



# PULMUONE INTEGRATED REPORT 2019

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# Pulmuone Integrated Report

## About this Report

### Overview of 2019 Integrated Report

This report contains the overall efforts for and outcome of Pulmuone's continued growth and Corporate Social Responsibility (CSR) management. The report was organized with a focus on key topics derived from the materiality test to provide practical and essential information for our stakeholders. We also tried to maintain a balanced view in reporting the data of financial and non-financial performance.

### Principles and Standards

This report was prepared based on the Integrated Reporting Framework of International Integrated Reporting Council (IIRC) and the Core Option of Global Reporting Initiative (GRI) Standards. Financial data in the report is presented in accordance with the standards of the Korean version of International Financial Reporting Standards (K-IFRS) for consolidated financial statements.

### Scope and Period

The report covers the data of Pulmuone's headquarters, subsidiaries and their subsidiaries, and affiliates in Korea, the USA, China, and Japan. The range of quantitative data in this report is 100% for domestic and overseas business operations. For social and environmental information coverage that is not 100% covered, coverage is separately indicated according to the target. In the case of environmental data coverage, please refer to the data of production facilities corresponding to 83.5% coverage. The entity (company) of the CSR activities as well as the outcome is illustrated to clarify the scope and boundary of the report. The reporting period is from January 1<sup>st</sup> to December 31<sup>st</sup>, 2019. Major quantitative data covers the past three years for quick and easy understanding of recent trends and changes. The report also includes data from 2020 until June for timeliness.

### Third-party Assurance

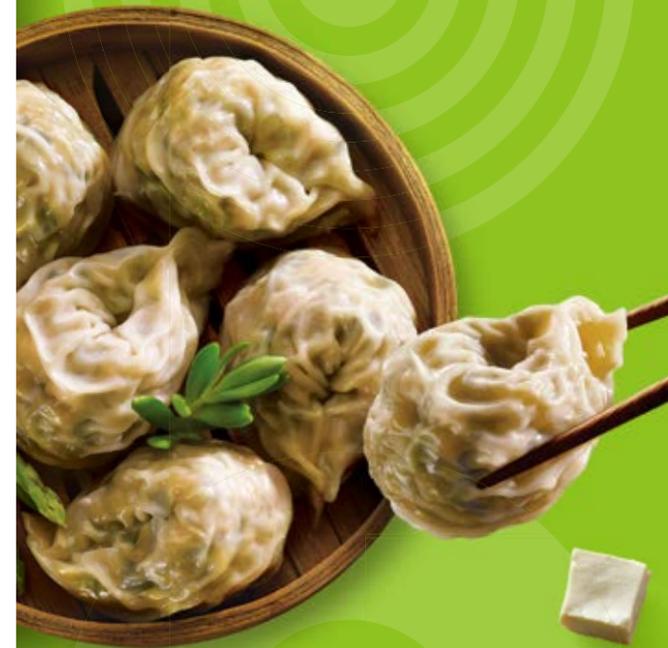
The report was verified by specialized the Korea Productive Center, a specialized assurance agency, to ensure objectivity, fairness, and reliability. The result is provided in the section of the Independent Assurance Statement on pages 132 and 133.

### Changes from the Previous Year

What is different from the previous year is the use of a method of the materiality test recommended by IIRC (International Integrated Reporting Council) and a separate page to view financial and non-financial performance with ease.

## One Pulmuone

Pulmuone Becomes One  
with LOHAS Values



### Cover Story

We developed a new graphic motif for the cover design.

Each circle represents the concepts of "right," "sustainable," "healthy," and "diverse."

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# Part 01 ABOUT PULMUONE

- General CEO Message
- About Pulmuone
- Network
- Path of Growth
- Value System
- Business Strategies
- Pulmuone's Social Responsibility
- Goal-oriented Management/  
TISO Management
- Business and Brand
- Infrastructure





## LOHAS Greater Pulmuone Becomes One with Values



### Dear respected stakeholders,

We are very pleased to publish Pulmuone's 2019 Integrated Report.

Since our first sustainability report in 2006, we have published a total of fourteen Sustainability and Integrated Reports including this one. This year, we reorganized the report to help you better understand Pulmuone's activities for creating values and our performance.

First, we applied a materiality assessment method recommended by IIRC for selecting key topics that merit your attention among various CSR issues.

Second, we employed a process map to illustrate how financial and non-financial assets utilized in the Business Value Chain.

Third, we provided the data of financial and non-financial performance in a separate chapter for convenience. Last but not least, we summarized our business management principles and standards that we have sincerely upheld since our foundation.

We hope that this year's report will guide you to better understand Pulmuone's annual outcome and performance as well as the values we created and CSR activities as the One Company that's unified in pursuing a singular vision.



### Dear valued stakeholders,

Last year, despite the low growth trend, increased minimum wages, and higher prices of raw materials, Pulmuone achieved entire sales of KRW 2.3815 trillion across the company, a 4.8% increase from the previous year.

Our CSR management has been highly praised and even selected as one of "the most respected companies in Korea" for 14 consecutive years. Pulmuone was also ranked sixth out of 116 global food companies in the Dow Jones Sustainability Indices (DJSI), making it into the top ten for two years in a row.

Pulmuone is the only Korean food company that obtained a comprehensive A+ grade for three consecutive years in the ESG assessment by Korea Corporate Governance Service (KCGS), which evaluates non-financial performance including environmental management, social management, and the corporate governance.

Pulmuone declared its new vision "Global New DP5" to become the global No.1 LOHAS (Lifestyles of Health and Sustainability) company.

With this new vision, we set the goals of achieving KRW 3 trillion of annual sales across the company in three years and fulfilling our Corporate Social Responsibilities by creating a variety of economic, social, and environmental values.

This year, the whole world is suffering from the unprecedented impact of COVID-19, but we will commit our full capacity and resources to achieve a turnaround from the perspective of profitability. We will create profits through continuous growth in sales in domestic business, while realizing profitable growth in overseas business.

Your unwavering support and encouragement will be sincerely appreciated as we strive toward becoming a global leading LOHAS company beyond Korea.

We wish you and your family good health and happiness.

Thank you.

August 2020  
General CEO Lee Hyo-yul

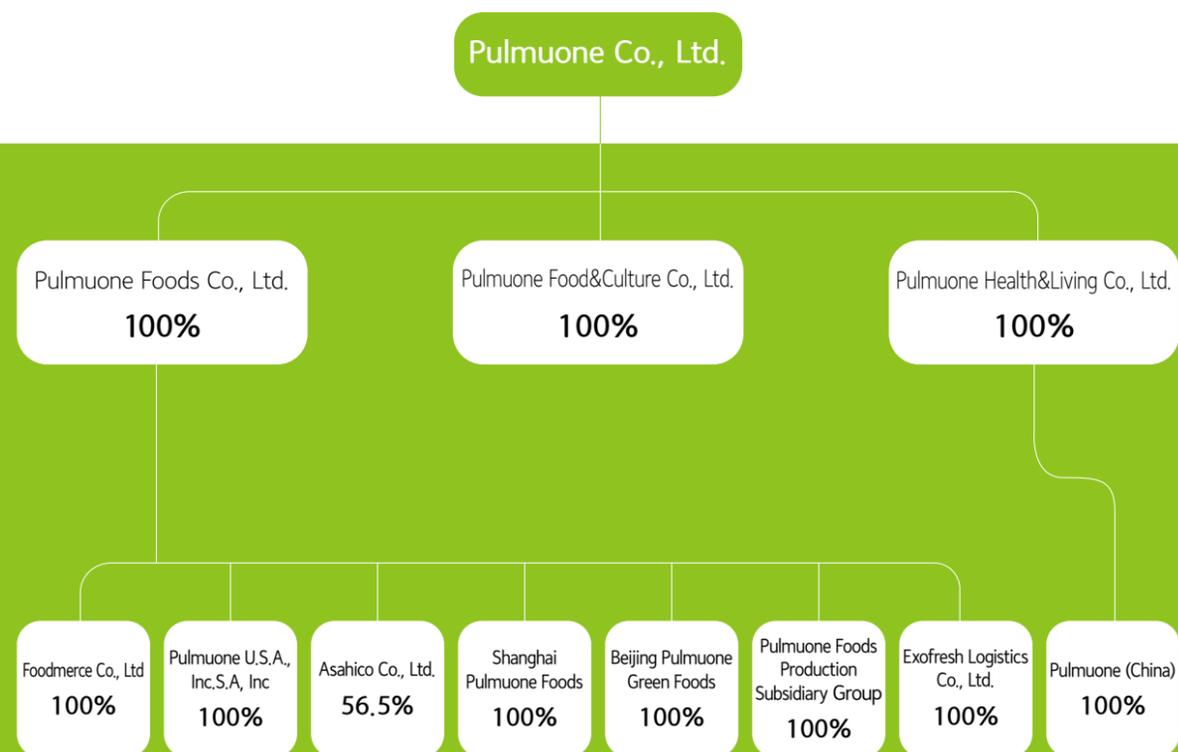
# About Pulmuone

Pulmuone is a leading Korean company that provides fresh wholesome food and beverages, operating business in a wide range of fields including health functional food, school meal service, concession, eco-friendly food distribution, drinking spring water, and fermented dairy products. Starting in the USA in 1991, we have stepped into overseas markets including China, Japan, and Vietnam, growing as a global enterprise. We have achieved particular renown as the world's top tofu manufacturer.



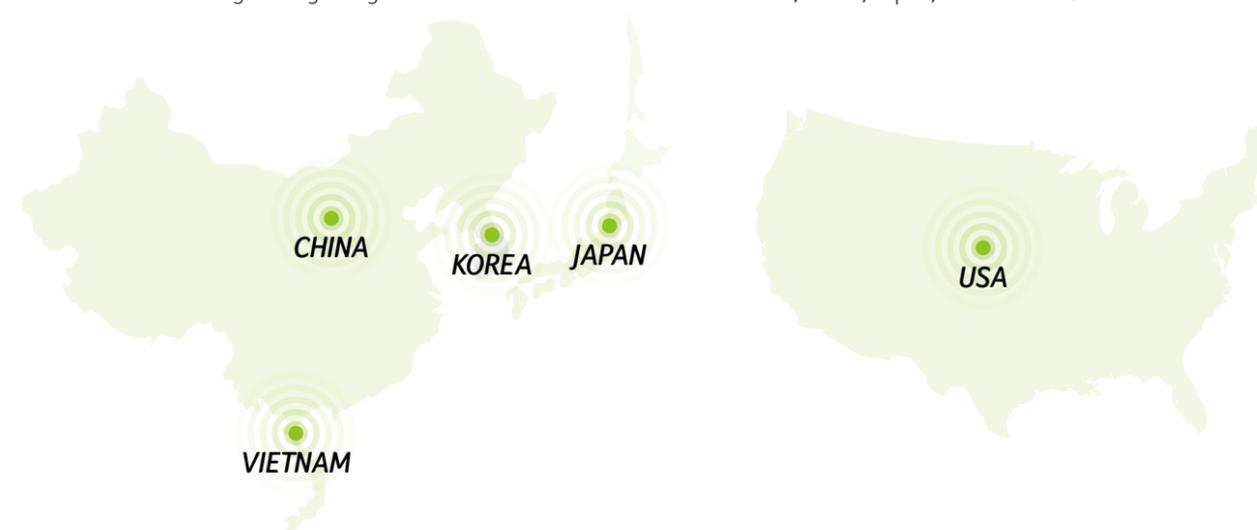
<b>Company name</b>	Pulmuone Co., Ltd.
<b>Headquarters</b>	730-27, Samyang-ro, Daeso-myeon, Eumseong-gun, Chungcheongbuk-do
<b>Business site</b>	280, Gwangpyeong-ro, Gangnam-gu, Seoul Rosedale Building
<b>Foundation date</b>	May 12, 1984
<b>CEO</b>	General CEO Lee Hyo-yul
<b>Number of employees</b>	6,329 persons (As of December 31, 2019, consolidated)
<b>Website</b>	www.pulmuone.co.kr

## Share structure (summarized version)



# Network

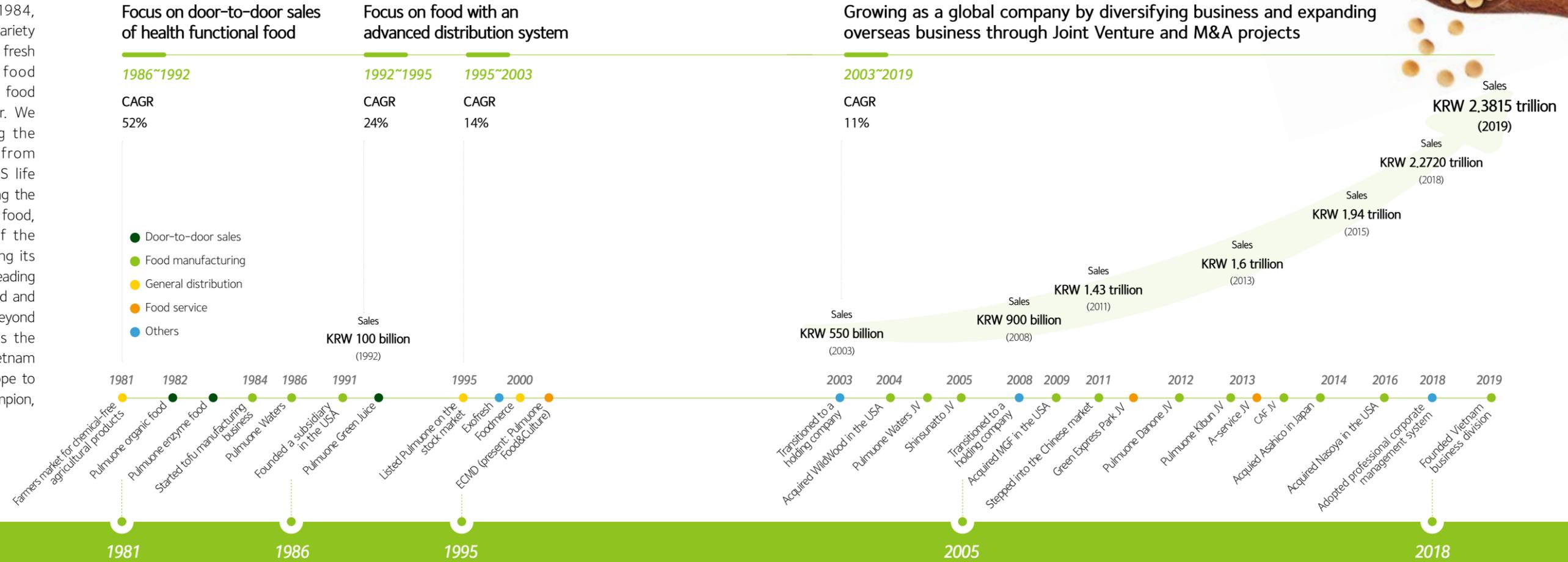
Pulmuone operates 13 plants across the country, including a tofu manufacturing facility in Eumseong, Chungcheongbuk-do. We provide fresh and safe products to customers using 19 low-temperature logistics bases. We are also strengthening our global network with subsidiaries in the USA, China, Japan, and Vietnam.



Country	Subsidiary	Category	Name	Products		
USA	Pulmuone USA	Plant	PPEC Chuncheon	Tofu, ice		
			PPEC Uiryeong	Tofu		
			PPEC Eumseong Saengmyeon	Raw noodles, ramen, RM		
			PPEC Eumseong Namu	Vegetables		
			PTA Agricultural Union Corporation	Salad		
			PPEC Global Kimchi	Kimchi		
			Shinsunatto	Nato		
			Pulmuone Kibun	Fish cake		
			Exofresh Logistics	Logistics center	Exofresh Logistics	Logistics
			Pulmuone Foodmerce	GAP center	GAP Center	Management of Agricultural Products
Japan	Asahico Co.	Plant	Kyoda	Tofu, fried tofu		
			Kanagawa	Tofu, fried tofu		
			Azumino	Tofu		
China	Pulmuone	Plant	-	Health functional food		
			-	Tofu, noodles, RM		
			-	-		
			-	-		
Korea	Pulmuone Health&Living, Pulmuone Green Juice	Plant	-	Health functional food, food, beverage (green juice)		
			Pulmuone Danone	Plant, R&D center	-	Yogurt

# Path of Growth

Since its foundation in 1984, Pulmuone has grown in a variety of business areas including fresh food, health functional food (manufacturing and sales), food service, and mineral water. We are constantly expanding the scope of our business, from wholesome food to LOHAS life service. Setting and pursuing the higher value standards for food, changing the paradigm of the food industry, and stabilizing its position in the market as a leading company of wholesome food and LOHAS, Pulmuone will go beyond global big markets such as the USA, China, Japan, and Vietnam to Southeast Asia and Europe to become a global hidden champion, a global LOHAS company.



## Changes in CI

(Corporate Identity)

Pulmuone's CI was designed to reflect the company's entrepreneurial spirit, staying true to good traditions while keeping up with changes in society, environment and customer demands.



풀무원

The triangle represents the company's entrepreneurial spirit of the right mindset, the right farming, and the right diet. The green color and blooming buds signify our passion for providing nature-based wholesome food.



풀무원식품

This symbol represents the buds that bloom as energized by the earth and the rising sun.



Pulmuone

This symbol signifies the Pulmuone people that hold up Earth and indicates 'One Big Bowl Full of Nature'. The English name of the company is used to show our determination to become a global company.



Pulmuone

Smooth changes in the color (light green), shape (wave), and font (serif) express the image of a young and friendly Pulmuone.



Pulmuone

The color gradation from light green to dark green highlights clarity as a LOHAS company and our willingness to integrate and unify the whole company.

**Pulmuone**

A modern and neat font (Sans Serif) is used to show our desire to reach out to and talk with customers, with consideration of their perspective.



Pulmuone

It clearly shows Pulmuone's LOHAS spirit and drive to achieve harmony between Earth (nature) and human beings.

## Implication and Values



Pulmuone started as a farmers market that sold chemical-free organic agricultural products from Pulmuone Farm in 1981. Our brand spirit inherited the passion of farmer Won Gyeong-seon, who put right and ethical farming into practice without using pesticides and chemical fertilizers throughout his life, as well as his love toward neighbors and respect for all life. Upholding and developing his spirit into a mission of the company "A LOHAS company that deeply cares for both humans and nature," Pulmuone promotes harmony between nature and human beings as one of the most respected, global LOHAS company in Korea.

Pulmuone, the most beloved brand name in Korean

Specialized survey agency Brand Major stated in its 2011 report on "Awareness Status of Korean-named Brands" that Pulmuone is the most beloved Korean brand name among the Korean people.

Pulmuone, one of the "top 50 impressive Korean Design projects" chosen by professional designers

According to DESIGN, a monthly magazine that is a major influence on the Korean design industry, Pulmuone's CI was included in the top 50 impressive Korean design projects chosen by professional designers in 2011 for its truthfulness, sincerity, and willingness to reach out to customers.

# Value System

Pulmuone Spirit

Love towards neighbors and respect for life

Mission

A LOHAS company that deeply cares for both humans and nature

\*LOHAS : Activities to create values for my health and sustainability of Earth

Vision

Global New DP5.

By 2022

Five medium-term management goals to be achieved by 2022

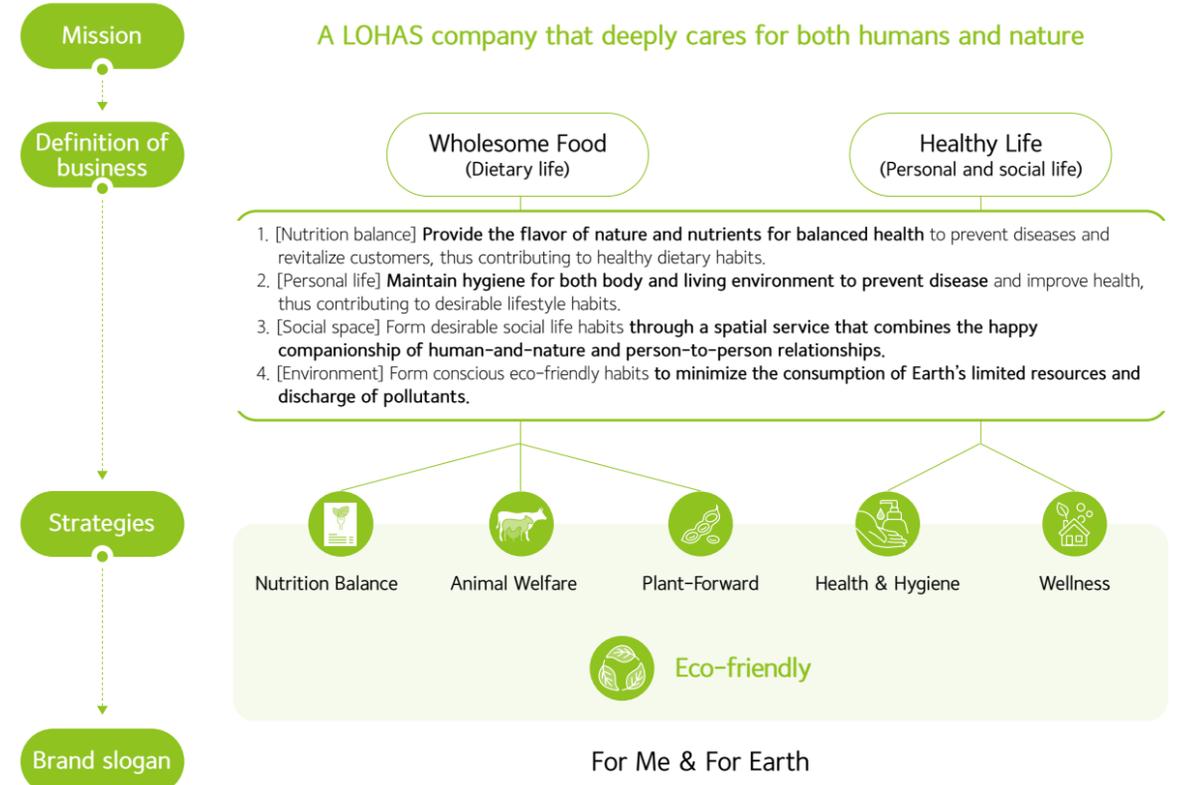


Core value

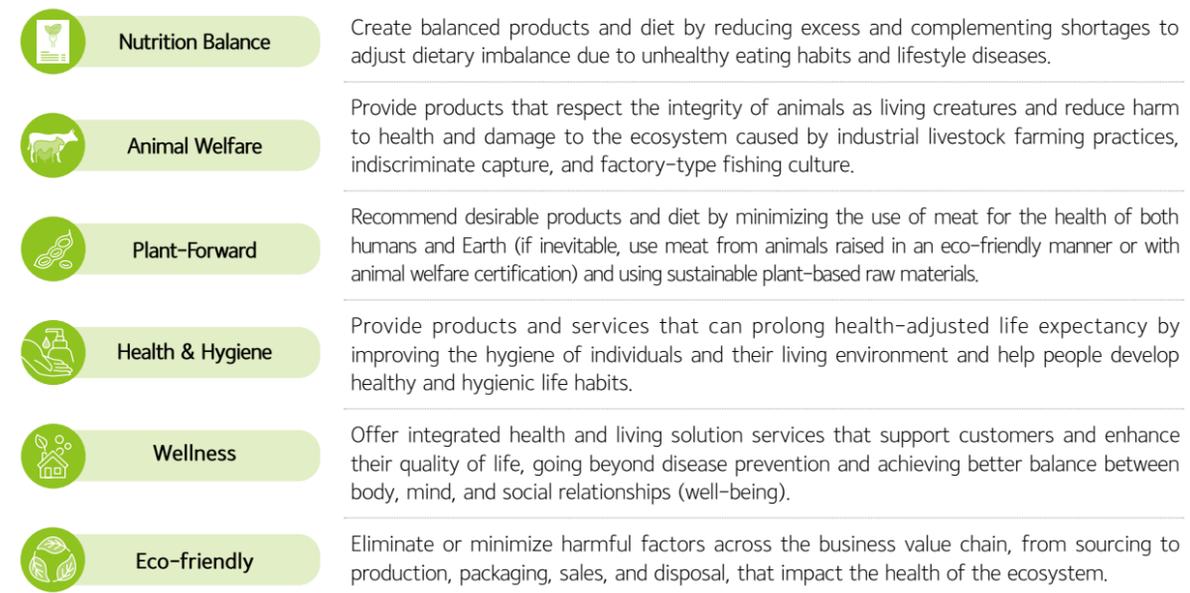
## Passion with TISO



# Business Strategies



## Six LOHAS Strategies



# Pulmuone's Social Responsibility

Pulmuone defines the creation of economic, social, and environmental values as its social responsibility.



Economic value



Social Value



Environmental Value

To fulfill our social responsibility, we pledge to follow the directives below through goal-oriented management and TISO management

Pulmuone trusted by **customers**

We innovate corporate business management by pursuing the health and happiness of customers as our top priority. We listen to our customers to provide products and services that enhance their satisfaction.

Pulmuone appealing to **shareholders**

We oppose all forms of corruption and release the data of business management in a transparent way under reasonable governance. We comply with laws and regulations and increase our corporate value to provide shareholders with sustainable benefits.

Pulmuone loved by **local communities**

We efficiently use resources and protect the environment across the entire process from sourcing to manufacturing, sales, and disposal. We take the initiative in philanthropic activities for the sustainable growth of local communities.

Pulmuone cooperating with **partners**

We trade with partners on an equal footing in a fair manner as their companion that pursues LOHAS values. We support partners to strengthen their competitiveness and cooperate with them for mutual growth.

Pulmuone whose **employees** are happy

We protect human rights, respect diversity, and provide fair opportunities to support the growth of employees. We guarantee the safety and health of employees and support them to improve work-life balance.

# Goal-oriented Management

Pulmuone pursues goal-oriented management to realize LOHAS values in a systematic way and fulfill economic, social, and environmental responsibilities for all stakeholders.

## Goal-oriented Management

Provide the best products and services in line with LOHAS values as we pursue Pulmuone's mission, which is to spread our values (the health of customers and sustainability of Earth) throughout our society

### Why(Purpose)

Widely spread LOHAS values throughout our society  
[LOHAS: Activities to create value for our health and sustainability of Earth]

### How(Management Goals)

Practical purpose of each functional department and individual work (interim purpose)

#### Product Leadership

Distinguish Pulmuone's products and business models from other competitors in the market

#### Customer Intimacy

Understand customer needs in detail and provide superior service to earn their affection and loyalty for Pulmuone brands

#### Operational Excellence

Establish the optimal management infrastructure to ensure product leadership and customer intimacy

# TISO Management

## TISO Management

Pursue inclusive business management in a way that is considerate of stakeholders and contributes our society's sustainable growth, based on our passion with TISO, the foundation of Pulmuone's corporate culture

### Aim and goals

Fairness

Transparency

Respect for people

Social contribution

### Key stakeholders

Local community

Partners

Employees

### Strategy

Philanthropy

Compliance Program

Employment

### Major activities

- LOHAS Together Members volunteer group
- Love for Neighbor Fund, Earth Love Fund

- Compliance risk management
- Compliance Program
- Mutual growth index assessment and improvement

- Gender equality-oriented corporate culture
- Establishment, implementation, and monitoring of internal/external policies, systems, and processes for human rights

# Business and Brand

Pulmuone's business starting with wholesome food products are now expanding beyond dietary habits and culture to the scope of LOHAS life service.

Category	Meta Brand	Business	Master · Individual · Store Brand
Pulmuone Foods		Manufacture and sell fresh convenient food including tofu, vegetables, raw noodles, and frozen rice and provide logistics service for cold, frozen, and room-temperature storage	
Pulmuone Foodmerce		Supply food ingredients for meal service, restaurants, and raw material markets	
Pulmuone Health& Living		Sell health functional food, skin care products, kitchen appliances, health appliances, and pet food	
Pulmuone Green Juice		Manufacture and sell functional beverages and food for babies and adults	
Pulmuone Food& Culture		Provide cooking and meal service at school, expressway rest areas, and concession facilities with necessities and convenient services	
Pulmuone USA		Manufacture and sell fresh food such as tofu, meat alternatives, chilled/frozen pasta and sauces	
Pulmuone Foods (China)		Manufacture and sell fresh food such as chilled noodles and bean products	
Pulmuone (China)		Manufacture and sell health functional food, LOHAS daily necessities, and skin care products	
Pulmuone Danone		Manufacture and sell fermented milk products	
Pulmuone Waters		Manufacture and sell drinking water products	
Asahico Co.		Manufacture and sell tofu and fried tofu products	
ORGA Whole Foods		Sell eco-friendly food and daily necessities at directly managed stores and franchise stores	

# Infrastructure

## Pulmuone Corporate Technology Office

Pulmuone's Corporate Technology Office develops fresh and safe products by using safe and healthy ingredients and complying with the company's rule for wholesome food for a balanced diet. We also introduce advanced food processing technologies, explore natural ingredients, and play the role of maintaining food safety and quality control to achieve the best quality to satisfy consumers at home and abroad.



Pulmuone Corporate Technology Office

## LOHAS Academy

LOHAS Academy is a mission experience hall where you can participate in the habit training program to realize LOHAS values. It is a healthy learning place in nature for sustainable growth, which helps employees understand and learn about the mission of the company. The training course is focused on practice with six LOHAS strategies and four habits (dietary, body, mind, environmental habits).



LOHAS Academy

## GAP Center

The GAP Center manages agricultural products supplied by GAP farms across the country in a systematic way and deliver them to customers in a safe manner. The GAP Center was designated as an exemplary management facility for agricultural products by the Ministry of Agriculture, Food, and Rural Affairs and provides wholesome food to customers through our logistics network with Exofresh Logistics, Korea's largest logistics center for fresh food.



GAP Center

## Global Kimchi Plant

Pulmuone has run the Museum Kimchigan, the country's first kimchi museum, for over three decades. We have also recently established a kimchi plant to make high-quality, delicious premium kimchi based on our expertise and know-how to promote the excellence of kimchi as the global top healthy food and enhance the country's reputation in the global market as the country of origin of kimchi.



Global Kimchi Plant

## Museum Kimchigan

Pulmuone acquired the Museum Kimchigan in 1987 to promote one of the most popular traditional Korean foods to both Korean and foreigners by providing lively interactive exhibitions and various experience programs.



Museum Kimchigan

Part  
**02** CSR  
Management  
Principles and  
Standards

- Wholesome Food Principles
- Pulmuone LOHAS Food Standards
- Animal Welfare
- Respect for Human Rights
- Risk Management
- Eco-friendly Packaging
- Strategic Social Contribution

- Creating Shared Value (CSV)
- Digital Innovation
- Dissemination and Assurance of Sustainability
- Sustainable Development Goals (SDGs)
- Strengthening Communication with Stakeholders



# Wholesome Food Principles



## Wholesome food for the health and happiness of our family

Pulmuone conforms to its own standards for wholesome food for the health and happiness of our own families, which are more stringent than the relevant government regulations. In addition, we transparently release information of all procedures from manufacturing to distribution so that anyone can see what ingredients and processes were used in the production stage.

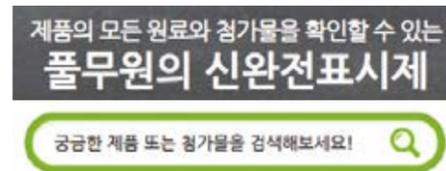
“Pulmuone products are made by people with a sincere mindset. We follow our own strict rules. We make Pulmuone products in pursuit of wholesome food, based on the right mindset”

## New wholesome food principles for me and Earth

- 1 We make products and diet for nutritional balance.
- 2 For the happiness of both human beings and nature, we use more ingredients with animal welfare certification.
- 3 For me and Earth, we pursue sustainable use of plant-based raw materials.
- 4 We comply with eco-friendly manufacturing process and packaging principles.
- 5 We increase the use of ingredients that are traceable for their production history.
- 6 We follow strict principles with minimum use of additives.
- 7 From production to distribution, we comply with strict standards for hygiene in the manufacturing process and temperature control.
- 8 We disclose information about the type and usage of all ingredients and raw materials used in our products.

## New Full Labeling System [\(product.pulmuone.co.kr/main.asp\)](http://product.pulmuone.co.kr/main.asp)

True wholesome foods conceal nothing. Pulmuone discloses all information of the place of origin and production history under the new full labeling system. We are responsible for providing accurate information of our food products, and customers have the right to fully understand products before making their choice.



Main webpage of the new full labeling system

## Traceability System [\(www.pulmuonestory.com\)](http://www.pulmuonestory.com)

Pulmuone provides information about the procedures from producing areas to supermarkets to show how wholesome food are made through its traceability system. We employed this traceability system for organic tofu and bean sprout products for the first time in Korea in 2006, introduced it for marine products in 2007, and expanded this system's use to domestic tofu and bean sprout products in 2008.



Main webpage of the traceability system

# Pulmuone LOHAS Food Standards

## Background of Pulmuone LOHAS food standards

We established our food manufacturing standards pursuing LOHAS values in 2020 to create greater values for the health and nutrition of customers, as well as the protection of Earth, thereby achieving sustainability for both human beings and nature.

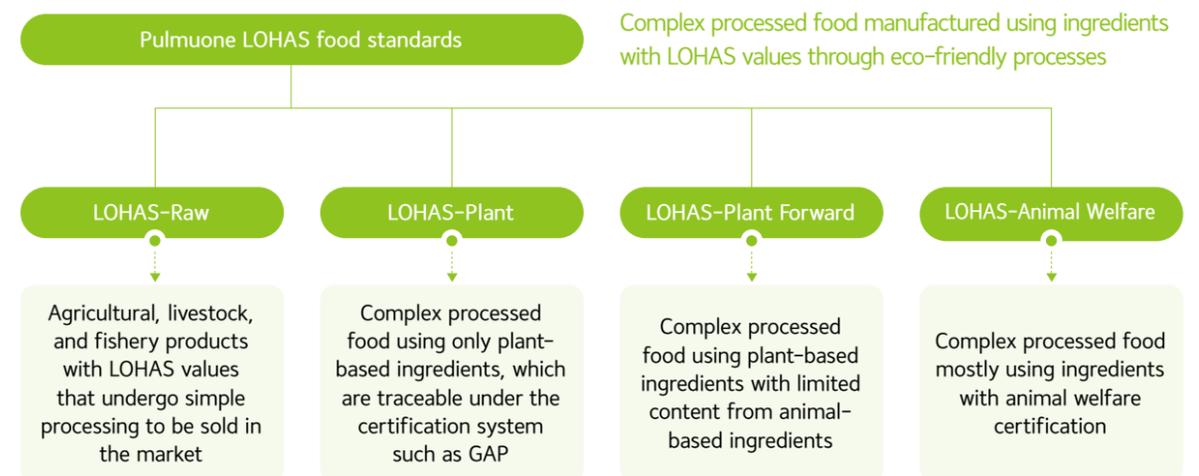
## Concept of Pulmuone LOHAS food standards

The LOHAS food standards are the food manufacturing principles for LOHAS values based on our wholesome food principles. The standards for LOHAS products, which uphold plant-based ingredients, use raw materials with GAP and animal welfare certification, keep nutritional balance, and apply eco-friendly packaging, will build competitiveness of Pulmuone.



## Classification of Pulmuone LOHAS food

Pulmuone LOHAS food is defined as sustainable food that is good for both human health and the Earth's environment. LOHAS food is sustainable food manufactured using ingredients and processes based on LOHAS values and classified into four categories.



# Animal Welfare



## Animal Welfare Mission

'As a LOHAS company that deeply cares for both humans and nature', Pulmuone sets animal welfare and plant-forward ingredients as major themes of its six major strategies. Based on this, we enact constant efforts to enhance animal welfare so that their lives as living creatures can be respected.

### LOHAS strategies (animal welfare and plant-oriented)

 <p><b>Animal Welfare</b> Provide products that can ensure the integrity of animals as living creatures and reduce harm to the health and ecosystem caused by factory-type livestock farming practices.</p>	 <p><b>Plant-Forward</b> Create desirable products and diet by minimizing the use of meat for the health of both humans and Earth (if inevitable, using meat from animals raised in an eco-friendly manner or with an animal welfare certification) and using sustainable plant-based raw materials.</p>
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## Pulmuone's trust in animal welfare

"What's good for animals is also good for human beings and Earth"  
Pulmuone believes that not only safety must be ensured in the process of raising animals to provide good food, but we should also provide an environment where animals can lead happy lives because they are part of nature and cohabitate with human beings. Pulmuone promotes animal welfare, believing that what's good for animals is also good for human beings and earth.

## Animal welfare principles

<p><b>Five animal welfare principles</b></p> <ol style="list-style-type: none"> <li>① Freedom from Hunger and Thirst</li> <li>② Freedom from Discomfort</li> <li>③ Freedom from Pain, Injury, and Disease</li> <li>④ Freedom to Express Normal Behavior</li> <li>⑤ Freedom from Fear and Distress</li> </ol>	<p><b>Principles for safe livestock products</b></p> <ol style="list-style-type: none"> <li>① Free of Antibiotics</li> <li>② Free of growth accelerators and other hormone substances</li> <li>③ Marking of the date of lay</li> </ol>
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## Products with animal welfare certification



Fertilized eggs produced in an eco-friendly way with animal welfare certification



Eggs from grass-fed hens with animal welfare certification

# Respect for Human Rights



## Management System with Respect for Human Rights

Pulmuone formed a business management system with respect for human rights to lay the groundwork for sustainable growth through the human rights respect culture based on its brand spirit, "love toward neighbors" and "respect for life," and its mission, "a LOHAS company that deeply cares for both humans and nature." Business management with respect for human rights is aimed at creating an environment where every stakeholder affected by our business can be respected as a human being without any mentally or physically disrespectful treatment. We are spreading ten principles (respect for human rights, prohibition of ;discrimination, forced labor and child labor, assurance of industrial safety, trust for consumers, etc.) throughout the entire supply chain as well as Pulmuone. Based on these principles, we invest continuous efforts to enhance animal welfare so that their lives as living creatures can be respected.

## Scope and definition of management with respect for human rights

<p><b>1. Respect for human rights</b> We respect all stakeholders affected by our business as human beings and actively prevent any mentally or physically disrespectful treatment to them.</p>	<p><b>2. Prohibition of discrimination</b> We prohibit discrimination based on gender, age, religion, social status, regional origin, educational background, marriage, pregnancy, childbirth, disease or disability. We do not require unnecessary physical conditions or marital status for jobs.</p>
<p><b>3. Prevention of discriminatory practices against women</b> We make efforts to eradicate discriminatory practices against women in employment and work processes.</p>	<p><b>4. Prohibition of forced labor</b> We do not force labor against free will and prohibit forced labor by mental or physical confinement.</p>
<p><b>5. Prohibition of child labor</b> We support eradication of child labor. We never engage in business with companies that accept child labor.</p>	<p><b>6. Compliance with predetermined working (labor) hours</b> We comply with labor laws and regulations for regular and extra working hours in each country or region.</p>
<p><b>7. Wages and welfare</b> We provide wages and welfare for employees at a level that exceeds the minimum requirement set by the laws and regulations in each country or region.</p>	<p><b>8. Freedom of association and collective bargaining</b> We recognize the freedom of association and collective bargaining of our employees and try to build an environment where labor and management communicate with each other in regard to working (labor) conditions.</p>
<p><b>9. Industrial safety</b> We consider safety and health as top priority at business sites. We comply with industrial safety regulations to protect employees from any hazard and strive to provide a safe work environment.</p>	<p><b>10. Consumer trust</b> We set our own strict principles for the development of products and provision of services and try to comply with them to pursue LOHAS lifestyle for the health and happiness of consumers.</p>

# Risk Management

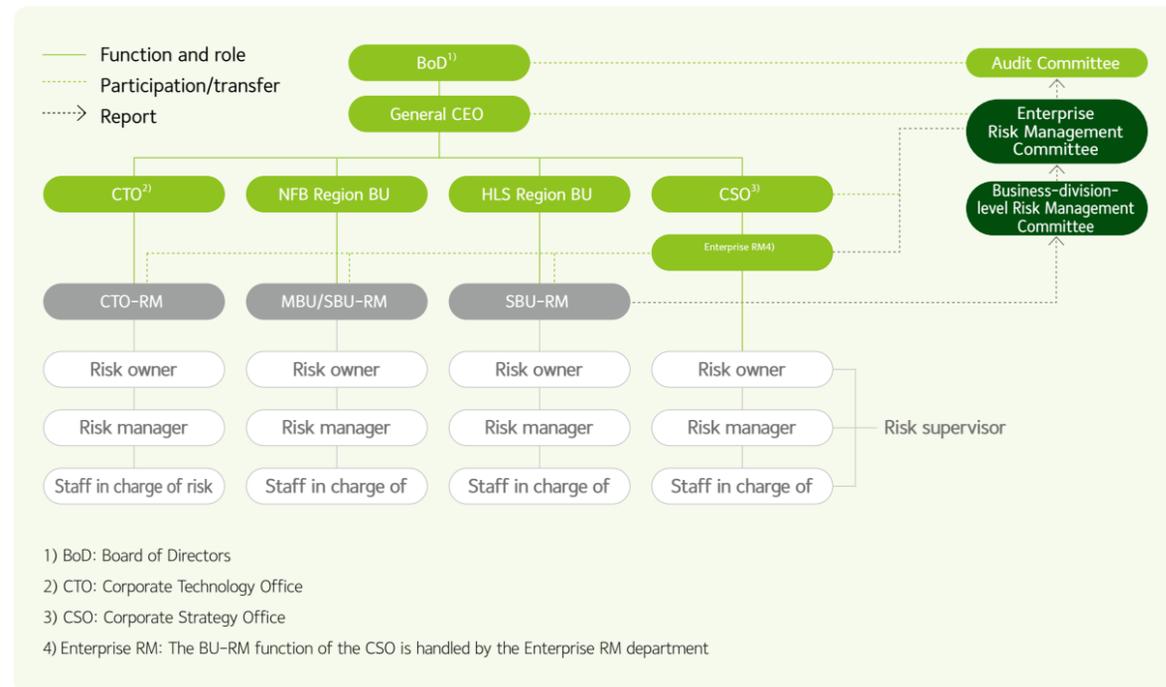
## Enterprise Risk Management (ERM)

As the business management environment including industries, regulations, society and technology are rapidly changing with growing uncertainties, it is crucial to manage potential risks in business management in a systematic way and ensure crisis management capacity. Pulmuone has an enterprise risk management in operation as part of its management strategies, which is aimed at managing risks that may have a negative impact on the company's sustainable growth, strengthening agility through analysis of crisis and opportunity factors, accumulating resilience for potential crisis of business closure, and building competitiveness for survival and growth.

## Risk management system

We run the risk management committee for effective monitoring and management, including prevention and post-management of risk factors. The committee is composed of the management including the CEO, devises risk management policies and strategies, monitors current risks on a regular basis, and supervises prevention and post-management activities. We specifically have a risk management committee for each business division to select a pool of risks to be managed, build response strategies, and monitor the progress at the business division level. We report the result of the integrated risk management activities to the audit committee. In addition, we have a department exclusively for efficient risk management to define risk management policies and procedures and conduct prevention and post-management activities for risks that may harm the company's sustainability.

## Governance and system of risk management



# Eco-friendly Packaging

## For me and for Earth

A place that contains more plastic waste than fish. This could be what children think of the ocean in the future. We believe that children deserve to indulge in the greatness of nature as we know it. To create a sustainable earth where human beings and nature coexist, Pulmuone applies eco-friendly packaging principles to all our wholesome food products. By 2022, we will reduce the consumption of plastics by 500 tons and CO<sub>2</sub> emissions by 900 tons, while increasing the number of products made with easily recyclable packaging materials to 400 million.



2019 Eco-friendly packaging declaration event

## Direction for eco-friendly packaging (annual application based on 2018 production volume)

**Less plastics!**

Reduce plastics by 1 g for packaging to lower the annual use of plastics by 81 tons (Ultralight packaging of 11.1 g for 500 ml).

Use calcium carbonate to reduce the annual use of plastics by 98 tons. Replace 30% of the existing materials of containers with calcium carbonate for Pulmuone Soybean Silken Tofu and Korean Beans Natto.

**Easy recycling!**

Make it easier to recycle 134 million containers. Apply double dotted lines to Pulmuone green juice and Activia products. Apply a type of label that is easily separated using heat-based alkali-soluble adhesive to I'm Real, I'm Fruit, and dressing products.

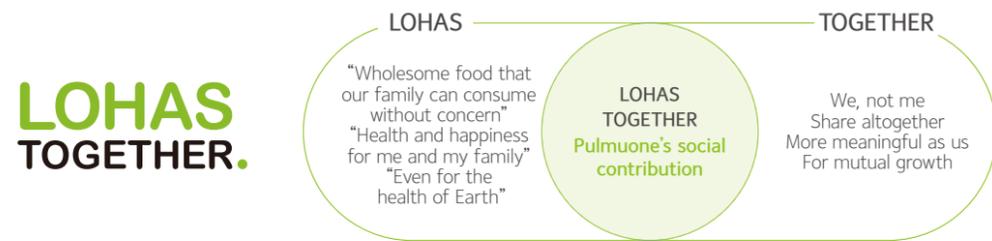
**Zero residual chemicals**

Use water-based ink for film packaging materials to reduce 1.25 million tons of CO<sub>2</sub> emissions annually. Use water-based ink for film packaging materials of Raw Noodle Texture, tofu, and ice products.

# Strategic Social Contribution

## Social contribution system

Pulmuone is a profit-making company that also pursues social benefits. To carry out a wide range of social contribution activities in a more effective and efficient manner, we launched “LOHAS TOGETHER,” a social contribution brand. “LOHAS TOGETHER” is aimed at facilitating cooperation between the company and society to conduct activities for the health of human beings and sustainability of Earth. Pulmuone’s mission is to promoting the values of a LOHAS company that deeply cares for both humans and nature.



## Direction of social contribution activities

Pulmuone carries out various activities that create social and environmental values focusing on three core directions to pursue LOHAS TOGETHER in a strategic way.



### LOVE TOGETHER

“LOVE TOGETHER” is our social contribution program led by LOHAS TOGETHER Members, a company-wide volunteer group of Pulmuone. Since its establishment in July 2009, the volunteer group has carried out environmental protection and sharing activities and supported the disadvantaged across a wide range of fields with a 95% participation rate among our employees. We will spread this value of sharing further through open volunteer activities with local community residents.

### HOPE TOGETHER

“HOPE TOGETHER” is our program aimed at creating values with a focus on education for a better future of the society. Under the lead of Pulmuone Foundation, we promote education for healthy food, society, and environment and will provide a variety of education and pro bono programs to help the older generations get jobs again and the younger generations find jobs.

### VISION TOGETHER

“VISION TOGETHER” is our strategic social contribution program designed to create sustainable shared values. Pulmuone makes efforts to strengthen strategic social contribution activities through impactful business that tackles social and environmental issues. For example, our Uri Maul bean sprout project in Ganghwado helps the disabled stand on their own feet by creating jobs for them. We also support the growth of rural economies through development of I'm Fruit beverage products using fallen fruits.

# Creating Shared Value (CSV)

## CSV system

We set and implement CSV strategies for Pulmuone Co., Ltd. and Pulmuone Foundation to create economic values and even meaningful social values through our intrinsic business. Pulmuone Co., Ltd. generates economic values by providing products and services with LOHAS spirit to customers, while Pulmuone Foundation contributes to creating social values through LOHAS social contribution programs. Both the company and foundation build a virtuous circle structure for CSV through their key business, thereby contributing to enhancing the health of human beings and sustainability of Earth.

## Flow of CSV values



## Pulmuone Foundation (www.pulmuonefoundation.org)

Pulmuone Foundation addresses challenges and carries out public interest and charity projects in a strategic way to add LOHAS values to the lives of human beings, thereby contributing to the coexistence and sustainable future of human beings and nature.

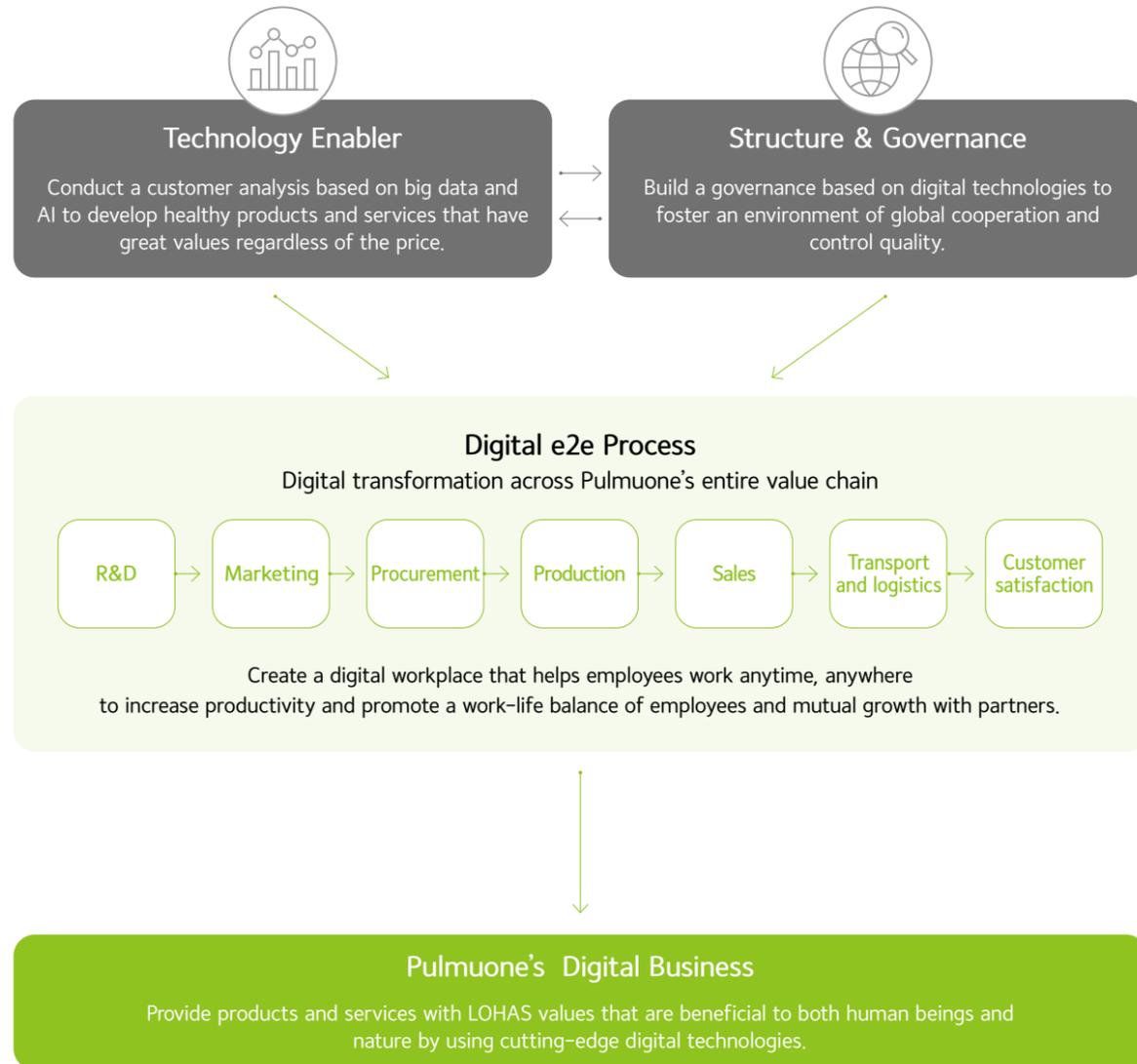
Mission	A foundation that adds LOHAS values to the lives of human beings			
Vision	2025 DP3			
	Provide programs to 600,000 trainees	Achieve 80% improvement rate among trainees	Promote the LOHAS campaign across the society	
Core values	Passion with TISO			
	Trust	Integrity	Solidarity	Openness
Scope of project	Dietary habit			
	Cultivate good dietary habits to enjoy the flavor of nature and keep nutritional balance.	Lifestyle habit	Cultivate good lifestyle habits to prevent diseases and improve health through hygiene for both body and living environment.	Eco-friendly habit

# Digital Innovation

## Digital Transformation

Pulmuone established a digital governance to respond in a strategic and systematic way to digital transformation drivers that may provide new opportunities or threaten overall business beyond the scope of its products and services. We also constantly set digital strategies, build a management system, and develop measures for planning, management, and support of business models based on global best practices, thereby providing products and services that are beneficial to human beings and nature.

### Pulmuone digital transformation frame



# Dissemination and Assurance of Sustainability

## “2019 For Me & For Earth” Campaign

Pulmuone made a video that guides our employees, customers, and other stakeholders with daily tips that can increase sustainability for human beings and nature. “2019 For Me & For Earth” Campaign videos are provided in three versions: Part 1 for sustainability, Part 2 for vegetable protein, and Part 3 for animal welfare. These videos are focused on showing that it is quite simple to form daily habits for better sustainability for human beings and nature. You can watch these videos on YouTube. We will continue to promote the importance of sustainability and encourage people to join our efforts.

Category	Description	Campaign image
Sustainability ver.	This is the opening of the 2019 campaign that encourages you to form daily habits for sustainability for both human beings and nature. It introduces several tips that you can easily follow in daily life, such as using drink tumblers or reusable cups, eating vegetable protein, and using products with animal welfare certification.	
Vegetable protein ver.	The video shows how easily you can contribute to increasing sustainability of human beings and nature by consuming vegetable protein. It explains that you can reduce carbon emissions simply by consuming tofu with vegetable protein instead of meat.	
Animal welfare ver.	The video highlights the significance of animal welfare by delivering a message that we all can be happy only when animals are happy. Pulmuone Foods are planning to replace all our edible egg products with those that have animal welfare certification by 2028.	

## How Pulmuone campaigns have evolved

Pulmuone campaigns first began to promote wholesome food with the message that the palate you develop as a child lasts for life. These campaigns have now evolved to spread the value of sustainability for both human beings and nature.



# Sustainable Development Goals (SDGs)

## Strategy aligned UN SDGs

Pulmuone makes strategic efforts to fulfill its roles and responsibilities by contributing to the accomplishment of the SDGs, the global goals for economic growth and harmony between human beings and nature. The SDGs were designed by the UN to achieve sustainable growth of the international community by dealing with common issues around the world from environmental, economic, and social perspectives.

<p><b>1</b>  <b>NO POVERTY</b></p> <p><b>End poverty in all its forms everywhere</b> Provide education and support for the poorest and most vulnerable to overcome poverty</p>	<p><b>2</b>  <b>ZERO HUNGER</b></p> <p><b>End hunger, achieve food security and promote sustainable agriculture</b> Invigorate the agricultural ecosystem by expanding the introduction of GAP for agricultural products</p>	<p><b>3</b>  <b>GOOD HEALTH AND WELL-BEING</b></p> <p><b>Ensure healthy lives and promote well-being for all</b> Spread good dietary habits and healthy lifestyle based on LOHAS values</p>	<p><b>4</b>  <b>QUALITY EDUCATION</b></p> <p><b>Ensure inclusive and equitable quality education</b> Strengthen capacity of employees and support their career management systematically</p>	<p><b>5</b>  <b>GENDER EQUALITY</b></p> <p><b>Achieve gender equality and empower all women</b> Cultivate female managers and help women achieve success</p>
<p><b>6</b>  <b>CLEAN WATER AND SANITATION</b></p> <p><b>Ensure availability and sustainable management of water and sanitation</b> Build a system for quantity and quality control of water resources</p>	<p><b>7</b>  <b>AFFORDABLE AND CLEAN ENERGY</b></p> <p><b>Ensure access to affordable, reliable, sustainable and modern energy for all</b> Use eco-friendly energy sources and expand the ratio of renewable energy</p>	<p><b>8</b>  <b>DECENT WORK AND ECONOMIC GROWTH</b></p> <p><b>Promote sustainable economic growth and secure quality employment</b> Constantly create jobs for youth and increase the employment of the elderly and the socially disadvantaged</p>	<p><b>9</b>  <b>INDUSTRY, INNOVATION, AND INFRASTRUCTURE</b></p> <p><b>Build resilient infrastructure, promote inclusive and sustainable industrialization</b> Become a great workplace (GWP)</p>	<p><b>10</b>  <b>REDUCED INEQUALITIES</b></p> <p><b>Reduce inequality within and among countries</b> Internalize business management with respect for human rights and promote such business practices</p>
<p><b>11</b>  <b>SUSTAINABLE CITIES AND COMMUNITIES</b></p> <p><b>Make cities and human settlements safe, resilient, and sustainable</b> Support a sustainable lifestyle by spreading the brand's spirit</p>	<p><b>12</b>  <b>RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> <p><b>Ensure sustainable consumption and production patterns</b> Provide wholesome food and services to spread LOHAS values</p>	<p><b>13</b>  <b>CLIMATE ACTION</b></p> <p><b>Take urgent action to respond climate change</b> Establish a risk management system for climate change</p>	<p><b>14</b>  <b>LIFE BELOW WATER</b></p> <p><b>Conserve and sustainably use the oceans, seas and marine resources</b> Strengthen education programs about water and environment and expand the MSC/ASC certification</p>	<p><b>15</b>  <b>LIFE ON LAND</b></p> <p><b>Protect, restore and promote sustainable use of ecosystems</b> Minimize the impact of business on the environment</p>
<p><b>16</b>  <b>PEACE, JUSTICE AND STRONG INSTITUTIONS</b></p> <p><b>Promote peaceful and inclusive societies for sustainable development</b> Contribute to realizing judicial justice</p>	<p><b>17</b>  <b>PARTNERSHIPS</b></p> <p><b>Strengthen the means of implementation and revitalize the global partnership</b> Conduct joint R&amp;D projects with government institutions and cooperate with NGOs</p>			



# Strengthening Communication with Stakeholders

## Establishment and operation of the communication system

We are committed to effectively communicating with various stakeholders that affect and are affected by Pulmuone's business in direct and indirect ways. In principle, we disclose the information of business strategies, major activities and performance, and future plans. Our stakeholders can look up the data of our company's overall business management anytime, anywhere on our website and through social network services. We will keep communicating sincerely with our stakeholders to achieve healthy growth for the company.

### Communication channel for each stakeholder

Category	Overview	Communication channel	
		Common channel	Channel for each category
 Shareholder and investor	An individual (or institution) that owns or is planning to own one or more shares of stock in Pulmuone		<ul style="list-style-type: none"> <li>Open general meeting of shareholders</li> <li>Integrated report of the open general meeting of shareholders</li> <li>NDR, IR meeting</li> </ul>
 Customer	A consumer who purchases products and services manufactured and provided by Pulmuone		<ul style="list-style-type: none"> <li>Customer Satisfaction Center</li> <li>e-fresh monitor</li> <li>Household monitoring</li> <li>Customer satisfaction survey</li> <li>One Big Bowl Full of Nature (company PR magazine)</li> </ul>
 Employee	All members of the company who work together to achieve the mission and vision of Pulmuone	<ul style="list-style-type: none"> <li>Pulmuone website (www.pulmuone.co.kr)</li> <li>Pulmuone SNS (Facebook, Twitter, Instagram, etc) and blog</li> <li>Integrated Repor</li> <li>Brochure 'One Pulmuone'</li> <li>Social contribution white paper</li> <li>Social Contribution Report</li> </ul>	<ul style="list-style-type: none"> <li>Company portal (KWP, Knowledge Worker Platform)</li> <li>Labor-management Council</li> <li>Meeting with the General CEO</li> <li>Grievance redress center</li> <li>Respect for Human Rights Committee</li> <li>Occupational Safety Committee</li> </ul>
 Partner	All companies and their employees involved in the process of procurement, manufacturing, sales, transport, and facilities of Pulmuone products and services		<ul style="list-style-type: none"> <li>Meeting with partner companies</li> <li>Partners Day</li> <li>Pulmuone Sourcing Portal (sp.pulmuone.co.kr)</li> </ul>
 Local community	All individuals and institutions that affect and are affected by Pulmuone's business, including the government, relevant institutions, NGOs, volunteer organizations, and local residents of regions of its business sites		<ul style="list-style-type: none"> <li>Work-related meetings (at the request of relevant institutions and organizations)</li> <li>Meeting with local residents (at the request of residents living near the company's business sites)</li> <li>Meeting hosted by General CEO</li> <li>Associations, workshops and conference</li> <li>Regular meetings with volunteer organizations</li> </ul>

# Part 03 2019 Key Topics of CSR Management

2019 Materiality Test

Build Sound and Rational Governance

Lay the Groundwork for Creating Values

Launch Innovative Products and Services

Strengthen Responsibility about Products and Services

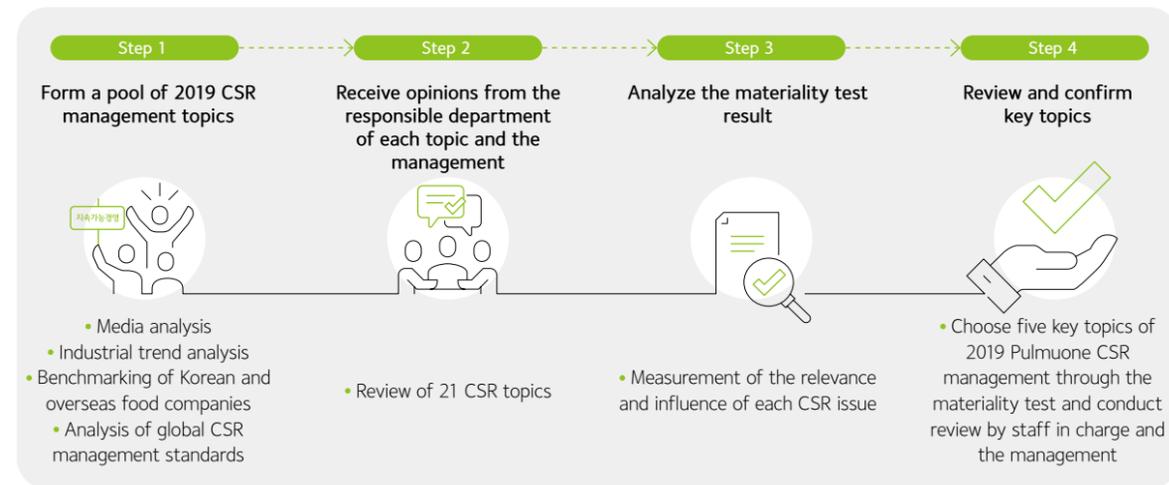
Conduct Strategic Social Contribution Programs



# 2019 Materiality Test

## Materiality test methodology

We conducted a materiality test to select key report topics of 2019 for the sound growth of Pulmuone. In particular, we introduced the <IR> framework method considering the characteristics of an integrated report that combines an annual report and a sustainability report.



## Identify topics and form a pool of topics

We carried out the media analysis, sustainability-related trend analysis in the food industry, benchmarking, and the analysis of global CSR management standards to derive a pool of 21 topics. Based on our CSR topic management system, we will manage a wide range of CSR management topics in a systematic way.

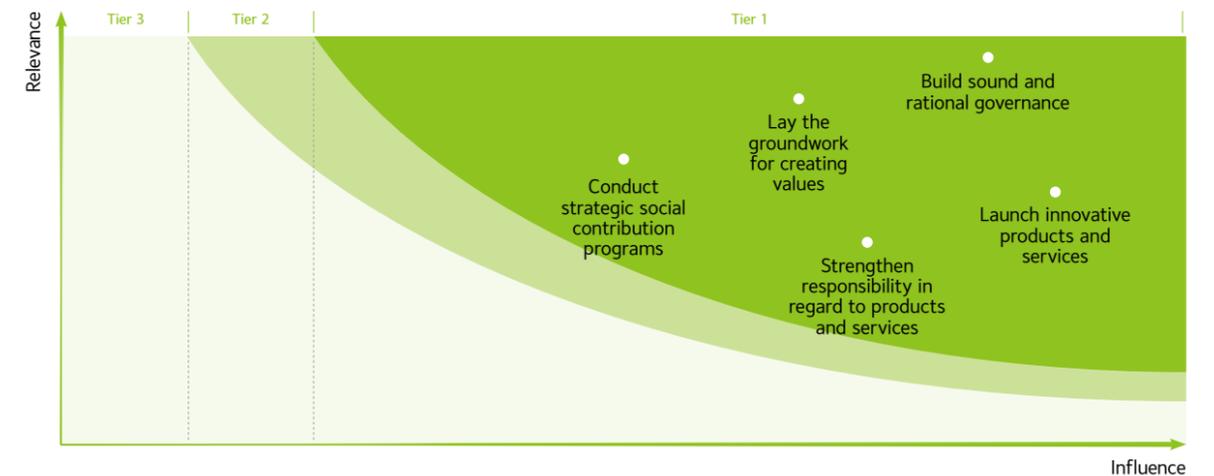
### List of 2019 Pulmuone CSR management topics

Category	Topic	Category	Topic
1	Build sound and rational governance	2	Lay the groundwork for creating values
3	Launch innovative products and services	4	Strengthen responsibility about products and services
5	Conduct strategic social contribution programs	6	Internalize TISO management
7	Bolster the risk management system	8	Pay taxes in a transparent and diligent manner
9	Respect human rights and diversity	10	Build win-win labor-management relations
11	Foster Great Work Place (GWP)	12	Strengthen capacity of employees
13	Run a family-friendly system for employees to achieve success both at work and at home	14	Achieve mutual growth with partner companies
15	Facilitate R&D efforts	16	Control the quality of products
17	Promote innovation through digital transformation	18	Increase value for customers
19	Minimize the impact of business on the environment	20	Build a safe work environment
21	Manage information security in a systematic way		

## Materiality test frame

We designed the materiality test to measure the relevance between various CSR topics and our business and their influence on stakeholders. We quantified the degree of relevance by analyzing the correlation between each topic and the financial performance of the company and their impact on stakeholders by analyzing the level of interest for each topic.

### Materiality test result



## Overview of key topics of 2019 Pulmuone CSR

As a result of the materiality test, we chose the following five issues as the key topics of 2019 Pulmuone CSR: “build sound and rational governance”, “lay the groundwork for creating values”, “launch innovative products and services”, “strengthen responsibility in regard to products and services,” and “conduct strategic social contribution programs.” We prepared this 2019 integrated report with a focus on these five topics.

### Category of stakeholders related to key topics

2019 key CSR topics	Category of stakeholders	Page
	Customers Shareholders and investors Partner Local community Employees	
• Build sound and rational governance	○ ● ○ ○ ○ ●	036 ~ 039
• Lay the groundwork for creating values	○ ● ○ ○ ● ●	040 ~ 043
• Launch innovative products and services	● ● ○ ○ ○ ○	044 ~ 047
• Strengthen responsibility for products and services	● ● ● ○ ○ ○	048 ~ 051
• Conduct strategic social contribution programs	○ ○ ○ ● ●	052 ~ 055



# 2019 TOPIC 1. Build Sound and Rational Governance

## Significance of the topic

A listed company whose stocks are issued by meeting the listing valuation criteria and are traded on the stock exchange must operate its business in a way that satisfies the expectations of its shareholders and investors. It must also transparently disclose the data of its performance and outcome. To achieve sound and sustainable growth of the company for shareholders, investors, and all other stakeholders, the company must be equipped with governance where checks and balances are maintained based on expertise, not just on decisions made solely by the CEO. Many studies and real cases in the business field have proven that a higher level of corporate governance reduces the risk of a decrease in financial performance and the credit rating. Domestic credit rating agencies also take into account governance-related factors, such as the ownership structure and controlling shareholders, in their rating process.

## Strategies and goals

Pulmuone has enacted efforts to build advanced governance that can boost sound and sustainable growth of the company. We support the best decision making process by appointing Independent directors with competence and experience in each field of business, organizing subcommittees of the BoD that contribute to increasing corporate values, and conducting various activities within the BoD to enhance diversity.

## Major performance and plans of governance in 2019

Major performance in 2019	2020 Plan	Description
Achieve A+ in the governance category (G) in the ESG assessment by KCGS	Achieve A+ in the governance category (G) in the ESG assessment by KCGS	Proved the excellence of governance of Pulmuone by receiving A+ in the governance category in 2020
Established a holding company structure in accordance with the global standards	Strengthen expertise of the BoD	Appoint executive and independent directors with expertise in the fields of environment, safety, and supply chain to obtain decision-making capacity for non-financial affairs
Set the standards for the term and reappointment of independent directors	Ensure gender diversity of the BoD	Appoint female executives and independent directors to improve diversity in the BoD

# Governance of Pulmuone

## Ownership structure

Pulmuone is a company listed on the stock market. As of December 31, 2019, 57.8% of its shares (including treasury and preferred stocks) are owned by the largest shareholder and their specially related persons, 18.6% by minority shareholders (less than 1% by each), and 23.4% by other shareholders (1% or over and less than 10% by each). The total number of shares is 42,125,530 (38,090,950 common stocks and 4,034,580 preferred stocks), resulting in a market value of KRW 428.5 billion.

## Composition of the BoD (As of December 31, 2019)

Pulmuone invests utmost efforts to build an advanced governance with reviewing and balancing between the BoD and the management. We also run eight subcommittees within the BoD for major management affairs to increase efficiency and effectiveness.

Category	Function	Member	Executive director	Independent director
Committee	Top decision-making body (rights to the general meeting of shareholders excluded)	11 members	Nam Seung-woo, Lee Hyo-yul, Lee Sang-boo, Lee Woo-bong	Yoon Jang-bae, Won Cheol-woo, Choi Jong-hak, Kim Young-joon, Jo Hwa-joon, Jang Jae-sung, Lee Gyeong-mi
Audit Committee	Monitor and support the management through reviews and balancing to maximize corporate values	4 Independent directors	-	Choi Jong-hak*, Won Cheol-woo, Jo Hwa-joon, Kim Young-joon
Independent Directors Recommendation Committee	Ensure fairness and independence in the appointment process of Independent directors	4 Independent directors	-	Won Cheol-woo*, Choi Jong-hak, Jo Hwa-joon, Kim Young-joon
Compensation Committee	Deliberate remuneration and compensation for directors based on objectivity, transparency and expertise	4 Independent directors	-	Yoon Jang-bae*, Kim Young-joon, Won Cheol-woo, Jang Jae-sung
Independent Director Evaluation Committee	Evaluate activities done by the BoD and independent directors from the objective perspective	3 Independent directors	-	Yoon Jang-bae*, Jang Jae-sung, Lee Gyeong-mi
Business Management Committee	Handle business management affairs delegated by the BoD	3 executive directors	Lee Hyo-yul*, Lee Sang-boo, Lee Woo-bong	-
Strategy Committee	Provide consultation and make decisions for investment affairs regarding medium-term business strategies, new business, and new overseas markets	7 directors including 4 independent directors	Nam Seung-woo*, Lee Hyo-yul, Lee Sang-boo	Yoon Jang-bae, Choi Jong-hak, Jang Jae-sung, Lee Gyeong-mi
Pulmuone General CEO Recommendation Committee	Manage and recommend capable candidates for General CEO position	3 directors including 2 independent directors	Nam Seung-woo*	Yoon Jang-bae, Jo Hwa-joon
ESG Committee	Identify major issues about environment, society and governance (ESG), examine sustainability strategies and directions, and provide consultation	3 independent directors	-	Won Cheol-woo*, Jo Hwa-joon, Lee Gyeong-mi

(Independent Lead Director: Kim Young-joon)

\* Chairperson

## Composition of the BoD (As of December 31, 2019)

Pulmuone's BoD is comprised of 11 directors. Consisting of three executive directors, seven independent directors, and a non-executive director, the BoD is committed to achieving fairness and transparency in business management as well as the sustainable growth of the company.

### Pulmuone's BoD Members

Category	Name	Career	Gender	Appointment date	Title of profession
Non-executive director	Nam Seung-woo	Former General CEO of Pulmuone	Male	March 2018	Chairperson of the BoD of Pulmuone
	Lee Hyo-yul	Former CEO of Pulmuone Foods	Male	March 2013	General CEO of Pulmuone
Executive director	Lee Sang-Boo	Former Head of Business Support Division of Pulmuone Food&Culture	Male	March 2018	Head of Corporate Strategy Office of Pulmuone
	Lee Woo-Bong	Former Head of Business Support Division of Pulmuone Foods	Male	March 2018	CEO of Pulmuone Food&Culture Market BU
	Yoon Jang-Bae	Former CEO of Korea Agro-Fisheries & Food	Male	March 2011	Executive advisor of law firm Lee International
Independent director	Won Cheol-woo	Former President of ATMI Asia	Male	March 2011	Business Consultant
	Choi Jong-Hak	Former member of the asset management committee of the Government Employees Pension System and Teachers Pension	Male	March 2016	Professor at Business School of Seoul National University
	Kim Young-Joon	Former Head of Foreigner Policy Division of Immigration of the Ministry of Justice	Male	March 2016	Representative lawyer at law firm Samwoo
	Jo Hwa-Joon	前 KT Capital CEO	Female	March 2016	Senior Auditor of Mercedes-Benz Financial Services Korea
	Jang Jae-Sung	Former CEO of KCLAVIS	Male	March 2018	Head of PE Division of IBK Securities
	Lee Gyeong-mi	Former professor at School of Business of Yonsei University	Female	March 2019	Professor at Business School of Seoul National University

## Strengthen supervision of IT & Cyber security management

Considering the importance of IT & Cyber security in management, the Audit Committee granted authority to supervise IT & Cyber security management in 2019 and appointed Choi Jong-hak, an independent director, as the director in charge.

## Operation of the BoD

In accordance with Pulmuone's Governance Charter, the BoD meeting is conducted on a regular basis (six times a year), and temporary meetings can be held for any urgent agenda. In 2019, a total of nine meetings were held to discuss 23 agendas, including partial revision of the articles of association and the establishment of a subsidiary in Vietnam. The attendance rate of independent directors reached 97.2%.

### Overview of operation of the BoD

Category	Unit	2019	2018	2017
Number of meetings	Sessions	9	8	7
Number of agendas	Cases	23	20	19
Attendance rate of registered directors excluding independent directors	%	100.0	88.3	85.7
Attendance rate of independent directors	%	97.2	96.4	90.5

### Evaluation and remuneration of the BoD

The activities of the BoD including independent directors are systematically evaluated for its expertise and fairness by the Non-executive Director Evaluation Committee. The evaluation of independent directors and the BoD is conducted on an annual basis. The members of the Non-executive Director Evaluation Committee evaluate the activities of the BoD for that year and share the result to upgrade strengths and fix weaknesses, thereby running a sound and rational top decision-making body. The evaluation result is used to determine the remuneration and reappointment of directors. In 2019, BoD decided to introduce the new General CEO's Long-Term Incentive (LTI) plan which is the Stock Option type.

### Overview of the remuneration of the BoD in 2019 (As of December 31, 2019)

Category	Unit	Registered directors excluding independent directors	Independent director	Total
Number of directors	Person	4	7	11
Total amount	KRW million	1,503	264	1,767

## Executive compensation

General CEO compensation system consists of basic salary, STI (Short-Term Incentive), and LTI (Long-Term Incentive). STI is designed on financial performance and strategic indicators. LTI, a performance share unit (PSU), is paid on General CEO's performance over three years terms. In 2019, BoD decided to introduce the new General CEO's Long-Term Incentive (LTI) plan which is the Stock Option type.

## 2019 TOPIC 2. Lay the Groundwork for Creating Values



### Significance of the topic

Expansion of production facilities, development of new technologies, and capacity building of employees are essential efforts for the sustainable growth of a company. The effect of such investment is not limited solely to a company—it boosts local economy and employment, contributing to the economic growth of the local community, the country, and the entire world. From this perspective, investment has a major significance and implication for companies. That is why the government provides a wide range of support to facilitate investment in enterprises. Investment used to be aimed at simply expanding yields, but recently it is used as a way to create sustainable values by reforming processes to reduce cost, introducing environmental technologies and facilities to implement eco-friendly business management, and developing business models to address social issues.

### Strategies and goals

In 2019, Pulmuone amended the articles of association to stipulate its identity as a profit-making company that also pursues public interests. The company's principle of investment is to comprehensively consider economic, social, and environmental values. In the same year, we completed building infrastructure for creating values, including the construction of a global kimchi plant and an advanced R&D center. We are also increasing investment in global business by expanding production facilities in the USA and opening a new division for business in Vietnam. We will continue to promote LOHAS values by actively making investments.

### 2019 major performance and plans for laying the groundwork for creating values

Major performance in 2019	2020 Plan	Description
 Completed the construction of a global kimchi plant	Increase investment in the R&D sector	- We will obtain R&D competitiveness by investing KRW 87 billion in the R&D sector by 2025. - 250 new professionals will also be added to our R&D workforce.
 Established an advanced R&D center	Commence the construction of Plant Building 2 in China (Planned to be completed in Beijing by February 2021)	- wastewater treatment facilities, including KRW 18 billion for new Plant Building 2. - We are planning to invest KRW 33 billion in additional construction by 2025 for facilities, cold-storage warehouses

## Lay the Groundwork for Creating Values

### Construction and operation of a global kimchi plant

We held a building dedication ceremony in May 2019 for our new advanced kimchi plant, which was constructed with KRW 30 billion of investment to step into the global kimchi market. We have now started producing premium kimchi products at this plant. This global kimchi plant is a three-story building with total floor area of 30,329 m<sup>2</sup> and produces 30 tons of traditional Korean kimchi products including whole-cabbage kimchi, small-portion kimchi, white kimchi, and cubed and sliced-radish kimchi every day, amounting to over 10,000 tons a year. The kimchi is exported to overseas markets including the USA, China, and Japan.



Global kimchi plant



### Realizing a smart factory

At Pulmuone's global kimchi plant, we use IP cameras and IoT sensors that monitor manufacturing processes in real time to produce safe food and maintain the best quality. Considering the characteristics of a kimchi plant that requires precise temperature control, we use temperature, humidity, and salinity-checking sensors across a total of 40 stages in the production process to prevent potential changes in the fermentation level and flavor of products. We also designed the drainage system so that no moisture remains on the plant floor to maintain hygiene and avoid the spread of bacteria. We conduct thorough inspections using metal detectors and X-ray equipment to protect products from any foreign substances or metals. Moreover, we control the optimal ripening state of kimchi by considering the delivery duration for sales target countries including the USA, China, and Japan under the real-time stock management system by using wireless recognition (RFID) technologies.



Pulmuone global kimchi plant monitors the manufacturing process in real time by using IP cameras and IoT sensors across all processes.

### Kimchi business strategies

		
<p>Premium strategy</p> <p>Develop premium and distinctive kimchi rich in "seed lactobacillus" with a refreshing and clean flavor, which are differentiated from others in the global market, particularly low-priced Chinese kimchi and Japanese kimuchi or sterilized kimchi with less lactobacillus</p>	<p>Scientific strategy</p> <p>Use the principle of fermentation of a kimchi clay pot that keeps consistent temperature and humidity by circulating the chilly air in winter and the warm heat of the soil, thereby maximizing the benefits of Pulmuone Kimchi which is crisp, full of lactobacillus, and has a refreshing flavor</p>	<p>Standardization strategy</p> <p>Keep the optimal temperature and humidity in all processes to prevent over-fermentation and measure the salinity of products for their consistent flavor</p>

### Establishment of an advanced R&D center

Pulmuone completed the construction of an advanced R&D center in December 2019, which was designed to supervise the development of new products, food safety, and quality control and strengthen its global R&D capacity. This advanced R&D center has seven floors (6 above ground, 1 underground), with a total floor area of 12,446 m<sup>2</sup>. The ground level houses the lobby, the second floor is used as a pilot plant, the third floor as the office space, and the fourth to sixth floors are the research space. The pilot plant is equipped with a medium-scale pilot production platform that helps us use different adjustable facilities to manufacture fresh and ready meal products at HACCP level in a swift and flexible way. We arranged the space by function: physical and chemical analysis, microorganism analysis, and R&D for cooking and processing. We also run four state-of-the-art video conference meeting rooms for communication in the global market. The center employs the community lounges and smart office system. It is spatially arranged so that R&D, information searching, and communication can operate separately. We applied a sustainable and eco-friendly design early in the planning stage to receive global eco-friendly building certification (LEED, Leadership in Energy and Environmental Design). We are the first food R&D center that achieved LEED V4 GOLD in Korea (in March 2020).



Advanced R&D center



Leadership in Energy and Environmental Design (LEED)

#### Increase in R&D Investment

Pulmuone is planning to invest a total of KRW 87 billion (includes initial construction cost) in this R&D center and increase the number of R&D staff from 200 to over 250. We organized the Quality Safety Management (QSM) department by strengthening the existing food safety and quality control department, under which we run three sub-departments, including the food safety department, the quality-centric business management center, and the food poison prevention department. We will introduce various systems in the R&D center for site-based management for manufacturing processes and ingredients, residential management, prevention management, total inspection, and real-time management system through benchmarking of the quality and safety control techniques in advanced countries.

### Participation in the 2nd China International Import Expo in Shanghai

In November 2019, Pulmuone participated in the China International Import Expo for two years in a row, which was initiated by Chinese President Xi Jinping, for the purpose of promoting Korean food. The scale of the fair was doubled from 54 m<sup>2</sup> in area in the previous year to 108 m<sup>2</sup> this year. Pulmuone introduced some of our major global products including tofu and kimchi to Chinese consumers.

#### Operation of a quality promotion hall

We arranged a two-story booth that is 7.8 m high with three open sides for communication with consumers. We used a large LED screen to attract attention and show our sustainable global business vision. We exhibited tofu, kimchi, and fresh and ready meal pasta products that were well received and are now sold in global markets including Korea, USA, China, and Japan. By running the VIP booth to communicate with local buyers, we went beyond simple promotion to achieving practical business output.

#### Upgraded experience program for global products

We introduced the flavor of Korean food with major products including tofu, kimchi, and fresh and ready meal pasta. We carried out a cooking show three times a day. A professional chef demonstrated how to cook ratatouille with tofu, tomato meat pasta, and kimchi taco, which was broadcast live on a large LED screen at the expo. We introduced Pulmuone's major products to over 3,000 local buyers over five days.



Pulmuone booth at China International Import Expo



Pulmuone cooking show at China International Import Expo

### Business in Vietnam as a bridge to the Southeast Asian markets

In November 2019, Pulmuone started official sales at K-market in Vietnam. K-market is a premium supermarket selling Korean food products, running 86 retail stores across the country. For successful business in Vietnam, we organized the Vietnam business division by scouting experts experienced in overseas business.

We began to promote Pulmuone brands to Vietnamese customers, starting with Pulmuone Zone exclusive for our products at K-market. We will create more new values by providing wholesome food.



Pulmuone Zone at K-market

## 2019 TOPIC 3. Launch Innovative Products and Services



### Significance of the topic

Consumers expectations for products and services are growing higher and higher. Companies are thus competing by innovating their products and services. The concept of innovation has also evolved from simply enhancing product performance or service quality to providing differentiated products and services. Success and failure through innovation determines not only sales increase via innovated products or services, but also the survival of a company. The government also encourages and supports enterprises with various policies and systems to promote innovation.

### Strategies and goals

Pulmuone has provided a large variety of LOHAS products ranging from tofu to vegetables, dumplings, dough, noodles, healthy green juice, and eggs. In the category of fresh and ready meals, we developed Thin Skinned Dumpling and Fresh Noodle Texture products through a process using the wind method. We also applied air current simulation technology in the fermentation process of natto and kimchi items, remarkably improving fermentation conditions. Through such innovation, we became leaders in animal welfare, developed eco-friendly packaging, developed and expanded the use of vegetable protein and tenderized meat protein in products, and provided products specifically designed for kids and the elderly who need special care in their diets. Pulmuone will keep developing innovative products and services that meet the expectations of customers.

### Major performance and plans in 2019 for innovative products and services

Major performance in 2019	2020 Plan	Description
 Launched smart vending machine "Peckish Box"	Innovate products	Develop and launch differentiated ready meal (RM) products, especially for major products including tofu and vegetables
 Ran a future-oriented restaurant as a trial project	Diversify meal kit products	Diversify RTC (Ready To Cook), RTH (Ready To Hang), RTE (Ready To Eat) products and create synergy
 Released a premium frozen pizza	Develop meat substitutes	Develop and launch products that can replace meat, which keep up with the recent trend of customers preferring vegetable products

## Launch Innovative Products and Services

### Smart vending machine "Chulchul Box"

In May 2019, Pulmuone launched "Chulchul (peckish) Box," a smart vending machine that provides fresh products such as fruit, salad, dairy items, and fresh and ready meals, which require special care due to their shorter shelf lives. Chulchul Box uses IoT technology for quality control, the most crucial factor for the sale of fresh products, to provide fresh food to consumers without human staff. The manager can monitor the expiration date of fresh food products by using an exclusive app and immediately stop the sale of any products whose shelf life has expired. Furthermore, product management process including stock management, delivery, and loading can be thoroughly conducted. Users can bookmark a nearby vending machine on the app, check the real-time stock status and purchase history, and collect and pay with bonus points.



Pulmuone's smart vending machine "Chulchul Box"

### Strengthening the lineup with Chulchul Box smart showcase

Pulmuone strengthened the product lineup of Chulchul Box by launching the smart showcase in October 2019. Its major advantage is that it features frozen ready meal in addition to room-temperature and chilled snack products, changing the paradigm of a vending machine. Products in various forms can be provided with a showcase, not limited to the size. There is no delay or issue of stuck items, which are weaknesses of existing vending machines.



Chulchul Box smart showcase

### Chulchul Box selecte as "Leader of Customer Satisfaction" at 2019 Management Grand Awards

Our Chulchul Box won the Korean Customer Satisfaction Management Leader Prize in the Stakeholder's Choice category at the 2019 Management Grand Awards held by the Korea Management Association. The prize is given to the most innovative enterprises that demonstrate exemplary leadership in the industry based on an evaluation of all companies. Pulmuone was the sole winner of this prize in 2019. The judging committee lauded Pulmuone's new innovation, "We highly praise the direction of Pulmuone's Chulchul Box, and it also seems to be highly positive from the perspective of consumers." "The expandability of the business is high since it can be run as a unmanned store. Considering the simple cooking methods for frozen food, it is expected to produce a remarkable visible outcome," explained the committee.



2019 Management Grand Awards

### Premium meal delivery service with health functional and fresh food

Pulmuone Green Juice launched a daily delivery service that provides health functional food and fresh food that can replace breakfast every morning, using its nationwide green juice delivery network. Health functional food and fresh food are new items that can be delivered. We launched new health functional food “Body Fat Diet” that is helpful for reducing body fat in August 2019, and “Flow: Ryu,” another health functional food containing vegetable EPA, DHA (omega-3), and Vitamins D and E in January 2020. The Body Fat Diet and Ryu series products are delivered to customers in a customized way, in consideration of quantity and cycle.

Pulmuone Green Juice also runs a daily delivery service of fresh food that must be constantly consumed. You can get Pulmuone Foods’ products usually found at large supermarkets and convenient stores, including “Living Threads Power Beans Frozen Natto,” “Super Grain Porridge,” and “Half-cooked Egg,” which are delivered by our Morning Staff every morning anywhere you want.



Eat Slim Pro Menu



### Future-oriented restaurant with autonomous-driving “Serving Robot Dilly”

In November 2019, Pulmuone introduced Dilly, an autonomous-driving serving robot, at its brand restaurants directly run by the company. “Serving Robot Dilly” consists of four loading trays, serving four tables at once. It can serve dishes as heavy as 50 kg at the same time.

The serving robot is operated in an autonomous manner as it uses the data of the inside of restaurants for decision-making. It has two sensors to avoid obstacles and move accurately to its destination. If there is any obstacle ahead of the robot, the sensors detect it 40 cm away from the obstacle, causing the robot to stop or avoid it. The robot then approaches the table of the target table and serves dishes at an accurate point.

Thanks to the introduction of Dilly, restaurant staff can reduce simple, repetitive work while taking better care of customers in other ways. As the serving robot handles simple, repetitive tasks and moves heavy dishes and beverages, staff can focus more on their customers. This is expected to increase their work efficiency.



Serving Robot Dilly

### Premium frozen pizza “No-edge Pizza” and “Crust Pizza”

In December 2019, Pulmuone Foods announced its entrance into the frozen pizza market starting with “No-edge Pizza” and “Crust Pizza,” which innovatively address the weakness of existing products. To develop distinctive products, we introduced the latest pizza making techniques learned from Italy and the USA, spent two years in the R&D process, and finally tackled the weakness and limitations of homemade-style frozen pizza.

In line with the growing popularity of air-fryers, “No-edge Pizza” and “Crust Pizza” are perfect for air fryer cooking. These pizzas do not get tough or dry in an air fryer, and we achieved an innovative texture of “crisp in the outside, tender in the inside.” You can enjoy the not-tough-but-soft texture of pizza, even when you warm it up using a microwave. We also did not ignore the flavor of the pizza crust.



Completely automated the production process for hand-made crust



Premium pizza with its crust covered in toppings so that you can enjoy cheese and toppings as you like

#### Cheese Crust Cream Cheese Super Deluxe

We added meat, vegetables and cream cheese to the cheese crust, the kind that you usually only see in pizza places, to maximize the savory and tender flavor.

#### Gold Crust Bacon Five Cheese

It boasts a clean and sweet flavor, combining the crust filled with sweet potato mousse and five types of cheese, including cheddar, Gouda, mozzarella, Provolone, and cream cheese.

#### No-edge Full-topping Pepperoni Combination

Anyone can enjoy this pizza full of smoked pepperoni, sausage, and five fresh vegetables.

#### No-edge Full-topping Grilled Bulgogi

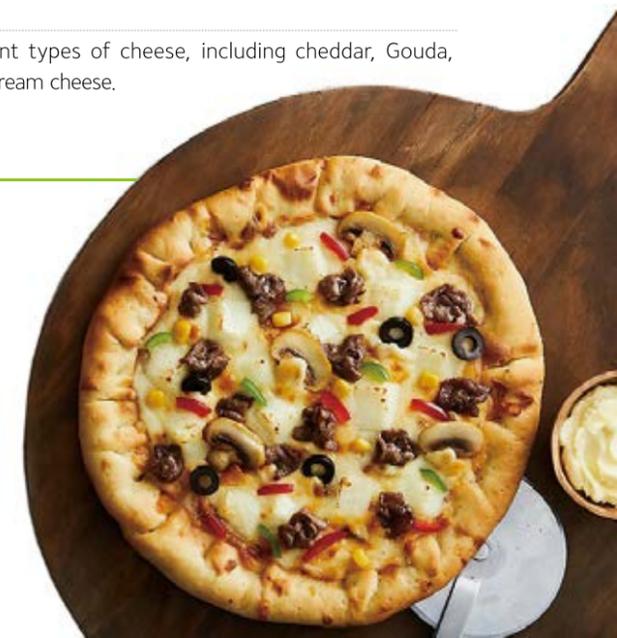
The pizza features a great sweet-and-salty flavor of juicy meat and bulgogi sauce which uses directly grilled beef skirt.

#### No-edge Bacon Five Cheese

You can taste five different types of cheese, including cheddar, Gouda, mozzarella, Provolone and cream cheese.

#### Differentiation points of No-edge Pizza and Crust Pizza

- Point 1** Maintain an adequate level of moisture content in toppings to prevent the dough from becoming soggy
- Point 2** Apply the optimal ratio of cheese mix and the standard size and amount so that cheese can stretch nicely and retain its original flavor, even after the pizza gets cold
- Point 3** Make the pizza dough easy to cut into four pieces and cook in air fryers of different capacities



## 2019 TOPIC 4. Strengthen Responsibility in regard to Products and Services



### Significance of the topic

These days, consumers choose products and services increasingly based on their development, production, and distribution methods and their impact on society. They consider more than just performance, quality, and satisfaction level. Social concerns about corporate social responsibilities (CSR) are also continuously growing, while the international community urges fair trade transactions and the prohibition of forced labor and child labor. Environmental organizations highlight the negative impact of corporate activities, products, and services on nature through media. From these perspectives, we need a more careful and responsible approach in the development, production, and provision of products and services.

### Strategies and goals

As a leading LOHAS company who deeply cares for both humans and nature, Pulmuone provides products and services that customers can consume without concern. Under this principle, we apply our own wholesome food principles that are stricter than the relevant laws and regulations to all our products. We disclose the data on the place of origin, production history, and manufacturing process of ingredients used in Pulmuone products using our new full labeling system and production history information system. We are committed to creating social and environmental values through our products and services.

### Major performance and plans in 2019 for responsibility for products and services

Major performance in 2019	2020 Plan	Description
 Increase the number of products with the ASC certification	Establish the standards for LOHAS food products	As new values need to be defined in response to changing consumer trends and awareness, we would like to propose the criteria that emphasize Pulmuone wholesome food principles and characteristics as a LOHAS company
 Received the LOHAS certification	Achieve American organic certification for more products	We will receive organic certification for more products to comply with our wholesome food principle so that consumers can better trust our products
 Improved environmental values	Make efforts to receive the Carbon Trust certification for ten tofu products	To fulfill our environmental responsibility, we will achieve the Carbon Trust global certification for ten tofu products and manage their environmental impact in a systematic way

## Creation of social values

### Boosting the consumption and awareness of GAP agricultural products

The Good Agricultural Practices (GAP) is a certification system designed to manage harmful substances that may be left in the farming environment, such as the soil and water, or agricultural products across the process of production, post-harvest management, and distribution to ensure safety of products and protect the farming environment. Pulmuone Foodmerce held GAP Week to boost the consumption of GAP-certified agricultural products from November to December 2019 in cooperation with the Ministry of Agriculture, Food, and Rural Affairs and the National Agricultural Products Quality Management Service.



The number of business sites that participated in the Pulmuone GAP agricultural product promotion event  
**2,112**  
business sites

### Launched the country's first ASC-certified Norway raw salmon

In January 2020, ORGA Whole Foods launched a ASC-certified raw salmon product for the first time in the Korean food industry to contribute to the expansion of sustainable fishery products and provide safe and healthy food to customers. The ASC certification is an international certification system for eco-friendliness and sustainability that prevents indiscriminate fishery practices and controls the use of feed and antibiotics and water quality. It is challenging to earn this certification due to its comprehensive biological and environmental management criteria.



ASC-certified Norway Raw Salmon

### Accomplishment of the LOHAS certification in Korea

Pulmuone Health&Living provides LOHAS-certified products to improve the quality of health and promote happy living for consumers. The LOHAS certification is given to eco-friendly products that meet the elaborate standards of the Korean Standards Association in the categories of product processing, quality safety, and hygiene control. Pulmuone Health&Living received this certification for some of its products, including "Saengsiksun" and "My Body Care," proving their eco-friendliness.



대한민국로하스인증

### Goal setting for expansion of eggs with animal welfare certification

With growing concerns about animal welfare, more customers prefer eggs produced in a way of protecting animal welfare. Considering this trend, Pulmuone Foods set a specific goal of achieving KRW 30 billion of sales to gradually increase the share of eggs with animal welfare certification in the total sales of edible egg products. The ratio of those with animal welfare certification out of all edible eggs provided by Pulmuone used to be around 10%, but this has soared to 23% from 2018. Pulmuone introduced the European open aviary system, an exemplary layer poultry farming facility protecting animal welfare in Europe. Through this effort, we initiated the animal-welfare egg business and are now leading the market in Korea.



### Opening of an experience hall for kids, Animal Welfare Egg Farm

In May 2019, Pulmuone opened the Animal Welfare Egg Farm, which combines animal welfare education and farm experience programs at KIDZANIA Seoul, a job experience theme park for kids, to help children understand animal welfare as an important global issue and provide them with opportunities to explore the world of farmers who produce eggs in a way that protects animal welfare. We extended our program to KIDZANIA Busan from January 2020.

At the Animal Welfare Egg Farm, children join the layer poultry farm tour, try to understand how chickens would feel, and share their ideas. In this way, children naturally learn about animal welfare, knowing that hens grown in a happy environment can lay healthy eggs. Next, kids arrange animal welfare facilities where chickens can move freely, following their instincts, by spreading fresh straw on the ground and installing feed bins and perches. In this way, they can learn the importance of animal welfare firsthand. Finally, they experience a day of a farmer running an egg farm by collecting eggs hidden in every corner of the farm and packaging and supplying them to a supermarket.



### Improved environmental values

#### Delivery of green juice using a green EV

Pulmuone Green Juice introduced the eco-friendly electric vehicle D2 to create greater environmental value. D2 is a new zero-emissions EV model developed by SemiSysco. We are planning to expand the delivery system using green EVs starting with a trial project in the areas of Nonhyeon, Yeoksam, and Gimpo. The company's Doan Plant producing green juice was selected as a green company certified by the Ministry of Environment in June 2019 for its efforts to minimize packaging materials, install solar power facilities, replace bulbs with LED ones, and improve processes.



### Introduction of eco-friendly packaging for health functional food

In step with increasing interests in eco-friendly product packaging in the industrial sector, Pulmuone Health&Living is accelerating the transition to the use of eco-friendly package products that ensure the durability and stability of containers, as well as mitigate environmental impact.

#### Eco-friendly package products in 2019

Category	Meta Five	Nutritional Dried Yeast	Paper Bag
Packaging method	Simplified packaging	Uniform material	Eco-friendly paper
Effect	Remove small packaging boxes from containers to reduce the consumption of resources	Apply the same type of material to the container and label to increase recyclability	Use eco-friendly paper made with by-product from sugar canes Bio-degradation by applying the Earth Pact
Product image			

All Pulmuone LOHAS products are released through a thorough inspection of durability, safety, minimized packaging, and eco-friendliness. We will lead eco-friendly business management by applying strict standards to produce wholesome food and safeguard nature.

#### Lightweight 2L PET

Pulmuone Waters employed Nestlé Waters's advanced technology to release a 3-gram-lighter 2L PET bottle for "Pulmuone Water by Nature" in June 2019.

We reduced the weight of a PET bottle from 37 to 35.6 g in 2013 and recently achieved an additional weight reduction to 32.6 g.



Pulmuone Waters by Nature 2L PET



## 2019 TOPIC 5. Conduct Strategic Social Contribution Programs

### Significance of the topic

A company's social contribution activities, including volunteer programs, environmental protection effects and donations, are aimed at returning part of its profits to society. Enterprises are constantly committing more staff and budget to social contribution to contribute to addressing current social issues. Many studies continue to find that social contribution activities produce visible and invisible outcomes, such as improved corporate reputations and customer loyalty.

The significance of each social issue changes over time, and different generations pursue different values. The scope of corporate social contribution activities is vast and methods widely differ. To maximize the effect of social contribution, it is crucial to identify the characteristics of a company and social demand, while carrying out such activities in a strategic and systematic way by linking them with the company's goals.

### Strategies and goals

Pulmuone's social contribution programs are aimed at contributing to tackling real social issues under the principle of sincerity. Our social contribution department TiSO Secretariat exerts efforts to plan and conduct strategic and systematic social contribution activities. We also built a company-wide cooperation system by appointing the staff in charge of social contribution affairs by subsidiary. We share the progress and output of social contribution programs and future plans of each subsidiary through Session D, the company's CSR and CSV discussion body.

### Major performance and plans in 2019 for social contribution

Major performance in 2019	2020 Plan	Description
<ul style="list-style-type: none"> <li>Number of conducted healthy food education programs: 1,317 sessions</li> <li>Number of participants: 30,993 persons</li> </ul>	Conduct a total of 8,000 education programs by 2020 Provide the programs to 160,000 persons in total by 2020	<ul style="list-style-type: none"> <li>We will expand the scope of participants from children to adults and the elderly</li> <li>Continuously carrying out our healthy environment project for preschoolers and elementary school students</li> </ul>
<ul style="list-style-type: none"> <li>Number of conducted healthy environment education programs: 633 sessions</li> <li>Number of participants: 15,963 persons</li> </ul>	Encourage participants to change their awareness, attitude, and behavior after taking the program by 2025 (achieving 90% of positive answers)	<ul style="list-style-type: none"> <li>We will contribute to promoting healthy food culture and creating a healthy environment by upgrading our healthy food and environment education programs</li> </ul>

## Conduct Strategic Social Contribution Programs

### Social contribution system

As a LOHAS company that deeply cares for both humans and nature, Pulmuone established the Pulmuone Foundation in April 2012 for more strategic and systematic social contribution activities that reflect our business characteristics. The foundation serves as a control tower of the company's social contribution programs. It defines the direction of such programs, sets strategies, makes and implements project plans, conducts various activities based on LOHAS values, addresses social issues, and contributes to social growth.

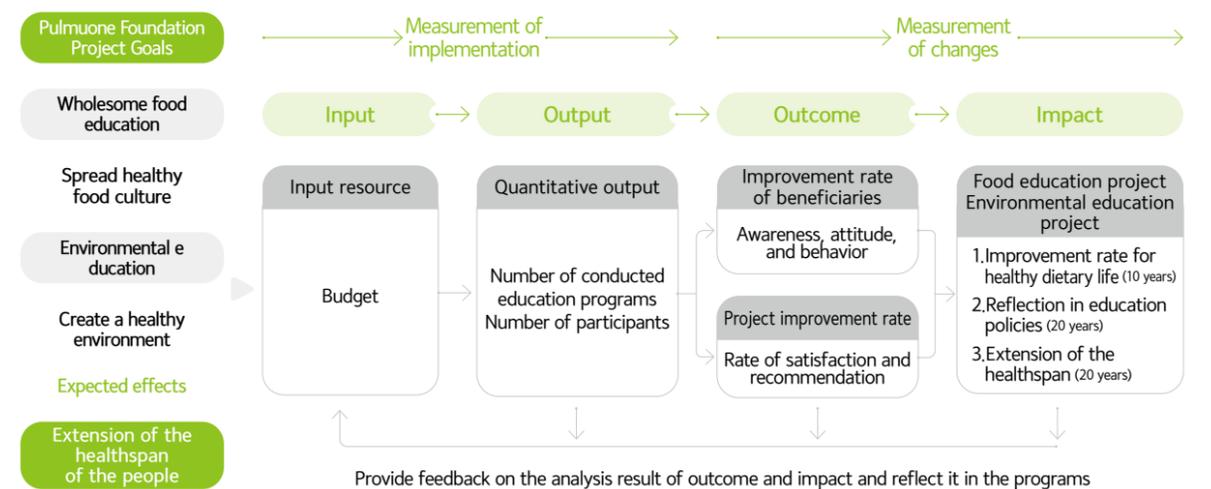
### Social contribution Area



### Principles and evaluation of social contribution programs

Pulmuone makes constant efforts to plan and carry out social contribution programs based on our principles. Our purpose is to present fundamental measures to resolve issues, going beyond one-time or temporary activities that only promote the company. Based on such principles and sincerity, Pulmuone Foundation conducts education programs with a focus on two themes: food and environment. It also measures the impact of its activities afterward, rather than just completing the projects. The measurement result is used to analyze how each program contributes to society, identify the programs' problems, and find ways to make them more effective. The method used in this process is the Input-Output-Outcome-Impact (I-O-O-I) method, the most common type used to measure the business performance of global nonprofit organizations.

### I-O-O-I model



### Healthy food project

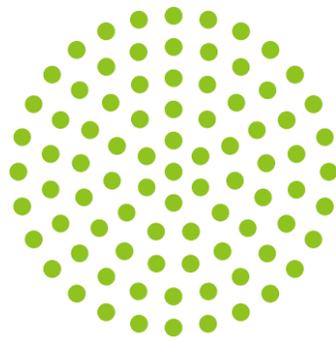
Pulmuone has carried out wholesome food education programs since 2010 to form positive dietary habits through customized courses for each age group including children, adults, and the elderly. Participants can learn about how the food we consume is produced and how to choose wholesome food, while kids learn good dietary habits. These programs help us get accustomed to healthy dietary lifestyles and improve health for all people.

#### Wholesome food education system (performance and outcome in 2019)

Target	Category	Program	Goal	Performance in 2019	Outcome in 2019
Children (ages 6 - 13) Preschoolers Elementary school students	Habit forming education	Wholesome food education for kids	Understand wholesome food and form good dietary habits early in their childhood	Number of sessions 1,162 sessions	Changes in awareness, attitude, and behavior
				Number of participants 26,920 persons	
Adults (ages 20 - 40)	Behavior forming education	Wholesome food education for adults	Help parents, dietitians, nutrition teachers, nursing teachers who have to teach children about wholesome food, and college students learn how to form healthy dietary habits	Number of sessions 155 sessions Number of participants 4,073 persons	Satisfaction and recommendation rates among participants
					Positive review criteria Satisfaction 85.6% Willingness to recommend 77.2%
Seniors (60 and over)		Wholesome food education for the elderly	Form a good dietary lifestyle for the elderly to improve their health	110 sessions (Village Table) 10 sessions (dietary lifestyle) 23 sessions (healthy lifestyle)	
Global	Provide dietary culture education programs and spread the culture	Global wholesome food project	Contribute to addressing nutritional deficiency issues in each country and region	Completed the design of facilities at a tofu plant in Afghanistan Developed five trial tofu products for the Afghanistan market	

Education programs customized to each stage of the human life cycle

propagation of food culture



Awareness: % of correct answers per question / Attitude: % of positive answers per question / Behavior: % of respondents with positive answers per question / Positive review means 4 or 5 out of 5 points.



Wholesome food education for kids



Wholesome food education for adults



Wholesome food education for the elderly

### Healthy environment project

Pulmuone Foundation's environmental education project consists of the "Good Cleaning Class" and "Good Water Environment Class." The former is designed to help kids learn cleaning habits through games, helping them develop a sense of care for their neighbors and nature. The latter is a systematic program where kids can learn how to conserve water, which makes up most of the human body and covers most of Earth's surface, in an easy and enjoyable way.



Good Cleaning Class

#### Environmental education system (performance and outcome in 2019)

Target	Category	Program	Goal	Performance in 2019	Outcome in 2019
Preschoolers Elementary school students (ages 6 - 13)	Habit forming education	Good Cleaning Class	A healthy lifestyle education program to build cleaning habits in early childhood	Number of sessions 533 sessions Number of participants 13,449 persons	Changes in awareness, attitude, and behavior
					Awareness Before 70.3% 17.4%p After 87.7% UP Attitude Before 76.0% 9.8%p After 85.8% UP Behavior Before 73.4% 4.6%p After 78.0% UP
Elementary school students (ages 11 - 13)	Awareness change education	Good Water Environment Class	An education program that teaches about the significance of conserving and saving water resources	Number of participants 2,514 persons Number of education sessions 100 sessions	Satisfaction and recommendation rates among participants
					Positive review criteria Satisfaction 82.5% Willingness to recommend 68.8%

### Healthy society project

#### LOHAS designer volunteer program

For systematic management of volunteer activities by Pulmuone employees, "LOHAS Designer Volunteer Group" was formed in July 2009. This organization focuses on the needs of local communities. We introduced a system to recognize volunteer hours as regular working hours to encourage employees to participate in these programs.

#### LOHAS Designer Program Performance in 2019

Korean food cooking class for multicultural families	Volunteer program for Uri Maul in Ganghwado	Participants 1,652 persons	Total hours 7,878 hours
Kimchi sharing volunteer program	Baking with love		

#### Kimchi School

The Museum Kimchigan, the first of its kind in Korea run by Pulmuone, provides the Kimchi School program for kids, foreign tourists, and multicultural families. Its customized content helps participants learn what the program has to offer. A total of 7,397 people took the Kimchi School program in 2019.

#### Kimchi School programs for each participant group

Children Kimchi tasting education	Multicultural families Kimchi history education	Foreign visitors Traditional Korean food culture
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Part  
**04** CSR  
 Management  
 2019 General  
 Topics

- Internalize TISO management
- Respect for Human Rights
- Bolster the Risk Management System
- Pay Taxes in a Transparent and Diligent Manner
- Respect Human Rights and Diversity
- Build Win-win Labor-management Relations
- Foster Great Work Place (GWP)
- Strengthen Capacity of Employees
- Run a Family-friendly system for Employees to Achieve Success Both at Work and at Home
- Achieve Mutual Growth with Partner Companies
- Facilitate R&D Efforts
- Control the Quality of Products
- Digital transformation
- Manage Information Security in a Systematic Way
- Increase Value for Customers
- Minimize Environmental Impact
- Build a Safe Work Environment



Financial Performance

# Internalize TISO management

## Code of Conduct

In pursuit of TISO management, we have established and operate our Code of Conduct, which stipulates behavioral rules for employees to follow. It consists of 15 clauses: How to handle orders that hampers fair work practices, no preferential treatment, no anti-competition acts (e.g., collusion with competitors), no wielding of unfair influence for personal interest, no receiving of corrupt profit, no other incorrect actions with stakeholders, prohibition of other acts that harm the company, no personal use of classified information, no hiring of employees in other companies, no forgery of document or statistics, no false reports, external activities, and consumer information security.

## Code of Practice

The “Code of Practice Handbook” has been prepared to help employees better understand the “TISO Code of Conduct” by offering more detailed explanations about fair and transparent work processes, prohibition of using one’s authority at work for personal gain, work discipline, behaviors between employees that should be avoided, making accurate and faithful reports, company & consumer information protection, whistleblowing, and rewards. It defines types of misconduct that can be unknowingly committed, as well as material breaches, such as bribery or corruption, that undermine TISO principles. Employees are under supervision to comply with these clear rules and procedures.

## Anti-corruption education

Pulmuone’s official anti-corruption education program is titled as the “6 Don’ts Policy.” It presents six behaviors that should be avoided by our employees in their work. In addition to the policy, we show real cases so that participants can easily understand them. In 2019, we provided this program for 74 middle managers.



## Fair management

**Fair management system** | Pulmuone designates the TISO Manager as the Chief Compliance Officer (CCO) in charge of the overall fair business management of the company. The CCO is supported by the management diagnosis secretariat, the TISO management secretariat, the compliance support team, and the legal affairs team in handling relevant tasks.

### Pulmuone fair management governance



**Whistle-blowing system** | Pulmuone operates its own internal whistle-blowing system. Any violator is punished with a strict HR measure in accordance with the disciplinary standards. Employees and external stakeholders of Pulmuone have access to the Cyber Audit Room on Pulmuone’s website and to the “Green Table,” the internal policy-proposal system for whistle-blowing.

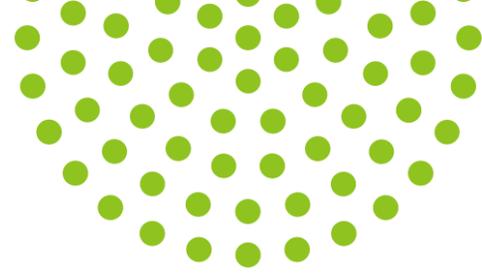
### [Corruption report and counseling center]

If any of Pulmuone employees violates fair and transparent work standards, please contact our reporting center. Confidentiality is guaranteed.  
 > Phone : 02.2040.4441 / 02.6327.3435.  
 > E-mail : wmyu@pulmuone.com / gbweon@pulmuone.com  
 > Mail : Pulmuone TISO office, 8th floor of Rosedale Building, 280 Gwangpyeong-ro, Gangnam-gu, Seoul  
 > Pulmuone website (Cyber Audit Room) : cp.pulmuone.kr:3444/cyber/  
 > Internal Groupware (Green Table for employees of Pulmuone) : greentable.pulmuone.com/front/audit/audit.do

**Internal whistle-blowing system and actions** | The top priority for the internal reporting system is to protect whistle-blowers. This is essential for building a positive image of whistle-blowing among employees, who need to trust that their identities will be protected. To this end, Pulmuone is making diverse efforts to facilitate the internal reporting system by offering regular training, reinforcing internal communication, and upgrading the management scheme and process on an ongoing basis.

### Corruption report and actions in 2019

Category	Reported cases (Unit: Number of cases)	Penalized cases (Unit: Number of cases)	Description
Embezzlement	5	7	Dismissal for 5 employees, pay cut for 2 employees
Sexual harassment	1	2	Dismissal for 2 employees
Verbal abuse	6	4	Pay cut for 1 employee, suspension for 2 employees, warning for 1 employee
Others	12	4	Pay cut for 1 employee, warning for 3 employees
<b>Total</b>	<b>24</b>	<b>17</b>	-



**Prohibition of political donation** | Pulmuone defines the purpose and beneficiary of donation as part of the internal policy. Under this policy, it is prohibited to express support for a particular political party or a candidate in the election since this infringes on political neutrality. All employees must comply with relevant laws and regulations including the Political Funds Act in providing donation to charity organizations. Such donations must be aimed at contributing to local communities without any political purposes. In accordance with Article 31, Chapter 6 of the Political Funds Act as well as its stringent internal policy, Pulmuone does not provide any political and election-related funds to a particular party or organization as a lobbying activity that may directly affect the policy-making process.

**Corruption assessment of business site** | All our business sites must undergo regular/frequent audits based on the plan reported to and approved by the management early each year. This is intended to prevent the potential risk of corruption and violation of the policies, increase efficiency of risk management activities and processes, and assess and improve the adequacy of expenditures. This process analyzes the cause of risks and issues and provides reasonable measures for improvement, focusing on the prevention of recurrence and risk factors.

**Result of the regular/process/expense audit in 2019**

Category	Number of audits (Unit: Times)	Actions taken (Unit: Number of Cases)	
		Process improvement/correction	Risk management improvement addition
Routine Audit	3	11	-
Risk Based Audit	21	41	249
Remote risk audit	2	57	-
Expense audit	5	20	-
<b>Total</b>	<b>31</b>	<b>129</b>	<b>249</b>

Category	Requests for vindication (Unit: Times)	Process improvement/correction	Risk management improvement/addition
Company card monitoring	802	699	-

- \* Routine Audit: An audit process conducted repeatedly, focusing a particular theme every year
- \* Risk Based Audit: An audit process aimed at identifying and evaluating major risk factors of the company to control such factors and improve processes
- \* Process Based Audit: An audit to analyze the work process of a functional department/team registered in PAMS (Process Assets Management System) and elaborate the process
- \* Remote Risk Audit: An audit to manage blind spots in remote areas
- \* Expense Audit: An audit to examine the validity of processes related to expenses
- \* Company Card Monitoring: An audit to monitor the validity of expenses on company cards, targeting all employees on a daily basis, and take proper actions for issues

**Fair trade culture with partners** | Pulmuone regularly sends out a "TISO Management Letter" from its General CEO, communicating TISO Management objectives and key points to external stakeholders, business partners, and franchisee stores. It illustrates the definition and intent of Pulmuone TISO Management, how to report breaches, and the holiday gift return policy.



2019 TISO Management Letter from General CEO

**Create a healthy ecosystem for the food industry** | Pulmuone has membership in 30 associations and organizations, including Korea Foods Industry Association, Korea Fair Competition Federation, and Korea Food Industry Association, to contribute to the sound growth and advancement of the Korean food industry. The membership expenses and relevant cost of activities amounted to KRW 173.7 million in 2019. Among them, 101.8 Million KRW and 78.9 million KRW are consumed for supporting the domestic food industry and fair management reinforcement.

**Expenditure for organizations**

Category	Unit	2017	2018	2019
Expenditure	KRW	125,496,800	144,923,273	173,709,731

**Compliance Program** | We conducted 92 sessions of the Compliance Program in 2019 to promote fair trade practices and increase awareness about fair transactions among employees. The program consists of internal, external, and online education courses, and over 300 employees completed the program.

**Introduction and operation of the Compliance Program (CP)**

Pulmuone introduced the Compliance Program (CP) as a autonomous compliance program. Under this system, the company achieved the AA grade in the CP grading by Korea Fair Trade Commission, which is technically the best grade, as well as various internal and external outcomes as an exemplary company in terms of fair trade.

**Fair management of Pulmuone**

For Pulmuone, fair management means building a fair and just collaborative relationship with its business partners based on its corporate principles and applicable laws, upholding consumer rights and interests, and establishing a trading environment that guarantees a level playing field and trustworthy trade practices. Pulmuone sorts its trade partners into consumers, business partners, and competitors, deriving three strategic keywords and action principles from each trade counterpart based on fair trade rules and policies before finalizing its fair trade framework and implementation guidelines. Pulmuone plans to help its people further understand the implementation guidelines through various activities designed to deepen their understanding of fair trade. Pulmuone will continue to promote healthy choices to consumers and advocate for their rights by providing LOHAS products and services along with accurate information. It will champion mutual interests and balanced growth, giving its business partners equal footing. It will also respect the market economy's practices by engaging in good-will competition and lead fair trade practices.



## Pulmuone Fair Management Guidelines

We pledge to pursue fair management as follows.

Consumers	
Provide distinctive values	<ul style="list-style-type: none"> <li>- We increase productivity through process innovation and provide high-quality products and services at a reasonable price.</li> <li>- We make products and services in accordance with Pulmuone's principles to help realize healthier living for our customers.</li> </ul>
Correct labeling and advertising	<ul style="list-style-type: none"> <li>- We honestly disclose information under the New Full Labeling System.</li> <li>- We avoid false, deceptive, or exaggerated labeling and advertising.</li> </ul>
Protect consumers	<ul style="list-style-type: none"> <li>- We swiftly and properly respond to consumers' reasonable demands.</li> <li>- We limit our use of consumers' information, and do not collect or leak such information without their consent.</li> </ul>
Business partners	
Select partners in accordance with the predetermined standards	<ul style="list-style-type: none"> <li>- We provide equal opportunities based on our principles and procedures.</li> <li>- We choose business partners in accordance with the transparent and objective criteria defined by an internal council.</li> </ul>
Comply with trade principles	<ul style="list-style-type: none"> <li>- We avoid unfair transactions that abuse our position, including unfair refusal of business deals, forced conditions, and discriminatory treatment.</li> <li>- We comply with the internal processes in each stage of business transactions and voluntarily examine these procedures using checklists.</li> </ul>
Mutual growth	<ul style="list-style-type: none"> <li>- We devise and provide customized programs to strengthen capacity of business partners, including training and technical support.</li> <li>- We make occasions for interactions with business partners on a regular basis for win-win growth and cooperation.</li> </ul>
Competitors	
Prohibit unfair collective actions	<ul style="list-style-type: none"> <li>- We do not set trade conditions jointly with other enterprises regarding the prices, types, and standards of products.</li> <li>- We comply with the "Pulmuone Guidelines for Communication with Competitors" when dealing with rival companies.</li> </ul>
Prohibit attracting clients and customers in an unfair method	<ul style="list-style-type: none"> <li>- We do not provide or receive unfair requests, money, gifts, or entertainment offerings, especially in regard to stakeholders related to business deals.</li> <li>- We do not provide excessive benefits compared to normal practices to attract the clients and customers of rival companies.</li> </ul>
Engage in competition in good faith	<ul style="list-style-type: none"> <li>- We do not collect, misuse, or leak the technologies and data of business rivals.</li> <li>- We do not circulate false information to slander other companies.</li> </ul>

## Pulmuone's fair management system

Business management philosophy under which we uphold consumer rights and interests, build a fair and just collaborative relationship with our business partners, and establish a trade environment that guarantees a level playing field and trustworthy trade practices based on our corporate principles and applicable laws.

**Protect consumer rights**  
Pulmuone contributes to enhancing the rights of consumers by providing LOHAS products and services, as well as correct and ethical information.

**Fair trade with business partners**  
Pulmuone pursues common interests and balanced growth in an equal position based on mutual trust with business partners.

**Fair competition with rival companies**  
Pulmuone respects the market economy practices by engaging in competition in good faith and leads fair trade practices.

## Respect for Human Rights

While Pulmuone's Risk Management Committee draws up "Respect for Human Rights" management principles and responses to potential issues, the Respect for Human Rights Committee handles breach and grievance cases to ensure their objective and neutral review. Any stakeholders who have witnessed or experienced a violation against the human respect principles can file a case to the grievance counseling center and ask for immediate cease and desist action.

### Process of measures on human rights violations



## Due Diligence

Pulmuone conducts due diligence at least once every two years to identify potential issues or vulnerable groups, and to prevent and mitigate factors that may adversely affect implementing human-respect principles. Due diligence is conducted to analyze potential risks related to "Respect for Human Rights" management and vulnerable groups, supporting the stabilization of the culture of respect for human rights.

### Process



## Bolster the Risk Management System

For ongoing risk management, Pulmuone has identified the risk pool to monitor, based on its business characteristics, through risk identification, evaluation, response, and monitoring. Prevention and follow-up measures are also in place. To identify risks without any duplication or omission, and enhance efficiency of management, Pulmuone divides the risks into four types: Strategy and externalcondition-related risks (strategic directions, business plans, investment, changes in customers, rival companies, government policies, pandemic risks), management risks (food safety, occupational safety, product development, supply chain, security risk), financial risks (market, liquidity, profits, loss, credit, tax risk), and legal and compliance risks (contracts, lawsuit, dispute, relevant laws and regulations, supervision risks). We have devised an optimized response plan after categorizing the identified risks into four types, based on the level of uncertainty and controllability: Contingency Plan, Response by Scenario, Indicator Management, and More Rigorous Control.

### Risk management system



### Monitoring and management of Key Risk Indicator (KRI)

For systematic control of risks, Pulmuone has developed key risk indicators (KRI) to measure and monitor risk factors to make predictive and proactive response to risk. KRI development and monitoring are aimed at managing risks with a focus on expansion and improvement of the preemptive risk management functions. Not only do we monitor financial risk management (interest/exchange rate and credit ratings), we also conduct monthly monitoring of non-financial risks such as raw material supply and consumption trends, as well as setting KRI for both types of risk. KRI has four stages (Attention, Caution, Alert, Danger). When a risk event escalates and exceeds the KRI boundary, we respond by referring to the predetermined step-by-step guidelines.

### Spread risk management culture

Pulmuone recognizes the need for risk management by individuals along with the company-wide risk and offering on/offline training programs for risk mindset in order to understand and utilize management methods for corporate and task risks. Preemptive management that prevents contingency situations is emphasized, while at the same time, contingency-plan development and emergency drills are taught to minimize damage.

### Risk-based audit system as the 3rd line of defense

The Management Diagnosis Secretariat in charge of risk management evaluates the design adequacy to see if the company-wide risk management system is properly designed. The secretariat also checks the operational effectiveness to identify if the designed system and process are operated well. The team selects risks for audit and adds new risks identified during the process to increase risk handling and implementation capacity. In this way, a complementary virtuous cycle is created to include and manage new risks in the risk pool.

## Pay Taxes in a Transparent and Deligent Manner

Pulmuone abides by the country's tax laws and fulfill its duty to pay taxes imposed on its profits. To this end, we established the tax policy and regularly provide the relevant education program to employees in charge of accounting and tax affairs. If necessary, we receive consultation from external experts, including law, accounting and taxation firms.

### Pulmuone's Tax Policy

- Pulmuone pledges to comply with domestic and overseas tax laws and regulations and file a tax report and pay taxes in a transparent and fair way.
- In accordance with its TISO management principles, Pulmuone responds to requests from the tax authorities sincerely with mutual respect, and fulfills its duty to cooperate in tax affairs without concealment, distortion, or exaggeration.
- Pulmuone will actively respond to changes in tax laws in each region and swiftly apply those changes in its business.

### Tax risk management

- Pulmuone will minimize unexpected tax risks across all business operations.
- Pulmuone will make company-wide efforts constantly to build the external compliance inspection system, provide internal education, and set consistent business management standards. We will receive consulting from external experts and cooperate with them to identify tax risks and upgrade our tax policy.
- Pulmuone will meet all tax reporting and payment deadlines and store the evidence and grounds for decisions made for business contracts in the form of documents.

### Eradication of tax avoidance

- Pulmuone will maintain a normal investment and trade structure that conforms to the intent of the tax law in regard to transactions with third parties and/or special affiliated parties.
- We will maintain fair prices in trade with third parties and/or special affiliated parties in accordance with the relevant regulations in Korea, while following the OECD guidelines and BEPS standards for international trades at normal prices.
- Pulmuone will not turn into a tax haven.

### Transfer price policy

The transfer price refers to the price applied to an international transaction of raw materials, products, and services with overseas subsidiaries or affiliates. Global companies often adjust the transfer price to alleviate their tax burden, which is arising as an issue in the industrial sector.

Upholding our principles of transparent and sincere tax payment, Pulmuone prohibits transfer pricing in favor of the company under any circumstance. We set the transfer price strictly in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and local tax laws in each country. We therefore pay tax under the national tax law for our business profits. As of 2019, our overseas subsidiaries are located in the USA, China, and Japan. We comply with the tax laws, principles, and standards in each of these countries.

## Respect Human Rights and Diversity

As a member of the UN Global Compact, Pulmuone exerts efforts to pursue the global level of human-rights-based management for human rights, labor, and anti-corruption. It is doing its utmost to root out discrimination in employment and work process under its principles and standards, while providing relevant education programs.

### Policy and operation for respect human rights and diversity

Pulmuone expressly states in Article 5 of its employment rules that there should be no discrimination based on race, gender, age, religion, social status, hometown, alma mater, marriage, pregnancy, childbirth, medical history, nationality, or physical/mental challenges. Only just and rational criteria such as career experience and performance evaluations should be considered for employment, education, compensation, promotion, and other personnel decisions, in accordance with the labor-related laws including the Labor Standards Act and the Equal Employment Opportunity and Work-Family Balance Assistance Act. Pulmuone has worked hard to eliminate discrimination for many years, opening the Gender Equality Center in 2018 as a one-stop solution, offering counseling and dealing with sexual harassment. Its scope has expanded to cover gender discrimination.

### Prohibition of child labor

Working to abolish child labor, Pulmuone is in full compliance with Global Compact Principle 5 (the effective abolition of child labor), and with the ban on child labor or forced labor stipulated in the Labor Standards Act and the standards of ILO (International Labor Organization). There is no employee under age 18 in Pulmuone business, and there is no Pulmuone partner that exploits child labor. Pulmuone makes a firm, principled stand to never transact with those who exploit child labor.

### Prohibition of forced labor

Pulmuone does not permit or condone any types of forced labor in line with the prohibition on forced labor in the Labor Standards Act. It is expressly stipulated in Global Compact Principle 4 (“Businesses should uphold the elimination of all forms of forced and compulsory labor.”). During its annual labor inspection, the company looks for any violation of this principle, especially regarding forced labor of vulnerable groups (female, underage, migrant workers). Pulmuone always seeks consent for overtime work from a female worker in accordance with the Labor Standards Act when it has been less than a year since she gave birth to a child. The company also prohibits pregnant workers from working overtime, night shifts, or on holidays and lowers their workload during pregnancy. This is all part of its effort to strictly abide by regulations that protect socially or physically disadvantaged people.

### Human rights counseling system

We support employees to receive a professional and systematic counseling service regarding issues and grievance about human rights and diversity. The Respect for Human Rights Committee handles affairs related to human rights, diversity, and harassment at work. Depending on the severity of the issue, the committee meeting is called to discuss how to protect the victim and take a proper action from the objective, fair and neutral perspectives.

## Build Win-win Labor-management Relations

As stipulated in Global Compact Principle 3 (“Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining”), Pulmuone guarantees its employees freedom of association and the right to collective bargaining. In accordance with the Constitution and the Trade Union and Labor Relations Adjustment Act, Pulmuone fully guarantees its employees the right to establish a labor union or another form of representative body, giving every employee the right to join a labor union. Pulmuone will continue to protect its employees’ freedom of association and the right to collective bargaining and make efforts to develop win-win industrial relations to build mutual trust.

### Open labor-management committee

Every quarter, Pulmuone holds the Open Committee, a labor-management council defined by the Act on the Promotion of Worker Participation and Cooperation. Employees can raise issues and make complaints to inform the management about unjust or ineffective labor practices and find solutions.

#### Grievance handling process

Step 1. Complaint raised	Step 2. Complaint handled	Step 3. Feedback	Step 4. Objection to the outcome
A labor commissioner raises a complaint on behalf of members, which is included in the agenda	After confirming the facts, the issue is assigned to relevant departments to take necessary measures	Describe how the issue was handled and its outcome at the next quarterly labor-management council meeting	Employees who do not agree with the outcome can object

#### Resolution rate of the Open committee agendas in 2019

Category	Agenda (no. of cases)	Resolved agenda (no. of cases)	Resolution rate (%)
Performance	234	199	85%

### Principle and standards of information sharing between labor and management

Employees’ understanding and cooperation are crucial for the company to successfully make major decisions and implement its policies. With this in mind, Pulmuone engages its union representatives in the communication process by sharing information through a quarterly labor-management council meeting in which any structural changes are discussed. In addition, Pulmuone leverages multiple communication channels to share corporate vision, aspiration, management status, and other information with employees, giving them ownership and a chance to engage with the management process. The diverse communication channels include the Revenue Daily and real-time (internal/external) news delivery via KWP (corporate intranet), Meeting with general CEO, monthly corporate newsletters, quarterly industrial safety health committee meetings, complaint redress programs, and the annual integrated report.



### Status of the labor union

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

#### Labor union membership status in 2019

Category	Subjects (persons)	Members (persons)	Membership rate (%)
Labor union membership status	495	387	78.2

### Collective bargaining policy

Collective bargaining takes place when renewing the collective agreement and determining a wage increase. Wage and collective agreements are determined in even-numbered years; odd-numbered years have wage agreements only. Every union member is subject to the collective bargaining agreements made by each respective union, and the company maintains good faith in collective bargaining with labor unions.

### Insurance and pension system

Pulmuone follows the regulations regarding the medical insurance, occupational health and safety insurance, employment insurance, and national pension systems run by the government. In addition, we have our own insurance and pension system to support a stable life of employees after retirement and prepare for any potential accidents in our business sites.

#### Overview of the insurance and pension system

Collective insurance	Individual pension
Provide compensation in the case of death due to any injury or disease occurring in the work period for the welfare of employees and support part of insurance contribution with special options	Guarantee this support by the time of retirement to support the life of employees after retirement and possible to pay after retirement

#### Pension operation details(As of December 31, 2019)

Type	Scale	No. of Members	Direction of operation
Defined Benefit (DB)	KRW 138 billion	3,210 persons	Stability-based

\* Calculation of the number of members: Consolidated, domestic only

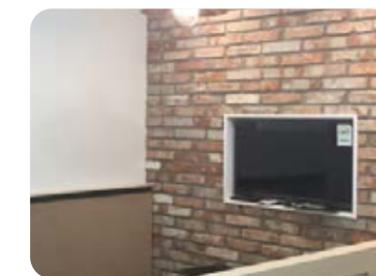
## Foster Great Work Place (GWP)

Pulmuone runs various systems to build a flexible work environment where employees can focus on their work. In 2017, we renovated a space in the Rosedale Building, where Pulmuone, Pulmuone Foods, and Pulmuone Foodmerce are located, as a smart office and expanded this change to other local business sites by early 2019. The hot-desking system helps employees make reservation for any desks they want by using their smartphones. Employees can also apply a particular work style as they desire with no limitation using newly arranged spaces such as meeting rooms and wider staff lounges.

#### Pulmuone's smart offices



Customer Service Center



Open meeting space in the Suseo office



Office in Daejeon

We run a flexible working hours system to consider the work style and commuting distance of employees. Employees can set their working hours within the scope of one hour prior to or later than the official working hours from 9 a.m. to 6 p.m. This flexible system allows employees to make a request without approval of senior staff and immediately apply working hour changes on the next day. We also provide the flexible working hours system especially for employees whose child is a preschooler or a lower-grade elementary school student.

### LOHAS nutrition counseling

The LOHAS Nutrition Counseling program provides employees with a customized health solution through a clinical dietician, based on the results of physical checkup (body composition, blood pressure, and other information) and the LOHAS diet survey conducted by clinical dietitians visiting its business sites. A basic 8-week program (open every two weeks with five sessions in total) and additional follow-up counseling (monthly meetings with four sessions in total) are offered. Anyone at Pulmuone can apply for the service. In 2019, 96 employees used this program to check their health conditions and received optimized health solutions.

Category	Unit	2017	2018	2019
Participants	No. of persons	242	231	96
No. of sessions	Sessions	907	897	702



LOHAS nutrition counseling



### Employee Assistance Program (EAP)

In accordance with Article 83 of the Framework Act on Labor Welfare, all domestic companies are encouraged to provide their workers with the Employee Assistance Program (EAP). Pulmuone implements this program to enhance its employees' quality of life, help them concentrate on work, and boost their productivity by addressing any emotional challenges they experience. Each employee can take up to eight EAP counseling sessions per year, and group counseling sessions are also provided. EAP support is also provided for issues raised by the Gender Equality Center, the Win-wi Growth Office, and partner companies so that such issues are addressed in a proactive manner. In 2019, we provided the program to both our employees and those of partner companies.

#### EAP activities in 2019

Category	Description
Individual	Provided 137 employees with 340 EAP sessions
Gender Equality Center	Supported EAP sessions additionally for those who want counseling due to sexual discrimination, harassment and verbal abuse
Employees of partner companies	Received requests for EAP from employees of partner companies dealing with emotional work and provided the program to those selected

### LOHAS Academy Program

LOHAS Academy, an education agency that helps Pulmuone employees internalize LOHAS values through hands-on learning, has a boarding program for Pulmuone employees and their family, local youth, and employees of partner companies. It provides education programs for forming four major daily habits for healthy and sustainable living (dietary, body, mind and eco-friendly habits). In 2019, 6,906 Pulmuone employees and 698 partners' employees and local youth (7,604 in total) participated in this program to learn and experience LOHAS values.



LOHAS Academy



LOHAS Academy lounge



LOHAS Academy terrace

### Expansion of facilities to increase use of public transportation

To reduce the environmental impact of employees who use their own cars or public transportation for commuting, Pulmuone promotes a campaign for walking or riding bicycles for those who live in close proximity to the company's business sites. We are planning to expand bicycle racks and shower booths at our Suseo office.

## Strengthen Capacity of Employees

For strengthening the capacity of employees, Pulmuone aims to improve productivity by creating the environment where all employees can concentrate on their work by maintaining the optimal HR structure. To achieve this goal, the company has established a capacity-building system for employees, and it also develops and provides various programs.

#### Performance in 2019

Category	Education hours per employee	Education cost per employee
Performance	63 sessions	KRW 493,000

### Key capacity-building programs by Pulmuone

**Leadership development education** | Following the quantitative and qualitative improvement in leadership education programs in 2018, we created programs with more diverse content in 2019. In the Fourth Industrial Revolution, leadership is a crucial element to determine the accomplishment of organizational goals. Under these circumstances, our leadership education program categorized leaders based on roles and reinforced education content as coaching and communication capacity as they are the key elements in leadership for creating performance.

#### Pulmuone leadership course system



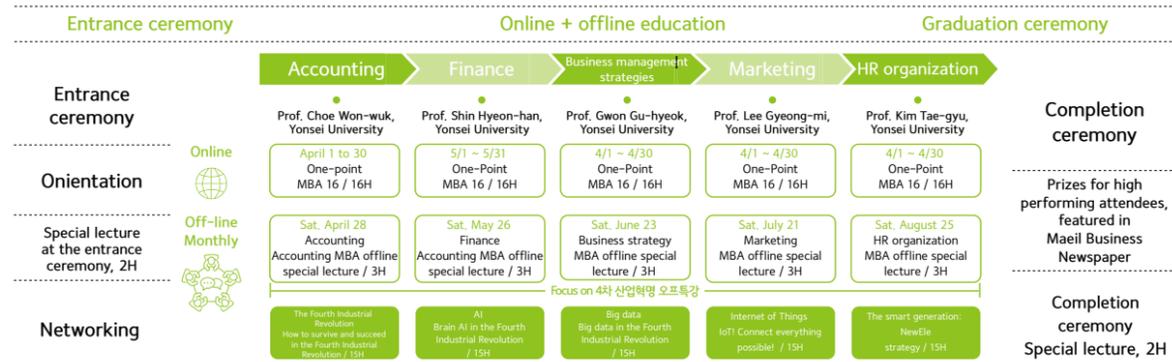
**Productivity improvement program** | Pulmuone has provided productivity improvement programs for each stage to enhance working environment with the importance of productivity improvement recognized to cope with various changes such as the 52-hour workweek and Fourth Industrial Revolution. We provided the customized SERICEO platform and contents aiming to recognize the current situation and form a sense of empathy. We produced content about ways to lead changes in life and videos based on our independent tool DIPS (productivity improvement tool) and PCL (communication skill based on the understanding of myself and others), which were offered to all employees. For the DIPS and PCL, the company especially provides support for iterative learning utilizing the internal platform.

Key contents of programs

Work Smart & Work-Life Balance	Work Smart & Making Habits	Work Smart, DIPS & PCL
<ul style="list-style-type: none"> <li>• Purpose : To understand the importance of productivity improvement and form a sense of empathy for realizing work-life balance</li> <li>• Target : All 2,153 employees</li> <li>• Period : November 8, 2018 to March 8, 2019</li> <li>• Method : SERICEO platform</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose : To learn how to lead fundamental changes in life to improve productivity</li> <li>• Target : All 1,052 managers</li> <li>• Period : July 9, 2019</li> <li>• Method : via e-mail</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose : To provide practical tools applicable to work</li> <li>• Target : All employees (except field staff)</li> <li>• Period : October 14 to 31, 2019</li> <li>• Method : Knowledge Workplace platform</li> </ul>

**Digital transformation education program** | Pulmuone operates digital leadership reinforcement program to enhance the understanding of digital transportation and lead change in working methods. To lead company-wide change in recognition, we provided executives and employees with the program to introduce the concept of digital transformation and explore other companies' cases utilizing AI and big data in sales, marketing and production management. We also held a workshop to understand data methodology to optimize a decision-making process and operate a relevant program (R-analysis) to identify tasks for actual work. The company provided various online contents utilizing SERICEO package to allow exploring domestic and overseas industry-specific advanced data technology. A total of 431 employees participated in group education 6 times, a 5-day workshop and online learning for 3 months, which resulted in securing DT leadership and improving overall understanding.

Pulmuone key talent growth program



**Multicampus "Multisquare"** regular learning [Knowledge contents: Focus on the Fourth Industrial Revolution] SERCEO Special "The Fourth Industrial Revolution Academy," 6 months

**Lifecycle design education program** | Pulmuone provides specialized education courses to support employees who expect to be retire for their second phase of life after retirement. We provide support for allowing them to systemically design their life after retirement by providing training regarding leisure and skills acquisition for getting another job.



# Run a Family-friendly System for Employees to Achieve Success Both at Work and at Home

For healthy growth and continuous development of the organization, Pulmuone has launched and operates various family-friendly systems for balance between work and home and strive to minimize career interruption for women with childbirth and childcare. Considering the trend of emphasizing gender equality, we set a goal of reaching the target of 30% for female executives by 2020 and are making great efforts to cultivate female leaders. Operating family-friendly systems and developing female leaders are not only for female employees, but aim to establish organizational culture for both men and women by focusing on realizing genuine gender equality.

## Key Family-friendly programs

**Extension of reduced working hours during pregnancy** The legally stated reduced working period during pregnancy is within 12 weeks and after 36 weeks in pregnancy. In case employees find out late about their pregnancy or have the concern over miscarriage in the early stage of pregnancy or use maternity leave in advance right before childbirth, we have extended the period by 2 weeks from the legal requirement to consider the intention and efficiency of the system. Female employees can reduce their work hours by up to 2 a day without cutting wages within 14 weeks or after 34 weeks in pregnancy.

**Prenatal examination leave for spouses** Pulmuone operates prenatal examination leave for spouses to secure equality with female employees and reflect the current trend of increasing roles of men in childbirth and childcare.

**Child admission care leave** Employees are allowed to apply for leave once in March when their child enters an elementary school and choose either work from home or take five days of unpaid leave, which contributes to easing the burden of employees who have preschoolers.

**Pregnancy gift** We give congratulatory gifts (electromagnetic shielding blanket) for pregnancy to pregnant female employees and male employees who have a pregnant spouse. As other workers often give congratulatory news to the HR department, it can create an atmosphere to congratulate pregnancy and help male workers feel reassured about being at home.

**Considerate sign for pregnant women (online/offline)** We have added a pregnancy icon to employee information in searching for employees in the intranet so that other employees can recognize and consider pregnant workers when communicating with them. We also add a pink cover on the chair headrests for pregnant women. However, considering workers who would not like to notify pregnancy, the workers can decide whether to use online/offline pregnancy sign.

**Operation of the in-house daycare center** Pulmuone operates a 495m<sup>2</sup> in-house daycare center on the fourth floor of its Suseo Office in Seoul under the management of Hansol Hope for Education Foundation. The daycare center uses eco-friendly materials and has an open space (Dodamtteul) where parents and children can play together, taking the health and emotional development of children into account. Above all, we put a top priority on guaranteeing the continuity of education from ages 1 to 5. The faculty members, including the center director, are making efforts to introduce various education methods and develop education programs. Their excellent and systematic curriculum is internally and externally well recognized.

# Achieve Mutual Growth with Partner Companies

Pulmuone makes every effort to realize mutual growth with partner companies. We operate various mutual growth programs based on the principle of creating fair trade culture and establish and run channels to listen to opinions from partners. In the fair and transparent trade culture, we are creating a virtuous cycle where mutual cooperation boosts competitiveness in quality and price with technology and product development. This ensures that the growth of partners leads to the growth of Pulmuone and vice versa.

## Pulmuone's partner companies in 2019

Category	OEM	Ingredients & raw materials	Packaging materials	Total
Number of partners (Unit: number of companies)	179	309	64	552

## Mutual growth implementation system

Pulmuone operates the Mutual Growth Division and Mutual Growth Committee as its consultative body with the aim of implementing fair subcontracting and realizing mutual growth with partners. The Mutual Growth Committee holds a fair trade meeting on a monthly basis to prevent any violation in subcontracting and deal with partners' opinions proactively and operates and supports various programs for mutual growth.

## Introduction and operation of four key points for fair trade

With the aim of ensuring fair subcontracting with partners, Pulmuone has launched and operated four key points for mutual cooperation among large companies and SMEs (guideline) stated by the Fair Trade Commission.

Category	Description
Practices to conclude desirable contracts for mutual cooperation between large companies and SMEs	<ul style="list-style-type: none"> <li>- Establish infrastructure to conclude a contract</li> <li>- Conclude a contract guaranteeing self-determination</li> <li>- Diligently carry out contract based on the agreement and relevant laws and regulations</li> </ul>
Practices to ensure fair selection (registration) of partner companies	<ul style="list-style-type: none"> <li>- Fairness in the standards and procedures for selecting a partner</li> <li>- Standards for canceling a partner and fairness in procedures</li> </ul>
Practices to install and operate internal subcontracting review committee	<ul style="list-style-type: none"> <li>- Organize an internal subcontracting review committee</li> <li>- Conduct pre-review for selecting a partner, contracting and determining price</li> <li>- Conduct pre-review for the standards and procedures for termination of contract with partners</li> </ul>
Practices to correctly issue and conserve documents in subcontracts	<ul style="list-style-type: none"> <li>- Issue various documents in the process of subcontracting</li> <li>- Conserve issued documents</li> <li>- Establish the practice of issuing and conserving documents</li> </ul>

## Operation of channels for communication and dispute resolution with partners

Pulmuone operates a communication channel to allow partner companies to deliver perspectives and opinions for any issues, problems, incidents, or accidents in the process of transaction. This channel takes any inquiries or suggestions 24 hours a day. We also run a channel to listen to the voices of partners in case of any dispute, which are reasonably mediated.

### Process for partners to report a case/suggestion



### Process for partners to apply and handle a dispute case



## Best Partners Day as a meeting for mutual growth

In March 2019, we held Best Partners Day, our representative mutual growth program to realize mutual cooperation with partners and express our gratitude to them. Since 2007, Pulmuone Best Partners Day has been held for 13 times by 2019 as a meeting for expressing gratitude and encouragement, sharing our business direction and vision, and making a resolution to realize sustainable growth. Pulmuone Best Partners Day 2019 was held by Strategic Purchasing Team under the theme of PROUD OF U (YOU), to demonstrate that our partner companies are our source of pride and instrumental for our success. Together with our partners' ceaseless support for Pulmuone to grow as Korea's representative LOHAS company with healthy foods, we will continue to make every effort to become a global LOHAS company with our partners beyond Korea and expand into the global market.



2019 Pulmuone Best Partners Day

## Pulmuone's major mutual growth programs

<b>Existing programs</b>	Education, training seminar, dispatching Pulmuone researchers, financial support, expansion of mutual payment system
<b>New programs in 2019</b>	Capacity building for food safety, creation of mutual cooperation fund, support for medical check-up and welfare and benefits, CCM (Consumer Centered Management) certification, support for consulting in case of launching CP (Compliance Program)



## Facilitate R&D Efforts

R&D for realizing healthy food products for our family's health and happiness is systemically conducted under the leadership of professional researchers at the Corporate Technology Office. Pulmuone's goal for R&D to develop new fresh and safe products by using secure and healthy ingredients, securing balanced nutrition, and complying with our principle for healthy foods. R&D conducts various activities to ensure the best quality to satisfy Korean and global LOHAS consumers, including introducing new advanced food processing technologies, discovering natural materials, and managing food safety and quality. We also carry out various R&D activities, such as developing carbon reduction package technology, expanding animal welfare products, reducing sodium and sugar, etc.

### CTO's vision and mission



Global No.1 LOHAS R&D Center



To develop innovative technology for humans and nature and provide LOHAS products and services

### Key activities

CTO conducts R&D and five major activities including innovation, globalization, safety management and knowledge hub, to develop differentiated products and services.

Activity	Description
1. R&D	<ul style="list-style-type: none"> <li>Develop creative new products</li> <li>Enter a new market and category</li> <li>Secure new ingredients and materials</li> </ul>
2. Innovation	<ul style="list-style-type: none"> <li>Develop independent technology and facility</li> <li>Standardize processes</li> <li>Improve productivity</li> </ul>
3. Globalization	<ul style="list-style-type: none"> <li>Support pioneering into the overseas market</li> <li>Spread core technology abroad</li> <li>Introduce advanced technology and excellent ingredients</li> </ul>
4. Safety Management	<ul style="list-style-type: none"> <li>Manage food safety and quality</li> <li>Manage and prevent risks</li> <li>Establish safe manufacturing environment</li> </ul>
5. Knowledge Hub	<ul style="list-style-type: none"> <li>Establish in-company principles and standards</li> <li>Create and share information and knowledge</li> <li>Accumulate and utilize intellectual property rights</li> </ul>

### R&D performance

Pulmuone spares no effort to invest in developing secure, safe, and healthy food products for consumers. We strive to develop LOHAS products and services for ensuring nutritional balance, protecting the environment and allowing for sustainable living.

Category	Unit	2017	2018	2019
R&D cost	KRW million	20,861	23,452	26,789
R&D staff	Person	155	171	205
R&D cost/sales	%	0.95	1.03	1.12

## Control the Quality of Products

Since the foundation, Pulmuone has been committed to providing only wholesome foods consumers can confidently feed their family and established rigorous food safety management schemes and infrastructure to maintain these standards. To achieve the highest possible level of food safety and quality, Pulmuone created a safety system that can prevent accidents before they occur. For this goal, we continuously conduct regular monitoring for food safety information and carry out food safety innovation activities by identifying any safety issues.

### Food poisoning prevention and management system

We operate a team in charge of food poisoning management to systemically manage food poisoning, which is caused by toxic bacteria in foods. The food poisoning control team has classified foods which are manufactured, distributed, and sold in all of our business sectors. This classification work is based on the types of ingredients, possibility to affect the hazardous level in manufacturing foods, and ways of consuming foods by consumers. We also conducted more rigorous food poisoning prevention management for high-risk products. For these activities, we have benchmarked the USDA's on-site management system at its production front-line by dispatching monitoring personnel to partner companies who use or produce ingredients with the risk of food poisoning to conduct on-site quality management. We also launched the Internet of Things (IoT)-based real-time monitoring system to control CCP processes and microorganisms in the production process.

### Expansion of the use of GAP products

Based on the principle of providing healthy foods safe from hazardous substances with accurate history, Pulmuone has launched the GAP (Good Agricultural Practices). This is national certification with the aim of managing harmful elements in the entire process of producing, harvesting, and distributing agricultural products in the Foodmerch business that supplies B2B food materials, and we expand this initiative each year.

#### Sales of GAP products

Category	2017	2018	2019
Sales of GAP products	KRW 8.8 billion	KRW 11.3 billion	KRW 12 billion

For more systemic management of GAP products, we have dispatched qualified staff members as GAP certificated inspectors in Pulmuone Technology Research Institute, who conduct regular on-site inspection on pesticide residue and heavy metal test through on-site sampling to secure safety. We have also developed the independent traceability management system to allow consumers to identify information directly and established safety management system suitable for the principle of healthy foods by producing and distributing a self-evaluation list and a collection of cases of misuse of non-registered pesticides on farms. In 2019, the company adopted the global level management standard to provide consumers with more secure GAP products and spread the value of LOHAS caring both humans and nature by protecting the agricultural environment through low-input and sustainable farming.



### Activities for exclusion of GMO (Genetically Modified Organism) products

In response to growing consumer anxiety about GMO products, laws, and regulations are growing stricter across the globe to protect consumers. Pulmuone has reinforced analytical management for ingredients and products by securing analysis capacity for all GM beans, except for one type approved in the limited number of countries among commercially approved GM beans in the global market. We also strengthened the analysis technology for products and ingredients by carrying out additional development activities, such as analysis for newly approved overseas GM potatoes and salmon and the development of a quantitative analysis method for GM beans. Based on the specialized technology, we have continued regular monitoring for our various products, as well as on-site inspection for overseas beans and ingredient IP (Identity Preservation) document review. We also prepared and provided a report on a quarterly basis to stakeholders for more proactive communication.

### Training for domestic lablab producers

To improve the quality of ingredients, Pulmuone provided 213 domestic lablab farming producers with training from May 13 to 15, 2020. Although there was some concern over COVID-19, the quarantine system in daily life was implemented as of May 6th. Considering the importance of quality improvement, we successfully completed on-site education by ensuring thorough preparation and applying countermeasures.

#### Farmhouses and number of people participating in Pulmuone education for domestic lablab producers in 2020

Category	Gimnyeong Agricultural Cooperative	Hagwi Agricultural Cooperative	Jeju Branch of Korea Domestic Bean Producer Association	Total
Number of persons	93	93	27	213

#### Key measures to cope with COVID-19 in Pulmuone training for domestic lablab producers in 2020

Category	Measure 1	Measure 2	Measure 3
Description	Mandatory to sanitize hands and wear a mask	Distribute chairs with a sufficient space in between	Intensive short education based on key points

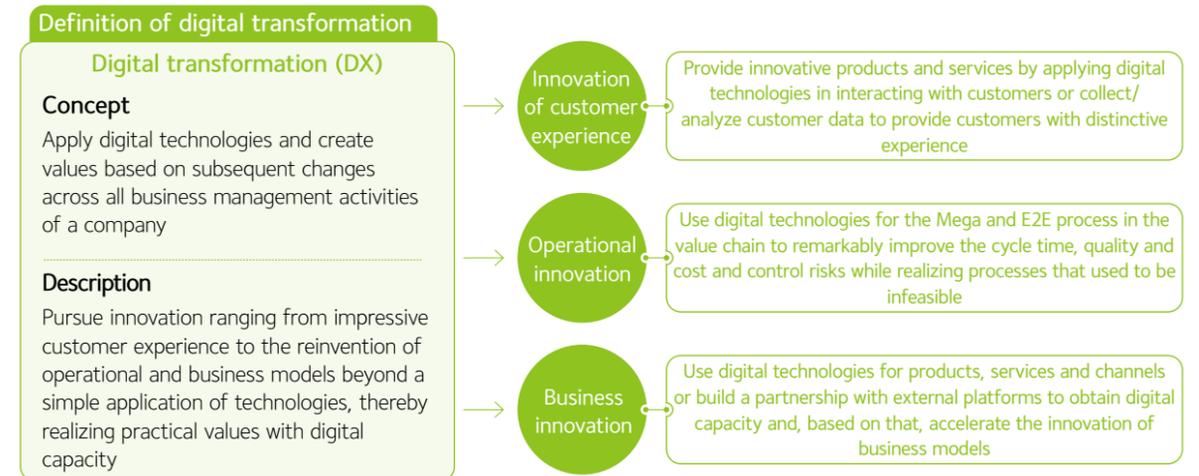
Despite COVID-19, many producers participated in the event allowing us to share our principle and standard of ingredient quality. It was a valuable session to encourage securing a stable quantity and improve the quality of lablab produced in 2020. Pulmuone will continue to conduct on-site inspection specific to each growth stage.

#### Photos of Pulmuone education for domestic lablab producers in 2020



## Digital transformation

The Fourth Industrial Revolution, representing the accelerated convergence of digital technologies, human beings, and physical environment, is evolving to connect and integrate people and things using big data, AI, IoT, and other advanced IT solutions. In business management, the Fourth Industrial Revolution, exemplified by digital transformation, is driving a rapid transition across the entire business management system of enterprises, as well as in manufacturing of products and provision of services. In this context, Pulmuone will set digital strategies and establish governance to create greater values to provide wholesome food products and healthy lifestyle services that correspond to the era of the Fourth Industrial Revolution.



To lead the era of digital transformation (DX), characterized by hyper-connectivity, ambient intelligence, and hyper-sense, Pulmuone set six directions for digital strategies. We will commit our utmost efforts to achieve digital innovation that can be first recognized by customers, and then upgrade the LOHAS values that Pulmuone pursues through convergence of digital technologies.

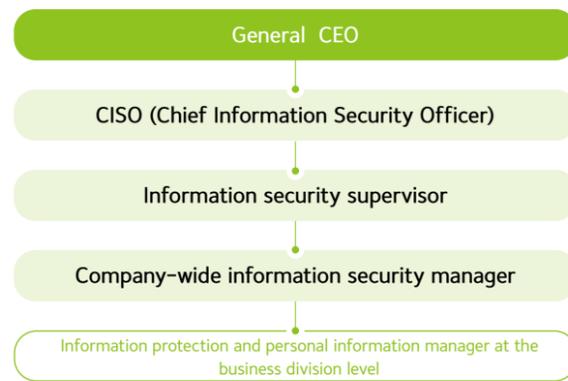
### Direction of digital transformation strategies

- Provision of digital experience** → Provide innovative digital experience to digital service users including consumers, clients, partners and employees
- Use of data technologies** → Handle and predict tasks based on data by applying big data and AI solutions
- Digital-based E2E innovation** → Apply digital technologies to simplify and automate processes, shorten the cycle time, reduce risks, and increase values
- Transition to the smart infrastructure** → Introduce smart technologies in plants, logistics centers, stores, business sites, and work environment to realize automated and unmanned processes, ensure the safety of human beings, and provide distinctive experience
- New business and partnership** → Launch platform-based business such as O2O, U-Biz, and PDM  
→ Build a partnership with platform providers and initiate open innovation
- Digital capacity building** → Ensure digital capacity of a company for sustainable DX and build a governance

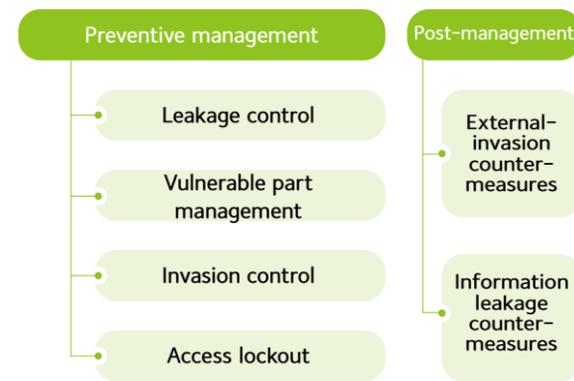
## Manage Information Security in a Systematic Way

With growing cyber security threats due to the rapid advancement of IT, Pulmuone runs the IT Office to comprehensively protect the personal information of customers and the company's data assets. In addition, we established the information protection management system for systematic and efficient management of the company's data assets and designated the staff in charge of information protection and personal information management in each business division to minimize potential risks of information security. To comply with the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. amended as of June 2019, we appointed the head of the IT Office as CISO (Chief Information Security Officer) and reported the designation result.

### Structure and functions of the information protection department



### Risk management system for information security



### Key information security activities

**Bolster the information protection management system** | Pulmuone is committed to ensuring the safety of various information systems to effectively respond to cyber threats and attacks, which are evolving and becoming more complex, and build a preventive system across the company. We try to keep our own customized information security model, rather than a temporary countermeasure, and internalize a high level of the information protection system for medium- and long-term advancement of information protection.

**Improve capacity to respond to cyber invasion** | We analyze potential risks to distinguish security threats at our plants and take preemptive actions, thereby identifying the trend and making an optimal operating environment for security solutions to increase our capacity in dealing with cyber invasion. We are also preparing to achieve the certification of ISMS-P (Personal Information & Information Security Management) to build a safe e-commerce shopping culture.

**Increase the awareness of information protection among employees** | To encourage all employees to be aware of the significance of information protection, we provide education programs for each position and conduct campaigns, thereby increasing awareness about information security and personal information protection.



## Increase Value for Customers

For customers who purchase our products and use our services based on their trust in Pulmuone, we always value their VOCs (Voice Of Customer). We listen to customers' opinions and complaints, receive suggestions, and try to improve our products and services based on them through various channels, including customer service calls, the 1:1 bulletin board on our website, SNS, the bulletin board on our online shop, and the CS center. We embrace all VOCs as our precious assets as we work to realize the happiness and satisfaction of customers and reflect them in our business management.

### VOC performance

In 2019, the number of VOCs reported to our Customer Satisfaction (CS) Center was about 240,000 cases. Among the registered VOCs are 25,000 cases about research before purchase, 64,000 cases about orders and payment, 49,000 cases about delivery, 49,000 cases about the use of products, 17,000 cases about service management, and 38,000 cases about the company. The scope of Pulmuone VOC collection includes Pulmuone Foods, Foodmerce, Food&Culture, Pulmuone Health&Living, and Pulmuone Green Juice based on business units, those covers 87.3% of total sales. Pulmuone's CS Center systematically analyzes registered VOCs and develops and applies measures to address customer complaints about our products and distribution processes.

### VOC data in 2019

Category	Research before purchase	Orders and payment	Delivery	Use of products	Service management	Company
2019	25,000 cases	64,000 cases	49,000 cases	49,000 cases	17,000 cases	38,000 cases

In 2019, Pulmuone's CS Center set the goals of communicating with all customers without anyone left out through more various channels including calls, online and mobile. To this end, we carry out a range of programs, regarding the lead time management in responding to customers, dispatch of professional online counselors, additional convenience for customers in getting through to a CS staff, and quality assurance of CS processes. For those who fail to get through to CS staff, our counselors make outbound calls in person for active communication with customers so they're not left out.

### Result of CS Center's customer satisfaction survey

We undergo the annual customer satisfaction survey conducted by Gallup Korea for objective and fair assessment of our CS service at the center. The survey consists of the Customer Satisfaction Index (CSI) and the Monitoring Index (MI). For CSI assessment, Gallup Korea conducts a survey of customers who have used Pulmuone's CS service. For MI, assessment, Gallup Korea survey agents make mystery calls to our CS Center pretending to be our customer to see if our counselor comply with the CS service quality standards.

According to Gallup Korea's customer satisfaction survey of our center in 2019, we achieved 91.8 points for CSI and exceeded the target (90 points) for MI. In addition to conventional CS service through calls, we run ChatBot, SNS, and the bulletin board at the website to help customers easily and quickly contact our CS Center. We also upgraded the response process to reduce the time for handling VOCs.

## Minimize Environmental Impact

Pulmuone minimizes its impact on the environment across all business activities in pursuit of its mission of serving the people as “a company that deeply cares for both humans and nature.” We have a standardized environmental management system, which systematically controls emissions and discharged substances by regularly monitoring the discharge route and amount of air pollutants, harmful chemicals and waste. We are also expanding relevant facilities and carrying out environmental improvement activities. We also clean up nearby areas on a regular basis.

### Strategies and goals

Category	Strategic goals
Reduce water consumption	<ul style="list-style-type: none"> <li>Reduce water consumption in direct production by 51% from 2008 (based on the production volume)</li> <li>Keep the discharged water quality under 50%, which is stricter criteria than the relevant law</li> <li>Meet the farming water criteria for discharged water quality (for business sites that discharge water directly to steams)</li> </ul>
Countermeasures against climate change	<ul style="list-style-type: none"> <li>Reduce GHG emissions by 50% from 2008 (based on the production volume)</li> <li>Reduce energy consumption by 27% from 2008 (based on the production volume)</li> </ul>
Zero-waste	<ul style="list-style-type: none"> <li>Reduce waste by 60% from 2008 (based on the production volume)</li> <li>Achieve zero-landfill from plastic packaging materials (based on the Pulmuone data)</li> <li>Increase the waste recycling rate</li> </ul>
Increase the number of sustainable products	<ul style="list-style-type: none"> <li>Apply highly recyclable packaging materials to all products</li> <li>Use solvent-free packaging materials in all products</li> <li>Increase the number of products with carbon footprint certification</li> </ul>

### Eco-friendly management system

Pulmuone runs a council consisting of top management, plant leaders, and working-level employees to respond to a range of issues concerning environment and safety in a systematic way. In Session E, led by General CEO of Pulmuone, each business unit reviews its environment and safety performance and plans. The Occupational Safety Committee also reviews performance and target levels and makes decisions on environment and safety policies and investment. It discusses action plans with each business unit through workshops for plant leaders and working-level councils for implementation.

### Environment & Safety (ES) Committee

Category	Objectives and functions	Top decision maker
BoD	Report investment plans and performance for environment and safety management	BoD
Session E	Share the performance of environment and safety management in each business division and review plans	General CEO
Occupational Safety Committee	Discuss the company's environment and safety strategies and key implementation plans	General CEO
ES workshop	Discuss environmental and safety-related issues arising from business sites and climate change countermeasures	ESH dept.
Working-level ES committee of the manufacturing/logistics division	Discuss ESH measures and how to build a safety culture and comply with regulations	ESH dept.
Working-level ES committee of the non-manufacturing division	Discuss how to build a safety culture, promote eco-friendly products, and facilitate communication	ESH dept.

### Plans and outcome in 2019

Pulmuone's major goal in 2019 was to reduce energy and water usage. To achieve this goal, we set the target to reduce energy use by 3.3% and water consumption by 2.6% from the previous year. We introduced a solar heating and air-conditioning system and replaced old equipment with new high-efficient facilities in major plants. We also increased the reuse of water and upgraded production lines to reduce water consumption in manufacturing processes. Regarding the investment plan for reducing energy and water consumption, we spent KRW 9.21 billion out of the initial plan (KRW 11.84 billion). However, our energy and water consumption actually increased by 4.1% and 1.7%, respectively, compared to the target due to our business expansion.

Category	2019 goals	2019 outcome	Description
Reduce energy intensity	152.0 kgOE/product-ton	158.4 kgOE/product-ton	Introduced a solar heating and air-conditioning system and expanded the photovoltaic power generation system
Reduce water intensity	19.0 tons/product-ton	19.5 tons/product-ton	Changed the water supply type in the vegetable cultivation rooms and increased the reuse of water resources
Category	Investment for environmental goals and outcome in 2019		
	Investment plan		Outcome
Reduce energy and water use	KRW 11.84 billion		KRW 9.21 billion

### Environmental management policy and measures

Pulmuone has established the work-related environmental policies and guidelines and applied them to its products and services to create environmental values through its business activities. Its environmental policies include the Green Procurement Guidelines, the Eco-friendly Raw Material Sourcing Guidelines and Standards, the Global Packaging Policy, and the Packaging Material Use Guidelines.

### EH activities in each division

**Air quality control** | Pulmuone makes efforts to minimize GHG emissions to respond to climate change and tackle relevant issues. We measure and analyze the amount and concentration of discharged air pollutants on a regular basis and use the result in planning and conducting air quality control activities. Our criteria are even stricter than the government regulations. We expanded the use of eco-friendly refrigerants to reduce substances such as CFC that destroy the ozone layer.

**Recycling** | Pulmuone recycles and reuse resources used in all its production activities. In particular, we contribute to reducing the environmental impact by turning waste to be buried or incinerated into resources.

#### Reduction rate of GHG emissions intensity in the manufacturing division

2017	2018	2019
65%	68%	66%

#### Waste recycling rate

2017	2018	2019
99.0%	99.1%	99.0%

**Chemical substance control** | To avoid any pollution or environmental accident due to the use of chemicals, Pulmuone conforms to its prevention principles regarding approval of the use of new chemical substances. All chemical substances used in our business sites are strictly managed in accordance with relevant regulations regarding their storage, use and disposal.

**Water quality control** | As a company using groundwater, we analyze the water quality on a regular basis, reduce wastewater, and maximize recycling to discharge wastewater that does not have an influence on nature. Wastewater undergoes physical and chemical treatment to reduce its environmental impact before discharged from our business facilities. Any wastewater directly going to rivers and streams is controlled in accordance with the criteria for water resources for farming.

**Recycling and reuse of water** | Considering the characteristics of a food company, it is impossible to directly reuse water resources in manufacturing products. Instead, we try to increase the rate of indirect reuse of water for utility, cleaning, and lavatory. At our business sites, we run unit coolers that circulate defrosted water to reuse water resources. We also reuse RO backwashing water and cleaning water consumed at vegetable packaging lines for cleaning facilities. In our tofu making process, we reuse bean juice cooling water for wastewater treatment facilities, cooling towers, Eva-cons, and lavatory.

**Waste control** | To minimize the environmental impact of waste, we apply our strict separate waste collection principles to all business sites. We also ask a specialized company to treat waste in a systematic method. Pulmuone will constantly contribute to making a clean environment by properly treating waste, increasing the rate of internal treatment and recycling of waste, and reducing the amount of waste.

### Designation as a green company

PPEC Chuncheon, a subsidiary of Pulmuone, was designated as a green company by the Ministry of Environment in 2013. To this day, it has retained this certification ever since. Recently, our Green Juice plant in Jeungpyeong was also designated as a green company. For a systematic eco-friendly management, we keep a suitable system for such management, reduce the consumption of resources and energy, and discharge less pollutants. In connection with the Wonju Regional Environmental Office, we carry out regular programs, including the no-car commuting campaign as part of the climate change week events, the Earth Hour movement, 1-company 1-ecosystem disturbing foreign plant removal project, my community my job program, and publication of water saving essay contest.

### Countermeasures against climate change

It has been scientifically proven that the increasing frequency of disasters, such as abnormally high temperatures, cold wave, typhoon, drought, and flood, is attributed to climate change. Pulmuone sets scenarios as countermeasures against climate change and analyzes opportunities and risk factors to minimize the impact of climate change on its business. We also try to reduce the consumption of fossil fuel and increase the use of renewable energy to reduce GHG emissions that accelerate climate change. For the assessment of climate change risks and strategy development, we cooperate with the Korea Environment Institute in a customized project for private companies to adapt to climate change by using CRAS (Climate Change Risk Assessment System). In this project, we assess the climate change risks of Pulmuone and our business partners and consider them as long-term risks to establish and manage countermeasures.

### Stricter control of chemical substances

To actively reduce chemical risks and respond to the tightened Chemical Substances Control Act, Pulmuone conducted examination of all chemical substances used in its business sites in 2019. We try to reduce the concentration of chemicals with high harm and risk and replace them with those with lower harm, thereby taking systematic actions in response to legal restrictions on harmful chemical substances.

## Build a Safe Work Environment

Based on its safety mission as a company that upholds LOHAS values across all business activities, Pulmuone puts first its employees' safety and health. To this end, we carry out a range of programs such as education, campaigns, and regular inspections under the lead of the Environment & Safety Team in charge of supervision of all safety and industrial safety/health affairs. Our Industrial Safety and Health Committee handles major agendas regarding the detection of harmful and dangerous factors, improvement of the work environment, and various safety and healthy activities on a quarterly basis.

### Industrial Safety and Health Committee activities in 2019

Category	Major agendas	Number of members	Composition of the committee
Chuncheon Plant	- Share and conform to the revised provisions of the Occupational Safety and Health Act and the result of risk assessment, and discuss how to reduce risks - Investigate industrial accidents and conduct improvement activities for prevention	10	5 (mgmt) 5 (labor)
Eumseong Tofu Plant	- Discuss how to revise the safety and health policy considering the scheduled amendment of the Occupational Safety and Health Act - Prevent cerebral and cardiovascular diseases and strengthen safety check activities	8	4 (mgmt) 4 (labor)
Eumseong Raw Noodle Plant	- Share the risk assessment result and discuss how to participate in reduction activities - Provide the counseling service as part of post-management regarding construction safety and health checkup	10	5 (mgmt) 5 (labor)
Doan Health Supplement Plant	- Share and conform to the revised provisions of the Occupational Safety and Health Act and the result of risk assessment, and discuss how to reduce risks - Discuss how to measure the work environment	10	5 (mgmt) 5 (labor)
Doan Green Juice Plant	- Conduct a risk assessment and award exemplary managers - Share and conform to the revised provisions of the Occupational Safety and Health Act - Cooperate to conduct SIP for ESH tasks	10	5 (mgmt) 5 (labor)

### Negligent accident prevention goal setting

By prioritizing safety as the start point of business, we aim to achieve the zero-accident rate and ensure the safety and health of all employees of Pulmuone and partner companies. To this end, we set a 40% decrease in the accident rate as the target to reach by 2022. Pulmuone has an accident report process where an accident that results in one or more days of work loss is escalated to the General CEO to increase accident sensitivity and improve root cause analysis and measures. To prevent accidents, Pulmuone runs its industrial safety and health management system across the entire company. We have a process to control safety in facility installation and construction, provide musculoskeletal disorder prevention programs, and run experiential programs to enhance the effect of education. To reduce partner companies' growing disaster and accident rates, measures like a subcontractor management council and joint inspections have been put in place along with risk assessment and subsequent improvement activities.

### Environment, safety and health management system and the audit of global business sites

An integrated environment, safety, and health management system (certification change from ISO 14001 and OHSAS 18001 to ISO45001) was established for the effective management of environment, safety and health. In this way, we manage environment and safety policies, communication, and indexes. In 2019, we requested Ramboll, a global ESH consulting company specialized in M&A-related due diligence to conduct an ESH compliance audit of our global business sites.



ISO 14001 and OHSAS 18001 certificates

# Part 05 2019 Performance

Value creation process of Pulmuone  
Consolidated Financial Performance  
Non-financial Performance  
2019 Major Product Performance  
Award-winning Performance  
MOU Performance



# Value creation process of Pulmuone



To grow as the No.1 global LOHAS company, Pulmuone uses a wide range of financial and non-financial capital across all aspects of its value chain in a strategic way. All capital used in our business drives the economic, social, and environmental values that we create, and these values are reinvested in our efforts for our company's sustainable growth. We also use this capital to address social issues and accelerate the growth of our society.

## Capital Input → Pulmuone's Business Model and Value Chain → Capital Output

**Capital Input**  
(6 Capital Inputs)

- Financial Capital**  
Capital raised by financing, management, and investment for product manufacturing and service provision
- Production Capital**  
Tangible assets used for product manufacturing and service provision including buildings, facilities, and equipment
- Intellectual Capital**  
Knowledge-based intangible assets including patent rights, copyrights, licenses, and other rights
- Human Capital**  
Employees' capacity, experience, enthusiasm, and collective intelligence are assets in achieving our goals
- Social Relationship Capital**  
Intangible assets including the relationships and trust with stakeholders, brand awareness, and reputation
- Environmental Capital**  
Renewable or non-renewable environmental resources used for product manufacturing and service provision



## Key Performance in 2019

**Capital Output**  
(Key indices by capital type)

**Awards**  
(Award-winning performance)

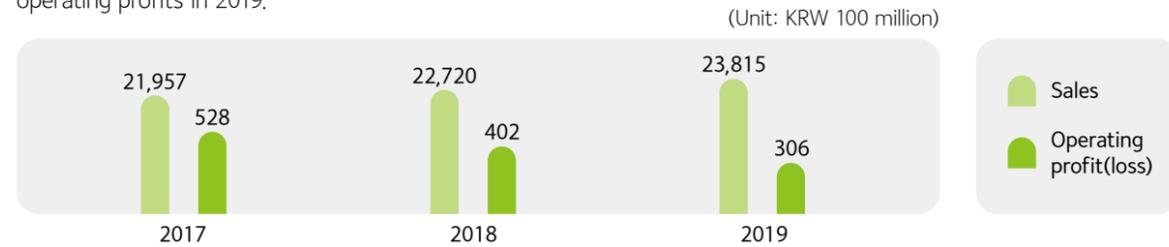
- Financial Capital**  
Sales: KRW 2,381.5 trillion  
Operating profit: KRW 30.6 billion
- Production Capital**  
Major product performance:  
Tofu: 116.05 million  
Vegetable: 43.78 million  
Raw noodle: 292.78 million
- Intellectual Capital**  
Trademark applications: 90 cases  
Patent rights: 81 cases
- Human Capital**  
Training hours per employee: 63 hours  
Total number of new employees: 811
- Social Relationship Capital**  
Rate of participation in volunteer programs: 96.4%  
Financial support for partners: KRW 5.91 billion
- Environmental Capital**  
Energy consumption: 1,151 TJ  
GHG emissions: 89,871 tCO2eq

- 2020 KOREA'S Most Admired Companies**  
Selected as one of the most admired companies in Korea for 13 consecutive years  
(Won largest number of prizes as a Korean general food company)
- Dow Jones Sustainability Indices 20th Anniversary**  
In collaboration with SAM  
DJSI (Dow Jones Sustainability Indices)  
Ranked 6th in the global food industry category (among 116 international food companies)
- ESG (environment, society, governance)**  
Selected as a company of excellence (achieved the overall A+ grade for three years in a row)
- 2019 대한민국 동물복지대상**  
'Korea Animal Welfare Awards 2019'  
Won the prize granted by Minister of the Agriculture, Food, and Rural Affairs

# Consolidated Financial Performance

## Sales and operating profit

In accordance with the standards of the Korean version of International Financial Reporting Standards(K-IFRS) for consolidated financial statements, Pulmuone accomplished KRW 2.3815 trillion in sales and KRW 30.6 billion in operating profits in 2019.



## Financial statement

(Unit: KRW 100 million)

Category	2017	2018	2019	Increase/decrease from 2018	
				Amount	Percentage(%)
Current assets	3,787	4,705	4,678	▼27	-0.6%
Non-current assets	7,243	7,464	10,167	▲2,703	36.2%
Total assets	11,030	12,169	14,845	▲2,676	22.0%
Current liabilities	4,964	5,252	6,212	▲960	18.3%
Non-current liabilities	2,308	2,460	4,002	▲1,542	62.7%
Total liabilities	7,272	7,712	10,214	▲2,502	32.4%
Equity attributable to owners of parent	2,678	3,367	3,970	▲603	17.9%
Non-controlling interests	1,080	1,090	661	▼429	-39.4%
Total equity	3,758	4,457	4,631	▲174	3.9%

## Income statement

(Unit: KRW 100 million)

Category	2017	2018	2019	Increase/decrease from 2018	
				Amount	Percentage(%)
Sales	21,957	22,720	23,815	▲1,095	4.8%
Operating profit	528	402	306	▼96	-23.9%
EBITDA	1,212	1,129	1,413	▲284	25.2%
Net profit(loss) for the year	304	110	(75)	▼185	-168.2%
Total comprehensive profit(loss)	196	43	25	▼18	-41.9%

## Stock information

Category	Unit	2017	2018	2019
Par value	KRW	5,000	5,000	500
Total issued shares	share	4,212,553	4,212,553	42,125,530
<b>Stock price</b>				
- Highest price	KRW	172,000	179,500	13,700
- Lowest price	KRW	110,500	78,000	8,650
- Closing price	KRW	172,000	79,600	11,250
- Market capitalization	KRW 100 million	7,246	3,353	4,739
Ratio of shares owned by foreign investors	%	0.90	1.65	2.05

## Pulmuone stock price fluctuation rate vs. KOSPI in 2019



## Pulmuone stock price and ratio of shares held by foreign investors in 2019



# Non-financial Performance

## Standards and principles

Pulmuone's non-financial performance in this report is related to human, social, and environmental capital in the period from January 1 to December 31, 2019. Major indices applied include <IR> Framework of IIRC and the sustainability report standards of the GRI(Global Reporting Initiatives) Standards.

⦿ IIRC\_ <IR> Framework: IIRC's <IR> Framework presents a reporting method about how an organization's strategies, governance, performance, and prospects lead to the short, medium, and long-term values in economic, social, and environmental contexts.



⦿ Global Reporting Initiatives\_ GRI Standards: GRI provides the standards for report topics and disclosure to help stakeholders understand the performance of an organization from the economic, social and environmental perspectives recognized by the international community.



## 1. Human Capital

### 1.1 Total employment status

The total employment status is an index showing how many jobs are created or retained in Pulmuone. The total number of employees indicates the number of regular and temporary (contract) workers under the direct employment contract with Pulmuone. As of the end of 2019, the total number of employees was 6,911, a 3.9% increase from 2018.

Category	Unit	2017	2018	2019
<b>Total number of employees</b>		5,560	6,650	6,911
<b>Employment type</b>	Regular	4,962	5,487	5,339
	Temporary	598	1,163	1,572
<b>Gender</b>	Male	2,536	2,604	2,730
	Female	3,024	4,046	4,181

※ The total number of employees here refers to those within the management scope of Pulmuone, which is different from 6,329 as the consolidated figure in the business report.

### 1.2 Development of female talent

The ratio of female employees as a major diversity index increased from 2018 by 4.8%.The ratio of female managers reached 18.7%.

Category	Unit	2017	2018	2019
<b>Ratio of female employees<sup>1)</sup></b>	%	51.9	55.7	60.5
<b>Ratio of female managers<sup>2)</sup></b>	%	18.2	18.8	18.7

1) Ratio of female staff to the total number of employees

2) Ratio of female managers to the total number of managers (part leader or higher position)

### 1.3 Recruitment and turnover rate

The number of new employees and those moving to other companies covers regular and temporary (contract) workers under the direct employment contract with Pulmuone, and these figures are managed separately by age and gender. In 2019, the total number of new employees decreased from the previous year by 28.1%.The turnover rate reached 23.5%.

Category	Unit	2017	2018	2019
<b>Total number of employees</b>		596	1,128	811
<b>Gender</b>	Male	344	811	426
	Female	252	411	385
<b>Age</b>	Lower than 30	254	426	344
	30 to 49	318	717	386
	50 or over	24	385	81

Category	Unit	2017	2018	2019
<b>Turnover rate</b>	%	17.5	17.1	23.5
<b>Gender</b>	Male	426	470	605
	Female	443	467	650
<b>Age</b>	Lower than 30	312	289	355
	30 to 49	457	506	623
	50 or over	100	142	277

### 1.4 Maternity leave and parental leave

Pulmuone provides a wide range of support for childrearing, including a lactation room, bonus for celebrating childbirth, support for children's school expenses, in-house daycare center, and the flexible working hour system, with which employees can alleviate their burden of childbirth and childrearing.

Category	Unit	2017	2018	2019	
<b>Employees on maternity leave</b>	Person	97	120	92	
<b>Rate of employees who returned from maternity leave</b>	%	99	97	92	
<b>Employees on parental leave</b>	Person	138	124	141	
		Female	-	-	109
		Male	-	-	32
<b>Rate of employees who returned from parental leave</b>	%	97	78	94	
<b>Ratio of employees serving for consecutive years</b>		82	86	72	

※ The data of male and female workers on parental leave have been released since 2019.

### 1.5 Talent development

We design various measures to strengthen employees' capacity and provide education and training programs to help them accomplish the best outcome out of their tasks.

Category	Unit	2017	2018	2019
<b>Training cost per employee</b>	KRW 1,000	642	600	493
<b>Annual training hours per employee</b>	Hour	55	42	63

### 1.6 Employee satisfaction

We conduct an annual organization diagnosis to identify the satisfaction level of employees regarding their work and Pulmuone. The result is used for the purpose of improving the work environment. The analysis of each category helps us understand differences between groups, genders, and positions.

Category	Unit	2017	2018	2019
<b>Employee satisfaction</b>	Point	3.43	3.32	3.38

※ 5 points as the full marks

### 1.7 Labor practices

As stipulated in the UN Global Compact Principle, Pulmuone

guarantees its employees freedom of association and the right to collective bargaining. In accordance with the Constitution and the Trade Union and Labor Relations Adjustment Act, Pulmuone fully guarantees its employees the right to establish a labor union or another form of representative body, giving every employee the right to join a labor union.

Category	Unit	2017	2018	2019
<b>Labor union membership rate</b>	%	74.2	73.8	79.0

### 1.8 Industrial safety

We consider safety and health as top priority at business sites. We comply with industrial safety regulations to protect employees from any hazards and strive to provide a safe work environment.

Category	Unit	2017	2018	2019
<b>Number of injuries</b>	Person	22	23	31
<b>Accident rate</b>	%	0.40	0.34	0.45

### 1.9 LOHAS nutritional counseling for employees

We provide a regular LOHAS nutritional counseling program for the health of employees.

Category	Unit	2017	2018	2019
<b>Participants</b>	Person	242	231	96
<b>Number of sessions</b>	Session	907	897	702

### 1.10 CEO-to-Employee Pay Ratio

Compared to 2018, it was confirmed that the gap between the general CEO and the average amount of employee salaries in 2019 has become wider, and a review is underway to reduce the gap.

Category	Unit	2018	2019
<b>CEO's total compensation</b>		533.7	551.0
<b>Employee compensation</b>	Median(ratio) <sup>KRW million</sup>	53.7(9.9)	50.9(10.8)
	Average(ratio)	59.6(8.9)	52.1(10.6)



## 2. Intellectual Capital

### 2.1 R&D

Pulmuone spares no effort to invest in developing secure, safe, and healthy food products for consumers. We strive to develop LOHAS products and services for ensuring nutritional balance, protecting the environment and allowing a sustainable life.

Category	Unit	2017	2018	2019
R&D cost	KRW million	20,861	23,452	26,789
R&D staff	Person	155	171	205
R&D cost/sales	%	0.95	1.03	1.12

### 2.2 Trademark and patent

Pulmuone is well aware of the significance of trademarks and patent rights and manages them in a systematic manner in its business process.

Category	Unit	2017	2018	2019
Trademark applications		135	100	90
Registered trademarks	Case	161	108	94
Patent rights		75	78	81

## 3. Social Relationship Capital

### 3.1 Customer satisfaction

Pulmuone requests Gallup Korea to conduct an annual customer satisfaction survey to address weaknesses and highlight strengths, thereby meeting the expectations of customers.

Category	Unit	2017	2018	2019
Customer satisfaction	Point	91.3	88.7	91.8

### 3.2 Social contribution

Pulmuone carries out social contribution activities in three fields: healthy food, healthy nature, and healthy community, to contribute to making a healthy future based on its philosophy, "Love for Our Neighbors and Respect for Life."

Category	Unit	2017	2018	2019
Earth Love Fund	KRW 100 million	9.90	10.50	10.96
Neighbors Fundraising	KRW 100 million	1.59	1.75	1.83
Participation rate	%	83.6	85.8	89.0

Category	Unit	2017	2018	2019
Rate of participation in volunteer programs	%	90.4	93.3	96.4

### 3.3 Association membership fee (accession and annual membership fee)

Pulmuone has joined over 30 associations and organizations to facilitate the food industry's ecosystem in Korea.

Category	Unit	2017	2018	2019
Expenses for association activities	KRW million	125.5	144.9	173.7

### 3.4 Partners\*

Pulmuone promotes mutual growth with partners based on its fair and transparent transaction practices.

Category	Unit	2017	2018	2019
OEM	Company	155	191	179
Ingredients & raw	Company	375	352	309
Packaging materials	Company	60	72	64
Total	Company	590	615	552

\* Partners of Pulmuone Foods, Pulmuone Foodmerce, and Pulmuone Health&Living

### 3.5 Financial support for partners

Pulmuone actively supports its partners to grow together.

Category	Unit	2017	2018	2019
Financial support for partners	KRW 100 million	49.2	74.4	59.1

### 3.6 Corporate tax

Pulmuone sincerely fulfills its tax duties as a corporate citizen.

Category	Unit	2017	2018	2019
Corporate tax	KRW 100 million	212.9	135.1	144.2

### 3.7 KCGS ESG grading

Pulmuone is the only Korean food company that obtained an overall A+ grade for three consecutive years in the ESG assessment by Korea Corporate Governance Service (KCGS) for its CSR management activities and outcome.

Category	Unit	2017	2018	2019
Environment (E)	Grade	A	A	A
Society (S)	Grade	A	A	A+
Governance (G)	Grade	A+	A+	A+
Overall	Grade	A+	A+	A+

## 4. Environmental Capital

### 4.1 Harmful substance control

Pulmuone conforms to its harmful substance control standards and manages them in a systematic way to respond to tightened international environmental regulations and attain competitiveness.

Category	Unit	2017	2018	2019
Amount of discharged harmful substances	Ton	820	125	129

### 4.2 Energy use intensity

In 2019, the energy use intensity in the manufacturing division was 155.7 kgOE/product-ton, a 1.1% decrease from the previous year. We will enhance the efficiency of energy use and increase the use of renewable energy to reduce the energy use intensity by 27% by 2022.

Category	Unit	2017	2018	2019
Energy use intensity	kgOE/product-ton	158.4	157.4	155.7

### 4.3 GHG emissions intensity

Our GHG emissions increased from the previous year due to the supply issue of wood pallets, an eco-friendly energy source, and the subsequent decline in the use of wood pallets, as well as the increased use of gas and LPG. We introduced the solar power water heating system and increased investment in the solar power generation facilities to reduce GHG emissions.

Category	Unit	2017	2018	2019
GHG emissions intensity	kgCO <sub>2</sub> e/product-ton	289.0	305.4	289.4

### 4.4 Water use intensity and reuse rate

For the efficient use of water resources in the product making process, we have introduced water-saving facilities and increased investment in the reuse of water.

Category	Unit	2017	2018	2019
Water use intensity	m <sup>3</sup> /product-ton	20.4	19.7	19.5
Water reuse rate	%	1.6	1.6	1.4

### 4.5 Waste intensity

The waste intensity in the manufacturing division reached 99 kg/product-ton, a 7.5% decline from the previous year. To reduce waste intensity, we try to minimize waste discharged from our product manufacturing processes and reduce our environmental impact by turning waste to be buried or incinerated into resources.

Category	Unit	2017	2018	2019
Waste intensity	kg/product-ton	108	107	99
Waste recycling rate	%	99.1	99.1	99.3

### 4.6 Eco-friendly procurement

We minimize our impact on customers and nature, conform to our eco-friendly procurement principles for the efficient use of resources, and constantly expand our purchase volume of eco-friendly raw materials and ingredients.

Category	Unit	2017	2018	2019
Eco-friendly procurement performance	KRW 100 million	26.5	33.1	35.7

### 4.7 Sales of GAP agricultural products

Pulmuone employs GAP (Good Agricultural Practices), which is a national certification with the aim of managing harmful elements in the entire process of producing, harvesting, and distributing agricultural products. We are expanding this initiative each year.

Category	Unit	2017	2018	2019
Sales of GAP agricultural products	KRW 100 million	88	113	120

### 4.8 Environmental education outcome

Pulmuone LOHAS Academy provides education programs about eco-friendly practices and habits, one of our six LOHAS strategies, for employees, partners, and teenagers.

Category	Unit	2017	2018	2019
Employees	Person	2990	2797	2474
Partners	Person	0	36	32
Teenagers	Person	439	154	126

# 2019 Major Product Performance

## 'Thin Wrap Dumpling,' which hit 10 million sales in 2019

'Thin Wrap Dumpling' recorded 10 million sales within only 11 months since its launch in March 2019, serving as a game changer in the domestic frozen dumpling market. The dough of 'Thin Wrap Dumpling' is only 0.7 mm thick, which is the thinnest of its kind. Thanks to its thin dough, you can even see what's in the dumplings. This dough is very chewy, so it does not easily fall apart.



### Distinctive features of 'Thin Wrap Dumpling'

- Innovation of 0.7 mm dough**  
A thin, chewy dough that does not easily fall apart
- Innovation of diced stuffing**  
Dumpling full of stuffing that makes it fun to chew
- Innovation of everything possible**  
A simple recipe considering preference and convenience for customers



Three types of 'Thin Wrap Dumpling'

## The largest share in the domestic frozen rice market 'Golden Rice 200 °C Fried Rice'

In August 2019, Pulmuone Foods launched "Golden Rice 200°C Fried Rice," which boasts a good texture of rice and tastes fiery. The product features rice fried with eggs, pork, shrimp, and vegetables using cooking oil and a large wok, just like in Chinese restaurants. You can enjoy its deep savoriness that's never been offered before by other frozen fried rice products. For this product, we fry rice using spring onion oil at a high temperature of 200 °C to provide a natural fiery flavor.

"Golden Rice 200°C Fried Rice" successfully took the largest share in the domestic frozen rice market only in three months since its launch (Nielsen Korea survey result). It is provided in two options (garlic&shrimp, pork&scrambled eggs). Garlic&shrimp dumplings recorded the largest market share.



Fried rice with pork & scrambled eggs, which combines the fiery flavor of domestic pork and oyster sauce with the savoriness of fried garlic, fresh spring onion and eggs

Fried rice with garlic & shrimp, which provides culinary enjoyment from the texture of perfectly cooked shrimps and savory crisp fried garlic



## Taking up 75% of share in the American tofu market

Pulmuone USA achieved 75% of accumulated share in the US tofu market of the third quarter in 2019 (according to the data provided by Nielsen USA). Pulmuone acquired Nasoya, a brand with the largest share in the American tofu market, in 2016 to obtain its distribution and marketing network across the USA and enter the local mainstream market. According to the data of Nielsen, Pulmuone USA's share in the American tofu market soared to 69.5% after the acquisition of Nasoya. The market share recently increased further to 75% by pioneering the American market through continuous efforts. We could achieve this success by going beyond marketing targeted at the Asian market and developing tofu products that meet the taste and preference of most consumers in the USA with expanded distribution channels in the mainstream market.



WildWood High-protein Tofu

Nasoya Organic Tofu

## Pulmuone achieved the largest share in the American kimchi market

Pulmuone's Korean kimchi products took up the largest share in the kimchi market in the USA only in a year since its launch in the mainstream market. Nielsen US announced in August 2019 that Pulmuone kimchi products' market share reached 40.4% in the category of large supermarkets such as Walmart, not just Korean grocery stores, overtaking locally made kimchi. When Pulmuone first entered the American mainstream market with its kimchi products in September 2018, its market share was a meager 0.7%. Then, it skyrocketed to 40.4% in only a year, dominating the arena of large supermarkets in the USA in a short period of time and stabilizing its position as the most beloved kimchi product in the country. Such a success was highly praised as the Korean government had been considering the introduction of the "country of origin" labeling system for kimchi products to prevent foreign-made kimchi from being sold as Korean-made ones and facilitate the export of Korean kimchi.

### Distinctive features of Pulmuone kimchi

- Traditional Korean kimchi made with Korean cabbage
- Kimchi developed to meet the taste of American consumers
- Fermentation techniques and know-how for kimchi obtained by running the Kimchi Museum
- Distribution network covering the entire USA



'Sliced Spicy Kimchi', 'Sliced Plain Kimchi', 'White Kimchi', 'Cubed Plain Radish Kimchi'



# Award-winning Performance



Consumer Centered Management (CCM) Awards Ceremony 2019

**December** Pulmuone Foods received the Hall of Fame for Consumer Centered Management (CCM) Award for 12 consecutive years

Pulmuone Foods received the citation of best company from Fair Trade Commission in recognition of contribution to social development by promoting consumer rights. Since the launch of CCM in Korea in 2007, Pulmuone Foods has maintained CCM (Customer Centered Management) Certification for 12 consecutive years and strived to spread consumer-oriented management culture.



Korea Animal Welfare Awards Ceremony 2019

**December** Pulmuone Foods received the prize by the Minister of Agriculture and Forestry in Korea Animal Welfare Awards 2019

In the Korea Animal Welfare Awards to encourage individuals and groups contributing to the harmonious coexistence of humans and animals and animal welfare, Pulmuone Foods received the prize by the Minister of Agriculture, Food, and Rural Affairs for company's contribution and performance in pioneering the market by introducing the concept of animal welfare for the first time in Korea and taking practical measures for animal welfare.



2nd Yeongseok Awards 2019

**December** Pulmuone received the prize of the 1st Yeongseok Awards by Udang Lee Heo Yeong Education and Culture Foundation

With the recognition of various social contribution activities such as Earth Love Fund, Love for Neighbor Fund, Garden for Life, education for water environment and wholesome food campaign, Pulmuone received the prize of the first Yeongseok Awards by Udang Lee Heo Yeong Education and Culture Foundation, which was established to celebrate the spirit of patriotism of Yeongseok Lee, who devoted his wealth to establishing Shinheung Military Academy for Korea's independence.



K-Food Safety Information Forum Ceremony 2019

**November** Pulmuone Technology Research Institute received the prize of the Minister of Food and Drug Safety

In the K-Food Safety Information Forum 2019 held by the Ministry of Food and Drug Safety, Pulmuone Technology Research Institute was awarded the Minister's Prize for Food and Drug Safety for its contribution to conducting the national food safety information exchange project and securing national food safety.

**October** Pulmuone acquired A+ Level in the ESG (Environment, Society and Governance) evaluation for three consecutive years and was selected as an excellent ESG company

In the ESG evaluation quantifying non-financial performance other than financial performance, such as environmental management, socially responsible management and governance structure in terms of measuring company's performance, Pulmuone received the level A+ for three consecutive years as the only company among domestic food companies. It was also selected as an ESG excellent company in recognition of its efforts for operating a global-level risk management system and establishing a transparent governance structure.



ESG Excellent Company Awards 2019

**October** Pulmuone Foods was selected as the Best Weather Management Company

Pulmuone Foods was selected by the Korea Meteorological Administration as the best weather management company, recognized for its performance in creating added value and improving safety from weather disasters by utilizing weather information in diverse management ways in accordance with Article 13 of the Meteorological Industry Promotion Act. Pulmuone Foods was evaluated as a company that not only achieved efficient management performance by strategic activities based on in-depth and concrete prediction for weather, but it also successfully presented weather management strategies for the first time in the domestic food industry.



Best Weather Management Company Awards Ceremony

**June** ORGA Whole Foods received the citation by the Minister of Agriculture, Food, and Rural Affairs

In the Awards for Companies Contributing to Promoting Green Agricultural Foods Consumption held by the Ministry of Agriculture, Food, and Rural Affairs to boost morale and confidence for developing eco-friendly agriculture, ORGA Whole Foods received the citation by the Minister of Agriculture, Food, and Rural Affairs for its contribution to developing domestic eco-friendly agriculture by proactively implementing policies for cultivating eco-friendly agriculture.



Awards for Companies Contributing to Promoting Green Agricultural Foods Consumption

**February** Pulmuone was selected as one of Korea's Most Respected Companies for 13 consecutive years

Pulmuone was selected as one of 30 Top All Stars for Korea's Most Admired Companies 2019, surveyed and published by KMAC for 13 consecutive years. Since the first time it was selected as one of the 30 Top All Stars for Korea's Most Admired Companies in 2004 and 2005, Pulmuone has been designated as one of these top companies for 13 consecutive years from 2007 to 2019 and received awards a total of 15 times.



Logo for Korea's Most Respected Companies 2019

# MOU Performance



Agreement for win-win growth for promoting kimchi industry and vitalizing the market

**November** Pulmuone Foods signed the agreement for win-win growth for promoting kimchi industry and vitalizing the market

Pulmuone Foods signed a multilateral joint MOU for promoting kimchi industry and vitalizing the market with the Agriculture, Food, Rural Affairs, Oceans, and Fisheries Committee, Ministry of Agriculture, Food, and Rural Affairs, National Commission for Corporate Partnership, Kimchi Association of Korea, and Korea Kimchi Seasoned Pickles Food Industry Cooperative Association. Based on this agreement, Pulmuone Foods will maintain recommendations for suitable business for SMEs, strive to use the best quality agricultural products for producing kimchi, and provide support for education, consulting and sharing information for the growth of SMEs.



Conclusion of MOU to expand sustainable fishery products

**September** ORGA Whole Foods signed an MOU for expanding sustainable fishery products with Wando Government and Cheongsan Bada

The domestic fishery market has shifted to the direction of seeking sustainable and ethical production due to the decreased production for indiscreet fishing and harmful farming for marine environments. The agreement was concluded with the aim of reflecting the recent fishery market trend, expanding cooperative sectors among distributors, local governments, and production partners that lead the supply of sustainable fishery products with ASC certification and maximizing synergistic effects.



Conclusion of MOU to develop childcare in Korea

**July** Pulmuone Foodmerce signed an MOU for developing childcare in Korea with Educare Academy

Pulmuone Foodmerce signed an MOU for developing childcare in Korea with Educare Academy, an institution certified by the Ministry of Health and Welfare for childcare personnel. This agreement was concluded for achieving qualitative improvement in Korea's childcare personnel and leading wholesome foods by Pulmuone Foodmerce leading the domestic food market for kids and Educare Academy, Korea's top institution for childcare personnel.



Conclusion of MOU for eco-friendly delivery

**July** ORGA Whole Foods signed an MOU for eco-friendly delivery with Mesh Korea

ORGA Whole Foods has started to implement eco-friendly delivery service in cooperation with IT-based distribution startup Mesh Korea, which operates Korea's representative distribution brand VROONG. Based on this agreement, the companies will proactively use low-carbon and eco-friendly means of transportation such as electric motorcycles and electric vehicles and conduct promotion activities to allow customers to recognize the need for greater convenience and greener delivery service such as eco-friendly ice packs.

**May** Pulmuone signed an MOU for partnership for gender quality and inclusive growth with the Ministry of Gender Equality and Family

Pulmuone signed an MOU for partnership for gender quality and inclusive growth with the Ministry of Gender Equality and Family. Based on this agreement, Pulmuone will continuously strive to achieve increasing 30% in the ratio of female executives by 2020 and focus on implementing five key aspects, including establishing and implementing long-term plans, continuous efforts for increasing the number of female executives, expanding and reinforcing the HR training system for supporting women's career development, creating a flexible working environment, and developing corporate culture in harmony with childcare and work to prevent career interruption for women. Pulmuone will also enact efforts to include recruitment for reflecting gender diversity in the decision-making process and enhancing balance in gender for all positions.



Conclusion of MOU for partnership for gender quality and inclusive growth

**May** Pulmuone Foodmerce signed an MOU for creating jobs for senior citizens with Seoul Senior Welfare Center

Pulmuone Foodmerce signed an MOU with Seoul Senior Welfare Center for creating jobs for senior citizens and will cooperate with each other and promote joint development in creating social activities for seniors, improving diet and promoting health.



Conclusion of MOU for creating jobs for seniors

**April** Pulmuone Waters signed an MOU with the United Nations Environment Program (UNEP) Korea for Beat Plastic Pollution Campaign

To mark the Earth Day, Pulmuone Waters signed an MOU with UNEP Korea for Beat Plastic Pollution Campaign (eco-friendly campaign to reduce plastic pollution). Based on the agreement with UNEP Korea, Pulmuone Waters will conduct an eco-friendly campaign to reduce plastic pollution and improve awareness about the use of plastic and strive to proactively reduce plastic through various activities such as the upcycling exhibition using waste plastic bottles, environment education for teenage and college students, and environmental cleanup activities.



Conclusion of MOU for Beat Plastic Pollution Campaign

**March** Jeollabuk-do Provincial Government and Pulmuone Danone signed an MOU for supporting the expansion of Muju Plant

Pulmuone Danone signed an MOU for establishing a mutual cooperation system to expand the Muju Plant with the Jeollabuk-do Provincial Government and the Muju Government. Based on this agreement, Pulmuone Danone will expand production lines by investing about KRW 20 billion in the production plant at the Muju 1st Agricultural and Industrial Complex in Muju, Jeollabuk-do and secure a number of new employees in Muju to contribute to revitalizing the local economy and achieving mutual growth.



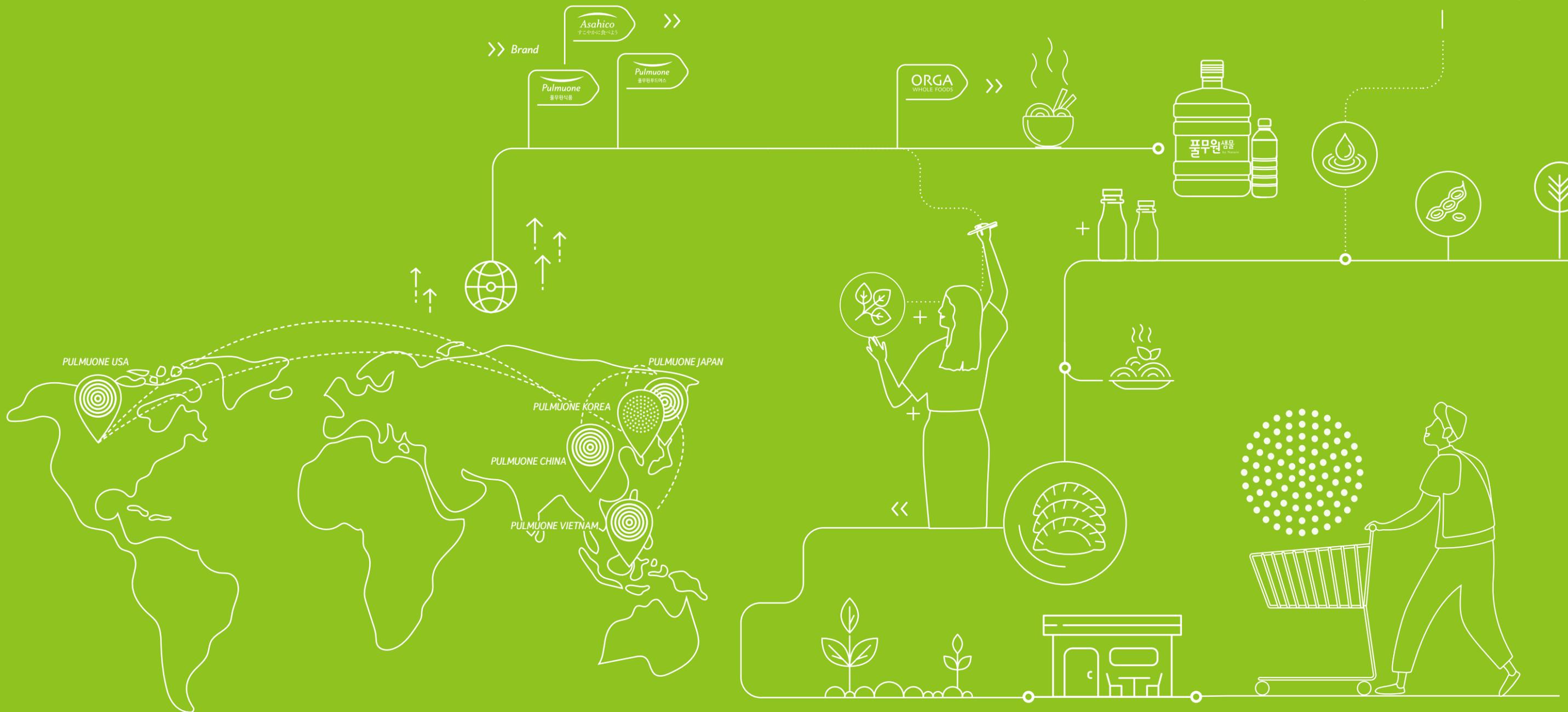
Conclusion of MOU for expanding Muju Plant

# Part 06 Business Review

## Overview

- Pulmuone Foods
- Foodmerce
- Pulmuone Food&Culture
- Pulmuone Danone
- Pulmuone Waters
- Pulmuone Green Juice

- ORGA Whole Foods
- Pulmuone USA
- Asahico
- Pulmuone Foods (China)
- Pulmuone Health&Living
- Pulmuone (China)



# Overview

## Pulmuone



### Food and beverage manufacturing/ distribution

Pulmuone's business is made up of the food and beverage division that produces and sources fresh food and beverages and provides them to the Korean, North American, Chinese, Japanese, and other overseas markets and the food service division.



### Health&living solution business

With an aim to present solutions for healthier living, our health and living solution business provides rational alternatives that encompass a wide range of products and services.

#### Pulmuone Foods



Produces and sells fresh food such as tofu, eggs, and vegetables in Korea

#### Pulmuone Foodmerce



Sells brand products and provide comprehensive food ingredient supply services

#### Pulmuone Food&Culture



Cook food and beverages and provide relevant services for school meals, restaurants, and concession stands

#### Pulmuone DANONE Danone Pulmuone



Manufactures and sells fermented milk products

#### Pulmuone Waters



Manufactures and sells drinking water products

#### Pulmuone Green juice



Manufactures and sells functional beverages and food for babies and adults

#### ORGA WHOLE FOODS



Sells eco-friendly food and daily necessities

#### Pulmuone nasoya



Manufactures and sells fresh food such as chilled/frozen pasta and sauces in the USA

#### Asahico すこやかに食べよう



Manufactures and sells tofu and fried tofu products in Japan

#### Pulmuone 圃美多



Manufactures and sells fresh food such as chilled noodles and bean products in China

#### Pulmuone Health&Living



Sells health supplements, kitchen appliances, healthy lifestyle appliances, and pet food

#### Pulmuone 圃美多乐活



Manufactures and sells health supplements and daily necessities

# Pulmuone Foods

Pulmuone Foods, founded in May 1984, is a leading company of the Pulmuone group with a focus on its fresh food and beverage business. Starting to make its presence in the market with the country's first packed tofu and bean sprouts, Pulmuone Foods presented a new value standard for food as "wholesome food." Ever since, the company has constantly released innovative products such as extracted juice and raw noodles as a market leader that changes the paradigm in the industry.

Now the company reaches out to consumers with over 700 different products across various categories including tofu (where it excels), vegetables, eggs, and noodles. Recently, we highlighted the value of wholesome food by launching various ready meal products that we developed considering the demand for convenient food and the nutritional balance.

For all Pulmuone products, we thoroughly select ingredients and disclose the relevant information including additives in accordance with our new full labeling system. Our wholesome principles meet criteria that is stricter than the relevant laws and regulations.



## Pulmuone Foods

**Company name** Pulmuone Foods Co., Ltd.  
**Address** 280, Gwangpyeong-ro, Gangnam-gu, Seoul  
**Website** www.pulmuone.co.kr

### Tofu and vegetables

- Maintain the top position in the tofu and vegetable market



### Egg

- Expand the business scope for animal welfare brand eggs and processed eggs in pursuit of wholesome food



### PPM(Plant Protein Meal)

- Pioneer new markets with PPM kits with distinctive features based on vegetable protein



### Juice and dessert

- 100% fresh fruit with no water content  
 - Launched "I'm Real" and "I'm Green" made with healthy fresh fruits



### Pulmuone dried noodle

- Lead the growth of the dried noodle market with "Yukgaejang Noodle" and new products



### Frozen rice

- Achieve a different level of quality by establishing a frozen rice production base and increase the market share by realizing cost competitiveness



### Dumpling

- Constantly launch restaurant-quality frozen dumpling products and increase the number of products to take up a larger market share



### Rice cake

- Pulmuone tteokbokki with a healthy recipe



### Kimchi

- Expand the global kimchi business by defining it as the Korean-style diet and culture business



### Fishery products

- Focus on the seaweed business that leads the market to develop it as the fishery product processing business that provides new TPO proposals for fishery ingredients and designs nutritional diets



### Natto

- Explore and expand the new market with Korean-style natto
- Maintain the top position as a market leader



### Cooking sauce

- 'Easy and tasty' provide distinctive cooking sauce products featuring big bits of ingredients and an excellent savor



### Dressing

- Keep the top position in the market with dressing products made with fresh ingredients that meet the taste of Korean consumers



### Dough

- Obtain leadership in the frozen snack market with mozzarella series products that reflect the trend in specialized restaurants



### Fish cake

- Pioneer the fish cake market with high-protein snacks and restaurant-like soup/broth products that you can cook in a minute



### Raw noodle

- Achieve the dominant position in the domestic raw noodle market
- Provide raw noodle products with which you can easily cook delicious restaurant-level noodle dishes



### CMR

- Lead the CMR (Convenience Meal Replacement) market with super grain porridge items



### Foodmerce

Foodmerce specializes in the distribution of food ingredients, providing brand products such as "Pul's Kids," "Pul's Kitchen" and "Pul's Care" according to the life cycle of customers based on LOHAS values and the comprehensive food ingredient service. Recently, Foodmerce renewed the brand system by reflecting the meta brand of Pulmuone and strengthened communication with B2B clients for wholesome food with a focus on brand identity setting.

In addition, Foodmerce newly organized the department in charge of food poison prevention and control and added a phase that forces to conduct the potentially harmful product assessment in the new product development process in an effort to meet the needs for safe food and maintain the safety of food ingredients. Foodmerce provides strictly managed products and brands, cold-chain delivery network, and TSS (Total Service Solution) services to help consumers of all age groups easily understand and follow our LOHAS values.



## Pulmuone Foodmerce

- Company name** Foodmerce Co., Ltd.
- Address** 280, Gwangpyeong-ro, Gangnam-gu, Seoul
- Website** www.foodmerce.com

### Business division

#### Pul's Kids Kids

A business to supply agricultural, fishery, and livestock products and its specialized brand "Pul's Kids" products that conform to the "wholesome food principles" across all processes from procurement, processing, packaging and distribution to help toddlers and children keep a nutritional balance and achieve a healthy growth



#### Pul's Kitchen SL(School Lunch)

A business to provide its specialized LOHAS-based wholesome food brand "Pul's Kitchen" service to elementary, middle, and high schools



#### Pul's Care H&C(Health&Care)

A business to distribute various food ingredients based on products of "Pul's Care," a specialized brand with competitiveness in the welfare and healthcare market



#### Pul's Cook HORECA(Hotel, Restaurant, Cafe)

A business to develop and supply Pulmuone brand products and customized products to the dining service market, including hotels, restaurants, cafes, concessions, and rest stops at highways



#### B&I(Business&Industry)

A business to distribute food ingredients and provide services that tackle issues in the meal service and create values for customers, targeting the adult meal service market, including industrial facilities, companies, public offices, and private educational institutes



## Pulmuone Food&Culture

Pulmuone Food&Culture brings LOHAS values to provide enjoyable, happy cultural places where customers can indulge themselves with healthy and tasty foods as well as convenient and pleasant lifecare services under distinctive themes.

Since its foundation as a meal service company in 1991, the company has operated various lifestyle service business, including concession, rest-stop stores, and restaurant brand business. Its specialized dining service brands with distinctive features include "Nature is Delicious," "Chanjang," "The Great Family's Yard," "Natural Soul Kitchen," "Flavour6," "Punggyeongmaru," "Osaka Kitchen," and "Cafettt."

We are expanding LOHAS business through special diets and spatial services of our premium meal service brand "Smart Kitchen." In addition, we are growing as a specialized lifestyle service company by stepping into the rent and life care market.



### Pulmuone Food&Culture

**Company name** Pulmuone Food&Culture Co., Ltd.  
**Address** 29, Songpa-daero 34-gil, Songpa-gu, Seoul  
**Website** www.pulmuonefnc.com

## Scope of business

### Food service

Provide differentiated food and spatial services that are tailored to customer preferences using healthy ingredients via multiple channels (industrial facilities, public offices, business offices, schools, universities, hospitals, training centers, sports team facilities, wellness centers) to realize the LOHAS values in daily life

### Concession

Deploy the best F&B and convenience facilities within multi-use spaces to offer a range of brands from diverse channels including airports, resorts, hotels, and shopping malls to provide distinctive LOHAS values

### Rest-stop stores

Develop the contents of different concepts and local characteristics for rest stops to provide total services for healthy food and beverages and convenience services, enhancing the convenience and satisfaction of visitors



### Brand



## Pulmuone Danone

Pulmuone Danone is a joint venture with Danone, a global No.1 yogurt company.

Based on Danone's know-how and experience accumulated in the field of fermented milk over a century, Pulmuone Danone produces yogurt products of the best quality for Korean consumers at a plant in Muju, a clean region. It has released various products of the brands including Activia, I Love Yogurt, Solution, and Greek in the Korean market, and is planning to provide various high-quality yogurt products through continuous R&D and innovation.



### Pulmuone DANONE Danone Pulmuone

**Company name** Pulmuone Danone Co., Ltd.  
**Address** 280, Gwangpyeong-ro, Gangnam-gu, Seoul  
**Website** www.danonepulmuone.co.kr

## Major products

### Activia

The flagship brand of Danone, which sells 9 billion cups every year in more than 70 countries across the globe



### I Love Yogurt

Yogurt with natural fermentation tech that enhances the health of the family



### Solution

Multi-solution fermented milk with the basic benefits for your digestion system with added functionality



### Pulmuone Danone Greek Yogurt

Greek yogurt high in protein and low in fat



### Maeil Achim (Every Morning)

Yogurt with nutrients necessary for modern people



## Pulmuone Waters

Pulmuone Waters has been the consistent leader in Korea's bottled water market since 1986, when Pulmuone launched the bottled water business for the first time in Korea, to provide "reliable drinking water for my family."

Recognized for the best quality and service, Pulmuone Waters was established as a joint venture of Pulmuone and Nestle Waters, the number-one bottled water brand of the world, to establish itself as the leader of the Korean water market by introducing advanced facilities and quality control technologies. The company leads the advancement of the domestic bottled water manufacturing industry by complying with the international quality control standards of Nestle Waters.



### Product

#### Pulmuone Waters by Nature-PET

- 1.5L and 2.0L, which are highly convenient for home use and also during travel
- 500 ml, which is suitable for outdoor activities and easy for carrying outside
- Lighter 330 ml bottle, more convenient to carry, ideal for preschoolers, elementary schoolers, and business meetings

#### Tasty Pulmuone Waters (Saemmul)

Reasonably priced 18.9L, designed for home, office or anywhere



BODYFUL12 (magnesium) BODYFUL20 (calcium)

#### Pulmuone Waters by Nature-HOD

Large volume (15L) to be used at home or small companies for additional freshness



#### BODYFUL 12/20-PET

Balance water with adjusted content that provides additional natural minerals required for your health



### Pulmuone Waters

**Company name** Pulmuone Waters Co., Ltd.  
**Address** 3rd floor, Hansolseomyu Building, 268, Songpa-daero, Songpa-gu, Seoul  
**Website** www.pulmuonewater.com

## Pulmuone Green Juice

Pulmuone Green Juice began as a healthy beverage business of Pulmuone in 1995, which upholds the company's wholesome food principles across all processes of making fresh green juice, from the selection of organic ingredients to process hygiene control, temperature control at 5°C or lower, and management of fresh product distribution. Pulmuone Green Juice signs contracts with organic farms across the country to conduct regular inspections and strict management even in producing areas, thereby using only safe and fresh products to maintain hygiene across the cleaning, extraction, and packaging processes. In 2018, the company integrated the DM (Designed Meal) business based on its fresh delivery platform to expand the scope of business to the meal category, linking online and offline customers and laying the groundwork for synergy between business. Pulmuone Green Juice provides natural, healthy, fresh beverage "Pulmuone Green Juice," tailored diet "Baby Meal" for toddlers in each age (month) group, and healthy diet brand "Eat Slim" to present wholesome food solutions and help customers form good dietary habits.



### Pulmuone Green juice

**Company name** Pulmuone Green Juice Co., Ltd.  
**Address** 35, Wonmyeong-ro, Doan-myeon, Jeungpyeong-gun, Chungcheongbuk-do  
**Website** greenjuice.pulmuone.com

### Brand

#### Pulmuone Green Juice

Deliver every morning the nutrients of fresh vegetables and fruits from nature



#### Probiotics

Healthy probiotics that are perfect for the digestive systems of Korean consumers



#### Baby Meal

A dietary program tailored to each age group (months) of toddlers to form good dietary habits and facilitate their healthy growth



#### Eat Slim

A customized healthy diet program designed scientifically considering the dietary habits of Korean people



## ORGA Whole Foods

ORGA Whole Foods is a LOHAS Fresh Market that started as the Pulmuone Farmer's Market for chemical-free agricultural products held in Apgujeong in 1981. The company promotes healthy lifestyles with eco-friendly wholesome food and puts an emphasis on sustainability for Earth and nature, and these values are incorporated in its business management activities. On the basis of its organic farming philosophy and trust, ORGA Whole Foods provides over 5,000 products in accordance with green and reliable food principles. To realize sustainability for Earth, the company gradually increases the number of low-carbon agricultural products, animal welfare products, sustainability-certified fishery products, convenient home meals featuring nutritional balance, ORGA PB products, and ORGA Mom products. ORGA Whole Foods is expanding its scope of business in various forms, including directly managed stores, shop-in-shop, online shopping malls, and franchises.



# ORGA

WHOLE FOODS

**Company name** ORGA Whole Foods Co., Ltd.  
**Address** 168, Jungdae-ro, Songpa-gu, Seoul  
**Website** www.orga.co.kr

## Channels

### Directly managed

Sell various PB (Private Brand) products, agricultural/fishery/livestock products, bakeries, health supplements, and daily necessities



Road shop: 5 stores

### FC(Franchise)

Franchise business launched in 2012, operated as "customized stores" with different designs and sizes that fit the characteristics of target customers and store locations, leveraging the knowledge acquired from directly managed stores



FC: 55 stores

### SIS(Shop in Shop)

Managed for strategic expansion, operating its own brand shops at department stores and concession malls in partnership with large retailers



SIS: 34 stores

### Online

Give better access to its products and other eco-friendly products distributed by off-line stores



## B2B

Leverage know-how and strong distribution network as a leader in the field of eco-friendly food to drive business expansion

## Pulmuone USA

Pulmuone USA is a general food company established as a subsidiary of Pulmuone in 1991, which makes tofu, processed bean, sauce, and baked meal products and sells them in North America. Its headquarters and production plants are located in Fullerton, a western region in the USA, along with other plants in four areas in the eastern and western parts of the country. The company acquired local bean processing company Wildwood in 2004 and chilled food company Monterey Gourmet Foods in 2009 to successfully enter the mainstream market. In 2016, it even took over the tofu business rights of Vitasoy, obtaining its strong brand power and over 20,000 sales network components. Now the company is growing as the No.1 company in the American tofu market.



# Pulmuone



**Company name** Pulmuone USA., Inc.  
**Address** 2315 Moore Ave. Fullerton, CA 92833  
**Website** www.pulmuonefoodsusa.com

## Brand



Provide organic tofu and Asian food products to Natural Market and the mainstream market in the USA



A pasta brand that provides low-end food products to American retailers



Supply organic tofu, meat alternatives, dairy alternatives, and soy milk to Natural Market



Provide reasonably-priced tofu made with eco-friendly beans to Natural Market and the mainstream market in the USA



Provide sauce products to Natural Market and the mainstream market in the USA



Provide premium sauce products such as Pesto and Tapenade to Natural Market and the mainstream market in the USA



Provide pasta, ready meals and sauce products to the mainstream market in the USA



A tofu brand that provides product to the Chinese and Asian markets



A tofu brand that supplies food ingredients to meal and dining services



Provide Pulmuone products (ramen and raw noodles) and tofu brand products to the mainstream market in the USA and markets targeted at Asian-Americans

## Asahico

Asahico, which newly joined the Pulmuone group in June 2014, is equipped with Japan's best tofu and fried tofu making technologies. The company makes tofu and fried tofu at five plants in Japan and sells its products to large retailers and supermarkets. Asahico is also expanding its business scope to the field of soybean processing to provide meat alternatives, soy dessert, soy yogurt, and soy cream, thereby increasing its market share as a soy protein company.



## Asahico

すこやかに食べよう

**Company name** Asahico Co.  
**Address** L.A.TOWER, 11-2, Shintoshin, Chuo-Ku, Saitama-shi, Saitama  
**Website** www.asahico.co.jp

## Major products

### Tofu

- Provide tofu products of a different level of quality
- Use the Creamy AQUA technique to make tofu with a deep flavor
- Use the Natural AQUA technique to remove odor from soybeans
- Use the ALPS technique to extend the expiration date and provide a superb silky texture

### Fried tofu

- Maintain the No.1 position in the Teage category by bolstering its shelf life and quality
- Mukasiage fried tofu, one of the biggest hits of Asahico Co. has secured an unrivaled position in the market

### Dessert

- Healthy and delicious desserts tailored to consumer tastebuds
- Proprietary ALPS technology produces dessert tofu with a delicate, soft texture like milk or cream



## Pulmuone Foods (China)

Pulmuone Foods (China) produces and sells fresh food products in China, including noodles, rice cakes, kimchi, frozen dumplings, and tofu. It runs operations in Beijing and Shanghai. With a focus on Beijing Plant that started operation in 2012, the company has five production bases and provides products to retailers across the country, including discount stores, supermarkets, and department stores in Beijing, Shenzhen, Guangzhou and Chongqing. In 2016, Pulmuone Foods (China) was awarded the best supplier prize by global retailers Walmart and Sam's club. It is constantly expanding its scope of products and business to make its presence in the market as a LOHAS fresh food company.



## Pulmuone

圃美多

**Company name** - Beijing Pumeiduo Green Foods Co., Ltd.  
 - Shanghai Pumeiduo Green Foods Co., Ltd.  
**Address** L.A.TOWER, 11-2, Shintoshin, Chuo-Ku, Saitama-shi, Saitama  
**Website** www.asahico.co.jp

## Product

### Tofu

Introduce world-class production technology and cold-chain system of Pulmuone Korea to China, establishing its first nationwide distribution and sales network in China



### Tteokbokki

Extend Tteuk-bokki (spicy rice cake) products to the "Grab & Go" concept, riding on the high popularity of Korean Wave among the youth



### Doujiang

Design the distinctive concept of Doujiang with a deep flavor as produced from the global production facilities in Korea, Japan, and China with differentiated ingredients (Original, Sweet, Black Sesame flavors)



### Ready meal

Lineups for self-heating RM and meal kits, which add more products targeting younger consumers who want both taste and trend, even in their hectic lives, which is the true value of ready meals



### Fresh pasta

Highly popular among consumers for premium quality rivaling the pasta from upscale restaurants. It can be enjoyed at home with just a two-minute cooking time, a drastic reduction from eight minutes required for conventional dry pasta noodles.



## Pulmuone Health&Living

Pulmuone Health&Living is a LOHAS company that promotes a healthy lifestyle for customers. Beyond temporary improvement of the health of customers, the company expands its scope of business from the field of dietary life to that of living environment to help customers constantly keep a good health. Based on the “Good Dietary Life System” of Pulmuone LOHAS Health&Living Research Institute, the company boasts 30 years of experience in health supplement business, cooperates with global companies for R&D to provide kitchen and home appliances of excellent quality, and sells skincare products and pet food, thereby realizing a LOHAS lifestyle for customers across all fields.



### Pulmuone Health&Living

**Company name** Pulmuone Health&Living Co., Ltd.  
**Address** 35, Wonmyeong-ro, Doan-myeon, Jeungpyeong-gun, Chungcheongbuk-do  
**Website** www.pulmuone-lohas.com

## Scope of business

### Health supplements

Analyze the dietary life of Korean people through the Pulmuone LOHAS Health&Living Research Institute and provide health supplements and health-oriented food products that can be useful for addressing various health concerns, depending on the lifestyle of each customer



### Skincare

Pursue the good skincare concept containing the health of nature and provide products that help you keep your beautiful skin healthy as made with natural ingredients applied by Pulmuone’s natural ingredient science and technologies



### Pet food

Provide healthy pet food that your pet can consume for better health and happiness without any worry



### Kitchen appliances

Products that turn the kitchen into a healthy LOHAS place to aid customers’ LOHAS dietary life in pursuit of philosophy “cook wholesome food in a healthy way”



### Healthy lifestyle appliances

Appliances for a healthy LOHAS lifestyle with health, air, and mind care that enhances the quality of life



## Pulmuone LOHAS (China)

Pulmuone LOHAS (China) is a Chinese subsidiary of Pulmuone Health&Living, which produces and sells health supplements, LOHAS daily necessities, and skincare products at direct sales stores or online. It runs the headquarters in Chongqing and branches in Chengdu and Qingdao. In 2015, it became the second Korean company that received approval for direct sales, preparing to aggressively target the huge Chinese market. Pulmuone LOHAS (China) spreads the vision of becoming “a LOHAS company that promotes healthier living” to Chinese customers with Pulmuone products and realizes the values of sustainable life.



### Pulmuone 圃美多乐活

**Company name** Pumeiduo Health&Living Co., Ltd.  
**Address** 26 Meilin Road, Nanan District, Chongqing City  
**Website** www.pumeiduo.com

## Scope of business

### Health supplements

Health supplement products that use natural ingredients for consumer safety, and solid and fermented beverages for family health and nutrition management



### Skincare

Good skincare concept presenting health from nature based on Pulmuone’s natural ingredient science and technologies accumulated over 35 years



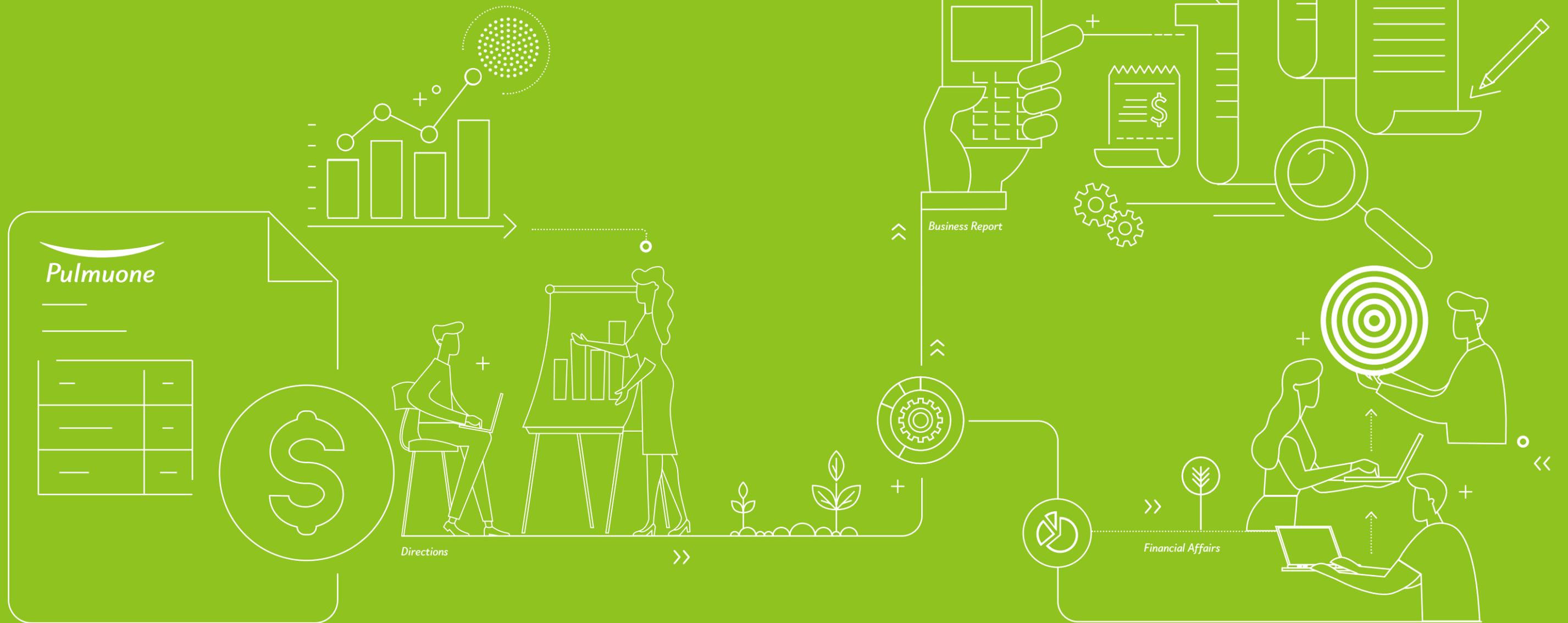
### Personal & LOHAS daily necessities

Products based on an eco-friendly concept and cost competitiveness, which are repeatedly consumed in daily life; homeware products needed for the kitchen and living room to create LOHAS values



# Appendix

- Consolidated Financial Statement
- Independent Auditor's Report
- Assessment Report of the Internal Accounting Control System
- GRI Standards Index
- GHG Emissions Verification Statement
- Independent Assurance Statement
- Membership of Associations & Report Preparation Departments



# Consolidated Financial Statement

## Consolidated Statement of Financial Position

36th period (current year) As of December 31, 2019  
35th period (prior year) As of December 31, 2018

Pulmuone Co., Ltd. (former Pulmuone Holdings Co., Ltd.) and its subsidiaries

(Unit: KRW)

Category	36th period (current year)	35th period (prior year)
<b>Assets</b>		
<b>I. Current assets</b>	467,836,335,564	470,499,158,733
Cash and cash equivalents	120,740,918,674	103,562,815,718
Short-term financial assets	4,743,383,215	20,959,419,107
Accounts, notes receivables, and other bonds	214,277,675,761	190,907,493,069
Current lease payment receivables	1,342,258,535	-
Current long-term investments	-	10,077,850,000
Short-term investments	11,044,917,367	26,208,461,695
Current tax assets	552,934,033	32,830,052
Inventory assets	105,967,509,480	105,525,502,052
Other current assets	9,166,738,499	13,224,787,040
<b>II. Non-current assets</b>	1,016,720,118,185	746,439,743,481
Long-term financial assets	3,348,707,604	3,285,851,854
Long-term accounts, notes receivables, and other bonds	38,105,417,721	38,514,599,664
Lease payment receivables	2,108,172,951	-
Long-term investments	10,158,592,259	9,096,623,346
Investments in subsidiaries	30,113,403,541	21,453,100,942
Property	847,207,722,958	592,889,703,400
Investments in properties	566,210,423	586,988,795
Intangible assets	54,198,350,005	55,974,583,687
Deferred tax assets	24,205,023,481	17,460,987,403
Other non-current assets	6,708,517,242	7,177,304,390
<b>Total assets</b>	1,484,556,453,749	1,216,938,902,214
<b>Liabilities and equity</b>		
<b>I. Current liabilities</b>	621,185,641,614	525,245,241,674

Category	36th period (current year)	35th period (prior year)
Account payable and other payables	264,635,605,753	234,483,887,160
Short-term debt	253,059,234,200	237,323,179,894
Current lease liabilities	41,271,238,336	237,726,932
Derivative liabilities	109,885,432	77,734,396
Current tax liabilities	14,304,742,198	9,531,737,069
Other current liabilities	35,990,352,381	43,374,978,819
Other provisions	590,001,962	215,997,404
Other current financial liabilities	11,224,581,352	-
<b>II. Non-current liabilities</b>	400,268,852,423	246,007,771,303
Long-term account payable and other payables	890,001,618	1,440,603,966
Long-term debt	169,434,233,488	172,081,623,778
Long-term lease liabilities	179,844,400,984	181,180,819
Net defined benefit liabilities	29,383,209,239	45,826,816,044
Other provisions	4,885,265,494	2,671,653,275
Other non-current financial liabilities	15,201,107,563	23,488,655,619
Deferred tax liabilities	630,634,037	317,237,802
<b>Total liabilities</b>	1,021,454,494,037	771,253,012,977
<b>I. Owners' equity</b>	397,029,923,849	336,662,586,622
Capital stock	21,062,765,000	21,062,765,000
Other paid-in capital	145,050,958,699	55,802,918,073
Elements of other stockholder's equity	6,255,167,060	759,128,256
Retained earnings	224,661,033,090	259,037,775,293
<b>II. Non-controlling entity</b>	66,072,035,863	109,023,302,615
<b>Total equity</b>	463,101,959,712	445,685,889,237
<b>Total liabilities and equity</b>	1,484,556,453,749	1,216,938,902,214

## Consolidated Statement of Comprehensive Income

36th period (current year) 2 January 1 to December 31, 2019

35th period (prior year) January 1 to December 31, 2018

Pulmuone Co., Ltd. (former Pulmuone Holdings Co., Ltd.) and its subsidiaries

(Unit: KRW)

Category	36th period (current year)	35th period (prior year)
Sales revenue	2,381,451,203,138	2,271,973,131,849
Cost of goods and services sold	1,791,427,155,384	1,712,942,549,299
Gross profit or loss	590,024,047,754	559,030,582,550
Logistics expenses	162,983,978,164	151,987,930,319
Sales management expenses	369,691,970,987	341,383,260,520
R&D expenses	26,789,474,555	23,452,280,893
Impairment loss on trade receivables (reversal)	-12,040,824	1,959,139,786
Operating income	30,570,664,872	40,247,971,032
Other non-operating income	-481,960,762	-8,033,725,536
Financial income	4,477,651,972	8,087,457,625
Financial expenses	-30,256,738,113	-17,339,352,097
Equity in net income of subsidiaries	2,576,871,377	1,522,982,707
Earnings before income tax	6,886,489,346	24,485,333,731
Income tax expenses	14,421,914,713	13,505,292,425
Net income (loss)	-7,535,425,367	10,980,041,306
Other comprehensive income	10,034,729,255	-6,672,133,163
Items that are not subsequently reclassified to profit or loss:	3,288,488,334	-11,458,785,687
Fluctuation in the fair value of equity instrument measured by fair value through other comprehensive income	-180,673,798	-21,274,435
Remeasurements of the net defined benefit liabilities	3,469,162,132	-11,460,996,130
Equity in fluctuations in retained earnings from investments in subsidiaries	-	23,484,878
Items that are subsequently reclassified to profit or loss:	6,746,240,921	4,786,652,524

Category	36th period (current year)	35th period (prior year)
Fluctuation in the fair value of debt instrument measured by fair value through other comprehensive income	-6,279,000	8,619,000
Gain (loss) on foreign currency translation of foreign operations	5,694,172,811	4,804,088,639
Equity in fluctuations in equity from investments in subsidiaries	1,083,424,919	34,577,714
Loss on valuation of derivatives instruments	-25,077,809	-60,632,829
Total comprehensive income	2,499,303,888	4,307,908,143
Net profit or loss attributable to:		
Owners of the parent	3,491,546,701	21,847,775,650
Non-controlling interest	-11,026,972,068	-10,867,734,344
Total comprehensive income attributable to:		
Owners of the parent	12,287,262,841	16,361,061,912
Non-controlling interest	-9,787,958,953	-12,053,153,769
Earnings per share:		
Basic earnings per share	56	549
Diluted earnings per share	56	514

# Independent Auditor's Report

Pulmuone Co., Ltd.

To Shareholders and the Board of Directors

March 19, 2020

## Opinion

We have audited the accompanying consolidated financial statements of Pulmuone Co., Ltd. and its subsidiaries (hereinafter referred to as "Consolidated Company"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in stockholders' equity, the consolidated cash flow statements, for the years that have since ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Consolidated Company as of December 31, 2019 and 2018 and its financial performance and its cash flows for the years that have since ended in accordance with Korean International Financial Reporting Standards.

## Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing. Our responsibilities under those standards are further described in the Our Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matters

Without qualifying our conclusion, we draw attention to Note 43 for the consolidated financial statements of the Company, which states that the net income, unappropriated retained earnings, and shareholder's equity in the consolidated financial statements of the fiscal year that ended as of December 31, 2018, attached to the audit report published on March 18, 2019, were overstated by KRW 1.659 billion and by KRW 4.643 billion and understated by KRW 5.903 billion, respectively. Accordingly, the consolidated financial statements of the prior year presented for comparison were revised by reflecting such error correction.

## Our Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon. We do not provide a separate opinion on these matters.

### 1) Impairment test on cash generating unit with signs of impairment

The Consolidated Company recognizes the signs of impairment in the overseas food business division out of its major business divisions, and the amount of the property and intangible assets pertaining to this division is important. As discussed in Note 4.(11) for the consolidated financial statements, when the recoverable amount of the cash generating unit does not exceed the book value, the Consolidated Company recognizes the impairment loss on the non-current assets.

The recoverable amount used in the current impairment test as of the end of the current year is the value in use, which is calculated based on the selected test methodology, and the estimated sales, operating expenses, permanent growth rate, and discount rate. Considering the operating performance and scale of the cash generating unit, we focused on the impairment test of Asahico Co. and Pulmuone U.S.A., Inc. In assuming the value in use of the Consolidated Company, we took into account the possibility of convenience for the management regarding significant judgment and the potential impact of the amount of impairment loss. We thus identified the impairment review of business divisions with signs of impairment as the key audit matters.

### Our audit procedures to deal with key audit matters include the following:

#### - Review of completeness of cash generating units with signs of impairment

We examined the adequacy of the standards for impairment signs determined by the Consolidated Company and made sure whether cash generating unit with signs of impairment was completely identified based on the established standards.

#### - Review of adequacy of the test methodology adopted by the Consolidated Company in calculating the recoverable amount

The Consolidated Company identified the value in use by using the cash generating unit and evaluated the value in use for each cash generating unit with a cash flow discount model. We examined the adequacy of this methodology adopted by the Consolidated Company in identifying the cash generating unit and assessing the value in use.

#### - Examination of quality of the financial assumption used by the Consolidated Company in estimating the value in use

In order to examine the quality of the financial assumption used by the Consolidated Company in estimating the value in use, we evaluated the rationality of the estimated discount rate as the financial assumption used for testing the value in use of the cash generating unit. We also evaluated the rationality of the assumption and permanent growth rate regarding the fluctuations in the predicted cash flow within the estimation period, considering the financial and operating conditions of the Consolidated Company. In addition, to review the reliability of the presented data regarding the fluctuations in the estimated cash flow, we compared previous performance and industry reports and evaluated the rationality of major assumptions used to estimate the value in use, including the assumed sales, operating expenses, and growth rate.

### 2) Completeness and accuracy of lease accounting

The Consolidated Company has entered into many lease contracts for the use of concession facilities, meal service sites, and offices. As discussed in Note 4.(12) and Note 22 for the consolidated financial statements, the Company adopted the Corporate Accounting Standard Document No. 1116 "Lease" from January 1, 2019. The Consolidated Company signs many lease contracts as a user and a provider to achieve its business goals, and the lease liabilities and the right-of-use assets, which are recognized as a result of lease accounting, are calculated based on major estimated values, such as the lease term and discount rate. Considering the significance of the amount of each account recognized as a result of lease accounting done by the Consolidated Company, we identified the completeness and accuracy of lease accounting as key audit matters.

### Our audit procedures to deal with key audit matters include the following.

#### - Review of completeness of the subjects to lease accounting

Regarding accounting as of the date on which the Consolidated Company adopted the Corporate Accounting Standard Document No. 1116, we identified all lease contracts of the Consolidated Company, the validity of the subjects exempted from the recognition of the right-of-use assets related to short-term lease and small-scale lease, the adequacy of the application of progress regulations, and the Consolidated Company's accounting policy regarding selectable accounting.

#### - Review of contract documents

We reviewed lease contract documents to understand their terms and conditions and check the accuracy of basic data used in lease accounting, including the non-cancellable period, the amount of deposit, and monthly rents. We also evaluated the adequacy of identification of lease, regarding whether a particular contract can be considered a lease agreement subject to lease accounting.

#### - Review of accuracy of calculation

We requested the calculation statements of lease accounting and recalculated the data independently.

### Responsibilities of the Management and the Governance Body for the Consolidated Financial Statements

The management is responsible for the preparation of the accompanying consolidated financial statements and fair disclosure of the data in accordance with K-IFRS. They are also responsible for internal control as they determine it is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the management of the Consolidated Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern. They also use the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or they have no realistic alternative but to do so. The governance body is responsible for overseeing the Consolidated Company's financial reporting process.

## Assessment Report of the Internal Accounting Control System

### Our Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in the Republic of Korea will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in the Republic of Korea, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, we also conclude whether there exists a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We are solely responsible for our audit opinion. We communicate with the governance body of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the governance body of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to affect our independence, and where applicable, related safeguards. From the matters communicated with the governance body, we determine those matters that were of most significance in the audit of the financial statements of the current period, therefore making them the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances,

we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. The partner in charge of the audit resulting in this independent auditor's report is Yong-ho Lee.



152, Teheran-ro, Gangnam-gu, Seoul (27th Floor, Gangnam Finance Center)  
Kyo-tae Kim, CEO of Samjong KPMG LLC

This report is effective as of March 19, 2020, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time when the auditors' report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditors' report.

### 1. Assessment of the operation of the internal accounting control system

The Audit Committee evaluated the structure and operation of Pulmuone's internal accounting control system for the fiscal year that ends on December 31, 2019.

The top management including the CEO and the internal accounting manager is responsible for the structure and operation of the internal accounting control system.

Based on the 2019 Report of the Internal Accounting Control System submitted on February 14, 2020 by the CEO and the internal accounting manager of Pulmuone Co., Ltd., the Audit Committee examined if the company's internal accounting control system had effectively been designed and operated to prevent and detect any error or wrongdoing that may trigger distortion of the financial statements for the sake of preparing and disclosing reliable financial statements. The Audit Committee also evaluated the practical effect of the system on the preparation and disclosure of reliable accounting data.

In addition, the Audit Committee checked if there is any false, incorrectly specified, or missing data in the report.

The Audit Committee used the Internal Accounting Control System Criteria in the assessment of the structure and operation of the internal accounting control system.

### 2. Assessment result and comment

The Audit Committee concluded that, as of December 31, 2019, Pulmuone's internal accounting control system is designed and operated in an effective manner from the perspective of significance in accordance with the Internal Accounting Control System Criteria. The Audit Committee used the Internal Accounting Control System Criteria in the assessment of the structure and operation of the internal accounting control system.

February 26, 2020  
Pulmuone Co., Ltd.

Choi Jong-Hak,  
Chairperson of the Audit Committee

Kim Young-Joon,  
Member

Won Cheol-woo  
Member

Jo Hwa-Joon  
Member

## GRI Standards Index

### GRI Universal Standards

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102-52	Reporting cycle	About this Report		
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### GRI Universal Standards

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### Economic Performance

Standard	Disclosure	Description of the index	Page	Note
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	201-2	Financial implications and other risks and opportunities due to climate change	82, 83	
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	203-2	Significant indirect economic impacts	88~89	
	205-1	Operations assessed for risks related to corruption	60	
	205-2	Communication and training regarding anti-corruption policies and procedures	58	
	205-3	Confirmed incidents of corruption and actions taken	59	
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	

### Environmental Performance

Standard	Disclosure	Description of the index	Page	Note
GRI 300	302-1	Energy consumption within the organization	95	
	302-2	Energy consumption outside of the organization	95	
	302-4	Reduction of energy consumption	83, 95	
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	303-5	Water consumption	95	
	305-1	Direct (Scope 1) GHG emissions	131	
	305-2	Energy indirect (Scope 2) GHG emissions	131	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	83	
	306-1	Water discharge by quality and destination	84	
	306-2	Waste by type and disposal method	84	
	306-3	Significant spills	N/A	
	307-1	Non-compliance with environmental laws and regulations	N/A	
	308-1	New suppliers that were screened using environmental criteria	-	97.2%
	308-2	Negative environmental impacts in the supply chain and actions taken	74, 75	

# GHG Emissions Verification Statement

## Social Performance

Standard	Disclosure	Description of the index	Page	Note
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	403-3	Occupational health services	85	
	403-4	Worker participation, consultation, and communication on occupational health and safety	85	
	403-5	Worker training on occupational health and safety	72	
	403-6	Promotion of worker health	85	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	85	
	403-8	Workers covered by an occupational health and safety management system	68, 85	
	404-1	Average hours of training per year per employee	71, 93	
GRI 400	404-2	Programs for upgrading employee skills and transition assistance programs	-	100%
	404-3	Percentage of employees receiving regular performance and career development reviews	92	
	405-1	Diversity of governance bodies and employees	-	2 Women
	413-1	Operations with local community engagement, impact assessments, and development programs	-	Plan to apply 100% in 2020
	414-1	New suppliers that were screened using social criteria	74	
	414-2	Negative social impacts in the supply chain and actions taken	-	N/A
	416-2	Assessment of the health and safety impacts of product and service categories	N/A	
	417-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A	
	417-3	Incidents of non-compliance concerning marketing communications	N/A	
	419-1	Non-compliance with laws and regulations in social and economic areas	N/A	



### Verification Statement on 2019 Greenhouse Gas & Energy Inventory Report

#### ■ Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 'Pulmuone co.,Ltd.' to independently verify its 2019 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

#### ■ Verification Scope & Standard

KFQ's verification was conducted three business sites of manufacturing division and logistics division under operational control of 'Pulmuone co.,Ltd.'. 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2016-255 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

#### ■ Verification Procedure

The Verification has been planned and conducted by the "Greenhouse Gas and Energy Target Management Scheme", and to reach reasonable level of assurance.

#### ■ Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2019 Company GHG Inventory. As a result of materiality assessment on 2019 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO<sub>2</sub>-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

2019 Greenhouse Gas Emissions of 'Pulmuone co.,Ltd.'

구분	Greenhouse Gas Emissions (Unit : tCO <sub>2</sub> -eq)				Energy Consumption (Unit : TJ)			
	Scope1	Scope2	Scope3	Total	Fuel	Electricity	Renewables	Total
2019	13,436.984	42,255.156	34,032.404	89,871	730.648	326.259	100.117	1,151

\* The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO<sub>2</sub>eq from the actual value of the system may occur.  
\* Scope3 : Waste disposal

June 19<sup>th</sup>, 2020

*Ji Young Song*  
CEO Ji-Young Song

Korean Foundation for Quality (KFQ)

# Independent Assurance Statement

## Pulmuone Co., Ltd.

To: Pulmuone Stakeholders

Pursuant to the request for third-party assessment by Pulmuone ("Client") ("assessment service"), Korea Productivity Center ("Assessor") hereby submits the third-party assurance statement on its '2019 Integrated Report ("Report").

### Responsibility and Independence

The information and opinions, described in the Report, were directly written by the Client. The Assessor, the independent assessment institution, was not involved in the writing of the Report, and shall only be responsible for maintaining an objective attitude in its assessment service for assessing the prior written report. The Assessor has no interests in the Client that could hamper the independence of its assessment service.

### Assessment Criteria and Method

We carried out the assessment in accordance with Type 1 and the moderate level of assurance based on AA1000 Assurance Standard (AA1000AS, 2008) with 2018 Addendum. Furthermore, the Assessor reviewed whether the Client complied with the four principles of inclusivity, materiality, responsiveness, and impact presented by AA1000AP (2018). Based on the four-principle composition method<sup>1</sup> we carried out the assessment service. On the basis of documents and information presented by the Client and in the field interviews, we checked all indicators and information specified in the Report to confirm their balance, comparability, accuracy, timeliness, clarity, and reliability.

#### The assessment service was carried out using the following method.

- We confirmed whether the Report met the requirements of the core 'in accordance' criteria under the GRI Standards.
- We confirmed whether the Report complied with the principle of determining the report content and quality presented by the GRI Standards.
- We confirmed whether the Report properly dealt with the key topics for the Client and its stakeholders.
- We confirmed the grounds of major data and information through field assessment. We also confirmed the reported indicator processes and system through interviewing relevant staff.
- We checked the suitability of the contents described in the Report and the errors of expression therein by comparing it to other sources.

### Assessment Results

We confirmed that the Report met Pulmuone's sustainable management activities and performance faithfully and fairly. In addition, we confirmed that the Client met the requirements of the core 'in accordance' criteria (core option) of the GRI Standards. We confirmed that the written Universal Disclosures met the requirements of the core option of the GRI Standards and that the written Topic-specific Standards disclosed the following material topics according to the materiality evaluation results.

Material Topic	GRI Disclosures
Issue 1) Build sound and rational governance	N/A
Issue 2) Lay the groundwork for creating values	203 - 1, 2
Issue 3) Launch innovative products and services	N/A
Issue 4) Strengthen responsibility for products and services	305 - 5
Issue 5) Conduct strategic social contribution programs	413 - 1, 2

Opinions with regards to the principles presented by AA1000AP (2018) are made below;

### Inclusivity: Stakeholders' Engagement

The Client defines the five categories of its major stakeholders as shareholders/investors, suppliers, customers, communities, and employees and engages with them through the communication channel of each group. We confirmed that the Client reflects their opinions and their major interests in its management policies.

### Materiality: Selection and Report of Major Issues

We confirmed that the Client organizes its sustainability management issues with 15 items, including the international standards for sustainability management GRI Standards, ISO 26000, DJSI, to issues derived from media analysis, benchmarking of the same industries, etc. The Client identified five main issues that are important to be managed by Pulmuone and we confirmed that these issues were reflected in each page of the Report in a balanced manner.

### Responsiveness: The Organization's Response to Issues

We confirmed that the Client identifies major expectations that may impact the performance of stakeholders so that they conduct activities in response to the identified issues, and that the corresponding contents were properly described in the Report. In particular, the Client clearly discloses its activities by issue through its approach to important issues, performance, and mid-to-long term goals.

### Impact: Consideration of the Organization's Impacts on Society

Considering the organization's impacts on the society, the Client sets boundaries on the impacts of major issues. We confirmed that the Client focuses on the environmental and safety impacts of the product and social issues and discloses its product and development activities to minimize negative effects in the Report.

### Limitations

- The scope and boundary of the assessment service follow the report's temporal, regional, and value chain reporting boundary. Accordingly, the scope of the assessment service fully met all domestic workplaces criteria and data of subsidiaries and overseas subsidiaries are included. The data on the supply chain was not included in the scope of assessment unless otherwise noted.
- In regards to the environmental and social performance data, in the case of actual values, the reliability of data collection and calculation process, as well as the accuracy of the collected baseline data were confirmed. Additionally, in the case of the calculated values, the rationality of the assumption and calculation process was confirmed. For financial data, consistency was confirmed with the financial statements audited by external auditors, disclosure data, and the like.
- We carried out the field assessment targeting the HQ of Pulmuone Co., Ltd. based in Seoul. We also indicated that if additional assessment procedures are conducted in the future, results may differ.



August 2020  
Noh Kyu-sung, KPC Chairman

노규성

Cheong Seung-tae,  
Center Head

정승태

Yoo Seung-heon,  
Research Fellow

유승헌

## Membership of Associations & Report Preparation Departments

### Major Membership of Associations

Korea Health Supplements Association	International Life Science Institute Korea	Korea Dairy Committee
Korea Pulse Foodstuffs Association	Korean Bean Sprouts Association	Kimchi Association of Korea
Korea Industrial Safety Association	Korea Chamber of Commerce and Industry	Korea Fish Meat Paste Product Cooperative
Korea Bakers Association	BEST Forum (Business Ethics and Sustainability Management for Top Performance)	Korea Egg Distribution Association
Korea Fair Competition Federation	Korean Society of Food Service Sanitation	Korean Society for Microbiology and Biotechnology
Korea Industrial Technology Association	Korean Society for Biotechnology and Bioengineering	Korea Fire Safety Institute
Korean Society of Food Science and Technology	Korea Food Industry Association	Korean Society of Food Science and Nutrition
Korean Society of Food Hygiene and Safety	Korea Energy Engineers Association	Korea Federation of Culture Collections
Korea Direct Selling Industry Association	Korea Chainstores Association	Korea Soybean Foodstuffs Association
Korea Soybean Society	Korea Special Sales Financial Cooperative Association	Korea Environmental Preservation Association

### Departments/Divisions Participating in the Publication of the Report

#### Department

Management Strategy Office	Mutual Growth Office	Digital Innovation Office
TISO Office	Brand Management Office	Gender Equality Center
R&D Planning Team	R&D Support Office	HR Planning Office
Financial Management Office	Strategic Procurement Office	IT Office
Packaging R&D Office	Public Relations Office	CS Center

#### Division

Integrated Food Market BU	ORGA SBU	Pulmuone Health&Living SBU
Pulmuone Green Juice SBU	Pulmuone Danone SBU	Pulmuone Waters
Pulmuone Foundation	Pulmuone Food&Culture Market BU	China SBU
Japan SBU	North America SBU	Pumeiduo LOHAS SBU



# LOHAS

Lifestyles Of Health And Sustainability

Pulmuone's pledge and commitment  
to all people and Earth  
is to provide products and services  
that promote wholesome food and a healthy lifestyle  
and spread LOHAS values.

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