

The background features a white diagonal line running from the top-left towards the bottom-right. On the left side, there are several overlapping, semi-transparent green circles of varying shades, from light lime to a darker forest green. The text is positioned in the upper right quadrant, set against the white background.

# 2015 Pulmuone Integrated Report

## About this Report

## 2015 Report Overview

Pulmuone hereby presents '2015 Pulmuone Integrated Report', the 10th of its kind since the release of its 1st sustainability report in 2006. The 2015 Integrated Report 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.

<b>Reporting Principles</b>	GRI(Global Reporting Initiative) G4 Guidelines, BEST Sustainability Reporting Guideline
<b>Reporting Scope</b>	Pulmuone subsidiaries (Pulmuone Foods, Foodmerce <sup>1)</sup> , ECMD, Pulmuone Health & Living, Pulmuone Waters, Exofresh Logistics, Pulmuone Duskin), and affiliates (ORGA Whole Foods)
<b>Reporting Period</b>	January 1 – December 31, 2015 For the time series analysis, the past 3-year data(2013 to 2015) has been included in this report. (5 years for some of the environmental performances)
<b>Reporting Cycle</b>	Annual
<b>Report Validation</b>	Reviewed by the Pulmuone management and validated by an independent 3rd party, IPS(Institute for industrial Policy Studies).

## Improvements from 2014 Report

1. More detailed financial performance data: The report includes data on financial performance and environmental impact analysis of each subsidiary in the consolidated financial statement to explain Pulmuone's financial activities in detail.
2. Aligned with the UN SDGs: Recognizing the growing importance of the UN SDGs(Sustainable development Goals), Pulmuone has generated indexes on its efforts and outcomes to achieve the UN SDGs.
3. 10-year history: To mark the 10th anniversary of Sustainability Report, a special section has been added to shed light on Pulmuone's 10-year journey toward sustainability.
4. LOHAS diet: LOHAS diet has been fully explained in a special section for better sustainability in health and environment.

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1) Foodmerce Co., Ltd, which had been a subsidiary of Pulmuone Holdings Co., Ltd, has now placed under Pulmuone Foods Co., Ltd as its subsidiary in October 16, 2015.

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# 2015 Pulmuone Integrated Report

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# CEO Message

## Dear valued stakeholders,

It gives me a great pleasure to publish 2015 Integrated Report, the 10th sustainability report of Pulmuone, which includes more detailed and enhanced sales and financial performance data as a follow-up to the previous year's change to include financial performance data in the sustainability report.

Pulmuone has championed sustainability management from early on. It is the very 1st food company in Korea to report its commitment toward sustainability, publishing its 1st sustainability report in 2006 following the international standards to better communicate its efforts for sustainability to stakeholders. In its 1st sustainability report, Pulmuone stated 'we have worked for the environment and communities by fulfilling our roles to love neighbors and respect life. We publish this report to show our ongoing commitment to a healthy environment and social responsibility in the process of pursuing economic profit.' From then on, Pulmuone has published the sustainability report every year, and this year, the report celebrates the 10th anniversary of its birth. Pulmuone's sustainability report has continued its growth and evolution for the past decade together with the company itself, communicating to the stakeholders its business status, TISO management principles, social responsibility and environment protection. Last year, Pulmuone changed the report format to include detailed financial performances of its subsidiaries and affiliates and renamed it as 'Annual Report'. This year, the report goes through another evolution by adding its sales and financial performance data to its contents to be renamed as 'Integrated Report'.

This year's report also captured Pulmuone's activities and business strategy designed to attain

the SDGs adopted in the UN General Assembly in September 2015 to charter a better future for the humanity and the earth. I hope the newly changed format of the report can serve as more effective guide for stakeholders to understand both financial (including the sales data) and non-financial performances of sustainability management.

Different business units recorded hugely different performances last year due to the impact of the MERS outbreak and the global recession. Amidst such difficulties, however, Pulmuone achieved a meaningful result. Its total revenue(KRW 1.85 trillion) increased 10.0% from the previous year with its business units in the domestic market posting a sustained growth. But for overseas businesses, it was the stage to lay the foundation for a future growth. I believe 2016 will be the year Pulmuone has a great leap forward to grow into a global company, building on its sustainable management practices with its sales reaching KRW 2 trillion.

Pulmuone is firmly committed to TISO Management. TISO, which stands for Trust, Integrity, Solidarity, Openness, is Pulmuone's core value to ensure healthy life of consumers and sustainability of the Earth. Pulmuone is practicing fair and transparent management in compliance with TISO principles in every aspect of its business. In parallel with this, the company has been also advocating the 10 principles of the UN Global Compact for human rights, labour, environment and anti-corruption since 2007.

Pulmuone is championing green management to promote sustainability in its business management. Green management is about fashioning strategy to protect the environment throughout its business process from production

to distribution and consumption by designing its production facilities, products and services in an eco-friendly manner, cutting carbon emissions and communicating with consumers more efficiently. Such strategy of Pulmuone is closely aligned with three of the 17 UN SDGs such as sustainable consumption and production, climate change response and ecosystem preservation. Pulmuone will continue its utmost effort to achieve the aims and reduce the carbon emissions by incorporating this drive into its business plan. Pulmuone has a mission to be 'a LOHAS company that cares for both humans and nature'. The LOHAS value is constantly evolving, expanding its concept from offering good foods at first to include the LOHAS diet and more recently, LOHAS lifestyle company.

This year, Pulmuone's LOHAS concept crossed a crucial turning point. It used to focus on low GL diet and nutritional balance when developing LOHAS products and services in the past, but starting from this year, Pulmuone plans to take into account potential carbon emissions when it develops products since the LOHAS lifestyle can be enabled better in a clean environment. This is 'LOHAS Diet Model' which benchmarks 'the double food and environmental pyramid' of overseas companies in the product and service development stage in order to enhance sustainability of health and environment.

Moreover, Pulmuone's social responsibility is evolving continuously to include CSV activities which create economic and social values at the same time.

Pulmuone's CSV activities which have the authentic wholesome foods campaign at the center are now expanding its scope to include

'LOHAS Diet' campaign for parents and 'LOHAS Lifestyle' campaign for children promoting clean classrooms for students.

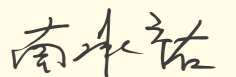
Thanks to such endeavor, Pulmuone has been designated as one of the most respected companies in Korea for 10 years in a row, ranked as the 1st food company in KSI(Korea Sustainability Index) and named as one of the '100 GWPs(Great Work Place) of Korea for six consecutive years. The recognition doesn't stop here: Pulmuone is the only food company in Korea to be chosen for three consecutive years by 'East Asia 30' which evaluates companies renowned for outreach initiatives in Korea, China and Japan, and enjoyed the honor of being awarded by the 'Korean Good company' for two consecutive years.

## Respected shareholders, Consumers and stakeholders!

Pulmuone has grown to the best sustainable food company in Korea thanks to your unwavering support and love for more than 30 years. We, all employees of Pulmuone, will make our utmost efforts to have Pulmuone go beyond Korea to become a world-class sustainable company recognized across the globe.

Thank you.

March, 2016 Chairman & CEO of Pulmuone  
Nam Seung-Woo



# BUSINESS PERFORMANCE



1

A LOHAS company provides products and services designed to create a lifestyle that promotes health of humans and sustainability of the Earth.

# Company Overview

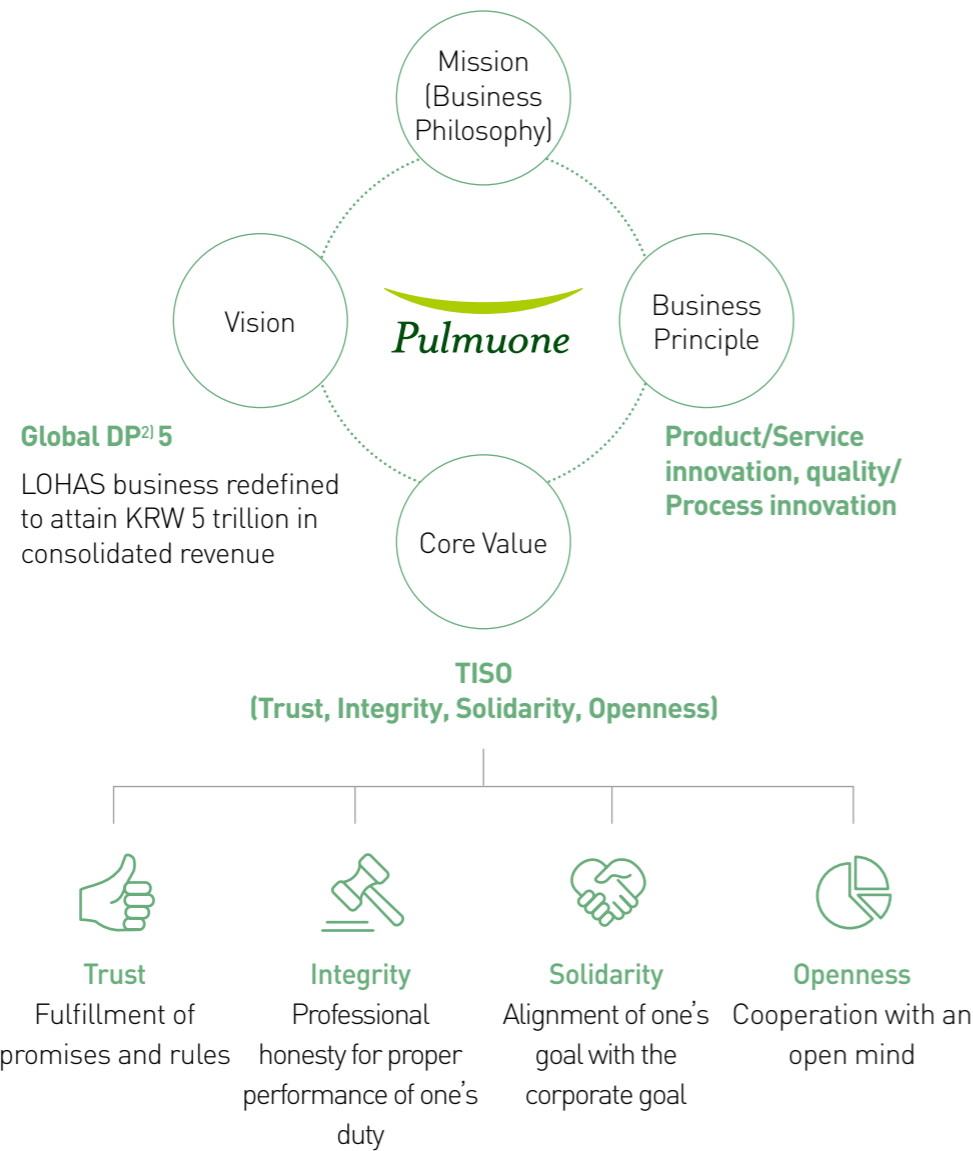
## Pulmuone Mission / Vision / Core Value

**LOHAS company which loves both humans and nature**

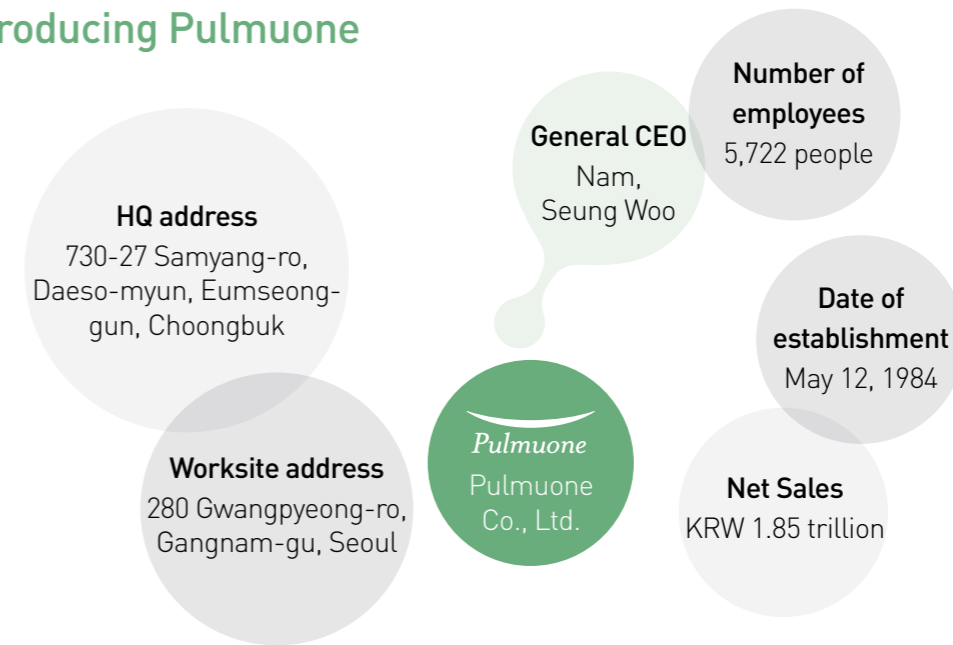
**LOHAS<sup>1)</sup>** company offers products and services designed to enable a lifestyle that promotes health of people and sustainability of the Earth. It refers to a comprehensive business perspective that encompasses internal stakeholders, communities and even the nature as well as consumers.

1) LOHAS  
Lifestyle Of  
Health And  
Sustainability

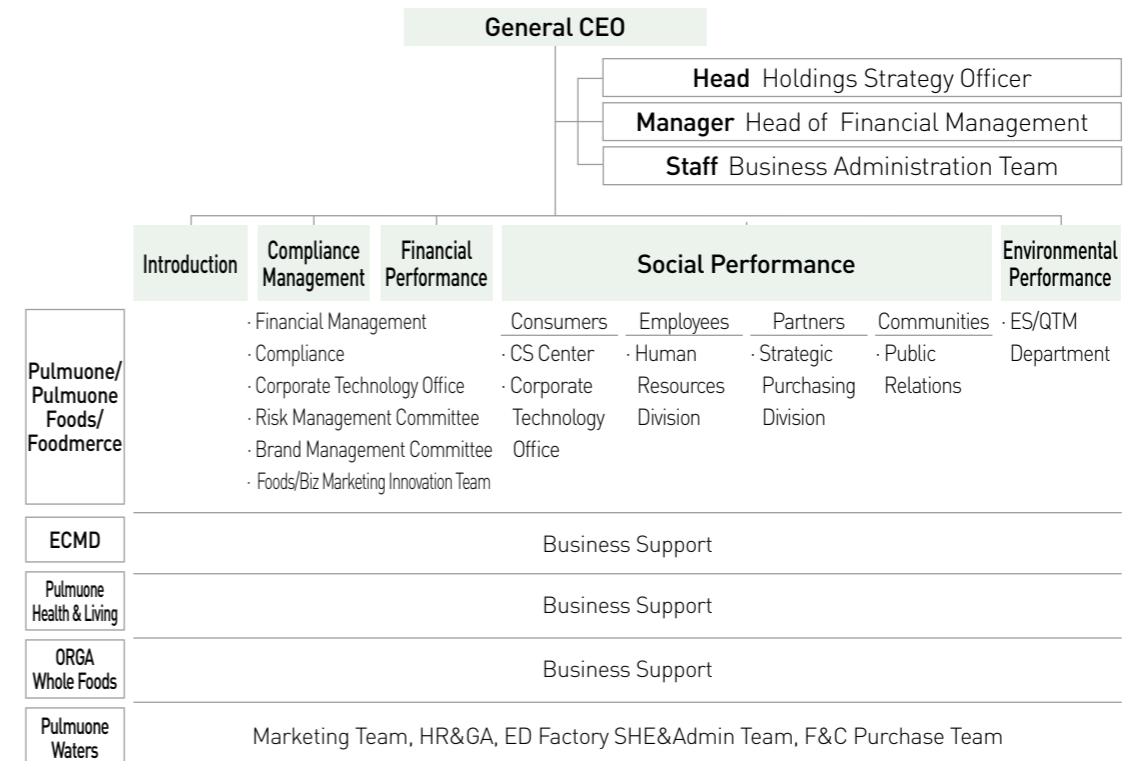
2) DP  
Defining  
Pulmuone



## Introducing Pulmuone

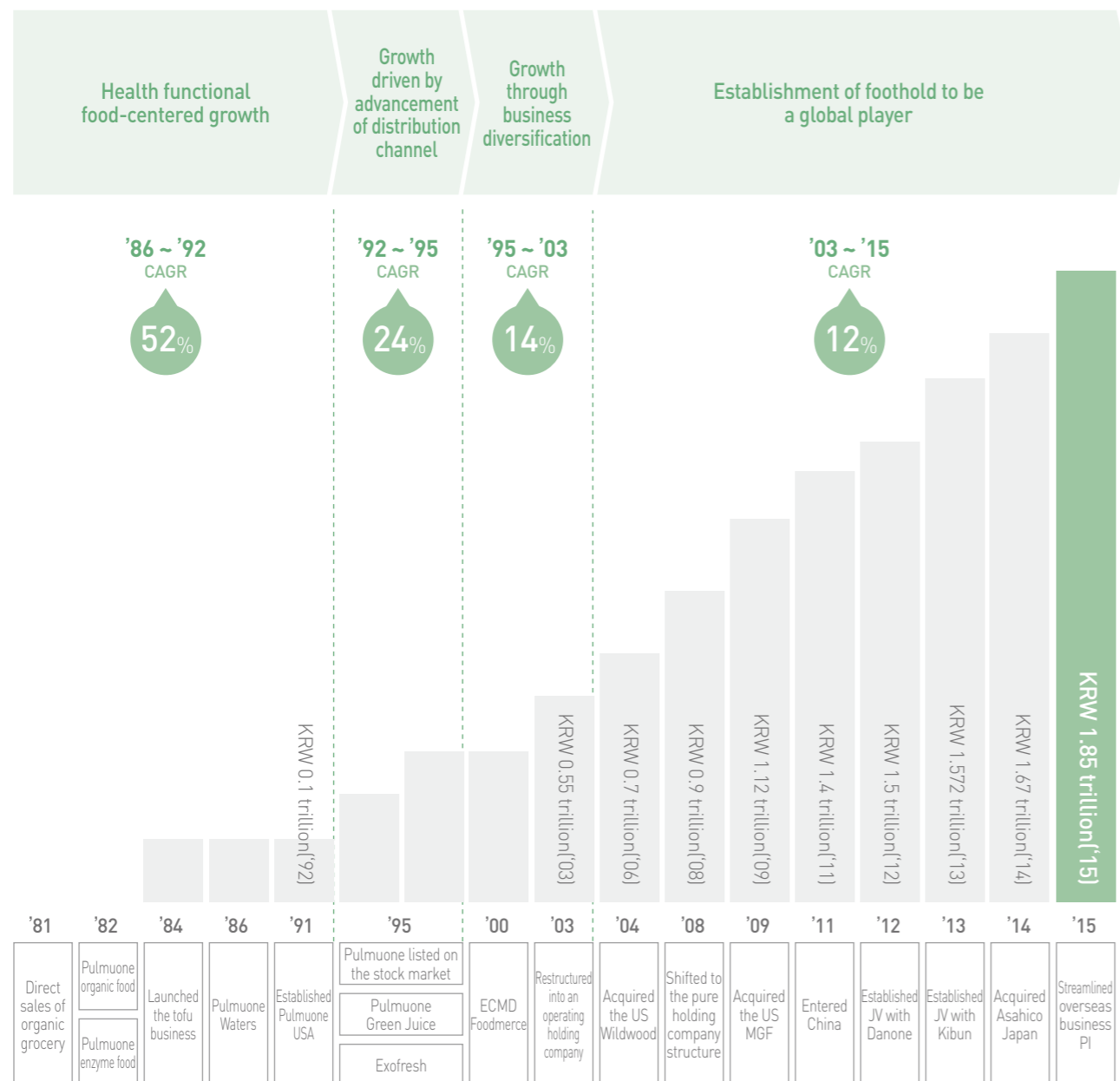


## Integrated Report Team



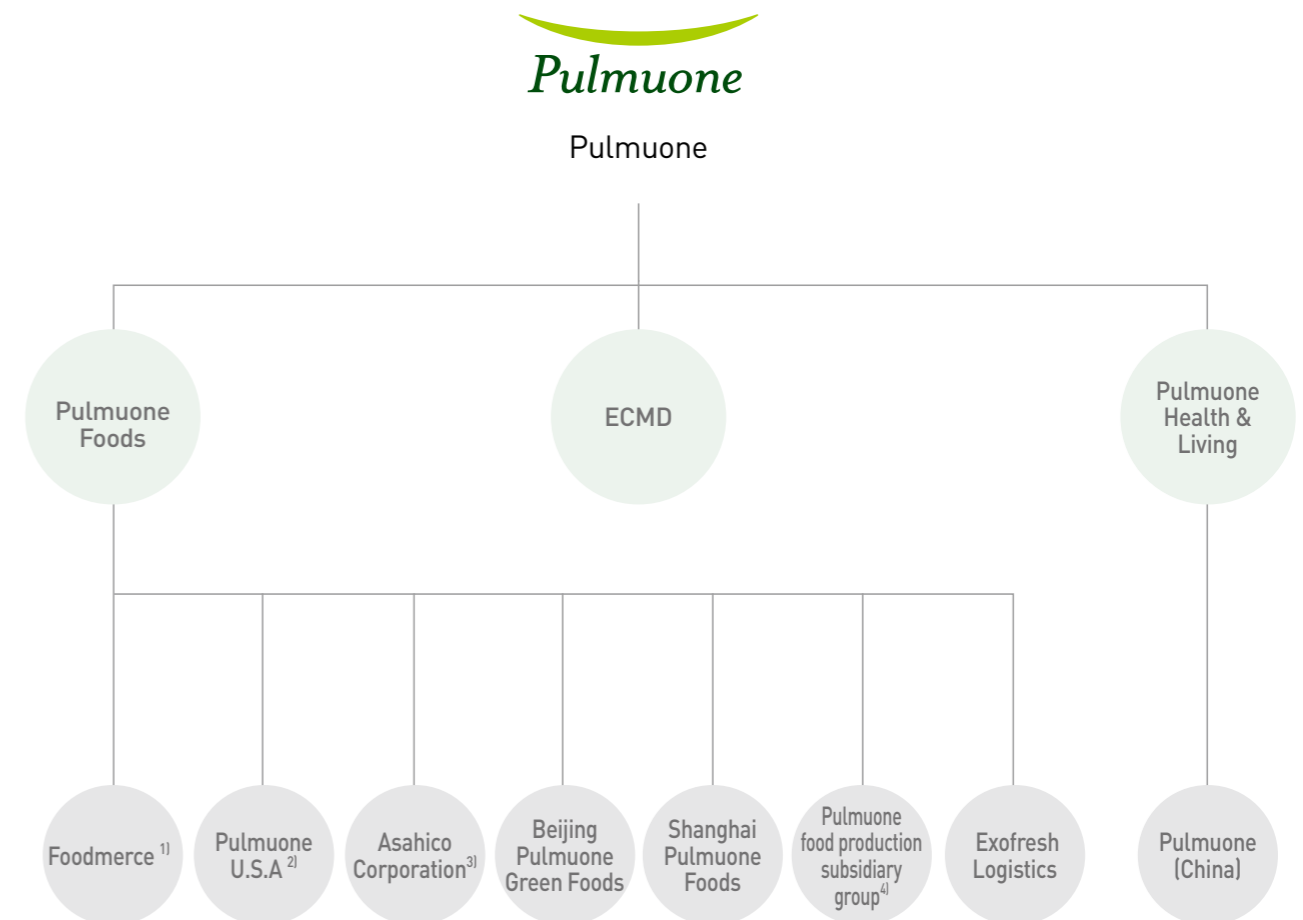
## Pulmuone History

Pulmuone set off its journey in the 1980s by entering green juice, tofu, drinking water businesses. Its success in expanding and diversifying the business scope started in the early 2000s by acquiring CM Development('00) and launching a joint investment with Nestle Waters('04). The company is currently expanding its overseas business in Americas and other regions, undertaking overseas M&As and pursuing joint venture opportunities with multi-national companies as part of the effort to develop a new growth engine.



## Corporate Governance

Pulmuone has a governance structure as follows :



1) Foodmerce has Foodmerce H&S Research Institute as its subsidiary.

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

3) Asahico Corporation has ASAHI BUTSURYU and KYOMIYABI as its subsidiaries.

4) The production subsidiary group of Pulmuone Foods includes PPEC Chuncheon, PPEC Eumsung Sprouts, PPEC Uiryeong, PPEC Eumsung Fresh Noodles, Myungga Food, Shinsunatto, PTA Agricultural Union Corporation and Pulmuone-Kibun Co., Ltd.

# 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.

## Natural Food and Beverage Region Business

**Pulmuone Foods** Produce and distribute fresh food & beverage brands, and supply to distributors



**Foodmerce** Produce PB products in fresh food & beverage categories to supply them for large-scale consumers(HORECA<sup>1)</sup> and cafeterias) and provide food ingredients and facilities



**Pulmuone U.S.A** Produce brand products(e.g. fresh dough, sauce, tofu) of Pulmuone Korea to supply and sell them to distributors



**Asahico** Produce brand products in tofu and fried tofu categories to supply and sell to distributors



**Pumeiduo Foods<sup>2)</sup>** Produce brands products in fresh food & beverage categories and supply or sell to distributors



**Pulmuone Danone** Produce fermented milk to supply or sell to distributors or in other channels



**Pulmuone Waters** Produce drinking water and supply or sell it directly to distributors or put it in large bottles to deliver along with water dispensers to households



## Food & Life Service Concession Business

**ECMD** Prepare and cook foods in concession business sites to offer food products/services to visitors



## Direct To Consumer Business

**Pulmuone Health & Living** Produce health supplements/drinks/skin care/LOHAS lifestyle care products and design or produce foods for companion animals, and sell all these products to consumers



**Pulmuone Duskin** Offer mat/mop rental services to reduce ultrafine dust in the air



**Pulmuone (China)<sup>3)</sup>** Produce health supplements, LOHAS lifestyle/skin care products and sell them through the membership system



## LOHAS Grocery Business

**ORGA Whole Foods** Produce and sell fresh/takeout foods, health products/supplements, sell agriculture/fishery/livestock products, and distribute LOHAS lifestyle products to sell them to managed/franchise stores



1) HORECA : Hotel, Restaurant, Cafe  
 2) Pumeiduo Foods : Beijing Pulmuone Green Foods, Shanghai Pulmuone Foods  
 3) Pulmuone China : Pumeiduo Health & Living

# 2015 Consolidated 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.

## Consolidated Financial Performance

Pulmuone saw its sales increase 10% in 2015 from the previous year to record KRW 1,846.5 billion with KRW 39.5 billion in operating profit. Posting a growth itself was remarkable since the year 2015 presented a quite challenging business environment due to the MERS outbreak and slowing global economy. It was the year when the domestic business proved its potential for sustained growth while the overseas business focused on laying a strong foundation for the future growth.

Category	2013	2014	2015
I. Current assets	447,658	496,920	400,059
II. Non-current assets	533,713	556,647	575,892
Total assets	981,372	1,053,568	975,951
I. Current liabilities	423,143	474,960	439,610
II. Non-current liabilities	285,910	243,914	205,988
Total liabilities	709,053	718,874	645,598
I. Equity attributable to owners of parent	213,207	261,312	289,596
II. Non-controlling interests	59,112	73,381	40,756
Total equity	272,319	334,693	330,353

Category	2013	2014	2015
Net Sales	1,521,708	1,678,094	1,846,488
Operating profit	46,435	53,264	39,533
EBITDA	98,102	108,792	97,923
Net profit(loss) for the year	-12,028	50,538	12,200
Total comprehensive profit(loss)	-14,980	41,385	9,177

## 3-year major financial performances

(Unit : %)

Category	2013	2014	2015
Quick ratio	86.6%	85.7%	73.9%
Debt ratio	260.4%	214.8%	195.4%
Current ratio	105.8%	104.6%	91.0%
Operation profit rate	3.1%	3.2%	2.1%

## R&D Expense

Pulmuone carries out R&D to study consumer needs and trends, and provides true authentic wholesome foods of higher quality by thinking outside the box to develop creative and innovative products. Pulmuone's R&D expenditure in 2015 reached KRW 18.3 billion, a 9.9% increase year on year but the share of R&D expense in sales revenue remained the same against the previous year.

Category	2013	2014	2015
R&D expense	14,736	16,665	18,314
Share in sales revenue	0.97%	0.99%	0.99%

## Government Research Grant

In 2015, Pulmuone Institute of Food & Culture and Foodmerce H&S Research Institute received grants of KRW 68 million and KRW 75 million respectively to undertake the government project titled 'Technology Development for a Harmful Factor Elimination System for Safe Distribution of Agricultural and Food Products'. The project, a 3rd of its kind following the 1st(in 2013) and the 2nd(in 2014) ones to commence on May 1, 2015, is planned to proceed until February 29, 2016.

The government-funded project 'Technology Development for a Harmful Factor Elimination System for Safe Distribution of Agricultural and Food Products' has been designed to swiftly detect microbiological or toxic hazards present in foods. Pulmuone is field-testing various technologies to enhance food product safety in production and distribution stages and to better respond to potential risks of food products. As a result of such efforts, the output of this project is currently being translated into technology advancements that enhance safety of its own food products.

Coupled with this, Pulmuone Foods has installed a wood pellet boiler in its Eumsung tofu plant, which was partly financed by the government. It was ultimately to reduce greenhouse gas emissions from its plants(2013~2018). The company is planning to convert the reduced amount into credits to be sold to the government. This is part of the initiative to more proactively respond to the economic impact brought by climate change.



# 2015 Financial Performance by Subsidiary

## Natural Food & Beverage Region Business

### 01 Pulmuone Foods




Pulmuone Foods produces brand products in fresh food and beverage for consumers and supplies the products to retailers.

#### Tofu

- Bean-based ready-meal products with nutritional balance, eaten as side dishes
- No. 1 in the tofu market
- Expanding the tofu market by introducing new products


» New menus suggested to make tofu go beyond a simple food ingredient

» Simple and convenient products (e.g. Cup Tofu) developed for consumer convenience



#### Vegetable

- Pulmuone Green Life(nature+health) proposed through high-quality, premium products
- No. 1 in the vegetable market
- New recipes suggested to enable consumers to go beyond traditional cooking methods(e.g. boiling in soup, seasoning) and enjoy diverse vegetable dishes




#### Egg

- Fresh, healthy and safe eggs for consumers
- Differentiated quality and process control

» Maximum freshness guaranteed with the expiry date set based on egg-laying dates

» Tracking from chicks to product packaging for accurate product identification

- Increase producers in compliance with animal welfare and communicate the message to consumers to promote the animal welfare practices




#### Noodle

- Growth through continuous product launch

» Products that create new markets (e.g. Spicy Bibim Noodle, Fettuccine, Thai Spicy Rice Noodle, Shichimi Udon, etc)

- New products faithful to the authentic wholesome foods concept

» Gluten free (no flour) fresh noodle products launched



#### Nature Is Delicious

- 'Nature Is Delicious': the most representative brand in fresh ramen category

» New products launched with better flavors and differentiated qualities of fresh ramen




#### I'm Real

- No. 1 in freshly squeezed juice, planned to reinforce the brand image by leading in the category


» New category development/expansion by launching new smoothie/blending juice products

» Plans to revitalize the yogurt market : Curd/drinkable yogurts introduced

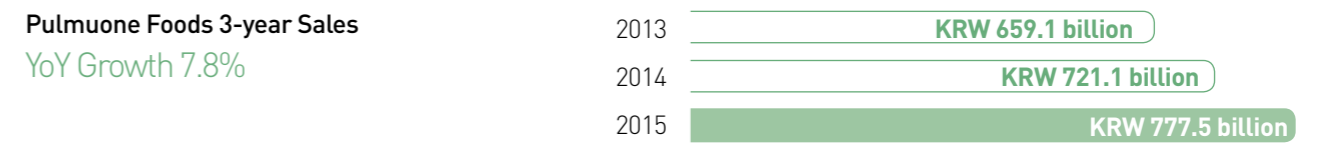


#### Dumpling, Fish cake, Sauce, etc

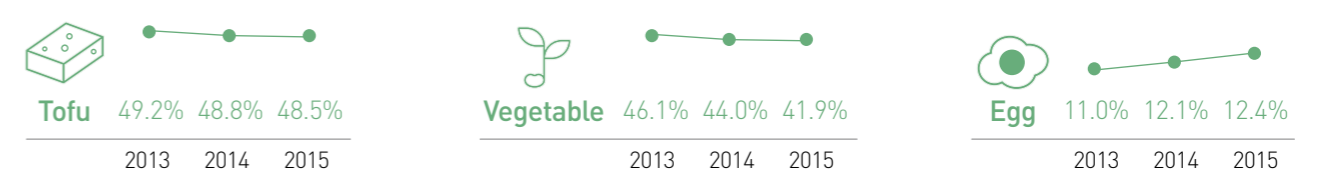
- Dumpling: New category creation(Jijim Dumpling) with the launch of Green Chili Dumpling
- Fish Cake: Premium market explored with the launch of Alaska Fish Cake
- Sauce: Brand value enhanced with the package renewal



#### ◦ Milestones in 2015



#### Market share by category



Pulmuone Foods has posted a stable growth in 2015 by solidifying its leading position in tofu, vegetable, egg and noodle with its average 3-year sales growing 8.6%. It is maintaining No. 1 market share in major categories such as tofu, vegetable and noodle, and consistently creating new markets in priority business units by introducing processed tofu products as ready meal, and mung-bean sprouts mix products with added convenience for cooking in the packaged vegetable category, and creating the rice noodle category to respond to the rising popularity of the Southeast Asian recipes. Moreover, a range of ready meals including frozen rice have been added to the portfolio to keep up with the latest food trend for simplicity and convenience while the markets for dough snack(e.g. Tortilla), stir-fried spicy rice cake and premium fish cake are further explored and expanded. In parallel with this, Pulmuone is making efforts to help consumers adopt healthier diets by providing low-sodium, gluten-free, and high-protein products with nutritional balance.

#### ◦ Future Direction

Pulmuone Foods plans to launch more products with distinguished benefits and features aligned with the latest market trends and create synergy across the globe to drive further growth. Its major categories such as tofu and vegetable will continue to fulfill evolving consumer needs by introducing new products with better taste that are convenient to cook or eat in more diverse settings. It also wants to expand the scope of its organic products and launch more products with nutritional balance in order to offer more authentic wholesome foods to consumers. Its fresh ramen brand 'Nature Is Delicious' is currently rolling out its communication campaign with the catch phrase 'Fresh Ramen instead of Ramen' so that more consumers can enjoy fresh(non-fried) ramen more often. In the beverage category, 'I'm Real' is expanding its business by entering new segments including carbonated water and launching new products(e.g. smoothie, blending juice) to develop new categories. Pulmuone Foods aspires to grow its sales revenue to more than KRW 100 billion within 3 years by driving strong initiatives in ramen and beverage markets worth higher than KRW 1 trillion. Combined with these efforts, product and technology partnership with overseas businesses in the US, Japan and China will be reinforced for global synergy, revitalizing the domestic market and further expanding its presence in overseas markets.

## 02 Foodmerce



Foodmerce produces fresh food and beverage, and supplies them for private brands of large-volume consumers(HORECA, cafeteria). It also provides a range of materials necessary for cooking and serving.

### Kids



- **Brands and services tailored to infants and toddlers are distributed to kindergartens and childcare centers**
  - »No. 1 market share in the kids sector
  - »Sales growth by boosting market share in public/private childcare centers
  - »Communicate the value of authentic wholesome foods through SNS and spread the LOHAS values by offering opportunities to experience Pul's Kitchen

### SL (School)



- **A secure footing in school meal service market by offering 'Barunsun' products based on authentic wholesome foods to primary/secondary schools**
  - »Sales growth driven by new product launches in 'Barunsun' category based on 5 values(healthy, safe, convenient, delicious, new)
  - »A stronger market position by improving its distribution structure and product provision based on 'New SL Declaration'

### B&I (Business & Industry)

- **Comprehensive food materials distribution, providing healthy and safe food materials, products and services tailored to individual consumers in the adult meal service market**
  - »Further market penetration by strengthening its sales expertise and enhancing its bidding competitiveness
  - »Excellent and effective product supply to satisfy consumer needs by boosting its price competitiveness and developing products optimal by channel
  - »New order winning by offering differentiated premium menus for universities and military/police organizations

### H&C (Health & Care)



- **Business to secure a leading position in healthcare/welfare market for seniors be leveraging its 'Softmade', food materials brand optimized to seniors**
  - »'Softmade' products and diets easy to chew and digest to meet the needs of the aging society
  - »Development of LOHAS menu/healthy diet in partnership with universities and entities serving seniors

### HORECA (Hotel, Restaurant, Cafe)

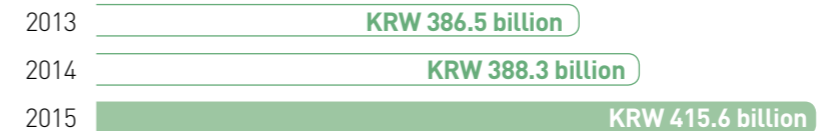


- **Comprehensive food materials distribution service to offer food materials consumers need and supply 'ChamChaeUm(truth fulfillment)' designed for the convenience of franchise restaurants and other types of restaurants**
  - »Develop products easy and convenient to cook in consideration of the kitchen/site environment of restaurants
  - »Boost competitiveness by increasing the market share in large-sized franchise channel and providing meal solutions

### ◦ Milestones in 2015

#### Foodmerce 3-year Sales

YoY Growth 7.0%



Foodmerce is a total food service business that has posted an average growth of 3.7% for the past 3 years by providing authentic wholesome foods brands, food materials and services based on the concept of 'Safety, Health, Nutrition, Convenience, Taste' throughout the consumer lifecycle from kids to silver. It is posting a steady growth especially in the Kids channel getting certification for more of 'Woori-I(My Kids)' products for safety, developing more products that make cooking and eating easier, and solidifying its market status by extending its services and network with childcare centers. The SL channel is growing despite the unfavorable environment where geographies are limited and the competition is intensifying by facilitating product development for 'Barunsun' and reinforcing its competitiveness. The B&I channel is winning more orders from large-sized clients by enhancing its competitiveness in bidding and suggesting new menus based on the brand products. In the H&C channel, 'Softmade' for seniors has been launched to entrench itself further in the market by selling products specifically designed for the senior population, and the restaurant brand 'ChamChaeUm' has been developed to create more opportunities to enter the restaurant market.

### ◦ Future Direction

Going forward, Foodmerce is determined to bolster its business structure by offering a value proposition based on the authentic wholesome foods of its brands. It wants to focus on brand products to drive the further growths of the Kids/SL/H&C channels while supporting non-brand products for the B&I channel. Its brand value will be enhanced further by reinforcing its message, 'Health, Safety, Convenience', to deepen and widen the good food proposition, introducing global food processing technologies and innovative packages, and showing more information on the packages. As for non-brand products which have secured sourcing capability, product competitiveness and food materials safety, Foodmerce wants to further enhance its purchasing competitiveness. Aware of the rapidly changing market, it plans to improve its response to any changes by channel and consumer. The Kids channel will see more products specifically designed for kindergartens to carve a position out of the market, and further develop mobile service support and communication. Meanwhile, for the B&I channel, the order-winning capability in bidding and product competitiveness will be further enhanced, and for the H&C channel, more health supplements and diet meal menus will be developed.

## 03 Pulmuone U.S.A.

Pulmuone U.S.A. produces and supplies fresh dough, sauce, tofu, and Pulmuone Korea products for retailers in the market.

### Healthy Alternatives

#### Tofu/Meat Alternatives



Vacuum Pack, Water Pack, Flavored, Veggie Burger

#### Dips / Spreads



Aioli

#### Dairy Alternatives



Milk, Creamer

### Entrees /Friends of Snack

#### Pasta / Ready Meal



Ravioli, Dumplings, Ready Meal

#### Sauces / Spread / Dips



Cream Sauce, Pesto, Bean dip, Tapenade, Salsa, Hummus

#### Imported Products



### 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



### Milestones in 2015

Due to the intensified competition, production discontinuation of old products, and delayed product launches, the sales has declined slightly since 2012, but after the organizational reshuffle was successfully completed and the business process was improved to effect a turnaround, new pasta and ready meal products were successfully introduced to its primary distribution channel, Club, in the 2nd half of 2015 as a measure to generate actual performance in 2016. In the past, there were less than 10 new products in the distribution channel for Korean Americans, but in 2015, as many as 20 new products were launched to make a leap forward in 2016. The company has also placed the Korean products in the major distribution channels of the US, which is expected to boost sales revenue from the crossover sales in 2016.

### Future Direction

Pulmuone U.S.A. is committed to creating a new growth engine for the mid-to long-term growth. To achieve this aim, it will work to improve its cost structure by raising its capacity utilization. In addition, the tofu business, which used to remain in the core channel, Natural, will be expanded to cover the Retail channel. More ready-meal and meat alternative products will be developed to keep abreast with the latest trends in the US, and the company will also focus on laying the sound foundation for a future growth by supporting products with growth potential, integrating brands, promoting the brand name, and innovating the internal operation process.

In the mid-to long-term, it aims to import more products of Pulmuone Korea and place them in major distribution channels for the main stream market, and in partnership with Pulmuone Foods and Asahico Corporation, it wants to launch a range of products in dessert tofu, Korean dried laver and fresh noodle into the mainstream market of the US to achieve crossover sales. Coupled with this, it plans to show the brand logo of the parent company(Pulmuone Korea) next to the logos of brands separated by channel/product(i.e. Pulmuone U.S.A., Wildwood, Monterey Gourmet Foods) so that integrating brands can create synergy effects in the US mainstream market or the Korean American market within the US.

## 04 Asahico Corporation



Asahico Corporation produces tofu and fried tofu products for retail consumers and supplies them to distributors in the retail market.

### Tofu

- **Draw competitive edge from the distinct tofu production technology of Asahico Corporation**

- » Creamy AQUA technology that makes tofu with deep flavor
- » Natural AQUA technology that removes the smell from raw soybean
- » ALPS technology that extends the expiry date and adds soft texture

- **Diversify the product portfolio, develop products to swiftly respond to ever-changing needs in distribution and consumer market**

- » Cut Tofu with enriching flavor and real soybean taste
- » Raw Tofu with uniquely mild texture
- » Dessert Tofu catering to the trend and consumer lifestyle



### Fried Tofu

- **No. 1 in the fried tofu market of Japan**

- **Present distinct texture and concept through advanced technology exclusive to Asahico to enter the new market, and secure an unbeatable position based on its hit product, Mukashiage**

- **Secured the best production capability and bettered competitiveness in 2015 by investing in its Omachi plant**



### ◦ Milestones in 2015

For Asahico, the year 2015 was an opportunity to grow from within. In the 1st half of the year, the aged Kansai plants were integrated and new fried tofu line was installed in the Omachi plant to have the biggest fried tofu production capacity in Japan. This has enabled the company to provide fried tofu to Kansai and Kanto regions, which resulted in production growth and higher price competitiveness. Coupled with this, the advanced ERP and POV systems of Pulmuone that encompass production, sales, logistics and finance were introduced with great success, driving innovation throughout its business management.

In the 2nd half of 2015, the 1st anniversary of the new Asahico was celebrated by holding a 'New Asahi Announcement' ceremony that introduces the new vision and products of the company. The ceremony is believed to greatly enhance the image of Asahico both internally and externally.

In addition, a new tofu production line was added to the Gyoda plant to better price competitiveness leveraging higher productivity, and new products based on its unique tofu production technology were launched to ensure a steady growth in the tofu market.

### ◦ Future Direction

The company is renamed as 'Asahico Corporation' in 2016 to shed its conservative image of the past and march toward a new future as a soy protein company.

Asahico has more advanced tofu and fried tofu production technologies compared to other tofu makers in Japan. Its unique and more advanced technologies will be applied to Pulmuone U.S.A., Pumeiduo Foods as well as Pulmuone Foods to generate global synergy effects. Combined with the leading marketing and logistics expertise of Pulmuone Foods, the company is expected to successfully establish itself firmly in the Japanese market.

It will also go beyond its existing business model mainly driven by tofu and fried tofu to become a soy protein company which covers a wider market including meat alternatives, soy dessert, soy yogurt, soy cream, and etc. Its ultimate aspiration is to grow into a total food company in Japan whose business is not limited to soybean processing but also includes beverages, noodles and sauces.

## 05 Pumeiduo Foods



Pumeiduo Foods produces fresh food and beverage products for retail consumers. It supplies its brand products to distributors and is currently expanding its business scope and product groups available in China.

### Chilled Noodle



### Kimchi



### Rice Cake



### Frozen



### Juice



### Sauce



### Seaweed



### Milk



### ◦ Milestones in 2015

Pumeiduo Foods is consistently growing its sales. It is maintaining the growth momentum in the existing product groups such as noodle, rice cake, Kimchi, frozen dumpling and etc, while entering new categories which would serve as new growth engines such as tofu, sauce, juice and fresh milk, and gauging the market potential for 2016. Its Beijing plant completed investment in sauce production facilities with success, which gave the plant a sound platform for production increase along with a supply chain to establish itself as production base for tofu partners in China.

It has created consistent sales revenue and higher profitability in the existing business categories amidst many difficulties in China such as the sluggish consumer demand and the slowdown in distribution sector.

### ◦ Future Direction

Pumeiduo Foods sets an ambitious target to boost its sales twice in 2016 against the sales in 2015. To achieve this aim, it plans to lead the market by enhancing competitiveness of its noodle, rice cake and kimchi while putting a priority on successful market entry, launching tofu products whose production will be soon commenced in China, and increasing the market for frozen fried dumpling and sauce. In the mid-to long-term, the company will continue to have the tofu business as a key driver in addition to designing mid-to long-term roadmap by product category in order to make a prompt response to market and environmental changes.

It will also establish itself as the leading LOHAS fresh food company in China by re-creating a new growth engine, increasing productivity in the existing distribution channels/stores, and facilitating the online mall sales.

# Food & Life Service Concession Business

## 01 ECMD



ECMD cooks foods in the concession business sites and provide services to offer consumers more opportunities to eat and enjoy better foods and purchase necessary products and services. It runs the LOHAS lifestyle business as its core brand.

### Food service

- **Business to spread the distinct LOHAS culinary culture and values by offering eco-friendly, nutritional and healthy diets to businesses, public offices, secondary schools, universities and hospitals**

»The Smart Kitchen



### Concession

- **Business to provide a range of products and services more than foods by having almost monopolistic lease on specific businesses in high foot traffic places such as airports, shopping malls, resorts, hotels and hospitals**

»Restaurant brands such as Nature Is Delicious, NSK(Natural Soul Kitchen), and etc



### Resting stop

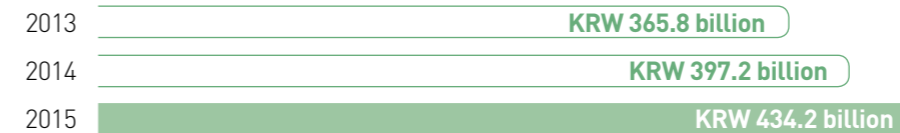
- **Total service business that offers comprehensive services including shopping opportunities, safe and Authentic wholesome foods, comfortable rest, and other specialty services to visitors at resting stops along highways or near important facilities**



### ◦ Milestones in 2015

#### ECMD 3-year Sales

YoY Growth 9.3%



Despite the unfavorable business environment brought by the MERS outbreak in 2015, ECMD recorded a 3-year average growth rate of 8.9% by securing new clients and extending the existing contracts. The food service business has improved its menu operation in the business sites outside Seoul, developed new LOHAS menus for differentiated services, and went through renovation. Meanwhile, ECMD concession business bolstered its service capability by devising the SPG(Service Process Guide) by channel and site, and stabilized the operation of new business sites as early as possible by paying special attention to their management. It also built infrastructure for future business, going through brand development and renewal (Osaka Kitchen, Flavour6), restructured its organization and made food materials preparation more effective to enhance its operational process. In addition, business operation at resting stops has grown by placing different products and services by site (i.e. selling menus and products made of the region's specialty products), and has secured another great growth opportunity by winning a project for the 2nd Yeongdong Highway.

### ◦ Future Direction

ECMD will consistently improve its premium food service brand 'Smart Kitchen', source healthy food materials by securing cost competitiveness and develop new LOHAS menus in order to further grow its LOHAS business.

The concession business will continue to be developed through R&D activities on the menu and marketing campaigns to enhance brand image and incorporate the consumer trend. Its business at resting stops along highways will feature more complex services based on consumer needs while engaging in eco-friendly practices and developing specialty services for each resting stop in order to sustainably secure a differentiating capability. It will also actively generate a new growth engine by leveraging its on/offline partnership, developing new partnership service model and commercializing them in the market.

## 01 Pulmuone Health & Living



Pulmuone Health & Living produces health supplements, health drinks, skin care products and LOHAS lifestyle products, and directly sell them to retail consumers(Direct Sales). It also designs and produces healthy diet meals, targeting specific consumer groups and delivers the meals directly to the consumers(Baby/Kids/Diet Meals). The company also produces and sells companion animal foods to retail consumers or supplying them to distributors. It also visits homes and offices to rent devices such as mats or mops to help households control the ultrafine dust in the indoor air.

### DS(Direct Sales)

#### Health supplement(Greenche)



- Business to develop health functional foods made of natural and organic ingredients based on nutrition needs of Koreans and of different age groups and sell them directly to consumers enlisting the help of HA(Health Advisor) sales team

#### Skin care(Issilin)



- Business to produce cosmetics made only of the safe ingredients with the traceable history and sell them by dispatching HA across the country for door-to-door sales

#### LOHAS Kitchen



- Premium home appliance business that helps turn kitchen or living space into LOHAS life space

### FD(Fresh Delivery)

- Business to make fresh and healthy juice squeezed every day from strictly-managed fresh materials and have MS(Morning Staff) promptly deliver the juice to consumers



### DM(Designed Meal)

#### Baby Meal

- Customized chilled meals for babies weaned from breast feeding to help them develop good eating habits



#### Eat Slim

- Chilled low-calorie healthy diets designed by Pulmuone based on the best food materials, strict hygiene management and the Low GL Diet theory which reinterprets how to calculate calorie



### CAF(Companion Animal Foods)

- Premium foods tailored to the lifestyle of companion animals under the brand name AMIO which embodies the Pulmuone spirit 'Respect for Life'



### PDC(Pulmuone Duskin)

- Rental business that provides total solutions by leveraging its information, products, and services for a healthy living environment of consumers who want LOHAS life



### ◦ Milestones in 2015

Pulmuone Health & Living 3-year Sales YoY Growth 11.8%	2013	KRW 124.6 billion
	2014	KRW 128.1 billion
	2015	KRW 143.3 billion

Pulmuone Health & Living has grown, building on its key businesses such as DS and FD. The year 2015 offered an opportunity to the company to set the future direction by announcing itself as a LOHAS lifestyle company operated under the new mission and the slogan 'Present Nature to Humans'. First, its DS business is growing on a sustained basis by boosting competitiveness of its core products in health supplements and skin care categories while developing new core products. In May 2015, LOHAS Kitchen was launched with successful market entry of induction cooktop, highlight electric stove and cookware. Next, the FD business is continuing its growth thanks to the steady growth of fresh health juice, successful launches of the brand 'Refresh Cleanse' and leadership over franchise stores. When it comes to the new businesses such as DM, CAF and PDC, however, 2015 was the year to get ready for a new leap through innovative business model/product, and more efficient profit structure. DM has introduced a program for Baby Meal designed to a specific age(years and months) of a baby, and re-established its own online mall structure to bolster its sales function. Eat Slim improved its profits by leveraging the wider external sales channel and product renewal. For CAF, it has expanded offline store distribution while proceeding with the Amio mall renewal and mobile application opening, and for PDC, business building and New Hearty program implementation have been carried out.

### ◦ Future Direction

Pulmuone Health & Living wants to continuously improve its image as a LOHAS lifestyle company going forward. It wants to focus on consumer communication for further growth mainly via its membership mall and mobile channel. Its DS business will work to expand the product range and consumer services while, at the same time, bolstering LOHAS promotion and growing large-scale franchise stores. The FD business wants to strengthen its competitiveness in distribution by increasing the number of franchisees and MS(Morning Staff), and growing categories such as fermented green juice, plant-origin lactic acid bacteria and fermented milk optimal for the FD channel. The DM business plans to enhance its product/service competitiveness by introducing more diet and baby/kids menus designed by nutrition experts, increasing sales to secure cost competitiveness and improving its cost structure in a sustained manner. The CAF business, meanwhile, will leverage its door-to-door sales/distribution infrastructure and Amio mall to leverage its online external mall and offline channel as promotional tools for new brands. It will also drive future growth by forming partnership with companion animal businesses. Last but not least, the PDC business will design highly efficient promotional methods by segmenting consumers based on specific criteria, and implement the reward system based on consumer acquisition, service skill improvement, performance improvement and Hearty training outcome to develop the Hearty Organization.

## 02 Pumeiduo Health & Living



Based in Chongqing, Pumeiduo Health & Living is a membership-based business that produces and sells health supplements, LOHAS lifestyle products and skin care products designed for healthy and happy life.

### ◦ Milestones in 2015



Pumeiduo Health & Living acquired the direct sales (e.g. door-to-door sales, multi-level marketing) license from the Chinese government in the 1st half of 2015, becoming the 2nd Korean company to do so. From then on, it has been establishing its organization structure and developing products for a stable operation of its business. It has also implemented the 3-step product operation strategy to reinforce LOHAS principles and maintain LOHAS lifestyle on a sustainable manner.

1. It handles 58 types of organic grains and fresh foods to communicate LOHAS beliefs and importance of authentic wholesome foods. Its product range will be expanded further in 2016, distributing 72 types of foods including bulbs and tubers.
2. It offers 22 types of skin/personal/home care products to help consumers maintain the LOHAS lifestyle. In 2016, 9 types of new products will be introduced to the market for repeat purchases.
3. To support the LOHAS lifestyle, it handles 17 types of healthcare products and plans to introduce 8 types of new products in 2016 to promote the LOHAS health.

### ◦ Future Direction

Starting from 2016, Pumeiduo Health & Living will restructure its education and training to fully establish the membership-based direct sales system as part of the effort to promote repeat purchases of LOHAS lifestyle products. It will also invest more in the system to support the intermediaries who source products directly from manufacturers and sell to consumers, and increase the market share in local areas by expanding its regional bases for further growth.

Its mid-to long-term objectives include raising awareness of LOHAS in China, expanding its base in the addressed local areas, and enhancing its profit structure by realizing the economy of scale swiftly so that the company can be managed independently. Going forward, a new platform will be established by expanding its regional bases for another great leap forward.



## 01 ORGA Whole Foods



ORGA Whole Foods produces fresh foods and takeout menus, and sells them as private brands. It also sells agriculture, fishery and livestock products, and health products including health supplements also as private brands. Sourcing LOHAS lifestyle products for consumers and selling them in licensed and franchised stores is also the business of ORGA Whole Foods.

### Directly Manged

- Core business of ORGA Whole Foods that operates various PB/NB(National Brand) and ORGA bakery (Yongsan and Jeongja stores opened in 2015)

### FC(Franchise)

- Store size or format can be adjusted depending on the location, consumer characteristics in that specific area, and etc (10 stores opened in 2015)

### SIS(Shop-In-Shop)

- Operation of small-sized multi-functional stores through strategic partnerships with big retailers including department stores

### E-biz

- An online shopping mall that sells products from ORGA store and various eco-friendly life care brand shops (www.orga.co.kr)

### ◦ Milestones in 2015



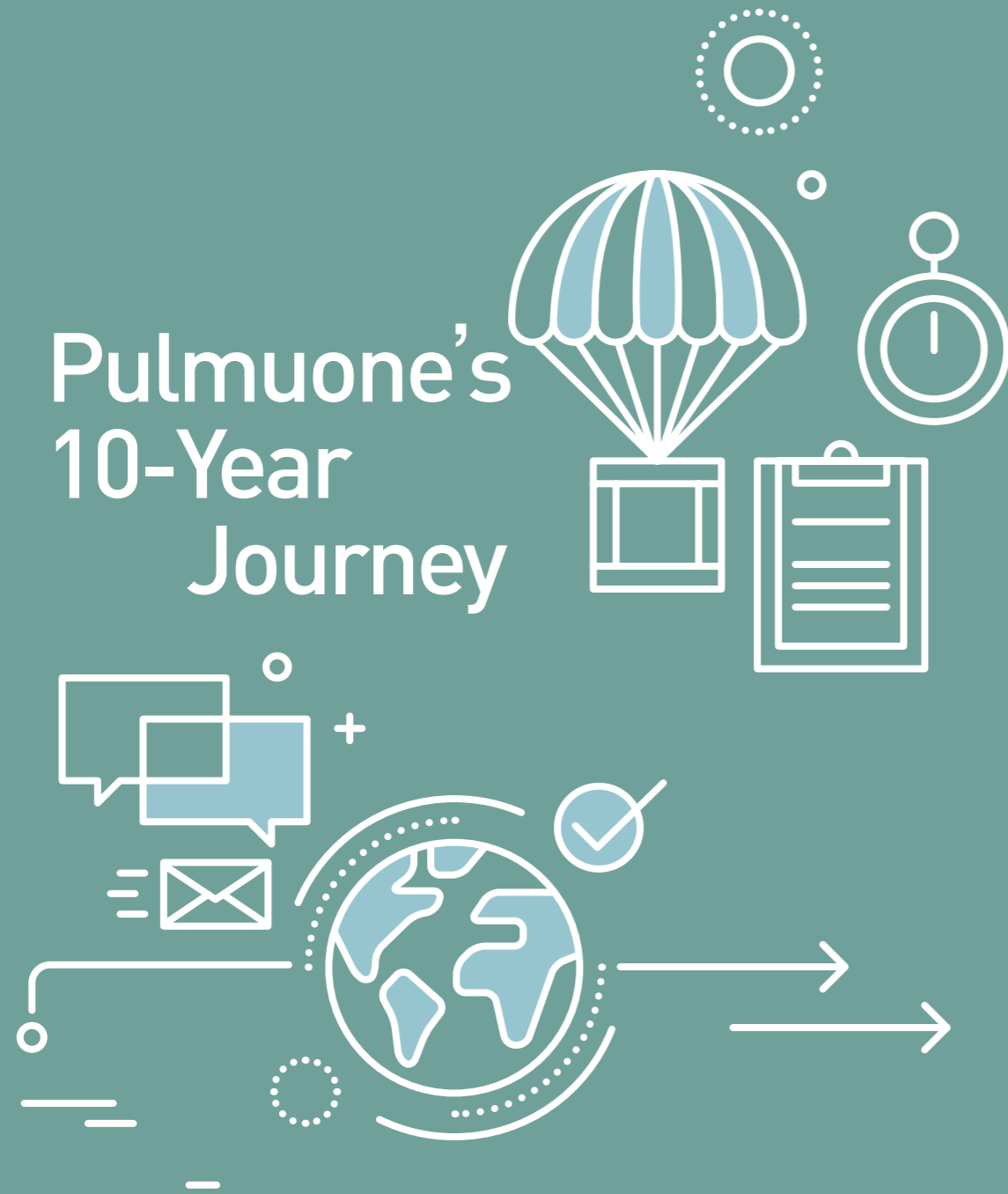
In 2015, ORGA Whole Foods added more distinct features to its products by further developing its PB products, increasing GAP(Good Agricultural Practices)/low-carbon certified agricultural products, promoting animal health, and innovating the purchase process. In parallel with this, the company designed an integrated process for on/offline members to ready itself for on/offline integrated marketing, and established the tablet PC-based membership acquisition process to enhance convenience and efficiency. New tailored services were also introduced for those who are raising children aged 0~7 through 'ORGA Mom Membership' as part of the efforts to offer better services to the core consumer group. It upgraded its logistics capability and reduced transportation hours for stores outside Seoul to secure a stable product supply and cut the logistics cost.

### ◦ Future Direction

ORGA Whole Foods wants to grow the business along with its product competitiveness and MD development capability. To make this possible, the company will further reinforce its consumer-oriented marketing, cost-effective products and unique PB products. The directly managed stores will analyze consumers, growth potential and profits to design and implement alternative plans by type and to develop field-oriented innovation tasks. It will fashion new standard models and open new stores based on the slimmer model(CE type). For SIS, it is determined to develop a better value proposition closely aligned with the changing consumer trend and design a store operation format that better benefits the characteristics of different commercial districts.

FC will open more stores after reinforcing its competitiveness and sustain the growth rate by training store owners for better managerial capability. E-Biz growth will be accelerated through market diversification for special sales channel with the support from more effective mobile/external channels. Overall, ORGA Whole Foods will drive its profit growth by leveraging a sophisticated cost control scheme and a more advanced POV system which enables detailed analysis, assessment and management of profits by item and store.

# Pulmuone's 10-Year Journey



## 2

Pulmuone wants to reflect upon its path of sustainability management in the 10th Sustainability Report.

# Stakeholder Interviews

Publishing its 10th sustainability report, Pulmuone wants to reflect on its journey for the past decade and looks ahead to the future. To build consensus once again over the vision and the role of socially responsible management, Pulmuone has asked its key stakeholders for their views on sustainability.

**Q. Sustainability management is becoming more important to businesses as the competition in the food market intensifies with overseas market opportunity more actively explored and food safety/health issue together with global issues such as the Paris Climate Change Agreement and the UN SDGs taking on more urgency. What implication does all of this have for Pulmuone?**

Pulmuone puts humans at the center. Since Pulmuone CEO firmly believes in corporate social responsibility, which is deeply embedded in every aspect of the corporate culture, it is possible for the company to take an open and genuine approach to various issues. Since its inception, Pulmuone has generated successful business performance by clearly communicating to the market that it offers 'organic healthy foods'. I believe, therefore, the UN SDGs announced last September would create another big opportunity for Pulmuone to set itself apart from competitors.

The food industry where Pulmuone is operating its business is deeply affected by food safety, health and climate change as well as other global issues. Among them, I believe water, sustainable farming and climate change are the most pivotal issues to Pulmuone. Since water security is as important as climate change response, I think Pulmuone needs to come up with longer-term targets regarding those two issues. In the food sector, sustainable farming has to be advocated and implemented since ensuring an eco-friendly supply chain has huge impact in the sector. If Pulmuone makes a preemptive response to such agendas in accordance with the UNGC 10 principles, that would create great business opportunities in the future.

Im, Hong-Jae (Secretary General of UNGC Korea)

Believing energy/climate change issues can create an opportunity to enhance its brand value, Pulmuone has worked to tackle the issues before others and been investing in advanced systems. It established the ES(Environment & Safety) team in 2008 and engaged in various efforts to save energy, water and cut greenhouse gases every year, setting the target of cutting the energy intensity 25% and the water consumption intensity 40% by 2017.

In 2015, Pulmuone achieved the target for greenhouse gas emission by leveraging its carbon emission certification scheme and solar panels, and developed eco-friendly packaging materials using water-based ink. It plans to further reduce its water consumption by using recycled water for one third of the 3,000 tons needed per day to grow bean sprouts by the end of 2016. Other short-to mid-term efforts to reduce energy consumption and greenhouse gas emissions include acquisition of green store certificates and ongoing monitoring of its energy consumption.

Baik, Seok-In (Head of ES/QTM Department)

Pulmuone started off with the credo 'Love for Neighbor, Respect for Life' following the belief of its founder Won, Gyung Sun. The credo clearly shows the path Pulmuone should be headed to for its sustainable development. So far, Pulmuone has expanded the scope of authentic wholesome foods from safe foods to healthy, nutritious meals that carry 'Love for Neighbor', spreading the LOHAS diet through sustained campaigns on authentic wholesome foods. Though its business was confined to food at first, Pulmuone has evolved into a LOHAS company with time.

This is to live harmoniously with nature based on 'Respect for Life'. Under such overarching principle, Pulmuone has successfully extended its business scope to launch the induction cooktop business that replaces gas stoves, one of the major culprits of air pollution, along with the cleaning business to eliminate fine dust in the indoor air. In the food sector, Pulmuone is rolling out a campaign named 'LOHAS diet that makes both my body and nature healthy'. The diet consists of vegetables, whole grains and vegetable protein to make not only consumers but also the earth healthier by reducing carbon emissions. I believe the LOHAS diet will be the main driver of Pulmuone initiatives for its product/diet development, which will be another step forward in the evolutionary path of authentic wholesome foods.

Kim, Hyun-Joong (Head of Food Marketing Division)



## What kinds of values is Pulmuone proposing to stakeholders to ensure a sustainable future?

Product development and campaigns for healthy dietary lifestyle are two key pillars that prop up Pulmuone's commitment to authentic wholesome foods. Pulmuone products such as tofu free from chemical coagulant, bean sprouts free from growth hormones, 100% fresh fruit juice and non-fried fresh noodle all embody Pulmuone's conviction and determination to offer only the authentic wholesome foods. More recently, Pulmuone has launched ready-meal products with nutritional balance to keep up with the modern trend, tofu products that make eating tofu easy and simple to help people enjoy more vegetable protein, and eggs produced protecting the animal welfare to uphold its principle 'Respect for Life'.

Meanwhile, Pulmuone is rolling out the authentic wholesome food campaign for children, the leaders of our future. The campaign primarily targets children because Pulmuone believes 'taste preference developed in childhood lasts lifetime.' Knowing dietary education for children should be fun as much as educational, Pulmuone created authentic wholesome foods Song and Yum Yum Dance. In 2015, Yum Yum Dance was recorded not just in Korean but also in Japanese, Chinese and English to be promoted in other countries as well.

Such an interesting approach is received very well by young mothers as well as children. The next challenge for the campaign would be how to help children eat more of authentic wholesome foods by making them familiar through the song and the dance taught in homes and schools.

Kim, Soo-Hee

(Pulmuone Foods Marketing Support Department Manager)

We are offering Good Cleaning Class with the support from the Pulmuone Foundation. Its curriculum has been designed for households to implement LOHAS life, 5S(Sort, Set, Shine, Standardize, Sustain) and the founding principle of Pulmuone, 'Love for Neighbor and Respect for Life'. Good Cleaning Class for kindergarten/lower-year students at primary schools in Greater Seoul offers a curriculum where children find cleaning activities not as labour but as fun by using pop-up fairytale books, games and offering hands-on experiences. The program encourages our children to care for neighbors and the environment.

Pulmuone wants to spread its socially responsible campaigns to consumers' daily life, homes and workplaces to help them understand the LOHAS values. This is a must to be recognized as a 'LOHAS lifestyle company' that goes beyond just selling LOHAS products.

Jeong, Seung-Ae (Shine Impact CEO)

Pulmuone is truly exemplary when it comes to selecting and evaluating partners through rigorous and impartial assessment and verification on their social and environmental performance. Pulmuone is differentiated from others since it places a bigger priority on the environment and makes more effort to save it. Such strict ethical, environmental and food safety standards will make the company continue to produce high-quality products and services in a sustained manner.

Pulmuone also offers its partners more opportunities to jointly enter overseas markets for win-win growth. This is creating a virtuous cycle of inclusive growth which leads to a trusted partnership. But there is one suggestion I want to make: Pulmuone needs to create a department dedicated to supply chain management. Securing a sustainable supply chain is really important for food companies these days.

Park, Ho-Seo (Deoksan Foods CEO)

## Q ■ Where should Pulmuone work on to achieve sustained development and how should Pulmuone's sustainability management evolve in the future?

Pulmuone can make various contributions in terms of the efforts to reach the SDGs. First of all, to set priorities, it needs to identify the ones out of the 17 goals with the potential to leave strong positive or negative impacts in the industries where Pulmuone runs its business, and internalize necessary considerations to achieve the goals in all areas including corporate strategy, policy and implementation. Participating in the global platform can be one way to do this. If Pulmuone joins platforms that include global companies such as 'CEO Water Mandate', 'Sustainable Agriculture Business Principles' or 'Supply Chain Sustainability' of the UNGC, it would be highly conducive not just to Pulmuone's business but also to building sustainable communities.

Im, Hong-Jae (Secretary General of UNGC Korea)

Every year, Pulmuone organizes a large gathering for partner companies called 'Pulmuone Best Partners' Day'. I attended the meeting myself and made several suggestions to Pulmuone for inclusive growth. Afterwards, I found the necessary improvements I suggested were actually implemented and realized my feedbacks were communicated to the management, and they worked to incorporate suggestions from partners into their management process. It is not uncommon to hear big businesses talk about inclusive growth but in reality, only few deliver the promises. But Pulmuone is different. I really want Pulmuone to keep its strengths such as the excellent collaboration system, agile innovation and decision making, and opportunities for overseas market entry for partners. In addition, I also hope there will be a win-win growth fund for small-and medium-sized enterprises to support more efficient business management, and better quality/productivity in order to ensure true win-win collaboration.

Park, Ho-Seo (Deoksan Foods CEO)

As the business focus has shifted from materials to processed foods, and more food companies adopt 'health' as their keyword by launching 'no additive' foods, it seems very challenging for Pulmuone to set itself apart from others by creating its own unique values. However, such change rather increases the urgency for Pulmuone to find 'solutions only Pulmuone can offer'. This means Pulmuone should find new value proposition in authentic wholesome foods and express the values through its products.

I actually witnessed many efforts of Pulmuone in that direction. One example would be the creation of the fresh noodle category with the gluten-free concept, reflecting strong interest in the Southeast Asian recipes. Putting 4 small cups of soft soybean curd in one package is also a decision to cater to the needs of increasing single-person households and growing interest in vegetable protein.

Eventually, what is important is to go beyond just following fast-changing consumer needs and culinary trends, and reinterpret them through our own prism and develop products that capture the essence of Pulmuone. This is essentially what Pulmuone should do to grow into a sustainable business

Kim, Min-Soon (Non - Fried Noodle BM, Pulmuone Foods Marketing Division)

I think the most urgent task for us is to secure necessary technologies and experts to develop sustainable packaging materials while at the same time saving energy and water, and cutting greenhouse gas emissions.

Above all, we have to communicate to consumers our commitment to reducing the environmental footprint and implement both internal and external initiatives.





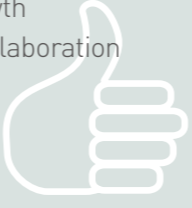



Hong, Eun-Ki (Pulmuone ES/QTM Department Team Leader)

# Major Issue Developments in 2008-2016

Pulmuone started to undertake a materiality test on issues deemed important by internal and external stakeholders as well as their impact on Pulmuone businesses for its 2nd sustainability report published in 2008. Since then, the company has continued the materiality test. Some issues remained material throughout the years but others took on more importance as time went by and there were also newly emerging issues different year by year. To identify such trend in materiality, Pulmuone looked at which issues were deemed material from 2008 to 2016.

## The Top 10 Issues

Top 10 issues were those evaluated to have 'High' importance repeatedly for the past 9 years. The 1st group consists of those who received the 'High' mark for 9 times, meaning they are the most material issues for Pulmuone. They include TISO management, product quality & safety control, social contribution, and efforts to reduce environmental footprint. The 2nd group has those ranked as material for 8 times. They include sustainability management strategy & performance management, new product/technology development, win-win growth/collaboration. Among the top 10 issues for the past 9 years, issues related to consumers (product quality & safety management, consumer communication) took up the most part, proving Pulmuone's unwavering commitment to consumers.

<p><b>TISO Management</b></p> <ul style="list-style-type: none"> <li>· High materiality for 9 consecutive years</li> <li>· Issue name changed from 'Ethics &amp; Compliance'</li> </ul> 	<p><b>Product Quality &amp; Safety Control</b></p> <ul style="list-style-type: none"> <li>· High materiality for 9 consecutive years</li> <li>· Issue name changed from 'Product Responsibility'</li> </ul> 	<p><b>Socially Responsible Actions</b></p> <ul style="list-style-type: none"> <li>· High materiality for 9 consecutive years</li> <li>· Its name has been changed from 'Socially Responsible Business'</li> </ul> 	<p><b>Efforts to Reduce Environmental Footprint</b></p> <ul style="list-style-type: none"> <li>· High materiality for 9 consecutive years</li> <li>· Issue name changed from 'Environmental Footprint Reduction'</li> </ul> 	<p><b>Sustainability Management Strategy &amp; Performance Management</b></p> <ul style="list-style-type: none"> <li>· High materiality for 8 times in total</li> <li>· Issue name changed from 'Sustainability Management Scheme Reinforcement' to 'Sustainability Management Strategy' to 'Sustainability Management Performance' and to 'Sustainability Management Strategy &amp; Performance Management'</li> </ul>
<p><b>New Product ·Tech Development</b></p> <ul style="list-style-type: none"> <li>· High materiality for 8 times in total</li> <li>· Issue name changed 'R&amp;D'                             <ul style="list-style-type: none"> <li>▷ New Product Development &amp; Innovation</li> <li>▷ New Product·Tech Development</li> </ul> </li> </ul> 	<p><b>Inclusive Growth &amp; Win-Win Collaboration</b></p> <ul style="list-style-type: none"> <li>· High materiality for 8 times in total</li> <li>· Issue name changed 'Business Partner Support'                             <ul style="list-style-type: none"> <li>▷ Win-Win Collaboration with Business Partners</li> <li>▷ Inclusive Growth &amp; Win-Win Collaboration</li> </ul> </li> </ul> 	<p><b>New Market Entry</b></p> <ul style="list-style-type: none"> <li>· High materiality for 7 times in total</li> <li>· Issue name changed 'New Market Development'                             <ul style="list-style-type: none"> <li>▷ New Market Entry</li> </ul> </li> </ul> 	<p><b>Consumer Communication</b></p> <ul style="list-style-type: none"> <li>· High materiality for 7 times in total</li> </ul> 	<p><b>Talent Development &amp; Growth</b></p> <ul style="list-style-type: none"> <li>· High materiality for 6 times in total</li> <li>· Issue name changed from 'Talent Development'</li> </ul> 

### The Emerging Issues

A close look at the materiality list for the past 9 years revealed that some issues remained material throughout the years but others see their materiality differed year by year. For instance, ‘consumer Health & Nutrition’ was already deemed material from 2008 but its importance even grew higher after it was combined with other issues to be renamed as ‘CSR through Products’ in 2012 and afterwards ‘Authentic Wholesome Foods’ in 2014. ‘Respect for Human Rights & Diversity’ also took on more importance after

\*Issues of mid-level materiality are written in blue.



Issues	2007 (1 times)	2008 (2 times)	2009 (3 times)	2010 (4 times)
<b>Sustainability management</b>	Stakeholder engagement	Business sustainability	Ethical management	Ethical management /compliance /anti-corruption
<b>Creating shared value</b>	<b>Consumer health &amp; nutrition</b>	-	<b>Consumer health &amp; nutrition</b>	<b>Socially responsible products</b>
<b>Innovation /creation</b>	R&D	Innovative management	New market exploration	New product development
<b>Economy</b>	<b>Market competition</b>	<b>Financial performance</b>	<b>Financial performance</b>	Financial performance
<b>Employees</b>	<b>No discrimination</b>	Fair personnel & compensation	Distinct corporate culture	Workplace safety
<b>Consumer</b>	Product responsibility (food safety)	Product safety & quality	Consumer communication	Product safety & quality
<b>Partner company</b>	<b>Partner support</b>	<b>Win-win collaboration with partners</b>	Win-win collaboration with partners	Win-win collaboration with partners
<b>Community</b>	Socially responsible business	Socially responsible business	Socially responsible business	Socially responsible activities
<b>Environment</b>	Eco-friendly product & process	Efforts to reduce environmental footprint	Efforts to reduce environmental footprint	Efforts to reduce environmental footprint

2014. In contrast, ‘New Market Entry’, ‘Innovative Management’ and ‘Process Innovation’ became less significant compared to the previous years. In 2016, the issue pool that required extra attention and care is joined by new issues such as animal welfare, LOHAS diet & life, and sustainability support(human rights, labour, environmental assessment). Pulmuone wishes to communicate its activities and performance to all stakeholders, keenly aware of both positive and negative impact of various issues surrounding the company.



2011 (5 times)	2012 (6 times)	2013 (7 times)	2014 (8 times)	2015 (9 times)
Sustainability management performance	Sustainability management performance	Ethical & TISO management	Stakeholder engagement	TISO management
CSR through products	CSR through products	Authentic wholesome foods	Authentic wholesome foods	Authentic wholesome foods
Process innovation	New product development	<b>New product / technology development</b>	<b>New market entry</b>	New product / technology development
<b>Financial performance</b>	-	-	Brand management	<b>Financial performance</b>
Talent development & growth	Benefit package	Respect for human rights & diversity	Respect for human rights & diversity	Respect for human rights & diversity
Consumer communication	Product safety & quality	Consumer satisfaction	Product quality & safety control	Product quality & safety control
Win-win collaboration with partners	Win-win collaboration with partners	Fair trade & inclusive growth	Inclusive growth & win-win collaboration	Inclusive growth & win-win collaboration
Socially responsible activities	Socially responsible activities	Socially responsible activities	Socially responsible activities	Socially responsible activities
Efforts to reduce environmental footprint	Environment protection	Efforts to reduce environmental footprint	Efforts to reduce environmental footprint	Climate change response

# 10-Year Highlights of Pulmuone Sustainability Management

Pulmuone has disclosed its annual performance in various areas for the past decade in its sustainability report. Here are some highlights of Pulmuone Sustainability Management for the past 10 years in areas such as Product, Environment, Food Safety, TISO Management and Corporate Communication.

## Product & brand campaigns to emphasize the importance of authentic wholesome foods in 2006

As more consumers came to recognize the growing importance of food materials safety, Pulmuone launched the campaign to show all the nutritional elements in the food products. It also launched 'SaengGaDeuk Fresh Ramen', the non-fried ramen noodle to keep up with the heightened consumer interest in health and wellness.



















## Response to the global environment issues in 2008

Pulmuone created a department dedicated to environment management as part of the effort to respond to global environment issues such as climate change and water shortage, and set targets for water saving and CO<sub>2</sub> emissions reduction, championing efforts to preserve the environment.

## New renewable energy and Authentic wholesome foods education in 2012

Pulmuone kicked off its green initiative to deploy new renewable energies, building passive houses(LOHAS Academy) that minimize carbon emissions and installing wood pellet boilers in the Eumsung tofu plant. It is also communicating with its consumers through the ongoing authentic wholesome foods education.

\*Details of the highlights can be found in 2015 Pulmuone Integrated Report.

	Before 2006	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Product Development</b> 	<ul style="list-style-type: none"> <li>Explored domestic fresh food business                             <ul style="list-style-type: none"> <li>1980s: The 1st company to sell packaged tofu/vegetable in Korea, explored the bottled water market</li> <li>1990s: The 1st company in Korea to launch fresh noodle and organic green juice</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Introduced the authentic wholesome foods concept and 3 No principle(no MSG, no preservatives, no color additives)</li> <li>'SaenGaDeuk Fresh Ramen' introduced</li> </ul>	<ul style="list-style-type: none"> <li>Launched home made premium beverage 'I'm Real'</li> <li>3 No principle(no antibiotics, no egg-laying hormone, no colorant) for livestock products, creating the premium egg market</li> </ul>	<ul style="list-style-type: none"> <li>Starch-free, flour-free 'SunSal Fish Cake'</li> </ul>	<ul style="list-style-type: none"> <li>Launched 'Natural Tofu' which uses natural bittern(coagulant)</li> <li>'Vegetable Lactic Acid Bacteria' drinks made of vegetable lactic acid bacteria and organic beans</li> <li>Launched 'Woori-' for kids</li> </ul>	<ul style="list-style-type: none"> <li>Launched vegetable lactic acid bacteria 'Angelica Utilis Makino'</li> <li>Fresh ramen 'Nature Is Delicious'</li> <li>Launched the product line of young vegetable leaves that conveys 'Safety, Health, Convenience'</li> <li>Natural tofu which uses natural bay salt as coagulant</li> </ul>	<ul style="list-style-type: none"> <li>Launched 'Gosoake', Japanese fried tofu</li> <li>'Muesli' made of 100% Korean grain</li> </ul>	<ul style="list-style-type: none"> <li>Launched 'Crab Jjamppong (spicy seafood noodle soup) with non-fried noodle and seafood broth</li> <li>'Olbarun Cheese Hotdog' certified as good snack for kids</li> <li>'Half&amp;Half', the fusion tofu product</li> </ul>	<ul style="list-style-type: none"> <li>Launched organic foods for companion animals</li> <li>'Salad Garden', fresh vegetables with crunchy texture</li> <li>Pulmuone's 'Poongkyung Maroo (wind chime at the living room)' restaurant in the Gimhae International Airport ranked no. 1 for its excellent taste in the Gimhae Airport restaurant assessment undertaken by the Korea Airports Corporation</li> </ul>	<ul style="list-style-type: none"> <li>Launched 'Bell Dumpling' with no flour</li> <li>Ready-made rice with various vegetables</li> <li>Condiment for Korean stew with no chemical additive</li> <li>'NSK(Natural Soul Kitchen)' opened as grocerant brand of 'Nature Is Delicious'</li> </ul>	<ul style="list-style-type: none"> <li>'Cup Tofu' for health and convenience</li> <li>Launched Low GL(Glycemic Load) and low-sodium products(Eat Slim, low-sodium pickled radish)</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>Established Pulmuone Green Principles</li> <li>Green Partnership with partner companies (2005-2008)</li> </ul>	-	<ul style="list-style-type: none"> <li>Printed Certified Eco-Profile on its organic tofu for the 1st time in the food industry</li> </ul>	<ul style="list-style-type: none"> <li>Built Pulmuone environment safety infra                             <ul style="list-style-type: none"> <li>A new department dedicated to environment safety management</li> <li>Developed the environment safety committee, system, education and management standards</li> <li>Defined Environment Objective 2.0 [water consumption: 40% down, CO<sub>2</sub> emissions: 50% down, energy consumption: 25% down by 2020 against the baselines in 2008, reset the Waste Zero targets]</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Implemented Pulmuone environment safety management                             <ul style="list-style-type: none"> <li>Environment safety committee and management standards</li> <li>Exofresh Eumsung logistics center certified as eco-friendly building</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Environment safety system deployed across Pulmuone                             <ul style="list-style-type: none"> <li>The risk response system(e.g. disaster prevention) established</li> <li>Eco-friendly packaging materials and products officially certified as green products</li> <li>New renewable energy deployed (wood pellet boilers in the Eumsung tofu plant and LOHAS Academy Passive House)</li> <li>Designated as 'Green Product of the Year' by consumers (2012-2015)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Pulmuone reinforced its leadership in environment safety                             <ul style="list-style-type: none"> <li>More rigorous environment safety audit conducted in wider areas</li> <li>More plants for eco-friendly products</li> <li>LOHAS Academy Passive House received 2014 Energy Winner Prime Minister Award and the Korean Architecture Award</li> </ul> </li> </ul>	 	<ul style="list-style-type: none"> <li>Updated the TISO Management rules</li> <li>2 Pulmuone subsidiaries received A grade in the CP (Pulmuone Foods: AA grade, Foodmerce: A grade)</li> </ul>	<ul style="list-style-type: none"> <li>Marked the 10th anniversary of announcing the TISO Management Charter</li> <li>3 Pulmuone subsidiaries received A grade in the CP (Foodmerce/Pulmuone Health &amp; Living : AA grade, ORGA: A grade)</li> <li>Pulmuone Foods received the presidential commendation on the 14th Day of Fair Trade ceremony</li> </ul>	
<b>TISO Management</b> 	<ul style="list-style-type: none"> <li>Declaration of TISO Management and the Charter in 2005</li> </ul>	<ul style="list-style-type: none"> <li>Started to offer education on the TISO Management, developed and implemented the report &amp; award policy</li> </ul>	<ul style="list-style-type: none"> <li>Pulmuone Holding company introduced the fair trade CP program and published a guidebook to ensure compliance</li> </ul>	<ul style="list-style-type: none"> <li>Pulmuone Foods introduced the fair trade CP program</li> <li>Pulmuone Holding company received A grade in the CP and a commendation from the Fair Trade Commissioner, and won the Grand Prize at the Transparent Management Awards</li> </ul>	<ul style="list-style-type: none"> <li>Foodmerce and Pulmuone Health &amp; Living introduced the CP program</li> <li>Received a commendation for having an excellent CP program</li> </ul>	<ul style="list-style-type: none"> <li>3 Pulmuone subsidiaries received A grade in the CP and a commendation from the Fair Trade Commissioner</li> <li>Produced an e-book on non-compliance cases in fair trade</li> <li>Redesigned and distributed the TISO Management Charter</li> </ul>	<ul style="list-style-type: none"> <li>Published the CP program compliance status and its operation plan at the online disclosure system run by the Financial Supervisory Service</li> <li>Pulmuone Foods and Foodmerce received a commendation from the Fair Trade Commissioner</li> <li>Named as the most ethical company in Korea in a ceremony hosted by Fortune Korea in 2011</li> </ul>	<ul style="list-style-type: none"> <li>3 Pulmuone subsidiaries received A grade in the CP and a commendation from the Fair Trade Commissioner (Foodmerce/Pulmuone Health &amp; Living : AA grade, Pulmuone Foods: A grade)</li> </ul>	<ul style="list-style-type: none"> <li>Updated the TISO Management rules</li> <li>2 Pulmuone subsidiaries received A grade in the CP (Pulmuone Foods: AA grade, Foodmerce: A grade)</li> </ul>	<ul style="list-style-type: none"> <li>Marked the 10th anniversary of announcing the TISO Management Charter</li> <li>3 Pulmuone subsidiaries received A grade in the CP (Foodmerce/Pulmuone Health &amp; Living : AA grade, ORGA: A grade)</li> <li>Pulmuone Foods received the presidential commendation on the 14th Day of Fair Trade ceremony</li> </ul>	
<b>Food Safety</b> 	<ul style="list-style-type: none"> <li>Recognized as the official international test laboratory by the KOLAS(Korea Laboratory Accreditation Scheme)                             <ul style="list-style-type: none"> <li>Continuous maintenance of the preemptive food safety crisis response process</li> <li>Produced and implemented the Pulmuone Food Additives Code</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Laid the foundation for food safety by establishing Food Safety Innovation Committee, and Crisis Management Committee</li> <li>Consumers' right to be informed better guaranteed                             <ul style="list-style-type: none"> <li>Complete labeling of food ingredients and nutrients</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Assessed to extend the accreditation for the official international test laboratory and successfully passed the assessment</li> </ul>	<ul style="list-style-type: none"> <li>Improved the accuracy of the microbial test analysis</li> <li>Strengthened the inspection for irradiated foods</li> <li>Designated as entity to give GAP(Good Agricultural Practices) accreditation and GAP product test report</li> </ul>	<ul style="list-style-type: none"> <li>Introduced Pulmuone Voluntary Recall Program</li> <li>LIMS(Laboratory Information Management System)</li> </ul>	<ul style="list-style-type: none"> <li>Opened a branch office of Eumsung Food Safety Center</li> </ul>	<ul style="list-style-type: none"> <li>Bolstered preemptive initiatives for food safety                             <ul style="list-style-type: none"> <li>Monitoring and inspection on the internal management process</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Revised Pulmuone Food Additives Management Standards</li> <li>Structured the food safety information management system</li> </ul>	<ul style="list-style-type: none"> <li>Introduced a process to screen bad foods</li> <li>Established the GAP accredited supply chain</li> <li>Pulmuone Allergen Management System</li> </ul>	<ul style="list-style-type: none"> <li>EPM(Environmental Pathogen Monitoring) management</li> <li>Strengthened the integrity verification of organic food materials</li> <li>More rigorous safety management over veterinary drug and mold toxicity</li> <li>Preemptive response to ensure safety against new food poisoning threats</li> </ul>	
<b>Corporate Communication</b> 	<ul style="list-style-type: none"> <li>The 1st company to publish the corporate PR poster on the newspaper in 1986</li> <li>Carried out the 1st corporate PR on TV to communicate its principles on authentic wholesome foods in 1993</li> <li>Changed its CI in 1994</li> </ul> 	<ul style="list-style-type: none"> <li>Introduced the complete labeling of food nutrients (additives) system                             <ul style="list-style-type: none"> <li>'You Are Already Pulmuone' campaign</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Goodbye Atopy campaign                             <ul style="list-style-type: none"> <li>'Authentic wholesome foods Classroom' campaign (Authentic wholesome foods education)</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>No additive policy                             <ul style="list-style-type: none"> <li>'What Does It Mean to Be Perfect' campaign</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Launched 'Woori-', the food brand specifically for kids                             <ul style="list-style-type: none"> <li>'The Future for Our Children Lies in Authentic wholesome foods' campaign</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Authentic wholesome foods education                             <ul style="list-style-type: none"> <li>'How to Tell Authentic wholesome foods' campaign (US)</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Authentic wholesome foods education                             <ul style="list-style-type: none"> <li>'How to Tell Authentic wholesome foods' campaign (UK)</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Extended authentic wholesome foods education                             <ul style="list-style-type: none"> <li>Authentic wholesome foods Song campaign</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Extended the Authentic wholesome foods curriculum (taste education)                             <ul style="list-style-type: none"> <li>'Authentic wholesome foods Tasted through 5 Senses' campaign</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Campaigns to familiarize the public with Authentic wholesome foods                             <ul style="list-style-type: none"> <li>'Get to Know the Taste of Nature' campaign giving tips on how to grow and cook vegetables not in the regular diet</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>Useful tips based on Real Story of Authentic wholesome foods                             <ul style="list-style-type: none"> <li>'Authentic wholesome foods Dance' campaign</li> </ul> </li> </ul> 



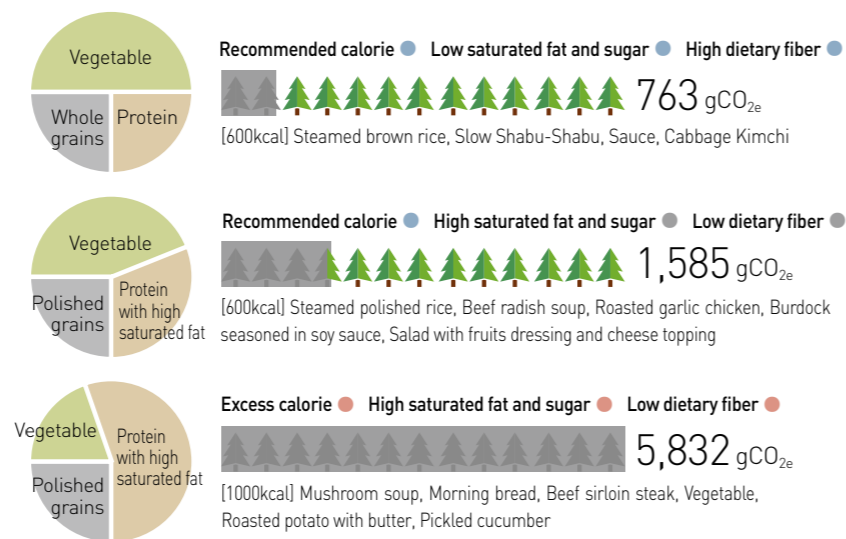
# LOHAS Diet - Preparing for the Next 10 Years

## Eat what makes both my body and nature healthy

Pulmuone recommends a meal of 600 kcal or less consisting of sufficient amount of vegetables, whole grains and protein with less saturated fat with the ratio of 2:1:1. If you follow the guideline, your meal would produce less than 900gCO<sub>2</sub> emissions, making our earth healthier.

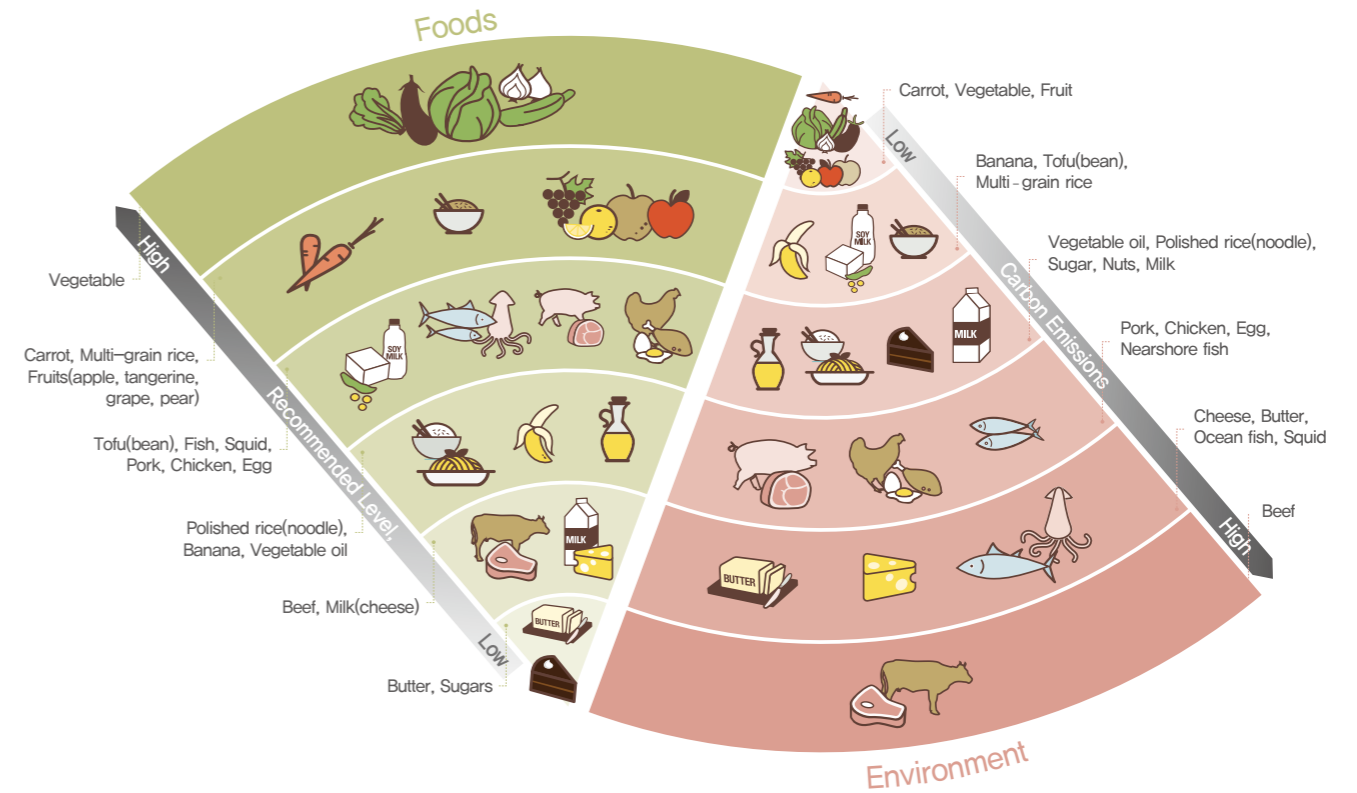


- Various vegetable in sufficient quantity 2
- Less polished whole grains 1
- Protein with less saturated fat 1



## LOHAS diet for health and environment

Food selection for chronic disease prevention, better health and healthier nature



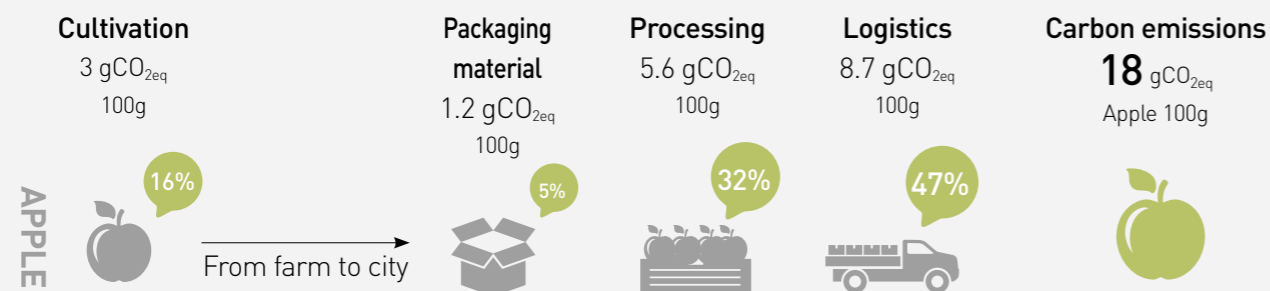
### Good for my body

LOHAS Diet has been designed to prevent chronic diseases and enhance health for adults, and help physical growth and enhance health for children. It is low in saturated fat and sugar but high in dietary fiber.

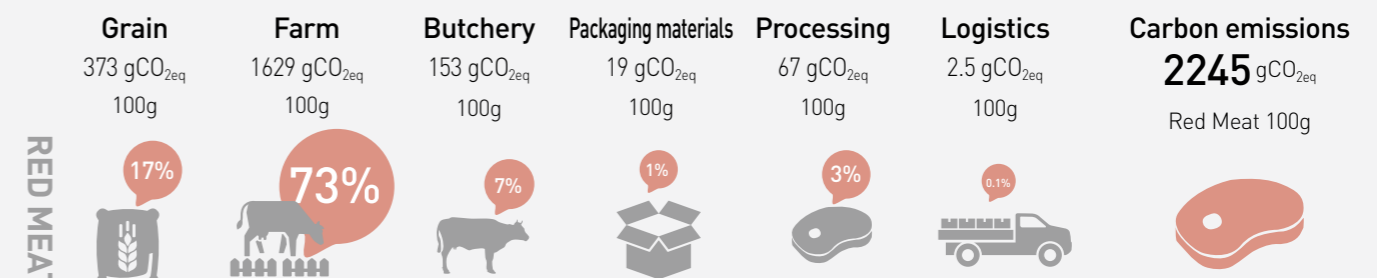
### Good for nature

Carbon emissions have to be reduced to lessen the impact of climate change. Foods good for your health also produce less carbon emissions. Therefore, a meal good for your health also makes our Earth healthier.

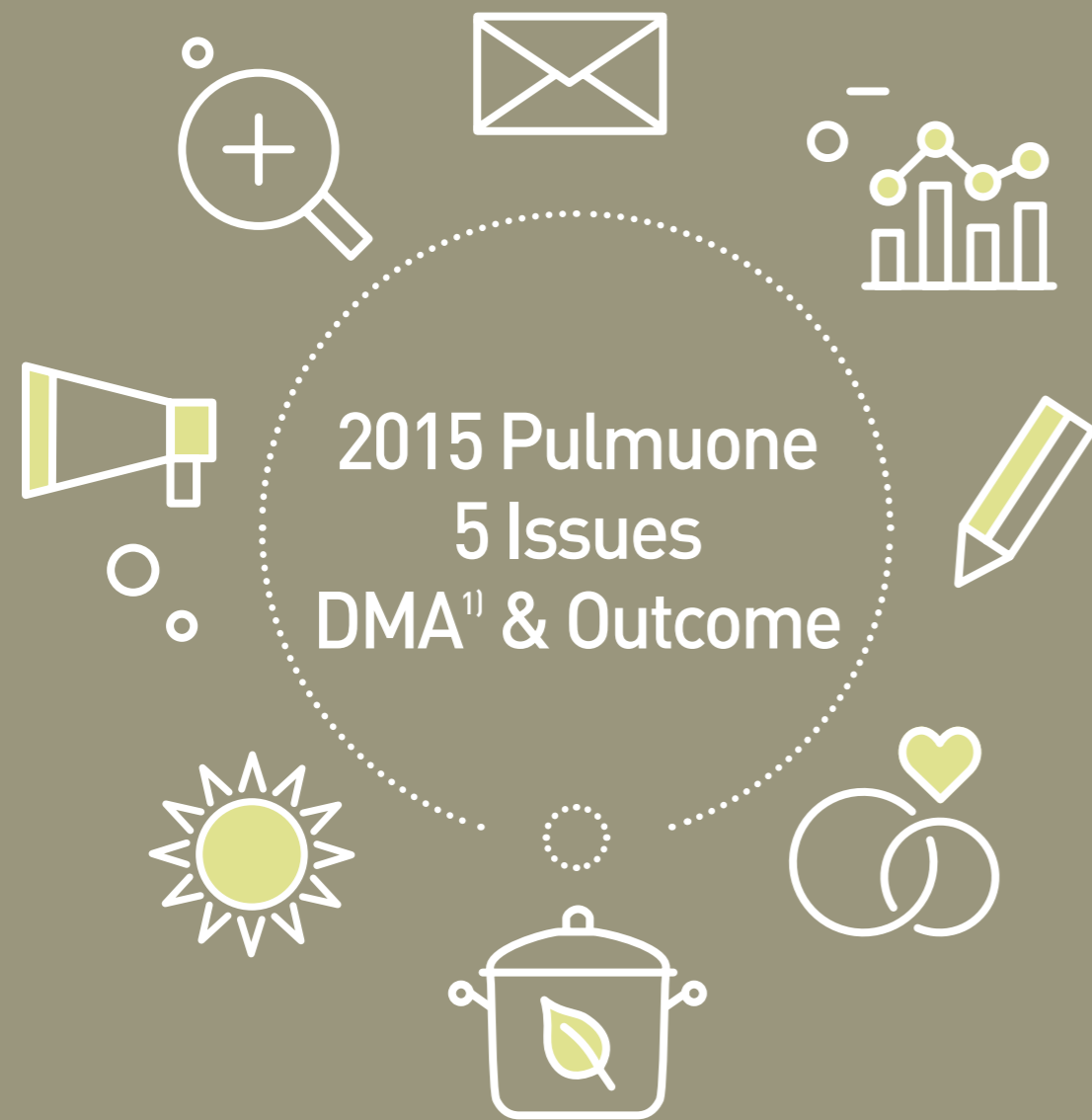
## Carbon FootPrint from Farm to Table



Carbon is emitted throughout the entire food chain from farm to table. Carbon emission can be limited by changing the fuel(fossil fuel vs. new renewable energy) at plants and applying new packaging methods(materials, weight).



Source: BCFN, KEITI, Pulmuone LOHAS Food Calories Table



3

Major issues for the past year

**1)DMA(Disclosure on Management Approach)**

A summary of sustainability management direction, performance and plan to better the stakeholder understanding on major issues

# DMA

## Authentic Wholesome Foods



### Significance

Pulmuone is committed to providing authentic wholesome foods to consumers in accordance with its principle 'Love for Neighbor and Respect for Life' as a leading LOHAS company which cares about humans and nature. Pulmuone will always do its best to offer authentic wholesome foods free from harmful materials or additives to promote better health, nutrient and environment for health and happiness of consumers and their families.

### Issue Management

**Policy |** Pulmuone is working hard to create a society that cares for both humans and the environment by spreading the LOHAS way of life to its consumers. Pulmuone's brand philosophy, 'Love for Neighbor and Respect for Life' is closely aligned with the spirit and principles of the UNGC.

#### Activity

**1. Session D :** Pulmuone offers sessions to identify topics crucial for business management excluding the day-to-day business routines, and to monitor and make improvements in the topics on an ongoing basis. The sessions, named Session D, discuss the agenda concerning authentic wholesome foods and sustainability management.

**2. Authentic wholesome foods initiatives :** Pulmuone created Authentic wholesome foods Dance to make the Authentic wholesome foods education more effective, raising awareness about authentic wholesome foods and promoting healthy dietary habits. Authentic wholesome foods Song & Dance is taught during Authentic wholesome foods Class organized in partnership with external entities. Authentic wholesome foods Campaign is aired every year on terrestrial/cable TV channels as public campaign. Pulmuone is increasing exposure to Authentic wholesome foods Song & Dance through online channels, offline stores, kindergartens and childcare centers.

### Performance & Assessment

Performance Index	Performance in 2015	Target for 2016	Mid-to Long-Term Target
More visitors to Authentic wholesome foods School in KidZania	40,000 people	80,000 people (Busan branch open on March 3)	Continuous increase of visitors who want to taste authentic wholesome foods
Pulmuone section opening on Junior Naver	Pulmuone brand hall opening at Juniver on September 24 (TVcast online video: 3.6 million views)	Contents creation with Juniver, visitor attraction to the online brand hall	More visitors to experience authentic wholesome foods and online viral marketing
Safe Food Campaign agreement	Signed an MOU with KCPI (Korea Childcare Promotion Institute) to develop 3 pieces of contents on food safety	Wider collaboration with public entities for the campaign	More campaigns designed for public interest

## Authentic wholesome foods Campaign

### Authentic wholesome foods Campaign spread more widely


Pulmuone has been developing ways to effectively promote and spread its Authentic wholesome foods Campaign, encouraging consumer engagement with Authentic wholesome foods Song composed in 2012 and Authentic wholesome foods Dance made in 2015. The key message, 'taste developed in childhoods can last lifetime', is well expressed and delivered through a video clip Bomin's parents have filmed. It shows how Bomin gets accustomed and takes liking to the flavor and taste of the nature.



The video shows 2-week journeys of 25 families including Bomin's family. Bomin's video was aired on TV as representative episode and videos of the other 24 families have been uploaded to Naver TVcast to spread real stories of our neighbors.



2012 Authentic wholesome foods Song    2013 Authentic wholesome foods Tasted through 5 Senses    2014 Make Friends with Authentic wholesome foods    2015 Authentic wholesome foods Dance – Ep. Bomin

 <http://tvcast.naver.com/goodfood>

### More collaboration to roll out Authentic wholesome foods Campaign

Pulmuone is driving Authentic wholesome foods Campaign as public interest campaign by implementing it in partnership with diverse external entities to raise awareness across the country.

### Authentic wholesome foods Dance with Disney

Pulmuone has partnered with Disney to choreograph a dance routine for children easy to follow and good for digestion and defecation. It also produced contents based on the dance routine and aired them on the Disney channel.



## Campaign contents in foreign languages produced with Cartoon Network

Pulmuone has produced cartoon contents in English, Chinese and Japanese, featuring Finn and Jake, the globally well-known animation characters in collaboration with Cartoon Network, the subsidiary of Time Warner. The contents are being utilized for campaign education and roll-out across the world.



## Food safety agreement with KCPI

Pulmuone has signed a food safety agreement with KCPI(Korea Childcare Promotion Institute) to roll out Authentic wholesome foods Campaign as public-private endeavor helping our children build a good dietary habit. It produced 3 pieces of animation video on food safety teaching children how to meet the nutritional balance and check ingredients in food products, and distributed them to 43,000 childcare centers around the country along with Authentic wholesome foods Song and Dance.



## Brand hall opening in Junior Naver

Pulmuone opened a section named Pulmuone Authentic wholesome foods Campaign Hall on Junior Naver(a web portal for kids) to deliver the campaign's message to a much wider audience. The brand hall is effectively encouraging consumer engagement with the campaign by throwing an ongoing event(Authentic wholesome foods Dance



Contest).

## Authentic wholesome foods School in KidZania

In August 2014, Pulmuone opened Pulmuone Authentic wholesome foods School in KidZania designed to give children an opportunity to experience authentic wholesome foods. At school, children get to see what it is like to become a Fuducator(Pulmuone food educator for authentic wholesome foods) and learn how to select and eat Authentic wholesome foods in daily lives. The school attracts about 40,000 children per year and has so far taught 50,000 children since the opening.



## Authentic wholesome foods Products

### Cup Tofu, healthy and convenient meal alternative

The rapid increase of double-income families and single-member households is boosting the demand for simple meal replacement products. With Pulmuone Cup Tofu, if you just add various toppings to the fresh tofu, one simple and healthy meal is prepared. Cup Tofu breaks the conventional thinking that tofu should always be a side dish and enables consumers to enjoy high-protein, low-calorie tofu in various TPOs(Time, Place, Occasion). When eaten as meal replacement, fresh soft tofu reduces carbohydrate intake and offers sufficient intake of dietary fiber and protein, which makes it a truly healthy and convenient meal replacement with nutritional balance.



### Sesame Leaf Jijim Dumpling, enjoy the fresh flavor of sesame leaf

Sesame Leaf Jijim Dumpling presents the color, texture and taste of sesame leaf. The dumpling skin has the shape and the color of sesame leaf by adding the natural color of gardenia seeds to make the skin look green. The dumpling stuff, made from various vegetables including Zucchini, chives, carrot and onion, has a crunchy texture and the



refreshing flavor of sesame leaf. To maintain its competitive edge created by the unique shape and flavour, Pulmuone received a patent for the design.

### **Pulmuone LOHAS Low GL products to offer safe and nutritionally balanced diet**

Pulmuone is spreading the authentic wholesome dietary culture by marketing Authentic wholesome foods products with nutritious balance. This is to keep up with the latest trend which demands safety and health from food products. Low GL(Glycemic Load) and low-sodium products necessary for the LOHAS diet can be great examples of such efforts.

They include wholegrain noodle rich in fiber, 5-grain pizza which has nutrients of various grains, low-fat dressing, Eat Slim designed for sustainable weight loss based on low GL recipes, low-sodium Kimchi and low-sodium pickled radish.

### **Solution DX to make the body clean and light**

Body wastes, if not excreted, undermine active metabolism of the body, making us feel easily tired. Even though it doesn't trigger a disease right away, wastes remaining in the body create endotoxin, which increases the risk of several cardiovascular diseases, diabetes, and etc. Therefore, those who feel heavy and tired most of the time have to remove endotoxin in the body. Solution DX is a premium detox product developed by Pulmuone's unique technology, made of fermented vegetable liquid, super seeds(e.g. chiasseed) that hold the condensed vitality of the nature, and other natural ingredients with special healthful effects such as 5 types of berries full of antioxidant.

The product clearly defines the ambiguous meaning of detox as 'reducing endotoxin' and proves its effectiveness in reducing endotoxin. It is currently waiting for a patent approval to be registered as 'lactic acid bacteria fermented fruit and grain extract to prevent or improve endotoxin blood disease'.



### **Eco-friendly packaging material with the water-based ink**

Pulmuone has developed eco-friendly packaging materials using only the water-based ink that reduces the residual solvent and carbon emissions by using ethanol(EtOH) and water instead of organic solvent for its ink in the printing process. Eco-friendly water-based ink, which replaces the existing organic solvent-based ink, is more safe and environment friendly as it uses only ethanol and water as its solvent. The packaging material using water-based ink is currently used for the crab ramen product of 'Nature Is Delicious', one of the best brands of Pulmuone. Its application will be gradually expanded to cover more products going forward.

### **Eco-friendly package for Cup Ice**

Pulmuone has developed an eco-friendly cup which has thinner sheet but longer durability by applying the new multi-layer technology to a conventional ice cup. The multi-layer technology separated PET from PET-G in the conventional single-layer cup where PET is mixed with PET-G in one layer and turned them into 2 separate layers(PET and PET-G) to make the cup much more durable while reducing its thickness from 1.2T to 1.1T. This, in turn, reduces CO<sub>2</sub> emissions and resource consumption in the production process. The cup received a good invention award at 2015 Green Package Contest, recognized for its application of advanced technology to add values to the cup which lessens its environmental footprint.



# DMA

## Product Quality & Safety Control



### Significance

It is impossible to overstate the importance of food safety. It is a priority issue not just for Koreans but also for those around the world, and therefore, requires a close scrutiny and management to ensure its quality. Pulmuone has the unwavering commitment to 'offering only the authentic wholesome foods my family can be reassured to enjoy' to consumers. To achieve the aim, Pulmuone strictly controls the entire production process from materials sourcing to production and distribution, researches and accepts the latest study results to make the process more sophisticated, and applies stricter standards than what's required by the domestic food legislations.

### Management

For product safety and quality control, Pulmuone works to bolster its preemptive response scheme that prevents any accidents or incidents before they take place. For this aim, Pulmuone monitors food safety information on an ongoing basis to identify current safety issues for prevention, and inspects potential risks through monthly internal meeting. In parallel with this, Pulmuone defines internal standards after reviewing domestic and overseas standards, and monitors products and materials periodically for safety management. Any potential risks that may threaten food safety are removed through a new analysis method for harmful substances. It also continues its efforts to develop a fast detection test which combines food poisoning risk management with IT(Information Technology) and BT(Bio Technology) through predictive microbiology analysis method.

### Performance & Assessment

#### 2015 performance & future objective

In 2015, Pulmuone laid the foundation to effectively control food safety and quality at plants by deploying EPM(Environment Pathogen Monitoring) to ensure food safety for consumers, and established Global LIMS(Lab Information Management System) to compile and manage all the necessary information for food safety in one place. As part of the efforts to have more thorough verification in place, it developed a verification scheme to comply with its non-GMO principle after visiting overseas production fields for inspection and conducting a total inspection by LOT. Its capability to manage hazardous substances has also been reinforced by introducing more rigorous safety management standards against toxic mold in response to climate change and by applying a thorough inspection to more veterinary drugs along with strict control of new types of food poisoning. In 2016, Pulmuone will make more creative responses to the ever-diversified and complex food safety issues by gathering food safety information both home and abroad in a structured manner. The most advanced equipment and test methods will be deployed to screen new types of hazardous materials while leveraging the predictive microbiological test to prevent food poisoning.

## Policy & Management

### More rigorous safety control over veterinary drugs

Since its announcement of the mid-to long-term roadmap on veterinary drugs and medical supplies in 2007, Ministry of Food and Drug Safety has been adding new standards to tighten control. As a result, the number of items in the roadmap has increased to 184 in 2015 for a stricter management. Antibiotics products used in meat are especially under a close scrutiny. Non-compliance with the residual antibiotics rule for livestock and fishery products is less than 1%, which is fairly low, but since a majority of the non-compliance cases were found in meat and egg, Pulmuone has tightened its safety control over those products. For a more rigorous control, Pulmuone has deployed high-performance and high-precision LC-MS/MS equipment to detect even minor traces of antibiotics and undertake simultaneous analysis of residual antibiotics.

In the 1st half of 2016, Pulmuone is expected to complete the introduction of a new test method on veterinary drugs and medical supplies developed and verified in accordance with the international guideline to tighten its safety control over veterinary drug and medical products through ongoing inspection on residual antibiotics.

### More rigorous safety control over toxic mold

Global warming is increasing the risk for toxic mold in agricultural produce. The risk has been growing worldwide to the extent that it is expected to have an impact on 25% of agricultural produce by the end of the 21st century.

Korea's climate is becoming more humid and hot due to global warming, an optimum condition for toxic mold to spread, increasing the pollution cases of toxic mold. Under such circumstance, Pulmuone is conducting a periodic monitoring to screen high-risk toxic mold from the samples of grain, rice cake and noodle, which are categorized as high-risk products. So far, no samples failed to pass the screening test, but Pulmuone remains on alert for any possible risks of having part of foods developing toxic mold during the process of distribution.

It is also proactively participating in the cross-verification project led by the Food and Drug Administration of Korea designed to improve the test methods for toxic mold. Pulmuone will continue its effort to lower the risk of toxic mold developing in agricultural produce sourced from home and abroad by bolstering the periodic monitoring and testing samples of products in its domestic supply chain.

## Preventive safety control of new food poisoning threats

Controlling virus or parasite is increasingly crucial when it comes to the prevention of food poisoning in addition to the effort to control bacteria which has been deemed to be the major cause of food poisoning. This is because virus or parasite turns out to be causing more food poisoning cases these days in other countries.

Therefore, Pulmuone is paying keen attention to these new threats especially for its non-heat treated products such as green juice and I'm Real which applies ultra high-pressure pasteurization instead of heat treatment. It conducts preemptive monitoring for norovirus, hepatitis A virus and cryptosporidium, and makes sure only the materials and products that pass such rigorous monitoring can be sold to consumers. Since berries like strawberry and blueberry are being related to the mass food poisoning caused by hepatitis A virus in overseas countries, Pulmuone conducts an inspection on 100% of the berries imported and distributed by the company to ensure safety before placing them in the production process.

Coupled with this, Pulmuone plans to add any new types of risks in its safety control list by applying advanced analysis methods such as DNA analysis on an ongoing basis.

## Non-Compliance & Consumer Complaints

In 2015, a food poisoning incident took place in two of the large-scale meal service sites trading with Foodmerce. The incident was reported to competent local authorities, and an inspection found no irregularity in its production and distribution stages.

However, Pulmuone's Environment Safety Team tightened its food materials management analysis to ensure safety of food materials, and is offering a periodic online video training course together with sanitary POP on a sustained basis.

Pulmuone Health & Living hasn't committed any violations that undermine consumer health safety. But on November 5, 2015, one consumer living in Jeungpyeong who purchased the mid-stage Baby Meal product filed a complaint, mistaking discolored beet and purple carrot as foreign matters accidentally mixed with other ingredients. Pulmuone tried to clear up the misunderstanding, providing explanation to the consumer for several times but the consumer refused to listen insisting there must be a problem.

Recognizing the consumer's concern, Pulmuone voluntarily took the case to the Ministry of Food and Drug Safety to convince the consumer with an objective perspective.

After the report, the environment and food hygiene team of the Jeungpyeong county public office inspected the product to confirm there was no suspicious alien matters in the product, assuring the consumer about product safety. This is one example of Pulmuone to do everything it can to proactively respond to a consumer complaint and appease any remaining anxiety of a consumer.

# DMA

## Inclusive Growth & Win-Win Collaboration



### Significance

Pulmuone believes inclusive growth based on win-win collaboration serves as the sound platform to boost corporate competitiveness. With this belief in mind, Pulmuone always works hard to build fair and reasonable trade practices and balanced partnership together with partner companies in its journey toward sustainable growth. As part of the effort to lay the strong foundation for inclusive growth, it has complied with all fair trade legislations and regulations and proactively engaged in necessary collaboration. It always disassociates itself especially from unjust collective actions or unfair trade practices to refrain from any types of anti-competitive activities. Continuing win-win growth with partner companies has always been one of the primary objectives for Pulmuone. It will continue to do its best to promote inclusive growth and win-win collaboration by taking its partnership with vendors to the next level.

### Management

Pulmuone holds Pulmuone Best Partners' Day every year to reflect on the meaning of inclusive growth and win-win collaboration with partner companies and award good partners to express its gratitude to them. Pulmuone Health & Living hosts a quarterly partnership meeting with partner companies to decide issues on partner selection/growth/investment. Pulmuone also works hard to minimize its risk by conducting sustained monitoring on the financial status of partner companies to detect a potential financial issue in its early stage. Pulmuone Waters conducts inspection on social/environmental assessment of its partner companies to encourage compliance with the legal working hours and social responsibility for various causes including the environment preservation.

### Performance & Assessment

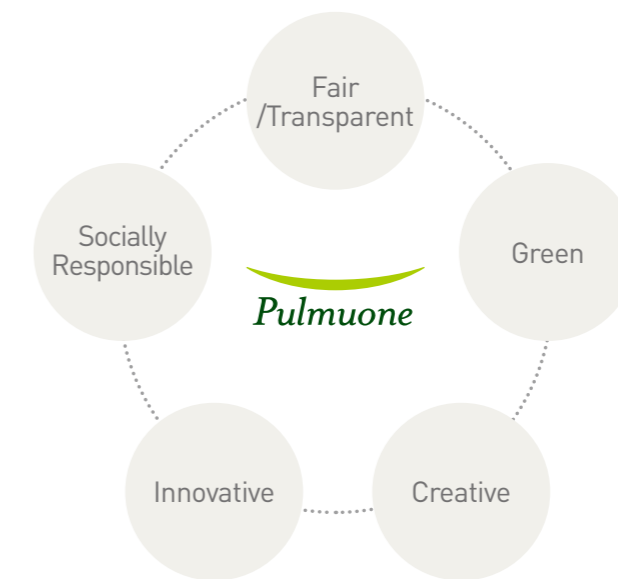
Performance Index	Performance in 2015	Target for 2016	Mid-to Long-Term Target
<b>Pulmuone Waters</b> Social/environmental audit	Assessed 10 out of 15 partners that supply materials(65%)	Led all of the 10 partners to pass the assessment	Improve all partners to help them pass the audit
<b>Pulmuone Foods / Foodmerce</b> Higher grades in Fair Trade Commission's CP <sup>1)</sup>	Pulmuone Foods(2014), Pulmuone Health & Living(2015) and Foodmerce(2015) acquired the AA grade	Pulmuone Foods maintained the AA grade	Maintain the AA grade
<b>Pulmuone</b> Pulmuone Partners' Day	Held under the topic 'Environment, Safety & Global Community'	Continue to hold Pulmuone Partners' Day	
<b>Foodmerce</b> MOU signing with farmers in Maengri(孟里), Gyeonggi Province	Planned to establish a cluster with the farming community of Maengri, which is close to Pulmuone's food materials C&D center, and extend win-win management by signing a sourcing contract with the community's agricultural cooperative unit	Expand trade with local farmers on an ongoing basis, increase farming productivity, provide high-quality seeds, offer trainings for the GAP accreditation and register history of agricultural products for traceability	
<b>ECMD</b> Service differentiation at every resting stop through win-win collaboration with local authorities	Introduced differentiated services at every resting stops along highways by selling specialty menus based on raw and subsidiary materials that can be sourced only from the respective local communities -Osu resting stop(southbound) : Developed a new menu 'pan fried rice mixed with Imsil cheese' based on the specialty product of Imsil and opened a special center 'ImsilNcheese' to promote Imsil cheese -Gapyeong resting stop (north/southbound) : 'walnut & pine nut snack', 'pine nut & wild vegetable Bibimbop', 'pine nut & beef rice soup' based on pine nut, the specialty product of Gapyeong	Continue to introduce more differentiated services at each resting stop by selling special menus through win-win collaboration with local authorities to stimulate local economies	

1) CP : Compliance Program

## Fair Trade & Win-Win Growth

### Fair trade

Pulmuone introduced the CP(Compliance Program) for fair trade in December 2006 to implement TISO practices more proactively and drive 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 where compliance with transaction regulations is voluntarily made, and breaches against relevant laws can be preempted to measure up to the leading global companies in a market environment as envisioned in the Fair Trading Act.



### Fair trade & compliance program status disclosure

In the CP grade deliberation organized in 2015 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 scheme to encourage businesses to voluntarily abide by fair trade regulations. CP serves as a clear compliance guideline for businesses to prevent a breach in the early stage. Pulmuone disclosed its fair trade operation performances during the 1st half of 2015 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.



## 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 as a token of their understanding of the fair trade compliance program to engage in fair and transparent business activities as dictated by the Fair Trade Act, and of their commitment to establish fair and transparent transaction practices.

## 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 e-book has been updated to reflect the amendments of the relevant laws in 2014 and the changes to the company's management status.



## 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 in addition to the e-book on compliance and case examples of fair trade violations. The guideline and the e-book have been published to inform Pulmuone people of information and work principles necessary for compliance with relevant laws. They primarily cover major laws and regulations concerning fair trade closely related to Pulmuone business, the compliance checklist for fair trade, fair trade compliance Q&A, 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.

## 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 a harvest for product safety.

Pulmuone Health & Living selects its partners following a fair and transparent process in accordance with the decision criteria of the vendor partnership meeting. When selecting partner companies, ES(Environment & Safety)/QTM(Quality & Technology Management) Department and the QC part of Pulmuone Health & Living closely examines vendors that have passed the hygiene 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 hygiene monitoring is also carried out in partnership with ES/QTM Department, and the QA(Quality Assurance) team assesses quality of partner companies while conducting preventive activities.

In 2015, ECMD's hygiene management team and purchase planning team jointly introduced a partner inspection scheme to check the safety standards and status of major partner companies. The scheme has been leveraged to enhance the sanitary and safety management standards of 28 partner companies, but starting from 2016, a more structured assessment process will be introduced to transfer expertise to the operation and management standards of partner companies by designing the E2E process jointly with the Food Safety Bureau.

Pulmuone Waters inspects 10 out of its 15 packaging material vendors with a focus on their quality and timely delivery of products for selection, evaluation and inspection. Since the 2nd half of 2012, the company has used Nestlé VAP(Vendor Approval Process)<sup>1)</sup> for an external inspection on vendors which produce resin, preform, cap and etc.

#### VAP Process

- ① Each partner company fills out the questionnaire in advance.
- ② Based on the information of the filled-out questionnaire, each partner company is registered to Global Sedex<sup>2)</sup> Platform which calculates a pre-evaluation score by vendor. (Evaluation consists of various aspects such as Labour, Health and Safety, Environment, and Business Integrity.)
- ③ The audit agency certified by Nestlé assesses each of the production plants operated by vendors based on the information registered to Sedex. The assessment period differs depending on the size (i.e. the headcount) of a partner company.
- ④ The audit agency uploads an assessment report on Sedex, and then Nestlé registers the vendor reports at VAP(Vendor Approval Process) for evaluation.
- ⑤ Vendors can pass the audit if there's no issue in each aspect. In the event of finding major issues arising in any of the evaluation aspects, they have to be re-assessed 6 months later.

1) **VAP** : 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(labour, 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.

2) **Supplier Ethical Data Exchange** : An association to manage and share sourcing audit reports and data of vendors across the world

## Partner support for better social and environmental performance

### Best Partners' Day designed to promote win-win growth with 52 partner companies

Pulmuone has been holding Pulmuone Best Partners' Day every year to promote win-win growth with partner companies since 2007. 2015 Pulmuone Best Partners' Day, held in LOHAS Academy located in Goesan, North Chungcheong, was attended by upwards of 100 people including CEOs of 52 partner companies and Pulmuone employees. Participants all watched together best practices of partner companies to implement values of authentic wholesome foods under the joint initiative with Pulmuone, and attended the award ceremony where 10 excellent partner companies in each of the 4 aspects received the award plaques and prize money. In 2016, Pulmuone will continue its effort to grow into a global small giant that goes beyond Korea to be loved and trusted across the globe by reinforcing its partnership with vendors through Pulmuone Best Partners' Day.

### Global workshop for organic bean farmers and partnership with Prograin

On March 19, Pulmuone held a workshop in its Eumsung tofu plant under the topic 'Opportunity & Potential of Canadian Bean for Bean Sprouts Product', which was attended by around 25 farmers and employees from Canada's Prograin, the major organic bean supplier of Pulmuone. The workshop created an opportunity for the foreign partner to understand more about Pulmuone, and turned attention and interest to creating new business opportunities under the Korea-Canada FTA, laying the foundation to develop new business opportunities for 2015.



After the workshop, Pulmuone has successfully introduced the new bean for bean sprouts into its business in partnership with Prograin. Pulmuone visited Prograin at the end of 2015 to inspect the products, and importing the Canadian organic bean will commence within 2016. The import will be gradually expanded as Pulmuone develops and explores new seeds fit for Pulmuone business.

### Bean-sprout soybean training for Korean farmers (inland/Jeju)

In 2015, Pulmuone carried out bean-sprout soybean growth and quality control trainings for 3 times to boost productivity and income of Korean bean farmers. A total of 142 farming households from Yeoncheon(Paju), Moonkyung, and Jeju attended the trainings to learn how to grow bean-sprout soybean and control the quality. The effort to generate win-win growth with local producers will continue in the future to improve the quality of bean-sprout soybeans.



### Periodic inspection on subcontract trade to prevent unfair trade

Since the ultimate objective of the CP(Compliance Program) lies in prevention of law breaches and audit, Pulmuone is preventing risks by conducting semi-annual inspections to detect unfair trade practices and violations against the Subcontract Act. As part of the effort, the company undertook a fact-finding survey on subcontracting of Pulmuone Foods and Foodmerce to find out any unfair trade practices and seek ways for win-win collaboration. The survey asked questions about contract signing, price determination, payment and etc to confirm Pulmuone's compliance with necessary laws. Coupled with the survey, Pulmuone also gathered various opinions concerning unfair trade practices by visiting the fields of partner companies to have in-depth interviews, and talking to Pulmuone employees who manage the partner companies to improve communication. Pulmuone believes all these multi-faceted efforts will be translated into a fair trade culture within the company.

## Supply Chain

### Partner status

When selecting partner companies, Pulmuone, along with ES(Environment & Safety)/QTM(Quality & Technology Management) Department, closely examines vendors that have passed the hygiene 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 hygiene monitoring is also carried out in partnership with ES/QTM Department, and the QA(Quality Assurance) team assesses quality of partner companies while conducting preventive activities.

Pulmuone Foods, Foodmerce and Pulmuone Health & Living source the raw packaging materials and products from a total of 952 partner companies. Upon selecting new partner companies, Pulmuone managers in purchasing, marketing and research departments check if the work practices of the candidate are in compliance with the authentic wholesome foods principles of Pulmuone by conducting field inspection and document review. After the inspection, the candidate goes through a fair and transparent process to be assessed by the partner company evaluation committee of Pulmuone.

### [Partner Status]

(Unit : No. of corporations)

Product Type	Pulmuone Subsidiary	Product Category	2015
Brand	Pulmuone Foods	Manufactured foods	51
		Agricultural produce	27
	Foodmerce	Fishery products	9
		Manufactured foods	105
		Livestock products	10
<b>Subtotal</b>			<b>202</b>
Non-brand	Pulmuone Foods	Agricultural produce	74
		Fishery products	21
	Foodmerce	Manufactured foods	183
		Livestock products	18
		<b>Subtotal</b>	
Raw materials	Pulmuone Health & Living		239
	Pulmuone Foods		134
Packing materials	Pulmuone Health & Living		48
	Pulmuone Foods		33
<b>Subtotal</b>			<b>454</b>
<b>Total</b>			<b>952</b>

\* Duplicate counting when partner companies overlap by Product Type, Pulmuone Subsidiary and Product Category.

## 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, performances in Safety(environment), Responsible Sourcing(social responsibility) and Labour(labour, 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	(Unit : No. of corporations)
Product Type	2015
Preform (PET materials)	2
PET resin (PET materials)	1
PC bottles (18.9 liter empty bottle)	2
Film/label (label on products, plastic wraps)	5
Cap(PET bottle cap)	3
Others(box, pallet)	5

## ECMD

ECMD has Foodmerce and other 600 partner companies as its main vendors. It sources necessary materials such as foods(food ingredients, food products), finished products(for convenience stores, retailers), non-foods(cigarettes, uniform, object, consumable, refueling, etc) from specialized producers or distributors in that particular product category. Most of the vendors are small-and medium-sized players to supply specific products that are not sourced from Foodmerce or local products designated by client companies for win-win growth upon the needs of ECMD. Pulmuone is aware that however important a partnership is for business expansion and sustainability management, critical elements like reliable quality control, food hygiene management, supply chain process and infra building should come first. And for sustainable development of business, a more secure and competitive infrastructure(e.g. product items, unit price, logistics) has to be built, standardizing and structuring a proper partner management process.

## ORGA Whole Foods

ORGA Whole Foods purchased products and raw materials from a total of 540 partner companies. It 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 hygiene standards. It also continues to have win-win relationship with its partners, upholding the principles stipulated in TISO Charter.

Partner status	(Unit : No. of corporations)
Category	2015
Vegetable	30
Fruit	45
Meat	18
Grain	19
Fishery	18
Stockfish	12
Processed foods	125
Chilled foods	46
Frozen foods	40
Health supplements	42
Lifestyle goods	93
Home meal	18
Bakery	34
Total	540

# DMA

## Response to Climate Change



### Significance

A global response is called for climate change which is causing the average temperature rising, erratic weather patterns, mass flooding and widespread drought. Joining the global drive to find the solution, Pulmuone sets targets to reduce energy/water consumption and greenhouse gas emissions for environment safety. In the UN FCCC COP21(United Nations Framework Convention on Climate Change Conference) held in Paris in November 2015, countries across the world agreed to control the temperature rise to less than 2°C by the year of 2100. Korea introduced the greenhouse gas energy target management system under the Framework Act on Low Carbon Green Growth in 2011 and introduced the emissions trading scheme in 2015 to reach the national greenhouse gas reduction target by directly intervening in the greenhouse gas emissions of businesses. Under the scheme, corporations that fail to reach the reduction target assigned to them will be subject to punitive measures dictated by the government. Pulmuone, recognizing climate change is not confined to one nation but goes beyond borders, is committed to cutting emissions of CO<sub>2</sub> and other pollutants seen as the major culprit of climate change for sustainability of the earth even though it has not been obligated to reduce emissions by the government or placed under the government scheme.

### Management

Pulmuone has deployed new renewable technologies, high-efficiency facilities and energy-saving initiatives to reduce its greenhouse gas emissions in its production stage. It makes sure to install energy efficient production facilities when it builds a new plant. This is to take into account the environmental footprint of production even from the design stage. Pulmuone is also placing a great emphasis on Session E and the environment safety committee to check progress on emissions reduction and energy/water savings per business unit or site, and incorporate improvement measures into the design stage.

#### Activities

- **New renewable energy**
  - » A wood pellet boiler deployed in 2013, which made Pulmuone the 1st Korean company that uses wood pellet boilers to reduce greenhouse gas emissions (Korea Energy Agency)
  - » Uiryeong tofu/Kibun plants joined the drive to install a wood pellet boiler with Pulmuone Health & Living Doan plant, deploying the solar power system in 2015
- **Product accreditation in response to climate change**
  - » Certification of carbon emissions label: Placed on five organic bean tofu products with local ingredients as of 2014
  - » Low carbon certification: Four organic bean tofu products with ingredients sourced from local areas as of 2015
  - » Carbon neutral certification: Two organic tofu products as of 2014
- **Corporate events certified to be carbon neutral**
  - » Carbon emissions from the open shareholders' meeting and the LOHAS picnic event were offset by the tree-planting initiative of Pulmuone which has been certified under the the Korea Energy Agency's carbon-neutral program.
- **Climate change response meetings**
  - » Session E (1 time, attended by business unit representatives and site managers), Environment Safety Committee (6 times, attended by business unit representatives), Plant Manager Council (5 times, attended by plant managers), Working-Level Council (12 times, attended by working-level employees)

### Performance & Assessment

Performance Index	Performance in 2015	Mid-to Long-Term Target
Greenhouse gas intensity	338.8tCO <sub>2</sub> /product tone [29% reduction against 2008]	50% reduction against 2008
New renewable energy usage	15.1% [out of total energy consumption]	19%
Water intensity	27.0 tons/product ton [25% reduction against 2008]	40% reduction against 2008

## Pulmuone Policy to Lessen the Environmental Footprint

Pulmuone is a leading LOHAS company which aspires to achieve sustainability of healthy life, society and environment. Pulmuone works to realize its mission in environment safety, which is becoming 'a LOHAS company which promotes environment safety as the important value in all aspects of its business activities'. To minimize the environmental footprint of its business activities, Pulmuone aims to reduce its energy intensity by 25% and water intensity 40%, and generate zero waste from its products and services. Necessary decisions on the policies, strategies and issues to help attain these goals are made at various councils including Session E, Environment Safety Committee, ES Workshop and ES Working-Level Council.

## Initiatives to Reduce Products' Environmental Footprint

Pulmuone's eco-friendly design philosophy for green management can be found starting from its production stage.

### KEPI GP awards in 2015

Pulmuone Cup ICE, made of multi layers of PET/PET\_G/PET, won an award at the GP(Green Packaging) award ceremony organized by



KEPI(Korea Environment Packaging Promotion Institute) for its great performance in preventing damage to a product, improving the production process, and reducing the cup weight for reduction of waste and greenhouse gas emissions.

### Temperature mimicking sensors in the logistics center

Exofresh Logistics has installed food temperature mimicking sensors, which help the company successfully reduce its power consumption by 287,465kwh and greenhouse gas emissions by 133.75tCO<sub>2</sub>e per year. The temperature sensors installed in the chilled and frozen storage facilities kickstart the refrigerator when temperature goes higher than the set temperature. Usually, temperature sensors measure the atmospheric temperature, but the food temperature sensors closely follow the temperature within 10mm of the food surfaces, and stop unnecessary operation of a refrigerator triggered by every opening and closing of the storage center doors. Pulmuone has reduced both energy consumption and greenhouse gas emissions at the same time and is maintaining the quality of new sensors through an inspection procedure as rigorous as the one for previous sensors.



## Eco-friendly packing materials

In partnership with the Ministry of Environment, Pulmuone has undertaken a research on a packaging material that reduces harmful substances and wastes by using a water-based adhesive, which is sterilized by boiling, and leveraged the research result to use the material in all of the food products that use the film wrapping. The material was adopted for arrowroot juice and Oriental raisin tree products in 2015 and is now used for products of Pulmuone Health & Living. Pulmuone is the 1st company that replaced organic solvent-type ink with water-based ink. Packaging materials of Nature Is Delicious and Crab JJamppong use water-based ink and adhesive to reduce harmful chemical substances and improve food safety. In addition, Eat Slim has successfully reduced the volume of its product packages by 32% from 3118.5cm<sup>3</sup> to 2116.8cm<sup>3</sup> and replaced polypropylene boxes with paper ones to reduce emissions from wastes, lowering greenhouse gase emissions and paper wastes during transportation.

Pulmuone Waters reduced the weight of its pre-form for PET bottles as much as it can to minimize its environment impact and maximize cost-saving, which is an ongoing endeavor of the company. It has continued the effort to reduce the pre-form weight further since 2009 and as a result, reduced the cap weight from 2g to 1.35g upon the completion and operation of the Idong plant in 2013.

Such consistent effort was recognized to have 'Low Carbon Product' and 'Green Packaging' accreditations in 2013 with the 'Low Carbon Product' accreditation renewed in 2016. ('Green Packaging' remains effective until December 2016 )

## Wood pellet boilers in Uiryong tofu/Pulmuone Kibun plants

In response to climate change, Pulmuone is actively pushing the drive to install wood pellet-powered boilers for its production plants. Starting from the seven-ton wood pellet boiler deployed in the Eumsung tofu plant in 2013, Pulmuone replaced the LPG boilers of Uiryong tofu and Pulmuone Kibun plants with wood pellet boilers. The newly deployed four-ton wood pellet boilers are now reducing greenhouse gas emissions by 1,051tCO<sub>2</sub>e every year.

## LED lightings

Pulmuone has replaced lightings in the business sites with LED lights for energy saving and greenhouse gas emissions reduction.

### Power savings based on the number of new LED lights

Business sites	Eumsung tofu plant	Chuncheon ice plant	Exofresh logistics center in Eumsung	Pulmuone Health & Living	ECMD resting stops
No. of sites with LED lightings	133	311	134	4,490	All of the resting stops
Power savings	149,971kwh/yr	60,540kwh/yr	187,814kwh/yr	295,560kwh/yr	
Details	Heat resistant (80℃) and high diffusivity	High durability in low temperature (30℃)	Canopy replaced with LED that has brighter illumination (150→270lx) to prevent a car accident	Illumination enhanced by 96lx	Gapyeong, Uiwang/ Cheonggye, Yanggeong, Majang, Gwangju/ Iseo, Youngsan (southbound), Hampyeong( northbound), Osu

## Solar power for Pulmuone Health & Living

The Doan plant complex of Pulmuone Health & Living installed a 195kwh-scale solar power generation facility for its green juice plant, health supplement production plant for Greenche and 'JaDamYeon(a pond which holds nature)', the waste treatment plant built with Pulmuone's green management philosophy, to power their utilities and offices with solar energy on a sustainable basis. Coupled with this, the Doan production plant has introduced a web-based monitoring system to constantly measure the impact of solar power generation. The solar power facility which generates about 210,600kwh per year is reducing carbon emissions so much, which is equivalent to planting more than 60,100 pine trees.



Meanwhile, the Idong plant of Pulmuone Waters installed the energy-efficient machine for rounded rice cake and high-efficient HID lighting fixtures for its initiative to save energy and reduce the number of lightings. The energy-saving endeavor continued in 2015, deploying an automatic maintenance and control system for air compressors, and constructing the piping for a freezer. All of these efforts led to effective actual reductions higher than the targets for 2013-2015.

## ORGA Jeongja becoming the 300th Green Store



ORGA Whole Foods Jeongja held a congratulatory ceremony in partnership with the Ministry of Environment on December 22, 2015 after being designated as the 300th Green Store. Stores can be designated as Green Stores when they are recognized for spreading 'Green Purchase' among consumers, selling eco-friendly products, and reducing greenhouse gas

emissions and energy. The Jeongja store directly managed by ORGA Whole Foods also sells more than 5,000 eco-friendly products which have received Green Mart Certificate and Good Recycling Certificate. The store has also installed high-efficiency LED lightings and energy-saving door-type refrigerator shelves to cut down greenhouse gas emissions. Shopping bags used in the store are all made of natural sugar cane extracts, and plastic trays are made of corn starch to minimize pollution from discarded wastes.

ORGA Whole Foods has participated in the Green Store Accreditation Scheme of the Ministry of Environment starting from 2011, having a total of 11 stores designated as Green Store with its Jeongja store certified in 2015 along with other five stores including Seohyeon, Yatap, Yongsan and Juyeop stores.

## MOU signing for win-win GAP collaboration



On November 20, 2015, ORGA Whole Foods signed an MOU in its Bangyi store for win-win collaboration with the Ministry of Agriculture, Food and Rural Affairs to place more GAP products in its supply chain. GAP (Good Agricultural Practices) is a food safety management scheme that rigorously controls all possible risks that may arise throughout the

process from production to sales, inspecting not only the farming soil quality for vegetables, fruits and mushroom but also the agricultural water quality, and screening out potential harmful substances such as heavy metal, pesticide and harmful organisms. ORGA Whole Foods pledged its commitment to facilitate the distribution of GAP products in partnership with the Ministry. To build a reliable supply platform that can replace the low-pesticide farming certification scheme after it was abolished, ORGA Whole Foods acquired the GAP accreditation for agricultural products sourced from 135 farms as of November. In parallel with this, it has increased the GAP certified products to six types (apple, pear, grape, plum, tangerine, watermelon). The number of GAP products is expected to increase to 25 including vegetables and grains by the year 2017.

## ORGA Whole Foods winning an award at Green Store Contest

ORGA Whole Foods Seohyeon won a good practice award for small-and mid-sized stores at the 2nd Green Store Contest in 2015 hosted by the Ministry of Environment and organized by the KEITI (Korea Environmental Industry & Technology Institute).

The 2nd Green Store Contest in 2015 selected and awarded those with good practices which facilitated green product sales and distribution, and eco-friendly consumption. Out of all 274 Green Stores across the nation as of August 2015, ORGA Whole Foods Seohyeon is the only small-and mid-sized store that received the good practice award. ORGA has named eco-friendly elements within its stores as Green Spot to communicate its efforts for the environment. Such eco-friendly elements include 'Green Product Zone' for products with the green mark, low-carbon agricultural products which emitted less carbon in the production process, energy-saving door-type refrigerators, energy efficient LED lightings, biodegradable trays and packing materials made of corn starch. It also offers diverse services that encourage green purchasing such as giving more mileage points to consumers who use the green card, the campaign to use reusable shopping baskets, and LOHAS lectures where they can experience eco-friendly farming and lifestyle so that consumers themselves can voluntarily develop eco-friendly lifestyle.

## Chuncheon plant joining the campaign to restore the lenok population



Joining forces with the Wonju Regional Environment Office, the Odae Mountain National Park Office and the Fish Research Center of Gangwon University, Pulmuone's Chuncheon plant has been releasing lenoks (Siberian trouts) and Korean big snakes, species of the endangered grade 2, to restore the wildlife ecosystem of the Odae Mountain National

Park. Pyeongchang Gaejani Valley, which is the tributary of the Odae Mountain, used to be known as a habitat for the large lenok population with its crystal-clear and cool water, but the lenoks were driven to the brink of extinction due to reckless fishing. To prevent its complete extinction, Pulmuone Chuncheon plant releases 500 lenoks into the water every year. Pulmuone has also been releasing Korean big snakes since 2015 to counter their rapid decline due to the reckless hunting as they are known for boosting stamina and vitality.

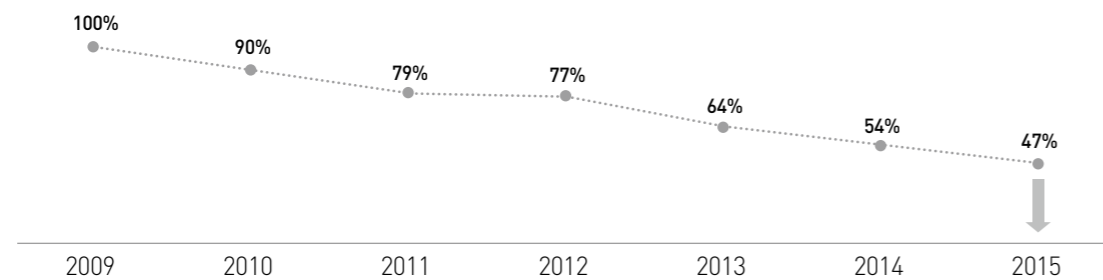
Pulmuone Waters conducts a comprehensive environmental assessment on its bottled water plant every five years in compliance with the relevant laws and regulations to decide the appropriate amount of water intake. However, the environment impact research by the bottled water plant only looks at the possible ground sinking, landslide and withering of plants which implies the soil is deprived of moisture due to groundwater drawing, and doesn't study the comprehensive impact on the nearby flora and fauna. Thus, it doesn't tell which plants or animals are directly influenced by the water intake.

## Outcome of Climate Change Response

Pulmuone is engaging in diverse activities to counter climate change such as registering itself as the KVER(Korea Voluntary Emission Reduction) business under KEMCO(Korea Energy Management Corporation), monitoring its progress, building the greenhouse gas inventory, and receiving accreditation for carbon emissions labels on its products, and low-carbon or carbon-neutral products. It has installed wood pellet boilers in Eumsung tofu, Uiryeong tofu and Pulmuone Kibun plants, introduced the solar power system to the Doan plant of Pulmuone Health & Living, and received the low-carbon certificates for four of its products made of Korean beans and organic tofu. Pulmuone has lowered its greenhouse gas emissions by proactively responding to threats of climate change although it is not obligated to join the greenhouse gas reduction target management program of the government or the emissions credit trading scheme.

### Greenhouse gas (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>) emissions

Greenhouse gas emissions



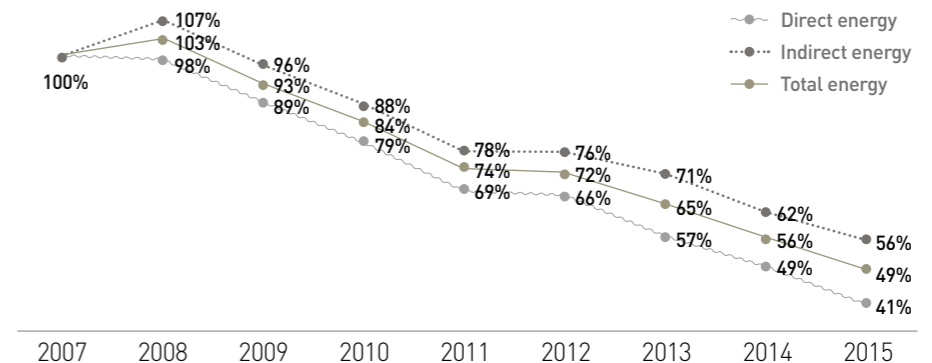
### Green transport for the environment

Exofresh Logistics has introduced a vehicle control system designed to improve driving practices while waging the eco-driving campaign in an effort to reduce emissions of greenhouse gas and air pollutants generated from its logistics chain. It is never hesitant when considering new ways to reduce the environmental footprint of its logistics chain. Good examples include the introduction of large-sized transport vehicles and the cold-heat storage system.

## Raw Materials & Energy Consumption

The energy intensity of the manufacturing sector increased about 8% from 2014, and the Shinsunnatto plant and Pulmuone Kibun plant were included in the list under close monitoring management starting from 2015.

Decreasing energy consumption



Total raw materials usage

Category	Subcategory	Unit	2008	2013	2014	2015
Materials usage efficiency	Bean-based product yield (product output/bean input)	%	367.6	414.3	321.0	441.9
	Energy					
	Direct energy consumption	kgOE/product ton	43.6	25.2	23.4	18.3
	Indirect energy consumption	kgOE/product ton	60.2	39.7	38.4	31.4
Water	Water consumption	m <sup>3</sup> /product ton	19	9	8	7
	CO <sub>2</sub> emission in total	ktCO <sub>2</sub> /yr	57.5	82.1	73.7	78.7
	CO <sub>2</sub> emission from production	ktCO <sub>2</sub> /yr	34.1	35.0	32.7	35.5
	CO <sub>2</sub> emission from logistics	ktCO <sub>2</sub> /yr	22.7	34.8	35.5	35.5
Greenhouse gas	CO <sub>2</sub> emission from service provision	ktCO <sub>2</sub> /yr	0.7	12.2	5.5	7.7
	CO <sub>2</sub> intensity of production	tCO <sub>2</sub> /product ton	0.232	0.130	0.108	0.095
	CO <sub>2</sub> intensity of logistics	tCO <sub>2</sub> /KRW 1M	0.058	0.073	0.074	0.070
	CO <sub>2</sub> intensity of service	tCO <sub>2</sub> /KRW 1M	0.036	0.129	0.055	0.075
Water quality management	Discharged to water system	m <sup>3</sup> /product ton	7.2	3.9	4.8	2.8
	Amount	Ton/product ton	0.108	0.031	0.035	0.028
Waste	Treatment – Recycling	%	99%	96%	99%	99%
	Landfill	%	1%	3%	1%	0%
	Incineration	%	0%	1%	1%	1%
	Environmental investment & management cost	KRW 100M	57	57	40	46



### Water reuse & recycling

Exofresh Logistics is reusing around 700 tons of water per year purified at the sewage treatment plant to wash its transport/delivery vehicles. The rest that has not been used for car washing is again sent to the wastewater treatment plant at the end of the treatment process of the respective local district and then released to the natural water system.

### Impact of water intake on water resource & biodiversity

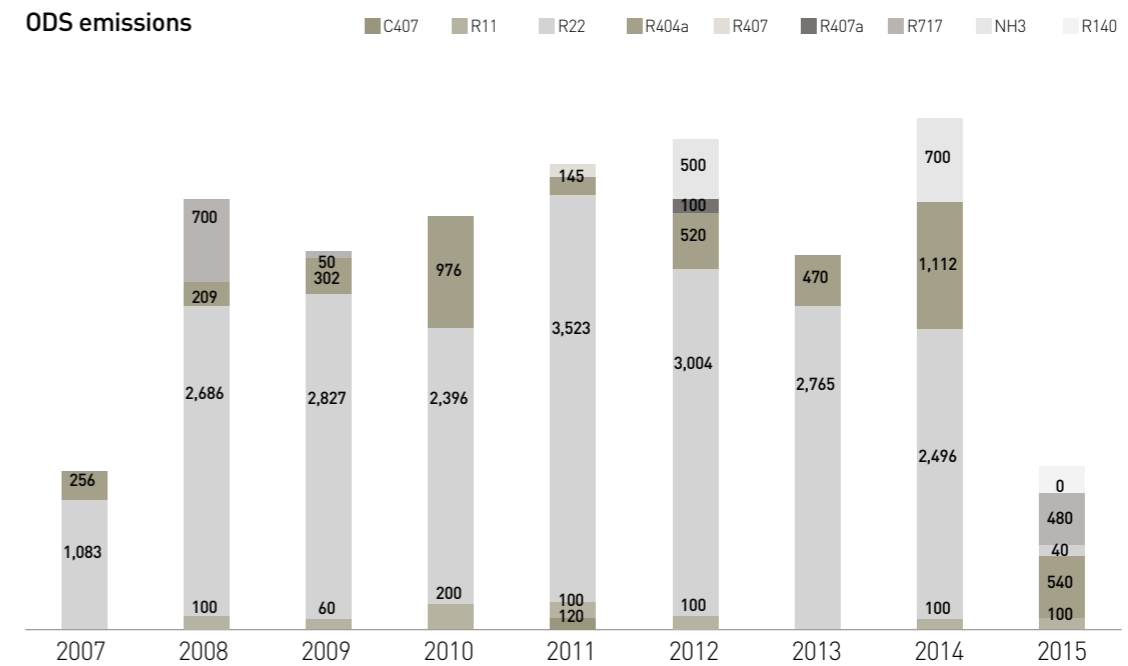
Pulmuone Waters takes water from the underground bedrock as it has rigorous quality standards for its drinking water. Therefore, ensuring a reliable water supply and preempting any negative impacts on the ecosystem is a very important issue for Pulmuone Waters. Every five years, the company conducts an environmental 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. The inspection result is reviewed and approved by the Ministry of Environment. Based on the environmental 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 and protect it from threats like depletion, quality degradation or damage to the surrounding environment. Details can be viewed in its technical report on the environmental impact survey.

### Minimal Pollutant Emissions

To minimize the environmental impact of its business activities, Pulmuone has set the ceiling of pollutants emitted at the final stage of its production as 50% lower than the maximum emission level allowed by the law. It has also applied a more rigorous water quality standard to its plants that discharge water directly into the natural water system such as the Pulmuone Health & Living Doan plant, the Eumsung fresh noodle plant and the Chuncheon plant to treat and discharge water with the BOD level lower than 8mg/L. The standard is also applied to plants in China and Japan as well as those in Korea when a new wastewater treatment plant is built or an existing wastewater treatment plant is renovated. The cost for such construction is reflected in its financial accounting as investment.

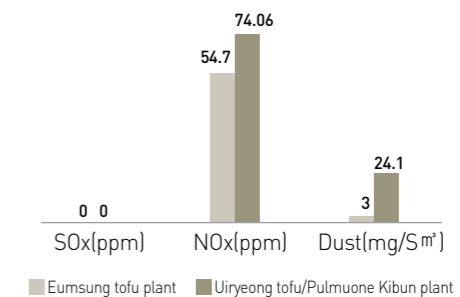
### ODS emissions

Pulmuone regulates new devices that use ODS(Ozone Depleting Substances) such as CFCs and HCFCs following the Montreal Protocol and manages refrigerant charges for the existing facilities.



### Air pollutant emissions

Pulmuone runs boilers for steam generation, powered by LNG and LPG fuels; therefore, it is not mandated to measure its air pollutant emissions as dictated by the Clean Air Conservation Act. Plants powered by wood pellet boilers such as Eumsung tofu plant, Uiryong tofu/Pulmuone Kibun plant measure their Sox, NOx and dust emissions for air quality management.



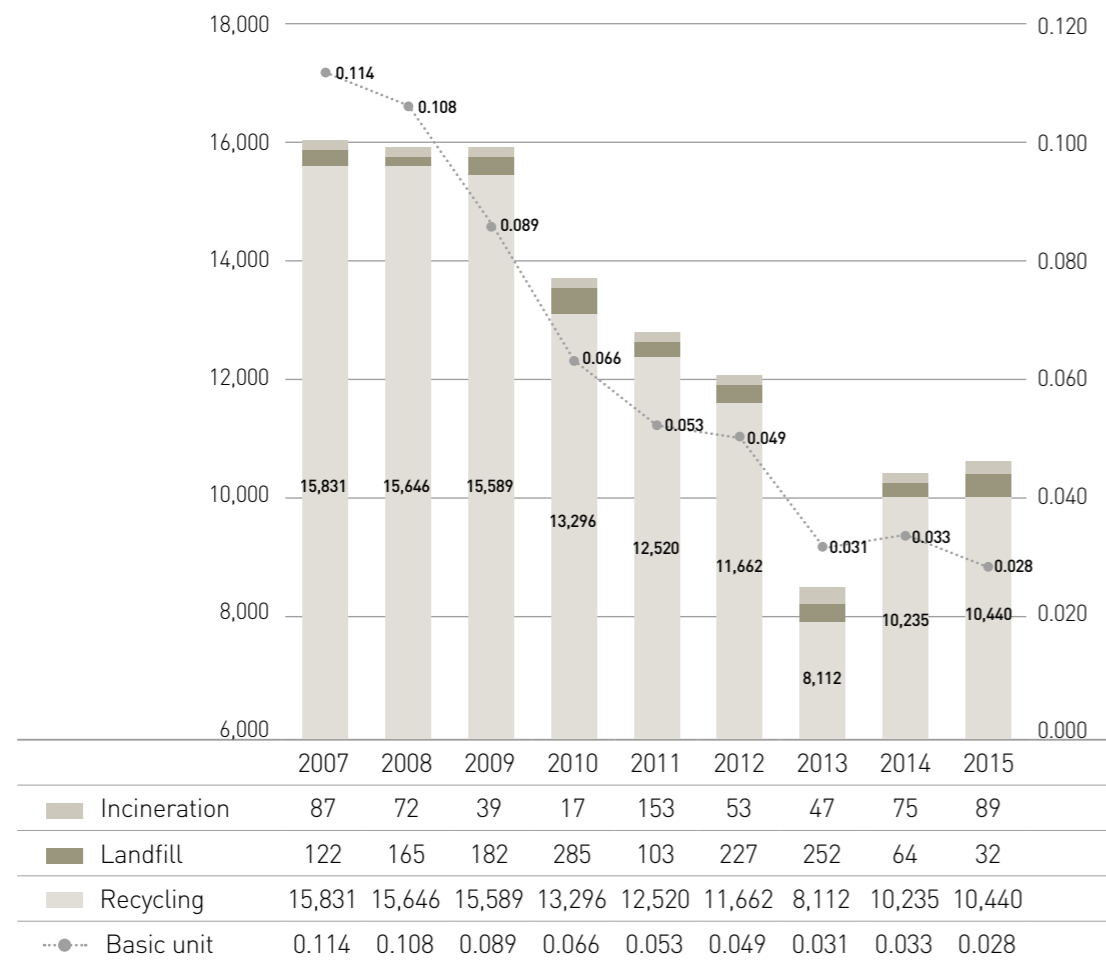
### Handling of environmental complaints

When a resident of the apartment complex near the Exofresh Logistics Yongin Center filed a complaint about noise to the Kiheung district public office of Yongin, Pulmuone promptly formed a TFT to make a proper response to the grievance. The team developed various ways to reduce noise, tested possible solutions and applied the one with the best result which was building a sound-proof canopy wall around the cooler. This lowered the gap between the intrusive sound coming from the cooler and the ambient sound to less than 3dB, successfully redressing the grievance.

### Waste treatment

Pulmuone is doing its utmost effort to reduce waste disposal in its production process and recycle as much paper or synthetic resin waste as possible.

#### Waste disposal by year



### Environmental investment & cost

Pulmuone is closely managing its expenses for environmental management and investment. The expenses rose 41% in 2015 due to the deployment of wood pellet boilers, which was to increase the ratio of new renewable energy in its energy mix.

#### Environmental investment & management cost

(Unit : KRW 100M)



# DMA

## Social Responsibility



### Significance

Businesses are increasingly shifting their primary focus from profit generation to fulfilling corporate social responsibilities in the process of pursuing profits. Pulmuone is engaging itself in various social responsibility initiatives to practice its philosophy of 'Love for Neighbor and Respect for Life'. It will also fulfill its responsibility as a global LOHAS company that creates much social value through diverse activities.

### Management

**Policy** | Pulmuone assigns the role of a control tower to its PR office for corporate-wide CSR(Corporate Social Responsibility) activities. It is to facilitate both internal and external communication and effectively handle community demands. The PR office defines the direction of socially responsible initiatives and mid-to long-term business strategy, plans and operates socially responsible programs and support employee outreach and fundraising activities. It also designates social responsibility officers to build an internal collaboration scheme, and encourage its subsidiaries to share their records of socially responsible practices and plans through Session D, the company-wide CSR/CSV council.

**Activities** | Pulmuone is carrying out diverse social contribution programs that center around the four topics(Authentic Wholesome Foods, Environment, Social Responsibility and Mecenat) to realize the LOHAS society by making contribution to communities. It is also spreading the value of authentic wholesome foods and LOHAS through various initiatives including 'Authentic wholesome foods Education Campaign' to help the public develop the good dietary habit, and 'Good Cleaning Class' that teaches LOHAS lifestyle. Pulmuone employees are also actively involved in diverse outreach activities such as volunteering through the corporate social service club LOHAS Designer and fundraising events.

### Performance & Assessment

Performance Index	Performance in 2015	Target for 2016	Mid-to Long-Term Target
<b>Authentic wholesome foods Campaign implementation across the nation</b>	Offered education sessions on authentic wholesome foods 706 times, 17,595 people	Offer more sessions on authentic wholesome foods: 800 times, 20,000 people	Aiming to reach 90,000 people by 2018
<b>More education on the LOHAS values</b>	<ul style="list-style-type: none"> <li>· LOHAS dietary life</li> <li>- Designed an educational program for parents</li> <li>- Offered the program for 29 times before official launch</li> <li>· LOHAS lifestyle education</li> <li>- Designed the good cleaning class for children</li> <li>- Offered 108 sessions</li> </ul>	<ul style="list-style-type: none"> <li>· LOHAS dietary life educaton</li> <li>- Expand its scope to cover nursing teachers</li> <li>- Add the LOHAS diet experience to the program</li> <li>- 50 sessions for parents and nursing teachers</li> <li>· LOHAS lifestyle education</li> <li>- 200 sessions</li> </ul>	<ul style="list-style-type: none"> <li>· 100 sessions of the LOHAS dietary life education by 2018</li> <li>· 1,000 sessions on LOHAS lifestyle education by 2018</li> </ul>

## Social Value Sharing

Pulmuone's outreach programs based on 'Love for Neighbor and Respect for Life' are constantly evolving to offer more CSV(Creating Shared Value). 'Authentic wholesome foods Education Campaign', the most representative campaign for social contribution, has been expanded to become 'LOHAS Dietary Education', and 'Good Cleaning Class' designed to educate LOHAS lifestyle was added to the list to spread and further communicate the LOHAS values.

### Authentic wholesome foods Education Campaign

Pulmuone has been rolling out 'Authentic wholesome foods Education Campaign' since 2010 that help not only children but also adults to learn where, how and by whom their food is made to tell apart Authentic wholesome foods from band ones and make the right dietary choice. Educational programs under the initiative are offered to pre-school kids, primary school students, parents and their children under three topics(food labels, nutritional balance and palate). During 2015, Pulmuone offered the education program for 706 times to 17,595 people in partnership with the Ministry of Education, Food for Change, and Homeplus e-Paran Foundation.



#### Milestones of Authentic wholesome foods Campaign

	2013	2014	2015
Session(times)	387	534	706
Attendee(people)	9,113	12,055	17,595

### Good Cleaning Class, LOHAS lifestyle education

Pulmuone launched 'Good Cleaning Class' to spread the 5S activities(Sort, Set, Shine, Standardize, Sustain) crucial for the LOHAS lifes. It is a creative education program to help children realize cleaning can be fun and motivate them to clean their surroundings for neighbors and the environment. The program was offered for 108 times to 2,454 lower-grade primary students and pre-schoolers.



## LOHAS dietary life education

Pulmuone spearheaded the efforts to spread the right and good dietary habit across the nation. As part of this drive, it has expanded the scope of its 'Authentic wholesome foods Education Campaign', which was at first designed to help children develop the right dietary habits, to include parents and children of low-income families, and named the program as 'LOHAS Dietary Life Education'. For parents, Pulmuone has designed an education program together with the Korean Society for Community Nutrition to show how to eat 'Low GL(Glycemic Load) Diet<sup>1)</sup>', which captures the essence of LOHAS dietary life. The program for parents was offered for 29 times in local childcare support center across the nation starting from September 2015. Apart from this, an easy-to-read and simple leaflet was generated as learning materials so that parents can implement the tips in their homes. Starting from 2016, LOHAS dietary life education is expected to offer hands-on experience as well as academic leaning. Meanwhile, LOHAS dietary life program designed for children of low-income families offers education on nutrition to children suffering from serious nutritional imbalance. The curriculum consists of authentic wholesome foods education using vegetables and whole grains complemented by four cooking classes for children. Classes were available in five local childcare centers in December 2015.

### Status of LOHAS Dietary Life Education

Milestones in 2015	2015	
	Parents	Low-income family children
Session(times)	29	20
Attendee(people)	406	400

1) Low GL Diet: A meal of adequate amount of vegetable, protein with less saturated fat and whole grains to achieve nutritional balance. Its core objective is to reduce carbohydrate intake. The low GL diet is conducive to preventing lifestyle diseases such as obesity, insulin resistance syndrome and etc as its low GL stops excessive excretion of insulin.

## Pulmuone Foundation, the champion of Pulmuone CSR initiatives

Pulmuone established Pulmuone Foundation in 2012 as part of the drive to further extend and augment its CSR initiatives. The foundation is a non-profit entity promoting public interest established 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 Won, Gyung-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 Authentic wholesome foods, environment, social responsibility and cultural programs. In order to support initiatives of the foundation, Pulmuone donates 0.1% of its sales revenue from 'Love for Earth Mark' products to 'Love for Earth Fund', and its employees voluntarily donate a certain portion of their salary every month to 'Love for Neighbor Fund'.

## Project WET for children

Pulmuone started to offer Project WET(Water Education for Teachers) to children. The world-wide water education program was designed to raise awareness about the importance of water and water preservation. Project Wet is a global water education program provided by the US WEF(Water Education Foundation) since 1984 to support individuals, groups, schools or businesses to develop and provide educational programs based on natural science targeting teachers and students aged 5-18. Under Project WET, Pulmuone offered 100 sessions of education attended by a total of 2,520 primary school students in 2015. The curriculum consists of the four programs named 'Blue Planet', 'Box of Life', 'Treasure in the Bucket' and 'One Power', all of them designed to emphasize the importance of environmental protection.



### Water Education that Comes to Your Classroom

Year	2013	2014	2015
Session(times)	51	112	100
Attendee(people)	1,147	2,643	2,520

## Food for Change, the leader of the Authentic Wholesome Foods Campaign

Pulmuone supported the establishment of 'Food for Change' as non-profit social enterprise to drive the authentic wholesome foods campaign in a proactive manner in 2012 and has been rolling out the campaign education together with Food for Change.

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

\*Commenced in Sep 2015

### Support for Korean traditional music performance

Pulmuone hosts a traditional music performance every year to revive the cultural heritage of Korea jointly with other companies who agree to the cause since 2004 and invites employees and their families to the concert held in the National Gugak Center. In 2015, four food companies such as Samyang, DongaOne and Sempio joined the drive to host the performance together.

### Museum KIMCHIKAN, the new Kimchi museum in Insa-dong

Pulmuone Kimchi Museum was reborn as 'Museum KIMCHIKAN(間)' and opened on April 21, 2015 in Insa-dong, Jongro district where cultural heritage meets the present. Visitors to Museum KIMCHIKAN can enjoy documentary videos produced by 'Mankind in Cooking' team of KBS(Korean Broadcasting System). The documentary shows various types of Kimchi made by families with long history and culinary heritage, unique Kimchi recipes of different local districts and Kimchi for the royal family during the Joseon Dynasty. The museum also has several halls with diverse themes to stimulate curiosity and interest of visitors such as secret 'Room of Scientists' to study lactic acid bacteria of Kimchi, 'Kimchi Smile Exhibition' hosted by the global new media group 'Kimchi & Chips', 'Jangdokdaela platform of crocks that hold condiments and sauces' Viewed from Sky' made by a crock master and 'Digital Kimchi Play' with exciting contents. Excluding special programs for foreigners and children, 'Kimchi School' program is especially popular, helping visitors learn about Kimchi ingredients through five senses and make Kimchi on their own. After making Kimchi together, they can eat the Kimchi and take the rest to home if they want.

Known to overseas countries thanks to the coverage by global media such as BBC, NHK, CCTV, CNN and the New York Times, Pulmuone Kimchi Museum was named as one of the world's best 11 food museums by CNN in March 2015, building its prestige and value further.



**Website** | [www.kimchikan.com](http://www.kimchikan.com)

**Address** | 4th-6th floors of the main hall of Insa-dong Maru, 196-10, Gwanhun-dong, Jongro district, Seoul

**Phone** | 02-6002-6456, 02-6002-6477

**Open** | 10:00-18:00 on Tue-Sun[entrance closed at 17:30]

**Closed** | Every Monday, Jan 1, New Year's Day, Korean Thanksgiving, Christmas

### Outreach for women, children and the elderly

Pulmuone employees organize and engage in many volunteering activities for communities, and one of them is to visit and help seniors living alone. Volunteers take care of the seniors, making a meal and having conversations to become a good company. When holidays come, Pulmuone also throws an event for the underprivileged communities to enjoy traditional games together. For homeless girls exposed to much more risk when they are out on the street without caretakers, Pulmuone donated KRW 12 million to Wildflower Youth Center, an organization to support homeless youths until they have their independence, and provided 'Authentic wholesome foods Cooking Class' as a vocation training and cooking experience for the disadvantaged youths. Cultural exchanges and Kimchi-making events have also been organized in connection with the employee social service programs.



Donated KRW 12 million to the Wahaha(Wildflower Youth) Foundation to support independence of youths

### Meerae Forum, 'Design Club for Ultra-Aged Society'

Pulmuone is a corporate member of the Meerae Forum which gathers opinion leaders from each sector of society(government, corporations, NGOs, etc) to have a debate and research together in order to create a future where families and communities can trust and help out each other. In 2015, Pulmuone Group General CEO was assigned to the corporate research team of 'Design Club for Ultra-Aged Society' as Project Manager. The team is also joined by Yuhan Kimberly, Univera, Sempio Foods and Lina Insurance where they study and discuss how we should prepare ourselves for the incoming ultra-aged society. Pulmuone also participates in the regular forum hosted by Meerae Forum and its operating committee.

## Join to Share

### LOHAS Designer

In July 2009, Pulmuone established 'LOHAS Designer', the enterprise-wide social contribution club, to wage social service campaigns in a more structured way. Under the vision of having 'people committed to sustainable health of society and neighbors', a total of 69 volunteering teams were formed across the Group to undertake outreach activities for the underprivileged. In 2015, a total of 2,795 LOHAS Designer members participated in diverse volunteering activities in many local communities, donating their talent, cooking snacks for kids, painting murals, planting trees, assisting the intellectually challenged to adapt to society, and improving surroundings of cultural heritage. All of these activities amounted to 14,056 hours in total.



#### Participants in outreach activities

Year	Participant(people)
2013	2,518
2014	2,729
2015	2,795

### Planting trees to reduce CO<sub>2</sub>

Pulmuone is an active participant in Zero Carbon campaign. It had organized 'Tree Planting for Next Generations' event to offset all of its carbon emissions from plant tours and the general shareholders' meeting up until 2014, and hosted another type of a tree-planting event in partnership with LOHAS Academy to create 'Forest of Healing' in 2015. 'Forest of Healing' is a project launched through public-private partnership to turn desolate land sparsely lined with trees into a lush forest for healing. On March 28, more than 130 Pulmuone executives and high-ranking employees and relevant officials from local authorities and the Korea Forest Service descended on the government-owned forest in Sari, Goesan county in North Chungcheong to plant 3,000 pine seedlings. On top of this, Pulmuone employee green club wages a separate tree-planting initiative to clean and take care of the Noel Park on a quarterly basis.



## Love for Neighbor Fund

Pulmuone executives and employees donate certain portion of their salary to Love for Neighbor Fund to help neighbors in need every month. In 2015, the fund raised KRW 118 million to be donated to various social outreach programs.



#### 3-year fundraising of Love for Neighbor Fund

Year	Fund size
2013	KRW 103 million
2014	KRW 117 million
2015	KRW 118 million

### Fundraising for Nepal earthquake relief

Pulmuone people also organized a fundraising event to help out displaced refugees of Nepal who lost their homes to violent earthquake. To raise a fund, employees sold a kit consisting of diverse Pulmuone products during their commute and lunch hours, and donated all of the revenue to the refugees with Pulmuone Foundation also donating the matching amount of money. The fund, which amounted to KRW 27.6 million, was delivered to the earthquake refugees with the help from the Korea Food for the Hungry International.

### Participate in 'One Grain Marathon' to fight hunger

Pulmuone donates bottled water of Pulmuone Waters every year to 'One Grain Charity Marathon' hosted by the Korea Food for the Hungry International for the hungry across the globe. Pulmuone people and their families also participate in the event as runners to show their support for the cause.

# UN SDGs

(SDGs : Sustainable Development Goals)

The UN SDGs(Sustainable Development Goals) 2030' announced in August 2015 is a global development agenda studied, debated and agreed by government representatives of 193 UN member countries and civic groups around the world. To better understand the SDGs defined as the follow-up initiative to the UN MDGs(Millennium Development Goals), Pulmuone has prepared itself to review and implement the 17 goals and 169 targets delineated in the SDG list. The review has found some of Pulmuone activities and milestones in 2015 can be viewed as related to the 17 UN development goals as described below:

Pulmuone is working hard to fulfill its role and responsibility by implementing solutions to help achieve the UN SDGs. It will continue to drive a range of activities not just for economic growth but also for the SDGs realization designed to bring harmony between humans and nature.

<p><b>1 No Poverty</b></p> <p>Pulmuone employees and their families participate as runners in 'One Grain Marathon' to fight hunger and Pulmuone Waters donate its water to the event every year</p> 	<p><b>2 Zero Hunger</b></p> <p>Ensured the production of high-quality bean sprouts through the inclusive growth model jointly developed and undertaken with Ganghwa Woori Village</p> 	<p><b>3 Good Health and Well-being</b></p> <p>Raised awareness for authentic wholesome foods and implemented the LOHAS dietary life and the 5S campaign</p> 
<p><b>4 Quality Education</b></p> <p>Employees can receive education at PBS(Pulmuone Business School), the MBA course developed by Pulmuone and take foreign language classes</p> 	<p><b>5 Gender Equality</b></p> <p>Created a working environment inclusive of women by assigning a certain portion of executive roles to female employees and allowing pregnant employees to work shorter hours without getting an official approval from the management</p> 	<p><b>6 Clean Water and Sanitation</b></p> <ul style="list-style-type: none"> <li>More rigorous food safety management by tightening safety control of veterinary medicines and conducting inspections to eliminate threats from toxic molds</li> <li>Voluntary product recalls by Pulmuone Foods, Foodmerce, Pulmuone Health &amp; Living</li> </ul> 
<p><b>7 Affordable and Clean Energy</b></p> <ul style="list-style-type: none"> <li>Adopted the new renewable energy system to power its production plants</li> <li>Wood pellet boilers deployed in more plants and the solar power system in the Doan plant of Pulmuone Health &amp; Living</li> </ul> 	<p><b>8 Decent Work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>Working for indirect employment of the physically challenged through diverse supports including ISO 22000 accreditation of Ganghwa Woori Village</li> <li>Developing local talents by running special zones of local specialty products in the resting stops along the Seoul Outer Circular Expressway</li> </ul> 	<p><b>9 Industry, Innovation and Infrastructure</b></p> <p>Opened Pulmuone childcare centers evaluated and accredited by the Ministry of Health and Welfare</p> 

## Pulmuone & UNGC Korea

Since its launching ceremony on July 2, 2007 and inaugural assembly on September 17 of the same year, the UNGC(UN Global Compact) has been very active in Korea. Pulmuone is the 1st food company to join the UNGC in April 2007, rendering strong support to spread and realize the UNGC vision. It has engaged in diverse activities to meet the 10 UNGC principles on human rights, labour, environment and anti-corruption. Details of such endeavor can be found in various sections of this Integrated Report.



<p><b>10 Reduced Inequalities</b></p> <p>Fair and transparent personnel management in compliance with no discrimination policy as stipulated in the Labour Relations Act</p> 	<p><b>11 Sustainable Cities and Communities</b></p> <p>Pulmuone Foundation extended CSR support</p> 	<p><b>12 Responsible Consumption and Production</b></p> <p>More low-carbon agricultural products and green consumption by promoting low-carbon products in ORGA Life stores</p> 
<p><b>13 Climate Action</b></p> <ul style="list-style-type: none"> <li>Eco-friendly water-based ink materials and eco-friendly package development to lower CO<sub>2</sub> emissions</li> <li>Efforts to lessen its environmental impact by receiving low-carbon accreditation for its four domestically grown, organic bean tofu products</li> </ul> 	<p><b>14 Life Below Water</b></p> <ul style="list-style-type: none"> <li>Higher quality standard applied to agricultural water used in the Doan plant of Pulmuone Health &amp; Living</li> <li>Project WET to raise awareness about the importance of the water environment</li> </ul> 	<p><b>15 Life On Land</b></p> <ul style="list-style-type: none"> <li>Ecosystem restoration by Pulmuone Chuncheon plant and the Doae mountain park</li> <li>'Forest of Healing' project waged in collaboration with the Korea Forest Service</li> </ul> 
<p><b>16 Peace, Justice and Strong Institutions</b></p> <ul style="list-style-type: none"> <li>A range of corporate social service programs such as visiting seniors living alone and supporting runaway youths to stand on their own</li> <li>Love for Neighbor Fund raised by Pulmuone employees and fundraising for emergency relief in Nepal</li> </ul> 	<p><b>17 Partnerships for the Goals</b></p> <ul style="list-style-type: none"> <li>Consulting service on GAP(Good Agricultural Practices) farming and a fair process for vendor selection and assessment</li> <li>Help boost social and environmental performances of vendors through Pulmuone Best Partners' Day</li> </ul> 	



# 4

Pulmuone is a leading LOHAS company that aspires to achieve sustainability of life, society and environment.

LOHAS values which deeply care about humans and nature are essential to achieve sustainability management.



# TISO Management

## Introduction

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).

## TISO Initiatives & Outcomes

### TISO Management Office

Pulmuone has assigned its CCO(Chief Compliance Officer) to the role of supervising TISO management across the Group with the support from TISO Compliance Management Division which would carry out TISO-related initiatives across the Group and provide assistance to CCO's work. It has also designated TISO Leaders who would deliver on TISO tasks within their respective business unit. TISO Compliance Management Division is dedicated to driving fair and transparent management across the Group. It is planning and running a range of initiatives to have its employees internalize the corporate value scheme(mission, vision and core values) and TISO principles which served as the foundation for the corporate culture since the Group's inception. The division is also in charge of spreading TISO Management principles not only in Korea but also to overseas offices in the US, China, Japan and etc in order to embed TISO principles into the layers of Pulmuone's global organizational culture.

### TISO compliance internalized through ongoing education

Pulmuone provides TISO education to its employees on a regular basis to reinforce their commitment to TISO. Every new hire has to receive the education on the corporate value scheme twice per month. In 2015, Pulmuone developed an online training program for TISO to mark the 10th anniversary of declaring the TISO Management Charter with 1,982 people out of a total of 2,191 trainees completing the program. The online training has been made into a mandatory course for all employees across the Group to give more learning opportunities to field workers(production workers, event promoters, dieticians, cooks) who have relatively less exposure to TISO education. In parallel with this, Pulmuone produced and displayed TISO Management posters during holiday seasons(e.g. Lunar New Year's Day, Korean Thanks Giving Day) for better communication along with TISO screen savers as a reminder of the meaning of TISO Management and the pledge employees made when they first implemented the values to their work fields.

## TISO communication with employees

Pulmuone has opened a new category 'TISO Management' in the internal community named 'Talk to Group General CEO', a channel for two-way communication between the top management and employees to discuss the value scheme of Pulmuone. The new category is used as a tool to communicate ongoing updates on relevant rules, guidelines and amendments to encourage compliance with fair and transparent management. Diverse contents such as the code of conduct for leaders and team members, or case examples of the desired behaviors are also developed and shared to help improve the relationship between employees and realize GWP(Great Work Place), which creates a vibrant and sound corporate culture.

## Continuous implementation leveraging the best practices

TISO(Trust, Integrity, Solidarity, Openness) stands for core values each and every one of Pulmuone employees have to internalize and abide by. It is not a mere slogan but a way of life for Pulmuone people. Therefore, it is utmostly important for employees to understand its meaning and act on the principles in a day-to-day work environment. To make this possible, Pulmuone has waged TISO Best Practice Contest open for all employees across the Group starting from 2011, which marked its 5th opening in 2015. Major practices recognized for excellence receive awards and prize money, and are published on the online bulletin board for all employees to see. And above all, they are included in the internal education courses for employees as case examples to help employees understand and act on the core values. Pulmuone introduced a system where managers recommend candidates for the contest in order to encourage managers to pay more attention to how their team members are implementing the values, and shared all practices submitted and selected across the Group. This year, there will be some changes to how the contest gathers applications of employees: The format will be changed from the open contest with a defined application period to an ongoing event which gathers good practices throughout the year. To support the change, Pulmuone plans to build an appropriate process to develop good practices with stages of 'target setting-review-evaluation' for individual employees to implement core values in their own respective ways. Good practice sharing will continue to evolve into a core tool to increase employee engagement by letting employees share their practices, give compliments to each other in relay and vote for good practices. This would help employees internalize the corporate culture more smoothly.

## 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 consumers, stakeholders, communities as well as employees based on the core values (Trust, Integrity, Solidarity, and Openness).

### TISO by Pulmuone

Pulmuone believes TISO is first and foremost 'a caring mind to offer authentic wholesome 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 consumers and sustainability of the earth" based on the universal values represented by TISO.

### TISO Management Policy

For better operation of TISO-related institutions, Pulmuone has prepared and revised 'TISO Policy' which defines the framework, basic procedure and standards of TISO operation, 'TISO Code of Conduct' which tells how to act on TISO principles and 'TISO Code of Practice Handbook' which explain the Code of Conduct in more details for better understanding of employees.

### TISO Code of Conduct

TISO Code of Conduct has been prepared and put in place to explain conducts employees have to internalize to practice 'Pulmuone TISO Charter'. It consists of 15 clauses such as how to handle commands and instructions that hamper fair work practices, no preferential treatment, no anti-competition acts(i.e. collusion with competitors), no wielding of unfair influence for personal interest, prohibition of acts that harm the company, no personal use of classified information, non-competition agreement, no forgery of document or statistics and no false reports, external activities, and consumer information security. TISO Code of Conduct is uploaded on Pulmuone Groupware(KWP) for all employees can view anytime they want or need. It enables employees to clearly understand the criteria, direction and principles of TISO values in conflict situations they are bound to face both internally and externally in the process of undertaking the given assignments.

### Code of Practice Handbook

'Code of Practice 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/consumer 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 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.

## 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.

### Policy on political lobby and contribution, donation to political parties or sponsors

In its TISO Code of Conduct, Pulmuone expressly stipulates it will always work hard to manage its businesses in a transparent manner. To distance itself away from any types of cozy relationship with the political circle and favor-carrying, in compliance with Chapter 6, Article 31 of the Political Funding Law(limit in political contribution), Pulmuone strictly abides by its TISO Code of Conduct, and has made no financial contribution to a political party or a political sponsor.

## 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. 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 2015, a total of 24 unreturned gifts were donated to the fund, raising KRW 924,600.

### Holiday gift return : reports & value

Year	Reports	Value
2013	31Cases	KRW 1,194,000
2014	22Cases	KRW 1,041,650
2015	24Cases	KRW 924,600

## Non-Compliance Case

### Bri.N accused of excessive advertising

In February 2015, a complaint filed to Shinmungo(complaint filing channel to public offices) of the Ministry of Food and Drug Safety argued Bri.N emulsions sold by Pulmuone Health & Living made a claim on its label that it 'normalizes the erratic skin cell regeneration cycle', which can constitute a breach against the industry guideline that a cosmetics product should not make a claim that makes it look like having medicinal efficacy. As a result, Pulmuone Health & Living was put to three months of sales suspension from June 18, 2015 to September 17 of the same year. However, it turned out the phrase in question on the product label was printed for batches of subsidiary materials before the label guideline was revised to remain in compliance with the tightened regulation. In addition, the emulsion has not been produced since September 2014. Pulmuone Health & Living officially withdrew the product from distribution channels and the market right after it came to have the knowledge about the filed complaint. Afterwards, Pulmuone Health & Living has been making every effort to make sure there is no such violation by thoroughly reviewing information on the label of every skin care product.

# Human Rights & Labour

## Pulmuone alleged to breach the Customs Act

Pulmuone was prosecuted in 2012 by the Supreme Prosecutors' Office for its alleged violation of the Customs Act concerning its purchase of organic beans from China and was found not guilty 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 ruling, the prosecutor appealed to have it 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 until the end to ultimately prove its innocence at the Supreme Court.

## Exofresh Logistics fined for not conducting health check-ups for three employees

In March, 2015, Exofresh Logistics was fined KRW 120,000 by the Ministry of Employment and Labour for failing to take health check-ups on three of its employees working at logistics centers. An inspection found the non-compliance was just a simple mistake of the three workers who forgot to take the health check-ups during the set period, and Exofresh Logistics paid for the penalty without delay. Afterwards, Exofresh Logistics is actively encouraging all of its employees to take the periodic health check-ups to protect their health first and foremost and to ensure its compliance.

## Foodmerce fined for not complying with workplace safety measures

Foodmerce was fined KRW 1 million on August 12, 2015 for its safety violation in the Yangji logistics center. In response to that, Foodmerce took the required measure to correct its mistake and paid for the fine. Since then, Foodmerce has been continuously making necessary improvements to ensure occupational safety and health by appointing an agency specialized in safety and health, and formed the internal safety health council consisting of safety experts to fully assure occupational safety.

## Employee composition

As of the end of 2015, the total number of executives and employees across the Group stood at 5,722 people. Its HR structure is roughly divided into the management control/operational positions, and frontline workers (i.e. sales/PR, logistics/production, and cook/dietician, etc). Out of 5,722 employees in total, 2,619 are male and 3,103 are female workers. Women make up 54.2% of the total headcount and 15.2% of the managerial level or above (57 out of 374 mid-managers or senior executives are females).

### Headcount by contract type (unit : persons)

Year		2014	2015
Permanent	Male	2,496	2,493
	Female	2,469	2,428
Subtotal		4,965	4,921
Temporary	Male	71	125
	Female	519	624
Subtotal		590	749
General AT	Male	-	-
	Female	10	8
Subtotal		10	8
Part-timer	Male	2	1
	Female	62	43
Subtotal		64	44
Total by gender	Male	2,569	2,619
	Female	3,060	3,103
Total		5,629	5,722

### Headcount by geography (unit : persons)

Year		2014	2015
Headcount	Greater Seoul (Seoul/Gyeonggi)	3,204	3,179
	Busan	239	268
	Daegu	220	200
	North/South Gyeongsang	477	468
	Jeolla/Gwangju	420	403
	North/South Chungcheong	922	948
	Gangwon	0	104
	Daejeon	147	152
	Total	5,629	5,722

Note) Headcount by geography has been calculated since 2014.

### Average male-female pay ratio by job type

The average pay of full-time permanent workers of Pulmuone recorded KRW 48,538,000 for males and KRW 39,977,000 for females in 2015, which takes up 54.8% and 45.2% of the total payroll expense respectively. The average pay of male workers stands higher than that of 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. There is no noticeable difference in the average pay between men and women when it comes to office workers in business management or operation functions.

### 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 labour-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.

### Personnel Recruitment in Major Markets

Pulmuone recruits talents through the recruiting website or search firms for its overseas offices or assign its Korean employees to the offices. 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 permanent full-time employment after a probation period. Once qualified with the grades, they can be signed on as permanent employees.

### Job Creation & Turnover

The permanent job creation rate in 2015 reached 1.7% on average with 14.2% turnover rate, a slight decline from the previous year. During the year, Pulmuone welcomed a total of 1,304 new hires(permanent: 729 people, temporary: 575 people), which accounted for 22.8% of the total headcount.

Year		2013	2014	2015
Employment	Total headcount(persons)	5,175	5,629	5,722
	Permanent hires	4.2%	8.8%	1.7%
Employee turnover(%)	Permanent workers	17.1%	15.3%	14.2%

### Average Years in Service

The years in service were 5.7 years on average with 6.4 years for permanent workers and 1.4 years for temporary workers in 2015.

Year		2013	2014	2015
Years in employment (based on the current payroll)	Permanent	5.9년	5.9년	6.4년
	Temporary	1.1년	1.1년	1.4년
Total		5.4년	5.3년	5.7년

### Human Rights & Diversity

#### No discrimination: prevention & monitoring

Having signed the UN Global Compact, Pulmuone aligned its business strategy in human rights, labour, environment and anti-corruption with the 10 principles of the UN 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 no-discrimination rule included in the Labour Standards Act and the Act on Equal Employment and Support for Work-Family Reconciliation, Pulmuone expressly stipulates in its corporate policy (refer to Article 5. Rules for Employment) the prohibition of any discriminatory treatment based on race, gender, age, religion, social status, hometown, academic background, marital status-pregnancy-childbirth, medical history, nationality and disability in areas from hiring and training to compensation and promotion, and works to adopt objective and justifiable criteria such as work experiences and performance evaluation results. Thanks to the strenuous efforts to root out all discriminatory practices through

continuous trainings(8 sessions in total for 2015) that deepen the understanding of HR officers on the non-discrimination policy and the annual labour inspection for rigorous monitoring waged for several years, there has not been one single case of violation for the past three years. Pulmuone is taking the initiative to eliminate any type of discriminatory practices toward women in employment and occupation to the next level by rolling out a project to increase the ratio of female workers in managerial or executive positions to 30% by 2020. Pulmuone expects the project will establish the company firmly as a leader in equal employment by breaking the glass ceiling suppressing women in the corporate world. In addition to this, Pulmuone is providing human rights-related education to its employees across the Group which was attended by 5,436 employees in 2015.

### **No forced labour policy & monitoring**

'No forced labour' is one of the crucial elements in the Labour Standards Act. Pulmuone doesn't permit or condone any types of forced labour. This is expressly stipulated in UN Global Compact Principle 4("Businesses should uphold the elimination of all forms of forced and compulsory labour."), and during its annual labour inspection, the company also goes out to detect any violation of this firm principle, especially forced labour 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 Labour 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 labour 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 labour: policy & monitoring**

Abiding by UN Global Compact Principle 5("Businesses should uphold the effective abolition of child labour."), Pulmuone works to eradicate child labour and remains in full compliance with the Labour Standards Act and no child or no forced labour policy of ILO(International Labour Organization). Pulmuone doesn't have a single case of employing a child aged less than 18, and none of its vendors were involved in child labour either. Pulmuone has made it a strict rule not to transact with a company who has used child labour.

### **Win-Win Industrial Relations**

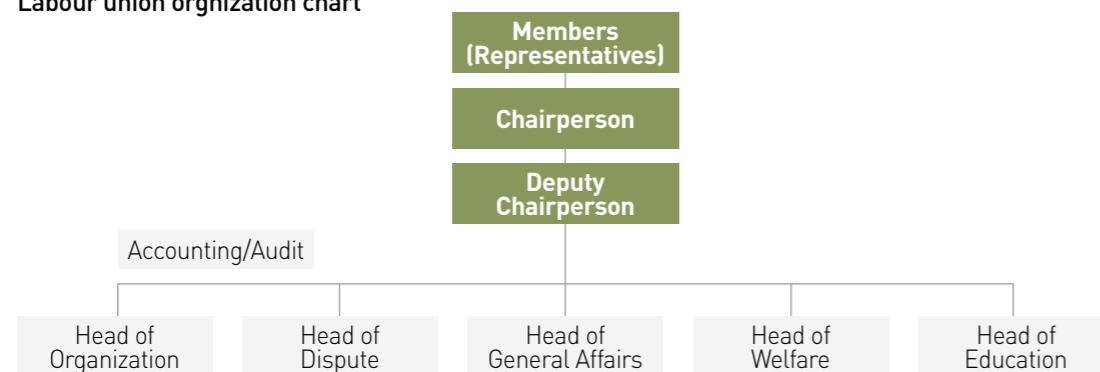
#### **Freedom of association**

As stipulated in UN 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 Labour Relations Adjustment Act, Pulmuone fully guarantees its employees the right to establish a labour union or another form of a representative body. This means every employee is entitled to joining a labour union based on the aforementioned act and the collective labour agreement of the company. Pulmuone has shown stellar performance in this area as it has never been accused of unfair labour practices, which run counter to the freedom of association and therefore, specifically banned by the Trade Union and Labour Relations Adjustment Act. Plus, there has not been a single complaint from employees concerning this matter for the past three years. Pulmuone is convinced there's not a single business across the Group at risk of violating the freedom of association and collective bargaining. Although Pulmuone is refraining itself from demanding the same practices for its partner companies since it can be seen as interference of business toward the partners on an equal footing, it makes it a principle not to start a partnership in the first place with those who don't recognize the freedom of association of their workers.

## Labour union structure

Pulmuone has 8 labour unions across the Group as of end of December 2015. A total of 62.2% of the employees have joined the unions. There may be some minor differences in organizational structure of the labour union but in general, labour organizations are structured as described in the following chart.

### Labour union organization chart



## Union member status

In accordance with the Trade Union and Labour Relations Adjustment Act, Pulmuone employees entitled to join a labour union can also establish a labour union themselves. Each of Pulmuone's eight labour unions has defined its qualifications for membership in its own provisions, and those entitled to labour unions are free to join any unions of their choosing to carry out activities as members.

(As of the end of 2015)

Site	Pulmuone Health & Living		PPEC Eumsung fresh noodle	PPEC Eumsung vegetable	PPEC Chuncheon	PPEC Uiryeong	Pulmuone Waters	ECMD (Dongsan Medical Center)	Total
	Green juice	Health functional							
Union type /Head union	Company level/ FKCWU <sup>1)</sup> of FKTU <sup>2)</sup>	Company level/ FKCWU of FKTU	Company level/ FKCWU of FKTU	Company level/ FKCWU of FKTU	Industry level/ CTIU <sup>3)</sup> of KCTU <sup>4)</sup>	Industry level/ CTIU of KCTU	Company level/ FKTU	Industry level/ Medical Union of KCTU	
Total(ppl)	99	84	156	88	96	123	55	36	737
Qualified	82	84	122	82	86	93	44	36	629
Union members	79	84	122	21	20	28	12	25	391
Membership rate(%)	96.3%	100.0%	100.0%	25.6%	23.3%	30.1%	27.3%	69.4%	62.2%

1) Federation of Korean Chemical Worker's Union 2) Federation of Korean Trade Unions  
3) Chemical and Textile Industry Union 4) Korean Confederation of Trade Unions

## Unfair labour 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 labour practice. Furthermore, Pulmuone places a human-resources and labour-management director in each of the business sites to examine unjust disciplinary actions and unfair labour 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 labour practice during the course of regular labour inspections and issue handling. For the past 3 years, the company operated without any incidents of unjust disciplinary action or unfair labour 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 labour relations, and works hard to always improve its labour practices by thoroughly examining its compliance status during its annual labour inspection. In 2015, the company reviewed compliance with all 84 rules based on the voluntary checklist distributed by the Ministry of Employment and Labour, and conducted more intensive inspection on 13 primary rules on labour 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.

## Labour dispute status

In 2015, Pulmuone carried out labour-management negotiations regarding wage and an amendment of the collective agreement at 8 of its business sites which have formed their own labour unions. Thanks to the increased mutual understanding between the two sides, all negotiations were settled without a single incident of labour strike or collective action. Such outcome comes from the constant effort to maintain communication channel between labour and management through systems such as Labour-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 labour management relations going forward.

## Policy & process to communicate operational changes to employees

Common understanding and cooperation from employees are crucial in order for important policies and structural changes to successfully take hold within an organization. Bearing this in mind, Pulmuone engages its union representatives in the communication process by sharing information through the Labour Management Council and takes appropriate consultations whenever there is a major change in its operation. Likewise, for business sites where there are established unions, the company consults with the labour 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 labour unions as part of the ongoing effort for employment stability.

In addition, Pulmuone's labour and management engage 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 phases starting from 2016, raising the legal retirement age to 60 years old or higher, Pulmuone signed in 2014 a collective bargaining agreement with its labour 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 a proactive preparation certainly helped implementation of the change across the Group one year before the law is implemented.

Furthermore, the company uses its internal communication channels to share information with employees. Announcing daily sales, holding regular labour-management council and round-table meetings with the CEO, providing real-time updates of internal/external information via Intranet(KWP), publishing the corporate magazine(monthly), conducting Occupational Safety & Health Committee(quarterly), institutionalizing the grievance redress system, publishing the sustainability management report(yearly), and communicating with employees are all part of Pulmuone's endeavor to provide comprehensive information about management across the organization. By sharing management information and aspirations of the company with employees, Pulmuone encourages and enhances a sense of ownership and engagement of its employees as stakeholders.

Communication Channel	Cycle	Description
Collective bargaining	Yearly, Ongoing	Every year : Changes in major working condition such as wage Ongoing : Items that require labour-management discussion
Labour Management (employees) Council	Quarterly	Share management status, discuss important issues between labour-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
Integrated 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 <sup>1)</sup> )	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 consumers, Voice of Employees, other information, etc.

1)KWP(Knowledge Worker Platform) : Pulmuone Intranet



## Work-Life Balance

### LOHAS nutrition program





Pulmuone invites clinical dieticians every Tuesday and Thursday to offer its employees consultations 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 five sessions of tailored consultation on their nutrient intake and health regimen. In 2015, the consultation service was offered for 831 times in total to 62 executive officer/officer and 131 employees, bettering their health status such as weight loss(-12kg of weight with -8.7kg of body fat at maximum) and lessening the symptoms of dyslipidemia and hyperglycemia. The program is gaining more popularity with the gradual increase of participants, offering consultations to 501 employees for 1,916 times in total for the past five years. In 2015, the program was extended to cover employees outside of Greater Seoul(18 people). Pulmuone also award the recipients who got good evaluation results for their excellent implementation of the LOHAS regimen.



### Refresh Cleanse Program for employees

Pulmuone offered its employees the one-day detox program that cleanses toxic bodily waste and revitalizes their physical energy to enhance their health. Employees were also given another option of experiencing the program for four weeks at a discounted price. The program was particularly received well by female employees as it was known to be effective for fatigue, skin care and even weight loss. The free experience program will also be offered to more employees in 2016.



 <b>9:00 AM</b>	 <b>12:00 PM</b>	 <b>3:00 PM</b>	 <b>6:00 PM</b>
<b>Red Beet &amp; Carrot</b> ☐ (190ml) x 2 bottles Refill your energy and wake up your body	<b>Sweet Pumpkin &amp; Onion</b> ☐ (190ml) x 2 bottles Don't go hungry and fill your stomach with healthy taste	<b>Kale &amp; Spinach</b> ☐ (190ml) x 2 bottles Refresh yourself to beat the afternoon drowsiness	<b>Coconut Milk &amp; Ginger</b> ☐ (190ml) x 2 bottles Wrap up your day with nourishing and digestible juice instead of heavy meal

### Employee health counseling

To help manage employee health, Pulmuone invites nurses to visit its business sites and provide professional health counseling services. Employees found to have high risk for or symptoms of metabolic syndrome(e.g. diabetes, high blood pressure/cholesterol), curious to know more about their health exam results, or wanting to have fast simple check-up and consultation to improve their lifestyle habits for better health can receive counseling from the visiting nurses. The counseling session proceeds after taking a blood test or a blood pressure test and reviews the regular health exam reports of those employees.

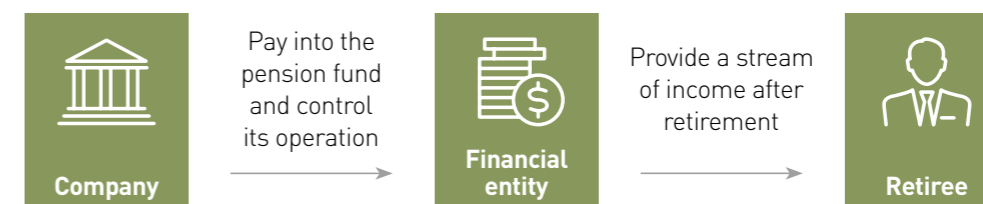


### Find Happiness Program

Pulmuone promotes the work-life balance of its employees through regular special lectures and professional counseling which guarantees confidentiality as part of the EAP(Employee Assistance Program). In 2015, Pulmuone tests the stress levels of its employees through the MPM(Mental Pressure Management) test to provide analysis-based counseling services. There was also a special lecture titled 'Stress Release and Smile Coaching' to help employees figure out their stress levels and learn how to control or manage such stress. Employees can also receive help from the EAP when they want to develop their careers, design finance and receive professional legal services. Pulmuone plans to introduce the ASPEL(Anti-Stress Program for Emotional Labour) for its employees who are required to do emotional labour at work to prevent and effectively manage their work-related stress.

### 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.



## Diverse welfare benefits

Pulmuone has a range of benefit programs in place to enhance the employee welfare. It wants to develop distinct employee welfare programs of its own to help them lead the LOHAS lifestyle.

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 establish clubs in pursuit of sports, hobbies, culture or volunteer work, they receive allowance for club operation. As of now, more than 1,000 employees are actively enjoying various corporate club activities during their free time.
Group insurance policy (life/accidents)	When employees die from accidents or diseases, Pulmuone pays KRW 100 million out of its group insurance policy. Medical bills for cancer diagnosis and two major diseases (stroke, heart attack) can also be subsidized depending on individual contract or insurance policy riders. The company pays the full cost of an insurance against death of employees, or 30~50% for policy riders based on the age.
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.

## 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'.

### Flexible work scheme

Flexible work scheme has been introduced for employees who have to use the services of kindergartens or nursery centers to take care of their children while they are at work. For employees who have primary school(lower grades) or pre-school(kindergartens) children and therefore find it difficult to come and leave work at a fixed time, Pulmuone allows to adjust the work hours to be either 10:00~19:00 or 08:00~17:00.

### C-Cubic to make a great work place

Since 2008, Pulmuone has carried out diverse activities to reinvent its organizational culture and be reborn as GWP(Great Work Place). Thanks to such endeavor, Pulmuone has been named as 'GWP in Korea' in the retail and sales sector for the past six years. The year 2015 was not an exception. C-Cubic offered a range of activities every month to let employees enjoy their work at Pulmuone. Through the initiative, Pulmuone is building its own organizational culture with the active and voluntary participation of employees.



#### Major Programs

- 1) 'Let's Color[C7]', the kick-off ceremony for C7
- 2) Fundraising for Nepal earthquake relief
- 3) 'Stop MERS with C-Cubic'
- 4) 'Let's 氣-Up' program
- 5) Summer vacation with C-Cubic: 'Sweet Book-cance with Ice-Cream!'
- 6) Pulmuone Thanksgiving KIT sharing event
- 7) 'One Fine Day in October', Pulmuone Cinema Picnic!
- 8) 'Here It Comes, C-Cubic!' (touring event for regions outside Seoul)
- 9) Kick-off ceremony for 'Smart Office' with C-Cubic 7
- 10) 'Happy LOHAS-MAS' with C-Cubic 7
- 11) Family Love Day on every Friday

### 'Smart Office' introduced

Pulmuone introduced 'Smart Office' which allows its employees to freely choose seats they want on a first come, first served basis. Employees now can choose their own seats in offices or use meeting rooms or other work spaces designed for specific purposes based on the type of work they want to do. In addition to regular work spaces, there are also the post office which integrates all post-related works of the company for better management, phone booths where employees can have private phone calls, resting lounges for men and standing meeting rooms available for employees.



### Talent Development & Growth

Pulmuone always exerts its utmost to teach and train its employees on a sustained basis for talent development and growth. Accordingly, per capita training hours of every business unit has been on the steady increase.

In 2015, a priority in talent development was placed on further developing competency of leaders through the leadership pipeline. Pulmuone reestablished its leadership pipeline, improved its training courses for leaders across the company based on their stages in the pipeline, and provided trainings to leadership candidates to let them internalize leadership qualities. Meanwhile, foreign language classes were made available in its business sites outside Seoul to let them better operate their overseas businesses. The training course to internalize Pulmuone's core competencies is also being offered on a sustained basis so that employees can actually align their work principles and attitudes with the corporate vision and mission.

**Average hours of employee training** (Unit : persons, hours)

Category	2013년			2014년			2015년		
	Average number of employees	Total training hours	Per capita training hours	Average number of employees	Total training hours	Per capita training hours	Average number of employees	Total training hours	Per capita training hours
Holding Company	250	21,167	84.7	250	24,441	97.8	250	51,938	207.8
Pulmuone Foods	393	20,129	51.2	426	16,720	39.2	1,744	86,988	49.9
Foodmerce	355	11,661	32.8	315	17,082	54.2	247	16,398	66.4
Pulmuone Health & Living	162	7,082	43.7	157	5,310	33.8	160	7,038	44.0
ECMD	1,330	40,307	30.3	1,600	46,559	29.1	1,800	50,951	28.3
ORGA Whole Foods	328	7,520	22.9	446	15,539	34.8	440	12,542	28.5
Pulmuone Waters	88	1,754	19.9	86	1,100	12.8	85	1,844	21.7
<b>Total</b>	<b>2,906</b>	<b>109,620</b>	<b>37.7</b>	<b>3,280</b>	<b>126,751</b>	<b>38.6</b>	<b>4,726</b>	<b>227,699</b>	<b>48.2</b>

### Pulmuone MBA for the next-generation leaders

PBS(Pulmuone Business School) is a corporate MBA course developed by Pulmuone to help its employees better understand the essence of Pulmuone business and acquire management knowledge and know-hows to grow into key talents of the company. It focuses on producing the next-generation leaders who will drive sustainable growth of Pulmuone, leveraging strategic thinking and problem-solving capability. PBS, Pulmuone's unique MBA course, offers tailored contents such as Pulmuone milestones and best practices for its business management class. PBS offers a curriculum centering on core areas of business management such as business strategy, personnel organization, marketing, financial accounting and creative innovation.

Each class is taught by a renowned professor of that discipline. Classes are structured to impart academic learning concerning the particular subject combined with action learning designed to improve problem-solving capability and effective implementation into the field. For action learning, course takers are grouped into several teams and carried out group assignments to complete various field tasks for six months under the guidance of professors. Starting from January 2013 up until 2015, a total of four semesters have been completed, producing 93 graduates.

### Pulmuone leadership training system redesigned based on its leadership pipeline

Pulmuone redesigned its leadership pipeline in 2015. The newly structured pipeline consists of six stages in total starting with Working-Level Manager, Entry-Level Manager, Mid-Level Manager, Functional Manager and General Business Manager and Group Manager. The leadership pipeline clearly defines the desirable leadership qualities(capacity) by stage, serving as lynchpin for Pulmuone to restructure its Group-wide leadership training system, and mainly targets leaders in transition to the next stage.

The leadership training offers intensive courses especially for the first-time leaders such as 'a course for entry-level managers', 'an advanced course for entry-level managers', 'a basic course for entry-level managers' and 'a preparatory course for entry-level managers' since those who have first taken up the leadership role in their respective work areas need trainings to mold their mindsets into those of leaders.

## Pulmuone Knowledge Worker Course introduced across the Group

Pulmuone developed its Knowledge Worker training course in 2011 with the aim to more effectively implement the corporate mission into the work fields and maximize capabilities of individual employees as a way to realize its vision. In 2015, the course was extended to cover the Uiryong tofu plant with the online course made available to 2,897 employees who completed the offline course first. The online course is recognized to motivate individual employees further while helping them clearly understand Pulmuone values and directions for the future. For 2016 and onward, Pulmuone plans to further refine and develop the course contents and help course-takers internalize the corporate core values more effectively through iterative learning.

## Foreign language class for employees

Foreign language classes are available in the corporate buildings by inviting lecturers to the offices to improve the language skills of employees. The three-month course was offered once both in the 1st and 2nd half of the year with the curricula to make employees have a better command of foreign languages(i.e. English, Chinese, Japanese) in various business settings. In 2015, 37 employees completed the language courses in the 1st half and 90 employees in the 2nd half. New classes were opened for employees in Eumsung(tofu/fresh noodle/vegetable plants) and Yangji(logistics center) in the 2nd half. The outcome is especially impressive in Eumsung with the attendance rate exceeding 94%, which has prompted the company to extend the program to other regions after conducting a demand study.

## Employee Policy & Support

### Family-friendly management continues!

Among the subsidiaries and affiliates in Pulmuone Group, Pulmuone Foods became the 1st one to acquire the government's family-friendly management accreditation in December 2012. Since the three-year accreditation given by the Ministry of Gender Equality and Family was scheduled to expire in December 2015, Pulmuone Foods submitted an application for re-accreditation and went through the process of document review, field inspection and deliberation by the accreditation committee. It received a great review during the field inspection for its genuine and proactive support for employee families, which should be seen as closely aligned with the Pulmuone values. The re-accreditation expires in two years and thus, Pulmuone wants to solidify its reputation as family-friendly business by leveraging its support schemes and best practices. Pulmuone is exerting sustained efforts to realize the win-win management that brings mutual benefits to workers, business and communities, building on its new corporate culture that has diverse family-friendly supports



in place, and promotes the work-life balance for employees, boosting their engagement level and productivity at work.

Pulmuone plans to introduce effective support schemes that provide actual benefits to employees in a phased manner in accordance with the Labour Standards Act and the Act on Equal Employment and Support for Work-Family Reconciliation. Since Pulmuone believes childbirth and childcare should take the center in its support system to realize family-friendly management, and its top management also pays keen interest in this area, it plans to introduce diverse support measures such as more and better in-house daycare centers to support childcare, automatic application for paternity leave, and support for returnees after their paternity leaves are over. Coupled with this, it has already developed concrete measures to nurture female talents such as assigning 30% of the high-ranking managerial posts to female workers by 2020. Its Family Day has already been firmly established within the organization with active participation of employees. Smart Office for a flexible work regime is also receiving a good review and the flexible workhour scheme for employees with pre-school children that allows them to come or leave work at different hours was expanded to cover employees with children at lower grades of primary school.

As was explained, Pulmuone is creating a family-friendly work environment to boost its competitiveness, which would enable the company to attract and maintain more talents who can help it build a better sustainable management scheme. Going forward, Pulmuone continues to realize a sustainable win-win growth where the company shares mutual benefits with its employees and society.

## LOHAS lifestyle experience program

Pulmuone is running LOHAS Academy, an experience center to promote good lifestyle and habits where employees can find their purpose in life and implement changes to their lives. The academy, considered as Asia's largest passive house, was opened in October 2013, designed to preach the LOHAS spirit and values. It offers new lifestyle programs to employees of Pulmuone and LOHAS partner companies where they can experience a lifestyle that represents Pulmuone's corporate values. So far, a total of 6,158 people attended the program. External programs have been further diversified by opening more LOHAS family camps, offering youth music & science camps for the underprivileged youths and rolling out other CSR initiatives for the disadvantaged to create sustainable values for communities.



## 'Healing Forest' in partnership with Korea Forest Service

Pulmuone is waging the CO<sub>2</sub> reduction campaign to restore forests in partnership with the Korea Forest Service by planting trees and working for reforestation. Caring for and protecting the forests for our future generation is closely aligned with the LOHAS values of Pulmuone.

## Pulmuone Daycare Center offering satisfactory childcare service to employees

Pulmuone Daycare Center was opened in Suseo, Seoul in March 2014. As of the end of December 2015, it has 43 children of Pulmuone employees taken care of by 13 faculty members(headmaster included). The center is differentiated from other childcare centers from the start by ensuring continuity in education between 1~5 years olds(pre-school children). As of February 2016, the center produced a total of five graduates, fully established in a short space of time, offering satisfactory childcare services to employees. According to the satisfaction survey conducted by the Hansol Education Foundation which was consigned to operate the childcare center, the center's satisfaction score increased slightly to 4.6 points out of 5 points from 4.29 points in 2014.

The satisfaction level was especially higher in safety, nutrition and health. The center has grown to be recognized and trusted by Pulmuone employees thanks to the passionate and faithful devotion of the headmaster and teachers combined with heavy investment of the company. In the new semester that began in March 2016, the center received 53 children with the plan to recruit more teachers. Pulmuone first focused on improving the internal satisfaction of the center, and later plans to have the center recognized externally by having its existing programs such as Dodamtteul Program and Parent Talent Donation Program entrenched further introducing new learning methods and activities to develop creativity and good attitudes of kids.

**1) Pulmuone Daycare Center acquired the government accreditation** The Ministry of Health and Welfare has an accreditation scheme for childcare and daycare centers across the country to evaluate them in six areas(e.g. childcare environment, operational management, care process, care activities and interactions, health and nutrition, safety) and accredit those with high scores in document review, field inspection and deliberation by the accreditation committee. The accreditation scheme has been introduced to evaluate childcare services objectively and enhance the childcare service on the national level. Pulmuone Daycare Center received the perfect score in all of the aforementioned six areas to receive the official accreditation which remains effective for three years from December 15, 2015 to December 14, 2018. A plaque that proves the accreditation will be placed on

the front gate of the center during the period. The accreditation attests to the high service quality of Pulmuone Daycare Center, making it a more reliable and trustworthy partner for parents who have to leave their precious babies and children to the care of the center.

**2) Dodamtteul Program received an award** Pulmuone Daycare Center received a good program award given by the Hansol Education Foundation in 2015 for two years in a row. The center ranked within the top 10 list among the 60 daycare centers operated by the foundation, which shows the center is recognized for its quality and excellence. [Awarded program: 'Parents Reading a Book, Kids Singing a Song', Dodamtteul Program for babies]

**3) Received two awards on the Day of Childcare** On December 2015, Pulmuone Daycare Center received two awards in Program Award and Teacher Award at the Day of Childcare event organized by the Gangnam district office. The 1st award was given to the center's character development program for babies at the contest held in Gangnam and the 2nd one was given to one teacher of Pulmuone Daycare Center for the excellent performance. The character development contest of Gangnam district gives out only six awards out of all the participants including families, private/national/public/corporate childcare centers in the district, and Pulmuone has the honor of being named as one of the six recipients in the contest.

## Charity donations by Pulmuone Daycare Center

Pulmuone Daycare Center raised KRW 229,000 by selling cubed radish Kimchi and plum extract made by children. Albeit small, the raised money was donated in the names of the children for meaningful purposes including helping out the underprivileged, teaching Korean letters and giving emotional support to children growing up under mothers with physical and intellectual challenges, creating an environment that encourages children to read more books.

## Sports day & Chirstmas concert

Pulmuone Daycare Center held the sports day in October 2015 to teach children how to keep order and follow the rules. Children had a bonding time by participating in the event with their families as one team. Kids together with their parents enjoyed the happiness of working together through various exercise programs. On the Christmas day of 2015, Pulmuone Daycare Center held a concert celebrating Christmas. Kids played musical instruments, sang carols and showed cute dances in front of their happy and proud parents. The concert also featured the magic show to much amazement and happiness of kids.

## Talent Donation by Parents

Pulmuone Daycare Center provides services not only in childcare but also in education. It has rolled out a program that engages parents('Talent Donation by Parents') to help them communicate and interact with their children and the faculty. The program was introduced in phases starting from September 2014 and started the full-scale operation in May 2015. Talent Donation by Parents is divided into 'Parents Care' and 'Pulmuone Teacher' programs. Parents Care program appoints parents as one-day teacher at the center, distributing meals, putting kids to nap and reading books to babies and kids to learn how their babies or kids spend a day in the daycare center.

On the other hand, Pulmuone Teacher program lets parents choose one topic out of four LOHAS Habits(e.g. Body Habits, Eating Habits, Mind Habits, Environmental Habits) and organize a class starting from designing the curriculum to teaching a class to children with the guidance of teachers. Activities included in the topics are as follows:

Eating Habits	Body Habits	Mind Habits(intelligence)	Environmental Habits
Table manners, recipes, nutritionally balanced diets	Exercise using apparatus, 5 senses game, etc	Music, painting, story telling, etc	Cleaning and sorting, science game, forest experience, etc

Talent Donation by Parents gives working parents who cannot spend much time with their children a valuable opportunity to spend quality time together, building fond memory with children to help them grow up happy and healthy. The program, above all, gives emotional stability to children, and therefore, will be further developed for children on an ongoing basis.

## Event for new hires

On the 1st day at work, Pulmuone doles out a box of office stationery, a company badge and a company diary to new hires. And before the new hires come to work, Pulmuone sends a box of diverse food products of Pulmuone to their homes as welcome gift so that they can enjoy Pulmuone brands with their family members.

## Female leadership development

Pulmuone is passionately committed to building an institutional and cultural environment that supports the work-life balance in order to recognize and develop the values of female talents. It has various supportive measures in place such as running Pulmuone Daycare Center, shortening the workhours of pregnant employees, improving the working conditions of female employees who are pregnant, just gave birth to, or raising a child, and supporting the childcare allowance. Furthermore, as part of the effort to send more female workers into leadership positions, it has introduced the equitable and objective promotion system based on capability and performance so that it would not be influenced by any gender-related biases, and set the quota of female executive to maintain an appropriate male to female ratio in the management positions. After making an announcement to assign 30% of its managerial posts to female workers by 2020, Pulmuone has already designed 'In & Out Management' plan for the qualified personnel.

Female employees are strongly encouraged to participate in 'Open Meeting with the Group CEO' to understand his management direction and openly communicate with him. Pulmuone will do more research and gather opinions to design an institution to eliminate any forms of gender discrimination that can put female employees at disadvantage along with systemic supports that motivate female workers to push themselves further to become leaders.

## Maternal/Paternal Leave, Return rate after Leave

	Category	2013	2014	2015
Maternal Leave	Those on maternal leave(persons)	94	101	107
	Maternal leave usage(%)	100%	100%	100%
	Return after maternity leave(%)	98%	96%	98%
Paternal Leave	Those on paternity leave(persons)	90	92	127
	Paternal leave usag(%)	96%	91%	119%
	Return after paternity leave(%)	92%	95%	92%

## Female-friendly work environment

Initiative	Description
Empowerment of female employees	Develop leadership of female employees by offering more empowering opportunities such as the employee management council and etc
No gender discrimination	Guarantee equal pay(promotion or compensation) to everyone on the equal rank doing the equal jobs
Support for childcare, counseling on education	Provide 1:1 consultation with experts
Female resting lounges	Offer cozy resting spaces(with the heating floor) and lactation rooms for female employees
Fetus checkup for the pregnant	Guarantee one-day paid monthly leave to pregnant employees for a fetus checkup
More utilization of work leaves	Encourage employees to take out leaves including the half-day leave for childcare and offer information about shortened workhours to employees who have to take care of young kids or babies
Flexible workhours	Allow employees to adjust the time to come to and leave work when they have to take care of pre-school kids or lower-grades primary school kids
Childcare allowance for those on parental leave	Grant the childcare allowance for 24 months to those on parental leave to support their childcare cost
Shorter workhours of the pregnant	Allow pregnant employees to work shorter hours without receiving a formal approval from the management (Daily workhours become 2 hours shorter automatically before 12 weeks pregnant and after 36 weeks pregnant)
Compensation (salary adjustment)	Employees who worked for less than three months (received no formal evaluation): 50% of the average salary increase for the respective business unit. Employees who worked for three months or longer(subject to evaluation): The rate of pay increase is decided based on the compensation grade of each employee, but those who received the 'grade I' will receive at least 50% of the average increase of the business unit

# Third Party Assurance

## To the Management of the “2015 Pulmuone Integrated Report”,

The Institute for Industrial Policy Studies (hereafter “Auditor”) was engaged to undertake a review of Pulmuone’s “2015 Integrated 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)<sup>1</sup>;
- (2) Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines<sup>2</sup>; and
- (3) B.E.S.T Sustainability Reporting Guidelines<sup>3</sup>

Assurance Scope	Contents of the “Pulmuone 2015 Integrated Report” by Pulmuone
Assurance Type & Level	Type II, Moderate
Assurance Criteria	<ul style="list-style-type: none"> <li>· “IPS Assurance Manual” to verify compliance against AA1000AS (2008) standard’s three core principles</li> <li>· “IPS Performance Indicators Assurance Criteria” to assess the reliability of performance indicators</li> <li>· GRI G4 Guideline ‘Option’ and B.E.S.T Guideline’s “reporting level”</li> </ul>

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

### Limitations

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]

#### Is Pulmuone’s strategy-setting and related processes for stakeholder engagement adequate?

It is the Auditor’s view that Pulmuone has adequate strategies for stakeholder engagement in place as well as relevant processes for using key findings toward its sustainability management activities. The company was found making efforts to collect stakeholder views through diverse communication channels (e.g. “open” general meeting of shareholders, labour-management consultation council, CEO town-hall meetings, CS center, consumer satisfaction surveys, round table meetings with suppliers, etc.) after identifying its shareholders, management and employees, consumers, business suppliers, and the local community as key stakeholder groups relevant to the company. Additionally, while preparing its Report, the company carried out various questionnaire surveys of management and employees, consumers, business suppliers, and the local community to assess their level of awareness toward sustainability management while identifying key issues of concern, while also putting in place a process for engaging stakeholder representatives and experts in interviews concerning various issues of material importance to Pulmuone in line with the principle of inclusivity.

### [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 any issues of importance to the sustainability management activities of Pulmuone. The Auditor verified efforts by the company to identify and prioritize relevant issues of concern (business impact analysis and assessing the level of stakeholder interest), based on a three-step materiality testing process designed to uncover issues of material importance to the company, while working to reflect those findings in its Report. Notably, the Auditor found the section of the Report outlining sustainability management outcomes to be aligned with the principle of materiality, providing a concrete and detailed account of the top 11 issues identified to be of material importance in, based on its set “reference point” as a baseline. Meanwhile, the Auditor confirmed efforts by Pulmuone to analyze and report upon nine years worth of materiality assessment findings from 2008 to 2016, in compliance with the principle of materiality as well as efforts to better manage relevant materiality issues.

### [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 concern and interest to its stakeholders. We noted that various communication channels have been put in place by the company, along side efforts to incorporate the results from its ongoing communication efforts as well as the company’s response in its Reports. Marking the 10th publication of its Report, the company carried out an in-depth survey of stakeholders and experts and disclosed its findings, as part of a diverse set of efforts to be more responsive to stakeholder demands and interests. Also, much in line with the principle of responsiveness, the Auditor also affirmed on-going work to further develop its communication channels catering to the unique characteristics of different stakeholder groups.

### [GRI “In Accordance” Criteria]

The Auditor found the Report to be consistent with the “in accordance” Comprehensive option of the GRI G4 Guidelines with respect to its 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 its 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 the data. The following performance indicators were reviewed for the purpose of this assurance

Key Sustainability Issues	Performance Indicators	Unit	2015
TISO Management	No. of holiday season gift returns filed and value	No. of cases (value)	24 (KRW 924,600)
Creating Shared Value	No. of persons taking part in the Authentic and Wholesome food campaign	Persons	17,595
	Average Pulmuone food safety and quality assessment score	Points	78.2
Authentic Wholesome Food	No. of persons taking part in the Kidzania authentic wholesome food “school” immersion program	Persons	39,111
Consumer Communication	No. of consumer VOC’s filed	No. of cases	142,898
	Consumer Happiness Center monitoring score	Points	96.1
Product Quality and Safety Management	Consumer safety & health violations	No. of persons	-

Shared Growth and Win Win Cooperation	Pulmuone Water social/environmental audits	No. of vendors	10
	No. of vendors taking part in "Best Partner's Day"	No.	52
Climate Change Response	Low-carbon product certification	Products	4 locally-produced soy bean tofu products
	GHG emission unit	tCO <sub>2</sub> /product ton	338.8
Performance Related to Management and Employees	General average wage for Pulmuone	KRW 1000	44,257
	No. of employee training hours	hours	48.2
	Absentee rate from injuries	%	0.0317
Social Contributions	No. of persons taking part in volunteer public service activities	Persons	2,795
	Neighbor Love Funds	KRW one million	118
Environmental Management	Water demand, unit factor	Product ton	27.0
	Environmental investment and maintenance costs	KRW 100 million	46

\* Represents a partial sub-set of indicators most relevant to sustainability management

## Recommendations

The Auditor found the "2015 Integrated Report" by Pulmuone highly commendable in the following respects. The company (1) has worked to put together an integrated company-wide Report, compiling contents from its existing sustainability Report together with the financial and operational performance of its subsidiaries and affiliates subject to consolidated financial reporting as well as their future outlook; (2) provides a more detailed account of its top 5 issues (authentic and wholesome food, product quality and safety management, shared growth and Win Win cooperation, climate change response, social contribution activities for the local community), while configuring the Report in a way that discloses results from its sustainability management efforts in a easy to understand way; (3) while providing a three-dimensional account of its stakeholder engagement efforts, changes in identified material issues, sustainability management outcomes, etc. over the past ten years, marking the 10th publication of its Report.

For future reports, the Auditor recommends considering the following.

- Expand the scope of reporting with respect to the supply chain
- Reinforce disclosure of performance outcomes for subsidiaries and affiliates subject to consolidated reporting
- Strengthen response to stakeholder views
- Compose and disclose Report centered around performance and "aspect" rather than indicators
- Provide an even more "integrated" Report outlining not only past financial results or future outlook and long-term plans, but also other indicators showing the company's capacity to create and maintain value in the short, medium, and long term

## 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 11, 2016

Lee, Yoon-Cheol

Chairman, The Institute for Industrial Policy Studies



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