



We believe in Goodness

2013 COWAY SUSTAINABILITY REPORT

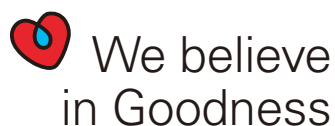
WE CHEERFULLY PURSUE

UNEXPLORED PATHS TOGETHER.

BELIEVING THAT THE SUM OF OUR

ACTIONS CREATES A BETTER WORLD

ABOUT THIS REPORT



Coway's Business Philosophy

We cheerfully pursue unexplored paths together, believing that the sum of our actions creates a better world.

Practicing Our Belief in Goodness for Sustainability Management

The principles of sustainability management aim for a company to remain ever credible with the totality of its stakeholders. This allows for a continuous flow of economic, environmental and social value to pervade the entire life cycle of a product's manufacturing process and the delivery of superior service. As a representative rental business and home-wellness appliance service provider, Coway publishes sustainability reports every year. This helps greatly in our ability to deliver transparent and highly-reliable value. Coway's endeavors extend well beyond economic profits alone; our dream is to build a 'good and trusted company' that grows hand-in-hand with its stakeholders in the belief in goodness—by the promise of tomorrow.

Characteristics of This Report







Material Aspect-Driven Report Structure

To identify our major sustainability management issues for 2013, we conducted the materiality test and selected five material Aspects from a pool of 13 identified issues. As a result, we were able to streamline our report and highlight Aspect-based key issues and an easy-to-understand and useful report. Major issues relating to Aspects one through five appear between pages 24-55.

Adoption of the Integrated Report Principle

Our 2013 Sustainability Management outlines the value-circulation structure that we base our business model on and the processes through which sector-specific elements create new value (refer to pages 10-11). Furthermore, this report describes the outcomes that are generated in each reporting Aspect from the perspective of major stakeholders. This helps paint a more comprehensive picture of our business operations flow at Coway.

KPI TABLE

		Unit	2011	2012	2013
Economy 	Sales	KRW 100 million	17,099	18,068	19,337
	Operating profit	KRW 100 million	2,433	2,278	3,341
	Ratio of operating profit to sales	%	14.2	12.6	17.3
Customers 	Ratio of operating profit to sales (NPS)	%	12.1	21.2	23.8
	No. of rental and membership accounts	10,000 accounts	545	574	587
	Customer cancellation rate	%	1.00	1.00	0.88
Environment 	Net GHG emissions (scope 1+2)	tCO _{2e}	5,455	5,817	5,645
		tCO _{2e} /KRW 100 million	0.319	0.322	0.292
	Water consumption	m ³	72,356	91,555	64,101
	Recycling of plastics	%	60.0	67.7	75.4
Employees 	No. of employees	No. of persons	4,537	4,834	4,776
	Ratio of female workforce	%	68.6	66.3	68.5
	Average years of service	No. of years	4.6	4.9	5.6
	Training expenses per person	KRW 1,000	2,028	1,033	1,087
Local Communities 	No. of employees in volunteer group	No. of persons	1,817	2,030	1,396
	No. of volunteer hours per volunteer group participant	No. of hours	18.4	18.1	24.4
Suppliers 	Supplier satisfaction	Points	82.4	-	89.9
	Support for the co-prosperity fund	KRW 100 million	81.25	90.35	136.40
	28 major carbon partnership suppliers	tCO _{2e}	16,554	17,076	18,167
		tCO _{2e} /KRW 100 million	5.13	4.93	4.70



About This Report

This report is Coway's ninth Sustainability Report. Since its first publication back in 2005, we have published our sustainability reports each year. This report outlines major issues of interest to our society and stakeholders and aims to present the Company's path forward in advancing sustainability management.

Reporting Scope	Focusing on the Head Office in Seoul, research institutes and production plants/Including overseas operations for a portion of the data
Reporting Period	Jan. 1, 2013–Dec. 31, 2013 ※ To ensure there is enough data to provide comparable referencing, three-year's worth of data is disclosed
Reporting Standards	GRI G3.1 Guidelines
Stakeholder Engagement Standards	AA1000SES-proposed stakeholder engagement standards
Assurance	Third-party assurance conducted in accordance with AA1000AS(2008) ※ For further details, please refer to pages 80-81

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CEO Message



“

We constantly rise to new challenges to reach new frontiers. We seize every possible opportunity to become deeply ingrained into customers' everyday life. We deliver products and services that take the responsibility for the life of our customers. This is how we grow into a socially-responsible company that believes in goodness.

”

Coway vows to believe in goodness

Dear Stakeholders:

In the midst of a prolonged economic recession, change in the Company's largest shareholder and a significant reshuffling of both internal and external business conditions, we at Coway continued to expand—and ultimately emerge victorious as a true and trusted market leader. We attribute our success to the deep-rooted trust and confidence we receive from our customers, suppliers, other stakeholders, and through the ongoing commitment of our employees. For this and more, let me take this opportunity to thank you once again.

Coway believes in goodness and stands side by side with its stakeholders.

When our stakeholders ask—'what is the raison d'être of Coway, and what is it that they're doing at Coway,' it is easy for us to reply. What sets Coway apart, is our new business philosophy: We believe in goodness. Our reason for being lies in contributing to a better world and the reason why we stay with Coway is to ensure that Coway reaches this goal. We vow to do our part in offering an even more flourishing world to the people we develop products and offer services to.

We create and grow new value.

Our growth does not actually come from competing inside the conventional industrial landscape; it comes from creating new value in our 'rental business'. This business which hadn't existed before, has now developed into a whole new market. Last year, our sales rose 7% and reached KRW 1.9337 trillion by reducing cancellations and losses from the disposal of rental assets, expanding net increases in rental accounts and ensuring the stable growth of our overseas operations and mattress rental operations. This year, our goal is to reach KRW 2.08 trillion in sales and KRW 362 billion in operating profits. To reach this goal, we will launch new and innovative products, increase our sales volume, reinforce cancellation management and discover large overseas business partners to fuel our sustained growth. Coway vows to further improve and transform into a company that meets the expectations of an even higher growth paradigm.

We contribute to a better world.

By delivering products and services that safeguard both the environment and its people, we strive to create sustainable value in every corner of our society. Our commitment to delivering products and services that consistently place paramount concern on the health and safety of our customers is well demonstrated in our water filtration appliances, air purifiers, bidets and water softeners which have become an essential part of our customer's daily lives. Throughout the process of creating such products, we also take a business life cycle perspective in delivering social, environmental and economic value. Such endeavors earned Coway, as a new member, a spot on the global sustainability management index DJSI Asia Pacific and an included company in the FTSE4Good for three straight years. Nationally, Coway ranked 69th on the list of 'Korea's Top 100 Companies 2013' and was selected as a 'Great Work Place' by GWP Korea for three straight years. As a company responsible for protecting people's lives, and with the commitment to contribute to the sustainable growth of our society through remarkable products and services, we vow to fulfill our role and responsibility as a socially-responsible corporate citizen.

Dear Stakeholders,

Your interest in Coway will be greatly appreciated as we continue our journey to become a company that is truly loved for its commitment to believing in goodness: 'We contribute to a better world'. It is my sincere wish that the endeavors of Coway will be of personal and significant benefit to your life.

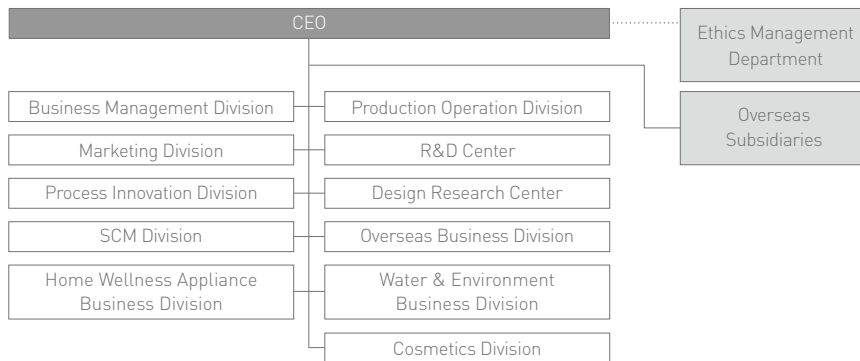
May 2014
Dong-Hyeon Kim
CEO, Coway

김 동 현

Adding Value to Lifestyle

Established in 1989, Coway has continued to grow and pioneer the development of more popularized, specialized and sophisticated home-wellness appliances. Coway is Korea's leading home-wellness appliance service provider that manufactures water filtration appliances, air purifiers and bidets. In 2013, thanks to our strong brands, we posted record breaking sales in <Coway Water Filtration Appliance> the representative brand for the highest-quality water, <Coway Air Purifier> which has become synonymous with clean air, <Coway LooLoo Bidet> a device that enhances bathroom conveniences and a food waste treatment system. Launched in 2010, our premium cosmetics brand <Re:NK> has been gaining ground with positive consumer reviews. Furthermore, the acquisition of Green EnTech, a professional water treatment engineering company, extended the scope of our operations into the total water treatment system sector, while the launching of our <Home Care Services>, that delivers mattress rental and management services, set a new trend in the rental service market in 2011. As a company responsible for 'water' and 'air', we define our business philosophy as 'We believe in Goodness' to 'contribute to a better world through business conduct' and do everything in power to transform into a company deeply trusted by its customers.

Organization Chart



Overview of Coway

Category	Details
Name of Company	Coway Co., Ltd.
Head Office	F11-17, JoongAng-Ilbo Building, 88, Seosomun-ro, Jung-gu, Seoul, Korea
No. of Employees	4,776 (As of Dec. 2013)
Overseas Subsidiaries	U.S., China, Thailand, Malaysia
Date of Establishment	May 2, 1989
CEO	Dong-Hyeon Kim
Business Area	Manufacturing and sales
Main Products and Services	Water Filtration Appliances, Air Purifiers, Bidets, Water Softeners, Food Waste Treatment Systems, Water Treatment, Cosmetics, Mattress Rentals, etc.

Financial Overview

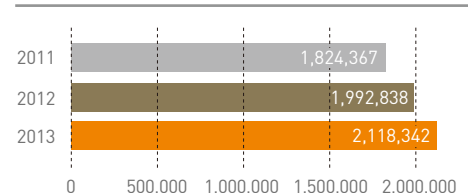
(Unit : KRW million)

Category	2011	2012	2013
Current Assets	572,596	779,164	691,415
Non-current Assets	1,052,123	975,944	976,444
Total Assets	1,624,719	1,755,108	1,667,859
Current Liabilities	578,335	759,159	676,733
Non-current Liabilities	308,481	210,865	50,237
Total Liabilities	886,816	970,024	726,970
Total Equity	737,903	785,084	940,889
Sales	1,824,367	1,992,838	2,118,342
Operating Profit	234,729	226,147	339,032
Net Income	167,054	94,043	245,075

※ Based on consolidated financial statements

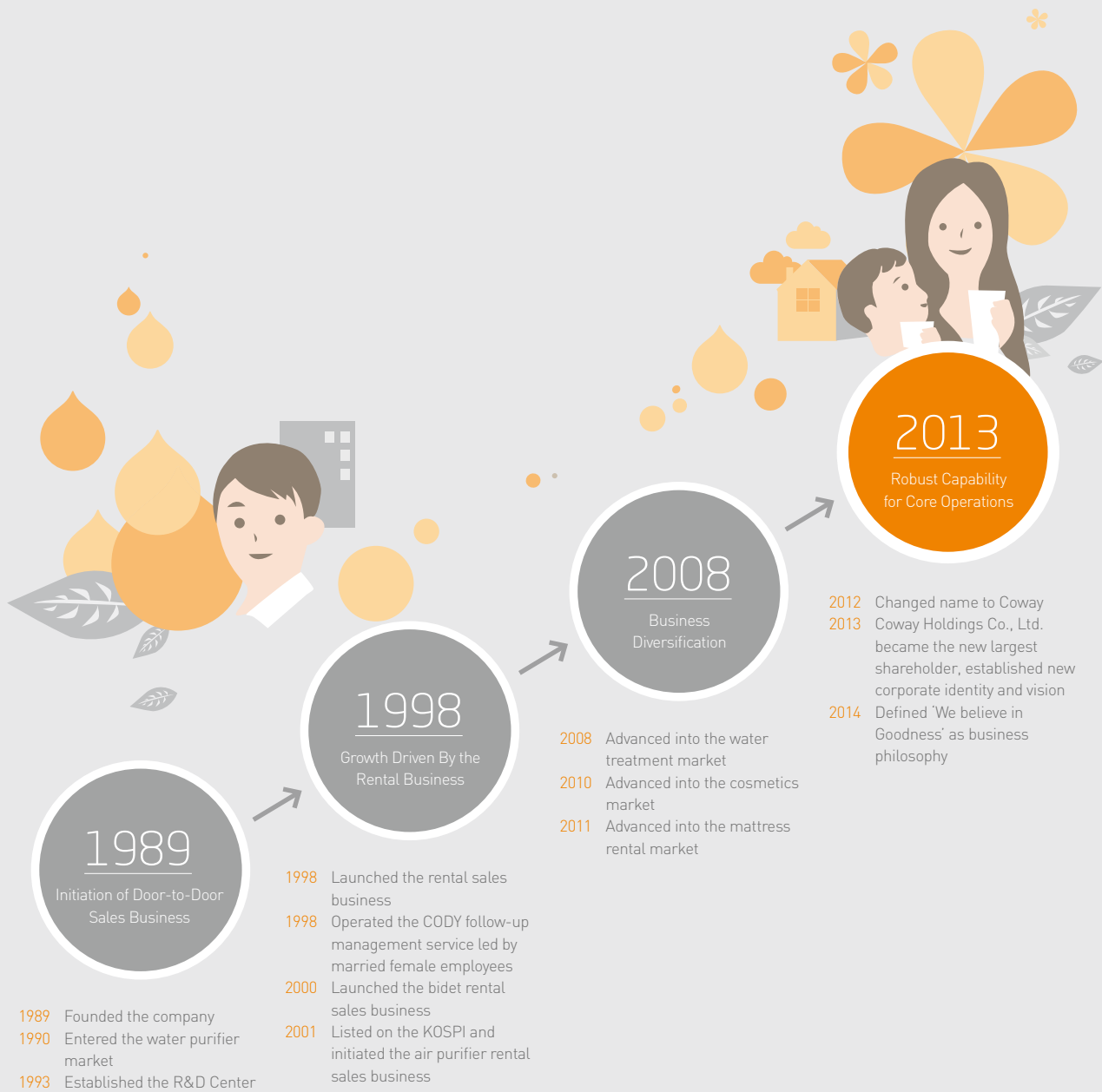
Sales

(Unit : KRW million)



※ Based on consolidated financial statements

The Path Coway has Followed



Coway, Spreading the Value of Contentment Across the World

Since the initiation of our full-fledged overseas operations in 2006, we have rapidly transformed into a global company with a whopping 56% in CAGR, based on sales. Our global presence spans a total of 59 countries (as of 2013)- China, the U.S., Malaysia, Russia, Thailand and several other nations across the world- along with a total of four overseas subsidiaries in Malaysia, the U.S., Thailand and China.

It is with our integrated global brand 'Coway' and separate overseas ODM (Original Development Manufacturing) brands that we tap into the wider global market. To build an even stronger competitive edge in our signature brand, we will launch more vigorous overseas marketing initiatives. Our goal for 2014 is to reach KRW 175 billion in overseas sales. We will strive to advance into the global market by researching the needs of overseas customers and innovating our technological capabilities.

Our Export Markets

- ① 59 countries (As of 2013)
- ② Major Export Markets : China, the U.S., Malaysia, Japan, Russia, Iran, Thailand, Poland, Germany, etc.

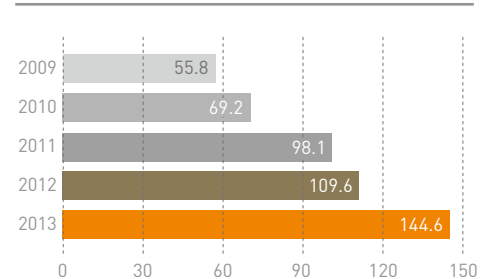
OUR GLOBAL OEM PARTNERS

Our advancement into the global market is further accelerated by the OEM contracts that we sign with such world-leading home appliance manufacturers as Whirlpool and Siemens. Specifically, our OEM contract to supply air purifiers to Lowe's, a U.S.-based mega home improvement and equipment retailer, is expected to generate \$60 million in sales. We also signed a bidet OEM contract with the U.S.-based bidet company Brondell, which is expected to generate KRW 20 billion in sales.

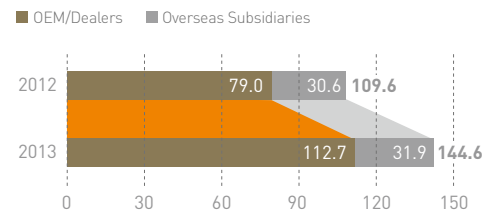
※ As of the end of 2013



Sales from Overseas Operations (Unit : KRW billion)

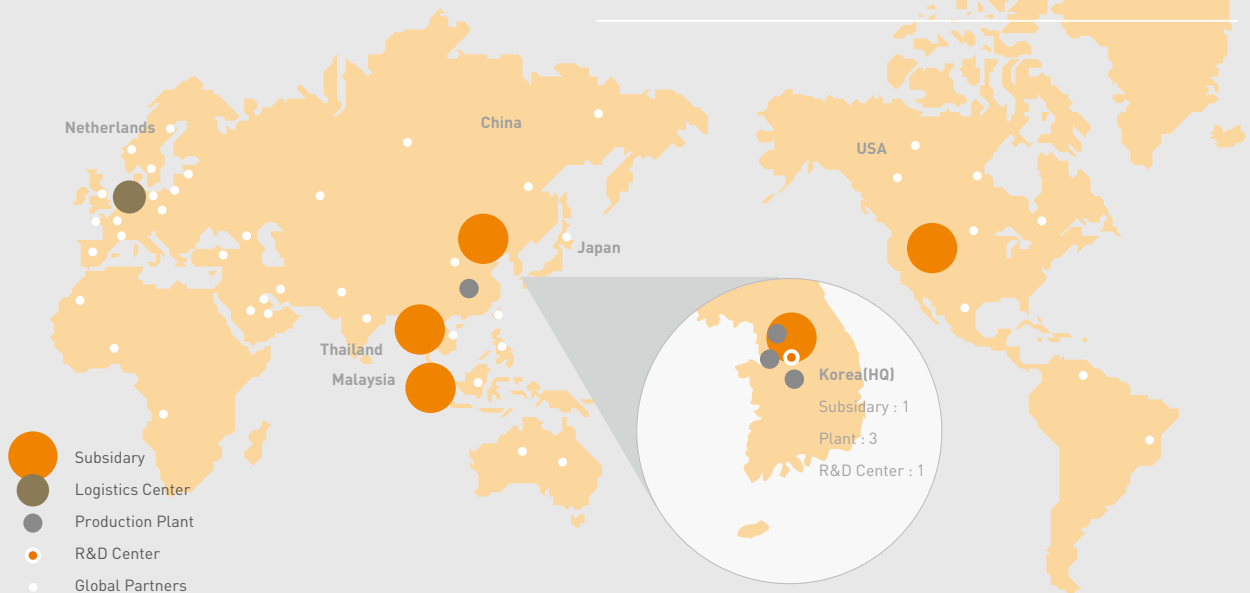


Ratio of Overseas Operations in Sales (Unit : KRW billion)



OUR EXPORT MARKETS

Coway in the World



Sales by Region

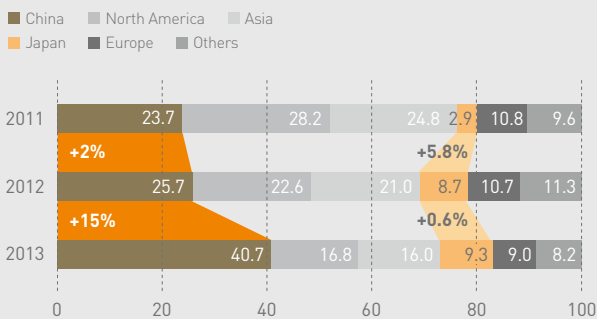
Our overseas sales are increasing each year, primarily in Asia, North America, Europe, China and Malaysia. In Malaysia, the accumulated number of rental accounts surpassed the 160,000 mark and the introduction of our unique CODY system business model proved to be a significant success. In the U.S., the number of our rental accounts also exceeded the 74,000 mark and continue their stable increase in the market.

Sales by Product

Our flagship products in the global market are air purifiers, water filtration systems, bidets and juicers. By product-specific share in the export market, air purifiers comprise the biggest share. The sales of air purifiers in China are skyrocketing due to the recent problems they've been facing with yellow dust permeating their atmosphere (138% growth rate in 2013 against the previous year).

Sales Breakdown by Region

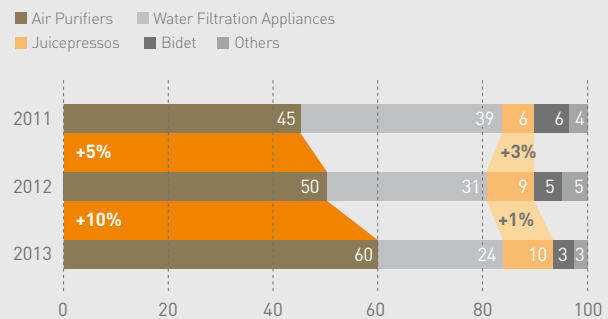
(Unit : %)



* Others include the Middle East, Russia, Central & Latin America and Oceania

Sales Breakdown by Product Category

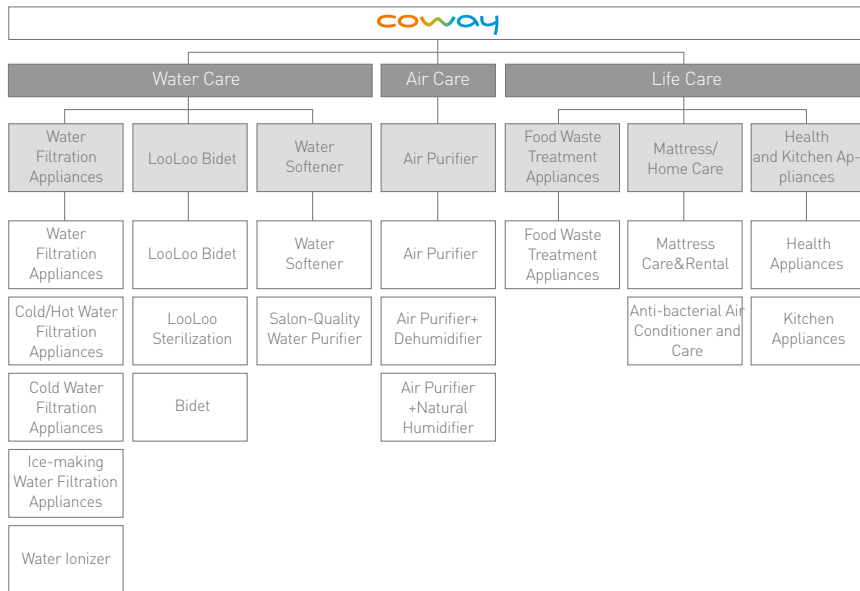
(Unit : %)



Brand Value Creation

In 2013, we got off to a fresh start and our company was renamed <Coway>. Amidst ever-intensive market competition and the increased penetration of water filtration appliances, bidets and other home wellness appliances, we established an integrated branding system under the corporate brand name <Coway> to efficiently invest our capabilities and resources. Not only will this ensure that Coway's brand is fully unified, it will further clarify our corporate identity and business philosophy as a company that 'takes on the responsibility for the life of customers'.

Brand System



Brand Power – Coway's Brand Power on the Sustainable Growth Track

- 2013
 - Received the 'IR52 Jang Young Shil Award' for our cosmetic products
 - Listed on the DJSI Asia Pacific index
 - Recognized for excellence in offering equal employment to both genders
 - Received the Korea's Top 100 Great Work Place Award
- 2012
 - Received the CSR Excellence Award at the Corporate Social Responsibility Awards 2012
 - Received the Outstanding Company in Quality Competitiveness award at the Quality Competitiveness Competition 2012
 - Received the Presidential Prize at the Green Management Excellence Awards
- 2011
 - Received the Grand Prix award at the 19th Chosun Daily Environmental Awards
 - Awarded at the Korea Shared Growth Awards 2011
 - Received the Grand Prix award at the Product Safety Management Awards 2011
 - Awarded at the UNGC Value Awards
- 2010
 - Listed on the DJSI Asia Pacific Index
 - Listed on the Korea-Brand Power Index (K-BPI)
- 2009
 - Received the Prime Minister's Award for contribution to low carbon green growth
- 2008
 - Received the Presidential Commendation on the 13th Consumer Day
 - Obtained the NET Mark (new technology certification)
 - Designated as a Recognized Testing Laboratory (RLT) by the WQA of the U.S.
- 2007
 - Selected as an excellent CCMS-certified company (Fair Trade Commission)
 - Designated as an official RoHS testing institute
- 2006
 - Received the Excellence Award at the 1st Sustainability Management Awards
- 2003
 - Certified as an Excellent Company in terms of Equal Employment (Ministry of Labor)
- 2002
 - Recognized as an official water quality analysis center by KOLAS
 - Selected for its 'Excellence in Novel Labor-Management Company Relations' (Ministry of Labor)
- 1997
 - Received the 'IR52 Jang Young Shil Award' for the cold/hot water filtration appliance (CHP-7000H)
- 1996
 - Became Asia's 1st to obtain the NSF quality certification
 - Designated as a quality inspector for drinking water (Ministry of Environment)
- 1989
 - Registered as an official member of the Water Quality Association (WQA) of the U.S.

HOME WELLNESS APPLIANCE BUSINESS

Brand Value Creation



Coway Water Filtration Appliances

At Coway, it is our great hope that humanity comes together to end water pollution and ensures that there is an ever-present supply of clean and healthy water. Our water filtration appliances represent our tangible solution to this precise concern.



Coway Air Purifiers

Coway's air purifiers represent our aspiration to provide clean air and outstanding customer service.



Coway Food Waste Treatment Appliances

Coway's food waste treatment appliances help to create a delightful kitchen and embody our vision to become a partner in improving lifestyles.



Coway LooLoo Bidets

Coway's LooLoo bidets have brought sophistication into the bathroom and ensure a sanitary and refreshing bathroom experience.



Coway Mattress Care Rental

As a brand new concept-based business, Coway's mattress care and rental provides high quality, hi-functionality mattress rentals and care service at affordable prices to deliver improved sleep to the dreams of our customers.

COSMETIC BUSINESS



Re:NK

Created with Coway's cutting edge bioengineering technology, the name "Re:NK" is defined two ways: "Rebirth New Skin" and "Revolution of Knowledge." Re:NK promises to become a leader in state-of-the-art beauty and complexion research with "Smart Beauty Technology".



allvit

Born from Coway's reinterpretation of herbal cosmetic traditions, the traditional herbal cosmetics brand "allvit" represents our "right" spirit – celebrating things from the past and creating relevant value.



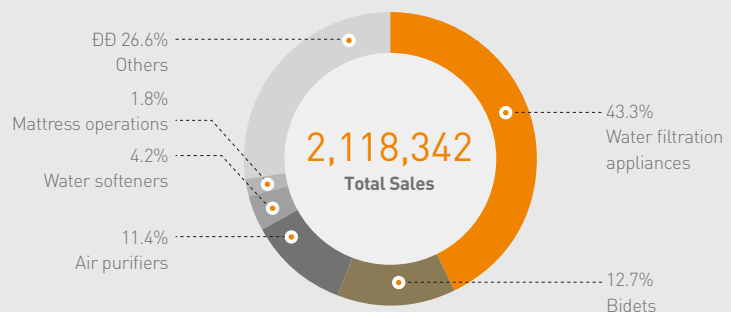
NATURANCE Fromn

The name "NATURANCE Fromn" conveys the message that our products are made with rare and natural ingredients (from the five seas and six continents). It represents our philosophy to strive for beauty that is aligned harmoniously with nature.

Sales by Major Brand

(Unit : KRW million)

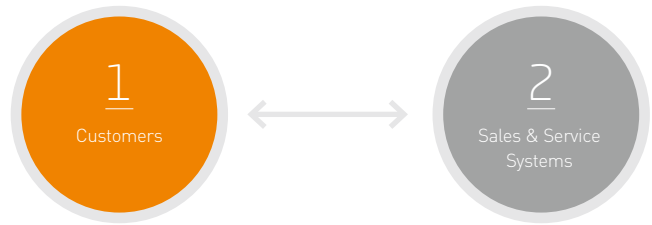
In the Korean water filtration, air purifier and bidet segments, it is not just price and quality—but also an efficient sales network and competitive maintenance and management services—that are instrumental in ensuring business success. Specifically, sustained maintenance/management services are essential (filter replacement, etc.) given the inherent characteristics of these products. Thus, we at Coway have built up a nationwide service network and deliver high-quality customer services to continuously increase our market share and sales.



Overview

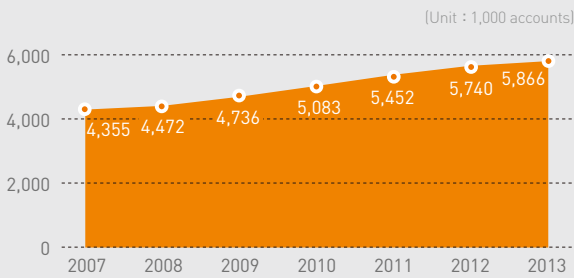
Business Model Based on Customer Trust

We operated a differentiated business model that combines rental and maintenance services from the CODY system launched in 1998. From our initial operations, we established a business structure to allow customers to use home wellness appliances that promote the health of both customers and the environment without any burdensome up-front investment. This way, through regular maintenance services, they can enjoy the full spectrum of our product functionalities. Furthermore, our sales agents (CODYs, HPs, BPs)—who are linked by age group with our customers—quickly identified



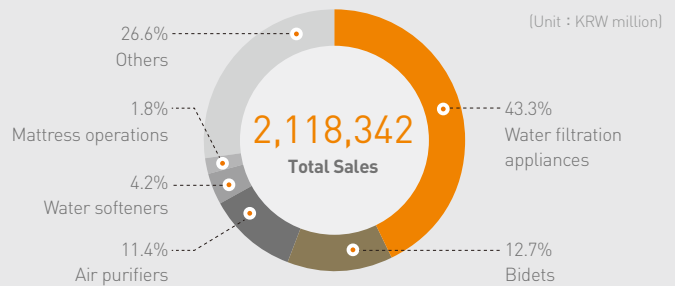
1 Customers

Secure sustainable growth drivers and, through a reliable customer base, create a tremendous cash flow



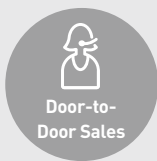
3 Home Wellness Appliances

Own brands that rank 1st in market share in such major product categories as water filtration appliances, air purifiers, bidets and water softeners



2 Sales & Service Systems

Retain professional sales and service agents – CODYs, CS Doctors, Health Planners(HP) and Beauty Planners(BP)



Door-to-Door Sales

Dedicated Sales Agent

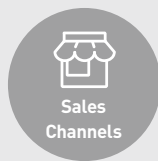
1,970 HP(No. of persons)

1,794 BP(No. of persons)

Sales and Services

12,714

CODY,
Home Care Doctor
(No. of persons)



Sales Channels

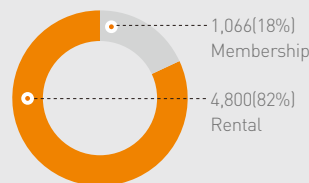
172 locations in total

4 Reinforcing Customer Choices

Maintain cancellation rates in the 1% range through rental and maintenance management services as well as 79% in retention rates

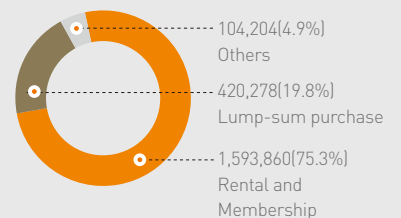
Customer Composition

(Unit : 1,000 accounts)



Sales Breakdown

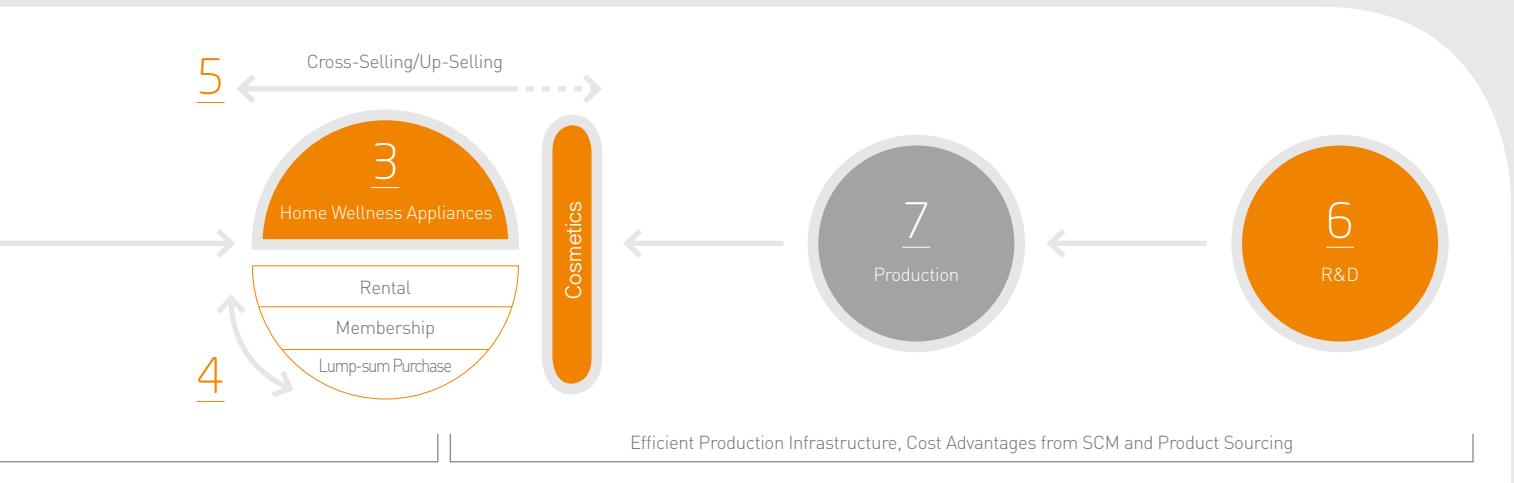
(Unit : KRW million)



customer needs (due to their long-term friendships) and delivered relevant products and services. It is through this business model that Coway was able to retain 5.86 million customer accounts to fuel its sustainable growth and create a stable cash flow.

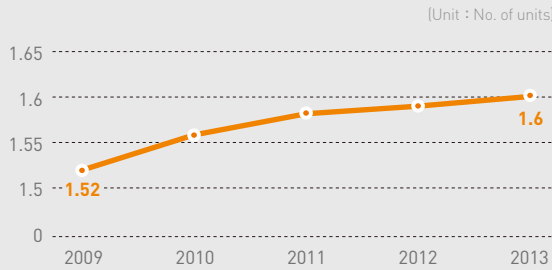
We take great pride in and responsibility for what we do; we deliver two vital and fundamental resources essential to the existence of humanity: air and water. It is for this reason that we strive to innovate and perfect our home

wellness appliances—from water filtration appliances to air purifiers and bidets. Through our core business capabilities, we are also advancing into the new market territories of mattress rental services. It is the innovative 'rental business' model that enabled us to create new value and profits in a completely different way. Our goal is to weave this spirit of differentiated innovation into the fabric of our corporate DNA and to commit ourselves to creating and distributing customer value continually.



5 Cross-Selling/Up-Selling

Continuously expand the customer base by increasing repurchases per household



7 Production

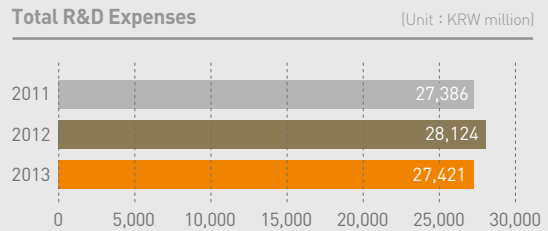
Ranked 1st in production capacity in the Home Wellness Appliance industry and known for its advanced quality management infrastructure

Annual Production Capacity (Unit : 1,000 units)		
Product	Plant	Production Capacity
Water Filtration Appliances	Yugu/Incheon Plants	1,087
Air Purifiers	Yugu/Incheon Plants	1,124
Filters	Yugu Plant	17,458
Bidets	Incheon Plant	494
Food Waste Treatment Appliances	Incheon Plant	19
Water Softeners	Incheon Plant	108
Others	Incheon Plant	230

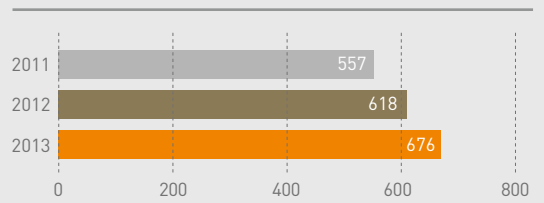
* The production capacity of OEM manufacturing locations (in Gwangzhou, China and in Gwangsan, Korea) was not included in calculating production capacity.

6 R&D

Own IP rights that are 4.5 time above the average of industry peers, secure design capabilities that fall within the global top 3% range (IF Design Ranking)



IP Rights (Patents and Utility Models)



R&D Center	Design Research Institute
Develop and research technology for home wellness appliances, Analyze water quality	Develop designs for home wellness appliances
Environmental Quality Institute	
Product/parts reliability analyses and inspections, Domestic & Overseas quality assurance	
Cosmetics Research Institute	
R&D on cosmetic products, Cosmetic efficacy, Irritation and toxicity testing	



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PART 1 SUSTAINABLE OPERATION

AT COWAY, RESPONSIBILITY MEANS THAT WE HOLD OURSELVES
ACCOUNTABLE TO TRANSLATE OUR WORDS INTO ACTIONS TO DELIVER
RESULTS IN OUR BUSINESS CONDUCT—NO MATTER HOW HIGH THE
MOUNTAIN OR HOW TOUGH THE TERRAIN. FURTHERMORE, IT MEANS
THAT WE ARE RESPONSIBLE TO OUR EMPLOYEES, OUR CUSTOMERS
AND THE GREATER SOCIETY AS A MEMBER OF THE COMMUNITY.

We believe in Goodness

BUILDING A NEW CORPORATE CULTURE

Our robust competitive edge has been driven by the new value created by innovative business models and differentiated products & services. Yet, it is instrumental that we secure a more fundamental competitive edge as the market competition is projected to become even more intensive. We at Coway, have found a way to address this dilemma and soar peacefully above the competition. What sets us apart from our market peers is not something transient as a product boom or service sector shift. Our difference lies deep within our foundational identity—namely it is our business philosophy. In 2013, we defined our corporate philosophy by maintaining our current strengths in our organizational culture, while analyzing the value expected from the future strategic perspective. This process led to the establishment of our new business philosophy 'We believe in Goodness'. We at Coway aim to become a sustainable company with the philosophy 'We believe in Goodness' and do 'What we do at Coway to contribute to a better world'.

IDENTIFICATION OF 'WE BELIEVE IN GOODNESS'

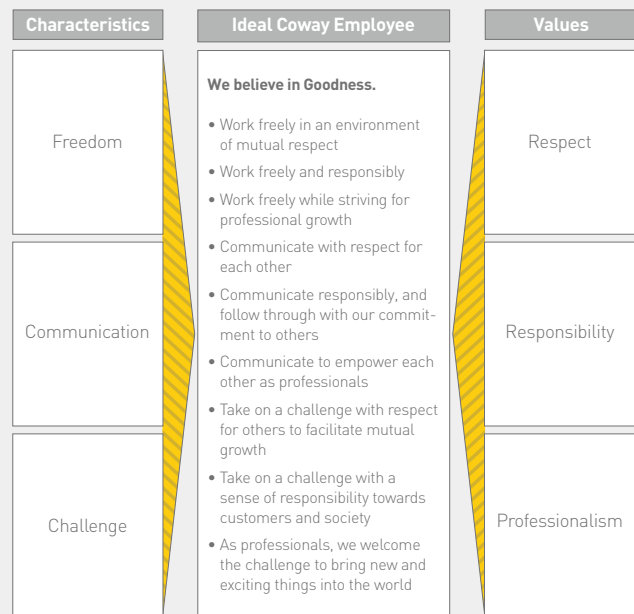
As a company that values a culture of inclusion, we also engaged all our employees in defining our new and updated business philosophy through interviews, FGIs and workshops. From such diverse communication processes, we identified this new business philosophy 'We believe in Goodness'.

Step 1	Communication with Stakeholders
Step 2	Interview with Executives
Step 3	FGIs
Step 4	Positive Interview that Engages All Employees
Step 5	A.I. Summit
Step 6	Refine Workshop

COWAY VISION SYSTEM



COWAYS' WAY OF WORK



Sustainability Management

SUSTAINABILITY MANAGEMENT VISION

Our endeavors to fulfill corporate social responsibility and grow into a sustainable company are founded on our business philosophy 'We believe in Goodness' and our corporate mission of 'Healthy Environment, Happy People'. As our operations that are inherently related with water and air, have direct impact on the lives of people, we take the first step in advancing sustainability management by performing our tasks the right way. Throughout our entire business conduct from product & service development and manufacturing to marketing and sales, we pursue the 'eco-soundness' and 'health' of our customers and society. Furthermore, we ensure that all stakeholders—customers, employees, suppliers—who interact with us feel 'satisfied' and go away feeling happy. It is with these principles that we defined our sustainability management vision 'We believe in Goodness in Advancing Sustainability Management' and embed this vision in every aspect of our work so as to deliver greater stakeholder value.

SUSTAINABILITY MANAGEMENT ACTION FRAMEWORK

To effectively advance sustainability management on a company-wide level, our 'Sustainability Management CFT' was established with working-level staff from seven departments and assigned responsibility for monitoring sustainability management issues, conducting internal diagnoses, developing improvement plans and reporting outcomes. Issues found to have grave impact as a result of monitoring are reported to the Management Committee. These issues are then shared across the board and corrective measures are taken. In addition to the Sustainability Management CFT, the EHS Committee and other issue-specific committees are up and running to efficiently advance sustainability management.



Sustainability Management Strategy & Roadmap



Responsible and Transparent Governance

MANAGEMENT ACCOUNTABILITY FOR THE GREATEST SHAREHOLDER VALUE

Our board of directors (BOD) is instrumental in building an advanced governance to ensure management transparency and establish a trustworthy management system. This allows us to improve our competitive edge and attract more investors so as to maintain reliable and trust-based relationships with customers and stakeholders.

COMPOSITION OF THE BOD

Our board of directors (BOD) is comprised of professional managers who have extensive experience and expert knowledge in their own field. As the highest decision-making body, our BOD is responsible for preventing a wide array of risks and evaluating the operational performance of the top management. Presently, our BOD consists of a total of seven members – two external directors, four non-standing directors and the CEO. Our external directors account for more than 25% of the total BOD members as stipulated by corporate regulations to ensure a sound governance structure.

BOD Composition

Category	Name	Position/Also Serving As
CEO	Dong-Hyeon Kim	CEO, Coway, Co., Ltd.; Chairman of the BOD
Non-Standing Director	Michael Byeong-Ju Kim	Chairman, MBK Partners
Non-Standing Director	Jong-Ha James Yoon	Vice-Chairman, MBK Partners
Non-Standing Director	Jay H. Bu	CEO, MBK Partners
Non-Standing Director	Tae-Hyeon Park	Vice President, MBK Partners
External Director	In-Bum Choi	Adjunct Professor, Sogang Graduate School of International Studies/Standing Adviser, GM Korea CEO
External Director	Jun-Ho Lee	L.E.K Consulting

BOD OPERATIONS

Major agenda issues decided at BOD meetings in 2013 include an annual salary increase and incentive payment for the CEO, the dismissal of Joon-Kee Hong as the CEO and appointment of Dong-Hyeon Kim as the new CEO, the establishment of branches, the appointment of the BOD Chairman, the appointment of Management Committee members and Compliance Officers. In 2013, the BOD met 12 times (one regular and 11 ad-hoc meetings) with 100% in average attendance.

BOD PERFORMANCE EVALUATION AND REMUNERATION

Our BOD and its committees are subject to annual performance evaluations. The BOD members are compensated in accordance with the KPI-based, short-term performance pay standards. The final compensation is coordinated by the CEO, decided at the general shareholder meeting and disclosed to stakeholders through annual business reports.

Remuneration for Directors and Auditors

(Unit : KRW million)

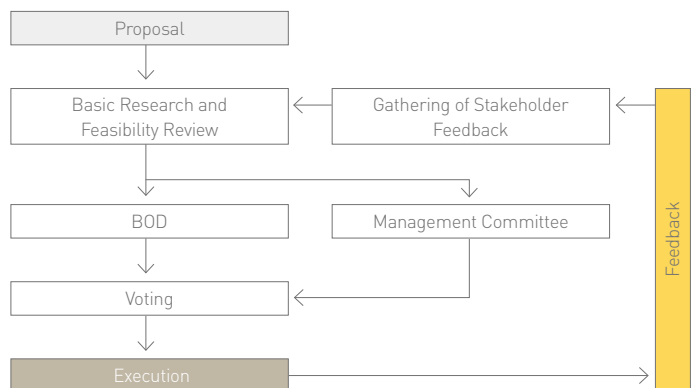
Category	No. of Persons	Total Compensation	Average Compensation per Person
Internal Directors	1	373	373
Non-Standing Directors	4	-	-
External Directors	2	56	28
Auditors	1	171	171
Total	8	600	-

※ The data excludes the compensation for the former CEO Joon-Kee Hong who resigned on August 16, 2013.

MAJOR DECISION-MAKING PROCESS

Major decisions that affect our business operations are primarily made at the general shareholder meeting, BOD and Management Committee. While the BOD handles issues that may significantly change our operations – large-scale investments and borrowings, merger and spin-off - the committee decides on small-scale investments and other less significant issues to ensure the efficient operation of the company and expedite the decision-making process. The Management Committee consists of three members appointed by the BOD, including the CEO.

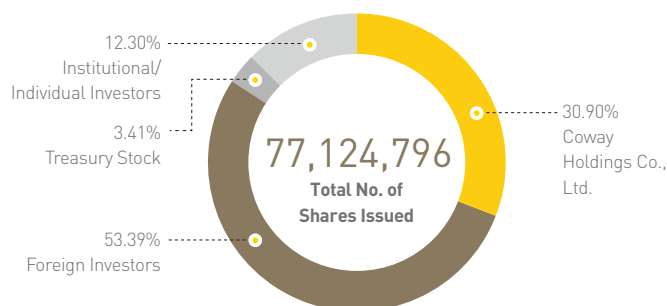
Major Decision-Making Process



COMPOSITION OF SHAREHOLDERS

Coway Holdings Co., Ltd. (a special purpose company established by MBK Partners) owns 30.90% of Coway while foreign investors own 53.39% of the total.

Composition of Shareholders



※ As of December 31, 2013

GATHERING FEEDBACK FROM SHAREHOLDERS/INVESTORS

It is with our business principle that we form strategic trust-based relationships with shareholders and investors and that we undertake a variety of IR initiatives to offer accurate and timely information to all our investors. Regular CEO meetings are hosted to gather feedback from investors and we are an active participant in conferences held by securities firms. To provide timely investor information, we also pay investor visits regularly.

AUDIT

We appointed one auditor to be responsible for the independent and transparent operation of the BOD. The auditor may attend BOD meetings and serve as an independent supervisor of the directors. The auditor can also request account books and documents to concerned departments if deemed necessary and can be briefed on issues regarding company operations.

Ethics Management

ETHICS MANAGEMENT AT COWAY

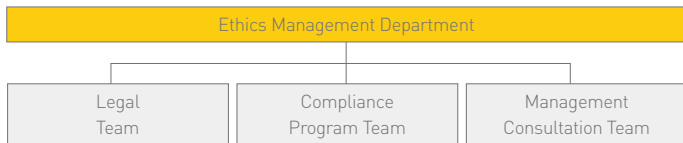
Since the declaration of ethics management in 2003, we have raised ethics awareness—both internally and externally—and have practiced ethics management under the motto 'Clean Coway' to build a transparent corporate culture. In 2013, ethics management-related systems were either newly created or revised. This included a more robust monitoring system that laid the groundwork for a more proactive ethics management structure. Furthermore, we offered ethics awareness training to our employees and suppliers. This greatly helped us to weave ethics management into our corporate DNA and help prevent ethical risks before they ever occur.

History of Coway's Ethics Management



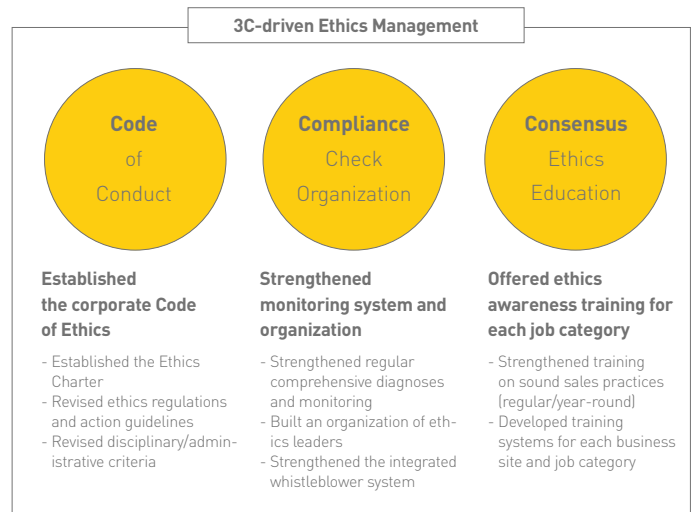
ETHICS MANAGEMENT ORGANIZATION

Our Ethics Management Department takes on a leading role in advancing company-wide ethics management initiatives.



- ※ **Ethics Management Department**
- Create, abolish and operate wide-ranging systems and regulations concerning ethics management
 - Monitor ethics management and operate an ethics management index
 - Disseminate ethics management and operate the whistleblower system
 - Set Coway's ethics management plans for 2014

ETHICS MANAGEMENT IN 2013



COWAY'S ETHICS MANAGEMENT PLANS FOR 2014

Our 2014 goal is to ensure that our employees abide by work-related regulations in the way they think and act, in accordance with our 'We believe in Goodness' business philosophy and ethics standards. Five sector-specific detailed targets were established from this goal for 2014 – ethics management standards and systems, ethics training, campaigns and promotions, responsible organization and diagnosis & evaluation.

Standards & Systems 1	Rewards for whistleblowers, Whistleblower system, Additional year-round monitoring system
Ethics Training 2	Training for executives, Those hired through ad-hoc recruitment, New recruit
Campaigns & Promotions 3	e-Ethics Pledge, Ethics message from the CEO
Responsible Organization 4	Ethics leaders for each division
Diagnosis & Evaluation 5	Ethics management index, Ethics management survey, Supplier satisfaction survey

Integrated Risk Management

RISK MANAGEMENT DIRECTIONS

We defined risks and developed countermeasures (as well as management plans), so that we not only effectively respond to any potential management risks, but also create new opportunities out of such risks. Each one of our divisions reviews the likelihood of the occurrence of each defined risk, as well as their risk levels, in taking preventive action.

RISK MANAGEMENT INITIATIVES

Our Risk Management Committee was designed to ensure efficient risk management. This committee provides documented policies and response measures to handle strategic, operational, regulatory and other general risks, in addition to financial risks such as currency, interest rates and credit risks. The risk management policies approved by the committee guide respective working-level departments to ensure that concrete action is taken against these risks and working-level departments closely cooperate with one another to identify, assess and prevent risks.

Risk Management Organizational Chart



Risk Management Process

Step	Actions Taken	Responsible Organization
Step 1 Gather Data	Gathering information in real time in each department/ Convening risk assessment meetings	Respective Departments
Step 2 Impact Analysis	Analyzing relevant information, Assessing risk levels, Issuing risk alerts	Risk Assessment Meeting
Step 3 Establish a Responsible Organization	Defining response directions and major guidelines as the highest-level responsible organization	Management Committee Risk
Step 4 Develop Countermeasures	Developing countermeasures	Risk Management Committee, Risk Management Team, Risk Management Support Team
Step 5 Take Countermeasure	Taking action based on response plans	Risk Management Team, Risk Management Support Team
Step 6 Progress Report	Reporting the progress of risks and outcomes of countermeasures	Risk Management Committee
Step 7 Monitoring and Feedback	Continued monitoring and feedback	Risk Management Team

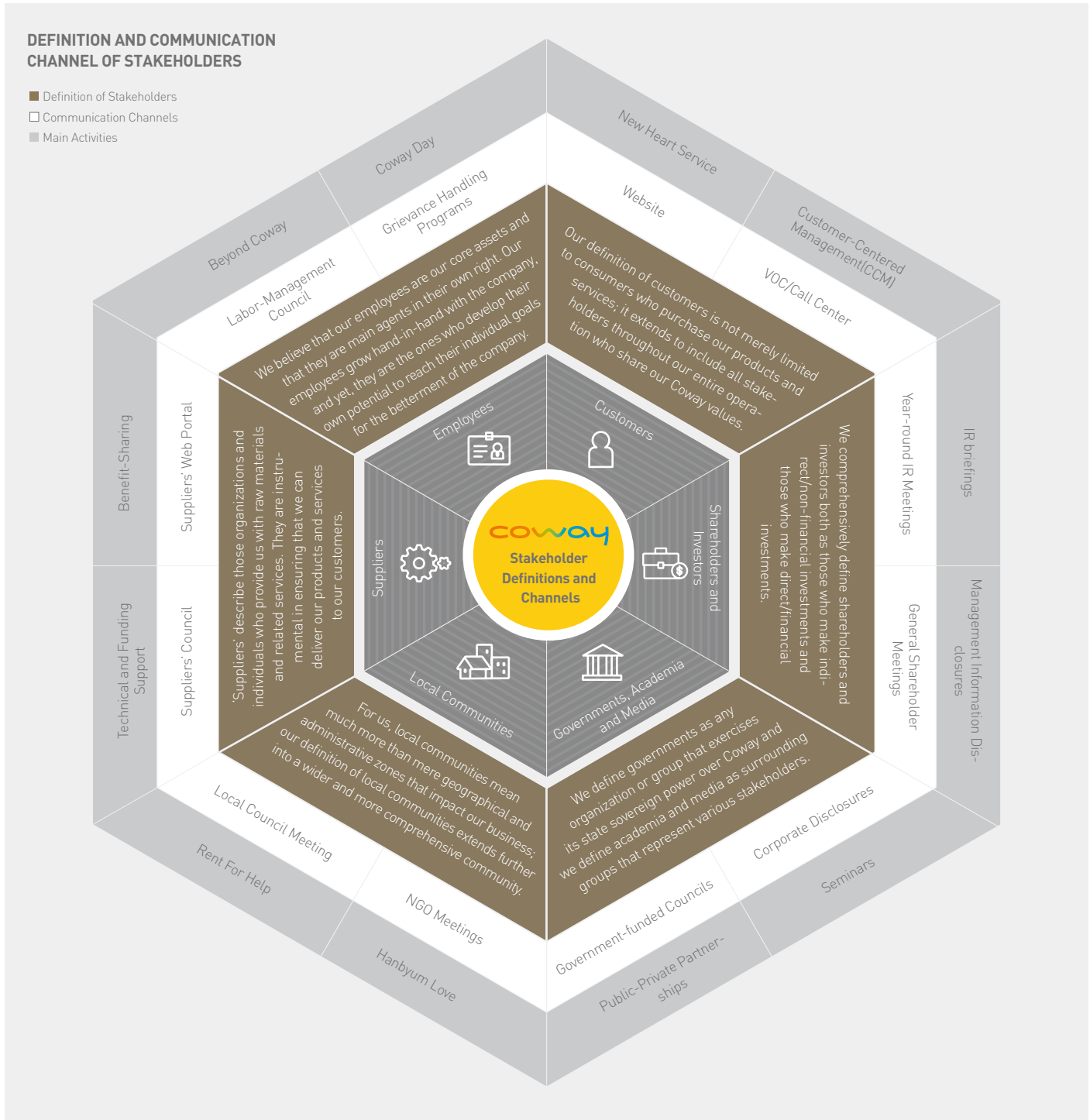
Risk Analysis and Response in 2013

Major Risks	Definition of Risks	How Coway Responds
Market Risks	Prolonged global economic and recession and ensuing growing household debt	Minimize the burden on households through rental programs
	Change and expansion of competitors	Strengthen door-to-door sales channels and develop marketing channels, reinforce our core competitive edge
	Stagnancy of the water filtration appliances market caused by a saturated distribution	Induce sustained purchases of consumers through differentiated products and services Create value from tapping into new markets and launching new operations
	Growing consumer interest in hygiene and safety	Strengthen hygiene services and related technology as well as product safety
Financial Risks	Currency risks	Risks from rapid currency fluctuations are found minimal as the ratio of overseas operations is not high
	Price risks	Create a diversified investment portfolio within a limit set by the company
	Interest rate risks	Conduct sensitivity analyses and scenario analysis in parallel
Strategic Risks	Price increases and reduced discounts	Deliver customer satisfaction through differentiated services while analyzing markets and defining sales strategies from the long-term perspective
Operational Risks	Customer complaints over old products	Strengthen product hygiene and quality through <New HEART Service>
	Management of sales and service workforce	Present vision and offer robust welfare and talent cultivation systems for sales workforce
	Compliance risks	Establish the Ethics Charter and disciplinary/administrative standards, strengthen the monitoring of ethics training
Regulatory Risks	Tightening regulations on door-to-door sales	Strengthen systems, training, monitoring and other management initiatives to eliminate unhealthy sales practices
	Tightening personal data privacy regulations	Strengthen self-initiated diagnoses and undertake technical/managerial protective action under the personal information management system in order to prevent any leaks of customer information Reinforce data privacy training for sales workforce and other employee as well as control and monitoring of access authority to personal information processing systems

Stakeholder Engagement

COMMUNICATION WITH STAKEHOLDERS

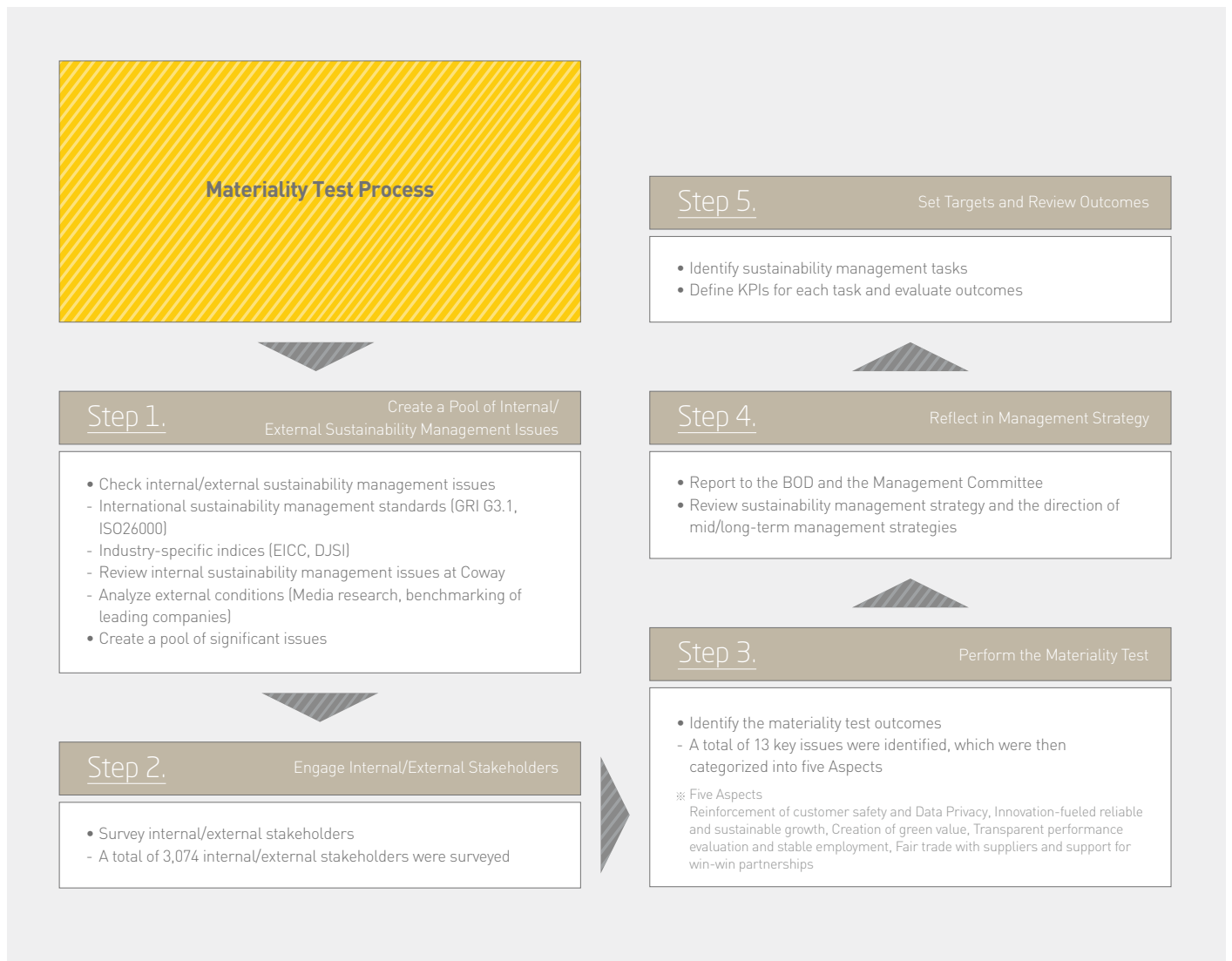
We believe in the importance of stakeholder communication and view it as an essential component of a successful sustainability management structure. This is why we establish so many diverse communication channels. To reflect the varying issues raised by stakeholders in our business operations, our communication strategies are differentiated in consideration of business impact and social interest.



Materiality Analysis

MATERIALITY TEST DRIVEN BY STAKEHOLDERS

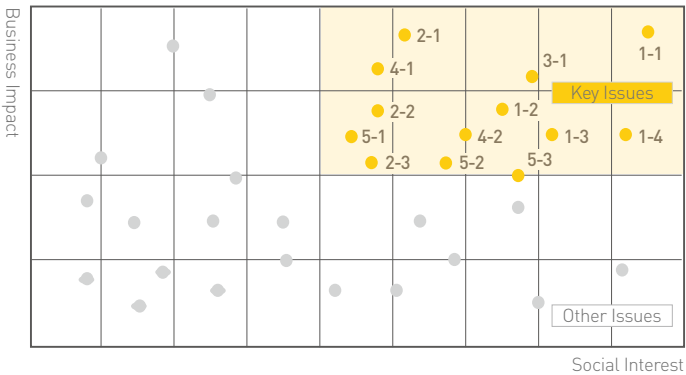
In performing the materiality test, we put a wide array of sustainability management issues raised by our stakeholders on the table, and succeed in prioritizing them precisely in order of importance. We ensure that all our stakeholders are adequately engaged in the materiality test to ensure an impartial and fresh perspective on our sustainability management practices.



Materiality Analysis

CHANGE IN THE DISTRIBUTION OF KEY SUSTAINABILITY MANAGEMENT ISSUES

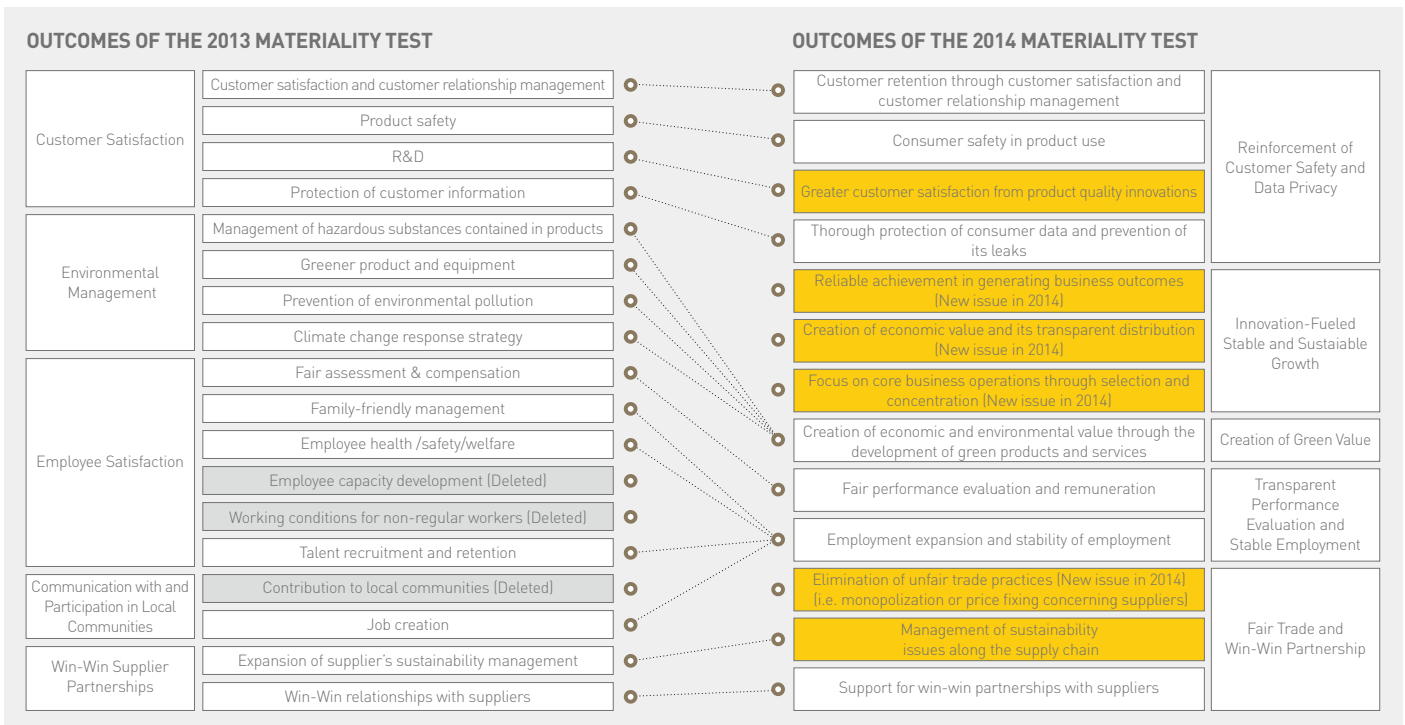
The 2014 sustainability management materiality test generated a total of 13 key stakeholder issues. Six key issues (as seen the following diagram) of these 13 were newly identified in the 2013 materiality test. This materiality test reflected a high level of stakeholder interest in 'mid/long-term sustainability driven by business growth' and the 'social impact of supply chain'.



Materiality Test Outcomes

No.	Key Issues
1-1	Customer retention through customer satisfaction and customer relationship management
1-2	Consumer safety in product use
1-3	Greater customer satisfaction from product quality innovations
1-4	Thorough protection of consumer data and prevention of its leaks
2-1	Reliable achievement in generating business outcomes
2-2	Creation of economic value and its transparent distribution
2-3	Focus on core business operations through selection and concentration
3-1	Creation of economic and environmental value through the development of green products and services
4-1	Fair performance evaluation and remuneration
4-2	Employment expansion and stability of employment
5-1	Elimination of unfair trade practices (i.e.: monopoly or price fixing concerning suppliers)
5-2	Management of sustainability issues along the supply chain
5-3	Support for win-win partnership with suppliers






※ Internal/External surveys were conducted to prioritize a total of 33 issues and from these, 13 key issues were finalized.



The Way Forward for Sustainability Management

We set the direction for sustainability management in 2014 based on the five Aspects and identified detailed tasks to advance sustainability management. In 2014, we aim to undertake these management tasks on a company-wide level and gather regular feedback for sustained improvements.

SUMMARY REPORT OF THE FIVE ASPECTS

Aspect	Background of Issue	Coway's Response
 <p>Reinforcement of Customer Safety and Data Privacy</p>	<p>As a provider of home-wellness appliances that are closely related to our customers' health, customer safety and hygiene is our paramount concern. As a rental business operator, we face the growing need to protect the large amount of customer data that falls under our jurisdiction.</p>	<ul style="list-style-type: none"> • Advance our customer data privacy management system • Maximize customer satisfaction through product quality innovation • Reinforce specialized air and water research • Strengthen communication with our customers
 <p>Innovation-Fueled Stable and Sustainable Growth</p>	<p>Our number-one priority is to stabilize the growth of our operations, regardless of rapidly shifting business conditions. With this, our stakeholders are increasingly interested in whether we make the right investment decisions and build capacity for our core operations, which is the main driver behind our growth.</p>	<ul style="list-style-type: none"> • Build a core competitive edge through innovation • Network with large overseas partners and increase sales • Create continual economic value and distribute it transparently
 <p>Creation of Green Value</p>	<p>With the damaging consequences of climate change and natural disasters, come an increasing interest in green products and services, along with their value creation in the greater society. As this is highly critical to our major operations, we should ensure we manage our environmental risks.</p>	<ul style="list-style-type: none"> • Respond to climate change and manage water resources • Develop green products • Conduct life cycle assessment(LCA) on our products for their environmental impact • Advance our environmental management system
 <p>Transparent Performance Evaluation and Stable Employment</p>	<p>Job creation and stable employment are emerging as major social concerns. Corporate policies and regulations serve as an instrumental foundation in delivering a stable work environment.</p>	<ul style="list-style-type: none"> • Evaluate employee performance objectively and fairly • Create a flourishing and healthy labor-management and organizational culture • Endeavor to improve employee's work life balance • Facilitate communication with employees
 <p>Fair Trade and Win-Win Partnership</p>	<p>Building a supply chain network is critical to strengthening our competitive edge and the new GRI G4 Guidelines, the international sustainability management standard, significantly increased the number of supplier disclosures. This makes shared growth with our suppliers that much more important as a crucial sustainability management issue.</p>	<ul style="list-style-type: none"> • Strive to eliminate unfair trade practices in working with suppliers • Strengthen communication with suppliers • Offer diverse benefits for win-win partnerships • Advance our integrated supplier management process



24 Materiality Aspect

- 26 Aspect 1 Reinforcement of Customer Safety and Data Privacy
- 32 Aspect 2 Innovation-Fueled Stable and Sustainable Growth
- 38 Aspect 3 Creation of Green Value
- 44 Aspect 4 Transparent Performance Evaluation and Stable Employment
- 50 Aspect 5 Fair Trade and Win-Win Partnership

PART 2 MATERIALITY ASPECT

FOR US AT COWAY, RESPECT MEANS FOLLOWING THE BASIC
RULES REGARDLESS OF CIRCUMSTANCE AND ENSURING
THAT WE ARE COURTEOUS AND CONSIDERATE TO ONE
ANOTHER. WE BELIEVE IN THE IDEAS AND EXPERTISE OF OUR
COLLEAGUES AND HAVE A STRONG ESPRIT DE CORPS. MOST OF
ALL, WE RECOGNIZE THE VALUE OF CUSTOMER CONTACT POINTS.

Aspect 1

Reinforcement of Customer Safety and Data Privacy

WHAT WE BELIEVE

Customer safety comprises the cornerstone of our belief in goodness towards customers.

<p>Aspect Boundary</p> <ul style="list-style-type: none"> • Background of Issue : Social concerns over customer safety and data privacy. Coway's perspective on these concerns • Customer Safety : Water Map project, IAQ field testing, product safety certification, International Standard Product Safety Testing & Certification Center, etc. • Customer Data Privacy : Customer data privacy strategy, responsible organization, document security system for data privacy, etc. 	<p>Target of Impact</p>  <p>Customers</p>
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Social Concerns regarding Customer Safety and Data Privacy

The integration of regional/national markets and shifting international trade conditions (expansion of FTAs) can lead to an increased distribution of cheap illegal and/or defective products as well as products that have not undergone any safety confirmation. This prompted the U.S., EU and other advanced nations to tighten their safety management of imported consumer products for consumer safety, while demanding higher safety standards for those products used by children, the elderly and any other populations who could be vulnerable in using unsafe products. Product issues of non-safety compliance are further complicated by the increasing frequency of customer information and data leaks in many industries, which in turn causes growing concerns from consumers and the society. These two social issues that have recently garnered increasing attention share one common theme: 'customer safety'

The Reason Why Customer Safety and Data Privacy Is Considered Material

Due to the inherent characteristics of the rental business, we directly interact with individual customers frequently. This requires us to possess a lot of customer data, from basic personal data to their personal preferences for products and services; all of such information falls under our jurisdiction. Specifically, water filtration appliances, air purifiers and other home wellness appliances have direct impact on the health and safety of our customers as air and water are essential to life. As a way to effectively respond to this specific area of consumer interest, we at Coway endeavor to deploy effective policies and programs to thoroughly protect customer safety and data privacy and go further to earn trust and satisfaction from customers.

WHAT WE LISTEN

Voice of Stakeholders

The materiality test we performed identified four key issues in the Aspect of reinforcement of customer safety and data privacy. These key issues will be central to how we report on our initiatives to reinforce customer safety and data privacy.

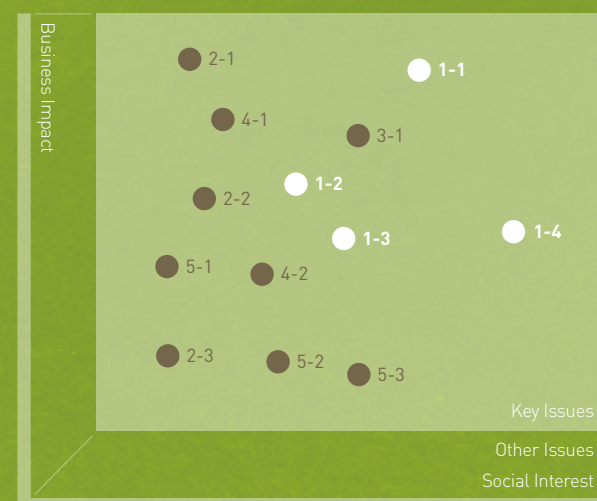
Internal/External Stakeholder Interest on Aspect 1

<p>Others</p> <p>■ ■ ■ ■ ■ 4.4 points</p>	<p>"Reinforcing product safety and customer data privacy is the foundation from which we maintain our corporate identity as a home wellness appliance company as well as a rental business."</p>
<p>Employees</p> <p>■ ■ ■ ■ ■ 4.1 points</p>	<p>"There should be a more robust company-wide management system to secure the safety of the products that deliver water and air."</p>
<p>Customers</p> <p>■ ■ ■ ■ ■ 4.0 points</p>	<p>"Stringent security measures should be undertaken of the information collected through rental services."</p>
<p>Suppliers</p> <p>■ ■ ■ ■ ■ 2.4 points</p>	<p>"More robust joint efforts are required to enhance product safety."</p>

※ On a scale from one to five
 ※ Others : Shareholders and investors, governments, academia and media, local communities, etc.
 ※ For other key issues not covered in this section, please refer to Aspects 2, 3, 4 and 5.

Materiality Test Map

- 1-1 Customer retention through customer satisfaction and customer relations
- 1-2 Consumer safety in product use
- 1-3 Greater customer satisfaction from product quality innovations
- 1-4 Thorough protection of consumer data and prevention of its leaks





What we deliver is not simply 'Home Wellness' appliances, but rather products and services that care for the 'Body' and 'Health' of our customers and take responsibility for the 'Water' and 'Air' that our customers drink and breathe. This is why we at Coway are ceaselessly committed to providing top-notch products and services.



Coway's R&D Centers are home to more than 360 dedicated professional researchers engaged in elaborate and persistent endeavors to deliver products of impeccable quality



WHAT WE DO

We deliver even greater customer satisfaction by offering only safer products.

Customer Safety from the Stakeholder Perspective

As a market-leading company in Korea, Coway's operations have a tremendous impact on related industries. For our stakeholders, their primary focus is on product safety, along with health & safety issues in product use. These issues directly relate to Coway products in the home wellness appliances sector. Coway has an enormous impact on these sectors, which creates a domino effect on market conditions and relevant regulations. In this regard, our commitment to customer safety is significant, not only in its own right, but also in its influence on overall consumer safety in our society. Our stakeholders look up to Coway to deliver even safer products to safeguard consumers against psychological anxiety as well as physical risks.

Coway's Commitment to Customer Safety

At Coway, customer safety takes on a dual meaning: literally it implies 'safe products' but it also encompasses the 'guarantee of the ability to deliver [safe] products'. As our products are home wellness appliances that offer air and water, they are closely related to customer health. This is why we take a dual perspective in addressing customer safety issues: one concerns general product liabilities for product safety and the other concerns our capability to deliver products that function properly. In relation to these two aspects, we define stringent safety standards, proactively develop technology and build systemic follow-up management systems. In so doing, we aim to secure greater product safety and thus provide positive value such as security, convenience and wellness to the life of our customers and our society. We believe that this will ultimately enable us to reach our vision.

Coway's R&D Center Dedicated to Water and Air Research Our R&D Center is the nation's largest of its kind as an R&D center and is also the nation's 1st Recognized Testing Laboratory designated by the Water Quality Association, which demonstrates its world-class capability in water quality analyses and management. The center employs a total of 250 researchers, 13 of which are Certified Water Specialists(CWS). Our top-notch researchers and cutting-edge R&D equipment guide our endeavors to conduct dedicated research on 'water' and 'air'.

Water Map Project Our Water Map Project was designed to make clean water available to anyone. This project aims to collect water quality data from countries around the world (including Korea) and analyze it to create a database. In 2013, we gathered 2,176 sets of water quality data in 41 countries including New Zealand, Thailand, and Switzerland and will extend the scope of this project even further. In so doing, we will grow into a home wellness appliances company that provides the safest 'water and air' fundamental to the life of our customers.

IAQ Field Testing IAQ field-testing aims to research the indoor air quality of actual daily living environments, rather than in controlled laboratories, to help generate cleaner air. Keeping in mind that air quality differs by space, our air quality research is conducted not only in limited testing labs, but also in schools, offices, hospitals, restaurants and other places frequented daily by our customers.

This enables us to extend our services of clean air, devoid of any kind of pollution, to such places. These endeavors equipped us with air cleaning technology capable of eliminating more than 99% of the fine particulates and pollutants found in air.

Various Certificates That Ensure Product Safety Each of our product categories comes with a certification mark awarded by officially-recognized certification bodies and this is detailed in the labeling of our products to enhance their credibility. As such, all Coway water filtration products are labelled with the 'Water Mark' granted by the Korea Water Purifier Industry Cooperative, which is only offered to water purifiers that satisfy the relevant standards and qualifications. Meanwhile, all our air purifiers have the 'CA Mark' granted by the Korea Air Cleaning Association. A portion of our bidets also obtained the 'TR Mark' for their ceramic sterilization technology by the Korea Testing & Research Institute. The TR Mark, a certification program accredited by the Korea Accreditation System, was designed to improve product quality and protect consumers.

International Standard Product Safety Testing & Certification

Center Coway is the first-ever home wellness appliance company in Korea that operates the International Standard Product Safety Testing & Certification Center. This center is equipped with more than 150 specialized testing devices relating to electrical safety, electromagnetic waves, stand-by power consumption, etc.. These cutting-edge devices allow us to assess the safety of products, eliminate such risks as electric shocks or fires and verify the electromagnetic compatibility of external environments, along with other safety factors (energy saving). The center enables us to respond to different nation-specific standards to develop and produce optimized products and save on the time and costs required to obtain major world certifications.

Prime Minister's Commendation Awarded on Product Safety Day

In 2013, Coway was honored with the Prime Minister's Commendation at the 'Product Safety Day 2013' awarding ceremony supervised by the Korea Agency for Technology and Standards under the Ministry of Trade, Industry & Energy. The awards recognize and reward companies for their contribution to reducing safety accidents which improve the safety for the general public through R&D activities. We vow to put consumer safety at the top of our priorities and deliver high-quality products that place our consumers out of harm's way.

We earn consumer credibility through the thorough protection of customer data.

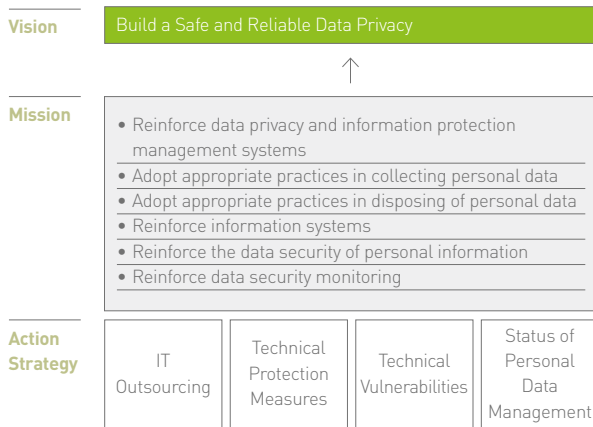
Customer Data Privacy from the Stakeholder Perspective

Recently, infringements on personal data have become increasingly frequent, and unfortunately, so has the sophistication of such attacks. To respond to such threats, legal devices, as well as technical protection measures, are becoming ever more stringent. Since customers offer their confidential information on the basis that they trust the company, the leak of such data leads to an enormous breach of credibility on the part of companies. As Coway's core operations are comprised of rental services, as well as the sales of products, a tremendous amount of customer data is required for its management. This makes customer data security an issue of high interest, not just from the social perspective, but also from the business sustainability perspective. Whether or not we have the capability to safeguard the trust of our customers will be determined by whether we safely manage the confidentiality of their personal data (such as addresses and payment information), whether we have systems in place to prevent security breaches and whether we are capable of undertaking appropriate follow-up measures if such an incident were to occur.

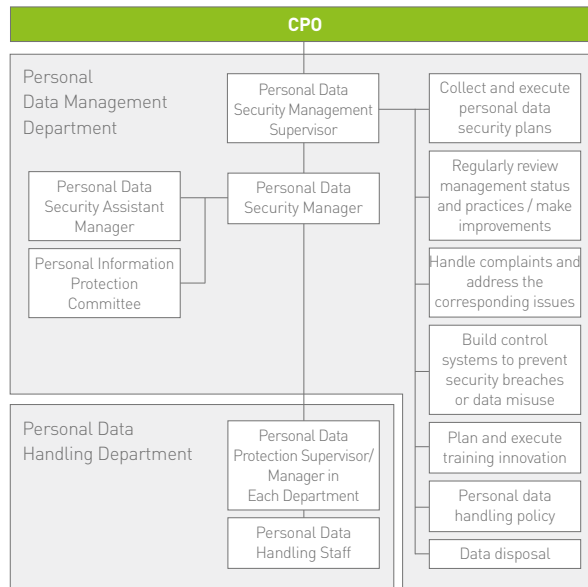
Coway's Commitment to Customer Data Privacy

The protection of customer information is the most basic promise we make to our customers and is an essential component of our business operations. This also means that what fuels our growth is the trust we build with our customers. Since our core business entails rental services that require on-site customer visits, our systems store significant amounts of sensitive customer data. Our top priority is to prevent security breaches of customer data in operating data privacy systems. Not only do we fully comply with data protection regulations, telecommunication network regulations and other relevant regulations, we also continuously maintain and advance our data security management systems. In 2014, we deployed the <Security Compliance Management Solution> to abide by legal regulations and manage risks. This will assist us in objectively reviewing our status in data privacy and optimize our data security environment.

Our Vision Regarding Customer Data Privacy



Customer Data Protection System



Initiatives Regarding Improvement of Customer Data Security Management Systems

Continuously maintain and advance data security management systems to protect customer data

- 1 Develop and revise data security regulations (One policy document, nine manuals and eight procedural documents)
- 2 Define policies, manuals and procedures in accordance with relevant governmental regulations (information communication network regulations, data security regulations) to operate a management system that reinforces customer data protection

Address vulnerabilities within personal data handling systems

- 1 Prohibit the printing or downloading of customer data
- 2 Mask and minimize the exposure of personal information displayed to the user
- 3 Eliminate the exposure of sensitive personal data, such as resident registration numbers

Take more stringent technical security measures

- 1 Build and operate a security authentication center to strengthen control over access to the internal communication network
- 2 Advance data breach prevention solutions

Strengthen security of personal data-related documents

- 1 Redefine the storage period for 'documents containing customer data' in the sales operations that handle personal data
- 2 Streamline document disposal procedures while ensuring the regular disposal of sensitive customer information, on a company-wide level
- 3 Develop and operate a certification system for multi-use machines that print or copy personal data documents

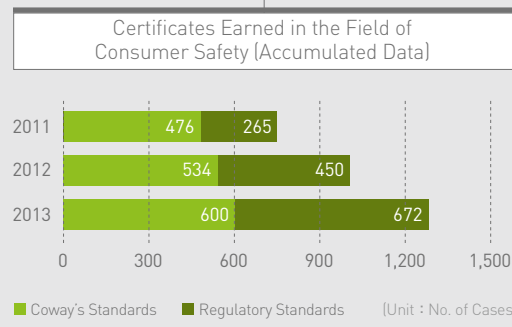
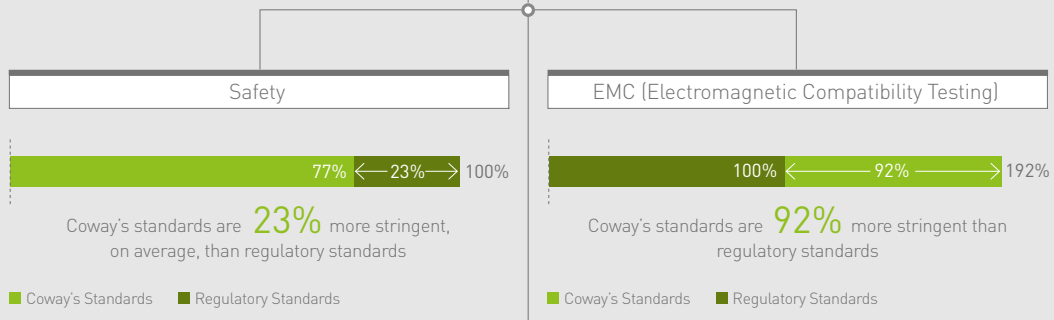
Improve the security awareness of employees who handle personal data

- 1 Strengthen employee training in data privacy and personal data protection (data security practices, understanding customer data security, importance of personal data management)
- 2 Offer regular customer data security training for each job position dealing with personal data handling, general employees and staff commissioned to handle personal data
- 3 Publish data security handbooks, produce and distribute security PR posters, and distribute data security cartoons and newsletters to help employees raise their security awareness and embed data security into their daily operations

What we create

How Our Commitment Impacts Our Society

We take more robust action to protect customers and their data security, so as to deliver greater customer satisfaction. It is based on this commitment, that we make this world a better place. To this end, we develop stringent standards and proactive technology to ensure customer safety and data security, while continually improving our management systems. When our customers are absolutely confident about our products and services, we can create value through our endeavors to secure customer safety and data security.



Aspect 2

Innovation-Fueled Stable and Sustainable Growth

WHAT WE BELIEVE

We explore new markets and create new value.

<p>Aspect Boundary</p> <ul style="list-style-type: none"> • Background of Issue : Social interest for our focus on core operations, Coway's perspective of this issue • Financial Soundness : Expand sales and strengthen the management of cancellations, Discover new overseas partners, etc. • Robust Competitive Edge Built through Innovation : Operational innovation, service innovation, etc. 	<p>Target of Impact</p>  <p>Shareholders and Investors</p>
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Social Interest in Reinforcing Core Business Capabilities

Nowadays, expectations and questions concerning whether a company can grow and develop sustainably are extending their scope to include customers, suppliers and other diverse stakeholders. With this comes a growing interest in a company's core business capabilities and profitability, which form the backbone of a company's ability to respond to major issues. Thus, taking innovation initiatives to build core capabilities is playing an instrumental role, not only to ensure a company's growth, but also to instill confidence among the stakeholders who make up the company and to ensure social development.

The Reason Why Focus on Core Business Is Considered Material

We strive to become competitive in our core business operations by building a sustained competitive edge. Since our growth has been led through the creation of the new market segment of our rental business and its expansion, and not through competing within the conventional industrial landscape, we vow to create business value in areas where we currently are and will be competitive. In pursuing change, we do not question today or get stuck in the status quo, but rather we question tomorrow and the possibilities it holds. It is through our most promising competitive edge to '[create] something new and [grow] it' that we explore a feasible answer to sustainable growth.

WHAT WE LISTEN

Voice of Stakeholders

The materiality test we performed identified three key issues in the Aspect of innovation-fueled stable and sustainable growth. These key issues will underpin our reporting on how we reinforce our core business capabilities.

Internal/External Stakeholder Interest on Aspect 2

<p>Employees</p> <p>■ ■ ■ ■ □ 4.1 points</p>	<p>"Unleashing creative corporate DNA requires a flexible corporate culture."</p>
<p>Customers</p> <p>■ ■ ■ □ □ 3.3 points</p>	<p>"CODY's capacity-building is further required, as they play the most important role in offering rental services."</p>
<p>Others</p> <p>■ ■ ■ □ □ 3.1 points</p>	<p>"It is encouraging that the company is generating reliable outcomes in the face of a big change in its business management."</p>
<p>Suppliers</p> <p>■ ■ □ □ □ 2.4 points</p>	<p>"Tapping the wider global market with suppliers is helpful in creating new value and building more robust business capabilities."</p>

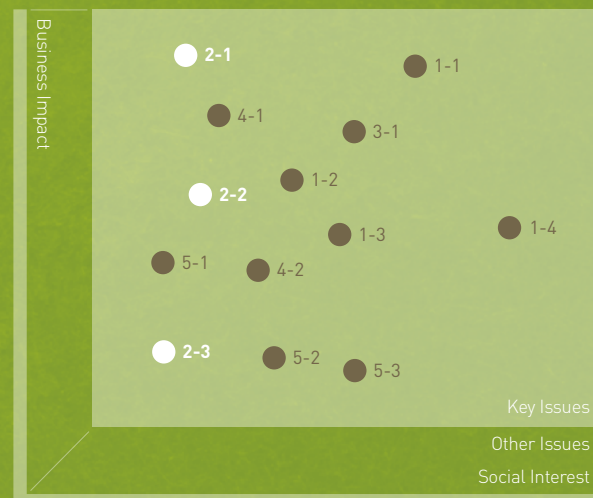
※ On a scale from one to five

※ Others : Shareholders and investors, governments, academia and media, local communities, etc.

※ For other key issues not covered in this section, please refer to Aspects 1, 3, 4 and 5.

Materiality Test Map

- 2-1 Reliable achievement in generating business outcomes
- 2-2 Creation of economic value and its transparent distribution
- 2-3 Focus on core business operations through selection and concentration





We at Coway have always explored uncharted territories and pursued innovation throughout the whole chain of our services, from the rental business model, the CODY (service professionals) system to preliminary service offerings. Our innovation initiatives will continue to create business value in areas we already are, and will be competitive.



It is our great hope that the sincerity of our care and services reach not only our customers, but help to make this world feel a little warmer. Our commitment to catering to the precise needs of each and every customer is an ongoing oath we live up to—anytime and anywhere.



WHAT WE DO

We build on our innovation towards a robust competitive edge.

Strengthening Our Competitive Edge through Innovation from the Stakeholder Perspective

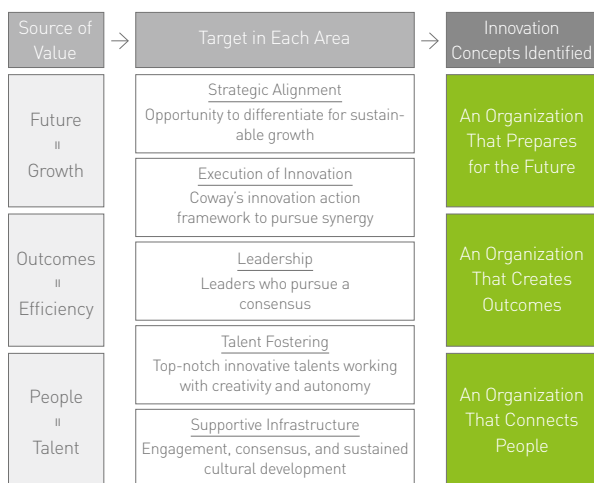
Our innovation strategy closely interacts with our growth & development and sustainable business conduct. Our rental business and mattress care rental services represent our innovation strategies that led to creating new business segments, value and a lead in the market. We are fully committed to building a culture of self-initiated innovation, as well as one that undertakes systemic innovation initiatives. We expect that such endeavors will prevent us from falling into complacency and help us in our continued creation of new value. Our stakeholders will keenly observe what growth strategy will drive our efforts to reach our goals.

Coway's Commitment to a Robust Competitive Edge

When it comes to building robust business capabilities, our commitment to innovation spans across a wide array of areas. We integrate organizational capabilities, efficiently allocate business resources in operating our organization and business as a key strategy, and align innovation initiatives to actual outcomes in improved capabilities. Specifically, we build upon what we have already achieved in innovating our research and productivity. This generates outcomes in organizational operations, that is service innovation, so as to pave the way to deliver sustainable growth and create value.

To this end, we center our improvement initiatives on CFT (Cross-Functional Team) tasks. Our plan is to discover new innovation items, undertake innovation tasks and strictly assess the outcomes in order to significantly reinforce our capabilities. It is with such a strong drive to push ahead with our mid/long-term innovation strategy, that we secure growth drivers behind sustainable growth.

Innovation Initiative Action Framework



Operational and Service Innovation To generate as many ideas as possible on operational innovation, we encourage our internal experts in their respective fields to engage in brainstorming workshops and CFT activities. We also realigned or redesigned our systems to eliminate overlapping or unnecessary service system screens and integrate systems by function as a way to innovate our services.

Operational Innovation	
Type	Details
Idea Contest	<ul style="list-style-type: none"> Rewards for ideas and executions are available for ideas submitted within the contest period (Ideas for reducing procurement costs can be submitted through the development of initial theories) Poster making and distribution of PR materials, contest briefings PR activities through the target declaration ceremony
Brainstorming Workshop	<ul style="list-style-type: none"> Employees attend two to three workshops per person Introduce how to prepare idea proposals Explain major improvement targets and idea development methods
Cross-Functional Team Activities	<ul style="list-style-type: none"> Create CFTs for each improvement theme and area Hold weekly or semi-weekly meetings and workshops

Service Innovation	
Type	Details
Customer Interaction	<ul style="list-style-type: none"> Streamline the delegation and acceptance of accounts Streamline the process of receiving and handling after-sales service requests Improve the work efficiency of the service system
Inquiry Handling	<ul style="list-style-type: none"> - Screen integration and work efficiency improvement - 407 screens → 220 screens (45% reduction) - 118 eliminated, 98 integrated – 29 remain
Processing	<ul style="list-style-type: none"> 142 maintained, 48 reviewed Realign service operation processing criteria Organize reference information and eliminate unnecessary screens

We enhance our financial soundness from reliable growth.

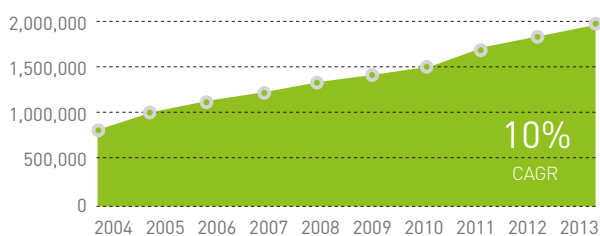
Stable and Sustainable Business Outcomes from the Stakeholder Perspective

Coway successfully generated reliable outcomes and improved its financial structure to meet the expectations of shareholders and investors, even after the recent transition of our largest shareholder. This can be attributed to our unbeatable R&D capabilities, top-notch product quality and service network, and rental system-centered business portfolio that were positively received by the market and served as growth drivers. As a result, our sales and operating profit rose by 7% and 46.3% respectively from 2012. Our stakeholders expect that these reliable outcomes will lead to sustainable growth and that the created outcomes and profits will be distributed to stakeholders. These are just some of the ways that Coway will evolve into a leader in the home wellness appliance services industry.

Coway's Commitment to Delivering Stable and Sustainable Business Outcomes

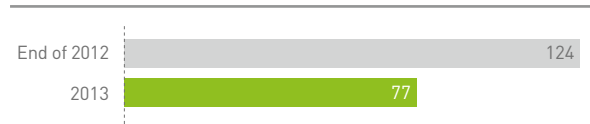
In 2013, the increased sales of innovative new products enabled us to create 193,000 in net rental account increases in our core operation of home wellness appliance rentals in Korea. Our sustained endeavors to reduce cancellation rates in all product categories, including water filtration appliances—through enhanced product and service capabilities—helped us set the new record of 0.88% in cancellation rates in 2013 and minimize customer dissatisfaction. Furthermore, losses from the disposal of rental assets fell sharply by 35.2% from 2012 which dramatically improved our profitability. Our mattress business is also growing continuously, driven by the launch of premium mattress products and the improved stability in the home care business organization. In the global market, our overseas sales surged by 31.9%, from 2012, to reach KRW 144.6 billion. This increase is largely attributable to our increasing partnerships with large overseas partners and new product offerings. Our overseas operations are growing stably and positioning themselves as one of the key growth drivers.

Sales Growth by Year (2004~2013) (Unit : KRW million)



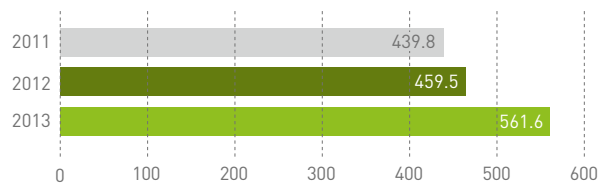
Financial Soundness In paving the way for sustainable growth, it is critical that we secure long-term financial soundness, along with the generation of short-term financial outcomes (sales and net income). Since MBK acquired Coway, we spent cash holdings and proceeds from selling Woongjin Chemical to repay our long-term debts and redeem our corporate bonds. This resulted in a 47% reduction in our debt ratio on consolidated financial statements, from 124% at the end of 2012 to 77% at the end of 2013. As our borrowings dropped, our financial soundness improved and our financial costs were reduced. This created substantial improvements in business outcomes.

Debt Ratio (Unit : %)



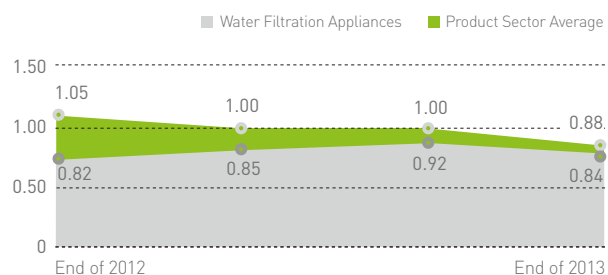
Increased Cash Flow The inherent nature of our rental business model allows for the reliable generation of cash flow. Becoming a rental business operator, requires a sizeable liquid cash investment. Furthermore, sufficient operating funds are required to handle high sales, maintenance and repair fees, as well as low rental fees. Although these entry barriers exist in the rental business, once the initial fixed cost is recovered, it is more than possible to generate a sustained cash inflow at relatively low costs. Based on our 5.86 million customer accounts, we at Coway generate a reliable cash flow every year.

Generation of Reliable Cash Flow (EBITDA) (Unit : KRW billion)



Strengthened Management Concerning Cancellations As a way to generate sustained profits, we specifically focus on customer relations to reduce cancellation rates. Our sales agents (CODYs, HPs, BPs) who are primarily within similar age ranges of our customers, help us form long-term friendly relationships with our customers. These differentiated customer contact points serve as a foundation in reducing customer cancellations and build positive customer relations. In Q3 of 2013, our cancellation rate set a new record at the lowest-ever 0.82%, which was down by 0.08% from 0.90% in the previous quarter. We will deliver greater customer satisfaction through high-quality products and services for sustainable growth.

Track Records of Rental Cancellation Rates (Unit : %)



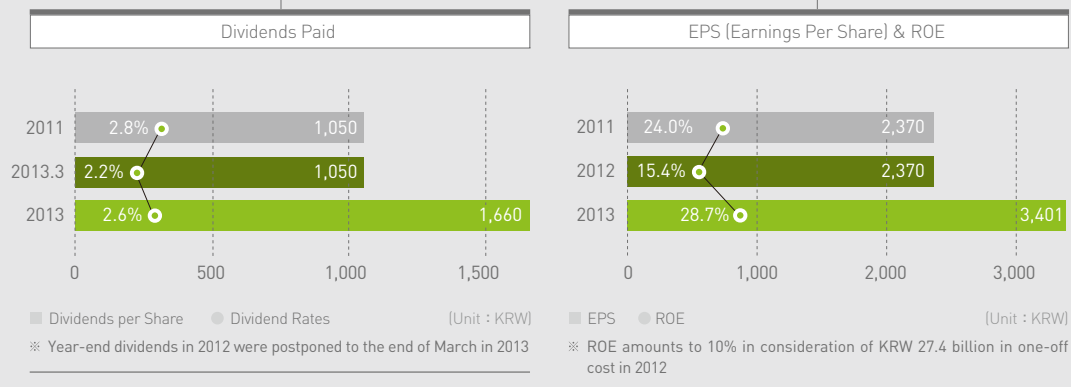
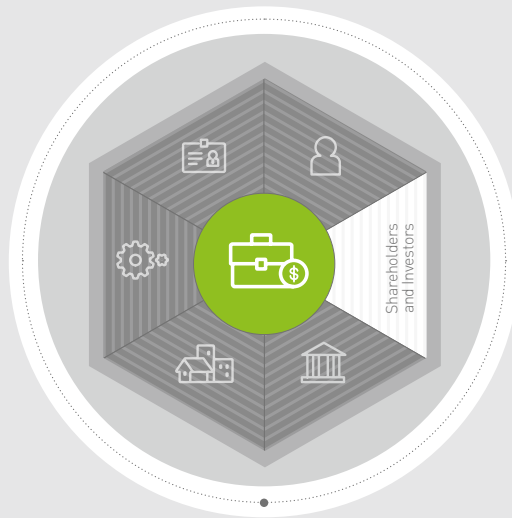
Discovery of Large Overseas Business Partners and Sales Growth

Establishing a wider global presence requires us to seek out large business partners and build our mutual trust to maintain sustained business relationships. Coway operates four local subsidiaries in Malaysia, Thailand, the U.S. and China and maintains strategic partnerships with global business partners. These partnerships laid the foundation for us to transfer our advanced expertise accumulated while operating rental business operations in Korea, to overseas subsidiaries and expand our business areas.

What we create

How Our Commitment Impacts Our Society

The most pressing and recent issue of interest for our stakeholders was related to the modification of our governance structure. In the face of this dramatic transition, Coway remained successful and expanded its business dramatically. This is being highlighted as a meaningful achievement to our employees and suppliers, as well as our external stakeholders.




Aspect 3

Creation of Green Value

WHAT WE BELIEVE

We add value to the environment.

<p>Aspect Boundary</p> <ul style="list-style-type: none"> • Background of Issue : Social interest in creating green value, Coway's perspective on this issue • Creation of Green Value for Customers : Products that deliver cleaner water and air, bidets that prevent the spread of harmful bacteria, etc. • Creation of Green Value for Society : Energy saving, use of clean energy, refurbished products, etc. 	<p>Target of Impact</p>  <p>Customers, Local Communities, Suppliers</p>
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Social Interest in Green Value

As the consequences of climate change and natural disasters wreak havoc across the globe, customers and other stakeholders are increasingly interested in green products and services. Thus, eco-friendliness is being factored into defining business strategy and planning products as a critical element in the manufacturing industry. Specifically, for businesses that develop, manufacture and sell power-consuming products, it is essential that 'high energy-efficiency products and services are expanded' in their business portfolio. Thus, response to environmental issues is instrumental not only in terms of risk management, but also in creating new business opportunities.

The Reason Why the Creation of Green Value Is Considered Material

As demonstrated in our motto 'We Improve the Environment', our commitment to a better world continues at this very moment. Under our overarching goal to secure the groundwork for sustainability and increase the transparency of our business practices, we are fully dedicated to our green management. This commitment is not only limited to resolving or improving environmental issues in our daily lives, but also extends to creating comparative advantages in products and services along the way. It is also our future strategy at Coway to predict and manage environmental risks by creating green value and maintaining our reputation as a green company that is competitive in the green business.

WHAT WE LISTEN

Voice of Stakeholders

The materiality test we performed identified one key issue in the Aspect of creation of green value. We will base our report on this key issue of how we create green value.

Interest of Internal/External Stakeholders on Aspect 3

<p>Suppliers  4.9 points</p>	<p>"The company needs to pay a lot of attention to the eco-friendliness of each and every product."</p>
<p>Others  4.8 points</p>	<p>"There should be an opportunity to translate green values into a corporate competitive edge."</p>
<p>Employees  4.1 points</p>	<p>"We hope that the company further expands its environmental protection initiatives as a home wellness appliance provider."</p>
<p>Customers  4.0 points</p>	<p>"We expect that the company will fulfill both its profitability target and social responsibility by developing green products."</p>

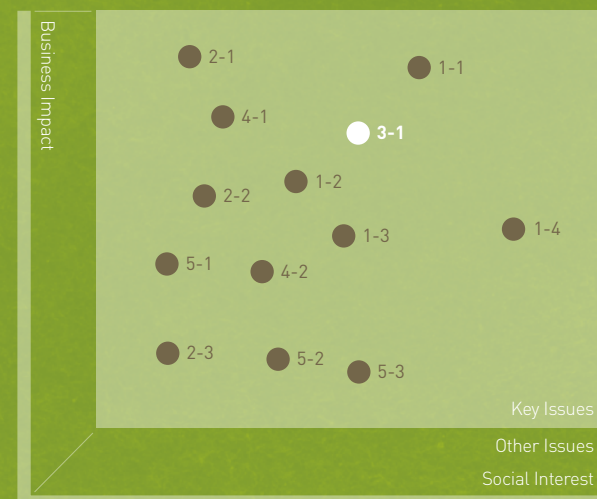
※ On a scale from one to five

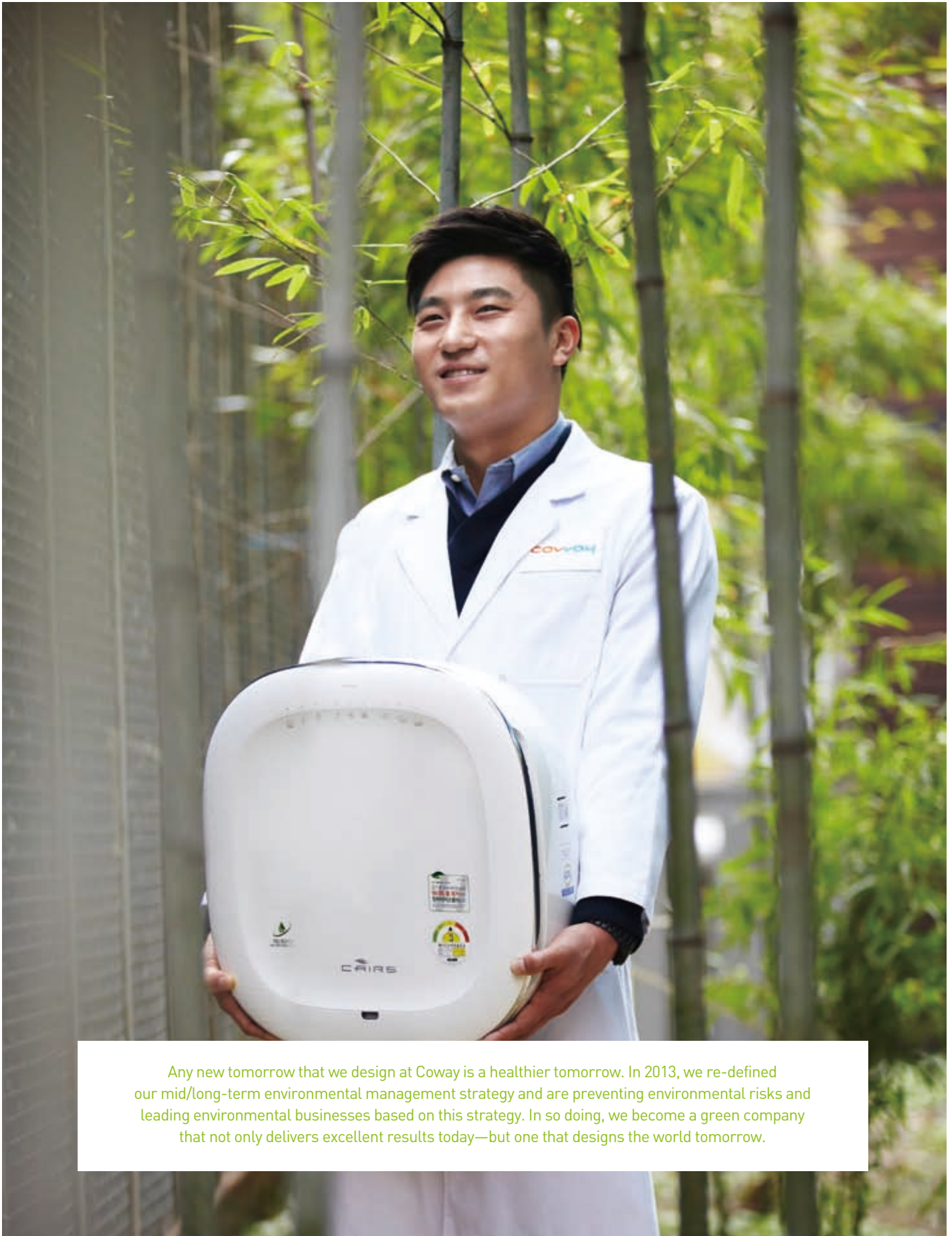
※ Others : Shareholders and investors, governments, academia and media, local communities, etc.

※ For other key issues not covered in this section, please refer to Aspects 1, 2, 4 and 5.

Materiality Test Map

3-1 Creation of economic and environmental value through the development of green products and services





Any new tomorrow that we design at Coway is a healthier tomorrow. In 2013, we re-defined our mid/long-term environmental management strategy and are preventing environmental risks and leading environmental businesses based on this strategy. In so doing, we become a green company that not only delivers excellent results today—but one that designs the world tomorrow.



Innovative technology. Forward-looking design. Coway's enduring commitment to the environment and to people—along with its dream to create a better world—calls forward a whole new design for tomorrow.



WHAT WE DO

We add value the environment.

Creation of Green Value from the Stakeholder Perspective

There can be two distinctive perspectives on green value: green value that is offered to customers in the use of products and services, and green value associated with the process of manufacturing products and delivering services. The recent focus on eco-friendly factors in the life cycle of products has become increasingly important: from the development products to their manufacturing, use and disposal. It is when green products do more than simply minimize their environmental footprint, but also generate substantial economic value, that customers and other stakeholders come to truly appreciate their value.

Coway's Commitment to Green Value Creation

When it comes to planning and manufacturing our home wellness appliances, we specifically focus on our environmental impact—all the way from the consumption of water and resources, to the energy efficiency of our products. At Coway, the energy efficiency of products refers to both the reduction of energy consumption during the manufacturing process and to the efficiency of our products and services that are used by our customers at home. Likewise, we also consider any possible hazardous impacts our products and services may have in their actual use environment, in addition to preventing environmental pollution in the manufacturing process. Our commitment to creating green value is transparently disclosed through wide-ranging stakeholder communication channels.

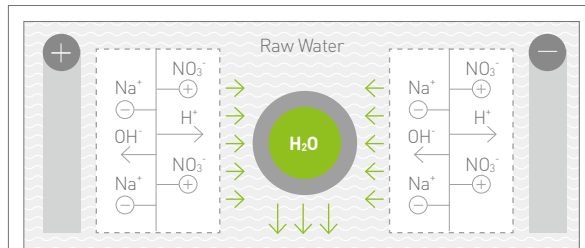


The Delivery of Coway's Green Value to its Customers

In the product planning and development stage, our R&D efforts ensure our products are convenient and that our customers can readily experience green value in the air that they breathe and in the water that they drink. As such, it is from the product planning stage that we endeavor to deliver greater customer value for a healthier and more convenient lifestyle.

'Drinking Water' Free from Any Harmful Substances The water that our consumers and their families drink and the air that they breathe, are inevitable necessities that make up the value of their daily environment. Coway's dedication to managing the value of safe and clean drinking water is demonstrated in its nano trap filter system that eliminates up to 99.9% of environmental pollutants.

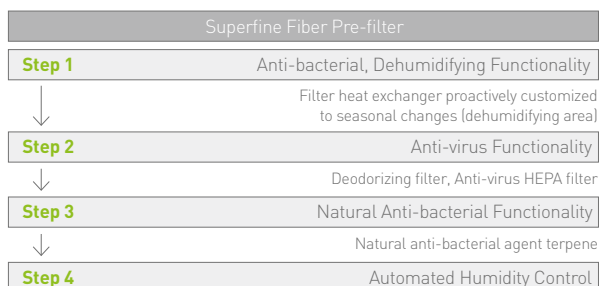
Clean and Safe Water Management It is often the case that the water inside water filtration systems remains in the storage tank for longer than the water is actually consumed. Thus, while not explicitly visible, it is likely in such cases, that bacteria and other polluting substances proliferate inside the water tank. Our solution to this hygienic problem was to launch tankless water filtration appliances that eliminate the need for both cool/warm water storage tanks.



EDI Water Filtration System

Electro deionization (EDI) is used to supply power to activate ionic exchanges in the water, and through this process, remove more than 99% of the germs and bacteria in the water. This direct water dispensing technology ensures that our water filtration appliances always provide clean and purified water.

Preventing Respiratory Diseases with Clean Air As people spend most of their time at home or in the office, shouldn't the air in their homes and offices be cleaner than outdoor air? Our four-step anti-virus filter system is capable of removing more than 99.9% of the viruses known to cause pneumonia, Staphylococcus aureus, and other hazardous viruses that cause respiratory diseases. Meanwhile, it emits terpene, which contains natural anti-bacterial properties, into the indoor environment to effectively remove harmful germs and fungus, while providing our customers with safe and clean air.



Sterilizing Bidets that Prevent the Spread of Harmful Germs

Our bidets emit terpene, a natural anti-bacterial agent, into the bathroom to eliminate more than 99% of such harmful bacteria as E. coli, salmonella, and staphylococcus. Their easy-to-clean and easy-to-disassemble anti-bacterial nozzles and seats also add value in creating cleaner bathrooms.



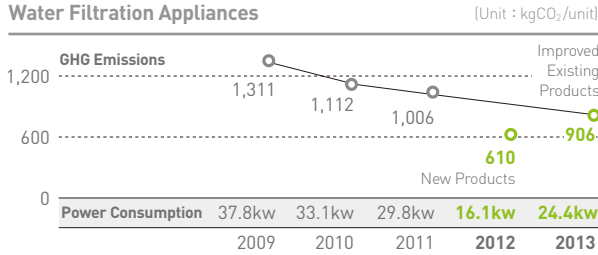
Coway's Role in Delivering the Value of Green Products to Society

Our efforts to minimize the environmental footprint we have on society span our entire life cycle process, from the production and purchase of raw materials, to manufacturing, sales and disposal. To this end, we developed and are undertaking a strategy to facilitate green management along our supply chain, with our suppliers of parts and raw materials.

Increased Endeavors in Developing New Green Technology and Products

In line with tightening energy consumption efficiency rating standards, we are adopting new technology in developing products to improve their energy consumption efficiency, while improving on our existing products with relatively low energy efficiency. In 2014, we will expand our product line-up that was rated Grade 1 in energy efficiency, as a way to set ourselves apart from our competitors and create social value. We will do so by contributing to the reduction of electricity bills and GHG emissions, made possible through reduced energy consumption.

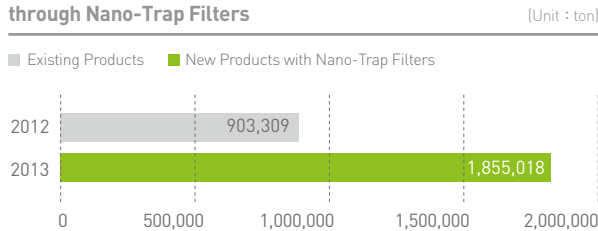
Reduced Power Consumption of Water Filtration Appliances



※ Carbon emissions from products (kgCO₂/unit) based on 5-year use, monthly power consumption kwh/month
 ※ Due to a lack of governmental standards, data for new products is estimated

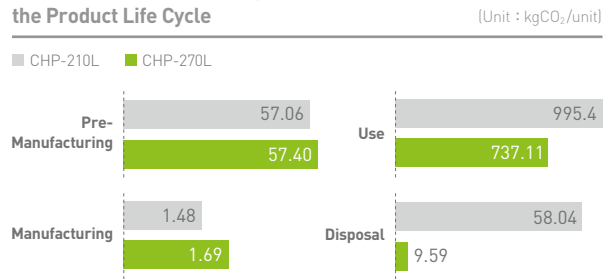
Water-Use Reduction Technology' for Consumers By improving our carbon filter manufacturing process and introducing a water-less testing system, we continue to reduce our workplace water consumption. In addition, the development and expansion of Nano-trap filters with their new technology, assists our consumers in reducing their daily water consumption in the product use stage.

Reduction in Water Consumption through Nano-Trap Filters



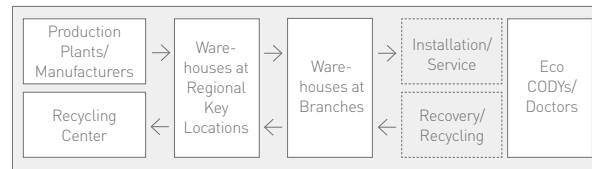
GHG Emissions from Green Products Our CHP-270L water filtration model uses green refrigerants and thus saves our consumers KRW 15,600 in electricity bills per year. Furthermore, this model delivered such social benefits as 829 tons in reduced GHG emissions in 2013 alone. The CHP-241N water filtration model improves energy efficiency through instant heating technology and this led to KRW 30,400 in saved electricity bills per year as well as 31,762 tons in reduced GHG emissions in 2013.

GHG Emissions in Each Step of the Product Life Cycle



Turning Waste Products into Valuable Resources Our recovery and recycling system was designed to collect and recycle any product that has been ever been sold. In 2013, more than 95% of customer-requested product cancellations were directly collected and recycled as part of our strategic resource-recycling initiatives to minimize any possible negative environmental impacts generated from waste products.

Collection and Recycling Process



Green Partnerships along the Supply Chain Our support for carbon management extends from major raw material suppliers to the entire supply chain. We undertake energy partnership projects and deploy inter-company energy management systems to help suppliers diagnose and improve their energy operations. We also offer measurement devices to allow for quantifiable energy management and to help our suppliers build a robust competitive edge in energy.

Major Carbon Partnership Suppliers

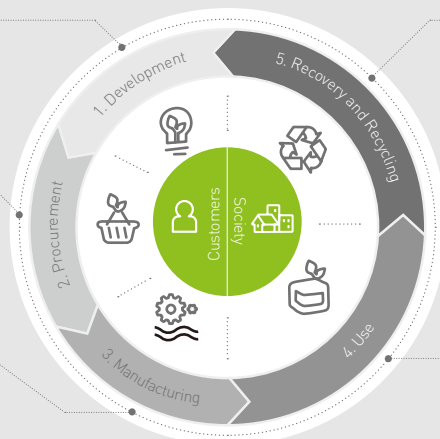
Category	Unit	2011	2012	2013
Based on 28 Suppliers	tCO ₂ e	16,554	17,076	18,167
	tCO ₂ e/KRW 100 million	5.13	4.93	4.70

COWAY'S CREATION OF GREEN VALUE FOR ITS CUSTOMERS AND SOCIETY

1 Development
 The two most critical factors in the product development stage involve improving energy consumption efficiency and securing product safety in use. These two factors will be our focus in creating differentiated value.

2 Procurement
 In the procurement of product raw materials, we review the eco-friendliness of individual procurement items and go a step further to ensure the eco-friendliness of the whole supply chain.

3 Manufacturing
 Our top priority is to minimize our environmental load from the manufacturing process and stand side-by-side with the local communities where we are based. To this end, we minimize our environmental impact from the product manufacturing process and use renewable energy.



4 Use
 Our most significant consideration in the product use stage is to minimize the consumption of energy and water to prevent environmental load and maintain a cleaner environment in the local community where we operate. Furthermore, we ensure that our products are easy to use.

5 Recovery and Recycling
 The ultimate goal and direction we pursue in the recovery and recycling stage is to stimulate the sustained circulation of resources. As a result, this ensures that we minimize the environmental load from the products we manufacture and sell, in addition to preserving the natural environment.

Green Life Cycle

What we create

How Our Commitment Impacts Our Society

Green products and services deliver meaningful value to diverse stakeholders. They contribute to environmental preservation and community development from the local community perspective. Moreover, they provide both financial and non-financial value cost savings and contribute to the good health, trust and satisfaction of our customers. Finally, these products provide opportunities for suppliers to build a robust environmental competitive edge through green partnerships.

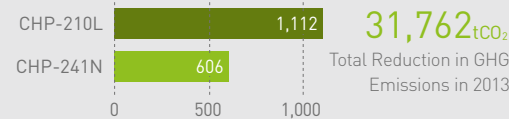


GHG Emissions Reduced through the Application of Green Refrigerants and Vacuum Insulation Materials



※ GHG emissions from five-year use (per unit) (Unit : kgCO₂/unit)

GHG Emissions Reduced through the Application of Instant Heating and Refrigerant-Free Cooling Technology



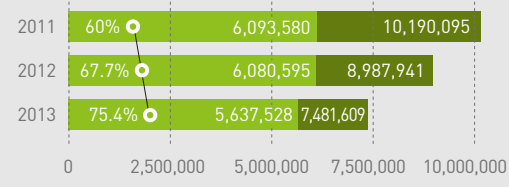
※ GHG emissions from five-year use (per unit) (Unit : kgCO₂/unit)

Reduction in Energy Consumption through Declined Stand-by Power



※ Illustrative Model : BAS18
 ※ Energy cost calculation unit : KRW 160/kWh (Unit : KRW/month)

Recycling of Plastics




■ Recycled Amount (Unit : kg) ■ Shipments Made (Unit : kg)
 ● Recycling Rates (Unit : %)

Aspect 4

Transparent Performance Evaluation and Stable Employment

WHAT WE BELIEVE

At Coway, we believe that growth and innovation can be coupled with enjoyment and fun.

<p>Aspect Boundary</p> <ul style="list-style-type: none"> • Background of Issue : Social interest in transparent performance evaluations and stable employment, Coway's perspective on this issue • Increased and Stable Employment for Employee Satisfaction : Recruitment policy, regulatory compliance regarding stable employment, welfare programs, etc. • Transparent Performance Evaluation and Reasonable Remuneration : Systems and processes concerning fair performance evaluation and remuneration 	<p>Target of Impact</p>  <p>Employees</p>
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Social Interest in Transparent Evaluation and Stable Employment

The sluggish economy and low employment rates have become daily issues in our society. Specifically, the employment instability caused when there is a lack of job creation and job seekers outnumber available positions, is emerging as a universal social issue. As a result, the likelihood of employees receiving sufficient rights' protection decreases. Companies are a main agent in creating jobs and value. Thus, if they become more proactive in handling such social issues, they could easily harness prime opportunities in enhancing their corporate competitive edge while simultaneously fulfilling their social responsibility.

The Reason Why Transparent Evaluation and Stable Employment Is Considered Material

We believe that our employees are the core assets that drive our growth as a company. It is our employees that enable us to create new value and conduct business that delivers a better and more flourishing life to our customers. Since we recognize the importance of stable employment and increasing recruitment as a way to help our employees with capacity building on the basis of an exceptional corporate culture, this is clearly stipulated in our corporate policy. We also encourage our employees to feel more confident and reach even higher goals through the transparent remuneration of their performance and capabilities.

WHAT WE LISTEN

Voice of Stakeholders

Through performing the materiality test, we identified two key issues in the Aspect of transparent performance evaluation and stable employment. We will base our report on these key issues of how we ensure transparent performance evaluation and stable employment.

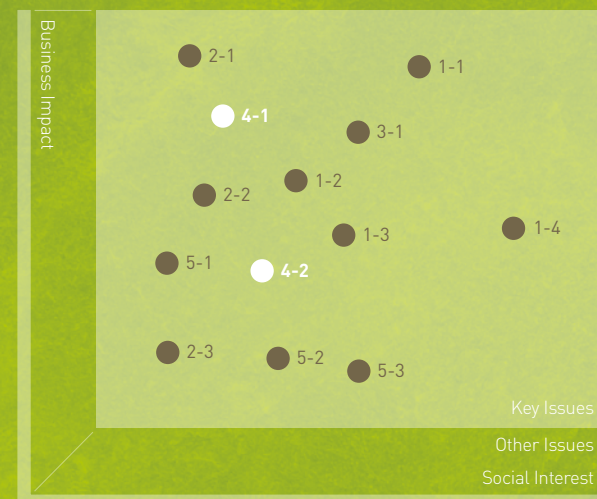
Interest of Internal/External Stakeholders on Aspect 4

<p>Employees  4.3 points</p>	<p>"While a customer-driven management approach is important, employee satisfaction also comes first in delivering customer satisfaction."</p>
<p>Customers  4.2 points</p>	<p>"I wish there wasn't such a frequent replacement of my CODYs. If I could have a long-term relationship with my CODY, then I could place more trust and confidence in my relationship with Coway as a customer of its products and services." ¹⁾</p>
<p>Suppliers  4.0 points</p>	<p>"Employee satisfaction is a critical factor for employees who work with Coway."</p>
<p>Others  3.5 points</p>	<p>"The company needs to think harder about how to improve employee satisfaction, instead of simply promoting its commitment to that end."</p>

※ On a scale from one to five
 ※ Others : Shareholders and investors, governments, academia and media, local communities, etc.
 ※ For other key issues not covered in this section, please refer to Aspects 1, 2, 3 and 5.
¹⁾ CODYs are responsible for directly offering service to customers under the Coway brand. Thus, we are engaged in a variety of ways to improve the treatment of our CODYs. For further details, please refer to page 47.

Materiality Test Map

- 4-1 Fair performance evaluation and remuneration
- 4-2 Employment expansion and stability of employment





Coway people are creative and warm-hearted—they are the ones interacting directly with our customers to offer Coway's technology and share Coway's belief. They raise the bar in defining the new ideal Coway employee in consideration of our business conditions and corporate vision. Through our utmost appreciation for our employees, we deliver an enjoyable workplace for all.



An open organization where communication and engagement is just another part of an everyday routine, an organization where employees enjoy the perfect work-life balance, this is what we aspire to deliver at Coway.



WHAT WE DO

We protect employment stability to deliver employee satisfaction.

Stable Employment from the Stakeholder Perspective

In order to create outstanding outcomes in the mist of shifting business conditions, it is instrumental that a company delivers a work environment where employees have the chance to be enthusiastic, rise to new challenges and work on their own initiative. This all starts with secure and stable employment. Our internal/external stakeholders were particularly interested in improving the working conditions of our field sales staff (CODYs). To accommodate their interests, we at Coway should do everything in our power to offer our employees and sales staff a stable work environment. It is also critical that satisfied employees and field sales staff generate business outcomes. This in turn, will lead to the delivery of greater benefits and welfare to all stakeholders in a virtuous circle of value.

Coway's Commitment to Stable Employment

At Coway, stable employment means both fulfilling our social responsibility and driving our growth as a company. One of the biggest contributions made when a company fulfills its social responsibility is in its ability to '[create] jobs'. It is only natural that we at Coway, having grown from the trust and affection of so many stakeholders, strive to create more jobs and ensure stable employment. We will be fully committed to offering a great workplace through stable employment so that our employees can be fully and voluntarily engaged in their work and produce the greatest-possible outcomes.

Fair Recruitment To guarantee fair and impartial judgment during our recruitment process, our teams in need of more employees directly review applicants. Before the interview process, senior staff and team leaders (from the team in need of additional staffing), thoroughly review recruitment documents to develop a deeper understanding of the applicants. They then conduct in-depth interviews with the applicants. These procedures demonstrate our commitment to recruiting talented individuals who are the right fit for their future Coway assignment. Furthermore, this deeper understanding of applicants greatly aids in our search for Ideal Coway Employees.

Recruitment Process

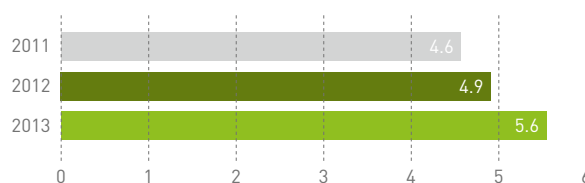


Compliance with Regulatory and International Standards in Relation to Stable Employment

Throughout all our establishments that conduct business, we fully comply with labor laws and regulations. In conformity to the Labor Standards Act and the International Labor Organization regulations, we prohibit any type of child and/or forced labor, while guaranteeing the human rights and employment security of our employees.

Average Years of Employee Service

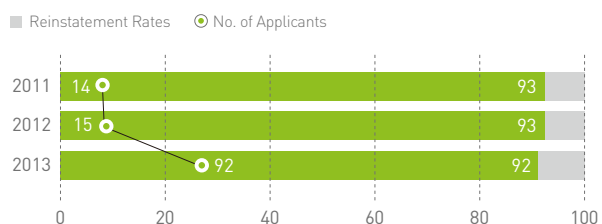
(Unit : No. of years)



Childcare/Childbirth Leave We offer childcare and parental leave to help employees reduce their childcare burden and prevent career discontinuation. This results in continuously securing an experienced workforce and assisting employees with a stable livelihood and job security.

Childcare Leaves

(Unit : %)



SPECIAL CASE

Coway's Commitment to Mutual Partnership with CODYs

CODY is an abbreviation of Coway Lady and our CODYs serve as well-being living consultants who create a clean and refreshing spark of life to homes and companies through cutting-edge technology and Coway products. Ultimately, they safeguard a healthier and more contented life for the general public. Our CODYs are highly instrumental in operating our rental business and delivering true customer satisfaction. Thus, we are working in diverse ways to improve both their working conditions, and their expertise.

Robust CODY Welfare Programs

We offer wide-ranging welfare programs to deliver and support stable work conditions for our CODYs. We created new programs such as CODY Installment Savings, Sharing Love Insurance Plan, and a tuition support program for CODY's children while increasing monetary benefits for their important family events.

Early Adaptation Program for Newly-Hired CODYs

To assist relatively unexperienced newly-hired CODYs in adapting to their work early on, we transferred deposit-making operations to our payment reception center and are holding 'Sprout Meetings' for these new recruits under the leadership of a director in charge of nurturing CODYs to teach them work skills.

We gain trust through fair evaluation and reasonable remuneration.

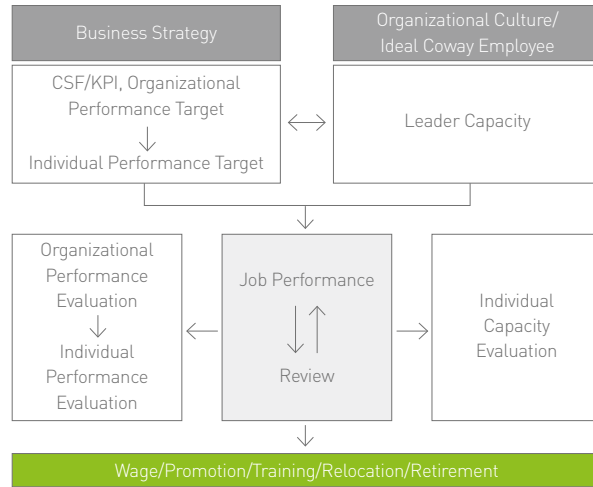
Fair Evaluation and Reasonable Remuneration from the Stakeholder Perspective

The recent trend in HR management concerning sustainable growth, involves the basic approach of fostering talent and preventing the turnover of key talent. Such HR management systems are based on performance evaluation systems. Performance evaluation systems aim to set targets, evaluate outcomes and vary compensation in accordance with performance. This helps encourage positive change on both an organizational level and on an individual level. Employees are guaranteed that their endeavors are assessed fairly and objectively while the top management reciprocates through reasonable compensation made in accordance with fair evaluation outcomes.

Coway's Commitment to Fair Evaluation and Reasonable Remuneration

Our evaluation system is based on three principles that value job duties & roles, performance and talent cultivation. It is through these three principles that we strive to embed transparency and fairness in our HR decisions, evaluations and remuneration. Our evaluation system focuses on 'Coaching'. This helps develop employees' performance and capacity, build comprehensive consideration of the generated outcomes and direct potential capacity to ensure these are aligned with appropriate and reasonable compensation. Our differentiated compensation system is based on our principle that values the performance of talented individuals and ensures that we have reasonable and efficient remuneration and labor cost management practices. It is through such fair evaluation and compensation systems that we maximize our outcomes on an organizational and individual level.

Coway's Performance Evaluation System Our performance evaluation system is comprised of performance evaluations and capacity evaluations. In evaluating individual performance, we set targets based on individual Roles & Responsibilities (R&R) and performance outcomes are quantifiably assessed through objective numerical data. The capacity evaluation covers common, leader and job capacity categories: common and leader capacity modeling is used to identify respective behavioral indicators and the frequency of behaviors commonly shown by high-performers is measured to determine individual capacity levels. Under this evaluation system, business targets on a corporate—division-team-individual level are all aligned in one direction. Meanwhile, we conduct four regular evaluations per year, as well as regular counseling with supervisors, so that performance is evaluated fairly and in alignment with set individual targets.



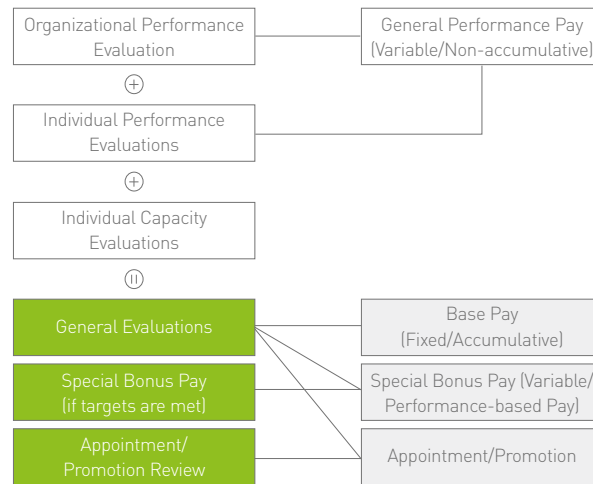
R&D Patent Compensation Program To motivate our researchers to produce greater R&D outcomes, we offer <R&D Patent Compensation Program> as part of our compensation for R&D outcomes. This program compensates our R&D staff in accordance with the number of patent applications they make and the sophistication of the patents they produce. Every year, an average of 170 researchers, benefit from this program.

Year-End Incentives Our incentive payment is determined by calculating the final resources available in accordance with our business outcomes at the year end. In calculating incentives, performance and capacity evaluation account for 70% and 30% respectively and the overall payment is differentiated in accordance with evaluation outcomes.

Differentiated Increases in Performance-based Bonuses Increases in performance-based bonuses are also differentiated in accordance with performance grades. The increases vary from the minimum of 70% up to 140% between lowest-performers and highest-performers. These bonuses improve the work satisfaction of key talent and motivate all the employees to improve even more.

Retention Incentives As part of our policy to retain a key R&D workforce with exceptional performance, we select three to five researchers every year and grant them incentives that are 300-400% their monthly wage.

Overview of Coway's Remuneration System



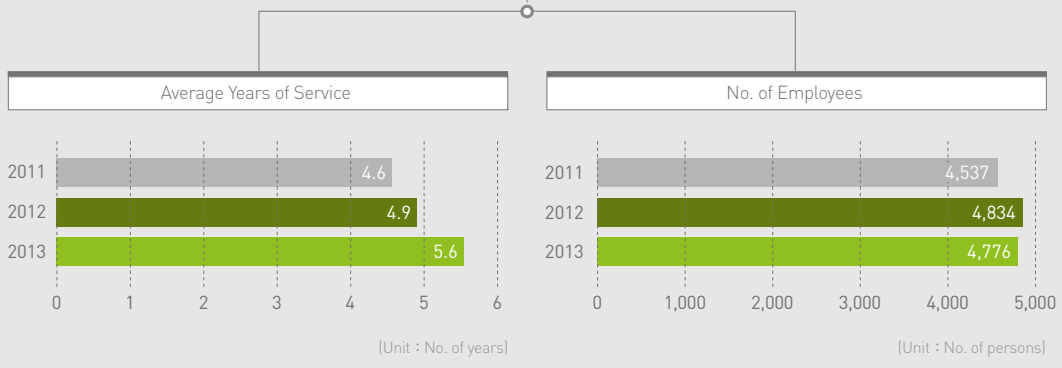
What we create

How Our Commitment Impacts Our Society

When our employees are satisfied through stable employment, job creation and fair performance evaluations and compensation, this not only helps build stronger employee capacity, but also improves our overall competitive edge. This in turn leads to investment and volunteer work in the local communities where we operate.

Our employees are fully engaged in their work and strike the right work-life balance through stable employment. Meanwhile, Coway as a company can continue sustainable growth by recruiting competitive talent.

This talent then provides the foundation from which we can be recognized as an attractive investment choice by shareholders and investors. Our endeavors to deliver stable employment and a sound corporate culture as a way to create a great workplace, have allowed us to retain a very important part of our business: on average, our employees stay with us for more than six years. We conduct annual employee satisfaction surveys and the outcomes are used for setting comprehensive plans to improve employee satisfaction. To undertake these plans, we also communicate with employees to gather their feedback and identify the concrete steps to be taken.



Aspect 5

Fair Trade and Win-Win Partnership

WHAT WE BELIEVE

We move forward with our suppliers.

<p>Aspect Boundary</p> <ul style="list-style-type: none"> • Background of Issue : Social interest in fair trade with suppliers and our support for win-win partnerships with suppliers, Coway's perspective on this issue • Elimination of Unfair Transactions : Selection and management of suppliers, issuance of written documents, contracting procedures, operation of the Review Council • Support for Win-Win Partnerships : Financial support, support for capacity-building of the top management as well as personnel support, support and protection of our suppliers' technology 	<p>Target of Impact</p>  <p>Suppliers</p>
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Social Interest in Shared Growth

While the compressed economic growth led by large companies and their ensuing trickle down effects have driven the Korean economy, the gap is now widening between large companies and their SME counterparts. Consequently, this is disrupting fair trade in our national economy. In addition, corporate social responsibility is emerging as a mandatory requirement for global companies and fair trade between large companies and SMEs is garnering attention both in Korea and overseas. In line with this trend, the National Commission for Corporate Partnership was launched in Korea to promote shared growth between large companies and SMEs as part of its national agenda. To build a robust competitive edge over the long haul, it is highly critical that, at this juncture in time, we network with our SME suppliers.

The Reason Why Shared Growth Is Considered Material

Since we believe that shared growth with our suppliers is not simply a way to fulfill our social responsibility but an essential component to drive our long-term growth, we pursue shared growth to help suppliers handle their real-life challenges. Specifically, we identified the extent of inherent growth capacity suppliers possessed and undertook shared growth initiatives through multi-dimensional communication and support. Such endeavors enable our suppliers to improve on waste factors and failure costs and to build a cost competitive edge so as to maximize their sales and profits. We believe that our competitive edge comes from that of our suppliers. Thus, we will be continually committed to a shared growth agenda.

WHAT WE LISTEN

Voice of Stakeholders

After performing the materiality test, we identified three key issues concerning the Aspects of fair trade and win-win partnerships. We will base our report on these key issues of how we endeavor for fair trade and win-win partnerships with our suppliers.

Interest of Internal/External Stakeholders on Aspect 5

Suppliers ■ ■ ■ ■ ■ □ 4.6 points	"The company needs to have consistent and sustainable supplier policies"
Customers ■ ■ ■ □ □ 3.0 points	"The company needs to provide easier access to its shared growth initiatives by reinforcing the sustainability report download functionality on its website."
Others ■ ■ ■ □ □ 2.7 points	"Mid/long-term goals and vision should be shared."
Employees ■ ■ □ □ □ 2.0 points	"Transaction practices and a culture of shared growth should be established so that we clearly define customers and pursue mutual benefits in doing business with suppliers."

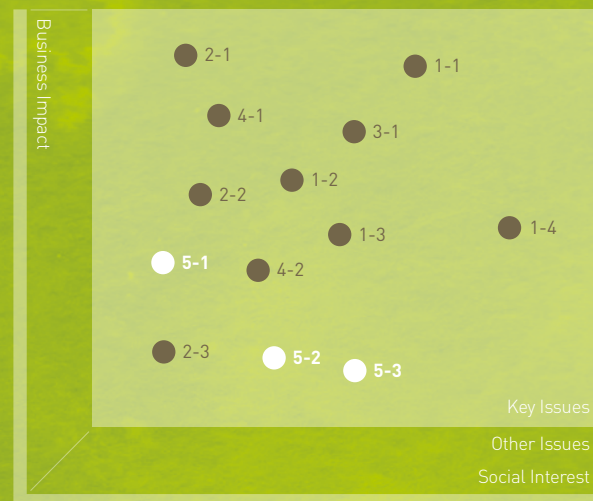
※ On a scale from one to five

※ Others : Shareholders and investors, governments, academia and media, local communities, etc.

※ For other key issues not covered in this section, please refer to Aspects 1, 2, 3 and 4.

Materiality Test Map

- 5-1 Elimination of unfair trade practices (i.e. : monopoly or price fixing regarding suppliers)
- 5-2 Management of sustainability issues along the supply chain
- 5-3 Support for win-win partnerships with suppliers





At Coway, we believe that our suppliers' competitive edge determines our competitive edge. This prompts us, in various ways, to support the creation of transparent and fair business relationships with our suppliers and help them build a robust and competitive edge. We recognize shared growth as an essential condition in fulfilling our corporate social responsibility, as well as a necessary prerequisite for long-term growth.



Coway is a company that values mutual benefits through growth and preparation for a harmonious future together. Coway fully supports its suppliers so that it can excel together with competitive suppliers.

WHAT WE DO

We pave the way for shared growth by eliminating unfair trade practices.

Elimination of Unfair Trade Practices from the Stakeholder Perspective

With growing social demands calling for the eradication of unfair supplier trade practices, a wide array of fair trade systems and programs are currently up and running. While general fair trade practices have been established in our society, there is still a handful of companies who abide by only the minimum regulations or even fail to comply with relevant regulations at all. Due to our inherent business characteristics, B2C business transactions account for a significant share of our total transactions. What this boils down to is that unfair trade issues concerning customers compromise a larger share of our total transactions than our suppliers do. Still, we also take fair trade and shared growth with our SME suppliers who operate along our supply chain seriously. Most importantly, we will ensure that no kind of unfair trade practices whatsoever occur in doing business with suppliers.

Coway's Commitment to Eradicating Unfair Trade Practices

We eradicate unfair trade practices to help our suppliers build a robust competitive edge. In so doing, we deliver quality innovation for our Coway products, thereby establishing a virtuous circle of value. This, in return, will allow us to form strong trust-based relationships with suppliers and long-term collaborative partnerships with them. It is based on this recognition that we develop a fair supplier selection process and operate the <Subcontract Deliberation Committee> to review the possibility of unfair trade practices in advance. In addition to such system improvements, we also motivate our employees to think of our suppliers as our customers as well. We vow to extend our endeavors from a mere elimination of unfair trade practices into delivering diverse benefits and services to our suppliers.

Selection and Management of Suppliers To improve fairness in selecting suppliers and transparency in operating supplier relationships, we comply with the 'supplier selection guidelines' proposed by the Fair Trade Commission. Our <Win-Win Portal> allows us to ensure transparency in our supplier relationships so to as to pursue mutual benefits while our suppliers with outstanding performance in quality, compliance with delivery deadlines and technology are listed on our SRM (Supplier Relationship Management) system to manage our relationships with them in accordance with a defined and reasonable process.

Fairness
Equal Opportunity
Responsibility for Grave Mistakes
Open Procedures
Tangibility and Clarity

Issuance and Preservation of Written Documents Contracting and other types of matters that occur in signing subcontracts or making transactions with suppliers are categorized into 13 different types of operations. This helps us establish best practices in doing business with suppliers and thus maintain fair transactions with them. This classification system applies to most of the documents required for business transactions including basic contract forms, written certificates and specifications.

Issue and Preserve Written Contracts Upon Contract-Signing
Issue and Preserve Payment Discount Documents in Writing
Issue and Preserve Technical Document Request Documents in Writing

Process to Establish Best Practices in Contract Signing We developed a process to apply best practices in signing contracts with suppliers to ensure that our SME suppliers receive fair treatment. Unfair decisions in setting subcontract payments, refusal to issue written documents, unfair interference in suppliers' management and other unfair practices in signing contracts with suppliers were defined to help establish fair trade practices. In executing any type of contracts, we also ensure that standard contract forms are used. Furthermore, different contracting processes were developed for private contracts, open competition contracts, restrictive competition contracts, restricted tender competitions and others.

Subcontract Deliberation Committee As part of our endeavors to establish fair trade practices with suppliers, we created the <Subcontract Deliberation Committee>. This committee consists of more than three Coway employees (including executives in charge of subcontracting operations) as well as outside experts (external directors) when deemed necessary. The committee is responsible for reviewing the fairness in signing contracts and the contract pricing process, along with compliance with relevant regulations in advance for subcontracts signed in the concerned business year that are worth KRW 3 billion or above. In 2013, the committee reviewed a total of 67 items: nine new contracts, 10 unit price increases, 36 unit price decreases, 5 delistings of suppliers, and seven reviews of committee meeting minutes.

We help suppliers build a robust competitive edge through win-win partnerships.

Win-Win Partnership from the Stakeholder Perspective

The global financial crisis that has spread across the world since 2008 dealt a hard blow to the Korean economy. Numerous SMEs went bankrupt and this ignited heated discussions about shared growth. Win-Win partnerships between large companies and SMEs emerged as a hot topic. Previously, such partnerships provided smaller partners unilateral support from large companies. Recently, however, this paradigm has been shifting towards infrastructure support to enable suppliers to build their own competitive edge over the long haul, through such initiatives as benefit-sharing programs.

Coway's Commitment to Win-Win Partnerships

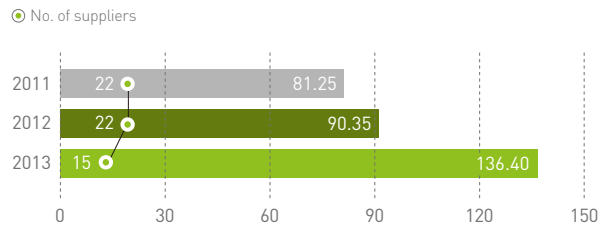
At Coway, we ensure that our support for suppliers helps drive their mid/long-term growth. Our top priority in undertaking win-win partnership initiatives is also strengthening the ability of our SME partners to stand on their own two feet. We assist our suppliers in building capacity on the top management level, and hiring and nurturing talented individuals. We also gather honest feedback from our suppliers through wide-ranging communication channels. Through our support for building basic infrastructure for shared growth and by undertaking effective and executable strategies, we will assist our suppliers in various ways so that they become small albeit strong companies that can join forces with us in tapping past the domestic market and into the wider global market. Our shared growth initiatives will follow our Coway (Cooperation + Global Way) philosophy to become a company respected by stakeholders.

National HR Development Consortium Project To offer systemic and long-term support for suppliers in nurturing their talent, we were designated as an operating organization in the National HR Development Consortium Project led by the Human Resources Development Service of Korea. This prompted our decision to open our Win-Win Partnership Center in 2014 to offer practice-based training. This center was designed to provide extensive job training to supply top-notch talent for the current employees of our suppliers as well as training for new recruits and experienced new recruits. Meanwhile, we developed a mid/long-term strategy to foster professional talent in respective capacity areas of our manufacturing operations as a way to address the difficulties raised by our suppliers and the challenges we face on the shop floor.

Improvement of Funding Support and Payment Conditions As another way to assist our suppliers in building a robust competitive edge, we offer financial and funding support. The Co-Prosperity Fund worth a total of KRW 20 billion and zero-interest funds worth KRW 2 billion are made available for our SME suppliers to help them achieve productivity gains and quality improvements. Furthermore, we make 100% cash payments to our suppliers so that they can secure sufficient liquidity in operating their business funds. Since 2013, our supplier payment period was also shortened from 11 days to 10 days.

Outcomes of the Co-Prosperity Fund

[Unit : KRW 100 million]






※ 2011-2012 : Support for tier 1 suppliers
 ※ 2013 : Extending the support size and target to include tier 2 suppliers
 (Support for tier 2 suppliers : Two suppliers, KRW 1.3 billion)

Workforce Support for Suppliers We offer various programs to assist suppliers in recruiting talent. We hosted the <Coway Supplier Recruitment Expo 2013> twice to help our suppliers find needed talent and to help job seekers connect with the right people to land a decent job. We also provide the future employees of our suppliers with new recruit training that deals with practical operations concerning quality, production, materials, procurement management and cost management. In 2013, a total of 720 training hours were provided under this training program.

Capacity-Building for Suppliers' Top Management Through our strategic business partnership with Hanyang University Graduate School of Business Administration, we provide training to the top management of our suppliers so that they can build capacity as top-level managers. We classify the executive capacity required for the sustainable growth of suppliers into four areas: vision, product, management and performance. Through this partnership, we contribute to laying the foundation for the growth of our suppliers.

Technological Support and Protection Our technological support and protection programs aim to help suppliers strengthen their competitive edge in technology. Included in major support areas are the technology escrow system, joint R&D projects, support for technology innovation and support for patent development. In 2013, we conducted 29 joint R&D projects, jointly developed 6 patents and participated in four government-sponsored purchase-conditioned projects. The <technology escrow system> was designed to protect IP-related information, all the way from technical documents for patent rights and utility models to design rights and copy rights owned by developers. Our <joint R&D initiatives> aim to develop parts through joint research conducted with suppliers to reduce product costs and develop technology. In addition, we offer consulting support and help suppliers with undertaking government-sponsored projects so that they can achieve technology innovations. For technology developed through joint R&D efforts, we make joint patent applications with suppliers.

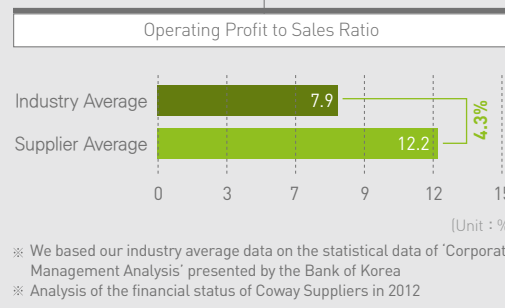
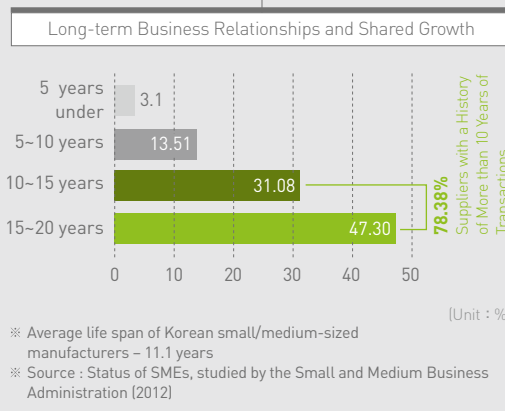
Support and Protection for Supplier Technology in 2013

Joint R&D	Joint Patent Applications	Government-Sponsored Projects
 29 Projects	 6 Applications	 4 Projects

What we create

How Our Commitment Impacts Our Society

Shared growth initiatives taken together with suppliers have impact on numerous stakeholders. Specifically, these initiatives help build trust-based transaction practices, which in turn generate synergistic effects in reducing costs and improving product quality. Such social value is delivered to customers in the form of high-quality products available at reasonable prices. From our pool of suppliers, those with more than 10 years in business relationships account for a whopping 78.38%. This remarkable number is attributable to our sustained commitment to shared growth since our inception. Furthermore, the operating profit to sales ratio of our suppliers is 4.3%, higher than the industry average. We vow to do our utmost to create social value through shared growth with our suppliers.





- 56 Sustainable Value Cycle
- 58 Customer Satisfaction
- 62 Environmental Management
- 67 Employee Satisfaction
- 71 Community Engagement
- 74 Win-Win Partnership with Our Suppliers



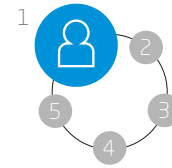
PART 3 SUSTAINABLE VALUE CYCLE

AT COWAY, PROFESSIONALISM MEANS THAT WE LEARN AND GROW

DELIGHTFULLY AS A PIONEER OF UNCHARTERED TERRITORIES. IT IS

THROUGH HEALTHY COMPETITION AND A RELENTLESS DESIRE TO

SUCCEED THAT WE PURSUE INDIVIDUAL AND ORGANIZATIONAL GROWTH.



Enhanced Customer Communications

We are specifically interested in bringing collaboration and communication with our customers to a whole new level, as we ultimately believe that this is the optimal way to truly deliver customer satisfaction. We are expanding customer feedback channels to solicit consumer feedback both through on/offline channels and are fully reflecting this feedback in the development of our products and services. Following the close review of such feedback, we ensure that customer suggestions that are immediately executable are swiftly reflected in our operations.

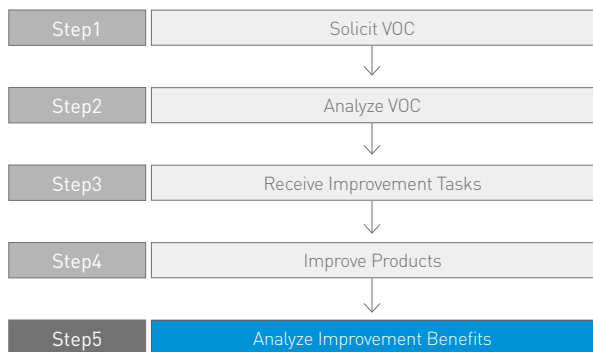
Customer Communication Policy

Whether we handle the feedback and suggestions of our customers immediately or as mid/long-term projects, we attentively listen to the Voice of Customers (VOC) in every interaction with them. We offer a wide array of easily accessible and convenient channels to fully gather customer feedback on our products and services and integrate it into the entire spectrum of our business operations.

VOC Gathering Process, "SoriSup"

To expedite our process in gathering customer feedback, making improvements and reflecting such feedback, we developed our integrated VOC system <SoriSup>. The customer feedback compiled in the wide-ranging communication channels are processed in the SoriSup system and immediately delivered to responsible departments for swift handling. In 2013, this system handled more than 97% of our customer suggestions.

SoriSup Process



Customer Communication Channels

WEBSITE | www.coway.co.kr

Our customer center on our corporate website is responsible for counseling on and explaining about our products and services.

CUSTOMER CENTER | www.payfree.co.kr

Our customer center <Payfree Center> helps our customers accumulate points and apply them towards their rental fee payments.

OFFICIAL BLOG | blog.coway.co.kr

TWITTER | twitter.com/cowaystory

FACEBOOK | www.facebook.com/cowaystory

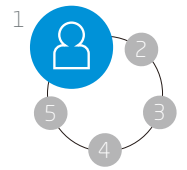
These channels enable us to promote our products and services among the younger crowd in a far more accessible manner, while gathering their feedback on problems or necessary improvements. These social network service-based channels have an advantage over more traditional methods; the feedback regarding our products and services tends to be far more candid.

VOC CALL CENTER +82-1588-5100

Our call center receives inquiries concerning requests for after-sales service on products, follow-up services, requests for product relocation, membership admissions or withdrawals, regular inspections, and other product/service-related inquiries. We also perform satisfaction surveys to ensure the quality of our call center services.

NET PROMOTER SCORE

We conduct Net Promoter Score (NPS) surveys to obtain objective and quantifiable data on our products and services.



Expansion of Customer Satisfaction Programs

We expand and reinforce customer satisfaction programs to deliver a truly impressive customer experience. Our customer management system and structure were realigned to respond to the variety of customer needs while customer satisfaction training is offered to our employees and CODYs. We will do our utmost to satisfy the requirements and expectations of our customers through differentiated and systematized strategies and programs.

Customer Satisfaction Management Strategy, "Beyond Expectation"

We define our customer satisfaction management strategy as one that can be defined as "Beyond Expectation". In other words, we do the work to deliver a 'truly impressive experience that goes beyond the expectation of customers'. Even in our daily service offerings, we endeavor to move beyond ordinary product inspections and serve our customers with 'Motherly Care (Complete)', 'Committed Care (Swift)' and 'Friendly Care (Attentive)'. Our ultimate goal in offering services is to deliver customer satisfaction that surpasses all expectations and requirements. This doesn't just make us better; it enhances the wellness and sentiments of our customers and makes their lives better, too.

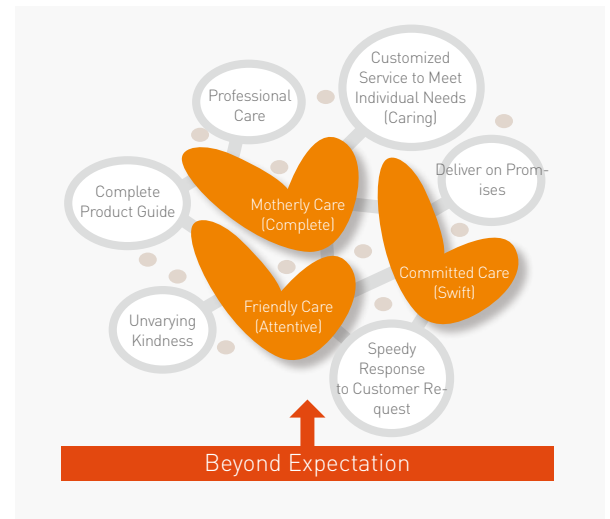
Commitment to the Customer Code of Ethics

To grow into a company that is trusted and revered for its dedication to customer satisfaction, we ensure that we fully abide by the <Customer Code of Ethics>. First, we always lend an ear to the voice of our customers. When our customers come to us and present a sincere need, we let customer satisfaction guide our judgment and actions and remain convinced that their complaint or suggestion is truly valid. Second, we are upfront and honest with our customers. We keep our promises with them regardless of circumstance, and finally, we deliver only the best products and services and respond to the justifiable demands of our customers with agility and accuracy. Third, we ensure that customer data and assets are kept confidential, and not used without their approval, and lastly, we do not violate any relevant regulations in regard to obtaining unfair gains.

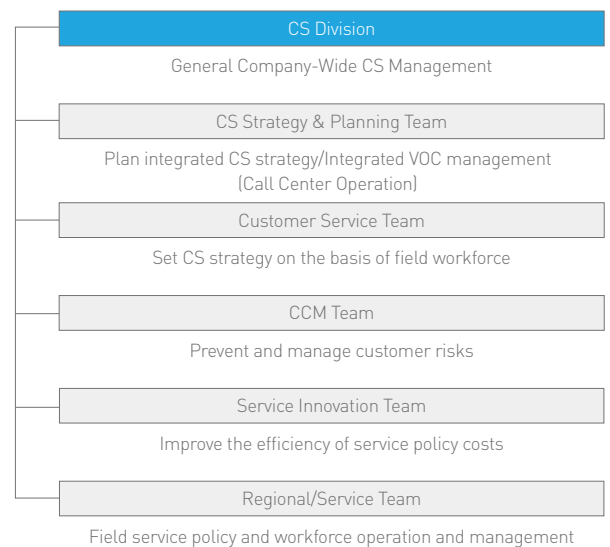
Robust Product Liability Initiatives to Deliver Customer Satisfaction

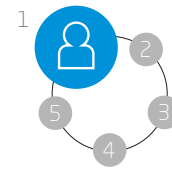
At Coway, a company-wide prevention management system is up and running to reinforce product safety and Product Liability (PL) while CCM teams and a total of 10 PL managers in six regions are undertaking fully-localized preventive activities. They discuss PL issues, their current status and preventive actions through weekly video-conferencing and identify improvement tasks through data analyses. To reduce installation-related errors, our PL manages train CS doctors and we strengthened our PL preventive action system through sustained monitoring.

Coway's Customer Satisfaction Management Strategy "Beyond Expectation"



CS Organizational Chart





Customer Satisfaction Programs

Around-the-Clock Call Center Operation Our professional counselors are fully committed to responding to customer requirements around-the-clock to deliver utmost customer satisfaction.

Reborn Service Our Reborn Service, initially designed to replace water filtration appliance parts free of charge for long-term rental service customers, was expanded to include all product line-ups. This service aims to relieve any hygiene-related concerns from long-term product use that our customers may have and reciprocate their trust with gratis parts replacements. Reborn Doctors, dedicated Reborn Service providers, ensure prompt and professional care. In 2013, more than 200,000 customers benefited from this service.

Safety Text-Messaging Service When our CODYs or CS Doctors make their initial visit to our customers, we send their photos to the phones of our customers. This way, our customers can feel safe in having some familiarity of who the CODY or CS Doctor is prior to arriving at their doorstep.

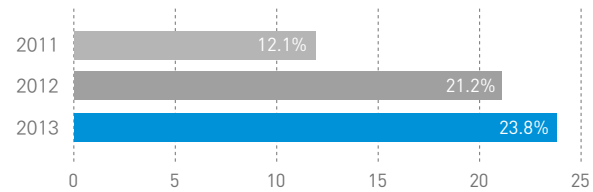
Robust Monitoring Our 'Mystery Shopping' program aims to closely observe the quality of our CODY services. The inspection outcomes are then shared with the appropriate channels in order to improve service quality. We also meet with our customers in person to listen to their concerns and suggestions and reflect them in our operations to deliver even better services.

Field Capacity-Building Training Our CS Doctors and PL managers receive field capacity-building training.

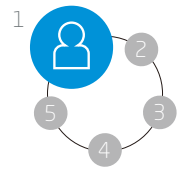
Development of the 'HEART Index' The 'HEART Index' was internally developed as a service quality index to deliver customer satisfaction. This index was created by integrating seven service indices that our customers expect us to deliver. Among others, these concern hygiene, punctuality, credibility, emotional satisfaction and complaint handling. This HEART Index serves as the single platform to assess the service performance of all our employees, from individual CODYs to company-wide staff.

Follow-Up Management of the SQ Certification We were sufficiently satisfied the criteria of the 'Post-SQ Certification Re-examination', which is performed to certify whether SQ (Service Quality)-certified companies continue to maintain their SQ systems following certification. This demonstrated our exceptional competitive edge in systems and processes as an outstanding provider of service quality.

Customer Satisfaction Programs



※ Net Promoter Score (NPS) : A customer loyalty metric that shows the loyalty of a company's customer relationships. Used as a gauge for business competitive edge
 ※ Formula : NPS (Unit : %) = Percentage of customers who recommended the company - Percentage of customers who did not recommend the company



Improving Our Competitive Edge in Product Quality

We are dedicated to delivering high-quality products to our customers. The research conducted at our Environment Quality Institute spans not only quality planning & management but also quality assurance & improvement. With our internally-developed proprietary technology and proven exceptional product safety, we will do our utmost to meet varying customer needs.

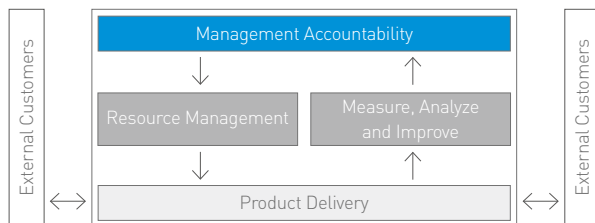
Quality Management Principles

Our Environment Quality Institute defined six core values to live by, along the mission of "Environmental Quality Management for Truly Impressive Customer Experience and Value Creation".

Objectivity Factually-based, objective decision-making backed by data	Credibility Credibility secured in product safety, performance and service
Customer-Centric Integration of customer feedback into products and services	Expertise in Quality and Environment Skills attained to solve quality and environmental problems
Eco-Friendliness Reflection of environmental factors in the entire life cycle of products and services	Profitability Minimization of failure cost by financially assessing and improving initiatives and outcomes

Quality Management System

To guarantee that our products are absolutely safe, we embed quality management initiatives along every step of our operations, from product development to sales and disposal. In each given phase, we focus our capabilities on the task at hand, from quality planning and management to quality assurance and improvement. All the while, we follow procedures in product development to thoroughly verify the reliability and safety of our products in each product development phase.



Quality Innovation Programs

Least Improvement Responsibility Program & Preventive Responsibility Program In the 1st half of 2014, we identified 10 tasks concerning major defects and ensured that these issues were improved responsibly. In the 2nd half of the year, a preventive responsibility program was launched to address five seasonal defects. These endeavors resulted in more than 50% of the major defect factors to be improved.

IT-based Quality Improvement Progress Management The <Q-TAS IT-based System> and our in-house intranet were aligned to manage the progress of improvements regarding quality issues in real time. This allowed us to speed up improvement schedules and build a computer database of failed examples for future reference.

QS 7 (Quality Solution 7day) Our QS 7 program was designed to assign an 'emergency resident TFT' when quality issues occur and resolve these issues within seven days. However, we shortened our response time in implementing improvements by more than 50%.

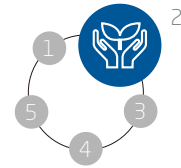
Expansion of Preventive Quality Systems into Overseas Operations Our call center and warranty operation processes were expanded to cover overseas operations.

Daily Quality Monitoring Program All data from field operations (after-sales services, product returns, etc.) was analyzed daily and improved upon.

Quality Forecast Program In accordance with weekly production plans, quality initiatives are undertaken to prevent risks that may affect quality during the manufacturing phase.

Outcomes of Our Quality Innovation Programs

Selected as an Outstanding Company in Quality Competitiveness for Three Straight Years Coway was selected as an "Outstanding Company in Quality Competitiveness" for three straight years. This is a title granted by a government agency based on the comprehensive evaluation of quality competitiveness, production technology, service and customer satisfaction.



Environmental Management

Since we recognize environmental issues as critical factors that impact a company's sustainable development, we do our part to minimize the environmental footprint of our operations. We have a clearly-defined mission and vision of our environmental management as well as environmental principles and goals. We deliver green value to the life of our customers by minimizing GHG emissions through the efficient use of resources and energy, enhancing the eco-friendliness of our products and services and through green communication with stakeholders.

Environmental Management Strategy

Vision	The 1st Green Global Leader that Designs a Healthier Tomorrow			
Strategy	Reputation	Revenue	Risk Taking	Communication
	<ul style="list-style-type: none"> Lay the groundwork to become a truly 'good' company Maximize the value of our green brand 	<ul style="list-style-type: none"> Establish a virtuous cycle of 'good' profits Differentiate our Eco-Business 	<ul style="list-style-type: none"> Prevent environmental risks Manage the eco-value chain 	<ul style="list-style-type: none"> Build a network of 'good' companies Weave eco-DNA into the fabric of daily employee operations
Goal	<ul style="list-style-type: none"> Reduce GHG intensity by 50% by 2020 from the base year 2010 Reduce environmental load by 15% through green products and services 			

Environmental Management Organization

The <EHS Management Committee>, operated under the direct leadership of the CEO in accordance with our environmental management system, serves as a control tower that oversees issues related to the environment and health & safety in an integrated manner.



Environmental Management System

IT-based Environmental Information/Audit & Monitoring We use an IT-based environmental data management system and conduct annual environmental Audit & Monitoring. In 2014, we will build a unique IT-based comprehensive environmental performance management system. This will enable us to make prompter and more credible information disclosures.

Advancement of the Green Reverse Logistics Process We comply with the producer responsibility principle in protecting the environment throughout our whole business cycle. Profits from the waste treatment process (established to handle waste from our rental service operations) go to social-giving initiatives. In 2014, this reverse logistics process will collect boxes and EPS materials left-over from product installations in an effort to further minimize our environmental load.

Energy Measurement and Monitoring Along the Supply Chain We launched our energy quantification project to install power measuring instruments for our suppliers. In 2013, we helped install 193 such devices on the sites of 10 suppliers to support them in establishing their energy management systems.

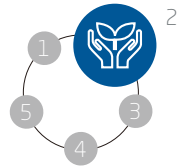
Dissemination of the Environmental Management Infrastructure All our business sites dealing with home wellness appliance operations are certified with ISO 14001 and our Yugu Plant is certified with HSPM to manage the hazardous substances that our products may contain. The HSPM environmental management certification will be expanded to include our Incheon Plant in 2014 and our Pocheon Plant in 2015. This will help us develop a systemic hazardous substance management system at all our business sites.

Environmental Management Performance

Our environmental management performance evaluation in 2013 demonstrated that our score improved in resource circulation, climate change and product-based response to environmental issues from 2012. This is attributed to the diverse environmental initiatives undertaken in alignment with business conduct to comply with domestic and international environmental regulations and respond to relevant environmental policies.

Current Status and Targets of Total GHG Emissions





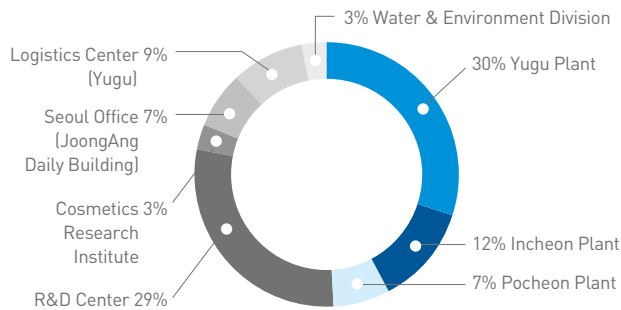
Response to Climate Change

We are building our environmental management system in a way as to minimize our GHG emissions that affect climate change at all our production and sales locations. We also engage our employees and suppliers in self-initiated energy saving programs.

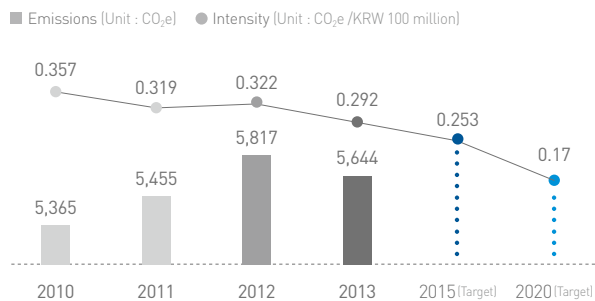
Improving Energy Efficiency and Reducing GHG Emissions at Business Sites

We use intensity as a unit in managing our GHG emissions and strive to improve the efficiency of our energy consumption and effectively reduce GHG emissions. As of 2013, our GHG emissions amounted to 0.29 (ton/KRW 100 million) and our goal is to reduce this to 0.28 (ton/KRW 100 million). Moving forward, we plan to reduce our GHG intensity by 50% by 2020. Meanwhile, the improved efficiency in business operations led to reductions in our GHG emissions and the pilot run of a photovoltaic power generation at our Pocheon Plant, demonstrates our commitment to the wider adoption of renewable energy.

Ratio of GHG Emissions by Business Site



Total GHG Emissions- Status and Target



※ Reducing GHG intensity by 50% by 2020 from the 2010 base year

Our Response to Climate Change

Clean Production System We are consistently dedicated to clean production. Our filter water-cleaning and dry processes were replaced with a single air-flushing process to save energy and water in the cleaning and drying process. We also deployed facilities to use green refrigerant (R-600a) for manufacturing.

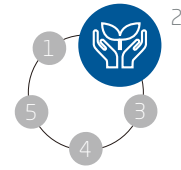
Adoption of Renewable Energy We launched a pilot project to install photovoltaic generators at our Pocheon Plant in 2013, and to increase the penetration of renewable energy, expanded this project to include our Yugu Plant and suppliers. In particular, we provide funding support for our suppliers so that they can adopt photovoltaic generation. This works to reinforce bilateral energy cooperation.

Improving the Energy Efficiency of our Suppliers Our <Energy Partnership Project> aims to evaluate and improve the energy management of our suppliers and build an integrated inter-company energy management system. As part of these endeavors, we offer our suppliers energy quantity measuring devices to assist them in boosting their competitive advantage in the energy sector.

PV Generation at the Pocheon Plant

We installed a 45kwh-capacity photovoltaic generator at our Pocheon Plant and this facility has been in operation since September 2013. For the four months between September and December of 2013, this facility generated at total of 15,740kW of power.





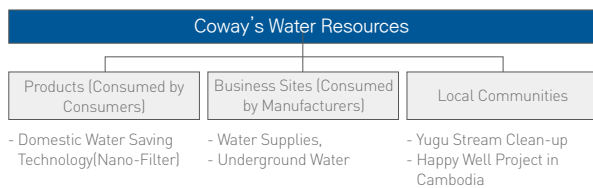
Management of Water Resources and Hazardous Substances

We recognize the importance in managing water resources and hazardous substances and consider it to be a critical factor that impacts our product quality. Thus, we are developing a more reliable and efficient management strategy to minimize our environmental footprint.

Water Resource Management System

Coway was the 1st company in Korea to endorse the CEO Water Mandate of the UN Global Compact and is fully committed to managing and protecting water resources in its whole production life cycle. We defined a systemized process to analyze varying risks and opportunities associated with the use of water and reflected them in our business policy.

Water Resource Management System



※ We signed up to the UNGC CEO Water Mandate (Water resources management)

Water Resource Management Programs

Waterless Water Filtration Appliance Testing System The development of a waterless water filtration appliance testing system that uses nitrogen and a vacuum instead of water, led to 1,952 tons of water savings in 2013.

Domestic Water Consumption Reduction Technology (Nano-Filter)

Through the development of nano-filters, made available through new technology and their migration into product applications, we also help reduce the consumption of domestic water for consumers in the product use phase. (1,855,018 tons saved in 2013)

※ Reductions in Water Consumption : 3 liters (average per unit) production volume

Hazardous Substance Management System

As part of our commitment to minimizing our environmental footprint, we developed a hazardous substance management system to help contain any harmful substances that are in the products we manufacture or sell.

Reinforced Operation of the Hazardous Substance Management System

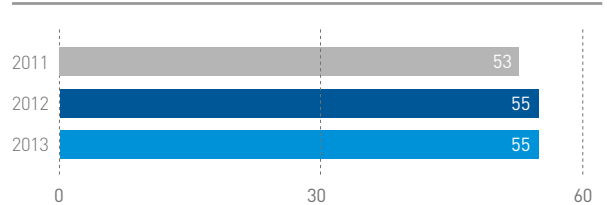
We review the hazardous substances prohibited or restricted by the EU/K-RoHS and announced by the European Union, and through our hazardous substance management system, comply with internal standards that are even more stringent than international guidelines. In so doing, we take the necessary precautions in guaranteeing the safety of our entire product line-up.

Hazardous Substance Management Programs

Green Partnership In response to the requests of our suppliers that we modify and elaborate on the criteria of the Green Partnership certification, we modified some of the key criteria and developed an easier-to-use online document preparation system. In addition, review is underway to launch a supplier rating system as part of the Green Partnership program.

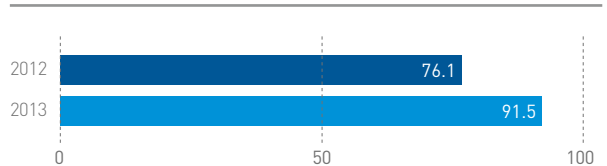
EU-K-RoHS Compliance Rate We have been calculating our EU-K-RoHS compliance rate since 2012 and since January 1, 2013, every last part used in our products has been verified in accordance with EU-Korea RoHS regulations. This is to ensure that we voluntarily regulate our use of heavy metals and flame retardants to deliver green products in the product use and disposal phases. Our new products satisfy 100% of the EU-Korea RoHS regulations before they are launched and all our products, including products that have yet to be developed, are maintained in the 99% range in terms of compliance rate.

Status of Green Partnership Suppliers (Unit : No. of suppliers)

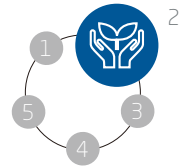


※ Green Partnership : Coway's certification program to certify suppliers who satisfy the environmental/quality management standards defined by Coway to produce green products

EU-Korea RoHS Compliance Rate (Unit : %)



※ Our EU-Korea RoHS compliance rates have been compiled since 2012
 ※ National directive that restricts the use of six hazardous materials: Pb, Hg, Cd, Cr⁶⁺ (heavy metals so far) and PBBs, PBDEs (bromine-based flame retardants) in the manufacturing of various types of electronic and electrical equipment

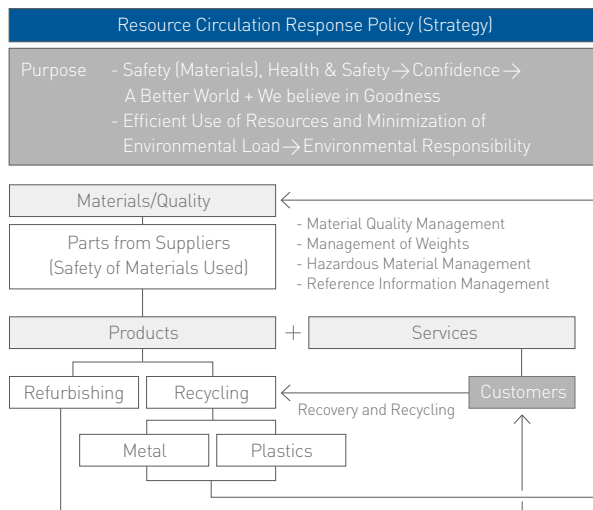


Our Response to Resource Circulation

We take a resource-circulation perspective in the whole life cycle of our operations, from product development and sales to recovery and recycling. Our ultimate goal is to minimize our environmental impact and deliver products and services that enhance and improve the health of people's lives.

Strategy and Policy to Respond to Resource Circulation

Our resource circulation response strategy was designed to efficiently use resources and minimize our environmental load. It is based on this strategy that we undertake refurbishing and recycling policies.



Resource Circulation Response Programs

Waste Electronics Take-Back Service When we deliver a new Coway product, we offer a gratis pick-up of the old machine/product that it is replacing, regardless of whether the old product is one of Coway's or from another company. For customers who simply want to dispose of their old Coway product without making a purchase, we also offer to pick up and dispose of these products for a small fee.

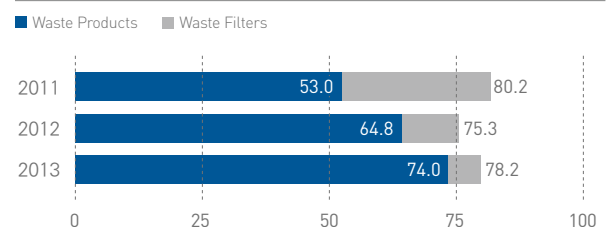
Voluntary Agreement Signed with the Ministry of Environment At the end of 2009, we signed a voluntary agreement on the recovery and recycling of waste plastics with the Ministry of Environment as a way to advance our 'reverse waste product take-back process.' In 2013, our recycling of plastics from waste products rose by more than 10% from 2012. We also reached the mandatory recycling rate proposed by the ministry to generate savings on government-imposed waste charges.

Recycling of Service Waste We extended the scope of our waste management from product waste to service waste. While we had commissioned recycling service providers to treat both filters and waste generated from our product maintenance process, since July 2013, our CODYs have taken on the responsibility of recovering and separating service waste from other waste. The profits generated through this process go to a philanthropic cause, namely in donating food (rice) to underprivileged individuals.

Resource Exchange The Resource Exchange is an online trading market established by the Ministry of Environment and is operated by the Korea Environment Corporation. We signed an MOU with these two organizations in May 2013 and have been joining forces with them to facilitate the sales of our refurbished products.

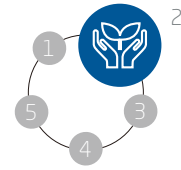
Systemic Approach to Respond to Korea RoHS To comply with Korea RoHS and minimize relevant risks, we launched a pilot project to operate a regulatory response website between 2012 and 2013. Our internal waste system is up and running to systematically manage relevant information.

Recycling of Plastics from Waste Products [Unit : %]



Reached more than **70%** in recovering and recycling plastics from waste products (filters)

※ Based on the outcomes of items contained in the annual agreement signed with the Ministry of Environment



Green Communication

To achieve sustainable growth, it is imperative we cooperate and harmonize with the surrounding environment. While we see eye-to-eye with our major stakeholders when it comes to the wide array of environmental issues we currently face, we launch green communication initiatives to explore solutions to these issues.

Green Communication Strategy

Green communication offers us a venue from which we can spread and communicate our positive corporate image to consumers. It also gives us a chance to bolster our strength in this area and enhance our corporate brand and value. To communicate with stakeholders, we regularly publish sustainability and carbon management reports—and to make our green communication initiatives even more effective, we launch environmental campaigns and operate the Eco-way Council.

Green Communication Programs

Donate Recycled Resources Campaign In May 2013, we launched a joint Donate Recycled Resources campaign with the Korea Environment Corporation. This nation-wide campaign helped minimize the environmental load through the collection and recycling of significant amounts of waste products.

Environmental Mascot and Slogan Contest To improve our corporate image as a green company and raise consumer awareness regarding environmental protection, we hosted a public contest to search for and narrow down the best mascot and slogan to represent the environmental nature of our business. As a result, <CoErang> and <Coway, Creating Added-Value to the Environment> were selected as the winning title and slogan for their conveyed meaning of 'going hand-in-hand with the environment'.

Carbon Footprint Seoul 2013 We have been an active participant in the 'Carbon Footprint Seoul 2013' for two straight years since 2012 and submitted our green products that contain an artistic message at the exhibition. In 2013, we exhibited our <Water Filtration Appliance (CHP-270L)> which was rated Grade 1 in energy consumption efficiency, as a way to encourage consumers to purchase green products.

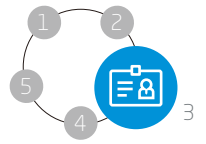
Green Maker Initiative Initiated in 2008, our Green Maker Initiative is our flagship marketing program that assists undergraduate students in building practical capacity as future green marketers by offering them practical marketing experience and the jurisdiction to plan green campaigns.

Environmental Training Our company-wide environmental training aims to raise the awareness of our employees concerning the environment and help them develop related expertise. In 2013, we offered customized job-specific training on domestic and international environmental regulations and issues.

Environmental Training in 2013

Training	Details	No. of Sessions	Training Hours	Note
Employee Awareness Training	Environmental Newsletters	4	-	Distributed online
Jot Expertise Training	Environmental regulations, etc.	4	298 hours	Offline
Supplier Training	Green materials and parts expert training and hazardous material response training	-	1,388 hours	Customized training and group training

※ Training Hours = No. of Trainees x No. of Hours



Talent Cultivation

To nurture employees who benefit our Ideal Coway Employee, we built an independent talent cultivation system and are offering wide-ranging programs on the basis of this system. Our talent development model ensures that our employees not only build their own capacity but also mature into balanced experts who develop character while defining their own identity as a Coway employee.

Talent Cultivation System

Under the goal of pursuing 'Growth That Is Powered by Goodness' by practicing the fundamental 'We believe in Goodness' philosophy, we perform our talent cultivation system in three distinctive ways. First, we offer core value training to weave our business philosophy of 'We believe in Goodness' into the fabric of our corporate DNA. To deliver lifestyle designs that make this world a better place and to empower our employees, we provide <Goodness Training> to all our employees. Second, we offer capacity training to consistently improve both individual and organizational capacity to pursue growth that is powered by goodness. To this end, we offer common capacity training for each job position as well as customized training for each division to develop specialized division-level capacities. Furthermore, we are building E-learning and M-learning systems to establish a knowledge ecosystem infrastructure that provides training and information in real time. Third, we are developing leadership pipelines and offer phased-in training to nurture 'good' leaders. This phased-in training enables us to nurture talented individuals before the need arises and assign the right person to the right position. Our training courses are customized for the varying requirements of different positions (e.g., common team leader courses, common executive courses). This helps us integrate individual and organizational goals and visions into our daily operations.

Employee Development Program

[New Recruit Programs]

New Recruit Training Our new recruit training assists new hires in learning corporate policies and systems and in understanding the operations of respective departments so that they can adapt to their new work life at Coway early on. This training also helps them network with other employees from related departments. Such endeavors have allowed us to maintain an average of 93% in the retention rate of new hires over the last five years.

Field Experience Program Our field experience program is a three-day course that consists of a one-day experience in the sales and manufacturing fields and a day at the research institute.

Coway Day When our new hires are first assigned, we host <Coway Day> events to improve their workplace satisfaction. On Coway Day, the families and friends of our new recruits are invited to tour the Head Office and research institutes and be directly briefed about the company by the CEO.

Mentoring Day Our new recruits are matched with one mentor respectively. For four months, <Mentoring Day> is held monthly and junior employees congratulate these new recruits on joining Coway, and through corporate support, enjoy cultural activities together.

[Professional Capacity-Building Programs]

STEP STEP (Self Teaching & Education Plan) refers to all annual types of learning activities that build employee capacity. STEP consists of mandatory courses and self-initiated learning (selective, selection courses).

1-1 MANDATORY COURSES

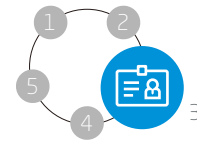
Mandatory courses are aligned with our corporate management strategy and provide information and key insights that every Coway employee should be aware of.

1-2 SELECT COURSES

Individual employees are free to apply for any necessary courses that could help in boosting their competency and these courses include more than 2,000 E-learning and M-learning courses.

1-3 SELECTION OF COURSES

This training program was designed to nurture talented individuals meet specific goals and includes a mini-MBA program and a 12-week language course for future overseas expatriates

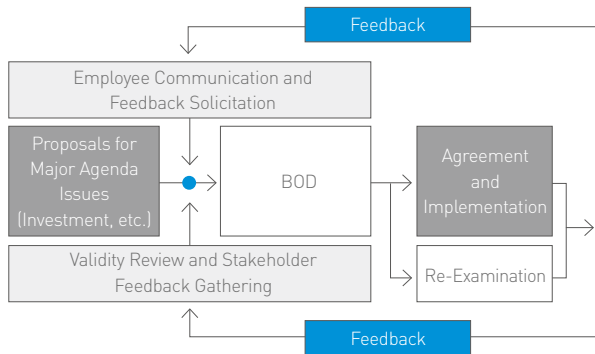


Employee Communication and Engagement

Our employee satisfaction management aims to remain ever-receptive to the opinions of our people at Coway. Through sincere communication, it solicits employee feedback and fully reflects their voice in major decision making. We vow to expand our communication and engagement with our employees to improve their satisfaction and build a more resilient competitive advantage.

Employee Communication and Engagement Process

We defined our own employee engagement process to communicate and engage with more employees. Proposals made by employees on major agenda issues are reviewed for their validity by collecting feedback from stakeholders. If these proposals prove valid, they are put on the table at the BOD meeting and the BOD decides whether to act on these proposals. For those adopted proposals, feedback is gathered on their follow-up progress so that the voice of employees is well represented in our decision-making process.



Information-Sharing Channels

GOOD MORNING COWAY

Good Morning Coway monthly forums are held to share the major activities undertaken on a company and division-wide level. There, we discuss social initiatives, customer feedback and our initiatives covered by the media outlets for the past month. This is also a venue to share business outcomes and accumulative business outcomes for the concerned year and enable our CEO to brief the staff on corporate successes and necessary improvements so that improvement plans and solutions from respective departments and/or new agenda proposals can be discussed.

ONLINE EMPLOYEE COMMUNITY 'LULULALA'

'LuLuLaLa' is the name of our online community and it is a platform from which all employees can easily communicate and share corporate news. Information on diverse internal events and important news items are disclosed while various online events are held to facilitate employee communication.

HR PRESENTATION

HR presentations are provided at each business site on such topics as corporate HR policies (evaluation, compensation, promotion), welfare & benefits, and training programs. These presentations go on for three months and offer detailed explanations regarding modified systems and major modifications and give us a chance to solicit employee feedback.

Feedback Gathering Channels

ENERGY & EXCITEMENT PROMOTION GROUP

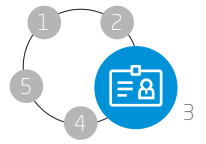
This program was designed to identify novel ideas from new recruits and build them into our corporate culture so as to improve our organizational culture. Group members are selected from new hires with one to three years of work experience. The program serves as a gateway to new ideas about how Coway can boost its growth and become an even greater work place. These suggestions are directly reported to the CEO, who then holds regular quarterly meetings to accept new ideas and implement them.

HIGH-TING

High-Ting is our division-level communication program. Division heads and members enjoy quality time together through joining outdoor activities and conversing about their opinions on issues within their respective division.

SANG-SANG OCEAN

Sang-sang Ocean allows our employees to immediately suggest necessary improvements or ideas related to work and receive feedback. Exceptional ideas recommended by reviewers are shared of-line and the bi-monthly 'Best Idea Committee' meetings are held to award the best idea.



Employee Welfare Improvement

As a way to advance employee satisfaction management, we offer a wide array of work-life balance programs. Our family-friendly management doesn't just consider its employees as the Coway in crowd; it considers even their families as honorary members. We want our employees to feel that they belong, and we want them to feel satisfied with their job; we hope that these programs encourage just that.

Employee Welfare Programs

SPECIAL BONUSES FOR FAMILY EVENTS

We provide special bonuses to our employees during such important family functions as weddings and parents' 60th and 70th birthdays, along with childbirth and bereavement support.

TUITION SUPPORT FOR CHILDREN OF EMPLOYEES

Employees are provided with tuition support for pre-school, high school and university.

HOUSING SUPPORT AND LOAN INTEREST PAYMENTS

Employees (who do not own homes) are provided with loan interest payment support, which is differentiated according to their years of service.

WELFARE POINT PROGRAM

As part of our selective welfare & benefits programs, welfare points are granted in varying amounts according to years of service.

CELEBRATION OF WEDDING ANNIVERSARY

Employees are given gifts and celebratory wreaths on their wedding anniversaries.

VACATION PROGRAM FOR CONTINUED SERVICE

Long-tenured employees are allotted vacations, along with vacation expenses, which are differentiated according to their years of service.

Occupational Health & Safety

To ensure a safe and pleasant work environment for all our employees, we are establishing health and safety organizations and systems, while working consistently to implement them. Since we fully recognize the importance of a high-quality work environment as an essential requirement for our employees to become confident about, and loyal to the company, we are undertaking far-reaching initiatives to enhance our environment and increase our safety measures.

Health & Safety Programs

HEALTH CHECK-UPS

Provided annually

SMOKING CESSATION

Smoking cessation clinics and campaigns

HEALTH CARE

Therapeutic massage

REFRESH ZONE

In-house areas designated for rest and recreation

HAPPY MIND

Psychological counseling

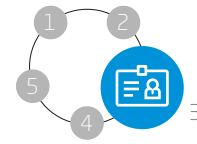
Health & Safety Performance

Occupational Injury Incidents

Year	No. of Cases Approved	Coway	Manufacturing Industry	National Industry
2011	5 cases	0.11%	0.94%	0.65%
2012	5 cases	0.11%	0.42%	0.59%
2013	3 cases	0.06%	-	0.59%

* Coway Average : No. of injured workers/No. of total workers x 100

* Reference Source for National and Manufacturing Industry's Average : Occupational Injury Statistics from the Ministry of Labor



Trust-based Labor-Management Culture

At Coway, we value enthusiasm, innovation, confidence and trust and are committed to spreading these values. In particular, a trust-based labor-management culture is the driving force to behind a thriving organizational culture. It also serves as the foundation from which to advance employee satisfaction management for its positive impact on individual employees.

Programs to Build a Trust-based Labor-Management Culture

Labor-Management Council Regular Labor-Management Council meetings held in conjunction with labor representatives serve as a channel for consistent communication. When major changes occur in our business conduct, they are transparently disclosed to our employees and ad-hoc council meetings are hosted if deemed necessary to share such changes in advance and reach consensus through consultations. Every year, the council discusses HR systems, compensation, welfare & benefits and holds workshops to facilitate bilateral communication.

Pine Bakery Our <Pine Bakery> is an official in-house counseling channel designed to handle employee grievances. It is available on our intranet and protects the confidentiality of reporters so that employees can receive counseling or submit their grievances online anytime. The scope of counseling is wide enough to handle the diverse grievances of individual employees, ranging from HR, sales and welfare & benefits to work related matters.

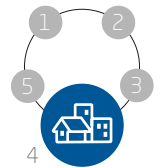
Performance of a Trust-based Labor-Management Culture

Operation of the Labor-Management Council

Category	2011	2012	2013
No. of Council Meetings	5	4	4
No. of Agenda Issues Discussed	8	9	11
No. of Agenda Issues Resolved	8	9	11

Operation of the Grievance Counseling Program

Category	2011	2012	2013
No. of Grievances Submitted	140	56	35
No. of Grievances Handled	140	56	35
Handling Rate	100%	100%	100%
Major Grievances	HR, Sales, Job, Private Matters		

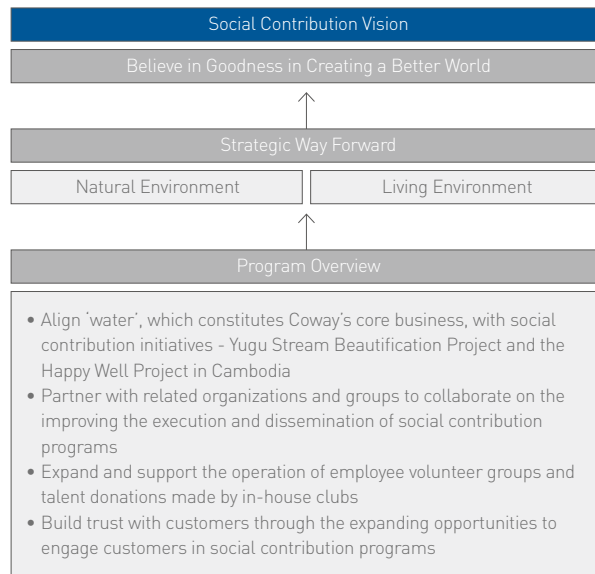


Social Contribution

We support all our employees in voluntarily engaging themselves in contributing to the development of the local communities where we are based. We defined the improvement of the natural and living environment as our strategic way forward and are focusing on social contribution initiatives that are aligned with our business capabilities. In effectively contributing to the development of our communities, we consider our unique business characteristics in terms of our products, organizations, customers, and business areas, to provide what we specialize in, to those in most need of what we can offer.

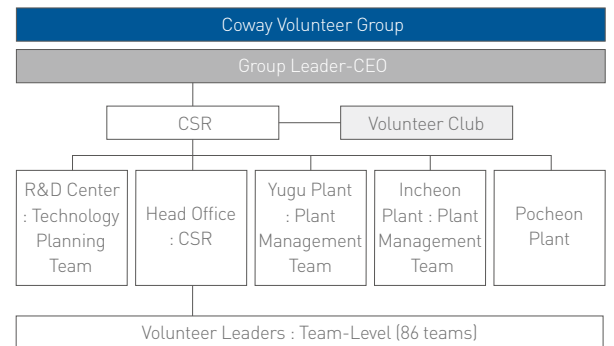
Social Contribution Vision

Our belief that goodness will contribute to the makings of a better world, inspires us to become involved in social-giving initiatives that befit our corporate mission of creating a “Healthy Environment, Happy People” In particular, our two goals of improving of the natural and environment and improving the living environment light our path forward in undertaking diverse social contribution programs. Following the development of our ‘mid/long-term social contribution roadmap’ in 2012, we are now developing social-giving programs that are closely related to our core business as a way to improve their effectiveness. We believe that in so doing, we can ensure that each of these programs will contribute to improving the quality of the natural and living environment in the communities where we are located. We will reflect our corporate vision, core values and the interest of our stakeholders in our social contribution initiatives so as to facilitate community engagement and development and improve the quality of life for all.



Social Contribution System

Our company-wide Social Contribution Council ensures that social contribution initiatives are efficiently undertaken. The CSR Team takes on a company-wide overarching role in setting social contribution strategies, while each business site regularly gathers feedback from its local communities through communication channels and reflects such feedback in its operating programs. We have 86 volunteer team leader representatives and they are responsible for immediately placing employees where there is a need for emergency relief activities, and assisting them in efficiently participating in social contribution programs. Our in-house clubs, created for the recreation and leisure of our employees, are also willing to lend a hand to assist in such efforts. Our social contribution system, openly welcomes any new invites to participate in its sharing initiatives. Furthermore, our employees and their colleagues can register their volunteer plans and take time off from work to offer a helping hand to a worthy cause.





Social Contribution Programs

1) Aligned with Products/Technology

Hanbyum Love Our <Hanbyum Love> program originated from our philosophy to believe in goodness to share our love with underprivileged children. This represents our integrative social contribution program that looks out for the emotional stability of children suffering from environmental diseases. To improve the living environment for these children, we donate our home wellness appliances and whenever our CODYs stop by for product maintenance, they are sure to check in on them and offer emotional support by way of delivering nutritious food and engaging in lighthearted conversation. Included in other emotional support programs are the 'Birthday Celebration' for children whose birthday is seldom acknowledged due to the poor economic conditions of their parents and the 'Field Trip' program that allows these underserved children to enjoy cultural experiences.

Donation of Water Filtration Appliances We are conducting a pilot project in conjunction with the Ministry of Environment to install water filtration appliances in areas devoid of water supply services but rich in natural radioactive materials to research the effect these appliances could have in reducing radioactive levels. Following the free-of-charge installation of water purifiers that are capable of eliminating uranium from underground water, in approximately 200 households, we will perform regular water quality inspections and water purifier performance evaluations by 2015. This project will allow us to assess the economic feasibility of filters suitable for removing pollutants from underground water and to identify ways to address drinking water issues in rural and fishing areas.

2) Aligned with Business Areas

Happy Well Project in Cambodia It is a well known fact that Cambodia suffers from poor water quality. This is why we at Coway decided to help install pump-type wells in Cambodia to improve the water quality for local people. By the end of 2013, we helped construct 876 wells and our goal is to complete the construction of 1,000 wells by 2015. To fundamentally improve the nation's water quality, we also established an organization to manage the wells with local NGOs. Through it, we offer training to ensure appropriate post-installation well management. In 2013, our dedicated employee volunteer group traveled to Cambodia to help repair village roads and reconstruct dilapidated homes in addition to constructing wells.

Re:NK Re-starter Beauty College Our <Re:NK Re-starter Beauty College> was launched to support women, whose career was discontinued, in finding a job again. This program helps these women, who quit their jobs due to childbirth or childcare leaves, obtain the qualifications to once again become employable, economically-active and independent. We cover all their training expenses to receive instruction from professional training institutes and become

governmentally-recognized, qualified skin care specialists and make-up artists. Upon obtaining certificates, we offer employment consulting in alignment with employment centers to help these women land a job.

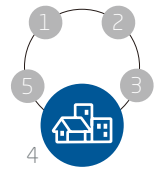
3) Aligned with a Customer Network

Rent For Help Our <Rent For Help> program aims to improve the educational environment for children in Africa through regular monthly donations of KRW 1,000 made by our rental/membership customers and employees. All donations go to construct schools in Africa. This program couples our customer network with the professional relief operation of Good Neighbors, a Korean NGO. Rent For Help has positioned itself as a new social contribution model that invites enterprise customers to engage in regular donation activities. What makes it particularly meaningful is the fact that anyone can easily participate; all that's needed is a mere KRW 1,000 donation.

4) Aligned with CODYs

Smile Angel Our Smile Angel initiative aims to purchase organically-grown rice with the savings generated through reduced logistics and labor costs. This is made possible through the help of our CODYs, who recycle filters, and deliver this rice to 1,004 underprivileged households nationwide. This program was initiated in 2013 with the delivery of 2,008 bags of rice to 1,004 elderly people living alone, two bags per household (10kgs per bag). Our Smile Angel especially significant in that our CODYs, the symbol of Coway, facilitate the recycling of waste and willingly participate in sharing with others.

Sharing Briquettes Sharing Briquettes is an annual social-giving program that we launch in Busan every winter. CODYs working in Busan and the surrounding South Gyeongsang areas raise funds for a period of a year. They then use these funds to purchase briquettes and deliver them to neighbors in need. It is not uncommon for CODYs to become friendly companions to these underprivileged individuals. Primarily centered in Busan, we are now expanding this initiative to engage CODYs in Seoul, Incheon and other metropolitan areas. In 2013, we delivered approximately 30,000 pieces of briquettes.



Communication with Local Communities

It is based on the needs of our employees, local communities and stakeholders that we undertake social contribution initiatives. We pave the way for our employees to offer a helping hand by gathering their feedback while conducting regular discussions and surveys with NPOs (Non Profit Organization) to plan programs that reflect social issues. In the local communities where we are based, each of our business sites operates communication channels to communicate with its local communities so it can grow hand-in-hand with them.

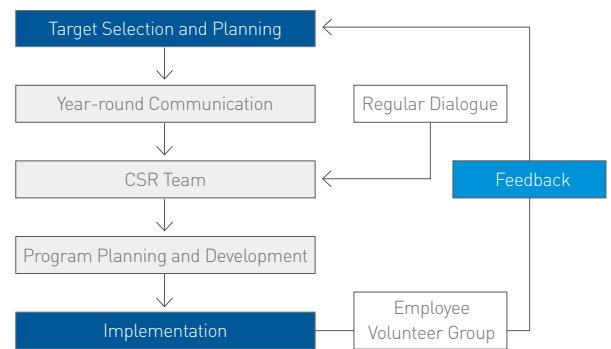
Definition and Scope of Local Communities

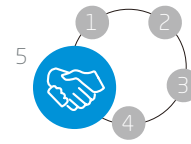
We operate in Seoul, Yugu, Pocheon and Incheon. These local communities are our important partners who supply top-notch talent and offer administrative support and useful advice. As such, we are engaged in a mutually-beneficial relationship with these communities, and likewise, they benefit from us, through our interactions in the economic, social and environmental arenas. With this in mind, our definition of local communities extends from the geographical administrative areas where our business sites are located to include all stakeholders who interact with us in both big and small ways. This includes local residents and governments, suppliers, NGOs & civic groups, schools, research institutes, and the media. As we continue to take on a leading role as a global corporate citizen, this scope will widen to reach even further boundaries.

Communication Channels and Processes of Local Communities

To gather feedback from the local communities where we are located, each of our business sites operates adequate communication channels. The Plant Management Team at each plant is responsible for gathering feedback from local communities, which is then reviewed and reflected in making business decisions. Our Yugu Plant gathers feedback from local opinion leaders through the Yugu Regional Promotion Council and our Pocheon Plant hosts diverse consultations through regular meetings with the Pocheon City Government and the Sinbuk-myeon Office. In so doing, we lend an ear to our local communities and reflect their voice in our community engagement programs.

Process of Communicating with and Gathering Feedback from Local Communities





Support the Sustainable Growth of Suppliers

We build fair and transparent business relationships with our suppliers and consider these partnerships as a source of value creation in establishing a win-win strategy for Coway's sustainable growth. We do not see our suppliers as a mere business partner, but rather we see them as a community member who plays a significant role along our supply chain. At Coway, we will spare no investment or support to ensure that our suppliers' competitive edge becomes our competitive edge.

Shared Growth Strategy

To pursue shared growth with suppliers, we defined 'Three Core Strategies' and '10 Detailed Implementation Tasks'. To ensure that our suppliers become globally competitive and stand on their own two feet, we vow assist them with establishing management stability and systems and in building a robust competitive edge in manufacturing.

Three Core Shared Growth Strategies

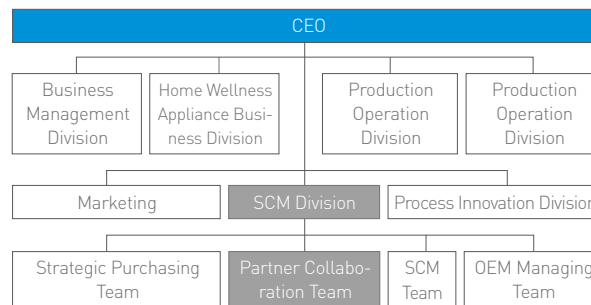


10 Shared Growth Implementation Tasks

Build Robust Technological Capabilities	<ol style="list-style-type: none"> 1. Facilitate Supplier Sang-sang Ocean 2. Expand comprehensive innovation on the shop floor 3. Benchmark outstanding manufacturers
Improve Management Capabilities	<ol style="list-style-type: none"> 4. Maximize the introduction and use of ERP 5. Offer general group guidance and nurturing
Build the Capabilities of Supplier Employees	<ol style="list-style-type: none"> 6. Build the capabilities of supplier employees 7. CEO MBA 8. Support for nurturing new hires
Reinforce Communication with Tier 1/2 Suppliers	<ol style="list-style-type: none"> 9. Facilitate 'Woongbihoe' 10. Expand shared growth into tier 2 suppliers

Shared Growth System

Our Partner Collaboration Team, under the SCM Division, is responsible for undertaking shared growth initiatives. Through close cooperation with relevant departments, the Partner Collaboration Team gathers feedback from suppliers and helps suppliers become globally competitive.



SCM DIVISION

General management in relation to strategy-setting, execution, monitoring and improvement in order to establish fair trade, support and nurturance of suppliers for shared growth

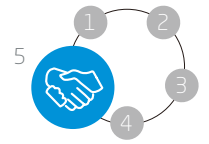
PARTNER COLLABORATION TEAM

Supervision of working-level operations to generate outcomes for shared growth, ranging from gathering feedback from suppliers, identifying effective support tasks through internal/external environmental analyses to supporting and nurturing suppliers

Shared Growth Programs

Adjustment of Delivery Unit Prices When issues occur to require the adjustment of delivery unit prices, we follow reasonable standards to promptly respond to suppliers' requirements. In 2013, we abided by the 'discuss within 10 days' and 'complete discussions within 30 days' principles when changes occurred in delivery unit prices and successfully handled 100% of the delivery unit price adjustments.

Integrated Purchasing of Raw Materials Through a large-volume purchasing of raw materials from suppliers, we predict and mitigate factors that lead to price increases and offer volume discounts so that our suppliers can provide high-quality parts based on a stable cost structure.



Support for the Participation in Overseas Exhibitions As a way to help suppliers increase their sales, we fully support our suppliers in promoting their brands along with our brand, launching joint marketing programs and attending overseas exhibitions. In 2013, we assisted four suppliers with participating in international exhibitions.

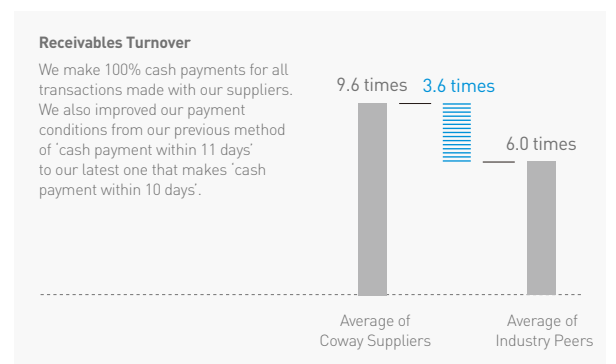
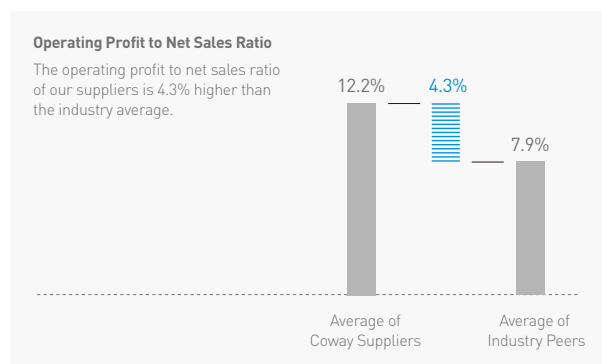
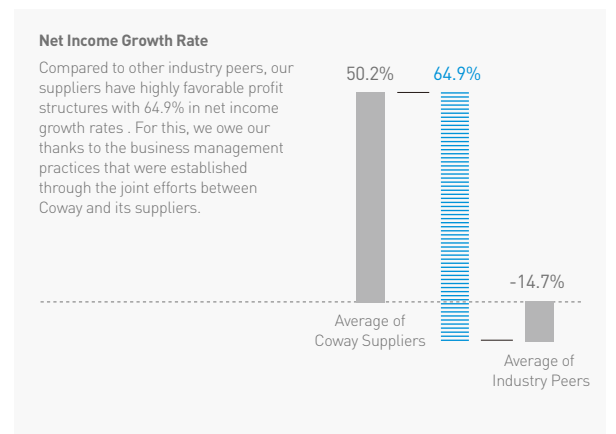
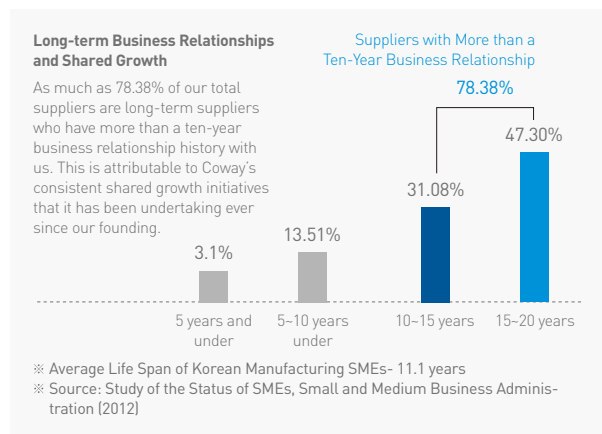
Quality Management Guidance for Suppliers Our Quality Control Team took the lead in assisting 11 major suppliers in improving their process defects and offered five sessions of the 'Key to Quality Management' training to suppliers to build their quality management capabilities.

Benefit-Sharing Program Under our Benefit-Sharing Program, we paired with our suppliers to set common goals for all types of consensual cooperation activities, including cost saving, and Coway supports suppliers in reaching these goals and shares the benefits with its suppliers. Following projects undertaken on new technology development, parts localization and other related projects, the outcomes are reflected in expanding purchase volume from concerned suppliers and determining delivery prices. In 2013, approximately 30 suppliers joined this program and KRW 2.66 billion of benefits were shared.

Support for Tier 2 Suppliers We developed an integrated shared growth system to pursue win-win partnerships with not only tier 1 suppliers, but also tier 2 suppliers. Coway and our tier 1 suppliers strive to abide by major fair trade guidelines for tier 2 suppliers in such areas as the adjustment of delivery unit prices, improvement of payment methods & due dates, and financing support.

Performance of Shared Growth Initiatives

The growth of our suppliers is clearly demonstrated in their financial outcomes. Our annual analyses of suppliers' financial conditions prove that our suppliers outperform their industry peers in 26 indicators that concern stability, profitability, activity, productivity and growth potential. When compared to their competitors, our suppliers are slightly ahead in operating their ratio of profits to net sales, total capital and net profit margins. However, in terms of net income growth rate, our suppliers posted an average of 50.2% while the industry average was a mere -14.7%. This exceptional financial performance on the part of our suppliers is the result of our joint commitment to shared growth that remained ever steadfast in the face of challenging market conditions.



※ Source : The same content appears in the Aspect 5 section of this report.



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PART 4 APPENDIX





WE RISE TO THE CHALLENGE OF REACHING NEW FRONTIERS—CEASE-
LESSLY, WITH INNOVATION AND CREATIVITY. IN THE SPIRIT OF YOUTHFUL
ENTHUSIASM, WE FORGE AHEAD TO REACH EVER NEW HORIZONS—
NO MATTER HOW HIGH THE MOUNTAIN OR HOW TOUGH THE TERRAIN.

Awards, Certificates and Membership

AWARDS

Name of Award	Award Category	Hosted or Supervised By
Excellent Company in Equal Employment for Both Genders 2013	Commendation of the Minister of Labor	Ministry of Employment and Labor
Korea's Top 100 Great Work Place 2013	Grand Prize in the General Service Sector (for three straight years)	GWP Korea
'Carbon Management Industry Leader' 2013 by CDP	Selective Consumer Goods Sector (for five straight years)	CDP Korea
Bronze Award at the Vision Awards 2013	Sustainability Report Sector	LACP (League of American Communications Professionals)
Excellent CSR Company in Malaysia 2013	Grand Prize (Award from the Malaysian Minister of International Trade and Industry)	Ministry of Trade, Industry and Energy, Malaysian Ministry of International Trade and Industry
Excellence Award at the 7th Korea Star Awards	Buffering made out of cushions for green material-derived new packaging technology for beauty salon-grade water purifiers	Ministry of Trade, Industry and Energy
Award by the Korean government on Product Safety Day 2013	Commendation of the Prime Minister	Korean Agency for Technology & Standards, Ministry of Trade, Industry and Energy
'Energy Technology Award' at the 17th Energy Winner of the Year Awards	Water Filtration Appliance (CHP-010E)	Consumers Korea, Ministry of Trade, Industry and Energy
Golden Prize at the Invention and New Product Exposition 2014	Personal Care Products (Re:NK Time Lab Intense Line)	INPEX (Invention and New Product Exposition), Korea Invention Promotion Association
26th Jang Young Shil Award 2013	Cosmetics Sector	Korea Industry Technology Association
Grand Prize at the 2013 Korean New Technology Innovation Awards	260L	Korean Standards Association

INTERNATIONAL DESIGN AWARDS

Name of Award	Award Category
2013 iF Design Award	 Air Purifier AM-1012AD
 Air Purifier APD-1212BHB
 Air Purifier APM-0512DH
 Smart- Smart Water Filtration Appliance
2013 iF Design Award (Communication)	 Service Design (Welcome Package)
 Smart Water Filtration Appliance
2013 Reddot Design Award	 Other CJP03
 Other OXY
2013 IDEA Design Award	 Water Filtration Appliances CHP-340N, CHPI-380, Twinkle
 Air Purifiers AP-1512HH, AP-0512NH, Volcano (Silver), Root (Bronze)
 Other CJP (Bronze), OXY, CV-22C

CERTIFICATION

Name of Certification	Certification Category	Certification Period	Certification Body
CCMS Re-certification	Re-examination of certified companies	Jul. 01, 2013 ~ Jun. 30, 2014	Fair Trade Commission
Lv3 SMT Certified Testing Lab	International Safety Certification Center	Jul. 08, 2013 ~ Jul. 07, 2014	INTERTEK
GH Quality Certificate	Cosmetics (allvit Anon cream)	Oct. 09, 2013 ~ Oct. 08, 2014	KHIDI (Korea Health Industry Development Institute)
HSPM (Hazardous Substance Process Management) Certification	-	Mar. 15, 2013 ~ Mar. 14, 2016	TUV SUD, ECCC
Korean Excellent Service Quality Company Certification	Repair of home appliances	Sep. 23, 2011 ~ Sep. 22, 2014	Ministry of Trade, Industry and Energy
Quality Management System (ISO 9001 : 2008)	Qinyang Plant, Chinese Subsidiary	Jun. 29, 2013 ~ Jun. 28, 2015	Chinese ISO 9001 certification body
Quality Management System (ISO 9001 : 2008)	Yugu Plant, Seoul Head Office, Incheon Plant, Pocheon Plant	Jun. 24, 2011 ~ Jun. 23, 2014	TUV SUD
Environmental Management System (ISO 14001 : 2004)	Yugu Plant, Seoul Head Office, R&D Center, Incheon Plant, Pocheon Plant	Jun. 24, 2011 ~ Jun. 23, 2014	
Health & Safety Management System (OHSAS 18001 : 2007)	Yugu Plant, Incheon Plant	Jul. 14, 2011 ~ Jul. 13, 2014	
Carbon Footprint Label Certificate	Bidets (BA10-A/B, BA14-C, BAS14-B)	Apr. 10, 2013 ~ Apr. 09, 2015	Korea Environmental Industry & Technology Institute
Low Carbon Certificate	Water Filtration Appliance (CHP-270L)	Jun. 26, 2013 ~ Jun. 25, 2016	
Low Carbon Certificate	Water Filtration Appliance (CHP-210L)	Jul. 27, 2012 ~ Jul. 26, 2015	
Low Carbon Certificate	Water Filtration Appliance (CHP-06DL)	Nov. 25, 2011 ~ Nov. 24, 2014	
RoHS Certificate of Conformance	Water Filtration Appliance (CHP-270L)	Oct. 04, 2012 ~ Oct. 03, 2017	TUV SUD
RoHS Certificate of Conformance	APD-1212BH	Aug. 20, 2012 ~ Aug. 19, 2017	SGS
RoHS Certificate of Conformance	Water Filtration Appliances (CHP-240, 241N)	Apr. 03, 2012 ~ Apr. 02, 2017	INTERTEK
New Excellent Product Certificate (NEP)	Ceramic and nozzle sterilization using electrolysis for bidets (Bidet BA14)	Apr. 29, 2011 ~ Apr. 28, 2014	Korean Agency for Standards and Technology
New Excellent Technology Certificate (NET)	Direct dispense technology using platinum heating plates instant hot water technology (CHP-010E)	Jul. 10, 2012 ~ Jul. 09, 2014	Ministry of Trade, Industry and Energy

MEMBERSHIP

Name of Organization	Supervised By	Name of Organization	Supervised By
UNGC (United Nations Global Compact)	UN Global Compact Fair Trade Commission	Korea Sustainability Investing Forum	KOSIF
Korea Direct Selling Association	Korean Standards Association	CEO Forum for Green Products	Korea Environmental Industry & Technology Institute
KSA (Korean Standards Association)	Korean Fair Competition Federation	Korea International Trade Association	Ministry of Trade, Industry and Energy
Korean Fair Competition Federation	Fair Trade Commission	KOTRA (Korea Trade-Investment Promotion Agency)	Energy
Organization of Consumer Affairs Professionals in Business		Korea Electrical Products Safety Association	Korean Agency for Technology & Standards, Ministry of Trade, Industry and Energy
Korean Society of Consumer Policy & Education		Korea Institute of Design Promotion	Ministry of Trade, Industry and Energy
Korean Consumption Culture Association	Fair Trade Commission	KAID (Korea Society of Industrial Design)	Ministry of Trade, Industry and Energy
Korean Association of Consumer Professional	ISTA	Korea Electrical Products Safety Association	Korea Association of Industrial Designer
ISTA (International Safe Transit Association)			Korean Agency for Technology & Standards, Ministry of Trade, Industry and Energy

Assurance Statement

INTRODUCTION

DNV Certification Ltd. ("DNV" hereafter) was commissioned by Coway Co., Ltd. to perform an assurance engagement of the company's Sustainability Report 2013 (the "Report" hereafter). This assurance engagement focused on Coway's management process and reporting process in relation to the information presented in the Report and this assurance statement was prepared for the readers of the Report. Coway is solely responsible for the collection, analysis, compilation and reporting of all the information contained in the Report and DNV's responsibility as an assurance provider is limited to contract parties in accordance with the contract details and the agreed scope of work. This assurance engagement was conducted on the presumption that the assurance team was provided with complete, sufficient and factual data and information. DNV also clarifies that DNV holds no liability for compensation or responsibility concerning the decisions made by third-parties (including investment decisions) on the basis of this assurance statement.

Scope of Assurance

The assurance engagement was performed in April 2014 and the scope of this assurance is as follows

- 1 Verification of the sustainability management principles, initiatives, practices and outcomes concerning the year 2013 as outlined in the Report by the Head Office and a main plant (Yugu Plant)
- 2 Verification of the 2013 performance data and information contained in the Report against the governmental corporate information disclosure system, management assessment reports of public institutions, and internal documents & records
- 3 Reporting boundary and content selection processes
- 4 Review of the compliance of this Report with the principles and requirements suggested by the GRI (Global Reporting Initiative) G3.1
- 5 Compliance of this Report with the "Materiality", "Inclusivity" and "Responsiveness" principles : DNV conducted a moderate-level assurance engagement in verifying the reliability of the report information.

Limitations

Not included in the scope of this assurance engagement are the sustainability management, performance and reporting practices of those organizations, vendors, suppliers and third-parties to which Coway does not exert any material control as stated in the Report. DNV also did not interview external stakeholders as part of its assurance engagement.

Assurance Methods

DNV is a leading provider of wide-ranging sustainability services, including the assurance of sustainability reports. DNV's environmental and social assurance experts work in more than 100 nations worldwide. This assurance engagement was conducted by a team of qualified experts with abundant experience. DNV was not engaged in the preparation of the Report and did not provide any services to Coway that may impact its independence and impartiality between 2013 and the Report assurance period. This assurance was performed in accordance with DNV's sustainability report assurance protocol VeriSustain™. The report assessment criteria are as follows.

- 1 Compliance with the principles of materiality, completeness, neutrality, reliability, responsiveness and stakeholder inclusivity as stated in DNV's sustainability report assurance protocol VeriSustain™
- 2 GRI G3.1 and its application level criteria

As part of its assurance engagement, DNV verified the sustainability-related phrases and statements contained in the Report and reached its conclusions through the following activities

- 1 In-person visits to Coway's Head Office in Seoul and to the Yugu Plant
- 2 Review of the materiality test stated in the Report through sampling
- 3 Verification of the related documents, data and other information that DNV requested as well as related documents, data and other information provided by Coway
- 4 Verification of compliance with the GRI application level requirements

CONCLUSION

As a result of its assurance engagement, DNV believes that this Report is a reliable and fair representation of Coway's sustainability management principles, initiatives and performance in 2013 and that this Report satisfies the principles and requirements of the report content and quality suggested by the GRI G3.1 Guidelines. DNV also verifies that this Report meets the GRI Application Level 'A' requirements.

In relation to this Report's compliance with the above-stated reporting standards, the assurance team reached the following conclusions

- 1 Inclusivity** : Coway comprehensively engaged its stakeholders in its sustainability management issues. Coway's stakeholder engagement initiatives are undertaken across the board. This report describes the diverse methods used by the company in engaging stakeholders. The documented stakeholder engagement process was verified through its management assessment report. This report provides in-depth coverage of and major issues related to the following six stakeholder groups: customers, shareholders & investors, governments, academia & media, suppliers and employees & local communities.
- 2 Responsiveness** : DNV believes that the opinions, issues of interest and expectations of stakeholders were reflected in preparing this Report and in systemizing Coway's sustainability management. The Report satisfied this overall responsiveness principle. For issues identified as material in the previous report, there needs to be a more detailed description of relevant performance during this reporting period. In addition, by providing key performance indicators for issues identified as material in this Report, Coway will be able to better monitor the progress of its sustainability management. Thus, Coway needs to set targets and regularly monitor, measure and report performance for each of its material issues.
- 3 Materiality** : This Report clearly presents the materiality test process. Coway's materiality test process is based on data extracted from a wide array of activities that concern international sustainability management standards, industry-specific indicators, stakeholder expectations and issues of interest, internal issues, external environmental analyses (media analyses, benchmarking of industry peers), and stakeholder surveys and interviews. This convinces DNV to believe that Coway considered stakeholder feedback in identifying and prioritizing material issues.

Recommendations

The following is a summary of the observations and necessary recommendations presented to the top management of Coway, in addition to the above recommendations. While these recommendations do not impact DNV's conclusions on this Report, they are provided to assist Coway in making continuous improvement.

- 1** While Coway uses various tools in constructing its pool of material issues concerning identified stakeholder groups, the company is highly dependent on survey outcomes in the process of selecting material issues. To offset the risks associated from relying too heavily on any one single tool in determining material issues, DNV suggests that Coway utilize the feedback gathered through year-round stakeholder engagement processes (communication channels) in considering the selection of its material issues.
- 2** In comparing material issues from 2012, Coway's 2013 Sustainability Report enables readers to identify the shifting issues of interest for Coway stakeholders. Still, Coway's reports can be further improved by setting mid/long-term sustainability management performance targets, regularly reviewing these targets and continuously evaluating major outcomes through annual sustainability reports.



April 2013
Seoul, Korea

Se Hee Park
Assurance
Team Leader

In Kyoon Ahn
CEO

Seung Hyun Kwak
Technical Reviewer
DNV Sustainability
Management Service

Common/Economic Data

ECONOMIC PERFORMANCE

(1) Consolidated Financial Statements

(Unit : KRW million)

CATEGORY	2011	2012	2013
Current Assets	572,596	779,164	691,415
Non-current Assets	1,052,123	975,944	976,444
Total Assets	1,624,719	1,755,108	1,667,859
Current Liabilities	578,335	759,159	676,733
Non-current Liabilities	308,481	210,865	50,237
Total Liabilities	886,816	970,024	726,970
Total Shareholders' Equity	737,903	785,084	940,889
Sales	1,824,367	1,992,838	2,118,342
Operating Profit	234,729	226,147	339,032
Income Before Income Taxes	217,512	145,783	327,137
Net Income	167,054	94,043	245,075

(2) Non-Consolidated Financial Statements

(Unit : KRW million)

CATEGORY	2011	2012	2013
Current Assets	511,499	691,276	642,474
Non-current Assets	1,064,960	1,010,231	998,583
Total Assets	1,576,459	1,701,507	1,641,057
Current Liabilities	534,280	719,579	636,844
Non-current Liabilities	293,777	179,199	36,868
Total Liabilities	828,057	898,778	673,712
Total Shareholders' Equity	748,402	802,729	967,345
Sales	1,709,868	1,806,833	1,933,731
Operating Profit	243,343	227,812	333,216
Income Before Income Taxes	225,352	161,465	350,549
Net Income	177,106	119,749	253,193

EMPLOYEE

(1) Ratio of Entry-Level Wage to the Legal Minimum Wage at Major Business Sites

CATEGORY	UNIT	DETAILS	NOTE
Legal Minimum Wage	KRW	1,015,740	As of 2013
Entry-Level Wage	KRW	2,980,345	Based on the Pay Table in the corporate policy
Ratio	%	293	(Entry-level wage/legal minimum wage)x100%

(2) Ratio of Locally-Hired Employees at Major Business Sites

CATEGORY	SUB-CATEGORY	UNIT	2011	2012	2013
Local Recruitment	Total No. of Overseas Employees	No. of persons	932	972	770
	No. of Expatriate Employees	No. of persons	49	44	38
	No. of Locally-Hired Employees	No. of persons	883	928	732
	Ratio of Local Recruitment	%	95	95	95

(3) Scope of Pension Support

CATEGORY	UNIT
Date of Initiation	May 6, 2010
Pension Fund Disbursements	KRW 76.5 billion
Retirement Pension Plan (DB/DC)	DB
No. of Plan holders	3,987 employees

Environmental Data

MATERIALS

CATEGORY	UNIT	2011	2012	2013	NOTE
Plastics	ton	10,794	8,988	7,482	-
Metal	ton	6,229	4,867	3,664	Theoretical weight applied
Packaging Materials	ton	2,325	2,000	1,922	Theoretical weight applied
Total	ton	19,348	15,855	13,068	-

ENERGY

CATEGORY	ENERGY SOURCE	UNIT	2011	2012	2013	NOTE
Direct	Butane	GJ	17	22	20	JoongAng Daily Building (Seoul Head Office), R&D Center in the Seoul National University Research Park, Cosmetics Research Institute, Water Treatment Division, Yugu Logistics Center, Plants(Yugu, Incheon, Pocheon)
	LPG	GJ	44	43	40	
	Diesel	GJ	1,812	1,554	270	
	LNG	GJ	2,307	2,267	2,164	
	Kerosene	GJ	383	339	611	
	Propane	GJ	1,165	1,115	1,078	
Direct Total		GJ	5,728	5,340	4,183	
Indirect	Electricity	GJ	98,199	105,750	104,022	
Indirect Total		GJ	98,199	105,750	104,022	
Total		GJ	103,927	111,090	108,205	
Reduction in Power Consumption ¹		kw	172,884	-	18,998	-

※ The verification of GHG emissions in 2013 led to the modification of a portion of the 2012 data.

※ The amount of diesel allocated to power rental buses for commuting to and from the Incheon and Pocheon Plants was not included.

¹ The reduction in power consumption in 2011 was due to the adoption of air-flushing technology. The 2012 data is not available as the change in ownership of the company postponed investment in energy-saving initiatives.

The 2013 data represents power savings from the operation of a photovoltaic generator at the Pocheon Plant and this shows reductions made in that year only.

WATER

CATEGORY	UNIT	2011	2012	2013
Yugu	ton	28,938	31,407	20,832
Incheon	ton	17,570	20,695	13,443
Pocheon	ton	1,117	519	392
R&D Center within the Seoul National University	ton	24,731	36,982	27,770
Logistics Center	ton	-	1,952	1,664
Total	ton	72,356	91,555	64,101

※ At the Yugu Plant and the R&D Center within the Seoul National University, efficiency gains in product line-ups led to declining water consumption.

At the Incheon Plant, leaks from water supply pipes led to a temporary increase in water consumption in 2012. The Yugu Plant data includes the consumption of underground water while the rest of the business sites do not use underground water.

Environmental Data

EMISSIONS

(1) GHG Emissions

CATEGORY	UNIT	2011	2012	2013
Direct Emissions(Scope 1)	tCO ₂ e	368	338	256
Indirect Emissions(Scope 2)	tCO ₂ e	5,087	5,479	5,389
Net Emissions(Scope 1+2)	tCO₂e	5,455	5,817	5,645
Net Emission Intensity	tCO₂e/KRW 100 billion	0.319	0.322	0.292
Company-Wide	tCO ₂ e	5,455	5,817	5,644
Yugu	tCO ₂ e	1,646	1,730	1,695
Incheon	tCO ₂ e	808	711	695
Pocheon	tCO ₂ e	493	498	394
R&D Center	tCO ₂ e	1,688	1,709	1,628
Cosmetics Research Institute	tCO ₂ e	155	151	180
Seoul Head Office	tCO ₂ e	436	354	384
Logistics Center	tCO ₂ e	230	515	499
Water Treatment Division	tCO ₂ e	-	150	169
Domestic Logistics and Transport (Scope 3) ¹	tCO ₂ e	-	2,043	3,156
Commuting Vehicles (Scope 3) ¹	tCO ₂ e	49	49	49

¹ We have tracked our GHG emissions from domestic logistics operations since 2012, while among our Yugu DC, Deokpyeong DC, and Yangsan DC, the Deokpyeong DC was not included in calculating GHG emissions from domestic logistics operations. In 2013, our Deokpyeong DC was included in the calculations and this explains the demonstrated increase in GHG emissions from the previous year.

(2) GHG Emissions from the Use of Refrigerants

CATEGORY	UNIT	R-134a			R-12		
		2011	2012	2013	2011	2012	2013
Use of Refrigerants in Product Manufacturing	kg	29,971	21,398	14,823	534	603	122
Use of Refrigerants in Product Disposal	kg	7,891	11,552	12,725	9,737	7,568	4,580
GHG Emissions Caused by Refrigerant Waste Products	tCO₂e	8,207	12,014	13,234	84,907	65,993	39,937
Refrigerant Recovery	%	21.3	26.1	27	33.2	22.8	26.2
GHG Emissions Reduction through Recovery	tCO₂e	1,747	3,130	3,567	28,166	15,042	10,464

※ The launching and sales of our Hanbyum Water Filtration Appliance (A1), equipped with refrigerant-free cooling and instant heating systems (approximately 160,000 units), reduced the consumption of refrigerants in 2012

※ Reduction Effects in 2012 : Given that the average consumption of refrigerants (R-134a) of residential water filtration appliances amounts to 38g, we produced 6,080,000g(6,080kg, 38*160,000) in reduced refrigerant consumption

(3) Air Pollutant Emissions

As the majority of our manufacturing is performed through an assembly processes, approximately 95% of the energy we use comes from electricity. A small percentage of our fuel energy is used to power vehicles and heat office spaces. This means that we do not own emission facilities subject to the Clean Air Conservation Act and did not separately measure or manage air pollutants.

(4) Discharge of Water Pollutants

Since we do not discharge any wastewater from our manufacturing processes (wastewater discharging facility was closed in 2008) and we discharge sewage to local sewage treatment facilities, we do not separately measure water pollutants.

Environmental Data

WASTE

(1) Waste Discharge

CATEGORY	UNIT	2011	2012	2013	
Generation of Waste	Products	ton	11,770	12,229	11,765
	Business Site : General	ton	743	866	1,003
	Business Site : Designated	ton	29	30	25
	Services	ton	5,162	5,642	6,772
Total	ton	17,704	18,767	19,565	
Amount of Waste Recycled	ton	11,313	12,309	11,817	
Waste Recycling Rates	%	64	66	60	

(2) Recycling of Plastics

CATEGORY	UNIT	2011	2012	2013
Amount Recycled	ton	6,094	6,081	5,638
Recycling Rates	%	59.8	67.7	75.4

(3) Sales of Refurbished Products

(Unit : No. of units)

CATEGORY	2011	2012	2013
Water Filtration Appliances	18,141	11,880	15,571
Air Purifiers	14,237	8,731	4,959
Water Softeners	333	412	6,850
Bidets	7,733	8,380	597
Food Waste Treatment Appliances		74	146
Total	40,444	29,477	28,123

ENVIRONMENTAL INVESTMENTS

CATEGORY	UNIT	2011	2012	2013
Facility Operation	KRW million	1,052	1,810.20	1,125.80
System Operation	KRW million	133.5	48.7	75.3
Communication	KRW million	795.6	659.4	915.8
New Environmental Business	KRW million	100	-	-
Total	KRW million	2,081.10	2,518.30	2,116.90

※ The environmental investment does not include investments made in improving products and quality.

SALES OF ECO-FRIENDLY PRODUCT

CATEGORY	UNIT	2011	2012	2013
Sales	KRW million	333,308	420,200	500,004

SPECIAL CASE

Conflict Minerals

Conflict Minerals Issue

Conflict minerals refer to tantalum, tungsten, tin and gold mined in the Democratic Republic of the Congo and/or adjoining countries in Central Africa. The regional militia groups supplied such conflict materials through financing mining activities by armed entities that committed serious human rights abuses. The Dodd-Frank Wall Street Reform Act passed in the U.S. in 2010 aims to regulate conflict minerals and the E.U. is introducing voluntary regulations to discourage the use of conflict minerals.

Coway's Response

We shared the issue of conflict minerals with our suppliers in 2012 and amended our procurement policy and the list of restricted substances in 2013, to include the restriction on the use of conflict minerals. In complying with Coway's anti-conflict mineral guidelines, our suppliers investigate exactly where their materials originate from to guarantee that they do not use any minerals mined within these controversial conflict areas.

Coway's Commitment and Way Forward

Since we value the dignity of humanity and pursue sustainable consumption and production, we simply won't tolerate the presence of corruption or the infringement of human rights. This goes for our entire supply chain, and certainly with our decision to restrain from the use of conflict minerals. Still, to offset any economic damage incurred to the Congo and its neighboring countries—that rely heavily on the mineral industry—we will continue to use minerals that are ethically and legally supplied.

Social Data

EMPLOYMENT

CATEGORY 1	CATEGORY 2	UNIT	2011	2012	2013
Total Employees	Domestic	No. of persons	4,537	4,834	4,776
	Overseas (Expatriate Employees)	No. of persons	49	44	38
	Overseas (Locally-Hired Employees)	No. of persons	883	928	732
	Executives	No. of persons	28	23	26
By Job Area	Production	No. of persons	264	263	257
	Sales	No. of persons	2,911	3,149	3,232
	Research	No. of persons	363	387	364
	Administrative	No. of persons	860	908	895
	Other	No. of persons	139	127	28
By Type of Employment	Regular	No. of persons	3,436	3,649	3,738
	Non-regular	No. of persons	1,101	1,162	1,038
	Ratio of Non-regular Employees	%	24.3	24.2	21.7
Diversity	Employees with Disabilities	No. of persons	38	39	46
	Average Years of Service of Employees with Disabilities	No. of years	4.6	4.9	6
	Ratio of Male Employees	%	31.4	33.7	31.5
	Ratio of Female Employees	%	68.6	66.3	68.5
By Age Group	20's	No. of persons	379	338	291
	30's	No. of persons	1,826	1,796	1,699
	40's	No. of persons	1,837	2,112	2,093
	50 and Older	No. of persons	495	588	693
Average Years of Service	Long-Tenured Employees	No. of years	4.6	4.9	5.6
Childcare Leave	Employees Who Applied for Childcare Leave	No. of persons	14	15	92
	Reinstatement Rates	%	93	93	92

※ The data between 2011 and 2012 was modified due to an alteration in the criteria for calculating average years of service.

※ The data between 2011 and 2012 was based solely on regular employee.

※ The data since 2013 was re-calculated based on the total number of employees.

OCCUPATIONAL HEALTH AND SAFETY

CATEGORY	UNIT	2011	2012	2013
Total No. of Employees	No. of persons	4,537	4,834	4,776
No. of Injured Employees	No. of persons	5	6	3
Occupational Injury Rates	%	0.11	0.12	0.06
Lost Time Injury Frequency Rate	%	0.41	0.46	0.23
Total Working Hours	No. of hours	12,304,344	13,109,808	12,952,512
No. of Loss Days	No. of days	490	543	157
Loss Day Rates	%	0.004	0.0041	0.0012

Social Data

DIVERSITY AND EQUALITY

CATEGORY		UNIT	2011	2012	2013	
Executive Composition	BOD	Internal Directors	No. of persons	5	4	1
	BOD Members	External Directors ¹	No. of persons	2	2	2
		Executives between the Ages of 30-50	No. of persons	14	12	13
		Male Employees	No. of persons	14	12	11
		Female Employees	No. of persons	-	-	2
		Executives aged 50 or Older	No. of persons	10	6	12
		Male Executives	No. of persons	10	6	12
		Female Executives	No. of persons	-	-	-
Employee Composition		No. of Employees	No. of persons	4,537	4,834	4,776
		Employees under 30	No. of persons	380	338	291
		Male Employees	No. of persons	83	55	43
		Female Executives	No. of persons	297	283	248
		Employees between the Ages of 30-50	No. of persons	3,661	3,908	3,792
		Male Employees	No. of persons	1,286	1,354	1,398
		Female Executives	No. of persons	2,375	2,554	2,394
		Employees Aged 50 or Older	No. of persons	496	588	693
All Employees		Average Base Pay for Male Employees	KRW	-	-	55,517,472
		Average Base Pay for Female Employees	KRW	-	-	45,022,230
New Recruits		Base Pay for New Male Recruits	KRW	33,975,672	35,062,896	35,764,144
		Base Pay for New Female Recruits	KRW	33,975,672	35,062,896	35,764,144

¹ External directors are not included in the number of total employees.

ANTI-CORRUPTION

CATEGORY	SUB-CATEGORY	UNIT	2011	2012	2013
Anti-Corruption Training (Ethics Management, Right Way Management)	Total No. of Training Sessions	No. of Sessions	17	40	57
	Trainees	No. of persons	471	669+Trainees Who Received Video Training (15,000 employees)	596
	Total Training Hours	No. of hours	23	46	62.5
Actions Taken Against Corruptive Practices	Paid suspension etc.	No. of persons	101	85	58
Analyses of Corruption Risks	Total No. of Business Sites	No. of sites	12	12	12
	No. of Business Sites That Received Corruption Diagnoses	No. of sites	5	6	7

UNGC/MDGs

UNGC



We joined the UN Global Compact (UNGC) in June 2006 to abide by the 10 UNGC principles in the areas of human rights, labour, environment and anti-corruption and to fulfill our role as a corporate citizen—a citizen who not only pursues its own growth, but also does its part in meeting and going beyond its social responsibility. This sustainability report represents our own assessment of who we are and our commitment to becoming what we aspire to be.

CATEGORY	PRINCIPLE
Human	1. Businesses should support and respect the protection of internationally proclaimed human rights.
	2. Businesses make sure that they are not complicit in human rights abuses.
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
	5. Businesses should uphold the effective abolition of child labour.
	6. Businesses should uphold the elimination of discrimination in respect to employment and occupation.
Environment	7. Businesses should support a precautionary approach to environmental challenges.
	8. Businesses should undertake initiatives to promote greater environmental responsibility.
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.

MDGs



We are fully committed to endorsing and achieving the 8 Millennium Development Goal (MDG)s. Adopted in 2000 by the UN and set to be achieved by 2015, the United Nations Millennium Development Goals (MDGs) are an international pledge to reduce the world population living below the poverty line by half. The eight international development goals aim to 1) eradicate extreme poverty and hunger, 2) achieve universal primary education, 3) promote gender equality and empower women, 4) reduce child mortality rates 5) improve maternal health, 6) combat HIV/AIDS, malaria and other diseases, 7) ensure environmental sustainability, and 8) develop a global partnership for development.

INCLUSION IN THE SOCIAL RESPONSIBILITY INDICES AND AWARDS

CATEGORY	YEAR	HOSTED OR SUPERVISED BY
Included in the DJSI Asia Pacific	2010, 2013	SAM, Down Jones
FTSE4Good Global Index 2011-2013	2011-2013	FTSE
KRX SRI	2009- 2013	Korea Exchange



GRI GUIDELINE INDEX

● : Fully reported ●◐ : Partially reported ○ : Not reported N/A : Not applicable

Indicators	GRI G3.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
1. Vision and Strategy					
1.1	Statement from most senior decision-maker in organization	6.2	2-3	●	
1.2	Description of key impacts, risks, and opportunities		2-3	●	
2. Organizational Profile					
2.1	Name of organization	-	4	●	
2.2	Primary brands, products, and/or services		8-9	●	
2.3	Operational structure	6.2	4	●	
2.4	Location of organization's headquarters	-	4	●	
2.5	Location of overseas branch offices and sites		6-7	●	
2.6	Nature of ownership and legal form		16-17	●	
2.7	Markets served		6-9	●	
2.8	Scale of the reporting organization		82, 86-87	●	
2.9	Significant changes during reporting period regarding size, structure, or ownership		-	●	
2.10	Awards received in reporting period		8, 78	●	
3. Report Parameters					
3.1	Reporting period [e.g., fiscal/calendar year] for information provided	-	1	●	
3.2	Date of most recent previous report (if any)		1	●	
3.3	Reporting cycle (annual, biennial, etc.)		1	●	
3.4	Contact point for questions regarding the report or its contents		1	●	
3.5	Process for defining report content		20-23	●	
3.6	Boundaries of report		1	●	
3.7	State any specific limitations on the scope or boundary of report		1	●	
3.8	Basis for reporting on comparability from period to period and/or between organizations		1	●	
3.9	Data measurement techniques and bases of calculations for data, including performance index		83-87	●	
3.10	Explanation of the effects of & reasons for any re-statements of information provided in earlier reports		83	●	
3.11	Significant changes from previous reporting periods applied in the report		-	N/A	There were no significant changes regarding the reporting scope or the boundary and measurement methods from the previous year.
3.12	Table identifying the location of the Standard Disclosures in the report		89-91	●	
3.13	Policy and current practices with regard to seeking external assurances for the report	7.5.3	80-81	●	
4. Governance					
4.1	Governance structure of organization	6.2	16-17	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		16	●	
4.3	Number of members of highest governance body that are independent and/or non-executive members		16	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to highest governance body		16-17, 20	●	
4.5	Compensation for members of highest governance body, senior managers, and executives		16	●	
4.6	Processes in place for highest governance body to ensure conflicts of interest are avoided		16-17	●	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body		16-17	●	
4.8	Internally developed statements of mission or values, codes of conduct, and principles		14	●	
4.9	Procedures of highest governance body for management of economic, environmental, and social performances		16-17	●	
4.10	Processes for evaluating highest governance body's own performance		16-17	●	
4.11	Whether and how the precautionary approach or principle is addressed by the organization		19	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives		79	●	
4.13	Membership in associations and/or national/international advocacy organizations		79	●	
4.14	List of stakeholder groups engaged by the organization		20	●	
4.15	Basis for identification and selection of stakeholders with whom to engage		20	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group		20	●	
4.17	Key topics and concerns raised through stakeholder engagement, and responses to them		21-23	●	
Economic Performance Indicators					
EC1	Direct economic value generated and distributed	6.2/6.8	20	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.8/6.8.3/6.8.9	63	●	

GRI GUIDELINE INDEX

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Indicators	GRI 63.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
EC3	Coverage of the organization's defined benefit plan obligations	6.5.5	82	●	
EC4	Significant financial assistance received from government	-	-	○	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	6.4.4/6.8	82	●	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	6.6.6/6.8/6.8.5/6.8.7	-	○	
EC7	Procedures for local hiring and proportion of senior management hired from the local community	6.8/6.8.5/6.8.7	82	●	
EC8	Infrastructure investments and services provided primarily for public benefit	6.3.9/6.8/6.8.3/6.8.5/6.8.6/6.8.9	71-73	●	
EC9	Understanding and describing significant indirect economic impacts	6.3.9/6.6.6/6.6.7/6.7.8/6.8/6.8.5/6.8.6/6.8.7/6.8.9	-	○	

Environmental performance indicators

EN1	Materials used by weight or volume	6.5	83	●	
EN2	Percentage of materials used that are recycled input materials	6.5.4	83	●	
EN3	Direct energy consumption by primary energy source		83	●	
EN4	Indirect energy consumption by primary source		83	●	
EN5	Energy saved due to conservation and efficiency improvements		83	●	
EN6	Reductions in energy requirements as a result of energy-efficient-or renewable energy-based products and services		83	●	
EN7	Indirect energy conservation businesses and achievements		83	●	
EN8	Total water withdrawal by source		83	●	
EN9	Water sources significantly affected by withdrawal of water		-	○	
EN10	Percentage and total volume of water recycled and reused		-	○	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	6.5/6.5.6	38, 41	●	
EN12	Description of significant impacts of activities, products, and services on biodiversity		-	○	
EN13	Habitats protected or restored		-	○	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		38, 41	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		-	○	
EN16	Total direct and indirect greenhouse gas emissions by weight	6.5/6.5.5	84	●	
EN17	Other relevant indirect greenhouse gas emissions by weight		84	●	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		42-43, 63	●	
EN19	Emissions of ozone-depleting substances	6.5/6.5.3	84	●	
EN20	NOx, SOx, and other significant air emissions by type and weight		-	N/A	
EN21	Total water discharge by quality and destination		90	●	
EN22	Total weight of waste by type and disposal method		85	●	
EN23	Total number and volume of significant spills		-	N/A	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII		-	N/A	
EN25	Name of water bodies significantly affected by the reporting organization's discharges of water and runoff	6.5/6.5.4/6.5.6	-	N/A	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	6.5/6.5.4/6.6.6/6.7.5	41-42	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	6.5/6.5.4/6.7.5	85	●	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5	90	●	There were no such incidents of non-compliance in 2013
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	6.5/6.5.4/6.6.6	-	○	
EN30	Total environmental protection expenditures and investments by type	6.5	85	●	

Labor practices and decent work performance indicators

LA1	Total workforce by employment type, employment contract, and region	6.4	86	●	
LA2	Total number and rate of employee recruitment and turnover	6.4.3	86	●	Refer to page 86 of the Korean-language report
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	6.4/6.4.3/6.4.4	69	●	
LA4	Percentage of employees covered by collective bargaining agreements	6.4/6.4.3/6.4.4/6.4.5/6.3.10	70	●	
LA5	Minimum notice period(s) regarding operational changes	6.4/6.4.3/6.4.4/6.4.5	70	●	
LA6	Percentage of total workforce represented in formal joint management worker-health and safety committees	6.4/6.4.6	-	○	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		69, 86	●	
LA8	Disease and safety management programs in place to assist workforce members, their families, or community members	6.4/6.4.6/6.8/6.8.3/6.8.4/6.8.8	69	●	
LA9	Health and safety topics covered in formal agreements with trade unions	6.4/6.4.6	69-70	●	
LA10	Average hours of training per year per employee	6.4/6.4.7	87	●	
LA11	Programs for skills management and lifelong learning and assistance in managing career endings	6.4/6.4.7/6.8.5	-	○	

GRI GUIDELINE INDEX

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Indicators	GRI G3.1	ISO 26000 Subjects and Themes	Page	Reporting Level	Note
LA12	Performance and career development reviews	6.4/6.4.7	44-49	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	6.3.7/6.3.10/6.4/6.4.3	86-87	●	
LA14	Standard salary ratio of men to women	6.3.7/6.3.10/6.4/6.4.3/6.4.4	87	●	
LA15	Return to work and retention rates after parental leave, by gender	6.3.7/6.3.10/6.4.4	86	●	

Human Rights Performance Indicators

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	6.3/6.3.3/6.3.5/6.6.6	85	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	6.3/6.3.3/6.3.5/6.4.3/6.6.6	-	○	
HR3	Employee training on policies concerning aspects of human rights that are relevant to operations	6.3/6.3.5	-	○	
HR4	Total number of incidents of discrimination and actions taken	6.3/6.3.6/6.3.7/6.3.10/6.4.3	90	●	There were no such incidents of discrimination or actions in 2013
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, as well as actions taken to guarantee such rights	6.3/6.3.3/6.3.4/6.3.5/6.3.8/6.3.10/6.4.3/6.4.5	70	●	
HR6	Eradication of child labor	6.3/6.3.3/6.3.4/6.3.5/6.3.7	47	●	
HR7	Eradication of forced labor	6.3.10	47	●	
HR8	Percentage of security personnel trained in the organization's policies concerning human rights relevant to operations	6.3/6.3.5/6.4.3/6.6.6	30	●	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	6.3/6.3.6/6.3.7/6.3.8/6.6.7	91	●	There were no such incidents of violations involving rights of indigenous people (based on legal regulations) in 2013
HR10	Percentage and total number of operations that have been subject to human rights reviews and or impact assessment	6.3.6/6.3.9/6.3.10	87	●	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms		70	●	

Society Performance Indicators

S01	Programs and practices that assess and manage the impacts of operations on communities	6.3.9/6.8/6.8.5/6.8.7/6.6.7	71-73	●	
S02	Percentage and total number of business units analyzed for risks related to corruption	6.6/6.6.3	87	●	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures		87	●	
S04	Actions taken in response to incidents of corruption		87	●	
S05	Public policy positions and participation in public policy development and lobbying (Prohibition on political donations)	6.6/6.6.4	91	●	Industry-wide public policy positions were presented to governmental ministries
S06	Financial contributions to political parties or politicians	6.8.3	-	N/A	
S07	Total number of legal actions for anti-competitive behavior or monopoly practices	6.6/6.6.5/6.6.7	91	●	There were no such actions taken in 2013
S08	Fines or non-monetary sanctions for non-compliance with laws and regulations	6.6/6.6.7/6.8.7	91	●	There were no such fines or sanctions in 2013
S09	Establishments with significant potential or actual negative impacts on local communities	6.3.9/6.8/6.8.5/6.8.7/6.6.7	-	N/A	
S010	Prevention and mitigation measures implemented in establishments with significant potential or actual negative impacts on local communities	6.3.8	71-73	●	

Responsibility Performance Indicators

PR1	Life cycle stages in which health and safety impacts of products and services are assessed and percentage of significant products and services categories subject to such procedures	6.3.9/6.6.6/6.7/6.7.4	26-31	●	
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	6.7.5	91	●	There were no such incidents of non-compliance in 2013
PR3	Type of product and service information required by procedures	6.7/6.7.3/6.7.4/6.7.5/6.7.6	26-31, 58-61	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	6.7.9	91	●	There were no such incidents of non-compliance in 2013
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	6.7/6.7.4/6.7.5/6.7.6/6.7.8/6.7.9	26-31, 58-61	●	
PR6	Programs for adherence to laws, standards, and codes related to marketing communications	6.7/6.7.3/6.7.6	-	○	
PR7	Total number of incidents of non-compliance with regulations, standards and voluntary codes concerning marketing communications	6.7.9	91	●	There were no such incidents of non-compliance in 2013
PR8	Complaints regarding breaches of customer privacy and losses of customer data	6.7/6.7.7	30	●	
PR9	Total number of incidents of and monetary value of fines for non-compliance with laws and regulations concerning the provision of products and services	6.7/6.7.6	91	●	There were no such incidents of non-compliance in 2013

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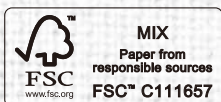
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