

WE BELIEVE IN GOODNESS

COWAY SUSTAINABILITY REPORT 2014



Characteristics of This Report

Coway's 2014 Sustainability Report is the 10th edition of its kind, and reflects the global trend of sustainability data disclosure while maintaining connectivity with previous reports.

According to the core tenets of the GRI G4 Guidelines, this report delivers strategies, governance, activities and achievements regarding major sustainability issues during the reporting period.

Elements of Integrated Reporting

This report covers the process of creating economic, environmental, and social values based on Coway's business model by applying the International Integrated Reporting Council (IIRC)'s reporting framework.

Material Aspect-Driven Reporting Structure

By applying the GRI G4 global guidelines for sustainability reports, we classified important sustainability issues for 2014 into six aspects through a comprehensive materiality test. Background information, approaches, activities, and performance results for each aspect are also included in this report.

Inclusion of Changes in Sustainability Issue Management

We have covered the development of Coway's six sustainability areas (ethics management, social contribution, customer satisfaction, environmental management, employee satisfaction, win-win partnerships) over the past 10 years.



Cover Story

For the cover of this report, we have embodied the imagery of the future that Coway desires to present with smart care services, such as loCare (Internet of Care) and IoT (Internet of Things). Coway believes that its new care system will realize a healthier and satisfactory life for everyone.



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Coway Sustainability Report 2014

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About the 10th Sustainability Report

Development of Coway's Sustainability Report

Since 2006, Coway has communicated with its stakeholders about the company's intentions, activities, and performance regarding its sustainability efforts through annual sustainability reports. Published in 2015, the 10th sustainability report shows Coway's ceaseless efforts through the application of global guidelines, realization of critical issues through observing stakeholder participation, and the application of integrated reporting. Coway will continue to transparently disclose the company's economic, environmental, and social performance through reports, while actively communicating with stakeholders and continuously gathering their opinions.



2005
By faithfully following Korea's B.E.S.T. guidelines, Coway's first sustainability report covered activities and performance results over a one-year period in five areas: innovative management, ethical management, social responsibility, environmental management, and creative management.

- Recipient of the Gold Prize at the Korea Customer Satisfaction Management Awards

2006
Based on the TBL framework with financial, environmental, and social aspects, we referred to the GRI G3 Guidelines, the most trusted global sustainability report guidelines. Five headquarters and two divisions at Coway organized a 'sustainability report TFT' and dealt with sustainability issues in a fair and balanced way.

- Recipient of the Excellence Award at the first Sustainability Management Awards
- Recipient of the Grand Prize at the Social Responsibility Awards

2007
Not limited to the TBL framework of financial, environmental, and social aspects, we based reporting structure on feedback from previous reports. We then structured a new reporting system focusing on key stakeholders, including customers, employees, shareholders, business partners, and local communities.

- Recipient of the Grand Prize at the Great Place to Work Awards
- Recipient of the Grand Prize at the Korea Social Contribution Awards

2008
We comprehensively collected reader surveys, media research, and leading examples of global companies to determine various sustainability issues suggested by stakeholders. We then provided more information by expanding reports on issues that were considered especially important.

- Recipient of the Grand Prize at the Great Place to Work Awards
- Recipient of the Grand Prize at the Forbes' Management Quality Awards
- Ranked No. 1 by the National Brand Competitiveness Index (NBCI)

2009
As in 2008, we collected reader surveys, media research, and leading examples of global companies to determine issues suggested by stakeholders and provide more information on major issues. In addition, to measure the materiality of each issue, we carried out a survey targeting employees and referred to these results in our report.

- Selected as an excellent company in carbon data disclosure
- Recipient of the Prime Minister's Award at the Low Carbon Green Growth Merit
- Grand Prize winner at the Korea Consumer Culture Awards

2010
By reflecting various elements such as media, industry-related CSR issues, CSR standards, stakeholder surveys, evaluations of short-term financial impact, and examination of management policies, we analyzed major issues regarding sustainability management based on stakeholders' interest and impact on business. Additionally, conversations with stakeholders for the establishment of sustainability management strategies and Coway's major strategies were included in the report.

- Listed on the DJSI Asia Pacific
- Awarded as a leading green company at the Carbon Information Disclosure Project
- Recipient of the Government Prize at the Korea Green Management Awards
- Selected as a leading company in Voluntary Agreement for Green Purchase

2011
We disclose the process of drawing up major issues and classified the selected issues into four groups to establish reporting strategies based on stakeholders' interest and corporate influence. Also, we included communication results with stakeholders regarding sustainability management both inside and outside of the company, and disclosed Coway's future direction in response to this.

- Listed on the FTSE4 Good Global Index
- Recipient of a Sustainability Management Awards
- Selected as an excellent Korean company for shared growth
- Selected as one of Korea's Top 100 Great Place to Work
- Recipient of the Grand Prize at the UNGC Value Awards

2012
We prepared a special section in order to explain an important issue—the company's separation from the parent group during the reporting period—to our stakeholders in an effective way. On top of that, we categorized sustainability management issues drawn from our materiality test into five major aspects, including one basic aspect and one regular aspect, suggesting a sustainability management framework to facilitate balanced management and responses to each aspect.

- Listed on the FTSE4 Good Global Index
- Selected as an excellent company in social responsibility
- Recipient of a Presidential Commendation at the Korea Green Management Awards
- Recipient of the Minister's Prize from the Ministry of Environment at the Leading Resource Recycling Company Awards
- Selected as one of Korea's Top 100 Great Place to Work

2013
We identified significant issues through our materiality test and reorganized them into five major aspects, which compose the main contents of report. We also reported achievements in each aspect from the perspective of our stakeholders. The concept of integrated reporting was also introduced to present which value cycle enables Coway to run the highest level of business operations and how each element of business creates new value.

- Listed on the DJSI Asia Pacific
- Listed on the FTSE4 Good Global Index
- Selected as one of Korea's Top 100 Great Place to Work
- Selected as a leading company in Gender Equality in the Employment

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CEO Message



Coway is making the world a better place

Dear stakeholders,

Coway has solidified its status as a leading company as it has made meaningful achievements in sustainability management as well as sound business results even in the midst of an adverse business environment both in Korea and abroad. In 2014, Coway further strengthened its competitiveness by executing distinguished strategies: solidifying the foundation for business through a reinforced sales force and systematic management of cancellation rates; communicating with customers about its expertise and responsibility as a company responsible for clean air and water; and releasing a variety of premium products. Coway also maintains continuous growth with its overseas environmental appliances and cosmetics business. In addition, Coway was recognized for its efforts as a sustainable company by many notable organizations. In fact, Coway had been included in the 2014 DJSI Asia Pacific Index for two consecutive years and it is currently included in the FTSE4 Good Global Index. Moreover, Coway was ranked the grand level company at the Shared Growth Index Evaluation, won three awards at the Korea Innovation Awards, and was nominated as the "Great Workplace" for four consecutive years. We believe that all of these achievements were made possible thanks to the trust all of our stakeholders have in our company. In 2015, Coway will continue to grow in a even more sustainable way and maintain the respect of its stakeholders.

We will care for customers' health and environment.

Coway has grown with distinguished products using advanced technology and excellent customer service based on its CODY program. Behind such growth, Coway always carefully considers how to precisely analyze each customer's specific situation and to make customized products and services. Coway will continue to care for all of its customers by employing the Internet of Things (IoT) and smart technology, both of which are changing our lives faster than ever before. Moving forward, Coway will not remain as a product rental business, but grow to become an environmental appliances service provider and focus on strengthening its identity as a company that closely considers its customers.

We are preparing for the future with distinguished strategies.

Coway has grown by creating unprecedented new value and expanding its market share rather than just expanding within the current industrial framework. The company is making significant strides through distinguished strategies, including the reinforcement of its CODY network and sales force in the environmental appliances business, which is Coway's main field of operations; the development of innovative products and services using IoT technology; and the expansion of new business channels. Coway will continue its growth trend by setting aggressive goals in 2015: KRW 2,180 billion in sales and KRW 420 billion in operating income (an 8.3 percent and 11.3 percent increase year on year, respectively). In addition, the company will continue to improve its brand status in overseas markets by establishing strategic product lineups by region and developing specialized service models.

We pursue shared growth.

Coway's social influence is gradually increasing with its steady growth and heightened status outside the company. While this is a great source of pride for Coway, we also acknowledge that such status follows very heavy responsibilities. Coway will readily pursue social activities for the shared growth of individuals, companies, and society so that it can earn greater trust and support as a reliable corporate citizen.

Dear stakeholders,

At Coway, we are concentrating all of our capabilities on customer service and innovation in order to remain a company committed to the health and safety of customers under the following philosophy: Contributing to the establishment of a better world. I humbly ask for your continued support of Coway's growth as we become a even more trusted company than before.

Thank you.

김 동 현

May 2015
Dong-Hyeon Kim
CEO, Coway

Company Overview

Coway has long taken the initiative in the environmental appliances market with its distinguished business model and innovative products & services. Today, Coway is a sustainable company that communicates with society based on creativity, which has enabled the creation of new markets and a business philosophy aimed at making a better world. At Coway, we firmly believe in righteousness.

Business Philosophy

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

Mission

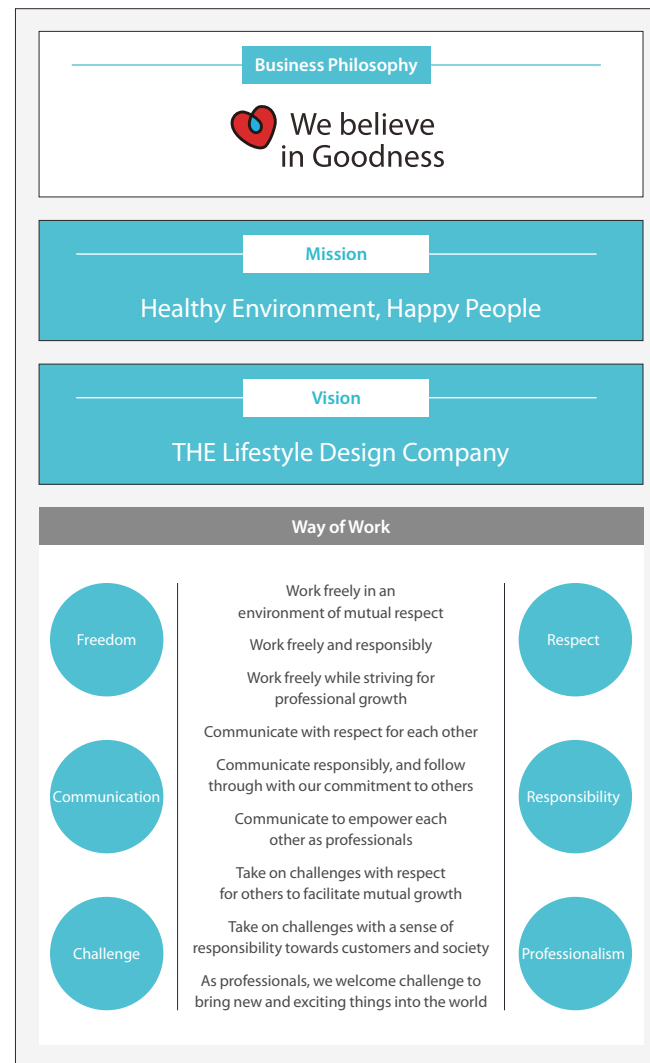
Creating a better world means to improve the environment with technology and to satisfy people with our services. Coway cares for everyone with its leading sense of responsibility and expertise about clean air and water.

Vision

With technology to improve the environment and services that aim at satisfying customers, Coway is creating a new paradigm for the many. Based on our belief in goodness and righteousness, Coway creates unprecedented value and THE lifestyles that the world look forward to, as it also aims at the highest level of customer trust and satisfaction.

Way of Work

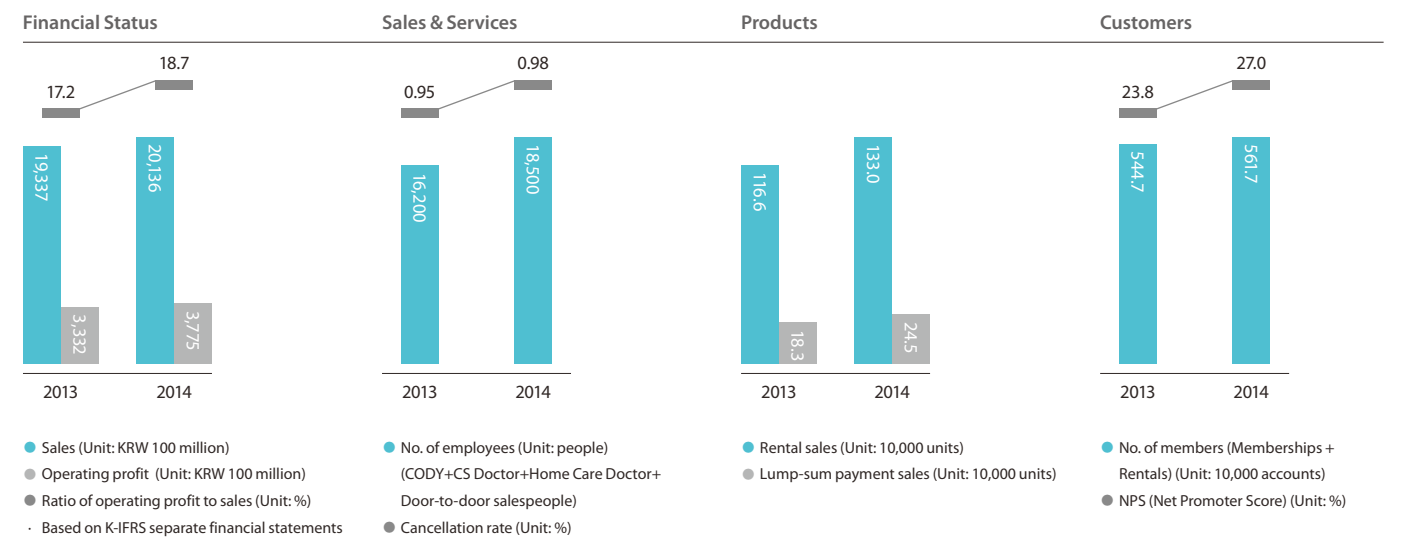
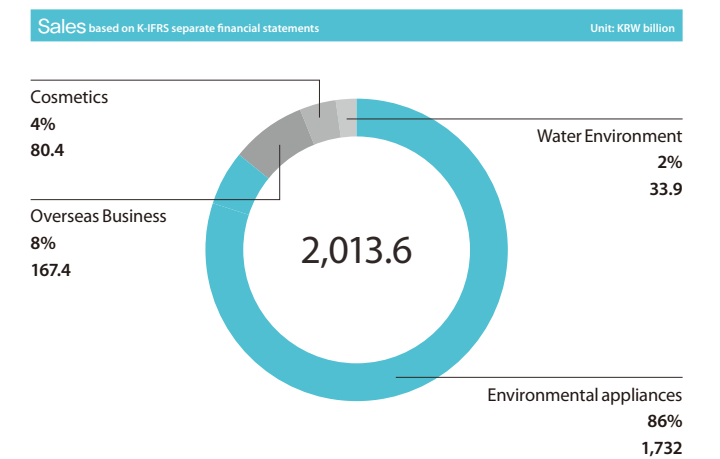
In order to make a better world by designing a new lifestyle consisting of a healthy environment and happy people, Coway established its own way of working based on six core values: freedom, communication, challenge, respect, responsibility, and professionalism. Every employee at Coway upholds these values on a daily basis.



Current Status and Major History

General Status

Founded in 1989, Coway has played a leading role in the environmental appliances market as a product and service provider. At the same time, it has continuously developed home-wellness appliances, including water filtration appliances, air purifiers, bidets (Coway LooLoo Bidet), water softeners, food waste treatment appliances, and cosmetics, as well as a mattress care rental service. In 1998, the company established an innovative business model that combines rental and maintenance services by adopting the CODY system. As such, Coway has expanded into a new market, one not limited to its existing market. With a clear sense of responsibility and expertise about clean water and air—the basic necessities for life—Coway produces distinguished environmental appliance products and services to ensure healthier, more convenient lives for its customers. Also, the company is creating unprecedented value to care customers by combining its products and services with future technologies. Coway established its business philosophy—We believe in righteousness—believing that ‘what we do contribute to a better world’ in order to become an even more trusted company by customers. Based on creativity that changes the world and a belief in goodness for helping bring about a greater world, Coway will continue to realize a better life and a happier world for everyone.

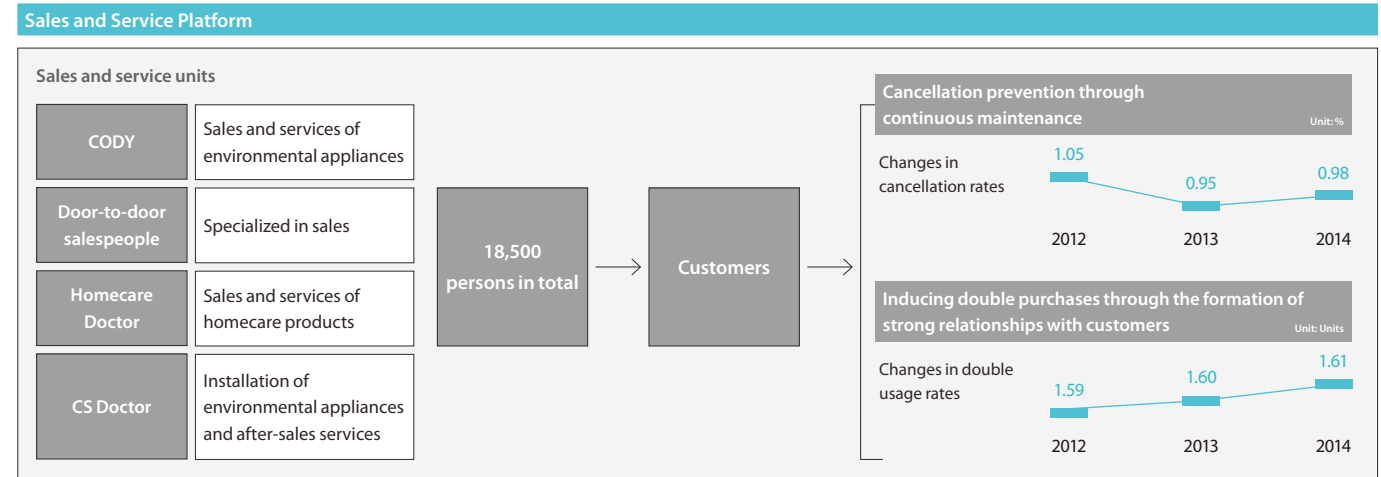


Business and Products

Coway has taken the lead in the environmental appliances business both in Korea and abroad based on its rental business such as water filtration appliances, air purifiers, and bidets. In 2008, the company entered the industrial water treatment market as part of its efforts to expand its core business, and in 2010 it entered the cosmetics market. Since then, the company has shown steady growth in both fields. In the future, Coway will continue to grow stronger with its premium products, expanded new services, and increased overseas business.

Environmental Appliances Business

By providing distinguished value to customers through its innovative products and services, Coway occupies a leading position in the domestic environmental appliances market in terms of market share, customer satisfaction, and brand awareness. The mattress care & rental service and homecare service launched in 2011 has shown tremendous potential as a driving force for future growth, while the number of managed accounts increased by 61.8 percent (about 220,000 accounts) year on year in 2014. Moving forward, Coway will continue to increase customer value by strengthening its sales force in the domestic market while developing and introducing new technologies, including IoT.



Cosmetics Business

After establishing the Cosmetics Research Institute in 2003, Coway quickly advanced into the cosmetics market in 2010. The company has targeted the market mainly around highly functional, premium products. Based on the 3.5 million customers that the company has acquired through environmental appliances business, Coway established a sales network focusing on door-to-door sales and it is currently expanding its sales through the diversification of channels, including TV-based home shopping.

Cosmetics Business Brands

Product Group	Brand Description
Re:NK	A premium beauty brand specialized in anti-aging created through research on cell technology
allvit	An oriental herb based cosmetics brand to bring therapeutic effects to the skin, which may be affected by the external environment
healthygru:	A functional health food brand which is a compound word of healthy and Guru, namely a health expert

Water Environment Business

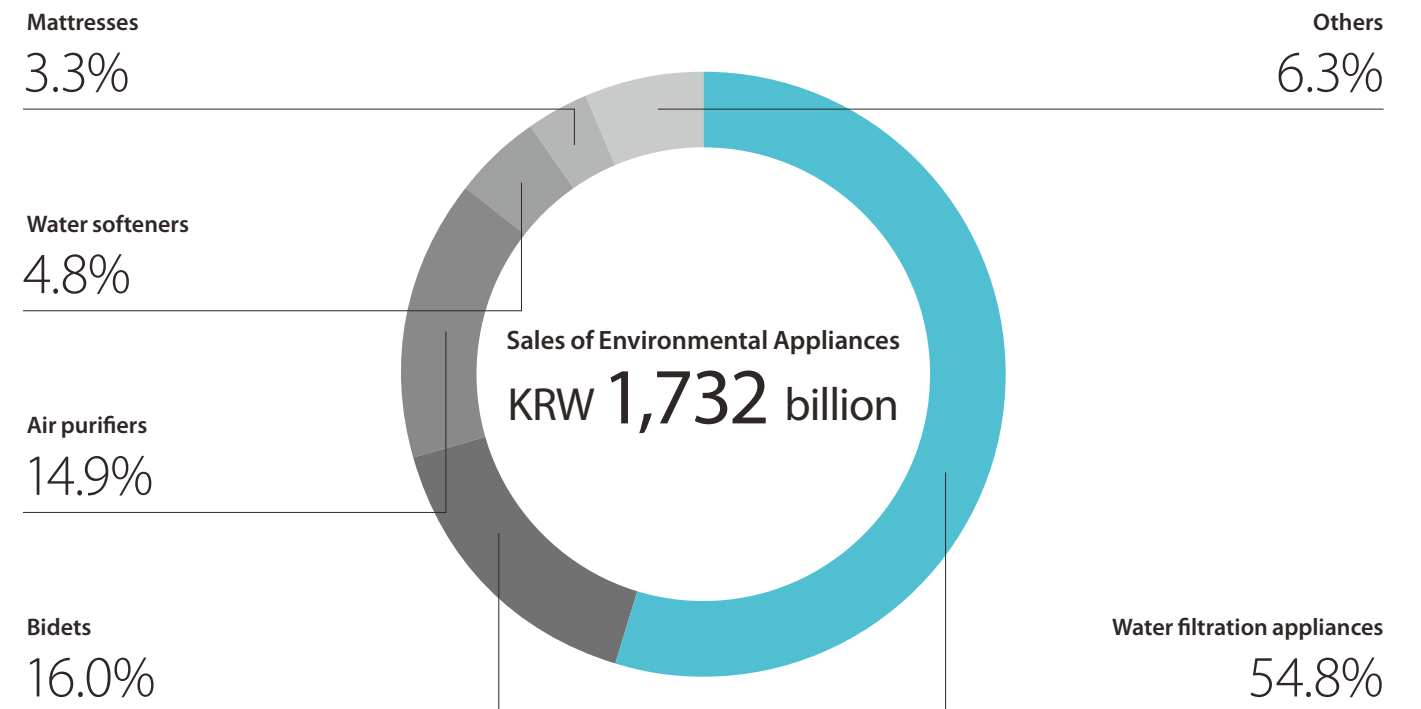
In 2010, Coway expanded into becoming a general water treatment system provider by acquiring Green EnTech, a specialized water treatment engineering company. Using membrane technology, as well as technology regarding various sewage & wastewater treatment and water intake facilities that was accumulated over more than a 10-year period, Coway now provides services throughout each step of the business, ranging from the development to operation of the water-based environment business.

Water Environment Division

Division	Business Description
Water filtration & process water treatment	Using membrane technology, Coway provides water filtration & process water treatment for various fields, such as power generation, solar power, electric/electronic products, and semiconductors.
Sewage and wastewater treatment	Using the MBR (Membrane Bio Reactor) system, Coway offers solutions to sewage and wastewater treatment. This includes ways to meet the required standards for discharge water, T-N treatment, and process water recycling.
Reuse	The company reuses water for different purposes after removing various ions from sewage and wastewater. Reuse systems are utilized in numerous industries to maximize cost reduction and environmental protection.

Coway Products

Major Product Groups



Water filtration appliances
KRW 949.2 billion

Coway maintains a leading role in the market by creating distinguished customer value through more compact designs and multifunctional products.

Bidets
KRW 276.9 billion

Releasing products with maximized sterilizing functions and a sitz bath function which certified new health technology, Coway meets the highest customer demands from people who seek for a healthy and refreshing bathroom experience.

Air purifiers
KRW 257.3 billion

The company responds to competitions in the market by producing premium products designed to improve the overall air quality by not only removing fine dust, but also virus in the atmosphere. These products also possess humidification and dehumidification functions.

Water softeners
KRW 83.1 billion

Coway provides unrivaled value to customers with sensitive skin and infants through products that remove pungent substances from the water and help prevent inflammation and allergies.

Mattresses
KRW 56.3 billion

Based on our rental sales knowhow and well-rounded regular maintenance services, Coway has successfully entered the mattress market, where the products had to be paid lump-sum in the past. Currently, Coway is constantly expanding its size in the market.

Others
KRW 109.2 billion

Coway is also focusing on producing a variety of goods, such as a food waste processing machine, that may improve the daily lives of its customers.

Overseas Business

Based on its competitiveness in the domestic market, Coway started to accelerate its overseas business in 2006 in order to grow rapidly as a global environmental appliances service provider. Today, the company runs local corporations in China, Thailand, Malaysia, and the U.S., while also targeting overseas markets through OEM supply contracts with global home-wellness appliances manufacturers.

In 2014, Coway's overseas sales increased roughly 16 percent year on year, to KRW 167.4 billion, and the number of managed accounts also increased, surpassing 200,000 in Malaysia alone and where the CODY system was successfully established. Coway plans to expand its business with its own brand in major markets such as China and the U.S. as it continuously pursues growth with its Malaysian subsidiary by reinforcing communication channels with customers.

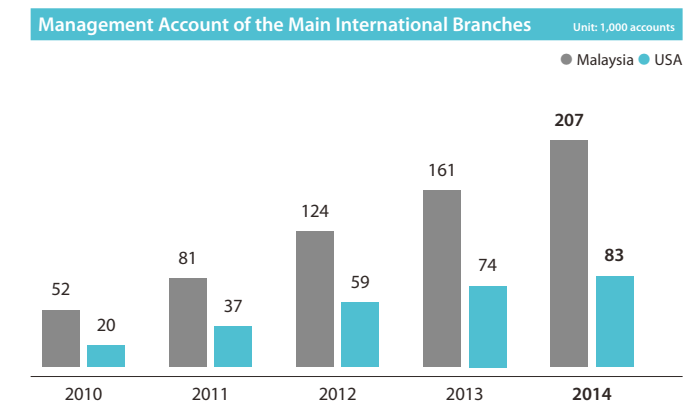
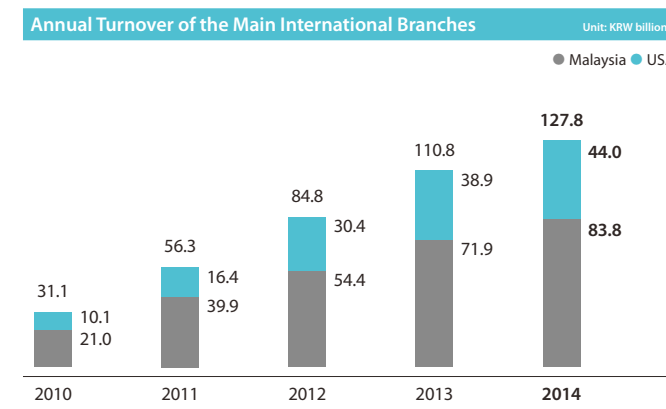
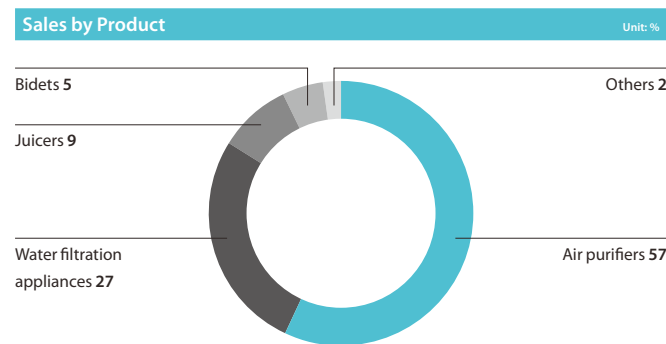
- Subsidiary
- Logistics Center
- Production Plant
- Global Partners

● Subsidiary ● Logistics Center ● Production Plant

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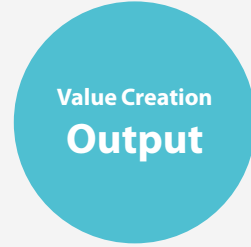
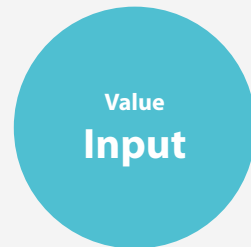
Coway in the World



Value Creation throughout the Whole Business Process

Coway creates sustainable growth throughout the whole business process, from research on the environment, technologies for product development, procurement of materials and parts for production to production itself, and sales & high-quality services.

Coway not only presents economic profit and higher value for its stockholders, but also minimizes environmental harm that may arise from producing and utilizing products. Coway also strives to become a leading sustainable company by applying its water and air related technologies to creating priceless social values in the fields ranging from economics to environment and society.



Economic Value At Coway, the company invests in R&D and infrastructure in order to provide excellent products and services for customers. Also, the company uses materials and parts purchased from business partners to manufacture products at Coway's plant facilities, while delivering products and services to customers through its sales & service units.

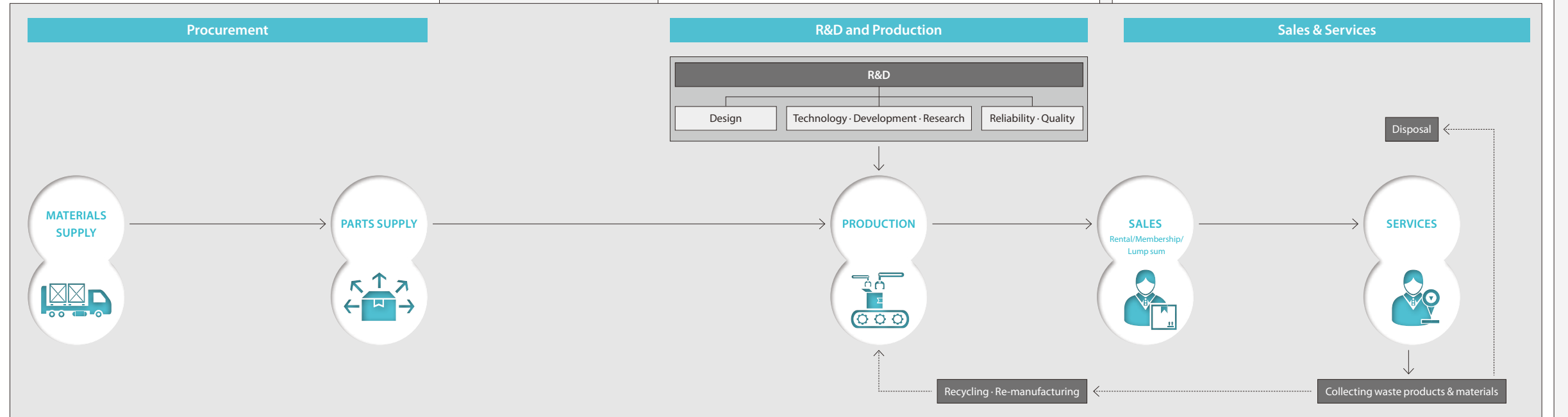
- R&D expenditures: KRW 31.8 billion (1.47% of sales)
- Raw material purchases: KRW 316.3
- Operation rate of production facilities: 83.5%
- No. of sales and service workers: 18,500 persons (14.2% increase year on year)

Environmental Value Not only does Coway improve the capacity of its products, but it also focuses on minimizing environmental harm by closely managing its whole production process from development to producing, utilizing, and disposing. Moreover, Coway has established an eco-friendly production system and implements its energy resources for production efficiently. It also emphasizes the need to use more eco-friendly products by communicating with its customers.

- Investment in the environment: KRW 930 million
- Raw materials use: 14,763 tons (13% increase year on year)
- Water resource use: 3.28 ton/ KRW 100 million (1.0% decrease year on year)
- Energy use: 5.32GJ/ KRW 100 million (4.9% decrease year on year)

Social Value Coway currently implements its R&D expertise and customer management capabilities to contribute for the well being of the society. The company also conducts community service projects unique to its expertise and provide more employment opportunities for women who face career discontinuity. By attaining product components from local providers, Coway also contributes to the economic growth of its region.

- No. of volunteer group members: 1,495 persons
- Social contribution expenditures & donations: KRW 1.3 billion (139.3% increase year on year)
- Employment of female workers: About 13,000 CODY workers
- Amount of purchases from local suppliers: KRW 316.3 billion



Economic Value Coway has constantly been expanding its cash flow, and thereby revenue, through its rental business. Through service systems, such as CODY, it has also significantly reduced the cancellation rate of its customers, which may become another stable source of income for Coway. The annual economic profit realized at the end of the year is fairly distributed to its shareholders.

- Sales: KRW 2,160.3 billion (4.1% increase year on year)
- Operating profit: KRW 377.5 billion (13.3% increase year on year)
- Total market value (EPS): KRW 6,494 billion (KRW 3,270)
- Dividends per share (payout ratio): KRW 2,000 (61%)

Environmental Value Coway reduces its electricity use and GHG emissions through the operation of an eco-friendly production process. At the same time, it increases the sustainability of customers' consumption activities through the sale of environmentally friendly products. Furthermore, the company raises the recollection rates of waste products and resources using a service network connected to its CODY and Doctor systems.

- GHG emissions: 0.277tCO₂e/KRW 100 million (5.1% decrease year on year)
- GHG reduction through solar power generation system: 33.3 tCO₂e
- Sales of eco-friendly products: KRW 603.4 billion (20.7% increase year on year)
- Sales of refurbished products: 18,583 units (33.9% decrease year on year)

Social Value Utilizing the company's expertise, Coway conducts social contribution activities such as the Love of Water campaign, sharing water filtration appliances, and digging water wells in Cambodia. In addition, it established a girls' boarding school in Tanzania through regular fundraising jointly with customers and employees.

- No. of facilities participating in the Love of Water campaign: 1,000 places
- No. of beneficiaries from sharing water filtration appliances: 20 households (10% of the 200-household goal currently underway)
- No. of wells dug with support from Coway: 895 places (95 places in 2014)
- No. of participants in the Rent for Help campaign: 10,287 persons

2014 Coway Achievements

During its 25th anniversary in 2014, Coway used the year as a strategic starting point for growing as a sustainable company over the next 25 years. It expanded its business view and redefined this view as "technology responsible for life." It also pursues differentiated policies from its competitors by introducing unprecedented premium products and services. Also, Coway internalized its business philosophy—"We believe in Goodness"—and continuously made bold initiatives in each business division. The company made especially meaningful achievements by strengthening core capabilities in many ways, such as reinforcing the CODY unit and sales foundation, diversifying its sales channels, creating higher customer value through innovative products, and coming up with strategies to grow its overseas business.

Reinforcement of the Sales Foundation

Recently, competition is becoming fiercer in the market as customers' interest in the environment and related business opportunities increase. Coway further strengthened its foundation for sales in 2014 to pursue continuous growth by maintaining its market share in the environmental appliances business and by concurrently creating new profit channels. The company reinforced local management by focusing on each specific region, conducted projects to improve the level of sales productivity, and heightened its customer services. As a result, both the sales volume and number of managed accounts increased in 2014 (sales of rental contracts reached 1.33 million units, a 14 percent increase over the previous year, while the total number of accounts reached 5.62 million, a 3.1 percent increase year on year). Coway also maintained a stable cancellation rate below 1 percent (0.98 percent) during the year.

2014 Rental Sales Volume



1.33 million units

No. of Customer Accounts (Cumulative)



5.62 million accounts

Diversification of Sales Channels

The online channel-based market is rapidly growing as the ratio of customers' purchases via non-door-to-door channels, such as home shopping and the Internet, increases. Coway introduced a "hybrid mall," a new sales channel that combines door-to-door sales (Coway's major sales avenue in the past) and online sales in order to secure competitiveness in the online market. Additionally, the company expanded its off-line sales channels, such as discount stores and home shopping, to increase accessibility for the average customer. Coway expects that it can further reinforce its competitiveness as it secures new customer groups by diversifying the number of its sales channels.

Online Hybrid Mall



For more details on Coway's approach and strategies regarding customer-oriented product innovation as well as 2014 achievements and future plans, see the section "Maximization of Product Convenience and Improvement of Eco-friendliness" on page 22-25.

Reinforcement of R&D for Premium, Innovative Products

Coway has released premium products to fulfill customer needs and appeal to people emotionally by applying new technology so that it can provide customers with greater value than ever before. In 2014, Coway released the Handspan water purifier series (Handspan CHPI-380N, Handspan Sparkling CPS-240L, Handspan Barista CHPC-330N), dehumidifying/humidifying air purifier APT-1014E, clinic bidet BASH21-A, all of which featured distinguished R&D and design capabilities. In 2015, the company is concentrating its abilities on R&D so that it can make people's lives more convenient and healthier than ever before through the development of IoT-based products and solutions.

R&D Investments

Areas	2012	2013	2014
R&D investments (KRW 100 million)	314	308	318
Ratio against sales (%)	1.58	1.45	1.47
No. of R&D employees	387	364	354

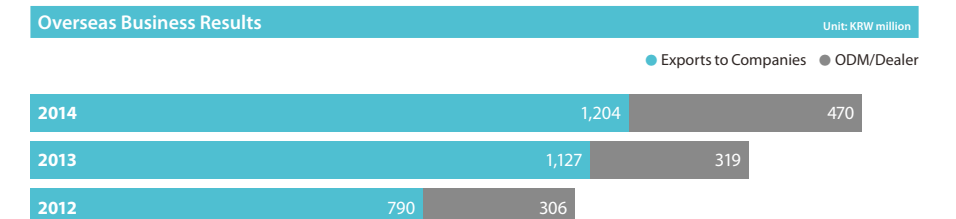
Intellectual Property Rights Owned by Coway (Registered patents & utility models)

Areas	2012	2013	2014
No. of new registrations (cases)	50	54	57
Cumulative no. of registrations (cases)	607	661	718

Growth of Overseas Businesses through Selection and Concentration

In 2014, Coway's overseas business (exports) achieved KRW 167.4 billion in sales, a 15.8 percent increase over the previous year, through expanded sales of air purifiers and increased exports to foreign companies. Along with this, Coway's major overseas subsidiary in Malaysia recorded KRW 83.8 billion in sales, a 16.4 percent increase over the previous year, while Coway's U.S. branch recorded 44.0 billion in sales, a 13.3 percent increase year on year. Moving ahead, Coway will strengthen its integrated brand competitiveness abroad and actively advance into other overseas markets with products that meet the needs of foreign customers based on the company's uniquely innovative technology.

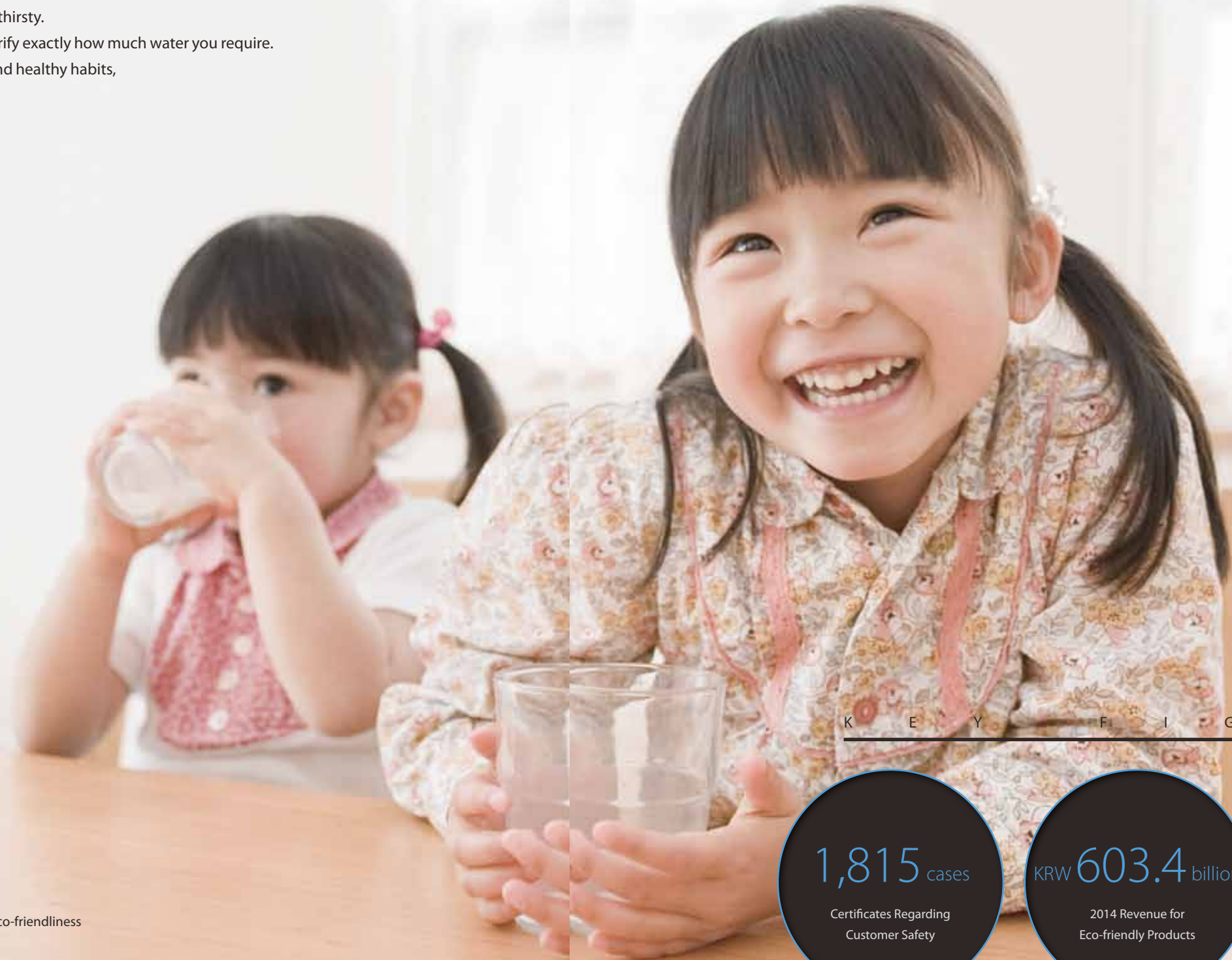
Overseas Business Results



For more details on Coway's overseas business, see the "Business and Products" section on page 8-9.

Material Aspect

It starts with a habit—a habit of drinking water only when you're thirsty.
 Coway's new water care service manages this habit so you can verify exactly how much water you require.
 At Coway, we know how important it is to preserve clean water and healthy habits,
 Coway's loCare (Internet of Care) is all about caring for people.



K E Y F I G U R E

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2014 Material Aspects

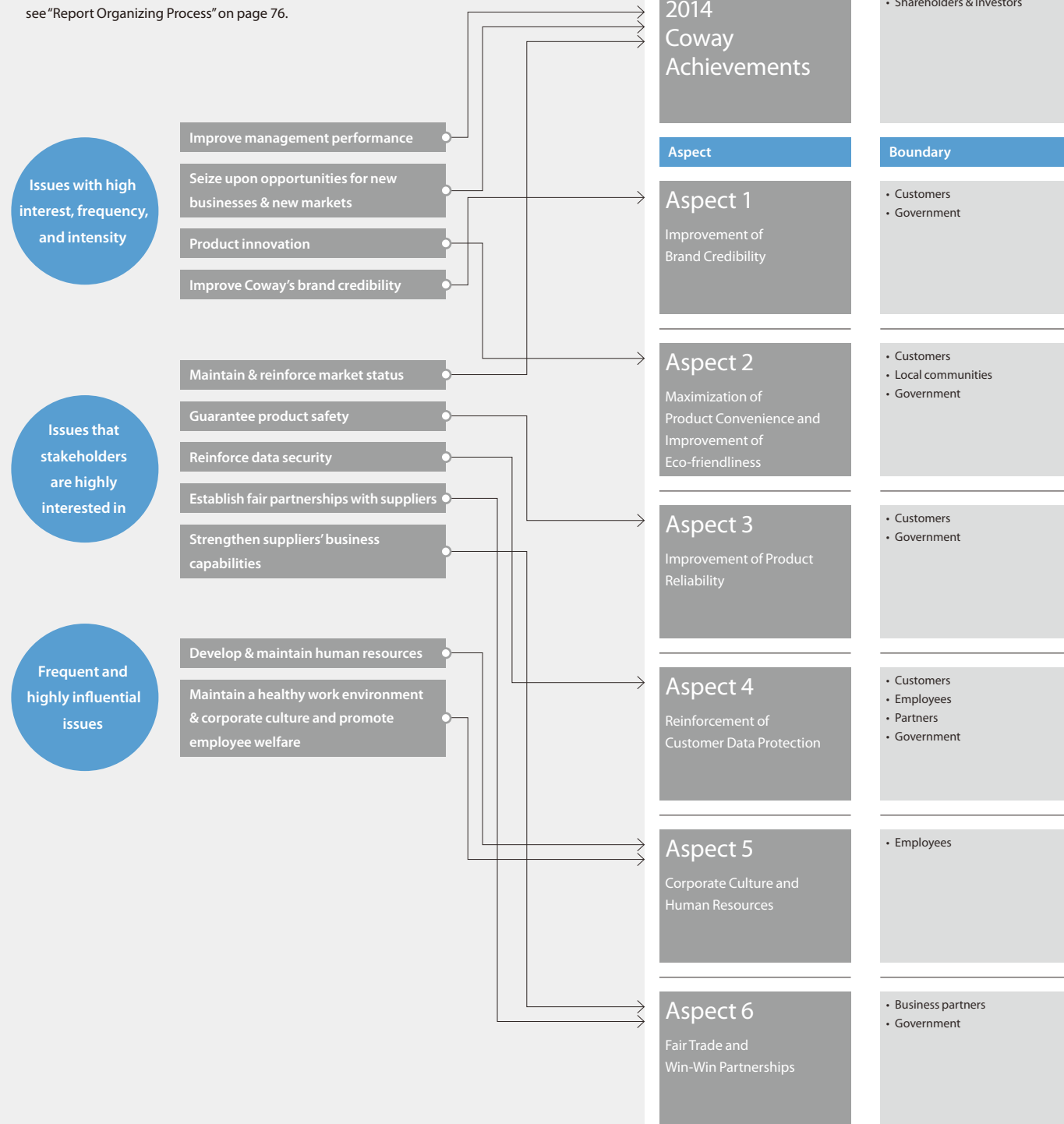
Since 2013, Coway has selected issues through its materiality test and categorized these material aspects depending on their correlation. Coway then reports on core achievements in its sustainability management based on these aspects.

In 2014, six material aspects were once again selected: the improvement of brand credibility; product innovation; the improvement of product reliability; reinforcement of customer data protection; corporate culture and human resources; fair trade and win-win partnerships.

Through this sustainability report, Coway will communicate with stakeholders about what these six material issues mean to Coway, the company's efforts to create happiness for stakeholders regarding each issue during the year, and the value created as a result of such efforts.

2014 Summary of Selected Material Issues

→ For the material issue selection process, see "Report Organizing Process" on page 76.



Section Organizing Background

For Coway, 2014 was a year of meaningful change to reinforce core business capabilities and to prepare for future growth. Thus, we created a separate section to express this more clearly.

Reason of Materiality

As a company dealing with air and water purification, both of which are essential for a healthy life, maintaining customers' trust in the company's products and brand image is the most influential factor regarding Coway's competitiveness.

Supplying better products and services is a basic necessity for any company. Furthermore, as environmental problems occur frequently around the world, there is a greater social need for the development & adoption of new technology that can respond to these problems.

It is a company's obligation to abide by the standards and regulations related to its products so that customers can use them safely, especially with rental business, as customers need to make regular payments on a long-term basis. This makes it imperative for Coway to provide products that can be trusted for a long period of time.

With the development of communications technology, the acquisition and distribution of personal data became easier than ever, yet security systems and people's awareness regarding this area is quite low. As significant personal data leaks have occurred many times over the years in Korea, the public remains worried about the problem becoming worse in the future.

To allow newly employed members to adapt to the workplace and to provide workers with a suitable environment for them to freely present their capabilities are crucial factors in improving corporate culture. Moreover, taking into consideration that the average life expectancy has risen, Coway must also manage its human resources effectively.

Since polarization and fair trade-related problems occur between large companies and suppliers, the Korean government encourages shared growth between large companies and suppliers. On top of that, stakeholders' awareness about suppliers' sustainability management has been increasing lately.

Approach

In 2013, Coway established an integrated brand system, and has communicated with stakeholders on its corporate identity as well as its expertise in air and water purification. Also, through the Love of Water project, the company has been establishing its brand image as a socially essential company (specializing in water purification) that creates profound social value.

Centered on its R&D Center, Coway conducts research on technology and designs, which is designed to facilitate customers' use of products. Coway also endeavors to manufacture products that are free from hazardous substances and reduce excessive energy or water consumption. Lastly, Coway conducts research to produce items that may be used regardless of the time or location.

Coway has incorporated its Reliability Center, which specializes in testing equipment and manpower, into its R&D Center to provide quality products that can be used for a long period of time without any problems. Coway ensures this by testing product design, durability, usage environment, packaging & transportation, and analyzing performance & breakdown results.

Coway not only abides by regulations regarding data protection, but also operates personal data protection units and systems under the CPO. In fact, the company only collects essential data for its sales activities, monitors outside threats to its storage and usage, and safely destroys all unnecessary data through an outside sub-contractor.

Coway has clearly defined its organizational culture, including business philosophy—"We believe in Goodness"—six core values, and the way of work, while conducting various activities to internalize such culture in its everyday work practices. In addition, to improve business competitiveness through HRD, Coway has strengthened training programs and reorganized evaluation system.

To establish fair relationships with suppliers, Coway signs fair trade agreements based on the Standard Agreement on Fair Trade and faithfully abides by it at all times. The company operates online and offline communication channels to listen to various demands from suppliers, as well as supports capital, infrastructure and training programs to strengthen suppliers' competitiveness.

Activities

- Communicating on the customer value created by Coway
- Creating social value using the company's brand value
- Leading customers to sustainable consumption through green communication activities

- Innovation for the convenience of customers' lives
- Innovation for improving customers' quality of life
- Innovation for the environment

- Reinforcing the testing of product reliability
- Strengthening reliability testing capabilities
- Supporting suppliers with reliability technology
- Acquiring product safety certification

- Reinforcing the data management system
- Raising employee awareness about security

- Defining & spreading Coway's organizational culture
- Improving the management system of human resources
- Reinforcing the capability development of human resources

- Establishing fair trade relations with suppliers
- Reinforcing the foundation for management safety
- Supporting infrastructure for and communication suppliers' growth
- Measuring and managing shared growth indicators

Plans

- Suggest the image of a leading company through continuous series of ads
- Seek ways to communicate new CI for the expansion of the existing image
- Expand the Love of Water Campaign

- Develop premium products
- Develop smart-care technology
- Develop products targeting overseas markets

- Reinforce safety design standards into its premium products
- Expand the company's role as a licensed testing organization
- Establish a globally recognized Integrated Certification Center that can effectively respond to the IoT era

- Conduct training related to data protection of sales units, new employees, and suppliers

- Develop support programs associated with employees' lifecycles

- Pursue shared growth with suppliers through 3S (Stretch, Speed, Simple) and 3P (Process, Partnership, People) strategies to promote small yet strong suppliers

Aspect 1

Improvement of Brand Credibility



What we believe

Background and Approach

Background

Based on its expertise and sense of responsibility regarding air and water purification, Coway works hard to make the lives of its customers healthy and enjoyable. This is part of the reason it is essential for Coway to actively communicate with customers about the value provided by the company's products, technology, and services, and to ultimately establish a high level of trust in doing so.

In addition, as social awareness about sustainability increases, all stakeholders have a greater desire to create value for the environment and society, while at the same time enjoying the intrinsic value of the products and services they consume. Thus, the ability to induce sustainable consumption by informing customers of a wide range of environmental and social value created through its products is expected to have a greater influence on the improvement of Coway's brand value in the future.

Approach

Coway communicates with customers about its identity as a "company responsible for life" as well as its business philosophy. To achieve this, the company has established a single brand system that focuses on the corporate brand Coway. It has also introduced reliability in the safety and performance of its products, and works hard to improve air and water quality, thereby promoting Coway's sincerity towards the improvement of everybody's living environment. Furthermore, the company is increasing its brand credibility throughout society as it carries out activities aimed at providing community services that draw upon Coway's unrivaled business abilities.

Coway Brand System				
Company Brand				
Product Group & Category	Water Purifier	Air Purifier	LooLoo bidets	Water Softener
	<ul style="list-style-type: none"> Hybrid purifier Ice dispensable purifier cold & hot water dispensable purifier cold water dispensable purifier 	<ul style="list-style-type: none"> humidifying/dehumidifying purifier humidifying purifier dehumidifying purifier general purifier hazardous gas purifier dehumidifier 	<ul style="list-style-type: none"> Clinic Bidet Sterilization Bidet General Bidet 	<ul style="list-style-type: none"> Water softener Beauty water systems Clean washer
	Mattress Care <ul style="list-style-type: none"> Mattress Frame Care Service 	Food Waste Processor	Well-being Products	

What we do

2014 Major Activities

Communication on the Creation of Customer Value

| Delivery of Corporate Identity and Customer Value

In order to deliver distinguished value to customers, Coway continuously conducts research on people's living environment so that it can provide better air and water quality as well as the performance and design of products. In 2014, Coway came up with a corporate PR series consisting of three pieces in order to effectively communicate with stakeholders about its intentions.

Corporate Identity: Technology Responsible for Life Coway plans to improve the quality of air and water so that customers can enjoy better, safer lives. The company has communicated with customers by expressing this through its corporate identity: "technology responsible for life."

Water Filtration Appliances: Water Map Project Coway's introduction of its Water Map Project, which researched on water quality around the world, clearly conveyed its expertise in providing clean water.

Air Purifiers: IAQ Field Tests Through its ad campaign on IAQ field tests—an analysis of air quality when products are actually used in the real world—Coway showed its commitment to providing clean, healthy air inside buildings.

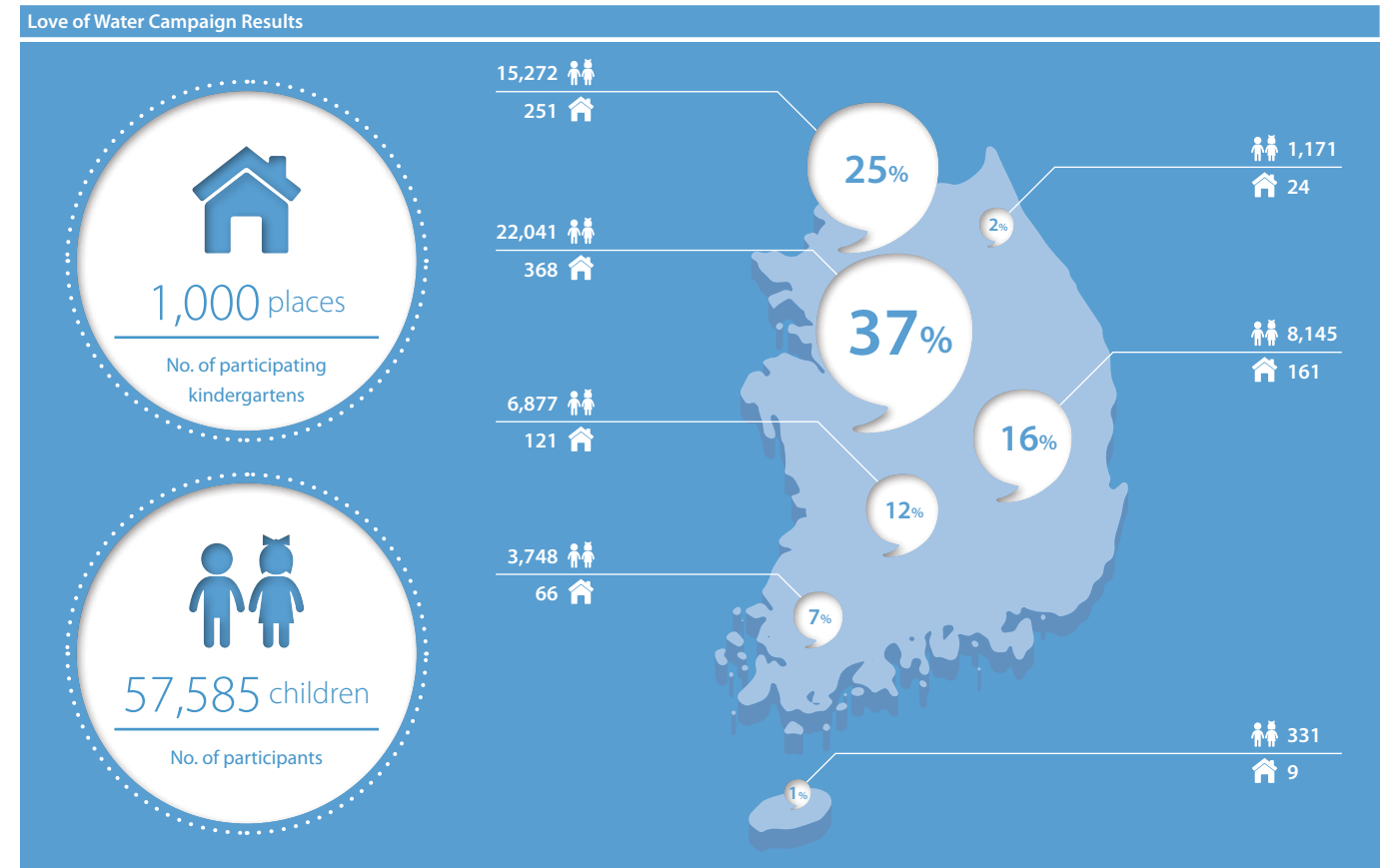
Creation of Social Value through Brand Value

| Water Growth Project

Coway's vision is to become THE lifestyle design company and ensure top-quality health for its customers. As a corporate responsible for healthy air and water, Coway recognizes that most Koreans drink far less water each day than the World Health Organization recommends.

With the aim of increasing Koreans' water intake, Coway launched its Water Growth project in 2013. Part of this involved informing teenagers about the importance of drinking water regularly. At the same time, Coway conducted a campaign in 2014 to establish healthier water-drinking habits among infants & preschool children.

Love of Water Campaign It is best for infants make a habit of drinking a healthy amount of water from a young age and then take this habit into adulthood. In Korea, however, 84 percent of infants and preschool children (ages 3-7) have been found to drink less water than WHO's daily recommended water intake. That is why Coway is conducting its Love of Water campaign, an educational program to encourage infants and preschoolers to realize the importance of drinking water and get into a habit—twice in the morning and twice in the afternoon—at facilities such as daycare centers and kindergartens, where many children of that age spend most of their time during the day.



Current Status of Water Growth Project			
	2013: Water Growth Campaign	2014: Love of Water Campaign	-2016
Target	Elementary & middle school students	Infants and preschoolers	Continuous growth of the Love of Water campaign
Definition	A project to increase the amount of daily water intake (instead of soft drinks) of teenagers	A project to encourage infants and preschoolers to make a stable routine of drinking water	
Goal	Help them understand the importance of drinking water by making them realize physical benefits of sufficient water intake (e.g. healthier skin, weight loss)	Spread awareness about the importance of drinking water among infants and preschoolers while encouraging daycare centers and kindergartens to join the project	
Method	Run a "Water Growth" educational program for selected middle school students - 1st and 2nd-year students	Share information with facilities, such as kindergartens, upon developing programs for healthy-water drinking routines for young children	
Meaning	Contribute to in the growth and health of teenagers by improving their water intake habit	Contribute to the health of future generations by developing solid water-drinking routines	

Inducing Sustainable Consumption through Green Communication

Recognizing eco-friendliness as one of the key factors for corporate management, Coway minimizes its impact on the environment throughout its business activities, from production to the disposal of products. Coway conducts green communication in order to inform stakeholders of its intentions towards environmental management, share awareness about environmental issues, and to seek solutions that respond to these issues.

Participation in the Carbon Footprint Gallery 2014

The Carbon Footprint Gallery is an exhibition to promote the development of eco-friendly products and a healthy consumption culture. Coway has participated in the event since 2012 and communicated with stakeholders about Coway's efforts to reduce the environmental impact of its products and their top-quality eco-friendliness.

At the 2014 exhibition, Coway presented a product with higher eco-friendliness and spatial efficiency. The product encapsulates Coway's aim to offer clean water to everyone, while also protecting the environment for future generations.

Exhibited Product at the Carbon Footprint Gallery



2014 Exhibit: Slim-type cold/hot water purifier (CHP-260L)

- 1st-grade energy consumption efficiency through eco-friendly technology
- Optimized water tank capacity that responds to customers' average daily water use
- Improved spatial efficiency through its compact size




Communication about the Eco-friendly Effect of Products

In order to minimize the environmental impact caused by the use of its products, Coway is constantly developing new technologies. As a result, the company has been certified for its reduction of energy use and carbon emissions from various stakeholders, including official certification agencies in Korea and overseas. Also, to inform customers of the eco-friendliness of Coway products effectively, the company makes use of 1st-grade energy eco-labels. Once attained, Coway also discloses other certificates related to its eco-friendly products. Based on such efforts, Coway's sales of eco-friendly products increased by 21 percent over the previous year to KRW 603.4 billion in 2014.

Eco-friendly Certifications Acquired	2012	2013	2014
1st-grade energy consumption efficiency (cold/hot water purifiers)	2	2	5
Low-carbon product certificates	1	1	1
Carbon emission certificates	-	-	3
Eco-label certificates	-	5	1

- 1st grade energy consumption efficiency is based on the cumulative number
- The other certifications are based on the no. of certifications earned each year

Major Certifications

 <p>Carbon emission certificate</p> <p>This is given to a product whose quantity of GHG emissions is calculated throughout the whole process of its production and use.</p>	 <p>Low-carbon product certificate</p> <p>Of all the products with carbon emission certificates, this particular one is given to a product with lower carbon emissions when the emission levels are lower than the average emissions from similar products.</p>	 <p>Eco-label certificate</p> <p>This label is given to a product with improved eco-friendliness in terms of pollution, GHG emissions, and energy consumption when compared to similar products that are used in the same way.</p>
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What we achieve
External Achievements Regarding Brand Credibility

Improvement of Customer Preference through the Creation of Social Value

In 2014, Coway conducted a Love of Water campaign in the wake of its Water Growth campaign in 2013. This campaign not only caused positive effects, such as improving the water intake quantity of teenagers, but also heightened public awareness and respect for Coway. According to the company's own research, the Love of Water campaign increased people's preference for Coway by 20 percent over the previous year and has had a positive influence in creating awareness that Coway provides distinguished value to customers and greatly contributes to the society as a company responsible for life.

Raising Coway's Status through Brand Management

Coway constantly communicates with customers about its identity as an environmental appliances & service company that has a positive effect on customers' living environment and health. Furthermore, Coway is establishing its position as a premium brand through compact, multi-functional, high-quality water filtration appliances, air purifiers, and bidets. In 2014, the company raised its brand status through premium products, customer-moving services, and the creation of social values, which include the Love of Water Campaign. In fact, Coway was named as Interbrand's top 50 Korean brands (38th) at the 2015 Best Korean Brands Analysis.

Our future direction
Plans and Direction

Reinforcement of Communication with Stakeholders

Communication about Corporate Identity
In 2014, Coway achieved positive results in improving its corporate brand image and brand credibility through a corporate PR ad series about corporate identity. In the future, the company will maintain its communication efforts with customers, while also giving serious consideration to its new corporate identity as Coway continues to change on a mid- and long-term basis.

Continuous Creation of Social Value through Brand Value

Continuous Growth of the Love of Water Project
Water is a core business industry for Coway. Under such expertise and capacity, the Love of Water campaign is a significant project for the company because the project is aimed at creating positive social values. In just three weeks, the number of facilities participating in the campaign reached the company's goal of 1,000. In doing so, Coway clearly recognized the public's interest and understanding of the importance of healthy water-drinking habits. By 2016, Coway plans to be leading roughly 4,000 facilities in its Love of Water campaign. Moving forward, the company will also design programs to promote the importance of healthy water intake routines and establish its status as a brand that is essential for a full and healthy life.



Aspect 2

Maximization of Product Convenience and Improvement of Eco-friendliness



What we believe

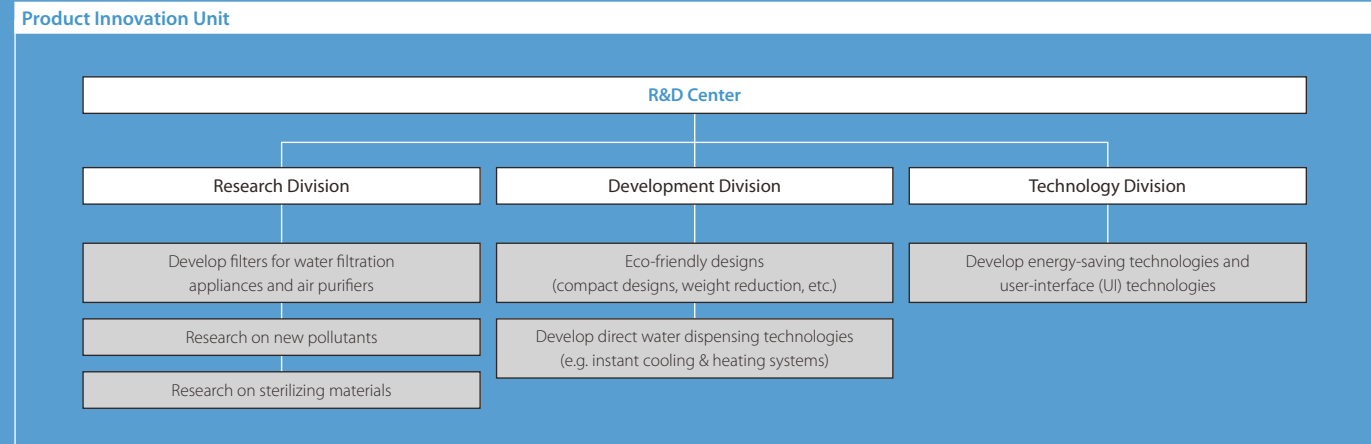
Background and Approach

Background

Providing better products and services is a company's fundamental obligation. Coway considers it important to research customers' living environments and emotions following the use of its products, and to produce the necessary products by precisely understanding its customers based on these research results. Furthermore, as damages caused by climate change and natural disasters spread worldwide, the public's interest in products that can maintain human health and environmental soundness is increasing. Being equipped with the required technology and expertise concerning this subject has become an essential activity for creating new business opportunities at Coway. As a result, product innovation is the most important factor for Coway to maintain its status as a market leader, secure a competitive edge over other companies in the industry, and to provide value to customers.

Approach

Centered on the Research Division, Development Division, and Technology Division at the R&D Center, Coway conducts product innovation to further the health of customers and the environment. The R&D Center researches customer habits, behavioral patterns, and areas where products are used so that customers can feel the highest satisfaction when using Coway products. At the same time, it conducts research on air and water quality through its expertise in air and water purification so that customers can lead healthy, happy lives. On top of this, the company develops advanced technology to apply to products in order to minimize the environmental impact caused by the usage of Coway products.



What we do

2014 Major Activities

Innovation for a More Convenient Life

Research on Customer Emotions

In order to develop products that enable customer convenience, it is essential for a company to understand the usage environment and situations surrounding this usage. This is why Coway established a Customer Emotional Awareness Lab at the R&D Center, where customers can test products in an environment similar to an actual home, and then reflects these research results in developing new products. Additionally, Coway continues its research on customer convenience from various perspectives, such as user interface (UI) and design office. Likewise, Coway always endeavors to manufacture products that look good and are easy to use.

Developing Innovative Products by Researching Emotions After carrying out research on customers' opinion, Coway recognized that there is an increase in demand for products that can be used in small spaces; those that are multi-functional and also able to blend into the kitchen's interior perfectly. To fulfill this demand, Coway conducted research on advanced technologies with compact designs that are also multifunctional.

For example, in 2014 the company released premium water purifiers such as ultra-compact ice water purifier (CHPI-380N), sparkling water purifier (CPS-240L), and coffee water purifier (CHPC-330N). Coway also introduced humidifying and dehumidifying air purifiers that combine humidification and air purification. Coway also introduced a three-fold sterilization bidet, which includes a sterilization function. The bidet's tip was made of ceramic, thereby adding more value to our customer's pleasure. It is no surprise, that Coway's innovative products have been recognized for their excellent designs and leading corporate identity, which emphasizes cleanliness, as the company has been the recipient of four major design awards worldwide: the Red Dot and iF in Germany, IDEA in the U.S., and Good Design in Japan.

Research on IoT-based Products

A hot topic in the electronics industry, IoT is technology that imbeds sensors and communications functions inside a variety of Coway products, all of which are connected to the Internet. When IoT is applied to home appliances, companies can easily collect and analyze data related to the customer's use of its products and then develop solutions for each individual. In 2015, Coway became Korea's first company in the environmental appliances industry to conduct a three-stage R&D project aimed at providing IoT-based smart care products and customized solutions for customers.

For stage 1, to design a platform, Coway launched a department in charge of the project in May 2014, then carried out a pilot project in which it selected 1,200 homes and public places where Coway products were being used. At this point it could measure/analyze customers' living environment and product usage patterns. Based on these results, the company will release water purifiers and air purifiers that provide customized filters and solutions in the latter part of 2015 (stage 2). For stage 3, Coway will expand its smart care technology into all of the company's product groups.

Innovation for Improving Customers' Quality of Life

Research on Air and Water Quality

Centered on Environment Analysis Center, Coway has the ability and infrastructure to conduct research on air and water single-handedly. The company has testing organization licenses from both Korean and foreign authorities. This infrastructure for analysis includes an Instrumental Analysis Lab for Organic and for Inorganic Matter, and a Microorganism Analysis Lab. It also employs professional human resources, including 18 water specialists, licensed by the Water Quality Association (WQA), and eight of them are water sommeliers.

Trends in Water Quality Research Coway is a company that specializes in water, which is closely related to all of our customers' lives. As environmental pollution becomes ever-more serious, the company is working hard to improve eliminating disinfection by-products, endocrine-disrupting chemicals, radiative substances, and medical substances in water, in order to protect customers' health and safety. As quality of life gets better, more customers tend to consume "tasty water," which led Coway to establish Sensory Evaluation Center for Water Taste. Today, the company is working hard to produce the specific type of water our customers want to drink.

Water Map Project

Coway has established a global water quality database to ensure its products remain at the highest quality level in any usage conditions around the world by researching water quality in numerous countries with different environments and infrastructure for using water. The company started research on Korea's water quality in 1999, and extended its scope to foreign countries shortly thereafter. As of the end of 2014, Coway had gathered 2,176 water quality data sets from 41 countries.

Trends in Air Quality Research Lately, air pollution is worsening and pollutants like ultra-fine dust occur frequently, causing serious damage to the human body. As such, Coway is doing its part to develop an ultra-fine dust elimination performance index and solutions by looking into the characteristics of ultra-fine dust that occurs in Korea and China, and then developing the relevant technology. Also, the company is carrying out R&D for air purification technologies that can remove radon and radon progeny from the air, both of which can cause lung cancer.

· Radon progeny: byproducts of radon gas and also emits radiation.

Innovation for the Environment

Development of Products for Customers' Water Use Reduction

Coway produces nano-trap filters with both a high-filtration rate of hazardous substances and high-purification efficiency, assisting customers in reducing their water consumption when using water filtration appliances.

Water Use Reduction through Nano-Trap Filters		Unit: tons
2014		2,269,398
2013		1,855,018
2012		903,309

· Based on the number of products with nano-trap filters installed each year (cumulative since 2012)

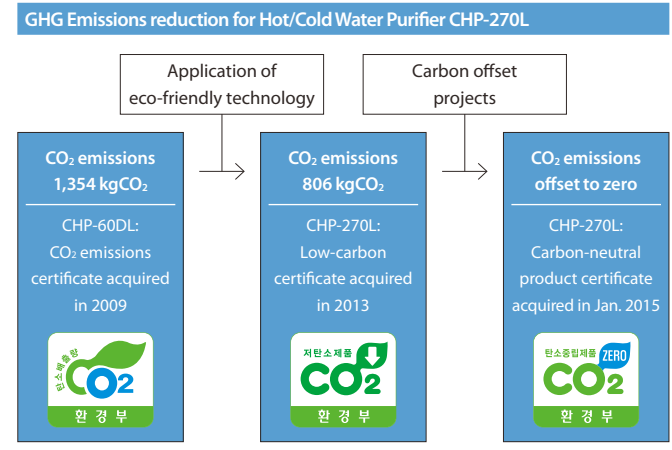
Development of Products with Improved Energy Efficiency

One of the greatest impacts that Coway products have on the environment is their energy consumption at the usage stage. That is why Coway works relentlessly to minimize the environmental impact of its products by improving their energy efficiency.

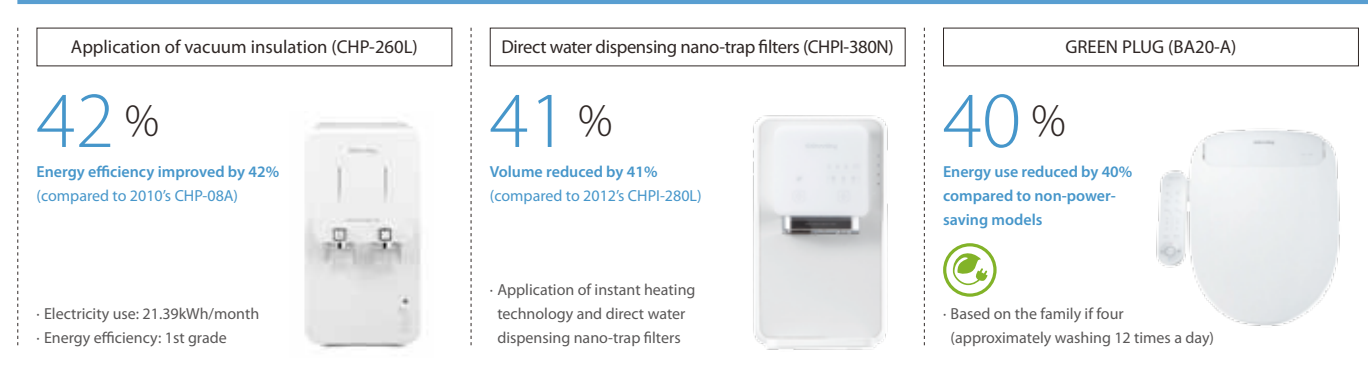
In 2014, vacuum insulation materials were installed in the CHP-260L water filtration model so as to reduce power consumption and maintain water temperature. At the same time, the volume and weight of the CHPI-380N were largely reduced by applying instant heating technology and nano-trap filter technology (direct water-dispensing type). With bidets, the smart energy-saving function GREEN PLUG, which automatically controls power consumption based on a customer's usage pattern, was applied to new products, thereby reducing energy use.

GHG Emissions Reduction Efforts through Eco-friendly Technology and Carbon Offsets

With the ultimate aim of reducing emissions, Coway measures GHG emissions through the whole process, from production and use to disposal of its products. Starting with the cold water filtration model CP-07BLO in 2008, the company has steadily measured carbon emissions throughout the entire process of environmental appliances, including bidets and air purifiers, and has since acquired numerous carbon emissions certificates. The company has also received low-carbon certificates by consistently applying eco-friendly technologies such as eco-friendly refrigerants and vacuum insulation materials to its products. Furthermore, Coway has constantly run projects to offset carbon emission and as a result, received the Carbon-neutral Product Certificate for the CHP-270L hot/cold water purifier in 2015. Coway is the first company in Korea to have attained this award.



Improved Energy Efficiency in Coway Products



What we achieve
External Achievements Regarding Product Innovation

Health-related New Technology Certification for Clinic Bidet (BASH21-A)

In collaboration with the research team at Seoul National University Hospital Coloanal Department, Coway newly invented a unique water dispensing system, which serves a similar function as a hip-bath tub. It received the Health Technology Certificate from the Korea Health Industry Development Institute. Coway later applied this technology to its clinic bidet products. Whereas conventional bidet products only focused on sanitation and cleanliness, Coway's new product expanded the value a bidet can provide to its customers by adding a health factor into its production.

Attainment of the Energy Winner Award in the Green Equipment Division

CHPI-380N, an ice-dispensable water purifier, was awarded the Energy Winner Award by the Ministry of Industry, Trade, and Energy in 2014. To minimize energy consumption for constantly heating or cooling water, this product presents an "instant heating / cooling technology," which requires little energy only when someone wants to drink water from the purifier. With the market-leading technology it possesses, Coway will continue to consider energy efficiency even in the future.

Our future direction
Plans and Direction

Development Direction of Innovative Products

Development of Premium Products

Coway has fulfilled consumer demand for compact products that can be used in small spaces by releasing compact-sized water filtration appliances as part of the Handspan series. In addition, the company offers better value through multifunctional convergence products. In 2015, Coway will continue to apply compact designs and convergence elements to its products, and will release premium products with unrivaled filter technologies.

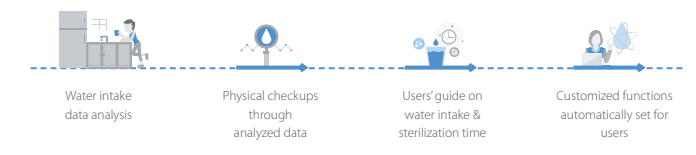
Development of Products Targeting Overseas Markets

In order to explore other opportunities overseas, where Coway does not have the same market dominance as it does back home, the company is developing customized products that target rapidly growing foreign markets such as China and North America. The company is especially interested in carrying out consumer surveys and design research in China, which faces some serious environmental issues such as air pollution caused by fine dust, R&D on localized products is currently under way.

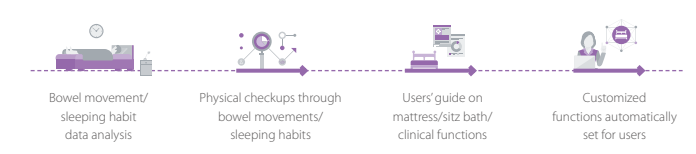
Development of Smart Care Technology

In response to the age of IoT, Coway is conducting a project to develop sensor technology that enables the gathering of information on water & air pollution, energy use, and filter usage in customer homes. The company's goal is to bring about customized solutions by analyzing the collected customer data. Through customized solutions for different customers, Coway will build a foundation for expanding new businesses in the future.

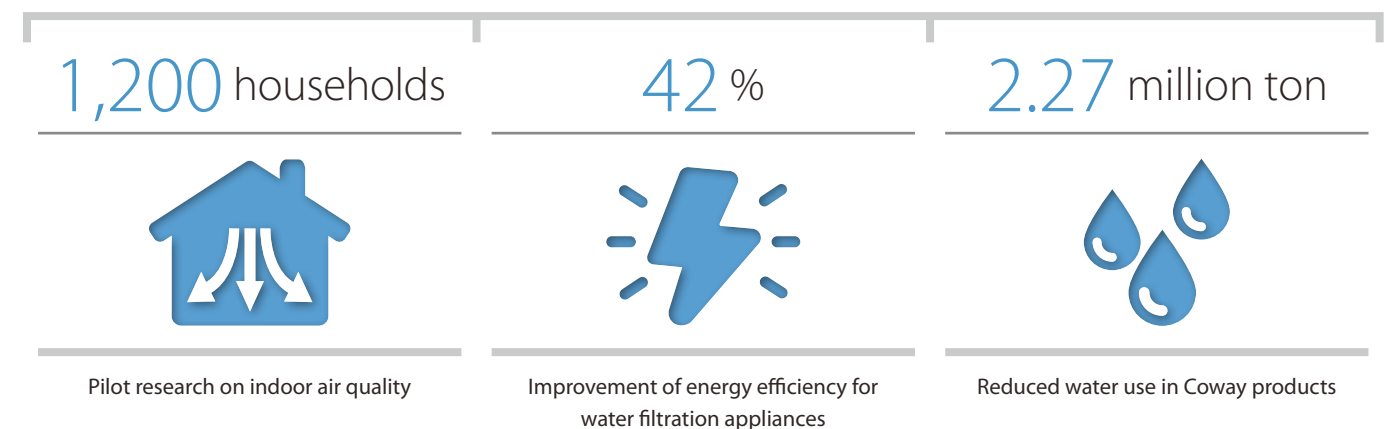
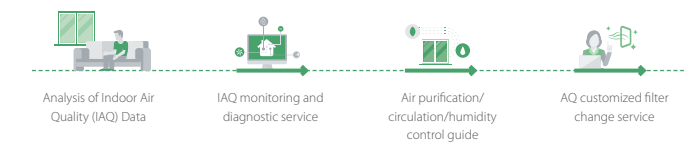
Smart Water Care Through its water filtration appliances, Coway will be able to check customers' daily water intake, analyze individual water-drinking habits through accumulated water intake data. It plans to provide water care service so that customers can develop healthy habits when it comes to drinking water.



Smart Health Care Coway will soon be able to analyze customers' physical condition by analyzing their sleeping patterns and bowel movements. This will allow the company to realize customized health management solutions (functions and services) based on the precise information it receives so that customers can remain in optimal health condition.



Smart Air Care Coway will monitor real time air quality of its products while in use so that it can build a database of changes in air quality and to provide optimized care services for its customers' living spaces.



Aspect 3

Improvement of Product Reliability



What we believe

Background and Approach

Background

Responsibility means completing high-performance products that fully meet customer's demands and are durable enough to last for a long period of time. Coway forms long-term relationships with customers through rental services. Coway always considers that it important to enable customers to use its products safely and with pleasure.

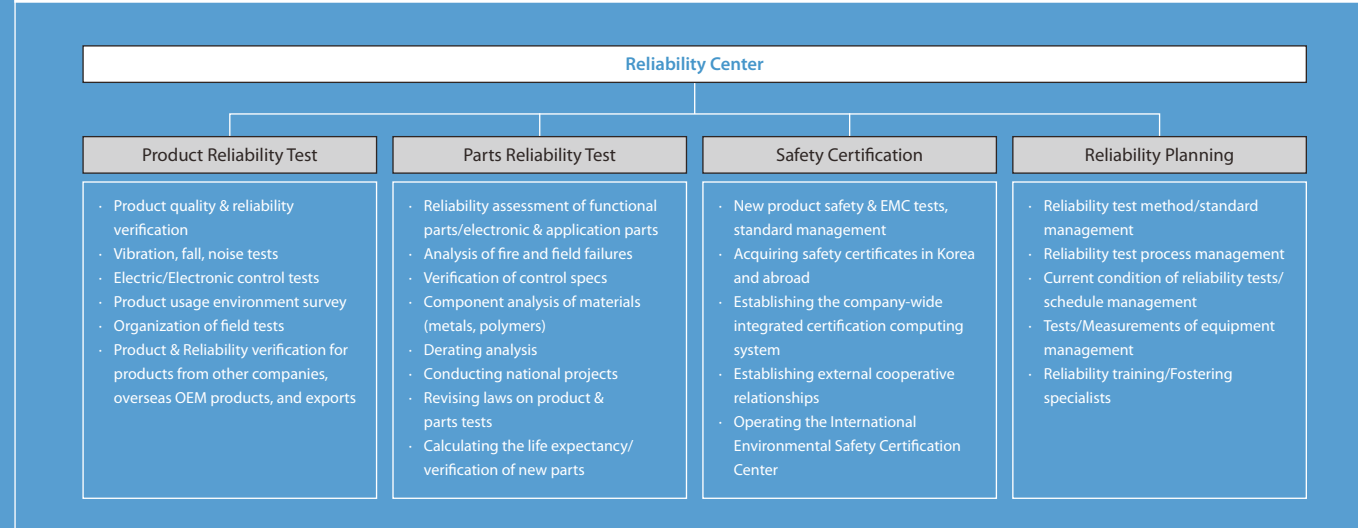
As competition becomes fiercer with the globalization of markets and the application of convergence technology, introducing reliability testing standards at the highest international levels and possessing the capability to single-handedly develop and test products are emerging as very important factors of competitiveness. As such, Coway will continue to improve its brand value and status based on accumulated technology that ensures reliability.

Approach

In 2013, Coway incorporated the Reliability Center—the core unit for improving product reliability—into the R&D Center, and reinforced the reliability verification process to increase the completeness of product design and strengthen its product quality.

With a total of eight labs, including Parts Reliability Test Lab and Failure Analysis Lab, the Reliability Center conducts rigorous tests in terms of product & parts endurance, environment, packaging & transportation, and performance & failure analysis so that the company can provide long-lasting, top-quality products without failure. Also, for the first time in the Korean environmental appliances industry, Coway established an International Safety Certification Center, which is equipped with roughly 150 kinds of specialized testing equipment in areas spanning electrical safety, electromagnetic waves, and standby power. This has allowed the company to raise its corporate competitiveness by developing and producing optimized products that respond to the different standards of countries around the world.

Product Reliability Improvement Unit



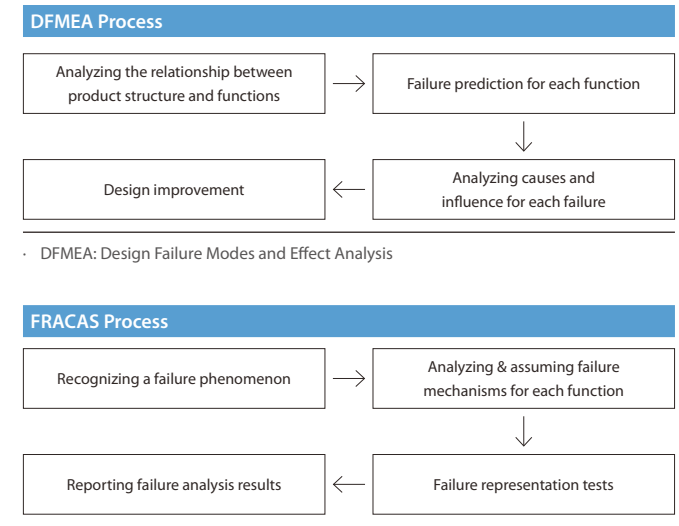
What we do

2014 Major Activities

Reinforcement of New Product Verification

Reinforcement of Failure Prediction & Analysis Capabilities

In 2014, Coway adopted Design Failure Modes and Effect Analysis (DFMEA) because the company had recognized the relationship between product structure and functions in developing new products. These models closely analyze possible failure factors and effect for various situations of product usage. Coway's DFMEA delivers more precise analysis, as it analyzes failures for each function in use, unlike common analysis methods which focus on failure prediction for each part of a product. In addition, the company has responded to failures by establishing a Failure Reporting, Analysis, and Corrective Action System (FRACAS) to prevent the recurrence of the same failure through precise analysis of causes. Coway expects that its product reliability will only be strengthened as the company improves the completeness of product design and prevents any inconvenience for customers regarding defective products or failures in its final products.



· DFMEA: Design Failure Modes and Effect Analysis

· FRACAS: Failure Reporting, Analysis, and Corrective Action System

Q-Field Tests in Korea and Abroad

Coway operates Q-field tests both in Korea and overseas in order to overcome the limitation of tests and assessments conducted in restricted environments such as laboratories. Coway also assesses its product suitability and design to soothe the product's usage environment. Coway compares test results before coming up with more exacting test methods, reflects users' views in product quality assessment systems, and minimizes local problems by establishing a database for overseas product usage environment through implementing a Q-field test on exported products.

· Robust design: A way in which to minimize the impact of variations that a manufacturer cannot control (e.g. temperature, humidity, and user tendencies and behavior during a product's usage) on the operation and quality of a given product.

IAQ Field Tests

Recognizing that air quality changes from place to place, Coway carries out extensive research to eliminate pollutants from public places. Including schools, offices, hospitals, and restaurants. Through such efforts, the company has developed air-purifying technology that eliminates over 99 percent of fine dust and pollutants in the air.

Reinforcement of Reliability Testing Capabilities

Establishing & Amending Reliability Test Methods

In an effort to secure product reliability testing capabilities that meet the most stringent global standards, Coway established a total of 115 reliability test methods in 2009 after examining examples of six advanced companies in Korea and abroad, international standards (IEC, ISO), national standards (KS, MIL, JIS, BS), those of related organizations (JEDEC, EIAJ), and Coway's own standards. Since then, the company has continually reflected failure cases and test methods from the customers' point of view every year, and as of 2014 claimed the rights to 229 reliability test method cases as intellectual properties.

Established and Amended Reliability Test Methods

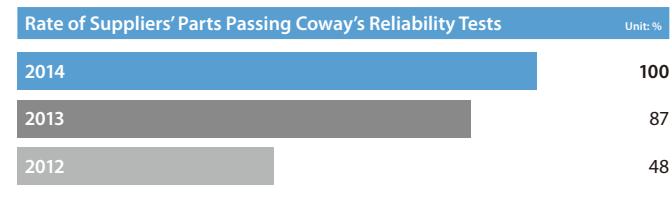
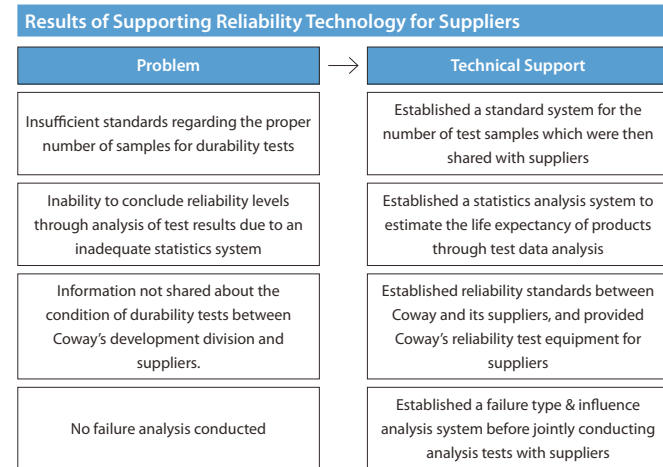
	2009	2010	2011	2012	2013	2014
Establishment	115	27	17	22	22	26
Amendment	0	28	17	14	29	24

Re-verifying the Effectiveness of Accelerated Life Test Methods

The accelerated life test is the process of testing a product by subjecting it to conditions (stress) in excess of its normal service parameters to estimate the life expectancy of a product. Coway has continuously made use of an accelerated life-testing system since 2009, and secured the standards to strengthen product durability in 2014 by re-verifying the effectiveness of these very same test methods.

Supporting Reliability Technology for Suppliers

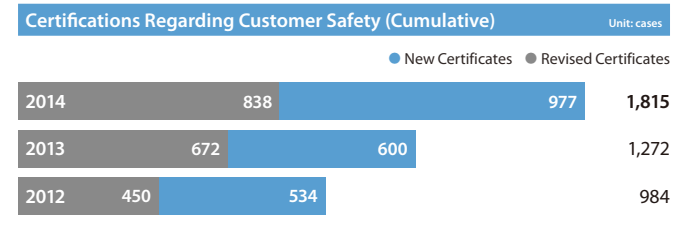
As a result of reliability tests for new parts in 2013, Coway discovered that there were many new parts that did not meet Coway's exacting reliability standards, making it necessary to improve suppliers' reliability capabilities. In 2014, Coway selected five leading suppliers by considering delivery volume and failure rates in reliability tests to support their work process when assessing their own reliability.



Acquisition of Product Safety Certificates

In order to receive objective recognition for the company's efforts to manufacture reliable and durable products, Coway acquires certificates from official organizations for all of its products. Coway will continue to carry out even rigorous quality management tests, develop more advanced technology and new test methods, and provide the most reliable products for customers.

Major Certifications for Each Product Group	
	Water Filtration Appliances This certificate is only given to water purifiers that meet the Korea Water Purifier Industry Cooperative's rigid standards & specifications. All of Coway's water filtration appliances has received this certificate.
	Air Purifiers Issued by the Korea Air Cleaning Association for quality certificate, Coway has acquired the CA mark for all of its air purifiers. The HH mark for all of its products which include humidification function.
	Bidets This is a certification system based on KTR's safety standards regarding improved factors in products. Coway was awarded this certificate for the sterilization technology for ceramic ware used in bidets.



What we achieve

Achievements Related to Product Reliability

Korea's First IEC/EN 61770 Testing Lab

Coway was the first Korean company to obtain the license to be an official IEC/EN 61770 testing lab from Nemko, Norway's national safety standard organization.

The IEC 61770 verifies the safety of a set of hoses connected to a water pipe against back flow, water leaks, and bursts. This certification is essential for water purifiers and bidets in markets such as Europe where safety is greatly emphasized.

After Coway received the license from the official testing lab in 2014, the company was then able to conduct the entire process on its own, from product development and safety verification to securing certifications in Korea and overseas. Accordingly, Coway can now provide the safest products for its customers more quickly than in the past.

The KOLAS RCM Certification Testing Lab

On a broader level, Coway was officially recognized for its testing lab by the Korea Laboratory Accreditation Scheme (KOLAS), and became an international testing lab on electromagnetic compatibility (3.011) in addition to its existing qualifications for testing home appliances and similar equipment (3.007). Soon after this, Coway acquired the Regulatory Compliance Mark (RCM) from Australian authorities, requiring the company to run compatibility tests for both electronic and electromagnetic equipment using nothing but its own expertise. This has helped Coway reinforce its competitiveness in overseas markets by reducing the time and cost for obtaining new marks.

Our future direction

Plans and Direction

Reinforcement of Product Safety Testing Capabilities

Reinforcement of Safety Design Standards as Premium Products
 Coway's International Safety Certification Center will reinforce product safety through the design and safety testing capabilities it has accumulated over the years to strengthen the image of its premium products.

Strengthening Test Methods on Water Resistance Coway will apply IPX5, a higher level of water resistance test standard to bidets and will carry out IPX1-level water resistance tests for other products, including air purifiers, thereby securing a more rigorous level of product safety than its competitors.

Ensuring EMF Safety Coway will examine any harmful elements related to electromagnetic fields (EMF) in advance and compare EMF generation between Coway products and its competitors to make sure the highest level of safety is being maintained. Furthermore, Coway is planning to capture EMF's impact by providing quantitative data.

· EMF: Evaluation on harmfulness of electromagnet

Expansion of Official Testing Lab Licenses

Coway's International Safety Certification Center has acquired 15 different licenses to be an official testing lab. In 2015, it will obtain a license to be a CVC Lab from China's Vkan Certification & Testing Co., Ltd, allowing it to better respond to industrial policies and management issues in China, which are becoming ever-more sophisticated. Additionally, the center will apply to become an official testing lab for energy consumption efficiency internationally, giving it the in-house ability to deal with energy efficiency verification mark systems around the world.

Response to the IoT Age

Establishment of a World-Class Integrated Certification Center

In order to prepare for the IoT, the International Safety Certification Center is establishing a verification system to assess product safety with specialized equipment and manpower, so as to eliminate all risk factors. It will also expand its verification infrastructure regarding new technology by building cooperative systems.



Aspect 4

Reinforcement of Customer Data Protection



What we believe

Background and Approach

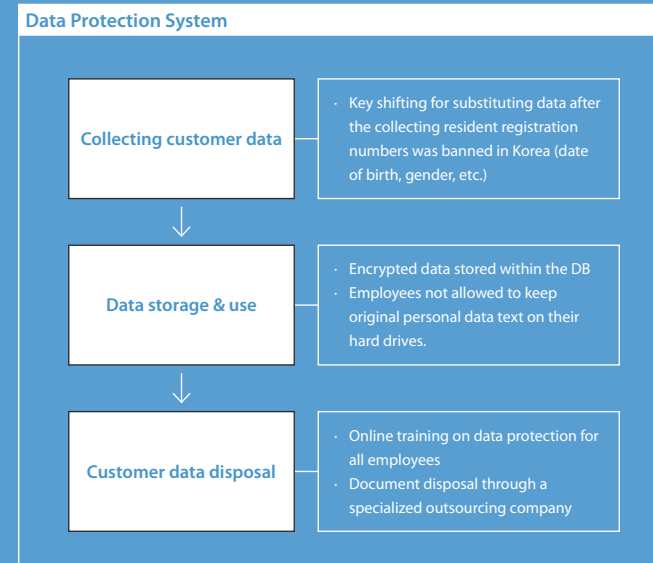
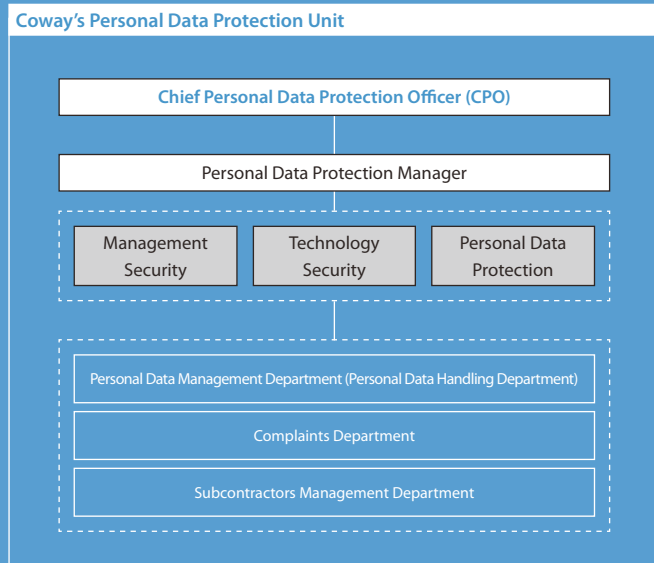
Background

While it became easier for companies to receive and distribute personal data with the development of communications technology such as the Internet and mobile networks, the measures companies take to reinforce a sense of security remain unsatisfactory. As social problems caused by personal data leaks occur from time to time, customers are becoming more anxious.

Due to the inherent characteristics of the rental business, Coway collects personal data from many of its customers. Therefore, handling customer information safely is a core issue in building trust and maintaining business sustainability. Furthermore, since the company expanded its online business through Hybrid Mall in 2014, it has become more necessary than ever to establish a proper data protection system for diversified influx & handling routes of customer data.

Approach

When Coway started work on data protection systems, it put the highest priority on the prevention of customer data leaks. Currently, the company operates a personal data protection unit and system with the CPO at the center of activities. In fact, Coway not only abides by all laws and regulations related to data protection, but also runs a 24-hour detection and monitoring system against external attacks. Furthermore, the company only collects data it requires for customer management; protects all data from external threats during the storage & usage process; and carefully disposes of it to protect against leaks after making use of the data.



What we do

2014 Major Activities

Reinforcement of Data Management System

Enhancement of Data Protection Regulations

Coway's data protection regulations were originally published as a one-volume policy book, a nine-volume guidebook, and an eight-volume procedure manual. In 2014, the eight volumes of procedure manuals were expanded into 15 volumes. Today, the existing system security management procedure has been improved so that employees can execute data protection more systematically by dividing the procedure into seven detailed parts, which include the network, database, server security, data protection system security, and implementation of a system to manage workers who have access to personal data.

Response System to Personal Data Infringement Accidents

To deal with personal data infringement accidents, Coway established a five-step response procedure and management system. The company now conducts training that includes mock hacking against major workplaces and the data management system, preparing itself against external threats like DoS (Denial of Service) and DDoS (Distributed Denial of Service) attacks. In 2014, there were no data security related accidents like personal information leaks, and Coway will continue to work tirelessly for the safe use and processing of customer data in association with the data management system.

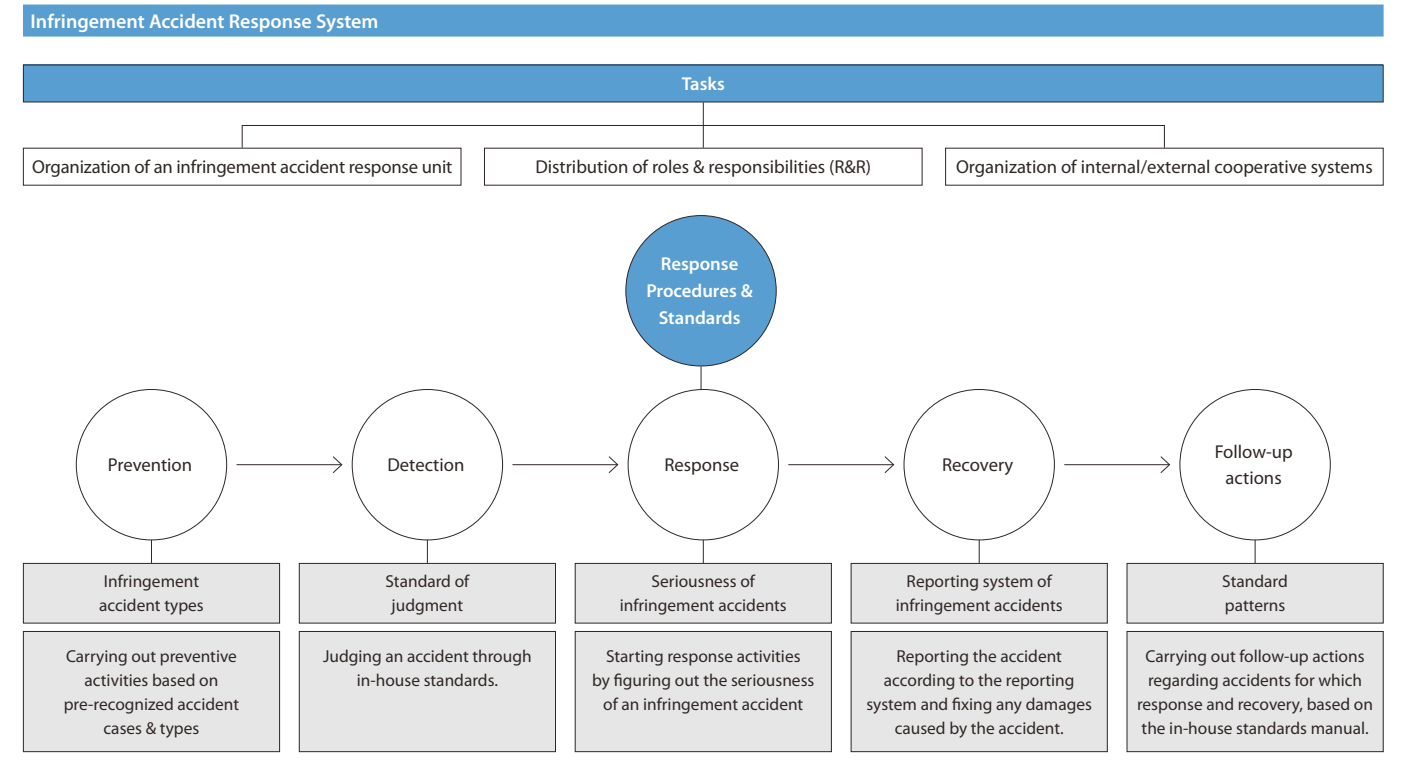
Overhauling the Diagnostic System for Data Protection

Coway overhauled its diagnostic system for data protection by classifying the system into constant diagnosis, regular diagnosis, and system diagnosis. The company regularly monitors personal data on every employee's hard drive and takes note of everybody's records when accessing the personal data processing system. In 2014, a total of 49 system diagnostics tests were conducted, with every violation of security procedure corrected.

In addition, examinations through direct visits as well as system diagnostic tests through the IDC's mock hacking efforts are conducted for major workplaces so that employees can conduct security activities voluntarily.

2014 Information Security Evaluation Results Unit: times

Type of Diagnosis	Number of Evaluations Performed	subject
Regular Diagnosis	7	headquarter office
System Diagnosis	6	headquarter office
Diagnosis for Employees' PCs	36	headquarter office



Inspiring Employees' Sense of Security

Data Protection Promotion

To imbue sales and service workers with a sense of personal data protection, Coway launched a series of promotional activities through its in-house magazine. Also, the company produced videos about to-do lists for personal data protection and aired them on Internet Protocol television (IPTV). Furthermore, it distributed mouse pads and stickers (for computers) to workers that are specially designed to promote security.

Expansion of Training on Data Protection

Coway not only reinforces its data protection capacity from a technological perspective, but also works hard to strengthen employees' sense of data protection. In 2014, the company expanded the scope of training on data protection to staff members in sales units, and applied rigorous standards to allow people to complete the training program only when they pass the entire training program test. On top of this, Coway separately provides more specialized offline training programs for key position holders who are closely related to the collection and handling of personal data. This includes executives, team leaders, personal data handlers, and subcontractors.

Training on Data Protection by Position			
	Position	Number of participants	Training completion rate
General Meeting/Training	Executives, team leaders	116	100%
	Team members	967	90%
General Meeting/Training	Sales units	1,579	95%
	Personal data handlers	84	100%
	Data management subcontractors	16 companies	100%
Online Meeting/Training	Staff-Chief manager	1,13	100%
	Salesperson	2,87	95%

What we achieve
2014 Major Achievements in Data Management

Acquisition of the ISMS Certificate

After Coway expanded its online business through hybrid mall, a new sales channel in 2014, it had to improve its information management capacity for the safe collection and handling of increased number of customer data. In December 2014, Coway received the Korea Internet & Security Agency's Information Security Management System (ISMS) certificate, which then presented the company with an opportunity to objectively evaluate its capacity for the safe management of information assets and to prepare for the continuous enhancement of the level of information management in the future. With the acquisition of the ISMS certificate, Coway will continue to enhance its information asset protection system, improve employee awareness, and strengthen the capacity of its customer data management system in response to the expansion of its online business in the future.

ISMS Certification

The Information Security Management System (ISMS) is a systematic approach to objectively evaluate the appropriateness of security policies, employees, equipment, and facilities related to the protection of information assets. To receive the ISMS certificate, a company must be examined in terms of 104 controllable matters within five management processes and 13 areas of information protection policies. As for Coway's Internet shopping mall, the service was not sufficient in its corporate size or number of users, but it voluntarily applied for the ISMS certification and received it in 2014.

Our future direction
Plans and Direction

Maintenance and Reinforcement of Data Management System

Centering on its data management unit, Coway will continue to monitor the level of its information asset protection measures and further improve them so it can establish the most optimized level of protection for the company. In addition, it will conduct constant training and promotional activities so that Coway employees and all other stakeholders, including business partners' employees, can spread this sense of awareness about the importance of information management.

Diagnostic Testing & Training for Personal Data Management

By 2016, Coway will have the capacity to collect and handle customers' personal data more safely, which will then allow it to fulfill the requirements needed to obtain Personal Information Management System (PIMS) certification. Accordingly, the company plans on carrying out more diagnostic tests & training for personal data management with all employees in 2015 so as to examine the current status of the personal data management process and improve upon any weaknesses.

Examination of Personal Data Management & Operation Since the overall influence of online activities increases and IoT being introduced at Coway, the gravity of data protection becomes ever-more important. As such, Coway will conduct regular examinations of data protection at the company to prevent and improve inadequate practices so that all employees can handle personal data safely and take the proper steps to deal with any problems that may arise.

Training for Sales Units Due to the characteristics of the rental business, salespeople partly acquire and handle customers' personal information at worksites. In order to raise sales units' awareness about data protection and to manage customers' personal information systematically, Coway will adopt a training program in order to examine the current status of each sales unit's level of personal data protection & management, and subsequently improve weak points in 2015.

Training for New Employees & Subcontractors In 2015, Coway will strengthen its information management training for new employees and subcontractors. For example, online courses will be adopted for regular training upon a new employee starting work at the company.



Aspect 5

Corporate Culture and Human Resources



What we believe

Background and Approach

Background

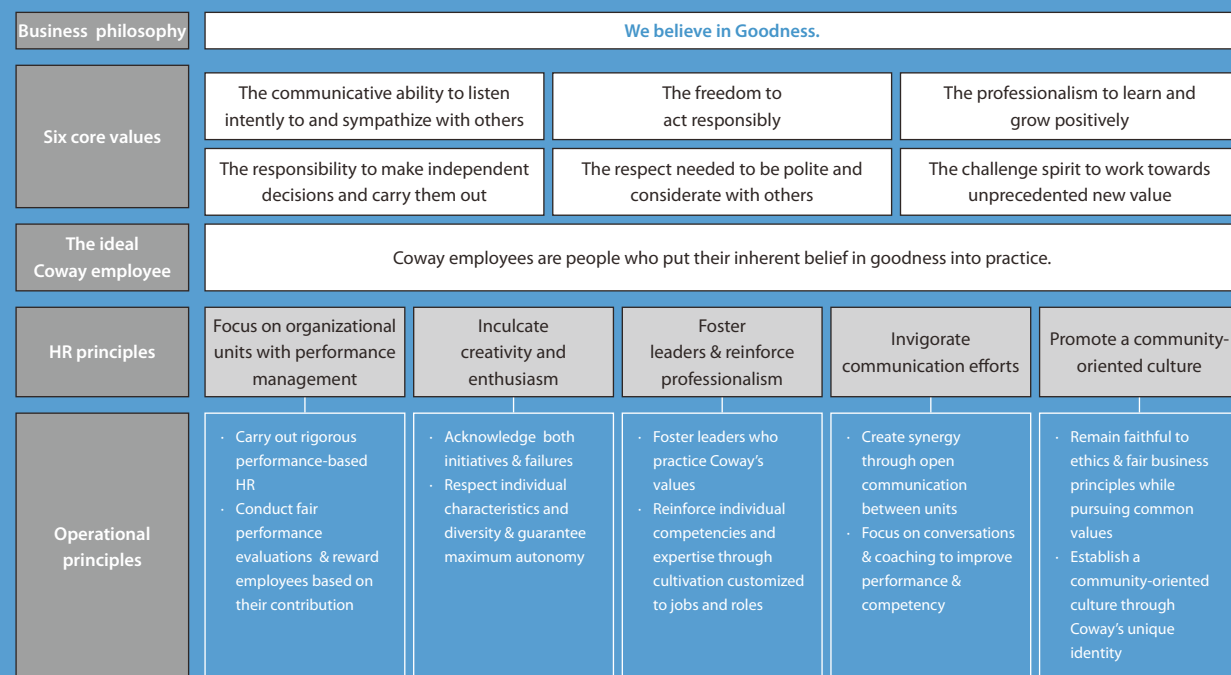
A corporate culture that enables employees to develop their competencies and realize their goals is an important factor not only in increasing employee satisfaction, but also in improving customer value and corporate competitiveness. Additionally, it is a basic element for building trust between employees and company to recruit talented people with diverse competencies which fulfill the expectations of stakeholders, and to provide fair rewards based on their skills and performance results.

Approach

Coway continues to establish ever-greater corporate competitiveness and maintain steady growth despite of increasing market competition by defining its own unique corporate culture and furthering its one-of-a-kind HR system. To this end, Coway came up with a new business philosophy in 2013—We believe in Goodness—as well as six core values. Since then it has worked hard to internalize this into every unit and with employees company-wide.

In addition, Coway is conscious of the many changes occurring in today's business environment that can affect its HR system, including heightened competition with eco-friendly appliance businesses and changes in the social/legal environment, such as longer life-cycles and deferred retirement. In order to respond to these challenges, while also forming long-term, trust-based relationships, Coway has established leading HR & evaluation systems, and plans on instituting training & support programs associated with employees' life-cycles.

Human Resource Management Philosophy System



What we do

2014 Major Activities

Definition & Growth of Organizational Culture

Defining Unique Organizational Culture

Coway has a special unit within the company that best captures Coway's unique organizational culture which can be consistently maintained even amid numerous changes in the business environment. At the same time, it carried out a project to reestablish its business philosophy in 2013. As a result, the company's philosophy—We believe in Goodness—is buoyed by its six core values: communication, freedom, professionalism, responsibility, respect, and challenge spirit.

Growing the Organizational Culture

In 2014, Coway conducted a wide range of activities to communicate the meaning of its business philosophy and six core values, as well as related action plans, among both executives and employees in order to solidify and spread Coway's unprecedented organizational culture, throughout the company.

Internalization of Business Philosophy Recently, Coway spearheaded a training program called Beyond Coway, which is centered on business philosophy internalization, in an effort to spread its philosophy and core values throughout every unit and among all employees, so as to make sound decisions related to business activities. In 2014, 1,178 employees took part in 25 Beyond Coway training sessions. Participants shared practical examples regarding the company's business philosophy and six core values they had experienced at work.

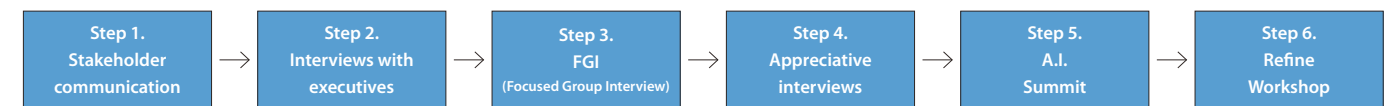
Establishment of the Way of Work through the Council of Compassion

While accepting all of the different work styles at each division, Coway works tirelessly to move the company forward in one single direction. That is part of the reason it founded the Council of Compassion in 2014, which now allows staff members in charge of corporate culture from each division to get together and share ideas and advice. At the two meetings held in 2014, the council gathered opinions regarding such issues as work space improvement, meeting culture, and the invigoration of communication. At the same time, the council is helping shape Coway's new and improved work style, while also carrying out an annual corporate culture campaign.

Communicating on Our Business Philosophy and the Way of Work

Employees regularly think about and then put into action the company's business philosophy. For its part, Coway actively spreads the CEO's message to employees every month so that the company's inherent belief in goodness trickles down through every Coway system, product, and service. Starting with a new year's message from the CEO, the company delivers consistent messages about Coway's identity, the essence of its business, and the way of work. This includes its innovative culture, differentiation of products, professionalism, and responsibility.

Process to Establish Business Philosophy



Improvement of Human Resource Management System

Establishment and Operation of HR Committees

In 2014, Coway improved the communication system between members of the personnel management division. Based on such improvement, Coway has established a personnel management committee committed to executing proper judgments based on evaluation, promotion, and development of human resources.

HR Committees			
	Evaluation Committee	Promotion Committee	Competency Committee
Purpose	<ul style="list-style-type: none"> Improve the objectivity and precision of evaluations Improve the abilities of evaluators 	<ul style="list-style-type: none"> Reinforce the verification of candidates up for promotion Examine the potential of performing higher roles 	<ul style="list-style-type: none"> Foster talented people Strategically manage leaders in management & specialized areas Single out core human resources (in management & specialized areas)
Roles	<ul style="list-style-type: none"> Check evaluation results Listen to other opinions Confirm the final evaluation level 	<ul style="list-style-type: none"> Select a group of candidates up for promotion Review their qualifications & select people to promote Receive final confirmation from the CEO 	<ul style="list-style-type: none"> Foster core human resources Transfer staff members
Organization	<ul style="list-style-type: none"> Division directors Team leaders HR managers 	<ul style="list-style-type: none"> CEO Division directors HR managers 	<ul style="list-style-type: none"> CEO Division directors HR managers

Establishment of Evaluation System by Position

Coway changed its previous method of relative evaluations within teams at each division by expanding the evaluated group into division-wide evaluations. As such, employees at every division who share the same position level are comparatively evaluated regardless of the specific team they are attached to. By doing this, Coway has been able to strengthen weaknesses within the previous system, in which employees working at a lower position could have been put at a disadvantage in terms of their evaluation. Thus, the new system has raised the level of fairness for all evaluations.

Reinforcement of HR Competency Development

Strategic HR Fostering System

Depending on an employee's potential competencies and job fit, Coway has designed a core HR system for strategic HR development to systematically foster human resources that can grow into the company's next generation of leaders and specialists. Through this system, Coway will continue to increase its expertise in all business areas while seeking increased growth in all its markets.

Reinforcement of Customized Competency Courses

Coway considers the specific characteristics of different jobs and units at each division and then determines the most necessary competencies for every individual division. Furthermore, it conducts customized competency development courses, with employees receiving outside training programs and seminars to reinforce strengths and complement weaknesses. At the same time, Coway ensures common competency training for each work position.

What we achieve
2014 Achievements regarding Human Resources and Corporate Culture

Recipient of Grand Prize for the 4th Consecutive Year and Notable CEO Award at GWP's 'Great Place to Work' Awards

Every year, GWP Korea chooses the country's Top Workplaces based on a survey in six areas: trust, respect, fairness, pride, and job satisfaction. In 2014, Coway won the Grand Prize in GWP's general service category for the 4th consecutive year. The evaluation is even more meaningful because it is carried out through a survey with employees, making it a clear indication in this case that Coway employees are highly satisfied with the company they work for. On top of this, Coway also received a CEO Award from GWA Korea, and was singled out for its achievement in establishing fair and autonomous work environment and continuously fostering creative human resources.



Our future direction
Plans and Direction

Continuous Improvement & Completion of Our HR System

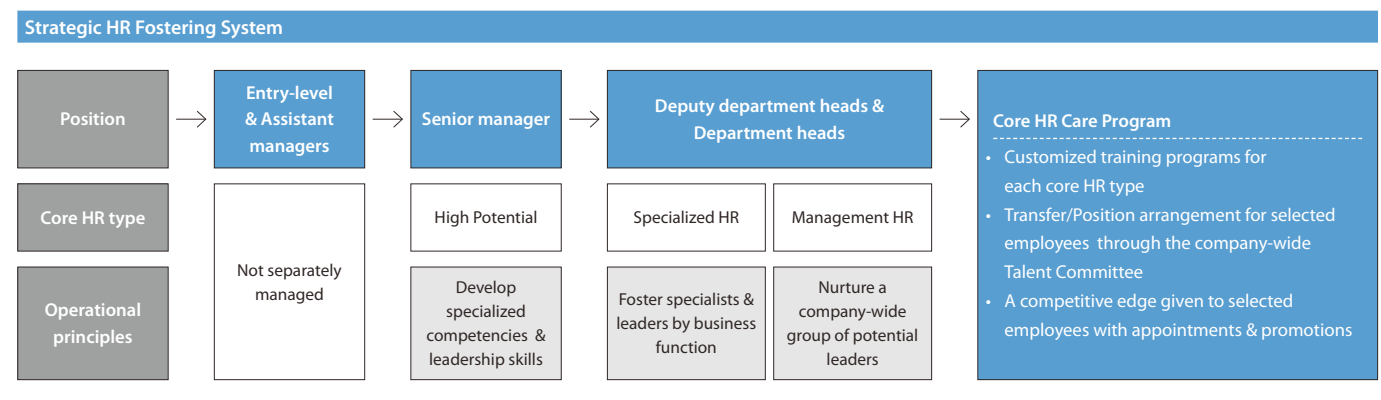
Development of support programs connected to employees' life-cycles
Coway is reorganizing employee support programs such as job training, corporate culture training, and welfare & benefits so that the most appropriate support can be offered according to an employee's growth stage, from their 20s (when many first start working) to their 60s. Coway analyzed existing employee support programs and discovered a number of problems and ways to improve upon them. Moving forward, the company will apply these results to the development of support programs connected to employees' life-cycles.

Direction by Support Program

Job Training Coway is helping new employees adapt themselves to work so that they can develop more specialized competencies and leadership skills as they advance their careers. Furthermore, the company is working hard to foster next-generation leaders and specialists by concentrating support on core human resources with top-quality competencies.

Corporate Culture Training Coway is now laying the foundation for employees' internalizing of its corporate culture by running a common training program for all positions on Coway's core values. By helping employees in lower positions understand Coway better, the company will be able to provide those in higher positions with training programs to help form a stronger corporate culture, with a focus on communication between and among employees.

Welfare & Benefits Coway operates support programs that are tailored for the particular age, stage in life, and associated life-cycle. The company supports entry-level staff and assistant managers with the payback of the student loans, senior managers with housing funds and childcare & school expenses, and retiring employees with future career.



Aspect 6

Fair Trade and Win-Win Partnerships



What we believe

Background and Approach

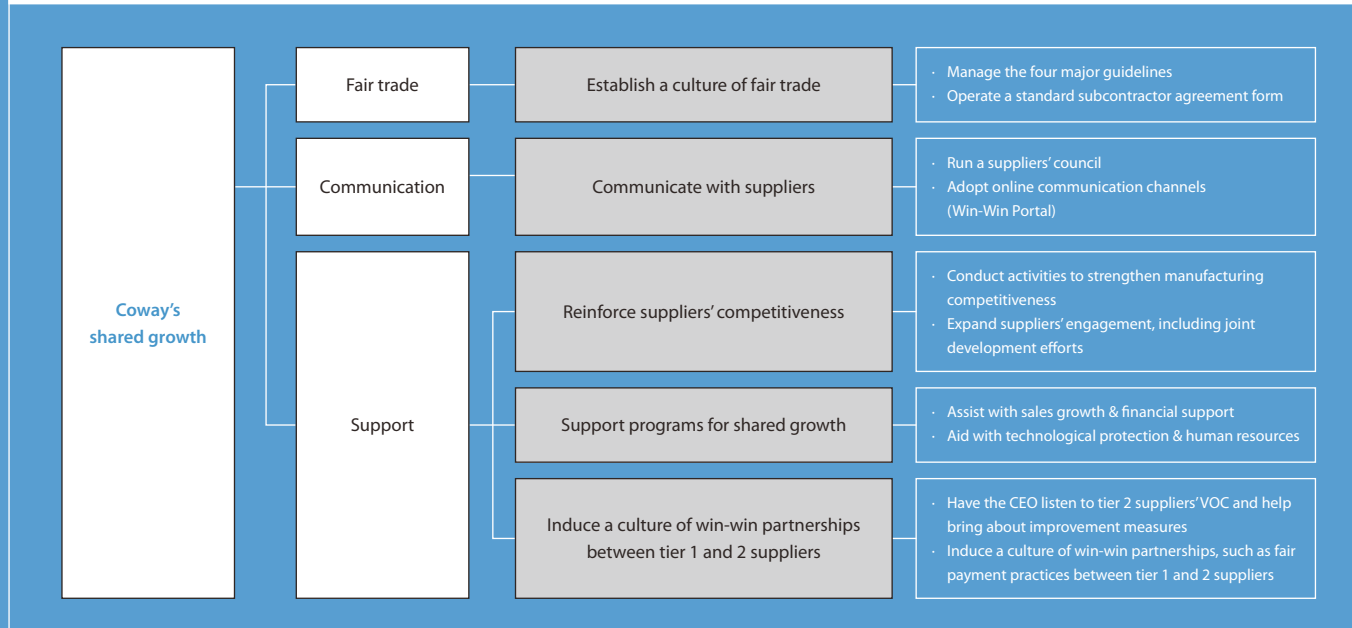
Background

Suppliers are a major element of Coway's value chain, as well as important partners in producing products and services. Thus, it is important to improve/maintain their capabilities in order to reinforce Coway's long-term competitiveness. Today, there is increasing interest in the polarization of large companies and suppliers as well as threats of impeding fair trade in Korean society as the government encourages shared growth between large companies and their suppliers. More recently, stakeholders have been requiring companies to expand the scope of sustainable management to their suppliers.

Approach

In order to establish continuous shared growth with suppliers, Coway carries out activities in five categories under three directions: fair trade, communication, and support. This includes signing fair trade agreements with suppliers that reflect the Korea Fair Trade Commission's standard form of agreement and operating on/offline communication channels to listen to the various needs of suppliers. Also, the company operates programs to support suppliers' operations and competitiveness.

Shared Growth Overview



What we do

2014 Major Activities

Establishment of Fair Trade Relationship with Suppliers

Shared Growth Agreement Ceremony

In April 2014, Coway held a ceremony to sign fair trade agreements between Coway and its primary & secondary suppliers. Companies in attendance signed agreements based on the Korea Fair Trade Commission's standard form of fair trade agreement, and shared Coway's support plans to successfully lay the foundation for shared growth.

4 Major Guidelines for Fair Trade

In order to reflect the supplier's right, interest, and profit, and to refrain from taking unfair advantages over their business, Coway established guidelines for win-win partnerships and jointly operates them with suppliers.

4 Major Guidelines for Fair Trade

1 Contract signing	<ul style="list-style-type: none"> Use the standard subcontractor agreement form Allocate order quantity through supplier evaluations Decide on fair delivery dates Decide on payment amount through a reasonable pricing process
2 Selection and operation of suppliers	<ul style="list-style-type: none"> Abide by industry standards in registering and unregistering suppliers (disclose the standards and process) Provide equal opportunities when starting to trade
3 Launch and operation of Deliberation Committee	<ul style="list-style-type: none"> Launch/Operate an in-house organization to monitor unfair trading Organize the Deliberation Committee (minimum three members) that will include an executive in charge of subcontracts Examine in advance all contracts and pricing schemes worth more than KRW 1 billion
4 Issuance and preservation of documents	<ul style="list-style-type: none"> Prevent any legal violations through the issuance of written contracts Check the adoption of standard written forms (7 kinds) and the use of the management register Preserve written documents

Strengthening the Foundation for Suppliers' Stable Management

Financial Support & Improved Trade Conditions for Suppliers

Coway has organized win-win funds worth KRW 20 billion and provides financial support to strengthen suppliers' competitiveness. It also provides loans at a zero percent interest rate worth KRW 3 billion in order to improve SME suppliers' productivity and product quality. Additionally, in 2014 Coway made all of its payments in cash and shortened its payment terms, which helped suppliers secure liquidity.

Support for Suppliers' Sales Expansion

In 2014, Coway put up exhibition booths at an overseas trade fairs and supported suppliers with their round-trip freight. Also, Coway paid the airfare and accommodation for individual suppliers so they could participate in the fair. This gave Coway suppliers the chance to explore new trade partners while expanding their sales at the same time.

Support for Suppliers' Growth Infrastructure

National HR Development Consortium Project

Organized by the Ministry of Employment and Labor, and executed by the Human Resources Development Service of Korea, Coway was designated as an operating organization in the National HR Development Consortium Project in July 2013. A year later, the company opened a Win-Win Partnership Center, a facility exclusive for practice-based training programs related to the consortium project and communication between suppliers, in Bucheon, Gyeonggi-do.

Recruitment Expo

Due to the fact that suppliers have a difficult time holding events when needing to hire top-quality human resources, Coway hosted its annual Coway Supplier Recruitment Expo in 2014 so that suppliers could promote their companies and secure access to a rich talent pool. At the expo in 2014, 12 suppliers hired 20 new employees.

National HR Development Consortium's Mid-term and Long-term Strategies

	2013: Laying the Foundation for Growth	2014: Visualization of Growth	2015: Stable Growth	2016 Onwards
Tasks	<ul style="list-style-type: none"> Focus on management skills Build a business base 	<ul style="list-style-type: none"> Focus on production technologies Build a training base for technologies such as injection molding Establish a base for environmental training & testing use 	<ul style="list-style-type: none"> Focus on R&D capabilities Build a production base by accepting certain suppliers' ideas Construct remote training infrastructure 	<ul style="list-style-type: none"> Invigorate the consortium and make it more specialized
Participation scope	620 persons from 80 companies · 10% of employees	750 persons from 90 companies · 28% of employees	950 persons from 100 companies · 37% of employees	Company-wide expansion of remote training

Support for Communication with Suppliers and Between Suppliers

Establishment of an Online Communication Channel

In March 2014, Coway launched its Win-Win Portal, an online channel allowing it the chance to listen to suppliers' difficulties and opinions more effectively and to share leading cases of shared growth between suppliers.

Through the Win-Win Portal, Coway is able to introduce the company's shared growth strategies, four major guidelines, and major support programs. The portal is especially effective in that it lets suppliers share information about their activities for shared growth. Moving forward, Coway will continue to spread top cases of shared growth activities among suppliers.

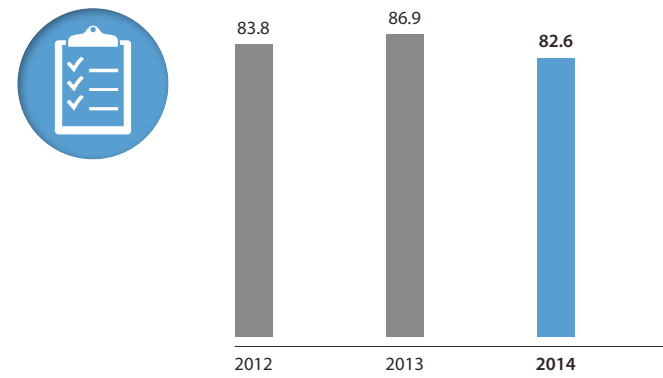
Improved Communication with Tier 2 Suppliers

In 2014, Coway visited four tier 2 suppliers to suggest new business items they should manufacture, and went over each particular suggestion with the related departments from those companies. Also, for effective communication with tier 2 suppliers, Coway launched a cooperative communication channel that has five divisions consisting of 20 companies each.

Measuring and Managing Shared Growth Indicators

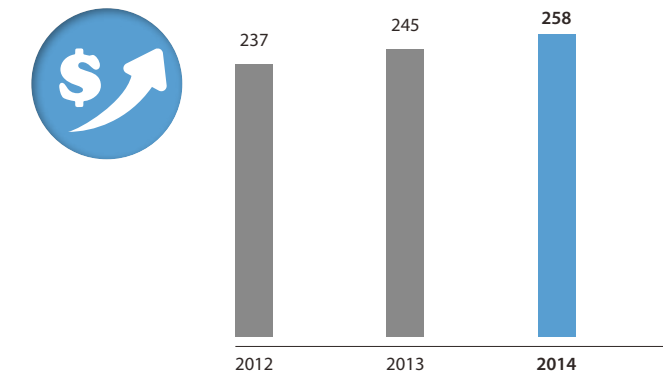
In order to precisely gauge the effects of support and communication for shared growth with suppliers and to further reinforce the company's activities for shared growth in the future, Coway measures and manages suppliers' competitiveness and satisfaction as quantitative indicators.

Innovation Indicator: General Evaluation of Suppliers Unit: points

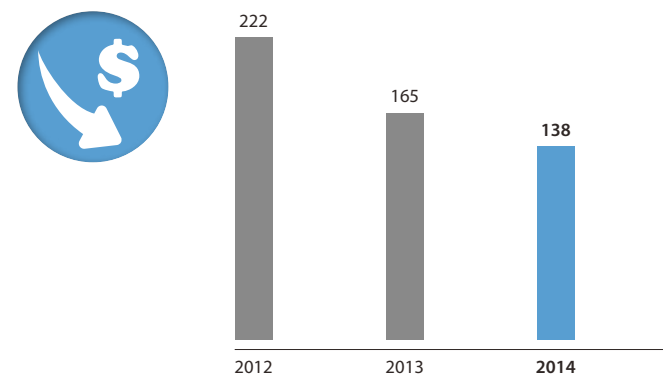


The overall scores dropped due to reinforced evaluation criteria in 2014.

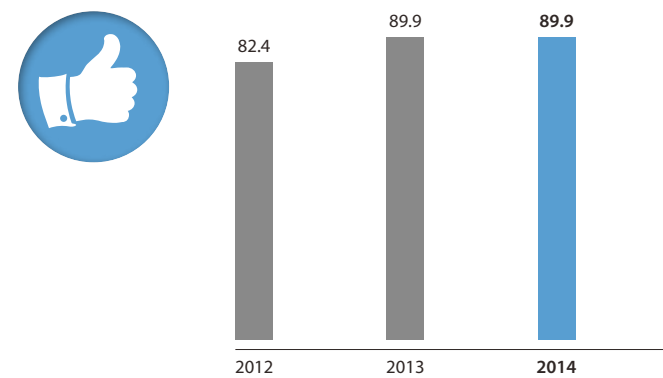
Growth Indicator: Average Sales of Suppliers Unit: KRW 100 million



Stability Indicator: Average Debt Ratio of Suppliers Unit: %



Supplier Satisfaction Survey Results Unit: points



Coway's Supplier Satisfaction Survey is conducted biennially.

What we achieve
2014 Achievements in Shared Growth

Highest Rating in Win-Win Index

The National Commission for Corporate Partnership (NCCP) gives companies a four-level rating scale (normal, fair, good, great) through an evaluation of shared growth based on quantified indicators every year.

For the first time in its history, Coway was evaluated by the NCCP in 2014 and received the highest rating for the fact that the company has conducted effective programs related to financial support, exploration of sales routes, and the operation of the a Win-Win Cooperation Center, all of which was based on the CEO's intent to spur more shared growth.

With the belief that suppliers' competitiveness translates into its own competitiveness, Coway will continue to plan and adopt support activities that practically help suppliers.

Our future direction
Plans and Direction

Establishing Greater Supply Capacity through Suppliers' Innovation

Reinforcing Partnerships for Suppliers' Growth Small yet Strong Companies

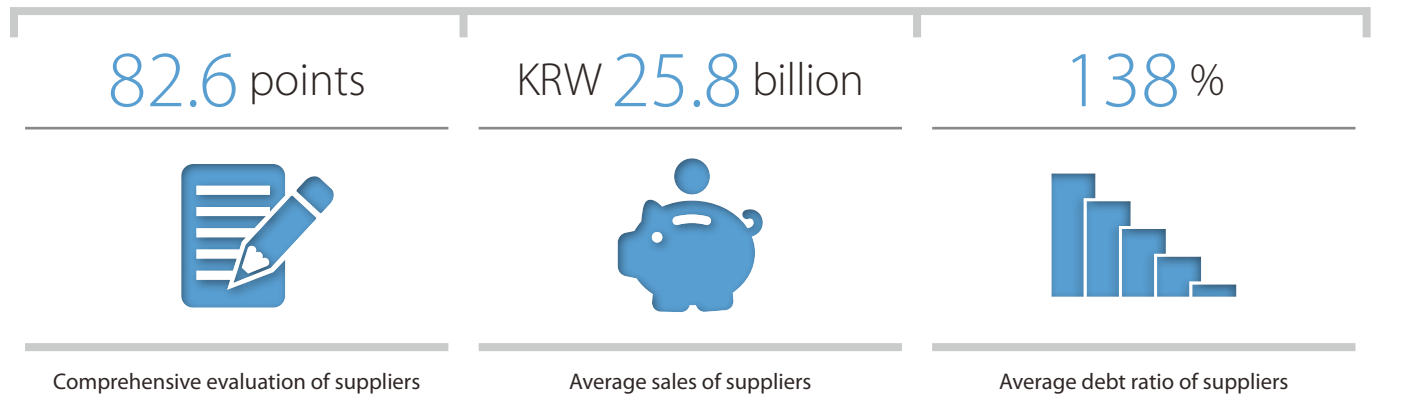
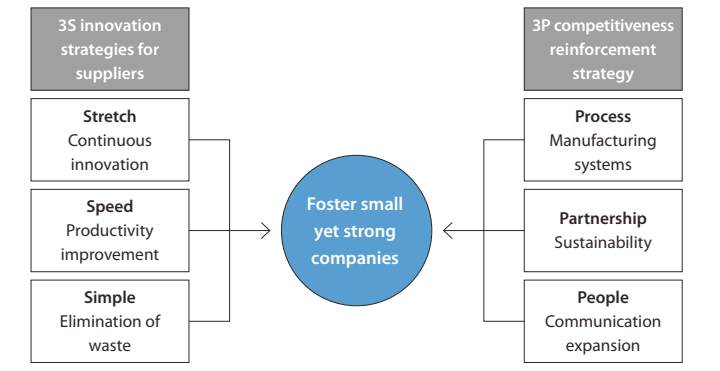
Coway is securing global competitiveness throughout the supply network by fostering world-class enterprises that are small but influential through its support for suppliers' continuous technological innovation. To this end, Coway will carry out its 3S strategy (Stretch, Speed, Simple) for suppliers in 2015 and subsequently adopt a 3P strategy (Process, Partnership, People) to reinforce Coway's capabilities to support suppliers.

3S Innovation Strategy for Suppliers In order to improve small suppliers' manufacturing competitiveness and production capacity to a greater, more influential level, Coway will select major suppliers on which Coway has a high level of dependence and a high purchase ratio, and then lay the foundation for innovation to improve those suppliers' manufacturing competitiveness and management stability.

Coway will send human resources from three departments (Partner Collaboration Team, Quality Management Team, and the R&D Center) to the selected suppliers, and lead innovation efforts through activities such as process optimization, quality stabilization, and support for reliability technology.

Coway's 3P Competitiveness Reinforcement Strategy To systematically manage major suppliers' competencies, Coway will also establish a standard process of managing productivity and quality, thereby improving its capabilities. In addition, it will establish win-win clusters to increase mutual competitiveness, and actively engage in offline communication efforts between itself and suppliers.

2015 Strategies to Foster Suppliers as Competent Medium Scale Companies



Sustainability Management Approach

You worry.
 You hesitate whenever opening a window because you can't see air quality around you.
 Fortunately, Coway's new air care service gives you a peak into the air and the changes going on with it.
 At Coway, we know how important it is to maintain clean air and a healthy environment.
 And Coway's IoCare (Internet of Care) is all about caring for people.



K E Y F I G U R E

Sustainability Management Approach

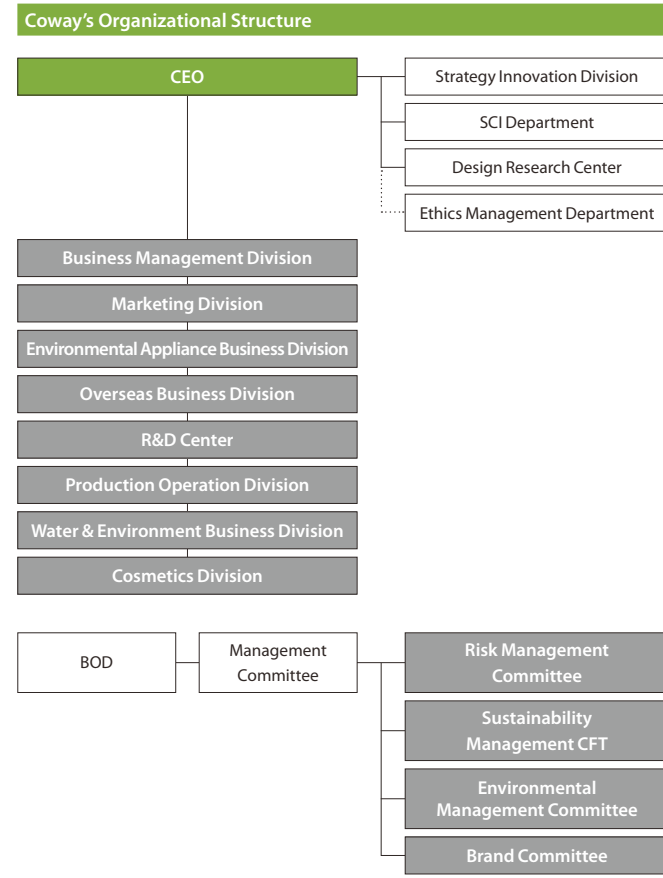
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Sustainable Governance

To secure management transparency and establish a trusted management system, Coway practices advanced BOD-centered governance. The board of directors (BOD) handles significant decisions. Sustainability issues, regarding the economy, environment, and security & health, are handled by the Management Committee, which is a subcommittee of the BOD.

Coway operates the Risk Management Committee to manage risks effectively. The committee provides written policies and measures that respond to various risks, which not only include financial risks, such as foreign exchange, interest rate, and credit list risks, but also strategic, operational, and regulatory risks. Depending on the risk management policies approved by the Risk Management Committee, concrete action is taken to prevent risks from occurring through different working-level departments. Each department identifies, evaluates, and prevents risks in close cooperation with one another.



BOD's Organization and Activities

Organization

Coway's BOD is comprised of professional managers who have extensive experience and expert knowledge in their respective fields. At present, the BOD consists of a total of seven members, the CEO and Chairman of the BOD, Dong-Hyeon Kim, two external directors, and four non-standing directors. There is also one subcommittee under the BOD, the Management Committee.

BOD Organizational Structure		
	Name	Position/Additional Position
CEO	Dong-Hyeon Kim	CEO, Coway, Co., Ltd.; Chairman of the BOD
Non-standing Director	Byeong-Ju Kim	Chairman, MBK Partners
Non-standing Director	Jong-Ha Yoon	Vice Chairman, MBK Partners
Non-standing Director	Jay H. Bu	CEO, MBK Partners
Non-standing Director	Tae-Hyeon Park	Vice President, MBK Partners
External Director	Jun-Ho Lee	CEO, L.E.K Consulting
External Director	Joong-Sik Lee	Associate Professor, Graduate School of Convergence Science and Technology, Seoul National University

BOD Operation in 2014

The BOD makes decisions on major issues related to any laws or corporate regulations, agenda items commissioned by the general shareholders' meeting, basic policies, and work-related activities concerning the management of the company. In addition, it monitors the performance of each BOD member's duties. In 2014, the BOD met nine times and decided on major issues that included the revision of Management Committee regulations, the launch of new branches, and the appointment of a new external director.

BOD Performance Evaluation and Remuneration

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

Remuneration for Directors and Auditors			
	No. of Persons	Total Compensation	Average Compensation per Person
Internal Directors	5	573,333	573,333
External Directors	2	56,400	28,200
Auditors	1	265,140	265,140
Total	8	894,873	223,718

- Only one of the above five internal directors was paid compensation.
- On September 4, 2014, External Director In-Beom Choi resigned and External Director Joong-sik Lee took his place. Data includes compensation for the director that resigned.

Audit Activities

Coway appoints one auditor to be responsible for the independent and transparent operation of the BOD. The auditor may attend BOD meetings and serve as an independent supervisor of the directors.

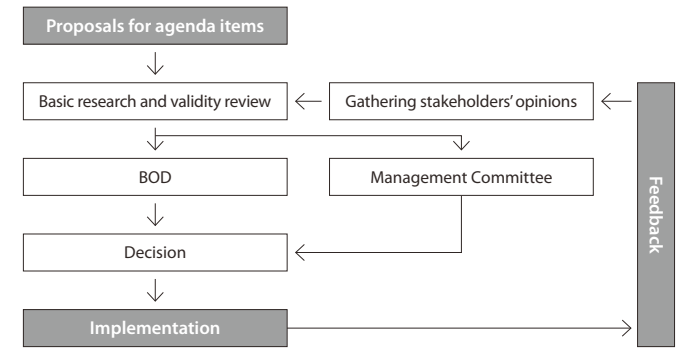
Subcommittee under BOD

In order to improve the efficiency of management activities, Coway has one subcommittee under the BOD.

Management Committee

The Management Committee decides on issues such as small-scale investments for the efficient operation of the company, while also ensuring these decisions are made in a timely fashion. The committee consists of three people, all of whom are named by the BOD, and includes the CEO. In 2014, the Management Committee voted on a total of 70 issues regarding management, compensation, finance, and investments. This included the operation of employee recreational programs and the purchase of condominiums, corporate reorganization, both direct and special support for suppliers for shared growth, investments in the extension of the Yugu Logistics Center, a report on the establishment of a hybrid mall, and the recruitment of college graduates.

Major Decision-Making Process



Sustainability Management System

For more efficient sustainability management company-wide, Coway organized a Sustainability Management CFT, which consists of working-level staff from seven teams and departments, including the Planning Team, Ethics Management Department, and Environmental Management Team. Additionally, Coway organized committees by issue, such as the Environmental Committee and Brand Committee, and conducted improved efficient sustainability management.

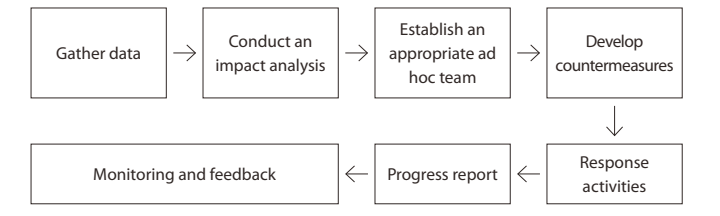
Sustainability Management CFT

Coway's Sustainability Management CFT mainly monitors various sustainability issues, deals with in-house diagnostics, establishes improvement plans, and reports on implementation results.

Risk Management

In response to management-related risks, each of Coway's divisions prevents or reduces risks in cooperation with the Risk Management Committee. If deleted, all related information is analyzed depending on the level of impact and seriousness. After that, an appropriate ad hoc group is organized, such as a Risk Support Team or Media Response Team, risk at hand. Even after the risk factor is solved or averted, it continues to be managed through continuous monitoring.

Risk Management Process



Major Risks and Responses in 2014

Major risks detected through the risk management process in 2014 includes heightened competition due to the large companies and new competitors entering the market, changes in the legal environment (e.g. drinking water management law), and an increased need to reinforce customer data security. The 2014 Coway Sustainability Report aimed to explain stakeholders in detail how the company responded to and managed major risks when selecting the content of the report.

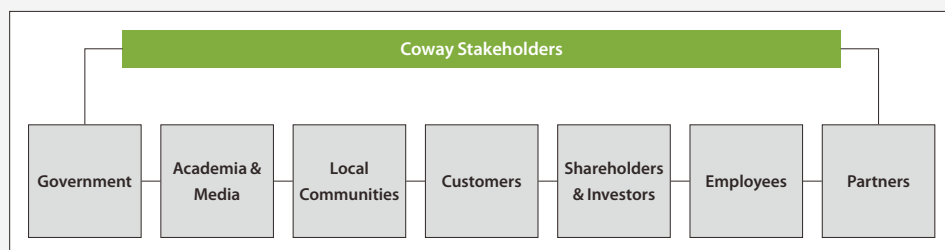
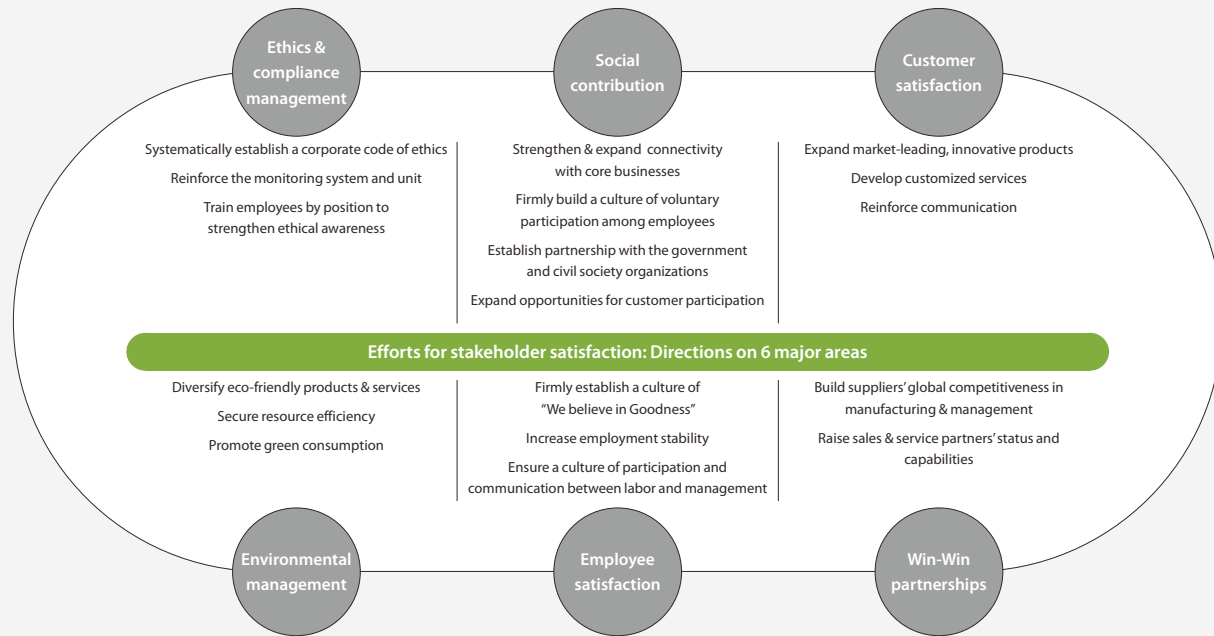
Major Risk Response Tasks in 2014

Areas	Major Risk Response Tasks
Business	<ul style="list-style-type: none"> • Continuously grow the rental & door-to-door sales model • Overcome growth stagnation with the company's 5 major product groups • Respond to threats from large companies that are entering the market and new competitors who feature low-cost products • Keep overseas competitors in check
Products and Services	<ul style="list-style-type: none"> • Prevent product-related risks such as defects, noise problems, energy efficiency, and the maintenance of older products. • Respond to dissatisfaction with services; maintain service fees at an appropriate level
Policies and Systems	<ul style="list-style-type: none"> • Respond to changes in the legal environment, such as drinking water management law and door-to-door sales laws
Security and Compliance	<ul style="list-style-type: none"> • Strengthen customer data management security • Reinforce sales members' ethical awareness
Communication	<ul style="list-style-type: none"> • Improve the negative reputation private equity funds have in Korea

Sustainability Management Overview

Sustainability Management Vision and Strategies

Coway established its sustainability management vision as "putting 'we believe in Goodness' philosophy into practice", and applied to all of the company's business processes so that every stakeholder—from customers to employees and suppliers—remains completely satisfied with Coway.



6 Major Areas of Sustainability Management

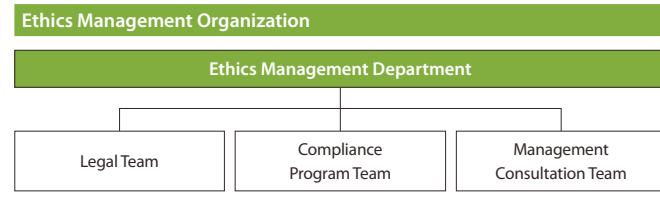
While Coway endeavors to manage / improve ethics & compliance management, social contribution, customer satisfaction management, eco-friendly management, employee satisfaction management, and win-win partnerships, it also pursues effective communication with stakeholders by precisely noting major systems, activities, and key achievement in reports.

<p>Ethics & compliance management</p>	<p>No. of anti-corruption training sessions (ethics management, proper business practices)</p> <p>65</p> <p>40 2012 57 2013 ↗</p>	<p>No. of workplaces diagnosed for corruption</p> <p>7</p> <p>6 2012 7 2013 →</p>
<p>Social contribution</p>	<p>Social contribution costs & donations (Unit: KRW 100 million)</p> <p>13.4</p> <p>12.4 2012 5.6 2013 ↗</p>	<p>Coway Volunteer Club's volunteering time per person (Unit: hours)</p> <p>20</p> <p>18.1 2012 24.4 2013 ↘</p>
<p>Customer satisfaction</p>	<p>Customer recommendation index (Unit: %)</p> <p>27</p> <p>21.2 2012 23.8 2013 ↗</p>	<p>No. of customer accounts (Unit: 10,000 accounts)</p> <p>561.7</p> <p>548.2 2012 544.6 2013 ↗</p>
<p>Environmental management</p>	<p>GHG emissions (Unit: tCO₂e/KRW)</p> <p>0.277</p> <p>0.322 2012 0.292 2013 ↘</p>	<p>Plastics recycling (Unit: %)</p> <p>71.1</p> <p>67.7 2012 75.4 2013 ↘</p>
<p>Employee satisfaction</p>	<p>Average years of service at Coway</p> <p>6.0</p> <p>6.1 2012 5.6 2013 ↗</p>	<p>Retirement rate (Unit: %)</p> <p>13.6</p> <p>10.18 2012 14.2 2013 ↘</p>
<p>Win-Win partnerships</p>	<p>Supplier satisfaction (out of a total score of 100)</p> <p>89.9</p> <p>- 2012 89.9 2013 →</p>	<p>Comprehensive evaluation of suppliers (out of a total score of 100)</p> <p>82.6</p> <p>83.8 2012 86.9 2013 ↘</p>

Ethics Management

Ethics Management Strategies and Organization

Since its declaration of ethics management in 2003, Coway has continuously raised its corporate ethics awareness. In fact, the company has built a transparent corporate culture under the motto "Clean Coway," which is based on its 3 C-driven ethics management (Code of Conduct, Compliance Check Organization, Consensus through Ethics Education).



Ethics Management Programs

Establishment of a Corporate Code of Ethics
In order to spread its "Clean Coway" culture throughout the organization, Coway has established specifically written guidelines that include an Ethics Charter, ethics regulations, and practical guidelines related to ethics.

Operation of Ethics Report Center
Coway eliminates unethical behavior in advance by enforcing regulations concerning work procedures, as well as detailed actions regarding reports, investigations, deliberations, and notification of violations related to management.

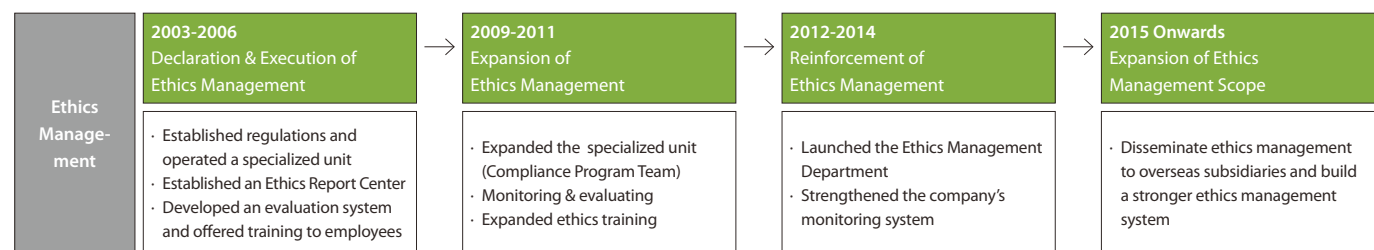
Ethics Report Center Operation Process Coway receives customer reports via mail, fax, and online channels. When a report is received, it is inspected by the Ethics Management Department, then deliberated on and decided upon by the Ethics Committee. Later, the final result is delivered to the whistle-blower, while exemplary cases are shared throughout the company to prevent the repetition of such misbehavior.

Consensus Formation on Ethics Management
To disseminate the company's "Clean Coway" culture, Coway reinforces ethics awareness through promotional activities for all employees and suppliers. It also monitors employees and raises awareness as it carries out ethics management initiatives by providing regular ethics training.

Programs to Reinforce Ethics Awareness		
Promotional Activities	CEO Message	No Gift campaign for suppliers
	Posters	Posters and online pop-up messages to promote sales based on proper business practices
Diagnostics & Monitoring	Regular Diagnostics	Ethics management diagnostics at all workplaces twice a year
	Constant Monitoring	Monitoring of illegal sales practices with mystery shoppers

Ethics Management Training Coway conducts company-wide training to strengthen employee's ethical awareness. The company provides offline training on its corporate code of ethics and ethics management programs for new employees, as well as offers on/offline training for the Sales Division, disseminating compliance details for proper business practices and the sharing of unfair practice cases.

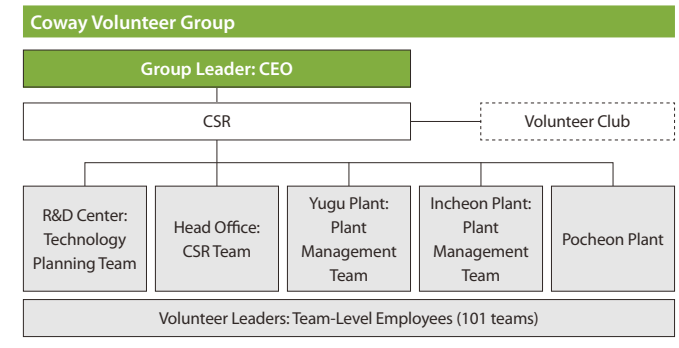
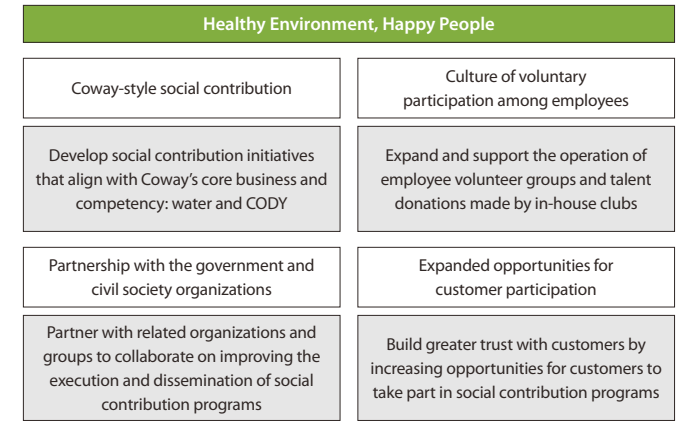
Brief History and Future Direction



Social Contribution

Social Contribution Strategies and Organization

Based on the company's belief in Goodness to contribute to a better world, Coway executes social contribution initiatives for the environment and people. The company focuses on "Coway Style" social contribution, which aligns with its core business, so as to do its best on the most necessary place.



Social Contribution Programs

Aligned with Customer Network
At Coway, employees and also customers take part in social contribution programs. Employees participate in volunteer activities for over 16 hours a year and conduct a Rent for Help program for which customers and employees donate KRW 1,000 every month. As of 2014, a total of 10,287 employees and customers had taken part in this program and raised over KRW 80 million, which was used for establishing a boarding school for girls in Tanzania.

Aligned with Products/Technology
Coway helps keep customers healthy with environmental appliances that provide clean air and water. The company is also supporting children in need through CODY unit by visiting their homes.

Donation of Water Filtration Appliances Since 2013, with the Ministry of Environment, Coway is providing water purifiers free of charge for 5 years in areas where natural radioactive substances(uranium, radon, etc) have been detected and water supply service is not available.

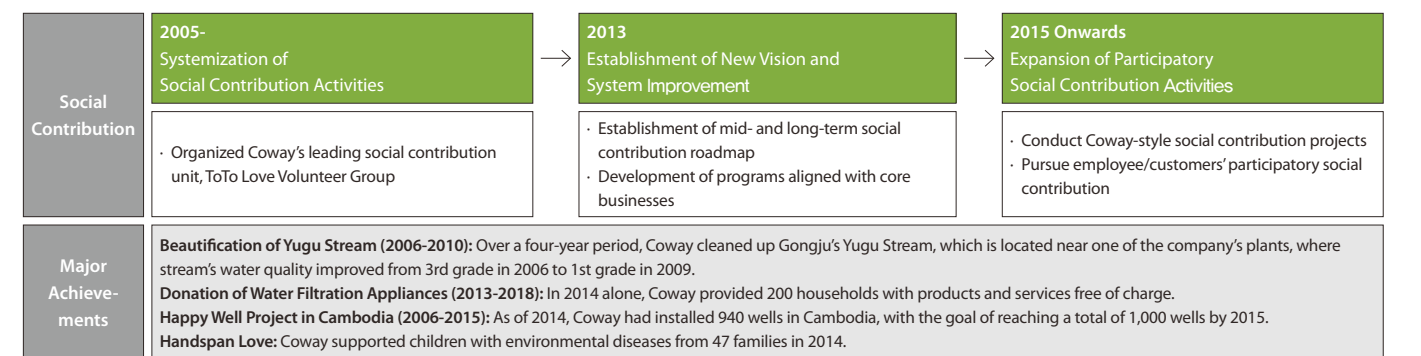
"Hanbyum" Love Coway is supporting children with environmental diseases. The company donates environmental appliances and CODY visits their homes to help foster emotion.

Aligned with Business Areas
Coway provides social values with its expertise in water environment and cosmetics business.

Happy Well Project Since 2006, Coway has been installing water wells in Cambodia to improve water quality, with the goal of finishing 1,000 wells.

Re:NK Re:starter beauty college This program supports women whose career have been discontinued by help acquire beauty-related certificates such as skin care specialist and makeup artist.

Brief History and Future Direction

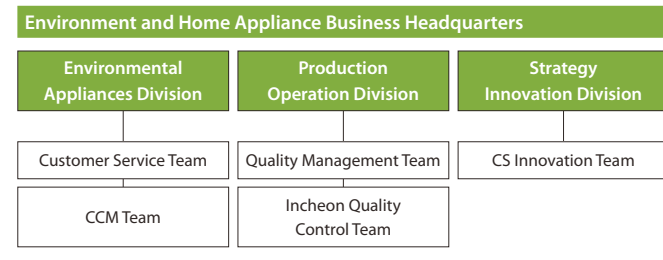


Customer Satisfaction

Customer Satisfaction Strategies and Organization

To ensure product safety, Coway internalizes quality management activities throughout the entire life-cycle, from development and sales and disposal. Based on its Customer Code of Ethics, Coway always aims to provide customers with the highest level of satisfaction and to help them lead healthy, satisfactory lives.

Customer Code of Ethics	
Respect for Customers	<ul style="list-style-type: none"> Always listen to customer feedback Understand that customers have a valid point when they lodge a complaint or make a suggestion; let customer satisfaction guide Coway's decisions and actions
Provide Value for Customers	<ul style="list-style-type: none"> Be upfront and honest with customers; keep all promises regardless of the circumstances Deliver only the very best products and services, and respond to justifiable demands from customers quickly and precisely
Customer Data Protection	<ul style="list-style-type: none"> Ensure that customer data and assets are kept confidential, and never used without prior customer approval



Customer Satisfaction Programs

Quality Management Programs

Coway concentrates its capabilities on each step of the production process, from quality planning and management to quality assurance and overall improvement, based on six core values for quality innovation. It verifies credibility and safety at each stage of product development according to related regulations.

6 Core Values for Quality Innovation	
Objectivity	Factually based, objective decision-making backed by reliable data
Credibility	Credibility secured in product safety, performance, and services
Customer-oriented	Active integration of customer feedback into products and services
Expertise	Improvement of skills to solve quality and environmental problems
Eco-friendliness	Reflection of environmental factors in the entire life-cycle of products and services
Profitability	Minimization of failure costs by financially assessing and improving initiatives and outcomes

Major Quality Management Programs Coway's Improvement Responsibility Program identifies and improves upon tasks concerning defects, and addresses possible defects through the Preventive Responsibility Program. The Quality Improvement Progress Management System is an IT system to manage improvement progress in real-time to hasten improvement schedules and build a database of failed examples for future reference.

Furthermore, Coway operates quality innovation programs such as **QS 7** (designed to assign an emergency resident TFT when quality issues occur, and resolve these issues within seven days); a **Daily Quality Monitoring Program** (all data from field operations such as after-sales services and product returns are analyzed daily and improved on a daily basis); a **Quality Forecast Program** (in accordance with weekly production plans, quality initiatives are undertaken to prevent risks that may affect quality). By paying great attention to product quality in foreign countries, Coway has expanded the system to prevent quality issues from arising through its call center and warranty operation process.

· QS 7: Quality Solution 7day

Customer Satisfaction Programs

In order to execute customer-centered management, Coway further reinforces product responsibility, and continues to improve product maintenance services for rental and membership customers. Coway also operates a 24-hour response channel and service monitoring program to respond to customer requests regarding the company's products and services.

Customer Satisfaction Programs Coway carries out customer satisfaction programs in three areas. The first is strengthening product responsibility. To do so, the company provides training for CS Doctors and PL managers to strengthen their abilities in the workplace, and operates a response system which helps reduce the cost of PL* failures. At the same time, the company is constantly revamping customer-related systems and regulations. Additionally Coway is extending the foundation for shared growth throughout society by disseminating the company's CCM* knowhow.

The second area is reinforcing customer satisfaction. Coway has extended its Ribbon Service, which replaces parts free of charge for long-term rental customers, for all product groups, and continues to improve service quality through the management of the Heart Index, which was developed by integrating seven service indices that customers expect Coway to deliver. The third area is responding to VOC feedback. Coway's 24-hour call center has professional consultants available 65 days a year to meet any and all customer requests. The company also reinforces monitoring with mystery shoppers in order to observe firsthand the quality of CODY services and make any necessary improvements.

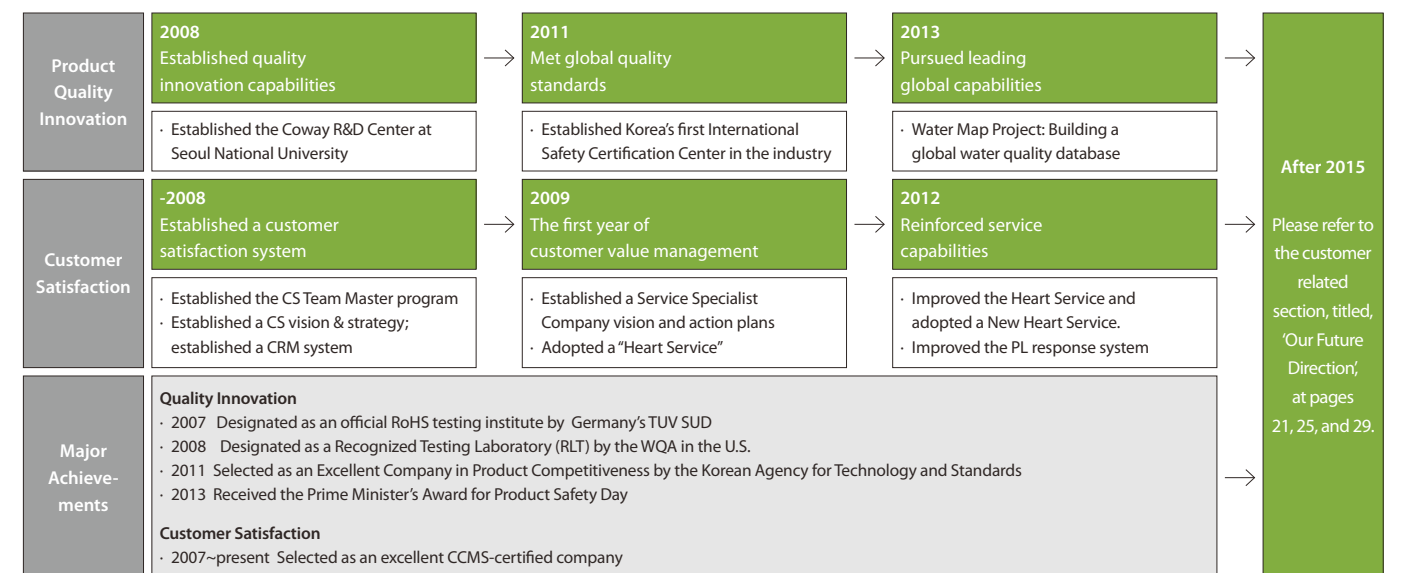
- PL: Product Liability
- CCM: Customer-Centered Management

Customer Communication Programs

Coway has established a 5-step integrated VOC management system called SoriSup that solicits and analyzes VOC feedback, receives improvement tasks, improves products, and investigates improvement benefits. The company is extremely attentive when it comes to VOC feedback at all contact points with customers, gathering opinions through communication channels with customers and increasing customer satisfaction by reflecting their opinions in the business process, including products and services.

Customer Communication Channels	
Website www.coway.co.kr	The corporate website's customer center is responsible for providing explanations on Coway's products and services.
Customer Center www.payfree.co.kr	The Payfree Center helps customers accumulate points and use them towards their rental fee payments.
Official SNS Accounts	<p>These channels enable Coway to promote our products and services in a far more accessible way, especially with younger people, while also gathering feedback on problems or necessary improvements in real-time.</p> <p>These social network service-based channels have another advantage compared to more traditional methods, as the feedback regarding our products and services tends to be far more candid.</p> <ul style="list-style-type: none"> Official blog: blog.coway.co.kr Twitter: twitter.com/cowaystory Facebook: www.facebook.com/cowaystory
VOC/Call Center 1588-5100	Our call center receives inquiries concerning requests for aftersales service on products, follow-up services, requests for product relocation, membership admissions/withdrawals, regular inspections, and other product/service-related inquiries. The company also performs regular satisfaction surveys concerning its call center to ensure customers are receiving satisfactory services.
Net Promoter Score	Coway conducts Net Promoter Score (NPS) surveys to obtain objective and quantifiable data on its products and services.

Brief History and Future Direction

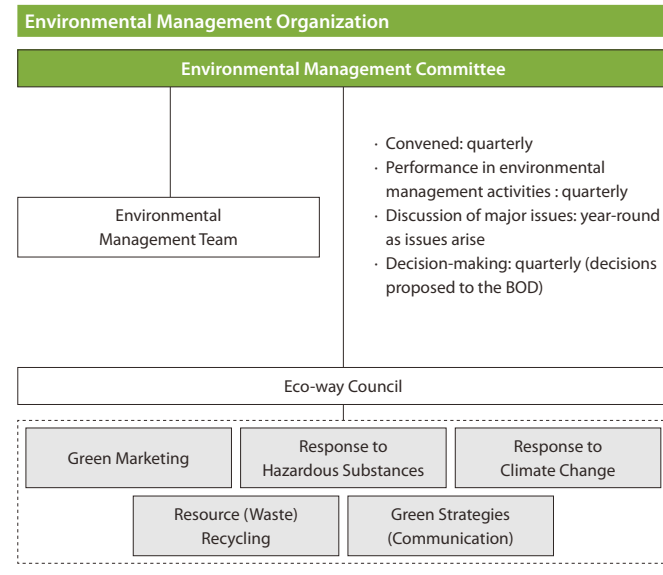


Environmental Management

Environmental Management Strategy and Organization

Coway recognizes environmental issues as very important factors that influence a company's sustainable development. As such, it has established a related mission, vision, policies, and goals for its environmental management. It also manages four areas—climate change, resource circulation, hazardous substances, and communication—under its environmental management system in order to minimize the environmental impact of its corporate management.

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



Environmental Management Programs

Response to Climate Change

In order to minimize GHG emissions, Coway is increasing energy efficiency and expanding the use of new & renewable energy sources during the management process. In addition, Coway reinforces product competitiveness and induces green consumption by measuring carbon emissions throughout the work process, from production to disposal of its products.

Adoption of Renewable Energy Coway adopted renewable energy when it installed photovoltaic generators at its Pocheon plant (45 KWh) in 2013, and at its Yugu plant (49.5 KWh) and one supplier (29.7 KWh) in 2014. In 2015, the company will also install photovoltaic generators at its Incheon plant and at select suppliers. Through diagnosis and improvement of energy issues, Coway operates a support program to strengthen suppliers' energy competitiveness. In fact, Coway has supported 14 suppliers by identifying improvement tasks through energy diagnosis at five suppliers annually since 2012.

Resource Recycling

Coway abides by all laws and regulations regarding resource circulation, and has expanded its management scope into waste from its service process through the sales unit, which consists of CODY and CS Doctor. Furthermore, the company has participated in waste plastics recollection and recycling through an agreement with the Ministry of Environment since 2010.

Resource Circulation Response Program Coway runs a treatment process of waste from its rental services. In 2014, the company expanded this eco-friendly reverse logistics process to collect boxes and EPS materials leftover from product installations in an effort to further minimize our environmental load.

Reduction of Hazardous Substances

In an effort to minimize our environmental impact, Coway now has a hazardous substance management system and ensures that all products manufactured/sold at Coway meet the most rigorous European and domestic RoHS regulations.

Major Programs Coway voluntarily applies EU/K-RoHS regulations to all parts used for its products so it can verify compliance. As of 2014, Coway's compliance rate stood at 100 percent. As the domestic resource circulation law was revised in 2014, we are now devising plans to achieve goals according to each article of the revised law. In order to target the overseas environmental appliances market more actively and also raise product reliability, Coway is responding quickly and effectively to global environmental regulations. On top of this, Coway will continue to respond to requests from global customer companies regarding the use of hazardous substances, while also dealing with China RoHS regulations that are expected to be revised in 2015.

Green Communication

Coway communicates with its customers and employees regarding the company's efforts to maintain eco-friendly management and intentions to expand its positive corporate image. Coway believes that such practices greatly contribute to the appreciation of our brand and corporate value.

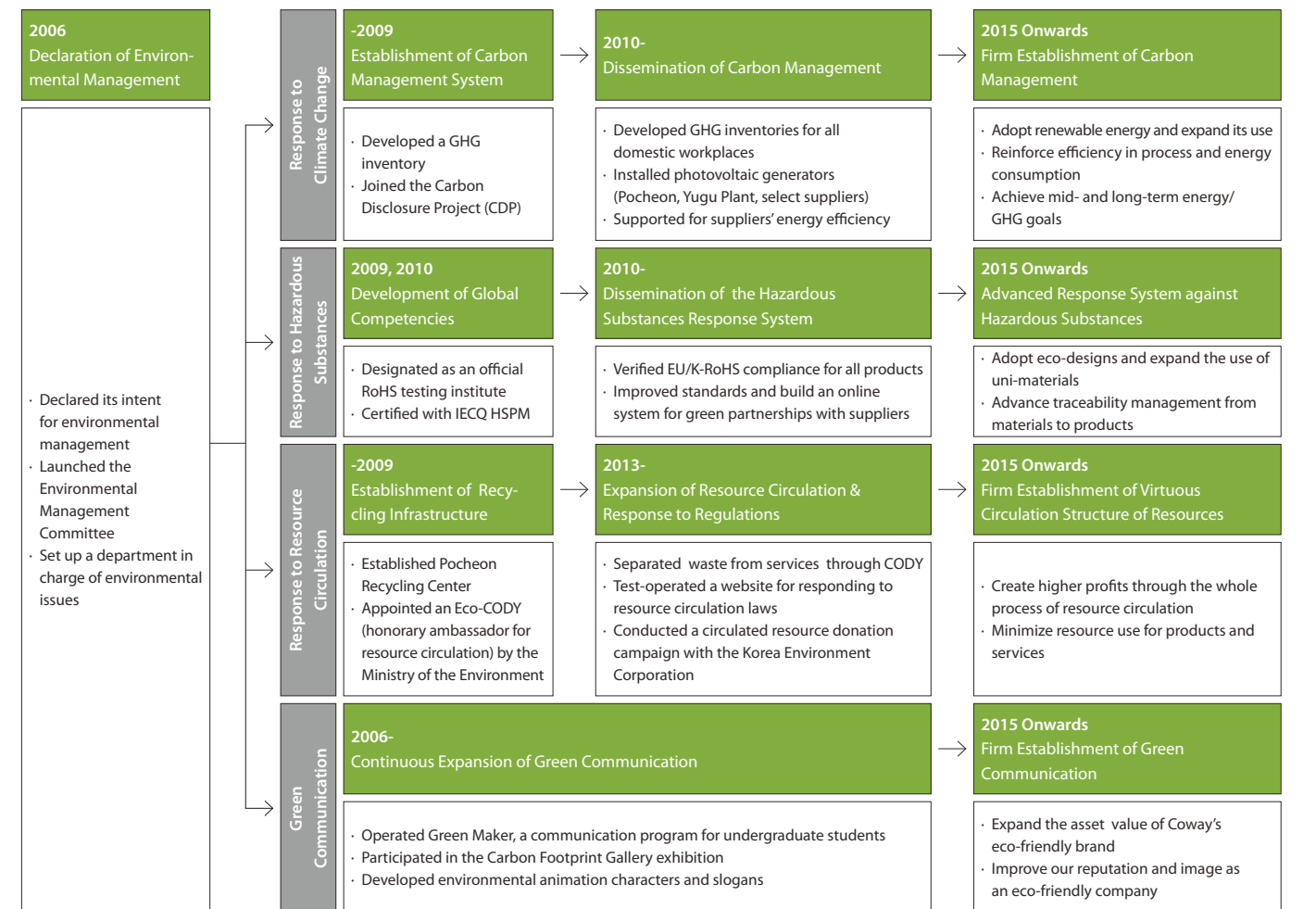
Major Communication Programs To promote eco-friendly products among consumers and induce eco-friendly consumption, Coway has participated in the Carbon Footprint Gallery exhibition since 2012. At the same time, it has been running a green marketing program that assists undergraduate students in building practical capacities as future green marketers through marketing initiatives based around the planning of green campaigns. In addition, Coway has consistently participated in the Carbon Disclosure Project. In 2014, the company expanded the scope of information disclosure to include CDP, CDP Supply Chain, and CDP Water, letting stakeholders know more about Coway's environmental management efforts, including its response to climate change.

Environmental Auditing & Monitoring

Coway operates an environmental audit system internally and for suppliers. Also, the company carries out regular & nonscheduled monitoring on each division's environmental activities and performance to increase the effectiveness of the audit.

Results of the 2014 Environmental Audit			
	2012	2013	2014
1. Organizational Management & Awareness Training	60	87	100
2. Foundation & Operation	80	60	100
3. Resource Circulation (Waste)	85	100	100
4. Response to Climate Change & Clean Production	85	100	100
5. Eco-designs & Response to Regulations	80	93	100
6. Eco-friendly Marketing/Sales	70	100	100
7. ESG Communication (Reputation)	80	67	73

Brief History and Future Direction



Employee Satisfaction

Employ Satisfaction Strategy and Organization

Coway encourages employees to constantly develop their competencies throughout their lives so that they can realize their dreams while growing alongside the company. To that end, Coway provides specially tailored support programs for each stage of an employee's career by strengthening the corporate culture, competency training, and welfare & benefits, all of which ultimately connect an employee's life-cycle stage to Coway's HR policies.

Support Programs by Life-cycle Stage

	Culture	Training	Welfare & Benefits
Entry level & assistant managers	<ul style="list-style-type: none"> Understanding the company Core values 	<ul style="list-style-type: none"> Etiquette/Financial technology Basic work skills 	<ul style="list-style-type: none"> Student loan redemption
Senior managers	<ul style="list-style-type: none"> Communication Core values 	<ul style="list-style-type: none"> Problem solving Specialized duties Basic leadership 	<ul style="list-style-type: none"> Housing funds Support for marriage Support for childbirth
Deputy department heads	<ul style="list-style-type: none"> Career development Core values 	<ul style="list-style-type: none"> Performance management Leadership development Core talents 	<ul style="list-style-type: none"> Organization management Leadership development Decision-making
Department heads	<ul style="list-style-type: none"> Communities by generation Conflict management 	<ul style="list-style-type: none"> Organization management Leadership development Decision-making improvement 	<ul style="list-style-type: none"> Support for new careers Salary peak system

Additionally applied as a person gets promoted

In Common
 Mutual aid services, congratulatory and condolence gifts, and counseling

Employee Satisfaction Programs

Coway builds long-term relationships with employees as it grows alongside them, helping each person adapt themselves to Coway's culture and create a better work environment. The company also provides training to improve their expertise and competencies; compensates them according to performance; and offers competitive welfare & benefit programs so they can achieve greater satisfaction on the job while maintaining a healthy work-life balance.

Employee Communication Programs

Coway's communication programs gather feedback to institute a more creative work culture and to reflect employees' ideas in management activities.

Information-sharing Channels Good Morning Coway forums are held for the purpose of sharing information such as business results, major activities of the company and divisions, customer feedback, and Coway initiatives covered by media outlets, as well as current management issues and future direction initiatives. Furthermore, the company holds annual presentations for each business site to explain major changes in HR policies, welfare & benefits, and training systems, after which it is always eager to receive feedback. It also shares important company news and facilitates employee communication through Lululala, an online community within the company.

Gathering of Employee Opinions Coway operates a variety of programs to strengthen employee communication and gather their opinions. For example, High-Ting is one such communication program where rank-and-file employees and executives suggest ideas to help bring about a better work environment and corporate culture, with the very best ideas directly adopted by the company. Sang-sang Ocean, on the other hand, lets employees make immediate suggestions related to work and then receive feedback. Decisions about which of the very best ideas to single out are made at bi-monthly Best Idea Committee meetings.

Fostering Top Talents

Coway's policy to foster top talents is based on its ideal image of a Coway employee, that is, people who consistently put their inherent belief in goodness into practice and aim at constant growth. Training is offered on business philosophy, while specifically tailored training is given for each division and individual, and leadership training by job and position.

Major Training Programs

Required courses	Internalization of business philosophy and core values	To share Coway's business philosophy and internalize core values, the company conducts Beyond Coway training every year and provides training to develop employees' emotional sensibility.
	Other required training	Training is conducted on basic principles that a Coway employee is required to know intimately.
Self-directed learning	Select Courses	Courses are offered for each individual's self-development, which include select courses by position, outsourced courses, and 2,000 online courses
	Screening process	There are also courses to foster the company's core talents and Coway employees working overseas.
Leadership training for each position	Various training programs are given for different jobs and positions, such as common curricula for team leaders and executives, through which the goals and vision of individuals and the organization are aligned in one direction.	

Performance-based Remuneration

Recognizing that it is critical for a company to earn and then maintain trust from employees when carrying out evaluations and remuneration, Coway always ensures that these things are done fairly, securely and in a credible way.

Major Remuneration Programs Coway evaluates employee performance results and competencies, and differentiates year-end incentives by applying a salary increase rate of up to 140 percent of their monthly wages according to their evaluation score. It also operates a remuneration program to improve R&D capabilities, which Coway sees as the foundation of future growth. Additionally, Coway compensates R&D staff in accordance with the number of patent applications they make and the level of patent sophistication they produce. Also, the company grants three to five researchers retention incentives every year that are 300 to 400 percent of their monthly wages in order not to lose key R&D personnel.

Employee Welfare & Benefits

For the sake of individuals' work-life balance and a happier life with their family, Coway conducts various welfare & benefit programs. The company also runs a system to communicate important changes in corporate management and to handle grievances related to work.

Major Welfare & Benefit Programs Coway's break rooms are in-house areas designed for rest and recreation so that employees can relieve their stress. There are also rooms where specialized therapeutic massage services and massage chairs are provided. Added to this, the 1st and 3rd Wednesdays of every month are designated "Family Days," and employees are encouraged to leave the office at the end of the work day—and not perform overtime—so they can

spend quality time with their family. There are other programs at Coway that also promote the importance of family. This includes Coway Day, when the family members of new employees are invited to the company to experience the corporate culture, and Coway Happy Farm, two farms in Suwon and Paju where employees and their family members can grow their own crops.

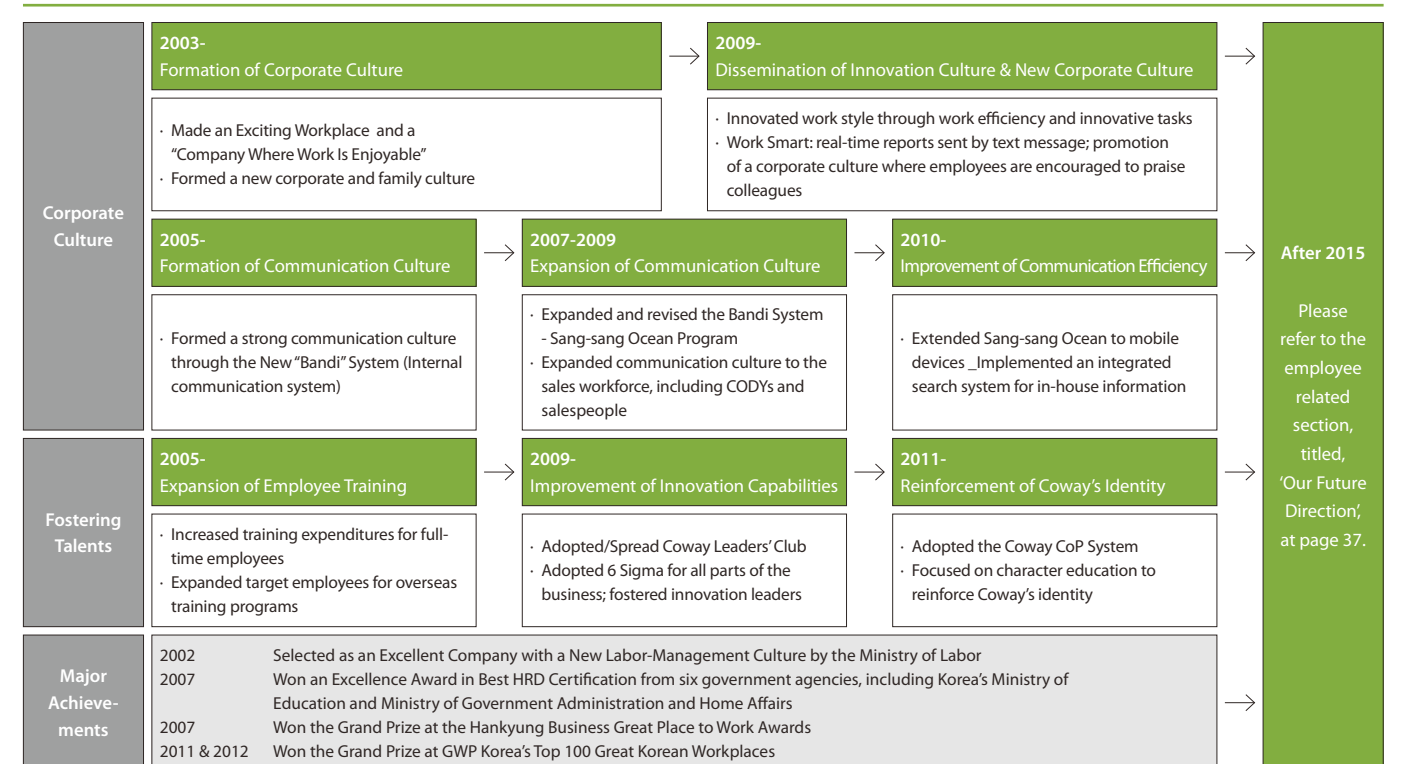
Employee Grievance Settlement

Trust between labor and management is a driving force for Coway to establish a healthy organizational culture. As a result, the company listens attentively to employee grievances that occur at work and attempts to solve them in the most agreeable way possible.

Major Grievance Settlement Programs

Labor-Management Council	Labor-Management Council meetings are held regularly and serve as a channel for consistent communication. Every year, the council discusses HR systems, compensation, and welfare & benefits. It also hosts workshops to facilitate bilateral communication.
Pine Bakery	An official in-house counseling channel designed to handle employee grievances, Pine Bakery is available on Coway's intranet and protects the confidentiality of employees filing reports so that they can receive counseling or submit their grievances online whenever they may choose. The scope of counseling includes a whole range of things, from HR and sales to welfare & benefits and work-related matters.

Brief History and Future Direction

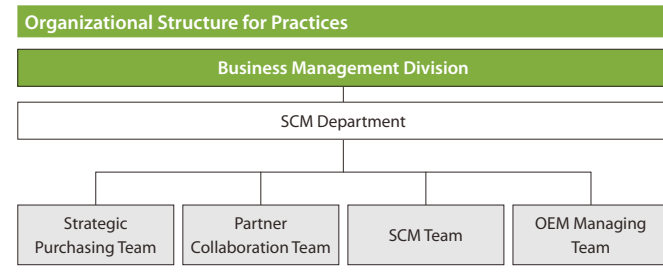


Win-Win Partnerships: Suppliers

Shared Growth Strategy and Organization

Under the vision of "Creating shared growth together," Coway operates teams in charge of shared growth and runs various programs for win-win growth with suppliers. The company is presently working specifically on three core strategies—fostering small yet strong global companies, strengthening its foundation for sustainable management, and establishing a shared growth collaboration system—and 10 implementation strategies so that it can grow alongside suppliers and develop products that will be market leaders domestically and internationally. Coway believes that these strategies will effectively increase customer satisfaction.

The three core strategies and 10 implementation strategies can be found on Coway's Win-Win Portal.



Shared Growth Programs

Fair Trade Compliance Program

Coway is perfectly clear about its behavioral standards for compliance and operates an internal compliance system so that employees can put their belief in Goodness into practice based on a law-abiding spirit. As part of Coway's efforts to establish fair trade practices with suppliers, Subcontract Deliberation Committee was established which is responsible for reviewing the fairness when the company signs contracts and carries out the contract pricing process. The committee also ensures full compliance with relevant regulations in advance for subcontracts that are worth KRW 3 billion or more.

Supplier Communication Programs

Coway operates various communication channels to increase mutual understanding and work efficiency. In 2014, the company also opened a Win-Win Portal and Win-Win Collaboration Center.

Supplier Communication Channels		
Name of Program	Cycle	Target
Satisfaction Survey	Biyearly	100 companies
Supplier Council	Quarterly	20 companies
Mutual Exchange Meetings	Bimonthly	4 teams (by type of business)
Supplier Innovation Conference	Yearly	35 companies
Open Purchasing System, a portal site exclusively for suppliers	Regularly	All suppliers

7 Elements of Fair Trade Compliance Program

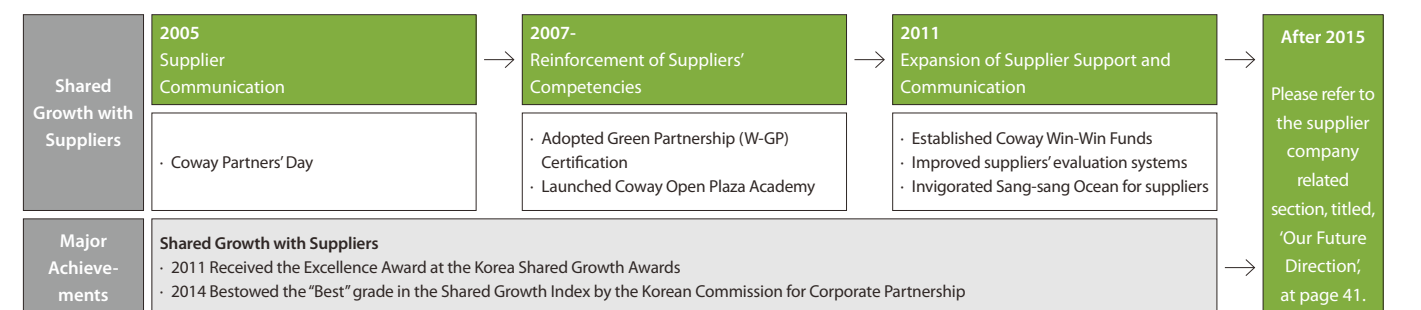


Supplier Support Programs

Coway is supporting its suppliers with programs to reinforce their management stabilization, strengthen their foundation for growth (e.g. technologies and work-force), and increase benefit sharing initiatives. Also, the scope of support is being expanded to include secondary suppliers.

Supplier Support Programs		
Reinforcing the Foundation for Stable Management	Funding Support	Coway operates a Win-Win fund of KRW 20 billion and a funding support program of KRW 3 billion at 0% interest rate.
	Improvement of Payment Conditions	Since 2013, Coway has made 100% cash payments to suppliers within 10 days of product delivery.
	Delivery Unit Price Adjustment	To reflect changes like raw material price increases, Coway adjusts the delivery unit price with in 30 days when a supplier makes such a request.
	Integrated Purchasing of Raw Materials	Coway always strives to keep supply and demand of raw materials stable and lessen the cost burden on suppliers through the integrated purchasing of major raw materials from suppliers.
	Sales Expansion	Coway actively supports joint marketing and suppliers' participation in overseas trade fairs for their sales expansion.
Strengthening the Foundation for Growth	Training Support	As of 2014, Coway was operating 31 training courses for suppliers to foster even better talents by type and competency needed.
	Technological Support & Protection	Technological support and protection programs help suppliers secure a competitive technological edge.
	Recruitment Expo	Coway offers various programs to assist suppliers in recruiting talent (e.g. Coway Supplier Recruitment Expo) and new recruit training.
	Carbon Partnerships	Coway builds partnerships with major suppliers based on sales and energy use, and works hard to reduce its carbon emissions.
	Support with Reliability Engineering	Coway supports suppliers with reliability engineering in testing parts and analyzing failures to reduce the cost of failures as well as establishes a highly efficient response system.
	Benefit Sharing Initiatives	This program helps ensure the fair sharing of benefits which are the result of joint efforts (including cost saving measures) with suppliers.
	Support for Tier 2 Suppliers	Coway abides by all major fair trade guidelines for tier 2 and 3 suppliers, including the adjustment of delivery unit prices, payment methods & due dates, and financial support.

Brief History and Future Direction



Win-Win Partnerships: Sales & Service Partners

Support Strategies for Sales & Service Partners

CODYs represents Coway's sales & service unit, committed to increasing customer satisfaction by efficiently managing Coway's environmental appliances and individual customers. Coway strengthens the expertise of CODY through competency reinforcement programs so that sales & service partners can conduct their customer-related activities more easily at their worksites. At the same time, the company offers a wide range of support programs aligned with Coway's basic policy, which is to grow alongside all stakeholders.

Organizational Structure for Practices

Advance Service	CODY	Visit customers' homes and provide checkups and hygiene management services for environmental appliances such as water filtration systems and air purifiers
	Homecare Doctor	Provide regular mattress hygiene management services for Care Service members
After-sales Service	CS Doctor	Maximize customer satisfaction through after-sales services including the installation, moving, and taking apart of products
Sales	Health Planner, Beauty Planner	Deliver product information on behalf of the company, conduct sales activities, and gather data and ideas at worksites

Support Programs for Sales & Service Partners

Welfare & Benefits

Coway offers a wide range of welfare programs to provide a stable work environment for CODY.

Major Support Programs for Sales & Service Partners

Welfare Programs	CODY Installment Savings	Portions of CODY commissions are automatically deposited into a savings account, with additional financial support provided by the company on a regular basis.
	Sharing Love Insurance Plan	Insurance is offered against casualty, diseases, and work-related accidents.
	Sharing Love Checkups	After a CODY completes one full year on the job, they are given free medical checkups every two years.
	Benefits for Family Events	Monetary benefits are offered for CODY and their family members at important events, including marriages, 60th birthdays, and funerals.
Organizational Culture	Happy Space	Compensation is provided for top staff members at each service branch office based on performance evaluation results.
	Care for the CS Unit	Overseas training is offered for selected CS Doctors as well as special programs and scholarships for their children.

Competency Reinforcement Programs

Coway not only provides regular training programs to reinforce the sales & service competencies of partners, but it has also developed systematic programs to improve their professionalism and leadership through industry-university cooperation with selected Korean universities. Today, the company is doing its utmost to assist newly hired CODY as they adapt themselves to work, improve company-wide service capabilities, and create greater customer value by improving the sales & service level of mid- and low-performing employees.

Competency Reinforcement Programs for Sales & Service Partners

Training for New CODY & Mid- and Low-performing Employees	Training for Newly Hired CODY	Technical training on products, step-by-step customer reception, and basic sales training
	Companion Project	This program seeks to improve company-wide sales productivity by increasing the sales service level of mid- and low-performing employees.
Regular Training	Sales Training	In order to improve sales capabilities, this course offers success strategies for marketing through an introduction to customers, strategies to induce repurchasing from existing customers, ways to utilize sales tools, and one-on-one speaking training.
	Technology Training	This program offers theoretical and practical training about products, including comparisons with competitors' products, so as to ensure a better understanding of Coway products & services. Training is also given for ways to check on difficulties when using products, finding subsequent solutions, and learning how to use smart applications.
	Service Training	In an effort to improve the quality of services by increasing employees' understanding of Coway products, this course offers behavioral characteristics related to customer complaints and the know-how needed to respond to customer questions at worksites.
Industry-University Cooperative Academy	Coway-Yonsei Leadership Academy	This is a specialized leadership training program jointly provided by Yonsei University's Institute of Continuing Education for the Future, and is helping improve Coway branch managers' leadership skills.
	Coway-Ewha Academy	Aimed at developing competencies of CODY and Homecare Doctor, while also having them set practical goals, this jointly developed specialized course strengthens their professionalism.

Appendix

The 2014 Coway Sustainability Report covers quantitative data on the company's major economic, environmental, and social performance indicators for the past three years so that stakeholders can gauge more objectively how Coway manages its sustainability management issues. For the sake of consistency with former reports, and possible comparison with other companies' reports, Coway considered quantitative performance included in the existing reports up until 2013, as well as all standard disclosure by Aspect as suggested by the GRI G4 Sustainability Report Guidelines, the global guidelines regarding sustainability reports utilized when choosing Coway's performance indicators.

Appendix






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Awards and Certificates/Memberships

Awards

Name of Award	Award Category	Host/Supervisor
Dow Jones Sustainability Index (DJSI) 2014/2015	Asia-Pacific category (2 straight years)	RobecoSAM
2014 Korean Sustainability Conference (KSI) Sustainability Index	No. 1 in the environmental appliances category (5 straight years)	Korean Standards Association
11th Annual Korea Ethical Management Award	Win-win management	New Industry Management Academy
Q2, 2014 National Customer Satisfaction Index (NCSI)	No. 1 in the water purifier category	Korea Productivity Center
2014 Korean Standard –Service Quality Index (KS-SQI)	No. 1 in the water purifier category	Korean Standards Association
2014 Korea Innovation Awards	New Technology Innovation Award (CPS-240L), Innovative Management Award, CEO Award	Korean Standards Association
2013 Shared Growth Index	"Best" grade	Korean Commission for Corporate Partnership
50 Best Korean Companies to Work for	-	Job Planet, Fortune
2014 Korea's Top 100 Great Workplaces	Grand Prize, CEO Award	GWP Korea
2014 Promotion of New Technology Commercialization Competition	Minister's Award	Ministry of Trade, Industry & Energy
2014 National Quality Management Competition	Excellent Company in Quality Management (4 straight years)	Korean Agency for Technology and Standards, Korean Standards Association
2014 International Remanufacturing Conference (REMAN)	Minister's Award	Ministry of Trade, Industry & Energy
2014 CDP (Carbon Disclosure Project)	Winner in the selective consumer goods sector (6 straight years)	CDP Korea Committee
18th Energy Winner Awards	Green device category, Handspan Ice (CHPI-380N)	Consumers Korea
Korea Interactive Communication Satisfaction Index (ICSI)	Grand Prize	Korea Internet Communication Association
2014 Web Awards Korea	Grand Prize, cosmetics category (NK)	Korea Internet Professionals Association
8th Annual Government Awards for Future Packaging of New Technology, Korea Star Awards 2014	Grand Prize (NK velvet cc cosmetic cushion)	Packaging Technology Center (Korea Institute of Industrial Technology)

Design Awards

Name of Award	Award Category
2014 iF Design Award 	B1, CHPI-380, CJP-03, Barrier Free
2014 Red Dot Design Award 	Votex, allvit
2014 IDEA Design Award 	CHP-260, CJP-04, CJP-X, NANO, Clinic Bidet
2014 Pentawards 	Bronze, Luxury category (Cell-to-Cell Essence)
2014 Good Design (GD) 	CHPC-330N, CHPI-330, APT-1014E, AD-1714A

Certifications

Name of Certification	Certification Category	Certification Period	Certification Body
Excellent Company in Equal Employment for Both Genders 2013	-	May 30, 2013–May 29, 2016	Ministry of Employment and Labor
INTERTEK ETL Certification Lv3 SMT Official Testing Lab	International Safety Certification Center	Jul. 08, 2013-Jul. 07, 2014	INTERTEK
IEC/EN 61770 Official Testing Lab	International Safety Certification Center	Nov. 01, 2014-	NEMKO
New Technology (NET) Certification	UTS RO water filtration system with no power supply	Aug. 20, 2014-Aug. 19, 2016	Ministry of Trade, Industry and Energy
Health-related New Technology (NET) Certification	Water flow system specialized for sitz bath function	Oct. 21, 2014-Oct. 20, 2017	Ministry of Health & Welfare
Health-related New Technology (NET) Certification	BASH21-A	Jun. 30, 2014-Jun. 29, 2017	Ministry of Health & Welfare
Information Safety Management System (ISMS)	-	Dec. 17, 2014-Dec. 16, 2015	Korea Internet & Security Agency (KISA)
CCM Top Company Recertification	Re-evaluation for certified companies category	Jul. 1, 2015-Jun. 30, 2017	Fair Trade Committee, Republic of Korea
ISO 9001 (quality management system)	Yugu Plant, Seoul Office, Incheon Plant, Pocheon Plant	Jun. 23, 2014-Jun. 23, 2017	TUV SUD KOREA
ISO 14001 (environmental management system)	Yugu Plant, Seoul Office, Incheon Plant, Pocheon Plant, R&D Center	Jun. 23, 2014-Jun. 23, 2017	TUV SUD KOREA
ISO 18001 (safety & health system)	Yugu Plant, Incheon Plant	Jun. 23, 2014-Jun. 23, 2017	TUV SUD KOREA
HSPM (hazardous substance management system)	Yugu Plant, Incheon Plant	Jun. 30, 2014-Jun. 29, 2016	TUV, ECCO
Carbon Footprint Labeling	BAS14-B	Feb. 23, 2014-Feb. 22, 2017	Korea Environmental Industry & Technology Institute (KEITI)
Carbon Footprint Labeling	CHP-590L, CHP-671L	Oct. 29, 2014-Oct. 28, 2017	KEITI
Low Carbon Product Certification	CHP-260L	Oct. 29, 2014-Oct. 28, 2017	KEITI
Eco-Label	BA10-A/B, BA14-C, BAS14-A/B	Apr. 10, 2013-Apr. 9, 2015	KEITI

Membership

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

Assurance Statement

Independent Assurance Report

To the management of Coway Co., Ltd.

We have been engaged by Coway Co., Ltd. (the "Company") to perform an independent assurance engagement in regard to the following aspects of Sustainability Report 2014 (the "Report").

Scope and subject matter

The information for the year ended December 31, 2014 (hereinafter, collectively referred to as the "Sustainability Information") on which we provide limited assurance consists of:

- The Company's conclusion on meeting the principles of Inclusivity, Materiality and Responsiveness in the AA1000 AccountAbility Principles
- The non-financial information, stated in "GRI (Global Reporting Initiative, hereafter referred to as "GRI") G4 Content Index"(page 72-75) as subject to an external assurance (the "Sustainability Data") is prepared based on the reporting principles set out on partly applied with IIRC's (International Integrated Reporting Council, hereafter referred to as "IIRC") international integrated reporting principles and GRI G4 guideline with core options

We read the other information included in the Report and considered whether it was consistent with the Sustainability Information. We considered the implications for our report in the case that we became aware of any apparent misstatements or material inconsistencies with the Sustainability Information. Our responsibilities do not extend to any other information.

Assurance work performed

We conducted our engagement in accordance with ISAE 3000(1) and AA1000AS(2). The term 'moderate assurance' used in AA1000AS(2008) is designed to be consistent with 'limited assurance' as articulated in ISAE 3000. Our assurance is a Type II assurance engagement as defined in the AA1000AS(2008).

- 1) International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by International Auditing and Assurance Standards Board
- 2) AA1000 Assurance Standard(2008), issued by AccountAbility

Our work involved the following activities:

1. Interviews with the personnel responsible for internal reporting and data collection to discuss their approaches to stakeholder inclusivity, materiality and responsiveness
2. Visits to the Company's Seoul office and the headquarter in Yugu to understand the systems and processes in place for managing and reporting the Sustainability Data
3. Review of samples of internal documents relevant to output from the risk assessment process, sustainability-related policies and standards, the sustainability materiality assessment matrix and other documents from stakeholder-engaged activities
4. Evaluating the design and implementation of the key processes and controls for managing and reporting the Sustainability Data
5. Limited testing, through inquiry and analytical review procedures, of the preparation and collation of the Sustainability Data
6. Interviews with the management of the Company

Respective responsibilities of the management of the Company and Samil PricewaterhouseCoopers

The management of the Company is responsible for establishing reporting principles that meet the principles of Inclusivity, Materiality and Responsiveness in the AA1000APS, measuring performance based on the reporting principles, and reporting this performance in the Report.

Our responsibility is to provide a conclusion based on our assurance procedures in accordance with ISAE 3000 and AA1000AS.

This report, including the conclusion, has been prepared for the management of the Company as a body, to assist the management in reporting on the Company's sustainability performance and activities. We do not accept or assume responsibility to anyone other than the management of the Company as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

In particular:

- We did not attend any stakeholder-engaged activities. Therefore our conclusion is based on our discussions with the management and the staff of the Company, and our review of sampled documents provided to us by the Company.
- The scope of our work was restricted to 2014 performance only, as set out in the scope and subject matter section above. Information related to the year ended December 31, 2013 and earlier periods have not been subject to assurance by us.

Conclusion

Based on the results of the assurance work performed, our conclusion is as follows.

- On the AA1000APS principles
 - Inclusivity
 - The Company has collected concerns and opinion through stakeholder communication channels that include those of Customers, Partners, Investors, Communities and Employees.
 - Nothing has come to our attention to suggest that material stakeholder groups were excluded from these channels.
 - Materiality
 - The Company has identified most relevant and significant sustainability issues through process for identifying material issues.
 - Nothing has come to our attention to suggest that material issues were omitted in this process.
 - Responsiveness
 - The Company has included in the Report its response to the material sustainability issues which are defined through process for identifying material issues.
 - Nothing has come to our attention to suggest that there were material deficiencies in the issue management system.
- Nothing has come to our attention that causes us to believe that the Sustainability Data for the year ended December 31, 2014 is not fairly stated, in all material respects, in accordance with the Company's internal reporting principles set out on GRI G4 guideline with core option.

Recommendations

As a result of our work, we have provided the following recommendations to the management.

- It is recommended to improve global data management process in accordance with G4 guideline, in order to collect and manage corporate-wide Sustainability Data.
- In order to ensure the consistency of disclosed data, it is necessary to improve the data collection and management process of internal control system.
- It is recommended to disclose its level of achieving goals and future plans regarding key performance indicators by sustainability aspect so that the Company can be recognized by its stakeholders for its authenticity in the execution process of systematic sustainability management.

May 18, 2015
Samil PricewaterhouseCoopers
Seoul, Korea



Economic Data

Organizational Scope

Summary of Consolidated Financial Statements			
	Unit: KRW million		
	2012	2013	2014
Current Assets	7,792	6,914	5,968
Non-current Assets	9,759	9,764	10,248
Total Assets	17,551	16,679	16,216
Current Liabilities	7,592	6,767	5,260
Non-current Liabilities	2,109	502	562
Total Liabilities	9,700	7,270	5,822
Total Shareholders' Equity	7,851	9,409	10,394
Sales	19,928	21,183	21,603
Operating Profit	2,261	3,390	3,644
Income Before Income Tax	1,458	3,271	3,324
Net Income	940	2,451	2,497

Summary of Non-Consolidated Financial Statements			
	Unit: KRW million		
	2012	2013	2014
Current Assets	6,913	6,425	5,731
Non-current Assets	10,102	9,986	10,029
Total Assets	17,015	16,411	15,760
Current Liabilities	7,196	6,368	4,680
Non-current Liabilities	1,792	369	490
Total Liabilities	8,988	6,737	5,170
Total Shareholders' Equity	8,027	9,673	10,590
Sales	18,068	19,337	20,136
Operating Profit	2,278	3,332	3,775
Income Before Income Tax	1,615	3,505	3,297
Net Income	1,197	2,532	2,429

Tax Strategy

Coway strictly abides by all tax-related laws and regulations, both in Korea and in foreign countries where its overseas subsidiaries operate, and faithfully discloses any information related to tax payments and tax accounting. Every year, Coway publicly releases information on its income taxes and deferred income taxes in its business reports, and discloses the same information to stakeholders via the Financial Supervisory Service's Data Analysis, Retrieval and Transfer System, and Coway's IR website. Coway will continue to fulfill its obligations regarding tax payments and respond to tax authorities' requirements when necessary.

· Other details about Coway's tax strategy appear in the company's business reports (Financial Statements No. 2.2.14, Income Taxes)

Business Sites and No. of Employees					
		2012	2013	2014	
Korea	Total No. of Employees	4,834	4,776	4,768	
	No. of Employees by Business Area	Production	263	257	249
		Sales	3,149	3,232	3,344
		R&D	387	364	354
		Clerical	908	895	796
	Others	127	28	25	
No. of Employees by Employment Type	Regular	3,649	3,738	3,898	
	Temporary	1,162	1,038	870	
Overseas	Total No. of Employees	972	770	991	
	No. of Employees by Employment Type	Overseas postings	44	38	17
		Local recruitment	928	732	974

Customers				
		2012	2013	2014
No. of Customer Accounts	Total	5,482	5,447	5,617
	Membership	4,349	4,435	4,601
	Rental	1,133	1,012	1,016

· Bond accounts were excluded in 2012.

· Since 2013, the figures have excluded bond accounts and accounts with no fixed ownership and free-of-charge membership.

Data Related to Supply Networks and Procurement

Coway's Supply Network

Coway engages in trade with a total of 224 suppliers in order to procure raw materials and parts for manufacturing products. In 2014, Coway purchased approximately KRW 31.63 billion worth of parts and materials for production.

		2012	2013	2014
No. of Suppliers	Total	256	225	224
	Tier 1 suppliers	186	155	151
	Tier 2 suppliers	70	70	73
Purchase Amount from Suppliers (KRW 100 million)	Total purchase amount	3,505	3,326	3,163

Procurement of Resources

Up until the mid-1990s, core parts for the company's products were all imported from a handful of foreign countries, especially the U.S. and Japan. Since then, however, Coway has been successful in producing most of the parts it requires in Korea through constant R&D efforts by the company's Environmental Technology Institute and Quality Management Institute, or by purchasing them from numerous suppliers within Korea. Today, the company is also equipped with automatic production lines for filters. Furthermore, core parts used for water filtration appliances are ultra-precision filters, so competitors have had to work hard to increase the number of more technologically advanced products they produce in Korea to keep up with Coway.

Other Economic Data

Comparison of New Employees' Remuneration and the Legal Minimum

		2012	2013	2014	Notes
New Employee Monthly Wages Compared to the Legal Minimum	Legal Minimum Wage (monthly, KRW 10,000)	-	101.5	108.8	
	New Employee Wages (monthly, KRW 10,000)	-	298.0	307.5	Based on the table of wages specified in the company regulations
	Rate (%)	290	293	282	(New employee wages/Legal minimum wage) x 100%

Social Data

Employment Indicators

New Employment, Retirement, and Average Service Years

In order to strengthen corporate competitiveness and maintain its leading market status, Coway continuously employs excellent talents and builds long-term relationships between employees and the company by helping all workers adapt themselves to their specific job duties.

	2012	2013	2014	Notes
No. of New Employees	796	628	645	
Rate of New Recruitment (%)	13.1	13.5	16.5	(No. of new employees/No. of total employees) x 100%
No. of Retirees	492	687	655	
Retirement Rate (%)	10.18	14.2	13.6	
Average Service Years	6.1	5.6	6.0	

Diversity Indicators

Employees by Gender and Age

Coway is an equal opportunity provider and does not discriminate based on age or gender. In 2013, Coway promoted its first female employees to executive positions as an initiative to support the advancement of female workforce. Coway also implements female-oriented career development programs for those who had their careers discontinued.

			2012	2013	2014	
Executives by Age and Gender	Aged 30-50	Male	12	11	14	
		Female	-	2	2	
	Over 50 years of age	Male	6	12	11	
		Female	-	-	-	
	Employees by Age and Gender	Under 30 years of age	Male	55	43	74
			Female	283	248	295
Aged 30-50		Male	1,354	1,398	1,421	
		Female	2,554	2,394	2,374	
Over 50 years of age		Male	54	64	42	
		Female	534	629	562	

Basic Remuneration Comparison between Men and Women

Unit: KRW

Coway does not adopt different remuneration policies for male and female employees, but pays the same salaries to both from the time they begin working at the company.

		2012	2013	2014
New Employees	Basic annual salary for a new male employee	35,062,896	35,764,144	36,908,592
	Basic annual salary for a new female employee	35,062,896	35,764,144	36,908,592

Safety- and Health-related Indicators

Safety- and Health-related Certification

With a high portion of clerical and sales employees, Coway tends to have a lower industrial accident rate compared to other manufacturing industry companies. (In 2014, the average accident rate in the manufacturing industry was 0.72%, while Coway's accident rate stood at 0%). However, at business sites which have a higher potential for safety accidents, such as Coway's Yugu and Incheon plants as well as its R&D Center, Coway operates an Industrial Safety and Health Committee for each business site to respond to potential risks. At the same time, it upholds rigid safety management standards by meeting the very highest requirements for renowned safety and health management system certificates. In 2014, Coway had no industrial accident case.

Notes		
Safety & Health Certification	Yugu Plant	OSHAS 18001:2007(2011.07.14~2014.07.13), KOSHAS 18001
	Incheon Plant	KOSHAS 18001

Anti-corruption Related Indicators

Anti-corruption Training

	2012	2013	2014
Anti-corruption Training (Ethics Management, Proper Business Practices)	40	57	87

Corruption-related Monitoring and Responses

		2012	2013	2014
Analysis of Corruption Risks	No. of inspected business sites	6	7	7
Measures against Corruption Cases	Suspension with pay and other measures	85	58	50

Indicators Related to Handling Employee Grievances

Operation of the Labor-Management Council

Coway discusses its major decisions and changes it implements regarding corporate management through regular meetings of the Labor-Management Council. When there are important changes in Coway's business, the company transparently shares this information in advance. In 2014, the Labor-Management Council met 5 times and discussed major issues including HR, compensation, welfare.

	2012	2013	2014
No. of Council Meetings	4	4	5
No. of Agenda Issues Discussed	9	11	9
No. of Agenda Issues Resolved	9	11	9

Operation of the Grievance Counseling Program

	2012	2013	2014
No. of Grievances Submitted	56	35	61
No. of Grievances Handled	56	35	61
Handling Rate	100	100	100
Major Grievances	HR, Sales, Job, Private Matters		

Indicators Related to Social Contribution

Social Contribution and Volunteer Activities

On top of company-wide social contribution programs which reflect Coway's business scope, Coway also works hard to create tangible social value for everybody. For example, the company encourages employees to volunteer at least 16 hours a year.

	2012	2013	2014
No. of Employees in Volunteer Groups	2,030	1,396	1,495
No. of Volunteer Hours per Volunteer Group Participant	18.1	24.4	20.0

Environmental Data & Other Data Disclosures

Natural Resources Used in Business Activities

Use of Materials		Unit: tons				
		2011	2012	2013	2014	Notes
Non-recycled Materials	Plastics	10,794	8,988	7,482	8,724	Filters, 5 major products ¹⁾
	Metal	6,229	4,867	3,664	4,056	Theoretical weight applied
	Packaging Materials	2,325	2,000	1,922	1,983	
Recycled Materials		-	-	-	-	
Total		19,348	15,855	13,068	14,763	

1) Water filtration systems, air purifiers, bidets, water softeners, and food waste treatment appliances

· Packaging materials: paper boxes, plastics & protective films, and EPS

· Use of materials in 2014: 1,417 tons of paper boxes, 64 tons of plastics & protective films, and 501 tons of EPS

Water Use

Coway runs assembly-oriented processes at its production facilities, so the company's environmental impact on water resources through its water use or the discharge of waste water is not significant. Still, Coway is adamant about reducing its water use. One way it has done this is by developing a "waterless" water purifier test system that uses nitrogen and vacuum conditions instead of water. Additionally, Coway was the first Korean company to become a signatory of the UNGC CEO Water Mandate, and has done its best to protect water resources throughout the production process.

	2012	2013	2014
Yugu Plant	31,407	20,832	31,221
Incheon Plant	20,695	13,443	12,151
Pocheon Plant	519	392	340
Environmental Technology Institute (R&D Center)	36,982	27,770	19,995
Logistics Center (Yugu)	1,952	1,664	2,340
Total	91,555	64,101	66,047

· Water intake sources: Coway's Yugu plant uses both groundwater and a water supply service, while other business sites use only a water supply service.

Energy Use

In order to increase energy consumption efficiency, Coway installed photovoltaic generators at its production facilities and is expanding its use of renewable energy. Starting with the Pocheon plant in 2013, Coway then installed photovoltaic generators at the Yugu plant (and at a supplier's worksite) in 2014, both of which reduced overall electric power consumption. The company also joined the Win-Win Energy Companion project, and offered energy quantification equipment to reinforce suppliers' energy competitiveness.

Energy Source		2012	2013	2014	Notes
Direct	Butane (GJ)	22	20	7	JoongAng Daily Building (Seoul Head Office), R&D Center at Seoul National University Research Park, Cosmetics Research Institute, Water Environment Business Division, Yugu Logistics Center, Plants (Yugu, Incheon, Pocheon)
	LPG(GJ)	43	40	44	
	Diesel (GJ)	1,554	270	250	
	LNG(GJ)	2,267	2,164	1,567	
	Kerosene (GJ)	339	611	209	
	Propane (GJ)	1,115	1,078	1,135	
Direct Total (GJ)		5,340	4,183	3,212	
Indirect	Electricity (GJ)	105,750	104,022	103,944	
Indirect Total (GJ)		105,750	104,022	103,944	
Total (GJ)		111,090	108,205	107,155	
Energy Use per Unit (GJ/KRW 100 million)		6.15	5.60	5.32	Total energy use (GJ)/Total sales (KRW 100 million)
Adoption of Renewable Energy	Photovoltaic facility installation costs (KRW 100 million)	-	1.1	2.0	2012-Pocheon plant, 2014-Yugu plant, one supplier
	Reduction in power consumption (kw) ¹⁾	-	18,998	71,528	

1) Due to a change in ownership of the company and its postponed investment in energy-saving initiatives, 2012 data is not available. The 2013 data represents the total amount of power saved from the operation of a photovoltaic generator at the Pocheon plant.

· This is based on separate financial statements.

Environmental Impact due to Business Activities

GHG Emissions

In order to achieve its mid- and long-term goals of reducing GHG emissions (from standards set in 2009), Coway plans on lowering its GHG emissions per unit to 50 percent of 2010 emission levels. Accordingly, both employees and suppliers are participating in energy-saving initiatives so that they can minimize GHG emissions at every production and sales site.

· The original goal was to reduce 2009 emissions by 50 percent, but as a result of changed standards in the GHG Energy Goal Management System in 2011, the standard emissions year became 2010.

	2012	2013	2014
Direct Emissions (Scope 1)	338	256	196
Indirect Emissions (Scope 2)	5,479	5,389	5,385
Net Emissions (Scope 1+2)	5,817	5,645	5,581
Yugu Plant	1,730	1,695	1,919
Incheon Plant	711	695	634
Pocheon Plant	498	394	361
Environmental Technology Institute (R&D Center)	1,709	1,628	1,537
Cosmetics Research Institute	151	180	163
Seoul Office (JoongAng Daily Building)	354	384	399
Logistics Center (Yugu)	515	499	413
Water Environment Business Division ¹⁾	150	169	154
Net Emissions (O₂e/KRW 100)	0.322	0.292	0.277
Domestic Logistics and Transport (Scope 3)	2,043	3,156	4,025
Commuting Vehicles (Scope 3)	49	49	49

1) The same as the previous Water Treatment Division.

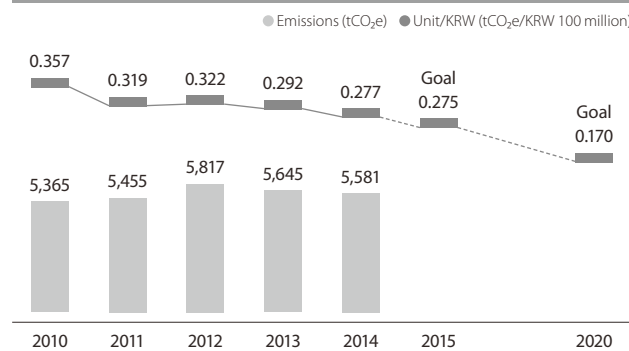
· Of Coway's Yugu DC, Deokpyeong DC, and Yangsan DC, only the Deokpyeong DC was not included in calculating GHG emissions from domestic logistics operations in 2012.

· Domestic logistics and transport are carried out through subcontracts, which are excluded from the company's calculation of emissions (data is taken from subcontractors).

GHG Emissions from the Use of Refrigerants

	R-134a			R-12		
	2012	2013	2014	2012	2013	2014
Use of Refrigerants in Product Manufacturing (kg)	21,398	14,823	43,867	603	122	-
Use of Refrigerants in Product Disposal (Kg)	11,552	12,725	13,558	7,568	4,580	3,061
GHG Emissions Caused by Refrigerants from Waste Products (tCO₂e)	12,014	13,234	14,073	65,993	39,937	26,640

Mid-and Long-term Goals to Reduce GHG Emissions and Past Results



Generation of Waste

		2012	2013	2014
Generation of Waste	Products	12,229	11,765	12,808
	Business Site: General	866	1,003	1,028
	Business Site: Designated	30	25	26
	Services	5,642	6,772	7,024
Total	18,767	19,565	20,886	
Amount of Waste Recycled		12,309	11,817	12,228
Waste Recycling Rate (%)		66	60	59

Plastics Recycling

Coway has expanded its management scope from the manufacturing and distribution of products to waste that occurs during its service process, as CODYs recollect waste filters after carrying out their services, thus enabling waste separation.

	2012	2013	2014	Notes
Output (tons)	8,988	7,482	8,724	Amount of plastics used in products on the market (filters, 5 major products)
Amount Recycled (tons)	6,081	5,638	6,198	Sales amount of recollected and recycled products
Recycling Rate (%)	67.7	75.4	71.1	(Amount of recycled plastics/Plastics output) X 100

- Products: filters, air / water purifiers, bidets, water softeners, food waste processors
- Recycle Rate: (waste product / waste filter) plastic recycle rate / product/filter) plastic delivery amount
- The recycle rate for 2013 fell, compared to 2012, because of the lower cancellation / return rate.
- The recycle rate for 2014 fell compared to 2013. The recycle rate increased due to the improvement of return management technology, but the product/filter return rate decreased.

Discharge of Other Pollutants

Coway operates an assembly-oriented production process in which more than 95 percent of total energy use is electric energy. There are no air pollutants or wastewater during the process, and Coway does not separately measure/manage fossil energy for heating offices and travelling. The same applies to water usage, in which Coway does not evaluate the contamination of sewage water separately.

Activities to Reduce Coway's Environmental Impact

Environmental Investments

	2012	2013	2014
Facility Operations	1,810.2	1,125.8	186.5
System Operations	48.7	75.3	66.5
Communication	659.4	915.8	616.0
New Environmental Businesses	-	-	59.0
Total	2,518.3	2,116.9	928.0

· Environmental investments do not include investments made to improve products and service quality.

Sales of Refurbished Products

For customers who purchase new products and dispose of existing ones, Coway collects the used products free of charge. The recollected products are handled at the company's Recycling Center, where plastics are recycled, some of which are later sold as refurbished products. In 2013, Coway signed an MOU with the Ministry of Environment and the Korean Environment Corporation on this very issue and has been working hard to facilitate the sale of refurbished products since then.

	2012	2013	2014
Water Filtration Appliances	11,880	15,571	12,061
Air Purifiers	8,731	4,959	2,672
Water Softeners	412	597	366
Bidets	8,380	6,850	3,454
Food Waste Treatment Appliances	74	146	30
Total	29,477	28,123	18,583

· While there were slight errors with the sales of water softeners and bidets in the 2013 report, the figures were corrected in the 2014 report.

Hazardous Substance Process Management

Coway operates a hazardous substance process management system to minimize the amount of hazardous substances contained in its products. Since 2006, the company has responded to environmental regulations such as EU RoHS and WEEE for exports to Europe, and is responding to Korea's Act on the Resource Circulation of Electrical and Electronic Equipment and Vehicles ever since Coway products fell under the terms of the law in 2014.

	2012	2013	2014
Response Rate to Parts Containing Hazardous Substances	82.0	95.5	100

Reducing Suppliers' Environmental Impact

Green Partnerships

Coway's Green Partnership (G-WP) certification system helps Coway to produce eco-friendly products and offers Green Partner certificates for suppliers that meet Coway's stringent environmental & quality management standards.

	2012	2013	2014
Suppliers Certified with Coway's Green Partnership Certificate	55	55	55

Suppliers' GHG Emissions

Coway continuously supports carbon partnership suppliers and reinforces their competitiveness by encouraging them to reduce energy use in relation to sales growth. In doing so, Coway is successfully reducing suppliers' environmental risks due to climate change.

	2012	2013	2014
Net Emissions (tCO ₂ e)	40,079	47,806	44,445
Emissions per Unit (tCO ₂ e/KRW 100 million)	11.95	12.48	10.56

- In 2013, emissions per unit increased due to one supplier's investment in a new business.
- Based on 26 major carbon partnership suppliers.

Support for Carbon Partnerships

Coway has selected 29 suppliers that deliver major raw materials in large trade amounts and energy use, and now maintains carbon partnerships with them. Every year, the company measures these key suppliers' GHG emissions and emissions per unit, reinforcing their response capabilities to climate change.

	Period	Major Description
Win-Win Energy Partnership	Jun.-Oct. 2014	Diagnosis of energy issues at business sites
Support for Energy Efficiency at Business Sites	April-Jun. 2014	Support for improving energy efficiency of catapults (aerogels, insulation covers)
Support for Suppliers Adopting Renewable Energy Sources	Feb.-Jun. 2014	Offering 0 percent interest financial support for 2 years when suppliers join a photovoltaic building project
Establishment of Integrated Energy Management Systems between Companies	Jul.-Nov. 2014	Energy management system training; establishment of energy measuring systems (installation of measuring instruments and IT systems)

Other Data Disclosure

Response to the Use of Conflict Minerals

Conflict minerals refer to precious minerals such as tantalum, tungsten, tin, and gold distributed in the Democratic Republic of Congo and its adjacent countries in Central Africa. This region is often insecure, due to the involvement of regional militias causing armed conflict for mining purposes. In this process, human rights abuse occurs frequently. Therefore, advanced sovereignities, including the U.S. and EU, have been introducing voluntary regulations to discourage the use of conflict minerals to protect human rights. Coway discussed the issue of conflict minerals with its suppliers in 2012 and subsequently amended its procurement policy in 2013. This included restricting the import of conflict minerals. Coway will continue to closely monitor the use of conflict minerals and maintain a sustainable supply network.

UNGC



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

GRI G4 Index

General Standard Disclosure

The 2014 Coway Sustainability Report was organized according to the Core option of the GRI G4 Guidelines released by the GRI (Global Reporting Initiative) regarding sustainability management reports. Coway's report highlights the company's core values, governance, current operations, strategies, and the preparation process involved with the sustainability report, as well as indicators necessary for introducing Coway and the report to the general public.

● Overall Reporting ● Partial Reporting ○ No Reporting

Classification	Key indicators	G4	Indicators	Reporting level	Page	Verification	
Strategy and Analysis	●	G4-1	Statement from the most senior decision-maker	●	3	●	
		G4-2	Provides a description of Key impacts, risks, and opportunities	●	16~17, 46~47	●	
	●	G4-3	Report the name of the organization	●	4~5	●	
Organizational Profile	●	G4-4	The primary brands, products, and services	●	6~9	●	
	●	G4-5	The location of the organization's headquarters	●	4~5	●	
	●	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	●	8~9	●	
	●	G4-7	The nature of ownership and legal form	●	Please refer to the IR website	●	
	●	G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	8~9	●	
	●	G4-9	Scale of the organization	●	64	●	
	●	G4-10	Total workforce	●	64	●	
	●	G4-11	The percentage of total employees covered by collective bargaining agreements	●	67	●	
	●	G4-12	The organization's supply chain	●	65	●	
	●	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	●	There were no such changes in 2014	●	
	●	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	●	52~53, 68~71	●	
	●	G4-15	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	Awards and Membership	●	
	●	G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	●	Awards and Membership	●	
	Identified Material Aspects And Boundaries	●	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	●	Please refer to the Business Report; There were no omitted entities	●
		●	G4-18	The process for defining the report content and the Aspect Boundaries	●	76~77	●
●		G4-19	List all the material Aspects identified in the process for defining report content	●	76~77	●	
●		G4-20	For each material Aspect, report Aspect Boundary within the organization	●	16~17	●	
●		G4-21	For each material Aspect, report the Aspect Boundary outside the organization	●	16~17	●	
●		G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	●	When such a case occurred, it was marked with a note.	●	
●		G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	There were no such changes in 2014	●	
●		G4-24	List of stakeholder groups engaged by the organization	●	77	●	
●		G4-25	Basis for identification and selection of stakeholders with whom to engage	●	77	●	
●		G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	77	●	
Stakeholder Engagement	●	G4-27	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	●	16~17, 77	●	
	●	G4-28	Reporting period such as fiscal or calendar year for information provided	●	Cover	●	
	●	G4-29	Date of most recent previous report (if any)	●	Cover	●	
	●	G4-30	Reporting cycle such as annual, biennial	●	Cover	●	
	●	G4-31	Provide the contact point for questions regarding the report or its contents	●	Cover	●	
	●	G4-32	Report the 'in accordance' option the organization has chosen	●	Cover, GRI Index	●	
	●	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	●	62~63	●	

● Overall Reporting ● Partial Reporting ○ No Reporting

Classification	Key indicators	G4	Indicators	Reporting level	Page	Verification	
Governance	●	G4-34	Report the governance structure of the organization, including committees of the highest governance body	●	44~45	●	
		G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	●	44~45	●	
		G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics If consultation is delegated, describe to whom and any feedback processes to the highest governance body	●	44~45	●	
		G4-38	Report the composition of the highest governance body and its committees	●	44~45; Please refer to the Business Report	●	
		G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	●	44~45	●	
		G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	●	Please refer to the Business Report	●	
		G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	●	Please refer to the Business Report	●	
		G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	●	44~45	●	
		G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	44~45	●	
		G4-49	Report the process for communicating critical concerns to the highest governance body	●	44~45	●	
		G4-51	Report the remuneration policies for the highest governance body and senior executives	●	44~45	●	
		G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	●	54~55, 77	●	
	Ethics and Integrity	●	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●	4; Please refer to the website for 'ethical management'	●
			G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	●	48	●

Index on Information Not Included in the Report

Information on some indicators regarding GRI G4 General Standard Disclosure is not included in this report, but can be looked over through other communication channels Coway operates for stakeholders. As such, the report contains an index concerning reference materials with more detailed information.

G4-7	IR Webpage	Organization of Major Stakeholders	http://www.cowayir.co.kr/coway/kor/corporate_info/corporate_go5.asp
G4-17	Business Report	I. Overview of the Company	http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20140530000296
G4-38	Business Report	VI. About Corporate Organizations (including the BOD) and Subsidiaries	http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20140530000296
G4-40	Memorandum of Association	Article 31-Article 35	http://www.cowayir.co.kr/fileupload/kor/ec/05.pdf
G4-41	Business Report	VI. About Corporate Organizations (including the BOD) and Subsidiaries	http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20140530000296
	Memorandum of Association	Article 35-Article 36.3	http://www.cowayir.co.kr/fileupload/kor/ec/05.pdf
G4-41	Business Report	VI. About Corporate Organizations (including the BOD) and Subsidiaries	http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20140530000296
	Business Report	VI. About Corporate Organizations (including the BOD) and Subsidiaries	http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20140530000296
G4-56	Website	Ethics Management	http://www.coway.co.kr/Company/Manage/Ethics/Maintenance/Ethics.aspx

Specific Standard Disclosure

Of the 46 Aspects included in the Specific Standard Disclosure of the GRI G4 Guidelines, this report classified 8 Aspects related to 2014 material issues: economic performance, products and services, employment, training & safety, customer safety & health, product & service labelling, marketing communication, and customer data protection. It also classified the Aspect of emissions as a material Aspect. Since 2009, the company has continued to work for effective environmental management and has carried out GHG emission reduction initiatives. For each material Aspect, this report contains Disclosure on Management Approach (DMA) and indicators. In addition, the report contains other guideline indicators when they are appropriate in expressing Coway's sustainability management activities and performance.

● Overall Reporting ○ Partial Reporting ○ No Reporting

Classification	Key indicators	G4	Indicators	Reporting level	Page	Verification
ECONOMIC						
Economic Performance	●	DMA	Disclosure on Management Approach	●	12~13	
		G4-EC1	Direct economic value generated and distributed	○	10~11	●
		G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	22	●
시장지위		G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	65	●
Indirect Economic Impacts		G4-EC7	Development and impact of infrastructure investments and services supported	●	49	
Procurement Practices		DMA	Disclosure on Management Approach	●	38, 65	
ENVIRONMENTAL						
Materials		G4-EN1	Materials used by weight or volume	●	68	●
		G4-EN2	Percentage of materials used that are recycled input materials	●	68	●
Energy		G4-EN3	Energy consumption within the organization	●	68	●
		G4-EN5	Energy intensity	●	68	●
		G4-EN6	Reduction of energy consumption	●	68	●
		G4-EN7	Reductions in energy requirements of products and services	●	24	●
Water		G4-EN8	Total water withdrawal by source	●	68	●
Emissions	●	DMA	Disclosure on Management Approach	●	52, 69	
		G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	●	69	●
		G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	●	69	●
		G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	●	69	●
		G4-EN18	Greenhouse gas (GHG) emissions intensity	●	69	●
		G4-EN19	Reduction of greenhouse gas (GHG) emissions	●	69	●
		G4-EN21	Nox, Sox, and other significant air emissions	●	70	●
Effluents and Waste		G4-EN22	Total water discharge by quality and destination	●	70	
Products and Services	●	DMA	Disclosure on Management Approach	●	22, 26	
		G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	23~24	●
		G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	○	52, 70	●
Compliance, Supplier Environmental Assessment		G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	1 case: The Pocheon Plant exceeded waste water discharge standards in 2014 (administrative measures were taken)	
		G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	●	71	

● Overall Reporting ○ Partial Reporting ○ No Reporting

Classification	Key indicators	G4	Indicators	Reporting level	Page	Verification
LABOR PRACTICES AND DECENT WORK						
Employment	●	DMA	Disclosure on Management Approach	●	34	
		G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	46	●
		G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	54~55	●
Training and Education	●	DMA	Disclosure on Management Approach	●	34	
		G4-LA9	Average hours of training per year per employee, by gender, and by employee category	○	67	
		G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	37, 54	●
		G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	○	36	
Diversity and Equal Opportunity		G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	66	●
Equal remuneration for women and men		G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	●	66	●
LaboPractices Grievance Mechanisms		G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	67	●
SOCIETY						
Local Communities		G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	49	
Anti-corruption		G4-SO4	Communication and training on anti-corruption policies and procedures	●	67	●
		G4-SO5	Confirmed incidents of corruption and actions taken	●	67	●
PRODUCT RESPONSIBILITY						
Customer Health and Safety	●	DMA	Disclosure on Management Approach	●	26	
		G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	●	28	
Product and Service Labeling	●	DMA	Disclosure on Management Approach	●	18	
		G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services subject to such information requirements	●	20	
Marketing Communications	●	G4-PR5	Results of surveys measuring customer satisfaction	●	21	●
		DMA	Disclosure on Management Approach	●	18	
		G4-PR6	Sale of banned or disputes products	●	There were no such incidents in 2014	
Customer Privacy	●	DMA	Disclosure on Management Approach	●	30	
		G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	31	●

Report Organizing Process

Organization of Report Content

Step 1. Create a Pool of Reporting Issues

Research was conducted to identify the most discussed issues regarding sustainability management during the reporting period.

- Media research**

Issues with the highest degree of concern were identified after conducting research on issues as reported by the media in Korea and overseas about Coway during the reporting period.

- Research sustainability management trends**

The company surveyed sustainability management issues dealt with in newsletters and articles which were published by international organizations as well as global initiatives such as the UNGC, GRI and BSR. Furthermore, sustainability reporting trends in the industry were uncovered by looking into leading examples of global companies in the field of home appliances and cosmetics.

- Research issues for each stakeholder group**

In order to identify the issues that major stakeholders—especially customers, employees, and suppliers—are most concerned about in relation to Coway's sustainability management, the company researched feedback received from stakeholders at each contact point during the reporting period.

Step 2. Test Materiality of Each Issue

With the 31 sustainability issues identified through the company's research, the departments in charge of sustainability management evaluated stakeholders' degree of concern, the magnitude of the potential impact of sustainability issues, and the likelihood of these issues actually occurring when coming up with a final list of material issues to be resolved.

- Evaluate stakeholders' degree of concern**

The company classified stakeholders' degree of concern into three levels by considering the frequency of each issue being mentioned, as well as press reports and reporting rates during the reporting period.

- Evaluate the potential magnitude of the impact and the likelihood of each issue occurring**

People in charge of writing the report, and staff at internal units related to sustainability management, such as the Environmental Management Team and the Win-Win Management Team, evaluated each issue's potential impact and likelihood of occurring.

	Potential Magnitude of the Impact	Likelihood of Occurring
High	When there is an impact, it causes significant changes to Coway's business activities.	It regularly occurs or people in charge of the issue can predict its occurrence.
Medium	It does not cause direct changes, but affects the quantitative and qualitative performance goals.	While there is no occurrence cycle or it is hard to predict, there is a system in place to prepare for the issue.
Low	It does not cause direct changes to business activities or goals, but affects the establishment of long-term strategies and a corporate vision.	Although the company has recognized and prepared for related principles, the issue is expected to occur very rarely.

Identified Issues

Pool of 31 Issues in 6 Areas

Areas	Issues
Economy & Management	<ul style="list-style-type: none"> Improve management performance Maintain & reinforce market status Seize upon opportunities for new businesses & new markets Respond to legal violations and disputes Disclose sustainability management performance results Strengthen the sustainability management system
Customers	<ul style="list-style-type: none"> Guarantee product safety Product Innovation Improve customer convenience through heightened services Improve Coway's brand credibility Reinforce data security
Environment	<ul style="list-style-type: none"> Respond to climate change Reduce energy use Efficient use of resources Prevent environmental pollution caused by production and distribution Prevent environmental pollution caused by product use and disposal Eco-friendly R&D Clean up pollution in local communities Preserve biodiversity
Employees	<ul style="list-style-type: none"> Develop and retain human resources Maintain a healthy work environment & corporate culture and promote employee welfare Guarantee health & safety at work Respect employee diversity and anti-discrimination efforts Comply with principles regarding human rights and labor
Partners	<ul style="list-style-type: none"> Establish fair partnerships with suppliers Reinforce suppliers' business capabilities Suppliers' sustainability management Improve sales & service partners' status and professionalism
Local Communities	<ul style="list-style-type: none"> Social contribution activities Solve problems in local communities Expand socially responsible investments

Summary of Materiality Test Outcomes

- Issues with Higher Degrees of Concern**

Economy & Management	<ul style="list-style-type: none"> Improve management performance Seize upon opportunities for new businesses and new markets 	<ul style="list-style-type: none"> Disclose sustainability management performance results Strengthen the sustainability management system
Customers	<ul style="list-style-type: none"> Product Innovation 	<ul style="list-style-type: none"> Improve Coway's brand credibility
Employees	<ul style="list-style-type: none"> Maintain a healthy work environment & corporate culture and promote employee welfare 	<ul style="list-style-type: none"> Develop and maintain human resources
Partners	<ul style="list-style-type: none"> Suppliers' sustainability management 	
Environment	<ul style="list-style-type: none"> Respond to climate change 	

- Issues with a Higher Potential Impact and Likelihood of Occurring**

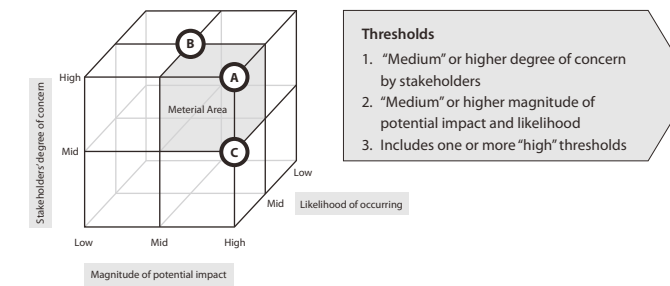
Economy & Management	<ul style="list-style-type: none"> Improve management performance Seize upon opportunities for new businesses & new markets 	<ul style="list-style-type: none"> Maintain & reinforce market status
Customers	<ul style="list-style-type: none"> Product Innovation Improve Coway's brand credibility Guarantee product safety 	<ul style="list-style-type: none"> Reinforce data security Improve customer convenience through heightened services
Environment	<ul style="list-style-type: none"> Prevent environmental pollution caused by production and distribution 	
Partners	<ul style="list-style-type: none"> Fair partnerships with suppliers Reinforce suppliers' business capabilities 	<ul style="list-style-type: none"> Improve sales & service partners' status and professionalism

The 2014 Coway Sustainability Report was planned in three steps: creating a pool of reporting issues, a materiality test, and interviews with people in charge of each issue. Overall, Coway wrote the report based on the GRI G4 Guidelines and International Integrated Reporting Council's (IIRC) integrated reporting framework (2013). For this sustainability report, the company examined global initiatives on sustainability management, reporting trends at other companies in the same industry, major risks and opportunities identified through Coway's risk management process, and feedback received from stakeholders at each contact point during the reporting period. In addition, material issues were identified by considering both their impact on stakeholders' decision-making process and their impact on Coway's value creation.

Organization of Report Content

Step 3. Examine Reporting Issues and Make a Final Decision

Focusing on issues with the highest priority (as identified based on the evaluation of stakeholders' degree of concern, likelihood of occurring, and magnitude of potential impact with each issue), interviews were conducted with departments in charge of each issue. The content of the report was later confirmed after a final review by the department in charge of publishing the sustainability report.



Identified Issues

2015 Material Issues

Location	Name of Material Issue	Degree of Concern	Magnitude	Likelihood
A	Improve management performance	High	High	High
	Seize upon opportunities for new businesses & new markets	High	High	High
	Product Innovation	High	High	High
	Improve Coway's brand credibility	High	High	High
B	Maintain & reinforce market status	Mid	High	High
	Guarantee product safety	Mid	High	High
	Reinforce data security	Mid	High	High
	Fair partnerships with suppliers	Mid	High	High
C	Develop and retain human resources	High	Mid	Mid
	Maintain a healthy work environment & corporate culture and promote employee welfare	High	Mid	Mid

Definition of Major Stakeholders and Communication Channels

Coway defined stakeholders as internal/external individuals and organizations that influence corporate activities. Coway then classified them into seven groups. Recognizing that communication with each group of stakeholders is an essential element for the successful pursuit of sustainable management, Coway operates a number of communication channels. In order to effectively organize the content of this sustainability report, the company utilized stakeholder feedback collected through certain communication channels during the reporting period (Jan. 1–Dec. 31 2014)

	Definition	Major Concerns	Communication Channels	Communication Activities
Customers	Not merely consumers who purchase Coway's products and services, but all stakeholders that share Coway's values.	Improving customer satisfaction, distinguished customer services, systematic customer feedback management Handling of customer grievances, thorough customer data protection	<ul style="list-style-type: none"> Website VOC/Call Center 	<ul style="list-style-type: none"> New Heart Service Customer-oriented management (CCM)
Shareholders & Investors	Those who make indirect/ non-financial investments as well as those who make capital investments	Profitability improvement, dividend policies, sound corporate governance, business opportunities & risk management	<ul style="list-style-type: none"> Frequent IR meetings General meeting of stockholders 	<ul style="list-style-type: none"> Company briefing sessions Management information notification
Government	Institutions and organizations that exercise sovereign power on behalf of the countries where the company conducts its business	Compliance and laws & regulations, Public-Private partnerships	<ul style="list-style-type: none"> Government-funded councils Corporate disclosure 	<ul style="list-style-type: none"> Public-private partnerships Seminars
Academia & Media	Groups that produce and deliver information for communication between Coway and its stakeholders	Transparent disclosure of corporate information	<ul style="list-style-type: none"> Corporate disclosure · Press releases 	<ul style="list-style-type: none"> Management information notification Press releases
Suppliers	Organizations and individuals that provide Coway with raw materials and related services	Support for suppliers' financing/technology/training; support for suppliers' environmental/ethics management; improvement of suppliers' work environment	<ul style="list-style-type: none"> Suppliers' Council Win-Win Portal Site 	<ul style="list-style-type: none"> Technological and monetary support Benefit sharing program
Employees	Coway's core assets that continuously strengthen their ability to achieve both an individual and corporate vision	Fair evaluations and compensation, training and competency development, family-friendly management, current situation of employment, non-regular employees' work conditions and welfare & benefits	<ul style="list-style-type: none"> Labor-Management Council Grievance handling program HR Committee 	<ul style="list-style-type: none"> Beyond Coway Coway Day
Local Communities	Not just geographical/administrative districts, but also the societies in which Coway and its stakeholders live	Communication with local communities, ethics management performance disclosure, various social contribution & volunteer activities	<ul style="list-style-type: none"> Local councils NGO meetings 	<ul style="list-style-type: none"> Rent for Help Hanbyum Love

About This Report

Reporting Scope

Focusing on the head office in Seoul, research institutes and production plants/Including overseas operations for a portion of the data

Reporting Period

Jan. 1, 2013-Dec. 31, 2014

To ensure there is enough data to provide comparable referencing, three years' worth (in some case 5 years' worth) of data was disclosed

Reporting Standards

Core option of the GRI G4 Guidelines and the IIRC's Integrated Reporting Framework

Assurance

Please refer to the assurance statement (pp. 62-63).



The 2014 Coway Sustainability Report uses eco-friendly paper certified with FSCTM (Forest Stewardship Council™), which is allowed only for products using wood from eco-friendly developed forests. Additionally, an FSC™-certified printing house printed this report using soy ink, which can significantly reduce the emission of air pollutants during the printing process.

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