
Y U P O O N G M A N A G E M E N T C H A R T E R

유풍 경영헌장
YUPOONG MANAGEMENT CHARTER



유풍 경영헌장 · YUPOONG MANAGEMENT CHARTER



Y U P O O N G
M A N A G E M E N T
C H A R T E R



The year 2014 marks the 40th anniversary of Yupoong. It is often said that 40 is the “age of no doubts”, an age where you are no longer beset by doubts. Having no doubts also means having matured enough to take responsibility for one’s actions as they move forward. This is where we stand now.

Let us pledge to integrate the Yupoong Management Charter into our daily lives. We must continuously strive to take flight onto the next level, to do our best and be the best while being honest and earnest. Let us look back on the path we have taken for the past 40 years, and chart a new century to come with commitment and hope for the future. Let us take this first step together with the determination to always be one stride ahead of others.

- Excerpt from the CEO Message

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CEO Message

Beloved Yupoong family members!

The year 2014 marks the 40th anniversary of Yupoong. It is often said that 40 is the “age of no doubts”, an age where you are no longer beset by doubts. Having no doubts also means having matured enough to take responsibility for one’s actions as they move forward. This is where we stand now.

To this day, we have repeatedly managed to achieve growth despite being within a difficult business environment. We are now at a point where we must set our sights even higher and take on bigger challenges. In order to do so, it is essential that the entire Yupoong staff carries the same mindset and moves forward in a unified direction. Hence, we have revised the Yupoong Management Charter so that employee members can recollect the spirit of Yupoong. The revised charter will present the groundwork upon which we can work together in unison and abide by common values, rather than following individual criteria and different courses of action. The Yupoong Management Charter has been restructured for easy understanding to ensure it becomes an internalized part of our everyday activities.

We have updated the management charter to include three major revisions. First, it has been reorganized to emphasize the core elements of the charter by dividing them into the following sections: Way of Business, Way of Action, and Way of Management. Secondly, our main value which includes our Mission, Vision, and Core Value has been modified using Yupoong’s own terminology for easier understanding. And lastly, we propose a clear guideline for actions reflective of our core value in order to establish the criteria for Yupoong employees’ ethical conduct and job performance.

The Way of Business segment presents the main purpose and direction of Yupoong and consists of our mission and vision. The mission statement contains both the reason Yupoong exists and the spirit of Yupoong. Furthermore, it declares that we will “provide the best value through the relentless pursuit of perfection”. This mission embraces the Excelsior Spirit from which the Yupoong spirit is founded upon. Our vision contains our grand ambition to be “a first-class headwear company that creates and ensures future value for its customers”. It embodies our will to become a company respected for its honesty and excellence by using our insight to provide new value for customers, employees, shareholders, the nation, and society.

The Way of Action is necessary for fulfilling the Way of Business, and consists of the Core Value and the Ideal Employee. The Core Value is the decision making criteria and action principles of Yupoong employees, which are integral to achieving our mission and vision. Yupoong’s core value is presented as C.O.R.E. - Customer Value, Open Mind, Right Path, and Excelsior - with Excelsior being the most fundamental value. Behavioral values include Open Mind and Right Path, while Customer Value is the ultimate value that we pursue. The Ideal Employee is reflective of the Yupoong employee who has internalized the core value and performs our Way of Business in a global setting. This segment consists of Creative Employee, Learning Employee, Cooperative Employee, and Ethical Employee.

The Way of Management is necessary for managing and operating business and is divided into Management Principles, Management Responsibilities, Code of Ethics, and Management Philosophies by Sector. This section includes the principles future leaders of Yupoong are expected to abide by. In this revised charter, we take into consideration the correlation between management responsibilities and management principles and add a new “value management”.

These three “Ways” will help establish the identities of Yupoong employees and guide the development of Yupoong’s competencies to the highest level. In order to move forward with passion and challenge, while consistently aiming higher, we also need a strong organizational culture unique to Yupoong. Our prized Yupoong Management Charter will serve as the groundwork for that organizational culture.

Fellow Yupoong family members! Let us pledge to integrate the Yupoong Management Charter into our daily lives. We must continuously strive to take flight onto the next level, to do our best and be the best while being honest and earnest. Let us look back on the path we have taken for the past 40 years, and chart a new century to come with commitment and hope for the future. Let us take this first step together with the determination to always be one stride ahead of others.

October 15, 2014

Byoung-Woo Cho / CEO of Yupoong



다져온 40년, 펼쳐쳐갈 100년

40 Years Trodden, 100 Years to Chart

Yupoong is Taking Their Second Flight

Rather than resting on the laurels of our 40 years of success, Yupoong is charting the next 100 years of future success. Yupoong employees are taking the next ambitious step.

01

The Way of Business

Business Mindset and Direction Pursued by Yupoong

The Way of Business consists of the Yupoong mission and vision. The mind and direction pursued by Yupoong are represented by the image of a lighthouse which serves as a glowing beacon in the darkness of the night.

03

The Way of Management

Criteria for Business Management Decision Making

The Way of Management consists of management principles, the code of ethics, management responsibilities, and management philosophies by sector. This section encompasses everything regarding the business management aspect of Yupoong, and is represented by the image of a forest.

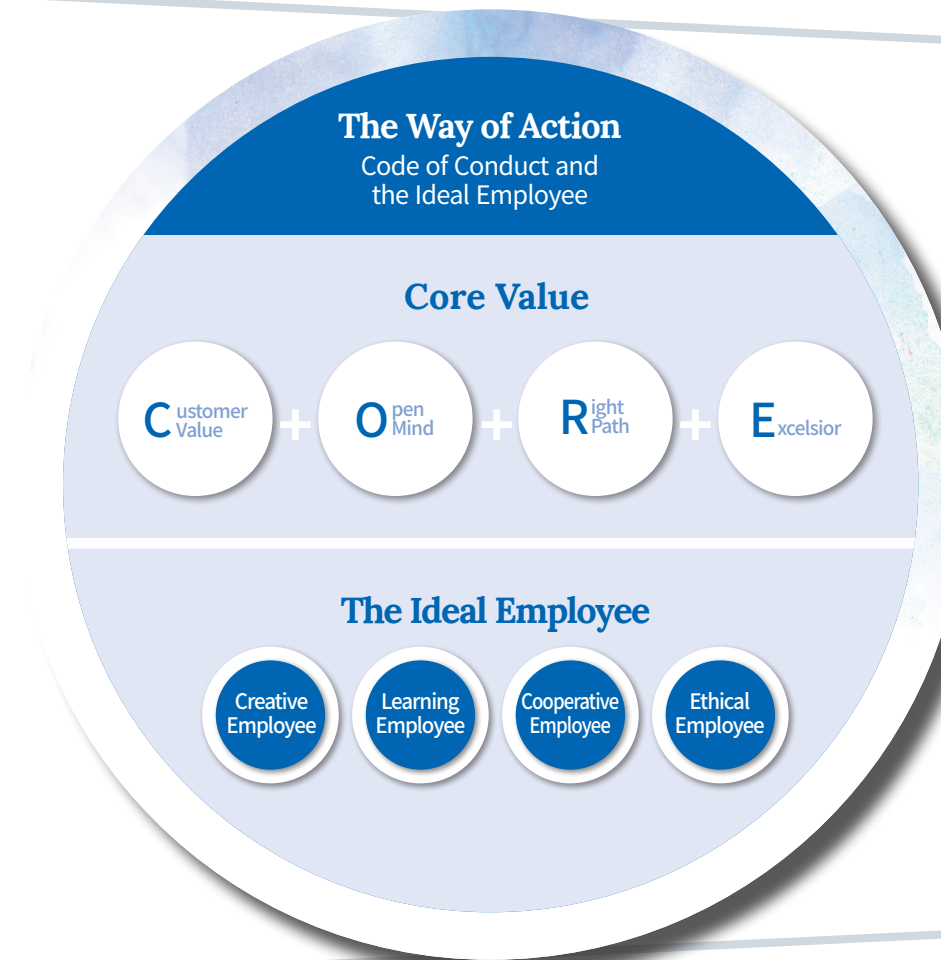
02

The Way of Action

Code of Conduct and the Ideal Employee

The Way of Action consists of our core values and the traits of the ideal employee. Yupoong employees devoted to the realization of Yupoong's mission and vision in the best possible way are represented by the image of a soaring bird.

YUPOONG MANAGEMENT CHARTER STRUCTURE



가고 싶은 길이 있습니다
There is a path
we would like to pursue

The Way of Business

YUPOONG
MANAGEMENT CHARTER
What We Seek

The Way of Business

The Way of Business is about the mindset and direction pursued by Yupoong.
It is a belief shared by all employees as we cultivate the culture of Yupoong.
It is the driving force that will help us build the future of Yupoong in an age of uncertain business climates.

Mission and Vision

Mission

It is the purpose and reason for our existence.

Vision

It is the ideal that embodies our dream.

Mission

We provide the best value through the relentless pursuit of perfection.



Vision

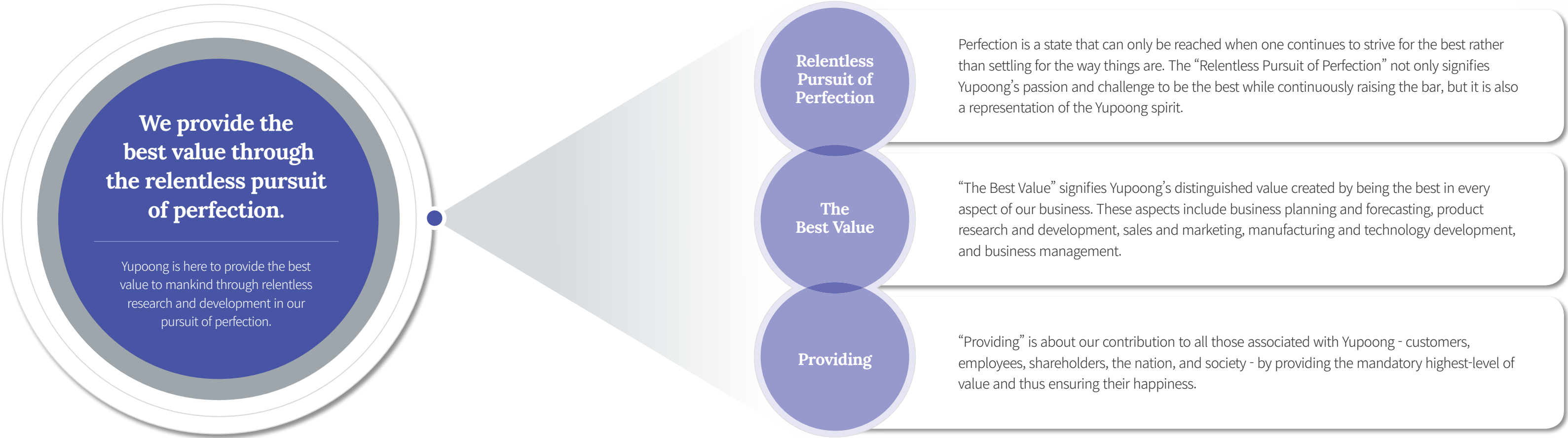
We are the world's first-class headwear company that creates and ensures future value for customers!
"Worn by the World"

Mission

01

The Mindset Yupoong Pursues and the Reason We Exist

Yupoong’s mission is a manifestation of the reason we exist and the mindset Yupoong will pursue until the very end. Our mission will guide Yupoong on its journey as a lighthouse provides light during the darkness of the night.

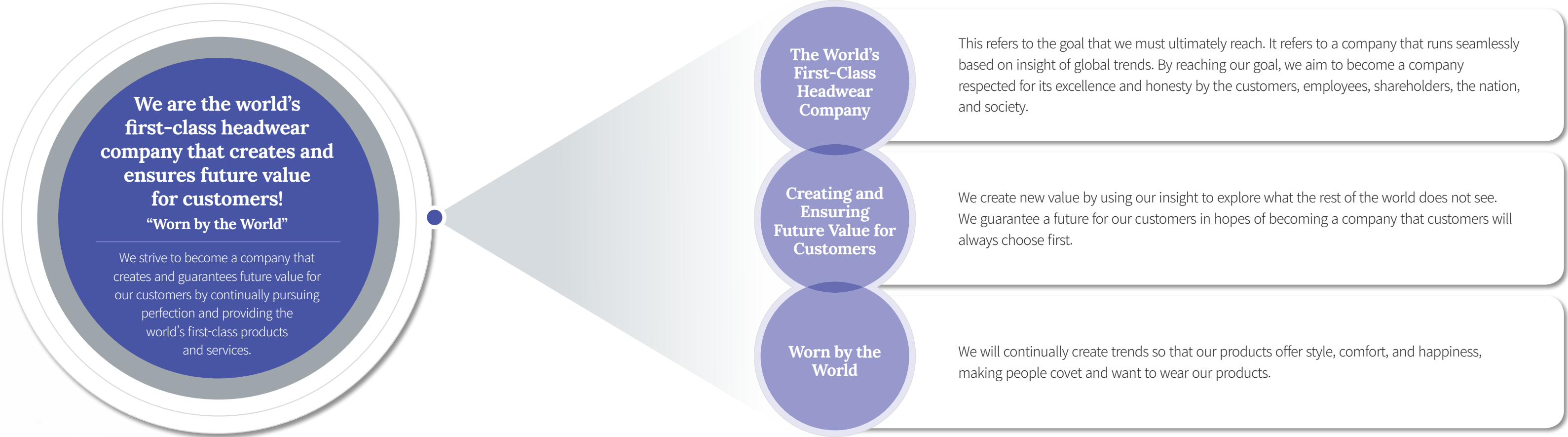


Vision

02

The Ideal That Reflects Yupoong's Dream

Yupoong's vision embodies our grand ambition.
This grand ambition will be fulfilled as we take on challenges with the Yupoong spirit.



행동하며 나아가는다

Taking Action as
We Move Forward

The Way of Action

The Way of Action

The Way of Action is essential to fulfill the Way of Business. The Way of Action is the ultimate criteria for job performance evaluation and it unifies all members of our organization in a single direction. The Way of Action must be understood and put into practice by all Yupoong employees.

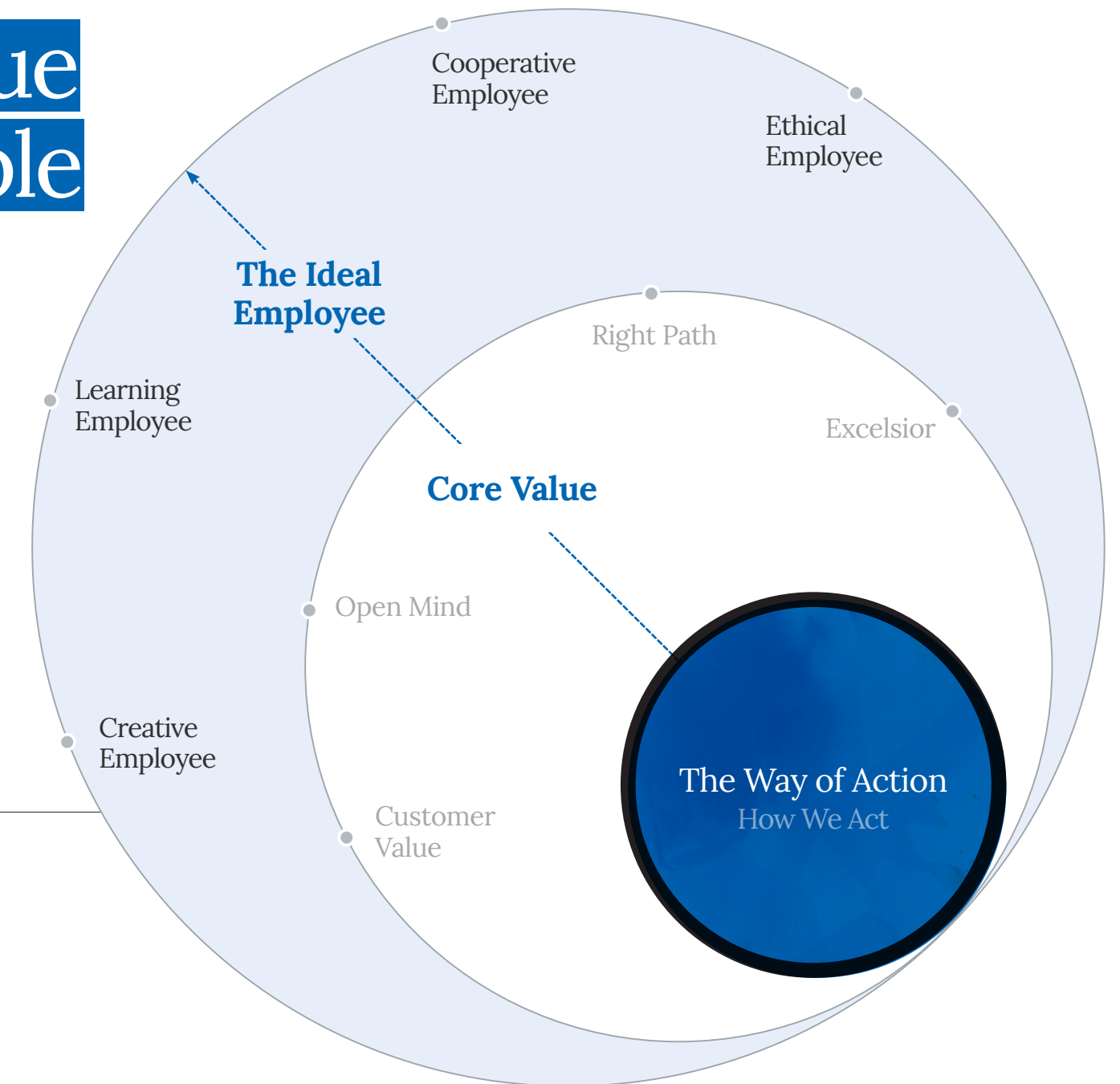
Core Value and People

Core Value

The criteria for decision making and taking action, Core Value is the DNA to Yupoong's success.

The Ideal Employee

The Ideal Employee refers to the Yupoong employee who internalizes, accomplishes, and promotes our core values.

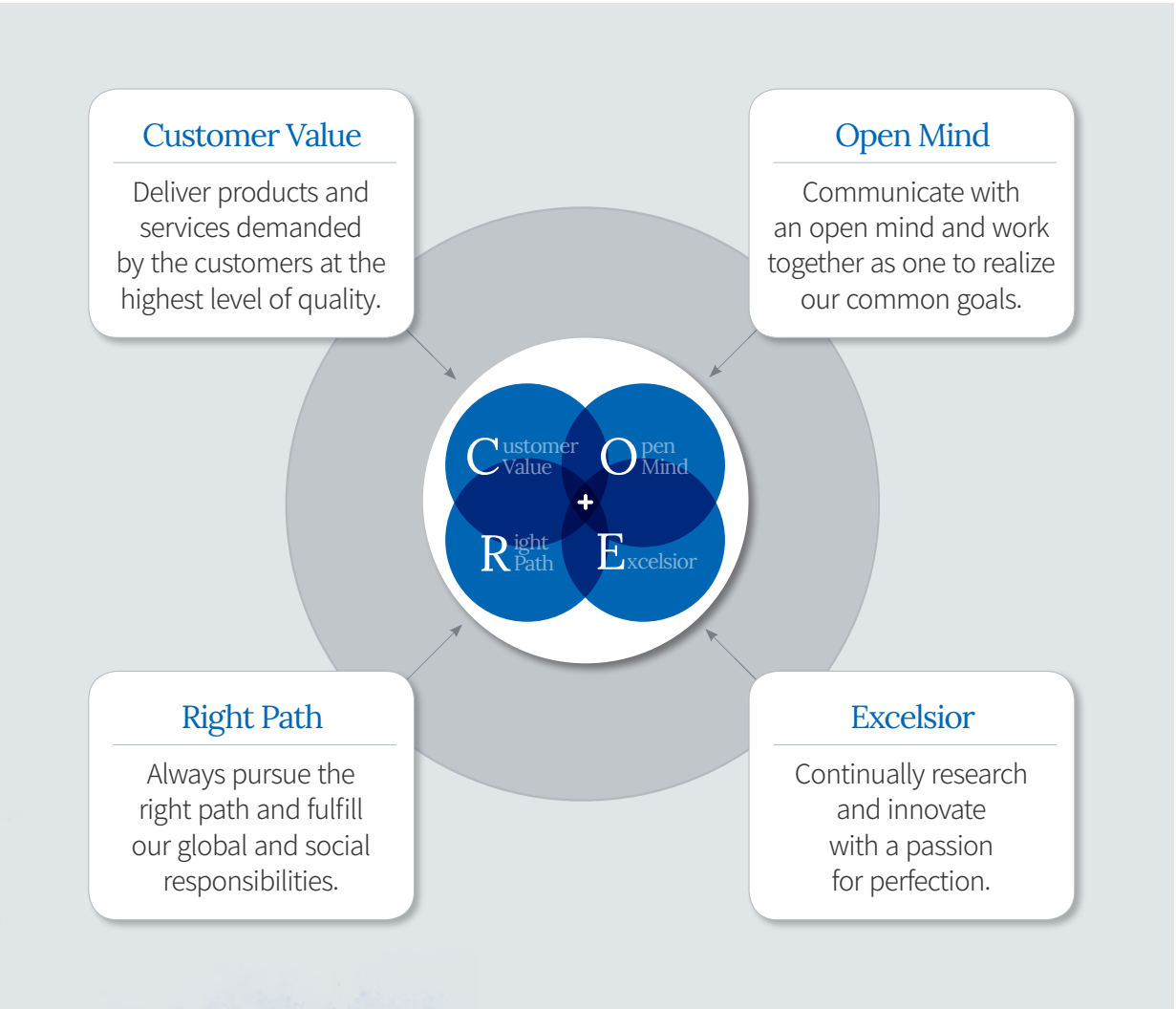


Core Value

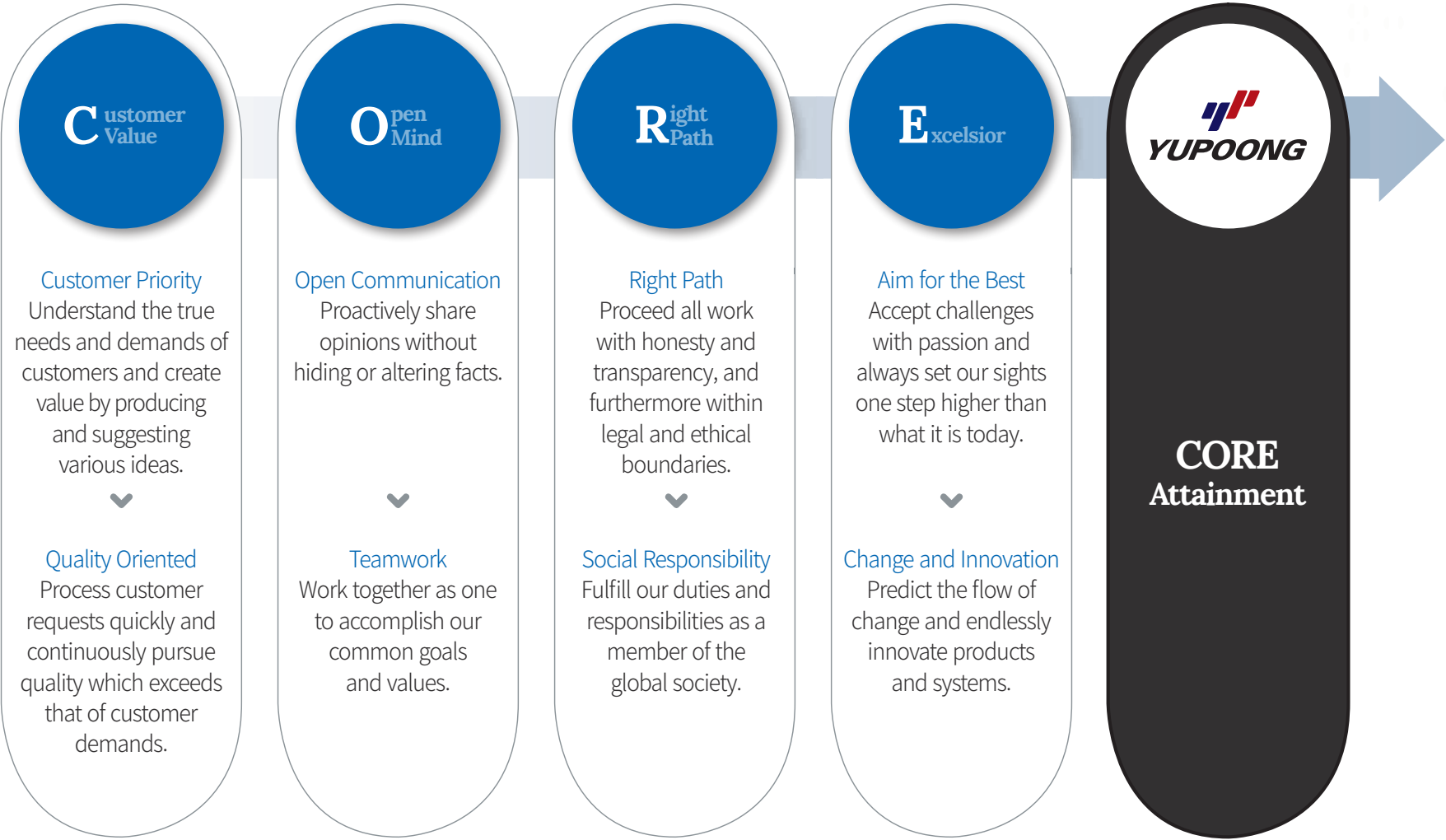
01

Yupoong's DNA of Success

The core values of Yupoong are necessary for achieving the mission and vision of Yupoong.



Code of conduct to accomplish Yupoong's mission, vision, and core value. The Way of Yupoong to accomplish CORE in a global setting

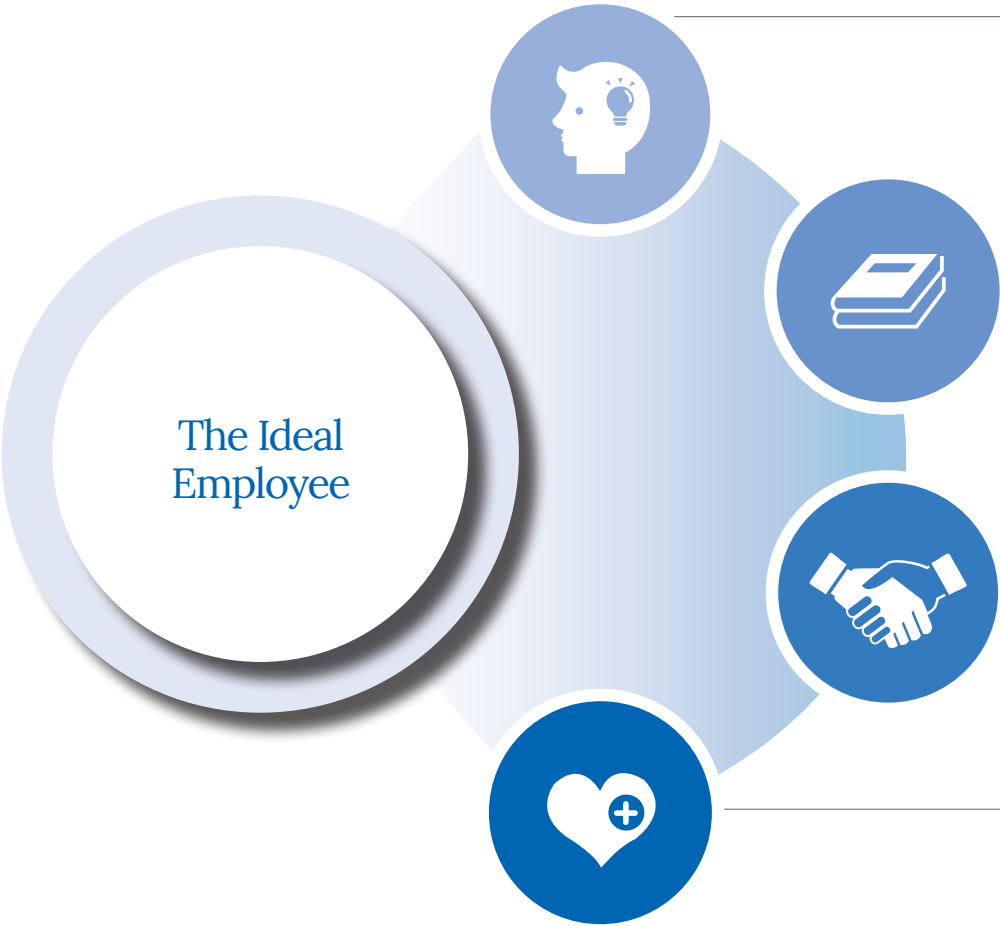


The Ideal Employee

02

Traits of the Ideal Yupoong Employee with Internalized Core Values

The ideal Yupoong employee who manifests our core values on a global stage.



Creative Employee

- Employees with an open mind who predict the future and is a leader in change.
- Employees who break stereotypes, do not fear failure, and create better methods.

Learning Employee

- Employees who are constantly reinventing themselves through continual self-development.
- Top experts of the global era with foreign language skills and problem-solving abilities.

Cooperative Employee

- Employees who work selflessly and communicate openly with one another on the basis of mutual respect.
- Employees who cooperate and harmonize with each other in order to achieve common goals.

Ethical Employee

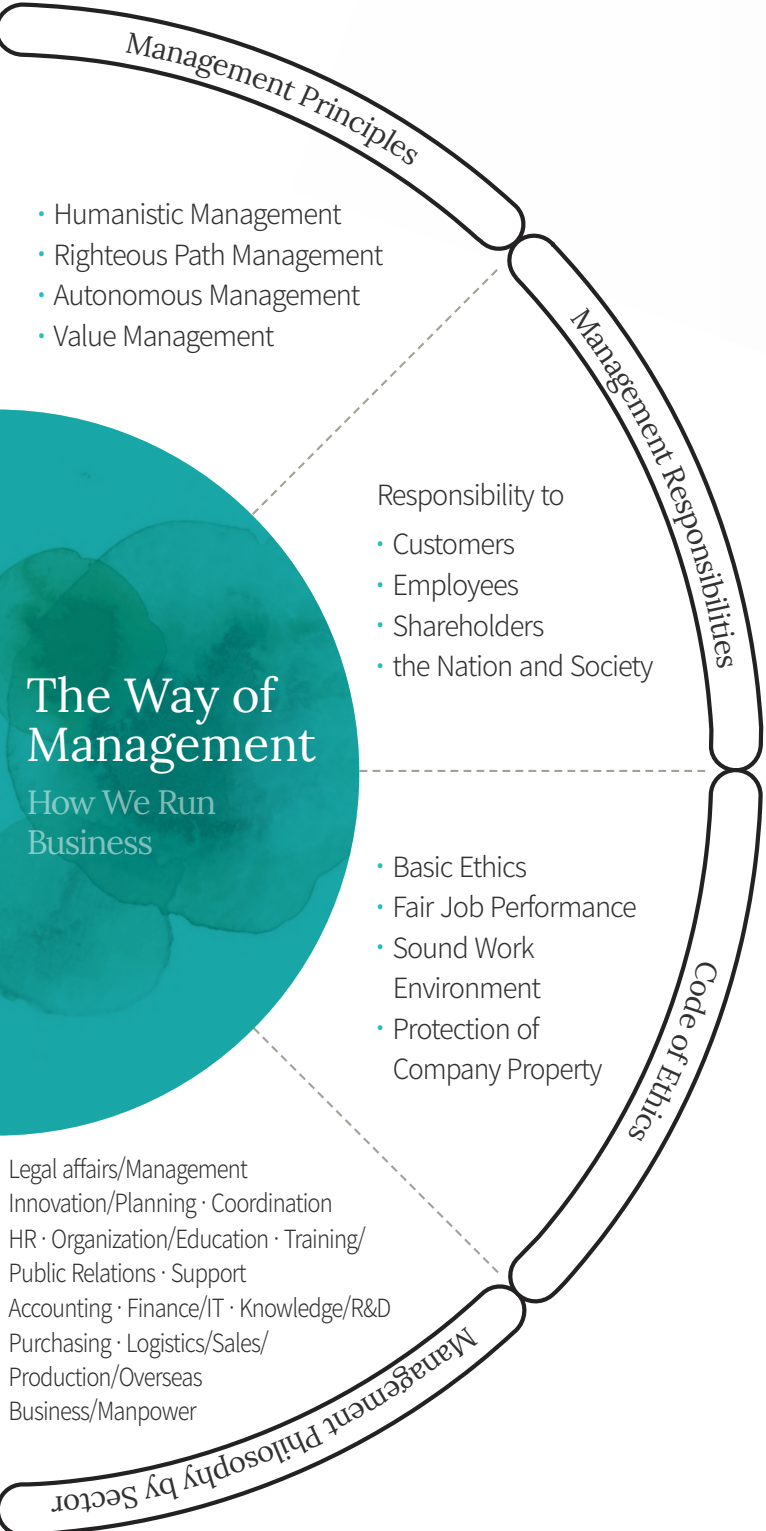
- Employees with integrity, honesty, ethics, and good etiquette.
- A considerate and cordial individual who possesses the ethical and environmental awareness demanded by the world.



The Way of Management

The Way of Management

The Way of Management is an essential requirement for the future leaders of Yupoong. The Way of Management is about pursuing the maximization of value and creating an environment where individuals can grow. Personal development will lead to the growth of Yupoong, which not only contributes to social and national development but will ultimately return full circle by contributing to the progress and welfare of Yupoong employees. This is truly a way for all Yupoong employees to develop a sense of ownership and to make Yupoong our very own.



Management Principles

Management Responsibilities

Code of Ethics

Management Philosophy by Sector

Management Principles

Management principles are the standards that must be followed for all decisions related to management activity.

Management Responsibilities

Management responsibilities refer to the obligations, duties, and accountability that must be honored by a company when operating a business.

Code of Ethics

The Code of Ethics is a criteria for employees to determine what is ethically right and wrong. It is also a standard which helps an employee distinguish between actions they must and must not take.

Management Philosophy by Sector

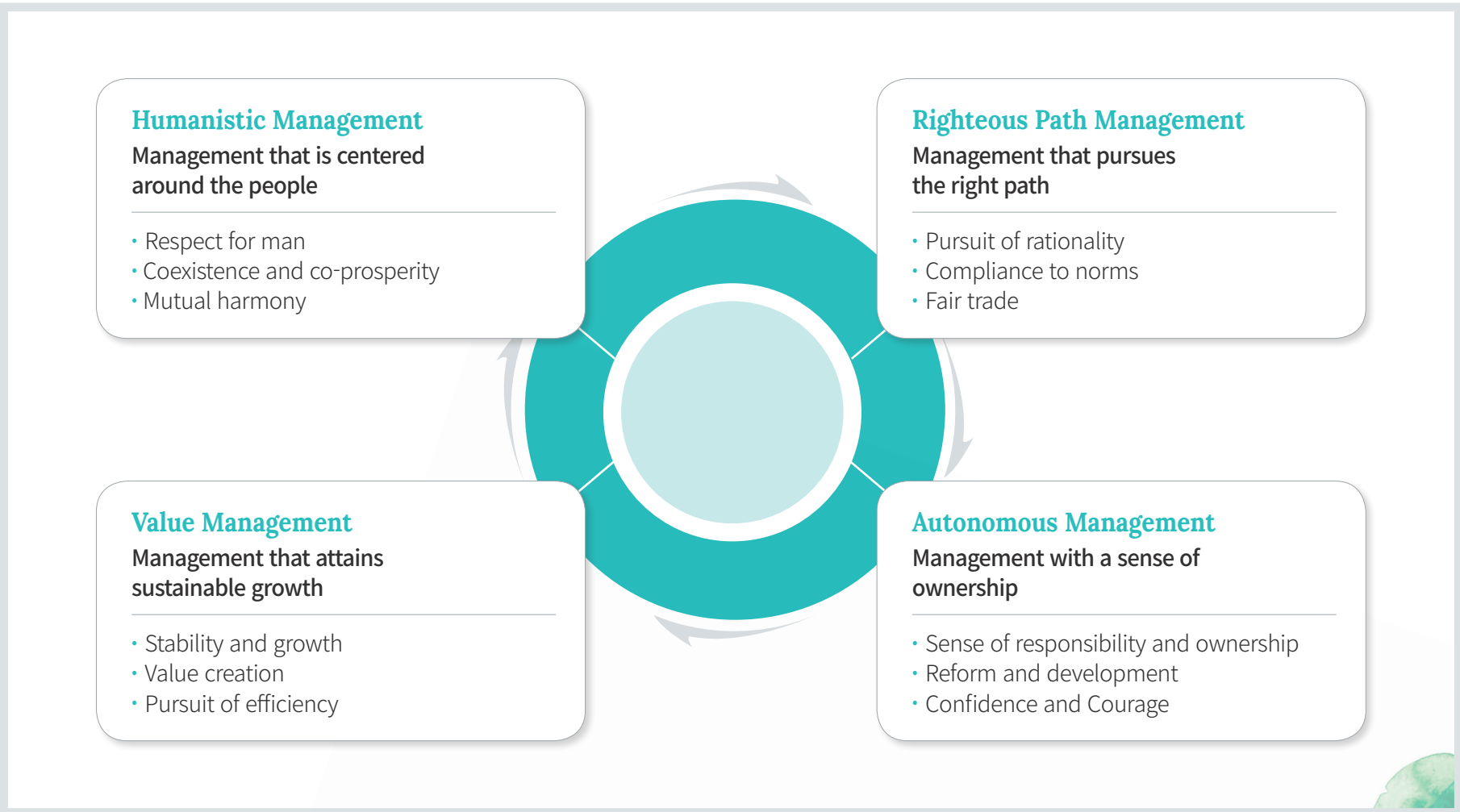
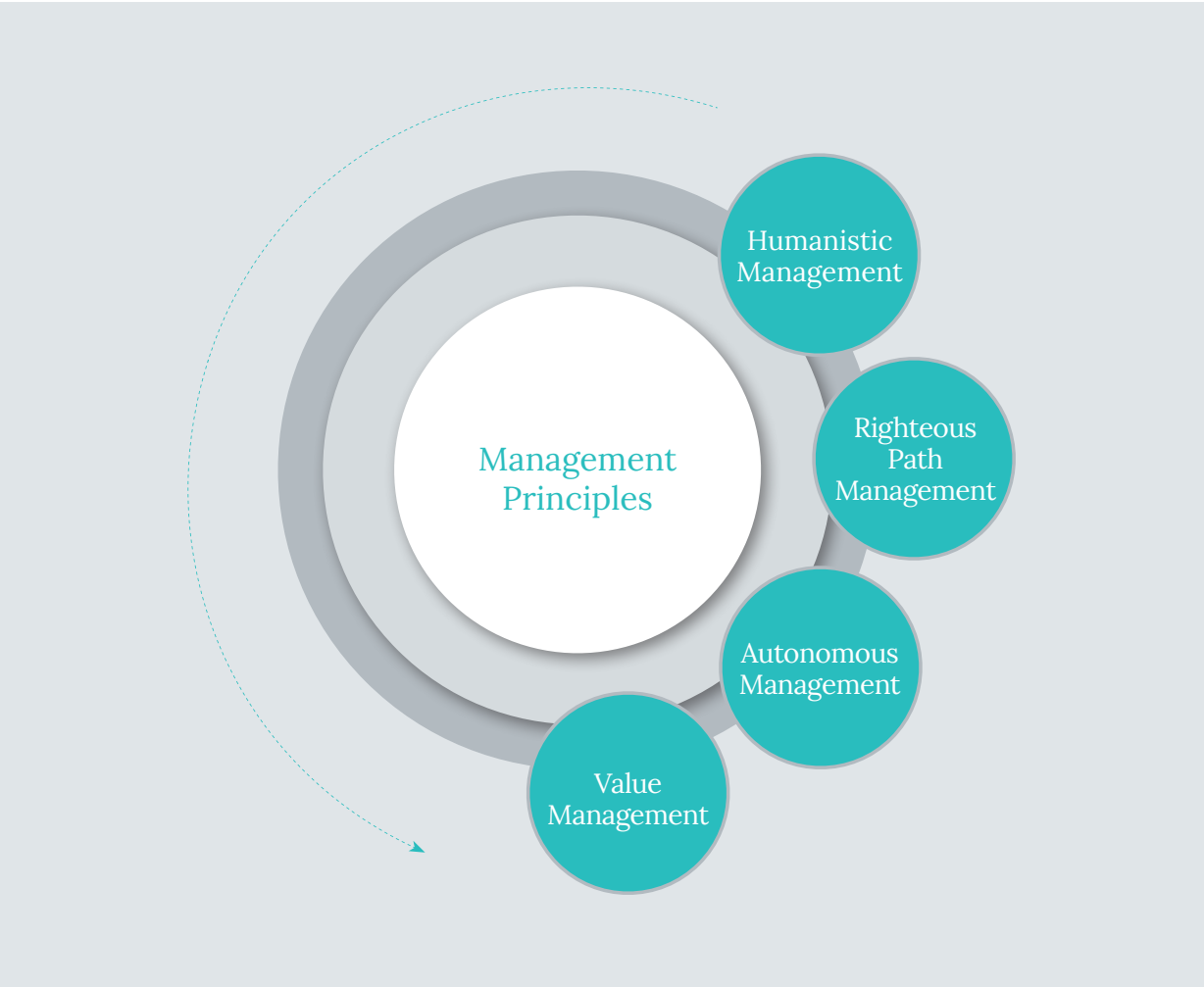
The Way of Business and the Way of Action must be specified and practiced according to the management philosophy by sector and thus, each sector must fulfill their duties accordingly and with sincerity.

Management Principles

01

Criteria for Business Management Decision Making

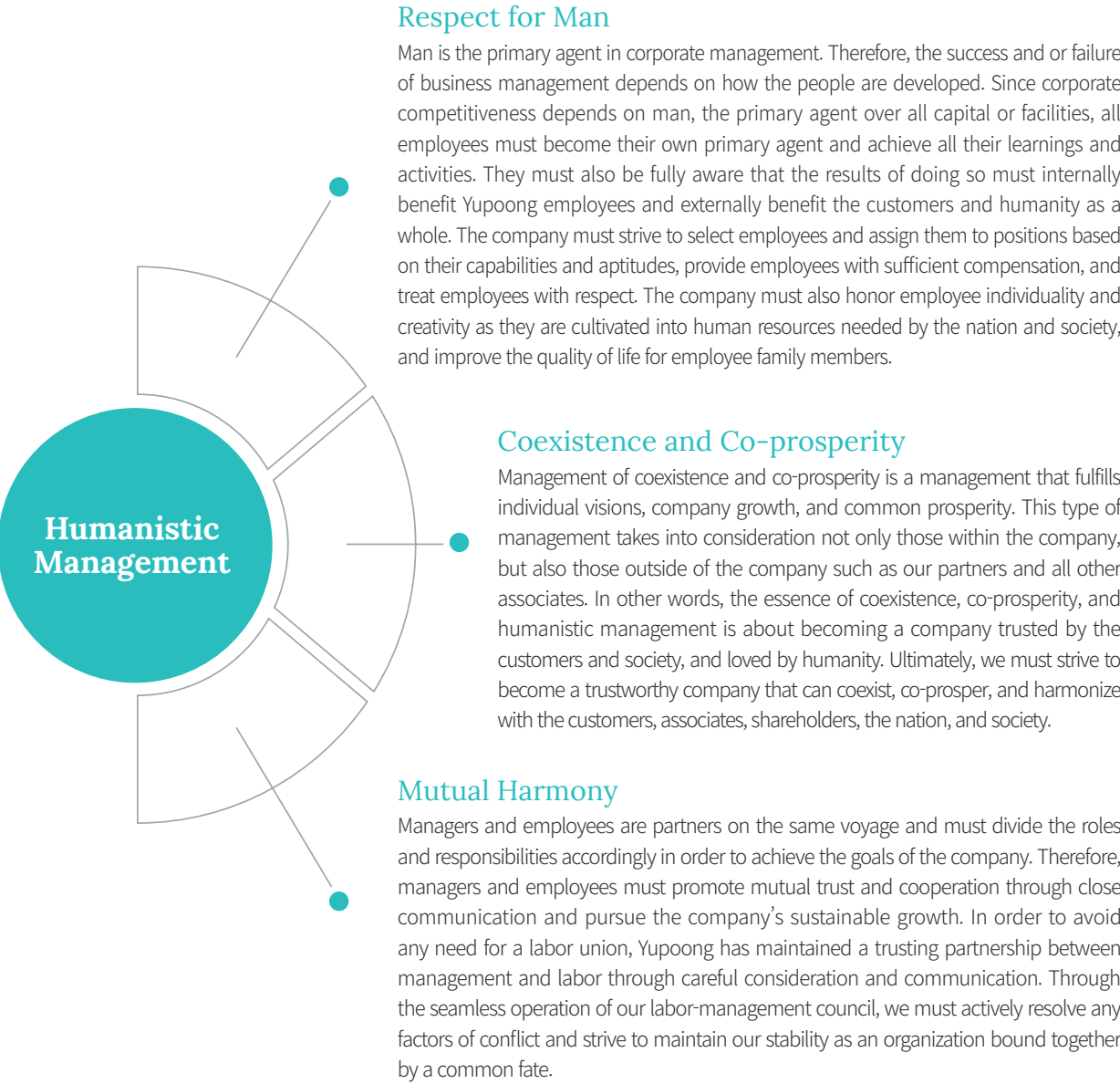
This is the standard for all management activities and decision making.
The four management principles of humanistic management, righteous path management, autonomous management, and value management must be followed and fulfilled.



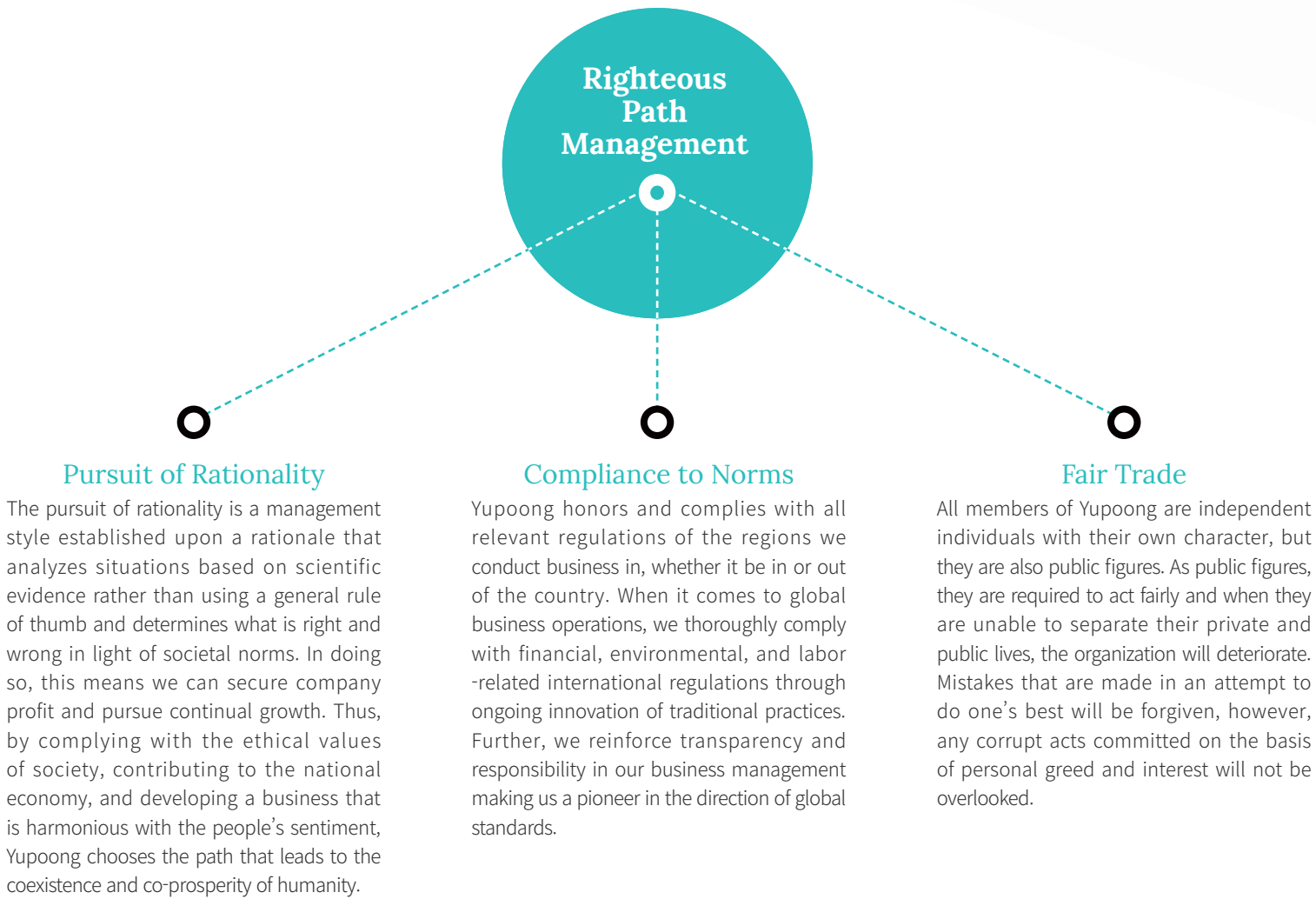
Management Principles

01

Humanistic Management Management that is centered around the people



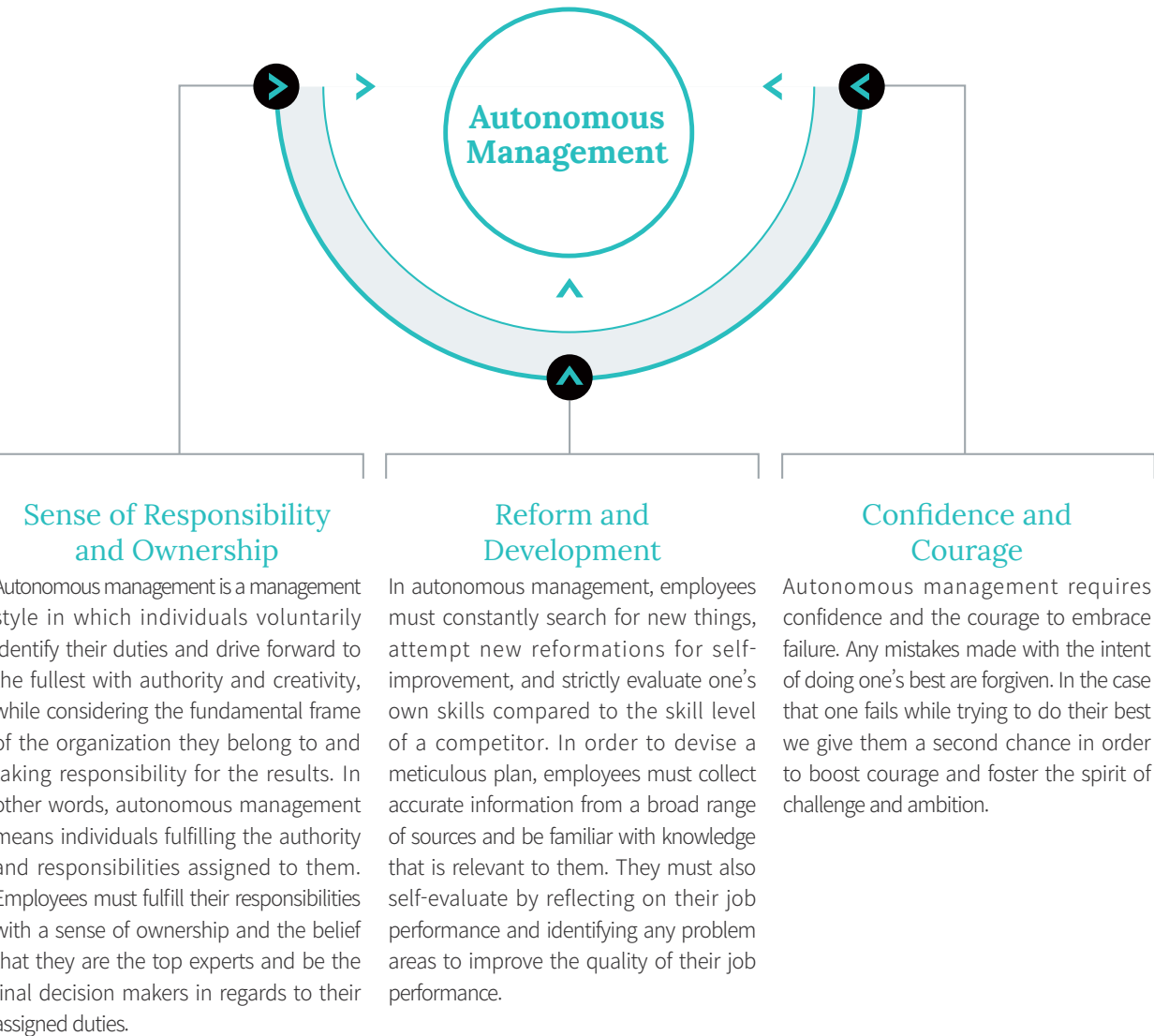
Righteous Path Management Management that pursues the right path



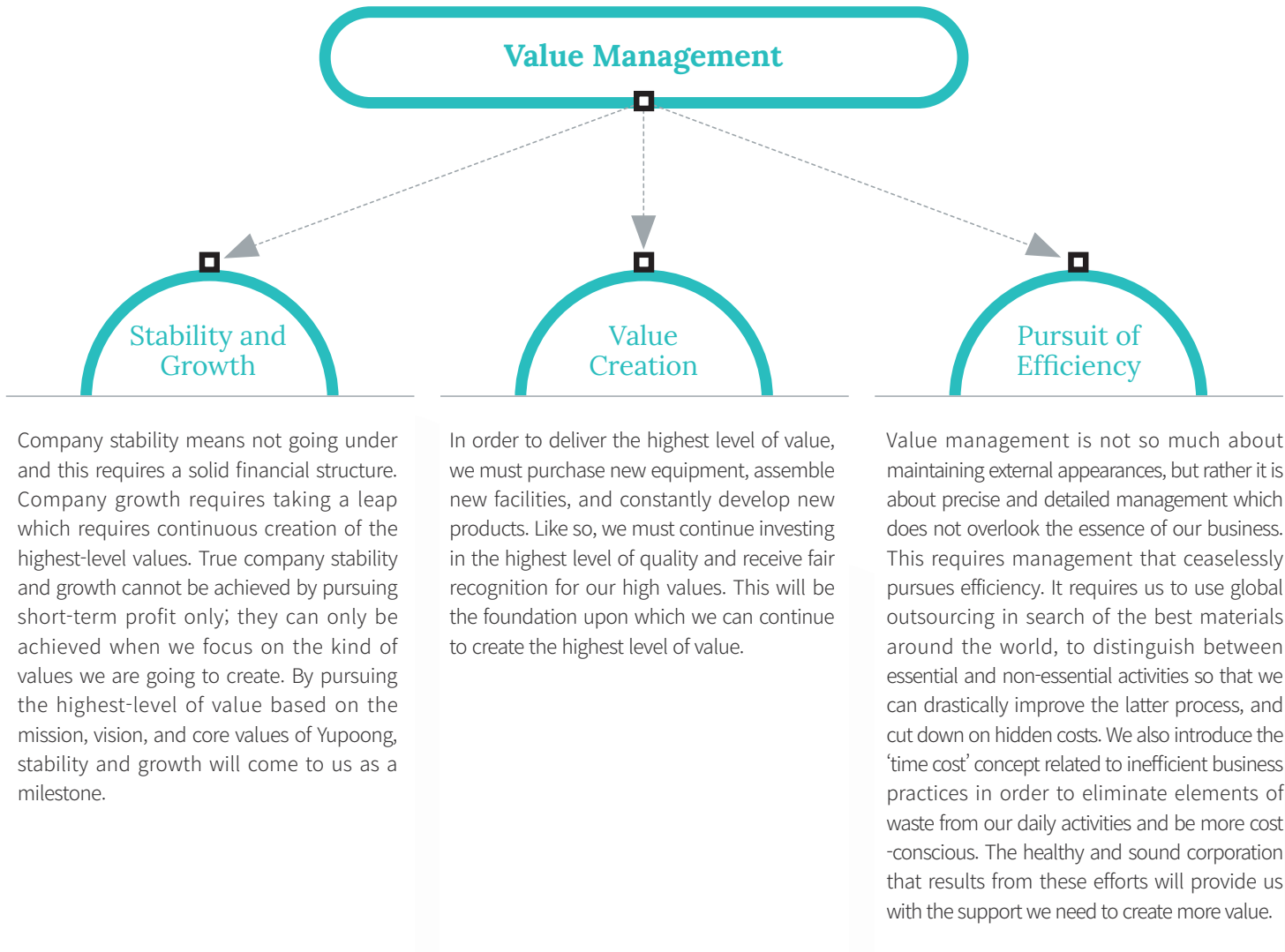
Management Principles

01

Autonomous Management Management with a sense of ownership



Value Management Management that attains sustainable growth



Management Responsibilities

02

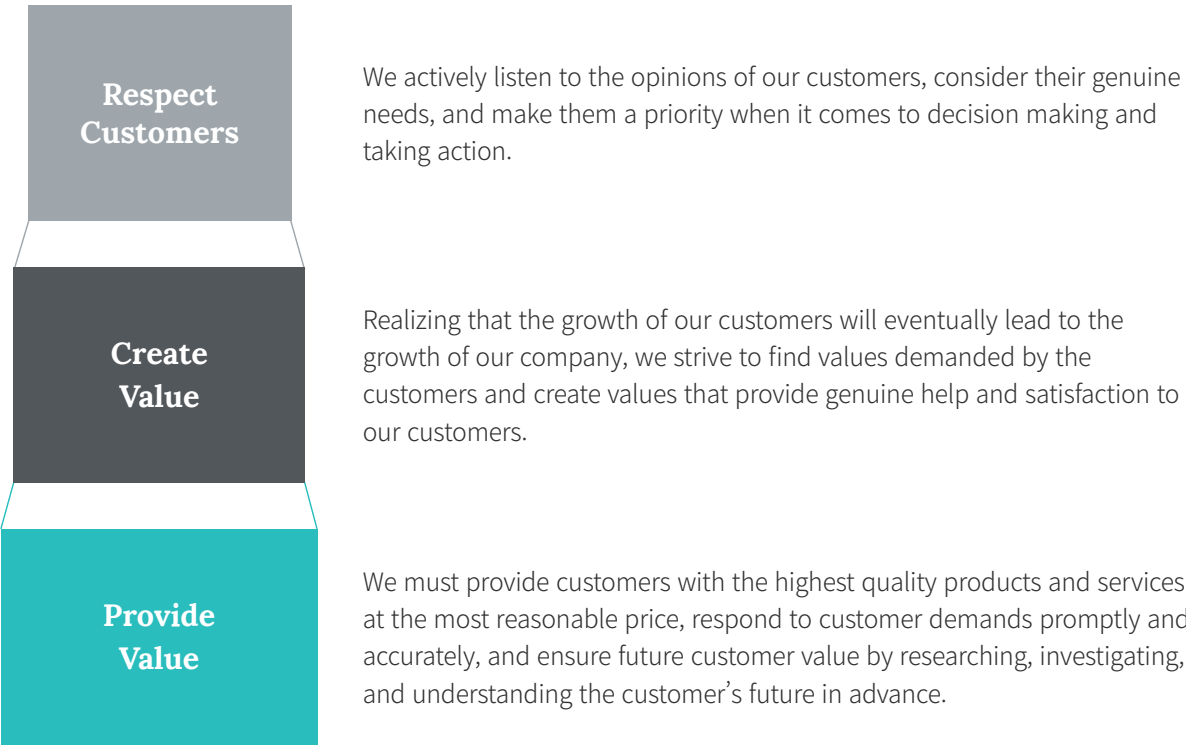
Yupoong's Responsibilities and Duties to be Fulfilled by Management Activities
These are the responsibilities and duties that must be fulfilled in performing management activities. Yupoong is committed to responsibilities towards customers, employees, shareholders, the nation, and society.



Management Responsibilities

02

Responsibility to Customers



Customer Declaration

- 01 We do not say no to our customers.
- 02 We consider everyone other than ourselves as a customer.
- 03 We value and keep our promise to our customers.
- 04 We always consider everything from the customers' perspective.
- 05 We are ready to impress all the customers that we meet.

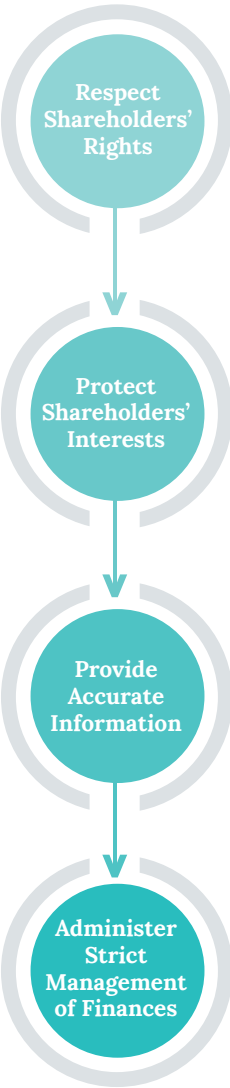
Responsibility to Employees



Management Responsibilities

02

Responsibility to Shareholders



Within the modern industrial society the corporation is the dominant form of enterprise, and the owners of these corporations are the shareholders. Therefore, executives and employees entrusted with the management of the company have the responsibility and duty to respect the shareholders' legitimate demands, suggestions, official decisions, and their right to know, while doing their best to maximize value for the shareholders.

All employees, including top management, should perform their job duties in good faith. Employees must provide shareholders with regular and stable profits through reasonable investment and sound management, and refrain from doing anything that goes against the shareholders' interests. Management must establish an autonomous management system in which employees fulfill their responsibilities with self-initiated action and innovative thinking so that fair and reasonable profit can be presented to the shareholders. Management must also lay down the groundwork for a world-class company.

Board members and executives must notify shareholders of any important changes related to their interests. Additionally, shareholders must be able to exert their rights as shareholders regarding any management-related decisions, such as company policy.

We must build a mutually trusting relationship with shareholders to ensure a transparent management system, and create accurate and complete financial records in accordance with generally accepted accounting principles.

Responsibility to the Nation and Society

Conduct Rational Business Activities

Regardless of whether it is in or out of the country, we respect the social values of the region we conduct business in. Additionally, we must establish a pure and honorable business climate that eliminates any irrational or economically harmful activities which may hinder honest business activities.

Protect the Environment

In order to protect nature and preserve a clean environment, we do our best to prevent and improve environmental pollution while complying with environmental protection laws and regulations. Additionally, we make our best effort to eliminate wasteful consumption of resources.

Environmental Declaration

- 01 We make environmental preservation one of the main factors to consider in all decision making. Even when embarking on a new business project, environmental preservation is one of the first things we consider.
- 02 We set our environmental standards based on international conventions and laws, which we abide by to improve the quality of our environmental management.
- 03 We save resources and minimize waste generation in all management activities, and actively participate in recycling.



Contribute to Social Development

We offer equal employment opportunities without any discrimination based on one's academic background, gender, or geographical roots. Additionally, we contribute to national and societal development through diligent tax payments, participating in cultural and welfare projects, and caring for underprivileged individuals.

Avoid Political Involvement

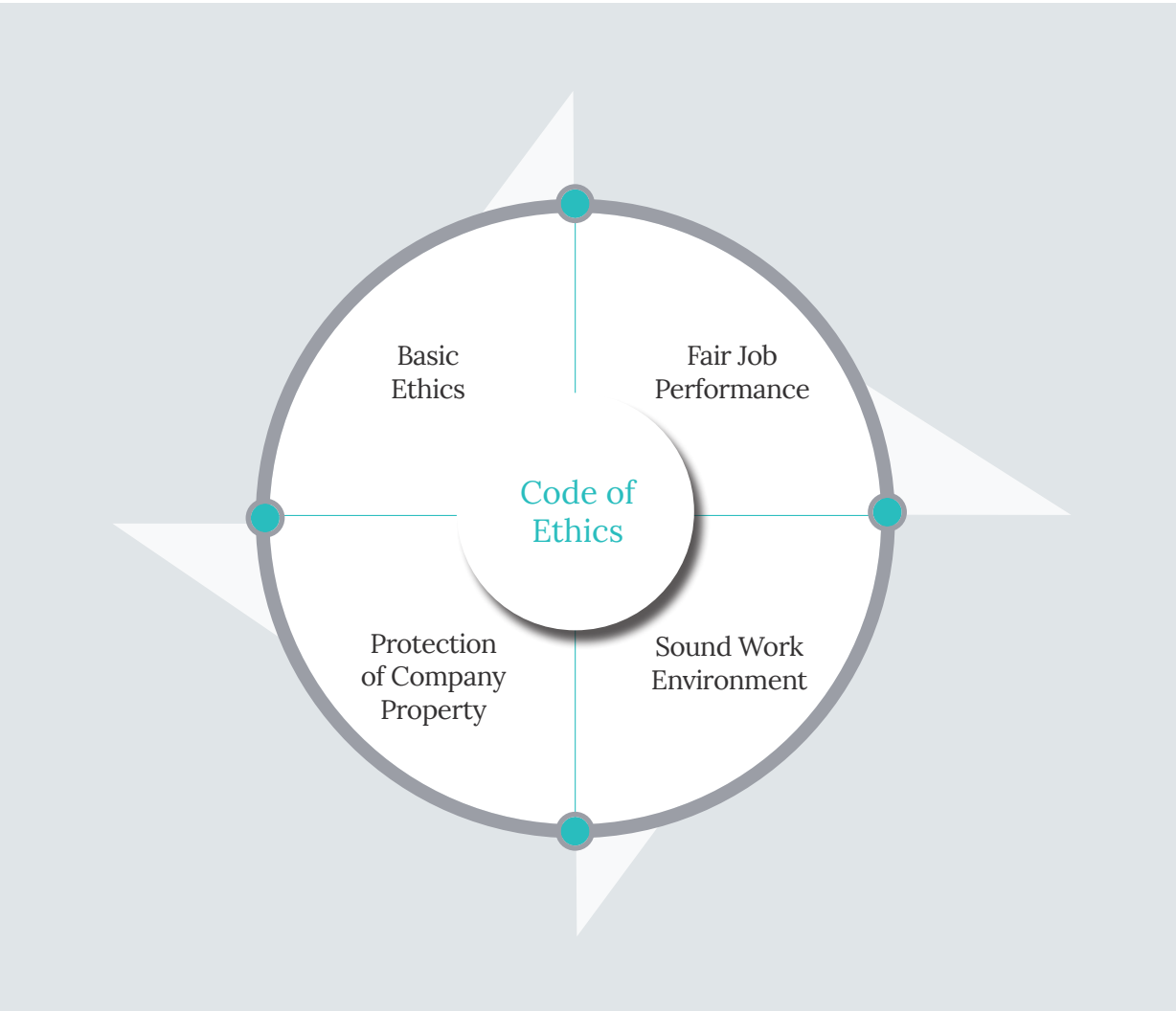
The company does not partake in politics, however, we respect the individual political rights of employees.

Code of Ethics

03

Criteria for Deciding Between Right and Wrong

The code of ethics is the basic criteria for all Yupoong employees to decide what is ethically right and wrong. The code of ethics is a standard for distinguishing between what one must and must not do.



Basic Ethics

- 01 All employees must strive to maintain the reputation of our company by taking pride in being a member of Yupoong and carrying themselves with dignity, grace, and honesty.
- 02 All employees should have a thorough knowledge and understanding of the contents and purpose of the Yupoong Management Charter. Employees must faithfully comply with the Yupoong Management Charter while performing their job-related duties, in addition to recognizing and practicing the rights and responsibilities given to them.
- 03 Employees must devote themselves towards becoming the ideal Yupoong employee through constant self-development and with an ambitious spirit, in order to ensure world-class competitiveness.
- 04 Employees shall not be subjected to any discrimination or disadvantages based on their academic background, regional or family ties, gender, and any other factors unrelated to individual competency or company interest.

Fair Job Performance

- 01 Employees must perform their duties fairly and sincerely while always making an effort to create a sound and clean corporate culture that brightens up society.
- 02 Employees shall not offer or accept any form of monetary benefits from parties of interest that may jeopardize the fairness of job performance evaluation.
- 03 Employees shall not engage in immoral or unethical activities, that may be criticized by society, within their daily lives or jobs.
- 04 Employees shall not engage in any kind of monetary transaction that may harm important objectivity in mutual relations or business performance.

Code of Ethics

03

Sound Work Environment

- 01
- Employees must make cleaning and organizing a part of their daily routine in order to create a safe and pleasant work environment, while making continuous efforts to improve the office environment.
- 02
- Employees will not engage in non-work related activities such as surfing the web, playing games, or making personal phone calls for extended periods of time.
- 03
- Employees must smoke only within designated areas and avoid engaging in any activities deemed ethically wrong according to societal norms, such as online gambling or playing cards.
- 04
- Employees will not slander their colleagues via the in-house communication network (HYNET), or say things that would disrupt the unity of the organization.
- 05
- Employees will not download illegal software via the Internet, and only authorized software products should be purchased and used within the company.

Protection of Company Property

- 01
- Employees will not use company property for personal benefits without authorization, and if a situation arises in which company property is damaged - or even the possibility - one must report it promptly and take the appropriate measures.
- 02
- Employees must ensure the protection of any information relating to company reputation and competitiveness, including the company's financial status, strategies or plans, personnel and organizational information, and patented technologies in accordance with relevant regulations. In the case that company information is to be disclosed, it must be authorized in advance.
- 03
- Employees must make every effort to prevent risks in times of fire or emergency situations. In the event of emergencies such as a natural disaster, all employees must work together to take the appropriate measures.

Management Philosophy by Sector

04

Exercising Yupoong's Management Philosophies

The Management Philosophy by Sector is formed according to the management philosophy and action guidelines, and they must be put into action. Depending on the roles assigned by the company to each organization (team), the action guidelines must be faithfully fulfilled.



Management Philosophy by Sector

04

Philosophy on Legal Affairs

We will protect and expand the rights of the company based on an accurate understanding of the law in regards to the overall legal affairs of the company. Ultimately, we will contribute to the company’s value by increasing technological competitive value through effective intellectual property strategy.



Action Guidelines for Legal Affairs

Providing Accurate Legal Services

We provide legal services required by the company based on an accurate understanding of business management related laws.

Since the law is not general knowledge, we will use the expertise of legal specialists in various areas when necessary, rather than making our own judgments or speculations.



Cultivation of Legal Knowledge

We aim to improve the quality of internal legal affairs by cultivating legal knowledge in regards to our duties.

We systematically organize and utilize the knowledge and experience we have gained through the opinions of external experts.

We employ legal experts in the company and actively use them to eliminate any risk factors due to the absence of a legal reviewing process.



Securing, Managing, Protecting, and Increasing the Value of Intellectual Properties

We accumulate knowledge of relevant laws and continuously research and study new legal information in order to protect and manage the company’s intellectual property rights in the most effective manner.

We accumulate experience and knowledge, and establish an efficient intellectual property management system so that intellectual property duties can be performed systematically.

We strive to increase the value of our intellectual properties through a strategic approach rather than managing them randomly.

Prevention of Legal Crises by Raising Awareness to Legal Issues

Through training, we raise company-wide awareness on legal issues so that employees are able to respond to them with efficiency and also to proactively prevent predictable legal accidents.

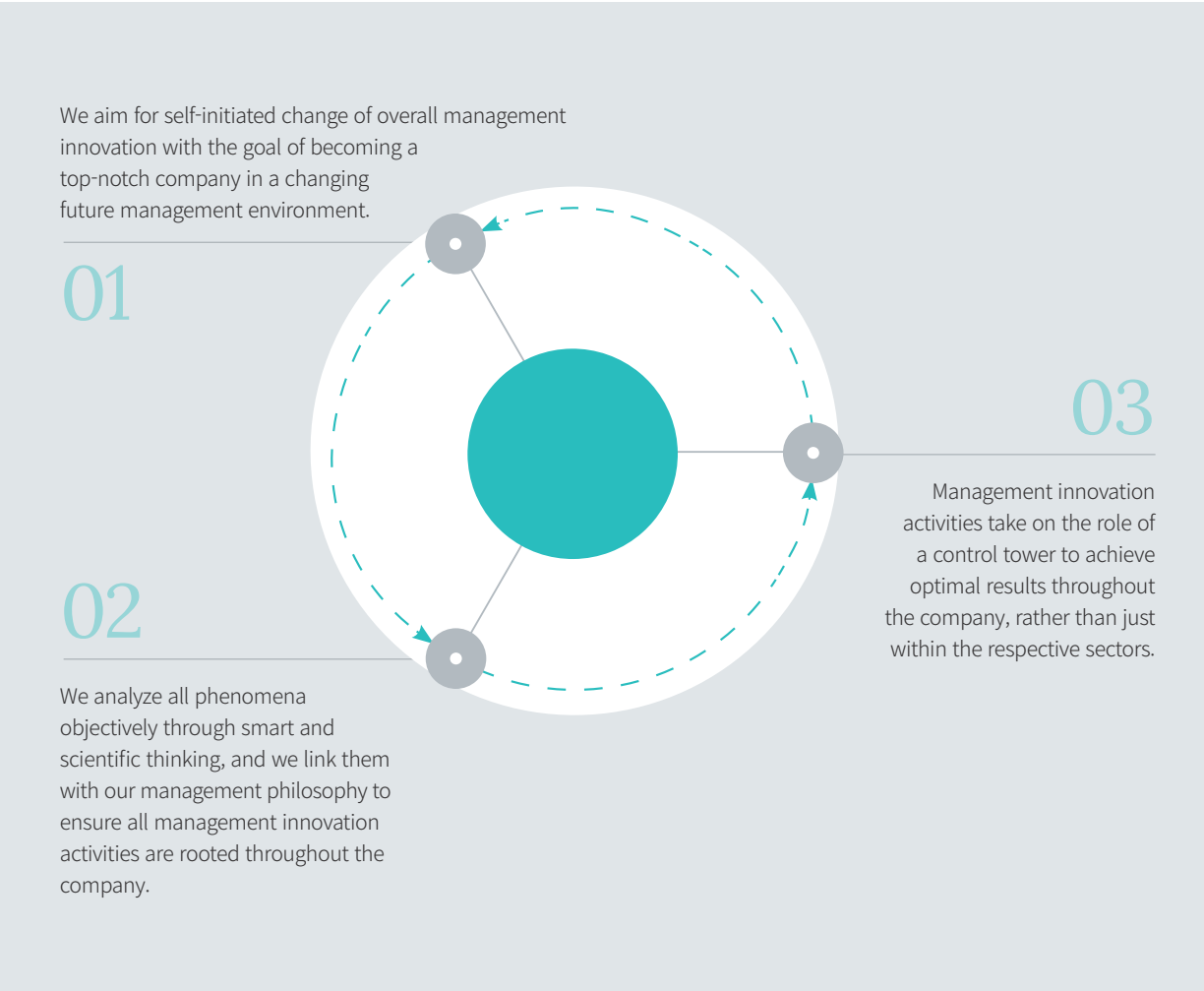


Management Philosophy by Sector

04

Philosophy on Management Innovation

The basic principle is to establish a strategy for new management innovation that allows the company to continuously shift and evolve in a changing business environment, and to establish infrastructure for management innovation activities.



Action Guidelines for Management Innovation

Continuous Innovation

We strive for long term management process innovation and work hard to drastically fix or eliminate unreasonable systems.

We establish management innovation strategies for the continuous progression of management innovation and survival of the company.



Scientific Thinking

We use intelligent thinking with a creative mindset.

We use objective thinking based on scientific data.



Providing Tools

We benchmark management innovation strategies of world-class companies in order to make them our own and further develop upon them.

We provide scientific management innovation tools to build a company-wide management innovation system by cutting down delivery time and cost while improving quality, logistics, services, and processes.

We provide effective tools to realize the company's vision and management policy.



Maximize Customer Satisfaction

We maximize company profit through customer satisfaction by exposing and improving invisible processes.

We continuously pursue customer-oriented management innovation activities to meet customer needs.



Promotion of Management Innovation

We will have continuous interest in new management innovation activities and become a leading subject of innovation so that we are grafted with the company management philosophy.

We build infrastructure for management innovation through training on management innovation activity.

We ensure that management innovation activities are rooted throughout the company and that the results are well maintained, managed, and further improved.

We incorporate the company's management philosophy into management innovation activities.



Management Philosophy by Sector

04

Philosophy on Planning and Coordination

Innovation and creativity are the basic principles of this philosophy, which presents the direction for the company to move forward as a whole, in addition to establishing, coordinating, and evaluating business management plans and strategies.



Action Guidelines for Planning and Coordination

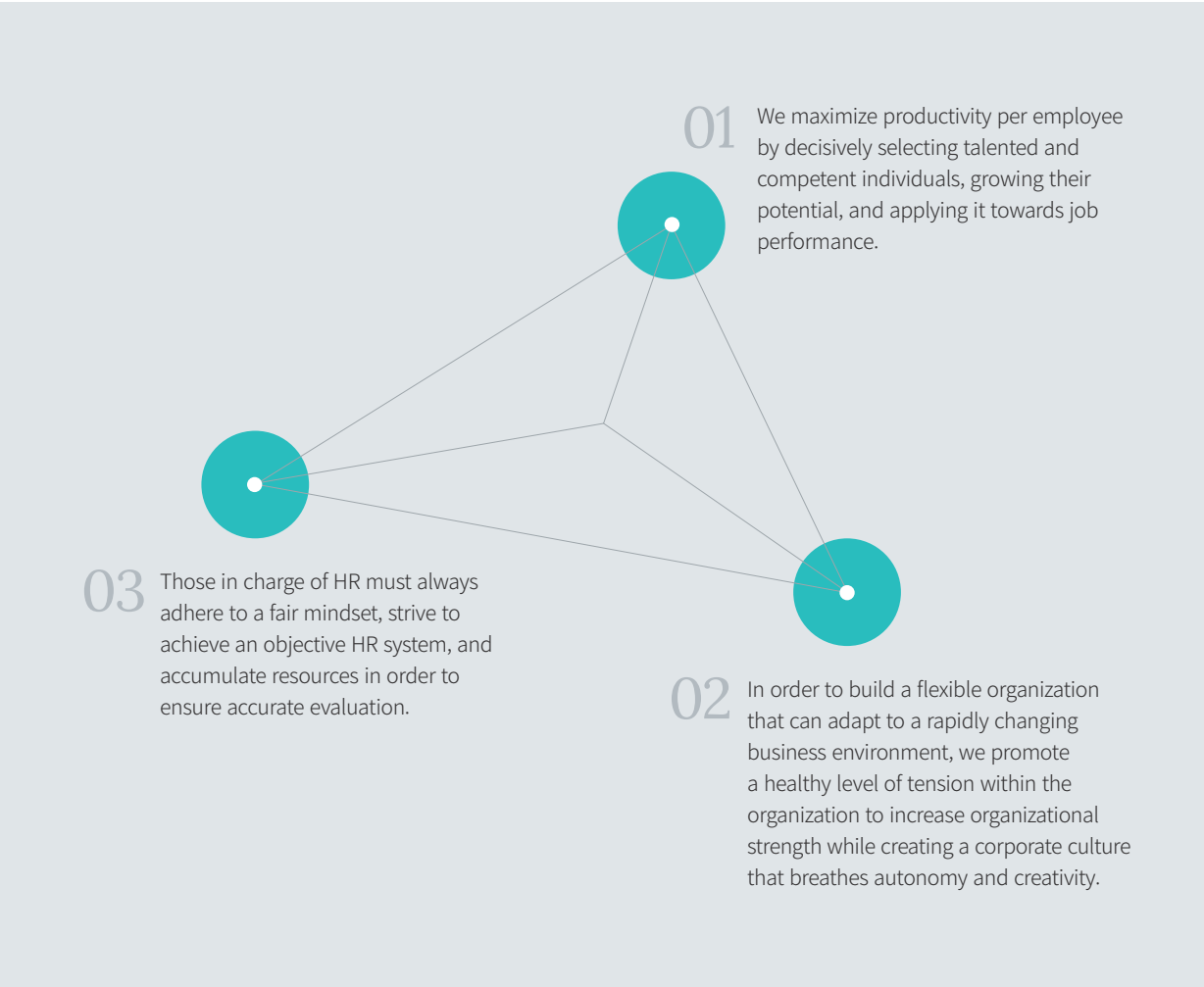
 <p>Dimensional Thinking</p> <p>We train and integrate dimensional thinking into our everyday routine.</p> <p>We create a free work environment to promote flexible and dimensional thinking.</p> <p>We develop know-how on using outsourcing techniques in order to achieve higher efficiency with new perspectives.</p>	 <p>Management Infrastructure</p> <p>We always benchmark the world's best management practices and improve them.</p> <p>We set specific long-term strategic goals and consistently strive to achieve them.</p> <p>We integrate and accumulate various knowledge and resources by exchanging information with leading companies.</p>	 <p>Strategy Sharing</p> <p>We narrow the gap in strategy perception between top and bottom level employees to unify our forces in a single direction.</p> <p>If possible we do not change mid or long-term plans and do our best to achieve them.</p> <p>We allow employees from all sectors to realize the company's strategy.</p>	 <p>Information Sharing</p> <p>We focus on speed over formality and simplifying the reporting process when it comes to sharing information between employees and upper management.</p> <p>We openly compliment fellow team members on their information reports without hesitation.</p> <p>Our basic principle is that all internal information should be shared and never monopolized under any circumstances.</p>	 <p>Information Source Management</p> <p>We establish a network of information sources through daily interactions and building relations with one another.</p> <p>We actively utilize groups of employees from different sectors within the company (such as activity clubs).</p> <p>In order to easily access necessary information we routinely gather information sources, such as various media outlets and the Internet, and utilize them in our work.</p>
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Management Philosophy by Sector






04

Philosophy on HR and Organization

The basic principle is to build customer-oriented team organization based on respect for mankind and an open HR policy, in order to realize individual competency and successfully carry out the corporate visions and business strategies of the 21st century.



Action Guidelines for HR and Organization

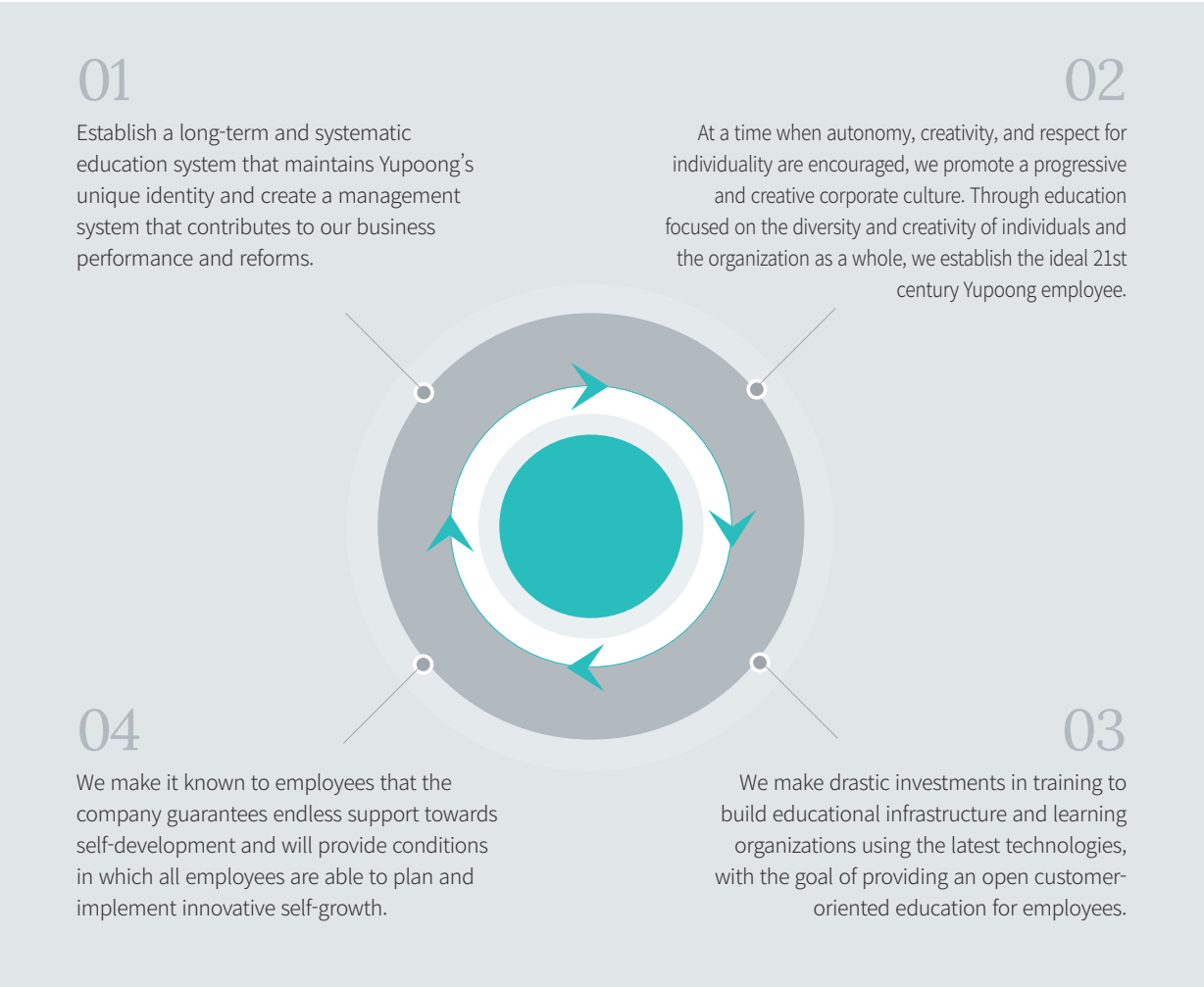
 The Merit System Job performance evaluation and hiring are based on competency and qualifications rather than seniority. We help employees grow by classifying them into experts and managers based on individual competency and working style, and abandon the stereotype that job assignments must correspond with the job position. We consider fair evaluation to be the best method of employee motivation.	 Open HR Policy We offer equal opportunities regardless of educational background or personal ties. We provide detailed criteria prior to job performance assessment and the results must be shared publicly as per company policy. The evaluation method is multifaceted and ensures that ratings are not forcibly distributed.	 Customer-Oriented Evaluation Recognizing that the final evaluation is performed by the customers, employees who receive the most customer acknowledgement are given high evaluations.	 Securing Human Resources Keeping in mind that talented individuals are the biggest company assets, we concentrate on securing and fostering an outstanding workforce. We strive to secure and foster a talented human resources team as they are the biggest asset to our company. We present a variety of growth opportunities based on the individual traits of employees and strategically rotate job assignments while taking employee requests into consideration.	 Quality of Life We provide a flexible motivation system to offer opportunities for self-fulfillment. We create an environment where employees can focus on their work by providing stability in their lives. We strive to genuinely improve the quality of life for employees by supporting them so that they are able to enjoy culture and a healthy lifestyle.
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Management Philosophy by Sector

04

Philosophy on Education and Training

It is the basic principle that all training at Yupoong is done under the prerequisite of establishing a sense of community through respect for people, carrying on and developing the Yupoong spirit, and fostering excellent employees who will create the future of Yupoong.



Action Guidelines for Education and Training

Establishment of Educational Strategy

We firmly implement training by accurately understanding and analyzing managerial needs so that the required form of training can be identified and examined for its validity.

We utilize scientific methods to analyze our needs. Following training we implement an effectiveness measuring system which evaluates training effectiveness and provides feedback.

We minimize repetitive and manual processing by automating data on training, grades, and analysis of results and linking them with the HR system.



Building Educational Infrastructure

We developed a Just In Time (JIT) education and course development system that can accommodate various educational demands in a timely manner.

We systematically train and cultivate training experts (in-house lecturers) for each department in order to maximize the effects.

We establish a learning organization that regularly develops learning activities that allow for quick reactions to a rapidly changing business environment. We do so by discovering and obtaining information from both in and out of the organization, creating new knowledge, and spreading that knowledge throughout the organization.



Quality Innovation of Educational Contents

In order to foster future leaders with international competitiveness, we offer value internalization training which shares and realizes Yupoong's common values.

We provide an environment in which learner-centered and field-oriented training programs can run autonomously so that employees can improve their problem-solving skills and apply them to their fields immediately.

We respond to the age of knowledge management by introducing programs which promote innovative and dimensional thinking skills.

We plan to simultaneously maximize individual and organizational capability.



Improving Training Methods

We abandon the conventional give-and-take training methods and shift our training paradigm to the "self-development" of skills needed by employees, in addition to expanding opportunities for employees to freely choose their training programs.

We establish a structured OJT(on-the-job training) system by creating an organizational culture that acknowledges the importance of OJT, which is standardized for each team

with a focus on individual job assignments. Following the development of cutting-edge technology and the changes it has made in the way of thinking and job performance methods, we increase efficiency of training programs by introducing state-of-the-art training equipment that ensures maximum training results and makes it possible for employees to self-learn through multimedia.

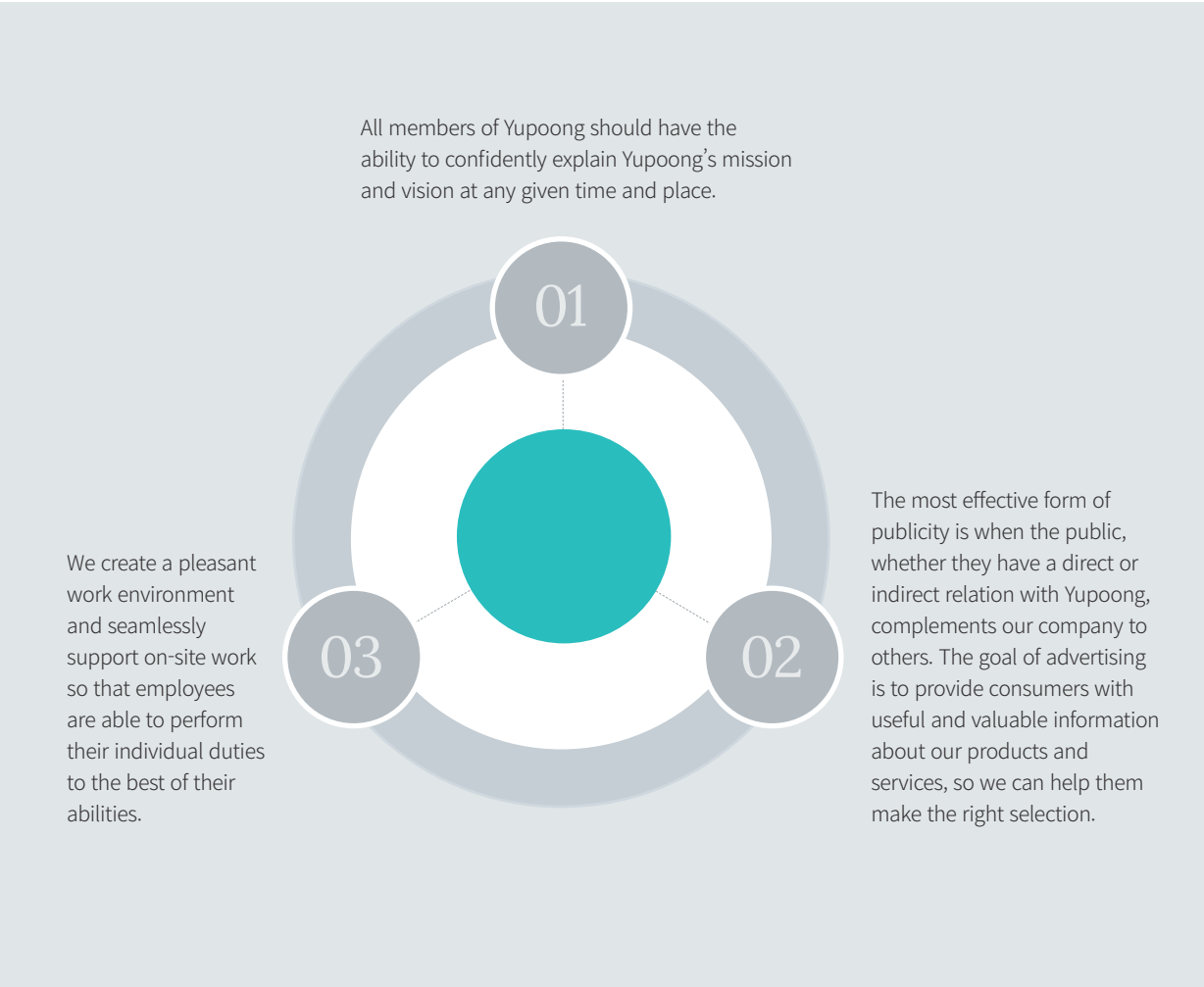
We internally develop our core courses and actively utilize specialized educational institutions for all other training needs.

Management Philosophy by Sector

04

Philosophy on Public Relations and Support

The basic principle is to correspond with management based on trust and have good relations with the public ensuring they clearly understand our intentions so that in the end, it benefits our company. In addition, we will establish an autonomous and challenging corporate culture by actively supporting work fields.



Action Guidelines for PR and Support

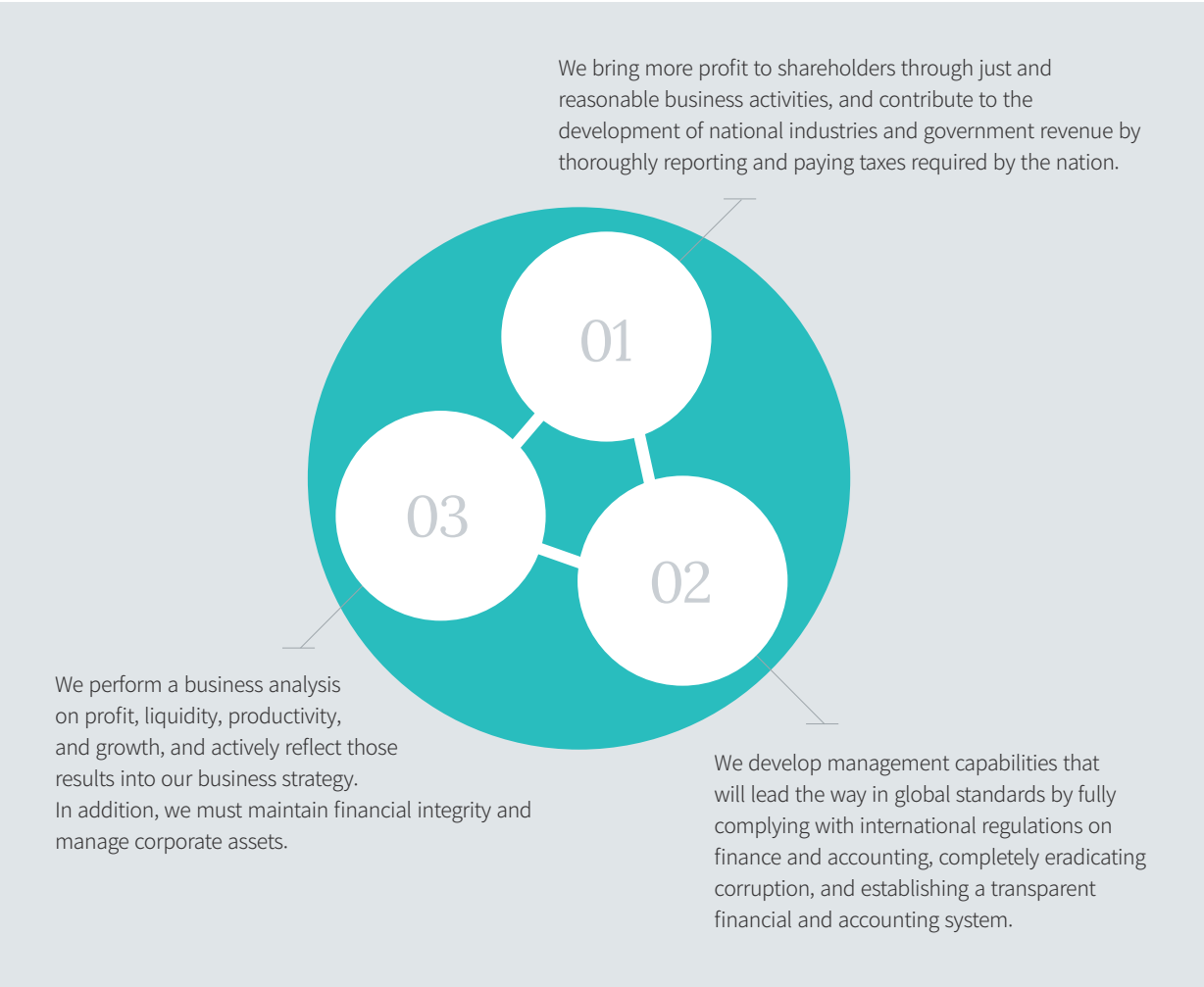
 <p>Establishment of Consensus</p> <p>Recognizing that the most important goal of PR is creating a consensus among top and bottom level employees regarding the direction of the company's growth, we ensure that the strategic will of top management is spread to all fields.</p> <p>In accordance with our management principle of "autonomous management", we conduct employee surveys and actively gather their opinions rather than making unilateral decisions.</p> <p>We ensure all employees share the set values and current position of the company.</p>	 <p>Establishment of Social Trust</p> <p>We ensure that Yupoong's management philosophies are reflected in our CSR projects, and we consider it a pleasure contributing to the global community.</p> <p>We always keep an open ear to outsider noise and accurately convey Yupoong's philosophy and status, while accepting criticism with modesty.</p> <p>We acknowledge any company mistakes with honesty and take quick measures to fix them.</p>	 <p>Company PR</p> <p>We focus more on the company image, or in other words company PR, rather than advertising individual products.</p> <p>We outsource all advertising to professionals and practice honest advertising.</p>	 <p>First-Class Workplace</p> <p>We provide generous support when hosting employee events as we consider it a form of investment, and ensure all employees can take pride in being part of a first-class company.</p> <p>We create a pleasant work environment for employees through office renovations, air purification, and landscaping. Additionally, we provide any information-related office equipment such as copy machines, laptops, and cell phones.</p>	 <p>Safety Management</p> <p>The safety of our employees is considered to be the safety of our company.</p> <p>We prevent accidents to ensure there is no human or materialistic loss, and in the case of an accident, we minimize the damage and compensate for any loss.</p>
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Management Philosophy by Sector

04

Philosophy on Accounting and Finance

The basic principle is based on publicly disclosing and increasing the transparency of business management, ensuring strict financial management in order to grasp corporate activities in numbers, and to allow efficient financing and cash-flow.



Action Guidelines for Accounting and Finance

Business Analysis

We establish a scientific business analysis system based on the principle of concurrency and share information with our employees on manufacturing costs, productivity, and financial performance while reflecting them in our management strategy.

Financing and Fund Management

We maintain financial integrity and strengthen ties with financial institutions by providing them with accurate business reports, and in doing so, we facilitate seamless fund raising.

Rather than trying to reduce overhead costs such as business meetings and education expenses, we vigorously organize our budget based on trust so as to minimize the possibility of long-term opportunity loss.

Leader in International Norms

By formally expanding the disclosure of business content, ensuring the objectivity of audits, and introducing auditors from outside the company, we will maintain the public interest of the company and prevent business practices that go against shareholder profits.

When issuing stocks or bonds in the international financial market, we use internationally accepted accounting methods to prepare consolidated financial statements that can be compared with actual controlling relationships, and make the disclosure of financial information mandatory.

Employee Benefits

Based on the know-how gained from managing company accounts and finances, we actively support employees who are looking to purchase a home for personal reasons or to acquire property.

We prepare ourselves to respond to a globalizing financial market by hiring individuals with outstanding financial and banking skills, and training them to become international financial experts. We do so by having them research financial products of renowned financial institutions, in addition to studying methods for raising funds in the international market.

Principles of Auditing

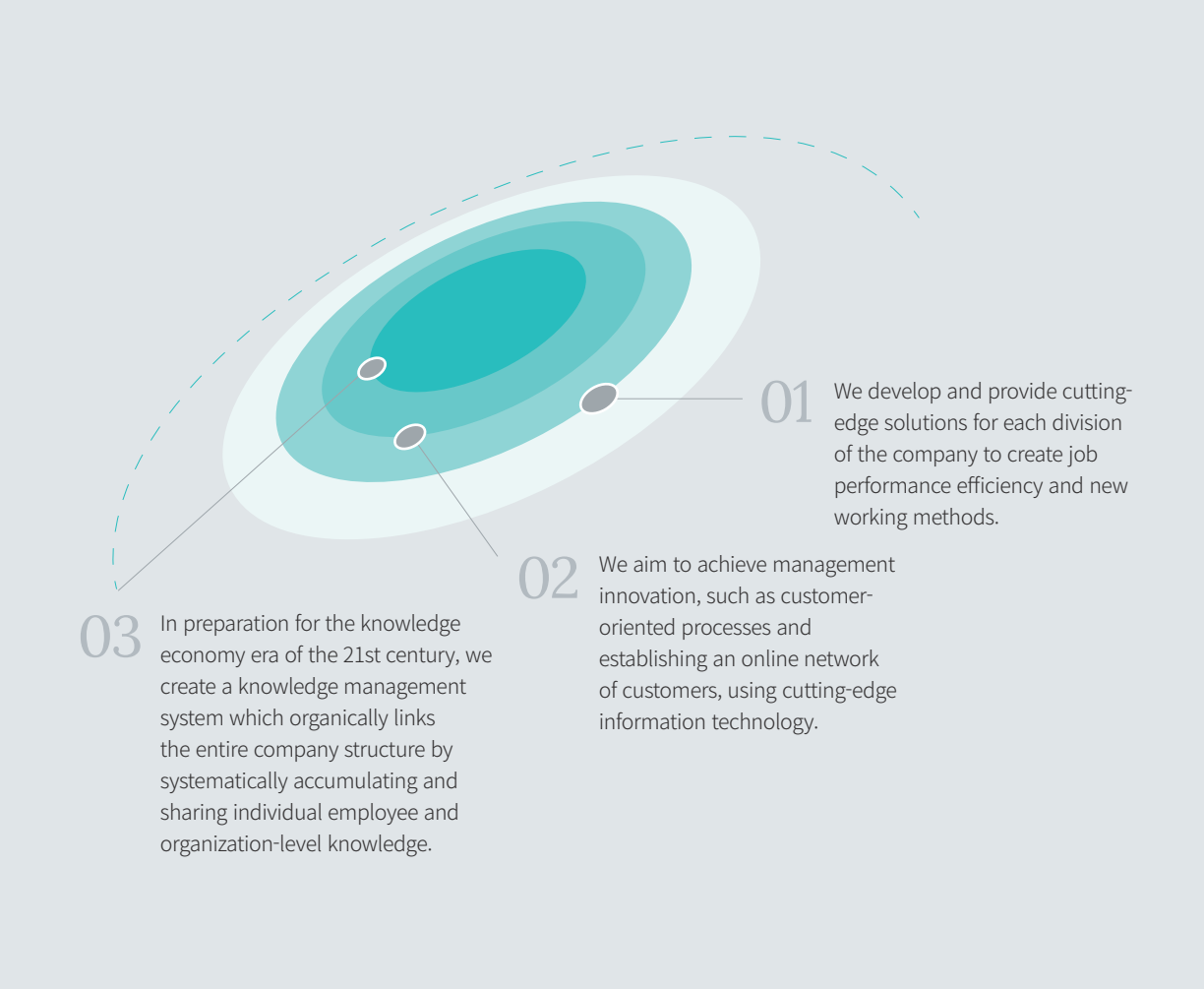
The pursuit of a honest organization without corruption is a grand tradition at Yupoong. In order to firmly eradicate corruption moving forward, auditing must not only identify corruption but lead the company to seize opportunities as well.

Management Philosophy by Sector

04

Philosophy on IT and Knowledge

The basic principle is establishing a knowledge management system, developing customer-oriented information systems, and reinforcing information infrastructures and their range of utilization in order to support advanced strategic decision making.



Action Guidelines for IT and Knowledge



System Development

We gain a precise understanding of actual work requirements for each department prior to starting development, and work collectively with on-site jobs during each development stage.

We consider various factors such as the duration, cost, and probability of success prior to system development. Furthermore, we strive to optimize job performance by calculating the opportunity cost of on-site jobs before deciding whether to outsource or internally develop a system.



System Operation

Once system development is complete, we move our work to the on-site job locations in order to identify and solve any problems and provide support until users become accustomed to the system.

In the long run, we establish a system that allows on-site employees to utilize the necessary data on their own, while intensively training on-site employees that are in charge of the system and cultivating them into database experts.

We regularly check software and computerized reports, and sort out less frequently used software or data files in order to improve system utilization and performance efficiency.



Building IT and Knowledge Infrastructure

When building an information system we predict the long-term maintenance costs and information demands, and create a flexible structure that can be easily upgraded.

In order to quickly obtain information from anywhere within the company, we establish a database using business-related knowledge such as customer service, production know-how, and patented technologies. Furthermore, by connecting the database with business partners and important customers, we reinforce a network of information and knowledge.

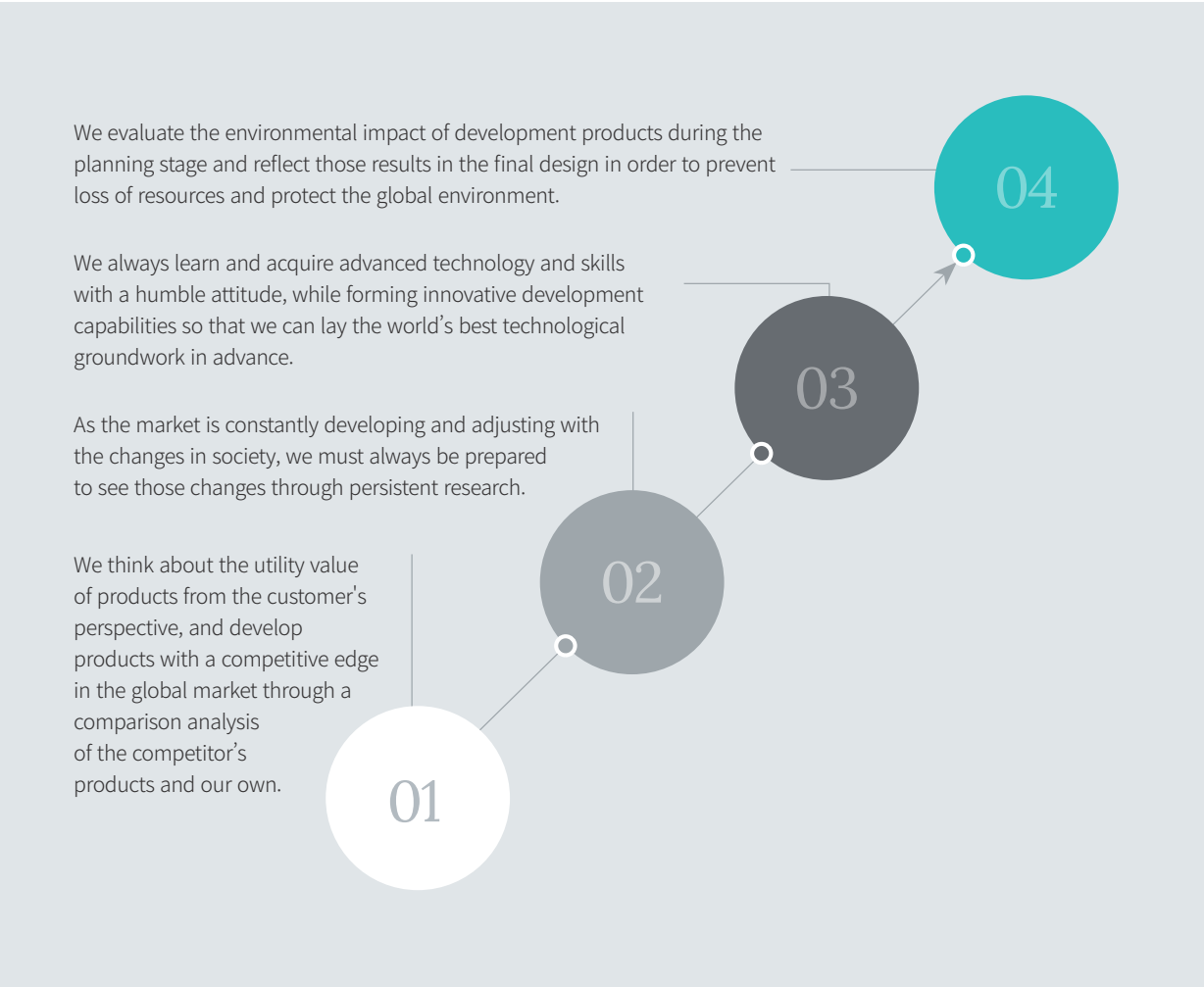
We upgrade and improve the utilization of the company's groupware HYPNET, and allow all employees to easily access various information from anywhere in the world.

Management Philosophy by Sector

04

Philosophy on Research and Development

We develop the world's best products which embody Yupoong's philosophy, while taking into full consideration the customers and the environment. In order to consistently impress customers, it is essential to invest in research, development, and analysis. With that in mind, we are committed to becoming a research company.



Action Guidelines for Research and Development

Securing Future Competitiveness

We do not settle with the sales of existing products, but rather we continuously develop new products so that they account for at least forty percent of total sales.

We heavily invest in R&D as we consider it as a form of insurance for the future.

We incorporate the Yupoong spirit in every aspect of our products to establish the identity of our designs. Furthermore, we intensively foster design specialists to develop designs representative of Yupoong.



Design from the Customer's Perspective

We routinely analyze product trends, understand future customer consumption patterns, and reflect those findings in our R&D.

The product designer must clearly establish the target customers from the planning stage.

We regularly have simulations from various aspects of possible customer reactions, and also on how to handle unforeseen situations.



Eco-Friendly Product Development

We consider the disposal process during the design stage so that once products are used they can be easily disassembled and disposed of.

Always keeping in mind that generating pollution is unethical of a company, we do not make pollution inducing products.



R&D with a Consideration of Production

Basic designs for similar products must be standardized and simplified, and only perfected designs are passed on to production.

All related departments are involved in the product development planning stage so that we can gather ideas and eliminate poor designs from the very beginning.



Patent and Product Information

We consistently conduct research and development in order to have many patents.

We establish comprehensive patent management measures, such as taking precautionary steps to prevent infringement of acquired patents.

We acquire the latest product information of the global market by obtaining product samples of superior quality and design from various industries.



Development of a Business System Tailored to the New Generation's Taste in the Mid to Long-Term

Utilizing a mutual website with our clients, we build a system using customer-oriented knowledge, new product information, and an online showcase that provides progress updates for some of our main customers' products.

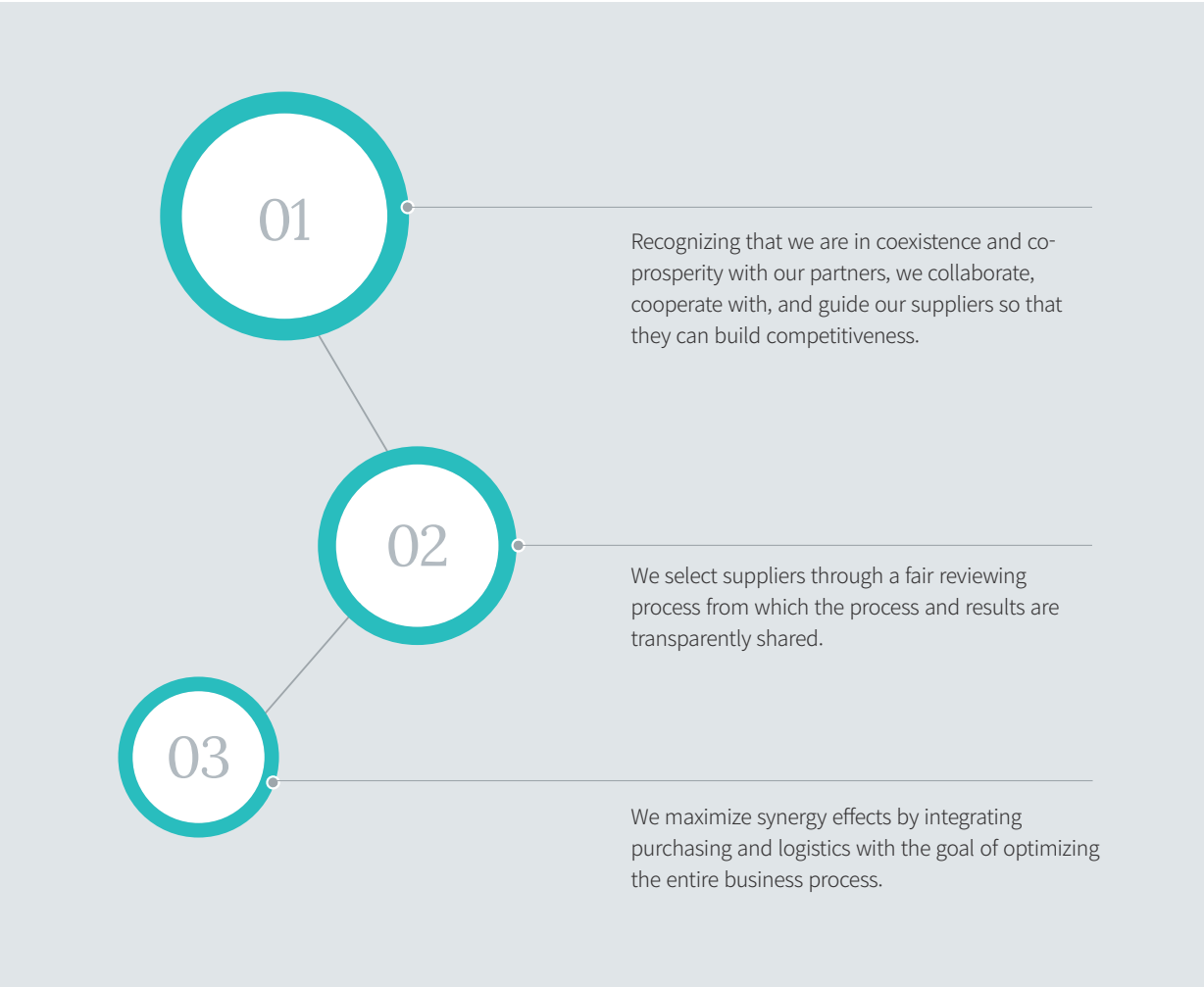


Management Philosophy by Sector

04

Philosophy on Purchasing and Logistics

Based on the basic principle of purchasing high quality materials at reasonable prices and purchasing the necessary quantity when needed, we build a foundation upon which coexistence and co-prosperity translate into the synergistic effects of purchasing and logistics integration.



Action Guidelines for Purchasing and Logistics

Selection of Suppliers

When choosing a supplier, we consider their overall quality and ability to meet delivery dates, rather than the unit price.

We do not randomly increase the number of suppliers and induce competition with the goal of lowering unit prices, but instead we cultivate a select few truly skilled suppliers.



Evaluation of Suppliers

We publicly specify the criteria for supplier evaluation to ensure that skillful suppliers can actively participate.

Realizing that strict assessment is the first step to improving the quality of our suppliers, we evaluate them fairly and objectively using specific standards. Further, we offer appealing transaction conditions based on the results.

Strategic Purchasing

Rather than making purchases solely based on current market prices, we exercise a variety of purchasing methods including futures trade and predicting factors such as price fluctuations, supply and demand imbalances, and even the possibility of war. Since we cannot do everything on our own when it comes to overseas purchasing, we utilize local purchasing specialists who are equipped with a fast network of information and the appropriate insight.

We use a variety of information channels to identify where we can find the world's most inexpensive and highest quality products.

We develop and build a system that automatically notifies the supplier of the necessary purchase quantity and delivery time.

We actively use the information infrastructure which connects the world in real time.

We cultivate foreign language skills, including English, to enable global outsourcing.



Building a Logistics Infrastructure

We move away from the microscopic view that is limited to a specific team, and build an optimal company-wide logistics system.

Dead stock is drastically and frequently disposed of in accordance with the manual on stock disposal standards and methods.

We build an information system that can identify and control all logistics - from supply and demand to transportation and delivery of finished products.

Whether it is production delay due to a setback in material supply or inventory exceeding appropriate levels, we set up a preventive alarm system that automatically sends out logistics-related warning signals so that we are able to take the appropriate measures in advance.

We prepare our information system so we can understand the flow of sales channels, broaden our knowledge so that we can become experts in both purchasing and marketing, and insightfully evaluate situations for thorough preparation.

Nurturing Partners

We establish a long-term fostering plan, increase human exchange (such as sharing of knowledge and skills between the company and suppliers), and lay the foundation upon which suppliers can thrive on their own and improve the overall quality of business.

Partners with outstanding job performance records are not only awarded but also publicly promoted as a means of expressing our sincere appreciation for their high quality products.

Buying Etiquette

Simply because we are the buyer, we do not act arrogantly towards our partners' employees. Instead, we visit and meet with them in person whenever possible, and if not we respectfully invite them to our offices.

When choosing a purchasing manager we focus on their character and select the individual with the best manners and etiquette.

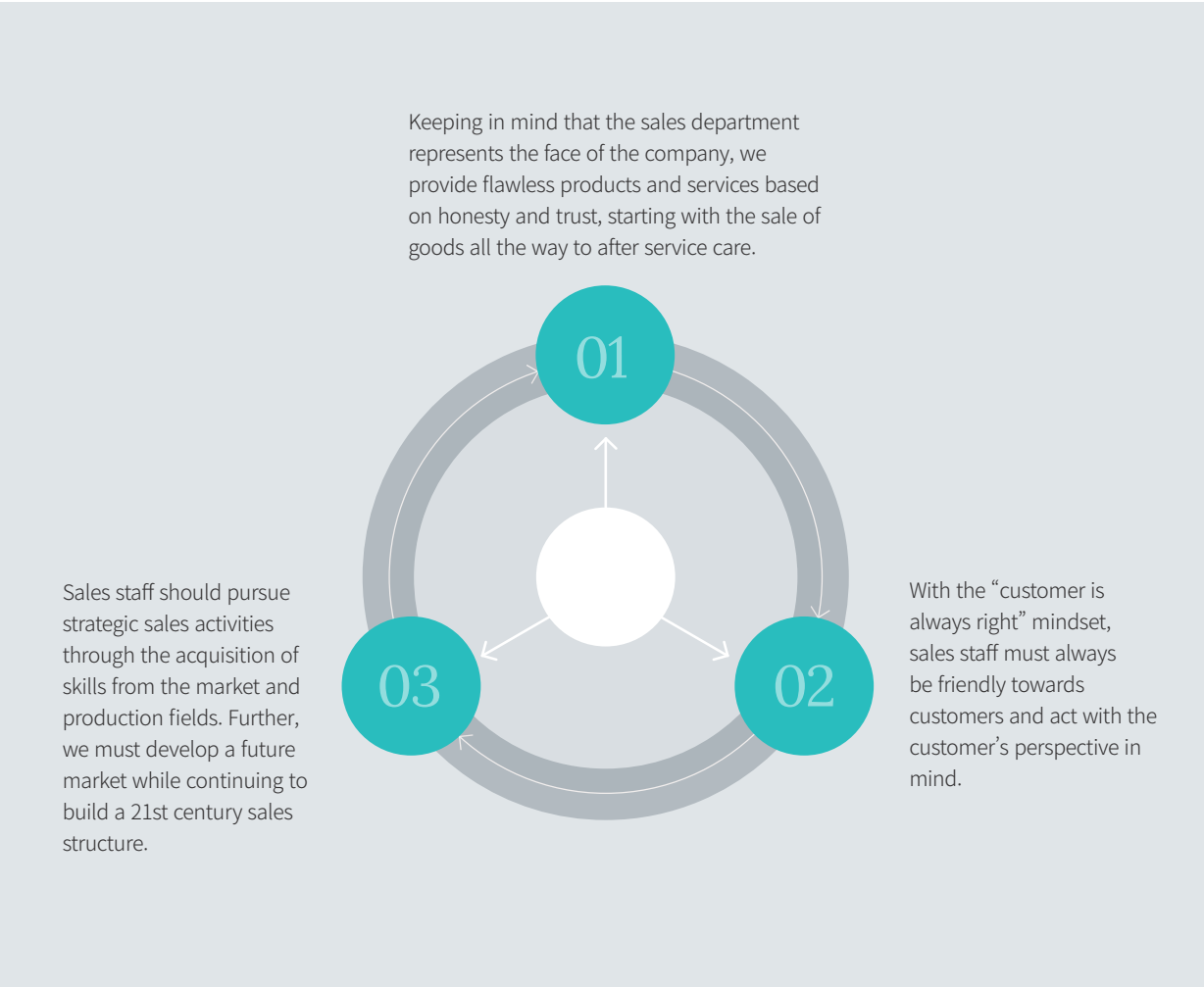


Management Philosophy by Sector

04

Philosophy on Sales

Realizing that the first encounter with our customers is a representation of the company, the basic principle is based on practicing righteous sales, pursuing customer satisfaction, and creating products that conform to various customer niches. In addition, we set reasonable and logical prices that correspond with the value of a product.



Action Guidelines for Sales

Impressing Customers

We must not inconvenience the customers over the company’s internal regulations and customs. When there is a conflict of interest between the company and customer, we will side with the customer.

In order to exceed customer expectations and provide new value, we must be able to answer customer questions with sincerity and provide products or services based on customer needs prior to them being requested by the customer.

By making an impression on our customers’ futures, we make sure customers are happy to be in business with us.

Righteous Sales Path

We engage in fair competition with all of our competitors and do not try to gain a competitive advantage through illegal or unfair means. Regardless of how appealing the terms and conditions of a business transaction may be, we do not accept anything illegal or unjust.

We abandon the idea of gaining success by bringing down the competition and instead, we support the success of our competitors and surpass the competition with a confident attitude. In doing so, we use competitive rivalry as an opportunity for mutual growth.

Establishment of the 21st Century Business System

We strive to understand the future of our customers better than the customers themselves so that we are able to impress our customers’ futures.

In the future, product mechanisms will be similar amongst competitors and competitive advantage will be determined by product function, design, sales, and customer service.

We must build a sales system that corresponds to the information era so that customers can solve all their needs in one stop.

Field-Oriented Sales

We expand the authority of sales employees working directly with the customers to make their own on-site decisions. Any expenses or measures necessary for sales activities and to promote autonomous sales are fully supported.

In order to improve conversation quality during customer consultations, we must boost employee morale and skills in addition to providing training opportunities for building knowledge and increasing refinement levels.

As sales competitiveness is determined by the mobility and quick decision-making abilities of sales staff, we fully provide the necessary tools such as company vehicles, communication devices, and computers.

Customer Information Management

We systematically gather customer information that is dispersed among various customers and products, and continuously build a network of customer information that can be interconnected and utilized.

Recognizing that true customer-oriented sales is about identifying customer needs through the customers, we provide feedback by understanding the customers’ opinions and reflecting them during the product development process.

Issues and complaints filed by the customer must be forwarded to the appropriate fields without distorting or ignoring them. Defective items must be replaced by new products without question, or a refund must be issued with a sincere apologetic attitude.

Strategic Sales

Because the market of the 21st century is geared towards small quantity production, high functionality, and high quality, we must break away from previous sales patterns which fixate solely on sales numbers.

Since excessive competitive pricing only creates a vicious cycle, we do not engage in cut-throat sales practices.

It is important for sales staff to not only provide good service, but to build their knowledge on par with

experts on the production process, flow of sales, and material supply.

By comparing our products with those of competitors and analyzing them in order to identify the pros and cons, we must be able to provide feedback to the corresponding departments such as the overseas factories and R&D department.

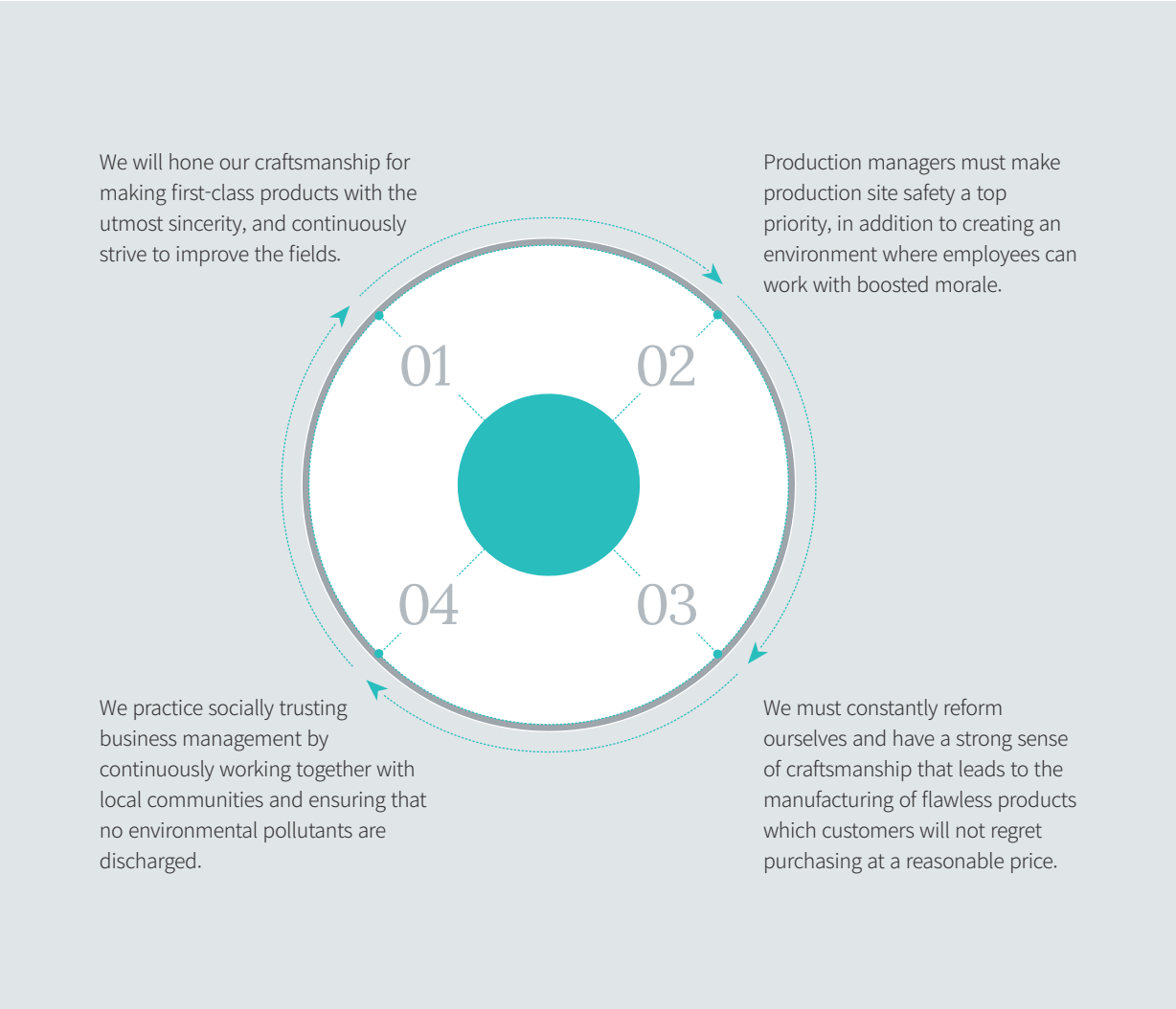
Additionally, we must be familiar with the skills of dismantling and assembling a hat firsthand in order to become true professional salesmen.

Management Philosophy by Sector

04

Philosophy on Production

It is our basic principle to make the highest-quality products at the most affordable cost based on the principle of craftsmanship and respect for man.



Action Guidelines for Production

Sticking to the Basics

We faithfully follow the job standard manual to ensure the safety of employees and zero product defects.

Since first-class quality starts with maintaining a sanitary workplace, we strive to keep our workplace clean and well organized.

We should appreciate production facilities and take to production equipment with care as we would our own personal belongings.



Quality Priority

Nothing can guarantee quality like the devotion and sincerity of employees. All employees should fulfill job duties with devotion and put their souls into the products they make.

Rather than trying to hide any defects and potentially creating bigger problems, we must be committed to making and delivering first-class products which live up to their value.

We must create an environment where employees are able to identify defects instantly and are rewarded for doing so. By encouraging the early identification of defects, we must make it clear to employees that this is how we can truly serve our customers in the long run.

Quality Guarantee System

Quality performance is evaluated with more scrutiny than production performance to ensure that quality is not compromised for the sake of quantity.

We must collect and accept the opinions of both sales staff and customers and reflect them during the next production process.

Important indicators, such as quality indicators and field improvement results, should be visibly displayed to employees so that we can raise quality awareness and practice visible maintenance activities.

All employees should be trained with a sense of craftsmanship and the determination to make flawless products so that our manufacturing facilities are employed only with the best craftsmen.

Site Improvement

The basis of field improvement activities is the participation of all employees who work on the production floor. Therefore, we must cultivate field improvement experts with the ability to develop more organized and scientific improvement activities.

Suggestions should be made from across the ranks of the company. Good ideas are adequately compensated and the number of suggestions is reflected in the job performance evaluation of the respective manager.

By introducing competition systems between on-site teams, we promote participation in site improvement activities and raise awareness of their sense of ownership. In addition, we expand managerial authority on executing site improvement activity related costs.

Cost management by factory is a prerequisite to understanding the objective of site improvement. Therefore, cost is calculated during every stage starting from the product design to the final product stage.



Field Expert

We offer strong compensation for field experts and foster them into technicians (technical managers), so that we are able to thoroughly train all members of the production staff.



Workplace with Charged Morale

We attempt to lessen the burden of field workers facing struggles by offering our support as companions, rather than handling the case on a purely organizational level.

We invest in employee facilities such as the cafeteria and bathrooms so that all employees can feel the comforts of home while working.



Management Philosophy by Sector

04

Philosophy on Overseas Business

The basic principle is to globally implement Yupoong's management philosophy through flexibility and the ability to accept foreign cultures.



Action Guidelines for Overseas Business

Overseas Investment Strategy

When selecting a location for an overseas branch we consider the overall situation and analyze various infrastructures, quality of the workers, support of the government, and even the expected reactions of the local community, and select the location with the most competitive advantage.

When making an overseas investment we put together a task force team of qualified personnel, regardless of their department, who go through multiple discussions and on-site investigations before making a decision.

Localization

Sojourning employees are expected to thoroughly learn local cultures, such as their unique manners and etiquette, and thoroughly study them from the locals' perspective.

Employees of local factories are expected to research the traits of the local residents and reflect them on company policies. Although it may initially be difficult, we encourage families of sojourning employees to interact with the local residents and adjust to the local communities.



Cultivation of Sojourning Employees

In order to help sojourning employees deepen their in-depth knowledge and build personal networks with the locals, the company sends employees of particular talent and skills to local educational institutions such as college.

Qualified sojourning employees are expected to visit Yupoong's head office in Korea once or twice a year to share their experiences and knowledge by partaking in discussions with other employees.



Management of Local Manpower

The recruitment and utilization of local labor is important for local management. We cultivate locals into managers while keeping in mind our management philosophy on respecting humans.

We maintain the nation's highest standard of labor conditions, such as wages and employee benefits, so that employees realize that working for Yupoong guarantees the basic cost of living and implies being personally respected.

We create an environment where the local employees can work diligently and with pride through intensive and systematic training.



Construction of Overseas Production Bases

We construct the most convenient and efficient factories in order to differentiate ourselves from other manufacturing facilities and become a world-class enterprise.

Decisions regarding overseas factories must be made with caution due to the fact that they cannot be easily withdrawn. Once we decide to make an investment, we enter the overseas region on a large competitive scale from the very start.

We examine and analyze the construction of overseas production bases with the goal of building environment-friendly facilities in order to preserve the environment of the countries we enter.

Overseas Sales Management

In order to establish a long term overseas business, we thoroughly grasp and analyze local distribution channels based on our understanding of the local distribution structure, system, and business customs.

Sojourning employees must accurately understand the local competition and distribution channels with a strong interest and affection for that country. They must systematically accumulate this data and share it with the headquarters.

Sojourning employees are expected to secure local labor and have the local employees working on the frontline of business.

Co-Prosperity with the Local Community

For the purpose of contributing to society and earning the locals' trust, profits gained from local areas are partially returned to the local community in the form of contributions.

We choose the path of the considerate and cordial individual so that our corporate mindset becomes an object of respect amongst local residents.

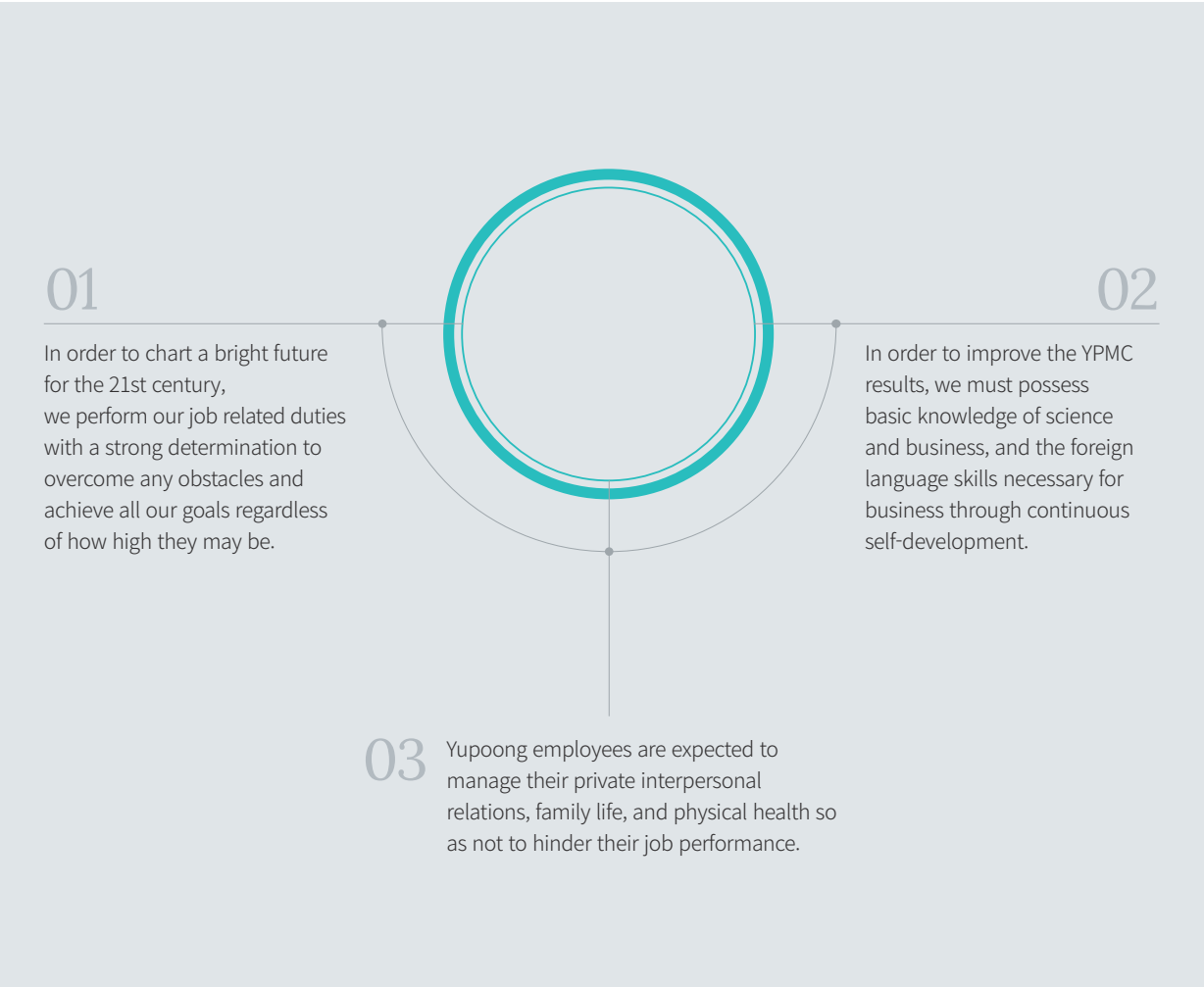


Management Philosophy by Sector

04

Philosophy on Manpower

The basic principle is to encourage vigorous determination, energetic drive, business management knowledge, interpersonal relationships, and management of family and health - all of which are the basic qualifications expected of Yupoong employees who are the primary agents to carry out the YPMC.



Action Guidelines for Manpower

 <p>Vigorous Determination and Energetic Drive</p> <p>We actively handle every situation with a clear sense of ownership and voluntarily solve business related problems. Regardless of the obstacle, we overcome it by internalizing a strong will and drive for achievement.</p> <p>We analyze our assignments scientifically and execute them meticulously so that once an assignment is complete they do not need to be revisited due to errors or lack of completion.</p>	 <p>Business Knowledge</p> <p>Each element of the Yupoong Management Charter is closely related to one another. Therefore, they must be understood comprehensively and systematically before acting on them.</p> <p>We must study the basic knowledge necessary to perform our duties, and learn at least two foreign languages on a conversational level in order to adapt to globalization.</p>	 <p>Interpersonal Relationships</p> <p>When it comes to interpersonal relationships associated with business activities, we must always be polite and act with reason and self-control.</p>	 <p>Family Care</p> <p>All Yupoong employees recognize that home is the foundation of our social lives and must strive to create a family life filled with harmony and respect for one's elders.</p> <p>Even from the company's perspective, we recognize that family life is the foundation for a pleasant work life. Therefore, we provide support for family members so that employees can receive positive family reactions in regards to their job.</p>	 <p>Health Management</p> <p>Since health is the basis of human activity, it should always be well managed. By maintaining good health through proper exercise, we make sure job duties are enjoyable and performed with joy.</p>
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174, Guro-dong, Guro-gu, Seoul
Tel 02-852-5211
Fax 02-852-5300