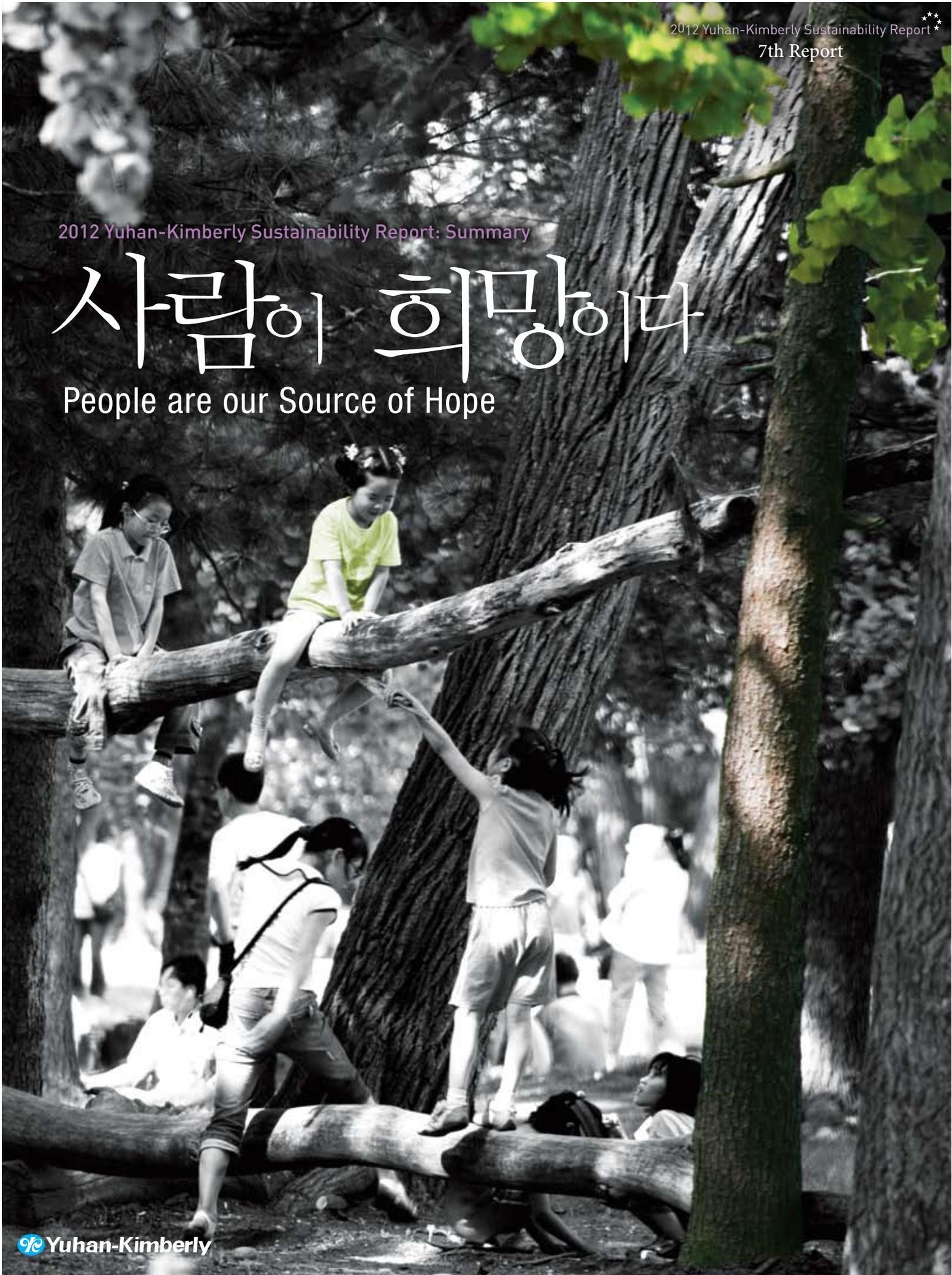


2012 Yuhan-Kimberly Sustainability Report: Summary

사람이 희망이다

People are our Source of Hope



About This Report

Standards and Criteria	GRI (Global Reporting Initiative) G3.1, BSR (Business for Social Responsibility), ISO 26000
Reporting Scope	Covers all business and operating sites in Korea; the currency used in this report is the Korean Won (KRW)
Reporting Period	January 2011 to December 2011 (including part of the performance for 2012)
Reporting Base	Fiscal Year, Data provided at least 3 year time series. (Economic and Environmental performances are presented with 5-year and 15-year time series data, respectively)
Reporting Assurance	Third party assurance Statement
Reporting Cycle	Published the report annually
Organization of Report	In line with the latest international report standards; 4 chapters in total; preferential reporting of key issues through priority assessment
Disclosure Principle	Disclosed on www.yuhan-kimberly.co.kr
Contact	Yuhan-Kimberly Sustainability reporting team + 82.2.528.1351



BSR Guideline: B.E.S.T (Business Ethics Source of Top performance) Sustainability Report Guideline jointly prepared by the Korea Chamber of Commerce and Industry and the Institute for Industrial Policy Studies

GRI G3.1 Application Level

Yuhan-Kimberly has compiled this report in accordance with the Global Reporting Initiative (GRI) G3.1 Guideline and declared its Corporate Social Responsibility Report 2012 to be Application Level A. Yuhan-Kimberly has had this report verified that it qualifies as GRI G3.1 Application Level A+ by the DNV Business Assurance Co., Ltd, which evaluated this Corporate Social Responsibility Report.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosure	G3 Profile	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 Externally Assured	Report on all criteria listed for Level C plus: 1.2,3.9,3.13,4.5,4.13,4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3.1 Management Approach Disclosures	Not Required		Disclosure of Management Approach for each Indicator Category		Disclosure of Management Approach for each Indicator Category	
	G3.1 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environment		Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environment, Human Rights, Labor, Society, Product Responsibility		Report on each core G3.1 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	
* Latest version of sector supplements							

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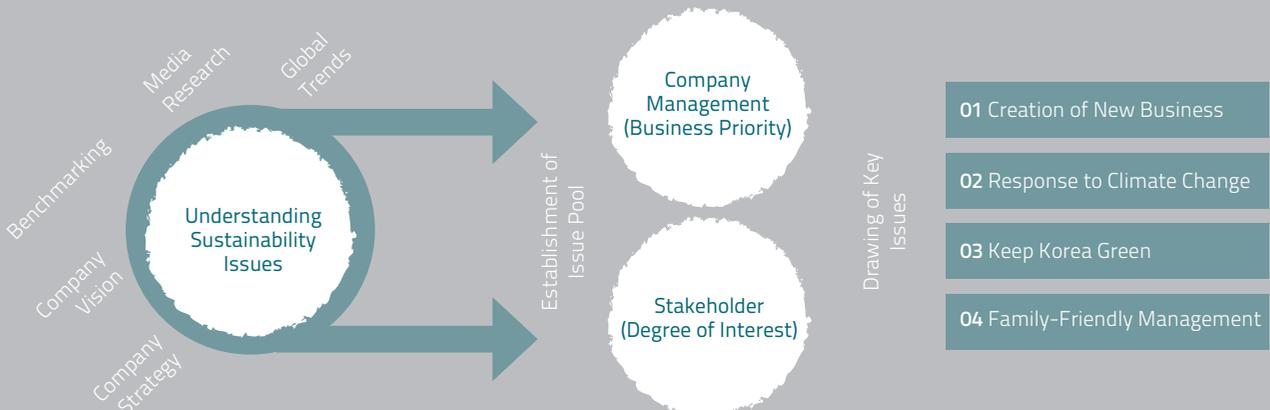
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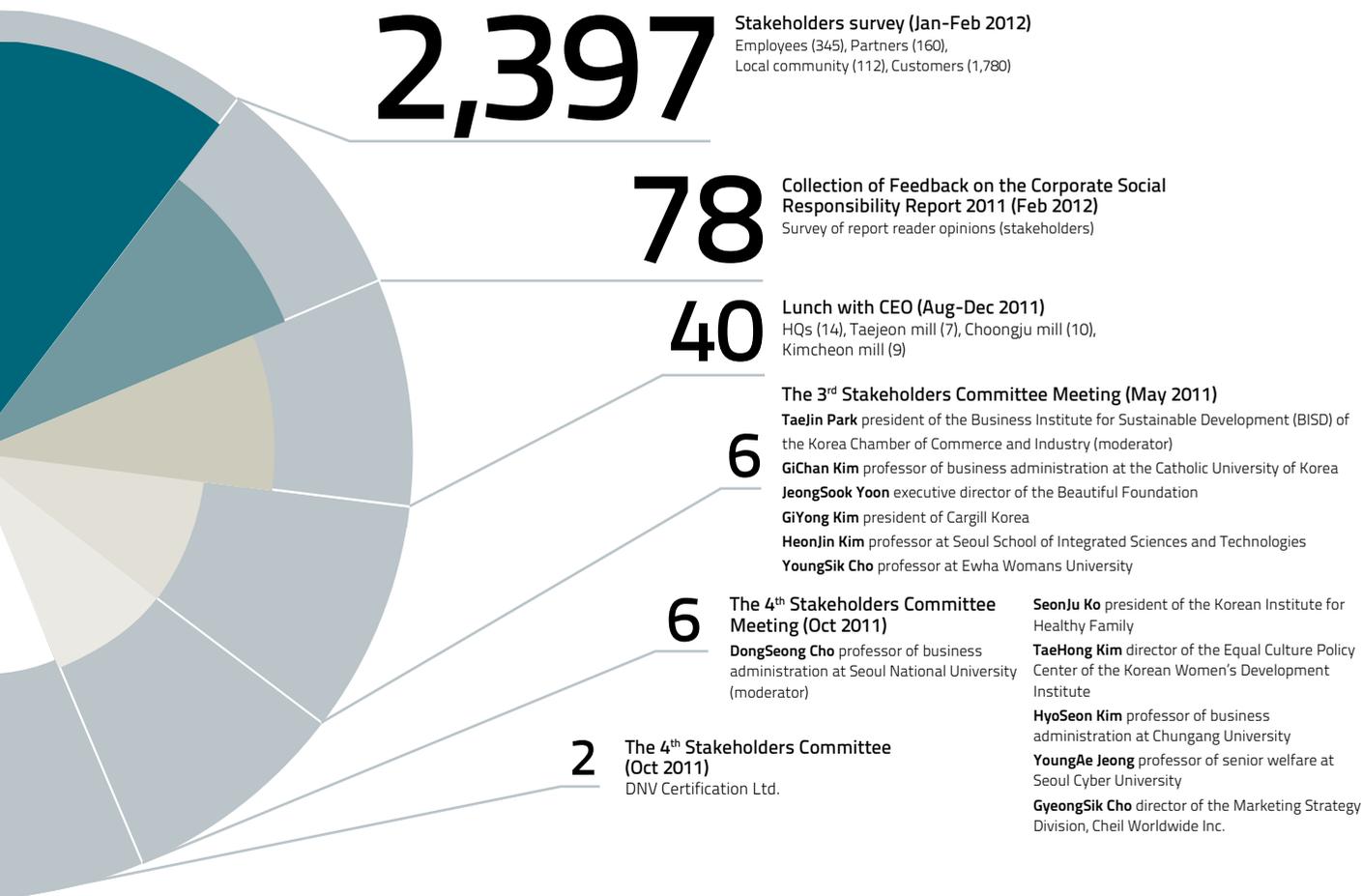
Yuhan-Kimberly has published its annual Sustainability Report since 2006. From 2010, it was renamed as the Corporate Social Responsibility Report, emphasizing the company-wide shift to carrying out sustainability management from the perspective of social responsibility. The Corporate Social Responsibility Report 2012 is also the 7th Communication on Progress (COP) after joining the UN Global Compact.



Communication with Stakeholders

The Yuhan-Kimberly Corporate Social Responsibility Report details how Yuhan-Kimberly communicates with its stakeholders. The stakeholders of Yuhan-Kimberly consist of shareholders, employees, partners, customers and local communities, and the company makes public its performance through its website and annual Corporate Social Responsibility Report. The company has, since 2006, conducted an annual stakeholder survey with its employees, partners, local communities and customers; furthermore, it continues to utilize the results of the surveys accumulated over the past 7 years. In addition, prior to publishing the report, the company conducts external assurance on the content of the report and, in the wake of publication, receives feedback on the report. Since 2010, the company has held a stakeholder committee meeting with experts in each area of the companies' operations in order to incorporate the various opinions of stakeholders on sustainability management, and, since 2011, this meeting has been held twice yearly. The viewpoints of stakeholders collected through such efforts are becoming the nutritive elements that feed Yuhan-Kimberly's sustainability management growth and evolution.

COLLECTION OF THE OPINIONS OF STAKEHOLDERS REGARDING SUSTAINABILITY MANAGEMENT (Jan-Feb 2011, Unit: persons)



The Details on the Stakeholders Committee Meeting

	The 3 rd Stakeholders Committee Meeting (May 2011)	The 4 th Stakeholders Committee Meeting (Oct 2011)
Topic	Proposal for advancement of corporate responsibility and contribution – focused on the 'Keep Korea Green' campaign	Advancement of corporate responsibility and contribution – 'Family-Friendly Management'
Description	<ul style="list-style-type: none"> - Development of KKG* development strategies and the innovation of image - Creation of new business areas through KKG activities - Dissemination of sustainable life styles across society 	<ul style="list-style-type: none"> - Dissemination of family-friendly management across all levels of society - Development and distribution of senior care products - Establishment of family-friendly HR system - Establishment of programs that support life diversity
Feedback and Implementation	Organization and activities of Social Responsibility Committee Preparation for mid- and long-term KKG evolution plan Internalization of values – Reinforcement of employee voluntary service activities	Announcement of best practice cases and expansion of visits for benchmarking Plan for launching senior products in the second half of 2012 Flexible workplace

* KKG is the acronym of Keep Korea Green.



The First Year for Strengthening the Basis for Sustainable Development

Find the Source of Competitiveness from Challenge and Creativity

In 2010, Yuhan-Kimberly set out its new vision for sustainability management and, in 2011, we took the first steps to implement this vision. 2012 will be the year when the company will embody our Vision 2020 through continued innovation and through striving to better implement our three core values: **'Challenge and Creativity', 'Trust and Care' and 'Accountability and Contribution'.**

Despite the challenging global economic environment, Yuhan-Kimberly is gradually restoring its growth trend; indeed, it has since recorded sales growth of approximately 4% from a year earlier. For the first time in its history, we have exceeded 1 trillion won in the accumulated business performance for domestic household items only. Now the company as a whole is accelerating its overall growth. In 2012, Yuhan-Kimberly plans to embody the financial goals and strategies established through Vision 2020, and strive for growth in business areas showing new growth, including senior care, skin care and infant care.

2011 was a year when the company made important achievements in terms of innovation and creation. It completed the establishment of the pivotal production base for women's products by constructing the Choongju mill in March 2011, and also, in October, installed the company's first Innovation Center, which will become a center of company-wide product development. In addition, by establishing a creative and resilient Smart Office that suits lifestyles in the era of smart work, we're seeking to make a difference in terms of our organizational culture, specifically through family-friendly management.

To become a more creative and innovative company in terms of organization and culture, it's necessary to have in place an institutional basis which will support goal attainment. Accordingly, we've introduced the horizontal appellation system using "Nim" (=Dear XXX) so that employees can advance creative ideas and opinions freely, a measure which has also opened up communications.

We continue to emphasize ethics and safety in terms of our management in 2012. The company as a whole is conducting education to reinforce the importance of compliance management, transparent management and ethical management, and at the same time we have prioritized above all else the attainment of 'zero accidents,' something we are going all out to achieve.

When declaring Vision 2020, Yuhan-Kimberly emphasized that it would reinforce the fulfillment of its social responsibilities mainly around the two axes: "Keep Korea Green" and "Family-Friendly Management". We've since launched an exclusive Family-friendly management team and extended the family-friendliness certification period; at the same time, we've sought to collect feedback through the Stakeholders Committee, which is made up of experts from various areas. In 2012, the company will establish a more sustainable environment by implementing its core values through social responsibility and contribution activities with its employees and their families.

Yuhan-Kimberly strives to implement environmental management, taking a particularly active response with regards to climate change. In 2011, the company set up its standards for GHG emissions and energy usage, and in 2012, it launched a reduction program in earnest. We are committed to realizing low carbon emissions throughout the entire range of our business processes, for example, by striving to reduce GHG emissions in logistics and also by continuing to implement 'green partnership' with our partners. In addition, by actively taking advantage of the Smart Work Centers established in Gunpo and Jukjeon, we will continue to vitalize our green campaign while saving the commuting time of our employees and inducing a reduction in carbon emissions through the shortening of traveling distances.

최규복

August 2012
KyooBok Choe

President & CEO of Yuhan-Kimberly

Vision and Core Values

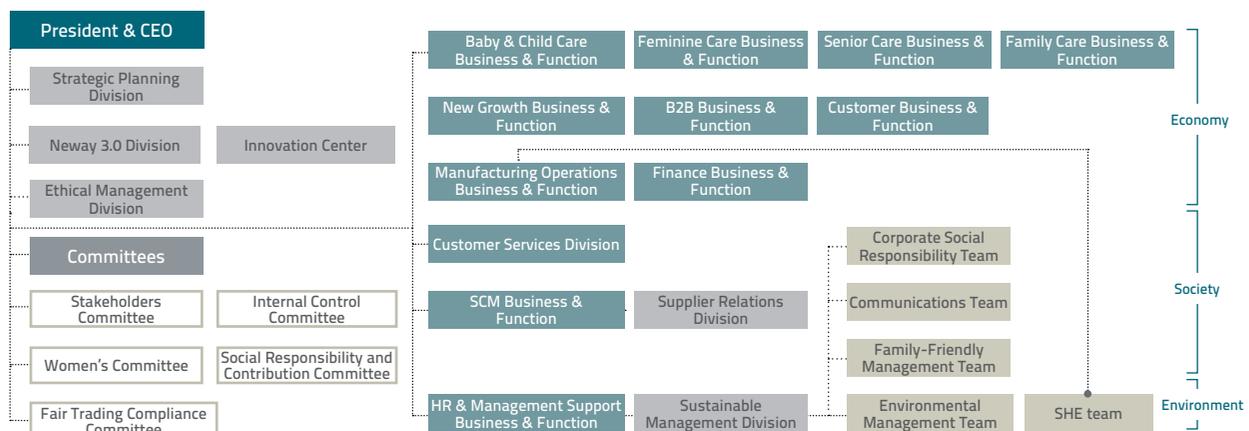
MAJOR CHANGES IN THE FIRST HALF OF 2011-2012 AFTER THE ESTABLISHMENT OF VISION 2020

Classification	Before	After	Description	
Vision sharing and strategy implementation	Strategic tasks	-	68 tasks	48 project implementation plans completed
	Senior supplies	-	TFT	Due to release senior supplies products in the second half of 2012
	Establishment of video conference system	-	5 times	Established the video conference system at the HQs and Gunpo, Taejeon, Choongju and Kimcheon mills in February 2011
	Development of global leaders	-	Vitalized overseas posting	11 employees (as of Jan. 1, 2012) sent to overseas Kimberly-Clark establishments and Global Innovation Center (Jukjeon)
Improvement of work efficiency	Improvement of internal control	-	45 cases	Minimized approval procedure and reinforced autonomous management, empowered management and responsibility management in March 2011.
	Job posting and bidding	-	24 persons	Total 8 times. 24 participants
	Pilot operation of telecommuting	-	5 persons	Introduced in 2011. The pilot program launched on January 1, 2012.
	Operation of Smart Work Center	-	2 centers	Opened the remote working center in Gunpo and Jukjeon on November 1, 2011.
Expansion of communication and horizontal system	Introduction of intra-SNS	Intra messenger	Yammer	Introduced in January 2011. Reinforced real-time communication through Smartphones and PC.
	Family Love Day	Once a month Nonscheduled.	Every Wednesday Every day	The event expanded on May 1, 2011. Induced leaving work on time by turning off lights. From December 15, 2011, lights are turned off at 19:30 in four out of the five floors of the HQ building.
	Horizontal in-house appellation system	Korean style appellation/position	A uniform in-house appellation	From January 1, 2011. A uniform appellation of 'Nim' (=Dear XXX) introduced on January 1, 2011.
Increase in welfare benefits and education	Flexible attire system	Friday	Every day	Introduced the flexible attire system to create flexible working environment on May 1, 2011.
	Reinforcement of personal capability	-	30	Provided training for leadership, job and creativity through training support system in January 2011.
	Education of core values	-	14 times	In June 2011. Around 600 participants. HQ 7 times. Mills 7 times

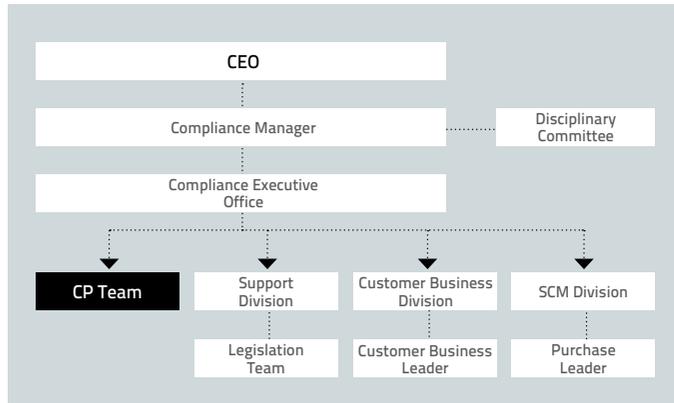
Sustainable Organization and Business

Yuhan-Kimberly operates its Sustainable Management Division, which is an organization exclusively for sustainability management. The Sustainable Management Division consists of Corporate Social Responsibility Team, Family-Friendly Management Team, Communications Team and Environmental Management Team, a reflection of Yuhan-Kimberly's commitment to sustainability management. Business organizations include Baby & Child Care Business & Function, Feminine Care Business & Function, Senior Care Business & Function, Family Care Business & Function and B2B Business & Function. Other organizations include Customer Business & Function, Manufacturing Operations Business & Function, SCM Business & Function, HR & Management Support Business & Function and Finance Business & Function. In addition, new organizations, such as New Growth Business & Function, Unilever Division and Health Care Customer Development Division, are also preparing for the future.

SUSTAINABILITY ORGANIZATION (As of July 2012)



Reinforcement of Compliance Program



Fair Trading Compliance Organization and Training Vitalization in 2012

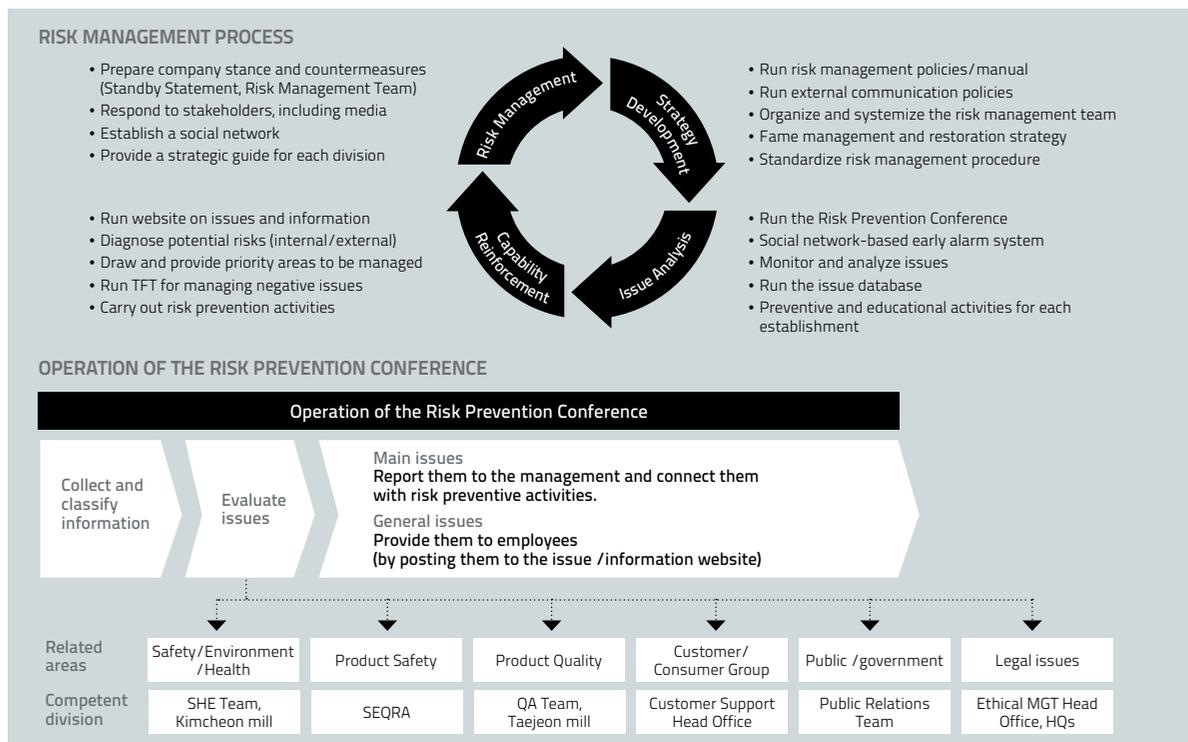
Yuhan-Kimberly's competitiveness is rooted in fair trade. The company is preparing for the introduction of a Compliance Program (CP) and, for this, in 2011, it established the Fair Trading Compliance Committee, which is directly under the CEO; furthermore, it has appointed a Compliance Manager, and established CP operation regulations. The company received consultation from the Fair Competition Federation with regard to the voluntary compliance of fair trading (Feb-Aug 2011) and revised its Compliance

Handbook. The company also carried out external training on fair trading with the employees in charge of fair trading compliance (a total of 7 times, featuring 22 participants, including staff from the Supplier Relations and Procurement Division); it has also carried out group training on the types and standards of unfair trading practices, which executives and employees have attended 13 times (a total of 290 participants). In 2011, the company upheld the Fair Trade Act.

Ethical Management Support Organization

Yuhan-Kimberly runs the Internal Control Team, which is a team exclusively tasked with internal control, and the Internal Control Committee (CEO, internal accounting manager and division heads), Practical Committee (internal control coordinator of each division). In 2011, the employees of Yuhan-Kimberly received sexual harassment prevention education, which is a legal obligation, through online course provision.

Installation of Risk Prevention Conference



The History of Sustainability Support Activities

January

- Horizontal in-house appellation system
- Launched e-tax invoice system in earnest in 2011
- Kimcheon mill acquired OHSAS 18001



- Selected as the Nation's Most Trusted Company
- Selected the Best Company Nationally for Safety in Everyday Life

February

- Commenced intra social network Yammer service
- Taejeon mill held the ceremony for the Industrial Disaster Prevention Guide Agreement
- Each establishment started to run a video conference room
- Held the 1st Family-friendly Management workshop



- Selected as the Korea's Most Admired Company for 8 consecutive years

March

- Taejeon mill opened a workplace day-care center
- Held the ceremony for the completion of Choongju Plant
- Participated in CEO pledge of BEST Forum



- Received a citation for exemplary tax payments
- Won the 19th Good Advertisement Chosen by Consumers Award (KKG print advertisement)

April

- Planting with newlyweds
- Planting with employees of Choongju mill
- Held a presentation on the first-half management state (HQ)
- Held the first-half labor-management conference
- Started a language program delivered by native speakers

May

- Commenced flexible attire and flexible lunch time system
- Held the 3rd Stakeholders Committee
- Leadership training for team heads
- Installed Strategic Planning/Sustainable Management/Online Business/newway3.0 head offices



- Won the 2011 CSR Korea Award

June

- Core-value workshop for employees
- Life-love newlyweds school
- First-half of the year pregnancy meeting



- Won the 2011 Social Contribution Grand Prix for Sharing Happiness
- Selected as the Korea's Great Work Place for 3 consecutive years
- Ranked 3rd for in terms of the Most Desirable Foreign Company to Join

July

- Workshop for enhancing diversity and inclusion capability
- Started 'Lunch with the CEO' program
- Conducted employee career development program (CDP)
- Forest summer school and green camp



- Won the 8th Seoul Woman Prize
- Selected as the Company with Best Vacation Culture

August

- Opened Smart Office at HQ
- Taejeon mill's new start of its felt production line
- Published the Corporate Social Responsibility Report 2011
- Strategy proposals for Vision 2020 rated as excellent

September

- Launched Yuhan-Kimberly Women's Committee
- Taejeon mill attained the monthly waste of 1.58% for its diaper production line

October

- Opened Yuhan-Kimberly Innovation Center
- Opened Yuhan-Kimberly Smart Work Center (Gunpo & Jukjeon)
- Held the 4th Stakeholders Committee
- The Corporate Social Responsibility Report was selected the best report by KSI and KRCA
- Won the Sustainability Report Award at the Global Standard Management Awards
- The Professional Marketing Team won the Green Toilet Culture Appreciation Plaque

December

- Held the second-half labor-management conference
- Held a presentation on the second-half management state (HQ)
- Held an executive workshop and training on compliance and the code of ethics
- Conducted risk management training
- Held a Vision and People Committee



- Acquired SM AAA in KoBEX by the Institute for Industrial Policy Studies

November

- The Product Development Team held a poster session event
- Held a presentation on the second half management state (Kimcheon, Taejeon and Choongju)



- Won a presidential citation for Consumer Day
- Ranked 4th in the Most Reputable Companies Nationwide

1

AGENDA FOUR AGENDA POINTS OF SOCIAL RESPONSIBILITY MANAGEMENT

How is the creation of new business going?

Creating values through senior care business in the elderly society

Developing senior care business

To create common core values in terms of strategies that see mutually beneficial results for both internal and external company stakeholders, specifically small- and mid-sized enterprises (SMEs), in the field of senior care and the solution of the aging society, Yuhan-Kimberly plans to accredit the technologies of those partner SMEs which cannot run their own channel management or marketing and, furthermore, conduct the guaranteed sales of such technologies. Through this, it will provide the products of SMEs which Yuhan-Kimberly can verify and guarantee so that active seniors* can better manage the aging process. Indeed, this SME-support strategy is integrated within its plan to classify the values derived from the health and household products it sells, which are the key interest of its senior customers, into the following categories: 'Comfortable Suggestion', 'Healthy Suggestion', 'Clean Suggestion' and 'Beautiful Suggestion.' Given the scale of the challenge and the determination to achieve the set goals, there has been a Senior Supplier Task Force Team set up, which was launched in September 2011. It is designed to support the achievement of the objectives in the senior care business & function set forth in Vision 2020 and consists of the following functions: planning, marketing, distribution, product sourcing and product development.

For Seniors; Support for the companies and individuals with difficulties in their senior product development and market cultivation

Yuhan-Kimberly openly selected its partners for active senior products through an open sourcing site in January 2012. There were a total of 12 categories (health, safety and hygiene-related product categories) and a total of 50 companies were selected as partners of Yuhan-Kimberly. The company plans to cooperate with these business partners through discussions in the future. This program aims to identify good companies (especially, socially-minded companies) and individuals which have a challenging time in their product development or market cultivation, and thus develop the senior product industry together.

SENIOR CARE BUSINESS

Senior product CSV model

Provide the products and services for a better life of the entire generations from infants to senior citizens

Accountability & Contribution	Senior household products	Platform
<ul style="list-style-type: none"> The company that pursues shared growth with SMEs Social contribution activities through creating senior employment 	<ul style="list-style-type: none"> The household product company for seniors and the consumers who seek better convenience 	<ul style="list-style-type: none"> Provide a single online/offline space where you can purchase any kind of senior products and convenient household products

Senior product CSV mission

Not only share values but also create values

This is the belief toward a better society Yuhan-Kimberly promises to you.

<ul style="list-style-type: none"> Accountability & contribution Create opportunities for SMEs to grow through marketing sales platform Trust & care Provide more convenient products for senior citizens Challenge & creativity Creative challenge to solve the problem of SMEs and the aging society

For Seniors; Release of new senior care products in earnest through domestic equipment investment

In preparation for the continued growth of the senior underpants market, likely given that the senior population is growing, Yuhan-Kimberly has decided to invest in production facilities for senior urinary incontinence underpants, and plans to run the line from August 2012. The company expects that the production of urinary incontinence underpants, which are to replace existing imported ones, will contribute to an increase in overall sales as well as the enhancement of consumer convenience and the environment.

For Kids; Expansion of skin care product families and targets, including certified organic products

Yuhan-Kimberly's skin care business released certified organic skin care products in January 2012, and plans to expand its sales channels by developing online customers and baby shops. The company also widened its target market by releasing the Green Finger My Kids Boy (Lotion and bath) in July 2011, which is a skin care product targeted at boys.



* Creating Shared Value (CSV) refers to a series of corporate policies and management activities to reinforce business core competitiveness while improving economic and social conditions.

Tip Active seniors? Active seniors are senior people who like to enjoy healthy activities and hobbies and have free time to spend, as they have retired from their work while their children now live independent of them. They are those who pursue self-realization in their new period of life.

2

AGENDA FOUR AGENDA POINTS OF SOCIAL RESPONSIBILITY MANAGEMENT

How is the company responding to climate change?

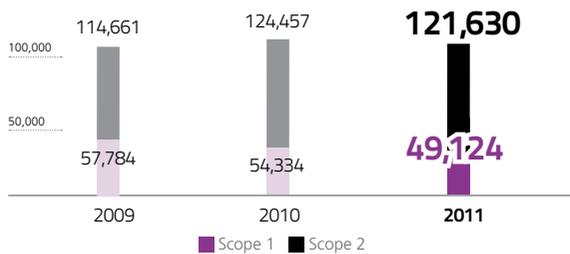
Active participation in a pilot project for carbon emissions trading

Yuhan-Kimberly is undertaking various activities, such as the improvement of the production process, the project for early reduction of GHG, the pilot project for emissions trading, and the Management by Objectives (MBO) for logistics energy, which are designed to help it meet the low carbon vision of achieving a 30% reduction in GHG below BAU* in 2020 and a 30% increase in the sales of green products. In 2011, the company's president & CEO took part in the climate change leadership training program, and the company is improving the participation and understanding of employees through the implementation of a Green Office and the improvement of its Remote Working System.

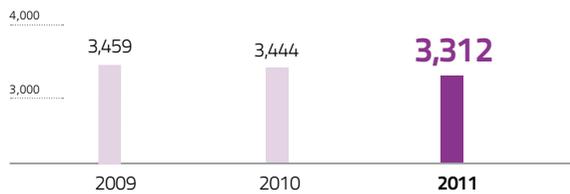
GHG Emissions

The total GHG emission of Yuhan-Kimberly for 2011 is 170,750 tCO₂eq, 4.5% down from a year earlier, and the energy usage of 3,312 TJ, 3.8% down year-on-year. In addition, other indirect GHG emissions derived from transport by direct or consigned logistics center is 7,626 tCO₂eq.

GHG EMISSIONS BY YEAR (2009-2011) (Unit: tCO₂eq)



ENERGY USAGE (2009-2011) (Unit: TJ)



* The energy usage and GHG emission by year was prepared in accordance with the Guideline for GHG/Energy Management by Objectives of the Ministry of Environment and assured by an external assurance institute. For GHG emissions, there is a slight difference between the emissions in Scope 1 and 2 and the total emissions due to trimming to the nearest whole number, and the energy usage and GHG emissions for 2010 were recalculated due to system errors.

GHG Reduction Initiative

Yuhan-Kimberly received from the government a level of allowable GHG and energy emissions at 209,598 tCO₂eq and set a goal of reducing its emissions for 2012 by predicting an expected growth rate of each mill and estimating potential reduction amounts. In 2011, Kimcheon mill, which produces mainly toilet paper, was able to reduce a total of 11,819 tCO₂eq by converting the fuel of boilers and direct-fired burners. In addition, through the project for integrating the raw material manufacturing process and the improvement of the cooling/heating system and processes implemented in the Taejeon and Choongju mills, an annual GHG reduction of approximately 3,700 tCO₂eq and 3,240 tCO₂eq is expected, respectively.

Participation as a leader in the pilot project for CERs exchange

Since May 2011, Yuhan-Kimberly has participated in the Phase 1 pilot project for emissions trading in the industrial development section, supervised by the Ministry of Knowledge Economy. From July of that year, the exchange was conducted with cyber money and the company exchanged a total of 720,000 tCO₂eq, approximately 12% of the entire exchange amount, worth approximately 14 billion KRW. In 2012, the company will join the pilot project and utilize it as an opportunity to get a head-start in learning emissions trading. In the meantime, the Taejeon mill has been engaged in the pilot project for carbon emissions trading (2010-2012), run by the Ministry of Environment, since December 2011.

*BAU : business As usual

3

AGENDA FOUR AGENDA POINTS OF SOCIAL RESPONSIBILITY MANAGEMENT

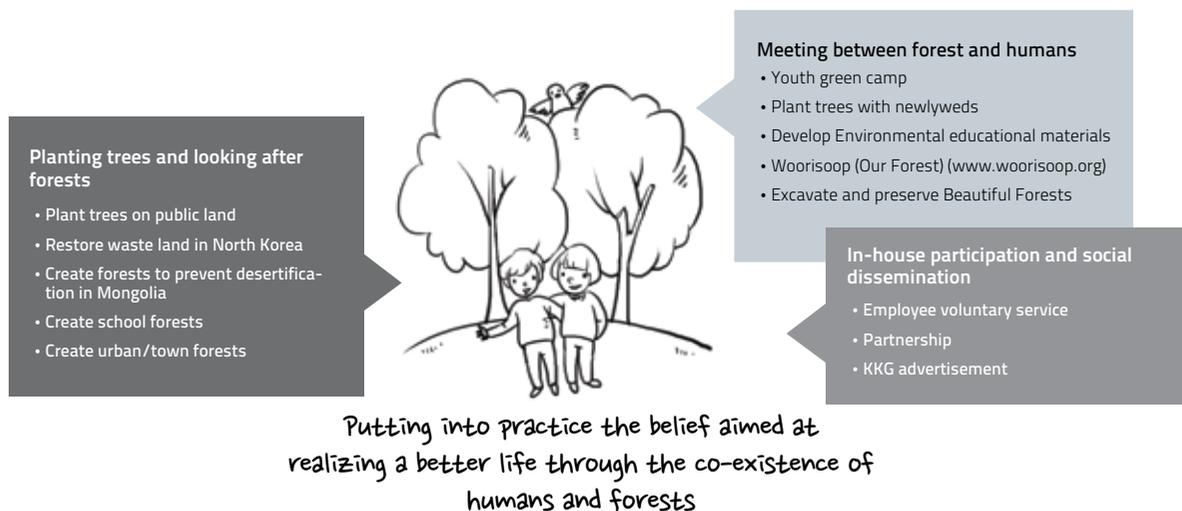
How is the 'Keep Korea Green' campaign evolving?

Gradual efforts to attain the vision of planting 50 million trees

Yuhan-Kimberly launched the 'Keep Korea Green (KKG)' campaign in 1984 and, ever since, has worked to shape it into the nation's leading social responsibility management and environmental management program. As part of the program, the company has spearheaded various activities, from planting and looking after trees on public land to providing environmental education for future generations, conducting cooperative activities across the borders, and creating urban forests, including the school forest campaign.

Yuhan-Kimberly aims to plant and look after 50 million trees, which is the same number as the Korean population, by 2014, which is the 30th anniversary of the campaign. In addition, it is also pursuing the evolution of continuous social responsibility activities to create forests after 2014 where humans, forests and culture co-exist.

MAIN ACTIVITIES UNDER THE 'KEEP KOREA GREEN' CAMPAIGN



FORESTATION AND SILVICULTURE OF KKG (1984~2011)

Classification	1984-1999	2000	2001	2002	2003	2004	2005
Domestic forestation	4,945,305	67,852	137,507	52,785	408,897	315,863	196,676
North Korea forestation	1,997,001	130,000	15,000	197,250	181,348	1,013,057	2,535,788
Mongolia forestation	0	100	500	1,000	300,000	450,000	750,000
Total forestation	6,942,306	197,952	153,007	251,035	890,245	1,778,920	3,482,464
Domestic silviculture	13,266,300	655,800	681,000	462,000	516,000	639,000	0
Total	20,208,606	853,752	834,007	713,035	1,406,245	2,417,920	3,482,464

Classification	2006	2007	2008	2009	2010	2011	Total
Domestic forestation	295,224	185,938	67,246	39,418	165,952	174,302	7,052,965
North Korea forestation	237,706	6,000	6,000	6,548,400	0	0	12,867,550
Mongolia forestation	750,000	750,000	1,050,000	960,000	1,024,000	1,024,000	7,059,600
Total forestation	1,282,930	941,938	1,123,246	7,547,818	1,189,952	1,198,302	26,980,115
Domestic silviculture	0	0	0	0	750,240	761,427	17,731,767
Total	1,282,930	941,938	1,123,246	7,547,818	1,940,192	1,959,729	44,711,882

* From the Corporate Social Responsibility Report 2012, Yuhan-Kimberly divided the forestation of KKG into forestation and silviculture. Domestic forestation includes planting trees on public land, creating urban forests, creating school forests, newlyweds planting trees and employees in general planting trees. North Korea forestation includes creating tree nurseries, and sending seeds and seedlings to Pyeongyang and Gaeseong. Some erroneous figures in columns from past years in the table above have been corrected.

4

AGENDA FOUR AGENDA POINTS OF SOCIAL RESPONSIBILITY MANAGEMENT

How is family-friendly management developing?

Developing family-friendly models for the Smart Work era

Reinforcing family-friendly management to implement 'Accountability & Contribution'

To keep families healthy and growing, Yuhan-Kimberly has run flexible working and lifelong education systems since the 1990s, aware of the core place of the family in all aspects of human lives, including marriage, birth, child care and preparation for retirement. In 2010, when the company established Vision 2020, it reinforced the practice of family-friendly management as one of the two axes for its core value: 'Accountability and Contribution'. In 2011 and 2012, the company also re-established a clearer concept of family-friendly management, thereby improving the quality of family relationships and, based on this, set a strategic course to contribute more to local communities.

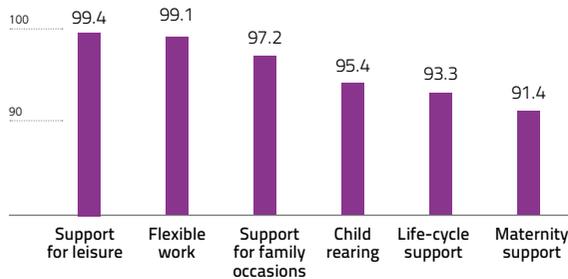
Family-friendly company certification extended to 2013 and the winning of the Prime Minister Award

Yuhan-Kimberly acquired the Best Family-Friendly Certification (Dec. 29, 2008–Dec. 29, 2011) in 2008, the year when the government introduced a system to support the co-existence of work and home. In addition, in 2011, the company was subject to a re-certification review and had its certification extended to December 28, 2013. The company also won the Prime Minister Award in November 2011 for its efforts to create family-friendly social and working environments.

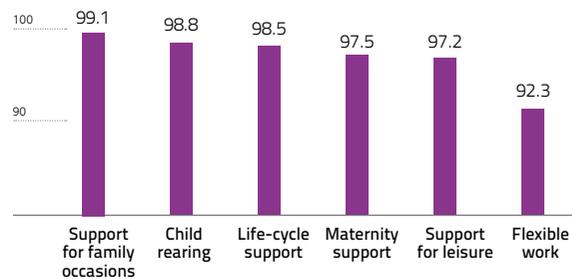
High awareness and readiness of the family-friendly system

The result of a survey on the satisfaction of employees with family-friendliness (326 participants. Oct 7-18, 2011)

I AM AWARE OF FAMILY-FRIENDLY SYSTEMS (%)



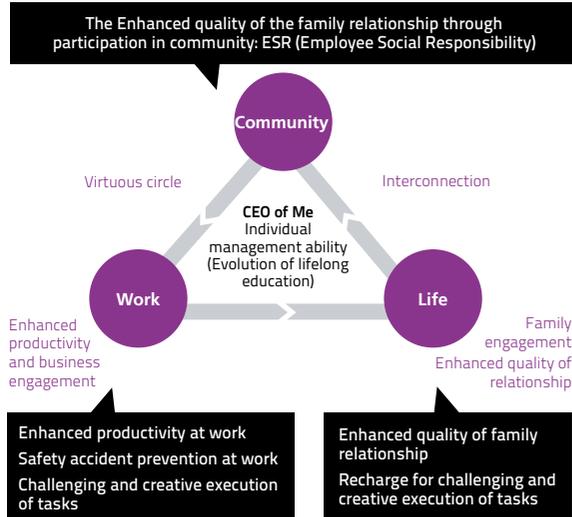
I CAN UTILIZE FAMILY-FRIENDLY SYSTEMS EASILY (%)



System to disseminate family-friendly culture_Flexible attire system, flexible lunch and lights off system

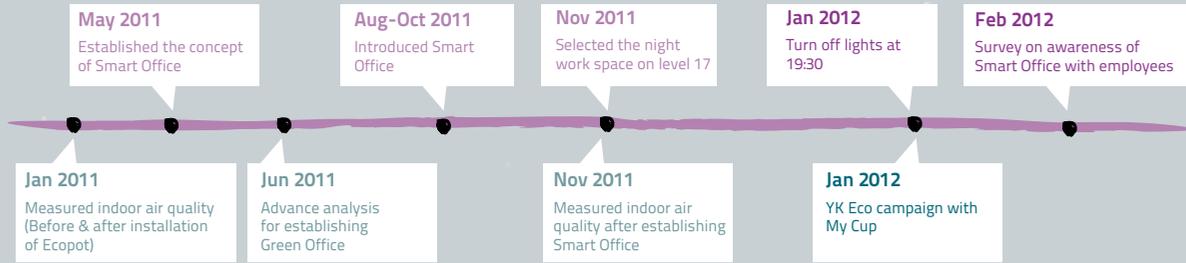
Yuhan-Kimberly launched the flexible attire system (respecting the freedom of employees to choose their clothes) and the flexible lunch time system (previously: 12:00-13:00 -> now: 1 hour between 11:30 -13:30). In addition, in May 2011, the company expanded the previous 'leaving work on time' campaign (once a month) into the weekly Family Love Day to promote family-friendliness. In the meantime, from December, the company turns off all the lights at 19:30 on all levels of the HQ building except for the one level designated for night work, to reduce unnecessary night work and create an efficient work culture, thereby encouraging employees to leave work on time. The company publishes a monthly family newsletter for its employees and their families, and emphasizes the importance of fathers taking care of children through the participation of fathers in household work and baby books.

YUHAN-KIMBERLY FAMILY-FRIENDLY MANAGEMENT CONCEPTS





ESTABLISHING THE CULTURE OF CHALLENGE AND CREATIVITY THROUGH THE YUHAN-KIMBERLY SMART OFFICE INTRODUCTION AND SMART OFFICE IMPROVEMENTS

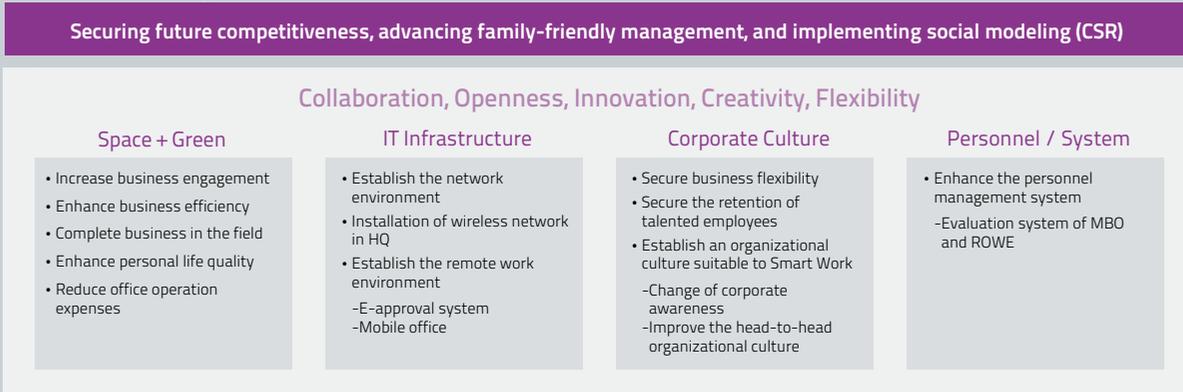


Establishing a smart environment with reinforced flexibility, communication and IT-based collaboration

In line with its core values, Yuhan-Kimberly introduced in 2011 Smart Work with regards to four aspects: space, IT, its corporate culture and personnel system. In the first stage, in the second half of 2011, the company established the Smart Office in the working environment of the HQ and opened Smart Work Centers in Gunpo and Jukjeon. With the establishment of the Smart Office in the HQ, employee engagement and ef-

iciency rose dramatically, while communication and collaboration between divisions was enhanced relative to the previous head-to-head type of organizational culture. The Smart Work Centers in Gunpo and Jukjeon have reduced the commuting time of employees, thereby reducing carbon emissions, and have also enabled them to have a better quality of life and a secure leisure life with their families as well as have time for self-development.

BASIC DESIGN FOR THE INTRODUCTION OF SMART WORK

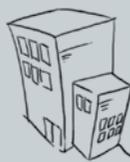


Realization of core values: 'Challenge and Creativity', 'Trust and Care' and 'Accountability and Contribution'

Establishing Smart Office and Green Office

In June 2011, Yuhan-Kimberly designed space around the concept of the green office when it established Smart Office in its HQ.

IMPROVEMENTS AFTER THE INTRODUCTION OF SMART WORK



- Optimized office space
- Reduced use of personal cooling/heating equipment
- Use of green cups on level 5
- Control over use of paper
- Optimized photocopiers and fax machines



- Visit of companies and institutes for best practice benchmarking
- Selected the excellent company with Smart Work
- Won the President of National Information Society Agency Award
- Won the President of Chosun Economy Award for Smart Work Best Practice 2011

Economic · Social · Environmental Performance Report Disclosure on Management Approach

ACHIEVEMENTS AND GOAL (Based on the color of evaluation ■ Higher than the evaluation standard □ Standard met □ More effort required)

Category	Year	2011		2012
		Achievements	Evaluation	Goal
Financial Performance	Sales (KRW 100 Mil.)	• 1,304.1 billion KRW	■	• 1,401.8 billion KRW
	Net Profit Margin (%)	• 8.58%	■	• 8.99%
Economy	Growth of domestic market	• Revitalized existing business Growth by 4% from a year earlier	□	• Revitalize existing business Growth by 7% from a year earlier
		• Vitalized new growth business - Growth by 46% from a year earlier (including new business)	□	• Growth of new growth business - Growth by 20% from a year earlier (including new business)
		• New business - Released child clothes products - Unilever sales exceeded 47 billion KRW - Double Heart grew 9% year-on-year	□	• Expansion of new business - Expansion of senior pants, wet tissues, reusable kitchen towel and hospital supplies business
	Expansion of export	• Cost and expense reduction 31.6 billion KRW	□	• Continue efforts to reduce costs and expenses
		• Ratio of export to the entire sales 18% - Export operating profit rose by around 2 billion KRW	■	• Ratio of export to the entire sales over 20%
Attraction and execution of investment	• Innovation for growth of export	□	• Export goal 240 billion KRW • Diversify export items: senior pants, wet tissue fabric	
	• Attracted investment: Total 71.8 billion KRW - Invited investment in Senior Care Pants line	□	• Continuous attraction of investment total 32.8 billion KRW - Complete the installation of senior pants line and start the operation - Expand children wet tissue line - Permit for the construction of automated warehouse at Taejeon mill	
Employees	Talent	• 1,357 participants in training • Win-win academy: 256 participants from 50 companies	□	• Expansion of education participation
	Lifelong learning	• Provision of Smartphones and netbooks	□	• Accident rate 0%
	Safety first	• Accident rate 0.06%	□	
	Family-friendly	• Installed Family-friendly Management Team • Organized and held Family-friendly Management Conference • Acquired the extension of Family-friendly company certification	□	• Clarify the concept of Family-friendly Management • Install a male care program • Conduct a survey on family engagement
Society	Win-win training	• Established Smart Office and Smart Work Center	■	• Vitalize Smart Work (improvement of meeting culture, etc.)
	Partners	• Win-win academy 1,960M/H	□	• Upgrade systems and reinforce training
		Creation of safe mills	• Consolidated inspection of safe environments for 32 companies (Attained important/safety/zero accident) • AEO certification evaluation: 27 companies	New
Customers	Product safety	• Reinforced product safety	□	• Reinforce product safety
	Customer complaints	• Expanded customer communication channel (Introduction of real-time chat consulting and texting consulting, Consignment of consulting service) - Consumer complaints dropped 25% from a year earlier - Introduced and ran Consumer-Centered Management (CCM)	■	• Expand customer communication channel - Develop mobile customer center application. - Introduce the channel to collect VOC at operating fields
		• Won presidential citation on Consumer Day	■	• Reduce consumer complaints year-on-year

ACHIEVEMENTS AND GOAL (Based on the color of evaluation ■ Higher than the evaluation standard □ Standard met □ More effort required)

Category	Year	2011		2012		
		Achievements	Evaluation	Goal		
Society	Community	Activities for forest and environment protection	<ul style="list-style-type: none"> Continued Keep Korea Green campaign Planted and cared 1,981,295 trees (Cumulative 44,7121,000 trees from 1984 to 2011) 	■	<ul style="list-style-type: none"> Continue Keep Korea Green campaign (1984-2012, cumulative 46,712,000 trees so far. Aim at 50,000,000 trees by 2014) 	
			<ul style="list-style-type: none"> Created school forests at 10 schools 	■	<ul style="list-style-type: none"> Introduce a new method for signing MOU with forest/ environmental organizations Install the Social Responsibility Committee <ul style="list-style-type: none"> Commence the planting program at three establishments to reinforce employee voluntary service Hold forestation event commemorating the 10th anniversary of the forestation program to prevent desertification of Mongolia 	
			<ul style="list-style-type: none"> Created town forests (5 towns, 10,016 trees) 	■		
			<ul style="list-style-type: none"> Held Green Camp for female high school students (176 participants from 170 schools) 	■		
			<ul style="list-style-type: none"> Beautiful Forest (14 places) 	■		
<ul style="list-style-type: none"> Held tree planting event with newly-weds (8,000 trees, 800 participants) 	■					
Society	Community	External activities for family friendliness	<ul style="list-style-type: none"> Completed the 3-year care model program in association with MEERAE Forum Ran the future female leadership scholarship program (total 69 people) Held communication school twice for newlyweds (total 132 people) 	■	<ul style="list-style-type: none"> Run the future female leadership scholarship program. Relocate the host venue for the short-term course. Hold communication school for newlyweds twice. Install communication school for future senior married couples 	
			Lifelong learning	<ul style="list-style-type: none"> Taejeon mill benchmarking 	■	<ul style="list-style-type: none"> Disseminate the sharing of lifelong education
				Mecenat	<ul style="list-style-type: none"> Held literature classes for citizens (20 times) Ran the future female leadership scholarship program (total 69 people) Held communication school twice for newlyweds (total 132 people) 	■
Environment	Company-wide activities		<ul style="list-style-type: none"> Consistently performed low-carbon vision and road map <ul style="list-style-type: none"> CO₂ emission per product ton decreased 4.3% from a year earlier 	■	<ul style="list-style-type: none"> Respond to climate change <ul style="list-style-type: none"> Reduce GHG emissions Reduce 30% below BAU by 2020 (mid to long-term plan) Join the pilot project of CERs exchange (Ministry of Knowledge Economy) Expand green card products 	
			<ul style="list-style-type: none"> Reduction of secondary packaging material <ul style="list-style-type: none"> Ratio of green mileage over the entire sales amount 13.8% 	■	<ul style="list-style-type: none"> Proactively respond to environmental regulations related to products <ul style="list-style-type: none"> Waste charges and cosmetics packaging method, etc. Attain Green in environment section, EHS system screening* 	
	Efforts to curb climate change		<ul style="list-style-type: none"> Introduced the supply chain carbon footprint system 	□	<ul style="list-style-type: none"> Disseminate the supply chain carbon footprint system 	
			<ul style="list-style-type: none"> Established GHG and energy goal <ul style="list-style-type: none"> Early reduction of GHG through fuel conversion project of Kimcheon mill (Reduced amount 11,819 tCO₂eq) 	■	<ul style="list-style-type: none"> Attain the goal for GHG and energy 	
Efforts to curb climate change		<ul style="list-style-type: none"> Introduced the incentives for greenhouse gas reduction 	□	<ul style="list-style-type: none"> Prepare for the introduction of CERs exchange system 		
		<ul style="list-style-type: none"> Maintained and disseminated eco-labeling certification <ul style="list-style-type: none"> The nation's first carbon labeling certification for diaper products (Huggies Nature-Made) 	■	<ul style="list-style-type: none"> Expand eco labeling certification 		

*EHS: Enviroment, Hygiene, and Safety

Management Index by Numbers

BALANCE SHEETS AND INCOME STATEMENTS (Unit: 100 million KRW)

	Category	2006	2007	2008	2009	2010	2011
Balance Sheet	Current Assets	4,831	4,984	4,793	4,965	4,337	4,805
	Non-current Assets	2,958	3,086	3,507	3,613	3,933	4,210
	Total Assets	7,789	8,070	8,300	8,579	8,270	9,015
	Current Liabilities	1,135	1,144	1,357	1,561	1,776	2,052
	Non-current Liabilities	251	168	132	166	0.49	151
	Total Liabilities	1,386	1,312	1,489	1,727	1,777	2,203
	Capital	2,000	2,000	2,000	2,000	2,000	2,000
	Capital Surplus	625	625	625	625	625	625
	Retained Earnings	3,778	4,133	4,186	4,227	3,868	4,187
	Total Stockholders' Equity	6,403	6,758	6,811	6,852	6,494	6,812
Income Statement	Total Liabilities & Stockholders' Equity	7,789	8,070	8,300	8,579	8,270	9,015
	Net Sales	8,340	9,050	10,221	11,341	12,094	13,041
	Cost of Goods Sold	5,272	5,612	6,350	7,102	7,839	8,713
	Gross Profit	3,068	3,438	3,871	4,238	4,255	4,328
	Selling and G/A Expenses	1,996	2,134	2,397	2,552	2,760	2,975
	Operating Profit	1,072	1,304	1,474	1,686	1,495	1,353
	Non- Operating Profit	245	209	442	457	307	238
	Non- Operating Charges	67	64	304	211	490	163
	Income Before Income Taxes	1,250	1,449	1,612	1,932	1,312	1,427
	Income Tax Provision	344	394	459	442	370	309
Net Income	906	1,055	1,153	1,491	942	1,119	

ECONOMIC VALUE DISTRIBUTED (Unit: 100 million KRW)

Stakeholders	Category	2006	2007	2008	2009	2010	2011
Shareholders	Dividends	504	700	1,100	1,450	1,300	800
Employees	Salary & benefits	1,393	1,491	1,616	1,710	1,649	1,900
Business Partners	Raw material costs	5,586	5,921	6,943	7,490	8,560	9,160
Community	Government	390	443	514	557	522	479
	Communities	57	57	57	58	59	71
Others	Other costs (Rent, depreciation expenses, etc)	137	257	132	188	488	412
Retained Earning	Charges in Retained Earnings	404	355	53	41	42	319
Gross Profit (Sales + Interest Income, etc.)		8,471	9,225	10,416	11,494	12,223	13,141

* In the preceding report, the shareholders' dividends for 2010 were estimated based on the time when the dividends were determined, but were re-estimated based on the time when they were actually paid, and thereby the data was corrected in this report.

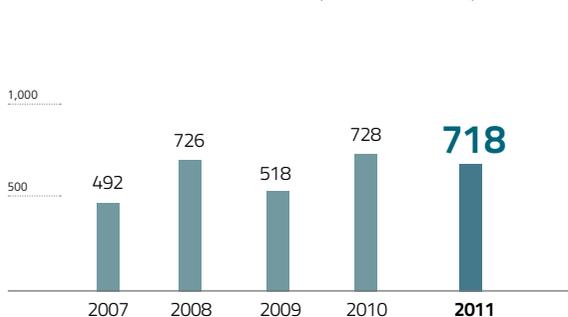
State of continuing investment for future

The investment by Yuhan-Kimberly in 2011 amounts to a total of 71.8 billion KRW. In 2011, the company expanded investment in the extension of the diaper production line and the improvement of female product facilities to reinforce existing business areas.

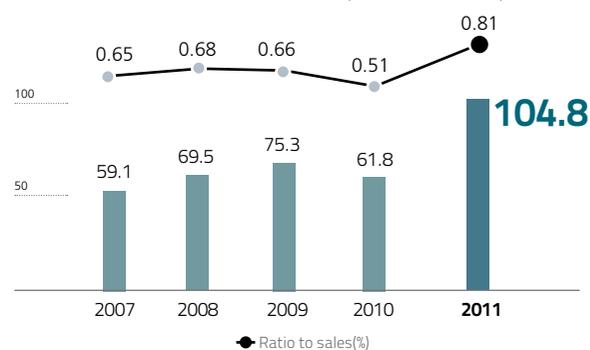
Investment in R&D

For the R&D investment of Yuhan-Kimberly in 2011, as the R&D staff that had been allocated to each mill were consolidated into Innovation Center (Jukjeon) to reinforce efficient management and collaboration, 23.2% of the entire 10.5 billion KRW was used for market research.

PRESENT OF FACILITY INVESTMENT (Unit: 100 million KRW)



PRESENT STATE OF R&D INVESTMENT (Unit: 100 million KRW)



Innovation Management & Creativity Management

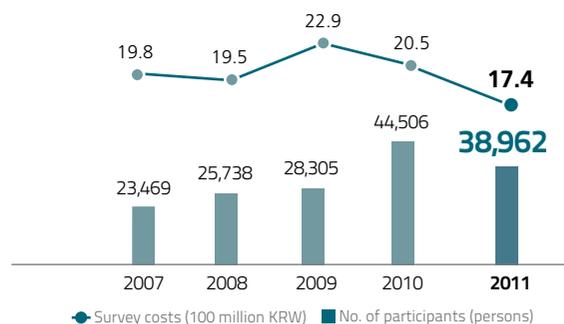
Yuhan-Kimberly opens its first Innovation Center, the heart of its future production innovation

Yuhan-Kimberly opened its first Innovation Center in Jukjeon, Gyeonggi Province, in November 2011. The Innovation Center is expected to become the key basis for developing innovative products and expanding new business. In addition, the company plans to expand research personnel by 44% by 2015. Now the open innovation will be accelerated along with the Innovation Center Asia of Kimberly-Clark in Korea and the Global Innovation Center.

115 Customer surveys for product innovation

Yuhan-Kimberly carried out a total of 115 surveys in 2011 to reflect customer needs and suggestions to the development of products. The 64% of the surveys were about existing business and the interest level for new business also recorded 32%. The company utilizes its customer feedback in product development.

PARTICIPANTS AND COSTS OF CUSTOMER SURVEYS



Cost reduction innovative activities – Reduction of 31.6 billion KRW a year

Yuhan-Kimberly has secured its price competitiveness through innovative activities, such as the optimization of R&D, products and processes, and has so far saved approximately 31.6 billion KRW through FORCE, a cost reduction program. Its Kimcheon mill reduced costs by 3.34 billion KRW by increasing the productivity of its toilet paper production processes, and has economized some 870 million KRW by developing high quality fabric for toilet paper at low prices. Gunpo and Choongju mills have reduced costs by 6.83 billion KRW by successfully relocating machines and producing products, thereby reducing start-up costs, and also by reducing the waste resulting from poor materials or production processes from 5.9% to 5.4%. Taejeon mill attained a 125% reduction over its goal by reducing costs by approximately 10.3 billion KRW as it reduced waste in the diaper production line and changed materials in the pants production line.

Increase of overall equipment effectiveness (OEE) by 4%

The Yuhan-Kimberly Taejeon mill has sought to establish a continuous improvement culture through a company-wide operating system, incorporating tools and process innovation, particularly by introducing the lean production method. The OEE of the mill for 2011 recorded 88%, 4% up from a year earlier.

Taejeon mill attains monthly waste of 1.58% in the diaper production line

In November 2011, Taejeon mill recorded the lowest monthly waste ratio since diaper production began, at 1.58%. Waste refers to those products which fail to meet quality standards in the process of production and are thus discarded. If the waste is reduced, the waste ratio that occurs in the process will be reduced and, as a result, the ratio of finished good products output to input will increase.

Online market continues to perform well

In the Yuhan-Kimberly Huggies Mall, customers can obtain and compare product information more easily than at offline shops, and can also deposit mileage and receive discount benefits when paying with credit card. By utilizing the Huggies Mall as a space to understand customer expectations and communicate with them, the company expects a sales increase from the acceleration of the growth of online channels through the expansion of product families.

Shareholders & Corporate Governance

Characteristics of Corporate Governance

Yuhan-Kimberly is a joint company owned by Yuhan Corporation (which owns 30% of the company) and Kimberly-Clark Trading LLC (which owns 70% of the company). As of the end of 2011, the total number of shares is 40 million, entailing capital of 200 billion KRW.

Organization and Payment of the Board of Directors

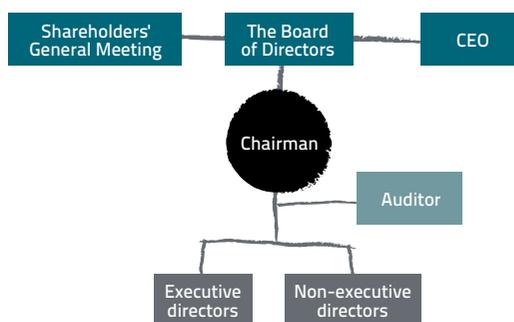
The Board of Directors is the highest level of decision-making organization in the company, tasked with making decisions on the matters set forth in laws or the articles of association and any important business matters. The board consists of 7 directors and 1 auditor appointed at the Shareholders General Meeting in line with the candidates' expertise in management and accounting. The directors monitor corporate management and the auditor holds the execution of the directors in check. The board conforms to the Korean Commercial Law in respect to corporations, and when the chairman of the board cannot participate in the General Meeting, the CEO assumes the role as the chairman of the board in accordance with the order of acting as set by the board. They make a decision on the agenda, such as the main investment or entry into new business, which require shareholder approval, by gaining majority consent, and the articles of association specifies that those directors who have a stake in a specific agenda item under deliberation may not participate in voting. The wage of directors is paid within the cap of the annual pay of 4 billion KRW approved by the General Meeting in March 2011 by combing base pay and the bonus estimated in connection with the financial and non-financial performance of the organization. The board of directors holds meetings on a regular basis in accordance with the annual plan and non-scheduled meetings of the board of directors are held to respond to urgent matters, as required.

Holding meetings of the board of directors

Yuhan-Kimberly annually holds a total of four general meetings and board of directors meetings. The participation rate of the non-executive directors newly appointed in March 2010 remains 100%. In addition to the board of directors, the company also operates a stakeholder committee comprising experts from various areas related to the companies' operations, which meets annually, advising on matters related to sustainability management.

ORGANIZATION AND ROLE OF THE BOARD OF DIRECTORS (As of July 3, 2012)

Classification	Name	Position
Chairman	Thomas J. Mielke	Chief Compliance Officer, Kimberly-Clark
Executive directors	KyooBok Choe	President and CEO, Yuhan-Kimberly
	SangWoo Choi	Vice President, Yuhan-Kimberly
Non-executive directors	Brian E. Walker	Vice President, Human Resource Management, Kimberly-Clark
	Rodney G. Olsen	Vice President, Finance, Kimberly-Clark International
	Ju-myung Hwang	Outside director. Corporate lawyer (Law Firm HMP)
	David Tiang Wei Ping	Senior Legal Consultant, Asia-Pacific Region, Kimberly Clark
	PaikYoung Suh	Auditor



* All the members of the board are currently male members.

Employees

EMPLOYMENT STATUS BY NUMBER

		2005	2006	2007	2008	2009	2010	2011
Employment	Employees (person)	1,680	1,706	1,695	1,689	1,688	1,663	1,656
	Employment of the disabled (%)	1.9	2.0	2.1	2.2	2.2	2.3	2.2
	Contracted employees (person)	19	24	19	9	2	1	1
	Job creation rate (%)	4.9	1.5	-0.6	-0.4	-0.24	-1.48	-0.42
	Average length of service (year)	11.8	12.6	13.3	14.0	13.9	15.9	15.7
	Average working hours per month (hour)	184	182	183	184	181	180	179
	Average number of days absence	5	11	5	1	0	0	6
	Loss days							50
Retirement	Retirement rate (%)	-	-	-	2.3	1.5	1.98	1.21
Female employment	Percentage of female in total workforce (%)	15.5	15.7	15.7	16.0	15.6	15.8	16.5
	Percentage of female at senior management level (%)	3.5	3.4	15.7	17.1	17.1	17.6	17.7
	Percentage of female in total office employees (%)	40.4	39.4	39.9	40.1	33.7	33.9	35.3
	Percentage of female in new recruit (%)	21.0	29.4	48.0	31.0	20.0	55.6	52.0
Maternity /childbirth	Maternity leave usage rate (%)	100	100	100	100	100	100	100
	Maternity leave users (person)	18	21	25	33	31	29	24
	Return to work rate post maternity leave (%)	100	100	100	100	100	100	100
	Baby care leave users (person)	1	1	5	15	17	20	22
	Female employee baby care leave usage rate (%)	0.0	4.8	20.0	45.5	51.6	68.9	91.7
	Return to work rate post baby care leave (%)	100	100	100	92.3	100	100	100
	Parental leave usage rate (%)	100	100	100	100	100	100	100
Parental leave users (person)	63	103	108	83	71	52	74	
Labor	Number of employees joining the labor union (person)	961	961	953	945	939	935	903
	Rate of employees joining the labor union (%)	80.4	80.5	80.0	83.4	83.7	88.0	88.0
Work safety	Industrial disaster rate (%)	0.18	0.12	0.06	0.06	0.0	0.18	0.06

Measures brought in to actively enhance diversity and inclusion

After it established Vision 2020, Yuhan-Kimberly appointed a Chief Diversity and Inclusion Officer (CDIO) in May 2011 to systematically manage diversity and inclusion. It reinforced this by holding a workshop with executives and managing staff to reinforce the message of inclusion and discuss elements that hamper diversity in the workplace and any solutions thereto. In September 2011, to enhance diversity and inclusion, the company launched the Women's Committee, comprising female executives and team heads.

Training support to reinforce the capabilities of employees

Yuhan-Kimberly is focused on fostering leaders with global competitiveness. The company's training programs are divided into leadership training to reinforce the capabilities of each rank, such as team members, team heads and executives, as well as strengthen general and specialist job training, and provide organization vitalization training comprising of the organization vitalization program and family-friendliness program, which it continues to conduct systematically. In 2012, each division will run their capability reinforcement program: the marketing division will run a consolidated study group, the financial division will hold the capability reinforcement program to exert positive, effective influence on the performance of business, the customer business division will run the research group by topic through the continuous study and monitoring of changes to the external environment as well as through in-house lectures; the SCM division will run SCM innovation seminars.

Career Development Plan (CDP) for employees

Yuhan-Kimberly launched the Career Development Plan (CDP) in July 2011 to develop and enhance the capabilities of employees. The company has those employees subject to performance evaluation establish their career goals and development plan, and connect it with their Individual Development Plan (IDP). Through this program, employees can establish their career development plan, taking into account their duties, experience, ability and objectives, and discuss it with their superiors and implement it so that they can develop themselves more systematically. To provide a better understanding of this program, the company held 15 presentations in each mill from July 2011 for about two months.

Business Partners

ACHIEVEMENTS AND GOALS OF MUTUALLY BENEFICIAL COOPERATION ACTIVITIES BETWEEN YUHAN-KIMBERLY AND BUSINESS PARTNERS

Category	2011 Achievements	2012 Goals
Product quality innovation activities (single PPM)	4 partners maintained their certification	Support for the maintenance of single PPM certification Quality partnership: 5 companies (approximately 20 million KRW)
Establishing consumer complaints management system	Postponed due to change in the operator and the organization system	Four companies
Cooperative activities	Insect and communicable disease control support	10 partners (10 million KRW)
Creating safe workplace	32 partners (27 million KRW)	Integrated inspection of safety and environment: the entire partners Support for mock exercise for fire protection: five companies
Support for government project	32 companies completed integrated safe environment inspection. (Attained zero important safety and environment accident) AEO certification evaluation: 27 companies	1.5 billion KRW
Promotion of communication with partner companies (SMA)	1.178 billion KRW	SMA 3.0 development plan (130 million KRW)
Intensifying training for shared growth	System maintenance (20.4 million KRW)	Win-Win Academy 9 classes, 11 courses (1,760M/H)
	Win-Win Academy 7 classes, 7 courses (1,960M/H)	

Supplier Assessment Tool (SAT)

Yuhan-Kimberly conducts an assessment of its main partners once a year. When problems are found, Yuhan-Kimberly supports the company in question to enhance its competitiveness by providing improvement schemes. The assessment items touch on overall management, quality, safety, environment, ethics/laws, inventory control and housekeeping. From 2011, the company added 11 new items to disseminate the practice of social compliance with its partners, and there has been no serious safety and environment accident at its core partners.

Open communication with partners

Through various channels with its partners, Yuhan-Kimberly implements open communication with them, and from 2011, it holds seminars with representatives from its partners twice yearly. They share the management status and take part in the partner supporting program of Yuhan-Kimberly, expressing their opinions and addressing any difficulties of the partners. As a result of the project for enhancing the warehousing and release process of partners, the average warehousing/release time for 2011 was reduced by over 70%.

Customers

New product advance screening process

The Customer Satisfaction Team and RA Team of Yuhan-Kimberly conduct advance screening for product safety and packaging and advertisements through the advance screening process for new products and free gifts. They inspect products, containers and packaging with regard to consumer injuries and safety, and check the labeling of packages, product advertisements and events to ensure that they can give useful information to customers. In addition, through collaboration with related divisions before the release of a new product, they inspect any potential risks and complaints with regard to the product in question, and strive to prevent any consumer complaints. For instance, for the new product 'Magic Panty' in child care, related organizations, including product development team, quality assurance team and customer satisfaction team, made a TFT for prevention of risks and complaints and checked any possible complaints resulting from the product standards that are different from the existing products and carried out additional improvement activities to complement any problems found.

Improvement of consumer complaints: Task Force Team

To improve consumer complaints, Yuhan-Kimberly is running a separate task force team to each handle separately the Marketing Team, Product Development Team, QA Team and Customer Satisfaction Team. In addition, should rapid improvement of rapidly increasing consumer complaints be required, or should matters that injure consumers or threaten their safety occur, or should a change of design be required due to repeated complaints, the company produces an improved sample and conducts a survey on satisfaction with the improved product, working with those consumers who experienced the relevant complaint.

Expansion of communication channels

Yuhan-Kimberly continues to expand its customer communications to enhance customer access and convenience. In addition to telephone, texting and web consulting, the company installed a chat consulting service in May 2011 so that customers can use a real-time consulting service for their inquiries, and, as a result, the call concentration decreased from 84% to 80%.

In addition, the company has consigned general customer consulting services to a customer support center since September 2011. The company has sought to maintain the service quality of customer consulting and enhance productivity by selecting a proven company in the field of customer consulting, and, as a result, the call productivity per consultant rose 25% from 45 cases to 57 cases.

Response to the risk issues: issue on product safety control

In November 2011, KBS program Consumer Reports' episode 'Two faces of wet tissue products: Anti-bacteria in return for safety' raised a safety issue facing wet tissue products by pointing out the insufficient safety standards in place for wet tissue preservatives in Korea and the detection of MI/MCI preservatives. The preservatives mentioned in the program are used in some of Yuhan-Kimberly's wet tissue products to complement natural preservatives, but the company has strictly managed all its wet tissue products in accordance with the cosmetics standards of EU and USA as well as domestic cosmetics standards. As a follow-up to the broadcast, the company sought to relieve the worries of customers about the safety of the products by quickly posting a notice that says Yuhan-Kimberly's wet tissue products meet those strict safety standards on the company's homepage.

Local Communities

Social contribution projects for local communities

Yuhan-Kimberly is cooperating with local communities through various activities for greater sustainability within Korea, including forest/environment protection, being family-friendly (care and women), securing cultural assets and the participation of its employees in voluntary service activities. Amongst such measures, the two leading programs for social responsibility and contribution are: the 'Keep Korea Green (KKG)' campaign for the protection of forests and the environment; and Family-friendly Management, designed to address low fertility and ageing issues. Recognized for the outcomes of its continued social contribution activities, Yuhan-Kimberly won the Grand Prix and the Minister for Environment Prize in the environment/ecosystem protection section at the 2011 CSR Korea Awards hosted by Korea Journalists Forum in May 2011, and also won the Grand Prix in the manufacturing section at the 2011 Social Contribution Grand Prix for Sharing Happiness held by Dong-A Daily Newspaper and Korean Society of Consumer Studies in June.

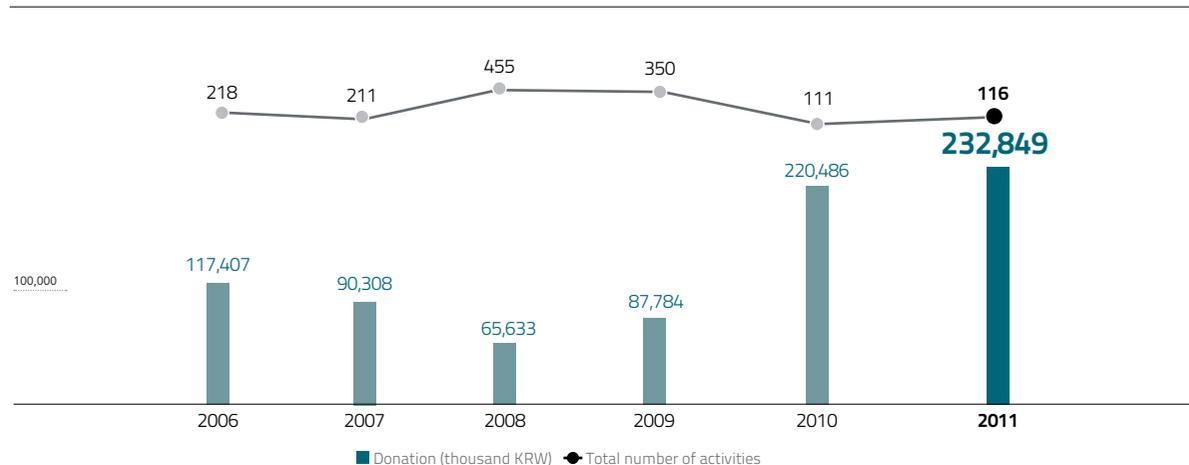
Dissemination of knowledge sharing and support for lifelong education

Yuhan-Kimberly strives to share and disseminate knowledge and support lifelong education. Since August 2011, the company, in association with the UNEP Eco-Peace Leadership Center and Kangwon National University, has run the Eco-Peace Leadership program for a year. This program is the nation's only international project that links industries, universities, and institutes to provide a support program in the environmental sector, thereby working to put in place solutions for current issues facing the environment and forests in the Asia and Pacific region. This program strives to implement a total of 15 projects, selected according to their urgency and likely international synergies. In the meantime, Yuhan-Kimberly's mills are evaluated as the best practice for lifelong education, and, in 2011, a total of 1,601 people from communities and related institutes visited the mills (Taejeon 807, Kimcheon 233 and Choongju 561) for benchmarking.

Voluntary social contribution activities of employees

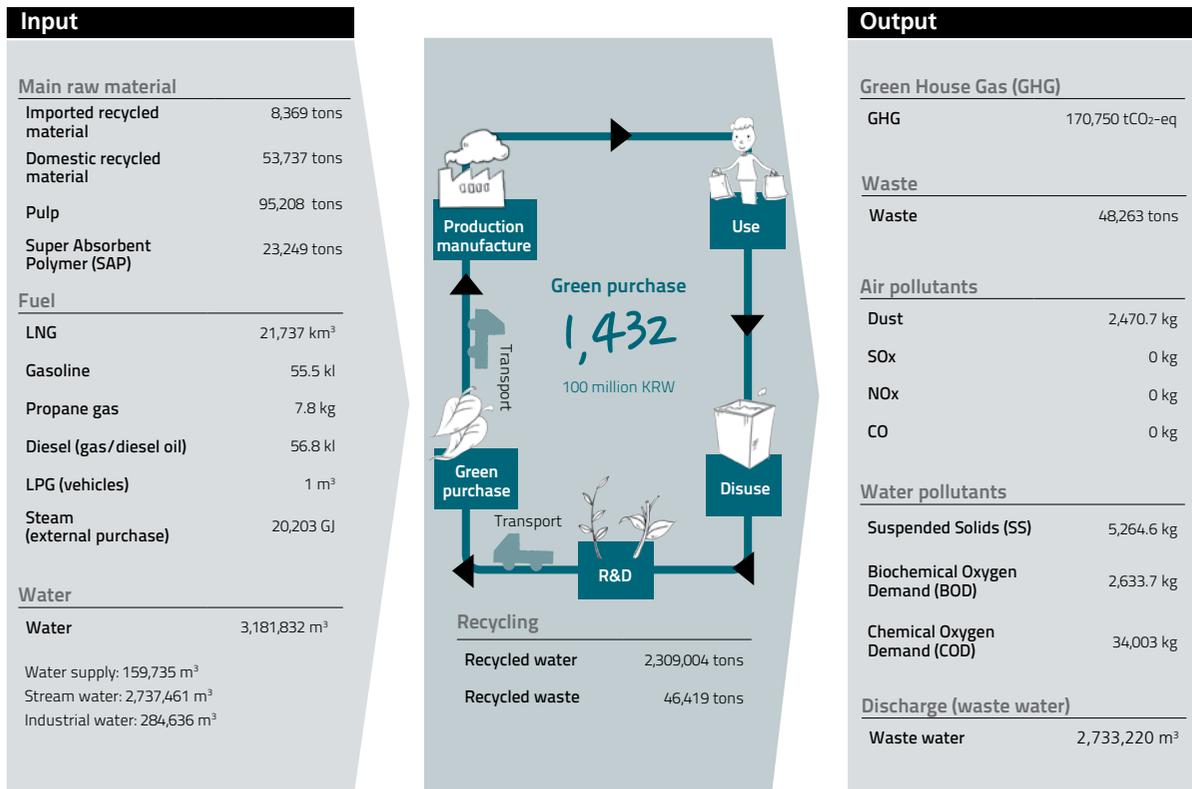
Yuhan-Kimberly employees carried out voluntary neighborhood care activities and, in 2011, a total of 1,683 people participated in a total of 116 voluntary service activities. In addition, the total amount of donations from them was approximately 233 million KRW.

THE STATE OF VOLUNTARY SERVICE ACTIVITIES BY YUHAN-KIMBERLY EMPLOYEES



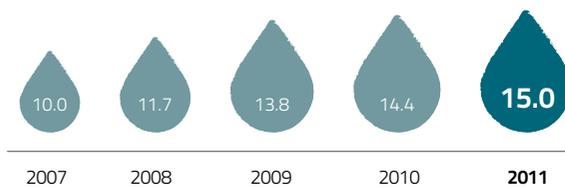
Environmental Performance Report

MATERIAL FLOW

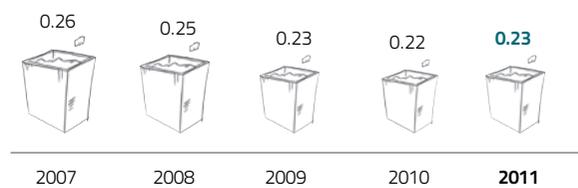


As the yield of hydronit products, which use more water compared to paper, is rising and the quality of old paper deteriorates, water usage has been increasing over the most recent 5 years. From 2012, the company plans to reduce water usage by gradually introducing the process of reusing cooling water and waste water in the production process.

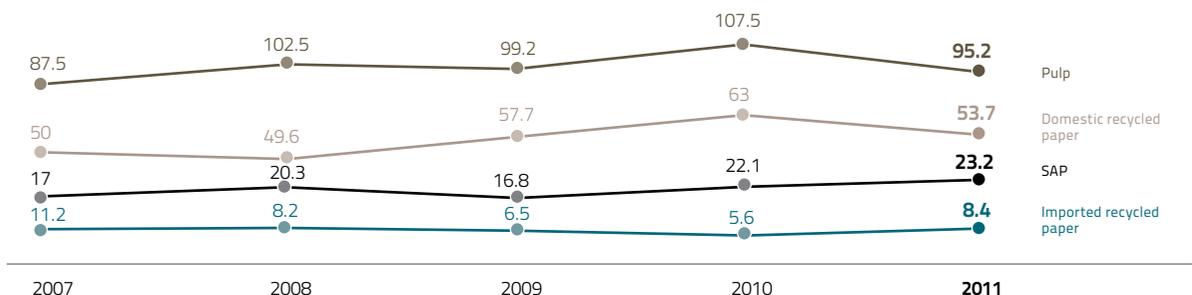
REUSE AND RECYCLING OF WATER (Unit: m³/product ton)



WASTE GENERATION (Unit: ton/product ton)



USAGE OF MAIN RAW MATERIALS (Unit: 1,000 tons)



Environmental Performance Data for 15 Years (1997~2011)

Category		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Environmental protection cost	Total Cost (KRW 100 Mil.)		52.8	57.3	65.2	88.1	91.6	83.6	84.5	94.2	90.5	86.9	90.8	125.8	125.1	124.7	
	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	1.1	1.0	1.0	
Energy	Direct Energy Consumption (106 BTU/ton)	6.7	6.4	6.0	5.3	5.1	5.2	5.1	5.1	5.3	5.0	4.5	4.2	4.3	3.7	3.8	
	Indirect Energy Consumption (106 BTU/ton)	3.5	3.3	3.2	4.0	4.0	3.8	3.7	3.8	4.0	3.9	3.8	3.7	4.1	3.8	3.8	
Water usage (m ³ /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	13.8	14.4	15.0	
Recycle	Ratio of Domestic Recycled Fiber (%)	10.1	14.2	18.9	37.3	57.7	74.2	70.8	76.0	74.8	76.8	81.7	85.8	89.9	91.8	86.5	
	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	43.1	43.4	42.1	
Treated Water Discharge (m ³ /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	11.1	11.6	12.9	
Water Purity Control	Water pollution Emission (kg/product ton)	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	0.03	0.027	0.025
		Biochemical Oxygen Demand	0.07	0.07	0.09	0.05	0.03	0.01	0.01	0.01	0.01	0.01	0.02	0.01	0.02	0.015	0.012
		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	0.14	0.155	0.161
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	0.23	0.22	0.23	
Greenhouse Gas Reduction	Total Emission of CO ₂ (1,000 tCO ₂ /year)		-	-	150.9	138.9	160	175	170	163	168	156	172	178	172	179	171
	Unit Emission of CO ₂ (t CO ₂ /product ton)		-	-	-	-	0.909	0.875	0.863	0.867	0.879	0.800	0.742	0.720	0.741	0.844	0.808
	Chlorofluorocarbon (kg)		-	-	-	-	47.5	19.7	24.3	63.4	51.0	35.3	22.2	17.1	26.7	4.8	19.6
NO _x (kg/product ton)		1.595	1.175	0.851	0.577	0.506	0.467	0.506	0.449	0.409	0.152	0.066	0.053	0.028	0.07	0	
Air Purity Control	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	0.005	0.001	0.0001	0
	Dust (kg/product ton)		0.187	0.223	0.173	0.119	0.077	0.058	0.042	0.021	0.016	0.008	0.004	0.003	0.006	0.006	0.012

* There was no emission of NO_x and Sox due to the removal of the incinerators in Gunpo and Kimcheon mills.

** The order of report items was changed into the order of total suspended solids (SS), biochemical oxygen demand (BOD) and chemical oxygen demand (COD) according to the internal management standard.

*** The GHG emissions and energy usage for 2010 were re-estimated due to system error and accordingly unit values were also adjusted.

****The greenhouse gas emissions for 2007 and afterwards are based on data contained in the statements.

Third Party Assurance Statement

Introduction

Det Norske Veritas Certification Ltd. (hereinafter referred to as 'DNV') has been commissioned to carry out the assurance engagement on Yuhan-Kimberly Co., Ltd. (hereinafter referred to as 'YUHAN-KIMBERLY') Corporate Social Responsibility Report 2012 (hereinafter referred to as 'the Report'). This engagement focused on the information provided in the Report and the underlying management and reporting processes.

This Assurance Statement is intended for the readers of the Report. YUHAN-KIMBERLY is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV's responsibility regarding this Assurance engagement is to the management of YUHAN-KIMBERLY only, in accordance with terms of reference and scope of work agreed. DNV disclaims any liability or responsibility to a third-party for any decisions, whether investment or otherwise, based upon this Assurance Statement.

Scope of Assurance

This Assurance Engagement covered data from the calendar year 2011. The scope of DNV's Assurance Engagement, as agreed with YUHAN-KIMBERLY included the verification of:

- Sustainability policy, goals, initiatives, practices and performance for calendar year 2011, as described in the Report. These were verified at company level by tracing the data one level down to the consolidated data submitted by each team. The scope of work did not include verifying the accuracy of the activity data collected from individual functions.
- Health & Safety, Social and Environmental data management systems, and associated processes and tools for collecting, analyzing, aggregating and reporting quantitative and qualitative information provided in the Report.
- Processes for defining the boundaries, focus and content of the Report.
- Review of the extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) are reflected in the Report.
- The extent to which the principles of Materiality, Inclusivity and Responsiveness are adopted, in line with the requirements of AA1000 AS (2008) for a Type 1 engagement. The reliability of the information within the Report was verified to a moderate level assurance.

YUHAN-KIMBERLY's reporting boundaries include all operations in Korea over which YUHAN-KIMBERLY's management exercises significant control.

Limitations

The engagement excluded the sustainability management, performance and reporting practices of YUHAN-KIMBERLY's suppliers, contractors and any third-parties mentioned in the Report. DNV did not interview external stakeholders as part of this Assurance Engagement. Economic performances including financial data were cross-checked at head-office with internal documents and the audited financial statements.

Statement of Competence and Independence

DNV provides sustainability risk management services through specialists worldwide. This engagement was undertaken by a multi-disciplinary team of suitably qualified and experienced sustainability professionals. DNV was not involved in the preparation of any information presented in the Report. DNV did not provide any services to YUHAN-KIMBERLY during 2011-2012 that could compromise the independence or impartiality of our work.

Verification Methodology

We planned and carried out the work in accordance with the DNV Protocol for Verification of Sustainability Reporting (VeriSustain™) and AA1000 AS (2008) during May-September 2012. Data and information disclosed in the Report are verified against the content principles and quality principles of GRI G3.1. Through on-site verification of data, reporting tools, documents and interviews, we challenged the statements made in the Report and evaluated the mechanisms for implementing YUHAN-KIMBERLY's sustainability related policies and the robustness of the underlying data management system, information flow and controls. The assessment of reliability of data and information was based on explicit assertions regarding sustainability performance on material issues and included a review of their completeness and accuracy. It included a review of the methods, practices and tools used in the collection, aggregation, analysis, internal quality control and reporting of the data and information. DNV's assessment also included; high-level trend analysis, the identification of significant changes in performance from the previous reporting, a review of data traceability, and record checks at different stages in the data flows. DNV visited YUHAN-KIMBERLY's Head office in Seoul and Kimcheon Mill in Gimcheon, Republic of Korea.

Conclusions

In DNV's opinion, and based on the scope of this Assurance Engagement, the Report provides a reliable and fair representation of YUHAN-KIMBERLY's sustainability strategy, policy, practices and performance in 2011.

Based on the work undertaken as part of this Assurance Engagement, DNV believes that the Report generally meets the principles, content and quality requirements of GRI G3.1 and AA1000 AS (2008) for a Type 1 Moderate level of assurance. Further conclusions and observations on the adoption of reporting principles and specific performance information are made below;

Regarding the level of adherence to reporting principles, we conclude the following:

AA1000 Principles

- **Inclusivity:** YUHAN-KIMBERLY has engaged with a wide range of stakeholders regarding sustainability issues via stakeholder committee and survey. Stakeholder engagement process, stakeholder committee meeting and survey result are disclosed in detail in the Report. Stakeholder groups which are Employees, Business partners(Suppliers), Customers, and Local communities, Shareholders are identified in the Report. Operating a stakeholder committee is recognized as good practice to take on board the voice of stakeholders. In addition YUHAN-KIMBERLY has analyzed stakeholder survey results since 2006. The accumulated information clearly indicates stakeholders' concerns and expectation to YUHAN-KIMBERLY. Its operation of the stakeholder committee is noted as one of its best practices as well.
- **Responsiveness:** Stakeholders' views, interests and expectations derived from the survey are considered in the preparation of the Report and in the formulation of YUHAN-KIMBERLY's sustainability management approach. DNV recommends that YUHAN-KIMBERLY establish more effective process responding to respective material issues with mid- and long-term quantitative objectives which are monitored, measured and reported for the achievement of the sustainability vision.
- **Materiality:** The Report generally provides an account of performance on the issues that are most significant to YUHAN-KIMBERLY's activities and which are most relevant to its stakeholders. The material issues were identified and prioritized based upon the stakeholders' opinion sought by survey. DNV recommends major risks identified with the enterprise risk manual need to be integrated into the materiality determination process as a holistic approach to sustainability management. In addition, YUHAN-KIMBERLY is recommended to formally document the materiality determination process covering methods, assumptions, materiality threshold criteria, reporting and review procedures. YUHAN-KIMBERLY needs to make efforts to improve the sustainability performance of the supply chain by providing necessary training, advice and audit, etc.

Additional principles

- **Reliability:** No material errors have been detected in the data and information verified in accordance with AA1000 AS (2008) and VeriSustain™. Data and information presented in the report are generally reliable. However, implementation of the internal data assessment on a regular basis needs to be considered to improve data quality. The Report is referred to GRI G3.1 and some data such as the environmental performance and afforestation are presented for more than 10 years periods so that the readers can compare the performance over time. Some data in the report found inconsistent with the source data during the verification and subsequently the errors were corrected. DNV recommends to carry out QA/QC to ensure data quality. Criteria and accounting methodology of data measured, collected and calculated every year for reporting should be developed in a documented procedure to maintain data quality.
- **Completeness:** The scope and boundary of the Report cover the issues and activities that are of most significance to YUHAN-KIMBERLY and relevance to its stakeholders. No material omissions were identified in data or information verified.
- **Neutrality:** In general the Report provides a fair and balanced representation of YUHAN-KIMBERLY's approach and performance in 2011.

We confirm that the Report meets the requirements of GRI Sustainability Reporting Guidelines Application Level 'A'. DNV's recommendation does not affect our conclusions on the Report and are provided to encourage continual improvement.

Seoul, Korea
September 2012



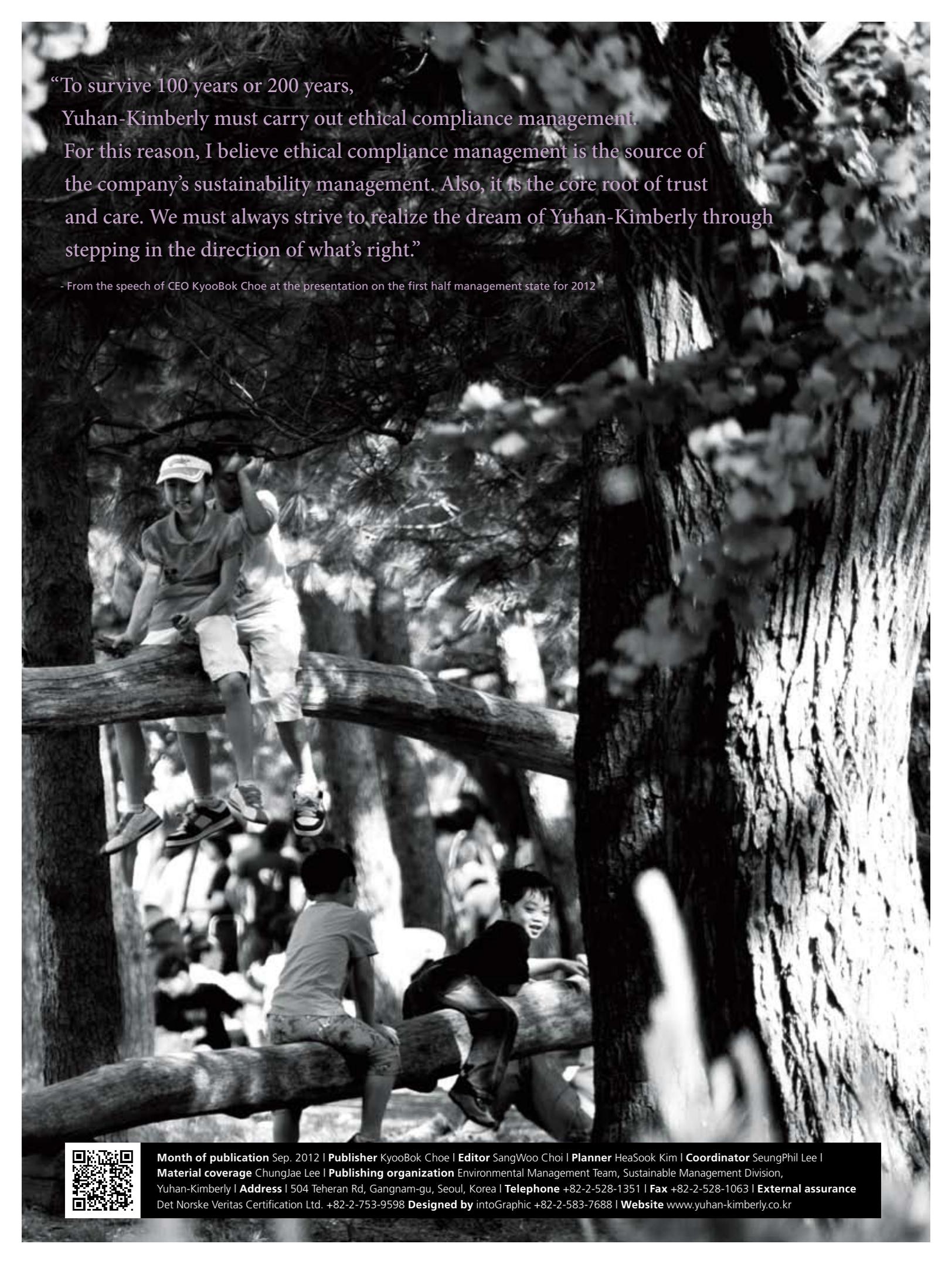

Seung Hyun Kwak
Lead Verifier
DNV Certification, Ltd.


In Kyoon Ahn
Country Manager
DNV Certification, Ltd.

Yuhan-Kimberly's Commitment to the 10 UN Global Compact Principles for 2012

Yuhan-Kimberly complies with the 10 principles by joining the UN Global Compact since 2007, and, each year, we submit our annual Communication on Progress (COP). We will continue to actively abide by the principles to fulfill our corporate responsibility.

Category	Principles	Yuhan-Kimberly Regulations	2012 Performance
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 [Relief of Unfair Disciplinary Action] 	<ul style="list-style-type: none"> • Training on Code of Conduct (twice a year)
	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] 	Regular evaluation conducted on business partners in the field of human rights <ul style="list-style-type: none"> • Human rights training conducted on 87 employees of security service provider (98.9% participation) (7 Gunpo, 21 Choongju, 13 Kimcheon, 55 Taejeon)
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] 	<ul style="list-style-type: none"> • Labor union membership of 88.0% (Labor union membership 1,063 persons) • Labor-Management Committee held every quarter, total of 20 times • Collective bargaining on wage negotiation held once every year
	4. We eliminate all forms of forced and compulsory labor	Prohibition of Compulsory Labor <ul style="list-style-type: none"> • Article 21, Chapter 3: Service, Rules of Employment [Overtime, Night Work and Holiday Work] • Article 35, Chapter 4, CBA [Extended Hours, Night Work, Holiday Work] 	<ul style="list-style-type: none"> • Extended time, holiday or night work are conducted under labor-management agreement • 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
	5. We effectively abolish child labor.	Prohibition of Child Labor <ul style="list-style-type: none"> • Article 18, Chapter 3: Service, Rules of Employment [Labor Time] • Article 34, Chapter 4, CBA [Labor Time] 	<ul style="list-style-type: none"> • No employees under 18 years of age
	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] 	<ul style="list-style-type: none"> • Training on Prevention of Sexual Harassment (2,305 employees participated) • Female ratio (office workers: 35.3 %, executives: 17.7%) • Starting wage of entry level employees (male and female identical)
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] 	<ul style="list-style-type: none"> • Green purchasing of 143.2 billion (KRW) • Purchase of eco-friendly products 18.4 million (KRW) • Environmental management training held for employees (613 employees)
	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"> • Carbon Labeling Certification "HUGGIES Nature Made" • The "Keep Korea Green" campaign conducted • The 15-year trend on environmental accomplishments is managed
	9. We encourage the development and diffusion of Environmentally friendly technologies	Environmentally-friendly Development <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"> • Environmentally-friendly products are launched (HUGGIES babies' wet tissue)
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 Compliance Manual: Section 2 [Things to Consider by Business Type] and Section 4 [Practical Checklist] 	<ul style="list-style-type: none"> • Encourage employees to fully understand code of conducts • Anti-corruption training (11 times, online training separately provided)



“To survive 100 years or 200 years,
Yuhan-Kimberly must carry out ethical compliance management.
For this reason, I believe ethical compliance management is the source of
the company’s sustainability management. Also, it is the core root of trust
and care. We must always strive to realize the dream of Yuhan-Kimberly through
stepping in the direction of what’s right.”

- From the speech of CEO KyooBok Choe at the presentation on the first half management state for 2012



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