

Korean Report:



Being Responsible in Korea

Hankyoreh Economic Research Institute

Historical Background



60s~70s

[Economic Growth]

- CSR = Mass production, distribution and exports

80s

[Labor Issues]

- More than 3,700 strikes in 1987
- Labor unions at large companies were established

Early 90s

[Environmental Concerns]

- Doosan Electronics dumped 320 tons of phenol waste into the Nakdong Rive (1991)
- Oil accident by Honam Petrochemical Corp. (1997)

Late 90s

[Financial Crisis]

- Massive IMF bailout package (1997)
- Reforming the *Chaebol* structure (1998)

Early 2000s

[Ethical Management]

- Anti-corruption Act (2001)
- Fraudulent accounting scandals by Daewoo & SK (2003)
- Korean 1st sustainability reports published by Samsung SDI, Hyundai Motor Company & Hanwha Chemical (2003)

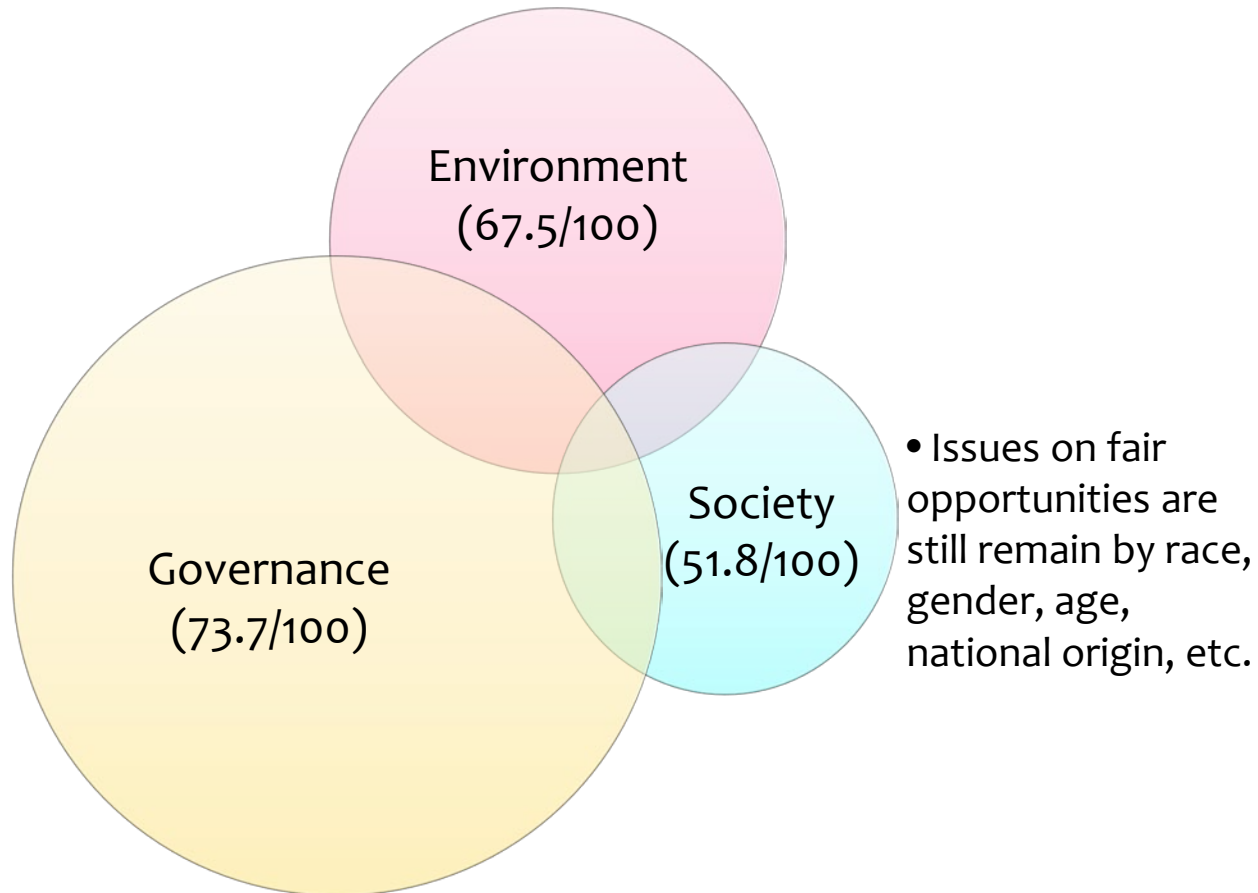
Late 2000s

[Green & Mutual Growth]

- Presidential Committee on Green Growth (2009)
- Presidential Committee on Win-win Growth (2010)

CSR Practices

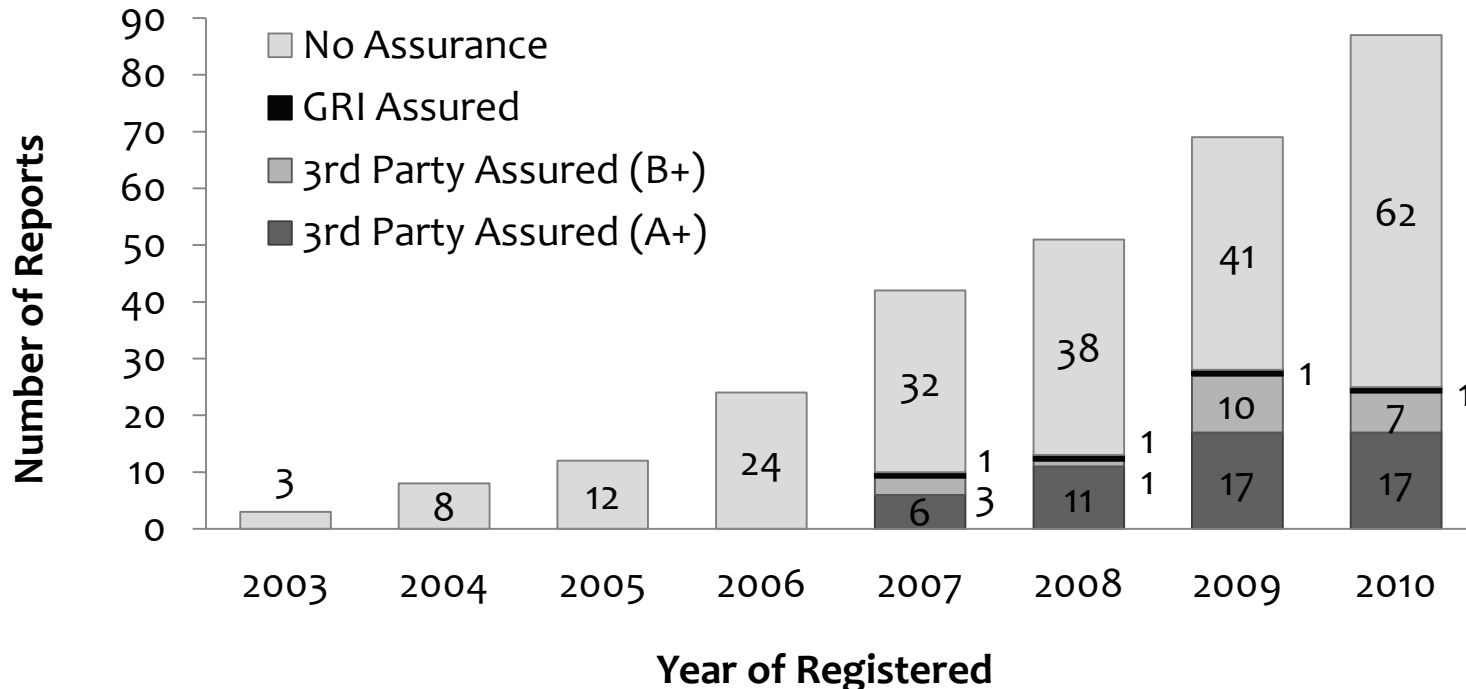
- Among ESG, the Society is the weakest area of Korean Companies



(Based on the Asia CSR Evaluation Model in 2010 by the East Asia CSR Expert Committee)

CSR Practices

- For the last 8 years, the quantity of sustainability reports published by Korean companies has been increased, but, not the quality
 - only 24 reports (27.6%) had 3rd party assurance reports



(Data from the Business Institute for Sustainable Development)

Selected Companies

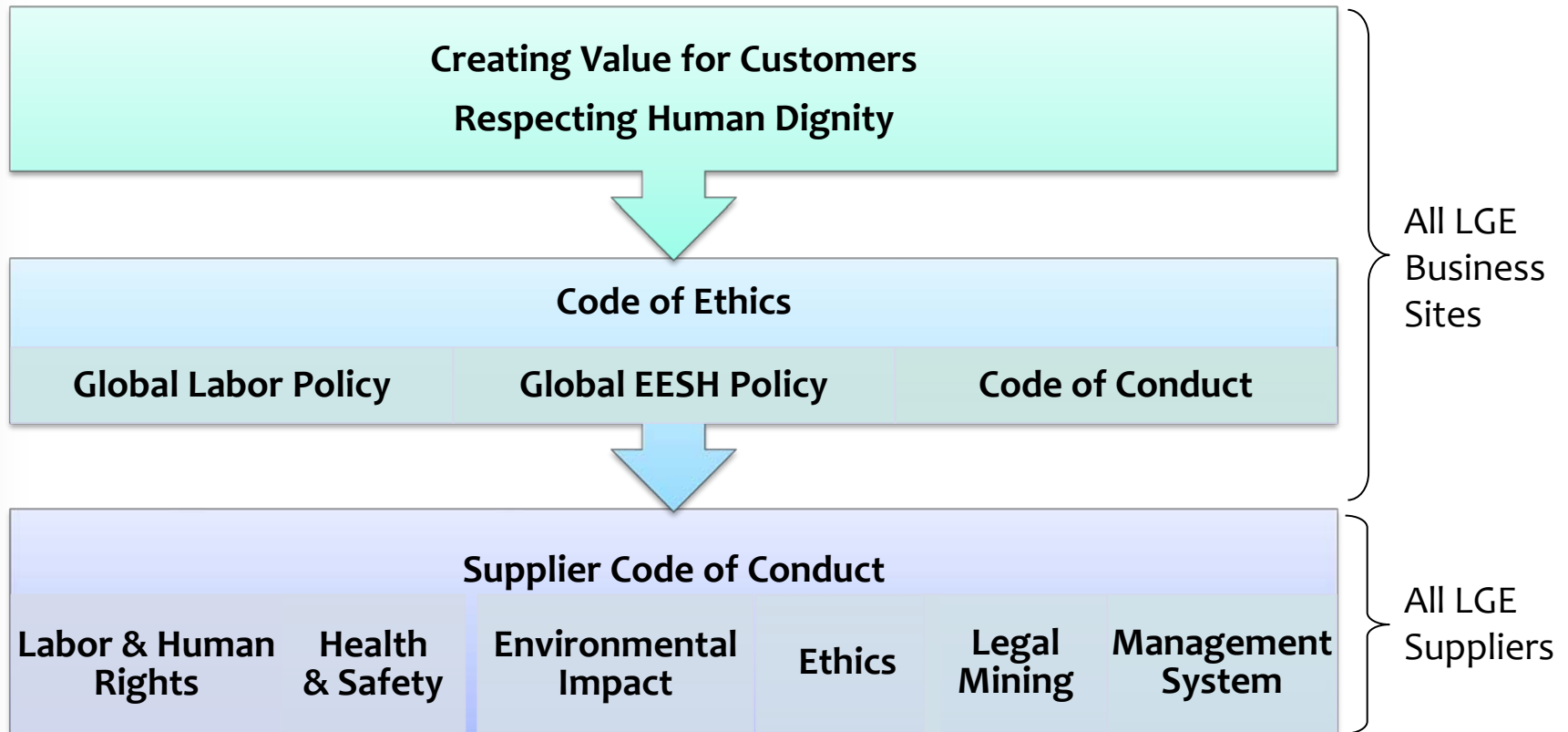
* billion KRW

Name	Industry	Establish	Revenue*	Market Share	Employees	The 1st Report	Join in UNGC
AmorePacific	Cosmetics & Household Goods	1945	2,252	39% (Korea)	4,130	2009	2007
Hyundai Motor Company	Automobiles & Parts	1967	36,769	45% (Korea) 20% (India) 5% (USA)	80,185	2003	2010
LG Electronics	Technology Hardware & Equipment	1958	55,800	-	90,578	2006	2009
Lotte Shopping	General Retailers	1979	11,530	45% (Korea)	15,000	2005	2007
SK Telecom	Mobile Telecommunications	1984	12,460	> 50% (Korea)	5,000	2005	2007
Yuhan-Kimberly	Household Goods	1970	1,200	Daipers:65% Tissue:45% (Korea)	1,663	2005	2007

Good Practices in SCM: LG Electronics

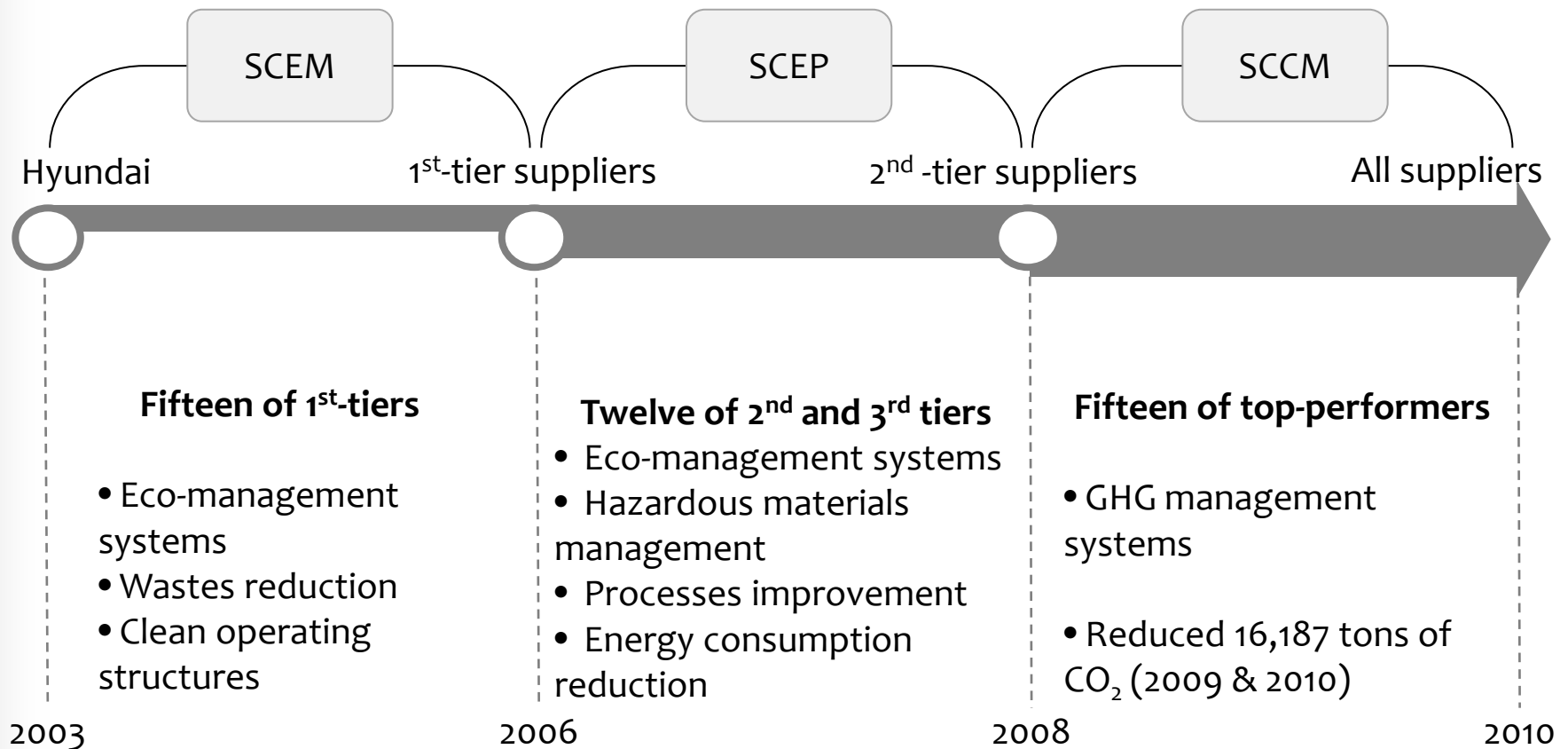
Expanding the Scope of CSR through the 'Supplier Code of Conduct'

- LGE developed its own Code of Conduct after joining EICC in Aug. 2010
- All the entities in supply chain must comply with the Code



Good Practices in SCM: Hyundai Motor

Government Project to Build Green Partnership with Suppliers



Good Practices in Stakeholder Dialogue: SK Telecom

Augmenting and Reorganizing the Existing Advisory Group

Community Involvement Advisory Panel (2003~)

- Academic and field specialists only in social welfare
- Sporadically functioned philanthropic activities

CSR Advisory Panel (2009~)

- 9 opinion leaders in wider range of fields
 - 4 in sustainability management
 - 3 in social welfare
 - 1 in environment
 - 1 in fair competition and corporate governance
- Comprehensive social responsibilities at the core of the business

Good Practice in Stakeholder Dialogue: Yuhan-Kimberly

Seeking Solution for Management Issues through Stakeholder Dialogue

- One chair and 6 experts in the committee, subjected to vary depending on the main topic of the events

1st meeting

- Possible crises and risks that might be faced and issues to be long-lasting company

2nd meeting

- **Suggestions for the next ten years to achieve the vision 2020**

Agendas

- Increasing stakeholders participation
- Responding to climate change
- Developing sustainable products
- Seeking opportunities from market change

3rd meeting

- **Suggestions for the evolution of CSR – Keep Korea Green Campaign**

Agendas

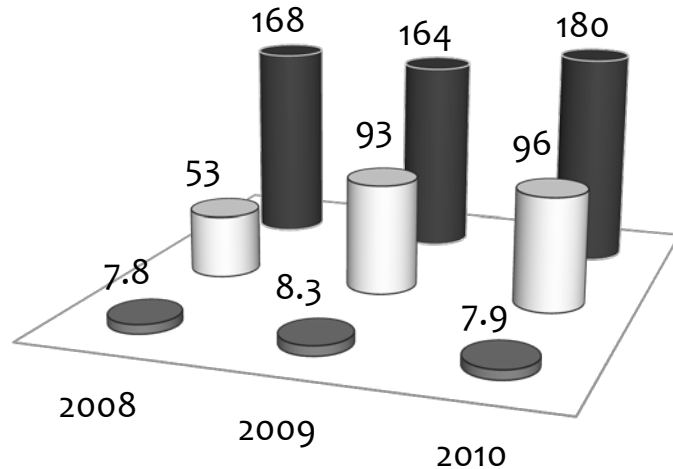
- Increasing stakeholders participation
- Responding to climate change
- **Developing family-friendly management**
- **Evolving 'Keep Korea Green' campaign**

Good Practice in Gender Issues: AmorePacific

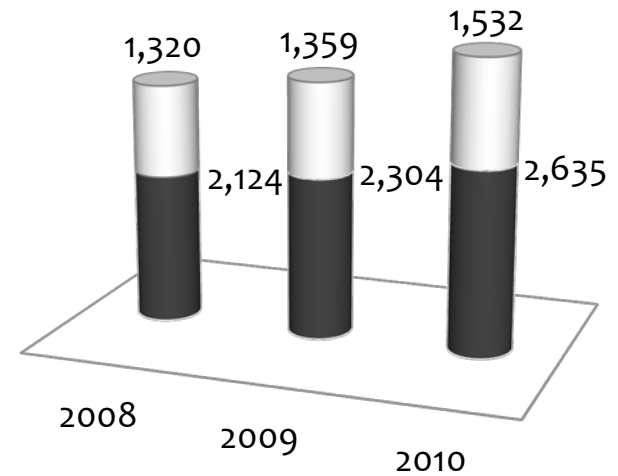
Well-being of Female Employees is the Competitiveness of the Company

- Creates atmosphere to freely take maternity and childcare leaves
 - Fully-paid 90 days of maternity leaves are specified by the law
- Promotes WLB for both genders
 - Flexible working hours, in-house daycare centers and nursing rooms, resident nurses
 - Higher ratio of female employees

- Average Years of Continuous Services
- Number of Childcare Leaves
- Number of Maternity Leaves



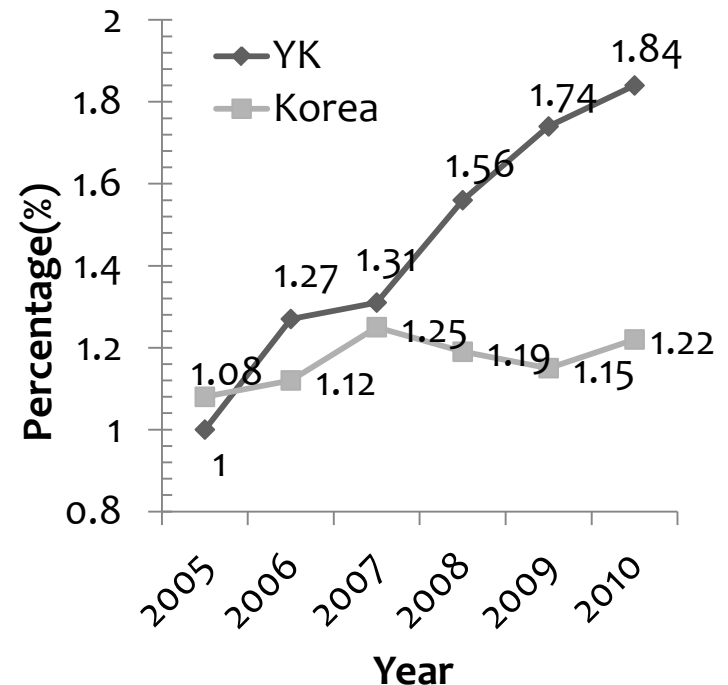
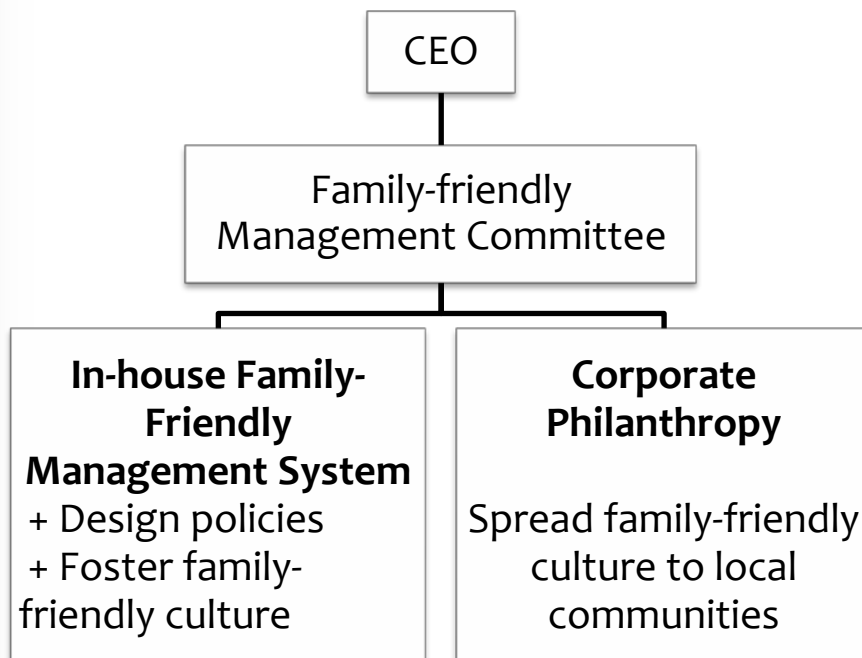
- Female employees
- Male employees



Good Practices in Gender Issues: Yuhan-Kimberly

Promoting Gender Equality through Family-friendly Management

- Two-way approaches to promote the family-friendly management system
 - In-house promotion & local community education
- Higher birth rate than the average Koreans



Conclusions: SCM

- **Mutual growth and win-win partnership are the most important initiatives**
- **Wider range of supply chain management**
 - Hyundai Motor Company, LG Electronics and SK Telecom include not only 1st-tier but also 2nd and 3rd tier suppliers
 - AMOREPACIFIC, Lotte Shopping and Yuhan-Kimberly include direct sales agencies, vendors and wholesalers
- **Fair trade between partners is another significant concern**

Conclusions: Stakeholder Dialogue

- **Definition**
 - Major stakeholders: stockholders, customers, business partners (or suppliers), employees, local community
 - The government can be considered as a stakeholder, only if the company conduct government project, but not essential
- **Way of dialogues**
 - Off-line surveys
 - Stakeholder's committee meetings with external specialists representing individual groups of stakeholders

Conclusions: Gender Issues

- **All of selected companies comply with the governmental regulations regarding gender equality and maternity protections**
 - Equal opportunities in hiring, promotion and wages for both genders
 - Maternity/paternity leaves for child giving and caring
 - Various educational programs and financial support for WLB
- **Although, those who provide superior family-friendly management systems present higher participation level of women at work place**

