

2012 Pulmuone Sustainability Report



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2012 Overview

The sustainability report for 2012 is the 7th of its kind since Pulmuone first released its sustainability report in 2006. The 2012 Pulmuone sustainability report represents a comprehensive group-wide perspective capturing performances of all of its subsidiaries. Since 2008, Pulmuone has taken a holistic approach to show its efforts for sustainability management and the resulting group-level performances as a LOHAS (Lifestyle of Health and Sustainability) company that deeply cares for both humans and nature.

- Reporting principles** Prepared in compliance with the G3.1 guidelines of GRI (Global Reporting Initiative) and the BEST Sustainability Reporting Guideline.
- Reporting scope** Pulmuone Holdings, subsidiaries (Pulmuone Foods, Pulmuone Health and Living, Foodmerce, ECMD, and Pulmuone Waters), and affiliates (ORGA Whole Foods)
*NHO, the affiliate of ORGA Whole Foods, was excluded from the report as its business was closed down.
- Reporting period** January 1 – December 31, 2012.
For time series analysis, this report includes data for the recent 3 years (2010 to 2012).
The time horizon is extended to 5 years, however, for some of the environmental performances.
- Reporting frequency** Annually
- Report verification** Reviewed by the Pulmuone management and verified by an independent 3rd party, IPS (The Institute for Industrial Policy Studies).

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Improvements from the 2011 Report

Categorized per major issue The highest-priority issues in 2012 are highlighted per category (i.e. economy, society, environment) with titles to help readers understand what is important in each category during 2012.

Emphasis on authentic wholesome foods The 'authentic wholesome foods' section has been newly added to capture the Pulmuone spirit committed to providing authentic wholesome foods with 'love for neighbors' and 'respect for life'.

* 'Pulmuone' refers to Pulmuone Holdings, and all of its business subsidiaries and affiliates in this report.

CEO Message

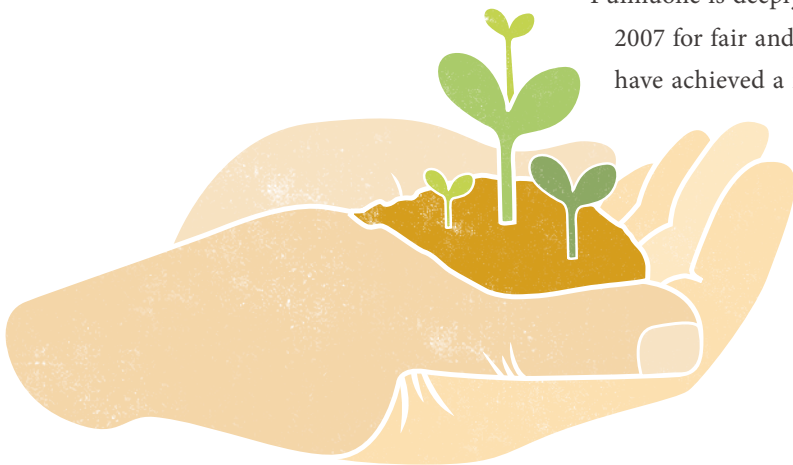
Dear valued stakeholders,

Last year was marked by tumultuous events in Korea with the presidential election redefining our country's political landscape and its economy going through rapid changes. As a consequence, the economic democratization, which means a balanced growth in a fair competition, and inclusive growth have emerged as major social issues, emphasizing the importance of corporate social responsibility more than ever. Amid growing uncertainties both in domestic and global economic environments, Pulmuone's sales increased 7% to reach KRW 1.46 trillion from last year, but its operating profit showed rather a lackluster result declining 13% to KRW 41 billion. However, despite such difficulties, Pulmuone has consistently practiced sustainability management centered on ethical, green, and socially responsible principles to realize its mission of becoming a LOHAS company caring for both humans and nature.

Fair and transparent management is placed at the center of Pulmuone's ethical management, but the overarching guiding principle for Pulmuone people above all is TISO management. TISO stands for Trust, Integrity, Solidarity and Openness, the core values of Pulmuone. For effective implementation of such core values in everyday business, Pulmuone has been providing TISO trainings across the company for all employees and executives while developing action principles for employees. The core values will continue to be spread across the company through various campaigns including the best TISO practices contest which has been in place since 2011. And starting from this year, a book on collected best practices will be published and various media will be leveraged to spread the core values further. Pulmuone, the first food company in Korea that joined the UN Global Compact in 2007, has upheld and championed the values and goals expressed in the UNGC's 10 principles for human rights, labor, environment and anti-corruption.

Pulmuone is deeply committed to fair management. Since its implementation of the Compliance Program(CP) in 2007 for fair and transparent corporate activities, Pulmuone Foods, Foodmerce, and Pulmuone Health & Living have achieved a noteworthy milestone of attaining the A-class grade or higher. Last year, Pulmuone Health &

Living and Foodmerce received grade AA in the CP grade assessment. ORGA Whole Foods followed in their footsteps by introducing the CP this year. To promote inclusive growth based on fair transaction, Pulmuone held 'Pulmuone Best Partners' Day' in last March attended by 57 suppliers and partners of Pulmuone Foods and Foodmerce. The Partners' Day will be also held this year by inviting upwards of 60 suppliers and partners to reinforce Pulmuone's commitment to inclusive growth and the initiatives to make it possible.



Pulmuone has been driving its business initiatives which are aligned with its environmental management goal of offering 'authentic wholesome foods that make both humans and nature healthier'. Our mid-to long-term goal for the environment is to reduce CO₂ emissions by 15% and water consumption by 10% by the year of 2015 vs. 2007 as base year. Last year, Pulmuone developed water-based adhesives for processed foods packaging for the first time in Korea, thereby reducing residual chemicals in packaging film for all types of tofu products and lowering greenhouse gas emissions.

Pulmuone established Pulmuone Foundation, a non-profit entity for public interest, in an effort to implement socially responsible management practices in a systemic and professional manner that is currently in full operation. The foundation is leading initiatives in 4 areas including authentic and wholesome foods, the environment, contribution to communities and Mecenat. To operate the 'authentic wholesome foods campaign' in full swing, the foundation supported the establishment of Food for Change, a social enterprise to provide the right foods. The enterprise has so far offered education to more than 5,000 children on how to confirm authentic wholesome foods. It also composed the 'Healthy Food Song' that raises awareness about the importance of foods for health so that children can establish the right dietary habit in the early stage of their lives. In 2013, Pulmuone plans to substantially increase the number and range of participants involved in the trainings to grow the authentic wholesome foods campaign into a nation-wide social movement. In parallel to this, the campaign titled 'foods temperature at 5°C' will be also implemented to stress the importance of temperature when producing and distributing fresh foods.

Pulmuone has strongly reinforced its image as the best food company trusted most by its consumers with its sustainability management practices. This year, Pulmuone was included in the rankings of 'All Star' companies for 7 years in a row, recognized as one of the most respected companies in Korea selected by Korea Management Association.

Respectable shareholders, consumers and our partners and stakeholders of communities!

Pulmuone, going forward, will strictly follow its basic principles in food business and be fully committed to producing authentic wholesome foods. The company will spare no efforts in practicing sustainability management through ethical, green and socially responsible practices to realize its mission, 'LOHAS company caring for both humans and nature'. Please join us with your encouragement and support in our journey toward a truly global LOHAS company.

Thank you

March 2013 Nam, Seung-Woo, Chairman & CEO of Pulmuone Holdings



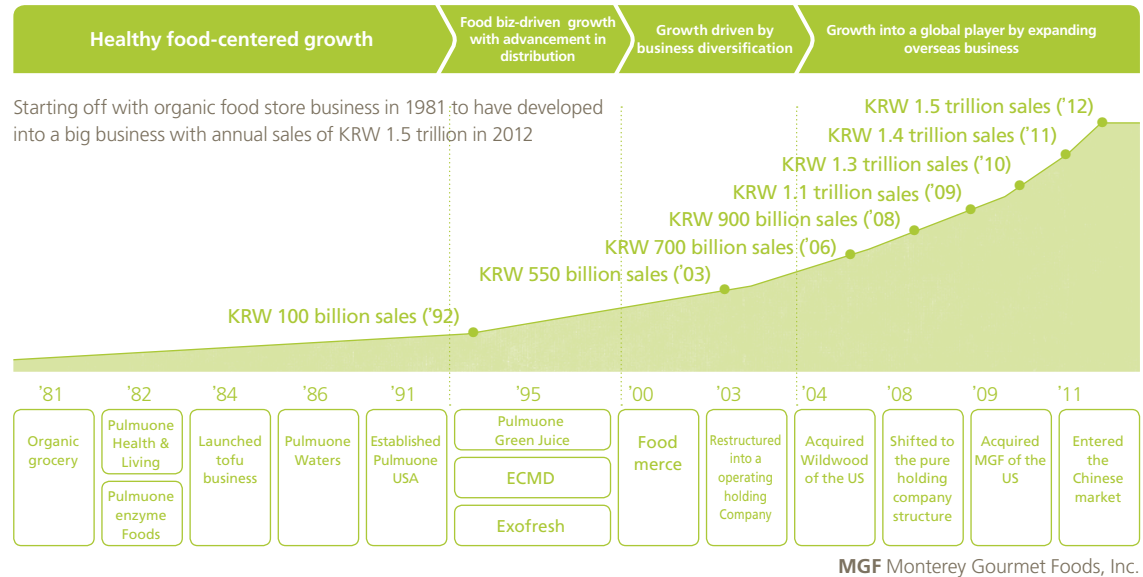
Company Overview

Corporate Profile

Won, Gyung-Sun, the founder and director of Pulmuone, established and led a farming community called the Pulmuone farm for longer than 40 years, employing organic farming methods based on principles of 'love for neighbors' and 'respect for life'. Inheriting such spirit, Pulmuone follows in his footsteps to grow into a company that faithfully serves the community. For Pulmuone, love for neighbors represents the commitment to safe and healthy foods freshly coming from nature as well as a beautiful and firm pledge for humans, and respect for life should be seen as the company's devotion to love and preserve nature, the source of all life, as a means to deliver its love for neighbors.

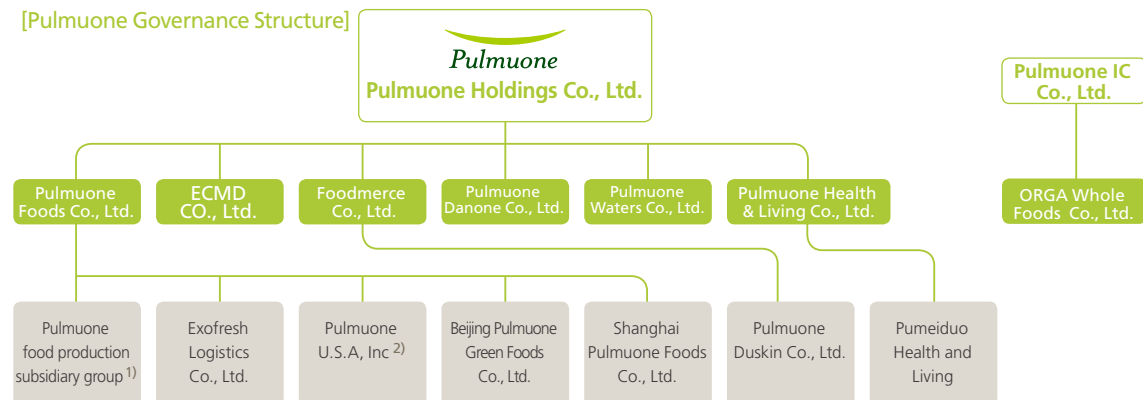
Company name	Pulmuone Holdings
HQ address	80-1 Samho-ri, Daeso-myun, Eumseong-gun, Choongbuk
Worksite address	724 Susuh-dong, Gangnam-gu, Seoul
CEO	Nam, Seung Woo
Sales	KRW 1.5 trillion
Date of establishment	May 12, 1984
No. of employees	4,968 people

[Pulmuone History]



Holding Company-Based Governance Structure

[Pulmuone Governance Structure]



- 1) The group includes PPEC Chuncheon, PPEC Eumseong Sprouts, PPEC Uiryong, PPEC Eumseong Noodles, Myungga Food and Shinsunatto.
- 2) Pulmuone Foods USA, Inc. is its subsidiary

Pulmuone Group Business Summary

Business Category	Business Unit	Business Content	Brand
NFB	Natural Foods & Beverage	Pulmuone Foods Produce and distribute fresh foods, e.g. tofu, vegetables and chilled noodles Provide cold chain logistics service	     
		Foodmerce Offer brands and food ingredients to meal service, restaurants and food ingredient markets as distributor specialized in food ingredients	   
		Pumeiduo Foods ¹⁾ Produce and sell fresh foods(chilled noodles, soy products, etc) in China ¹⁾ Beijing Pulmuone Green Foods Co., Ltd., Shanghai Pulmuone Foods Co., Ltd.	
		Pulmuone Waters Produce and sell drinking spring water in partnership with the global company, Nestle Waters	  
		Pulmuone Danone Produce and sell fermented milk products in partnership with the global company Danone	  
FLS	Foods & Life Service	ECMD Operate contract meal service, concession and restaurants at resting stops along highways as specialized food service provider	     
		Pulmuone Duskin Offer dust particle cleaning service in partnership with Japanese company, Duskin	 
DTC	Direct To Consumer	Pulmuone Health & Living Produce and sell health functional foods, functional drinks, and formulas for infants or low-calorie diets	     
		ORGA Whole Foods Operate organic/eco-friendly retail food store business (company-run stores / Shop-In-Shop, Franchisor)	  
		Pumeiduo Health & Living ²⁾ Produce and sell health functional foods in China ²⁾ Pulmuone China Co., Ltd.	
GBM	Global Business Management	Pulmuone U.S.A Produce and sell fresh foods (tofu, meat alternative, chilled/frozen pasta, sauce, etc) in the US	     

Pulmuone's Whisper

1_Award



Grand Prize at 2012 Premium Brand Award Chosen by Women

Pulmuone Health & Living's Babymeal ranked no. 1 in the premium baby food category at the 2012 Premium Brand Award. Pulmuone Health & Living will strictly follow its principle of using only authentic wholesome food ingredients and maintaining the highest quality going forward to provide food products and services befitting the image of the premium brand.



Foodmerce, Awarded as excellent Company in Green Transport

To practice Pulmuone's LOHAS value of caring for both humans and nature, Foodmerce has consistently improved air quality with various programs leading green growth of the industry. Thanks to such endeavor, Foodmerce was selected as the excellent company in the environment at the 3rd Green Transport Award.



ORGA Whole Foods, <Best Green Brand> at 2012 Korea Top Brand Award

ORGA Whole Foods won <Best Green Brand> at 2012 Korea Top Brand Award. The grand prize is given only to those who make great contribution in preserving the environment through green corporate management for human life and nature.



Award at the 1st Low-Sodium Recipe Contest

ECMD received the Best Award at the 1st Low-Sodium Recipe Contest organized by the Ministry of Food and Drug Safety. The recipe of honor is Tofu Mixed with Rice which reduces sodium in the food by adding tofu, the most representative Pulmuone product, to Bibimbap while enhancing the taste.

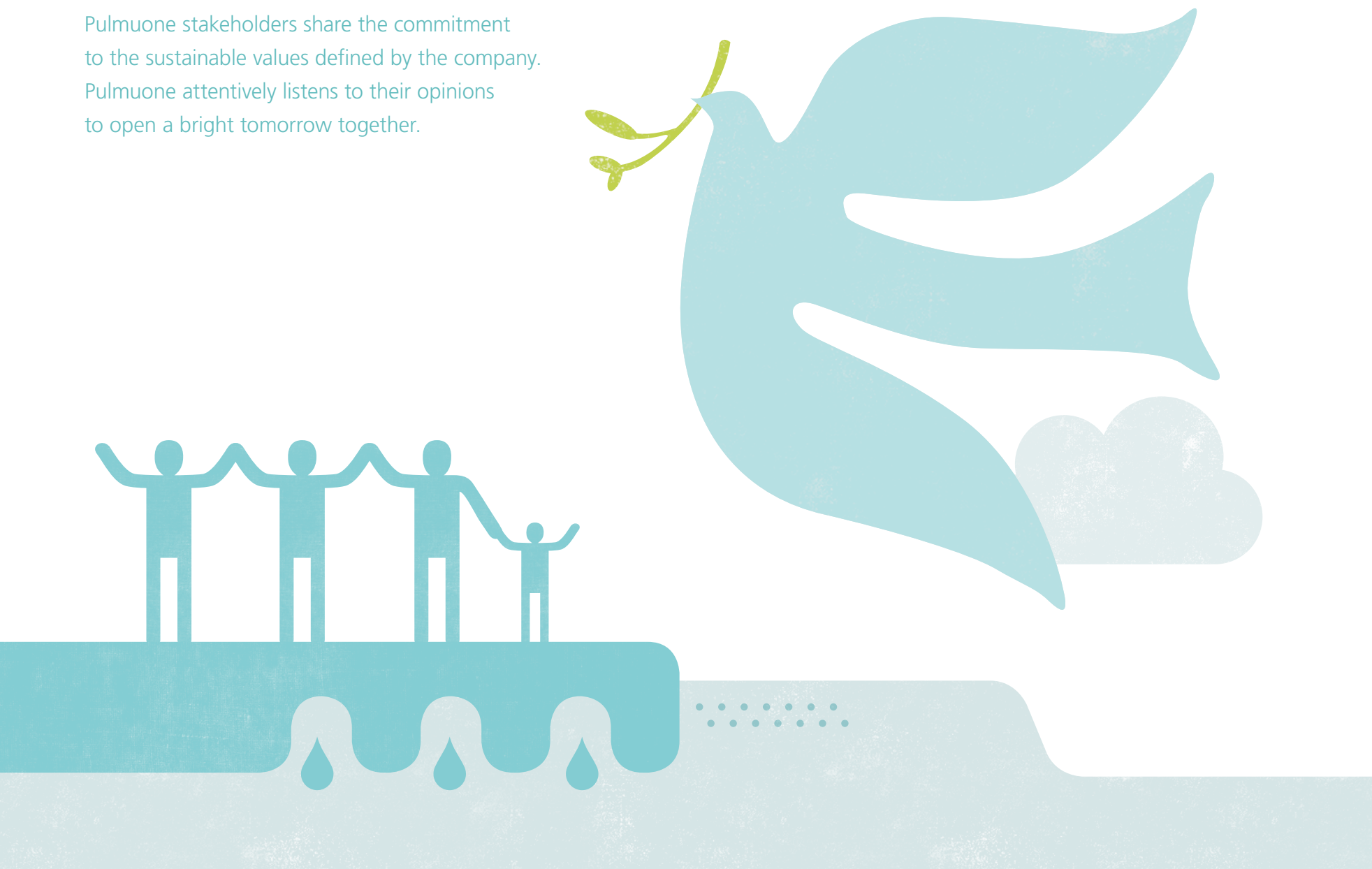


Eumseong Tofu Plant Recognized for Its Excellency at 2012 Workplace Innovation Contest

Pulmuone Eumseong tofu plant won the excellent award at Workplace Innovation Contest. Eumseong tofu plant was highly recognized for significantly enhancing job satisfaction of employees by introducing innovative work practices and realizing mutually beneficial development.

Hope for Tomorrow

Pulmuone stakeholders share the commitment to the sustainable values defined by the company. Pulmuone attentively listens to their opinions to open a bright tomorrow together.





Stakeholder Engagement

Stakeholder Categories & Communication

Pulmuone stakeholders are grouped into shareholders, employees, consumers, partner companies, and local communities. Stakeholders are partners throughout the journey embarked by Pulmuone to achieve sustainability management. Pulmuone seeks their inputs and insights, and share results with them.



Shareholders

Those who purchase and own Pulmuone stocks as a means to share Pulmuone values

- Open shareholders' meeting
- Board of Directors
- Sustainability reports



Employees

4,968 internal partners working together to accomplish Pulmuone mission and vision

- The Knowledge Worker Platform
- The labor-management council meetings
- Informal gatherings with CEO
- company newsletters
- The Occupational Safety & Health Committee
- The grievance redress mechanism
- Interoffice memos for communication
- The Employee Assistance Program
- C-cubic
- Sustainability reports



Consumers

All consumers who use products and service offerings of Pulmuone subsidiaries and affiliates

- CS Center
- E-fresh monitoring
- Housewives monitoring
- Customer satisfaction survey
- 'One Big Bowl Full of Nature' (company magazine for PR)
- Sustainability reports



Partner Companies

Partners involved in procurement, production, sales, delivery and facilities required to produce goods and offer services of Pulmuone


- Meetings with partner companies
- Sustainability reports



Communities

Public entities including the government, local communities, volunteer groups, etc

- Periodic meetings with social volunteer groups
- Sustainability reports

For more information, please visit
 www.pulmuone.co.kr

Interview

01

Pulmuone Sustainability Management

For Pulmuone, 2012 was the year to create many opportunities by pushing for business diversification and the authentic wholesome foods campaign. There was a decline in sales and profit in the process of consolidating production plants overseas, but I am sure we will see more growth for 2013 as red meat continues to be replaced by authentic wholesome foods and other products for nutritional balance, and the overseas plant consolidation project is completed for business stabilization.

What counts more than ever for sustainability management is to march toward its mission. Pulmuone is strongly committed to sustainability management, which can be called the company's ultimate aspiration, in an effort to create change and innovation for Pulmuone people. Other initiatives to show the importance of authentic wholesome foods will be also reinforced.

Pulmuone always seeks to communicate its internal/external values to stakeholders through various channels including the authentic wholesome foods campaign, public advertisements and sustainability reports.

Pulmuone TISO Management Division,
Division Head

Weon-Mu Yu



Expert Interviews



Pulmuone conducts interviews with experts to gather their valuable opinions to better sustainability management activities. In any rooms of improvement or response that are found through stakeholder group surveys, Pulmuone turns to the expert opinions to find the root cause and appropriate response. Going forward, the company plans to have more expert interviews in a range of areas to pay particular notice to the opinions of stakeholders.

Interview

02

Pulmuone's Authentic Wholesome Foods

Food for Change is a non-profit organization whose main business is provision of dietary lifestyle while waging a campaign to check for authentic wholesome food ingredients under the sponsorship of Pulmuone. It offers lectures on smart diet and how to choose healthy and natural food ingredients.

The authentic wholesome foods campaign has been designed to boost interest of pre-schoolers in new foods and lessen their resistance to new diets while encouraging behavior change for primary schoolers to check food labeling for ingredients before making decisions to purchase healthy foods. The 'Healthy Food Song' has been composed to have children sing along, be reminded of the authentic wholesome food concept unconsciously and understand its importance more naturally. The campaign's effectiveness was confirmed with surveys afterwards that they encouraged behavioral change in children.

Clean environment, above all, is the most important factor when it comes to providing authentic wholesome foods. We cannot obtain fresh and healthy food ingredients from nature unless the environment is preserved against pollution. This means we have to undertake our business with focus on the green environment throughout the process from production to consumption. Also, to create a system where all stakeholders from partner companies to consumers can enjoy the win-win relationship and to provide authentic wholesome foods in a sustainable manner, Pulmuone has to stick to its philosophy with strong determination. I hope Pulmuone can continue to strike a fine balance between its noble philosophy and obligation to create profits and push for sustainable business in a consistent and steady manner by adding new social missions to its agenda.

Food for Change, Permanent Representative

Min-Young No



Interview

03

Pulmuone's Strategic CSR

Pulmuone is the company that should be highly recognized as the best practice company for its effective practicing of the strategic CSR initiatives which makes corporate activities closely aligned with corporate social responsibility as well as the full understanding on responsive CSR activities. Pulmuone's CSR activities for planning and producing products are definitely quite active and effective, but we can regrettably say there is still a room for improvement when it comes to CSR activities for distribution, purchasing, usage and disposal. More recently, there were significantly positive developments on the part of partner companies, and the efforts to recruit good partners while leveraging the capabilities of partner companies to the greater extent than just using the company's plants. I hope Pulmuone to continue to expand its CSR perspective while improving upon where it is not up to Pulmuone's standards to raise the company's influence further down the road.

I also have a highly positive take on the authentic wholesome foods campaign of Pulmuone, the main lynchpin of the company's business since the authentic wholesome food culture of Pulmuone is what supports the entire Pulmuone business. Korea still lags behind in raising the consumer awareness about how to find out the product ingredients by reading the labels of food products. We have to make further efforts to raise such awareness further, encouraging participation of more companies so that we can have a nationwide campaign for food education.

Pulmuone should put a priority on keeping true to its sustainability management philosophy. Any company can make one-off or short-term efforts at some point of its history for sustainable business but staying in that firm commitment is rare to be seen. Pulmuone has its own high standing as a quality food company. If it makes really 'sustainable' efforts for its sustainability management and perseveres in its track, it can surely earn an image as commendable company with equally laudable sustainable practices.

Business Administration Dept,
Catholic University of Korea, Professor

Dong-Hyun Lee





Materiality Assessment & Major Issues

Methodology

Pulmuone has conducted materiality assessment by utilizing internal policies, stakeholders, surveys, benchmarking and media search results to identify issues that matter for stakeholders. The identified issues per priority were selected and incorporated into the sustainability report, which will be referred to the future business activities for ongoing issue management.

[Materiality assessment methodology & description]

TEST 1.
Corporate policies



Corporate policies and strategic direction for 2012

TEST 2.
Stakeholder survey



Undertaken in Dec 2012, on/offline surveys answered by consumers(128 people) /employees (600 people)/partner companies (110 entities)/ communities(59 entities)

TEST 3.
Benchmarking



Unilever, Danone, Nestle, Coca-Cola

TEST 4.
Media search



Press reports from Jan 1 to Dec 31, 2012

Results

The major issues identified in the materiality assessment were categorized as per appropriate types to see priority issues that Pulmuone needs to focus on for its sustainability management. A total of 64 issues were again grouped into 'Very High', 'High' and 'Medium & Emerging' based on their level of priority.



Very High

General & Sustainability management	Authentic wholesome foods	TISO management	Economy	Innovation/creation	Customers	Employees	Partner companies	Local communities	Environment
<ul style="list-style-type: none"> · CEO leadership · Management principles & vision · Sustainability management strategy · Sustainability management performance monitoring · Stakeholder opinion gathering · CSR through products 	<ul style="list-style-type: none"> · Health & nutrition 	<ul style="list-style-type: none"> · Ethical management · Transparent management 	-	<ul style="list-style-type: none"> · New product development · New market development 	<ul style="list-style-type: none"> · Product safety & quality · Consumer satisfaction 	<ul style="list-style-type: none"> · Human resource cultivation · Fair personnel management & Compensation · Family-friendly management policies · Employee welfare 	<ul style="list-style-type: none"> · Fair & transparent selection · Win-win partnership 	<ul style="list-style-type: none"> · Social contribution strategy · Social contribution initiatives · Local communities development · Communication with local communities 	<ul style="list-style-type: none"> · Green management strategy · Initiatives to reduce environmental footprint · Environment protection
<ul style="list-style-type: none"> · Corporate governance 	<ul style="list-style-type: none"> · Society 	<ul style="list-style-type: none"> · Fair transaction & win-win growth 	<ul style="list-style-type: none"> · Business strategy · Brand values 	<ul style="list-style-type: none"> · Product competitiveness reinforcement · Marketing strategy · Innovation of distribution 	<ul style="list-style-type: none"> · Information provision · Consumer communication 	<ul style="list-style-type: none"> · Talented employee recruitment · Respect for human rights · Labor-management communication · Mutually beneficial labor-management relations · Differentiated corporate culture · Employee satisfaction · Workplace safety 	<ul style="list-style-type: none"> · Transaction with those practicing sustainability management · Communication with partners 	<ul style="list-style-type: none"> · Employee engagement 	
<ul style="list-style-type: none"> · Engagement in global initiatives 	<ul style="list-style-type: none"> · Eco-friendly 	<ul style="list-style-type: none"> · Compliance / anti- corruption 	<ul style="list-style-type: none"> · Risk management framework · Non-financial risk management · Financial performance · Value creation & distribution · Market competition · Price competitiveness 	<ul style="list-style-type: none"> · Strategic partnership · Process innovation · Technology development · Investment Expansion 	-	-	-	<ul style="list-style-type: none"> · Support for cultural development · Collaboration with the government 	<ul style="list-style-type: none"> · Investment in environment · Response to climate change · Biodiversity

High

Medium & Emerging

Pulmuone's Whisper 2 _Product



<Blue Crab Champon>, Non-Fried Ramen

<Blue Crab Champon> is non-fried ramen in seafood broth that has deep and rich flavor. Pulmuone worked with genuine and passionate efforts to make great taste only with natural food ingredients in order to deliver tastier and healthier ramen.



<Sichuan Napjak Jijim Dumpling>, Dumpling with Spicy and Refreshing Taste

<Sichuan Napjak Jijim Dumpling> offers an eating experience that starts with refreshingly spicy taste and then leaves deep flavor. Napjak Jijim (flat and fried) Dumpling looks like fried pancakes, easy and fast to cook as the dumpling skin, with its flat shape, is not easily broken during cooking.



<Right Cheese Hotdog>, Popular Snack for Kids

Pulmuone hotdog has acquired 'quality assurance for kid foods' provided by the Ministry of Food and Drug Safety. Right Cheese Hotdog tastes very sweet and soft because it is made of cheese sausage and bread with parmesan cheese that are free of chemical additives.



<Snow & Fruit Granité>, Italian Ice Dessert

Granité is the French word for granite. <Snow & Fruit Granité> is an ice dessert in the shape of ice crystal which looks like granite. It is traditional Italian ice dessert originated from Sicilly Island.



Healthy & Tasty Global Noodle Recipes

Pulmuone launched a chilled noodle brand for families to enjoy easy-to-cook noodle recipes from across the globe. Pulmuone Foods has a variety of healthy and authentic noodle products based on traditional recipes of Italy, China, Japan and Korea.



<Half&Half>, Fusion Tofu Brand

Responding to the growing interest in tofu, the traditional healthy food, Pulmuone launched tofu hamburg steak, tofu neobiani(Korean beef steak), tofu sausage, tofu seon(traditional Korean dish) and other fusion dishes based on tofu.

Authentic Wholesome Foods for the Health and Happiness of All

Pulmuone always remains faithful to its commitment to authentic wholesome foods. Since its inception, Pulmuone has invested tremendous efforts in making the right foods for consumers and carried out a range of initiatives to promote the values of authentic wholesome foods.





For Family Health & Happiness

- Pulmuone's Authentic Wholesome Foods

Authentic Wholesome Foods

Foods are absolutely essential element for survival of the mankind. They have a range of values in the aspects of survival, nutrition, taste, function, and psychological, emotional and social state. There is no fixed definition or categorization as to what constitutes authentic wholesome foods, but Pulmuone has come up with criteria of authentic wholesome foods that can be widely accepted for health and happiness.

[How We Define Authentic Wholesome Foods]

- 1 Foods free from harmful ingredients or additives, providing nutritional values coming from nature, helping prevent chronic disease, and resending pleasure and happiness of the act of eating itself
- 2 Foods in consideration of health, nutrition, and the environment, and therefore, worthy of trust and consumption
- 3 Foods that can promote physical/emotional well-being and satisfaction



Since its inception, Pulmuone has invested much time in thinking about what are authentic wholesome foods with determination to provide them for family health and happiness. Pulmuone will exert its best efforts, going forward, to measure up to the consumer expectation by producing 'authentic wholesome foods' with good taste and nutritional balance.

Pulmuone Efforts for Authentic Wholesome Foods

Healthy Foods Song for the authentic wholesome foods campaign

Pulmuone has composed the Healthy Foods song that can be easily remembered and sung along to raise awareness about authentic wholesome foods not just for trust and safety but also for nutritional balance. The Healthy Foods song has been spread through mass media, education, online, Pulmuone shops in retailers and employees.

[Healthy Foods Song]

The right foods, taste from nature
 The healthy foods, taste for health
 A joy for my body good and right foods for us, hooray!
 Like'em all, round and cute soybeans Tofu, eggs,
 crispy and munchy bean sprouts
 We get taller when eating them all
 Chew and eat'em, yum yum, so delicious!
 We can start for ourselves good and right foods



Nationwide campaign for authentic wholesome foods

Pulmuone has worked to spread the campaign for authentic wholesome foods nationwide by leveraging a range of channels including mass media, education, online, retail shops and employees to wherever it needs to communicate the concept of authentic wholesome foods.



TV broadcasters (KBS, MBC, SBS)

Cable TV (drama/entertainment channels)



Education



- Homeplus Culture Center
- Food for Change education
- Education for Ministry of Edu/Nat'l Institute for Lifelong Edu
- Foodmerce worksite childcare center



Online



- Promotion through Pulmuone SNS channel
- Displayed at Pulmuone website/e-shop
- Campaign in partnership with Daum
- Mobile service partnership



Shop



- LCD at tofu /Muesli selves
- LCD at 9 ORGA directly operated shops
- PDP ads at GS convenience stores /GS supermarkets
- Radio ads at e-mart stores



Pulmuone worksites



- PDP at Pulmuone HQ, Pulmuone Health & Living, plants
- Corporate coloring
- Authentic wholesome foods campaign and corporate events for employees

UCC contest & expedition project for authentic wholesome foods

Pulmuone has worked to build awareness about the importance of authentic wholesome foods among the public by engaging consumers in diverse projects. One of the best examples is 'The Right Foods Expedition', a project to reach children through expert trainers(e.g. fooducators, recreation lecturers) giving lectures on how to select healthy and wholesome foods. The curriculums are tailored to the taste of children such as reading fairytales with pop-up books on authentic wholesome foods, singing together the Healthy Foods song, and taking pictures with an right hotdog mascot. The UCC contest for the Healthy Foods song was to select the winners among those who had submitted their UCCs with unique vibe and character. Contestants showed their own rendition of the song with a newly arranged version and choreography. The contest aimed to spread the awareness of authentic wholesome foods by enabling the public to really think about and apply their own interpretation of what makes healthy foods.



Authentic wholesome Food diet

Pulmuone designs authentic wholesome food diets to make consumers healthier and offers them through Pulmuone e-shop, the online shopping mall of the company. By showing good examples of authentic wholesome food diets, it went beyond shouting empty slogans without actually delivering it and offered concrete examples of healthy diet so that consumers can easily understand the concept and come up with their own ways of having such diets every day. From December 3-16, 2012, 'the 1st authentic wholesome food diet' was offered for 3 to 5-year-old kids. It displays healthy diets and recipes, and shows the foods list on the bottom so that when users click on the items, they can be directed into the Pulmuone e-shop right away. Thanks to such efforts, the company's sales went up 40% compared to the sales increase from special promotional events thrown at E-mart stores. Upon consumers' request for additional information on fresh, healthy diet/recipe, Pulmuone is currently working on introducing the 2nd authentic wholesome food diet targeting one or two-member families.



Authentic Wholesome Foods for Better Health & Nutrition

'Nature is Delicious'- Pulmuone non-fried healthy ramen

Its noodles are not fried so compared to traditional fried counterparts they have 90% less oil, 100kcal less and 0% saturation fat. Instead of making spicy taste out of 7 synthetic additives(L-monosodium glutamate, artificial flavor, silicon dioxide, sodium hydrogen carbonate, vitamin B1 hydrochloride, tricalcium phosphate, D-sorbitol), Pulmuone carefully selected and used only natural food ingredients such as shiitake mushrooms, radish, onion, cabbage and pepper to make the right flavor and taste for the ramen soup.



'Half&Half' - good food for nature & neighbors

Half&Half products are based on tofu, low-fat and low-calorie chicken breast and vegetables high in dietary fiber and vitamin to replace high-fat and high-calorie beef or pork. Regular hamburger steak for one-person serving has 19g fat but one-person serving of Half&Half(160g) has fat as low as 2.1g, which is just one-ninth of regular hamburger.



HALF & HALF

1-person portion=160g	Regular hamburger steak	Half&Half Tofu Steak
Calorie	310kcal	176kcal
Fat	19g	2.1g
Saturated fat	9g	0g
Cholesterol	60mg	32mg
Sodium	830mg	688mg
CO ₂	2,376g	540g

E-fresh system

Pulmuone has developed the E-fresh system which can create and automatically control the most optimum environment to grow bean sprouts and green bean sprouts. The system has been designed to control the oxygen/CO₂ level within the airtight growing house for safe, fresh and healthy (green) bean sprouts. It filters the air going into the growing house in order to maintain oxygen and CO₂ at the most optimum level fit for the growth stage of the sprouts. It naturally removes the green bean sprout head so that consumers can enjoy green bean sprouts without any concern.

Pulmuone Natural Egg - healthy eggs from happy hens

Pulmuone has adopted the animal welfare system for safe and clean breeding of hens. The animal welfare system has been designed to create an environment where animals can live with humans in healthy and happy co-existence. Thanks to such efforts, Pulmuone's natural eggs have all acquired the animal welfare accreditation from the Animal and Plant Quarantine Agency.

Describe a chicken coop built by Pulmuone. What is it like?

Chicken coop structure

Have one perch per hen to accommodate hens' behavior with sand, rice hulls and sawdust on the floor for them to enjoy a sand bath.

Hen density

Make sure the number of chickens per 3.3m² does not exceed 15 to reduce claustrophobic stress.

Ratio of female to male

Grow hens along with roosters at the ratio of 15:1 to produce natural fertile eggs.



Processed tofu

Pulmuone has developed 'authentic wholesome tofu nuggets' based on tofu with less calorie compared to the conventional chicken nuggets to expand the range of tofu recipes. The authentic wholesome tofu nuggets also have surimi and shrimp added for superb taste while reducing calorie 15-45% and saturated fat 50-70% compared to the regular chicken nuggets. To further expand the market for processed tofu, Pulmuone has launched 'Tofu Seon' which faithfully follows the traditional tofu-seon(a tofu dish variety by mixing tofu with beef, pepper, mushroom and egg, usually cooked for the royalty) recipe based on 'Jeonsun mussang sinsik yorijebup(the Unparalleled Recipe Book for Chosun Dishes)', which had been transmitted by word of mouth.

1) The Unparalleled Recipe Book for Chosun Dishes

A recipe book for Korean dishes written by Uikwan Yong-Ki Lee, published in 1924

[Calorie/saturated fat contents in 100g of major nugget products in Korea]

Calorie(Kcal)		Saturated Fat(g)
180	Pulmuone	1.9
251	Company A	3.9
210	Company B	4.9
329	Company C	7

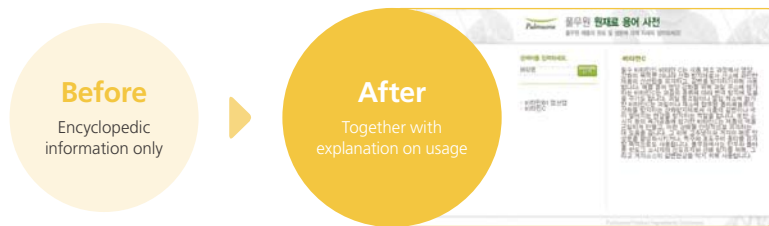
GAP(Good Agricultural Practices) for agricultural product safety

In 2012, the farm products collection and delivery center of Foodmerce was designated as GAP. After that, Foodmerce improved its internal product traceability tracking system, and reinforced the scheme to manage GAP by grouping GAP farms into clusters. The GAP operation team of Foodmerce plans to provide only the verified agricultural products by progressively applying GAP accreditation criteria.

2) GAP(Good Agricultural Practices): A scheme to manage risk factors including residues of pesticide, heavy metal, or organisms with adverse effects in agricultural products throughout the cycle from production and harvesting to packaging in order to provide safe and sanitary agricultural products

Complete labeling of ingredients

Pulmuone has introduced a new complete labeling of ingredients system which mandates to disclose all additives and multiple food materials on the product labels to enhance consumer understanding, and also displayed the information on its website and products. This is to facilitate an intuitive understanding on the ingredients and their contents, while explaining the usage of unfamiliar ingredients and additives. At its website, Pulmuone also offers an updated food materials dictionary to give an easy access to information on additives and food materials.



ORGA Whole Foods – cooking class

ORGA Whole Foods has opened classes on eco-friendly recipes cooked with in-season food materials. Fresh seasonal foods and eco-friendly materials of ORGA without additives are used during cooking classes where customers can taste and get to enjoy healthy foods. The cooking classes of ORGA Whole Foods are given on a regular basis where a professional lecturer teaches culinary know-hows so that class takers can make easy and simple dishes at home. In last April, there was a class named ‘a taste bud journey to Italy with eco-friendly ORGA foods’ where traditional Italian recipes were shared, and in May ‘plum cooking class’ was organized to make dishes based on plums. In addition to that, ORGA bakery also held a cooking class in October where both adults and children can make muffins and breads together.

Alien substance management

As one effective way to provide authentic wholesome foods, Pulmuone collects information on metal/non-metal alien substances per production plant in order to prevent alien substances from getting into products and enhance product safety. Metal detectors and X-ray detectors were installed in each production plant, and a separate inspection is undertaken to detect metals and non-metals that can get into the products at the production sites. The inspection results are included in the Pulmuone database. If any process is revealed to have the risk of contaminating products, Pulmuone immediately get off to improve the production process to block alien substance at the source. These are some of the strenuous efforts Pulmuone exerts to ensure only the authentic wholesome foods in a safe and reliable manner.

Pulmuone's Whisper 3

_ Women/Youth



Talk Concert for Happy Turn of Life

Greenche Rose & bean soo Pulmuone's health supplement brand for menopausal women, sponsored a talk concert for middle-aged women dreaming for beautiful and healthy life. The concert gave 30 women who had wanted to be singers in their youth the moment when their wildest dream comes true by giving them an opportunity to perform on a stage like a professional singer.



Health Lecture on Menopause

Pulmuone Health & Living led the campaign for healthy menopause in partnership with the Korean Society for Menopause. The health lectures were held in November, the month of menopause, to root for women having hard time due to menopause and introduce healthy right foods to help them cope with the emotionally draining challenge better.



<Eatsslim> for Weight Loss & Good Diet

Pulmuone has introduced a healthy diet program that helps people lose weight without the need of skipping a meal or snacks. The Eatsslim Package is a customized diet service with 1,200 kcal in total designed for women, especially, who want to lose weight while maintaining a healthy lifestyle.



LOHAS Academy, Authentic Wholesome Food Summer Camp

LOHAS Academy which offers Pulmuone people trainings and various camps organized a camp for community youths during summer vacation to educate them on healthy foods. Participating children learned the right and healthy dietary habit while taking part in a farm program where they get to feel the importance and gifts of nature.



Zero Zero Metabolic Syndrome

Pulmuone sponsored <Stop Metabolism Syndrome - Zero Zero Metabolism Syndrome> campaign which was first designed by the Korean Women's Environmental Network for more citizens to experience the campaign with the aim of raising awareness about what metabolism syndrome is and how severe it can be.

Sustainable Growth into Lush Green Tree

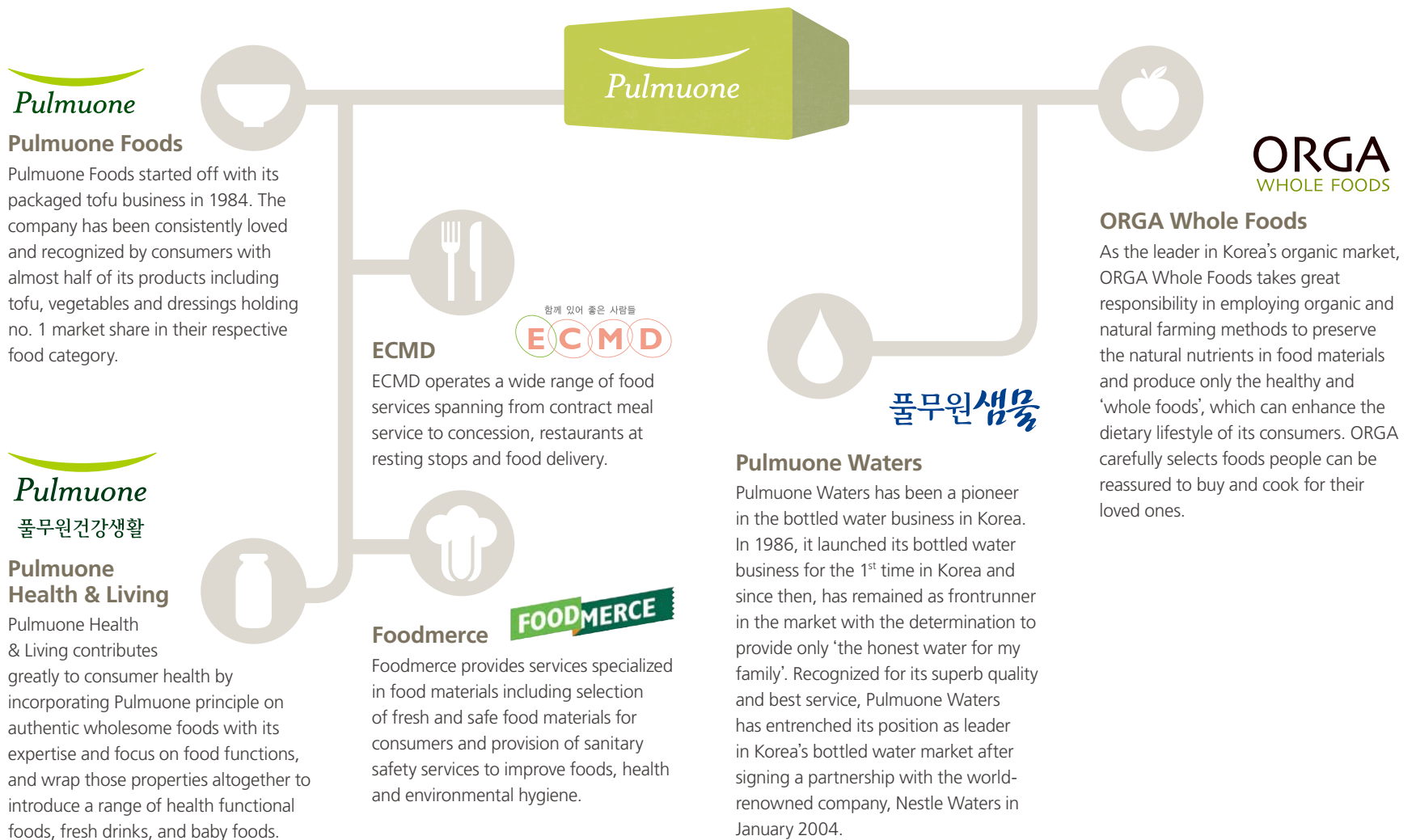
Pulmuone is a LOHAS leader that pursues healthy life and sustainability of society and environment. LOHAS values which care both human and nature become seeds that make Pulmuone grow into strong lush trees.



DMA

Disclosure on Management Approach

Company introduction



Key Performance Index



Economy

2012 Plan	2012 Milestone	2013 Plan	Champion
<ul style="list-style-type: none"> · New business domains / channels expansion · Price competitiveness by making sourcing more efficient (overseas sourcing, etc) · Stronger brand / communication 	<ul style="list-style-type: none"> · YoY sales increase · New product and business drive · Diversification of product portfolio and Expansion of sales through overseas sourcing · Establishment of brand structure and reinforcement of authentic wholesome food communication 	<ul style="list-style-type: none"> · More effective implementation of authentic wholesome food principle with new product roadmaps · New item/channel development and expansion · Platform building for further business growth · Product diversification and price competitiveness by finding new sourcing companies · Reestablishment of brand structure & further development of brand business · Stronger R&D capability 	<ul style="list-style-type: none"> · Marketing/New Business organizations - Plan/ drive new product/ biz projects · Food Culture Research Institute - Develop new products with differentiated merits · Strategic Sourcing Division - Improve sourcing efficiency / price competitiveness · Brand Management Committee - Drive brand value enhancing initiatives · Strategic Planning / Management Support Divisions - Establish strategic direction and business plan · TISO Management office - Establish culture for innovation



Society

2012 Plan	2012 Milestone	2013 Plan	Champion
<ul style="list-style-type: none"> · Authentic wholesome food initiatives · Contribution to local communities · Voluntary fair trade compliance · Consumer satisfaction management · Trainings for WET(Water Education Teacher) 	<ul style="list-style-type: none"> · A social enterprise established to effectively promote authentic wholesome food campaign · Authentic wholesome food education provided (nurseries, kindergartens) · Healthy diets offered (contract meal service worksites) · Systemic operation of employee volunteering activities · Fair Trade Commission Chief Award, selected as CP (Compliance Program: voluntary fair trade compliance) -grade best practice company · CCM (Consumer Centered Management) accreditation · A total of 67 sessions of water environment class 	<ul style="list-style-type: none"> · Better & more effectively integrated communication of authentic wholesome food · Better practicing of LOHAS dietary lifestyle · Sustainable employee volunteering activities (LOHAS designer) · Voluntary fair trade compliance · Consumer satisfaction management · WET program to be expanded nationwide 	<ul style="list-style-type: none"> · Driven at group level - Drive authentic wholesome food campaign at group level · Social Contribution Team - Plan/drive social contribution initiatives · Management Support office / Audit Team · CS center · Pulmuone Waters



Environment

2012 Plan	2012 Milestone	2013 Plan	Champion
<ul style="list-style-type: none"> · Expand low-carbon products · Expand eco-friendly packaging · Green accreditation for worksites · Sanitary project expansion · Usage of LED lightings 	<ul style="list-style-type: none"> · Organic tofu designated as green product · Registered as KVER (Korea Voluntary Emission Reduction) · More product lines certified as organic · Designated to measure subway air quality by Seoul Metropolitan Rapid Transit Corporation · LED lighting used for main signages/menu boards 	<ul style="list-style-type: none"> · Expand eco-friendly process/products · Energy / water consumption reduction · Proactive reduction of carbon emissions · More volunteering for the environment · Zero accident campaign for safe management 	<ul style="list-style-type: none"> · ES(Environment & Safety) Office - Develop environment safety policies and monitor enforcement

Sustainability Management

Mission & Vision

Mission

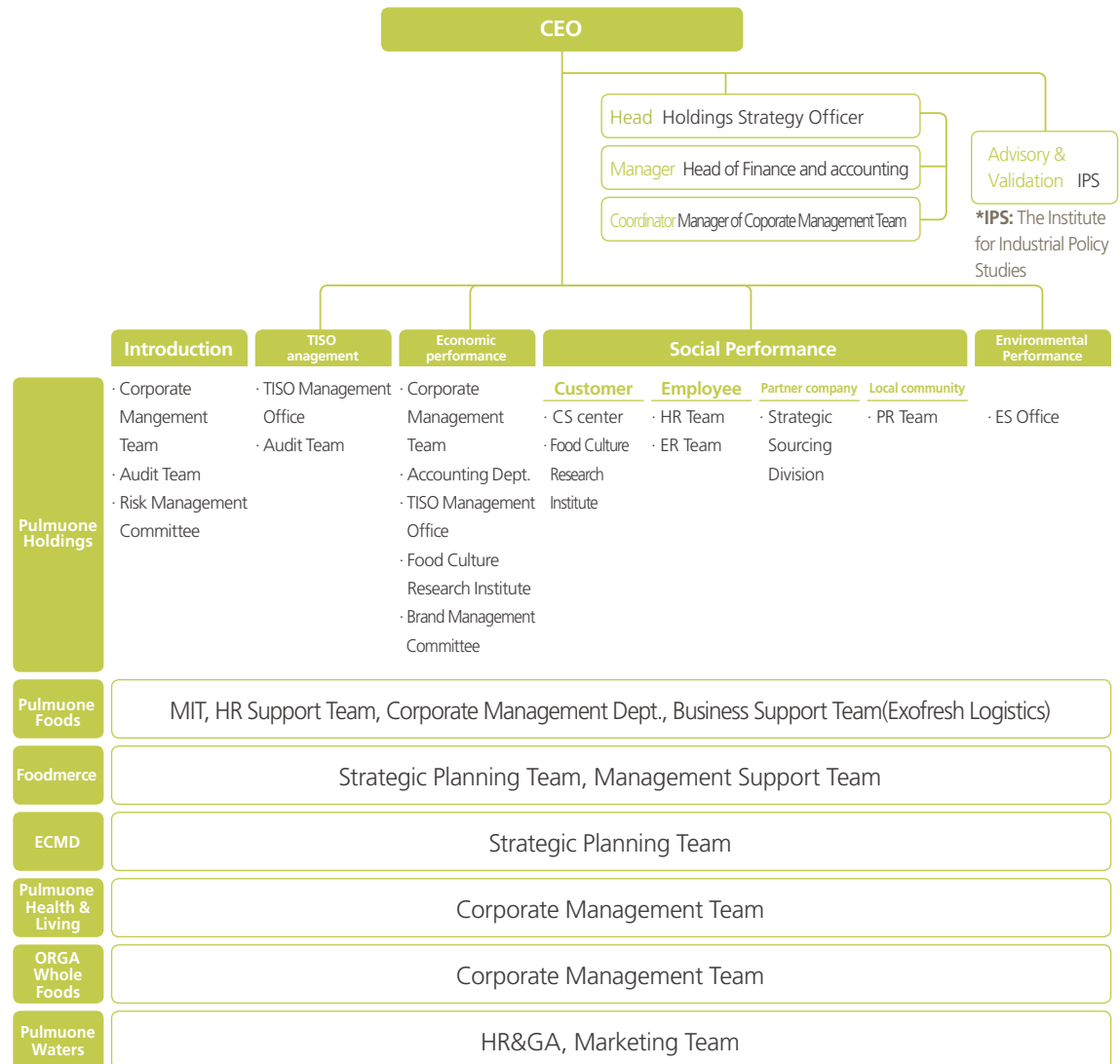
LOHAS(Lifestyle Of Health And Sustainability) represents a lifestyle that strives for health and sustainability of society and environment. It is the reason for being and the ultimate long-term aspiration, and also signifies the determination of the company to care for both human and nature, the concept which encompasses not only consumers but also employees, communities and the environment.



Vision

Pulmuone aims to reap KRW 5 trillion in sales from its domestic and overseas businesses by redefining its LOHAS business. It aspires to develop into a true LOHAS company recognized worldwide after firmly establishing itself as the no. 1 company in Korea whose brands receive full trust from consumers.

Organization



Economic Value Creation & Distribution



Pulmuone distributes economic value it has created among consumers and local communities through both responsive and strategic CSR.

Responsive CSR

Carbon reduction activities for the environment

Pulmuone, for the 1st time in Korea, developed eco-friendly packaging materials to be used in its tofu products. The said eco-friendly materials have 75% less residual chemicals and 9% lighter weight, and will be used for noodle and green juice products. Pulmuone has also received the low carbon accreditation for its 4 organic tofu products, which is a noteworthy feat for the product group. It has been recognized for reducing 165 tons of CO₂ emissions per year with the positive impact of planting 58,000 trees on the land whose size is equivalent to 27 soccer stadiums.

SNS campaigns for social contribution

Pulmuone worked hard to fulfill its social responsibilities through sustained social contribution activities in 2012. It leveraged the social networking service especially to encourage wider engagement of consumers. Marking the World Food Day on October 16th, Pulmuone launched the SNS campaign

titled 'I ♥ Ghana, the Promise of One Meal!' Those who shared the cause uploaded a posting or a picture on the 'one meal they want to share' with children in Ghana on Facebook, Twitter or their blogs, and when those pictures and postings reached 500, Pulmuone donated KRW 10 million to the food supply campaign for children in Ghana.



'We Are Angels' campaign

Pulmuone organized Greenche Health Advisor and launched a campaign where it matches one Health Advisor with one child in Korea. The Health Advisor gives out KRW 60,000 monthly to the child to support his/her daily livelihood. Eleven children in various areas (e.g. Gimhae, Samsan, Tongyeong, Joongang, Shinbupyeong, Seobusan) were able to hold a warm and caring tie with supporters during the 1st campaign rollout.

Strategic CSR

'Food for Change' established to support the authentic wholesome food campaign

Pulmuone established a social enterprise named 'Food for Change' as a champion to mobilize resources and implement its authentic wholesome food campaign. 'Food for Change' is a social enterprise in the form of non-profit corporation specialized in food campaign and education for the right dietary lifestyle. Pulmuone supported its establishment in partnership with the Hope Institute in October 2011. The company commissioned out the implementation and promotion of its long-term food campaign to 'Food for Change'. For an effective undertaking of the campaign, 'fooducators(food+educator)' were trained to be dispatched to schools where they give education to students on the concept of authentic wholesome foods, food ingredients/nutrients labeling and expiry dates.

Pulmuone Foundation – establishment & operation

Pulmuone established the Pulmuone Foundation in order to undertake its CSR/social contribution initiatives in a more professional and structured way. Authentic wholesome food, environment, contribution to local communities, mecenat have been designated as priority areas for the foundation. Pulmuone plans to donate 0.1% of the sales coming from 'Love for Earth' products (Love for Earth Fund) along with the money from its Love for Neighbor Fund.



WBD (Well Balance Day) for health-conscious & eco-friendly diets

ECMD offers low-sodium diets for better consumer health. When deciding food menus, the company uses eco-friendly food materials while providing nutrition information of the diet based on in-season agricultural products produced in Korea and bean protein. When based on this diet, one meal contains no more than 2,000mg sodium, which is significantly lower compared to the typical traditional diet whose sodium amount is usually higher than 3,200mg. To spread the healthy diets, ECMD designates every 3rd Friday as 'Well Balance Day' to implement the low-sodium diet.

'Donation by Water(水) Guardian Angel' event at ORGA e-shop

Marking the UN World Water Day, ORGA e-shop held 'Water(水) Guardian Angel' event in association with UNICEF. The event was organized to encourage people to become guardian angels of water, promoting sustainable water consumption and water resources preservation to protect the earth running short of water. Around 1% of the company sales was donated to UNICEF, and eco-friendly laundry detergent/water bottles were offered at 30% and 10% discounts respectively to stimulate more purchasing of eco-friendly household items. There was also a luck-draw event where 5 event participants received eco water bottles as gifts.



Brand Management

Every year, Pulmuone undertakes its brand equity management survey to measure the brand equity of the company. The survey results have consistently improved every year up until 2011, which confirms that consumers are feeling more affection and trust toward the Pulmuone brand. Brand loyalty and brand equity of competitors have also risen but the extent of increase for Pulmuone is far bigger compared to other brands.

*The brand equity survey in 2012 did not take place due to Pulmuone's efforts to redefine its brand structure. The survey is surely scheduled to be taken in March 2013 when the brand restructuring endeavor would be complete.

Innovative & Creative Management

Better work efficiency & performance through Irumi innovation

Irumi innovation is a channel where ideas for work improvement can be submitted. It was, on the first stage, operated only in Pulmuone Holdings and Pulmuone Foods, but was extended to cover the whole company group in 2011 to focus on synergy creation through idea exchange among businesses or work areas. To achieve this aim, employees in charge of Irumi innovation were invited to engage in monthly workshops at the early stage. Outside experts have also been invited to give creativity education along with internal training for frontline workers every two months. Aside from these endeavors, quarterly events with various contents were organized to facilitate voluntary engagement by employees. Such efforts on various levels paid off with a total of 10,213 proposals submitted since 2012, which is approximately 125% increase from 4,550 ideas submitted in 2011. Among them, ideas for execution & management improvement recorded 1,218 cases, taking up 12% out of the total, and 671 ideas were fully implemented.

[Best ideas submitted to Irumi innovation]

Status

In 2012, Pulmuone focused on reinforcing the authentic wholesome food check campaign, and as a result, about 110 related ideas were submitted to Irumi for execution.

Idea

For the promotion of the Healthy Foods Song and events

Description

What about using Pulmuone e-shop and blogs as channel to upload UCC of singing the Healthy Foods Song together? If employees and consumers participate in the event, there will be great synergy effects. Contents can show nursery teachers and families singing together the Healthy Foods Song. If a fun factor can be added into the UCCs, then they surely can facilitate interest from consumers while raising awareness about the intent of Pulmuone's authentic wholesome food campaign.

Execution

- Organized an internal UCC production team to generate various contents from stories to filming (different versions featuring new employees (male/female) / executives / citizens / Korean traditional music or kids)
- Uploaded the UCCs at online sites to spread the contents
- The Expedition Project and UCC contest for consumers
- Audio ads at offline stores

Green Meeting, innovative tool to solve CBI

When ideas submitted to Irumi are selected as CBI(Critical Business Issues), which means issues that have to be solved first for innovation to take place, at the monthly review, Green Meeting is held as a follow-up to find the optimum solution to the issue.

[Best Green Meeting Initiative]

Add authentic wholesome foods to camping!

Submit

Irumi

Sales/promotion for camping people

- 1 Those who enjoy camping are on the increase with the wider introduction of 5-day work week
- 2 Foods are just essential for camping, and therefore, there can be many opportunities if such trend can be fully utilized.
- 3 Have a product category fit for camping with new products targeting campers in 20s to 30s
- 4 Review sales channels and consider promotions leveraging younger campers



Implementation

Green Meeting

Team name : Endorphing (endorphin + camping)

- 1 Camping market definition, competitor/company analysis
- 2 Research on campers (qualitative / quantitative research)
- 3 Food needs analysis
- 4 Healing camp cooking contest with authentic wholesome foods
- 5 Recipe creation specialized in camping and cooking suggestion by using Pulmuone products
- 6 Camping product sales via Pulmuone e-shop and online shopping mall



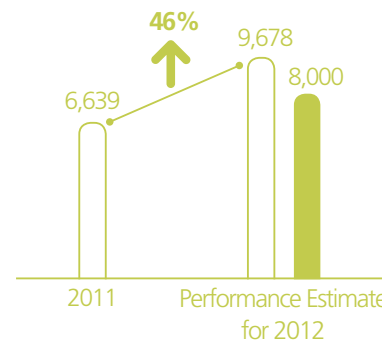
CR activity results

CR(Cost Reduction) activities in 2012 focused on enhancing product cost structure with CR managers proactively taking top-down initiatives and TF(Task Force) initiatives implemented across the company. This has made implementing cross-functional tasks and creating actual financial performance.

[Excellent tasks and results (KRW 100 mil.)]

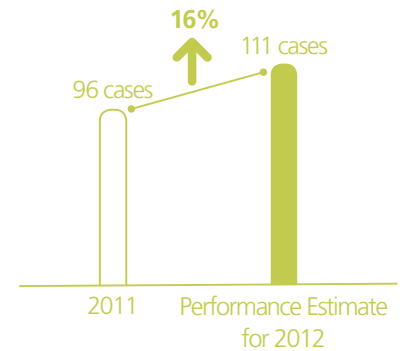
Improvement in paper box materials, size and production process of Cup Ice 6.4	Cost reduction by improving Muesli mix ratio and production process 9.3	Higher manpower efficiency by consolidating chinese style food and fermented sauce production lines 2.3
Cost saving by improving coagulant spec. for tofu curds 4.6	Cost Reduction 2012 ↓	Lowering cost by making sorting process for soybeen simple 5.4
Introduction/operation of semi-automatic packaging machinery 3.2	Efficient management of manpower based on resource analysis 1.9	Cost reduction for Half&Half hamburger steak 2.8

[CR performance for 2012]



[CR initiatives in operation for 2012]

Unit: KRW Mil.



Box delivery/storage system

The box delivery/storage which was only possible via PDA within Pulmuone's Umseong Logistics Center can now be handled via smart phone, enabling the logistics service can be properly offered to franchise stores and other retail stores outside the logistics center. Additional benefits include minimum box loss and higher box recovery.





TISO Management

Overview

TISO, Pulmuone's core value, as platform for sustainability management

TISO represents Pulmuone's core values: Trust for abiding by promises and rules, Integrity for professional honesty for the proper performance of one's duty, Solidarity for alignment of one's goal with the goal of the company, and Openness for cooperation with an open mind. Pulmuone employees pledge to practice the followings. To realize the core values, Pulmuone has currently in place the 'TISO management provisions', 'the employee conduct guideline for TISO management', and 'the guideline on report and reward for TISO management'.

[TISO charter]

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.

Activities & Outcome

Sustainable and practical organization culture by promoting best TISO practices

Starting from 2011, Pulmuone has collected best practices on TISO implementation through a companywide contest, which marked its 2nd time in 2012. The contest is to build internal consensus for TISO practice and make the values alive in daily practices, rather than paying just lip services that only exist in documents and principles. The collected best practices serve as a good guideline and model for employees while being developed into employee training contents as a tool to build distinct organizational culture of Pulmuone. In 2012, a total of 72 good practices were gathered and 12 of them were selected as the best practices. In 2013 and onwards, Pulmuone will continue to compile more good practices into a casebook while utilizing a range of media (interviews, video clips) for sustained implementation of such practices.

Holiday gift return

With the determination not to receive any gifts from stakeholders, Pulmuone has communicated an official notice stating the gift banning policy before holidays since 2004. 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 whose proceeds go to the 'Love Neighbor Fund'.

[Number of reports & value of returned holiday gifts] Unit : KRW 1,000

Year	# of reports	Value
2010	28	1,046,000
2011	19	1,439,000
2012	28	1,165,000

Lawsuit Status

Pulmuone has been prosecuted by the Supreme Prosecutors' Office for its alleged violation of the Customs Act concerning its purchase of organic beans from China, and is currently receiving a trial at the Seoul Central District Court. Pulmuone sourced the Chinese organic beans through a legitimate route in the domestic market from an importer, and therefore, will faithfully go through the legal process to prove its innocence in that matter.



Pulmuone's Whisper 4 _Employees



The 4th C-Cubic Initiative <Let's COHAS with C&U> Launched

C-Cubic, an initiative joined by Pulmuone executives and employees to establish a sustainable and healthy organizational culture, commenced its 4th campaign titled <Let's COHAS with C&U>.

What's C-Cubic? C-Cubic is a team established to make Pulmuone a creative space like a "cubic" where innovation flourishes and brilliant ideas come through.



Special Year-End Sharing Party

Pulmuone threw a special year-end party in 2012 with unique events as part of its drive for social contribution. Organized by C-Cubic, the corporate culture team, Pulmuone people had unforgettable time listening to the lecture of Lee Jeong-Min, the famous broadcaster, and having fun at the magic concert.



Employee Dietary Consulting Program

Pulmuone offers dietary consulting services to its employees and executives to prevent them from developing chronic diseases such as obesity, hypertension and diabetics.

Pulmuone dreams of a right world where everyone can find happiness. It strives to make consumers, employees, partner companies and communities happier through a range of efforts.

A World for Everyone's Happiness





Consumer Happiness

Product Safety & Better Quality

Criteria for food safety management

Pulmuone's underlying principle for food safety management is to provide 'Authentic wholesome foods for the health and happiness of all'. It has defined the safety principles throughout the whole process from materials sourcing to production and distribution, and is making constant improvement of the principles based on the latest research results.

Related Initiatives

Preventive measures for food safety

Pulmuone Food Safety Center undertakes preemptive activities to make sure safety of all products from food materials to finished products. Its preemptive measures include a hazard test on new hazardous materials, approval on such materials, Pulmuone criteria for approval, and safety check on related products and materials in accordance with the latest regulations home and abroad. In 2012, the food safety was monitored for 15 times with more than 6 times of internal management process design and monitoring.

Food safety verification during shelf life

To verify product safety before the expiry date, Pulmuone Waters conducts food chemistry/microbe tests annually after categorizing random brands and product groups into 3-month, 6-month, and 12-month products. Products over their expiry dates have to be verified for their safety by independent verification agencies semi-annually. In coordination with such efforts, Pulmuone also collects its products in the market once a year to verify and monitor their safety.

ECMD - consumer safety & health provisions

ECMD has bought the PL(Products Liability) insurance to provide indemnity for any physical harm or damage to consumers caused by ECMD foods, and also the commercial general liability insurance to provide compensation to a damaged consumer due to facilities rather than foods and pay for injury treatment, consolation and work loss.

Year	2011	2012
Payment from PL insurance	7 cases	4 cases
PL coverage value	KRW 7,193,300	KRW 4,000,000

Cases covered by the commercial general liability insurance: None in 2011, 2012

Consumer Communication

Pulmuone has opened its SNS channel to keep abreast with the recent social changes such as the ubiquitous usage of social media and smart phones. The company has opened accounts in Twitter and Facebook. This has enlarged channels for VOC(Voice of Customer) in addition to phone and the homepage. In 2013, Pulmuone plans to start CEM(Customer Experience Management) leveraging SNS to further expand consumer communication channels.

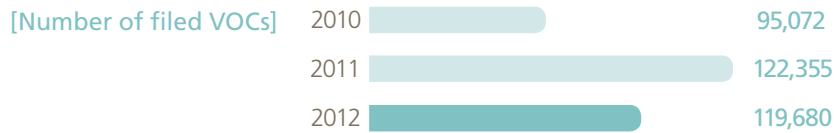
Pulmuone Waters - consumer right to know

Pulmuone Waters displays its water analysis reports at all of its plants to share its rigorous quality management efforts and guarantee consumer right to know about its products. In addition to the water analysis test results, results of the radioactive test and the environmental hormone test on containers are also on display to make sure consumers have a full access to necessary information.

Pulmuone Holdings - VOC(Voice Of Customer) management

VOC of Pulmuone Foods, Pulmuone Health & Living and Pulmuone Waters are all managed by Pulmuone Holdings. The total number of VOCs submitted as of the late December 2012 recorded 119,680 cases, which is 2% decline from 122,355 cases in 2011. A VOC analysis revealed, inquiries about distribution, distribution complaints and e-shop distribution increased 4%, 37%, and 3% respectively, whereas product inquiry and product complaints decreased 26% and 16% respectively.

Ongoing efforts for innovation are thought to be the biggest reason for the decrease in product inquiry and product complaint. External factors to bring about such decline include change in consumer awareness, consumer education and campaigns by relevant agencies like the Korea Consumer Agency and NGOs.



Pulmuone Foods - consumer communication based on integrated marketing information

Pulmuone Foods designated marketing managers as information managers to reduce customer grievance and manage increasing customer needs. Information managers compile and integrate consumer feedbacks and marketing information on a weekly basis and report a summary to the CEO for proactive improvement. Thanks to such efforts, the number of submitted VOCs in 2012 posted 14,408, which is a 7.3% decrease from 15,543 in 2011. Especially, VOCs for product inquiry and complaints declined 7.2% and 18.2% respectively majorly driven by quality stabilization of newly launched products. VOCs for distribution inquiry, distribution complaints, other suggestions or inquiries increased 11.4%, 30.0% and 23.4% respectively.

ECMD - VOC traffic light system for improvement

ECMD greatly enhanced its frontline customer services through initiatives fully incorporating consumer feedbacks in 2012. The company identifies VOC issues on a weekly/monthly basis to increase the sensitivity of employees to VOCs, which has helped reduce the wait time of consumers at the Gapyeong resting stop restaurant. In 2012, 66 sessions of service mind education were offered by the Service Academy along with the Happy Call initiative which provides feedbacks to all consumers who filed complaints in less than 72 hours. The plan for 2013 is to introduce the traffic light VOC management system to preempt complaints of high frequency.

[Details of VOC complaints in 2012]

Type	Menu	Hygiene	Service
# of complaints	68 cases	10 cases	47 cases
Cause of complaints	Lack of menu diversity and taste, sold-out	Alien substance	Lack of service mind, Delayed response to consumers

Foodmerce - online customer center improvement

To offer customers an information access without constraints of time or place, Foodmerce established its online customer center(information system) upgraded on a regular basis. For prompt responses to customers, the company developed a dashboard for efficient handling of work and higher customer satisfaction. It also provides hygiene support services to raise customer awareness and prevent food-poisoning incidents, and designs differentiated hygiene monitoring points for babies and kids who are especially vulnerable to food-poisoning risk. Its service tool has been digitized from paper documents to tablet PCs for more prompt feedbacks, which helped boost the average hygiene score of customers by 9.5 points from 66.9 to 76.4 points.

Consumer Satisfaction

CCM accreditation for the 1st time in food industry

Pulmuone Foods succeeded in receiving CCM(Consumer Centered Management) re-accreditation in 2012 after its initial accreditation in 2011, formerly recognized for its dedication to consumer satisfaction. CCM accreditation clearly shows the company's commitment to consumers in all of its management activities, going beyond having them just as formalities.



CSI(Customer Satisfaction Index)

The CSI score for 2012 recorded 84.5 points, 0.6 point higher than 83.9 points in 2011. Apart from the complaints regarding baby formula distribution by Pulmuone Health & Living and slight decline in the connectivity convenience index of Pulmuone Waters, all of the other indexes improved. In 2012, the phone monitoring score of Pulmuone went up by 1.1 from 95.2 of the previous year to 96.3, recognized for its superb frontline service. Going forward, the company will give a closer and detailed look to capture changes in consumer demographics and their needs to have befitting evaluation standards in place, and better its frontline service capability for higher customer satisfaction.

[CSI scores]



Consumer Info Protection & Compliance

Personal information protection

Pulmuone deems consumer information protection highly important, and strictly abides by the standard personal information protection offered by the Ministry of Security and Public Administration and the personal information protection provision under the Act on Promotion of Information and Communications Network Utilization and Information Protection. In accordance with its personal information protocol, Pulmuone informs consumers about the purpose and method of the personal information utilization and the measures the company takes to protect such personal information.

Pulmuone Health & Living - internal review on its ads

Health functional foods have to go through a review by the Korea Health Supplements Association as mandated by relevant laws before distributing online contents, packaging, leaflets and ads on the products. As for packaging labeling and promotional leaflets, the ads review committee of the company conducts an internal review on the ads before they are delivered to consumers.



Product & Service Info Disclosure & Outcome

Labeling functional properties of products

The functional properties contained in Pulmuone products are clearly displayed on the labels. Pulmuone works to discover functional properties of general products and measures health benefits of its products. The label shows the 'actual' test values instead of theoretical value as a way to increase product credibility and deliver accurate product information to consumers. Among the products newly launched or renewed in 2012, We Love Cabbage & Broccoli(sulforaphane), Khan Love Angelica Utilis Makino & Hovenia(polyphenol), Tastier Bean Sprouts(isoflavone) have functional properties clearly written on the products.

[Products with functional properties on their labels]



Criteria development for sodium, calorie, nutrients

Sodium is an essential nutrient for foods but over consumption of salts can have adverse effects. Pulmuone defines criteria for nutrient contents in products so that it can check products with high sodium and calorie at the designing stage. Products that had already been launched but have relatively high sodium/calorie were redesigned to have lower sodium/calorie by improving their production process. This is another way of practicing Pulmuone vision to provide food products with palate pleasure and good nutrients.

Pulmuone Waters - mineral contents displayed on the label

To confirm the mineral contents in products of Pulmuone Waters and the appropriateness of labeled information, Pulmuone waters receives verification inspection from the Korea Basic Science Institute twice a year in parallel with another verification by PTC(Production Technology Center) under Nestle Waters annually. All of its products passed the inspection and were verified to have appropriate and accurate information on the labels.



Employee Satisfaction

Employment Policy

Employment policy & 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 supports are provided for employees to practice the LOHAS way of life through a LOHAS program where employees can have a chance to experience it.

Executives & Employees

As of the late 2012, the number of executives and employees in total is 4,968. Majority of them are working at offices, sales frontline/planning and production/logistics. The male and female workers are 2,200 and 2,768 respectively with female workers accounting for 56% of the total. In the office work and research centers, female employees take up 34%, which shows female workers are fairly distributed across all job posts.

2012, the number of executives and employees in total

4,968



female workers

56%

Employment creation & turnover rate

The job creation rate for 2012 posted 11.6% with the monthly turnover rate on average recorded 2.02% which shows employment in Pulmuone has been stabilized. Years at work have been on the increase to reach 5.3 years as of the late 2012 with the top managers accounting for 0.7% out of the total employees.

Employment status

	Year	2010	2011	2012
Employment	Total number of employees(people)	4,450	4,753	4,968
	Proportion of the management(%)	0.81	0.82	0.7
	Years in employment(yrs)	5.2	5.2	5.3
	Job creation rate	6.9%	6.8%	11.6%
	Temporary employment rate	12.2%	12.2%	11.1%
Turnover	Turnover rate(%)	1.92	2.34	2.02
Female employees	Total share(%)	56	55	56
	Share in office workers / researchers(%)	30	31	34
	Higher than managers(%)	15	14	18
Physically challenged	Share in employment	0.6%	0.6%	0.5%
Maternity leave	# of employees on maternity leave(people)	85	77	65
	Utilization rate(%)	100	100	100
	Return to work after maternity leave(%)	92	99	97

• **Turnover rate** (average monthly turnover ÷ average monthly number of employees) X 100

• **Job creation rate** (employees for the year – employees for the previous year) ÷ employees for the previous year X 100

Performance management & compensation

Welfare benefits

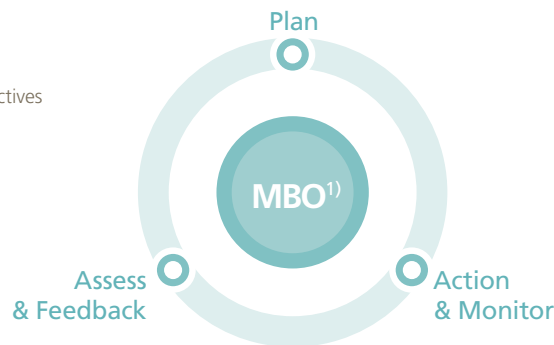
Pulmuone offers a range of employee welfare programs to help employees feel fulfillment at work in an exciting work environment. In September 2012, Pulmuone started to offer gifts to employees with two more childbirth while supporting childcare expense for employees with disabled children, and expenses of lifecycle events like marriage and funeral. To safeguard health of its employees, Pulmuone also support health check-ups of employees aged 40 years or higher along with supports for buying insurance riders for employees. Down the road, the company will continue to increase employee benefits and develop a distinct welfare system that helps the employees enjoy the LOHAS way of life.

Performance management & compensation based on communication

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.

[CFS process]

1) MBO
Management By Objectives



Employee Education

Talent development & growth

To develop and nurture talents, Pulmuone has introduced the three-track learning process(company-initiated, field work-based, self-initiated) for its employees. In 2012, the company-initiated learning process to help new employees learn about work and new environment, and the field work-based learning curriculum designed to fit the characteristics of each affiliate were improved to reinforce the training contents of the Service Academy. Key talents and professionals have opportunities to reinforce their expertise and capabilities through the self-initiated learning track designed for each department. Across the Pulmuone Group, approximately 98% of working-level employees at business management/operation completed the course for knowledge workers which educates about the organizational values and culture.



Pulmuone Corporate Culture

Corporate Culture

GWP(Great Work Place) initiatives

Starting from 2008, Pulmuone has been engaging in various activities to make the company GWP(Great Work Place). Recognized for its relentless efforts to innovate its organizational culture, the company received a major award for sales/distribution at the Korea's Great Work Place awards for 3 years in a row including 2012. In 2012, more activities for sustainable social growth were planned and undertaken including the campaign to check for authentic wholesome foods with the internal efforts to bring about more comprehensive and structured cultural initiatives by designating GWP manager for each business unit.



LOHAS experience programs

Pulmuone, as the leader of the LOHAS trend, encourage its people to adopt LOHAS values as their lifestyle and offers varied supports to employees. There are 3 types of support for LOHAS: First, Pulmuone eco-friendly products with high quality are offered to employees at discount to help its people and their families maintain healthier life with LOHAS diets. Second, they can go to the LOHAS Academy at least once a year where they can have a refreshing respite from daily grind. And lastly, employee welfare points are supported to be used freely by employees for their recreational activities or

self-development such as buying books, traveling, and enjoying leisure and cultural performance.



Mentoring

As part of the on-boarding endeavor for new employees, mentoring is provided every quarter for new entrants. It is open mentoring system where mentees can get to choose their own mentors. Mentees can choose those at different departments only. This is to release the burden when they have their direct superiors as their mentors and facilitate effective communication. For ongoing interaction, the Mentoring Day takes place semi-monthly with grants paid for mentoring activities of the month. The year 2012 had 28 people actively participating in mentoring activities up until the 3rd quarter, and new entrants were able to comfortably settle themselves into the organization by taking part in various hobbies and learning programs.



Family-inclusive events

Volunteering activities and plant tours where family members of employees can participate take place 3-4 times per year, and employees can send their children to youth camps at the LOHAS Academy where they can experience a healthier lifestyle. All of these efforts increase their understanding and affection toward Pulmuone where their loved ones are working.



[Family-friendly programs]

Program	Description
Paternity leave	Provide 5 days of leave for childbirth by spouse
Nursery room	Open an in-house nursery room for female workers with infants
Maternity/childcare leave guaranteed	Encourage female workers to take out maternity/childcare leaves upon their needs - the return rate after maternity leave for 2012: 97%, childcare leave: 91%
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 for childbirth or school entrance of employees' children	Pay congratulatory gratuity for employees' childbirth, or primary/junior high 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

Workplace Safety & Improvement

Labor-management agreement on occupational safety

When new machinery is introduced, new workers are assigned to new jobs by rotation, or employees are newly assigned to departments with potential risks, Pulmuone offers safety education in accordance to the labor-management agreement. All worksites are briefed with safety and health management performances, sharing environment and safety trends or issues and monitoring employee compliance with safety and health rules. With regard to occupational safety, ECMD distributed special cut-proof gloves and slip-proof boots made of specialty rubber to its meal service worksites in order to prevent cuts/falls that can most frequently happen at meal-providing worksites.

Safe behavior program

To advise against unsafe behaviors and maintain safety awareness, the safe behavior program has been introduced to 4 production sites(Eumseong tofu, Eumseong fresh noodle, Doan green juice, Doan health functional food plants) based on communication and consensus. All employees' education, education for observers, workshop for safety managers, and the likes have been provided to spread safe practices across the company, and at each worksite, observers generate a observation card on protective gears, tools/equipments, surrounding risks, and work postures twice per month in accordance with the safe behavior, and attend the monthly observers' meeting. The data collected at the work fields are analyzed and utilized to design safety policies aimed at preventing unfortunate accidents. The progress and outcomes of such endeavors are shared at the ES(Environment & Safety) working-level council convened every two months for structured and sustained operation of the safe behavior programs.

Zero accidents in 7 production sites

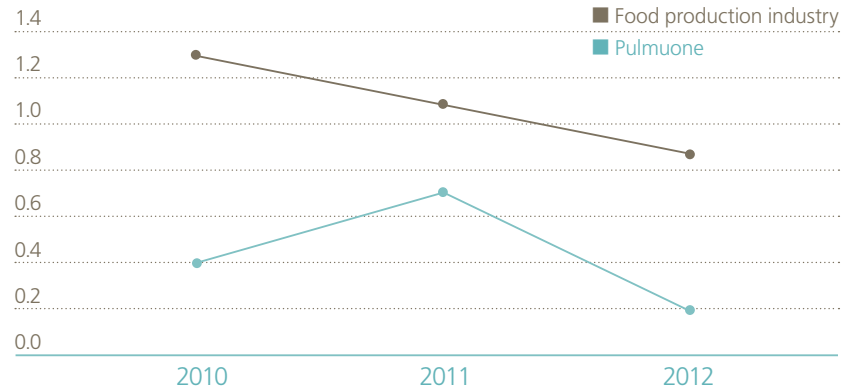
With the aim to have worksites free from industrial accidents, Pulmuone sets a target to have zero industrial accident for every worksite and is waging no industrial accident campaign on a sustained basis by declaring its commitment to safety. As a consequence, 7 production sites(Uiryong tofu, Eumseong fresh noodle, Eumseong sprouts, Doan health functional food, Doan green juice, Saengguk farm, Shinsunatto plants) reached the zero accident target. Especially Eumseong sprouts and Doan health functional food plants have achieved 1,037 days of no accident as of December 31, 2012 after declaring the goal on March 1, 2010. Pulmuone gives out employee welfare points to all employees including contract workers at the zero-accident worksites, and out of the zero-accident worksites, selects one with the highest average compliance rate with ES audit and the best performance in energy/water consumption to award them with prize. Every year, it also selects an ES manager with remarkable commitment and performance to give the best performance reward.

Occupational accidents, number of the injured, absence rate

In 2012, 10 employees were injured at worksites with the absence rate of 0.04%. Pulmuone's occupational accident rate up until November 2012 based on the statistics were 0.2%, which is 0.68%p lower than the food production industry average of Korea and 0.49%p lower than Pulmuone's occupational accident rate in 2011. This is the result of reinforcing environmental safety inspection and safety education for production sites, and successful implementation of safe behavior programs. In particular, the number of occupational accidents for promotional staff went down 53% from the previous year, a notable feat that was made possible thanks to ongoing site inspection for promotional staff who had been neglected, and frequent use of other methods such as accident analysis, campaigns, the zero accident campaign and safety message relays.

[Occupational accident rate]

Unit: %



*Cumulative figure as of Nov, 2012 – Occupational accident statistics by the Ministry of Labor. Occupational accident statistics for 2012 in its entirety scheduled to be released in Feb, 2013.

[Absence rate]

Year	2010	2011	2012
Absence rate(%)	0.05	0.10	0.04

(*Absence rate: Total days of absence/total work days x 100)

Labor Union Regime & Operation

Union member status

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 activities as members. In addition, those who are recognized as Pulmuone employees are fully allowed to establish a labor union themselves.

Labor dispute

In 2012, 7 of Pulmuone worksites with labor unions had labor-union negotiations to revise the collective wage agreement, and the negotiations were all settled to the satisfaction of both sides without having single labor strike thanks to the enhanced mutual understanding. The better mutual understanding has been enabled by ongoing labor-management communication channels such as the Labor Management Council and the grievance redress system. The cooperative labor-management relationships will continue with sustained efforts of the company.

Communication between labor & management

Pulmuone's labor and management has interactive communication. Every year, they engage in collective wage agreement on working conditions and environment. Other communication channels include the sales daily, periodic meetings at the Labor Management Council, round-table meetings with CEO, the latest internal/external information on the intranet, corporate newsletter, the Occupational Safety & Health committee, the grievance redress mechanism, the sustainability report and communication with employees. Through these channels, Pulmuone people can share comprehensive information on management and corporate aspirations, which results in stronger ownership higher employee engagement.

[Union membership status]

Plant type	Doan green juice	Doan health functional food	Eumseong fresh noodle	Chuncheon tofu	Uiryong tofu	Pulmuone Waters	Eumseong sprouts	Total
Union type	Company-level	Company-level	Company-level	Industry-level	Industry-level	Company-level	Company-level	
head union	FKCWU(Federation of Korean Chemical Worker's Union) of FKTU(Federation of Korean Trade Unions)	FKCWU of FKTU	FKCWU of FKTU	CTIU(Chemical and Textile Industry Union) of KCTU(Korean Confederation of Trade Unions)	CTIU of KCTU	FKTU	FKCWU of FKTU	
Total(people)	82	76	149	90	74	117	53	641
Those qualified(people)	70	76	121	83	55	78	43	526
Union members(people)	69	66	121	25	23	23	16	343
Membership rate(%)	98.6	86.8	100	30.1	41.8	29.5	37.2	65.2

Partner Satisfaction

Partner Selection, Assessment & Monitoring

The primary factors Pulmuone considers when selecting its suppliers is quality, hygiene, environment and safety. The suppliers who use eco-friendly materials and have green management practices in place are considered candidates for partner companies of Pulmuone, and for existing partners, Pulmuone conducts periodic assessment where those with good practices receive extra points for a contract extension, encouraging them to enhance their social and environmental performances. In February 2012, Pulmuone signed an MOU(Memorandum Of Understanding) with the Our Village, the non-profit job rehabilitation center located in Ganghwa island as part of its efforts to proactively fulfill its corporate social responsibility. The contract for bean sprouts supply is one of the best examples of Pulmuone driving mutual growth with its partner companies by transferring production know-hows such as bean sprouts growth technology, quality management and packaging methodology along with supplying products of higher quality and indirect job creation for the physically challenged. It serves as the best practice to drive mutually inclusive growth of partners.

Partner assessment

Pulmuone partners go through quantitative evaluation every year whose results are considered when having transactions with them for the following year. The quality evaluation system based on HACCP(Hazard Analysis and Critical Control Point), GMP(Good Manufacturing Practices), and ISO(International Organization for Standardization) along with the company's management scheme helps strengthen quality criteria and hygiene management. Pulmuone also makes frequent visits to the department of partner companies in charge of relevant areas for on-site hygiene inspection and periodic quality improvement. In 2011, especially, the hygiene evaluation regime for new partners led by the QM(Quality Management) Office became more rigorous.

[Management per phase for sanitary evaluation in 2012]



Win-Win Collaboration with Partners

Pulmuone Best Partners' Day, the round-table gathering of partner companies

Pulmuone organized an event for partners marking its Best Partners' Day, which took place in the grand auditorium of Yonsei Engineering Research Center in March, 2012 attended by about 57 partner companies and upwards of 110 employees of the companies, which include partners of Pulmuone Foods and Foodmerce. Under the slogan of "Together, but with Different Competitive Edge", the event served as a vehicle to build trust and have communication on mutually beneficial collaboration and value creation. Participants delivered presentations on the examples of win-win collaboration aligned with the principle of transparent management and fair transaction(TISO), listened to lectures on how to create values for inclusive growth, shared evaluation results of good partners and attended the award ceremony for those with best practices. Pulmuone Best Partners' Day gave many fulfilling moments to make pledges to inclusive growth and commend the hard work of partner companies.

Grievance redress for partners

Pulmuone leverages its sourcing portal(<http://sp.pulmuone.co.kr>) to ensure mutual trust with partner companies where it displays information on the sourcing process of partner companies' manufacturing products in accordance with principles of quality/green management and then delivering the products to Pulmuone. If there is any difference in opinion, it is communicated through the sourcing portal primarily, and the submitted complaints and inconvenience of partner companies are handled as promptly as possible. For instance, if products made by partner companies fell short of the quality criteria of Pulmuone and returned to the producer, the number of returned products and the reason are notified to the partner through the sourcing portal so that the partner can have accurate knowledge about the product return and use the knowledge to prevent recurrence and make improvements. Pulmuone consolidated its sourcing portal with that of Foodmerce in March 2011 and opened a window where partner companies can make suggestions and ask for improvements on a needs basis through free-flowing and interactive communication.

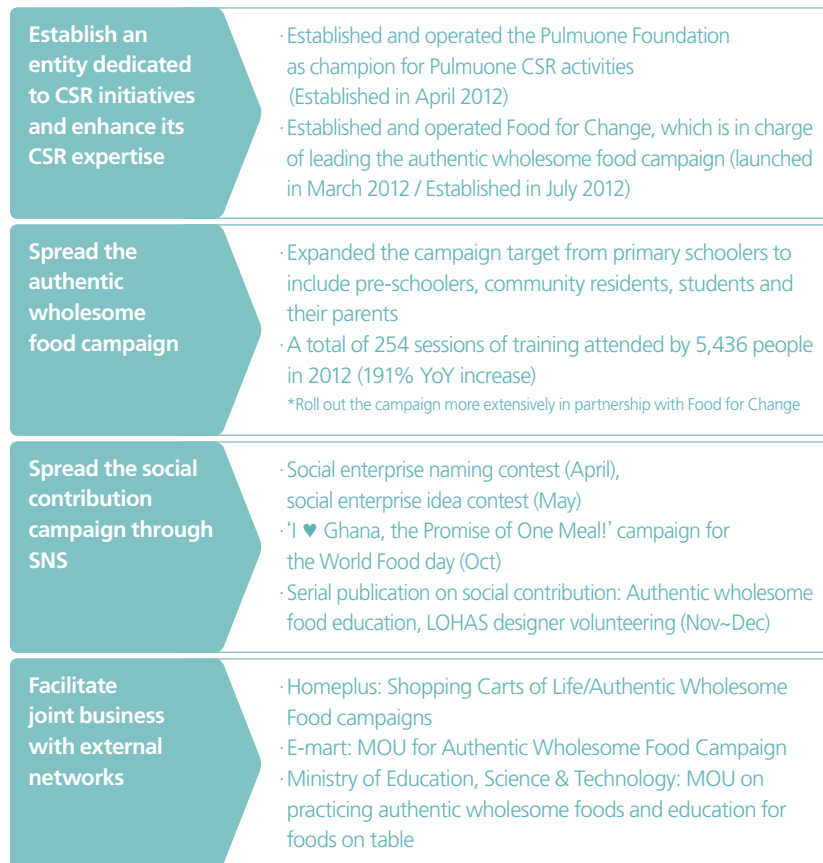
Community Satisfaction

Social Contribution Structure

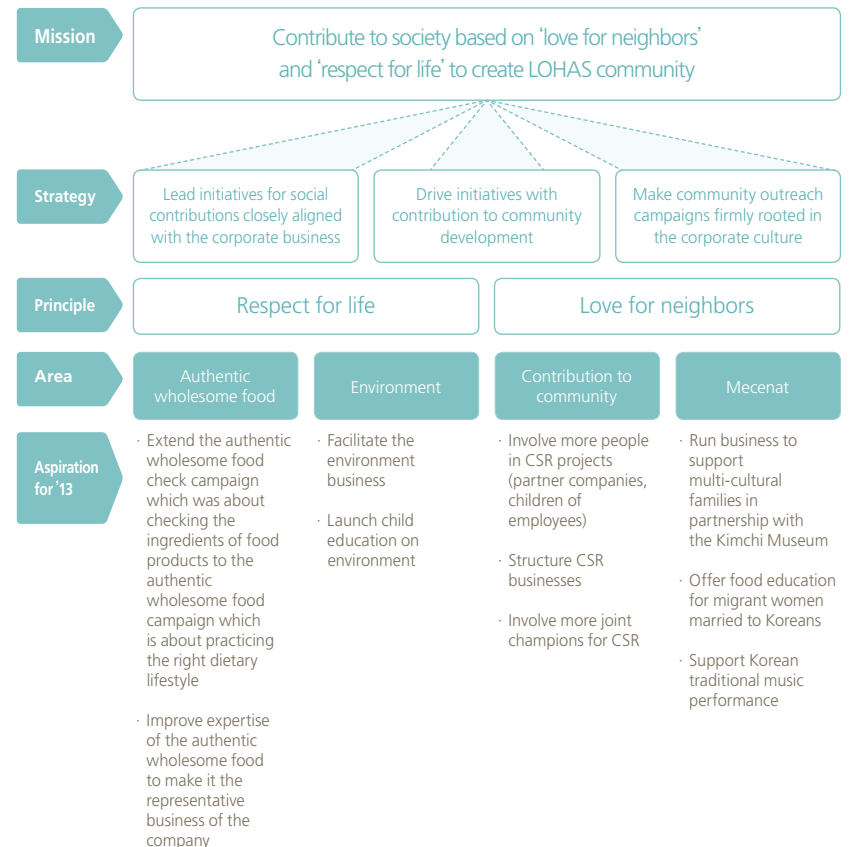
Pulmuone surveys demands of local communities, plans new business related to its existing business scope, and selects an NGO as its business partner. After launching the business, evaluation follows to find rooms of improvement, which are reflected in the next year's business plan.

Milestones in 2012 & Major Tasks in 2013

[Milestones in 2012]



[Major tasks in 2013]



Social Contribution Initiatives



'Goodbye, Atopy!' campaign

Rendering support to treat children suffering from atopy is mid-to long-term theme of Pulmuone. The company invited Dr. Hong, Hye-Geol to give a lecture titled 'health story doctors would never tell' in May, and organized 10 sessions of the Eco Workshop on natural cosmetics and lifestyle goods, and their benefits in 4 of the ORGA Whole Foods stores in partnership with Women's Solidarity for Environment.

Collaboration with outside networks

In collaboration with Homeplus and E-mart, Pulmuone is waging a joint social contribution business. As part of the 'good consumption' practice, Pulmuone joined force with Homeplus to organize the Shopping Cart of Life and the Authentic Wholesome Foods Check campaigns. For the Shopping Cart of Life campaign, Pulmuone donates 1% of the profits it reaps from some items for a defined period of time to e-Blue Foundation in addition to the matching amount donated from Homeplus. This means 2% of the sales of certain items goes to support surgery of child cancer patients. Homeplus joined the Authentic Wholesome Foods Check campaign waged by Pulmuone to give relevant education in 60 of its life-long learning schools. Pulmuone also signed an agreement with E-mart to jointly proceed with the Authentic Wholesome Foods Check campaign in June 1, and pledged to donate 1% of the sales of its promotional products to Food for Change where the money can be spent to improve dietary habit of children.

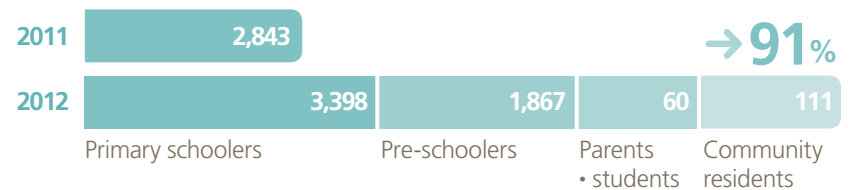
Check for authentic wholesome foods

Pulmuone wages a campaign to educate both children and adults on by whom, how, where the foods they eat are grown and how they can choose authentic wholesome foods for their own health by giving trainings on how to check the labels and how to taste the foods. This is called the Authentic Wholesome Foods Check campaign. The company has also joined the character education campaign initiated by the Ministry of Education, Science & Technology which is about teaching children across the country good manners at table and healthy dietary lifestyle.

[Curriculum per target (1.5 hour class)]

Target	Description
Pre-schoolers	Nutrients, labeling, in-season food materials, gustation experience
Primary schoolers	Labeling, ingredient name&content, additives, nutrients, cooking class for nutrition balance
Parents · students	Experience education-Families purchase food materials themselves, cook, prepare the table, and eat together with having conversations
Community residents	How to select the right foods for my family's health and have the right dietary lifestyle to combat disease

[Number of participants for authentic wholesome foods check campaign]



Shared value creation by Pulmuone Waters

Pulmuone Waters shares the value management defined by Nestle when it comes to dealing with the inevitable byproducts of the bottled water business including, for example, exhaustion of water resources, fossil fuel consumption, wastewater treatment, recycled products disposal, carbon emissions, and possible conflicts with communities. To faithfully practice the shared value management, Pulmuone Waters strictly follows provisions on quality, safety and business credo while implementing sustainability management through water management, ecosystem monitoring and environmental protection. It has also become a good neighbor to communities, creating shared values for the company and the communities alike through the water campaign and the water quality preservation campaign.

LOHAS Designer, the employee volunteering corps

Pulmuone has established the enterprise-wide social contribution corps named 'LOHAS Designer' to wage employee social campaigns in a more structured way. Under the vision of 'people committed to making sustainable health for society and neighbors', 51 volunteering teams were formed across the enterprise to undertake volunteering activities in communities or social welfare centers for the underprivileged. In parallel with this, other volunteering groups have been formed by employees themselves to wage activities such as planting trees, helping farmhouses, protecting the environment, providing lunch to the underprivileged children and others on a regular basis. Pulmuone people are reaching out to others to spread warmth and love across society.



[Employee volunteering activities]

Year	2010	2011	2012
# of participants(people)	1,929	2,149	3,126

Project WET (Water Education Teacher)

Project WET is about training teachers who would teach students at water/ environment class where they learn the importance of water and the environment. Pulmuone Waters is working to expand the program to grow and nurture more future talents who have the heart for the environment.

['Water Education Teacher' training]

Description	Date	Venue	Attendees	Sessions
WET leadership training course	May 10 (Thrs)	Gang-maeul green library	30	2
WET leadership training course – 1	Aug 21(Tues) - 23(Thrs)	Training center commemorating the democratization movement	41	10
WET leadership training course – 1-1	Dec 3(Mon) - 4(Tues)	Cheonahn YMCA training center	20	7

19 sessions for 91 people in total

Cultural Contribution Initiatives

Sponsorship for 2012 Korean Traditional Music Performance

Pulmuone sponsors the Korean Traditional Music Performance, marking its 9th anniversary in 2012. The music performance has been co-sponsored by 4 food companies who share the cause of develop and popularize Korean traditional music since 2004. Breaking the stereotype about Korean traditional music being dull and boring, the performance sponsored by Pulmuone has done a great job in revealing the true beauty of what is real traditional music of Korea.



Pulmuone Kimchi Museum

With the commitment to continuing on the country's rich culinary legacy, Pulmuone has run Kimchi Museum since 1986 to conduct research on the most representative Korean food and promote the food outside Korea. The museum 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 also offers a range of educational programs for multi-cultural families and grandparents-children families as the life-long educational center for society.

 Pulmuone Kimchi Museum website www.kimchimuseum.co.kr

Win-Win Growth with Communities

Growth of distribution industry with local authorities

In partnership with local authorities, Pulmuone make indigenous agricultural products into food brands to facilitate growth of local farming communities. Pulmuone Foods signed an MOU on developing agriculture and food industry of Korea with Yeongyang county in Gyeongbook province, and another agreement on producing and distributing fresh vegetables for salads. Under the MOU, Pulmuone has pledged to rent a seedling raising plant in Yeongyang county to produce fresh sprouts and vegetables. There are other types of pacts to build an eco-friendly production site for various agricultural products like fresh cut cabbages that are in high demand from consumers. With the increasingly growing demand for fresh cut food products, Pulmuone worked with difficulty to build production facilities, but unfortunately there were not many good candidates to supply fresh food materials. After much effort, Pulmuone has finally found the optimum geography for its production facility, and in the cutting-edge glasshouse production facility for water culture, Pulmuone is planning to develop and produce fresh cut food products in addition to the young sprouts.

Activities for inclusive growth

Pulmuone is carrying out various activities for sustainable growth inclusive of communities. The company introduced 'Ganghwa Woori maeul bean sprouts' produced in the Woori village, the social welfare entity, in the Ganghwa island, and had the launching ceremony on February 14, 2012. Ganghwa Woori maeul bean sprouts are recognized as eco-friendly products grown by 60 intellectually challenged people working at the Woori village with the technological support from Pulmuone. Ganghwa Woori village produces 1,500 bags of bean sprouts per day and 70 tons per year, contributing greatly to the job creation for the physically/mentally challenged. Pulmuone also produces tofu products made of beans from Yeoncheon and Yanggu counties, thereby facilitating community economy and enhancing brand value of the region. Pulmuone's effort is just about showing communities a new model for truly inclusive growth.

ECMD - for the underprivileged in Songpa

ECMD undertakes a range of initiatives for the underprivileged residents of Songpa district after signing a joint agreement for sharing and volunteering. Under the agreement, LOHAS Designer Team distributes authentic wholesome foods to 150 low-income households in Songpa district as part of the 'Happy Table' project designed to pay warm attention to those who had been neglected by our society. The company developed many social contribution programs in collaboration with the Songpa District Office to provide free lunches to underprivileged or physically challenged children and seniors living alone while donating Pulmuone products on a regular basis for the lowest-income families living on the government assistance. Signing the agreement surely shows the ECMD's commitment to reaching out to those in need and promoting inclusive growth with communities.

Pulmuone's Whisper 5

_Outreach Volunteer Programs



1 Stream for 1 Company

To raise awareness about the importance of water resources and make nature and our surroundings cleaner and sustainable, Pulmuone launched its campaign to clean up streams across the country. Named as <1 Stream for 1 Company>, the initiative is a way for Pulmuone to fulfill its social responsibility and duty as LOHAS company which deeply cares for both human and nature.



<Blood Donation> to Spread Hope

By waging the blood donation campaign, Pulmuone took one step closer to its vision 'Love for Neighbors' and 'Respect for Life'. Through this campaign, Pulmuone gathered 16 official blood donation registration cards from participants, all of which were donated to Hanmaeum(One Heart) Blood Bank.



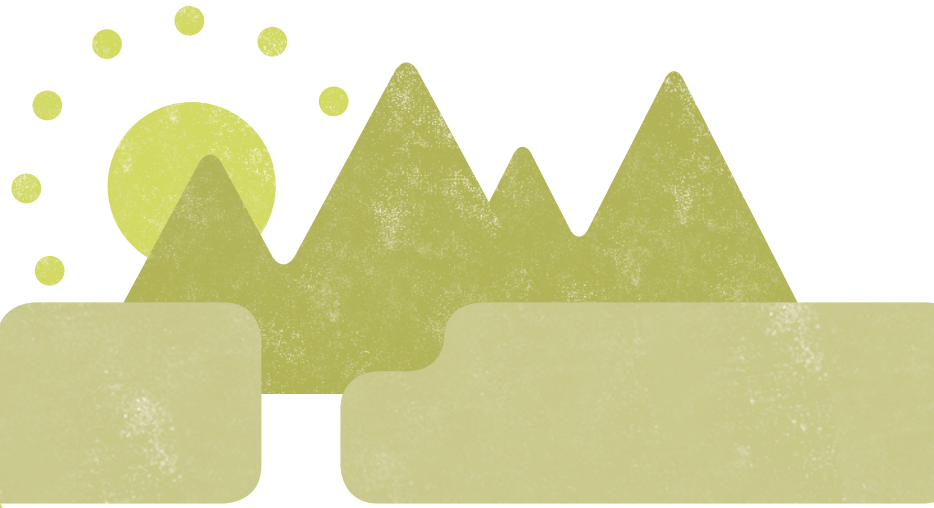
<Happy Family Outing> for Children with Physical Challenges

Pulmuone sponsored the Happy Family Outing event where children with physical challenges and their families can a good time mingling and sharing with each other by participating various games and fun programs. The company also donated 2,000 lunchboxes and sent 15 LOHAS designers to distribute the lunchboxes and give assistance throughout the event.



2012 Bazaar for Love

<2012 Bazaar for Love> was held to have heart-warming moments with community members and neighbors. This year, especially, <Make a Wish> and <Food Cart of Love> were held in parallel with the bazaar where neighbors got together and shared affection with one another.



Healthy with Nature

Pulmuone aspires to become a company that makes both people and nature healthier and happier. Pulmuone exerts green endeavor under 6 agendas for the environment.



Healthy Nature, Healthy Pulmuone

Green Management Strategy

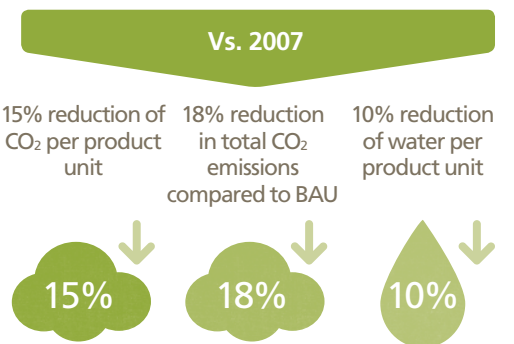
Green management for health of human & nature

Pulmuone has 6 agendas for environmental safety: on-going improvement in its impact on the environment, creation of healthy worksites, building the risk response system, eco-friendly process and development of more green products, more active internal/external communication and environmental safety leadership. The agendas have been implemented phase by phase. To practice eco-friendly and safe management for the benefit of both people and nature, Pulmuone aims to reduce CO₂ emissions per product unit by 15% and water 10% compared to the levels in 2007 with another ambitious goal of reducing the total CO₂ emissions by 18% vs. BAU(Business As Usual). On-going improvement efforts are being waged to attain the goals.

[Environmental safety 6 agendas, Outcome in 2012]

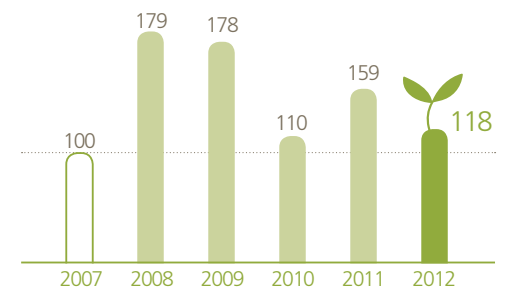
Ongoing improvement of environmental performance	Healthy worksites	Risk response system building	More eco-friendly processes & products	Facilitated internal/external communication	Leadership in environmental safety
<ul style="list-style-type: none"> · 9.7% of energy reduction and 9.0% of water reduction compared to 2011 · Currently building system for energy/water management/measuring (PMP¹⁾ utilized) · Trial training on energy/facility for raising experts <p>1) PMP Pulmuone Manufacturing Portal</p>	<ul style="list-style-type: none"> · Occupational accidents reduced 0.46%p from 2011 47 cases in '11 30 cases in '12 · Trial introduction of safe production behavior program · Updated education & safety manuals to prevent accidents related to promotion · zero accident in 7 production sites for 1.2 times as long as the target period 	<ul style="list-style-type: none"> · Better environmental safety system – education for inspectors, checklist development, monitoring (1 time/semi-annually) & improvement · Emergency response system and drilling to minimize damage from natural disasters · System for response to any chemical materials 	<ul style="list-style-type: none"> · Less residue in packaging film coming into direct contact with products · Water-based adhesive for all tofu packaging film · Registration (Eumseong tofu) & transaction (Eumseong fresh noodle) of greenhouse gas reduction business · Eumseong tofu registration: Sep 2011–Sep 2016 (4,330 ton of CO₂ expected) · Eumseong fresh noodle: 1,084t CO₂ approved in July 2011–July 2012 	<ul style="list-style-type: none"> · Participation in low-carbon green-growth exhibition · Visited by 2,000 people with 1,558 of them having filled out the questionnaire · The green product of the year handpicked by consumers themselves (organic tofu) · Low-carbon product accreditation (organic tofu), carbon records accreditation (Pulmuone Waters) 	<ul style="list-style-type: none"> · Passive House in construction

[Pulmuone mid-term environmental objective]



[Environmental investment & management expense trend (vs. 2007)]

Unit: %



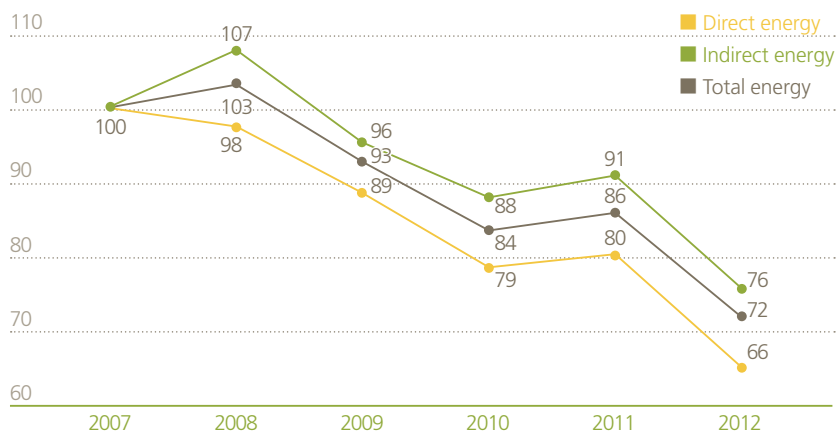
Response to Climate Change & Greenhouse Gas Emissions

Greenhouse Gas(GHG) emission management per sector

To cut down GHG, the major culprit of climate change, Pulmuone manages energy consumption and GHG emissions by sector (i.e. production, logistics and service), and set the target of reducing GHG emission per basic unit by 15% from the level in 2007 by the year of 2015. Under the objective, Pulmuone has worked for renewable energy, energy saving and GHG reduction. As a result, the energy consumption per basic unit in production sector went down 28% in 2012 vs. 2007.

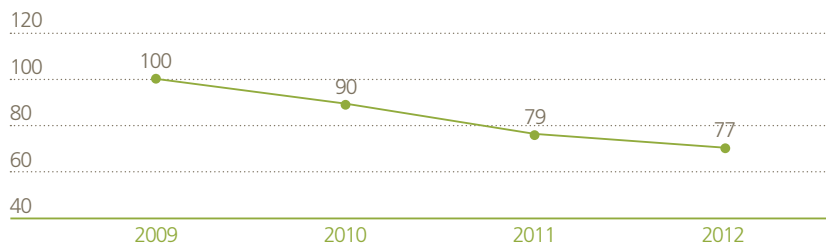
[Energy consumption per basic unit in production]

Unit: %



[GHG emission trend per product unit in production]

Unit: %



Green initiatives for CO₂ reduction

Pulmuone is an active participant in the zero carbon campaign. Every year, it organizes a tree-planting event for future generations to reduce carbon emission generated by plant tours or the general shareholders' meeting into zero. In 2012, Pulmuone employees and 64 family members visited the Bangjuk Park in Godeok to plant trees. Company clubs for volunteering were also formed to take part in quarterly volunteering activities for the greener earth.



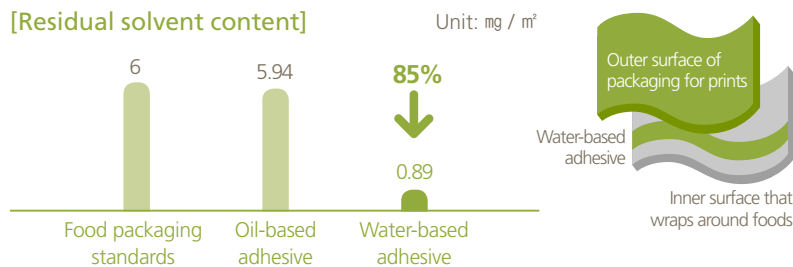
CO₂
Reduction



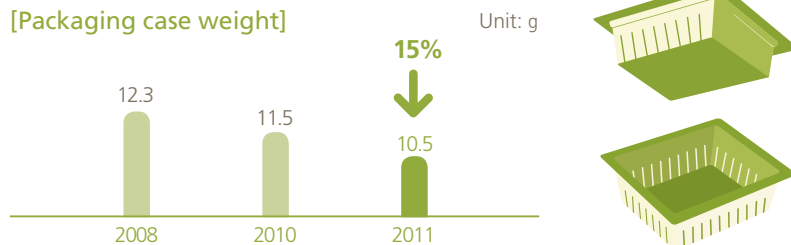
Eco-friendly tofu packaging jointly developed by the Ministry of Environment

Pulmuone, for the 1st time in Korea, developed water-based adhesive for processed food packaging. By applying the new invention, Pulmuone has been able to improve the packaging film and the case shape to reduce the weight of tofu packaging materials. The development was the feat of the EI(Eco Innovation) initiative commissioned out by the Ministry of Environment. When the water-based adhesive is applied to the packaging film, the residual solvent in the packaging film can be reduced for better food safety. As for the packaging case, the shape has been improved with the same strength, but in 9% less weight, which leads to the annual reduction of 19,221kg of CO₂. As it was mentioned, the packaging containers have got lighter with the same strength, and for that strong merit, they fetched the special award at Green Packaging Award organized by the Ministry of Environment and Korea Environment Packaging Promotion Institute.

[Residual solvent content]



[Packaging case weight]



Green logistics

Pulmuone works with meticulous care to give only minimum processing to its food products for nutritional balance, and then strictly abides by the temperature standards for chilled and frozen products throughout the process of production, storage and distribution to provide only the best-quality products to consumers. Logistics can have its footprint on the environment that may accelerate climate change because freezers have to be operated and transport vehicles for logistics run on fossil fuels. To lessen such burden on the environment, Pulmuone operates a green logistics center fitted with eco-friendly freezers and eco-conveyors under very effective temperature management system, and operates large transport vehicles with cold storage system.

Large logistics vehicle

Pulmuone cuts down carbon emissions from its logistics vehicles by reducing small vehicles, operating large vehicles for transport between logistics hubs, and increasing the average transport volume per vehicle. When transporting 28 pallets, there have to be two 5-ton vehicles with 4.25L/km fuel efficiency but if the fuel efficiency is 2.5L/km, it just needs a single trailer. This can reduce monthly consumption of diesel oil by 1,100L.

Air pollutants reduction

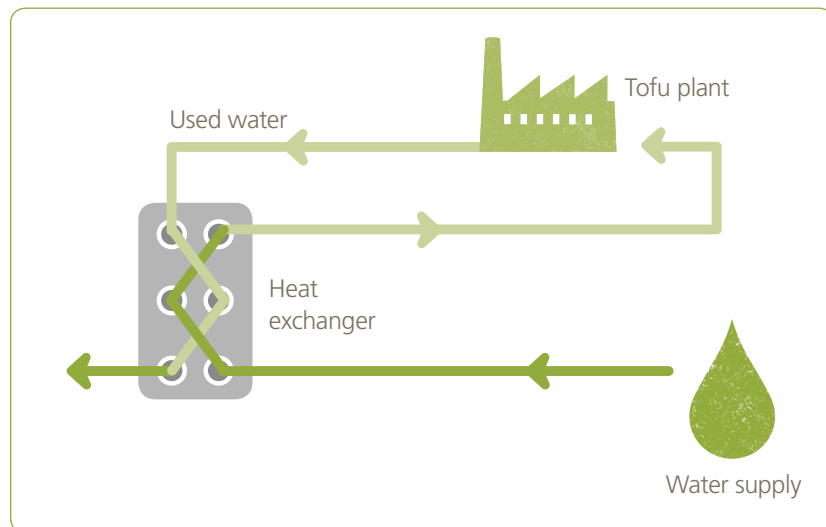
Pulmuone replaced boiler fuel from B-C oil and B-A oil to cleaner fuels like LNG and LPG to reduce pollutants emissions like SO_x and NO_x in 2007. Companies using LNG and LPG are exempted from the obligation to install air pollution control equipment.

Environmental Footprint Reduction & Outcome

Pulmuone organic tofu, green product of the year

By recovering waste heat generated in the tofu production process to reduce fuel consumption and applying eco-friendly packaging technology to render support to green initiatives of partner companies, 4 of the Pulmuone products (i.e. organic tofu for griddling/pot stew, Two Cup for various cooking, Two Cup for raw foods) have been recognized as low-carbon products. The organic tofu for pot stew was also selected as '2012 green product of the year' by consumers whose decision was made with the advisory from experts on environmental food print and commercial appeal. The heat recovery technology for producing organic tofu helps the company recover heat from wastewater. The wastewater from tofu production usually has higher temperature due to its characteristics. Therefore, using it to heat washing water of the plant is highly effective in reducing fuel consumption.

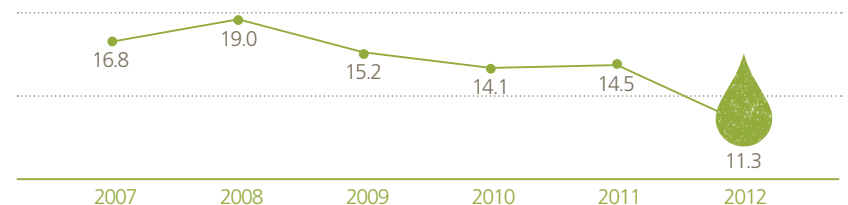
[Heat recovery process : Process of recovering heat from wastewater and transfer the heat to newly supplied water]



Water usage reduction

Water takes up 70% of the earth surface, but 97% of it is ocean and 2% is ice and only the remaining 1% is fresh water for humans. It is truly invaluable resource for human survival without viable alternative with the demand constantly increasing. Pulmuone has worked to reduce water consumption per basic unit with advanced technology with good results. For example, after it was confirmed that the vacuum-type facilities for tofu production was consuming too much water, the company made a decision to replace them with atmospheric pressure-type facilities with the successful result of 5,336 basic unit/month of saving. With this, the water supply pressure was lowered from 3.2kg/cm² to 2.5kg/cm² to reduce water consumption by 4,800 basic unit/month. The water supply system for growing vegetables at the Eumseong sprouts plant was also changed from the two-way pipeline system to the one-way one to reduce water consumption by 15% which is equivalent to 9,283m³/month.

[Water consumption trend per basic unit in production] Unit:m³/Basic unit



Renewable energy & energy saving

Pulmuone farms use geothermal energy for heating and cooling with the annual reduction of 260,000L in light oil consumption. The Eumseong and Yongin logistics centers introduced the maximum electricity management system for efficient management of power consumption. The system monitors real-time power consumption per facility and part, and reduces electricity load when electricity consumption goes over the predefined range by consecutively controlling coolers/heaters and freezers which have relatively little impact on the operation of the logistics centers. Such efforts earned Pulmuone bronze award as good energy-saving practice from the Korea Electric Engineers Association.

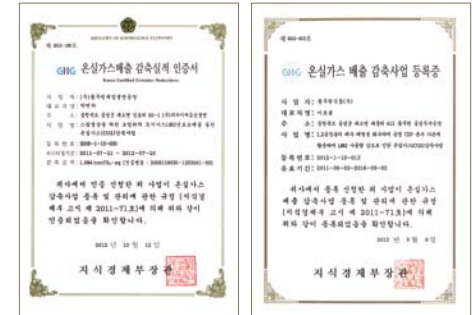
ORGA Whole Foods – Grand award in eco-friendly distribution

At the 17th Korea Distributors' Award held on December 17, 2012, ORGA Whole Foods had the honor of receiving the grand award in eco-friendly distribution. The award ceremony, sponsored by the Ministry of Knowledge Economy and organized by the Korea Chamber of Commerce & Industry and Maeil Business newspaper, recognizes companies who have made great contribution to developing the distribution industry of Korea by innovating business and boosting consumer satisfaction. ORGA Whole Foods has made great achievements such as leading eco-friendly foods distribution, facilitating eco-friendly farming, saving energy and applying eco-friendly packaging materials, all of which were highly commended at the ceremony.

1 registration, 2 monitoring cases for Greenhouse Gas(GHG) reduction business

Pulmuone makes unreserved efforts to achieve its green target of reducing CO₂ emissions per basic unit by 15%. The Eumseong tofu plant had used steam to raise temperature of washing water for tofu production facilities but later improved its system to recover heat from wastewater generated from the production process and use it to heat up the washing water. The improvement has enabled the company to use less fuel for its boiling facilities. With the reduction in fuel consumption, GHG emissions are expected to go down 866tCO₂e per year and 4,330tCO₂e during the business period. This has enabled the company to register its achievement as the GHG reduction business at the KEMCO(Korea Energy Management Corporation). The Eumseong fresh noodle plant replaced by-product oil no. 1 & 2 with LNG, the cleaner fuel, for steam with being registered as the GHG reduction business at the KEMCO. The monitoring between July 2007 and July 2012 confirmed 6,168tCO₂e of GHG reduction in total, and the certified reduction was all purchased by the government.

[Certificate for GHG reductions]



Green Management Initiatives

Minimum pollutant discharge

97% waste recycling rate

The disposal of waste from business sites is commissioned out to the outside agency. In 2012, 97% of the wastes were recycled. The transformer oil used for the oil-immersed transformer in the Eumseong fresh noodle factory was revealed to have 50ppm PCBs(Polychlorinated Biphenyls), which is higher than the criteria(5ppm), but as there is no agency qualified to properly dispose the said pollutant and the Korean law does not prohibit the use of PCBs. The plant reports the use of PCBs to the relevant authorities and put the label on the transformer that shows the related information. When the transformer is disposed of, the plant will go through the due procedure mandated by the relevant laws through an agency qualified for the job.

Unit	2007	2008	2009	2010	2011	2012
Total weight(ton)	16,181t	16,573t	16,665t	9,058t	13,218t	11,191t
Landfill(%)	1%	1%	1%	3%	1%	1%
Incineration(%)	1%	1%	2%	11%	1%	2%
Recycling(%)	99%	98%	97%	86%	98%	97%

Wastewater flowing into river purified to be used as farm water

The company-wide environment safety committee of Pulmuone sets out a policy that it will maintain the pollution level of discharged wastewater to less than 1/2 of the legal limit to minimize impact of the wastewater on the ecosystem. In relation to that, the water discharge standards of Pulmuone Eumseong fresh noodle, Eumseong sprouts, Chuncheon tofu, Doan green juice and Doan health functional foods plants were strengthened to be stricter than the internal standards so that their wastewater can satisfy the water quality criteria for agricultural water. To attain the goal, the wastewater treatment facilities of those plants were all upgraded and artificial wetlands were created in those plants. As for the Eumseong logistics center and Foodmerce, their wastewater treatment facilities were modified and upgraded to satisfy the corporate internal policy.

[Artificial wetlands in Doan green juice/health functional foods plants: JaDamYeon, Artificial wetland in Eumseong tofu plant: Dangrim Garden]



Biodiversity

Farming consulting for healthy ecosystem

Pulmuone offers consulting services to community farmers for different crops, and monitors the amount of agrichemicals to ensure safety of food crops and minimize impact on the surrounding environment. A case in point is Pulmuone's assistance to the Wonsam farming community. Pulmuone studies its agrichemical usage and land analysis results to modify standards on agrichemical/fertilizer usage, which led to remarkable improvements in lessening salt accumulation and eutrophication, and in increasing productivity while bringing positive impacts on crop safety and environment.

[Before vs. after farming consulting]

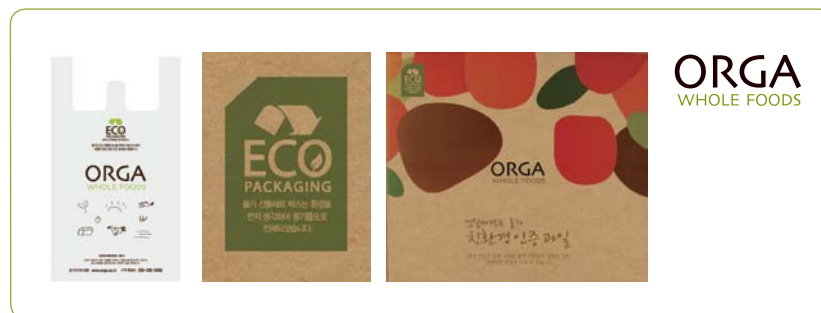


More eco packages

ORGA Whole Foods introduces eco-friendly packaging materials to deliver the values of green environment through packaging. It also minimizes harmful substance and materials in packaging while recycling packaging materials.

Item	Description
Eco-friendly shopping bag	Plastic bags replaced with sugarcane-based material
Eco tray	Plastics replaced with biodegradable materials - Used in home meal, meat corners (7 types)
Eco packaging material	Petrochemical materials replaced with recycled paper - Fruit baskets Plastic string for watermelon replaced with natural string(hemp)
Eco-friendly receipt	Replaced with materials non-detected of harmful substances (bisphenol A)
Name card made of recycled paper	Paper replaced with recycled one for name cards
Less packaging	Minimum gift packaging (refrain from over-packaging, packaging in double layers) E-shop eco box recovery-recycling
Organic solvent	Oil-based ink replaced with soy-based ink

[ORGA eco package]



Third Party's Assurance Report

To the Management of the Pulmuone 2012 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 2012 (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.

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⁾

-
- 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

Through the work undertaken below, the Auditor set out to assess the following: 1) the inclusiveness, materiality, and responsiveness of the Report; and 2) the level of application against GRI/BEST sustainability reporting guidelines.

- A review of the source of disclosed data and department responsible for data management
- A review of the data collection system for each of the reporting dimensions and a review of the adequacy of the reporting process
- A reconciliation of the financial information contained in the Report against the Auditor's Report
- Media analysis and a review of documents for the reporting period
- Analysis of data sampling and stakeholder survey results

- Materiality assessment centered on internal corporate policies, benchmarking, media search, and survey questionnaires
- A review of the Company's platform for responding to key material issues
- Interviews with persons responsible for the performance of respective dimensions
- On-site review primarily of the local (Seoul) workplace (Feb.26/28, 2013)
- Level of application against GRI/BEST sustainability reporting guidelines

Limitations

- Interviews with persons in charge of each of the respective performance dimensions and data collection as well as a review of the adequacy of data
- On-site review of local (Seoul) workplace
- Assurance undertaking based on disclosed materials and information for the reported period
- Reliability assessment of performance data not conducted

Conclusions

Based on the assurance scope, methodology, and criteria outlined above, the Auditor did not find the Report to contain any material misstatements or bias. Material assurance findings are included herein, and a detailed account of the results and follow-up recommendations has been submitted to Pulmuone.

[Inclusivity]**Does Pulmuone adhere to the principle of stakeholder engagement to ensure a responsible and strategic response toward sustainability management?**

The Auditor noted efforts by the Company to establish and expand its stakeholder engagement processes based on its recognition of the importance of stakeholder participation in the implementation of sustainability management. Pulmuone has established diverse channels for its respective stakeholder groups e.g. shareholders, management and employees, customers, business partners, and the local community to better collect their feedback and views.

The following points were found to be particularly commendable.

- Continued company-wide efforts to collect stakeholder feedback including the integration of a single sourcing portal with Foodmerce
- Efforts to expand “interactive” programs for stakeholder engagement (instead of “unilateral”) to better manage customer communications, VOC feedback, policies to ensure consumers’ right to be informed, etc.

Going forward, however, the Auditor suggests providing more diverse means for stakeholders to offer their views, while providing a platform for reflecting the collected feedback into the Company’s decision making.

[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 noted efforts to carry out an internal/external analysis of the Company via a review of its internal corporate policies, stakeholder surveys, peer industry benchmarking, media search etc.

The following points were found to be particularly commendable.

- The Report provides a detailed account of issues identified to be of material importance to stakeholders in the order of established priority while structuring the Report around its highest-priority issues
- The Report provides in-depth reporting into material issues, offering diverse perspectives via materiality testing, expert interviews, etc.

As the Company’s management and reporting of key materiality issues improves with every year’s Report, the Auditor suggests further strengthening its process for materiality assessment and possibly providing a status update on issues of relatively lower priority via its Company website.

[Responsiveness]**Does the Report provide an adequate response to stakeholder expectations and areas of concern?**

It is the Auditor's view that Pulmuone has worked to provide a comprehensive and balanced response to the demands and interests of its stakeholders. The Auditor noted efforts to keep stakeholders informed of its response to stakeholder demands by utilizing the Company's diverse stakeholder channels.

The following points were found to be particularly commendable.

- The Report provides an account of the Company's response to issues identified through materiality testing as well as its outcomes
- The Report outlines the Company's position on any negative performance as well as future plans or response for a more balanced account of its sustainability performance

Going forward, the Auditor suggests putting in place channels and processes tailored to the needs of respective stakeholder groups to better collect their feedback and views; the Company is also advised to offer a more proactive response to the demands and interests of its stakeholders.

[GRI Application Levels]

Relative to the GRI G3.1 Guidelines, the Report was found to conform to an "A+ level" of application.

[BEST Fulfillment Levels]

Relative to the BEST Guidelines, the Auditor finds the Report to fulfill 99.8% of the reporting requirements necessary to qualify for a Level 5 report ("mature" phase) in view of the reporting coverage the reliability of information provided.

[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	2012
Report No.	1 st	2 st	3 st	4 st	5 st	6 st	7 st
Level	3	4	4	4	5	5	5
Fulfillment Ratio	81.3%	96.4%	98.0%	99.1%	99.5%	99.6%	99.8%

Recommendations

The Auditor found the "2012 Sustainability Management Report" by Pulmuone, commendable on the following counts. The Report (1) reflects efforts to faithfully implement the Company's strategic platform across the economic, social, and environmental dimensions based on the Company's underlying mission and vision for sustainability management; (2) provides a detailed account of the Company's sustainability management performance on a dedicated section of its website with regard to its most fundamental philosophy as a "genuine wholesome food provider"; and (3) outlines additional initiatives specific to different stakeholder groups through the Company's "Small Whispers from Pulmuone" website to better satisfy stakeholders' interests and concerns.

For future reports, the Auditor suggests the following considerations.

- Establish a system for the measurement and management of environmental management performance outcomes in keeping with the underlying characteristics of Pulmuone as a provider of genuine wholesome food
- Expand the scope of stakeholders and redefine stakeholder groups in consideration of the Company's value chain
- Develop case studies where stakeholder engagement findings were reflected in management activities

- Improve the method of reporting by focusing more on the performance outcomes of key material issues rather than on the fulfillment of indicators measuring materiality
- Create a section within the Company's website where sustainability management results are updated on a regular basis to allow stakeholders to continuously track sustainability management performance

Independence

Apart from this independent assurance undertaking, the Auditor was not involved in the preparation of any part of the Report, and has no commercial affiliation with Pulmuone that might compromise our independence.

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
000-24

March 14, 2013

President, The Institute for Industrial Policy Studies

Jae-eun Kim

