



Pulmuone Holdings Co., Ltd., 8<sup>th</sup> Floor Rosedale Building, 724 Suseo-dong, Gangnam-gu, Seoul, Tel 02-2040-4400



# Pulmuone Sustainability Report 2010

## Overview of 2010 Report

Since the first sustainability Report in 2006, Pulmuone has published its fifth sustainability Report in 2010. Being the general report that includes all of its subsidiaries and affiliates' achievements, Pulmuone sustainability Report 2010 reports its efforts and results for sustainability management to become a 'LOHAS (Lifestyles Of Health And Sustainability) company caring for both human and nature with a comprehensive perspective since 2008.

**Reporting Principles** G3 guideline of GRI (Global Reporting Initiative), BEST guideline (BEST Sustainability Reporting Guideline)

**Scope of Report** Pulmuone Holdings, Subsidiary Companies (Pulmuone Foods, Exofresh Logistics, Foodmerce, ECMD, Pulmuone Health & Living, Pulmuone Waters), Affiliate Companies (ORGA Whole Foods, NHO)

**Reporting Period** January 1st, 2010 to December 31st, 2010, Presents 3 year's worth of data from 2008 to 2010 for time-series analysis

**Reporting Cycle** Annual

**Report Assurance** The report has been reviewed by the Pulmuone management and verified by the IPS (Institute for Industrial Policy Studies), an independent assurance organization

## Contact for Sustainability Report

**Tel** 02-2040-4470

**Fax** 070-7016-1165

Suseo-dong, Gangnam-gu, Seoul

Holdings Strategy Office (HSO), Pulmuone Holdings Co., Ltd.

**Sustainability Report link** [www.pulmuone.co.kr](http://www.pulmuone.co.kr)

## What is different from 2009 report?

**CSR activities** Pulmuone's responsive and strategic CSR activities are introduced in a special page to systematically introduce Pulmuone's CSR activities

**Emphasis on DMA** There is emphasis on DMA (Disclosure on Management Approach) and DMA in each field has been integrated for comprehensive understanding of its sustainability management activities.


\* Pulmuone Holdings, Subsidiaries, and Affiliates are all hereinafter referred to as 'Pulmuone'

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## Respected stakeholders,

Last year, Pulmuone has gone through a tough time due to delay in recovery of domestic and overseas economy, increase in raw material prices, and ever-more fierce market competition.

This was no exception for Pulmuone. However, even in those tough times, our employees have come together to wisely overcome the troubles in both inside and outside of the company. As a result, we were able to achieve various financial results in becoming a global LOHAS company including enhancement of profit structure as well as our base stamina for overcoming risks. Moreover, we were able to establish the foundation for 'Global DP5', Pulmuone's vision, through development of new products, differentiation strategy, and enhancement of global organization capacity based on activities relating consumer happiness management.

Along with meaningful financial results, we have also continuously received high assessments in fields of ethics management, environmental management, and corporate social responsibility management. In 2010, it has been selected as 30 Most Respected Companies in Korea and has also been awarded as one of 2010 Great Work Place. In addition, it was selected as number 1 in General Foods area of Korean Sustainability Index. This means that Pulmuone has received recognition for its potential of sustainable growth and high corporate competitiveness by conducting TISO (Trust Integrity Solidarity Openness) management under its mission to become a 'LOHAS (Lifestyles of Health and Sustainability) company caring for both human and nature'.

Pulmuone's core value is TISO management. To realize this core value, Pulmuone trains TISO management ethics to all of its board members and employees as well as establishing and conducting action standards for TISO management. It also places much effort in mutual survival management by developing technologies and sharing the results with cooperatives. In 2010, 3 subsidiaries including Pulmuone Foods have been recognized for their excellence in the level assessment of Compliance Program hosted by Korea Fair Trade Commission.

Pulmuone also takes a leading role in consumer happiness management activities. In 2010, it has received authentication for expanding and introducing CCMS (Consumer Complaints Management System) from Pulmuone Foods to Pulmuone Health & Living, Foodmerce, and ORGA Whole Foods. Having its growth based on 'love for neighbors' and 'respect for lives', Pulmuone identified the environmental influences in all of its products' processes to conduct environmental management by introducing environmental-friendly materials, packaging, and manufacture technologies. Total amount of CO<sub>2</sub> generated from the Stock Holder's General Meeting and Factory tour event has been cut down to "0" through Carbon-Neutral Program implement.

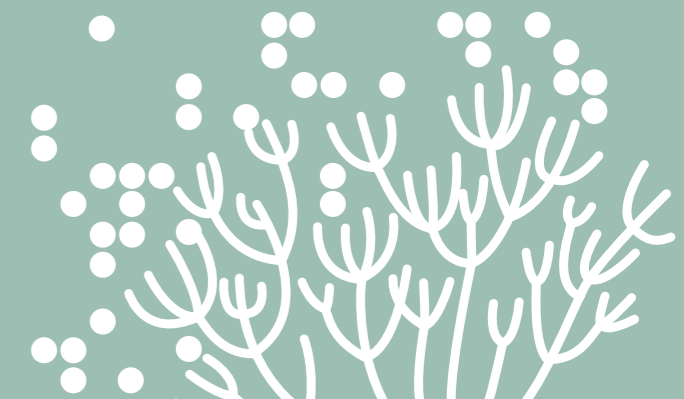
Pulmuone became the first local food company to join the UN Global Compact in April 2007. In 2010, Pulmuone made strong efforts in support of the values and spirits championed by the UN and the 10 principles of the UN Global Compact including human rights, labor, environment and anti-corruption.

Pulmuone actively practices corporate social responsibility management by fulfilling its responsibilities relating health, environment, and safety along with contributing to the society through its essential activities. It newly presents the value standard of creating 'Authentic Wholesome Foods for my family's health and happiness' in the food business and takes the lead in the food culture. Since 2010, it began for the first time in Korea to conduct education for food label checking to elementary students through its 'Good Food Campaign' so that we may be able to pass on Authentic Wholesome Food culture to the future generation. Through this campaign, we will be able to establish the Authentic Wholesome Food labeling culture in our society including complete labeling system, production history information system, and production date labeling system, all which are systems lead by Pulmuone. Pulmuone will continue to throw massive campaign named "Good Food Campaign" in the food industry to fulfill corporate social responsibility.

Dear Stockholders, Consumers, Board Members, Employees, Cooperatives, and stakeholders in the regional society!

Pulmuone will exert its best efforts in sustainability management to fulfill the responsibility of providing Authentic Wholesome Food for the health and happiness of our families as well as our children's' health and future. The board members and employees will come as one in endeavoring to become a Global LOHAS company of trust and love, not only within Korea but worldwide. We ask for continuous encouragement and support and we are trying to reach the state of becoming a LOHAS company.

Thank you.



# 'To become a Global LOHAS Company!'

March 2011

**Nam, Seung-Woo**  
Chairman and CEO of Pulmuone Holdings Co., Ltd.

남승우

# Pulmuone's Businesses and Brands

Pulmuone's businesses can be categorized into 3 fields: production/sales of fresh foods and health functional foods, food service, and organic food sales. This Sustainability Report is based on domestic business units. Each of Pulmuone's subsidiaries and affiliates has its own unique brands.



Subsidiaries  
 Sub-Subsidiaries  
 Affiliates

<p><b>Pulmuone Foods</b> Produces and sells fresh foods to provide authentic wholesome food</p>	<p><b>Pulmuone Health &amp; Living</b> Produces health functional foods and performs door-to-door sales so that consumers can supplement and consume diverse nutrients difficult to be consumed through regular diet</p>	<p><b>ECMD</b> Specializes in food service and provides services including contract food service, restaurant, catering services</p>	<p><b>Foodmerce</b> Specializes in food distribution service that provides carefully selected fresh and safe foods through diverse purchase channels in the contract food service/ restaurant/ raw material markets</p>		
<p><b>Pulmuone Waters</b> Provide delivery service of premium mineral water containing calcium and conduct large capacity water dispenser rental/sales business for the homes or offices</p>	<p><b>Pulmuone USA</b> Acquired Wildwood Natural Foods in 2004 and Monterey Gourmet Foods in 2009 and plans for expansion strategy in US market with refrigerated and frozen products</p>	<p><b>Beijing Pulmuone Green Foods, Shanghai Pulmuone Foods</b> Entered the Chinese market in 2010 by establishing exclusive sale companies in Beijing and Shanghai which are Beijing Pulmuone Greed Foods and Shanghai Pulmuone Foods</p>	<p><b>Exofresh</b> Logistics company dealing with refrigerated and frozen product, conducting 24 hour real-time monitoring on its warehouses located throughout the country and performing its operations in a very efficient manner</p>	<p><b>NHO, Natural House Organic</b> Specialty shop for health functional foods</p>	<p><b>ORGA Whole Foods</b> Deals with agricultural produce authenticated to be environmental-friendly, fresh foods that comply with product principles including Animal Welfare System and 3 Non-Additive (no antifoaming agent, no emulsifying agent, no chemical coagulation agent) Fair Trade, processed foods complying Ethical Consumption Principles, and environmental-friendly daily goods</p>



"What is world's most precious thing in one word?"

"Me!"

The shout spreading throughout the early woods is fresh.

"Then in two words?"

'Again, Me!'

Then in three words?

'Of course, Me!'

Then in four words?

'Still it is, Me!'

Then in five words?

'And yet once again, Me!'

So far, what was taught was answered.

However, it didn't seem to stop here.

Like this, the morning of 'Goodbye Atrophy Camp'  
began with the heart of loving oneself.

Sustainability Management

# Value Enhancing Story

Pulmuone is a LOHAS company caring for both human and nature. LOHAS is a conscious lifestyle that thinks of both health and environmental sustainability. The strict production principles including Pulmuone's additive principles are derived from LOHAS values, and this is an attitude of caring for both human and nature.

# Promotion of Sustainability Management

## Governance Structure

### Stockholder Status

Pulmuone is a company listed in the stock market and its stocks are owned as follows: 57.3% by the major stockholder, 7.5% by institutional investors and foreigners, and 35.2% by minority stockholders.

[Stockholder Status]

[As of end of December 2010]

Stockholder	Number of Owned Stocks (Number of Stocks)	Number of Stockholders (Number of People)	Ownership ratio (%)
Major Stockholder	2,183,578	1	57.3
Institutional Investor and Foreigner	284,295	60	7.5
Minority Stockholder	1,341,222	2,738	35.2
Total	3,809,095	2,799	100.0

### Organization and Authority of the Board of Directors

Pulmuone's Board of Directors is consisted of 5 Executive Directors and 5 Outside Directors, experts in various area including professional managers, professors, and civil activists. The Directors selected in the General Meeting of Stockholders are those possessing management experience and expert knowledge who work to improve stockholder value and enhance interests of stakeholders.

### Role and Operation of the Board of Directors

A total of 8 Board Meetings have been held in between January 2010 to December 2010 to address 16 agendas including investment for the factory relocation in the US and committee member selection within the Board of Directors. The average attendance of 2010 Board Meetings is 79%. There are a total of 5 committees under the Board of Directors: Audit Committee, Outside Director Nomination Committee, Compensation Committee, Outside Director Evaluation Committee, and Management Committee. Pulmuone's economic outcomes and social/environmental results are reported to and evaluated by the Board of Directors every quarter and every year, respectively. The 3rd regular Board Meeting was held on August 13th, 2010.

[Main agendas of the Board Meeting and roles of each committee can be found by visiting [www.pulmuone.co.kr](http://www.pulmuone.co.kr)]

## Prevention and Management of Risks

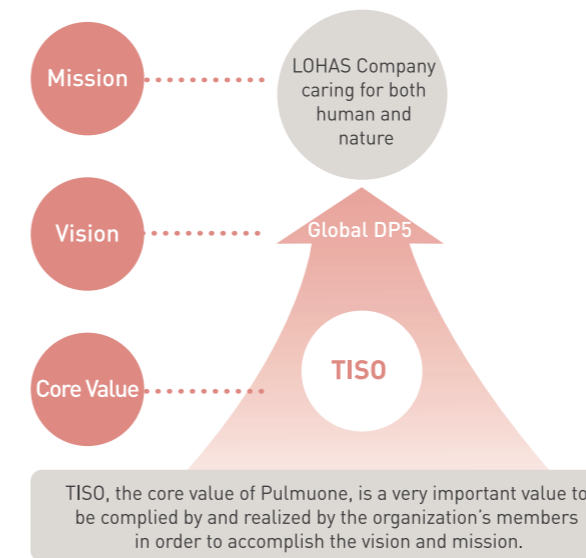
### Risk Management Committee

Once every month, Pulmuone operates Risk Management Committees for itself and each of its companies to grasp, prevent, and manage risk factors. The Risk Management Committee is lead by the CEO and the risks are classified in three phases to be managed in accordance to the manual: Phase 1, controllable risk; Phase 2, potential risk; Phase 3, risk relating to brand and media.

## Promotion System for Sustainability Management

Pulmuone desires to be a company that develops not only externally, but to be a LOHAS company that develops along with the enhancement of the health of consumers, society, and environment. To reach the state of becoming a LOHAS company that loves both nature and human, subsidiaries and affiliates are promoting sustainability management activities through organizations in charge of each field including economy, consumer, board members and employees, cooperatives, local community, and environment. Along with the Management Board, each organization of Pulmuone aims to achieve sustainable management and concentrates on TISO's values; Trust, Integrity, Solidarity, and Openness.

## Mission and Vision

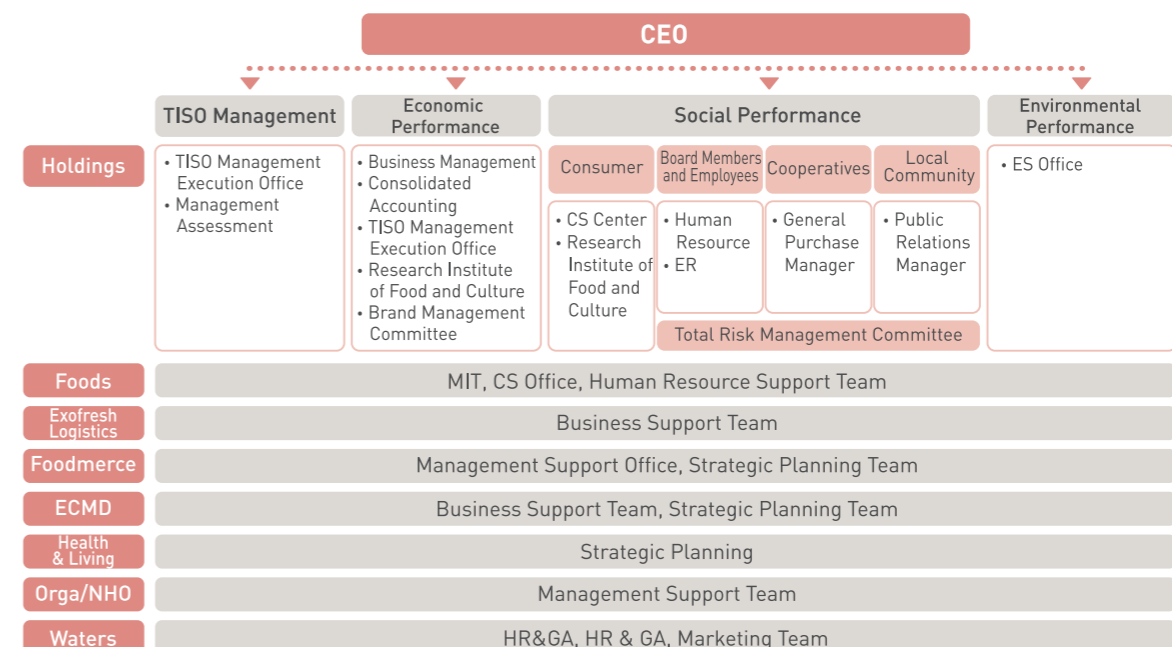


**LOHAS(Lifestyles Of Health And Sustainability)** Referring to general effort to pursue social/ environmental sustainability and improve customer health, LOHAS is long-term direction of Pulmuone that gives us reason to exist. Our management aspiration thinking of both human and nature is applied not only to our customer but even to corporate members, society and nature.

**Global DP5** Corporate vision, reaching 5 trillion KRW in revenue, reveal out ambition to grow up to be a core LOHAS company in the global authentic wholesome food business, by achieving true global leadership and taking the lead in domestic food market by gaining unlimited trust not only for its exterior size of the company but for all of its products, and to become the Number 1 LOHAS company in the country.

**Trust** for abiding by promises and regulations  
**Integrity** for operational honesty in conducting good work  
**Solidarity** for collective conscience of correlating one's work with the company's objective  
**Openness** for maintaining open heart and cooperating

### [Sustainable Management Organization]



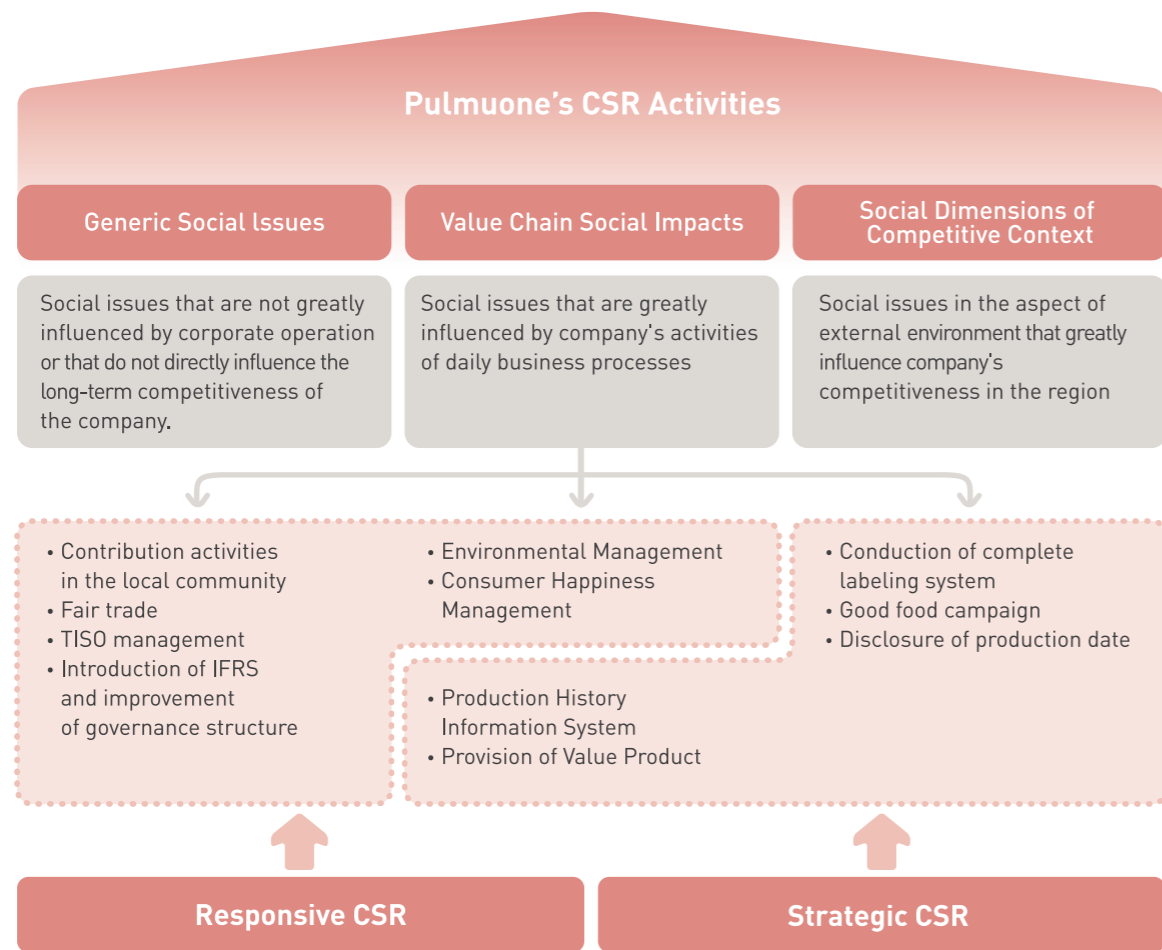
## Pulmuone's CSR Activities

### Definition of CSR Activity

Many companies are promoting diverse CSR activities, but not all of these efforts are being conducted in a productive manner. There are many cases where CSR activities are fragmental or disconnected with the business strategies as a corporation pursues conventional methods without taking it into consideration its corporative circumstances, not fully reflecting on inter relationship between business and society. Pulmuone places efforts to use CSR activities as an engine to surpass the level of cost or charity actions and attain new opportunity, innovation, and competitive advantage by analytically and strategically approaching the relationship between social responsibility and corporate strategy.

Pulmuone has introduced Responsive CSR and Strategic CSR to promote sustainable management in a more systematic manner. Responsive CSR refers to activities being promoted to cope with important social issues or stakeholders' requests and Strategic CSR refers to activities being strategically promoted to reach the vision of LOHAS Company, cares for both human and nature.

[Pulmuone's CSR Activities]



\* Porter and Kramer, Strategy and Society, HBR, 2006

## Responsive CSR

### Contribution to Local Community, Cultural Support

Pulmuone places its greatest efforts to fulfill its social responsibility through social contribution activities and cultural support. It has promoted activities including Goodbye Atrophy Campaign, support for mal-nourished children, activities for environmental preservation, and support for Korean classical music performance as well as operating the Kimchi Museum for the development of cultural succession of traditional food.



### Fair Trade, Acquisition of Excellent grade for Compliance with Fair Trade

Pulmuone Foods and Foodmerce have received Grade AA and Pulmuone Health & Living has received Grade A in the CP grade evaluation hosted by Korea Fair Trade Commission in 2010.

### TISO, Conduction of Anti-Corruption Policy and Integrity Pact

Under the 'TISO action standards', Pulmuone strictly prohibits corruptive actions including directly or indirectly receiving benefits such as bribery, entertainment, hospitality and convenience as well as encouraging or tolerating these actions. In such case, disciplinary measures are to be conducted in accordance to related regulations.

### Introduction of IFRS and Improvement of Governance Structure, Corporate Transparency

Pulmuone is a pure holding company that owns 100% of its subsidiaries' stocks and has established a transparent governance structure that can easily be comprehended from outside. Also, it is the first in the food industry to introduce K-IFRS (International Financial Reporting Standards).

### Environmental Management

Pulmuone establishes policies to reduce environmental influences upon conducting analysis on the environmental influences of its products and services by business units. It has selected important projects in the business process ranging from product concept development, production, logistics, and sales as well as endeavoring to reduce environmental influence. To do so, it has enforced the performing organization relating to environmental management and inspected the progress and result of projects by each business unit in 2010.

## Strategic CSR

### Conduction of full disclosure, Expansion of indicating Functional Ingredients

In 2010, functional ingredients have been labeled to enhance reliability and to provide precise information to consumers in 10 products that are renewed or newly launched including a 'Full-of-fruit & Vegetable juice', 'Kid-high green juice', and 'Purifying-me tofu'.

### Disclosure of production history information, Provision of Transparent and Reliable Information

To ensure the consumers' right to know, Pulmuone is trying to build up customer trust by providing transparent and reliable information through disclosure of production history information.

### Disclosure of production date, to Provide Products at Their Freshest State

Pulmuone has voluntarily introduced the 'Disclosure of production date' not only to supply its products at their freshest state to consumers by labeling the production date along with the expiration date, but also to fulfill the consumers' right to know relating the expiration period by providing more detailed production date information.

### Good Food Campaign, Establishment of Right Diet Culture

Pulmuone has conducted early education to elementary students so that they may understand what is right food, names of ingredients and nutrient indication on the product labels for right selection, and checking the expiration dates. Moreover, Pulmuone has created a foundation to establish the right diet culture in our society by helping students establish the concept of authentic wholesome food and develop the habit of checking food labels through this campaign.

### Provision of Value Product, CSR Activity through Products

Pulmuone wishes to make a contribution in improving consumer's dietary life and social consciousness through 'safe products' that are managed by strict standards in clean and safe facilities, 'nutrient supplement products' that have been enhanced with nutrients that are often missing from general diet, 'fresh products' that provide freshness of the ingredients under strict management, and 'SOGA products' that allow more consumers to purchase excellent quality products at a reasonable price.

#### 1 HACCP

(Hazard Analysis Critical Control Point)  
It is a management standard to prevent pollution or addition of hazardous materials in advance in each steps including production, processing, storage, cooking, and consumption.

### Safe Products

**Non-additive (synthetic sweetener, synthetic flavor, synthetic coloring) products that have gone through safety management throughout all phases ranging from production to distribution so that hazardous materials may not be included.**

**'Pulmuone raw-eating, pure body program'** Pulmuone uncooked eating, pure body program is a product to acquire the HACCP (Hazard Analysis and Critical Control Point) authentication for the first time in its industry and it is made in accordance to Pulmuone's non-additive principles to ensure safety.



**'Baby Meal'** It has been produced by applying '7 Step Special Safety Processing' in all process of production ranging from ingredient selection to product delivery and it is the first product to receive the HACCP (Hazard Analysis and Critical Control Point) authentication in the refrigerated baby food industry. The 7 Step Special Safety Processing refers to the following: Step 1, quality inspection where the QC employee checks the temperature, viscosity, and sense; Step 2, evaluation of quality



standard including remaining oxygen amount, metal, and weight; as well as other steps including pass box installation for prevention of cross-pollution, automatic packaging to prevent inletting of micro-organisms, low-temperature sterilization to enhance safety, maintenance of safe temperature through rapid cooling, and maintenance of temperature below 5°C during delivery.

### Nutrient Supplement Product

**Products that can help achieve healthy life by adding nutrients that cannot be regularly consumed in general diet.**



**'My kid's Series'** Pulmuone launched "My Kid", which is the first children's food brand in Korea. "My Kid" products in which nutritionists have engaged from the design phase are introduced to manage nutritional safety of food for children. It has reduced calories, fat, saturated fat, trans-fat, cholesterol, sugar, and sodium while enhancing protein, fiber and calcium.

**'Cera Ato'** With the main ingredient being natural vegetable ingredient, Amorphophallus konjac extract, it is a functional drink containing zinc that helps moisturizing children's skin and strengthen immune system. 1% of sales of this product is planned to be used to support the public service 'Goodbye Atrophy'.



### Fresh Product

**Products maintaining freshness and quality of it's natural ingredient**

**'Refrigerated Eggs'** It is a product that the Cold Chain System is used for the first time in the country to enhance freshness of eggs by maintaining all processes ranging from production to distribution and sales under 10°C.



**'I'm Real'** It is a product that only 100% natural fruit is juiced. Fruit is freshly squeezed without being added with flavoring, coloring, or any other compound additive.

### Value Product

**It is a product that more people can easily purchase and enjoy a balanced diet by providing high quality product at a reasonable price with cost/ distribution innovation**



**'SOGA Tofu'** Just like Pulmuone tofu, it is a product made under the compliance of non-additive principle and strict quality management and its high quality can be enjoyed at a reasonable price. Especially, the consumers can widen the selection range to make practical purchases in today's price-hiking economy because SOGA tofu complies with the same production principle as Pulmuone, the premium brand, but is provided at a lower price.

**'SOGA Cold noodle and broth of radish water kimchi'** While adhering to Pulmuone's production principle and strict selection of ingredients, the noodles and broth are packaged separately so that they may be selected separately. Also, the prices have been lowered but utilization has been enhanced.





## Partners in Sustainability Management

Pulmuone's stakeholders are classified into shareholders, employees, consumers, cooperatives, and local communities. Stakeholders are partners in Pulmuone's journey to foster sustainable management. Pulmuone seeks their various opinion and shares outcome with them.

### Stockholders



**People who buy and own the stocks of Pulmuone holding company which represent the business enterprise value.**

Open shareholders' meeting, Board of Directors' meeting, quarterly Investor Relations public release, and Sustainability Reports [www.pulmuone.co.kr](http://www.pulmuone.co.kr)

### Employees



**4,450 internal partners working together to accomplish the company's mission and vision**

The Knowledge Worker Platform, labor-management council meetings, CEO conference, the publication of company magazines, the Industrial Safety and Health Committee, the grievance redress mechanism, inter-office communication magazine, the Employee Assistance Program, C-cubic and the Sustainability Reports [www.pulmuone.co.kr](http://www.pulmuone.co.kr)

### Consumers



**All consumers who use products and services offered by Pulmuone subsidiaries and affiliates**

CS center, e-fresh monitoring, housewives monitoring, consumer satisfaction survey (Company magazine) 'One Big Bowl full of Nature', Sustainability Reports [www.pulmuone.co.kr](http://www.pulmuone.co.kr), [www.pulmuoneha.co.kr](http://www.pulmuoneha.co.kr), [www.greenjuice.co.kr](http://www.greenjuice.co.kr), [www.pulmuonewater.com](http://www.pulmuonewater.com), [www.foodmerce.co.kr](http://www.foodmerce.co.kr), [www.ecmd.co.kr](http://www.ecmd.co.kr), [www.exofresh.co.kr](http://www.exofresh.co.kr), [www.orga.co.kr](http://www.orga.co.kr), [www.nho.co.kr](http://www.nho.co.kr), [blog.pulmuone.com](http://blog.pulmuone.com), [pulmuoneshop.co.kr](http://pulmuoneshop.co.kr)

### Partner Companies



**Companies that are involved in purchases, production, sales, shipping and facilities management processes**

Round-table meetings with cooperatives, Sustainability Reports [sourcing.pulmuone.com](http://sourcing.pulmuone.com)

### Local Communities



**Public organizations including the government, local communities, and volunteer groups, etc**

Regular meetings with volunteer groups, Sustainability Reports [www.pulmuone.co.kr](http://www.pulmuone.co.kr)

## Major Issues for Pulmuone's Sustainability Management in 2010

Pulmuone is selecting issues that draw stakeholders' attention the most through materiality assessment, and writing the sustainability report based on those selected issues.

### The Method Used for the Materiality Assessment

We used IPS Materiality Test Model TM for the materiality assessment and it involved a 4-stage test, including company policy research, surveys on stakeholder, benchmarking, and media search.

Category	Details
Company Policy Research	The company policy of each company in 2010 The direction of each company's business strategy in 2010
Surveys on Stakeholder	Once in December 2010, A stakeholder survey conducted online and offline Consumers (101 People), Employees (648 People), Cooperatives (110 Entities), Local Communities (33 Entities)
Benchmarking	Danone, Nestle, Ajinomoto
Media Search	Media Reports from January 1, 2010 until December 31, 2010

## Materiality assessment

As a result of materiality assessment, we identified 57 issues and classified as follows according to the importance of each issues.





# Management Approach Method DMA

## TISO Management

Survey result

**79.4%**

operating ethics management system well

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>• Ethics</li> <li>• Compliance with laws &amp; Anti Corruption</li> </ul>	<p><b>Core value of TISO management</b></p> <ul style="list-style-type: none"> <li>• Trust: Strict compliance with its regulations and promises</li> <li>• Integrity: Honesty in executing business plan</li> <li>• Solidarity: Alignment of the company's interests with the interests of individual employees</li> <li>• Openness: Cooperation with each other with an open mind</li> </ul>	<p><b>TISO Management office (TISO office)</b></p> <ul style="list-style-type: none"> <li>• Manages policies regarding bribery and corruption</li> </ul> <p><b>Management Assessment Department</b></p> <ul style="list-style-type: none"> <li>• Fair trade compliance</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>• Received AA rank in fair trade compliance program</li> <li>• Conducted TISO Management education</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>• Pulmuone Foods/Foodmerce received AA; Pulmuone Health &amp; Living received A</li> <li>• Implemented TISO Management education to 78 new employees</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>• Monitoring to prevent fair trade risks is advance</li> <li>• Conduct TISO Management education</li> </ul>

## Economic Performance

Survey result

**76.4%**

putting their efforts in creating new markets

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>• Financial Achievement</li> <li>• Brand Value</li> <li>• Development of New Products and Markets</li> </ul>	<p><b>Global DP (Defining Pulmuone) 5</b></p> <ul style="list-style-type: none"> <li>• Accomplish 5 trillion KRW in revenue</li> </ul>	<p><b>Strategic Planning/ Management Support Team</b></p> <ul style="list-style-type: none"> <li>• Provides strategy and business planning guideline</li> </ul> <p><b>Financial Management Team</b></p> <ul style="list-style-type: none"> <li>• Business/finance/taxes management</li> </ul> <p><b>Brand Management Committee</b></p> <ul style="list-style-type: none"> <li>• Promote activities to maximize brand value</li> </ul> <p><b>Strategic planning Team, TISO management office, CR Team, Innovation Support Committee, PI Progress Report, SCS meeting</b></p> <ul style="list-style-type: none"> <li>• Responsible for innovative management</li> <li>• Support settling innovative culture</li> </ul> <p><b>Strategic Planning Teams of each subsidiary and affiliate, Food culture research center</b></p> <ul style="list-style-type: none"> <li>• Responsible for tasks of creative management</li> <li>• Actively pursue creative management</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>• Constantly create new markets to achieve global DP5</li> <li>• Implement brand recognition survey every quarter</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>• Entry into new expansion categories and sales generation</li> <li>• Received 69.8 points in brand loyalty</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>• Development of large-scale products and new product</li> <li>• Implement brand recognition survey every quarter</li> </ul>

## Social Management \_Consumers

Survey result

**80.2%**

taking the responsibility and solve the problem upon product/service defects reported

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>Health and nutrition for consumer</li> <li>Safety and quality of product</li> <li>Communication with consumer</li> <li>Sharing information</li> </ul>	<p><b>Provide authentic wholesome foods for the health and happiness of All</b></p> <ul style="list-style-type: none"> <li>Abide by consumer related regulations and conduct consumer satisfaction management to find out solution to the consumer complaints and reflect those needs.</li> </ul>	<p><b>Pulmuone food safety center, Foodmerce food safety center</b></p> <ul style="list-style-type: none"> <li>Conducts food safety management activity</li> </ul> <p><b>Nestle water research center</b></p> <ul style="list-style-type: none"> <li>Conducts safe water management activity</li> </ul> <p><b>CS center/team of each subsidiary and affiliate</b></p> <ul style="list-style-type: none"> <li>Manages consumer satisfaction</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>Expand CCMS operation</li> <li>Reestablish food safety standard</li> <li>Conduct 110 times of Pulmuone factory tour</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>Pulmuone Health &amp; Living, ORGA whole Foods, and Foodmerce obtained CCMS certification</li> <li>Foodmerce food safety points increased 3.5(82.7) compared to 2009</li> <li>2,538 participated in 88 times of factory tour</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>Push ahead with ECMD obtaining CCMS certification</li> <li>Strengthen food safety</li> <li>Conduct 110 time of factory tour</li> </ul>

## Social Management \_Employees

Survey result

**72.1%**

considering the prevention of safety-accident in workplace

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>Safe Workplace</li> </ul>	<p><b>Enhance HR management for works and employees to be performance-oriented</b></p> <ul style="list-style-type: none"> <li>As a strategic partner to support and act upon company's management policy and business strategy, we pursue transparent HR affairs and promotion based on performance and enhance pride of employees as members of Pulmuone</li> </ul>	<p><b>HR planning Division</b></p> <ul style="list-style-type: none"> <li>Manage HR related tasks</li> <li>Education</li> <li>Responsible for communication with employees</li> </ul> <p><b>HR teams of each subsidiary and affiliate</b></p> <ul style="list-style-type: none"> <li>Responsible for personnel and labor force</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>Promote support organization (C-cubic) to create a productive corporate culture</li> <li>Zero labor strike by building trust</li> <li>Industrial accident rate down by 20% from 2009</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>Received the '2010 Fortune Best Company to Work for Award' hosted by GWP Fortune Korea</li> <li>Managed to settle time-off through collective bargaining</li> <li>Industrial accident rate decreased by 0.14 % (0.34%) than 2009</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>Make better workplace with the 3rd C-cubic</li> <li>Zero labor strike and quickly settle wage bargaining</li> <li>Industrial accident rate down by 50% from 2010</li> </ul>

## Social Management \_Partner Companies

Survey result

**72.1%**

going through impartial steps when selecting partner companies

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>Cooperate with partner companies</li> </ul>	<p><b>Practice TISO Management</b></p> <ul style="list-style-type: none"> <li>Fair trade with business partners</li> <li>No corruption in relations with business partners</li> </ul>	<p><b>Integrated Purchase Division, Purehase planning team of each subsidiary and affiliate</b></p> <ul style="list-style-type: none"> <li>Tasks related to purchase</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>Increase opportunities to hear opinions from partner companies</li> <li>Host meetings 5 times</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>Hosted Meetings (Pulmuone Foods 1, Pulmuone Health &amp; Living 1, Organic Farm 3, QC 2)</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>Expand education opportunities and increase consumer satisfaction through two QC meetings</li> <li>Proceed meetings with partner companies</li> </ul>

## Social Management \_Local Community

Survey result  
**69.0%**

being actively pursuing social  
volunteer activity

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>Contribution to local communities</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to local communities based on 'Respect for life' and 'Love for neighbor' spirit and vitalize employee's volunteer participation</li> </ul>	<p><b>Group PR Team, CSR employees of subsidiary and affiliate, every subsidiary's Social Volunteer office</b></p> <ul style="list-style-type: none"> <li>Plan and practice social volunteer activities</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>Proceed and vitalize business with local communities</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>Offered 'Goodbye Atrophy' education campaign, went camping, made reports and homepage</li> <li>Promoted marketing activities in connection with beautiful shops to generate public interest</li> <li>Conduct pilot education in 3 primary schools regarding good food campaign.</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>Develop social volunteer campaign using social network</li> <li>Expand good food campaign</li> <li>110 times of factory tour</li> </ul>

## Environment Management

Survey result  
**71.2%**

leading environmental protection

Important issue	Vision and Goals	Dedicated Organizations	Plans and Achievements
<ul style="list-style-type: none"> <li>Efforts to reduce environmental effect</li> <li>Respond to climate change</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>In the process of product development, production and distribution, put environment and safety as priority value</li> <li>By 2013 reduce 10% CO<sub>2</sub> and 10% water usage from 2007</li> </ul>	<p><b>Group Environment Safety Committee</b></p> <ul style="list-style-type: none"> <li>Environmental safety strategy and policies</li> </ul> <p><b>ES (Environment &amp; Safety) Office</b></p> <ul style="list-style-type: none"> <li>Implements strategy, policies and tasks devised by Group Environment Safety Committee and operates a council</li> </ul>	<p><b>2010 Plans</b></p> <ul style="list-style-type: none"> <li>Expand carbon footprint labeling</li> <li>Run environment &amp; safety day</li> </ul> <p><b>2010 Achievements</b></p> <ul style="list-style-type: none"> <li>Constructed green house gas inventory (2 facilities)</li> <li>Calculated carbon footprint of beverage products</li> <li>Zero-carbon general meeting of shareholders</li> </ul> <p><b>2011 Plans</b></p> <ul style="list-style-type: none"> <li>Expand green house gas inventory</li> <li>Expand products of carbon footprint</li> <li>Run environment &amp; safety day</li> </ul>



We believe that Pulmuone people must be honest, so that we are able to make authentic wholesome foods.

For those who make authentic wholesome foods for their child and family, even a smallest amount of greed is not permitted.

"Don't accept any holiday's gifts", a motto every Pulmuone people follows is a way having honest minds.



# Heart TISO management Sharing Story

TISO, the core value that Pulmuone pursues, stands for 'Trust' for strict compliance with its regulations and promises, 'Integrity' for honesty in executing business plan, 'Solidarity' for alignment of the company's interest with the interests of individual employees, and 'Openness' for cooperation with each other with an open mind, our employees are willing to pursue those initiatives and follow given guidelines.



# TISO Management

## Pulmuone's Core Value, TISO

### Foundation for TISO Management

TISO Management Office and Management Assessment Department are responsible for practicing TISO core values. TISO Management Office and Management Assessment Department directly report to Chief Compliance Officer (CCO) and TISO management charter specifies and guarantees CCO's independency in his task performance.

### Education of TISO Management

Pulmuone regularly runs TISO management education. Through cyber education, every organizational member must complete TISO Management course as compulsory. Also, TISO management training is a mandatory course included in the Pride of Pulmuone (POP) training course which all the new employees are required to complete. So far, the numbers of graduates among new employees are 68 in 2007, 57 in 2008, 85 in 2009, and 78 in 2010. Other than POP education, in 2010 Pulmuone conducted TISO management course 10 times to 500 applicants such as ECMD nutritionists, promoters, and professionals in factories, who find it difficult to attend classes due to field work, to make sure that the TISO culture naturally becomes part of corporate culture.

[Number of graduates within new employees]

Year	No.
2008	57
2009	85
2010	78

### TISO Management Activity

#### Operation of Gift Return Policy during Holidays

Since 2004 Pulmuone has issued a notice that no one will receive any gifts from stakeholders. Despite the notice, any gifts that arrived are being returned. As for the gifts which cannot be returned, the company sells them at price within 50 % of the market price to employees. The money received is used for charities such as love neighbor fund. Gift return system is gradually settling in and the number of gifts sent during holidays is decreasing. In 2010 total of 28 gifts were sent and 1,046,000 won has been raised as love neighbor fund.

[Number of reported claims on gift return during holidays and amount]

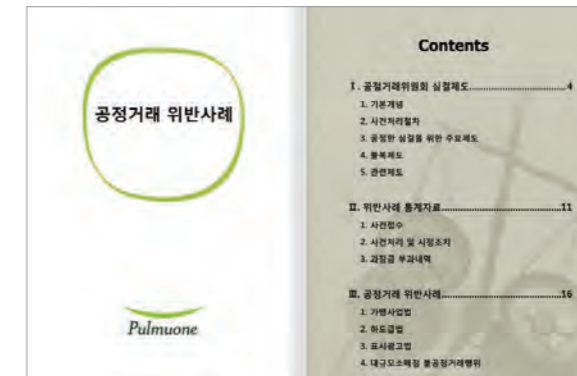
Year	No. of claims	Amount (KRW)
2008	26	1,362,000
2009	35	1,449,000
2010	28	1,046,000

#### Day of Fair Trade Compliance Program

Every year on the first Monday of January and July Pulmuone has established fair trade compliance program day of action to help fair trade compliance culture to quickly settle as part of corporate culture by strengthening the will of employees to comply with fair trade.

#### Establishing Fair Trade Violation Cases through Electronic books (E-books)

In March, 2010, Fair Trade Violation cases have been published through E-books and on the homepages of Pulmuone Foods, Pulmuone Health & Living, and Foodmerce.



#### Voluntary Monitoring of Fair Trade Compliance Program

Twice a year, the Fair Trade Compliance Council members and leaders of the fair trade related departments conduct voluntary violation risk monitoring and correct any potential incompliance. Any newly developed or amended fair trade related laws and regulations are monitored every month and reported to the Risk Management Committee. By including the voluntary monitoring of fair trade related laws in the group-level control items of the internal accounting control system as an internal control tool, the company monitors them internally which are audited by external auditors to be disclosed to stakeholders through audit reports.

### TISO Management Achievement

#### Pulmuone's 3 Subsidiaries Received 'Excellent' in Fair Trade Compliance

Pulmuone has revised CP manual and Fair Trade regulations. This is disclosed on the e-book and to comply with fair trade Pulmuone has regularly published CP quiz and CP news. Also by evaluating CP management and observing violation actions, Pulmuone constantly tries to settle fair trade compliance culture. Hence, in 2010, Pulmuone Foods and Foodmerce received AA and Pulmuone Health & Living received A in CP ratings review hosted by fair trade commerce. Thus, Pulmuone Holdings, Pulmuone Foods, Foodmerce, and Pulmuone Health & Living hold CP ratings.



To create better products, The tide of suggesting their idea is thriving in Pulmuone.

Without any inconvenient processes, the idea is automatically sent to the person in charge by posting suggestions in the integrated group software.

Everyone can freely express their ideas without worrying about others.

Also, to keep up with the latest trend, the company is sharing diverse information through Twitter.

All of these can be seen as efforts of executives in creating authentic wholesome foods.

Listening and embracing even the small suggestions, It must surely be the reason why we produce products which everyone can trust.



# Hope Making Story

Economic Performances

From hopes to beliefs, Pulmuone's vision is to achieve Global DP 5 and become a global LOHAS Company as well as to become the best food company within Korea. Especially, all Pulmuone wishes for its products to acquire the trust of its consumers as well as receiving recognition as a global LOHAS brand.



# Economic Performance

## Major Financial Achievement

After Pulmuone improved its governance structure to become a pure holding company in 2008, Pulmuone, first among food companies, quickly adopted K-IFRS to achieve global reliability in corporate management transparency and financial information. Since its establishment, Pulmuone broke through 1 trillion won in 2009 for the first time in terms of revenue. Also, in 2010, the revenue increased by 14% compared to last year, which equaled to 1.27 trillion won.

## Brand Evaluation

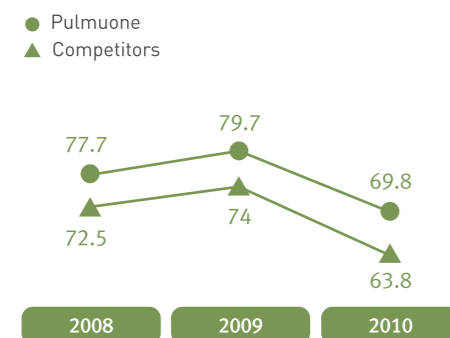
### Foundation of Brand Management

Pulmuone's brand management committee executes brand value maximizing activities. Also, the committee is responsible for consistent brand image through efficient commercial communication.

### Brand Evaluation

Each year, Pulmuone investigates brand equity management to measure brand value. Brand Equity Management (BEM) statistic figure is collected through analysis of 1,400 housewives who live in Seoul and capital area on 1:1 face to face talk. According to the research, BEM went downhill in 2010, and this seems to be derived from economic crisis last year and the rise in main product price (tofu, eggs) due to the rising cost of raw materials. Hence, those aspects affected food market in a negative way. In future, we plan to strengthen communication with our consumers and carefully listen to our consumers' opinions to strategically manage our brand.

[Table: BEM]  
[Percentile rank based on average scale of 7]



\* Source: 2010 Pulmuone BEM Research, M&C Research, January, 2011

## Innovative, Creative management

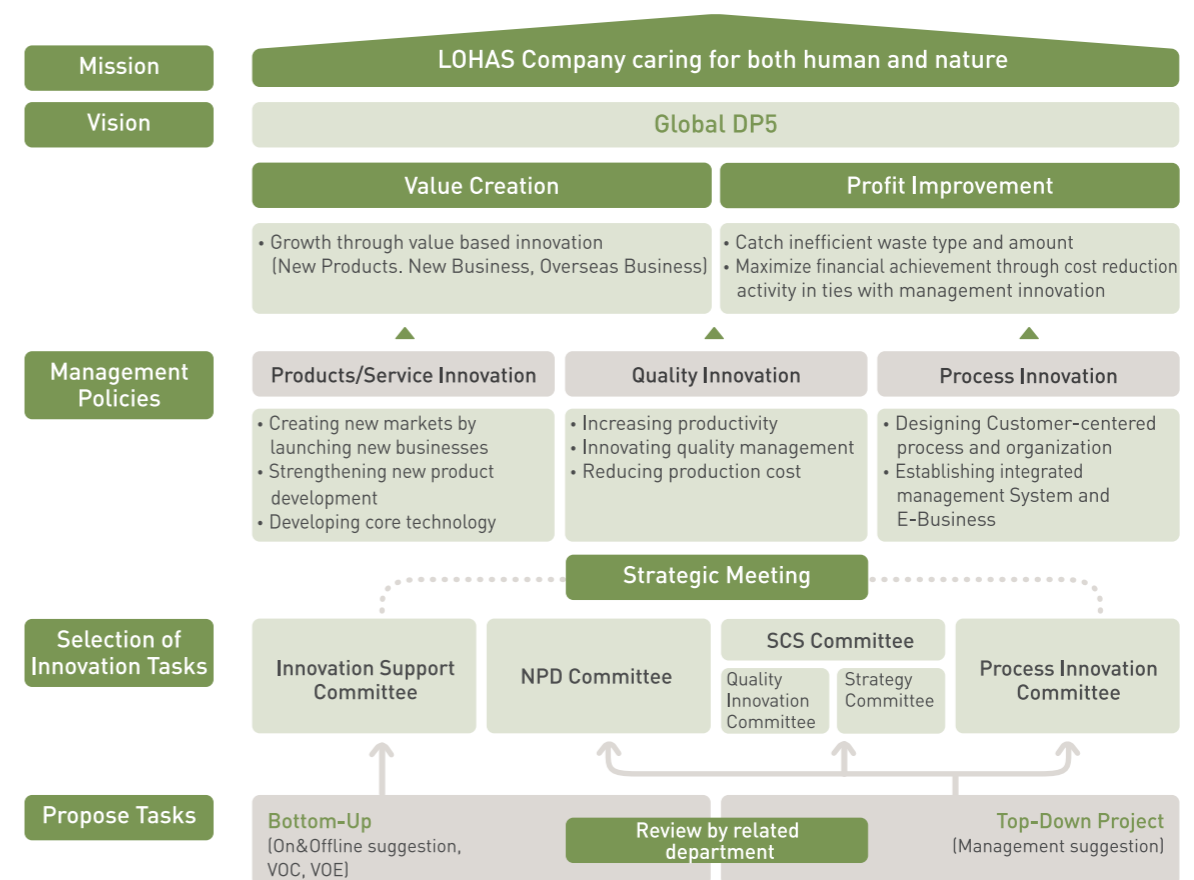
### Foundation for Innovation, Creative Management

TISO Management Office, CR (Cost Reduction) Department and Strategic Planning Teams of each subsidiary/affiliate and Food Culture Research Center are responsible for practicing innovative management. Pulmuone Innovation Support Committee and Pulmuone PI (Process Innovation) Committee are put in place to support innovative management. TISO Management Office organizes Green Meetings and takes all responsibilities related to the Irumi Innovation Proposal Scheme. CR Department is in charge of all tasks related to CR activities. Strategic Planning Teams of each subsidiary and affiliate are pushing to create and enter new markets. Food Culture Research Center pursues new product development based on consumer needs, registers patents and develops seeds.

### Innovative, Creative Management System

Pulmuone pursues innovation in three categories: 'product and service', 'quality', and 'process'. Only when Pulmuone successfully achieves innovation in these three categories, it would satisfy consumers based on trust and increase the corporate value continuously. Pulmuone wishes to create value through the Innovative, Creative Management and remove potential wastes to fulfill its mission.

[Innovative and Creation Structure]





## Activities to Practice Innovative and Creative Management

### Pulmuone Foods launched the salt product by restoring Korea traditional way of producing salt on mud flat

'Breathing mud flat Salt' is natural low-salinity salt rich in natural mineral, soft in saltiness and low in bitterness, made through natural mud flat method—doing away with PVC sheets on the salt field—on the "soil plate" made by hardening mud flat according to the Korean traditional method.

#### 1 What is Milk Thistle?

Milk Thistle is a medicinal plant containing large amounts of silymarin. It helps the liver which is approved by Korea FDA as functional ingredient. (KFDA approval No. 2009-24)

### Pulmuone Health & Living Launched Angelica Yogurt

Organic 'Angelica' contains vegetable lactic acid bacteria (L.plantarum PM008, Patent No. 10-0264361), which do survive in human intestine system. We launched vegetable bacteria yogurt products taking care of liver and intestine, with milk thistle added.



### Fresh Ramen 'Nature Is Delicious'

Fresh Ramen is not fried in oil and gets rid of 7 chemical additives widely used in the Ramen Industry. Pulmuone has applied Wind Drying Method (Drying in short time in extremely high temperature) to the Fresh Ramen, but it still maintains 5-month shelf life.

### 'Safety, Health, Convenience, 'Young Leaf Product

Pulmuone launched young leaf products suitable for the customers who put significant emphasize on both health and convenience. after carefully selecting European seeds and growing them without agricultural pesticides in the whole process from planing, raising, and washing to packaging.



### Natural Coagulant (natural bay salt)

All tofu product lines include no antifoaming agent, no emulsifying agent, nor chemical coagulating agent. Instead of using chemical coagulating agent, natural bittern from bay salt has been used to realize traditional taste and truly natural tofu.

### Doubling the Expiration Date of Non-Thermal Juice through Ultra High Pressure Process

Being applied to freshly squeezed juice for the first time in Asia, ultra high pressure process does not remove nutrition and taste but suppresses microorganism activity. Due to ultra high pressure process, the shelf life extends from 7 to 15 days. In 2010, the product sales reached 10 billion and aims to sell 20 billion won in 2013.

### Green Meeting<sup>1</sup>, Problem-solving through work-out

By holding Green Meetings, Pulmuone successfully implemented innovative culture, expanded communication among its members, and promoted learning culture for the need of solving problems in 2010. From March to December, total of 107 workers have formed 19 teams and put their efforts.

### Successful Practices of Green Meeting

#### Effective utilization of Twitter - Company opens Twitter

Marketing and PR team used Twitter for promotion in the short period of time. Marketing Innovation Team and Customer Satisfaction center are responsible in managing the Twitter page. As a result, 1,646 members have joined within 7 months, and Twitter is used as a special channel to share diverse information such as the children camp operation, introduction of new products, and much more. (Pulmuone Twitter: [www.twitter.com/pulmuone\\_love](http://www.twitter.com/pulmuone_love))

### Irumi Innovation Proposal Scheme<sup>2</sup>

Since its establishment in March of 2007, Irumi Innovation Proposal Scheme has contributed in developing and implementing various innovation tasks in areas including product/service, quality and process. In 2010 alone, a total of 3,121 ideas have been received and among them 1,517 ideas or 49% of the total ideas were adopted.

### CR (Cost Reduction) Activities<sup>3</sup>

In terms of cost management, CR activity plays essential role in corporate sustainability. In 2010, the cost of 4.079 billion won was actually reduced through CR activities and brought positive synergy in improving profitability.

### Integration & Enhancement of ERP (Enterprise Resource Planning)

After adopting the ERP system in 2006, Pulmuone Foods experienced steady progress of integrating sales, production, and distribution system in 2010. Following this, Pulmuone Foods made it possible to analyze the effect of distribution cost based on its cost driver through building up POV system(Point of View: system providing standardized report with criterion set up in advance), and Pulmuone Health & Living established the cost classification system.

### Constructing Human Resource Daily Business Initiative (HR DBI)

ERP's DBI (Daily Business Initiative) module has been constructed to provide HR information to board of directors and person in charge of HR real time and to constantly monitor the real index of employees. Through DBI, the swift supply on integrated data of enterprise personnel, improvement in visibility of HR index and consistent index management, and improvement in productivity of person in charge of personnel have become feasible.

<sup>1</sup> Pulmuone's unique innovative program, originated from GEs Work-Out, works by selecting problems which need to be solved, forming correct CFT (Cross Function Team), meeting in a separate place for speaking out ideas and implementing them.

<sup>2</sup> This is a system where all organizational members actively express innovative ideas and implement those ideas for the benefits of corporation. Boost the organization and its members' productivity by monitoring in cost perspectives and measuring in financial terms to improve any inefficient tasks and maximize synergy effect between functions by removing potential wastes within the process.

<sup>3</sup> Refers to general activities removing potential waste factor out of any business process by monitoring organization/employee productivity in a cost management perspective to organize it into financial information, manage any inefficient work process and maximize business synergy.



Voluntary activity during work hours?

In Pulmuone one or two employees frequently leave their desks during work hours. Have they gone to drink some coffee? It's too long for just going to the bathroom. They've left their post for some time.

One thing for sure is that it isn't afternoon off since they return to office late in the afternoon.

And the teammates and team leader are showing great interest to where they went.



# Love Social Management Dreaming Story

Pulmuone's authentic wholesome foods start from loving its neighbor. Pulmuone, which wishes the world full of laughter, believes Pulmuone's authentic wholesome foods are no different from a promise made between people. That's why Pulmuone can produce food everyone can trust because of the love neighbor spirit.



# Social Management\_Consumers

## Food Safety Management

### The Foundation for Providing Authentic Wholesome Foods

To provide authentic wholesome foods to its consumers, Pulmuone screens safe ingredients free from residues such as pesticides. Also, Pulmuone does not use ingredients which are treated with preservatives and irradiated for long term storage or safety. Chemical additives are never used for taste, flavor, coloring and shelf life extension.

### Strict Criteria

Pulmuone has adopted its own food safety standards, more stringent than domestic regulations. Also, ORGA Whole foods manages 3,000 products in accordance with its product handling and product ethics statement.

### Activities to Provide Authentic Wholesome Foods

#### Set up Laboratory Information Management System (LIMS)

Laboratory Information Management System is specially designed information management system for laboratories conducting analyses. LIMS is the system to manage all the information necessary for the operation of laboratories in accordance with regulations by supporting the collection, storage, analysis and report of data and securing the reliability of data.

#### Pulmuone Factories and Partner companies' Experiment Station Quality Control

To improve the reliability of external inspection on product sites' analytic capabilities and results, the quantitative analysis of general bacteria, water and acid value are selected as test items. To have set up the internal processes for proficiency and provide another chance for test and training to partner companies that are identified to be unsuitable have contributed to the improvement of reliability on Pulmuone's products.

## Sharing Information

### Expand Labeling Functional Ingredients

To enhance product reliability and provide consumers with right information, functional ingredients have been labeled to 10 products such as 'Arrow root & oriental raisin tree juice', 'Full-of-fruit & vegetable juice', 'Kid-high green vegetable juice' and 'Purifying-me tofu' among the products which have been renewed and newly launched in 2010.

[Functional ingredients labeled products]



### Pulmuone's Factory Tour Program

To give consumers confidence about the product they choose, Pulmuone has operated factory tour programs since 2008. In 2010, total of 2,538 consumers participated in 88 tours. The plan for 2011 is to conduct 110 tours for 3,850 consumers.

### Reorganize Pulmuone e-shop

Pulmuone's internet shopping mall, 'Pulmuone e-shop', provides 'shopping story' for customized cuisine and styling tip for each products, 'brand story' providing information on Pulmuone brands such as 'Saenggadeuck, Chanmaru, SOGA, Greenche', 'wise shopping basket', on how to healthily consume products by providing information on food additives and eco-friendly consuming. Also, for convenience and benefits, consumers can easily check shopping baskets and delivery information.



## Communication with Consumers

### Foundation of Communication with Consumers

Pulmuone CS Center and CS Teams of each company are in charge of all responsibilities related to providing accurate product information to consumers. Pulmuone adopted the KFTC (Korea Fair Trade Commission) certified CCMS (Consumer Complaints Management System) in 2006. Pulmuone became the first comprehensive food company in Korea to have its complaints management system certified in July 2007. This was introduced to Pulmuone Health & Living, Foodmerce and ORGA Whole Foods in 2009.



1 Introduction of CCMS (ECMD)  
2 CS Center\_6sigma

### Activities for Customer Communication

#### Pulmuone Health & Living, Reflection of consumers' Opinions in New Product Development

Pulmuone Health & Living receives VOC (Voice of Customer) through diverse channel such as webpage, call center, and franchises. With introduction of CCMS in May of 2010, all new products must reflect customers' opinions or complaints given to previous or similar products. Hence, after May of 2010, every new product has been released taking into account customers' opinions.



# Social Management \_Executives and Employees

## Foodmerce Analyzes VOC Each Month

Foodmerce analyzes VOC each month and asks the related departments for improvements and actions based on the results. In 2010, there were some problems in resolving change/return inquiries and registering product photos. To solve these problems, a mission was given to related departments, and the percentage of registering product photos went up from 26% to 100% by establishing its goal.

## Pulmuone Operates VOC (Voice of customer), VOE (Voice of Employee)

The number of monthly VOC on average for 2010 was 1,245, which was 5% less than for the previous year. Product inquiries were down 5%, product complaints up 13%, distribution inquiries up 7%, distribution complaints up 18% and other inquiries were down 40%. In the case of other inquiries, the order inquiries such as phone payments, cancellation, etc. decreased by 40%.

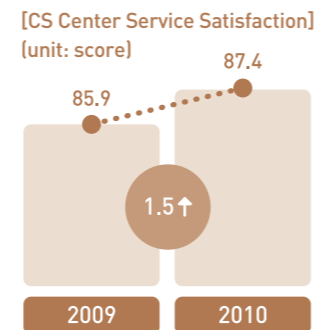
## Customer Satisfaction Management

### Customer Satisfaction Schemes

Pulmuone conduct various monitoring activities while commissioning out product and service satisfaction surveys designed to fit each business to relevant internal or external agencies in order to quantify and confirm customer satisfaction.

### Pulmuone, CS Service Survey

The consumer satisfaction score in 2010 was 87.4, which was 1.5 points higher compared to 2009. The satisfaction in every criteria has improved against 2009 and increased by 2.4 in the criteria 'CS center connection & response'.



### Foodmerce, Customer Satisfaction Survey

Since 2006 Foodmerce has constantly conducted customer satisfaction survey in 10 criteria such as order, product, delivery, quality, etc. to its customers. The customer satisfaction score in 2010 was 72.5, which was 1.8 points higher compared to 2009.



### Customer Information Protection

Pulmuone has taken 3 major measures to protect private information of customer. First, it has reduced not only management scope but also the risk of information leak and infringement by integrating 9 DB into 4 DB with figuring out DB that stores customer information. Second, it has tightened up the protection of private information of customer by encryption technology advised by National Intelligence Service for information such as social security number, bank account number and credit card number. Third, it has monitored the access to DB storing private information all the time and has strengthened management of staffs accessible to DB and improved their awareness.

## Employment Status

### Composition of Executive and Employees

As of the end of 2010, the total number of executives and employees stood at 4,450. Majority of them were in sales or in logistics/production. Out of the 4,450 employees, 2,496 workers were female, which were 56% and male workers were 1,954. In office work and research, female workers accounted for 35%. Female workers were evenly distributed across all job levels.



### Job Creation and Turnover Rate

The job creation rate for 2010 was 6.9% and the monthly turnover was 2.42% on average, showing a stable trend. The average working period is getting longer every year, standing at 5.2 years as of late 2010. In all employees, the senior executives accounted for 0.81% as of late 2010.

### Irregular workers

The portion of irregular workers increased to 12.2%, which was 1.8%p higher than 10.4% of 2009, due to temporary increase in sales except for the hourly event promoters. Pulmuone pursues to recruit permanent full-time workers with trying to provide job security to its employees.

## Performance Management and Reward

### Performance Management System

Pulmuone's performance management system is called CfS (Communication for Success). CfS consists of evaluating performance and competency, and reflects the differences of positions in the elements and items of evaluation. Above all, the main focus of the CfS is performance creation through active communication. As a goal-oriented management system, CfS operates in all business units and obliges the communication between employees and leaders. It promotes performance improvement by collecting feedback through continuous goal monitoring and by securing the alignment of goals between company and each of employees at the time of goal establishment. It also utilizes continuous career management and establishment of career development plan, as well as systematization of feedbacks for appropriate professional development of the employees.

### Work and Life Balance

#### Operation of EAP (Employee Assistance Program)

Pulmuone promotes "work and life balance" through regular lectures and professional counseling where confidentiality is assured. As of the end of 2010, 15.7 % of employees used counseling service (as opposed to 6.4% average in other companies), and the counseling satisfaction rating was at 90.1 points (as opposed to 82 points in other companies), thus giving EAP a very positive evaluation.

### Awarded the 'Best Company to Work For in Korea'

In order to establish a Great Work Place, Pulmuone promoted various innovation activities for organizational culture since 2009. For its performance, Pulmuone was award as the winner in sales and distribution category at the '2010 FORTUNE Best Company to Work For in Korea' award ceremony, which was hosted by GWP Korea and Fortune Korea.

- 1 C-Cubic Ceremony
- 2 "2010 FORTUNE Best Company to Work For in Korea" Award Ceremony



### Women-Friendly Corporate Culture

Women-friendly corporate culture is defined as a culture where women are able to continue her career and where the healthy upbringing of children, who are the future of world, is strongly supported. Therefore, Pulmuone is striving to create a cultural and institutional environment for the compatibility between the workplace and the household in order to recognize and foster the value of female human resource.

#### [Establishing Women-Friendly Environment]

Program	Contents
Paternity Leave	Give paternity leave (3 days) when spouse gives birth
Operation of Nursing Rooms	Set up and operate nursery rooms in the company for female employees with infants
Guarantee Maternal and Childcare Leave	Encourage the use of maternity and child care leave of married female employees at their will (Maternity leave return-to-work rate at 92%, child care leave return-to-work rate at 85%)
Flexible Working System	Offer flexible work hours to employees for infant care
Money Gift	Money gift for birth celebration and elementary school entrance
Infant Care Benefit	In order to support infant care of female employees, give a certain amount of money in monthly until infant becomes 24 month old

### Employment Status for Female Employees

Women make up for 56% of total employees and executives, and their number is steadily increasing at 15%. Also, out of the total number of new recruitments, the employment rate of women has been steadily increasing at 40.7% (compared to 37.6% last year). (Unit: %)

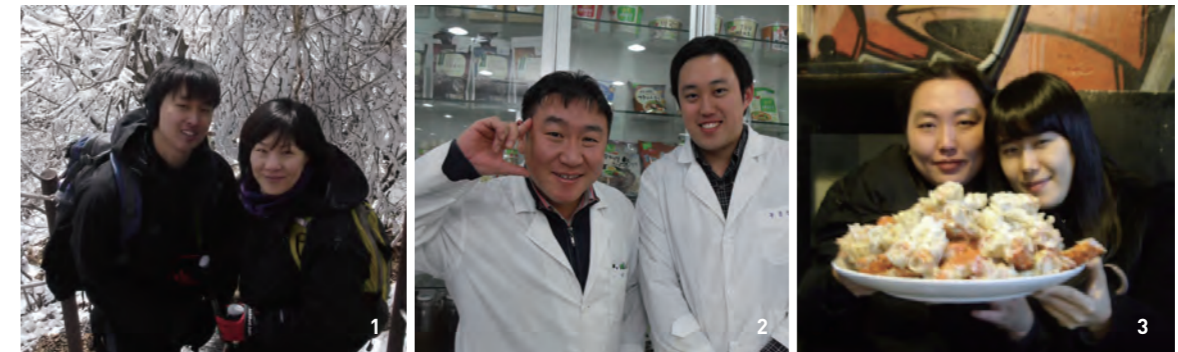
Year	2008	2009	2010
Female Employees	57	56	56
Female Office Employees	32	33	34
Female Managers	13	15	15

## Education System and Promotion

Pulmuone's newly established education system was renewed and applied in 2010. In 2011, Pulmuone plans to reinforce an education system focused around actual work-site operations and newly establish an education system in order to contribute to the knowledge-based performance improvement.

### Mentoring Program for New Employees

In 2010, Pulmuone introduced a mentoring program for the better adjustment of new employees to corporate life and for the realization of their competence early on by helping them fit into corporate culture, which is one of the difficulties that new employees face when they first enter the company (total of 2 terms, 26 pairs). The mentoring program was organized to implement 3 months of mentoring activities by pairing a new employee with existing employee. In a participant survey, this program received a positive response (3.83 out of 5.0 points) when asked if "the operation of the mentoring program was beneficial for the company and the individual".



1,2,3 Mentor and Mentee Activities

### LOHAS Value-Oriented Program

Pulmuone operates regular education programs to accumulate the LOHAS as a part of core value education to take on the attitude to lead the right life and to promote the mission as a leading LOHAS company. The LOHAS Value-Oriented Program is developed and operated for the employees for their personal experience and in 2010, a total of 3,145 employees participated in the program.



1,2 Panoramic View of LOHAS Academy in Fall Season

LOHAS Program (Experience Type)	2010 Operation
LOHAS meal plan experience	<b>Total of 3145 employees participated (56 classes)</b> . Staff: 1,154 people . Partner: 1,364 people . Youth Camp, etc. : 627 people
Meditation	
Chiropractic, Agricultural experience,	
LOHAS Spa	

## Labor and Management Communications

Every year, Pulmuone actively conducts discussions regarding labor union and working conditions through labor collective agreements. In addition, Pulmuone conducts various communication activities such as notification of sales report via intranet, regular labor-management council, communication meeting with CEO, weekly corporate information delivery through intranet, monthly company newsletter publication, occupational safety & health committee meeting, grievance redress, and annual sustainability report in order to rapidly and widely share items regarding overall management as well as the company vision. Ultimately, Pulmuone supports its employees to feel a sense of ownership and to participate in the management of the company through such communication activities.

### Grievance Redress and Joint Labor-Management Council

Pulmuone has appointed a redress officer and established a special counseling room in order to conduct and resolve employees' grievances. Pulmuone also plans to prevent grievances in advance by labor diagnose as well as constant grievance redress in the future. Labor management negotiations were conducted in every quarter in 2010, and the settlements results were notified to employees on the bullet board of intranet.

## Labor Union

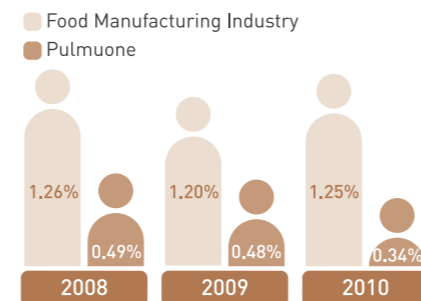
### Labor Union Member Qualification and Status

Pulmuone guarantees its employees the freedom to join a labor union and participate in activities as a member, which is clearly stated in the collective agreement. As of December of 2010 Pulmuone has 7 labor unions. 62.0% of the employees have joined the union.

## Workplace Safety

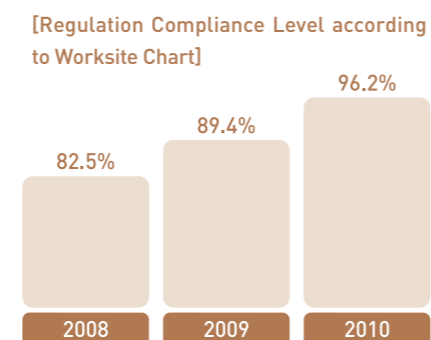
### Industrial Accidents Rate, Number of Injured Employees, and Absence Rate

Industrial accident rate at Pulmuone is 0.34% as of 2010, which is 0.91%p lower than the average of domestic food manufacturing industry average. The injury ratio of employees has decreased since 2008, and the total number of injured employees was 15, with the related absence rate at 0.01%.



### Compliance with Industrial Safety Related Regulations

Since 2008, through internal Environment Safety Council (bimonthly) by amendment status monitoring regarding environmental safety related regulations, Pulmuone has made sure there are no violations by examining the regulation compliance every year. The regulation compliance level stood at 82.5% in 2008, 89.4% in 2009, and 96.2% in 2010. In addition, Pulmuone plans to establish a system that monitors business unit/worksite compliance in 2011, and also plans to examine the system every two years.



## Safe Workplace Program and Education

### Program and Policy on Illness Prevention and Health Improvement

Pulmuone runs various illness prevention activities such as supporting the purchase of Pulmuone Health & Living products, conducting medical check-ups for illness prevention, operating fitness centers to promote physical fitness, and participating in activities to prevent musculoskeletal illnesses. Through the introduction of personal health consultation program since 2008, Pulmuone has actively supported the employees' health care, and expanded the fitness centers in all Pulmuone factories as of December 2010.

### Safety & Health Education and Training

Pulmuone has developed and operated education programs that are designed according to the condition and situation of each worksite. Twice a year, Pulmuone conducts "manager training course (2 nights 3 days, total of 46 hours) that aims at the activation of organizational communication, reinforcement of safety policies, and the securement of all worksite managers' safety conviction and philosophy. Pulmuone also conducts a "Cultivation of Environment Safety Mind Course" (1 nights 2 days, total of 36 hours) twice a year in LOHAS Academy where employees freshen up themselves and attend the Danger Predication Training that prevents unstable behavior for on-site employees.



- 1 Danger Predication Training
- 2 LOHAS Academys Lecture on Authentic Wholesome Foods



# Social Management \_Partner Companies

## Process to Select Partners

### Pulmuone's Selection Process

First, a candidate pool is developed based on the rankings of potential partners. Then, market research and sourcing of cooperatives are undertaken. After assessing potential cooperatives' compatibility with the business and their business capabilities, an inspection is carried out on quality and sanitary conditions (40%), supply security (30%), and improvement after receiving complaints (30%). When evaluating quality and sanitary conditions, candidate companies that use green materials and exercise green management get extra scores to be considered as potential partners. Then, the CEO visits the candidate companies to confirm their operation and signs a contract with the companies that have gone through the whole inspection process.

[Material Provider Selection and Sign-up Process for Contract]



## Win-Win Collaboration with Partners

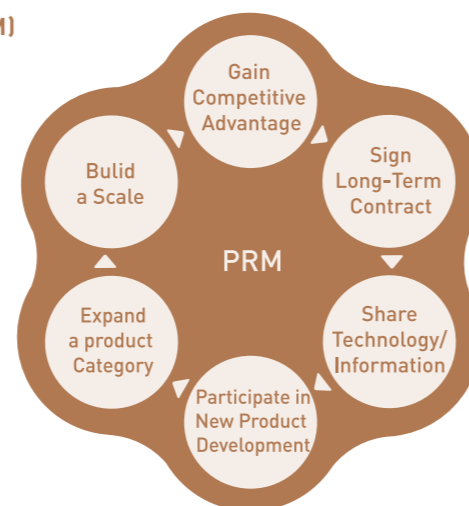
### Activities for Win-win Collaboration

#### Pulmuone Foods, Partner Relationship Management (PRM)

##### Implementation

Pulmuone encourages its partners to strictly follow the "Quality First" policy by supporting them to improve the production process and sanitary conditions. As part of such efforts, Pulmuone established and implemented the Partner Relationship Management (PRM) policy for long-term mutual growth. Partner Relationship Management (PRM) refers to continuous win-win activities where Pulmuone and its partners collaborate in all areas based on mutual trust. The areas of collaboration include quality, production process, product, and technology.

[PRM impact on partner companies]



## Monitoring Activities

### Pulmuone Foods, Regular Evaluation

After the selecting its partners, Pulmuone conducts annual evaluation on certain criteria: financial soundness, deadline observance, quality competitiveness, price competitiveness, and management capacity. Since January 2010, Pulmuone has inspected 25 partners that are supplying packing materials to Pulmuone noodle factory located in Eumsung, Chungbuk, regarding the price competitiveness, deadline observance, quality competitiveness as well as social and environmental achievement.

### Pulmuone Waters, introduction of NQMS (Nestle Quality Management System)

Pulmuone Waters introduced Nestle Quality Management System in order to maintain the product quality above a certain standard, by examining and preventing any problems that may occur during the distribution process, and to improve the management standard of franchisee.

## Communication with Partners

### Pulmuone, Communication through Sourcing Portal System

Pulmuone is trying to secure mutual trust by managing the partners' production and product delivery process with an on-line system called "Sourcing Portal (<http://sourcing.pulmuone.com>)". This system enables proper treatments to partners' complaints and inconveniences. In addition, The sourcing portal has the channel through which partners can propose ideas and ask to improve their complaints, which facilitates the communication between Pulmuone and partners.

### Pulmuone Foods, on-site based C&T (Communication & Trust) Leadership

Pulmuone Foods holds a conference with partners once a year. The 2010 conference was held in March. Through the conferences, Pulmuone Foods strived to boost quality competitiveness by finding and introducing outstanding products, and to share the business direction and strategy of Pulmuone Foods with the partners.

### Pulmuone Health & Living, hosts its first meeting with partners

In May, 2010, Pulmuone Health & Living hosted the meeting with partners for the first time. The conference proved to be an opportunity to understand the Pulmuone spirit and to continue a strategic cooperation relation with partners. At the same time, it was a chance to share quality innovation strategies and understand where the business is headed, as well as to plan ways to manage partners' product quality and Pulmuone's quality principles and to educate on electronic commerce contract for transparent transactions.

### Pulmuone Waters, Sales Information System

Pulmuone Waters conducts regular communication with partners through its sales information system. The sales information system is composed of management of franchise support, management of data analysis, and notification board and enables activities such as sales management, sales analysis, and the sharing of company policy.



# Social Management \_Local Community

## Groundwork for Social Outreach Activities

Pulmuone does its best to fulfill corporate social responsibilities with planning social outreach activities fit into our business context, building up competitive social outreach system regularly looking for new opportunities, and devising employee's voluntary participation system under the goal of 'Local community contribution' and 'activation of employees' voluntary participation'.

### Sharing with Local Community

#### Social Outreach Group, "LOHAS Designer"

In order to systematically carry out the volunteer activities of its executives and employees, Pulmuone organized "LOHAS Designer," a corporate-scale social outreach group. In 2010, 1,031 employees volunteered for the total duration of 3,708 hours and 224 times, which was equivalent to 3.6 hours per person.



[Social Outreach Group Participation Record]

	Second half of 2009	2010
Number of Participation (Frequency)	145	224
Duration of Participation (Hours)	1,147	3,708
Number of Participants (People)	428	1,031

### Love for Neighbor Fund

The executives and employees at Pulmuone hold monthly fund raising activities from their salaries in order to help the neighbors in need. This fund is used to help starving people in the world and to support lunch to starving Korean children through an organization, Korea Food for the Hungry International.

[Fund raising Record]

(Unit: Korean Won)

Year	2008	2009	2010
Savings	139,656,928	209,121,083	152,894,453
Expenditure	225,500,305	173,432,848	99,545,885
Total Balance	75,624,872	111,313,107	164,661,675

### Volunteer Activities Being Held throughout Worksites

Executives and employees at Pulmuone formed a volunteer group to carry out regular volunteer activities such as tree planting, farm volunteering, environmental conservation as well as providing lunch to neglected children in society.



[Participation Record]

Classification	2008	2009	2010
Number of Participation(Frequency)	135	246	308
Duration of Participation (Hours)	9,740	6,709	7,889
Number of Participants (People)	1,948	1,491	1,929

### Hungry Children Aid

Pulmuone has provided the lunch money to the students of those schools having a business relationship with Foodmerce as well as to the employees working at factories around Pulmuone facilities. The lunch money donated to those starving students is raised from 'Love for Neighbor Fund' with Pulmuone employee's voluntary participation and 'The Matching Fund', equivalent amount of money donated from Pulmuone.

[Status of Hungry Children Aid Schools and Students]

Classification	2008	2009	2010
Schools with Hungry Children Aid(Numbers)	37	46	42
Students with Hungry Children Aid(People)	364	530	246

### Social Outreach Activities

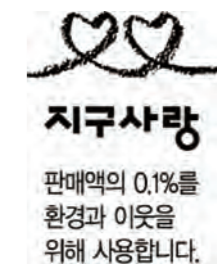
#### Cause-Related Marketing with the Beautiful Store

Pulmuone conducted relevant marketing activities with the Beautiful Store with adding the Beautiful Store logo on packages of products and donating part of the sales of products with the logo. In 2010, Pulmuone donated ten million won in cash as well as 200 sets of 'My kids' products that were exclusively developed and designed for children.



#### Earth Love Mark and Earth Love Fund

Since 1993, Pulmuone has included the 'Earth Love' marks in its product packaging and has reserved 0.1% of total sales in the 'Earth Love Fund' is used to support NGO activities such as sharing with communities and protecting environment. For 2010, a total of 487,357,412 Korean Won was executed.







Let's save the earth from carbon emissions and decrease damages from desertification!  
Quickly start 'Tree Planting'  
About 30 Pulmuone volunteers who chose to rush to Incheon World Peace Forest, giving up sweet weekend break.  
After receiving 300 pine trees and being instructed on how to plant them, the volunteers started planting the pine trees one by one with great care and a love for the earth.  
"Hey! Try treading on the ground like this."  
Even the children that came out with the volunteers seemed rather serious.  
For the sake of the children's hands planting tree seedlings, even the earth seems to recover its old green look.



# Green Environment Management Dream Nurturing Story

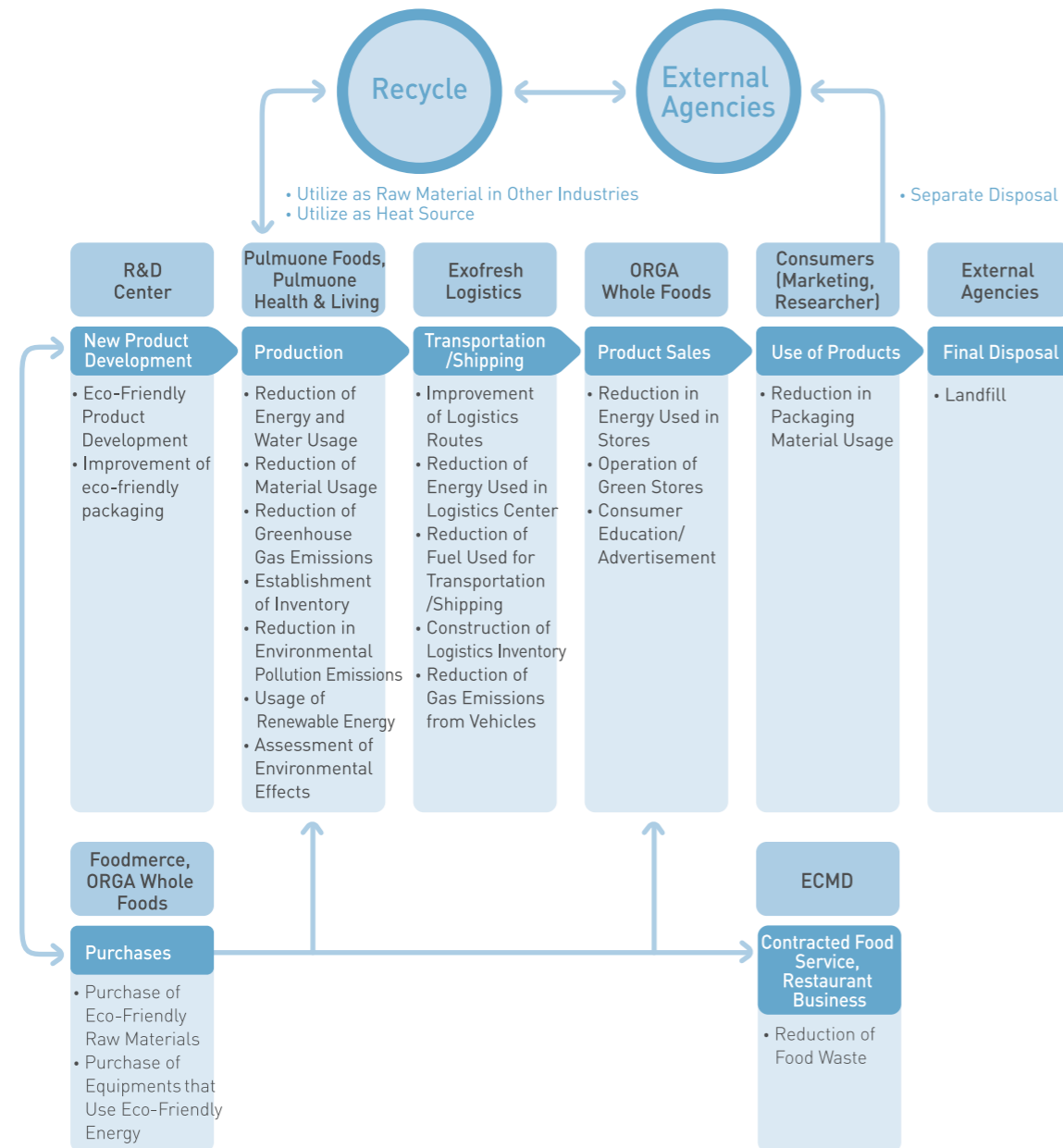
In the spirit of 'caring for both human and nature', Pulmuone, a corporate with utmost effort to provide best products and services to customers, is leading the way saving nature, the source of life while dreaming of green planet. We know that human can live like human when saving nature as it is.

# Environment Management

## Groundwork for Environment Management

While providing healthy foods, the fruit of nature, Pulmuone promotes environment management under the belief that 'human beings will be healthy only if the environment is healthy.' Without environmental awareness and specific practices, a corporate is not able to protect or improve environment. Therefore, from production to distribution, Pulmuone has been fulfilling specific environmental strategies and environmental visions in accordance with global standards.

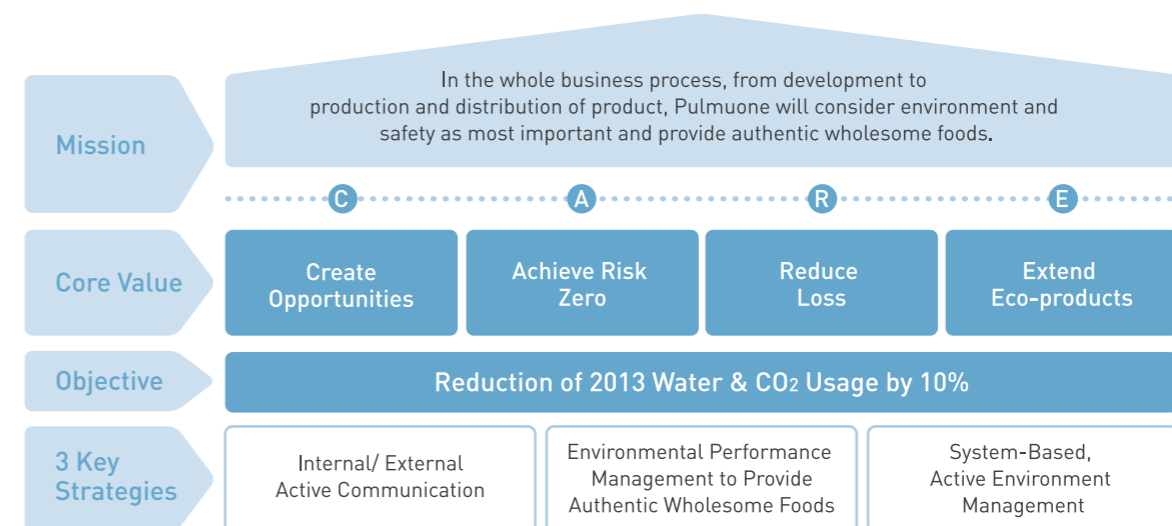
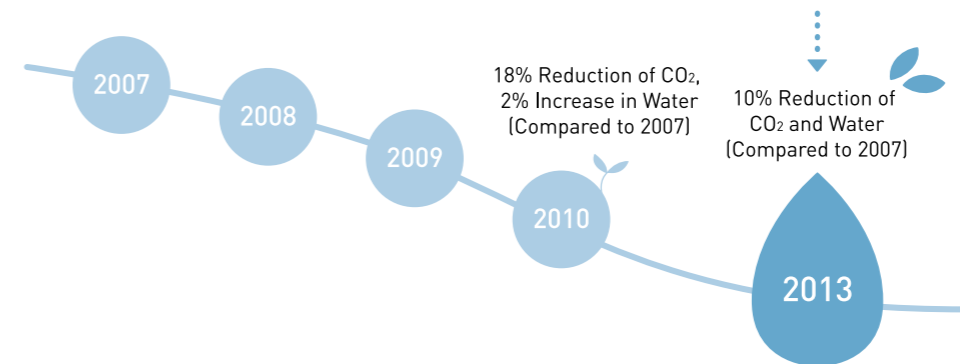
[Ground for Environment Management Chart]



## 2013 Environment Strategy

In order to reflect and practically accomplish environment management in the given industrial practices, Pulmuone has established and has been promoting missions, core values, and strategies. For example, Pulmuone has been striving to establish a quantitative environmental goal of 10% reduction in water use, and has been putting efforts to achieve that goal. Although Pulmuone exceeded its goal of reduction in carbon dioxide emissions, water usage did not meet the expectation due to increase in new product items and related production process along with increased use of cleaning water. Therefore, Pulmuone is currently considering the establishment of recycling facilities as a means to reduce water use.

[Pulmuone's 2013 Environment Strategy]



## Environment Management Records

Pulmuone is striving for 10% reduction in water use and carbon dioxide emission by 2013 and is applying clean production methods. Pulmuone is also utilizing indicators to manage energy and water use, waste generation and emission level for the reduction of environmental effects and the effective use of natural resources.

	Unit	2007	2008	2009	2010	
<b>Efficiency of <sup>1)</sup> Raw Material Use</b>	Quantity of Soybeans	%	3.799	3.676	3.733	3.802
	Quantity of noodle Products	%	5.633	5.977	6.051	5.290
	Quantity of Green Vegetable Juice	%	3.162	2.978	3.031	3.896
<b>Energy <sup>1)</sup></b>	Quantity of Direct Energy consumption	kgOE/ton of product	84.1	79.5	77.5	77.1
	Quantity of Indirect Energy consumption	kgOE/ton of product	94.7	94.7	90.7	91.6
<b>Water Use <sup>1)</sup></b>	Amount of Water Used	m <sup>3</sup> /ton of product	28.5	33.4	28.7	29.2
<b>Greenhouse <sup>3)</sup> Gases</b>	Total CO <sub>2</sub> Emission CO <sub>2</sub>	thousand t CO <sub>2</sub> /year	55	55	58	63
	- Production Process	thousand t CO <sub>2</sub> /year	32	31	32	32
	- Distribution Process	thousand t CO <sub>2</sub> /year	23	24	26	31
	Production CO <sub>2</sub> requirement	t CO <sub>2</sub> /ton of product	0.434	0.384	0.357	0.356
	Distribution CO <sub>2</sub> requirement	t CO <sub>2</sub> /million won	0.075	0.062	0.057	0.067
	- Transportation and shipping	t CO <sub>2</sub> /million won	0.053	0.042	0.038	0.044
	Quantity of Chlorofluorocarbon used	kg	54	234	226	320
<b>Atmosphere <sup>2)</sup> Management</b>	Sulfur Dioxide	g/million won	0.010	0.008	0.002	0.003
	Nitrogen Oxide	kg/one million won	-	0.454	0.388	0.432
<b>Water Quality <sup>1)</sup> Management</b>	Quantity of Emission in the hydrosphere	m <sup>3</sup> /ton of product	12.76	12.98	13.97	13.08
	Biochemical Oxygen Demand	kg/ton of product	0.17	0.23	0.24	0.25
<b>Waste <sup>1)</sup></b>	Generated quantity	ton/ton of product	0.152	0.156	0.159	0.153
	Disposal method - recycling	%	98	98	98	97
	- landfill	%	1	1	1	2
	- incineration	%	1	1	1	1
<b>Environment <sup>3)</sup> Protection Costs</b>	Environment investment and management costs	100 million won	31.12	55.37	47.68	24.75

- 1) Production sector (Pulmuone Foods, Pulmuone Health & Living) Performance
- 2) Distribution sector (Exofresh Logistics) Performance
- 3) Production/ Distribution Sector (Pulmuone Foods, Pulmuone Health & Living, Exofresh Logistics) Performance

## Activities to Reduce Environmental Impacts

### Activities Related to Purchase

#### Increase in Purchase and Use of Eco-Friendly Products after the Green Purchase Voluntary Agreement.

After green purchase voluntary agreement with the Ministry of Environment in 2007, Pulmuone established green procurement policies and started to purchase more eco-friendly products: office supplies, equipments and facilities. As a result, the green purchase amounts increased by 10 times from 25 million Korean Won in 2007 to 272 million Korean Won in 2009. The green purchase agreement was renewed in June of 2010, and Pulmuone plans to expand the purchase of eco-friendly products throughout the entire company.



- 1 Green purchase voluntary agreement with the Ministry of Environment

### Activities Related to Production

#### Use of Renewable Energy

At Pulmuone, geothermal heat, which is a type of renewable energy, is utilized to heat and cool educational facilities and horticulture systems. As a part of the government's dissemination of geothermal heating project to horticulture green house facilities, Pulmuone completed enclosed vertical heat pump installation in its greenhouse in March of 2010. The change from the previous gas oil-based greenhouse energy system to eco-friendly heating energy system enabled the reduction in heating costs by 78.5% compared to gas oil based heating system. As opposed to the previous gas oil boiler, which was only used for heating and therefore was useless during summer, the newly installed enclosed vertical heat pump can heat and cool by using geothermal heat 150 meter below ground, with the annual average temperature at around 17°C. This therefore enabled year-round operation of greenhouses. Currently, greenhouse is under pilot operation at a scale of 0.3ha out of the total area of 1ha, and 14% of the greenhouse heat pump capacity is being put into use.

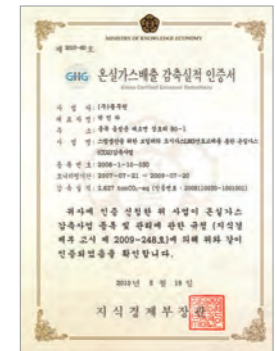
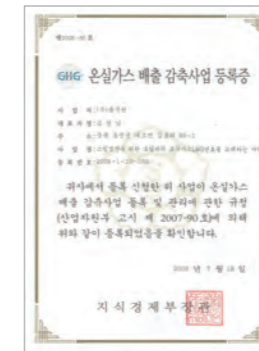
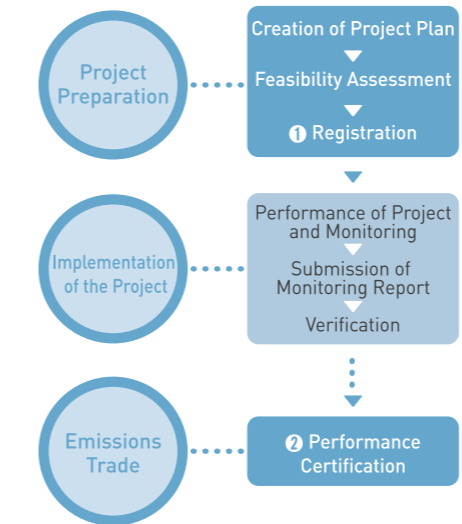


1,2 Young leaf cultivating facility of Pulmuone Farm and Heating and Cooling system using geothermal heat.

#### Efforts to Reduce Greenhouse Gases

Eumsung noodle factory switched from Bunker A to liquefied natural gas(LNG) in 2007, which was registered as a business of domestic greenhouse gas reduction. 2,627 tons of greenhouse gas has been reduced for 2 years(2007.7~2009.7) after the registration and the certification for the reduction was received. In June 2010, the government purchased the total amount of reduction and then the profit of 13.6 million Korean Won was created.

#### [Process of Greenhouse Gas Reduction Project]



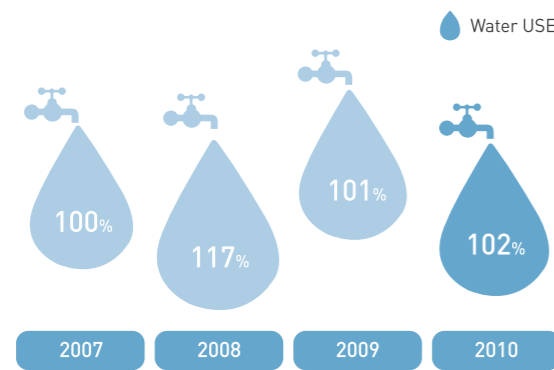
### Reduction of Water Use

Throughout all Pulmuone companies, recycling of process water is promoted in order to reduce water usage. The tofu factories in Eumsung, Chuncheon, and Uiryong were able to cut down waste heat and water use with indirect cooling water reuse in equipment cleaning process. Previously, cooling water used during the standard tofu making process was discharged into the waste water disposal treatment facility, yet as a recycling method, Pulmuone collected the indirect cooling water in water catchment tank and provided it to be used as cleaning water that needs certain amount of heat. Such reduction in energy required for heating enabled the reduction of water use by 56,000m<sup>3</sup> and LNG use by 58,922kg annually.

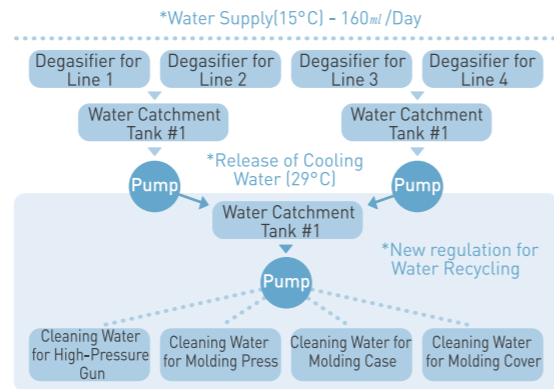
[Water Use Unit Trend]

Classification	Unit	2008	2009	2010
Total Water Use	m <sup>3</sup>	2,692,798	2,565,123	2,721,706
Ratio of Underground Water	%	20	22	22
Ratio of Service water	%	80	78	78
Keum River	m <sup>3</sup>	2,045,272	1,833,724	1,918,440
Nakdong River	m <sup>3</sup>	186,761	176,551	173,445
Han River	m <sup>3</sup>	251,500	296,870	354,956

[Water Use Unit Trend]



[Recycling Indirect Cooling Water into Process Water]

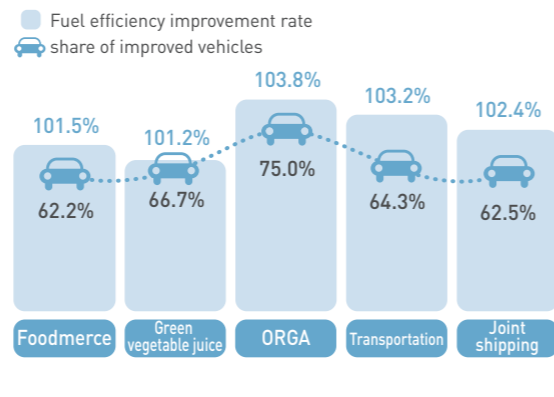


### Transportation and Shipping Activities

#### Expansion of Eco-Drive

Exofresh Logistics, which is responsible for the transportation and shipping of Pulmuone products, operates an average of 526 vehicles per month. In order for the eco-friendly safe driving, it also conducted a compulsory eco-drive education course for all its drivers in collaboration with Korea Transportation Safety Authority.

[Results of eco-drive in operation channels]



1 Best eco-driver campaign award

### Usage Activities

#### Reduction in Packaging Material Use

Through the development of sustainable packaging materials, Pulmuone applied a packaging material design that reduces the printing frequency and weight of packaging materials and used the common design for internal packaging. Especially, since noodle products can distinguish from their packaging, Pulmuone integrated the internal packaging when applicable and simplified the color of internal packaging. Such efforts reduced packaging materials by 23%.

[Improvement of commonly used internal packaging]



[Simplification of printing frequency]



[Reduction by 23% by removing bundle packaging]



[Reduction of packaging materials by 4% by reducing pouch and packaging from 4 to 3 layers]



### Efforts to Protect Ecosystem Diversity

#### LOHAS Academy that strives to conserve the environment

Located in 54th street, Pyungdan-Li, Cheongcheonmyun, Geosan-Gun, Chungbuk, Pulmuone LOHAS Academy has landfield site with a total area of 13ha which includes training facility, farm and youth training center. Since LOHAS academy is located in forests surrounded by two mountain ridges and beautiful natural environment stretching to the Songnisan National Park, it enjoys diverse ecological environments such as forests, farmland, wetlands, and boulder stone areas and ecological diversity on the forest boundaries. LOHAS Academy uses a heating and cooling system that does not use any fossil fuels at all in order to preserve the nearby ecosystem. It is also striving to achieve the coexistence and harmony with nature through educational programs such as feeding wild animals during winter time, removing kudzu vines, making biotopes, hanging birdhouses, and realizing the benefits of forests.



1 Panoramic View of LOHAS Academy  
2 Feeding Squirrels

# Third Party's Assurance Report

## To the Management of the Pulmuone 2010 Sustainability Report

Upon request of Pulmuone, the Institute for Industrial Policy Studies as a "third party assurance provider" (hereinafter referred to as the "Assurance Provider") presents the following third party's assurance report on the "Pulmuone Sustainability Report 2010 (hereinafter referred to as the "Report")"

## Accountability and Independence

Pulmuone is held accountable for all information and claims contained in the Report including sustainability management goal setting, performance management, data collection and report preparation. The Assurance Provider has no relations with Pulmuone regarding any of its for-profit operations and activities. In addition, the Assurance Provider has carried out its assurance process with independence and autonomy as it was not involved in the preparation of the Report except for offering comments in the process.

## Objective

The objective of this assurance report is to check whether the Report is free of material misstatement or bias and whether the data collection systems used are robust, and to offer advice on improving the quality of the Report through identifying sustainable management issues and reviewing its reporting process.

## Criteria for Assurance

The Assurance Provider assessed the Report against the following guidelines:

- 1) AA1000 Assurance Standard (2008)<sup>1</sup>
- 2) BEST Guideline<sup>2</sup>
- 3) Global Reporting Initiative(GRI) G3 Sustainability Reporting Guidelines<sup>3</sup>

## Type and Level of Assurance

1 and Moderate Level of AA1000AS (2008).

- The Assurance Provider evaluated the reliability of the data compiled in the Report for Type 1 assurance, and assessed publicly disclosed information, reporting system and performance management process based on the three core principles of AA1000AS (2008), namely Inclusivity, Materiality and Responsiveness. However, this assurance engagement does not provide the evaluation of the credibility of the offered data.
- The Assurance Provider pursued moderate level of assurance where sufficient evidence has been obtained and limited sampling has been conducted at each performance sector to support its assurance report such that the risk of its conclusion being in error is reduced but not reduced to very low or not zero.

## Scope and Methodology

The Assurance Provider carried out the following activities in order to (1) review the extent to which The Report applies the principles of Inclusivity, Materiality and Responsiveness and (2) assess the Report's application level of the GRI/BEST Sustainability Reporting Guidelines.

- Evaluating the sources of publicly disclosed information and internal parties involved
- Verifying the performance data collection systems and processes
- Ensuring the financial data in the Report and Pulmuone's audited financial reports correspond
- Reviewing media reports related to Pulmuone and the original source of the information in The Report
- Conducting data sampling and analysis of the stakeholder's survey result
- Conducting a materiality test of company policy, peer review, media search, stakeholder's opinion survey
- Reviewing the Pulmuone's response system for material issues
- Conducting interviews with managers and staffs responsible for dimension-specific performance
- Completing on-site review focusing on the Seoul office from February 17, 2011 to February 22, 2011
- Evaluating the Report for the extent of adherence to the GRI/BEST Guidelines

<sup>1</sup> AA1000 AS(Assurance Standard) is a sustainability reporting standard developed by Accountability in its pursuit to promote overall organizational performance and accountability by improving the quality of social and ethical accounting. As a U. K. based not-for-profit organization focusing on corporate social responsibility and business ethics, Accountability first developed AA1000AS in 1999 and amended the standards in 2008 for application in 2010.

<sup>2</sup> BEST Guideline or BEST Sustainability Reporting Guideline is a guideline for the preparation and assurance of sustainability reporting and offers five levels of reporting quality assessment. It was jointly developed by the Ministry of Knowledge Economy (MKE), the Institute for Industrial Policy Studies (IPS), and the Korea Chamber of Commerce and Industry (KCCI) in the Business Ethics Sustainability Management for Top Performers (BEST) forum in their endeavor to promote sustainability reporting among local companies.

<sup>3</sup> GRI Sustainability Reporting Guidelines were jointly convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. GRI announced the G3 Guideline, the third edition of its sustainability reporting guidelines, in October 2006.

### Limitations

- A review of the accuracy and reliability of data and interviews with persons in charge of data collection and performance-related information at management levels
- Verifying the data and inquiries into each functional manager and information collection manager
- On-site validation focused on the Seoul head office
- Assurance engagement based on data and publicly available information only during the current reporting period
- Evaluation of the reliability of the performance data being excluded

### Conclusions

The Assurance Provider did not find the Report to contain any material misstatements or bias on the basis of the scope, methodology and criteria described above. All material findings of the Assurance Provider are provided herein, and detailed findings and follow-up recommendations have been submitted to the management of Pulmuone.

### **[Inclusivity]: A review of the adequacy of Pulmuone strategies and procedures for stakeholder participation**

The Assurance Provider noted that recognizing the importance of stakeholder participation in sustainability management, Pulmuone has been placing focus on continuous communications and interactions with its stakeholders. The company defined and categorized all stakeholder groups to put in place a regular channel of communication with the respective stakeholders. It is the Assurance Provider's view that Pulmuone has been using these channels to better identify priority issues regarding sustainability management, while engaging stakeholders to participate in the development and implementation of a strategic and responsible response toward achieving sustainability management. The following points were found to be particularly commendable.

- The continuous use of stakeholder surveys, whose results are outlined in the Report.
- The fact that the company has been managing the VOC and VOE as a food business where customer communication is particularly important, while setting up CS Center operations for each of the respective subsidiaries; and the use of 6 Sigma techniques in VOC analysis and management to reflect customer views on product development and services through process improvements.

Going forward, The Assurance Provider suggests providing a fuller account of how customer views are reflected in the decision-making process as well as further details on issues raised through the various communication channels as well as the status of the company's response.

### **[Materiality]: A review of whether the Report contains information of the highest material importance to Pulmuone stakeholders**

It is The Assurance Provider's view that the Report does not omit or exclude any information of material importance to the stakeholders of Pulmuone. We verified to identify and report on material issues through a systematic assessment of materiality including an analysis of its internal policies, stakeholder surveys, peer benchmarking, a review of media coverage etc., with the Report providing the performance information necessary for stakeholders to formulate informed judgments, decisions, and actions. The following points were found to be particularly commendable.

- The Report provides a categorical breakdown of the various issues to better indicate stakeholder requirements.
- The Report adopts the DMA (Disclosures on Management Approach) to clearly outline how Pulmuone has been managing key material issues specific to each of the dimensions.

Going forward, the Assurance Provider suggests further highlighting key issues in future reports while outlining negative performance results and the company's response.

### **[Responsiveness]: A review of whether the Report provides an adequate response to stakeholder requirements and interests**

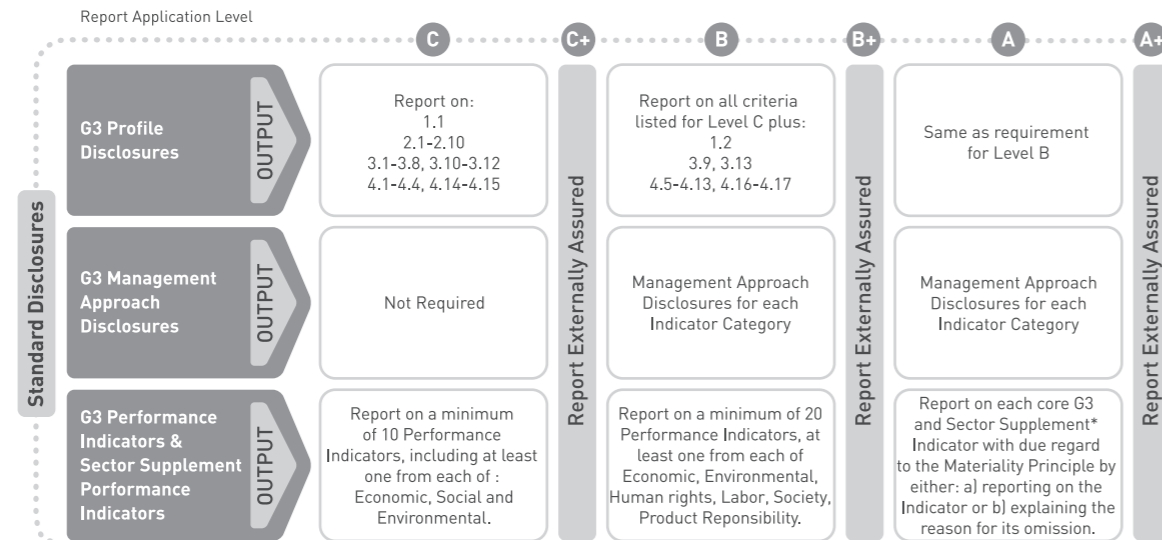
The Assurance Provider noted efforts by Pulmuone to collect stakeholder demands and interests via diverse stakeholder channels while putting in place various programs to establish better communications with its stakeholders and provide an adequate response. The following points were found to be particularly commendable.

- The Report provides a detailed account of the company's organization in charge of responding to key issues as well its role and activities.
- The Report presents customer view findings from the company's satisfaction and service surveys etc.

Going forward, the Assurance Provider suggest providing stronger coverage on communication results with stakeholders as well a progress report on the company's response to various stakeholder demands as well as their outcomes. Also, in the interest of clarity, the company is advised to report on issues that may be a source of misunderstanding for stakeholders although the issue itself might not have much direct relevance to the company's business management and performance or demand high stakeholder interest.

### [GRI Application Levels]

The Assurance Provider found the Report to apply to GRI G3 Reporting Framework at the level of A+. The GRI Application Level is assessed by the following table.



### [BEST Fulfillment Levels]

The Assurance Provider found the Report to fulfill 99.5% of the reporting requirements necessary to qualify for a Level 5 Report (from among Level 1 ~ 5)

• Trend of the Pulmuone Sustainability Management Report Fulfillment

Reporting Year	2006	2007	2008	2009	2010
Publications	1st	2nd	3rd	4th	5th
Level	Level 3	Level 4	Level 4	Level 4	Level 5
Fulfillment	81.3%	96.4%	98.0%	99.1%	99.5%

\* Assurance findings were converted uniformly into fulfillment ratios as measured against Level 1 through 5 requirements.

### Recommendations

The Assurance Provider found "Sustainability Management 2010" by Pulmuone, commendable on the following counts. The Report 1) constitutes level five (Mature) of the BEST Reporting Guidelines as it provides a reinforced account of its management system encompassing the company's sustainability management strategies, organization, and future strategies; 2) informs readers on the various programs being pursued under the CEO's strong commitment for sustainability management; and 3) presents the value of the company's various products to its stakeholders to highlight its emphasis on sustainability management at a management strategy level.

For future reports, the Assurance Provider suggests the following considerations.

- Present performance results against mid-to-long terms sustainability management targets during the reporting period
- Provide case studies on actual implementation instead of just an overview on the implemented system.
- Provide priority reporting on key issues.
- Provide stronger coverage on negative issues or performance.
- Provide details on the performance creation process
- i.e. drivers, conditions, resources, mechanism etc.

Based on the findings of this statement of assurance as well as the recommendation letter that was submitted separately, the Assurance Provider recommends that Pulmuone establish a more systematic system for sustainability management and reporting

### Eligibility of IPS as an Assurance Provider

Established in 1993, the Institute for Industrial Policy Studies (IPS) has accumulated broad expertise in the areas of ethics management, corporate social responsibility and sustainable management since 2002, and serves as a third party assurance provider for the sustainability reports published by local companies. IPS has conducted the assurance engagement upon request of Pulmuone, and assembled a team of five assurance practitioners (Seok-yeong Lee, Dong-su Kim, Dong-won Lee, Jeong-eun Park, Jeong-ah Sohn) who are professors at Korea's top universities or professionals with accreditation and extensive experience in sustainability management after majoring in business management, accounting or environmental science.



March 18, 2011

Jae-eun Kim

President, The Institute for Industrial Policy Studies

