinator system improvement system to standardize coordinators' capacity and services in order to provide right services to customers. We are building a framework for "Right" services by standardizing training, service system, and monitoring.

Partner Ethics Training

We hold a Ethical Management Committee meeting every month to preemptively monitor and analyze business activities that diverge from ethical management. We identify and analyze problems and then take action to improve basic sales practices, systems, and processes. We then publish a ethical management newsletter to share diverse content with examples, such as misselling, with sales partners.

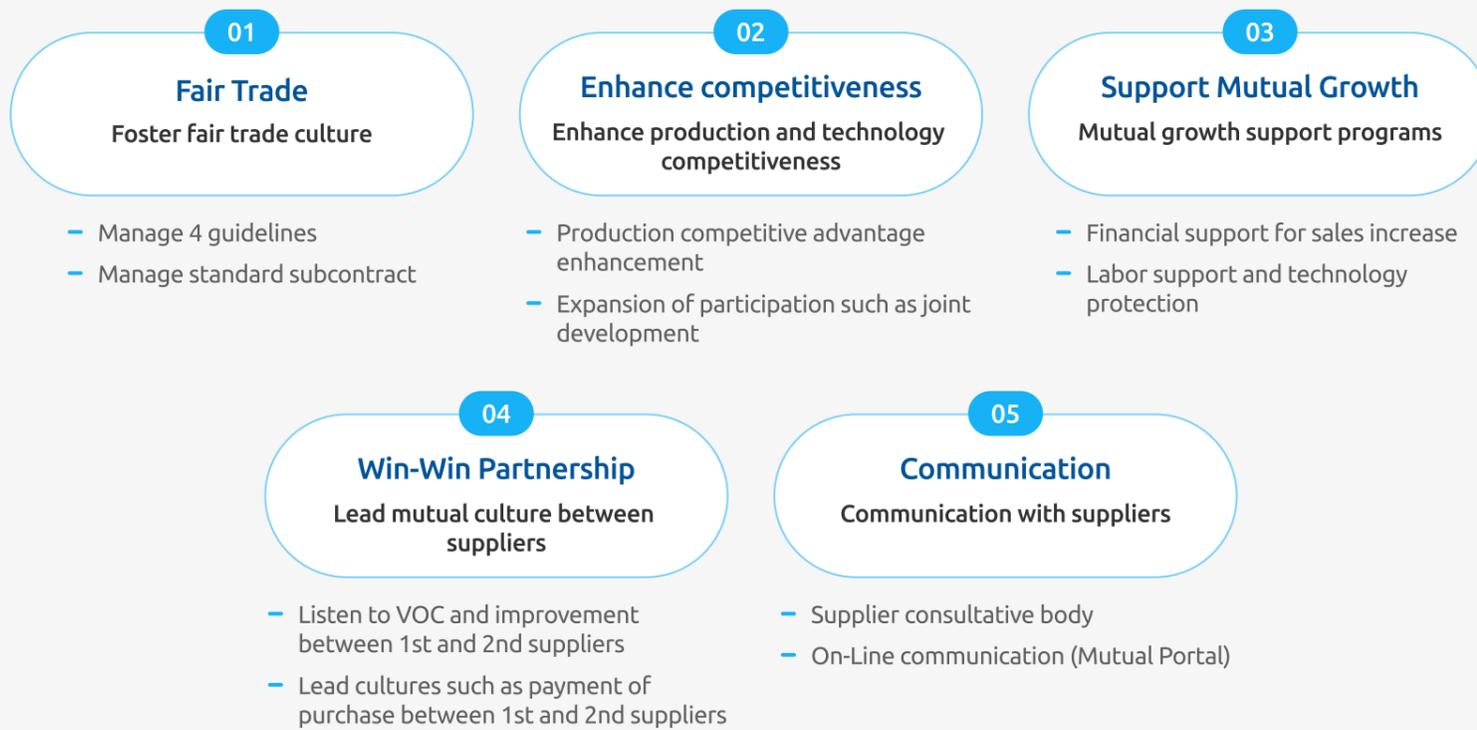
Mutual Growth with Supply Partners

Coway is striving to create a transparent and robust industrial ecosystem based on mutual trust with suppliers. We promote mutual prosperity through 1) Foster fair trade culture; 2) Enhance competitiveness in production and technology; 3) Mutual growth support programs; 4) Promotion of mutual prosperity between suppliers; and 5) Communication with suppliers.

Coway Mutual Growth



Establish “Sustainable Mutual Growth” with Coway



Support for Supply Partners

Coway is taking various measures to grow together with suppliers. We offer a wide range of programs designed to consolidate the business foundation and infrastructure and promote support for primary and secondary suppliers.

Strengthening the Management Stability of Suppliers

Category	Promotion contents	2021 Promotion results
Financial support	KRW 20-billion fund for mutual growth	<ul style="list-style-type: none"> • As of Dec. 31, 2021: KRW 15.02 billion
Payment	Payment within statutory deadlines	<ul style="list-style-type: none"> • Payment: three times a month • Average payment period: 15.3 days
Means of payment	100% payment in cash	<ul style="list-style-type: none"> • Means of payment: 100% cash payment
Business stability	Pre-purchase and early payment in case of suppliers' business deterioration	<ul style="list-style-type: none"> • Pre-purchase payment: KRW 16 million • Early payment for suppliers: KRW 2,780 million
Sales expansion	Localization of procured products to increase sales of business partners	<ul style="list-style-type: none"> • Localization of Japan-made EW electrode: KRW 31 million • Localization of Japan-made activated charcoal deodorizing air purifier filter: KRW 302 million
	Sales of MRO products produced by suppliers for sales growth	<ul style="list-style-type: none"> • Sales of showerheads produced by suppliers: KRW 382 million
Purchase price adjustment	Adjustment (increase) of product markups in response to suppliers' requests	<ul style="list-style-type: none"> • Increase rate: 100% • Increase outcome: 2.88%

Infrastructure Support for Growth

Category	Promotion contents	2021 Promotion results
Technical support	Consulting service for productivity and technology improvement	<ul style="list-style-type: none"> Consulting service for two subcontractors: KRW 23 million Consulting service for smart quality control: KRW 80 million
Technology protection	Financial support for technology escrow for technological protection	<ul style="list-style-type: none"> Financial support for technology escrow: 7 technologies for 5 suppliers
Training and employment	Financial support for employee training for long-term employment of key personnel	<ul style="list-style-type: none"> Online training: KRW 18 million for 547 people enrolled for 12 courses FTA training: 63 people from 53 suppliers
Industrial disaster prevention	Fire extinguishers for industrial disaster prevention	<ul style="list-style-type: none"> Fire extinguishers: 100 fire extinguishers provided to 71 suppliers
Support for disease control	Face masks for prevention of the spread of COVID-19	<ul style="list-style-type: none"> Total of 275,500 face masks provided to 71 primary suppliers

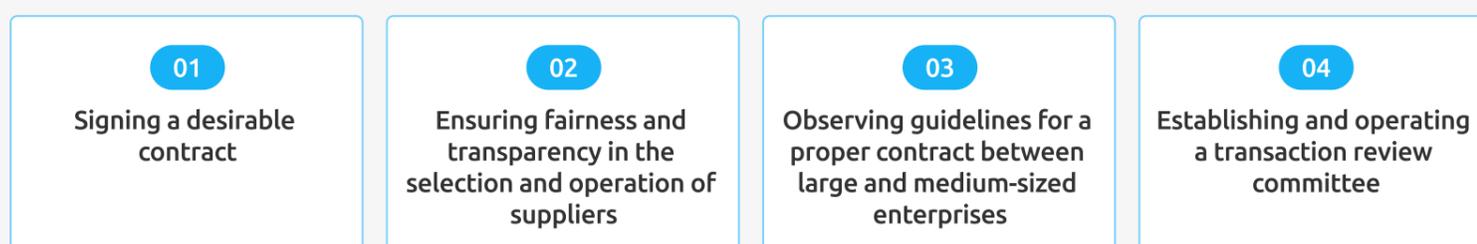
Lead 1st Suppliers to Support 2nd Suppliers

Category	Promotion contents	2021 Promotion results
Agreement signed	Contract signed for mutual cooperation between primary and secondary suppliers	<ul style="list-style-type: none"> Primary suppliers: 57 Secondary suppliers: 89
Financial support	Adoption of the payment terms improvement guidance system between primary and secondary suppliers	<ul style="list-style-type: none"> Cash payment monitoring between primary and secondary suppliers: KRW 184.369 billion Cash payment made to primary and secondary suppliers: 78.5% Average payment days between primary and secondary suppliers: 23 days
Agreement fulfillment	Monitoring of the fulfillment of the agreement between primary and secondary suppliers	<ul style="list-style-type: none"> Primary suppliers: 6 Secondary suppliers: 103
Financing	KRW 20-billion mutual prosperity fund	<ul style="list-style-type: none"> As of Dec. 31, 2021: KRW 1.336 billion
Support for disease control	Face masks for the prevention of the spread of COVID-19	<ul style="list-style-type: none"> 16,500 face masks provided to secondary suppliers

Integration of Fair Trade Culture

Four Guidelines for Fair Trade

Coway has formulated four guidelines for mutual prosperity to guarantee the rights and interests of subcontractors and prevent the abuse of a superior bargaining position. We designate a person in charge of fair trade to monitor compliance with the guidelines on a regular basis and take preemptive measures to prevent unfair trade risks, ultimately promoting transparent business activities.



Fair Trade Governance

Coway operates an internal unfair trade monitoring system in order to internalize the fair trade guidelines. The Subcontract Transaction Review Committee consists of at least three employees, including staffers relevant to subcontracting. The committee holds a fair trade deliberation committee meeting 12 times per year to monitor subcontracting in general, including cost fluctuations.



Supply Chain ESG

Supplier Code of Conduct

Coway maintains mutually beneficial partnerships with suppliers to contribute to shaping a healthier and more convenient living environment and a better world through our innovations. We strive to fulfill our corporate social responsibility through responsible management and require our suppliers to do the same.

We created "Supplier Code of Conduct" based on the Code of Conduct of the Responsible Business Alliance (RBA), former Electronic Industry Citizenship Coalition (EICC), UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, and other global guidelines. Aiming to promote corporate social responsibility and upgrade corporate ethics, the Code of Conduct contains basic principles, regarding respect for labor and human rights, environmental responsibility and ethics that Coway subcontractors must comply with as partners.

[Supplier Code of Conduct](#) ↗

Supplier Code of Conduct Details by Area

Domain	Details
Labor	Prohibition of discrimination, prohibition of child labor, voluntary work, observance of working hours, humane treatment, wage, etc.
Safety and Health	Occupational safety and health, preparedness for emergency, etc.
Environment	Compliance with environmental laws and pollution prevention and regulation of product-containing substances, etc.
Ethics	Anti-corruption, fair trade, responsible mineral procurement, protection of personal information, etc.
Management System	Compliance with relevant laws and customer requirements, compliance with this code, identification of operational risks, etc.

ESG Assessment in Supply Chain

Securing Supply Chain Sustainability

Coway is striving to create a sound and sustainable industrial ecosystem in partnership with suppliers to ensure the sustainability of the entire supply chain as well as its own business realm. We carry out the risk-management process by assessing the ESG engagement of our suppliers every year. We conduct an ESG-related evaluation to identify ESG-related potential risks in the supply chain and, according to the results, require those who have failed to meet certain standards to take action for improvement.

We manage our suppliers by taking diverse factors into consideration, such as transaction scale, irreplaceability, possession of core technologies, and so forth. As of 2021, we manage 144 primary suppliers and 71 among them as core primary suppliers.

Purchase Analysis

Category		Number of suppliers (Unit: company)		Purchase proportion (Unit: %)	
		2020	2021	2020	2021
1st	Total	116	144	57	62
	Core	69	71	34	30
2nd and above	Core	87	90	43	38
Total	Core	203	234	100	100

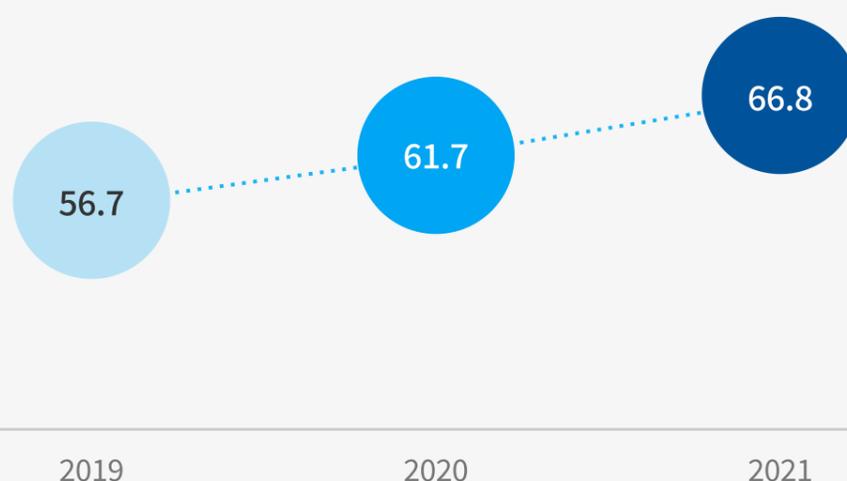
* The number of suppliers is data excluding raw material companies.

Supplier Risk Assessment

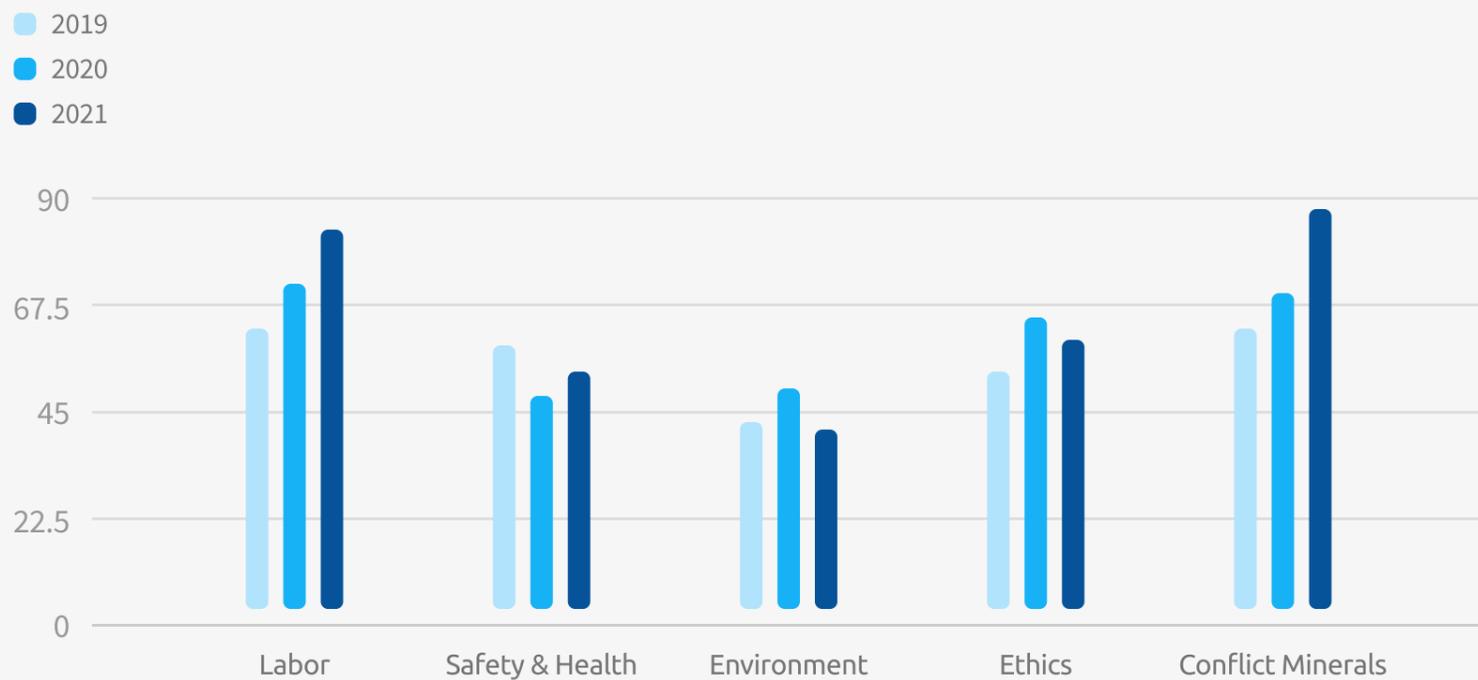
We comprehensively assess our suppliers in terms of their current status, performance, and business stability and grant additional points to those with excellent innovation activities and communication. We categorize our suppliers into four grades from A to D based on the assessment results, and award preferential benefits, including expansion of order quantity and an executive status. The suppliers who belong to the grades C and D group are penalized with disadvantages, such as development restrictions and reduced logistics. We discontinue business with the suppliers who receive grade D for two consecutive years.

In addition, we conduct an ESG-related evaluation on our suppliers every year to identify non-financial risks. The evaluation is conducted in five areas, namely: Labor; Safety and Health; Environment; Ethics; and Conflict Minerals — and each of the thematic realms are related to the Code of Ethics for our suppliers. In April 2022, Coway conducted an ESG evaluation of 71 suppliers. The evaluation result showed that our suppliers met the criteria by an average of 66.8 percent, which was up 5 percentage points from the previous year.

Supplier ESG Risk Assessment Results



Results of the ESG Risk Evaluation of Suppliers by Area



Supplier ESG Assessment Results by Area

Category	Unit	2019	2020	2021
Labor	point	62.4	71.2	84.1
Safety and Health		59.9	49.7	55.7
Environment		44.7	52.2	43.9
Ethics		55.1	66.8	59.9
Conflict Minerals		61.2	68.7	88.5
Total		57.0	61.7	66.8

Results of ESG Evaluation of Suppliers and Risk Factors

Category	Risk factors	Evaluation scope (Unit: company)		Suppliers exposed to sustainability risk factors (Unit: %)	
		2020	2021	2020	2021
Labor	Working hours	86	71	8.5	0
	Violation of labor-related cases and laws				
	Prohibition of child labor and youth labor				
	Foreigner and migrant workers				
	No discrimination				
Safety/Health	Safety and health management			2.1	1.4
	Safety and health policy				
Environment	Water			2.1	0
	Energy and GHG				
	Toxic substance and hazardous waste				
	Wastes				
	Violation of environmental cases and regulations				
Ethics	Fair competition			0	7.0
	Violations of corporate ethics-related cases and regulations				
	Anti-corruption and ethical management				
	Information protection				
Conflict Minerals			4.3	2.8	

Corrective Action

Coway gives suppliers the opportunity to draw up a corrective action plan in cases where they are required to address the problems identified as a result of the sustainability evaluation. We also require them to mitigate the ESG risk factors based on the action plan.

Conflict Minerals

Declaration of Restriction on the Use of Conflict Minerals

Coway puts human dignity first and limits the use of conflict minerals to drive sustainable consumption and production. Furthermore, we will endeavor to avoid any economic damage to Congo and neighboring countries by using legal minerals produced in conflict areas. To this end, we are conducting a continuous and scrupulous investigation on conflict mineral use and continually manage the conflict mineral issue through policy and management systems for the use of conflict minerals, and internal and external examinations.

Conflict Minerals Response Status

2012-2013	<ul style="list-style-type: none">• Conflict mineral use restriction items added to purchasing policy and restricted substances list
2014-2016	<ul style="list-style-type: none">• Partner training and system construction• Investigate conflict mineral usage and refinery information
2017-2021	<ul style="list-style-type: none">• Established Article 13 in Supplier Code of Conduct for Responsible Mineral Procurement• Integrated management of conflict minerals registration system in CSMS(Chemical Substance Management System)

[Coway Human Rights Policy 8](#) ↗ [Supplier Code of Conduct 13](#) ↗



Safety and Health

Safety and Health Management System

Coway is striving to create a safe and robust work environment based on a safety and health management system. We have created an occupational safety and health committee in the factories, R&D Center, and other workplaces with high risks of accidents to proactively address potential risks. We have also obtained ISO45001 (safety and health management system), testifying to our efforts to consistently improve safety and health in the workplace. In 2022, we will continue paying special attention to our employees' safety and health by giving their safety top priority in all business activities.

Safety and Health Management Policy

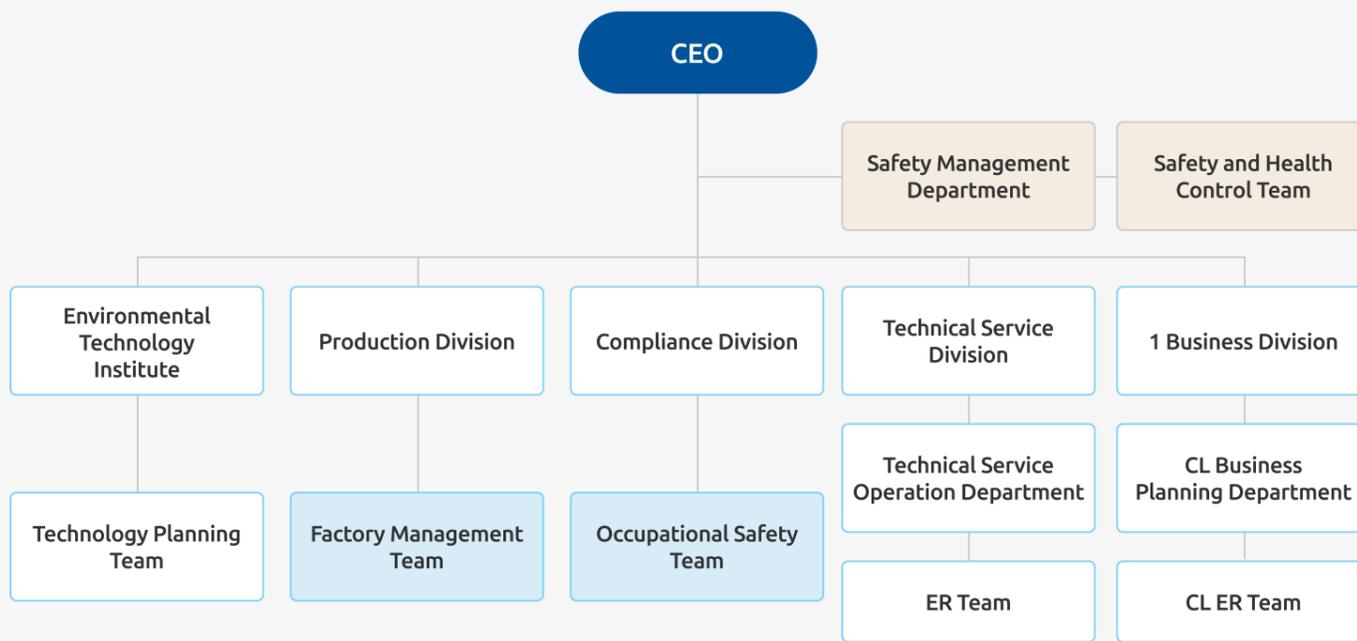
Coway has established its safety and health management policy based on the requirements of the international safety and health management system standard ISO45001 certification in a bid to stress safety and health management. In accordance with this policy, we faithfully adhere to the policy and regulations in all business areas, creating a pleasant and safety work environment and providing professional safety education, among others. We will continue carrying out various activities to ensure employees' safety and health in the workplace to ultimately fulfill our goals by improving performance.

[Coway Safety and Health Management Policy](#) ↗

Safety and Health Management Organization

In order to create a safe work environment and strengthen safety and health management, Coway launched an occupational safety team in March 2021, a safety management office, and a safety health monitoring team — and expanded and revised the safety and health management organization by reorganizing the occupational safety team as a body under the compliance headquarters. As an independent body, the safety management office supervises all activities related to health and management, while the safety and health monitoring team develops mid- and long-term strategies and monitors workplace safety. Also, we have named a department responsible for safety and health for each workplace to operate a safety and health management system. Based on such expanded and revised safety and health management organization, we provided training on how to respond to infectious diseases and education required by law in 2021. We also assessed safety and health in all workplaces and solved problematic issues.

- Reshuffle and Relocation
- Newly installed (Relevant to Severe Disaster Punishment Act)



Occupational Safety and Health Committee

Coway launched the occupational safety and health committee in 2005 for the overall management of safety, health, and hygiene in the workplace. In each division, the employers and worker members are composed of equal numbers of labor and management and manage safety-related issues. The committee draws up an occupational disaster prevention plan and deliberates and takes decisions on safety and health management regulations and employees' safety and health training every quarter. During 2021, the committee held four meetings to revise safety and health regulations and policies and discuss prevention of diseases for employees, COVID-19 prevention, and the implementation of the Severe Disaster Punishment Act.

Safety and Health Activities

Safety and Health Certification and Results

Coway operates a comprehensive safety and health management system for the Yugu, Incheon, and Pocheon Factories in accordance with the safety and health management system (ISO45001) certification it obtained. We also hold a safety and health council meeting with subcontractors to ensure the safety of each workplace and entire supply chain. In 2021, we discussed COVID-19 prevention and protection measures, forklift safety, and safety and health at the workplace and took appropriate actions to solve problems. In 2022, we will conduct follow-up monitoring to ensure that all the risks identified last year have been eliminated and conduct due diligence on a regular basis.

Safety and Health Management Certification

Category	Scope of business site certification	Expiration date
ISO45001	Yugu, Incheon, Pocheon Factories	2021.07.07 ~ 2023.07.13

* As we have both ISO45001 and KOSHA MS, which reduces work efficiency, we cancelled the latter and renewed the former.

Ratio of Safety Inspection with Suppliers

Category	Unit	2019	2020	2021 ¹⁾
Number of risk factors	case	133	97	25
Rate of improved risk factors in the current year	%	100	100	100

1) Risk factors decreased in 2021 due to continuous improvement activities for the previous year's risk factors.

Safety and Health Training

Coway provides safety training to all individual employees and relevant departments in order to raise their awareness of safety and preemptively respond to safety risks. Our safety and health training consists of general training, which is held on a regular basis, and job training, which includes supervisor training required by law, on-the-job training, and special training. We will continue providing safety and health training to make safety and health are second nature to workers and consolidate our systematic risk response system.

Severe Disaster Prevention Activities

Coway pays special attention to workplace safety management in order to provide all employees and subcontractors with a safe work environment without disaster risks. We will adhere strictly to the Severe Disaster Punishment Act, which will take effect in 2022, and work hard for zero accidents in the workplace through the operation of a systematic safety and health management system.

Fatalities

Category	Unit	2018	2019	2020	2021
Employees ¹⁾	case	0	0	0	0
In-house subcontractors and suppliers		0	0	0	0

1) Data range: All employees working in the factories at home and abroad

Industrial Accidents

Category	Unit	2018	2019	2020 ³⁾	2021
Employees ¹⁾	case	0	1	15	47
Accident rate ²⁾	%	0	0.02	0.23	0.72
In-house workers and suppliers	case	0	0	0	0

1) Data range: Employees in all factories at home and abroad

2) Accident rate = Number of victims/Number of workers X 100

3) The number of accidents increased due to the enactment of the occupational accident compensation insurance act in July 2020 and consequent promotion of service managers to a permanent position.

4) The number of employees as of Dec. 2021

5) Major types of accidents: The most common occupational accidents are sprains, followed by falls.

We strive to improve the work environment to reduce accidents for service managers and temporary workers. For service managers, we supply personal protective equipment, such as safety helmets and footwear, and inform them of the nature of the work in advance to warn of risk factors. Also we provide step stool ladders necessary for work to prevent musculoskeletal diseases and other common occupational diseases. For temporary workers, we provide safety and health training along with personal protective gear on the first day of work.

Disease Prevention and Health Care

Response to the COVID-19 Pandemic

As the spread of COVID-19 continues, we have implemented firmwide countermeasures to control and prevent the spread of the infectious disease. We had disclosed employees' COVID status in real time whenever a COVID-19 outbreak was reported and encouraged all employees to voluntarily adhere to the COVID-19 prevention and control guidelines. We also checked temperatures at the entry points in all factories and made hand hygiene and mask wearing compulsory. In addition, we sanitized the factories twice per week.

We also made self-test kits, face masks, and hand sanitizers accessible at all times, and implemented the social distancing policy to minimize close contact in public areas. In order to minimize face-to-face contact, we had 30 percent of the workforce work from home to reduce the spread of the virus. Since May 2021, we adopted the vaccine leave (paid two-day break) for employees to take a good rest in preparation of possible side effects of the COVID-19 vaccine.

Health Care for Employees

Coway, a "healthy company," cares about employees' physical and mental health and operates diverse programs for their health protection. All employees check their health status through a comprehensive health checkup every year and work in a safe and pleasant environment by complying with regulations on safety and health.

Employee Health Support System

Classification	Description
Health checkups	We conduct a regular health checkup for all employees and a special health checkup for employees at higher risk of illnesses due to the nature of their jobs. As a result of our consistent efforts to encourage all employees to receive health checkups, employees who received health checkups, which hit the 80 percent range in 2020, reached 96.9 percent in 2021. We plan to continue implementing the health checkup program to achieve 100 percent in June 2022.
Emotional labor manual for employees	We distribute the emotional labor manual we created to employees whose work involves emotional labor.
Safety and health education for contract laborers	We provide safety and health-related videos to temporary employees.
Refreshing vacation	We offer a paid long-term vacation for long-tenured employees to recharge themselves.
Gym & Health room	Coway operates a gym and a health room for employees to reduce stress at work and prevent musculoskeletal diseases.
Mental health counseling room	We offer mental health counseling, where employees can receive psychological counseling services to deal with diverse personal problems and work-related psychological distress. The mental health counseling service includes diverse programs, including psychiatric exam, one-on-one counseling, meditation, group counseling, and so forth.



Privacy Protection and Security

Information Security System

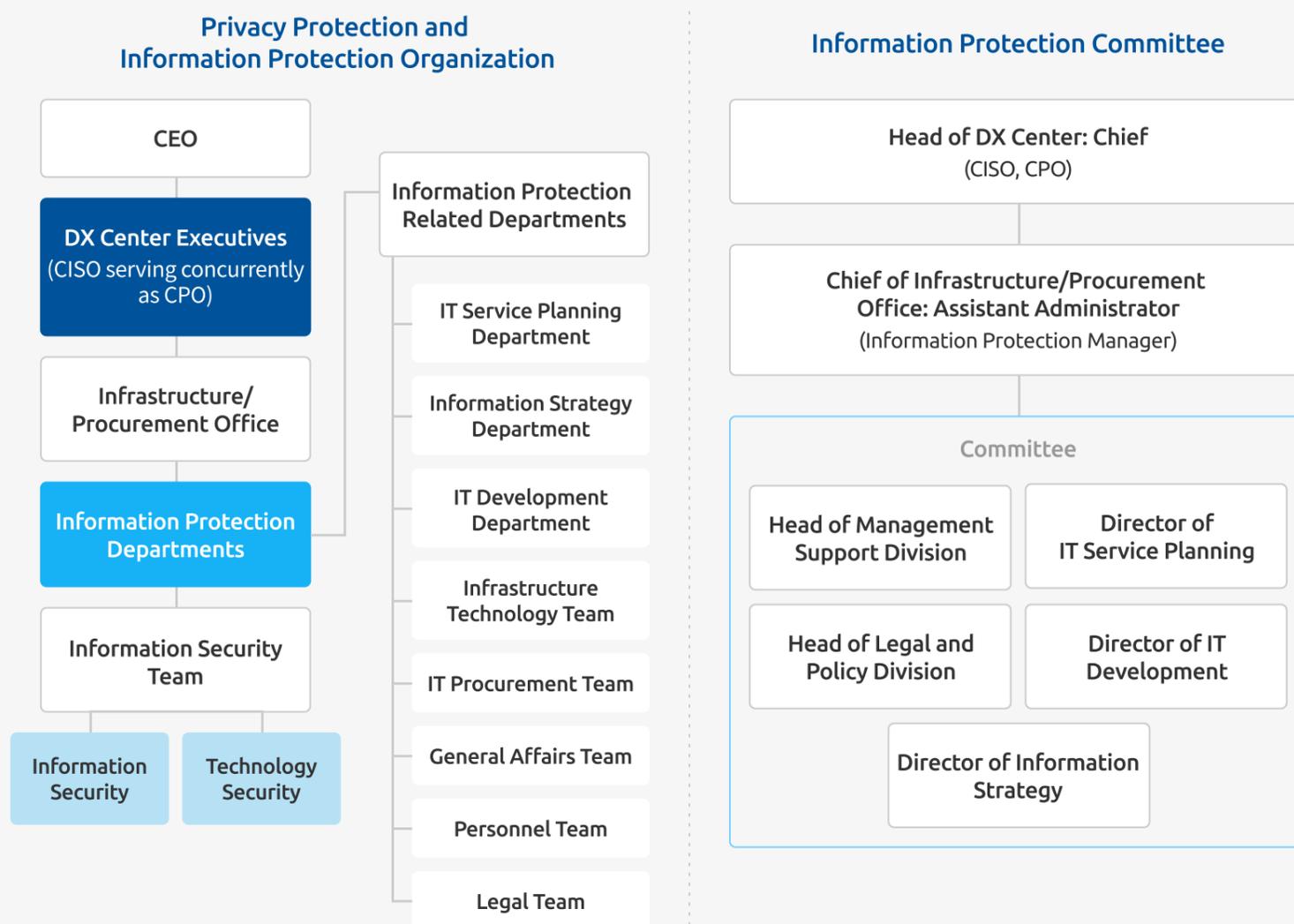
Information Security Policy

We operate an information security system based on the information security policy and guidelines we drew up for customers and information protection in all business areas. We divided our privacy protection regulations into policy on basic principles of private protection, and detailed areas for the practice of privacy protection so that they can be readily applicable in the workplace. The information security policy and guidelines are enacted and revised on a regular basis in order to reflect the realm of privacy protection that becomes wider in accordance with changes in the business environment.

In 2022, we subdivided the policy and three guidelines into one policy and 17 guidelines by incorporating the latest issues on privacy protection, such as the active use of in-firm cloud system and increase of the location-based services. We are determined to protect private information by applying the related guidelines and measures to all our business areas and fiduciaries and suppliers, as well as marketing bodies.

Information Security Organization

Coway operates a privacy protection body in charge of protecting private information. The Information Protection Committee deliberates and makes decisions on major issues related to privacy protection. As an executive-level body, the Information Protection Committee is chaired by the chief information protection staffer and comprises the heads of relevant departments as members. It built an integrated management system to protect and manage private information more efficiently. All bodies related to privacy and information protection are led by the Information Security Team and work closely with relevant departments for flawless information protection.



Activities of The Information Protection Committee in 2021

Coway provides location-based services, such as the real-time coordinator matching service, which offers product-related counseling services for customers nearby, and an application for service managers. Consequently, there is a growing need for the practical management and use of location-based information we collect. In 2021, the Information Protection Committee laid the foundation for effectively managing and protecting location-based information by selecting a staffer responsible for the management of location-based information and approving guidelines for the protection of such information.

Information Protection Activities

Private Information Protection Management System and Information Protection Measures

We operate a privacy protection lifecycle management system in order to manage our customers' information as safely as possible throughout the entire process from data collection to storage, utilization, and disposal. In order to maintain the upgraded privacy protection system, we divide the privacy protection lifecycle management system into management, physical, and technology areas. In terms of the management area, we categorize data and provide information protection training. The physical area includes access control, CCTV surveillance, and clean desk policy and the technology area includes system control, privacy infringement management, IT system based diagnosis and disaster recovery.

Privacy Protection Lifecycle Management System



Details of Information Protection Measures

Management Area		Physical Area	Technology Area	
External Asset Security	Information Asset Classification	Physical Security	System Development Security	Password Control
Information Protection Training	Human Security		Access Control	Operation Security
			Infringement Management	IT Disaster Recovery

Collection and Consent of Privacy

Coway complies with laws and regulations when collecting customers' private data and obtaining consent to use their data, and we do our best to inform our customers accurately of what we do with their data. In 2018, we updated the process for obtaining consent for collecting private data. Three years later, in 2021 we introduced the electronic agreement that allows customers to enter their private information in person and check what information they are providing, for what purposes, and for what period of time. We ensure that our customers fully understand what information they are providing and how we manage and utilize their private data through a rigorous process.

Response System in case of Personal Information Infringement

We operate a privacy incident response system to take initial action promptly to minimize damage and prevent secondary damage in cases where a data leak or breach occurs. We classify privacy incidents into data breach and data leak (leaks of private data and inside information), respectively, and take appropriate measures for each type of incident.

Above all, we report to the information protection staffer immediately after we detect an incident through security control and periodic monitoring and form a response team. We then conduct a detailed analysis of how the information leak occurred through fact-checking and evidence-collection and preservation after taking initial action. We then take measures to prevent a recurrence and ensure we get back on track. Equipped with this response system, we inform relevant departments of such incidents and our responses, and provide training in order to prevent similar incidents.

Classification	Privacy Infringements	Information Leaks		Remarks
		Personal Data	Inside Information	
Control / Monitoring	Remote security control - Malware infection (websites and viruses) - Hacking attacks (fake or falsified websites, website traffic abuse) - DDoS attacks, etc.	SIEM - Private data leak - Inside information leak		Department that detects incident: Report the suspicious activity made to information protection staffers
Incident detection / Reporting	II. Response to Privacy Infringements Internal reporting Report to national institutions Organization of Security Accident Response Team	III. Response to Personal Data Leak Accident reporting and customer notification Accident Response Team and Emergency Board Meeting Convened	IV. Response to Inside Information Leak Internal reporting Report to a national institution (When necessary) Organization of Security Incident Response Team	Report to CEO Report to CISO
Response to incident	Initial action	F/W blocking, ACL policy application, NMS monitoring, Vaccine	Minimize private data leak damage	Ban additional information leak
	Detailed analysis	Fact checking Collect and analyze logs (To check falsification, etc.) - Recently modified files, programs, and services - Hidden or anomalous processes - Anomalous port and outside networking, etc.	Track data leakage Respond to customer complaints and mitigate damage	Interviews
	Evidence collection and preservation	Forensic		Collect relevant evidence
Follow-up measures (Prevention of recurrence)	Service normalization Complementary measures and recurrence prevention measures	Monitoring the application of countermeasures Recurrence prevention measures	Disciplinary actions & civil and criminal complaints Recurrence prevention measures	Report to CEO Report to CISO

Information Security Training and Internalization

We provide training to employees and trustees to raise their awareness on private data protection. Since 2013, all Coway employees are receiving e-Learning for data protection. In 2021, we expanded our training program to include suppliers and trustees as well as employees.

Information Security Training Participation Status¹⁾

Category	Unit	2019	2020	2021
Number of participating employees	person	4,888	4,729	6,172
Participation rate of participation partners	% ³⁾	100	100	100
Contractor participation rate ²⁾		100	100	100

1) Comprehensive online and offline training on customers' privacy protection

2) Training given for trustees

3) Participants among eligible people (%)

Case Information protection program

Coway introduced a wide range of information protection programs designed to raise awareness of the importance of private data and inside information protection. Above all, we upgraded our information protection management system, reviewing the security of 10 internal and external services such as Coway.com in accordance with the domestic personal information protection management system standards. We also created a security bulletin board in the groupware to stage an information security campaign every month, raising employees' awareness of the importance of privacy protection. We provided training to 95 percent of over 15,000 sellers, sending them the mobile notification of the "Ten principles for information protection practice." We also created a safe PC environment by offering PC security inspection services and replacing security solutions with upgraded ones.

2021 In-firm Information Protection Activities

Category	Contents	Major activities and performances in 2021
Information protection management system upgrade	<ul style="list-style-type: none"> Security review prior to system building or modification 	<ul style="list-style-type: none"> Review of the security of the local privacy protection and management system standards for over 10 services, including Coway.com completed.
Effort to raise awareness on information protection	<ul style="list-style-type: none"> Creation of a security bulletin board in groupware Monthly information security campaign Ransomware alert, etc. 	<ul style="list-style-type: none"> Notification of major activities and relevant video playing in the workplace every month.
Proxy seller education	<ul style="list-style-type: none"> Mobile notifications of the "10 principles for information protection practice" every month 	<ul style="list-style-type: none"> Mobile notifications sent to 95% of over 15,000 sellers to raise awareness on information protection
PC environment improvement	<ul style="list-style-type: none"> PC security inspection Replacement of security solutions with upgraded ones 	<ul style="list-style-type: none"> Safe PC environment with PC security policy reflected

Information Protection Certification

Coway has obtained information protection management system certifications at home and abroad to earn customer trust in our capacity to protect private data. We obtained the Information Security Management System (ISMS) certification, a national standard, to enhance business security through information security-related risk management. We also acquired the information security management system certifications (ISO 27001:2013), abiding by the global information protection standards for all regulated items, including information protection policy and customer management system, among others. Equipped with such certifications, we are creating a culture of privacy with the voluntary participation of all employees and raising awareness on information security.

Information Protection Certifications

Certifications Coway holds	ISMS	ISO27001: 2013
Standard	Domestic	International
Expiration date	2021.04.22 ~ 2024.02.21	2020.12.20 ~ 2023.12.20
Certification scope	Coway internet shopping mall service (Coway, Re-nk)	Managerial, technological, and physical information protection management system for Coway IT activities
Certification effect	<ul style="list-style-type: none"> Increase of business stability, compliance with information protection Compliance with information protection laws for ethical and transparent management Minimization of social and economic damage caused by infringement of private information and class action lawsuits 	<ul style="list-style-type: none"> Compliance with laws related to information protection in accordance with international standards Provision of a systematic risk management environment for information protection against security threats Improvement of external reliability with the acquisition of certification for information leakage prevention effect

Contribution and effect on business **(Domestic)** Amid COVID-19 and consequent changes in the business environment, we are undergoing digital transformation as we are acutely aware of the importance of information protection. We will continue working hard to obtain certifications that meet the national and international standards to manage risks related to information protection — which, we expect, will ultimately contribute to business continuity.

(International) Systematic prevention and improvement by holding certifications in order to protect personal information from hacking and threats to internal infringement. Also, contribution to business stability through protection from violation of related laws risks related to financial aspects (fines, etc.) and reputation.

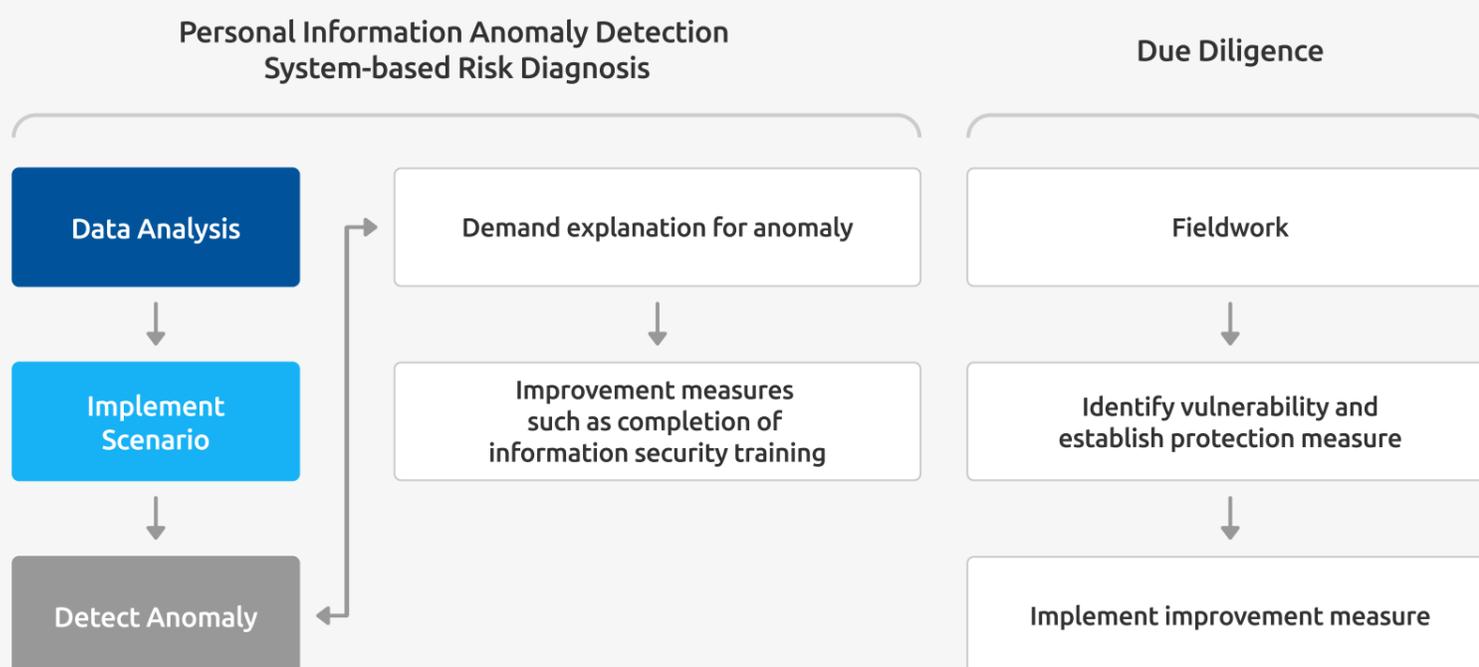
Major Activities for Information Protection and Inspection

Coway operates an information protection management system to monitor data upgrading and privacy protection on a regular basis. For safe management of internal data, we use a privacy-anomaly detection system to identify risky factors and manage internal data safely, on the one hand, while on the other hand carrying out diverse activities for multi-faceted risk assessment and prevention, such as annual mock hacking training, in order to respond to cyber attacks from outside. In doing so, we identify risks through due diligence in the areas classified as highly risky and take measures to mitigate the risks.

Monitoring of Risks for Information Protection

In 2021, we sorted out risk issues, such as inquiry and export of private data off the clock using the privacy-anomaly detection system and conducted remotored inspections. As a result, we identified some cases suspicious of privacy violation and managed the risk factors. We also increased our activities to raise awareness on information privacy in order to prevent potential risks to information protection in the process of employees' working from home and ran malicious email simulation training for employees, suppliers, and partners. In addition, we checked the continuity of our information protection system by diagnosing infrastructure weaknesses, reviewing security, and validating disaster recovery procedures.

System-based Risk Inspection and Due Diligence



Major Activities and Performances for Information Protection in 2021

Category	Contents	Major activities and performances
Information security management system operation	<ul style="list-style-type: none"> Upgrading of information protection management system 	<ul style="list-style-type: none"> Enacted and revised information protection regulations Reviewed the security of services at home and abroad Reported information protection activities quarterly Renewed ISO27001 certification
Expansion of activities to raise awareness of information privacy	<ul style="list-style-type: none"> Information privacy campaigns 	<ul style="list-style-type: none"> Installed a security bulletin board in groupware Staged monthly information security campaign Notified warnings on information leaks, ransomware, etc.
Inspections for Clean desk	<ul style="list-style-type: none"> Clear desk at the headquarters 	<ul style="list-style-type: none"> Conducted a campaign to raise awareness of the clean desk policy for information security in the workplace (for 931 employees and 141 workers with partners working at Coway)
Information breach response training	<ul style="list-style-type: none"> Verification of response procedures through web breach simulation 	<ul style="list-style-type: none"> Conducted malicious email simulation training once a year (for 6,533 employees) DDOS attack in IDC (Internet Data Center) simulation training
Information privacy training	<ul style="list-style-type: none"> Information privacy training for employees and employees with suppliers working at Coway Mobile notification to proxy sellers for information privacy 	<ul style="list-style-type: none"> Notified regulations for practicing information privacy (for all employees with Coway and suppliers, coordinators, etc.)
Disaster recovery training	<ul style="list-style-type: none"> Monitoring and upgrading of IT service backup and recovery procedures for IT continuity 	<ul style="list-style-type: none"> Verified the disaster recovery procedures after grade-1 incident and validity of the emergency contact network through mock training once per year
End-point security	<ul style="list-style-type: none"> Innovative end-point security system 	<ul style="list-style-type: none"> Upgraded the end-point threat detection and minimized the Security blind spots
Inspection of weaknesses	<ul style="list-style-type: none"> IT industry hacking simulation and assessment of infrastructure weaknesses 	<ul style="list-style-type: none"> Conducted hacking simulation once a year and assessment of infrastructure weaknesses (including the cloud environment)

Violation of Information Protection Related Laws/Regulations

Category	Unit	2018	2019	2020	2021
Number of violations related to information protection and cybersecurity	case	0	0	0	0
Number of incidents involving customer personal information violations		0	0	0	0
Number of customers affected by data breach	person	0	0	0	0
Total fines/penalties/penalties issued due to violations related to information protection and cybersecurity	KRW	0	0	0	0

Human Rights

Human Rights Management Principles

Human Rights in Business

Coway re-established its human rights management system, including the revision of its Human Rights Policy in 2022, and established a roadmap for human rights management by stage. The EU Supply Chain Law on corporate sustainability obligations is slated to be enacted in 2024. In Korea, the basic act on Human Rights Policy has been passed by the State Council. The Korean government also stresses the corporate responsibility of human rights based on Chapter 5 of the Basic Law on Human Rights Policy, "Business and Human Rights," as this Act has been passed at the Cabinet meeting.

As human rights protection has become a law beyond the realm of voluntary corporate responsibility and management, we are making diverse efforts to make human rights part of our second nature by reevaluating our Human Rights Policy in business and upgrading it. Moreover, in Feb. 2022 we revised our Human Rights Policy to gradually integrate human rights into our business practice. We also plan to conduct a preliminary evaluation for a human rights impact assessment by creating a new human rights risk assessment system in the second half of the year.

Human Rights in Corporate Governance



Roadmap for Phased Integration of Human Rights into Business



Human Rights Policy

Coway respects the “Universal Declaration of Human Rights,” and the “UN Guiding Principles on Business and Human Rights” of the UN Commission on Human Rights. We also comply with the standards of labor, human rights, and working conditions of all nations and regions where our factories are located. Our Human Rights Policy applies to all our stakeholders — including customers, suppliers, sales and service partners, and local communities, not to mention our employees.

The UN Principles on Business and Human Rights provide clear guidelines for the promotion of human rights in business activities. The principles are “Protect,” “Respect,” and “Remedy” — which means that businesses should respect human rights, prevent human rights violations, and eliminate negative human rights issues in advance.

As the legalization of human rights protection is spreading at home and abroad, we revised our Human Rights Policy in 2022 to put into practice, step by step, our plan for incorporating human rights into business and effectively manage human rights risks. We added new clauses on “Freedom of Association,” and “Responsible Mineral Sourcing” — while excluding the elements that overlap with others and have potential for misinterpretation and ambiguity. Also, we clarified all elements to clearly show where our Human Rights Policy is headed.

Our Human Rights Policy consists of 12 elements, namely: 1. Non-Discrimination; 2. No Child Labor; 3. No Forced Labor; 4. Working Hours; 5. Humane Treatment; 6. Health and Safety; 7. Freedom of Association; 8. Responsible Mineral Procurement; 9. Health and Safety of Consumers; 10. Responsible Marketing; 11. Privacy; and 12. Protection of Human Rights of Local Residents.

[Coway Human Rights Policy ↗](#)

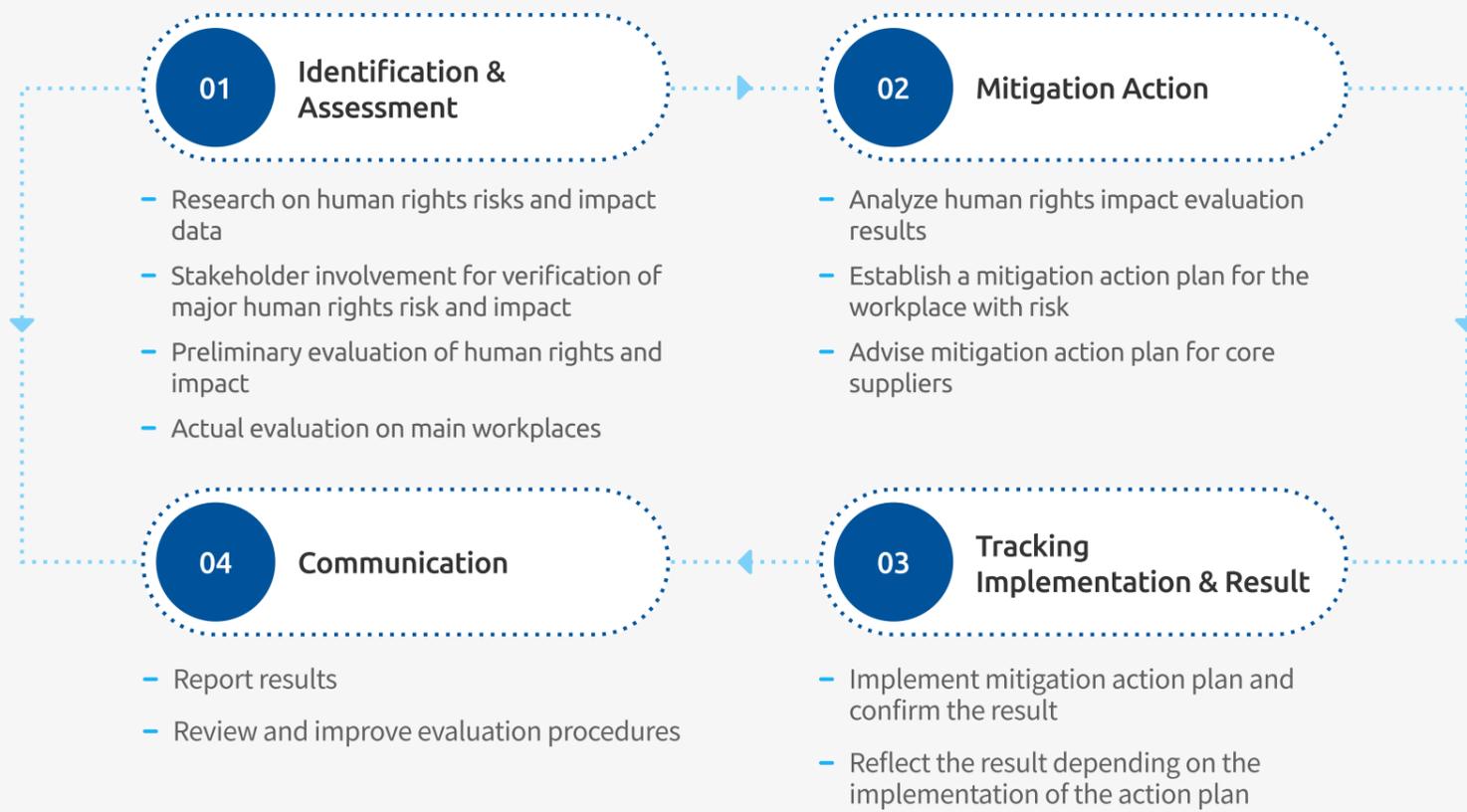
Identification and Mitigation of Human Rights Risks

Risk Identification

Coway monitors human rights issues on a regular basis based on the process for risk identification and mitigation to eliminate potential human rights risks in advance for human rights protection. Coway human rights risk identification and mitigation process proceeds in 4 steps: (1) Risk Identification & Assessment, (2) Establishment of Proper Mitigation Action, (3) Tracking Implementation and Result, and (4) Communication.

We identify human rights risks by conducting surveys among stakeholders, including suppliers, customers, and local organizations. In cases where important risks have been identified in the human rights impact assessment, we suggest to the relevant factories and suppliers that they draw up action plans to address such issues.

Process for Risk Identification and Mitigation



Human Rights Management Internalization Education

Coway provides training on human rights in business in a bid to encourage employees to comply with labor rights and spread a corporate culture that respects human rights. In 2022, we plan to provide training that consists of courses required by law and courses on where Coway is headed that are required for all employees. We also provide “Human Rights Education for Mutual Respect,” which consists of human rights in business, prevention of sexual harassment and disability awareness in the workplace. The human rights in business training focuses on the principles of human rights that all employees should be well aware of, such as the concept of human rights in business, customer human rights that we should protect, and examples of human rights violations. We will do our best to increase employees’ awareness of human rights through education.

Local Community Contribution

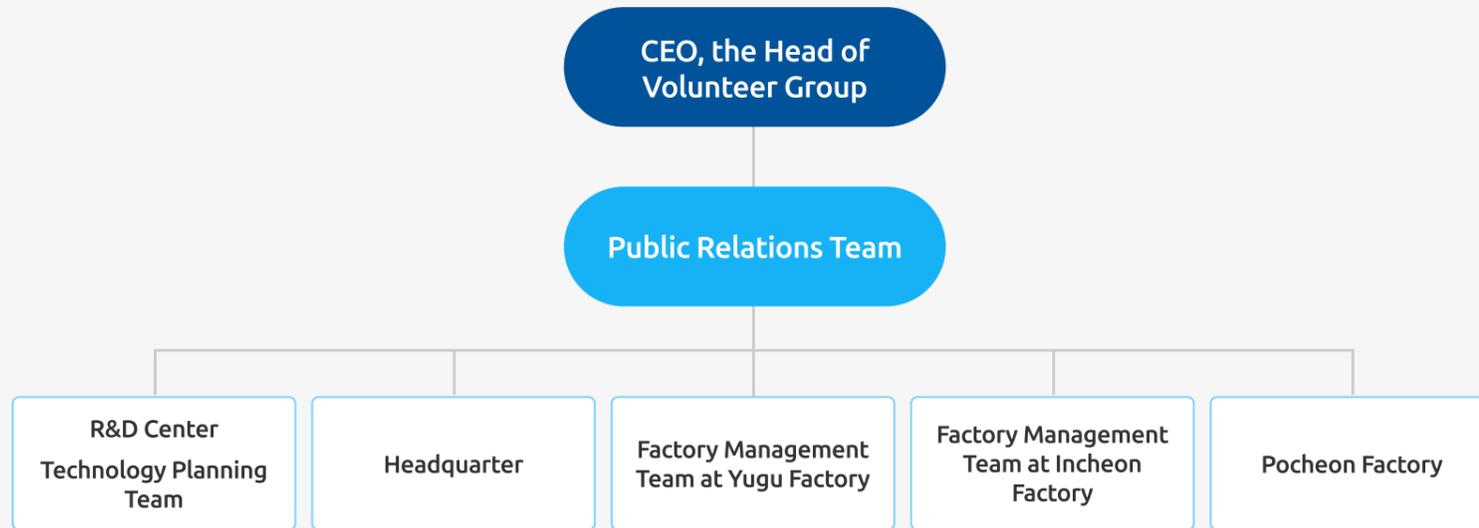
Coway-like Social Contribution

Coway undertakes corporate social responsibility activities of its own to ensure a robust and affluent future that preserves the precious value of nature. In order to grow with local communities with water, air, and people as the basis, we have fulfilled our CSR with our expertise in water and air, our strong suit, and digital competitiveness, contributing to building a better life and society.

Social Contribution Strategy



Social Contribution Practice Organization



Social Contribution Investment Ratio

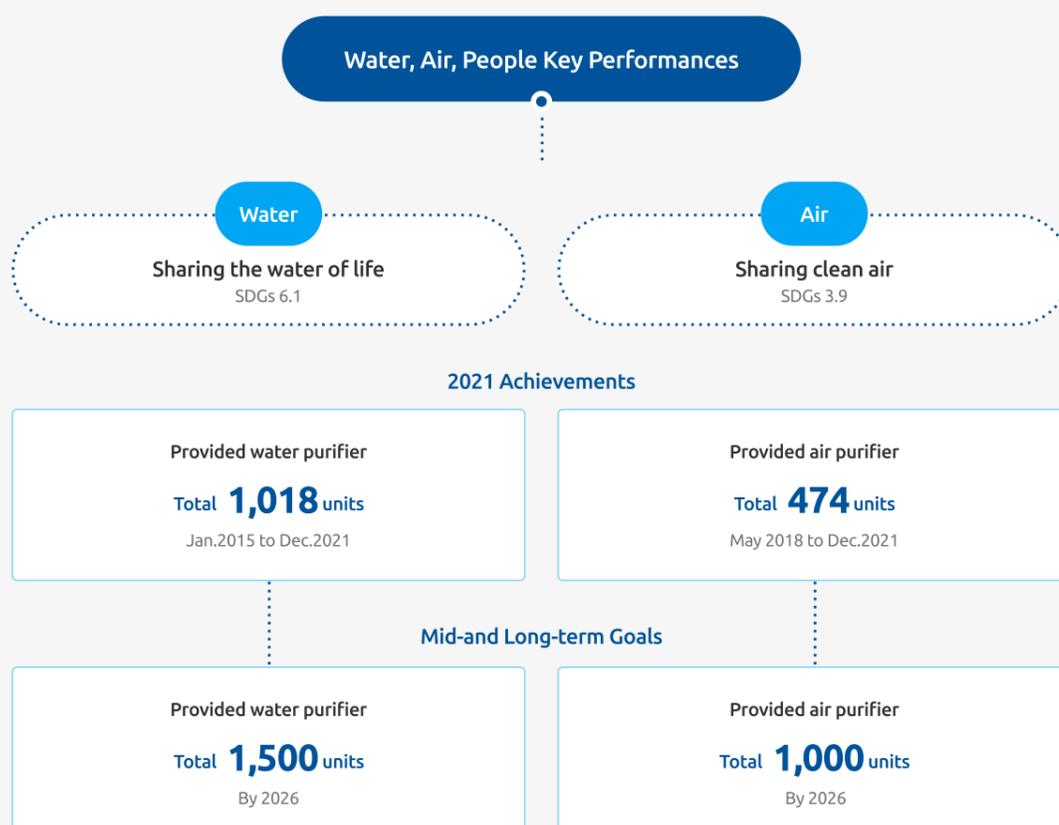
Category	Unit	2021
Charitable donations	%	35
Community investments		34
Commercial initiatives		31

Commitments for Clean Water and Air

Coway is committed to keeping its promise to create a healthy living environment and improve the quality of life for all communities and people by providing clean water and air as part of its CSR activity. We donate water purifiers and air purifiers to underprivileged people to share the value of cleanliness. We continue to increase our CSR activities as sustainable, mid- to long-term programs, rather than just one-off events, and build trust with local communities.

In 2022, we launched the "Classroom Forest Project," which is designed for school children to learn biodiversity by growing companion trees in the classroom, as part of our CSR activities. We expect that the program will allow students to gain an understanding of climate change and its impact on biodiversity and lay the foundation for the creation of a sustainable future.

Water, Air, People Key Performances



Commitment with SDGs ① Water

Major activities	
Safe Groundwater Water Welfare Project	In 2015, Coway signed an agreement with the Ministry of Environment to provide water purifiers for rural groundwater contaminated areas. We also signed an agreement with South Chungcheong Province to donate 472 water purifiers to underprivileged people and provide maintenance services for free. Up to now, we have donated 1,018 water purifiers. We signed the 2nd safe underground water project with the Ministry of Environment in 2021 for the donation of a total of 1,500 water purifiers by 2026.
Malaysia Rainwater Supply System	Since 2017, Coway has been supporting local rainwater supply devices by selecting local water vulnerable areas with local subsidiaries in Malaysia. We plan to expand access to clean water by providing rainwater supply to 1,000 households by 2023.
Social impact and business impact	
Social impact	Improve access to sanitary drinking water by supporting water purifiers and rainwater supply systems in vulnerable areas with poor access to clean drinking water.
Business impact	Expand market opportunities based on increased product awareness within the region.

Commitment with SDGs ② Air

Major activities	
Environment Improvement Project for the Vulnerable Groups	In 2018, we signed an agreement with the Ministry of Environment for the "Prevention of Environmental Diseases for the Underprivileged" project. Since then, we have donated air purifiers to underprivileged people, who are bound to have more exposure to air pollution and fine dust, in metropolitan areas including Seoul and five local cities. We also take the lead in sharing clean air with youths by installing air purifiers in youth facilities for free. As of 2021, we donated 474 air purifiers and plan to donate up to 1,000 air purifiers by 2026.
Social impact and business impact	
Social impact	Reduce human health effects due to fine dust and the prevention of respiratory diseases in vulnerable groups.
Business impact	Expand market size through the necessity of living environment of air purifier products.

Commitment with SDGs ③ People

Major activities	
Malaysia "We Stand As One" Campaign	We donated 101 air purifiers to four Mega Vaccination Centers, official vaccination centers in Malaysia designated by the Malaysian government, as part of our efforts to combat COVID-19. We also visited five orphanages that were hit hard by the pandemic with the Malaysian public broadcasting group Media Prima, along with actors and social media influencers, to donate water purifiers, air purifiers, and RM 100,000. We also donated food and daily necessities to 3,600 families who were suffering from extreme poverty amid COVID-19. In Dec. 2021, we visited a flood-stricken region to donate daily necessities and food. (Delivered food stuff to 7,600 people and meal kits to 4,250 people.)
Social impact and business impact	
Social Impact	Contribution to overcoming COVID-19 and mitigating material hardships for low-income families.
Business Impact	Industrial growth through business growth overseas and diversity.

Case Participation in the Environmental Disease Prevention Project for the Improvement of the Living Environment for the Underprivileged

In June 2021, we signed an agreement for the "Environmental Disease Prevention for the Underprivileged" project. A joint effort with the Ministry of Environment and the Korea Environmental Industry and Technology Institute, the project is designed to eliminate harmful pollutants that may cause environmental diseases indoors for economically vulnerable people. We have been participating in the project since we signed an agreement with the Ministry in April 2018. According to the agreement, we will donate air purifiers to households in need of improving air quality and provide maintenance services, such as filter replacement, free of charge for two years.



Case Campaign for Supporting Children of Low-income Families with Gmarket and Auction

In Jan. 2022, we conducted a campaign jointly with Gmarket and Auction to donate school supplies for the new school year to underprivileged children. This campaign was launched by Coway along with Gmarket, Auction, and Childfund Korea with the aim of promoting consumption for a good cause. Driven by the increase of renting home appliances using open markets, we started saving KRW 30,000 for donation when a consumer rented a Coway product from Gmarket or Auction, in a bid to promote consumption for donation. The money thus collected was spent on assisting children of low-income families for the new school year through Childfund Korea.



Case Classroom Forest Project

As part of our new social contribution activities in 2022, we launched the "Classroom Forest Project," which is designed to allow students to respect life and learn more about ecological conservation while growing trees in the classroom. The program provided students with professional environmental education; raising their awareness of environmental issues and helping students build a sense of environmental ownership. Also, the program helped preemptively respond to climate change by using endangered species and native species. It also contributed to blocking fine dust and achieving carbon neutrality in the classroom by choosing trees that are known to be effective in reducing carbon. We also plant trees in the forest to create positive values for the environment.

Public Policy Participation

Political Contributions and Association Contributions

Category	Unit	2018	2019	2020	2021
Political contributions	KRW 1,000	0	0	0	0
Association donations		430,162	505,759	481,636	464,656

* Coway does not contribute political contributions under Article 31 of the Political Funding Act (limited donations).

Association Donation Details

Group name	Category	Expenditure purpose	Unit	Amount
Daejeon Chamber of Commerce	Association	Comprehensive economic and industrial development	KRW 1,000	103,200
Korea Packaging Recycling Business Mutual Aid Association		Home appliance industry development		56,099
Korea Direct Sales Industry Association		Comprehensive economic and industrial development		14,400
Korea Exchange (KRX)		Comprehensive economic and industrial development		12,349
Korea Listed Companies Association		Comprehensive economic and industrial development		10,590

POLICIES & INITIATIVES

Sustainability Policies

Initiatives & Achievements

Policies

Human Rights Management

Human Rights Policy (Korean)	Human Rights Policy (English)
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Ethical Management

The Charter of Ethics (Korean)	The Charter of Ethics (English)
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The Regulations of Ethics (Korean)	The Regulations of Ethics (English)
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The Code of Ethics (Korean)	The Code of Ethics (English)
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Safety and Health Management

Safety and Health Management Policy (Korean)	Safety and Health Management Policy (English)
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Supplier Sustainability

Supplier Code of Conduct (Korean)	Supplier Code of Conduct (English)
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Environment

Carbon Report 2020 (Korean)	Carbon Report 2019 (Korean)	Carbon Report 2018 (Korean)
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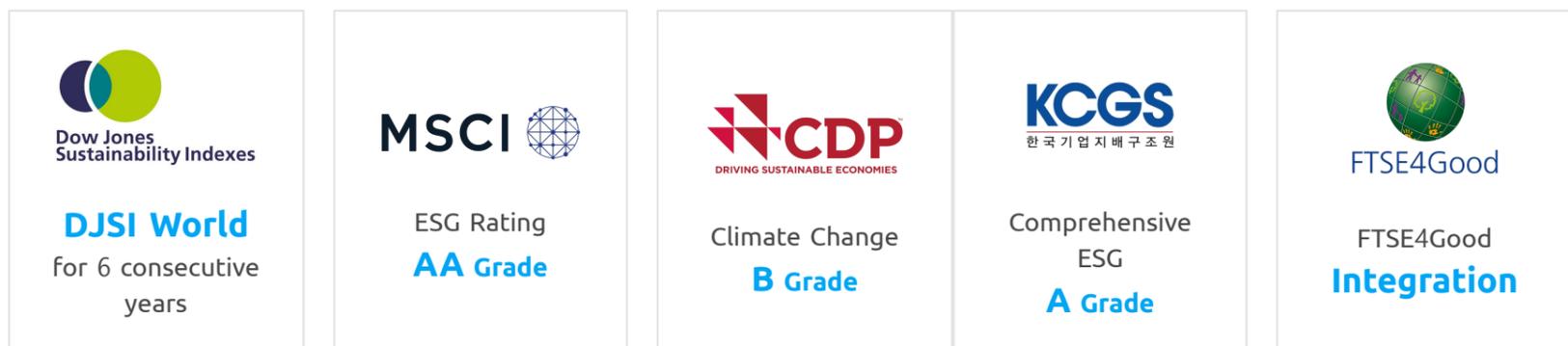
POLICIES & INITIATIVES

Sustainability Policies

Initiatives & Achievements

Major International Sustainability Performances

Based on assessment in 2021



Participate in Global Initiatives

UNGC (United Nations Global Compact)

Coway joined the United Nations Global Compact (UNGC) in June 2006. As a corporate citizen who fulfills social responsibility, we fulfill our duty by pursuing growth by adhering to and practicing the 10 principles of human rights, labor, environment, and anti-corruption. This Sustainability Report is a self-assessment and commitment to Coway's present and future.

SDGs (Sustainable Development Goals)

Coway seeks new growth opportunities and achieves sustainable growth by developing and implementing solutions to achieve SDGs as the United Nations announces Sustainable Development Goals (SDGs) that the international community must achieve, following the Millennium Development Goals (MDGs).

CDP (Carbon Disclosure Project)

Coway is regularly verified from the Korean Committee of the Carbon Disclosure Project (CDP), a non-profit organization, and continues its efforts to respond to climate change and conserve water.

United Nations Conference on Climate Change (COP21) - Support for the Global Climate Change Convention

In December 2015, Coway declared support for the “Global Climate Change Convention” of the United Nations General Conference on Climate Change (COP21), which was reached in 195 countries in Paris, France, and established a voluntary carbon reduction plan.

DJSI (Dow Jones Sustainability Indices)

Coway's sustainability management has been recognized externally and has been included in the Dow Jones Sustainability Indices (DJSI) World Index for 6 consecutive years since 2016.

KCGS (Korea Corporate Governance Service)

Coway has been faithfully equipped with a sustainable management system and leading global ESG management, earning an A grade in the ESG comprehensive evaluation conducted by the Korea Corporate Governance Service (KCGS) in 2021. In particular, it was highly evaluated for the fulfillment of corporate social responsibility in the S (Social) grade.

MSCI (Morgan Stanley Capital International)

In 2021, Coway obtained an AA grade in the Morgan Stanley Capital International (MSCI), the investment standard of international financial funds, and was selected as one of the top 10 companies in Korea.

FTSE4Good

Coway has been recognized for its sustainability management efforts by being included in the Social Responsibility Management Index (FTSE4Good), which comprehensively evaluates and announces the ESG of companies around the world at the Financial Times Security Exchange (FTSE) in 2021.

REPORTING FRAMEWORKS

Search

Search by Frameworks

GRI ▾

Search by GRI indicator(ex.203-1) or keywords



GRI

SASB

TCFD

The GRI(Global Reporting Initiatives) is an international standards organization that helps businesses, governments, and other organizations understand and disclose information on the impact of sustainability issues such as climate change, human rights, and corruption. Coway has prepared and released the report following the core compliance method of the GRI Sustainability Disclosure Standards.

Universal Standards (GRI 100)

Topic	GRI indicator	Description	Contents
Organizational Profile	102-1	Name of the organization	Coway
	102-2	Primary brands, products, and services	Product Introduction  , Service Introduction 
	102-3	Location of the headquarters	15-20th floor, Coway, 38, Digital-ro 26-gil, Guro-gu, Seoul, Republic of Korea 
	102-4	Location of operations	Domestic/overseas locations of operations 
	102-5	Ownership Structure and Voting Rights	Corporate Governance - Ownership Structure and Voting Rights
	102-6	Business Area	Business Area 
	102-7	Scale of the organization	2021 Coway Business Report  , Business Area 
	102-8	Information on employees and other workers	Employee - Diversity - Employee Data
	102-9	Organization's supply chain	Partners and Suppliers - Mutual Growth with Suppliers , Supply Chain ESG - Supplier Code of Conduct , Supply Chain ESG - ESG Assessment in Supply Chain
	102-10	Significant changes regarding the organization and its supply chain	In February 2020, the largest shareholder was changed to Netmarble Co., Ltd.

Topic	GRI indicator	Description	Contents
	102-11	Precautionary Principle or approach	Coway supports the precautionary principle.
	102-12	External initiatives	Policies and Initiatives
	102-13	Membership of associations	Local Community Contribution - Public Policy Participation
Strategy	102-14	CEO Statement	CEO Message
	102-15	Key impacts, risks, and opportunities	Risk Management
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	Ethical Management - Ethical Management System
	102-17	Mechanism for Grievance Resolution and Announcement about Ethical Issues	Ethical Management - Compliance Check and Monitoring
Governance	102-18	Governance structure	Corporate Governance
	102-20	Governance structure	Sustainability Management System - ESG Committee , Sustainability Management System - Mid- and Long-term ESG Goals and Strategies
	102-21	Governance structure	Sustainability Management System - ESG Priority Tasks
	102-22	Composition of the highest governance body and its committees	Corporate Governance - Committees under the BOD
	102-23	Chair of the highest governance body	Corporate Governance - Responsible Management Centered on the Board of Directors - Current Status of the BOD
	102-24	Nominating and selecting the highest governance body	Corporate Governance - Independence · Professionalism · Diversity
	102-25	Conflicts of interest	Corporate Governance - Independence · Professionalism · Diversity
	102-27	Collective knowledge of highest governance body	Corporate Governance - Independence · Professionalism · Diversity
	102-30	Effectiveness of risk management processes	Risk Management - Risk Management System
	102-31	Review of economic, environmental, and social topics	Sustainability Management System - ESG Committee , Sustainability Management System - Mid- and Long-term ESG Goals and Strategies
	102-32	Highest governance body's role in sustainability reporting	Sustainability Management System - ESG Committee
	102-35	Remuneration policies	Corporate Governance - Performance Evaluation and Remuneration
Stakeholder Engagement	102-40	List of stakeholder groups	Stakeholder Engagement and Material Topics - Stakeholder Engagement
	102-41	Collective bargaining agreements	Employee - Sound Labor-management Practices
	102-42	Identifying and selecting stakeholders	Stakeholder Engagement and Material Topics - Stakeholder Engagement
	102-43	Approach to stakeholder engagement	Stakeholder Engagement and Material Topics - Stakeholder Engagement , Stakeholder Engagement and Material Topics - Materiality Assessment
	102-44	Key topics and concerns raised	Stakeholder Engagement and Material Topics - Materiality Assessment , Stakeholder Engagement and Material Topics - Materiality Context and Accomplishments

Topic	GRI indicator	Description	Contents
Reporting Practice	102-45	Entities included in the consolidated financial statements	Total 12 Entities: COWAY(Thailand) Co., Ltd. COWAY(Malaysia) SDN. BHD. Coway USA. Inc. Coway China Co., Ltd. PT COWAY INTERNATIONAL INDONESIA COWAY VINA Co., Ltd. Pocheon Clean Water Co., Ltd. Coway EnTech Co., Ltd. Michuhol Clean Water Co., Ltd. Coway Japan Co., Ltd. Coway Europe B.V. iOBED Co., Ltd. _ ↗
	102-46	Defining report content and topic Boundaries	About This Report & Assurance
	102-47	List of material topics	Stakeholder Engagement and Material Topics - Materiality Assessment
	102-48	Restatements of information	If there are significant changes, the information is marked as a footnote.
	102-49	Changes in reporting	There are no particular changes to the reporting policy.
	102-50	Reporting period	2021.01.01 ~ 2021.12.31
	102-51	Date of most recent report	2021 Coway Sustainability Report(2021.07)
	102-52	Reporting cycle	1 Year
	102-53	Contact point for questions regarding the report	sustainability@coway.co.kr
	102-54	Claims of reporting in accordance with the GRI Standards	GRI Standard Core Option
	102-55	GRI Index	Current page
	102-56	External assurance	About This Report & Assurance - Independent Assurance Statement
Management Approach	103-1	Explanation of the material topic and its Boundary	Stakeholder Engagement and Material Topics - Materiality Context and Accomplishments
	103-2	The management approach and its components	Indicated separately in the MA column for each major subject in the GRI Table.
	103-3	Evaluation of the management approach	Indicated separately in the MA column for each major subject in the GRI Table.

Economic (GRI 200)

Topic	GRI indicator	Description	Contents
Economic Performance	MA	Economic Performance Management Approach	Value Creation Story
	201-1	Direct economic value generated and distributed	Value Creation Story - Business Value Chain , Value Creation Story - Economic Value Creation , Value Creation Story - Economic Value Distribution
	201-2	Financial implications and other risks and opportunities due to climate change	Climate Change - Risks and Opportunities of Climate Change
	201-3	Defined benefit plan obligations and other retirement plans	No Report
	201-4	Financial assistance received from government	No Report
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Corporate Governance - Performance Evaluation and Remuneration

Topic	GRI indicator	Description	Contents
	202-2	Proportion of senior management hired from the local community	Employee - Diversity - Employee Data
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	Local Community Contribution - Coway-like Social Contribution , Local Community Contribution - Commitments for Clean Water and Air
	203-2	Significant indirect economic impacts	Value Creation Story
Anti-corruption	205-1	Operations assessed for risks related to corruption	Ethical Management - Compliance Check and Monitoring
	205-2	Communication and training about anti-corruption policies and procedures	Ethical Management - Ethics Education
	205-3	Confirmed incidents of corruption and actions taken	Ethical Management - Compliance Check and Monitoring
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There have been no cases of unfair trading practices such as anti-competitive behavior, anti-trust, and monopoly.
Tax	207-1	Approach to tax	Value Creation Story - Tax Policy
	207-2	Tax governance, control, and risk management	Value Creation Story - Tax Policy
	207-3	Stakeholder engagement and management of concerns related to tax	Stakeholder Engagement and Material Topics - Stakeholder Engagement

Environmental (GRI 300)

Topic	GRI indicator	Description	Contents
Materials	301-1	Materials used by weight or volume	Resource Circulation and Nature Conservation - Resources - Resource Reduction Efforts
	301-2	Recycled input materials used	Resource Circulation and Nature Conservation - Resources - Resource Reduction Efforts , Life Cycle Management - Product Design Considering Environmental Impact of Whole Process
	301-3	Reclaimed products and their packaging materials	Resource Circulation and Nature Conservation - Resources - Resource Reduction Efforts , Life Cycle Management - Product Design Considering Environmental Impact of Whole Process
Energy	MA	Energy Management Approach	Energy and Water - Energy Efficiency , Climate Change - Risks and Opportunities of Climate Change
	302-1	Energy consumption within the organization	Energy and Water - Energy Efficiency
	302-2	Energy consumption outside of the organization	Energy and Water - Energy Efficiency , Climate Change - Greenhouse Gas Emission Reduction Targets
	302-3	Energy intensity	Energy and Water - Energy Efficiency
	302-4		Life Cycle Management - Resource Efficiency in the Usage Phase , Energy and Water - Energy Efficiency - Renewable Energy Conversion
	302-5	Reductions in energy requirements of products and services	Energy and Water - Energy Efficiency
Water and Effluents	303-1	Interactions with water as a shared resource	Energy and Water - Water Efficiency

Topic	GRI indicator	Description	Contents
	303-2	Water sources significantly affected by withdrawal of water	Energy and Water - Water Efficiency
	303-3	Water withdrawal	Energy and Water - Water Efficiency
	303-4	Water recycled and reused	Energy and Water - Water Efficiency
	303-5	Water recycled and reused	Energy and Water - Water Efficiency - Water Usage
Emissions	305-1	Direct GHG (Scope 1) emissions	Climate Change - Greenhouse Gas Emissions Reduction Targets - GHG Emissions and Mid to Long-term Goals
	305-2	Indirect GHG (Scope 2) emissions	Climate Change - Greenhouse Gas Emissions Reduction Targets - GHG Emissions and Mid to Long-term Goals
	305-3	Other indirect GHG (Scope 3) emissions	Climate Change - Greenhouse Gas Emissions Reduction Targets - GHG Emissions and Mid to Long-term Goals
	305-4	GHG emissions intensity	Climate Change - Greenhouse Gas Emissions Reduction Targets - GHG Emissions and Mid to Long-term Goals
	305-5	Reduction of GHG emissions	Climate Change - Greenhouse Gas Emissions Reduction Targets
	305-6	Emissions of ozone-depleting substances(ODS)	N/A
	305-7	Nitrogen Oxides(NOx), Sulfur Oxides(SOx), and other significant air emissions	All of Coway's business sites do not have air emission facilities, and therefore do not emit air pollutants such as NOx and sulfur oxides.
Waste	MA	Waste Management Approach	Life Cycle Management - Product Design Considering Environmental Impact of Whole Process , Resource Circulation and Nature Conservation - Waste and Recycling , Environmental Management - Environmental Policy
	306-1	Waste Management Approach	Resource Circulation and Nature Conservation - Waste and Recycling
	306-2	Waste Management Approach	Energy and Water - Energy Efficiency - Efforts for Energy Efficiency , Energy and Water - Water Efficiency - Water Reduction Efforts , Resource Circulation and Nature Conservation - Resources
	306-3	Waste Management Approach	Resource Circulation and Nature Conservation - Waste and Recycling - Waste Disposal and Recycling Process
	306-4	Waste Management Approach	Life Cycle Management - Product Design Considering Environmental Impact of Whole Process , Resource Circulation and Nature Conservation - Waste and Recycling - Waste Disposal and Recycling Process , Life Cycle Management - After Use Collection and Resource Circulation
	306-5	Waste Management Approach	Life Cycle Management - After Use Collection and Resource Circulation , Resource Circulation and Nature Conservation - Waste and Recycling - Waste Disposal and Recycling Process
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	There were no violations of environmental regulations during the reporting period.

Topic	GRI indicator	Description	Contents
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	When selecting a new supplier, we apply environmental management policies & strategies, internal audit system for environmental/hazardous substances, management of hazardous substances (receipt-process-shipment), information sharing of environmental/hazardous substances, and training and education standards. Supply Chain ESG - ESG Assessment in Supply Chain
	308-2	Negative environmental impacts in the supply chain and actions taken	When selecting a new supplier, we apply environmental management policies & strategies, internal audit system for environmental/hazardous substances, management of hazardous substances (receipt-process-shipment), information sharing of environmental/hazardous substances, and training and education standards. Supply Chain ESG - ESG Assessment in Supply Chain

Social (GRI 400)

Topic	GRI indicator	Description	Contents
Employment	401-1	New employee hired and employee turnover	Employee - Diversity - Employee Data
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Coway Recruitment Site-Welfare System  , Employee - Corporate Culture , Safety and Health - Disease Prevention and Health Care - Health Care for Employees
	401-3	Parental leave	Employee - Corporate Culture - Family-friendly Policy
Labor-Management Relations	402-1	Minimum notice periods regarding operational changes	Employee - Sound Labor-management Practices
Occupational Health and Safety	403-1	Occupational health and safety management system	Safety and Health - Safety and Health Management System
	403-2	Hazard identification, risk assessment, and incident investigation	Safety and Health - Safety and Health Management System - Safety and Health Management Organization
	403-5	Worker training on occupational health and safety	Safety and Health - Safety and Health Activities - Safety and Health Training
	403-6	Promotion of worker health	Safety and Health - Disease Prevention and Health Care - Health Care for Employees
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety and Health - Safety and Health Activities
	403-8	Workers covered by an occupational health and safety management system	Coway is strengthening workplace safety management to provide a safe working environment free from the risk of accidents to all employees, including all employees and suppliers.
	403-9	Work-related injuries	Safety and Health - Safety and Health Activities - Severe Disaster Prevention Activities
Training and Education	403-10	Work-related ill health	Safety and Health - Disease Prevention and Health Care
	404-1	Average hours of training per year per employee	Employee - Employee Empowerment - Employee Education System

Topic	GRI indicator	Description	Contents
	404-2	Programs for upgrading employee skills and transition assistance programs	Employee - Employee Empowerment , Employee - Performance Assessment Process
	404-3	Percentage of employees receiving regular performance and career development reviews	N/A
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Employee - Diversity - Employee Data
	405-2	Ratio of basic salary and remuneration of women to men	Employee - Performance Assessment Process
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Human Rights - Identification and Mitigation of Human Rights Risks
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	No Report
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	Supply Chain ESG - ESG Assessment in Supply Chain
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supply Chain ESG - ESG Assessment in Supply Chain
Security Practices	410-1	Security personnel trained in human rights policies or procedures	N/A
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	There have been no serious or needful infringements of Aboriginal rights within the reporting period.
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	Human Rights - Identification and Mitigation of Human Rights Risks - Risk Identification
	412-2	Employee training on human rights policies or procedures	Human Rights - Identification and Mitigation of Human Rights Risks - Human Rights Management Internalization Education
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	N/A
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Local Community Contribution - Coway-like Social Contribution
	413-2	Operations with significant actual and potential negative impacts on local communities	There are no operations with serious or needing negative effects during the reporting period.
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	When selecting a new supplier, fair trade, written management of win-win growth contracts, labor relations, and compliance with regulations related to environment and society are applied to the screening criteria. Supply Chain ESG - ESG Assessment in Supply Chain - Securing Supply Chain Sustainability
	414-2	Negative social impacts in the supply chain and actions taken	When selecting a new supplier, fair trade, written management of win-win growth contracts, labor relations, and compliance with regulations related to environment and society are applied to the screening criteria. Supply Chain ESG - ESG Assessment in Supply Chain
Public Policy	415-1	Political contributions	Local Community Contribution - Public Policy Participation
Customer Health and Safety	MA	Customer Health and Safety Management Approach	Product Responsibility - Quality Management System , Customer Satisfaction Management - Customer Satisfaction Activities

Topic	GRI indicator	Description	Contents
	416-1	Assessment of the health and safety impacts of product and service categories	Product Responsibility - Quality and Safety Management
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During the reporting period, there were no violations of laws and autonomous regulations regarding labeling of product and service information.
Marketing and Labeling	417-1	Requirements for product and service information and labeling	Product Responsibility - Quality Management System
	417-2	Incidents of non-compliance concerning product and service information and labeling	During the reporting period, there were no violations of laws and autonomous regulations regarding labeling of product and service information.
	417-3	Incidents of non-compliance concerning marketing communications	There were no violations of regulations related to marketing communication during the reporting period.
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Privacy Protection and Security - Major Activities for Information Protection and Inspection
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	During the reporting period, there were no significant violations of laws and regulations in the social and economic areas that required serious attention.

REPORTING FRAMEWORKS

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The SASB (Sustainability Accounting Standards Board) is a non-profit organization that sets standards for non-financial reporting. SASB suggests a topic of sustainability risk that is relevant to each industry and encourages companies to continuously report on the topic to communicate with investors and stakeholders. Coway, the core of the environmental home appliances rental business, reported under the standards of two industries due to its high connection to the consumer electronics manufacturing (Appliance Manufacturing) and consumer services professional and commercial services (Professional and Commercial Service) industries.

Appliance Manufacturing - Sustainability Disclosure Topics & Accounting Metrics

Topic	SASB Code	Accounting Metric	Contents
Product Safety	CG-AM-250a.1	Number of (1) recalls issued and (2) total units recalled	There were no recalls during the reporting period.
	CG-AM-250a.2	Discussion of process to identify and manage safety risks associated with the use of its products	Product Responsibility - Quality and Safety Management
	CG-AM-250a.3	Total amount of monetary losses as a result of legal proceedings associated with product safety	There was no loss during the reporting period.
Product Lifecycle Environmental Impacts	CG-AM-410a.1	Percentage of eligible products by revenue certified to the ENERGY STAR® program	We manage the energy efficiency of products in accordance with the 'Energy Consumption Efficiency Grade Labeling System' for home appliances in Korea, not the ENERGY STAR program certification. Life Cycle Management - Product Environmental Certification

Topic	SASB Code	Accounting Metric	Contents
	CG-AM-410a.2	Percentage of eligible products certified to an Association of Home Appliance Manufacturers(AHAM) sustainability standard	We manage product certifications focusing on the Korean eco-friendly product certification system, such as eco-labels and water footprints, not the 'Association of Home Appliance Manufacturers (AHAM)' certification. Life Cycle Management - Product Environmental Certification
	CG-AM-410a.3	Description of efforts to manage products' end-of-life impacts	Resource Circulation and Nature Conservation - Resources , Resource Circulation and Nature Conservation - Waste and Recycling

Topic	SASB Code	Accounting Metric	Contents
Activity Metric	CG-AM-000.A	Annual production	Production as of December 2021 is 30,116,624 units, including water purifiers, air purifiers, filters, bidets, water softeners and other products. ↗

Professional and Commercial Service - Sustainability Disclosure Topics & Accounting Metrics

Topic	SASB Code	Accounting Metric	Contents
Data Security	SV-PS-230a.1	Description of approach to identifying and addressing data security risks	Privacy Protection and Security - Information Security System , Privacy Protection and Security - Major Activities for Information Protection and Inspection
	SV-PS-230a.2	Description of policies and practices relating to collection, usage, and retention of customer information	Privacy Protection and Security - Information Security System , Privacy Protection and Security - Information Protection Activities
	SV-PS-230a.3	(1) Number of data breaches, (2) percentage involving customers' confidential business information(CBI) or personally identifiable information(PII), (3) number of customers affected	There were no data breaches during the reporting period. Privacy Protection and Security - Major Activities for Information Protection and Inspection
Workforce Diversity & Engagement	SV-PS-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees	Corporate Governance - Responsible Management Centered on the Board of Directors - Current Status of the BOD , Employee - Diversity - Employee Data
	SV-PS-330a.2	(1) Voluntary and (2) involuntary turnover rate for employees	Employee - Diversity - Employee Data
	SV-PS-300a.3	Employee engagement as a percentage	N/A
Professional Integrity	SV-PS-510a.1	Description of approach to ensuring professional integrity	Ethical Management - Ethical Management System - Code of Conduct , Ethical Management - Ethics Education
	SV-PS-510a.2	Total amount of monetary losses as a result of legal proceedings associated with professional integrity	Ethical Management - Compliance Check and Monitoring

Topic	SASB Code	Accounting Metric	Contents
Activity Metric	SV-PS-000.A	Number of employees by: (1) full-time and part-time, (2) temporary, and (3) contract	Employee - Diversity - Employee Data
	SV-PS-000.B	Employee hours worked, percentage billable	N/A

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TCFD (Task force on Climate-related Financial Disclosures) is a climate change-related financial information disclosure consultative body. TCFD recommends quantifying the risks and opportunities posed by climate change, integrating them financially and disclosing them. Coway manages and supervises risks and opportunities related to climate change in accordance with the TCFD recommendations, and discloses relevant information through this report and various stakeholder communication channels.

TCFD Report

TCFD Recommended Disclosures	Coway's Response	Alignment with CDP Climate Change 2021*
Governance a) Describe the board's oversight of climate-related risks and opportunities.	<ul style="list-style-type: none">• Corporate Governance - Committees under the BOD• Sustainability Management System - ESG Committee• Environmental Management - Environmental Management Committee	CDP - C1.1a, C1.1b
b) Describe management's role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none">• Risk Management - Risk Management System	CDP - C1.2, C1.2a

TCFD Recommended Disclosures	Coway's Response	Alignment with CDP Climate Change 2021*
Strategy	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p> <hr/> <p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p> <hr/> <p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>CDP - C2.1a, C2.3, C2.3a, C2.4, C2.4a</p> <hr/> <p>CDP - C2.1b, C2.3a, C2.4a, C3.3, C3.4, C3.4a</p> <hr/> <p>CDP - C3.2, C3.2a</p>
Risk Management	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p> <hr/> <p>b) Describe the organization's processes for managing climate-related risks.</p> <hr/> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>CDP - C2.1, C2.2</p> <hr/> <p>CDP - C2.1, C2.2, C2.2a, C2.3a, C2.4a</p> <hr/> <p>CDP - C2.1, C2.2</p>
Metrics & Targets	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <hr/> <p>b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.</p> <hr/> <p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<p>CDP - C4.1, C4.1a, C4.1b</p> <hr/> <p>CDP - C6.1, C6.2, C6.3, C6.5</p> <hr/> <p>CDP - C4.1, C4.1a, C4.1b</p>

* 2021 CDP Disclosure: You can find the CDP climate change report at the [CDP Website](https://www.cdp.com/en/2021/disclosure).

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About This Report

This report is the 17th Coway Sustainability Report. Since 2015, Coway has published an online sustainability report every year. We gathered opinions of stakeholders in-depth about the company's risks and opportunities. We decided on the content through a materiality assessment process that considered social and environmental impacts. This report was prepared in compliance with the GRI Standards of the Global Reporting Initiatives (GRI).

The 2021 Coway Sustainability Report has been prepared focusing on important topics about sustainability. To make it easy for stakeholders to access the information they need, we revisited the overall structure of the navigation (table of contents) and site map and introduced a search function to check the necessary information quickly. The site is available in Korean and English, and all content can be checked through the main menu button at the left. The site is optimized for both desktop PC and mobile, and it is implemented with Responsive Layout*.

This report was published on June 30, 2022, after a third-party assurance process.

* Responsive layout: Website that automatically optimizes the screen size according to the type of display.

Reporting Scope

This report is prepared focusing on the Seoul office, research center, and production headquarters, which correspond to domestic business sites. Environmental data is prepared centered on domestic business sites, and some social data (Employee, Safety and Health, Ethics, etc.) include global status. Financial data is based on consolidated performance.

Reporting Period

Sustainability management performance is reported from January 1, 2021, to December 31, 2021. Quantitative results are disclosed together with more than three-year results so that stakeholders can see the change. The first half of 2022 is also reported on some major issues or significant activities and achievements.

Reporting Standards

This report meets the core option of the GRI Standard of the Global Reporting Initiatives(GRI). Also, the Sustainability Accounting Standard Board(SASB) were used together.

Reporting Assurance

The financial information contained in this report was prepared through an independent audit firm's accounting audit. Non-financial information was verified by QuantifiedESG, Inc., an independent professional organization, and KMR, a management certification provider to increase the report's accuracy and reliability.

Reporting Inquiry

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Department IR Team

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Independent Assurance Statement

To the Management of Coway Stakeholders

QuantifiedESG (hereinafter the "Verifier") has undertaken 3rd party assurance engagement on the "2021 Coway Sustainability Web Report" (hereinafter "Report") from Coway (hereinafter the "Reporting Authority"), and submit a verification statement (hereinafter "Verification opinion") as follow:

- ▶ Verifying Target: 2021 Coway Sustainability Web Report, <http://sustainability.coway.co.kr>
(As of June 30, 2022, reporting period: January 2021 to December 2021)

Limitations of the Engagement

The verifier was limited to the information listed above. The verifier has not assessed the following information disclosed in the report:

- ▶ The financial information audited by external auditors.
- ▶ The forward-looking statements presented by the reporting body.

Responsibility of Coway's Management

The management of Coway is responsible for the preparation of the report and the information contained therein in accordance with the applicable criteria. This responsibility includes the implementation of an internal control system to produce a report describing the correct information. The reporting agency prepared the report by the following criteria:

- ▶ GRI (Global Reporting Initiatives) Reporting Standard – Core Option¹⁾
- ▶ SASB (Sustainability Accounting Standard Board) Appliance Manufacturing and Professional and Commercial Service Standard

1) GRI In Accordance Criteria: GRI Standards classify GRI Report in Accordance with "Core Accordance" and "Comprehensive Accordance." Core Accordance Option is satisfied by reporting part of the general standard disclosure, all material aspects of management approach (MA), and at least one specific standard disclosure.

Independence and Quality Control

As an independent assurance agency, the verifier was not involved in the production or preparation of the report and is responsible for writing verification opinions based on objective verification work for the report. The verifier does not have any interests with the reporting agency that may impair its independence in performing the verification work.

Our Responsibility

The verifier followed the assurance engagement process to achieve moderate level of assurance²⁾ in the AA1000AS (2008) Type II verification type³⁾ and reviewed compliance with the four principles of AA1000AP (2018); inclusivity, materiality, responsiveness, and impact. The balance, comparability, accuracy, timeliness, clarity, and reliability of indicators and information presented in the report were verified through document-based information and interviews presented by the reporting organization.

The verifier confirmed the comparability, accuracy, timeliness, clarity, and reliability of the indicators and information presented in the report through information and interviews based on the documents from the reporting agency.

Our limited assurance procedures included, amongst others, the following work:

- Interviews with representatives of senior management and employees regarding the sustainability strategy and the materiality matrix
- Review of material topics against key issues raised in stakeholder dialogues, areas of performance covered in external media reports and sustainability reports
- Interviews with employees responsible for preparing the GRI-based sustainability reporting to assess the process of preparing the report, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for a review of the report
- Review of the documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data and testing of the reporting agency on a sample basis
- Review of the application of the GRI Sustainability Reporting Standards in accordance with the Core Option
- Review of the material indicators of SASB (Sustainability Accounting Standard Board) Appliance Manufacturing and Professional and Commercial Service Standard
- Evaluation of the overall quality of sustainability information provided in the report

2) Level of Assurance: The assurance level of AA1000AS (2008) is divided into high level verification and moderate level verification. Moderate level verification focuses on verifying the validity of information through limited depth of evidence and low-level sampling to confirm evidence of the statement and draws conclusions through the assurance of the process in which the information is produced.

3) Type of Engagement: The AA1000AS (2008) verification type includes Type I verification for verifying conformity to the four principles (Inclusivity, materiality, responsiveness, and impact) suggested by AA1000AP (2018), and Type II verification for verifying the reliability of important indicators in addition to the principle verification.

GRI Topic	Disclosures
Economic Performance	201-1, 201-2
Market Presence	202-1, 202-2
Indirect Economic Impacts	203-1, 203-2
Anti-Corruption	205-1, 205-2, 205-3
Anti-Competitive Behavior	206-1
Tax	207-1, 207-2, 207-3
Materials	301-1, 301-2, 301-3
Energy	302-1, 302-2, 302-3, 302-4, 302-5
Water and Effluents	303-1, 303-2, 303-3, 303-4, 303-5
Emissions	305-1, 305-2, 305-3, 305-4, 305-5, 305-7
Waste	306-1, 306-2, 306-3, 306-4, 306-5
Supplier Environmental Assessment	308-1, 308-2
Employment	401-1, 401-2, 401-3
Labor/Management Relations	402-1
Occupational Health and Safety	403-1, 403-2, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10
Training and Education	404-1, 404-2
Diversity and Equal Opportunity	405-1, 405-2
Non-Discrimination	406-1
Child Labor	408-1
Forced or Compulsory Labor	409-1
Human Rights Assessment	412-1, 412-2
Local Communities	413-1, 413-2
Supplier Social Assessment	414-1, 414-2
Public Policy	415-1
Customer Health and Safety	416-1, 416-2
Marketing and Labeling	417-1, 417-2, 417-3
Customer Privacy	418-1

Our Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the report has been prepared inappropriately for all important aspects that may affect the relevant reporting standards and judgment of stakeholders.

Inclusivity: Stakeholder Engagement | The reporting authority conducts comprehensive stakeholder engagement related to sustainability management issues. The reporting authority defines key stakeholders into seven groups: shareholders and investors, employees, partners and suppliers, local community, academia and the media, and government. We confirm that stakeholder's opinion is reflected in the management policy through active communication, through the clearly separated communication channel for each group.

Materiality: Identifying and Reporting Material Topics | The verifier confirms that sustainability management topics are organized into 22 topics based on the keyword analysis of media and external communication including global sustainability standards and initiatives such as GRI Standards and SASB. Moreover, the final 10 material topics are derived through the analysis of internal and external stakeholder's opinions, and they are reflected in each URL of the report in a balanced way.

Responsiveness: Organization's Response to the Topics | The verifier confirms that the major expectations affecting the performance of the stakeholders are identified and the proper measures were taken to respond to the identified issues and the contents of the responses are appropriately described in the report.

Impact: Considering The Impact on the Organization | The reporting authority monitors the effect of management activities on the broader ecosystem. We recommend that the reporting authority undertake efforts to calculate quantitative indicators to advance the calculation of the impacts in the economic, social, and environmental sectors.

June 2022

QuantifiedESG, Inc. CEO Ikhyun Bae



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