

WOONGJIN  
COWAY  
- SUSTAINABILITY  
REPORT  
- 2010



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Woongjin Coway pursues value-driven management focused on achieving a win-win relationship with its shareholders, employees and customers, and encouraging and developing creative ideas, technologies and innovations. This approach is the key behind Woongjin Coway's steady growth and forms the basis for accomplishing the company's future sustainability goals.



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# ABOUT THIS REPORT

## WOONGJIN COWAY - SUSTAINABILITY REPORT - 2010

**Report Profile** ----- Woongjin Coway has disclosed its corporate sustainability management (CSM) performance in a transparent manner since the company began publishing its first sustainability report in 2005. Through this, Woongjin Coway's sixth sustainability report, we aim to disclose our CSM activities transparently while reflecting the opinions of our stakeholders in regard to company management.

**Reporting Period and Scope** ----- This Sustainability Report covers the period from January 1 to December 31, 2010. Data on activities and performance from 2008 and 2009 has been included when necessary to reference past trends, while the company's activities in 2011 are also included when deemed important. The Report describes the performance of the Woongjin Coway Seoul Office, the Environment Technology Institute, the Environment Quality Institute and the Production Factories. In the case of overseas operations and subsidiaries, general information is disclosed.

**The Latest Reporting Year and Reporting Guidelines** ----- This Report is written with reference to the G3 Reporting Guidelines of the Global Reporting Initiative (GRI). In particular, we have selected material issues and disclosed more information in regard to them in order to enhance interactive communications with our stakeholders. Going forward, we will continue to publish a sustainability report every year.

**Assurance** ----- This Report has been verified by an independent external organization. Please refer to the assurance report on pages 86-87.

**Additional Information** ----- Additional information is available in the company's financial reports, the website at [www.coway.com](http://www.coway.com).

Since Woongjin Coway joined the United Nations Global Compact in June 2006, the company has abided by the organization's ten principles in the areas of human rights, labor, the environment and anti-corruption. In doing so, the company has kept growing and served as a responsible corporate citizen. This Sustainability Report features Woongjin Coway's evaluation of the present state of the company and resolution for the future.

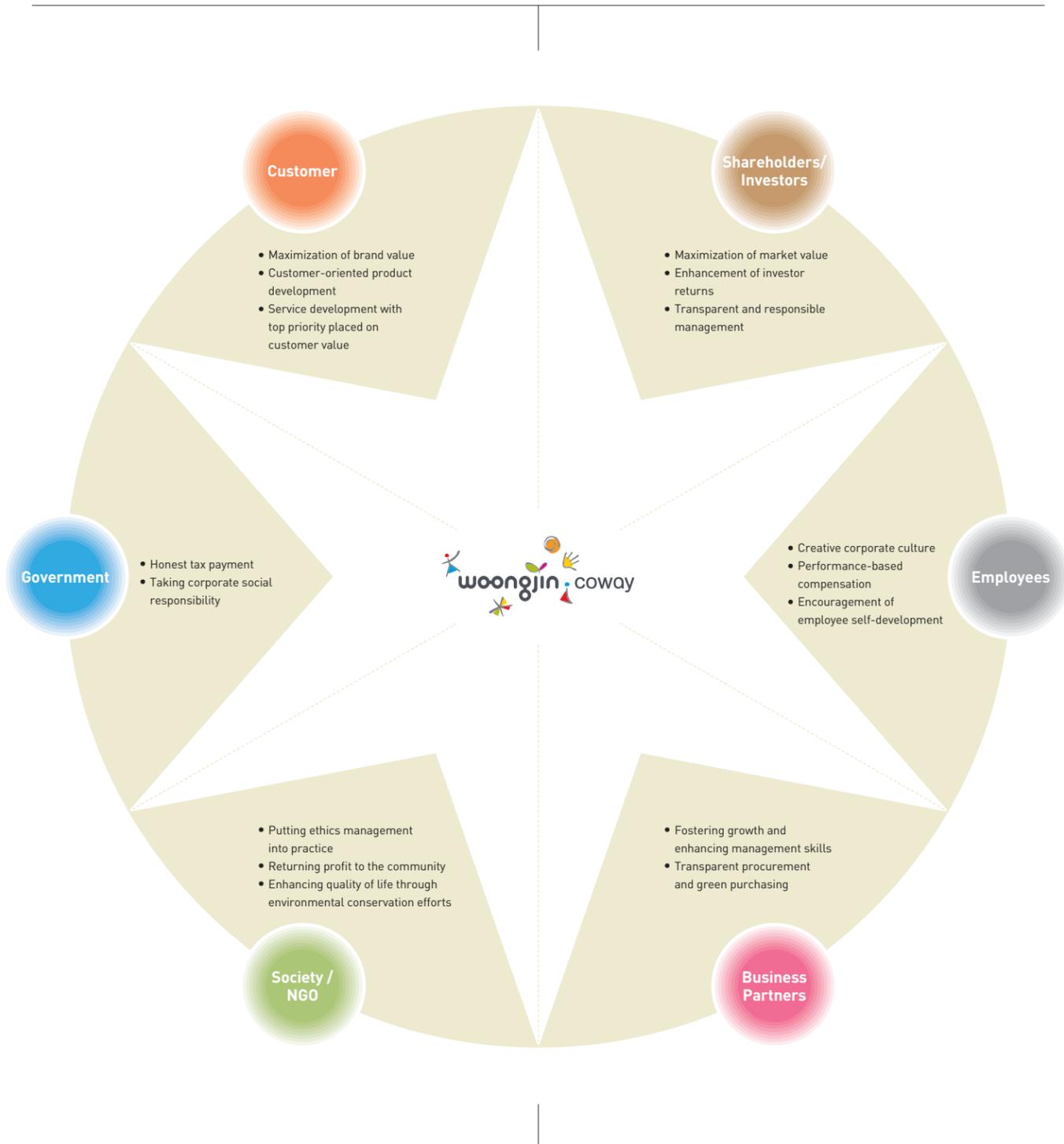


**The UN Global Compact's**

<b>Human Rights</b>	Principle 01: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 02: make sure that they are not complicit in human rights abuses.
<b>Labor</b>	Principle 03: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 04: the elimination of all forms of forced and compulsory labor; Principle 05: the effective abolition of child labor; and Principle 06: the elimination of discrimination in respect of employment and occupation.
<b>Environment</b>	Principle 07: Businesses should support a precautionary approach to environmental challenges; Principle 08: undertake initiatives to promote greater environmental responsibility; and Principle 09: encourage the development and diffusion of environmentally friendly technologies.
<b>Anti-Corruption</b>	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

# Stakeholder and Material Issues

Woongjin Coway makes a point of listening to and reflecting the voices of its shareholders, employees and customers in its corporate management strategies. The company has created tailored communication channels by stakeholder group to ensure opinions are easily shared and reflected.



## Identification of Stakeholder and Material Issues

To identify stakeholder and material issues for 2010 by key subsidiary, Woongjin Group examined media reports on its subsidiaries, reviewed the CSR issues of peer companies, conducted a stakeholder survey and analyzed the impact of Corporate Social Responsibility (CSR) standards on subsidiaries' short-term financial results and management policies. Critical issues were derived from the results.

### Examination of Media Reports

Analyzed 708 articles on Woongjin Coway published by Korean media outlets  
Type: Dailies and economic dailies  
Period: January to December 2010  
Categorization: Economy/environment/society

### Review of CSR Issues for Peers

Reviewed CSR issues for best-performing peers in sustainable management

### Analysis of CSR Standards

Identified common issues in global CSR standards  
(GRI Guideline, ISO 26000)

### Stakeholder Survey

Identified stakeholders' key interests through conducting a survey with stakeholders and experts on sustainable management  
Period: August 5 to 22, 2010  
Methods: Online and phone survey

### Short-term Financial Results

Determined issues with major impact on Woongjin Coway's short-term (one year) financial results  
Participants: Woongjin Coway sustainability officer and employees  
Method: Online survey

### Management Policies

Identified issues with major impact on Woongjin Coway's management policies (corporate strategies, Key Performance Indicators (KPI), etc.)  
Participants: Woongjin Coway sustainability officer and employees  
Method: Online survey



## Analysis Results

### Issues Matrix

Degree of stakeholder interest	High	<ul style="list-style-type: none"> <li>Stakeholders' participation</li> <li>Social contribution</li> <li>Sustainable management of supply chain</li> <li>Diversity and equal opportunities</li> <li>Fair competition</li> <li>Respect for human rights</li> <li>Responsible political participation</li> <li>Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Product development</li> <li>Adaptation to and mitigation of climate change</li> <li>Technology development</li> <li>Training and education</li> <li>Performance</li> <li>Environment management</li> </ul>	
	Low	<ul style="list-style-type: none"> <li>Employee health and safety</li> <li>Product liability</li> <li>Labor conditions</li> <li>Risk management</li> <li>Pollution prevention</li> <li>Ethics management</li> <li>Ecosystem protection</li> </ul>	<ul style="list-style-type: none"> <li>General Management/ Management environment</li> <li>Reputation marketing</li> <li>Labor-Management Relations</li> <li>Consumer education/ communication</li> <li>Consumer health and safety</li> <li>Sustainable resource use</li> <li>Elimination of human rights violation</li> <li>Customer information protection</li> </ul>	
		Low	Impact on business	High

**Material issues:** Based on the analysis results, Woongjin Coway selected product development, climate change mitigation, technology innovation and environment management as key material issues of the company. In particular, as consumers' interest in and demand for well-being home appliances are expected to rise in response to environment and climate change concerns, the company determined that it should keep a close watch on potential environmental risks and develop technologies to meet such challenges.

**Issues with high degree of stakeholder interest:** These included stakeholder participation and social contribution, revealing the desire among stakeholders to communicate and cooperate with the company on a deeper level. In response, the company will first evaluate the present status of communication with stakeholders, and then seek ways to expand channels so that stakeholders can engage more fully in the company's efforts toward sustainability management.

**Issues with major impact on business:** Social issues such as labor relations and human rights were the weightiest in terms of impact on business. Woongjin Coway will continue to fulfill its corporate and social responsibilities and pursue win-win cooperation with its partners to keep abreast of such issues and resolve any problems that arise. Consumer education, health and safety issues were designated as major items under this category as well. In these areas, Woongjin Coway will increase its consumer education efforts and ensure open communication with consumers to promptly handle any of their concerns.

# Discussion with Woongjin Coway stakeholders

**S** Stakeholder issue **C** Woongjin Coway's future strategy



## Purpose

The purpose of holding discussions with stakeholders is to open up a communication channel through which they may offer their opinions on Woongjin Coway's business operations, opinions reflected by the company later in its sustainable management strategies.

## Overview

**Time:** Monday 22, November 2010, 14:00~17:00  
**Venue:** Meeting room at the Korea Chamber of Commerce & Industry  
**Participants:** **Stakeholders** | Ph.D. Ik Kim (KEITI), Seong-Deok Kim (KNCPC), Jong-O Yi (KoSIF), Gi-Jeong Kim (KEA), Center Head Seon-Yeong Kim (Ecoeye), Seon-A Kim (DGDC), Eun-Yeong Yi (Consumers Korea), Yun-Hui Yi (POSRI)  
**Host** | Professor Geon-Mo Yi (Ajou University)

## General Stakeholder Suggestions

### For strategic environment management, Woongjin Coway should:

- Develop a vision and strategies
- Pursue sustainability from the perspective of "wellness"
- Put in place systematic and unified internal/external communication
- Unify design management

### For product-service system innovation, Woongjin Coway should:

- Develop a new product-service system-based business model
- Standardize parts and products and manage their lifecycle for maximum recycling
- Develop and implement diverse ways to dispose and recycle products
- Pursue environment management from a strategic perspective

### For higher customer satisfaction with products and services, Woongjin Coway should:

- Accurately identify customer needs and reflect them in product design and service
- Bolster the environmental knowledge of Codys and enhance customer service
- Forge a close relationship between Codys and customers to win customer trust and loyalty

## Detailed Stakeholder Issues and Woongjin Coway's Future Strategies

- S** **A need to develop and implement sustainable management strategies**  
**C** Develop mid- to long-term missions and strategies for sustainable growth in line with the direction of the company's current and future business plans
- S** **A need to expand the scope of sustainability core values from "green" to "wellness"**  
**C** Enhance activities to expose consumers to Woongjin Coway's sustainability evolution from green to wellness, and differentiate sustainable management from peer companies
- S** **A need for systematic and unified external and internal communication**  
**C** Implement well-ordered and cohesive communication channels to keep diverse stakeholder groups including consumers up-to-date with the latest company information
- S** **A need to strategically integrate ecodesign management**  
**C** Take initiatives to fully integrate ecodesign management in the areas of product design and customer services
- S** **A need to pursue innovation and develop a new product-service system-based business model**  
**C** Generate added value in the rental service area from the product-service system perspective
- S** **A need to standardize parts and manage products throughout their lifecycle to maximize recycling**  
**C** Consolidate internal analysis for standardization not just to meet regulations, but also to differentiate the company from its competitors and generate profits
- S** **A need to pursue green management in a way to maximize the company's strengths**  
**C** Increase the air and water quality of water filtration appliances and air purifiers and the user-friendliness (tailored product, long-term use) of products, and bolster customer service strengths (maintain customer trust and loyalty by increasing Codys' product and environmental knowledge, etc.)
- S** **A need to develop diverse ways to discard and recycle the company's products**  
**C** Consider disposal and recycling from the design phase to eliminate defects and create a new environmental business
- S** **A need to offer products/services reflecting consumer needs**  
**C** Develop terms and products and offer services from the user's perspective
- S** **A need to enhance Codys' environmental expertise and consumer service**  
**C** Develop eco-friendly services and offer expanded training for Codys
- S** **A need to form closer relationships with consumers to win trust**  
**C** Make efforts to establish firmer relationships between Codys and consumers and enhance communication with consumers

## Overview of Woongjin Coway's strategies to resolve stakeholder issues:

- Devise and practice mid- to long-term strategies and missions for sustainable growth
- Adopt ecodesign to improve products and services and create and implement strategies to differentiate from peer companies
- Develop a new product-service system-based business model
- Analyze strengths and weaknesses of products/services and maximize strengths by introducing lifecycle assessment
- Expand product collection and recycling to create a new business
- Design products and services based on consumer needs
- Consolidate strategies for expanding environmental product markets
- Enhance Codys' expertise and communication with consumers to maintain loyalty and trust
- Develop environmentally-minded technology and products that put the company ahead of its competitors

## Excerpts from discussion



**Ik Kim** \_ Woongjin Coway's Carbon Disclosure Project Report well describes its reactions to environmental issues, but not the purpose and results of such actions. Personally, I have been working to share best practices of reducing carbon footprint. If Woongjin Coway presents the economic value of its carbon dioxide reduction and other environmental activities, I can share the case with others.



**Eun-Yeong Lee** \_ I know many of Woongjin Coway's products are consumables. Have you made efforts to increase product lifespan or duration of use? And which type of products is the focus of your PR activities?



**Sang-Heon Kim (Woongjin Coway)** \_ We believe that the longer lifespan of a product is not proportional to its environmental-friendliness. While we previously collected and discarded all returning rental products, we now separate them at the Recycle Center and make refurbished products, which is better for the environment than simply increasing product lifespan.



**Yun-Hui Lee** \_ As I read Woongjin Coway's Sustainability Report, I see the company is implementing a strong environment management program. But I wonder what strategies lie behind the program. In marketing strategy terms, I believe the company should place the core value of sustainability on wellness, not the environment.



**Gi-Jeong Kim** \_ Product basics should be the key factors to differentiate Woongjin Coway's products from others'. While eco-friendliness is important, water quality and air quality are most important for water filtration appliances and air purifiers, respectively.



**Seon-A Kim** \_ If you mark how many times a product has been recycled on the product, consumers will find it valuable and their satisfaction level will increase. For this, the lifecycle of a product should be managed thoroughly. Only when this is the case will eco-friendly resource use be possible throughout the lifecycle of a product from design, production, recycle and disposal.

**Eun-Yeong Lee** \_ Compatibility has gained attention worldwide. To make parts compatible, is Woongjin Coway pursuing filter standardization? If not, do you plan to?

**Sang-Heon Kim (Woongjin Coway)** \_ If filters are standardized and all water filtration system makers use the same size of filters, consumers will surely find it convenient. However, Woongjin Coway can guarantee product quality only when authentic filters are used. There are more than 200 water filtration system manufacturers in the market. Thus, if filters are standardized, consumers will likely use other filters and this can cause a problem.



**Seon-Yeong Kim** \_ How do you discard filters?

**Sang-Heon Kim (Woongjin Coway)** \_ We melt and recycle carbon inside the filter and the polypropylene outside the filter, but incinerate membranes, which are not recyclable. Although it is technically possible to recycle filters, we need to research the possibility more thoroughly as customers do not really welcome the idea.



**Geon-Mo Lee** \_ We can conclude that Woongjin Coway should set its focus on design and service but adopt a different strategy case by case. I hope today's discussion was constructive in helping Woongjin Coway enhance its competitive edge as a global company and improve its value.

**CEO MESSAGE**

Woongjin Coway improved its status as a company that pursues sustainability management in 2010 by seeking out innovative projects, expanding overseas markets and entering new businesses, and enhancing environment management. Based on the company's endeavors to identify and implement projects for innovation, we achieved a design award grand slam, and developed more energy-efficient products and products tailored for overseas markets. Moreover, Yugu Factory was rated AAA+ by Korea Management Association Consulting (KMAC) for its outstanding innovation efforts – another stellar achievement in 2010.

Environment management is a promise for sustainable growth and a valuable investment for the future. Importantly, it is a promise and investment that Woongjin Coway is pursuing together with shareholders, employees, business partners and customers. In 2010, the company's voluntary efforts for low-carbon, green growth resulted in various positive outcomes. For one, Woongjin Coway was selected as a leading green company in consumer product field for the second consecutive year at the Carbon Disclosure Project 2010. We also achieved a couple of firsts: we were the first in the industry to publish a carbon management report and the first corporation in Korea to join the UN Global Compact's CEO Water Mandate. In addition, we continued to be proactive in our efforts to collect climate change information from stakeholders, using this information to inform and guide our environment management strategies.

Despite the economic downturn, Woongjin Coway posted KRW 1,411.9 billion in sales and KRW 204.3 billion in operating profit in 2009, recording the highest earnings for 11 straight years. In 2010, our sales reached KRW 1,519.1 billion. We provided systematic services based on our 13,500-strong Cody organization and offered HEART service at the enterprise level, differentiating Woongjin Coway from our competitors. Furthermore, stakeholder discussions enabled the company to recognize in which areas we should improve for sustainable growth.

Woongjin Coway will continue in its efforts to become the leading global well-being home appliance company through ensuring open communication with our shareholders, employees and customers and reflecting their opinions in our products and business operations.

Our slogan for 2011, "Beyond Coway 2011," clearly points out our ambition to surpass the company's existing capabilities and performance, and reach for new possibilities and heights of achievement – in Korea and around the world.

Specifically, in 2011, Woongjin Coway aims to develop world-class products, win more water treatment facility projects, expand the company's presence in overseas markets, and stabilize the cosmetics business. Firm plans are set in place to achieve every one of these goals.

Woongjin Coway's continued growth would have been impossible without the unwavering support and encouragement shown to us by our shareholders, employees and customers. For this, I would like to express my sincere gratitude, and once again emphasize Woongjin Coway's commitment to sustainable growth and harmonious development between the company, society and the environment.

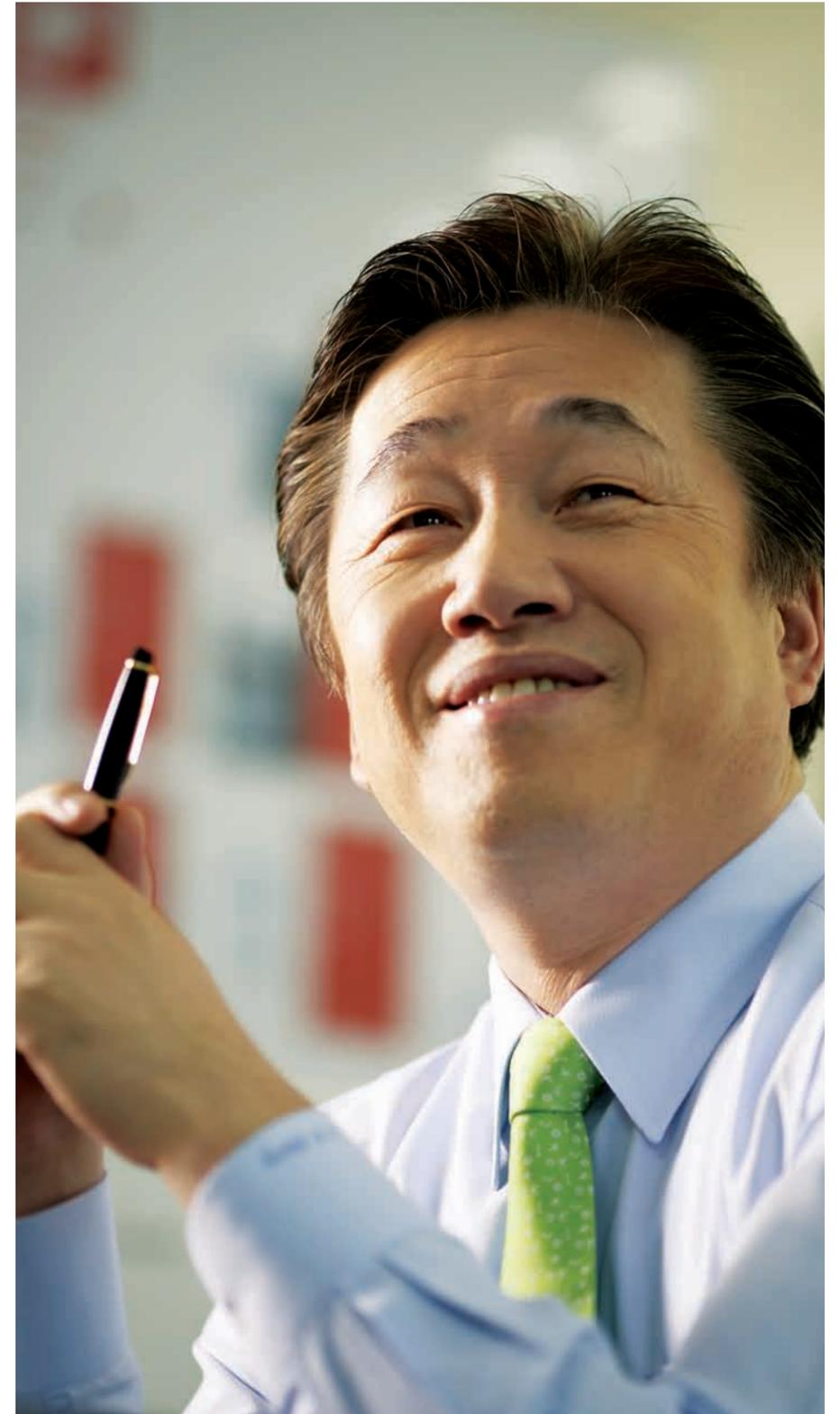
We look forward to your ongoing supports of Woongjin Coway as we seek out new horizons and take on new challenges in 2011.

Thank you.

**Joon-Kee Hong**  
CEO, Woongjin Coway



I'd like to extend my heartfelt gratitude to all stakeholders for their unwavering support and encouragement of Woongjin Coway.





# Economy



WOONGJIN  
COWAY  
EMBRACES  
CHALLENGES,  
CONTINUALLY  
SEEKING OUT  
NEW PROJECTS  
FOR  
SUSTAINABLE  
GROWTH

#### Earnings

Woongjin Coway's 2010 sales and operating income came to KRW 1,519.1 billion and KRW 228.8 billion, respectively.

#### New Challenges

After Woongjin Coway entered the water treatment business in 2009, the company went on to acquire water treatment engineering company Green Entec in 2010. Woongjin Coway also launched the cosmetics brand, Re:NK, in 2010.

#### Sustainable Growth

Woongjin Coway's endeavors to identify and implement tasks for innovation have resulted in various world-renowned design awards (red dot, IF, IDEA, Good Design), and increases in energy-efficient products and products tailored for overseas markets. In 2010, the Yugu Factory was rated AAA+ by Korea Management Association Consulting (KMAC) for its outstanding innovation efforts.

#### Key Results

- Included in the Dow Jones Sustainability Asia Pacific Index
- Environment Quality Institute of Woongjin Coway recognized as a safety testing laboratory by the International Electrotechnical Commission
- Granted Excellence Award at Korea IR Awards (smallest ever company in market cap)
- Selected as the best well-being home appliance company in the Korea Sustainability Index (ranked third overall among 120 companies in total)

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Corporate Governance <sup>19</sup> Shareholder Value Improvement & Investor Relations Activities <sup>20</sup>

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## Management Philosophy, Vision and Core Values

### Management Philosophy

The core management philosophy of Woongjin Coway is "Tto Tto Sarang," which means, "We will love and love more." The company operates its business with love for company members, stakeholders, the communities in which it operates, and the world. "Tto-tto Sarang (love and love more)" fully embodies the aims of Woongjin Coway's sustainability management, which are to contribute to the sustainable development of human beings and the environment, pursue value creation and enhance stakeholder value, and establish Woongjin Coway as a global company.

### Vision and Core Values

Woongjin Coway's vision is to become "The 1st Green Global Leader Designing a Healthy Tomorrow." This vision is supported by the company's core values: confidence, respect, integrity, passion, action and cooperation. All Woongjin Coway members—both at home and abroad—share and practice the company's vision and core values, using them as the basis upon which to provide Woongjin Coway customers with the highest level of product and service quality and satisfaction.

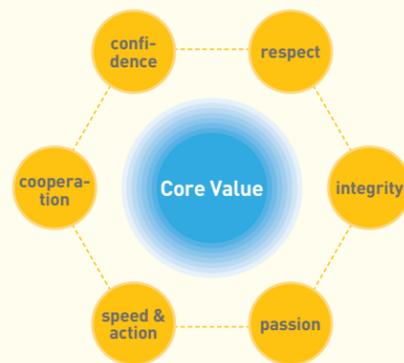
#### Vision

We are opening the "Eco-way" to ensure a healthy environment and happy people.

Which Designs a Healthy Tomorrow



#### Core Value



#### Philosophy

- 
**Love for Customer** This expresses Woongjin Coway's customer-oriented approach and proactive customer service with a human touch.
- 
**Love for Change** "Love for change" symbolizes shattering the chains of the status quo, and expresses the company's management philosophy to pursue growth through change.
- 
**Love for Society** This refers to holding the hands of our stakeholders and expresses the company's magnanimous love for society.
- 
**Love for Work** "Love for work" stands for a person who works enthusiastically with a positive attitude while seeing the essence of the work with a lofty objective and of his own volition.
- 
**Love for Challenge** The philosophy "love for challenge" stands for the pursuit of an ultimate objective (star) by taking on challenges to achieve new goals and not resting on past achievements.
- 
**Love for Organization** It expresses a corporate culture that emphasizes cooperation and fairness as the keys to a unified organization.

### Drive for Sustainability Management

Since 2005, Woongjin Coway has identified sustainability management issues in relevant areas and spearheaded companywide efforts to ensure sustainability management. Having already published four sustainability reports, we have laid the foundation for better sustainability management activities by communicating the outcomes of such activities to various stakeholder groups and embracing stakeholder feedback.

In line with global pursuit of wellness, we have advanced into overseas markets since 2006. As more companies enter the domestic consumer electronics market, Woongjin Coway has been committed to developing technologies and services that differentiate the company from others and will establish organization and systems to meet market environment changes and customer needs, thereby growing on a sustainable basis.

#### General Profile

Company name: Woongjin Coway Co.,Ltd

Address: 658 Yugu-ri, Yugu-eup, Gongju-si, Chungcheong nam-do

Date of establishment: May 2, 1989

CEO: Joon-Kee Hong

Business area: Manufacturing and sales

Number of employees (including non-regular workers): 4,188 (as of December 31, 2010)

Overseas subsidiaries: United States, Japan, Thailand, Malaysia, China, Italy

#### 2010 Financial Profile (KRW bn)

Total assets	1,440
Total liabilities	675
Total shareholders' equity	765
Capital stock	41
Sales	1,519
Operating income	229
Net income	177

## Management Profile

### General/Financial Profiles

Woongjin Coway is the top consumer and household electronics company in Korea. In 1998, the company introduced a rental business model for the first time in the industry as well as the after-rental service by Service provider called "Cody." As a result, Woongjin Coway has topped Gallup polls in recent years in the areas of market share, customer satisfaction and brand awareness. Since the mid-2000s, the company has actively made forays into the global market to become a leading well-being home appliance company in the world, while at the same time strengthening its domestic position. As of December 2010, the company has six overseas subsidiaries and a logistics center in the Netherlands, and continues to increase exports and build a strong foundation for sustainable growth.

Woongjin Coway has made, since 2009, proactive efforts to bolster company sustainability by implementing green management and customer value management, and by contributing in various ways to the sustainable development of humankind.

The year 2009 marked the 20th anniversary of Woongjin Coway and the beginning of the company's efforts to become a total service provider. Since then, Woongjin Coway has taken steady—and successful—steps forward to realize this goal. In 2010, the company also committed to solidifying environment management, improving its global presence, and launching new businesses and products, thereby enhancing its status as a sustainable company. The company strives to implement customer value management in a real sense and contribute to the sustainable development of the environment and humankind.

#### Timeline

Year	Event
<b>1989~2000 Establishment and Launch</b>	
1989	Korea Coway Co. launched
1990	Entered the water filtration device market
1993	Established the Environment Technology Institute
1998	Began rental business for water filtration devices
2000	Began rental business for bidets
<b>2001~2004 Emergence as a leader in the household electronics industry</b>	
2001	Listed on the Korea Stock Exchange Began rental business for air purifiers
2003	Acquired ISO 9001 and 14001 certifications Established the Japan subsidiary
2004	Launched system kitchen business
<b>2005~2008 Growing into a global household electronics company</b>	
2005	Established the Thailand subsidiary Opened Rental House Launched food waste processors
2006	Established Woongjin Energy Established the Malaysia subsidiary Established the China subsidiary

Timeline

2007	Designated as the European Union's RoHS testing institute Established the United States subsidiary
2008	Achieved a design award grand slam Entered the water treatment business
2008	Woongjin Group declared a new CI(corporate image) Constructed Woongjin Coway R&D Center at Seoul National University Concluded an assignment agreement for filter & water treatment businesses with Woongjin Chemical Co., Ltd. Environment Technology Institute was designated as a Recognized Testing Laboratory from Water Quality Association (WQA) Launched payFree service
2009- 2010	Establishing foundation as green management company and advancing into new businesses
2009	Launching ceremony for Eco-way for low-carbon, green management Merged with the Bidet Division of Woongjin Cuchen Declared "Service Innovation" and "HEART Service" on the occasion of the company's 20th anniversary
2010	Woongjin Group's 30th anniversary Acquired water treatment engineering company, Green Entech Launched the cosmetics brand Re:NK Included in Dow Jones Sustainability Asia Pacific Index

Organization

Woongjin Coway reshuffled its organizational structure in 2010 to clarify the company's roles and responsibilities and enhance efficiency. As of February 2011, the company has 11 departments, three research institutes, three factories, three divisions, 78 teams and six overseas subsidiaries. Meanwhile, the number of Sales branches under the management of 40 head branch offices totaled 514 as of December 2010.



Number of Sales branch offices in Korea



Global Network

Woongjin Coway operates six overseas subsidiaries including the United States subsidiary and one logistics center in the Netherlands. In 2010, the Overseas Operation Division grew 23%, with sales of KRW 93.1 billion and 97,000 product accounts. For 2011, the Overseas Operation Division aims to enhance Woongjin Coway's global market position by expediting development of localized products, acquiring price competitiveness and conducting brand marketing.



1-2. Employees of the Malaysia subsidiary visiting the headquarters of Woongjin Coway Korea.

China Subsidiary (Woongjin Coway Living Goods Co.,Ltd.)

Cosmetics Division  
 Room 1301, HongYuan Building, No 4 Jiuxianqiaolu, Chaoyang District, Beijing P.R.China 100015  
 Tel : 86-10-5752-7300 / FAX : 86-10-5752-7377  
 Homepage: www.xiongjin.net/

Well-being Home Appliance Division  
 GuangHua SOHO, Room 1005, GuangHua Road, Chaoyang District, Beijing, 100020, China  
 Tel : 86-10-5900-6760 / FAX : 86-10-5900-6755

Japan Subsidiary (Coway Co., Ltd.)  
 8F, Sibanikeyuraku Bldg 1-10-13, Siba Minato-ku, Tokyo, Japan (105-0014)  
 Tel : 81-3-6436-5810 / FAX:81-3-6436-5811  
 Homepage: www.coway.co.jp

Thailand Subsidiary (Woongjin Coway (Thailand) Company Limited)  
 571 R.S.U. Tower, 4th-5th Floor, Sukhumvit 31, Klongton Nua, Wattana, Bangkok 10110  
 Tel : 66-2-261-2610-5 / FAX : 66-2-261-2619  
 Homepage: www.coway.co.th

Malaysia Subsidiary (Woongjin Coway (M) SDN BHD)

Suite 6-1 & 6-2 level 6, Wisma UOA II NO. 21  
 Jalan Pinang 50450 Kuala Lumpur  
 Tel : 60-3-2059-0000 / FAX : 60-3-2166-1677  
 Homepage: www.coway.com.my

United States Subsidiary (WOONGJIN COWAY USA, INC)

695 S Vermont Ave. #110, Los Angeles, CA, 90005  
 Tel : 1-213-480-1600 / FAX : 1-213-386-3990  
 Homepage: www.coway-usa.com

Italy Subsidiary (COWAY Italia S.r.l)

Milano[Mil] Via Battisti Cesare 2 CAP 20122  
 Tel : 39-3349-44-2881

Logistics Center (Netherlands)

Tupolevlaan 48, 1119 NZ Schiphol-Rijk, The Netherlands  
 Tel : 31-20-659-0105

© **Woongjin Coway Brands**

Woongjin Coway produces five main product types under four brands: Coway (water filtration appliance), Cair's (air purifier), Looloo (bidet/water softener) and Clive (food waste treatment system). The company also manufactures coffee makers and juice presses and so on.

For Coway, Cair's, Looloo and Clive products, the company offers refurbished goods as well, thereby allowing customers to purchase quality products at a discount and do their part for environmental preservation. In 2010, Woongjin Coway launched the cosmetics brand, Re:NK, and entered the water treatment business.



Green Entec Acquisition

© **Water Treatment—Green Entec Acquisition**

Since the acquisition of the water treatment business from Woongjin Chemical in July 2008, Woongjin Coway has expanded its Water Treatment Division. The company is striving to win water treatment facility projects from local governments and companies, utilizing synergies with its subsidiaries, Woongjin Chemical, among the world's top four companies in the area of reverse osmosis membrane; and Kukdong E&C, which has national and international plant project experience. In February 2010, Woongjin Coway acquired Green Entec, a water treatment engineering company. The acquisition of Green Entec has allowed for the addition of biochemical engineering technology to Woongjin Coway's own membrane engineering capacity, enabling the company to provide total water treatment systems.

Based on technological prowess accumulated from industrial system construction, Woongjin Coway entered the public sector. The company constructed a membrane reactor with a capacity of 20,000 tons/day at the Yongin Wastewater Treatment Plant in 2009, and built a membrane reactor with a capacity of 100,000 tons/day in Suyeong, Busan (the largest facility of its kind in Korea) as part of the Public Wastewater Treatment Plant Improvement Project. Woongjin Coway's water treatment plant construction performance so far is 330,000m<sup>3</sup>/day in water filtration, 60,000m<sup>3</sup>/day in wastewater treatment, and 15,000m<sup>3</sup>/day in water treatment for reuse, and will continue to improve.

Major Order Receipts in 2010			(m <sup>3</sup> /day)
No.	Project		Capacity
1	Public Wastewater Treatment Plant Improvement, Suyeong, Busan		100,000
2	Phase 5-2 wastewater treatment system construction for Tangjeong TC		13,500
3	Water treatment system for Woongjin Energy		3,400
4	Incheon Park wake water reuse system project		3,000
5	Wastewater treatment system for Woongjin Energy		1,000

© **Launch of Cosmetics Brand Re:NK**

With an aim at positioning itself among Korea's top three cosmetics companies within five years, Woongjin Coway set its sights on launching a premium functional cosmetics brand in Korea, based on the success of its premium brand "Cellart" in China, taking advantage of its door-to-door sales distribution channel established via the rental service business.

To ensure design competitiveness, the company held Korea's first cosmetic packaging design competition on May 17, 2010. Re:NK was finally launched in September 2010, promoted as a cosmetics brand for cell regeneration. Behind the brand launch lies years of R&D by the company's Cosmetics Research Institute (established in 2004).

Woongjin Coway strives to lead the Korean cosmetics market through its accumulated technological excellence and door-to-door sales experience.

© **Risk Management**

Operation risk management is about being prepared for operational risks resulting from changes in global conditions and strategy changes of competitors. As the first step taken to set up a risk management system, Woongjin Coway raised employee awareness of risk management by sharing best practices of scenario planning in 2009. We aim to create a risk management organization to perform risk management and obtain BS25999, the British Standard Association's business continuity plan certificate.

# Ethics Management

## ◎ Ethics Management Organization

Woongjin Group practices ethics management to ensure transparency in every aspect of business including accounting, human resources and purchase. In particular, Woongjin Group operates the Group Ethics Committee (role: consideration and voting) and the Group Ethics Office (role: management and voting), and has ethics offices at all subsidiaries.

## ◎ Ethics Regulations

Woongjin Coway drew up its Code of Ethics and its Rules of Ethics on January 31, 2001. On September 1, 2003, the company included a protection and award system for those who report a violation in order to realize more proactive ethics management.

**Code of Ethics:** Woongjin Group's Code of Ethics was established to share the Group's management philosophy "Tto-tto Sarang(Love and Love more)" and to pursue common interests with stakeholders. The code outlines member responsibilities in relation to customers, fair competition and fair trade, the fundamental principles by which all members should abide, and the company's responsibilities for Woongjin family, nation and society.

**Rules of Ethics:** Woongjin Group's Rules of Ethics was established to elaborate on the Code of Ethics in the areas of gift- and money-receiving, unfair advantage, wrongful acts, and sexual harassment in the workplace. These rules are applied to all employees regardless of rank and violators are subject to the appropriate punishment.

**Protection and Reward for Reporters of Ethics Violations:** Protection measures prevent an individual who reports an ethics violation from suffering any damage from such reporting within the Group. Rewards encourage the reporting of violations and contribute to bolstering the Group's ethical culture (the Group Ethics Committee decides on the recipients of such rewards).

## ◎ Ethics Management Activities in 2010

Woongjin Group places ethics at the center of its corporate operations. Understanding the importance of ethics in management, the Group declared the Principles of Ethics Management in October 2003, and later established and modified its Code of Ethics to set up a solid ethics framework. The Group's ethics management webpage, which includes the ethics management activities of subsidiaries, and ethics violation reporting webpage, are both easily accessible from the Woongjin Group website (www.woongjin.com).

Woongjin Coway will continue to institute its Code of Ethics in a firm manner to ensure fair and transparent management in all of its corporate operations. This effort is fully supported by Woongjin Coway CEO Joon-Keo Hong, who sent out an email to all members in March of 2010 entitled "Clean Coway, it is our promise for sustainable growth," encouraging each member to fully commit themselves to the company's efforts for sustainable growth based on ethics and transparency.

**Employee survey of ethics management practice level:** Woongjin Coway conducted a survey with all of its employees on their practice of ethics management from September 27 to October 6, 2010. The survey consisted of 34 items: five items about general awareness of ethics; seven items about the ethics violations report system; 18 items about compliance with the

### ✦ History of Ethics Management

2003	Launched the Ethics Regulations Established Ethics Management Organization Established the Woongjin Ethics Report Center Built an online ethics training system
2005	Launched an ethics self-check program
2006	Launched and revised the Rules of Ethics Encouraged business partners to practice ethics management
2006	Distributed a Guide to Ethics Management
2007	Established the Disciplinary Rules and Procedures
2008	Set up the Ethics Management Team at Woongjin Group
2009	Distributed posters companywide on ethics to improve employee ethics and establish an ethics management culture Staged a companywide campaign to sign a transparency pledge Revised the Code of Ethics Conducted ethics training for new recruits on a monthly basis
2010	Employee pledged to comply with Ethics Regulations Established Ethics Management website Published ethics management newsletter Easy Go! Received employee proposals on practice of ethics management Adopted ethics management e-Learning program for all employees (Green Business: How to make a transparent company)



**Woongjin's Ethics Management Love Letter**  
Prologue: Meeting with Yuli (Ethics in Korean)  
/ First Love Letter: Hi, Yuli/ Second Love Letter: We love customers/ Third Love Letter: Fair trade / Fourth Love Letter: We adhere to the fundamentals/ Fifth Love Letter: Until you feel happy/ Sixth Love Letter: Our responsibilities for nation and society/ Seventh Love Letter: Whistleblowers/ Epilogue: Return of Na Woongjin

Rules of Ethics; two items on self assessment; and two items about where they believe most violations occur and ways to facilitate ethics management.

**Guidebook on ethics management:** Woongjin Coway encouraged its employees to make suggestions on ways to make ethics management the company's everyday business from September 20 to October 5, 2010, and took every effort to reflect these in its ethics-related initiatives. The company distributed its guidebook on ethics management, "Woongjin's Love Letter to Ethics Management," to all members to encourage their active participation in nurturing the company toward sustainable growth based on ethics and transparency.

**Ethics management newsletter:** Woongjin Coway's regular newsletter on ethics management, "EASY (Ethical Acts Safe You) Go!", is emailed to every member of the company. The purpose of the newsletter is to share ethics management information with employees in an interactive and continuous manner. The newsletter includes ethics management issues, 100 questions/ answers on ethics management, ways to practice ethics management, and ethics quizzes. In addition, the company posts ethics management signage in meeting rooms and cafes where members meet people from outside the company to maintain members' ethical conscience.

**Prevention of Sexual Harassment:** In May 2007, Woongjin Group adopted rules and standards on sexual harassment in order to raise awareness of sexual harassment in the workplace. In addition, the Group has required every regular worker to take online sexual harassment prevention training. In 2010, a total of 866 employees received this training.

**Ethics Management Training:** To expand Clean Coway Culture companywide, Woongjin Coway has put regular and sales workers into ethics management training, which has encouraged voluntary compliance and subsequently alerted employees to the dangers of irregular or collusive dealings. As expanding the training to all "Service Doctors" (consumer electronics appliance repairmen), the company conducted offline training from March to June, 2010 about the importance of Service Doctors' role of watching compliance.

**Encouraging Business Partners to Implementing Ethics Management:** In the run up to New Year's Day and Korean Thanksgiving Day every year, Woongjin Coway's business partners were sent a notice that employees would not accept gifts for national holidays in order to prevent any possibility of corruption and bribery and to assist our business partners to join us in the company's spirit of ethics management.

**A Sentence about Ethics Management Written on Employee ID Badges:** In May 2007, Woongjin Coway started to print on employee ID badges the sentence "All Woongjin Coway employees take part in transparency management by rooting out corruptive acts" to improve employee awareness of ethics management.

**Introduction of electronic signature:** Woongjin Coway adopted an electronic signature system and has had every sales representative register their electronic signature. In addition, to limit access to customer information, we introduced a personal identification system to all sales representatives' mobile phones.

## Ⓞ Fair Trade

**Declaration of fair trade compliance:** In the Code of Ethics, Woongjin Coway declares its pursuit of fair trade and win-win business partnerships by stating “We offer equal opportunities in accordance with free competition rules and pursue long-term co-prosperity by building trust and a cooperative relationship through transparent and fair trade.” To translate the principle into practice, Woongjin Coway introduced a Fair Trade Compliance Program (CP) by holding a ceremony where the company declared its will toward fair trade in August 2007. At the ceremony, all employees of Woongjin Coway pledged to pursue transparency in all decision making processes through voluntary compliance with the Fair Trade Act, enhance ethics management and internal control by strengthening fairness, and build a risk management capacity similar to that of companies in advanced countries. In November of the same year, we announced a statement of voluntary compliance reading that we would do our utmost to ensure a level playing field.

**Implementation of seven key elements:** Woongjin Coway abides by the Compliance Program set out by the Fair Trade Commission of Korea by implementing all of the Program’s seven key elements: 1. CEO’s declaration of determination for compliance; 2. Appointment of a compliance manager; 3. Enactment and revision of a voluntary compliance guidebook; 4. Establishment and management of Compliance training; 5. A compliance monitoring and reporting system; 6. Disciplinary actions for violators; and, 7. Efficient and systematic management of related documents. To expand the fair trade compliance program to the consumer protection domain, the company is operating the Customer Complaints Management System (CCMS).

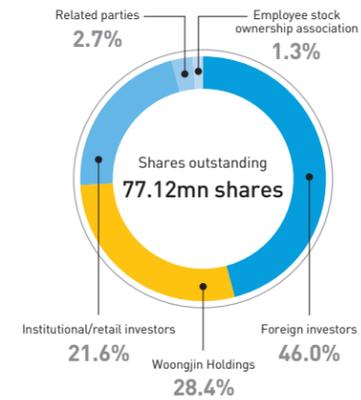
**Fair Trade Compliance Office:** For efficient implementation of the Compliance Program, Woongjin Coway designated the head of CS Division as the compliance manager and established a compliance office under the manager.

**Clean Coway Training:** To raise awareness of compliance among employees and alert them to the danger of irregular or collusive dealings, Woongjin Coway has conducted Clean Coway Training such as regular training, pre-training, post-training, and irregular training.

### ✦ Seven Key Elements of Fair Trade Compliance Program

- 1 → CEO’s declaration of determination for compliance
- 2 → Appointment of a compliance manager
- 3 → Enactment and revision of a voluntary compliance guidebook
- 4 → Establishment and management of Compliance training
- 5 → A compliance monitoring and reporting system
- 6 → Disciplinary actions for violators
- 7 → Efficient and systematic management of related documents

### ✦ Stock ownership as of December 31, 2010



### ✦ Director / Auditors

#### Standing

Ju-Seok Yi, Chairman  
Woongjin Group Vice Chairman  
Seok-Keum Yoon, Director  
Woongjin Group Chairman  
Joon-Kee Hong, CEO  
Woongjin Coway CEO  
Gwang-Su Sin, Director  
CEO of Holdings segment at  
Woongjin Holdings  
Jong-bae Kim, Director  
Woongjin Coway Head of W Sales Division  
Jin Lee, Auditor  
Woongjin Group Vice Chairman

#### Non-standing

Yi-Hwan Kim, Independent director  
Adjunct professor, Advertising & Public  
Relations, Chungang University  
Seon-Hoi Ju, Independent director  
Representative lawyer of Ju Seon Hoi  
Law Firm  
Tae-Mun Tak, Independent director  
Bio Materials Engineering Professor at  
Seoul National University

## 04.

# Corporate Governance

## Ⓞ Shareholders

At present, the total number of shares outstanding stands at 77,124,796. As of the end of 2010, 28.4 percent of the shares were owned by Woongjin Holdings, 46.0 percent by foreign investors and 25.6 percent by domestic institutional investors and others (individual investors and treasury stocks). We will keep working hard to establish transparency in governance to maximize enterprise value.

## Ⓞ Board of Directors

Woongjin Coway’s board of directors (BOD) decides on the matters defined by the laws and regulations or by the company’s Articles of Incorporation. The BOD also votes on matters delegated from the general shareholders’ meeting, key agendas related to basic management policies and operation of the company, and carries out auditing activities. The BOD is chaired by a Woongjin Group Vice Chairman and agenda items are voted on in the presence of a majority and passed by approval of a majority of the directors present. A total of 14 regular and temporary BOD meetings were convened during 2010, with average attendance of independent directors at 93%. Furthermore, Woongjin Coway set up a Management Committee under the BOD to strengthen the independence and expertise of the Board.

## Ⓞ Composition of the Board of Directors and Remuneration

Woongjin Coway’s Board of Directors, chaired by a Woongjin Group Vice Chairman, has eight directors and one auditor as its members. Among them, three are independent, making the proportion of independent directors 37.5 percent (25 percent or higher is mandatory under Commercial Law). These independent directors are selected at the general shareholders’ meeting among candidates possessing both expertise and experience, with no limitations on gender and age. The terms of director remuneration is set at the meeting, with the final ceiling being decided upon according to various performance indicators.

## Ⓞ Committee under the Board of Directors

Woongjin Coway operates the Management Committee under the BOD pertaining to Article 11 of the Regulation of the Board of Directors. The Committee convenes regular meetings on the first Monday of every month, and may also call for ad-hoc meetings when deemed necessary in order to bring about a timely resolution of issues requiring prompt attention at the division in charge. The Committee is working to bring up the level of efficiency and timeliness. Further, Woongjin Coway led by standing directors always strives to practice sustainable management such as ethics management, environment management and social contribution activities and monitor its activities on a regular basis.

## Ⓞ Efforts by the Board of Directors to Prevent Conflict of Interest

Woongjin Coway distributes additional information for each agenda item submitted for consideration to the BOD, so as to make sure that a sufficient amount of deliberation is done beforehand. The agendas submitted for consideration are adopted through final voting and no conflict of interest regarding these agendas has been found until now.

## Ⓞ Auditor

Woongjin Coway has one standing auditor in charge of auditing the company’s business and accounting. The auditor discusses management issues at BOD meetings. In addition, the auditor is eligible to call for a temporary BOD meeting by submitting a written document that explains the reasons for convocation and may request subsidiaries to report business results if necessary.

## Shareholder Value Improvement & Investor Relations Activities

### ◎ Shareholder Value Improvement

Woongjin Coway strives to let its present and future values reflected into the company's stock price by providing investors with accurate information in a timely manner through IR activities both at home and abroad. A presentation of management results is given on a quarterly basis to both domestic and foreign brokerage analysts and institutional investors, while investors are met at non-deal roadshows and conferences both at home and abroad on a regular basis. In addition, we provide our investors with real-time information on the company's operational and financial performance through our IR website.

### ◎ Dividends and Stock Buyback

Woongjin Coway's dividend payout ratio remained at a high level of 45% over the past three years. That is, while the company's net income has increased, so has dividend per share. Woongjin Coway management vows to maintain the company's principles of shareholder-friendliness including such initiatives as a shareholder-friendly dividend policy, stock buyback and retirement, proactive IR activities, profit-oriented management and pursuit of transparency in management.

### ◎ Shareholders/Investors

Woongjin Coway reports on the status of company management to its shareholders at the general shareholders' meeting at which shareholders decide on key issues raised and express their views directly to management. We operate an Investor Relations (IR) team to effectively communicate with both our investors and our shareholders. Key management data relating to shareholder return should be disclosed under the Securities and Exchange Act and is thus disclosed in a timely manner via the electronic disclosure system of the Korea Exchange and the Financial Services Commission and on our IR Web site (www.cowayir.com). We strive to maximize shareholders' return and disclose management information through IR activities and abide by fair disclosure rules.

### ◎ Dividends, Interest Expenses

Woongjin Coway is enhancing value and growing together with various stakeholders including our shareholders, the government and local communities through payment of dividends and taxes.

**Dividends:** Our cash dividends in 2010 stood at KRW 79.9 billion, or 45 percent of net income. We will keep the dividend payout ratio high to increase shareholder value and gain market trust.

**Interest Expenses:** Interest expenses on liabilities rose from KRW 12.5 billion in 2009 to KRW 17.6 billion in 2010, as debts temporarily increased due to the acquisition of water treatment engineering company Green Entec and purchase of Woongjin Chemical shares. Net interest expenses (interest expenses minus interest income) also climbed to KRW 14.09 billion in 2010, from KRW 9.41 billion in 2009.

#### ✦ Dividends

Classification	2008	2009	2010
Dividend payout ratio (%)	50	50	45
Dividend per share (KRW)	870	1,010	1,050
Total dividends (KRW bn)	64.8	76.8	79.9
Dividend yield (%)	3.4	2.7	2.5

#### ✦ Interest Expenses

Classification	2008	2009	2010
Interest expenses (KRW bn)	11.35	12.53	17.63
Interest income (KRW bn)	3.3	3.12	3.54
Net interest expenses (KRW bn)	8.05	9.41	14.09

## Creation and Distribution of Economic Value

### ◎ Distribution of Economic Value

Woongjin Coway has increased value and grown together with various stakeholders including our shareholders, the government and local communities through payment of dividends and taxes.

### ◎ Charitable Contributions

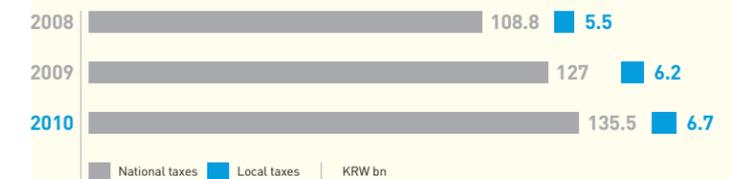
Woongjin Coway's charitable contributions in 2010 stood at KRW 1.13 billion, up from KRW 0.56 billion in 2009.



※ The year 2008 was somewhat of an anomaly due to a KRW 2.5 billion investment in the Woongjin Foundation.

### ◎ Taxes

Woongjin Coway contributes to the country and local communities by paying taxes. In 2010, the company paid KRW 142.2 billion in taxes. National taxes totaled KRW 135.5 billion (KRW 40.2 billion in Corporate tax, KRW 77 billion in value-added tax and KRW 18.3 billion in withholding tax), while local taxes stood at KRW 6.7 billion.



### ◎ Government Subsidies

Woongjin Coway received KRW 472.8 million of government subsidies in 2010.

### ◎ Creation of Indirect Economic Value

By introducing the rental service for the first time in Korea, Woongjin Coway gave birth to a new profession, "Cody" (service provider). Notably, women account for 90 percent of staff. From Cody's inception—a time when women's participation in economic activities was low—it has continued to offer employment opportunities for women and has contributed to women's professional development through constant support and training. As of the end of December 2010, there were 13,000 "Cody's."

Woongjin Coway is also committed to developing and hiring local talent in Korea's provinces, and has contributed to indirect economic value creation in local communities through the "Save the Yugu Stream Program," planting water-purifying plants and purchasing the entire crop of rice harvested in the community. In addition, Woongjin Coway has donated its products and made monetary contributions for those in the low-income brackets.

## Innovation Programs

### Ⓞ Hanggarae

In 2009, Woongjin Group introduced “Hanggarae,” an innovative employee work method based on POSCO’s Visual Planning concept. Hanggarae means “happiness (Hang) comes (Rae) to the entire Woongjin Group family (Ga).” Under this method, employees undertake their duties through work visualization, and praise and encourage each other in their efforts.

Each team of the company holds a standing meeting every morning to the music of the “Hanggarae Song,” where they share issues of the day. The meeting has been firmly established as a vital communication channel for members. For 2011, Woongjin Coway will identify projects to drive up its performance and set the goal of Hanggarae in project management—in an effort to make the company one of the world’s best.

### Ⓞ Innovation Projects (Six-Sigma, W-TPS)

Woongjin Coway undertakes innovation tasks every year through Six-Sigma introduced in 2007 and the Woongjin-Total Profit System (W-TPS), which was launched with Woongjin Group Chairman Seok-Keum Yoon’s Nagoya Declaration in 2008. In 2010, 104 Six-Sigma Green Belt projects and 12 Black Belt projects were carried out and five employees received their Black Belt (BB) certification, while 107 employees were certified as Green Belt (GB). Additionally, 435 W-TPS projects were completed. In total, employees carried out 551 innovation projects and achieved KRW 42 billion in innovation rewards.

Woongjin Coway held an exhibition in the first and second half of 2010 to select best projects and share those projects group-wide. Best projects in the first half included SMART Order Screen system development, innovation through membership frame change, lump-sum payment/membership implementation, the 365 service, and carbon block production technology innovation. Call Center improvements, the W concert, product return prevention innovations, and greenhouse-gas inventory establishment were the projects honored in the second half. Woongjin Coway is committed to constant innovation in its efforts to become a leader on the international stage.

### Ⓞ Job Eraser Campaign

In 2010, the Job Eraser Campaign was established with the aim of streamlining work processes. In January 2010, the campaign was the focus of the “WE-CAN Project,” a project to renovate various aspects of the company, particularly those resistant to change. Among 1,009 processes suggested for improvement by members (through the employee proposal system), Woongjin Coway selected and renovated 180, realizing a more efficient work environment.

In the first half of 2010, Woongjin Coway implemented the SMART Order Screen system, the innovation most often requested by employees. The Management Innovation Team led the implementation of the system, which has reduced the time spent inputting orders by 57 percent and has cut 2,444 working hours.

To facilitate communication among employees and speed up business processes—also requests made by many members, in the second half of 2010 the company introduced Unified Communication (UC), establishing video conference and multimedia document production systems and connecting PCs and IP phones.

Job Eraser is a major project led by the Management Innovation Team aimed at removing unnecessary work steps and transforming the way the company does business, thereby achieving a new work paradigm.



1. Morning Hanggarae meeting of a team  
2. Exhibition of innovation performance



1. Homepage of Sang-sang Ocean  
2. Donation of other companies’ monetary contribution for sharing Sang-sang Ocean know-how  
3. One-day Field Academy

### Ⓞ Sang-sang Ocean

Launched in April 2008, Sang-sang Ocean provides an interesting and easy way for employees to make suggestions on work improvements and innovations. Each time an employee submits an idea into the virtual ocean of suggestions created on the Web, the person receives a shrimp (worth KRW 100). When the individual collects 10,000 shrimp, he/she will receive one dolphin (worth KRW 1 million).

The dolphin can be exchanged for KRW 1 million in cash or a KRW 0.5 million travel certificate. To add a sense of fun, different grades (crewmember, boatswain, captain) are awarded according to the number of shrimp accumulated. In 2010, the employee participation rate in innovation activities reached 85 percent and the number of suggestions per person rose from 9.6 in 2009 to 11 in 2010.

Woongjin Coway opened Sang-sang Ocean Season 2 in June 2010. The new season enabled users to access that system on smart phones. To facilitate donations via Sang-sang Ocean, the company introduced the Sang-sang Game, through which 30 percent of employees’ donations are repaid. Employee donations in 2010 totaled KRW 7.5 million, which was added to the corporate budget for social contribution activities.

To promote a suggestion culture and utilize the Sang-sang Ocean as part of Woongjin Coway’s social contribution efforts, the company began educating other companies on the Sang-sang Ocean concept in 2009. As a result, 11 companies in 2009 and 13 companies in 2010 incorporated the system into their own firms and made monetary contributions after acquiring know-how of the system. Woongjin Coway used the KRW 13 million it received in 2010 to donate newborn clothes, other supplies and cash to unwed single mothers experiencing financial difficulties. The company will continue to share its system with other companies and return their monetary contributions to society. In 2010, as many as 70 companies built their own employee suggestion facilitation systems, benchmarking Woongjin Coway’s model. The company was awarded the Grand Prize (Knowledge Economy Minister Award) at the Korea Digital Management Innovation Awards 2010 for Sang-sang Ocean.

### Ⓞ Knowledge Ocean and Integrated Search System

Woongjin Coway launched Knowledge Ocean and the Integrated Search System in 2010 to utilize internal information and knowledge in a more effective way. Knowledge Ocean enables employees to accelerate work processes in the field by offering convenient and fast access to accurate information, thereby increasing customer satisfaction levels. All employees in point-of-contact positions, such as the Call Center, branches and branch offices can access Knowledge Ocean and search for institutions/regulations and product specifications. The Integrated Search System adds even more efficiency to work processes since all the information employees’ require is searchable under one unified system. All employees with access to Woongjin Net(groupware) can use the system to search Companywide Information, Sang-sang Ocean, Help System, and Knowledge Ocean.

### Ⓞ One-day Field Academy

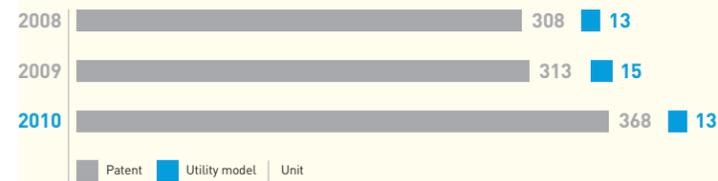
To foster a corporate culture where all members are engaged in innovation efforts, Woongjin Coway held the “One-day Practice Academy” at its factories in 2010. Under this program, a group of employees visits one of Woongjin Coway’s factories (Yugu, Incheon or Pocheon) for one day to examine work processes, suggest ideas for improvement, and put these ideas into action. In total, 702 employees participated in the program throughout 178 sessions, and 1,149 unnecessary work processes were eliminated. This program encourages employees to think of ways to streamline their work and in the process, fosters an innovation mindset.

# Research & Development

## Overview of R&D Facilities

Woongjin Coway's R&D division focuses on customer convenience, not the company's profits. We identify customer needs and develop products to fulfill those needs. As of the end of 2010, Woongjin Coway had 312 researchers, 17 of whom are PhDs, and 115 of whom have earned a master's degree. In 2010, the company applied for 368 patents.

### Number of Patent Applications



## Open Technology Initiative

Open Technology Initiative (OTI) is the process by which Woongjin Coway develops and selects preliminary technologies. Through this process, the company strove in 2010 to "develop preliminary technology reflecting customer needs and increase its applicability" and to "suggest a future vision through ceaseless efforts to excavate qualitative and quantitative technology." The purpose of OTI is to introduce developed or excavated preliminary technologies to related divisions and establish the process to review their applicability. Woongjin Coway undertakes preliminary technology reviews and technology optimizations separately, creating synergies between the two. In 2010 the R&D Division, after technology reviews through OTI, decided to develop a sterile water filtration appliance, which will be released in the latter part of 2011.

## Product Certification

Woongjin Coway utilizes the Real-time Product Liability Incident Inquiry System and receives certification marks for each product from recognized institutions (explained in each product's pamphlet).

**Water filtration appliances:** Every water filtration appliance of Woongjin Coway acquires the Water Mark, a certification mark issued by the Korea Water Purifier Industry Cooperative indicating that the appliance meets water purifier standards.

**Air purifiers:** Woongjin Coway's air purifiers acquire the Clean Air (CA) Mark issued by the Korea Air Cleaning Association. The association sets air purifier standards and gives the CA Mark to products that meet those standards.

**Bidets:** Woongjin Coway acquired the TR Mark (for ceramics sterilization technology) and the S Mark (for nozzle sterilization technology) for some bidet models (including BA14) from the Korea Testing and Research Institute. The TR Mark, given by the Korea Accreditation Society (KAS), is a certification system aimed at improving product quality and protecting consumers from hazardous materials in their daily lives. The TR Mark is granted by an expert council consisting of researchers, professors and government officials to products that meet the qualifications and standards of the TR inspection.



1. R&D Center  
2-3. Researchers

**Water softeners:** Woongjin Coway was given the Customer Satisfaction Award from the British Allergy Foundation (BAF) for its water softener (BB10)'s anti-virus performance. The BAF endorses products that confine or remove high levels of allergens.

**Food waste treatment systems:** Woongjin Coway's food waste treatment systems WM05-A (2009) and WMS-01 (2010) received the Environmental Declaration of Products for their low energy consumption, noise and waste. WM05-A was also certified as a New Excellence Technology, an approval system under the leadership of Korea's Ministry of Knowledge Economy that recognizes promising technologies developed by companies, research institutes or universities. The company's WM06 received the Technology Frontier Award, which selects cutting-edge products that better the lives of consumers.

### Products released in 2010

#### Water filtration appliances

Product Name	1.	2.	3.	4.	5.	6.	7.
1. Large-capacity hot & cold water filtration appliance CHP-700R/L							
2. Hot & cold water filtration appliance without water pipe connection CHPS-510							
3. Ice cube water filtration appliance for home use CPI-520							
4. Ice cube water filtration appliance CHPI-610R/L							
5. Smart cold water filtration appliance CP-210L(RED)							
6. Undersink water filtration appliance P-150R/L, C-100							
7. Hot & cold water filtration appliance for businesses CHP-06ER/L-M							

#### Bidets

Product Name	1.	2.	3.
1. Hygienic bidet BA14-B			
2. Advanced bidet for lump-sum sales BA13-A/B			
3. Advanced bidet for lump-sum sales BA15-A			

#### Air purifiers

Product Name	1.	2.	3.	4.	5.	6.	7.
1. Air purifier for small space AP-0509DH							
2. Double deodorization air purifier AP-1009JH							
3. Smart air purifier AP-1510BH							
4. Interior air purifier AP-0510CH							
5. Masterpiece air purifier AP-1008CH-R							
6. Standard air humidifier-purifier APM-1510FH							
7. Anti-microbial air purifier APM-1010DH							

#### Water softeners

Product Name	1.	2.
1. Compact water softener BB09-A		
2. Oriental herb filter water softener BB10		

#### Food waste treatment systems

Product Name	1.	2.
1. Large-capacity food waste treatment system WM05-B		
2. Undersink food waste treatment system WMS-01		

## Key Technology and Product Development in 2010

Woongjin Coway released a disk-type air purifier-humidifier (APM-1510FH) and a filter-type air purifier-humidifier (APM-1010DH) on October 6, 2010. These two models purify air with powerful filters and then humidify the room hygienically using ultra-micro water particles. Considered more hygienic than previous air washer-type air purifiers, these products eliminate bacteria, virus and odor and humidify the air.

The anti-virus HEPA filter in each of these models inactivates 99.9 percent of viruses in the air using only natural compounds extracted from ginkgo and sumac trees. Further, users can choose among three filters to ensure optimal operation of the air purifiers according to the season and users' residence. For example, users can replace filters that eliminate yellow dust (Feb-May), mold and legionella from old houses (June-Sep), and formaldehyde and hazardous indoor gas from new houses (Oct-Jan) at no charge.

### Disk-Type Air Purifier-Humidifier

The disk-type air purifier-humidifier (APM-1510FH) has an anti-virus coated disk that sprays smaller-than-virus water particles into the air. This differs from the ultrasonic humidifier type, where viruses can easily multiply. The clean air that has gone through five filters is combined with micro water particles as it passes through 116 wet disks. At this stage, a very small and light water particle, measuring 0.1 μm (one 50,000th of the water particle that is sprayed by ultrasonic humidifiers), is sprayed far away from the humidifier, an effective method of controlling indoor air quality during seasonal changes and in the winter. This model



APM-1510FH

received Germany's prestigious Red-Dot Design Award for its ocean-like aqua blue color and air quality indicator that provides immediate data on the current air quality.

### Filter-Type Air Purifier-Humidifier

In the filter-type air purifier-humidifier (APM-1010DH), the air that has gone through five filters is moisturized as it passes through a humidifying filter and is sprayed by the natural vaporizing system. As the system vaporizes water by sending wind to the humidifying filter, small water particles are sprayed far from the filter. A product that is extremely easy and convenient to use.



APM-1010DH

## 09.

## Highlights in 2010

### 2010 Earnings

Woongjin Coway's sales and operating income rose 8 percent and 12 percent year-on-year in 2010 to KRW 1,519.1 billion and KRW 228.8 billion, respectively. Net income also swelled 16 percent from the year before to KRW 177 billion.

### Design Award Grand Slam in 2010

In 2010, Woongjin Coway became the most frequently recognized company in the world at the top four international design awards (Germany's iF and red dot, USA's IDEA and Japan's Good Design (GD)). Furthermore, the company is the only Korean consumer electronics manufacturer to achieve the same design award grand slam in 2010 that it had achieved two years before, in 2008. The company showed off its international design competitiveness with 33 of its products (47 percent) recognized for design from various world-renowned design awards and Germany's new award, "Plux X." Woongjin Coway also became the first consumer electronics manufacturer in Korea to receive a Gold Award at the International Design Excellence Awards 2010—the field's top honor—with its air purifier-humidifier "Hwaro" (Korean for fire oven). The judges cited Hwaro's uniqueness, particularly the ways it reinterprets a Korean tradition in a modern sense, as its strongest point.

**Woongjin Coway's Awards in 2010**

- Air purifier-humidifier (Hwaro): IDEA Gold
- Looloo water softener (BB08): red dot, IDEA, Plus X
- Re:NK: iF
- Clive food waste treatment system (WM06): iF, red dot, Plus-x
- Coway water filtration appliance (CHP 210L): red dot, IDEA
- Cairns air purifier (AP 1009): iF, red dot, JGD, Plus x

### ◎ Yugu Factory Rated AAA+ as Leading Organization in Innovation

In 2010, Woongjin Coway's Yugu Factory was rated AAA+ for innovation, making it one of the best companies in Korea in this area. The certification (one of the most authoritative of its kind), is granted by Korea Management Association Consulting (KMAC) to a company or government ministry/agency that makes continuous efforts to improve its competitiveness through innovation. KMAC evaluates organizations on leadership for management innovation (100 points), innovation strategies (150 points), innovation continuity (300 points), systemization and standardization (250 points) and innovation performance (200 points), and grants a certification of appropriate grade depending on the evaluation results. The AAA+ certification represents the culmination of the Yugu Factory's innovation activities so far, enabling the company to win credibility for its technological prowess and advanced innovation capacity in Korea and around the world.

### ◎ International Safety Certification & Testing Institute

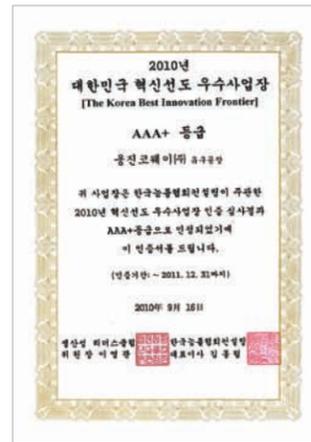
Woongjin Coway established Korea's first one-stop global certification center in April 2009 and was certified by International Electrotechnical Commission (IEC)<sup>①</sup> as an international safety certification and testing institute, in 2010. With its own testing results credible enough to grant Certification Body Scheme (CBI)<sup>②</sup> certification, international credibility for the company's product safety will increase. Since testing and certifying of products can be carried out by the company, Woongjin Coway expects the certification to allow the company to more actively and efficiently respond to EU environment regulations (taking effect in July 2011), and to save the time and costs spent testing and certification of its products.

### ◎ Growth of Overseas Subsidiaries

Woongjin Coway's China subsidiary's cosmetics business saw its sales grow 25 percent year-on-year in 2010 with an operating margin of 33 percent. The China subsidiary also started to open road shops, achieving RMB 2.09 million in sales.

The Malaysia subsidiary succeeded in expanding its door-to-door sales organization (which doubled). The subsidiary's sales volume tripled from 14,000 to 40,000 units with monthly sales surpassing 5,000 in December 2010.

Woongjin Coway's subsidiaries in Thailand and China have both built strong foundations for growth. The Thailand subsidiary exceeded 2,000 units in monthly sales volume as the rental service takes root in the country, while the number of stores at the China subsidiary rose 2.5-fold from 57 in 2009 to 147 in 2010.



Woongjin Coway was rated AAA+ as leading organization in innovation

① IEC \_\_\_\_\_ International Electrotechnical Commission (IEC) is an international standards organization that prepares and publishes international standards for all electrical, electronic and related technologies. IEC was established in 1906 to promote international cooperation in standardization issues. ② CBI(Certification Body Scheme) \_\_\_\_\_ Certification Body (CB) Scheme Certification is an international certification on electrical and electronic devices' safety and electromagnetic waves. A CB certificate issued by a member of the CB scheme group serves as proof to other members in the system that a sample of the product concerned has been tested and complies with the IEC standard applied.

## 10.

# Slogan and Business Strategies for 2011

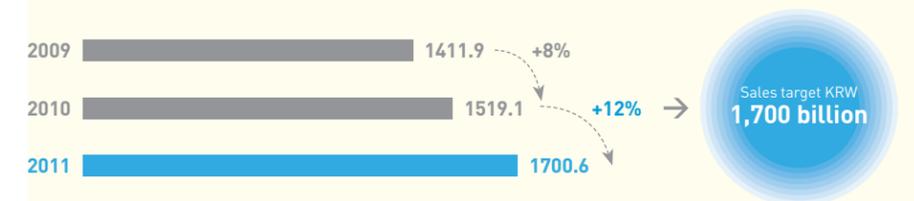
### ◎ Management Slogan for 2011

We will take a leap forward in well-being home appliances, new businesses and overseas businesses, removing any constraints that we have faced in the past to create a better future.

New businesses beyond well-being home appliances -----  
Overseas businesses beyond domestic markets -----  
Aggressive growth beyond stable growth -----



### ◎ Woongjin Coway's 2011 Sales Target (KRW bn)



### ◎ Key Strategies for 2011

To facilitate overseas business, Woongjin Coway plans to enter into original equipment manufacturer partnerships with large overseas companies, and adopt companywide success models of overseas subsidiaries such as the one implemented at the Malaysia subsidiary.

Woongjin Coway will continue to develop world-class products to speed up its globalization, and, to this end, will strengthen the R&D of the company and recruit R&D talents. Based on its acquisition of the water treatment engineering company Green Entec in 2010, the company will strive to win more water treatment projects and actively pursue global partnerships in 2011.

In the well-being home appliance market, as the No.1 water filtration appliance manufacturer in Korea, we will continue to lead the market through aggressive marketing innovation. To that end, Woongjin Coway will facilitate lump-sum sales and re-purchase of rental services.

To drive up sales of Re:NK, Woongjin Coway's newly launched cosmetic brand (in 2010), the company will continue to pursue sales through multiple channels.

Further, the company will put great effort into developing more systematic and in-depth training programs for its members, the valuable source of Woongjin Coway's sustainable growth.





# Environment

## COMMITTED TO WORKING TOGETHER FOR THE EARTH

For Woongjin Coway, environment management is vital for achieving sustainable growth and creating valuable investment opportunities for the future. Thus, the company considers environment management its new growth engine, and is committed to protecting the environment and pursuing profits through green technology and product development. Woongjin Coway will do its utmost to apply its environmental conscience to every aspect of the company, realizing low-carbon, green growth as it proactively cooperates with all stakeholders including business partners and customers.

## ENVIRONMENT MANAGEMENT ACTIVITIES

Woongjin Coway's environment management activities comprise internal activities, joint actions with business partners, social contribution and eco-friendly campaigns. Internal activities include building a greenhouse gas (GHG) inventory, introducing an environment management system throughout the production process, enhancing environment education for all employees, publishing the "2010 Carbon Management Report," considering the environment throughout a product's lifecycle, developing eco-friendly technology/products, and participating in industries' voluntary agreement on green procurement. Woongjin Coway has also worked together with business partners to assist in their development of GHG inventories, green experts, and carbon information systems. Among the company's diverse social contribution activities, the "Save the Yugu Stream Program" and well digging in Cambodia are its leading environmentally inspired initiatives. The company also distributes water-saving green bowls made from the recycled plastics of its own products, and selects "Green Makers"—college students participating in special programs to develop their talents and expand their environmental awareness.

### Key Results

#### Awards and Activities in 2010

- Received Notable status on Communication on Progress (Notable COP)
- Joined the UN Global Compact CEO Water Mandate (the first Korean company to do so)
- Published the "Carbon Management Report" for the first time in the industry in 2010
- Selected as a leading company in businesses' voluntary agreement on green procurement
- Received accolades from the Minister of Knowledge Economy at the Korea Green Management Excellence Awards
- Selected as a carbon management leader in the consumer discretionary sector in the 2010 Carbon Disclosure Project for the second straight year

Environment Management Slogan and Strategies <sup>32</sup> Environment Management System <sup>34</sup> Eco-friendly Product Development <sup>35</sup>

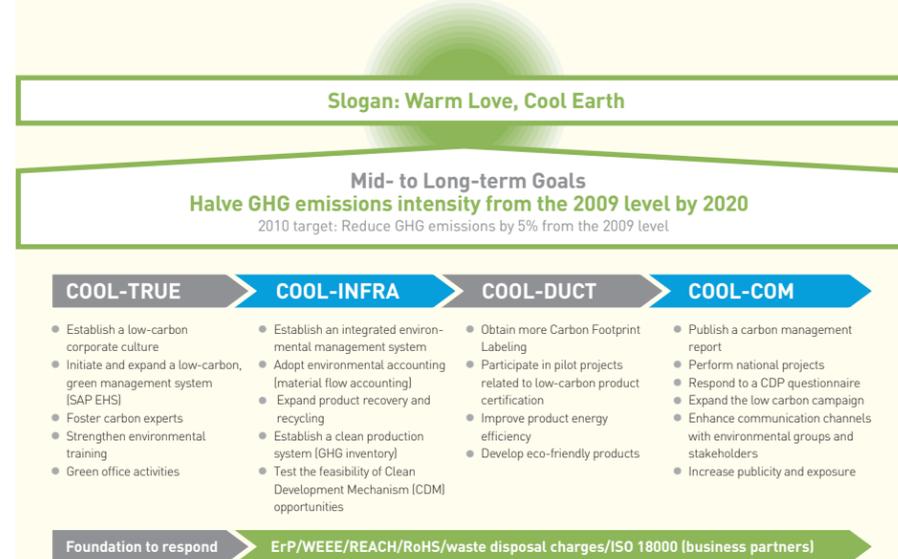
Green Procurement <sup>39</sup> Product Recycling <sup>40</sup> Response to Climate Change <sup>41</sup>

Management of Restricted Substances <sup>45</sup> Environmental Communication with Stakeholders <sup>46</sup>

Biodiversity <sup>48</sup> Environment Awards <sup>49</sup>

# Environment Management Slogan and Strategies

## Mid-to Long-term Goals at the Woongjin Group



## Commitment to Environment Management

The Woongjin Group held a ceremony to declare environment management on April 25, 2006 with all employees present. The Group has since then implemented diverse programs and more advanced systems to realize effective environment management, and in 2009, introduced its environmental slogan, "Warm Love, Cool Earth." After a carbon management declaration in January 2010, the Group went on to establish its carbon management vision and strategies in the mid- to long-term, strategies which are now being implemented. The Woongjin Group became Korea's first corporation to issue a "Carbon Management Report" (in 2010), disclosing its carbon emissions to consumers.

The year 2009 marked the beginning of Woongjin Coway's environment management, and since then the company has been proactive in its efforts to respond to urgent environmental issues. To deal with climate change and meet environmental regulations, for example, the company diversified its business areas to include the manufacturing of eco-friendly products and developed a GHG inventory. Woongjin Coway also refurbishes goods and offers them to customers at highly reasonable prices, encouraging reuse.

In line with Woongjin Coway setting low-carbon, green management as its new growth engine, CEO Joon-Kee Hong established a corporate principle whereby profit and environmental protection are pursued simultaneously through the development of green technology and products, sharing this principle with all stakeholders and employees. Woongjin Coway is determined to grow into a globally renowned environmentally aware company by actively cooperating with diverse stakeholder groups including business partners and customers.

## Environment Management Strategies

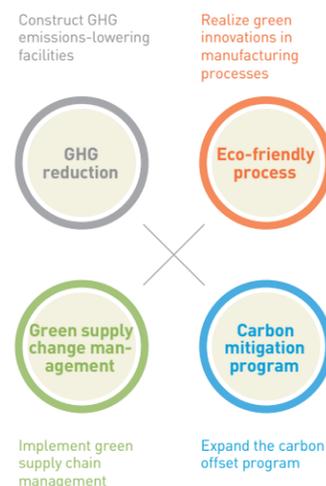
Woongjin Coway collects information and identifies issues regarding climate change from climate change stakeholders. The company established the Climate Change Taskforce under the Environment Quality Institute to collect information on existing environmental regulations such as the Restriction of Hazardous Substances (RoHS) and the Registration, Evaluation

### Woongjin Group's Environmental Slogan



The slogan and logo symbolize the environment management system of the Woongjin Group, and the Group's commitment to protecting the earth.

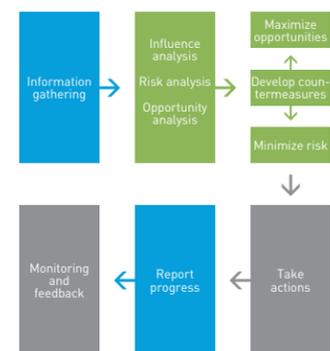
### Four Low-carbon Management Tasks



### Six Low-carbon Management Campaigns

- Green Office Activities
- Eco-friendly Transport
- Resource Recycling
- Zero Food Waste
- Anti-smoking
- Customer/Company Green Initiatives

### Climate Change Taskforce Business Flow



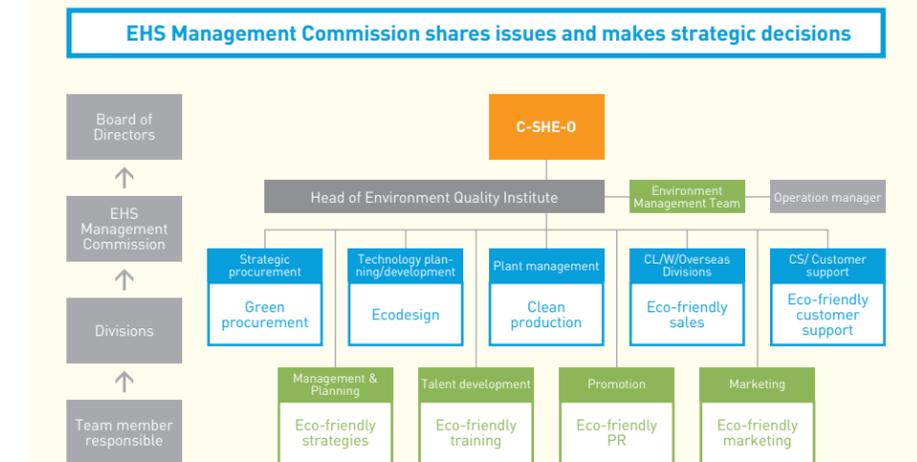
and Authorization of Chemicals (REACH), and on climate change risks the company faces in domestic and international operations. In addition, the taskforce conducts GHG emissions-lowering activities such as internal GHG inventory reporting and carbon labeling. The progress and results of these activities are shared at quarterly meetings of the Environment Management Commission who reports them (and related issues) to the CEO and executives.

## Environment Management Commission/Environment Management Office

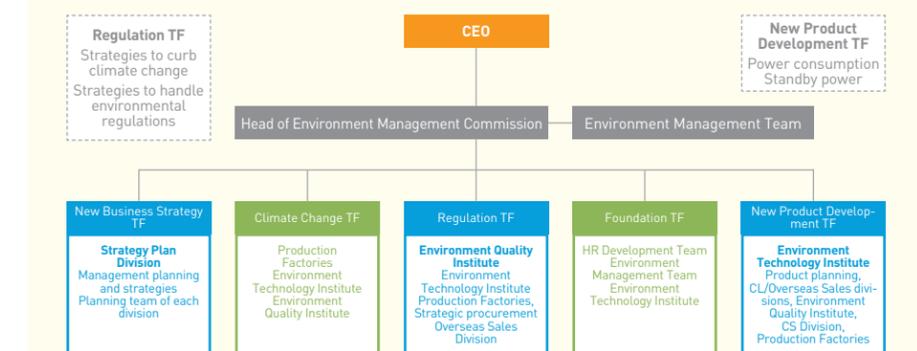
The Woongjin Group operates the Environment Management Commission and the Environment Management Office to practice environment management at the Group level. The Environment Management Commission is comprised of department heads from each subsidiary who report their company's status in environment management, and offer input and make decisions on the direction and policies of the Group's overall environment management. The Environment Management Office puts those decisions into action in cooperation with the environment management section of each subsidiary. To consolidate the environment management system, the Group sends trained auditors to each subsidiary once a year to conduct environmental audits.

In addition to these Group-level measures, Woongjin Coway established the Environment, Health and Safety (EHS) Management Commission, which makes strategic decisions and shares environmental issues with all members of the company. EHS is a cherished value in Woongjin Coway's corporate management as it emphasizes both sustainable growth and social responsibility.

### Organization



### Taskforce for Climate Change and Regulation Response



## Environment Management System



Woongjin Coway implemented consolidated IT solutions, which enable the company to conduct low-carbon management and deal with climate change and international environment regulations efficiently and effectively. Woongjin Coway has successfully managed environmental key performance indicators through these solutions, and has made continuous efforts toward their improvement.

### ◎ SAP EHS Management (Integrated Environmental Information)

Woongjin Coway implemented SAP EHS Management, SAP REACH and SAP EC to facilitate plant facility monitoring, GHG inventories at each operation, and carbon footprint measuring by plant, operation and product, thereby lowering the GHG emissions of operations and products. SAP EHS Management is a cost-effective method of ensuring the company's compliance with all environmental, health and safety regulations.

### ◎ Executive Information System on GHG Emissions

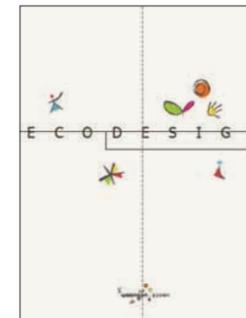
Woongjin Coway operates the Executive Information System (EIS) on GHG emissions. EIS is a type of management information system intended to support executives and managers in making environmental decisions based on valid statistics and solid research.

### ◎ Environment Management System for Business Partners

To assist business partners in their understanding of environmental key performance indicators, Woongjin Coway implemented user-friendly IT systems including Green Partnership, the Environmental Training/Certificate Management System, the Environment Management and Procurement System, and the Consolidated Information System.



1. SAP EHS Management launched
2. SAP EHS Management
3. EIS on GHG Emissions
4. Environment Management System for Business Partners



Ecodesign manual (ECODESIGN)

## Eco-friendly Product Development

### ◎ Ecodesign

To incorporate environmental-friendliness into every product, Woongjin Coway developed ecodesign strategies with evaluation items. These strategies have enabled consistency in product development and examination, and have improved the company's environment management performance.

#### + Ecodesign Strategies

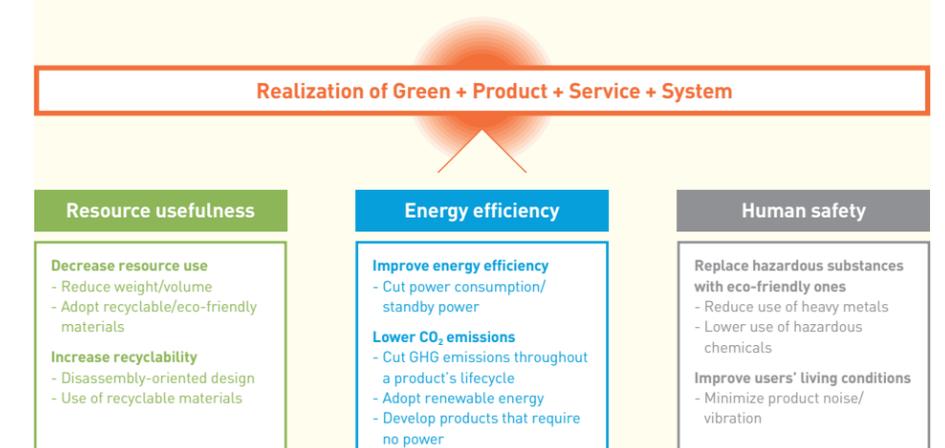
Strategies	Key considerations	Legal/stakeholder requirements
Reduce energy use	Energy consumption (energy efficiency) Standby power	EU ErP, Energy Use Rationalization Act, MEPS EU ErP, e-Standby Program
Decrease environmental impact	Recyclability	EU WEEE, Resource Circulation Law
Use resources efficiently	Accurate labeling of plastic materials	Resource Circulation Law, ISO 11469, 1043 #1-4
Increase recycling efficiency	Six restricted hazardous substances (RoHS)	EU RoHS, Resource Circulation Law, C-RoHS, etc.
Lower use of hazardous substances	Hazardous packaging materials	Directive 2004/12/EC of the European Parliament and the Council on Packaging and Packaging Waste; Act on the Promotion of Saving and Recycling of Resources
Use eco-friendly packaging materials	Accurate labeling of packaging materials	EU WEEE
Provide eco-friendly information	Disposal and collection methods Clear marking of recycled materials Recycling information	EU WEEE, Resource Circulation Law EU ErP

※ Woongjin Coway's ecodesign strategies: 11 mandatory and 9 selective

**Ecodesign Manual:** Woongjin Coway published the "Ecodesign Manual" to assist product developers in adopting ecodesign principles in products. The manual is considered the foundation upon which the company designs and develops environmental products, and is updated on a regular basis. Woongjin Coway spares no efforts to ensure that the manual's directives are fully realized in actual product design, thereby enabling ecodesign to take root in the company.

### ◎ Eco-friendly Technology Development

**Eco-friendly technology development strategies:** Woongjin Coway has developed environmentally aware products and technologies aimed at minimizing environmental stresses throughout a product's lifecycle and leaving a cleaner environment for the next generation. The company will establish the Green Product Service System based on the following strategies.



**Eco-efficiency Index:** Woongjin Coway undertook research on standardized eco-efficiency indicators in cooperation with Inha University's Sustainable Management Research Institute and developed an index to measure and compare environmental stresses throughout the lifecycles of different products. Although the index is not able to identify and compare every environmental impact throughout a product's lifecycle, standards to assess a product's eco-efficiency (to the broadest extent possible) were set and applied to newer products. As a result, new models have 20-percent higher eco-efficiency than previous models. In this way, Woongjin Coway not only improved its environmental performance, but also set standards to examine that performance continuously, ensuring it is at the highest level.

Ⓞ Environmental Products

Woongjin Coway is committed to developing technology, products and services that reflect its goal of low-carbon, green growth. Currently, the company examines a product's environmental friendliness based on its GHG emissions. A product classified as "green" should emit at least 5 percent less GHG emissions than previous models. The company has also proactively encouraged business partners to include environmental features in product development.

Energy efficiency	Lower GHG emissions Reduce standby power/power consumption	Develop flash freezing/heating technology
Resource usefulness	Lower energy use Increase recyclability Adopt eco-friendly materials	Create and adopt technology to keep water cool/warm Develop more energy-efficient modules Use eco-friendly packaging materials
Human safety	Eliminate hazardous substances Improve living conditions/ safety	

Ⓞ Reduction of Energy Consumption

**Standby power of 0.1 watt for air purifiers:** Woongjin Coway is the first company in Korea to reduce the standby power of home appliances to 0.1 watt, which lowers both consumer electricity bills and carbon emissions.

Ⓞ Use of Eco-friendly Materials

**Eco-friendly materials for air purifier filters:** Woongjin Coway developed an anti-virus air purifier filter using natural materials. This filter eliminates viruses and bacteria using natural antimicrobials such as ginkgo leaves and sumac extracts. In addition, the filter has three integrated functionalities: virus elimination, deodorization, and dust collection, reducing the use of filter frames and boxes. The anti-virus filter is currently applicable for AP-0510CH, AP-0509DH, and AP-1009JH.

**Eco-friendly packaging materials:** Woongjin Coway switched from expanded polystyrene (EPS) foam to environmental packaging materials such as corrugated paper and molded paper packing protectors. Using paper materials for protective packaging, the company has minimized hazardous substances and increased the recycling rate.

**Bidet user manual printed on recycled paper:** Woongjin Coway is now using recycled paper for the user manuals of all its bidet models in the Korean market and plans to expand use of recycled paper for the manuals of all its products.

✦ Air purifiers' standby power



✦ Use of environmentally-friendly materials for protective packaging



Ⓞ Environmental Products Released in 2010

**BB09 compact water softener with no electric power required:** The BB09 water softener is 50 percent smaller than the previous model, the BB08. The new model has an alarming gauge for water softening and a self-generating water softening valve that require no electric power. The previous model required a PbA battery.

**Standardized filter:** The filter diameter for all Woongjin Conway bidet models was reduced from 75 millimeters to 50 millimeters, maintaining the same high level of performance.

**BA17 self-generating power bidet:** The BA17 bidet generates its own power by using strong water pressure like a waterwheel, consuming 0 kilowatt/year. As it requires no electric power, its energy saving level is the best among bidets. It also has an automatic self-cleaning nozzle function, and its anti-virus tips and stainless twin nozzle maintain the sanitary condition of the bidet.

✦ Environmental products released in 2010

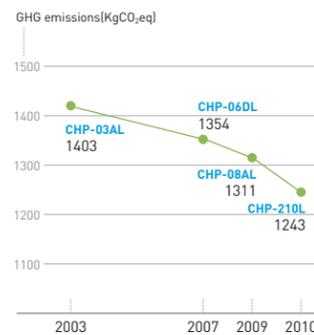


Ⓞ Products with Carbon Labeling

Woongjin Coway has participated in diverse government programs for environment management. The company has disclosed its carbon emissions to the Carbon Disclosure Project since 2009, and was selected to participate in the Ministry of Knowledge Economy's project to build GHG inventories for business partners. It is also participating in the carbon labeling program, with six water filtration devices and one air purifier selected for carbon labeling from the Korea Environmental Technology & Industry Institute (KEITI) up to 2010.

Korea launched its carbon labeling program in 2008 to label the amount of hazardous gases emitted throughout a product's lifecycle from pre-production, production, use and disposal, in carbon dioxide equivalents. Although only some of the more environmentally aware companies are now participating in the program, it is expected to become an important measure in consumer purchase decisions in the near future in consideration of rising consumer awareness of climate change. Woongjin Coway plans to expand carbon labeling in phases to more of its products. If carbon labeling becomes mandatory in Korea, it will offer an opportunity for Woongjin Coway to increase sales and solidify its reputation as a company achieving lower carbon emissions than its competitors.

✦ Water purifier GHG emissions



※ Woongjin Coway tested GHG emissions of CHP-03AL and CHP-210L based on national criteria for Carbon Labeling.  
 ※ An independent lab tested GHG emissions of CHP-06DL and CHP-08AL.

	<p><b>Cold water filtration appliance (CP-07BLO, black)</b> Label number: E-2009-003 Term of labeling: Mar 17, 2009 – Mar 16, 2012</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>666</td> <td>50</td> <td>3</td> <td>549</td> <td>64</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	666	50	3	549	64	<p>Proportion of GHG emissions by stage (%)</p>
Unit	Total emissions	Pre-production	Production	Use	Disposal											
KgCO <sub>2</sub> /unit	666	50	3	549	64											
	<p><b>Cold water filtration appliance (CP-07BLO, white)</b> Label number: E-2009-005 Term of labeling: Aug 27, 2009 – Aug 26, 2012</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>663</td> <td>48</td> <td>3</td> <td>549</td> <td>63</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	663	48	3	549	63	<p>Proportion of GHG emissions by stage (%)</p>
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KgCO <sub>2</sub> /unit	663	48	3	549	63											
	<p><b>Hot &amp; cold water filtration appliance (CHP-06DL)</b> Label number: E-2009-006 Term of labeling: Sep 29, 2009 – Sep 28, 2012</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>1,354</td> <td>54</td> <td>2</td> <td>1,240</td> <td>58</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	1,354	54	2	1,240	58	<p>Proportion of GHG emissions by stage (%)</p>
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	<p><b>Hot &amp; cold water filtration appliance (CHP-06DU)</b> Label number: E-2009-007 Term of labeling: Sep 29, 2009 – Sep 28, 2012</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>1,354</td> <td>55</td> <td>2</td> <td>1,239</td> <td>58</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	1,354	55	2	1,239	58	<p>Proportion of GHG emissions by stage (%)</p>
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	<p><b>Hot &amp; cold water filtration appliance (CHP-08AL, silver)</b> Label number: E-2010-004 Term of labeling: Feb 26, 2010 – Feb 25, 2013</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>1,311</td> <td>69.6</td> <td>0.9</td> <td>1,185.8</td> <td>54.9</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	1,311	69.6	0.9	1,185.8	54.9	<p>Proportion of GHG emissions by stage (%)</p>
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KgCO <sub>2</sub> /unit	1,311	69.6	0.9	1,185.8	54.9											
	<p><b>Hot &amp; cold water filtration appliance (CHP-08AL, gold)</b> Label number: E-2010-004 Term of labeling: Apr 27, 2010 – Feb 25, 2013</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>1,354</td> <td>69.6</td> <td>0.9</td> <td>1,185.8</td> <td>54.9</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	1,354	69.6	0.9	1,185.8	54.9	<p>Proportion of GHG emissions by stage (%)</p>
Unit	Total emissions	Pre-production	Production	Use	Disposal											
KgCO <sub>2</sub> /unit	1,354	69.6	0.9	1,185.8	54.9											
	<p><b>Air purifier (AP-1008CH)</b> Label number: E-2010-019 Term of labeling: Aug 24, 2010 – Aug 23, 2013</p>		<table border="1"> <thead> <tr> <th>Unit</th> <th>Total emissions</th> <th>Pre-production</th> <th>Production</th> <th>Use</th> <th>Disposal</th> </tr> </thead> <tbody> <tr> <td>KgCO<sub>2</sub>/unit</td> <td>126</td> <td>33.6</td> <td>1.0</td> <td>84.9</td> <td>6.9</td> </tr> </tbody> </table>	Unit	Total emissions	Pre-production	Production	Use	Disposal	KgCO <sub>2</sub> /unit	126	33.6	1.0	84.9	6.9	<p>Proportion of GHG emissions by stage (%)</p>
Unit	Total emissions	Pre-production	Production	Use	Disposal											
KgCO <sub>2</sub> /unit	126	33.6	1.0	84.9	6.9											

04.

Green Purchase



Ceremony to sign a voluntary agreement on green procurement of businesses

Woongjin Coway is a proactive participant in businesses' voluntary agreement on green Purchase. The agreement was devised by the Ministry of Environment to expand government entities' green purchasing requirement to businesses. Signatories to the agreement voluntarily purchase products that meet green product standards. Woongjin Coway has set green purchasing standards and guidelines to facilitate green Purchase. The standards and guidelines allow for products that meet RoHS Directive and those marked with recycling and environmental labels.

Green purchasing expenses (KRW mn)



Percentage of green purchases (%)



## Product Recycling

### Ⓞ Used Home Appliance Collection Service

Woongjin Coway offers a used home appliance collection service to its customers, and actively encourages them to discard used home appliances by environmentally friendly means. For re-purchasers, the company collects the replacement appliance at no charge. A disassembly service is also available (for a fee) for customers who wish to discard a Woongjin Coway product but are not replacing it with a new one. (Service Center: 1588-5100)

### Ⓞ Recycling Center (Pocheon Factory)

The Woongjin Coway Recycling Center located in Pocheon evolved from being a simple product disassembly line (2006) to a recycling line (2008). Initially producing a small number of refurbished products for export in 2008, it transformed into the Recycling Center through initiating product refurbishment targeting the domestic market (2009).

#### ✦ Recycling Process



**Sales volume of refurbished products:** Product refurbishment has enabled Woongjin Coway to preserve the environment and ease the financial burden of its customers. In 2010, refurbished goods sales accounted for about 3.5 percent of the company's total sales.

### Ⓞ Increased Recyclability

To improve product recyclability, Woongjin Coway carried out assessments on some of its standard models using examination items like recycling time and cost. Assessment results were reflected in the company's key performance index to make recyclability easier to incorporate from the design phase. In 2010, the company recycled about 5,191 tons of plastics from retrieved products and filters. In 2011, the company will establish a recycling information management system that will include directives on the retrieval of metals and packaging materials, and the recycling of boxes and EPS protective material.

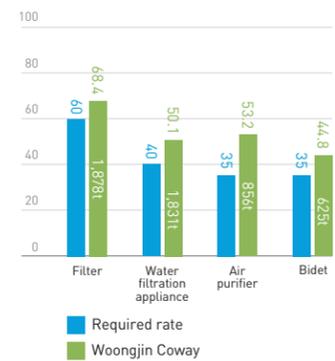
### Ⓞ Recycling of Waste

Woongjin Coway makes committed efforts to minimize waste and promote recycling at all its plants. The company abides by the "polluter pays principle," paying waste disposal charges for the total amount of plastics used in manufacturing and selling its products (since 2009). To reduce the charges it pays and practice environment management, the company signed a voluntary agreement on waste recovery and recycling with the Ministry of Environment on December 31, 2009. Among 9,300 tons of water filtration appliances, air purifiers, bidets and filters shipments in 2010, around 55 percent of products were recovered. These products were disassembled into 5,300 tons of plastics, 4,200 tons of metals, 29 tons of oil, and four tons of refrigerants – 9,533 tons in total, with KRW 4.05 billion in gains from the sales of those disassembled resources (excluding metals).

#### ✦ Sales volume of refurbished products (EA)

Classification	2008	2009	2010
Water filtration appliance	11	1,876	7,359
Air purifier	3	1,920	18,103
Bidet	-	2,680	7,495
Total	14	6,476	32,957

#### ✦ Waste plastics retrieval/recycling rate (%)



## Response to Climate Change

Woongjin Coway has implemented diverse programs to achieve its goal of halving greenhouse gas emissions by 2020 compared to 2009 levels. These include using clean energy, replacing outdated facilities, and building its GHG inventory. The company is also considering the use of renewable energy.

### Ⓞ Energy consumption

#### ✦ Energy consumption

Type	Year	Yugu Factory	Incheon Factory	Pocheon Factory
Electricity(kWh)	2008	3,061,156	2,332,284	630,250
	2009	2,866,440	1,710,064	676,578
	2010	3,389,040	1,463,364	770,852
Heating oil(l)	2008			32,000
	2009	Shifted to LPG in 2007	Uses gas boilers	30,000
	2010			43,000
Kerosene(l)	2008	8,788	9,763	1,090
	2009	7,720	6,831	1,640
	2010	8,548	5,306	885
Diesel (for forklift) (l)	2008		No data	3,048
	2009	None	5,008	6,430
	2010		Uses electrically-powered forklift	6,598
LPG(kg)	2008	54,444		716
	2009	33,973	None	670
	2010	43,299		723
Butane gas (kg)	2008	140		
	2009	84	None	None
	2010	120		
LNG(kg)	2008		31,335	
	2009	None	22,768	None
	2010		18,786	

#### ✦ Energy consumption vs target

Type		2008	2009	2010
Electricity(kWh)	Target	2,869,979	2,908,098	2,909,098
	Real	3,061,156	2,866,440	3,389,040
Kerosene(l)	Target	8,339	8,349	8,349
	Real	8,788	7,720	8,548
LPG(kg)	Target	42,456	51,398	51,151
	Real	54,444	33,973	43,299
Underground water(m <sup>3</sup> )	Target	39,584	26,791	26,791
	Real	28,201	35,293	26,842
Water(m <sup>3</sup> )	Target	15,980	13,151	13,151
	Real	13,844	11,566	14,507

※ Data are confined to Yugu Factory

### Ⓞ Water use

#### ✦ Water use

Type	Year	Yugu Factory	Incheon Factory	Pocheon Factory
Underground water(m <sup>3</sup> )	2008	28,201		
	2009	35,293	None	None
	2010	26,842		
Water(m <sup>3</sup> )	2008	13,844	10,584	414
	2009	11,566	8,928	1,739
	2010	14,507	11,931	459

※ At present, each factory does recycle or reuse water.

### Raw/Subsidiary

Most components for company products originate from outside suppliers and are assembled at Woongjin Coway factories. The company calculates raw materials use based on product and filter shipments.

### GHG Inventory

Woongjin Coway first established its GHG inventory in 2008 using data accumulated between the years 2005 to 2008. The company has continued to build up GHG data since then, creating GHG inventories for the Incheon and Pocheon factories (Woongjin Cuchen merged with Woongjin Coway in 2009), the Cosmetics Research Institute, and the Seoul Office (relocated in December 2009). Woongjin Coway classifies its GHG emissions as Scope 1, 2 and 3 based on World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) guidelines.

### GHG Emissions

#### GHG Net Emission Intensity

Year	2008	2009	2010
Net emissions (tCO <sub>2</sub> eq)	3,591	5,232	5,713
Total sales (KRW bn)	1,314.4	1,411.9	1,519.1
Intensity (tCO <sub>2</sub> eq/ KRW bn)	2.73	3.70	3.76

- ※ Net emissions = Scope 1 + Scope 2
- ※ Based on internally verified data in 2008; independent data verification to be conducted in 2011.
- ※ The increase in 2010 from 2009 is attributable to increased human resources at the Seoul National University Research Institute, relocation of the Seoul Office (Naeoe Building to Jungang Ilbo Building), business expansion, and higher energy consumption due to production increase.

### GHG Categories

#### Scope of GHG Emissions, Characteristics of Data, and Degree of Uncertainty

Category	Detail	Characteristics of data	Degree of uncertainty
Scope1	Stationary combustion emission	Fuel	Measured Low
	Mobile combustion emission	Automobiles/ Trucks	Estimated High
	Process emission	Not applicable	- -
	Fugitive emission	Refrigerants for air conditioners	Designed Average
	Fire suppression materials	Designed Average	
	Refrigerants for hot & cold water filtration appliances	Designed Average	
Scope2	Electricity	Measured Low	
Scope3	Leased vehicles	Estimated High	
	Refrigerants for hot & cold water filtration appliances	Designed Average	
Optional Info.	Refrigerants for air conditioners	Designed Average	
	Fire suppression materials	Designed Average	
	Refrigerants for hot & cold water filtration appliances	Designed Average	

#### Raw/Subsidiary Consumption in 2010 (tons)

Plastic	Metal	EPS	Paper box
9,703	10,453	385	1,540

- ※ Plastics consumption : of product shipments x weight of plastics used
- ※ Metals, EPS and paper boxes consumption: number of product shipments x average weight of each material
- ※ Paper box and EPS consumption based on 1.1mn units of product shipments

#### Characteristics of Data

##### Measured Value -

Emissions practically measured such as TMS and CEM

##### Calculated Value -

Emissions measured based on a formula

##### Designed Value -

Emissions based on assumptions

##### Estimated Value -

Emissions based on previous data

#### Degree of Uncertainty

**High** Data and discharge coefficients are designed or estimated values

**Average** Uncertainty is higher than 5%

**Low** Uncertainty is less than 5% such as data measured with a measuring instrument

#### Annual GHG Emissions (tCO<sub>2</sub>eq)

Year	Scope1	Scope2	Scope3	Optional Info.	Total
2008	611	2,980	454	293	4,227
2009	1,056	4,176	3,640	127,492	136,364
2010	908	4,805	5,516	90,597	101,826

- ※ In 2009, total GHG emissions rose from the merger of the Incheon and Pocheon factories.
- ※ The data disparity between the "2010 Carbon Management Report" and the "2009 Sustainability Report" is due to the unclear definition of scopes: the refrigerant R-134a from the Pocheon Factory was classified as Scope 1 in the "2009 Sustainability Report" but was moved to Scope 3 in the "2010 Carbon Management Report."

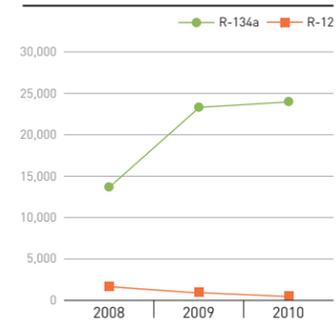
#### GHG Emissions by Operation in 2010 (tCO<sub>2</sub>eq)

	Administration			Production sites		
	Seoul Office	Cosmetics Research Institute	R&D Center	Yugu Factory	Incheon Factory	Pocheon Factory
Scope1	0	0	242	470	60	136
Scope2	382	90	1,592	1,590	789	362
Scope3	0	0	0	23	32	5,461

### Management of Ozone Depleting Substances

Product-related refrigerant use declined in 2010 compared to the year before as Woongjin Coway gradually reduced the amount of refrigerant per product. Increased efforts were made to replace R-134a with R-600a or thermoelectric modules and to develop natural refrigerants. The company retrieved and re-used about 30 percent of R-134a and R-12 in 2010, and will make efforts to raise the rate of refrigerant recovery in 2011.

#### Annual refrigerant use (kg)



#### Annual refrigerant use (kg)

Year	R-134a	R-12	Total weight
2008	14,136	1,658	15,794
2009	23,500	841	24,341
2010	24,517	368	24,885
GWP	1,430	10,900	

- ※ Global Warming Potentials (GWP): A measure of how much a given mass of greenhouse gas is estimated to contribute to global warming. It is a relative scale which compares the gas in question to that of the same mass of carbon dioxide.

Greenhouse Gas Emissions Reduction

**Efforts to cut indirect energy consumption:** Woongjin Coway reduced indirect energy use resulting from employee business trips by choosing instead to conduct video conference calls with overseas subsidiaries and buyers. Ten video conferencing calls were made in 2010: three to the company's U.S. subsidiary, four with the Japan subsidiary, and one each with the company's subsidiaries in Malaysia, Thailand and China. The company plans to install a company-wide video conferencing call system to enable all employees to hold video calls in 2011, thus reducing carbon emissions and energy consumption even more.

Reduction in Resource Use

**Optimal load planning:** As Woongjin Coway has improved its loading efficiency — that is, container space usage — it has lowered carbon dioxide emissions by 2,728tCO<sub>2</sub>eq and the number of containers by 184.

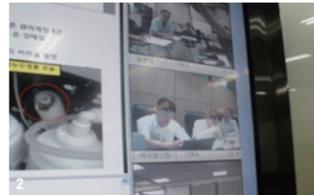
Inland transport	CO <sub>2</sub> emissions reduction: 28,741 KgCO <sub>2</sub> eq	Shipping	CO <sub>2</sub> emissions reduction: 2,700 tCO <sub>2</sub> eq
	Distance: Yugu → Busan Port (320Km)		Distance: Busan Port → Port of Rotterdam (20,520Km)
	CO <sub>2</sub> emissions per truck: 156.2 KgCO <sub>2</sub> eq		CO <sub>2</sub> emissions per vessel (a day): 90 tCO <sub>2</sub> eq
			Shipping period: 30 days

**Standardization of paper packaging boxes:** By standardizing paper packaging boxes for its products, and using fewer colors on its packaging, the company has effectively reduced resource use.



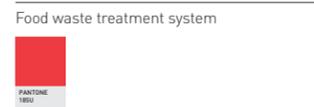
Yugu Factory's Efforts to Reduce Resource Use in 2010 and the Cost

Reduction Effort	Cost
Purchased facilities to operate a wastewater treatment plant	15,300,000
Changed fluorescent lights to LED lights in large meeting rooms to reduce electricity use	6,000,000
Installed fans on production lines to lower electricity consumption of air conditioners	7,000,000
Replaced existing transformers with more efficient ones to cut electricity use	14,000,000
Replaced lamps along fences with more energy-efficient ones to reduce the use of electricity	5,000,000
<b>Total cost</b>	<b>47,300,000</b>



1-2. Conference calls

Color standardization for paper packaging boxes



07.

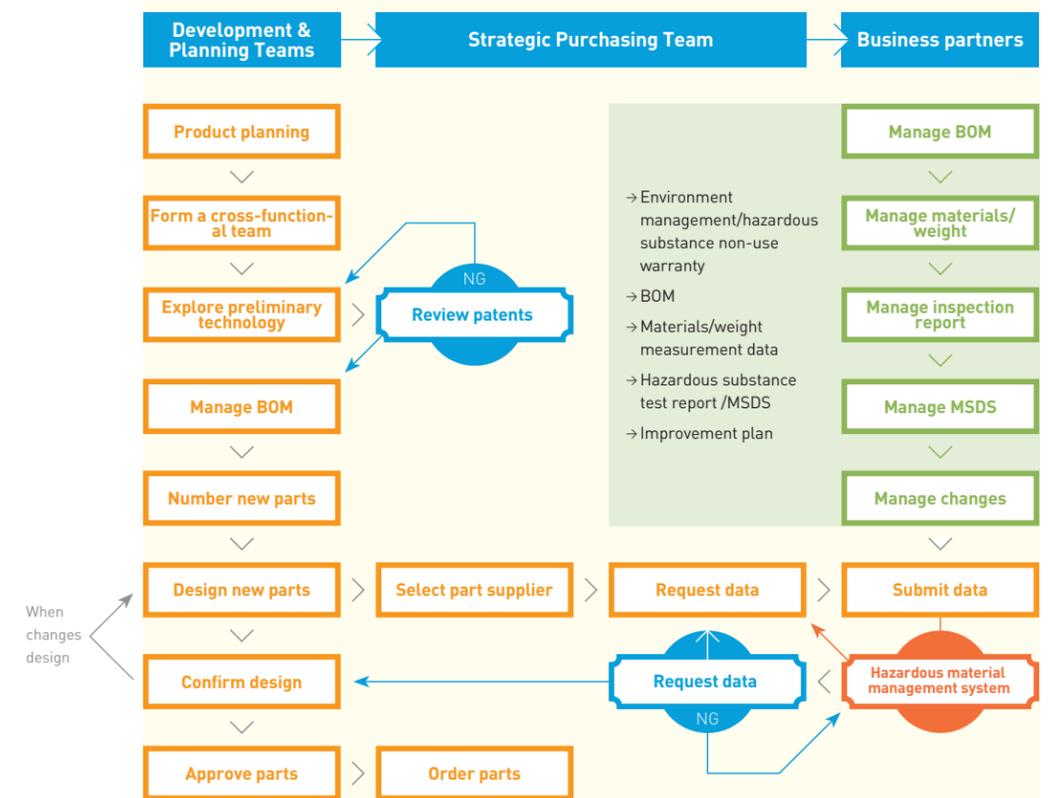
Management of Restricted Substances

Hazardous Substance Management

In addition to complying with RoHS and other similar regulations, Woongjin Coway voluntarily established the Coway Restricted Substance List (RSL), adding to the list every year in an active effort to reduce the use of hazardous substances. The Incheon and Yugu factories allow business partners who cannot afford EDXRF equipment to use the factories'.

To manage hazardous substances in products more systematically, Woongjin Coway obtained the IECQ HSPM (Hazardous Substance Process Management) from the International Electrotechnical Commission (IEC) in 2009. In addition, TÜV SUD designated Woongjin Coway as an official RoHS testing institute, granting the company's RoHS analysis reports the same authority as those of professional testing institutes.

Hazardous Substance Management Process



## Environmental Communication with Stakeholders

Woongjin Coway prevents risks through clear and consistent communications with its stakeholders and business partners. The company also publishes the environmental lifestyle magazine "ecoway," operates the Green Maker Program for college students, and makes various environmentally inspired social contributions. Woongjin Coway participated in the "Caring for Climate" meeting hosted by the UN Global Compact Network Korea on April 23, 2010, joining the CEO Water Mandate at the event. Woongjin Coway is entirely committed to providing transparent information to and building strong relationships with its employees, business partners and stakeholders in the process of achieving its sustainability goals.

### ◎ Carbon Partnership with Business Partners

In May 2009, the Ministry of Knowledge Economy selected Woongjin Coway to participate in its project to create GHG inventories for businesses. In August of the same year, the company held a ceremony to celebrate the establishment of its GHG inventory and the signing of a voluntary agreement to reduce GHG emissions. Woongjin Coway has assisted 40 business partners (23 in 2009 and 17 in 2010) in assessing production processes and facilities, identifying room for improvement, measuring carbon emissions throughout processes, and offering programs to develop GHG inventory experts. This support will continue until 2012.

The company aims to establish supply chain environmental management (SCEM) throughout a product's lifecycle from raw materials, component manufacturing, product manufacturing, distribution, use, used product recovery, and disposal. Woongjin Coway will select Green Partners based on the SCEM system, assess them on a yearly basis, and encourage constant efforts for improvement.

### ◎ Eco-Cody

In November 2008, at the launching ceremony of the "Waste Batteries Collection Campaign," the Ministry of Environment appointed Woongjin Coway's "Codys" as "Eco-Codys." The role of the "Eco-Codys" is to raise customer awareness on the necessity of recycling waste Batteries and Cellular Phone, distributing trays to customers for waste Batteries and Cellular Phone collection.

### ◎ Environmental Lifestyle Magazine "ecoway"

Woongjin Coway publishes its environmental lifestyle magazine "ecoway" every other month. The magazine is distributed to key customers and is available at bookstores. "ecoway," a combination of "eco" and "Coway," offers information on ways people can adopt a green lifestyle in areas such as food, clothing and living space, and is representative of the company's environmental consciousness.

### ◎ "Water-saving Green Bowl" Campaign

On March 19, 2010, Woongjin Coway members along with the Green Makers (college students) distributed 2,000 green bowls to the public as part of the company's "Water-saving Green Bowl" Campaign. The purpose of the green bowls, made of recycled plastics from the company's water filtration devices and air purifiers that had reached the end of their life-cycles, is to promote awareness among the public on the importance of preserving water resources. The "Water-saving Green Bowl" Campaign is held each year as part of Woongjin Coway's water conservation initiatives.



1. Carbon partnership with business partners
2. Waste Cellular Phone Collection Campaign
3. Environmental Lifestyle Magazine "ecoway"



Green Office Campaign

### ◎ Green Office Campaign

Efforts under Woongjin Coway's Green Office Campaign include giving ceramic cups to guests (instead of paper), designating one individual in charge of turning off lights at the end of the work day, sharing stationeries, encouraging the use of cloth handkerchiefs, activating the toner save mode for printers, using power-saving multi tabs, collecting reusable paper, and separating recyclables. All Woongjin Coway members participate in these green office initiatives, doing their part to realize environment management.

### ◎ Anti-smoking Campaign

In 2010, Woongjin Coway challenged its members to reduce the employee smoking rate to zero percent and help the company on its path toward low-carbon management. In March of last year, the Anti-smoking Campaign was included as part of the company's promotion system: smokers not ready to quit are ineligible for promotion in 2011, while those who signed a pledge of their intention to quit remain eligible. The company offered smoking cessation clinics to employees from April to September 2010, monitoring their progress along the way.

### ◎ Environmental Education for Employees

In 2010, Woongjin Coway provided 1,203 employees with more than five hours of education programs per individual on such topics as ecodesign, environmental product assessment, environmental marketing strategies, low-carbon and green growth, and green business. These education programs boosted employees' "low-carbon" mindset and improved their awareness of environment management by more than 50 percent.



Online environmental education

# Biodiversity



While Woongjin Coway's Yugu Factory has had no direct or indirect negative impact on nearby Yugu Stream, the company has, since 2003, undertaken efforts to preserve and protect Yugu Stream from suffering further damage from the seepage of municipal and stockbreeding wastewater into the stream.

In 2006, Woongjin Coway signed an agreement with the Ministry of Environment, the Gongju City government, and the Korea Green Foundation supporting the "Save the Yugu Stream Program," under which it has planted water-purifying plants and cleaned the streamside, helping to improve the stream's water quality from the third to first level in biochemical oxygen demand. In 2010, the company invested KRW 559 million to that end.

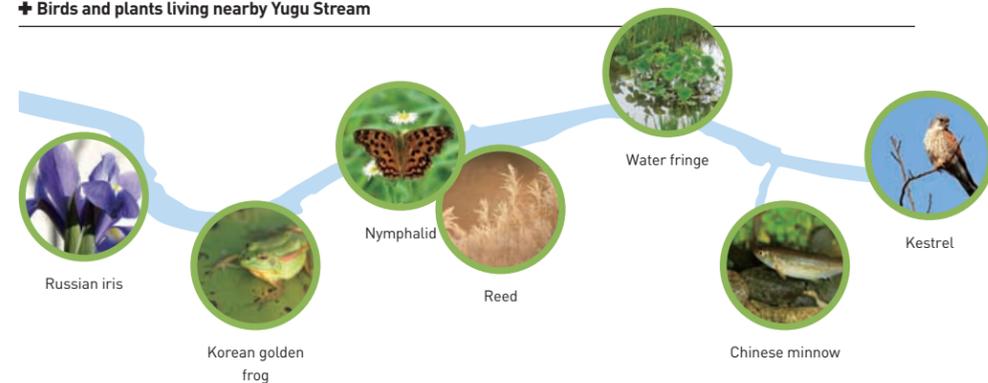
The positive results of this program are many, with seven birds including mandarin duck, sparrow hawk, Chinese sparrow hawk and kestrel, and rare plants such as Russian iris and Lilium callosum returning to the stream.

Woongjin Coway's domestic and international plants, including the Yugu Factory, have had no negative impact on the biodiversity in the areas where they operate. However, the company will continue to participate in environmental activities around its plants and in nearby communities.



1. Planting site at Sinyeong-ri, Yugu-eup  
2-3. Yugu Stream cleaning

### ✦ Birds and plants living nearby Yugu Stream



1. Leader in Businesses Voluntary Agreement on Green Procurement
2. Korea Green Management Award 2010
3. Leading company in Carbon Disclosure Project
4. Woongjin Coway's COP Report selected as Notable COP

# Environment Awards



### ✦ Environmental awards received in 2010

Award	Host	Details
COP Report selected as Notable COP	UNGC	Awarded to outstanding Communications on Progress (COP) with respect to the quality and comprehensiveness of the information they provide.
Leader in Businesses Voluntary Agreement on Green Procurement	Ministry of Environment	Created by the Ministry of Environment to develop green industries and facilitate the production, distribution and purchasing of green products. Among the signatories, the ministry awards a leading company in developing low-carbon, eco-friendly technology and products.
Korea Green Management	Ministry of Knowledge Economy	Awarded by the Minister of Knowledge Economy in the category of green partnership among large, mid- and small-sized enterprises; Executive Director Sang-Hun Kim (Environment Quality Institute) awarded the Prime Minister's accolade in the contributor category.
Special Award for contributing to eco-friendly industry development and low-carbon, green growth	Ministry of Environment	Awarded for two consecutive years after receiving the Prime Minister's Award in 2009.
Leading company in Carbon Disclosure Project	CDP Korea	Selected as a leader in the Carbon Disclosure Leadership Index (CDLI) for two straight years.
Energy Winner Award	Consumers Korea	Given the Energy Winner Award in the green device category for bidet model BA 14-A.



# Society



BEHIND WOONGJIN COWAY'S GROWTH FOR 21 CONSECUTIVE YEARS IS LOVE.

Woongjin Coway has experienced amazing growth over the past 21 years since its inception in 1989. Love is the driving force behind this growth – love for shareholders, members and customers; and for people, communities, the environment and the world – a force reflected in the company's core management philosophy: "Tto Tto Sarang – Love and love more."

FOR ITS SHAREHOLDERS, MEMBERS AND CUSTOMERS, FOR PEOPLE, COMMUNITIES AND THE ENVIRONMENT, FOR THE WORLD.

The company pursues value creation, social contribution activities and environment management based on this philosophy, with an aim at reinventing Woongjin Coway as a leading global company that supports its shareholders, members and customers and gives back to the communities in which it does business. In particular, the company set environmental protection, support for the underprivileged members of society, activities for children's welfare, and assistance for developing countries as the four key areas of social contribution activities.

In 2010, 1,783 Woongjin Coway employees participated in 4,526 rounds and 30,800 hours of volunteer activities. Further, the company put KRW 85.81 million toward social contributions and donated KRW 1.13 billion.



- Returned KRW10 billion to 130,000 payFree members
- Provided differentiated customer service through HEART Service
- Sponsored the drilling of 500 water wells in Cambodia
- Held Coway Partners Day with business partners
- Expanded CEO-employee communications through internal communication programs

Customer Value Management <sup>53</sup> Win-Win Business Partnership <sup>60</sup>

Employee Value Management <sup>64</sup> Social Contribution <sup>75</sup>

Commitment to Yugu Stream <sup>78</sup>

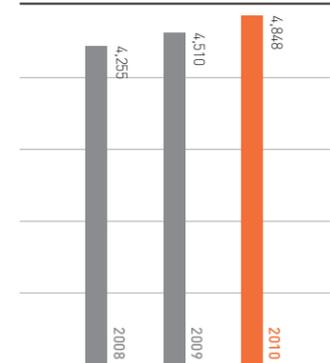
# CUSTOMERS



## Heart Service

A service provider should deliver customer satisfaction in a real sense.  
At Woongjin Coway, the HEART Service is the first step toward customer satisfaction.

✦ The number of Woongjin Coway customers (thousand)



✦ What HEART stands for

- Heart**  
We listen to the heart of our customers
- Early**  
We prepare for new services earlier than customers file a complaint
- Answer**  
We proactively respond to the voice of our customers.
- Respect**  
We respect customers.
- Trust**  
We put trust before everything.

01.

## Customer Value Management

◎ Customers

Chapter 1 of the Woongjin Coway's Code of Ethics stipulates the company's responsibilities toward customers. The chapter emphasizes that to maximize customer value and fortify trust, members must always show respect for customer opinions and provide services from the customer's perspective. As of December 2010, the number of Woongjin Coway's clients stood at 4.85 million.

◎ Major Activities under the HEART Service in 2010

In 2009, Woongjin Coway set its goal of becoming a total customer service provider and defined action plans and core values to achieve this goal. Since then, the company has striven to deliver customer satisfaction in all aspects, using its HEART Service as the first step.

**HEART Service Upgrades by Product Type in 2010 :** In 2010, Woongjin Coway developed or upgraded HEART Service by product category as follows

Product type	Upgrade details	Customer satisfaction
Water softener	Improved efficiency 9% by adopting stronger sequestration agent	Improved softening effect Increased user-friendliness
Food waste treatment system	Replaced sawdust with phytoncide Decreased time spent treating food waste	Eliminated odor Decreased time spent treating food waste
Bidet	Introduced the steam shower function for bidets	Increased customer satisfaction
Water filtration appliance	Stabilized quality of rotational cleaning kit Adopted new cleaning agent with less odor	Decreased odor Reduced filtration time

**Short message service (SMS) counseling:** Woongjin Coway provides customers with a SMS counseling service that connects them with "Codys" and Call Center agents. Customers can text their questions anytime and from anywhere. The most frequently asked questions in 2010 were about troubleshooting and Woongjin Coway's services and systems. When customer users were asked to rate the service from 1 (lowest) to 5 (highest), the average score was 4.7 points. We plan to expand this service to customers who have a disability.

**Activities to reduce product returns:** In 2010, Woongjin Coway selected the six main factors leading to product returns and made active efforts to eliminate these problems. As well, the company made a rule that when a customer complaint is filed, service agents must call the customer within one hour of the complaint. Woongjin Coway will continue to be aggressive in its efforts for zero customer complaints and returns.

◎ Product Safety

**Product liability:** Woongjin Coway examines every possible safety issue from the product design stage and addresses potential problems before manufacturing to prevent product defects from incurring damage to the person and property of customers. Prior to the release of a new product, the Legal Team reviews product manuals and catalogs, in particular the explanations of product exteriors and functions, and assesses the difficulty level and appropriateness of the text. In addition, the company does its best to prevent safety problems resulting from

product misuse by including a contract containing specific details on the product and its correct use at the time of installation.

Furthermore, to date there has not been even one violation of the Labeling and Advertising Act with regard to the company's labeling practices. The Legal Team performs internal scrutiny on product labels before any product is launched. Woongjin Coway also strictly complies with the Act on and Enforcement Decree of Fair Labeling and Advertising, ensuring all information presented on a product is true and accurate. The company's Legal Team is responsible for ensuring the accuracy of print media advertisements, while the Korea Advertising Review Board reviews and assesses the contents of TV commercials.

**Real-time Product Liability (PL) Incident Inquiry System:** Woongjin Coway's Real-time PL Incident Inquiry System enables the sharing of product liability accident analyses among concerned divisions. This system has allowed the company to undertake real-time monitoring and analysis of PL incidents and prevent future accidents by supporting PL-related services. The company has managed all its products according to the Product Liability Act, and had no violations in 2010.

**Water quality testing service:** Woongjin Coway offers water quality testing services to customers using water filtration devices. The tests are conducted at the company's Environmental Analysis Center at no charge, and are available once a year upon customer request. Water quality is tested against ten criteria: turbidity, lead, cadmium, aluminum, iron, zinc, arsenic, selenium, copper, and manganese. In 2010, a total of 11,623 customers used the water quality testing service. For 45 of those cases, branches or local offices responsible took corrective measures. When water quality is found inappropriate, the company informs the relevant branch or local office of such fact, re-collects and re-tests pre-filtered and post-filtered water to identify the reason, or inspects products, replaces filters and then retests the water quality.

### Ⓞ Heeding Customer Opinions

**Online Customer Center:** Woongjin Coway encourages our customers to voice their opinions through our Online Customer Center, accessible via the "payFree" website (<http://www.payfree.co.kr>). The Online Customer Center is a vital communication channel between the company and customers, giving customers the opportunity to express their complaints, suggestions and commendations, and enabling the company to improve customer service based on these opinions. Client inquiries on the Online Customer Center are generally answered within one business day. To increase customer convenience, the Online Customer Center offers a real-time chat function (launched in 2009) and allows customers to request after-sales service online.

**Management of Voice of the Customer (VOC):** In addition to the Online Customer Center, Woongjin Coway gathers the opinions of its customers through customer service representatives like "Codys," who offer the HEART Service in the field, and gather and pass on customer ideas to the company. Woongjin Coway categorizes customer ideas and opinions into three types depending on their frequency and urgency, devises solutions, and implements them in cooperation with customer service representatives.



1. HEART Service: Bidet steam shower service
2. Training for PL agents
3. Environmental Analysis Center website: [www.enviana.com](http://www.enviana.com)

### ➤ Customer Inquiry Handling Process



### ➤ Seven Categories of CCMS

- 1 Quality control
- 2 Product safety
- 3 Provision of information to customers
- 4 Education for customers
- 5 Consideration for the environment throughout the product life cycle
- 6 Protection of customer information
- 7 Response to emergencies

**Call Center:** The Call Center classifies customer complaints into three categories and the responsible manager and PL agent swiftly address the complaints. When product-related claims are filed, the Claims Team (which is in charge of the Call Center) reviews the complaint, while the Service Team determines what action should be taken. The Customer Certification Management System (CCMS) Team manages the entire process of addressing a complaint, to ensure customer inquiries and/or inconveniences are fully addressed. In addition, the Call Center operates separate consulting channels for external customers (a two-step automatic response system), and internal customers (a one-step system).

**Foreign language service:** The Call Center provides foreign language services for the convenience of foreign residents in Korea. This service is available when service representatives ("Codys"/"Codocs") request help to the Call Center during their visit to the home of a foreign language-speaking customer. The service is provided in English, Japanese and Chinese, and assists the customer in getting questions answered on Woongjin Coway products and services. It also enables customers to confirm appointments with service representatives. Continuous upgrades will be made on this service to ensure the highest level of satisfaction among the company's foreign customers in Korea.

### Ⓞ Increased Customer Satisfaction

**Customer Complaints Management System (CCMS):** Woongjin Coway will continue to be proactive in its efforts to maximize customer value by placing customer satisfaction at the center of business operations, operating the CCMS, acting responsibly in our customers' interests (i.e. protecting customer information), and pursuing innovative marketing and design. CCMS was implemented to clearly define the responsibility of all employees in relation to customer complaints, leading to greater customer trust and improved products and services. Specifically, CCMS is being carried out in seven categories including quality control, product safety, personal information protection, customer education and environmental considerations of product life cycles. This system has been well received among customers, helping Woongjin Coway build an even more positive image.



**Promotion of CCMS:** Woongjin Coway actively promotes CCMS among customers, businesses, and educational institutions. In 2010, the company made a point of educating customers on the advantages of CCMS, particularly in terms of customer information protection, increasing its consumer-friendly reputation. Moreover, since being designated as a leader in the manufactured goods category by the Organization of Consumer Affairs Professionals in Business (OCAP) for 2010-2011, Woongjin Coway has held five regular seminars and workshops on CCMS with OCAP members, sharing best practices in implementing and operating CCMS.

In September 2010, CEO Jun-Kee Hong addressed 600 students and faculty members of Andong National University on Woongjin Coway's customer satisfaction strategies and vision. Marking the 15th Consumers' Day in 2010, the company participated in events co-hosted by the Fair Trade Commission of Korea and the Gyeongbukdo Office, visiting provincial areas to repair home appliances and conducting consumer education for civic groups.

#### ✦ CCMS Activities in 2010

Program	Participants
CCMS Experience School for University Students	About 50 students from the consumer studies departments of 18 universities including Seoul National University
Customer Satisfaction Field Practice	About 30 students from 12 universities including Catholic University of Korea
Woongjin Coway Tour Program for University Students	About 240 students from six universities including Inha University
Woongjin Coway Tour Program for Civic Groups	About 120 people from three organizations including the Green Consumers' Networks in Korea
University CCMS Lecturing Tour	About 600 students from 10 universities including Sungshin Women's University



1. CCMS Experience School
2. Woongjin Coway Tour Program for University Students
3. Woongjin Coway Tour Program for Civic Groups
4. University CCMS Lecturing Tour

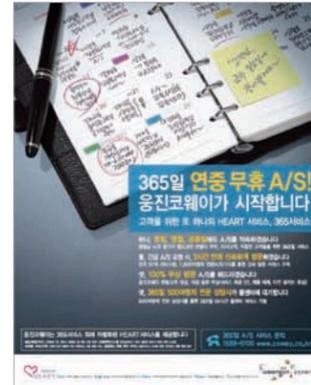
#### 2010 KCOP Expert Award

Woongjin Coway was presented with the Korean Association of Consumer Professionals (KCOP) Expert Award on November 19, 2010. This award honors an organization or company proactive in consumer protection and in the development of customer satisfaction experts through industry-academia cooperation. Recipients are selected by way of a fair screening process among candidates recommended by KCOP member professors. Woongjin Coway was highly evaluated for its diverse consumer protection activities and education programs for students and consumer groups.

**Customer information protection:** Woongjin Coway does its utmost to prevent customers' personal information from being stolen, leaked or damaged. The online personal information of customers is kept strictly confidential. The company practices thorough management of its computer system to prevent personal information from being hacked or damaged by computer viruses, continuously updating computer vaccine programs and utilizing encryption algorithms to transmit personal information over the network. In particular, Woongjin Coway established the Cloud Call Center based on desktop virtualization technology on November 17, 2010. Through the Cloud Call Center agents access customers' personal information stored in the giant cloud (server) via their virtual PCs. As all data are stored in the server, not individual agents' PCs, customer information remains strictly confidential.

Another advantage of the Cloud Call Center is that it reduces electricity use by 70 percent as PCs need only minimum memory capacity. Moreover, since agents have access to the same IT conditions wherever they work, productivity increases. In 2010, no customer information violations were reported.

**365 Service:** Woongjin Coway operates the 365 Service to meet increasing requests for holiday service, thereby raising customer satisfaction levels and offering differentiated service from competitors. Under the 365 Service, the company offers after-sales service and urgent installation requests on traditional non-working days like Sundays and national holidays. While the 365 Service is currently only available in metropolitan cities in Korea, the company plans to expand the service to all areas in the near future.



An ad about 365 Service



1. Summer Ski Camp with W\_class customers
2. Clive Experience Group

**Net Promoter Score Survey:** Woongjin Coway has carried out Net Promoter Score (NPS) surveys with its customers on a quarterly basis since 2010. The surveys measure customer satisfaction levels, with the results guiding the company's customer satisfaction activities. Survey results in 2010 revealed that Woongjin Coway's efforts to raise the hygiene level of products by, for example, introducing a steam shower service for bidets, as well as other new services increasing customer convenience, are highly evaluated among customers. The company's commitment to customer satisfaction will continue to be a main priority in all divisions and departments of Woongjin Coway.

#### ◎ Customer Participation Activities

**Online communication channels:** Woongjin Coway communicates with customers via its various websites.

www.coway.co.kr	Woongjin Coway's official website (Korean)
www.coway.com	Woongjin Coway's official website (English)
www.payfree.co.kr	Woongjin Coway website for customers
www.cowayir.co.kr	IR website (for Koreans)
www.cowayir.com	IR website (for international investors)
blog.coway.co.kr	Woongjin Coway blog
recruit.cody.co.kr	Cody recruitment website
www.enviana.com	The website of the Environment Analysis Center

**Expansion in W\_class Service:** Woongjin Coway launched the W\_class Service for its premium consumers in September 2009. The service targets VIPs and VIPs who spend a minimum of KRW 1 million annually for the company's products or services, or have used at least four of the company's products for more than six years. They occupy the top 5 percent of the company's customers in annual spending and total approximately 120,000 individuals. W\_class customers enjoy such services as an exclusive call center and real-time online product-related counseling. When W\_class customers change residences, the company reinstalls any Woongjin Coway product at no charge. In addition, W\_class customers are given discount coupons that can be used at Woongjin Coway's partner firms and enable them to send 50 free text messages through the company's website. These services will be expanded in the future, taking advantage of the company's customer-contact networks and partnerships.

**Clive Experience Group:** The Clive Experience Group consists of individuals selected by Woongjin Coway to test and assess company products. The latest group was comprised of homemakers asked to test the company's food waste treatment systems for four weeks from August 12, 2010, and post their assessments in online blogs. This process is a vital part of product assessment at Woongjin Coway, enabling the company to collect candid opinions about its products and reflect them in product development, thereby increasing customer satisfaction. Woongjin Coway plans to operate the 100-member Clive Experience Group as preachers advocating for environmental protection, suggest ideas for food waste reduction and perform an industrial-academia cooperative project to convert food waste into resources.



**Coway Green Makers:** In 2010, Woongjin Coway selected university students to forge the third class of Green Makers. Under the Green Makers program, university students learn the importance of environment management and have the opportunity to foster their global leadership skills by participating in environmentally minded corporate projects. Since its launch in 2008, the Green Makers program has grown in popularity among university students. In a recent online survey, the program ranked second among similar corporate programs following LG Global Challenger, with 55 percent of survey participants responding that they are familiar with the Green Makers program (survey: Detizen.com).

**Coway Campus Reporter:** Woongjin Coway operated the Coway Campus Reporter program among university students from April 28 to December 1, 2010, to improve company communications with young people via university newspapers and blogs. Fourteen campus reporters participated in the program, performing team/individual missions, holding regular gatherings, attending special lectures, and even visiting Cambodia to drill water wells.

**CS Job-seekers' Camp:** Woongjin Coway's CS Job-seekers' Camp is an industry-university cooperative program that is conducted every summer and winter vacation. About 40 university students participated in the last session held from August 10 to 13, 2010. Students garner basic understanding of the service mindset, and are counseled on resume writing, interviewing and image making, as well as communication strategies. The program, which entered its seventh year in 2010, expanded last year to include mock interviews (one-to-one and one-to-multiple interviews), as well as debate and problem-solving scenarios.

**CCMS Experience School for University Students:** Woongjin Coway's CCMS Experience School for University Students is an industry-academia cooperative program held every summer and winter vacation. Participants, selected among undergraduates in university consumer studies departments, learn the general theory and real practices of CCMS, attend special lectures, and carry out CCMS tasks. As Woongjin Coway has the distinction of being the first CCMS-certified company in Korea, this program has gained increasing popularity among students, with the number of applicants rising each year. The program was noted as a best practice at training sessions for CCMS-certified companies held by the Fair Trade Commission in August 2010.



1. Green Makers
2. Coway Campus Reporter
3. CS Job-seekers' Camp
4. CCMS Experience School for University Students

## BUSINESS PARTNERS



## PMS Productivity Management System

For co-prosperity based on win-win cooperation with business partners, Woongjin Coway offered seven partner firms Productivity Management System consulting in 2010. The consulting was aimed at improving business partners' productivity and quality, and in 2011, a Technology Support Team will be added to the consulting to aid in technological matters.

## Win-Win Business Partnership

### ◎ Pursuit of Co-prosperity with Business Partners

Co-prosperity principle: Woongjin Coway pursues co-prosperity with its business partners from a long-term perspective, ensuring a level playing field in business and building trust and cooperative relationships through fair trade.

### ◎ Key Results of Win-Win Business Partnership in 2010

**Major Activities in 2010:** In 2010, Woongjin Coway participated in a consortium project led by the Human Resources Development Service of Korea to increase experts in the areas of quality, environment and production among its business partners. The project was held for three months, after which the participants were dispatched into the field. The addition of these experts has allowed Woongjin Coway's business partners to respond more quickly to requests from the company and has led to increased productivity and quality control, as well as the adoption of more environmental minded methods meeting green management requirements. Throughout 2010, Woongjin Coway evaluated all of its business partners and designated high performers as Woongjin-Green Partners (W-GP). With component vendors, the company established the Material Flow Quality Control System for major components and analyzed the standard workflow of 10 component vendors using the "Time Prism."

The company also implemented the Process Network System at molding companies Jungil Mold and Dongkook Precision, increasing the efficiency of the order receipt, production, process management, DPP(Develop-Pre-Production), LPP(Line-Pre-Production), mass production, modification and maintenance system. As well, 3Jeong and 5S (field improvement activities) and the field standard management system were implemented at partner businesses, as was a system to educate on and manage PMS.

**Coway Open Plaza (COP) Academy:** Woongjin Coway has operated the COP Academy since 2007 to help business partners in developing price and quality competitiveness, high-level human resources, and a cost innovation mindset. In 2010 we offered 24 training sessions, including the Inspection Expert Program and the Green Partner Foundation.

**Coway Partners' Day:** Woongjin Coway held the 6th Coway Partners' Day on December 13, 2010 with 101 business partners to reaffirm the company's pursuit of co-prosperity and cooperation. The event has been held annually since 2005, with CEO Joon-Kee Hong and other executives and employees in attendance to express their gratitude to Woongjin Coway's business partners for their hard work in the preceding year. Top-performing partners receive appreciation plaques from the CEO.

**Woongjin-Green Partners(W-GP):** Woongjin-Green Partners (W-GP) are selected based on their level of environmental mindedness, and their cost, quality and delivery date compliance. This certification enables the company to enhance product competitiveness, respond to environmental regulations, and control workplace and product risks. Various incentives are offered to W-GPs, while penalties are imposed on those who fail to meet Green Partner requirements. The number of Green Partners stood at 50 (1 newly certified and 49 existing) in 2010, while 31 were certified in 2008 and 49 in 2009 (31 newly certified and 18 existing).

#### ✦ COP Academy

Classification	Number of programs	Number of participants
2010	24	359, or 9.88% of a total 3,643 employees of business partners
2009	48	763
2008	35	534
2007	16	259

※ The data for 2010 are based on 86 business partners including Jesung.

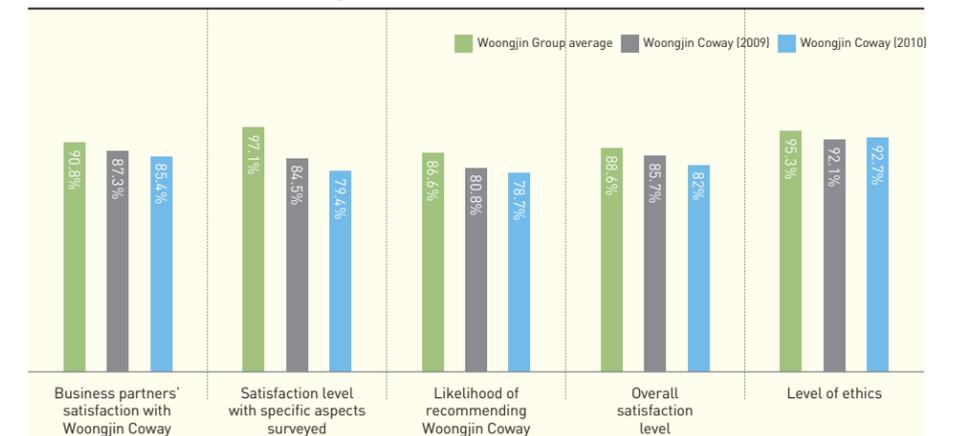


Coway Partners' Day

**2010 Business Partner Satisfaction Survey:** The Woongjin Group conducted a Business Partner Satisfaction Survey from September 15 to 29, 2010. Seventy-five partner business heads participated in the survey, giving Woongjin Coway a rating of 85.4 points (out of 100) in terms of overall satisfaction level. Woongjin Coway received high scores from companies that worked with the company once; and from those that have worked with the company for two to four years and have low sales. Notably, Woongjin Coway received the highest score – 92.7 points – for level of ethics. The average score in 2010 was lower than 2009, as satisfaction levels with specific aspects surveyed (e.g. contract content, cooperation, business process and payment) and the likelihood of recommending Woongjin Coway declined.

Woongjin Coway will make sincere efforts to resolve problems in areas where the company received a lower score than the group average, by, for example, reviewing the overall procurement process of the department in charge, seeking solutions together with business partners, maintaining a close watch on business processes, and conducting job-tailored employee education.

#### ✦ Business Partner Satisfaction Survey Items



### ◎ Plans for Co-prosperity with Business Partners in 2011

**Criteria for business partner selection:** In 2011, Woongjin Coway will classify its business partners into core, cooperative and general categories based on their previous performance, financial risk, stability, relevance between the leader's credentials and business areas, and contribution to Woongjin Coway, as well as Woongjin Coway's level of need. Component orders will be distributed among companies in the same category, and public tenders will be launched at the same time. Business partners will be strictly evaluated each year and classified based on evaluation results, which will be disclosed to business partners.

**Areas of improvement for co-prosperity:** Woongjin Coway identified areas of improvement for co-prosperity by conducting VOC (Voice of the Customer) analyses with business partners and set forth solutions to issues through internal consultations. The company received VOC from 50 partner firms in June 2010, reviewed the VOC and related issues until July, and derived five areas of improvement for co-prosperity in November.

✦ Fives Areas of Improvement for Co-prosperity in 2011

Area	Detail
Minimize small lot production and after-sales service	Woongjin Coway will avoid small lot production and after-sales service to reduce inefficiency.
Pursue standardization	Woongjin Coway has been pursuing component standardization since the second half of 2010 and will continue to do so through the "Online Suggestion Program" in 2011 to better manage business partners and lower inventory level.
Improve modularization	Woongjin Coway has deconstructed modules, difficult to make, into component levels and improved the modularization decision-making process.
Injection molding cost and molding abolishment Upgrade molding	Woongjin Coway has paid trial injection molding costs since October 2010 and will let business partners discard killed-off/no-after-sales service moldings from 2011.
Streamline of intra-complex vehicle operation	Woongjin Coway will reduce the driving distance of loan vehicles by hiring an agent to streamline intra-complex vehicle operation.

◎ Efforts for Co-prosperity

**Reporting and proposal systems:** Woongjin Coway will open a communication channel through which business partners can file complaints about inconveniences or unethical procurement practices, and launch "Sang-sang Ocean Together," a webpage on which partner businesses can propose ideas for improvement for review by Woongjin Coway. The company will put good ideas into practice. The hotline connecting business partners to the Ethics Management Team and the head of the Environment Quality Institute will allow business partners to report any ethical and/or environmental violations. Those who report such violations will be kept abreast of developments pertaining to the report via SMS messaging.

**Co-prosperity Fund and interest-free loans:** Woongjin Coway established the Co-prosperity Fund to help business partners obtain liquidity and provides interest-free loans to assist partner firms in improving production processes, expanding capacity, and enhancing infrastructure. The Co-prosperity Fund amounts to KRW 10 billion with money extended by the Industrial Bank of Korea at a low interest rate. About KRW 2 billion in interest-free loans is expected to be lent to business partners in 2011 to assist them in their efforts to improve manufacturing process, expand capacity and enhance infrastructures.

**Online education and tailored job training:** In connection with Woongjin PassOne, the company will open online education for business partners, offering courses such as "Learning from Best Business Partners" and "Intensive Cost/Quality Improvement." Moreover, the COP Academy will be reorganized into job-focused education programs to foster the development of experts in various fields like production innovation.



Signing ceremony on the establishment of the Co-prosperity Fund



# A Culture of Energy and Excitement

Woongjin Coway operates diverse communication programs to encourage its members to work with enthusiasm and to ensure transparent communication and information flow between management and employees.

# Employee Value Management

## ⊙ Responsibilities of/to Employees

**Employee responsibilities to Woongjin Coway:** Chapter 3 of the Code of Ethics stipulates “Employees’ Responsibilities to the Company.” The items included in this chapter represent the company’s vision of ideal employees, namely that they uphold company values as Woongjin people and complete their tasks by continuously pursuing self-development and impartiality. Woongjin Coway employees approach their work with creativity, perseverance, ambition and passion, and are mindful of their fellow members. They also practice Woongjin Coway’s core management philosophy, “Tto-tto Sarang – Love and Love more” in work and life. Employees who possess all of these traits are guaranteed a multitude of opportunities to display their talents throughout their career.

**Woongjin Coway’s responsibilities to employees:** Chapter 4 of the Code of Ethics outlines the “Company’s Responsibilities to Employees.” This chapter emphasizes Woongjin Coway’s responsibility to respect the individuality of every one of its employees and encourage them to perform their duties with a sense of ownership and real satisfaction. The company has put various measures in place to stimulate the creativity and development of members, who are the key to Woongjin Coway’s overall success, to fulfill this responsibility. Moreover, Woongjin Coway promises fair evaluations of its employees – free of any bias or discrimination based on gender, race or religion – and to provide compensation based on employee capabilities and performance. Woongjin Coway has built for its employees a corporate culture wherein members not only care and help each other, but also extend this compassion into the communities in which the company conducts its business.

## ⊙ Human Resources

### ✦ Human resource (as of Dec 31, 2010)

Classification	Details	Employees
Total number of employees	Including non-regular workers	4,188
Regular worker categories	Number of regular workers: 1,884	Executives: 27 (1.4%) Office worker: 509 (27%) Lecturer: 97 (5.2%) Researcher: 313 (16.6%) Sales reps: 622 (33%) Production workers: 269 (14.3%) Dispatched overseas: 47 (2.5%)
Other categories	Number of non-regular workers Number of retirees/leavers Number of employees with disabilities	2,304 493 45
Gender ratio	Number of male regular workers Number of female regular workers	51%(960, including 27 executives) 49%(924)

※ Woongjin Coway is willing to hire talents fitting for the company’s ideal people, to create job creation for communities in which the company operates.

※ Codys are classified as freelancing income earners.

### ✦ Ideal Woongjin Coway Employee



### ✦ 2010 Benefits and Salary (KRW bn)



## ⊙ Employee Performance and Compensation

**Salary:** Employee compensation is divided into salary and benefits. In 2010, Woongjin Coway paid a total of KRW 181.6 billion (KRW 151.6 billion in salary and KRW 29.9 billion in benefits) to its members, up from KRW 177.0 billion in 2009. Annual salaries are set considering official working hours, incentives and overtime work (holidays and night duties), and a twelfth of the annual salary is paid each month. Our entry level salary is 313 percent of the statutory minimum wage. Employees are compensated based on their competency, without bias.

**Incentives:** Woongjin Coway has various types of incentive pay programs in place to motivate employees to achieve exceptional results and to boost their morale. The year-end incentive program offers rewards based on the performance results of individuals and business units against sales and operating margin targets. The company’s project-based incentive program recognizes the best-performing employees on projects focused on keeping abreast of global business trends. The retention incentive program rewards researchers with outstanding contributions and performance, encouraging loyalty and the development of core competencies.

**Evaluation system:** Woongjin Coway utilizes the Management by Objectives (MBO) approach for its employee evaluation system, as well as key performance indicators (KPIs). For performance evaluation, each employee’s process of goal management is measured, while the competency evaluation assesses the employee’s capability in implementing Woongjin Coway’s core management philosophy, as well as competency, expertise and leadership, according to the employee’s rank and position. Leadership evaluations measure the overall performance of organization heads.

### ✦ Evaluation methods



## ☉ Benefits

**Benefits:** Woongjin Coway offers various benefit plans to employees to improve their quality of life and motivate them to achieve their career goals.

### ✦ Benefit plans

Target	Details	
All employees	Congratulatory & Condolence Leaves and Allowances	Woongjin Coway grants employees special leaves with allowances on special occasions including major family events such as weddings or the 60th birthday of their parents or grandparents.
	Discounts on Woongjin Group Products	Employees can buy Woongjin Group products at discounts.
	Tuition Fee Subsidy	Employees who have worked for more than three years are provided with tuition subsidies. KRW 600,000 per year from pre-schoolers to high school students and KRW 2.7 million for university students.
	Housing Loan/Interest Subsidy	Financial assistance is provided to employees to cover loan interest on a housing purchase or rent.
	Tto Tto Sarang Leave	Employees working for seven or twelve straight years at the company are granted a refreshment leave with an allowance.
	Maternity or Paternity Grant	New parents receive a monetary grant after the birth of a child.
	Birthday Gift	Gift certificates are provided to employees on their birthday.
	Gift on National Holidays	Employees are provided with a gift on New Year's Day, Thanksgiving Day and the company's anniversary.
	Challenge! High-School	The company provides cyber university tuition fees
	Funeral supplies	Woongjin Coway offers employees with supplies for their or their family members' funerals.
	Medical checkup	Employees are provided with a medical checkup every two years.
	Welfare card	We provide employees with varying points depending on their period of service to the company.
	Others	Provision of books that CEO recommends, introduction of five-day workweek, support for employee communities
For regular employees	Wedding Anniversary	On an employee's wedding anniversary, the company sends a bouquet/basket of flowers, a flowerpot or a pot of orchids according to the employee's choosing.
	Car Maintenance Expenses	Car maintenance expenses are provided for employees at the assistant manager rank or higher.

**Community :** Woongjin Coway fully supports employees' community activities. As of December 2010, approximately 1,750 employees undertook activities in 114 communities.

## ☉ Turnover rate

Classification	Entry-level	Assistant manager	Manager	Deputy general manager	General manager	Executive
						(%)
Men	1.84	4.3	3.89	0.82	0.41	0.2
Women	1.43	1.64	0.82	-	-	-

※ Turnover rate = Number of employees leaving per month/ total number of employees x 100  
 ※ As of December 31

## ☉ Introduction of Retirement Pension

Woongjin Coway introduced retirement pension in May 2010. A defined benefit plan was selected for all members in consideration of the short- to long-term situation of employees and the company. The pension is expected to be stabilized in two to three years, at which time the company will begin to offer a defined contribution plan for those interested. A program for retirees is also being considered.

### ✦ Mandatory e-Learning Courses for Employees

Sexual Harassment Prevention Training	
Number of trainees	866
Total training time	4,330hours (5 hours per employee)

### Green Business: How to Make a Transparent Company

Number of trainees	844
Total training time	16,880 hours (20 hours per employee)

### Information Protection

Number of trainees	824
Total training time	4,944 hours (6 hours per employee)

### ✦ Training expenses, number of trainees and training hours

Training expenses KRW 1,802,206,948

Trainees	e-Learning courses	4,531
	Offline courses	18

Training expenses per employee  
 KRW 397,750 (e-Learning course)

Training hours	Offline courses	73,939 hours
	Offline courses	19,252 hours



Mini MBA

### ✦ Woongjin Advanced Abroad (WAA)

**WAA for New Businesses**  
 Employees travel overseas to visit advanced companies and conduct market research, cultivating their global mindset and potential new business opportunities for the company.

**WAA with Team Head**  
 An entire team – including the team head – takes a training trip overseas to benchmark advanced companies and improve team capacity and morale.

**WAA for Divisions**  
 Entire divisions take a training trip overseas to solve major division issues and boost morale.

## ☉ Talent Development Program

**Talent development:** Woongjin Coway in connection with the Human Resources Development Center operates various job-tailored education and training sessions for employees to cultivate individual capabilities and bolster the company's common core competencies.

**Future Innovation Forum and mandatory e-Learning courses for employees:** The "Future Innovation Forum" is held once a month and provides an opportunity for executives to attend lectures by outside experts and then meet to discuss the issues presented. The forum enables executives to better prepare for changes in the management environment and determine solid routes toward future growth. Employees under the manager level are required to take e-Learning courses on ethics management.

**Mini MBA:** The Mini MBA program is aimed at fostering candidates with key talents that suit the company's vision. In 2010, the program was held from March to July for four hours twice a week. The top 20 candidates among Highly Expected Individuals (HEI) were invited to participate in the program. Nine employees finished the Mini MBA in 2007, 12 in 2008, 12 in 2009, and 20 (all of the participants) in 2010.

**Academy Point:** Academy Point is an optional education support program for employees to expand their knowledge and improve their capabilities. The program covers 50 percent of fees for employees who wish to take undergraduate/graduate courses, learn a foreign language, take language tests, or enroll in programs to obtain job-related certificates.

**Woongjin Advanced Abroad (WAA):** Woongjin Coway's WAA program sends teams overseas for advanced training. Employee teams apply for this program online and are selected by fellow employees through online voting on the team's subject and evaluation of the team's presentation. In 2010, 10 employees teams took training trips overseas: three WAA for New Business teams, four WAA for Divisions teams and three WAA with Team Head teams.

**Six-Sigma Black Belt (BB) and Green Belt (GB):** Woongjin Coway continued to undertake Six-Sigma projects and foster innovation leaders throughout 2010, certifying BBs and GBs. Employees certified as BB and GB receive one additional point in employee evaluation (all managers are required to receive GB). In 2010, five employees (production workers) were certified BB, and 107 employees (57 office workers and 50 production workers) were certified GB.

**Foreign language programs:** Woongjin Coway provides employees with diverse foreign language programs both on and offline to assist in improving their language skills. In particular, a 12-week immersion program is offered once every year. Fifty percent of participants in the immersion program are selected among those who applied for the program by themselves, with the remaining 50 percent recommended by division heads. To accelerate learning, participants live in the language training camp for 12 weeks, immersed in the target language (English or Chinese). In addition to the immersion program, employees are offered morning and phone English classes, and language e-Learning courses.

## Employee Communication

**Employee grievances:** Employees can file grievances using on and offline channels. Online channels include the Employee Relation (ER) Culture-Lab, which is part of the company's groupware, and the employee's personal email, with anonymity guaranteed. Offline options include speaking with guidance counselors in person or by telephone.

The scope of counseling covers personal issues such as individual career development and finances, as well as organizational issues like HR and work processes. Simple grievances are resolved promptly through coordination between related departments and process improvements. More serious matters are formally referred to the Grievance Management Committee for an in-depth review before a solution is reached.

**Employee Relation (ER) Culture-Lab:** The ER Culture-Lab is an official communication channel on the company's groupware designed to handle a wide range of employee grievances with the purpose of fostering a progressive organizational culture and increasing employee satisfaction. Employees can use the ER Culture-Lab to request assistance in cases involving personal matters, conflict with superiors, HR issues, company process problems, and environmental and organizational issues. Anonymity and confidentiality are always guaranteed. When a personal or official problem (seizure, contract, guarantee or obligation) is registered, a response is delivered to the individual within two days via phone, email, or reply post on the web board. Lawyer consultations are also available to employees when deemed necessary.

**Labor-Management Council:** Woongjin Coway ensures stable communication regarding grievances and welfare issues between employees and management through regular and ad-hoc meetings of the Labor-Management Council. Five regular council meetings and two ad-hoc meetings were held in 2010, through which seven items were addressed. Six representatives from management and six employee representatives attended every council meeting. Major agenda items included sharing Incentive Standards with employees, changes in benefit plans (benefit points), and use of holidays before and after national holidays.

**Corporate culture:** Woongjin Coway's corporate culture is one in which participation, talent development, caring and sharing, and customer driven-innovation take center stage. It is a culture based on generating energy and excitement among members to inspire creative thinking, a willingness to take on any challenge, and outstanding performance – bringing all members together toward a shared vision.

Woongjin Coway's corporate atmosphere is a solid combination of the four different cultures the company values: A culture of debate, a culture of encouraging critical thinking, a culture of positive thinking, and a culture of cohesiveness. The company operates diverse programs including High-Ting, Happy Cart Bar, and Coway Day to boost employees' enthusiasm for their work and to ensure effective communication between management and members.

Woongjin Coway employees are encouraged to use their annual leaves to increase their job satisfaction by maintaining a solid work-life balance. Moreover, the company operates the vantage point of compliment and encouragement of employees, with the CEO and department and team heads regularly giving select employees the mobile coupon "Heartcon" (a coffee, movie or meal coupon) to show appreciation for their hard work and encourage them to

### + Labor-Management Council

Year	2008	2009	2010
Number of Councils convened	5	7	7
Number of items negotiated	5	8	7
Number of items addressed	5	8	7
Resolution rate	100%	100%	100%

### + Corporate Culture



**Participation**  
Based on employees' voluntary participation, the company keeps growing.



**Talent Development**  
We secure excellent talent and develop them for organizational and individual growth.



**Family Atmosphere**  
We strive to enhance employee job satisfaction and form a warm atmosphere in which employees can gain a sense of reliability and trust.



**Customer Orientation**  
We try to fulfill customer satisfaction both internally and externally.



1. Happy Cart Bar  
2. Coway Day

strive for even greater achievements.

A survey conducted by Incrut in 2009 revealed that workers write reports for 5.3 hours a day on average and that 62.3 percent feel severe stress in writing such reports. To ease this burden, Woongjin Coway implemented the Smart Report system, where reports can be sent in real-time via SMS message. The company also shortened reports to one page.

**Coway Day:** Introduced in 2007, Coway Day is a one-day sleepover program participated by employees and their family members. On Coway Day, family members are taken on a tour of the company and participate in special programs designed to foster family harmony. In 2010, Coway Day was held four times with 192 people participating.

**LooLooLaLa:** This is an online community where all Woongjin Coway employees can communicate with each other and share company news. Diverse online events are regularly introduced in the community to encourage strong communication among members.

**Team for Energy and Excitement:** The Team for Energy and Excitement is comprised of seven entry-level employees who hold brainstorming meetings with the CEO. Several proposals made at these brainstorming meetings have become realities, including Family Day, the annual leave calendar, and flexible lunch hours.

**Family Day:** In April 2010, Woongjin Coway designated every second and fourth Tuesday of the month as "Family Day." On these two days, employees are strongly encouraged to leave at the official end of the workday to spend quality time with their family members.

**Division Head High-Ting:** Woongjin Coway has held High-Ting since 2007 to enhance horizontal communication between division heads and employees. Under this program, the de-



Woongjin Coway Music Festival

partment head and a rotating group of about 20 employees spend a day together, attending cultural events, enjoying sports activities, etc.

**Watermelon Event:** Since 2008, Woongjin Coway has purchased watermelons from Yugu, Gongju, where its Yugu Factory is located, on “Malbok,” one of the hottest days of the year in Korea. In 2010, the company purchased 1,820 watermelons and sent them to all organizations of the company.

**Coway Happy Farm:** Woongjin Coway has lent weekend farms in Paju and Suwon to 150 employees every year since 2008. The employees farm their own land for one year.

**Woongjin Coway Music Festival:** Teams consisting of at least four employees compete at the Woongjin Coway Music Festival, with prizewinners announced in December. The Grand Prize winner is given an all expenses paid trip abroad, while the Gold Prize winner is awarded KRW 3 million, the Silver Prize winner, KRW 1 million, and the Bronze Prize winner, KRW 500,000.

**Happy Cart Bar:** The Happy Cart Bar is a beverage stand operated in the parking lot of Woongjin Coway Headquarters once a month. Launched in March 2010, the Happy Cart Bar encourages interactive communication between the CEO and departments who meet at the bar to have a beverage and conversation every month.

### © Safety and Health Programs

The risk of industrial accidents at Woongjin Coway is relatively low since most employees work in an office setting. However, the company has implemented the Operation Industrial Safety & Health Committee in the Yugu Factory and R&D Center – places where accidents may occur – which is responsible for ensuring the safety and well-being of employees.

All Woongjin factories have ISO 14001 certification. In addition, the Incheon Factory obtained



1. OHSAS 18001 certification  
2. KOSHA 18001 certification



Goodbody Campaign

KOSHA 18001 and the Yugu Factory acquired Occupational Health & Safety Assessment Series (OHSAS) 18001 certification.

At Yugu Factory, Issues that arise related to work environment, safety and health are handled in a prompt manner through discussions between management and employees. The company also carries out safety and health education programs for employees, and regularly conducts internal monitoring to ensure compliance with safety and health-related regulations. Third-party health and safety inspections are carried out at the Group level semiannually.

**Industrial accidents:** Woongjin Coway’s accident rate has remained much lower than the averages of the past three years for all industries and the manufacturing industry. From 2006 to the end of 2010, not one serious accident was reported save for a few minor incidents which occurred at team building events or gatherings. Throughout 2010, four industrial accidents occurred during non-working hours amounting to 381 lost working days.

Year	2008	2009	2010
Woongjin Coway’s accident rate	0.11%	0.05%	0.096%
Industries’ average accident rate	0.71%	0.70%	0.82%
Manufacturing industries’ average accident rate	1.15%	1.04%	2.88%

※ Woongjin Coway accident rate=Number of injured/Number of employees x 100 (4/4,188)  
※ Source: Korea Occupational Safety & Health Agency’s Industrial Accidents Statistics (as of 4Q10)

**Health programs in 2010:** Woongjin Coway provides regular health checkups for employees to encourage good health (once a year for production workers and every other year for other employees).

In 2010, the company staged the “Principled Life! Good Body Campaign” eight times: five times in April once each in July, August and November. To help ensure employees remain healthy throughout the year, the company provided metabolic syndrome management (abdominal circumference, neutral lipid, HDL, blood sugar, etc.), operating a health clinic (where a doctor and dietician provided individual exercise program counseling), and distributed information on ways employees can manage nutrition, exercise, drinking and obesity, and stress.

Moreover, 2010 marked the beginning of Woongjin Coway’s Anti-smoking Campaign, where the company challenged its members to reduce the employee smoking rate to zero percent and help the company on its path toward low-carbon management. In March of last year, the Anti-smoking Campaign was included as part of the company’s promotion system: smokers not ready to quit are ineligible for promotion in 2011, while those who signed a pledge of their intention to quit remain eligible. The company offered smoking cessation clinics to employees from April to September 2010, monitoring their progress along the way. The company plans to maintain the anti-smoking policy that gives advantage to non-smokers in promotion, and continue in its efforts to encourage smokers to quit by reminding them of their ineligibility for promotion if they keep smoking.

## Cody: Key Driver behind Woongjin Coway's Growth

"Cody" is short for "Coway Lady," female customer management experts who are responsible for rental sales and after-rental service for Woongjin Coway's water filtration appliances and air purifiers.

The "Cody" concept sprouted out of a new business model the company introduced for the first time in Korea: "rental marketing." When the country was reeling from the 1997 financial crisis, Woongjin Coway began renting out expensive water filtration appliances. The company required special service agents to provide after-sales maintenance of the water filtration appliances (including water quality). Hence, the "Cody" was born. Woongjin Coway first hired 80 Codys to visit customer homes every other month to check rental products, manage memberships and replace filters and components at no charge, providing customers with efficient and effective "Before Service" (B/S).

Because of the excellent performance of the Codys, Woongjin Coway's sales jumped 12 times over 10 years. The Woongjin Coway "Cody" approach is widely considered by academia and industry as a best case practice.

Currently, there are approximately 13,000 Codys operating across the country. This program has benefited women in particular, as it has given them the opportunity to increase their economic participation and develop their professional skills. Another aspect of its social significance is that Codys were born in the throes of an economic downturn, providing much-needed jobs and creating a new workforce. Based on these social contributions, Codys were designated as "New Intellectuals" by the Ministry of Labor. Being a Cody is an enviable profession

among married women, since the independent nature of the work allows them to maintain a stress-free work-life balance. Additionally, it allows these women to deepen their knowledge, since Codys are expected to be well versed in issues concerning water, air and the environment, and are considered experts on products and marketing. Indeed, Codys are highly valued members of the Woongjin Coway family.

### Performance 1: Collection of 100,000 old mobile phones

On April 14, 2010, Woongjin Coway embarked on its "One Million Used and End-of-life Mobile Phone Collection Campaign" together with the Ministry of Environment, mobile phone manufacturers and telecom service providers. Until the end of 2010, Woongjin Coway's Codys succeeded in collecting 100,000 used and end-of-life mobile phones, visiting 3 million customer homes across the country. The collected mobile phones were sent to the Korea Association of Electronics Environment, which retrieves metals from the phones, and the proceeds were used for helping underprivileged members of society. In 2008, Woongjin Coway's Codys were appointed as "Eco-Codys" by the Ministry of Environment at the launching ceremony of its "Waste Batteries Collection Campaign," adding waste battery collection to their duties. In just 100 days, the Eco-Codys collected three tons of waste batteries. Collecting waste batteries and used and end-of-life mobile phones, the Eco-Codys have lived up to their name – doing their part for environmental preservation through encouraging recycling and environmental awareness among Woongjin Coway customers.

### Performance 2: Covering the frontline

Couple O-Gyeong Gwon and Seon-Hyeong Kim work as Cody, respectively, in Cheolwon, Yeoncheon and Pocheon, where many military bases are located. Gwon often assisted his wife in her work as a Cody, enjoying the work so much that he later became a "Codoc."

They now manage over 800 accounts (products) installed on the military bases. While they are now accustomed to working on the military bases, they faced many difficulties in the beginning. For one, they often found themselves having to stay on the military bases for more than three days, since the bases are located in such remote areas. As restaurants can be two hours or more by car, they often resorted to eating just noodles or bread as a meal. If they braved trying to find a restaurant, they would often lose their way due to the remoteness of the area. But those stresses are behind them now. They now feel comfortable about the military atmosphere, taking meals at the officers' restaurant and staying at military accommodation. They have even grown close to many of the soldiers, and are especially heartened when soldiers their son's age on kitchen duty offer them meals they cooked especially for them.

Kim, famous on the army bases for her warm smile, says, "Although sometimes it is difficult to work as a Cody on such remote military bases, it is definitely worth it when I feel the gratitude of the soldiers and see how my visits brighten their day."

### Programs for Codys

**"Happiness Sharing" contribution program:** Woongjin Coway runs the "Happiness Sharing" monetary contribution program for Codys facing financial difficulties, creating a family culture among Codys based on caring and sharing.

"Happiness Sharing" was launched in 2010 and is aimed at enhancing Codys' level of job satisfaction and increasing retention rate. Codys who participate in the program donate a portion of their commission income to the cause, and Woongjin Coway donates twice the amount.

**Cody installment savings:** Codys deposit 10 percent of their commission income every month (KRW 170,000 on average) into one-year installment savings accounts and automatically re-open a new account every year. Woongjin Coway deposits KRW 100,000 at the 7th, 13th and 25th installments and after the 37th installment, KRW 200,000 every 12th installment. Codys are also offered premium interest rates.

**Cody insurance:** Cody insurance covers not only traffic accidents and injuries but also illnesses; Woongjin Coway pays the insurance premiums to protect Codys from financial strain of potential health and safety problems.

**Character training for Codys:** Woongjin Coway has strengthened training for Codys to increase the level of job satisfaction and retention rate. During the awards ceremonies of each head branch office, Codys are given lectures and training on customer value, chal-

lenge, innovation, personal relationships, motivation & vision, and fun & happiness. All 40 head branch offices offer lectures five times a year, bringing the total number of lectures to 200 and total training time to 300 hours per year.

**Recruitment of Codys/Codocs on home shopping channels:** Woongjin Coway began recruiting Codys and Codocs on home shopping channels on March 15, 2010. The commercials introduced Woongjin Coway and the roles of Codys and Codocs, and presented a day in the life of a Cody and success stories. The commercial successfully raised interest in Codys, with a total of 1,355 individuals applying to be a Cody as of March 31, 2010.



# SOCIAL CONTRIBUTION



# 430 employees

In 2010, Woongjin Coway received KRW 13 million for sharing know-how on its suggestion system “Sang-sang Ocean.” The money was used to support 430 Woongjin Coway employees in making clothes for the newborns of single mothers facing financial difficulties, which were donated to the Eastern Social Welfare Society along with any money remaining.

### Symbol and Slogan for Social Responsibility



The blue background symbolizes a stream, the target of the company's Clean Water Campaign, while the heart represents a fish, which emphasizes the company's core management philosophy, "Tto-tto Sarang - Love and love more". Taken as a whole, the symbols here symbolize the future Woongjin Coway envisions through its social contribution activities. The company is committed to practicing its management philosophy "Tto-tto Sarang - Love and love more" together with all employees and customers.

## 04.

# Social Contribution

### ◎ Vision for Social Contribution

Woongjin Coway is fulfilling its corporate social responsibility (CSR) driven by the vision of "Improving quality of life to realize a healthy future for our children." CSR efforts are classified into the following categories: environmental protection, support for the underprivileged members of society, activities for children's welfare, and assistance for developing countries.

### ◎ Social Contribution Organization

Woongjin Coway launched "Tto-tto Sarang (Love and love more) Volunteers" in June 2005 to expand volunteer work previously participated in only by some members of a volunteer community out of the entire company. At present, all executives and employees at Woongjin Coway are members of the Volunteer Team. The social contribution manager ensures the systematic carrying out of volunteer activities.

### ◎ Social Contribution Programs

**Overview of social contribution activities:** Woongjin Coway encourages its employees to look beyond just providing financial aid and toward active participation in volunteer activities. Every regular worker should offer 16 hours of volunteer work every year (except employees on foreign assignment). As of December 31, 2010, 1,783 Woongjin Coway employees committed 30,800 hours during 4,526 round of participation. In 2010, the company put KRW 805.8 million toward social contributions and made KRW 1.13 billion in donations

**Communication with local communities:** The Yugu and Pocheon factories set up a council for communication with local residents to consider their opinions in operations. As the Incheon Factory is located in the Korea Industrial Complex, communication and information sharing is undertaken between neighboring factories through the Incheon Managers' Meeting and the Namdong Club. In 2010, there were no complaints filed by residents living nearby the factories.

### ◎ Domestic Social Contribution Activities

**Newborn clothes for single mothers:** Woongjin Coway charges companies KRW 1 million for sharing know-how on its proposal system "Imagination Ocean," using the money raised for social contribution activities. In 2009, the company spent KRW 10 million of the monetary contribution on school uniforms for middle and high school students from low-income families. KRW 13 million was raised in 2010 and put towards supporting 430 Woongjin Coway employees in making clothes for the newborns of single mothers facing financial difficulties. The clothes, along with any money remaining, was donated to the Eastern Social Welfare Society on December 27, 2010.

**Byeong-Seon Park Fund:** Dr. Byeong-Seon Park, a noted historian who proved "Jikji" is the world's first book printed with metal type, faced a struggle against cancer last year. Woongjin Coway, together with the Cultural Heritage Administration of Korea and the National Trust for Cultural Heritage, opened the Byeong-Seon Park Fund in February 2010 to support Dr. Park's treatment. Woongjin Coway donated KRW 100 million in 2010 to the fund. Dr. Park has recovered from cancer and is now in France researching the Korean cultural relics there.



**SNU Global Multicultural Scholarship:** Woongjin Coway agreed to offer KRW 500 million in scholarships for 50 foreign students studying at Seoul National University (SNU) from 2010 to 2014 at the SNU-Woongjin Global Multicultural Scholarship signing ceremony held in the Office of the Dean at SNU. Through the scholarship paid by Woongjin Coway and donated by the Woongjin Foundation, 10 exchange students have already received and will continue to receive KRW 10 million each during the period. Woongjin Coway will provide internship opportunities to those recipients and hire them through special recruitment if they apply for positions at the company. These scholarships provide equal opportunities to talented students in financial difficulties, and benefit the company by providing opportunities to acquire overseas talents.

**“To-tto Sarang – Love and love more” coal briquette aid:** Since 2009, Codys and team and branch office heads have been collecting coins through donation boxes to purchase coal briquettes (for heating and cooking purposes) for the underprivileged. In 2009, 12,000 briquettes were given to residents in Beomil-5 and -6 dong in Busan, and in 2010, around 11,000 briquettes were passed out to residents of Beomil-dong and Munhyeon-dong in Busan.

**Restoration of royal palace wells:** To preserve and promote Korean cultural heritages, Woongjin Coway signed an agreement with the Cultural Heritage Administration of Korea and the National Trust for Cultural Heritage in March 2010 to support the restoration of five royal palace wells located in Seoul. In 2010, Woongjin Coway employees cleaned the wells three times, while the company’s Environment Technology Institute invested KRW 150 million for various water quality tests of the wells, etc. Woongjin Coway plans to conduct historical research on the wells throughout 2011.

**Regular meal serving:** Every week, Woongjin Coway employees serve meals to senior citizens in collaboration with the Corporation Leftovers Love Sharing Community and the Food Bank, to which the company donated “Happy Food Trucks.” Since 2007, Woongjin Coway has



1. Restoration of royal palace wells  
2. Byeong-Seon Park Fund  
3. Well-drilling in Cambodia



Volunteer work in South Africa

provided free lunches and snacks for senior citizens who live alone every Friday (“Happy Friday”) at the Yongsan Municipal Elderly Welfare Center, to which the company donated refrigerated food trucks.

### Overseas Social Contribution Activities

**Well-drilling in Cambodia:** In 2006, Woongjin Coway sponsored and participated in the drilling of 75 water wells in 26 villages near Phnom Penh, Cambodia to provide residents with cleaner drinking water. This number grew to 138 wells around the country in 2007, with Woongjin Group CEOs and about 20 employees participating in drilling activities, and 132 wells in 2008, with Coway Madamsomers (a program to seek opinions and ideas from homemaker consumers) and the Coway Green Makers volunteering. The company started to provide its customers with opportunities to participate in the volunteer work in 2009, and increased the volunteerism opportunities in 2010, during which 115 wells were completed. A total of 575 wells have been completed since 2006. In addition to financial support at the company level, individual employees and customers also financed the drilling of 387 wells so far in Cambodia.

**Volunteering in South Africa:** Since 2006, the company’s “Coway Soccer Team” has offered uniforms and soccer balls to the Green Star Soccer Team of Philipi, the poorest area in South Africa. In 2007, we expanded our support to four soccer teams (in Philipi, Asanda, Cuza, etc.). Furthermore, 100 Woongjin Coway employees have supported children in the country with scholarships on a one-on-one basis. Woongjin Coway has offered employees excellent volunteer activities opportunities in South Africa. During the South Africa FIFA World Cup, Woongjin Coway employees visited the country together with 33 individuals from outside the company – 13 soccer players from Busan Boy’s Home, four college students, and Korean PR expert Kyung-Duk Suh – to conduct volunteer work, hold friendly soccer matches, and watch Korea’s first match against Greece in the World Cup.



## ● Commitment to Yugu Stream

On June 24, 2010, Woongjin Coway held a festival to mark the water quality improvement of the Yugu Stream and renew its commitment to environmental protection at Yugu Elementary School in Yugu, located nearby the Yugu Factory. Approximately 1,200 people joined the festival including Woongjin Group Chairman Seok-Keum Yoon, Minister of Environment Maan-ee Lee, Governor of South Cheongchung Province Hee-Jung Ahn, Gongju City Mayor Jun-won Lee, Korea Green Foundation Chairman Yeol Choi, Woongjin Coway CEO Joon-kee Hong and the CEOs of each Woongjin subsidiary, the heads of central government ministries and local governments and Yugu residents. Furthermore, Woongjin Coway was awarded the Grand Prize at the first competition of best practices in the One-company, One-stream Campaign hosted by the Ministry of Environment in 2010.

## Efforts to Preserve and Protect Yugu Stream

Yugu Stream, the first branch of the Geum River, flows through Yugu, Gongju, South Chungcheong Province, where Woongjin Coway's Yugu Factory is located. Up until 2003, the stream was severely polluted from livestock, factory and farming water, and suffered from residents' indifference. Woongjin Coway held a ceremony to kick off the "Save the Yugu Stream Program" together with the Ministry of Environment, the Gongju City government and the Korea Green Foundation in Yugu-eup in September 2006.

Under the program, the Ministry of Environment provided the funds for the establishment of a natural streamside park and Gongju City supplied administrative conveniences, while Woongjin Coway conducted water quality testing and research on the stream, sharing the results with the parties concerned and the public. Moreover, Woongjin Group established the Green Fund to support the planting of water-purifying plants around the stream and the environmental education of residents, among others.



Yugu Stream Preservation Activities from 2003-2010	
Organizer	Activities
Woongjin Coway	Ecological research, quarterly water quality testing, employee and customer environmental purifying volunteer activities, planting water-purifying plants, purchase of rice farmed with eco-friendly methods, matching grants for waste collection proceeds, environmental experience program for customers
Ministry of Environment/ City of Gongju	Invested KRW 3 billion and KRW 2.3 billion, respectively, to form a natural streamside park
Green Fund/ Korea Federation for Environmental Movements	Environmental education for elementary and middle school students
Yugu residents	Environmental purification, eco-friendly farming (introduced freshwater snail farming)

The Woongjin Group purchased entire crops grown using environmental farming techniques and no fertilizers, increasing the income of eco-friendly farmers. In 2010, the Group spent KRW 559 million with total investment from 2006 to 2010 standing at KRW 3.34 billion. As a result, the stream's water quality improved from the third level in biochemical oxygen demand (BOD) in 2005 to the first level in 2010. The number of organisms has more than tripled from 1,155 in 1994 to 3,797 in 2010. Natural monuments such as mandarin ducks, sparrow hawks and Chinese sparrow hawks, and rare plants such as Russian iris and a Korean species of fish Dolmaja have returned to the stream. The once dying Yugu Stream now breathes new life and is a shining example of the positive effects of cooperative efforts for environmental preservation.

## Key Activities to Save and Protect the Yugu Stream

**Water-purifying plants:** Woongjin Coway planted water-purifying plants around the Yugu Stream and its branches to reduce pollution from domestic sewage. In the main Yugu Stream area, the company created a water playground and an ecological learning park, raising environmental awareness among local residents.

**Environmental education:** Woongjin Coway educated residents nearby the Yugu Stream on the importance of protecting and preserving the natural beauty of the stream, encouraging their voluntary efforts and inspiring them to take the lead in activities for the stream's preservation. Since 2009, the company has performed environmental education exclusively for students in Yugu at the Kwangduk Environmental Education Center, which offers a monthly environmental experience-based education program, outdoor activities such as water quality and ecology testing, indoor environmental games and ecological map charting as well as student competitions on ideas for environmental protection. Moreover, Woongjin Coway established the environmental education website "Yugu Nara" to enable children to create online ecological maps based on their own research.

In 2010, Woongjin Coway conducted 13 sessions of environmental education for Yugu and Deokam Elementary Schools, Yugu Middle School and Gongju Technical High School at the Kwangduk Environmental Education Center.

**Waste collection:** Since 2006 Woongjin Coway has matched with grants the proceeds garnered from waste collection by Yugu-eup government. Considering the environmental impact, the company pays double the proceeds from recyclables and used plastics, and triple the proceeds from pesticide bottles to facilitate residents' waste collection.

**Employee volunteer work:** The first step to saving the Yugu Stream was collecting garbage around the stream. Since October 2003, Woongjin Coway employees have conducted garbage collection activities around the stream twice a month. Local residents began participating in garbage collection in 2007, which soon spread to every branch of the stream. Now, local com-



munities, residents and students in each district of the stream conduct garbage collection activities every quarter of the year.

**Purchase of eco-friendly rice (Yugu Rice):** Woongjin Coway encourages farmers in Yugu to utilize freshwater snails in rice farming to reduce the use of fertilizers and pesticide, pollution sources of the Yugu Stream. To support these farmers, the company purchases entire crops farmed using eco-friendly methods. Woongjin Coway signed a contract with the Gongju City Government on distribution of environmental agricultural products and established a website in connection with the Yugu Agricultural Cooperative. As a result, farmers in Yugu can cultivate rice with freshwater snail without worries over declined incomes and at the same time educate themselves on environmental farming techniques.

**Water quality testing:** Since 2004, Woongjin Coway's Environmental Analysis Center has tested the water quality of the Yugu Stream on a quarterly basis. In 2010, the Gongju City government took charge of testing Yugu Stream's water quality for continued control. Notably, water quality improved from the third level in BOD in 2005 to the first level in 2010.

+ Total waste collection (kg)



+ Matching grant (KRW '000)



+ Eco-friendly rice trade (kg)



+ BOD (mg/l)



# APPENDIX

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## 01.

# Summary Financial Statements

### Summary Balance Sheets

(Unit : KRW)

Category	2009	2010
Current assets	509,455,179,008	578,805,433,401
Quick assets	454,865,184,173	505,606,239,530
Inventories	54,589,994,835	73,199,193,871
Non-current assets	761,224,486,961	860,726,894,814
Investment assets	130,685,316,259	204,266,198,180
Tangible assets	418,204,135,717	454,155,394,562
Intangible assets	141,086,744,717	133,624,437,777
Other non-current assets	71,248,290,268	68,680,864,295
<b>Total assets</b>	<b>1,270,679,665,969</b>	<b>1,439,532,328,215</b>
Current liabilities	541,770,439,248	440,969,501,650
Non-current liabilities	48,230,468,529	233,762,663,667
<b>Total liabilities</b>	<b>590,000,907,777</b>	<b>674,732,165,317</b>
Capital stock	40,662,398,000	40,662,398,000
Capital surplus	141,927,705,227	140,030,863,933
Capital adjustment	31,514,185,586	42,990,867,150
Accumulated other comprehensive income	15,161,101	2,707,537,088
Retained earnings	529,587,679,450	629,805,305,203
Legal reserve	23,325,427,025	31,025,427,025
Voluntary reserve	352,976,034,595	421,736,034,595
Retained earnings before appropriations	153,286,217,830	117,043,843,583
<b>Total shareholders' equity</b>	<b>680,678,758,192</b>	<b>764,800,162,898</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,270,679,665,969</b>	<b>1,439,532,328,215</b>

### Summary Income Statements

(Unit : KRW)

Category	2009	2010
Sales	1,411,922,316,352	1,519,140,211,296
Cost of goods sold	406,172,220,895	494,072,067,797
Gross profit	951,750,095,457	1,025,068,143,499
SG&A expenses	747,492,690,615	796,264,364,383
Operating income	204,257,404,842	228,803,779,116
Non-operating income	27,224,570,202	43,036,094,341
Non-operating expenses	28,757,587,130	35,312,768,018
Net income before income tax	202,724,387,914	236,527,105,439
Income tax expenses	49,444,874,217	59,484,035,726
Net income	153,279,513,697	177,043,069,713

## Awards and Certification

## Design Awards

Name of award	Year	Number of prize or accolade	Note
IF Design award	2008	8	
	2009	1	
	2010	5	
Red-Dot Design award	2007	1	
	2008	3	
	2009	3	
	2010	12	
IDEA Design award	2008	7	Awarded Winners Silver for Dann
	2010	3	Awarded Winners Gold for air purifier Hwaro
Japan Good Design	2007	2	
	2008	1	
	2009	2	
	2010	6	
Good Design	2009	4	
	2010	4	
PIN UP	2009	3	
	2010	8	
Plus X award	2010	7	



## Awards

Awards	Details	Host
Listed on Dow Jones Sustainability Index	Asia Pacific	Dow Jones, SAM
2010 Korean Association of Consumer Professionals Award	2010 KCOP Expert Award	KCOP
Korea Digital Management Innovation Awards	Digital Management Award (Award of the Minister of Knowledge Economy)	The Digital Forum of the National Assembly of Korea
Korea-Brand Power Index (K-BPI)	Coway water filtration appliance	Korea Management Association Consultants (KMAC)
National Brand Competitiveness Index (NBCI)	Looloo (for 4th straight years), Coway (for 2nd straight years)	Korea Productivity Center
Product Safety Day	Accolade from the Minister of Knowledge Economy	The Ministry of Knowledge Economy
Korea IR Award	Excellence Award in the KOSPI category	Korea Investor Relations Service
Leading company in the Carbon Disclosure Project	-	CDP Korea
COP Report selected as a Notable COP	-	UN Global Compact
Korea Green Management Award 2010	-	The Ministry of Knowledge Economy
Special Award for contributing to eco-friendly industry development and low-carbon, green growth	-	The Ministry of Environment
Korea Sustainability Index	Well-being home appliance	Korea Standards Association
Leader in Businesses' Voluntary Agreement on Green Procurement	-	The Ministry of Environment
Technology Frontier Award	Food waste treatment system (WM06)	Korea Standards Association
Energy Winner Award	Bidet (BA14)	Consumers Korea
Grand Prize at the first One-Company One-Stream Campaign Contest	The Ministry of Environment	

## Certification

Certification	Category	By
The Korea Best Innovation Frontier (AAA+)	Yugu Factory	Korea Management Association Consulting
Excellent Service Quality	Home appliance repair (Oct 1, 2008-Sep 30, 2011)	The Ministry of Knowledge Economy
CCMS re-certified	Recertification for existing CCMS certified companies (Jul 1, 2009-Jun 30, 2011)	Fair Trade Commission
ISTA Certified Laboratory	Distribution condition testing lab (until Oct 2011)	ISTA
KOSHA 18001	Incheon Factory (May 25, 2010-May 24, 2013)	Korea Occupational Safety & Health Agency
OHSAS 18001	Yugu and Incheon factories (Jul 24, 2008-Jul 23, 2011)	TÜV SÜD
ISO 14001	Seoul Office, Yugu, Incheon and Pocheon factories (Jun 24, 2008-Jun 23, 2011)	TÜV SÜD
New Excellent Technology(NET)	Technology to make cool water using double-walled tanks for compact water filtration appliances (Dec 28, 2010-Dec 27, 2012)	The Ministry of Knowledge Economy

## Associations

Association	Under the organization	Period
The UN Global Compact	The UN Global Compact	Jun 2009 - Present
Korea Direct Selling Association	Korea Fair Trade Commission	1993 - Present
Korea Association for Service	The Ministry of Knowledge Economy	2008 -2011
Korea Standardization Association	Korea Standardization Association	Jan 18, 2010-Jan 17, 2013
Korea Fair Competition Federation	Korea Fair Competition Federation	2007-Present
The Organization of Consumer Affairs Professionals in Business	Korea Fair Trade Commission	1997-Present
Korean Society of Consumer Policy and Education	Korea Fair Trade Commission	2009-Present
Korean Consumption Culture Association	Korea Fair Trade Commission	2009-Present
Korean Association of Consumer Professional	Korea Fair Trade Commission	2006-Present
International Safe Transit Association	International Safe Transit Association	2008-Present
Korea Sustainability Investing Forum (KOSIF)	KOSIF	Jun 2009-Present
Green Product CEO Forum	Korea Environmental Technology & Industry Institute	Jan 2010-Jan 2011
Korea International Trade Association	The Ministry of Knowledge Economy	2005-Present
Korea Trade-Investment Promotion Agency	The Ministry of Knowledge Economy	2007-Present
Korea Products Safety Association	Korea Agency for Technology and Standard	2009-Present
Korea Institute of Industrial Design Promotion	The Ministry of Knowledge Economy	2007-Present
Korean Association of Industrial Designer	Korean Industrial Designer Association	2007-Present
Korea Electrical Products Safety Association	Korea Agency for Technology and Standard	2009-Present

# Assurance Report

## Independent Assurance Report on the Woongjin Coway Sustainability Report 2010

### To Woongjin Coway Stakeholders

The Korea Productivity Center (hereafter “the Assurance Provider”) has submitted this Assurance Report in accordance with the request for independence assurance on Woongjin Coway Sustainability Report 2010 (hereafter “the Report”).

### Responsibility and Independence

Woongjin Coway is fully responsible for all information and opinions contained within the Report, as well as the process for collecting, analyzing and reporting that information. The Assurance Provider is responsible for assuring the Report and was in no way involved in the Report’s preparation. The Assurance Provider independently and autonomously carried out the assurance process. The KPC has provided an exclusive “Management Report” that includes specific points and recommendations outside of those offered in this independence assurance report.

### Assurance Standards

The Assurance Provider conducted its assurance engagement in accordance with the Type 1 and Moderate Level of AA1000AS (2008) and verified three core principles, “Inclusivity, Materiality and Responsiveness,” in accordance with AA1000APS (2008). Furthermore, the Assurance Provider evaluated whether the informed contents follow GRI G3 Guidelines.

### Limitations

The Assurance Provider’s assurance engagement did not include verification of the reliability of the data provided within the Report according to assurance standards. In addition, the verification was conducted on-site and with due diligence in the Seoul Office and Yugu Factory, excluding the R&D Center and overseas operations. The verification would differ if these were included in the assurance process.

### Assurance Scope

The scope of Assurance Provider’s assurance engagement included evaluation of the following.

1. Appropriateness of primary issues and information within the Report through media research and benchmarking analysis;
2. Compliance with the requirements of GRI Application level A through checking the reporting rates and description methods of GRI G3 Guideline indicators;
3. Whether the reported content and quality comply with GRI G3 Guidelines;
4. The suitability of the content and expressions within the Report by comparison with other reports and
5. Internal processes and systems and primary data and information through on-site due diligence at the Seoul Office and Yugu Factory.

### Conclusion

Based on the verification undertaken, the Assurance Provider found the Report to be a true and fair reflection of Woongjin Coway’s sustainable performance. The Assurance Provider also found Woongjin Coway met the requirements of GRI Application level A as declared by the company Woongjin Coway.

### 1. Inclusivity: Stakeholder Engagement

The Assurance Provider found that Woongjin Coway uses various communication channels and methods to acquire stakeholders’ engagement. Woongjin Coway has in place on and offline channels through which employees can file grievances, operates an open council to garner opinions from business partners, and runs an online customer center through which it collects and responds to customer opinions. Furthermore, the Assurance Provider commends Woongjin Coway’s efforts to induce stakeholders’ direct engagement through the Clive Experience Group, Coway Green Maker, and the CCMS Experience School for University Students. However, the Assurance Provider recommends that Woongjin Coway build more systematic channels for stakeholder engagement, fully review the process and outcomes of those channels, and include them in future sustainability reports.

### 2. Materiality: Selection and Reporting of Primary Issues

Woongjin Coway identified key stakeholders for home appliance manufacturers and drew an issue pool based on surveys with stakeholders and sustainability management experts, media reports, the sustainability management issues of peers, and the effects of global sustainability standards and guidelines. Woongjin Coway then evaluated their materiality to select primary issues, which include development of environmentally minded products and technologies. The Assurance Provider found the Report contains such primary issues. However, the Assurance Provider recommends that Woongjin Coway select primary issues not only at the company level but also at the subsidiary level considering each subsidiary’s business characteristics and reflect them in future sustainability reports.

### 3. Responsiveness: The Organization’s Response to Issues

The Assurance Provider found that Woongjin Coway has made various efforts to respond appropriately to issues regarding sustainability management. In particular, Woongjin Coway has developed a process by which it can implement new technology reflecting customer needs, established the Environment Management Committee, and built the Integrated Environmental Information System for environment management. The Assurance Provider highly evaluates Woongjin Coway’s response to climate change, especially its becoming Korea’s first home appliance company to obtain Carbon Labeling, its building of an Executive Information System on GHG emissions, and its implementing the Woongjin-Green Partnership. The Assurance Provider recommends that Woongjin Coway reveal its long-term response strategy and plans, together with its responses to a broad range of issues, in future sustainability reports.

### Recommendations

The Assurance Provider highly evaluated Woongjin Coway’s diverse endeavors and achievements with regard to improving sustainability. Below are the Assurance Provider’s recommendations for Woongjin Coway to enhance its current level of sustainability and future sustainability reports.

1. Establish a sustainability management structure that encompasses overseas operations and include those activities/ achievements in future sustainability reports.
2. Devise a long-term sustainability management strategy and include such in future sustainability reports.
3. Build a systematic channel for stakeholders’ engagement strongly connected with the sustainability of Woongjin Coway.
4. Create various indicators to measure the achievements of sustainability management such that it would remain flexible to financial requirements.
5. Manage the performance indicators of sustainability management through an enterprise-level IT system and include those indicators in future sustainability reports.



March 2011

President of Korea Productivity Center Dong-Kyu Choi

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Since its inception in 1957, the Korea Productivity Center (KPC) has played a leading role as a management consulting agency that nurtures talents and provides professional-level training programs. In particular, KPC has established the Sustainable Management Center to support sustainable management activities, thereby promoting sustainable management across all of Korea’s business sectors.

In partnership with Dow Jones Indexes and SAM, KPC established DJSI Korea in 2009, KPC enables Korean companies to compare their levels of sustainability with other global players to improve their own. The Sustainable Management Center is a sustainability assurance practitioner licensed by Accountability, the AA1000 series standards setter. The members of KPC’s Sustainable Management Center Verification Committee are experts with a wide range of experience and expertise in the field of sustainable management.

## GRI Index

Index number	Description	Information	Page
<b>Profile Disclosure</b>			
Strate & Analysis	1.1	Statement from the most senior decision-maker of the organization	CEO Message 6
	1.2	Description of key impacts, risks, and opportunities	CEO Message 6
Organizational Profile	2.1	Name of the organization.	General Profile 11
	2.2	Primary brands, products, and/or services	Brands, Woongjin Coway products released in 2010, HEART Service 14, 25, 53
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Organization 12
	2.4	Location of organization's headquarters	General Profile, Domestic Operations 11, 92
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Global Networks 13
	2.6	Nature of ownership and legal form	Shareholders 19
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Organization, Brands, Woongjin Coway Customers 12, 14, 53
	2.8	Scale of the reporting organization	General Profile, Financial Profile 11
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	Water Treatment Business, Cosmetics Brand 15
	2.10	Awards received in the reporting period	Awards and Certification 84-85
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided	About this Report 1
	3.2	Date of most recent previous report (if any)	About this Report 1
	3.3	Reporting cycle (annual, biennial, etc.)	About this Report 1
	3.4	Contact point for questions regarding the report or its contents	Contact Information 93
	3.5	Process for defining report content	Stakeholders and Material Issues 2-3
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	About this Report 1
	3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	About this Report 1
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	N/A N/A
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	About this report 1
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	Partial change (Environmental Data) 43
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Partial change (Environmental Data) 43	
3.12	Table identifying the location of the Standard Disclosures in the report	GRI Index 88-91	
3.13	Policy and current practice with regard to seeking external assurance for the report	About this Report, Assurance 1, 86-87	
Governance, Commitments, and Engagement	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance 19
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate Governance 19
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance 19
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Corporate Governance 19
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Corporate Governance 19
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance 19
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	Corporate Governance 19
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	UN Global Compact/Management Philosophy Vision and Core Values 1, 10
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Corporate Governance 19
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Corporate Governance 19
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Risk Management, Climate Change TF 15, 33
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	UN Global Compact 1
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	Associations 85
	4.14	List of stakeholder groups engaged by the organization	Stakeholders and Material Issues 2-3
	4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholders and Material Issues 2-3
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholders and Material Issues 2-3
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Stakeholders and Material Issues, Discussion with Stakeholders 2-3, 4-5

● Disclosed in the report    ◐ Partially Disclosed in the report    ○ Not disclosed in the report    N/A Not-applicable

Index number	Description	Information	Page	
<b>Economic</b>				
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	● Creation and Distribution of Economic Value, Summary Financial Statements 21, 83	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	◐ Risk Management, Climate Change TF 15, 33	
	EC3	Coverage of the organization's defined benefit plan obligations	◐ Retirement Pension 66	
	EC4	Significant financial assistance received from government	● Government Subsidies 21	
	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	● Employee Performance and Compensation 65	
Market Presence	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	◐ Purchase of eco-friendly rice 81	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	◐ Employees 64	
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	◐ Social Contribution 74-81	
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	◐ Creation of Indirect Economic Value 21	
<b>Environmental</b>				
Materials	EN1	Materials used by weight or volume	◐ Raw/Subsidiary Use 42	
	EN2	Percentage of materials used that are recycled input materials	N/A Recycled filters not used as customers unwelcome the idea	
Energy	EN3	Direct energy consumption by primary energy source	● Energy Consumption 41	
	EN4	Indirect energy consumption by primary source	● Energy Consumption 41	
	EN5	Energy saved due to conservation and efficiency improvements	◐ Eco-friendly Products, Energy Consumption vs Target 37, 41	
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	◐ Energy Reduction, Eco-friendly Products Released in 2010, Products with Carbon Labeling 36-38	
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	◐ Efforts to cut indirect energy consumption, Reduction in Resource Use 44	
	Water	EN8	Total water withdrawal by source	◐ Water Use 41
		EN9	Water sources significantly affected by withdrawal of water	N/A N/A
EN10		Percentage and total volume of water recycled and reused.	N/A N/A (No factory recycles or reuses water)	
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	N/A N/A	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N/A N/A	
	EN13	Habitats protected or restored.	N/A N/A	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	○	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	◐ Biodiversity 48	
Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight.	◐ GHG Inventory 42-43	
	EN17	Other relevant indirect greenhouse gas emissions by weight.	◐ GHG Inventory 42-43	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	◐ GHG Emissions Reduction 44	
	EN19	Emissions of ozone-depleting substances by weight.	◐ Management of Ozone Depleting Substances 43	
	EN20	NOx, SOx, and other significant air emissions by type and weight.	N/A Not applicable due to assembly	
	EN21	Total water discharge by quality and destination.	N/A Woongjin Chemical sells grey water, black water is treated at sewage treatment plants	
	EN22	Total weight of waste by type and disposal method.	● Recycling of Waste 40	
	EN23	Total number and volume of significant spills.	N/A No material leak 41	
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A N/A	
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	N/A N/A	
	Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	◐ Products with Carbon Labeling 38
EN27		Percentage of products sold and their packaging materials that are reclaimed by category.	◐ Eco-friendly packaging materials, Recycling of Waste 36, 40	
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	N/A N/A	
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	◐ GHG Emissions Reduction, Reduction in Resource Use 44	
Overall	EN30	Total environmental protection expenditures and investments by type.	◐ Yugu Factory's Efforts to Cut Resource Use 44	

● Disclosed in the report ○ Partially Disclosed in the report ○ Not disclosed in the report N/A Not-applicable

Index number	Description	Information	Page
<b>Labor Practices</b>			
Employment	LA1	Total workforce by employment type, employment contract, and region	● Employee Value Management 64
	LA2	Total number and rate of employee turnover by age group, gender, and region	○ Turnover Rate 66, 64
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	○ Benefits 66
Labor/Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	○ Labor-Management Council 68
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	○ Labor-Management Council 68
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	● Safety and Health Programs 70-71
Occupational Health and Safety	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	● Safety and Health Programs 71
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	● Safety and Health Programs 70-71
	LA9	Health and safety topics covered in formal agreements with trade unions	● Safety and Health Programs 70-71
Training and Education	LA10	Average hours of training per year per employee by employee category	○ Talent Development Programs 66
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	● Talent Development Programs 66
Diversity and Equal Opportunity	LA12	Percentage of employees receiving regular performance and career development reviews	● Employee Performance and Compensation 65
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	● Composition of the Board of Directors and Remuneration, Employees 19, 64
	LA14	Ratio of basic salary of men to women by employee category	● Employee Performance and Compensation 65
<b>Human Rights</b>			
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	○ Plans for Co-Prosperity with Business Partners in 2011 61
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	○ Plans for Co-Prosperity with Business Partners in 2011 61
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	● Talent Development Programs (Mandatory e-Learning Courses for Regular Workers) 67
Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken	● Responsibilities of/to People 64
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	● Communication with Employees 68-70
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	● UN Global Compact, Responsibilities of/to Employee 1, 64
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	● UN Global Compact, Responsibilities of/to Employee 1, 64
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	N/A N/A
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	● Social Contribution 75
<b>Society</b>			
Society	S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	○ Biodiversity, Social Contribution, Commitment to Yugu Stream 48, 75, 78-81
Corruption	S02	Percentage and total number of business units analyzed for risks related to corruption.	● Code of Ethics, Ethics Management Activities in 2010 16
	S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	● Ethic Management Education, Mandatory e-Learning Courses for Employees 17, 67
	S04	Actions taken in response to incidents of corruption.	○ Code of Ethics 16
Public Policy	S05	Public policy positions and participation in public policy development and lobbying.	● Products with Carbon Labeling 37
	S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	N/A N/A
Anti-Competitive Behavior	S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	○ Key Results of Win-Win Business Partnership in 2010 60
Compliance	S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	N/A N/A

● Disclosed in the report ○ Partially Disclosed in the report ○ Not disclosed in the report N/A Not-applicable

Index number	Description	Information	Page
<b>Product Responsibility</b>			
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	● HEART Service, Product Safety, Increased Customer Satisfaction 52-57
	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.	N/A No violation
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	● Product Certification 24-25
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	● Product Safety 54
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	● Heeding Customer Opinions, Increased Customer Satisfaction 54-57
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	● Product Safety 54
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	N/A Customer Information Protection
Marketing Communications	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	● Customer Information Protection 56
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	N/A No violation

## Self-declaration of GRI G3 Application Level

Woongjin Coway has self-declared GRI Application Level A for this Sustainability Report 2010.

The Korea Productivity Center found that this Report meets the GRI G3 Application Level A among A, B and C level.

GRI Application Levels Table

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

## Domestic Operations



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### Cosmetics Research Institute

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Tel: +82-2-6711-3222

### Pocheon Factory

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Tel: +82-2-2172-1007

### Yugu Factory (Head Office)

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Tel: +82-41-850-7805

### Incheon Factory

85B-14L, Namdong Industrial Complex, 676-16 Gojan-dong, Namdong-gu,

Incheon / Tel: +82-32-820-7019

### Woongjin Coway Web site

[www.coway.co.kr](http://www.coway.co.kr) (Korean)

[www.coway.com](http://www.coway.com) (English)

Customer Center Phone Number: +82-1588-5100

### Woongjin Group Affiliates

Woongjin Holdings

Woongjin Coway

Woongjin ThinkBig

Woongjin Chemical

Kukdong Engineering & Construction

Woongjin Energy

Woongjin Foods

Bookxen

Woongjin PassOne

Rex Field Country Club

Woongjin ST

Woongjin Capital

Woongjin Lucas Investment Advisory

Woongjin Polysilicon

Woongjin Playdoci

### Contact Information

Woongjin Coway strives to provide stakeholders with accurate information on its sustainability activities. Various divisions of Woongjin Coway contributed to the preparation of this Report. Led by the Corporate Communication Team and the Production Division, the Environment Technology Institute, Marketing Division and CS Division assisted with the report. Woongjin Coway will continue its efforts to provide accurate information on the company's sustainability management activities via the sustainability report. We look forward to feedback from all our stakeholders.

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### Published by Woongjin Coway

**Planning & Coordination** Yu Ji-yeon(PR Team), **Photography** Seung Hyo-eun(PR Team),

**Writer** Choi Woon-ju, **Created by the August** [www.au8ust.co.kr](http://www.au8ust.co.kr) (+82-2-737-8834)

Printed by Daekwang Process Co., Seoul, Korea