

CSR Practices of the Korean Companies

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■ Characteristics by theme

A. Gender Issue

Motivation/Issues selection

- Gender issues are promoted through hiring more women.
 - ✓ Initiatives on retaining women workforce or career development remain weak.
 - ✓ Perception remains that policies favorable to women are reverse-discrimination against men.
- Companies tend to align gender issue with low birth rate issue.
 - ✓ Companies do not recognize that gender issues are part of a labor shortage or woman's right.
- Growing interest in work-life balance is found but relevant policy and systems are not prepared.

Implementations

- Companies' efforts to enhance gender equality go from one extreme to the other: conservative companies that confine their CSR activities to the scope defined by laws and the advocates of work-life balance that seek fundamental changes by integrating family friendly management or women-friendly culture into their company.
 - ✓ Yuhan-Kimberly: The CEO's commitment has made family friendliness deeply embedded into the business philosophy, policy, and system. Its efforts go beyond the company to spread family friendly management to the community.
 - ✓ Amorepacific, Lotte shopping: Intends to promote systems that are helpful for married women employees, all of which are aimed at nurturing women leaders under the women-friendly culture (retention of women workforce, childcare center)
 - ✓ LGE, Hyundai Motor: Implements practices prescribed by laws (maternity leave, training on sexual harassment) only
- Policy and systems for nurturing women leaders are not improved as much

as those for hiring new women workforce.

- ✓ Companies disclose the percentage of women among new hires and have a specific target of increasing the proportion of women in their workforce.
- ✓ No specific programs for developing women leadership are found other than in Lotte shopping (52% of new hires are women) and Amorepacific (62% of total employees are women) where the percentages of women employees are high.
- ✓ Yuhan-Kimberly and Amorepacific have led CSR initiatives aimed at developing women leadership in the communities they do business in.
- Most CSR activities are confined to the promotion of the use of maternity leave or childcare leave as they are more oriented towards resolving the low birth rate issue.
 - ✓ 100% guarantee in the use of maternity leave, target setting for enhancing childcare leave, child-birth incentives
- Work-life balance and male (gender equality) support is in its infancy except for Yuhan-Kimberly
 - ✓ Yuhan-Kimberly offers a variety of family-friendly management programs including flexible work hours and life-long learning opportunities, which are increasingly adopted within and outside the company.

Impact

Achievement

- The percentage of women employees, in particular female new hires, is increasing in most companies.

Business Impact

- Companies of which customers (Amorepacific, Lotte shopping, Yuhan-Kimberly) or employees (Amorepacific, Lotte shopping) are mostly women believe that promotion of gender equality will have a positive impact on the company, its reputation and competitiveness, and ultimately help improvement in the corporate value.
- LG Electronics and Hyundai motor which are less proactive in spreading gender equality do not expect the gender issue to have a significant impact on their business.

Social Impact

- Yuhan-Kimberly was the only one that recognizes the social impact of

greater gender equality and family-friendly management, that they can lead to a higher birth rate in the workplace, which in turn raises the birth rate of the society as a whole and resolves both low birth rate and labor shortage issues.

B. Stakeholder Dialogue

Motivation/Issues selection

- Companies value dialogue with stakeholders as part of company's risk management

Implementations

- The voices of stakeholders are being heard through the committees.
 - ✓ Cases in point are "Stakeholder Steering Committee" of Hyundai Motor, "Stakeholder Committee" of Yuhan-Kimberly, and "CSR Advisory Board" of SK TELECOM
 - ✓ Committees are comprised of investors, NGO consumers, partners, and academic experts.
 - ✓ It is notable that the labor union, shareholders, or government are not included.
 - ✓ The stakeholder steering committee covers business issues as a whole, development of CSR strategies, and identification of key issues.
- Dialogue with each stakeholder group is centered on issues relevant to the interest of stakeholders concerned.
 - ✓ Consumer: product development, service satisfaction assessment, etc.
 - ✓ Shareholder: focused on business performance reporting
 - ✓ Employees/executives and labor union: grievance, fringe benefits, salary negotiation, work environment, etc.

Impact

Social Impact, Achievement

- Companies fail to understand how dialogue with stakeholders impacts society, and cannot quantify the performance of their efforts.

Business Impact

- With the growing influence of stakeholders, companies recognize the

importance of stakeholder dialogue process as a tool for risk management.

C. Supply Chain Management

Motivation/Issues selection

- Supply chain management of Korean companies is somewhat different from that pursued by western companies.
 - ✓ Western companies believe suppliers are subordinate companies that should be supervised where as Korean companies view them as partners to pursue win-win relationships together.
- Companies are committed to fair trade and technology development geared towards enhancing business competitiveness.
 - ✓ Manufacturers work on development of policies and systems needed for technology development of suppliers and fair trade designed to secure competitiveness of finished products and transparency in the procurement process.
- Companies focus on environment friendly management as part of risk management strategy.
 - ✓ They put emphasis on environment friendliness as an action plan to address climate change and global regulations.
 - ✓ Government-led initiatives give momentum to companies' commitment to eco-friendly management.

Implementations

- Companies state win-win partnership as part of their business principles and intend to achieve shared growth by creating an organization in their company.
 - ✓ Yuhan-Kimberly: Set the vision of building a shared growth model for large corporations and SMEs through a win-win partnership
 - ✓ LG Electronic: Declared "win-win partnership" as the company vision. States in the sustainable management principles that mutual growth with suppliers should be pursued through fair trade and cooperative relationships
 - ✓ SK TELECOM: Declared SK win-win partnership and fair trade agreement in September 2008. Established a win-win partnership committee under SK Group
- Companies use diverse terms to replace the word "supplier" in an effort

to emphasize they are not the subject for supervision, but partners to work together with.

- ✓ Use of the term “business partner” instead of “supplier”
 - ✓ Amorepacific: Uses the term “Beauty partner,” which refers to major suppliers with more than 45 years of business relationships that account for more than 1/3 of the company sales.
 - ✓ Lotte shopping: Employees of suppliers are named “co-workers”
- Electronics company joins global initiatives to achieve corporate competitiveness and win-win situation with suppliers
- ✓ LG Electronic: Disseminated supplier CSR guidelines as a member of EICC launched by leading companies in the electronics sector. Set out plans to provide consulting and training programs for suppliers.
- Government (Ministry of Knowledge Economy) projects based on multilateral agreement with companies and their suppliers have helped delivery of technology and policies on eco-friendly management across the supply chain.
- ✓ Hyundai motor, Lotte shopping: Run Eco-Partnership program as a result of partnership agreement with the Ministry of Knowledge Economy to build infrastructure for CSR activities that allows suppliers to establish CO2 emission measurement system and publish sustainability report.
- Companies are equipped with a full-range supplier evaluation system that includes monitoring programs i.e. factory audit, while CSR issues such as human rights are covered by only a few leading companies that developed its own self-assessment process
- ✓ Evaluation in Yuhan-Kimberly and Hyundai motor even includes overall CSR issues such as human rights and labor conditions.

Impact

Achievement

- Non-listed companies and SMEs now have better understanding of CSR, and the number of sustainability reports issued is on an increasing trend.
 - ✓ Lotte shopping: Launched initiatives to help suppliers produce sustainability report. 10 suppliers have published sustainability reports up until now.
 - ✓ Yuhan-Kimberly: 13 SMEs released sustainability reports under the “large corporation-SME green partnership” initiative.

Business Impact

- Business operations of suppliers have a direct impact on the business performance of companies.
 - ✓ LG Electronic: As 80% of sales revenues are paid out to suppliers as procurement payment, suppliers have a strong impact on the business. SCM efficiency is critical to business success.
 - ✓ Lotte shopping: Supplier management is critical to customer satisfaction as, due to the nature of the industry, staff from suppliers are dispatched to the stores and directly interact with customers
 - ✓ Hyundai motor: Competitiveness of finished vehicles is closely linked to its auto parts.
 - ✓ Amorepacific: Door-to-door sales persons, the number of which is 10 times greater than that of employees, are classified as suppliers. Supplier management is a key issue as they contribute to 1/3 of total sales.

- Positive impact on reputation management
 - ✓ Companies may be held accountable for any issues arising from suppliers. In that sense, demanding CSR from suppliers may help a company's risk management, and also improve its reputation.

Social Impact

- Some companies intend to use supply chain management as a way of giving profits back to society and achieving a win-win partnership.
 - ✓ Lotte shopping: 90% of suppliers are SMEs. Intends to share profits through margin freezing, etc.

■ CSR activities in branches overseas

- CSR activities of overseas branches are, irrespective of headquarters, usually determined taking into account social issues of the local community they belong to. It has no link with CSR of headquarters yet.
- A leading example is LG Electronics. It has established and released a Labor Policy applicable to all LG Electronic subsidiaries in 120 countries. While most provisions of the Labor Policy generally stipulate compliance with local laws and regulations, overall they define what they should comply with as LG Electronics subsidiaries, on which the company puts priority over local laws.
- Companies aggressively doing business overseas are planning to develop

strategic CSR to be rolled out across branches.

- ✓ Lotte shopping: Is in the process of developing management guidelines that include ethical management and CSR to apply in all stores across the world

■ Overall characteristics

- Korean companies examined in the study view corporate social responsibility (CSR) from either a corporate philosophy perspective (ex. Yuhan-Kimberly, SK TELECOM) or from a business strategy perspective (ex. Lotte shopping, Amorepacific, Hyundai motor, LG Electronics, etc.).

- ✓ In companies with a corporate philosophy approach, CSR is either fully embraced by the CEO or incorporated into the management policy which in the beginning is shared by employees and later applied to all aspects of business operations.
- ✓ CSR programs of the companies that view CSR as part of the business strategy tend to be issue-oriented and short-term.

Motivation/Issues selection

- Focuses on CSR issues strongly aligned with the business
 - ✓ Promotion of gender equality: Cases in point are Lotte shopping and Amorepacific where women account for a large percentage of their customer base as well as employees.
 - ✓ Supply Chain Management: Manufacturers such as LG전자, Hyundai motor are good examples.
- Government-led initiatives affect companies' selection of CSR programs/issues
 - ✓ Government policies and initiatives aimed at driving green growth have raised the bar of environment-friendliness in Korean companies.
 - ✓ Government initiatives derived from national agendas such as low birthrate or win-win management of large and small enterprises have influenced the decision-making of local companies on the selection of CSR issues to focus on.

Implementations

- They focus on CSR initiatives closely aligned with the business.
 - ✓ Lotte shopping: 90% of customers are women. Strategically hires

more women to raise the percentage of women in its workforce and builds programs and systems favorable to women (childcare center, accommodative facilities for women)

- ✓ Amorepacific: Focuses on training of sales force, also known as “business partners,” as 1/3 of revenues come from door-to-door sales. Programs and systems (ex. childcare center, accommodative facilities for women) are in place as part of retention efforts as most of its sales personnel are women.
- ✓ Hyundai motor: Implements SCM aimed at enhancing the competitive edge of 1st ~ 2nd tier suppliers as the competitiveness of auto parts determines the competitiveness of complete vehicles.

- Companies are committed to proactively responding to global CSR trends.
 - ✓ Follows GRI Global Reporting Initiative (GRI) guidelines, and have strong interest in the recently released ISO26000
 - ✓ Fully involved in the production of sustainability report
- Companies are committed to proactively responding to global CSR trend

Impact

- Quantitative or qualitative measurement of CSR performance has yet to be introduced. Awareness, however, is growing about the increasing importance of CSR in their business or the communities they belong to.