

About this Report

2013 Overview

The 2013 sustainability report is the 8th 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 (Lifestyles of Health and Sustainability) company that deeply cares for both humans and nature.

REPORTING PRINCIPLES

Prepared in compliance with the G4 Guidelines of GRI (Global Reporting Initiatives) and the BEST Sustainability Reporting Guidelines.

REPORTING SCOPE

Pulmuone Holdings, subsidiaries (Pulmuone Foods, Foodmerce, ECMD, Pulmuone Health & Living, Pulmuone Waters, Exofresh Logistics, Pulmuone Duskin), and affiliates (ORGA Whole Foods)

REPORTING PERIOD

January 1 – December 31, 2013

For time series analysis, the past 3-year data (2011 to 2013) has also been included in this report, but the time horizon is extended to 5 years for some of the environmental performances.

REPORTING FREQUENCY

Annually

REPORT VERIFICATION

Reviewed by the Pulmuone management and verified by an independent 3rd party, IPS (Institute for Industrial Policy Studies).

2012 Improvements from 2012 Report

Report by material topics

Material topics in economy/society/environment have been identified and introduced in the initial part of this report to offer a comprehensive view toward issues

Reinforced CSV initiatives

In response to the rise of social responsibility, CSV initiatives linked with products have been reinforced.

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



Pulmuone Sustainability Report 2013



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Statement

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Dear valued stakeholders,

Pulmuone continued its profitable growth last year, overcoming various challenges in both domestic and overseas economic environments. With meaningful financial performances such as KRW 1.52 trillion in sales and KRW 46 billion in operating profit, Pulmuone has laid the foundation to grow into a global 'small giant' company.

Marking its 30th anniversary in coming May, Pulmuone has established itself as the most representative food company of Korea by faithfully practicing sustainability management since its inception and growing its products into the most trusted and loved brands of Korea.

Now Pulmuone readies itself for another great leap forward to become a true global company that spreads the value of authentic wholesome foods and LOHAS principles, building on its remarkable achievements for the past 30 years and placing itself firmly not just in Korea but also on the global stage.

Being the 1st food company in Korea that joined the UN Global Compact in 2007, Pulmuone has also upheld and championed the values and goals expressed in the UNGC's 10 principles for human rights, labor, environment and anti-corruption.

Above all, the company is deeply committed to fair and transparent management for sustainability. TISO(Trust, Integrity, Solidarity, Openness) management principles have been in place to create an environment that firmly supports fair and transparent business practices. Every year, employees across the company receive TISO trainings to learn more about corporate core values and write a pledge to practice TISO. And last year, Pulmuone opened an interactive communication channel named 'Talk to CEO' at the corporate groupware system as a window to relay employee opinions to the management and share Pulmuone's mission and core values across the company.

Pulmuone introduced eco-friendly packaging film last year that minimizes residual chemicals for all types of its tofu. In addition, the Eumseong tofu plant installed wood pallet boilers burning renewable energy only, significantly reducing its carbon emissions.

Meanwhile, the Chuncheon plant was designated as Green Company by the Ministry of Environment, highly recognized for its notable achievement in improving water quality, saving water and energy used in its production process. The plant invested 13% of its facility investment expenditure to enhance the environment. It plans to increase its green spending to 15% by next year.

Pulmuone completed the construction of its 1st passive house(a house with the minimum carbon energy usage per 3.3㎡) in Korea to be used as a training venue by the LOHAS Academy located in Goisan, Chungcheongbuk-do. The new eco-friendly building has adopted the latest energy-saving engineering technology developed by Germany to minimize carbon emissions as it is designed not to use any fossil fuels. Going forward, the passive house will play a pivotal role in spreading Pulmuone's mission and vision while bringing the LOHAS spirit to life.

Since last year, Pulmuone has also been proactively practicing CSV(Corporate Shared Value) to create values for communities through its business activities while at the same time continuing its CSR(Corporate Social Responsibility) activities by committing itself to 'love for neighbors' and 'respect for life'.

As part of its traditional CSR programs, LOHAS Designer, an employee club for community service, formed 51 volunteering teams to reach out to the underprivileged and social welfare centers in communities.

Pulmuone has also consistently pushed ahead with Authentic Wholesome Foods Campaign, the most representative CSV initiatives of the company. In 2013, a total of 9,113 people received the authentic wholesome foods education through 387 sessions. The educational training, which once covered preschoolers and primary school students only, has now been extended to nursery school teachers and parents. The authentic wholesome foods campaign is changing dietary habits of Koreans by raising awareness about the importance of food ingredient labels, nutritional balance and taste education, and teaching how to practice a healthier lifestyle including the low-sodium and low-sugar diet to lower carbohydrate and sugar intake that can easily turn into glucose in our bodies.

Thankfully, our efforts for sustainability management are being recognized and highly commended by others. For instance, Pulmuone has become the 1st food company to rank No. 1 on the KSI(Korea Sustainability Index). The KSI has been developed by the Korea Standards Association to evaluate social responsibility performance and sustainability of 180 companies of Korea in 45 industries based on ISO 26000, the official standards for social responsibility businesses across the world should aspire to. Pulmuone was also included in the all-star group of 'The most respected companies in Korea' for 8 years in a row, and named as one of the top 100 GWP(great work places) of Korea for 4 consecutive years.

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

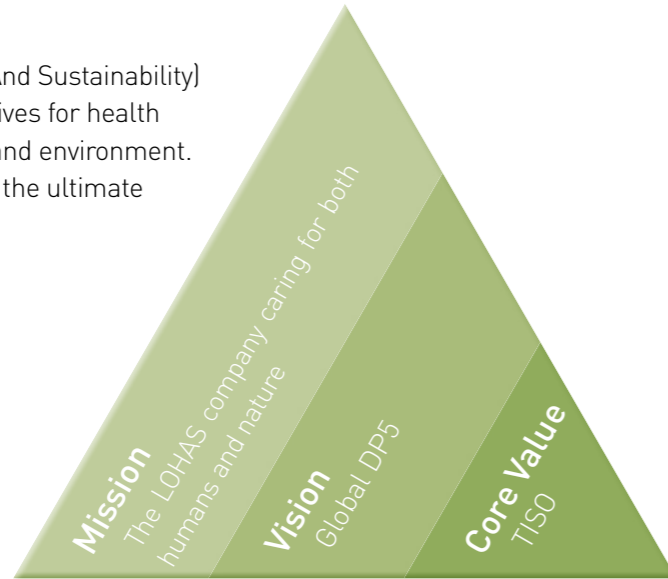
Marking the 30th anniversary of its existence, Pulmuone people will commit themselves with passion to developing Pulmuone further into a global 'small giant' which successfully carves out its place in the global market without making the mistake of falling into complacency. Please join us with your encouragement and support in our journey toward a truly global LOHAS company. Thank you.

March 2014 Nam, Seung-Woo,
Chairman & CEO of Pulmuone Holdings



Mission

LOHAS(Lifestyles 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.



Vision

Global

- Attain KRW ~1.5 trillion in overseas sales by 2017 in the Pan Pacific area that encompasses the US, China, Southeast Asia, India, Oceania and even South America.
- Grow into a 'knowledge company' to have a secure footing on the global market by building qualified R&D workforce/capability and reinforcing quality management capacity that measures up to the level of global leading companies

DP5

- Increase its revenue to KRW ~5 trillion to establish itself as global small giant company by innovating products/services/process and expanding captive geographies/categories
- Contribute to the communities through business activities and fulfill its responsibility for environment/health/safety to lead as a true LOHAS company

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
- Openness** for cooperation with an open mind

Company name

Pulmuone Holdings

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Worksite address

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Gangnam-gu, Seoul

CEO

Nam, Seung Woo

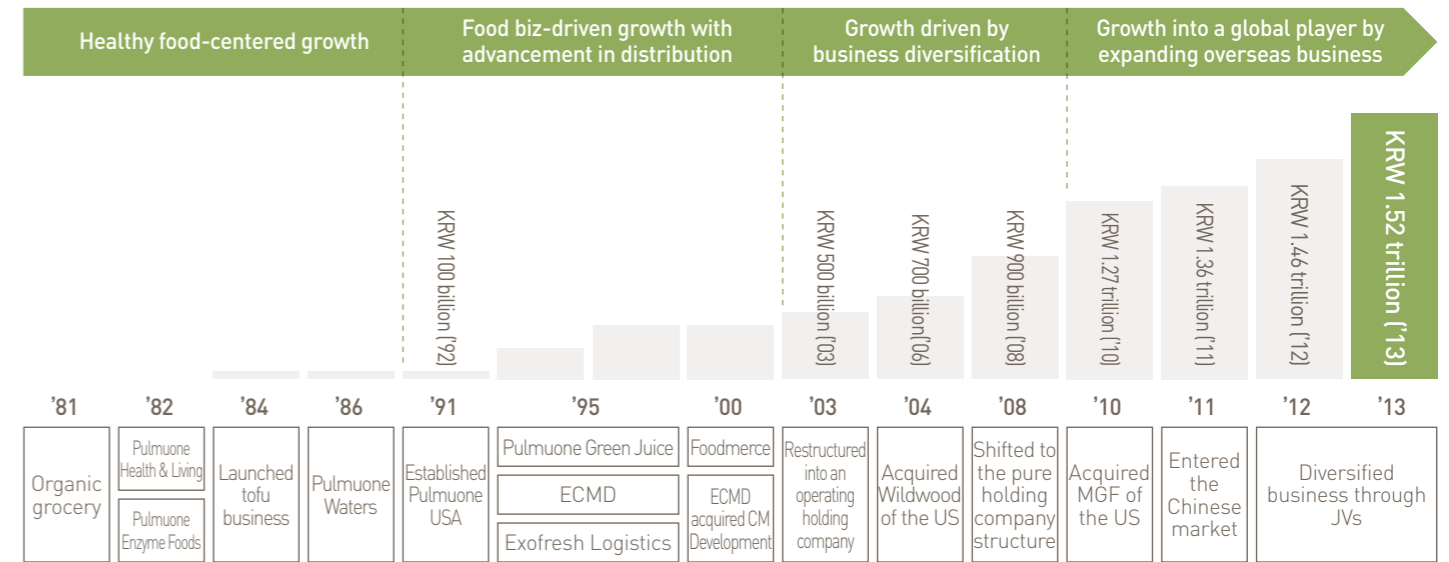
Sales

KRW 1.52 trillion
(consolidated sales)

Date of establishment

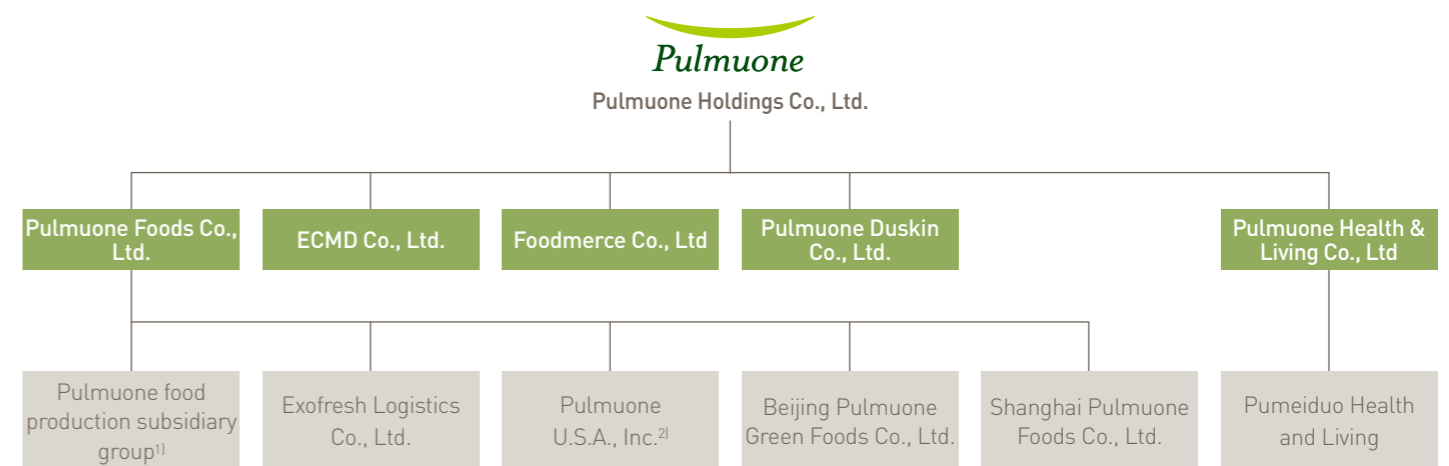
May 12, 1984

Pulmuone History



Holding company-based governance structure

Pulmuone has a governance structure centered around Pulmuone Holdings, the operating holding company, which can be best described as follows:



1) The food production subsidiary group includes PPEC Chuncheon, PPEC Eumseong Sprout, PPEC Uiryong, PPEC Eumseong Fresh Noodle, Myungga Food and Shinsunatto.

2) Pulmuone USA, Inc. has Pulmuone Foods USA, Inc. as its subsidiary.

Major businesses & brands

The history of Pulmuone has been a journey to provide organic, functional and fresh foods to consumers. It also strives to expand its business presence in the US and make inroads into Chinese market to emerge as one of global players.

NFB Natural Foods & Beverage

Pulmuone Foods Produce and distribute fresh foods (Tofu, Vegetables, Chilled Noodles, etc), Provide cold chain logistics service



Foodmerce Offer food ingredients to diverse channels(Meal Service, Restaurants, etc) as a distributor specialized in food ingredients



Pumeiduo Foods¹⁾ Produce and sell fresh foods(Fresh Noodles, Soy Products, etc) in China



Pulmuone Waters Produce and sell drinking spring water in partnership with Nestle Waters



Danone Pulmuone Produce and sell fermented milk products in partnership with Danone



ECMD Operate contract Meal service, concession and restaurants at resting stops along highways as specialized food service provider



DTC Direct To Consumer

Pulmuone Health & Living Produce and sell health functional foods, functional drinks, and formulas for infants or Designed Meals



Pumeiduo Health & Living²⁾ Produce and sell health functional foods in China



Pulmuone Duskin Offer dust particle cleaning service in partnership with Japanese company, Duskin



USA Produce and sell fresh foods (Tofu, Meat alternative, Chilled pasta sauce, etc) in the US



1) Pumeiduo Foods Beijing Pulmuone Green Foods Co., Ltd./Shanghai Pulmuone Foods Co., Ltd.
2) Pumeiduo Health & Living Pulmuone China Co., Ltd

Risk Management

Risks: Definition & categories

Pulmuone defines 'risk' as an unpredictable incident that can threaten health and safety of consumers or employees and by extension, Pulmuone brands, image and values. The risks have potential to cause serious damage to the organization and companies. Pulmuone classifies risks into product risk, field risk and other risks.

- 1) **Product risks** Defects in products or their packaging that can undermine consumer safety and result in product recall, etc
- 2) **Field risks** Field accidents that can cause severe loss and serious injury of workers, and other accidents concerning food sanitation, etc
- 3) **Other risks** Natural disasters, investigation or new measures taken by the government, consumer groups and other groups/entities, and other incidents that may happen when undertaking business including rumors, employee misdeeds, labor and management problem, lawsuits/complaints filed by stakeholders, etc

Risk Management Committee

Pulmuone holds monthly Risk Management Committee Meeting on the group or business unit level with an aim to identify, prevent and manage potential risks. In case certain risk materializes, initially business unit level Risk Management Committees are responsible for addressing the risk. When the situation deteriorates, the group level Risk Management Committee is convened. These mechanisms help develop timely and effective solutions to risks and minimize the negative impact on businesses and the society. The two-layer response mechanism has been designed to develop timely and effective solutions to risks, while minimizing any negative impact on business and society at the same time.

Risks: Stepwise approach

Pulmuone takes a 3-step approach to risks and takes actions accordingly by classifying them into three groups: ▲controllable risks (Step 1), ▲potential risks (Step 2) and ▲brand and media risks (Step 3).



Step 1 : Preventive risk assessment

The headquarters and frontline offices identify predictable and expected risk factors per business unit, take preemptive actions, and report on group level Risk Management Committee.



Step 2 : Response to issues

To be prepared against any possible risk events, each business unit convenes Risk Management Committee Meetings to share issues and decide whether to escalate the issues to Step 3(Risk Management Committee convened on the group level).



Step 3 : Response to materialized risks

An actual risk has been materialized that can severely undermine the corporate brand image. Risk Management Committee is convened on the group level to swiftly respond to the situation and deal with the risk.

Sustainability Management Mission & Vision

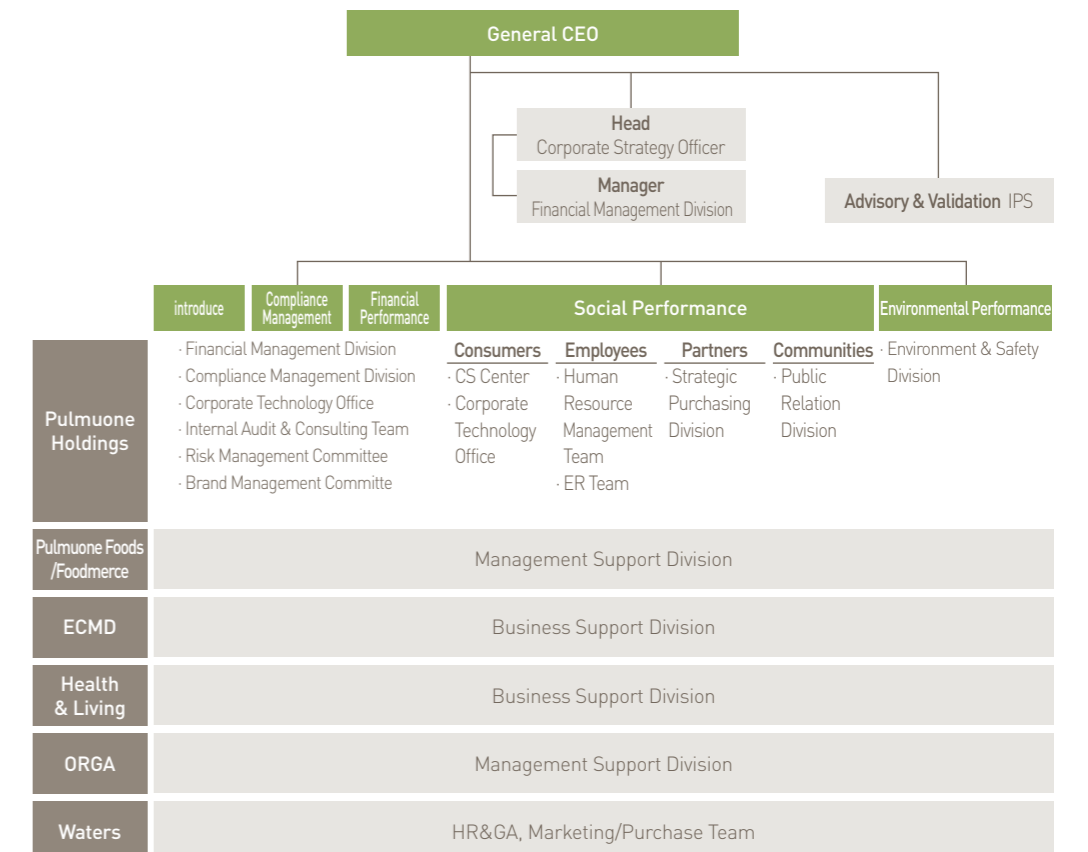
Mission LOHAS company that cares about both humans and nature

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 Global DP(Defining Pulmuone) 5

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



Categories & Communication

Stakeholders 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, Open IR(Investor Relations), Board of Directors, 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 PR magazine), Sustainability reports

Employees



5,175 internal partners working together to accomplish Pulmuone mission and vision

Knowledge Worker Platform, Labor-management council meetings, Informal gatherings with CEO, Company newsletters, Grievance redress mechanism, HR communication, Employee Assistance Program, C-cubic, 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

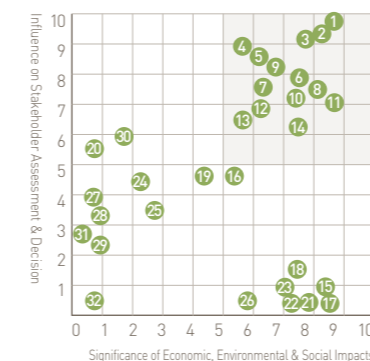
Periodic meetings with social volunteer groups, Sustainability Reports

Pulmuone website
www.pulmuone.co.kr

1) A model developed by the IPS(Institute for Industrial Policy Studies) in 2006 for sustainability management strategy and sustainability report preparation. It offers a phased test model to identify issues relevant for the company's business characteristics and status.

* According to the GRI G4 Guidelines, organizations should define thresholds for Significance of Economic, Environmental and Social Impacts, and Influence on Stakeholder Assessment and Decisions based on the materiality test results to define those above the threshold as material issues to be included in the sustainability report.

* Pulmuone has defined the thresholds in consideration of stakeholder opinions and corporate strategy.



Material issue identification process

Pulmuone has identified relevant issues based on the issues reported during the previous year, the GRI G4 Guidelines, internal policies, stakeholder survey, benchmarking and media search results. The identified issues then went through IPS Materiality Test^{TM1)} by utilizing corporate policies, stakeholder survey, industry benchmarking and media search results.

Gather relevant issues	Select sustainability management issues	Issues
<ul style="list-style-type: none"> · 2012 Sustainability Report review · GRI G4 Guidelines review · Corporate policies · Stakeholder survey results · Benchmarking · Media search 	<ul style="list-style-type: none"> · Materiality assessment (IPS Materiality Test) · Screening of 32 issues 	<ul style="list-style-type: none"> · Materiality & impact assessment by issue · Material issues above the threshold

Pulmuone material issues for 2013 sustainability management

Pulmuone first set the reporting threshold** at (5, 5) after prioritizing the 32 issues screened through a materiality assessment test. A total of 14 issues located above the threshold have been designated as material issues. Each subsidiary also conducted its own materiality test and tracked down issues relevant to sustainability management in order to identify their own material issues.

Category	Issue
Community	1 Activities to contribute to communities
TISO management	2 Ethical and transparent management
General sustainability management	3 Stakeholder communication
Environment	4 Efforts to lower environmental impact
Consumer	5 Consumer satisfaction
Employee	6 Respect for human rights and diversity
Authentic wholesome foods	7 Authentic wholesome foods
General sustainability management	8 CEO leadership
Partner companies	9 Fair transaction & win-win growth
Environment	10 Response to climate change
CSV	11 Creating shared value
Consumer	12 Product safety & quality control
Employee	13 Talent development & growth
General sustainability management	14 Sustainability management strategy & performance management
Economy	15 Entry into new markets
Employee	16 Workplace safety & employee health
Employee	17 Differentiated organizational culture
Employee	18 Welfare & employee satisfaction
Community	19 Social contribution strategy
Economy	20 New product/technology development
Employee	21 Fair and objective job placement/rewards
Employee	22 Family-friendly management practice
Employee	23 Win-win industrial relation
Environment General sustainability management	24 Eco-friendly business strategy
General sustainability management	25 Corporate governance
Economy	26 Reinforce competitiveness
General sustainability management	27 Risk management
Economy	28 Value creation and distribution
Innovation & creation	29 Innovative/creative management
Partner companies	30 Fair selection of partners
Employee	31 Talent recruitment
Economy	32 Investment expansion

Material Issue	Issue Significance	Management Method	Major Performance
<p>01 Ethical & Transparent Management</p>	<p>Since its announcement of TISO management in 2005, Pulmuone has committed itself to ethical & transparent management by upholding and championing the UNGC's 10 principles including anti-corruption, compliance with labor principles and etc. Pulmuone firmly believes its competitiveness comes from TISO management, authentic wholesome foods and fair transaction practice.</p>	<p>Pulmuone has established TISO Management Office to oversee TISO implementation and anti-corruption policies. The endeavor is supported by TISO champions at each division. Also, audit officers have been placed to ensure voluntary implementation of fair and transparent business practices dictated by the Fair Transaction Act. They work to prevent any possible breaches and create a corporate culture where every member abides by competition rules.</p>	<ol style="list-style-type: none"> 1. No holiday gift : 31 gifts worth KRW 1,194,000 were returned 2. Company-wide TISO management education : 485 employees received 100 hours of training sessions 3. Implementation of anti-corruption policies and the integrity contract signing 4. The integrity contract policies have been incorporated into the annual salary-signing paper which is updated annually by employees themselves.
<p>02 Creating Shared Value</p>	<p>Pulmuone is driving CSV initiatives which can make both businesses and communities healthy and sound in the long term. It aspires to innovate its business while at the same time creating the future growth engine through CSV, which is deemed one step forward from the strategic CSR initiatives. Pulmuone works to design its products to be more beneficial to society and ensure wider communities to benefit from its products and services.</p>	<p>Pulmuone is operating a council called 'Session D' where it seeks value creation opportunities through CSV initiatives, reexamines existing initiatives, and reviews strategic direction on the group level. Results from the session are shared across the group to encourage synergy effects.</p>	<ol style="list-style-type: none"> 1. New authentic wholesome products launched : 'Nature is Delicious', 'Half&Half', 'Folate-rich, 100% grass-fed chicken egg' 2. Carbon reduction initiatives : 'Pulmuone Waters' earned the low-carbon accreditation & label, and eco-friendly packaging materials are adopted for 43 tofu product types. 3. Win-win growth model for communities : Eco-friendly bean sprout products were released with their sales increasing 4. Zero Zero Metabolic Syndrome Campaign rolled out : Pulmuone organizes 'Health Festival' and 'Health Class Coming to Meet You', and distributes awareness-raising video clips on metabolic syndrome. 5. More ORGA Mom brands to offer authentic wholesome foods for infants & kids
<p>03 Authentic Wholesome Food</p>	<p>As a leading LOHAS company, Pulmuone strives to offer authentic wholesome foods to consumers based on its 'Love for Neighbors' and 'Respect for Life'. It will exert its best to provide only the authentic wholesome foods in consideration of health, nutrition and the environment, free from additives and harmful ingredients for health and happiness of families.</p>	<p>Pulmuone communicated its Good Foods Song through mass media, schools, online and retail stores to make its message on authentic wholesome foods succinct and effective. It has also defined standards for authentic wholesome foods, applied to food products and packages to concretize what authentic wholesome foods mean. Pulmuone is also spreading the value of authentic wholesome foods through its Authentic Wholesome Foods Campaign designed to help people choose a healthy dietary habit.</p>	<ol style="list-style-type: none"> 1. Higher brand awareness & affection : Brand affection increased against competitors, ranking No. 1 at 'I will buy this brand next time' 2. Higher awareness of Authentic Wholesome Foods campaign/song : Online contents hit more than 1 million views
<p>04 Product Safety & Quality Control</p>	<p>Pulmuone is committed to offering 'authentic wholesome foods I can be reassured to buy and cook for my loved ones'. To this end, Pulmuone has developed safety standards, stricter than the government standards, which have been applied throughout its distribution cycle while improving the standards every year based on the latest research results.</p>	<p>Pulmuone monitors food safety information on an ongoing basis for food safety and quality control and examines its management direction at the monthly meeting. It has also defined internal standards in consideration of relevant home/abroad standards bolstered by periodic monitoring to ensure product safety. It has also studied an analysis method for new harmful substances to preempt any possibility of food poisoning.</p>	<ol style="list-style-type: none"> 1. Standard revision on food additives : Classified into 6 stages where the CODEX Alimentarius and the GRAS standards are applied. 2. Food safety information management : Daily monitoring and semi-weekly sharing. 3. Global lab module established : Lab standards and research test methods standardized. 4. Impurities management system advanced 5. The food safety management method sophisticated by applying DNA analysis results 6. Nutrient management standards streamlined for management efficiency : Introduction of 'new complete labeling of food ingredients' disclosed information on all food ingredients and 14 major nutrient components of products .

Material Issue	Issue Significance	Management Method	Major Performance
<p>05 Consumer Satisfaction</p>	<p>Pulmuone has highly valued consumer satisfaction, striving for consumer happiness since its inception. Pulmuone CS Center is also known as Consumer Happiness Center as it goes beyond satisfaction to working for happiness of all consumers. Pulmuone, going further, will spare no efforts to bring pleasure, satisfaction and happiness to consumers.</p>	<p>Pulmuone makes its CS Center always accessible by displaying its toll-free hotline number on all of its products, stores and distribution vehicles, and operating the voice of customers bulletin board where it responds to all customer inquiries and feedbacks less than 24 hours. Pulmuone makes sure services at the CS Center continue to improve by conducting the customer satisfaction survey at the end of every year.</p>	<ol style="list-style-type: none"> 1. 83 score points in customer satisfaction 2. 94 score points in call monitoring 3. Foodmerce becoming the 1st food service company to receive the CCM accreditation
<p>06 Talent Development & Growth</p>	<p>Pulmuone empowers its employees through its triple-track talent development system (i.e. company-initiated, field-oriented and self-initiated). In 2013, the company provided on-boarding, core capability, leadership capability trainings based on its improved talent growth & capability scheme.</p>	<p>Pulmuone plans to further unlock leadership capability of its employees through PBS(Pulmuone Business School) to grow the next-generation leaders. Plus, the company-wide program to develop core capability of knowledge workers, which had been in place since 2011, was extended to cover frontline workers in 2013. Its on-boarding process and mentoring program help new entrants adapt themselves in the new work environment.</p>	<ol style="list-style-type: none"> 1. 32 employees finished the training course at PBS 2. 432 employees finished the knowledge worker course for production and food service 3. 145 new entrants received the POP(Pride of Pulmuone) course
<p>07 Human Rights & Diversity</p>	<p>Respecting human rights and diversity of employees is crucial in internally implementing TISO management. Pulmuone is working to create a good work environment facilitated by labor-management communication respecting human rights.</p>	<p>Pulmuone continues to root out any gender- or rank-based discrimination and conducts ongoing monitoring. It works to create a female-friendly work environment, not intervening with the labor union to respect freedom of association, and operates constant monitoring system to prevent any types or forms of child or forced labor.</p>	<ol style="list-style-type: none"> 1. A female-friendly work environment – Support for child care, counseling on child education, resting places for female employees, a monthly leave for fetus checkup, flexible work hours for child care, a corporate nursery center scheduled to open in the company building 2. Monitoring against child/forced labor conducted for 23 times – 6 workshops for HR managers, inspection by labor experts for 17 times 3. Certified as good industrial relations company by the Ministry of Employment and Labor
<p>08 Fair Transaction & Win-Win Growth</p>	<p>Pulmuone values to have an equitable relationship with partner companies for fair transaction as much as it values consumer trust. It wishes to realize sustainability management through win-win growth with partner companies.</p>	<p>Pulmuone periodically offers education on the Fair Transaction Act to promote voluntary compliance by employees. It also reinforces communication with partners through various channels, sustaining win-win collaboration aligned with its TISO charter.</p>	<ol style="list-style-type: none"> 1. Offered a training for farmers to cultivate high-quality soybeans in Munkkyung 2. Created jobs for the physically challenged at the Uri village, Ganghwa through the indirect employment model 3. Held Best Partners Day, meetings at organic food growing sites, QA(Quality Assurance) meetings 4. Independent inspection on partner companies by introducing VAP(Vendor Approval Process) at Pulmuone Waters 5. Examined the status on purchasing contracts and transaction system

Material Issue	Issue Significance	Management Method	Major Performance
<p>09 Community Development</p>	<p>Businesses nowadays want to pursue both social contribution and profits at the same time, one step forward from pursuing profit alone. Pulmuone is one of the companies spearheading such shift in focus. It has sustained social contribution programs to spread sharing and love for neighbors. It is determined to promote inclusive growth as a leading global LOHAS company.</p>	<p>Pulmuone PR office develops mid-to long-term business plan for social contribution program in charge of cultural impact and etc. In addition, social contribution officers across the enterprise organize public service projects or fund-raising events in areas such as authentic wholesome foods, environment, contribution to local communities and Mecenat.</p>	<ol style="list-style-type: none"> No. 1 company in the sustainability index of Korea in 2013 No. 8 in the 'best social contribution companies' selected by consumers Named top 30 social responsibility company in East Asia KRW 6 million raised at internal charity events donated to Good Neighbors KRW 13.4 million donated to help flood victims
<p>10 Environment Impact Reduction</p>	<p>Pulmuone's mission for environment safety is to 'become a LOHAS company which puts the 1st priority on the environment safety in every aspect of the entire business'. Pulmuone is working hard to achieve its missions for environment safety with the aim of minimizing its environmental impact.</p>	<p>The company-wide environment safety committee monitors environment strategy/major policies/issues/action plans and assigns necessary work at the work council attended by working-level officers from workplaces.</p>	<ol style="list-style-type: none"> The energy basic unit reduced 35% against 2007 The basic unit of water consumption reduced 52% against 2007 The basic unit of waste reduced 71% against 2007 The water pollutant discharge lowered 46% against 2007 Pulmuone Waters has been certified for its green packaging
<p>11 Response to Climate Change</p>	<p>Especially, it has reduced consumption of water, the 'blue gold' resource, and responded proactively to climate change to mitigate impact, seeking opportunities for new value creation in the process.</p>	<p>Each workplace generates a report specifying greenhouse gas emissions by basic unit, and workplaces selected for validation should submit their reports to a 3rd-party audit entity for validation. When greenhouse gas reduction efforts of workplaces are recognized for its feasibility and effectiveness, they can be registered as KVER (Korea Voluntary Emission Reduction) business to join the greenhouse gas reduction initiative by KEMCO (Korea Energy Management Corporation). Each workplace measures its greenhouse gas basic unit and have the greenhouse gas reduction be monitored against the target by the company-wide environment safety committee and the working-level council.</p>	<ol style="list-style-type: none"> The Eumseong tofu plant installed wood pallet boilers, which helped the facility reduce greenhouse gas emissions by 31% from the 2012 level. Recovering and reusing wastewater and waste heat helped reduce LNG consumption. The company submitted the KVER monitoring report and the certified reductions were purchased by the government. Deploying geothermal heat pump and solar energy system reduced the primary energy consumption of the passive house at the LOHAS Academy to 113kwh/m², which is 5.6% lower than the accreditation standard (120kwh/m²) Pulmuone Waters products have been certified as low-carbon products with preform and lighter caps



ISSUE 2013



01 Ethical & Transparent Management

TISO Management

Pulmuone seeks to expand TISO implementation through a wide range of efforts in 2013 such as opening a gadget¹⁾ named 'Talk to CEO' where the TISO contest is held to share the best TISO practices between employees as part of the efforts to create a positive corporate culture through active communication. Its Code of Conduct has been amended to keep up with the changes of trend, which is all to improve the company framework for TISO implementation. In 2014, Pulmuone plans to offer education on its revised Code of Conduct across the enterprise in order to spread the TISO practices. Pulmuone will never cease its efforts to firmly establish TISO Management throughout the company by paying close attention to its core values, mission, and overall value scheme.

TISO, Pulmuone core values, leveraged as platform for sustainability management

TISO(Trust, Integrity, Solidarity, Openness) 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 people pledge to realize TISO Management based on the core values described above.

Initiatives & Outcomes

The best TISO practices promoted to encourage its implementation consistently

Pulmuone has held TISO contests for all employees starting from 2011 with the year 2013 saw its 3rd opening. The contest has given an opportunity for employees to build the consensus about what TISO means in their everyday business, not just an abstract concept existing only in paper or theory. The best TISO practices not only serve as good examples but can be leveraged as contents for internal TISO education, a valuable tool to create the desired corporate culture. In 2013, a total of 87 best practices were submitted, raising the participation rate 18% compared to the previous year. Among them, 12 practices were selected as 'good practices' to be compiled in a book and shared via a range of media(interview, vide clip, etc) with employees.

TISO communication & education

Pulmuone provides TISO education to its employees on a regular basis to reinforce their commitment to TISO. New entrants have to receive the POP(Pride of Pulmuone) training for value sharing. Pulmuone also pays attention to frontline workers who tend to have less education opportunity relatively by offering tailored education so that they can also internalize TISO Pulmuone aspires to. In addition to this, the TISO charter is distributed across the enterprise as a reminder for the corporate core values.

1) A groupware section for communication with Pulmuone CEO

Every year, Pulmuone people write a pledge that states they understand what TISO Management aspires to and will do their best to faithfully abide by company provisions for TISO values. As a constant reminder of TISO values, executives working in corner offices hang the framed TISO charter and TISO pledge on the wall, and employees carry a business card-sized printout of the TISO charter with them all the time. The TISO pledge is written and signed around March 7 every year, and upon signing a new pledge for the coming year, employees are advised to look back on the past year for any breaches. Online submission of the pledge was made available in 2007.

Values shared to create a positive corporate culture and meaningful outcomes

The gadget named 'Talk to CEO' was opened at the groupware starting from 2013 to enable two-way communication between the top management and employees which encourages employee engagement. The gadget has served as a channel to share internal/external business activities based on the value scheme which includes Pulmuone mission, vision and core values. Implementation practices of TISO Management have been also shared to encourage employees to take the initiative in implementing TISO practices. All of these efforts certainly help Pulmuone build a positive corporate culture and create meaningful outcomes.

TISO Management, Pulmuone's core value

TISO Management Office oversees policies and management to prevent bribery and corruption. The office focuses on preemption through periodic education and a range of initiatives. TISO Management Provisions, TISO Employee Conduct Guideline, and Guideline on Report and Reward for TISO Management have been developed for effective TISO implementation, and relevant issues are shared at the internal groupware bulletin board. Pulmuone has opened Cyber Audit Team at its official website to monitor and audit internal/external wrongdoing, misconduct and corruption committed by subsidiaries, affiliates and overseas offices.

Severing collusion between politics and business

TISO Employee Conduct Guideline has a provision that states Pulmuone pursues transparent management within the bounds of the law and rules. Pulmuone abides by the guideline to prevent any collusive relationship with the government in accordance with Article 31, Chapter 6 of the Political Fund Act (Limits on Fund Contribution) and didn't make any financial contribution to political parties or their supporters in 2013. Pulmuone, to prevent any collusion with the politics, makes it a principle not to contribute fund to any political parties or their sponsors in compliance with its TISO Employee Conduct Guideline.

Lawsuit status

Pulmuone was prosecuted by the Supreme Prosecutors' Office for its alleged violation of the Customs Act concerning its purchase of organic beans from China and was found not guilty by the Seoul Central District Court on December 10, 2013. After the decision, the prosecutor appealed and the ruling is being reviewed at the appeals court. Pulmuone sourced the Chinese organic beans through a legitimate route in the domestic market sold by an authorized importer, and therefore, will faithfully go through the legal process to ultimately prove its innocence also at the higher court.



TISO Pledge submission

Anti-corruption & integrity contract policy

'TISO Employee Conduct Guideline' has been developed to strictly ban employees from receiving, promoting or condoning inappropriate favors including gifts, entertainment, treats or conveniences offered by other stakeholders directly or indirectly. Employees who turn out to be involved in such indecent behavior are subjected to disciplinary actions in accordance with relevant regulations. Furthermore, to encourage employees to implement TISO principles more proactively, procurement managers in charge of goods, service, and construction agreements have been required to include 'Integrity Contract' provisions in their contracts before signing a purchase contract since March 2005, and in the event it is not possible to include such provisions in contracts, they are required to prepare additional 'Pledge for Integrity Contract' before signing a deal. In 2013, there was not a single workplace accused of committing corruption or carrying material risks, and thus, no disciplinary measures were taken. There was no penalty or non-monetary restrictions imposed as a consequence of breaches of law or regulation.

Holiday gift return

With the determination to eradicate the gift-giving practice between stakeholders before big holidays, Pulmuone has communicated an official notice stating the gift banning policy 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'. A total of 31 unreturned gifts were donated to the fund, raising KRW 1,194,000 in 2013.

Money raised by
the public auction and donated
to 'Love Neighbor Fund'

KRW 1,194,000



확인캠페인



Interview TISO Management

Head of Pulmuone TISO Management Division Yoo Weon-Mu

"From the very start, Pulmuone has aspired to Trust, Integrity, Solidarity and Openness. The keywords that drive TISO Management is fair & transparent management. Fair management is about guaranteeing equitable opportunities based on CP(Compliance Program) and transparent management, and especially transparency in accounting has been internalized by employees to take a deep root within the organization.

In 2013, we amended 'Code of Conduct' while improving employee communication about TISO. This year, we will reexamine the TISO management scheme from a refreshed perspective to raise awareness, improve the system, and offer a differentiated training course to have TISO Management as the foundation for sound and healthy corporate culture. With the top management strongly committed to TISO Management, people across the company will continue to implement TISO Management to further spread the LOHAS values."



CSV Initiatives

Pulmuone introduced responsive and strategic CSR for its sustainability management as a means to build LOHAS society rooted in 'Love for Neighbors' and 'Respect for Life'. In 2013, Pulmuone built upon the concept of strategic CSR to introduce CSV(Creating Shared Value) initiatives which create both social values and economic profits at the same time to become the LOHAS company which deeply cares about both humans and nature. Focusing on campaigns that bring positive impacts to society and individuals (e.g. Good Foods Campaign, Zero Zero Metabolic Syndrome Campaign, etc), Pulmuone spearheads efforts for safe foods, better lifestyle and community development, working to create values for employees, consumers, partner companies and local communities altogether. Going forward, Pulmuone plans to incorporate CSV with its work process and resource plans while implementing responsive CSR initiatives in a sustained manner to establish a CSV model of its own. The model will be continuously enhanced further down the road.

Authentic wholesome food products

'Authentic wholesome foods for health and happiness of my family' is what Pulmuone strives for. It has launched a series of nutritionally balanced products such as 'Nature is Delicious', 'Half&Half', 'Folate-Rich, 100% Grass-Fed Chicken Egg' and others. 'Nature is Delicious' is a non-fried fresh noodle product which has 90% less oil and 100kcal less intake compared to the conventional fried noodles with virtually 0% saturated fat. 'Half&Half' is made of vegetables with rich dietary fiber and vitamin, tofu and chicken breast for quality protein instead of high-calorie and high-fat beef or pork to help consumers maintain low-fat, low-calorie diet. 'Folate-Rich, 100% Grass-Fed Chicken Egg' is a product which provides vitamin that other eggs usually lack. It is from chicken fed only with folate rich grass to have 42µg folate per egg(50g). Pulmuone also held folate egg recipe contest 'Mother & Child Health with Folate' jointly with a Japanese corporation to raise awareness about the importance of folate intake.

Carbon reduction by launching more eco-friendly products

Pulmuone Waters has received low-carbon accreditation for two of its products: 0.5L and 2.0L. Pulmuone Foods uses chemical-free green packaging materials developed jointly with the Ministry of Environment for all of its 43 tofu products, reduces the container weight by 9% and produces less waste using less food materials to lower CO2 emissions.

ORGA Mom brand extended to cover more products to offer safe healthy foods to toddlers and children

Nowadays, more kids suffer from lifestyle diseases such as early-onset type 2 diabetes or childhood obesity due to food additives, trans fat and fast foods. Aware of this growing health problem, ORGA Whole Foods has offered authentic wholesome foods with nutritional balance for children and adolescents to reduce anxieties of parents and health burden of society. It uses only the highest-quality organic food materials produced in Korea, without using any synthetic preservatives, coloring, flavoring, sweeteners or L-monosodium glutamate, in order to guarantee the right taste, balance, safety and weight to consumers. Its foods have the optimum nutritional balance with the principle of 3Up[protein, calcium, dietary fiber] and 7Down[calorie, fat, saturated fat, trans fat, sodium, cholesterol, sugars]. Such concept and belief of ORGA Mom brand which thoughtfully considers health of our children has been incorporated into snacks, and meal substitution foods highly preferred by children or juveniles.

Win-win growth model for local communities

Pulmuone is creating shared values by proactively implementing varied initiatives that can bring about sustainable win-win growth for communities. In 2012, it launched an eco-friendly bean sprout product produced by around 60 intellectually challenged people living in Our Village, a non-profit job rehabilitation center in the Ganghwa island, which is selling 1,000 bags of bean sprouts per day. Pulmuone has successfully increased bean sprouts sales of Our Village, creating more jobs for the physically and intellectually challenged in communities. Pulmuone Culinary Culture Research Institute pays a monthly visit to Our Village of Ganghwa for technical support and quality control.



Certified eco-friendly bean sprouts products produced in Our Village, Ganghwa



Zero Zero Metabolic Syndrome Campaign

Pulmuone Health & Living has rolled out 'Zero Zero Metabolic Syndrome Campaign' in partnership with the Korea Women's Environmental Network to prevent the onset of metabolism syndrome since 2011. Metabolic syndrome is a disorder of energy utilization and storage, diagnosed by the high risk of co-occurrence of several chronic diseases such as diabetes, hyperlipidemia, high blood pressure and others, boosting the risk of cardiovascular diseases. Metabolic syndrome is closely co-related with dietary and other lifestyle habits. Due to the social changes such as the spread of Western diet and increased workload, metabolic syndrome has been on the rise across society. Pulmuone Health & Living has organized a large-scale health festival for Seoul citizens in the Cheonggye plaza on the Day of Obesity to raise awareness about metabolic syndrome and distributed a video clip explaining metabolic syndrome on YouTube in parallel with the health festival. It also opened a campaign website to provide information and operate 'Health Class Coming to Meet You' for groups with 10 people or more who apply for Pulmuone health classes. Zero Zero Metabolic Syndrome focuses on going beyond the bounds of the existing social contribution programs to create win-win growth between businesses and communities. It also seeks to find the optimum social contribution model that can be sustained for the longer term and give benefits to wider communities and people.

Fishery product safety assurance

ORGA Whole Foods has reinforced food safety through its product traceability system for dried yellow corvine and radioactivity safety management. The traceability system is about recording and managing information of fishery products so that consumers can find out where the products have come from and which route they have been distributed to help them make an informed decision. With the fishery product traceability system in place, the company is enabled to minimize the damage when there is a food safety incident related to fishery products by promptly identifying why and where the incident has happened and taking an appropriate measure such as product recall. It has also deployed a 3-stage radiation measuring system for food safety which uses a radiation measuring device to measure and record the radiation level daily at 6 directly operated franchise stores to address consumer anxieties over food safety. ORGA has also commissioned out the radiation test to a specialized agency, SGS Korea, and is actively managing the places of origin with radiation risk.

Duskin Wholesome Cleaning Class

In 2013, Pulmuone Duskin and Lotte Mart Culture Center jointly opened Wholesome Cleaning Class. The cleaning class has been designed targeting children aged 5~7 and their parents to encourage lifestyle change. It teaches children about invisible fine particles and dust in the atmosphere and helps them understand how removing dust by cleaning can be conducive to health. The program has been designed to encourage ultimate behavioral change through varied curricula such as a creative story (e.g. DongDongYi, the Small Dust), field work (e.g. Catch the Mischievous) or garbage separation games. Such activities and tools make the message interesting so that children can willingly clean their environment, boost their confidence in doing so, and communicate with their parents while cleaning.



Garbage sorting game at the Wholesome Cleaning Class

CSR Initiatives

LOHAS Designer & volunteering activities

In July 2009, Pulmuone established 'LOHAS Designer', an enterprise-wide social contribution club to wage social service campaigns in a more structured way. Under the vision of 'people committed to 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. A total of 2,518 employees participated in 294 volunteering activities, which amounted to 14,213 hours in total. At Exofresh Logistics, the facility maintenance team members donated their talent, repairing dilapidated facilities with their expertise in electricity, fire prevention and automation. In parallel with this, other volunteering groups have been formed by employees themselves to plant trees, help farmhouses, protect the environment and provide 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.



Pulmuone volunteers (Unit : persons)

2011	2,149
2012	3,126
2013	2,518

'Love Neighbor Fund' raised by employees

Pulmuone executives and employees donate certain portion of their salary to neighbors in need every month. The fund raised from their donation is transferred to Pulmuone Foundation to be spent for the underprivileged youth and African children.

Donation to Love Neighbor Fund (Unit : KRW)

2011	93,239,000
2012	91,540,000
2013	103,246,000

Project WET extended

Pulmuone has offered WET(Water Education for Teachers) to enhance understanding on the environment and the importance of water. Project WET has been supported by Pulmuone Foundation as one of its priority environment projects starting from 2013 and provided 51 educational sessions to 1,147 primary students and teachers at primary schools, local child centers and the climate change center.

Pulmuone Kimchi Museum website
www.kimchimuseum.co.kr

Support for Korean traditional music performance

Pulmuone hosts the national traditional music performance every year to revive cultural heritage of Korea jointly with other companies who agree to the proliferate since 2004 and invite employees' families to the concert. In 2013, 4 food companies hosted the performance together such as Samyang, Dongwon, Sempio, etc.

Pulmuone Kimchi Museum

With the commitment to 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 exhibits traditional cooking tools and utensils to make Kimchi, and displays records and paintings about Kimchi to give a comprehensive glance to the history of Kimchi. It also offers a range of educational programs not just for the public and foreigners but also for multi-cultural families and grandparents-children families, serving as the life-long education center for society. Various programs have been designed and offered to promote understanding on the traditional culinary culture through Kimchi, targeting kids('Exciting V', 'Kimchi Kids', 'Quiz Quiz for Special Unit Kimchi'), multi-cultural families('Do') and adults('Come to Make Kimchi') along with creative theaters('Here Comes Kimchi, the Health Fighter').

Interview **Creating Shared Value**

Head of Pulmuone TISO Management Division **Yoo Weon-Mu**



"Pulmuone is undertaking CSV initiatives to realize its LOHAS mission and create economic impact, building further on its strategic CSR initiatives. In 2014, our CEO will give a lecture titled 'innovative thinking of CSR and CSV' to spread the concept of CSV throughout the enterprise, strengthening employee perception and commitment by showing strong will and dedication of the top management. Going forward, we will exert our best to design and implement more upgraded CSV initiatives to spread LOHAS values across society."

Authentic Wholesome Food

In 2012, Pulmuone focused on raising awareness about authentic wholesome foods in a more exciting and easy way, and in 2013, it took one step further to encourage actual changes in people's dietary habit with the message of 'it's always better to start early' and carried out 'Good Foods Campaign felt through 5 senses'. The existing campaign framework was maintained but its scope was extended to facilitate actual changes as the eating habit shaped in childhood would remain for the rest of the person's life. Under the theme, the campaign introduced various activities for children to utilize 5 senses when they form their eating habit. Pulmuone is utilizing various channels to spread the campaign message by undertaking it jointly with the Ministry of Education, Science and Technology, EBS, SBS, Tooniverse, and other external agencies, and producing melody dolls and Chinese/English versions of the Good Foods Song.



Good Foods Campaign felt through 5 senses

Good Foods Song ♪

The taste of nature, hear them, yum yum
 The taste for my body, smell them, yum yum
 It's so fun to learn the tastes
 Authentic wholesome foods, hooray!
 Like'em all, round soybeans and silky tofu
 Cuzzy eggs, crispy and munchy bean sprouts
 See, hear and feel them all.
 So tasty Chew and eat'em, yum yum yum
 We get taller and healthier, yay!
 Authentic wholesome foods ~♪

Authentic Wholesome Foods Caring About Health & Nutrition of Consumers

AMIO, organic foods for pet dogs

Nowadays, dogs are not just pets; they've become another family member for so many people. For beloved pet dogs, Pulmuone has developed an innovative product, 70% of which is made of organic ingredients certified by USDA(United States Department of Agriculture) and ECO-CERT(an international organic certification organization based in Europe). It has well-balanced nutrition structure, satisfying nutritional standards set by AAFCO(Association of American Feed Control Officials). With raw meat as its primary ingredient, allergen is minimized and products are packaged in smaller amount with aluminum materials to minimize acidification¹⁾ in distribution and usage. The 'food' product is totally safe and poses no risk even when it is consumed by human.



1) Foods or cream turning sour, discolored with bad smell after being exposed to air for a long time



Healthier udon, less sodium

Liquid dishes tend to be highly seasoned for taste. Since Koreans favor hot liquid dishes, they naturally take more sodium. To address this health risk, Pulmuone released udon with much less sodium. 'Pulmuone Katsuo Udon with 6 Korean Ingredients' adds 6 kinds of vegetables, and kelp and wild yeast extracts for a deeper and richer taste, tapping into its ingredients-mixing knowhow to find the most optimized balance of tastes, reducing sodium in udon by as much as 15%.

'Crunch Salad' with fresh taste

'The Crunch Salad Series - Lettuce' launched by Pulmuone has its root not torn away before packaging to present more refreshing taste to consumers. Consumers are advised to cut the root and wash the lettuce in flowing water right before serving to enjoy the fresh lettuce taste brought right from the field. Along with this, Pulmuone has also launched 'Salad Garden', salad vegetables grown hydroponically with clean and safe culturing methods to give vegetables more crunchy taste and fresh colors.

Good Foods Campaign



Pulmuone has waged the Good Foods Campaign since 2010 as part of its CSV initiative. The campaign is about educating both children and adults on how to taste foods and check labels on food ingredients to tell authentic wholesome foods based on the information by whom, where and how the foods they eat have been grown. The campaign audience has been extended to cover pre-schoolers, primary students, parents, teachers at nursery or primary schools with tailored curriculum based on the target age.

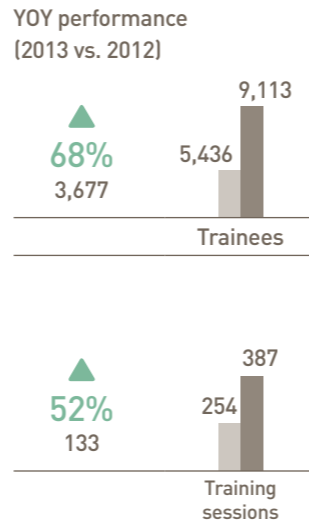
For kindergarten kids, the program focuses on fun with exciting activities and games. They listen to fairytales with pop-up books that teach nutritional balance and food label, watch animated films('Rescue Kong-Kong Man') and sing Good Foods Song together. There is another program that enables kids to taste in-season food ingredients through 5 senses to understand what authentic wholesome food is. For primary school students, the program centers around checking food labels, utilizing food additives test kit and cooking to learn the importance of nutritional balance.

As for adults, the program mainly teaches harmful effects of sodium and sugar, and how to achieve healthy diet at every stage of food consumption starting from purchasing to cooking, eating and storing foods in the right way. Parents also can obtain information on how to shape the palate of their children at home.

During 2013, 'Good Foods Campaign' extended its range to include food labeling, healthful palate and balanced nutrition, and offered educational programs to other companies including Homeplus and Yeowon Media. A total of 387 training sessions have been offered attended by a total of 9,113 people including children, parents and teachers in Greater Seoul, Daejeon and Gangwon, which is 52% and 68% YoY increase in terms of sessions(133 times) and recipients(3,677 people) respectively.

Pulmuone, in partnership with the Ministry of Education, is waging 'Healthy Diet, Healthy Character Campaign' to promote 'how to eat right' throughout the nation. It designed an experiential learning program with the Ministry that shows family members how to purchase authentic wholesome food materials, cook, set the tables and enjoy the meal together, targeting primary school students in Seoul and the metropolitan area.

Ministry of Education(Gov't)	Food For Change(NGO)	Homeplue Culture Center(Corporation)	Yeowon Media(Corporation)
Joint operation of 'How to Eat' education program targeting primary schools in the greater Seoul	Joint planning and operation of Good Foods Campaign	Integration of the Good Foods education into the regular curriculum of Homeplus Lifelong Education Center	Educational contents provision to kindergartens (picture books) Donation of children books related to foods - Kindergarten: 1 book per child - Primary school: 12 books per school



Fresh Food Storage at 5°C

Maintaining the right food storage temperature is the most effective way to prevent bacterial propagation which spoils foods. Keenly aware of this, Pulmuone puts the biggest priority on maintaining the storage temperature under 5°C throughout the supply chain from production to distribution of chilled food products. Accordingly, Pulmuone applies a cold chain system designed to maintain the optimum temperature from production to logistics and product placement. To communicate the importance of temperature management and boost compliance with the temperature rule, Pulmuone has launched 'Fresh Food at 5°C Campaign' and developed internal standards for storage temperature in distribution that are applied to the supply chain of Pulmuone Foods and Foodmerce. Pulmuone is upgrading its cold chain facilities installed in delivery vehicles while monitoring any violation. It also produced a promotional video that shows the importance of storage temperature and uploaded it at its website, Facebook and Youtube. It also uploaded a mystery web novel on maintaining 5°C at the company blog along with quiz shows at Facebook and Twitter.

Sodium Reduction Initiative

As part of offering authentic wholesome foods, Pulmuone signed a pact with the National Child Care Information Center Council to jointly wage an initiative to reduce sodium intake of Korean people. Under the initiative, Pulmuone will take the lead to help children accustomed to the low-sodium diet. The sodium intake reduction initiative will be undertaken with the aim of raising awareness of nursery school teachers and parents, shaping the healthful palate of children and helping them grow healthy.

I'm Real, Good Container

Pulmuone offers not only authentic wholesome foods but also good food containers that can preserve the quality of healthy foods. The container has been named 'Good Container' as 30% of its materials come from sugar cane to be 'good' for consumer health, embodying the 'good' courage of I'm Real, taking up the new challenge for consumers and nature.



I'm Real, Good Container project

- 1. 100% natural fruit juice in Good Container.**
30% of the container material has been extracted from sugar cane.
- 2. I'm Real getting courageous to protect the earth.**
CO₂ emissions from the production of Good Container is 20% less than other PET bottles
- 3. Good for health, good for nature**
I'm Real Good Container is an eco-friendly container but sturdy like PET bottles.

Communicating Good Container

1. In-store communication

A 'Good Container' shelf is placed in I'm Real refrigerator with a sticker on it to communicate its benefits at the consumer contact point.

2. PR with photos

Good Container Project has been introduced through 28 major media including daily newspapers of Korea.

3. SNS activities

- Promotional events have been waged at Facebook to facilitate word of mouth online.
- To widespread and reinforce its eco-friendly brand image and increase support from consumers, the hydroponics event using Pulmuone Good Container has been commenced.



A shelf for I'm Real, Good Container

Green Packaging

Stickers for bottle labels have been changed from 2 layers to a single layer, reducing the bottle weight. Without changing a bottle design, Pulmuone reduced the amount of packaging materials to save resources and reduce CO2 emissions. Thanks to the effort, it has received the GP(Green Packaging) Mark for the product.

Consumer food safety standards

Pulmuone's underlying principle for food safety management is to provide 'authentic wholesome foods for health and happiness of my own family'. It has defined safety principles throughout its business process from materials sourcing to production and distribution. Pulmuone standards are deemed more rigorous than the government standards and are improved on an ongoing basis, incorporating the latest research results.

Improvement in food additives standards

Pulmuone has revised its food additives standards to complement existing standards and to have more objective management principles in place while pursuing business expansion. Pulmuone brands have been classified into 6 groups based on product hierarchy and target consumers, applying the organic and synthetic product standards of CODEX(Codex Alimentarius Commission) and GRAS(Generally Recognized As Safe Substance). Pulmuone standards on food additives are aligned with international standards to ensure reliability and objectivity, serving as an overarching principle to be applied to new products that will come along with business expansion. The existing standards which manage food additives contained in individual products will remain in parallel with the new ones. Pulmuone is proud of having the highest food additives standards in Korea.



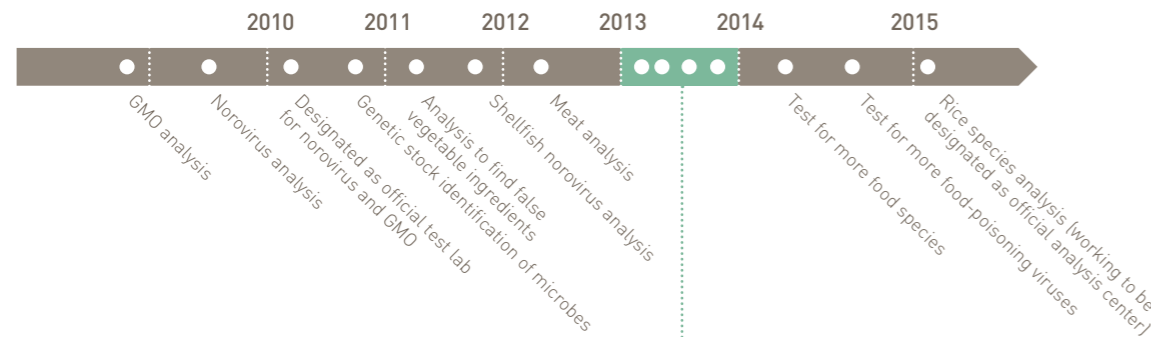
Impurities management system upgrade





Pulmuone works to assess in a more scientific, accurate and prompt manner on how impurities get into the products at production sites, analyzing physicochemical changes of the alien substances that may vary depending on production process, utilizing its database on impurities detected in its production sites. Pulmuone is well aware that physical and chemical properties of impurities can change depending on CCP(Critical Control Point) of each production plant, and reflect the changes into its analysis process for more accurate outcomes.

DNA analysis advancing food safety management

Pulmuone has been proactive in conducting DNA analysis for protozoa and in defining the official analysis method to tell real Korean beef. It has also built the framework to analyze microbiota by product and production process, introducing the DGGE(Denaturing Gradient Gel Electrophoresis1)) test method into its studies on foods and food production process.

1) A method for electrophoresis that enables more accurate analysis of amplified DNA



			
<p>DNA analysis for protozoa</p> <p>Enhanced food safety of pre-washed bagged salad vegetables by monitoring to detect any protozoa or parasites</p>	<p>Analysis for more meat types</p> <ul style="list-style-type: none"> - Better response to complaints reporting impurities in products - Monitoring of Halal food ingredients 	<p>DGGE introduction</p> <p>Quality monitoring through microbiota analysis</p>	<p>Monitoring of false ingredients</p> <ul style="list-style-type: none"> - Introduction of an official Korean beef assessment method (positive communication) - Monitoring on more false ingredients

Allowed error range

±20%

Global lab module

With its overseas business expansion and diversification, Pulmuone has established a global lab module to assure the same quality and integrity level from the analyses conducted by labs in China or the US. It has divided the module into microbial and physicochemical analyses, and defined criteria on each lab to standardize their methodology per test item. Each module includes a test manual based on the Korean food codex, BAM(Bacteriological Analytical Manual) and AOAC(Association Official Analytical Chemists) methods recognized by the US FDA(Food and Drug Administration), and China's official food test methods in order to ensure Pulmuone labs across the globe to produce results that can meet the standards of the countries where they operate.

Food safety information

With regard to food safety, there is no shortage of information with so many sources available including National Food Safety Information Service, Ministry of Food & Drug Safety, Foodnara, and the press. Therefore, it is crucial to screen only the quality information to be accurate and objective about food safety of its own products. Pulmuone had so far taken preventive measures based on the information collected individually by safety managers and shared every month, but in 2013, Pulmuone streamlined the information collection process to have an integrated channel, restructuring it into bi-weekly sharing complemented by daily monitoring through a centralized channel. The gathered food safety information is classified into 3 levels based on urgency, relevancy and etc. Information categorized as Level 2 or higher is confirmed internally and promptly communicated to employees in relevant departments for an immediate or a phased response.

Integrated management of nutrition standards

After adopting the new complete labeling system, Pulmuone has displayed on the product label 14 major nutrients and all food ingredients. There can be a room for error in some of the 14 nutrients depending on the amount or properties of ingredients, and thus, the relevant laws also allow ±20% error range. Pulmuone conducts an inspection on the target product groups every 2 years after their launch to make the nutrient labeling more accurate.

Consumer Communication

Pulmuone CSI

The CSI(Customer Satisfaction Index) score for 2013 recorded 83.1 points, 1.4 points lower than 84.5 points in 2012. The overall satisfaction level remains very similar to the previous year, but a bit lower score in 'Consumer Compensation' contributed to the slight decline. Since this conveys the message that nowadays consumers have higher expectation for compensation in the event of product defects or complaints, Pulmuone is keenly aware that both tangible and intangible remedies for consumers need to be explored while abiding by relevant rules and standards. The call monitoring score for 2013 also went down by 2.3 from 96.3 of the previous year to 94.0, but Pulmuone's frontline response was still recognized highly for its superb performance. Since the call monitoring score is an index to show how service employees are responding to consumers, the areas consumers put much weight on at the survey should be reflected into the frontline evaluation to focus more on the qualities especially valued by consumers.

VOC channel

ECMD operates 9 VOC(Voice of Customers) channels to gather consumer feedback real-time, overcoming the constraints of time and space and enhancing the follow-up service by making a 'Happy Call' in less than 72 hours of receiving a complaint in order to maximize consumer satisfaction. SCS(Strategic Customer Satisfaction), the online consumer satisfaction system, enables real-time management of consumer satisfaction and service indexes of all of its sales stores.

CCM re-accreditation

Being recognized as CCM(Consumer Centered Management) company by the Free Trade Commission after going through evaluation and deliberation by the CCM accreditation committee led by the Korea Consumer Agency in January 2012, Pulmuone won re-accreditation as good CCM company in December 2013. It was all thanks to the company's sustained commitment reinforced by improvement in system and process that resulted in close monitoring of indexes on both preemptive and follow-up measures. The company also increased awareness about CCM by offering CCM education on a periodic basis and publishing monthly newsletter while eagerly implementing consumer centered management initiatives.

CSI score by year

2011	83.9
2012	84.5
2013	83.1

Monitoring score by year

2011	95.2
2012	96.3
2013	94.0

CCM monitoring

for prevention & follow-up

2011	91.1
2012	97.4
2013	99.3

Test results on water quality, radiation level and bottles disclosed at the website

Pulmuone Waters shares its water quality result with consumers to guarantee consumers' right to know and discloses the analysis report on all of its production plants at its website. Consumers have access to not only the water quality report but also the radiation test and environmental hormone test of bottles at its website.

Consumer feedback for short cap

Pulmuone has introduced a short cap, aptly named as Eco-Cap, for its product bottle which reduces carbon emissions in production process. Its weight has been reduced by 0.7g from 2.1g to 1.4g, lowering both emissions and cost. Pulmuone has actively collected consumer feedbacks about inconveniences created by this shorter cap through its website and the CS department, and taken various measures to correct misunderstanding of some consumers believing Pulmuone had adopted the short cap for the sake of cost saving only. It leveraged various channels including 1:1 call with consumers, announcement at the website, and press release to tell consumers that adopting the short cap is for the environment. It actively communicated to consumers that Eco-Cap was awarded with Grand Prize at the eco-friendly design competition sponsored by the Ministry of Environment, informing consumers that Pulmuone is a sustainable business that cares about the environment. It named the short cap as Eco-Cap so that consumers intuitively know its eco-friendly property and designed an icon for Eco-Cap to be printed on its package.

Personal Information Protection & Compliance

Personal information protection for consumers

Pulmuone deems consumer information protection highly important, and strictly abides by the standard guideline on 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 protection protocol, Pulmuone informs customers about the purpose and method of the personal information utilization and the measures the company takes to protect such personal information.

Capability Growth System

Category	G2	G3	G4	G5	G6	Executives
On-Boarding	New employee course					
	POP(Pride of Pulmuone)					
	Mentoring					
Core Capability	LOHAS Academy					
	Innovation and entrepreneurship for knowledge workers					
HOPE: HOPE for knowledge workers ¹⁾						
Company-Initiated Leadership Capability	Leadership basics		Leadership improvement	Advanced leadership	Executive leadership	
	Leadership excellence					
	SERI CEO					
	Pulmuone Business School					
External MBA schools						
Job Capability	Foreign language course					
	Marketing expert					
	Six sigma training					
	4 essential shared capabilities Planning / Communication / Presentation / Self-leadership					
Field-Based	Field OJT					
	Support for employee study groups					
	Support for team-initiated capability training					
Self-Initiated	Cyber training + online reading club					
	Support for employees taking external language or IT classes					
	Support for employees taking work-related classes at external institutes					

1) HOPE for knowledge workers H: Honesty and Integrity O: One Firm Sprit P: Professionalism E: Enthusiasm

Pulmuone Business School to train the next-generation leaders

PBS(Pulmuone Business School) offers intensive training on essential knowledge and practices for business management, producing the next-generation leaders with strategic thinking and problem-solving capability to lead sustained growth of an organization. PBS offers educational curriculum and methodologies tailored to Pulmuone, and classes are opened inside the company building to minimize the commuting time and cost. PBS invites proven and renowned professors in 6 major subjects of business administration(i.e. business strategy, HR, marketing, financial accounting, creative innovation, negotiation) for more effective learning, and focuses on field and task-oriented learning by assigning real tasks based on action learning. PBS was opened in January 2013 and produced its 1st graduates: all of the 32 students successfully completed the whole course. At present, 29 employees are taking courses at PBS which started off last October.



Open mentoring system

Pulmuone people completing the knowledge worker course

414

On-boarding reinforced for new employees

To help new hires adjust within the organization and learn their tasks promptly, Pulmuone offers a 1-day job training on the day an employee joins the company followed by 3-day trainings at the LOHAS Academy in less than 6 months where the employee learns Pulmuone vision, values and core capabilities. Mentoring is also provided at the field through 1:1 coaching to boost work capability of a new employee.

Mentoring

As part of the on-boarding endeavor for new hires, Pulmuone holds a quarterly mentoring session. It is an open scheme where mentees can get to choose their own mentors. In order to release the burden on new employees when they have their direct superiors as their mentors and facilitate effective communication, Pulmuone makes it a rule for mentees to choose only those at different departments as their mentors. For ongoing interaction, Mentoring Day is held semi-monthly with monthly activity grants paid to mentees. The year 2013 saw 38 employees actively participating in mentoring activities up until the 4th quarter. Thanks to the mentoring program, new hires were able to comfortably settle themselves into the organization by taking part in various club activities and learning programs.

Knowledge worker program extended to all business units to boost core capabilities

In 2013, the knowledge worker training program which had been offered only to office workers up until 2012 was extended to include field workers as well. Workers at production sites and food service or catering sites received the training in 2013 with 16 sessions held for 234 production workers and 6 sessions for food service or catering workers. In all, 180 workers received the training improving their understanding on Pulmuone and strengthening their commitment to work. In 2014 and onwards, the knowledge worker training will be further expanded to cover those who have not been targeted yet by leveraging both online/offline channels.



Pulmuone Knowledge worker program

Female-friendly work environment & female leadership

Female-friendly corporate culture is essential to help female workers continue their careers after marriage while taking care of their children, the future of our country. Pulmuone recognizes the high value of female talents and strives to create the institutional and cultural environment where women can maintain balance between their work and family. Pulmuone is seen to have successfully established a female-friendly culture thanks to its impartial and performance-based evaluation system. It goes beyond just offering some benefits to female employees to empowering women, which results in stronger competitiveness of the company. Thanks to such endeavor, the ratio of female employees at Pulmuone is higher than other companies, and the ratio of female managers or executives is steadily increasing every year. In the 1st half of 2013, a special lecture on work-life balance for career women was held for female workers. Pulmuone plans to increase such special lectures targeting female workers going forward.

Female-friendly work environment

Objective	Description
Female worker empowerment	Increase female employee engagement in the employee council to develop their leadership qualities
No discrimination	Guarantee an equitable treatment (i.e. promotion, compensation, etc) for the same job description and hierarchical rank
Child care/ education support	Offer 1:1 counseling with an expert
Lounge for female workers	Provide a cozy resting place for women with the heating floor and a lactation room
Pregnancy checkup leave	Provide 1-day paid leave to examine the fetal health
Invigorate break	Strongly encourage taking a half-day off for child care and offer reduced work hours when employees have to take care of their babies
Flexible work regime	Allow employees to come to or leave work at different times to support their childcare

No discrimination: prevention & monitoring

Pulmuone holds a workshop attended by HR managers, business support team leaders, production managers and plant managers across the enterprise every 2 months where they examine any discriminatory treatments or work practices toward employees. For monitoring, it carries out periodic or ad-hoc labor inspection more than once a year (17 times in 2013) across its workplaces. Pulmuone expressly states in its corporate policy (refer to Article 5. Rules for Employment) to prohibit discriminatory treatment based on race, gender, age, religion, nationality and disability, and look at only the objective and impartial criteria (i.e. employee track records and performance evaluation) for all of its personnel management decisions from hiring to training and compensation in accordance with the Labor Standards Act and other applicable laws. Thanks to the strenuous efforts to eradicate all discriminatory practices, there has not been one single case of violation for the past 3 years.

Lastly, right after the Act on the Protection etc., of Fixed-Term and Part-Time Employees and the Act on the Protection etc., of Dispatched Workers were revised by the government to extend the area of non-discrimination from 'wage and other working conditions' to 'wage, incentives, welfare benefits and other working conditions' for temporary workers, Pulmuone established a TFT to abolish any discriminatory practices to re-examine the issue and focused its efforts on filling the loopholes in institution or operation that can lead to any type of discrimination.

Freedom of association

In accordance with the Constitution, and the Trade Union and Labor Relations Adjustment Act, Pulmuone fully guarantees its employees the right to establish a labor union or another form of body to represent employees. This means every employee is entitled to joining a labor union based on the aforementioned act and the collective labor agreement of the company. Pulmuone has shown stellar performance in this area as it has recorded not a single violation of the freedom of assembly and association nor was accused of having unfair labor practices which run counter to the freedom of association for the past 3 years. In 2011, PPEC Eumseong Noodles which has the largest labor union among Pulmuone affiliates and subsidiaries (upwards of 120 union members and 100% participation among qualified employees) received the 'Win-Win Cooperation' certificate from the Ministry of Employment and Labor, spreading a more advanced labor-management relations across the enterprise.

No child labor policy & monitoring

Pulmuone is in full compliance with the Labor Standards Act and no child or forced labor policy by ILO(International Labor Organization). The periodic labor inspection conducted late 2013 found no child or juvenile workers aged 18 or younger.

No forced labor policy & monitoring

No forced labor is one of the crucial elements in the Labor Standards Act. Pulmuone doesn't permit or condone any types of forced labor. During its annual labor inspection, the company also goes out to detect any violation of this firm principle, especially forced labor of the vulnerable (e.g. women, underage, migrant workers, etc). Regarding maternity protection, for example, the company always seeks consent for overtime work from a female worker when it has been less than a year since she gave birth to her child in accordance with the Labor Standards Act, prohibits pregnant workers from working overtime, at late night or holidays and lowers their workload during pregnancy. Its employment policy and collective agreement stipulate the company should allow menstrual leave, pre/post-childbirth leave in the case of miscarriage or stillbirth, paternity leave and less work hours when employees have to raise babies. They also define the criteria for application, grant and period of family care leave. There has not been a single breach of these policies for the past 3 years. Pulmuone willingly goes beyond just abiding by its 'no forced labor policy' to granting up to 6-month leave every 2 years for unspecified but justifiable personal reasons in addition to the conditions defined by the relevant law. As long as the reason for taking out a leave is justifiable, employees can take their time off from work whenever and however long (up to 6 months) they want, and return to their work as guaranteed by the company policy.

Youth employment
(under 18 years old)

0%

Pulmuone Foods/Foodmerce

Pulmuone Foods and Foodmerce source materials and finished products from a total of 506 partner companies. Both of them signed a sourcing contract with a total of 49 new partners in 2013 through a fair and transparent partner selection process.

Agricultural produce

Pulmuone sources high-quality agricultural produce for its product materials at competitive price through a direct transaction with trusted and qualified partners such as APC(Agricultural products Processing Center), farming associations or wholesale market corporations who are believed to be most fit for a specific product category. Furthermore, it cuts through the long distribution process by distributing through C&D(Collection & Delivery) centers and facilitates direct transaction with producing districts for materials supply at competitive cost.

Fishery products

In the metropolitan area, Pulmuone directly operates fishery processing centers and strictly applies the HACCP(Hazard Analysis and Critical Control Point) standards from materials sourcing to production and shipment in order to comply with sanitary standards designed by Foodmerce Food Safety Center. In local districts other than the greater Seoul, only the food materials produced or prepared by vendors who have received the HACCP accreditation and comply with the sanitary standards of Foodmerce Food Safety Center can be supplied to Pulmuone. Only the companies accredited by HACCP are allowed to operate a materials processing plant, and food materials where the HACCP standards cannot be applied (e.g. seafood, dried fish) are subjected to the standards of Food Safety Center, which means only the companies who strictly abide by the Pulmuone sanitary standards can be qualified for supply chain partners of Pulmuone.

Livestock products

Pulmuone has its own livestock products processing center (fresh meat) where it applies the HACCP standards from the stage of receiving raw meat. The plant is managed in accordance with the sanitary standards of Food Safety Center. In local districts where Pulmuone doesn't have its own processing center, only those accredited with HACCP and satisfying the sanitary standards of Food Safety Center can be qualified to become Pulmuone's supply chain partners to supply food materials. All livestock suppliers of Pulmuone are accredited with HACCP, and those who don't have the HACCP accreditation are not allowed to enter into a contract with Pulmuone.

Food materials

Pulmuone has developed and introduced internal food safety management standards, even stricter than domestic legal standards with the aim of providing only the authentic wholesome

Number of partners in 2013

Brand	Agricultural, fishery, livestock products	54
	Manufactured products	82
Non-brand	Agricultural, fishery, livestock product	114
	Manufactured food products	121
Materials	Raw materials	99
	Packaging materials	36
Total		506

foods to consumers. Pulmuone Food Safety Center conducts pre-inspection to select only the good food materials. The quality of food materials is maintained high through sustained and varied food safety management activities and initiatives. Pulmuone bases the materials sourcing decision on its strict standards tailored to fit each brand to ensure consumer health and safety.

Packaging materials

Only the vendors who have passed Pulmuone's sanitation and safety inspection can provide packaging materials designed to fit product properties, and they are mandated by Pulmuone to develop various ways to minimize their impact on the environment and conserve resources by, for instance, using less packaging materials and adopting eco-friendly materials.

Industrial food product

Foodmerce, committed to providing all products consumers want, supplies and distributes upwards of 10,000 food materials by sourcing them from specialized agencies and producers of each brand.

Partner management

Even after selecting supply chain partners, Pulmuone conducts periodic partner assessment by examining various aspects such as financial soundness, delivery deadline observance, quality/price competitiveness and management capability, and based on the result, the company classifies partners into 3 categories (i.e. strategic partner, long-term partner and temporary partner) to adjust its sourcing strategy depending on situations. In March 2013, Pulmuone Foods and Foodmerce examined trade performance, price competitiveness, deadline observance, quality, and social/environmental performance of 60 partner companies. Strategic importance of the category a partner belongs to and its supply performance were also taken into account to produce the 'overall evaluation score'. The overall evaluation score puts 60% weight to overall quality, higher than 10% to shipment response, 70% to shipment performance, 20% to sourcing amount, more than 10% to sourcing risk, and 30% to strategic relevance. Among them, the overall quality score is calculated by assigning 60% weight to the audit result, 20% to improvement in VOC, 5% to complaints in VOC the partner company should be held accountable for, 10% to 4 major bad VOC feedbacks, 5% to VOE grade with subtraction of 2 points per voluntary recall.

Combining the overall evaluation score with the evaluation score in each relevant sector 50:50, Pulmuone selected its partner companies and named them as 'good partners in 8 sectors(contribution to new products, technology innovation, production process innovation, VOC improvement, good audit result, quality innovation, cost-saving innovation, social partnership).

Sector	Partner	Number of Partners
Contribution to New Products	HW(Hyangwon Spice), Donggrim Foods, BNG Foods, Hanil Foods Service	4
Technology Innovation	Taejin GNS, Hanmi Foods	2
Production Process Innovation	Woocheon Fried Tofu, Jinsung FM, Dongsung Foods	3
VOC Improvement	Mangu Fisheries, Fresh Egg, Kimchi Nara, Purunchon	4
Good Audit Result	Haengnam Foods, Dami Food Tech	2
Quality Innovation	Moa, Nambu Foods, Samyoung Fresh, Living Life	4
Cost-Saving Innovation	Seoshin Foods, GMF	2
Social Partnership	Ganghwa Our Village	1

Exofresh Logistics

Major partners who support logistics services include freight transport corporations, contractors, and vendors in charge of system and facility maintenance.

Transport service

Partners that transport/deliver products safely to distribution hubs or retail stores across the country, and manage workers in transport/delivery

Contracted service

Partners that distribute products transported to distribution hubs from production sites and handle product shipments by managing workers at distribution centers more efficiently

System & facility maintenance

Maintain and manage logistics system(ERP, TMS), supervise facility automation, pre-inspect facilities to preempt possible downtime.

Pulmuone Health & Living

Pulmuone Health & Living sources finished or processed goods, products for market entry from 22 partner companies in total. They are selected in compliance with a fair and transparent process aligned with the criteria set by the company's partner company deliberation committee. In 2013, Pulmuone Health & Living signed a contract with 3 new partners. To be even qualified for deliberation, vendors have to pass a strict inspection based on the sanitation guideline by QTM(Quality & Technology Management) office and QC(Quality Control) team. Only those who have passed the preliminary screening can go through the deliberation process which looks at their financial health, price competitiveness, quality competitiveness, deadline observance, and CEO evaluation (i.e. management capability and mindset, etc). The partner selection process has been designed rigorously to minimize the risk they may pose to the Pulmuone supply chain. Regular sanitation monitoring is also carried out in partnership with QTM office, and QA manager is in charge of quality control and preventive measures of partner companies.

ORGA Whole Foods

ORGA Whole Foods purchased products and raw materials from a total of 541 partner companies in 2013. It found 63 new partners and ended partnership with 41 vendors. ORGA Whole Foods selects its partners based on its fair procurement procedure and policies, and applies rigorous standards to organic product and additives in order to

Number of partners in 2013

Transport service	19
Contracted service	2
System & facility maintenance	5

Number of partners in 2013

Finished goods	
Fermented milk	2
Health functional	8
Skin care	4
Subtotal	14

Toll Processing

Health functional	3
Skin care	2
Subtotal	5

Goods for market entry

Health functional	1
Skin care	2
Subtotal	3

Total	22
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Number of partners in 2013

Vegetable	33
Fruit	26
Meat	23
Grain	20
Fishery	18
Stockfish	17
Processed foods	133
Chilled foods	44
Frozen foods	30
Health functional	36
Lifestyle goods	112
Home meal / bakery	49
Total	541

provide consumers with safe and clean products produced and processed in compliance with high sanitation standards. It maintains win-win relationship with its partners, upholding the principle stipulated in the TISO charter.

Agricultural produce

ORGA Whole Foods trades only with the vendors that fulfill all the requirements of the company on eco-friendly accreditation, producer traceability, none residual pesticides, no color fixation, no fruit-setting accelerator or preservatives, non GMO(Genetically Modified Organism), and are capable of providing materials with good quality and taste.

Raw meat

The criteria for raw meat suppliers include 1) providing products free from antibiotics, growth hormone, and chemicals (no residual antibiotics), 2) providing meats prepared and processed by HACCP companies, 3) having a microbe management process in place, 4) offering organic livestock, 5) handling certified antibiotics-free meat first, 6) not handling meat of disturbing or protected animals, 7) satisfying all requirements to receive the ORGA animal welfare accreditation.

Fishery product

The criteria to be qualified as fishery product partner include 1) preservation of fishery resources(ban on fishing threatened species, GMO, fishing during the closed season period), 2) provision of fishery products that can be traced back to their place of origin, 3) no antibiotics or growth hormones, 4) compliance with the standards on residual heavy metal and implementation of stricter criteria on heavy metal detection (e.g. criteria extended to cover Pb, Hg, As, Cd), 5) no fishery product using bleach or coloring agents.

Processed product

Only the companies that follow the principles of eco-friendly materials, minimum processing, non-GMO materials, no radiated materials, and materials free from residual toxins can be selected as partners.

Pulmuone Waters

Pulmuone Waters sources materials from a total of 15 partner companies. The company selects, evaluates, and inspects materials vendors every year, measuring their performances in product quality and deadline observance. And starting from 2012, excellent performances in safety, responsible sourcing and labor were added into the partner assessment criteria, and those with outstanding evaluation result are selected as 'good partners'. More information on its partners is as follows:

Preform

It refers to a bottle material in the intermediary stage before being made into a bottle for fresh water. Pulmuone Waters personally selects and provides good quality resin, a raw material of preform to vendors, which is then processed into preform by vendors to be supplied to Pulmuone Waters.

PET resin

PET resin is preform plastic material for PET bottles of Pulmuone Waters. Pulmuone Waters purchases PET resin and provides the material to preform suppliers. Pulmuone Waters accepts only Nestlé-certified resin with contents.

PC bottle

PC(Poly Caronate) bottle refers to a large-size water bottle placed upside down on the top of a water dispenser. As it is made of PC material, it is differentiated from a PET bottle, and can typically be used for about 36 times before disposal.

Film/label

Film material is used for packaging a bundle of PET bottles to bind them together and labels are placed onto PET bottles to display brand and ingredient information.

Cap

A cap refers to the lid of a PET or PC bottle. As it comes into direct contact with water in the bottle, only the resin with ingredients certified by Nestlé can be used for a cap. The process for a social or an environmental audit at Pulmuone Waters is as follows:

- 1) Each partner company fills out the questionnaire in advance.
- 2) Based on the information of the filled-out questionnaire, each partner company is registered to the global Sedex¹⁾ platform which calculates a pre-evaluation score of each partner company (Evaluation consists of various aspects such as labor, health and safety, environment, and business integrity)
- 3) The audit agency certified by Nestlé assesses each of the production plants operated by vendors based on the information registered to Sedex. The assessment period differs depending on the size (i.e. the headcount) of a partner company.
- 4) The audit agency uploads an assessment report on Sedex, and then Nestlé registers the vendor reports at VAP(Vendor Approval Process)²⁾ for evaluation.
- 5) Vendors can pass the audit if Nestlé finds no issues in each aspect. In the event of finding major issues in any of the evaluation aspects, they have to be re-assessed 6 months later.

Number of partners in 2013

Preform	2
PET resin	1
PC bottles	2
Film/label	5
Cap	3
Others	5

1) Supplier Ethical Data Exchange An association to manage and share sourcing reports and data of vendors across the globe

2) A system to select, evaluate and manage good vendors based on the global Nestlé standards and to share the information with other relevant businesses

Win-win growth support for partner companies

In 2013, the QTM office has carried out various measures to help partner companies achieve a consistent level of quality, reviewing their process, supervising improvement, offering a tool to implement initiatives to reduce VOC, offering guidance on lab quality control and lab management, providing trainings at QS(Quality System) meetings, supporting a full implementation of C-TPM(Compact-Total Productive Maintenance), helping them develop a training program in partnership with external trainers, and supporting a full implementation of quality assurance scheme as part of the initiatives for win-win growth with partner companies. Pulmuone made both periodic and non-periodic visits to partner companies to examine their production environment and encourage reduction of risk factors. As encouragement, it offered methodologies and templates for VOC reduction in parallel with field improvement initiatives based on TPM. In addition to this, Pulmuone also examined and supervised lab quality control and management standards to stabilize their lab operation while providing training programs it has developed jointly with external training agencies free of charge to boost capability of partner companies. Milestones and progresses regarding such activities are shared with partner companies at 'QC meetings' where Pulmuone and partners get together to define a new shared goal.

Farming training for soybean farmers

More than 90% of the soybeans for bean sprouts are grown on Jeju island. Growing them in areas other than Jeju can be challenging as farmers in those areas lack experience, soybeans have more risk of having residual pesticide, and it is difficult to develop a new sales route. However, to develop other farming communities as soybean producers, Pulmuone joined forces with the Ministry of Agriculture, Food, and Rural Affairs, Munkyoung city, and the Agricultural Technology and Extension Center in order to open and support a pilot soybean farming complex in the Munkyoung area. It held a meeting on the effective farming method of bean sprouts and the domestic soybean industry development policy led by food business officers at the Ministry for 270 soybean farmers in the area. As a result, 330,000m² of land plot in Munkyoung has been developed as a bean sprouts farming complex and Pulmuone purchased 100 tons of bean sprouts grown there in 2013, contributing to income generation of Munkyoung farming families. Pulmuone will continue to establish such relationship with local farming communities on a sustained basis, reserving no efforts to support their capability development and maintain long-term partnership.

Voluntary monitoring on fair trade

To reduce the risk to violate fair transaction legislations such as the Fair Subcontract Transactions Act and the Franchise Business Act, Pulmuone proactively and voluntarily inspects and examines its franchisor-franchisee agreements, sourcing contracts and transaction schemes. If there is any risk or actual case of violation, Pulmuone conducts a root cause analysis to prevent the same risk factors from emerging again and takes corrective measures or improves work processes, imposing disciplinary measures and mandatory training for those who violated laws in accordance with the CP(Compliance Program) guideline. It also visits partner companies and franchisee stores to gather feedbacks for better management and communication.

Fair trade training

Following the CP training guideline, Pulmuone offers its people a semi-annual training session that lasts more than 2 hours, annual special training, relevant department trainings on a needs basis, cyber education on the Competition Act and fair transaction, and fair transaction education for new hires.

Employees at Strategic Purchasing Division or Marketing team receive regular trainings and cyber lectures on amendments of the Fair Subcontract Transactions Act and violations in order to learn more accurately about their obligations. Pulmuone Foods and Foodmerce are also offering their employees regular cyber training sessions on the same topics. Employees at Management Support Division took a cyber class on the fair transaction program. Lastly, new hires learn about the CP overview and fair trade legislations directly from CP managers themselves to have a comprehensive understanding on CP. Pulmuone, going forward, continues to provide a structured training program on fair transaction to enhance employee awareness and knowledge about risk for violation as higher awareness and alert can ultimately lead to better compliance with fair trade legislations.

1) CSR manager

CSR manager at the PR office plans, prepares, executes, evaluates and budgets for public interest projects to return corporate profit to communities.

Mission & strategy

'Social contribution aligned with corporate business', 'growth of local communities' and 'community outreach campaigns integrated into the corporate culture' are objectives defined by Pulmuone when it makes efforts to contribute to communities. With these 3 aims in mind, Pulmuone works to identify new opportunities and plans community services to be aligned with its business scope. For effective communication with relevant organizations, personnel and communities, a CSR manager has been appointed to lead the social contribution department

Community contribution process

First and foremost, demands and needs of communities are studied to be incorporated into the public interest projects relevant for Pulmuone business. In this stage, Pulmuone selects an NGO group as its partner to define a detailed project plan. After executing the project, an assessment is undertaken to find any room for improvement. Findings and lessons are reflected to complement and upgrade a plan for the next year. Pulmuone appoints a social contribution manager for each subsidiary and establishes a collaborative regime where they can effectively meet the demands of communities. It also organizes Session D, a corporate council for CSV and CSR, where subsidiaries and affiliates can share their own progress and plans for their CSV and CSR initiatives.



Interview on community contribution

Co-Chair, Korea Women's Environmental Network **Chang Yi, Jeong-Soo**



Pulmuone is carrying out a range of social service activities centering around Good Foods Campaign to contribute to local communities, which certainly befits the company's brand image and core values. Pulmuone has to expand the scope of Good Foods Campaign and build on it to engage people of all ages, creating real impact for the next generations living in the communities, and make the campaign closely aligned with communities to offer more varied and effective benefits to the vulnerable.

In addition, it needs to diversify its partnership with non-profit entities with shared interest to study varying needs of different communities and opens an ongoing communication channel. Partnership based on mutual respect and trust will ultimately bring long-term benefits to the company that go beyond mere promotion of a company name. Therefore, Pulmuone should focus on building genuine collaboration with civil society. I hope Pulmuone continues its meaningful journey to bring more benefits to communities in the future.

2013 milestones & 2014 strategy

Major milestones in 2013

2013 Priority Task	Extend Food for Change and Authentic Wholesome Food to nationwide campaigns	Boost green projects	Encourage donation of employees	Launch a new outreach program for the underprivileged youth
Outcome	<ul style="list-style-type: none"> Offered 387 sessions of authentic wholesome food education to 9,113 people in 2013. (YoY increase of 133 sessions and 3,677 participants) Extended the target audience from kindergarten and primary schools to cover parents and childcare center teachers Added more aspects such as nutrition education to existing curriculum (food labeling, taste education) Increased authentic wholesome food education for other companies (Homeplus, Pulmuone Danone, Yeowon Media) Established a network with government entities including the Ministry of Education Trained 10 'Fuducators(food educator)' specialized in authentic wholesome food Opened a campaign to apply for Pulmuone's authentic wholesome food class via SNS channels (March 25-April 5) 	<ul style="list-style-type: none"> Drive the global WET project as one of the corporate initiatives Offered 51 sessions of WET education to 1,147 primary students and teachers in 2013 Implemented 7 WET programs selected by Nestlé Waters Implemented the initiative jointly with Pulmuone Waters and Food for Change 	<ul style="list-style-type: none"> Increased donation and raised money for Love Neighbor Fund Organized a fund-raising event for social service with the C-Cubic team 1,424 employees contributed 45% of the fund in 2013 / KRW 103,246,000 raised fund for the year (YoY, 553 more people donated with the fund increasing by KRW 11,706,000) Held a fund-raising event for African children (June 27) Raised a philanthropic fund to help out typhoon victims in the Philippines (Nov 15-22) 	<ul style="list-style-type: none"> Supported financial independence of the underprivileged youth at Wildflower Youth Center Supported KRW 12 million (KRW 1 million per month * 12 months) Offered authentic wholesome food cooking classes (November 6, 16 youths participated)

Implementation strategy for 2014

Core Initiatives	Boost and extend authentic wholesome food	Facilitate projects for the environment, community contribution, Mecenat	Extend network with the government and external agencies	Build a framework for stable operation of Pulmuone Foundation
Aspects	Authentic wholesome foods	Environment	Community contribution	Mecenat
Aspiration for '14	<ul style="list-style-type: none"> Extend further Food for Change and Good Foods Campaigns - Train 100,000 authentic wholesome food guardians by '20 Evaluate performance and promote Good Foods Campaign across society, marking its 5th anniversary 	<ul style="list-style-type: none"> Build on the global WET project Boost carbon reduction programs engaging employees 	<ul style="list-style-type: none"> Drive Pulmuone Foundation's new project to support the independence of the underprivileged youth Invite more joint champions for its social contribution projects 	<ul style="list-style-type: none"> Run culinary culture education sessions concurrently with the re-opening of the Kimchi Museum Support traditional music performances
Major Business	<ul style="list-style-type: none"> Education for Good Foods Campaign Evaluation of Good Foods Campaign for the past 5 years Joint projects with government and external entities Promotion of authentic wholesome foods 	<ul style="list-style-type: none"> Project WET trainings Carbon reduction with more eco-friendly products Social services to preserve the environment 	<ul style="list-style-type: none"> LOHAS Designer, the employee volunteering corps More money for Love Neighbor Fund Community contribution activities by Pulmuone people Education at LOHAS Academy Support for the underprivileged youth Outreach to the impoverished overseas 	<ul style="list-style-type: none"> Educational programs at Kimchi Museum Support for performances by 'Those Who Love Traditional Music'

Public interest project

SNS campaign for emergency food relief in partnership with Korea Food for the Hungry International

Pulmuone is waging a fund raising campaign for emergency food relief via SNS to mark World Food Day on October 16. The campaign is open at its Facebook page(www.facebook.com/pulmuonelove), blog(Pulmuone's Very Personal Story) and Twitter(@pulmuonelove), and the raised fund is being donated to Korea Food for the Hungry International for emergency food relief projects in Africa.

Employee event for communities

Every year, Pulmuone people raise money as part of their outreach programs to help out disadvantaged neighbors. In 2011, for instance, Pulmuone employees raised KRW 6 million, dressed up as Santas to help children suffering from intractable diseases and donated the money to Make a Wish Korea. And in 2012, they raised KRW 4 million, which was donated to Compassion Korea. In June 2013, C-Cubic, the organization culture team, led the drive to support water resources for African children. Pulmuone sold authentic wholesome food kits to employees, organized a Jazz concert and a bazaar, all of which help the company raise KRW 6 million to be donated to Good Neighbors. In November, KRW 6.7 million was raised to help relief efforts in the Philippines after the country was devastated by Typhoon Haiyan with Pulmuone Foundation donating the same amount of money from its own pocket. So in total, KRW 13.4 million was donated to relief agencies in the Philippines via Korea Food for the Hungry International.

Partnership with external networks

As part of the effort to support 'good spending', Pulmuone is undertaking joint social contribution projects with retail stores. Homeplus, for example, waged the campaign, 'Shopping Cart of Life' in 2012 with Pulmuone where 1% of the sales revenue coming from some of the Pulmuone products was donated to eBlue Foundation of Homeplus, and in return, Homeplus also donated a matching amount of money to the foundation for surgery of child cancer patients, which amounted to 2% of its sales revenue in 2012. In 2013, Homeplus opened an educational session on authentic wholesome foods for both children and adults at 50 stores of its Lifelong Education School. Pulmuone also works with Emart by signing an agreement to jointly drive Good Foods Campaign on June 1, 2012, and donates 1% of the sales revenue from its promotional events to Food for Change as part of the efforts to firmly establish good dietary habits by partnering with local child centers.



Fund-raising for typhoon victims in the Philippines'

Support for the underprivileged youth

As part of its new community contribution project, Pulmuone started to support financial independence of the disadvantaged youths. It donates KRW 12 million to Wildflower Youth Center to assist financial independence of homeless youths and offered 'Authentic Wholesome Foods Cooking Class' which introduces food vocations to students and gives them opportunities to cook themselves. Going forward, the company is planning to open public-interest cultural activities, connecting them with outreach programs by Pulmuone employees.



For women, children and seniors

Pulmuone Kimchi Museum is leading a range of cultural programs such as 'Do' targeting multi-cultural families to show traditional recipes of Korea and help understand the Korean culture and 'Open' which introduces various culinary cultures across the world.

Program Name	Intent	Target	Sessions	Description
Do	Promote traditional dishes of Korea and in so doing, enhance understanding on the Korean culture among multi-cultural families	Multicultural families	7	- Traditional theater performance - Museum exhibitions - Hands-on experience by making Kimchi
Open	Introduce and promote understanding on various cultures by introducing dishes and delicacies worldwide	Families or groups interested in multi-cultures	4	- Thai food culture - Museum exhibitions - Hands-on experience of fermented Thai foods

Pulmuone reaches out to seniors living alone. Pulmuone employees visit those living lonely by themselves, keeping them company and making a meal so that seniors living alone can forget their loneliness. During big holidays, Pulmuone invites them to traditional games to make sure they can have a good time.



Social contribution program for multi-cultural families

Environment investment and management expense in 2013

Up 84%

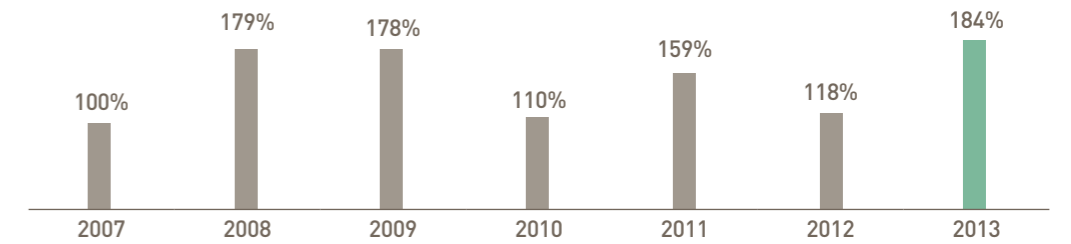


Pulmuone strategy for the environment

Pulmuone's mission is to 'become a LOHAS company that puts the 1st priority on environment safety in all aspects of its business'. To mobilize enterprise-wide efforts to attain the aspiration, Pulmuone comes up with a new mid-term targets such as reducing the basic unit of energy and water by 15% and 30% respectively with zero wastes, and provision of authentic wholesome foods for humans and nature. To reduce wastes coming from workplaces into zero at the final stage, Pulmuone has implemented various recycling methods while at the same time operating a sustainability packaging council attended by packaging developers and marketing managers from 2013. It invested in high-efficiency facilities and better efficiency management to cut back on greenhouse gas emissions and energy/water consumption, which resulted in 84% increase in environment investment and management expense in 2013 against 2007.

Goals	Healthy Workplace	Energy	Water	Waste	Product
Indicators	Zero disaster Disaster rate	Energy saving of 15% Basic energy unit Basic CO ₂ unit	30% saving of water Basic water unit	Zero waste Basic waste unit	Provide authentic wholesome foods for both humans and nature Development and application of sustainable packing materials

Environment investment & management expense ratios against 2007 *Expense in 2007 as 100%



Restoring lenoks in the river

Joining forces with the Wonju Environment Office and the fish research center at Kangwon National University, Pulmuone Chuncheon plant, which produces tofu and ice, launched an initiative to restore the lenok population on the verge of extinction in the upper region of the Namhan river near the basin of Songcheon, Pyeongchang county. The Songcheon river basin once had lenoks living until the mid 1990s but they became extinct after ranches, accommodation buildings and alpine growing virtually polluted and destroyed their habitat. As part of the community contribution program, Pulmuone Chuncheon plant agreed to support KRW 15 million for the next 3 years to restore the ecosystem for lenoks.



Donation of money to restore the ecosystem for lenoks

Efforts to reduce environmental footprint

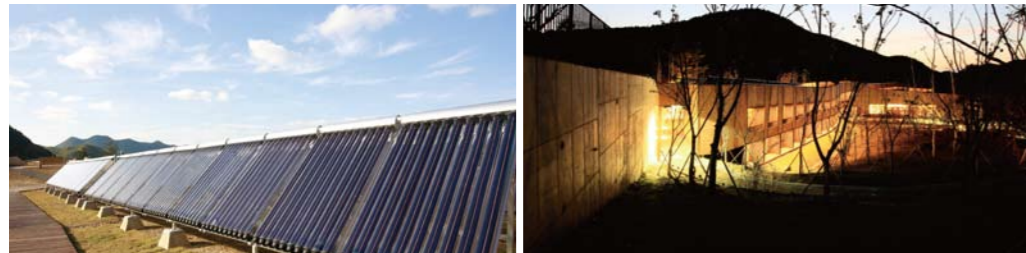
After receiving feedbacks about the plant cooler at Pulmuone Health & Living Doan green juice plant that the cooler emits loud noise to disrupt workers at plant offices, the company built a soundproof wall around the cooler whose noise level was measured to be 75.5dB. As the soundproof wall blocks much of noise from the cooler, noise is no longer an issue at Doan.



A soundproof wall around the cooler

Passive house in LOHAS Academy

The building newly constructed within the complex of Pulmuone LOHAS Academy was certified as passive house by the German Passivehouse. The certified main building has been used as a venue for a large-scale training; it is the one and only certified passive house in Korea and the East. The term, a passive house, refers to a building very passive in using external energy sources, following rigorous and voluntary standard for energy efficiency to reduce its ecological footprint by minimizing energy waste and blocking heat from leaking out. To be certified as passive house, the building must pass all of the strict and rigorous criteria of the German PHI(Passive House Institute). The main passive house of LOHAS Academy has strengthened insulation and installed an automatic ventilation system to conserve more energy by facilitating air exchange, and maximizes energy efficiency by using renewable energies such as solar energy and geothermal heat.



Aspect	Certification Criteria	LOHAS Academy Passive House
Required Heating Energy	15kwh/m ²	6.9kwh/m ²
Primary Energy Consumption	120kwh/m ²	113.3kwh/m ²
Air Permeability, Air Leakage ¹⁾	0.6 times/h.50pascal	0.15 times/h.50pascal

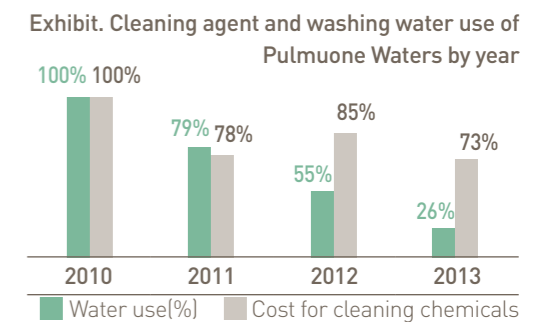
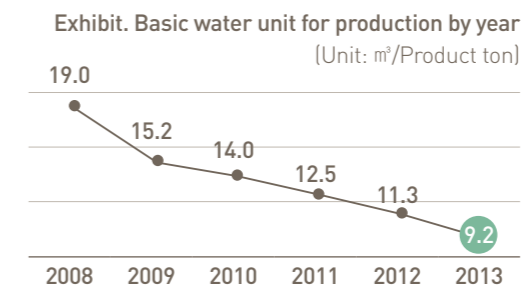
1) Air Permeability, Air Leakage : Hourly frequency of the air inside a building is changed

Water supply source heavily affected by water intake

Pulmuone Waters takes groundwater from the bedrock as it has rigorous quality standards for its drinking water. Therefore, it is strongly committed to preserving the precious water resources and preempting any negative impacts on the ecosystem brought by an excessive water intake. Every 5 years, the company conducts an environment impact study which looks at the groundwater reserve, output status, underground geological survey, appropriate intake for sustainability, scope of environmental impact, damage to the environment, water quality and others. Its assessment result is reviewed and approved by the Ministry of Environment. Based on the environment impact survey and assessment result, Pulmuone Waters makes it a rule to take less than 1,324 tons of water per day. It always receives an approval from the Gyeonggi provincial government before extracting water to assure sustainability of the groundwater resources.

Reduction in water and cleaning agent use

For a food company like Pulmuone, using much amount of water for production is unavoidable to assure product sanitation. However, reducing its environmental footprint is also highly important for the company. To measure up to its rigorous sanitation standards while reducing water use at the same time, the company has developed various water-saving initiatives and introduced them to the actual workplaces after reviewing them from multiple angles and analyzing their feasibility. At the Eumseong tofu plant, it upgraded the production process from a bucket type to a belt press type, which can save much washing water compared to the bucket type, which, in turn, can save much energy needed to heat up the washing water. The amount of water that goes into the packaged tofu has also been adjusted to save water use. The Uiryong tofu plant has also saved water by improving its water supply process when soaking beans in water. Pulmuone Waters is also working to do its share of saving by optimizing a cleaning cycle of its production lines, which would reduce water and chemical agent use.



New renewable energy facility deployed at Eumseong Tofu plant

Pulmuone has been proactive in harnessing new renewable energy sources, installing geothermal heat pumps at its LOHAS Academy and Pulmuone Farm, and replacing an LNG boiler with a wood pallet boiler at the Eumseong tofu plant. The boiler burns wood pallets, a fuel made by shredding, drying and compressing wood whose carbon emissions is recognized to be nearing '0(zero)'. The wood pallet boiler at the Eumseong plant is expected to lower its greenhouse gas emissions by 5,837tCO₂e per year, equivalent to planting trees on the land 37 times as large as the World Cup Stadium in Sangam. Pulmuone Eumseong tofu plant has improved its heating system to reduce greenhouse gas emissions by recovering heat from wastewater and then use it to heat up washing water and has been registered as Green Company. Monitoring between September 2, 2011 and July 1, 2013 confirmed 1,056tCO₂e of greenhouse gas reduction in total, which was officially recognized by the KEMCO(Korea Energy Management Corporation).

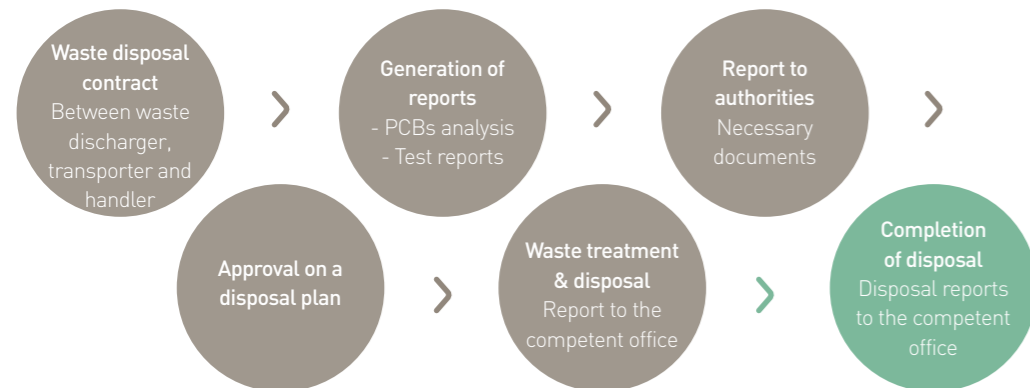


A wood pallet boiler at the Eumseong tofu plant

Waste transport & handling standards

Aged transformers which contain PCBs(Polychlorinated Bophenyls) at the Eumseong noodle plant was replaced with new ones in May 2013. The company confirmed the PCB amount of transformers to be 0.5mg/L, which is much less than the legal threshold of 2mg/L, and replaced the aged transformers through due process in accordance with the relevant laws.

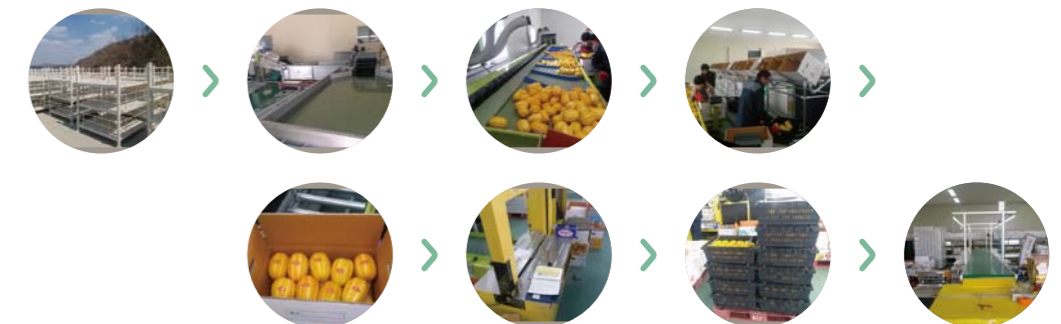
Handling process of persistent organic pollutant wastes



More GAP products for a greener land and water

Foodmerce, the food materials distributor of Pulmuone, is taking the lead in fulfilling its social responsibility and preserving the environment in order to remain faithful to 'Love for Neighbors' and 'Respect for Life' by providing only the fresh and safe GAP(Good Agricultural Practices) certified products to consumers. GAP is a food certification scheme to manage risk factors (i.e. pesticides, heavy metal or microorganisms in agricultural products) throughout the production cycle starting from materials production and harvesting to packaging and selling. To this end, it traces history of agricultural produce based on the GAP management standards and offers regular training to farming communities. Thanks to its efforts, farmers achieved cost saving and higher productivity by using less pesticide and fertilizer, and in return, Foodmerce has been able to source GAP food materials grown within 30km radius of the Yangji logistics center, reducing its logistics cost. Such change in practice has been translated into the reduction of 33,513kg CO₂ emissions, less pollution of land and water as the use of fertilizer and pesticide was also greatly reduced. In 2013, Pulmuone developed additional criteria to differentiate Foodmerce GAP products from others, taking into account environment preservation and added them to the legal GAP standards. It also set the target to extend the range of GAP products for 2014 by releasing new GAP agricultural products including 5 pilot products and reorganizing its management manual.

Oriental melon traceability management by Foodmerce



Eco-friendly washing detergent

Consumer health is a non-negotiable value for Pulmuone. As part of the efforts to protect this highly essential value, ECMD has replaced all of its detergent products for dish washers with eco-friendly ones after it found out some of them containing sodium hydroxide that may pose a risk to consumer health.

Waste

Exofresh Logistics has introduced food waste shredders to reduce the amount of waste discharge. It reduces not only the amount of wastes but also stink from food waste, which greatly enhances the environment surrounding the operation sites.



Interview on reducing environmental footprint

Engineering professor at Konkuk University **Heo, Tak**

Pulmuone is making every effort to reduce its environmental footprint across its business by receiving the Passive House accreditation for its LOHAS Academy and installing wood pallet boilers at the Eumseong tofu plant. To accomplish its environmental mission to become 'a LOHAS company that puts the 1st priority on the environment safety across its business areas', I believe Pulmuone has to include improvement plans for other aspects of LOHAS and safety.

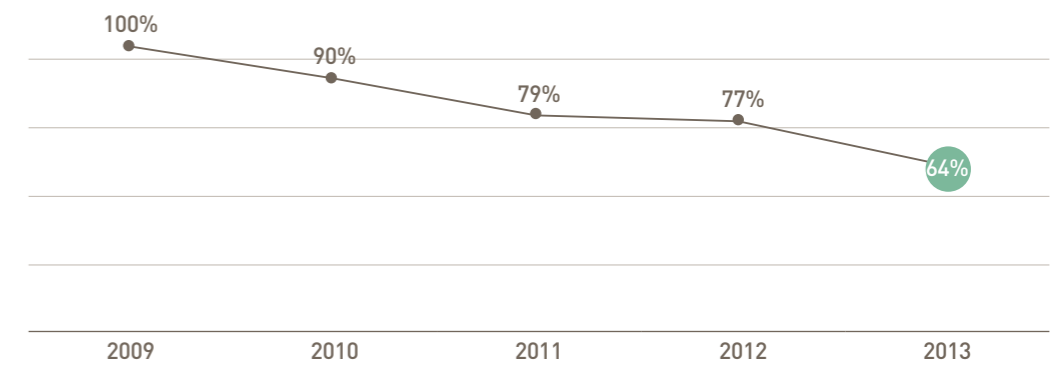
A food producer needs a comprehensive management system to ensure safety and environment preservation, starting from materials sourcing to waste disposal. This requires strong commitment and support from the top management and development of indexes to closely and accurately monitor performances. I hope Pulmuone can continue its efforts to establish itself as a green company working for the environment by communicating with external stakeholders including the government, consumers, investors and competitors while engaging in various activities on all fronts such as publishing sustainability reports, attaining accreditations and labels, declaring its green initiatives and targets, and reinforcing its relationship with external stakeholders.



Greenhouse gases

Keenly aware of climate change and its implications, Pulmuone measures its carbon emissions, seeks certification on its low-carbon products, registers its greenhouse gas reduction initiatives and monitors their results.

Exhibit . GHG emissions trend in production (vs. 2009)

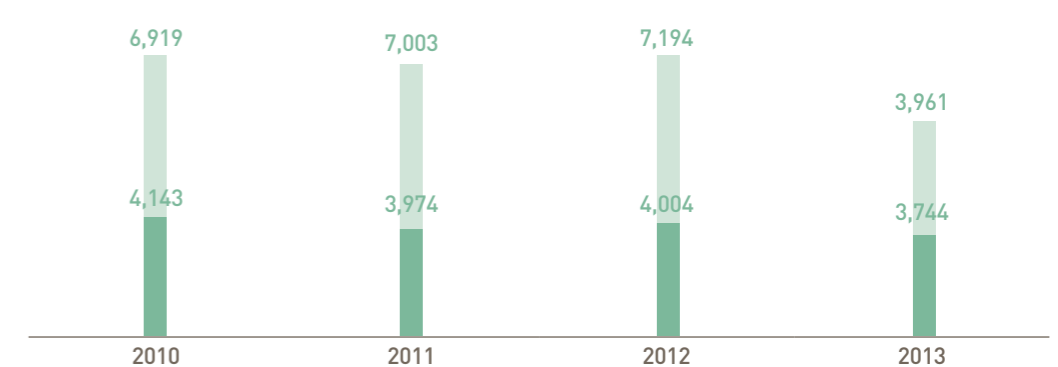


Although Pulmuone is not categorized as high energy consuming business to be managed, the company has built a greenhouse gas inventory as the 1st stage to lower its emissions. Ever since the Low Carbon Green Growth Act was enacted, it has published an inventory on its greenhouse gas emissions. The decision to generate an inventory is made by each individual workplace after confirming the result of an environment impact assessment survey. In 2013, the Eumseong tofu plant and the Eumseong noodle plant completed their greenhouse gas inventory reports to receive validation of the Korean Foundation for Quality

(The greenhouse gas inventories of the Eumseong tofu plant and the Eumseong noodle plant were based on statistics from Jan 1, 2010 to Dec 31, 2012.)

Exhibit . Validated greenhouse gas inventory of Eumseong tofu plant

(Unit: tCO₂e)

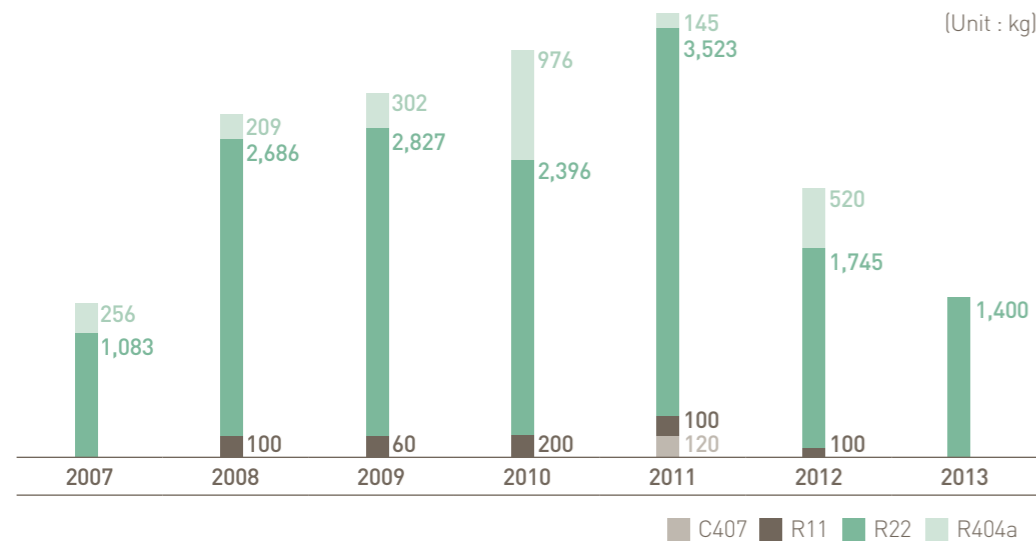


*Numbers in 2013 have yet to be validated.

■ Direct emissions ■ Indirect emissions

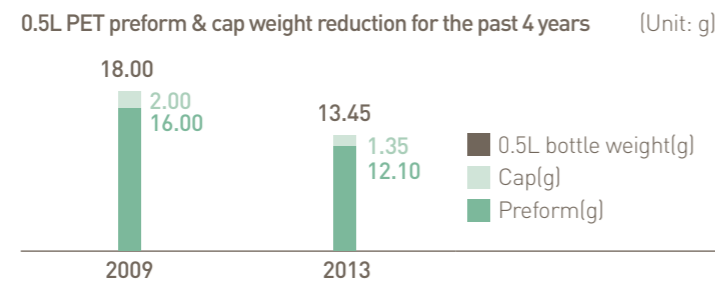
Ozone depleting substance control

Pulmuone's cold chain system for its production, warehousing and delivery is to provide only the fresh products to consumers. Whenever there are new facilities to be deployed, the company specifies they have to use refrigerants with 0 ODP(Ozone Depletion Potential) and low GWP(Global Warming Potential). And to manage existing cold chain facilities, the company has deployed the ERP eAM system to control refrigerant replenishment.



Pulmuone Waters certified as low carbon product

Pulmuone Waters Idong plant is engaged in persistent efforts to reduce its environmental footprint and save cost as much as possible by minimizing the weight of preform, the material for a PET bottle. From 2009 to 2013, the plant continued its endeavor to reduce preform weight. Thanks to the effort, it succeeded in reducing weight of a bottle cap from 2g to 1.35g when it started the operation of its Idong plant. Recognized for the progress, Pulmuone Waters received a certification of 'Low Carbon Product' and 'Green Packaging'.



Introduction of DC freezer & cold storage air conditioning vehicles

Main product categories of Pulmuone Foods are fresh foods including tofu or bean sprouts. In order to maintain freshness of these products and prevent the growth of microorganisms in food that help consumers enjoy only the best quality and taste, Exofresh Logistics is driving the '5°C campaign' that maintains temperature of logistics vehicles to be 5°C or lower when delivery vehicles of franchise stores transport products to stores. Exofresh Logistics maintains the temperature lower than 5°C while reducing emissions of pollutants and greenhouse gases at the same time by minimizing engine idle time. Moreover, it has deployed DC(Direct Current) freezers to save fuel and installed refrigerators and freezers on its logistics vehicles.

Category	Number of vehicles	Operation
DC freezer	44	Activated when engine is off during delivery Freezer powered by battery DC
Refrigerator vehicle	21	Refrigerator not operated when engine is on Coldness charged during engine-off time and released during engine operation
Freezer vehicle	33	Freezer not powered when engine is on Coldness charged during engine-off time and released during engine operation

Announced as eco-friendly logistics business in 2013

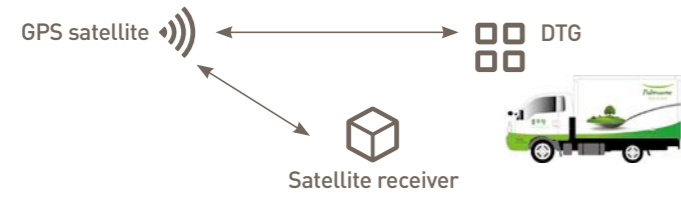
Exofresh Logistics was awarded with the certificate commendation from the Ministry of Environment for its green initiatives after announced by eco-friendly business in 2013 by the Metropolitan Air Quality Management Office. The eco-friendly practice award is given to businesses who have made great contribution to eco-friendly business practice and air quality improvement. Exofresh Logistics donated the entire amount of prize money amounting to KRW 2 million to Pulmuone Foundation.

Emission control of major air pollutants

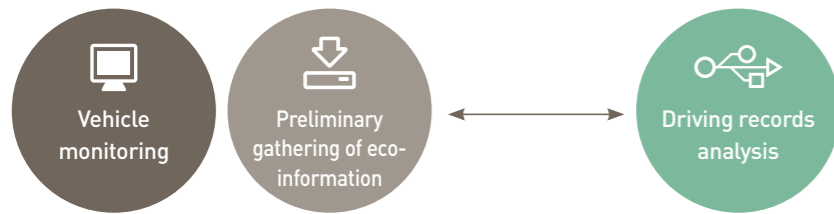
As Pulmuone uses only clean energy sources(LNG, LPG) for fuel, it is not obligated to install facilities that prevents or controls air pollutants from conventional boilers. However, for the new renewable energy generator (i.e. wood pallet boiler) introduced in 2013, Pulmuone has deployed air pollutant emission and control facilities in compliance with relevant laws.

Vehicle monitoring system & eco-driving campaign

To reduce fuel use and air pollutant emissions in this era of a perennially high oil price by improving driving practices, Exofresh Logistics has driven its eco-driving campaign on a sustained basis. The company has consistently offered a training to correct driving habits negative for the environment based on the analysis of travel distance, speed, or etc. The data have been gathered through DTG(Digital Tacograph) mounted at its delivery vehicles which analyze driving habits of drivers.



Eco-driving campaign through real-time monitoring and analysis



Logistics vehicle monitoring system for safe delivery

Eco-driving analysis and improvement plans based on DTG data



PERFORMANCE

Global DP5

Pulmuone's vision is to become Global DP5(Defining Pulmuone). It aims to attain a sales revenue of KRW 5 trillion from its domestic and overseas businesses with a focus on the US and China by redefining its LOHAS business. Pulmuone plans to firmly entrench itself as a global LOHAS company and No. 1 food company in Korea with all of its products deeply trusted by consumers and its brand recognized across the globe as a leading LOHAS brand.

Major financial performances

Financial performances in 2010-2013 (Unit: KRW 1 million)


Year	2010	2011	2012	2013
Revenue	1,265,210	1,363,533	1,457,884	1,521,708
Cost of sales	917,739	991,909	1,060,494	1,097,218
Gross profit	347,472	371,623	397,390	424,490
Operating profit	60,152	47,186	40,949	46,435
Net profit	6,273	17,740	10,071	[12,028]

R&D expense

Pulmuone supports R&D projects to study consumer needs and trends, and provide true authentic wholesome foods of higher quality by thinking outside the box to develop creative and innovative products. Its R&D expenditure in 2012 reached KRW 13.9 billion, a 17% increase year on year with the share of R&D expense in the sales revenue increasing 0.09%p against the previous year.

(Unit: KRW 1,000)

Year	2010	2011	2012	2013
R&D spending	10,248,219	11,908,477	13,949,682	14,735,613
R&D expense/sales revenue	0.81%	0.87%	0.96%	0.97%

 Irumi Expedition mobile page
m.irumi.pulmuone.co.kr

Bottom-up innovation driven by proactive employee engagement

Irumi is a corporate channel for innovation through which employees can propose creative ideas to further develop Pulmuone. The ideas proposed through Irumi are collected and reflected in the corporate policies for practice improvement. The system was upgraded in 2013 through benchmarking and renamed as Irumi Expedition with user-friendly interface to encourage proactive engagement of employees for better corporate practices.

Thanks to the upgraded UI, the process got much simpler: Employees can just log on to the groupware and click the banner of Irumi Expedition to propose an idea. Field employees who cannot use PCs in their workplaces are also allowed a wider access to Irumi with mobile Irumi application becoming available now.



1) Initiatives that can generate deliverables relatively fast in 2-3 meeting

Innovation initiative management streamlined

The ideas collected through Irumi are reviewed against CBI(Critical Business Issues) to be driven as enterprise-wide innovation initiatives such as Green Meeting, Q/W(Quick Win)¹⁾ and CR(Cost Reduction). Feedbacks on progress or outcome are shared across the company through the Irumi Expedition website. Thanks to the upgrade, the site now offers peer review and 360° assessment between departments to decide winning ideas. Those who have proposed the winning ideas are notified of the results and receive welfare benefit points they can use freely for themselves. Through rigorous review and monitoring, overlapping or simple ideas that don't hold significant value for the company are screened to ensure objective selection and rewards for contribution.

Green Meeting, an innovative tool to complete CBI initiatives

Green Meeting is an innovation program unique in Pulmuone to initiate a process where champions of important CBI initiatives are gathered to generate solutions for the issues, develop implementation plans, report the outcome to a sponsor, and start implementation right away after receiving a necessary approval.

Green-Meeting is result oriented with a focus on the 3 following aspects.

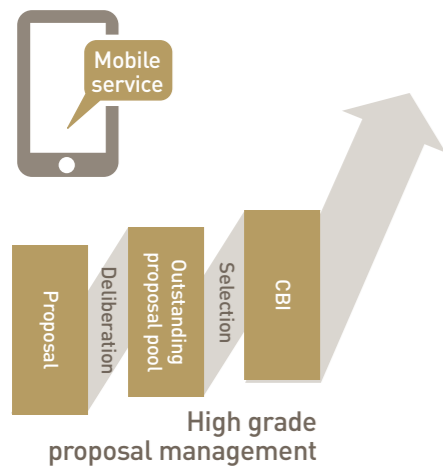
- First,** it enables a prompt response to the newest trend by selecting CBI deeply related to the latest social changes.
- Second,** it enhances work efficiency by addressing CBI identified and selected to improve the existing work practice or process.
- Third,** it creates synergy by identifying and selecting a wide range of CBIs across Pulmuone.

CBI Process

By disclosing CBI(Critical Business Issue) innovation task selection process and utilizing comments and bulletin board, the company endeavors to gather as many opinions as possible from all employees and in doing so, links such effort for CBI to generate results in Green Meeting.

Reinforce execution of Critical Business Issue by linking it to Green Meeting

Disclose task selection process and incorporate various opinions from comments and bulletin boards



- Adoption as Irumi CBI**
 - Operate CBI bulletin board
 - Ideas can be transferred from proposal list
 - Direct posting is available
- Task selection**
 - Select tasks from CBI list as 'Green Meeting/QW task'
- Pre-Meeting**
 - Manage task direction
 - Manage R&R
- Town-Meeting**
 - Identify problems and solutions
 - Drive implementation plans
 - Manage meeting minutes in sequence
- Post-Meeting**
 - Upload post-execution results
 - Upload implications
 - Generate guidelines for follow-up management
- Completion report**
 - Prepare completion report
 - Evaluate

Event name: "Family Outing to Pulmuone" - Dad, Mom, where are we going?

Irumi Expedition Team
[Proposed Program]

Constant needs for family communication program for employees

- 1) Develop a program to experience a day at Mom and Dad's workplace
- 2) Design events that will imbue pride and sense of bonding for families.



[Introducing outstanding Green Meeting tasks: family communication program for employees]

Green-Meeting

Team name:
Reply 1,2,3,4

- 1) Program name "Family Outing"
- 2) Date Dec.24th, 2013, 14:00~17:00
- 3) Venue 3rd, 8th floor of Suseo HQ
- 4) Hosted by All members of C Cubic 1th~4th
- 5) Invitees 12 families with children aged 6~12
- 6) Concept Find time to communicate with parents, understand the working life of parents in their workplace
- 7) Public relation Publish online article about the unique year-end event "Family Outing"



Family event at Pulmuone HQ

Products, Consumer Characteristics & Issues Regarding Sustainability Management

Pulmuone Holdings

Pulmuone Holdings CS Center has overhauled its E-CS consulting system in 2013, made upgrades and started to provide 1:1 counseling service via 'Kakaotalk', in step with the mass use of smartphone and popularity of 'Kakaotalk', 'Kakaotalk' counseling service is meaningful because it is an expansion of the online VOC channel in addition to its SNS channels such as website's VOC bulletin board, Twitter, Facebook.

Pulmuone Foods

'Authentic Wholesome Foods' is a term of endearment for Pulmuone Foods. Pulmuone Foods' consumers are those who appreciate authentic wholesome foods regardless of age and gender. From consumers who have been with Pulmuone since the company took its very first step 30 years ago with a vision to provide good and safe tofu, a staple on our dinner tables, to newly-weds who miss mum's homemade food and want to emulate that taste in their own home, to young mothers who are concerned about the food for their children, to the new generation of youth who care about what they consume, Pulmuone has been working to satisfy such discerning, particular and demanding consumers every step of the way since its inception. Even among such loyal customers, homemakers in their 30-40s are the biggest supporters of Pulmuone because they believe in Pulmuone's philosophy of good ingredients, no additives, minimum processing to preserve natural flavors, and are willing to pay for valuable products based on their own rationalization and discerning taste.

In return, Pulmuone endeavors to provide 'authentic wholesome foods for the health and happiness of my family' so that Pulmuone consumers can pursue convenience amidst their busy lives by allowing it to become the consumers' coordinator who designs healthful and happy meals for their homes.

EMCD

EMCD operates contract meal services in various fields such as enterprises, public offices, schools, hospitals and concessions in airports, restaurants in rest stops on highways and leisure facilities. It also manages its special brands such as Bruschetta, The floor under the wind chime, Arancio, N.zle as a specialized food service provider in order to serve general consumers with differentiated food services through multiple



channels that reflect the company's LOHAS value.

Pulmuone is dedicated to bringing eco-friendly food ingredients to enhance the lives of its consumers. The company is contributing to consumers' effort to building healthier and wealthier lives based on their trust and confidence by focusing on health-oriented eco-friendly ingredients with strict hygiene safety management and quality control of HACCP, and by putting the health of its consumers first and foremost based on the company's value of 'right mind, right service' to consumers.

Foodmerce

Foodmerce offers brands and food ingredients to meal services as well as restaurants. It also offers its service to the food ingredient markets as a distributor specializing in food ingredients. Foodmerce's major consumers can be categorized into Children (nurseries, kindergarten), Schools (primary, junior, high schools) and Businesses (corporation, government offices with canteens for meals) where institutional food services are available. In case of food markets for infants, toddlers and preschoolers between the ages of 0~7 years, there are approximately 42,000 nurseries and kindergartens. Foodmerce has business with approximately 6,000 sites across the nation and is ranked at No. 1 in the meal services market for children with a market share of 14.1%. The demand and expectation for safe and fresh ingredients are high and to meet such expectation, Foodcommerce is providing a differentiated services with its brand 'Woori I', a specialized ingredients for children. In case of primary/junior/high school meal service market for the youth, Foodmerce is providing services to over 10,000 schools across the country to provide safer, tastier, healthier and more convenient food ingredients through its 'Barunsun', a special brand of Pulmuone which is dedicated to business-oriented ingredients and products. Pulmuone, using its staple commodities such as tofu, herbs and vegetables as well as tofu processing, noodles, dumplings, processed meat product, processed fish product, processed agricultural product, has started to add further differentiation in its services with a newly conceptualized product lines for its marine products with items such as 'Lime coating', 'Single Frozen'.

When it comes to the adult meal service market, Pulmuone is catering to over 1,100 business sites such as enterprises; government offices; military and police; welfare and medical facilities to serve safe and tasty ingredients at a reasonable price range by developing and supplying various products with a wide range of prices, units and convenient recipes. In addition, Pulmuone recognizes the social trend of aging population and plans to further boosts its effort to develop a wide variety of specialized ingredients for its business meal service market to target consumers of over 65 years of age.



Pulmuone Health& Living

Consumers of Pulmuone Health & Living vary from products to products. Pulmuone Green Juice is a brand of Pulmuone Health & Living, which brings all natural green juice to its customers every morning using fresh vegetables and fruits to serve all the nutrition in their natural state. Its primary target is the busy modern people, who cannot eat all the fresh vegetables and fruits recommended for daily intake. Pulmuone Skin Care targets ladies in their 30s and older concerned about skin aging. Skin care product lines prioritize safety and effectiveness on the skin, and uses plant-based functional ingredients while upholding its 'no additives' principle to eliminate harmful elements for the skin.

Greenche is Pulmuone's health functional food brand, tailored to meet the needs of the busy modern people who need to reinforce their physical health that are suffering from functional deterioration due to nutritional imbalance and aging. The brand targets consumers in the age group of 45 and older, and the primary consumers of this brand are those who want to use health functional food to prevent diseases and to lead healthier lives. Baby food and Eatslim are designed especially for young children or weight-conscious consumers. These consumers demand their tailored packaged food to be delivered directly for specified periods. The primary consumers of baby food and Eatslim are those that require customized diet for specific goals, namely infants and young children with specific needs to meet special nutrition requirement, or for consumers who want to lose weight. Main targets are female consumers between the age of 25~40 that trust Pulmuone brand and have high expectations regarding the safety of raw materials and quality of delivery.

Pulmuone Waters

Consumers of Pulmuone Waters are working mums in their 30~40s. These consumers have time to enjoy leisure and are interested in their health and well-being. They buy organic products when they shop for groceries, and are not hesitant to pay more for quality foods. So, when buying daily drinking water for their families, these working mums select products that are trustworthy, in other words, brands that satisfy their check list just as they would when shopping for food for their families.

Pulmuone Waters produces safe and reliable water, true to the company's motto of producing 'honest water for my family'.

In order to meet the increasingly high expectation of savvy consumers regarding food safety, Pulmuone Waters is conducting over 550 types of water quality tests, which is 10 times more than the usual 51 tests conducted in Korea. The company has introduced International Food Management Standards, and has received FSSC22000 and ISO22000, becoming the 1st company to introduce such rigorous control for drinkable spring water. The company is also very aware of the eco-consumers who are concerned about carbon



emissions, therefore as an eco-friendly company endeavoring to pursue sustainable management it is using the lightest bottle in the industry and flat Eco-Cap for its packaging and has emerged as a socially responsible company.

ORGA Whole Foods

Primary consumers of ORGA Whole Foods are housewives in their 40s from middle class, who are interested in health and environment and tend to have rational spending habit. Recently newly-weds in their mid-30s to early 40s as well as young couples with young children are also drawn to ORGA. Their main purchase items are eco-friendly fruit, fresh meat, dairy products and snacks. However, the number of consumers using instant food, confectionary and bakery are on the rise as well. ORGA Whole Foods, as the market leader in Korea's eco-friendly food specialty store, is dedicated to providing its consumers with healthful wholesome foods through natural farming to preserve the natural nutrients in food. ORGA endeavors to supply right dietary life to its consumers and supplies only foods material through its careful selection process for "healthful foods safe for my family".

In return for consumers continued support and expectation, ORGA Whole Foods have put Food Safety Team within its organization and is working closely with Pulmuone's Culinary Culture Research Center which has years of accumulated know-how founded on Pulmuone corporate philosophy of 'Love for Neighbors' and 'Respect for Life'. And the QTM office builds ORGA Whole Foods' particular set of principles. That is why consumers can meet natural foods in their 'pure' state with all the flavor and nutrients of the foods well-preserved. In addition, ORGA Whole Foods puts tasty and safe foods through its eco-friendly farming as a 'LOHAS company which cares for human and nature' and gives the highest priority to serving the consumers with differentiated high-class services for their health and joy. Not only that, Pulmuone is practicing the LOHAS value through its business activities because it believes sustainable nature and environment need to be handed down to the next generation.

Consumer Communication

▮ Pulmuone Holdings, VOC management

VOCs of Pulmuone Foods, Pulmuone Health & Living and Pulmuone Waters are all managed at Pulmuone Holdings CS Center. As of end of December 2013, the total number of VOCs (Voice of Customers) filed stood at 134,131 cases. Out of the total number, 27,681 cases or 21% were product related VOC while distribution related VOCs stood at 75,029 cases or 56%, twice the number of products VOCs.

The total number of VOCs submitted increased 10.8% compared to the 119,680 cases in 2012. The main culprit for such increase was due to complaints related to distribution. Distribution complaints grew 41% compared to 2012 while distribution related inquires spiked 18%. The reason behind the mounting VOCs for distribution is due to the heightened demand for daily delivery services for Infant foods in addition to Pulmuone Health & Living's EatSlim, both of which saw growth in their distribution processes such as payment and delivery that ultimately resulted in gradual increase in relevant VOCs.

▮ ECMD, CCM re-accreditation for process improvement through VOC management

In 2013, ECMD improved employee sensitivity to VOCs by incorporating VOC captured opportunities as part of the strategic customer satisfaction theme. ECMD has introduced VOC traffic light management system in order to build a tool to identify VOC issues and to strengthen management activities, and have shared successful cases of 'prevention of same complaints and improvement tasks'. As a result of such initiatives, ECMD was able to halt 54% of its VOCs from escalating further. In case of the activity theme for Contract Meal Service Division regarding customer response improvement, the division was able to reduce repeated complaints of the same topic by 80% year-on-year through manuals, company-wide announcements and training. In addition, by building information system for consumer-oriented management and VOC management that improves its business process, the company was able to receive CCM(Consumer Centered Management) Accreditation.

The plan for 2014 is to strengthen capacity for preemptive measures and actions through service quality standardization at every consumer contact point by forecasting VOC in order to enhance overall services, which is the true intent of receiving consumer compliments or complaints.

Type	Number of complaints	Number of complaints
Menu	52 cases	Insufficient variety of menu and taste. Food sold-out
Services	40 cases	Inadequate services Unsatisfactory consumer engagement
Hygiene	23 cases	Mix of foreign substance

Social Performance

Executives & Employees

Employment Policy

▮ Employment status & policy

Pulmuone, guided by its fair and equal employment principle, does not discriminate against women or physically-challenged in its recruitment, hiring and/or treatment of employees and endeavors to protect human rights for its managers and employees alike. The company instituted a communication system to create mutual benefits for its labor-management relationship while promoting work-life balance for employment stability, and provides systematic support for its employees to lead a LOHAS way of life by giving them opportunities to directly try out a LOHAS value-oriented program.

Employment status

Year		2011	2012	2013
Employment	Total number of employees(people)	4,753	4,968	5,175 ¹⁾
	Management ratio (%)	0.82%	0.70%	0.77%
	Number of years in service(years)	5.2	5.3	5.4
	Job creation rate	6.8%	11.6%	16.6%
Turnover (%)	Temporary employment rate	12.2%	11.1%	10.2%
	Permanent	1.8%	1.5%	1.6%
	Temporary	6.2%	6.3%	11.3%
Female Employees	Total	2.34%	2.02%	2.59%
	Total distribution (%)	55%	56%	54%
	Distribution of office and research positions (%)	31%	34%	34%
Physically Challenged	Above manager levels (%)	14%	18%	21%
	Ratio of physically challenged employees	0.6%	0.5%	0.5%
Maternity Leave	Number of employees on maternity leave (people)	77	65	94
	Maternity leave usage rate (%)	100%	100%	100%
	Post- maternity leave return rate (%)	99%	97%	98%
Childcare Leave	Number of employees on childcare leave (people)	68	88	90
	Childcare leave usage rate (%)	88%	122%	96%
	Post-child care leave return rate (%)	96%	92%	92%

1) Inclusive of employees of its affiliate, ORGA Whole Foods

* Turnover rate

(monthly average turnover ÷ monthly average number of employees) X 100

* Job creation rate

(employees for the year – employees for the previous year) ÷ employees for the previous year X 100

Executive-employees ratio

As of end of 2013, the total number of executives and employees stood at 5,175¹⁾. Aside from the management control/operational working positions, the general HR structure is centered-around sales frontline, logistics/production, and sales offices. The number of total employees stands at 5,175 and out of which, 2,380 are male and 2,795 are females. Women make up 54% of the total headcount and 34% of workers at offices and research center, evenly spread across all job functions.

Job creation & turnover

Job creation rate for the year 2013 stood at 16.6%, and average monthly turnover rate was at 2.6%, indicating a growing trend. Number of years at work is rising every year, reaching 5.4 years as of end of 2013 while the proportion of top management stood at 0.8 % of the total employees.

New hires by gender (Unit : people)

Category		2011	2012	2013
Number of new hires (permanent)	Male	642	494	584
	Female	426	484	468
	Total	1,068	978	1,052
Number of new hires (temporary)	Male	143	89	86
	Female	510	563	626
	Total	653	652	712
New hires, summary		1,721	1,630	1,764
New hires, rate (%)		36.2%	32.8%	34.1%

Turnover status by gender (Unit : people)

Category	Turnover rate	2011	2012	2013
Number of turnover (permanent)	Male	471	400	468
	Female	430	369	415
	Total	901	769	883
Number of turnover (temporary)	Male	94	72	130
	Female	339	366	593
	Total	433	438	723

1) Inclusive of employees for its affiliates, ORGA Whole Foods

The ratio of average pay check for permanent female workers

43%

Average pay of male-female workers

The ratio of average pay check for permanent workers was split into 57% male (56.7% previous year), 43% female (43.3% previous year), indicating the male-female average pay check ratio didn't change much from the previous year.

Fluctuation in employees due to short-term hires for seasonal factors

Special occasions, such as flyer events for groceries (tofu, dumplings, noodles, etc.) sold at discount stores, department stores, supermarkets, summer/winter seasonal events, national holidays (New Year's Day, Chuseok) call for short-term hires to meet the special seasonal demand. In 2013, the company hired 2,389 temporary workers for less than 7 days.

Employment status of temporary workers

Pulmuone's temporary workers have dropped to 10.2%, which is a 0.9%p decline from the previous year of 11.1%, indicating the company has reinforced its permanent worker hiring policy.

Talent recruitment in principal region for business

In China, talent recruitment is carried out online, and applicants are to be Chinese or Chinese-speaking Koreans. Applicants will be invited for interviews based on screening processes, and after 2 months of probation period, may become candidates for permanent employment if they receive grades higher than the criteria. Once qualified with the grades, they can be signed on as regular employees.

Work-Life Balance

GWP initiatives

Since 2008, Pulmuone has been engaging in various activities to make itself a GWP(Great Work Place) company. For the past 4 consecutive years including 2013, the company received 'Korea's Great Work Place' award in the sales and distribution category, for its relentless efforts to innovate organizational culture. The year 2013 saw the company taking up various activities to create GWP for its employees. To name a few, the company undertook C-cubic activities to proactively engage all of its employees and both the management and employees have actively participated in bringing comprehensive and profound change to the organization. Pulmuone has reinforced its 'Irumi system' where all ranks and files of the company may bring their opinions forward to transformational change of the organization while creating and nurturing a flat organizational culture through channels such as 'Talk to CEO' where CEO and employees can communicate easily.



GWP activities

Welfare benefits

Pulmuone offers a range of employee benefits to imbue employees with a sense of pride for the company and to cultivate a good working environment. Since 2012, Pulmuone has instituted congratulatory gifts for employees with more than 2 childbirths; childcare support for employees who have children with disabilities; support for 70th birthday celebration expense in addition to the existing support for major life events (expenses for weddings and funerals); health check-up for employees aged 40 and over. To top it off, the company has added new support system for riders on group insurance. Furthermore, the company is planning to build Pulmuone daycare center to lessen the burden of the employees caring for their infants and young children and to offer better working environments for female employees. The company will continue to enhance and expand its employee benefits further, and develop and provide unique welfare system of LOHAS lifestyle for all its employees.

Primary welfare programs

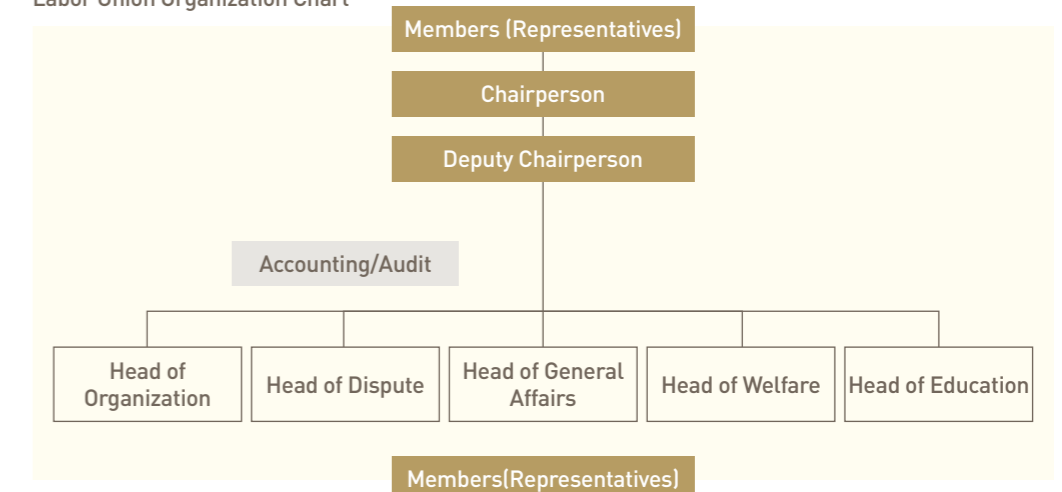
System	Description
Cafeteria benefit plan	The company is providing selective welfare system so employees can choose from various welfare options according to their own needs. The system offers fixed amount of welfare points per year to allow employees to use the points for options of their choices such as books, performances, travels, theme parks, health check-ups within the given limit. In addition, as a leading LOHAS company, it provides LOHAS points to its employees to promote the healthy lifestyle, and allow better access to purchase various health supplements, cosmetics, ORGA whole foods products inexpensively.
Support for purchasing Pulmuone products	When employees purchase fresh foods, green juice, spring water, health supplements, the company contributes set amount (30~40% of the price) to let employees and their families enjoy an array of Pulmuone products inexpensively.
Support for club activities	When employees form clubs in pursuit of sports, hobbies, culture and volunteer work, they are supported with expenses to establish and operate a club. As of end of 2013, there are 45 clubs and about 1,000 employees who are active members of the clubs.
Group insurance policy (life/accidents insurance)	When there are injuries or deaths of employees while on the job or outside of the job, KRW 100 million is paid. In addition, depending on individual contract or insurance riders, medical bills for cancer diagnosis and 2 major diseases (stroke, heart attack) may be supported or subsidized.
Access to resort facilities and LOHAS academy	By opening up around 20 recreational facilities across the country, the company is funding holidays for its employees and their families. The company also allows employees access to LOHAS academy in Goesan, Chungbuk to try out LOHAS lifestyle.
Nutrition consultation for all executives & employees	Professional consultation for lifestyle and diet plans is available from nutrition specialist to all employees, similar to the services provided by hospitals and some private companies that aim to manage health of their executives and employees.
Others	The company provides financial aid for EAP(Employee Assistance Program : professional counseling program), major life events and school tuitions. It also awards long-serving employees, supports infant and young children care allowances, extends loan system through mutual cooperatives, supports self-development and health check-ups, assists in housing lease for employees assigned to the workplace far away from their own hometown.
Integrated internal sales mall, Zero Shop(Oshop mall)	Pulmuone; Daewoong Pharm ; Won&Won; Bullson; Kooksoondang brewery; Sempio Foods products are on offering through a new concept known as 'welfare mall' where products are available at 15~50% discounts for internal sales to employees.

Win-Win Labor-Management Relationship

Labor union structure

There are 7 labor unions in Pulmuone as of end of December 2013. A total of 65.2% of the employees have joined the union. There may be some minor differences in organizational structure of the labor union but in general, labor organizations are structured as described in the following chart.

Labor Union Organization Chart



Union member status

The company guarantees its workers the right of assembly. Each labor union defines its own qualifications and conditions for membership according to its own provisions, and those entitled to labor unions are free to join any unions of their choosing to carry out activities as members. In addition, in accordance with the Labor Union and Labor Relations Adjustment Act, those who are recognized as the company's employees, are allowed to establish a labor union themselves.

※As of end of 2013

Site	Doan green juice	Doan health functional food	Eumseong fresh noodle	Chuncheon tofu	Uiryeong tofu	Pulmuone Waters	Eumseong sprouts	Total
Union type /Head union	Company-level/ FKCWU(Federation of Korean Chemical Worker's Union) of FKTU(Federation of Korean Trade Unions)	Company- level/ FKCWU of FKTU	Company- level/ FKCWU of FKTU	Industry-level/ CTIU(Cheical and Textile Industry Union) of KCTU(Korean Confederation of Trade Unions)	Industry- level/ CTIU of KCTU	Company- level/ FKTU	Company- level/ FKCWU of FKTU	
Total(people)	96	78	120	91	97	119	54	655
Qualified(people)	85	78	120	86	74	83	44	570
Union members [people]	84	76	120	26	22	28	12	368
Membership rate (%)	98.8%	97.4%	100.0%	30.2%	29.7%	33.7%	27.3%	64.6%

Policy and process to communicate with employees regarding operational changes

Common understanding and cooperation from employees are crucial in order for important policies and structural changes to succeed within an organization. Whenever there is a major change in Pulmuone's operation, the company engages its union representatives to share information through the Labor Management Council and takes appropriate consultation processes. Likewise, for sites where there are established unions, the company consults with the labor unions to set basic direction for personnel policies according to the collective agreement. When it comes to any material changes in the company's operation such as outsourcing work, or split, merger and acquisition, Pulmuone consults with its labor unions as part of the ongoing effort for employment stability. In addition, Pulmuone's labor-management engages in collective negotiations every year to agree on wage and working conditions by holding periodic meetings. Furthermore, the company uses its internal communication channels to share information with employees. Announcing daily sales, holding regular labor-management council and round-table meetings with the CEO, providing weekly updates of internal/ external information via Intranet, publishing company magazines(monthly), conducting Occupational Safety & Health Committee(quarterly), institutionalizing the grievance redress system, publishing sustainability report(yearly) and communicating with employees are all part of Pulmuone's endeavor to provide comprehensive information about management across the organization. By sharing visions and aspirations of the company with employees, Pulmuone encourages and enhances sense of ownership and engagement of its employees as stakeholders.

1) 'Knowledge Worker Platform', Pulmuone's Intranet

Communication Channel	Cycle	Details
Collective bargaining	Yearly, Ongoing	Every year : Changes in major working condition such as wage Ongoing : Items that require labor-management discussion
Labor Management (employees) Council	Quarterly	Share management status, discuss important issues between labor-management, handle grievances for employees
CEO round-table	Bimonthly	Conversation with the CEO
Communication with employees	Bimonthly	Provide material information for all employees
Environmental Safety Commission	Bimonthly	Discuss all topics related to occupational safety
Sustainability Report	Yearly	Report major policies, performance, plans
Irumi proposal system	Ongoing	Handle employee grievance redress and proposal processing through internal CBI system to better remedy grievances and improve system with evaluation of assignees to the job
Performance management Interview (Communication for Success)	Semiannually	Jan-Feb: Goal-setting / Jul-Aug: Progress check Following Jan: Performance evaluation
Grievance redress	Ongoing	Handle grievances of employees
ER(Employee Relations) face-to-face talk	Ongoing	Handle grievances of employees
Intranet system (KWP ¹⁾)	Daily, Ongoing	Deliver daily sales report, important external/ internal information
Publish internal newsletter	Monthly	Publish Pulmuone's e-company magazine 'Pulstory' to introduce company-related information and activities
SNS(Facebook, Twitter), blog	Ongoing	Inform trends, Voice of Customers, Voice of Employees, other information, etc.

Workplace Safety & Employees Health

Labor-management agreement and occupational safety & health

Providing authentic wholesome foods to consumers is the ultimate goal of Pulmuone. Internally, the company aims to make a safe and sound workplace for its employees, and makes double assurance when it comes to issues related to occupational safety and health. To this end, the company has installed a working group to oversee environmental safety, and occupational safety and health issues, along with the ES (Environment & Safety) Management office.

In addition, the company actively confers with the 7 labor unions on issues of occupational safety and health as agreed upon during the collective agreement. For example, in case of a health functional food plant, located in Jeungpyeong, Chungbuk, its labor and management have agreed on whopping 5 articles out of 84 articles -including additional clauses- from the collective agreement, to be about occupational safety and health. The 5 articles including the additional clauses are as follows: the plant stipulates that 'the company shall take necessary steps to prevent disaster and to promote health and safety for its employees(Article 54)', 'creation and operation of Occupational Safety and Health Committee shall comply with Safety and Health Committee's regulations, and items agreed upon in this committee must be duly complied with(Article 55)', 'the company shall provide safety and health equipment to its employees when the nature of job calls for such equipment (Article 56)', 'the company must allow employees to have another medical check-up when employees object to the medical examination result conducted based on the company's regulation (Article 57)', 'when employees are physically injured while on duty, the company shall try to provide compensation through labor-management agreement in addition to the compensation payments accorded by Occupational Health and Safety Act (Article 58).

Environmental safety management system fulfillment rate

Since 2008, Pulmuone has been sharing contents in relation to environment safety through Environmental Safety Committee (odd months), Environmental Safety Working Group (even months) to confer about environmental safety. Moreover, in an effort to strengthen internal audit for environmental safety, the company has amended its Environmental Safety Audit Checklist which consists of 54 sections and 527 questions (System: 18 sections/94 questions, Safety: 23 sections/310 questions, Environment: 13 section/123 questions). Inspection result shows that Environment and Safety section, pursuant to legal requirements, highly satisfies the set standards, whereas System's control level score was 68%, quite low from internal standards perspective. This was also witnessed in Research Centers where Environmental Safety System scores were relatively low compared to the manufacturing sector. Thus, Pulmuone plans to create and distribute Standard Environmental Safety Control Guidelines by the 1st quarter of 2014 to improve system management.

Injuries, illness & absence rate

Pulmuone puts in a great deal of effort when it comes to the occupational safety and health of the company but unfortunately, injuries from accidents by employees while on the job are inevitable at times. So, in 2013, a total of 20 employees were hit by big and small mishap which resulted in various degrees of injuries. Using 250 working days as the annual average, and taking into account the average number of days injured employees took off from work for treatment (30 days), absence rate from occupational injuries is 0.00275%.

Efforts to improve working environment

Pulmuone spares no effort to make the company into a GWP (Great Work Place), and in a bid to create a GWP across all of its business sites, it is actively pursuing programs to improve the working environment for its employees. Pulmuone is operating various programs to enhance employee satisfaction including C-cubic activities while regularly campaigning for 'leave work on-time' to promote work-life balance. In addition, Pulmuone is conducting regular and random inspection to take preventive measures and to proactively improve employees' working condition.

Unfair labor practice alert process and status

Pulmuone stipulates and complies with the Rules of Employment for the establishment and management of Internal Disciplinary Committee to address unjust disciplinary action and unfair labor practice. Furthermore, Pulmuone has posted human resources director, and labor and management director in each of the business sites to examine unjust disciplinary actions and unfair labor practices. Also, employees are encouraged to report individual grievances to the Grievance Redress Committee. The company conducts internal inspection to preempt unjust disciplinary action and unfair labor practice during the course of regular labor inspections and issues handling. For the past 3 years, the company operated without incidences of unjust disciplinary action and unfair labor practice.

Labor dispute status

Labor-management negotiations were carried out regarding wage and amendment of collective agreement at 7 of Pulmuone's business sites in 2013. Thanks to the increased mutual understanding between the two sides, all negotiations were settled without a single incident of dispute. Such outcome comes from the constant effort to maintain communication channel between labor and management through systems such as Labor-Management Council and Grievance Redress in addition to efforts to promote further consensus. Pulmuone does not plan to stop its effort here but plans to continuously strengthen cooperative labor management relations going forward.

Absence rate from
occupational injuries

0.00275%

Pulmuone environment
safety management level



Environment safety assessment

Pulmuone has conducted Environment Safety Assessment. This was done in order to establish and manage environment safety strategy for the company, based on unbiased evaluation of Pulmuone's management level. The assessment result brought forth Pulmuone's current position and pointed to the fact that Pulmuone's current standing is at 'progress' level from the range of 'immature/ transition/ progress/ mature/ perfect' stages. Among Pulmuone's target for comparison, the benchmarked Korean company was placed somewhere in the 'progress to mature' phase, while benchmarked overseas company was in 'mature to perfect' stage. Based on the evaluation, Pulmuone has determined 7 core tasks as a midterm project and identified 47 sub-tasks to be carried out along with the core tasks. Timeframe for completion of the project is 2016.

Zero accident in 8 production sites

With the goal of creating business sites without industrial accidents, Pulmuone has declared its target of Zero Accident and is taking proactive actions to bring awareness to its employees about 'Zero Accident' campaign. The company is providing welfare points to all of its employees as well as to contract workers to promote 'no injuries' in workplaces. In addition, Pulmuone has created internal standards to manage not only industrial accidents but also manufacturing and service related accidents. For instance, in manufacturing sector burns, slips, falls, cuts are considered accidents to be managed while the services sector defines burns, falls and muscular skeletal symptoms as injuries to be managed. As such, the company has put in intense efforts for onsite inspection and compliance with safety regulation to prevent accidents. Out of the 10 manufacturing sites, a total of 8 sites have achieved no accidents in 2013, and especially the three sites – Doan Health Functional Food, Eumseong Sprouts, Saengguk farm – which have all held proclamation for Zero Accident on March 1, 2010, have achieved 1401 days of zero accidents (zero accident in 3 multiples) as of December 31, 2013. Not only manufacturing sites but also service sectors are included in the scope for zero accident management and as a result, 4 sales promotion sites (Gwangju, Daejeon, FC (Franchise Channel)/Nonghyup, EP(Event promoter)/exclusive) have also achieved the target days of zero accident.

Reinforced safety control in service sector

Due to the recent shake-up in the industrial structure, industrial accidents have been rising in service industry, resulting in heightened interest in accident prevention program for service sectors as well as other sectors prone to industrial accidents. Therefore, Pulmuone has focused on carrying out programs to reduce accidents for its services part. Special attention was paid to reducing accidents and injuries for sales promotion employees. To this end, various sales promotional equipment that are provided to promoters in the fields and cause over 50% of accidents and injuries, have been fully analyzed while various voices and opinions from sales promotion staff have been collected to improve tools. The 1st step of improvement was to provide coated gloves to workers on site adding safety measures to rolltainers, dolly handgrips, dolly covers on field worksites. Moreover, all free-food sampling stands shall be replaced in 2014 into safer ones. The 2nd step of the improvement is to bring in new plastic boxes and plastic dollies, starting from August 2014, and gradually the company plans to fully replace all the existing equipment to new ones in 3-year timeframe.

Safety calendar distribution

To bring safety awareness to all employees in their everyday life and to make the workplace safer, the company produced and distributed Safety Calendars. The goal is to remind employees of health and safety on a daily basis via the safety calendars on their desks. The calendar contains information and introductions to Pulmuone's environment safety management, monthly safety messages and safety matters to be observed, accident cases, Pulmuone's major events and descriptions of its business sites.



Reinforced safety control in service sector

Social Performance

Partner Companies

Partner company selection process

Prior to doing business with new partner companies, Pulmuone checks for minimum legal requirements (air, water, waste, etc.) for environment related matters, permits and compliance with the law. It also inspects and verifies whether candidate partners meet the principle and standards of Pulmuone's authentic wholesome foods through site visits and due-diligence. If any legal breach is found, any potential business with such partners is terminated. However, when correctible inconsistencies are found, then such issues are shared with the partner companies to allow them to take appropriate actions. Once improvements are made based on the action plans provided, candidate companies are re-inspected based on fairness and objectiveness for the selection of right partners.

Producer roundtable at Pulmuone Health & Living

Pulmuone Health & Living started to hold its own producers roundtable for the 1st time in May 2010. The roundtable helped producers understand Pulmuone philosophy while solidifying the strategically collaborative relationship with the producers. Business direction and quality innovation strategies were shared at the roundtable and all participants were able to receive information regarding e-commerce contract for transparent transaction, The company principle and plans for quality control for partnering companies. In June 2013, It held another roundtable in order to maintain mutually beneficial and strategically collaborative relation with organic producers. The party visited the Rural Development Office in Suwon for a tour and took in a lecture themed 'using green manure crop' to share useful information with partner producers on farming method to increase soil fertility while reducing the use of fertilizers.

Environment index

Category	Sub-category	Unit	2008	2009	2010	2011	2012	2013
Raw materials usage efficiency	Soy usage efficiency	%	3.676	3.733	3.802	3.609	4.013	4.143
	Noodle product usage efficiency	%	3.76	3.78	3.78	3.49	2.77	3.09
	Green juice usage efficiency	%	1.298	1.274	1.413	2.357	2.630	3.260
Energy ¹⁾	Direct energy consumption	kgOE/ product ton	43.6	39.2	34.9	30.6	29.4	27.7
	Indirect energy consumption	kgOE/ product ton	60.2	54.3	49.4	43.8	42.8	39.7
Water	Water consumption	m ³ /product ton	19.0	15.2	14.1	14.5	11.3	9.2
Greenhouse gas ²⁾	Total volume of CO ₂ emitted	Thousand tCO ₂ / yr	57.5	61.5	66.2	78.0	81.7	82.1
	CO ₂ volume emitted during the course of manufacturing	Thousand tCO ₂ / yr	34.1	36.1	37.5	38.5	38.3	35.0
	CO ₂ volume emitted during the course of logistics	Thousand tCO ₂ / yr	22.7	23.9	26.7	31.4	35.0	34.8
	CO ₂ volume emitted during the course of service	Thousand tCO ₂ / yr	0.7	1.5	2.1	8.2	8.4	12.2
	Manufacturing CO ₂ basic unit	tCO ₂ /product ton	0.232	0.203	0.183	0.161	0.156	0.130
	Logistics CO ₂ basic unit	tCO ₂ /1million won	0.058	0.052	0.056	0.065	0.067	0.073
	Service CO ₂ basic unit	tCO ₂ /1million won	0.036	0.026	0.032	0.045	0.100	0.129
Water Quality Management ³⁾	Emitted volume to water system	m ³ /product ton	7.2	7.4	8.7	5.4	5.1	3.9
	Generated volume	Ton/product ton	0.108	0.089	0.067	0.062	0.049	0.031
	Disposal method – recycle	%	99	99	98	98	98	96
Waste ⁴⁾	Landfill	%	1	1	2	2	2	3
	Incineration	%	0	0	0	0	1	1
	Environmental investment and maintenance cost	100million won	57.19	56.86	35.18	50.78	37.73	58.94

1) Manufacturing sectors performance(Pulmuone Health & Living, Pulmuone Foods, Pulmuone Waters, Pulmuone Farm, Shinsun Natto)
 2) Logistics(Exofresh, Foodmerce Yangji Center), Service(LOHAS Academy, ECMD, ORGA Whole Foods)
 Manufacturing(Pulmuone Health & Living, Pulmuone Foods, Pulmuone Waters, Pulmuone Farm, Shinsunnatto)
 3) Manufacturing sectors performance(Pulmuone Foods, Pulmuone Health & Living, Shinsunnatto, Pulmuone Waters, Pulmuone Farm)
 4) Manufacturing sectors performance (Pulmuone Foods, Pulmuone Health & Living, Shinsunnatto, Pulmuone Waters, Pulmuone Farm)

Eco-Expo Korea 2013

ORGA Whole Foods participated in the Eco-Expo Korea 2013, hosted by the Ministry of Environment and Korea Environmental Industry and Technology Institute, where the company was able to showcase its diverse eco-friendly business activities as well as the 7 principles of product handling which reflect the brand value of 'Love for Neighbors' and 'Respect for Life'. The company created a space where attendees could experience a variety of eco-friendly products and emulated the company-managed ORGA Whole Foods stores to make it audience-friendly. A total of 1,200 students and visitors responded to the survey and sampled ORGA non-antibiotic hotdogs, Pulmuone Water's ecofriendly product, etc. first hand which helped build trust by being able to understand ORGA Whole Foods better. The event has enhanced the company's eco-friendly brand image.

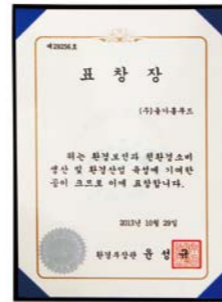


Chuncheon plant designated as Green Company

In September 2, 2013, Pulmuone Chuncheon plant was nominated by the Ministry of Environment as Green Company, the 1st nomination for Pulmuone business sites. Environment Friendly Company Designation System by the Ministry of Environment is unlike any other green company designation system by the general associations because the Minister of the Environment designates only the excellent corporations with exceptional green management sites which have successfully instituted environmental management system, reduced use of resources and energy, and lowered emission of pollutants.

Awarded company in 2013 in eco-friendly distribution division for producing eco-friendly consumption and cultivating environmental industry

In October 29, 2013, ORGA Whole Foods received Commendation from the Minister of Environment in recognition of the company's part in eco-friendly production and vitalization of eco-friendly consumption as a designee corporate of 'merit for eco-friendly consumption and cultivation of environmental industry'. ORGA Whole Foods strictly trades products that meet the safety standards qualification by Pulmuone's in-house Culinary Culture Research Center in addition to the Korea's Official Certification Institutions. The company trades eco-friendly agricultural products that have passed the safety test by the aforementioned organizations and animal products which observe animal welfare standards, and handles organically produced and processed foods completely free of chemical additives. Furthermore, the company operates Green Zone which sells certified eco-friendly products to contribute to the invigoration of Green stores and shares values through its eco-friendly producer experiences. In parallel with this, ORGA Whole Foods also drives the Good Foods campaign while offering LOHAS lectures to consumers to educate and spread eco-friendly consumption culture. In recognition of the company's various endeavors for such social contribution, it was accorded the highest honor of receiving commendation in 'Eco-friendly Consumption · Production' division from the Ministry of Environment.



Commendation from
the Ministry of Environment

Nature is Delicious, I'm Real, ORGA Whole Foods Bangi Store awarded 'Consumers' Choice for Best Green Product of the Year' in 2013

Nature is Delicious, I'm Real, ORGA Whole Foods at Bangi Store were selected as honorable awardees of Consumers Choice for 2013 Best Green Products. 'Green Product of the Year' is awarded to products chosen by consumers in consultation with experts, and voted directly by consumer panels and voters. In 2012, Pulmuone's organic tofu (soft tofu for stew) was selected as the year's Best Green Product.



ORGA Whole Foods
Bangi Store



I'm Real



Nature is Delicious

APPENDIX

Pulmuone Sustainability 2013

To the Management of Pulmuone

The Institute for Industrial Policy Studies (hereafter “Auditor”) was engaged by Pulmuone to review information specified in its 2013 Sustainability Report (hereafter “Report”) to provide an independent third-party assurance on the reported content. On the basis of the above, the Auditor presents the following independent statement of assurance.

Responsibility and Objective

Pulmuone is responsible for all information and claims contained in the Report regarding the establishment of its sustainability management goals, performance management etc. The responsibility of the Auditor is to deliver the findings from its assurance undertaking to the management of Pulmuone. The key objective of the assurance is to check whether there are any material bias or errors present in the Report; assess whether the underlying data collection system is in proper working order; while undertaking in an overall review of the Company’s process for identifying issues of material importance to sustainability management as well as the produced results so that the Auditor may deliver recommendations that can help improve the quality of future reporting.

Assurance Criteria and Standards

The review was carried out against the following criteria and guidelines:

(1) AA1000 Assurance Standards (2008)¹⁾; (2) Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines²⁾; and (3) Local BSR Guidelines (B.E.S.T Sustainability Reporting Guidelines)³⁾

Assurance Scope	Contents contained in the “2013 Sustainability Report”
Assurance Type & Level	Type II, Moderate
Assurance Criteria	<ul style="list-style-type: none"> - “IPS Performance Indicators Assurance Criteria” to assess compliance to the three core principles of the AA1000AS (2008) standards - GRI Guideline’s “in accordance” options - BEST Guideline’s “reporting level”

Work Undertaken and Scope

The Auditor confirmed 1) the inclusivity, materiality, and responsiveness of the reported content; 2) the reliability of the reported performance data; 3) the Report’s level of compliance against the GRI G4 Sustainability Reporting Guidelines; and 4) the level of compliance relative to the B.E.S.T Reporting Guidelines through the process outlined below.

- Interviews with persons responsible for different dimensions of sustainability management and individuals in charge of collecting performance data to determine the adequacy of the reported content
- Review of the Company’s materiality assessment processes and findings
- Review of available stakeholder engagement processes
- On-site review of the system and processes in place for the collection and reporting of raw performance data
- Review of the underlying references for economic, social, and environmental performance data
- Sample test to ascertain the completeness and accuracy for the material issues contained in the Report

Limitations

The scope of this undertaking was limited to:

- Interviews with persons responsible for the different dimensions of sustainability management and individuals in charge of collecting performance data; review of the adequacy of the reported data
- On-site review of the Pulmuone HQ office
- Assurance based on disclosed data and information available for the relevant reporting period
- Review of the reliability of reported performance data

1) Principles-based standards developed by AccountAbility, a think tank and advisory services firm located in the UK, to help organizations become more accountable, responsible and sustainable by enhancing the quality of their reporting in accounting, audit, social and ethical performances. The revised version of 2008 was applied to reports starting from 2010.

2) GRI, a non-profit organization established by CERES(Coalition for Environmentally Responsible Economies) and UNEP(UN Environment Programme) in 1997, developed the GRI Guidelines which serve as the most prevalent global standards for sustainability reporting in 2000. In May 2013, it announced the GRI G4 Guidelines with revisions to Supply Chain, Governance, Ethics & Integrity, Anti-Corruption, and GHG Emissions & Energy.

3) The sustainability reporting guidelines for Korean companies to expand ethical management and corporate culture in Korea. It was developed in 2006 by BEST Forum(Business Ethics and Sustainability management for Top performance) jointly with the Ministry of Knowledge Economy, the IPS(Institute for Industrial Policy Studies) and the Korean Chamber of Commerce to help Korean businesses implement the GRI Guidelines by adjusting them to fit the situation in Korea.

Assurance Findings

The Auditor did not find any material misstatements or bias contained in the Report.

[Inclusivity]

Is the Company's stakeholder engagement strategy-setting and related processes adequate?

The Auditor confirmed efforts by the Company to define and implement an adequate stakeholder engagement strategy to assure that stakeholder feedback is reflected in its sustainability management practices. The Auditor noted efforts by Pulmuone to engage different stakeholder groups through its participation channels including its shareholders, employees and executives, customers, suppliers, and the local community.

The Auditor took particular note of the Company's work not only to better communicate with its stakeholders but also to ensure that its engagement findings are actually reflected in Pulmuone's business management activities by establishing a diverse number of engagement channels (ex. Open General Shareholder's Meeting, in-house system, C-Cubic, monitoring channel, roundtables with suppliers etc.). Moreover, in line with the principle inclusivity, the Company was observed making on-going efforts to improve upon its existing channels and processes to better access not only the expectations of each stakeholder group but also the views of experts as well.

Further detailed recommendations on strategy setting and processes for stakeholder engagement such as raising awareness of the importance of stakeholders and translating engagement outcomes into management practice etc. have been provided separately to Pulmuone.

[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 importance to the sustainability management activities of Pulmuone. The Auditor confirmed efforts by the Company to identify and report on issues deemed to be of material importance to its stakeholders via a three-step process (collecting relevant data, identifying issues relevant to sustainability management, identifying materiality issues) as well as other matters of stakeholder concern or interest.

Notably, the Company adopted a new "reference point" concept, to better center its reporting around the most important core issues, while also working to ensure balanced and full representation of all relevant issues across the economic, social, and environmental dimensions in line with the principle of materiality.

Detailed recommendations on materiality reporting such as expanding the scope of engaged stakeholders in materiality assessments, ways to better manage and report on issues of material interest and concern given the strengthened materiality reporting requirements, etc., have been provided separately to the management of Pulmuone.

[Responsiveness]

Does the Report provide an adequate response to stakeholder demands and interests?

The Auditor found Pulmuone to be responding adequately to issues of concern and interest to its stakeholders. It has established diverse stakeholder engagement channels, while working to present a better account of the Company's response to stakeholder feedback in its sustainability reporting.

Notably, the Auditor found the Company to be in compliance with the principle of responsiveness as it provided a breakdown of the respective issues separately, accompanied by Company plans on addressing certain areas where performance was deemed to be lacking.

Detailed recommendations on providing a more engaged response to issues of stakeholder interest and concern such as engagement channels that are more tailored to the characteristics of each stakeholder group etc., have been provided separately to Pulmuone.

[GRI "In Accordance" Criteria]

The Auditor confirmed that the Report is "in accordance" to GRI G4 guidelines under the "Comprehensive option", as it reports on General Standard Disclosures and Additional Disclosures (materiality aspects, DMA, performance indicators) as indicated in the G4 Guidelines.

[Reliability of Performance Indicators]

After reviewing the performance data stated in the Report, the Auditor found the underlying data collection system to be adequate and failed to find any material errors that can either bias the Company's judgment or compromise the reliability of its data. The following performance indicators were reviewed for the purpose of this assurance.

	Material Issues	Performance Indicator
General	Stakeholder communication	Stakeholder interviews (P.20,24,44,52)
	CEO leadership	"Dialogue with the CEO" Gadget Program outcomes
Economic	New business and new market development	"Lohas Academy" main building passive house accreditation
	Contributions to the local community	"Love for our Neighbors" fund-raising drive: KRW 103,246,000
Social	Business ethics and transparency	Returning gifts received during the holiday period
	Respect for human rights and diversity	"TFT on Correcting Discriminatory Treatment" outcomes
Environment	Response to climate change	Eum-sung Tofu Plant registered into the GHG reduction program (Sept.2, 2011- Jul.1, 2013)

[Level of B.E.S.T Guideline Application]

In view of the coverage and reliability of the information provided, the Auditor finds the Report to fulfill 99.8% of the reporting requirements necessary to qualify for a Level 5 Report (on a scale of Level 1 to 5) relative to the B.E.S.T Guidelines, which is indicative of sustainability reporting achieving a "mature" phase.

As reference, the level of B.E.S.T Guideline application for Pulmuone's Sustainability Reports in the last three years were as follows.

2011- 99.6% of Level 5 (6th report); 2012 - 99.8% of Level 5 (7th); 2013 - 99.8% of Level 5 (8th)

Recommendations

The Auditor found the "2013 Sustainability Report" by Pulmuone commendable in the following respects. The Report (1) reflects efforts to preemptively respond to the latest developments in sustainability reporting by applying the most recently released guidelines; (2) is structured around the most important issues of material concern to stakeholders so that it is easier to read and understand; and (3) provides a higher level of DMA disclosure, providing background information on various sustainability-related issues as well its planned response and outcomes.

For future reports, the Auditor recommends considering the following.

- Define its corporate value chain and reflect into sustainability management activities
- Develop stakeholder engagement case studies and find ways to improve reporting to broaden accessibility
- Improve data collection and management
- Strengthen reporting on quantitative performance outcomes

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.

Qualifications of the Auditor

Commissioned by Pulmuone as the Auditor for this assurance undertaking, the Institute for Industrial Policy Studies (IPS) was established in 1993 and has since developed into a specialized institution with broad expertise in the areas of business ethics, CSR, and sustainability management since 2002. The Auditor is composed of experts in business management, accounting, and environmental science including professors at Korea's top universities and practitioners with professional accreditation and extensive experience in sustainability management.



March 4, 2014
Chairman, The Institute for Industrial Policy Studies

Lee, Yoon-Cheol

