

Yuhan-Kimberly 2009 Sustainability Summary Report

사람이 희망이다

People are the Source of Hope



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About this Report

2009 Sustainability Summary Report

'People are the Source of Hope' is an English summary version of the fourth report published by Yuhan-Kimberly, which reports on its overall execution status of our corporate responsibility and social promises in the aspects of economy·society·environment. The Korean full version Sustainability Report is available on the company website. We expect this report will help public more dynamically understand Yuhan-Kimberly's sustainability management.

Overview

Standards and Criteria BEST (Business Ethics is the Source of Top Performance Sustainability Reporting), GRI (Global Reporting Initiative G3)



Reporting Period January 2008 to May 2009

Reporting Base Fiscal year. Data provided at least 3 year time series. Environmental performances are presented with 12-year time series data. **Context and Scope** Based on all business & operating sites in Korea (including export performance), The currency used in this report is the Korean Won (KRW) **Reporting Cycle** Published the report annually **Disclosure Principle** Disclosed on www.yuhan-kimberly.co.kr **Contact** Tel +82-2-528-1058, Fax +82-2-528-1086, Email : webmaster.korea@y-k.co.kr

Differences from the Previous Report

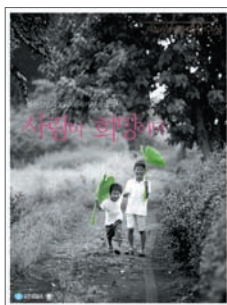
- Focus group interview with the foreign stakeholders used and consumers were included in the stakeholder's survey for the first time.
- Summary of Highlights – Newly created for easy understanding of external evaluation of each field The use of illustrations to improve the readability – Business and product introduction, etc.
- Presentation of the comparable data – Comparing the level of our financial, safety data with the average data of manufacturing industry or the overall industry average.
- Created a Special Page – First management discussion were held on sustainability management where listed sustainability efforts by year.

The sections maintained through reinforcement of 2008 sustainability report

Indication of priority report item and intensive report on key issues derived from the materiality test¹ Description of Disclosure on Management Approach (DMA) Report on the trends of the past 4 year survey of stakeholders (2006~2009)¹ Report on time series trend of environmental values (1997~2009)¹ Publish the online report



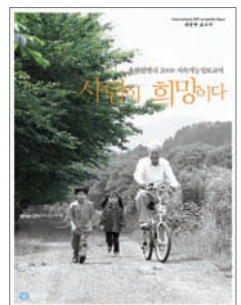
2006



2007



2008



2009

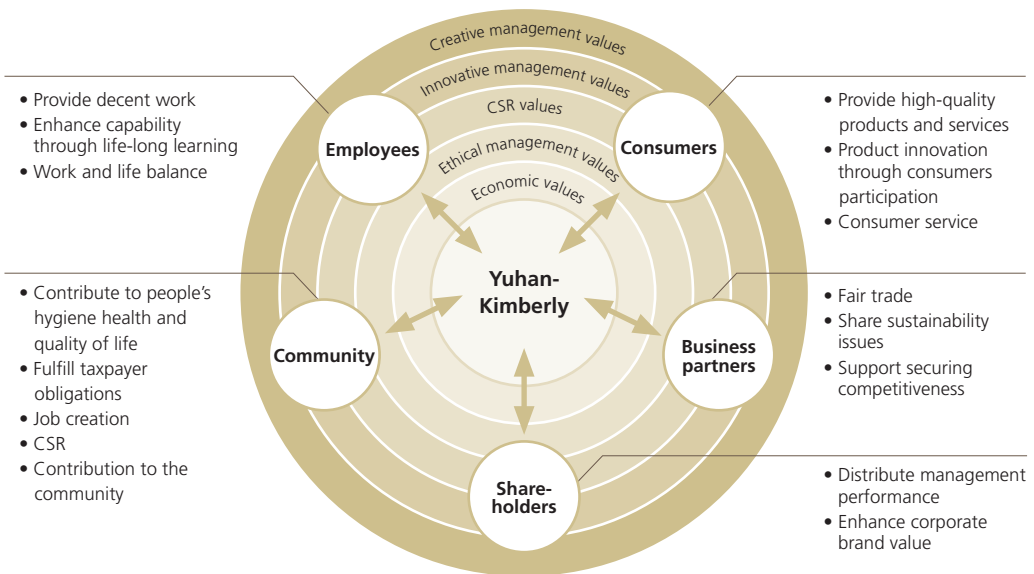
2009 Stakeholders' Feedback

Category	Methodology (No. of Persons)	Period	Stakeholders (No. of Persons)
Sustainability Management	Questionnaires 8,263	March ~ April 2009	<ul style="list-style-type: none"> Employees (430) Business Partners (210) Communities (120) Consumers (7,503)
	Focus Group Interview 6	March ~ April 2009	<ul style="list-style-type: none"> Ryu, YoungJae - CEO of Sustinvest Lee, SamSik - Ph.D. Korea Institute for Health & Social Affairs(KIHASA) Kim, HyeonJin - Professor, Seoul School of Integrated Sciences & Technologies (aSSIST); Head of Institute of Environmental Management affiliated to aSSIST Lee, BoEun - Secretary General, Korean Women's Environmental Network Bernd Schmitt - Columbia Business School, Professor Gilad Gurevitch - Kimberly-Clark, Sourcing & Supply Director
Sustainability Report	Professional Consultation & Assurance 5	February ~ May 2009	5 Professionals from Academia
	2008 Sustainability Report Feedback 339	July 2008 ~ February 2009	Reader Opinions on the Report

What efforts were made in 2009 to increase stakeholders' participation?

- Increased number of participants for active feedback (1,050 in 2008, 8,613 in 2009)
- With increases in exports, listened to the opinions of overseas stakeholders for the first time (1 foreign scholar, 1 overseas buyer).
- First included consumers in the stakeholders' survey in 2009 (A total of 7,503 participated from March 18 to 27, 2009).

Direct and indirect impacts on stakeholders

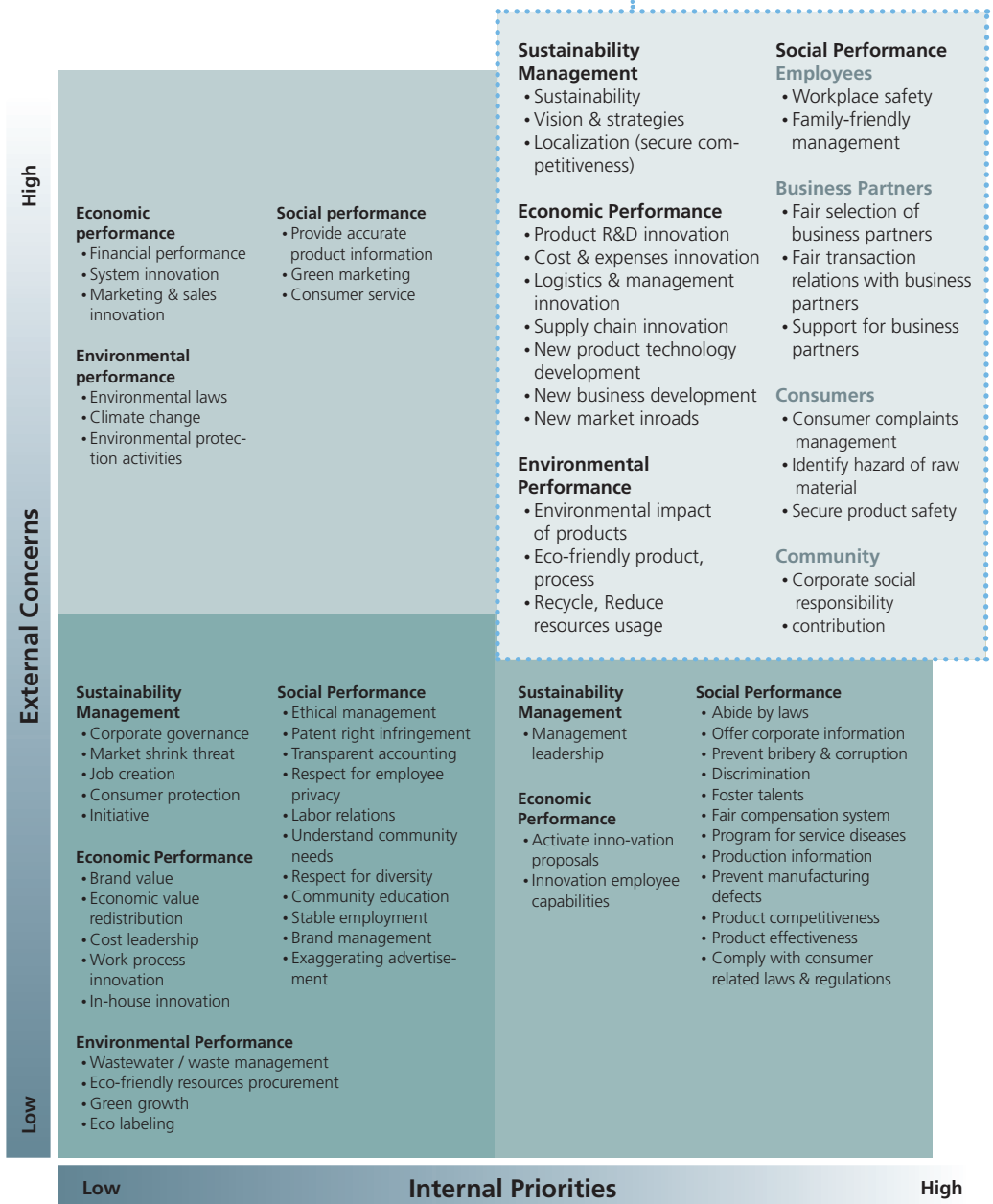


Yuhan-Kimberly 2009 Materiality Matrix¹⁾

As a result of the materiality test, 22 out of 71 issues were selected as major reporting items. Six issues such as vision & strategies, securing competitiveness, fair selection of business partners, harmfulness of raw materials, and the environmental impact of products are included as new items this year.



2009 Materiality Matrix on Yuhan-Kimberly's Critical Issues



¹⁾ **Methodology for selecting material issues** : The material issues of this report were selected through a materiality test using the "IPS materiality Test Model", which is an evaluation based on external concerns (such as laws & regulations, stakeholders' opinion excluding employees, results of media research, benchmarking) and internal priorities (such as Internal laws, employees, direct and indirect economic effect of the key performance indicators (KPI)).

What are 2009 conditions for a sustainable company¹⁾ ?

Based on the results of the past four-year (from 2006 to 2009) stakeholders' survey, Yuhan-Kimberly has managed both the factors to be considered long-term and trends year by year. We strive to become a sustainable company by examining and acting upon the results.

The change trend of Yunan-Kimberly's sustainable company factors by stakeholders

Stakeholders		2006	2007	2008	2009
Employees	1	Customer Satisfaction Management	Customer Satisfaction Management	Product Safety	Management Leadership
	2	CEO Leadership	CEO Leadership	New Market Development	New Market Development
	3	Product Responsibility	Ethical and Transparent Management	Management Leadership	Ethical and Transparent Management
	4	Ethical and Transparent Management	Strong Brand Development	Customer Satisfaction Management	Product Safety
	5	Strong Brand Development	Product Responsibility	Product R&D Innovation	Product Responsibility Product R&D Innovation
Business Partners	1	Ethical and Transparent Management	Customer Satisfaction Management	Product Safety	Customer Satisfaction Management
	2	Environmental Management	Product Responsibility	Customer Satisfaction Management	Ethical and Transparent Management
	3	Strong Brand Development	Strong Brand Development	Product R&D Innovation	Product Safety
	4	CEO Leadership	CEO Leadership	New Business and Product Development	Management Leadership
	5	Corporate Social Responsibility	Ethical and Transparent Management	Win-win Relationship with Business Partners	Product R&D Innovation
Community	1	Ethical and Transparent Management	Product Responsibility	Environmentally-friendly Product Development	Product Safety
	2	Environmental Management	Customer Satisfaction Management	Product Safety	Ethical and Transparent Management
	3	Strong Brand Development	CEO Leadership	Ethical and Transparent Management	Management Leadership
	4	CEO Leadership	Nurturing Talents	Customer Satisfaction Management	Customer Satisfaction Management
	5	Corporate Social Responsibility	Strong Brand Development	Compliance with Environment Laws	Environmentally-friendly Product Development
Consumers *Started in 2009	1	-	-	-	Product Safety
	2	-	-	-	Customer Satisfaction Management
	3	-	-	-	Environmentally-friendly Product Development
	4	-	-	-	Culture of Respect for Life and Children
	5	-	-	-	Compliance with Environment Laws

¹⁾ Selection methodology of requirements for a sustainable company : We pick the priorities from the results of our stakeholders' evaluation (based on a 7-level scale) by selecting twenty key factors for a sustainable company's requirements. Yuhan-Kimberly then considers these priorities as a basis for future development. Through this methodology, Yuhan-Kimberly manages the requirements by considering both the long-term factors to be considered and the year-to-year trends. However, the materiality test only drives the material issues of the respective year.

01 SUSTAINABILITY

This section of our report describes indirect and direct economic achievements from our activities and economic value created as a result of these achievements.

What is the core competency?

CEO Message | Overall Sustainability | Product-Service Competitiveness | Ethical Management Competitiveness

Corporate Profile

Company Yuhan-Kimberly **Incorporation Date** March 30, 1970 **Business** Manufacturing **CEO** Kim, JoongKon **Revenue** KRW 1,022 billion (2008) **Major Brands** HUGGIES®, KOTEX®White*, KLEENEX®, POPEE® **Business Areas** Consumer packaged goods, professional products, health-care products, digital textile printing(DTP) **Worksite** Seoul Headquarters, Anyang mill, Taejon mill, Kimcheon mill **Target Markets** Individuals, corporations, research centers, public buildings, restaurants, hospitals, textile manufacturers, schools **Main Products** Diaper, feminine sanitary napkins, bathroom tissue, facial tissue, nonwoven fabric, paper towel, wet wipes, mask, protective work wear, professional wipers, oil absorbent, surgical drape, gowns, sterilization wrap, skincare, nano ink, etc.

Beginning with the respect for life and focus on people

The world of sustainability efforts is endless, and we have a lot to accomplish!

The wisdom of overcoming difficulties



Meaningful contributions to export and new growth business

In 2008, for the first time since the establishment of the company, we achieved our sales goal of KRW 1 trillion. This comes as the result of Yuhan-Kimberly's successes in the execution of a premium product strategy, the launch of innovative products, efforts to save costs and reduce expenses, the development of new growth areas for business and an incredible export growth of 59% compared to the previous year. In addition, Yuhan-Kimberly has stabilized its Environment-Hygiene-Safety System (EHS), improved the environment of business partners, promoted green purchasing and production, and launched Huggies® Nature Made diapers which are made of environmentally-friendly materials. Yuhan-Kimberly is proud of our economic performance, which has been achieved with a strong commitment to fulfill our corporate responsibilities to the environment and to society.

Against the backdrop of the global economic downturn in 2008 and 2009, Yuhan-Kimberly has achieved economic growth through continued efforts to build an innovative corporate culture with life-long learning programs and family-friendly management, and to fulfill our corporate social responsibilities by conducting ethical management, environmental management and our 'Keep Korea Green' campaign.

The need for sustained efforts in creating a company with greater value

As a result of such efforts, Yuhan-Kimberly was named the most admired company in Korea for the sixth consecutive year, and received an award for being one of the most ethical companies. In addition, as a representative company that successfully manages the balance between work and life, Yuhan-Kimberly was the first to be certified as a family-friendly company by the Korean government. Also, according to a survey conducted by Incruit, online job portal site, we were selected as one of the best companies to work for by Korean university students. Yuhan-Kimberly feels proud to share these accomplishments.

An aggressive challenge to secure future sustainability

Yuhan-Kimberly is now taking on new challenges toward its new goal for 2009. Despite the continuing economic recession, Yuhan-Kimberly will reinforce our efforts all the more to enhance sustainability. First, we will secure our future growth engine by making successful investments such as building a world class manufacturing mill exclusively for feminine products in Chungju, Korea. Second, Yuhan-Kimberly will lead the market by enhancing our strength in product development and through the continuous launch of new products. Third, we will do our utmost to assume the role of good corporate citizens by fulfilling the social and environmental responsibilities of our company.

People are the driving force of innovation

During difficult times, people are the ones who can weather the situation. At Yuhan-Kimberly, people with specialized talents lead the company based on an innovative and flexible corporate culture. In the future, we will step up our efforts to realize the corporate value of putting life and people at the center of our operations, and touch the hearts of consumers with more distinctive products and services. Here, we would like to ask for your encouragement and your support for the company. Thank you.

July 2009

Kim, JoongKon

President and CEO, Yuhan-Kimberly



Goals and Performance

Evaluation ● Satisfactory ● Fair ○ Unsatisfactory

Goal		2008 Major Achievements	Evaluation	2009 Goal and Mid-to long-term Initiatives
Economic Goals	1. Strengthening domestic markets	Existing business 4% growth from the previous year	●	<ul style="list-style-type: none"> Strengthen the existing business Strengthen new business 22% growth from the previous year Launch innovative products
		New business 21% growth from the previous year	●	
		Continuously launched innovative products Launched Huggies® Nature Made, etc.	●	
		Major Achievements <ul style="list-style-type: none"> Increased market share of Huggies® Magic Pants New products of Kotex®White*, Kotex®Goodfeel*, Kotex® Anydays was successfully launched Green Finger® My Kids Skincare products was successfully launched Wet tissue business grew 32% from the previous year 		
	2. Expanding exports	Achieved export target Increased 59% from the previous year	●	<ul style="list-style-type: none"> Achieve export target Increase export proportion
		Increased export proportion 17% of total revenue 10	●	
Major Achievements <ul style="list-style-type: none"> Diversified export regions (52 countries) Export tissue fabric acquired FSC certification, Acquired ISO 9001 certification The export volume of premium diaper increased Operation ratio and cost improved caused by export volume increase 				
Environmental Goals	3. Decisive innovation and investment	Successful new mill investment Completed the purchase of a new mill site	●	<ul style="list-style-type: none"> New mill construction investment was approved Maintain machinery remodeling, operation maximization Continue cost and expenses reduction efforts Continue to develop environmentally -friendly materials Reduce greenhouse gases Reduce packaging layers
		Maximized productivity and remodeled machinery Diaper productivity innovation	●	
		Cost & expenses saved KRW 23.9 billion	○	
		Developed environmentally-friendly materials diaper Huggies®Nature Made was successfully launched	●	
		Reduced greenhouse gases (GHG) CO ₂ emission reduced by 18% (compared with 2005)	●	
		Major Achievements <ul style="list-style-type: none"> Completed buying the site for new factory Opened cutting-edge distribution center Completed large-scale investment for Hydroknit processing facilities Succeeded diaper productivity improvement project 		
Social Goals	4. Strengthening corporate reputation image with environment, social, and family-friendly corporate image.	Continued Keep Korea Green campaign	●	<ul style="list-style-type: none"> Comply with UN Global Compact Principles Expand corporate social responsibility Foster family-friendly social environment Systemize the sustainability Socially expand Life-long learning Reinforce customer satisfaction management Develop talents Enhance supplier relations
		Acquired AA rate for Best Family-friendly Management	●	
		Acquired certification for consumer complaints management system	●	
		Continued to enhance relationship with suppliers Provided quality control software for 26 companies	●	
		Major Achievements <ul style="list-style-type: none"> Selected as the Most Respected Company in Korea (6 consecutive years) Acquired the highest grade of Ethical Management in manufacturing business Awarded the Sustainability Management Grand Award (for 3 consecutive years) Acquired AA rate for Best Family- friendly company 		

* Evaluation Yuhan-Kimberly evaluates its performance against its objectives set every year.

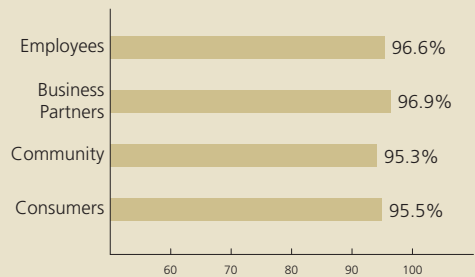
What is Yuhan-Kimberly sustainability aimed at?

Highlight

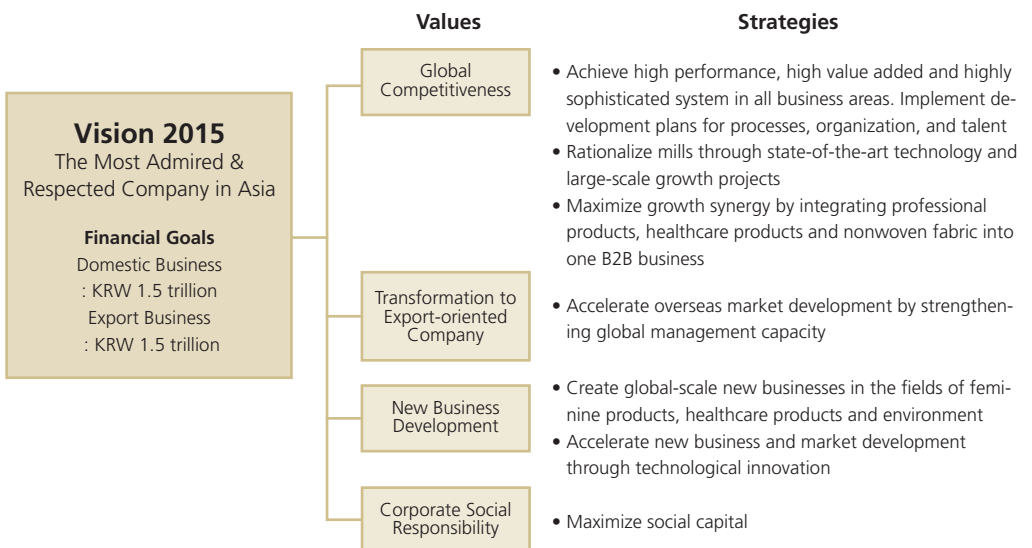
- Selected as the Most Admired Company in Korea for 6 consecutive years (KMAC, 2009)
- Acquired the certification for superior family-friendly company initiated by Korean government (the Ministry of Health, Welfare & Family, 2008)
- Selected as the most mother-friendly workplace (The Korean Committee for UNICEF, 2008)
- Ranked the third in the survey of corporate transparency (Hankyoreh Economic Research Institute, 2008) It was announced on July 8, 2008 that Yuhan-Kimberly ranked the 3rd in the transparency survey for companies in 3 countries of North East Asia (Korea, China, and Japan), conducted by Hankyoreh Economic Research Institute.

{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly will be an enduring company



Vision & Strategies



Mission and Principle

Corporate Mission

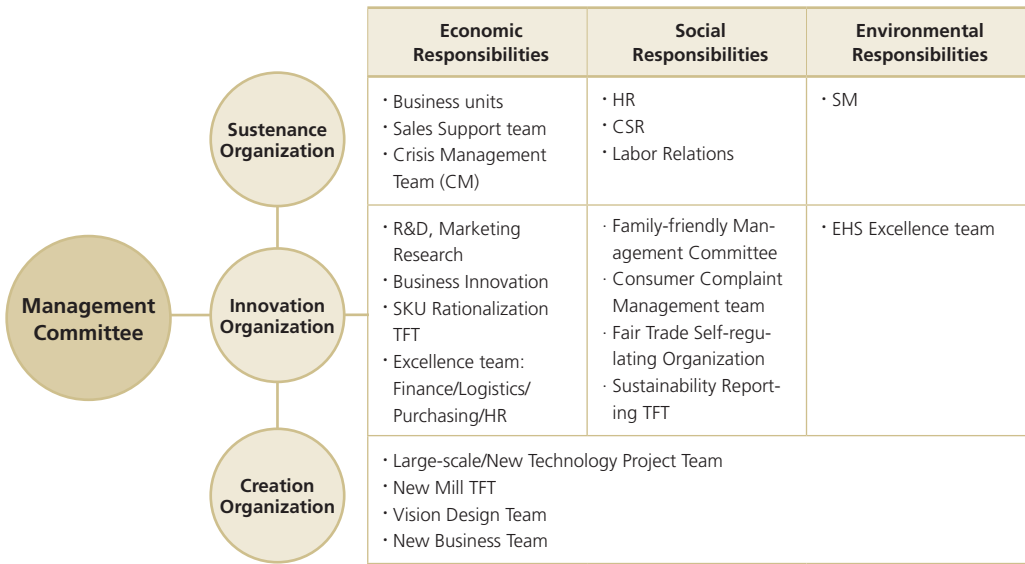
Provide consumer preferred products and services, lead development of hygienic life-style and contribute to the health and welfare of people

5 Management Policies

Valuing People, Customer Satisfaction, Contribution to Society, Creating Value, Leading Innovation

10 Principles of the UN Global Compact Human Rights, Labor Standards, Environment, Anti Corruption

Organizational Competitiveness¹⁾



Efforts to establish integrated crisis management system and prevent crisis

To protect its corporate and product reputation, Yuhan-Kimberly provides itself against crisis based on the crisis management manual. By conducting a survey to assess potential risk factors in December 2008, Yuhan-Kimberly selected twelve items as priority management issues including product contamination, raw material safety, and these are reflected in our crisis prevention activities. In addition, we provided managements with opportunity to attend conferences on company issues and risks (May 2008 and March 5, 2009) and published 31 Yuhan-Kimberly’s issue reports from January 2008 to March 2009. We also gave revised manuals and updated potential risk evaluation results to employees in December 2008 and executed foreign substance prevention activities in July 2008.

¹⁾ **Competitiveness** : All of Yuhan-Kimberly’s organization realizes the importance of sustainability management. The organizations in this chart are reclassified in aspects of functions of sustenance, innovation, and creation for sustainability management.

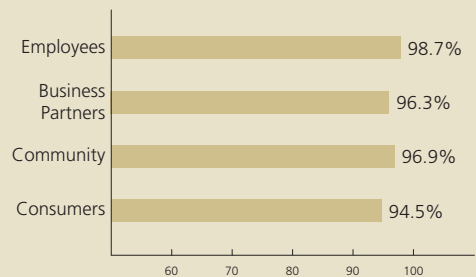
Where does the ethical management competitiveness come from?

Highlight

Yuhan-Kimberly acquired the highest ethical management grade (AA) in manufacturing industry Yuhan-Kimberly acquired the highest grade in Korean Business Ethics Index (KoBEX), by the Institute for Industry Policy Studies, in November 2008.

{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly is a trusted company in Korean society



Ethical management pledge and vow to practice fair trade compliance program²⁾

To encourage fair competition and fair trade, Yuhan-Kimberly's 177 employees including 32 members of senior management team participated in an employee training session for fair trade and signed an ethical management compliance pledge in September 2008. In addition, Yuhan-Kimberly has a total of 555 work procedural manuals for managers and employees to follow.

 The organization chart for Fair Trade Compliance Program can be found on www.yuhan-kimberly.co.kr

Conducts three sessions of ethical management trainings annually

Yuhan-Kimberly clearly defines and implements bribe and corruption prevention, information protection, and fair trade compliance within its code of conduct. In 2008, we provided three mandatory code-of-conduct training sessions and released the results of the training on the intranet.

Enhanced ethical management introduction on the company intranet

Yuhan-Kimberly created separate ethical management pages on the intranet and managed related data about its code of conduct and fair trade for the employees' reference. Through these pages, ten cases of new procedure registration, 86 Q&As, and 222 code of conduct training diaries were openly communicated (April 2008 ~ April 2009). Backed by such efforts, Yuhan-Kimberly's ethical management culture has been greatly enhanced.

Sent letters to 930 business partners asking for concerted efforts on ethical management

Yuhan-Kimberly sent an official letter for cooperation which outlines our ethical management practices, willingness for fair trade compliance, and introduction of a monitoring system in November 2008. For your reference, reports of violations are kept strictly confidential.

 Ethical management monitoring and code of conduct violation reporting: webmaster.korea@y-k.co.kr

²⁾ **Fair Trade Compliance Program** : Korea's compliance system operated for companies' voluntary compliance of fair trade related laws. This includes overall laws legislated for competition promotion and orders of fair trade such as Act on Monopoly Regulations and Fair Trade, Act on the Fair Expression-Advertisement, Fair Transactions in Subcontracting Act, Regulations on Standardized Contract Act, Fair Franchise Business Act, Act on the Consumer Protection in the Electronic Commerce Transaction etc.

Where does the product & service competitiveness come from?

Household and personal

Target Market

Major Brand

Huggies®,
Green Finger®

Popee®, Kleenex®,
Viva®, Scott®

Kotex®White*, Kotex®Goodfeel*,
Kotex®Anydays®, Poise®,
Depend®, Freshday

Major Products

Baby & Child Care Products

- Diaper(Huggies Magic Pants, Nature Made, Gold, Bosong Bosong, Kleen BeBe, etc.)
- Baby wetwipes (Huggies)

SkinCare Products

- Lotion, cream, bath, shampoo, lip balm, sun lotion, etc. (Green Finger Baby, Green Finger My Kids)

Family Care Products

- Bathroom tissue, facial tissue, paper towel, cleaning products, napkin, wetwipes (Popee, Kleenex, Viva, Scott etc.)

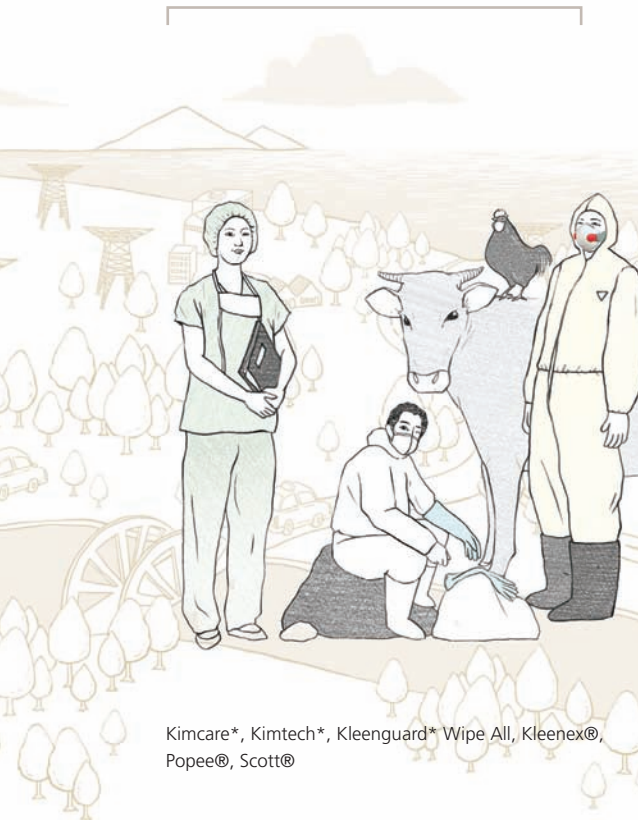
Feminine Care Products

- Feminine sanitary napkin, (White, Goodfeel, etc.)
- Panty liner (Anydays, Tini, etc.)
- Feminine wetwipes (Freshday)

Adult Care Products

- Feminine napkins for ages over 35 (Poise 35+, etc.)
- Hygiene panty, hygiene pad, etc. (Depend)
- Adult wetwipes (Depend)

Hospitals, industries, R&D center, public buildings, restaurants, schools



Kimcare*, Kimtech*, Kleenguard* Wipe All, Kleenex®, Popee®, Scott®

Professional Products

Protective work wear, professional wipes, paper towel for public restroom, liquid soap, etc. (Kimcare, Kleenguard, etc.)

Healthcare Products

Surgical drapes, surgical gown, mask, globe, etc.

DTP Fabric Industries

- Nano colorant, etc.

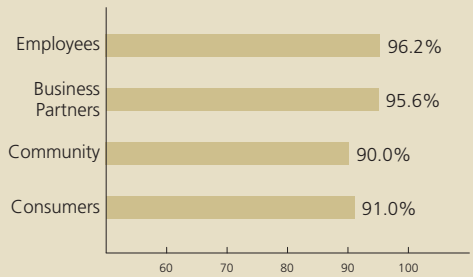
Export

- Diaper, feminine sanitary napkin, facial tissue, raw and subsidiary materials, etc.

Highlight

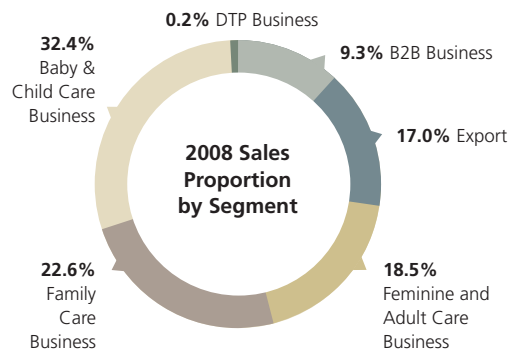
{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly provides high-quality products.



Possessing high brand value in major products

Korea Brand Power Index (K-BPI) conducted by Korea Management Association Consulting (KMAC) selected Huggies®, Kotex®White, Kleenex® and Popee® as the best leading brands in their respective product categories for eleven, nine, seven and seven consecutive years respectively.



How we communicate with our stakeholders

Stakeholders are organizations or individuals who may be significantly affected by our business activities or who affect the achievement of our management goals. Yuhan-Kimberly defines our stakeholders as our shareholders, employees, business partners, consumers and communities we operate in. Yuhan-Kimberly helps collect stakeholders' opinions and achieve their desired goals.

Shareholder

1926 Yuhan Corporation

1872 Kimberly - Clark

(Founding years to show longevity)

Regular shareholders' meetings, Regular BOD meetings, Meetings for establishing strategy and vision. Business sites benchmarking, Operational reports
www.yuhan-kimberly.co.kr, webmaster.korea@y-k.co.kr

Employee

1,689

Employees

Public presentation of management performance, Video magazines, Intranet, Family magazines, Surveys, Regular labor-management councils & workshops, Public presentations on management information, an Ombudsman system, Issue reports, Sales marketing strategy meetings, quality control meetings, safety and healthcare committees, Employee assistance program (EAP)
www.yuhan-kimberly.co.kr, webmaster.korea@y-k.co.kr

Business partner

2,111

1,404 actual business partners

Periodic seminars, Regular meetings, Newsletter, Online communication (SMA, WMA), Consultation services for direct trading partners, Program operation (SEQ College, SCM College, Reading remote education, product training, etc)
www.yuhan-kimberly.co.kr, webmaster.korea@y-k.co.kr

Consumer

25,738

Consumers involved in product innovation

Corporate image surveys, Product development surveys, Customer satisfaction surveys, Consumer complaints and feedback systems, Corporate website, Products website, Woorisop website, Sex education, On-line communications
www.yuhan-kimberly.co.kr, webmaster.korea@y-k.co.kr

Government & Community

4 Domestic worksites

52 Export markets

198 NGOs and organizations

Social Contribution Community request handling, Cooperate with government policy, Volunteering by employees and their families, Partnership with communities, Seminars, Symposiums, Issue monitoring
www.yuhan-kimberly.co.kr, webmaster.korea@y-k.co.kr

SPECIAL PAGE

1. Management Discussion on Sustainability Program

2. Best 3 Sustainability Efforts of Yuhan-Kimberly

- Corporate Social Responsibility
 - Safety-related Activities
 - Environmentally - friendly Products, Processes
- 
- A decorative green vine with small leaves curves across the bottom half of the page, framing the list of sustainability efforts.

Management Discussion on Sustainability Program

Yuhan-Kimberly dreams of sustainable consumption!



Kim, HeaSook (Facilitator) Thank you very much for your participating. Is Yuhan-Kimberly developing products and services to maximize social value while minimizing the consumption of resources? This may be the key issue of today's conference. Please make comments on this matter. .

Choe, ByeongSeon Yuhan-Kimberly has many sustainability product models. For example, HUGGIES® Nature Made, which is made of corn starch. GREEN FINGER®, cosmetics containing natural extracts. SCOTT® Towel, a reusable towel for use in the home using HYDROKNIT processing and many other health-related products to name a few. Marketing capabilities that find the new requirements of various consumer groups all help the innovation process. Isn't this the cornerstone of Yuhan-Kimberly - we can create these innovative sustainability models?

Song, CheonHeon I think Yuhan-Kimberly should make public hygiene and product safety a high priority. Based on this basic principle, we need to develop more energy saving, environmentally-friendly, recyclable and reusable products. Especially, if we design more compact packaging, it can help a lot to lessen the environmental impact on transportation. Also, if we look at adding a cooling function to protective wear so that it feels cooler when wearing these in hot temperatures, the energy saving market will be expanded.

Chin, JeaSeung For example, resources are wasted in the process of responding to consumers complaints when product problems or defects are found. If those products were made correctly in the first place, this waste can be substantially reduced, and therefore the waste generated in the product manufacturing process can also be reduced. As such, the supply chain can be more efficiently managed.

Choe, ByeongSeon That's important but difficult as well. So far, our task has been how to reduce waste and energy consumption. However, in the future, the aim is not to just reduce inefficiency but the approach should be to properly manage the whole process of manufacturing.

Lee, HoKyung Yes, we have to think of the whole production process in the future. If the whole company works within the sustainability model, we can find something to contribute to every business sector.



Participants

1. **Choi, SeungKyun** – Vice President, Family Care Business
2. **Chin, JeaSeung** – Director, R&D of Baby and Child Care Business
3. **Kim, HeaSook** – Director (Facilitator), Corporate Communications
4. **Lee, HoKyung** – Director, Baby and Child Care Business
5. **Song, CheonHeon** – Senior Director, B2B Business
6. **Choe, ByeongSeon** – Vice President & Chief Operating Officer

Choe, ByeongSeon That's a good idea. People, corporate culture, and processes fully equipped with environmental issues in mind, this is what's important. Whatever we purchase, we have to be greener. We have to possess environmental thinking, green processes and in this respect, we have to be in accord with our networking business partners. We have to expand exemplary models in all business areas and these systems should be clearly communicated.



Facilitator What attitude do we have to have in order to create sustainability as a corporation?

Choi, SeungKyun Yuhan-Kimberly has a very good portfolio. While not satisfied with the present, all our efforts are made with the future in mind. As an example, we have laid the foundations to emerge as an Asian corporate leader - we have installed specialized equipment that is world class. I believe our company's development depends on how hard we try and the efforts we make. Furthermore, in the case of sustainable consumption, Yuhan-Kimberly once produced environmentally-friendly bathroom tissue with recycled newspaper, however, it was an unsuccessful product. Even when we think we are right, sustainable consumption requires participation on the part of consumers. We can only produce what people will use. We have much to consider.

Lee, HoKyung Even though the consumer survey results show that people say they want to buy environmentally-friendly products, they don't buy them if they are not directly related to their own values. Therefore, the fastest way to encourage sustainable consumption is to link sustainable value with consumers as well as using sustainable processes and manufacturing sustainable products and services.

Choe, ByeongSeon Yes, if it is not combined with an overall effect, sustainability itself can create a ballooning effect. It is certain that we have to lead. On another note, sustainability is mostly dealt with by the environmental sector but I think individual companies as well as whole nations need to grasp it. We have to take the lead in sustainability by designing products or materials that consider processes and energy use. To this end, we have to think of long-term effects based on broader framework.

Facilitator Thank you very much.

The above content is excerpt from the management discussion held at the Headquarters of Yuhan-Kimberly on April 24, 2009.

01

How have social contribution activities been executed?

Corporate Social Responsibility by year

1984 Started "Keep Korea Green" campaign in 1984

- 1985** Started Tree Planting program
- 1988** Started "Green Camp" the environmental studies and education program for the youth
- 1995** Started campaigns for creating school forests and urban forests
- 1999** Started participating in desertification prevention, forest restoration movements
- 2000** Started participating in trusts for discovering and preserving beautiful forests
- 2002** Commenced campaigns for establishing the Seoul forests and community forests to expand the green areas in Seoul, Korea

2001

Participated in Mecenat

Participated in cultural programs provided by the Literature House, Seoul and co-sponsored the concert for reviving Korean-Folk Song

2004 Life-long Learning

Started the New Paradigm Movement. Supported the foundation of the Peter Drucker Society, which emphasizes on the importance of knowledge workers and lifelong learning (2006)

2004

Family-friendly Management

Started participating in seeking alternative measures for the low-birthrate and aging population problems that threaten the sustainability of Korean society. Emphasized the importance of family-friendly management (2005~), participated in the support for a children's library for the creation of child care models for society (2008~)

2008 Sustained the Keep Korea Green (KKG) Campaign for 25 years

Since 1984, when KKG started, Yuhan-Kimberly has continued planting and nurturing trees on national land, restoring the forests in North Korea, China and Mongolia to prevent desertification, and we extended our reach to the movement of Urban Forests and School Forests to secure green areas in cities and schools. In addition, we initiated various participation programs such as planting trees with newly-married couples and social leaders, to preserving forest environments for the future generations, and the environmental studies and education program for the youth to foster future environmental leaders

What efforts have been made to secure product safety?

02

Safety-related Practices by Year

1970 Started Product Safety Clearance

Started operating a Safety Clearance system for product launches, based on standards for US FDA

1987 Expanded Product Safety Clearance - Raw materials & Packages

Enhanced Product Safety Clearance related to the supply production process of major products, raw materials. Started Material Safety Data Sheets for raw and subsidiary materials, changed process for existing approved products and raw materials

1993 Formed R&D team for Personal Care Products

Sophisticated safety checks in the area of product development. Applied a 4-tier standards review system for enhanced safety inspection in and outside Korea

2002 Adopt Product Liability

Contributed efforts to increase product quality and ensure safety by analyzing product safety and deficiency factors, checking the expected risks that can occur at the various stages of product development

2005 Established Safety Regulatory Affairs Team

Newly established the team for voluntary self checking exceeding regulatory standards, complimenting the crisis management system

2007 Enhanced Raw Material Hazard Verification Process

Expanded monitoring scope to meet the global standards and expected social safety levels

2007 Newly Organized Research Lab for Analyzing Harmful Substance

Regular monitoring and testing of materials, finished diaper and adult care products, monthly

2008 Integrated Product Safety System

Integrated Kimberly-Clark's product safety approval system with Yuhan-Kimberly's safety confirmation system

2008

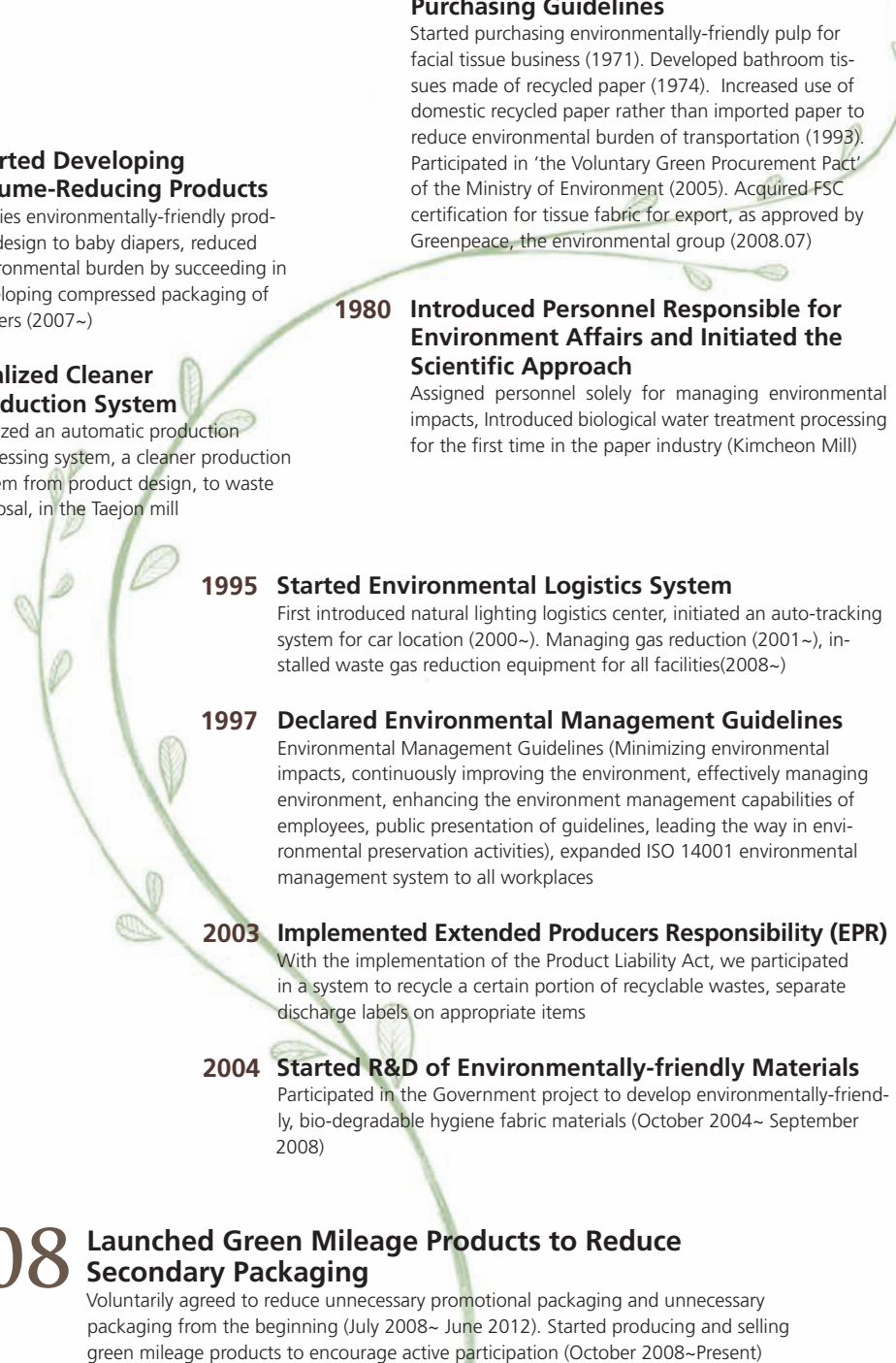
Providing Correct and Reliable Information for Consumer Safety

Refrain from misleading advertisements, abide by regulations on product labeling. Enhanced processing as of November 2008 by reviewing and registering as internal control measures the verification procedure for product advertising in promotional material and labeling

03

What efforts have been made for environmentally-friendly products, processes?

Product Design, Purchase, Production Process, Logistics, Waste by Year

- 
- 1971 Established and Executed Purchasing Guidelines**
Started purchasing environmentally-friendly pulp for facial tissue business (1971). Developed bathroom tissues made of recycled paper (1974). Increased use of domestic recycled paper rather than imported paper to reduce environmental burden of transportation (1993). Participated in 'the Voluntary Green Procurement Pact' of the Ministry of Environment (2005). Acquired FSC certification for tissue fabric for export, as approved by Greenpeace, the environmental group (2008.07)
- 1980 Introduced Personnel Responsible for Environment Affairs and Initiated the Scientific Approach**
Assigned personnel solely for managing environmental impacts, Introduced biological water treatment processing for the first time in the paper industry (Kimcheon Mill)
- 1986 Started Developing Volume-Reducing Products**
Applies environmentally-friendly product design to baby diapers, reduced environmental burden by succeeding in developing compressed packaging of diapers (2007~)
- 1993 Realized Cleaner Production System**
Realized an automatic production processing system, a cleaner production system from product design, to waste disposal, in the Taejon mill
- 1995 Started Environmental Logistics System**
First introduced natural lighting logistics center, initiated an auto-tracking system for car location (2000~). Managing gas reduction (2001~), installed waste gas reduction equipment for all facilities(2008~)
- 1997 Declared Environmental Management Guidelines**
Environmental Management Guidelines (Minimizing environmental impacts, continuously improving the environment, effectively managing environment, enhancing the environment management capabilities of employees, public presentation of guidelines, leading the way in environmental preservation activities), expanded ISO 14001 environmental management system to all workplaces
- 2003 Implemented Extended Producers Responsibility (EPR)**
With the implementation of the Product Liability Act, we participated in a system to recycle a certain portion of recyclable wastes, separate discharge labels on appropriate items
- 2004 Started R&D of Environmentally-friendly Materials**
Participated in the Government project to develop environmentally-friendly, bio-degradable hygiene fabric materials (October 2004~ September 2008)
- 2008 Launched Green Mileage Products to Reduce Secondary Packaging**
Voluntarily agreed to reduce unnecessary promotional packaging and unnecessary packaging from the beginning (July 2008~ June 2012). Started producing and selling green mileage products to encourage active participation (October 2008~Present)

ECONOMIC VALUES

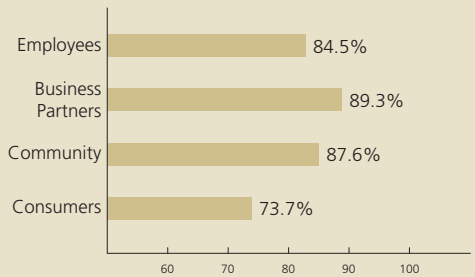
This section of our report describes indirect and direct economic achievements from our activities and economic value created as a result of these achievements.

What is the driving force behind innovation and creation?

Economic Value DMA | Economic Value Creation and Asset Management | Innovative Management | Creative Management

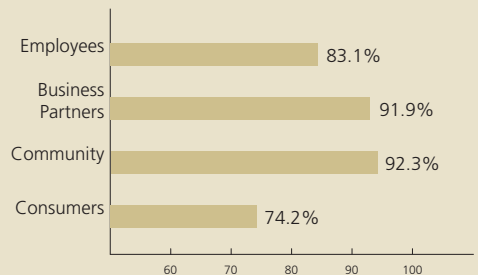
{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly is an innovative company



{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly is a creative company



Disclosure on Management Approach

Economic Values

Vision

To achieve economic performance foreseen in Vision 2015 (KRW 3 trillion in total), through the sustainable growth of the company

Policy

- Accelerate foreign market development
- Rationalize plants by adopting state-of-the-art technologies
- Maximize growth synergy through business integration
- Accelerate new business & market development through technology innovation
- Implement five management innovation initiatives (employee & management, process, system, organizational structure, market development)
- Execute Integrated information management

Organization

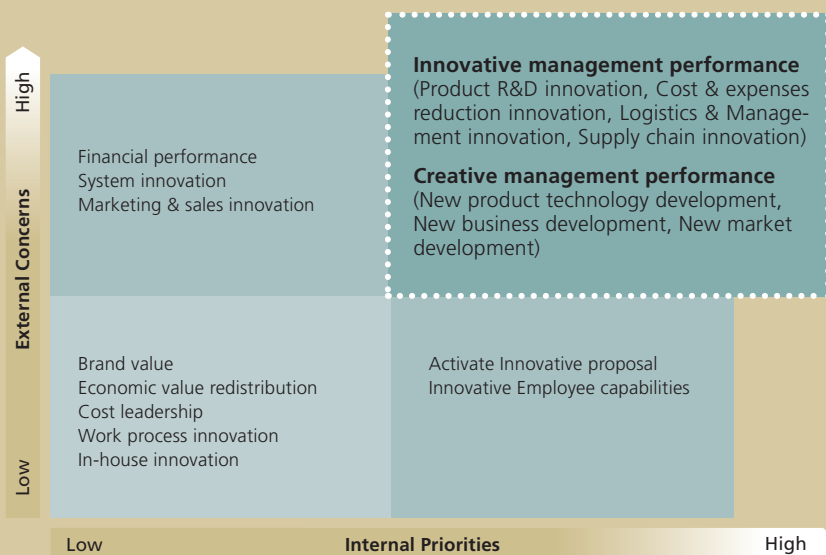
Finance & ITS, Baby & Child Care, Feminine & Adult Care, Family Care, New Products, DTP, B2B, Sales

Major Achievements

Evaluation ● Satisfactory ● Fair ○ Unsatisfactory

Category		2008	
		Achievements	Evaluation
Financial Performance	Net Sales (KRW 100 Mil)	10,221	●
	Net Profit Margin (%)	11.3	●
Investments (KRW 100 Mil.)		726	●
Business	Export (% of Net Sales) 17%		●
	New Business Growth 21%		●
	Environment-friendly Diaper Launched		●
Management Innovation		Established Export Self Customs Clearance System	●
Transparency		Published 2008 Sustainability Report	●

2009 Economic Performance Materiality Test [IPS Materiality Test Model™]



Is Yuhan-Kimberly's financial position sound?

Economic value creation and effective asset management

Achieved 2008 sales target of KRW 1 trillion

Amid difficult business environment, and changes caused by high oil prices and raw material price hikes in 2008, Yuhan-Kimberly achieved KRW 1 trillion in sales for the first time since our foundation. In addition, the results of financial ratio analysis showed that our financial soundness is above the averages of those in the same industry and manufacturing industries in general, in the aspects of profitability, stability and activity ratios. With a long-term perspective to secure our growth potential and prepare for future market changes, we invested to buy land for new plant site in Chungju and we also invested in new facilities for our family care products business. Our cash flow has been very sound as we were able to use the cash from our sales for investing and financing activities. Specifically, the net cash flow increased without any borrowings even though we invested KRW 72.6 billion during 2008.

Management index by numbers

Category		2004	2005	2006	2007	2008
Balance Sheet	Current Assets	4,518	4,282	4,831	4,984	4,793
	Non-current Assets	2,505	2,686	2,958	3,086	3,507
	Total Assets	7,023	6,968	7,789	8,070	8,300
	Current Liabilities	1,045	883	1,135	1,144	1,357
	Non-current Liabilities	529	303	251	168	132
	Total Liabilities	1,574	1,186	1,386	1,312	1,489
	Capital	900	2,000	2,000	2,000	2,000
	Capital Surplus	625	625	625	625	625
	Retained Earnings	3,924	3,157	3,778	4,133	4,186
	Total Stockholder's Equity	5,449	5,782	6,403	6,758	6,811
Total Liabilities & Stockholder's Equity	7,023	6,968	7,789	8,070	8,300	
Income Statement	Net Sales	7,226	7,743	8,340	9,050	10,221
	Cost of Goods Sold	4,483	4,863	5,272	5,612	6,350
	Gross Profit	2,743	2,880	3,068	3,438	3,871
	Selling and G/A Expenses	1,557	1,780	1,996	2,134	2,397
	Operating Profit	1,186	1,100	1,072	1,304	1,474
	Non Operating Income	149	147	245	209	442
	Non Operating Charges	58	44	67	64	304
	Income before Income Taxes	1,277	1,203	1,250	1,449	1,612
	Income Tax Provision	372	310	344	394	459
Net Income	905	893	906	1,055	1,153	

Realization of distributed economic value

Yuhan-Kimberly is a corporate citizen who contributes to the nation and society by paying taxes, creating jobs, practicing fair trade, and investing in the community. Especially, Yuhan-Kimberly used 68.2% of its corporate social responsibility fund for reforestation and environment preservation. We are fully committed to considering and resolving sustainability issues of our society. Furthermore, Yuhan-Kimberly creates social benefits by participating in national projects.

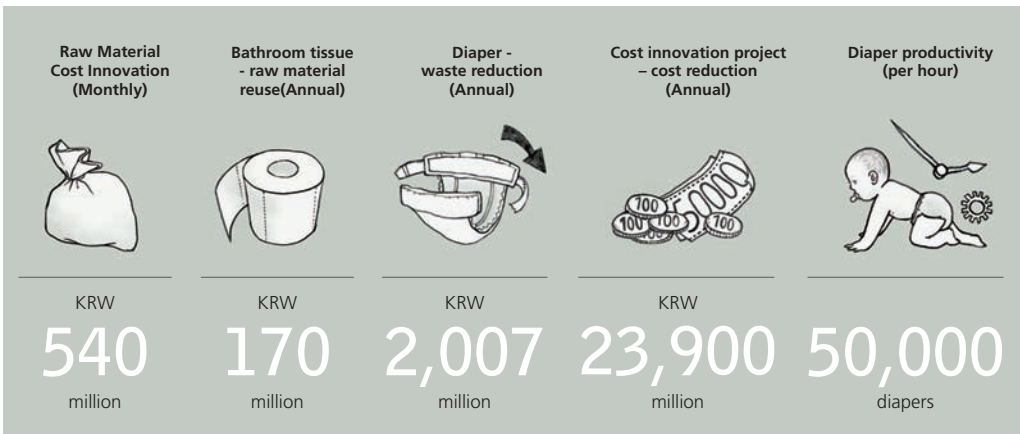
How is innovative management being realized?

Realizing innovations in product R&D, cost & expenses, supply chain, logistics & management

Product R&D innovation

Yuhan-Kimberly invested about KRW 6.9 billion in R&D for continuous product technology innovation. In addition, we have been fully equipped with major production capabilities that use the HYDROKNIT process (reusable paper towel) and started production from April 2009. The HYDROKNIT processing shall be a driving force in developing new markets of family and professional care products. (February 2008 ~April 2009). Other than that, Yuhan-Kimberly’s new business ‘Green Finger’ ranked second in Korea’s baby and child skincare market share in the one-and-a-half years after its launch. ‘Green Finger’ products ranked the number one in large retail stores (Based on the performance in Jan.~ Feb. 2009, source: AC Neilson data). The success factors of this business are based on enhanced quality development ability through which we developed non-sticky feelings and strengthened moisture containing power by meticulously reflecting consumer needs during the past 4-year R&D period. Our success also stems from Yuhan-Kimberly’s environment-friendly corporate image, accumulated over 25 years through the “Keep Korea Green” (KKG) campaign, and product development based on naturalness (close-to-nature) concept. For your reference, Korea’s baby skin care market is very competitive with over 100 brands involved.

Cost reduction & expenses innovation



Yuhan-Kimberly has succeeded in cost reduction and expense innovation through various efforts that include using Korean-made materials rather than imported ones, supporting suppliers to develop new products, and diversifying suppliers, and optimizing product designs. Kimcheon mill, a manufacturing facility for bathroom tissue, improved the raw material recovery rate by 1.4% with the development of separation and recycling facilities for raw materials of bathroom tissue. Taejon mill, a manufacturing facility for baby diapers, also strives to reduce cost by analyzing its own production data to reduce any waste from the production of baby care products.

Fully equipped with production capacity of 50,000 diapers per hour

Yuhan-Kimberly has been able to be equipped with a production capacity of about 50,000 diapers per hour as we proceeded with a diaper productivity improvement project in 2008. This is also the result from our efforts to improve the machinery performance through two large-scale projects initiated in 2006 and 2008 and reflect efficient production plans. With this capacity, Yuhan-Kimberly is equipped with a production system that can supply the export increase volume as well as domestic supply volume.

Company-wide cost innovation¹⁾

To secure corporate competitiveness, Yuhan-Kimberly operated a total of 305 cost reduction programs and saved approximately KRW 23.9 billion in 2008. We executed a cost innovation project (FORCE) and made efforts for cost & expenses innovation through separate target management programs by each business unit, purchasing and logistics, etc.


Performance innovation through collaboration with Lotte Mart

Yuhan-Kimberly executed pilot business of Collaborate Planning, Forecasting Replenishment (CPFR) with Lotte Mart. As a result, our special sale items of diapers, kitchen towels increased by 5%, sales forecast accuracy by store increased by 11% and the inventory turnover of special sales improved by 20%.

B2B business, started supplying personal protective kit for new influenza A (H1N1)

Yuhan-Kimberly supplies safety and hygiene products to the central and local government. We started supplying personal protective kits for early countermeasures to Korea Centers for Disease Control and Prevention to prevent the spread of the new influenza A (H1N1) virus from March 2009.

Products realizing innovation and state-of-the-art technologies (May 2008 ~ May 2009)



2008.07 **New products of Kotex®White***
Double leak prevention line, Wide sanitary napkins, Absorption rate improved
New products of Kotex®Goodfeel*
Absorption rate and amount increased

2008.10 **Huggies® Nature Made**
Used natural source materials (corn starch)
Green Finger® My Kids
Skincare product for kids ages from 4 to 10

2009.01 **Anti-biotic Washable Towel**
Reusable with HYDROKNIT processing

2009.02 **Kleenex® Yellow Dust Protection Mask**
Authorized by Korea Food & Drug Administration

2009.03 **Kimcare® Premium Hand sterilizer** Gel-type sterilizer
Green Finger® My Kids UV Lotion & Sun Cream
Blocking of ultraviolet rays while giving moisturizing effects
Kleenex® Premium Table Tissue
Resources waste reduced with smaller sizes

2009.04 **Huggies® Swimming Pants**
Non water absorbing - not getting heavier in the water

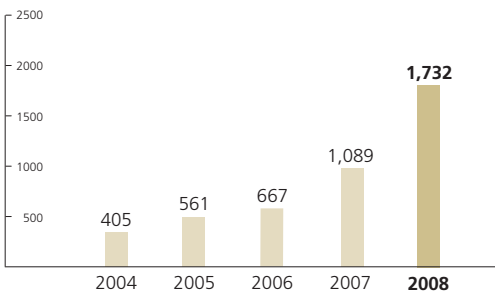
¹⁾ The results are based on the calculation of cost innovation program (FORCE) and the calculation method is monthly and dollar based. The cost innovation amount in 2008 was \$ 23,867,095 and the amounts are calculated at exchange rate of \$1 to KRW 1,000.

How is creative management being realized?

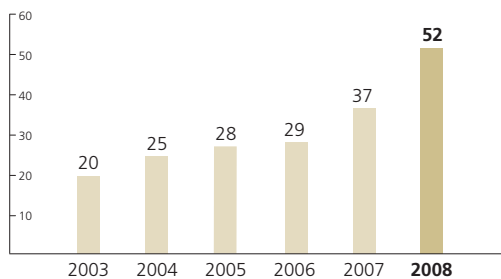
New market development, new product technology, new business development



Export volume (Unit : KRW 100 million)



Increasing trend of No. of exporting countries

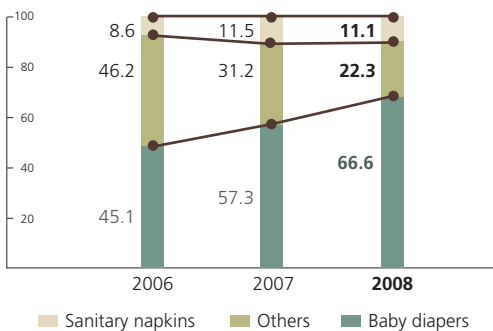


Active development of new export markets-export proportion out of total sales increased to 17%

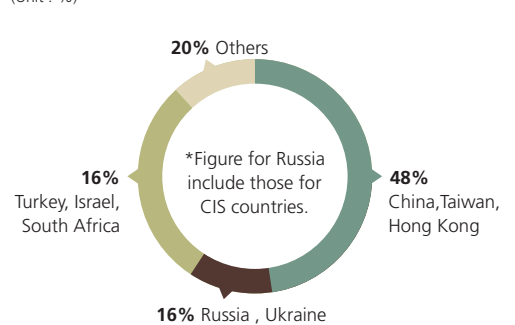
Yuhan-Kimberly's export portion in 2008 is approximately 17% (KRW173.2 billion) of total sales, almost doubled from 2006. More specifically, the export volume increased by 59% from the previous year backed by continuous sales growth of high-quality diapers and sanitary napkins in the Northeast Asian countries including China and new market inroads into Central Asia, Eastern Europe, Middle East and Africa, etc. Our exports have helped our overall sales increase in 2008 and also contributed to profitability improvement due to increased production. The major export item in 2008 were diapers, accounting for approximately 66.6% of the total export items and growing by 84.9%, the next largest export item was sanitary napkins with 11.1%, and which grew by 53% from the previous year. The number of Yuhan-Kimberly's exporting countries expanded to 52 (37 in 2007) with an increase of export volume in 2008. Major export areas are China, Russia and the Middle East.



Proportion change trend of export items (Unit : %)



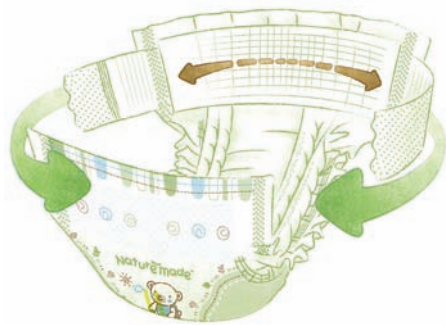
2008 exporting proportion by country proportion (Unit : %)



**Product & new technology development
–launched eco-friendly diaper Huggies®
nature made**

To develop new products and technology, Yuhan-Kimberly applied for four patents in feminine & adult care products and one patent in child skin-care product and launched new products by applying these patents in 2008.

The new diaper product 'Huggies® Nature Made,' launched in October 2008, represents a breakthrough in eco-friendly diapers. Three and a half years of rigorous development lead to an inner cover made of plant starch extracted from corn, and it is made using eco-friendly lotions containing phytoncide properties. Covers became softer and absorption has improved over existing products. We expect this will contribute to the development of diaper markets using eco-friendly materials. For your reference, this diaper is a product reflecting the results of material development projects in collaboration with the Ministry of Knowledge and Economy.



New business development - launched Green Finger® My Kids

As part of our efforts to develop future growth engines, Yuhan-Kimberly launched a brand new cosmetic business July 2007: 'Green Finger®,' a baby skin care product, was the first product in this range. In 2008, Yuhan-Kimberly launched Green Finger® My Kids, to expand the skin care market. The new product is exclusively for the skincare of children aged from 4 to 10. It was developed after research on the characteristics of children's skin. Children's skin contains less moisture than babies and therefore, it gets drier more quickly. Their skins also have weak protection from external elements as their secretion of sebum is about one third of that of an adult. This new product includes Forest Relaxing Recipe™ that contains plant extracts from trees to complement the washing and has moisturizing properties that recognize the skin characteristics of children.



03

SOCIAL VALUES

Corporate Social Responsibility (CSR) means an enterprise which incorporates social and economic issues into corporate values and activities, and in all interactions with the stakeholders.

How do we increase the satisfaction of our stakeholders?

Social Values DMA | Shareholders | Employees | Business Partners | Consumers
| Government & Community



Disclosure on Management Approach

Social Values

Vision

To be the most admired company

- To become a company representing family-friendly management, to develop a win-win relationship model, to be the most reliable company producing health and hygiene products

Policy

- Balance the work and life of each employee
- Build close cooperation with business partners
- Secure the safety and effectiveness of all our products
- Carry out Corporate Social Responsibility as a good corporate citizen.

Organization

HR, Comm., CSR, Family-friendly management Committee, Safety, Regulation Affairs, R&D, Consumer Service, Supplier Relations Development(SRD), Purchasing, Logistics, Wholesales, Safety-Environment-Quality, Fair Trade Compliance Organization

Major Achievements

Evaluation ● Satisfactory ● Fair ○ Unsatisfactory

Classification	Category	2008	
		Achievements	Evaluation
Employees	Work and life balance	<ul style="list-style-type: none"> • Executed family-friendly satisfaction survey • Provided cafeteria benefit plan to employees • Acquired certifications of family-friendly company and mother friendly workplace 	●
Business Partners	Win –win cooperation program	<ul style="list-style-type: none"> • Provided 4,003 man-hours of training programs for suppliers 	●
Consumers	Management of product safety and consumer complaints	<ul style="list-style-type: none"> • Reinforced product safety verification, acquired certification of Consumer Complaints Management System 	●
Gov. & Community	Protection of forest and environment	<ul style="list-style-type: none"> • Selected and sponsored 86 school forests and developed a community forest • Implemented tree planting program with opinion leaders and newly-weds • Held the Green Camp(152 participants) • Selected 4 beautiful forests and 9 natural & cultural sites to preserve • CDM research and forestation in Mongolia (750,000 trees) • etc. 	●
	Child care /Women /Elderly	<ul style="list-style-type: none"> • Provided education programs to support women NGO leaders • Selected children's libraries as new child care model 	●
	Life-long learning	<ul style="list-style-type: none"> • Hosted international symposium on life-long learning 	●
	Literature Mecenat	<ul style="list-style-type: none"> • Hosted 18 literature courses • Initiated the development of culture contents with scholars 	●
	Health campaign	<ul style="list-style-type: none"> • Hand washing campaign • Continuation of infection management seminars 	○

Priority Report Items

Employees Workplace safety, family-friendly management

Business Partners Fair selection of partners, fair relationship with partners, sponsoring activities for partners

Consumers Managing consumer complaints, identifying hazards of raw material, securing product safety

Community Corporate Social Responsibility

Shareholders

Corporate Governance of Yuhan-Kimberly

Yuhan-Kimberly is a joint venture of Yuhan Corporation (which owns 30% of the company) and Kimberly-Clark Trading LLC (which owns 70% of the company). Yuhan-Kimberly is not listed on the stock market. Yuhan-Kimberly's paid-in capital is KRW 200 billion and no changes were made to corporate governance in 2008. The Board of Directors at Yuhan-Kimberly is the highest decision-making body, consisting of seven members: four non-executive directors and three executive directors. Directors elected at the general meeting of shareholders are people with management experience and professional knowledge, who are working to enhance the long term value of shareholders and to promote the rights and interests of stakeholders.



Report on the achievements of implementing the 2nd Year of UN Global Compact

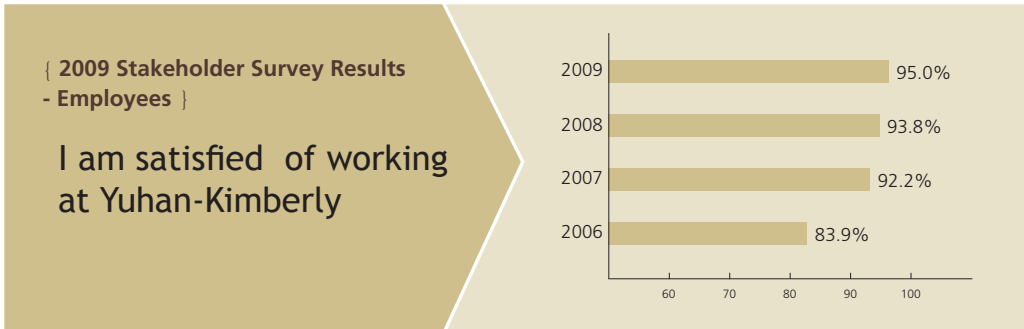
Yuhan-Kimberly voluntarily joined the UN Global Compact on March 8, 2007 and is living up to the Compact's ten principles. In the first year of participation, the Communication on Progress, or COP¹⁾, was submitted on June 2007, and in the second year of participation, it was reported on August 2008 to be shared with stakeholders.

Compliance with regulations and guidelines to secure sustainability



¹⁾ COP : A disclosure to stakeholders on progress made in implementing the principles of the UN Global Compact by the participants, including the company
²⁾ ILO Declaration : Industrial Safety (Article 148, 170, 174), Freedom of Association (Article 87), Prohibition of Child Labor (Article 29, 105), Prohibition of Compulsory Labor (Article 182), Prohibition of Discrimination (Article 111)

Employees



Employees of Yuhan-Kimberly

Average length of service at Yuhan-Kimberly is 14.1 years. Job types comprise 53.1% factory workers, 21.8% office workers, 10.3% technical workers, 8.7% sales personnel, 2.1% executives, and 3.8% others. The turnover rate is 0.1%, which is only 1/22 of the industry average of 2.2% according to the National Statistical Office figures for 2007. This shows a high level of employment security and satisfaction at Yuhan-Kimberly.

Yuhan-Kimberly's Employment Status

Category		Year			
		2005	2006	2007	2008
Employment	Employees (person)	1,680	1,706	1,695	1,689
	Employment of the disabled (%) ¹⁾	1.9	2.0	2.1	2.2
	Contracted employees (person)	19	24	19	9
	Job creation rate (%) ²⁾	4.9	1.5	-0.6	-0.4
	Average length of service (year)	11.8	12.6	13.3	14.0
	Average working hours per month (hour)	184	182	183	184
Labor Union	Participation (%)	80.4	80.5	80.0	82.8
Turnover	Employee turnover rate (%) ³⁾	0.2	0.2	0.2	0.1
Female employment	Percentage of female in total workforce (%)	15.5	15.7	15.7	16.0
	Percentage of female at senior management level (%)	3.5	3.4	15.7	17.1
	Percentage of female in total office employees (%)	40.4	39.4	39.9	40.1
	Percentage of female in new recruits (%)	21.0	29.4	48.0	31.0
Maternity / Childbirth	Maternity leave usage rate (%)	100	100	100	100
	Maternity leave users (person)	18	21	25	33
	Return to work rate post maternity leave (%)	100	100	100	100
	Parental leave users (person)	1	1	5	15
	Female employee parental leave usage rate (%)	0.0	4.8	20.0	45.4
	Return to work rate post parental leave (%)	100	100	100	92.3
Safety	Workplace Injury (%)	0.18	0.12	0.06	0.06
Education	Labor cost to training cost ratio (%)	6.42	7.62	5.79	5.65

Reporting standard : Reporting standard from last year on the ratio of female office workers was modified to align with business report.

¹⁾ **Employment of the disabled**: Average number of the disabled employed per month X 12, Korean Employment Promotion Agency for the Disabled

²⁾ **Job creation rate**: (Total number of employee this year - Total number of employees in the previous year) / Total number of employees in the previous year X100

³⁾ **Turnover rate**: (Monthly average number of employees leaving the company / monthly average number of employees) X100

Guarantee of equal employment · fair compensation and evaluation without gender discrimination

Based on the Code of Conduct and Rules of Employment (Article 89-90), Yuhan-Kimberly promotes equal opportunity employment, respect for human rights, and elimination of discrimination based on gender, age, religion, nationality and physical disabilities. According to the Collective Bargaining Agreement (Article 45), we operate an identical compensation scheme without gender discrimination to offer equal pay for work of equal value. We also provide training on preventing sexual harassment(88.8% of employees attended in 2008).

Principle of safety-first and realizing the vision

At Yuhan-Kimberly, safety is a corporate value in accordance with the management policy on respect for people. The rate of industrial disaster was 0.06% (1 person) in 2008 and that number is only 1/20 of Korea's industry average.

Compliance with provisions on the prohibition of restructuring, freedom of association, and the elimination of child and compulsory labor

Yuhan-Kimberly does not conduct physical or forced restructuring (Article 8 of CBA). The regulation stipulates that negotiations are conducted with labor unions in advance regarding the split or merger of a company, the transferring of partial or entire businesses, downsizing, outsourcing and more. In addition, we respect the rights to freedom of association and comply with regulations on prohibiting child and compulsory labor. There were no cases of violation found in 2008.

Talent management policy

Yuhan-Kimberly nurtures our employees' talents with life-long learning programs that are based on flexible work systems. At each mill, an annual timetable available to employees is provided in advance, and mostly multifunctional trainings are conducted to integrate jobs. Also, self-development is achieved by providing continuous feedback and coaching on jobs to communicate strengths and weaknesses to be improved.

CEO communications

The CEO of Yuhan-Kimberly uses a video magazine, a form of in-house video media, for regular communications with employees on his corporate vision and the overall business status every other month. He did this six times in 2008. Also, messages on important issues, such as making investments, are delivered by email. Employees share their views and the results of discussions on current issues of the company through postings on the company intranet, a medium for in-house online communication (there were 530 postings and 15,360 views in 2008). For the past 12 years, labor and the management of Yuhan-Kimberly have shown a great partnership based on trust.

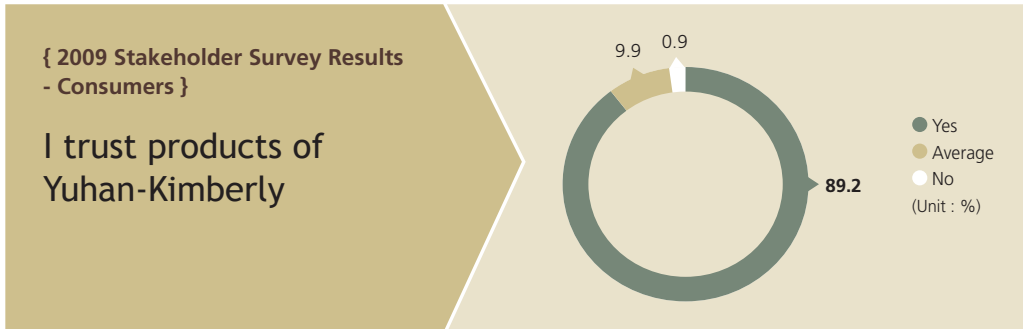
Family-friendly management systems at Yuhan-Kimberly

One characteristic of Yuhan-Kimberly's family-friendly management is that it encourages employees to maintain a balance between work and life with flexible working systems and life-long learning programs based on its philosophy of respect for people. Also, the Employee Assistance Program is in place to help resolve psychological issues in life, and family-friendly programs provide support for childcare, family, employees and the creation of a family-friendly culture. Also, the retirement age has been extended and programs are in place to help those who will be retiring prepare for life in an aging society.



The organization chart of the Family-friendly Management Committee can be found on the website(www.yuhan-kimberly.co.kr).

Consumers



Definition of Yuhan-Kimberly's consumers

Yuhan-Kimberly has a wide range of consumers from ordinary consumers at home to those from industry centers, research centers, public buildings, restaurants, hospitals, fiber related industries and schools.

The products supplied to these consumers are mostly health and hygiene related products, which can be classified into daily supplies (baby & child care products, feminine & adult care products, family care products and skin care products), B2B trade (professional products, health care products, non-woven products) and supplies for digital textile printing.

Research on consumers to realize product innovation

In 2008, Yuhan-Kimberly conducted research on one hundred projects, collecting the opinions of 25,738 consumers in order to reflect the needs of consumers before product development. Among those, a total of 5,501 consumers' opinion about twenty-nine projects were reflected in the new business and market development research.

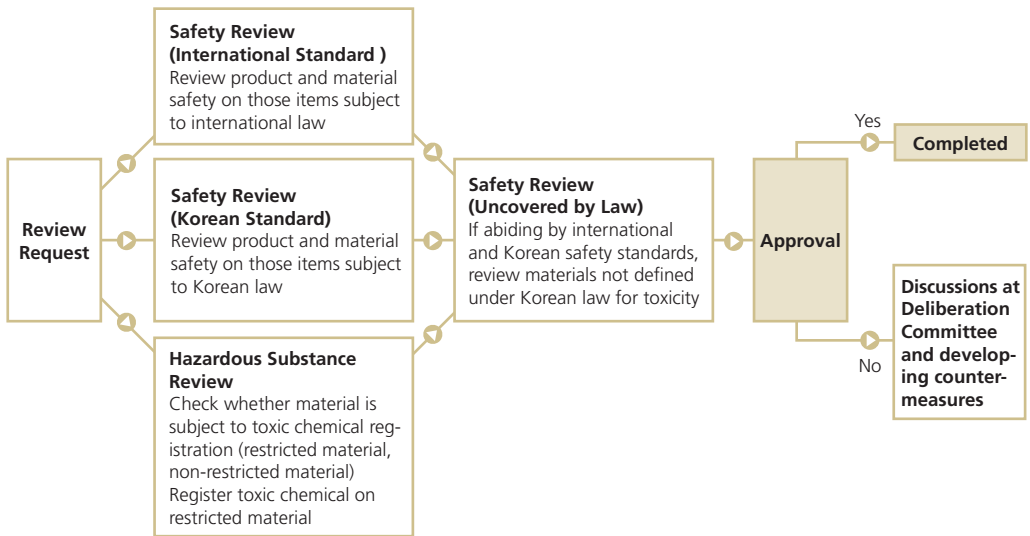
Efforts to communicate with consumers on twelve websites and the policy on privacy protection

Yuhan-Kimberly operates twelve online sites as of 2008 and the number of members is on the rise. The number of inquiries made by consumers online in 2008 amounted to 11,871, 98.5% of which of Yuhan-Kimberly responded to. The majority of unanswered postings were comments of praise or messages that gifts were well received. Starting from 2007, we adopted the Secure Sockets Layer (SSL) security system to protect personal information of consumers on our website. In 2008, there were no cases of consumer complaints of privacy invasion.

Strengthened system for identifying hazardous substance and verifying product safety

Product and material safety is the most important issue for the health and safety of consumers. Yuhan-Kimberly operates Product Safety Clearance and Product Safety Verification systems to meet international standards, and Korean regulations and social expectations for safety. From February 2009, the Safety Process for Products and Substances has been expanded to new business products. We also have a Hazardous Substance Analysis Center in operation.

Safety Confirmation System



Cases of legal violations and product issues

There were no violations regarding consumer safety protection and providing product information.

Yuhan-Kimberly's answer on the effect of VAT exemption on diapers

Date of Issue	Product	Question	Answer
2009.01	Diaper	What is the benefit of VAT exemption for company and consumers?	For three years from 2009 to 2011, diapers will be exempted from the VAT according to the Restriction of the Special Taxation Act, Article 106(VAT Exemption). We understand that consumers are keen to know how much they will be saving on the product. For your understanding; the VAT can be classified into the purchase VAT, which is levied before final sales when purchasing raw material and building facilities, and the sales VAT, which is imposed at the last stage of sales. Companies already pay a VAT (purchase VAT) when buying raw materials, building facilities and conducting sales activities and they are refunded the VAT (sales VAT) at the final stage of sales. VAT exemption, however, will only apply to the sales VAT. This means companies will not receive the sales VAT refund, and the purchase VAT will remain included in the product. Consumers will probably enjoy a price discount of about 3.5% for Huggies® diapers. However, the amount could differ depending on the application scope of VAT exemption and the place of purchase.

Consumer complaints management policy

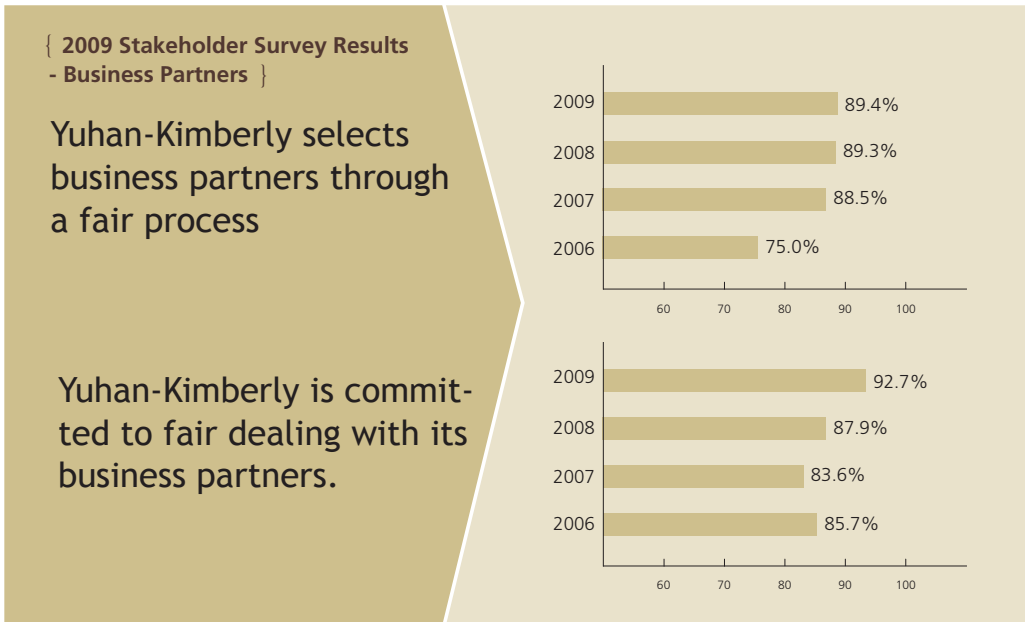
Yuhan-Kimberly strives to prevent consumer complaints in advance, and has adopted a prompt response system to handle complaints. In addition, employees from mills participate in quality trainings and programs, and all employees understand consumer complaints and corporate priorities, which are relayed through an internal video magazine. Also, in February 2009, a “voice of the consumers” page was created on the intranet (an in-house online medium) for sharing information.

Certification on Consumer Complaints Management System by reinforcing complaint handling system

Yuhan-Kimberly reinforced its complaint handling system by receiving certification on Consumer Complaint Management System from Korea's Fair Trade Commission on December 2008.



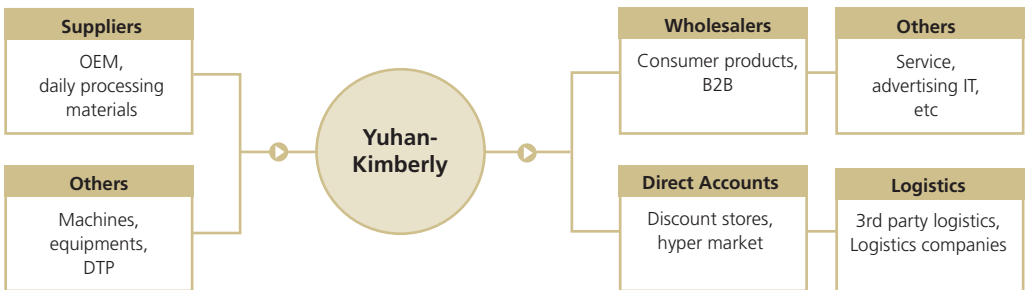
Business Partners



Win-win relationship with partners

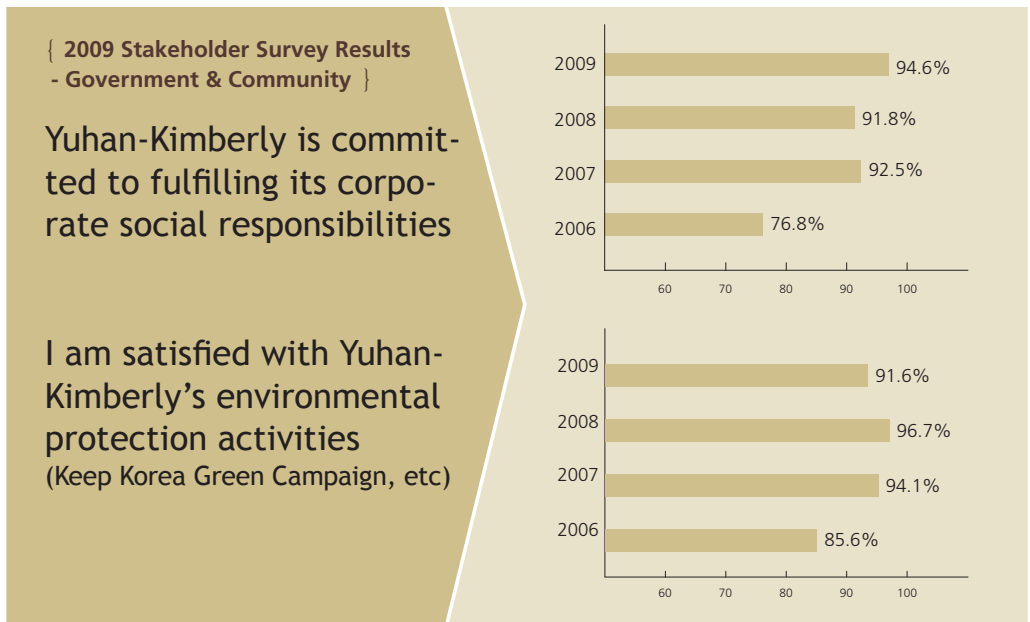
Yuhan-Kimberly has suppliers impacting production in the upstream and sales branch, direct sales and distribution effecting sales in the downstream. Yuhan-Kimberly worked with 2,111 companies in 2008, and 1,404 companies were defined as business partners, which does not include companies that Yuhan-Kimberly traded with once or traded with for less than KRW 3 million. Among suppliers which have influence on realizing consumer protection and product responsibilities, 81 out of 116 companies (or 69.8%) were selected to enhance competency. This is an increase from 30.9% in 2006, 64.15% in 2007, and an evidence of Yuhan-Kimberly's continuous efforts to increase the competencies of its business partners.

Status of business partners



Trading with 2,111 companies, 1,404 substantial business partners in 2008 excluded 707 companies that Yuhan-Kimberly traded with once or traded with for less than KRW 3 million.

Government & Community



Among sustainability issues in Korea, Yuhan-Kimberly cooperates with the community in different areas and fulfills corporate social responsibilities through programs on the environment, nurturing women leaders, caring for the elderly, expanding life-long learning, building family-friendly culture and diffusing health & hygiene culture. In the area of preserving forests and the environment, Yuhan-Kimberly uses its experience gained from implementing the Keep Korea Green campaign, by participating in restoring the nature and environment, going beyond our national boundaries into the Asia region to help restore forests in naturally devastated areas in North Korea, prevent desertification in China and Mongolia and preserve natural resources in Nepal.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

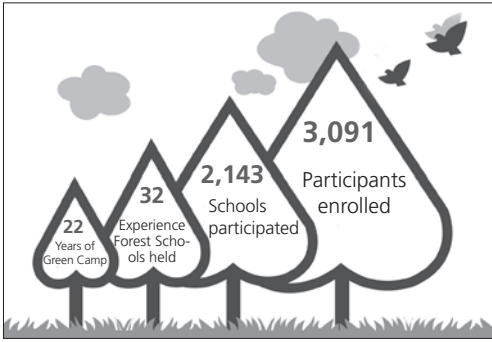
KEEP KOREA GREEN CAMPAIGN (from 1984 to 2009)

Korea's hallmark forest and environmental protection campaign

Yuhan-Kimberly has announced 'Corporate Social Responsibility' as one of our management policies and has focused on activities to preserve forests for the past 26 years. The activity is named the "Keep Korean Green" campaign, and it has rolled out many different projects such as different action programs for people to participate in and building partnerships with different sectors of society.

Taking leadership in making school forests and urban forests In 2008

we selected 86 pilot schools to provide support on cultivating school forests in cooperation with Forest for Life, an NGO, and the Korea Forest Service, a government agency. Also, we helped host a contest for rewarding the best journal on school forest observations (in the period from May to August, 2008) as well as the 6th School Forest Day on 24 September 2008 where successful cases and successful stories on cultivating forests were shared among experts who participated in the event.



Conducted environmental studies and education program for the youth to nurture future environmental leaders

Every year, Yuhan-Kimberly holds a “Green Camp” to provide training on the environment for teenagers through direct experience at the forest campsite in Gangwondo. The “Green Camp” has been held from 1988 to 2008 with a total of 3,091 participants. The camp was held two times between 28 July and 4 August 2008 with 152 participants.

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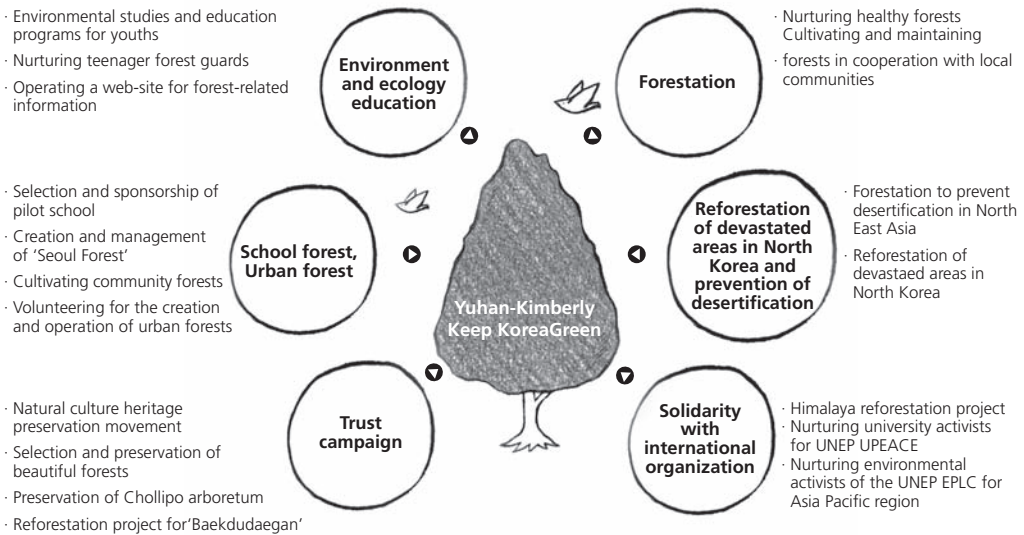
Selecting and promoting forests to be preserved

Yuhan-Kimberly has worked with ‘Forests for Life,’ a civic group for the preservation of forests, to discover and protect beautiful forests over the past ten years (During the period 2000-2008, a cumulative total of 153 sites were selected with 14 sites selected in 2008). Also, we selected and announced nature and cultural heritage sites to be protected and cultivated jointly with the National Trust of Korea. (During the period 2000-2008, a cumulative total of cumulative total of 62 sites were selected with 9 sites selected in 2008).

Taking leadership in the reforestation of devastated forests in North Korea and forestation in Mongolia to prevent desertification

In an effort to reforest naturally devastated areas in North Korea, Yuhan-Kimberly planted a total of 13,000,000 trees from 1999 to 2008 by providing seeds, nursery trees and materials for planting trees. Also, we invited opinion leaders in Korea and newly-weds to plant trees in the mountains of North Korea

Activities for “Keep Korea Green”



For more information and updates on the “Keep Korea Green” campaign, visit the campaign website at (www.woorisoop.org).

starting from 2005. In March 2009, however, trees were planted in South Korea, as the North Korean sites were not opened to the public. Along with these efforts, in Mongolia, we started planting trees and conducting research at the same time from 2000 as part of our long-term forestation project.

Tree planting records in North Korea and Mongolia (1999~2008, Unit: number of trees)

Year Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
North Korea	2,167,830	130,000	211,750	10,000,000	30,115	131,096	203,804	10,000	6,000	4,000
Mongolia	-	-	500	1,000	300,000	450,000	750,000	750,000	750,000	1,050,000

Continuing efforts on accumulating data related to forest and environment and sharing information

Yuhan-Kimberly has operated the public website Woorisoop (www.woorisoop.org) since the year 2000 as a venue to conduct forest protection activities in order to promote the communication of information regarding forests and the environment. We are helping teenagers acquire a new perspective on forests and the environment online.

INTERVIEW

Excerpt of an interview with Vice President Lee, EunWook,
a leader in sustainability management

“Sustainability management · Corporate social responsibility · Communications will become more important”


The society in which we live is complexly interwoven. Investment in CSR activities is a commitment of companies to coexist within such a complex society. For companies to achieve sustainable growth, the community and environment must be sound and healthy, making the society sustainable. This is the background of sustainable management at Yuhan-Kimberly. Companies built on trust can earn the respect of society, and such respect brings satisfaction and pride to employees. When employees feel proud of their company, they generate different ideas that can both save costs and increase productivity. This will lead to a sustainable positive cycle. Only when we fulfill our corporate social responsibilities with a long-term perspective, we can win the valuable trust of consumers. We believe a ‘long-lived company’ is born with the accumulation of confidence.

Lee, EunWook was awarded the Sustainability Management Award by the Prime Minister of Korea in December 2008. He is the leader of the hallmark “Keep Korea Green” campaign launched in 1984, and is responsible for businesses related to key stakeholders, such as the community, employees and consumers. Also, he assumes the chief role on publishing the sustainability report.



Greater emphasis on promoting birth in an age of low birthrate

Yuhan-Kimberly stands at the forefront of different social partnership activities to address the low birth rate in Korea. We have joined the program of Seoul Metropolitan Government on helping households with many children by giving additional points in diapers events and discounts at the Huggies online mall. Also, jointly with large discount retailer Emart and baby product manufacturers, part of the profits from sales events of baby products were used in the promotional events for diapers for the fifth time. In May 2008, we participated in the national campaign on supporting the rising numbers of multicultural families.

 For updates on supporting families with many children, visit the Yuhan-Kimberly website at (www.yuhan-kimberly.co.kr).

Providing replenishing opportunities for future women leaders of our society

Yuhan-Kimberly cooperates with Korea's representative women groups, the Korea Foundation for Women, Korean Women's Association United, and universities to help women working in civic groups get replenished. To this end, we provided scholarships to 58 people in two courses. In addition, we conducted sex education classes for 95,968 students in 2008 as a measure to teach the right culture on sex.

Spreading successful case stories through 2nd Peter F. Drucker Innovation Award

Yuhan-Kimberly has worked with the Peter F. Drucker Society in Korea, which promotes life-long learning, to create and give the Peter F. Drucker Innovation Award every year. We have also published the journal 'Creation and Innovation' since August 2008 and have held international symposiums for experts from different sectors to share and expand research.

Conducting efforts on 'prevention of infection inside hospitals' as a health and hygiene company

With an interest in preventing infections inside hospitals in Korea, Yuhan-Kimberly has held infection management seminars every year since 2002, and the sixth seminar was held on August 2008. Also from 2009, we are making monthly visits to hospitals and holding seminars for surgery nurses on infection management.

Developing contents for future generation through meetings with distinguished scholars in Korea

Yuhan-Kimberly strives to secure a sustainable competency in Korean culture and support the development of distinguished Korean scholar Kim, YongOk and the first Minister of Culture Lee, O-Young. In December 2008, we started the study of translation and annotation on Asian and Korean literature and completed the development of the works of Confucius translated and annotated in Korean. Also, we helped establish the Institute of China-Japan-Korea Cross-Cultural Studies and Foundation in October 2008 in order to build the basis for contents research on the comparison of Chinese, Japanese and Korean cultures.

Creating a forum for citizens and literateurs for sharing the beautiful Korean culture

Yuhan-Kimberly has shown a successful model of patronage activities by sponsoring the Literature House-Seoul programs that Korean citizens have participated in. (Around 750 artists and 14,000 citizens participated from 2001 to March 2009). Also, on November 11, 2008, in an effort to preserve and expand the beautiful culture of Korean language "Hangul", we held a concert with 500 participants to make new Korean lyric songs, which are songs based on poems. (From 2003 to 2008, we held 7 concerts, and supported the composition of 126 Korean lyric songs)

Employees Volunteering Hours & Donations

Classification \ Year	2006	2007	2008
Total number of participants (people)	15,142	15,464	12,436
Volunteer service time (hours)	13,196	11,601	10,260
Total number of cases	218	211	455
Donation amount (Won)	117,406,920	90,307,950	65,632,510



ENVIRONMENTAL VALUES

It has been 12 years since Yuhan-Kimberly announced its Environmental Management Policy in 1997. We know and feel how important it is to manage and maintain our visions and objectives after they have been set.

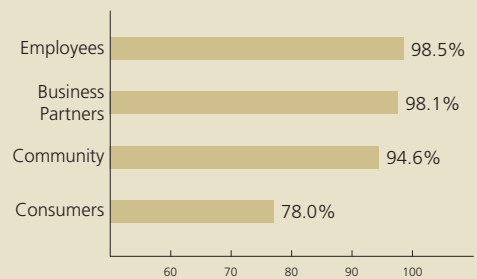
What is Yuhan-Kimberly doing for green growth?

Environment Values DMA | Environmental Policy and Investment | Environmentally-friendly Product and Process | Commitment to Reduce Environmental Impact | Activities to Reduce Greenhouse Gases for Green Growth



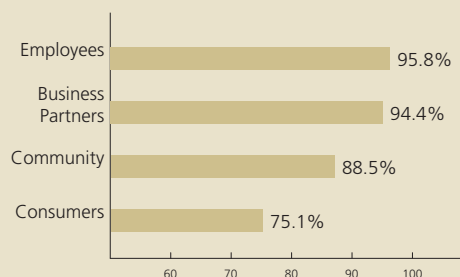
{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly is doing well in environmental management



{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly is committed to making environmentally-friendly products



Disclosure on Management Approach

Environmental Values

Vision

Yuhan-Kimberly, as a leading company, will contribute to society by achieving its vision for energy and the environment by 2015.

- To become one of Kimberly-Clark E&E Vision 2010 top 5 performers: reduction of water usage, energy and greenhouse gas emission, waste material and application of eco-design.
- 10% reduction of environmental burden (vs. 2005), materials recycling as resources up to 99.9%, zero hazardous material use, the unit energy consumption 10% decrease vs. 2005, new & renewable energy use rate by 10%, GHG & air pollutant emission reduction by 10%.

Policy

Minimize the environmental burden, continuously improve the environment, enhance environmental management systems, nurture employees' environmental management capabilities, disclose environmental policies, and fulfill a leadership role in environmental protection campaigns.

Organization

Sustainability Management, R&D, Mill EHS Teams, Logistics, EHS(Environment, Health & Safety) Excellence Team

Major Achievements

Evaluation ● Satisfactory ● Fair ○ Unsatisfactory

Classification	2008	
	Achievements	Evaluation
Company-wide activities	Improved workplace environmental management of OEM, and material suppliers (raw and subsidiary)	●
	Improved facilities to reduce and prevent pollution	●
Products process support	Acquired environmental label certification	●
	Activated environmental burden analysis	●
	Environmentally-friendly pulp sourcing	●
	Applied eco-design on brand new diapers	●
Efforts to curb climate change	Recruited and nurtured energy experts	●
	Evaluated and improved energy efficiency	●
	Adopted greenhouse gas reduction incentives	○
	Standardized energy facilities	●
	Adopted clean energy	●
	Conducted studies on new and renewable energy	●

2009 Economic Performance Materiality Test [IPS Materiality Test Model™]

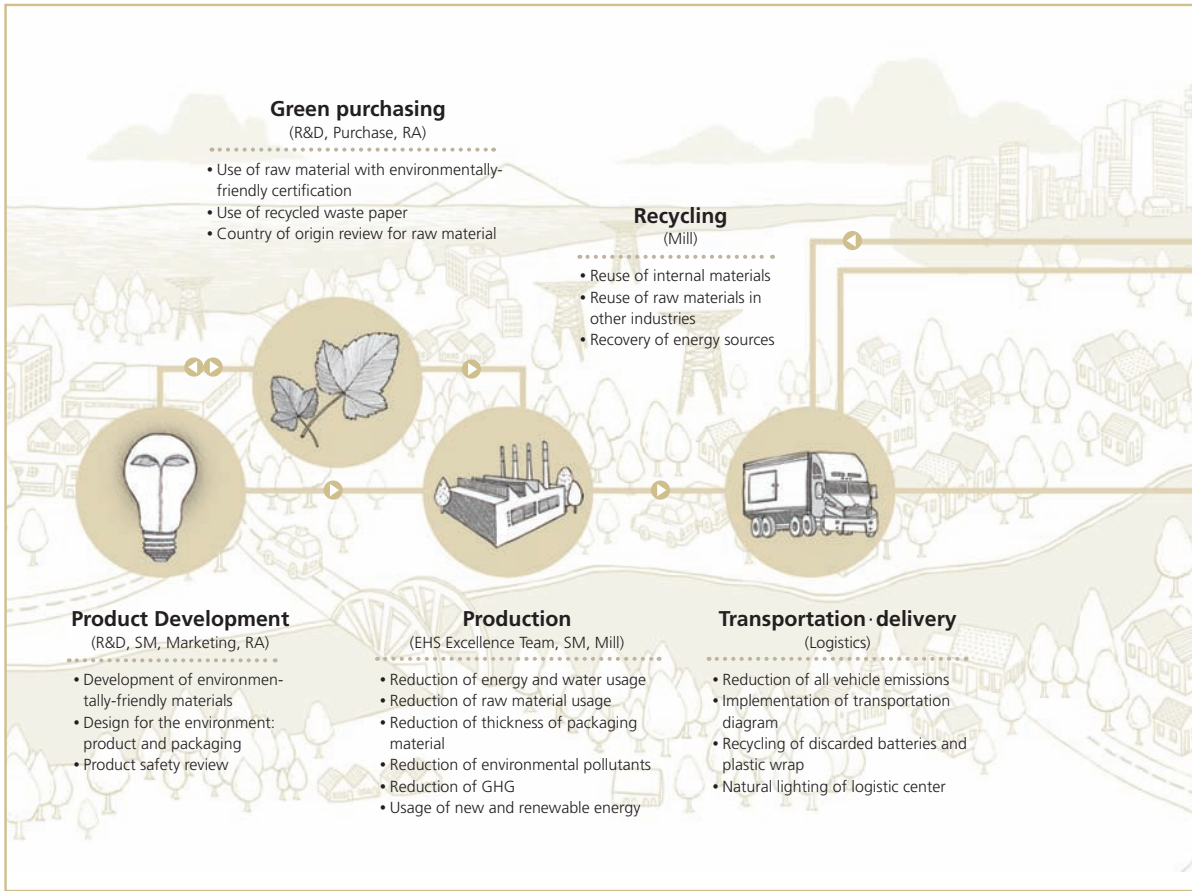


Yuhan-Kimberly's environmental performance data for 12 years(1997~2008)

Category		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Environmental Protection Cost	Total Cost (KRW 100 Mill)	-	52.8	57.3	65.2	88.1	91.6	83.6	84.5	94.2	90.5	86.9	90.8	
	Percentage to Net Sales (%)	-	1.3	1.1	1.1	1.3	1.3	1.2	1.2	1.2	1.1	1.0	0.9	
Energy	Direct Energy Consumption (10 ⁶ BTU/product-ton)	6.7	6.4	6.0	5.3	5.1	5.2	5.1	5.1	4.4	4.8	4.3	4.0	
	Indirect Energy Consumption (10 ⁶ BTU/product-ton)	3.5	4.0	3.9	4.0	4.1	3.0	2.9	2.8	2.8	2.6	2.4	2.3	
Water usage (m ³ /product ton)		25.6	25.0	24.5	18.7	14.1	11.5	10.0	8.9	9.7	9.9	10.0	11.7	
Recycle	Ratio of Domestic Recycled Fiber (%)	10.1	14.2	18.9	37.3	57.7	74.2	70.8	76.0	75.5	81.8	86.4	84.9	
	Ratio of Recycled Water Usage(%)	39.3	41.6	41.0	34.9	46.1	55.5	61.8	59.2	57.3	57.3	56.3	50.8	
Water Purity Control	Treated Water Discharge (m ³ /product ton)	19.9	17.4	13.5	13.0	11.2	8.2	7.5	6.3	6.4	6.4	7.4	8.6	
	Water Pollutant Discharge (kg/product ton)	Chemical Oxygen Demand	0.33	0.35	0.43	0.29	0.18	0.14	0.12	0.09	0.09	0.09	0.11	0.11
		Total Suspended Solids	0.17	0.14	0.17	0.11	0.05	0.02	0.01	0.01	0.01	0.01	0.02	0.03
		Bio-chemical Oxygen Demand	0.07	0.07	0.09	0.05	0.03	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total Solid Waste Generation (ton/ product ton)		0.54	0.50	0.47	0.38	0.38	0.44	0.45	0.37	0.34	0.28	0.26	0.25	
Green-house Gas Reduction	Total Emission of CO ₂ (1,000 t CO ₂ /year)	-	-	150.9	138.9	160	175	170	163	167	157	156	161	
	Total Emission of CO ₂ (t CO ₂ /product ton)	-	-	-	-	0.909	0.875	0.863	0.867	0.876	0.801	0.744	0.718	
	Chlorofluorocarbon (kg)	-	-	-	-	47.5	19.7	24.3	63.4	51.0	35.3	22.2	17.1	
	NO _x (kg/product ton)	1.595	1.175	0.851	0.577	0.506	0.467	0.506	0.449	0.417	0.204	0.116	0.142	
	SO _x (kg/product ton)	1.443	0.994	0.581	0.341	0.154	0.058	0.067	0.060	0.070	0.020	0.004	0.004	
	Dust (kg/product ton)	0.187	0.223	0.173	0.119	0.077	0.058	0.042	0.021	0.019	0.010	0.003	0.003	

*Yuhan-Kimberly started compiling data on environmental costs from 1997 and green house gas from 1999.

Flowchart of efforts to reduce the environmental impact of Yuhan-Kimberly's products



How is the process for environmentally-friendly products developed?

Total environmental protection expenditures and investments

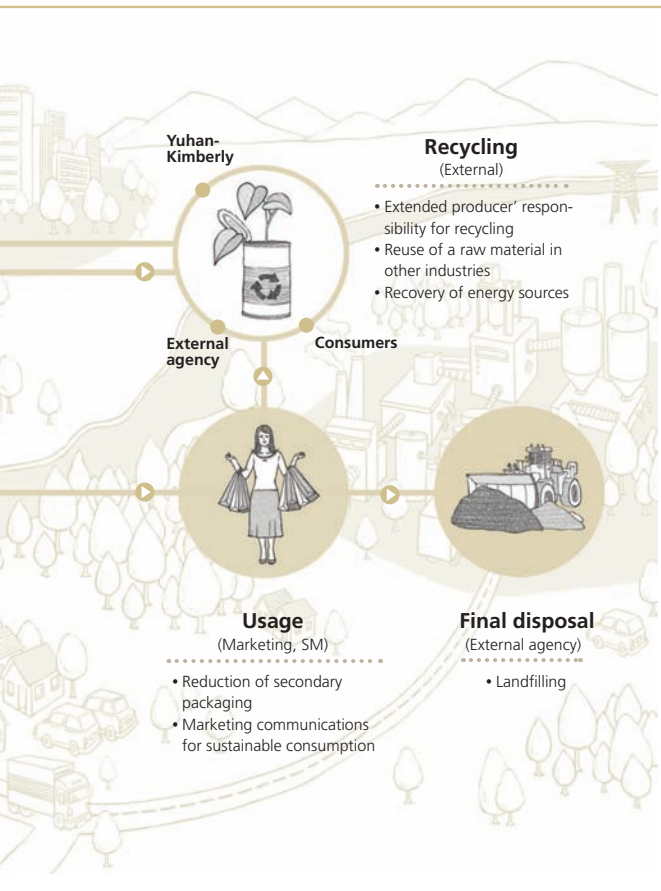
Yuhan-Kimberly spent 9.08 billion won on environmental protection in 2008. This calculation is based on investments in the company, more than 50% of which was spent on the environment in our workplace. In 2008, key environmental investments were made to improve the Tele-Metering System (TMS), which is a remote system for monitoring discharged material, a data transmission facility, and newly installing a sludge¹⁾ dehydrating facility.

Green purchasing and environmentally-friendly pulp procurement policy

Yuhan-Kimberly signed the Korean Ministry of Environment's "Voluntary Green Procurement Pact", and is participating in efforts to promote environmentally-friendly production and consumption. In 2008, among companies that joined the Pact in the 1st round (from September 2005 to August 2008), Yuhan-Kimberly received an excellent grade. At the core of green purchasing for Yuhan-Kimberly in 2008 is the purchase of pulp. We strive to provide environmentally-friendly products to consumers by using pulp that has obtained certification under international environmental standards or pulp that has been produced in an environmentally responsible manner. The amount of green purchasing in 2008 was around 100 billion won.

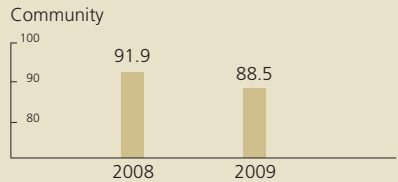
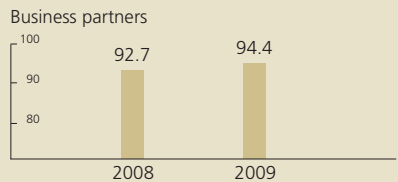
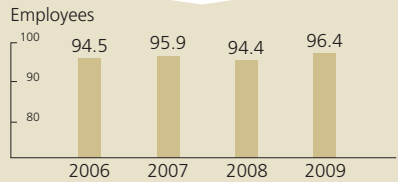
Development of biodegradable material for diapers and feminine sanitary napkins

Yuhan-Kimberly participated in the Korean Ministry of Knowledge and Economy's project of developing



{ 2009 Stakeholder Survey Results }

Yuhan-Kimberly is committed to minimizing environmental impact of its products



environmentally-friendly biodegradable hygiene textile-based material jointly with five business partners and two commission agencies, and completed the four-year project in September 2008. The project researched materials related to diapers such as inside liners, outside covers, absorbent layers, leak guards, and super-absorbent polymers. Yuhan-Kimberly applied part of its research result into producing Huggies® NatureMade, a new line of diapers launched in 2008. We will continue to be at the forefront of developing environmentally-friendly biodegradable materials and putting them into application.

Efforts to reduce secondary packaging material – Developed “green mileage”²⁾ feminine sanitary napkin products: Kotex® White, Kotex® Goodfeel, Kotex® Anydays

Yuhan-Kimberly, being in agreement with the Korean Ministry of Environment’s policy to reduce unnecessary sales packaging and excessive packaging, has signed a voluntary pact to reduce secondary packaging³⁾ over the next six years(2008.7~2012.6). Brands that are participating in the campaign are feminine sanitary napkins Kotex®White and Kotex®Goodfeel, and panty liner Kotex®Anydays. In February 2009, we changed the packaging of feminine sanitary napkins to a lighter material (from 120g to 9g by using plastic bag instead of paper), and reduced the thickness of the plastic bag by 18%(from 55 gsm to 45 gsm). Furthermore, we developed and started selling green mileage products that eliminated double packaging in October 2008.



¹⁾ Sludge : Sediment created in the process of biologically treating waste water that has been produced during the pulping process.
²⁾ Green mileage : a program initiated jointly with government, NGOs, press, and corporations in Korea to reduce promotional packaging.
³⁾ Voluntary agreement to reduce packaging waste encourages companies to voluntarily reduce unnecessary secondary packaging made for promotional purposes. Currently, 18 manufacturing and sales companies in Korea such as stationary, detergent, feminine sanitary napkins and body cleanser companies have signed the agreement.

How are we reducing our environmental impact?

Realization of environmental impact reduction policy through Life Cycle Assessment (LCA)

From June to November of 2008, Yuhan-Kimberly conducted a Life Cycle Assessment (LCA)⁴⁾ on existing feminine sanitary napkins and environmentally-friendly designed feminine sanitary napkins. The subjects of assessment were four brands including feminine sanitary napkins Kotex@White and Kotex@Goodfeel. We plan to apply the result to strategy development such as making the best choices of materials when developing environmentally-friendly products.

Management of the impact of water intake source on the ecosystem

Yuhan-Kimberly's Anyang and Taejon mills are supplied with industrial water from the local autonomous government. The Kimcheon mill is supplied with an average of 5,500m³ of water a day from the Gamcheon River, which is the upper stream of the Nakdong River. In order to minimize the impact of the water intake source on the ecosystem, we filter waste water before discharging.

Management of ecological impact of discharged water

The total Biochemical Oxygen Demand (BOD) discharged from one ton of Yuhan-Kimberly's product has been reduced to 0.015kg, which is 22% of the level produced in 1997. Also, the total amount of substance flowing into rivers decreased with the improved water quality of final treated water and reduced discharge. However, the total amount of suspended substances has increased temporarily due to the test operation of a new paper tissue production facility and the increased sales of pulp products.

Location and size of plants in regions with biological diversity

Yuhan-Kimberly confirmed with environmental offices and local autonomous governments that we have no manufacturing facilities in regions with biological diversity.



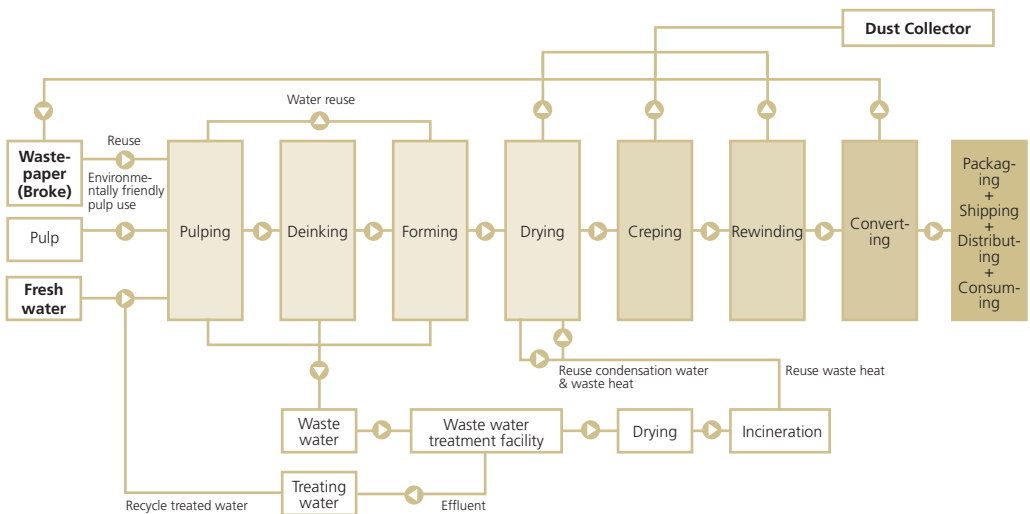
For more information on environment of major mills (March 2008-March 2009), visit our website at (www.yuhan-kimberly.co.kr)

⁴⁾ Life Cycle Assessment (LCA) is an evaluation method of environmental impact to find solutions on improving the environment through a comprehensive assessment by quantifying the impact of energy and materials from the entire process of manufacturing specific products, including services.

How do we put resource saving and recycling into practice?

Efforts to reuse and recycle water

Yuhan-Kimberly has reduced water consumption from 25.6m³/product ton in 1997 to 11.7m³/product ton in 2008 through efforts to reduce water consumption when producing paper tissue. This was achieved by increasing the rate of reuse in the process and recycling of treated waste water. The ratio of water recycling is maintained at around 50%.



Major raw materials excluding water – Efforts to use domestic recycled paper⁵

Other than water, the major raw materials used at Yuhan-Kimberly are pulp, recycled paper and Super Absorbent Polymers (SAP), which make up 85% of the raw materials used. In order to reduce greenhouse gases created in the process of importing paper tissue, Yuhan-Kimberly is mostly using domestic recycled paper (85% of the total recycled paper).

94% recycling of waste generated from production process

Waste generated is in the form of 71% sludge, 18% synthetic resin waste, 13% incineration ash, 3% waste paper, 2% synthetic fiber waste, 5% others, and 1% metal fragments. About 94% of the waste generated from the production process is recycled and the remaining 6% is handled by an outside disposal company. Waste generated in 2008 decreased by 4% compared to the previous year.

⁵⁾ Domestic recycled paper : Also called waste paper.

How are we implementing greenhouse gas reduction activities for low-carbon green growth?

- 1984
 - Launched 'Keep Korea Green' campaign.
- 2004
 - Participated in the mock trading of greenhouse gas emission rights (the Ministry of Environment).
- 2005
 - Participated in the project to estimate greenhouse gas emission and build reporting guidelines for the paper and pulp industry.
 - Signed a voluntary pact with the Ministry of Environment on the comprehensive reduction of greenhouse gases and air pollutants.
 - Launched internal campaign to encourage employees to bike to work.
- 2006
 - Started the research on trading of carbon emission rights, forestation and reforestation.
 - Participated in the registration system of greenhouse gases reduction achievements.
 - Registered greenhouse gas emission reduction business for the first time with the Korea Energy Management Corporation.
- 2007
 - Registered greenhouse gas emission reduction business for the second time with the Korea Energy Management Corporation.
 - Participated in research on potential amount of greenhouse gas emission reduction with the Korea Paper Manufacturers' Association and the Korea Energy Economics Institute.
- 2008
 - **Participated in the research on mid- and long-term road map of the industry with the Korea Paper Manufacturers' Association and the Korea Energy Economics Institute.**
 - **Obtained certification of greenhouse gas emission reduction in business (13,338 ton CO₂-equivalent).**
- 2009
 - **Established low-carbon vision and master plan.**
 - **Participated in building greenhouse gas emission inventory (Taejon mill, logistics).**
 - **Adopted supply chain carbon management.**

Efforts to reduce energy consumption

Yuhan-Kimberly's direct energy is mostly used as fuel for paper tissue production. In 2008, Yuhan-Kimberly's Kimcheon mill replaced its heat exchanger in an outdated boiler to increase energy efficiency in producing paper tissue and additionally installed a fresh water treatment facility for boilers to decrease energy consumption. In addition, Yuhan-Kimberly has reduced energy consumption by replacing fluorescent lamps with high-efficiency environmentally-friendly LED lighting and installing fifteen new high-efficiency inverters. Also, we plan to use 10% of our total energy consumption from new and renewable source by 2015. Yuhan-Kimberly's Taejon mill started utilizing solar energy from May 2008 to generate electric energy for general lighting of the mill.

Trend of energy consumption (Unit: 10⁶ BTU/ product ton)



Efforts to reduce greenhouse gas emission

Yuhan-Kimberly's direct source of Greenhouse Gas emission is Liquid Natural Gas combusted when producing products, and an indirect source of Greenhouse Gas emission is electricity and steam. Yuhan-Kimberly surpassed our CO₂ reduction target for every ton of product produced (18% compared to 2005), while the total CO₂ emission increased compared to the previous year by 5,300 tons due to an increase in total production. The way this has been measured is based on the Korean government's guideline on greenhouse gas estimation and emission factors. On the other hand, in the logistics process, the biggest area of our environmental load is delivery. Greenhouse gas emission decreased by 6.7% compared to the previous year by optimizing delivery services, increasing the load efficiency of palettes and increasing the size of vehicles.

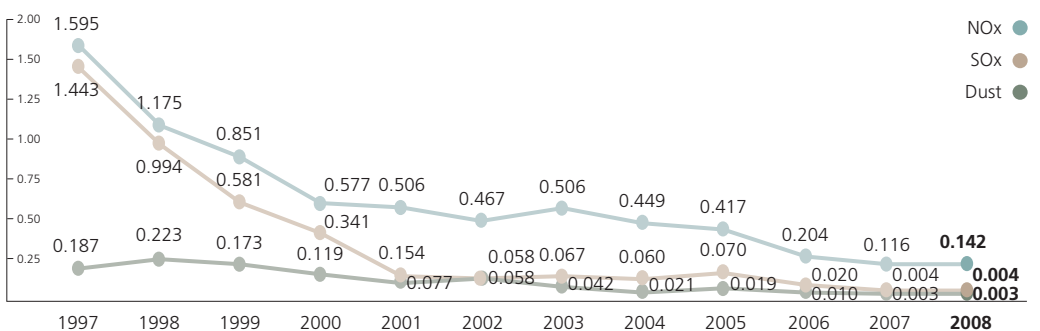
Greenhouse gas reduction initiatives and achievements – Registration and participation in greenhouse gas reduction business

Yuhan-Kimberly has participated in the Korea Energy Management Corporation's pilot project of a voluntary pact to reduce greenhouse gases and the Registration of Achieved Reduction of Greenhouse Gas Emission since 2004. The verified amount of reduction of greenhouse gases in 2008 was 13,338 ton CO₂ Equivalent, and we recorded a sales profit as the government purchased the reduced amount, creating a case for eco-efficiency. On the other hand, Yuhan-Kimberly analyzed greenhouse gas emission reduction activities of workplaces in 2008 and developed cost-saving strategies to conserve around 6,587,000 kWh of energy (about 4.3% of total electric energy consumption).

Efforts to reduce emission of major air pollutants

Yuhan-Kimberly has continuously reduced air pollutants emitted during production, however, the emission of air pollutants (NOx) slightly increased in 2008. This results from an increase in the total amount of emissions when making facial tissue and the rise in emission concentration of NOx in some boilers.

Major Air Pollutant Emissions (kg/product ton)



Impact of climate change on Yuhan-Kimberly



Risks

- Increased cost of legal regulations related to climate change and its compliance
- Adulteration of insects and others into products due to global warming
- Increased raw material cost from cost regulation (carbon tax)
- Social monitoring and pressure on greenhouse gas emission products
- Decrease of social reputation when stakeholder's interests are not met



Opportunities

- Change of life patterns as a result of global warming
- Birth of new markets related to hygiene products
Increased demand for hygiene products
- Increased competency from enhanced energy efficiency
- Additional profit from greenhouse gas emission regulations and trade
- Securing market and utilizing the barrier with low-carbon products

Corporate advertisement on STOP CO₂ campaign

On a public level, Yuhan-Kimberly has produced corporate advertisements of the "Keep Korea Green" campaign to raise public awareness on the need for CO₂ reduction by Korean citizens.



Execution of bike-riding campaign among employees

Employees at the Yuhan-Kimberly Taejeon mill have voluntarily participating in the carpool system (started in 1998), bike-riding campaign (started in 2005) and car-free day system (started in 2007). The total amount of distance saved in 2008 was 133,862 km. Kimberly-Clark Global Scott Brand Team, one of our shareholder companies, awarded the Taejeon mill with the grand trophy for having the best record on its bike-riding to work campaign in 2008. The record is a result of calculating the number of employees riding bicycles to work in workplaces across the world and total number of hours on bikes

First participation in the "Love Green" campaign to prevent global warming



On October 21, 2008, Yuhan-Kimberly started the "Love Green" campaign for employees and their families, which encourages an environmentally-friendly wedding culture, and on November 1, the first Love Green couple Choi, JiEun and Kim, SeongSeob tied the knot. The "Love Green" campaign is a movement among couples getting married to offset CO₂ generated from the wedding by converting or neutralizing the amount of carbon and through planting trees.

05

APPENDIX

Does the sustainability report fulfill items on materiality, completeness and responsiveness?

[Third-Party Assurance Statement](#) | [Guideline index - BEST & GRI](#) | [Commitment to the 10 UN Global Compact Principles](#) | [2009 Sustainability Report Organization](#) | [For More Information](#) | [Questionnaire for Reader Opinion](#)



To the Management of the Yuhan-Kimberly Sustainability Report 2009



The Institute for Industrial Policy Studies¹⁾ (The Auditor) was engaged by Yuhan-Kimberly as a “third party assurance provider” to provide independent third party assurance of its “2009 Sustainability Report” (The Report). Yuhan-Kimberly is responsible for all information and claims contained in The Report including established sustainability management targets, performance management, data collection and report preparation etc. The following represents The Auditor’s assurance opinion.

Independence

- Apart from offering comments during the draft process, The Auditor was not involved in the preparation of any key part of The Report and carried out all assurance undertakings with independence and autonomy.
- The Auditor has no relationship with Yuhan-Kimberly regarding any of its for-profit operations and activities.
- As The Auditor was subject to no outside pressure or interference during the assurance process, this report represents an accurate reflection of The Auditor’s views.

Objective

Our Assurance engagement is aimed at the followings

- To obtain an assurance that the statements and data cited in The Report are free of material misstatement or bias so that the information is reliable and adequate
- To assess the data collection systems used are robust
- To review the organization’s process of identifying major sustainability management issues and the reporting structure
- To present The Auditor’s views on improving reporting quality

Criteria

The Auditor assessed The Report against the following guidelines

- The AA1000 Assurance Standard’s (2003)²⁾ three core principles of Materiality, Completeness and Responsiveness
- The BEST Sustainability Reporting Guidelines³⁾
- The Global Reporting Initiative’s (GRI) G3 Sustainability Reporting Guidelines Version 3.0⁴⁾

Scope and Work Undertaken

The Auditor carried out the following activities in order to (1) assess the extent to which The Report applies the principles of materiality, completeness, and responsiveness in its reported contents; and (2) assess the application level of the GRI/BEST Sustainability Reporting Guidelines.

- A review of media reports related to Yuhan-Kimberly
- A review of information contained in The Report as well as the underlying data collection system (validation of internal sustainability-related organizations, systems, and activities)
- Data sampling and analysis of the stakeholder’s survey result
- A review of the original source of the information in The Report
- A review of the Yuhan-Kimberly’s response system for material issues
- A reconciliation of financial data stated in The Report against the Yuhan-Kimberly’s audited Financial Statements
- Interviews with managers and staff responsible for sustainability management and reporting, as well as The Report’s source information
- On-site review of the Headquarter office and the manufacturing plant in Anyang

Limitations

- The scope of our work was limited to a review of the accuracy and reliability of data and interviews with persons in charge of individual performance dimensions as well as those in charge of collecting and processing performance-related data.
- An on-site inspection was carried out on one of the company's three production facilities (the Gunpo site).

Conclusions

On the basis of the above we provide the following conclusions.

The Auditor did not find The Report to contain any material misstatements or bias. All key assurance findings are included herein, and detailed review findings and follow-up recommendations have been submitted to the management of Yuhan-Kimberly.

• Materiality

Does The Report cover economic, social and environmental issues of the greatest importance to Yuhan-Kimberly?

It is The Auditor's view that The Report contains information of great importance to Yuhan-Kimberly and its stakeholders. The company has identified issues of material importance to its internal and external stakeholders by conducting reviews of its corporate policies, relevant laws and regulations, and media reports while also carrying out stakeholder surveys and peer-group benchmarking. The following aspects were found particularly commendable.

The Report :

- Reflects a thorough analysis of issues considered most important by the company's stakeholders as identified through diverse stakeholder surveys that asked respondents what they thought the conditions for becoming a long-lasting company were, while also examining their level of awareness toward sustainability management.
- Faithfully reflects findings from last year's assurance statement that suggested issues found to be of material importance be given priority reporting.

Going forward, The Auditor recommends that more refined analysis be carried out on "material issues" in consideration of the degree of stakeholder interest as well as potential impact and risk, while also providing a more detailed account of the materiality test process.

• Completeness

How reliable is the information and data stated in The Report, and is the underlying information and data collection system complete and sound?

The Auditor found the data presented in The Report to be reliable and free from material error. We were able to confirm that Yuhan-Kimberly has a system in place for the systematic collection and management of performance-related data that covers finance and accounting, business ethics, safety and health, training and education for its employees, business partner selection, social contributions, and environmental management. The following aspects were found particularly commendable.

Yuhan-Kimberly :

- Has a clear understanding of who is in charge of the data for each of the material issues.
- Has utilized the company's Intranet to support systematic and sustainable management of performance-related data as well as its transparent disclosure.

In the future, The Auditor recommends introducing a system capable of integrated collection and management of dimension-specific data for each of the respective business sites while improving the reliability

¹⁾ **The Institute for Industrial Policy Studies (IPS)** : Established in 1993, the Institute for Industrial Policy Studies has accumulated broad expertise in the area of sustainability management since 2002. 'The Auditor' is composed of assurance specialists who are professors at Korea's top universities or practitioners with professional accreditation and extensive experience in sustainability management after majoring in business management, accounting, environmental science etc.

* This Statement of Third Party Assurance is based on the Korean version of Yuhan-Kimberly's 2009 Sustainability Report

²⁾ AA1000 AS is an assurance standard for social and sustainable reporting developed by the UK-based Institute of Social and Ethical AccountAbility in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, AccountAbility aims to improve the quality of social and ethical accounting, auditing and reporting through the AA1000 AS.

³⁾ The BEST Sustainability Reporting Guideline was jointly developed by the Ministry of Knowledge Economy (MKE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) and provides for five levels of reporting rigor (Level 1-5).

⁴⁾ The Global Reporting Initiative's (GRI) Sustainability Reporting Guideline was jointly convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. The newly revised G3 version was launched in October 2006.

of reported information by providing links to diverse regulatory filing materials and underlying data that provide the grounds for the various performance outcomes.

• **Responsiveness**

Does The Report address how the company has responded to stakeholder demands and concerns?

The Auditor found Yuhan-Kimberly to be aware of the importance of stakeholder communication as an element of sustainability management and confirmed efforts by the company to collect their comments and views. The following aspects were found particularly commendable.

Yuhan-Kimberly :

- Has developed communication channels specific to different stakeholder groups to better listen to their views.
- Has carried out numerous surveys amongst its key stakeholders including employees, business partners, consumers, and the local community while also seeking out expert views.

Going forward, The Auditor suggests providing more detailed reporting on the results of its various communication channels, i.e. the actual content of its multiple stakeholder communications. We also recommend presenting how the company intends to respond to stakeholder comments in concrete terms.

Relative to the BEST Guidelines, in view of the level of reporting rigor and intensity of information provided, The Auditor finds The Report to fulfill 99.3% of the reporting requirements necessary to qualify for a Level 5 Report (from among Level 1 ~ 5).

Fulfillment Ratio Trends Relative to Sustainability Reporting Indicators (unit :%)

Year of Publication	2006	2007	2008	2009
Fulfillment Ratio (Level 5 Report)	90.8	98.6	98.6	99.3

* Assurance findings were converted uniformly into fulfillment ratios as measured against Level 1 through 5 requirements.

Recommendations

Compared to the company’s prior publications. The Auditor found The Report commendable in the following respects. Yuhan-Kimberly (1) provided priority reporting on issues of material stakeholder importance, enhancing the connection between the reported information and the company’s “material issues”; (2) presented its sustainability management performance convincingly by introducing its top five sustainability efforts (titled “The Best 5”); (3) reaffirmed its company-wide commitment toward sustainability management by holding town meetings with the management team and producing an organizational structure for sustainability management.

For next year’s report, The Auditor recommends the following :

- Present a roadmap for the pursuit of sustainability management
- Provide case studies showing how implemented systems are actually utilized while highlighting consequent improvements
- Present more proactive reporting on the company’s mutual relationships with its stakeholders, with emphasis on programs designed to persuade and draw stakeholder support
- Provide links to additional information sources (ex. Auditor’s Report, Annual Report, Website, newsletter, company newspaper, prior year’s report etc.) as well as clear instructions on how to access the information to strengthen the reliability of the reported information while making active use of the company’s various reporting media

Based upon the above statement as well as other recommendations presented separately to management, The Auditor suggests that Yuhan-Kimberly establish a more systematic program of sustainability management and reporting, and continue to follow up with ongoing improvements going forward.

July 17, 2009

Cho, Dong-Sung 
 Professor, College of Business Administration,
 Seoul National University

Guideline Index - GRI & BEST

● Reported ○ Partially reported ◊ N/A ◇ Not reported

GRI Index	Wordings / Reasonings	BEST Indicators	Korean Version	English Version	Page
Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	A-1	●	●	6~7
1.2	Description of key impacts, risks, and opportunities	A-2	●	●	6~7, 16~17
Organizational Profile					
2.1	Name of the organization	A-3	●	●	Cover, 5
2.2	Primary brands, products, and/or services	A-4	●	●	12~13
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	A-5	●	●	10
2.4	Location of organization's headquarters	A-7	●	●	5
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	A-7	○	○	-
2.6	Nature of ownership and legal form	A-8	●	●	31
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	A-9	●	●	5, 13
2.8	Scale of the reporting organization, including: * Number of employees; * Net sales (for private sector organizations) or net revenues (for public sector organizations);	A-10	●	●	5, 14
2.9	Significant changes during the reporting period regarding size, structure, or ownership	B-8	●	●	1
2.10	Awards received in the reporting period	CO8	●	●	8, 9
Report Parameters					
3.1	Reporting period for information provided	B-3	●	●	1
3.2	Date of most recent previous report (if any)	B-8	●	●	1
3.3	Reporting cycle (annual, biennial, etc.)	B-6	●	●	1
3.4	Contact point for questions regarding the report or its contents	B-9	●	●	1
3.5	Process for defining report content	B-4	●	●	1, 3
3.6	Boundary of the report	B-1	●	●	1
3.7	State any specific limitations on the scope or boundary of the report	B-2	●	●	1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	A-6	●	●	1, 14
3.9	Data measurement techniques and the bases of calculations	-	◇	◇	-
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	-	●	●	1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	B-5	●	●	1, 3
3.12	Table identifying the location of the Standard Disclosures in the report	B-10	●	●	55~57
3.13	Policy and current practice with regard to seeking external assurance for the report	B-7	●	●	52~54
Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	GR1	●	●	31
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	GR1/GR3	●	●	31
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	GR2	●	●	31
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	GR12	●	●	14
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	GR7	●	●	30
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	GR13	●	◇	-
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	GR4	●	●	31
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	-	●	●	10
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	GR5	●	●	14, 22, 30, 31, 42
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	GR6	●	◇	-
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	GR11	●	●	10
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	GR10	●	●	31
4.13	Memberships in association advocacy organizations in which the organization	A-11	●	◇	website
4.14	List of stakeholder groups engaged by the organization	C-1/C-2	●	●	14

● Reported ○ Partially reported ◊ N/A ◇ Not reported

GRI Index	Wordings / Reasonings	BEST Indicators	Korean Version	English Version	Page
4.15	Basis for identification and selection of stakeholders with whom to engage	C-1	●	●	14
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	C-2	●	●	14
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	C-3	●	●	3, 4

Economic performance

	Disclosure on Management Approach	-	●	●	21
EC1	Direct economic value generated and distributed, including revenues, operating costs, employees compensations, donations and other community investment, retained earnings, and payments to capital providers and governments	EC1	●	○	23
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2	●	●	16~17, 50
EC3	Coverage of the organization's defined benefit plan obligations	EC3	●	◇	-
EC4	Significant financial assistance received from government	EC5	●	◇	-
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	EM4	◇	◇	-
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	EC4	●	◇	-
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	EC4	●	◇	-
EC8	Development and impact of infrastructure investment and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC6	●	●	18, 19, 20
EC9	Understanding and describing significant indirect economic impact, including the extent of impacts	EC7	●	●	2

Environmental performance

	Disclosure on Management Approach	-	●	●	42
EN1	Materials used by weight or volume	EV10	●	●	47
EN2	Percentage of materials used that are recycled input materials	EV11	●	●	47
EN3	Direct energy consumption by primary energy source	EV7	●	●	43, 49
EN4	Indirect energy consumption by primary source	EV8	●	●	43, 49
EN5	Energy saved due to conservation and efficiency improvements	EV5	●	●	48
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	EV5	●	●	48
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	EV5/EV25	●	●	48
EN8	Total water withdrawal by source	EV9	●	●	43
EN9	Water sources significantly affected by withdrawal of water	EV20	●	●	46
EN10	Percentage and total volume of water recycled and reused	EV18	●	●	47
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EV22	●	●	46
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	EV22/ EV26	○	○	-
EN13	Habitats protected or restored	EV27	●	●	37~38
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	EV6/EV26	○	○	-
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	EV28	○	○	-
EN16	Total direct and indirect greenhouse gas emissions by weight.	EV12	●	●	43
EN17	Other relevant indirect greenhouse gas emissions by weight.	EV13	●	●	50
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	EV4	●	●	49
EN19	Emissions of ozone-depleting substances by weight.	EV14	●	●	43
EN20	NOx, SOx, and other significant air emissions by type and weight.	EV15	●	●	43,49
EN21	Total water discharge by quality and destination.	EV17	●	●	43
EN22	Total weight of waste by type and disposal method.	EV16	●	●	47
EN23	Total number and volume of significant spills.	EV21	●	●	No case of significant spills
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	EV29	●	◇	-
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	EV19	●	●	46
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact	EV23	●	●	44~45, 46
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	EV24	●	●	45, 47
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	EV31	●	●	59
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	EV30	●	●	50
EN30	Total environmental protection expenditures and investments by type.	EV1	●	●	44

Social : Labor Practices and Decent Work Performance

	Disclosure on Management Approach	-	●	●	30
LA1	Total workforce by employment type, employment contract, and region.	EM1	●	●	32
LA2	Total number and rate of employee turnover by age group, gender, and region.	EM5	●	●	32

● Reported ○ Partially reported ◊ N/A ◇ Not reported

GRI Index	Wordings / Reasonings	BEST Indicators	Korean Version	English Version	Page
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	EM20	●	◇	-
LA4	Percentage of employees covered by collective bargaining agreements.	EM12	●	◇	-
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	EM13	●	●	33
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	EM14	●	◇	-
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	EM19	●	●	32, 33
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	EM18	●	●	33
LA9	Health and safety topics covered in formal agreements with trade unions.	EM15	●	◇	-
LA10	Average hours of training per year per employee by employee category.	EM27	●	○	33
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	EM28	●	●	33
LA12	Percentage of employees receiving regular performance and career development reviews.	EM29	●	○	33
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	EM2	●	●	32
LA14	Ratio of basic salary of men to women by employee category.	EM17	●	●	33

Social : Human Rights

	Disclosure on Management Approach	-	●	●	30
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	PN2	●	◇	-
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	PN3	●	◇	-
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	EM30	●	○	11
HR4	Total number of incidents of discrimination and actions taken.	EM7	●	●	33
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	EM8	●	●	58
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	EM9	●	●	33, 58
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	EM10	●	●	33, 58
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	EM31	●	◇	-
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	CO2	●	●	59

Social : Society

	Disclosure on Management Approach	-	●	●	30
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	CO1	●	◇	-
SO2	Percentage and total number of business units analyzed for risks related to corruption.	CO5	●	◇	-
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	CO5	●	●	11
SO4	Actions taken in response to incidents of corruption.	CO5	●	○	11
SO5	Public policy positions and participation in public policy development and lobbying.	CO6	●	●	58
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	CO7	●	◇	-
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	CS3	●	○	11
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	CO9	●	●	59

Social : Product Responsibility

	Disclosure on Management Approach	-	●	●	30
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	CS4	●	●	19, 34-35
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	CS11	●	●	35
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	CS5	●	◇	-
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	CS12	●	●	34
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	CS9	●	●	35
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	CS13	●	●	34
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	CS14	●	●	34
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	CS15	●	●	34
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	CS15	●	●	35

Yuhan-Kimberly's Commitment to the UN Global Compact

● Reported ○ Partially reported ○ N/A ◇ Not reported

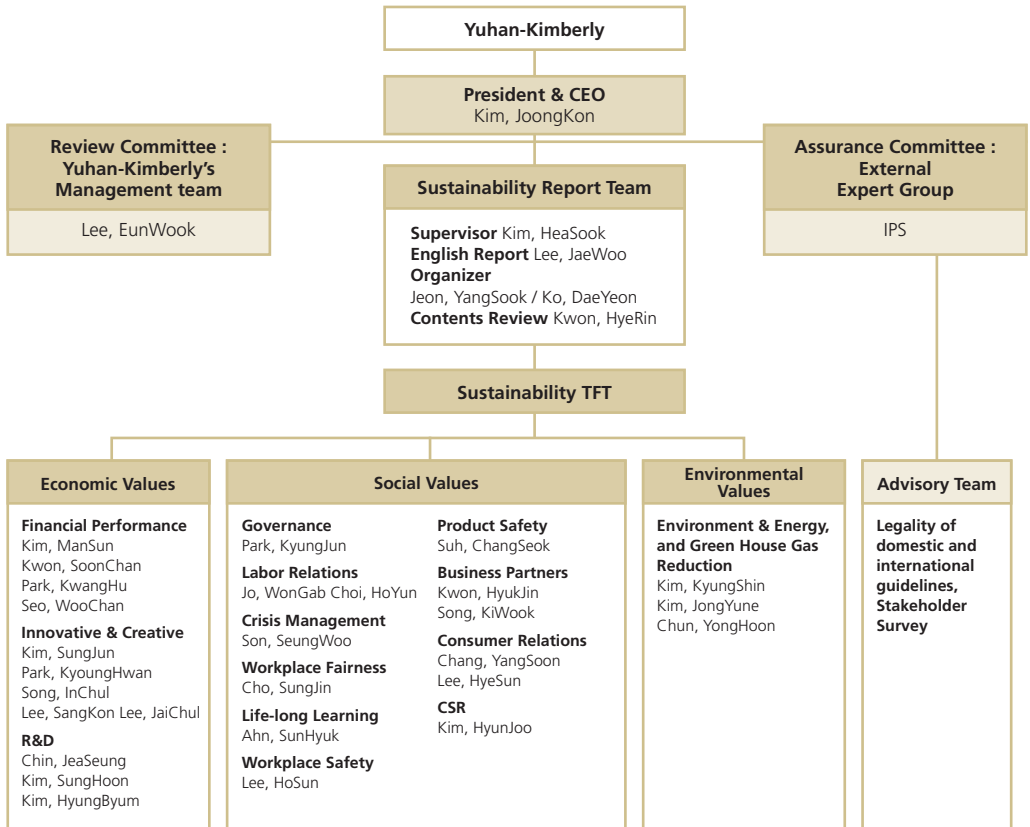
Area	Principle	Yuhan-Kimberly Regulations / Online Disclosure	2008 Achievements	GRI	BEST	Report Page
Human Rights	1. We support and respect the protection of internationally proclaimed human rights.	Human Rights Protection <ul style="list-style-type: none"> • Management Policies [Respect for People] • Article 35, Personnel Rules and Regulations [Status Guarantee] • Code of conduct [Considerations for Employees] • Article 27, Chapter 2, CBA [Remedy for Unfair Disciplinary Actions] www.yuhan-kimberly.co.kr Sustainability Management	<ul style="list-style-type: none"> • Training on Code of Conduct (Three times a years) • Support for signature-seeking campaign for human rights and the protection of children 	● HR1 ● HR2 ● HR3 ● HR4 ● HR5 ● HR6 ● HR7 ● HR8 ● HR9	● CO2 ● EM7 ● EM8 ● EM9 ● EM10 ● EM30 ● EM31 ● PN2 ● PN3	33 72 78 79 91
	2. We make sure that we are not complicit in human rights abuses.	Prevention of Human Rights Violations <ul style="list-style-type: none"> • Guidelines on Selecting Business Partners [Ethical Soundness of Organization] • Evaluation Items of Business Partners [Wage and Employment] 	<ul style="list-style-type: none"> • Regular evaluation conducted on business partners in the field of human rights • Human rights training conducted on 106 employees of security service provider. 	● HR1 ● HR2 ● HR8	● EM31 ● PN2 ● PN3	72 78 79
Labor	3. We uphold the freedom of association and the effective recognition of the right to collective bargaining	Freedom of Association <ul style="list-style-type: none"> • Article 10, Chapter 2, CBA [Guarantee of Union Activities] • Article 11, Chapter 2, CBA [Prohibition of Unfair Labor Practices] • Article 66, Chapter 7, CBA [Labor Management Committee, Grievance Committee Members and Grievance Committee] • Article 75, Chapter 9, CBA [Bargaining Principles] www.yuhan-kimberly.co.kr Sustainability Management	<ul style="list-style-type: none"> • Labor Union membership rate of 82.8% • Labor-Management Committee held every quarter, total of 20 times • Collective Bargaining in general, once every other year (June 2008) • Collective Bargaining on Wage Negotiation, once every year(June 2008) 	● HR5 ● LA4 ● LA5	● EM8 ● EM12 ● EM13	72 75
	4. We eliminate all forms of forced and compulsory labor	Prohibition of Compulsory Labor <ul style="list-style-type: none"> • Article 40, Chapter 4, CBA [Maternity Leave] Pregnant women labor union members shall not work overtime	<ul style="list-style-type: none"> • Pregnant employees are prohibited to be stationed in hazardous and dangerous work zone for health reasons. • Flexible working hours to do night shift prohibited from being applied to pregnant employees 	● HR7	● EM10	33 72
	5. We effectively abolish child labor	Prohibition of Child Labor <ul style="list-style-type: none"> • Article 21-2, Chapter 3, Rules of Employment [Work]Minors under 18 years of age shall not be subject to the provisions on overtime 	<ul style="list-style-type: none"> • No employees under 18 years of age 	● HR6	● EM9	33 72
	6. We eliminate discrimination in respect of employment and occupation.	Prohibition of Discrimination <ul style="list-style-type: none"> • Article 89, Chapter 9, Rules of Employment [Prohibition of Gender Discrimination] • Article 45, Chapter 5, CBA [Wage] Offer equal pay for work of equal value Chapter 2, Code of Conduct [Considerations for Employees] www.yuhan-kimberly.co.kr Sustainability Management	<ul style="list-style-type: none"> • Training on prevention of sexual harassment • Female ratio (Office workers 40.1%, Executives 17.1%) • Starting wage of entry level employees (Male and female identical) 	● HR4 ● LA2 ● LA10 ● LA13 ◇ LA14	● EM2 ◇ EM3 ● EM5 ● EM7 ● EM17 ● EM27	64 66 72 73
Environment	7. We support a precautionary approach to environmental challenges	Environmental Precaution <ul style="list-style-type: none"> • Procurement Philosophies[Support for Environmentally-friendly Raw Material Purchase and Product Productions] • Environmental Management Policies [Minimizing Environmental Load] • Environmental Management Policies [Fundamental Prevention on Environmental Accident] www.yuhan-kimberly.co.kr Sustainability Management	<ul style="list-style-type: none"> • Environmentally-friendly product launched • Green purchasing of 100 billion (KRW) • LCA conducted on feminine sanitary napkins • Environment protection cost of 9.08 billion (KRW) 	● 4.11	● GR11	15 16 31
	8. We undertake initiatives to promote greater environmental responsibility	Environmental Responsibility <ul style="list-style-type: none"> • Management Policies[Social Contribution] • Spearhead environmental preservation campaigns • Chapter 2, Code of Conduct [Environmental Protection] • Procurement Philosophies [Realizing Mutual Benefits through Collaborative Partnership] • Environmental Management Policies[Leadership role in environmental protection campaign] 	<ul style="list-style-type: none"> • Refer to accomplishments of "Keep Korea Green" campaign • Refer to 12-year trend on environmental accomplishments 	● EN2 ● EN5 ● EN6 ● EN7 ● EN10 ● EN13 ○ EN14 ● EN18 ● EN21 ● EN22 ● EN26 ● EN27 ● EN30	● EV1 ● EV2 ● EV3 ● EV4 ● EV11 ● EV16 ● EV17 ● EV23 ● EV24 ○ EV26 ● EV27	93 105 106 110 111 114 115 117 118
	9. We encourage the development and diffusion of environmentally friendly technologies	Environmentally-friendly <ul style="list-style-type: none"> • Procurement Philosophies [Support for Production of Superior Products through Technological Innovation] • Environmental Management Policies [Continuous Environmental Improvement]-reduction, reuse, recycling efforts regulations 	<ul style="list-style-type: none"> • Bio-degradable environmentally-friendly material developed to product • 94% Recycling of waste from production process • 84.9% Usage of domestic recycled paper 	● EN2 ● EN5 ● EN6 ● EN7 ● EN10 ● EN18 ● EN26 ● EN27	● EV4 ● EV5 ● EV11 ● EV18 ● EV23 ● EV24	105 110 111 114 115 116 117 118
Anti-Corruption	10. We work against corruption in all its forms, including extortion and bribery	Anti-Corruption <ul style="list-style-type: none"> • Chapter 2, Code of Conduct [Guidelines on Gifts and Entertainments] • Chapter 2, Code of Conduct [Prohibition Against Giving Gifts to Public Officials] • Article 11, Rules of Employment [Prohibition] Against Accepting Rewards, Gifts, or Entertainment from Business Partners 	<ul style="list-style-type: none"> • Signing of voluntary compliance of code of ethics and fair trade by 177 related executives and employees • 930 Organizations of business partners agreed to implement ethical management 	● SO2 ● SO3 ● SO4	● CO5 ● EM25 ● EM26	29 30 33

www.yuhan-kimberly.co.kr Sustainability Management

* Page numbers are based on the Korean version of the report.

2009 Sustainability Reporting Organization

People who participated in the 2009 Sustainability Report



Compliance status with international agreements / domestic laws

In order to leap forward as a global company, Yuhan-Kimberly complies with international agreements, the UN Global Compact and ILO Labor Standards, and conforms to domestic laws necessary for corporate management. We had no violations (court rulings, punishments, penalties) of related agreements or law during the last five years.

This is an English summary version of Yuhan-Kimberly's 2009 Sustainability Report. The Korean version's compliance with the GRI G3 Guidelines is 98.7%. The full Sustainability Report is available on the company website.

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Same as requirement for Level B	Same as requirement for Level B
G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach disclosed for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report Externally Assured	Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	Report Externally Assured

*Sector supplement in final version

For more information

Yuhan-Kimberly HQ(Seoul)
 942, Daechi 3-dong,
 Gangnam-gu, Seoul,
 135-725
 Republic of Korea
 TEL. 82-2-528-1001

Yuhan-Kimberly Anyang Mill
 27-4 Dangjung-Dong,
 Gunpo-Si, Gyungki-Do,
 435-831
 Republic of Korea
 TEL. 82-31-450-8503

Yuhan-Kimberly Kimcheon Mill
 746-1 Daekwang-Dong,
 Kimcheon City,
 Kyungsangbook-Do,
 740-170
 Republic of Korea
 TEL. 82-54-420-5500

Yuhan-Kimberly Taejon Mill
 41-1, 1 Block the 3rd,
 Industrial Complex,
 Munpyung-Dong,
 Daeduck-ku
 DaeJeon, 306-220
 Republic of Korea
 TEL. 82-42-939-7100

<p>Distribution Centers</p>	<p>Kangbuk D.C. TEL. 82-31-947-0321~5</p>	<p>Kangseo D.C. TEL. 82-31-446-8125~9</p>	<p>Metro-Hub Center TEL : 82-31-798-7880</p>
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2009 Sustainability report additional disclosure site

www.yuhan-kimberly.co.kr

Yuhan-Kimberly provides comprehensive introduction on sustainability management efforts on its website. Also, additional information on the report can be found on its website. Additional inquiries can be made on the website, and we will provide our sincere response.

Major information available online

A PDF version of the Sustainability reports from 2006 to 2009 can be downloaded from the website, online reports(E-Book) from 2007 to 2009 can be viewed on the website, printed copies of reports can be requested online and reader opinions can be sent to the website. In addition, a keyword search of information on international guidelines and major issues is also available on the Yuhan-Kimberly website.

Separate full text data available online

Award Achievements, Code of Conduct, Code of Ethics on Advertising, Future Company Charter, CEO Pledge of Ethics, Status on Group and Association Membership (available in Korean only)

Link to detailed information available online

Under the "view E-book" link on the Yuhan-Kimberly website, a separate edition as well as additional data can be found.(available in Korean only)

Policy on protection of personal information when applying for the report

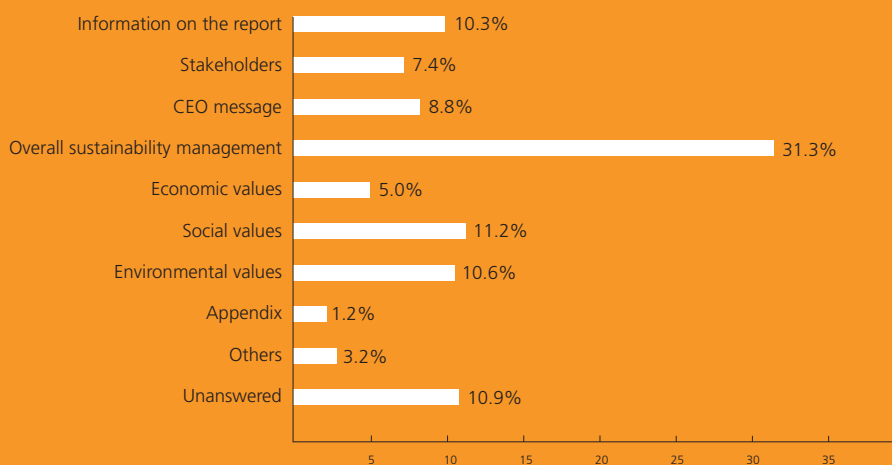
When an application for the report or a reader opinion is submitted, we state the method of handling personal information for protection of personal information and ask for an agreement. A security program has been installed to protect users' personal information.

Sharing feedback on 2008 Sustainability Report Questionnaire for Reader Opinion

What is the total number of participants? A total of 339 people responded to the Questionnaire for Reader Opinion, which is an increase of 20.6% compared to the previous year.

Which section was most helpful? As a result of questionnaire, people answered that the 'Overall sustainability Management', 'Social Values', and 'Environmental Values' sections were the most valuable in that order.

What is the satisfaction level of information accessibility? As we improved the sustainability information to be more easily accessible online, the result increased by 12.1% compared to the previous year at 92.9%.



Yuhan-Kimberly 2009 Sustainability Report

사람이 희망이다

People are the Source of Hope



Please cut the dotted line and return the questionnaire in an envelope to the following address

Mail Yuhan-Kimberly Sustainability Report Team
942 Daechi 3-dong, Gangnam-gu, Seoul
135-725, Korea

E-mail webmaster.korea@y-k.co.kr

Fax 82-2-528-1086



Your Feedback will be actively reflected in our reports and published in the future to heighten the fidelity and completion levels of their contents (Please tickmark).

1. Did this report help you to gain better understanding of Yuhan-Kimberly's sustainability management?

- a. Very much b. A little c. Average d. Not much e. Not at all

2. Which section of the report did you find the most interesting?

- a. About this report b. CEO message c. Sustainability management d. Economic values
e. Social values f. Environmental values g. Appendix h. Others ()

3. Was this report easy to read?

- a. Very much b. A little c. Average d. Not much e. Not at all

4. How would you evaluate this report?

- a. Very good b. Good c. Average d. Poor e. Very poor

If you have any other comments, please let us know. Thank you.

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.....

Name

Company / Department

Contact (Tel / E-mail)

It is in hard times that a companies core values are most evident. In preparing for the 2009 sustainability report, Yuhan-Kimberly was given a precious opportunity to identify what our company's priorities and assets are and what we have to do to achieve our corporate vision.

