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.

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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 1st to December 31st, 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.

Cover Story

We developed a new graphic motif for the cover design. Each circle represents the concepts of ‘right’, ‘sustainable’, ‘healthy’, and ‘diverse’. We also made a new logo with Pulmuone’s new tagline ‘Pulmuone Creates Healthy Food’. It is a meaningful symbol for Pulmuone’s brand and mission.

One Pulmuone
Pulmuone Becomes One with LOHAS Values
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
Part 1 | About Pulmuone | General CEO Message

LOHAS Greater Pulmuone Becomes One with Values

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 it’s new vision “Global New DPS” 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
Part 1

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.

Company name: Pulmuone Co., Ltd.
Headquarters: 730-22, Samyang-ro, Daeso-myeon, Eumseong-gun, Chungcheongbuk-do
Business site: 280, Gwangpyeong-ro, Gangnam-gu, Seoul Rosedale Building
Foundation date: May 12, 1984
CEO: General CEO Lee Hyo-yul
Number of employees: 6,329 persons (As of December 31, 2019, consolidated)
Website: www.pulmuone.co.kr

Share structure (summarized version)

**Pulmuone USA**
- Gilroy Pasta, RM
- Fullerton Tofu, Fried tofu
- Tappan Tofu, Fried tofu, noodles
- Ayer Tofu, Fried tofu

**Pulmuone China**
- China Plant - Health functional food
- Pulmuone Foods - Tofu, noodles, RM
- Exofresh Logistics - Logistics
- Pulmuone Foods Co., Ltd.

**Pulmuone Japan**
- Asahico Co. Plant - Fried tofu, noodles
- Aizuwakamatsu Tofu, Fried tofu
- Osaka Tofu, Fried tofu
- Kofu Tofu, Fried tofu, noodles

**Pulmuone Korea**
- Pulmuone Foods Co., Ltd.
- Pulmuone Food Culture Co., Ltd.
- Pulmuone Health & Living, Co., Ltd.

**Pulmuone Vietnam**
- Pulmuone Vietnam Plant - Health functional food
- Pulmuone Foods - Tofu, noodles, RM
- Exofresh Logistics - Logistics

Network

Pulmuone operates 13 plants across the country, including a tofu manufacturing facility in Eumseong, Chungcheongbuk-do. We are also strengthening our global network with subsidiaries in the USA, China, Japan, and Vietnam.
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.

Focus on door-to-door sales of health functional food

1986~1992
CAGR 52%

- Door-to-door sales
- Food manufacturing
- General distribution
- Food service
- Others

Sales KRW 100 billion (1992)

Focus on food with an advanced distribution system

1992~1995
CAGR 24%

1995~2003
CAGR 14%

Growing as a global company by diversifying business and expanding overseas business through Joint Venture and M&A projects

2003~2019
CAGR 11%

2008 KRW 900 billion (2005)
2013 KRW 1.43 trillion (2011)
2017 KRW 1.94 trillion (2018)
2019 KRW 2.3185 trillion (2019)

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 demand.

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

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**Mission**

A LOHAS company that deeply cares for both humans and nature

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

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**Vision**

Global New DP5.

By 2022

Five medium-term management goals to be achieved by 2022

1. Economic value
   - Accomplish KRW 3 trillion of sales across the company
2. Social value
   - Reduce accident rate by 40%
3. Socio-environmental value
   - Obtain B-Corp certification
4. Environmental value
   - Increase the ratio of products with animal welfare certification by 200%
5. Environmental value
   - Achieve 100% for ratio of products and apply high recyclability packaging

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**Core value**

Passion with TISO

- **Trust**
  - Work on tasks consistently in accordance with the pledges and rules, setting a higher standard for professional behavior
- **Integrity**
  - Always conduct tasks diligently with earnestness and maintain transparency in the process and outcome
- **Solidarity**
  - Understand Pulmuone’s LOHAS values and apply them to the company’s objectives and strategies
- **Openness**
  - Respect different perspectives, and encourage open sharing of opinions and constructive criticism to accelerate creative cooperation
- **Passion**
  - Understand the purpose and implication of work, focus on tasks with a professional attitude to contribute to creating shared values

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### Business Strategies

**Mission**

A LOHAS company that deeply cares for both humans and nature

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**Definition of business**

- Wholesome Food
  - Provide the flavor of nature and nutrients for balanced health to prevent diseases and revitalize customers, thus contributing to healthy dietary habits.
- (Personal Life) Maintain hygiene for both body and living environment to prevent disease and improve health, thus contributing to desirable lifestyle habits.
- (Social space) Form desirable social life habits through a spatial service that combines the happy companionship of human-and-nature and person-to-person relationships.
- (Environment) Form conscious eco-friendly habits to minimize the consumption of Earth’s limited resources and discharge of pollutants.

**Strategies**

- Nutrition Balance
- Animal Welfare
- Plant-forward
- Health & Hygiene
- Wellness
- Eco-friendly

**Brand slogan**

For Me & For Earth

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**Six LOHAS Strategies**

- *Nutrition Balance*
  - Create balanced products and diet by reducing excess and complementing shortages to adjust dietary imbalance due to unhealthy eating habits and lifestyle diseases.
  - Provide products that respect the integrity of animals as living creatures and reduce harm to health and damage to the ecosystem caused by industrial livestock farming practices, indiscriminate capture, and factory-type fishing culture.
  - Recommend desirable products and diet by minimizing the use of meat for the health of both humans and Earth (if inevitable, use meat from animals raised in an eco-friendly manner or with animal welfare certification) and using sustainable plant-based raw materials.
  - Provide products and services that can prolong health-adjusted life expectancy by improving the hygiene of individuals and their living environment and help people develop healthy and hygienic life habits.
  - Offer integrated health and living solution services that support customers and enhance their quality of life, going beyond disease prevention and achieving better balance between body, mind, and social relationships (well-being).
  - Eliminate or minimize harmful factors across the business value chain, from sourcing to production, packaging, sales, and disposal, that impact the health of the ecosystem.
Pulmuone’s Social Responsibility

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

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

- **Economic Value**
  - 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.

- **Social Value**
  - 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.

- **Environmental Value**
  - 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.

Widely spread LOHAS values throughout our society

- **Why pursued**
  - [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

Pursue inclusive business management in a way that is considered 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Meta Brand</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulmuone Foods</td>
<td></td>
<td>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</td>
</tr>
<tr>
<td>Pulmuone Food Vance</td>
<td></td>
<td>Supply food ingredients for meal service, resturants, and raw material markets.</td>
</tr>
<tr>
<td>Pulmuone's Health &amp; Living</td>
<td></td>
<td>Sell health functional food, skin care products, kitchen appliances, health appliances, and pet food</td>
</tr>
<tr>
<td>Pulmuone Green Juice</td>
<td></td>
<td>Manufacture and sell functional beverages and food for babies and adults</td>
</tr>
<tr>
<td>Pulmuone Foods Culture</td>
<td></td>
<td>Provide cooking and meal service at school, expressway rest areas, and convenience facilities with necessities and convenient services</td>
</tr>
<tr>
<td>Pulmuone USA</td>
<td></td>
<td>Manufacture and sell fresh food such as tofu, meat alternatives, chilled/frozen pasta and sauces</td>
</tr>
<tr>
<td>Pulmuone Foods (China)</td>
<td></td>
<td>Manufacture and sell fresh food such as chilled noodles and bean products</td>
</tr>
<tr>
<td>Pulmuone (China)</td>
<td></td>
<td>Manufacture and sell health functional food (LOHAS) daily necessaries, and skin care products.</td>
</tr>
<tr>
<td>Pulmuone Danone</td>
<td></td>
<td>Manufacture and sell fermented milk products</td>
</tr>
<tr>
<td>Pulmuone Waters</td>
<td></td>
<td>Manufacture and sell drinking water products</td>
</tr>
<tr>
<td>Asahico Co.</td>
<td></td>
<td>Manufacture and sell tofu and fried tofu products</td>
</tr>
<tr>
<td>ORGA Whole Foods</td>
<td></td>
<td>Sell eco-friendly food and daily necessaries at directly managed stores and franchise stores.</td>
</tr>
</tbody>
</table>

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.

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).

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.

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.

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.
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.

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)

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.

Traceability System (www.pulmuonehistory.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.

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:

- Pulmuone LOHAS food standards
- Complex processed food manufactured using ingredients with LOHAS values through eco-friendly processes
- Agricultural, livestock, and fishery products with LOHAS values that undergo simple processing to be sold in the market
- Complex processed food using only plant-based ingredients, which are traceable under the certification system such as GAP
- Complex processed food using plant-based ingredients with limited content from animal-based ingredients
- Complex processed food mostly using ingredients with animal welfare certification
Animal Welfare

Animal Welfare Mission

“As a LOHAS company that deeply cares for both humans and nature,” Pulmuone sets animal welfare and plant-oriented 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)

Animal Welfare
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.

Plant-Forward
Create desirable products and diet by minimizing the use of meat for the health of both humans and the 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.

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

Five animal welfare principles
1. Freedom from Hunger and Thirst
2. Freedom from Discomfort
3. Freedom from Pain, Injury, and Disease
4. Freedom to Express Normal Behavior
5. Freedom from Fear and Distress

Principles for safe livestock products
1. Free of Antibiotics
2. Free of growth accelerators and other hormone substances
3. Marking of the date of lay

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

1. Respect for human rights
We respect all stakeholders affected by our business as human beings and actively prevent any mentally or physically disrespectful treatment to them.

2. Prohibition of discrimination
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.

3. Prevention of discriminatory practices against women
We make efforts to eradicate discriminatory practices against women in employment and work processes.

4. Prohibition of forced labor
We do not force labor against free will and prohibit forced labor by mental or physical confinement.

5. Prohibition of child labor
We support eradication of child labor. We never engage in business with companies that accept child labor.

6. Compliance with predetermined working (labor) hours
We comply with labor laws and regulations for regular and extra working hours in each country or region.

7. Wages and welfare
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.

8. Freedom of association and collective bargaining
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.

9. Industrial safety
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.

10. Consumer trust
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.
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 CO₂ emissions by 900 tons, while increasing the number of products made with easily recyclable packaging materials to 400 million.

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

Use water-based ink for film packaging materials of Raw Noodle Texture, tofu, and ice products.

Zero residual chemicals
Use water-based ink for film packaging materials to reduce 1.25 million tons of CO₂ 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.

Pulmuone Co., Ltd. secures funds in connection with its LOHAS business values to provide to Pulmuone Foundation, while the foundation spreads the LOHAS values through its key business to create shared values in a virtuous circle.

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” 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” 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” 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 Ganghwa helps the disabled stand on their own feet by creating jobs for them. We also support the growth of rural economies through development of f’n 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 Co., Ltd. secures funds in connection with its LOHAS business values to provide to Pulmuone Foundation, while the foundation spreads the LOHAS values through its key business to create shared values in a virtuous circle.

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.

A foundation that adds LOHAS values to the lives of human beings

2025 DP3

Provide programs to 600,000 beneficiaries

Achieve 80% improvement rate among beneficiaries

Promote the LOHAS campaign across the world

Passion with TISO

Trust

Integrity

Solidarity

Openness

Passion

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.

Ecological-friendly habit

Cultivate good ecologically-friendly habits to minimize the use of resources and discharge pollutants for the health of Earth.

Part 2 | CSR Management Principles and Standards

Pulmuone Integrated Report
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

Technology Enabler
Conduct a customer analysis based on big data and AI to develop healthy products and services that have great values regardless of the price

Structure & Governance
Build a governance based on digital technologies to foster an environment of global cooperation and control quality

Digital e2e Process
Digital transformation across Pulmuone’s entire value chain

R&D → Marketing → Procurement → Production → Sales → Transport and logistics → Customer satisfaction

Create a digital workplace that helps employees work anytime, anywhere to increase productivity and promote a work-life balance of employees and mutual growth with partners.

Pulmuone’s Digital Business
Provide products and services with LOMAS values that are beneficial to both human beings and nature by using cutting-edge digital technologies.

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Campaign image</th>
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<tbody>
<tr>
<td>Sustainability ver.</td>
<td>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.</td>
<td></td>
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<tr>
<td>Vegetable protein ver.</td>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Animal welfare ver.</td>
<td>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.</td>
<td></td>
</tr>
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</table>

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.

2012
Wholesome food that you start to eat for yourself

2013
Wholesome food that you experience with all your senses

2014
Form a positive relationship with wholesome food

2015
Wholesome food, wholesome food

2016
211 diet with wholesome food

2017
Today’s wholesome food

2018
Trendy diet

2019
Sustainability

2019
Vegetable protein

2019
Animal welfare
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.

1. NO POVERTY
   End poverty in all its forms everywhere. Provide education and support for the poorest and most vulnerable to overcome poverty. Pulmuone is endeavoring to contribute to the increase of agricultural production and employment, as well as to reduce poverty by strengthening support strategies for female farmers and spreading the brand’s spirit.

2. ZERO HUNGER
   Ensure access to affordable, nutritious, and safe food for all people. As a food processing company, Pulmuone is engaged in R&D and the introduction of GAP (Good Agricultural Practice) to produce safe, high-quality agricultural products that are rich in nutrition.

3. GOOD HEALTH AND WELL-BEING
   Ensure healthy lives and promote well-being for all. Pulmuone is promoting education and awareness of healthy living and eating habits through market research and regular communication with employees.

4. QUALITY EDUCATION
   Ensure inclusive and equitable quality education. Pulmuone is strengthening human resources through partnerships with government institutions, NGOs, and local residents, as well as providing education and training for managers and employees.

5. GENDER EQUALITY
   Achieve gender equality and empower all women. Pulmuone is working to provide fair treatment and equal opportunities for all employees, especially women.

6. CLEAN WATER AND SANITATION
   Ensure availability and sustainable management of water and sanitation services. Pulmuone is continuously improving the ratio of renewable energy sources and expanding the use of renewable energy to promote sustainable energy management.

7. AFFORDABLE AND CLEAN ENERGY
   Ensure access to affordable, reliable, sustainable, and modern energy for all. Pulmuone is expanding the use of renewable energy resources and increasing the ratio of renewable energy.

8. DECENT WORK AND ECONOMIC GROWTH
   Promote economic growth and full, productive employment. Pulmuone is strengthening competitive infrastructure and promoting inclusive and sustainable industrialization to build resilient and inclusive economies.

9. INDUSTRY, INNOVATION, AND INFRASTRUCTURE
   Build resilient infrastructure, promote inclusive and sustainable industrialization, and ensure economic growth. Pulmuone is working to strengthen its governance system with respect for human rights and promoting such business practices.

10. REDUCED INEQUALITIES
    Reduce inequality within and among countries. Pulmuone is working to internally manage business management with respect for human rights and promote such business practices.

11. SUSTAINABLE CITIES AND COMMUNITIES
    Make cities and human settlements safe, resilient, and sustainable. Pulmuone is working to strengthen communities in local areas to improve the quality of life by spreading the brand’s spirit.

12. RESPONSIBLE CONSUMPTION AND PRODUCTION
    Ensure sustainable consumption and production. Pulmuone is providing wholesome food and services to spread the brand’s spirit.

13. CLIMATE ACTION
    Take urgent action to respond to climate change. Pulmuone is working to establish a risk management system for climate change.

14. LIFE BELOW WATER
    Conserve and sustainably use the oceans, seas, and marine resources. Pulmuone is working to strengthen educational programs about water and environment and expand the MSC/ASC certification.

15. LIFE ON LAND
    Protect, restore, and promote sustainable use of ecosystems. Pulmuone is working to minimize the impact of business on the environment.

16. PEACE, JUSTICE, AND STRONG INSTITUTIONS
    Promote peaceful and inclusive societies for sustainable development. Pulmuone is working to contribute to realizing social justice.

17. PARTNERSHIPS
    Strengthen the means of implementation and revitalizes the global partnership. Pulmuone is engaging in R&D projects with government institutions and cooperates with NGOs.

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 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Overview</th>
<th>Communication channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder and investor</td>
<td>An individual (or institution) that owns or is planning to own one or more shares of stock in Pulmuone</td>
<td>• Open general meeting of shareholders. • Integrated report of the open general meeting of shareholders. • NDR, IR meeting</td>
</tr>
<tr>
<td>Customer</td>
<td>A consumer who purchases products and services manufactured and provided by Pulmuone</td>
<td>• Pulmuone website (<a href="http://www.pulmuone.co.kr">www.pulmuone.co.kr</a>) • Pulmuone Sourcing Portal (Facebook, Twitter, Instagram, etc) and blog Integrated Report ● Brochure ‘One Pulmuone’ ● Social contribution white paper ● Social Contribution Report</td>
</tr>
<tr>
<td>Employee</td>
<td>All members of the company who work together to achieve the mission and vision of Pulmuone</td>
<td>• Company portal (KIP, Knowledge Worker Platform) • Labor-management Council • Meeting with the General CEO • Grievance redress center • Respect for Human Rights Committee • Occupational Safety Committee</td>
</tr>
<tr>
<td>Partner</td>
<td>All companies and their employees involved in the process of procurement, manufacturing, sales, transport, and facilities of Pulmuone products and services</td>
<td>• Meeting with partner companies • Partners Day • Pulmuone Sourcing Portal (sp.pulmuone.co.kr)</td>
</tr>
<tr>
<td>Local community</td>
<td>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</td>
<td>• Work-related meetings (at the request of relevant institutions and organizations) • Meeting with local residents (at the request of residents living near the company’s business sites) • Meeting held by General CEO • Associations, workshops and conferences • Regular meetings with volunteer organizations</td>
</tr>
</tbody>
</table>
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.

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.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Build sound and rational governance</td>
</tr>
<tr>
<td>3</td>
<td>Launch innovative products and services</td>
</tr>
<tr>
<td>5</td>
<td>Conduct strategic social contribution programs</td>
</tr>
<tr>
<td>7</td>
<td>Bolster the risk management system</td>
</tr>
<tr>
<td>9</td>
<td>Respect human rights and diversity</td>
</tr>
<tr>
<td>11</td>
<td>Foster Great Work Place (GWIP)</td>
</tr>
<tr>
<td>13</td>
<td>Run a family-friendly system for employees so as to achieve success both at work and at home</td>
</tr>
<tr>
<td>15</td>
<td>Facilitate R&amp;D efforts</td>
</tr>
<tr>
<td>17</td>
<td>Promote innovation through digital transformation</td>
</tr>
<tr>
<td>19</td>
<td>Minimize the impact of business on the environment</td>
</tr>
<tr>
<td>21</td>
<td>Manage information security in a systematic way</td>
</tr>
</tbody>
</table>

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.

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

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<tr>
<th>2019 key CSR topics</th>
<th>Category of stakeholders</th>
</tr>
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<tbody>
<tr>
<td>Customers</td>
<td>Shareholders and investors</td>
</tr>
</tbody>
</table>

- Build sound and rational governance
- Lay the groundwork for creating values
- Launch innovative products and services
- Strengthen responsibility in regard to products and services
- Conduct strategic social contribution programs
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 of the company, performance and the credit rating. 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 of the company, performance and the credit rating.

Strategies and goals
Pullmuone 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.

Composition of the BoD
(Pullmuone, December 31, 2019)

 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.

Governance of Pullmuone

Ownership structure
Pullmuone 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)

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<td>4 Independent directors</td>
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<td>Business Management Committee</td>
<td>Handle business management affairs delegated by the Independent directors</td>
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<tr>
<td>Strategy Committee</td>
<td>Provide consultation and make decisions for investment affairs regarding medium-term business strategies, new business, and new overseas markets</td>
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* Chairperson

Independent Lead Director: Kim Young-joon

2019 TOPIC 1. Build Sound and Rational Governance

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<td>Manage and recommend capable candidates for General CEO position</td>
<td>3 directors including 2 independent directors</td>
</tr>
<tr>
<td>ESG Committee</td>
<td>Identify major issues about environment, society and governance (ESG), examine sustainability strategies and directions, and provide consultation</td>
<td>3 independent directors</td>
</tr>
</tbody>
</table>

* Chairperson

Independent Lead Director: Kim Young-joon

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 of the company, performance and the credit rating.
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

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings</td>
<td></td>
<td>Sessions</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Number of agendas</td>
<td></td>
<td>Cases</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Attendance rate of registered directors excluding independent directors</td>
<td>%</td>
<td>100.0</td>
<td>88.3</td>
<td>85.7</td>
</tr>
<tr>
<td>Attendance rate of independent directors</td>
<td>%</td>
<td>97.2</td>
<td>96.4</td>
<td>90.5</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>Registered directors excluding independent directors</th>
<th>independent director</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of directors</td>
<td>Person</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Total amount</td>
<td>KRW million</td>
<td>1,503</td>
<td>264</td>
<td>1,767</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Increase investment in the R&amp;D sector</td>
<td>- We will obtain R&amp;D competitiveness by investing KRW 87 billion in the R&amp;D sector by 2025. - 250 new professionals will also be added to our R&amp;D workforce.</td>
</tr>
<tr>
<td>2021</td>
<td>Commence the construction of Plant Building 2 in China (Planned to be completed in Beijing by February 2021)</td>
<td>- 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.</td>
</tr>
</tbody>
</table>

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 m² and produces 30 tons of traditional Korean kimchi products including whole-cabbage kimchi, small-portion kimchi, white kimchi, and cubed and sliced-radicchio kimchi every day, amounting to over 10,000 tons a year. The kimchi is exported to overseas markets including the USA, China, and Japan.

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.

Kimchi business strategies

- **Premium strategy**: 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 korean and Japanese kimchi. We are planning to invest KRW 18 billion in additional construction by 2025 for facilities, cold storage warehouses. The kimchi is rich in seed lactobacillus and has a refreshing flavor.
- **Scientific strategy**: 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.
- **Standardization strategy**: Keep the optimal temperature and humidity in all processes to prevent over-fermentation and microbiology to maintain the quality of the product for the consistent flavor.
Part 3 | 2019 Key Topics of CSR Management

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 m². 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).

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 m² in area in the previous year to 108 m² 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 meat 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.

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.
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 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 selected 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.
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.

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.

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 pizzas.

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 even when you warm it up using a microwave. We also did not ignore the flavor of the pizza crust.

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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.

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.

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.
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

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

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.
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

<table>
<thead>
<tr>
<th>Major performance in 2019</th>
<th>2020 Plan</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct a total of 8,000 education programs by 2020</td>
<td>Provide the programs to 160,000 persons in total by 2020</td>
<td>- We will expand the scope of participants from children to adults and the elderly. - Continuously carrying out our healthy environment project for preschoolers and elementary school students.</td>
</tr>
<tr>
<td>Encourage participants to change their awareness, attitude, and behavior after taking the program by 2025 (achieving 90% of positive answers)</td>
<td>- We will contribute to promoting healthy food culture and creating a healthy environment by upgrading our healthy food and environment education programs.</td>
<td></td>
</tr>
</tbody>
</table>

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 central 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

Provide feedback on the analysis result of outcome and impact and reflect it in the programs.
### 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)**

<table>
<thead>
<tr>
<th>Target</th>
<th>Category</th>
<th>Program</th>
<th>Goal</th>
<th>Performance in 2019</th>
<th>Outcome in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children (ages 6 – 13)</td>
<td>Preschoolers</td>
<td>Wholesome food education for kids</td>
<td>Understand wholesome food and form good dietary habits early in their childhood</td>
<td>Number of sessions 1,162</td>
<td>Number of participants 26,920 persons</td>
</tr>
<tr>
<td>Adults (ages 20 – 40)</td>
<td>Wholesome food education for adults</td>
<td>Help parents, dietitians, nutrition teachers, and college students learn how to form healthy dietary habits</td>
<td>Number of sessions 155</td>
<td>Number of participants 4,073 persons</td>
<td></td>
</tr>
<tr>
<td>Seniors (60 and over)</td>
<td>Wholesome food education for the elderly</td>
<td>Form a good dietary lifestyle for the elderly to improve their health</td>
<td>110 sessions (Village Table)</td>
<td>70 sessions (Village Table) 43 sessions (Health Education)</td>
<td></td>
</tr>
</tbody>
</table>

**Changes in awareness, attitude, and behavior**

<table>
<thead>
<tr>
<th>Target</th>
<th>Category</th>
<th>Program</th>
<th>Goal</th>
<th>Performance in 2019</th>
<th>Outcome in 2019</th>
</tr>
</thead>
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### 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.

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

<table>
<thead>
<tr>
<th>Target</th>
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<th>Goal</th>
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</table>

### 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**

<table>
<thead>
<tr>
<th>Target</th>
<th>Category</th>
<th>Program</th>
<th>Goal</th>
<th>Performance in 2019</th>
<th>Outcome in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korean food cooking class for multicultural families</td>
<td>Wholesome food education for kids</td>
<td>Understand wholesome food and form good dietary habits early in their childhood</td>
<td>Number of sessions 1,162</td>
<td>Number of participants 26,920 persons</td>
<td></td>
</tr>
<tr>
<td>Volunteer program for Uni Mail in Ganghwa</td>
<td>Wholesome food education for adults</td>
<td>Help parents, dietitians, nutrition teachers, and college students learn how to form healthy dietary habits</td>
<td>Number of sessions 155</td>
<td>Number of participants 4,073 persons</td>
<td></td>
</tr>
<tr>
<td>Kimchi sharing volunteer program</td>
<td>Wholesome food education for the elderly</td>
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</table>
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
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

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Requests for vindication (Unit: Times)</th>
<th>Process improvement/ correction</th>
<th>Risk management improvement/addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company card monitoring</td>
<td>802</td>
<td>699</td>
<td>-</td>
</tr>
</tbody>
</table>

* 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/branch 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.
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.

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

<table>
<thead>
<tr>
<th>Plan</th>
<th>Due Diligence</th>
<th>Report Results</th>
<th>Disclose Results of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form a due diligence team</td>
<td>Orientation and training</td>
<td>Report results</td>
<td>Disclosure of information on vulnerable groups or issues</td>
</tr>
<tr>
<td>Risk analysis</td>
<td>Communication and survey</td>
<td>Due diligence report</td>
<td></td>
</tr>
<tr>
<td>Determine target and period</td>
<td>Share results and discuss issues</td>
<td>Denote challenges and establish implementation plans</td>
<td></td>
</tr>
<tr>
<td>Due diligence method</td>
<td>Due diligence report</td>
<td>Follow up on improvement and implementation progress</td>
<td>Manage changes</td>
</tr>
</tbody>
</table>
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 external condition-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.

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RisL management sZstem

- Governance Risk
- Strategy Risk
- Operational Risk
- Infrastructure-related Risk

Risk types

Pay Taxes in a Transparent and Deligent Manner

Pulmuone abides by the country’s tax laws and fulfills 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.

Fradication 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. 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).

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Agenda (no. of cases)</th>
<th>Resolved agenda (no. of cases)</th>
<th>Resolution rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>234</td>
<td>199</td>
<td>85%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Subjects (persons)</th>
<th>Members (persons)</th>
<th>Membership rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor union membership status</td>
<td>495</td>
<td>387</td>
<td>78.2</td>
</tr>
</tbody>
</table>

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.

Insurable and pension system

Pulmuone is a company that cares about employees’ lives. In addition to the social insurance system, Pulmuone runs a pension system that provides employees with a stable life after retirement. Pulmuone follows the regulations regarding medical insurance, occupational health and safety insurance, employment insurance, and national pension systems run by the government. Pulmuone also has its own insurance and pension system to support employees’ lives after retirement, including possible accidents in the workplace.

Overview of the insurance and pension system

<table>
<thead>
<tr>
<th>Collective insurance</th>
<th>Individual pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Guarantee this support by the time of retirement to support the life of employees after retirement and possible to pay after retirement.</td>
</tr>
</tbody>
</table>

Pension operation details (as of December 31, 2019)

<table>
<thead>
<tr>
<th>Type</th>
<th>Scale</th>
<th>No. of Members</th>
<th>Direction of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit (DB)</td>
<td>KRW 138 billion</td>
<td>1,210 persons</td>
<td>Stability-based</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
<td>No. of persons</td>
<td>242</td>
<td>231</td>
<td>96</td>
</tr>
<tr>
<td>No. of sessions</td>
<td>Sessions</td>
<td>907</td>
<td>897</td>
<td>782</td>
</tr>
</tbody>
</table>
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.

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 SERICE 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.
Part 4  CSR Management 2019 General Topics

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Key contents of programs

**Work Smart & Work-Life Balance**
- **Purpose:** To understand the importance of productivity improvement and form a sense of empathy for realizing work-life balance.
- **Target:** All 2,153 employees
- **Period:** November 8, 2018 to March 8, 2019
- **Method:** via e-mail

**Work Smart & Making Habits**
- **Purpose:** To learn how to lead fundamental changes in life to improve productivity.
- **Target:** All 1,052 managers
- **Period:** July 4, 2019
- **Method:** via e-mail

**Work Smart; DPS & PCL**
- **Purpose:** To provide practical tools applicable to work.
- **Target:** All employees (except field staff)
- **Period:** October 14 to 31, 2019
- **Method:** Knowledge Workplace platform

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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 transformation and explore other companies’ cases utilizing SERCEO 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

**Entrance ceremony**

**Online e-ffice education**

**Graduation ceremony**

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Key Family-friendly programs

**Purpose:** To understand the importance of gender equality.

**Method:** SERCEO platform

**Period:** November 8, 2018 to March 8, 2019

**Target:** All employees (except field staff)

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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.

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**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.

**Conscrate 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 495m² 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 (Dodamteul) 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

<table>
<thead>
<tr>
<th>Category</th>
<th>OEM</th>
<th>Ingredients &amp; raw materials</th>
<th>Packaging materials</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of partners (Unit: number of companies)</td>
<td>179</td>
<td>309</td>
<td>64</td>
<td>552</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices to conclude desirable contracts for mutual cooperation between large companies and SMEs</td>
<td>- Establish infrastructure to conclude a contract&lt;br&gt; - Conclude a contract guaranteeing self-determination&lt;br&gt; - Diligently carry out contract based on the agreement and relevant laws and regulations</td>
</tr>
<tr>
<td>Practices to ensure fair selection (registration) of partner companies</td>
<td>- Fairness in the standards and procedures for selecting a partner&lt;br&gt; - Standards for canceling a partner and fairness in procedures</td>
</tr>
<tr>
<td>Practices to install and operate internal subcontracting review committee</td>
<td>- Organize an internal subcontracting review committee&lt;br&gt; - Conduct pre-review for selecting a partner, contracting and determining price&lt;br&gt; - Conduct pre-review for the standards and procedures for termination of contract with partners</td>
</tr>
<tr>
<td>Practices to correctly issue and conserve documents in subcontracts</td>
<td>- Issue various documents in the process of subcontracting&lt;br&gt; - Conserve issued documents&lt;br&gt; - Establish the practice of issuing and conserving documents</td>
</tr>
</tbody>
</table>

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.

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.

Pulmuone’s major mutual growth programs

Existing programs

- Education, training seminar, dispatching Pulmuone researchers, financial support, expansion of mutual payment system

New programs in 2019

- 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.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. R&amp;D</td>
<td>• Develop creative new products • Enter a new market and category • Secure new ingredients and materials</td>
</tr>
<tr>
<td>2. Innovation</td>
<td>• Develop independent technology and facility • Standardize processes • Improve productivity</td>
</tr>
<tr>
<td>3. Globalization</td>
<td>• Support pioneering into the overseas market • Spread core technology abroad • Introduce advanced technology and excellent ingredients</td>
</tr>
<tr>
<td>4. Safety Management</td>
<td>• Manage food safety and quality • Manage and prevent risks • Establish safe manufacturing environment</td>
</tr>
<tr>
<td>5. Knowledge Hub</td>
<td>• Establish in-company principles and standards • Create and share information and knowledge • Accumulate and utilize intellectual property rights</td>
</tr>
</tbody>
</table>

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.

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 systematically 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 Foodmerce business that supplies B2B food materials, and we expand this initiative each year.

Sales of GAP products

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of GAP products</td>
<td>KRW 8.8 billion</td>
<td>KRW 11.3 billion</td>
<td>KRW 12.2 billion</td>
</tr>
</tbody>
</table>

For more systemic management of GAP products, we have dispatched qualified staff members as GAP certified 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gimnyeong Agricultural Cooperative</td>
<td>93</td>
</tr>
<tr>
<td>Hagwi Agricultural Cooperative</td>
<td>93</td>
</tr>
<tr>
<td>Jeju Branch of Korea Domestic Bean Producer Association</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>213</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Measure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mandatory to sanitize hands and wear a mask</td>
</tr>
<tr>
<td>2</td>
<td>Distribute chairs with a sufficient space in between</td>
</tr>
<tr>
<td>3</td>
<td>Intensive short education based on key points</td>
</tr>
</tbody>
</table>

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.

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.

Direction of digital transformation strategies

Provide innovative digital experience to digital service users including consumers, clients, partners, and employees

- Handle and predict tasks based on data by applying big data and AI solutions

- Apply digital technologies to simplify and automate processes, shorten the cycle time, reduce risks, and increase values

- 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 experiences

- Launch platform-based business such as O2O, U-Biz, and PDM

- Build a partnership with platform providers and initiate open innovation

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 CSO (Chief Information Security Officer) and reported the designation result.

**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 system for medium- and long-term advancement of information protection.

**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**

<table>
<thead>
<tr>
<th>Category</th>
<th>Research before purchase</th>
<th>Orders and payment</th>
<th>Delivery</th>
<th>Use of products</th>
<th>Service management</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>25,000 cases</td>
<td>64,000 cases</td>
<td>49,000 cases</td>
<td>49,000 cases</td>
<td>17,000 cases</td>
<td>38,000 cases</td>
</tr>
</tbody>
</table>

In 2019, Pulmuone’s CS Center set the goals of communicating with all customers without anyone left out through 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Strategic goals</th>
</tr>
</thead>
</table>
| Reduce water consumption | • Reduce water consumption in direct production by 51% from 2008 (based on the production volume)  
• Keep the discharged water quality under 10%, which is stricter criteria than the relevant law  
• Meet the farming water criteria for discharged water quality (for business sites that discharge water directly to streams) |
| Countermeasures against climate change | • Reduce GHG emissions by 50% from 2008 (based on the production volume)  
• Reduce energy consumption by 27% from 2008 (based on the production volume) |
| Zero-waste | • Reduce water by 60% from 2008 (based on the production volume)  
• Achieve zero-waste from plastic packaging materials (based on the Pulmuone data)  
• Increase the waste recycling rate |
| Increase the number of sustainable products | • Apply highly recyclable packaging materials to all products  
• Use solvent-free packaging materials in all products  
• Increase the number of products with carbon footprint certification |

Ec-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

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

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 0.1% and 1.7%, respectively, compared to the target due to our business expansion.

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.
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 waste | Considering the characteristics of a company, it is impossible to directly reduce the consumption of manufactured 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 circles that coolulate 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

PEFC, 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 Jeongpyeong 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 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Major agendas</th>
<th>Number of members</th>
<th>Composition of the committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chungwon Plant</td>
<td>- 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</td>
<td>10</td>
<td>5 (mgmt) 5 (labor)</td>
</tr>
<tr>
<td></td>
<td>- Investigate industrial accidents and conduct improvement activities for prevention</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eumseong Tofu Plant</td>
<td>- Discuss how to reduce the safety and health policy considering the scheduled amendment of the Occupational Safety and Health Act</td>
<td>8</td>
<td>4 (mgmt) 4 (labor)</td>
</tr>
<tr>
<td></td>
<td>- Prevent cerebral and cardiovascular diseases and strengthen safety check activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eumseong Raw Noodles Plant</td>
<td>- Share the risk assessment result and discuss how to participate in reduction activities</td>
<td>10</td>
<td>5 (mgmt) 5 (labor)</td>
</tr>
<tr>
<td></td>
<td>- Discuss how to measure the work environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doan Health Supplement Plant</td>
<td>- 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</td>
<td>10</td>
<td>5 (mgmt) 5 (labor)</td>
</tr>
<tr>
<td></td>
<td>- Discuss how to measure the work environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doan Green Juice Plant</td>
<td>- Conduct a risk assessment and award exemplary managers</td>
<td>10</td>
<td>5 (mgmt) 5 (labor)</td>
</tr>
<tr>
<td></td>
<td>- Share and conform to the revised provisions of the Occupational Safety and Health Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cooperate to conduct SQP for ESH tasks</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Nagelwicht 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.
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
(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 as 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

Value Chain

- Management Support (overall value chain): Handle various tasks (Strategy, legal, HR, procurement, IT, PR, etc.) to assist Pulmuone’s management and business activities
- Customer Service: Listen to customer opinions (CSQs) through various channels, such as phone calls and 1:1 customer visits, social network services, and stores, and actively use them to improve service quality. Activities for customer satisfaction
- Transport and Logistics: Set the temperature standards stringently than the relevant laws (CFC for chilled food, 20°C for frozen food) to provide the best and freshest logistic service
- Sales: Run various sales channels, including department stores, markets, CVS, mail service, concession; rest stop areas, directly managed stores, and franchise stores where customers can easily and quickly buy Pulmuone products
- Procurement: Purchase fresh agricultural, fishery, and livestock products that meet Pulmuone’s raw material and sustainability sourcing policy
- Production: Establish the optimal system to manufacture high-quality products and increase production efficiency

Business Model

- Food and beverage manufacturing/distribution: Food, beverage, and food service business that makes and sources health-oriented fresh food and beverages and provides them to the Korean, North American, Chinese, Japanese, and other markets
- Health & Living solution business: Business that provides rational alternatives that encompass a wide range of products and services that present solutions for healthier living

Key Performance in 2019

- Sales: KRW 2,381.5 trillion
- Operating profit: KRW 30.6 billion
- Major product performance: Tofu: 116.05 million
  Vegetable: 43.78 million
  Raw noodle: 292.78 million
- Trademark applications: 90 cases
- Patent rights: 81 cases
- Training hours: per employee: 144 hours
  Total number of new employees: 811
- Rate of participation in volunteer programs: 94.4%
- Financial support: for partners
  KRW 5.91 billion
- Environmental Capital: Energy consumption: 171.7 TWh
  GHG emissions: (987.1 TC02 eq)

Awards

- Selected as one of the most admired companies in Korea for 13 consecutive years
- 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Unit: KRW 100 million)</th>
<th>Operating profit (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>21,957</td>
<td>528</td>
</tr>
<tr>
<td>2018</td>
<td>22,720</td>
<td>402</td>
</tr>
<tr>
<td>2019</td>
<td>23,815</td>
<td>306</td>
</tr>
</tbody>
</table>

Financial statement (Unit: KRW 100 million)

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Increase/decrease from 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>3,787</td>
<td>4,705</td>
<td>4,678</td>
<td>▼27  -0.6%</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>7,243</td>
<td>7,464</td>
<td>10,167</td>
<td>▲2,703 36.2%</td>
</tr>
<tr>
<td>Total assets</td>
<td>11,030</td>
<td>12,169</td>
<td>14,845</td>
<td>▲2,676 22.0%</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>4,964</td>
<td>5,252</td>
<td>6,212</td>
<td>▲960 18.3%</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>2,308</td>
<td>2,460</td>
<td>4,002</td>
<td>▲1,442 62.7%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>7,272</td>
<td>7,712</td>
<td>10,214</td>
<td>▲1,940 32.4%</td>
</tr>
<tr>
<td>Equity attributable to owners of parent</td>
<td>2,678</td>
<td>3,367</td>
<td>3,970</td>
<td>▲603 17.9%</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,080</td>
<td>1,090</td>
<td>461</td>
<td>▼429 -39.4%</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,758</td>
<td>4,457</td>
<td>4,631</td>
<td>▲174 3.9%</td>
</tr>
</tbody>
</table>

Income statement (Unit: KRW 100 million)

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Increase/decrease from 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>21,957</td>
<td>22,720</td>
<td>23,815</td>
<td>▲1,095 4.8%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>528</td>
<td>402</td>
<td>306</td>
<td>▼126 -23.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,212</td>
<td>1,129</td>
<td>1,413</td>
<td>▲284 25.2%</td>
</tr>
<tr>
<td>Net profit(loss) for the year</td>
<td>304</td>
<td>110</td>
<td>(75)</td>
<td>▼185 -168.2%</td>
</tr>
<tr>
<td>Total comprehensive profit(loss)</td>
<td>196</td>
<td>43</td>
<td>25</td>
<td>▼18  -41.9%</td>
</tr>
</tbody>
</table>

Stock information

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

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.

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.

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%.

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%.

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.

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.

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.

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.

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.

1.9 LOHAS nutritional counseling for employees

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

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.
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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D cost</td>
<td>KRW million</td>
<td>20,861</td>
<td>23,452</td>
<td>26,789</td>
</tr>
<tr>
<td>R&amp;D staff</td>
<td>Person</td>
<td>155</td>
<td>171</td>
<td>205</td>
</tr>
<tr>
<td>R&amp;D cost/sales %</td>
<td>0.95</td>
<td>1.03</td>
<td>1.12</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademark applications</td>
<td>135</td>
<td>100</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Registered trademarks</td>
<td>161</td>
<td>108</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Patent rights</td>
<td>75</td>
<td>78</td>
<td>81</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction</td>
<td>Point</td>
<td>91.3</td>
<td>88.7</td>
<td>91.8</td>
</tr>
</tbody>
</table>

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."

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earth Love Fund</td>
<td>KRW 100 million</td>
<td>9.00</td>
<td>10.50</td>
<td>10.96</td>
</tr>
<tr>
<td>Neighbors Fundraising</td>
<td>KRW 100 million</td>
<td>1.59</td>
<td>1.75</td>
<td>1.83</td>
</tr>
<tr>
<td>Participation rate</td>
<td>%</td>
<td>83.6</td>
<td>85.8</td>
<td>89.0</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses for association activities</td>
<td>KRW million</td>
<td>125.5</td>
<td>144.9</td>
<td>173.7</td>
</tr>
</tbody>
</table>

3.4 Partners*

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support for partners</td>
<td>KRW 100 million</td>
<td>40.2</td>
<td>74.4</td>
<td>59.1</td>
</tr>
</tbody>
</table>

3.5 Financial support for partners

Pulmuone actively supports its partners to grow together.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support for partners</td>
<td>KRW 100 million</td>
<td>212.9</td>
<td>135.1</td>
<td>144.2</td>
</tr>
</tbody>
</table>

3.6 Corporate tax

Pulmuone sincerely fulfills its tax duties as a corporate citizen.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate tax</td>
<td>KRW 100 million</td>
<td>212.9</td>
<td>135.1</td>
<td>144.2</td>
</tr>
</tbody>
</table>

3.7 KC/GS 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 (KC/GS) for its CSR management activities and outcome.

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of discharged harmful substances</td>
<td>Ton</td>
<td>820</td>
<td>125</td>
<td>129</td>
</tr>
</tbody>
</table>

4.2 Energy use intensity

In 2019, the energy use intensity in the manufacturing division was 155.7 kgCO2e/product-ton, a 1.7% 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy use intensity</td>
<td>kgCO2e/product-ton</td>
<td>158.4</td>
<td>157.4</td>
<td>155.7</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions intensity</td>
<td>kgCO2e/product-ton</td>
<td>289.0</td>
<td>305.4</td>
<td>289.4</td>
</tr>
</tbody>
</table>

4.4 Water use intensity and reuse rate

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

The largest share in the domestic frozen rice market 'Golden Rice 200℃ Fried Rice'

In August 2019, Pulmuone Foods launched “Golden Rice 200℃ 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 ℃ to provide a natural fiery flavor. “Golden Rice 200℃ 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.

Taking up 75% of share in the American tofu market

Pulmuone USA achieved 75% of accumulated share in the US tofu market as 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.

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.
Award-winning Performance

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 strove to spread consumer-oriented management culture.

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.

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.

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.

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.

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.

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.
MOU Performance

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.

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 individual 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.

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.

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 VRDONG. 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 2023 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.

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.

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.

March Jeolabuk-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 Jeolabuk-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, Jeolabuk-do and secure a number of new employees in Muju to contribute to revitalizing the local economy and achieving mutual growth.
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 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.
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.

**Business division**

**Pul’s 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**
A business to provide its specialized LOHAS-based wholesome food brand “Pul’s Kitchen” service to elementary, middle, and high schools.

**Pul’s 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**
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.

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

**Pulmuone**

**Part 6 Business Review**

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**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

**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

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

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

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

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

**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

**Rice cake**
- Pulmuone Tteokbokki with a healthy recipe

**Cooking sauce**
- “Tasty 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

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

**Foodmerce**

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**Foodmerce**

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**Pulmuone**

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**Pulmuone Foodmerce**

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**Foodmerce**

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**Pulmuone**

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**Part 6 Business Review**

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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.

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.

- **Pulmuone Danone Greek Yogurt**
  Greek yogurt high in protein and low in fat.

- **Maeil Achim (Every Morning)**
  Yogurt with nutrients necessary for modern people.

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**

- Nature is Delicious
- Chanjang
- The Great Family’s Yard
- Natural Soul Kitchen
- Flavour
- Punggyeongmansan
- Osaka Kitchen
- Caffetto

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

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,” “Flavour,” “Punggyeongmansan,” “Osaka Kitchen,” and “Caffetto.”

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**Company name**: Pulmuone Food&Culture Co., Ltd

**Address**: 29, Songpa-daero 34-gil, Songpa-gu, Seoul

**Website**: www.pulmuonefnc.com
Part 6 | Business Review

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℃ 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 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 Nestlé 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 Nestlé 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

Pulmuone Waters by Nature-HOD
Large volume (15L) to be used at home or small companies for additional freshness

Tasty Pulmuone Waters (Saemmul)
Reasonably priced 18%, designed for home, office or anywhere

BODYFUL 12/20-PET
Balance water with adjusted content that provides additional natural minerals required for your health

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
**Pulmuone USA**

Pulmuone USA is a general food company established as a subsidiary of Pulmuone in 1991, which makes tofu, processed bean, sauce, and baled 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.

**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.

**Channels**

<table>
<thead>
<tr>
<th>Directly managed</th>
<th>Franchise (Franchise)</th>
<th>SIS (Shop in Shop)</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell various PB (Private Brand) products, agricultural/fishery/livestock products, bakeries, health supplements, and daily necessities</td>
<td>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</td>
<td>Managed for strategic expansion, operating its own brand shops at department stores and concession malls in partnership with large retailers</td>
<td>Give better access to its products and other eco-friendly products distributed by off-line stores</td>
</tr>
</tbody>
</table>

**B2B**

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

**Brand**

- Provide organic tofu and Asian food products to Natural Market and the mainstream market in the USA
- Supply organic tofu, meat alternatives, dairy alternatives, and soy milk to Natural Market
- Provide sauce products 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 supplies food ingredients to meal and dining services
- A pasta brand that provides low-end food products to American retailers
- Provide reasonably-priced tofu made with eco-friendly beans 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
- A tofu brand that provides product to the Chinese and Asian markets
- Provide Pulmuone products (ramen and raw noodles) and tofu brand products to the mainstream market in the USA and markets targeted at Asian-Americans.
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Asahicho

Asahicho, 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. Asahicho 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.

**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
- Mukasage-fried tofu, one of the biggest hits of Asahicho 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.

**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

**Teokbokki**
- Extend Teok-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

**Asahicho すこやかに食べよう**

**Company name**
Asahicho Co.

**Address**
L.A.TOWER, 11-2, Shintoshin, Chuo-Ku, Saitama-shi, Saitama

**Website**
www.asahicho.co.jp

**Pulmuone Foods (China)**

**Company name**
Beijing Pulmuone Green Foods Co., Ltd
- Shanghai Pulmuone Green Foods Co., Ltd

**Address**
L.A.TOWER, 11-2, Shintoshin, Chuo-Ku, Saitama-shi, Saitama

**Website**
www.asahicho.co.jp
### 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.

#### Scope of business

<table>
<thead>
<tr>
<th>Health supplements</th>
<th>Skincare</th>
<th>Pet food</th>
<th>Kitchen appliances</th>
<th>Healthy lifestyle appliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyze the dietary life of Korean people through the Pulmuone LOHAS Health&amp;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.</td>
<td>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.</td>
<td>Provide healthy pet food that your pet can consume for better health and happiness without any worry.</td>
<td>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”.</td>
<td>Appliances for a healthy LOHAS lifestyle with health, air, and mind care that enhances the quality of life.</td>
</tr>
</tbody>
</table>

### Pulmuone LOHAS (China)

Pulmuone LOHAS (China) is a Chinese subsidiary of Pulmuone Health&Living, which produces and sells health supplements, LOHAS daily necessaries, 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.

#### Scope of business

<table>
<thead>
<tr>
<th>Health supplements</th>
<th>Skin care</th>
<th>Pet food</th>
<th>Personal &amp; LOHAS daily necessities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health supplement products that use natural ingredients for consumer safety, and solid and fermented beverages for family health and nutrition management</td>
<td>Good skincare concept presenting health from nature based on Pulmuone’s natural ingredient science and technologies accumulated over 35 years.</td>
<td>Provide healthy pet food that your pet can consume for better health and happiness without any worry.</td>
<td>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.</td>
</tr>
</tbody>
</table>
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

Directions

Business Report

Financial Affairs
## Consolidated Financial Statement

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>Category</th>
<th>36th period (current year)</th>
<th>35th period (prior year)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>36th period (current year)</th>
<th>35th period (prior year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>467,836,335,564</td>
<td>470,499,158,733</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>120,740,918,674</td>
<td>103,562,815,718</td>
</tr>
<tr>
<td>Short-term financial assets</td>
<td>214,277,675,761</td>
<td>190,907,493,069</td>
</tr>
<tr>
<td>Current lease payment receivables</td>
<td>1,342,258,535</td>
<td>-</td>
</tr>
<tr>
<td>Current long-term investments</td>
<td>-</td>
<td>10,077,850,000</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>11,044,917,367</td>
<td>26,208,461,695</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>532,934,033</td>
<td>32,838,052</td>
</tr>
<tr>
<td>Inventory assets</td>
<td>105,967,099,480</td>
<td>105,525,502,052</td>
</tr>
<tr>
<td>Other current assets</td>
<td>9,166,738,499</td>
<td>13,224,787,040</td>
</tr>
<tr>
<td><strong>II. Non-current assets</strong></td>
<td>1,016,720,118,185</td>
<td>746,439,743,481</td>
</tr>
<tr>
<td>Long-term financial assets</td>
<td>3,348,707,604</td>
<td>3,285,851,854</td>
</tr>
<tr>
<td>Long-term accounts, notes receivables, and other bonds</td>
<td>38,105,417,721</td>
<td>38,514,599,664</td>
</tr>
<tr>
<td>Lease payment receivables</td>
<td>2,108,172,951</td>
<td>-</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>10,158,592,259</td>
<td>9,096,623,346</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>30,113,403,541</td>
<td>21,453,100,942</td>
</tr>
<tr>
<td>Property</td>
<td>847,207,722,058</td>
<td>592,889,703,400</td>
</tr>
<tr>
<td>Investments in properties</td>
<td>566,210,423</td>
<td>586,988,795</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>54,198,350,005</td>
<td>55,974,583,687</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>24,205,023,481</td>
<td>17,460,987,403</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>6,708,517,390</td>
<td>7,172,304,390</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,484,556,453,749</td>
<td>1,216,938,902,214</td>
</tr>
</tbody>
</table>

| **Liabilities and equity** |                         |                         |

<table>
<thead>
<tr>
<th></th>
<th>36th period (current year)</th>
<th>35th period (prior year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>621,185,641,614</td>
<td>525,241,241,674</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>Category</th>
<th>36th period (current year)</th>
<th>35th period (prior year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account payable and other payables</td>
<td>264,635,605,753</td>
<td>234,483,882,160</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>253,859,234,200</td>
<td>237,323,179,894</td>
</tr>
<tr>
<td>Current lease liabilities</td>
<td>41,271,238,336</td>
<td>27,726,932</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>109,885,432</td>
<td>77,734,396</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>14,904,742,198</td>
<td>9,531,732,069</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>35,990,352,381</td>
<td>43,374,978,819</td>
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<tr>
<td>Other provisions</td>
<td>990,001,962</td>
<td>215,997,404</td>
</tr>
<tr>
<td>Other current financial liabilities</td>
<td>11,224,581,352</td>
<td>-</td>
</tr>
<tr>
<td><strong>II. Non-current liabilities</strong></td>
<td>400,268,852,433</td>
<td>246,007,771,303</td>
</tr>
<tr>
<td>Long-term account payable and other payables</td>
<td>890,001,618</td>
<td>1,440,603,966</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>169,434,233,488</td>
<td>172,081,623,778</td>
</tr>
<tr>
<td>Long-term lease liabilities</td>
<td>178,444,400,984</td>
<td>181,180,819</td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td>29,383,209,239</td>
<td>45,826,816,044</td>
</tr>
<tr>
<td>Other provisions</td>
<td>4,885,265,494</td>
<td>2,671,653,275</td>
</tr>
<tr>
<td>Other non-current financial liabilities</td>
<td>15,201,107,363</td>
<td>23,488,655,619</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>630,034,037</td>
<td>317,237,802</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,021,454,494,037</td>
<td>771,253,012,977</td>
</tr>
<tr>
<td>Owners’ equity</td>
<td>397,029,923,849</td>
<td>336,662,586,622</td>
</tr>
<tr>
<td>Capital stock</td>
<td>20,162,765,000</td>
<td>21,062,765,000</td>
</tr>
<tr>
<td>Other paid-in-capital</td>
<td>145,050,958,699</td>
<td>55,802,918,073</td>
</tr>
<tr>
<td>Elements of other stockholder’s equity</td>
<td>6,255,160,705</td>
<td>759,128,276</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>224,631,033,090</td>
<td>259,032,773,293</td>
</tr>
<tr>
<td><strong>Non-controlling entity</strong></td>
<td>66,072,035,863</td>
<td>109,023,302,615</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>463,101,959,712</td>
<td>445,685,889,237</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>1,484,556,453,749</td>
<td>1,216,938,902,214</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Comprehensive Income

**Pulmuone Co., Ltd. (former Pulmuone Holdings Co., Ltd.) and its subsidiaries**  
(Unit: KRW)  

<table>
<thead>
<tr>
<th>Category</th>
<th>36th period (current year)</th>
<th>35th period (prior year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>2,381,451,203,138</td>
<td>2,271,973,131,849</td>
</tr>
<tr>
<td>Cost of goods and services sold</td>
<td>1,791,427,155,384</td>
<td>1,712,942,549,299</td>
</tr>
<tr>
<td>Gross profit or loss</td>
<td>590,024,047,754</td>
<td>559,030,582,550</td>
</tr>
<tr>
<td>Logistics expenses</td>
<td>162,983,978,164</td>
<td>151,982,930,319</td>
</tr>
<tr>
<td>Sales management expenses</td>
<td>368,691,970,987</td>
<td>341,383,260,520</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>20,789,474,555</td>
<td>23,452,180,893</td>
</tr>
<tr>
<td>Impairment loss on trade receivables (reversal)</td>
<td>-12,040,824</td>
<td>9,991,197,876</td>
</tr>
<tr>
<td>Operating income</td>
<td>30,570,664,872</td>
<td>40,247,971,032</td>
</tr>
<tr>
<td>Other non-operating income</td>
<td>-481,960,762</td>
<td>-8,033,725,536</td>
</tr>
<tr>
<td>Financial income</td>
<td>4,477,651,972</td>
<td>8,087,457,635</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>-30,256,738,113</td>
<td>-17,339,552,097</td>
</tr>
<tr>
<td>Equity in net income of subsidiaries</td>
<td>2,576,871,377</td>
<td>1,522,982,707</td>
</tr>
<tr>
<td>Earnings before income tax</td>
<td>6,888,489,346</td>
<td>24,485,333,731</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>14,421,914,713</td>
<td>13,505,293,425</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>-7,535,425,367</td>
<td>10,980,041,306</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>100,347,729,255</td>
<td>-6,672,133,163</td>
</tr>
<tr>
<td>Items that are not subsequently reclassified to profit or loss:</td>
<td>3,288,488,334</td>
<td>-11,458,785,687</td>
</tr>
<tr>
<td>Fluctuation in the fair value of debt instrument measured by fair value through other comprehensive income</td>
<td>-180,673,798</td>
<td>-21,744,435</td>
</tr>
<tr>
<td>Remeasurements of the net defined benefit liabilities</td>
<td>3,469,162,132</td>
<td>-11,460,996,130</td>
</tr>
<tr>
<td>Equity in fluctuations in retained earnings from investments in subsidiaries</td>
<td>-</td>
<td>23,484,878</td>
</tr>
<tr>
<td>Items that are subsequently reclassified to profit or loss:</td>
<td>6,746,240,921</td>
<td>4,786,652,524</td>
</tr>
</tbody>
</table>

**Category** | **36th period (current year)** | **35th period (prior year)** |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluctuation in the fair value of debt instrument measured by fair value through other comprehensive income</td>
<td>-6,279,000</td>
<td>8,619,000</td>
</tr>
<tr>
<td>Gain (loss) on foreign currency translation of foreign operations</td>
<td>5,694,172,811</td>
<td>4,804,086,039</td>
</tr>
<tr>
<td>Equity in fluctuations in equity from investments in subsidiaries</td>
<td>1,083,424,919</td>
<td>34,577,714</td>
</tr>
<tr>
<td>Loss on valuation of derivatives instruments</td>
<td>-25,077,809</td>
<td>-60,632,829</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>2,499,303,888</td>
<td>4,307,908,143</td>
</tr>
<tr>
<td>Net profit or loss attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>3,491,546,701</td>
<td>21,842,773,650</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>-11,026,972,068</td>
<td>-10,862,734,344</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>12,287,262,841</td>
<td>16,361,061,912</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>-9,787,958,953</td>
<td>-12,052,153,769</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>36</td>
<td>549</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>36</td>
<td>514</td>
</tr>
</tbody>
</table>
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 (hereafter 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 closed, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the current year are prepared in accordance with the financial reporting framework of The Republic of Korea and are fairly presented in all material respects in conformity with the financial reporting framework of The Republic of Korea and with the Korean Financial Statements Presentation and Disclosure Standards.

In our opinion, the consolidated financial statements of the prior year presented for comparison were revised by reflecting such error correction.

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 lease 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-cancelable 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 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.
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.
- Evaluate the appropriateness of the 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.
- 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.

The Audit Committee

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 wrong doing 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.

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 wrong doing 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.

Chairperson of the Audit Committee
Kim Young-Joon, Member
Woo Cheol-woo, Member
Jo Hwa-Joon, Member

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.
GRI Standards Index

GRI Universal Standards

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<th>Page</th>
<th>Note</th>
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<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>8-11, 16, 104-117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>8</td>
<td></td>
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GRI 102 General Disclosures

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Environmental Performance

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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 tCO2-eq/yr in accordance with the requirements of the ‘Greenhouse Gas and Energy Target Management Scheme’.

2019 Greenhouse Gas Emissions of ‘Pulmuone co., Ltd’

<table>
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- The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO2-eq from the actual value of the system may occur.
- Scope3: Waste disposal.

June 19th, 2020

Ji-Young Song
CEO
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 method1, 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:
1. We confirmed whether the Report met the requirements of the core in accordance criteria under the GRI Standards.
2. We confirmed whether the Report complied with the principles of determining the report content and quality presented by the GRI Standards.
3. We confirmed whether the Report properly dealt with the key topics for the Client and its stakeholders.
4. We confirmed the grounds of major data and information through field assessment.
5. We also confirmed the reported indicator processes and system through interviewing relevant staff.
6. 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.

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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, DIS, 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 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

1. 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.
2. 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.
3. 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.

Seeing this Report with 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.

Pulmuone Co., Ltd.

*Assessor*

Korea Productivity Center

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Membership of Associations & Report Preparation Departments

Major Membership of Associations

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

Departments/Divisions Participating in the Publication of the Report

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

Division
- Integrated Food Market BU
- Pulmuone Green Juice SBU
- Pulmuone Foundation
- Japan SBU
- ORSA SBU
- Pulmuone Danone SBU
- Pulmuone Food&Culture Market BU
- North America SBU
- Pulmuone Health&Living SBU
- Pulmuone Danone SBU
- Pulmuone Waters
- China SBU
- Pulmuone Health&Living SBU
- Pulmuone Danone SBU
- Pulmuone Waters
- China SBU

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.

LOHAS
Lifestyles Of Health And Sustainability

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