

PULMUONE
2014

ANNUAL
REPORT

/

About this Report

Pulmuone Annual Report 2014

2014 Report Overview

Pulmuone hereby presents '2014 Pulmuone Annual Report', the 9th of its kind since the release of its 1st sustainability report in 2006. The annual report 2014 represents a comprehensive group-wide perspective capturing performances of all of its subsidiaries and affiliates. Since 2008, Pulmuone has taken a holistic approach to show its efforts for sustainable 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] GRI(Global Reporting Initiative) G4 Guidelines BEST Sustainability Reporting Guideline

[Reporting scope] Pulmuone 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, 2014
For the time series analysis, the past 3-year data (2012 to 2014) has been included in this report. (5 years for some of the environmental performances)

[Reporting cycle] Annual

[Report validation] Reviewed by the Pulmuone management and validated by an independent 3rd party, IPS (Institute for Industrial Policy Studies).

Improvements from 2013 Report

[Detailed financial reporting] Detailed financial data of each subsidiary has been added to sustainability reporting, seeking a balance between financial and non-financial activities of the Group.

[More proactive CSV initiatives] In response to the bigger emphasis placed by society on corporate commitment to shared value, the company has reinforced its CSV(Creating Shared Value) initiatives.

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CEO Message

Dear valued stakeholders,

It gives me great pleasure to see the outcome of our hard work for the past year nicely summarized in the Annual Report and communicated to stakeholders. It seems fitting to publish the report in spring when life and nature come into bloom all again.

Pulmuone has consistently practiced sustainability management based on fair, transparent, eco-friendly and socially responsible business principles since 1984 and published annual sustainability reports that describe its achievements in those areas since 2006. Starting from this year, the sustainability report is consolidated with the business report on financial performances of its subsidiaries and affiliates to be published as the 'Annual Report' that offers a comprehensive view toward the Group's activities for the year. I hope this integrated report can serve as a bridge for our stakeholders to understand and communicate both financial and non-financial performances of the Group and gain a comprehensive insight toward the overall business of Pulmuone.

Despite the drawn-out economic recession aggravated by sluggish domestic demand and weak investment, Pulmuone recorded KRW 1.68 trillion in sales and KRW 53 billion in operating profit. In Japan, the successful M&A completion with Asahi Foods has provided the company with a sound platform to operate businesses in top 3 tofu markets including the US and China. By actively tapping into the achievement, Pulmuone is evolving into a truly global company that promotes sustainability management and spreads its TISO and LOHAS values across the globe.

Pulmuone is driving fair and transparent management for sustainability. Across its business activities, Pulmuone is further developing and applying the TISO(Trust, Integrity, Solidarity, Openness) principles, which serve as the code of conduct for all its employees. As this year marks the 10th anniversary of announcing the TISO Charter as the company's ethical code and core values, Pulmuone plans to reinforce TISO education for its employees. It is also waging various initiatives to champion and uphold the 10 principles of the UN Global Compact on human rights, labor, environment and anti-corruption as well as values and spirit of the UN.

Pulmuone also leads eco-friendly management for sustainability.

It has defined mid-term targets to reduce greenhouse gas emissions by 50% and water consumption by 40% with zero wastes by the year of 2017. For instance, 2 of Pulmuone Foods' organic tofu have been recognized as carbon-neutral for the 1st time in the food industry. Wood pellet boilers, powered only by the new renewable energy and deployed in the Eumseong tofu plant last year, will be installed in the Uiryeong plant. Signing an 'MOU on Low-Carbon Agricultural/Livestock Products Accreditation-Green Card' with the government, ORGA Whole Foods is at the forefront of the efforts to lower carbon emissions.

Pulmuone's LOHAS Academy Passive House in Goesan, North Chungcheong, was named as Best Energy Winner for its eco-friendly architecture that reduces carbon emissions to the minimum level. Responsible management based on 'Love for Nature, Respect for Life' is evolving into various CSV initiatives to generate both social and economic values. CSV initiatives of Pulmuone revolving around the TISO campaign received the 1st Porter Prize for Excellence in CSV from Harvard University Professor Michael Porter himself who created the CSV concept. Pulmuone also had the honor of ranking No. 1 food company in KSI(Korea Sustainability Index) for 5 years in a row, being included in the lists of 'Korea's most respected companies' for 9 consecutive years, 'top 100 GWP(Great Work Place) in Korea' for 5 years in a row.

Marking the 30th anniversary of the corporate foundation, Pulmuone opened 'Won KyungSun Memorial Hall' in LOHAS Academy in memory of its founder. The hall is dedicated to Director Won KyungSun who developed the LOHAS values based on 'Love for Neighbor' and 'Respect for Life'. This spring, Kimchi Museum with 28 years of history will be re-opened in Insa-dong as 'Museum Kimchi-Gan(間)' after renovation. The newly upgraded museum will attract people from all across the world to experience and understand LOHAS values of Pulmuone while spreading the most representative dish in the culinary culture of Korea by showcasing various types of Kimchi and Kimchi-making culture.

Respected stakeholders!

Thanks to your support, Pulmuone has grown into the most loved and respected brand in Korea. Our people will fully commit themselves with passion to developing Pulmuone further into a global brand which successfully carves out its place around the globe. Please join us and send your encouragement and support to our journey toward a truly global LOHAS company

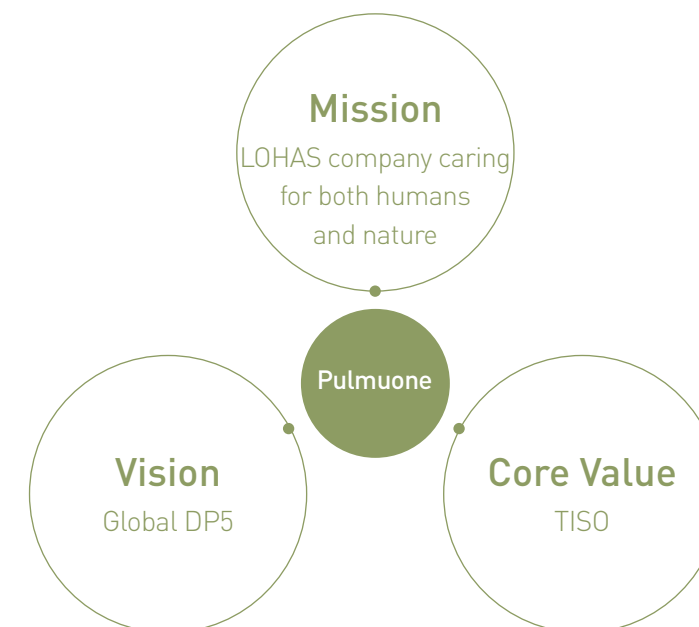
March 2015 Nam, Seung-Woo
Chairman & CEO of Pulmuone



Pulmuone Sustainability Management

As the LOHAS leader, Pulmuone champions healthy life-society-environment for sustainability. Pulmuone's LOHAS values that care for nature and humans are essential principles for sustainable management.

Company Overview



Mission, Vision, Core Values

Mission LOHAS(Lifestyles Of Health And Sustainability) represents a lifestyle that strives for human health and sustainability of society and environment. It shows what Pulmuone is all about and what it aspires to in the long term.

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 control capacity that measures up to global leaders

| DP5

Increase its revenue to KRW ~5 trillion to establish itself as global small giant 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



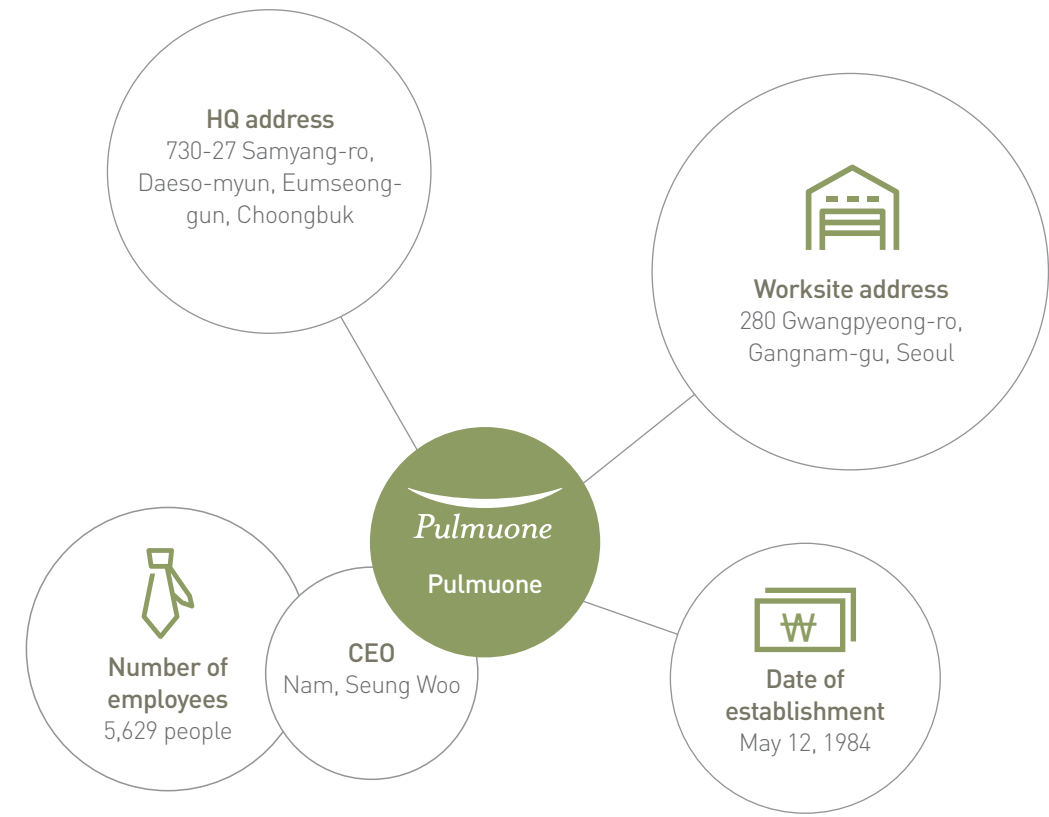
Integrity
for professional honesty for the proper performance of one's duty



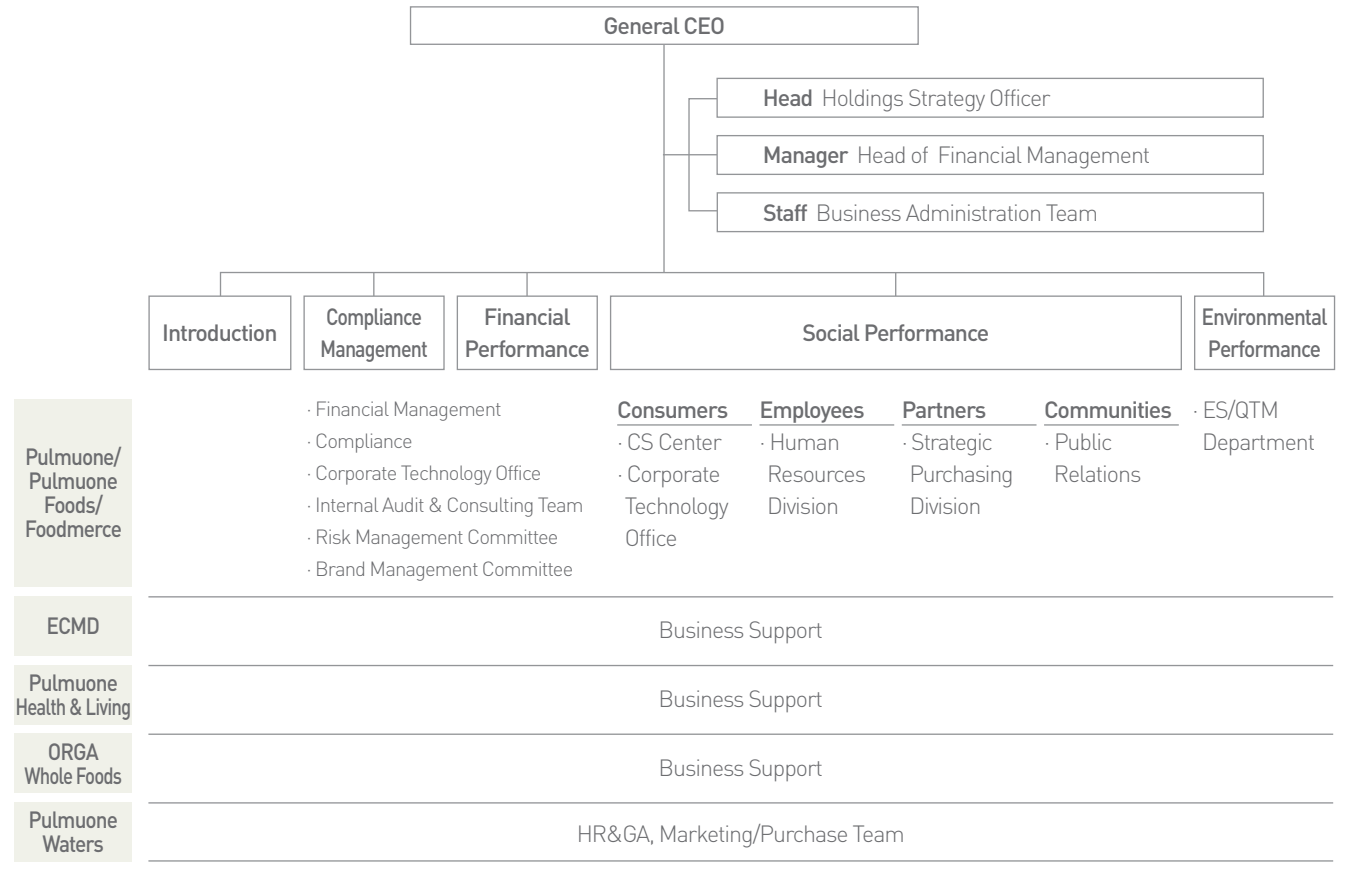
Solidarity
for alignment of one's goal with the goal of the company



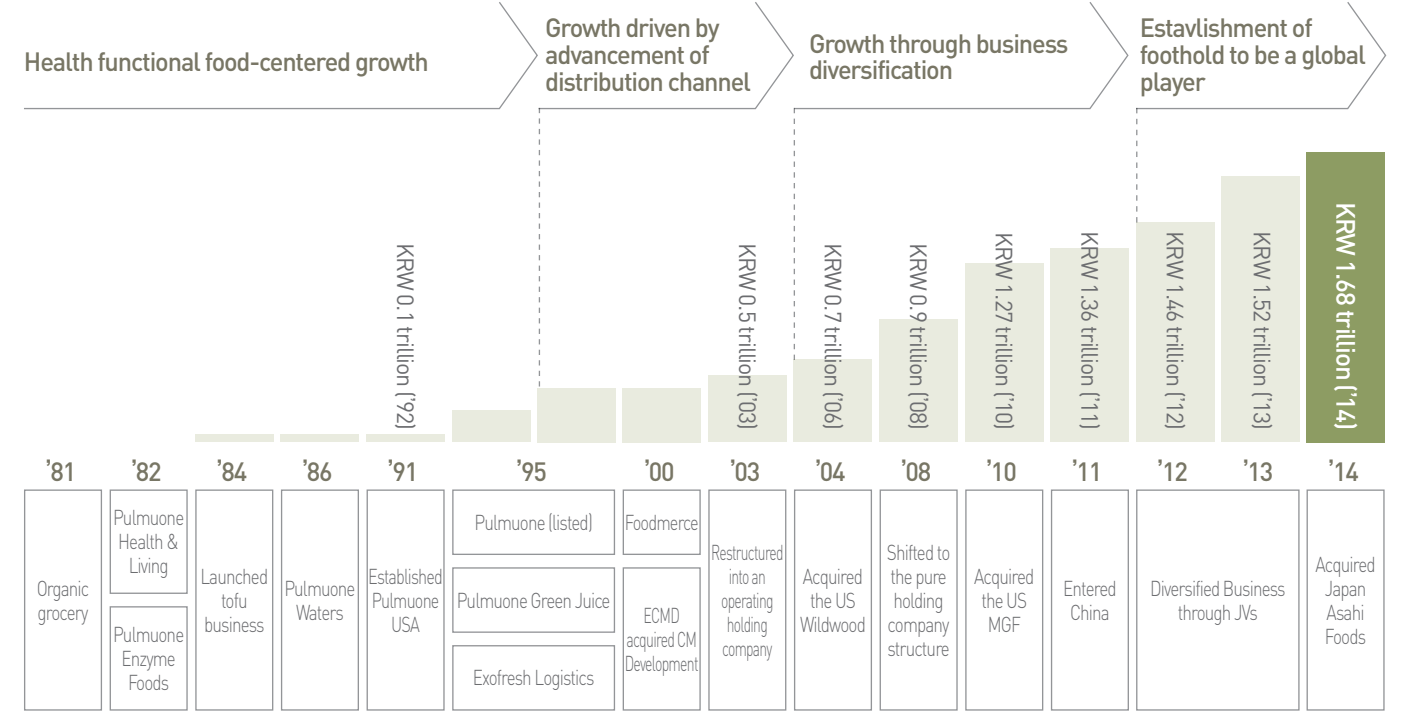
Openness
for cooperation with an open mind.



Annual Report Team

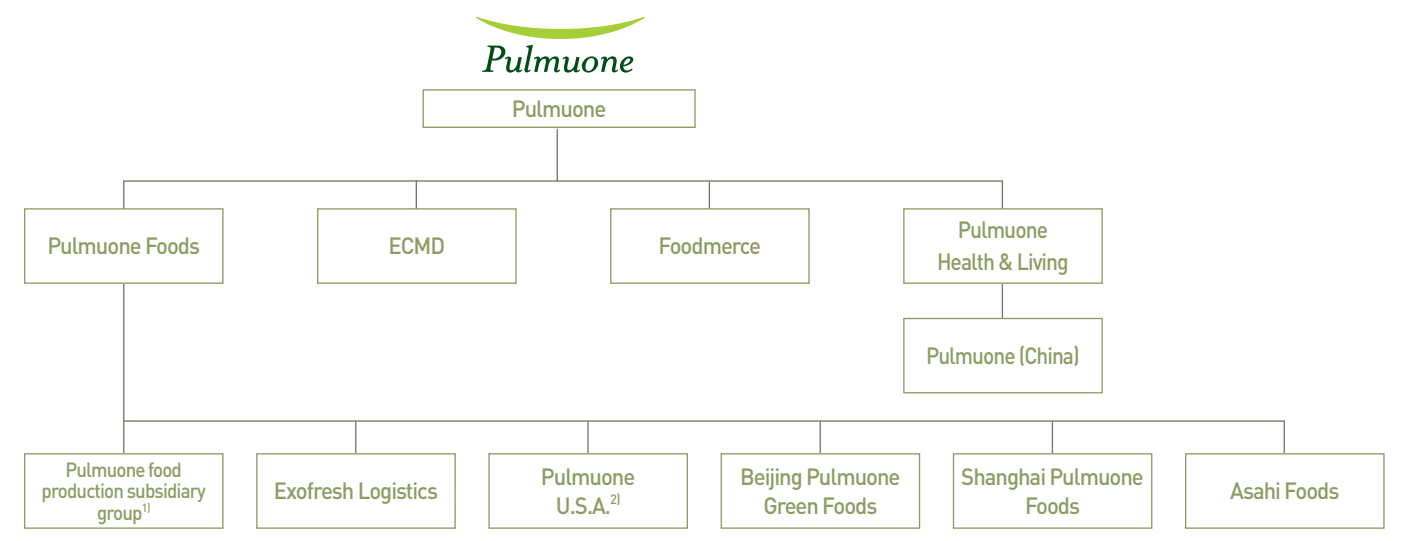


Pulmuone History



Governance

Pulmuone has a governance structure as follows:









1) PPEC Chuncheon, PPEC Eumseong Sprouts, PPEC Uiryong, PPEC Eumseong Noodles, Myungga Food and Shinsunatto.
 2) Subsidiary : Pulmuone Foods USA.

Major Businesses & Brands


Growing itself to provide organic, functional and fresh foods to consumers, Pulmuone wants to expand its business presence in the US, China and Japan to make great strides as global player.

NFB Natural Foods & Beverage


Pulmuone Foods	Produce and sell fresh foods Provide cold chain logistics service
	
Foodmerce	Offer food ingredients through diverse channels
	
Pumeiduo Foods¹⁾	Produce and sell fresh foods in China
	
Pulmuone Waters	Produce and sell drinking water in partnership with Nestle Waters
	
Pulmuone Danone	Produce and sell fermented milk products in partnership with Danone
	
Pulmuone U.S.A	Produce and sell fresh foods in the US
	



DTC Direct To Consumer

Pulmuone (China)	Produce and sell health supplements, functional foods/drinks, baby meals, designed meals for adults and pet foods
	
Pumeiduo²⁾ Health & Living	Produce and sell health supplements in China
	
Pulmuone Duskin	Offer dust particle cleaning service in partnership with Duskin of Japan
	
ORGA Whole Foods	Offer organic, eco-friendly foods and health functional foods
	

ECMD

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

1) Pumeiduo Foods : Beijing Pulmuone Green Foods, Shanghai Pulmuone Foods

2) Pumeiduo Health & Living : Pulmuone China



2014 Business Performance



Sales | KRW 1.7 trillion ▲10%
 Operating Income | KRW 53 billion ▲14%

Major Business & Financial Performance

Global DP5

Pulmuone's vision is Global DP5(DP: 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, China and Japan 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.

Financial performance

Overcoming adverse domestic and overseas market conditions, Pulmuone has increased its sales 10% to KRW 1.7 trillion and EBIT 14% from the previous year to record KRW 53 billion. Pulmuone had been ruled to pay KRW 38 billion in penalty imposed on the accusation of evasion of duties for organic bean imports in 2010. Refusing the unfair ruling, the company filed for an injunction against the decision and finally, the upper court overruled the decision, cancelling the penalty. As a result, KRW 38 billion of paid penalty and KRW 5 billion in its interest were returned to Pulmuone.

[Statement of Financial Position] [Unit: KRW]

Category	2012	2013	2014
1.Current assets	477,913,136,111	447,658,482,460	496,920,338,707
2.Non-current assets	547,596,392,304	533,713,383,275	556,647,249,931
Total assets	1,025,509,528,415	981,371,865,735	1,053,567,588,638
1.Current liabilities	325,031,415,126	423,143,218,015	474,960,472,403
2.Non-current liabilities	411,318,772,383	285,909,776,426	243,913,879,782
Total liabilities	736,350,187,509	709,052,994,441	718,874,352,185
1.Total equity attributable to owners of parent	226,341,350,666	213,206,731,156	261,311,956,581
Capital stock	19,045,475,000	19,045,475,000	19,045,475,000
Other paid-in capital	18,980,207,537	18,661,291,979	23,124,780,020
Others	-704,901,929	-1,348,237,479	228,233,024
Retained earnings	189,020,570,058	176,848,201,656	218,913,468,537
Non-controlling interests	62,817,990,240	59,112,140,138	73,381,279,872
Total Equity	289,159,340,906	272,318,871,294	334,693,236,453

[Comprehensive Income Statement] [Unit: KRW]

Category	2012	2013	2014
Net Sales	1,457,884,335,534	1,521,708,340,199	1,678,094,349,996
Income from operation	40,949,445,897	46,434,724,889	53,264,332,095
Net income[loss] for the year	10,071,235,810	-12,027,982,812	50,537,783,298
Comprehensive income[loss]	4,161,241,907	-14,979,694,101	41,384,986,492

[3-year sales growth]



[3-year operating income growth]



[3-year major financial performances]

Category	2012	2013	2014
Quick ratio	116.8	86.6	85.7
Debt ratio	254.7	260.4	214.8
Current ratio	147.0	105.8	104.6
Operating profit rate	2.8	3.1	3.2

[Unit: %]

R&D expense

Pulmuone carries out R&D 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 2014 reached KRW 16.7 billion, a 13% increase year on year with the share of R&D expense in sales revenue increasing 0.02%p against the previous year.

[R&D expense]



Business Performance

Domestic

Pulmuone Foods

Tofu

- | No. 1 in tofu market
- | New market development by launching new products
- Beyond offering simple food materials to designing new diets
- Simple, convenient cooking with new product



Vegetable

- | Vegetable mix for stir-fry
- Products to eat vegetables simple and convenient
- Beyond selling one type of vegetable (e.g. bean or green bean sprouts) to letting consumers enjoy dishes made up of various vegetables



Egg

- | Differentiated quality / process control
- Maximum freshness guaranteed with the expiry date set based on egg-laying dates
- Tracking from the growth of chicks to product packaging for accurate product identification
- | R&D development
- Launching 'Egg with Lutein' for eye health



Others

- Dumpling, juice, fish and meat, sauce, etc



Noodle

- | Sales growth through consistent new product launches
- Buckwheat noodles, Thai stir-fried rice noodle dish Pad Thai, Nature Is Delicious, etc
- | Products based on the authentic wholesome food concept
- Dongchimi Pyeongyang cold noodles with 19% less sodium compared to other traditional noodles



Foodmerce

kids

- Combine brands and services customized to infants and toddlers, and distribute them in kindergartens and childcare centers
- | No. 1 market share
- | Sales growth by increasing market share among public/private childcare centers
- | Deliver the value of authentic wholesome foods by offering opportunities to experience Pul's Kitchen



SL(School)

- Business to establish a secure footing in school meal service by offering brand-based services to primary/secondary schools, and widen its market entry by further developing distribution channels
- | Sales growth driven by new product launches in Barunsun tofu, noodle/dumpling, beverage/dessert, etc
- | Safety assurance for food materials by reinforcing marine products quality control, etc
- | Low & healthy concept development and clear labeling for allergy-inducing ingredients



B&I(Business&Industry)

- Comprehensive food materials distribution business that offers healthy and safe food materials tailored to individual customers in efficient manners
- | Build sales organization dedicated to small and medium-sized companies, and take more orders from new companies through value-based sales proposition

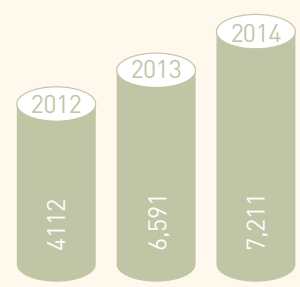
H&C(Health&Care)

- Business to grow into a leader in silver welfare market capitalizing on its distinct commercialization capability for silver food materials industry
- | Food ingredients for silver customers
- | Nutrition/cooking class for seniors



Pulmuone Foods 3-year sales (Unit: KRW 100 mil.)

3-year growth: 8.6%



Business

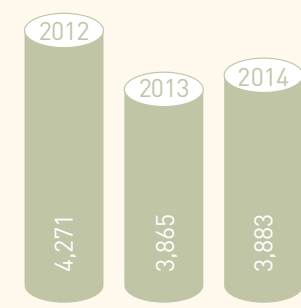
Overview Pulmuone Foods has been maintaining No. 1 in its existing product categories (i.e. tofu, vegetable, egg and noodle) while expanding its business scope by releasing a range of new products in dumpling, fermented milk, juice fish meat. It is also making sustained efforts to create healthy dietary lifestyle for consumers by introducing low-sodium and low-calorie products for nutritional balance.

Future direction Pulmuone Foods is

determined to fulfill the changing consumer needs by introducing new products that reinforce functions and strengths of existing products. It will also have a rigorous ingredient selection process in place to offer healthy and good foods that can assure consumers of higher quality while at the same time extending the types of authentic wholesome foods by adding low GL foods in its portfolio. In order to grow into a global player, the company plans to secure outstanding overseas experts and capabilities.

Foodmerce 3-year sales (Unit: KRW 100 mil.)

2-year growth: 0.5%



Business

Overview Foodmerce is a total food service business that provides authentic wholesome food brands, general food materials and services based on the concept of 'Safety, Health, Nutrition, Convenience, Taste' throughout the customer lifecycle from kids to silver. In 2014, Foodmerce cut its partnership with some of its partner companies strategically for its financial adequacy. As a consequence, its 2013 revenue declined against the previous year, but the company worked hard to make up for the decline by releasing unique brand products. Notably remarkable growth has been achieved in SL[school] and Kids businesses by leveraging

strict food safety management, LOHAS-based products and stronger sales capability.

Future direction Going forward, Foodmerce aims to reinforce its food materials safety by building preemptive food safety system and boosting its analysis capacity. It also plans to invest in logistics center expansion to better its logistics capacity. In parallel with this, Foodmerce will work consistently to identify and develop new growth engines by expanding business to accommodate rapid changes of the global market.

ECMD

*HPG
Hygiene
Process Guide

Group meal service

Food service business to provide 'LOHAS Food Culture'

- | LOHAS diets and premium meal services introduced in more client companies
- | Menus tailored to training centers, sports centers and golf courses, and set-up of the standard operation guideline
- | HPG* regime for sanitation and safety
- | New value added creation by combining new items (e.g. café, canteen, etc)



Concession

Business to offer products and services monopolistically and oligopolistically in spaces where customers are bound to come in crowds

- | Entry into the business hotel category
- | New brand releases such as Nature Is Delicious, NSK(Natural Soul Kitchen)



Rest areas service

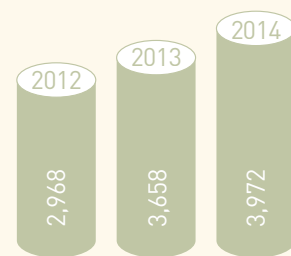
Total service business that provide a range of shopping opportunities in consideration of customer needs as well as healthy and safe foods, and a comfortable rest in complex facilities facing highways.

- | Higher profit per unit space by redesigning brands and supporting underperforming sites
- | Higher customer satisfaction through specialty services (e.g. pet parks, tofu-experiencing shops)
- | Carbon/energy reduction activities



ECMD 3-year sales
(Unit: KRW 100 mil.)

3-year growth: 15.7%



Business

Overview Started off with group meal service business, ECMD has gradually expanded its business presence into concession, convention and restaurant businesses to firmly establish itself as total service company. Through LOHAS-oriented services, ECMD is promoting customer health and good culinary culture. The group meal service business provides clients with foods for nutritional balance and health to lead customers into LOHAS lifestyle. Concession business is renting a space in places where lots of customers are bound to visit and offer foods and services customers want. Rest area business is operating complex facilities located

along highways to offer foods, shopping and rests for customers.

Future direction ECMD aims to spread distinct values based on LOHAS by increasing food service sites, developing specialty menus and enhancing sanitary management of the service sites. In concession business, it wants to secure sustained growth engine by extending brands, developing new brands and attracting large-scale clients. In rest area business, competitiveness will be reinforced further by increasing the customer inflow and advancing sales planning capabilities.

Pulmuone Health & Living

FD

- | Successful launches of new categories (e.g. fermented green juice, chia seed drinks rich in plant-origin lactic acid bacteria, and etc)
- | Higher customer retention through CRM
- | Growth platform by gradually increasing investment



DS

- | Enhancing competitiveness through product segmentation and core product renewal
- | For skin care, defining brand philosophy for Issiln and securing competitiveness



Pulmuone
플무원건강생활

DM

Fresh delivery of baby food and Eat Slim



DM

- | 'Baby Meal' ready to grow into Kids Meal for wider targets
- | For diet meal 'Eat Slim', secure business base to hit diet market with the new facilities

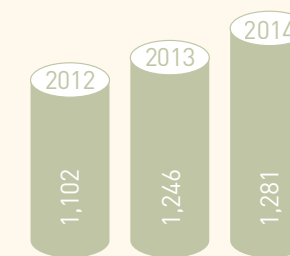
CAF

- | Online distribution channel establishment
- | Offline channel utilization for brand promotion



Pulmuone Health & Living 3-year sales
(Unit: KRW 100 mil.)

3-year growth 7.8%



Business

Overview Pulmuone Health & Living is a LOHAS life company that helps customers and their families eat a good diet and maintain healthy lifestyle through its products and services. In 2014, the company geared itself for a new big growth of its existing business while at the same time, developing new categories. It implemented new automated facilities, streamlined existing channels and further built a range of online channels and its own online mall to advance into a LOHAS lifestyle company. All of these efforts led to profit improvement.

Future direction Going forward, Pulmuone Health & Living will further develop the directly managed store model and bolster their growth program for better distribution. New products will be developed to increase competitiveness of priority products in the market. Aligned with this, brand marketing and promotion will receive much support from the company to better product quality. Online and mobile activities will be also increased to maximize impact. Online and mobile tools such as customer malls, blogs, SNS for corporate collaboration will be actively tapped into for customer attraction and communication.

ORGA Whole Foods

*ETF(Easy-to-Transform)
Store design based on location and target customer profile

Directly managed stores

A range of PB(Private Brand: own brand), NB (National Brand) products and ORGA bakery are directly managed by the company as core business.
(A total of 64 directly managed stores including SIS(Shop in Shop) with ETF stores newly opened in Yatap and Seohyeon during 2014)



SPAW(Specialty retailer Private label of Authentic Wholesome foods)

Develop and sell more than 500 PB(Private Band: own brand), products of eco-friendly materials



ORGA shopping mall

Products sold at ORGA offline stores and other brand products can be also purchased at online ORGA mall



Franchisee store

Store layout and size can be varied depending on location and customer characteristics of the geography
(24 franchisee stores in total with 5 new 'By ORGA' stores opened in Gimhae Naeoe, Daejeon Expo, etc during 2014)

Business Performance Overseas

China

1. Pulmuone China

| Established in 2011 with focus on health supplements and skin care products

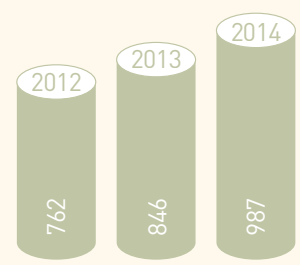


2. Beijing Pulmuone Green Foods Shanghai Pulmuone Foods

| Established in 2010 with noodle and rice cake as core business
| Increasing its market presence by launching new products (e.g. processed egg products, etc)



ORGA 3-year sales (Unit: KRW 100 mil.)
3-year growth 13.8%

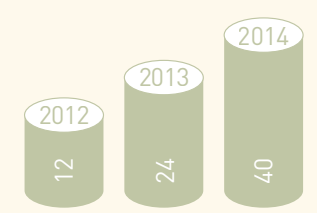


Business

Overview ORGA Whole Foods distributes and sells eco-friendly foods. It has offered authentic organic foods for the past 31 years since its inception in 1981 under the slogan 'Love for Neighbor, Respect for Life'. It has 12 directly managed stores of about 925~990m² and 52 SIS(Shop In Shop) stores in various venues including Lotte Department Store and By ORGA franchised stores to reach out to customers conscious of environmental footprints of the products they consume and prefer eco-friendly producers. By distributing only the products produced through sustainable agriculture, the company is making a contribution to biodiversity and ecosystem preservation.

Future direction Keeping up with the latest trends such as increase in 1~2 person(s) households, lifestyle changes, preference for high-quality foods and high-end desserts, ORGA Whole Foods is driving innovations in products, channels and profit management while at the same time delivering more customer values. The company will develop new PB products to this end and add more criteria on animal welfare for meat products to respond to the customer requests. Going forward, ORGA will seek to go beyond its traditional business boundary of 'eco-friendly foods supermarket' by opening sales stores of various formats and styles.

3-year sales in China (Unit: RMB 1 mil.)
3-year growth 84.5%



Business

Overview Pulmuone operates fresh food and health supplement businesses in China, building its bases in Chongqing, Beijing and Shanghai. Beijing Pulmuone Green Foods and Shanghai Pulmuone Foods the 2 subsidiaries of Pulmuone Foods, have cold noodles, stir-fried rice cakes, Kimchi and egg as their core products with a presence in Beijing, Shanghai and South China. Pulmuone China a Chinese subsidiary of Pulmuone Health & Living, is a membership-based business to help customers maintain LOHAS lifestyle by offering necessary information and services on a sustained basis while producing and selling LOHAS products designed for healthy and happy life.

Future direction Beijing Pulmuone Green Foods and Shanghai Pulmuone Foods plan to develop fresh food brands and expand fresh categories (e.g. tofu, juice and sauce) going forward. As the Chinese authorities tighten regulations for food safety, they also want to differentiate themselves from other food companies by communicating safe and healthy properties of their products, playing to the strengths of Pulmuone. To stabilize its membership-based business, Pulmuone China will launch high-end lifestyle products for repeat purchase.

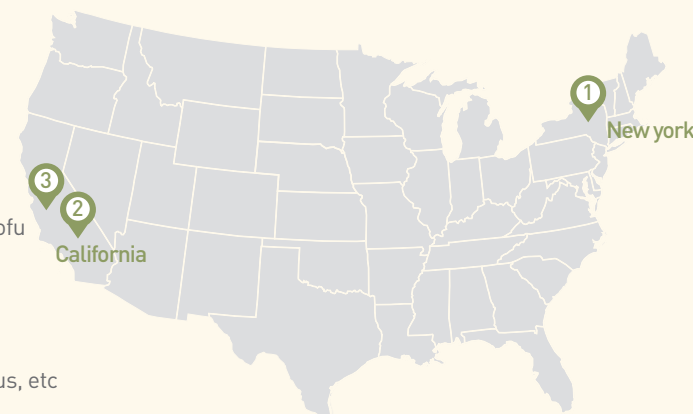
USA

Pulmuone entered the US market by establishing Pulmuone U.S.A in Los Angeles in 1991. In 2004, the company acquired Wildwood Natural Foods, a organic soy food company, which resulted in a successful entry to the mainstream market. In 2009, it acquired Monterey Gourmet Foods to make inroads into pasta and sauce market of the US. Pulmuone U.S.A has production facilities in Gilroy, Tappan and Fullerton, and provides tofu, pasta, sauce products to customers.



Production plants in US

- 1. Tappan, NY
Water pack tofu
- 2. Fullerton, CA
Flavored, vacuum, water pack tofu
Distribution Center/Head Office
- 3. Gilroy, CA
Ravioli, Cheese, Dumpling,
Ready Meal, Bean Dips, Hummus, etc



Japan

Business

Asahi Foods is a leading tofu and fried tofu company, which has joined Pulmuone family in June 2014. Since Japan owns advanced tofu production techniques, Pulmuone wants to create synergy effects by applying the superior skills of Japan to markets like US and China while securing distribution channels in Japan to extend its business scope in the country. The acquisition will help Pulmuone combine its traditional strengths in marketing and logistics with superb production capability of Asahi to establish itself successfully in Japan.

1. Head office

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明治安田生命さいたま新都心ビル
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22F, L.A.TOWER, Shintoshin,
Chuo-ku Saitama-shi, Saitama,
330-6022, Japan

2. Gyoda plant

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361-0056, Japan

3. Azumino plant

長野県北安曇郡池田町大字池田 2 7 0 9-3
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Nagano, 399-8601, Japan

4. Omachi plant

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9726-2, Tokiwa, Omachi-shi, Nagano,
398-0004, Japan

5. Tsukiyono plant

群馬県利根郡みなかみ町大字政所 1007
1007, Mandokoro, Minakami-machi Tone-gun,
Gumma,
379-1307, Japan

6. Kanagawa plant

神奈川県綾瀬市小園1090番地 〒252-1121
1090, Kozono, Ayase-shi, Kanagawa,
252-1121, Japan





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, and corporate image and values. Such risks inherently have the potential to severely undermine the organization and the company itself. Pulmuone classifies risks into product/distribution risk, field risk and other risks.

1) Product/distribution risks	2) Field risks	3) Other risks
<ul style="list-style-type: none"> - Defects in products or their packagings that may undermine consumer safety - Product recall, claims - Product collection by public/consumer agencies for a market withdrawal to prevent its further usage - Injury of sales employees, collective contract withdrawals by franchisees or their visit to the headquarters in protest 	<ul style="list-style-type: none"> - Field accidents that can cause severe loss and serious injury of workers - Fire, explosion, damage to major facilities - Breaches of food sanitation, the environment law, the labor law, etc 	<ul style="list-style-type: none"> - Natural disasters, and investigation or new measures by the government, consumer groups and other groups/entities - Incidents that may happen when undertaking business (e.g. rumors, employee misdeeds, industrial relations dispute, and lawsuits/complaints filed by stakeholders, etc) - Breaches of the fair trade law, and legal disputes with suppliers/franchisees

Risk Management Committee

Pulmuone holds monthly Risk Management Committee meeting on the Group or each business unit level with an aim to identify, prevent and manage potential risks. In the event of certain risk being materialized, an initial response is promptly made on the field right after detecting a potential crisis, and depending on the severity of the risk and the response level a situation calls for, small risks are escalated to the division level, material risks reported on the business unit level, and severe risks to the Group level for a further response. If it is escalated to the Group level, a Group-wide Risk Management Committee meeting is convened to make a decision. Such 3-layer response mechanism based on the risk level has been designed to develop timely and effective solutions by securing 'the golden time', the most important element in crisis response, and to minimize any negative impact on business and society.

Risks: Levels & stepwise approach

Pulmuone takes a 3-step approach to risks and takes actions accordingly by classifying them into 3 groups. And in Step 2 where an actual crisis is materialized, the company makes a different response to the situation by segmenting the situation further into Level 1 (response on the division level) and Level 2 (response on the business unit level) for a tailored solution.



Step 1 : Potential risk

- The Group-wide Risk Management Committee identifies potential risk factors across the Group at its regular meeting and takes preemptive measures.
- The 24-hour monitoring (media, SNS, etc) system is run and crisis scenarios are reviewed.



Step 2 Materialized risk (initial~later-stage crisis)

1) Level 1 ⇒ Light to moderate level
Risk likely to develop into a crisis – The division where the risk has been materialized forms a crisis management cell for an effective response

2) Level 2 ⇒ Material level

Risk likely to develop into an actual crisis and spread to other divisions – A crisis management cell is formed on a business unit level. The cell decides whether to escalate the issue to Step 3 (the Group-wide crisis response cell).



Step 3 Risk proliferation > severe level

Severe crisis that may deal a heavy blow to the corporate/brand image – A Group-wide Risk Management Committee convenes a meeting for a prompt response.

Innovation & Creation

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. Born in March 2007, Irumi has continued its growth and development to achieve the corporate mission of 'LOHAS company that loves both humans and nature' and the 'Global DP5' vision. Irumi has been designed to facilitate ideas for 3 major innovation goals (product/service innovation, quality innovation and process innovation), laying the foundation to develop into a sustainable company. 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 on the main website. Field employees who cannot use PCs in their workplaces are also allowed a wider access to Irumi with the available mobile Irumi application. (m.irumi.pulmuone.co.kr)

1) Ideas for actual work improvement

'Implementation first, making proposal report later' – Improving one's work practice is the ultimate objective of proposing an idea in the first place.

2) Reward with mileage

Employees with good ideas are rewarded with mileage points. Their character in the mileage game can be promoted to a higher ranking based on the accumulated points for employee motivation and fun.

3) Mobile platform for proposal & deliberation

Event promoters, dieticians, production staff can also engage in the process via the mobile platform without the constraints of time or place.

4) Aligned management of innovation initiatives (Green meeting, Q/W (Quick Win), CR(Cost Reduction))

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). The deliberation result is notified to the idea proposer. Excellent ideas or high-grade proposals selected by the division head are closely supervised and tracked for effective execution. The idea proposer and the person in charge of execution get to receive welfare benefit points they can use freely for themselves as reward. Through rigorous review and monitoring, overlapping or simple ideas that don't hold significant value for the company are screened out to ensure objective selection and rewards. In addition to the basic points, additional points are given when a game character assigned to each employee when (s)he joined Irumi Expedition grows and is promoted to the next level. Additional points are also given when employees engage more proactively (e.g. leaving a comment, logging on to the site every day, clicking the Like button and etc).

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

Higher work efficiency & performance through 'Irumi Expedition'

The idea proposal channel once confined to the holding company and Pulmuone Foods was extended to cover the entire Group in 2011 to create synergy through idea exchanges between different units and functions. To facilitate the process, Irumi managers across the Group are invited to the quarterly workshop. Lectures on creativity are provided by outside experts and field employees receive internal trainings every two months. To encourage more engagement, various types of events is offered every quarter. Making a range of efforts paid off: A total of 20,637 innovation ideas were submitted throughout 2014, which is a 43% growth from 14,463 ideas in 2013. About 1,485 ideas (7%) of the total were selected to be turned

into actual initiatives for implementation. After a review by the CBI committee and the innovation support committee, 22 ideas were finalized as CBI initiatives for Green Meeting.

[Ideas submitted to Irumi Expedition]

Year	Total submissions	YoY growth	Ideas turned into initiatives	Selection rate
2012	10,213	125%	1,218	12%
2013	14,463	42%	2,534	18%
2014	20,637	43%	1,485	7%

Platform to grow into a sustainable company

Irumi is determined to continue its growth, making contribution to corporate value and profit. It is working hard to enhance satisfaction of idea proposers and judges, and lead development and innovation of Pulmuone in the process. Additional functions will be added to the platform in 2015 such as whistleblowing on corruption, employee opinion, request, VOF(Voice of Field) and IT improvement to further enhance the system. The new system will be opened in 2015 with a simpler interface to guide users more effectively. It will offer more convenient information integration and layout for users to facilitate the usage of the system.

Interactive communication for all employees

General CEO has a meeting with all employees (not managers or senior executives) 9 times per year for better communication. Its name was changed from 'Meeting with General CEO' to 'General CEO TalkTalkTalk' to emphasize engagement, understanding and communication. The meeting consists of 3 components (Engagement Talk, Understanding Talk and Communication Talk). In Engagement Talk, participants can play a simple and exciting game to feel the meaning of the gathering. In Understanding Talk, General CEO delivers a special lecture on the topic he wants to discuss with employees. In 2014, the special lecture topic was 'CSR and CSV' in consideration of the strong commitment of General CEO to lead business growth based on CSV(Creating Shared Value). Lastly in Communication Talk, two-way communication is fully facilitated by changing the format from 'employees just asking questions' to 'employees and CEO exchanging questions and remarks'. Interacting with General CEO helps the consensus-building process and enhances employee satisfaction, which in turn, betters both the product and corporate image. This ultimately leads to fair and transparent business practices, creating growth and sustainability as a consequence.

Pulmuone's fair trade guideline disclosed at vendor portals for compliance

To encourage compliance with fair trade, Pulmuone discloses the pledges of sourcing managers, the vendor guideline, CP(Compliance Program) and other fair trade information at the vendor websites to be viewed by vendor employees.

'Talk to General CEO' on the corporate intranet

Pulmuone runs 2 communities, 'CEO NOW' and 'Pulmuone Value Scheme', under the gadget named 'Talk to General CEO' in its groupware KWP. They have been built around the theme 'bridging(通)' for communication. Major business decisions, opinions of senior executives, corporate mission, vision and core values are all shared with employees via the 2 communities. Instead of the top-down delivery of commands, the channels promote two-way communication which deeply involves all employees, contributing greatly to a positive performance-oriented corporate culture.



1. 'CEO NOW' community billboard

In these days when 'leadership of communication' is increasingly more valued, Pulmuone opened a billboard to generate passion, devotion and performance-oriented communication of employees. Pulmuone firmly believes interactive 'emotional communication' would drive sustainable growth of the company.

2. 'Pulmuone Value Scheme' bulletin board

The value scheme bulletin board aims to build an organization culture centering around Pulmuone mission, vision and core values, facilitating consensus building for powerful performance.

Direct delivery from the production sites

In most cases, products are gathered in the Eumseong central logistics center before being shipped to each regional logistics hub. But when a production site is closer to a customer and fully-loaded shipping is possible in an area, delivery from the production plant directly to the client can be opted through newly developed logistics system and process of Pulmuone.

[Process]



1) A sales employee collects orders from stores of direct delivery and make an inquiry (sales employee → order response center, each business unit)



2) The business unit communicates with the order response center for the finalized information (e.g. a vehicle unit, a transport route and a production site)



3) Order response center shares the received order information with sales employees



4) The production plant checks the order volume after confirming the order information uploaded to the system and ship out the volume

One-day delivery from online food malls

Pulmuone knows delayed delivery is the biggest culprit of negative feedbacks. To address the issue, Pulmuone has changed the practice into replenishing products (chilled-frozen-dry) before the inventory runs out.

Change from SMS to messenger service

Pulmuone used to send out SMS to alert logistics centers to urgent information such as order generation/close. But as the number of SMS increases consistently, it changed the system from using SMS to the company's own messenger service to cut cost and prevent any message delivery failure due to disruption to the communications network.

Governance

Pulmuone Governance

As listed company, Pulmuone shares are owned by a major shareholder(57.3%), institutions and foreign investors(24.3%) and minority shareholders(18.4%). Outstanding shares are 3,809,095 in total with KRW 19,045 million in capital stock. Shareholders exercise their voting rights, share information on business performance and future vision of the company, and voice their opinions at general shareholders' meeting.

Board of directors: composition

Pulmuone has 4 executive directors and 6 outside directors in its board of directors. Outside directors account for 60% of the 10-member board to guarantee independence. Four top executives including General CEO Nam, Seung-Woo are serving as executive directors and 6 experts such as professional managers and professors serve as non-executive directors. Directors appointed at the general shareholders' meeting have deep management experience and expertise, working hard to advocate stakeholder interest and increase shareholder value. For objective evaluation of outside director candidates, Pulmuone has Outside Director Recommendation Committee in place and guarantees its independence to find good candidates for directorship based on their expertise and capabilities.

[Board of directors: composition]

Chairman	Non-executive director
Nam, Seung-Woo(male) Chairman & CEO	Park, Jong-Won(male) Outside Director Korea University Professor
Executive director	
	Shin, Hyun-Woo(male) Outside Director Vice Chairman of Bullstone Co., Ltd
Lee, Kyu-Suk(male) Director DTC ¹⁾ Region Secretary	Hwang, Lee-Seok(male) Outside Director Seoul National University Professor
Kwon, Hyuk-Hee(male) Director ECMD CEO	Youn, Jang-Bae(male) Outside Director Chonbuk National University Professor
Lee, Hyo-Yul(male) Director NFB ²⁾ Region CEO	Won, Cheoroo(male) Outside Director Advisor to SME Management Advisory Commission, Korea Chamber of Commerce and Industry
	Sung, Yung-Hoon(male) Outside Director BKL llc

1) Direct To Consumers
2) Natural Foods&Beverage

Board of directors: rights

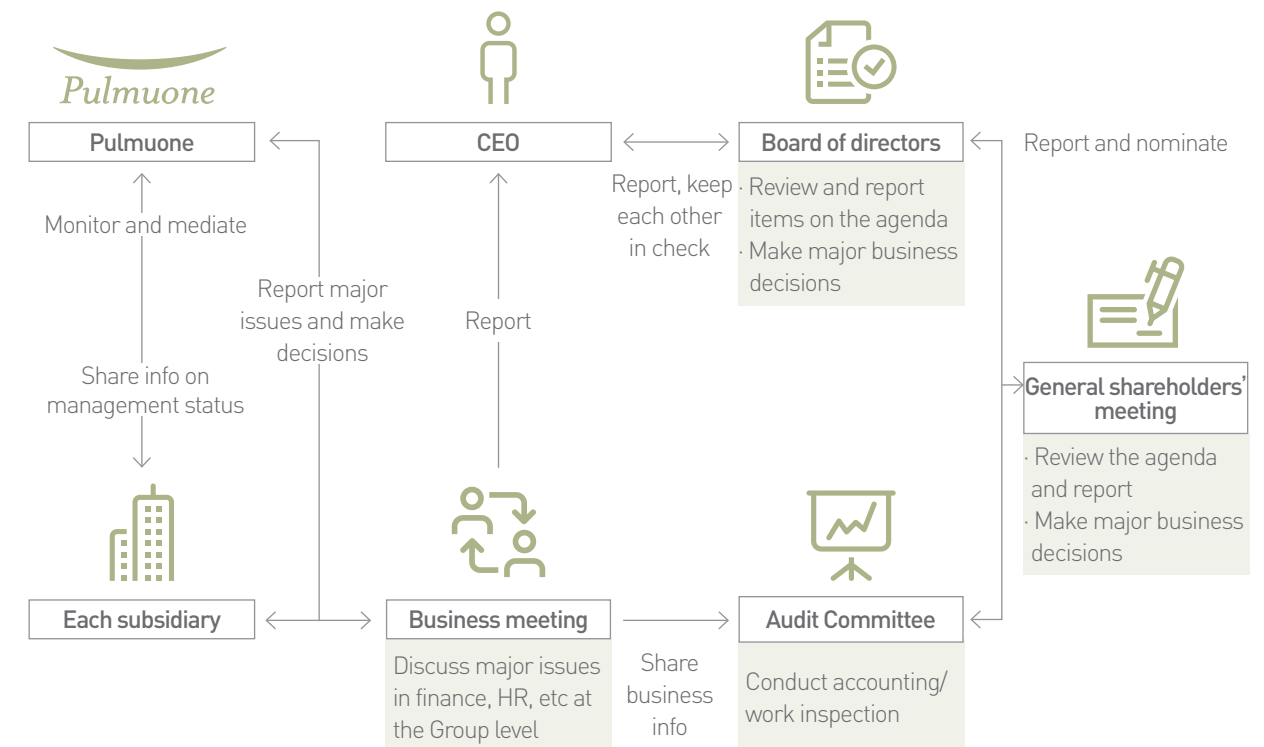
The board of directors is the top decision-making body of the company besides the general shareholders' meeting. Pulmuone's board of directors abides by the Capital Market Consolidation Act on listed companies and the Commercial Law on public companies. For major management issues, it makes decisions based on the agreement of a majority. For other issues, decisions are left to the Management Committee.

Roles & operations

From January to December 2014, the board of director convened meetings for 7 times where 11 issues were put to a debate. Under the board of directors, 5 committees (Audit Committee, Outside Director Recommendation Committee, Compensation Committee, Outside Director Assessment Committee, and Management Committee) are operated. Economic performances of Pulmuone are reported at the quarterly meeting of board of directors for evaluation.

Decision-making structure

Pulmuone makes decisions by reporting to and receiving an approval from the board of directors. As holding company, Pulmuone closely monitors and mediates business issues of each subsidiary. Management issues at the Group or holding company level are discussed at business meetings. Material issues have to be reported to the board of directors, which then approves and makes a decision.



Compliance

Introduction

Dedicated organization for Compliance

Pulmuone has its Compliance organization in place for effective TISO planning and execution by business unit. The Compliance organization is dedicated to implementing fair and transparent management across the Group. It engages in a range of activities to make the corporate culture aligned with the TISO principles and the corporate value scheme(mission, vision and core values).

Initiatives & Outcomes

Compliance internalized through ongoing 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. It is also engaging efforts to provide tailored trainings to field workers (production workers, event promoters, dieticians, cooks) who have relatively less exposure to TISO education so that they can internalize and establish the TISO culture on the field. For more effective operation of trainings, the company started to develop online training courses in 2014 whose results were adopted as mandatory course for employees in all business units at the cyber learning center (Knowledge Work Center) starting from January 2015.

Best TISO practices promoted to encourage consistent implementation

Born in 2011, the Best TISO Practice Contest for all employees marked its 4th year in 2014. 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. The best TISO practices not only serve as good examples but also can be leveraged as contents for internal TISO education. In 2015, the awarded best examples will be compiled in a book and shared via various media (e.g. interviews, video clips, etc) with employees, utilized as a valuable tool to create the desired corporate culture.

Values shared to create a positive corporate culture & meaningful outcomes

The gadget named 'Talk to General CEO' was opened at the groupware(KWP) in 2013 to enable two-way communication between the top management and employees instead of the usual top-down delivery of commands. 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 principles have been also shared through the gadget to motivate employees

to implement TISO practices. In 2014, those who successfully completed their works practicing Pulmuone values based on TISO principles and became good examples to others as a result were awarded as 'Champion of Best Practices'. All of these efforts are expected to help Pulmuone build a positive corporate culture and create meaningful outcomes. Pulmuone will continue to select and award employees and workplaces with good practices.

Pulmuone's TISO Management

Pulmuone promulgated TISO Charter that describes how, to whom, through which TISO principles have to be practiced in March 2005. Marking its 10th anniversary in 2015, the charter offers a sweeping view toward the TISO concept, extending its target to include customers, stakeholders, communities as well as employees based on the core values (Trust, Integrity, Solidarity, Openness).



TISO charter

TISO Code of Conduct

Pulmuone has developed 'TISO Code of Conduct' as a core guideline for employees to comply with the charter. The code of conduct consists of 15 provisions concerning ways to respond to directions that may undermine fair handling of work, elimination of privileges, prohibition of collusion with competitors, influence peddling, unjust profit or bribery, inappropriate conduct with stakeholders, any act that can harm the company's interest and using classified information for personal interest, non-compete agreement, prohibition of forging documents or numbers, external activities, personal data protection, and etc. The code of conduct is available at the Pulmuone groupware(KWP) for all employees to see. It helps employees clearly understand what should be refrained and which action must be taken in conflict situations they are bound to face either internally or externally in the course of undertaking their work.

Code of Practice Handbook

'Code of Practic Handbook' has been prepared to help employees better understand 'TISO Code of Conduct' by offering more detailed explanation on fair and transparent work process, prohibition of using one's authority at work for personal gain, work discipline, what should be refrained between employees, making accurate and faithful reports, company/customer information protection, whistleblowing and rewards. It defines all kinds of misconduct that can be committed unawares as well as material breaches like bribe or corruption as factors that undermine TISO principles and thus, places such misconducts under supervision by clearly informing rules and procedures employees have to comply with in each situation. Pulmuone has distributed the handbooks to make the information more easily available to employees.

TISO by Pulmuone

Pulmuone believes TISO is first and foremost 'a caring mind to offer good foods to my family'. It is about assuring food safety and taking care of foods to maintain its values. Second, it embodies 'commitment to understanding the values Pulmuone provides to consumers and delivering such values without any distortion or overstatement'.

Pulmuone TISO is a framework of the corporate culture as well as business philosophy. It is traced back to the company motto set in 1982, 'Right Mind(正心), Right Farming(正農), Right Eating(正食)'. TISO, which stands for Trust, Integrity, Solidarity and Openness, is based on Right Mind(正心) to state the mindset every Pulmuone employee should internalize.

TISO compliance by Pulmuone

TISO compliance refers to business practices in accordance with TISO. It is driving "fair and transparent business activities for healthy life of customers and sustainability of the earth" based on the universal values represented by TISO.

Revision of TISO compliance rules

Pulmuone revised rules and provisions regarding TISO compliance. 'TISO Code of Conduct' went through a partial revision to incorporate recent changes in business environment and was simplified by removing some declaratory provisions to contain only the core principles employees have to follow. Code of Practice Handbook provides details on Code of Conduct and guides employees with more concrete examples for implementation in the form of a handbook so that employees can refer to it whenever necessary. In addition, 'TISO Compliance Provisions' went through a revision to include 'TISO Guideline on Report & Reward' which had been published separately.

TISO Pledge

Every year, Pulmuone people write a pledge that states they understand what TISO 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 TISO Charter with them all the time.

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.



Monitoring channels

Whistleblowing,
Cyber Audit,
Irumi System

Anti-Corruption Policy

TISO, the value scheme aspired by Pulmuone

Pulmuone has established its Compliance organization dedicated to banning all types of corruption including inappropriate acquisition of favors, bribery, and etc by having TISO principles as core values of its business. The division is developing relevant policies and institutions for effective implementation, and reinforcing periodic education and monitoring activities for preemption of any unethical conduct. It has also opened Whistleblowing Channel to encourage employees disclose any wrongdoings for a healthy corporate culture with strict disciplinary measure enforced for any breaches of TISO compliance rules.

Rules and policies regarding TISO compliance are shared across the enterprise via the internal groupware bulletin board. Pulmuone has opened Cyber Audit and Irumi System at its official website to monitor and audit internal/external wrongdoing, misconduct and corruption committed by subsidiaries, affiliates or overseas offices.

Anti-corruption & integrity contract policy

'TISO Code of Conduct' has been developed to strictly ban employees from receiving, promoting or condoning inappropriate favors including gifts, entertainment, treats or conveniences directly or indirectly offered by other stakeholders. 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 anti-corruption principles more proactively, procurement managers in charge of goods, service, and construction or service provision agreements have been required to include 'Integrity Contract' provisions in their contracts before signing a purchase contract since March 2005, and if 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 2014, 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 fee 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 from General CEO 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 for Neighbor Fund'. The gift return policy has been fully entrenched as distinct corporate culture of Pulmuone that has to be observed not only around holidays but also in everyday practice. Employees now report to the office in charge without hesitation if they receive gifts from stakeholders.

2014 donation to 'Love for Neighbor Fund'



KRW 1,041,650

According to the internal survey conducted by the Compliance organization based on direct interviews with stakeholders, respondents were confirmed to fully understand the intent and content of the no-gift provision. In 2014, a total of 22 unreturned gifts were donated to the fund, raising KRW 1,041,650.

[Holiday gift return: reports & value]

Year	Reports	Value
2012	28 cases	KRW 1,165,000
2013	31 cases	KRW 1,194,000
2014	22 cases	KRW 1,041,650

Lawsuit status

Pulmuone was prosecuted in 2012 by Seoul Central District Prosecutor's office for its alleged violation of the Customs law concerning its purchase of organic beans from China and was found not guilty both at the first(ruled by the Seoul Central District Court on December 10, 2013) and the second trial(ruled by the Seoul High Court on November 6, 2014).

After the decision, the prosecutor appealed and the ruling is being reviewed by the Supreme 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 at the Supreme Court.

Stakeholder Communication

Stakeholder Categories & Communication

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



Shareholders
Those who share Pulmuone values by purchasing Pulmuone stocks

—
Open shareholders' meeting, IR(Investor Relations), Annual Report



Employees
5,692 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, Annual Report



Consumers
Those who use products and services offered by Pulmuone

—
CS Center, E-fresh monitoring, Housewives monitoring, Customer satisfaction survey, 'One Big Bowl Full of Nature' (company PR magazine), Annual Report



Partner Companies
Partners involved in procurement, production, sales, delivery and facilities required to produce goods and services

—
Meetings with partner companies, Annual Report



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

—
Periodic meetings with social volunteer groups, Annual Report



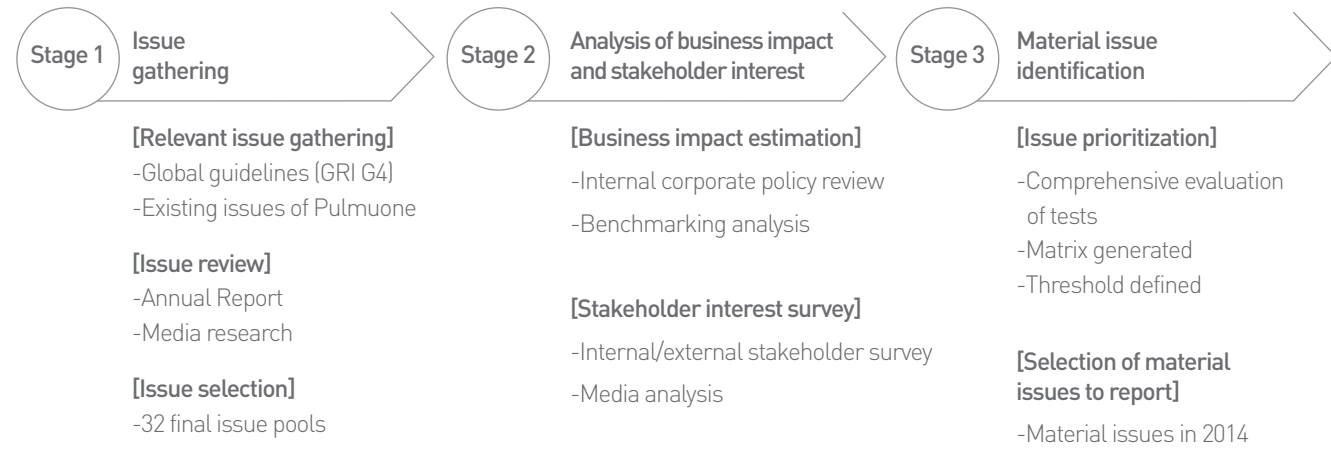
For more information, please visit www.pulmuone.com

Material Issues of Pulmuone

Material Issue Identification Process

The materiality assessment for 2014 Pulmuone Annual Report was completed with 3-stage material issue identification process of 'Issue Gathering', 'Analysis of Business Impact and Stakeholder Interest', 'Material Issue Identification'.

Materiality assessment process

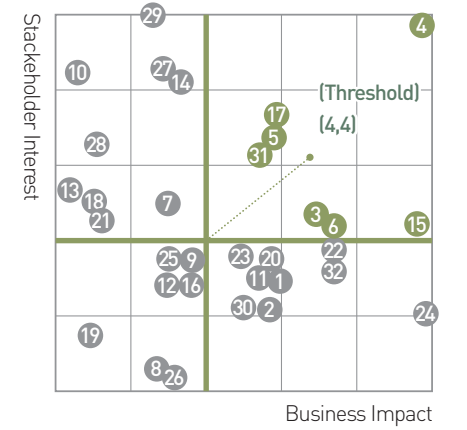


Material Issues for Sustainability Management in 2014

Pulmuone first set the reporting threshold** at (4,4) after prioritizing the 32 issue pools screened through a materiality assessment test to see their business impact and stakeholder interest in the issues. The assessment test categorized the 32 issues into 7 High Issues, 18 Medium Issues and 7 Low Issues. Those placed above the threshold are Governance, TISO Management, Stakeholder Engagement, Authentic Wholesome Food, Product Quality & Safety Control, Customer Communication, and Environment Footprint Reduction.

Threshold

**The GRI G4 Guidelines advise companies should cover aspects reflecting significance of economic, environmental and social impacts, and influence on stakeholder assessment and decisions by including relevant issues in those areas, located at and above the materiality threshold.



High Medium Low

Significance	Category	Sub-category	Business Impact	Stakeholder Interest
3	General	Governance	7.5	4.0
4	General	TISO Management	10.0	10.0
5	General	Stakeholder engagement	5.5	6.7
6	General	Authentic wholesome foods	7.5	4.0
15	Customer	Product quality & safety control	10.0	4.0
17	Customer	Customer communication	5.5	7.0
31	Environment	Less environmental footprint	5.5	6.7
1	General	Vision & CEO leadership	5.5	3.3
2	General	Sustainability management strategy & performance management	5.5	2.3
7	General	Creating shared value	3.0	5.0
10	Economy	Brand management	0.5	8.3
11	Economy	Financial performance	5.5	3.3
13	Economy	Creating new market	0.5	5.3
14	Customer	Information provision	3.0	8.3
18	Employee	Fair personnel & compensation policy	1.0	5.0
20	Employee	Talent development & growth	5.5	3.7
21	Employee	Work life balance	1.0	5.0
22	Employee	Human rights & diversity	7.5	3.7
23	Employee	Win-win industrial relations	5.0	3.7
24	Employee	Workplace safety & employee health	10.0	2.0
27	Partner Companies	Inclusive growth & win-win collaboration	3.0	8.3
28	Community	Social responsibility	1.0	8.3
29	Community	Community development	2.5	10.0
30	Environment	Environmental management	5.0	2.3
32	Environment	Response to climate change	7.5	3.3
8	Economy	Innovative & creative management	3.0	0.3
9	Economy	Risk management	3.0	3.3
12	Economy	New product & technology development	3.0	3.3
16	Customer	Customer marketing	3.0	3.3
19	Employee	Talent recruiting	1.0	1.7
25	Partner Companies	Fair selection	3.0	3.7
26	Partner Companies	Fair transaction	3.0	3.7

CSV

Authentic Wholesome Food

Product Safety & Quality Control

Customer Satisfaction / Customer Communication

Environment Footprint Reduction

2014 ISSUE 5

Pulmuone classifies major issues in 2014 into 5 categories described in this section.



DMA

CSV
(Creating Shared
Value)



Significance

Pulmuone further develops the strategic concept of CSR to prioritize CSV initiatives, incorporating LOHAS values into its business and product development while at the same time basing its process design and organization on the concept of CSV. Pulmuone will continue to refine its CSV model to create both social and economic values for wider society.

Management

| Policy

CSV Department serves as control tower for all types of CSV initiatives. The Department works to develop and establish CSV initiatives through planning-support-evaluation on CSV endeavors to create shared economic and social values. In parallel with this, each business unit has in place 'CSV Working Committee' to champion efforts to develop and execute relevant business models.

| Activity

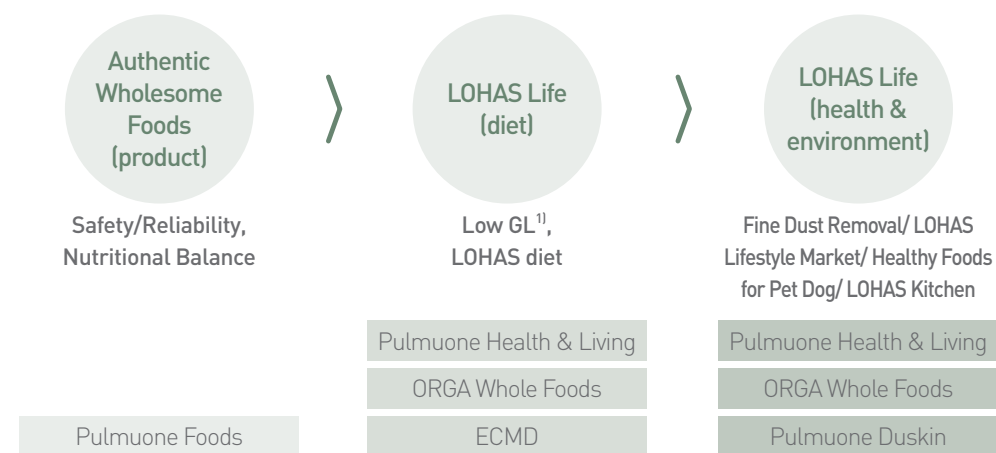
Every year, a 2-hour session of 'Talk to General CEO' is held 9 times based on the issues the employees have jointly selected. During the session, a relevant lecture is delivered to attending employees. In 2014, General CEO delivered a special lecture on 'CSR & CSV'. Outside experts are also invited for a lecture. For example, in September 2013, Emeritus Professor of Seoul National University Cho, Dong-Sung was invited to talk about 'Capitalism 5.0 & CSV' to enhance employee understanding on CSV and incorporate CSV into corporate strategy.

Milestone

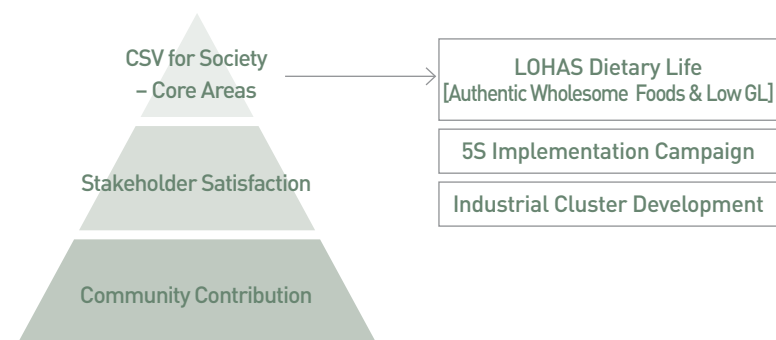
Winning Porter Prize Excellence in CSV for a medium company in the Process section at the 1st holding of the award sponsored by the Institute for Industrial Policy Studies, Ministry of Trade, Industry & Energy, Dong-A Daily, Korea Federation of SMEs, Korea CEO's Association of Multinational Corporations, Korea Standards Association

Pulmuone's CSV

Having its roots in authentic wholesome foods, Pulmuone has extended its business to LOHAS dietary life and LOHAS lifestyle. Building on its existing CSR campaigns for contribution to communities and stakeholder satisfaction, Pulmuone aspires to CSV in its 3 core areas, which are 'LOHAS dietary life', '5S practicing' and 'industrial cluster development'.



[Pulmuone CSV Strategic Framework]



1) LOHAS dietary life

Background Pulmuone's mission, 'LOHAS Company', has been derived from its brand aspiration, which is 'Love for Neighbor' and 'Respect for Life'. Dietary life is at the heart of the LOHAS values, and authentic wholesome foods are essential to maintain the LOHAS dietary. Thus, Pulmuone defines 'LOHAS dietary life' as the core element of its CSV. Since hygiene and safety are prerequisites for authentic wholesome foods, organic and eco-friendly food is defined as one major principle of LOHAS. Afterwards, rules for food additives have been added as the company expands its business to cover processed foods. More recently,

when designing products, nutritional balance is also considered as one major factor since the lack of it is related to chronic lifestyle diseases and other health risks.

Pulmuone has designed the low GL(Glycemic Load) criteria and a healthy diet to address health risks associated with nutritional imbalance and to consider the criteria when developing its products. The low GL criteria were developed to measure social value of foods related to their health impact. The company is building its expertise and knowledge concerning metabolism and how living organisms work to deliver the values to consumers more clearly.

1. Low GL Diet
: Diets consist of wholegrains rich in dietary fiber, phytochemical, vitamin and minerals, beans, fruits and vegetables to prevent excessive insulin secretion and fat accumulation, and achieve nutritional balance

Milestones

- Authentic Wholesome Food Campaign (ingredients shown in the label, education on healthy taste, nutritional balance and job experience, etc)
- Concept product development based on the 10 principles of authentic wholesome foods (trust, healthy ingredients, no additives, Pulmuone nutrition guide, packaging criteria, complete labeling of food ingredients)
- Less sodium product development & campaign
- Zero Zero Metabolic Syndrome Campaign
- Low GL Diet Eat Slim
- ECMD Smart Kitchen(Low GL diet)
- Low GL product development for ORGA bakery & deli (food ingredients rich in dietary fiber and wholegrains)

2) 5S campaign

Background Pulmuone CSV has been extended to include 'LOHAS dietary life' and 'LOHAS lifestyle' building on its authentic wholesome food campaign. 5S activities(Sort, Set, Shine, Standardization and Sustain) have been defined as essential elements to practice the LOHAS lifestyle in daily life. To spread the campaign, storytelling-type educational materials have been distributed through various events along with producing 5S Implementation Cards. The campaign has been introduced in offices and production plants as well as partner companies to create a safer and more pleasant environment.

Milestone

- Pulmuone 5S concept concretization
- The 5S evaluation scheme designed
- 5S experts (license for Sort & Set consulting) training
- The 5th day of each month designated as the enterprise-wide 5S Day
- 5S activities implemented to improve the office environment
- Quarterly inspection on the production sites to ensure 5S implementation and improvement
- The 5S campaign extended to ECMD, ORGA Whole Foods, Pulmuone Duskin and partner companies

3) Industrial cluster development

Background In order to provide authentic wholesome foods to consumers as it has promised, it is pivotal for Pulmuone to secure safe and quality food materials. Pulmuone, therefore, applies standards more rigorous than domestic laws to secure food safety, and has signed food purchasing agreements with local farming communities for direct transaction. It offers technology transfer and training on quality control and productivity improvement while providing quality seeds to food producers. Signing direct purchase agreements with food producers contributes greatly to farmers' income as it helps them secure sustainable income source. To be supplied with quality and safe food materials, Pulmuone nurtures and supports honest and hard-working organic farmers and GAP(Good Agricultural Practices) farmers.

As Pulmuone's business grows, it becomes increasingly important to have long-term partnerships with partner companies and ensure higher productivity and safety of products based on its superior technological capability and higher quality. Pulmuone transfers its technology and SCM system to partner companies for inclusive growth and win-win collaboration with a dedicated organization in place to manage product quality, technology, hygiene management of partner companies.

Milestone

- Technology training, R&D support and quality control office for partners
- Potential to build industrial cluster by relocating the OEM tofu plant to Eumseong
- Trainings on bean faming techniques for farming communities (technology transfer and purchasing agreement with the 80-acre farm in Munkyung, North Gyeongsang)
- Business model developed for inclusive growth by helping Woori Village in Ganghwa Island to launch bean sprout products (collaboration cluster to help technology support, quality control and sales agreement signing)
- Bean tofu production in Yeoncheon after signing an MOU with Yeoncheon, Gyeonggi,
- Acid-free seaweed production after signing an MOU with Jangheung, South Jeolla
- Increase in GAP farmers for Pulmuone Health & Living and Foodmerce
- Trainings for organic green juice ingredient producers with technology transfer and long-term procurement contracts
- ORGA Meister (ORGA's accreditation regime to evaluate premium organic producers based on the rigorous criteria and designate those who pass the high standards as Green Meister in order to offer only the highest-quality products to customers and respect hard-working and honest producers)

2014 CSV Activities

Better package communication to consumers

Pulmuone worked to deliver more accurate information on product properties to consumers through the authentic wholesome foods principles, product concept emblem and taste description.

1) Package communication principles

1. Use of ingredients free from harmful substances and with clear information on the places of origin
2. Exclusion of GMO(Genetically Modified Organism) and irradiated materials
3. Ingredients free from antibiotics or growth hormones
4. No hydrogenated oil containing trans fat
5. No synthetic preservatives, coloring, flavoring, sweeteners or MSG
6. Compliance with the Pulmuone nutrition criteria on calorie, sodium, sugar, saturated fat, etc
7. Compliance with Pulmuone Food Safety Management System
8. Environmentally safe packaging materials free from environmental hormone (e.g. bisphenol A, phthalates)
9. Compliance with Pulmuone's strict temperature management criteria from production to delivery
10. Disclosure of all ingredients of a product and their usage



2) Taste description

For renewed packages of the existing/new products, Pulmuone uses carefully selected and combined words that can express tastes of the used ingredients and flavor of the nature in order to communicate the distinct taste of products.

► Generic words for the Ramyun category have been replaced with more concrete words that can accurately express the taste of nature and connect the taste with natural ingredients in the product.

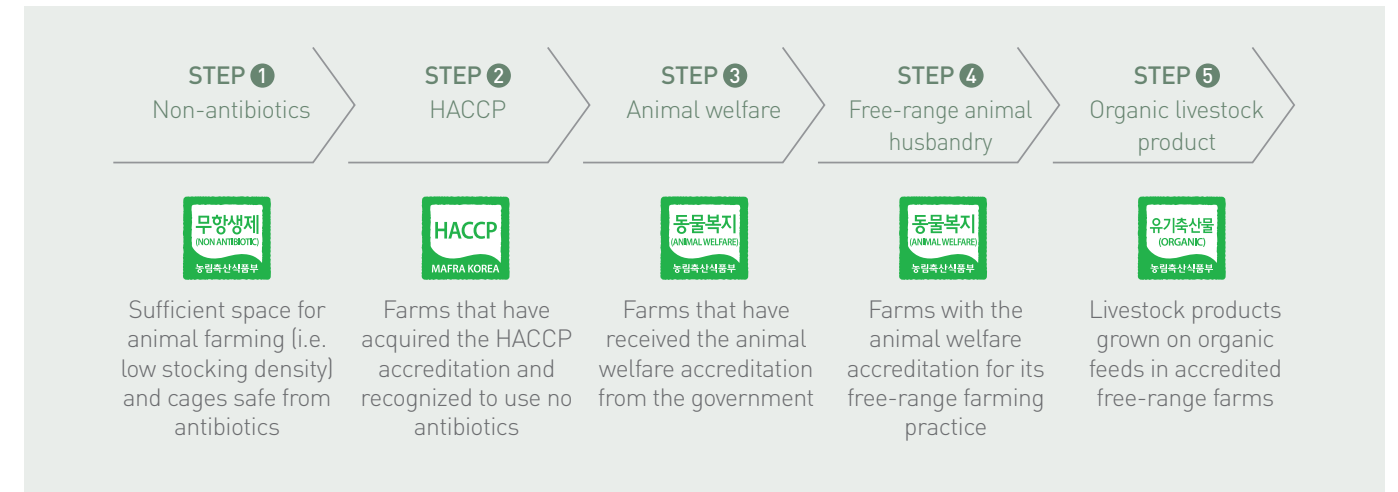
3) Package communication reinforced for authentic wholesome foods

Pulmuone has developed new products which contain ingredients, additives and nutrition more faithful to the concept valued by consumers, and communicated the concept by placing the Authentic Wholesome Food tag for all of the new products.

ORGA animal welfare concept

ORGA Whole Foods has acquired the government's animal welfare accreditation for its pig farm in Icheon. It has also established 5-Step Rating System to apply the animal welfare concept to more livestock products.

[ORGA 5-Step Rating]



Zero Zero Metabolic Syndrome Campaign

Pulmuone joined hands with apartment management offices of Jungrang district when rolling out its 'Zero Apartment' project to make its Zero Zero Metabolic Syndrome Campaign stay relevant. It launched various programs to encourage engagement of residents through semi-annual health clinic check-up and events (e.g. brown rice taste, replacing plastic bottles with glass bottles, stress release, etc) in parallel with the awareness raising campaigns that offer information on metabolic syndrome to residents. Pulmuone also offered 'Health Class Coming to Meet You' that pays visits to the underprivileged and low-income families in the apartment complexes to give a lecture on the healthy lifestyle that helps prevent the metabolic syndrome in partnership with the local rehabilitation centers. Using the partnership, Pulmuone has also operated health classes under the themes selected by the rehabilitation centers along with the shorter-term educational programs on dietary habit and immunity building habits.



In October 9, Pulmuone held 'the 2nd Zero Zero Metabolic Syndrome Festival for Families' in Children's Grand Park where various booths were installed to advise participants about healthy lifestyle to overcome the metabolic syndrome. Activities organized by the booths include finding environmental hormones that induce obesity, measuring environmental hormones in beverages, designing a diet on brown rice and vegetables, relieving stress and walking right. Participants who visited 5 of the booths or more were offered brown rice as prize. Approximately 700~800 people came to the festival and among them, 400 people received the brown rice as reward for active participation. Mothers Support Network donated 100kg of brown rice for the festival.

Happiness Project by ECMD

ECMD launched Happiness Project in partnership with Songpa district. It distributed authentic wholesome foods at the Songpa Food Market welfare recipients and donated Pulmuone food products on a quarterly basis. It also delivers nutritious and healthy meals freshly cooked and packaged by Pulmuone once per month to 130 low-income households in the district suffering from malnutrition. In addition to this, various activities were organized including Happy Meal Truck, which distributes free meals to seniors on welfare in various locations and Kimchi Making Event rolled out with the assistance of 30 employees.



Good Cleaning Class

With the increasing health risk coming from ever-present fine dust in the air, Pulmuone Duskin expanded the target audience of its Good Cleaning Class at Lotte Mart Culture Center launched in winter of 2013 from children to include adults by adding classes for cleaning up the house(5S). Adults who attended the class were taught various cleaning tips optimal for different spaces in the house and how to implement the tips in daily lives.

Stakeholder Interview

Where should the Authentic Wholesome Food Campaign be headed to create more shared values?

In terms of CSV, the campaign is working very effectively. According to our survey, those who have participated in the Authentic Wholesome Food Campaign showed more positive perception toward Pulmuone's social responsibility, corporate image, and product reliability. To make the campaign more sustainable instead of one-off event, I think it would be more effective and efficient to have a separate education center to carry out the campaign in the longer term.

| Song, Hae-Deok, Professor of Chung-Ang University



Significance

As a leading LOHAS company that cares for both humans and nature, 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 best foods in consideration of health, nutrition and the environment, safe from additives and harmful ingredients for health and happiness of families.

2. Authentic wholesome food champions Each business unit becomes the champions of the authentic wholesome food campaign to develop and execute business models.

Management

| Policy

Aspiring to create a society that deeply considers both humans and nature by engaging more customers in the LOHAS lifestyle, Pulmuone has aligned its 'Love for Neighbor' and 'Respect for Life' with the principles advocated by the UN Global Compact.

| Activity

1. Session D Pulmuone opens Session D to identify, monitor and improve areas important for management beyond business as usual. Session D's agenda includes authentic wholesome food and sustainability management

Milestone

1. CSV through product & market

(1) Authentic wholesome product launch : Products with less sodium (15% ↓ sodium vs. existing products), Low GL products

(2) Consumer communication : Messages for good eating habits communicated through package and campaign ('don't drink salty soup too much' message inserted on front & back side of noodle product packages)

(3) Education : Good food campaigns and cooking classes for kids, trainings for cooks at childcare centers, etc

2. CSV in the value chain

(1) Farms encouraged to produce cage-free eggs for animal welfare : 'Animal Welfare Certification' approved by Animal and Plant Quarantine Agency

(2) GAP-certified farm products launched (5 items including winter grown cabbage)

Authentic Wholesome Foods

Consistent expansion

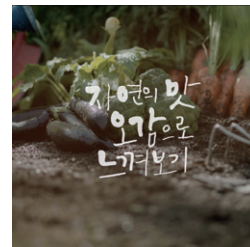
Pulmuone continues to carry out the campaign by using 'Good Foods Song' as a major tool to spread the message.

[Taste of Nature, Authentic Wholesome Foods]



2012

Good Foods Song



2013

Good Foods Tasted through 5 Senses



2014

Make Friends with Good Foods

Taste preference developed in childhood last lifetime.

The campaign rolled out in 2014 titled 'Make Friends with Good Foods' proposes concrete and practical ways to get accustomed to the taste of nature by growing vegetables or cooking for oneself. Children who avoid eating cabbage have an opportunity to see how cabbage is grown and children who just hate beans get to cook beans. Through the positive experience, children naturally feel familiar to vegetables they didn't love and gradually come to like their natural tastes.

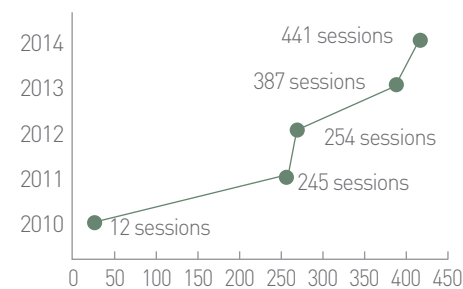
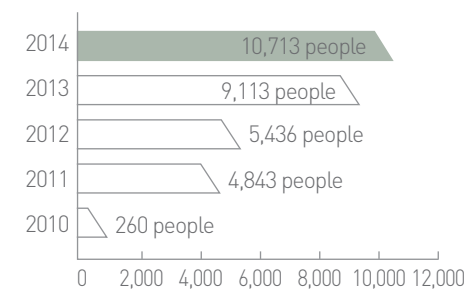
'Food for Change' to lead the authentic wholesome foods campaign

'Food for Change' is a non-profit social enterprise dedicated to establishing a good dietary life and providing education on authentic wholesome foods. Pulmuone has rendered support in partnership with the Hope Institute by serving as incubator for the enterprise since October 2011. Pulmuone has delegated the role to lead 'Authentic Wholesome Foods Campaign', one of its mid-to long-term campaigns, to Food for Change. It trains Fuducators(Food+Educators) to be deployed in classrooms teaching the concept of authentic wholesome foods and how to choose such foods based on information on food additives, nutrients and the shelf life.

Authentic Wholesome Food Campaign: 5-year performances

Campaign period : 2010 ~ present
1,339 training sessions producing 30,365 educators for the past 5 years

■ Trainees ● Training sessions



Good Food School at KidZania

Pulmuone has opened a vocation experience center at Kidzania, a role-playing theme park for children, where children can be exposed to the authentic wholesome food culture. Approximately 40,000 children attend Pulmuone's Good Foods School every year.

EBSe English cooking class

EBSe has aired Pulmuone's English cooking class since February 2013. In the program, Pulmuone introduces recipes based on the company's authentic wholesome foods products to make healthy and delicious dishes for families. The program leads viewers to naturally learn about good foods and good eating habits while making dishes together with their families. Pulmuone co-produced 24 episodes of English cooking class with EBSe in 2014 and plans to further expand the efforts in 2015.

Authentic Wholesome Foods Products

No-flour dumpling, enjoy the bite-size pieces!

No-flour dumpling skin made of sticky rice and potato starch gives a smooth and chewy texture. It is very tasty and also comfortable for the stomach coming in cute mini-size, which is just loved by children who tend to feel uncomfortable to eating big dumplings.

Healthy vegetable rice

Pulmuone has become the 1st food company to introduce frozen ready-made rice mix product which contains rice polished less than 7 days before made into product and mixed with various grains including barley, brown rice, sticky rice, sunflower seeds, thistle plant and seasoned aster, all of which are known to be good for health. The ready-made rice steamed with other grains and vegetables is produced based on Pulmuone's distinct rice-cooking techniques. Now, consumers can get to eat healthy vegetable rice, which is very difficult to cook at home.

Stew condiments with no artificial additives

Liquid dishes such as stew tend to be highly seasoned for taste. Wishing to offer healthy condiments made only of natural ingredients without using any artificial additives, Pulmuone has found natural ingredients and extracts for a deeper and richer taste without relying on artificial additives used for almost all processed foods in Korea.



Green juice meets with lactic acid

'Organic Fermentation & Enzyme Green Juice' of Pulmuone is the first green juice product to be certified as organic processed food in Korea. It has 6 organic vegetables fermented by L. Fermentum extracted from beans and mixed with fresh kale juice containing enzyme to increase the contents of active ingredients and their absorption rate. 'Fermented Fruit & Enzyme Green Juice', which has apple, pear, strawberry fermented with L. Fermentum and mixed with pineapple, carrot and tangerine, is healthy and easy to drink, offering fruits and vegetables (10 types in total) of various colors to help consumers achieve nutritional balance.

Chia seed with great texture to chew on

Important as a food crop in Ancient Mayan time as suggested by historians, chia seeds are rich in omega-3 fatty acids. Pulmuone has launched 'Plant-based Lactic Acid Chia Seed', the 1st of its kind with 750 mg omega-3 fatty acids, produced through its distinct hydration process to retain the chewy and smooth texture of chia seeds while at the same time evenly spreading the high moisture contained in the seeds.

Eco-friendly packaging

Packaging materials used in food products largely use an adhesive to glue together 2 layers of film. Using a solvent-based adhesive is not technically illegal in Korea but Pulmuone has jointly developed water-based adhesive for its packaging materials with Korea Environmental Industry & Technology Institute in consideration of consumer health and environment.

The eco-friendly packing material has been used in Pulmuone tofu products starting from October 2013 and its application has been extended to cover condiments, ice, sauce pouches since 2014.



Water-based adhesive used in packaging materials for the environment sustainability



Stakeholder Interview

What's the positive outcome and room for improvement of Authentic Wholesome Foods Campaign?

While evaluating the campaign outcome, my understanding on Pulmuone foods has deepened and now I have stronger trust and faith in Pulmuone. I believe Pulmuone is strategically making a progress on sustainable management by joining hands with various institutions for structured trainings on authentic wholesome foods, a tool for sharing the healthy and good dietary habit with people and society. However, there should be more efforts to raise awareness of the campaign and Pulmuone may consider starting partnership with other educational programs and entities to boost participation by both adults and children.

| Song, Hae-Deok, Professor of Chung-Ang University



Significance

Food safety is the first and foremost issue of interest not only in Korea but also across the world. Pulmuone has a strict policy of offering 'authentic wholesome foods customers can be reassured to buy and cook for their loved ones'. To this end, Pulmuone has developed safety standards stricter than the government standards, which have been applied throughout the entire process from ingredient sourcing and production to distribution, and are improved every year, incorporating the latest research results.

Management

| Policy

Pulmuone is committed to establishing a preemptive regime to prevent or stop any accident/incident at its source to ensure food safety and quality control.

| Activity

Pulmuone monitors food safety information on an ongoing basis for prevention after identifying potential safety issues. The prevention efforts are reviewed at the monthly meeting. It has also defined internal standards in accordance with

relevant home/abroad regulation and is ensuring product/ingredient safety through periodic monitoring. It studies various analysis methods for new harmful substances to preempt any food safety issues. As for food poisoning prevention, Pulmuone continues to develop a method for fast detection combining IT with BT while deploying preemptive management system to control food poisoning.

Milestone

1. Special biomarkers(substances that boost certain characteristics of DNA to indicate the existence of a living organism) Clear criteria to tell unsafe products and more rigorous test criteria to detect residual pesticides to ensure safe ingredients sourcing

2. Pulmuone Allergen Management System A new paradigm for food safety

3. Safe food materials sourcing system (GAP certification) The HACCP system deployed in the company and partners, and safe food ingredients sourcing to upgrade sanitation in the production stage



Detection of unhealthy food materials

Unhealthy foods, defined as foods made of cheap or fake food materials or foods with false information on its contents, are increasingly detected in the market nowadays. Not only its number is growing but the method is also getting sophisticated every year. To solidify consumer trust, Pulmuone has identified materials likely to be used in unhealthy foods to find the right method to detect such materials. Its specially developed food DNA analysis method has been used to identify unproven oriental herbs and fisheries highly likely to be used in unhealthy foods with false claims. Thanks to the efforts, now Pulmuone is able to accurately tell 10 unhealthy Oriental herbs including fake ginseng, licorice, Korean angelica root, and verify fishery ingredients and their contents in fish pastes with scientific data to offer only the accurate information to consumers. Pulmuone has also developed an analysis method to identify biomarkers of spices as well as a plant biomarker analysis method using chloroplast DNA markers. Pulmuone will never cease its efforts to further develop its biomarker analysis for more ingredients to screen out unhealthy foods and provide only the accurate product information to consumers.

GAP supply chain

GAP(Good Agricultural Practices) products refer to those produced with farming techniques that block out all risk factors arising from crop cultivation to sales in order to ensure a safe and hygienic production. The GAP system has been facilitated by Codex(Codex Alimentarius Commission) and widely used in advanced agricultural countries. Pulmuone started to implement GAP on a full scale to assure safer and healthier foods to consumers. It has been refining GAP product management process, and generating safety indicators along with management manuals, all of which are applied in parallel with the government's accreditation criteria to have a more rigorous management practice in place. In combination with such structured management, Pulmuone works to communicate with consumers based on accurate, scientific data by showing safety indicators for residual pesticides, heavy metals, toxic mold, and pathogenic microorganism. Pulmuone's most representative GAP product, 'Pulmuone Tasty Rice', is available in retail stores across the country and some of the vegetables used in food service business are also sourced from GAP producers. Pulmuone plans to increase GAP produce in its portfolio going forward to offer only the safe and healthy products to consumers.

HACCP system deployed

HACCP(Hazard Analysis Critical Control Point) is a sanitary management system to prevent any biological, chemical or physical risk factors from coming in or contaminating the food production process, which starts with materials production and ends with consumption by end consumers. In Korea, the Ministry of Food and Drug Safety is witnessed to strengthen the HACCP management criteria and add products subjected to the criteria. In response to this, Pulmuone has proactively

deployed the HACCP system in its plants and partner companies to control food safety more thoroughly. In 2014 alone, 7 Pulmuone plants as well as 21 vendor plants received the HACCP accreditation. Starting from 2015, products coming from new vendors will be subjected to HACCP, and existing supply chain partners that have yet to be certified with HACCP will receive technological support from Pulmuone.

Strict control of residual pesticides

Pulmuone invests tremendous time and cost in managing residual pesticides. It is absolutely essential for a food company that has to process agricultural produce in a large scale. Materials especially sensitive to the residual pesticide (e.g. organic green juice and eco-friendly produce sold by ORGA) have to go through inspection even before being stocked. Pulmuone had conducted the residual pesticide inspection to screen out upwards of 240 chemical substances. More recently, it has expanded the inspection scope to cover more than 390 substances by advancing analysis equipments and improving test methods for better safety. Pulmuone is determined to go further: It will continue its R&D endeavor to secure the capacity to analyze more than 500 chemical substances by 2015. This will enable the company to manage chemical substances that have yet to be registered in Korea, ensuring more thorough safety management of imported produce, and to control chemical elements whose residual limit has been defined.

Pulmuone Allergen Management System

Food allergens are increasingly becoming a global issue, changing the paradigm for global food safety, not just an issue confined to certain countries or groups. Food industry and authorities are also stressing the need for more rigorous control of allergens. Recognizing the shift in paradigm, Pulmuone has defined the allergen analysis method for high-risk foods including gluten, egg, peanut, shell, milk and etc, and scientifically verified an unintentional inhale of allergens in the production process. In doing so, Pulmuone has implemented preemptive management system to include allergen information on the product label for consumers to make an informed decision. Pulmuone is determined to expand scientific verification of allergens based on more accurate and detailed data generated through a DNA test on 13 registered allergens.



Stakeholder Interview

What do you think is a priority to achieve product quality and safety management in 2014?

We rolled out the PI(Process Innovation) project and standardized the quality management system, which starts from sourcing of fresh ingredients and clean production in accordance with GMP and HACCP, and ends with monitoring of market distribution and addressing consumer complaints to remove the root cause of an issue. The project, launched at Pulmuone foods and Foodmerce in 2014, will be extended to include subsidiaries and affiliates going forward.

| Cho, Sang-Woo, Head of Food Safety office of Pulmuone Corporate Technology office

What is the response process in the event of a food safety issue?

Pulmuone understands that food business is inherently delicate to manage since it can have a great impact on consumer health. The company, therefore, places the first and foremost priority on consumer safety by making the utmost efforts to thoroughly manage the issue. In 2013, Pulmuone established a food safety system to review and address any potential risks in workplaces on an ongoing basis and report them to a monthly meeting of the Crisis Management Committee where a materialized crisis is categorized into one of the 3 stages (1~3) based on its severity. If the materialized crisis is defined as the most severe and categorized into Stage 3 as a consequence, its status is reported to the Crisis Management Committee led by General CEO, a relevant department head, Holdings Technology officer, Head of Public Relations and put to a discussion to find the optimum response. If a safety issue still arises despite such preemptive efforts, Pulmuone works hard to drill down to the roots of a problem and address the concerns of customers.

| Cho, Sang-Woo, Head of Food Safety office of Pulmuone Coporate Technology office



Significance

As CCM(Consumer Centered Management) is gaining more importance, Pulmuone has acquired the CCM certification for proactive management of consumer feedbacks. Pulmuone promptly responds to any VOC, focusing on customer communication and immediately sharing the feedbacks internally.

to production sites. 'After' a complaint is received, it is first reported to the counseling office (1st layer) and the CS Center afterwards for a phone and face-to-face interview with the customer to handle the case promptly in accordance with consumer dispute settlement criteria. For maintaining and improvement, Pulmuone pushes for customer information integration, better institution for faster VOC handling, Group-wide e-CS upgrade, and CCM re-certification.

Management

| Policy

Pulmuone has worked strenuously to analyze underlying customer needs through VOC(Voice of Customers) and applied the learned lessons into the organization. Pulmuone bases its CCM on VOC to attain CSM(Customer Satisfaction Management). Pulmuone is working with partner companies for 'preemptive' management before consumer feedbacks, prompt customer communication 'after' negative VOC received, and 'maintaining' of the CCM process.

| Activity

For 'preemption', received VOC and VOE(Voice of Employee) are promptly shared with relevant departments and communicated

Milestone

1. CSI(Customer Satisfaction Index) Pulmuone received 90.7 CSI score in 2014, 7.6 points increase from 83.1 in 2013. For QA(Quality Assurance), Pulmuone conducts both internal/external evaluation to improve counseling capability of the CS Center on a quarterly basis and offers individual coaching based on the results.

2. Monitoring survey(MI) The MI score of the CS Center was 95.9 points in 2014, which is 1.9 points higher than the previous year (94.0). It is an index to show how compliant a center employee is with the counseling evaluation criteria. The center was evaluated to have an 'excellent' level.

Customer Communication

Consumer opinion collection



Pulmuone CS Center has deployed e-CS[Electronic Customer Satisfaction] as a VOC management tool.

Pulmuone CS Center has deployed e-CS[Electronic Customer Satisfaction] system as a tool to manage VOC. The system was upgraded in July 2013 to integrate VOC databases of all affiliates and subsidiaries. New functions were added in 2014 to collect and incorporate consumer feedbacks for better management.

A primary channel for VOC collection is the consultation office of the CS Center. Other channels include the company website, SNS channel and customer contact points on the frontline. At the CS Center, professional counseling staff has a session with customers to listen to their feedbacks, classifies VOCs and records them in detail to be saved in e-CS. VOC saved as raw data is afterwards analyzed on a periodic basis by CIS[Customer Information Satisfaction] to make it easily available and utilizable in relevant meetings and departments. Especially in 2014, CBDCs[Customer Behavior Data Consultant] were designated and received trainings following the direction from General CEO. The training was to improve their capability to analyze and process a massive amount of VOC big data. All of the activities demonstrate Pulmuone's strong commitment to CSM that can be achieved only when incorporating consumer feedbacks into its products and services.

The CS Center handles VOC for Pulmuone Foods, Pulmuone Health & Living, and Pulmuone Waters. As of the end of December 2014, a total of 134,885 VOCs have been received, a 0.6% increase from 134,131 feedbacks in 2013. Looked in detail, distribution inquiries went down by 0.8% with complaints about distribution declining by 9.8%, inquiries about products were reduced by 4.5% but complaints about products increased by 6.4%. Only a slight change was detected in distribution inquiries but complaints about distribution showed a decreasing trend. After discovering a majority of distribution complaints were related to the franchisee stores of Green Juice or Greenche, Pulmuone's training team has offered trainings via regular sessions or video clips. Also, CSM Part in charge of distribution has been changed into CCM Team to spread the CCM practices across the enterprise. Starting from the end of 2014, the CS Center has taken on the responsibility to take care of VOCs related to distribution, which means customers can expect a more prompt and considerate response to their feedbacks.

1) Pulmuone Foods

Pulmuone CS Center has been highly proactive in collecting VOCs by holding a periodic session listening to customer voice as part of the efforts to enhance the organization's sensitivity to consumers and nurture a market-oriented mindset. Pulmuone employees are dispatched to the CS Center to talk with consumers via phone, and listen to recorded or real-time calls. In the 1st half of 2014, heads of all business units paid a visit to the center to listen to recorded consumer calls, and in the 2nd half, participation was extended to include product planners and quality managers to make Pulmuone people more responsive to VOCs.

Senior executives also have an opportunity to listen to the recorded VOC calls through the periodic SCS[Strategic Customer Satisfaction] session. They get to know what customers really feel and think about Pulmuone by listening to the unabridged, unedited recordings.

By listening to VOCs, the management identifies issues, plans improvement initiatives and offers feedbacks to make Pulmuone more tuned into its customers and improve its product and service quality.

2) ECMD

ECMD operates 8 channels to collect real-time customer opinions anytime and anywhere to maximize customer satisfaction. It has also deployed the VOC system that can expedite the process that starts with VOC receiving, making a response and monitoring an improvement, and ends with managing Happy Calls. Collected customer opinions are shared and reviewed on a daily/weekly/monthly basis to be reported to relevant councils.

¹⁾ CSMS : Customer Satisfaction Monitoring System

▷ Online channel

- Website : Measures are taken in less than 10 hours upon receiving VOC via the website. Follow-up measures are also taken to prevent any recurrence of the situation that had led to the VOC.
- CSMS¹⁾ : An online monitoring survey was introduced for the 1st time in the industry. The company conducts a satisfaction survey on 1,200 panelists from client companies every 2 months and takes follow-up measures by introducing improvement initiatives and sending mails on the survey results to individual panelists.
- 080 call : VOC received and responded via a phone call. Operated by CS Team
- Tablet PC survey : Tablet PC-based survey to see the results on the spot, enabling immediate response for improvements.

▷ Offline channel

- VOC post box : Receives feedbacks and suggestions via VOC postcards written by restaurant visitors on the spot.
- CSI paper survey: Survey results and the long-term customer management plan based on the results are disclosed in the hall using POP for proactive improvement activities.
- Mystery shopping: Monitoring agents acting as customers visit stores and watch how sales staff responds and the store atmosphere. This is largely used to identify issues in concession stores or rest stop malls. Initiatives are implemented to better the service quality.
- HQ customer monitoring: Used for a field visit by HQ CS Team. It collects customer opinions through 1:1 customer monitoring.

Customer data security & compliance

Pulmuone deems customer data 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 customer data security protocol, Pulmuone informs customers about the purpose and method of the personal information utilization and the measures the company takes to protect the personal information

Customer Satisfaction Survey

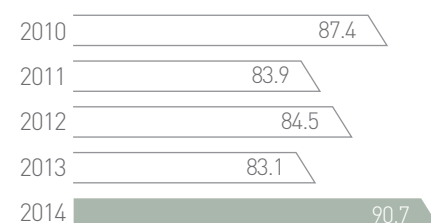
CSI (Customer Satisfaction Index)

The CSI score for 2014 recorded 90.7 points, 7.6 points higher than 83.1 in 2013. This is the result of conducting both internal and external QA evaluation, and repeating evaluation and individual coaching on a quarterly basis in order to improve the counseling capacity of the CS Center. The decision, made in early 2014, has bettered the overall consulting capability of the CS Center. Better counseling service, in turn, boosted customer satisfaction. The overall satisfaction score remained high across various sectors and areas for 2014, but rooms for improvement were discovered in 'efficient work handling by the staff', 'prompt response' and 'accurate answer for customers'. Since the counseling staff's capability for efficient work handling is the most crucial factor to determine the service quality of the center, Pulmuone plans to work on the issue by focusing on the CS training session for 2015.

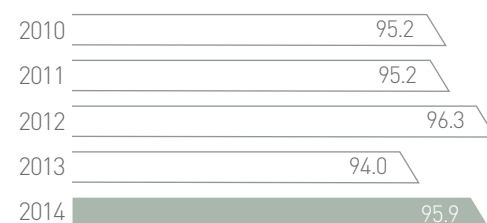
MI(Monitoring Index)

The MI score of Pulmuone CS Center increased 1.9 points from 94.0 in 2013 to reach 95.9 in 2014. MI is an index to measure the compliance level of the center's counseling staff with the evaluation criteria. According to the survey, the compliance level has been confirmed to be excellent with a slight room for improvement identified in the area of 'attentive listening', which was the result of the service management priority placed on the response rate. Realizing this, Pulmuone will come up with a methodology to evenly manage both the response rate and the counseling quality while at the same time rolling out a training program to enhance the staff's capability to listen closely to customers who want to receive a consultation from the center.

[CSI]



[Monitoring]



Consumer Satisfaction Policy

Pulmuone Health & Living, Foodmerce and ORGA Whole Foods received the CCM certification at the 'CCM certification ceremony and best practice sharing for the 2nd half of 2014' held by the Korea Chamber of Commerce and Industry on December 11, 2014. After Pulmuone Foods became the 1st food company to be certified with CCM in 2007, Pulmuone Health & Living, Foodmerce and ORGA Whole Foods followed suit in 2010. ECMD soon followed by becoming the 1st food service company certified with CCM in 2012. It is a remarkable feat to have all of its subsidiaries and affiliates be certified with CCM.

1. Pulmuone Foods

The existing VOC process collected feedbacks from customers who had purchased products and used the staff services, and analyzed the VOCs to turn them into business assets. But more recently, Pulmuone Foods has changed the process by looking at the underlying needs of the customers who are not voicing their opinions out loud. It also examined whether the collected VOCs are really aligned with those of the silent majority by measuring the accuracy and volume of the VOC data to solidify the loyal customer base and increase the corporate profit. To sustain high business performance, Pulmuone CS Center has changed the title of VOC managers into CBDCs(Customer Behavior Data Consultant), signifying they are not just managers playing only a reactive role in the VOC gathering process but consultants who strategically leverage VOCs to actually improve business. In 2014, the VOC education and big data project was rolled out to grow competent CBDCs. The company will continue to increase the capability to design initiatives based on VOC and carry out improvement efforts.

2. Foodmerce

Having introduced CCM in 2010, Foodmerce has established a system and a dedicated team for preemptive management of consumer complaints and prompt response. Foodmerce received the CCM certification in 2011 for the 1st time in the food distribution industry and received a commendation from the Fair Trade Commission for its sustained maintenance and improvement on the 17th 'Day of Consumers' in 2012. Starting from 2014, Foodmerce reinforced its regular CCM training for employees and has worked to create consumer-oriented corporate culture by issuing CCM reports, which enabled the company to be re-certified with CCM in the 2nd half of 2014. The recertification led CCM to take a firm root within the company.

3. Pulmuone Health & Living

Pulmuone Health & Living was certified with CCM in 2010, recertified in 2012 and acquired the recertification again in 2014. For the 2nd recertification in 2014, Pulmuone Health & Living established basic principles of CCM and a CCM team for

operation, and analyzed VOCs on a daily/weekly/monthly basis, placing customer satisfaction at the center of all its business decisions and activities. It helped the company find out the hidden customer needs that could go neglected and incorporate them into marketing and business activities. The company changed the secretariat name into CCM Team for customer relations and response as part of its efforts to enhance product and service quality from the consumer/customer perspective.

4. ECMD

ECMD acquired the CCM certification in January 2012 and recertification in December 2013 after named as Good Practice Company. As reward, ECMD received incentives such as having the CCM mark on its products, opportunities for corporate promotion, voluntary report of consumer complaints, and less severe punishment in the event of violation for 2 years until December 31, 2015.

5. Exofresh Logistics

Exofresh conducts the SQI(Service Quality Index) survey every year to measure customer satisfaction, and leverage the results as KPI. It also has Customer Support Team in place to better customer satisfaction.

Voluntary Market Withdrawal

1. Pulmuone Foods

Pulmuone Foods have removed products on its own initiative when they were found to have the potential to cause a problem or pose a risk to consumer safety in manufacturing or distribution process. Such voluntary withdrawals have occurred 24 times in total throughout 2014. The company also monitors and updates its voluntary withdrawal process on an ongoing basis to promptly carry out the removal work without making any errors.

[Number of market withdrawals by year]

Reasons for withdrawal	Voluntary withdrawals (# of cases)			Major factors
	2012	2013	2014	
Inaccurate labels	10	9	10	No or inaccurate expiry dates, damaged labels, etc
Defects	8	4	8	Missing products, strange odor, sensory detection of defects, etc
Products contaminated	2	2	3	Microorganisms exceeding the limit
Foreign substances	1	1	1	Foreign substances getting into products, etc
Other	2	1	0	Errors in reading bar codes
Total	23	17	22	

2. Pulmuone Health & Living

Pulmuone Health & Living sets a voluntary withdrawal process in motion when 3 or more customer complaints are submitted for products manufactured on the same date. There were 4 cases of voluntary withdrawal in 2014: (1) The company distributed for free to buyers Eat Slim A La Carte (expiry date: Feb 12, 2014) which turned out to have less-than-standard product weight and sent out a notice to consumers. (2) 'Plant-based Lactic Acid Rice' (expiry date: Feb 14-17, 2014) not satisfying the company's quality standards were replaced with other products at franchisees before being delivered to consumers. (3) 'I-Bogam' was withdrawn from franchisee after detecting an expiry date mismatch between the box and packets inside the box. (4) 'Black Therapy' shampoo that failed to meet the viscosity standard was stopped shipping out and those who were already placed in franchisee were removed or exchanged with other products for consumers.



Stakeholder Interview

How do you see Pulmuone initiatives to enhance consumer satisfaction?

Pulmuone CS Center boasts an excellent customer satisfaction level, the highest in the food industry. It offers counseling services for customers, more superb than those of other leading companies in electronics, communications and airline industry. Pulmuone never ceases its efforts to provide better services, and continue to challenge itself by regularly monitoring its counseling service quality and defining new strategic initiatives, which is leading to higher CSI scores.

| Bae, Ji-Yeon, Deputy Dept Head of Gallup Korea

Where should Pulmuone do more to improve customer satisfaction?

Our customers obtain information from digital media and become media themselves by spreading information they have. In other words, customers are building their power by leveraging digital media. In response to this, I believe Pulmuone CS Center should not limit its communication channel to ARS calls and diversify its channels for real-time communication with customers to promptly redress their complaints.

| Bae, Ji-Yeon, Deputy Dept Head of Gallup Korea



Significance

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'. To achieve its mission, Pulmuone produces indexes regarding energy, water, greenhouse gases and wastes for sustained monitoring on business activities that may impact the surrounding environment. ETS(Emission Trading Scheme) introduced in Korea starting from 2015, serves as an opportunity for Pulmuone to create new values. Even though Pulmuone is not one of the companies named to comply with TMS(Target Management Scheme), the company is actively pursuing greenhouse gas reduction initiatives to have its workplaces registered as KVER(Korea Voluntary Emission Reduction) businesses and purchasing emission rights.

wide environment safety committee makes decisions on environment strategy and policies to meet the targets. In addition, ES workshops and ES working-level council serve as channels to communicate with working-level employees in each workplace.

| Activity

Pulmuone has not been named as one of the companies that are obligated to follow the government's targets in ETS. But it has introduced strict criteria of its own accord to minimize air/water pollutant discharge throughout its production process while working to reduce energy consumption and greenhouse gas emissions from its buildings, products, services and supply chains.

Milestone

1. LOHAS Academy won Grand Prize(Prime Minister Award) at the 18th Energy Winner Awards of the year and another Grand Prize in the private sector at the Korea Architecture Award in 2014.

2. ORGA Whole Foods won awards at the 1st Green Store Contest for 2014 ORGA Bang-i store[Grand Prize] in small and medium-sized store sector, ORGA Dogok store[Excellence Award].

Management

| Policy

For environment safety management, Pulmuone plans to reduce its energy basic unit by 25% and water basic unit by 40%. General CEO leads Session E under the topic, 'Zero Waste' from its products and services, and the Group-

Economic impact of climate change

Even though Pulmuone is not categorized as high energy consumer to be managed by the government's greenhouse gas reduction target under ETS that comes into effect in 2015, the company has been involved in various efforts (i.e. high-efficiency equipment deployment, production process improvement, usage of new boiler fuels with less emissions) to reduce greenhouse gas emissions for the past few years, and registered itself as KVER(Korea Voluntary Emission Reduction) business under KEMCO(Korea Energy Management Corporation) to sell its emission credits to the government. Businesses obligated to meet the government's reduction targets in 2015 must buy carbon credits at the Korea Exchange if their emissions exceed the quotas assigned by the government. Pulmuone plans to sell to the government or the Korea Exchange its credits acquired by reducing its emissions through various green initiatives. To minimize its environmental footprint, Pulmuone is also working to reduce its net emissions into 'zero' by operating open general shareholders' meetings and plant tour programs as carbon neutral programs, planting trees to offset their emissions.

[Emissions reduction & profit from emission credit sales]

Initiatives	Greenhouse gas reduction (tCO2/yr)	Profit from emission credit sales to government (KRW)
Replaced the steam boiler LNG fuel (2007 ~ 2012)	6,168	56,559,529
Reused wastewater and waste heat discharged from the 1st and 2nd plants of Eumseong tofu to heat up the CIP process water, which helped reduce LNG usage (2011 ~ 2013)	1,056	11,950,752
Wood pellet boilers installed at the Eumseong tofu plant (2013 ~ 2018)	27,520(expected)	343,174,400(expected)

Policies to reduce environment impact

To minimize a discharge of air/water pollutants in its production process, Pulmuone has lowered its pollutant discharge limit to a half of the country's legal threshold. When wastewater is processed in the company's treatment facilities without going through a public wastewater treatment area before discharged into river, Pulmuone applies more rigorous water quality standards to make it qualified for agricultural water. Such strict standards are also applied to overseas business sites in China, Japan and etc.

[Pulmuone environment impact based on indexes]

Category	Sub-category	Unit	2008	2009	2010	2011	2012	2013	2014
Materials usage efficiency	Yield rate of bean products (Produced volume/ bean input)	%	367.6	373.3	380.2	360.9	401.3	414.3	321.0
Energy	Direct usage	kgOE/product ton	43.6	39.2	34.9	30.6	29.4	25.2	23.4
	Indirect usage	kgOE/product ton	60.2	54.3	49.4	43.8	42.8	39.7	38.4
Water	Consumption	m ³ /product ton	19	15	14	12	11	9	8
Greenhouse gases	Total emissions	1,000tCO ₂ /yr	57.5	61.5	66.2	78.0	81.7	82.1	73.7
	Emissions in production	1,000tCO ₂ /yr	34.1	36.1	37.5	38.5	38.3	35.0	32.7
	Emissions in logistics	1,000tCO ₂ /yr	22.7	23.9	26.7	31.4	35.0	34.8	35.5
	Emissions in service	1,000tCO ₂ /yr	0.7	1.5	2.1	8.2	8.4	12.2	5.5
	CO ₂ basic unit of production	tCO ₂ /product ton	0.232	0.203	0.183	0.161	0.156	0.130	0.108
	CO ₂ basic unit of logistics	tCO ₂ /KRW 1 mil.	0.058	0.052	0.056	0.065	0.067	0.073	0.074
	CO ₂ basic unit of service	tCO ₂ /KRW 1mil.	0.036	0.026	0.032	0.045	0.100	0.129	0.055
Waste	Discharge to river	m ³ /product ton	7.2	7.4	8.7	5.4	5.1	3.9	4.8
	Volume	Ton/product ton	0.108	0.089	0.066	0.053	0.049	0.031	0.035
	Recycling	%	99	99	98	98	98	96	99
	Landfill	%	1	1	2	1	2	%	1
	Incineration	%	0	0	0	1	0	1	1
	Environment investment & management expense	KRW 100mil.	57.19	56.86	35.18	50.78	37.73	58.94	45.74

Emissions reduction in service

ORGA Whole Foods signed an 'MOU on Low-Carbon Agricultural/Livestock Products Accreditation-Green Card' with the Ministry of Environment and the Ministry of Agriculture, Food and Rural Affairs on October 31, 2014. The MOU was signed based on the agreement by the 2 ministries, 4 food distributors including ORGA and a credit card company to work together to spread the green consumption habit across society. It aligns the low-carbon accreditation for agricultural/livestock products by the Ministry of Agriculture, Food and Rural Affairs with the green card scheme by the Ministry of Environment, and serves as a joint agreement by the food distributors including ORGA to encourage production and consumption of low-carbon products, and to reduce greenhouse gas emissions for green consumption.



Energy saving and greenhouse gas emission reduction by buildings

2LOHAS Academy certified as Passive House by the German Passivhaus won Grand Prize at the 18th Energy Winner Award of the Year (organized by Consumers Korea) and another Grand Prize for the private sector at 2014 Korea Architecture Award (hosted by Korea Institute of Registered Architects, and organized by the Ministry of Land, Infrastructure and Transportation, and Seoul Economic Daily).



The passive house building can be found in Pulmuone's training center complex, LOHAS Academy, located in Pyeongdan-ri, Cheongcheon-myeon, Goesan, North Chungcheong. The certified 3-story building (2 floors over ground, 1 floor under ground) was completed in last December on the plot of 3,251m². It has been used as a 'healing center for better lifestyle' for the youth and Pulmuone people. A passive house refers to a building very passive in using external energy sources, following rigorous and voluntary energy efficiency standards to reduce its ecological footprint by minimizing energy waste and blocking heat from leaking out. The passive house of LOHAS Academy has strengthened air-tightness and insulation, and installed an automatic ventilation system to minimize carbon emissions and lower energy usage by 80~90% compared to conventional buildings.

The passive house has passed the rigorous criteria of the German PHI(Passive House Institute), receiving both the preliminary and the main accreditations. The building's Primary Energy use is 113.3kwh/m²·a (*Primary Energy use in kwh/m²·a: energy use per unit area including energy for heating, cooling, hot water supply, lighting and ventilation in addition to the energy required to obtain, process, transport, convert fuel, and even losses of fuel in the process of supply), which is lower than 120kwh/m²·a, the criteria stipulated by the German PHI, clearly showing the high energy efficiency of Pulmuone passive house. It has received the energy efficiency rating of 1++ in Korea. Korea has an energy efficiency system for dwellings that has 10 ratings starting from 1+++ and going down to 1++, 1+, and 1~7 classes. The Primary Energy usage for each rating is 80kwh/m²·a, 140kwh/m²·a, 200kwh/m²·a, 260kwh/m²·a, and 320~700kwh/m²·a respectively. Energy efficiency is deemed to be higher as the Primary Energy use gets lowered. There are various reasons that helped Pulmuone passive house increase its energy efficiency: First and foremost, Pulmuone passive house has deployed highly effective airtight and insulation technologies that block energy leakage to minimize the building's energy usage. To increase its insulation, 3-layered low-emissivity glass has been used along with airtight, insulated windows and doors certified by the German PHI. Eco-friendly cellulose insulation recycled from newspapers was used as external insulation materials with the thickness of 300mm for floors and ceilings to minimize energy loss. In addition to all this, a rooftop garden has been created to further reduce heat loss and make the building blended into the surrounding nature.

Second, an automatic ventilation system has been deployed. The German PHI-certified air conditioning system has enhanced the heat reuse rate to 87% by recovering heat that might be lost in ventilation. LED lightings with high energy efficiency were installed in combination with the radiation heating/cooling leveraging the traditional floor heating technology of Korea for ceilings and floors. The passive house is regarded highly especially for Pulmuone's effort to keep its natural surroundings in tact (e.g. natural trails for a stroll, etc) and make it blended with the nature.

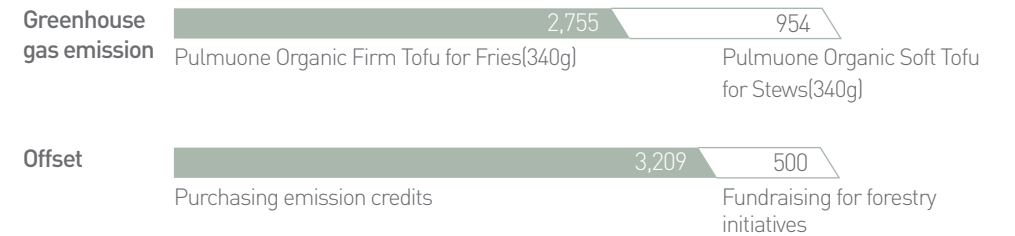
Emissions reduction in product aspect

Product certifications on carbon emissions	저탄소 (LOW CARBON) 농림축산식품부	탄소발행 000g CO2 환경부	저탄소제품 CO2 환경부	탄소중립제품 ZERO CO2 환경부
Product certifications on carbon emissions	Low-carbon agriculture/livestock products	Stage 1: Carbon emissions certification (Dec, 2008~)	Stage 2: Low-carbon product certification (Nov, 2011~)	Stage 3: Carbon-neutral product certification (Dec, 2014~)
Meaning	Low-carbon technology applied to the production stage to reduce emissions	Greenhouse gas emissions throughout the production process translated into CO2 emissions for certification	Stage 1-certified products with carbon emissions less than the average of the same product group	Low-carbon certified products whose emission is reduced to zero(0) through emission credit purchase or other reduction activities
Target	Eco-friendly or GAP-certified farms	Primary agriculture/fishery/livestock products, all products excluding medical products and drugs	Products certified in Stage 1	Products certified as low-carbon products in Stage 2
Certified Pulmuone products	Yeosu Polished Rice, Cheorwon Milky Queen, Meister Peach/Strawberry/Tomato, Chungju Apple, Uiseong Peach, Seongju Oriental Melon, Uiseong Sweet Apple, Gongju Totato, Gongju Sweet Potato, Carrot/Onion/Cabbage/Radish/Chinese Cabbage/Sweet Potato from Shincheonji Farming Association, Vegetables from Eunhwa/Sandelmok Farming Association	Pulmuone Local bean Tofu for Fries [300g], Pulmuone Local Bean Tofu for Stew [300g], Pulmuone Organic Tofu with Silky Texture [300g], Pulmuone Organic Tofu with Firm Texture [300g], Pulmuone Local Bean Two Cups Tofu for Stew [320g]	Pulmuone Organic Two Cups Tofu for Stews & Fries [320g], Pulmuone Organic Two Cups Raw Tofu [320g] Pulmuone Saemmeul by NATURE [2L], Pulmuone Saemmeul by NATURE [500ml]	Pulmuone Organic Firm Tofu for Fries [340g], Pulmuone Organic Soft Tofu for Stews [340g]

Pulmuone has joined the low-carbon agriculture/livestock product certification scheme and the carbon emissions certification scheme to reduce greenhouse gas emission in the product aspect.

The carbon emission label certification scheme is managed by the government. It consists of 3 stages: carbon emissions certification (Stage 1), low-carbon product certification (Stage 2), and carbon-neutral product certification (Stage 3). The carbon-neutral certification is given to low-carbon certified products whose emissions are reduced to zero through various activities. 'Pulmuone Organic Soft Tofu for Stews 340g' and 'Pulmuone Organic Firm Tofu for Fries 340g' have received the carbon-neutral certification for the 1st time in Korea's food industry. These carbon-neutral products emit 3,709 tons of carbon throughout the production process, which is planned to be offset by planting trees and buying emission credits.

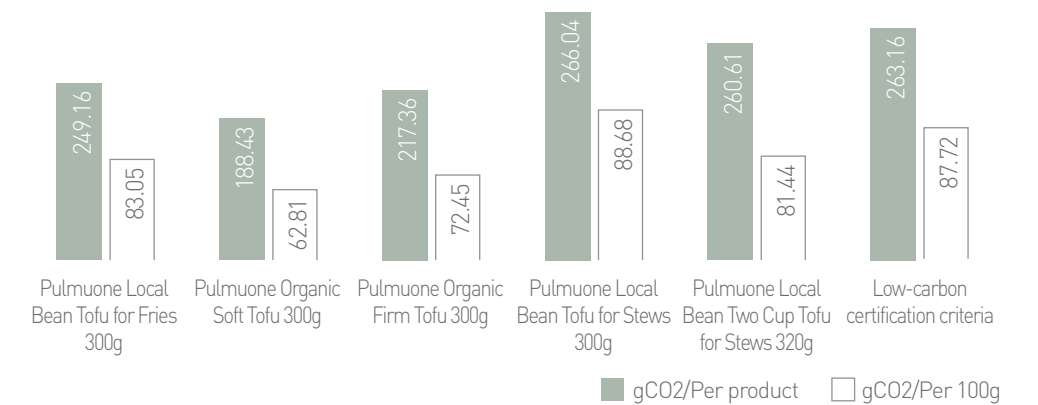
[Methods to offset greenhouse gas emissions from carbon-neutral products] (Unit:tCO2e/yr)



Environment impact reduction

Pulmuone has obtained the carbon emission label certification for its 'Pulmuone Local Bean Tofu for Fries 300g', 'Pulmuone Organic Soft Tofu 300g', 'Pulmuone Organic Firm Tofu 300g', 'Pulmuone Local Bean Tofu for Stews 300g' and 'Pulmuone Local Bean Two Cup Tofu for Stews 320g'. Products manufactured in Pulmuone Eumseong tofu plant will be certified as low-carbon products as they are produced in the plant with wood pellet boilers powered by renewable energy, significantly reducing greenhouse gas emissions in the production process.

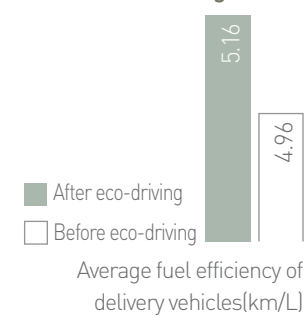
[Carbon emissions of certified products in 2014]



Energy-greenhouse gas reduction in logistics

To make a proper response to climate change, Pulmuone is making efforts to lower greenhouse gas emissions in its logistics. Exofresh logistics, for example, has reduced its annual carbon emission by 3.34 tons by introducing the eco-friendly dimmable LED lamps of high efficiency that minimizes heat generation and power waste by turning on the lights only when needed and maintaining the illumination at the lowest level possible during waits. To reduce environment footprint of its logistics vehicles, the eco-driving practice has been consistently implemented since September 2013. This has improved the fuel efficiency by 3.2% from 4.96km/L to 5.16km/L on average. The thermal storage refrigeration/freeze system has been also installed to control discharge of air pollutants to the indoor air including basement, and air spoilers are distributed to cut fossil fuel consumption by enhancing the fuel efficiency of cargo vehicles.

[Before eco-driving / After eco-driving]





ORGA Whole Foods winning at Green Store Contest

ORGA Whole Foods is a retailer of Pulmuone eco-friendly products. At the 1st 'Green Store Contest' hosted by the KEITI(Korean Environmental Industry & Technology Institute) in 2014, ORGA Bang-i and ORGA Dogok stores received Grand Prize(Environment Minister Award) and Excellence Prize(KEITI Award) respectively. ORGA Whole Foods runs 'Green Zone' within its stores which displays and sells a collection of products certified with the eco-friendly mark, gives extra benefit points when customers use the Green Card, rolls out 'Eco Bag Campaign' and offers 'LOHAS lectures' where attendees can visit eco-friendly farms and learn eco-friendly lifestyle so that customers can lead more environment-friendly lifestyle for themselves.

ORGA is practicing a range of green management practices: It sells upwards of 5,000 eco-friendly products with the eco label and best recycling certification, reduces greenhouse gas emissions by installing LED lightings in the stores and monitoring the energy usage, and uses eco-friendly packages including shopping bags made of sugar cane extracts to minimize its footprints on the environment.



Waste reduction

Pulmuone Waters is engaged in persistent efforts to reduce its environmental footprint and save cost as much as possible by minimizing the preform weight, a material for a PET bottle. Starting from 2009, the plant has continued its endeavor to reduce the preform weight. Thanks to the effort, it succeeded in reducing the 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' in 2013, and acknowledged as being compliant in the follow-up inspections on carbon emission label afterwards.

Ozone depleting substance control

Pulmuone has introduced the ammonia industrial refrigeration system, which is known to have virtually no impact on the ozone layer, in a bid to cut back on the usage of ozone-depleting substances. It is also using eco-friendly refrigerants for new facilities while managing the refrigerant charges for existing refrigeration systems.

[Ozone depleting substance emissions]

Year	2007	2008	2009	2010	2011	2012	2013	2014
Emission(kg)	1,339	3,695	3,239	3,572	3,888	4,224	3,237	4,408



Stakeholder Interview

How do you rate Pulmuone's endeavor to lessen its environment impact?

Pulmuone LOHAS Academy was named as Energy Winner at the award ceremony in 2014. Pulmuone should be highly commended for its efforts and heavy investment to develop methods, technologies and equipment for the passive house with the best energy efficiency in Korea, a country where any efforts to enhance energy efficiency of buildings has been mostly led by the government, not private businesses. Since pollutants are emitted throughout the entire product cycle from production and transportation to usage and disposal, Pulmuone needs to go beyond energy-saving to minimizing the usage and emission of pollutants throughout its supply chain. It is also well advised to cut the travel distance of food materials by sourcing as much local food materials as possible for processed foods.

| Lee, Eun-Young, Secretary General of Consumers Korea

Social Performance
 -Employees
 -Partner Companies
 -Communities
 Environmental Performance

CSR PERFORMANCE

Pulmuone offers only the best products with deep affection for humans and nature. Here is the overview of what Pulmuone has achieved for the past year while taking the path of a LOHAS company.

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Social Performance Employees

Employment Policy

Employment status & policy

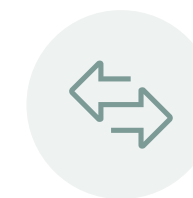
Pulmuone, guided by its fair and equal employment principle, does not discriminate against women or the physically challenged in its recruitment, hiring or treatment of employees, and endeavors to protect human rights for its managers and employees alike. The company has instituted a communication system to create mutual benefits for its labor-management relationship while promoting the work-life balance for employment stability. It also 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.



Equal
employment



Human rights
protection



Employee
communication



LOHAS
value
promotion

Personnel recruiting in principal business regions


Pulmuone recruits talents through the recruiting website or search firms for its offices in China and Japan. Applicants should be Chinese or Chinese-speaking Koreans, and Japanese or Japanese-speaking Koreans respectively. Applicants who pass the preliminary screening based on their resumes are invited to a job interview with the company. New hires who receive grades higher than the company criteria become candidates for Regular full-time employment after a probation period. Once qualified with the grades, they can be signed on as regular employees.

Employment composition

As of end of 2014, the total number of employees stood at 5,629 people. Aside from the Managerial/operational positions, the general HR structure centers around sales frontline, logistics/production, sales offices and cook/dietician.

Out of 5,629 employees in total, 2,535 are male and 3,094 are females. Women make up 55% of the total headcount and 36% of office workers and researchers, evenly spread across all job functions.


 Total employees(end of 2014)
5,629 people

 Females on the payroll
55%

[Employment status]

Year		2012	2013	2014
Employment	Total headcount (people)	4,968	5,175	5,629
	Managerial (%)	0.70	0.77	0.73
	Years in service (years)	5.3	5.4	5.3
	Job creation rate(%)	4.5	4.2	8.8
Turnover	Temporary employment rate(%)	11.1	10.2	11.8
	Regular (%)	1.7	1.8	1.4
	Temporary (%)	11.1	19.6	17.1
Female	Total (%)	2.74	3.61	3.29
	Share in total headcount (%)	56	54	55
	Office/research positions (%)	34	34	36
Physically challenged	Above managers (%)	18	21	23
	Share in total headcount (%)	0.5	0.5	0.5
Maternity leave	Employees on maternity leave (people)	72	94	101
	Maternity leave usage (%)	100	100	100
	Post-maternity leave return (%)	97	98	96
Childcare leave	Employees on childcare leave (people)	88	90	92
	Childcare leave usage (%)	122	96	91
	Post-childcare leave return (%)	92	92	95

[Employment by geography/gender]

Year		2014	
Headcount by geography	Seoul, Gyeonggi	male	1,459
		female	1,745
	Busan	male	61
		female	178
	Daegu	male	44
		female	176
	North/South Gyeongsang	male	187
		female	290
	Jeolla/Gwangju	male	174
		female	246
	North/South Chungcheong	male	575
		female	347
Daejeon	male	56	
	female	91	
Total		5,629	

* 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

Employee composition by job category/gender

As of the end of 2014, Pulmuone had 2,535 male employees and 3,094 female employees. The ratio of females is especially higher in event promotion(1,046 women) and cook/dietician(1,148 women). Event promoters and cooks/dieticians take up 70.9% of the total female employees.

[Employee composition by job category/gender]

Job category	Gender	2012	2013	2014
Operation/Managerial/ Work Support	Male	571	626	560
	Female	416	371	350
Subtotal		987	997	910
Sales	Male	459	430	476
	Female	103	161	219
Subtotal		562	591	695
R&D	Male	90	96	121
	Female	68	61	94
Subtotal		158	157	215
Logistics(Exofresh Logistics)	Male	34	35	39
	Female	6	6	6
Subtotal		40	41	45
Production	Male	435	477	519
	Female	214	210	231
Subtotal		649	687	750
Promotion/Store Floor	Male	33	17	6
	Female	1,291	1,223	1,046
Subtotal		1,324	1,240	1,052
Cook/Dietician	Male	578	701	814
	Female	670	761	1,148
Subtotal		1,248	1,462	1,962
Total	Male	2,200	2,382	2,535
	Female	2,768	2,793	3,094
Grand total		4,968	5,175	5,629

Executive-employee status

As of the end of 2014, Pulmuone has 42 senior executives(41 males, 1 females) and 794 middle managers(636 males, 148 females).

Year		2012	2013	2014
Headcount(employment type)	Regular	4,417	4,646	4,965
	Temporary	551	529	664
	Total	4,968	5,175	5,629
Years in service	Regular	5.8	5.9	5.9
	Temporary	1.2	1.1	1.1
	Total	5.3	5.4	5.3
Management(executives)	Male	35	40	41
	Female	1	1	1
	Total	36	41	42
Middle management	Male	615	623	646
	Female	112	130	148
	Total	727	753	794

Average male-female pay by job type

The average pay of Regular workers with 14 years in service stands at KRW 45,535,000 for males and KRW 36,764,000 for females, which takes up 55.3% and 44.7% of the total payroll expense respectively.

The average pay for male workers stands higher compared to the pay for females since women account for a higher portion in frontline jobs (i.e. cook/dietician) and the pay structure and grade differs depending on job type within the company. For example, there is no noticeable difference in the average pay between men and women when it comes to office workers in managerial or operation functions.

Job creation & turnover

The job creation rate for 2014 reached 8.8% with 3.3% monthly turnover rate, a slight decline from the previous year. Average years in service stood at 5.3 years, and the management accounted for 0.7% of the total headcount as of the end of 2014.

Year		2012	2013	2014
Employment	Total headcount (people)	4,968	5,175	5,629
	Management (%)	0.70	0.77	0.73
	Years in service (years)	5.3	5.4	5.3
	Job creation rate (%)	4.5	4.2	8.8
	Temporary employment rate (%)	11.1	10.2	11.8

New hires & employee attrition by gender

In 2014, Pulmuone newly hired 1,117 regular employees and 1,200 temporary workers, creating jobs for 2,317 people in total. New hires now account for 41.2% of the total payroll. Broken down by age group, those in 20s and 30s account for the bigger proportion with 590 new hires in their 20s and 375 new hires in their 30s. But in 2014, 2,221 people in total left Pulmuone (859 regular workers and 1,362 temporary workers). The employee attrition rate for temporary jobs increased compared to the previous year as promoter jobs started to be outsourced.

Year		2012	2013	2014
New hires (Regular)	Male	494	584	623
	Female	484	468	494
	Subtotal	978	1,052	1,117
New hires (temporary)	Male	89	86	128
	Female	563	626	1,072
	Subtotal	652	712	1,200
Total new hires		1,630	1,764	2,317
Hiring rate (%)		32.8%	34.1%	41.2%
New hires by age (Regular)	20s	508	525	590
	30s	325	353	375
	40s	117	129	104
	50s and older	28	45	48
	Subtotal	978	1,052	1,117
New hires by age (temporary)	20s	118	91	157
	30s	167	169	101
	40s	286	324	383
	50s and older	81	128	559
	Subtotal	652	712	1,200
Number of attrition (Regular)	Male	400	468	427
	Female	369	415	432
	Subtotal	769	883	859
Number of attrition (temporary)	Male	72	130	111
	Female	366	593	1,251
	Subtotal	438	723	1,362
Total attrition		1,207	1,606	2,221
Attrition rate(%) [monthly]	Male-Regular	0.8%	0.8%	0.7%
	Female-Regular	0.7%	0.7%	0.7%
	Male-temporary	1.1%	2.0%	1.4%
	Female-temporary	5.5%	9.3%	15.7%
	Total attrition rate	2.0%	2.6%	3.3%

Attrition by age (Regular)	20s	310	325	334
	30s	311	350	316
	40s	126	167	134
	50s	43	48	75
Attrition by age (temporary)	20s	65	104	120
	30s	90	110	130
	40s	189	354	485
	50s	73	148	627

Average years in service

The average years of employment were 5.9 years for regular workers and 1.1 years for temporary workers in 2014.

Year		2012	2013	2014
Years in employment	Regular	5.8	5.9	5.9
	Temporary	1.2	1.1	1.1
	Total	5.3	5.4	5.3

Talent Development & Growth

Pulmuone put a focus on growing Pulmuone people as 'knowledge workers' and developing their global business capacity in 2014. It first renewed and distributed the training contents via various channels so that employees can better understand the capabilities and work know-how required to grow as 'knowledge worker' while teaching concrete ways of implementation. It went on to add Chinese and Japanese courses to employee foreign language programs which had had only the English course before. Pulmuone also offered action learning-based programs to further develop business capability and leadership quality of HIPO(High-Performer).



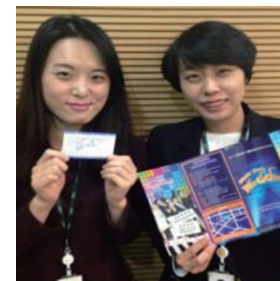
Leadership training

Pulmuone holds leadership training every year for employees to be promoted to a higher job grade as part of the company's efforts to better the capacity of leaders. In 2014, Leadership Basics, Leadership Growth, Leadership Advanced and Executive Leadership programs were offered for employees expected to be promoted for a higher job grade.

When planning training programs, Pulmuone offers tailored curriculum to leaders, taking into account their positions in the organization hierarchy and responsibilities. Among the leadership qualities the company deems necessary for its leaders, more important ones are selected to match the job type of each leader so that they can learn what they need to perform their jobs. The leadership training in 2014 was done in workshop or discussion to motivate employees to take part in actively. A relevant task was assigned to each trainee along with an opportunity to deliver a presentation on their assignment. Trainings were structured into preliminary, main and follow-up phases in order to change it from one-off event to a more systemic and sustained opportunity. Leadership Growth and Leadership Advanced programs especially focused on the main phase, placing 4 sessions and 8 sessions respectively for the main stage. To remind trainees of what has been learned during the session and continuously develop their leadership capability, Pulmuone sent out leadership letters to the attendees for 8 times after the training is over.

Mentoring program

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 organizations as their mentors. For ongoing interaction, Mentoring Day(semi-monthly) and Mentoring Workshop are held with monthly activity grants paid to mentees. The year 2014 saw 48 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.



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

Since 2011, Pulmuone has offered the knowledge worker program with the aim of maximizing employee capability to implement corporate vision and aspiration. The audience was extended in 2014 to include field workers so that they can also understand Pulmuone mission and vision along with the purpose of the assigned work. By putting up a poster on knowledge workers, Pulmuone increased employees' exposure to the concept and helped them learn about core capabilities in their own workplaces. In 2015 and onwards, the online course for knowledge worker training will be ready and available to all employees across the Group.

Foreign language class

Pulmuone has opened foreign language classes to develop global business capability of employees as the company expands its business overseas. The language class proceeds in small groups of 4~8 people. In the 1st half of 2014, 38 employees from 4 classes completed the 5-month course from March to July. In the 2nd half, the course

lasted 4 months from September to December, producing 45 graduates in 7 classes. During the 2nd half, each class was ruled to have no more than 8 people to maximize its effectiveness, and courses became more diversified with the addition of Chinese and Japanese to English.

Work-Life Balance

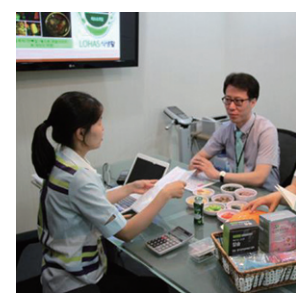
Zero Zero Metabolic Syndrome Campaign for Employees

In March 2014, Pulmuone rolled out 'Zero Zero Metabolic Syndrome Campaign for Employees'. In partnership with the Gangnam district health clinic, Pulmuone waged the campaign for 6 months during which 236 employees received the 1st round of health checkup to exam their metabolism. The campaign confirmed 45 employees to have the metabolic syndrome and 123 employees at risk. After the 6-month campaign was over, risk factors in employees' daily lives were reduced to 1.6~2.3 on average.



LOHAS nutrition program

Pulmuone invites clinical dieticians every Thursday to offer consultation on nutrition. It is a health management program to prevent or treat chronic lifestyle diseases including obesity, hypertension, diabetes and dyslipidemia. Employees can receive a total of 5 sessions of tailored consultations for their nutrient intake and health regimen. In 2014, 103 employees participated in the program to receive health advice. The participants reported some notable health improvements such as body fat loss(-1kg~9.4kg at maximum) and improvement in diabetes or dyslipidemia control.



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, and support for the 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 benefit riders on group insurance. Furthermore, the company has built 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 unique welfare system of LOHAS lifestyle for all its employees.

[Primary welfare programs]

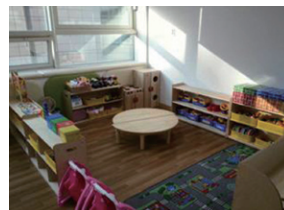
Program	Description
Cafeteria benefit plan	Pulmuone provides selective welfare system so employees can choose from various welfare options according to their own needs. The program offers fixed amount of welfare points per year to allow employees to use the points for options of their choices such as 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 healthy lifestyle, and allow a better access to purchase various health supplements, cosmetics, ORGA Whole Foods products at a discount.
Support for purchasing Pulmuone products	When employees purchase fresh raw foods, green juice, spring water, health supplements, Pulmuone contributes a 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 or volunteer work, they are supported with expenses to establish and operate a club. As of end of 2014, 50 clubs are in operation to have more than 1,000 employees as active members.
Group insurance policy (life/accidents)	When there are injuries or deaths of employees on the job or outside of the job, KRW 100 million is paid. Depending on individual contract or insurance riders, medical bills for cancer diagnosis and 2 major diseases (stroke, heart attack) can be supported or subsidized.
Access to resort facilities and LOHAS Academy	By opening up around 20 recreational facilities across the country, Pulmuone is funding holidays for its employees and their families. The company also allows employees an access to LOHAS Academy in Goesan, North Chungcheong, to try out LOHAS lifestyle.
Nutrition consultation	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	Pulmuone 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 Pharmaceutical WONANDONE Bullstone; 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.

Retirement pension plan



November 2011, Pulmuone introduced the corporate retirement pension program to assist employees in building their own assets to prepare for life after retirement. It was a decision to improve employee welfare, recognizing their needs to have income security in old age. Pulmuone has bought the DB(Defined Benefit) plan to assure employees the same amount of money to the existing severance payment.

Pulmuone daycare center



Pulmuone opened its 1st daycare center in the headquarters building on March 10, 2014. It takes care of children of employees not just of the parent company but also of subsidiaries. The daycare center in the size of 510m² uses eco-friendly materials and paints in consideration of health and safety of children. It is walled with Japanese cypress materials known to exude phytoncide, and colored with eco-friendly paints. It also features the moss wall which naturally controls humidity of indoor air, and spacious indoor playground. Opening of a daycare center in the company building has relieved the heavy childcare burden on employees, helping them focus on their work. As of end of 2014, the center is taking care of 32 children (maximum capacity: 74 children).

LOHAS lifestyle program

Aspiring to become a leading LOHAS company, Pulmuone encourages its employees to practice the healthy LOHAS lifestyle, and doesn't spare any efforts to support LOHAS life. The LOHAS lifestyle program consists of 4 major aspects: diet, mindset, body and environment. The program guides employees and their families to lead healthy life based on the LOHAS diet along with an access to LOHAS Academy more than once per year as a refreshing respite from hectic days in the city.



Diet	Inform what LOHAS life means by showing a diet nutritionally balanced with authentic wholesome foods that can prevent obesity or other metabolic diseases prevalent in modern life.
Mindset	Teach a range of ways (counseling, meditation, yoga, etc) to understand and control one's mind, conducive to maintain a peace of mind.
Body	Offer easy exercise tips in daily spaces (living room, bedroom, bathroom, office space, outdoors)
Environment	Share good practices to save energy and preserve the environment, and teach the importance of cleaning and the right cleaning habits to remove fine dust and other health risks in daily environment

Family camp at LOHAS Academy

LOHAS Academy, serving as a lifestyle healing center for its employees, has extended its 4-element program(diet, mindset, body, environment) to cover family members of employees as well. It supports not just employees but also their families to take up the desirable lifestyle habits. The camping program tries to involve all family members, exposing them to the beauty of nature as a refreshing rest. After the program is over, employees can practice Pulmuone values more easily at their home with the help of their family members.

Human Rights & Diversity

No discrimination: prevention & monitoring



Signing the UN Global Compact, Pulmuone has aligned its business strategy in human rights, labor, environment and anti-corruption with the 10 principles of the Global Compact, and is fully committed to eradicating discrimination in employment and occupation following Principle 6("Businesses should uphold the elimination of discrimination in respect of employment and occupation."). In compliance with the Labor Standards Act, Pulmuone expressly stipulates in its corporate policy (refer to Article 5. Rules for Employment) prohibition of any discriminatory treatment based on race, gender, age, religion, social status, hometown, academic background, marriage status-pregnancy-childbirth, medical history, nationality and disability in areas from hiring and training to compensation and promotion. Thanks to the strenuous efforts to root out all discriminatory practices, there has not been one single case of violation for the past 3 years.

On the working level, 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 occurrence of discriminatory treatments or practices toward employees. For monitoring, it carries out periodic or ad-hoc labor inspection more than once a year (15 times in 2014) across its workplaces. Especially, right after the Act on the Protection of etc., of Fixed-Term and Part-Time Employees and the Act on the Protection of 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 discriminatory practices, if any, by re-examining the issue and focusing its efforts on filling the loopholes in institution or operation that can lead to any type of discrimination. In the regular labor inspection for 2014, Pulmuone reviewed all labor contracts of its employees to see whether there is any discriminatory treatment in the employment contract.

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. This is expressly stipulated in Global Compact Principle 4("Businesses should uphold the elimination of all forms of forced and compulsory labor."), and 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, Pulmuone always seeks consent for overtime work from a female worker in accordance with the Labor Standards Act when it has been less than a year since she gave birth to her child, prohibits pregnant workers from working overtime, at late night or holidays and lowers their workload during pregnancy. This is all part of its efforts to strictly abide by all relevant regulations to protect socially or physically disadvantaged people. Pulmuone also took one step further to guarantee the right of female workers in September 2014 by mandating workplaces to reduce work hours of female workers in less than 12 weeks or more than 36 weeks of pregnancy by 2 hours without cutting their salary. The less-workhour benefit used to be given only when it was requested by the person in question, but now the company has made it mandatory for all workplaces, spearheading the initiative for maternity protection.

Furthermore, Pulmuone stipulates in its employment policy and collective agreement that the company should allow menstrual leave, pre/post-childbirth leave(miscarriage or stillbirth included), paternity leave and less workhours 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 there is a justifiable reason, employees can take their time off whenever and however long (up to 6 months) they want, and return to their work as guaranteed by the company policy.

No child labor policy & monitoring

Abiding by Global Compact Principle 5("Businesses should uphold the effective abolition of child labour."), Pulmuone works to eradicate child labor and remains in full compliance with the Labor Standards Act and no child or forced labor policy of ILO(International Labor Organization). Pulmuone does not operate any business with high risk of employing child labor. The periodic labor inspection conducted at the end

Pulmuone sometimes places high school graduates at one of its business sites upon the request of high schools or relevant authorities. Some of these trainees are younger than 18 years old if they got into primary school at 7 years old and became high school seniors at 17 years of age. But these cases are not viewed as Pulmuone employing child labor since the company had no choice but to give an opportunity to these students to experience field work upon the request of public offices or high schools, and employing the high school graduates is unavoidable to help the schools and public offices train skilled technicians. To be sure, Pulmuone always pays appropriate wage to these field interns.



of 2014 confirmed Pulmuone has no child or juvenile worker aged 18 or younger. As of 2014, no partner companies of Pulmuone were involved with child labor and as Pulmuone strictly follows relevant regulations, it has made a firm principle not to transact with companies using child labor.

Female leadership development

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 irrespective of gender. 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, Pulmuone's female employee ratio is higher than other companies, and the ratio of female managers or executives is steadily increasing every year. In 2013, a special lecture on work-life balance for career women was held for female workers. In 2014, Pulmuone revised its evaluation scheme for those on childcare leave, which is not to place female workers at disadvantage when they are rated for promotion. It was part of the efforts to increase the ratio of female executives to 30%. Pulmuone plans to add more institutions to develop female leadership in the company 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
Counseling on child raising and education	Offer 1:1 counseling with a specialist
Lounge for female workers	Provide a cozy rest place with the heating floor and a lactation room for female employees
Pregnancy checkup leave	Provide 1-day monthly paid leave to examine the fetal health
More days off for childcare	Strongly encourage taking a half-day off for childcare 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
Childcare allowance for those on childcare leave	Offer childcare allowance up to 24 months to support those on childcare leave
Less work hours for pregnant employees	Pregnant employees are guaranteed to work less hours. The benefit is mandated and therefore automatically given; women don't have to submit an application if they got pregnant. [2-hour reduction per day in less than 12 weeks or more than 36 weeks of pregnancy]



Win-Win Industrial Relations

Freedom of association

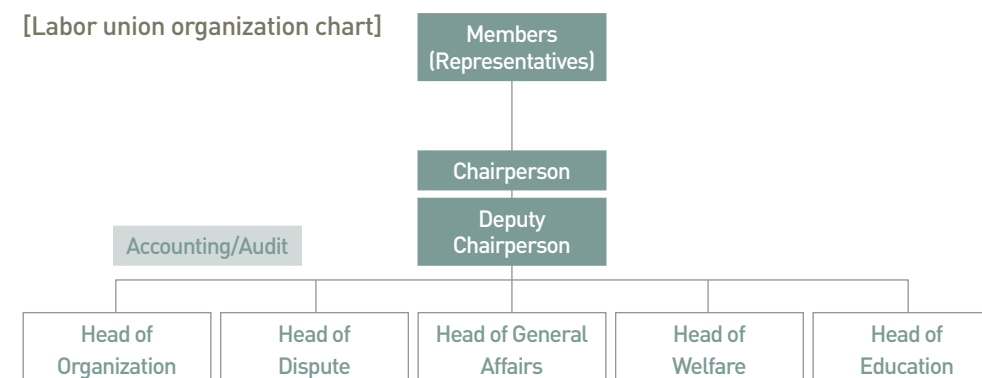
As stipulated in Global Compact Principle 3 (“Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.”), Pulmuone guarantees the freedom of association and the right to collective bargaining. In accordance with the Constitution, and the 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, and not a single complaint from employees. Plus, it has never been accused of having unfair labor practices which run counter to the freedom of association for the past 3 years. ECMD, one of the subsidiaries operating the service business, also completed a collective bargaining in good faith with its new labor union founded in 2014.

Thanks to all these efforts, Pulmuone is successfully establishing a more advanced labor-management relations across the Group. PPEC Eumseong Noodles, which has the largest labor union among Pulmuone affiliates and subsidiaries (116 union members and 100% participation among qualified employees), received the ‘Win-Win Cooperation’ certificate from the Ministry of Employment and Labor in 2011. Pulmuone is convinced there’s not a single business at risk of violating the freedom of association and collective bargaining. Even though Pulmuone is refraining itself from demanding the same preventive practices for its partner companies since it can be seen as interference of business toward its partners standing on an equitable footing, it tries hard not to have any transaction with those who don’t recognize the freedom of association.

Labor union structure

Pulmuone has 8 labor unions across the Group as of end of December 2014. A total of 67.8% of the employees have joined the unions. 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

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 2014, the agreed collective bargaining was directly applied to only 361 out of more than 5,600 employees across the Group, which is a mere 6.4% of the total workforce. However, Pulmuone applies the collective bargaining negotiated with the labor union of each workplace equitably to all employees in that workplace, which means it is applied to more than 560 workers entitled to join the labor union, around 10% of the total workforce.

Furthermore, when new welfare benefits are introduced as agreed upon by the collective agreement with labor unions, Pulmuone extends the scope of recipients to include those working in the sites with no labor union organized yet. This means the collective agreement can be applied to as much as 100% of all employees depending on specific cases. When the retirement age was raised to 60 years old, for example, through a collective bargaining agreement, Pulmuone made sure all employees are subject to the new retirement age.

(As of end of 2014)

Site	Pulmuone Health&Living		PPEC Eumseong fresh noodle	PPEC Eumseong sprouts	PPEC Chuncheon	PPEC Uiryeong	Pulmuone Waters	ECMD (Dongsan Medical Center)	Total
	Green juice	Health functional							
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	Company- level/ FKCWU of FKTU	Industry-level/ CTIU (Chemical and Textile Industry Union) of KCTU (Korean Confederation of Trade Unions)	Industry- level/ CTIU of KCTU	Company- level/ FKTU	Industry- level/ KCTU, Medical Solidarity	
Total (people)	101	79	154	53	86	96	123	33	692
Qualified people)	81	79	116	42	77	75	87	25	557
Union members (people)	79	78	116	12	25	20	31	15	361
Membership rate (%)	97.5	98.7	100.0	28.6	32.5	26.7	35.6	60.0	64.8

The retirement age was raised to 60 or older



Policy & 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. Bearing this in mind, Pulmuone engages its union representatives to share information through the Labor Management Council and takes appropriate consultation processes whenever there is a major change in its operation.

Likewise, for sites where there are established unions, the company consults with the labor unions to set basic direction for personnel policies based on the collective agreement. When it comes to any material changes in the company's operation such as partial outsourcing, 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 through periodic meetings. Since the Act on Prohibition of Age Discrimination in Employment and Aged Employment Promotion is scheduled to take effect in 2016, raising the legal retirement age to 60 years old or higher, Pulmuone signed in 2014 a collective bargaining agreement with its labor unions to raise the corporate retirement age from 55 to 60 before the law comes into effect. And afterwards, the company held a workshop on the new retirement age and its consequences to gather opinions of employees. Gathering opinions and building a consensus as part of proactive preparation certainly helped implementation of the change across the Group before the law is implemented. As for the job-based pay system scheduled to take effect in 2015, Pulmuone spent as long as 2 years from the 2nd half of 2013 to 2014 for preparation alone, holding employee workshops dozens of times where employees offered ideas and opinions, and distributing materials with detailed information to enhance employees understanding on the new payment system after its implementation. Pulmuone is improving its communication with employees across the company by providing information and consistently reinforcing its negotiation process.

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(KWP), publishing company magazines(monthly), conducting Occupational Safety & Health Committee(quarterly), institutionalizing the grievance redress system, publishing the annual 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 a sense of ownership and engagement of its employees as stakeholders.

1)KWP(Knowledge Worker Platform): Pulmuone Intranet

As mentioned above in corporate communication channels, the prior notice period varies depending on scale or importance of a planned change. If an operational change is material (e.g. an introduction of the job-based pay), it is notified at least 1 year before the expected occurrence but other changes are just noticed on a daily basis.

Communication channel	Cycle	Description
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
Annual Report	Yearly	Report major policies, performance, plans
Irumi proposal system	Ongoing	Handle employee grievance redress and proposal processing through internal system Better remedy grievances and improve policy
Performance management Interview (Communication for Success)	Semiannually	Jan-Feb: Goal-setting Apr: 1Q progress check Jul: 1H progress check Oct: 3Q progress check Following Jan: Performance evaluation
Grievance redress, ER(Employee Relations) face-to-face talk	Ongoing	Handle grievances of employees, and etc
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' Introduce company-related information and activities
SNS (Facebook, Twitter), blog	Ongoing	Voice of Customers, Voice of Employees, other information, etc.

Unfair labor practice alert process & its 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 places a human-resources and labor-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 issue handling. For the past 3 years, the company operated without any incidents of unjust disciplinary action or unfair labor practice.

Compliance status in employment

Pulmuone declares 'Trust for abiding by promises and rules' as one of its core values, which is the overarching framework to be applied to both internal and external stakeholders. Thus, Pulmuone strictly complies with all relevant laws that govern the labor relations, and works hard to always improve its labor practices by thoroughly examining its compliance status during its annual labor inspection. In 2014, the company reviewed compliance with all 84 rules based on the voluntary checklist distributed by the Ministry of Employment and Labor, and conducted more intensive inspection on 13 primary rules on labor contract, employment condition, collective bargaining, union member list generation and management, wage and severance pay, document management in accordance with relevant laws, maternity protection measures, employee vacation records, discrimination in recruiting and employment, sexual harassment prevention effort, employee grievance redress status, and outsourced contract management system.

Labor dispute status

In 2014, Pulmuone carried out labor-management negotiations regarding wage and an amendment of the collective agreement at 8 of its business sites which have formed their own labor unions. Thanks to the increased mutual understanding between the two sides, all negotiations were settled without a single incident of labor strike or collective action. 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. In November 2014, however, Pulmuone employees who are members of the Eumseong/Jincheon branch of the Cargo Truckers' Solidarity Division under the Korean Confederation of Trade Unions had a collective action similar to labor strike for 6 hours. It just happened without having any negotiation or attempts for negotiation with the management. Pulmuone resolved the issue smoothly after

the sudden collective action, based on Global Compact Principle 3('Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.') by having in-dept negotiation with the Cargo Truckers' Solidarity Division. Since then, Pulmuone has held monthly meetings with the labor union division to exchange opinions and have negotiations if necessary on an equal footing.

Grievances resolved through official redress mechanisms

Pulmuone operates Labor-Management Council and Grievance Redress Channel as official mechanisms to handle employee grievances. In 2014, 88 cases of employee complaints and 33 cases were resolved by the council and the redress channel respectively.

Pulmuone workplaces subjected to human rights inspection & evaluation

All of the 21 business sites of Pulmuone (overseas sites excluded) go through a human rights inspection every year. As of end of 2014, all of Pulmuone's domestic workplaces (100%) completed human rights and labor examinations and evaluations.

Workplace Safety & Employee Health

Labor-management agreement over 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, Pulmuone has established ES (Environment & Safety)/QTM(Quality & Technology Management) Department to oversee issues of environment safety, and occupational safety and health while at the same time installing a working group in charge of the same issues at each subsidiary and affiliate. In addition, the company actively confers with the 8 labor unions on issues of occupational safety and health as agreed upon during the collective agreement.

For example, in the case of a health supplement plant located in Jeungpyeong, North Chungcheong, its labor and management have agreed that as many as 5 articles out of 84 articles -including additional clauses- from the collective agreement, to be about occupational safety and health. The 5 articles including additional clauses are as follows: 'the company shall take necessary steps to prevent disaster and disease, 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 at other medical institutions 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 the Occupational Health and Safety Act (Article 58).

Lastly, PPEC Uiryeong which produces Pulmuone tofu reaffirmed the labor-management commitment to occupational safety and health by signing "Joint Declaration by Labor and Management to Create Production Fields and Society Safe from Harmful Substances" with Pulmuone Uiryeong branch of Busan, South Kyungsang Office of CTIU(Chemical and Textile Industry Union) under KCTU(Korean Confederation of Trade Unions).

Injury, illness & absence rate

Pulmuone puts in a great deal of effort across the Group when it comes to the occupational safety and health but unfortunately, in 2014, 5 employees in total were injured by accidents. The average number of days injured employees took off from work for treatment was 88.8 days. Assuming 250 working days as the annual average for more than 5,600 workers including both regular and temporary workers, the absence rate from occupational injuries across the Group is 0.0317%.

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. It carried out C-Cubic activities to enhance employee satisfaction 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. Thanks to the efforts, Pulmuone has been named as one of the '100 GWPs in Korea' by GWP Korea for 5 consecutive years, contributing greatly to advancing the corporate culture in Korea by spreading the belief that 'a good company should create a good workplace for employees' and 'human resources are the best competitive edge of a company'.



The absence rate due to injury stood at 0.0317%.



Social Performance Partner Companies

Fair Trade & Win-Win Growth

Fair trade

Pulmuone introduced CP(Compliance Program) for fair trade in December 2006 to be more proactive in implementing TISO practices and take the initiative in driving business activities in a fair and transparent manner as advised by the Fair Trading Act. By doing so, Pulmuone is creating a corporate culture and business practice to comply with transaction regulations, and prevent breaches against relevant laws to measure up to the leading global companies in a market environment as envisioned in the Fair Trading Act.



Socially responsible management



Fair/transparent management



Eco-friendly management



Innovative management



Creative management

Fair trade status

When CPs of many businesses were deliberated by the Fair Trade Commission, Pulmuone's CP was highly recognized for its excellence, receiving the AA grade for Pulmuone Foods, and the A grade for Foodmerce. CP, which stands for Compliance Program, is a compliance system to encourage businesses to voluntarily abide by fair trade regulations. CP serves as a clear compliance guideline to prevent a breach in the early stage.

Fair trade compliance pledge

Every year, Pulmuone employees write a pledge to comply with fair trade when they undertake their work and submit the document to the ERP HR system of the company as a token of their understanding of the fair trade compliance program to engage in fair and transparent business activities.

Disclosure of fair trade compliance program status

Pulmuone disclosed its fair trade operation performances during the 1st half of 2014 and future plans at the electronic disclosure system of the Financial Supervisory Service. It is to provide information on its fair trade CP to stakeholders and bolster the capacity to implement the program.

Compliance council

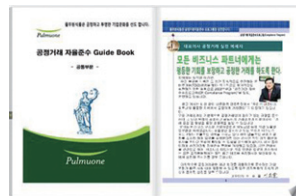
Pulmuone holds a compliance council every quarter attended by compliance council members, leaders and CP managers across the Group to share fair trade issues and internalize the compliance culture.

Revision of fair trade compliance e-book

In a bid to offer an easy access to fair trade compliance manual to its stakeholders, Pulmuone has produced an online compliance book and uploaded it at its website. The book also features cartoons and relevant case examples to help readers more easily understand fair trade, franchise business and the Fair Transactions in Subcontract Act, important topics in its business. The fair trade compliance e-book is continuously being updated to reflect changes in the relevant laws and the company's management status in 2014.

Fair trade law e-book

Pulmuone has produced a guidebook on the Fair Trading Act, the Fair Transactions in Subcontract Act and the Franchise Act. The e-book has been published to inform Pulmuone people of information and work principles necessary for compliance with relevant laws. The book primarily covers ① major laws and regulations concerning fair trade closely related to Pulmuone busines ② the compliance checklist for fair trade ③ fair trade compliance Q&A ④ the fair trade self-check guideline, the self-check system and the response scheme in case of a violation.



Self-assessment of fair trade compliance

The compliance council members and leaders of relevant departments assess the compliance status based on the checklist to examine fair trade violation risk semi-annually, and correct practices at risk of breaching fair trade. Combined with this, enactments and amendments of relevant laws are monitored every month to be reported to the Crisis Management Committee and incorporated into the self-assessment checklist. Self-assessment items based on the latest fair trade laws are included in the checklist of the internal accounting management system, which was established for internal control and reviewed by a 3rd party, to be disclosed in an audit report to stakeholders.

Pulmuone Best Partners' Day

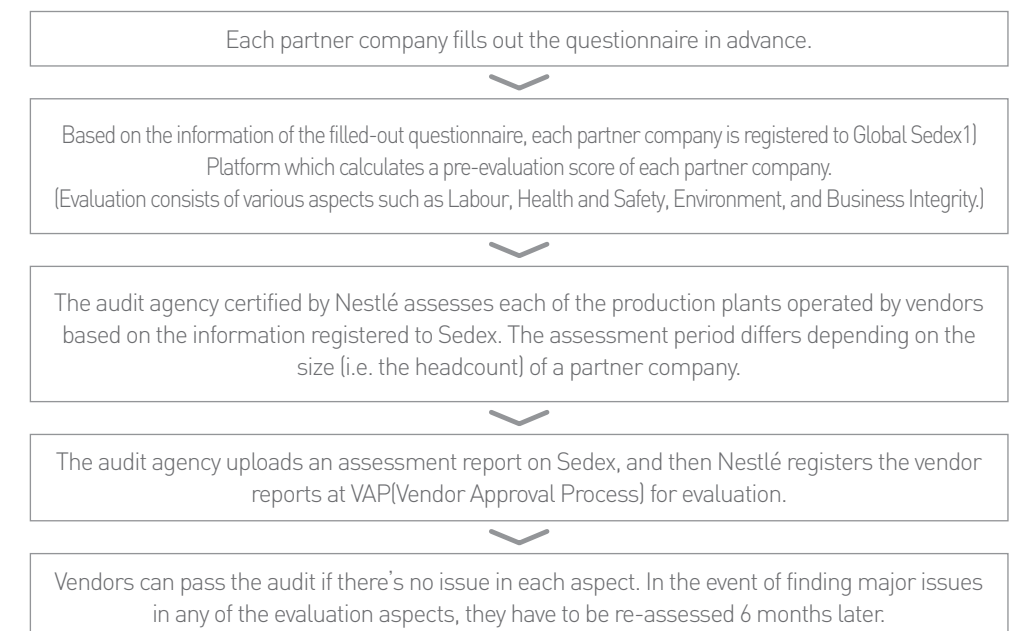
2014 Pulmuone Best Partners' Day took place to facilitate fair trade compliance, inclusive growth and win-win collaboration with the attendance of its partner companies. The event was held at the Pulmuone LOHAS Academy located in Goesan, North Chungcheong for 2 days from March 13 to 14, 2014. It featured lectures on inclusive growth and value creation, and discussion on win-win growth between Pulmuone and partner companies. Upwards of 110 people from

60 partner companies of Pulmuone Foods and Foodmerce, and representatives of Pulmuone and Pulmuone Foods attended the 2-day event.

The event was received very well, viewed as an opportunity to demonstrate Pulmuone's commitment to fair trade compliance, inclusive growth and win-win collaboration, showcasing Pulmuone CP as the best example for other companies.

Partner company selection process

Pulmuone provides only the fresh and safe agricultural produce to consumers by building GAP clusters within the 30km radius of the Foodmerce logistics center located in Yongin, Gyeonggi Province in a bid to spearhead provision of authentic wholesome foods. Foodmerce provides consulting services to farmers on how to grow GAP products, which has boosted productivity of farmers and as a result, offers quality agricultural products to consumers. Pulmuone also tests the farming soil and products before and after harvest for product safety. As for vendors of packaging materials, Pulmuone Waters measures quality and timely delivery of products as major criteria when selecting, evaluating and inspecting partner companies. Since the 2nd half of 2012, the company has used Nestlé VAP(Vendor Approval Process) for an external inspection on vendors which produce resin, preform, cap and etc. VAP is a system to select, evaluate and manage good vendors based on the global Nestlé standards, and to share the information with global Nestlé. It validates aspects like safety(environment), responsible sourcing(social responsibility) and labour(labor, human right) as well as quality and technical aspects. The validation, however, is not about social performance of vendors but about whether they are fulfilling their social responsibility without violating environmental or social regulations.



1) Sedex(Supplier Ethical Data Exchange) : An association to manage and share sourcing reports and data of vendors across the world

**Evaluation process (social/environmental performance)
Pulmuone Waters assessing 9 out of 15 packaging material vendors**

In the 2nd half of 2012, Pulmuone Waters assessed 4 of its partner companies of pet resin, preform and cap on aspects like environment, human right, labor and ethical responsibility. The assessment was extended to include additional 4 partners supplying shrink films and labels in 2013 and 1 company supplying inner paper in 2014. Issues disclosed by the assessment are communicated to the sourcing team as feedback. The company plans to add 3 packaging materials vendors to the assessment in 2015.

Support for partner companies to improve their social/environmental performance

Since the launch of bean sprout products produced by Woori Village, a non-profit job rehabilitation center in the Ganghwa island in 2012, Pulmuone has been sustaining its inclusive growth endeavor to create social value. In July 2014, Pulmuone supported the budget for automatic packaging equipment for the production site in Woori village, boosting the morale of the intellectually challenged people living in the village and increasing job opportunities. After installing the automatic packaging equipment with support from Pulmuone, the daily production capacity of eco-friendly bean sprout products has increased from 4,000 bags to 7,000 bags on average.

Partner company grievance redress & handling

Pulmuone conducts onsite inspections on its partner companies as part of fair trade compliance monitoring. In 2014, Pulmuone selected 23 partner companies with large transaction volumes or long transaction records for an onsite inspection from Feb 25 to Mar 28, 2014. The inspection closely looked at any occurrence of unfair trade or fraud activities in its relationship with partner companies. During the inspection, Pulmuone also had interviews with partner companies to check their awareness of Pulmuone, feedbacks or complaints they have toward the company. The improvement requests confirmed through onsite inspection are communicated to relevant departments immediately to generate highly efficient improvement measures. Pulmuone is also working hard to enhance mutual trust with partner companies while maintaining a channel for win-win growth and collaboration.

Pulmuone Health & Living has been closely monitoring its partner companies to prevent any harmful substances from affecting water quality in their wastewater since 2013. As for 2 partner companies where copper, one of the harmful substances specified for affecting water quality, was detected in wastewater, the company has conducted a water quality test on a sustained basis. On November 24, 2014, the Ministry of Environment promulgated the revised enforcement regulation and decree of the Water Quality and Ecosystem Conservation Act after a prior announcement of enactment. The revised enforcement decree defines the threshold of copper and its compound at 0.1mg/L. After the 2 partner companies were confirmed to be excluded

from the list of approved facilities due to the copper level exceeding the threshold, Pulmuone notified the partner companies of the fact afterwards.

Supply Chain

Partner status

When selecting partner companies, the company and the QTM(Quality & Technology Management) Department closely examine vendors that have passed the preliminary screening based on 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 the ES/QTM Department, and the QA(Quality Assurance) Team assesses quality of partner companies while conducting preventive activities.

(Unit: No. of Companies)

Product type	Company	Product category	2014년
Brand	Pulmuone Foods	Manufactured foods	48
		Agricultural produce	21
	Foodmerce	Fishery products	7
		Manufactured foods	99
		Livestock products	6
Subtotal			181
Non-brand	Foodmerce	Agricultural produce	75
		Fishery products	18
		Manufactured foods	178
		Livestock products	19
Subtotal			290
Raw materials	Pulmuone Health & Living		256
	Pulmuone Foods		139
Packing materials	Pulmuone Health & Living		52
	Pulmuone Foods		35
Finished goods	Pulmuone Health & Living		12
Processed goods	Pulmuone Health & Living		6
Products for market entry	Pulmuone Health & Living		5
Subtotal			505
Total			976

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. Starting from 2012, excellent performances in safety(environment), responsible sourcing(social responsibility) and labour(labor, human right) were added into the partner assessment criteria with those recording outstanding evaluation result selected as 'good partners'. More information on its partners is as follows.

[Partner status]

Materials type	Number of partners
Preform	2
PET Resin	1
PC Bottles	2
Film/label	5
Cap	3
Others	5

ORGA Whole Foods

ORGA Whole Foods purchased products and raw materials from a total of 541 partner companies in 2014. The company selects its partners based on the impartial sourcing procedure and policies, and applies rigorous standards to eco-friendly products and additives in order to 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 principles stipulated in TISO Charter.

[Partner status]

(Unit: No. of Companies)

Category	2014
Vegetable	32
Fruit	37
Meat	23
Grain	22
Fishery	20
Stockfish	16
Processed foods	134
Chilled foods	47
Frozen foods	31
Health supplements	43
Lifestyle goods	110
Home meal/bakery	49
Total	541

Social Performance Communities

Mission & strategy

'Social responsibility 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.

Work process

First and foremost, demands and needs of communities are studied to be incorporated into the 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 the business plan for the next year.

Major milestones in 2014

Priority initiatives in 2014 Milestones	Details
1. Facilitate environment / community outreach projects	1) Extend Project WET - WET education sessions to 2,632 people for 112 times as of December - WET video clip for promotion
	2) Operate employee programs for carbon reduction - Tree-planting event for next generations: attended by 35 people (employees and family members) On Apr 19 - PulBaram club's volunteering to clean the Noeul Park (monthly from Sep to Nov)
	3) Run programs to support financial independence of the disadvantaged youths - Community outreach programs led by the PR organization's volunteering club to drive cultural exchange for disadvantaged youths at Wildflower Youth Center (1 time) and Kimchi making (1 time)
2. Extend networks with the government and external entities	1) Increase education opportunities for parents and students in partnership with the Ministry of Education - 100 sessions attended by 3,000 people as of December
	2) Extend the range of 'Authentic Wholesome Foods Campaign' in partnership with Homeplus and Yeowon Media - 50 sessions of authentic wholesome foods education for 1,000 people at Homeplus Lifelong Education Center - Yeowon Media donated 4,392 books to authentic wholesome foods education institutes
3. Stabilize the operation system of Pulmuone Foundation	1) Raise more money for Love for Neighbor Fund - Raised KRW 117 mil. from 1,569 employees across the Group up until December
	2) Secure financial stability through Love for Earth Fund
	3) Bolster promotion of the foundation - 33 promotion activities as of December

2015 Business Objectives

Priority initiatives	Details
1. Nutrition education	• Nutritional balance project for low-income family children led by child centers of each region - Foods with nutritional balance supported along with nutrition education for kids
2. Kimchi School	• Education project for multi-cultural families • Kimchi Master Project for kids - Multi-cultural families come to understand Korea's culinary culture through Kimchi and learns about foods to understand various different cultures across the world - Taste education using 5 senses, other food education based on Kimchi (i.e. science of Kimchi, making Kimchi together)
3. Operation system building for Pulmuone Foundation	• More money raised by employees for Love for Neighbor Fund • External communication facilitated - Foundation newsletter - Promotion of Pulmuone Foundation through the media, SNS, webzine, etc

Pulmuone Foundation leading CSR initiatives of Pulmuone

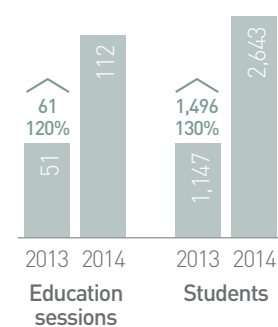
Pulmuone established 'Pulmuone Foundation' in 2012 to further extend and bolster its CSR initiatives. The foundation is a non-profit entity promoting public interests established for the company to organize CSR activities in a more professional and structured manner, respecting the spirit of 'Love for Neighbor' and 'Respect for Life', in memory of the good deeds of Won, Kyung-Sun, the founder of Pulmuone who dedicated his life to organic farming, environment preservation and peace.

Pulmuone Foundation is driving social contribution programs for public interest and extending its project scope with focus on good foods, environment, social responsibility and cultural programs. In order to support initiatives of the foundation, Pulmuone gives 0.1% of the sales revenue of 'Love for Earth Mark' products to be donated to Love for Earth Fund, and its employees voluntarily donate a certain portion of their salary every month to Love for Neighbor Fund.

Future Forum

Pulmuone is a corporate member of Future Forum, participating in open forums and operation committee meetings hosted by the forum. In 2014, Pulmuone has backed the R&D project on 'Using Big Data to Identify Megatrends in Korea Society in the 2030s' led by the research team of Kim, Mun-Jo, Sociology Professor of Korea University since last March. The research project has been undertaken to go beyond uncertainties of the future to define a role of the current generation and creative alternatives by forecasting what the future holds for Korea in the 2030.

[Statistics in 2014 vs. 2013]



Project WET

Pulmuone has been waging Project 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 since 2013. In 2014, Pulmuone Foundation provided 112 educational sessions to 2,643 children.

[Project WET]

Program name	Description
Green Planet	- Students guess how much of the earth surface is covered with water while playing the game of throwing and receiving a globe-shaped balloon - Check their guesstimates through a simple statistical sample extrapolation
Treasure in the Bucket	- Students guess how much water they can drink in earth to understand that water is a limited resource and therefore should not be wasted but preserved.
Box of Life	- Students learn the essential 4 elements to sustain life based on thought-provoking curriculum.
Power of One	- Showcase to students how people pollute river following, and teach how to lessen pollution.

Environment preservation through CO₂ reduction

Pulmuone is actively participating in the zero carbon initiatives. It has been driving 'Tree Planting for Next Generations' to offset carbon emissions from plant tours and general shareholder meeting. In 2014, 35 employees and their family members planted trees in Noeul Park. The environment club within the company is also participating in an environment protection activity every month.

External partnership project

As part of its good consumption campaign, Pulmuone is rolling out joint social service projects with retail stores. 'Shopping Cart of Life' Campaign waged jointly with Homeplue in 2012 donated 1% of the sales revenue of specified products of Pulmuone to Homeplus e-Blue Foundation with Homeplus matching the amount, which increases the donated money to 2% of the sales revenue. The money was spent for surgery of child cancer patients. In 2013 and 2014, Pulmuone provided the authentic wholesome foods education at 50 stores of Homeplus Lifelong Education Center. With e-mart, Pulmuone signed an agreement to jointly undertake Authentic Wholesome Foods Campaign on June 1, 2012. Pulmuone has also donated 1% of the sales revenue of its event products to Food for Change, which has led the healthy diet campaign in partnership with regional child centers.

Pulmuone Kimchi Museum

Since the early days of 1986, Pulmuone has been committed to inheriting and further developing the country's rich culinary legacy. Kimchi Museum has been leveraged as major tool to research Kimchi, the most representative dish of Korea with rich history, in order to promote Kimchi to people both home and abroad. The museum exhibits traditional cooking tools and utensils to make Kimchi, and displays records and paintings about Kimchi to give a comprehensive glance to its history. 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').

Pulmuone Kimchi Museum, which is currently under renovation, is scheduled to reopen in Insa-dong, in April 2015.



LOHAS Designer

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', 58 volunteering teams were formed across the Group to undertake volunteering activities in communities or social welfare centers for the underprivileged. A total of 2,729 employees participated in 202 volunteering activities, which amounted to 14,000 hours in total.

At Exofresh Logistics, the facility maintenance team members donated their talent, repairing dilapidated facilities with their expertise in electricity, fire prevention, environment 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.

[Employee fundraising status] (Unit : people)

Year	2012	2013	2014
Volunteers	3,126	2,518	2,729

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 cause since 2004 and invites employees' families to the concert. In 2014, 4 food companies such as Samyang, DongA one and Sempio hosted the performance together.

'Love for Earth Mark' & 'Love for Earth Fund

Pulmuone products have 'Love for Earth Mark' on the package, which means 0.1% of their revenue goes to 'Love for Earth Fund'. The initiative to leverage the fund for improving the environment of communities, planting trees and giving back to society, has been waged for a long time since 1993.

'Love for 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 its 4 major initiatives (i.e. Authentic Wholesome Foods, Environment, Social Responsibility, Mecenat).

[Employee social outreach campaigns] (Unit : KRW)

Year	2012	2013	2014
Raised fund	91,540,000	103,246,000	117,000,000

Social outreach events organized by employees

Nearing year-end, Pulmuone employees hosts fund-raising events for the underprivileged instead of a year-end party. Various events are organized in the party: Executives and employees are dressed up as Santas to help children with intractable diseases, raise funds for African children, sell the authentic wholesome foods kits to employees, and throw a Jazz concert or a bazaar to raise money for communities. Whenever there is an emergency situation in need of help, Pulmuone people always reach out by making both monetary and in-kind contribution.

Marathon

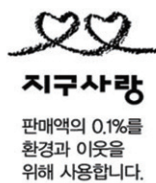
Pulmuone people participate in 'Smile Marathon' for those with oral cancer or facial deformities. The event has been organized by the Korean Dental Association to give hope to struggling neighbors. Its proceeds go to the fund for patients with oral cancer or facial deformities.

'Charity Marathon' to fight hunger

Pulmuone donates bottled water of Pulmuone Waters to 'Charity Marathon' organized by Korea Food for the Hungry International where its employees are actively participating in with their families to relieve hunger across the globe.

Outreach for women, children & elderly

Pulmuone people volunteer to visit seniors living alone to help their chores. Volunteers take care of the seniors, making a meal and talking with them. When holidays come, Pulmuone also throws an event for underprivileged communities to enjoy traditional games together. In 2013, Pulmuone started another social outreach program for the disadvantaged youths, donating KRW 12 million to Wildflower Youth Center, an organization to support homeless youths for their independence and growth, and providing 'Authentic Wholesome Foods Cooking Class' as a vocation training and cooking experiences. Cultural exchanges and Kimchi-making events have been organized in connection with the employee social service programs.



Environmental Performance

Quantified target setting & meeting

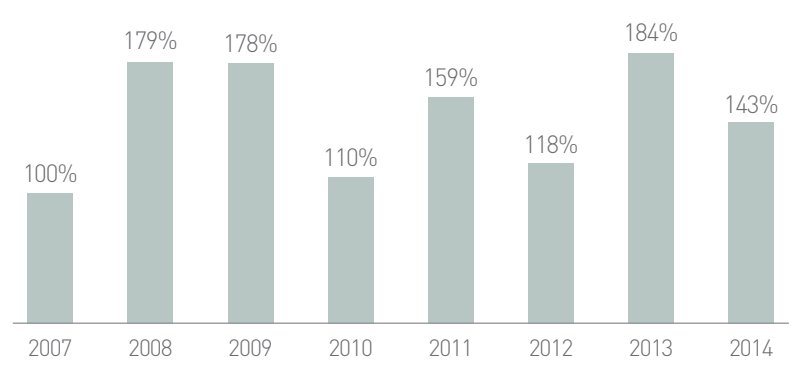
Pulmuone is determined to reduce its footprint on the environment. It aims to reduce the energy basic unit by 25%, the water basic unit by 40%, the greenhouse gas basic unit by 50% and wastes from products and services to zero(0). To achieve the targets, Pulmuone plans to develop low-energy production process for wider application, introduce renewable energy to lower greenhouse gas emissions and a new production process to save water while increasing water reuse. In addition, Pulmuone is working to consider ways to reduce wastes in the product design stage, extend the scope of organic products and animal welfare products for food sustainability and reduce the net wastes from the the production lifecycle into zero.

<p>Energy 15%→25% Greenhouse gas 50%</p> <ul style="list-style-type: none"> · Need to enhance energy efficiency · Need to reduce throughout the value chain (production 46%/ logistics 43%/ service 11%) <p>· Introduce new renewable energy · Improve energy efficiency</p>	<p>Water 30% → 40%</p> <ul style="list-style-type: none"> · Save water by improving the process · Recycle water <p>· Apply the standards of agricultural water(BOD 8ppm) to water effluent (wastewater)</p>	<p>Product/service Waste Zero</p> <ul style="list-style-type: none"> · Recycle 98% of production waste · Design eco-friendly product <p>Food Sustainability</p>
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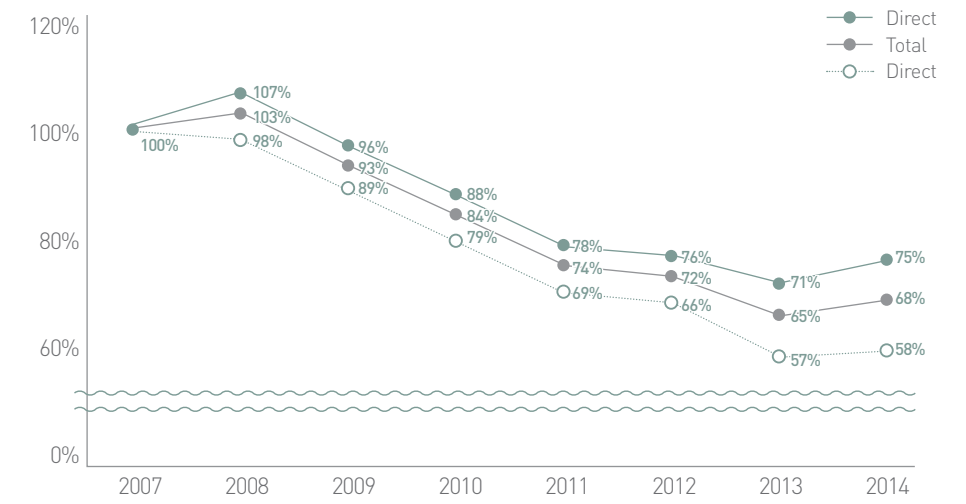
Investment & cost for environment

Pulmuone is making sustained investment to achieve its mission in environment safety. In 2013, the company introduced wood pellet boilers in its production plant, which drove up investment expense against 2012. In 2014, its investment in environment increased approximately 25%p against 2012.

[Environment investment & management expense ratio against 2007]



[Energy savings]



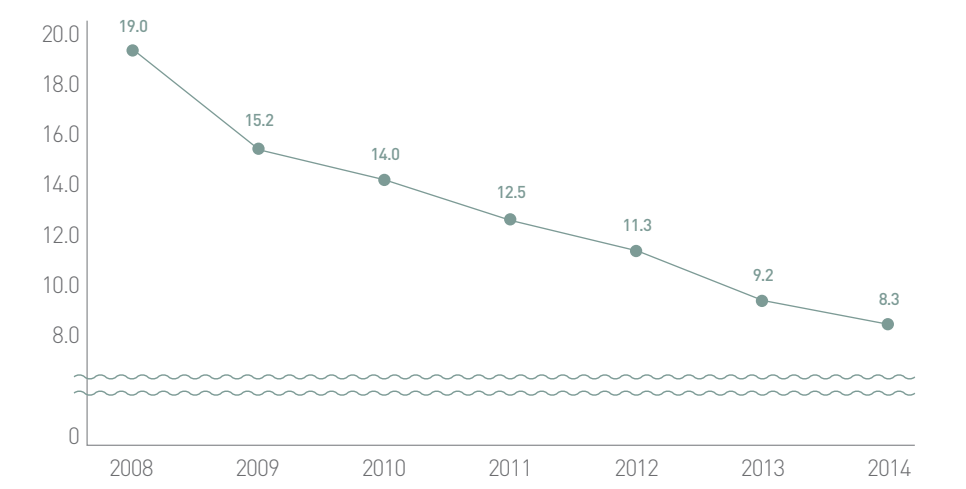
The basic unit of energy has increased 1%p in the production sector against 2013. It was mainly due to the plant relocation of Pulmuone Waters, and new facility introduction and increase in capacity utilization for the product, 'Nature is Delicious'.

Effluent impact on streams & ecosystem

Pulmuone uses water for a range of purposes including utility, product packaging and manufacturing in the production stage. Pulmuone is generating water-saving initiatives, taking into account various factors since the company has to satisfy the product hygiene and quality standards while reducing water consumption at the same time.

[Basic unit of water in production]

(Unit: m³/product ton)

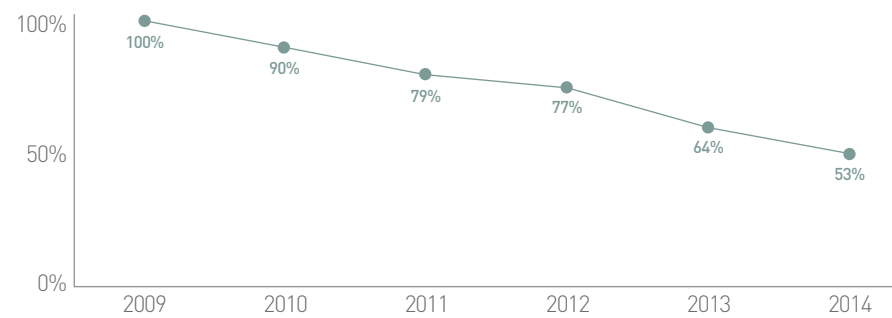


[Groundwater/water supply system usage & water usage by river]

Year		2012	2013	2014
Total usage(m³)		2,761,765	2,488,759	2,457,289
Groundwater(%)		24	30	36
Water supply system(%)		76	70	64
Keum river(m³)	Eumseong tofu, Eumseong bean sprout, Eumseong fresh noodle, Shinsun Natto Pulmuone,Health&Living, Pulmuone Waters(Munkwang)	2,400,827	2,112,218	2,075,592
Nakdong river (m³)	Uiryeong tofu	139,844	177,188	180,789
Han river (m³)	Chuncheon tofu, Ice, Pulmuone Waters(Idong)	221,094	382,251	200,908

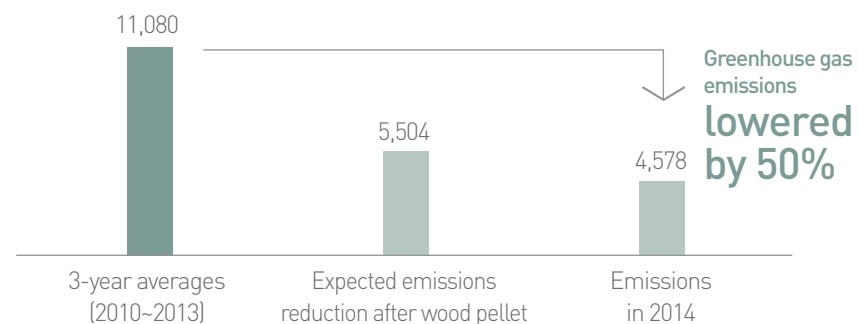
Greenhouse gas emissions

[Greenhouse gas(CO2,CH4,N2O,HFCs,PFCs,SF6) emissions in production]



The wood pellet boilers installed in the Eumseong tofu plant is fuelled by wood pellets, the renewable energy, instead of LNG, the fossil fuel. Wood pellets are made by shredding, drying and compressing wood whose carbon emissions is not categorized as greenhouse gas since it all comes from nature. This means businesses that use wood pellet boilers can be registered as Greenhouse Gas Reducing Business. The wood pellet boilers of the Eumseong tofu plant and the underlying technology to lower greenhouse gas emissions is the 1st in Korea recognized by the KEMCO. The company is expected to reduce its greenhouse gas emissions by 27,520tCO2e for 5 years, which means its annual average to be 5,504tCO2e, only a half of 11,080tCO2e, the annual average in 2010~2013.

[Greenhouse gas emissions before vs. after wood pellet boilers in Eumseong tofu] (Unit: tCO2e)



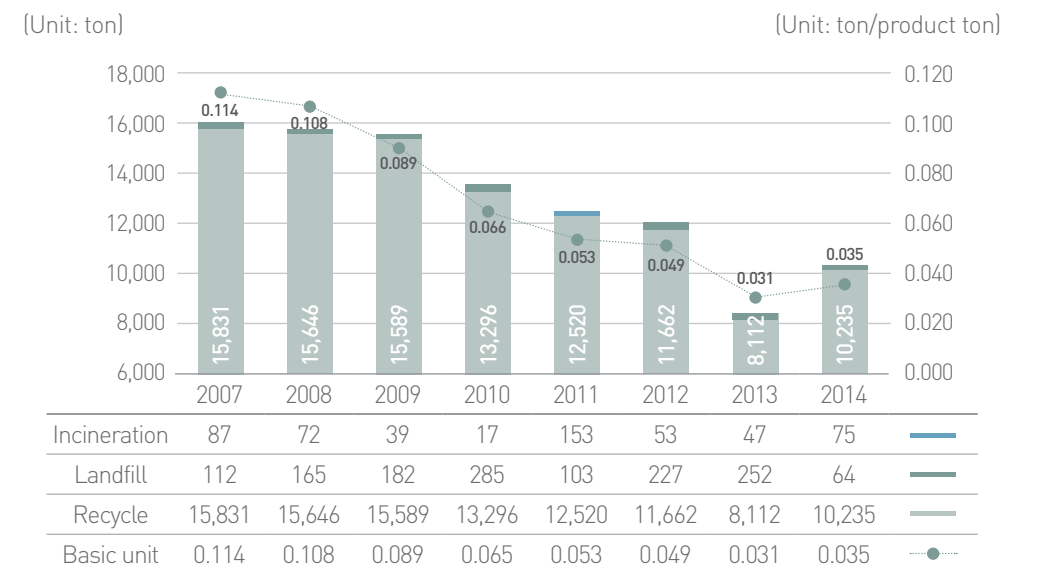
Air pollutant emissions measurement

Pulmuone periodically measures air pollutant emissions (e.g. NOx, SOx, dust) after deploying pollutant prevention facilities and the wood pellet boilers that burn renewable energy, and then registering its facilities to the relevant authorities. The average emissions for 2014 are 140ppm for carbon monoxide, 67ppm for nitrogen oxides and 2.9ppm for dust.

Wastes by final treatment method

Pulmuone works to prevent waste generation at the source by minimizing its waste discharge from as early as the production stage. Wastes are handled in full compliance with laws, and materials are recycled as much as possible. Thanks to the efforts, wastes from the production sites are on the decline every year to reach 0.031ton/product ton in 2014.

[Waste discharge by year]



Impact of water intake on water resources & biodiversity

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 1,297 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 protected from threats like depletion, quality degradation or damage to the surrounding environment.

Restoring lenoks in the river

Pulmuone Chuncheon plant launched an initiative to restore the lenok population on the verge of extinction in Pyeongchang, Gangwon as part of its efforts to preserve the ecosystem. The lenok restoration program was launched to promote eco-friendly image and pristine nature of Pyeongchang across the globe before its hosting of the Winter Olympics. It is jointly financed by the Chuncheon plant and the Wonju Environment Office, and researched and implemented by the fish research center at Kangwon National University. As part of the program, 500 one-year-old lenoks were released into the river.



Waste generation, transport, import, export and handling in accordance with the Basel Convention Annex I, II, III and VIII

ECMD, one of the subsidiaries of Pulmuone, is operating the Yeongsan resting stop, which has been subcontracted by the Korea Expressway Corporation. The resting stop was found to have a waste automatic section switch known to have PCB(Polychlorinated Biphenyls) through an environment inspection. After consulting with the Korea Expressway Corporation who owned the automatic section switch, ECMD plans to take care of it in compliance with the legal procedure.

APPENDIX

Pulmuone Annual Report 2014

Third Party Assurance

To the Management of the “2014 Pulmuone Annual Report”,

The Institute for Industrial Policy Studies (hereafter “Auditor”) was engaged to undertake a review of Pulmuone’s “2014 Annual Report” (hereafter “Report”) to provide independent third-party assurance on its contents. On the basis of the above, the Auditor presents the following third-party 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 Type and Level

The Report was reviewed against the following criteria and guidelines:

- (1) AA1000 Assurance Standards (2008)¹;
- (2) Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines²; and
- (3) B.E.S.T Sustainability Reporting Guidelines³

Assurance Scope	Contents of the “Pulmuone 2014 Annual Report” by Pulmuone
Assurance Type & Level	Type II, Moderate
Assurance Criteria	<ul style="list-style-type: none"> · “IPS Assurance Manual” to verify compliance against AA1000AS (2008) standard’s three core principles · “IPS Performance Indicators Assurance Criteria” to assess the reliability of performance indicators · GRI G4 Guideline ‘Option’ and B.E.S.T Guideline’s “reporting level”

1) AA1000AS is a sustainability assurance standard developed by the UK-based Institute of Social and Ethical Accountability (AccountAbility) in November 1999 to assure organization-wide sustainability performance and accountability by improving the quality of accounting, auditing and reporting practices in the social and business ethics domain. The revised 2008 version has been in effect since 2010.

2) The GRI G4 Guideline was established by the GRI, convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. After the first universal GRI sustainability reporting guidelines for multinationals was released in 2000, the latest G4 version was introduced in May 2013, with enhancements in supply chain, governance, ethics & integrity, anti-corruption, GHG emissions & energy disclosures.

3) The B.E.S.T Guideline was jointly developed by the Ministry of Commerce, Industry, and Energy (MOCIE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) in 2006 as a sustainability reporting and assurance guideline, and provides for five levels of reporting rigor (Level 1 ~ 5).

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) level of compliance against GRI’s G4 Sustainability Reporting Guidelines; and 4) 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 performance and individuals responsible for performance data collection to determine the adequacy of the reported content
- Review of Pulmuone’s materiality identification processes and outcomes
- 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 underlying reference data for economic, social, and environmental performance Sample testing to determine the completeness and accuracy of information contained in the Report

imitations

- The scope of this undertaking was limited to:
- Interviews with individuals responsible for different performance dimensions and the collection of performance data; review of the adequacy of the reported data
- On-site review of Pulmuone’s Head Office
- Assurance based on relevant data and information available for the relevant reporting period
- Review of the reliability of reported performance data

Assurance Findings

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

[Inclusivity]

Are the stakeholder engagement strategy setting and related processes at Pulmuone adequate?

It is the Auditor’s view that Pulmuone has defined an adequate strategy for stakeholder engagement, while establishing a process for stakeholder engagement with the goal of incorporating key findings into its business management activities. The Auditor noted efforts by the Company to better assess the views of its stakeholders - shareholders, executives and staff, customers, business partners, and the local community - by putting in place various engagement channels. The Auditor took particular note of the Company’s work to ensure that engagement findings are better reflected in its business management activities by introducing diverse stakeholder-specific engagement channels (ex. Open General Shareholder’s Meeting, Risk Management Committee (phased), e-cs, SNS channels, Talk Talk Talk, Business Partner Portal etc.), while also seeking out expert views on key issues as part of an ongoing effort to strengthen its relevant channels and processes, which is in keeping with the principle of inclusivity. Concrete recommendations on stakeholder engagement strategies and processes, emphasizing greater appreciation for the importance of stakeholder participation and ways to better reflect engagement findings in the Company’s management activities etc., have been separately submitted 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 the Company. The Auditor confirmed activities by Pulmuone to identify and report on issues of material importance, including compiling an “issue pool”, analyzing business impact and level of stakeholder interest, and a three-step materiality testing process. Notably, the Auditor found the Report to be in compliance with the principle of materiality as it provides a concrete and detailed account of the top seven issues identified to be of material importance centered on the Company’s “reference point” criteria. Concrete recommendations on how to better report on issues of material stakeholder importance i.e. materiality testing, management, reporting etc., have been provided separately to management.

[Responsiveness]

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

The Auditor found Pulmuone to be providing an adequate response to issues of interest and concern to its stakeholders. In the interest of greater responsiveness, a variety of communication channels specific to relevant stakeholder groups have been established, accompanied by efforts to share its response outcomes in its reports as well as on-going work to develop and utilize communication channels tailored to specific stakeholders, all in line with the principle of responsiveness. Concrete recommendations on providing a more adequate response to stakeholder requests and issues of interest have been provided to Pulmuone management.

[GRI Reporting Guidelines - Method of Compliance]

The Auditor confirmed that the Report corresponds to the “in accordance” criteria relative 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 Indicators and Outcomes	
CSV (Creating Shared Value)	LOHAS dietary lifestyle, animal welfare, collaborative cluster development	Reviewed
Authentic wholesome food	No. of training sessions on authentic wholesome food	411 sessions
Product safety and quality management	HACCP certification	7 self-owned factories, 21 production partners
Customer satisfaction and communication	Customer satisfaction survey	90.7 pts. (increase of 7.6 pts. vs. 2013)
Efforts to decrease environmental impact	CO ₂ emissions	73.7K tCO ₂ (82.1K tCO ₂ , 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. (Over the last three years, Sustainability Reports by Pulmuone have maintained a “Level 5” - 99.8% application rate relative B.E.S.T Guidelines in view of the coverage and reliability of reported information.)

Recommendations

The Auditor found the “2014 Annual Report” by Pulmuone commendable in the following respects. The Report (1) provides a detailed account of the financial performance of respective subsidiaries mindful of the value of utilizing existing sustainability reports as business reports; (2) is composed around the top five (5) most-important issues for Pulmuone (CSV, authentic wholesome food, product safety and quality management, customer satisfaction and communication, efforts to reduce environmental impact) while reflecting stakeholder engagement activities (interviews); and (3) provides for a higher level of DMA disclosure, offering a more detailed account of the materiality of respective issues identified to be of material concern, while outlining how specific issues are being managed (policies and activities), key performance outcomes etc.

For future reports, the Auditor recommends considering the following.

- Compose future reports and provide disclosure centered around key issues rather than indicators
- Strengthen response to stakeholder views
- Strengthen management and reporting on quantitative performance indicators

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.

March 06, 2015

Lee, Yoon-Cheol

Chairman, The Institute for Industrial Policy Studies



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