

Yuhan-Kimberly
2016 Sustainability Report




사람이 희망이다

About This Report

Reporting Principle	GRI (Global Reporting Initiative) G4 Guideline
Reporting Scope	Major supply chain and all operating sties (Seoul, Kimcheon, Taejon, Choongju) in Korea
Reporting Period	January 2015 to December 2015 (including part of the performance from the first half of 2016)
Reporting Base	Based on fiscal year, at least 3-year time series presented
Report Assurance	Third party's assurance statement
Reporting Cycle	Annually (first publication in 2006)
Organization of Report	Reporting in accordance with the latest GRI G4 Guidelines; preferential reporting of material issues based on materiality assessment; reinforced reliability
Disclosure Principle	The report is available online at www.yuhan-kimberly.co.kr
Further Information	Please contact Environmental Management Work Group, Corporate Sustainability, Yuhan-Kimberly Tel. +82-2-528-1352

Company Overview (As of December 31st , 2015)

Company name	Yuhan-Kimberly	Major Brands	Huggies, Kleenex My Bidet, Double heart, White, Good Feel, Kleenex, Popee, Scott, Green Finger, tn, Depend, Poise, etc.
Date of establishment	30th March, 1970		
Type of business	Manufacturing	Major products	Consumer supplies, such as baby diapers, childcare supplies, feminine sanitary napkins, senior underwear, paper towels, napkins, wet wipes, skincare products, Unilever products and industrial products (industrial wipers and protective gear), bathroom supplies (liquid soap, bulk toilet paper, hand towels, air fresheners), medical supplies (gowns, accessories, surgical drapes), nonwoven fabric, thermal insulation and shading material for agriculture, etc.
President & CEO	KyooBok Choe		
Number of employees	1,748		
Sales	KRW 1.5191 trillion		
Sales composition	Domestic 80.6%, Export 19.4%	Target Markets	Individuals, corporations, laboratories, public buildings, restaurants, hospitals, schools, etc.
Operating income	KRW 176.4 billion	History	Yuhan-Kimberly Homepage 





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Yuhan-Kimberly
2016 Sustainability
Report

People are our Source of Hope

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Yuhan-Kimberly

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Report on Sustainable Management Performance

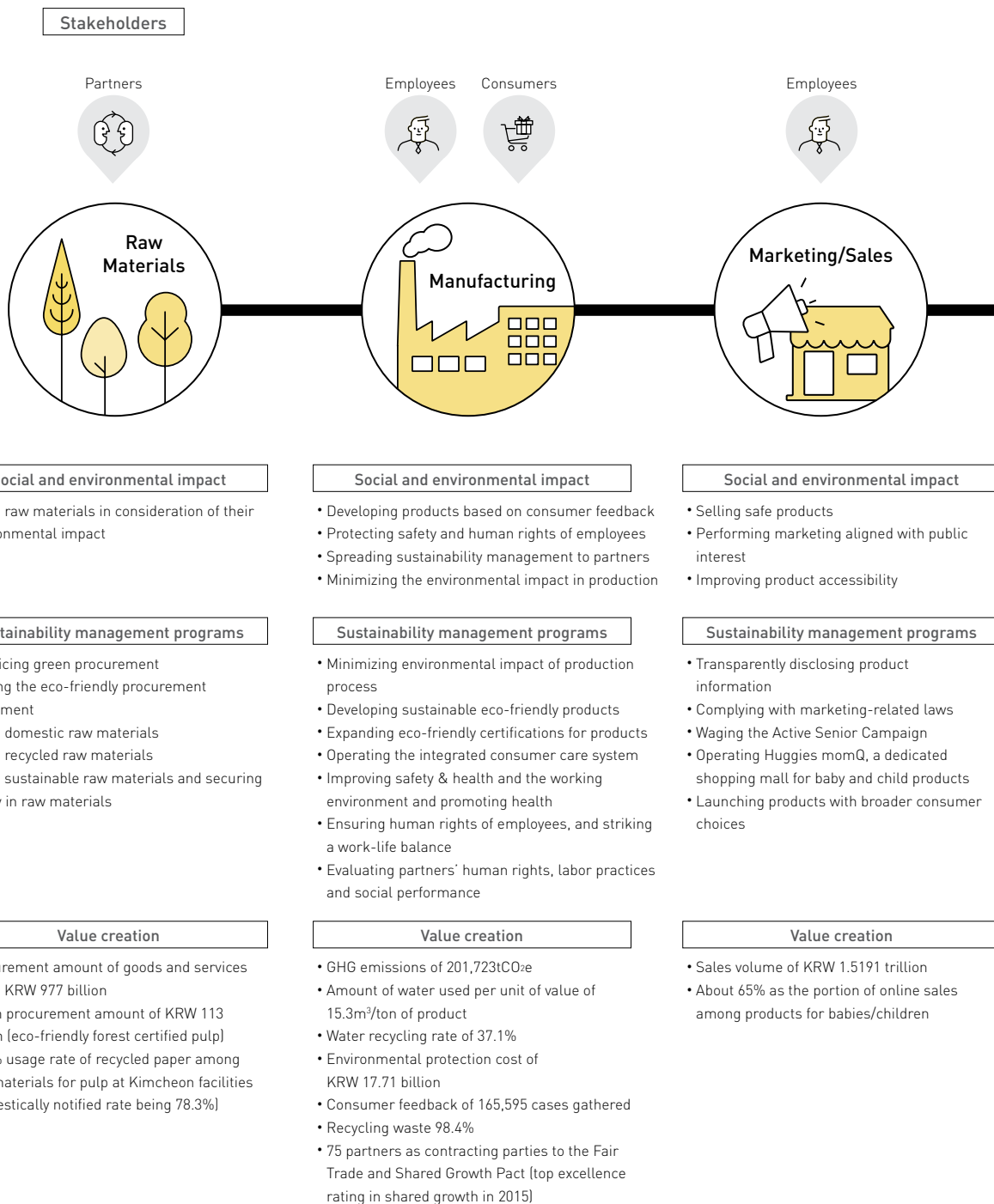
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Value Chain of Sustainable Management

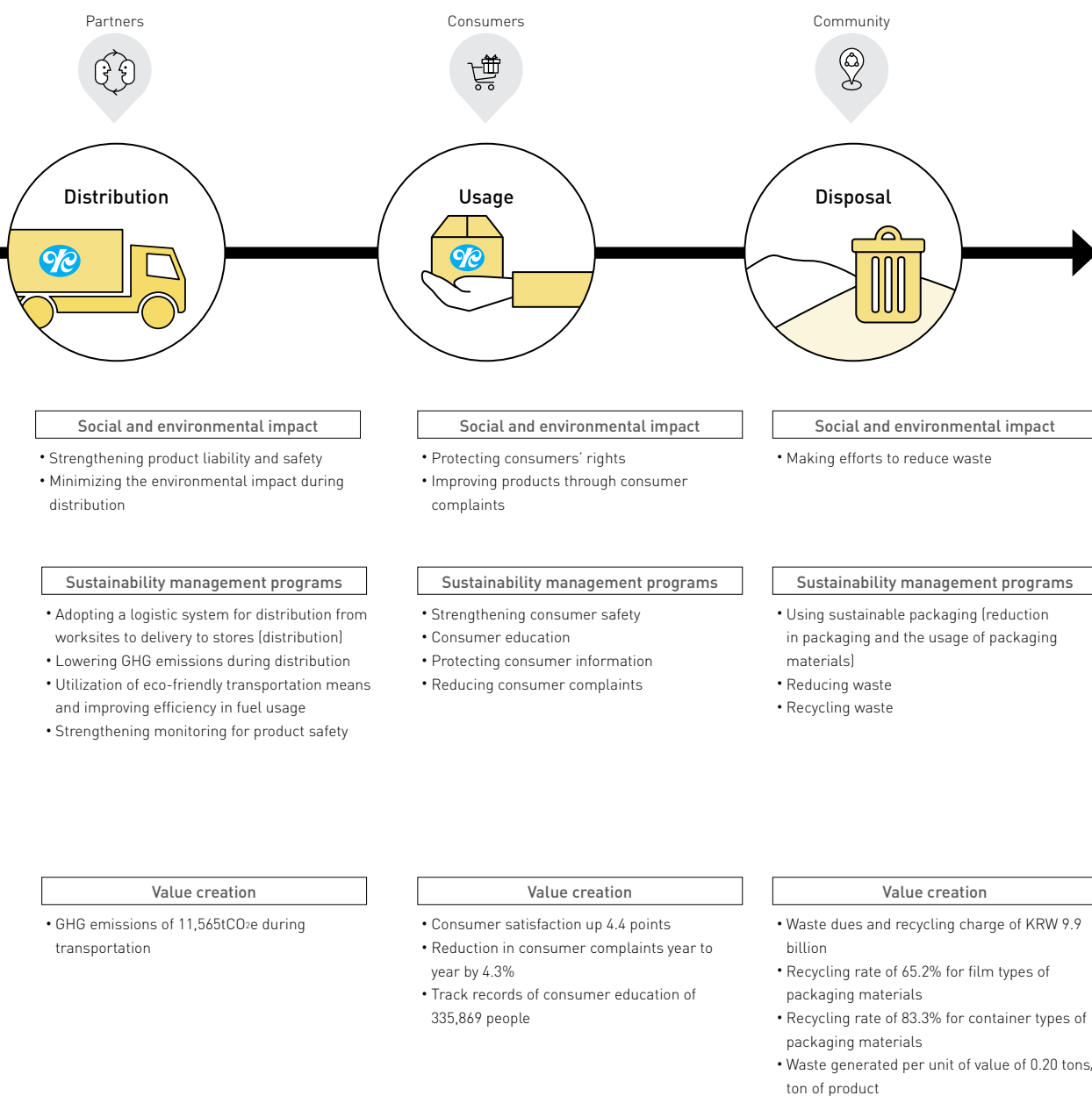
Yuhan-Kimberly's sustainability management is to pursue win-win growth based on economic profitability, social accountability and environmental soundness. Yuhan-Kimberly generates economic, social and environmental values by initiating sustainability management activities in consideration of social and environmental impact in each stage in the value chain.



2016 Sustainability Report: What are the Changes?

This report closely covers four sustainability management agenda in consumer's perspective based on the survey results of 4,173 consumers. It was intended to include Yuhan-Kimberly's fulfilment of responsibilities suited to its social & environmental impact and its efforts for sustainable growth.

- | | | |
|--|--|---|
| <p>1 Prepared in consumers' perspective</p> <ul style="list-style-type: none"> - Intensively covering four sustainability management agenda in consumer's perspective based on the survey results of 4,173 consumers - Reflecting consumer feedback in management to become the 'Consumer Centric World Best Marketing & Sales Company' - Managing consumer feedback accumulated through stakeholder surveys in the form of big data | <p>2 Reporting corporate management activities in consideration of the social & environmental impact</p> <ul style="list-style-type: none"> - Adding sustainability management activities in consideration of the social & environmental impact in each stage of the value chain - Intensively reporting on masks, hand towels, feminine sanitary napkins and senior products where the social & environmental interest is increasing | <p>3 Suggesting new directions for sustainable growth</p> <ul style="list-style-type: none"> - Suggesting three keywords in corporate management to secure growth engines for the future - Facilitating organizational changes and training to build up digital competency |
|--|--|---|





Dear respected stakeholders,

Greetings to you all. 2016 marks Yuhan-Kimberly's 46th anniversary. Yuhan-Kimberly of today wishes to become an exemplary corporate model in Korea through sound growth alongside the society. Our 11th Sustainability Report is intended to present such multifaceted efforts of ours in a transparent manner.

Throughout sustainability management _ being selected as the most admired company for 13 consecutive years Yuhan-Kimberly has strived to intensify core competencies of all employees, and internalize a corporate culture oriented to consumers and the market in order to crystalize consumer-driven values since 2015. In so doing, Yuhan-Kimberly is ranked third as the most admired company in Korea, being loved in the society for 13 consecutive years. Yuhan-Kimberly was also ranked at the top in the Korean Sustainability Index for 7 consecutive years and won the grand prize in the CSR Awards selected by stakeholders. In 2016, we are ready to move forward with three keywords in mind to secure future business competitiveness - Full Potential, Digitalization and Agility.

Economic performance_achieving KRW 1.5191 trillion in sales, growing 8.5% from the previous year

2015 performance | It was a significant year for sales growth of 8.5% in total. Growth rate in domestic sales, export and operating income was 5.0%, 25.8%, and 5.4%, respectively. At the same time, for investment for mid-and long-term future, a total of KRW 65.5 billion was reinvested to set the stage for sustainable growth.

2016 tasks | First, we plan for another phase of making growth following the achievements of 2015. Second, we will establish the basis for sustainable growth through new competencies. Third, we will improve our corporate culture of strengthening ourselves without stopping.

Social performance_efforts to intensify ethical compliance, safety, environment, accountability-based culture and efforts to boost shared growth Yuhan-Kimberly discloses product safety policies for products for babies and children in January 2015, and intensifies communication with consumers by opening the integrated consumer care system. Examples of shared growth activities with community are: Keep Korea Green campaign launched in 1984 to protect the forest en-

vironment, and the Creating Shared Value (CSV) campaign which began to facilitate our senior business in 2012.

For the sake of shared growth with women, we are engaged in 'Hope to Our Daughters', and have organized the Green Camp to foster teenage girls' environmental leadership for the past 29 years. Others include the scholarships for female leadership-driven NGOs marking its 10th anniversary this year and the 30% Club activities. Shared growth with partners gained the 'top excellence' grade in the evaluation of the Win-Win Index in 2015 thanks to our efforts driven by mutual understanding and trust.

Environmental performance_reducing 15.3%(36,407tCO₂e) compared to the GHG emission permits of 2015 in the emission trading scheme 2016 is a meaningful year marking the 20th anniversary for Yuhan-Kimberly to have established environmental measures. Yuhan-Kimberly was designated as the most excellent company in the 2015 Environmental Information Disclosure Award thanks to the recognized transparency in continued information disclosure since the formulation of environmental measures in 1996. We are striving to maintain and spread about 34 certified products with environmental labeling including the Forest Stewardship Council Chain of Custody (FSC CoC). In addition, we have surpassed 15.3% in achieving the emission permit target (238,130tCO₂e) through the implementation and monitoring of site-specific reduction programs and collaboration amid the implementation of the emission trading scheme.

In closing_regrets and tasks ahead I believe that securing competencies for new growth is the top priority. We do make best efforts to secure and scale up our competencies through digital innovation, redistribute resources and have a firm position in the e-commerce market. Moreover, we will further strive to become a company that grows alongside society, taking a great interest social issues that surround us. I sincerely ask for your passionate interest and advice as stakeholders. Thank you.

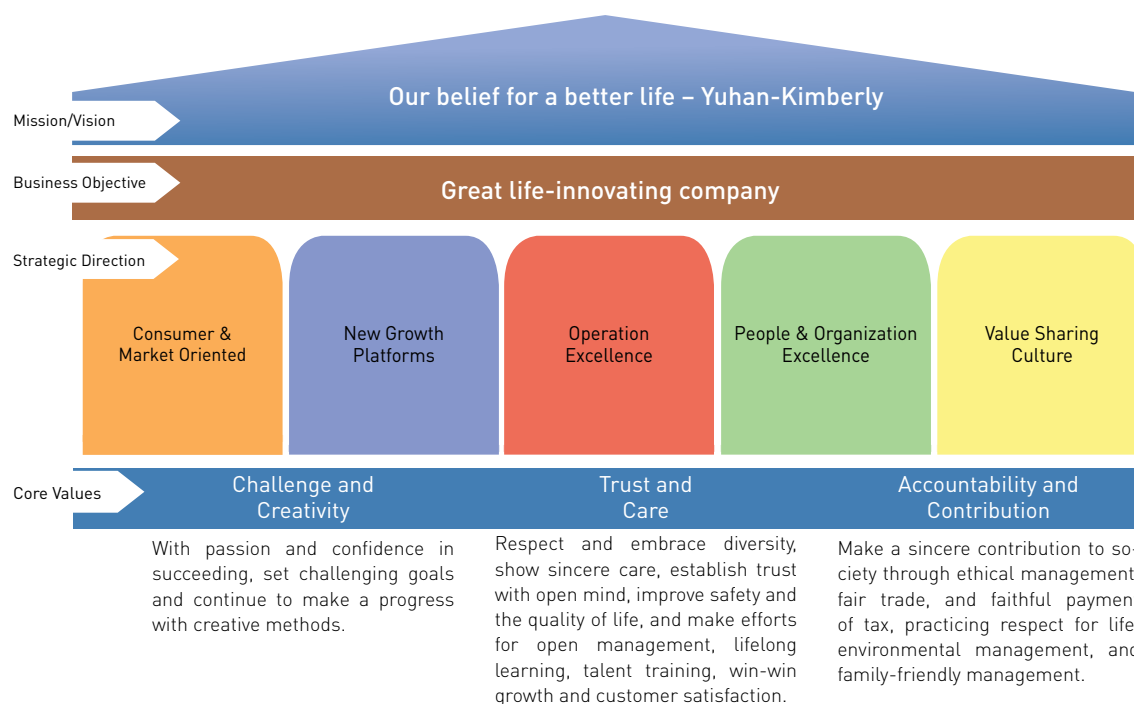
August 2016
Yuhan-Kimberly President & CEO KyooBok Choe

최규복

Vision and Core Values

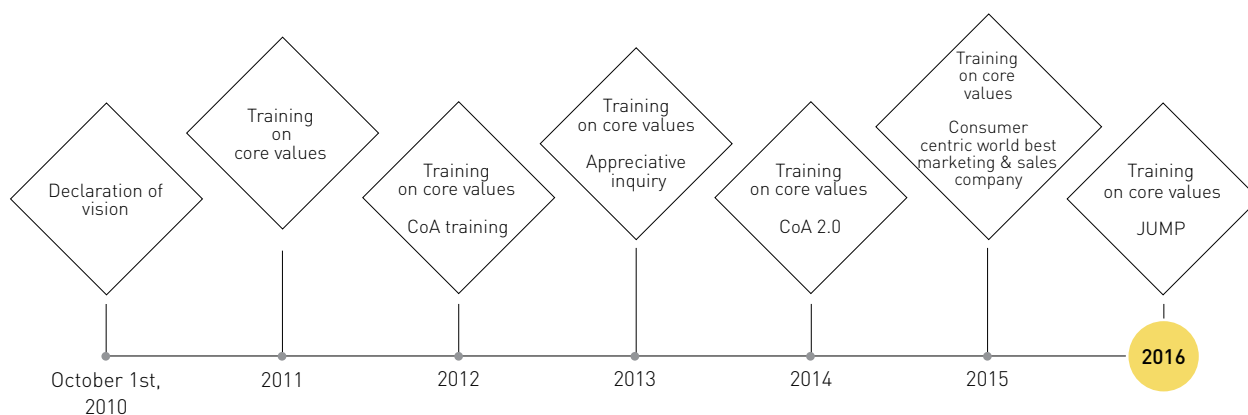
In October 2010, we established our vision for 2020. In 2013, we developed our vision by sector, strategic directions and a roadmap for taking actions, which are in operation. In 2015, we updated our vision by considering changes in the business environment and the level of potential competency, which was shared with employees through the management road show. We plan to further update our vision in 2017.

Yuhan-Kimberly's Vision 2020



Regularly holding training to internalize core values to achieve the Vision 2020

Yuhan-Kimberly conducts training for all employees every year to internalize three core values and the Vision Action model since we declared the Vision 2020. Training on core values and accountability-based culture has been carried out since 2011, and training on core values for consumer-centric management took place in 2015. We organized the Jump Workshop to internalize three keywords-Full Potential, Digitalization and Agility-in 2016.



Ethical Management

The sources of our competitiveness are ethical mindset and transparency. Training on ethical management is driven by three core values (prevention, detection, taking actions), and such risks as corruption and irregularities are prevented in advance.

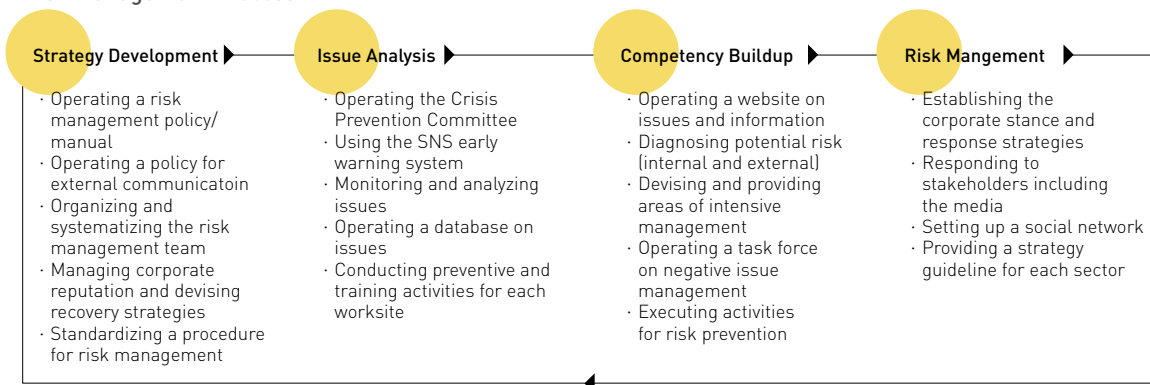
The CEO declaring the pledge of ethical management, and operating a dedicated division for ethical management Yuhan Kimberly's CEO has participated the CEO Ethical Management Declaration (organized by Business Ethics and Sustainability management for Top performance) for 13 consecutive years from 2004 to 2016. In 2012, we installed the legal and compliance division directly under immediate control of the CEO as a dedicated division overseeing ethical management and compliance operations.

Developing a program to protect whistleblowers, and conducting essential training on ethical management Employees complete training once a year on ethical management, the code of conduct, and anti-corruption and bribery both online and offline. Along with online training on additional code of conduct, training on the protection of personal information and the prevention of sexual harassment is offered. In 2015, we trained all employees by developing a whistleblower protection program in 2015.

Operating a hot line for reporting violations of the code of conduct, and taking actions against incidences of corruption Yuhan-Kimberly launched a hot line for reporting violations of the code of conduct (contact number: 00798-1-1-008-3594) in 2013, which is operated 24/7, and allows anonymous reporting. Yuhan-Kimberly as a joint company with an American company is subject to the Foreign Corrupt Practices Act (FCPA), a U.S. federal act, comprising regulations on anti-bribery and accounting. No case of violation occurred in 2015.

Risk Management

Risk Management Process



Crisis Prevention Committee

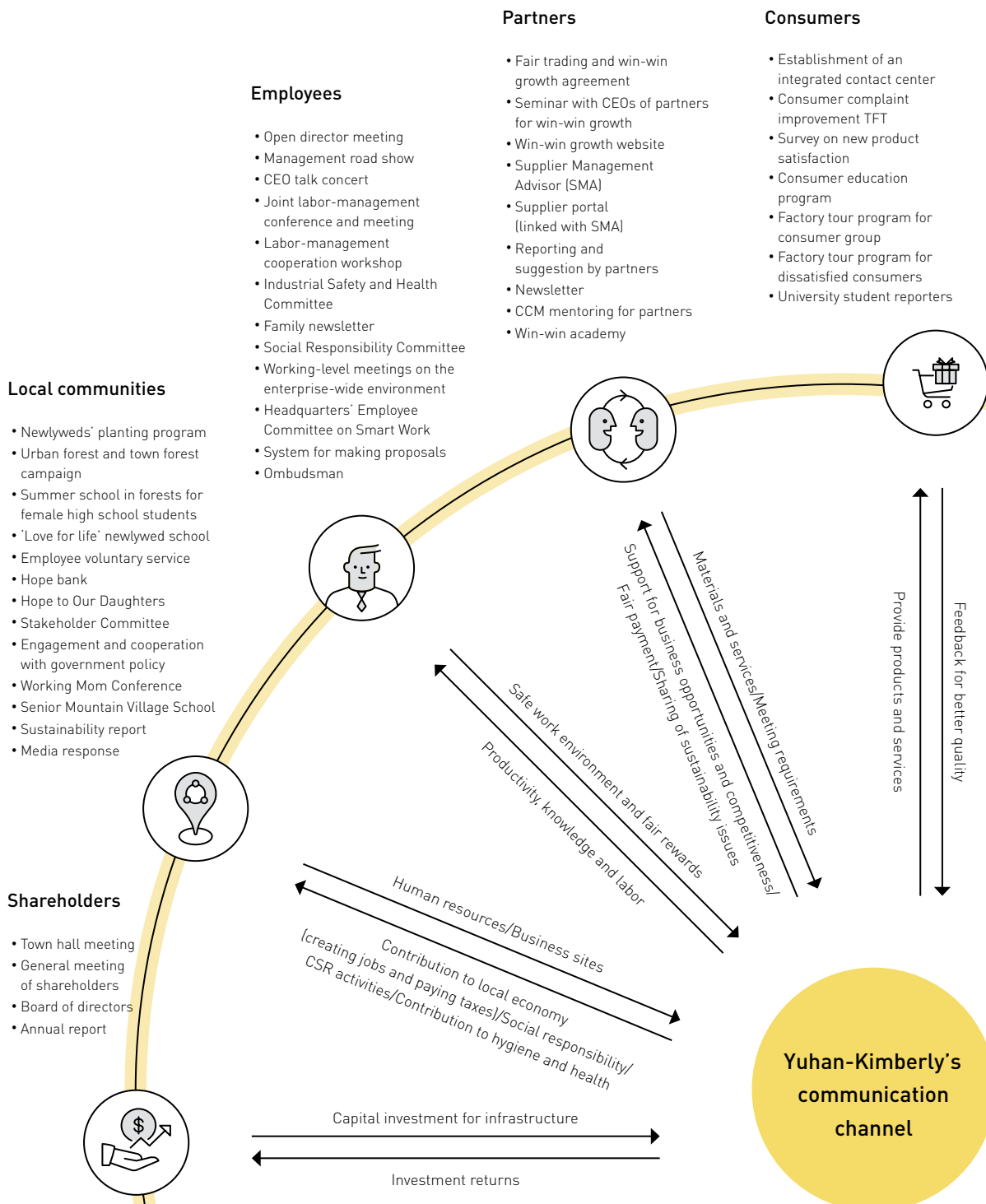
Consumer complaints/Consumer advocacy groups Consumer service division	Law Legal and compliance division	Media/Notarization Communication/PR division (Public relations)	Product safety /Regulation affairs Innovation center	Product quality Taejon quality assurance work group
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Operation of the Crisis Prevention Committee We run the Crisis Prevention Committee to preemptively respond to expectations of the public and social changes, and minimize potential risks which might occur in business management. A representative risk prevention activity is our safety policy on products for babies and children disclosed in January 2015.

Stakeholder Engagement and Reflection in Corporate Management






Our stakeholders are defined as employees, partners, consumers, shareholders and local communities. We transparently disclose management directions and performance through various types of management disclosure, the general meeting of shareholders, the board of directors, business reports and our website. We listen to stakeholders' feedback through stakeholder-specific communication channels and make prompt responses.

Communication Channels for Yuhan-Kimberly's Stakeholders



Best practices where stakeholder feedback has been reflected in corporate management

Our first step for consumer-centric corporate management is to listen to stakeholder feedback. We reflect the feedback gathered through communication channels of each department which serve as consumer contact points of consumers, partners and shareholders. The Environmental Management Work Group transparently discloses related records through the Sustainability Report.

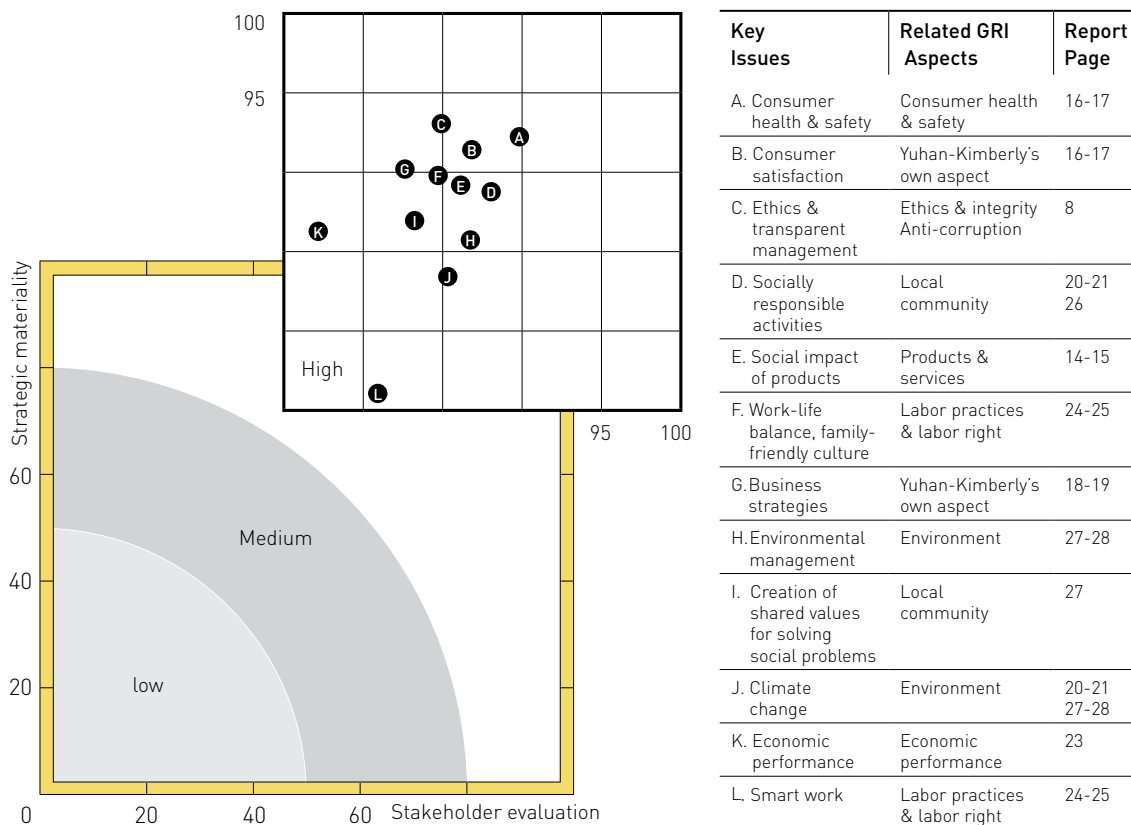
Stakeholder	Communication channel	Various stakeholder feedback	Cases reflected in corporate management
 Consumers	Consumer Contact Center	Wet wipes cause sewer blockage.	Launched flushable My Bidet Kids
		The diaper rubber string is exposed. Diapers have some smell.	Changing raw materials and improving the process
		The cover of a feminine sanitary napkin is not fully attached to the underwear.	Changing materials and the process e.g. covering
		Wet pipes have excessive foaming.	Improving raw materials
		A feminine sanitary napkin has a flattened bug inside.	Changing raw materials, installing an impurity inspection system
		Absence of information in product purchase is inconvenient.	Adding instructional notices for consumers, disclosing video clips produced, etc. Correcting asymmetrical perforated lines on toilet paper, informing on the pumping method
		Trimming of cutout toilet paper pieces is defective in the production process.	Adding facilities to intensify an impurity detection system
	Consumer survey	Urinary incontinence causes hesitance to reveal it.	Launching the defend-style underwear, waging an awareness-raising campaign
	How are injectable sanitary pads (tampons) are used?	Disclosing a video clip produced on how to use the White Tampon	
	Diapers exclusively for summer are needed.	Developing summer diapers and summer panties	
	The volume and the design of wet wipes are inconvenient for outing.	Launching a bag for small-portion packing (clutch bag)	
 Employees	Management road show	We wonder about business performance.	Sharing quarterly management performance, plans, a vision and strategies
	Labor-management cooperation program	We need inspection and risk discovery activities in labor-management partnership.	Discovering 2,247 cases, improving 2,059 cases (improvement rate of 91.6%)
	CEO Talk Concert	Listening to problems on sales and manufacturing sites	Organizing the Engineer Workshop based on a suggestion of a staff of mills
 Partners	Shared Growth Representative Seminar	Requesting support for buildup of SMEs' competitiveness	Signing CCM mentoring with 4 corporate mentees and 4 partners (consulting, operational benchmarking, support for certification evaluation)
	Supplier Management Advisor (SMA)	Complementing interactive communication functions with partners	Upgrading the SMA 4.0 – improving the PO process and sharing information
	Win-win Academy	Requiring training for direct engagement and practices	Reviewing the adoption of team discussion-based programs
 Local Community	Stakeholder Committee	Identifying fundamental behavioral causes through research on motivations for collaboration and communication	Conducting seminars on collaboration-reinforced business units, facilitating sector-specific learning communities
		Perceiving a need for collaboration through organizational development and training	Establishing a vision and goals for smart manufacturing, integrating enterprise-wide management strategies, innovating the process
	Social contribution activities	Wouldn't there be countermeasures against low birth rates and entry into an aging society?	Conducting a program and a campaign to overcome low birth
		There must be improvement in diversity in gender in the society and the company.	Engaging in and supporting activities for 30% Club (Future Forum) corporate members
Volunteering	Wouldn't there be any way to utilize normal products exchanged due to a wrong size?	Donating to social welfare organizations, etc. through employee volunteering	
 Shareholders	Board of directors	Importance of brand building	Strengthening brand building and optimizing media mixing
		Importance of new growth engines	Expanding sales portfolios through strategic alliance with Unilever

Determining Material Issues

Yuhan-Kimberly complies with the principles for defining report content and report quality of the Global Reporting Initiative (GRI) G4 guidelines, and selects key reporting issues through the annual Materiality Assessment starting from 2007. Materiality defined by Yuhan-Kimberly refers to the level of actual impact on correlations in the aspect of business and sustainability, stakeholders of Yuhan-Kimberly and continued value creation.

1 STEP	2 STEP	3 STEP	4 STEP
Gathering related issues	Prioritizing material issues	Selecting reporting issues	Verifying the materiality assessment
<ul style="list-style-type: none"> · Review of issues of the previous year · Review of GRI G4 Aspects · Legal and policy research · Media review · Internal KPI review 	<ul style="list-style-type: none"> · Materiality Assessment (based on GRI G4) · Key stakeholder survey (consumer-centric) · Strategic materiality assessment 	<ul style="list-style-type: none"> · Top issues based on the Materiality Assessment · Exclusion of less material issues based on the impact assessment, and integration of aspects in terms of G4 materiality 	<ul style="list-style-type: none"> · External verification of the Materiality Assessment process · Verification on whether reporting is centered on material issues
<ul style="list-style-type: none"> · Selection of 73 issues in 2016 	<ul style="list-style-type: none"> · Survey on 12 sectors and prioritization 	<ul style="list-style-type: none"> · Selection of 10 reporting aspects 	<ul style="list-style-type: none"> · Initiation of external verification

The most material issue of 2016: 'health and safety of consumers' Stakeholders including employees and consumers took part in the process of selecting material issues for sustainability management of Yuhan-Kimberly, and finalized on prioritization based on stakeholder assessment and the materiality level of management strategies.





Highlight of Sustainable Management



14	Social & Environmental Impact of Products
16	Creation of Consumer Value
18	Business Strategies
20	Keep Korea Green



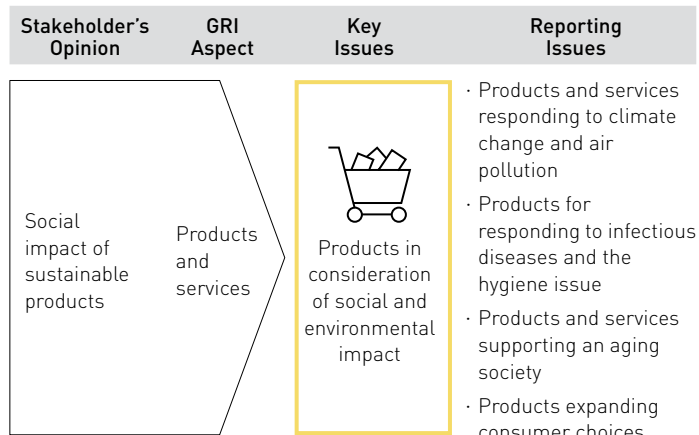
Social & Environmental Impact of Products

Is Yuhan-Kimberly providing sustainable solutions for a better life for consumers?

Products in consideration of their social & environmental impact

WHERE WE STAND Social and consumers' needs for products have been constantly changing, and companies have reflected them in their entire process of development, production and sales, etc. Consumer needs used to lie in personal utility including product quality, price and design, but consumers have recently taken a great interest in products' social & environmental impact. We develop and foster innovative technologies, and consider products' social & environmental impact beginning from the product development stage.

HOW WE LISTEN Ours stakeholders have selected the 'social impact of sustainable products' as a key material issue, which covers hygiene, health, convenience in living, minimized packaging and environmental certification, and have highly evaluated product-based social contribution. The social impact of sustainable products reached 87.5 points, being ranked as the fifth material issue. We hope to take a close look at them, and manage them by reflecting them in corporate management.



WHAT WE DO

KPIs	2013	2014	2015	2016 target
Sales growth rate of masks (%)*	-	-	870	31
Donation of feminine sanitary napkins (10,000 pieces)*	-	-	-	150
Sales volume of diapers for premature babies (10,000 pieces)*	-	104	409	-
Sustainable products (number of products)	304	298	306	-

* Sales growth rate of masks: The sales growth rate of masks has skyrocketed in 2015 due to the outbreak of MERS based on the mask sales sold in lifestyle channels since 2015.

* Donation of feminine sanitary napkins: Donation of feminine sanitary napkins for low-income adolescents started in 2016.

* Sales volume of diapers for premature babies: Diapers for premature babies were launched in June 2014.

What kind of product development would be needed for climate change and air pollution?

'Kleenex® Mask' – a product to protect respiratory health People are prone to attacks of particulate matters (sized $10\mu\text{m}$ or lower) and ultrafine particles (sized $2.5\mu\text{m}$ or lower), regardless of any season. Yuhan-Kimberly's 'Kleenex® Yellow Dust Mask (KF80)' acquired permit as a quasi-drug from the Ministry of Food and Drug Safety. The 4-stage ultra-fine filter structure has a higher blocking effect compared to general cloth masks, thus being effective in preventing respiratory diseases.



How should we respond to infectious diseases and the hygiene issue?

'Kleenex Dry Cell Hand Towel' – stronger protection against epidemic diseases Hand washing followed by improper drying might be a channel for infectious diseases. Yuhan-Kimberly launched 'Kleenex Dry Cell Hand Towel' in 2015, which is more hygienic than the existing hand towels. Driven by the Uncrepped Through Air Dryer (UNCTAD) technique, air bags are generated to boost absorbency. Its users can dry their hands within a single piece thanks to the strong absorbency and the high absorbency speed.



How can seniors be more actively supported in an aging society?

'Depend Style Underwear' – supporting active lifestyle of seniors The 'Depend Style Underwear' for seniors eases inconvenience of urinary incontinence and helps ensure a reassured daily life. Yuhan-Kimberly has waged the Active Senior Campaign by producing a corporate advertisement titled 'Seniors are Our Resources' from 2012.



How have consumer choices been expanded inline with social changes?

Launching diapers by premature babies, a stage below the newborn Giving birth to premature babies has been on the uphill since people are getting married more belatedly and women get pregnant at an old age. Yuhan-Kimberly launched 'Huggies Nature Made, a diaper product exclusively for babies in Stage 0 in 2014. The produce excels in its softness by using a sugarcane material on the sensitive area touching the baby skin including the inner part of a diaper.



Planning to launch lower-and mid-range feminine sanitary napkins for price diversification Yuhan-Kimberly, announced its promise with the society on June 3 that it would give out 1.5 million pads free of charge to help out financially struggling adolescents to afford pad purchase, and launch lower-and mid-range feminine sanitary napkins to expand consumer choices by the second half of 2016.




Creation of Consumer Value

What kind of efforts is Yuhan-Kimberly pouring in to create consumer value?

Product Safety and Consumer-centric Management

WHERE WE STAND In today's world, consumers can easily access corporate information, and communication via SNS has flourished. As such, the importance of in-depth understanding of consumers and discovery of consumer insights has gone up. We pay our utmost attention by prioritizing consumers on top of all the values. We even analyze the Voice of the Consumer (VOC) discussed outside official consumer communication channels in order to discover potential consumer needs and manage them as big data, which are, in turn, used for quality improvement, product development, marketing and service improvement.

HOW WE LISTEN Our consumers have selected 'consumer satisfaction' as a material issue including consumer-centric management, and consumer satisfaction and communication as well as 'consumer health and safety'. Consumer health and safety scored 90.5 points, being selected as the most material issue among sustainability management issues. Consumer satisfaction was selected as the second issue of materiality with 88.9 points. We cover the devised core issues in this report, hoping to continuously manage them by reflecting them on corporate management.

Stakeholder's Opinion	GRI Aspect	Key Issues	Reporting Issues
Consumer health and safety	Consumer health and safety	 Creation of consumer value	<ul style="list-style-type: none"> · Securing product safety · Consumer-centric Management
Consumer satisfaction	Yuhan-Kimberly's own aspect		

WHAT WE DO

KPIs	2013	2014	2015	2016 target
CCM certification*		Certification achieved		Certification achieved
Year-on-year reduction rate of consumer complaints (%)	13.4	2	4.3	10
Growth in consumer satisfaction (increases in points)	-	2.8	4.4	1.6
Number of participants in consumer training (person)	321,424	323,101	335,869	373,205

* Consumer Centered Management (CCM) Certification: It is a national certification scheme where all corporate activities are reconfigured in the consumer perspective, and which is evaluated by Korea Consumer Agency and certified by the Fair Trade Commission on whether a corporate management activities make continued improvement. The certification evaluation is conducted every two years, and we acquired re-certification in 2014.

How is product safety secured?

Consumers' criteria for product selection are shifting from focus on brand to safety of ingredients. Yuhan-Kimberly minimizes the environmental impact of products on the human body in order to provide products which give assurance to consumers.

Operating an integrated process for product safety assurance and securing raw material safety of products Prior to product launch, Yuhan-Kimberly reviews product safety and legal compliance, and monitors products in distribution process. In 2015, in particular, as a result of monitoring with a focus on stronger safety management amid legal revisions for skincare products and chemical household products, Yuhan-Kimberly satisfied legal and voluntary standards. Moreover, Yuhan-Kimberly voluntarily prohibited the use of 59 'potentially unsafe materials' for products for babies and children by introducing the Raw Material Usage Guideline in 2013. In 2015, Yuhan-Kimberly modified the formulation for a total of 25 items of skincare products, household products and chemical household products. Safety is secured by considering the usage guideline starting from the development stage.

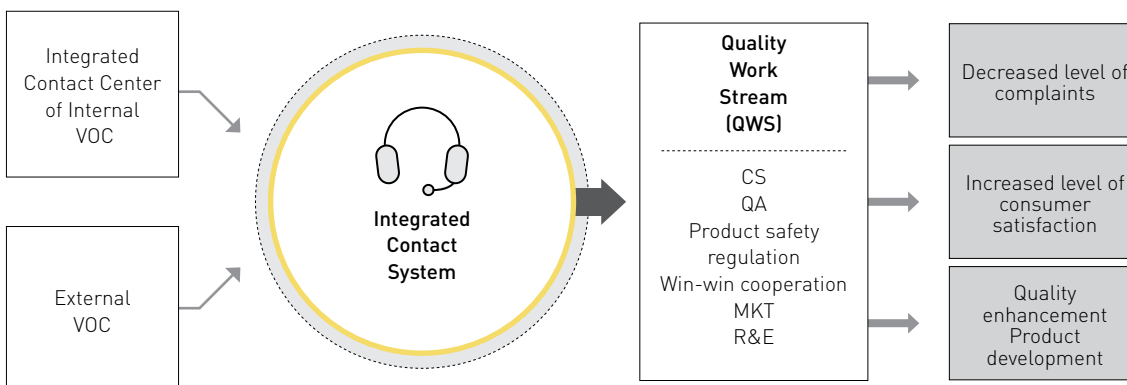
How is consumer-centric management realized?

Yuhan-Kimberly believes that consumer-centric management would lead to opportunities for innovation and collaboration, and open up a way for growth. All the management activities are configured and improved in the consumer perspective in consumer-centric management in order to provide better values to consumers.

Establishing an integrated contact center and an integrated consumer care system Yuhan-Kimberly launched an integrated contact center and an integrated consumer care system in January 2015. The center manages the quality of consumer contact services by integrating separated contact channels – consumer support centers, business sites, online shopping malls, events and B2B. A portal search function was introduced to the integrated consumer care system so that VOC on all the businesses of Yuhan-Kimberly is managed and analyzed through integration into a single system. The system is utilized for product and service improvement.

Exploring potential consumer demands through VOC Yuhan-Kimberly databases VOC gathers through online and offline communication channels, and uses it for quality improvement, product development, marketing and service improvement. Moreover, the Quality Work Stream (QWS) is operated every month enterprise-wide, improving product complaints in advance. As a result, the number of consumer complaints dropped 4.3% year to year in 2015.

Process for Voice of Consumer Handling




Business Strategies

What strategies are now needed for Yuhan-Kimberly to sustain its businesses?

Diversification of the business structure and development of new growth businesses

WHERE WE STAND Advanced economies are in slowdown, while emerging players including China and countries in Southeast Asia undergo a sluggish growth. The consumer goods industry confronts a new paradigm due to diversified consumption patterns of consumers, increases in the elderly population and micro-sized households, and the growth of reverse overseas direct purchase. Against this backdrop, diversifying business portfolios and sales channels has become a critical strategy. Yuhan-Kimberly initiates diversification of the business structure, expansion of the online market and scale-up of target market domains, aiming to secure a new growth momentum.

HOW WE LISTEN Our stakeholders selected 'business strategies' as a material issue, covering management strategies, new product development, new project development and exploration of new markets. The financial performance and generation of economic benefits as a result have been highly evaluated. The topic of business strategies was selected as the 7th material issue with 86.2 points. We hope to continuously the core issues that are devised by thoroughly covering them in this report, and reflecting suggested ideas to corporate management.

Stakeholder's Opinion	GRI Aspect	Key Issues	Reporting Issues
Business strategies	Yuhan-Kimberly's own aspect	 <p>Diversifying the business structure and developing new growth businesses</p>	<ul style="list-style-type: none"> · Diversifying the business structure · Expanding the online market · Expanding the target market domains and implementing sophistication strategies

WHAT WE DO

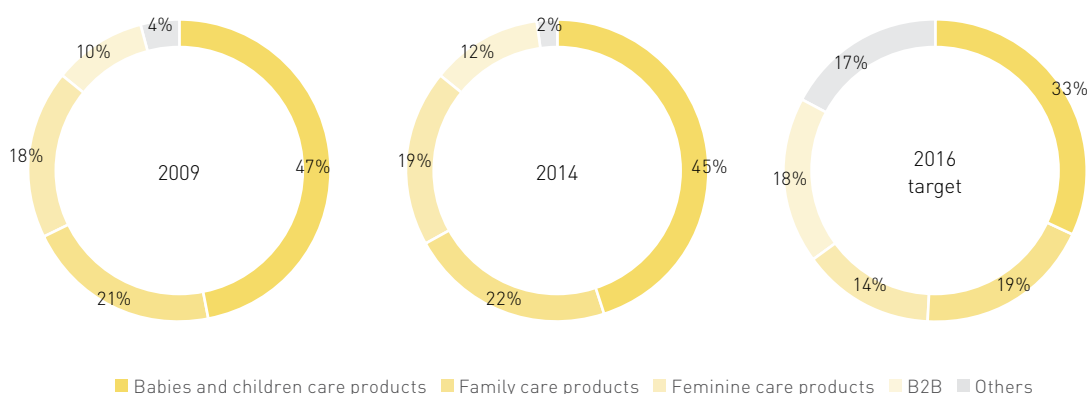
KPIs	2013	2014	2015	2016 target
Export volume (KRW 100 million)	2,360	2,348	2,950	3,029
Growth rate of online sales (%)	-	-	33.3	16.0
Members of momQ (10,000 person)	-	-	17	30
Amount of capital expenditure (CAPEX, KRW 100 million)	890	819	671	-

How is the business structure diversified?

Yuhan-Kimberly maintains and develops core business categories in order to secure a new growth momentum and strike a balance in business portfolios, nurtures new growth businesses and facilitates the export market.

Increases in the portion of new growth businesses, exploration of a new export market Yuhan-Kimberly expands its market share in feminine care products, household products and senior products in its efforts to diversify its business structure. While continuously scaling up the export market, the highest export volume of KRW 295 billion was achieved in 30 countries in 2015. A total of KRW 26.2 billion in revenues was gained from the Dry Cell Hand Towel, and etc. from 2015. New products are also launched to exclusively target overseas markets.

Changes in the portion by business and balance striking



How is the performance in the online market?

With the growth of the mobile market, consumers' purchasing behaviors have changed. Yuhan-Kimberly will strengthen cooperation with online distributors, while attempting for changes by using omni-channels including the shopping mall for babies and children, based on its trust formed in the offline market.

Increases in the online market revenues, Huggies momQ acquiring 170,000 members Unlike its previous expectations that the baby and child product market might shrink, Yuhan-Kimberly achieved 10%



growth in 2015. It is attributable to a trend where the purchasing behaviors of consumers for products for babies and children – the key product category – have shifted to online platforms, and Yuhan-Kimberly had prepared for such a change promptly. In 2015, the portion of online sales in the baby and child product category stood at 65%, and the growth rate of online sales hit 33.3%. Yuhan-Kimberly opened the Huggies momQ, an online shopping mall for baby and child products, securing over 170,000 members, and directly manages the entire process.

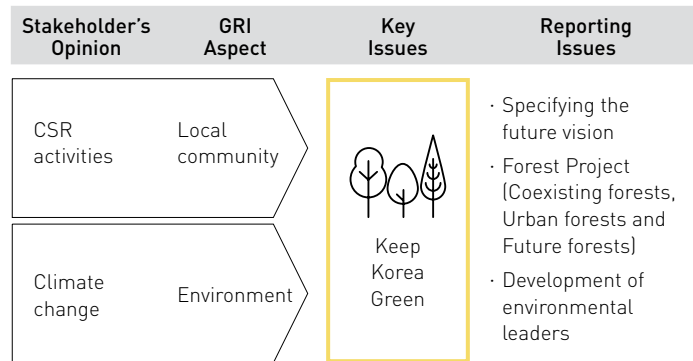
Keep Korea Green

What would be the directions for the Keep Korea Green campaign?

A Better Life through Coexistence of Forest and Human

WHERE WE STAND As severity of climate change due to global warming is spotlighted, we are making dynamic responses globally. As the 'Paris Agreement' was adopted, which states that the world will cooperate to reduce GHG to prevent climate disasters, in December 2015, conservation measures for forests are more and more emphasized, which play pivotal roles in absorbing GHG. We strive continuously to contribute to sound growth of our society driven by forest conservation through Keep Korea Green, which kicked off in 1984.

HOW WE LISTEN Materials issues selected by our stakeholders are 'activities of corporate social responsibilities (CSR)' covering 'Keep Korea Green' and our social contribution programs among diverse issues surrounding us, and also 'climate change' including GHG emission reduction and carbon offset. CSR activities to respond to climate change were evaluated to be material. The topic of CSR activities was selected as the 4th material issue with 88.0 points, and climate change was chosen as the 10th material issue with 84.3 points. We hope to continuously the core issues that are devised by thoroughly covering them in this report, and reflecting suggested ideas to corporate management.



WHAT WE DO

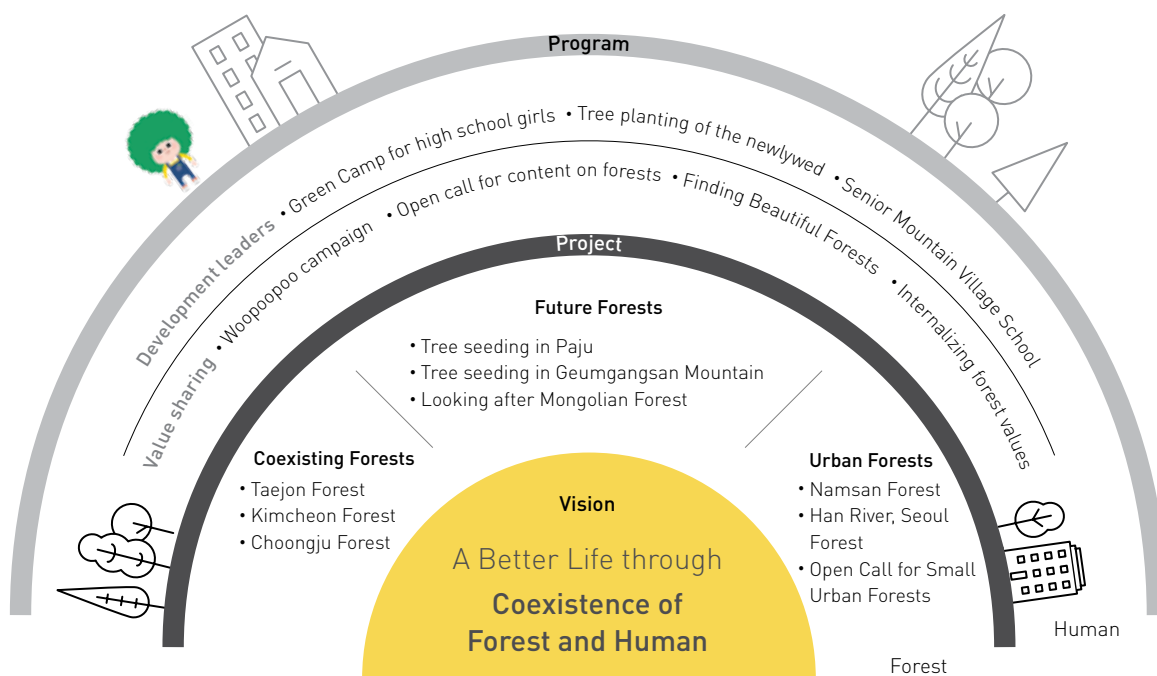
KPIs	2013	2014	2015	2016 target
Carbon offset in coexisting forests (tCO ₂)	-	-	2,184	-
Accumulated afforestation and forestation (number of trees)	48,949,951	50,650,067	50,664,461	50,953,841
Newly-wed participants in tree planting (person)	707	768	650	410
Green Camp participants (person)*	136	143	144	108
Accumulated area for formation of Urban Forests (m ²)	871,782	871,782	885,005	-

* The number of Green Camp participants in 2014 is revised to be 143.

Specification of the Future Vision: Establishing the Basis for New Cooperation with the Society

Yuhan-Kimberly's 'Korea Korean Green' campaign achieved its goal to plant and look after trees amounting to 50 million, which equals the population of Korea, for 30 years from 1984 to 2014. From 2015, three projects – Urban Forests, Coexisting Forests, Future Forests – are being carried out in a new vision with values of 'coexistence'. Yuhan-Kimberly is developing engagement-based programs to foster leaders and shared forest values.

Execution of the Vision for Keep Korea Green (2015~2016)



What are the three projects for creating sustainable 'Coexisting Forests'?

Urban Forests_Namsan Forest and Han River Forest, development of a new urban forest model First, in the 'Urban Forests' project, Namsan Forest is to be restored as a healthy forest, and riverside greening of Han River is to restore the ecological nature of the river as a horizontal axis of Seoul and form an urban ecological culture. In 2015, tree planting of 600 trees was conducted by 150 people including employees to restore the riverside of Han River and the forest trail in Namsan.

Coexisting Forests_Signing a contract for development of the Coexisting Forest model, organizing a policy discussion meeting on regional forest management The 'Coexisting Forests' project is to form carbon offsetting forests to respond to climate change, look after forests by citizens, the company and the government, and suggest a sound model required for forests through diverse forest welfare services. Yuhan-Kimberly set the stage for businesses for the next decade by selecting locations in Kimcheon and Taejon, and signing the 'Coexisting Forest Agreement'.

Future Forests_Selecting tree seeding nurseries to foster trees to be planted if both Koreas are reunified, setting the stage for a cooperative scheme The 'Future Forests' project is a project that inherits benefits of forests to future generations by creating tree seeding nurseries to supply seedling in order to recover damaged forests in North Korea and restore ecological healthiness. Yuhan-Kimberly formed a tree seeding nursery sized 20,000m² which is near North Korea, planning to produce 300,000-500,000 seedlings each year, starting with seedling production of 100,000 trees in 2017.

Report on Sustainable Management Performance

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- 24 Social Management
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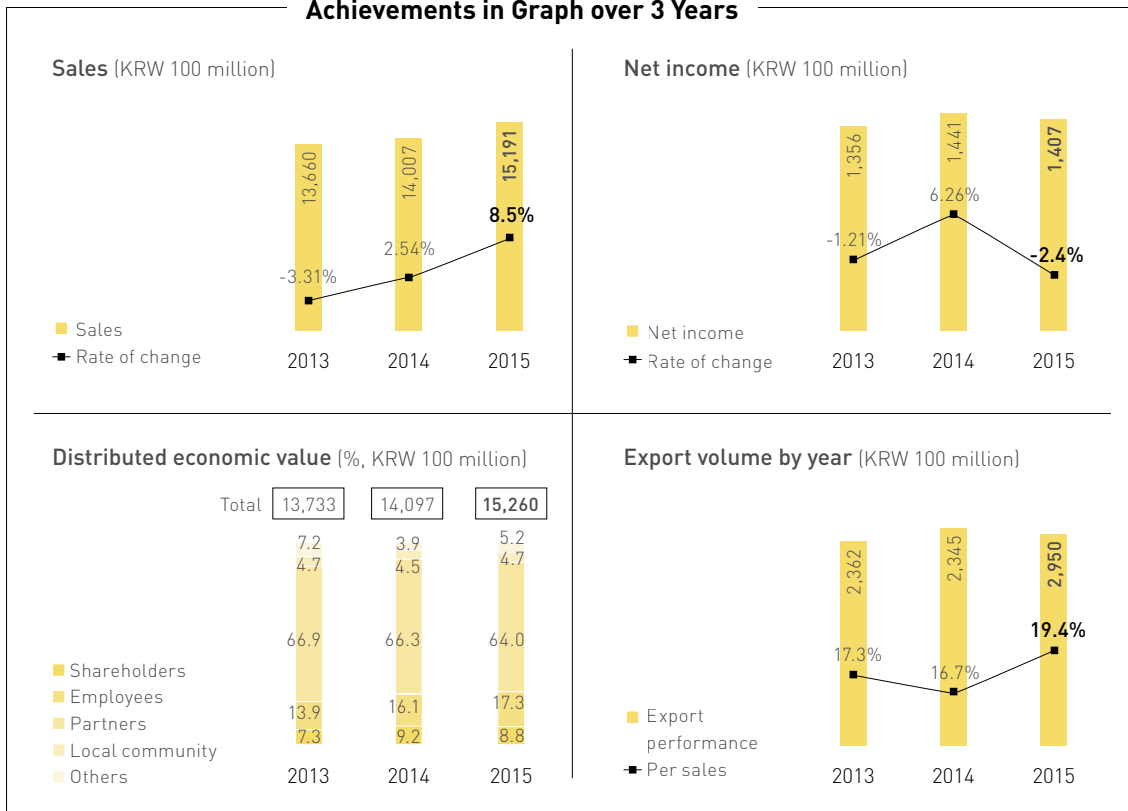
ECONOMIC MANAGEMENT

Disclosures on Management Approach

Yuhan-Kimberly declared the Vision 2020 towards a 'Great Life-innovating Company' and set five strategic directions. Mid-and long-term financial targets are set by 2020, and all the employees systematically cooperate to reach the targets in managing economic performance.

Target Achievement	Key Performance	
Sales target achievement	Increases in sales	Expansion of the domestic market
100.9%	+8.5%	+5.0%
Net income ratio achievement target	Increases in operating income	Expansion in export
88.0%	+5.4%	+25.8%
	Mid-and long-term investment	Growth in online sales
	KRW 65.5 billion	+33.3%

Achievements in Graph over 3 Years



SOCIAL MANAGEMENT

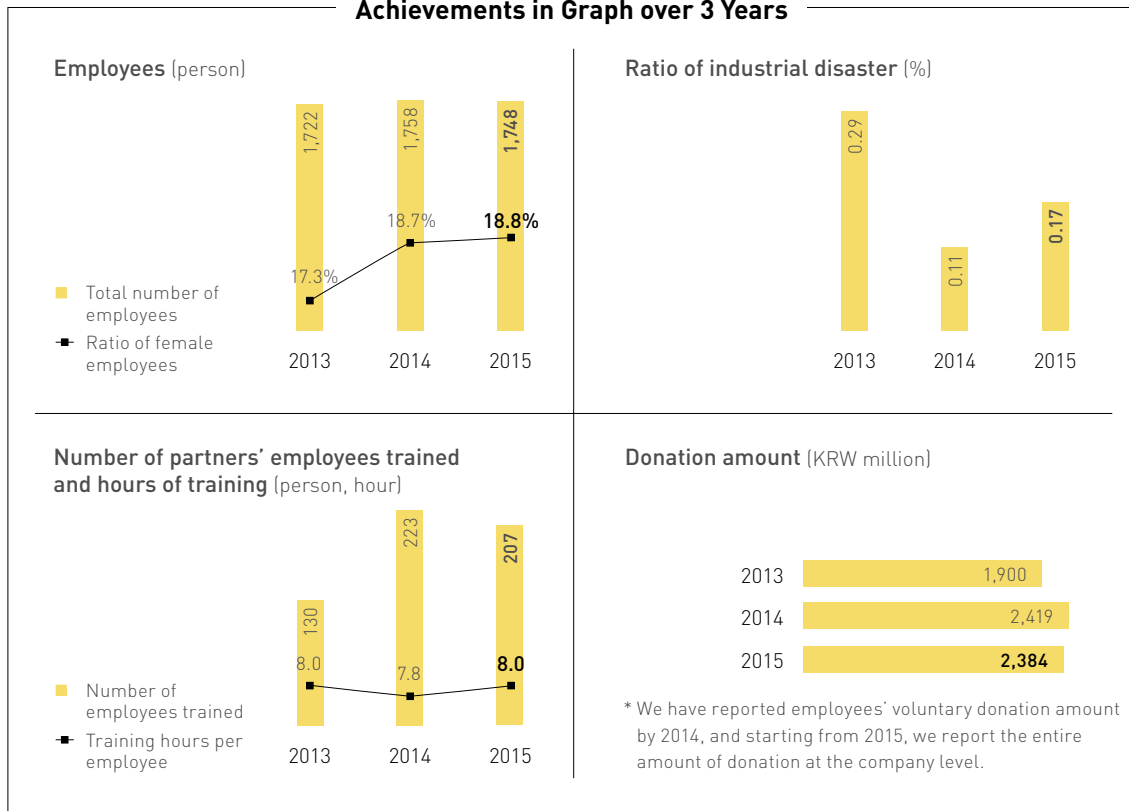
Disclosures on Management Approach

Employees, partners and communities are invaluable growth partners for Yuhan-Kimberly. Performance targets in the social sector are set to contribute to employees' potential competency development, shared growth with partners and creativity in communities in order to assess achievements on an annual basis.

Key Performance

Employee		Partners		Local community	
Ratio of female executives	18.9%	Industrial disaster	0.17%	Portion of local procurement amount	34.2%
Average continuous service period	17.9 years	Training hours per individual	71.5 hours	Participation in the Shared Growth Pact	75 companies
				Creation of jobs for seniors	211 jobs
				Volunteering hours per employee	6 hours

Achievements in Graph over 3 Years



Employees

Respect for human rights and diversification

The total number of employees at Yuhan-Kimberly is 1,748 in 2015, consisting of 844 production employees and 904 office employees by job type, and of 1,700 regular employees and 48 contract employees by employment type. Among the regular employees are 294 female employees, along with 35 females among contract employees.

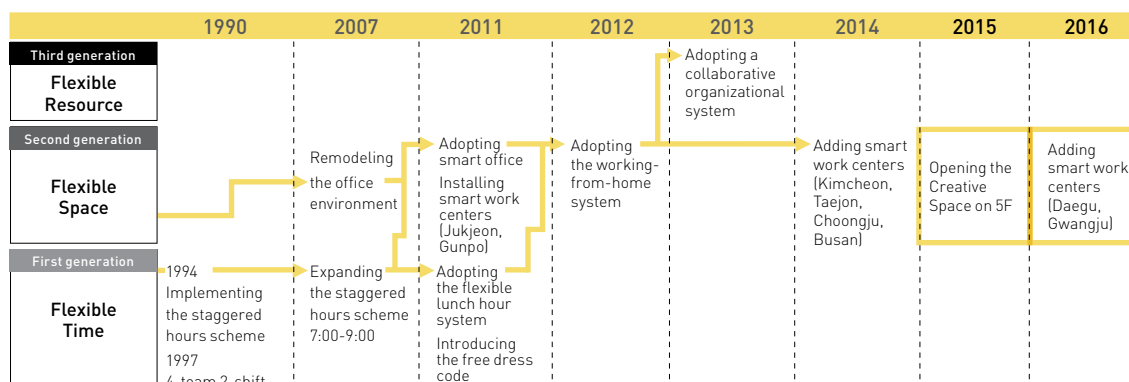
Work-life balance

Family-friendly company certification for nine consecutive years since 2008 Yuhan-Kimberly implemented flexible working hours and the life-long learning system from the early 1990s, and adopted a family-friendly program per life cycle. Thanks to such efforts, Yuhan-Kimberly acquired the family-friendly company certification in 2008 from the government, maintaining the prestige as a certified family-friendly company for nine consecutive years since the initial certification in 2008.

Smart work and smart office leading a new corporate culture Yuhan-Kimberly is striving to create a more innovative and creative corporate culture by adding flexibility and the challenging spirit to the organization. Smart work was adopted based on core values in 2011, considering four aspects: space, IT, corporate culture and HR scheme.

Classification	Type	2013	2014	2015
Employment	Employees (person)	1,722	1,758	1,748
	Employment of the disabled (%)	2.5	2.5	2.4
	Contract employees (person)	4	38	52
	Job creation rate (%)	1.89	2.09	-0.57
	Average continuous service period (year)	16.8	17.3	17.9
	Average working hours per month (hour)	171	168	164
	Average number of days absent (day)	0	0	0
New employment	Loss days (day)	500	167	244
	New employees (person)	55	21	11
Retirement	Retirement rate (%)	1.92	1.91	1.89
Female employment	Number of female employees (person)	298	329	329
	Percentage of females in total workforce (%)	17.3	18.7	18.8
	Percentage of females at senior management levels (%)	17.6	19.4	18.9
	Percentage of females among total office employees (%)	35.6	37.8	37.9
Maternity/childbirth	Percentage of females among new recruits (%)	42.4	71.2	61.9
	Maternity leave usage rate (%)	100	100	100
	Maternity leave users (person)	23	16	18
	Return-to-work rate after maternity leave (%)	100	100	100
	Baby care leave users (person)	16	24	21
Training	Return-to-work rate after baby care leave (%)	100	100	100
	Training cost per employee (KRW 10,000)	88.2	96.5	116.2
Labor union	Training hours per employee (hour)	38	58.3	71.5
	Rate of employees joining the labor union (%)	99.8	99.9	99.3
Grievance handling	Cases of grievances handled (number)	122	109	38

* One male employee used baby care leave among baby care leave users in 2015, and retention rate after return from leave among baby care leave users is 95% in 2015.



Partners

Types of partners of Yuhan-Kimberly Yuhan-Kimberly distinguishes partners into upstream and downstream ones in the value chain. Upstream partners include raw material suppliers and finished product suppliers, and downstream ones include distributors, direct sellers, advertisement agencies, IT companies and financial ones. The number of partners in transaction in 2015 is 1,235, 89.3% of which are domestic companies. Among them, newly contracted partners amount to 207.

Buildup of sustainability for partners Yuhan-Kimberly is equipped with a performance evaluation system for competitiveness enhancement and sustainability management. Yuhan-Kimberly quantifies partners' management level, and extends help to partners to explore and advance potential risks including product safety and fire outbreak. The annual regular evaluation consists of 3 chapters – quality management, social responsibilities and housekeeping, 13 sections and 86 questions. Included is fulfilment of social responsibilities – labor, human rights, ethics, legal compliance and environment. In 2015, there was no critical accident occurring in partners in safety, environment, human rights and social sectors.

Local Community

Contribution to community Yuhan-Kimberly has operated the Hope Bank which donates products returned for size change including baby diapers, feminine sanitary napkins and diaper products for adults to community organizations since 2011. Yuhan-Kimberly has run the Communication School for Happy Parents, targeting the newly wed to overcome the low birth rate in partnership with YWCA Seoul since 2009.

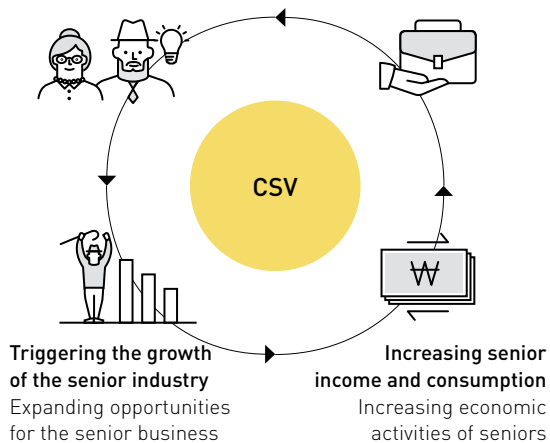
Efforts to strengthen female leadership and competency buildup As a corporate member of the Future Forum, Yuhan-Kimberly is engaged in corporate member activities spreading the value of diversity in the Korean society and raising gender diversity starting from October 2013. Life-long learning opportunities have been provided by selecting female activities of civic organizations every year since 2007. Yuhan-Kimberly has participated in the Donation Relay Campaign, a fundraising activity for protecting women's human rights, every year since 2003.

Solving the aging issue and creating shared values for growing business Yuhan-Kimberly suggests a management model for the Creating Shared Value (CSV) to nurture the senior business, while contributing to solving the national challenge of the aging issue. It is a new perspective to contribute to social development by solving the aging issue through development of active seniors by creating new industries. To this end, Yuhan-Kimberly raised funds (KRW 600 million for the Active Senior Campaign, and KRW 300 million for the Corporate Fund for Shared Distribution), exploring and developing 26 small enterprises and 65 products and services as of 2015-end, and creating 211 jobs. From 2016, Yuhan-Kimberly plans to carry out the 'Senior Care Manager' project, a job creation model using career-interrupted seniors' professional experiences.

Virtuous Cycle for CSV

Shifting a paradigm in the mindset of active seniors
Suggesting a more active life for seniors

Creating jobs for seniors
Creating jobs and spreading the job creation model in the society

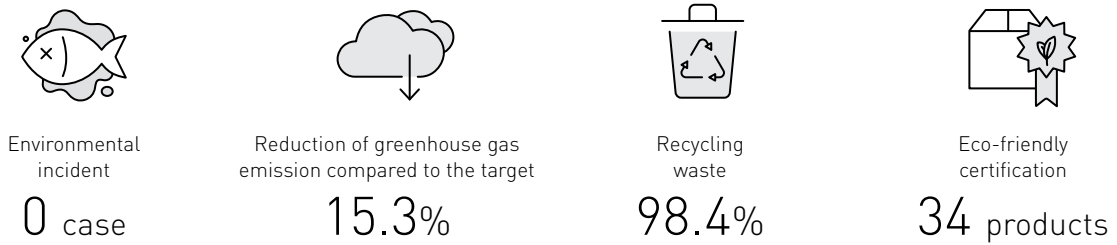


ENVIRONMENTAL MANAGEMENT

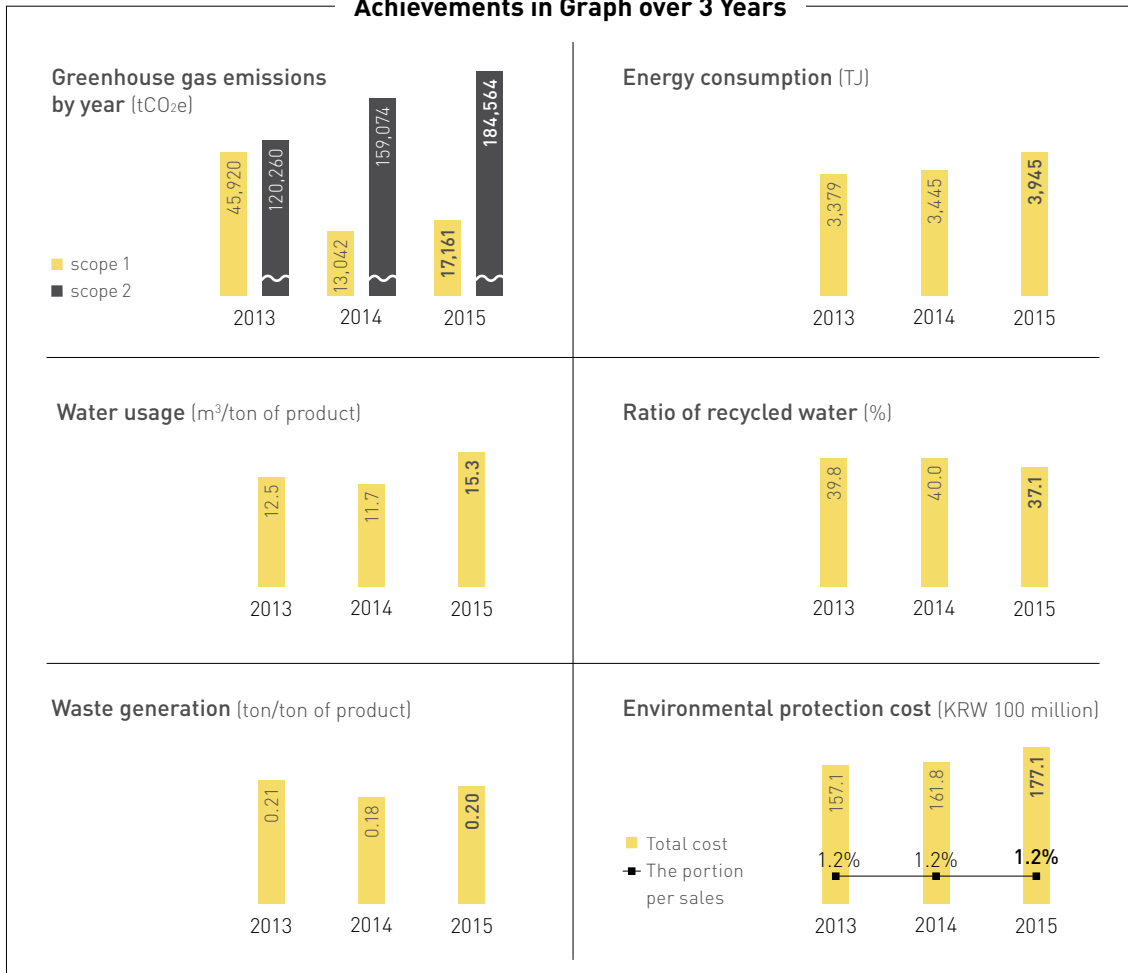
Disclosures on Management Approach

Since its declaration of environmental management in 1996, Yuhan-Kimberly has practiced its own environmental measures in order to minimize the environmental impact on the entire process ranging from selection of raw materials to product design, production and disposal, and become a leader in environmental management.

Key Performance



Achievements in Graph over 3 Years



Response to Climate Change

Climate change response through a vision for low carbon Yuhan-Kimberly continues to run GHG reduction programs, while establishing a vision and a roadmap for low carbon in 2010. Core values were set to achieve the 30% reduction of GHG compared to the BAU (Business As Usual)* and the 30% sales of green products: in the field of operation, product, society and supply chain.

Response to the emission trading scheme Yuhan-Kimberly is collaborating with related sectors to over-achieve the 2015 permissible emission target (238,130tCO₂e) given by the government amid the implementation of the emission trading scheme. The 2015 emission is 201,723tCO₂e which was finally certified by the Greenhouse Gas Inventory & Research Center of Korea based on the verification of the GHG emission specification. In 2015, the emission was exceeded by 15.3% (36,407tCO₂e), which was carried over 100% to 2016 via the emission registry system of the government.

GHG reduction initiative Choongju and Taejon Mill installed an energy monitoring system in 2015, setting a framework for analyzing the amount of electricity used per facility, and identifying early and improving waste elements for each specific unit. Choongju Mill, in particular, installed compressor flowmeters, control valves and on/off system for HVAC. As a result, it is expected to reduce the electricity usage amount by 2% compared to the total. Moreover, Kimcheon and Choongju mill had their lamps replaced with LED lighting. At Kimcheon, the hot heat wind emitted in the air in the fabric production process was recycled in the site by installing a heat exchange instrument, thus lowering the usage amount of LNG and electricity by 4.3% and 5.3%, respectively.

Management of environmental performance Since its declaration of environmental management in 1996, Yuhan-Kimberly has managed key environmental indicators continuously. Better results will be achieved through steady management and inspection.

Classification	Type	2013	2014	2015	
Recycle	Ratio of domestic recycled fiber (%)	92.5	89.7	78.3	
	Ratio of recycled water usage (%)	39.8	40.0	37.1	
GHG reduction	Total emission of CO ₂ (1,000tCO ₂ e/year)	166	172	201	
	Unit emission of CO ₂ (tCO ₂ e/ton of product)	0.745	0.735	0.779	
Air purity control	NO _x (kg/ton of product)	0	0	0	
	SO _x (kg/ton of product)	0	0	0	
	Dust (kg/ton of product)	0.013	0.009	0.028	
Water purity control	Treated water discharge (m ³ /ton of product)	10.7	10.2	13.5	
	Amount of water pollution discharge (kg/ton of product)	Total suspended solids	0.023	0.022	0.041
		Biochemical Oxygen Demand (BOD)	0.008	0.008	0.013
		Chemical Oxygen Demand (COD)	0.149	0.143	0.222

Third Party's Assurance Statement

To the Readers of Yuhan-Kimberly 2016 Sustainability Report:

Responsibility and Independence

Korea Management Association Registration Inc. (hereinafter "the assurer") has been requested by Yuhan-Kimberly of to verify the contents of its 2016 Sustainability Report (hereinafter "the Report"). The assurer is responsible for the assurance of the Report, and Yuhan-Kimberly is responsible for the information presented in the Report. As an independent assurance agency, the assurer is not in any conflict of interest that may undermine its independence.

Verification Methodology

The verification has been conducted in accordance with Type 2, Moderate level using AA1000AS (2008) as an assurance standard. The assurer's assurance team (hereinafter "the assurance team") evaluated the adherence to Principles of inclusivity, materiality, responsiveness and the reliability of specified sustainability performance information. In addition, the assurance team checked whether the Report satisfied the 'Core Option' requirements of GRI G4 Guidelines. The data and information of outside of the organization among report boundaries such as suppliers, contractors is excluded from the verification scope. The assurance team has verified data management system and reporting process, and verified internal documents and data, and interviewed people in charge of preparing the Report.

Findings and Conclusion

The assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below, nor could find any evidence the Report did not comply with 'Core Option' requirements of GRI G4.

Inclusivity: Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Yuhan-Kimberly is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assur-

ance team could not find any critical stakeholder group left out during this procedure.

Materiality: Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organization or its stakeholders. Yuhan-Kimberly is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

Responsiveness: Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders. The assurance team could not find any evidence that Yuhan-Kimberly's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

Recommendation for improvement

The assurer hopes the Report will actively be used as a communication tool with stakeholders and recommends the following for improvements.

Yuhan-Kimberly has defined its stakeholders and has been actively engaged in communication with them by exploring new diverse channels for the past 10 years. Also, it is highly evaluated that it has promoted its Sustainable Management Department into the Sustainable Management Division. It is recommended that it could establish a system to systematically manage sustainability management performance indicators to improve the organizational sustainability, and develop a process to reflect them into management performance indicators.



July 28th, 2016
CEO Ki Ho Park

K. H. Park

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	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	26
Supplier Assessment for Labor Practices	G4-LA15	Negative impacts for labor practices in the supply chain and actions taken	N/A
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Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	26
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Our mission is to create new values of the future and 'change' for sustainable growth.

This can be achieved when core values of challenge, creativity, trust & care, and accountability & contribution are in a seamless harmony with a vision, strategies, competencies and a culture. It is time for us to focus our competencies in securing growth engines for the future by overcoming uncertainties in the management environment, and promptly and effectively responding to changes in the environment.

From the management road show at the beginning of 2016