

# CJ LOGISTICS SUSTAINABILITY REPORT 2017-2018

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## ABOUT THIS REPORT

### Overview

This report is CJ Logistics' second published Sustainability Report. We will continue to provide sustainability reports each year to disclose our economic, social and environmental activities and achievements. We also plan to utilize this report as a communication channel that reflects the interests and requirements of our stakeholders, as well as our efforts in the area of sustainability management.

### Reporting Period and Scope

This report is based on our sustainability performance between January 1 and December 31, 2017. Its content includes quantitative data from the last three years, some of which includes information from 2018, for better understanding of stakeholders. The scope of this report includes all Korean business sites and some overseas business sites of CJ Logistics.

In addition, we partially disclosed the qualitative activities and performances of CJ Engineering & Construction, which was merged into our construction division in March 2018. We plan to expand the scope of the report gradually.

### Reporting Standard

This report has been prepared 'In Accordance' with the Core Option of the Global Reporting Initiative (GRI) Standards, which serve as the international standard of sustainability management reporting. For more details, please refer to the GRI Content Index on p.85-87.

### Reporting Assurance

This report was assured by an independent agency to secure the accuracy and reliability of information. The results of assurance can be checked on p.90-91.

### Contact Information

This report can be browsed and downloaded from the CJ Logistics website. For more details and information on the report, please contact via information below. We welcome the diverse feedback and opinions of our stakeholders.

### CJ Logistics

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## CEO Message



**CJ Logistics will strive to make our customers happy based on CJ Group's philosophy of ONLYONE and leap forward into becoming one of the global top five logistics companies.**

### Dear Valued Stakeholders,

Over the past 88 years, CJ Logistics has experienced the entire history of Korean logistics and possesses an accumulated track record of passion and challenge. As a leader of both the domestic logistics industry and Korea's most prominent logistics company, CJ Logistics has taken the lead in spurring national economic growth and logistics development.

Since 2016, we have been publishing a sustainability report every year and strengthened communication with stakeholders by making our environmental, social and economic achievements.

With our first, best and different ONLYONE products and services, CJ Logistics aims to become a company that realizes customer happiness and fulfills its social responsibility. For this goal, we contribute to global sustainability development, including UN Sustainable Development Goals (SDGs), and make continuous efforts to create a better society.

Amid the rapidly changing political and economic environment, including fierce protective trade and global economic instability, CJ Logistics is leading the advancement of the logistics industry through constant change and innovation. We will keep growing and going forward into the global market by establishing a global network and diversifying our business.

### First, CJ Logistics will leap forward into becoming a top-tier global company.

Since 2013, CJ Logistics has made it a clear goal to become the top-5 logistics company and proactively implement global growth strategies from diverse aspects, such as M&A for logistics companies, and establish joint ventures and strategic partnerships throughout the world, including China, Southeast Asia, India, Central Asia and U.S. With continuous growth, we will expand the size of our global network and open a new chapter of logistics.

### Second, CJ Logistics will become a leader in the advanced logistics industry.

Based on its unique R&D concept of TES (Technology, Engineering, System & Solution), CJ Logistics will strive to develop logistics into a cutting-edge industry based on innovation through advanced convergence technologies, engineering and consulting. We will endeavor to establish future strategies to respond to the Fourth Industrial Revolution, as well as differentiate our products and services to raise competitiveness based on our experience as Korea's best logistics company with advanced TES technologies.

### Third, CJ Logistics will fulfill corporate social responsibilities as a global citizen.

CJ Logistics leads CSV management to create shared value and a healthy industrial ecosystem based on the CSV (Creating Shared Value) principles, which is actively pursued by our company. In particular, our Senior Parcel Delivery was featured on the Fortune "Change the World" list for the first time among domestic companies and introduced in The Economist as a representative case of creating jobs for the elderly. Senior Parcel Delivery was also introduced in the world's distinguished "2018 Shared Value Leadership Summit" this year and was praised by global opinion leaders.

CJ Logistics pledges to go forward into the future through constant innovation and growth. We hope our stakeholders can provide unyielding support and interest to help make us the center of global logistics by becoming the top-5 logistics company.

Thank you.

October 2018  
CEO of CJ Logistics  
Keun-Tae Park

*Keun Tae Park*

# OVERVIEW

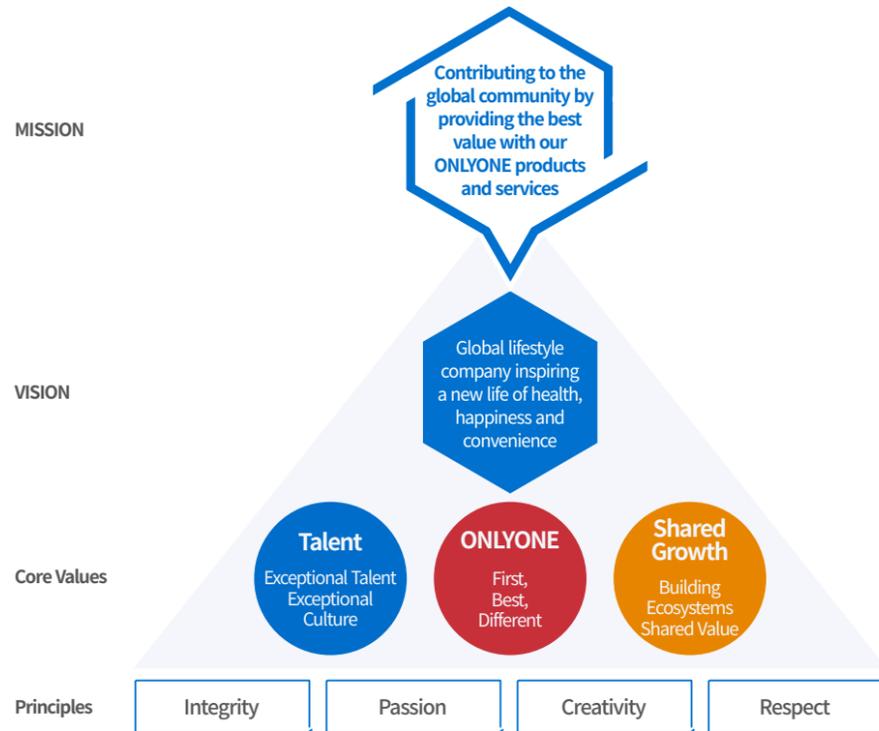
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## Management Philosophy

### CJ Way

CJ takes the lead in spreading our beautiful culture to people throughout the world. For this effort, we strive to contribute to the nation and society by creating the best value through ONLYONE products and services based on the philosophy of “contributing to the growth of the national economy through business efforts.” CJ Logistics aims to become the best life and culture company to allow anyone to enjoy daily happiness and convenience through new services and products for customers.

### Business Philosophy



### CJ CSV Management

CJ Logistics aims to create social value based on CJ Group’s management philosophy of CSV (Creating Shared Value). Based on safety management, legal compliance management and ethical management, CJ Logistics implements various businesses to create jobs and contribute to local communities. We will endeavor to create social value by utilizing business capabilities.

### CJ CSV Management System



## Introduction of CJ Logistics

### Introduction of Company

Established in November 1930, CJ Logistics has led the development of the Korean logistics industry for 88 years. Under the vision of “The Global SCM Innovator,” we have grown into a global total logistics company connecting the entire world into one via land, sea and air. In March 2018, we merged with CJ E&C to expand the business area into construction, real estate, and resorts. CJ Logistics proactively pioneers into the advanced logistics market, establishes cutting-edge logistics and construction infrastructure and invests in R&D through constant innovation. We will strive to provide differentiated service for customers by creating synergistic effects between businesses.

### General Information

<b>Name of Company</b>	CJ Logistics Corporation	<b>CEO</b>	Keun-Tae Park, Kwan-Soo Shon, Chun-Hak Kim
<b>Founded</b>	November 15, 1930	<b>Number of Shares</b>	22,812,344
<b>Head Office</b>	CJ Logistics Co., Bldg., 53, Sejong-daero 9-gil, Jung-gu, Seoul, Korea	<b>Number of Employees (Based on Full-time employees)</b>	6,035 employees
<b>Business Divisions</b>	SCM, Parcel, Construction	<b>Sales</b>	7.11 trillion (As of December 31, 2017)
<b>Credit Rating</b>	Korea Ratings Corporation: A1 (Commercial Paper)	Korea Investors Service Inc.: A1	NICE Information Service Co., Ltd: A1

\* As of June 30, 2018

### Core Business

The core businesses of CJ Logistics include warehouse & distribution, forwarding & international express, stevedoring & transportation, project logistics, parcel and construction. We provide services for a variety of customers based on our business capabilities and experience and will make every effort to offer customized services to customers.



## The Global SCM Innovator

CJ Logistics will always maintain its relentless pursuit of logistics excellence around the world. CJ Logistics is broadening its market base across the world with a global logistics network. Today, we aim to be not just Korea's No. 1 but the world's leading logistics company.

## Business Divisions

### WAREHOUSE & DISTRIBUTION

"CJ Logistics supports systematic and efficient operation with cutting-edge logistics facilities and consulting capability."



The W&D (Warehouse & Distribution) division provides customers with the best-optimized logistics service through Korea's largest infrastructure and customized solution capabilities. The division stably operates a variety of freight storage, unloading and transport/delivery, based on the TES (Technology, Engineering, System & Solution)-based automatic logistics system and SCM consulting capabilities, and leads the domestic warehouse & distribution market.

#### Why we are different



CJ Logistics contributes to improving on-site productivity and efficiency through automation and unmanned technology for all processes, including storage, warehouse management, unloading and delivery. The company provides a customized logistics process by utilizing advanced automation facilities such as W-Navigator, MPS-PAS, big data-based logistics prediction and a statistics analysis system.



CJ Logistics owns the only SCM consulting specialized group in the logistics industry. We suggest customized solutions reflecting customer needs by combining Korea's best consulting capabilities and smart IT solutions.



CJ Logistics provides a customer-specialized service based on industry-specific characteristics such as food, distribution, fashion and cosmetics

- Consumer : Providing customized automation facilities and services with Korea's largest transport/delivery network and infrastructure
- Retail : Providing differentiated services such as 3-temperature (chilled, frozen, room temperature) integrated operation capability, on-time delivery and overnight delivery
- F&B : Retaining a transport/delivery platform exclusively for the fashion industry and developing a delivery control mobile application based on product location
- e-Commerce : Maintaining an exclusive center for global e-Commerce and full line-up service linked with domestic gathering/storage and international express delivery

#### Major Achievements in 2017

##### Infrastructure



W&D **158** centers / **4** complex logistics terminals / **5,000** logistical equipment units per day

##### Domestic contract logistics



Ranked **1<sup>st</sup>**

##### Daily delivery quantity



**2.1** million boxes

##### Operating client company



**700** companies

## Business Divisions

### FORWARDING & INTERNATIONAL EXPRESS

“CJ Logistics designs the best logistics process optimized for customers.”



The forwarding & international express division provides a total logistics service for the entire import and export process, along with an international express service connecting as many as 220 countries around the world.

We design the optimal logistics process for the characteristics of both regular freight and special freight, and contribute to reducing logistics costs and improving operational efficiency by providing real-time tracking information of imported/exported freight.

#### Why we are different



CJ Logistics provides one-stop service in the entire logistics process, including domestic and overseas inland transport, unloading/customs, air transport/shipping, and global SCM consulting such as transport/delivery rationalization, layout diagnosis and operational index management. We also offer various competitive transport services such as special freight transport and complex transport.



CJ Logistics is capable of responding to any abnormal symptom at an early stage by providing real-time information for imported/exported freight. We provide freight tracking and quantity information through a mobile-based customized system and enhance work efficiency between partners by providing shipment information through an overseas partner cooperation service. In addition, the company contributes to reducing logistics cost and improving work efficiency with a global real-time location tracking system and logistics cost analysis support service.



CJ Logistics provides an international express service connecting as many as 220 countries around the globe with its global infrastructure and operation know-how. In particular, we not only provide a one-stop logistics service, including inventory management, customs and delivery by owning GFC (Global Fulfillment Center), but also differentiated services for customers by providing customized services selected by customers in the entire logistics process.

#### Major Achievements in 2017

##### Domestic forwarding companies



Ranked **1<sup>st</sup>**

##### International parcel service



Attracted a Global Distribution Center (e-Commerce) for the first time (25,400m<sup>2</sup>/total ground area)

##### Key competencies



Total Logistics Service / Single Visibility Service / Global e-Commerce Fulfillment Service

## OVERVIEW

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### PROJECT LOGISTICS

“CJ Logistics provides customized solutions suitable for global EPC\* sites.”



The project logistics division provides global top-tier service with experience spanning over 46 projects in 26 countries as well as professional engineering capability.

We conduct total systemic logistic services from shipping and air transport to global inland transport and installation and are continuously expanding the global foundation through our own group of equipment and engineering experts.

#### Why we are different



CJ Logistics secures total transport know-how for machines, facilities and materials which are used for diverse plant construction cases. This know-how is based on experience accumulated by performing over 46 project logistics cases in a total of 26 countries, including oil, petrochemical business, hydroelectric power generation and freshwater treatment facilities.



CJ Logistics accumulates know-how for the professional transport of super-heavyweight goods based on essential transport equipment such as SPMT (Self Propelled Modular Transporter), barges and self-propelled barges. We also perform reinforcement work in local transport specialized in super-heavyweight transport.



A group total of over 130 experts establishes a transport plan and provides systemic project logistics service considering the characteristics of freight, such as air & sea transport, as well as customs clearance. We also retain independent multinational engineering personnel and provide customized solutions, including the establishment of transportation plans, measures and reinforcement work in local transportation.

#### Major Achievements in 2017

##### Infrastructure



**2** barges / **192** SPMT units / **403** transport equipment units / Other multiple unloading equipment units

##### Domestic project logistics market



**1<sup>st</sup>** in the market

##### From shipping to on-site installation



Providing a **Total Logistics Service**

\*EPC(Engineering Procurement Construction): A business in which a business operator who wins the contract for a large-scale construction project or infrastructure project provides one-stop service from design to part and material procurement and construction

## Business Divisions

### STEVEDORING & TRANSPORTATION

“CJ Logistics provides the best service considering freight characteristics.”



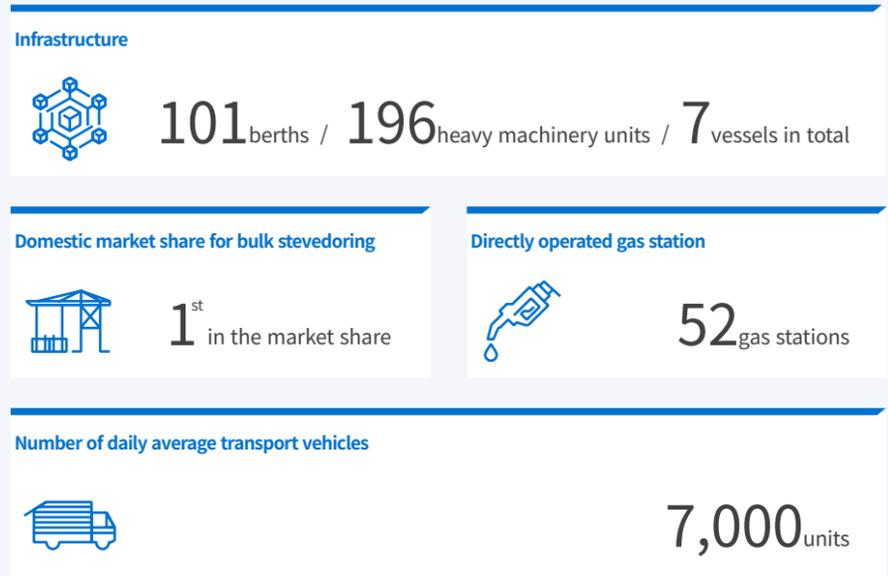
The stevedoring & transportation division provides customized service through freight-specific solutions based on Korea’s largest logistics infrastructure and industry-specific know-how.

We are also expanding the value chain through diverse additional values such as oil, distribution, maintenance and efficient stevedoring suitable for various types of freight characteristics using heavy machines such as cranes, haws and special equipment modules. With swift and efficient service, CJ Logistics will become a logistics hub in East Asia.

#### Why we are different

- 
**Korea’s largest logistics infrastructure**  
 CJ Logistics provides efficient service suitable for each freight characteristic on a 24/7 basis by utilizing 20 ports, including Gunsan Port, among 31 ports in the country, 101 berths and a total of 196 heavy machines. We are also ranked 1st in domestic market share in various freight bulk unloading sectors, including ultra-heavyweight shipping, raw sugar and minerals, by utilizing seven self-propelled vessels.
- 
**Freight-specialized solutions**  
 CJ Logistics suggests optimal solutions suitable for the characteristics of customer freight based on industry-specific know-how, including steel, automobiles, hazardous materials, large-scale weight and military logistics.
- 
**Expansion of value chain**  
 CJ Logistics maximizes synergistic effects in businesses through various added-value businesses such as oil, distribution and maintenance. We currently engage in direct trade with four domestic major oil companies with a network featuring directly-operated gas stations based on major freight points across the country. In addition, we distribute automobile repair parts and Eurox, a catalyst which changes the nitrogen oxide of exhaust gases into nitrogen and water.

#### Major Achievements in 2017



### PARCEL

“The innovations of CJ Logistics have triggered a new paradigm of the parcel industry.”

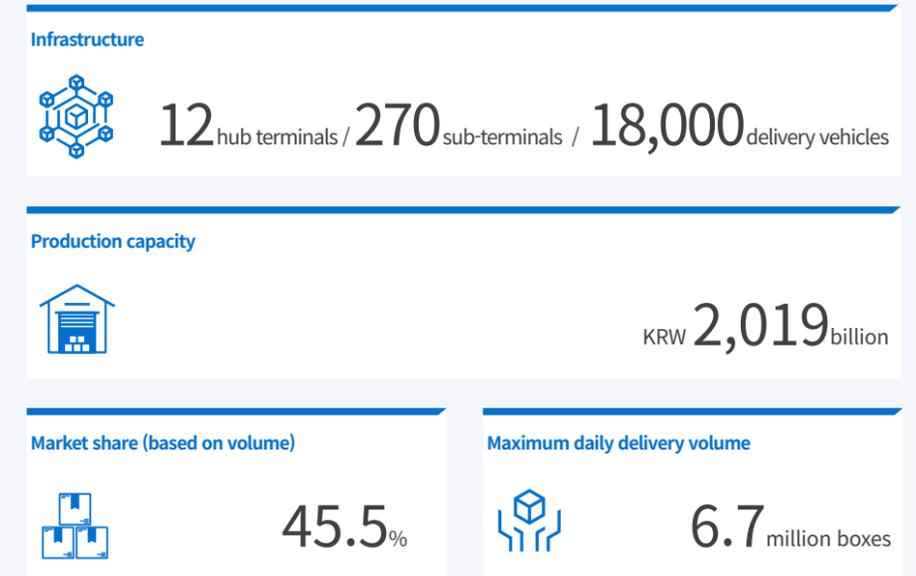


The parcel division deals with loading and delivery for customer products in a safe and expedient manner based on Korea’s leading infrastructure, concentration in the delivery network and advanced logistics technology. CJ Logistics will provide stable and faster customer service, not only by operating 270 sub-terminals, 18,000 delivery vehicles and industry’s first mobile concierge service and providing differentiated service, but also by completing the construction of Asia’s largest megahub terminal in 2018.

#### Why we are different

- 
**Korea’s largest and most robust infrastructure**  
 CJ Logistics not only operates 12 hub terminals and 270 sub-terminals across the country, but also completed Asia’s largest megahub terminal in June 2018 that is 40 times bigger than a soccer field in size. It is expected that the megahub terminal can significantly increase the number of daily deliveries to 1.7 million boxes by adopting Korea’s first automation facilities such as an automatic loading/unloading, a complex cargo recognition system and a 5-side recognition barcode scanner. In addition, the company has the highest delivery concentration level within a 10-minute proximity from customers including 24,000 parcel agencies and 18,000 parcel delivery workers.
- 
**TES-based advanced automation system**  
 CJ Logistics provides customized service by introducing a cutting-edge automation system based on TES (Technology, Engineering, System & Solution), including terminal classification automation, quantity prediction system, network simulation engine and automatic allocation system. We also realize differentiated specialized services such as same-day delivery and installation service, and contribute to reducing heavy workloads for delivery workers.
- 
**Industry’s first mobile concierge service**  
 CJ Logistics provides parcel reservation, refund and delivery tracking service with CJ Logistics’ parcel app. CJ also improves customer convenience by deploying an AI-based customer consultation chatbot service and visible ARS for the first time in the parcel industry.

#### Major Achievements in 2017



## Business Divisions

### ENGINEERING & CONSTRUCTION

“CJ Logistics leads tomorrow’s space culture with differentiated technology and prestige services.”



The engineering & construction division enhances its global business capability based on extensive construction experience and differentiated capabilities in various sectors, including distribution centers, remodeling, research facilities, hotels, golf courses, plants, work and commercial facilities. We are expanding business sectors from the existing construction-focused system to the development and operation of real estate. Our goal is to become a “construction-based total real estate company” and maximize customer asset value.

#### Why we are different

**Specialized business technology capability**

CJ Logistics has a wide range of construction experience in various sectors based on infrastructure construction of domestic and overseas groups and successful performance of large-scale external construction. In particular, we ensure a competitive edge by strengthening competitiveness in winning orders. We also continuously reinforce technology based on specialized business sectors (logistics, remodeling, R&D and hotels) selected by considering trend changes and competition in the construction industry.

**Real estate development planning capability**

CJ Logistics provides a total real-estate service by extending the portfolio to a wide range of business sectors such as securing a business site, establishing a development plan and strategy, management of design and licensing, construction management, real-estate sales, marketing, operation and management based on construction capabilities.

**Global engineering experience**

CJ Logistics has performed multiple food and biomass plant engineering business projects in Vietnam, Malaysia, Indonesia and the Philippines to establish overseas group infrastructure. Based on such experience, we are continuously boosting our global engineering capabilities.

**Multi-contents service**

CJ Logistics creates space suitable for customers’ needs and trends, in addition to various profit models. We also provide differentiated services in combination with CJ’s diverse group content businesses, including new distribution, food & food service, entertainment & media and life science.

#### Major Achievements in 2017

**Construction capability evaluation in 2018(as of 2017)**

53<sup>rd</sup> in civil engineering and construction / 12<sup>th</sup> in non-residential construction / 32<sup>nd</sup> in industrial environment

4<sup>th</sup> in commercial facilities / 9<sup>th</sup> in accommodations / 4<sup>th</sup> in other architectural and construction sectors

**Development of apartment housing in Hwaseong-Bongdam**

180,233<sup>m</sup>² (1,265 household units, 100% sales ratio)

**Performance of large-scale overseas engineering projects**

3 cases

**Korea Green Management Awards 2018**

Award from the Minister of Environment

### RESORT

“CJ Logistics leads the global leisure culture and creates value for customers through having the best resort environment and creating a special experience.”



The resort division creates a new sense of dignity and pride through a world-renowned prestigious golf club. The Club Nine Bridges (Jeju) and Haesley Nine Bridges (Yeoju) raise the dignity and value of Korea’s golf clubs with a beautiful course that exists in harmony with nature, where the clubhouse is recognized as an art piece and member-centered luxurious service. We also contribute to cultivating Asia’s golf industry by holding “THE CJ CUP @ NINE BRIDGES,” a regular PGA tour championship,” for the first time in Korea.

#### Why we are different

**Best course quality**

CJ Logistics creates the best-quality bent grass, provides differentiated shot value and owns facilities for customer convenience. We also maintain the best course condition by installing the Sub Air, a device for ventilation and moisture removal, and a temperature adjusting Hydronics System in the all greens for the first time in Korea.

**World-class prestigious club**

CJ Logistics is recognized as a world-renowned and prestigious club by operating a strictly member-centered system as “A Private Members Club,” with a membership operating committee, vitalization of community and various activities. In addition, the Timber Structure of Haesley Nine Bridges Clubhouse was selected as one of the “most beautiful ceilings in the world” by BBC.

**Holding an international championship**

CJ Logistics serves as a bridge in developing golf by holding a world’s top-tier championship. Since 2017, the company has held “THE CJ CUP @ NINE BRIDGES,” a regular PGA tour championship for the first time in Korea, as well as WCC (World Club Championship), where club champions of the world’s top 100 courses come together for a match.

#### Major Achievements in 2017

**Club Nine Bridges**

41<sup>st</sup> among the world’s top 100 courses

**Haesley Nine Bridges**

26<sup>th</sup> among the world’s top 100 platinum clubs

**Haesley Nine Bridges**

Certification of GEO of the U.K for Sustainable Golf Courses

**THE CJ CUP @ NINE BRIDGES**

Held Korea’s first PGA tour regular championship

**Haesley Nine Bridges**

International Architecture Awards Triple crown winner of the International Architecture Awards

**Haesley Nine Bridges**

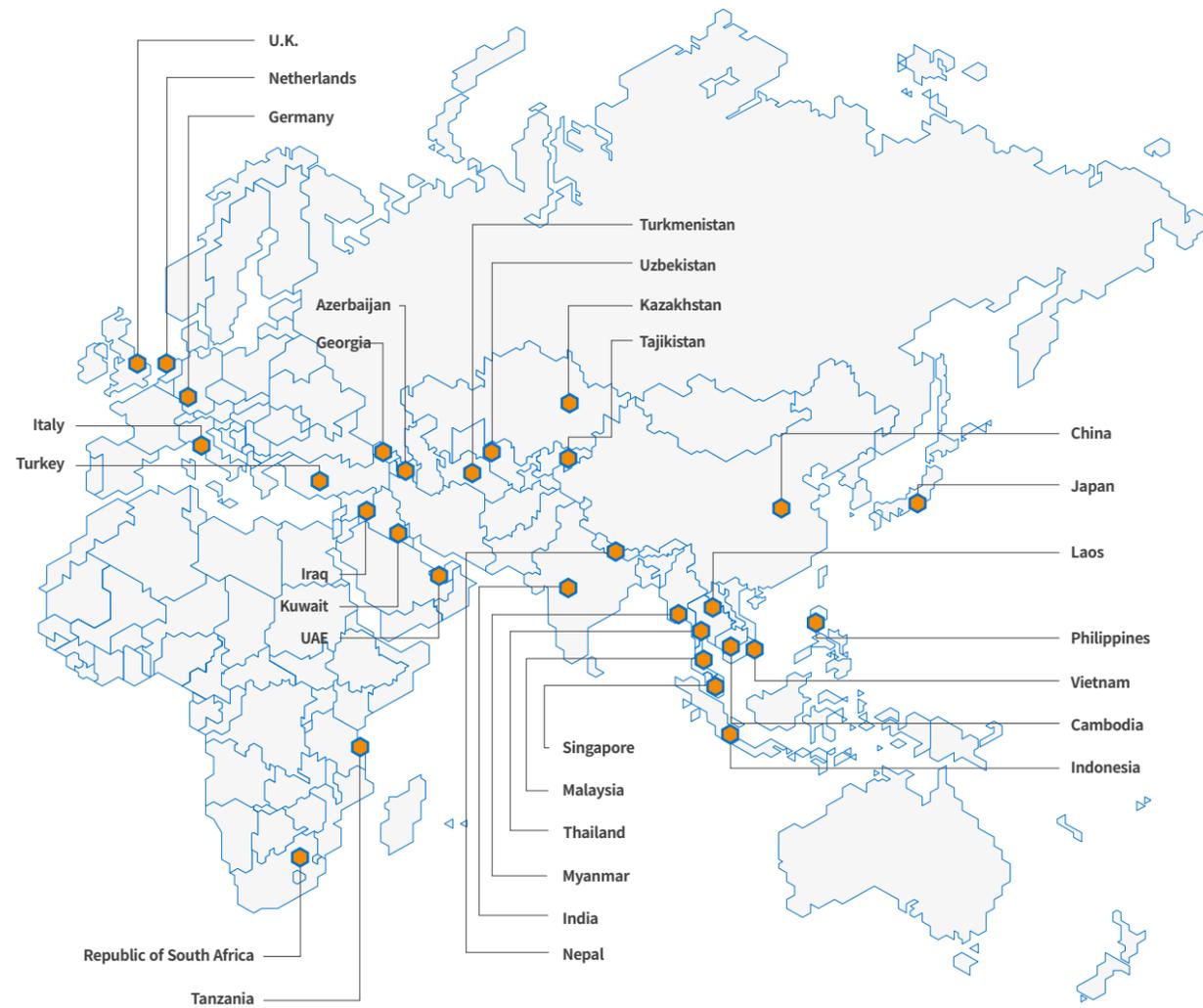
Selected as having the most beautiful ceilings in the world by BBC

## Global Network

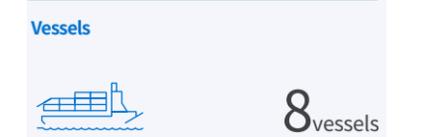
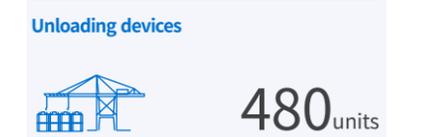
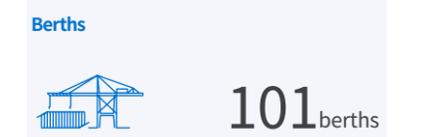
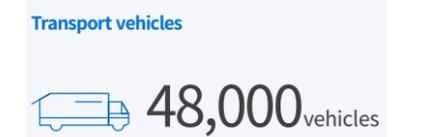
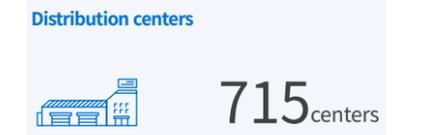


### Global Business Sites

CJ Logistics is capable of realizing a one-stop total logistics service with an extensive logistics network connecting the world as one. By vitalizing major overseas bases, we are taking a bold leap forward into becoming one of the global top five logistics companies by 2020.



### Global Infrastructure



# 2017-2018 BUSINESS HIGHLIGHTS

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# Creation of Logistics-based Social Jobs



## “Senior Parcel Delivery” as a Model for Social Job Creation

CJ Logistics is actively creating social jobs based on our logistics capabilities. The “Senior Parcel Delivery” is a representative CSV business that utilizes our core capabilities. We will continue to create jobs not only for the elderly but also for the socially disadvantaged, based on successful cases and know-how of the Senior Parcel Delivery.

Number of Participants among Beneficiaries

Beneficiary class	Number of bases (unit)	Participants (person)	Percentage (%)
Senior	140	1,172	87.3
Low-income people	23	132	9.8
People with disabilities	4	38	2.8
<b>Total</b>	<b>167</b>	<b>1,342</b>	<b>100.0</b>

\* As of March 2018

## Job Creation for the Elderly – Senior Parcel Delivery

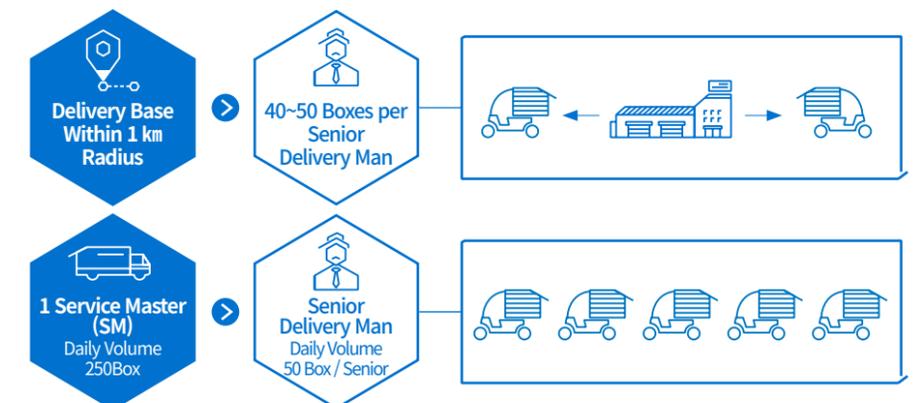
### Background

In 2017, Korea became an aged society where the population at the age of 65 or over account for over 14% compared to the total population. According to the OECD in the same year, Korea had 42.7% of relative poverty rate\* of the elderly between the ages of 66-75 and 60.2% of the elderly ages of 75 or over; these results are the highest among a total of 34 member countries. CJ Logistics recognizes the severity of the elderly poverty issue and proactively creates social jobs to contribute to dealing with the issue. In particular, “Senior Parcel Delivery,” one of our CSV projects, is a representative business model creating jobs for senior citizens. Currently, “Senior Parcel Delivery” is being developed as a job creating model as well as model for senior citizens.

\* Relative poverty rate: Ratio of poor population whose income is less than the median income in the total population

### Business Model

The “Senior Parcel Delivery” by CJ Logistics is a parcel delivery model where elderly delivery worker at the age of 60 or over deliver items to a nearby region within 1km by using an eco-friendly electronic cart based on delivery bases in a residential area, including apartment complexes and houses.



### Background for Issue Selection

### Significance and Impact of Issues

As Korea has rapidly become an aging society, the issue of poverty among the elderly is emerging as a new social issue. CJ Logistics contributes to addressing social issues by creating jobs for socially vulnerable people based on the logistics business. We continuously cooperate with various stakeholders such as the government, local governments and private groups to provide social jobs for supporting the disadvantaged, including the elderly and vulnerable people.

### Map of Core Issues



### Response of CJ Logistics



#### Major Activities

- Establishment of cooperative system for creating jobs for elderly people with the government, local government and relevant institutions
- Development of "Senior Parcel Delivery" as a job creation model for senior citizens utilizing a core business model
- Creation and expansion of various social jobs based on the "Senior Parcel Delivery" model (people with developmental disabilities, low-income people)



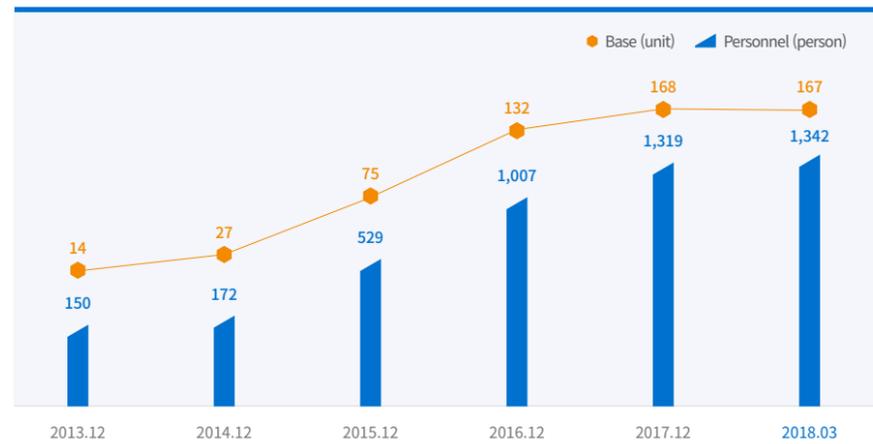
#### Plan and Target

- Expansion of a range of beneficiaries in the job creation business
- Searching for a new job model for the vulnerable in the overall parcel value chain
- Cooperation for job creation for the vulnerable and establishment of logistics ecosystem with clients/partners

### Job Creation Performance

“Senior Parcel Delivery”, has contributed to addressing the poverty issues among senior citizens by providing 1,000 and more seniors with sustainable and quality jobs. In comparison to other market-type jobs, the “Senior Parcel Delivery” earns a relatively high income based on the development of the parcel industry. The “Senior Parcel Delivery” will be conducted as a sustainable job business with the capability of providing stable jobs based on the continuous growth of the parcel delivery market.

Job Creation Performance by Senior Parcel Delivery



### Social & Environmental Effect Expected

The Senior Parcel Delivery supplies and utilizes eco-friendly, fully electricity operated electronic carts to reduce physical burden for the elderly and minimize environmental impact. The delivery service contributes to reducing potential GHG emissions from exhaust gases of delivery vehicles by utilizing a total of 370 eco-friendly electronic carts. In addition, delivery bases across the country serve as a role of social space not only for the storage and classification of parcel items, but also for a sense of belonging between colleagues.



### 2017 Fortune ‘Change the World’ : “Senior Parcel Delivery”



Creating jobs for older workers in a society that often forces them to retire early.

For South Koreans, age isn't just a number, but a problem in itself. The elderly population is growing rapidly. By 2050, more than 20% of the population will be over 50, and almost half of those over 65 years old will be over 70. This is a major issue: Mandatory retirement ages of 55 or 60.

Conglomerate CJ Group has offered a solution: Senior Parcel Delivery. It's a job that allows older workers to stay in the workforce, delivering parcels to customers. The program has been successful in providing jobs for seniors in a society that often forces them to retire early.



### Recognition of Global Business Performance for 2017-2018

#### Fortune ‘Change the World’

In 2017, CJ Logistics was selected as one of the companies for “Change the World” by Fortune for the first time in Korea with the “Senior Parcel Delivery.”

#### The Economist article for the case of “Senior Parcel Delivery”

The Economist, an economy-specialized newspaper of the U.K., published an article about the “Senior Parcel Delivery” as Korea’s representative senior job creation case.

#### CSV Porter Award

In 2017, CJ Logistics received the “Project Effectiveness Prize” in the 4<sup>th</sup> CSV Porter Award. The company was highly recognized for the effectiveness of job creation from the “Senior Parcel Delivery.” CJ Logistics was also awarded in the Effectiveness category of the 2<sup>nd</sup> CSV Porter Award in 2015.

#### Commendation by the Minister of Employment and Labor for job creation

In 2017, CJ Logistics received the commendation by the Minister of Employment and Labor for contributing to promoting the employment for senior citizens. With the Senior Parcel Delivery, the company was highly praised for creating high-quality jobs for the elderly through agreements with major local governments.

### Presentation of Cases for 2018 Shared Value Leadership Summit

At the Shared Value Leadership Summit, the most prestigious summit in the area of CSV, CJ Logistics presented the Senior Parcel Delivery as an exemplary CSV case. We discussed issues of creating shared value with global leaders such as Michael Porter, professor of Harvard University and an authority on business administration, former U.S. Secretary of State, Hillary Clinton, and Chief Content Officer of Time Inc., Alan Murray. The presentation drew much attention during the session, which was attended by as many as 400 guests, including the management of major global enterprises such as IBM, Nestle and Walmart.



### Registration as an Excellent Case for UN SDGs and Certification of SMART

In 2018, the achievement of the “Senior Parcel Delivery” was recognized for the contribution of improving the job issue of the elderly by UN and registered as an excellent implementation case in the UN SDGs initiative on the UN’s official website.

### Receipt of UN SDGs Corporate Implementation Award

CJ Logistics “Senior Parcel Delivery” received the “UN SDGs Corporate Implementation Award,” an award for a company which implements the best sustainable management for a year. Through the Senior Parcel Delivery, we have been recognized for contributing to creating jobs for seniors and creating social value.

# Expansion of Logistics Infrastructure and Reinforcement of R&D



## Background for Issue Selection

### Significance and Impact of Issues

With the expansion of the global value chain and emergence of the Fourth Industrial Revolution, various changes in the business environment are taking place. In the logistics industry, emphasis on the importance of expanding logistics infrastructure and automation service through the realization of smart logistics is taking place. CJ Logistics needs to make every effort to secure global competitiveness by preemptively dealing with such market changes. To reinforce competitiveness in logistics, it is necessary to identify the needs of various stakeholders such as partners and customers and support employees to strengthen their R&D capabilities.

### Map of Core Issues



## Response of CJ Logistics



### Major Activities

- Reinforcement of global competitiveness
- Establishment of future-oriented logistics bases
- Securing R&D infrastructure and human resources



### Plan and Target

- Establishment of core infrastructure and development and dissemination of new TES technology
- Reinforcement of core human resources and technology in advanced logistics
- Strengthening global competitiveness based on domestic core capabilities

## “Leading innovation in the global logistics with a new global family”

CJ Logistics implements diverse M&A cases and ensures the opportunity to take the lead in the logistics market of rapidly-growing emerging countries.



## “Asia’s largest Megahub Gonjiam induces a paradigm shift in the logistics process”

CJ Logistics has expanded the advanced logistics infrastructure by completing the establishment of Megahub Gonjiam with TES (Technology, Engineering, System & Solution)-based advanced logistics system and operational equipment



**Megahub Gonjiam**

- Approved for use in June 2018
- Total floor area: 300,000m<sup>2</sup>, approximately 40 times larger than a soccer field
- Number of floors: 2 underground floors, 4 ground floors
- Capable of simultaneously accommodating 839 large-sized vehicles of 11 tons or over

### 1 Unmanned Classification System

Due to its unmanned system in the overall process except loading and unloading, Megahub Gonjiam has a total of 636 workers in loading/unloading, classification and on-site management sectors, and the number of workers is less than 531 workers in comparison to Daejeon Hub.

### 2 Largest in Asia and 3<sup>rd</sup> largest in the world

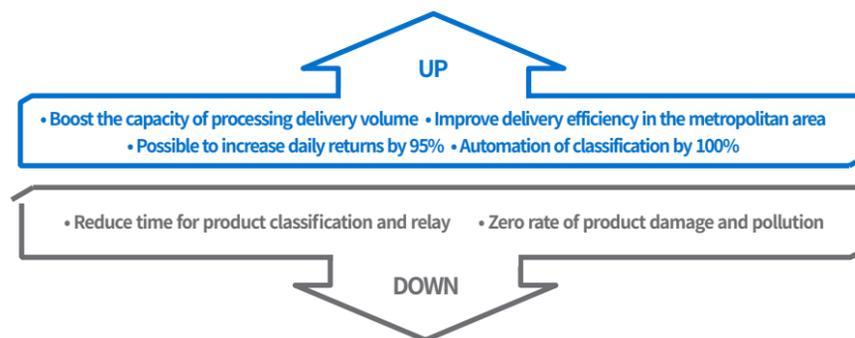
Megahub Gonjiam is the largest in Asia and 3<sup>rd</sup> largest hub terminal in the world. The hub has the processing capacity of handling more than 400,000 boxes than the 2<sup>nd</sup> largest distribution center in Asia.

### 3 Parcel delivery-type convergence terminal

Megahub Gonjiam is capable of loading/unloading work by 850 large-sized freight vehicles of 10 tons or over simultaneously based on facilities to classify 1.72 million boxes a day and implementing the classification of parcel/freight more efficiently in the metropolitan area.

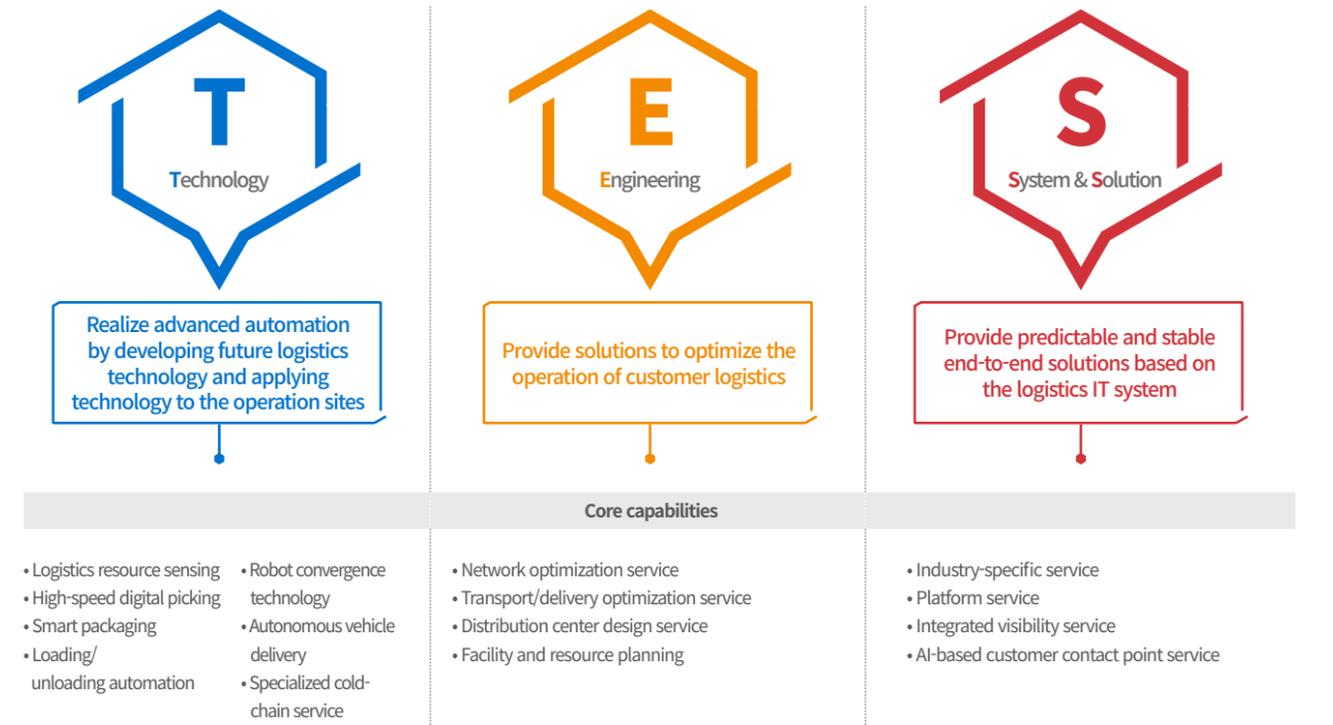
### 4 TES-based advanced logistics system

CJ Logistics will utilize automated parcel unloading equipment, freight recognition devices, 5-side barcode scanners, Internet of Things (IoT) technology, and establish efficient logistics systems by reducing logistics processing time and increasing the inventory turnover rate.



## “Establishment of innovative logistics convergence systems based on Technology (T), Engineering (E) and System & Solution (S)”

CJ Logistics aims for advancement and differentiation of services by realizing 4PL logistics solutions with the combination of Technology (T), Engineering (E) and System & Solution (S) capacity to respond to ever-changing market environments and to lead the shift of logistics business paradigm.



### Digital Logistics 2020, CJ Logistics Challenge League 2018

In 2018, CJ Logistics held the “CJ Logistics Challenge League 2018” to develop joint technology and invest in startups possessing excellent technologies through the open innovation platform. The Challenge League was planned to search for and cultivate tech startups with remarkable technologies for the Fourth Industrial Revolution such as augmented reality (AR) and image recognition (vision), connect technologies to logistics service by developing joint technology and lead the advancement of the logistics industry based on differentiated solutions.



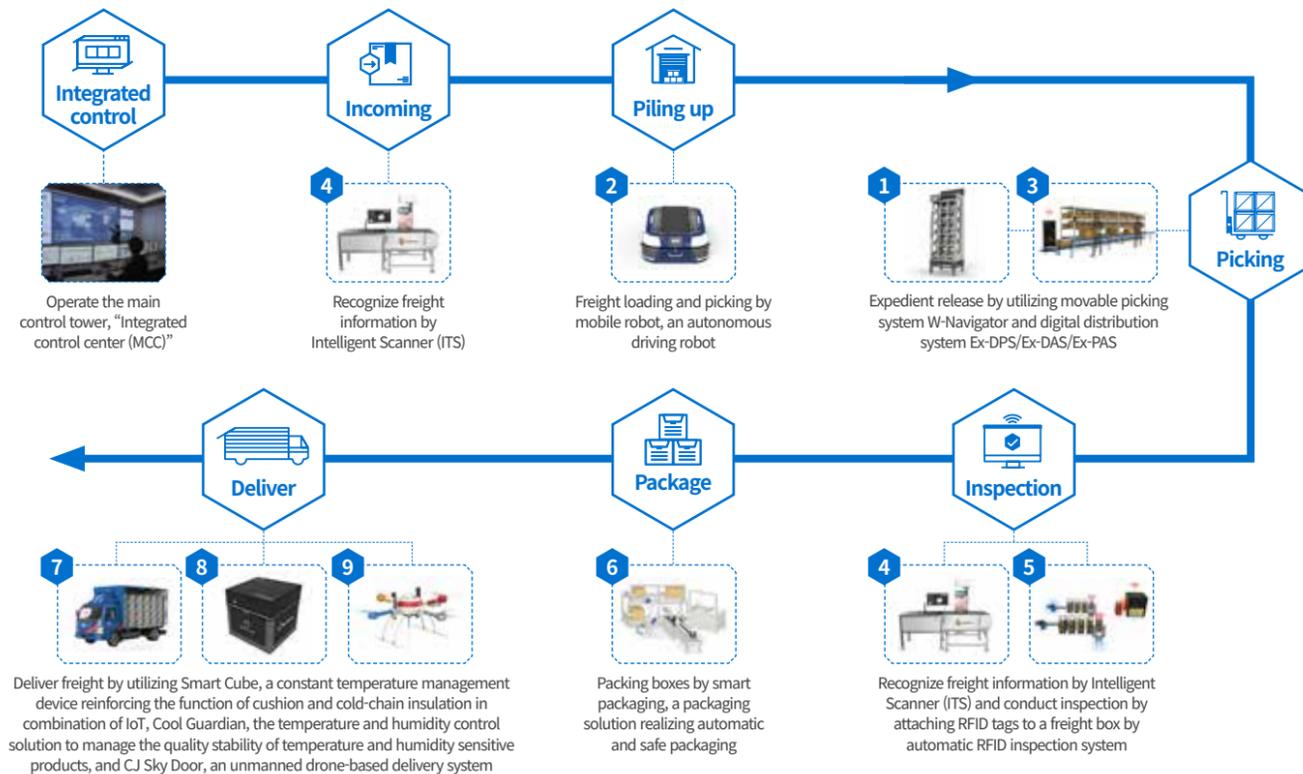
Participating companies undergo documentation review and perform challenging tasks. A finally selected company is given the opportunity to develop joint technology with CJ Logistics worth a maximum of KRW 300 million and additional points in case of residing in the business space of Seoul Creative Economy Innovation Center.

#### Challenging tasks

- 1 Development of irregular product image sensing by AI technology
- 2 Development of vision picking system utilizing AR-based technology

## “Lead the logistics digitalization by developing cutting-edge logistics technology through TES Innovation Center”

In 2017, CJ Logistics launched the TES Innovation in Center China as an R&D Showroom, located at the headquarter of CJ Rokin, after the 1<sup>st</sup> TES Innovation Center was established in Gunpo, Korea in 2016.



## Research & Development

### R&D Capability

In 2014, CJ Logistics defined TES (Technology, Engineering, System & Solution) independently and has realized advanced logistics technology. In 2016, the company launched TES Innovation Center in Gunpo and opened another center in Shanghai, China. The major activities of researchers include developing/proposing business policies related to logistics through external cooperation activities, R&D activities based on logistics theory, development of new logistics technologies and corporate consulting activities utilizing the specialized methodology (M-SCORE®) and engineering solutions

### R&D Outcome

CJ Logistics implements TES convergence-based cutting-edge technologies. In 2017, we applied high-speed Intelligent Scanner (ITS), Ex-PAS and smart packaging to our several business sites and performed R&D projects and developed new logistics technologies with the Ministry of Land, Infrastructure and Transport and Ministry of Trade, Industry and Energy. We also conducted logistics and SCM consulting projects for various industries such as domestic and overseas CPG, distribution, textiles, electric/electronic and automobiles. We also continuously apply for patents and trademarks related to new logistics technologies and improve R&D capabilities.

### Logistics Technology R&D Activities in 2017-2018

Date	R&D activities
2017.01	Applied high-speed ITS to parcel sub-terminals (Ulsan, Gwangju 1, 2)
2017.02	Applied high-speed ITS to parcel sub-terminals (Namyangju, Namdong)
2017.03	Applied high-speed ITS to parcel CP (Gochon, Wonsam, Bugok, Docheok)
2017.03	Completed the third year of “R&D for the automation technology of worker-based storage facilities in the logistics site” (Ministry of Land, Infrastructure, and Transport)
2017.03	Completed the third year of “development of whole unloading equipment to reduce time for loading/unloading freight” (Ministry of Land, Infrastructure, and Transport)
2017.04	Applied high-speed ITS to the Dongan parcel sub-terminal
2017.05	Completed the second year of “development of high-wind resistance drone system capable of safe aviation under the maximum wind speed of 13m/s” (Ministry of Trade, Industry and Energy)
2017.05	Applied low-speed ITS to the Daejeon parcel hub terminal and high-speed ITS to 2 sub-terminals (Eunpyeong, Dobong)
2017.06	Applied high-speed ITS to the Anseong parcel sub-terminal
2017.07	Applied high-speed ITS to 16 parcel sub-terminals (Sejong, Daegu, Uijeongbu, etc.)
2017.08	Applied Ex-PAS to the site of Hobeob return center (advancement of automated facilities)
2017.08	Applied high-speed ITS to 14 parcel sub-terminals (Cheonan, Bupyeong, Goyang, etc.)
2017.09	Applied high-speed ITS to 11 parcel sub-terminals (Jeju, Gangneung, Changwon, etc.)
2017.10	Applied high-speed ITS to 17 parcel sub-terminals (Suncheon, Yeongtong, Junggu, etc.)
2017.10	Applied light-weight rolltainer to parcel CP (Console Point) site
2017.10	Held R&D showcase
2017.11	Applied Ex-PAS to the site of Gunpo center
2017.11	Applied high-speed ITS to 15 parcel sub-terminals (Yeongdeungpo, Sokcho, Pohang, etc.)
2017.12	Applied 1-side low-speed ITS to parcel hubs (Daejeon, Chilgok, Jangseong) and sub-terminal (home shopping, etc.)
2017.12	Applied high-speed ITS to 21 parcel sub-terminals (Changwon, Songpa, Siheung, etc.)
2017.12	Applied smart packaging to the site of Baegam center
2018.01	Applied high-speed ITS to 6 parcel sub-terminals (Saha, Gyeongju, Asan, etc.)
2018.02	Applied high-speed ITS to 4 parcel sub-terminals (Gwangju, Seongdong, etc.)
2018.03	Applied high-speed ITS to 7 parcel sub-terminals (Yeongcheon, Seongju, Yeonsu, etc.)
2018.03	Applied smart packaging to the site of Deokpyeong center
2018.04	Apply high-speed ITS to 7 parcel delivery sub-terminals (Gangdong, Suwon, Gangbuk, etc.)
2018.04	Apply smart packaging (air cap packaging) to Wonsam center
2018.05	Apply high-speed ITS to 57 parcel delivery sub-terminals (Seongbuk, Gumi, Jeonju, etc.)
2018.06	Apply high-speed ITS to 3 parcel delivery sub-terminals (Andong, Chungju, Donggangwon, etc.)
2018.06	Apply parcel automated rolltainer unloading facility to Gimpo terminal

# Reinforcement of Competitiveness in Construction and Real Estate Business



## “Secure differentiated competitive edge by cultivating construction-specialized business”

To secure differentiated competitiveness in the construction market, CJ Logistics selects specialized businesses with a competitive edge by considering experience and trend change such as logistics, remodeling, R&D and hotels. It cultivates the business by securing core technology and strengthening sales power for winning orders.

### Background for Issue Selection

#### Significance and Impact of Issues

The construction market accelerates the rate of decline and market competition becomes intensified due to tightened real estate regulations, policy on the advancement of construction industry, increased interest rates and slowdown of the domestic economy. Under these circumstances, it is necessary to reinforce business competitiveness and diversify business. CJ Logistics will boost competitiveness and ensure continuous growth by expanding its business foundation through searching for competitive businesses and strengthening synergy effects by utilizing CJ Logistics' capabilities and assets.

#### Map of Core Issues



### Response of CJ Logistics



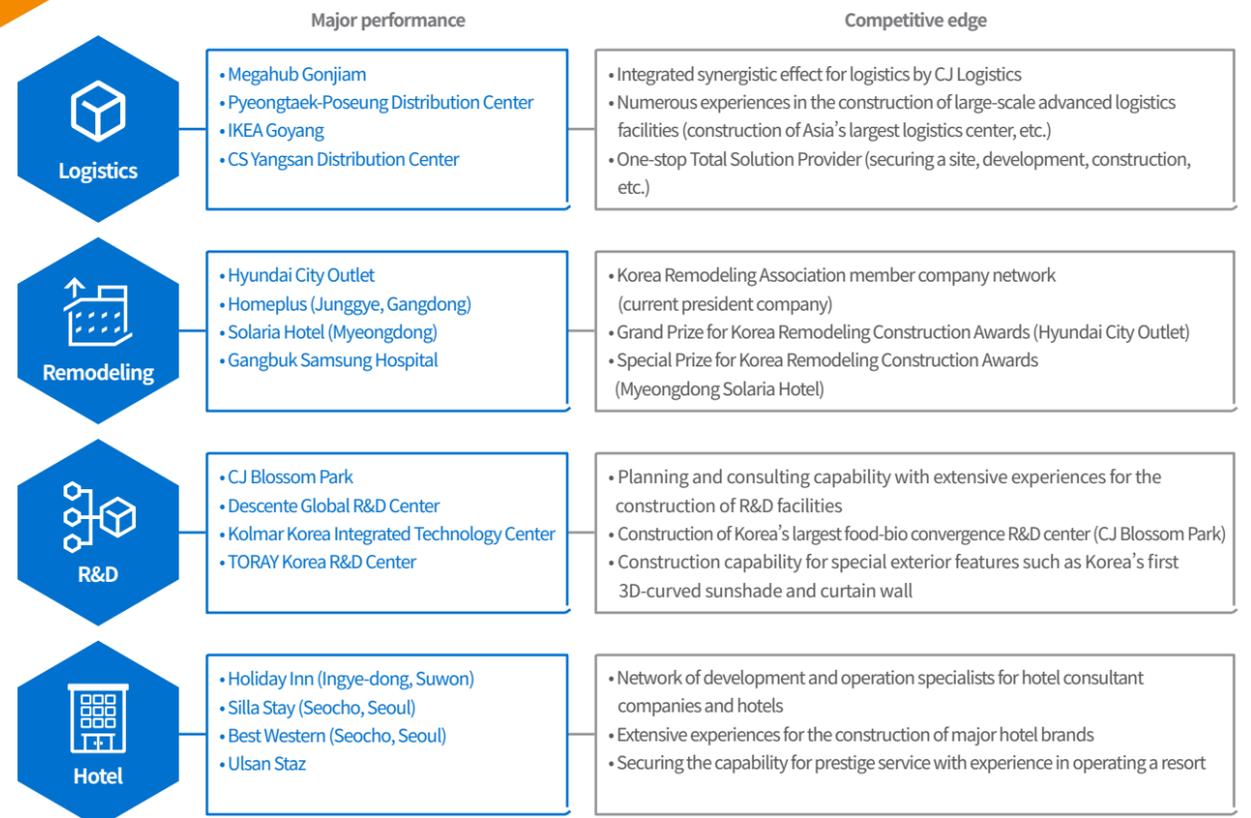
Major Activities

- Cultivate construction-specialized business
- Secure and carry out integration
- Execute the global group infrastructure EPC business



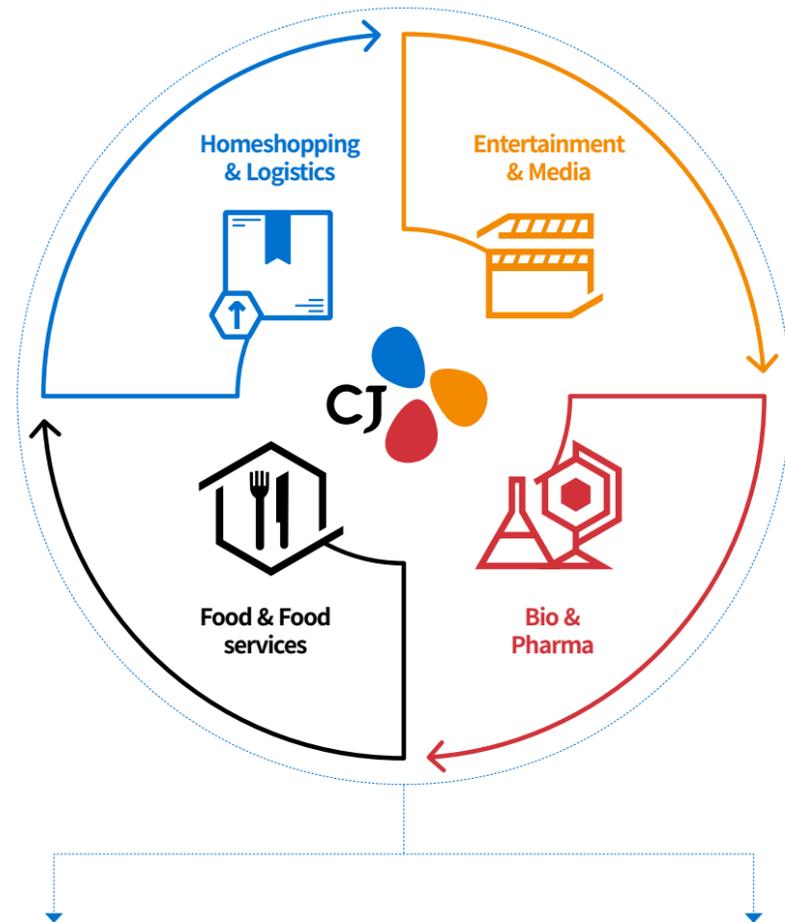
Plan and Target

- Expand investment in R&D related to specialized business
- Reinforce the value chain related to real estate
- Broaden global EPC business



## “Secure competitiveness of winning bids through use of complex integrity by leveraging CJ brands”

CJ Logistics has competitiveness for winning bids as ONLYONE providing added value differentiated from other construction companies by securing business capability of complex integrity through CJ brands for merchandises suitable for the site and use of a building by owner.



### Hyungji Art Malling

Art Malling, a shopping landmark in Saha-gu, Busan, is a representative case where complex integrity is achieved by CJ contents such as CGV, Season's Table, Olive Young and A Twosome Place through the development of the construction division of CJ Logistics.



### Songdo Time Space

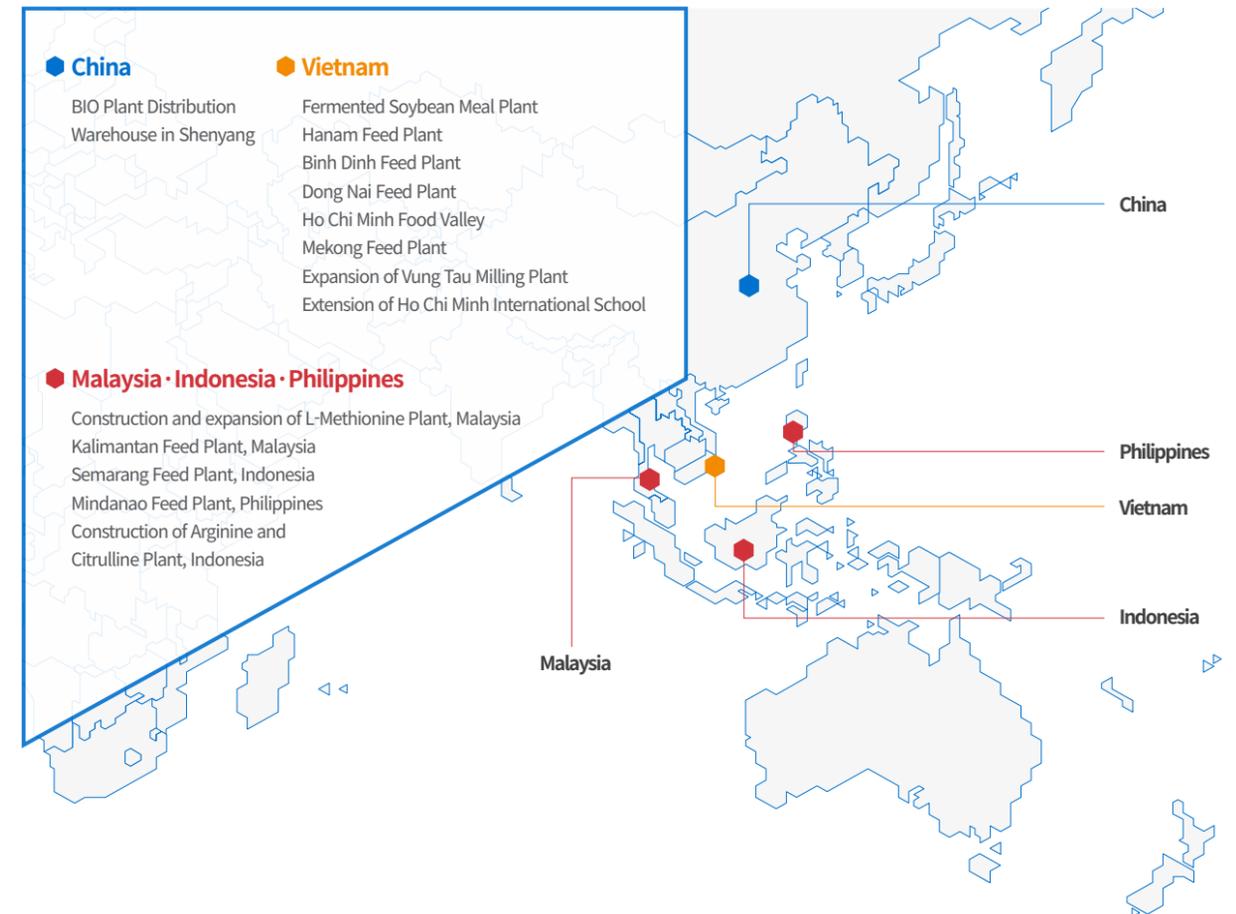
CJ Logistics is currently constructing Songdo Time Square, which will be completed by 2020 as a large-sized commercial facility in Songdo New Town. The inclusion of CGV was determined even before the construction.



## “Expansion of global engineering business”

CJ Logistics has performed engineering projects in various sectors such as food, bio-plant, logistics and R&D by advancing into overseas countries in Vietnam, Malaysia, Indonesia and Philippines. We will take a bold step forward into becoming a competitive global engineering construction company by enhancing CJ's synergy effect.

### Global construction performance



### CJ BIO M/M3 PROJECT

In 2014, CJ Logistics completed the construction of a plant for producing L-Methionine with the volume of 80,000 tons in the industrial complex of Terengganu for the bio business in Malaysia. With the expansion of 80,000 tons in 2017, we established a bio-plant producing products amounting to 180,000 tons as of 2018.

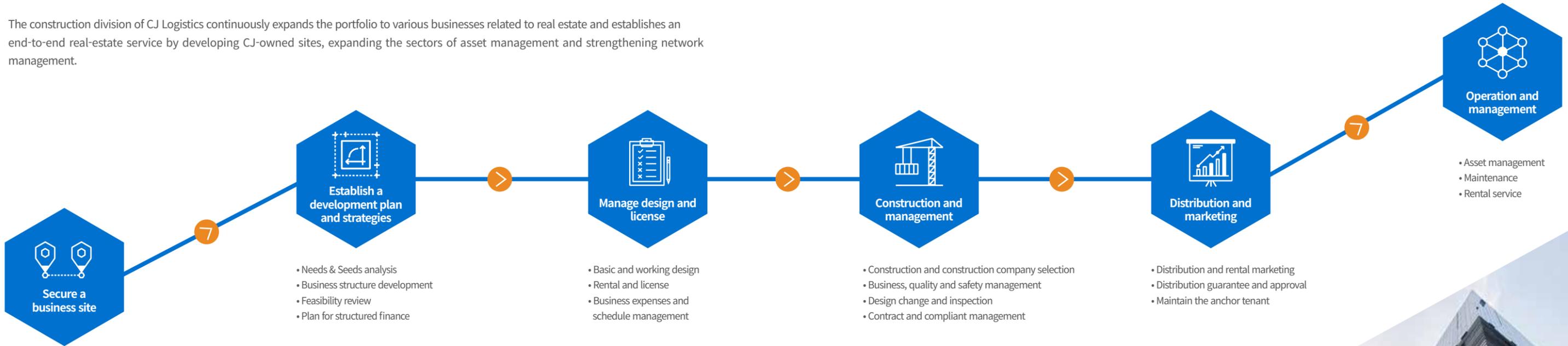


### CJ FOOD VALLEY PROJECT

The establishment of food cluster plant, which will be utilized as an export base in Southeast Asia, can handle food production of an annual volume of 31,787 tons, including spring rolls, dried seaweed, dumplings and kimchi.

## “Establish one-stop, end-to-end real estate service by expanding business related to real estate”

The construction division of CJ Logistics continuously expands the portfolio to various businesses related to real estate and establishes an end-to-end real-estate service by developing CJ-owned sites, expanding the sectors of asset management and strengthening network management.



- Site analysis
- Market analysis
- Relevant policy and law review

Central Prugio  
(Hwaseong,  
Bongdam)



CJ Gimpo Plant Site Development Project (Bird's-eye view)

### CJ Logistics provides a total solution from A to Z through developing business responsibly.

CJ Logistics successfully carried out a large-scale apartment house development project with the floor area of 180,232m<sup>2</sup> by utilizing CJ's unused site of Hwaseong-Bongdam Zone and distributed 100% of the lot (1,265 households). Based on the achievement, we are currently implementing a project for developing the sites of CJ Gimpo Plant and CJ Yeongdeungpo Plant.



CJ ENM Center

### CJ Logistics provides total service maximizing asset value by operating and managing real estate.

We conduct various tasks such as investment consulting, sale/disposal, rental, asset and facility management and manage facilities of 379,547m<sup>2</sup> in total, including CJ infrastructure such as CJ ENM Center and CJ CheilJedang Center.



Digital Dream Tower

### Operation and management

- Asset management
- Maintenance
- Rental service

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# ENVIRONMENT & SAFETY

## Background for Issue Selection

### Significance and Impact of Issues

Environmental issues such as resource depletion and climate change are emerging across the globe, and these issues have an impact on corporate business activities. To cope with global environmental issues, efforts for reducing environmental impact are required among companies. In addition, it is necessary to manage internal safety issues in terms of reduction of corporate risk and cultivation of business capability. CJ Logistics aims to reinforce competitiveness through proactive environmental management policies, recognizing the importance of eco-friendly logistics and safety management in the environmental sector.

### Map of Core Issues



## Response of CJ Logistics



### Major Activities

- GHG emissions reduction and energy saving
- Realization of eco-friendly green logistics
- Implementation of safety assessment for removing risks in advance
- Establishment of a safety management system for win-win relationships with partner companies



### Plan and Target

- Advancement of the environmental management system
- Achievement of greenhouse gas and energy reduction targets
- Improvement of environmental pollution risks
- Advancement of the safety and health management system
- Establishment of a safety-first culture
- Reinforcement of capabilities for safety and health risk management

## Environmental Management

### Environmental Management System

#### Environmental Management Vision and Strategy

The logistics division of CJ Logistics makes every effort to prevent any elements of environmental risk in advance through eco-friendly logistics. The company establishes and manages the vision of “realizing global top-tier green management” and strategies in accordance with safety and health environmental management policies.

The construction division conducts all business management in an eco-friendly manner from the perspective of environmental management as a total construction company. All the executives and employees, including the CEO, recognize the environmental impact of construction activities on society and continuously implement environmental management based on the core values of CJ, which are integrity, passion, creativity and respect.

#### Organization in Charge of Environmental Management

The logistics division operates a group in charge of environmental management that consists of the Safety and Environment Team of the head office, an environmental organization consisting of environmental officers and the environmental managers of each workplace. The Safety and Environment Team, which is the department in charge of environmental management, establishes the strategies and detailed guidelines for environmental management and integrates and manages the environmental performance of each business site. In addition, the company strengthens management to implement environmental management for overseas business sites based on the expansion of global business.

#### Environmental Management System Certification

Since the Incheon Branch acquired ISO 14001 certification in 1999, the logistics division has expanded the scope of the certification to all of our offices in 2010 and has maintained certification to this date. In accordance with certification standards, we have established environmental management guidelines and implemented evaluation and management for environmental impact in actual business. In addition, the company provides training to reinforce the management capabilities of each business site manager to operate the management system and cultivate internal capacity for independent review. In the future, we will further internalize the operation of the environmental management system to minimize environmental pollutants from business activities in all business sites. In addition, we will reinforce management to prevent environmental pollution accidents in the operation and management of environmental facilities and freight handling processes.

In 2001, the construction division also acquired ISO 14001 certification for domestic and overseas civil engineering, architecture, housing, electricity, industrial and environmental facilities, firefighting construction, information communication construction and additional service, and has maintained the certification from that point on.

### Coping with Climate Change

#### Greenhouse Gas and Energy Management System

In the logistics division, the head office and business sites are registered in the National Greenhouse Gas Management System (NGMS) to monitor the amount of energy used, systematically calculate and manage greenhouse gas emissions. Based on the NGMS, we have set a goal of reducing our GHG emissions by 2021 through the research and analysis of GHG data such as energy costs, GHG emissions and reduction targets for our business sites.

### GHG Emissions and Energy Use Management

The logistics division operates a greenhouse gas management system, which documents the amount of energy usage in all business sites to automatically calculate GHG emissions. Each business site registers the amount of all energy usage of business activities, including monthly electricity consumption, vehicle fuel consumption and other energy usage for management and analysis. In response, the business site must align with the target of GHG emissions based on the implementation of the national GHG & energy target management system. In 2017, CJ Logistics emitted 202,671tCO<sub>2</sub>-eq, which is lower than the GHG emission target of 236,728tCO<sub>2</sub>-eq by 34,057tCO<sub>2</sub>-eq. CJ Logistics will advance the current greenhouse gas management system and effectively cope with climate change through efficient management of GHG emissions and energy use.

\* The amount of GHG emissions and energy use can be identified on p.81

### Activity of Reducing Energy Usage

The logistics division implements various education activities to reduce energy usage in business. We operate eco-driving training to improve driving habits that waste energy such as rapid start, rapid acceleration, sudden braking and engine idling. We are also actively conducting energy-saving activities such as reducing the amount of electricity use by installing and changing high-efficient LED and induction lamps in the interior lighting of buildings such as distribution centers.

In the construction division, we have designed and constructed a building to allow natural ventilation and lighting of the clubhouse to save energy. As a result, bright indoor lighting is secured even without separate lighting during the day. In addition, about 70 golf carts in the club utilize electricity instead of fossil fuels and help to reduce carbon dioxide emissions. We also continuously review and implement measures for applying renewable energy such as solar heat and photovoltaic energy.

### Activity to Offset GHG Emissions

The logistics division conducts activities for enhancing the awareness of the environment and environmental protection in local communities to offset GHG emissions. In 2013, we signed the "Agreement for Energy Forest Project on Abandoned Highway Roads" with the Korea Forest Service, Korea Highway Corporation and Green Korea United. Annually, we contribute to the offsetting of greenhouse gas emissions by participating in the creation of "Energy Forests" using abandoned roads and vacant rest areas. In addition, we conduct an urban greening project and provide ecological experience education for children in local childcare centers. We will reinforce eco-friendly green logistics activities to reduce GHG emissions, ensure energy saving in daily life and proactively prepare to introduce eco-friendly logistical equipment and continuous exchange for high-efficiency lighting at the distribution center.

## Resource Management

### Water Management

The construction division manages the amount of water use and wastewater in all business sites. In 2017, we used 688,763 tons of water and reused 56 tons by filtering muddy water. Due to the nature of the resort business in the construction division, most of the water usage was focused on managing a wide area of grass and wood. Aside from the existing method to rely on automatic irrigation in the management of golf club courses, we proactively utilize hand watering and minimize the consumption of water resources by installing low-flow toilets and water tank storage compressors in all washrooms of the club. Jeju Nine Bridges uses an integral type of advanced wastewater treatment method and contributes to reducing water quality pollution and energy by removing organic substances, nitrogen and phosphorus by low-consumption electricity.

### Waste Management

The logistics division promotes the reduction of any waste in business activities and efficient management by enacting the waste management guideline. We manage the amount of waste in accordance with waste-related internal standards and properly and legally handle waste.

The construction division manages the amount of waste by using the Allbaro System, which is the national total waste management system. By separating waste into each type, the system allows for a virtuous cycle of waste as well as recycling as a resource.

## Realization of Eco-friendly Logistics and Construction

### Green Logistics

The logistics division realizes green logistics by optimizing and utilizing distribution bases, facilities and systems in an eco-friendly direction. For instance, we reduced the number of transport vehicles to realize the reduction of energy and carbon emissions through the optimization of transport routes, large-scale transportation, complex and consistent transportation and joint logistics by utilizing connective transportation among different bases. CJ Logistics also realizes eco-friendly logistics through the purchase of freight vehicles in the form of low-pollution and high-fuel economy SCR (Selective Catalytic Reduction), enlargement of vehicles, green parcel delivery service utilizing electric bicycles and four-wheeled vehicles, and electric conversion for port crane energy and photovoltaic energy generation utilizing the rooftops of distribution centers. We also enhance the efficiency of vehicle operation by real-time vehicle control through an integrated logistics IT system, optimization of transport routes using freight information-based transportation planning, integrated allocation of vehicles and improvement of cargo loading return rate. We are also promoting a modal shift from energy for road transport such as railroad and vessels to high-efficiency energy transport means by analyzing integrated freight volume.

### Acquisition of Sustainable Golf Course Certification

Haesley, a golf club of the construction division, acquired the certification of "Sustainable Golf Course" from the GEO, a U.K. organization with a purpose of certifying sustainable eco-friendly golf courses, in 2014 and received recertification in 2017 as well. The GEO (Golf Environment Organization) was established in the U.K. in 2000 and has become a prestigious eco-friendly golf course certification organization, which strives to ensure sustainability in golf facilities and improve the environment. The organization has partnerships with 40 golf-related institutions in Europe and other parts of the world such as the R&A (Royal and Ancient Golf Club of St. Andrews) of the U.K., European Tour and EIGCA (European Institute of Golf Course Architects). Evaluation items in the certification of an eco-friendly golf course according to GEO are composed of three items—Nature, Resources and Community. With detailed sub-items, a strict review process is followed. The certification of GEO can be finally acquired through two rounds of verification by meeting the standards presented by GEO. Even after the certification is acquired, the certification can be maintained only through recertification every three years.

### Conservation of Biodiversity

The construction division makes continuous efforts to take the lead in environmental protection regarding biodiversity. We have strived to create a course with essential geographical features while not undermining the nature. Thanks to these efforts, a total of 60 species of animals and plants reside in the environments of Yeosu Haesley Nine Bridges, including the eagle owl (natural monument), common buzzard, kestrel and small wrinkled frog (endangered species class 2). The club also provides members with conveniences through eco-friendly methods. In the spring of every year, we release pond snails into the pond and provide water plants on the floor of the pond as feed to alleviate the growth of green algae. We also released snakeheads into the pond to reduce the number of fruit flies and mosquitoes. As a result, the number of fruit flies and mosquitoes were decreased, while the number of birds was increased as the fry of snakeheads serve as the feed for birds.



**GEO Certified<sup>®</sup>**  
**FACILITY**

Sustainable Golf Course Certification by GEO



Yeosu Haesley Nine Bridges ①



Yeosu Haesley Nine Bridges ②

# Safety Management

## Health and Safety System

### Vision and Strategy for Health and Safety

Based on CJ Group's mid- to long-term safety master plan, CJ Logistics manages its safety management in cooperation with the Safety Management Department, a department responsible for the group's overall safety management.

The logistics division strives to prevent any health and safety issues in business under the health and safety management vision of "contributing to business continuity through the management of business risk."

The construction division operates an autonomous health and safety management system in order to "establish an advanced bright and healthy safety culture" and proclaims safety guidelines for the compliance of all employees.

### Organization in Charge of Health and Safety

CJ Logistics checks overall safety management activities in the Safety Management Department where the CEOs of all affiliates of CJ Group attend and makes decisions on major issues (safety, environment, information).

CJ Logistics inspects and makes decisions for safety management activities at RM (Risk Management) meetings where all executives attend on a monthly basis. We also operate a company-wide safety management committee and reflect opinions from each business division for any issues regarding health and safety, including establishing a plan for preventing occupational accidents, selecting items for health and safety education and checking and improving working conditions. In addition, organizations in each business line designate a separate staff member in charge of safety.

### Group Safety Day

CJ Logistics participates in monthly "Group Safety Day" events with all executives pursuant to the spread of an on-site safety culture. We also support safety in business sites by making swift decisions with regard to safety in sites by the management. The company also gives awards to excellent workers regarding safety and zero-accident cases in each business site.



Group Safety Day ①

### Advancement of Safety Management System

Based on internal health and safety management regulations, the logistics division establishes health and safety policies for employees and partner companies. In particular, we formulate and implement risk assessment and pre-safety evaluation guidelines to prevent any potential safety-related risks in business operations. In addition, the company develops work guidelines for managing various risk factors and establishes a management system to operate safety management systems that exceed legal requirements. In 2017, we renewed OHSAS 18001 system certification and reinforced the capabilities of safety management of our global operations by revising the procedures and guidelines for the safety management manual and distributing English versions.

In the construction division, we also revised work guidelines that exceed legal requirements to promote detailed safety management activities through the authorization of OHSAS 18001. We are conducting safety risk prevention activities on a regular basis by analyzing risks related to health and safety and creating an atmosphere where all employees can lead with the same mindset. We continue to cooperate in fulfilling autonomous health and safety management and corporate social responsibilities.



Group Safety Day ②



CEO's proclamation for the Safety Golden Rule

## Health and Safety Risk Management

CJ Logistics implements a safety design review (SDR) to prevent any health and safety risks in advance. When investing in new construction, expansion of a building, and installation of logistics equipment, we conduct the SDR to check safety issues from the planning stage to ensure safety of facilities.

To prevent safety risk factors among business sites and facilities throughout the country, the logistics division regularly conducts in-house or external safety inspections. Through these activities, we identify risks found at each business site and implement measures to remove them. During severe weather conditions, such as heavy rainfall, heavy snow, extremely cold weather, and typhoons, we conduct a pre-safety check. CJ Logistics will ensure immediate improvement of any severe risks through continuous analysis and evaluation of risk factors for its business sites. CJ Logistics will also reinforce its win-win safety management program and proactively prevent occupational accidents in business sites by supporting the safety management capabilities of suppliers and encouraging various activities.

The construction division not only predicts and evaluates risk factors in the construction site, but also establishes safety measures and intensively checks whether measures are conducted through the risk assessment process. We also apply the mobile smart safety system and perform more active and efficient health and safety risk management, including reinforcing two-way communication with partners, improving risk factors immediately, streamlining paperwork and conducting real-time monitoring.

## Activities for Reinforcing Logistics and Construction Safety

### Introduction of Safety Golden Rule (Basic Safety Rule)

The logistics division has enacted and adopted the Safety Golden Rule to ensure safety for all employees when performing management activities. The Safety Golden Rule, which is composed of nine major items, was prepared by reflecting the intention of management, including company-wide health and safety environment management policies, government policies, legal requirements and statistical analysis of company-wide accidents. In 2018, with the beginning of the proclamation of the CEO's commitment to the Safety Golden Rule, we promoted and guided the rule and made a pledge for employee commitment. We also implemented monitoring to check status, as well as conducted a campaign for business sites to comply with the Safety Golden Rule autonomously. CJ Logistics expects to achieve the safety management target by introducing the Safety Golden Rule and faithfully implementing the rule, managing human errors by enhancing safety awareness among employees and complying with basic principles. In the future, we will actively enforce the Safety Golden Rule for all employees, of all business sites and partners, and establish a safety-first culture at an early stage.



Nine major items in the Safety Golden Rule

### Settlement of Clean 5 in the Construction Site

The construction division has established five action items (Clean 5) to stabilize an on-site safety culture, which include the participation of partners, compliance of safety regulations, strict equipment management, site organization and removal of risk factors. We also launched a management system to conduct safety activities and comply with the basics and principles based on the health and safety management system. Through these activities, we pursue creating an enjoyable and pleasant working environment and expanding a mature safety culture.

### Reinforcement of Health and Safety Capabilities

The logistics division implements special education for industrial safety to prevent occupational accident risks among employees and partners each year. As for a warehouse, we participated in a win-win cooperation program and established a safety management process for creating a safer working environment by considering the characteristics of accommodating many employees. Based on these activities, we carry out safety management activities for win-win relationships by considering the safety of all employees and partners. In 2017, CJ Logistics implemented special industrial safety education, practical firefighting safety education and transportation safety education for the employees of partners.



Advanced Driver Assistance System (ADAS)

### Prevention of Traffic Accidents through Advanced Safety Devices

The logistics division installs rear-view surveillance cameras to prevent accidents that can occur while delivery vehicles are driving in reverse. We also install and operate advanced driver assistance system (ADAS) in our freight vehicles with the function of lane departure warning and forward collision alerts to prevent accidents caused by carelessness of drivers such as being drowsy and neglecting to look ahead.

### Health and Safety Education and Training

The logistics division conducts education and training related to health and safety to prevent accidents and made it possible to react in the event of an accident. We offer safety education to employees who are exposed to the risk of accidents and teach skills to deal with accidents in logistics equipment and facilities by sharing safety accident cases through training. In addition, the company strives to reduce the occurrence of safety accidents and expansion of damage by providing training based on a theoretical study on emergency procedures and methods to handle emergency. For instance, we offer a group health and safety training for drivers; in 2017, 148 drivers participated in and completed the training program nine times.

The construction division operates job and class based education programs for all employees and managers of partners and provides systematic and effective customized education by developing independent education contents with consulting advice from professional education institutions. We also cultivate the potential of all employees to address health and safety management issues through constant activities on reinforcing their skills and raising safety awareness to create a safe business site.



Group Driver Training

#### Group Driver Training

Category	Unit	2015	2016	2017
Number of training sessions	Times	10	11	9
Number of trainees	Person	164	246	148



Health and Safety Education for Job and Class-based Employees in the Construction Division

### Safe Operation Management through Smart Integrated Logistics System

The logistics division has introduced the "Smart Integrated Logistics System" to manage freight vehicles and the status of operation. The Vehicle Control Center is capable of monitoring integrated system by identifying the current situation of each vehicle on a real-time basis through a mobile carrier communication network (WCDMA), including the location of the vehicle, route, transported freight, fuel consumption and speed. We also manage ten major safety indicators presented by the Korea Transportation Safety Authority, including sudden start, sudden stop and sudden acceleration, by analyzing digital driving records on a real-time basis. Drivers can ensure safe and effective driving by identifying vehicle dispatching instructions, freight information, loading and unloading area maps, notifications, nearby traffic accident information and safe driving indicator information through a mobile application.

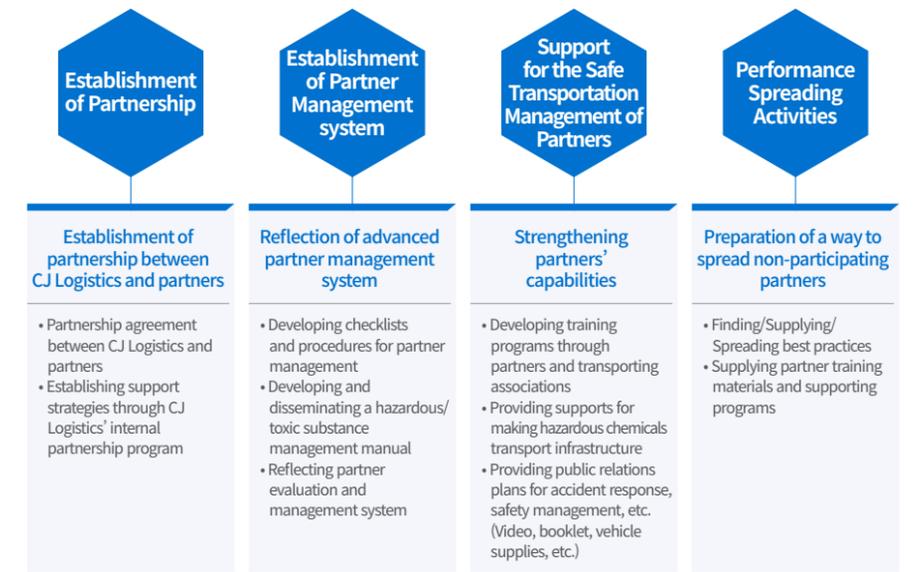
### Systemization of Safety Inspection in the Construction Site

The construction division conducts continuous regular and periodic safety inspections to improve the level of health and safety management in the construction site. To strengthen safety inspection, we have adopted expert inspection practices from 2017 checking construction equipment every two months, examining consulting and installation, and dismantling and constructing of a tower crane every three months. We also enact and operate the top seven special safety rules (high-place work, fire-related work, construction equipment, temporary power, temporary facilities, lifting work and enclosed space work) to comply with the construction site focused on high-risk tasks, and advance to accomplish safety management targets through strict implementation of basics and principles.

### Establishment of Safe Transportation Management System for Hazardous Chemicals

In 2016, CJ Logistics concluded the agreement of "Safety Partnership with Partners" and established a hazardous chemical transport management system with partners based on supply chain management in 2017. As a project for mutual cooperation among CJ Logistics, our partners, specialized external institutions and consulting agencies, the system develops and supplies safe transportation management manuals and solutions for partners and actively prevents accidents that can occur while transporting hazardous chemicals.

#### Hazardous Chemicals Transportation Management System



Win-Win Cooperation Group Meeting for Win-Win Cooperation Program



Supply and Wearing of Personal Protective Gear

### Partner Safety Management – Safety and Win-Win Cooperation Program

The logistics division has established and operated a win-win cooperation program for joint participation of partners led by a parent company to prevent accidents among partners with lack of information and investment capability for health and safety. The program aims to improve partners' capabilities for health and safety management, establishes and operates a sustainable health and safety cooperation system between CJ Logistics and partners by carrying out technical and financial support activities. We established a cooperation system between CJ Logistics and partners for five hub parcel terminals and six W&D centers. We also conducted various activities to build an autonomous safety system for partners, including a health and safety win-win cooperation group, risk assessment and compliance with four core safety rules in industrial sites. The logistics division not only seeks to secure the safety of partners at the same level of CJ Logistics, improve the capability of health and safety management, and reduce accidents, but also to solidify the implementation of responsibilities for partners and promote a win-win development by strengthening responsibilities for health and safety.

#### Performance of Win-Win Cooperation Program Implementation

Category	2016	2017	
Target	Six hub parcel terminals	Five hub parcel terminals	Six W&D centers
Evaluation (Class A/B)	Performance - Class B : Six Terminals	Expected - Class A : Two Terminals - Class B : Three Terminals	Expected - Class B : Six Terminals



# SOCIAL

## Background for Issue Selection

### Significance and Impact of Issues

Smooth communication with customers can serve as the basis to cope more swiftly with change in the management environments in a rapidly changing society. In addition, executives, employees and supply chains play a key role in operating a company. Thus, a company is required to create an industrial ecosystem to reinforce the capabilities of employees and grow with partner companies by creating a suitable corporate culture.

### Map of Core Issues



## Response of CJ Logistics



### Major Activities

- Expansion of social contribution connected to the local community
- Contribution to the development of local economy based on sports sponsorship
- Expansion of customer communication channels and reinforcement of response capabilities
- Selection and management of fair supply chain
- Reinforcement of respect for human rights and cultivation of global human resources



### Plan and Target

- Diversification of local community contribution by expanding the cooperation with stakeholders
- Continuous implementation of sports events to connect and contribute to the local community
- Improvement of customer communication/service and reinforcement of information protection
- Expansion of win-win management with partners, SMEs and startups
- Settlement of HR/cultural innovation system and continuous implementation of human rights management

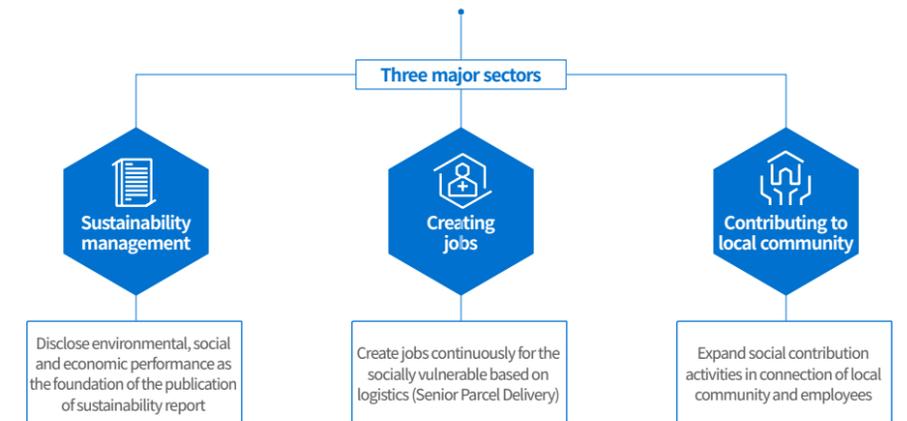
## Local Community

### CSV Implementation System

#### Three Major CSV Implementation Sectors

CJ Logistics fulfills social responsibility by connecting to the local community as a part of core CSV values. For this goal, we conduct various employee volunteer activities, encourage employees to participate in volunteer work and implement diverse social contribution activities.

Contribute to the nation and society by creating the best value through ONLYONE products and services



### “Employee Volunteer Group” as a Core of Spreading the Sharing Culture



### Volunteer Work Engagement of Employees in 2017

<b>Number of participants</b> <b>3,032</b> employees	<b>Participation rate</b> <b>97%</b>	<b>Hours of participation per employee</b> <b>7</b> hours/person
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## Eco-Friendly Social Contribution Activities



### Creation of Urban Forest to Improve Local Community Environment

Since 2016, CJ Logistics has created the “Hope Sharing Forest” at Hangang Park with local residents. About 600 people participated, including employees of CJ Logistics and their families, composed of people with and without disabilities. Participants planted about 1,000 trees. The annually planted forest is expected to remove 30,200kg of carbon dioxide and 135.3kg of fine dust a year. We also aim to contribute to improving the pleasant local community environment by absorbing vehicle emission and noise from the road near the Han River.



### DIY Air Cleaner for Air Purification

As the issue of air pollution is intensifying, such as fine dust, CJ Logistics began to implement a program called “DIY Air Cleaner” to improve employees’ awareness and encourage participation in reducing air pollution. With more than 80% of recycled parts, the DIY Air Cleaner can contribute to reducing environmental pollution when it is discarded. The product also provides a nearly zero burden of electricity charges as the annual fee is only KRW 500 (based on usage of 8 hours a day). DIY Air Cleaners are donated to the socially vulnerable.



### Recycling Soap and Crayons as an Activity for Virtuous Resources Cycle

CJ Logistics operates a volunteer program to raise awareness of the importance of resource recycling among employees. Participants make new crayons by reprocessing crayons, which are left at kindergartens and daycare centers. We also collect and reprocess soap, which are used only once or twice, into a new soap set and deliver such products to developing countries.



### Wha Shoop (Forest) Project for Eco-Friendly Ecological Education

Since 2015, CJ Logistics has supported the “Wha Shoop (Forest) Project,” a program to improve children’s ecological sensitivity of forests and raise awareness on environmental protection. We cooperate with professional institutions and local daycare centers to teach children the importance of nature and conduct ecological training to increase knowledge of ecosystem. In 2017, a total of 200 children participated in the program.

## Local Community Contribution Activities



### Transport Safety Campaign for Children Protection Sections

CJ Logistics implements the “Transport Campaign for Children Safety” to ensure the safety of local residents near the business site and reduce the rate of accidents. We conducted a campaign to reinforce the safety awareness of drivers and improve compliance with safety regulations. We will continuously conduct our campaign to reduce traffic accidents for children.



### Support in Connection with Local Senior Welfare Centers

CJ Logistics conducts various kinds of volunteer work by connecting employees with local welfare centers for senior citizens on a regular basis. For instance, we operate the “Lunch Box with Love” to provide meals and greet elderly people living alone. Our employees and 100 local residents made kimchi as volunteer work and delivered it to about 150 households of senior citizens living alone in Jung-gu, Seoul. We also implement kimchi-making volunteer work in major business areas and actively support the socially vulnerable people.



### Support for the Mobility Convenience for People with Severe Disabilities

Since 2012, CJ Logistics has regularly conducted wheelchair cleaning and repair work to enhance mobility for people with severe disabilities. We regularly visit facilities such as special schools and welfare centers for people with disabilities. CJ Logistics strives to improve convenience for people with disabilities through this activity.



### Support for Children in Local Communities

CJ Logistics operates various social contribution programs for supporting children in local communities. All employees participate in regular donations through “CJ Donors Camp,” CJ online donation platform, and come together to address the educational gap in socially vulnerable children. We also operate other projects by considering situations in each region such as Coloring Book Support Project for children with tumors, CJ Logistics Superrace Championship Dream Nurturing Expedition in connection with the company’s sports support project and career program in connection with business sites.

## Support for the Vitalization of Global Motor Sports



### CJ Logistics Superrace Championship

CJ Logistics Superrace Championship is Korea’s largest car race approved by the Korea Automobile Racing Association under the Fédération Internationale de l’Automobile (FIA). Launched in 2006, this race has contributed to the growth and vitalization of domestic motorsports. The Superrace Championship, which is currently held in Yongin, Inje and Yeongam, contributes to the local economy as an asset of tourism. It is a representative sports supporting project by CJ Logistics, which provides various cultural contents for local residents by connecting them to cultural events such as concerts in addition to motor races.

### Participation in the Global Transport Safety Campaign

CJ Logistics actively participates in the “Action for Road Safety,” a global transport safety campaign by the Fédération Internationale de l’Automobile (FIA) at the request of the UN as the supervising company of the Korea Automobile Racing Association. We also signed the “Ten Golden Rules” for supporting the global expansion of the campaign and disclosed our efforts to prevent traffic accidents and reduce damage. We will provide more support to improve driver behavior and enhance public awareness for transport safety.



### “Dream Nurturing Expedition” for Cultural Experience (Children and People with Disabilities)

CJ Logistics invites the socially vulnerable who are in need of help to the annually held “CJ Logistics Superrace Championship” and gives them the opportunity to experience culture. In 2018, we invited 36 delivery workers with developmental disabilities and 80 children in study centers near the event site and gave them the opportunity to experience the racing culture with our employees. In 2017, 90 children from local childcare centers participated in the event and experienced various forms of cultural infrastructure.



## Support for the Vitalization of Golf



### Searching for and Supporting Promising Golf Players

CJ Logistics proactively supports promising golf players to help them to become competitive global players under the philosophy of sponsorship searching for promising golf players. The sponsored golf players have exhibited great performance on the global stage and elevated the profile of CJ Logistics as well as Korea. CJ Logistics began its support in 2015 and currently sponsors a total of eight players in 2018. We have sponsored many golf players who went on to global fame, including Kim Si-woo, the youngest champion in the PGA Tour THE PLAYERS Championship.



### Golf Related Social Contribution Activities

CJ Logistics conducts volunteer work in connection with local children centers to support the hopes and dreams of local children with sponsored golf players. We also invited promising Korean golf players to the U.S. Masters championship and provided them with the opportunity to see the match and participate in the event as a caddy. We will expand various social contribution activities for the local community with golf players.

### Sponsorship for THE CJ CUP @ NINE BRIDGES

Since 2017, CJ Logistics has actively supported Korea's first PGA contest, "THE CJ CUP @ NINE BRIDGES." This contest is implemented to support Korean golf players to reach the global stage and vitalize the Korean golf industry. It also contributes to vitalizing the local community based on new cultural content. We will strive to contribute to developing the local community through proactive support.

## Customer Satisfaction

### Reinforcement of Customer Communication

#### Implementation Strategies

To ensure smoother communication with customers and reinforce capabilities for customer service, CJ Logistics has established three major strategies (innovation of customer response structure, changing the role of the customer center and enhancing service capabilities) and derived and managed core related tasks.

#### Operation of Customer Communication Channels

CJ Logistics has established various channels to strengthen customer communication. In terms of individual customers, we receive and address customer inquiries through the online customer center and care line. For corporate customers, we operate the "client portal system" to make efforts to communicate with client companies.

#### Management of Voices of Customers (VOC)

The VOC is managed by the Customer Satisfaction Team, and received VOCs are classified and managed in each type after providing customers with guidance depending on the characteristics of processing. In particular, in case of emergency VOC and severe claims, such case is immediately reported to the CEO or director of a division after determining the level of emergency. Then, the director convenes a Risk Management (RM) meeting depending on the case to establish and take measures. We also manage the ratio of having VOCs for complaints and claims, VOC processing lead time and share the materials for analyzing the current status of VOC on a regular basis to the entire company.



Learning-type AI Chatbot

#### Operation of AI Consulting System

In 2017, CJ Logistics introduced a learning-type artificial intelligence (AI) Chatbot for the first time in the parcel industry and allowed it to give responses to simple inquiries from customers at any time. Chatbot based on learning-type AI is able to have a natural conversation with customers and give answers to the overall issues faced by parcels. CJ Logistics derives big data from various customer opinions which are collected through the call center and makes chatbot to learn the data to give proper answers to customer inquiries. The introduction of Chatbot is expected to enable real-time response for customer inquiries and vitalize two-way communication with customers.

### Consumer-centered Management

#### Consumer-centered Management (CCM)

Consumer-centered management (CCM) is led and implemented by the Customer Satisfaction Team under the Chief Customer Officer (CCO). The Customer Satisfaction Team operates CCM, manages improvement activities, conducts response efforts for customer complaints and collects, analyzes and processes VOCs through the call center. We also establish strategies for CCM, conduct regular monitoring with a target and share related activities to the entire company through the company intranet.

#### Recertification of Consumer-centered Management (CCM)

In 2014, CJ Logistics received the certification of consumer-centered management (CCM) led by Korea Consumer Agency and certified by the Fair Trade Commission. In 2016, we received the recertification of CCM, which verified continuous management focusing on consumers. CJ Logistics aims to acquire recertification in 2018 as well.

### Management of Customer Satisfaction

CJ Logistics conducts safety surveys for corporate and individual customers and finds any improvement issues to enhance customer service. For corporate customers, we hold a satisfaction survey through the partner portal system once a year, while conducting a service satisfaction survey on mobile for individual customers. We also proactively participate in external evaluations and commit ourselves to improve customer service. CJ Logistics has received various awards from external institutions through various activities seeking the convenience of customers.

#### Major awards related to customer satisfaction

Award	Performance	Award	Performance
Korea's Most Admired Companies	1 <sup>st</sup> for 6 consecutive years	Korean Service Quality Index (KS-SQI)	1 <sup>st</sup> for 3 consecutive years
Korea Brand Star	1 <sup>st</sup> for 10 consecutive years	Korean Net Promoter Score (KNPS)	1 <sup>st</sup> for 2 consecutive years
National Brand Competitiveness Index (NBCI)	1 <sup>st</sup> for 6 consecutive years	Service Quality Certification	Certified

### Customer Satisfaction-related Activities

#### Selection as an Excellent Parcel Service Company

In the "Parcel Service Evaluation for 2017" among 16 domestic parcel companies led by the Ministry of Land, Infrastructure, and Transport, CJ Logistics received the level of B++ in the general parcel group (C2C, B2C). As an evaluation was conducted on the expeditious service, kindness, safety and differentiated characteristics of parcel service, CJ Logistics was evaluated as having the most excellent general parcel service among private companies.

#### Cultivation of Parcel Experts

CJ Logistics focuses on cultivating parcel experts to ensure prompt response for customer requests. We nurture professional parcel personnel by operating an education program utilizing actual best practices and an offline, in-person training program such as "Maintain Service Basics."

#### Award and Reward for Excellent Service Employees

CJ Logistics adopts and operates the "Service Certification System" to improve customer service. For excellent service employees, we give certification as well as incentive payments, which motivate the employees for their service mindset. We also have 12 assessment indicators for the objective company-wide evaluation of customer satisfaction and continuously check and improve our service quality.



Safe Delivery Culture Campaign

#### Safe Delivery Culture Campaign

In 2018, CJ Logistics conducted the "Making Safe Transport Culture Campaign" to create a "secure parcel" culture with the Seoul Metropolitan Police Agency. We provided about 130 delivery personnel with training for the Road Traffic Act, traffic laws, regulations and compliance for drivers and held a vehicle parade to cultivate the awareness of safe driving. In particular, as parcel workers deliver products in a designated section every day, those who first recognize any abnormal signs such as road fractures, damage to public facilities and unexpected accidents are these delivery personnel. By utilizing these activities, it is expected to boost the effects of ensuring community security regarding crime prevention and transport safety. In April, the company concluded the "Agreement for Community Security by Police-Private Partnership" with the Seoul Metropolitan Police Agency and agreed to deal with mutual sharing of crime vulnerable elements, creating the environment to prevent crimes, reporting missing people, reporting transport violation cases/crime-prone regions and engaging in pedestrian safety campaigns.

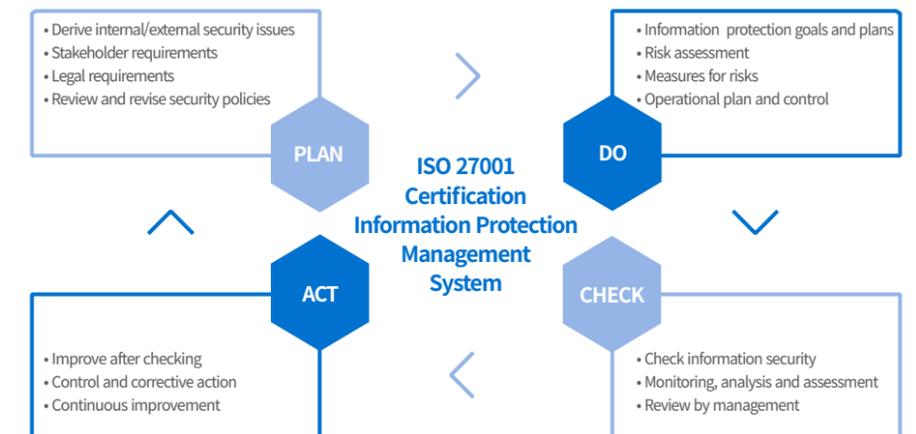
### Efforts to Protect Customer Information

#### Customer Information Protection System

As cases of personal information leakage are emerging as a social issue with the development of IT technology, CJ Logistics has established a preemptive system to protect customer personal information. To protect information, we comply with relevant laws such as the Information Protection Act, Act on Promotion of Information, Communication Network Utilization, Information Protection and establish independent personal information processing guidelines. We also guide customers for safe information management, including using, managing and discarding personal information, so that their information is not used for other purposes.

#### Certification of Information Protection System

CJ Logistics has acquired the information protection system certification to establish a global-level information protection system and prevent information protection risks. In 2009, we acquired ISO 27001, the international certification of the information protection management system, for the first time among total logistics companies. In 2017, we also acquired the ISMS, which is a domestic information protection management system certificate. We will continuously supplement and improve the system and more proactively manage customer information management by improving information leak prevention solutions.



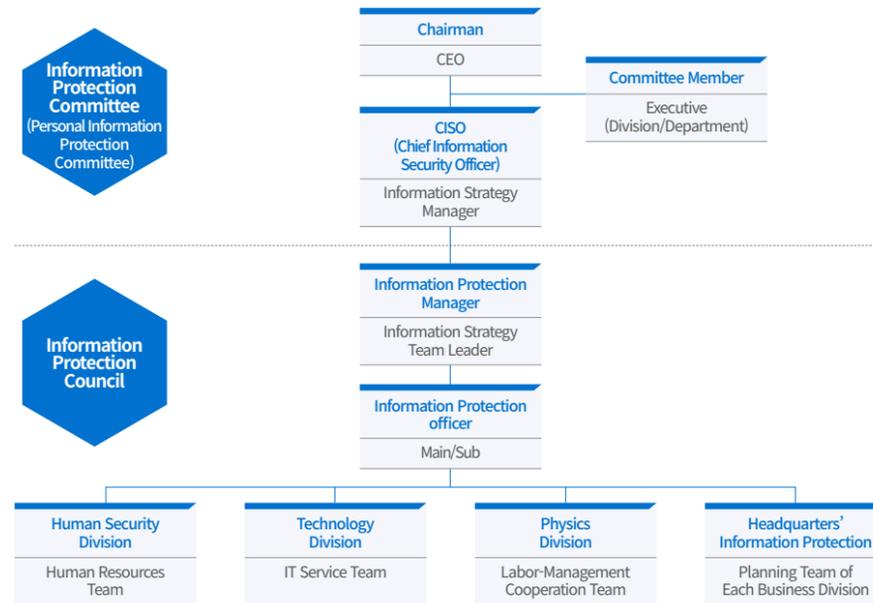
#### Establishment of Information Management Standards

To respond to internal and external security issues more swiftly, CJ Logistics amends and manages information security regulations once a year and performs continuous improvement activities by classifying the level of information assets and conducting a risk assessment. We provide employees with training to raise their awareness of the importance of personal information and make it mandatory for partners to sign an agreement to comply with information security. We also store invoices based on the Information Protection Act to prevent the leakage and exposure of personal information written in invoices in the process of loading and delivering products and discard invoices safely through a specialized shredding company. Only parcel data from the last three months can be searched through the business system, and the data are deleted after a 5-year backup period in accordance with the Framework Act on National Taxes.

### Information Protection Organization

The information protection system is operated under the responsibility of the CISO (Chief Information Security Officer) and customer service executives with the supervision of the CEO. We also hold quarterly meetings for the Customer Service Council, which is attended by committee members and information protection staff members of each division to share information protection issues and discuss measures for reinforcing the security system.

#### Information Protection Organization System Diagram



### Information Security Check

CJ Logistics implements regular security checks for the company and partners in cooperation with the CJ information security center. A security inspection is performed to check any technically vulnerable points on the website, server and database for partners and company-wide network as well as the inspection of the management and physical environment of business sites. We also check the level of compliance of the Personal Information Act among partners that are entrusted with the personal information of our customers for the purpose of business such as delivery with the aim of preventing any possibility of information leak outside.

### Activity to Raise Awareness for Personal Information Protection

CJ Logistics provides education and training for employees to prevent information leaks in advance and ensure a swift response in case of information protection issues. We also spread the awareness of security to the entire company by posting security-related newsletters and quizzes on the intranet.

## Win-Win Growth

## Supply Chain Management

### Supply Chain Management System

CJ Logistics reinforces the competitiveness of partners and conducts shared growth management based on the CJ's shared growth philosophy. In selecting a partner, we go through a fair and transparent process. For a selected partner, we establish internal regulations regarding the supply chain such as partner management measures and implement various supportive activities to establish a fair and transparent trade culture and reinforce partner capabilities. We will operate and manage sustainable purchase policies by setting and disclosing a target.

### Fair and Transparent Selection of Partners

The logistics division independently established the "Fair Trade Win-Win Operating Regulations" to launch fair trade relationships with partners and employees and recognize the significance of win-win cooperation. We also comply with the "Monopoly Regulation and Fair Trade Act," "Fair Transactions in Subcontracting Act" and "Three Major Guidelines for Fair Trade Win-Win Agreement" to consider transparency and fairness in operating the supply chain.

The construction division continuously finds excellent and competitive partners based on the partner registration process to secure the quality of construction and promote smooth construction performance. Open recruitment is performed on the website of CJ Logistics and credit rating institutions once a year, and a new partner is finally selected through the final evaluation and review based on the comprehensive partner evaluation table. Review is carried out based on construction and technical capability, financial stability and credit rating with additional points for sustainable management items such as safety and mutual cooperation education. We also comply with the "Framework Act on the Construction Industry" and "Fair Transactions in Subcontracting Act" to strive to establish a fair and transparent trade culture with partners.

### Partner Sustainability Evaluation

The logistics division evaluates existing partners as well as new partners for management and financial aspects (technology, quality, price) and sustainability factors (safety, compliance). We collect opinions from partners, share the direction of the company's policies and make improvements to reflect collected opinions to the company's policies.

The construction division performs partner evaluation on a regular basis, including on-site evaluation and headquarters evaluation twice a year for partners with trade records for a certain period. In particular, we assess construction capability and on-site management capability on a half-yearly basis through on-site evaluation and evaluate comprehensive risks through the headquarters evaluation in addition to the identification of partners' construction capability. Based on evaluation results, we select excellent partners and provide them with various benefits, including rewards for excellent partners, expansion of the opportunities for bidding participation and exemption of contract implementation guarantee insurance. Meanwhile, partners which fail to meet the standard are given sanctions such as limitations in bidding, cancellation of registration as well as a written statement of warning. CJ Logistics continuously prepares measures to search for outstanding partners continually and organize remarkable partners.

## Support for Partner Win-Win Growth



CJ PARTNERS DAY

### Reinforcement of Communication with Partners

CJ Logistics receive complaints and grievances from partners on the company's website for smooth communication with partners. Reported cases are immediately handled, and results are open to a person who reports a case.

The construction division operates a committee which is composed of excellent partners and holds various events such as CJ PARTNERS DAY, ACTIVITY DAY and partner meeting for each division for mutual development between CJ Logistics and partners. Through these activities, we have opportunities for communication over technology, quality safety, trends, suggestions and pursue win-win growth.

### Financial and Technical Support for Partners

Since 2012, the logistics division has established and operated a win-win fund worth of KRW 36 billion to support the financial stability of small- and mid-sized partners. In 2017, 00 partners were provided with loans at reduced interest rates through the win-win fund. This achievement not only addresses financial difficulties of partners, but also helps to strengthen their own competitiveness. We also strive to give partners financial support by providing scholarships for their children and operating the donation system for family events.

The construction division supports joint technology and R&D to reinforce competitiveness by securing the future growth engines of partners. We proactively strengthen partners' independent capabilities for technology development by conducting joint research and development for new construction-related technologies and products and providing grants.

### Education Support for Partners

The construction division operates education courses covering construction jobs, Fair Transactions in Subcontracting Act and Construction Industry Act to improve the job capabilities of employees. Training was completed by 122 employees in 2016 and 112 employees in 2017. We commit ourselves to ensure win-win growth with partners through continuous support for education.

### Support for the Welfare and Benefits of Outsourced Delivery Personnel and Improvement of Working Environment

The logistics division operates the welfare and benefit system and supports outsourced delivery workers for the first time in the industry. For instance, we provide support for children's school expenses and family events for partners' employees, medical check-ups and capacity-building training. From 2014, we have operated the "Medical Checkup Bus" to support medical check-ups and health management for outsourced delivery workers. We also support delivery for family events. To improve the logistics site, we introduced the "wheel sorter (automatic sorting system)" and reduced a significant amount of time for product classification. CJ Logistics will continuously improve the quality of life and working environment for outsourced delivery personnel and strive to improve customer satisfaction.

## Win-Win Growth with SMEs

### Operation of Public Logistics Center for SMEs

In 2016, the logistics division concluded the "Agreement for the Development of Public Logistics and Distribution" with the Gyeonggi Provincial Government to cultivate SMEs and startups. The agreement covers the installation of the "Public Logistics Center" in a size of 2,000m<sup>2</sup> in the Gunpo Logistics Complex.

SMEs and startups which determine to be included in the Public Logistics Center are provided with various supports to enhance competitiveness in logistics such as reasonable rental fees and logistics operation. CJ Logistics aims to prepare a stepping stone for corporate growth in addition to increased sales among SMEs and startups, as well as actively participate in vitalizing the sharing-type market economy.

### Support for SME Logistics Service

In 2017, the logistics division signed various agreements to ease the burden of SME logistics. For instance, we signed an agreement with the Korea Federation of SMEs to alleviate the burden of parcel fees among SMEs and merchants and provided not only business marketing and advice, but also one-on-one customized parcel service consultation considering the characteristics of SMEs and merchants. We also concluded the agreement with the Korea Chamber of Commerce and allow for 165,000 member SMEs to use logistics service at a discounted price.

### Support for Reinforcing the Competitiveness of Export by SMEs

In 2016, the logistics division signed an agreement with the Small and Medium Business Administration to improve the logistics environment in China for SMEs. CJ Logistics provides consistent logistics service and small-scale common freight logistics service to reduce the logistics cost for exporting SMEs. We will also support exporting companies to advance into the overseas market by utilizing our global network and reinforce competitiveness in export for SMEs facing the difficulty of establishing independent overseas logistics systems by providing one-stop logistics service, including air transport, shipping, unloading, storage, customs and delivery.

### Searching for Outstanding Logistics Startups

In 2018, the logistics division held "CJ Logistics Startup Challenge League 2018" as an open innovation platform. The contest aims to search out and to cultivate startups with remarkable technologies in the era of Industry 4.0 such as augmented reality (AR) and image recognition (Vision) and develop joint technologies. Through strict evaluation by internal and external panellists, four teams were finally selected and performed tasks, and the team who won the Grand prize were given the opportunity to develop joint technologies with CJ Logistics.

### Support for Reinforcing the Competitiveness of Logistics Startups

The logistics division proactively supports technology development for logistics startups to create an industrial ecosystem. For this activity, we provide support for sourcing technologies, business cooperation, professional mentoring and investment for logistics startups. In particular, we have engaged in the creation of an ICT fund worth KRW 30 billion implemented by CJ Group for the growth of startups and actively cooperated with promising logistics startups and supported the search for technologies.

**CASE**

**Startup Partnership Business by Logistics Division**



**“Long-term storage service after laundry” by unmanned laundry convenience store startup Penguin House**

In 2018, CJ Logistics launched a project for "long-term storage service after laundry" with startup Penguin House. With the service, customers' laundry is stored for three years at a maximum and can be delivered by parcel when customers want. Laundry after being washed is moved and stored at the garment storage center of CJ Logistics and developed by parcel to customers at the time when customers want. Through our capability for storing and delivering products, we are able to cooperate with a startup and provide customers with new service.



**“Last mile customized delivery” by logistics startup MeshKorea**

In 2016, CJ Logistics cooperated with logistics startup MeshKorea, which established a delivery service with two-wheeled vehicles. We have started service to move products to the logistics center of MeshKorea and deliver products with MeshKorea's quick delivery service by motorcycle. This service will be the basis for securing differentiated competitiveness in delivery.



**“Homepick Service” with logistics startup ZOOMMA**

CJ Logistics has operated the homepick service to pick up products at the time and place where customers want in cooperation with logistics startup ZOOMMA as well as SK Energy and GS Caltex. Homepick parcels pick up parcels at the time and place desired by customers and deliver products to our delivery personnel. Unused areas in gas stations across the country are utilized as a freight terminal. By introducing this service, it is expected to not only enhance customer convenience, but also have a job creation effect and reduce the amount of work for delivery workers.

## Human Resource Management



New Employees by Open Recruitment for High-School Graduates

### Respect for Human Rights

CJ Logistics respects the human rights of all workers and stakeholders, including our employees. Thus, we prohibit any discrimination on gender, academic background, ethnicity and age and provide support to ensure that all workers can freely work based on their aptitude and capability. We also systemically check and manage key issues regarding human rights protection such as the prohibition of child labor and gender discrimination. CJ Logistics recognizes that the issue of securing diversity and complying with the principle of prohibiting discrimination is a crucial element in raising corporate competitiveness and strives to reflect this issue in our management system continuously.

#### Employment of the Socially vulnerable in 2017 (based on accumulated data)

Category	Employees (person)	Percentage(%)
People with disabilities	80	1.4
Female	822	14.8
National veterans	70	1.2

\* Including regular and contract workers

### Human Resource Recruitment

#### Human Resource Policy

The human resources policy of CJ Logistics is operated based on the CJ Group's HR system. With a focus on the group's philosophy of "top priority in human resources," we recruit the best and most talented human resources based on their capabilities. Through a fair and transparent recruitment process, we also prevent any potential discrimination in the selection process.

#### New Recruitment in 2017

Category	Unit	Employees (person)
Total newly recruited employees	Person	562
Type of employment	Regular	381
	Contract	181
Age	Under 30	344
	30 - 50	206
	Over 50	12
Gender	Male	364
	Female	198



New Employee Training

### Human Resources Cultivation

#### New Employees Cultivation Program

CJ Logistics spares no effort and constantly invests in our new employees to become the best specialists possible. We provide a training course with a total of four stages composed of elementary training, business idea proposal project, on-site training and camp for designing a vision two years after joining the company.

### Job Capacity-Building Program

CJ Logistics runs a job capacity-building program, which is composed of four stages in each level, to boost the capabilities of employees. We operate the SCM Consulting Academy, which is made up of three total stages at level 4, and nurture best-level consultants who have both theoretical expertise and practical experiences. We also operate a job circulation system for employees in the global division and support them to develop their job capabilities.

### Global Human Resources Nurture Program

CJ Logistics operates overseas dispatch programs such as GE and GEP to reinforce global capabilities of individual employees and actively support the expansion of global business. We also operate global self-training programs such as Global Knock, Global Voyage and Global Insight Program in order to support employees to build their global capabilities.



Global Voyage

### Global Human Resources Nurture Program

#### Overseas Dispatch Program

<b>GE (Global Expert)</b>	<ul style="list-style-type: none"> <li>A program to nurture of candidates for overseas dispatching in advance to prepare for expanding business in a strategic country such as M&amp;A and establishment of a new branch</li> <li>Discover and nurture excellent global talent through GE programs</li> </ul>
<b>GEP (Global Expatriate Pool)</b>	<ul style="list-style-type: none"> <li>Nurture a pool of candidates for overseas dispatching to nurture and manage human resources in advance to prepare for expanding global business</li> <li>Secure 150 employees a year</li> </ul>

#### Global Self-Training Programs

<b>Global Knock</b>	<ul style="list-style-type: none"> <li>A global program designed by employees who want to experience global training and non-paid leave system for language training, global job training and experience (continuous service approved)</li> <li>For employees working for 5 years or more and having the qualification of language (IM2 level of OPIc) or higher</li> </ul>
<b>Global Voyage</b>	<ul style="list-style-type: none"> <li>An overseas business site experience program for three nights and four days days based on countries with major global business</li> <li>For all employees who are promoted to a new leader</li> </ul>
<b>Global Insight Program</b>	<ul style="list-style-type: none"> <li>Program for obtaining and expanding global business insight in connection with overseas business trip</li> <li>For all employees going on an overseas business trip</li> </ul>

## Performance Evaluation and Reward

### Focus on Job Performance

In a new business environment of the rapidly changing global competitive era, CJ Logistics seeks to adopt a performance-centered culture to improve the performance of employees. We operate a promotion system without discrimination based on jobs and capabilities with reasonable rewards for job value and contribution to job performance. Through the PMDS (Performance Management & Development System), we integrate the management with the process of goal setting, interim inspection and performance evaluation and ensure that the goals of both employees and the company can be achieved together.

### Performance-Based Reward System

CJ Logistics implements a transparent performance evaluation and reward system to guarantee fair evaluation and reward benefits. We provide new employees with the same wage regardless of gender and determine the level of wage by applying five different levels of performance evaluation based on the wage of each job level. In terms of evaluation, we assess a comprehensive long-term process of conducting work rather than short-term job performance. In particular, the company operates GCP 2020\* challenge incentive system, which not only achieves GCP goals, but also gives additional group incentives, and provides employees with opportunities for more active challenges and growth.

\* GCP 2020: Abbreviation of Great CJ Plan, which is the CJ Group's management goal of 2018

## Improvement of Corporate Culture



Go Food Truck

### Creation of Interacting Corporate Culture

With the aim of vitalizing communication among employees, CJ Logistics performs various communication activities with the CEO through on-site visits and meetings with employees. Since 2017, we have been operating the “Customized Visiting Workshop for Change and Innovation” to reinforce the organizational power and establish a healthy organizational culture. We have a communication channel between the CEO and employees by planning various contents and introducing cases of change and innovation through the internal broadcasting CKN on every Thursday. For employees in the distribution sites, we operate the programs of “Go Food Truck” and “Go Lunchbox” to boost their morale and provide warm breakfast by visiting local parcel branches and distribution centers on a regular basis.



ICON Leader Workshop

### Selection and Operation of “ICON Leaders” for the Innovation of Organizational Culture

CJ Logistics operates ICON Leaders for the innovation of organizational culture based on communication with employees. ICON represents innovation, communication, outcome and encouragement. ICON Leaders, who are selected in each organization of the headquarters and business sites, perform activities for change and innovation in each organization based on monthly selected themes to motivate employees.



Camp for Change and Innovation of Female Employees

### Career Development Coaching for Employees (Women and Juniors) and Support for the Establishment of Internal Network

CJ Logistics operates “Change and Innovation Camp” to develop capabilities and motivate employees (women, workers in a junior position). We provide career development coaching for female and junior employees in each organization and implement a customized program for expanding the network.

### Vitalization of Employee Clubs

CJ Logistics supports the operation of clubs to boost employees’ morale and enhance work efficiency. As a total of 104 clubs are currently in operation, we give awards to excellent clubs to encourage employees to participate in clubs and attract their attention. In May 2018, we held the “3rd CJ Logistics Club Festival” for exchanging and communing among divisions.

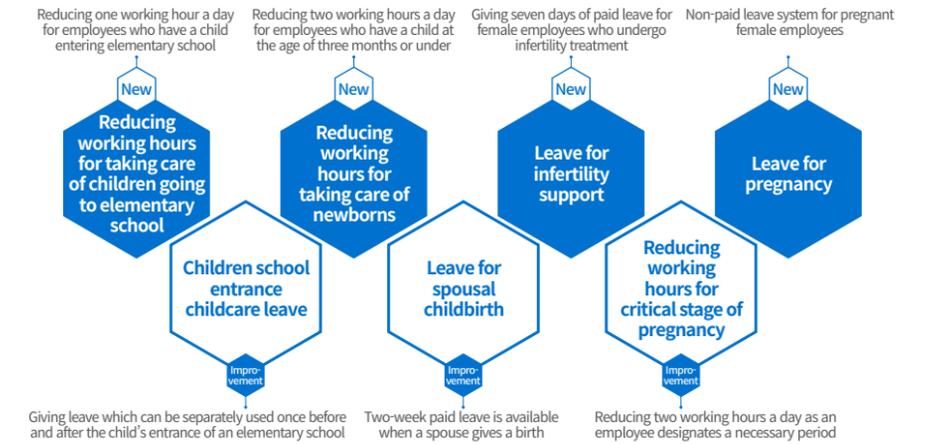
### Psychological Counseling for Employees and Grievance Handling System

CJ Logistics operates a psychological counseling center for employees (Hyu Clinic Center) and employee grievance counseling system (Tong Tong Tong) to address various issues internally and externally experienced by employees. With such programs, we support counseling for various themes from personal issues to difficulties with work. “Hyu Clinic Center” is connected to an external professional counseling center, while “Tong Tong Tong” is operated to give a reply within seven days when grievances are reported on the corporate intranet.

## Reinforcement of Support for Employees Childcare

In order to reduce the burden of childbirth and childcare for employees, and build a stable working environment, CJ Logistics strengthened support for the care of our employees. As this support system which targeted to all employees, the company introduced various new systems in addition to the improvement of existing leave systems.

### Childcare Support System for Employees



### Introduction of New Vacation System

CJ Logistics has launched various vacation systems to create a culture where employees thoroughly take a rest whenever they can. We adopted the planned annual leave system to increase the availability of individual annual leave by allowing employees to make a plan in advance for five or more days of vacation twice a year. We also help employees to use more annual leaves by utilizing other days right before and after holidays. In addition, CJ Logistics has adopted an hour-based leave system where employees can use leave at an interval of two hours and reinforced mobile-off campaign to prevent direction for work utilizing social media after leaving the office or during holidays.

## Labor-Management Relations

### Establishment of Sound Labor-Management Relations

CJ Logistics prevents any unnecessary conflict and dispute based on mutual trust to establish win-win labor-management relations and communicates with each other based on rationality and principles. As a result, we have continued 58 years of history without any dispute and conflict in all business sites and achieved the outcome of concluding wage and collective agreement without negotiation for 19 consecutive years.

### Operation of Labor-Management Council

CJ Logistics makes an effort to improve productivity and promote welfare for employees through engagement and cooperation by establishing the labor-management council. The labor-management council holds a quarterly meeting as well as a temporary meeting in case issues arise. Agenda issues are determined with regard to management plans in accordance with the Act on the Promotion of Worker Participation and Cooperation, outcome distribution based on improved productivity, welfare enhancement for employees and grievance handling.

### Performance of the Operation of Labor-Management Council in 2017

Category	Issues discussed	Issues agreed	Percentage of agreement
Management	6	6	100%
Labor union	4	4	100%
<b>Subtotal</b>	<b>10</b>	<b>10</b>	<b>100%</b>



# GOVERNANCE

## Background of Issue Selection

## Significance and Impact of Issues

Unfair practice and unethical issues in companies can undermine trust. Thus, it is required not only to ensure external growth, but also to establish a law-abiding culture suitable for global standards for advanced corporate operation. CJ Logistics will create a fair and transparent business environment based on a company-wide legal compliance culture. We will also systemically manage risk factors in corporate business activities and leap forward into becoming one of the global top five logistics companies.

## Response of CJ Logistics



Major Activities

- Creating a transparent corporate management system
- Strengthening risk management system
- Expansion of compliance training and inspection



Plan and Target

- Strengthening the board's independence and professionalism
- Expansion of risk management and monitoring
- Settlement of fair and ethical corporate culture

## Governance Structure

### Board of Directors

#### Composition of the Board of Directors

As of March 2018, the Board of Directors is composed of total seven directors, including three executive directors and four non-executive directors. The tenure of a director is three years, and when the tenure is terminated, a director is reassigned through evaluation for activities during his or her term of office. We also have separate committees in the Board of Directors such as the Audit Committee, the Non-Executive Director Candidate Recommendation Committee and the Reward Committee, all of which help to ensure efficient operation and a professional decision-making process.

#### Current Status of the Board of Directors

(As of March 2018, ●: Chairperson, ○: Member)

Position	Name	Year of initial appointment	Major career	Committee in the Board of Directors		
				Audit Committee	Non-Executive Director Candidate Recommendation Committee	Reward Committee
Executive Director	Keun-Tae Park	2015	Former Chairman of Daewoo International China		○	●
	Kwan-Soo Shon	2014	Former Chairman of CJ GLS			○
	Chun-Hak Kim	2018	Former Chairman of CJ E&C			○
Non-executive Director	Do-Yeop Kwon	2015	Current Advisor for Kim & Chang Former Minister of Land, Transport and Maritime Affairs	●	○	○
	Gap-Yeong Jeong	2018	Current Honorary Professor of Yonsei University Former Dean of Yonsei University	○	○	○
	Yeong-Seon Yun	2015	Current Non-Standing Director of Samsung Press Foundation Former Chairman and President of Kyunghyang Shinmun	○	●	○
	Yeong-Seung Song	2018	Current Non-Standing Director of Samsung Press Foundation Former Chairman and President of Kyunghyang Shinmun	○	○	○

#### Committees in the Board of Directors

The Board of Directors has three subcommittees, including the Audit Committee, the Non-Executive Director Candidate Recommendation Committee and Reward Committee. Each committee performs monitoring to secure the independence, transparency and fairness in the corporate governance structure.

**Audit Committee** | Secure the legitimacy and transparency of accounting and fairness of management to audit accounting and work, investigate property and appoint or change external auditors

**Non-Executive Director Candidate Recommendation Committee** | Secure independence by selecting qualified people in accordance with legislation, articles of incorporation and regulations in the Board of Directors and recommending non-executive director candidates and composing all non-executive directors

**Reward Committee** | Secure fairness in evaluating performance indicators for reward policies for executives and long-term incentives

#### Independence and Professionalism of the Board of Directors

A director is appointed in a general meeting of shareholders, and director candidates are selected by the Board of Directors, the Non-Executive Candidate Recommendation Committee and determined by agenda. The Non-Executive Candidate Recommendation Committee has four non-executive directors among five directors to ensure the majority of non-executive directors among total directors. Non-executive directors are entitled only to work concurrently for one other company than CJ Logistics in accordance with the Commercial Act. We comprehensively consider professional knowledge and practical experiences in various sectors when selecting a non-executive director to enhance professionalism. As a result, non-executive directors are composed of experts in logistics, business administration, economics and laws and perform the function of practical monitoring and checking in specialized sectors for company management.



## Risk Management and Response

### Risk Management Types

CJ Logistics classifies and manages financial risks, including operational risk, market risk and regulatory risk having an impact on business, and non-financial risks regarding employees and customers.

### Types and Elements of Risk Management

Category	Risk management types	Risk factors
Business	Operational risk	Organizational process design, etc.
	Market risk	Exchange rate risk, interest rate, liquidity, etc.
	Regulatory risk	Changes in related systems and policies, etc.
Employees	Labor and management risk	Strikes, labor conflict, etc.
	Illegal and unfair activity risk	Unfair trade, embezzlement, bribery, sexual harassment, etc.
	Safety and environment risk	Personnel/equipment accident, environmental pollution, natural disaster, etc.
Customers	Customer relationship risk	Complaints, objections, etc.
	Information security risk	Information leak, system failure, etc.

### Taxation Risk

CJ Logistics strictly manages taxation, complies with taxation-related laws and regulations and ensures full payment of taxes for all business activities. As we conduct business in various countries, we honestly and transparently comply with taxation laws in each country. In addition, if tax-related decisions need to be making during the course of business operation, a dedicated organization is working with related departments to make final decisions.

### Mid- to Long-term Risk Response

CJ Logistics continuously analyzes internal and external management environments, identifies risks which can have a crucial impact on overall business in the mid- to long-term perspective and establishes and implements measures for effective response through analyzing aspects.

### Mid- to Long-term Risk Response

Category	Background	Response direction
<b>Increasingly competitive global market</b> 	•The market competitiveness of logistics companies who offer transportation services based on networks will be affected by a range of factors including securing new bases, introducing advanced technology and service innovation. Competition in the industry is intensifying as global total logistics services improve, and for this reason, we need to establish a mid and long-term response strategy.	•We expand our business scope to new global markets including M&A deals while making continuous efforts to provide differentiated services to our customers through R&D activities. We also strive to secure market competitiveness early, enhancing our consumer and brand credibility through quality improvement.
<b>Adaptation to climate change</b> 	•Responding to climate change has become a major issue in the international community. As government regulations are changing including the GHG target management system and emissions trading system, changes in the energy paradigm are also accelerating. •For logistics companies that use various modes of transport to conduct their business activities, there is a growing need to manage the financial impacts of environmental regulations.	•We are committed to managing greenhouse gas emissions at our business sites, and make efforts to reduce emissions through the economic operation of transportation. In addition, we will focus on reducing environmental impact by establishing mid- to long-term strategies to respond to the demand for eco-friendly logistics and strengthening environmental regulations.
<b>Customer information protection</b> 	•Due to the advancement of the information society, social interest in the protection of personal information is steadily increasing. •In particular, legal regulations on the management of personal information collected in business activities are expanding. The level of a company's information management system becomes a crucial issue which can affect customer relations.	•We are strengthening the maintenance and management of our personal information management system (ISO27001, ISMS) certification to reinforce our customer information protection system and ensure compliance with government regulations. The Information Strategy Team, a dedicated organization, focuses on monitoring and reinforcing information access control continually so that we can preemptively respond to personal information leakage incidents.

## Compliance Management

### Fair Trade Compliance Program

#### Operation of Fair Trade Compliance Program

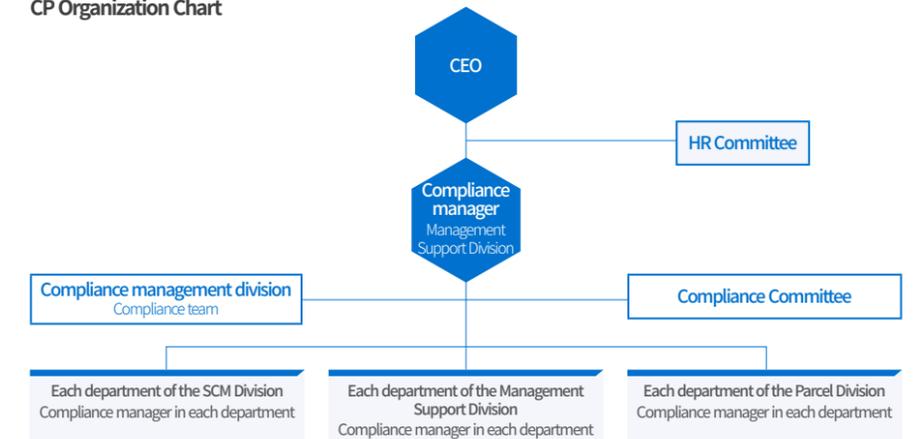
In 2017, CJ Logistics launched the compliance program (CP). The CP presents concrete code standards for legal compliance based on the Fair Trade Act and Fair Transactions in Subcontracting Act and helps to prevent risks for violation of the Unfair Competition Prevention Act.



#### CP Operational Organization

CJ Logistics appoints the fair trade compliance manager under the CEO and organizes the compliance department and committee to promote responsible CP operation. We also designate compliance managers for each business department and management support division.

#### CP Organization Chart



Training for Compliance Program in Each Department

#### CP Training

CJ Logistics provides regular CP training to establish CP at an early stage and enhance compliance capabilities among compliance managers of each department. In 2017, we designated 250 compliance managers for each department, and all compliance managers completed regular CP training. We also provided further, intensive training for all employees of departments with a high possibility of legal violation, including parcel delivery drivers.

#### Pre-CP Monitoring

CJ Logistics conducts regular monitoring and checks the implementation of compliance management to prevent risks related to fair trade more actively. In 2017, we conducted interviews and completed checklists for monitoring targets in six business sites for the first and second half of the year. It checked for any infringement of the Fair Trade Act and Fair Transactions in Subcontracting Act.



Compliance Management Handbook



CP Letter



Compliance Management Website

Link <http://www.cjlogistics.com/ko/page/law-observance/will>

### Creation of Compliance Management Handbook

In 2017, CJ Logistics prepared a compliance management handbook to reinforce law-abiding awareness through easy access to compliance guidelines. After, we distributed the handbook to all departments of headquarters and local business sites. The handbook includes compliance management guidelines and codes of conduct for employees to comply with relevant laws such as the Fair Trade Act, Fair Transactions in Subcontracting Act and Improper Solicitation and Graft Act.

### Creation of CP Letter

In 2018, CJ Logistics has started to create and distribute CP Letters to increase the interest in CP and encourage autonomous participation in compliance management. The CP Letter covers the latest legal enactment and amendment news and policy trends by the Fair Trade Commission.

## Reinforcement of Communication for Compliance Management

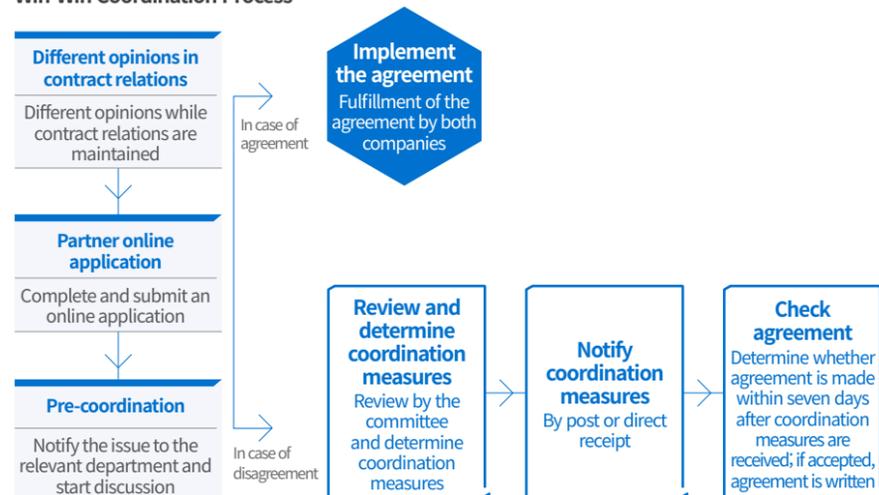
### Establishment of Compliance Management Website

CJ Logistics has established a compliance management website to promote the company's compliance management and CP activities, internally and externally both manage CP activities systemically. On the website, we encourage employees to share CP materials engaging in compliance management autonomously. We expect to strengthen risk management with regards to compliance management as CP operation becomes more vitalized.

### Win-Win Coordination Committee

In June 2017, CJ Logistics launched the Win-Win Coordination Committee to address conflicts between the company and partners in advance and built a long-term communication system with partners. The Win-Win Coordination Committee plays a role in addressing conflicts in advance by suggesting a solution based on detailed rules before issues become worse when there is any difference in opinions for an agreement or problem in implementing with partners. The committee also listens to grievances and opinions from partners and makes a suggestion to reflect such opinions. The Win-Win Coordination Committee has members consisting of the Business Support Director, Strategic Support Director and each division director under the leadership of Management Support Director, in addition to the Legal Affairs Director as an assistant administrator.

### Win-Win Coordination Process



### Communication Channels Regarding Compliance Management

CJ Logistics receives reports and opinions on unfair trade practices and suggests improvements in the process of contract and trade on the website. Personal information of a person who reports a case is thoroughly confidential and protected to have no disadvantage.

#### Report of unfair trade

Cases are reported through the VOP (Voice of Partners), a channel to report grievances from partners with regard to unfair and improper issues, unfair trade practices and improvements in trade relations with CJ Logistics.

Link <https://www.cjlogistics.com/ko/utility/law-observance/counsel>

#### Cyber Audit Office

The Cyber Audit Office receives reports for unfair tasks, illegal requests using a position and personal corruption cases of the employees of CJ Logistics.

Link <https://www.cjlogistics.com/ko/utility/law-observance/receipt>

### Operation of Social Contribution Committee

CJ Logistics operates the Social Contribution Committee to strengthen transparency in executing donations and respond to requests for reinforcing social ethics management. The committee is composed of the CEO, CFO and compliance assistance director in addition to CSV management team leader as an assistant administrator. For transparent execution of donations, we have made it mandatory to conduct the review by the Social Contribution Committee for any donations with an annual sum of KRW 100 million or more from 2018. For donations with an annual sum of KRW 1 billion or more, prior review should be conducted by the Social Contribution Committee, followed by resolution as an agenda by Board of Directors (resolved in favor of two-thirds of the Board of Directors). In the first half of 2018, donations with an annual sum of KRW 1 billion or more (2 cases) were executed after the review and resolution of the Social Contribution Committee and Board of Directors.

# SUSTAINABILITY FRAME

## Stakeholder Engagement

### Definition of Stakeholder

A stakeholder refers to a group or individual who has an impact on corporate management performance and activities or is affected by the results of corporate management activities. CJ Logistics predicts change in the future environment and engages stakeholders in the innovation process by considering it as part of corporate strategy. We also listen to the opinions from stakeholders and prevent potential risks in advance.

### Stakeholder Engagement Channel

CJ Logistics implements stakeholder-based engagement management by expanding communication channels with stakeholders. We collect and accept feedback by securing communication channels for major stakeholders and reflect results in the Board of Directors and major management decisions.

Major stakeholders	Communication channels	Major issues in 2017
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Customer care center: online/call center</li> <li>• Customer satisfaction survey</li> <li>• Parcel application</li> <li>• AI Chatbot and Visible ARS</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of customer communication channels</li> <li>• Enhancement of customer satisfaction</li> <li>• Improvement of customer inconveniences</li> </ul>
<b>Partners</b> 	<ul style="list-style-type: none"> <li>• CJ Partners Club</li> <li>• Cyber Ombudsman</li> <li>• VOP (Voice of Partner)</li> </ul>	<ul style="list-style-type: none"> <li>• Win-win cooperation</li> <li>• Shared growth</li> <li>• Fair trade compliance</li> </ul>
<b>Shareholders</b> 	<ul style="list-style-type: none"> <li>• General shareholders meeting</li> <li>• Quarterly and annual IR activities</li> <li>• Participation in domestic and overseas conference</li> <li>• 1:1 meetings, e-mails and conference calls</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of mid- and long-term strategies</li> <li>• Business portfolio</li> </ul>
<b>Local communities</b> 	<ul style="list-style-type: none"> <li>• CSV/Local community contribution activities</li> <li>• Partnership with NGOs</li> <li>• Sports sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of social contribution participation by employees</li> <li>• Diversification of programs for local community contribution</li> <li>• Social contribution connected with sports</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Labor union</li> <li>• Channel CJ, KKN, Nim Newsletter</li> <li>• In-house proposal section, Knowledge DB, ICON Plaza, Club (COP)</li> <li>• In-house campaigns, member conferences, workshops, company-wide committee</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building for employees</li> <li>• In-company communication and networking</li> <li>• Work and life balance</li> </ul>

# Materiality Test

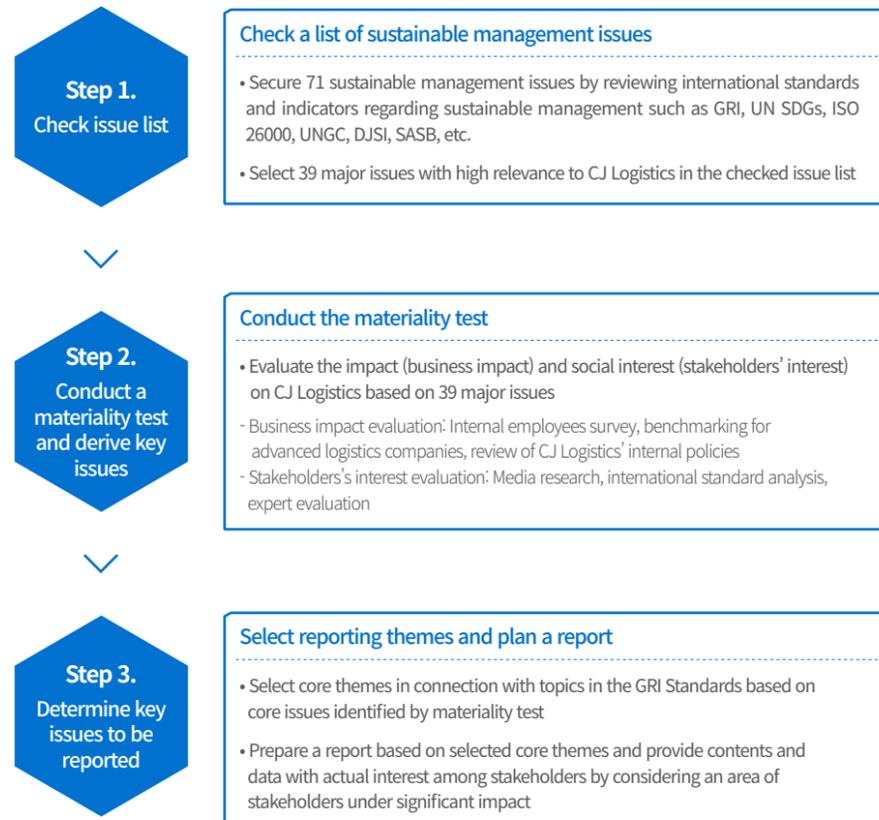
## Materiality Test Overview

### Materiality Test Principle

CJ Logistics conducted a materiality test by comprehensively reviewing the interest of internal and external stakeholders in sustainable management issues and business impact. The materiality test was carried out based on the “principles for selecting materiality issues” in the materiality test sustainable management GRI (Global Reporting Initiative) Standards. For selected core issues, we considered their impact on the company and stakeholders’ interest and focused on reporting more details in the “CJ Logistics Sustainability Report 2017-2018.”

### Materiality Test Process

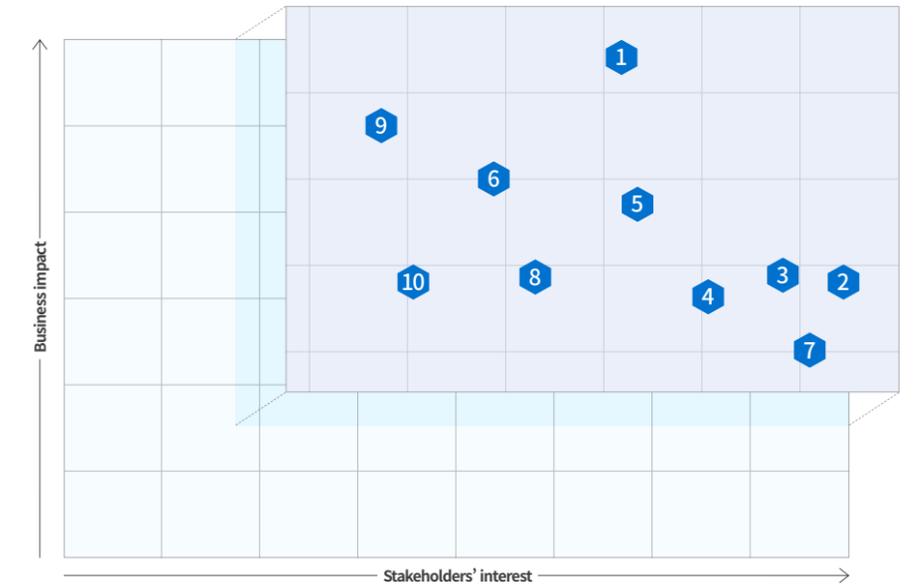
The materiality test was conducted through the process of identifying issues, assessing materiality, identifying core issues, and determining core reporting aspects. In selecting core issues, we utilized media research, global company benchmarking, survey and expert evaluation and actively reflected opinions from internal and external stakeholders for the sustainable management of CJ Logistics.



- 1 Reduction of environmental impact of logistics and transport
- 2 Management and reduction of GHG emissions
- 3 Reinforcement of health and safety management system for employees
- 4 Performance of social contribution activities considering the characteristics of local community
- 5 Efforts to revitalize the economy of local community
- 6 Contribution to vitalizing indirect economy through business
- 7 Reinforcement of win-win growth policies and activities
- 8 Strengthening logistics infrastructure and R&D capability
- 9 Expansion of business based on logistics and construction
- 10 Expansion of employment and securing employment stability

## Results of the Materiality Test

CJ Logistics derived a total of ten core issues out of 39 issues as a result of the materiality test. The core issues are those issues that are of common interest to stakeholders and have an impact on management activities.



Through ongoing consultation with related departments, we have ensured the sustainability of actual business activities by taking into account systematic management and reflection of future business processes. In addition, we will continue to develop the materiality assessment system by expanding participation in stakeholder assessment of materiality and listening to feedback.

No.	Sector	Core issues	GRI Standards Topics	Page
1	Environment	Reduction of environmental impact of logistics and transport	Energy Water Emission Wastewater and waste	40-43, 81
2	Environment	Management and reduction of GHG emissions	Energy Emission	40-43, 81
3	Health & Safety	Reinforcement of health and safety management system for employees	Occupational Health and Safety	44-47
4	Community engagement and development	Performance of social contribution activities considering the characteristics of local community	Local community	22-25, 48-52, 83
5	Community engagement and development	Efforts to revitalize the economy of local community	Local community	22-25, 48-52, 83
6	General economy and management	Contribution to vitalizing indirect economy through business	Indirect economic effect	22-25, 48-52, 83
7	Supply chain	Reinforcement of win-win growth policies and activities	Competition hindrance practice	57-59
8	General economy and management	Strengthening logistics infrastructure and R&D capability	Economic performance	26-37
9	General economy and management	Expansion of business based on logistics and construction	Economic performance	26-37
10	Labor and human rights	Expansion of employment and securing employment stability	Diversity and equal opportunity	22-25, 60-61, 82-83

## UN SDGs

### Efforts to Implement the SDGs

CJ Logistics proactively engages in the achievement of sustainable development goals (SDGs) selected by the UN to fulfill corporate responsibilities. SDGs offer 17 goals to address universal problems of human society such as economy, society and environment. CJ Logistics identifies opportunities and risk factors on a mid- to long-term basis and reinforces connection between SDGs and business. We will not only accomplish SDGs through existing activities, but also fulfill our responsibilities as a global corporate citizen by discovering new activities continuously.

#### Expansion of Senior Parcel Delivery



##### Link to SDGs

Senior Parcel Delivery is a shared value creation model to ensure the growth of the company and handle job issues for senior citizens in the aging society. CJ Logistics takes the lead in creating high-quality jobs through cooperation with the government and local governments. We also utilize eco-friendly electricity-powered delivery equipment and expand eco-friendly green logistics to cope with climate change.

##### Current status of operation

- Establish a cooperative model with local governments such as Seoul, Incheon and Jeollanam-do Province and Korea Labor Force Institute for the Aged under the Ministry of Health and Welfare
- Expand the business to the process of job creation for the socially vulnerable such as people with developmental disabilities and low-income families
- Establish eco-friendly delivery system by utilizing 100% electricity-powered delivery equipment



#### Creation of Energy /Urban Forest



##### Link to SDGs

The Energy Forest, which was created on abandoned roads and vacant land, contributes to environmental protection in the local community by reducing fine dust and carbon emissions. CJ Logistics strives to protect the local environment by implementing the project of creating an urban forest (Hangang Park)/energy forest (abandoned road, unused lot of a rest area) to reduce fine dust and carbon emissions. We will make effort to improve the environment in cooperation with local governments, public institutions and local residents.

##### Current status of operation

- Conduct eco-friendly activities such as support for Children Forest Experience Program and Donation for Resource Circulation
- Expected to plant 3,000 trees by 2019 with the "Agreement to Create Carbon Offset Forest in Gangseo Hangang Forest" with Korea Disability Green Foundation and Korea Green Resources



### CJ Logistics Statement of Support for the Sustainable Development Goals



### Sustainable Development Goals (SDGs)



#### Eco-friendly Logistics and Transport



##### Link to SDGs

CJ Logistics utilizes its independent integrated logistics system and optimizes transportation to reduce GHG emissions from the logistics process. We also proactively participate in coping with climate change through eco-friendly logistics and transport through various activities such as a modal shift to eco-friendly transport vehicles, introduction of electricity-powered parcel vehicles and development of drone parcels.

##### Current status of operation

- Apply HELLO, intelligent active integrated technology, for the first time in the logistics industry and reduce empty running rate in which a vehicle is driving while a cargo section is empty
- Implement innovation and growth by developing a commercialized drone parcel service and adopting electric vehicles



#### Establishment of Compliance System



##### Link to SDGs

CJ Logistics has launched a compliance program (CP) to form a sound and transparent corporate culture by establishing a responsible system for sustainable development. We will contribute to enhancing corporate sustainability by realizing compliance management.

##### Current status of operation

- Establish company-wide compliance management system by operating CP and making CP training course, pre-monitoring and CP Letter
- Support the systemic operation of CP and autonomous participation of employees by establishing a compliance management website



# APPENDIX

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## CJ Logistics' Declaration of Human Rights

CJ Logistics aims not only to achieve economic performance through creative management activities based on our founding philosophy of “Business Patriotism” in which we contribute to the nation and society through our business, but also to practice social responsibility as a corporate citizen.

CJ Logistics has joined the United Nations Global Compact (UNGC) and is committed to its ten principles including human rights, labor, environment, and anti-corruption. We also signed WEPs (Women's Empowerment Principle) to declare compliance with global human rights standards.

As we support the Universal Declaration of Human Rights, we prohibit child and forced labor and strive to prevent any kind of discrimination and unreasonable treatment due to nationality, race, gender, religion or school attended. In addition, we provide education and training for employees to ensure a safe and pleasant working environment and prevent safety accidents, and support our domestic and overseas business sites and partners in efforts to achieve human rights management.

CJ Logistics has a variety of communication channels that aim to prevent potential human rights violations during our business activities. We are dedicated to listen to customer feedback through CJ Whistle, Tong-Tong-Tong, proactive HR services, Round Table, telephone consultations and online VOC for customers.

CJ Logistics will always be a companion who contributes to a prosperous future for humanity by respecting life and acting as a global corporate citizen that contributing to society and fulfills its responsibilities.

October 2018  
CEO of CJ Logistics

Keun-Tae Park



## Financial Information

### Consolidated Statement of Financial Position

(Unit: KRW million)

Category	End of December 2015	End of December 2016	End of December 2017	End of June 2018
Current assets	1,239,298	1,511,133	1,803,525	2,088,240
Quick assets	1,229,393	1,495,885	1,787,867	2,063,105
Inventories	9,905	15,248	15,658	25,135
Non-current assets	3,261,191	4,010,060	4,505,424	5,255,763
Investment assets	243,433	294,521	255,049	294,678
Tangible assets	1,772,594	2,036,543	2,429,543	3,072,645
Investment properties	139,383	152,831	124,867	103,973
Intangible assets	917,708	1,368,106	1,468,402	1,557,300
Other non-current assets	188,073	158,059	227,563	227,167
Total assets	4,500,489	5,521,193	6,308,949	7,344,003
Current liabilities	1,285,580	1,362,369	1,890,070	2,052,233
Non-current liabilities	843,204	1,419,559	1,636,141	2,282,128
Non-current liabilities	2,128,784	2,781,928	3,526,211	4,334,361
Equity attributable to owners of the parent entity	2,323,261	2,346,093	2,371,659	2,530,403
Current capital	114,062	114,062	114,062	114,062
Capital surplus	2,248,615	2,248,654	2,248,360	2,309,838
Retained earnings	485,479	541,606	573,527	610,255
Other capital	(511,198)	(511,196)	(511,106)	(459,149)
Other accumulated earnings	(13,697)	(47,033)	(53,184)	(44,603)
Non-controlling interests	48,444	393,172	411,079	479,239
Total equity	2,371,705	2,739,265	2,782,738	3,009,642

### Consolidated Statements of Comprehensive Income

(Unit: KRW million)

Category	End of December 2015	End of December 2016	End of December 2017	End of June 2018
Revenue(Sales)	5,055,766	6,081,945	7,110,391	4,286,072
Operating income	186,634	228,444	235,651	102,420
Continued business income	63,217	68,210	38,888	41,565
Discontinued business income	(14,233)	-	-	-
Net income	48,984	68,210	38,888	41,565
Attribution of net income	-	-	-	-
Equity holders of parent company	45,943	55,791	31,483	37,547
Non-controlling interests	3,041	12,419	7,404	4,018
Total comprehensive income	60,692	30,984	(11,403)	74,593
Continued business earnings per share	3,104 won	3,166 won	1,786 won	2,039 won
Discontinued business earnings per share	(468 won)	-	-	-
Basic earnings per share	2,636 won	3,166 won	1,786 won	2,039 won
Number of companies included in consolidated data	48	75	98	114

## Sustainability Management Performance Data

### Economic Performance

Category	Subject	Unit	2015	2016	2017	Note
Sales by Division	CL	KRW million	2,141,279	2,432,617	2,513,688	Stevedoring, transport, storage, construction, maintenance, etc
	Parcel	KRW million	1,496,365	1,752,050	1,989,154	Gathering, delivery
	Global	KRW million	1,418,122	1,897,279	2,607,549	Stevedoring, transport, storage
	Construction	KRW million	537,627	641,958	908,492	
	Total	KRW million	5,593,393	6,723,904	8,018,883	
Distribution of economic value per stakeholder	Partners	KRW million	13,000	13,000		Win-Win Fund
	Shareholders and investors	KRW million	53,170	50,726	55,337	Dividends, interest on borrowings
	Local communities	KRW million	32,175	36,220	29,396	Donation
	Employees	KRW million	505,996	564,495	620,388	Wages, employee benefits, retirement benefits
	Government	KRW million	17,096	22,809	34,248	Income tax expense

### Environmental Performance

Category	Subject	Unit	2015	2016	2017	Note
Investment in environmental protection	Total expenditures and investments for environmental protection	KRW million	484	914	28	
Greenhouse gas	Total GHG emissions	tCO <sub>2</sub> eq	200,862	195,574	202,671	
	Scope 1 emissions	tCO <sub>2</sub> eq	145,250	134,957	137,978	
	Scope 2 emissions	tCO <sub>2</sub> eq	55,612	60,633	64,693	
	GHG intensity	tCO <sub>2</sub> eq/KRW 100 million	4.7	4.0	3.9	Based on domestic sales
	GHG emissions reduction	tCO <sub>2</sub> eq	6,834	5,636	2,282	Implemented the GHG target management system from 2016
Energy	Total energy usage	TJ	3,231	3,147	3,273	
	Electricity usage	TJ	1,145	1,249	1,333	
	Fuel usage	TJ	2,086	1,916	1,958	Fuel consumption differs from actual usage according to the GHG and energy verification method.
	Energy intensity	TJ/KRW 100 million	0.07	0.06	0.06	Based on domestic sales
	Energy reduction performance	TJ	110	91	53	
Water	Total water usage	ton	12,929	12,798	11,654	Based on head office
Wastewater and waste	Total wastewater emissions	ton	12,929	12,798	11,654	Based on head office
	Total waste emissions	ton	173	177	133	Based on head office

## Sustainability Management Performance Data

### Social Performance

Category	Subject	Unit	2015	2016	2017	Note	
Current status of employees	Total employees	Person	5,393	5,412	5,543		
	Employment type	Management executives	Person	39	46	55	
		Regular	Person	5,007	5,050	5,126	
		Contract	Person	347	316	362	
	By gender	Male	Person	4,726	4,703	4,721	
Female		Person	667	709	822		
New employees	Total new employees	Person	491	465	562		
	Employment type	Regular	Person	337	388	381	
		Contract	Person	154	77	181	Excluding dispatched employees
	By age	Under 30	Person	277	323	344	
		30 - 50	Person	199	134	206	
		Over 50	Person	15	8	12	
	By gender	Male	Person	396	364	364	
Female		Person	95	101	198		
Employment of socially vulnerable groups	People with disabilities	Recruited people	Person	73	74	80	Including contract employees
		Ratio of recruitment	%	1.4	1.4	1.4	Including contract employees; ratio of recruitment of people with disabilities compared to the total number of employees
	Female	Recruited people	Person	667	709	822	Including contract employees
		Ratio of recruitment	%	12.4	13.1	14.8	Including contract employees; ratio of recruitment of female employees compared to the total number of employees
	National veterans	Recruited people	Person	75	72	70	Including contract employees
		Ratio of recruitment	%	1.4	1.3	1.2	Including contract employees; ratio of recruitment of national veterans compared to the total number of employees
Turnover	Total employee turnover	Person	326	288	297		
	Employment type	Regular	Person	240	231	235	
		Contract	Person	86	57	62	Excluding dispatched employees
	By age	Under 30	Person	95	92	112	
		30 - 50	Person	195	188	167	
		Over 50	Person	36	8	18	
	By gender	Male	Person	254	229	232	
		Female	Person	72	59	65	
	Total turnover rate	%	6.0	5.3	5.4		
	Voluntary turnover rate	%	5.3	3.3	3.6	Total job-transferring employees excluding employees of voluntary retirement and recommended retirement	
Retirement	Total retirees	Person	421	491	463		
	Regular	Person	297	377	338		
	Contract	Person	124	114	125	Excluding dispatched employees	
	Voluntary retirement	Regular	Person	38	107	81	
		Contract	Person	0	0	0	Excluding dispatched employees
	Regular retirement	Regular	Person	3	1	1	
		Contract	Person	1	-	1	Excluding dispatched employees
	Recommended retirement (dismissal, disciplinary action, etc.)	Regular	Person	2	5	14	
		Contract	Person	2	0	4	Excluding dispatched employees
	Others (personal reasons, childcare, education, shift to other company, etc.)	Regular	Person	254	264	242	
Contract		Person	121	114	120	Excluding dispatched employees	

Category	Subject	Unit	2015	2016	2017	Note	
Female managers	Total managers	Person	1,216	1,256	1,402	Higher position than manager	
	Female managers	Managers	Person	79	96	109	Higher position than manager
		Ratio	%	6.5	7.6	7.8	
Performance evaluation	Number of employees subject to performance evaluation	Person	4,926	4,945	4,906	Employees who have been working for less than three months in the year, such as employees who have been working since October or who have been laid off, are not eligible for evaluation.	
	Regular (office workers)	Person	2,932	3,059	3,135		
	Regular (site workers)	Person	1,676	1,620	1,586		
	Contract	Person	318	266	185		
	Employees subject to performance evaluation	Person	4,926	4,945	4,906		
	Ratio of performance evaluation	%	100.0	100.0	100.0		
	Maternity leave and parental leave	Employees who took maternity leave	Person	36	32	39	
Returning to work after maternity leave		Employees who returned from maternity leave	Person	30	32	39	
		Return ratio	%	83.3	100.0	100.0	Ratio of employees who returned to work compared to total employees taking maternity leave
Employees who took parental leave		Person	56	40	57		
Returning to work after parental leave		Employees who returned from maternity leave	Person	40	35	29	
		Return ratio	%	71.4	87.5	50.9	Ratio of employees who returned to work compared to total employees taking parental leave
Maintained work for 12 months or over after returning to work		Maintained employees	Person	17	26	24	
	Retention ratio	%	54.8	65.0	68.6	Employees working for 12 months or more compared to employees returning to work after taking parental leave in the previous year	
Employees education	Education expenses	Total education expenses	KRW million	2,820	3,970	5,289	
		Education expenses per employee	KRW 1,000/person	563	786	1,032	
	Education hours	Total education hours	Hour	249,203	271,951	277,553	
		Education hours per employee	Hour/person	49.8	53.9	90.1	
Number of accident victims	Industrial accident rate (Korea)	%	0.25	0.33	0.22		
	Regular workers	Person	9,249	9,742	9,780		
	Number of accident victims	Person	23	32	22		
Sexual harassment prevention education	Education for preventing sexual harassment among office workers	Education hours	Hour	5,274	5,386	5,472	
		Employees participating in education	Person	5,274	5,386	5,472	
	Sexual harassment prevention education hours per employee	Hour/person	1.0	1.0	1.0		
Social contribution participation by employees	Total participation hours	Hour	11,658	5,607	21,329		
	Total participants	Person	1,943	1,620	3,032		
Social contribution donations	Total donations	KRW million	3,257	731	2,205	Different from data in the report of 2016 due to changing criteria for calculation	

## Awards and Associations

### Major Awards

<b>2017 Change the World 50</b> Fortune	<b>Most Admired Company for 5 years in a row</b> Korea Management Association	<b>Tops KCSI for 8 years in a row</b> Korea Management Association
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### Awards and Certification

Awards		
2017-12	Citation by the Minister of Labor and Employment for the contribution of promoting job creation for elderly	Ministry of Labor and Employment
2017-12	This Year's App 2017	Contents Management Society, Maeil Business Newspaper
2016-12	Award by the Minister of Trade, Industry and Energy for contribution in the 1st anniversary of partnership in Korea-China FTA	Ministry of Trade, Industry and Energy
Certification		
2017-09	World-Changing Innovative Company	US Fortune
2017-01	Korea's Most Admired Companies	Korea Management Association Consulting (KMAC)
2017-01	Korean Customer Satisfaction Index (KCSI)	Korea Management Association Consulting (KMAC)
2017-11	Korean Service Quality Index (KS-SQI)	Korean Standards Association (KSA)
2017-12	Consumer Centered Management (CCM)	Korea Consumer Agency (KCA)
2017-08	Announcement of Remedies for Parcel Damage	Korea Consumer Agency (KCA)
2017-01	Announcement of Comparison of Parcel Service	Korea Consumer Agency (KCA)
2017-09	National Brand Competitiveness Index (NBCI)	Korea Productivity Center (KPC)
2017-03	National Customer Satisfaction Index (NCSI)	Korea Productivity Center (KPC)
2017-04	1 <sup>st</sup> in the parcel service sector in the Korea Purchase Ease Index (KPEI) 2017	Korea Marketing Association
2017-12	Korean Net Promoter Score (KNPS)	Korea Management Association
2017-03	Korea-Brand Power Index (K-BPI)	Korea Management Association
2017-02	Korea's Most Admired Companies by KMAC	Korea Management Association
2017-10	Korean Customer Satisfaction Index (KCSI)	Korea Management Association
2017-04	Korean Service Quality Index (KSQI) for the call center	Korea Management Association
2017-03	Korea Brand Star	Brand Stock
2017-11	Service Evaluation for parcel Industry	Ministry of Land, Infrastructure, and Transport, Korean Standards Association
2006-06	Certificate for Total Logistics Company	Ministry of Land, Infrastructure, and Transport
2017-04	Authorized Economic Operator (AEO) Certificate - Warehouse Operator	Korea Customs Service
2017-04	Authorized Economic Operator (AEO) Certificate - Transporter	Korea Customs Service
2017-01	Authorized Economic Operator (AEO) Certificate - Customs Broker	Korea Customs Service
2015-10	Authorized Economic Operator (AEO) Certificate - Cargo Handling Personnel	Korea Customs Service
2014-05	Authorized Economic Operator (AEO) Certificate - Freight Forwarding Personnel	Korea Customs Service
2016-11	Transportation, Stevedoring, Warehouse, Parcel Delivery, International Freight Forwarding, Shipping	TUV NORD
2016-07	The services of Customs clearance, General & Heavy Cargo Transportation, Stevedoring, Warehouse, Shipping and International Freight Forwarding	TUV NORD
2017-04	1 <sup>st</sup> in the parcel service sector in the Korea Purchase Ease Index (KPEI) 2017	Korea Marketing Association
2017-04	1 <sup>st</sup> in the parcel service sector in the Korea Purchase Ease Index (KPEI) 2017	Korea Marketing Association
2017-04	1 <sup>st</sup> in the parcel service sector in the Korea Purchase Ease Index (KPEI) 2017	Korea Marketing Association

## GRI Content Index

### Universal Standard

GRI Standards	Disclosure	Page	ISO 26000	Note
Organizational Profile				
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102-2	Activities, brands, products, and services	9~17	6.3.10, 6.4.1-6.4.5, 7.8	
102-3	Location of headquarters	9	6.3.10, 6.4.1-6.4.5, 7.8	
102-4	Location of operations	18~19	6.3.10, 6.4.1-6.4.5, 7.8	
102-5	Ownership and legal form	9	6.3.10, 6.4.1-6.4.5, 7.8	
102-6	Markets served	18~19	6.3.10, 6.4.1-6.4.5, 7.8	
102-7	Scale of the organization	9	6.3.10, 6.4.1-6.4.5, 7.8	
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102-9	Supply chain	57, 81	6.3.10, 6.4.1-6.4.5, 7.8	
102-10	Significant changes to the organization and its supply chain	9, 27	6.3.10, 6.4.1-6.4.5, 7.8	
102-11	Precautionary Principle or approach	67~68	6.3.10, 6.4.1-6.4.5, 7.8	
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102-15	Key impacts, risks, and opportunities	67~68	4.7, 6.2, 7.4.2	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	8, 69~71	4.4, 6.6.3	
102-17	Mechanisms for advice and concerns about ethics	70~71	4.4, 6.6.3	
Governance				
102-18	Governance structure	65~66	6.2, 7.4.3, 7.7.5	
102-22	Composition of the highest governance body and its committees	65~66	6.2, 7.4.3, 7.7.5	
102-24	Nominating and selecting the highest governance body	65~66	6.2, 7.4.3, 7.7.5	
102-35	Remuneration policies	66	6.2, 7.4.3, 7.7.5	
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102-40	List of stakeholder groups	73	5.3	
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102-42	Identifying and selecting stakeholders	73	5.3	
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## GRI Content Index

### Universal Standard

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103-1	Explanation of the material topic and its Boundary	74-75	6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	
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<b>Indirect Economic Impacts</b>				
203-2	Significant indirect economic impacts	23-24, 49-52	6.3.9, 6.6.6-6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9	
<b>Anti-corruption</b>				
205-2	Communication and training about anti-corruption policies and procedures	69-71	6.6.1-6.6.3, 6.6.6	
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#### Environment (GRI 300)

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305-1	Direct (Scope 1) GHG emissions	81	6.5.5	
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406-1	Incidents of discrimination and corrective actions taken	-	6.3.6-6.3.7, 6.3.10, 6.4.3	no such cases
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407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	63	6.3.3-6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6	
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<b>Forced or Compulsory Labor</b>				
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<b>Human Rights Assessment</b>				
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413-2	Operations with significant actual and potential negative impacts on local communities	-	6.3.9, 6.5.3, 6.8	no such cases
<b>Supplier Social Assessment</b>				
414-1	New suppliers that were screened using social criteria	57	6.3.3-6.3.5, 6.4.3, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	
414-2	Negative social impacts in the supply chain and actions taken	-	6.3.3-6.3.5, 6.4.3, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	no such cases
<b>Customer Health and Safety</b>				
416-1	Assessment of the health and safety impacts of product and service categories	53-56	6.7.1-6.7.2, 6.7.4-6.7.5, 6.8.8	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	4.6, 6.7.1-6.7.2, 6.7.4-6.7.5, 6.8.8	no such cases
<b>Marketing and Labeling</b>				
417-2	Incidents of non-compliance concerning product and service information and labeling	-	4.6, 6.7.1-6.7.5, 6.7.9	no such cases
417-3	Incidents of non-compliance concerning marketing communications	-	4.6, 6.7.1-6.7.3	no such cases
<b>Customer Privacy</b>				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	6.7.1-6.7.2, 6.7.7	no such cases

## UN Global Compact

In July 2016, CJ Logistics joined the United Nations Global Compact (UNGC), a voluntary corporate initiative that encourages corporate social responsibility. CJ Logistics is committed to the ten principles of UNGC including human rights, support for labor, preserving the environment, and anti-corruption. We will continue to promote the corporate sustainability management by participating in a global standard initiative on corporate social responsibility.

### The Ten Principles of the UN Global Compact and Relevant Activities

Category	Principle	Relevant activities	Page
Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	<ul style="list-style-type: none"> <li>CJ Logistics supports and adheres to international human rights declarations such as the UNGC Principles for Enhancing Women's Capacity (WEPs).</li> <li>We provide sexual harassment prevention education for all employees (office and technical workers)</li> </ul>	60, 79, 83
	2. make sure that they are not complicit in human rights abuses.		
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> <li>Operation of Labor-Management Council</li> </ul>	63
	4. the elimination of all forms of forced and compulsory labour;	<ul style="list-style-type: none"> <li>Comply with child labor and forced labor regulations of International Labor Organization (ILO)</li> <li>Comply with Korean labor standards</li> </ul>	60, 79
	5. the effective abolition of child labour; and		
Environment	6. the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> <li>Performance Evaluation and Compensation based on job performance</li> <li>Protect victims of sexual harassment by operating a confidential internal reporting system</li> </ul>	61, 63
	7. Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> <li>Acquired and maintained company-wide environmental management system certification (ISO14001)</li> <li>Implemented greenhouse gas and energy target management system through the greenhouse gas management system</li> </ul>	41-43
	8. undertake initiatives to promote greater environmental responsibility; and	<ul style="list-style-type: none"> <li>Conduct eco-driving training for improving driving habits, which can cause overconsumption of energy</li> <li>Reduce CO2 emissions by utilizing electricity in operating golf carts</li> <li>Implement GHG emission reduction activities with the "agreement for creating a carbon offset wood energy forest"</li> <li>Support and transport eco-friendly wood pellets, which are produced in the energy forest along abandoned roads, to welfare facilities</li> <li>Conduct urban greening project and ecological experience education for children in local child centers</li> <li>Acquired the certificate of sustainable golf course from the Golf Environment Organization (GEO)</li> </ul>	42-43
Anti-corruption	9. encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>Realize eco-friendly logistics through a modal shift</li> </ul>	43
	10. Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>Operate fair trade compliance program</li> <li>Introduce and operate the win-win coordination committee</li> <li>Introduce and operate the social contribution committee</li> </ul>	69-71

## Verification Statement of Greenhouse Gas Emissions



**INDEPENDENT VERIFICATION STATEMENT**

**CJ Logistics Corporation**

**INTRODUCTION** Simmtech implements annual MRV based on standards including ISO 14064 to comply with the GHG reduction target of Kyoto protocol. KMR confirms the verification results of 2017 as below.

**SCOPE**

- Organizational boundary : the whole business under control of the organization
- Verification object workplaces :
  - Seoul head office and 31 workplaces
- Reporting period : Calendar year of 2017
- Reporting greenhouse gas : CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>
- Type of emission : Direct Emissions (Scope 1), Indirect Emissions (Scope 2)
- The level of assurance : Reasonable assurance (materiality threshold : ±5.0%)

**STANDARDS**

- ISO 14064-1 (2006), ISO 14064-3 (2006), WRI/WBCSD GHG Protocol (2004)
- Verification guidelines for GHG & energy Target Management Scheme (Notification No. 2016-104, MOE)
- KMR GHG & energy verification manual and procedure, IPCC Guidelines (2006)

**RESULTS**

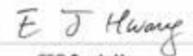
GHGA Emission	Scope1	Scope2	Total (tCO <sub>2</sub> e)
2017	137,995	64,693	202,671

Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2017	1,958	1,332	0	3,273

**CONCLUSION** KMR confirms that the calculation of the Greenhouse gas emissions and energy consumption of the organization are proper.

March 31st, 2018  
Korea Management Registrar

Authorized By   
CEO Eun Ju Hwang

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**KMR** KMR is an ETS & TMS verification institution authorized by Republic of Korea Government.  
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## Independent Verification Statement

### To the Readers of CJ Logistics Sustainability Report 2017-2018:

#### Foreword

Korea Management Registrar Inc.(hereinafter “KMR”) has been requested by of CJ Logistics to verify the contents of its Sustainability Report 2017-2018 (hereinafter “the Report”). CJ Logistics is responsible for the collection and presentation of information included in the Report. KMR’s responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

#### Scope and standard

CJ Logistics describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMR’s assurance team(hereinafter “the team”) evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria. The team checked whether the Report has been prepared in accordance with the ‘Core Option’ of GRI Standards which covers the followings.

- GRI Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - Economic Performance: 201-1, 201-2
  - Indirect Economic Impacts: 203-2
  - Anti-Corruption: 205-2, 205-3
  - Energy: 302-1, 302-3, 302-4, 302-5
  - Water: 303-1
  - Biodiversity: 304-1, 304-2, 304-3
  - Emissions: 305-1, 305-2, 305-4, 305-5
  - Effluents and Waste: 306-1, 306-2
  - Employment: 401-1, 401-2, 401-3
  - Occupational Health and Safety: 403-2
  - Training and Education: 404-1, 404-3
  - Diversity and Equal Opportunity: 405-1, 405-2
  - Non-Discrimination: 406-1
  - Freedom of Association and Collective Bargaining: 407-1
  - Child Labor: 408-1
  - Forced or Compulsory Labor: 409-1
  - Human Rights Assessment: 412-2
  - Local Communities: 413-1, 413-2
  - Supplier Social Assessment: 414-1, 414-2
  - Customer Health and Safety: 416-1, 416-2
  - Marketing and Labeling: 417-2, 417-3
  - Customer Privacy: 418-1

This Report excludes a data and information of joint corporate, contractor etc. which is outside of the organization, i.e. CJ Logistics, among report boundaries.

#### Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

#### Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with CJ Logistics on the revision of the Report. We reviewed the Report’s final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Inclusivity**  
Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.  
- CJ Logistics is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder CJ Logistics left out during this procedure.
- **Materiality**  
Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.  
- CJ Logistics is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.
- **Responsiveness**  
Responsiveness is an organization’s response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.  
- The assurance team could not find any evidence that CJ Logistics’s counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the ‘Core Option’ of GRI standards.

#### Recommendation for improvement

We hope the Report is actively used as a communication tool for stakeholders and recommendation for improvements.

- CJ Logistics communicates with stakeholders through its sustainability report and strategically utilizes sustainable management. Still, the company is advised to continue to improve its indicators to fulfill GRI guidelines and reflect this into KPIs of related personnel.

#### Our independence

With the exception of providing third party assurance services, KMR is not involved in any other CJ Logistics’s business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

Oct, 12<sup>th</sup>, 2018



CEO Ju Hwang E. J. Huang