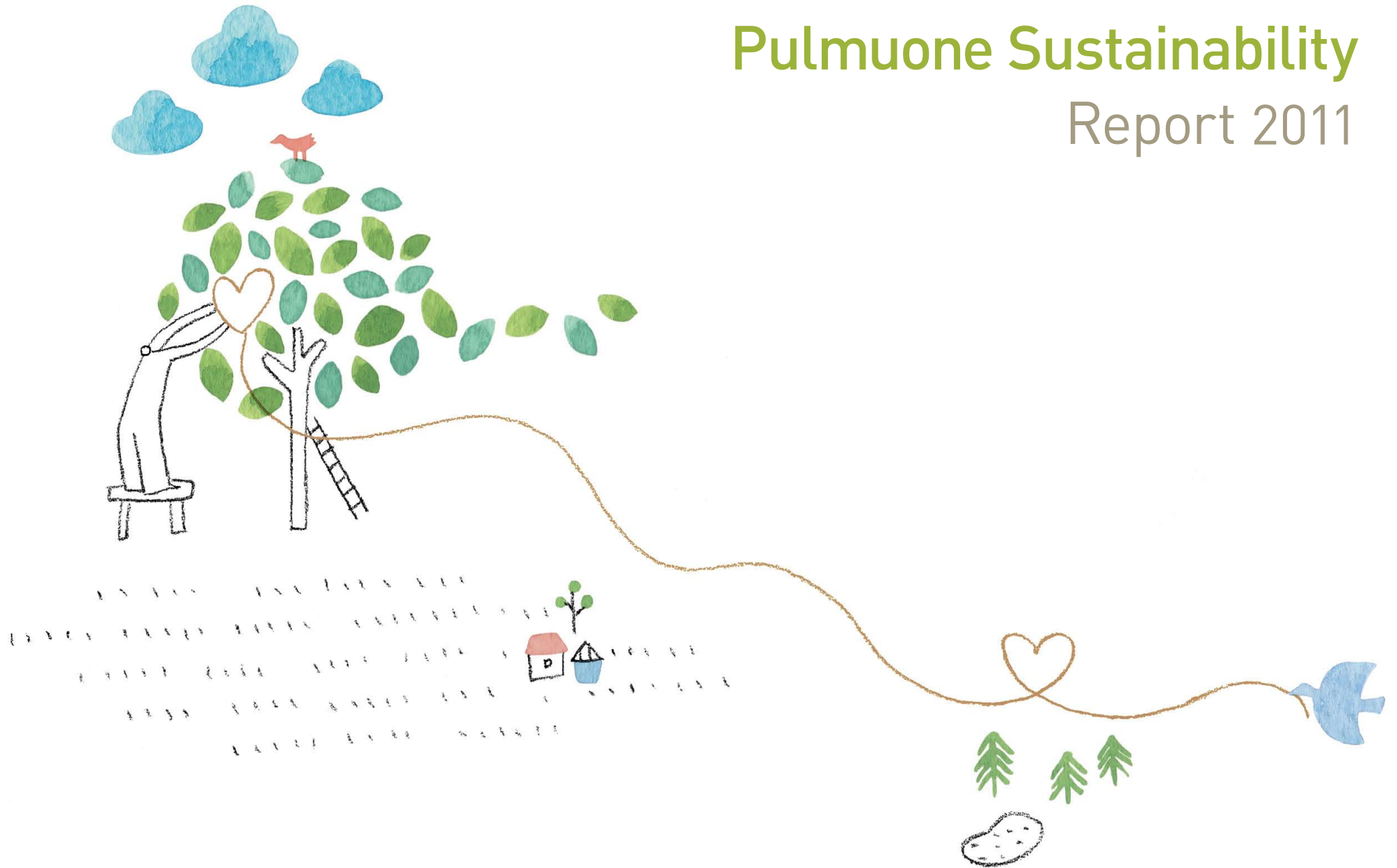


Pulmuone Sustainability

Report 2011



Pulmuone

Sustainability Report 2011

Intro

02 Overview of 2011 Report

04 CEO Message

06 Understanding Pulmuone

Appendix

62 Third Party's Assurance Report



Budding trees of sustainable management

09 Sustainable management



Share love through 'social contribution'

38 Social milestones



Send up the rainbow of TISO

28 TISO management



Grow green with 'green management'

53 Environmental milestones



Wind of innovation

32 Economic milestones

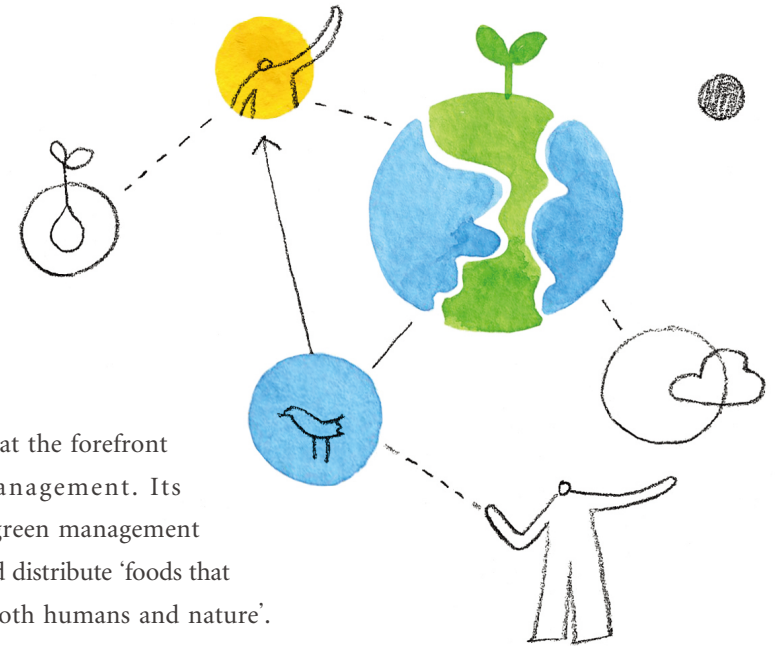
To become a global LOHAS Company

Dear valued stakeholders,

2011 was a tumultuous year; the fiscal meltdown in the US and Europe jolted the global economy, with growing uncertainty in the Korean economy and security environments.

Amid rapidly changing economic environments, Pulmuone has strived to achieve its new vision 'Global DP 5'. These efforts paid off with impressive financial results. Pulmuone reported 1.4 trillion won in sales turnover, creating a foothold to further grow into a strong global player. Financial performance is important for Pulmuone to fulfill its mission, 'a LOHAS company caring for both humans and nature'. But equally important is to practice sustainable management centered on ethical management, environmental management and socially responsible management.

Pulmuone is committed to practicing its business philosophy, TISO management, across all its business activities and do business fairly and transparently by building the corporate culture squarely on its core values, i.e. TISO (Trust, Integrity, Solidarity, and Openness). Pulmuone is committed to internalizing and practicing TISO management and its core values, TISO, for all of its members. In 2012, Pulmuone will focus on fostering win-win relationships aimed to promote mutual growth and driving strategic CSR initiatives to better practice TISO, while engaging its members to the greatest possible level to promote voluntary participation.



Pulmuone is at the forefront of green management. Its objective in green management is to make and distribute 'foods that can benefit both humans and nature'.

With this objective, Pulmuone works hard to maximize the use of ingredients that have minimal environmental impact, while increasing the use of environmentally friendly packaging materials. Pulmuone measures meticulously green house gas emissions across all its worksites and reduces greenhouse emissions and water use across all manufacturing and logistics processes. Pulmuone Organic Tofu was certified as a low-carbon product and Eumseong Logistics Center was certified as an environmentally friendly logistics center.

Pulmuone is actively driving CSR activities, cementing its foundation for sustainable management. In 2011, it launched "Good Food Campaign" as part of its strategic CSR efforts. It offered 245 'Checking Authentic Wholesome Food' education programs to elementary schools nationwide. In 2012, it will take one step further to further expand Good Food Campaign. It will create a social enterprise which can take care of the campaign, to change the perception of authentic wholesome foods from safe and reliable food to nutritionally balanced food. Furthermore, Pulmuone has created 40 'LOHAS Designer' teams,

a volunteering organization at the group level engaging in various volunteering activities.

Pulmuone strongly believes in win-win collaborative relationship with partner companies. Since 2007 when Fair Trade Compliance Program(CP) was introduced to do business more fairly and transparently, Pulmuone Foods, Foodmerce and Pulmuone Health & Living have obtained grade A or above. Pulmuone will introduce CP to Pulmuone Waters and ECMD as well, ultimately expanding the program to every corner of the group.

Pulmuone is also seeking ways to grow together with local communities. Pulmuone has signed an MOU with 'Ganghwa Island Woori Village', a social welfare foundation, to grow and distribute eco-friendly bean sprouts under Pulmuone brand. Pulmuone signed an MOU with Yanggu-gun Yeoncheon, a major region and source of beans for the country, to use locally grown beans to produce tofu products. These are some examples of new business models developed by Pulmuone to enable it to work together and grow together with local communities.

Pulmuone is at the forefront of business efforts to delight customers. Pulmuone is going beyond merely satisfying customers. Pulmuone has expanded the concept of customer satisfaction to Customer Centered Management(CCM) activities which are aimed to delight and impress customers. Starting with Pulmuone Foods, Pulmuone Health & Living, Foodmerce and ORGA Whole Foods obtained CCM certification in 2007 and ECMD followed suit in 2011, making all Pulmuone affiliates certified for CCM.

With sustainable management activities described above, Pulmuone has built a strong image as the most trusted top-notch food company among customers.

Pulmuone has been named as one of the most respected companies in Korea for 6 consecutive years. And it ranked No.1(comprehensive food business) in Korea Sustainability Index(KSI). Pulmuone also ranked 6th after other leading players e.g. Samsung, in the good corporate image rankings compiled by Korea Chamber of Commerce. Pulmuone also became the first food business to join UN Global Compact in 2007. In 2011, Pulmuone was involved in various activities advocating the UN Global Compact's ten principles on human rights, labor, environment and anti-corruption and the values and spirits upheld by UN. It also made a presentation titled 'Green Consumer, Corporate Innovation & Green Consumption' at 2011 Global CSR Conference in Korea hosted by UN Global Compact, attracting attention from UN and stakeholders around the world.

Dear shareholders, customers, partner companies and stakeholders in communities!

The members of Pulmuone are putting all hearts and minds into building the most trusted and beloved Pulmuone brand not only in Korea but also around the global. Pulmuone looks forward to your strong support and encouragement for Pulmuone in its journey to become an indisputable global LOHAS company.

Thank you.

March 2012

Nam, Seung-Woo

Chairman & CEO of Pulmuone Holdings



Pulmuone Businesses and Brands

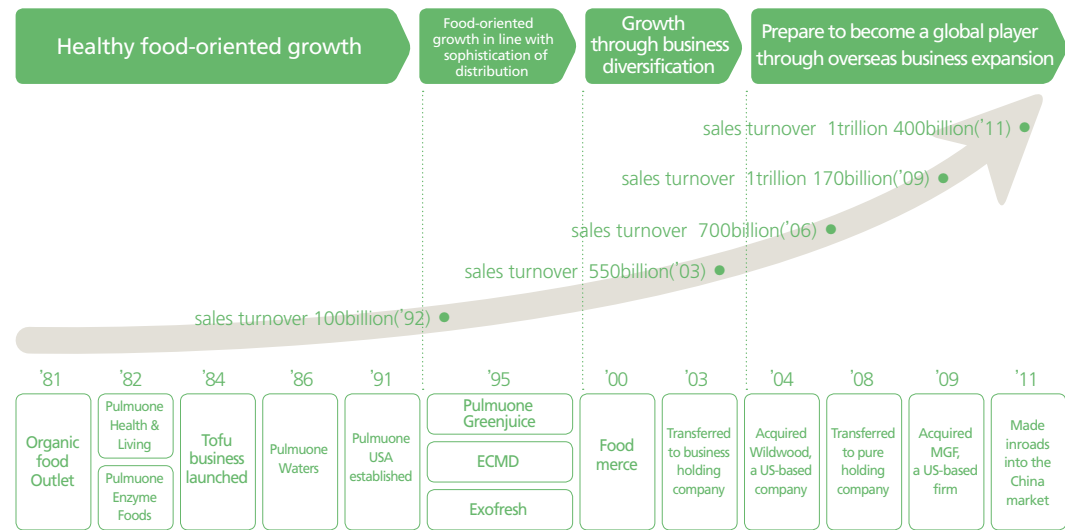
Pulmuone Story

Mr. Won, Kyung-Sun, the founder and director of Pulmuone, named his farm as Pulmuone, reflecting his aspiration to nurture talents that the society needs, by using 'Pulmu' (bellows)¹⁾ that are used to turn rusty and useless iron and steel scraps into sturdy and useful farming equipments. With the founder's conviction, Pulmuone started as a business that ran organic food stores in 1981 and has grown into a big business with 2011 annual sales turnover of 1.4 trillion won. Targeting household markets, Pulmuone's authentic wholesome food business has grown with stronger and better business capabilities that have come with years of experience. And it has built on its success with the household markets to make successful inroads into business markets.

1) Bellows(Pulmu) An equipment used to create a stream of air to heat irons at blacksmith's workshop

Company name	Pulmuone Holdings
HQ address	80-1 Samho-ri, Daeso-myun, Eumsung-gun, Choongbuk
Worksite address	724 Suseo-dong, Gangnam-gu, Seoul
CEO	Nam, Seung Woo
Sales turnover	1. 4 trillion won
Founded on	May 12, 1984
No. of employees	4,753 people

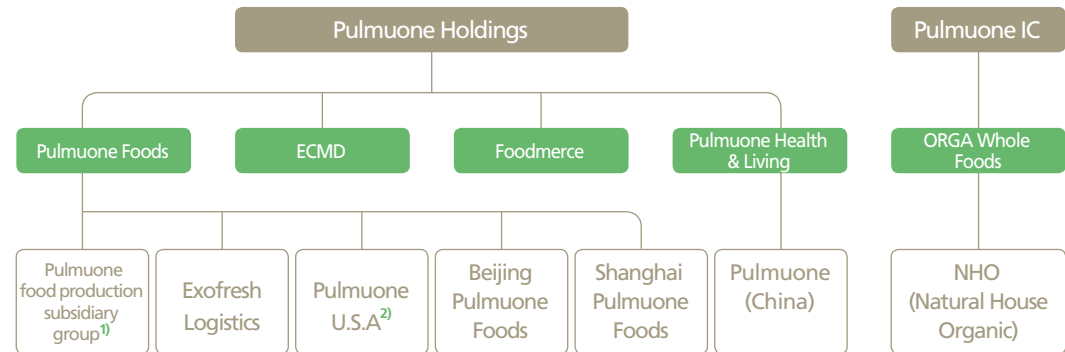
[Pulmuone History]



Holding Company-Based Governance Structure

Pulmuone has the governance structure centered on Pulmuone Holdings, a holding company for operations, as illustrated below

[Pulmuone governance structure]




































1) Pulmuone food production subsidiary group includes PPEC Chuncheon, PPEC Eumsung Sprouts, PPEC Uiryong, PPEC Eumsung Noodles, Myungga Foods and SinSeon Natto.

2) Pulmuone U.S.A Inc The subsidiary is Pulmuone Foods USA, Inc.

Key Businesses and Brands

The history of Pulmuone has been a journey to become a provider of organic, functional and fresh foods. It also strives to expand its business presence in the US and make inroads into Chinese market, to emerge as one of global players. It also has various subsidiary brands that help Pulmuone to build a strong corporate image in the minds of consumers.

[Pulmuone group business summary]

Business area	Business entity	Business description	Brands
NFF (Natural Fresh Foods)	Pulmuone Foods	· Manufacture and distribution of fresh foods, e.g. tofu, vegetables and refrigerated noodles · Cold chain logistics service	      
	Foodmerce	· As a distributor specialized in food ingredients, it offers a wide range of food ingredients to food service, restaurants and food ingredient markets.	  
HFS (Health Food Service)	ECMD	· A specialized food service provider with business areas encompassing contract food service, restaurants and catering service.	     
DTC (Direct To Customer)	Pulmuone Health & Living	· Manufacture and door-to-door sales of health functional foods; Manufacture and Cold-Chain delivery/distribution service of functional beverages; and mass market sales of health functional foods; and baby food business	      
	ORGA Whole Foods	· SPAW(Specialty of retailer of Private label Authentic Wholesome Food) (company-run stores, SIS ¹⁾)	 
GBM (Global Business Management)	Pulmuone U.S.A	· Manufacture and distribution of alternatives to meat / dairy products, e.g. tofu, soymilk · Manufacture and distribution of fresh foods such as refrigerated / frozen pasta and sauce	    
	Pulmuone Foods (China)²⁾	· Manufacture ³⁾ and distribution of refrigerated noodles and soymilk products in China	
	Pulmuone Health & Living⁴⁾ (China)	· Manufacture and door-to-door sales of health functional foods in China	 

1) SIS Shop In Shop

2) Pulmuone Foods Beijing Pulmuone Green Foods, Shanghai Pulmuone Foods
3) Fresh products manufacture to be done locally in the future
4) Pulmuone Health & Living Pulmuone (China)



 A very personal story of Pulmuone |

‘See the Miracle of Christmas’

Heartwarming Christmas tale in Pulmuone.

Here in Pulmuone, even the raging wind of winter can be silenced with warmth in heart. At Christmas, Pulmuone’s corporate culture team, C-cubic, threw a small but very special musical concert in partnership with the Make-A-Wish Foundation of Korea for two high school girls, Min-ji and Soo-ye. Although suffering from intractable disease, Min-ji and Soo-ye don’t give up on their dreams, practicing on the piano they received as a gift from the foundation, and releasing their own musical records. Albeit only for one day, the concert gave them such unforgettable and fond memory they can reminisce about for the rest of their lives. And above all, would the experience of having their wildest dream come true give them the courage and strength to overcome the merciless disease, and be a miracle themselves?

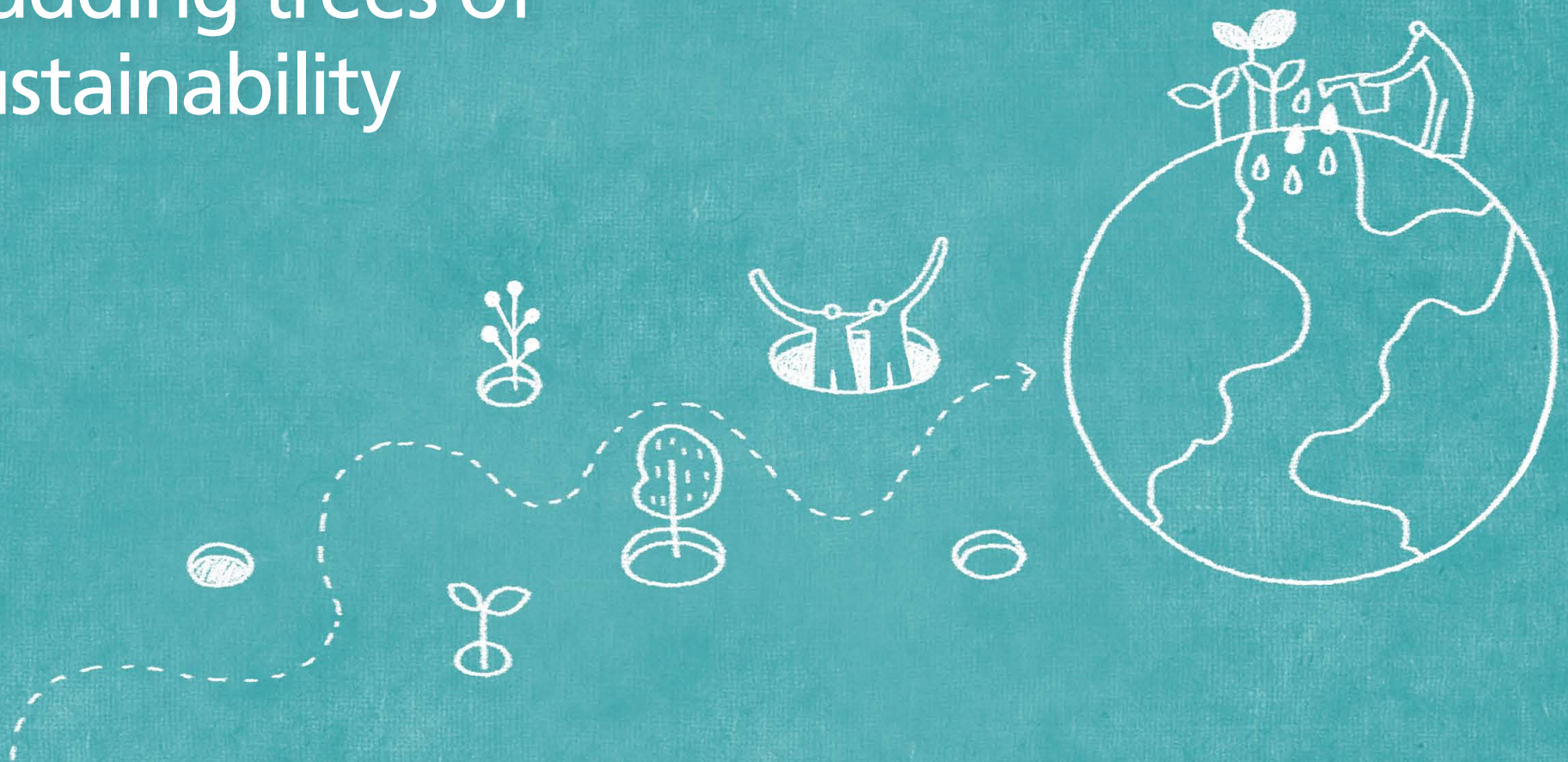
The fund raised at the concert and proceeds from the special charity auction organized by ORGA Whole Foods were donated to 12-year-old Jae-hoon suffering from lymphoblastic leukemia and five-year-old Yoon-seo who has lost sight from retinoblastoma.



Sustainability management

Pulmuone is a leader in LOHAS that drives a healthy lifestyle for community and environment sustainability. Realizing LOHAS value which cares for both human and nature is the raison d'être and the ultimate goal of Pulmuone.

Budding trees of sustainability



Pulmuone's Sustainability Management Framework

Sustainability Management: Mission and Vision

LOHAS company caring for both human and nature

Mission

LOHAS(Lifestyles of Health and Sustainability) represents a lifestyle where you care about both the human health and the sustainability of society and environment. LOHAS represents what Pulmuone is all about and the center of the company's long-term vision. In other words, the company is commitment to doing business in a way that it cares about both the nature and human beings, i.e. consumers, employees, wider society and environments.

Global DP (Defining Pulmuone) 5

Vision

Pulmuone's vision is to break the 5 trillion won mark in terms of sales turnover generated from its domestic and international businesses, by redefining its LOHAS business. It aims to turn itself into an indisputable No. 1 food company in the domestic market providing a wide range of products that are profoundly trusted by customers and then, into a globally recognized LOHAS company.

Sustainability Management Organization



Corporate Governance and Board of Directors

Shareholders

Pulmuone Holdings is a KOSPI-listed company with major shareholders owning 57.3%, institutional investors and foreign investors owning 3.8% and small shareholders owning 38.9% of its shares. The number of total outstanding shares is 3,809,095 and capital stock amounts to 19,045 Mn won. Pulmuone's shareholders exercise their voting rights at the general shareholders' meeting which provides a forum to share Pulmuone's financial performance and future vision and for shareholders to express their valuable opinions.

Board of directors: composition

Pulmuone's board of directors is composed of 10 members, five standing directors and five outside directors. The board of directors has a strong independence with outside directors representing 50% of the total directors. Five Full-time directors are sitting executives serving on management team including CEO Nam, Seung-Woo. Five outside directors are selected based on a wide range of criteria including professional expertise, experiences and gender to ensure they can add value to business decision makings. In addition, ensuring the diverse representation on the board is another element of considerations. They are nominated by the Outside Director Nomination Committee composed of non-standing directors only. Currently 5 professionals from various backgrounds e.g. management expert and professor, are serving as outside directors.

Board of directors: authorities

Board of Directors is the highest-level decision making body that determines matters relevant to operation of the company, other than the general shareholders' meeting. Pulmuone board of directors is governed by Korea Commercial Act as a corporation and Capital Market Consolidation Act as a listed company. Important

agendas are decided by consent of more than a majority and other matters are delegated to the management committee.

Board of Directors: roles and operation

At a total of eight board meetings that had taken place from January until December 2011, 15 agendas had been tabled and reviewed by the the board of directors. The members' average attendance rate in 2011 was 87%. The board of directors is supported by five committees; the Audit Committee, the Outside Director Nomination Committee, the Compensation Committee, the Outside Director Evaluation Committee and the Management Committee. Pulmuone's economic performance and social/environmental performance are reported to and reviewed by the board of directors on a quarterly and yearly basis respectively. In 2011, it was reviewed at the fifth the board of directors meeting (Dec. 22).

(For the details of key resolutions of board of directors and the roles of committees, please visit www.Pulmuone.co.kr)

Risk Management

Risks: definition and categories

Pulmuone defines 'risks' as unpredictable events that can pose threat to the health and safety of customers or employees, and thereby to its brands, image and values. The risks have potential to cause serious damage to the organization and companies. Pulmuone classifies risks into product risk, production risk and other risks. For more details about each risk category, please see the reports from the last year.

Risk management committee

Pulmuone holds monthly regular Risk Management Committee meetings at group, business entity and business area levels, with an aim to identify, prevent and manage potential risks. In case certain risk materializes, initially business entity and area level Risk Management Committees are responsible for addressing the risk. When the situation deteriorates, the group-level Risk Management Committee is convened. These mechanisms help develop timely and effective solutions to risks and minimize the negative impact on businesses and the society.

Risks: classification and responses

Pulmuone takes a three-step approach to risk and takes actions appropriate for each step by classifying risks into three groups: ▲Controllable risks(Step 1), ▲Potential risks(Step 2) and ▲Brand and media-related risks(Step 3).

Category	Controllable risks(Step 1)	Potential risks(Step 2)	Brand and media-related risks(Step 3)
Definition	Where preventative actions are required in business operation	Product recalls, claims and other frontline issues	Where there is a serious damage to the brand caused by media reports, etc.
Actions	Discuss at Food Safety Innovation Meeting and business entity/area-level Risk Management Committee meetings	Convene the business entity/area-level ad-hoc Risk Management Committee meetings and take appropriate actions. Determine the need to convene the group-level Risk Management Committee	Convene the group-level Risk Management Committee and take actions, 24 hour stand by
Communication	Regular reporting to the group-level Risk Management Committee	Regular reporting to the group-level Risk Management Committee and create a separate community	Risk management organization has meetings whenever needs arise. Create a separate community

CSR Activities by Pulmuone

2010
SR

12p

Definition of CSR activities

Pulmuone has introduced responsive CSR and strategic CSR frameworks to make more structured efforts to drive sustainability management. Responsive CSR activities are conducted to respond to important issues to society and stakeholders' needs, while strategic CSR activities are strategic activities performed to realize its vision of becoming a LOHAS company that caring for both human and nature.

Responsive CSR Activities

Shared the commitment to sustainability management and best practices at Global CSR Conference

Pulmuone attended Global CSR Conference 2011 hosted by UN Global Compact Network Korea where it discussed how business can go beyond merely seeking profits and promote business sustainability, hence enhancing competitiveness. Furthermore, Pulmuone shared its strategic and responsive CSR activities in its presentation titled Green Consumer, Corporate Innovation & Green Consumption and shared its practices aimed to promote healthy wholesome food to meet the needs of consumers.

Won KFTC Chairman Award

On April 1, 2011, Pulmuone Foods and Foodmerce won a KFTC(Korea Fair Trade Commission) chairman award at a ceremony held in commemoration of the 30th anniversary of Fair Trade system, KFTC and the 10th Fair Trade Day. This is a testimony to its success in development and operation of its Fair Trade Compliance Program in a short span of time.

First food service provider to earn CCM certification

In March 2011, Pulmuone officially declared the adoption of CCM(Customer Centered Management), developed its vision and organization for CCM, and created a systematic operation manual. In addition, Pulmuone has improved the customer service process and VOC(Voice of Customers) system, reducing customer complaints to the lowest possible level. In Dec. 2011, Pulmuone obtained CCM certification from Fair Trade Commission after assessment and review by CCM Certification Review Committee which was hosted by Korea Consumer Protection Board.

WET: raising awareness about importance of water

Pulmuone launched Project WET(Water Education for Teachers) to raise awareness about the importance of water and its preservation and has offered WET program education to 250 students at 10 schools in 2011. WET program is a global water education program which has been introduced by 42 countries, engaging more than 40,000 people annually.



WET: raising awareness about importance of water

Strategic CSR Activities

Traffic lights labeling, leading the efforts to protect child health

Pulmuone became the first one to introduce the 'traffic lights labeling', an initiative launched by Ministry of Health and Welfare, to processed food and snacks for kids in Korea. Traffic lights labeling was launched in March 2011 as part of efforts to prevent child obesity and protect child health. It is a nutrition labeling mechanism using traffic lights color coding, i.e. red (high), yellow (medium) and green (low), to indicate the amounts of nutrients that cause child obesity such as fat, saturated fat, sugar and sodium.

Complete labeling of ingredients, labeling more functional ingredients

Pulmuone has expanded the scope of functional ingredient labeling in an effort to improve the product reliability and provide accurate information to customers. The products that were launched in 2011 with their new functional ingredient labeling include Bohaemi, Vegetable Yogurt Drink Ma, Slim-Up Plus Beauty and Greenche Rosenbi Su. Functional ingredients such as isoflavone and calcium are labeled depending on the nature of product.

Expand 'Good Food Campaign', promoting good dietary culture

Pulmuone is driving 'Good Food Campaign' to raise awareness among consumers about the importance of 'Checking Authentic Wholesome Food'. In 2011, Pulmuone offered 245 education programs to 83 institutions nationwide, 25 elementary schools in Seoul and 40 Home Plus stores. Furthermore, it offered 'Checking Authentic Wholesome Food' education to customers of Foodmerce

and ORGA Whole Foods stores. In 2012, it plans to establish an external body, in the form of social enterprise that will be in charge of the campaign, to drive the campaign more creatively and actively.

CSR activities through products

Pulmuone is committed to adding more value to dietary lifestyles by offering '**Safe Products**' that are made and managed at hygienic and safe production facilities based on strict standards; '**Fresh Products**' that bring the freshness of quality food ingredients to the dinner table; '**Convenient Products**' that are convenient and easy to eat, a perfect choice for busy people on the go; and '**Healthy Products**' that can offer convenient AND healthy meals for busy days.

Safe Products

Safe food options with zero additives (artificial sweetener, artificial coloring and artificial flavor). They are produced from the safely managed process from production to distribution to ensure no artificial ingredient is added.

'Olbarun Hotdog (healthy and wholesome hotdog)'

Olbarun Hotdog uses sausages 100% made from locally grown chicken and pork, without adding any artificial additives such as artificial coloring. Its bread full of finely chopped locally grown carrots, onions, spinaches and pumpkins adds more flavor and nutrition.



'Hongge Soksal (Red Crab Meat)' Made with the meat and extracts of naturally grown red king crabs caught from the East Sea, it brings all the unique fresh, soft and chewy taste of crabs. It is clean and safe to eat because no MSG (Monosodium L-glutamate) or artificial preservatives are added and it doesn't taste too strong or artificial.

Fresh Products

Healthy food choice for consumers, made with fresh ingredients.

'Kale Kiwi' It is a juice extracted from various fresh fruits and vegetables without adding a drop of water. This vitamin C rich juice is made with 100% fresh and raw vegetables/fruits without adding any artificial additives. It is a perfect and convenient source of nutritious vegetables and fruits for busy people in these days.



'Han Baguni (One basket)' Vegetables

Han Baguni Vegetables come in 5 most popular types of vegetables among Koreans including bracken, dried radish greens, chinamul, ballon flower root and potato shoot. Han Baguni is a pack of 100% locally grown vegetables that are already peeled, cut, cleaned and boiled, perfectly ready for cooking, yet with all the freshness, taste and unique fragrance of vegetables.



Convenient Products

Safe Products

CSR ACTIVITIES THROUGH PRODUCTS

Fresh Products

Healthy Products

Convenient Products

Developed to reflect increasingly diverse food consumption patterns, this line offers a variety of convenient food choices.



'Mongeul Mongeul Soft Tofu (Silky and Soft Tofu)'

To keep its unique rich flavor, it is made using soy milk 20% richer than that of regular soft tofu and applying high pressure, heating and forming processes. It is a convenient yet more tasty and more nutritious food choice

than regular tofu, as it contains Sunmul¹⁾ that usually comes out of tofu during coagulation.

1) Sunmul refers to water that comes out when soft tofu is being pressed.

'Steamed Eggs' Soft and tasty Japanese-style authentic steamed eggs. This makes a good food choice for children between meals as well as convenient meal or side dish. It is also safe to eat as it is made with Pulmuone Mokcho eggs. It comes in two types including ginkgos/chestnuts and shrimps/bamboo shoots you can choose from.



Healthy Products

Convenient and healthy food choices for busy days.

'Pho Nuah Rice Noodles' Rice noodles made exactly in the same way that Vietnamese traditionally made their noodles, at the state-of-the-art production facilities in Korea. It contains no flour. Only made of rice (80.7%) and starch, it has minimal potential allergic reactions and is good for digestion. Its flavor is enriched with South East Asian traditional natural seasonings such as coriander and star anise.



'I'm Real Yogurt'

This is the product where fresh fruits extracts meet the less sour taste and creamy type Caspian Sea Yogurt²⁾. It offers rich taste and good health benefits as well, enhancing immune system and lowering blood sugar level.



2) Caspian Sea Yogurt It was first introduced and commercialized by Dr. Yamori, a Japanese professor studying longevity and life.

Stakeholder Engagement

Stakeholder Categories and Communication

Pulmuone's stakeholders are split into shareholders, employees, customers, partner companies and local communities. Stakeholders are partners in Pulmuone's journey to foster sustainability management. Pulmuone seeks input from stakeholders and shares results with them.



Shareholders

Shareholders are those who buy and own Pulmuone's value with stocks

Open shareholders' meeting, Board of Directors' meeting, quarterly Investor Relations, and sustainability reports
www.pulmuone.co.kr



Employees

4,753 internal partners who are working together to accomplish the company's mission and vision

The Knowledge Worker Platform, labor-management council meetings, communication meetings with CEO, the publication of company magazines, the Occupational Safety and Health Committee, the grievance redress mechanism, interoffice memos for communication, the Employee Assistance Program, C-cubic and the sustainability reports



Customers

All customers who use products and services offered by Pulmuone subsidiaries and affiliates

CS center, e-fresh monitoring, housewives monitoring, customer satisfaction survey (Company magazine) 'One Big Bowl full of Nature', sustainability reports



Partner companies

Partner companies are companies that are involved in production and service including buying, production, sales, delivery and facilities

Round-table meetings with partner companies, sustainability reports



Local communities

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

Regular meetings with volunteer groups, sustainability reports

 For more details, please visit the company website (www.pulmuone.co.kr)

Interviews with experts from different sustainability management areas

Pulmuone interviewed experts from different sustainability management areas as part of efforts to seek insightful input on sustainability management from stakeholders. The interviews with 3 experts who are knowledgeable about their areas such as sustainability management, employees and local communities gave Pulmuone a chance to explore the directions it should take to bring its sustainability management efforts to the next level. Going forward, Pulmuone will engage experts from more diverse areas to listen to their caring and insightful advice.

Sustainability management area

Kim, Gi Chan, professor,
Business administration, The Catholic University of Korea



Q Pulmuone has strived to become a company that thrives for a long time. What do you think we need to focus and work on to enjoy corporate longevity?

In my opinion, there have been and are positive views about the commitment and approach of the company's internal stakeholders to corporate longevity. But with the spirit of our times, coupled with higher expectation placed on Pulmuone by small/medium-sized partner companies and their growing influence, Pulmuone must work harder on this area. As there is a growing perception that the success of a society' doesn't entirely depend upon the success of large corporations, Pulmuone must seek mutually beneficial relationship with partner companies to get one step closer to corporate longevity.

Q What roles and responsibilities Pulmuone must fulfill to grow as a business that will thrive for a long time?

In the past, many companies pursued 'stand-alone' strategy. In other words, they cared about their interests only. But more recently, they have embraced the business ecosystem concept which is about all the participants working together to grow the business ecosystem. In line with these environmental changes, Commission on Shared Growth for Large Corporations and SME selected tofu business as a business suitable for SME in later 2011, causing severe tension in businesses Pulmuone is involved in. Pulmuone has been working hard to promote win-win collaboration. And now is the time for Pulmuone to take more responsibility and further promote win-win collaboration to grow as a company that thrives for long years. Pulmuone must bring about another change to enjoy business longevity. I look forward to see Pulmuone focus on healthy food product development & innovation and distribution of authentic wholesome food as one of industry leaders that grows and thrives for long years to come.

Employees area

**Kang, Kyoung Won, team head,
HR dept, Pulmuone Holdings**



Q Please tell us about what kinds of programs and schemes Pulmuone runs to support childcare and female employee.

Pulmuone is in compliance with regulatory requirements on childcare and female employees' health. In compliance with the requirements, Pulmuone ensures to guarantee its employees their maternity leave and give all eligible applicants childcare leaves and have flexible working arrangements in place to give working moms more time to look after their children. In addition, the company has long offered a resting lounge for female employees with/ without kids. It also offers childcare subsidy to ease the employees' economic burden caused by childrearing.

Q How do Pulmuone employees feel about the company programs on childcare and women's health? Any plan to further develop related programs?

From the employees' perspective, the company's programs and schemes on childcare and women's health still leave something to be desired. But Pulmuone will continue to engage employees in communication to improve them further, going forward. As part of efforts to do this, Pulmuone plans to get family-friendly company certification, the initiative by Ministry of Gender Equality and Family, in 2012. For this, Pulmuone is currently working to review its programs on childcare and women's health to improve existing ones or introduce new ones if necessary.

Local community area

**Huh, Hye Yeon, team leader,
Green Food Research Institute, Green Consumer Network in Korea**



Q Pulmuone is engaging in CSR activities e.g. authentic wholesome food training. How do you view of Pulmuone's CSR activities?

In my opinion, Pulmuone's Authentic Wholesome Food education is a good CSR program as it educates consumers to understand the food labeling accurately. And this is a CSR activity that a food business must carry out. Going forward, Pulmuone needs to continue with these efforts by expanding the scope of education program participants from children to a broader population. In addition, I hope that Pulmuone will maintain the partnership with Green Consumer Network in Korea along with the education program, which will allow longer-lasting education benefits and higher quality activities.

Q What do you think Pulmuone should do to further promote and raise awareness of its CSR activities?

Pulmuone is engaging in a range of CSR activities and some of them are annual programs. But stakeholders' awareness of these activities conducted by Pulmuone is rather low. So Pulmuone needs to expand the scope of its authentic wholesome food education and other similar programs, which are Pulmuone's flagship CSR activities, to include a broader range of stakeholders and strengthen the activities further, so that stakeholders are fully aware and understand that Pulmuone is actively engaging in these CSR activities. For this, Pulmuone needs to plan activities that can engage stakeholders, e.g. essay writing and cooking contest on authentic wholesome food, along with the ongoing authentic wholesome food education program. These efforts can raise stakeholders' awareness of Pulmuone's CSR activities and help the company be remembered as a sustainable business by customers and local communities.

Key Sustainability Management Issues

2011 Key Sustainability Management Issues for Pulmuone

Pulmuone has conducted regular materiality assessments to identify and report faithfully the issues that stakeholders care about. Based on the materiality assessment results, Pulmuone has prioritized and selected the issues that stakeholders care about the most. The issues are captured in the sustainability report and tracked regularly, to reflect them in business operation.

Materiality assessment methodology

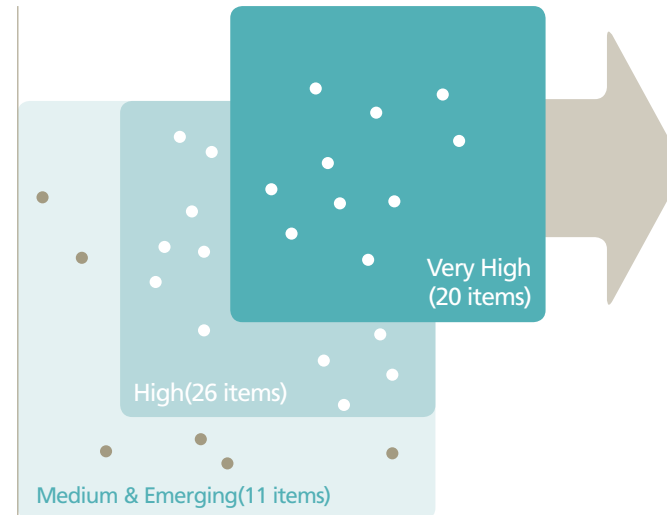
Materiality assessment consists of four step tests i.e. 2011 Pulmuone company policy assessment, stakeholders survey, peers benchmarking, and media search results, based on Materiality Test Model™.

[Materiality assessment methodology and details]

Assessment methodology	Details
TEST 1. Company policy assessment	2011 company policies and business strategies of affiliates
TEST 2. Stakeholders survey	Dec. 2011, On/offline stakeholder survey Customers(128) Employees(600) Partner companies(110) Local communities(59)
TEST 3. Peers benchmarking	Unilever Danone Nestle Campbell
TEST 4. Media search	Media reports from January 1, until Dec. 31 2011

Materiality assessment results

As a result of the materiality assessment, material issues have been identified and classified into different categories based on themes. This exercise has helped Pulmuone identify issues that it needs to focus on to run its business sustainably. 57 issues identified are classified into Very High, High, Medium & Emerging categories based on the level of materiality.



Category	Very High(20 items)	High(26 items)	Medium & Emerging(11 items)
General & Sustainable management	CEO leadership Sustainability management performance tracking Sustainability management strategy Practicing CSR through products	Business philosophies and vision Seeking input from stakeholders Corporate governance	Participation in global initiatives
TISO management	Ethical management	Regulatory compliance/Anti-corruption Transparent management	Fair trade
Economy	–	Financial performance Business strategy Brand value Market competition	Value creation and allocation Risk management framework Non-financial risk management
Innovation/Creativity	Process innovation New product development New market development	Technology development	Increase investment Distribution innovation
Customers	Customer communication Customer satisfaction Product safety and quality Information-sharing	Customer health and nutrition	–
Employees	People development and learning Differentiated corporate culture	Labor-management communication Respecting human rights Fair people management and compensation Staff satisfaction Welfare and benefits Workplace safety	Mutually beneficial labor-management relations Staff recruitment
Partner companies	Win-win cooperation with partner companies	Fair and transparent selection process Business relationship with sustainable companies Communication with partner companies	–
Local communities	CSR activities CSR strategy Local community development	Communication with local communities Cooperation with governments Employee participation	Support for cultural development
Environment	Efforts to reduce environmental impact Environment protection	Climate change response Green management strategy Investment in environments	Biodiversity

DMA by Affiliate

Pulmuon Foods



Company summary

Pulmuone Foods is a leading food company committed to making authentic, wholesome and safe-to-eat food products.

CEO's commitment to sustainability management

Pulmuone Foods will continue to expand its scope of business from existing refrigerated products to frozen products and those storable at room temperature and expand the range of products and sales channels targeting young customers to develop its growth engines. From the social responsibility perspective, Pulmuone Foods will establish a social enterprise in an effort to lead Good Food Campaign and launch low-sodium and low-calories products, among others, to promote nutritionally balanced diet, contributing to healthier diet of Koreans.

Realizing 'Nutrition Balance'

Refrigerated product line

Pulmuone Food's flagship product line that is produced and distributed in strict compliance with its principles; freshness, convenience, safety and zero additives, reshaping the rules in the food market.



Frozen product line

Pulmuone Foods' basic product line ranging from conventional products such as dumplings and ice to new products that are easy to keep and cook e.g. frozen snacks, frozen noodles, and frozen meals.



Product line for room temperature storage

Pulmuone's new growth engine developed with quality ingredients, zero additives and nutritional balance.



Logistics system

- Eumseong Logistics Center is equipped with the latest refrigeration/frozen facilities and the state-of-the art logistics system
- Offers the best quality logistics service to Pulmuone and customers



Key Performance Index

	2011 Plans	2011 Milestones	2012 Plans
Economic	<ul style="list-style-type: none"> · Development of large product lines · Ramping up new product development efforts · New markets development · Survey on Pulmuone brand equity index 	<ul style="list-style-type: none"> · Sales growth of new products, e.g. beverages, other than existing flagship products such as tofu and vegetables · Brand equity index rose 6% points YoY to 78.9% 	<ul style="list-style-type: none"> · Stricter new product management standards · New business and new channel development · Stronger brand and communication
Social	<ul style="list-style-type: none"> · Stronger food safety management · 100 factory tours 	<ul style="list-style-type: none"> · Total 245 'Checking Authentic Wholesome Food' education programs offered · 85 factory tours involving 2,388 visitors 	<ul style="list-style-type: none"> · Establishing an Authentic Wholesome Food social enterprise · Expanding Good Food campaign and education programs · Adoption of the new complete labeling of ingredients e.g. packaging and the web site
Environmental	<ul style="list-style-type: none"> · Expanding the greenhouse gas inventory system establishment · More products with carbon footprint figures calculated. · Observance of the Environment & Safety Day 	<ul style="list-style-type: none"> · Establishing the greenhouse gas inventory at all worksites · Low-carbon product certification · Pilot test of eco-friendly packaging materials 	<ul style="list-style-type: none"> · Broader range of low-carbon products · Broader use of eco-friendly packaging materials · Green certification for worksites

Exemplary practices Adopted 'Nutrition Balance' concept

Pulmuone Foods introduced a broader concept called 'Nutrition Balance' to raise awareness about the importance of authentic wholesome food and promote continued growth of the campaign. 'Nutrition Balance' goes beyond chemical or physical food safety, e.g. no additives and environmentally friendly food, to include healthy dietary lifestyles and prevention of diseases caused by

obesity, diabetes, various adult diseases and other diseases caused by nutritionally unbalanced diet. Pulmuone Foods have captured this corporate philosophy and convictions in its products. Its media advertisement that highlights the importance of 'Nutrition Balance' has been well received by the public.

DMA by Affiliate

Pulmuone Health&Living



Company summary

Pulmuone Health & Living is a producer and distributor of health functional foods and green juice. In addition, the company distributes 'Fullvita' brand and engages in baby meal business with 'Woori Ai(My kids)' brand.

CEO's commitment to sustainability management

In 2011, the company consolidated its customer support functions to better serve customers and created organizations and systems dedicated to strengthen its capabilities for Customer Centered Management(CCM), putting in place education programs and systems to embed the best practices on personal information protection, Fair Trade Compliance Program and customer complaints management. Furthermore, Pulmuone Health & Living works together with civic groups to drive its metabolic syndrome prevention campaign and healthy baby meal awareness campaign to return its intellectual properties, i.e. its knowhow and knowledge on health and life, to the society.

Total Healthcare Food & Service

Health functional foods business

- 'Greenche' brand is distributed by around 4,000 HA1) through the network of 170 franchisees nationwide
- Fullvita brand is distributed through a range of channels including specialty shops, online shopping malls and large distributors.

1)HA Health Advisor

Green juice business

- Products range from green juice and herb products to vegetable yogurt drinks(No. 1 in the domestic market with 50% M/S)
- Door-to-door delivery to companies and homes through the nationwide 250 franchisee network



Skincare business

- Natural healthy cosmetics brand 'Issilin', kids skincare brand 'Kidswell', eco-friendly and body care brand 'Daily'



Baby meal business

- Production and distribution of refrigerated baby meal
- Home delivery service mainly in Seoul and 5 metropolitan cities



Key Performance Index

	2011 Plans	2011 Milestones	2012 Plans
Economic	<ul style="list-style-type: none"> · Sales channel diversification with a broader range of categories · Product development and quality enhancement 	<ul style="list-style-type: none"> · Cost saving through improving its production process and new product development/product renewal · Establishment and use of customer information database (Happy call) 	<ul style="list-style-type: none"> · New growth engine development through new channels and new products · Boosting sales turnover & revenue through product improvement
Social	<ul style="list-style-type: none"> · Strategic CSR activities development and planning 	<ul style="list-style-type: none"> · Nationwide tour awareness campaign for 'Right Understanding of Climacteric Period' 	<ul style="list-style-type: none"> · Program-based CSR activities
Environmental	<ul style="list-style-type: none"> · Efficient use of fuels and energy · Eco-friendly product development and eco-friendly process adoption 	<ul style="list-style-type: none"> · Environmental pollution minimization using GAP-certified ginseng · Compliance with the waste discharge limit of 10 ppm and water quality improvement for JaDamYeon(a pond that holds the nature) · Boiler standby losses reduction(fuel(LPG) saving: KRW 6 mil(Annual)) 	<ul style="list-style-type: none"> · Safe work environment · Efficient energy use · Better water usage and waste water management · Introduction of eco-friendly products and service

Exemplary practices Earned international certification for education service management system

Pulmuone Health & Living became the first in Korea to earn ISO 29990, the international certification for the education service management system developed by International Standardization Organization(ISO), for its training programs offered to franchisees and sales staff of its distributional channels, i.e. door-to-door sales and daily delivery system. Pulmuone Health & Living hopes that ISO 29990 will help it offer more systematic and performance-based training, i.e. improved assessment of training service effectiveness, preventative risk

management and monitoring, and qualifications assessment of training team members and internal instructors.

1) ISO 29990 Certification is granted to providers or operators of 'education service' where common guidelines and models in compliance with international standards are applied on the design, development, provision and management of education service for human resource development purpose or learners in non-formal education service areas.

함께 있어 좋은 사람들



Company summary

ECMD engages in a range of food service business ranging from contract meal service, concession, restaurant to food delivery businesses.

CEO's commitment to sustainability management

ECMD will continue to drive innovation initiatives aimed for further development and positive change of its members. Over the past five years, it has carried out various theme-specific innovation initiatives to keep innovating itself for the development and positive change of its organization. Furthermore, it will deliver tangible business results by 'strengthening competitiveness' of its each business and establish various brand management mechanisms and enhance its customer service capabilities to take one step closer to customers as a specialized food service provider.

2015 5000¹⁾

Restaurant business

- Food/beverage concession business at airports, rest areas, department stores, and shopping malls
- Run specialized brand restaurants such as Bruschetta, Arancio and Nzle



Contract meal service business

- Offer food service at around 400 food service establishments nationwide
- Companies, government agencies, universities, hospitals and department stores, etc.



Food delivery business

- Premium lunchbox order/production/delivery business in liaison with its CK(Central Kitchen) business



Wedding/banquet business

- Operate wedding halls and offer wedding planning service at requested sites
- Offer a range of event planning services such as party, business party and conference



1) 2015 5000 Deliver KRW500 bn in sales turnover by 2015

Key Performance Index

	2011 Plans	2011 Milestones	2012 Plans
Economic	<ul style="list-style-type: none"> · Sustainable growth · New growth engine development 	<ul style="list-style-type: none"> · Large concession business orders won · Development of systematic restaurant brands frameworks 	<ul style="list-style-type: none"> · More new orders · Completing the brand framework development · Stronger service capabilities
Social	<ul style="list-style-type: none"> · Expanding nutrition labeling · Young talent development project · Low sodium · Healthy menu ideas 	<ul style="list-style-type: none"> · Expanding nutrition labeling to rest area business · Job experience and scholarship · Once a month · LOHAS menu development & application, e.g. grain based menu 	<ul style="list-style-type: none"> · Expanding 2011 activities · Expanding young talent development project · Increasing support through Happiness Spreads project · Expanding the application of LOHAS menus
Environmental	<ul style="list-style-type: none"> · Less leftover food campaign · Use of LED lightings · Using eco friendly materials 	<ul style="list-style-type: none"> · Less leftover food at food service sites · Using the main signs and menu boards 	<ul style="list-style-type: none"> · Creating LOHAS zones at food service sites · Using energy efficient cooking equipment

Exemplary practices

Won the order for Siheung comprehensive rest area development project

On March 17, 2011, ECMD signed an agreement with Korea Highway Corporation to develop a Siheung 'air-suspended' rest area. It is the country's first 'air-suspended' rest area complete with restaurants which is designed to boost efficiency of land use. This is expected to become a landmark of Seoul metropolitan area. The construction of Siheung 'air-suspended' rest place which is located at Siheung city on Seoul ring highways that runs around Seoul city is scheduled to be completed by 2014.



Foodmerce



Company summary

Foodmerce is a specialized distributor of food ingredients and the first in the food ingredient distribution industry to earn official Customer Complaints Management certification and AA grade for its Fair Trade Compliance Program from KFTC(Korea Fair Trade Commission)

CEO's commitment to sustainability management

Foodmerce is more than a simple food ingredient distributor. It dynamically responds to changing market environments and various customer needs. As part of its efforts to protect and improve environments, Foodmerce will raise its level of hygiene and safety service by measuring indoor air quality, noise, vibration and level of asbestos. Furthermore, it will maintain and further improve its exemplary Fair Trade Compliance Program(CP) and Customer Centered Management(CCM) practices and obtain certification for these improvements, delivering win-win relationship and shared growth with customers and partner companies.

Sustainable Global FM & SSP¹⁾

Food service business

Supplies food ingredients to schools, kindergartens, hospitals, care centers, and nurseries/childcare centers, etc and develops and distributes food service brands 'Barunsun' and 'Woori Ai(My Kids)'

Restaurant business

As a total food service provider for restaurants, it supplies the entire range of hygienic and safe food materials to meet restaurants' needs

Consolidated sourcing

Reduce unnecessary steps in distribution and build various processes such as joint buying, buying in advance, consolidated sourcing, operation of processing centers/ distribution centers and global sourcing, enhancing buying competitiveness

Dust Control Business

Cleaning equipments/ supplies rental business to enable customers to clean with convenience, even invisible fine dusts

H&S Research Institute

Develop and offer the entire range of hygiene solutions across the supply chain from ingredients to consumers, covering food, health and environment/hygiene

1) FM & SSP Food Marketer & Service Solution Provider:
Distributor of food ingredients & materials and service solutions provider

Key Performance Index

	2011 Plans	2011 Milestones	2012 Plans
Economic	<ul style="list-style-type: none"> Improved profitability through cost reduction 	<ul style="list-style-type: none"> Cost reduction through strategic sourcing Sourcing agricultural products from Mangri area adjacent to Yangji center 	<ul style="list-style-type: none"> Enhanced price competitiveness through efficient sourcing(Global sourcing, ect.)
Social	<ul style="list-style-type: none"> Fair Trade Compliance Program Innovation through solution development Good food campaign Environmentally friendly food ingredients distribution Stronger volunteering efforts in liaison with local communities 	<ul style="list-style-type: none"> Recognized by KFTC chairman award for its CP Introduction of a mobile app-based shipping inspection system using QR code Authentic wholesome food education for kindergartens and schools, etc. More eco-friendly food ingredients (agro) sourcing 38 volunteering activities at child care centers 	<ul style="list-style-type: none"> Broader range of easy, convenient and green food ingredients More authentic wholesome food education programs Contribution to local community development
Environmental	<ul style="list-style-type: none"> Energy saving campaign Launch the hygiene and safety service business 	<ul style="list-style-type: none"> Reviewing the possible launch of hazardous dust cleaning business Obtaining certification for air quality, asbestos, noise and vibration measurement Establishing the pest control system 	<ul style="list-style-type: none"> Healthier and safer customers Launching the hazardous dust cleaning business(JV with Duskin, a Japan-based company)

Exemplary practices Adopted QR code to logistics process

Foodmerce became the first in the industry to introduce QR code to its logistics flow, instead of the barcode, which enables every step of the supply chain from a partner company to receiving associate to enjoy faster logistics flow and accurate delivery service with help of QR code and smart phones. This has contributed to around 30% reduction

in time spent in receiving and inspecting food ingredient shipments. In addition, it allows real-time update so that the company can check whether there is any mistake by a partner company e.g. shipping wrong food ingredients or shortage in weight and quantity, helping prevent and respond to potential delivery mishap in advance.



DMA by Affiliate

Pulmuone Waters

풀무원샘물

Company summary

Pulmuone Waters is committed to supplying safe water to drink to customers and became the first in the industry to earn ISO 22000 and FSSC 22000.

CEO's commitment to sustainable management

Pulmuone Waters will promote HOD business by differentiating various services and diversify its sales channels to expand its presence through efficient production and distribution management. In addition, Pulmuonw Waters will keep working to foster and improve relationships for shared growth with its partners i.e. franchisees and distributors, boost morale and nurture capabilities of its employees, drivers of the business, and strive to improve customer satisfaction and customer recognition.

Honest water for my family

Home and Office Delivery(HOD) Business

- Delivers large-size bottled water products and hot/cool water dispenser rental business for homes and businesses
- Distributes them nationwide through the Pulmuon Water franchisee network



PET product distribution business

- Distribute the products to hypermarket, general retailers and restaurants
- As for general retailers other than large discounters and convenience stores, the products are distributed nationwide through the distribution agreement signed with other retailers



Key Performance Index

	2011 Plans	2011 Milestones	2012 Plans
Economic	<ul style="list-style-type: none"> · Stronger market leadership in HOD (Home and Office Delivery) market · Higher PET ratio · Development of a long-term brand portfolio · Cost/expense management 	<ul style="list-style-type: none"> · HOD M/S 0.5%p increase · PET M/S 1.5%p increase · Dual brand strategy development · Cost & expense saving, profitability growth 	<ul style="list-style-type: none"> · HOD service improvement · Quality growth of retail store channels · Securing the maximum level of water sources · Successful new product launching plan development
Social	<ul style="list-style-type: none"> · Safer drinkable under groundwater · More recruitment process 	<ul style="list-style-type: none"> · Becoming the first bottled water company to earn FSSC 22000 certification · Lower employee turnover rate 	<ul style="list-style-type: none"> · Obtaining food safety certification · Employee capability development and boosting morale
Environmental	<ul style="list-style-type: none"> · More project WET water education · Continued efforts to make lighter bottles 	<ul style="list-style-type: none"> · Water education in cooperation with NGOs · Publicity efforts to raise awareness of Project WET · Launching the lightest water bottle of 0.5L in the domestic market 	<ul style="list-style-type: none"> · Project WET website creation · More channels for Water education project · Lighter products development for all product lines

1) FSSC(Food Safety System Certification) 22000 is the certification system approved by Global Food Safety Initiative(GFSI) as a set of new food safety standards. It is a globally accepted good safety certification system because it encompasses the already well-known food safety standards such as HACCP, BRC and IFS and it can be obtained only after passing ISO 22000 and PAS 220 screenings.

Exemplary practices Launch the lightest PET bottle in Korea

Pulmuone Waters developed and launched the lightest PET bottle in the domestic market that weighs 13.5g. This represents 10% reduction from the existing lightest PET bottle made by Pulmuone Waters that weighs 15g and around 35% reduction from the industry average of 21g. This PET bottle was developed with state-of-the-art technology, enabling to reduce the weight dramatically while the form and function of the bottle is preserved. This can contribute to reduction of around 722 tones in the volume of plastics used annually compared to other companies. Pulmuone Waters will continue to develop lighter products to contribute to low carbon green growth.

Industry average 21g
About 35%
↓
13.5g



DMA by Affiliate

ORGA Whole Foods



Company summary

As the bedrock of Pulmuone, ORGA Whole Foods distributes carefully selected 'Authentic wholesome food for the health and happiness of all'.

ORGA Whole Foods is defined as SPAW (Specialty of retailer of Private label Authentic Wholesome food).

CEO's commitment to sustainable management

As the top distributor of environmentally friendly food in the domestic market with 30 year history, ORGA Whole Foods has built its image as a premium brand that promises the highest level of food safety. ORGA Whole Foods will strive to continue to operate as a successful company that is defined as achieving profitable growth. Furthermore, ORGA Whole Foods will achieve not only immediate success but also build foundation for sustainable management through its concrete action plans called INNOVATION 4P(Product, Price, Process and Pride-Up).

Authentic Wholesome Foods

Company-run stores

- 10 company-run stores in total
- Bangbae store, Banpo store, Imae store, Daechi store, Abgujeong store, and Bangi store, etc.



Shop-in-shop

- 41 SIS stores in total
- Stores in Lotte Dept. Store, Donga Dept. Store, Severance Hospital and Lotte Mart, etc.



Natural House Organic(NHO)

- Franchisee network
- Distributes eco-friendly foods, health functional foods and health-oriented foods



E-Business

- ORGA online shop
- Consumers can buy online all products offered by ORGA stores



Key Performance Index

	2011 Plans	2011 Milestones	2012 Plans
Economic	<ul style="list-style-type: none"> · Sustainable growth · Channel diversification 	<ul style="list-style-type: none"> · More PB brands development · Open stores within Lotte Mart networks 	<ul style="list-style-type: none"> · Stronger product capabilities, efficiency and sales capabilities
Social	<ul style="list-style-type: none"> · Atrophy prevention campaign · Stronger efforts to raise awareness of environmentally friendly products · Efforts to enhance product safety 	<ul style="list-style-type: none"> · Expanding Goodbye! Atrophy Campaign · LOHAS class engaging around 1,000 participants · Launching LOHAS designer activities 	<ul style="list-style-type: none"> · Earning certification as a child health friendly company · Expanding the product traceability tracking system
Environmental	<ul style="list-style-type: none"> · Using LED lightings · Using green packaging materials · Continuance of the reusable shopping bag campaign 	<ul style="list-style-type: none"> · Designated as Green Store and Green Card agreement(Ministry of Environment) · Broader use of eco-packaging 	<ul style="list-style-type: none"> · Introducing green cards · Increasing the use of electric motorcycles · Continued eco-packaging development

Exemplary practices

Green Store designated by Ministry of Environment(Bangbae and Bangi stores)

ORGA Whole Foods has used energy-efficient fluorescent lights and eco-friendly materials(finishing materials) and replaced existing landscape and signage LED lights, etc. and used energy-efficient freezer facilities(Island freezer showcases installed). With these energy saving facilities(natural lights) and heat insulating films, ORGA Whole Foods expect 30% energy saving annually, which also contributes to building the green corporate image and boosting its brand power. Based on these, ORGA Whole Foods was designated by Ministry of Environment as a store contributing to the promotion of green consumption.





 A very personal story of Pulmuone 2

How Did Pulmuone Win the 1st Place in the US Premium Tofu Market?

Pulmuone ranked no.1 in the US premium tofu market in 20 years!

First, shall we look at the secret recipe to success?

The key is none other than... its principle of '100% pure nature'!

The principle of 100% pure nature unveiled by Pulmuone USA represents eight rules for food safety and high nutrients, e.g. producing food with no artificial preservatives, chemical additives, MSG, artificial colorings, and artificial sweetener, excluding any hardened oil, irradiated foods and dairies produced with growth-hormones, and using only the fresh and natural ingredients which have passed non-GMO safety certification test. Pulmuone's strong commitment to fresh and natural food has grabbed the eyes of the US consumers, and eventually ranked Pulmuone as the no.1 company in the US premium tofu market!



TISO management

TISO, the core value of Pulmuone, reflects genuine and earnest efforts of Pulmuone aspiring to become a transparent company for wider communities.

Pulmuone has always put the primary focus on TISO values in pursuing company-wide trainings and initiatives, working to implement TISO practices across all corporate activities.



Send up
the rainbow of
TISO



TISO Management

2010
SR

26p

TISO, the Core Value of Pulmuone

Dedicated organization: TISO Management Office(TISO Office)

Core Value

TISO represents a set of crucial values of Pulmuone that its members need to champion and live by to turn the company's mission and vision into reality.



<p>Trust</p> <p>Abiding by promises and rules</p>	<p>Integrity</p> <p>Professional honesty for the proper performance of one's duty</p>	<p>Solidarity</p> <p>Alignment of one's goal with the goal of the company</p>	<p>Openness</p> <p>Cooperation with an open mind</p>
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TISO always comes first as the core value of the company across all corporate activities, and Pulmuone dedicates itself to building transparent and wholesome corporate culture by spreading TISO across the company. In an effort to proactively implement TISO practices, Pulmuone has established 'Operational Provisions for TISO Management', 'Employee Code of Conduct for TISO' and 'Report & Compensation Guideline for TISO Management'.

* Pulmuone Waters is subjected to both TISO, Pulmuone code of ethics, and Nestle code of ethics.

Anti-corruption policy & integrity contract scheme

'Employee Code of Conduct for TISO' has been developed to strictly ban employees from receiving, promoting and condoning inappropriate favors including gifts, entertainment, treats or convenience directly or indirectly offered by other stakeholders. Employees who turn out to be involved in such indecent behavior

are subjected to disciplinary actions as a consequence in accordance with relevant regulations. Furthermore, to encourage employees to practice TISO management more proactively, procurement managers in charge of goods, service, and construction agreements have been required to include provisions on 'Integrity Contract' before signing a purchase contract since October 2005. Where it is not possible to include such provisions in contracts, they are then required to prepare additional 'Pledge for Integrity Contract' before striking a deal.

TISO management charter

Starting point of the business: Customer

1. We shall do our best to fulfill customer's satisfaction.
2. We innovate our products and services to be more customer-oriented.

Community: Ground of the Business

1. We realize the spirits of loving our neighbors and respecting lives by spreading the value of LOHAS.
2. We devote to the sustainability of the community through activities of social contribution and environmental preservation.

Business Partner: Collaborator of Business

1. We administer fair transaction with our business partners in an equal position.
2. We are against all types of unfairly obtained objects of bribes.

Organization: Body to Drive Business

1. We passionately work with the responsibility of our task and roles.
2. We achieve the best performance through an active cooperation and innovation.

Behavior of Pulmuone-people: Member of the Organization

1. We serve with a right mind.
2. We always strive for the best.
3. We maintain a healthy life.

TISO management training

Pulmuone has extended TISO training course to include promoters and employees with specialty alike in order to spread the right mindset and commitment to ethical management across the company. TISO management is a compulsory subject in the value-sharing POP(Pride of Pulmuone) course designed for new entrants. For frontline employees such as plant workers with special skills as well as ECMD dieticians and promotional staff who cannot physically attend training sessions as they have to be at the field to fulfill their job tasks, more than 10 times of quarterly training sessions have been provided separately.

[Training completion by new employees]

Year	2009	2010	2011
Number of trainees(ppl)	85	78	174

TISO management activities

Holiday gift return

After implementing the 'Holiday Gift Return' policy which embodies the company's determination to eliminate the gift-giving practice of stakeholders, Pulmuone communicates an official notice stating the policy before holidays. Gifts delivered against the notice are all returned and those that cannot be returned are put on an auction at less than 50% of their market price and the auction proceeds go to the 'Love Neighbor Fund'. As the awareness about the policy rises, the number of holiday gifts delivered to Pulmuone is decreasing.

[Number of reports and value of returned holiday gifts]

Year	Number of reports	Value
2009	35	KRW 1,449,000
2010	28	KRW 1,046,000
2011	19	KRW 1,439,000

Fair trade compliance

To promote fair trade, the Compliance Council members working in relevant departments examine semi-annually the risk of fair trade violation with their leader in order to identify potential violation risks. The council also monitors enactment and amendment of relevant legislations every month and report the findings to the Corporate Crisis Management Committee to include them in the subsequently generated compliance checklist. The self-monitoring policy for fair trade legislations is included in the company-wide control items of the internal accounting management system prepared not only for internal examination but for review by outside auditors. The result of outside review is published in the form of an audit report and shared with all stakeholders.

Operation for fair trade compliance

Pulmuone has announced the first Monday of every January and July to be the 'Day for Fair Trade Compliance Program' to make fair trade compliance settle in its corporate culture.

It has produced an online version of the fair trade compliance guidebook and uploaded it on the Pulmuone website to provide an easy access to all stakeholders. The online version includes 2011 amendments of relevant legislations, the current status of Pulmuone and cases of violation, while adding cartoons on fair trade, franchise business and subcontract acts to facilitate better understanding of readers.

Publication of compliance program operation

Pulmuone's performance in 2011 and future operational plans for fair trade compliance have been published through the e-disclosure system prepared by the Financial Supervisory Service. The disclosure is to provide information on the compliance program for stakeholders and to increase implementation of the program.



A very personal story of Pulmuone 3

Did You Just Say Pulmuone Planted Grape Vines in Africa?

For a long time, Pulmuone has given much thought to how to change the future of African children. After much mulling with genuine concern,

Pulmuone decided to plant grape vines in Malawi, the southeastern part of Africa, that can be grown with the only resource Malawi has, WATER.

At the first stage of the project, 150~200 trees will be planted in a plot located within the CDP center¹⁾ as a demonstration. By the way, why has Pulmuone chosen grape vines in the first place? It is because a cluster of grapes sells at 10 dollars in that country, which is sufficient to give the much-needed income for survival to Malawi households, and furthermore, grape processing technology has more room for development to further boost its profitability down the road. Pulmuone plans to provide one grape vine per low-income household of Malawi, and profits from selling grapes will be spent to help them achieve economic independence. Pulmuone dreams of a brighter tomorrow where Malawi children can go to school and talk about their hopes, escaping from today's grim circumstance where they can hardly get by, worrying about the next meal all the time.



1) CDP Children Development Program: Center of education for children of low-income families

Economic milestones

Pulmuone has evolved constantly to keep its promise to provide only the authentic wholesome foods to its customers. Pulmuone now combines its creative innovation with the business principle to attain its vision 'Global DP5'. Pulmuone aspires to become the world's no.1 food company leading LOHAS values, going beyond being the no.1 just in Korea.

Wind of innovation



Economic Performance

Major Financial Performance

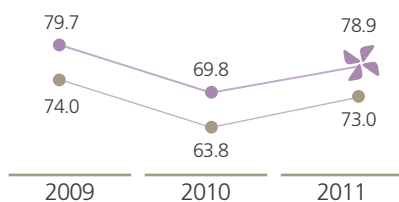
After transforming itself into a pure holding company by improving its corporate governance in 2008, Pulmuone introduced K-IFRS(Korean International Financial Reporting Standards) in 2009 for the first time in the food industry of Korea, which is to increase its corporate value by earning global trust about its management transparency and financial information.

Its sales exceeded 1 trillion won in 2009, for the first time since its establishment, and grew to 1.4 trillion won in 2011.

Brand Equity

Every year, Pulmuone conducts the BEM(Brand Equity Management) survey to assess its brand value. The survey includes 1,550 housewives aged 30 to 54 years(20 to 39 year old female for I'm Real brand) living in Seoul and the surrounding metropolitan areas who have bought Pulmuone products within one month before the survey. The BEM figure is generated based on the 1:1 interview with the respondents using the survey questionnaire. Brands subjected to the survey include Pulmuone corporate brand, Pulmuone, SOGA, Saeng Gadeuk(fresh noodle), Chan Maru(side dish), I'm Real, and other master brands. Out of the 1,550 respondents, 200 participated in the corporate BEM survey(characteristics of the annual survey sample are kept same through sample screening).

[Brand Equity Tracking(Last 3 Years)]



● Pulmuone
● A company
(N=200, Unit: Score)

*The survey did not expose any image related to Pulmuone, and the order of mentioning company names was differed per respondent.

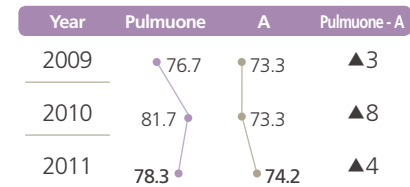
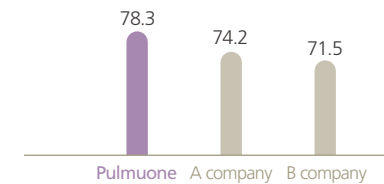
The BEM index of the Pulmuone brand is generated based on brand management index(expertise, credibility, affinity), and the resulting brand assets serve as the basis when evaluating brand competitiveness such as loyalty, Tom¹⁾, etc. The 2011 survey produced a slightly improved result compared to the previous year, implying consumers' trust and affection toward Pulmuone brand had increased from the 2010 level. Although brand loyalty and brand management indexes of competitors also improved, indexes of Pulmuone including brand loyalty are still above those of the competitors.

1) TOM(Top of Mind) The TOM survey lists top 5 companies in the answer to the question, "Which packaged food company is on top of your mind when thinking of the food industry?"

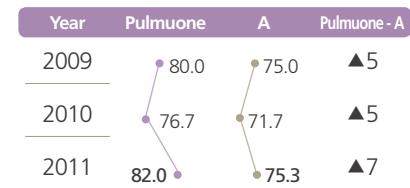
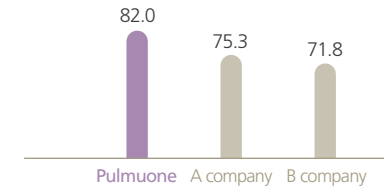
[Brand Management Index]

Unit: %

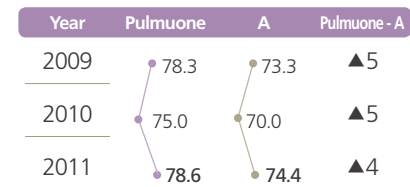
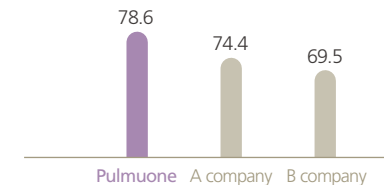
Expertise



Credibility



Affinity



* Source: 2011 Pulmuone BEM Index Report, Gallup Korea, Dec. 2011

Innovative & Creative Management

Dedicated organization: TISO Office and CR(Cost Reduction) Department, Strategic Planning Teams of affiliates, Research Institute of Food and Culture

Aiming for **'product and service innovation', 'quality innovation'** and **'process innovation'**, Pulmuone drives the Green Meeting, proposal for Irumi innovation, new market creation and entry, new product development, patent application and registration, seed improvement and others.

Innovative & Creative Management Activity

Goso-ake, fried tofu in Japanese style

Goso-ake is Japanese-style tofu. Fried in soybean oil, it is chewy outside but still soft inside keeping the texture of tofu but being hard enough not to be broken easily. For convenient consumption, Goso-ake is cut into small pieces before being cooked, but it is also a ready-to-eat product with no need to cook or griddle.



Napjak Jijim Dumpling griddled like pancake

Unlike traditional fried dumplings, Napjak Jijim (flat and thin) Dumpling can be fried in a pan like a pancake. It has delicious taste with chewy texture by adding rich tasty flavor to the skin (tried the first time in Korea) with much cabbage put into the stuffing to complete fresh and light taste.



Muesli, made of 100% homegrown grains

Pulmuone recently introduced Muesli, the cereal brand which uses 100% domestic grains instead of imported corn for its ingredients. It has grains and varied fruits to make

consumers enjoy the rich flavor and nutrients from nature, and gives a healthy sweet taste by using Agave syrup and oligo saccharide instead of processed white sugar.

Patent on increasing absorption of red ginseng saponin

Saponin, the major health nutrient of ginseng or red ginseng, has to be disintegrated into saponin metabolite to be absorbed in the intestines of a human body to boost the healthful effects of ginseng. Pulmuone has developed a way to facilitate human body's absorption of saponin in red ginseng, which is to use thermogenesis of a natural substance (piperine) derived from black pepper. The compound K, which has superb anti-cancer property, can be absorbed by our bodies only when it is taken with red ginseng and black pepper. Similarly, other saponin elements can be absorbed faster and more effectively when they are taken with black pepper than taken alone (patent number: 10-2011-0026941). Ginhyowon, the ginseng brand of Pulmuone, is the representative product developed by applying this technology.



Vitamin product in soft vegetable capsule

Capsules are most in use for health or functional food. Traditional capsules are mostly based on gelatin, but Pulmuone has invented a vegetable capsule where the latest technology is applied to turn corn starch and red algae-extracted carrageenan into gel for the capsules. It applies vegetable omega-3 ingredients and vegetable capsule to Real Vitamin MVP Multipack to produce a safe product with healthful functions for wellness-conscious consumers.



Processed meat products to boost demand for domestic beef

Foodmerce has introduced Our Beef Hamburg Steak, which gets 43% of the materials from Korean beef to help domestic farmers raising livestock who are currently going through a hard time due to foot-and-mouth disease and economic slowdown as well as rising global crop and oil prices. It is planning to further introduce a wide range of Korean beef-based meat products such as meat ball, ham, and sausage.



Low-temperature maturing

Exofresh Logistics has introduced a low-temperature maturing process for tofu when opening an automatic logistics warehouse in Eumsung Logistics Center in order to enhance product quality and establish a production-logistics system where producing and delivering products can be completed in less than one day. The effort resulted in synergy effects as better quality from the low-temperature maturing process and one-day delivery was successfully translated into a great boost for customer satisfaction. This enables differentiated marketing strategy that gives the company an edge in the market. In addition, opening an automatic warehouse(chilled and frozen facilities) at Eumsung Logistics Center has led to better logistics process and operational system as what used to be done manually has now become automated, lessening workload and pressure for time. It went into full operation in April 2011, and has driven logistics capacity increase and service quality improvement.

Green Meeting

Pulmuone has borrowed the idea from the Work-Out system of GE to design its own innovative problem-solving scheme called 'Green Meeting'. When a problem urgently needed to be addressed is identified, a cross-functional team consisting

of those suitable to tackle the problem is formed, and the company gives the team a proper place for meetings to brainstorm ideas and generate solutions to the problem.

In 2011, Green Meeting extended communication between employees, creating opportunities to learn throughout the problem-solving process while spreading corporate culture for innovation. From March to December, a total of 19 TFTs were formed with 130 employees actively participating for further development of the company.

Best practices

Facebook page for marketing

Pulmuone opened its Facebook page on September 14, 2011 to leverage its potential and power in marketing and promotion. By December 2011, a total of 2,270 people have joined as it performs various activities including promotional events for product and brand, and VOC(Voice of Customers) gathering. Currently, Pulmuone is considering other varied social contribution campaigns along with idea contests for new products to facilitate customer engagement.

Pulmuone Facebook page
www.facebook.com/pulmuonelove



Irumi Proposal for Innovation

Irumi Proposal for Innovation serves as a venue where all employees of Pulmuone can come forward with any creative ideas for corporate development or proposals for improvement. In 2011, a total of 4,550 proposals were submitted and among them, 2,048 ideas were adopted, which means the idea utilization rate reaches about 45%.

Types of Irumi Proposals

Among the proposals submitted to Irumi, ideas for promotional events or product planning ranked first with the number of 1,258 cases in total, and proposals for product improvement ranked second with 704 cases in total. Under Irumi Innovation Proposal, Pulmuone people are working hard to offer better products and services to consumers. There were also 376 ideas for new product/business, indicating Pulmuone members have great interest in corporate development and are highly motivated to make the company a leader with great growth potential.

[Irumi proposal type & status]

Type	2010	2011	Outcome
Product improvement	618	704	Sales increase, product idea, change to specification and design, quality and function improvement, etc
Work improvement	515	550	Process improvement, ideas related to work and task, etc
New product/biz	238	376	Opportunity to create new markets, benchmarking of other companies, etc
Better office environment	175	201	Power consumption reduction, green management tactics, etc.
CR ¹⁾ & CBI ²⁾	25	52	Enterprise-wide cost cutting, fringe benefits and welfare for employees, etc.
Others	1,356	1,258	Promotional events and planning
Ideas from affiliates	194	1,409	Proposals from Pulmuone Health & Living, Foodmerce, ORGA Whole Foods, ECMD
Total	3,121	4,550	45% growth year-on-year

* The number of ideas from affiliates is relatively low as the scheme in these companies is in its early stage.

1) CR(Cost Reduction): Ideas to reduce cost

2) CBI(Critical Business Issues): Critical issues for business

Irumi mascot

In the second half of 2011, Pulmuone designed a mascot for Irumi to use it as a communication tool to translate ideas into tangible performance improvement and derive qualitative growth from received ideas. The mascot would become the face of Irumi scheme to make it friendly to employees, which can facilitate employee participation in the idea proposal scheme.



Rumi, the Irumi mascot

Cost reduction activities

In 2011, CR(Cost Reduction)¹⁾ initiatives of the Production Headquarters which had been operated separately were integrated for better management with a focus on generating financial performance and reducing food cost. As a result of the integration, a total of 95 initiatives were implemented in 2011 with 6.6 billion won of cost reduction.

1) CR(Cost Reduction) initiatives: Corporate activities to monitor cost productivity trend of the organization and its employees, and measure their financial performances in order to reduce work inefficiency and maximize synergy between different functions, which can help eliminate any waste in process.

Eumsung Logistics Center

Pulmuone opened a low-temperature logistics center in Eumsung, North Chugcheong Province on the largest scale in Korea. It established EOS¹⁾(Eumsung Operating System), EAS²⁾(Eumsung Aging System), DPS³⁾(Digital Picking System) and DAS⁴⁾(Digital Assorting System) through the project to build infrastructure and software to support operation of the logistics center.

1) EOS(Eumsung Operating System) It enables sorter picking through picking volume allocation and allocation label production.

2) EAS(Eumsung Aging System) It stores products supplied from plants into the logistics center and supports product delivery from the center.

3) DPS(Digital Picking System) It performs the picking treatment of individual products.

4) DAS(Digital Assorting System) It supports integrated picking for direct delivery, courier service and shopping mall delivery.



 A very personal story of Pulmuone 4

Pulmuone Comes to Woori Village of Ganghwa Island!

Around 20 Pulmuone people led by Pulmuone Foods CEO Lee Hyo-yul visited the Woori village in the Ganghwa island to make Kimch and bake bread for neighbors in need. They also donated tasty Pulmuone foods such as tofu and dumplings to upwards of 60 Woori residents. Such genuine kindness and goodwill fostered friendship between Pulmuone people and Woori residents.

Then, why did Pulmuone family visit Woori village out of numerous villages in Korea?

That was because Pulmuone wanted to help the mentally challenged people in the Woori village stand on their own by selling environment-friendly bean sprouts produced in that village and helping distribute the product. The Woori village is a non-profit rehabilitation center which helps its 60 intellectually challenged people to achieve economic independence through rehabilitation.

Pulmuone signed an MOU on outsourcing bean sprout production and delivery on October 25, 2011, promising to make environment-friendly bean sprouts of the Woori village as one of the products Pulmuone sells. The bean sprouts produced in the Woori village are now available at Pulmuone ORGA Whole Foods stores, department stores, or stores of the national agricultural cooperative federation.



Social milestones

Pulmuone always thinks about how to make customers, employees and partners happier. It truly believes making our society right through a gamut of social contribution campaigns is as important as producing the authentic wholesome food.

Pulmuone wishes for a society where everyone can find his/her own happiness.



Share love through
'social contribution'



Social Performance _ Customers

2010
SR

36p

Food Safety Management

Pulmuone screens food ingredients based on the food safety management standards, and excludes those which have gone through preservative treatment or irradiation from its production process at the source for food safety. It uses no chemical additives at all for its products, and strictly controls the entire production process ranging from materials procurement to production and distribution in accordance with its own food safety management standards.

Activities to provide authentic wholesome food

Food safety center

To closely monitor product safety of its plants, Pulmuone has established a branch office for food safety center in Eumsung, North Chungcheong Province. At the office for food safety, microbe, physicochemical, and sensory monitoring is conducted on fresh food every day and there is ongoing inspection on the sanitary status of every production plant. It has a wide range of devices for microbe and physicochemical test in place that can be used by professional researchers for on-site food safety management.

Newly introduced test methodologies

To improve analysis precision on functional and harmful materials, and expand the management scope, Pulmuone has designed new test methodologies for new ingredients or elements. In 2011, the company introduced new analysis methods and improved precision of the existing methods for eight cosmetic antiseptic agents, dietary fiber, gluten, hexanal, polyphenol, eight mycotoxins, five animal growth hormones, paralytic shellfish poisoning, and fluorescent whitening agent. It also confirmed safety of napkins used for contract meal service and other disposable items by undertaking a test for fluorescent whitening agents.

Information Sharing

Dedicated organization: CS center and CS team of each subsidiary/affiliate

Complete labeling & labeling review by Foodmerce

Foodmerce brand products (Barunsun, Bon&Sun) carry a label that lists all ingredients to provide customers with accurate product information. To ensure more thorough management of its labeling practices, Foodmerce put in place Labeling Review Committee led by Foodmerce Food Safety Center, which reviews and monitors that product labels and information displayed on the product packaging are in compliance with relevant laws and regulation.

Pulmuone e-shop service innovation

Pulmuone's online shopping mall, Pulmuone e-shop, offers various services such as advanced notification of scheduled delivery which informs the customer of the expected delivery date to enhance customer convenience, Pulmuone gift certificate that can be used when customers want to give Pulmuone products as present, customer-oriented category design to help customers easily locate products they want, tasty recipe service that shows various recipes based on Pulmuone products, and new complete labeling system that guarantees transparent and full disclosure of product information. They are all designed to innovate the company's service and process.

Pulmuone plant tour program

Pulmuone offers a tour program around its production plants to raise customer interest and understanding on its production process. The plant tour program has been in operation since 2008, and has grown in scale. For example, in 2010, there were 88 tour sessions that included 2,538 participants, and in 2011, a total of 85 sessions were arranged with 2,388 people participating in the program. In 2012, 98 tour sessions are scheduled and a maximum of 3,400 people are expected to participate in the program.

Customer Communication

Dedicated organization: CS Center, CS Dept of each subsidiary/affiliate

Pulmuone provides the phone number of CS Center to places where consumers have access and runs the Voice of Customers bulletin board in every affiliate website where consumers can receive responses to their questions or complaints in less than 24 hours. The company also operates CCM(Customer Centered Management) program for accurate product information, which is to offer a prompt and appropriate response to possible customer complaints or damage to customers.

In 2011, Korea Consumer Agency, the government entity, evaluated CCM(Consumer Centered Management) under Pulmuone Foods and ECMD and had the results certified by Korea Fair Trade Commission, making Pulmuone the only enterprise in Korea whose entire subsidiaries and affiliates have all received the CCM accreditation.

Customer communication initiatives

VOC(Voice Of Customer) & VOE(Voice Of Employee)

The CS Center also manages VOC(Voice of Customers) for Pulmuone Foods, Pulmuone Health & Living and Pulmuone Waters. As of December 2011, 122,355 VOC reports were submitted, posting 43.7% increase from 85,147 cases in 2010. Major drivers of the increase include facilitation of baby meal business, spread of CVS(convenient store) and other new distribution channels, increased sales of Pulmuone e-shop, and increase in customer inquiry about new products. As for complaints against corporate distribution, continued monitoring and education for franchisees has reduced consumer complaints against food franchisees and green juice franchisees by 25.4% and 33.6% respectively.

Work site visits by Foodmerce

Foodmerce incorporates feedbacks from VOC by visiting worksites and collecting VOCs. In 2011, it visited 30 worksites in total, and gathered VOCs through various channels(schools, day care centers) for operational improvement. It also undertakes sanitary monitoring designed to check legal, sanitary, and safety factors of the worksites in order to prevent sanitary accidents. The average satisfaction score of 125 services in 2011 stood at 4.46(on a scale of 1 to 5). The work site visit to collect VOCs will be expanded further in 2012.

Survey by ORGA Whole Foods

To listen to customer opinions, ORGA Whole Foods conducted a survey which included 226 customers who had visited directly operated franchise stores, and carried out 1:1 interviews with randomly selected individual customers for objective assessment. The collected customer opinions were analyzed to identify the cause of their dissatisfaction, which would later be incorporated with the efforts for improvement.

Customer Satisfaction Management

Customer satisfaction survey

Call center service survey by Pulmuone

The customer satisfaction score of 2011 stood at 83.9 points, posting a slight decrease from the previous survey result. The decline was largely driven by dissatisfaction with the way how call center reps responded with customers and dealt with their requests. Pulmuone's call monitoring score was 95.2 points, which was similar to the previous year.

CCM index management by Foodmerce

In an effort to realize one of its business principles, the management for customer satisfaction, CCM(Consumer Centered Management) has been introduced for operation. In 2011, Pulmuone measured the CCM monitoring results and manage the results as CCM index. Such efforts contributed to boosting the average CCM index for the fourth quarter to 73.0 points, a major increase from 62.2 points for the first quarter of 2011.

Customer satisfaction survey by ECMD

ECMD carries out a semi-annual customer satisfaction survey which consists of 25 questions in three aspects such as food menus, sanitation and facilities, and service. To have a comprehensive view on satisfaction level of visitors with concession stores and resting lounges, mystery shopping¹⁾ in combination with customer satisfaction survey has been undertaken which will be utilized to offer better services. In 2011, the company used iPad as a tool



Survey through iPad

to conduct a survey, the first of its kind in the industry, to better measure customer satisfaction level, and developed a real-time online receipt survey program for restaurants to identify customer needs and incorporate them in the restaurant practices real-time.

1) Mystery shopping: An evaluation on staff service, store environment and food undertaken by professional mystery shoppers to find rooms for improvement in concession stores and guide proactive efforts for better service quality.

Personal information protection

Pulmuone has an ongoing program to preempt any violation against customer privacy and personal information, and introduces various initiatives to find the loopholes and fill in the gaps. In 2011, it allowed membership without collecting resident registration numbers to reduce excessive gathering of personal information. In addition to this, to preempt theft, forgery, and leak of personal information, Pulmuone introduced mobile phone authentication in July followed by i-PIN based membership grant in September, and added the authentication process when modifying personal information or finding a password in November. Thanks to such endeavors in addition to quarterly security checks and improvement, security issues were reduced by 67% compared to 2010. These efforts will be continued further in 2012 so as to make handling and processing customers' personal information much safer.



Social Performance _ Executives & Employees

Employment Status

Under the fair and equal employment principle, there is no discrimination in Pulmuone against women or the physically challenged when recruiting, hiring and treating its employees, and the company makes strenuous efforts to protect human rights of its employees. Communication is valued when managing the labor-management relationship to create mutual benefits, balance between life and work is promoted to stabilize the life of employees, and systemic efforts are provided for employees to practice LOHAS way of life through a LOHAS program where employees can have a chance to experience it.

Executives & employees

As of late 2011, there were 4,753 executives and employees in Pulmuone. Among them, the majority of the workers were in sales, logistics and production apart from office workers. The proportion of senior executives is 0.82% of the entire employees as of late 2011.

Job creation & turnover rate

The job creation rate for 2011 was 6.8% with the monthly turnover rate is 2.34% on average, posting a stabilizing trend over a long-term horizon. The turnover rate of 2.3% includes both temporary and regular workers across the Pulmuone Group. When looked at individually by job group, the turnover rate was 1.8% for regular workers, and 6.2% for temporary workers. Within the regular employees, the turnover rate of dieticians and cooks were higher in ECMD because of their work characteristics, and for temporary employees, it was driven higher because of event promoters and part-time workers with short-term work contracts. However, Pulmuone's turnover rate is much lower than those of comparable other businesses since generally in Korea, the average turnover rate of big businesses

stands at 10.9% and the rate for SMEs (small-and-medium enterprises) is as high as 18%. And the average work period has been on the increase to record 5.2 years as of late 2011.



Temporary employment status

Workers with short-term fixed contracts accounted for 12.2%, which is basically similar to that of last year, proving Pulmuone is working to increase the proportion of full-time permanent workers.

Performance Management & Compensation

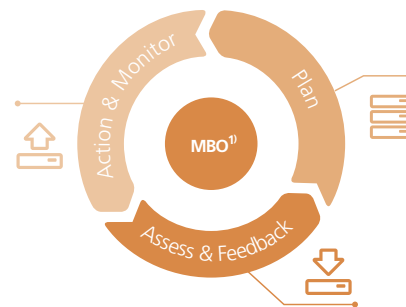
Performance management system

Pulmuone has CFS(Communication for Success) in place for performance management, which consists of evaluation on achievements and capabilities, reflecting different job characteristics in its evaluation items and elements. The primary objective of CFS is to generate good performance through proactive communication.

The performance management system has been introduced to all business units as goal-based management system, obligating communication meetings between subordinates and their leaders, aligning each business unit's goals with the corporate aspiration, and providing feedbacks based on ongoing monitoring to enhance corporate performance. It also streamlined the system for career management, future career plan, and feedback provision, which can be leveraged down the road for career development of employees.

[CFS process]

1)MBO Management By Objectives



Retirement annuity regime

Starting from November 30, 2011, Pulmuone introduced a retirement annuity regime to its 11 worksites in order to help its employees be prepared for their later stage in life by securely accumulating their retirement assets. The retirement annuity type is DB(defined benefits), which promises to pay the same amount of money as the previous retirement regime to fulfill the employees' needs for financial security as they face longer years after retirement in this fast aging society.

Work-life balance

C-cubic(Culture, Creative, Change) for GWP(Great Work Place)

In recognition of its efforts designed to improve corporate culture and social contribution such as the employee a cappella contest, 'Non-Smoking King & Diet War', 'I am the King Cook for Authentic Wholesome Foods', and 'You are the Santa Claus' campaigns, Pulmuone received a prize in sales and distribution sector at 2011 GWP Korea Award organized by GWP Korea.



2011 GWP Korea Award 1
Employee a cappella contest 2
I am the King Cook for Authentic Wholesome Foods 3

EAP(Employee Assistance Program)

Pulmuone promotes employee work-life balance by offering EAP(Employee Assistance Program) consisting of special lectures and professional counseling service guaranteeing confidentiality operated as part of its 'Happiness Program'. As of late December 2011, 13.5%(6.4%, average of other companies) have attended counseling sessions and their satisfaction score was 86 points compared to 82 points of other companies.

Female-friendly culture

Female-friendly corporate culture is essential to help female workers continue their careers after marriage while taking care of their children, the future of our country. Pulmuone recognizes the high value of female talents and strives to create institutional and cultural environment where women can maintain balance between their work and family.

[Female-friendly environment]

Program	Description
Paternity leave	Provide 3 days of leave when an employee's spouse gives birth
Nursery room	Open an in-house nursery room for female workers with infants
Maternity leave & childcare leave	Encourage married female workers to freely take out maternity or childcare leaves upon their needs(the return rate after maternity leave: 92%, childcare leave: 85%)
Flexible work system	Reduce work hours or offer flexible work regime(allow employees to come to work or leave at different time) when employees have to take care of their babies
Congratulatory money for childbirth or school entrance of children	Pay congratulatory gratuity for employees' childbirth, or school entrance of their children
Child-raising allowance	Pay a defined amount of monthly allowance per child to support childcare of female workers until their children become 24 months old

Female employment status

Female workers account for 55% of the entire work force. In office

workers(research staff), women make up for 31% and 17% of Pulmuone managers are women. The overall share of female workers slightly declined compare to the previous year, but the share of female managers has increased.

Year	2009	2010	2011
Female workers	56%	56%	55%
Female workers in office	33%	34%	31%
Female managers	15%	15%	17%

Training System & Talent Development

Orientation training reinforced for new entrants

Pulmuone offers dual-track orientation training to help new entrants adjust themselves to their works and corporate culture as the company has year-round recruiting policy. The dual-track training consists of one-day training on essential job information and work guidance given right after the new employees come to work, and quarterly training for new entrants across the company on the POP(Pride of Pulmuone) course where new employees can experience and learn the aspirations of Pulmuone. The dual-track training addresses hardships that new employees might face during their acclamation process and provides a chance to learn the corporate core values in detail.

Knowledge worker training to reinforce core competency

Under the recognition that it is 'humans' that make the organization sustainable, Pulmuone designed a unique program on its organizational culture in 2011 which contains Pulmuone language and cases to develop human talents. Employees come to understand the mission, vision and core values of Pulmuone, and learn how to improve their core competencies in order to grow into the talent the company wants. As of December 2011, a total of 23 talent development training sessions were delivered with about 700 employees completing the course.

Labor-Management Communication

Pulmuone opens a venue for its labor and management come together on a regular basis to discuss working conditions, wage, and collective bargaining every year. It has also introduced varied communication initiatives to promptly circulate and communicate overall management directions and corporate vision to employees. It is an effort to support the employees to have ownership and actively engage themselves in the management process.

Grievance redress & labor-management council

To listen to employee complaints and address grievances, Pulmuone has designated grievance redress officers, and opened a separate counseling office to resolve complaints of employees. It organized quarterly labor-management discussion for each work site, and agreements and results coming out of the discussions are put on the internal bulletin board to be shared with employees across the enterprise. In the future, Pulmuone plans to conduct preemptive monitoring in addition to the ongoing grievance redress to prevent employee grievance in the first place.

[Union membership update]

Plant type	Doan green juice	Doan health functional food	Eumsung tofu	Chuncheon tofu	Uiryeong tofu	Pulmuone Waters	Sprout	Total
Union type	Company-level	Company-level	Company-level	Industry-level	Industry-level	Company-level	Company-level	
head union	AFIU(Association of Food Industry Unions) of FKTU (Federation of Korean Trade Unions)	ACIU(Association of Chemical Industry Unions) of FKTU	ACIU of FKTU	CTIU(Chemical and Textile Industry Union) of KCTU(Korean Confederation of Trade Unions)	CTIU of KCTU	FKTU	ACIU of FKTU	
Total(ppl)	83	68	141	98	64	108	56	621
Those qualified(ppl)	71	59	102	82	56	71	44	487
Union members(ppl)	70	56	102	25	23	21	17	315
Membership rate(%)	98.6	94.9	100	30.5	41.1	29.2	38.6	64.7

Labor Union

Membership qualifications & provisions

As of late December 2011, there existed seven labor unions within Pulmuone. The union membership rate stands at 64.7% out of those entitled to join, and the company guarantees employees the freedom to join a labor union and participate in union activities as clearly stated in the collective agreement.

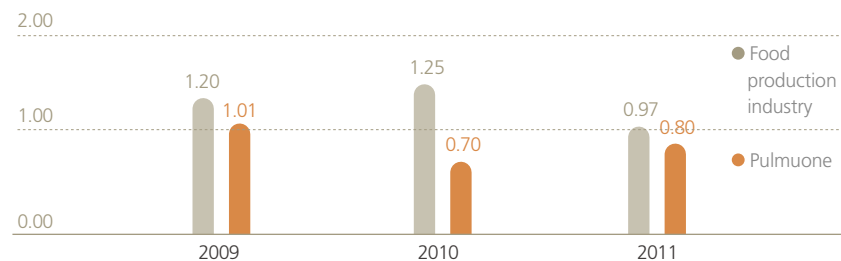
Status of union members

Pulmuone guarantees its workers the right of assembly. Each labor union defines the qualifications and conditions of membership according to its own provisions, and those entitled to labor unions can freely join unions to carry out union activities as members. In addition, those who are recognized as Pulmuone employees are fully allowed to establish a labor union themselves.

Workplace Safety

Occupational accident, number of the injured, absence rate

The overall occupational accident rate of Pulmuone is 0.8%, which is 0.17% lower than the food industry average(as of November 2011). Pulmuone's accident rate in 2011 increased by about 0.1% compared to 2010. The slight increase was largely driven by the occupational accident rate of the promoters. Aware of this, the company is working to reduce the accident rate by offering sustained safety training to temporary workers and developing a safety manual. The total number of injured employees in 2011 stood at 21, and the subsequent employee absence rate was 0.16%.



* Exhibit: Cumulative occupational accident rate released by the Ministry of Labor in November 2011(absence rate: (total days of absence/scheduled work days in total) x 100)

Compliance with occupational safety laws

Pulmuone monitors any amendments of occupational safety laws and shares the results across the enterprise through its internal Occupational Safety Council(convened every two months). It also makes annual diagnosis on its compliance with relevant laws. The compliance rate was 89.4% in 2009, 96.2% in 2010, and 96.8% in 2011. Starting from 2011, Pulmuone has monitored the management status through its management system for voluntary management of occupational safety and legal compliance by its worksites.

Safe Workplace Program & Training

Standard manual for workplace safety

Pulmuone has written a standard safety manual based on the characteristics of each worksite to preempt material occupational accidents and prevent risks of handling machinery at the source. It informs its workers of risk points on a regular basis and places the manual at every facility for safety operation, which is also utilized in the training course for all employees, new entrants, and TBM(Tool Box Meeting).

When developing the manual, Pulmuone involved facility managers and team/department leaders of the field in the process with the objective of making all employees take initiative in managing safety by identifying loopholes and rooms of improvement. It also strives to preempt an accident and damage to employee health by implementing a 52-week relay campaign designed to address imperfections of its occupational health safety, and identifying near-miss accidents for improvement. Such proactive safety initiatives led by the company has greatly improved safety management capability of each worksite, naturally leading to heightened employee awareness of occupational safety.

Program on illness prevention & health improvement

Pulmuone has proactively introduced various programs such as supporting purchase of health and living products, offering health check-ups, operating a gym for physical strength, and carrying out a campaign to prevent musculoskeletal and other illnesses. Thanks to Pulmuone's efforts to improve employee health, all worksites of the company have been equipped with in-house gyms by December 2011.

Policy and program on illness prevention and health improvement



Social Performance _ Partners

[Supplier selection & contract-signing process]



Partner Selection Process

Pulmuone process to select partner companies

The first priority Pulmuone puts when selecting its suppliers is the sanitary level of their production environment. It has to be confirmed through on-site inspection whether they are in compliance with the requirements of the Food Sanitation Act and aligned with the quality principle of Pulmuone. The results of the inspection serve as guidance to select suppliers who guarantee the basic quality level Pulmuone seeks. As for candidates who fall short of the Pulmuone criteria, Pulmuone shares rooms for improvement with them before carrying out a second round of inspection, thereby offering an opportunity for transparent and fair transaction. Meanwhile, those who have implemented green management practices such as using environment-friendly ingredients can be included in the priority candidate list and receive additional points in the regular

partner evaluation in order to encourage them to pursue socially responsible and environmentally friendly initiatives.

Supplier Pledge of Pulmuone Waters

Pulmuone Waters looks for partners with strong commitment to maintaining its strong brand value and trust, and driving its inclusive growth strategy when selecting franchisees and distributors. Pulmuone also mandates its partners to read and confirm the contents of 'Supplier Pledge', and sign it for submission. Supplier Pledge has been prepared based on the ethical, moral and sustainability management principles of Nestle a primary requirement for all suppliers. The pledge consists of business transparency/integrity, sustainability, employment criteria, safety and sanitation, environment, audit and suspension of supply contract while serving as a prerequisite to sign a contract with Pulmuone Waters.

Win-Win Collaboration with Partners

Activities for win-win collaboration

Exofresh Logistics

There are two types of partner companies for Exofresh Logistics. One is the consignors of goods which outsource 3PL(3rd-party logistics) services, and the other is logistics service supporters such as transportation companies, subcontractors and facility companies. Exofresh Logistics offers tailored optimum cold-storage logistics service which guarantees the exact time, temperature and delivery amount to the 3PL players with the support from partners who provide logistics optimization service.

Pulmuone Waters

Franchisees and distributors of Pulmuone Waters are usually operated as sole proprietorship since they require only small amount of capital for starting a business. Aware of the constraints of small business, the headquarters of Pulmuone Waters offers business expertise over the long term through its training programs and business guidance to support stable business operation over the long haul. Deep and strong trust as a consequence of such efforts between the headquarters and distributors is thought to be the main reason for significantly lower franchisee attrition relative to other companies.

Supplier Inspection

Regular inspection by Pulmuone Foods

Suppliers are subjected to inspection on their financial health, deadline observance, quality competitiveness, price competitiveness and business capability on a regular basis(annual) after being selected as partners. If there is any negative social consequence out of the supply contract, the contract is automatically terminated. In March 2011, Pulmuone selected top 13 companies based on its

comprehensive inspection on 49 OEM supplier candidates at the first round of screening and after that, put them through the second round to finally come up with six partners consisting of the no. 1 player in each of six categories.

Pulmuone Health & Living

– partner evaluation on sustainability management

Pulmuone Health & Living primarily looks at social and environmental contribution when assessing its partners. Clean production environment and process inspection are prerequisites for sustainability management of partner companies. Clean production environment is especially a primary condition to provide authentic wholesome foods, and therefore, takes up a huge proportion in partner evaluation. Even after selecting suppliers, Pulmuone Health & Living monitors financial health, deadline observance, quality competitiveness, price competitiveness and business capability of partner suppliers on a regular basis(annually) and adjusts sourcing rules by executing strategy fit for a supplier type such as strategic partnership, long-term partnership, or short-term partnership based on its evaluation criteria.

Foodmerce

Foodmerce conducts periodic inspection on its partners by enlisting FTC(Food Material Technology Center) officers working for FSC(Food Safety Center). It executes intensive inspection on partners during summer when food poisoning risk gets higher, and undertakes analysis on microbe and safety of food materials and finished products. The results of regular inspection are communicated to partner suppliers to improve their sanitary or safety practices in collaboration with FSC if there is any room for improvement.

Communication with Partners

Pulmuone is convinced only the sustainable growth of partner suppliers can be the foundation for shared growth. With this recognition, the company has built close communication channel tailored to the business characteristics of its subsidiaries. Through the channel, Pulmuone recognizes robust performances and best practices of the partnership, and expresses its gratitude to partner companies on a regular basis.

Partner suppliers hold periodic partner meetings, organic food producer meetings, QC(Quality Control) meetings where they can make suggestions and report inconveniences, if any, to Pulmuone. Pulmuone also operates an ongoing channel for interactive communication by dispatching the employees in charge of partnership to the partners.

Company name	Communication channel	Description
Pulmuone Group level	Sourcing portal system(http://sp.pulmuone.com)	<ul style="list-style-type: none"> · Handles complaints or grievances of partner suppliers · Prevents production defects and drives improvement activities
Pulmuone Holdings	QC meeting	<ul style="list-style-type: none"> · Organized semi-annually · Shares systemic and specialized food safety management practices · Trains quality managers
Pulmuone Foods	Partner meeting	<ul style="list-style-type: none"> · Held annually · Develops partnership by setting 'Best Partner's Day' in March · Evaluates/awards good partners annually
Pulmuone Health & Living	Partner meeting	<ul style="list-style-type: none"> · Held semi-annually · Includes farmers supplying food materials for green juice · Provides e-commerce contract training · Offers Pulmuone LOHAS academy sessions
	Organic food producer meeting	<ul style="list-style-type: none"> · Held every 4 months · Maintains win-win/strategic partnership with organic farmers
Pulmuone Waters	Franchisee meeting	<ul style="list-style-type: none"> · Held semi-annually · Offers training manual · Introduces advanced management schemes

Social Performance _ Community

2010
SR

46p

Dedicated organization: PR Dept

Under the aspirations of 'contribute to communities' and 'facilitate voluntary employee engagement' through its varied social contribution campaigns and Mecenat¹⁾ support, Pulmuone plans various initiatives optimized for business scope of its subsidiaries/affiliates and identifies new opportunities to fulfill its corporate social responsibilities.

1) Mecenat Supports and sponsorship of a company for culture, art and sports for public benefit under social and humanitarian causes

Employee activities for communities

'LOHAS Designer', employee social contribution corps

Pulmuone has established enterprise-wide social contribution corps named 'LOHAS Designer' for systemic undertakings of employee social campaigns. A total of 40 volunteering teams have been formed in Pulmuone Holdings, Pulmuone Foods, ORGA Whole Foods and Foodmerce. If Pulmuone Health & Living also has LOHAS Designer in place during 2012 as is planned, all subsidiaries of Pulmuone come to have their own volunteering corps within the company.

'LOHAS Designer', employee social contribution corps



[Employee volunteering activities]

Year	2009	2010	2011
Hours	6,709	7,889	9,852
Participants(pp)	1,491	1,929	2,149

'Love Neighbor Fund' raised by employees

Pulmuone executives and employees donate certain portion of their salary to neighbors in need every month. The fund raised from their donation is transferred to Korea Food for the Hungry International to be spent for the underprivileged home and abroad.

[Employee fundraising status]

Unit : KRW 1,000

Year	2009	2010	2011
Accumulated	209,121	152,894	140,452
Spent	173,433	99,546	85,354
Cumulative balance	111,313	164,661	219,759

Fundraising for children suffering from intractable diseases

Pulmuone organizes a fundraising event for the underprivileged instead of a typical year-end party in every December. In 2011, Pulmuone employees were dressed up as Santa Claus to raise six million won for Wish Fund and donated the money to Korea Make a Wish Foundation for children with intractable diseases. The money was spent to realize the wish of two children suffering from intractable diseases.

Activities for social contribution

Social media campaign in partnership with Korea Food for the Hungry International

Marking the World Food Day(October 16), Pulmuone waged a fundraising campaign for emergency food assistance through social media. The campaign was held at Pulmuone Facebook page(www.facebook.com/pulmuonelove), blog(Secret Story of Pulmuone, <http://blog.pulmuone.com>) and Twitter account(@pulmuonelove) simultaneously. About 10 million won was raised to be donated to Korea Food for the Hungry International and was spent as financial assistance to Malawi children's vine yard cultivation.

‘Zero Zero Metabolic Syndrome’ campaign

In the second half of 2011, Pulmuone Health & Living carried out a metabolic syndrome awareness campaign for the community and ‘Health Guide’ training program for those working for low-income women suffering from metabolic syndrome in partnership with Korea Woman’s Environmental Network.

Talent development project

Starting from 2011, ECMD has offered an opportunity to experience what it is like working at restaurants for the underprivileged youth cooking club named ‘Happy Home’¹⁾, and run ‘Youth Hopeful Project’ which supports scholarship to cooking schools, provides training at concession shops and hiring interns to develop talents.



Restaurant tour of students

1) Happy Home A youth shelter operated by Rainbow Green Frog, the youth welfare foundation

‘Bravo Your Life’, tour campaign to raise awareness about menopause

Hosted by Korea Foundation for Women and organized by Korea Women’s Hot Line, the awareness campaign on the menopause was carried out by inviting renowned lecturers to offer seven educational sessions between October and November of 2011 to 404 middle-aged women in major cities across the country. Pulmuone Health & Living shouldered cost for the campaign along with gifts for participants. For 2012, the company is planning to provide cultural events as well as educational campaigns.

Contract to improve health of infants/kids

On October 28 of 2011, Pulmuone Health & Living signed an agreement to improve health of infants/kids with Seoul Foundation of Women and Family which includes a campaign for the right weaning diet for babies. Through the campaign, the company has supported educational materials on the weaning diet

for babies which have been provided to Korean Dietary Communication Center. It has also donated products of its Babymeal brand to the Seoul City Single Parent Family Support Center while opening a lecture on baby meals for single mothers.

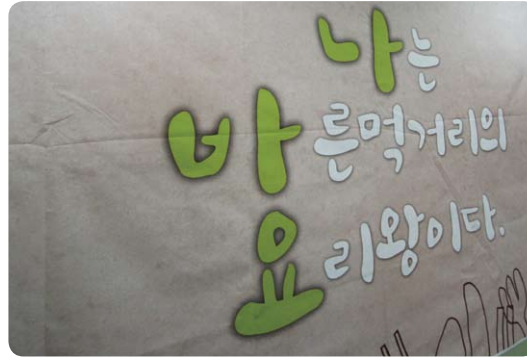
Activities for cultural contribution

Pulmuone Kimchi Museum

Pulmuone has operated Kimchi Museum since 1986 which is located on the second underground floor of Coex Mall, Samsung-dong, Seoul. The museum exhibits traditional tools and utensils to make Kimchi, and displays records and pictures about Kimchi to give a comprehensive glance to history of Kimchi. It opened programs for both kids(‘Exciting V’, ‘Kimchi Kids’, ‘Special Unit for Kimchi’) and adults(‘Come to Make Kimchi’) along with various programs to understand the traditional cuisine of Korea including a theater play(‘Here Comes Kimchi, the Health Fighter’). The museum also hosted 11 sessions of cultural events for multicultural families(‘Multi-Cultures in Korea’, ‘Korea in Multi-Cultures’) to open a channel for intercultural communication. Website of Pulmuone Kimchi Museum: www.kimchimuseum.co.kr

[Program for multicultural families]

Program name	Intent	Target	Number of sessions	Description
Act	Designed to raise awareness and understanding of multicultural families	Multicultural families	6	- Traditional theater performance - Tour around the museum exhibits - Kimchi experience
Open	Promote understanding on multi-cultures and spread positive perception	Families and related groups interested in multi-cultures	5	- Understanding on multi-cultures - Tour around the museum exhibits - Kimchi experience

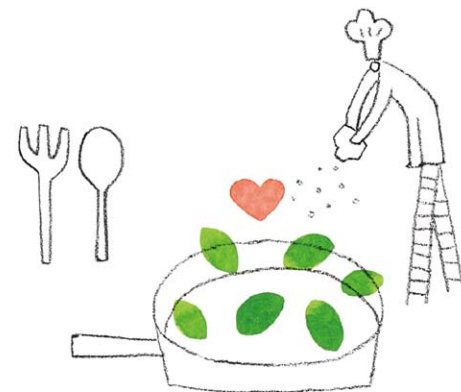


C-cubic, the corporate culture team of Pulmuone, organized 'I am the King Cook for Authentic Wholesome Foods' with an aim of creating 'great corporate culture and great workplace'. The mission of the cooking competition was to cook a LOHAS diet based on tofu and vegetables. Seven participating teams came up with delicious foods with their unique recipe that look so tasty watering the mouths of observers. On the sideline of the cooking competition, other interesting events such as an auction were held. The proceeds from the cooking competition and other events were donated to 'Love Neighbor Fund'. Looking at smiley and happy faces at the corporate-wide competition full of authentic wholesome foods and love for neighbors, you would realize

THIS is definitely the place where everyone can enjoy working.

 A very personal story of Pulmuone 5

Pulmuone Cooking Competition! Can't Resist the Tasty Smell!



Environmental milestones

Convinced 'humans can become healthy only when nature is healthy', Pulmuone practices 'green management' based on its five-principled agenda which encompasses the entire corporate activities from production to distribution.



Grow green with
'green management'



Environmental Performance

Green Management

Believing ‘humans can become healthy only when nature is healthy’, Pulmuone has implemented green management practices to deliver authentic wholesome foods which should be considered gifts from nature. Green management that cares for both human and nature is an act of communication with consumers that can be facilitated by providing authentic wholesome food to consumers.

To augment its activities to offer authentic wholesome foods, Pulmuone has generated the environmental safety agenda with five principles aligned with the global standards that encompasses from production to distribution process.

Environmental safety agenda with 5 principles

Direction for phased implementation

Sustained improvement of environmental performance	<ul style="list-style-type: none"> · Make sustained improvement of performances by monitoring energy/water consumption · Better energy efficiency of facilities(need to enhance 4% every year) · Research any changes in emission as more products become subjected to carbon footprint calculation
Healthy workplace	<ul style="list-style-type: none"> · Continue to push ‘No Safety Accident’ campaign and observe safety rules for zero accident · Reinforce trainings on the safety manual and communicate how to respond to natural disasters · Identify and report on near-miss accidents, and drive sustained improvement by monitoring safety initiatives
More green products	<ul style="list-style-type: none"> · Procure more green ingredients and materials when developing products · Develop and expand green packaging · Include carbon emissions management when assessing partners
Green production process (logistics centers/stores)	<ul style="list-style-type: none"> · Streamline production stages by reinventing products and process · Recover and recycle waste heat from production process · Manage and receive validation from the 3rd party on greenhouse gas emissions · Extend green stores and environment-friendly logistics centers · Expand the utilization of renewable energy
Better internal/external communication	<ul style="list-style-type: none"> · Drive green company/food accreditation · Expand low-carbon/carbon footprint accreditation · Enhance brand image through sustained PR activities and green campaigns

Environmental Performance Trend

Category	Unit	2007	2008	2009	2010	2011	
Efficiency in using materials*	Bean consumption	-	3.799	3.676	3.733	3.802	4.708
	Noodle consumption	-	5.63	5.98	6.05	5.29	5.29
	Green juice consumption	-	1.279	1.298	1.274	1.413	1.611
Energy ¹⁾	Direct energy consumption	10 ⁻³ TOE/product ton	44.3	45.5	49.4	50.7	51.9
	Indirect energy consumption	10 ⁻³ TOE/product ton	56.3	62.9	68.4	71.8	74.2
Water	Water consumption	m ³ /product ton	16.8	17.8	14.3	13.6	14.1
GHG ²⁾	Total CO ₂ emission	1,000tCO ₂ /year	54.9	57.8	61.8	66.6	78.4
	CO ₂ emission from production	1,000tCO ₂ /year	34.1	34.3	36.4	37.8	38.8
	CO ₂ emission from logistics	1,000tCO ₂ /year	20.8	22.7	23.9	26.7	31.4
	CO ₂ emission from service	1,000tCO ₂ /year	-	0.7	1.5	2.1	8.2
	CO ₂ basic unit in production	tCO ₂ /product ton	4.1	4.6	5.2	5.6	5.4
	CO ₂ basic unit in logistics	tCO ₂ /KRW 1 mil.	14.7	17.1	19.2	17.9	15.3
	CO ₂ basic unit in service	tCO ₂ /KRW 1 mil.	-	28.2	39.1	31.3	22.1
Water management ³⁾	Water discharge	m ³ /product ton	6.8	6.7	6.9	5.7	6.2
Waste ⁴⁾	Amount	Ton/product ton	0.114	0.104	0.087	0.041	0.054
	How to process						
	- Recycling	%	99	98	98	97	99
	- Landfill	%	1	1	1	3	1
	- Incineration	%	1	1	1	0	0
	- Cost for environment investment & management	KRW 100 mil.	32.00	57.19	56.86	35.18	50.78

* The consumption efficiency unit : semi-finished production(ton)/materials input(ton) in dimensionless unit

1) **Energy** Production performance(Pulmuone Health & Living, Pulmuone Foods, Pulmuone Waters, Pulmuone Farm, SinSeon Natto)

2) **GHG** Logistics(Exofresh, Foodmerce center in Yangji), Service(LOHAS Academy, ECMD, ORGA Whole Foods), Production(Pulmuone Health & Living, Pulmuone Foods, Pulmuone Waters, Pulmuone Farm, SinSeon Natto)

3) **Water management** Performance in production(Pulmuone Foods, Pulmuone Health & Living, SinSeon Natto, Pulmuone Waters, Pulmuone Farm)

4) **Waste** Performance in production(Pulmuone Foods, Pulmuone Health & Living, SinSeon Natto, Pulmuone Waters, Pulmuone Farm)

Initiatives to Lessen Environment Footprint



Efforts to reduce environment impact of procurement

Pulmuone never uses GMO food and radiated food materials, and strictly controls detrimental factors such as residual pesticide or heavy metal. These are the part of efforts to produce healthy products and eliminate any factors that might cause consumer anxiety.

[Overarching principles for materials procurement]

Item	Domestic legal standards	Pulmuone standards	Description
Pesticide residues	· Organic foods: 1/10 of the legal limit	· 'No detection' principle for organic foods	· Major agricultural products (soybean, cabbage, etc) · Periodic monitoring on residual lements
Heavy metal	· Total heavy metal (processed foods)	· Analysis & control of individual elements(arsenic/lead/cadmium)	· Increase of products under control (including produce and soil) · Metal detectors installed to inspect all products
GMO	· Explicit display of information when it exceeds the legal limit of 3%	· No GMO allowed (3% ceiling, allowed only when there is no GMO protein)	· Place of origin confirmed for every primary and secondary materials · Sample examination per kg of imported produce

- To produce bean sprouts, for example, Pulmuone uses Pungsan beans produced from Cheju island which go through the residual pesticide detection test twice. Pulmuone strictly controls pesticide residues with its no-pesticide cultivation system.

- ORGA Whole Foods, meanwhile, uses environment-friendly vegetables, fruits and grains along with environment-friendly agricultural and livestock goods with no L-sodium glutamate, synthetic artificial dyes or preservatives. It also uses non-GMO materials for all of its domestic/imported agricultural products and processed foods.

- Pulmuone Green Juice uses clean and safe materials that have been certified as organic produce and satisfied the evaluation criteria for the place of origin/safety.

Initiatives for product development

Low-carbon organic tofu for fried foods

In 2011, Pulmuone's organic tofu for fried foods was certified as low-carbon products for the first time in Korea. Carbon footprint labeling shows GHG emissions throughout the product lifecycle from production to distribution, usage and disposal on the product label. It is only given to products certified for its carbon emissions and meet the criteria for low-carbon products. To cut down carbon emissions, Pulmuone reuses indirect cooling water whose temperature has gone up during the production of organic tofu to clean facilities, and the residual heat from wastewater is used to heat process water. In addition, it has introduced eight low-carbon production practices such as reducing the weight of packaging containers and streamlining its six-stage process to four stages by modifying design of packaging film.

Initiatives for production

Less water consumption

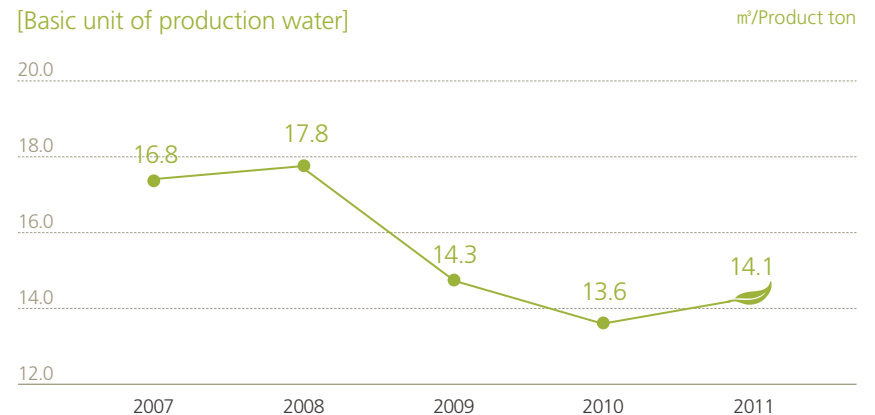
Pulmuone has implemented socially responsible practices for water usage and discharge as it consumes heavy amount of water for materials cleaning, production, and post-production cleaning of facilities. Its initiatives for responsible operation include followings:

- Drive innovative campaigns to reduce consumption of water, the irreplaceable resource
- Maintain the pollution level of discharged wastewater to less than 1/2 of the legal limit
- Apply stricter standards to wastewater directly flowing into river so that it can be used for agriculture

[Water supply for production]

Year	2007	2008	2009	2010	2011
Total consumption(m³)	2,374,087	2,798,334	2,696,525	2,876,492	2,975,486
Groundwater(%)	30	23	26	26	23
Water supply from waterworks(%)	70	77	74	74	77
Geum river(m³)	1,962,317	2,360,073	2,223,104	2,348,091	2,504,406
Eumsung tofu, Eumsung vegetable, Eumsung fresh noodle, Doan health functional food, Doan green juice, bottled water, SinSeon Natto					
Nakdong river(m³)	166,193	186,761	176,551	173,445	166,018
Uiryeong tofu					
Han river(m³)	245,577	251,500	296,870	354,956	305,062
Chuncheon tofu, ice					

[Basic unit of production water]



Less water consumption for sterilization and cooling

The sterilization and cooling facilities for minced garlic were replaced with automatic equipment. The replacement has reduced quality variance thanks to better management of water consumption, temperature and time. The control for microbes has also improved. Subsequently, the amount of water needed to produce 1.5 tons of minced garlic has decreased from 15~17 tons to just three tons.

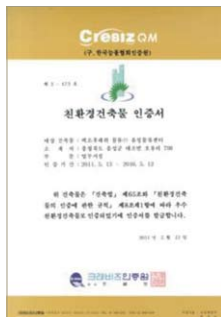
Carbon emissions reduction with larger transport vehicles

Pulmuone leads efforts for carbon emissions reduction by using larger transport vehicles instead of smaller ones for transportation between logistics hubs. This practice enhances transport efficiency as it increases the average transport volume. For example, when it shifted from two 5-ton vehicles(fuel efficiency: 4.25L/km) to one trailer(fuel efficiency: 2.5L/km), the monthly light oil consumption decreased by 1,100L. At present, Pulmuone is introducing two larger vehicles which consume 0.8% less fuel expense per month, contributing to lower carbon emissions.

Efforts in logistics

Eco-friendly logistics center

The Eumsung logistics center of Exofresh Logistics was designed and constructed with green technologies such as reducing energy load, improving energy efficiency, recycling resources, and lessening environmental impact with the objectives of energy saving and environment preservation. Recognized for thoughtful construction engineering, it has become the first logistics center in Korea that was accredited as the eco-friendly structure.



Eco-friendly building certificate(class of excellence)

[Eco-friendly technologies applied to the Eumsung logistics center]



Low-temperature automation center in Eumsung

Has the largest low-temperature automation facilities, the first logistics center accredited as eco-friendly architecture



Eco-conveyor

Reduces the annual CO₂ emissions by 70 tons by employing direct current electricity



Temperature management system

Maintains the temperature lower than 2°C for efficient management of product quality and facilities



Rainwater recycling

Recycles rainwater for landscaping or cleaning



Ammonia freezer

Prevents the ozone depletion and global warming by using eco-friendly refrigerant(CO₂)



Wind/solar-powered street lamps

Street lamps based on wind power and solar energy



Cold-storage equipment

Reduces carbon fuel consumption and operation hours of freezers by using cold-storage equipment for trucks



Reusable box

Reduces styrofoam usage with reusable boxes that can be recovered after delivery

Efforts in product usage

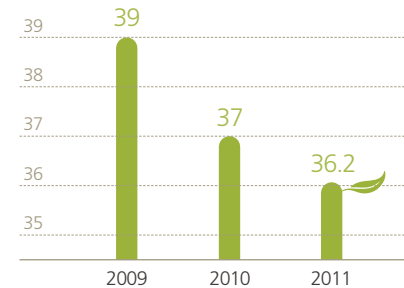
Less packaging materials

Lighter water bottle Pulmuone has minimized the weight of preform used for water bottles when producing PET products, and is planning to undertake a project in 2012 to reduce the weight of a bottle cap.

Weight of 0.5L bottle Unit: g



Weight of 2.0L bottle Unit: g



Lighter tofu case

The weight of a tofu case was reduced by 7% from 11.3g to 10.5g. At the first stage, the lighter case was used only in one product, but its usage will be expanded in 2012.

Lighter bottle for I'm Real

The weight of 190ml 'I'm Real' bottle was also reduced by 4% from 24.5g to 23.5g.

Thinner films

Pulmuone uses 22% thinner film for the traditional soft bean curd condiment packaging, and 17% thinner polyethylene film for its noodle products.

No printing on the cap of Cup Ice

The product name, Cup Ice, which used to be printed on both the cap and the case is now only on the case to shorten the production process.



Packaging recycling

ORGA Whole Foods has minimized packaging waste by using eco-boxes which can be collected right after delivery along with ice boxes and ice gel, and by recycling packaging materials in good shape. In 2011 alone, the company recycled as much as 35% of 32,923 packaging boxes. The recycling campaign was proactively promoted as green campaign for the environment, boosting the customer engagement in the LOHAS programs.

[Eco-box usage after recovering packaging styrofoam]



500 points for each eco-box



200 points for each styrofoam box



Efforts in final process

Less impact from wastes

In September 2010, Pulmuone devised a plan to recycle green juice byproducts from the Doan green juice plant, and organic wastes from the spent mushroom substrate of Saenggeuk Farm as fertilizers to improve the low soil fertility of LOHAS Academy. It registered itself as industrial waste recycling facility on March 25, 2011, to complete preparation, and collected 350 tons of organic subsidiary materials to produce 300 tons of organic composts from April to December in 2011, which were used to improve soil fertility of about 43,000m² of the soil in LOHAS Academy. The total facility investment amounted to KRW 25 million. The financial value of organic composts produced in 2011 was 46 million won, and when the materials transport and other related costs are excluded, it has the economic benefit of 28 million won.

Eco e-story

Pulmuone introduced ECMDPRO program in July 2011 in order to spread Eco-e-Story for eco-friendly diet and activities which had been initiated in 2010. ECMDPRO is a computerized system managed by the headquarters to provide eco-friendly diet and monitor registration of the residual food amount. In 2011, the company drove the Eco e-Story campaign through ECMDPRO which included 359(95.9%) worksites providing eco-friendly diet and 357(95.3%) worksites registering their food residue amount on the database out of the entire 374 worksites. In 2012, the computerized database on food residues will be leveraged further to drive the campaign sustainably and serve as a valuable tool for the company to lead eco-friendly efforts of the food service industry.

Hazardous materials management

For greener and safer operation, Pulmuone analyzed PCBs(Polychlorinated Biphenyls) content in transformer oil as it uses oil-type transformers in the

Eumsung fresh noodle plant. PCBs in transformer oil exceeded the legal limit(500m) to be categorized as hazardous waste in the analysis. However, as there is no proper agency to handle waste from oil transformers in Korea, Pulmuone reports details of its usage of oil transformers to relevant public administrative offices. The oil transformers will be disposed of by proper hazardous waste treatment agencies when they reach their end of life.

Efforts in school meal/restaurant business

Eco-friendly & safe resting lounge

ECMD has converted the Gapyeong resting lounge into a green and safe lounge measuring up to the global standards. It has also installed an automatic chlorine dispenser in the water pipes for the 400-ton reservoir to improve quality of potable water for customers. Also, kerosene oil used for heating and hot water has been replaced with Hi-sense¹⁾(by-product oil no.1) for greener operation.

In addition, it installed a filtering membrane in settling tanks to improve its wastewater treatment and parking lot facilities in collaboration with Seoul Chuncheon Highway, the operator of the highway linking Chuncheon with Seoul.

1) Hi-sense By-product oil rather than extracted from underground reserve. It is based on naphtha and condensate, produced by purifying crude oil.



External activities for green management

Low Carbon Green Growth Expo

Pulmuone opened its own exhibition booth at Low Carbon Green Growth Expo in Coex from October 12 to 15, 2011, in order to raise consumer awareness about the company's five types of activities to provide authentic wholesome foods.



Pulmuone booth at Low Carbon Green Growth Expo

Pulmuone's five types of activities

Receive from nature Reduce GHG for a brighter future

Grown by nature Use eco-friendly ingredients given by nature

Hold nature Make healthy and safe food in its most natural state by reducing food processing

Protect nature Preserve nature in every step of the way starting from production to logistics and distribution for a healthier earth

Speak nature Ensure to provide information about authentic wholesome foods as it is as important as delivering them

Efforts to preserve ecosystem diversity

Pulmuone's LOHAS Academy is surrounded by breathtaking nature including the nearby sokri Mountain National Park. It has high biodiversity such as luscious forest, farmland, wetland, scree and others. In 2011, it hosted 3,705 Pulmuone employees and business partners for a program to experience LOHAS lifestyle where all of the participants recognized the importance of nature and pledged to practice LOHAS lifestyle. Pulmuone has also built artificial wetland at all of its worksites to purify wastewater before it is discharged to river and stream. After wetland was made for better water quality, migrant birds that had not been in sight started to inhabit near to wetland, proving once again wetland made by Pulmuone is contributing to biodiversity.



1. Program to experience LOHAS lifestyle
2. Program to experience LOHAS lifestyle
3. Doan plant: JaDamYeon(a pond that holds nature)
4. Eumsung fresh noodle plant: Crystal Water Garden that looks so much like Pulmuone

Third Party's Assurance Report

To the Management of the Pulmuone 2011 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 2011(hereinafter referred to as the 'Report')

Accountability and Objective

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.

Independence

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)¹

2) BEST Guideline²

3) Global Reporting Initiative(GRI) G3.1 Sustainability Reporting Guidelines³

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1. 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.

2. 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.

3. The Global Reporting Initiative(GRI), which was jointly convened by the Coalition for Environmentally Responsible Economies(CERES) and the UNEP in 1997, first released its G3 Sustainability Reporting Guidelines in October 2006. The G3.1 Guidelines, which is an update and completion of the G3, was published in March 2011, featuring broader guidance on how to report on human rights, gender, and local community issues. G4, the fourth generation of Guidelines, is due to be launched in 2013.

Type and Level of Assurance

The Assurance Provider conducted assurance process for the Report in accordance with Type 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 on February 15, 16, and February 20, 2012
- Evaluating the Report for the extent of adherence to the GRI/BEST Guidelines

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 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]

Are procedures for stakeholder strategy-setting and engagement adequate at Pulmuone?

The Auditor found Pulmuone to appreciate the importance of stakeholder engagement in achieving its sustainability management goals, and noted continuous efforts by the Company to manage various existing processes for stakeholder engagement on a sustainable basis. The Auditor confirmed efforts to collect diverse views from its stakeholders by utilizing regular channels of communication specific to each of the respective stakeholder groups including executives and employees, shareholders, customers, business partners, and the local community. Pulmuone has encouraged stakeholder participation by employing an adequate and efficient methodology and process to identify and visibly respond to issues of material interest to both its internal and external stakeholders. The following points were found to be particularly commendable.

- Continuous use of various engagement platforms such as VOC and VOE as part on ongoing efforts to collect in-depth stakeholder feedback to later reflect in its business management activities.
- A strong commitment to stakeholder communication primarily via the main CCM(Customer Complaint Management) program etc. to troubleshoot and provide an immediate response to all customer complaints and/or damages.

Going forward, however, the Auditor suggests making an extra effort to better share the ideas produced through stakeholder engagement throughout the company to make them more actionable during execution. Also, based on this company-wide sharing of engagement outcomes, Pulmuone is encouraged to be more proactive in running the various decision-making processes linked to the Company's overall sustainability management strategy, and to also report upon any results from the broader linkage.

[Materiality]

Does the Report contain information of the highest material importance to Pulmuone stakeholders across the economic, social, and environmental dimensions?

It is the Auditor's view that the Report does not omit or exclude issues of material importance to the stakeholders of Pulmuone. We verified efforts by the Company to identify and report on issues of material internal and external stakeholder interest through a systematic materiality assessment process covering internal company policies, stakeholder surveys, peer benchmarking, media research etc. Also, through stakeholder surveys, the Company assessed priority issues for each of the stakeholder groups to provide focused reporting on key stakeholder-specific issues of the greatest material interest. The following points were found to be particularly commendable.

- The Report provides a detailed description of the process for identifying material issues and a detailed account of the materiality assessment findings
- The Report provides an analysis of key materiality testing findings structured by theme and stakeholder group making it easier to understand for readers

Going forward, the Auditor suggests disclosing the criteria applied by the Company in segmenting the materiality assessment findings, while providing more detailed coverage on certain issues viewed to be of the highest material interest in terms of implications to stakeholders and corporate risk management. Moreover, the Company is encouraged to keep track of all materiality findings to assess and manage any changes in trends from a time-series point of view.

[Responsiveness]

Does the Report provide an adequate response to stakeholder expectations and areas of concern?

The Auditor confirmed that Pulmuone has been working to provide an adequate and proactive response to stakeholder requirements and issues of interest by communicating with its stakeholder through various channels. Pulmuone has demonstrated its commitment to be responsive to stakeholder expectations and demands by putting in place a robust platform for stakeholder communication. The following points were found to be particularly commendable.

- The Report provides an account of certain negative issues as well as the Company's commitment and plans to find a solution, so that stakeholders can make good informed decisions regarding the sustainability performance of Pulmuone
- The Company carried out expert interviews to collect more in-depth comments from stakeholders while explaining Pulmuone's position and planned response as feedback

Going forward, the Auditor suggests presenting the Company's response and any improvements regarding stakeholder communication findings and comments in a more systematic way. Also, since its existing channels of stakeholder engagement are rather generic, the Company is advised to develop additional platforms such as stakeholder councils or panels that can encourage greater participation from stakeholders on issues of high interest to help Pulmuone provide a more proactive response.

[GRI Application Levels]

The Assurance Provider found the Report to apply to GRI G3.1 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 99.6% 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]

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

Reporting Year	2006	2007	2008	2009	2010	2011
Publications	1st	2nd	3rd	4th	5th	6th
Level	Level3	Level4	Level4	Level4	Level5	Level5
Fulfillment	81.3%	96.4%	98.0%	99.1%	99.5%	99.6%

Recommendations

The Auditor found the 2011 Sustainability Report by Pulmuone commendable in the following respects. The Report (1) provides strong coverage of the Company's system for sustainability management, including the overall strategy, responsible organization, and future plans etc.; (2) presents a breakdown of the DMA(Disclosures on Management Approach) by subsidiary so that stakeholders can have a more systematic understanding of the key performance results and future plans specific to each of the subsidiaries; and (3) provides results from interviews with experts in various fields relevant to sustainability management along with a show of commitment from the Company to reflect the results in future management activities.

In the interest of improved future reports, the Auditor recommends the following:

- Establish a roadmap and company-wide strategy for sustainability management based on Pulmuone's unique concept of sustainability management
- Develop a set of indicators to measure sustainability management results as well as an accompanying management system
- Develop a reporting strategy to focus coverage on key issues found to be of material interest via materiality testing
- Broaden the scope of reported performance results by reporting on the sustainability management initiatives of supplier companies
- Provide more case studies of companies that have delivered results after reflecting stakeholder engagement findings in their strategies

Pulmuone is encouraged to build a more systemic and improved framework for sustainability management and reporting based on the recommendations included in this assurance statement as well as the separate written recommendation forwarded to management.

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 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.



AA1000

Licensed Assurance Provider
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March 07, 2012

Jae-eun Kim

President, The Institute for Industrial Policy Studies

