

Dongwon Creates  
New Value for your Life



2018 Dongwon Group Sustainability Report



## About This Report

Dongwon Group has prepared this Sustainability Report 2018 (hereinafter this “Report”) in order to examine its sustainability activities and performance, and provide its stakeholders with clear information.

### Reporting Status and Cycle

Since the publication of the first Sustainability Report 2015, this Report is the second sustainability report (biennially) released by Dongwon Group.

### Reporting Standards and Period

This Report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. The ISO 26000 and the principles of the UN Global Compact have been also considered. The reporting standards and definitions regarding the company's financial information have been used in accordance with the International Financial Reporting Standards (IFRS).

All information included in this Report is based on the years 2015 to 2017. All financial and non-financial information is provided based on fiscal years in accordance with the company's public disclosure system. Any information not in conformity with the aforementioned standards has been marked separately in the form of footnotes. However, qualitative activities regarding material issues cover activities performed up to August 2018.

### Reporting Boundary

This report covers the sustainability management activities and performance of all domestic and overseas subsidiaries of Dongwon Group. However, quantitative data on social and environmental activities have been limited to the company's domestic business sites in order to ensure the accuracy of data reporting, while data from overseas business sites included in this Report have been marked separately.

We noted as “Dongwon Group,” if the scope of certain performance is pursued jointly by all subsidiaries of Dongwon.

### Independent Assurance

In order to enhance the internal and external reliability of the reporting contents, DNV GL, a global quality assurance company, was commissioned to perform a sustainability assurance through which the reliability and fairness of the report preparation process, disclosure data, and the reporting contents were secured. Detailed comments on the sustainability assurance are provided on pages 88 to 89 of this Report.

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# Dongwon Creates New Value for your Life

## Sustainability Key Performance



## Sustainability Management Report



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## CEO Message





Dongwon Group will fulfill its social responsibilities and generate a wide range of values pursuant to the vision of becoming a “An Integral Part of Society Creating New Value”.

Dear valued stakeholders,  
I would like to take this opportunity to convey my deepest gratitude for your unwavering caring and support for Dongwon Group.

Since its establishment in 1969 as a fisheries company, Dongwon Group has implemented integrity management throughout its history based on the founding principle of “realizing social justice through industrious corporate activities”. Over the past 50 years, Dongwon Group has grown as a global company by expanding its business areas to marine products, foods, packaging materials and logistics.

Taking the past 50 years as a stepping stone for further development, Dongwon Group is in ready for another half-century of growth. In this Sustainability Report 2018, you will find Dongwon Group’s achievements in generating new values through a wide range of businesses at home and abroad despite countless challenges that exist in today’s corporate environment, as well as our plans and preparations for the next 50 years.

In today’s global economy, there are numerous risk factors such as rising protectionism due to trade tensions between the United States and China, rising oil prices placing burdens on companies in purchasing raw materials, and a slowdown of growth in emerging markets. Against all these odds, Dongwon Group has turned risks into opportunities, making bold investments and taking up challenges. Through the following measures, we will continue our endeavors with a view toward achieving corporate growth as well as contributing to the growth of our country and society.

First, we will establish and execute suitable strategies for each business for sustainable growth.

Second, we will create performance by establishing and executing effective strategies proper for each business area, in order for the corporate’s sustainable growth.

Finally, in pursuit of integrity management, we will share and expand our values through various sustainability management activities, including mutual growth with stakeholders such as customers, employees and suppliers and social contribution activities such as 「Life Academy」 in order to cultivate future leaders.

I sincerely hope that this Report will provide a valuable opportunity through which we can share with our stakeholders Dongwon Group’s endeavors toward sustainable growth and development. I ask for your continued interest and support for our work.

Thank you.

October 2018  
In Gu Park CEO, Dongwon Enterprise Co., Ltd.



## Group Introduction

### An Integral Part of Society Creating New Value

Dongwon Group creates and shares sustainable values in various parts of our customers' lives through general foods, trading of marine products, logistics, new materials in the high-tech industry, construction and social contribution.

As an integral part of our society, Dongwon Group will continue to create new values.



#### Overview

Company Name	- Dongwon Enterprise Co., Ltd.
Date of Establishment	- April 16, 2001
Headquarters	- 68, Mabang-ro, Seocho-gu, Seoul
CEO	- Park, In Gu
Major Business Areas	- Marine /Logistics, Food Processing/Distribution, Living Services, etc
No. of Employees	- 9,958 persons (Based on domestic business sites)

**Asset** KRW 5,127,552 million

**Sales** KRW 5,774,430 million

**Profits** KRW 413,937 million

**Net Income** KRW 288,054 million

(As of December 2017; On a consolidated basis)



### Holding Company

Dongwon Enterprise is the holding company that leads the businesses of Dongwon Group.

**Dongwon Enterprise**

### Marine/Logistics Businesses

Since 1969, Dongwon has made great efforts to secure marine resources from the deep sea. At the same time, it has engaged in providing advanced logistics services through its logistics centers and refrigeration warehouses nationwide.

**Dongwon Industries**  
**Dongbu Express**  
**Dongwon CS**  
**Dongwon LOEX**

### Food Processing/ Distribution Businesses

Dongwon provides healthy values in a variety of areas such as food manufacturing, distribution of food ingredients, meal service, dining and animal feed with a strong sense of duty to contribute to public health.

**Dongwon F&B**  
**Dongwon Home Food**  
**Dongwon Farms**  
**Dongwon Wine Plus**



### Living Service Businesses

Dongwon provides services in new materials in high-tech industries, construction and various other areas closely related with everyday life.

**Dongwon Systems**  
**Techpack Solutions**  
**Dongwon Construction Industry**  
**Dongwon CNS**

### Global Company

Dongwon reaches out to global customers through its global affiliates including the U.S. canned tuna brand StarKist, a packaging company in Vietnam and a seafood cannery in Senegal.

**StarKist**  
**S.C.A SA**  
**Talofa Systems**  
**TTP**  
**MVP**  
**CAPSEN**

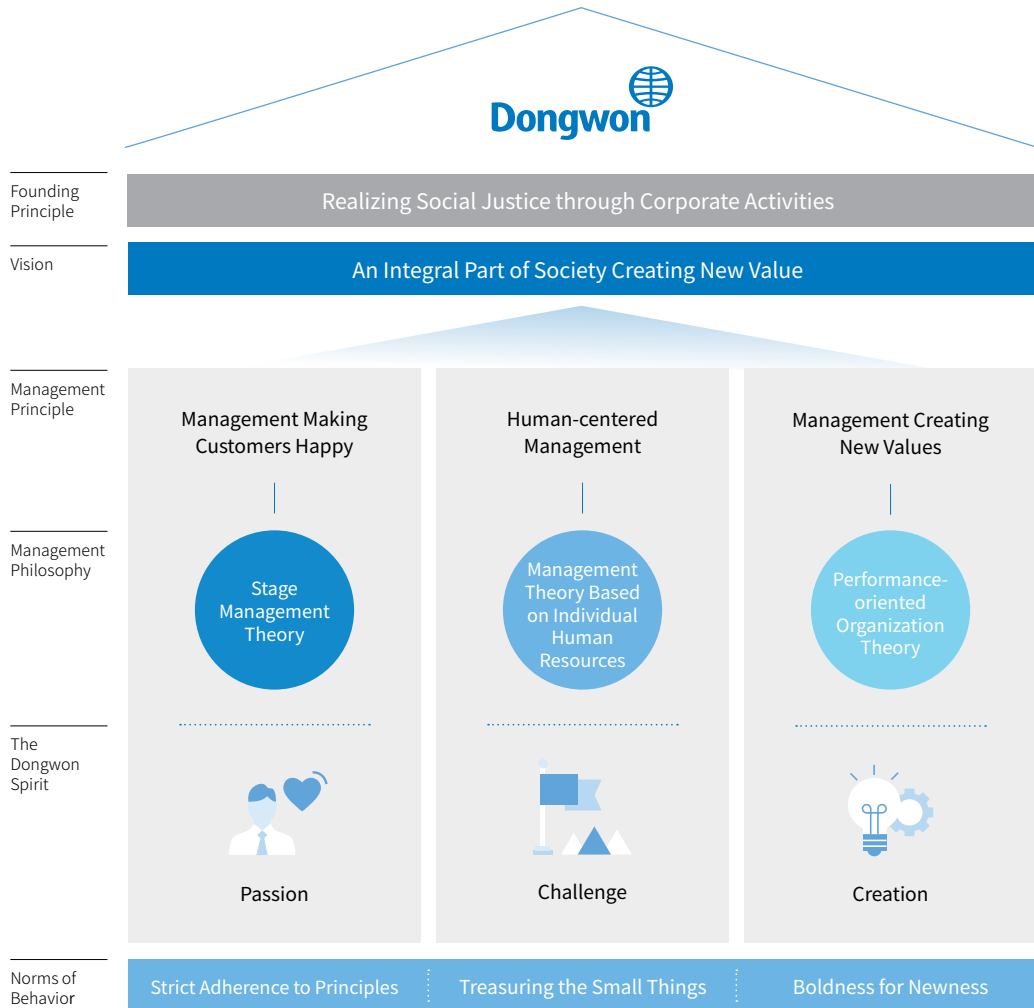
### Talent Development/ Social Contribution

Dongwon supports the development of future talent through educational institutions and its scholarship foundation.

**Dongwon Education Foundation**  
**Dongwon Leaders Academy**

## Group Value System

In order to achieve sustainable development, Dongwon Group carries out its management activities based on a clear value system.

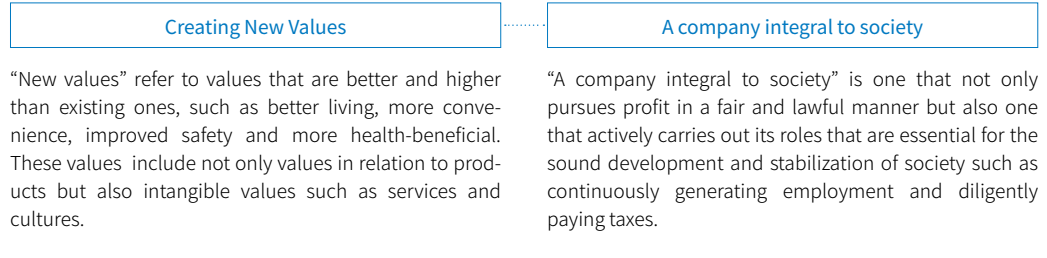


### Founding Philosophy

“Diligence” means a sincere heart and humble attitude in rigorously and fervently fulfilling one’s duties and responsibilities without giving up. To “realize social justice” as a company means to empower and develop itself in accordance with the principles of market economy, while creating employment and paying taxes in a diligent manner.

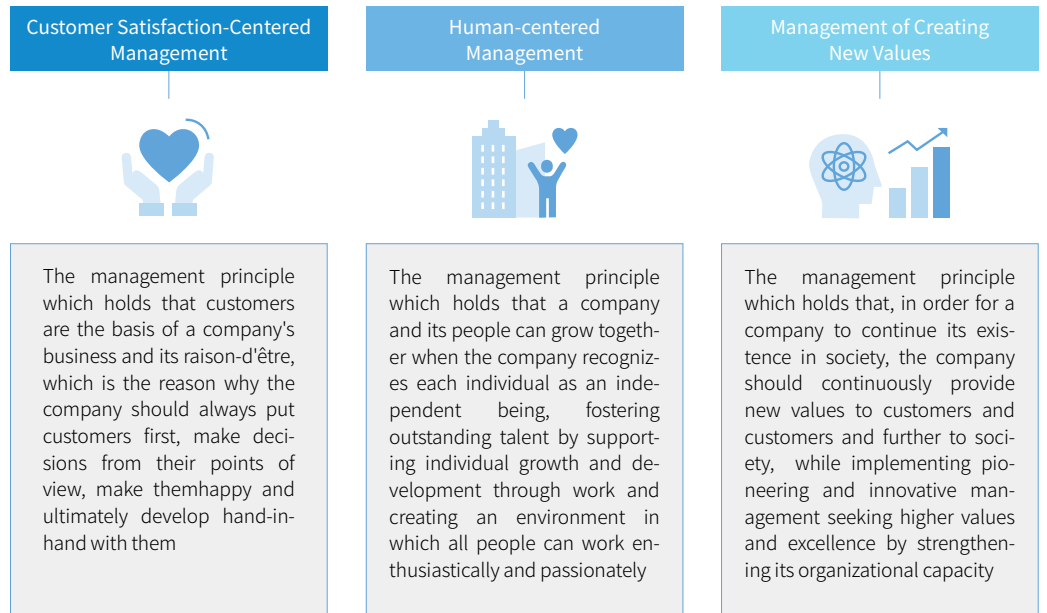


## Vision

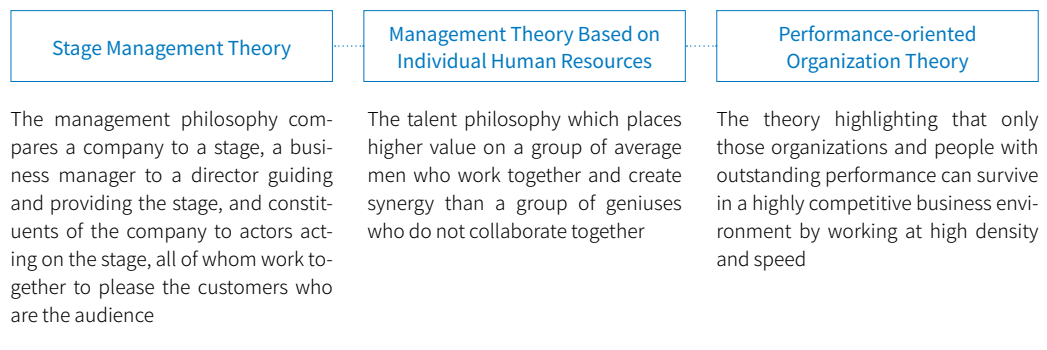


## Corporate Philosophy

By casting new light on its founding principle, Dongwon Group re-established its management philosophy and norms of behavior on July 1, 1993. Its management philosophy provides an indicator for the basic values and attitudes and also applies as the standards of one's belief, decision-making and actions in all management activities. Bridging the company's norms of behavior and the founding principle, Dongwon Group's management philosophy sets forth its core values in pushing toward its corporate vision.



## Management Philosophy



## Group Highlights & Subsidiary Introduction

In 1969, Dongwon Group saw the future of Korea in the wide oceans. If no one were to go out on the waters, the doors to a new future would remain closed. To open those doors, Dongwon headed out to sea. Now, it has grown into a company necessary to society generating new values by operating over 20 subsidiaries specializing in a wide range of business areas including fisheries, foods, construction and packaging materials.

### 1969-1979

#### Establishment Period

Established a business base in fishing industry (a primary industry) and explored business diversification measures



#### 1969

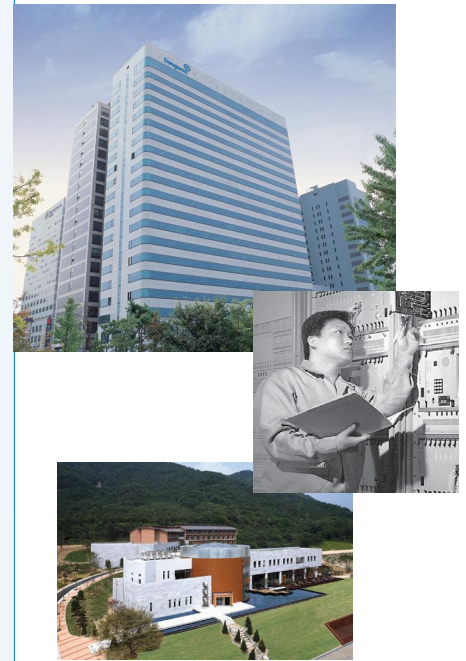
- Established Dongwon Industries with start-up capital of KRW 10 million
- Introduced Dongwon Vessel No. 31, Korea's first 500-ton mothership-type tuna long liner

#### 1975

- Constructed a 5,000-ton factory ship "Dongsan", building a new reputation for the company

#### 1979

- Established the Dongwon Education Foundation



### 1980-1989

#### Growth Period

Established a foundation for Dongwon Group by expanding to food business and entering financial services

#### 1982

- Launched canned Dongwon Tuna for the first time in the domestic market
- Acquired Hanshin Securities (Currently, Korea Investment and Securities)

#### 1986

- Completed construction of the Seongnam Plant and produced crab sticks, fish cake and seasoned laver
- Launched Yangban Dried Seaweed

#### 1987

- Established Dongil Frozen Food

#### 1989

- Dongwon Industries' initial public offering





## 1990-2007

### Maturity Stage

#### Diversified businesses to first, second and third industries

- 1993 Established new headquarters (Yangjae-dong)
- 1995 Acquired Seongmi Electronics
- 1996 Officially launched Dongwon Group
- 2000 Established Dongwon F&B as a spin-off from the Food Division
- 2001 Acquired and merged with 63 City FS Business Division  
Established Dongwon Enterprise, Co., Ltd., the holding company of Dongwon Group
- 2003 Spun off Dongwon Financial Holdings Co., Ltd. as a financial holding company  
Established Dongwon Wineplus
- 2005 Incorporated DM Food Co., Ltd. as a subsidiary of Dongwon Group
- 2006 Incorporated Haitai Dairy Co., Ltd. as a subsidiary of Dongwon Group
- 2007 Incorporated Samjo Celltech Co., Ltd. and TSQ Co., Ltd. as subsidiaries of Dongwon Group

## 2008-2017

### Take-off Stage

#### Achieved dramatic growth through M&A and other bold investments

#### 2008

- Acquired StarKist, America's largest tuna brand

#### 2011

- Acquired the Senegalese tuna cannery SNCDS (currently, SCASA)

#### 2012

- Acquired Daihan Eunpakgy
- Spin-off and launch of Dongwon CS Co., Ltd at Dongyoung Cold Plaza

#### 2013

- Entered the Chinese market (Dongwon Tuna)

#### 2014

- Dongwon Systems acquired Hanjin P&C
- Dongwon Systems acquired Techpack Solutions
- Dongwon Systems acquired American packaging company Ardagh Metal Packaging (currently Talofa Systems)

#### 2015

- Dongwon Home Food merged with online livestock product distribution company "Keumcheon"
- Dongwon Systems acquired Vietnamese packaging materials company TTP/MVP

#### 2016

- Dongwon Group held the 2,000th Thursday Seminar
- Dongwon Industries completed building the purse seine Hanara

#### 2017

- Dongwon Home Food merged with HMR company "The Banchan"
- Dongwon Home Food acquired Doosan Feed (currently, Dongwon Farms)
- Dongwon Industries acquired Dongbu Express
- Launched the Dongwon Education Foundation and the Life Academy
- Completed construction of the TTP Bac Ninh plant in Vietnam
- Dongwon LOEX held the opening ceremony for the Cold Logistics Center in Busan New Port



### Dongwon Group Subsidiary Status

(As of the end of 2017)

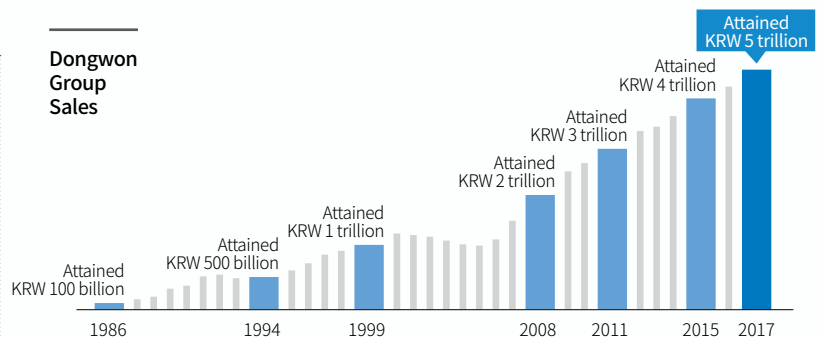


Dongwon Group **44** companies  
Holding Company: Dongwon Enterprise

Domestic subsidiaries **22** companies

Overseas Subsidiaries **21** companies

### Dongwon Group Sales



Marine/Logistics  
Businesses

## Dongwon Industries

The world's best fishing company



Dongwon Industries was established in April 1969 to pioneer the sea, a repository of food resources. Since its establishment, Dongwon Industries has led the fishery industry of the Republic of Korea traversing the five seas and improving the dietary lives of Korean people with a variety of processed marine food products. Dongwon Industries delivers the true taste and impression of the seas to its customers' tables.

### Mid- to Long-term Strategies



### Marine and Trade Division

The sun never sets on Dongwon's seas. Even at this very moment, the world's largest fleet under Dongwon's direction is pioneering through the sea farms of the Pacific, the Indian and the Antarctic oceans. Fresh tuna caught in these oceans are frozen immediately so that freshness is delivered right onto the customers' tables. Dongwon stands at the forefront of the Korean fisheries industry by exporting high-quality tuna to Japan, the United States and Europe.



#### Dongwon Industries Acquires HACCP Certification, a Global Standard in Food Hygiene Management

The production plants of Dongwon Industries have been certified by HACCP (Hazard Analysis Critical Control Point), confirming its status as a trusted professional marine product company with the highest standards in food hygiene management.



#### Compliance with the Regulations of the Regional Fisheries Management Organization (RFMO)

As Korea's largest and most well-known fishing company, Dongwon Industries complies with the regulations of all international organizations including the WCPFC, ICCAT, IATTC, CCAMLR and CCSBT, and endorses environmental management policies for the sustainable development of the fisheries industry.

### The Logistics Division - LOEX

LOEX, the logistics division of Dongwon Industries, is Korea's first 3PL company equipped with logistics networks nationwide and the Cold Chain System, as well as a transportation and delivery system that can cover the entire country within 24 hours. Through its transportation network with a national reach and with 72 global partners, LOEX provides door-to-door, one-stop total logistics services satisfying various customer needs.

#### Mid- to Long-term Strategies

Vision	Cold Chain Logistics Value Creator	
Strategic Tasks	<p><b>Maintain and reinforce the strengths of existing businesses</b></p> <ul style="list-style-type: none"> <li>- Strengthen the cold chain business</li> <li>- Expand the air logistics market</li> <li>- Expand the cold storage business</li> </ul>	
	<p><b>Strengthen competitiveness</b></p> <ul style="list-style-type: none"> <li>- Improve the profit generating scheme</li> <li>- Pursue efficiency-centered on-site operations</li> <li>- Strengthen transportation competitiveness</li> <li>- Expand investment in infrastructure</li> </ul>	
	<p><b>Achieve external growth through new businesses</b></p> <ul style="list-style-type: none"> <li>- Gain entry into the B2C and distribution logistics markets</li> <li>- Promote logistics development businesses</li> <li>- Promote freight shipping information network businesses</li> <li>- Expand global businesses</li> </ul>	

#### 01 Consulting

- Logistics innovation BPR (Business Process Reengineering)
- Establish long-term logistics strategies
- Optimize bases and inventory management
- Establish delivery and transportation networks

#### 02 Forwarding

- Import/Export forwarding
- Marine, air and land transportation
- Warehousing, quarantine, customs agency

#### 03 Transportation

- Generate transportation energy through connection transportation for existing clients
- Ensure stable management of vehicle supply
- Apply advanced transportation information system

#### 04 Storage

- Ensure optimal temperature management for each temperature range
- Operate Icheon Automated Storage
- Establish the best storage facilities

#### 05 Distribution and Processing

- Labelling/Sealing/Bundling
- Attach stickers to imported products
- Assemble/Disassemble sets
- Manage operation productivity

#### 06 Center Operation

- Achieve stabilization by inputting logistics professionals
- Apply advanced logistics information systems
- Ensure strict management of incoming/outgoing of products

#### 07 Delivery

- Provide solutions to reduce logistics fees through joint delivery
- Designate delivery personnel per area and establish/operate advanced TMS (Transportation Management System)

Marine/Logistics  
Businesses

## Dongbu Express

A comprehensive logistics company covering all areas of logistics



Since commencing business in 1971, Dongbu Express has grown into a comprehensive logistics company covering all areas of logistics from cargo transportation, loading and unloading, storage, international logistics, overseas logistics, and logistics consulting. Not only has the company secured major ports throughout the nation from Busan to Incheon, Ulsan, Dangjin, and Donghae, but it is also established regional railway and shipping bases while building a global logistics network in numerous countries overseas. Dongbu Express generates the highest customer values by responding proactively to the rapidly changing global logistics market.

### Mid- to Long-term Strategies

Strategies	Strengthen the Capacity of Existing Projects	Expand Networks by Reinforcing Infrastructure	Enter New Business Areas
Strategic Tasks	<p><u>Perform differentiated logistics</u></p> <ul style="list-style-type: none"> <li>- Renewable energy, hazardous chemical storage</li> </ul> <p><u>Inter-business services</u></p> <ul style="list-style-type: none"> <li>- Strengthen inland transportation, port unloading, container storage, forwarding services</li> </ul>	<p><u>Secure container terminals</u></p> <ul style="list-style-type: none"> <li>- Respond to increasing container supply by securing Busan New Port container pier</li> </ul> <p><u>Secure exclusive-automobile pier</u></p> <ul style="list-style-type: none"> <li>- Carry out automobile unloading business on Gwangyang Port, a fast-growing site for automobile storage and transshipment</li> </ul> <p><u>Expand infrastructure for storage business</u></p> <ul style="list-style-type: none"> <li>- Strengthen association with port unloading and transportation business with an entry into Busan/ Incheon new port hinterland</li> </ul>	<p><u>Diversify business by tapping into marine transportation</u></p> <ul style="list-style-type: none"> <li>- Strengthen association with existing businesses through bulk chartering</li> </ul> <p><u>Prepare to gain the upper hand in domestic companies' engagement in North Korean logistics businesses</u></p>

**Transportation Business** Dongbu Express provides fast and safe transportation service by connecting logistical bases in major regions nationwide. By operating transportation services with approximately 2,000 vehicles and the railway network throughout the country, it provides real-time tracking services to customers. The company is also equipped with infrastructure that can satisfy the varying needs of customers from container transportation to bulk cargo, liquid cargo, dangerous goods, and refrigerated food.

**Storage Business** Dongbu Express offers storage services through 14 storage facilities in nine bases nationwide for the storage of ordinary cargo, refrigerated cargo and frozen cargo in ports and inland areas.

**Cargo Handling Business** Dongbu Express provides loading and unloading services for various types of cargoes, from containers to bulk and heavy cargoes, by securing infrastructure in major ports around the nation including Busan, Incheon, Ulsan, Dangjin, Pyeongtaek, and Donghae.

**Forwarding and Overseas Business** As a trusted partner of domestic and foreign companies, Dongbu Express provides forwarding services in cooperation with 129 global partners including India, Vietnam, China, and the United States in a total of six overseas bases in four countries.



Marine/Logistics  
Businesses

## Dongwon CS

Northeast Asia Cold-Storage Logistics Leading Company



Dongwon CS is a cold storage company that transports 80,000 tons of frozen marine products to major ports around the world. As a hub of Northeast Asian forward logistics base connected to Korea as well as Japan, China, and Russia, it leads in supplying fresh marine products, stabilizing prices, and improving the distribution structure.

Of the stored goods, 70% are import cargoes exported from the United States and Russia to Japan and the EU, demonstrating the trust that Dongwon CS has won from its customers worldwide. Dongwon CS will become the center of the 21st-century Northeast Asian logistics network, leading the acquisition of foreign currencies and the expansion of exports.

Marine/Logistics  
Businesses

## Dongwon LOEX

Landmark of Cold-Storage Logistics in Northeast Asia



Dongwon LOEX is the world's largest cold storage provider with a total area of 16,172 pyeong, capable of storing a maximum of 61,000 tons and handling a maximum of 3,000 tons of logistics per day. It was selected as a tenant in the Ungdong Logistics Distripark in Busan New Port in 2015.

Since launching business in October 2017, Dongwon LOEX has delivered agricultural, livestock, marine and processed products from all parts of the world in their best and the freshest state to its customers. Based on its optimal locational conditions and the latest facilities, Dongwon LOEX will establish itself as the landmark of cold storage logistics in the Busan-Jinhae Free Economic Zone to become the center of the world's best logistics business.

Food Processing/  
Distribution Businesses

## Dongwon F&B

Comprehensive health food company that contributes  
to customers' health



Dongwon F&B is a food company established as a spin-off of the food sector of Dongwon Industries in November 2000. F&B represents the spirit in which the company aims to become the “First” and the “Best” food culture company that contributes to its customers' health. By reflecting its corporate philosophy – good food is the best medicine – upon various food products, Dongwon F&B fills its customers' tables with healthier foods and their lives with culinary delights. Furthermore, the company is making its name synonymous with “safe and reliable food” by maintaining the freshness and quality of its products at perfect level through its safety management system and the Dongwon Food Science Research Institute. At the same time, Dongwon F&B is strengthening the competitiveness of existing businesses and expanding business areas in order to become a global food company. It is also tapping into overseas markets actively and is aiming to be the first and the best. Dongwon F&B will continue to contribute to the national health as a general food company representing a healthy food culture.

### Mid- to Long-term Strategies

Vision	The First and the Best Food Culture Company Contributing to Consumer Health		
Goals	Manage Changes toward Performance Generation / Strengthen the Competitiveness of Human Resources for Future Growth / Improve Organizational Culture		
Strategic Tasks	<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><u>Selection and concentration strategy for existing businesses</u> <u>“Expand businesses by investing in high-potential businesses”</u></p> <ul style="list-style-type: none"> <li>- Turn the dairy business into a KRW 1 trillion business</li> <li>- Continue to promote strategic businesses as main businesses</li> </ul>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><u>Promote “First and New” businesses “Tap into healthy meal replacement market”</u></p> <ul style="list-style-type: none"> <li>- Food: Care food, meal kit</li> <li>- Dairy food: Health functional foods for immunity, CMR, functional milk powder</li> <li>- Health food: expand to GNC Vietnam, ingredient-based business</li> </ul>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><u>Innovation in infrastructure: Sales, online, global “Channel shift and infrastructure innovation”</u></p> <ul style="list-style-type: none"> <li>- Innovate distribution structure in sales (Promote local commercial areas)</li> <li>- Become No. 1 in online food manufacturing and distribution</li> <li>- Localize overseas businesses and focus on Southeast Asia for business expansion</li> </ul>



### Dongwon F&B's Signature Brand

 Basis for healthy dietary life	 Traditional taste and beauty reinterpreted in a modern sense	 온라인 No.1 식품쇼핑몰 Megamart, Costco, etc. 10,000 items at once!
 Premium canned precooked meat product	 The world's top class dairy products	 Milk containing happiness of nature
 Minerals for my body	 Tasty and hearty Dongwon Gaeseong Dumplings	 Better taste with real crab meat!
 Hot blasted in the oven Oven&Grilled	 Healthy, 100% locally produced sausage	 Prepared with carefully selected green tea leaves from Bosung
 Steamed under Extra-high Pressure, Ssen Cook	 Real pasta sauce with fresh ingredients	 Full of chunky fruit!
 Healthy solutions for my animal companion	 Products with the highest quality and softness	 Simple snack made of farm products, Dongwon natural bite-size snack series
 GNC for Health of the World	 Cheonjiin Red Ginseng, properly prepared by Dongwon	 Good nutrition habits to make a healthy day

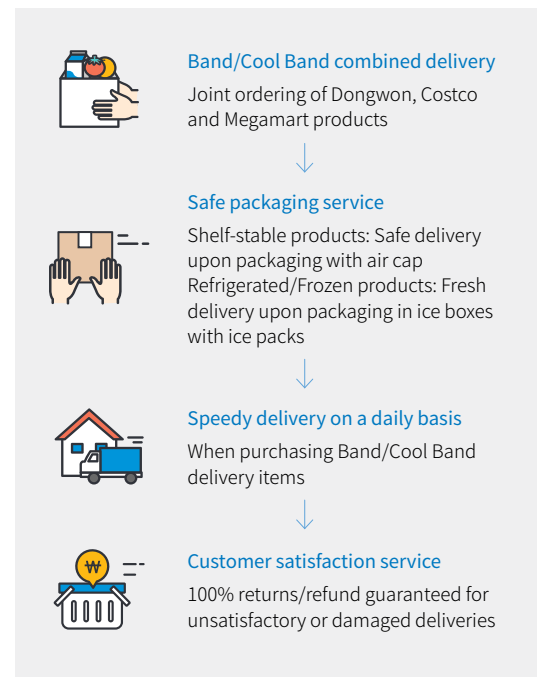
### Major Performance in 2017

#### Promoting Online Channels

Today, an increasing number of consumers purchase products online in order to spend their time more efficiently. In line with these changes, Dongwon F&B's Dongwon Mall offer online distribution services, ensuring consumer satisfaction by delivering reliable products at the time of their choice.

To communicate better with consumers, Dongwon Mall has also introduced a new chatbot service "Foody", an AI-based service which promptly recognizes the information customers are looking for and provides optimal answers.

#### "Band Delivery", a Smart Delivery Service for Improved Online Delivery



Food Processing/  
Distribution Businesses

## Dongwon Home Food

Outsourced Meal Provider, Food Material Distributor  
and Catering Service Provider



Dongwon Home Food, which started the group food service business in 1993, has a management policy of "Good food and good health come from the same root". As a B2B comprehensive food company, Dongwon Home Food is expanding its business areas to food services, distribution of food ingredients and dining franchise, creating a healthy and flavorful food culture with a firm commitment to delivering the best-tasting food to its customers.

### Mid- to Long-term Strategies

Vision	Food Culture Distribution Company Offering New Values and Experiences				
Goals	<ul style="list-style-type: none"> <li>Establish competitiveness in the food ingredient business by advancing sales</li> </ul>	<ul style="list-style-type: none"> <li>Secure competitiveness in online businesses by expanding platforms</li> </ul>	<ul style="list-style-type: none"> <li>Solidify No. 1 position in the seasoning industry by reinforcing core capacities</li> </ul>	<ul style="list-style-type: none"> <li>Innovate the profit-and-loss structure and secure future growth engines</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen consumer communication and expand shopping mall platforms</li> </ul>
Strategic Tasks	<p><b>1</b> <u>Pursue growth of existing businesses and strengthen the profit base</u></p> <ul style="list-style-type: none"> <li>Develop into a business area of KRW 1 trillion in revenue: Food ingredients, livestock meat</li> <li>Lead the seasoned food business by being the unrivaled No. 1 in the industry</li> <li>Strengthen the profit structure by focusing on high-margin channels for each business</li> <li>Strengthen competitiveness by creating more synergy among businesses</li> </ul>	<p><b>2</b> <u>Expand business areas and establish the basis for sustainable growth through new businesses</u></p> <ul style="list-style-type: none"> <li>Expand to B2C distribution business</li> <li>Advance platform-based online businesses</li> <li>Expand into raw material business by increasing competitiveness in purchasing raw materials for manufacturing</li> <li>Expand businesses by considering future consumption patterns</li> </ul>	<p><b>3</b> <u>Strengthen core competency by advancing support infrastructure</u></p> <ul style="list-style-type: none"> <li>Establish business competitiveness by building a manufacturing base</li> <li>Strengthen product competitiveness by reinforcing purchasing, R&amp;D and marketing</li> <li>Advance the support system by strengthening IT the logistics services</li> <li>Foster professionals in each field through systematic human resources management</li> </ul>		

**Food Distribution Division** Dongwon Home Food secures high-quality food materials at reasonable prices through direct marketing with rural producers and supplies these food materials promptly and precisely to over 7,000 client companies including restaurants, large franchise restaurants and caterers. Built exclusively for the Food Distribution Division, the Sihwa Distribution Center is fully equipped with an advanced refrigeration and freezing system, making it the largest distribution center in Korea.

**Livestock Product Distribution** Since acquiring "Kumchon Meat," a company specializing in online livestock product distribution in 2015, Dongwon Home Food has provided highest-quality livestock products including Korean beef, beef cattle, Korean pork, imported meat, processed products and ground meat. The company provides prompt delivery services to approximately 50,000 client companies by establishing a "CCS next-day delivery system" using its nationwide transportation network.

**Food Service Division** The Food Service Division of Dongwon Home Food is becoming a trusted partner in the food service industry by preparing each and every meal with fresh and safe ingredients like a mother who only wishes good things for her children, providing 130,000 meal servings every day to over 240 clients including public offices, companies and hospitals.

**Seasoned Food Division (Samjo Celltech)** Samjo Celltech is the Seasoned Food Division of Dongwon Home Food specializing in the production and supply of ingredients such as sauces, dressings, seasonings, premixes and spices to food companies. Using over 3,000 ingredients and 30,000 recipes, food researchers offer customized products to each client by providing total solutions from product planning to production and delivery. With a professional mind of creating a new food culture and extensive technological know-how, Samjo Celltech will lead the future food culture of Korea.

**HMR Division** "The Banchan" is an exclusive home meal replacement (HMR) brand of Dongwon Home Food representing the sincerity of homemade meals. "Charim" is a ready-to-eat food brand focusing on providing simple, yet nutritionally balanced meals to people living in a busy modern society. The company manufactures healthy and simple HMR products every day at the "DSCK Center", a large-scale modern HMR plant recently opened in downtown Seoul.

**Dining Division** The Dining Division of Dongwon Home Food is laying the foundation to become a professional dining company by launching "Sandpresso," which offers handmade sandwiches and fresh coffee, as well as self-service dining shops "Lounge'D" and "Lounge'O," offering Italian fusion dishes for a reasonable price.

Food Processing/  
Distribution Businesses

## Dongwon Wine Plus

### Imported Wine Distributor



Dongwon Wineplus is a professional importer and distributor of the world's top wine brands, adding a refined taste to its customers' lives with great wines such as Laurent Perrier, known as a masterpiece of champagne; Montgras of Chile, which continuously enjoys immense popularity based on its excellent quality that is as brilliant as the brightly shining sun; Felsina, a living proof of the tradition of Toscana Chianti of Italy; Michel Lynch, a special grade wine of Bordeaux produced by the renowned wine maker, Ch. Lynch Bages; and Monasterio of Spain, known as "Value for Money" wine approved by Robert Parker. Dongwon Wine Plus will be its customers' partner in elevating their quality of life by continuously expanding the wine market base.

### Mid- to Long-term Strategies

Vision	A Leader in Rich Food Culture				
Strategic Tasks	<p><b><u>Achieve high-efficiency-management</u></b></p> <ul style="list-style-type: none"> <li>- Ensure efficient execution of selling and administrative expenses and maximize operating profit</li> <li>- Achieve No. 1 status in employee productivity in the industry</li> <li>- Secure outstanding talent</li> </ul>	<p><b><u>Expand strategic channels and large-scale distribution</u></b></p> <ul style="list-style-type: none"> <li>- Wholesale/Businesses, expand road shops/MD activities, wine-tasting events</li> <li>- Expand clubs/lounge bars, golf clubs/resorts</li> <li>- Expand into department stores, warehouse outlets and convenience stores</li> <li>- Expand exclusive and high-margin products</li> </ul>	<p><b><u>Promote and introduce International brands</u></b></p> <ul style="list-style-type: none"> <li>- Aim for annual growth of cost-competitive International brands.</li> <li>- Introduce of premium American and Italian wine annually</li> <li>- Develop customized PB brands and products for each channel</li> <li>- Strengthen story-telling and contents of major brands</li> </ul>	<p><b><u>Logistics infrastructure</u></b></p> <ul style="list-style-type: none"> <li>- Strengthen first-party logistics and delivery services</li> <li>- Consider wine logistics and delivery business</li> </ul>	<p><b><u>New business expansion and diversification</u></b></p> <ul style="list-style-type: none"> <li>- Import accessories such as wine glasses</li> <li>- Operate wine shops/bars, casual dining restaurants directly managed by the company</li> </ul>

Food Processing/  
Distribution Businesses

## Dongwon Farms

### High-Quality Feed Manufacturer



Dongwon Farms is a general formula feed maker and distributor supplying quality feed to livestock farmers. It is gaining absolute trust from livestock farmers with nutritional plans optimized to the characteristics of livestock, feeding programs adjusted to the breeding environment and high-quality feed. Through continuous research, Dongwon Farms will lead the market by placing the highest priority on the profit of breeding farmers in the development of feeds.

### Mid- to Long-term Strategies

Vision	Livestock Company Placing the Highest Priority on Its Customers		
Strategic Tasks	<p><b><u>Build the basis for growth</u></b></p> <ul style="list-style-type: none"> <li>- Establish a nationwide sales network</li> <li>- Seize a gap in the market</li> <li>- Tap into the niche market</li> </ul>	<p><b><u>Identify new growth engines</u></b></p> <ul style="list-style-type: none"> <li>- Use automation facilities to expand new sales</li> <li>- Tap into the consignment business to establish systematization</li> </ul>	<p><b><u>Strengthen internal capacity</u></b></p> <ul style="list-style-type: none"> <li>- Attract and develop experts</li> <li>- Enhance cost competitiveness</li> <li>- Secure technological competency through advanced overseas companies</li> </ul>

Living Service  
Businesses

## Dongwon Systems

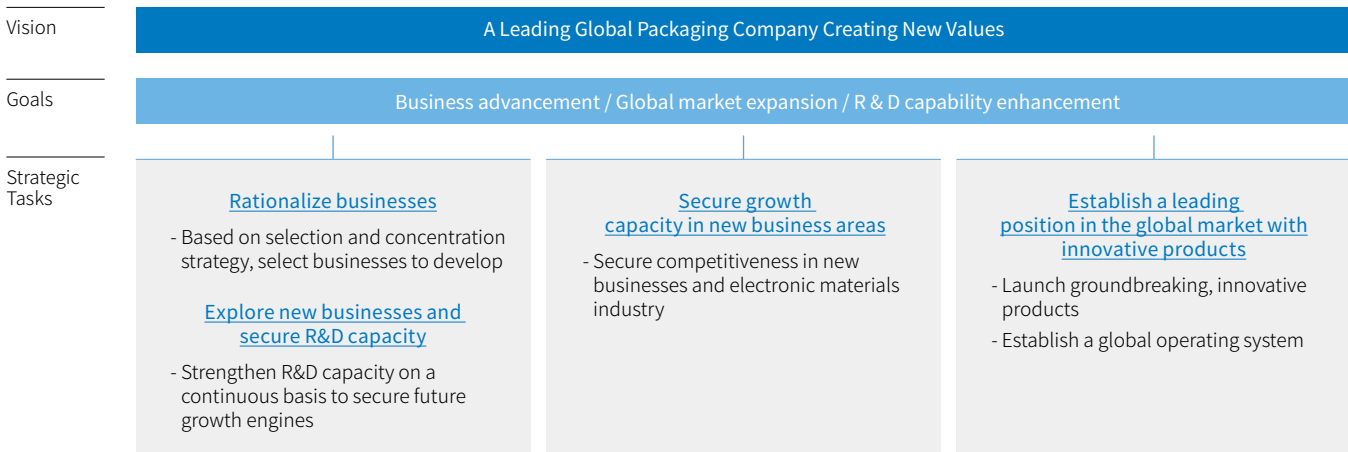
High-tech Industrial Material Specialist



Since its establishment in 1977, Dongwon Systems has developed and concentrated on the competence of its organization based on its fearless spirit and a sincere heart that cares about customers in order to provide the best products that are highly functional and convenient.

Through bold investments in R&D, development of new and differentiated items, promotion of full-scale overseas operations, and environment-friendly efforts, Dongwon Systems has become a total packaging manufacturing company with global competitiveness capable of covering a wide range of items from raw materials to finished products.

### Mid- to Long-term Strategies





**Business Overview**

As a long-standing partner of leading companies at home and abroad, Dongwon Systems contributes to the growth of its customers with extensive expertise in all packaging materials including flexible packaging, bottles, cans, industrial film, and aluminum foil. It is growing into a global packaging manufacturing company for customers who seek out Dongwon Systems in the U.S., South and Central Americas, the Middle East, and Asia.

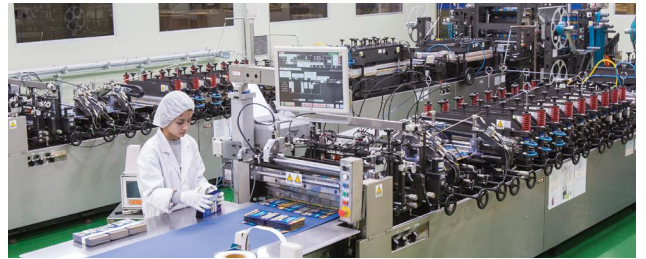


**Aluminum Division**

The Aluminum Division of Dongwon Systems achieves customer satisfaction by providing the best products and services with the latest facilities and know-how accumulated over 40 years. It provides total material solutions in various industrial fields such as aluminum for flexible packaging materials, FIN materials for heat exchanger used in air conditioners and automobiles, secondary batteries and electric/electronic devices, aluminum for industrial and construction use, and aluminum for wire and optical cables.

**Resin/Printing Division**

The Resin/Printing Division of Dongwon Systems manufactures films for sanitary articles, food packaging and for industrial use. It continuously improves quality through printing technologies and know-how accumulated over 40 years.



**Flexible Packaging Division**

The flexible packaging plants (in Jincheon, Cheonan and Asan) of Dongwon Systems supply approximately 3,000 different kinds of flexible packaging materials to domestic and foreign customers with the latest production facilities and a perfect inspection system. It has acquired various certifications applied to packaging materials such as the ISO9001, ISO14001, ISO22000, KOSHA18001 and FDA/IMS, while its professional researchers at the Packaging Research Institute develop and supply a variety of innovative packaging materials to major companies including Nestle and MARS.



**Can Division**

Dongwon Systems leads the two-piece can industry with a strict on-site management system equipped with the latest high-speed press facilities. It introduced the distortion printing method for food cans for the first time in Korea and also developed DRD<sup>1)</sup> cans enabling the printing of images on cans, which contributed to securing quality for food companies. Dongwon Systems also started local production for EOE<sup>2)</sup>, which had previously relied entirely on imports. This change has led to reduced costs and increased competitiveness to meet deadlines, while continuously receiving favorable feedback from both domestic and overseas markets.

1) DRD (Drawn and Dedrawn)

2) EOE (Easy Open End)

Living Service  
Businesses

## Techpack Solutions

Techpacksolution



Techpack Solutions has firmly established its position as a leader in the industry by localizing the production of aluminum bottle cans – a new type of metal packaging container which formerly had depend on imports – for the first time in Korea, as well as making bold investments in can lines and glass bottle melting facilities.



### Glass Bottle Division

As a leader in the industry supplying 40% of glass bottles consumed in Korea, Techpack Solutions is a long-time partner of global and domestic companies, contributing to the growth of its clients through technological capacity and quality of the highest standard covering various sizes and colors.



**Techpack Solutions  
succeeds in manufacturing  
lightweight one-way bottles  
for the first time in Korea**

\*Technological cooperation with Toyo Glass

\*Narrow Neck Press Blow (NNPB) method



### Can & Bottle Can Division

The Can and Bottle Division of Techpack Solutions is responsible for meeting 25% of the domestic can demand as a trusted partner of global companies (AB InBev, Coca-Cola, etc.) and large corporations of Korea, providing customer satisfaction by succeeding in the production of two-piece aluminum cans for the first time in Korea and leading the changes and expansion of the can market through the introduction of bottle can facilities as well as other technological developments.



### PET Bottle Division

Techpack Solutions plays a leading role in the domestic packaging materials industry, introducing PET bottles to Coca-Cola Korea and launching one-piece bottles for carbonated beverages through technological developments.



Living Service  
Businesses

## Dongwon Construction Industries

Comprehensive construction company



Dongwon Construction Industries achieves its vision of generating consumer-oriented values and delivering maximum happiness by building a new housing culture that serves as the basis of customer happiness and designing eco-friendly cities in harmony with nature.

### Construction Division

In pursuit of the vision of realizing the human technology which advocates a balanced co-existence of man and space with the primary goal of attaining sustainable management, the Construction Division of Dongwon Construction Industries builds a variety of buildings including apartment complexes, hotels, offices, schools, hospitals and cold storage in key areas around the country based on its “Customer First” principle. It also actively participates in the construction of social overhead capital facilities such as highways, ports, railroads, and bridges to contribute to the development of the national infrastructure.

### PM Division

The PM (Productive Maintenance) Division of Dongwon Construction Industries enhances real estate values through environment/energy and remodeling businesses based on the PM services which increases the value and utility of assets through creative facilities management and the FM service which focuses on technology and know-how.

Living Service  
Businesses

## Dongwon CNS

Recruiting Service Provider



Dongwon CNS provides outsourcing services in a variety of fields. In the food industry, in particular, the company is recognized as a provider of the highest-quality outsourcing services based on an outstanding level of expertise and know-how accumulated over the years.

### Business Solutions

Dongwon CNS only recommends professional manpower with proven job performance in their respective fields. Particularly in the food industry, Dongwon CNS supports marketing activities that intensify the client's core competencies based on years of know-how. Dongwon CNS provides services of the highest quality by building long-term, strategic relationships with its clients through differentiation and professional competence rather than simply providing outsourcing services for their cost reduction.

## Global Network

Following its acquisition of StarKist, the largest canned tuna brand in the United States, in 2008, Dongwon Group has been strengthening its efforts to expand its influence in the global market by targeting Senegal, China and Japan. While it continues to provide value in various areas in the global market such as foods, packaging materials and logistics, Dongwon will grow as a worldwide recognized company by pioneering new markets throughout the globe.

### Performance of Overseas Businesses (As of the end of 2017)

#### Overseas Revenue

KRW **1,065,815** million

#### Overseas Operating Profit

KRW **101,871** million

#### Overseas Employees

**5,474** persons  
(Expatriates: 44, local staff: 5,430)



### Long-term Strategies for Overseas Businesses



#### Convenient Healthy Food Company

With 100 years of history, global tuna brand StarKist has the largest market share in the processed tuna market in the United States. With plans to respond to the growth of its e-commerce and strengthen our ready meal product line, Dongwon will communicate with customers and reinforce market leadership through IT technologies.



#### Global Top Tier Cannery

As a global tuna cannery, S.C.A SA seeks to grow into a top-tier cannery in the global market. Based on its profit turnaround in the first quarter of 2018 after the acquisition, S.C.A SA will work toward the goal of €130 million in annual revenue by 2023 by processing 40,000 tons of tuna annually.



#### Top Tier Packaging Material Companies

TTP and MVP are packaging production companies in Vietnam, manufacturing and selling flexible packaging materials, PET and CPA. Based on a strict localization strategy, TTP and MVP will focus on flexible packaging and PET bottle business, respectively, growing into leading companies in each area by strengthening their expertise.

Dongwon's world map is upside down.  
 When you flip over the world map, the Korean Peninsula  
 points toward the Pacific Ocean, and Eurasia is positioned  
 like a stepping-stone.



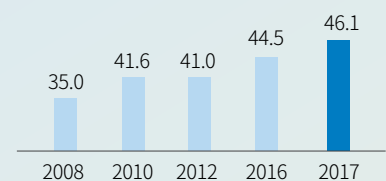
**BUSINESS CASE**

**Celebrating the 10<sup>th</sup> Anniversary of the Acquisition of StarKist,  
 the Cornerstone of Dongwon's Expansion into the Global Market**

Dongwon Group first set its foot in the global market in 2008 by acquiring StarKist, the largest tuna brand in the world. It took only six months after acquisition for the brand to achieve a profit turnaround, showing continued growth in market share from 35% in 2008 to 46.1% in 2017. Through innovation in pouch products, which are the brand's core products, with strengthened marketing, StarKist provides high-quality healthy foods and has gained a stronger market influence. Dongwon Group will continue to devise new strategies and provide support for the growth of StarKist.



StarKist's Market Share Trend for Decade  
 (Unit: %)



## Sustainability Management Value System

Dongwon Group defines sustainability management as a growth of its organizations and people in a healthy and transparent manner as well as a creation of new opportunities by thorough preparation for the future accompanied by its stakeholders. Based on its three major management principles, Dongwon Group has implemented sustainability management since 2016 in seven areas:

### Sustainability Management System



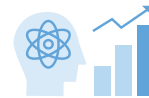
#### Three Major Management Principles



Dongwon defines the management principle that customers are the basis of a company's business and its raison-d'être and this is why we should always make decisions from the customers' point of view and grow hand-in-hand with them. Dongwon provides "sustainable production, products and services"; strengthens "customer communication" and undertakes "social contribution activities".



Based on the management principle that a company and its people can grow together when the company recognizes each employee as an independent being and creates an environment for mutual development, Dongwon pursues the growth of the company and its employees by "enhancing the sustainability of its human resources" and "advancing ethical and compliance management".



Based on the management principle that, in order for a company to develop and grow, it should provide new values, strengthen its organizational capacity and implement pioneering and innovative management, Dongwon undertakes various activities in relation to "establishing a sustainable supply chain" and "strengthening its environmental safety management system".

#### Seven Areas of Implementation

- 01 Providing sustainable production, products and services
- 02 Strengthening communication with customers
- 03 Undertaking social contribution activities

- 04 Enhancing the sustainability of human resources
- 05 Advancing ethical and compliance management

- 06 Establishing a sustainable supply chain
- 07 Reinforcing the environmental safety management system

### Long-term Tasks and Action Plan for Each Area of Implementation

Dongwon Group has set clear directions in implementing sustainability management by establishing precise long-term implementation tasks and action plans. Dongwon undertakes strategic long-term activities in seven areas of implementation to strengthen its business competitiveness and achieve stakeholder satisfaction.

### Seven Areas of Implementation

Areas of Implementation	Directions	Long-term Tasks	Action Plan	Activities and Performance
01 Providing sustainable production, products and services	<ul style="list-style-type: none"> <li>Strengthen quality competitiveness at the company level from selection of raw materials to production processes</li> <li>Enhance customer values and contribute to generating social and environmental values through products and services</li> </ul>	<ul style="list-style-type: none"> <li>Establish a sustainable sourcing system</li> </ul>	<ul style="list-style-type: none"> <li>Comply with all relevant laws and regulations from the selection of raw materials to production</li> <li>Establish a compliance monitoring system for sourcing</li> </ul>	Pages. 29~33
02 Strengthening Customer Communication	<ul style="list-style-type: none"> <li>Undertake various communication activities</li> <li>Advance the management system and indicators to improve customer service and satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Establish a sustainable assessment response system</li> </ul>	<ul style="list-style-type: none"> <li>Establish and manage a customer audit response process</li> <li>Collect feedback regarding sustainability management reports and make improvements</li> </ul>	Pages. 58~61
03 Social Contribution Activities	<ul style="list-style-type: none"> <li>Undertake social contribution activities in each business area in consideration of business characteristics and customer needs</li> <li>Participate actively in social issues as a corporate citizen</li> </ul>	<ul style="list-style-type: none"> <li>Develop strategic social contribution programs</li> </ul>	<ul style="list-style-type: none"> <li>Establish and develop major ideas for Dongwon Group's signature social contribution program (Jayang Life Academy)</li> </ul>	Pages. 41~43
04 Enhancing the Sustainability of Human Resources	<ul style="list-style-type: none"> <li>Strengthen human resource development to secure and maintain talented employees in the future</li> <li>Undertake value-enhancing activities for each employee, including the good workplace program</li> </ul>	<ul style="list-style-type: none"> <li>Establish employee friendly corporate culture</li> <li>Strengthen in-house communication</li> </ul>	<ul style="list-style-type: none"> <li>Conduct activities to increase employee satisfaction</li> <li>Strengthen in-house communication</li> </ul>	Pages. 35~39
05 Advancing Ethical and Compliance Management	<ul style="list-style-type: none"> <li>Advance the management system to promote the spirit of ethics and compliance</li> <li>Identify and improve ethical risks according to differing characteristics of each business area</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen integrity management monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Establish a culture of integrity management and achieve zero accidents</li> <li>Operate Compliance Committees in subsidiaries</li> <li>Conduct customized education for integrity management and write pledges of compliance</li> </ul>	Pages. 74~75
06 Establishing a Sustainable Supply Chain	<ul style="list-style-type: none"> <li>Select, foster and maintain mutual relationships with suppliers with high-quality competitiveness</li> <li>Block potential risks in advance that may arise in the course of business transactions with suppliers, and lead a fair trade culture</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen win-win growth and mutual management activities</li> </ul>	<ul style="list-style-type: none"> <li>Expand supplier communication channels</li> <li>Identify tasks to improve win-win growth assessments and achieve higher grades within this index</li> </ul>	Pages. 70~71
07 Reinforcing the Environmental Safety Management System	<ul style="list-style-type: none"> <li>Establish a company-wide environmental safety management system and strategies in each subsidiary</li> <li>Respond proactively to risks related to environmental safety and carry out activities to respond to such risks</li> </ul>	<ul style="list-style-type: none"> <li>Establish an environmental health and safety management system</li> <li>Secure the capacity to respond to GHG (Greenhouse Gas) regulations</li> </ul>	<ul style="list-style-type: none"> <li>Undertake activities to improve energy efficiency</li> <li>Establish an EHS (Environmental Health Services) system and achieve zero safety accidents</li> </ul>	Pages. 32~33 Pages. 62~64



## Sustainability Key Performance

Dongwon Group pursues sustainable growth as a “company vital to society by generating new values.”

In particular, it contributes to the sound development of society by providing safe and healthy products and services, building an employee-friendly corporate culture and creating values to mutually grow with society.





Material Topic — 1

## **PUTTING SAFETY FIRST**

*28p*

Material Topic — 2

## **BUILDING AN EMPLOYEE-FRIENDLY CORPORATE CULTURE**

*34p*

Material Topic — 3

## **CREATING SHARED VALUE WITH SOCIETY**

*40p*

# 1

## Material Topic

### Putting Safety First

Dongwon Group implements thorough quality and safety management for all of its products throughout their entire life cycle from the selection of raw ingredients to production. Furthermore, by expanding the scope of management from within the company to the supply chain, Dongwon Group ensures that its safety management system is strengthened and a safety culture is firmly established.

#### → Management Approach

Throughout society, there is an increasing consumer awareness of product quality and hygiene. Accordingly, companies are required to have a high level of safety awareness throughout the entire production process in order to guarantee the health of customers and the safety of their employees and on-site workers. Recognizing such demands as an important opportunity, Dongwon Group enhances its corporate competitiveness by strengthening product safety in order to reduce safety-related risk factors and reinforcing the safety management systems regarding its employees, production workers and suppliers in each stage of sorting raw materials and manufacturing its products.

#### → Backgrounds

- Increase of consumer awareness on healthy foods and product quality / safety, stronger laws and regulations on product safety
- Stronger enforcement of product safety rules and regulations
- Reputational damage and monetary loss due to safety and/or health accidents on business sites

#### → Our Activities

<p>Advance of safety management system in product manufacturing</p>	<p>Securement of safe raw ingredients and OEM<sup>1)</sup> products by improving the quality management system of supply chains</p>	<p>Create safe business sites by strengthening safety accident prevention programs</p>
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1) OEM: Original Equipment Manufacturing  
2) VOC: Voice of Customer

#### → Performance in 2017



Reduction rate of VOC<sup>2)</sup> on suppliers' quality issues  
(Pertaining to Dongwon F&B)

17% decrease



Certification of food safety management system  
(Pertaining to Dongwon Systems)

FSSC22000



Accident rate  
(Pertaining to Dongwon Group)

0.35%

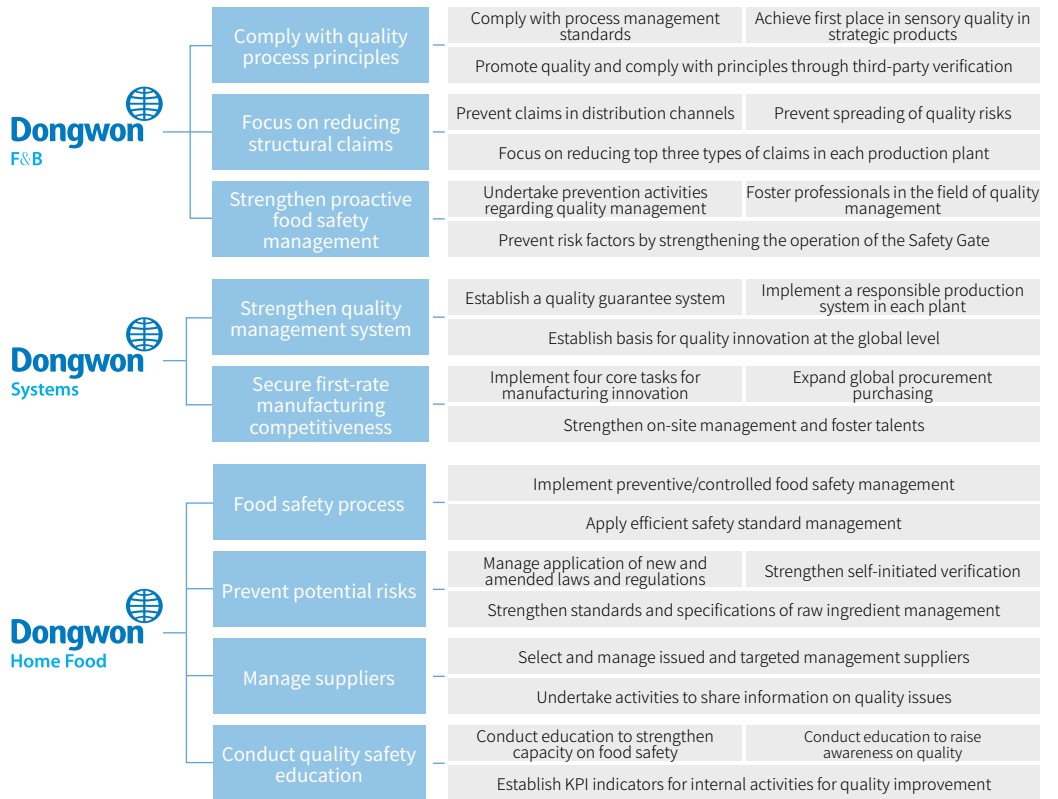
\*Industrial accident rate in 2017: 0.48%



## Implementation of Quality Management

### Quality Management Strategies

All subsidiaries under Dongwon Group establish strategies for the management of the product's quality and work to successfully undertake implementation tasks.

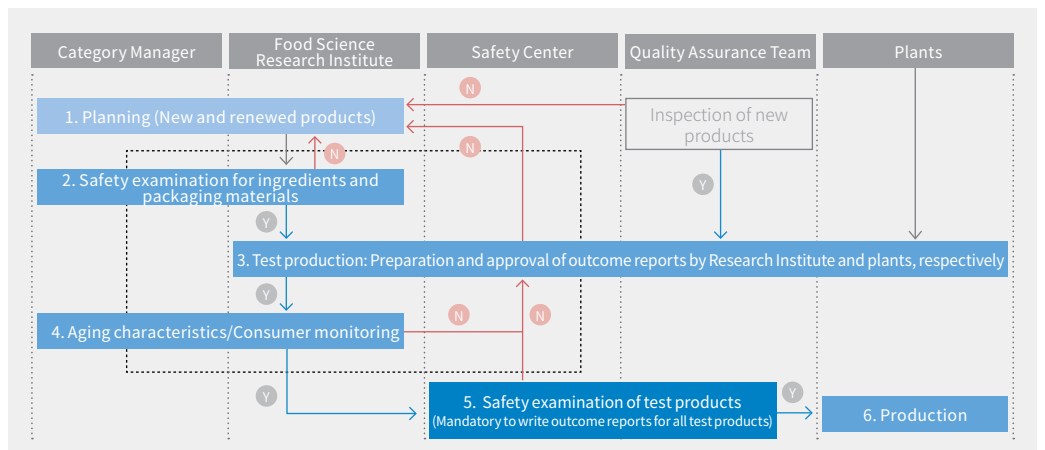


## Strengthening Product Safety

### Strengthening the Product Safety Gate

#### Operation of Product Safety Gate

Dongwon F&B has established and is operating a safety management system throughout the entire production process from development, production, distribution to consumption for all products. In particular, it operates a product safety verification system named the “Product Safety Gate” in order to verify all chemical and biological risk factors that may arise in each stage of production, including raw ingredient selection, manufacturing processes and production of finished products. Only those products that have passed the Safety Gate proceed to the next stage of production. The Safety Gate consists of five stages and strictly applies not only to products manufactured by the company but also to all OEM and imported products of Dongwon F&B.



**Product History Management System**

Dongwon F&B notifies all employees and suppliers of newly enacted or amended food-related laws via email. In the case of product labelling, product labels undergo strict management under the label statement inspection system as they are checked and re-checked by Marketing, the Research Institute, Quality Management, production plants and Design. The company also prevents false and excessive advertisements by adopting the advertisement examination system under which relevant departments examine advertisements in advance.

**Obtaining a Certification of Quality and Food Safety Management System**

Dongwon Systems and Techpack Solutions undertake activities to maintain, manage and obtain various new international certifications of quality and food safety, in order to continuously improve their quality assurance systems and strengthen customer trust in food safety. First of all, both companies have completed the 2015 version upgrade examination for the ISO9001 quality management system in all of their plants. The Haman and Asan plants of Dongwon Systems acquired the FSSC22000 for their food safety management systems in 2017, while Techpack Solutions upgraded its food safety system by establishing food defense and food fraud prevention processes to effectively prevent food terror threats from both internal and external sources. As such, both companies strictly observe quality management principles and optimize their production and operation systems to provide safe and high-quality products and services to customers.

**Preventing Product Quality Risks**

Dongwon Home Food manages risk factors that may be present in each stage of production from selection of raw ingredients to manufacturing, processing, storage, distribution, cooking to consumption by consumers. Prior to launching new B2B cooked food products, the company undertakes rigorous safety tests and quality assurance followed by test production and launches only those products that have passed all tests.

**Securing Safe and Healthy Raw Ingredients**

Dongwon Home Food undertakes regular examinations of agricultural, livestock and marine products in order to produce healthy products that customers can purchase without having to worry about any safety issues. By conducting close examination of numerous items such as residual pesticides, heavy metal, mycotoxins, PCBs, VBN and radioactive materials, the company secures raw ingredients of outstanding quality. Furthermore, it plans to expand the production of products made with organic, pesticide-free and antibiotic-free ingredients.

Quality Certification Status of Dongwon F&B Business Sites

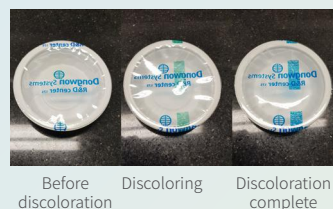
Type of Certification	HACCP	ISO 9001	Defense Quality Management System	Traditional Food Quality Certification	LOHAS	Processed Organic Foods	Children's Food Quality Certification	Halal Certification
Changwon	o							o Canned tuna (4 types)
Jincheon	o		o	o Kimchi products	o Kimchi products	o Kimchi products		
Seongnam	o	o						
Asan	o	o	o			o Organic Black Rice		o Dolgim and others
Cheongju	o	o						
Gwangju	o	o						
Yeoncheon	N/A	o						
Cheonan	o							o Hong Sam Jeong
Suwon	o						o Angel Milk (3 types)	
Jeongeup	o							
Gangjin	o					o Denmark Organic Cheese and 2 other products		

\* Other Certification: GMP (Cheonan) / Manufacture, processing and handling of non-antibiotic livestock products (Jeongeup)

**BUSINESS CASE**

**Developing Smart Packaging for Food Safety**

Dongwon Systems has developed smart packaging for food safety by applying color-changing sensors that detect fermentation products. The smart packaging was developed as a result of a government project jointly undertaken by academic-industry institutions from October to December 2017 for the purpose of promoting public health and safety. Through the application of this new technology, the utility of food packaging materials as well as the safety and hygiene of food are expected to increase. Dongwon Systems is also expected to generate new sources of profit by developing new markets for packaging materials.






## Supporting Supplier Quality Management

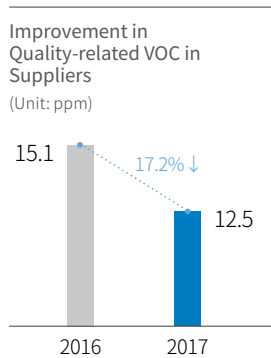
### Supplier Quality Management

#### Supplier Quality and Safety Management

Dongwon Home Food implements quality and safety management by segmenting suppliers by business areas and conducting regular audits on the products they supply. It also shares information and know-how on managing outstanding suppliers when conducting audits on new OEM suppliers, while enabling the production of high-quality products through regular audits on international OEM suppliers and the implementation of quality and safety management.

 **Supplier Audit Checklist**

<input checked="" type="checkbox"/> Legal Matters	<input checked="" type="checkbox"/> Environmental Pollution	<input checked="" type="checkbox"/> Water	<input checked="" type="checkbox"/> Facilities and Equipment	<input checked="" type="checkbox"/> Propriety of Process
<input checked="" type="checkbox"/> Finished Products	<input checked="" type="checkbox"/> Qualification and Correction	<input checked="" type="checkbox"/> Education	<input checked="" type="checkbox"/> Quality Check	<input checked="" type="checkbox"/> Verification Management



### Supplier Quality Improvement System

#### “Top and Top” CEO Meeting

Dongwon F&B invites the CEOs of its suppliers and holds meetings on a regular basis for reviewing quality-related VOC and discussing policies to improve product quality. In 2017, CEOs of 37 suppliers participated in three meetings each held in March, June and November, where Dongwon F&B encouraged the suppliers to improve their product quality by rewarding those that had achieved their targets and suggesting measures of improvement for those that fell short. Furthermore, the company helps its suppliers implement quality management and respond to rapid changes in the business environment by providing education on relevant laws and regulations on food safety management as well as global trends and prospects following changes in external environments. For those suppliers that participated in Top and Top CEO Meetings, quality-related VOC decreased by 17.2% from 15.1 (part per million) to 12.5ppm compared to 2016.

#### Supporting External Audits on Food Hygiene and Quality

Dongwon F&B selects three suppliers supplying their products to foreign companies and provides support for undergoing external audits on the quality and safety of export products. With this support, each of the three suppliers selected in 2017 passed all audits.

Supplier	Auditor & Date of Audit	Description of Support	Outcome
Hyodong Food	FDA (March 2)	<ul style="list-style-type: none"> <li>Developed self checklist (63 items)</li> <li>Took improvement measures after pre-examination until the actual audit</li> </ul>	Pass
Sewha Seafood	Costco USA (June 12)	<ul style="list-style-type: none"> <li>Conducted pre-examination with Costco checklist (110 items) and rectified non-conforming items</li> </ul>	Pass
Shinjin Moolsan	HACCP (June 22)	<ul style="list-style-type: none"> <li>Prepared verification materials for sterilizers</li> </ul>	Pass

### Food Hygiene and Quality Education for Suppliers

Twice a year, Dongwon F&B conducts educational sessions for its suppliers on food and on claim reduction. By holding tests, the company ensures that participants fully understand the contents delivered during the sessions.

Classification	First Half (May 23-24)	Second Half (September 7-8)
Participants	57 persons (44 persons from 32 suppliers)	54 persons (44 persons from 30 suppliers)
Content	Improving HACCP post-management (Korea Food Information Institute)	Reducing foreign materials on food-related work sites (Korea Food Information Institute)

## Operating Safe Business Sites

### Safety Management System for Business Sites

Dongwon Group designates a department in each subsidiary dedicated to safety and health issues and has them voluntarily implement safety management systems attuned to the characteristics of their business areas. Dongwon Group also implements safety management for hazardous work and the handling of hazardous substances, while operating the safety and health management system (OHSAS 18001) in order to prevent severe industrial accidents and reduce occupational illnesses. By conducting on-site inspections and convening the Safety and Health Committee on a regular basis, the company collects opinions from its employees and reflects them in its management activities.

#### Spreading a Safety Culture

1) TMS:  
Tele-monitoring system

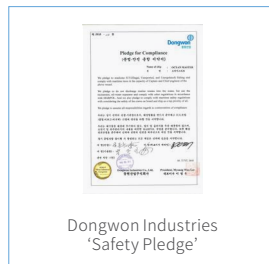
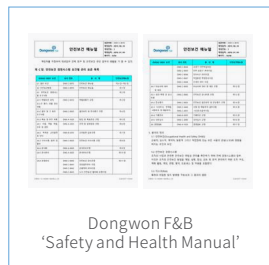
	Classification	Description
Dongwon Industries	Implementing the daily inspection system	- Prepare a checklist of safety/compliance items and distribute to the fleet - Check each ship's completion of safety inspection on a daily basis and eliminate risks regarding safety accidents in advance
	Compiling and announcing standing order regulations	- Regulate safe sailing, illegal fishing and human rights of foreign crew (in Korean and English) - Announce compliance with entry/departure regulations and customs laws
	Conducting boarding inspections	- Inspect the implementation status regarding safety and compliance and conduct customized on-site education
	Sending maritime information and safety messages	- Prevent safety accidents and raise safety awareness by sending maritime information and safety messages on a regular basis
Dongwon Systems	Managing chemical substances and air pollution	- Conduct emergency drills every month in preparation for potential chemical leakage - Conduct an in-depth examination of environmental facilities and rectify any unsuitable conditions - Report hazardous chemical substances under the revised Toxic Chemicals Control Act - Conduct an in-depth inspection of atmosphere TMS <sup>1)</sup> facilities and maintain/manage performance
	Undertaking industrial safety and prevention activities	- Conduct risk assessments and improve hazardous/risk factors - Lamination process using tandem methanol - Divide safety channels inside and outside plants and install safety guides

### Safety Education Programs

In order to instill an awareness of safety and health in all employees, Dongwon Group conducts safety and health education on a regular basis for its subsidiaries. Dongwon F&B has developed instructional materials on accidents and diseases related to industrial safety and health, management of hazardous or dangerous work environment and policies on industrial accident compensation insurance, in order to ensure that its employees have a full understanding of such matters.

Dongwon Systems has strengthened its safety education programs for all employees so that they can respond promptly to safety accidents with a high sense of alertness. It also plans to identify and improve risk factors by undergoing a third-party risk assessment.

Dongbu Express provides education on safety regulations to drivers, employees and in-house suppliers to follow when loading and unloading, wearing the appropriate protective equipment and preventing sexual harassment.



### Preventing and Responding to Safety Accidents

In order to prepare for various kinds of accidents that may occur unexpectedly and to minimize damage, Dongwon Group operates emergency response systems in each of its subsidiaries which identify and prevent risk factors that may arise during work processes. To this end, it conducts emergency response drills on a regular basis and makes constant improvements in areas for development. It also conducts emergency response education and provides training support for in-house suppliers, enabling them to respond to all kinds of emergency situations that may occur on their business sites.

Dongwon Industries implements a safety pledge system whereby captains and chief engineers are required to sign the safety pledge prior to boarding. Before signing the pledge, they are provided with education on safe sailing and dangers at sea to ensure their full understanding. Only those who are able to implement conservation measures and have completed mandatory trainings are permitted to board once they have signed the safety pledge. In preparation for fire, sinking or any such safety accidents that may occur on board, the company conducts mandatory fire-fighting and abandon ship drills as well as safety training on a monthly basis.



Dongwon Industries  
'Safety Management Manual'



Dongwon Systems  
'Examining Thermal Imaging Equipment'

In particular, the logistics division defines major risk factors for each work process and facility through risk assessments, while examining risk factors on a daily basis using the daily safety management checklist. It has also established a safety management manual, providing prevention measures by types of risks, safety measures for each facility and equipment, and response measures in emergency situations to ensure that all employees fully understand the contents included in the manual. Furthermore, it has established fire prevention plans for its logistics centers, devised response measures by operating fire-fighting organizations and conducting fire inspections, and holds fire drills in cooperation with local fire stations.

Dongwon Systems conducts inspections to detect faulty equipment through thermal imaging of electrical equipment and cables. By closely examining parts vulnerable to fire such as high-pressure compressors and the interface of high-voltage vacuum circuit breakers, the company takes measures to prevent fire and equipment accidents.

In 2018, Dongbu Express has set the target of reducing safety accidents in half compared to the previous year. In doing so, the company has undertaken various initiatives, including thematic safety inspections, 5S<sup>2)</sup> activities and safety inspections of business sites.

Safety Education Programs at Dongwon Industries

1. Seafarer Safety Regulations

- Safety regulations on entry/departure, sailing, operations and anchor
- Safety regulations on marine accidents and fire-fighting/abandon ship drills
- Maritime accidents and prevention training
- First aid on board ship



2. Coastal State Regulations and Prevention of IUU Fishing

- VMS<sup>3)</sup>, VBSS on open waters
- Coastal state reporting, DCR<sup>4)</sup> preparation
- Cases and prevention of IUU<sup>5)</sup> fishing



3. Preventing Marine Pollution

- Operating oil separator, incinerator, wastewater treatment facilities
- Regulations on waste treatment on board ships
- Managing marine pollution-related records



4. Human Rights and Prevention of Sexual Harassment at Workplace (On Board Ships)

- Laws regarding and procedures for handling sexual harassment
- Preventing sexual harassment at workplace (on board ships)
- Grievance-handling and relief for victims of sexual harassment
- Human rights on board ships



2) 5S: Seiri (Sort), Seiton (Set), Seiso (Shine), Seiketsu (Standardisation), Shitsuke (Sustain)  
 3) VMS: Vessel Monitoring System  
 4) DCR: Department of Commercial Registration  
 5) IUU: Illegal, Unregulated, Unreported

Spreading a Safety Culture

As companies are demanded to take on more responsibilities regarding safety management and are punished equally for legal violations committed by their suppliers, the importance of supplier management is increasingly highlighted. In this regard, Dongwon Group convenes the Safety and Health Consultation Meeting for in-house suppliers each month to prevent industrial accidents and enhance their level of safety management. At these meetings, participants are provided with information on any amendments to relevant laws and regulations, while discussing important issues on safety and health. The meetings also serve as an opportunity for Dongwon Group to make sure that suppliers are actually handling the safety issues identified at periodic joint inspections and to eliminate risk factors within its business sites. Other efforts to implement safety management of its business sites in general include working with suppliers by participating in the mutual growth and cooperation program hosted by the Ministry of Employment and Labor and sponsored by the Korea Occupational Safety and Health Agency.



Inspection activities by the Safety Assurance Team at Dongwon Industries

## Material Topic

# Building an Employee-friendly Corporate Culture

Dongwon Group seeks to implement “management with a respect for people”. To this end, each employee is recognized and respected as an independent individual that makes up the company, while creating a sound organizational culture in which employees can find a balance between work and life.

### → Management Approach

As companies face fierce competition on the global stage, it is becoming increasingly important for them to build a corporate culture complying with communication and cooperation. Corporate culture is the psychological foundation of a company, providing the basis where members' value, mindset, and behavior are decided. Therefore, it is there own core strength unique to each company. At the same time, a company's growth is in direct correlation with enhancing the capacity and values of its employees. In this regard, Dongwon Group undertakes various activities to promote an “employee-friendly corporate culture” with a view to creating a synergy of unity and innovation with its employees.

### → Backgrounds

- Spreading of the “work smart” culture emphasizing efficiency and creativity
- Changes in labor environment such as an increase in minimum wage and reduction of work hours
- Raised awareness of diversity and anti-discrimination as a result of human rights management

### → Our Activities

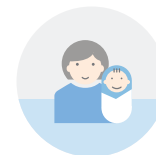


### → Performance in 2017



Communication channel response rate

100%



Return-to-work rate after parental leave

77%

(15% ↑ compared to the previous year)



Sexual harassment prevention education participation rate

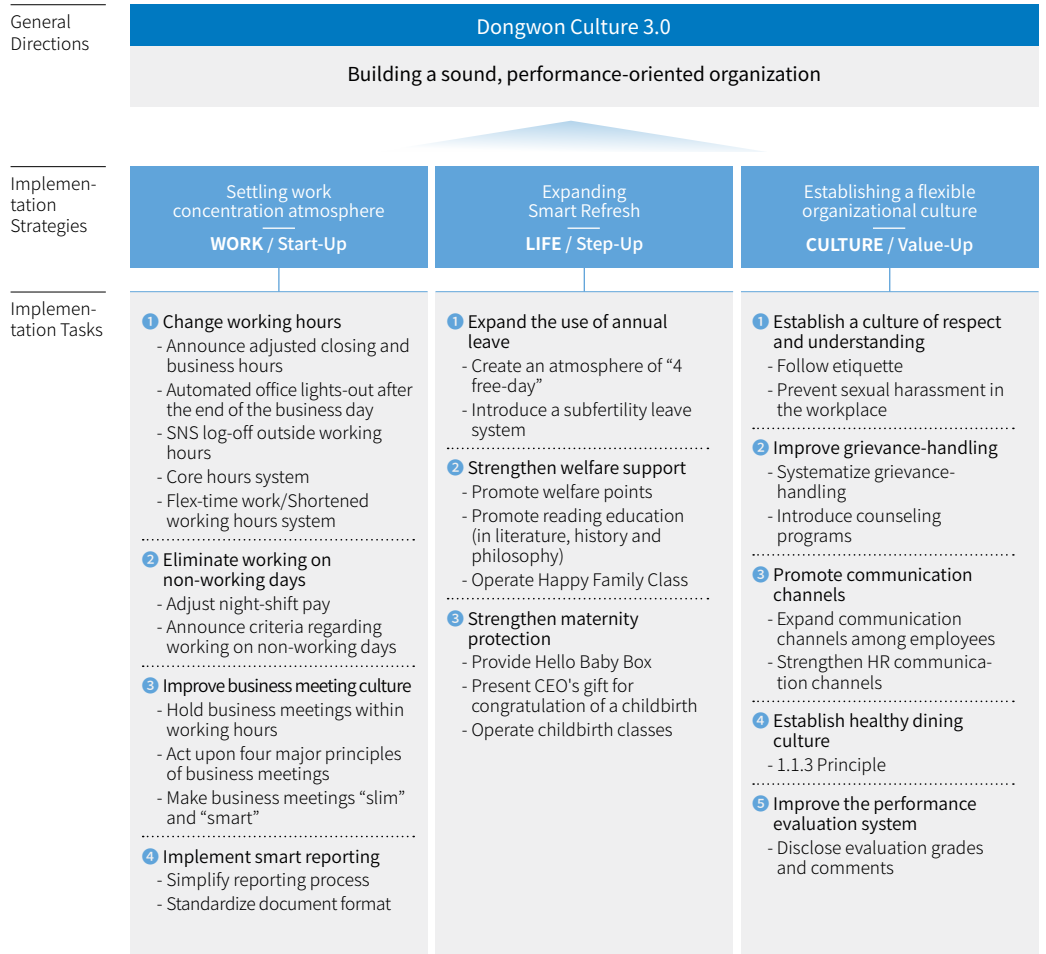
100%

Once a year for one hour for all employees of Dongwon Group

## Creating a Sound Organizational Culture

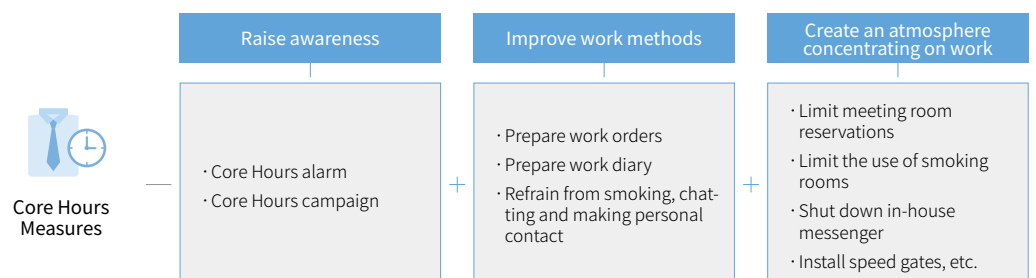
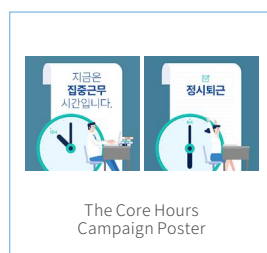
### Dongwon Culture 3.0

Under the broad goal of “building a sound, performance-oriented organization,” Dongwon Group has established three major strategies by (i) settling work concentration atmosphere, (ii) expanding Smart Refresh and (iii) establishing a flexible organizational culture, undertaking a variety of initiatives.



### Promoting Smart Work

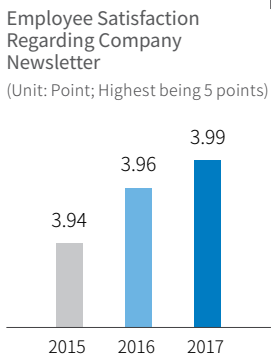
Dongwon Group maximizes employees' work concentration and productivity by eliminating unnecessary work during working hours and minimizing overtime work. In particular, it helps employees concentrate better and work more productively by setting core hours regarding their work. The company also prevents seniors from giving work orders via SNS by introducing the “SNS log-off system” and holds in-house campaigns to raise awareness among employees that personal contact regarding work beyond working hours is prohibited. Furthermore, it helps employees to focus on their core work by eliminating unnecessary work through simplification of reporting/approval processes and standardization of document formats.





## Promoting Employee Communication

1) Dongwon Group  
 Newsletter Website:  
<http://www.dongwon.com/content/webzine/02020100>



## Operating Group Communication Channels

Since October 2010, Dongwon Group has published its company newsletter<sup>1)</sup> “Healthy Life Story” with the aim of promoting mutual understanding among its subsidiaries and building a consensus with its corporate values such as passion, challenge and creation. Through the newsletter, the company shares stories of its employees who work enthusiastically in their positions, motivate others with passion and challenges, and stand by each other through ups and downs.



## Conversation with the CEO

Dongwon Group pursues open management by holding conversations with the CEO, where employees freely share their concerns, criticisms, advice, suggestions and ideas that may contribute to corporate management. During new recruit training, the CEO meets new employees where they have the opportunity to share a conversation in an informal environment and the CEO welcomes and encourages future leaders of Dongwon.

## BUSINESS CASE

### Operating Junior Board

Since 2014, Dongwon Industries has operated the Junior Board to deliver young voices to management and create a corporate culture through communication. Members of the Junior Board suggest creative and constructive ideas, while thinking of ways in which the company and its employees can grow together.

Some of the activities carried out by the 5<sup>th</sup> Junior Board in 2018 include the theme of improvement and innovation: Making suggestions for building the basis for Smart Work and action plans; experiencing and developing tasks regarding work automatization; holding environmental cleanup activities on a regular basis; holding small-group meetings and hosting Hope Day. It plans to undertake various activities to establish a sound organizational culture and create a workplace where employees want to work.



Junior Board “Smart Work Workshop”

## Achieving Work-Life Balance

- 2) 4 Free-Day:
- I'm Free (4 days of refresh vacation + 1 day of annual leave)
  - Leader Free (Encouraging the use of annual leave for 2 consecutive days each half; team leaders or higher)
  - Biz Free (Use of annual leave for 3 or more consecutive days twice a year)
  - Half Free (Use of half-days)



\_\_\_\_\_ Dongwon Daycare Center

## Employee Satisfaction Survey

Dongwon Group undertakes an employee satisfaction survey (self-report) during its annual performance evaluation for the purpose of identifying their level of job satisfaction, commitment to organizational culture, organizational atmosphere and grievances. In particular, the survey is aimed to understand how much employees understand Dongwon Group's core values and norms of behavior (evaluation of internal values), what their opinions are on their team leader's leadership as well as the strengths and weaknesses of their organization, and whether they have any personal grievances or requests for a transfer of job position. In the event of such request, the requesting employee is transferred to a new position in consideration of his/her satisfaction survey. The company aims to transfer at least 30% of the requesting employees within the first quarter. Through the satisfaction survey, Dongwon Group not only gathers the opinions of its employees on an individual level but identifies the characteristics and overall trends at the organizational level, proactively dealing with matters of inconvenience. The survey is also used to track changes in the level of employees' understanding of the Group's core values, which are applied during talent development. The survey results are analyzed and reported to the CEO and heads of organizations in the form of an anonymous report for utilization in organizational management.

## Family-friendly Policies

Based on the belief that "happiness at home leads to happiness at work," Dongwon Group implements various family-friendly policies. First of all, every Wednesday is designated as Family Day, on which employees are encouraged to leave work on time through in-house announcements. Executives and heads of departments leave work on time so that their staffs do not need to worry about leaving earlier than their superiors. The company also runs programs such as "Bring Your Child to Work Day," "Cooking Class with Dad" and "Lectures on Communicating with Your Children" to help employees spend more time with their families. Furthermore, the company operates a variety of maternity protection policies and systems.

### Maternity Protection System

#### Encouraging Pregnancy and Childbirth

- Hello Baby Box: Congratulates expectant mothers and fathers and creates an atmosphere of care and consideration at the workplace
- Love Mom Box: Pays baby bonus after childbirth and delivers congratulatory card signed by the CEO



#### Expanding the Use of Annual Leaves

- Promoting 4 Free-Day<sup>2)</sup>: Encourage employees to utilize the system, especially to celebrate special events or anniversaries.
- Subfertility Leave: Encourage employees requiring subfertility treatment to take three days off per year for treatment.



## Dongwon Daycare Center




In November 2016, Dongwon Group opened "Dongwon Daycare Center" to help its employees find a balance between work and life, and help relieve the burden of childcare. Dongwon Daycare Center, the largest of the newly-built daycare center in Gangnam-gu, puts "children's safety" first by paying close attention to detail such as installing safety doors between stairs and corner protectors, as well as using child-safe rubber finishing for playground floors. Toys and educational tools used in the daycare center have been made with safe ingredients certified with eco-friendly labels. Through the daycare center, Dongwon Group will continue to relieve its employees' burden of childcare and retain its outstanding female talent.

## Gender Equality and Respect for Diversity

To protect the dignity and human rights of employees, Dongwon Group fully complies with the Labor Standards Act and other labor-related laws and regulations, while fundamentally prohibiting child and forced labor.


### Improving the Grievance Handling System

Dongwon Group opens its ears to employees' concerns and difficulties and makes various efforts to solve them. In particular, it provides counseling and actively handles complaints or difficulties regarding human rights violations, labor practices or sexual harassment at work sites, and discloses the procedures and results of handling such matters in a transparent manner.

 <p><b>Expanding Mobile Communication Channels</b></p>	<ul style="list-style-type: none"> <li>Request counseling via e-HR, email, phone or by contacting the person-in-charge</li> <li>Operate a "grievance channel" on Mobile Direct</li> </ul>
 <p><b>Operating an Exclusive Grievance Handling Channel</b></p>	<ul style="list-style-type: none"> <li>Principles of Operation: Counseling is conducted by certified counselors who shall fully protect the confidentiality of their clients. Other principles include ensuring transparent grievance handling procedures, placing a strict responsibility upon and punishing the wrongdoers and swift handling of the procedures involved.</li> <li>Topics: Any HR-related grievances within the workplace</li> <li>Exclusive Channel: Request counseling via phone or e-HR</li> </ul>
 <p><b>Opening Counseling Programs</b></p>	<ul style="list-style-type: none"> <li>Who: General positions (Administration/Sales)</li> <li>How: Inviting certified counselors from outside the company (Headquarters) (At least twice a month)</li> <li>What: Psychological pressure and stress from work and personal life</li> </ul>

### Following Etiquette Rules at the Workplace

Dongwon Group shares basic etiquettes to be kept as members of Dongwon Group by holding etiquette campaigns across the company.

Developing a Guide Book	Preventing Sexual Harassment in the Workplace	Spreading Education Across the Company
 <p>Manual for Preventing and Responding to Sexual Harassment in the Workplace</p> <ul style="list-style-type: none"> <li>Developing a guide book ("Living as a Member of Dongwon Group") and sharing basic etiquette to be kept in the workplace</li> <li>Delivering contents in the form of webtoons to facilitate employees' understanding</li> </ul>	<ul style="list-style-type: none"> <li>Developed and distributed a manual for preventing and responding to sexual harassment in the workplace (June 2018)</li> <li>Developing and operating educational programs for job categories (Regular sessions at Thursday seminars, change-of-perception training, etc.)</li> <li>Participation in sexual harassment prevention training in 2017: Once a year for one hour for all employees of Dongwon Group</li> </ul>	<ul style="list-style-type: none"> <li>Spreading education to each company and organization</li> <li>Holding educational sessions and seminars on the importance of basic etiquette, how to follow etiquette rules, personal commitment, etc.</li> </ul>



### Seeking Labor-Management Cooperation

Dongwon Group builds a labor-management culture in which both parties recognize each other as partners whom they can rely on and communicate with. In this regard, the company fully guarantees freedom of association and collective bargaining. The Labor Union communicates with management on major managerial and labor-related issues through regular consultations and wage/collective bargaining, while the Labor-Management Consultative Body meets regularly to report, discuss or resolve major changes in the management and human resources status. At Dongwon Group, labor and management communicate and compromise on a consistent and regular basis, working together to discuss and share important changes or issues in the company.

Classification	Labor Union
Company	Dongwon F&B, Dongwon Systems, Techpak Solutions, Dongwon Farms and Dongbu Express
Function	Maintaining/improving working conditions and improving the economic and social status of workers
Main Activities	Wage bargaining once a year, Collective bargaining once every two years

### Promoting Employee Health

#### Employee Health Promotion Programs

Dongwon Group operates various employee health promotion programs, tracking the health status of its employees on a regular basis to enable early treatment and prevent the occurrence of occupational diseases.

##### Health Education

Once a month, the Logistics Center of Dongwon Industries offers safety and health management education mainly to its safety managers as well as health managers. It also offers education on preventing and responding to issues that may threaten the health of its employees such as musculoskeletal system disorders and frostbite.

##### Expansion of Cardiovascular Examinations

Dongbu Express offers medical exams for its employees every year, while providing support to employees aged 45 or older, an age group at risk of cardiovascular health issues, to undergo comprehensive medical exams. It also offers additional tests for on-site workers in consideration of the characteristics of their job duties.

##### Musculoskeletal System Disease Prevention Programs

Dongwon F&B endeavors to prevent musculoskeletal system diseases in its employees by identifying and improving risk factors that may place a burden on the musculoskeletal system such as the amount of work in each process, the speed and intensity of work, and working posture. The company undertakes an evaluation of risk factors every three years on a regular basis, as well as additional evaluations each time a musculoskeletal disease is found in an employee and when new a work process or equipment is introduced.

##### Infirmary

The Changwon Plant of Dongwon F&B operates an infirmary where employees in need of care can receive health management and consultation from nurses. Employees with diseases detected through periodic medical exams can also receive treatment counseling, while all employees on the business site can protect, maintain and promote their health by using various medical appliances installed by the company.

#### Industrial Safety and Health Committee

Dongwon Group operates the Industrial Safety and Health Committee to improve its safety and health environment through the participation of employees in safety- and health-related activities. The Committee consists of an equal number of representatives from labor and management, including head representatives from each side. The Committee deliberates and decides on important matters regarding safety and health to prevent potential danger or health risks to employees, while discussing the establishment of accident response systems and safety management plans for each business site as measures to improve the safety and health of its employees. Dongbu Express operates the Committee for each business site, while Dongwon Systems includes the participation of suppliers in operating its Industrial Safety and Health Committee. Dongwon Industries convenes the Committee each quarter to conduct risk assessments and discuss safety and health prevention measures.



Dongbu Express 'The Industrial Safety and Health Committee'

# 3

## Material Topic

### Creating Shared Value with Society

For a company to continue to exist and thrive in a society, it must explore ways in which it can achieve mutual development with that society. Pursuant to its founding principle of “realizing social justice through industrious corporate activities”, Dongwon Group undertakes a variety of activities for social contribution and mutual growth with its suppliers.

#### → Management Approach

Dongwon Group believes that a prerequisite to becoming a company needed by society is to actively communicate with society and contribute to its growth. Given that Dongwon Group is engaged in businesses such as fisheries, food and packaging which are closely related to the workings of society, the group strives to give back what it has gained from society by building a sound ecosystem. In this perspective, social contribution and mutual growth management are Dongwon Group's channels for communicating and coexisting with society.

#### → Backgrounds

- Increasing demand from stakeholders such as customers and NGOs for companies to be socially responsible
- Criticism of certain companies for carrying out social contribution activities only to be seen or as one-time events
- Strengthening of laws and regulations regarding fair trade and win-win growth
- Expansion of the scope of corporate influence and management to their supply chains
- Prevention of economic, social and environmental risks to supply chains

#### → Our Activities

Undertaking core social contribution projects such as Jayang Life Academy	Promoting employee loyalty and satisfaction by carrying out social contribution activities in each subsidiary	Promoting financial support for the financial soundness of suppliers	Strengthening technical and educational support to increase suppliers' product quality
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#### → Performance in 2017



Social Contribution Expenditure  
KRW **2,660** Million



Participation in Social Contribution Activities by Employees compared to previous year  
**40%** increase



Participation in Education by Employees of Suppliers compared to previous year (Pertaining to Dongwon F&B)  
**107%** increase



## Dongwon Education Foundation

In July 1979, the Dongwon Group established the Dongwon Education Foundation with the aim of contributing to the development of Korean society by fostering future talents and supporting academic-industry and other research activities. Over the past four decades, the Foundation has undertaken various initiatives to cultivate future talents, including scholarship programs for elementary, middle, high school and university students, youth football programs, writing contests, children's book donation projects, overseas programs for university students and whole-person education programs. It has contributed to enhancing the level of national education by providing support to leading universities and research institutes nationwide such as Seoul National University, Korea University, Yonsei University, Chonnam University, the National Institute of Fisheries Science and the Gwangju Institute of Science and Technology.

I have always believed, and acted upon that belief, that there are three things required of an entrepreneur: Fostering future talent, creating jobs and paying taxes. I also believe, very strongly, that my country's wealth and development always come first. Otherwise, there is no "me" and there is no "us".  
- Jayang Kim Jae Chul, Founder of the Dongwon Education Foundation -

### Value System

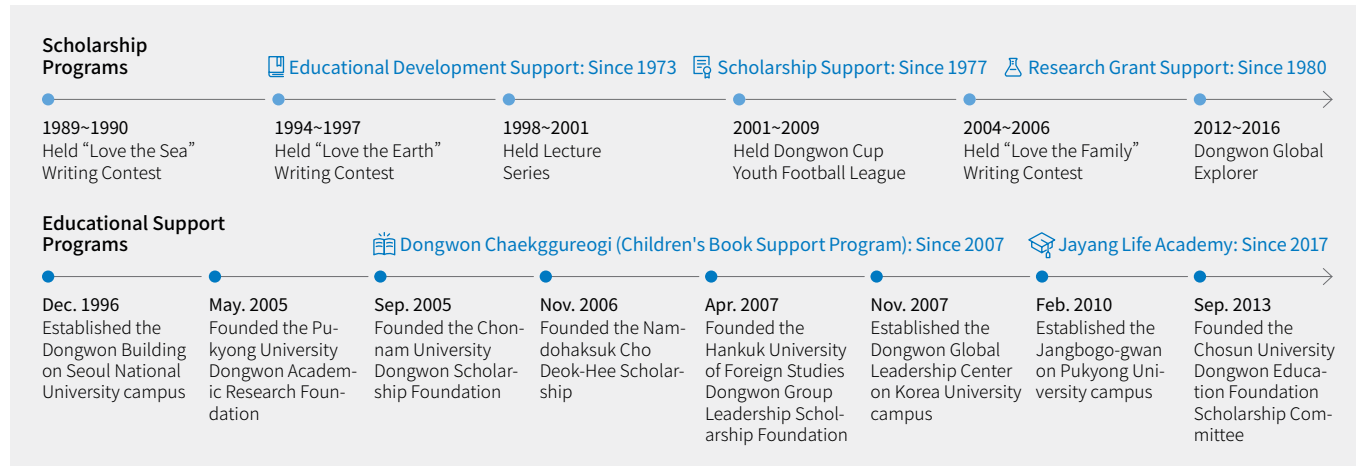
The Dongwon Education Foundation undertakes various social contribution activities in pursuit of its vision of "fostering true talent that will lead Korea's future".



1) SDGs announced in September 2015, are the goals to be jointly pursued by all countries. SDGs are comprised of 17 goals and detailed tasks to alleviate the factors threatening sustainable development, such as economic and social polarization and destruction of the environment that are taking place across the world.

### History

The Dongwon Education Foundation undertakes various initiatives including scholarship and educational support programs. Its historical footsteps are as follows.



## Major Social Contribution Projects

### Whole-Person Program “Life Academy”

In March 2017, the Dongwon Education Foundation established a whole-person program named “Life Academy” for university students. Contrary to educational programs focused on acquiring superficial knowledge, the Life Academy program is aimed at cultivating well-rounded talents accomplished in both knowledge and character. All students in their sophomore, junior or senior year enrolling in Korean or Overseas universities can apply for the program, currently ongoing at nine universities across the nation including Seoul National University of Education, Yonsei University and Korea University.

SDGs Goal 4.  
Ensure Quality Education and Promote Lifelong Learning Opportunities



Vision and Ideal Talent

Foster future talent accomplished both in knowledge and character through whole-person education, providing an alternative to existing education

Mission

Foster talent with a strong sense of duty and responsibility, devoting his/her life to becoming well-balanced in their character, knowledge, and health



#### Sound Mindset and World View

A talent who makes decisions based on his/her character, extends kindness to others and takes the lead

#### Self-initiated Actions

A talent who actively faces and responds to changes based on a positive frame of mind and acts upon his/her knowledge

#### Integrated Thinking

A talent of integrated thinking who can be critical, creative and discerning based on his/her expertise



1st Jayang Life Academy



2nd Jayang Life Academy

Main Features

Jayang Life Academy helps participants achieve personal growth and play a valuable part in the world by providing opportunities to read, debate, listen to lectures by prominent figures in numerous fields and gain a variety of first-hand experiences, strengthening their communication and problem-solving skills.

- Entire program taught by trained teachers
- Talent donation by prominent leaders in various fields
- Compose study groups during the program with participants from different majors
- Study groups during the program composed of participants from different majors
- Classes based on discussions and case studies through voluntary preparation

## VOICE OF STAKEHOLDERS

“ Jayang Life Academy supports its participants grow into well-rounded individuals by providing opportunities to debate with others and think independently, contrary to existing individual-centered and teacher-initiated learning methods. ”

I am glad to have been a participant in the 2nd Jayang Life Academy which was a big turning point in my life. The program provided an opportunity for me to realize the importance of people and love, as well as to look back on my life. I was able to free myself from anxieties, encourage myself and be more open to accepting others. A particularly memorable part of the program was writing on the topic of family. The participants and I shared each other's stories, finding common ground and sharing words of comfort. At Jayang Life Academy, learning is not forced: it is achieved through one's own efforts. I will continue to pursue my dreams based on what I have learned at Jayang Life Academy.



Excerpt from an essay written by Mi-Sun Kang, participant in the 2nd Jayang Life Academy



10th Anniversary of Dongwon Chaekggureogi



Dongwon Chaekggureogi Drawing Contest



NDHS Scholarship Award Ceremony

### Dongwon Chaekggureogi: Childrearing through Books

Dongwon Chaekggureogi is a book-reading promotion campaign for parents and children, donating children's books to children under the age of six which is a critical time for character formation of children. Since May 2007, over 1.24 million books have been donated. Also, Dongwon Group held the Dongwon Chaekggureogi Drawing Contest for children to share their feelings through drawing. A total of 900 participants from 235 families read books from the recommendation list divided by themes and expressed their thoughts about the books by drawing. Awards were given to 45 participants who received picture books as their winning prizes.

※ Achieved Special Prize in Educational Contents at the 13th Parent-voted Educational Brand Award in 2018

#### Goals of Dongwon Chaekggureogi

Develop IQ, EQ, CQ, SQ	Build Good Reading Habits	Experience a Bigger World
Develop emotional stability and good character by reading with parents	Develop a habit of reading in adulthood through enjoyable reading	Experience a bigger world by reading, playing and beyond



### Implementation of Social Contribution Activities by Subsidiaries

#### Scholarship Projects for Fostering Serving Leaders

Through its scholarship programs, Dongwon Education Foundation endeavors to foster true leaders of Korea's future who can lead by example and who are willing to self-sacrifice by putting their society and country first over themselves. Between 1977 before the establishment of the Foundation and 2017, Dongwon Group has contributed to fostering talent by granting scholarships to 6,769 recipients.

#### Reaching out to People in Need

As part of the Eunpyeong-gu Volunteer Center, Dongwon F&B's volunteer corps carries out volunteer activities on a regular basis in welfare facilities affiliated with the Center. For the past five years since December 2014, the company has donated daily necessities to neighbors in need living in Seocho-gu and Eunpyeong-gu through a program named "Living Together in the Happy World of Sharing." In January 2018, it donated "Box of Sharing Love," which are gift sets including canned tuna and ham to facilities for socially vulnerable groups and single-parent families in Seocho-gu.

SDGs Goal 2. End hunger, achieve food security and promote sustainable agriculture 

#### Providing Support to Trainees from Overseas

Dongwon Industries offers training opportunities in Korea to qualifying Kiribatians for the purpose of supporting the development of the fishing industry and economic growth of coastal states. In 2018, seven trainees visited and received training at Dongwon F&B's Changwon plant and Dongwon Industries' Busan plant. The trainees learned about tuna processing on weekdays and enjoyed experiencing Korean culture on weekends.

SDGs Goal 10. Reduce inequality within and among nations 

#### Cleaning up the Local Environment

Dongwon Industries undertakes environmental cleanups in local communities on an ongoing basis.

- Number of Cleanups and Participants: 9 times in Seoul (193 people), 4 times in Busan (61 people)
- Description of Volunteer Activities: Doing environmental cleanups in Seoul Grand Park, planting flowers along Yangjae Stream, cleaning up along the seaside (Songdo Beach, Gamji Beach) and in Huiunyeoul Culture Village, etc.

SDGs Goal 15. Protect ecosystems and conserve biodiversity 

## Implementing Win-win Growth Strategies

Suppliers are Dongwon Group's major stakeholders, whose capacity is directly reflected in Dongwon Group's own competitiveness. In this regard, Dongwon Group fully complies with the Win-win growth guidelines of the Fair Trade Commission. Specifically, it maintains fair business relationships with suppliers based on its Win-win growth strategies, expands the performance-sharing model, and establishes relationships of mutual cooperation by reinforcing the competitiveness of its suppliers.



\* Meeting co-organized by Production, Sales and Purchasing for discussing supply and demand of raw ingredients and establishing production plans according to sales plans

## Win-win Growth Programs

### Financial Support

#### Financial Support System

Through an agreement with a commercial bank, Dongwon F&B provides financial products to suppliers in the form of low-interest loans. By introducing and expanding the mutual payment system, Dongwon F&B has also made it possible for second, third and fourth-tier suppliers to receive payments under the same conditions as its first-tier suppliers. This system imposes no right of recourse against SMEs, thereby freeing them from the burden of attaching security interest or any risk of repeated non-payments, as well as enabling automatic payments to second to fourth-tier suppliers from payments made by large companies. Furthermore, second- to fourth-tier suppliers can receive discounts on interest rates based on Dongwon F&B's credit, helping them to reduce their financial costs. In 2017, the amount of win-win payments made by Dongwon F&B to its first-tier suppliers totaled KRW 32 billion.

#### Improving Payment Conditions for Subcontractors

Dongwon F&B improved payment conditions for suppliers with transactions with subcontractors to help improve their financial operations. Also, by adjusting the subcontractor payment schedule during holiday seasons or in times of economic recession, the company supports SMEs' financing.



Quality Promotion Consulting  
(Pertaining to Dongwon F&B)



Hygiene Support  
**44** Companies  
**61** Cases

### Supporting Suppliers' Capacity-Building

#### Technical Support for Quality Improvement

Dongwon F&B sends its in-house professionals to suppliers to share know-how and help with quality improvement. These experts are professionals in the fields of HACCP certification and FDA plant inspections, areas which many suppliers experience difficulty in handling. Through these personnel, the company also helps suppliers respond to third-party external audits and supports stabilization of main production and production of new products.

The Distribution Headquarters of Dongwon Industries has developed microwavable fish ready meals with no fishy odor by entering into a technical cooperation agreement with a company holding patents regarding ceramics and minerals. Through joint R&D and technical cooperation with suppliers, Dongwon Industries seeks to promote consumption of, and increase accessibility to, marine products.

#### Supporting Suppliers for Product Safety

Dongwon F&B offers numerous programs to enhance the quality and hygiene of its suppliers' products. It prevents quality-related issues by applying quality risk items to its supplier product inspections, while supporting pest identification and diagnosis to ensure food safety. As of 2017, Dongwon F&B sent out professionals in the field of product quality on 98 occasions to 15 suppliers to facilitate quality management and strengthen their capacity. The company also uses mailing services to deliver information of enactments and amendments of quality-related laws and regulations on a regular basis in an effort to support its suppliers' legal compliance.

#### Holding Technical Meetings

Dongwon Systems holds technology exchange meetings with buyers to discuss issues such as developing printing ink and selecting glass cullet quality management technology, as part of its efforts to improve the quality competitiveness of its suppliers. It also rewards suppliers for outstanding performance and grants primary negotiating rights.

Techpack Solutions holds technical meetings with suppliers, including glass cullet providers, to strengthen partnerships and exchange information. It plans to expand programs for strengthening quality and technical exchange so that its suppliers can further enhance their competitiveness and achieve Win-win growth in a practical sense.



Dongwon Systems 'Technology Exchange Meetings'

#### Conducting Training for Suppliers' Employees

Dongwon F&B conducts capacity-building training for the employees of its suppliers. In 2016, a total of 81 employees from 66 suppliers participated in the training program. In 2017, the numbers rose to 168 employees from 89 suppliers. Quality managers are invited to participate in regular training sessions twice a year to discuss ways to improve their quality management capacity.

The Marine Division of Dongwon Industries introduced the 3Standard (Standard product, Standard amount, Standard position) and the 5S (Sort, Straighten, Shine, Standardize and Sustain) models benchmarked from its visits to outstanding Japanese companies in 2015 with its suppliers. During 2016 and 2017, the company held five meetings with 58 of its suppliers, discussing measures to improve worker safety management, compliance, work productivity and repair quality.

Education for Employees of Suppliers  
(Pertaining to Dongwon F&B)



**168** people from  
**89** companies

## BUSINESS CASE

### Supplier Education for Improving Ship Repair Capacity

Dongwon Industries offers education and training on a regular basis to ship repair companies among their suppliers to help strengthen their ship repair capacity and raise safety awareness. Persons in charge of ship repair undergo thorough ship management training prior to commencing their work in an effort to strengthen their job capacity, while automation tools and the latest equipment are introduced so that ships in need of repair are handled immediately. Employees of these ship repair companies receive maritime safety training and managers carry out frequent on-site inspections, preventing accidents by taking corrective actions immediately upon detecting any risk factors. Dongwon Industries will continue to communicate with its suppliers on a regular basis to improve the environment on board.



**32** companies  
Repair Supplier  
Education Results (2016)



**26** companies  
Repair and Supply Supplier  
Education Results (2017)

**Conducting Supply Process Training**

Dongwon Home Food offers education to its suppliers on the company's general status, supply process, supplier system and situation-handling processes by visiting its suppliers and receiving trainees at its supply centers. Through these efforts, the company prevents suppliers from experiencing any difficulties in supplying their product and helps to reduce their operational burdens.

**Supporting Suppliers' Market Expansion**

In association with the Foundation for Cooperation of Large-, Medium- and Small-sized Companies, Dongwon F&B helps its suppliers to expand their market reach by selling the products of outstanding suppliers on the Dongwon F&B online mall (Dongwon mall) and holding special win-win growth events. The company also sponsors its suppliers' participation in overseas exhibitions in support of their efforts to explore new markets beyond Korea.

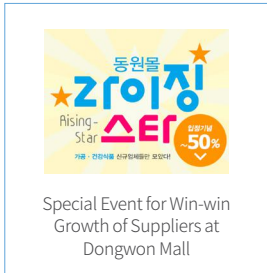
**Strengthening Communication**

**Win-win Growth Committee**





Dongwon F&B operates the Win-win Growth Committee to examine and decide on the effectiveness of its win-win growth issues, thereby resolving and promptly responding to various issues on purchasing, production, research and legal matters. It also establishes standards on supply cost adjustment for reasonable adjustment of suppliers' supply costs and selects new suppliers as well as those to discontinue business with. The company also convenes the Win-win Growth Committee at least once a month in accordance with the Establishment and Operational Guidelines of the Internal Deliberation Committee for Subcontracting. The Win-win Growth Committee convenes regularly, at least once a month specifically. In 2017, the Committee met on 13 occasions to discuss various issues, including the approval of new supplier evaluation results and post-monitoring of suppliers with terminated business relationships.

**Dispute Resolution Committee**

Dongwon F&B operates the Dispute Resolution Committee in order to resolve and prevent any disputes that may arise in the course of its transactions with suppliers. It also operates the Unfair Trade Shinmungo, receiving reports and promptly responding to any grievances experienced by suppliers regarding unfair trade.



**Dongwon Industries Supplier Meetings**

<p><b>1. Ethical-Management Meetings</b></p> <ul style="list-style-type: none"> <li>· Creating a consensus about building fair and transparent trade relations</li> </ul> 	<p><b>2. Supplier Meetings</b></p> <ul style="list-style-type: none"> <li>· Discussing and seeking shared growth in order to respond promptly to market circumstances and improve the competitiveness of both Dongwon Industries and its suppliers</li> </ul> 
<p><b>3. Tuna Store Meetings</b></p> <ul style="list-style-type: none"> <li>· Engaging in strategic cooperation and increasing sales through better communication with stores</li> </ul> 	<p><b>4. Emergency Management Meeting</b></p> <ul style="list-style-type: none"> <li>· Sharing an awareness of the crisis in the fishing industry brought about by a drop in tuna prices; the strengthening of various international regulations</li> </ul> 



Dongwon F&B, 'Top & Top Meetings'



Dongwon Industries, Overseas Training for Employees of Outstanding Suppliers (2017)

**Supplier Communication Channels**

Dongwon F&B operates a variety of communication channels to facilitate exchange and mutual growth with its suppliers. It holds the Win-win Growth CEO Meeting once a year with major suppliers as well as the Top & Top Meeting whereby the CEO visits the supplier(s) that have received customer complaints in order to encourage improvements and ultimately contribute to quality enhancement.

Dongwon Systems holds information exchange meetings frequently where it explores management strategies with its suppliers. In addition to a variety of communication channels, technical exchange and meetings with suppliers help identify and discuss measures to improve their capacity.

Dongwon Industries communicates with its suppliers via the intranet, organizational meetings, satisfaction surveys, voice of suppliers, email and phone, through which suppliers are strongly encouraged to voice their opinions. The Logistics Headquarters, for instance, received a complaint from a supplier of its regional centers regarding night-time operations. In an effort to resolve this problem, the company is running a test operation of combined package picking at the metropolitan center for select client companies, which has resulted in reducing approximately one hour of overtime work for night-time workers than before. Furthermore, the company includes the word “service” in the job titles of its suppliers’ employees to emphasize that they are at the frontline of moments of truth (MOT) with customers, and at the same time contribute to enhancing job satisfaction by creating a culture of mutual respect among employees. At present, Dongwon Industries holds meetings as needed to communicate and share information with agencies but the company plans to develop a regular consultative body in the near future to discuss measures to increase sales, develop new items and seek cooperation for mutual growth.

**Channels of Communication Between the Logistics Division and Suppliers**

Classification	Purpose
Direct Contact	Free participation in discussions: MMS, email, phone calls and Intranet
Satisfaction Surveys	Communication through regular satisfaction surveys
Voice of the Field	Gathering ideas about how to improve service by visiting business site
Meetings with Loading/Unloading Corporations	Gathering opinions and improving service at business sites
Meeting with Delivery Employees Mutual Aid Societies	Collecting opinions directly through hierarchy-free communication

Beginning in November 2018, Dongwon Home Food will hold meetings with suppliers undergoing regular assessments. By doing so, the company will discuss purchasing strategies and directions, share the assessment outcomes regarding the suppliers’ operational policies and reward outstanding suppliers. Furthermore, the company will listen to any difficulties experienced by its suppliers throughout the year to improve its win-win growth programs for the future.

**BUSINESS CASE**

**Cooperation Meetings for Mutual Growth with Suppliers**

In an effort to strengthen cooperation with suppliers, Dongwon F&B invites its suppliers for cooperation meetings. Since holding the first meeting in 2015, the company has been hosting the cooperation meetings at least once a year where the participants hear speeches on quality-related policies and directions, share best practice cases on quality management and receive information on win-win growth programs. Approximately 100 suppliers participated in the “2016 Meeting with Suppliers for Mutual Growth and Cooperation,” where they shared best practice cases on supplier product quality and discussed future directions of Dongwon F&B’s Win-win Growth Committee and achieving mutual growth and cooperation among one another. Through this program, Dongwon F&B has shared valuable time and opinions with suppliers. The company will pursue further growth in the future by opening more communication channels with its suppliers.





# Sustainability Management Report

Dongwon Group pursues sustainable development, which is why it places great importance on its relationships with customers, employees, local communities and suppliers. The company will continue to work relentlessly to communicate better with its stakeholders and offer them new values.





**CREATING  
ECONOMIC  
VALUES**

*50p*

**CUSTOMER  
SATISFACTION  
MANAGEMENT**

*58p*

**ENVIRONMENTAL  
MANAGEMENT**

*62p*

**TALENT  
MANAGEMENT**

*66p*

**SUPPLY CHAIN  
MANAGEMENT**

*70p*







## Creating Economic Values

Dongwon Group endeavors to create new values in its customers' lives. It helps them enjoy a happier and better living culture by generating outstanding products and services beyond expectation and offering new values by engaging in business areas such as marine, and food products and packaging. It will continue to make various efforts to become a global leader in the 21st century.

### Market Trends

#### Marine Business

##### Fishing of tuna, salmon and other marine products

The ocean industry is more highly influenced by the economic conditions of developed countries such as the United States and Japan than domestic circumstances. In particular, it is most affected by production amount, exchange rates and consumption in developed countries. Companies are faced with an increasingly harsh fishing environment with coastal states nationalizing their marine resources and international fishery organizations implementing more stringent policies and regulations for conservation of resources. Despite such difficulties, the ocean industry is actively negotiating with coastal states to expand fishing grounds.

#### Food Business

##### Manufacturing and sale of canned goods, refrigerated foods, ham and dairy products

As food safety and health become more important issues in today's society, there are rising demands and needs for premium, high-quality food ingredients. Consumption of food, not just for taste but as part of a food culture or a lifestyle, as well as demand for health-oriented food products are dramatically increasing. Moreover, the rising number of one-person households and the acceleration of global population ageing have resulted in a visible growth of the premium meal replacement market and are expected to cause further growth. In the meantime, there are new opportunities in business areas with high-growth potential such as online malls and emerging markets centering on China.

#### Logistics Business

##### 3PL<sup>1)</sup> business, etc.

Following the enlargement and specialization of logistics companies, the 3PL market has expanded and the scope of the logistics market in general has grown as well. Against this backdrop, the 3PL and the logistics markets have been expanding hand-in-hand. In particular, as more companies become interested in logistics outsourcing, there is a positive outlook on the growth prospects of logistics companies centering on 3PL.

#### Seasoning and Distribution Business

##### Manufacturing and sale of sauces and other seasoning products, meal services and food retail/wholesale

Following the rise of national income level and diversification of consumers' dietary lifestyles, the seasoning industry is becoming more highly segmented while food companies are facing fierce competition as the overall market enters a stage of maturity. The meal service industry has the characteristics of a stable market but is currently going through a sluggish period due to government policies of placing school meals under the direct control of schools. Accordingly, there is fierce competition within the market to secure companies, universities and other organizations to which meal services are provided. Meanwhile, the scope of the food ingredient distribution industry is continuously growing, in addition to rising consumer demands for high-quality products, making satisfaction with product quality more important than cost competitiveness.

#### Construction Business

##### Providing services in civil engineering and construction

Despite strong government measures in recent years to invigorate the real estate market, the housing and construction markets are still experiencing slow growth. Rising demands for high-quality products and the formation of demand-oriented markets have made customer satisfaction, including pricing, quality and customer service, more important than ever. At the same time, the influx of foreign competition into the domestic market has made construction technology and construction management capabilities the core factors of competitiveness. In addition, following the insolvency of numerous construction companies in the aftermath of the global financial crisis, financial stability has also become a fundamental factor of corporate competitiveness.

#### Packaging Business

##### Manufacturing and sale of packaging materials and glass containers

The role of packaging as an essential part of production, distribution and consumption is becoming increasingly important. The packaging industry has developed alongside the growth of the food industry, not as finished

1) 3PL: Third Party Logistics; Outsourcing of logistics, in part or in whole, to logistics service providers

products but as parts of food products. In recent years, the utility of packaging materials has become much more diverse as they are applied to household items, medical supplies and industrial goods. The glass bottle, can and PET industries are B2B industries whose major clients are manufacturers of liquor, food & beverages and pharmaceuticals. Annual consumption in the Korean market is estimated at 654,000 tons of glass bottles, 6.5 billion cans and 5.3 billion PETs.

## Generating Economic Performance

### Marine Business

As of the end of 2017, Dongwon Industries operates a total of 39 vessels, including 19 tuna purse seiners (14 Korea-flag vessels, two joint venture vessels and three vessels of overseas affiliates), 16 tuna long liners, three reefer carriers and one fishing trawler. The company also has tuna-processing plants registered with the HACCP and the EU, while showcasing high-quality products in the fast-growing salmon market by establishing a salmon-processing line within its Busan plant in 2017. It has also tapped into the ready-to-eat market, focusing on diversifying its product line.

### Food Business

The advent of the Fourth Industrial Revolution and an increase in the number of one- or two-person households has brought about significant changes in consumption patterns (e.g., omnichannel, etc.) of major consumer groups, making health, HMR<sup>2)</sup>, cost-competitiveness, and ownership of pets some of the most popular concerns in today's market. Against this backdrop, the Food Business Division of Dongwon F&B makes various efforts to further develop its existing businesses and provide better products for consumers by M&A with natural water and investing in new facilities, including production lines for rice porridge, cold ham, pet food and seaweed. Furthermore, in line with recent consumer trends, it is launching a series of healthy/safe products (Bareun Eomuk, Bareun Pure Oil) and HMR products (Chamchi[Tuna], Ramen Tuna, Midnight restaurant, God of Tteokbokki, King Shrimp Dumpling). At the same time, it is quickly becoming a leader in the pet market with its pet food products that are made using 28 years of know-how, and the export of 500 million cans worldwide.

### Logistics Business

Dongwon Group engages in the following businesses: third-party logistics, transportation/delivery, forwarding and cold storage. Third-party logistics is a major business area whereby Dongwon Group acts as a logistics agency of its clients. The transportation/delivery business, a sub-business of third-party logistics, is an area in which the Group seeks to increase revenues by securing more

transportation vehicles and clients. The forwarding business has been showing continued growth in sales through customs brokerage and operation of bonded storage. Also, cold storage business is steadily growing, consisting of storage of frozen marine, agricultural and livestock products in its Icheon Distribution Center which is Korea's largest automated cold storage. They are also in the process of reducing the cost. Dongbu Express engages in cargo handling, freight transportation, warehouse storage and international logistics, with expectations to expand from its existing logistics businesses and yield synergy effects.

### Seasoning and Distribution Business

The seasoning and distribution division of Dongwon Home Food is a reliable partner for a variety of dining companies including pizza/chicken franchises, family restaurants and meal service companies. Its top priority is to provide sauces, dressings, seasonings and ready-to-eat food products in a prompt and accurate manner. Its meal service business, for instance, involves providing 13,000 meals per day on average to approximately 240 stores nationwide. It also engages in food ingredient distribution business by developing a customized system for direct business transactions with restaurants and applying advanced purchasing methods. Finally, it operates 12 branches of the coffee and sandwich store "Sandpresso" nationwide, while expanding the dining business by launching new-concept restaurants.

### Construction Business

With its brand "BENEST", conveying the will to build the "BEST NEST", the company creates spaces that reflect the resident's class, taste and style, supplying townhouses, apartments, commercial and residential complex buildings, officetels and hotels to a wide range of clients. As a first-class construction company, it actively participates in building social infrastructure such as roads, ports and railways. Furthermore, it demonstrates its outstanding competitiveness by participating in BTL<sup>3)</sup>, BTO<sup>4)</sup> and other civil investment projects, while providing comprehensive construction services by offering facility management and asset management services.

### Packaging Material Business

The company produces a variety of packaging materials, covering flexible packaging materials, aluminum foil, CAN for food and beverages, EOE, PET and glass bottles. Based on the continuing growth of the flexible packaging material market, the company concentrates its efforts on market diversification and value innovation. Aluminum, on the other hand, is a widely-applied material from the electric, electronic and automobile industries to the packaging material industry for foods, baked goods and tobacco, due to its thermal conductivity, machinability and damp-proof quality. It is used for a variety of purposes, such as air conditioner and heat exchanger fins, communication cable coatings, silver foil for tobacco, confectionery packaging and pharmaceutical packaging materials.

2) HMR: Home Meal Replacement

3) BTL: Build-Transfer-Lease; Under BTL, a private entity builds a public facility and transfers ownership to the state or local governments and is repaid construction costs and profits in the form of a lease.

4) BTO: Build Transfer Operate-adjusted; Under BTO, a private entity builds a facility and operates it for a certain period of time after transferring ownership to the government, thereby recovering its investment in the form of concessions from users.

Summary of Performance in 2017

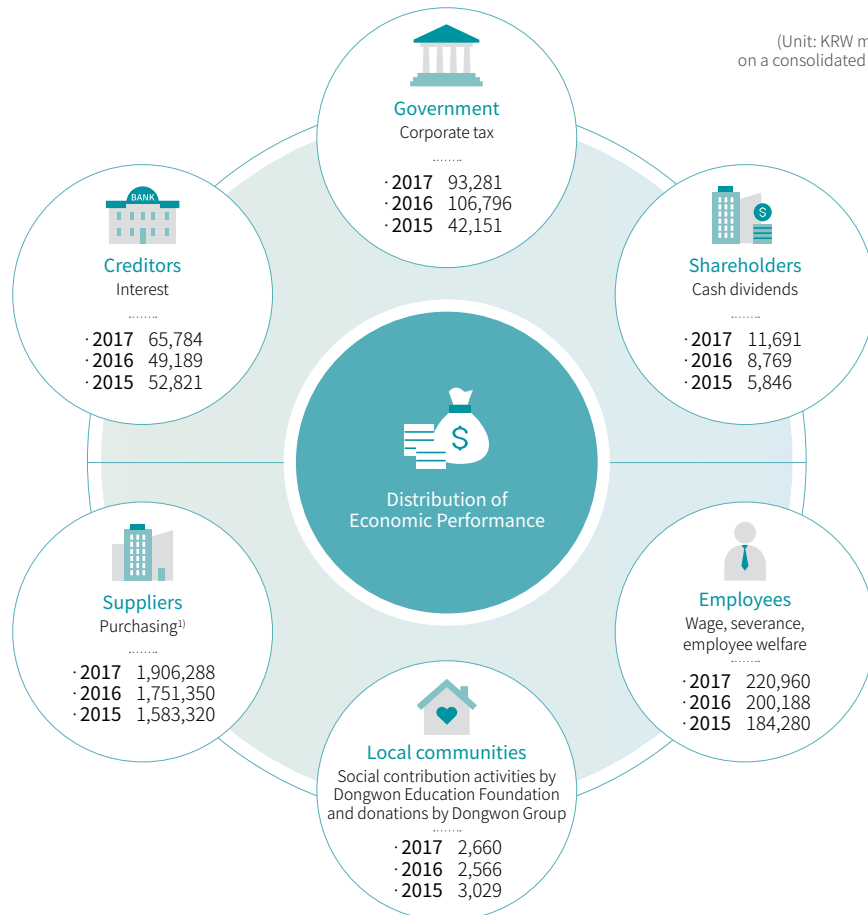
(Unit: KRW million)

Classification	Fishery	General Foods	Logistics	Seasoning & Distribution	Construction	Packaging Materials	Others	Sub Total	Consolidation Adjustment, etc.	Total
Revenue	506,276	2,667,647	945,241	981,480	278,340	996,995	(209,949)	6,220,030	(445,601)	5,774,429
Inter-sector Revenue	(161,736)	(36,114)	(26,855)	(146,139)	(13,646)	(33,651)	(27,460)	(445,601)	445,601	-
Unaffiliated Revenue	398,540	2,631,535	918,386	835,341	264,694	963,344	237,409	5,774,429	-	5,774,429
Operating Revenue	81,865	128,119	57,390	26,701	11,591	91,001	20,620	417,287	(3,350)	413,937

Distribution of Economic Performance

Dongwon Group distributes its economic performance to shareholders, customers, employees, suppliers and other stakeholders through a variety of means including divi-

dends, tax payments, CSR expenses and supplier purchasing. In 2017, the company distributed KRW 2,300,664 million to its stakeholders.



1) Reporting scope: Dongwon Industries, Dongwon F&B, Dongwon Home Food, Dongwon Systems, Techpack Solutions, Dongbu Express

## Promoting R&D



Dongwon F&B Food Science Research Institute

### R&D Strategy and System

By strengthening R&D, Dongwon Group seeks to maintain its market leadership and secure its future growth engines.

### Strengthening Research and Development

In July 2018, Dongwon F&B relocated and expanded the Dongwon Food Science Research Institute, previously situated in Seongnam, to its headquarters in Seocho-gu, Seoul. By moving R&D, the core part of the company, to its headquarters, Dongwon F&B has established an infrastructure which enables effective research and development by encouraging active communication between Marketing and Sales which require close cooperation with the Institute and improving the efficiency of work. The company has further strengthened its R&D capacity by expanding the size of the Institute by over 50% and adding small-scale production facilities and analysis equipment for quality safety.



**Dongwon F&B**

**Food Science Research Institute**

Under the vision of becoming “Korea’s No. 1 food research institute creating new values”, Dongwon F&B makes extensive R&D efforts to become the first and the best company contributing to its customers’ health. By analyzing internal and external environments and identifying the latest trends and technologies, the company applies its R&D outcomes to develop products that will lead food culture, as well as base technologies and new materials for its future growth.

Dongwon F&B, Food Science Research Institute:  
Research Areas

#### General Foods

- Research on securing quality competitiveness: Establishing/Amending quality documents and carrying out activities to improve product quality
- Technologies for manufacturing canned foods, frozen foods, seasoned foods and meat processing
- Research and development of beverages
- Research of oils and fats processing and technologies for manufacturing traditional foods

R&D performance

**107 types**  
(Based on products launched as of the end of 2017)

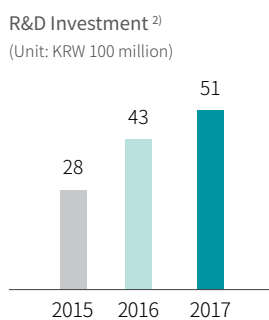
Dongwon Home Food, Food Science Research Institute:  
Research Areas

#### Seasoned Food Sector

- Technological development for manufacturing sauces, instant foods, snack seasonings and seasoned powder premixes, etc.
- Microorganism analysis and research, composition analysis
- Research of new materials and related fields, etc.

R&D performance

**804 types**  
(Based on products launched as of the end of 2017)



2) Reporting scope: Dongwon Industries, Dongwon Home Food, Dongwon Systems, Techpack Solutions, Dongwon Construction Industry



**Dongwon Home Food**

**Food Science Research Institute**

In pursuit of the goal of “providing total solutions through customized product development”, Dongwon Home Food prioritizes product development and performance generation. The company also studies market trends to analyze their social and environmental impact, which is reflected upon its mid- to long-term R&D strategies.



**Dongwon Systems**

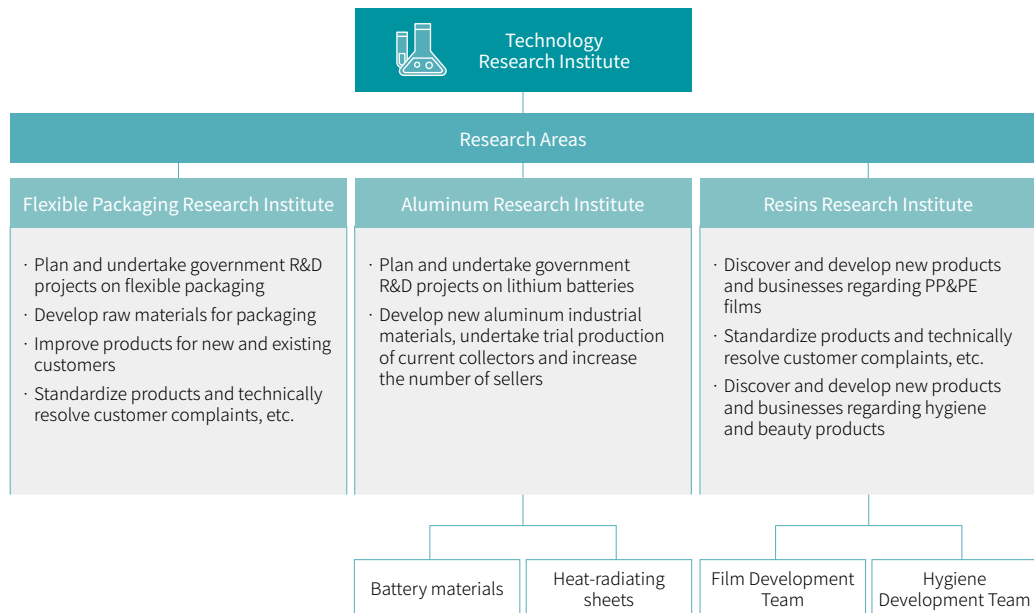
**Technology Research Institute**

Centering on its Technology Research Institute, Dongwon Systems works in close cooperation with its Flexible Packaging Research Institute, Aluminum Research Institute and Resin Research Institute to develop next-generation items by converging each institute’s areas of research and technologies.

In 2015, Dongwon Systems established the Technology Research Institute in Seoul to create synergy among three research institutes each located in Jincheon, Asan and Gongju. In 2018, the company established the R&D Support Team and the Material Analysis Center under the Institute to undertake research projects. Major projects carried out at the Institute are product development

projects that will secure the company's core strength in the future food industry by developing core and analysis technologies for next-generation items such as secondary battery, electronic materials and highly functional films.

Dongwon Systems R&D Organizational Chart and Research Areas



**R&D Talent Development**

Dongwon Group makes continued investments and supports talent development in R&D.

Dongwon F&B has established standards on R&D personnel specializing in food products and health supplements, while operating the Packaging Development Team to develop functional packaging and the Food Safety Team to ensure food safety. Through cooperation among R&D organizations and personnel, the company continues R&D to secure its future growth engines.

Dongwon Home Food is increasing its resources to support R&D personnel, each specializing in areas such as sauces for B2B seasoned food products, seasoning and

materials. The company also operates a menu development organization providing total solutions for menu development, while discovering new business areas with high growth potential based on its professional research capacity.

Dongwon Systems is strengthening its business basis as an advanced materials company by providing extensive support to its R&D personnel and investing in measures to strengthen its R&D capacity. In particular, it secures independently developed technologies and acquires intellectual property rights to develop new items through its R&D personnel specializing in various business areas.

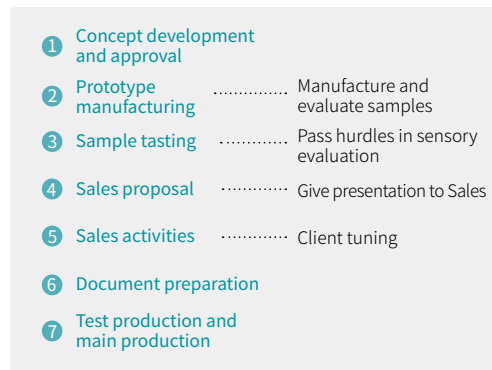


## Strengthening New Product Competitiveness

### Continuously Developing New Products

Dongwon Home Food secures its product competitiveness by continuously developing new products. Based on its “Proposal Innovation New Product Development Process”, consisting of seven steps for large-scale new product development from concept development to production, the company develops and supplies the right products at the right time for its customers. It also explores new business models by analyzing the latest trends in domestic and global food markets and developing new products based on the outcomes.

#### Development Process of Newly Proposed Innovative Products

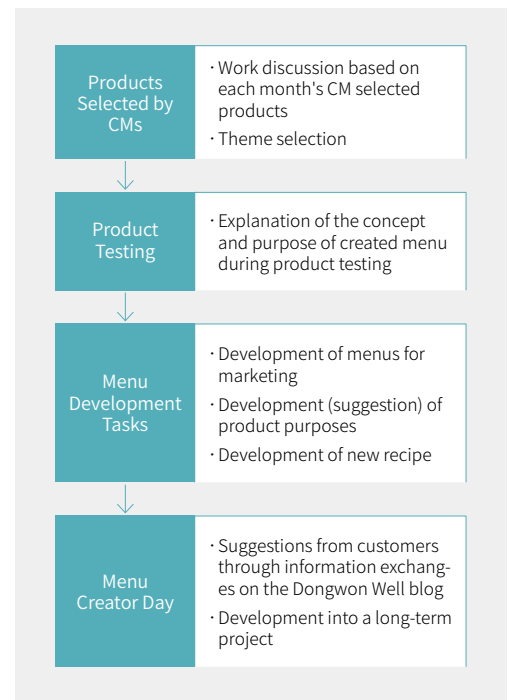


Dongwon Systems Technology Research Institute holds new product and technology development meetings twice a month with the Sales Strategy Team and Sales Headquarters. Through these meetings, the Institute studies the latest research trends and establishes product development measures based on market analyses and trends in advanced technologies. Each stage of the development process undergoes review by Sales, Production and Quality, contributing to the enhancement of product stability and customer satisfaction. Furthermore, the Institute endeavors to maximize product quality by undertaking reliability assessments and verifying quality of conformance for each product category until submission of the final samples.

### The Menu Strategy Center

Dongwon F&B's Menu Strategy Center's task is to develop trendy products and catch up with the changes in consumers' tastes on a regular basis. Menu creators at the center select a product and theme in each category and develop new menus that reflect the opinions of the category managers (CM) in each department. The center suggests ideas for strengthening product competitiveness and product-derived ideas at least once a month and creates new recipes and size reels for each cooking process. New products developed through this process are evaluated by the Dongwon Homemakers' Monitoring Mission on the Menu Creator Day and are used in Homemaker Ambassador Cooking Classes.

#### Work Process of Menu Creators

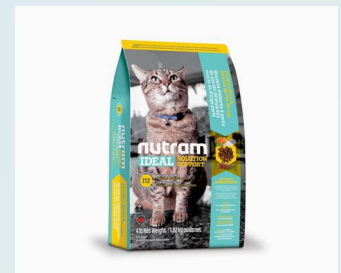


## BUSINESS CASE

### Targeting the Pet Market through Technological Development and Cooperation

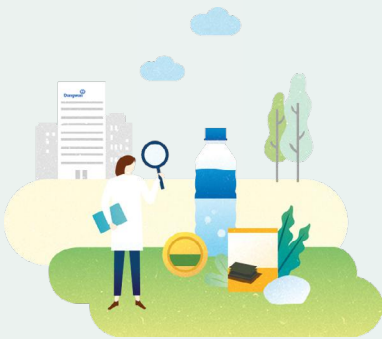
With the increase in the number of people owning pets, the pet products industry is also growing at a significant rate. Reflecting the minds of pet owners who only want high-quality food for their pets, Dongwon F&B offers healthy and safe products made with high value-added ingredients and independent technologies.

Since launching the pet food brand “Nutriplan” in 2014 based on fresh ingredients and independent technologies, Dongwon F&B has continued to develop new products to help cats stay hydrated and maintain nutritional balance. In 2018, it established a pouch line and launched wet products such as “moistrue” and “pet milk”. In addition, by launching the global pet food brand “Nutram” with exclusive rights in Korea, the company is accelerating its expansion in the Korean pet market. Through R&D and technological development, Dongwon F&B will develop Nutriplan into the No. 1 pet brand in Korea.



“Nutram” Products

# DONGWON GROUP PRODUCTS R&D PERFORMANCE



Dongwon Group understands the value of health in its customers' lives, which is why it endeavors to provide safe and eco-friendly products. It also helps its customers lead better and fuller lives by making meaningful changes in small parts of their lives. Through continuous R&D and product innovation, Dongwon Group will offer its customers new values and an advanced living culture.

## New Products in Packaging and Materials

### ▶ Dongwon Systems

#### Development Performance of Packaging Material

- Developed pouches for ready-to-eat meals
- Developed anti-tearing big-sized pouches
- Developed moisture-absorbing packaging
- Developed steam release pouches
- Developed transparent anti-static film
- Developed buffer packaging film

#### Development Performance of Product

- Developed hand/foot hair pack

#### Development Performance of Aluminum Material

- Developed heat-radiating/vibration-absorbing sheets
- Developed aluminum carbon coating
- Developed ice cream cone packaging material



## Products Made with New Technologies

### ▶ Dongwon Home Food

#### BBQ (barbeque) Taste Extract

- Spice reacting to Maillard reaction using amino acids and sugars: Differentiates and secures competitiveness through independently-developed raw ingredients

#### Powder Seasoning for Chicken

- Seasoning oil coating technology: Controls melting of seasoning due to steam by coating powder surface with oil → Prevents hydration and loss of smell

#### Gluten-free Chicken Powder

- Rice power pre-dust process: Creates wheat-like texture

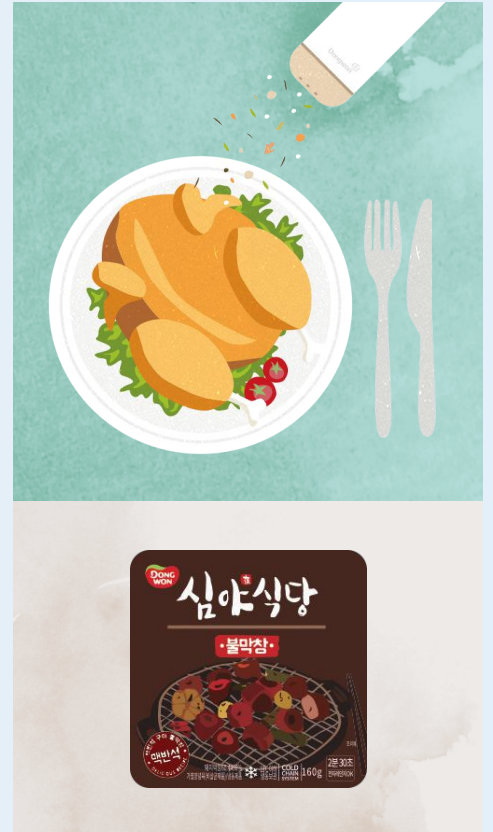
### ▶ Dongwon F&B

#### Midnight restaurant

- Applies packaging technology that prevents products from drying out after being cooked in the microwave, maintaining great texture and taste

#### Oven & Grilled Breakfast Sausage

- Juicy sausages full of smoky grilled flavor



## Products in New Markets

### ▶ Dongwon F&B

#### Pet Food Moistrie

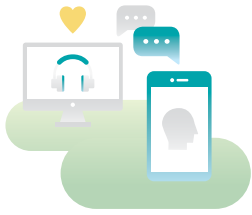
- Cat food made using Dongwon tuna and 30 years of know-how exporting wet cans to Japan. Moistrie helps cats stay hydrated and maintain nutritional balance

#### 6 Types of Nutriplan Wet Cans

- Wet can for cats made with tuna with palatable toppings

#### 3 Types of Grain-free

- Cat food containing over 42% of animal ingredients with no added grains



## Customer Satisfaction Management

Dongwon Group undertakes customer satisfaction management activities in an effort to respond to rapidly changing customer needs and market environment in a timely manner. It communicates with customers through diverse channels to win their trust and confidence, while communication outcomes are immediately reflected in the company's management activities. With the widespread use of online and mobile technologies in recent years, the company enhances customer satisfaction by offering a variety of Cutting-edge technology-based services such as artificial intelligence chatbots.

### Strengthening the Customer Satisfaction System

#### Managing Customer Claims

For Dongwon Group, the voice of customers is the most important asset in enhancing customer satisfaction. In this context, Dongwon F&B's customer complaint-handling process helps to minimize inconvenience for customers and handle any complaints in an accurate and prompt manner. The Customer Satisfaction Team at its headquarters aims to complete handling complaints within 48 hours of receiving them through various means such as customer visits, parcel delivery and refund.

Daily Customer Response Rate



**91%**

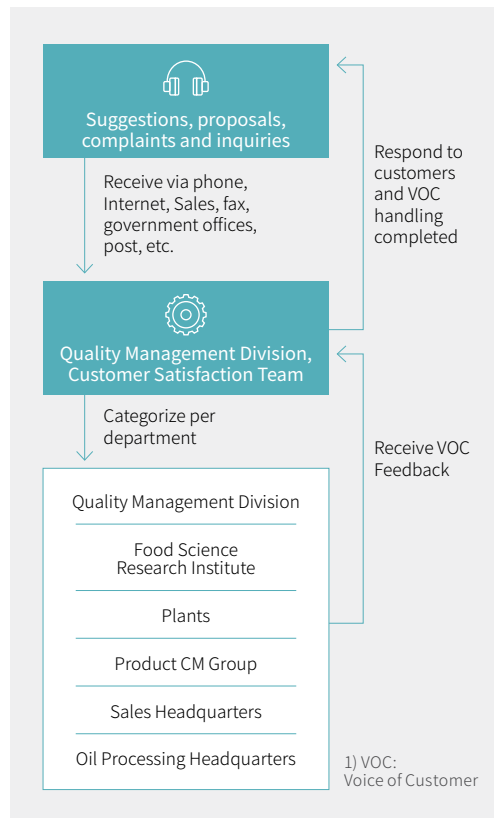
(Dongwon Home Food, As of the 2017)

Dongwon Construction Industry recognizes that the level of customer satisfaction can vary greatly depending on how the company responds to customer complaints particularly in the initial stages and how they are handled. Accordingly, it discerns quality-related reports from false or malicious complaints, while managing customer complaints in a systematic and fair manner based on its customer response manual.

#### Enhancing Customer Service through DB Management of VOC Customer Information

Dongwon Home Food minimizes waiting time at the Customer Center through flexible assignment of VOC consulting personnel and professional consultants. It enhances customer satisfaction by managing and sharing records of customers' characteristics and VOC history. As a result of these efforts, the average daily response rate in 2017 was 91%, a 6% increase over the previous year.

Customer VOC<sup>1)</sup> Handling Process



#### Operating the VOC Forecast System

Dongwon Home Food proactively responds to customer claims by analyzing repeated complaints. It compares major issues and VOC of an upcoming month with the same month of the previous year to notify each team and part in advance. Accordingly, such issues are reflected upon relevant work processes and the company is able to manage and make improvements to the entire process from development to distribution.

##### Major Activities

- Establish VOC forecast notification plans for the upcoming month (Every first Thursday of each month)

##### Major Performance

- Reduced the number of reports on the same complaints by sharing major issues
- devising preparation measures and focusing on improving the identified issues

##### Future Plans

- Manage claim reduction targets by improving identified tasks and sharing outcomes; Form a database of relevant materials, and establish relevance and identify improvement tasks



## Strengthen Customer Satisfaction Activities

### Fostering CS Professionals

Providing customized consulting for each customer's complaints of Dongwon Group's products or services not only resolves customers' dissatisfaction but also becomes the driving force for securing lifelong clients. In this regard, Dongwon F&B holds regular CS training and helps its employees become certified "Consumer Adviser" or acquire other job-related certifications. At the same time, it analyzes and shares different types of claims arising in its plants and suppliers, followed by visiting the manufacturing plants concerned to hold on-site education on the types and causes of claims as well as awareness-raising on quality control to prevent recurrence.

ments enhanced convenience on customers' end by enabling customers to immediately confirm or make calls to the caller's number appearing on their phone screen. In consideration of customers who have blocked or do not answer calls from numbers beginning with "080", the company has increased the rate of successful calls by the dual use of "080" numbers and general numbers.

### Expanding Online Services

Following the widespread use of online and mobile services and an increase in the number of customers looking to use their time efficiently, product purchasing through online channels has increased in recent years. Accordingly, Dongwon F&B and Dongwon Home Food provide online distribution services through Dongwon Mall<sup>2)</sup> and The Banchan<sup>3)</sup>/Kumchon Meat<sup>4)</sup>, respectively, delivering reliable products to customers when and where they want.

### Offering a Variety of Customer Services

#### Improving Customer Communication Channels

In 2017, Dongwon F&B improved the caller number identification system used in customer consultations. The improve

- 2) Korea's Representative Food Mall "Dongwon Mall" [www.dongwonmall.com](http://www.dongwonmall.com)
- 3) No.1 Online Side Dish Mall "The Banchan" [www.thebanchan.co.kr](http://www.thebanchan.co.kr)
- 4) Livestock Wholesale No.1 "Kumchon Meat"

#### Dongwon Online Tour



## BUSINESS CASE

### Providing Digital Technology-based Services

In May 2017, Dongwon F&B launched an artificial intelligence (AI) food chatbot named "Foody". As a chatbot ("chatting robot") service built based on IBM Watson, one of the world's leading cognitive computing systems, Foody is able to accurately analyze the user's question and intention in order to provide the optimal answer based on AI technology. A combination of words "Food" and "Buddy", the name Foody signifies that Dongwon F&B will provide to its customers a variety of unique and differentiated services through its chatbot.

Customers can ask Foody all kinds of questions regarding their orders such as payment, delivery and exchange, as well as membership services including points and coupons, using the chatbot consultation service on the company website. Upon analyzing and interpreting customers' questions, Foody will provide the best answers. Through Foody, Dongwon F&B will continue to provide customer services on a 24/7 basis.



AI Consultation Service 'Foody'



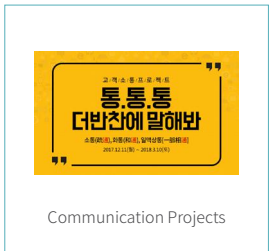
## Promoting Customer Engagement and Communication

### Operating Group Online Channels

Dongwon Group uses social media such as blogs, Facebook and Instagram to build a consensus and communicate with its customers. It makes various video contents to provide information that customers want to know can find useful. The company will establish a communication platform in the future, combining the Group blog and the website to improve convenience for customers and respond to the fast-changing online environment.



Dongwon The Well 5th Honorary Ambassador



Communication Projects

(As of the first half of 2018)



#### Blog

Share health stories and company news

Contents 1,283

Cumulative number of blog visitors 3,558,355



#### Facebook, Instagram

Real-time communication with customers

Facebook fans 840,585

Number of followers on Instagram 9,720

### Operating the Dongwon “The Well Honorary Ambassadors”

In this day and age, word of mouth spreads via social media. In 2015, Dongwon Group launched the “Dongwon The Well Honorary Ambassador (hereinafter, the Honorary Ambassador)”, which is a group of consumers who participate in various Group activities such as on-site visits, product reviews, cooking classes, brand meetings and volunteering. It also communicates with customers through their the blogs and social media pages of individual Honorary Ambassadors, where they share stories on Dongwon Group's food and marine products, distribution and social contribution for promoting customers' healthy lives. The 5th Honorary Ambassadors appointed as of July 2018 will use social media to freely share recipes and reviews on Dongwon's products, online malls and offline activities.

### Undertaking Communication Projects

Dongwon Home Food launched the communication project name “Tell the Banchan”, in order to listen to customers' voices, focusing on three core values of communication, open-mindedness, and common ground. Prior to launching the project, the company collected customer opinions for three months through the notice board and pop-up messages on its online mall. A total of 527 customer opinions were collected, 55.7% of which were fully reflected. The company also took a more in-depth approach, hearing customer opinions through on-site visits on approximately 40 occasions, actively reflecting them in its management activities.

## VOICE OF STAKEHOLDERS

“ Standing between Dongwon Group and its customers, I look forward to fulfilling my roles as the Dongwon The Well Honorary Ambassador, promoting Dongwon Group on its behalf to more customers and delivering their opinions to Dongwon. ”

As a member of the 5th Dongwon The Well Honorary Ambassador, I actively promote Dongwon Group and its subsidiaries' products and services. Having used Dongwon's products for a long time, I am excited to try out new products and share recipes using those products with many customers. Fulfilling my missions and participating in cooking classes and other meetings, I am grateful to be a part of the Honorary Ambassador program. I hope the program will continue for more Honorary Ambassadors in the future, delivering customers' opinions to the Group to make better products and convey better values to its customers.



Jeong-Mi Kim, Member of the 5th Dongwon The Well Honorary Ambassadors

## Strengthening Customer Information Protection Management

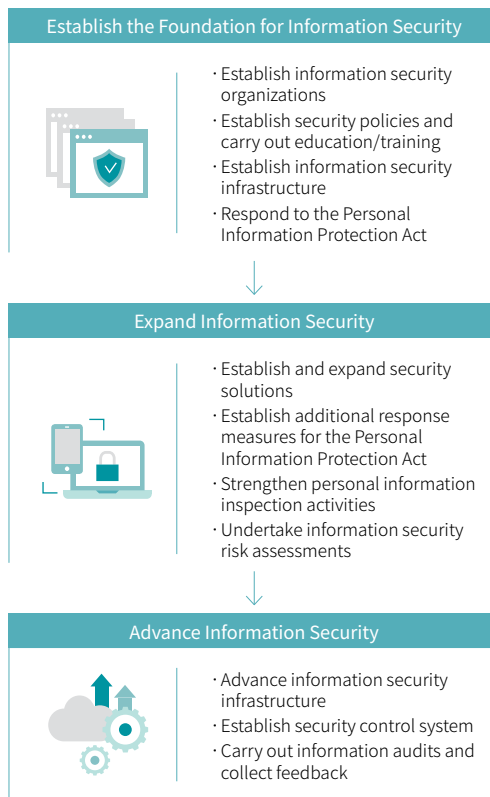
### Information Security System

Customer data breach not only causes material and emotional damage to customers but economic loss for companies in the form of reputational damage and a decrease in revenue. In this regard, Dongwon Group has established an information security roadmap and implements various measures to safeguard its customers' personal information. Such measures include encryption of database as well as SSL<sup>1)</sup>, DLP<sup>2)</sup> and DRM<sup>3)</sup> for leakage prevention. The company will further strengthen information security through self-initiated assessment and training on personal information protection in cooperation with relevant divisions in its subsidiaries.

To safely protect customer information, Dongwon F&B has organized and operates the Information Protection Team, responsible for personal information protection. It also underwent information protection consulting in 2017 to have its information security management system (ISMS<sup>4)</sup>) certified by the government. As of September 2018, it has completed the certification audit and is pending approval. After obtaining approval, the company will operate the system in a way that enables renewal of certification on a regular basis.

- 1) SSL (Secure Sockets Layer): The standard security technology for establishing an encrypted link between a web server and a browser
- 2) DLP (Data Loss Prevention) A set of tools and processes used to ensure that sensitive data is not lost, misused, or accessed by unauthorized users
- 3) DRM (Digital Rights Management): A set of access control technologies for restricting the use of proprietary hardware and copyrighted works
- 4) ISMS (Information Security Management System certification): A set of frameworks that contain policies and procedures for tackling security risks in an organization

### Information Security Roadmap



### Improving Information Protection

Dongwon Group undertakes various activities on an ongoing basis to spread a culture of information security. Dongwon F&B improves information protection through information protection consulting, security training, sharing of the latest security issues and other security-related activities. In terms of its internal system, the company enforces stronger security by allowing the use of only one ID per employee and blocking access from terminals other than those of designated persons in charge. In addition, the company offers information security education to organizations in charge of information protection, while undertaking security inspections each month ("Clean Desk") to strengthen information security

### Information Security Training Program

#### Basic Training (Perception and Awareness)

- General information and knowledge on information security
- Major policies, laws and regulations on information security
- Guidelines on information security, etc.

#### Job Training

- (Security Manager in each company, as needed throughout the year) Information security training according to different job characteristics of each subsidiary
- (IT Security Officers, as needed throughout the year) Education on establishing and operating information security systems, preventing hacking and technology leakage, etc.
- (Personal Information Handlers, twice per year) Regular training for personal information handlers in each company



Guidelines on information security



## Environmental Management

Global warming is causing an increase in temperatures around the world and no single country is unaffected by this global phenomenon. In this regard, business operations without consideration for sustainability may have a significant impact on the global ecosystem. In an effort to reduce the environmental impact of its operations, Dongwon Group implements strict environmental management throughout the entire lifecycle of its products by reducing greenhouse gas (GHG) emissions and water consumption and effectively managing the use of water resources. It also seeks to fulfill its corporate responsibilities regarding environmental impact.

### Establishment of Environmental Management Strategy

Each subsidiary of Dongwon Group has established its own environmental management targets, according to which implementation tasks are selected and undertaken. For each business division, a department is selected to manage environmental risks, identify areas for development and make improvements, so that each company can effectively implement environmental management on an ongoing basis.

#### Environmental Management Execution Tasks



### Responding to Climate Change

As consumers experience abnormal weather and rising temperatures caused by climate change, they are becoming increasingly aware of the seriousness of climate change as a global problem. Against this backdrop, Dongwon Group reduces its energy consumption and GHG emissions by establishing GHG reduction plans for each business site, increasing the energy efficiency of existing facilities and introducing GHG reduction facilities.

At the same time, Dongwon Group manages its energy use in accordance with the Administrative Guidelines for the Greenhouse Gas Target Management System. It will gradually increase investments in measures to improve energy efficiency by, for instance, improving the facilities installed in the plants and replacing outdated equipment.

### GHG Emission Reduction throughout the Entire Life Cycle

#### Reducing GHG Emissions in the Production Process

In Dongwon F&B's Jeongeup Plant, a waste heat recovery and recycling system was installed in air compressors to reduce energy consumption and GHG emissions. Hot water used in production processes is mostly water and steam. Due to an increase in the amount of production, the use of hot water also increased, leading to an increase in LNG consumption. The waste heat recovery apparatus in air compressors can produce hot water up to certain temperatures by recovering high-temperature air and hot oil waste heat generated during compression while air compressors are operated.

The hot water made with waste heat is used to supplement boiler water and supplied to parts of the plant where hot water is needed (e.g., 30 tons of cleaning water needed in production processes per day), ultimately causing a reduction in LPG consumption. As of today, the waste heat recovery apparatus has been installed in two 100HP air compressors, supplying water to hot water storage tanks from which hot water is supplied through pressure pumps to parts of the plant where it is needed. As a result, the company has been able to reduce energy consumption as well as carbon dioxide (CO<sub>2</sub>) emissions by 144 tCO<sub>2</sub>eq.

**Reducing GHG in the Transportation Process**

The Logistics Headquarters of Dongwon Industries minimizes GHG emissions by improving the efficiency of transportation through route optimization, delivery in metropolitan areas and joint transportation-delivery system. It also encourages replacement of old diesel vehicles with new ones by providing financial support, in an effort to help reduce the emission of exhaust gases from diesel vehicles which has been a serious social issue in recent years. The company actively pursues eco-friendly logistics through diverse energy reduction activities such as installing air spoilers, using cool storage vehicles and two-post lift cars, and introducing eco-friendly car washes.

electricity consumption and reduce/share peak energy load. Steam and water flow meters have also been installed and are monitored in each process and equipment, enabling the estimation of steam and water consumption to realize optimal electricity and water control in process operations.

**Green Logistics Implementation Tasks**

**Improving the Transportation System**

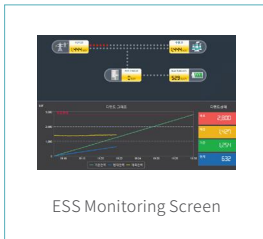
- Reduce movement distance through delivery in metropolitan areas
- Perform transportation and delivery simultaneously
- Introduce transportation affiliation business
- Establish a new logistics hub (Gangneung)
- Advance the GHG system
- Encourage efficient operation by introducing picking equipment
- Encourage eco-driving in cooperating companies

**Replacing and Improving Old Facilities**

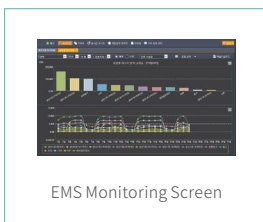
- Replace three wave-length lights with LED
- Install solar panels on the rooftop of the Logistics Center
- Replace and dismantle old cars
- Introduce low-temperature cooltainers
- Expand car wash facilities

**Energy Storage System–Energy Management System (ESS-EMS)**

In 2016, the Asan Plant of Dongwon F&B has established the Energy Storage System–Energy Management System (ESS-EMS) for efficient use of electricity and optimization of process operations. This system is capable of real-time monitoring of the battery charging state and errors in energy storage equipment, linking them to the amount of energy consumption in process operations to reduce



ESS Monitoring Screen



EMS Monitoring Screen

**Environmental Safety Management System Certification Status (As of 2017)**

Classification	KOSHA18801	OHSAS18001	ISO14001	ISO/FSSC22000
Dongwon F&B		Changwon, Seongnam, Gwangju, Jincheon, Yeoncheon, Jungbu, Asan, Cheongju, Suwon, Jeongeup, Gangjin		Jincheon, Cheongju
Dongwon Home Food				Asan
Dongwon Systems	Jincheon, Haman	Asan	Jincheon, Hanam, Asan, Gongju (Bomul-ri), Gongju (Sahyun-ri)	Jincheon, Haman, Asan
Techpack Solutions			Gunsan, Icheon	Gunsan, Icheon, Hanam, Eumseong
Dongbu Express	Busan, Incheon, Jungbu, Seonam, Yeongnam, DPCT			

**Increasing Energy Efficiency**

Dongwon F&B responds to climate change by continuously investing in measures to improve energy efficiency. Such measures include improving facilities in its business sites and replacing old equipment.

1) Heats water using residual heat of exhaust fumes from boilers

Energy Reduction Cases	Before Improvement	After Improvement	Expected Energy Reduction
Replacement of old Eva-Con for cooling refrigerants in freezers (Implemented in November 2018)	Reduction of heating power of existing (4) Eva-Con by 30%	· Reduce energy consumption and operating time by replacing existing (2) Eva-Con with high-efficiency Eva-Con	<b>32,381,000</b> KRW won/year
System construction for recovery and recycling of waste heat in air compressors (Implemented in October 2018)	Increased LNG consumption following an increase in the need for hot water	· Supply hot water made with waste heat to hot water storage tank and use in production process	<b>2,076</b> GJ/year
Energy Reduction Cases	Before Improvement	After Improvement	Energy Reduction Performance
Recovery and recycling of waste heat from freezers (Implemented in December 2016)	Increased fuel consumption due to supply of steam heating to LNG boilers	· Waste heat recovery apparatus installed in (2) freezers · Increase water temperature through pre-heaters and supply to boilers	<b>45,786,000</b> KRW won/year
Recovery and recycling of waste heat by installing economizers <sup>1)</sup> in (2) 5-ton boilers (Implemented in December)	Need to supply water separately to reduce the temperature of exhaust fumes	· Recover exhaust fumes in high-temperature and use in producing hot water, then directly supply to water for boilers	<b>22,157,000</b> KRW won/year

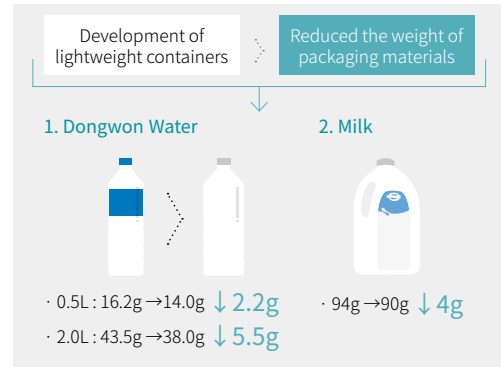
## Developing Eco-friendly Packaging

There are rising demands for eco-friendly packaging as more consumers recognize environmental pollution from reckless use of packaging materials as a serious problem and stronger regulations on related matters are implemented. In this regard, Dongwon Group will develop and apply eco-friendly packaging that considers energy consumption and environmental pollution throughout the entire life cycle of products from development to production and distribution to consumption and disposal.

### Eco-friendly Packaging Development Process

Dongwon F&B considers sustainability through the entire life cycle of its products from development to production, so that it can provide sustainable products and services to its customers. It is also in the process of designing CAN and PET containers, which account for most of the containers used by the company, in ways to make them safe and minimize their volume. In particular, it reduces environmental impact by reducing the weight of packaging materials, thereby reducing the usage of raw ingredients and making recycling and disposal easier. Through these efforts, the company was able to reduce plastic (PET) consumption by 783 tons per year. It is also developing packaging materials by exploring ways to reuse or recycle used packaging materials as raw ingredients for other packaging materials. In the initial product design stage, the company ensures that the product-packaging ratio is kept in accordance with the Act on the Promotion of Saving and Recycling of Resources in order to minimize the generation of waste. Through these efforts, there has been no case of violations against relevant laws and regulations in the past two years. Dongwon F&B will expand the use of eco-friendly packaging materials to promote resource circulation and increase the efficiency of resource consumption.

### Eco-friendly Packaging of Dongwon F&B



Beginning in 2018, Dongwon Systems has held the “Eco-friendly Technology and Product Development Meeting” twice a month, in an effort to reduce plastic consumption, which poses a serious social issue. The company reflects the discussions from the meetings on its eco-friendly packaging development plans. In the short term, Dongwon Systems will begin by applying eco-friendly processes and reducing the amount of materials used to produce packaging materials. In the longer term, it will carry out various activities based on its plans to develop eco-friendly packaging materials that are easy to recycle and reuse.

### Eco-friendly method of Dongwon Systems



### Eco-friendly Development Measures by Dongwon Systems

Classification	Major Implementation Plans
Reduction and Removal	<ul style="list-style-type: none"> <li>Reduce the thickness of and remove films unnecessary for pouches</li> <li>Reduce the consumption of raw/subsidiary materials (reducing the weight of PET and glass containers, etc.)</li> <li>Comply with the legal product-packaging ratio for paper boxes</li> <li>Simplify the manufacturing process</li> </ul>
Recycling and Reuse	<ul style="list-style-type: none"> <li>Develop recyclable packaging materials to replace plastics</li> <li>Develop packaging materials that can be easily sorted for waste disposal</li> <li>Develop recycling measures for PET, CAN and glass containers</li> <li>Develop packaging materials that can extend expiration date of products</li> <li>Develop packaging making it easier for consumers to handle leftover food</li> </ul>
Eco-friendly Packaging for landfill	<ul style="list-style-type: none"> <li>Develop biodegradable, biomass packaging film</li> </ul>
Eco-friendly Methods	<ul style="list-style-type: none"> <li>Use the natural adhesiveness of raw ingredients by applying production methods free of hazardous solvents</li> <li>Use eco-friendly (alcohol, water soluble) materials</li> </ul>



## Minimize Environmental Impact

### Managing the Entire Process of Water Usage

#### Establishing the Water Resource Reuse and Analysis System

Dongwon F&B measures and monitors in real time the amount of water used or discarded throughout the cleaning, sterilizing and pasteurizing process of beverages manufactured in its Suwon Plant. This allows the company to control water consumption throughout the processes and increase its water reuse rate.

#### Managing Wastewater Discharge

Dongwon F&B makes continuous investments in wastewater treatment facilities in order to safely treat wastewater generated in its product manufacturing process and reduce the generation of pollutants. Through a pilot operation of wastewater treatment in its Suwon Plant, the company confirmed the reduction of pollution as well as a decrease in chemical consumption, contributing to wastewater treatment by increasing the efficiency of water content due to improvements in relevant facilities. Furthermore, the company analyzes water consumption in each production process unit, the fundamental cause for increase in wastewater, thereby exploring and implementing measures to reduce water usage and wastewater discharge at the same time.

#### Reducing Odors from Wastewater

The Changwon Plant of Dongwon F&B has made continuous investments to reduce odors caused by its wastewater treatment facility, in an effort to minimize complaints from local residents. All wastewater treatment processes are undertaken in a completely closed setting to prevent odor leakage, while odor reduction equipment has been installed and resulted in reducing over 80% of odor concentration from pre-installation.

### Generating Resources Out of Waste

Dongwon F&B plays a leading role in making resources out of waste by recycling over 98% of the waste generated in its

production processes. One hundred percent of tuna fish waste (red meat, skin, intestines, etc.) generated in the tuna can processing process is recycled as raw materials for fish feed. Waste oil disposed of after being used as operating oil in freezer rooms is also recycled after undergoing a refining process. At the same time, the company installed dry fermentation to reduce the amount of sludge generated in waste water treatment process, and as a result, sludge was reduced by over 70% and recycled as raw materials for compost and the amount of waste water was also reduced. Dongwon F&B will continue generating resources out of waste.

### Managing Environmental Impact on the Ecosystem

In an effort to reduce the environmental impact caused by its operations, Dongwon Industries complies with both domestic and international regulations, and endeavors to maintain a sustainable ecosystem by establishing internal guidelines.

#### Preserving Biodiversity

Most notably, the company seeks to preserve biodiversity by complying with the Guidelines on Bycatch Handling of its Oceans and Marine Business Unit, while having its purse seiners operating in the Indian and Atlantic Oceans south of 25 degrees latitude, where many seabirds are found, attach weights weighing at least 45g within 1m of hooks as a measure to reduce seabird bycatch. Since April 2018, the company has ensured that devices that may threaten the marine ecosystem as defined under the ISSF Guide for Non-Entangling FADs (2013) are neither loaded nor used on its vessels, while complying with the Guide when manufacturing new devices.

#### Preventing Marine Pollution

The company ensures strict management of waste that may impact the marine ecosystem and adherence to waste treatment processes so that no waste of any kind is discarded into the sea in the waters where it operates. By installing incinerators on each vessel, the company incinerates all waste that can be burned. It also prevents environmental accidents by managing the supply and demand for oil and establishing response procedures in case of oil leakage.

Waste Recycling Ratio (2017)



98%

(Pertaining to Dongwon F&B)

## BUSINESS CASE

### Declaring Commitment to Sustainable Fishing as a Global Company

In November 2016, Dongwon Industries, together with seven global companies in the fishing industry, discussed future sustainability of the global fishing industry and adopted the “Soneva Statement” on seven major agenda items. The significance of this meeting lies in the fact that private companies at the frontline of fishing businesses, rather than government agencies or NGOs, played a central role in discussing measures to protect the global marine environment and fishery resources and sharing action plans. At the meeting, participants carried out an in-depth discussion of various agenda items on the sustainability of the fishing industry, including changes in marine ecosystem, current status of the fisheries and related laws, while promising their commitment to the Joint Statement on seven major agenda items including strengthening GHG reduction technologies, reducing pollutants, promoting the healthiness of marine products, and leading the fishing industry. Dongwon Industries will set an example as a global standard and strive to lead the industry in the right direction.



Soneva Statement



## Talent Management

For a company to achieve growth while responding adequately to rapidly changing external environments, it must continuously hire talented people and let its constituents develop their personal capacity at the same time. In this regard, Dongwon Group has established an organizational culture in which its constituents work relentlessly to strengthen their competitiveness, while enhancing their job satisfaction through fair assessment of performance and compensation.

### Fair Employment

#### Employing Talent Based on Job Competency

Based on the fundamental values of diversity, human dignity, gender equality and equal opportunity of employment, Dongwon Group implements open employment through transparent and fair means. The company hires employees based strictly on its idea of talent and the candidates' job competency by excluding factors for judging qualifications or credentials in document screening and interviews. Furthermore, it creates jobs through various forms of employment by hiring part-time and telecommuting workers, while developing work that requires the expertise and know-how of senior workers. At the same time, the company operates an internship system, offering interns the opportunities to carry out tasks and gain firsthand experience. Upon completion of the internship program, the company decides whether to offer employment after a fair assessment process.



1) DWBS (Dongwon Bio-data Survey)

#### Recruitment Procedure



### Fostering Professional Talent

#### Talent Fostering Strategies

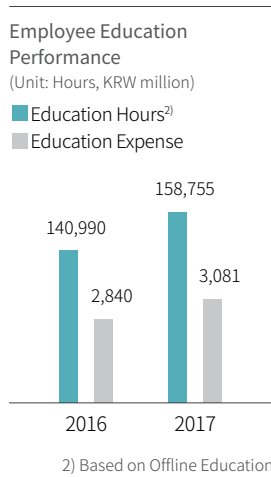
Dongwon Group seeks to become a sustainable company by fostering professional, entrepreneurial talent and strengthening its organizational strength. To this end, it focuses on reinforcing the competencies of its employees based on the following talent-fostering strategies.



### Talent-Fostering Process

In order to foster “Dongwon Employee” equipped with professional and diverse qualities, Dongwon Group has established a stage-by-stage educational program focusing on foundation, job skills, leadership, core talent and global competency. In particular, its programs deliver the company's core values and organizational culture to facilitate the continued growth of individuals and the company. It also offers job training programs in the areas of planning, sales, production and research, helping employees develop job skills.

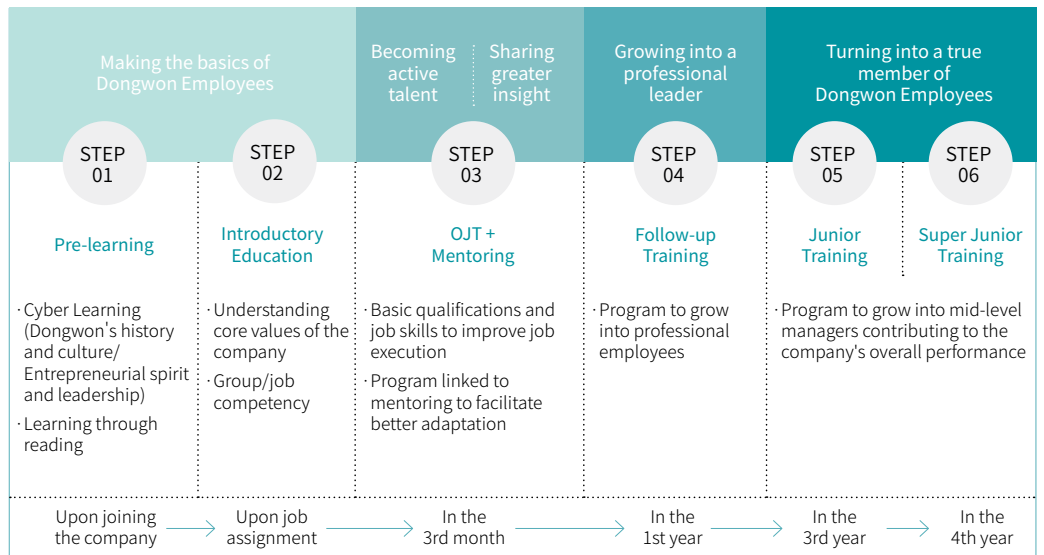
#### Talent Development Steps



### New Employee Caring Program

Dongwon Group operates an on-boarding system for new employees to help them settle down after joining the company and pursue self-development based on Dongwon's idea of talent. Through this program, the company supports new employees' adaptation to the organizational culture to grow into the company's core talent.

#### On-boarding Program for New Employees



**Core Talent Program**

Dongwon Group offers systematic and efficient HR development programs to foster core talent who will lead the future of Dongwon.



**Dongwon MBA Program**

**Purpose**  
Support acquisition of practical, rather than theoretical, knowledge in business management

**Composition of the Program**  
The program is divided into five areas: Management strategy, finance and accounting, marketing, HR organization and production quality. Students are able to widen their perspectives on corporate management by taking lectures from professors from prestigious universities or visiting advanced companies overseas. Students are required to take on individual projects, selecting a topic on how improvements can be made regarding their current job, carrying out in-depth research and drawing solutions.

**Performance in 2017**  
The MBA program was offered to assistant manager- and manager-level employees as an intensive one-year course. In 2017, 25 employees completed the program.

**Global Talent Development Program**

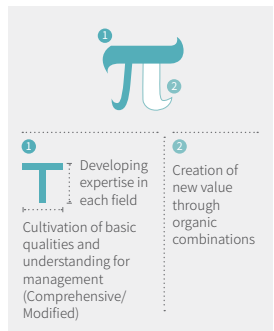
**Purpose**  
Foster talent equipped with global strength and competitiveness in line with the Group's rapid expansion of overseas businesses

**Eligibility**  
A two-month program for employees verified as top professionals in each field

**Composition of the Program**  
Global business manners, understanding other cultures, business conversational skills and other academic programs

**Performance in 2017**  
Programs on understanding different cultures, business conversational skills and job expertise 10 persons completed in 2017

1) The 'Pi (π)' Talent



**Junior Dream Academy**

**Purpose**  
Foster entrepreneurial leaders equipped with expertise in their own fields and comprehensive knowledge in a wide range of areas ("pi (π) talent" with a balance of qualities)

**Composition of the Program**  
Employees learn about concepts in main areas of work (management support, sales, production, purchasing, research, marketing, etc.), work processes and management mechanisms, discuss the latest trends and issues in the industry, and receive humanities education

**Performance in 2017**  
Education on business management, the humanities and common knowledge 27 persons completed in 2017

**Dongwon Specialization Program**

Since 2014, Dongwon Group has offered a specialization program for employees to acquire the knowledge and qualities (Dongwon "DNA") required of Dongwon Employee. The program consists of the following areas: "D (Dongwonism; the Dongwon spirit and code of conduct)", "N (Newspapers; development of comprehensive thinking and judgment abilities through acquisition of balanced information)" and "A (Accounting; the ability to quantify performance by acquiring knowledge on finance and accounting)".

**VOICE OF STAKEHOLDERS**

“ Through Dongwon Group's Global Talent Development Program, ”  
I have acquired global competitiveness and become an “All-round Player” on the global stage.

I work in New Jersey where people of all backgrounds and countries live together, forming an extremely competitive food market both in wholesale and retail. My responsibilities here include introducing and distributing Dongwon F&B's products, conducting local market surveys and developing new products. Working in an overseas branch requires being an “all-round player”, needing to achieve performance in a limited setting and using limited resources compared to headquarters. From this perspective, learning about business manners and foreign cultures through the Global Talent Development Program prior to being assigned to my current position has been practically helpful for me in working with people from diverse cultural backgrounds. I hope that the Global Talent Development Program will be expanded in the future, benefitting more future leaders of Global Dongwon.



Dongwon F&B DW Global,  
United States  
Yoon-Pyo Hong, Manager

### Fostering In-house Lecturers

Dongwon Group secures highly-qualified in-house lecturers through the Dongwon In-house Lecturer Program for employees with extensive professional knowledge and experience. In-house lecturers provide other employees with field-oriented education having direct association with performance, thereby helping individuals and the company as a whole to strengthen capacity and initiate growth. In particular, they participate in new employee training, job training, job open training and other major training programs as lecturers.

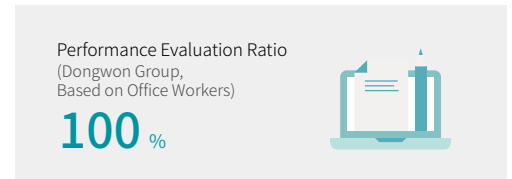
#### Purpose of Operation of In-house Lecturers



### Fair Performance Assessment and Compensation

Dongwon Group conducts annual performance evaluation and provides compensation accordingly. It ensures fairness of wage increase and allocation of incentive resources by operating an organizational evaluation system, while strengthening the performance-based compensation system. More specifically, the scope of evaluation of performance and competency is divided in terms of compensation and development. The Group conducts an organizational evaluation according to the size of each company to determine the final scope of compensation. In particular, performance evaluation is reflected on basic salary adjustment and incentives, while comprehensive evaluation including competency evaluation is reflected on promotion.

Compensation including salary increase and incentives is paid differentially according to a fair distribution ratio reflecting company evaluation, organizational evaluation and individual evaluation in an overall and transparent manner. In order to minimize conflicts of interest, the company has introduced an interim interview system through which employees can agree on the goals for the following year, examine the current status, and share opinions and provide feedback on the final evaluation.



## BUSINESS CASE

### Learning and Growing Together through the 'Thursday Seminar'

Since 1974, Dongwon Group has held the Thursday Seminar with the purpose of laying the "foundation for learning and growing together". A part of Dongwon's proud corporate culture and a symbol of its corporate philosophy, the Thursday Seminar was born out of the belief that it is more important for a group of average people to work together in harmony than for a single genius to shine. In a complex society, cooperating and achieving harmony is the way to creating performance and attaining organizational goals.

Since the launch of the Thursday Seminar, 538 prominent figures from various fields have been invited to speak on a wide range of topics from innovation, strategies, challenges, the humanities, communication and creativity. A total of 142,800 minutes have been spent, inspiring Dongwon's employees to grow further and take steps forward. The Thursday Seminar will continue to help employees respond promptly to fast-changing business environments and provide a platform for information-sharing and communication.



(As of August 2018)





## Supply Chain Management

The relationship between a company and its suppliers is changing from a supplier-purchaser relationship to a partnership seeking mutual growth. Cooperation with suppliers can be a major strategy for a company to increase its cost and quality competitiveness. On the other hand, companies are perceived to be responsible for negative issues associated with their suppliers, such as faulty products produced by suppliers or human rights violations, which may affect the company value negatively. As such, Dongwon Group builds the basis for strong cooperation with its supply chain by selecting and evaluating suppliers through a fair process.

### Supplier Assessment System

In order to select and manage its supply chain in a fair manner, Dongwon Group establishes and implements different strategies in each subsidiary, and the company conducts regular assessments and provides customized management to facilitate the overall growth of its suppliers.

### Evaluation of Supplier CSR

#### Evaluation Targets

Beginning in 2018, Dongwon Home Food has conducted an annual evaluation of all suppliers which have business transactions with the company.

Dongwon Systems uses a self-developed evaluation tool to select suppliers of raw materials such as aluminum and glass, flexible packaging materials and printing materials, irrespective of the purchase amount. It also undertakes comprehensive evaluations to decide whether to continue business with existing suppliers.

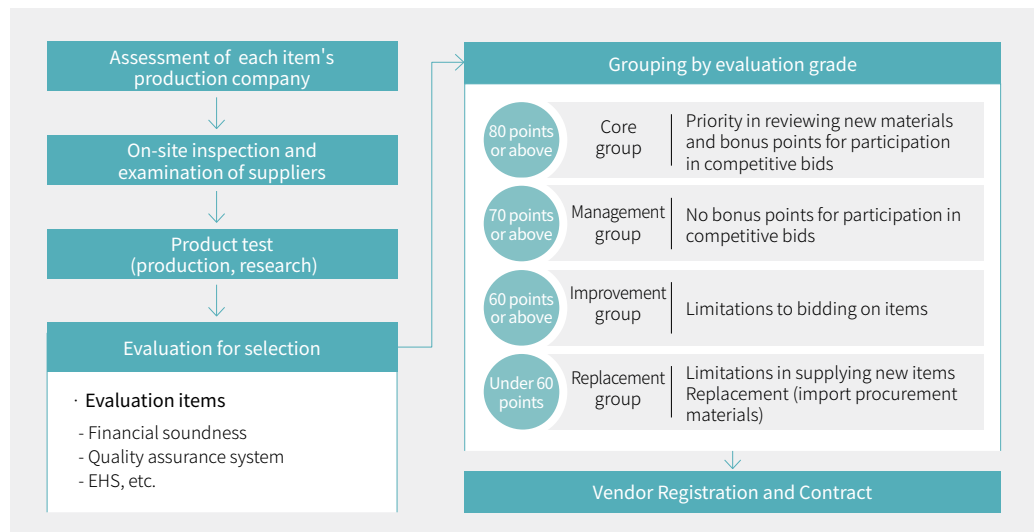
#### Evaluation Standards

##### Evaluation of Quality, Production and Product Safety

At Dongwon Home Food, evaluation items include quality, on-time delivery and transparent management. For suppliers of raw ingredients, in particular, the company includes food safety evaluation results in the evaluation items.

In evaluating new suppliers, Dongwon Systems examines quality-related items such as product differentiation and quality. Existing suppliers are evaluated on their credit rating, technological assessment and quality assurance system. The company suspends business transactions with suppliers that receive less than 60 points in the evaluation, while providing incentives in competitive bids for those suppliers that receive 80 or more points. Furthermore, the company requests suppliers to conduct a self-assessment of facilities and environmental management in ten areas, including the current status on industrial safety management, fire prevention facilities, discharge of hazardous substances and waste management.

Dongwon Systems Regular Assessment Process



Dongwon Industries evaluates its suppliers through a comprehensive examination of product quality, technologies, response ability and delivery. When selecting new suppliers, the Distribution Headquarters sets the selection criteria with Marketing and Quality Control (QC), focusing most on the candidate's quality and production management capacity. In doing so, the Logistics Headquarters considers not only price-related factors but the candidate's proposals, scope and business experience through multi-dimensional evaluation. Evaluation items for existing suppliers include surveys answered by employees in charge of supplier management and by supplier's employees, mispick rate and picking productivity. For outstanding suppliers selected, the company provides financial reward and medals.

**Social and Environmental Impact Assessment of Suppliers**

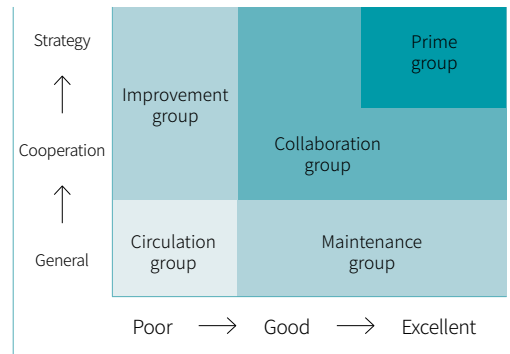
Dongwon Systems provides the Safety, Health, and Environment Self Evaluation List to its suppliers in order to help them prevent environmental and safety risks and voluntarily strengthen SHE management. The checklist is categorized into ten areas including industrial safety, emergencies, firefighting facilities, industrial health, hazardous substances and environmental facility management, and consists of 21 additional items.

Dongwon Industries considers the status of transparent management in selecting its suppliers. In particular, it ensures the soundness of its supply chain by strictly prohibiting unfair practices that hinder free competition in bidding, such as bid-rigging or price-fixing.

**Evaluation and Follow-up Measures**

In order to reduce potential risks in the supply chain, regular assessments of suppliers are carried out and reflected in their comprehensive evaluation. Based on the evaluation results and analysis thereof, suppliers are granted different ratings, according to which they receive either incentives or penalties. When an improvement is needed in particular area, the company recommends to take appropriate measures and continuously follow up by monitoring improvement activities, after which the company determines whether or not to renew the contract with the supplier concerned. Dongwon F&B categorizes its suppliers by business type and applies different evaluation items according to the characteristics of the type of business. The company evaluates its suppliers' performance in connection with its own business strategies, based on which it analyzes each supplier's level of importance and manages them according to their characteristics. Such customized supplier management system can enhance the suppliers' competitiveness, which ultimately leads to a stronger supply chain and higher-quality products.

Dongwon Home Food's Supplier Differentiation Strategy



**BUSINESS CASE**

**Conducting Education on Fair Trade**

In recent years, there has been a growing social awareness of fair trade and win-win growth, as well as stronger demands for large companies to be responsible in ensuring fair trade practices in their business relations with SMEs and implementing mutual management. In this regard, Dongwon Group implements win-win growth policies that focus on providing support to its suppliers and establishing a fair trade order. In particular, it provides education on "Fair Trade in Consignment Business" to employees-in-charge at Purchasing, Sales and Legal who are at the frontline of pursuing win-win growth with suppliers. Through this, they learn about the laws and regulations on collaborative cooperation and subcontracting and how to apply them in their practical work.

In 2017, the course focused on case studies to achieve the goal of helping trainees understand and apply major laws and regulations relating to win-win growth, such as the "Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprise."





# Sustainability Management Governance



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## Sound Corporate Governance

### Operation of the Board of Directors

In 2001, Dongwon Group transitioned to a holding company system by establishing Dongwon Enterprise Co., Ltd. in an effort to strengthen the efficiency of management and independence of its subsidiaries, as well as to solidify responsible management in each of their business divisions. The Board of Directors (BOD) of Dongwon Enterprise is the highest decision-making body of the company with a high level of expertise and independence. The BOD consists of four executive directors and the CEO is the Chair of the Board.

#### BOD Status

(As of the end of September 2018)

Classification	Name	Job Position	Area of Specialty	Term in Office	Major Career Experience
Executive Director	Kim, Jae Chul	Chairman	Chairman	11 years and 9 months	<ul style="list-style-type: none"> <li>· Pukyong National University (B.A. in Fisheries Sciences)</li> <li>· President of the Korea International Trade Association (KITA) (23rd, 24th, 25th President)</li> <li>· Yeosu Expo 2012 Bidding Committee Chairman</li> <li>· New Zealand's honorary consul</li> </ul>
Executive Director (BOD Chair)	Park, In Gu	Vice Chairman / CEO	CEO	13 years and 9 months	<ul style="list-style-type: none"> <li>· Chosun University (B.A. in Law)</li> <li>· USC (M.A. in Public Administration)</li> <li>· Vice Commissioner, Ministry of Trade, Industry and Energy</li> <li>· CEO, Dongwon F&amp;B</li> </ul>
Executive Director	Kim, Nam Jung	Vice Chairman	Business Management	9 years and 9 months	<ul style="list-style-type: none"> <li>· Korea University (B.A. in Sociology)</li> <li>· University of Michigan (M.B.A.)</li> <li>· Head of Management Support, Dongwon Industries</li> </ul>
Executive Director	Park, Moon Su	President	Head of Management Support	14 years and 9 months	<ul style="list-style-type: none"> <li>· Sungkyunkwan University (B.A. in Business Administration)</li> <li>· Chung-Ang University (M.A. in International Business Management)</li> <li>· Head of Finance, Dongwon Industries</li> </ul>
Auditor	Oh, Jong Hwan	Auditor	Auditor	5 months	<ul style="list-style-type: none"> <li>· Busan University of Foreign Studies (B.A. in Accounting)</li> <li>· Head of Business Consulting Team, Netmarble</li> </ul>

### Activities of the BOD

The BOD of Dongwon Enterprise convenes regular meetings and provisional meetings when needed. In 2017, a total of 32 BOD meetings were held, with 100% attendance rate, to discuss various agenda items including resolutions to convene regular general shareholders' meetings. Directors are required to obtain prior approval from the Board to utilize any business opportunities that may benefit the company now or in the future. The Board also manages and supervises conflicts of interest in accordance with Articles 397 and 398 of the Commercial Act and other relevant laws and regulations.

Directors' remuneration is determined by the resolution of the general meeting of shareholders in accordance with the Articles of Incorporation, and their payment upon retirement is arranged according to the executive retirement allowance regulations passed by the general shareholders meeting. In 2017, the average remuneration per director was KRW 351 million.

### Independence of the Auditor

Dongwon Enterprise does not operate a separate Audit Committee but one auditor appointed by the resolution of the general shareholders meeting performs audits. The auditor may independently supervise the directors' work by attending BoD meetings and books and related documents are required to be submitted by relevant departments in relation to the company's overall business affairs. In addition, the auditor may receive reports from the company regarding its businesses and access management information through appropriate means.

In addition, the auditor may supervise the directors' execution of duties, attend BoD meetings and provide statements, and request provisional meetings to be convened by submitting a written statement with the purpose and reasons for such meetings to the BoD. In performing such matters, the auditor may, as required, request the directors to report on the company's businesses or investigate the company's state of affairs and financial status.



**32** times  
Board Meetings Held (2017)



**100** %  
Directors' Attendance Rate



## Integrity Management

### Integrity Management System

Dongwon Group operates an integrity management system consisting of the Ethics Charter, Code of Ethics and its Enforcement Regulations, in order to establish a corporate culture based on strong business ethics and integrity. The “Dongwon Ethics Charter” and the “Dongwon Code of Ethics” are provided on the official company website to be shared among stakeholders and taken as the standard of value judgment in business activities. Dongwon Group also operates the Group Compliance Team and Management Diagnosis Offices in each subsidiary, which are responsible for approving ethical management policies, deciding on regulations on ethical management, formulating plans to promote ethical management, designing educational programs, organizing events and performing diagnoses on the status of ethical management at suppliers.

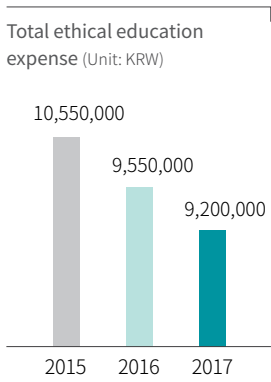
1),2) The Ethics Charter and the Code of Ethics provided at: <http://www.dongwon.com/content/07010100>



### Integrity Management Communication

Dongwon Group undertakes various activities to establish an upright corporate culture built on values of integrity. In particular, in January 2018, 'Group Integrity Management Report Center' was opened. In addition, it operates Compliance Committee and other meetings on a regular basis, helping its employees internalize and implement integrity management.

3) Reporting scope: Dongwon Industries, Dongwon F&B, Dongwon Home Food, Dongwon Systems, Techpack Solutions (We operated 'Dongwon Group Complaint Reporting Center' since January 2018)



Integrity Management Report Center

**Purpose**  
Internalize the whistleblowing system and receive reports on and improve ethics-related issues

**Process**  
File a report via email, post, phone or the 'Integrity Management Report Center' on company website → Investigation by Compliance Team/Management Diagnosis Office → View results (Reporter protection system ensures complete anonymity throughout the entire process)

100%

Report Handling Rate (2017)

Classification	Number of Reports			Handling Rate (%)		
	2015	2016	2017	2015	2016	2017
Report Center Status <sup>3)</sup>	6	6	5	100	100	100

Global Compliance Committee

**Purpose**  
Dongwon Industries convenes the Global Compliance Committee once every quarter to enable prompt decision-making by top management and impose heavier responsibilities as it becomes increasingly important to comply with laws and regulations in the global market.

**Major Activities and Deliberations**  
Management of and response to existing risks, risks relating to domestic and international treaties and agreements, monitoring of other compliance issues, etc.

Held 7 times

(2016~2017)

Ethical Management Meetings

**Purpose**  
Dongwon Industries holds Ethical Management meetings to reinforce sound and transparent business relationships with its suppliers.

**Major Activities**  
Holds ethical management commitment events to promote an understanding of and build consensus on ethical management, provides education on ethical management, etc.

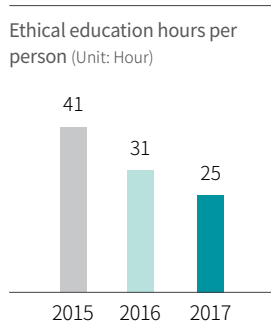




Ethical Education

### Establishing an Integrity Management Culture

Dongwon Group establishes a fair and transparent organizational culture based on its founding principle of “realizing social justice through industrious corporate activities.”



#### Ethical Education for Employees

Dongwon Group offers education on ethical management to its employees to promote a sense of ethics and establish a corporate culture of integrity. The Diagnosis Office in each subsidiary provides education not only on each company's Code of Ethics and regulations but also case studies of ethical violations and unfair trade practices as well as the need for ethical management.

#### Spreading the Culture of Integrity Management

Dongwon Industries signs an ethics contract with its suppliers in which stipulates that both parties shall comply with the Code of Ethics in all business transactions. As of August 2018, the company received the Statement of Commitment to Participate in Ethical Management from 143 suppliers and plans to expand the system to all suppliers in the future. When entering into a contract with its suppliers, Dongbu Express will require that they sign the pledge of compliance once a year, thereby ensuring that they fully understand the need for ethical management for building a transparent corporate culture and are committed to complying with ethical norms in all business transactions.

#### Ethical Management Diagnosis

Dongwon F&B identifies areas for improvement in ethical management and checks the implementation status by conducting regular inspections and diagnosis of work processes. The company also investigates corruption cases reported or found in the course of ethical management diagnosis. In 2017, the company held regular or special diagnosis on four occasions, resulting in improvements of work processes and reinforcement of internal control. In 2018, Dongwon F&B will conduct diagnosis of liquidation inventory and consigned inventory.

Dongwon Systems conducts both periodic and irregular diagnoses each year to establish fair trade and eliminate unnecessary customary practices. In 2017, the company made it mandatory to sign contracts with suppliers and stipulated the same in its internal regulations, while sharing and providing materials in a transparent manner by introducing metrology and instrumentation management equipment.

## BUSINESS CASE

### Examining the Status of Integrity Management through On-site Visits

The Compliance Team of Dongwon Group examines the status of integrity management and spreads a culture of integrity and ethics by visiting its subsidiaries for on-site examinations. In 2018, Dongwon Group visited the business sites of Dongwon Home Food to examine the current status of integrity management, identify areas for improvement and share the need for innovation. In these visits, the Compliance Team introduced the Group's Integrity Management Report Center, answered each subsidiary's inquiries by holding Q&A sessions and discussed actual cases of improvement. Each subsidiary also signed the Pledge of Commitment for Integrity Management and promised their commitment after receiving integrity management training.



Pledge of Commitment to Integrity Management

## Risk Management

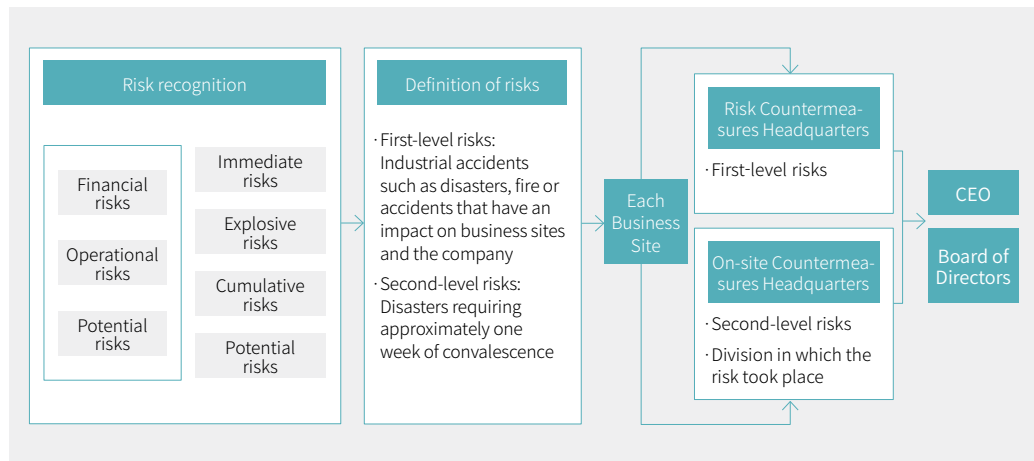
### Risk Management System

As risks, both internal and external, become more diverse and difficult to forecast, it is increasingly important for companies to be able to accurately identify them and have a proactive risk management system. Dongwon Group defines risks as all kinds of incidents, situations or accidents that may have a significant impact on its business management activities, while establishing and implementing regulations on accident reporting and a separate risk management manual for each subsidiary. Through these measures, Dongwon Group is able to resolve risks immediately as they occur, thereby minimizing any negative effect caused by such risks and protecting the company and its shareholders from any consequent damage.

### Risk Management Process

Dongwon Home Food responds immediately to risks through its reporting system and risk management organization according to the category of the risks. Through the process, the company responds promptly to unexpected risks and effectively prevents foreseeable risks by identifying them in advance.

Dongwon Home Food Risk Response Process



### Quality Risk Management

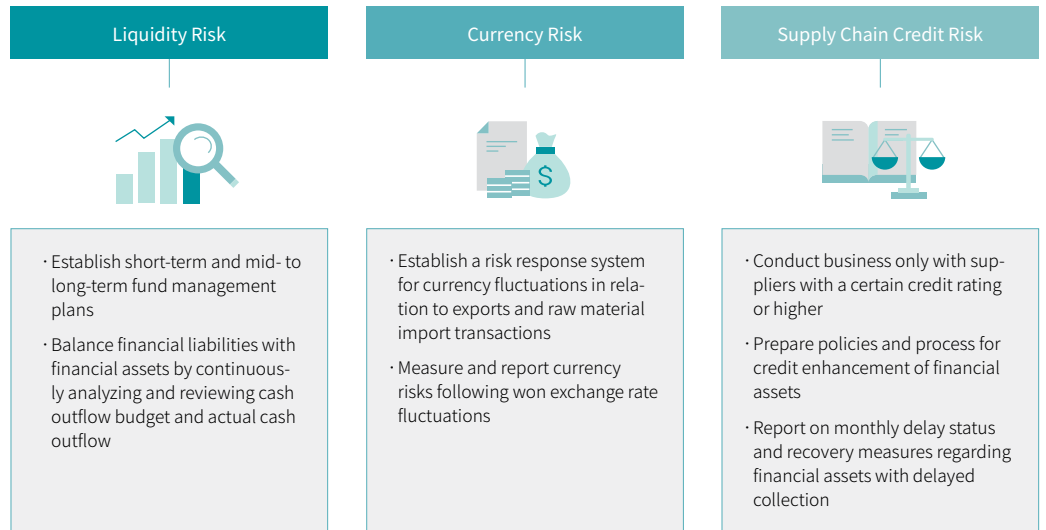
A company faces both economic loss and long-term damage such as tarnished corporate image when its products fail to meet the standard criteria defined by the laws and regulations governing product quality and publicized through media reports and undergo product recalls.

In order to prevent such quality risks, Dongwon F&B has established the Food Safety Center and places its products under regular inspections performed by internal and external nationally certified agencies. In the event a quality risk surfaces, its Production Division and Risk Management Team respond immediately by conducting a thorough fact-finding investigation, solving the risk, identifying the fundamental causes and establishing measures to prevent recurrence of the same risk.

Dongwon Home Food operates the Quality Management Team directly under the CMS Division immediate response to quality risks. It is responsible for quality management in the overall production processes, including in-process sampling, calibrating measuring instruments, conducting quality safety education, inspecting packaging/transportation/storage measures, analyzing claims and complaints, and providing manuals that minimize errors during customer use.

## Financial Risk Management

The purpose of Dongwon Group's risk management is to first identify potential risks that may have an impact on its financial performance, then to reduce them to a permissible level or completely eliminate or sidestep them. In this regard, Dongwon Group has management policies and processes on a company-wide level, while overseeing risk management in financial affairs.



## Non-financial Risk Management

### Unfair Trade Risk

Given that unfair trade risks may potentially cause significant damage to a company's reputation or image, Dongwon Group has established a risk prevention and response system to minimize any such negative impact.

Dongwon F&B categorizes the types of unfair trade risks into production-related and sales-related risks and two teams – the Planning Team and the Risk Management Team – respond to production-related and sales-related unfair trade risks, respectively. Each team conducts fair trade education for employees on a regular basis to prevent unfair trade risks, while undertaking self-inspections by developing and distributing the Fair Trade Checklist to ensure that unfair trade risks are prevented in the course of business transactions. In 2018, each team will work to prevent risks by distributing the Subcontracting Act Checklist and providing training on the same Act.

### Personal Information Leakage Risk

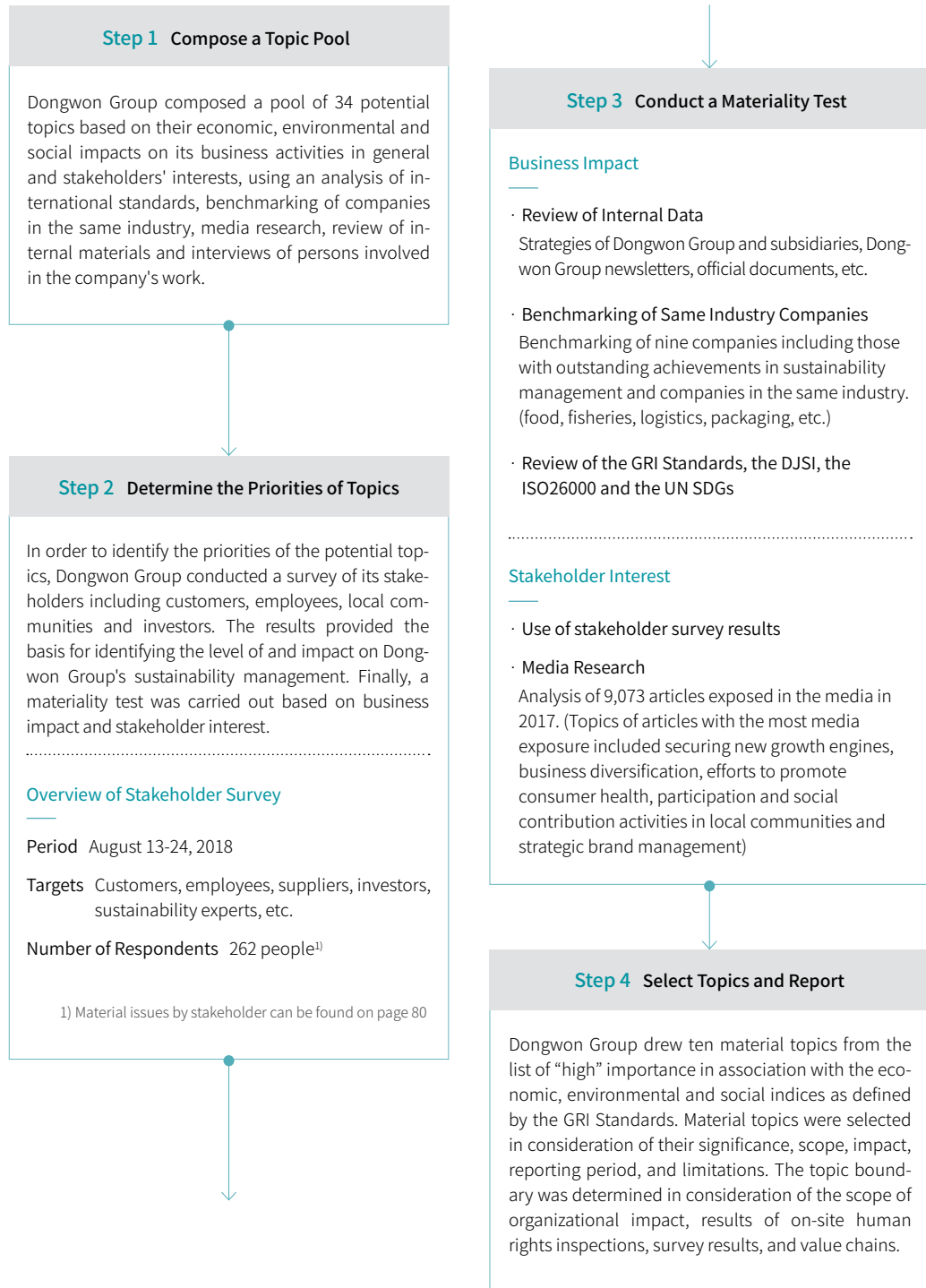
Dongwon Group continuously strengthens its personal information security system in order to prevent the risk of personal information leakage regarding its shareholders such as employees, customers and suppliers. In 2019, Dongwon Group will carry out self-assessments and education activities on personal information protection in cooperation with relevant departments in all of its subsidiaries

Since Dongwon F&B achieved KRW 10 billion in revenue in 2017, it has been subject to obtaining the Information Security Management System (ISMS) certification. Accordingly, it received consulting for ISMS certification in 2017 and has completed the certification audit and is pending approval in 2018. The company plans to continuously reinforce effective management by strengthening its information security inspection system.

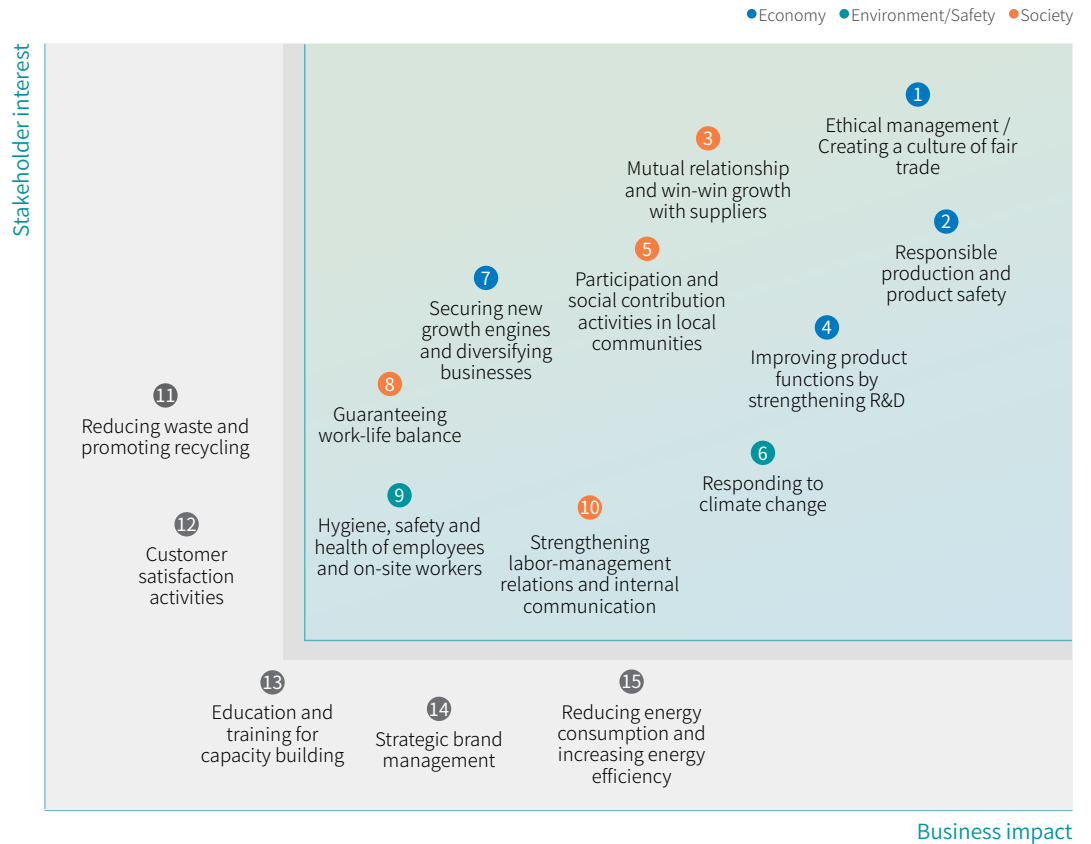
## Materiality Test and Stakeholder Communication

### Materiality Test and Topic Selection

In order to draw materiality topics for successful sustainable management, Dongwon Group conducted an analysis of international standards, benchmarking of companies in the same industry, media research and survey of internal and external stakeholders. In this Report, Dongwon Group reports its activities, performance and future plans regarding the material topics drawn in a transparent manner.



### Materiality Map



2) 'GRI Topic' can be found on page 86 and 87

No	Material Topic	GRI Topic <sup>2)</sup>	Impact Assessment	Pages
1	Ethical management / Creating a culture of fair trade	GRI 205: Anti-corruption GRI 419: Socioeconomic Compliance	□ F □ O ■ R	74, 75p
2	Responsible production and product safety	GRI 416: Customer Health and Safety	□ F □ O ■ R	29~30p
3	Mutual Relationship and Win-win growth with suppliers	GRI 203: Indirect economic effect	□ F ■ O □ R	44~47p
4	Improving product functions by strengthening R&D	-	□ F ■ O □ R	53~55p
5	Participation and social contribution activities in local communities	GRI 413: Local Community	□ F □ O ■ R	41~43p
6	Responding to climate change	GRI 302: Energy GRI 305: Emissions	□ F ■ O □ R	62, 63p
7	Securing new growth engines and diversifying businesses	-	■ F □ O □ R	10~23, 53~55p
8	Guaranteeing work-life balance	GRI 401: Employment	□ F ■ O □ R	37p
9	Hygiene, safety and health of employees and on-site workers	GRI 403: Occupational Health and Safety	□ F ■ O □ R	32, 33, 39p
10	Strengthening labor-management relations and internal communication	GRI 402: Labor-Management Relations	□ F ■ O □ R	38, 39p

F: Financial O: Operational R: Reputational



### Definition of Stakeholder

Dongwon Group define stakeholders as all entities having influence on or influenced by the Group's management activities either directly or indirectly. Stakeholders are categorized into customers, employees, shareholders and investors, the government and NGOs, suppliers and local communities.

### Bolstering the Stakeholder Communication

Dongwon Group operates a variety of stakeholder communication channels in order to establish a strong relationship based on trust and promote active communication. Through these channels, Dongwon Group listens to the voices of its stakeholders and reflects them in its business activities. In particular, the company discloses its management strategies, activities and performance in a transparent manner through companies' websites, of its subsidiaries, company newsletters, various kinds of official documents and the Sustainability Report 2018. In addition, the company strengthens integrity and credibility in carrying out its corporate activities.

Stakeholders	Major Issues	Communication Channels
 Customers	<ul style="list-style-type: none"> <li>· Responsible production and product safety</li> <li>· Customer satisfaction activities</li> <li>· Reducing waste and promoting recycling</li> <li>· Strategic brand management</li> </ul>	<ul style="list-style-type: none"> <li>· Media reports and interviews</li> <li>· Dongwon Group's SNS channels</li> <li>· Customer satisfaction survey</li> <li>· Subsidiary websites</li> <li>· Sustainability Report, etc.</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>· Guaranteeing work-life balance</li> <li>· Strategic brand management</li> <li>· Sustainable use and management of resources</li> <li>· Securing new growth engines and diversifying businesses</li> </ul>	<ul style="list-style-type: none"> <li>· In-house portal</li> <li>· Grievance/Complaint handling system</li> <li>· Thursday Seminar</li> <li>· Labor-Management Consultation Group/ Employment Security Committee</li> <li>· Employee satisfaction survey</li> <li>· Group newsletter, Sustainability Report, etc.</li> </ul>
 Shareholders and Investors	<ul style="list-style-type: none"> <li>· Securing new growth engines and diversifying businesses</li> <li>· Responsible production and product safety</li> <li>· Customer satisfaction activities</li> <li>· Education and training for capacity building</li> </ul>	<ul style="list-style-type: none"> <li>· Corporate meetings</li> <li>· General Shareholders' Meeting</li> <li>· IR meetings/Company visits</li> <li>· Sustainability Report, etc.</li> </ul>
 Government and NGOs	<ul style="list-style-type: none"> <li>· Legal compliance</li> <li>· Ecosystem conservation and resource management</li> </ul>	<ul style="list-style-type: none"> <li>· Membership of international associations</li> <li>· Obtaining international certifications</li> <li>· Sustainability Report, etc.</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>· Mutual relationship and win-win growth with suppliers</li> <li>· Securing new growth engines and diversifying businesses</li> <li>· Strategic brand management</li> <li>· Improving product functions by strengthening R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>· Mutual growth and win-win cooperation agreements</li> <li>· Technology exchange and meetings with suppliers</li> <li>· Sustainability Report, etc.</li> </ul>
 Local Communities	<ul style="list-style-type: none"> <li>· Ethical management/Creating a culture of fair trade</li> <li>· Guaranteeing work-life balance</li> <li>· Responsible production and product safety</li> <li>· Mutual relationship and win-win growth with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>· Meetings with sponsoring organizations</li> <li>· Dongwon Education Foundation website</li> <li>· Sustainability Report, etc.</li> </ul>



# Appendix



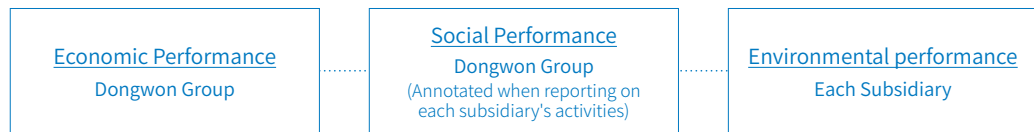
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Economic/Social/Environmental Performance	82p
GRI Content Index	86p
Independent Assurance Statement	88p
Awards and Memberships	90p

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## Reporting Scope of Sustainability Data



## Economic Performance

## Financial Status

Despite challenging corporate environments, Dongwon Group continues to generate new values by engaging in a variety of businesses both in Korea and abroad. Dongwon Industries, Dongwon F&B and Dongwon Systems, which boast particularly outstanding business performances and market positions, maintain excellent sales records based on their stable business bases.

(Unit: KRW million)

Classification	15th Term (End of December 2015)	16th Term (End of December 2016)	17th Term (End of December 2017)
Current assets	1,749,259	2,164,161	2,150,116
Quick assets	865,825	1,200,858	1,199,086
Inventory assets	773,022	813,934	848,308
Other current assets	110,412	149,369	102,722
Non-current assets	2,196,396	2,218,194	2,977,436
Investment assets	220,861	199,313	575,581
Tangible assets	1,507,050	1,536,369	1,817,383
Intangible assets	389,645	409,541	532,449
Other non-current assets	78,840	72,971	52,023
Total assets	3,945,655	4,382,355	5,127,552
Current liabilities	1,275,480	1,418,710	1,796,528
Trade payables and other payables	519,809	666,000	836,041
Short-term borrowings	383,960	245,473	389,939
Other current liabilities	371,711	507,237	570,548
Non-current liabilities	1,337,144	1,409,405	1,571,833
Bonds	558,451	618,481	518,785
Long-term trade payables and other payables	13,251	7,864	19,707
Long-term borrowings	554,661	534,964	825,795
Financial guarantee liabilities	299	735	5
Defined benefit liability	66,925	71,547	32,175
Other non-current liabilities	143,557	175,814	175,366
Total liabilities	2,612,624	2,828,115	3,368,361
Capital stock	58,457	58,457	58,457
Other reserves	21,469	23,209	28,787
Reserve	519,665	517,622	565,831
Retained earnings	224,553	378,124	528,725
Total equity attributable to owners parent	824,144	977,412	1,181,800
Non-controlling interest	508,887	576,828	577,391
Stockholders' equity	1,333,031	1,554,240	1,759,191
Total liabilities and stockholders' equity	3,945,655	4,382,355	5,127,552
Revenue	4,154,285	4,683,086	5,774,430
Operating profit	242,382	386,731	413,937
Net income for the year	101,909	227,808	288,054
Equity attributable to owners of parent	74,399	157,503	207,578
Non-controlling interest equity	27,510	70,305	80,476
Earnings per share (KRW)	6,363	13,472	17,755
No. of companies included in consolidation	39	37	45

## Social Performance

Dongwon Group fully complies with the Labor Standards Act of the Republic of Korea and the regulations of the International Labour Organization (ILO) including the “Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour” and the “Convention Concerning Forced or Compulsory Labour”. It strictly prohibits all forms of discrimination based on gender, race, age or social status, and no cases of violations were found in 2017.

At Dongwon Group and all its subsidiaries, both women and men receive the same basic salary which exceeds the statutory minimum wage in Korea. Employees are also entitled to retirement pension plans to ensure stability of life after retirement. The pension system places priority on stability, soundness and profitability by selecting providers with good credit ratings and solvency.

### Employee Status<sup>1)</sup>

- 1) Based on domestic companies
- 2) Team leaders or higher
- 3) Managers or higher and under-executive positions
- 4) Excluding sojourning employees
- 5) Based on new recruits and career employees
- 6) Based on permanent employees (including employee turnover)
- 7) Based on male and female employees
- 8) Employees who have returned to work/Employees on parental leave
- 9) Employees with consecutive service of 12 months or more/ Employees who have returned to work
- 10) Established in 2015
- 11) Merged with Dongwon Group in 2016

Classification		Unit	2015	2016	2017
By Employment Typet	Total	Persons	9,008	8,819	9,958
	Permanent	Persons	7,310	7,701	8,614
	Temporary	Persons	1,698	1,118	1,344
	Men	Persons	4,306	4,129	5,263
	Women	Persons	4,702	4,690	4,695
By Job Position	Executives (Women)	Persons	83 (2)	85 (1)	94 (1)
	Managers (Women) <sup>2)</sup>	Persons	286 (44)	310 (44)	340 (41)
	Sub-managers (Women) <sup>3)</sup>	Persons	808 (49)	797 (45)	860 (45)
By Region	Domestic	Persons	9,008	8,819	9,958
	Overseas <sup>4)</sup>	Persons	-	-	5,430
New Employment <sup>5)</sup>	Permanent	Persons	1,423	1,574	1,220
	Temporary	Persons	684	480	623
Socially Vulnerable Groups	Persons with disability	Persons	120	141	121
	Foreigners	Persons	63	73	64
	Patriots and veterans	Persons	42	35	34
Retirement <sup>6)</sup>		Persons	1,287	1,267	1,324
Maternity Protection <sup>7)</sup>	Persons eligible for parental leave	Persons	131	154	139
	Persons on maternity leave	Persons	71	80	77
	Persons on parental leave	Persons	61	83	78
	Persons returning from parental leave (return-to-work rate) <sup>8)</sup>	Persons (%)	33 (54)	69 (83)	56 (72)
	One or more years of service after returning to work from parental leave <sup>9)</sup>	%	79	62	77

### Labor Union Status

Classification	Subsidiary	Unit	2015	2016	2017
Membership of Labor Union	Dongwon F&B		46	47	51
	Dongwon Home Food <sup>10)</sup>		-	85	93
	Dongwon Farms	%	100	100	100
	Dongwon Systems		85	73	100
	Techpack Solutions		100	100	100
	Dongbu Express <sup>11)</sup>		-	-	48

## Education Status

### Employee Education Status

	Classification	Unit	2015	2016	2017
General Education Performance	Average education hours per employee	Hours	67.0	63.0	62.5
	Average education expense per employee	KRW	980,676	943,146	829,128
	Total education hours (offline)	Hours	148,189	140,990	158,755
	Total education hours (online)	Hours	40,995	41,330	42,151
	Total education expense	KRW million	2,922	2,840	3,081

### Ethical Management Education Status

	Classification	Unit	2015	2016	2017
	Education hours per employee	Hours	41	31	25
	Total education expense	KRW	10,550,000	9,550,000	9,200,000

## Social Contribution Status

	Classification	Unit	2015	2016	2017
	Social contribution investment cost	KRW million	3,029	2,566	2,660
	Social contribution employee participation time	Hours	546	516	443

## Supply Chain Status<sup>1)</sup>

	Classification	Unit	2015	2016	2017
	Number of Suppliers	Companies	6,438	5,525	6,502
	Purchasing Amount	KRW million	1,583,320	1,751,350	1,906,288

1) Reporting scope:  
Dongwon Industries,  
Dongwon F&B, Dongwon Home  
Food, Dongwon Systems,  
Techpack Solutions,  
Dongbu Express

## Industrial Accident Status

	Classification	Subsidiary	Unit	2015	2016	2017
Industrial Accident Rate		Dongwon Industries	%	0.253	0.000	0.250
		Dongwon F&B	%	0.000	0.000	0.000
		Dongwon Home Food	%	0.034	0.041	0.053
		Dongwon Systems	%	0.000	2.062	0.235
		Techpack Solutions	%	0.317	0.159	0.157
		Dongbu Express	%	0.812	1.042	0.474
	Number of Injuries or Deaths		Dongwon Industries	Persons	2	0
		Dongwon F&B	Persons	0	0	0
		Dongwon Home Food	Persons	1	2	3
		Dongwon Systems	Persons	0	8	1
		Techpack Solutions	Persons	2	1	1
		Dongbu Express	Persons	5	6	3
Lost Time Injury Frequency Rate (LTIFR)		Dongwon F&B	Case (s)/Million hours worked	0.000	0.000	0.000
		Dongwon Systems	Case (s)/Million hours worked	0.000	0.000	0.000
		Techpack Solutions	Case (s)/Million hours worked	0.000	0.000	4.344
Industrial Accident Rate in In-house Suppliers		Dongwon F&B	%	0.000	0.000	0.000
		Dongwon Systems	%	0.000	0.000	0.000
		Techpack Solutions	%	0.775	0.000	0.806



## Environmental Performance

Each subsidiary of Dongwon Group establishes environmental management targets in association with its business operations and undertakes implementation tasks to achieve those targets. Environmental management is strictly implemented at all business sites to reduce their environmental impact, including measures to reduce greenhouse gases and energy consumption, and to efficiently manage water resources.

2) In accordance with the Korean greenhouse gas target management system and the emissions trading scheme

### Energy Consumption and GHG Emission Status<sup>2)</sup>

#### Energy Consumption

Classification	Subsidiary	Unit	2015	2016	2017
Fuel Consumption	Dongwon F&B	TJ	438.6	448.0	446.8
	Techpack Solutions	TJ	1,610.8	1,620.8	1,676.8
	Dongbu Express	TJ	860.6	848.1	672.1
Power Consumption	Dongwon F&B	TJ	790.4	834.7	868.2
	Techpack Solutions	TJ	1,879.3	1,975.8	2,046.1
	Dongbu Express	TJ	83.0	83.4	83.1
Steam Consumption	Dongwon F&B	TJ	93.0	94.2	108.0

#### GHG Emissions

Classification	Subsidiary	Unit	2015	2016	2017
Direct Emissions (Scope 1)	Dongwon F&B	tCO <sub>2</sub> eq	23,132.2	23,616.2	23,618.2
	Techpack Solutions	tCO <sub>2</sub> eq	124,143.7	124,449.8	128,523.4
	Dongbu Express	tCO <sub>2</sub> eq	60,455.1	59,565.5	47,228.3
Indirect Emissions (Scope 2)	Dongwon F&B	tCO <sub>2</sub> eq	38,388.0	40,541.4	42,166.4
	Techpack Solutions	tCO <sub>2</sub> eq	91,273.9	95,961.3	99,372.8
	Dongbu Express	tCO <sub>2</sub> eq	4,031.5	4,051.9	4,033.6

### Water Resource Management Status

Classification	Subsidiary	Unit	2015	2016	2017
Water Consumption	Dongwon Industries	ton	32,856.0	28,492.0	29,642.0
	Dongwon F&B	ton	2,157,384.7	2,251,658.9	2,230,226.6
	Dongwon Home Food	ton	144,859	137,522	187,830
	Dongwon Systems	ton	10,067.0	5,550.0	38,754.0
	Techpack Solutions	ton	442,528.0	442,262.5	441,318.0
	Dongbu Express	ton	N/A	948.3	1,319.8
Discharge of Wastewater	Dongwon Industries	ton	28,214.0	22,563.0	24,442.0
	Dongwon F&B	ton	1,724,164.5	1,794,767.5	1,765,539.5
	Dongwon Home Food	ton	119,147.0	114,781	144,418
	Dongwon Systems	ton	13,709.1	14,466.5	15,403.5
	Techpack Solutions	ton	161,924.8	163,118.9	164,217.3
	Dongbu Express	ton	N/A	0	0

### Hazardous Substance Management

Classification	Subsidiary	Unit	2015	2016	2017
Consumption of Hazardous Substance	Dongwon F&B	ton	1,954.2	522.7	326.2
	Dongwon Home Food	ton	340.7	395.7	543.4
	Dongwon Systems	ton	2,318.3	2,468.1	3,095.5
	Techpack Solutions	ton	650.9	689.4	704.0
Emission of Hazardous Chemical Substances	Dongwon F&B	ton	248.3	0	0
	Dongwon Home Food	ton	0	0	0
	Dongwon Systems	ton	37.2	50.9	18.4
	Techpack Solutions	ton	6.5	19.5	18.7

### Waste Management

3) Based on general waste

Classification	Subsidiary	Unit	2015	2016	2017
Discharge of Waste <sup>3)</sup>	Dongwon F&B	ton	23,216.4	27,995.4	24,508.0
	Dongwon Home Food	ton	2,324	2,597	3,286
	Dongwon Systems	ton	1,399.3	1,930.6	1,746.7
	Techpack Solutions	ton	3,106.6	3,591.5	3,145.4
	Dongbu Express	ton	N/A	69.3	143.0

## GRI Content Index

## Material Topic

Classification	Disclosure	Indicators	Page	Note
GRI 102: Organizational Profile	102-1	Name of the organization	4	
	102-2	Activities, brands, products, and services	10-21	
	102-3	Location of headquarters	4	
	102-4	Location of operations Domestic	Domestic, 22, 23	
	102-5	Ownership and legal form	4	
	102-6	Markets served Domestic	Domestic, 22, 23	
	102-7	Scale of the organization	4	
	102-8	Information on employees and other workers	83	Data by form of employment or region not aggregated by gender but will be in the future
	102-9	Supply chain	84	
	102-10	Significant changes to the organization and its supply chain	-	Dongwon Enterprise Business Report 3-4 pages
	102-11	Precautionary Principle or approach	76, 77	
	102-12	External initiatives	41	UN SDGs
	102-13	Membership of associations	90	
GRI 102: Strategy	102-14	Statement from senior decision-maker	2, 3	
GRI 102: Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	74, 75	
	102-17	Mechanisms for advice and concerns about ethics	74	
GRI 102: Governance	102-18	Governance structure	73	Decision-making on economic, environmental and social agenda is discussed through the BoD
	102-22	Governance structure of the organization, including committees of the highest governance body	-	Subcommittee is not in operation
	102-23	Chairman of highest governance body	73	
	102-25	Conflicts of interest are avoided and managed	73	
	102-27	Group knowledge of the highest governance body	73	
	102-35	Remuneration policies	73	
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	80	
	102-41	Collective bargaining agreements	83	
	102-42	Identifying and selecting stakeholders		
	102-43	Approach to stakeholder engagement	80	
GRI 102: Reporting Practice	102-44	Key topics and concerns raised		
	102-45	Entities included in the consolidated financial statements	-	Dongwon Enterprise Business Report, 3-4 pages
	102-46	Defining report content and topic Boundaries	78	
	102-47	List of material topics	79	
	102-48	Restatements of information	-	Stated in the page concerned
	102-49	Changes in reporting		
	102-50	Reporting period		
	102-51	Date of most recent report		
	102-52	Reporting cycle	1	
	102-53	Contact point for questions regarding the report		
GRI 103: Management Approach	102-54	Claims of reporting in accordance with the GRI Standards		
	102-55	GRI content index	86, 87	
	102-56	External assurance	88, 89	
GRI 103: Management Approach	103-1	Material Topic and its boundary	78	
	103-2	Management Approach and its Components	78	
	103-3	Evaluation of management method	86, 87	
<b>Economic Performance</b>				
GRI 203: Indirect Economic Impacts	103-1,2,3	Management Approach	40	
	203-1	Infrastructure investments and services supported	41-43	Operated in the form of pro bono programs for public good
	203-2	Significant indirect economic impacts	44-47	
GRI 205: Anti-corruption	103-1,2,3	Management Approach 18	74	
	205-2	Communication and training about anti-corruption policies and procedures	74, 75, 84	Training hours per person: 25 hours (Data not aggregated by positions/regional/ratio but will be in the future)
<b>Environmental Performance</b>				
GRI 302: Energy	103-1,2,3	Management Approach	62	
	302-1	Energy consumption within the organization		Renewable energy not currently used; Power, coolant not currently sold
	302-2	Energy consumption outside of the organization	85	
	302-4	Reduction of energy consumption	63	

Classification	Disclosure	Indicators	Page	Note
<b>Environmental Performance</b>				
GRI 305: Emission	103-1,2,3	Management Approach	62	
	305-1	Direct (Scope 1) GHG emissions	85	
	305-2	Indirect (Scope 2) GHG emissions		
	305-5	Reduction of greenhouse gas (GHG) emissions	62, 63	
<b>Social Performance</b>				
GRI 401: Employment	103-1,2,3	Management Approach	28	
	401-3	Parental leave	83	Data not aggregated by gender but will be in the future
GRI 402: Labor/Management Relations	103-1,2,3	Management Approach	34	
	402-1	Minimum notice periods regarding operational changes	-	30 days (specified in our personnel policies.)
GRI 403: Occupational Health and Safety	103-1,2,3	Management Approach	28	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	84	Data not aggregated by gender and region but will be in the future
GRI 413: Local Community	103-1,2,3	Management Approach	40	
	413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	41~43	Program operation ratio not currently tracked but will be in the future
GRI 416: Customer Health and Safety	103-1,2,3	Management Approach	28	
	416-1	Safety and Health Impact Assessment of Products and Services	29, 30	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	No such cases

**General Topic**

Classification	Disclosure	Indicators	Page	Note
<b>Economic Performance</b>				
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	52	
	201-2	Financial implications and other risks and opportunities due to climate change	62, 63	
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	74, 75	
	205-3	Confirmed incidents of corruption and actions taken	74, 75	
GRI 206: Anti-competitive Behaviour	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	Dongwon F&B: 1 case (Giving of gift certificates to school nutritionists)
<b>Environmental Performance</b>				
GRI 306: Effluents and Waste	306-1	Water discharge by quality and destination	85	
	306-2	Waste by type and disposal method	85	
	306-3	Significant spills	-	No such cases
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	-	Dongbu Express: 2 cases (Penalty for causing fugitive dust: KRW 2.4 million)
<b>Social Performance</b>				
GRI 401: Employment	401-1	New employee hires and employee turnover	83	Data not aggregated by gender and region but will be in the future
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	37	
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	39	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	32	
	403-4	Health and safety topics covered in formal agreements with trade unions	39	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	84	
	404-2	Programs for upgrading employee skills and transition assistance programs	67, 68	
GRI 405: Diversity and Equal Opportunity Non-discrimination	405-1	Diversity of governance bodies and employees	73, 83	
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	30	
	417-2	Incidents of non-compliance concerning product and service information and labeling	-	No such cases
	417-3	Incidents of non-compliance concerning marketing communications	-	No such cases
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	No such cases
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	No such cases

## Independent Assurance Statement

1) The VeriSustain protocol is available upon request at DNV GL Website ([www.dnvgl.com](http://www.dnvgl.com))

### Introduction

Dongwon Enterprise Co., Ltd (“Dongwon”) commissioned DNV GL Business Assurance Korea, Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of Dongwon Group’s Sustainability Report 2018 (the “Report”). The directors of Dongwon have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of Dongwon in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

### Scope of assurance

The scope of assurance includes a review of non-financial data and sustainability activities and performance data over the reporting period from 1st January to 31st December 2017 in the Report (Korean version). This also includes:

- Evaluation of the Report on the adherence to the reporting principles for defining report content and the reporting principles for defining report quality set forth in the Global Reporting Initiative (GRI) Sustainability Reporting Standards.
- Evaluation of the process for determining material topics for reporting and the management approach to material topics and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

### Basis of our opinion

We’ve performed our work using DNV GL’s assurance methodology VeriSustain™ 1), which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The assurance was carried out from September till October 2018. The site visits were made to headquarters of Dongwon in Korea. Assurance activities were conducted based on sampling as follows:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments and reporting subsidiaries;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed the materiality assessment report.

### Limitations

The engagement includes the sustainability management, performance and reporting practices of Dongwon Enterprise, and its major subsidiaries (Dongwon Industries, Dongwon CS, Dongwon LOEX, Dongbu Express, Dongwon F&B, Dongwon Home Food, Dongwon Farms, Dongwon Systems, Techpack Solutions, Dongwon Construction Industries, Dongwon CNS, Dongwon Wineplus. Description of other subsidiaries, associated companies, suppliers, contractors and any third-parties are excluded from the scope of assurance engagement. DNV GL did not interview external stakeholders as part of this Assurance Engagement. The audited consolidated financial statements, the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) and disclosures in Dongwon’s website ([www.dongwon.com](http://www.dongwon.com)) are not included in the assurance scope. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. Economic performance based on the financial data is cross-checked with internal documents and the audited consolidated financial statements. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

### Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the Principles for defining report content in GRI Standards nor is prepared ‘in accordance’ with GRI Standards - Core option. Further opinions with regards to the adherence to the Principles are made below;

#### Stakeholder Inclusiveness

Dongwon has identified internal and external stakeholder groups such as Customers, Employees, Shareholders/Investors, Regulator/NGOs, Suppliers and Local Community. Dongwon conducts stakeholder engagement activities through various channels. The examples of approaches to engage with the selected stakeholders and relevant organizations are described in the Report. In addition, Dongwon is presenting on the report the main concerns of stakeholders derived from internal and external stakeholder survey conducted during the materiality assessment process.



**Sustainability Context**

The Report shows stakeholders the Dongwon's approach to material topics, its selection background, its main activities, and its implementation system. In addition, the Report describes the key achievements in 2017, which helps the stakeholder understand the sustainability management of Dongwon. In particular, this Report provides stakeholder interviews and business cases with regards to material topics. Readers of the Report can view the level of interest in the material topics among internal and external stakeholder and the main activities of Dongwon.

**Materiality**

Dongwon has conducted the materiality assessment to prepare the Report. The 34 issues were pooled by analysing the various topics discussed in global sustainability initiatives and standards peers' reports, result of media research, and internal reports and documents. Comments collected from the internal stakeholder interview are also integrated in the determination of issue pool. Dongwon has prioritized the issues through internal and external stakeholder surveys to the final 10 material topics as presented in the Report. The assurance team reviewed the materiality assessment process and confirmed that the material topics prioritized from the process are addressed in the Report.

**Completeness**

The Report has covered the material topics and sustainability performances of Dongwon for the reporting period. The reporting boundary includes Dongwon Enterprise and domestic business sites of major subsidiaries (Dongwon Industries, Dongwon CS, Dongwon LOEX, Dongbu Express, Dongwon F&B, Dongwon Home Food, Dongwon Farms, Dongwon Systems, Techpack Solutions, Dongwon Construction Industries, Dongwon CNS, Dongwon Wineplus). The assurance team has not noted any intentional omission of the performance results on material topics within the reporting boundary.

In addition, the evaluation of the adherence to the principles related to report quality is as follows.

**Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability**

The assurance team has sampled data and tested accuracy and reliability. The assurance team interviewed the data owners and reviewed the data gathering process with the supporting documents and records. The depth of data verification is limited to the aggregated data level. Based on the test, the intentional error or misstatement is not noted. The data owners were able to demonstrate to trace the origin of the data and to interpret the processed data in a reliable manner. The data was identifiable and traceable. In addition, the Report provides the last three-year performance on material topics, helping stakeholders understand the changes in organizational performance over the years. Dongwon issues the Report every other year so that stakeholders can make the informed decisions in a timely manner. Dongwon could expand the reporting boundary all subsidiaries in Dongwon Group in the future. The future report could be prepared in a balanced manner.

**Competence and Independence**

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2)</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL did not provide any services to Dongwon that could compromise the independence or impartiality of our work.

2) DNV GL Code of Conduct is available from DNV GL website ([www.dnvgl.com](http://www.dnvgl.com))

October 2018  
Seoul, Korea

Jang Sup Lee  
Country Representative  
DNV GL Business Assurance Korea, Ltd.



## Awards and Memberships

### Awards

Date	Name of Subsidiary	Awards
2015. 02	Dongwon Industries	KMAC 2015 Korea's Most Admired Companies (1st Prize in Fisheries)
2015. 04	Dongwon F&B	Dongwon Tuna, TV Advertisement of the Year hosted by Korea Advertising Society
2015. 10	Dongwon Industries	KMAC 2015 Korea Management Awards, Grand Prize in Customer Satisfaction (For 3 consecutive years)
2015. 12	Dongwon Systems	Export Tower Award for achieving USD 70 million in export
2016. 02	Dongwon Industries	KMAC 2016 Korea's Most Admired Companies (1st Prize in Fisheries for 2 consecutive years)
2016. 04	Dongwon F&B	'Let's Make Pasta', Good Online Advertisement Voted by Viewers hosted by the Korea Advertisers Association
2016. 10	Dongwon F&B	Richam, 1st Prize in Brand Customer Satisfaction Index in Processed Meats hosted by the Korea Marketing Association in 2016
2016. 11	Dongwon F&B	Spicy Richam, Best Hit Product in F&B hosted by Seoul Economic Daily in 2016
2016. 12	Dongwon Industries	KMAC 2016 Korea Management Awards, Grand Prize in Customer Satisfaction (For 4 consecutive years)
2016. 12	Dongwon Industries	Export Tower Award for achieving USD 150 million in export of marine products in 2016, Ministry of Oceans and Fisheries
2016. 12	Dongwon Systems	2016 Korea Labor-Management Culture Awards, President's Commendation
2016. 12	Dongwon Group	Dongwon Group, Grand Prize at the 3rd Outstanding Workplace for Reading Management
2016. 12	Dongwon F&B	"God of Tteokbokki Instant Rabbokki", 1st Place in Rice Processed Product Show, Commendation of the Minister of Agriculture, Food and Rural Affairs
2017. 02	Dongwon Industries	KMAC 2017 Korea's Most Admired Companies (1st Prize in Fisheries for 3 consecutive years)
2017. 11	Dongbu Express	Commendation of Minister of Land, Infrastructure and Transport of Korea Logistics Award
2017. 12	Dongbu Express	Commendation of the Commissioner of Customs of Busan Main Customs
2017. 12	Dongbu Express	Commendation of the Minister of Oceans and Fisheries awarded to subsidiary Dongbu Busan Container Terminal Co., Ltd.
2017. 12	Dongwon Systems	Export Tower Award for achieving USD 100 million in export

### Memberships

Subsidiary	Name of Association	Description of Association
Dongwon Industries	Korea Fishery Trade Association	Support for overseas market development to promote exports, etc.
	Korea Overseas Fisheries Association	Support for overseas fishery business such as ship operation, fisheries agreement and Statistics
	Korea Ship Managers' Association	Perform ship and crew management, marine insurance-related affairs, etc.
Dongwon CS	Korea Integrated Logistics Association	Grant rewards in the logistics field, participate in conferences, visit companies, provide educational opportunities, etc.
	Korea Customs Logistics Association	Change logistics-related policies, exchange innovation and provide education, etc.
Dongwon F&B	Korea Food Cold Chain Association	Exchange information on low temperature logistics and make policy proposals, etc.
	The Organization of Consumer Affairs Profession in Business (OCPA)	Cooperation in CS affairs to establish a sound consumer protection culture
	Korea International Trade Association	Develop overseas markets and identify information on overseas trade, etc.
Dongwon Farms	Korea Fishery Trade Association	Identify industrial trends and share information on overseas markets through mutual exchange between member companies
	Food Industry Export Council	Identify industrial trends and share information on overseas markets through mutual exchange between member companies
Dongwon Systems	Korea Feed Association	Share formulated feed manufacturing technologies and information, etc.
	Korea Electric Engineers Association	Provide education on electric engineering and share technological information, etc.
Techpack Solutions	Korea Packaging Association	Share information on packaging companies, provide education, etc.
	Korea Electric Engineers Association	Provide legal education for electric safety managers and exchange information, etc.
Dongwon Systems, Techpack Solutions	Korea Chemicals Security Community	Exchange information regarding chemical substance-related regulations, amendments, trends, etc.
	Korea Environmental Preservation Association	Provide information on environmental affairs and policy changes, etc.
Dongwon Construction Industries	Korea Fire Safety Association	Provide regular safety training and fire-related information, etc.
	Construction Association of Korea	Provide information on construction business management and other relevant information, etc.
	International Contractors Association of Korea	Issue overseas business performance certifications and provide market information, etc.
	Korea Environment Construction Association	Exchange information on environment-related laws, regulations and management methods, etc.
Dongbu Express	Construction Safety Management Committee	Exchange information on construction safety and make policy proposals, etc.
	Korea International Trade Association	Make trade-related policy proposals and provide customized consulting, etc.
	Korea Customs Logistics Association	Handle logistics customs and administration service and provide education in related fields, etc.
	Korea AEO Association	Conduct AEO certification evaluations and provide education on AEO, etc.
	Korea Port Logistics Association	Share information on cargo handling business and make policy proposals, etc.

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