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<http://en.donga.co.kr>

Honorary Chairman's Message



Inspired by lyrics of our company song, "a symbol of youth, protecting the health of the world through outstanding quality and trustworthiness", Dong-A Socio Group strives to grow in a socially and environmentally responsible way, thereby scaling the positive impacts on our society.

Dear Readers,

Our society is experiencing huge changes in both the business environment and in daily life due to the COVID-19 pandemic. I would like to take this opportunity to thank all our stakeholders for your unwavering interest in and ardent support for Dong-A Socio Group, particularly at this difficult time.

The business of Dong-A Socio Group is aimed at ensuring the health of citizens, and our corporate activities are carried out with the intention of sharing with neighbors. We take on the countless challenges to heal ill people by making high quality and efficacious drugs, and we return corporate profits back to society. We also protect the Earth's environment, and constantly take on new challenges to improve people's health.

When we published Dong-A Socio Group's first Integrated Report last year, we once again looked at how we could improve our existing business, and realized that there were many challenges for us to take on and resolve. A company's sustainable growth is ultimately dependent on its commitment to resolving social issues. To this end, I promise all our stakeholders that Dong-A Socio Group will go beyond simply creating and selling good products, and will strive for continued growth in partnership with wider society in order to build a healthier, happier world.

Our way of contributing to society is through the development of new drugs, as it has been throughout our history. Even when the mission of developing a new drug is long and arduous, we strive to give the gift of a healthy life to humankind with a sense of respect and love for life. In addition, we will protect the Earth's environment no matter what work we do, and ensure that our planet and people on it can prosper together.

When Korea began implementing an economic development plan for industrialization, I decided to create a company song which expressed our commitment to building a healthy society. As it says in the lyrics of the song, Dong-A Socio Group remains "a symbol of youth, protecting the health of the world through outstanding quality and trustworthiness", based on which we will continue to earn trust of our stakeholders who care about Dong-A Socio Group. And together, we create a future filled with happiness.

Thank you.

姜信浩

Shin-Ho Kang
Honorary Chairman, Dong-A Socio Group

CEO's Message



Based on the firm belief that a company can only grow sustainably when it does business in the right way, we will do our utmost to achieve sustainable growth in partnership with society based on our core values of pursuing innovation, leading change, trusting others, and thriving together.

To all our stakeholders who have stood by the side of Dong-A Socio Group,

I thank you for your continued support and encouragement for Dong-A Socio Group, even amidst the unprecedented difficulties caused by the COVID-19 pandemic. I hope for your health and happiness, and seek to build a fire for Dong-A Socio Group's second cauldron.

This year's Integrated Report will look at Dong-A Socio Group's performance last year, and will also focus on our four core values, and how those values are enabling us to grow together in partnership with society.

"Pursue Innovation" – think anew, start small

Dong-A Socio Group has been in the health business for the benefit of humankind for 90 years, and our growth has been based on stability and trust. Due to the unprecedented circumstances around COVID-19, we realized that a company does not exist solely for the purpose of generating profits, but must also contribute to social value as well. We therefore launched the Dong-A Socio Group Social Responsibility Council in March last year, with the CEOs of the Group affiliates performing a central role. We also accelerated the implementation of environmental, social, and corporate governance (ESG) management. In April, Dong-A ST and Dong-A Pharmaceutical created the "Social Value Committee" and provided quarterly training to employees regarding the creation of social value, with a particular focus on the environment and social contribution activities.

"Lead Change" – read trend, change proactively

As environmental pollution has emerged as an increasingly serious social issue, in order to operate our business in an eco-friendly way, Dong-A Socio Group has carried out detailed reviews of the environmental impact of its business, beginning with the development processes for existing products. Dong-A Pharmaceutical, which produces Bacchus, Garglin, MiNiMAX Jungle and other products, and Dong-A Otsuka, which produces POCARI SWEAT and others, have now designed their product containers in a way which enables easy reuse and eliminates elements that are harmful to the environment. Yongma Logis, which specializes in the delivery of pharmaceuticals, is taking the lead in collecting pharmaceutical waste, while Soo Seok, which produces bottles and PET, is striving to increase its use of waste glass. DONGCHEONSU, a mineral water specialist, signed a memorandum of understanding (MOU) for the collection of transparent PET bottles with the Ministry of Environment last year. By adopting label-free PET bottles, the company has improved recycling and also made the sorting of waste more convenient for consumers. Dong-A ST is building an urban forest and a forest of peace which will reduce fine dust in the atmosphere. 3,000 trees are being planted in Seoul and in Gangwon Province as the company joins in the efforts to protect the Earth's environment. We also run a "zero plastic" campaign which encourages employees to reduce and ultimately eliminate the use of plastics, and also to save energy.

"Trust Others" – create synergy based on trust

The first step towards winning the trust of customers is to ensure that we go about all our business activities in the right way. To this end, Dong-A Socio Holdings set out its principles of Jeong-Do management in 2018, and has since then earned the ISO 37001 (anti-bribery management system) certification every year. In addition, we joined the UN Global Compact (UNGC) in September last year on behalf of all the Group affiliates. Going forward, we will ensure sustainable development, fulfil our social responsibilities, and establish a transparent corporate culture in support of The Ten Principles of the UN Global Compact in the areas of human rights, labour, environment, and anti-corruption as a way to contribute to achieving the Sustainable Development Goals set by the UN. In addition, we undertake an evaluation of our Anti-Bribery Management System (ABMS) every year, with the goal of establishing the ABMS at all Group affiliates in next five years.

"Thrive Together" – grow together with employees, customers, and society

The purpose of developing outstanding products and generating corporate profits is to build a healthy society alongside all our stakeholders, including employees, customers, and shareholders. To ensure the sustainable management of a company, profits must be reinvested, including investing in social contributions. Dong-A Socio Group therefore delivered COVID-19 prevention kits to people in need during the pandemic. We also ran volunteer trucks in partnership with the Korean Pharmaceutical Association to deliver household medicines and hygiene products to disaster areas. In addition, we operate a disaster task force which can quickly offer a helping hand wherever it is needed in the event of a disaster, and also deliver essential items to the underprivileged every month as part of our commitment to becoming a company which grows in partnership with society.

Dong-A Socio Group regards its core values as drivers of growth and will make continuous efforts to present humankind with the gift of a healthier tomorrow. A sustainable future is not just given to us – it will only happen if we continue to work sustainably and challenge ourselves to run business in new ways. I ask for your continued interest and support, so that Dong-A Socio Group is always able to respond in the right ways to the huge changes in daily life that we have been experiencing, and can work hard for the development of a better society.

Thank you.

Jae Hun Jung

CEO & Vice-President, Dong-A Socio Holdings

"GAMASOT"

– a warm heart that holds people dear

He always offered a bowl of warm rice.
 He held all visitors dear in good times and bad.
 Joong-Hee Kang, the founder of Dong-A Socio Group, personally served all visitors of his house cauldron-cooked rice, and his goodness and reciprocating loyalty have grown into the foundation and corporate culture of Dong-A Socio Group.
 Today, Dong-A Socio Group continues to grow upright and be true to the enduring "GAMASOT"¹⁾ spirit of the founder.

¹⁾ Korean words meaning "cauldron"

2020 KEY PERFORMANCE



GAMASOT



Guiding principle

————— Dong-A Socio Group's "Jeong-Do (鼎道)"²⁾ management, based on the Gamasot spirit guides us in our pursuit of sustainable growth.

Our founding principles of integrity, sincerity with full responsibilities, and consideration for others have coalesced over 90 years and three generations into an enduring GAMASOT spirit. Founder Joong-Hee Kang has kindled the spirit of GAMASOT by warming the hearts and minds of his acquaintances with cauldron-cooked rice; second-generation Honorary Chairman Shin-Ho Kang has expanded the realm of GAMASOT spirit by taking on the challenge of new drug development as a contribution to society; and third-generation Chairman Jung-Seok Kang is spurring the development of our employees on the basis of his conviction that health and happiness of humanity is one of our social responsibilities. Building global-standard Jeong-Do management systems through the acquisition of an ISO 37001 certificate and the implementation of ISO 26000 guidelines, Dong-A Socio Group takes an actively part in international projects committed to sustainable development, including the UN Sustainable Development Goals (UN SDGs)³⁾ and UN Global Compact (UNGC)⁴⁾, taking the stage of GAMASOT spirit global.

²⁾ Chinese characters meaning "cauldron" and "way"

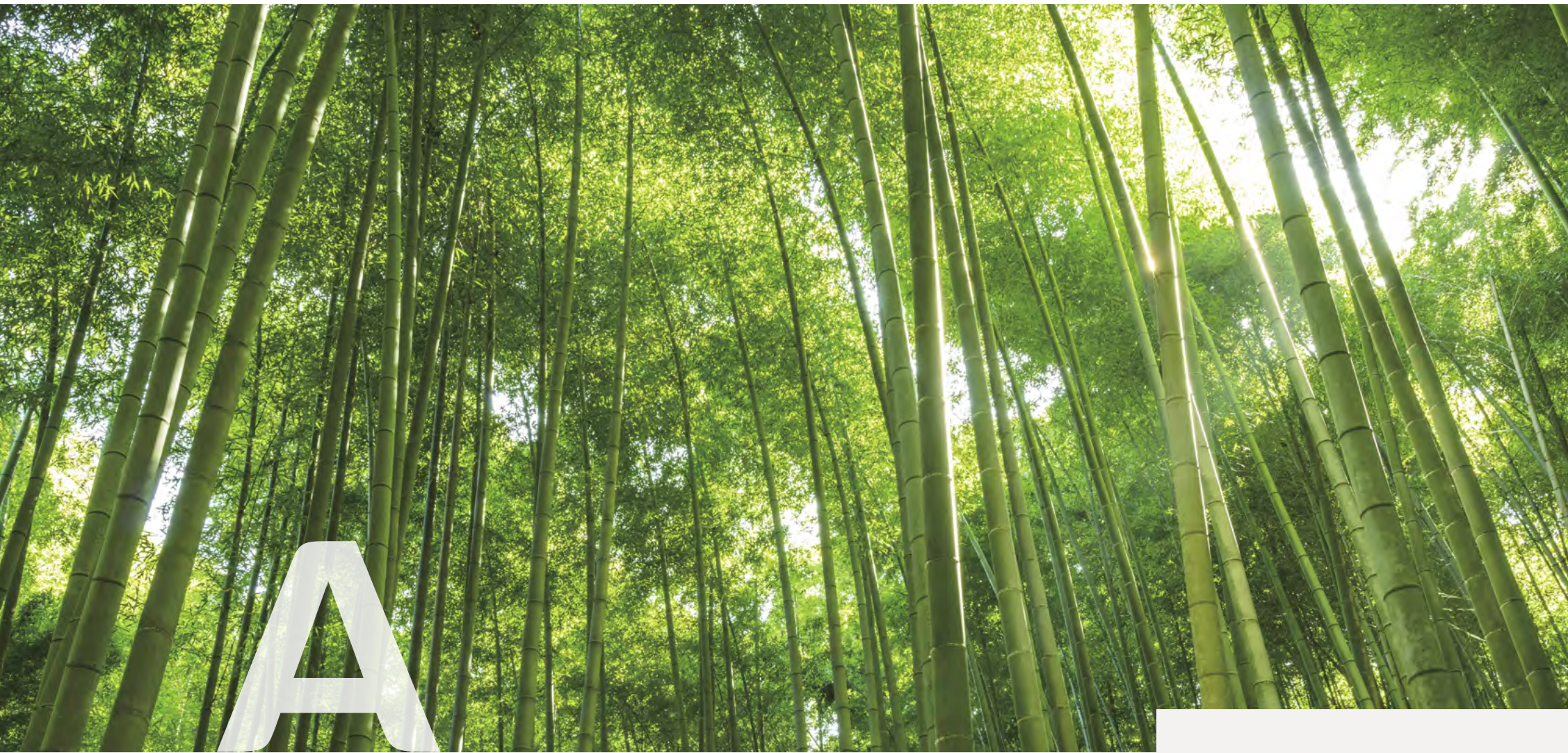
³⁾ Set of 17 goals that serve as a blueprint to achieve a more sustainable future by 2030

⁴⁾ A global initiative that promotes corporate participations in improving sustainability and corporate citizenship by recommending the adoption of ten major principles in the areas of human rights, labour, environment, and anti-corruption into corporate operations and business strategies, and presents practical measures to this end



An embodiment of our founding principles of integrity, sincerity and consideration, GAMASOT spirit has succeeded into Dong-A Socio Group's unique Jeong-Do management. Which is the reason why we use "鼎", the Chinese character for the cauldron, instead of "正", the character for righteousness which is more commonly used.





Accolades

———— We are building a unique Jeong-Do management system and capabilities that meet global standards through acquisition of awards and certificates at home and abroad.

Nowadays, corporate sustainability is defined by a set of criteria related to the environmental, social and governance (ESG) factors. The more positive are the impacts of corporate activity on the environment and society, and the healthier is corporate governance, the better can the company lead innovation and change together with stakeholders and gain distinctive competitiveness.

In a 2020 ESG evaluation conducted by the Korea Corporate Governance Service (KCGS), Dong-A Socio Holdings received a C in the environmental and an A in both the social and governance categories, scoring an overall grade of B+, for a second straight year. We earned the C in the environment as in the previous year on the back of energy and greenhouse gas (GHG) emissions reductions we made in 2020. The A in the governance category is a recognition of such efforts we made to increase transparency as the establishing and announcing of a Corporate Governance Charter as well as the expansion of the scope of relevant information disclosures. What is more encouraging are improvements we made in the social area. Complying with ISO 37001 and ISO 27001 regulations, we carried out various activities aimed at keeping business sites safe and healthy as well as several community programs.



Dong-A Socio Group Integrated Report



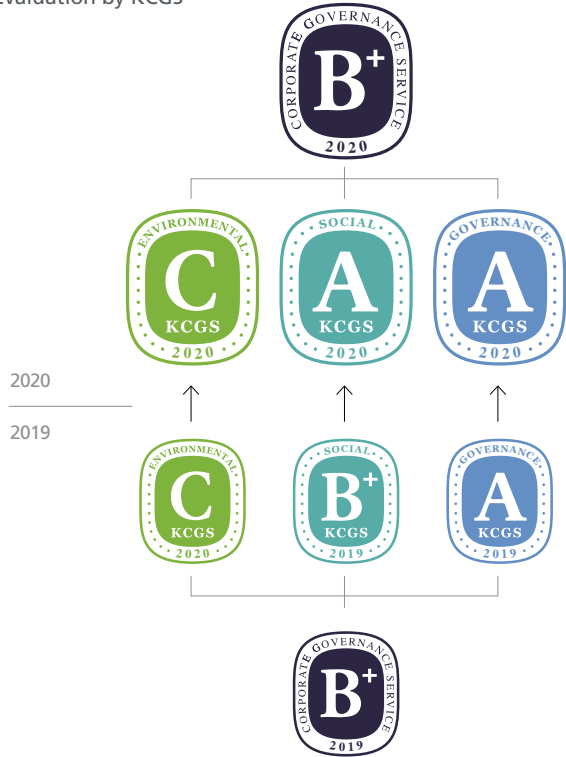
The Group affiliates, including Yongma Logis, DM Bio and Soo Seok, further solidified their labor-management culture of win-win in line with Jeong-Do management, resulting in being selected as company with excellent labor-management culture. Thanks to these and other efforts, our grade in the social category improved from a B+ in 2019 to an A in 2020.

Our efforts also gained recognition at improving the wellbeing of employees and the constitution of the corporate community. Dong-A Socio Holdings actively supported employees with the adoption of a leveraged employee stock ownership plan, which resulted in the winning of Grand Prize in the large corporation category of the 2020 Employee Stock Ownership Awards organized by Korea Securities Finance Corp's selection.

The joy of winning awards kept coming. In July 2020, "Dong-A Socio Group Integrated Report 2019: GAMASOT", our very first of its kind, received the Platinum Award at the "2020 LACP Spotlight Awards" organized by the League of American Communications Professionals (LACP), a world-renowned marketing survey firm. Out of six evaluation categories, we received the top score in five – content, design, creativity, clarity and suitability. Ranked 16th among some 500 entries from around the world, the Integrated Report is an embodiment of our determination to effectively manage and faithfully record the milestones of our ESG management.

ESG is about corporate survivability and consideration for younger generations. Moving forward, Dong-A Socio Group will achieve quantitative and qualitative growth of ESG management by faithfully nurturing strengths in all sincerity and thoroughly addressing shortcomings.

ESG Evaluation by KCGS



M

Maintain sustainability standards

We have established, manage and are advancing a sustainable management system of global standard.

Dong-A Socio Group is fine-tuning its Jeong-Do management into a sustainable management system that meet international standards. In April 2019, Dong-A Socio Holdings acquired the ISO 37001 certification, an international anti-bribery management system standard, and in 2020, successfully completed internal and follow-up management evaluations. By adopting the ISO 37001, Dong-A Socio Holdings shares anti-bribery view within the company as well as with suppliers, while also strengthening partnerships and building trust with customers. In addition, we are string to internalize the ISO 37001 in order to decrease legal risks, which is also expected to satisfy strengthening requirement for anti-bribery systems observed in various transactions.

In December 2020, Dong-A Socio Holdings also passed the follow-up management evaluation as required by ISO 27001 certification, an international standard for the information security management system, we had acquired in December 2019. Information security is a vital safety net in the Fourth Industrial Revolution era. Which is why we frequently examine our internal security systems and have "Information Security Day" every quarter to make information protection part of daily life. Moreover, we raise employee awareness of information security by conducting dry runs of cyber attack, and make important decisions related to information security through the Information Security Committee consisting of all Group affiliate executives. More efforts will be made to internalize ISO 37001, ISO 27001 and other international standards across all the Group affiliates so that they will be guidelines by which all employees make their business decisions and actions.



Alignment with UN SDGs



A

Adopt sustainability initiatives

We fully support global efforts to build a sustainable future as a responsible corporate citizen.



Dong-A Socio Group cares about its roles as a global citizen and thus strives to fulfill its responsibilities. In September 2020, we joined the UN Global Compact (UNGC), pledging our support for the global community's efforts to improve the health of humanity and the Earth. The UNGC is the world's largest voluntary corporate citizen initiative created to encourage companies to adopt The Ten principles of the UNGC in the areas of human rights, labour, environment and anti-corruption, and to present practical measures to improve corporate social mindsets and sustainability, with a membership of around 14,000 companies and organizations in 157 countries including some 240 Korean members.

With the joining of the UNGC, we will internalize The Ten principles of the UNGC in all aspects of our business activity in a bid to help achieve the UN SDGs, a common goal for the UN and the international community. Poverty, disease, climate change and other related issues pose an existential threat to humanity, and businesses play an important role in solving these problems. Recognizing the weight of such a role, we will enhance our understanding of opportunities and responsibilities that will emerge as the SDGs are achieved, and take active part in achieving the SDGs by leveraging Dong-A Socio Group's expertise and GAMASOT spirit.



Alignment with UN SDGs



Dong-A Socio Group opened “GAMASOT” website for its Jeong-Do management in April 2020, with the belief that the foundation of Jeong-Do management is transparent communication of management principles and performances to stakeholders. GAMASOT consists of “Jeong-Do Management, Charter of Ethics, Jeong-Do Management Activity” which details the Group’s management principles and socially responsible management activities; “Whistleblowing” for reporting unlawful, corrupt or unethical conducts; and “Community” for stakeholder participation. In 2020, we used the website to carry out a due diligence¹⁾ on active 192 business partners, and also created “Recurrence Prevention Card News” for sharing information on bribery cases that can occur in the line of work. In addition, the Group’s Integrated Report, “GAMASOT”, can be downloaded from the website.

Completed results, continued actions, and opportune executions of plans all constitute a journey through which Dong-A Socio Group enhances its sustainability. As the focus of management is expanding to include not only shareholders but also all stakeholders, we will share all of our processes of growing together with stakeholders through the Jeong-Do management website as part of our journey towards sustainability.

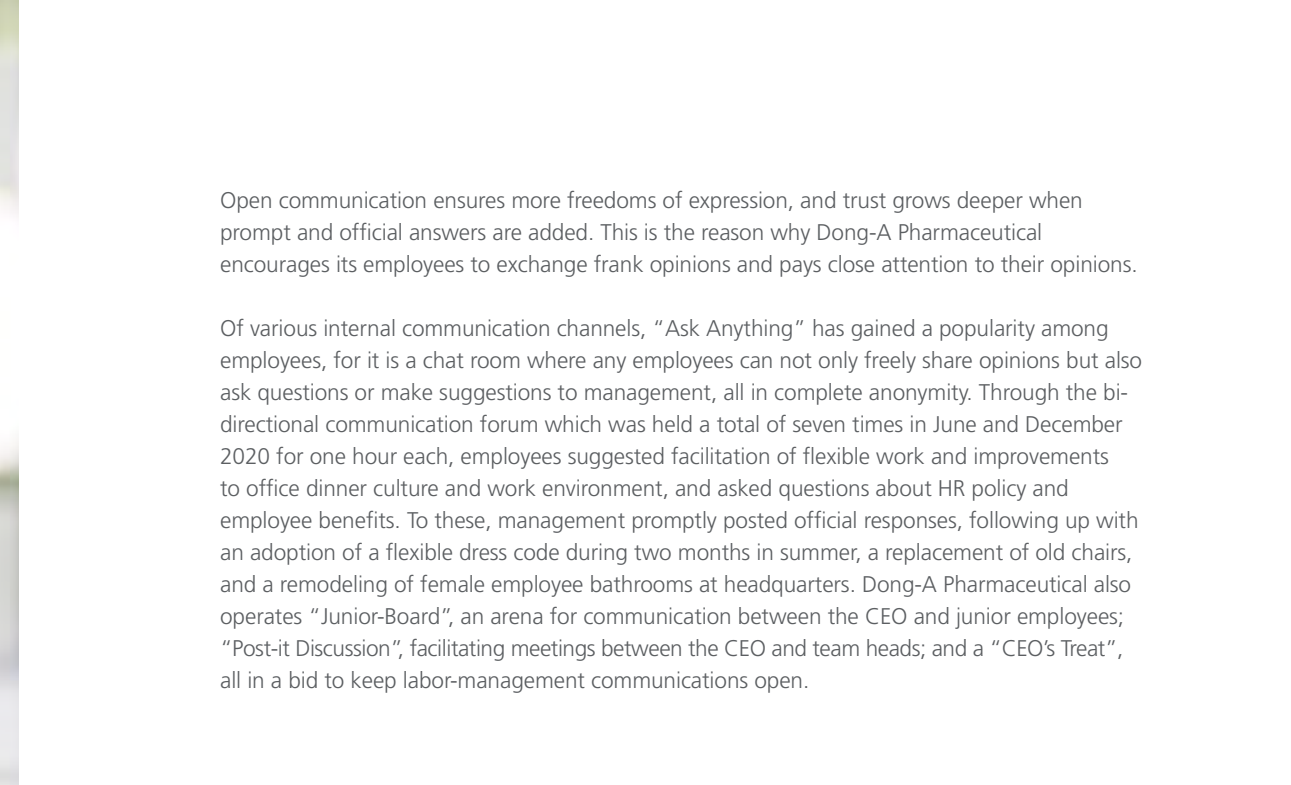
¹⁾ CA detail investigation of bribery risks identified as “middle or higher level” following a company-wide evaluation of related risks, with a focus on scope, size and characteristics



_____ We are expanding shareholder communication by breadth and depth, jointly building a sustainable future.



Sustainability communication



Open communication ensures more freedoms of expression, and trust grows deeper when prompt and official answers are added. This is the reason why Dong-A Pharmaceutical encourages its employees to exchange frank opinions and pays close attention to their opinions.

Of various internal communication channels, “Ask Anything” has gained a popularity among employees, for it is a chat room where any employees can not only freely share opinions but also ask questions or make suggestions to management, all in complete anonymity. Through the bi-directional communication forum which was held a total of seven times in June and December 2020 for one hour each, employees suggested facilitation of flexible work and improvements to office dinner culture and work environment, and asked questions about HR policy and employee benefits. To these, management promptly posted official responses, following up with an adoption of a flexible dress code during two months in summer, a replacement of old chairs, and a remodeling of female employee bathrooms at headquarters. Dong-A Pharmaceutical also operates “Junior-Board”, an arena for communication between the CEO and junior employees; “Post-it Discussion”, facilitating meetings between the CEO and team heads; and a “CEO’s Treat”, all in a bid to keep labor-management communications open.

_____ We build an advanced corporate culture through open communication, and together pave the way to create a sustainable tomorrow.



Open communication

T

Together we win

Together, we can overcome any difficulties. We will surmount the COVID-19 pandemic in the Gamasot spirit of sharing warm rice in olden days.

A disaster is disproportionately devastating to the socially underprivileged. As the whole world was in a suffocating grip of the COVID-19 pandemic, Dong-A Socio Group strived to help its local communities effectively overcome effects of the pandemic. We particularly focused on the underprivileged and future generations, delivering messages of hope reflecting our sincerity in areas of our expertise.

The diverse support activities we held at the Group level, as well as those carried out by the Group affiliates, shined brighter with the ardent participation of employees. Dong-A Socio Group employees took part in various community services, drawing on their work expertise, taking time off of their daily routines, and taking care of others first in the face of common difficulty, thereby practicing the Gamasot spirit of consideration.



Alignment with UN SDGs



Volunteering Pharmacy Truck

Dong-A Socio Group



Pharmacy on the Wheel

Truck delivering medicine and hope

Dong-A Socio Group has in operation "Disaster Taskforce (TF)" to provide quick support to regions in the event of a disaster. When COVID-19 began to spread in earnest in early 2020, we constructed a 1.2-ton "Volunteering Pharmacy Truck", in partnership with the Korea Pharmaceutical and Bio-Pharma Manufacturers Association, and dispatched the mobile pharmacy to places nationwide in dire need of medical supplies.

In March 2020, the pharmacy on the wheel visited the Daegu and North Gyeongsang Province region, hit by COVID-19, bringing in relief supplies worth around KRW 70 million, including Bacchus, masks, hand sanitizers, Garglin, mineral water, and sports drinks. Bacchus and POCARI SWEAT were also given to hospitals treating COVID-19 patients in various parts of the region as well as firefighters across the nation transporting the patients, and the medicine was donated to 14 community treatment centers. In August, the pharmacy on the wheel operated at a temporary shelter in South Jeolla Province (Gurye, Gokseong, Damyang, Namwon), a flood-damaged region, distributing household medicine. In December, Bacchus, vitamin C, toothbrushes, toothpastes, masks, and moisturizing cream were donated to the Seoul Metropolitan Dongbu Hospital, a government-designated hospital for treating infectious diseases, in support of medical staff doing their best to protect citizens.

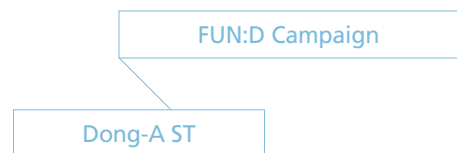


Social distancing restricted face-to-face activities as well as reduced opportunities for volunteer activities. However, to keep its donation uninterrupted even during a pandemic, Dong-A ST launched "FUN:D Campaign", a walking donation campaign, together with the Korean Committee for UNICEF, in June 2020.

FUN:D Campaign signifies "fun" in donation and the bright "smile (:D)" of Dong-A Socio Group. Whenever one activates the FUN:D Campaign button in "Big Walk"¹⁾ app and completes a walk, Dong-A ST donates to the Korean Committee for UNICEF an amount calculated based on the covered distance. The first and second rounds of FUN:D Campaign, held for two months each in 2020, surpassed the target goals of 209% and 353%, respectively, in terms of walked distance, thanks to the active participation not only of employees but also local community members. The money raised through the first round was donated to children of multi-cultural families in the form of COVID-19 Hope Kits, and that of the second round was used for children around the world afflicted by environmental pollutants. Encouraged by positive results, Dong-A ST held the third round in early 2021 and generated some 690 million steps of 9,538 people. The total distance of 340 thousand kilometers walked by nearly 10 thousand employees and community members has the same effect on the environment as planting of 12,572 pine trees²⁾. Dong-A ST plans to continue social contribution activities that anyone can have fun participating in, knowing well that changing the world begins with a small but thoughtful consideration for neighbors.

¹⁾ A social contribution app that tracks the number of steps users take and can be logged in via social media

²⁾ Carbon footprint calculator of Korea Climate and Environment Network



Walk the Walk

A fun step leads to big value



FUN:D Campaign Performance

ROUND 1

3,053

Some 200 million steps of 3,053 participants

Target

100 million steps

ROUND 2

5,940

Some 350 million steps of 5,940 participants

Target

100 million steps

ROUND 3

9,538

Some 690 million steps of 9,538 participants

Target

500 million steps

I first began walking for health reasons. But when I found out that the company had launched FUN:D Campaign, I was elated for it sounded like an excellent opportunity to help others and stay healthy! I regretted not having tried harder to achieve my goal during the first campaign, but now am proud and happy that I donated 1.16 million steps in the second campaign.

I don't think I would have walked so much, had I walked alone. Without a doubt, what motivated me to do my best to reach my goal was FUN:D Campaign. I think the greatest beneficiary of the campaign is myself. It was a great opportunity to become healthy again as well as to send a message of hope to society!



Myung-ho Kim

General Manager, Seoul Hospital Branch 2, Dong-A ST

I felt sorry seeing children being cooped up in their room, not being able to play freely as they should. I also found them admirable for putting up with the circumstances which even adults find difficult to endure. We therefore launched CSV activities for kids in consideration of a future that these children will lead. We will continue to carry out activities related to children's body and mind, education and social skills, helping them grow into upright future leaders.



Ah-ryun Kim
Manager,
Marketing Strategy Team, Dong-A Otsuka

Shouldn't be there a way for children to have fun playing even at home? Dong-A Otsuka did something about children who lost the joy of playing with friends at school or at playgrounds to COVID-19.

"POCARI House", a campaign launched in 2020, is part of the "POCARI SWEAT Kids" activities aimed for creating shared value (CSV). Dong-A Otsuka donated 123 POCARI House play kits, consisting of a POCARI SWEAT House made of reusable paper, packs of coloring pencils and stickers, and a fairy tale book, to households, community child care centers, daycare centers, and kindergartens across the nation. The POCARI House Campaign is one of Dong-A Otsuka's continued CSV activities that help children stay healthy in body and mind, including POCARI SWEAT "Play T-shirt" for encouraging children's physical activity and "Journey of Beads of Sweat", a fairy tale book highlighting the importance of fluid intake. Supporting the healthy growth of younger generations beyond the COVID-19 pandemic, Dong-A Otsuka is improving the quality of its contributions to society and enhancing its brand image.

POCARI House Campaign

Dong-A Otsuka



Local Community Activities

Yongma Logis

Dong-A's logistics service network was also used for activities aimed at stemming the spread of COVID-19. In March 2020, Yongma Logis used its shipping network in Daegu, where COVID-19 was quickly spreading at the time, to donate medical supplies to major hospitals. In addition, Pest Control Team, formed in June 2020 with the task of disinfecting the entire process of distributing products, has been conducting a monthly sterilization of community halls and welfare facilities in Sangju City, North Gyeongsang Province; Gimpo City, where the company is based; and Anseong City, where the main logistics center is located, while also regularly managing the pest management equipment it has set up in the facilities. A company specializing in distributing medicine and medical products, Yongma Logis is efficiently delivering various supplies to local communities that are vital to keeping the hope of recovery alive even amid an unprecedented disaster.



Soon tak Kwon
Assistant Manager,
Pest Control Team, Yongma Logis

Yongma Logis' Pest Control Team commenced a new service in 2017 based on its long-cumulated know-how of drug logistics services. It has since been providing a disinfection service to many customers under the service name, Pest Control Expert (PECOX). I am very glad we were able to use our expertise to help local communities cope with the COVID-19 pandemic.


Support & Solidarity

We unite through what we excel and deliver hope



Key Figures

| PROFIT ¹⁾ | | Total assets | Total liabilities |
|---|----------------------|------------------------|-------------------------|
|  | | 1,511.1 KRW billion | 622.4 KRW billion |
| Total shareholders' equity | Sales | Operating profit | Operating profit margin |
| 888.7 KRW billion | 783.3 KRW billion | 50.6 KRW billion | 6.5 % |

| Greenhouse gas emissions | Energy consumption | PLANET ¹⁾ | |
|--------------------------------|----------------------|---|----------------------|
| 136,862 tCO ₂ eq | 2,041 TJ |  | |
| Water consumption | Wastewater discharge | Volume of waste generated | Waste recycling rate |
| 1,793,065 tons | 896,726 tons | 14,600 tons | 44.1 % |

| PEOPLE ¹⁾ | No. of employees | No. of full-time employees | No. of part-time employees |
|---|------------------------------------|--------------------------------|------------------------------------|
| | 5,514 persons | 5,319 persons | 195 persons |
|  | No. of female employees | Percentage of female employees | Average length of service |
| | 1,077 persons | 19.5 % | 8.5 years |
| Job training hours per employee ²⁾ | Safety training hours per employee | CSR expenditures | Employee participation rate in CSR |
| 28.3 hours/person | 22.6 hours/person | 3.1 KRW billion | 23.5 % |

¹⁾ Including Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, ST Pharm, DM Bio, CHAMMED, Dong-A Otsuka, Yongma Logis, Soo Seok, Korea Sinto, DONGCHEONSU, ABEN E&C, DA Information

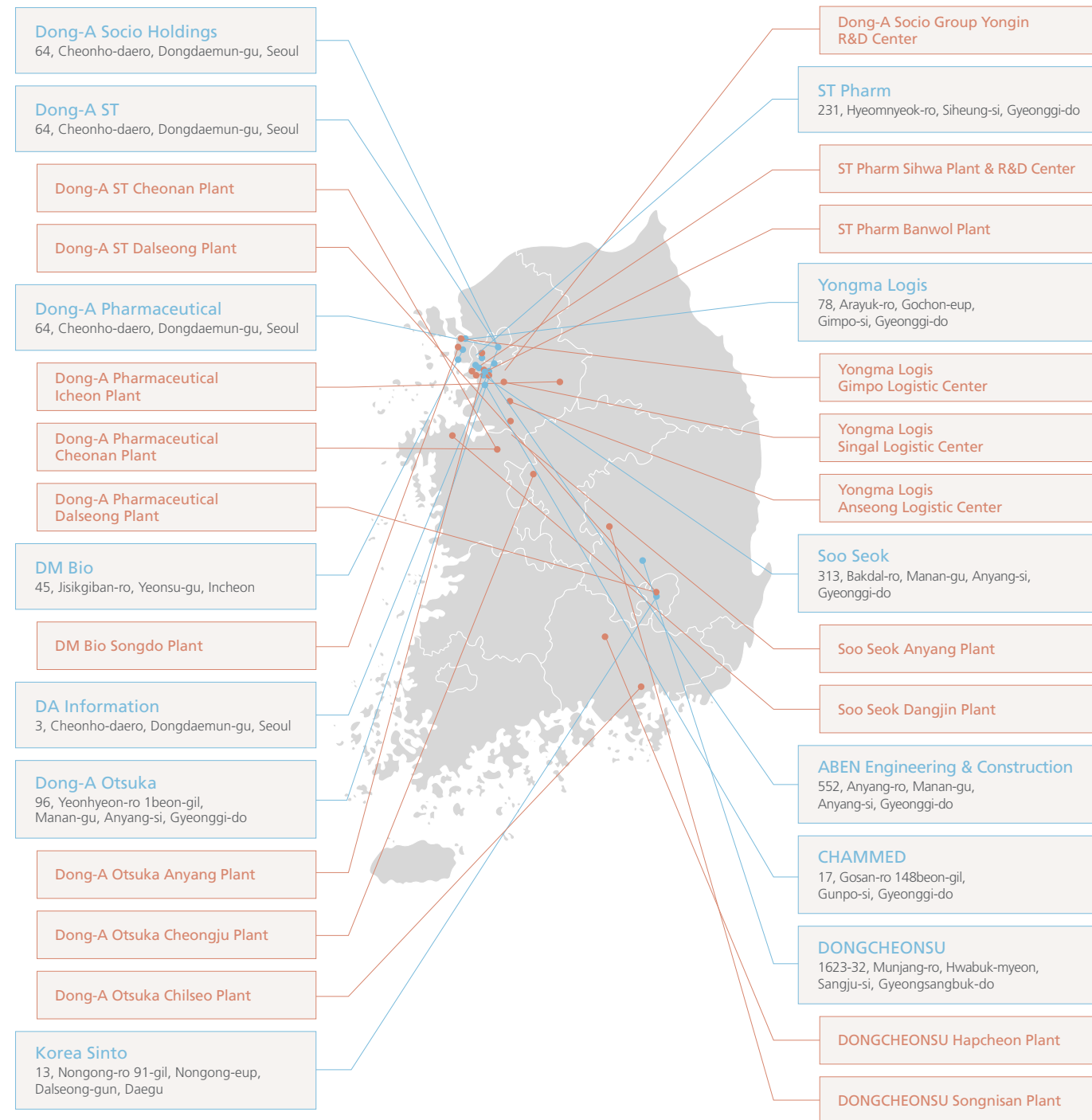
²⁾ Sum of training hours offered at the Group affiliates and the HR Development Center of the Group

Dong-A Network

Dong-A Socio Group Affiliates

Headquarters, R&D Center, and Manufacturing Facilities of the Group Affiliates

● Headquarters ● R&D Center, and Manufacturing Facilities



Key Manufacturing Facilities



Cheonan/Dalseong Plants (Dong-A ST)
 GROUND AREA: 55,087m², 36,323m²
 MANUFACTURING PRODUCTS: ETC drugs, Bio pharmaceuticals



Icheon/Cheonan Plants (Dong-A Pharmaceutical)
 GROUND AREA: 46,373m²
 MANUFACTURING PRODUCTS: Healthcare products, Bacchus



Songdo Plant (DM Bio)
 GROUND AREA (PRODUCTION CAPACITY): 32,923m² (8,000L)
 MANUFACTURING PRODUCTS: Biosimilar



Banwol Plant (ST Pharm)
 GROUND AREA (PRODUCTION CAPACITY): 28,220m² (139,000L)
 MANUFACTURING PRODUCTS: Oligo APIs, etc.



Sihwa Plant (ST Pharm)
 GROUND AREA (PRODUCTION CAPACITY): 16,400m² (286,100L)
 MANUFACTURING PRODUCTS: Small APIs, etc.



Dangjin Plant (Soo Seok)
 GROUND AREA: 58,057m²
 MANUFACTURING PRODUCTS: PET, CAP (Annual production capacity of 1.9 billion)

Overview of the Group Affiliates

| | Company name | Classification | Business areas | Ownership of Dong-A Socio Holdings (%) |
|----------|--|--------------------------|---|--|
| Listed | Dong-A ST | Subsidiary | Manufacturing and sales of drugs | 23.32 |
| | ST Pharm | Subsidiary | Manufacturing and sales of APIs | 32.68 |
| | Dong-A Pharmaceutical | Subsidiary | Manufacturing and sales of drugs | 100.00 |
| | DM Bio | Subsidiary | Manufacturing and sales of drugs | 51.00 |
| | CHAMMED | Sub-subsidiary | Manufacturing and sales of medical equipment | - |
| | Dong-A Otsuka | Subsidiary | Manufacturing and sales of non-alcoholic beverage | 49.99 |
| | Yongma Logis | Subsidiary | Road freight transportation | 100.00 |
| | Soo Seok | Subsidiary | Manufacturing and sales of bottle glass | 100.00 |
| Unlisted | DONGCHEONSU | Subsidiary | Manufacturing and sales of mineral water | 100.00 |
| | ABEN Engineering & Construction | Subsidiary | Construction | 100.00 |
| | DA Information | Subsidiary | Development of application software | 100.00 |
| | Dong-A Medicare | Subsidiary | Equity acquisition of other companies | 100.00 |
| | Induspark | Sub-subsidiary | Lease and supply of real estate | - |
| | NS Investment | Other affiliate in Korea | Investment in startups | - |
| | InHarv Biotech 7 Growth Private Placement Investment Joint Venture | | Trust business and collective investment business | - |
| | MS dangjin 1st Co., Ltd. | | Asset securitization | - |

* As of December 31, 2020

** In accordance with the Monopoly Regulation and Fair Trade Act, there are 16 affiliates of Dong-A Socio Holdings in Korea – 3 listed companies (Dong-A Socio Holdings, Dong-A ST, ST Pharm) and 13 unlisted companies. From among the Group affiliates, MS dangjin 1st Co., Ltd. is classified as a subsidiary since Dong-A Socio Holdings provides cash deficiency support. Also, for the purpose of business diversification, we own 30% of the shares of Korea Sinto. Dong-A ST, the Group affiliate, invested in InHarv Biotech 7 Growth Private Placement Investment Joint Venture in 2020, resulting in inclusion in the corporate group.

Dong-A Socio Group hopes to influence all stakeholders in a positive manner.

To this end, we carefully consider the way of creating shared value (CSV), where economic values and social values strike the right balance, and resolutely move forward with well-thought-out measures based on GAMASOT spirit – our unique index of Jeong-Do management and a value shared by all employees.

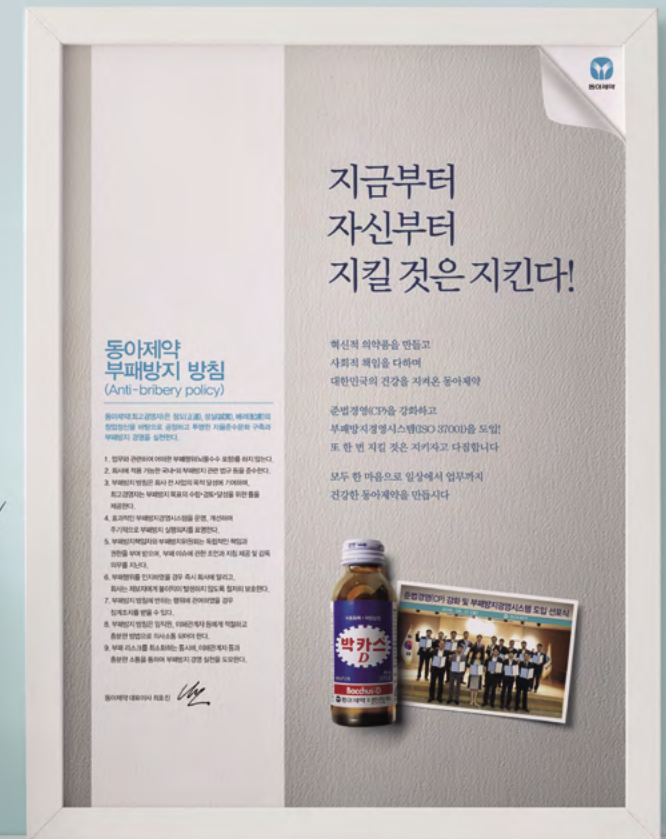
CREATING AND SHARING VALUE FOR OUR PEOPLE

Dong-A Socio Group's corporate culture is based on the founding principles of integrity, sincerity, and consideration.

Carrying on an enduring value that has been upheld over the past 90 years, all employees of Dong-A Socio Group strive to conduct themselves in an upright manner and carry out work with complete sincerity under any circumstances. In response, the Group is doing its best to enhance the quality of employee happiness, creating quality jobs, fostering a rewarding work environment, and instituting human resources (HR) programs that help employees unlock their full potentials.

CSV HIGHLIGHTS

Alignment with UN SDGs



Corporate Culture

Compliance Program

A compliance program (CP) is a set of internal policies and procedures by which corporations comply with laws, rules, and regulations related to fair trade. Dong-A Socio Group has proactively adopted and is operating a CP as a clear code of conduct on fair trade, thereby minimizing relevant risks on the part of employees and enhancing the transparency in the operations.

Dong-A ST has adopted the CP which consists largely of conditions essential to its vision of becoming a “Global company being respected for developing innovative drugs”, gradually integrating the CP into its corporate culture, and encouraging employees to comply with laws and regulations in all circumstances. Following the adoption of the CP in September 2007, the company has been expanding CP culture. To this end, a CP office was formed and a homepage created dedicated to CP in 2011; an electronic manual on fair trade compliance created in 2017, which has since enhanced employee understanding of and access to the CP; and the anti-bribery management system of ISO 37001 adopted, CP training launched, and a whistleblowing system instituted in 2020, thereby strengthen Jeong-Do management. Moreover, by operating a CP website as a channel to communicate with business associates, we are sharing our fair trade principles not only with business partners but also with competitors, disclosing the level of ethical management we expect of potential suppliers, and listening attentively to supplier opinions.

Dong-A Pharmaceutical created its CP office in December 2016, based on ethical management, and adopted a CP and established related operation regulations and code of conduct in March 2017. In the following April, the BOD appointed the CEO & President as Chief Compliance Officer (CCO), formed a Dong-A Pharm. Compliance Committee (DPCC), and announced its commitment to the CP. In 2020, led by top management, the company held pre-work discussions through risk management, established or revised internal guidelines, offered employee education on the CP and monitored their compliance, built a CP website, and carried out other related efforts. Going forward, Dong-A Pharmaceutical will do its utmost to make compliance an integral part of its corporate culture based on the conviction that the CP will serve as a corner stone for realizing its vision to be a “Global healthcare player by establishing distinctive competencies in each business area”.

Anti-bribery Training & Pledge to Jeong-Do Management in 2020

(Unit: Persons)

| Classification | Dong-A ST | Dong-A Pharmaceutical |
|---|-----------|-----------------------|
| Participants in anti-bribery trainings | 1,491 | 846 |
| Participants in the pledge to Jeong-Do management | 1,515 | 909 |

2020 CP Milestones

Dong-A ST

- Q.1**
Conducted the bribery risk assessment of each department and set a target in relation to the anti-bribery management system (ABMS) in 2020
Made all employees of Dong-A ST pledge to Jeong-Do management
Reported to the BOD on ABMS activities in 2019 reviewed by the CEO
Conducted the 2020 CP awareness survey
Announced the CEO's 2020 Jeong-Do management message in 2020
- Q.2**
Provided online training to strengthen the capabilities of internal auditors
Carried out ABMS monitoring in the first half of 2020 and reported results
Conducted the 2020 internal ABMS audit (audited by Korea Fair Competition Federation)
Acquired ISO 37001 recertification follow-up management audit in 2020 (audited by Korean Standards Association)
Conducted online CP training for the Business Unit in the first half of the year
- Q.3**
Conducted the company integrity survey of Dong-A ST
Provided the 2020 regular online CP training to all employees
- Q.4**
Conducted CP training for the Business Unit in the second half of the year
Conducted the Dong-A ST ABMS monitoring in the second half of the year
Distributed the Anti-Corruption & Civil Rights Commission's leaflet, "Overview of the Improper Solicitation and Graft Act", to internal managers
Carried out an ISO 37001 CEO management review in 2020
Conducted CP training for the Marketing Department in the second half of the year

Dong-A Pharmaceutical

- Q.1**
Established a CP operation plan for 2020 and reported it to the BOD
Announced the CEO (CCO) message
Made all employees of Dong-A Pharmaceutical pledge to Jeong-Do management and conducted an awareness survey
- Q.2**
Launched the Social Value Committee and reported the operation plan to the BOD (Established a plan to operate the CP & Fair Trade Subcommittee and Anti-Bribery Subcommittee under the Social Value Committee)
Delivered the CEO's video message on social value
Audited relevant business parties and announced determination towards anti-bribery
- Q.3**
Strengthened CP monitoring standards and provided CP training to all branches
Managed samples, set operation guidelines, and made other outgoing system improvements
Provided training on the Improper Solicitation and Graft Act
- Q.4**
Delivered the CEO on social value
Reviewed whether laws and the Ministry of Health and Welfare's guidelines were observed in relation to expense reports
Established a plan on improving the expense report system
Participated in a 2020 Ethical Management Workshop held by Korea Pharmaceutical and Bio-Pharma Manufacturers Association (KPBMA)



Handling of Reports Received



Human Respect Committee

Dong-A Socio Group respects human dignity and values based on a corporate perspective centered on value creation for employees, customers, and shareholders, and contribution to humanity. In particular, we do our utmost to fully respect all human rights to which employees entitle and to help improve their awareness of human rights.

As a part of these efforts, in August 2020 Dong-A Socio Holdings established a Human Respect Committee which reports directly to the CEO. The Committee, created to promptly and accurately address human rights-related issues facing employees, consists of ten members, including one chairperson, five executives, and four administrators. The CEO of Dong-A Socio Holdings chairs the Committee to keep its operations efficient. The executives are Dong-A Socio Holdings' Jeong-Do Management Head, Audit Department Head, HR Strategy Team member, Compliance Officer, and Dong-A Pharmaceutical's female representative. The administrators are HR team leaders of Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, and DM Bio. To ensure fairness in grievance management, three female members among six (including the chairperson) are appointed.

Victims or knowers of human rights abuses, sexual harassment and abuses, and workplace harassment are encouraged to report their grievances using website "K-Whistle Helpline" anonymously, or "Grievance Counseling Center" and "Audit Hotline Reporting" in the company website. Upon the receipt of a report, the Human Respect Committee promptly responds, providing information on counseling and the administrative procedures, places the victim in an identity protection program, and completes an investigation within 20 days of the report. Once the factual matters of the report are confirmed with respect to the degree of damage and the demands of the victim, an in-depth review follows; and if findings warrant a disciplinary action, the responsible employee(s) is disciplined in accordance with the zero-tolerance principle, and the whistleblower or/and the victim is informed of the disciplinary action taken. As described, all relevant work is efficiently and discretely handled by the Human Respect Committee.

Happy Workplace



Best pharmaceutical company to work for among college students

In September 2020, the University News Network, Korea's largest higher education media company, conducted a "2020 College Student Awareness Survey and Company/Product Preference Survey" on 1,000 members of a college student evaluation group to find that Dong-A Pharmaceutical scored the highest in the social contributions, customer satisfaction, and employment preference categories in the pharmaceutical industry section. 2020 was the fourth consecutive year Dong-A Pharmaceutical came in first in the employment preference as well as customer satisfaction categories, which has further enhanced the company's reputation as the best pharmaceutical company to work for among college students. The confirmation reflects the positive feedback that Dong-A Pharmaceutical has received over the years on its diverse socially conscious and eco-friendly efforts, including the Sharing Bazaar, Baffor Sharing Volunteer Work, and Tour Korea for College Students as well as Bacchus paper bag and Garglin eco-friendly containers, and expanding stakeholder communications through the creation of the Social Value Committee.



Company committed to creating quality jobs

Dong-A Socio Group strives to ensure that its growth leads to quality jobs. Yongma Logis makes concentrated efforts to create new jobs that have no gender or age barriers, while continuing business expansions, including an entry into military logistics business. The number of employees at Yongma Logis grew 4.0% year-on-year in 2020. Despite the nature of logistics business being manual intensive, women account for 13.1% of the Yongma workforce. Although the company belongs to the business category of transportation and other shipping service, which is exempted from the 52-hour workweek system, Yongma Logis has adopted a flexible work system that can be adapted to the circumstance of different fields, strives to include temporaries into the fold of the regular workforce as well as to build a safe work environment, and to proactively improves work conditions. These and other efforts at creating quality jobs are gaining recognition, enabling the company to be named "Best Job Company in Korea in 2020"¹⁾ by the Ministry of Employment and Labor.

DM Bio has been recruiting talent in a bid to advance the global GMP²⁾ level of its bio-pharmaceutical products, increasing employees from 186 in 2019 to 212 as of the 2020 year-end. In particular, the number of younger employees increased 220% from its establishment, accounting for 76% of total employees. The average age of the employees is 33, which makes for the young, dynamic corporate culture at DM Bio. In addition, the company takes full advantage of such government job stimulus programs as "Additional Employment Grant"³⁾ and "Deduct-Now-to-Fill-Tomorrow"⁴⁾, as a part of our efforts to create an environment where youths and companies grow together. As a result of these efforts in job creation, DM Bio received a Prime Minister commendation in 2020. Planning on a second Songdo plant in a bid to meet growing production demands and to thus create more jobs, DM Bio will continue to address the growing social issue of youth unemployment and do its best to achieve sustainable growth.



Company with Happy Employees

Dong-A Socio Holdings supports and runs various human resources (HR) and employee benefit programs under the banner "Company with Happy Employees". We help employees maintain a satisfying work-life balance through various programs, including flexible work, Family Day, subsidized medical exams, employee children's camp, sabbatical leaves, and employee passes to recreational facilities. In recognition of such family-friendly programs, we were named Family-friendly Company⁵⁾ in 2020. Having first honored us in 2017, the commendation remains effective through 2022.

Dong-A ST runs "Phoenix Camp" for employee children, and "Family Invitation Events" inviting employee families in the Family Month and parents of new employee on the completion of new employee training. In addition, every third Friday of the month is designated as "Family Day" on which employees leave work an hour early, and on every "Casual Friday", employees wear comfortable clothes to work. The company posts an annual leave schedule at the beginning of each year to help employees plan their vacations ahead, and holds an event through which employees can book vacation rentals at a discount. Also, with "Do-Don't 1010", "D-style & Q-style Hero", "Good People Awards", and "Dong-A Mentoring", it is improving employee satisfaction and engagement levels. In recognition of these and other family-friendly programs aimed at enhancing social values, Dong-A ST was named Family-friendly Company in 2020.

¹⁾ A government initiative to encourage companies to increase jobs and improve job quality. The selection is based on the evaluation by labor-management groups and industry experts of candidate companies' performance in job creation, reduction of labor hours, work-life balance, and labor-management relations and joint growth.

²⁾ Pharmaceutical manufacturing management standard

³⁾ A financial support program for SMEs and medium enterprises hiring youths as a way to promote creating jobs for youth

⁴⁾ A program that matches savings of young employees of SME and medium enterprises with government and company funds in a varying ratio as a way to incentivize the young workers to stay with their company as well as to help the companies attract talent

⁵⁾ A Ministry of Gender Equality and Family program to encourage private and public institution to better care for employee interests and concerns

CREATING & SHARING VALUE FOR OUR PLANET

Dong-A Socio Group creates shared value that promotes the protection of the environment based on its respect for life, humans, and the environment.

This is because, without a clean natural environment, people can be neither healthy nor happy. We thus contribute to enhancing humanity's sustainability, focusing on eco-friendliness throughout the entire business operations, from development to production, use, disposal and recycling of products. We also strive to reduce our carbon footprints and to usher in a green future, exploring various methods in search of ways that can be part of daily life together with employees and customers.



Alignment with UN SDGs

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND



Reducing our impact on the environment



Phases of Plastic Zero Campaign

PHASE 1

Zero plastic at the café in our HQ building



PHASE 2

Zero plastic at our offices



PHASE 3

Zero plastic in daily life

Dong-A Socio Holdings – Plastic Zero Campaign

In 2020, the spread of COVID-19 led to a sharp rise in the use of disposable ware at restaurants and for takeout foods, and subsequently mounting plastic waste became a growing nuisance as the pandemic raged on. Responding to the waste crisis which can turn into a serious social/environmental issue, Dong-A Socio Holdings launched the “Plastic Zero” campaign in September 2020.

The Plastic Zero campaign was carried out largely in three phases. Firstly, disposable plastic cups and straws are removed from the café in our HQ building, and use of personal mugs or tumblers becomes mandatory for employees, which are expected to reduce plastic ware waste by around 450 thousand pieces a year; secondly, paper cups and personal garbage cans are removed from the offices to remind employees to recycle paper and other office discards; and the last step of the Plastic Zero campaign, which has expanded its scope from a café to company offices, is elimination of plastic uses in daily life through regular education of employees on

how to properly separate recyclables. We will promote the campaign by inducing employees to pledge their commitment to the Plastic Zero campaign and validating their active participations.

In the first quarter of 2021, we expanded the scope of the campaign from a company café to the office space, and set up bins for recyclables. We also helped improve employee awareness of use of plastics through the materials in “card news” format. In the second quarter, we plan to encourage employee participations through use of resource recovery robots and a resource-recycling platform. In the second half of 2021, the Plastic Zero campaign will be expanded to include energy-related issues such as water and electricity, and in the third quarter, notices and posters will be placed as part of our efforts to spread the campaign company-wide. These and other PR activities will be gradually expanded to all the Group affiliates, firmly establishing an eco-friendly culture.

I was increasingly relying on food delivery services as the spread of COVID-19 made me uneasy more and more about eating out. Then I was shocked to hear that discarded paper cups take 20 years and more to decompose. I was also worried that the Earth might be suffering more due to COVID-19, for there is no vaccine for climate change.

I had tried to not use disposables whenever I could, but in the office, I had little choice. Then I heard the company had launched the “Plastic Zero” campaign and got excited. Now I am actively participating in the campaign, hoping that use of disposables in the Dong-A Socio Holdings buildings becomes a zero soon!

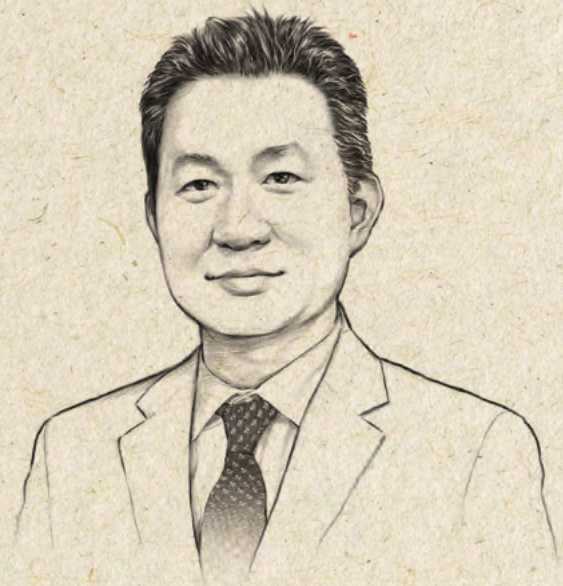


Manager, HR Strategy Team, Dong-A Socio Holdings — Ji-yeon Suh



The Forest of Peace project is meaningful in that it not only restores damaged Nature but also transforms a region destroyed by armed conflicts and ideological disputes into a forest, delivering a symbolic message for the peace on the Korean Peninsula and the world.

The Forest is located near a now-defunct railroad station famous for the phrase, "The iron horse wants to run". I hope that all the trees planted in the Forest of Peace grow tall and big, reduce fine dust, lower the Earth's temperatures, and deliver a message of hope and peace.



Executive Director, Compliance Office, Dong-A ST — **Soon-jong Soh**

Scaling our impact for the environment

Anticipated Effects of the Forest of Peace

Reduce around 350 tons of carbon dioxide in the next 30 years

350 tons

No. of Trees Planted

Forest of Peace

3,000+

Urban Forest

2,300+



Dong-A ST – Forest of Peace

Dong-A ST effectively responds to various environmental challenges it faces through environmental management as part of its effort to satisfy all expectations of internal and external stakeholders. In 2020, the company built a "Forest of Peace" at the Peace Culture Square in the demilitarized zone (DMZ) separating South and North Korea. The project is to restore Nature in the border area damaged and neglected by military conflicts and ideological disputes, by regenerating the ecosystems that once sustained numerous forms of life; and to create an environment where Nature and humans can coexist in a sustainable manner. The company planted around 3,000 pine, elm, and other trees by selecting species of trees native to the climate and soil of the long-neglected land 10,000 m² wide. According to the carbon absorption operation standards of the Forest Carbon Center, the Forest of Peace is projected to reduce around 350 tons of carbon dioxide in the next 30 years. In cooperation with local authorities, Dong-A ST plans to

use the Forest of Peace as a place for educating visiting students and tourists on ecology, history and security.

Dong-A ST is also spreading its message of hope for a better tomorrow far and wide through diverse environmental protection programs it conducts. Leading examples are an "Urban Forest" project launched in 2018 with the goal of reducing fine dust and improving the urban environment, and "Class for Youth on Caring for the Environment and Life" program which has been in operation since 2004. The program, in particular, offers youths an opportunity to learn about how precious the environment is as well as to develop a mindset of respecting life, and in 2020, the class was conducted online due to COVID-19. Dong-A ST will continue efforts to find and restore areas of environmental degradation, steering the environmental protection activities toward social value creation.



Maximizing our eco-friendliness

Key Achievements in Expanding Eco-friendly Packaging Materials

Improved 160 products from among 179 products subject to improvement **89.4%**

Replaced all Garglin brand containers with colorless PET bottles **100%**



Dong-A Pharmaceutical – Expanding eco-friendly packaging materials

Dong-A Pharmaceutical's thoughtful change is drawing attention. Understanding that protecting the Earth is as important as developing innovative drugs, thus the company focuses on producing products that are also eco-friendly. In 2018, Dong-A Pharmaceutical signed a voluntary agreement to improve the quality and structure of packing materials with the Ministry of Environment and Korean Packaging Recycling Business, and has been faithfully abiding by the agreement. Per the agreement, the company has been using colorless PET bottles which are easier to recycle, synthetic resin materials with specific gravity less than 1 for labels and stoppers, and water-soluble adhesives for container labels. As of 2020, it improved 160, or 89.4%, of 179 packing materials listed in the agreement for improvement. These efforts contribute to protecting and fostering the recycling industry, as well as to building a resource-recycling society.

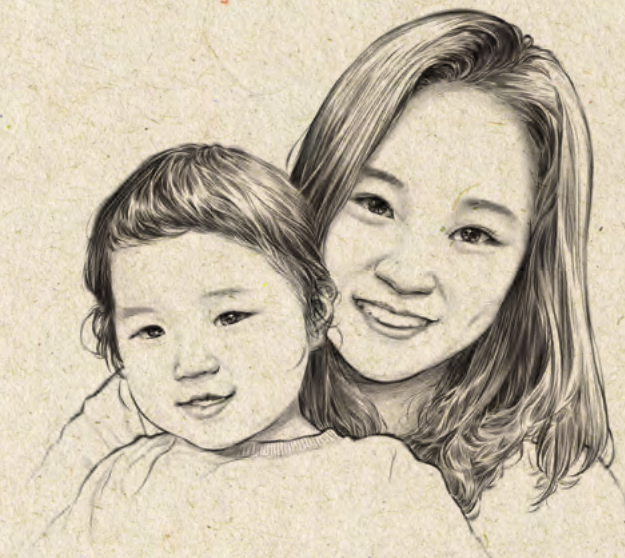
In 2020, Dong-A Pharmaceutical increased its use of water-soluble colorless PET, and replaced all Garglin brand containers with colorless PET bottles, and reviewed

the adoption of an eco-label for improvement of recycling rates. In May 2020, it launched "MiNiMAX Jungle", a functional food product for children with a focus on the value of eco-friendliness. The package of MiNiMAX Jungle is made of recycled pulp and shaped like a toy bag to be reused as such, in line with the 3R (Reduce, Reuse, Recycle) concept of sustainable development. The package, made of a liquefied recycled paper and remolded, is produced by a certified eco-friendly company, reflects our continued efforts to increase the reuse of resources and reduce a rampant misuse of raw materials.

In July 2020, Dong-A Pharmaceutical completely eliminated the plastic bag which had been supplied to pharmacies over the last 29 years as a PR material for Bacchus, replacing it with a kraft paper bag made of recycled paper. Though the paper bag is as three times expensive to make as the plastic bag, the company chose the environment over profits, especially in consideration of that around 5.5 million of Bacchus plastic bags were being supplied to pharmacies across the nation per month. Packaging materials used by "Dmall", an online mall exclusively selling Dong-A Pharmaceutical products, are becoming also eco-friendly as bubble wraps are replaced by easy-to-recycle materials, also as a part of Dong-A Pharmaceutical's commitment to adding the value of eco-friendliness to diverse areas of its products.

I was moved in many ways by Dong-A Pharmaceutical's meticulous consideration for both the environment and consumers. In particular, I felt like I was a conscious consumer to hear that the product packages are made of a certified recycled pulp, in addition to the packages being ideal for storing household objects.

My child also likes to play with them, to boot! Having learned what 3R means, I will practice 3R in daily life together with my child and do our share protecting the green Earth.

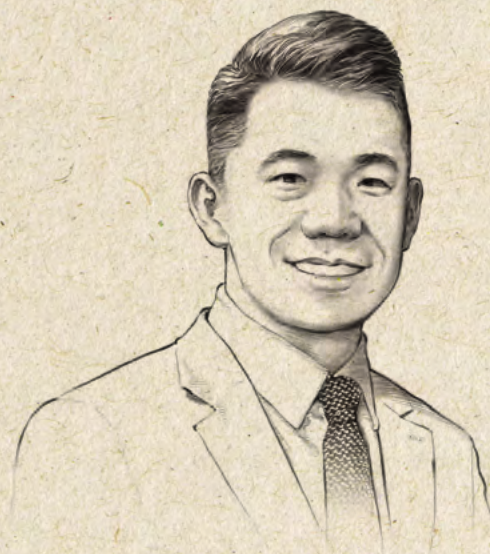


Consumer — Tae-im Park



The 2020 POCARI SWEAT Blue Label campaign had three goals – help protect the blue ocean, educate people on how to properly separate recyclables, and give a special gift.

Many people think all PET bottles collected in bins will be recycled, but the labels must be removed first. I hope that many will discover the value of eco-friendliness in their daily lives by participating in the Blue Label campaign. In fact, through the campaign, Blue Labels about 135,000 kilometers in length have been separated, which is about nine times the length of Korea’s coastline! I am sure people would better protect the environment if they think twice before throwing away even a single PET bottle!



Deputy Manager, POCARI SWEAT BM, Dong-A Otsuka — Dong-woo Kim

Minimizing our eco-footprints



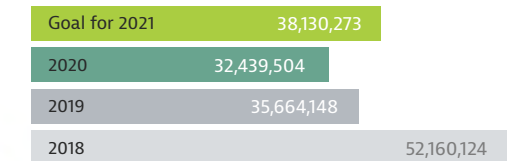
Dong-A Otsuka – Spreading the value of eco-friendliness

Dong-A Otsuka is improving its image as an eco-friendly company. The need to establish a resource circulation society is gaining traction as climate change is emerging as a serious threat to the Earth’s environment. Recently, the Ministry of Environment has announced an amendment to the standards for improving the quality and structure of packaging materials, further segmenting the classification criteria of the recyclability of nine packaging materials, including PET bottles and paper packs. While many in the food industry are scrambling for a viable plan, Dong-A Otsuka is relishing its position of advantage, having adopted the industry’s first eco-friendly “Blue Label” in 2013.

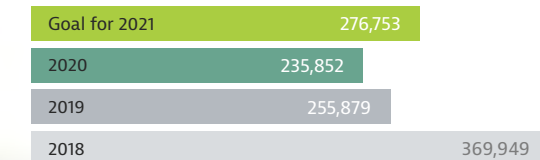
The Blue Labels on Dong-A Otsuka PET products are eco-friendly as they are easy to peel off, enabling and encouraging more people to recycle the products after use, compared to peers that use adhesives. As of the end of 2020, the number of PET bottles recycled through the Blue Label campaign reached around 600 million. The campaign is held every year, informing consumers of correct ways to recycle disposables and spreading a message of conservation. In 2020, the company carried out the campaign with a focus on protecting the blue ocean, encouraging consumers to take small yet meaningful conservation steps in their daily lives and improving their awareness of the value of a clean environment.

Key Achievements in Eco-friendly Production

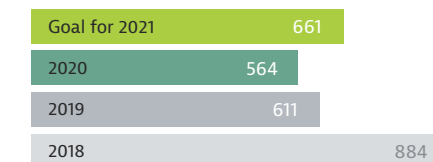
POCARI SWEAT PET production 32,439,504^{EA}



Reduction of PET consumption 235,852^{kg}



Reduction of carbon emissions 564^{Tons/Year}



Dong-A Otsuka also strives to reduce its carbon footprints in production, adopting the “O-Hot Pack” and other eco-friendly systems. The O-Hot Pack system, in particular, enables the production and filling of PET in a one production line, unlike the conventional process of purchasing and then filling PET. This integrated system minimizes the exposure of PET to the atmosphere and thereby prevents environmental contaminations and also enables the production of lighter PET bottles, which leads to a substantial reduction in PET use and product costs. As a result, Dong-A Otsuka was able to reduce around 2,059 tons of carbon emissions in three years from 2018 to 2020. Considering that a single pine tree absorbs 5 kilograms of carbon dioxide a year, the amount of carbon emissions the company has saved had the same effect of planting 411,000 pine trees. In addition, it applies the “AR system”¹⁾ to the blower, a device for producing POCARI SWEAT PET, recycling the air coming out of a high-pressure (1,300 HP) compressor and thus saving 570 thousand kw in electricity use and reducing carbon emissions by 241 tons, which combined translates into a reduction of around KRW 68 million in production costs.

¹⁾ AR (Air Recycle) system collects and reuses the air that is used in production.

CREATING & SHARING VALUE FOR OUR COMMUNITY

Dong-A Socio Group's social contribution centers on developing new drugs for humanity.

Which is a conviction that we have been upholding for nearly 90 years since the 1932 founding with the belief that "All products that we make and offer should contribute to the people's health". We will continue to combine our responsibility as a corporate citizen and our expertise in new drug development to help our societies grow healthier and all supporters of Dong-A Socio Group become happier.



Alignment with UN SDGs



Our Commitment



* As of December 31, 2020

Campaign to make sharing part of daily life

Dong-A Socio Group conducted “GAMASOT Heart”, a donation matching campaign, for one year from January to December 2020 in a bid to engage in the act of sharing with community members based on “consideration”, one of its founding principles. Aimed at institutionalizing our donation system and increasing the level of employee interests and participations in social contributions, the campaign was participated by employees of four Group affiliates – Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, and DM Bio. Participants could donate up to KRW 10 thousand per person, using their company benefit points, with their donations matched by their respective company. Raised donations were then delivered to the Sangju Orphanage in Sangju City, North Gyeongsang Province in February 2021 to be used for 61 students therein. We will continue to explore various types of donations that employees can readily participate in and have fun doing so, in a bid to integrate donation into the corporate culture of Dong-A Socio Group.

Organization for CSV

Dong-A Socio Group, believing that corporations should pursue not only the generation of a profit but the promotion of social justice, created a Dong-A socio group Social responsibility Council (DSC) in March 2020 to realize the value of sharing and happiness for employees and community members. DSC consists of the CEOs of Group subsidiaries in charge of deliberating and making decisions on matters related the Group’s socially responsible management. DSC reviews strategies, outcomes and goals of the Group’s socially responsible activity, identifies major ESG issues, devises appropriate countermeasures, and establishes annual donation plans.

DSC meetings were held three times in 2020, each sharing information on the progress of the analysis of Group affiliates’ strategic tasks related to social responsibility, the operation planning for DSC, attempt to join the UN Global Compact (UNGC) ¹⁾, attempts to link the UN Sustainable Development Goals (UN SDGs)²⁾ with ISO 26000, the diagnosis of ESG trends and the Group CSR status, and the planning for establishing an ABMS. Also discussed at the meetings were issues to be improved and areas in need of close supervision. In particular, at the DSC meeting held on January 29, 2021, members shared detail results of a 2020 ESG evaluation, reviewed business strategies developed in response to growing non-face-to-face trends amid a COVID-induced economic downturn, and urged Group subsidiaries to increase their interest in the economic, social and environmental performances of peers. With DSC performing a central role, Dong-A Socio Group will expedite its implementation of ESG management that considers external environment changes and grow into a responsible corporate citizen that influences society in a positive way.

chairperson of the BOD, which is the top decision-making body of the company, and focus more on enhancing its compliance systems to a global level. In addition, social value will be given top priority in the process of making major management decisions.

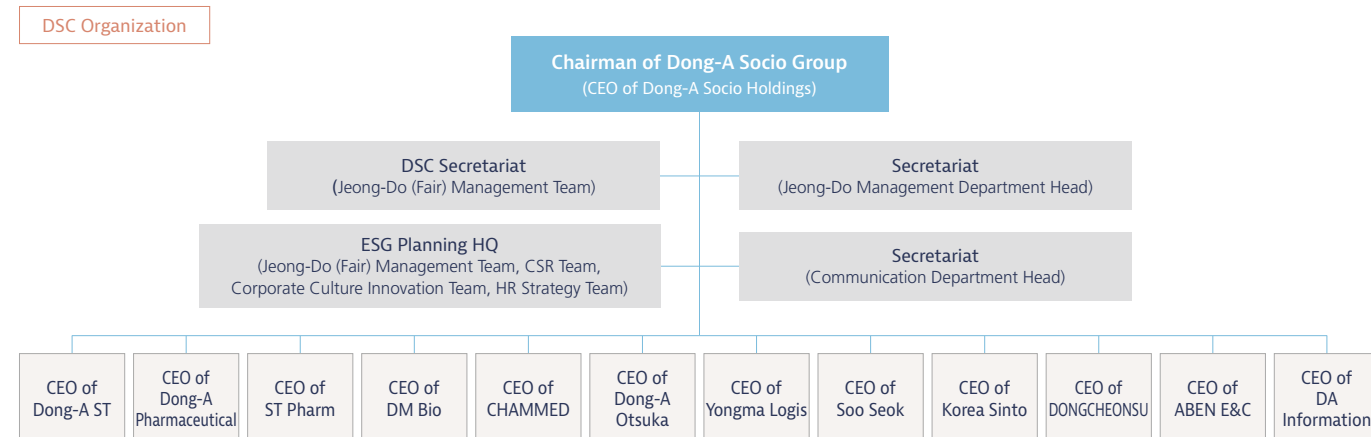
In April 2020, Dong-A Pharmaceutical also created its “Social Value Committee” to put sustainable management in the driver seat of its operations and to build a virtuous cycle of social value creation. The CEO & President serves as the chairperson of the committee, and announces sustainable management strategies and leadership, while executive-level committee members carry out value creation activity through detailed council units. In 2020, under the slogan of “recovery”, the Committee carried out various campaigns all intended to help society recover from the ravage of COVID-19. It also selected collection of unused drugs and use of eco-friendly product packages as key tasks to perform. Through these efforts, Dong-A Pharmaceutical seeks to share social value with stakeholders, explores business models based on social value creation, and discovers new growth drivers. In addition, the company will achieve sustainable growth together with stakeholders by managing social value more extensively in the areas of governance, the environment, and human rights, with the Social Value Committee performing a central role.

In June 2020, Dong-A ST launched a “Social Value Committee” in line with the Group’s Jeong-Do management policy. The Social Value Committee plays a pivotal role in pushing sustainable management and joint growth efforts with society, with an aim to improve both social development and the economic value of the company based on the eight major principles³⁾ of social value management. To this end, it established seven subcommittees chaired by the CEO, and will devise and implement CSR and CSV action plans across its organization and value chain. Dong-A ST is also committed to improving the transparency in corporate governance and ethical management. It will further advance governance by appointing an outside director as

¹⁾ Global initiative created to encourage companies to adopt ten major principles in the areas of human rights, labour, environment and anti-corruption, and to present practical measures to improve corporate social mindsets and sustainability, with a membership of around 14,000 companies and organizations in 157 countries including some 240 Korean members.

²⁾ 17 goals set by UN aimed at sustainable development of international community as a blueprint to achieve a more sustainable future by 2030

³⁾ Compliance and fair trade, anti-bribery, human rights policy, occupational health and safety, information security, environmental protection, social contribution, consumer protection



Our Expertise



R&D for dementia cures

The number of people afflicted with dementia is on the rise around the world as an ageing population is becoming a worldwide phenomenon. In Korea, the number of dementia patients is growing fast with the population of the elderly. According to the "Korea Dementia Status 2019 Report" of the Central Dementia Center of the National Medical Center, dementia patients aged 65 or more numbered 750 thousand as of the end of 2018, and the total number of people with dementia is expected to surpass 1 million in 2024 in step with an increasing elderly population. Dementia devastates the lives not only of the patients but also of their families. It causes emotional pain to the entire family of an afflicted member as well as exacts financial pain, the latter of which often leads to a family discord. Despite the long history of dementia, no definitive cures have been developed, except for drugs that alleviate some symptoms.



Dong-A Socio Group stays focused on new drug development in line with the mission, "Continuous challenge to pursue health and happiness for humanity". In 2013, we established the "Dong-A Dementia Center", the Korean pharmaceutical industry's first research center specializing in treatment of dementia, in the hope of reducing the suffering of dementia patients, lessening the emotional and financial burden of their families and improving the quality of life for all. With the Dong-A Dementia Center at the center, we have built up open, collaborative relations with universities, hospitals, and public research centers, making continued investments and recruiting research talent. The Center is focusing on diversifying research areas for dementia treatment, including innovative new drugs, stem cell medications, vaccine development, base technology of medical equipment, and diagnostic reagents.

In June 2020, the phase 1b clinical trial of "DA-5207", a dementia treatment patch Dong-A ST has been developing, received approval from the Ministry of Food and Drug Safety, a green light for the development of dementia medication. DA-5207 is a donepezil patch that is replaced once a week, and its special benefits include convenient usage and fewer side-effects than oral medications, such as nausea and vomiting.

Developing a new drug that treats the fundamental cause of dementia is a difficult and arduous challenge. However, always remembering how much people with an incurable disease suffer, we will make ceaseless efforts to research and develop treatments for such people are part of the path we take toward social contribution. Embracing such a sense of duty, Dong-A Socio Group is further spurring its pursuit of innovative dementia drugs.

Research Areas of the Dong-A Dementia Center



Small molecule drugs

Carry out R&D to discover a dementia treatment, covering not only all steps of new drug development, such as target validation, lead identification and drug candidate development, but also drug repositioning

Aim to develop a symptomatic treatment that delays cognitive decline in the short term and develop fundamental treatments in the long term, and strive to develop innovative new drugs based on state-of-the-art biological hypotheses in such areas as autophagy and neuroinflammation



Biologics

Focus on treatments in various fields, such as therapeutic protein and antibody therapeutics that are based on biotechnology



New phytomedicines

Carry out R&D for a fundamental cause treatment that has the same or greater medicinal efficacy compared to pre-existing symptom relievers, and that prevents disease and suppresses progress into a serious illness through removal of the cause of the disease, and that also suppresses the destruction of nerve cells



Stem cells

Aim to develop a dementia disease model by using patient-derived stem cells to research dementia with complex mechanisms, and conduct research to apply the disease model for the development of dementia treatment, thereby increasing the success rate of clinical trials of drugs that are being developed and creating a dementia treatment with a new mechanism



Medical devices

Conduct research to use neurotechnology to develop medical devices for various neurological disease application, including epilepsy, neuropathic pain, and Alzheimer's disease, beginning with development of a deep brain stimulator for treatment of dyskinesia, a leading example of which is Parkinson's disease

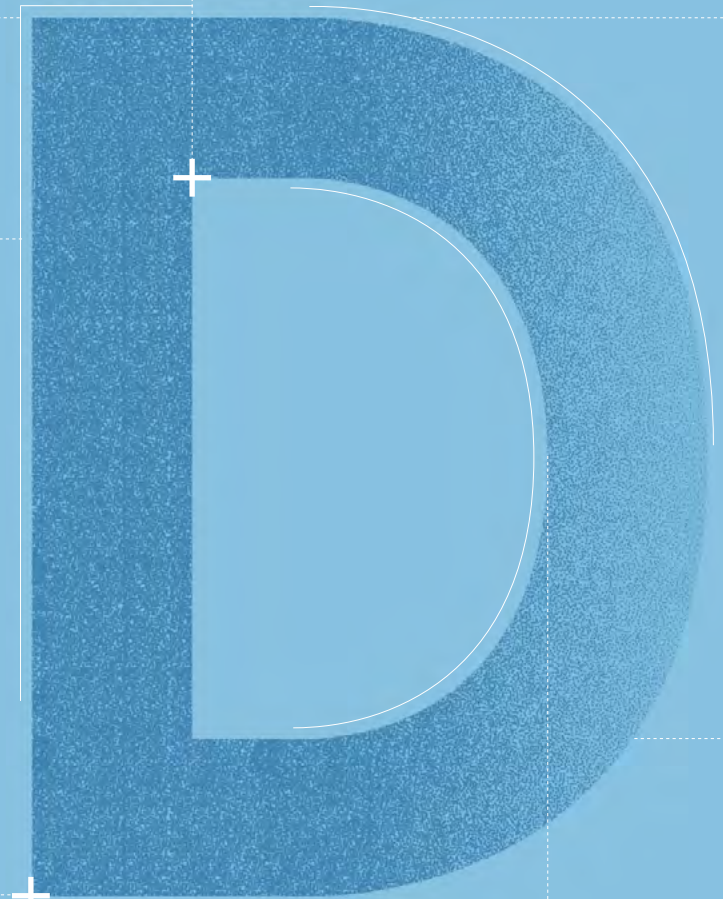
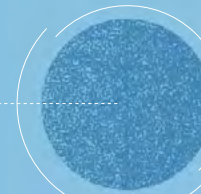
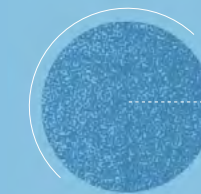
GROUP OVERVIEW

GROUP OVERVIEW

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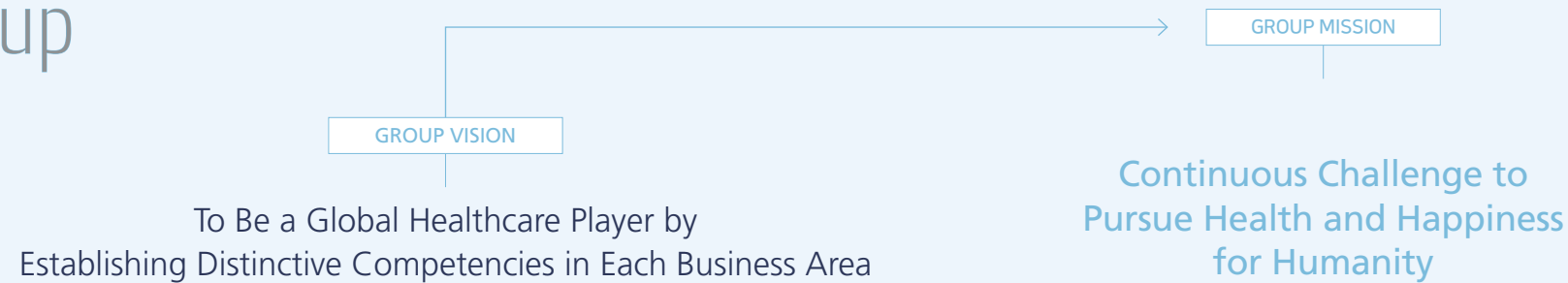
GROUP AFFILIATES

- 055 Dong-A Socio Holdings
- 056 Dong-A ST
- 061 Dong-A Pharmaceutical
- 065 ST Pharm
- 068 DM Bio
- 070 CHAMMED
- 072 Dong-A Otsuka
- 075 Yongma Logis
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- 081 Korea Sinto
- 083 DONGCHEONSU
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Dong-A Socio Group

Dong-A Socio Group Vision System
[VISION 2025]



DONG-A SOCIO HOLDINGS VISION SLOGAN

Group Values Connector

DONG-A SOCIO GROUP AFFILIATES VISION

| | | | | | | | | | | | |
|---|---|--|---|---|---|---|--|--|---|--|--|
| | | | | | | | | | | | |
| Dong-A ST | Dong-A Pharmaceutical | ST Pharm | DM Bio | CHAMMED | Dong-A Otsuka | Yongma Logis | Soo Seok | Korea Sinto | DONGCHEONSU | ABEN E&C | DA Information |
| A leading pharmaceutical company, advancing through the development of new global drugs | Development of innovative products and services that satisfy customer needs in the health care industry | Thriving global chemical company with high quality products and services | Develop into a global biopharma by 2025 | Develop 1st tier competitiveness in ENT ¹⁾ and successfully enter the endoscope market | Company that takes the lead in functional beverages and foods based on distinctive products | A global SCM ²⁾ leader in H&B ³⁾ through specialized logistics services | Aiming at a comprehensive packaging container company – eco-Friendly, smiling together | Total engineering company that is trusted for its products' pride and technology | Develop into the No. 3 company in the mineral water industry by expanding categories based on healthy water | CTSP ⁴⁾ specializing in health care | IT service partner that pursues client satisfaction and innovation |

CORE VALUE

| | | | | | | | |
|---|--|--|--|--|--|--|--|
| PURSUE INNOVATION Think anew, start small | | LEAD CHANGE Read trend, change proactively | | TRUST OTHERS Create synergy based on trust | | THRIVE TOGETHER Grow together with employees, customers, and society | |
|---|--|--|--|--|--|--|--|

D-STYLE Guidelines on Taking Action Today for Tomorrow

| | | | |
|--|---|--|--|
| CONSTANT INNOVATION Start small and scale the size of innovation | ACT PROMPTLY Respond promptly to healthcare market and trend changes | CREATE SYNERGY Create synergy through partnerships based on mutual trust | SOCIAL RESPONSIBILITIES Fulfill social responsibilities as a healthcare company responsible for the health and happiness of humanity |
| NEW PERSPECTIVES Think outside the box to sharpen competitive edge | NEVER STOP CHANGING Make continuous efforts to change | WIN-WIN Understand and identify with each other's goals, and pursue win-win | SHARING AND CONTRIBUTIONS Continually practice the values of sharing and volunteering that include employees, customers, and society |
| A SPIRIT OF CHALLENGE Develop a spirit of challenge that does not fear failure | OPEN-MINDED Embrace change with an open mindset instead of being complacent | PROACTIVE COMMUNICATION Communicate with others based on keen consideration | SELF-DEVELOPMENT Share experiences and knowledge, and grow systematically |
| SINCERITY AND TENACITY Have sincerity and tenacity to get things done | LEAD BY EXAMPLE Take the lead and lead by example | ACT WITH CONSISTENCY Act honestly and fairly with consistent words and conduct | SENSE OF RESPONSIBILITY Develop a sense of responsibility and ownership based on expertise |

¹⁾ ENT: Ear, Nose and Throat
²⁾ SCM: Supply Chain Management
³⁾ H&B: Health and Beauty
⁴⁾ CTSP: Construction Total Service Provider

Vision & Core Value

Vision 2025

Group Mission

Continuous Challenge to Pursue Health and Happiness for Humanity

We will help more people enjoy a healthier and happier life and prosper alongside them by focusing our R&D on better products and services, while fulfilling our social responsibilities.

Group Vision

To Be a Global Healthcare Player by Establishing Distinctive Competencies in Each Business Area

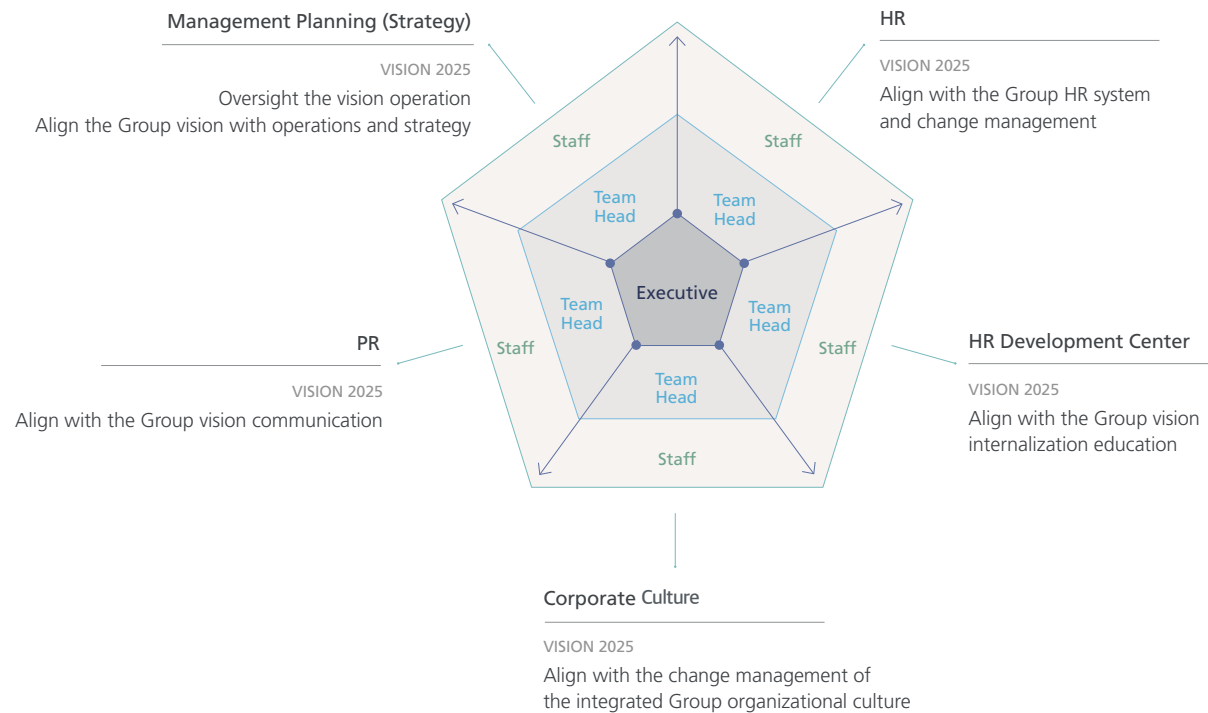
We will become a healthcare group with global competencies by developing the core competitiveness of each business area through the integration of business portfolio at the Group level.

Dong-A Socio Group has organized and operates the Vision Task Force (Vision TF) as an execution organization for realizing the Group's mission and vision. Based on internal capabilities in five areas, the TF reviews vision agenda items in a three-dimensional way, takes follow-up measures, and implements change management per area in detail.

Group Strategy

To realize VISION 2025, Dong-A Socio Group is advancing its business capabilities, diversifying business areas, and moving forward with geographical expansion. Even in a business environment where the boundary between industries is vague across the previous business axis, at the center of which is the pharmaceutical business, and the general business axis that includes functional food and beverage, packaging, logistics, IT, and construction, we will generate internal/external synergy for mutual connectivity, thus developing sustainable competitiveness. We will also expand our business areas to provide customized value that is adequate for the competition environment that is undergoing sharp reorganization due to new types of contagious disease, including COVID-19, and that satisfies customer demands. In addition, to overcome the limitations of existing business models, we will discover new business models, including environmental and social contribution businesses, and develop investment capabilities for inorganic growth.

Systemized Roles of Dong-A Socio Group Vision TF



Core Value

Group Core Value

Pursue Innovation Dong-A Socio Group has been growing through countless innovations, small and big. The efforts made by each one of its members since the Group's founding to the present have permeated into all areas within the Group. "Pursue innovation" is a driver to overcome difficulties and move towards greater development, and should continue through continued challenge and self-reflection. Rather than having a vague sense of fear towards innovation, we will think outside the box and begin with executing small things, one by one, to continue growth and development.

Lead Change In a competition market where such sharp unforeseeable changes are expected as super-ageing society, personal consumption, uncertain economic growth, technological convergence, and new/variant infectious disease, we will increase the speed at which we respond to change through the core value, "lead change". By doing so, we will explore future market trends and discover new opportunities, creating a completely new Dong-A Socio Group.

Trust Others Trust is a foundation for greater change and innovation. Through active, transparent communication with all internal/external stakeholders, we will build stronger relations of trust than ever before and understand and identify with each other's goals, thereby establishing a partnership of "trusting others" that pursues win-win.

Thrive Together All of us at Dong-A Socio Group will recognize social responsibility as the basics of work, and will faithfully fulfill our social responsibilities based on the sense of responsibility and capability as a healthcare company that contributes to health and happiness of humanity. We will "thrive together" with our employees, customers, and society to further enhance corporate value. This will serve as a foundation for sustainable growth.

Corporate Culture Innovation Project to Implement Core Value

Dong-A Socio Group has been implementing detailed and practical corporate culture projects at the Group level since 2017, designed to connect all members of the Group into one and expedite the execution of our core values, thereby realizing VISION 2025. We also strive to create a great workplace and ensure the happiness of our employees. To this end, we pay close attention to employee opinions and reflect them into programs that are designed to implement our core values, in our efforts to build Dong-A's unique, distinctive corporate culture that is based on "reflection of employee opinions, respect and acknowledgement, and happiness at work" and that will serve as the foundation for sustainable management.

D-Style HERO Outcome

| Classification | 2017 | 2018 | 2019 | 2020 | Accumulated |
|--|----------|-----------|-----------|---------------------------|---------------------------|
| Top D-Style HERO (Persons) | 1 | 1 | 1 | 1 | 4 |
| Core Value HERO (Persons) | 4 | 4 | 4 | 4 | 16 |
| HERO at the Group Affiliates (Persons) | - | 13 | 13 | 13 | 39 |
| Team HERO (Teams) | - | - | - | 1 | 1 |
| Total | 5 | 18 | 18 | 18 Persons, 1 Team | 59 Persons, 1 Team |

D-Style HERO – a recommendation campaign for a better future

"D-Style HERO" is a corporate culture campaign through which a hidden hero is identified and prized for his/her performance in spreading the values of Dong-A by actively practicing the core values and D-Style. Individuals or teams, that are leading small but meaningful changes for teams, organizations, the company, and customers, are anonymously recommended to deliver a message of compliment and cheer. The D-Style HERO recommendation campaign allows anyone to make a recommendation to promote interaction among Group employees in daily work. Since its launch in 2017, a cumulative total of 15,561 recommendations has been made through 2020. We expanded the system to enable recommendations on a HERO team that is executing core values at the team level starting in 2020 as a way to spread stories about meaningful practice of core values.

Do Don't 1010 – our promise to realize VISION 2025

Launched in 2018, this is the Group's first corporate culture campaign to be participated by all employees, aimed at expediting the realization of VISION 2025. "Do Don't 1010" extends the core values and D-Style, and seamlessly connects 10 elements of our corporate culture that employees must strive to uphold (Do 10) and 10 elements that should be eradicated (Don't 10). To create happy corporate culture, all employees took part in a survey and vote to finalize Do Don't 1010, which is created and practiced by all from planning to execution. Do Don't 1010 promotes interaction in daily life among employees, and is becoming a unique code of conduct at Dong-A. In a Group organizational diagnosis that was conducted in 2020, Do Don't 1010 was chosen as the No. 1 change management project that employees can actually sense. To ensure change management, we are encouraging action by making announcements on details regarding insufficient action items. Do Don't 1010 will take on a new form in 2021 to cheer on employees' efforts to practice Do Don't 1010.



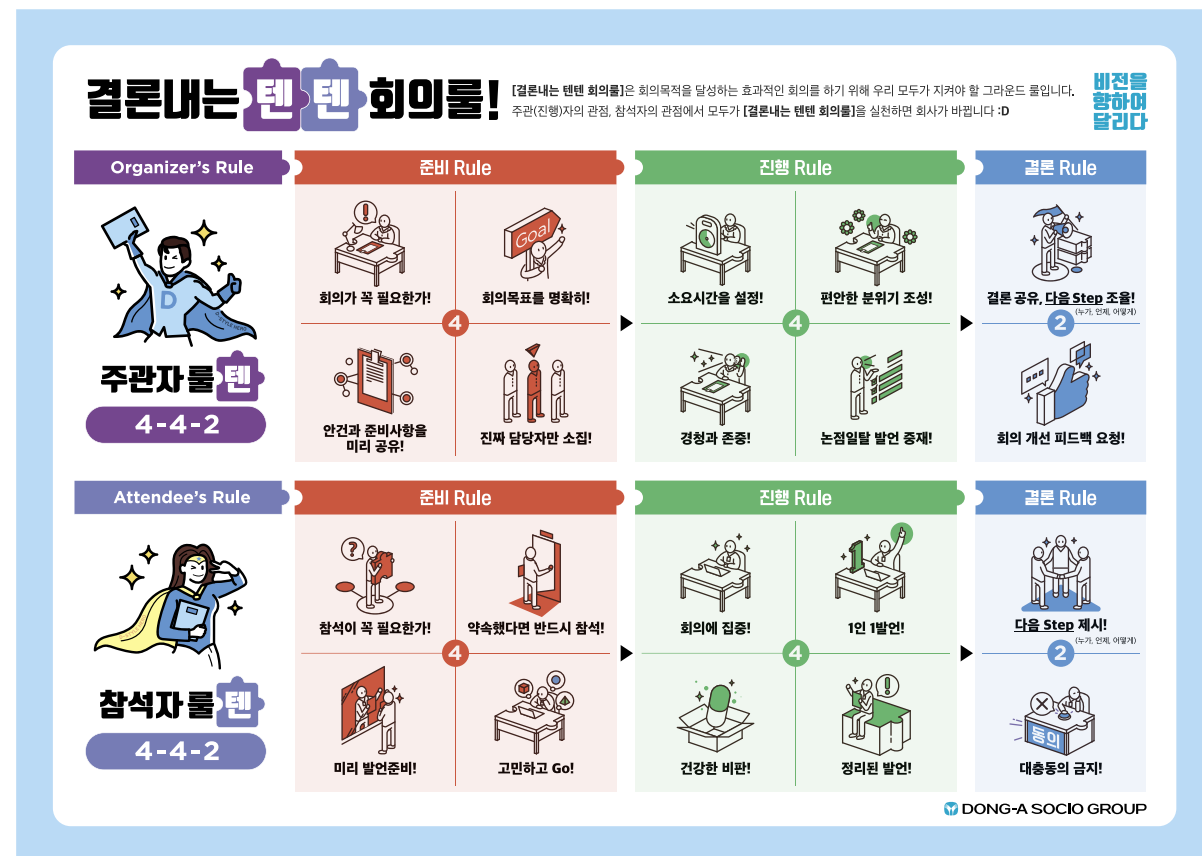
Haebahaeba Project – changing the way of work

“Haebahaeba (MCMC)”, meaning that Meeting Culture Makes a Company, is a project that is based on the understanding that organizational culture itself is a way of work. It is Dong-A's unique way of having meetings that is intended to practice one meeting culture-related element of Do Don't 1010 which is to 'make preparations in advance for meetings and have shorter yet more productive meetings' aimed at making the work process efficient and improving outcomes. We are moving forward with the establishment of a meeting culture that promotes reasonable decision-making and reaches conclusions through meeting preparations and efficient meetings that are led by leaders (meeting organizers) and active participation by attendees. The project has been executed since 2019. The Group meeting culture diagnosis survey that was conducted at the end of the first year indicated that 74.6% of our employees feel the change in the meeting culture. We are making preparations for change management so that significant changes can be made to our way of work by reflecting employee opinions that were identified through the short-answer question survey. As part of these efforts, we will create a video in 2021 that employees can refer to in various meeting situations to help them better perform roles as meeting organizers or attendees.

Leabahaeba Project – encouraging leaders to change themselves

“Leabahaeba (Dong-A Leadership)”, meaning that the company changes when its leaders change, is a project launched as a part of follow-up measures that were taken based on 2020 organizational diagnosis results. It is based on employee opinions on 14 leadership items that were derived from the organizational diagnosis. We verified relevance with leadership diagnosis items that are in place as systems, with regard to the 14 items; collected opinions on two occasions of relevant organizations, including the Vision TF and HR division of the Group affiliates; and took a vote. The items were compressed into seven items through a survey conducted on all Group employees in August, and one item was added after a short-answer question. This led to the finalization of eight items of “8 ways for anybody to become a leader”.

Leabahaeba is meaningful in that it is entirely based on employee opinions, practiced jointly by team leaders and members, and connected in a single cycle with organizational diagnosis and leadership training. Taking consideration of these characteristics, in 2021 we are implementing “Leadership in daily life”, and plan to provide support so that both leaders and members can demonstrate leadership in daily life by using leadership posters, mirror of leadership, and the Leabahaeba webpage.



Management's Discussion & Analysis

2020 Performance

Financial Performance

1. Business Performance

Market difficulties continued throughout 2020 due to the spread of COVID-19 and strengthening of global regulatory policies. Notwithstanding, Dong-A Socio Group achieved sales of KRW 783.3 billion, a year-on-year rise of 1.5%, maintaining the growth pace that it continued for the last three years. Operating profit decreased by KRW 2.2 billion year-on-year to KRW 50.6 billion, while net profit for the year stood at KRW 162.4 billion.

(Unit: KRW billion)

| Classification | 2018 | 2019 | 2020 |
|-------------------------------------|---------|-------|---------------------|
| Sales | 707.5 | 769.7 | 783.3 |
| Operating expenses | 656.9 | 716.9 | 732.7 |
| Operating profit | 50.5 | 52.8 | 50.6 |
| Gain (Loss) using the equity method | (11.7) | (4.3) | (8.1) |
| Profit for the year | (163.9) | 20.0 | 162.4 ¹⁾ |

* Based on consolidated financial statements

¹⁾ Reversal of impairment loss of KRW 137,201 million in 2020 that was recognized for ST Pharm in 2018 resulted in a rise in profit for the year. The recoverable value of asset was determined based on the fair value less costs of disposal, the same measurement used for the impairment test, by using the stock price on the day of measurement. The recoverable value of asset exceeds carrying amount.

2. Business Status by Area

Pharmaceuticals Area Amid the COVID-19 pandemic, the performance of biosimilar, CMO, and diagnosis businesses of the pharmaceutical and bio industries increased in 2020, while companies that could benefit from the COVID-19 medicine and vaccine development and production process were gaining attention. Despite tough economic and market conditions, domestic pharmaceutical/bio companies achieved a total of 16 cases of licensing-out, and the contract amount exceeded KRW 10 trillion. The Korean pharmaceutical market has been growing at an annual 6% from 2015 to 2019, and this is presumed to be attributable to the rapidly aging population. In 2020, sales of domestic pharmaceutical companies were expected to decrease due to COVID-19 at the beginning of the year. However, sales slightly grew as of the end of the year, recording KRW 20,748.0 billion, a year-on-year increase of 2.7%.

Sales of Dong-A Socio Group's Pharmaceuticals Area slightly grew from the previous year, on the back of growth in ethical drugs, oligonucleotide APIs, and healthcare products despite reduced sales and sluggish exports of Bacchus.

Logistics Area In accordance with a rise in non-face-to-face consumption with the spread of COVID-19 in 2020, the domestic parcel delivery volume rose 32% over the previous year. Dong-A Socio Group is continuing growth in the respective market, on the back of new large customers and increase in international express delivery. Operating profit improved as a result of a rise in international shipping charges and a decrease in oil prices due to COVID-19 as well as our efforts to increase operational efficiency. There was a case of group infection at a domestic logistics center, and this is why people raised issues with quarantine of logistics centers, where many people work in close contact. Temperature-controlled delivery of pharmaceuticals in relation to the exposure of the flu vaccine to room temperature and shipment of COVID-19 vaccines is also emerging as a major issue in the logistics area.

Food & Beverage Area In 2020, the beverage market shrank compared to the previous year, attributable to people going out less and sports events being cancelled due to the COVID-19 pandemic as well as a long-term monsoon. We saw the significant reduction in sales of sports drinks, while the mineral water market showed continued growth.

Dong-A Socio Group's Food & Beverage area also recorded a slight decrease in sales and operating profit over the previous year in accordance with the negative business environment. However, we minimized sales reduction by actively responding to growth of the online market and focusing our capabilities on the low-calorie market, including carbonated water and zero calorie carbonated drink. We also strived to curtail costs by reducing advertising expenses and enhancing production efficiency.

Bottle Glass Area In the bottle glass market, there are concerns over excess supply and low-price competition due to expansion of in-house bottle glass facilities of large beverage companies. In terms of environmental aspects, many countries across the globe are adopting carbon tax and declaring carbon neutrality, while consumer preference toward eco-friendly products is also rising.

In the Bottle Glass Area, Dong-A Socio Group's sales of glass bottles and aluminum CAP decreased in 2020, mainly attributable to production line overhaul and reduced sales of Bacchus and Panpyrin. PET sales also decreased due to the construction of mineral water companies' in-house PET facility as well as a reduction in heat-resistant PET sales for exports and domestic demand. The level of sales decrease however was mitigated on the back of new product development for pressure resisting (PR)¹⁾ products and attraction of new customers. In terms of profit, there was a reduction in raw material costs and fuel expenses, but operating profit slightly dropped from the previous year owing to reduced sales volume and a reduction in the unit sales price.

¹⁾ Property of being able to withstand high pressure that is as much as 400-600 atmospheric pressure

Non-financial Performance

Since 2020, Dong-A Socio Group has been choosing tasks for environmental protection, social contribution, and organizational culture improvement at the Group level and reflecting the outcomes in corporate evaluations. The Group affiliates make continuous efforts to generate social value in connection with their respective businesses, rather than a one-time project, by considering their business area, products, and business status. They also have established a committee, secretariat, and sub-committees to implement social value creation. In addition, various activities are carried out to enhance employee awareness, such as posting a content in the “card news” format, making company announcements, and producing goods to promote social value.

1. Environmental Performance

We handled tasks related to environmental issues of each stage ranging from product production to discharge. We built or replaced facilities, such as discharged water reuse facilities, air pollution prevention facilities, high-efficiency inverter pumps, and compressors, in order to reduce energy consumption and discharge of pollution, such as greenhouse gases and wastewater, in the production stage. In the distribution stage, we have adopted eco-friendly packaging materials (boxes, paper tape, etc.) and filler materials, while also improving the carbon footprint system to measure carbon emissions that occur during the delivery process. To increase the recycling ratio in the discard stage, we switched our PET container from color to transparent and adopted eco-friendly boxes. In regard to beverage containers, our major tasks included the adoption of Eco-Tap label, sleeves with perforated/tear line, water-soluble adhesive, and so forth. We also signed a memorandum of understanding (MOU) in relation to collection of used transparent PET bottles with the Korean Packaging Recycling Business.

We will continue eco-friendly activities designed for each stage in 2021. In the manufacturing stage, we will replace the mechanical steam trap¹⁾ with the bellows trap²⁾ to reduce electric power use, apply high-efficiency inverters, and replace turbo chillers and compressed air. In addition, we will reduce water consumption and wastewater generation by reusing discharged water through RO/EDI³⁾, and replace the previous R-22 refrigerant with an eco-friendly refrigerant to reduce discharge of ozone layer-depleting substances. In the distribution stage, we will continue to expand the application of packages that use eco-friendly materials, and will carry out other activities such as our product design applied with endangered species protection campaign. We also plan to implement green logistics to reduce environmental pollution that arises during transport. In the discard stage, we will continue to focus on product packaging that can increase recycling convenience, strengthen the PET recycling campaign, and run a glass cullet recycling campaign.

We will also focus on internal and external environmental protection activities and campaigns. Dong-A Socio Holdings has changed single-use plastic cups, straws, and storage containers used at the in-house café into eco-friendly materials through the “Plastic Zero” campaign. Even in cases when use of disposables is unavoidable, the café lends out and then recollects mugs or tumblers instead of providing single-

use plastic cups. A variety of in-house events have boosted employee participation and motivation for the campaign.

Externally, we carried out a project on building a “Forest of Peace” in the demilitarized zone (DMZ) in Cheorwon-gun, Gangwon Province, and also held an event that involved giving out kits, consisting of an eco-bag, gloves, and eco-friendly trash bags, that were needed for beachcombing⁴⁾ to support ocean purification activities, in addition to delivering donations to the Korea Marine Environment Management Corporation (KOEM). In addition, we are expanding the pharmaceutical waste collection program, while also reviewing collaboration and investment with a company related to eco-friendliness. In 2021, we plan to increase cooperation with local governments for the pharmaceutical waste collection program, and continue to strengthen existing environment-related activities, such as the “Forest of Peace” project and “Class for Youth on Caring for the Environment and Life”, in our efforts to generate new environmental outcomes.

2. Social Performance

Dong-A Socio Group has been providing human growth hormone injections to short stature children from low-income families, and provided injections worth around KRW 630 million to 100 children in 2020. In addition, we signed an MOU with the Korea Medical Assistance Foundation in June 2020 on providing support to cover drug costs to reduce the economic burden on low-income cancer patients, and helped 116 patients through December. We also delivered donations to Babonanum to treat children with leukemia. We will continue to support short stature children and cancer patients in 2021, and expand North Korea support and overseas support programs by providing anti-tuberculosis drugs.

Other social contribution activities that we carried out include providing hygiene products to female youths, providing UNICEF hope kits to multicultural families, sponsoring BABSANG social welfare institution, and participating in briquette delivery volunteer activities. We also helped overcome the blood shortage that was caused by COVID-19 through blood donation. Furthermore, we promoted win-win development with the local community by hiring local talent, providing scholarship funds to local educational institutions, and carrying out crime watch and volunteer firefighter activities. To encourage voluntary social contribution activities of employees, we plan to establish a platform in 2021 that enables our employees to derive tasks and directly implement them, and plan to actively share the platform within the organization. We will produce online education content for social value creation, as well. Also planned are such sponsorship activities for the local community, the underprivileged, and future generations as a program on providing breakfast to the underprivileged and collaboration to support small businesses in the local community.

¹⁾ An apparatus that separates condensate water and air that was created in an apparatus for steam and steam pipe from steam, and that removes it. It makes the heat in the steam effective and makes the steam flow good by preventing a rise in pressure in the return pipe.

²⁾ This trap is used to separate steam and condensate water, and is a type of a radiator trap.

³⁾ Reverse Osmosis/Electrodeionization: A purified water production process that uses reverse osmosis and electrodeionization

⁴⁾ A compound word of “beach” and “combing”, meaning the activity of picking up beach waste as if combing the beach

Creation and Distribution of Economic Value of Dong-A Socio Group

(Unit: KRW billion)

| Classification | | 2018 | 2019 | 2020 |
|--|---------------------------------|--------------|--------------|--------------|
| Creation of economic value | | 707.5 | 769.7 | 783.3 |
| Shareholders & Investors | Dividend | 6.1 | 6.1 | 6.1 |
| | Interest expense | 12.0 | 13.4 | 12.0 |
| | Total (Value-to-sales ratio, %) | 18.1 (2.6) | 19.5 (2.5) | 18.1 (2.3) |
| Employees | Salaries | 126.9 | 141.0 | 140.9 |
| | Employee benefits | 20.2 | 21.7 | 22.5 |
| | Total (Value-to-sales ratio, %) | 147.1 (20.8) | 162.7 (21.1) | 163.4 (20.9) |
| Suppliers | Raw material expenses | 150.0 | 93.4 | 97.7 |
| | Outsourcing expenses | 12.4 | 28.5 | 33.0 |
| | Total (Value-to-sales ratio, %) | 162.4 (23.0) | 121.9 (15.8) | 130.7 (16.7) |
| Government & Local communities | Income tax | -9.2 | 18.7 | 7.8 |
| | CSR expenditures ¹⁾ | 4.1 | 4.0 | 3.1 |
| | Total (Value-to-sales ratio, %) | -5.2 (-0.7) | 22.7 (2.9) | 10.9 (1.4) |
| Total distributed economic value (Value-to-sales ratio, %) | | 322.4 (45.6) | 326.8 (42.5) | 323.2 (41.3) |

¹⁾ 2018 figure was revised due to the change in aggregation method

2021 Outlook

Pharmaceuticals Area Despite the supply of vaccines, developing herd immunity and putting an end to COVID-19 through herd immunity is expected to require more physical time, considering the time it takes for distribution and vaccination. Against this backdrop, growth of the Pharmaceutical Area is forecast to be limited in 2021, and we therefore plan to make up for sluggish growth in 2020 by focusing on continued growth and exports of the ethical drug and bio sectors and recovery of Bacchus sales. In addition, we will improve profitability through efficient execution of costs and process improvements.

Logistics Area Market uncertainty is expected to continue even after economic recovery owing to incomplete recovery of the Business to Business (B2B) sector, such social issues as death of parcel delivery workers due to overwork, and a rise in oil prices. Accordingly, Yongma Logis will continue to operate the Emergency Management Committee so as to quickly share information on the occurrence of unexpected situations and to strengthen the response system. In terms of transport, delivery, storage, forwarding, and other business, the company will establish a logistics process for bioproducts, in addition to temperature-controlled logistics, to provide distinctive services. We also plan to examine new businesses and collaborate with logistics startups for the development of new growth drivers.

Food & Beverage Area Considering the fact that the beverage market is highly affected by the weather, and the amount of rainfall is expected to be high in 2021 as much as the previous year, the business environment in 2021 will likely be similar to the previous year. In addition, there is a high possibility of continued restrictions on people going outside their homes, holding gatherings, and enjoying sports events due to COVID-19. In response, Dong-A Socio Group will launch new functional products that are in line with the trend

and thus develop new profit sources. We will also strive to improve our profit structure by reducing additional gift events and discount events, improving the structure of supplying products in lower price, and increasing cost efficiency. We will also focus our business capabilities on strategic products to foster mid- to long-term cash cow products, while striving to enhance brand value by strengthening online marketing in line with the non-face-to-face trend and adopting mobile applications.

Bottle Glass Area Demand for glass bottles and PET products is expected to recover somewhat compared to 2020, but the oversupply issue will likely continue. Moreover, consumer preferences toward eco-friendly products are expected to strengthen, in addition to social and institutional changes regarding eco-friendly packaging containers. In response, Dong-A Socio Group will focus on developing and providing eco-friendly products that can meet the needs of each market, and will keep developing and testing semi-aseptic (aseptic filling) production. We will increase our share with regard to existing major customers, while increasing the proportion of new customers by discovering new customers and winning new contracts. In addition, efforts will be made to improve operating profit by reducing unit prices for raw materials and processing costs and adopting a standard cost system per product.

Group Affiliates



Business Areas of Dong-A Socio Group

Pharmaceuticals

Manufacturing and sales of drugs, quasi-drugs, and other medical products; and service

Logistics

Freight, parcel delivery service, automobile transport mediation and arrangement; transportation and warehouse; and leasing

Food & Beverage

Manufacturing and sales of soft drink, functional food, mineral water, etc.

Bottle Glass

Manufacturing and sales of bottle glass

Others

IT solution, healthcare, construction, etc.

Dong-A Socio Holdings

Company Overview

As the holding company of Dong-A Socio Group, Dong-A Socio Holdings defines the Group's overall vision and strategies, forms the overall business portfolio, and establishes human resource and fund investment plans according to strategic goals from a macroscopic perspective. We perform roles as the Group's "value connector", and formulate a vision that enables the Group affiliates to develop business competitive edge and create synergy, thereby achieving the growth at the Group level.

With Dong-A Socio Holdings performing a pivotal role, Dong-A Socio Group operates business in various areas, including pharmaceuticals, medical devices, food & beverage, logistics, and bottle glass based on the mission, "Continuous challenge to pursue health and happiness for humanity". While continually identifying new growth drivers through bio-pharmaceutical and innovative new drug development, Dong-A Socio Group is pursuing phased business expansion by moving beyond the previous focus on pharmaceutical drugs to include medical services and digital healthcare.

| | |
|-------------------|---|
| Company Name | Dong-A Socio Holdings Co., Ltd. |
| CEO | Jae Hun Jung |
| Establishment | August 9, 1949 |
| Headquarters | 64, Cheonho-daero, Dongdaemun-gu, Seoul |
| Sales | KRW 783.3 billion |
| Operating Profit | KRW 50.6 billion |
| Total Assets | KRW 1,511.1 billion |
| Total Liabilities | KRW 888.7 billion |
| No. of Employees | 165 |

* As of December 31, 2020; and based on consolidated financial statements

Dong-A ST



Company Overview

Dong-A ST is an ethical (ETC) drug-specializing company with a vision to become a “Leading pharmaceutical company, advancing through the development of new global drugs”. Determined that continued development of outstanding new drugs is for the health and happiness of humankind and signifies the fulfillment of social responsibilities, the company has established an optimal research infrastructure with a world-leading research center and highly-skilled talent. In particular, to extend the life and cure illnesses of humankind and to lessen the pain of patients and families, it has chosen the difficult path of new drug development and are moving forward with a sense of duty. In addition, Dong-A ST is growing into a global pharmaceutical company by actively advancing into overseas markets and expanding exports.

Key Achievements in 2020

R&D Performance

In 2020, Dong-A ST invested KRW 79.3 billion in R&D which is a year-on-year increase of KRW 2.4 billion. R&D expenses to sales rose by 0.4%p year-on-year to reach 13%, maintain the top level in the industry. Based on this investment, the company made several achievements in 2020, including the launch of products in domestic and overseas markets and commencement of global clinical trials and joint research. In addition, it strengthened open cooperation among industry, academia, and research through the Open-Innovation Research Project Contest.

Dong-A ST strives to develop innovative new global drugs, drug delivery system (DDS)-based incrementally modified drugs (IMDs), and botanical drugs in a timely manner through investments in R&D and product innovation. The company is putting its internal and external resources on the development of first-in-class new drugs, with a focus on anti-cancer drugs, and is making corporate-wide efforts to enable growth of the previously-launched Suganon, Motilitone, and Gaster into best-in-class products in the areas of diabetes and the digestive system. “DA-5207”, a patch-type dementia treatment, completed a phase I clinical trial in Korea. In 2018, Dong-A ST signed a license-out agreement with NeuroBo Pharmaceuticals of the U.S. on “DA-9803”, a drug for the treatment of Alzheimer’s disease. In accordance with the agreement, Dong-A ST received a down payment of USD 2 million and 5% of NeuroBo shares, and based on the milestones by phase, Dong-A ST will receive up to USD 178 million and sales royalty after commercialization.

Dong-A ST is striving to develop competitiveness in the domestic market by licensing-in new drugs. Major achievements in 2020 include a license-in agreement on “SHR-1701” that was signed with Jiangsu Hengrui Medicine in China. Based on this agreement, Dong-A ST secured exclusive development and sales rights in Korea for SHR-1701, a next-generation immune checkpoint inhibitor. SHR-1701 is a bifunctional fusion protein targeting PD-L1 and TGF-βRII, and is anticipated to show anti-cancer efficacy for various types of tumors. Phase I and II clinical trials are currently in progress in China for solid tumors, including non-small cell lung cancer, pancreatic cancer, cholangiocarcinoma (bile duct cancer), and cervical cancer. Through the license-in agreement, Dong-A ST has established both an anti-cancer drug pipeline and raised its competitiveness in the rapidly-growing immunotherapy market in Korea.

R&D Pipeline

| | Code Name (Brand Name) | Description | Indication | Development Stage | Licensing Availability |
|-----------------------------|-------------------------------|--|--|--|--|
| New Chemical Entity | DA-1229 (Suganon/ Sugamet XR) | DPP (Dipeptidyl Peptidase)-4 inhibitor | Type 2 diabetes | Launched (Korea, India, Russia) | Available for some territories |
| | DA-5207 | Donepezil patch | Alzheimer’s disease | Ph I (Korea, India) | Available |
| | DA-8010 | M ₃ receptor antagonist | Overactive bladder | Ph I completed (Europe) Ph II completed (Korea) | Available |
| | DA-1241 | GPR119 agonist | Type 2 diabetes Non-alcoholic steatohepatitis | Ph Ia completed (USA) Ph Ib completed (USA) | Available |
| | DA-4501 | Novel IO target | Cancers, etc. | Drug discovery | |
| Botanical Drug | DA-9801 | Botanical drug | Diabetic neuropathy | Ph II completed (USA) | – |
| | DA-9805 | Botanical drug | Parkinson’s disease | Ph II completed (USA) | Available |
| Bio-pharmaceutical Products | DA-3880 | Darbepoetin a biosimilar | Anemia | Launched (Japan) | Available for some territories |
| | DMB-3111 | Trastuzumab biosimilar | Breast cancer | Ph I completed (Japan) | Available except Japan, Europe, Russia, CIS, and Latin America |
| | DMB-3115 | Ustekinumab biosimilar | Psoriasis | Ph I (Europe) Ph III completed (USA) | Available except Korea and Japan |

[DA-1229; Evogliptin; Suganon/Sugamet XR]

Evogliptin is an anti-diabetic compound of the Dipeptidyl Peptidase-4 (DPP-4) inhibitor class, with high selectivity for DPP-4. A phase I clinical trial of Evogliptin showed that a single administration of Evogliptin 5mg inhibited DPP-4 activity by more than 80%, and a repeated once daily dose of Evogliptin 5mg maintained the inhibition of DPP-4 for more than 24 hours. In the phase II clinical trial, it was confirmed that Evogliptin 5mg significantly decreased HbA1C levels compared to a placebo. In phase III studies, Evogliptin 5mg showed superiority over the placebo, and non-inferiority to Sitagliptin. In addition, Evogliptin does not need dose adjustment in patients with renal impairment and showed a renal protective effect in animal studies, which would be beneficial to diabetic patients with renal disease. Suganon, which is an Evogliptin mononitrate, and Sugamet XR, a combination drug with Metformin, was launched in Korea in March and May, 2016, respectively. For the global markets, Dong-A ST signed licensing-out agreements with Alkem Laboratories in India for India and Nepal in 2012. Dong-A ST also made a license-out agreement with Eurofarma Laboratórios in Brazil for the territory of Brazil and 17 countries in Latin America in 2014 and 2015. Also, Evogliptin was licensed to GEROPHARM in Russia for development and sales in Russia, Ukraine, and Kazakhstan in 2015. The partner in India, Alkem, launched Evogliptin in India in April 2019 which was a first in the global markets, that was followed by the launch in Russia in the first quarter of 2020 by Geropharm. In addition,

Dong-A ST established a joint venture, “Rednvia”, to develop the CAVD drug, and a phase II clinical trial is in progress in Korea, and received the IND approval for phase II and II clinical trial in the U.S.

[DA-8010; Receptor M3 Antagonist]

DA-8010 is the best-in-class muscarinic receptor M3 antagonist for the treatment of overactive bladder (OAB) and urinary incontinence. Currently available OAB treatments have such side effects as dry mouth and constipation, and therefore, there still are unmet needs regarding improvements to these symptoms. DA-8010 is highly selective for urinary bladder over salivary gland, large intestine, heart, and brain, and indicated a reduction in the possibility of dry mouth, constipation, as well as cardiovascular and central nervous system side effects. A safety, drug tolerance, and pharmacokinetic study was conducted in the UK on healthy subjects, and a phase I clinical trial was completed in Europe. In Korea, a phase II clinical trial was completed, and the company makes preparation for a phase III clinical trial.

[DA-1241; GPR119 agonist]

DA-1241 is a type 2 diabetes treatment of the GPR119 agonist class. Its pre-clinical study was successfully completed, and it indicated outstanding therapeutic effects than its competitors via in vitro and in vivo tests. In addition to the glucose-lowering efficacy of DA-1241 in animal testing, it also effectively inhibited postprandial increase of plasma lipid levels. Therefore, it is expected that DA-1241 can offer significant therapeutic benefit for the treatment

of type 2 diabetic patients with dyslipidemia by controlling postprandial lipid as well as glucose levels. Also, potential for treating non-alcoholic steatohepatitis (NASH) was shown in the same animal model. Based on its PK profile in animals, it was expected that DA-1241 has a feasibility of once-daily dosing in human, and a phase Ia study in the U.S. confirmed the feasibility for once-daily dosing of DA-1241. As of 2021, a phase Ib study was completed in the U.S. on healthy volunteers and T2DM patients.

[DA-5207; Donepezil Patch]

DA-5207 is a donepezil patch that was developed to treat Alzheimer’s. It indicated outstanding stability and skin permeability in in-vitro testing, and it was confirmed to maintain continuous donepezil concentration compared to oral solutions through animal testing. A phase I clinical trial was completed in Korea in June 2020 and received an IND approval for bioequivalence test, and a phase I clinical trial is in progress in India.

[DA-7310; LpxC Inhibitor]

DA-7310 is a LpxC inhibitor, and an antibiotic that has activity against Gram-negative pathogens including multidrug resistant organisms. LpxC is a zinc-dependent deacetylase, and is an enzyme that intervenes in biosynthesis of Lipid A, an essential element of Gram-negative bacteria. By inhibiting LpxC, DA-7310 is a drug that can provide a solution for increases in antimicrobial resistance. DA-7310 is being developed as an injection, and the pre-clinical study for a safety evaluation on mice and dogs is in progress.

[DA-9801; Botanical Drug]

DA-9801 is a botanical new drug, the main ingredients of which are Dioscorea Rhizome and Dioscoreae Nipponicae Rhizoma, for pain associated with diabetic neuropathy. Its main mechanism is considered to lift levels of nerve growth factor (NGF) back to normal, which leads to nerve regeneration. DA-9801's efficacy in pain reduction and nerve regeneration has been confirmed in various pre-clinical animal model evaluations. A phase II study in the U.S. was completed successfully. A group of people who had DA-9801 300 mg and 600 mg for 12 weeks showed a statistically significant reduction of more than 2 points in mean pain scores, in comparison to their respective baseline scores. In addition, improvements of 50% or more were achieved in 46.9%, 50%, and 43.8% of the patients in the 300 mg, 600 mg, and 900 mg groups, respectively. Since current diabetic neuropathy treatments that have received FDA approval are CNS drugs or anti-depressants that accompany such CNS side effects as dizziness and somnolence, there is market demand for a new, safe treatment. DA-9801 is a product with outstanding pain reduction effect, botanical ingredients, and excellent stability, and is expected to considerably help patients who are suffering from diabetic neuropathy. In January 2018, Dong-A ST signed a global license-out agreement with NeuroBo Pharmaceuticals of the U.S. NeuroBo Pharmaceuticals is making preparations for a phase III clinical trial in the U.S.

[DA-9805; Botanical Drug]

DA-9805 is a botanical drug consisting of three bioactive ingredients from plants designed as an oral pill for the treatment of Parkinson's disease (PD). It was developed based on Dong-A ST's insight in PD and its extensive and proprietary expert knowledge on botanicals. DA-9805 was developed as a disease-modifying treatment and prevents dopaminergic neurodegeneration through multi-neuroprotective and anti-inflammatory effects. In pre-clinical studies, DA-9805 demonstrated reduced neuronal loss and α-synuclein accumulation as well as improved motor abilities in PD animal models. No toxicity was observed in toxicity studies. Dong-A ST initiated a phase II study with PD patients from 2017 after gaining an IND approval from the US FDA, and completed the study in 2019.

[DA-3880; Darbepoetin α Biosimilar]

DA-3880 is a biosimilar of darbepoetin alfa (Aranesp®, Nesp®). Dong-A ST proved bioequivalence and similar effects and safety with comparator Aranesp® in a phase I clinical study in Europe. In January 2014, Dong-A ST signed a licensing-out agreement with Sanwa Kagaku Kenkyusho (SKK) for the Japanese market. SKK completed Nesp® comparison phase I and phase III clinical studies in Japan, and successfully launched DA-3880 in Japan in November 2019.

[DMB-3115; Ustekinumab Biosimilar]

DMB-3115 is a biosimilar of Ustekinumab that was jointly developed by Dong-A and Meiji Seika Pharma of Japan. It is a monoclonal antibody directed against interleukin 12 and interleukin 23, naturally occurring proteins that regulate the immune system and immune-mediated inflammatory disorders. It is indicated for treatment of psoriatic arthritis, moderate to severe plaque psoriasis, and moderately to severely active Crohn's disease, and additional indication was approved for moderate to severe ulcerative colitis. In Europe, a phase I clinical trial has been in progress since November 2019, aimed at comparing the pharmacokinetic characteristics of DMB-3115 with those of Stelara® and evaluating them. In January 2021, the US FDA approved the phase III clinical trial of DMB-3115, and Dong-A ST plans to launch the phase III clinical trial in the U.S. in the first quarter of 2021 and to gradually apply for phase III clinical trials in nine European countries.

[DA-4501; MerTK Inhibitor]

MerTK(MerTyrosine Kinase) is mostly expressed in subsets of myeloid cells such as macrophages and dendritic cells. It is best known to drive tolerogenic clearance of apoptotic cells. In tumor microenvironment, this novel immuno-oncology target therapy induces apoptotic cells to render highly immuno-suppressive, helping tumors escape immune surveillance. We entered into a global licensing-out agreement on the development of "MerTK inhibitors" with AbbVie, a global pharmaceutical company, in December 2016, and are currently choosing a candidate substance.

continued development. The company established an environmental management system, and makes continuous efforts to manage and improve environmental issues that may arise in the process of its management activities, and to minimize environmental pollution. In October 2018, the Cheonan Plant received ISO 14001/45001 environmental, safety, and health management system certification from Korean Foundation for Quality (KFQ), and accordingly formed a department that supervises the certified system. The supervising department and employees in charge from different teams make efforts to promote the health of all members and to prevent disease and industrial accidents. They are also working on preventing environmental accidents, resolving environmental issues through continued improvements to environmental achievements, gaining trust from comprehensive stakeholders, and enhancing social image. After certification, a follow-up management evaluation was conducted every six months that involves an onsite evaluation by a certification judge from KFQ to inspect the system operation status. By submitting a report on the results of corrective measures that were taken on inadequate matters and matters that required improvement, Dong-A ST completed a follow-up evaluation in December 2020 and maintained certification. Dong-A ST's Dalseong Plant plans for the ISO 14001/45001 recertification evaluation¹⁾ in around August 2021.

Dong-A ST reduced its GHG emissions by 431 tons compared to the previous year in 2020 by improving each manufacturing process facility, and reduced wastewater by 4.8% compared to the previous year by applying an RO/EDI water reuse facility.

As part of its efforts to improve corporate governance, Dong-A ST strengthened functions and independence of the BOD, and preemptively adopted an Audit Committee to strengthen its audit functions. Outside director proportion of the BOD increased to a majority of total directors, and the company separated its CEO and the BOD chairman in 2018 to ensure independence in BOD operations. Through the Committee for Recommending Candidates for Outside Directors, which is a committee under the BOD, outside directors are recommended and appointed. In addition, the Evaluation & Compensation Committee consists only of outside directors. Although Dong-A ST is not obligated to set up an Audit Committee²⁾, it preemptively established an Audit Committee in 2018 which consists only of outside directors.

In the follow-up management evaluation³⁾ of the ISO 37001 Anti-bribery Management Systems (ABMS), Dong-A ST met standards for two consecutive years and thus maintained it. The company is also conducting internal company-wide reviews, and operates the CP electronic manual and website that provide anti-bribery guidelines and policies needed for inspections. It has also set an internal whistleblowing system in place through the Korea Business Ethics Institute that is managed by Dong-A Socio Holdings, and operates a help-line whistleblowing system for business partners, an accounting monitoring system that is required for financial management, and a CP management system that is needed for non-financial management. In addition, the company has established a high-level anti-bribery system through which the compliance with the ABMS

is reflected on the personnel evaluation of manager and higher-level positions. Going forward, Dong-A ST will increase its business transparency and reliability at home and abroad while also making continuous efforts to fulfill its corporate social responsibilities.

Outlook & Plan

Market Outlook

Domestic ETC According to "IQVIA™ MARKET PROGNOSIS 2019-2024", the Korean pharmaceutical market in 2020 grew 3.9% year-on-year to around KRW 19,527 billion. The market is forecast to grow 6.9% year-on-year in 2021 due to such factors as policies on health insurance coverage extension, reduced COVID-19 impact, and increased chronic illnesses in relation to the aging population. The Korean pharmaceutical market is expected to steadily grow at an annual average 5.5% from 2019 through 2024. Dong-A ST aims at an annual average growth rate of 6.0% which is above the market growth rate during the respective period.

Overseas ETC In the ASEAN pharmaceutical market, there have been continued efforts to reduce drug prices. Health and medical finance limitations are leading to the adoption of cost control measures and expansion of relevant policies. The market is actively choosing low-priced drugs manufactured in India and China, and public hospitals in some countries are reducing drug purchase prices by implementing group purchase policies. Brazil, which is a major export country of Dong-A ST's Growthropin, is indicating a tendency of strengthening policies that promote locally-produced products.

Overseas Beverage The global beverage market is expected to record an annual average growth rate of 8.2% through 2027 despite the COVID-19 pandemic and grow into a market worth USD 93.2 billion. The energy drink market is forecast to grow as long as demand for caffeine continues. In particular, there will likely be a continued release of energy drinks that reflect consumer needs on health and ingredients, and the health-focused beverage market is expected to grow with an increase in products that offer additional professional functions, such as vitamins, essential nutrients, and probiotics.

Future Plan

Developing best-in-class products and building a foundation for new growth in the global market Dong-A ST will focus on developing key metabolism and digestive system products over the mid- to long-term in its ETC business, and continue to strengthen its capabilities in providing advanced pharmaceutical information. The company plans to develop Suganon and Motilitone, its in-house developed original drugs, into blockbuster products with sales of more than KRW 30 billion in 2021. Against the backdrop of growing importance of non-face-to-face marketing due to COVID-19, Dong-A ST will create a digital communication team and strengthen our digital channel and content.

¹⁾ Carried out every three years after the initial evaluation

²⁾ Target of obligatory establishment of an audit committee: A corporation with assets of KRW 2 trillion or more

³⁾ Conducted every year to maintain and inspect system operation

Financial Achievement

Dong-A ST recorded sales of KRW 586.6 billion in 2020. The ETC Unit achieved a growth rate of 5.3% despite the spread of COVID-19, and its sales especially grew 15.4% year-on-year in the clinic area. The Overseas Unit outperformed in anti-tuberculosis drug

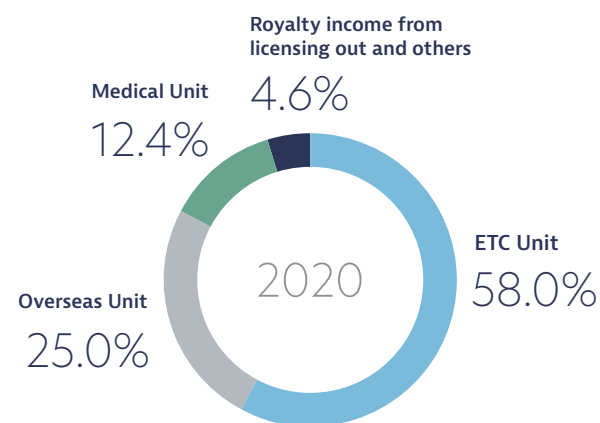
and DA-3880 and saw favorable beverage exports to Indonesia, while the Medical Unit strived to improve its business efficiency by overhauling its product line.

Non-Financial Achievement

Dong-A ST launched the Social Value Committee in July 2020 with the goal of realizing social responsibilities and contributing to social value creation. The Social Value Committee takes the lead in responding to environment, health and safety (EHS) laws and norms, and strives to improve sustainable management achievements in relation to industrial accidents, greenhouse gas emissions, water consumption, wastewater discharge, and wastes. As a result of these efforts, Dong-A ST received an integrated grade of B+ (Environmental D, Social B+, Governance A) in a 2020 ESG evaluation that was conducted by Korea Corporate Governance Service (KCGS).

Dong-A ST is effectively responding to a wide range of environmental challenges through its environmental management while embracing and meeting the expectations of stakeholders in Korea and abroad, thereby proving the value of its raison d'etre and achieving

Dong-A ST Sales by Business Unit in 2020



In overseas ETC business, Dong-A ST's plan for 2021 and mid- to long-term future is to build a foundation for increasing drug exports and to foster new beverage markets. In the area of drugs, it will expand its export portfolio with a focus on anti-tuberculosis drugs, bio, and Suganon, and, to effectively do so, it will strengthen its localization strategies, including the full launch of the establishment of a subsidiary in India. In the beverage market, the company will recover beverage sales in Cambodia that slowed down due to COVID-19 and fully develop Olatte sales in Indonesia as a new market.

Accelerating R&D to develop growth drivers In the area of R&D, Dong-A ST will focus on the development of DA-2811 and DA-5207, distinctive IMDs that can be commercialized, over the short-term, while selecting and focusing on specific R&D tasks and

accelerating entry into the next phase, securing pipelines centered around anti-cancer and central nervous system (CNS), and globally licensing out its pipelines over the mid- to long-term. In addition, it will make focused efforts to develop Bedaquiline, a medication used to treat active tuberculosis, as one of its strategic products aimed at expanding drug exports.

Making continued efforts to strengthen quality competitiveness Dong-A ST will move forward with the construction of a new plant in Songdo that is at the cGMP level in 2021. In the mid- to long-term future, the company will build an IT system to secure data integrity and global quality competitiveness, and will also carry out quality culture innovation (QCI) and 6 sigma activities for quality innovation, while striving to reduce cost of poor quality (COPQ).

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | | |
|---|--------------------------------|-------------------------------------|------------------|-------------|---------|-------|-------|
| Financial Performance | Total assets | KRW billion | 958.4 | 1,012.3 | 984.9 | | |
| | Total liabilities | KRW billion | 369.3 | 362.7 | 338.5 | | |
| | Total shareholders' equity | KRW billion | 589.1 | 649.6 | 646.4 | | |
| | Sales | KRW billion | 567.2 | 612.2 | 586.6 | | |
| | Operating profit | KRW billion | 39.4 | 57.0 | 34.1 | | |
| | Operating profit margin | % | 6.9 | 9.3 | 5.8 | | |
| | Non-financial Performance | No. of employees | Person | 1,539 | 1,601 | 1,594 | |
| Employee participation rate in anti-corruption training | | % | 45.7 | 89.0 | 93.5 | | |
| Violation of laws | | Case | 0 | 2 | 1 | | |
| Safety training hours | | Hour/Person | 17.0 | 17.2 | 17.3 | | |
| Industrial accident | | Case | 0 | 1 | 2 | | |
| Job training hours | | Hour/Person | 24.8 | 21.8 | 36.9 | | |
| Percentage of female employees | | % | 27.4 | 27.8 | 28.0 | | |
| Employee turnover rate | | % | 6.2 | 5.2 | 6.8 | | |
| Average length of service | | Year | 11.9 | 11.1 | 11.6 | | |
| CSR expenditures | | KRW billion | 1.2 | 1.3 | 1.4 | | |
| Water consumption ¹⁾ | | Ton | 150,339 | 141,852 | 157,998 | | |
| GHG emissions ²⁾ | | tCO ₂ eq | 10,893 | 11,109 | 14,082 | | |
| GHG emissions (Scope 1) ²⁾ | | tCO ₂ eq | 2,952 | 2,767 | 5,448 | | |
| GHG emissions (Scope 2) ²⁾ | | tCO ₂ eq | 7,941 | 8,342 | 8,633 | | |
| Creation and Distribution of Economic Value | | Creation of economic value | Sales | KRW billion | 567.2 | 612.2 | 586.6 |
| | | Shareholders & investors | Dividend | KRW billion | 8.4 | 8.4 | 8.4 |
| | | | Interest expense | KRW billion | 6.9 | 7.6 | 5.2 |
| | Total | | KRW billion | 15.3 | 16.0 | 13.6 | |
| | Employees | Salaries | KRW billion | 102.5 | 110.5 | 110.4 | |
| | | Employee benefits | KRW billion | 13.6 | 15.9 | 16.0 | |
| | | Total | KRW billion | 116.1 | 126.4 | 126.4 | |
| | Suppliers | Raw material expenses ³⁾ | KRW billion | 221.3 | 258.5 | 225.5 | |
| | | Outsourcing expenses | KRW billion | 31.0 | 23.6 | 23.2 | |
| | | Total | KRW billion | 252.3 | 282.1 | 248.6 | |
| | | Internal tax ³⁾ | KRW billion | 3.5 | 9.1 | 9.2 | |
| | Government & local communities | Local tax ³⁾ | KRW billion | 2.9 | 3.4 | 3.7 | |
| | | CSR expenditures | KRW billion | 1.2 | 1.3 | 1.4 | |
| Total | | KRW billion | 7.5 | 13.8 | 14.3 | | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.
¹⁾ Revised figures for 2018 and 2019 due to an adjustment to the ratio against monthly usage amount (meterage)
²⁾ Revised figures for 2018 and 2019 due to the separation of inventory energy consumption data basis
³⁾ Revised figures for 2018 and 2019 due to change in calculation standards and method

Dong-A Pharmaceutical



Company Overview

Dong-A Pharmaceutical began its business in 1932 based on the founding spirit of "Contributing to citizens' health by creating good medicine", and has been supporting citizens' healthy lives. It is now preparing to make greater leap forward to become a truly global healthcare company. To realize the vision, the company is focusing on practicing consumer-centered management and strengthening product quality, while making utmost efforts to fulfill corporate social responsibilities. In particular, to repay consumers for the support they provided by choosing Dong-A Pharmaceutical for many years, it is concentrating its capabilities on developing excellent products that help people prevent disease and protect their health in daily lives, thereby developing into a healthcare company.

Major Products and Services

Dong-A Pharmaceutical provides total healthcare solutions in the health and beauty sectors, and its main businesses consist of Bacchus, pharmacy-based healthcare, general distribution-based consumer healthcare, and derma. Bacchus is Dong-A Pharmaceutical's flagship product and the nation's No. 1 fatigue recovery drink that has been a consumer favorite since its launch in 1963. It consists of the Bacchus-D, which is sold through pharmacies, and Bacchus-F and Bacchus-Jelly, which are sold through general distribution channels. Thanks to steady brand revitalization and continuous communication with the young generation, Bacchus has become one of the most beloved brands in Korea for all age groups.

The healthcare business includes drugs and quasi-drugs that can be purchased at pharmacies without a prescription as well as medical devices. It is contributing to improving the quality of life of consumers by continually developing and supplying new products that are tailored to consumer needs, such as Noscarna, a scar treatment, and Champ, a fever reducer for children, in addition to such key products as Panpyrin, which has the highest share of the cold medicine market in Korea, and Benachio, which has the second highest share of the liquid dyspepsia treatment market.



In the consumer healthcare business, the company provides customized health functional foods, oral care, feminine care, anti-pollution, and hangover relief products so that consumers can maintain a healthy lifestyle. It is taking a step closer to consumers by developing high-quality consumer healthcare products that reflect consumers' way of living by lifecycle stage, illness, and target. In 2019, the company launched "FATION", an active derma brand, based on the R&D capabilities that it has accumulated over a long period, and thus advanced into the derma business. Targeting customers aged 27 to 33, it provides skin scar care, deep moisture, and men's homme products, and by creating synergy with the healthcare and consumer healthcare businesses, Dong-A Pharmaceutical aims to develop into the "Global No. 1 health & beauty pharmaceutical company".

Dong-A Pharmaceutical's important asset and major competitiveness is the strong brand power of its flagship products, including Bacchus, Tempo, Panpyrin, Morning Care, and Noscarna. With a focus on such "first mover" products, the company is carrying out diverse consumer communication activities, thereby fully establishing itself as a market leader in consumer contact distribution as well as in the minds of consumers. In addition, Dong-A Pharmaceutical is expanding its young customer base, including the millennial generation, through the development of various best-selling products, continuous release of new products, and brand revitalization.

After a series of incidents related to pharmaceutical safety, including Valsartan, Ranitidine, and Invossa incidents, regulations and reviews on the pharmaceutical industry are strengthening. In addition, competition of over-the-counter (OTC) generics is becoming fiercer. However, Dong-A Pharmaceutical has coverage over around 20 thousand pharmacies across the nation, and has gained trust from consumers and distributors toward the company itself and its products' efficacies and effects. Using these strengths, Dong-A Pharmaceutical will discover consumers' pain points, based on which it will launch a wide array of customized new products for different efficacies and use this as an opportunity for growth.

Major Products

Bacchus-D, Bacchus-F

Fatigue recovery, tonic
Contains 2,000/1,000 mg of taurine
Market share of 74%, Largest share in the tonic market¹⁾



Panpyrin

Ease various cold symptoms (runny nose, stuffy nose, sneezing, sore throat, cough, phlegm, chill, fever, headache, arthralgia, muscle pain)

Market share of 29%, Largest share in the cold medicine market¹⁾



Noscarna

Treatment after treating scar tissue (keloids/hypertrophic scars, acne scars, surgery scars)

Market share of 76%, Largest share in the scar treatment market¹⁾



Benachio

Carbonic acid-free dyspepsia treatment made of ingredients that take consideration of recent eating habits

Market share of 16%, Second largest share in the liquid digestive medication market¹⁾



Garglin

Leading mouthwash brand

Transparent container, coloring-free/low-alcohol mouthwash

Garglin kids received the Health Mark
Market share of 48.2%, Largest share in the mouthwash market²⁾



Tempo

100% pure organic cotton tampon that received OEKO-TEX Grade 1 Certification
Increased absorption speed by 33% by applying a safety hole (Patent No. 10-1760825)

Market share of 65.1%, Largest share in the tampon market²⁾



Jordan

No. 1 toothbrush brand in Northern Europe
The best-selling toothbrush for kinds among products sold at Coupang³⁾



Key Achievements in 2020

Financial Achievement

In 2020, Dong-A Pharmaceutical recorded sales of KRW 414.8 billion, a year-on-year growth of 3.6%, thanks to increased sales of key products, including Panpyrin and Noscarna. Operating profit went down 5.1% over the previous year to post KRW 50.1 billion, mainly attributable to a rise in the cost of goods sold ratio and cost income ratio, an outcome of increased personnel expenses from adopting the 52-work hour system and expanding new businesses.

Non-Financial Achievement

Dong-A Pharmaceutical created the “Social Value Committee”, a consultative body for sustainable management, in April 2020. The Committee establishes strategies and makes decisions in the area of ESG, and carries out systematic management and supervision of the execution status. With the Social Value Committee performing a leading role, the company is striving to fully implement ESG management and focusing on social value creation with the aim of achieving sustainable growth.

By continually managing and improving environmental issues that may arise in the process of business activities, Dong-A Pharmaceutical makes utmost efforts to minimize environmental pollution and respond to climate change. In particular, the company is focusing on developing eco-friendly products and making voluntary efforts to take responsibility for the entire process ranging from production to disuse. In 2020, it produced the container of “MiNiMAX Jungle”, a health functional food for children, using recycled pulp and Earth Pack⁴⁾, which is garnering attention as a sustainable packaging material, thereby reducing carbon footprint. In addition, since colored containers have a high possibility of being buried or incinerated, rather than being recycled, the company replaced all containers of its mouthwash product “Garglin” with colorless, transparent material. It also uses an adhesive label that can be easily detached with water to make recycling easier. Starting in July 2020, the company has been replacing Bacchus plastic bags that had been supplied to pharmacies for the last 29 years with kraft paper bags that use recycled paper as part of its active efforts for eco-friendliness.

At the center of Dong-A Pharmaceutical's management activities is people. Internally, the company strives to guarantee employee rights, such as prohibiting discrimination in the work place, handling grievances, and strengthening business site safety management. Externally, it is making all corporate activities consumer-centric, making continuous efforts to improve its management activities. This consumer-centered management is receiving recognition, and as a result, in 2011 Dong-A Pharmaceutical first received the Consumer Centered Management (CCM) Certification certified by Fair Trade Commission and evaluated by Korea Consumer Agency. Since then, the company has passed all of the re-evaluations that are carried out every two years, leading to the achievement of receiving CCM Certification for the sixth consecutive time in December 2020.

In 2020, to support medical workers who were worn out by the spread of COVID-19, Dong-A Pharmaceutical donated 10 thousand bottles of Bacchus in March to Daegu Metropolitan City's Disaster and Safety Countermeasures Headquarters and Gyeongsangbuk-do Office through the Daegu Pharmaceutical Association and Gyeongbuk Pharmaceutical Association. The company also carried out a wide array of social contribution activities for the local community despite restraints on face-to-face activities due to COVID-19, including a campaign on providing sanitary pads to female teenagers from low-income families and sponsorship for “MERRY”, a culture and the arts volunteer group, to diffuse the value of culture and the arts.

Based on a transparent decision-making process, Dong-A Pharmaceutical obtained the ISO 37001 anti-bribery management system certification in June 2019. In 2020, the company set the Dong-A Pharmaceutical Compliance Committee (DACC) based on ISO 37001 certification, and identified and evaluated bribery risk factors that may arise in each department. As such, Dong-A Pharmaceutical made corporate-wide efforts to execute and improve the anti-bribery management system, while practicing ethical management and strengthening its compliance program.

CERTIFICATION

Obtained the CCM Certification for six consecutive times (Dec. 18, 2020)

Dalseong Plant certified as meeting drug manufacturing and quality control standards (Aug. 12, 2019)

Icheon Plant certified as meeting drug manufacturing and quality control standards (Aug. 6, 2019)

Cheonan Plant certified as meeting drug manufacturing and quality control standards (Jul. 24, 2019)

Obtained ISO 37001 (Jun. 11, 2019)

Cheonan Plant certified as meeting pharmaceutical equipment manufacturing and quality control standards (Apr. 10, 2019)

Certified as a business that applies Hazard Analysis and Critical Control Points (HACCP) (Dec. 20, 2016)

* Health functional foods, mixed beverages

KEY AWARD IN 2020

Chosen as the best pharmaceutical company to work for among college students (Oct. 26)

Outlook & Plan

Market Outlook

In the early days of COVID-19, sales of household medicine increased due to concerns over secondary infection during hospital visits and purchase of products to treat similar symptoms or to prevent illnesses. A prolonged COVID-19 pandemic, however, led to social distancing and strengthened hygiene management, thereby reducing cases of other infectious diseases. As a result, the Korean OTC market, which had been recording steady growth, experienced a slight downswing in 2020. Low growth is forecast to continue in 2021, mainly attributable to difficult business environment of pharmacy channels, such as a reduction in the floating population. In addition, government regulations on pharmaceuticals in relation to product releases will likely expand, including strengthened criteria on submitting drug registration approval materials and the overseas manufacturer registration system.

In the consumer healthcare market, the “self-medication” trend is gaining attention which means that people are taking care of their own health against the backdrop of a sharp increase in people's interest in health due to the spread of COVID-19. Accordingly, the health functional food market significantly grew by 8.7% year-on-year in 2020, with probiotics and individually-approved products leading growth. Interest in health functional foods in daily life will continue, including immunity, due to the prolonged COVID-19 pandemic, and this is why high growth is forecast for 2021 as well.

In 2020, the cosmetics market experienced sharp market stagnation as a result of a rapid decrease in major channel sales, including duty free shops, due to COVID-19 and a reduction in major export country sales, including China. However, the rate of transition to online purchasing is on the rise and there is greater interest in derma. As such, a rebound is expected in 2021 based on recovery of domestic demand with COVID-19 vaccinations and increase in exports from recovery of China's real economy.

Future Plan

Dong-A Pharmaceutical has established a mid- to long-term plan that centers around the five businesses of Bacchus, pharmacy, consumer healthcare, silver, and derma throughout the next five years. In implementing the mid- to long-term plan that consists of the first step of securing competitiveness and the second step of preoccupying a competitive edge and advancing forward, the company will put all its capabilities on achieving its goals within the target period, based on detailed, quantitative targets and a firm direction.

¹⁾ Based on 2020 IQVIA

²⁾ Based on 2020 Nielsen data

³⁾ As of 2020

⁴⁾ Non-timber paper that is made of sugar cane that is generated in the sugar production process

STRATEGY BY BUSINESS

- **Bacchus** Aim for stable growth of Bacchus-D; diversify the stock keeping unit (SKU)¹⁾ of distribution channels, including Bacchus-Jelly; and expand agencies and special sales channels
- **Pharmacy** Select seven major items for focused development, including such major brands as Noscarna and Benachio; and make continuous efforts to manage and foster newly launched products
- **Consumer healthcare** Renew and/or launch health functional food brands; and establish a B2C infrastructure

- **Silver** Adopt in-house brand adult diaper; and expand direct transactions
- **Derma** Expand SKU through new line launch; and strengthen sales activities, including increasing the number of stores where the products are sold

¹⁾ A number assigned to a product for the purpose of inventory management and ease of record-keeping

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | | |
|---|--------------------------------|----------------------------|-------------|-------------|---------|-------|-------|
| Financial Performance | Total assets | KRW billion | 200.4 | 255.0 | 271.9 | | |
| | Total liabilities | KRW billion | 80.4 | 130.6 | 139.4 | | |
| | Total shareholders' equity | KRW billion | 120.0 | 124.3 | 132.5 | | |
| | Sales | KRW billion | 381.2 | 400.4 | 414.8 | | |
| | Operating profit | KRW billion | 52.6 | 52.8 | 50.1 | | |
| | Operating profit margin | % | 13.8 | 13.2 | 12.1 | | |
| | Non-financial Performance | No. of employees | Person | 793 | 866 | 926 | |
| Employee participation rate in anti-corruption training | | % | 92.6 | 92.8 | 91.4 | | |
| Violation of laws | | Case | 1 | 0 | 0 | | |
| Safety training hours | | Hour/Person | 16.3 | 16.2 | 14.7 | | |
| Industrial accident | | Case | 0 | 0 | 0 | | |
| Percentage of female employees | | % | 18.3 | 20.0 | 21.3 | | |
| Employee turnover rate | | % | 4.4 | 4.6 | 5.6 | | |
| Average length of service | | Year | 11.6 | 11.2 | 11.0 | | |
| CSR expenditures | | KRW billion | 2.3 | 2.2 | 0.9 | | |
| Water consumption ¹⁾ | | Ton | 354,411 | 385,736 | 343,880 | | |
| GHG emissions ²⁾ | | tCO ₂ eq | 7,842 | 8,605 | 10,378 | | |
| GHG emissions (Scope 1) ²⁾ | | tCO ₂ eq | 1,888 | 2,110 | 3,798 | | |
| GHG emissions (Scope 2) ²⁾ | | tCO ₂ eq | 5,954 | 6,495 | 6,580 | | |
| Creation and Distribution of Economic Value | | Creation of economic value | Sales | KRW billion | 381.2 | 400.4 | 414.8 |
| | | | Dividend | KRW billion | 34.8 | 33.0 | 33.0 |
| | Shareholders & investors | Interest expense | KRW billion | 0.7 | 1.1 | 1.1 | |
| | | Total | KRW billion | 35.5 | 34.1 | 34.1 | |
| | Employees | Salaries | KRW billion | 58.6 | 65.8 | 65.9 | |
| | | Employee benefits | KRW billion | 8.4 | 9.3 | 9.4 | |
| | | Total | KRW billion | 67.0 | 75.1 | 75.3 | |
| | Suppliers ³⁾ | Raw material expenses | KRW billion | 133.0 | 157.5 | 152.0 | |
| | | Outsourcing expenses | KRW billion | 25.0 | 24.3 | 26.8 | |
| | | Total | KRW billion | 158.0 | 181.8 | 178.7 | |
| | Government & local communities | Internal tax ³⁾ | KRW billion | 7.1 | 7.0 | 6.3 | |
| | | Local tax | KRW billion | 0.7 | 1.0 | 0.5 | |
| | | CSR expenditures | KRW billion | 2.3 | 2.2 | 0.9 | |
| Total | | KRW billion | 10.1 | 10.2 | 7.7 | | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for 2018 and 2019 due to an adjustment to the ratio against monthly usage amount (meterage)

²⁾ Revised figures for 2018 and 2019 due to the separation of inventory energy consumption data basis

³⁾ Revised figures for 2018 and 2019 due to change in calculation standards and method

ST Pharm



Company Overview

Established in 2008, ST Pharm became a member of Dong-A Socio Group in 2010. Based on its experience and skills in small molecule new drug contract development and manufacturing organization (CDMO), it expanded its business area into CDMO of oligonucleotide-based therapy, which is a new treatment area. In 2018, ST Pharm completed construction of a new oligonucleotide-based therapy-dedicated plant at Banwol Plant, thus developing the world's third-ranking oligonucleotide production capacity. In August 2020, the company announced its plan to expand oligonucleotide active pharmaceutical ingredient (API)¹⁾ manufacturing capacity by twice. This expansion was a preemptive response to meet the growing global demands for commercialized oligonucleotides that treat chronic diseases. The company then announced its second expansion in manufacturing capacity that was based on the facility investment support from a Europe-based global pharmaceutical company in October 2020. Once the two expansions are completed in 2022, it will allow ST Pharm to become the world's largest oligonucleotide CDMO. Also, ST Pharm developed a distinctive competitiveness by acquiring two Europe-based contract research organizations in 2019 and this allows ST Pharm to provide one-stop service of new drug development process.

ST Pharm's growth and innovation continued. In November 2020, ST Pharm announced to launch mRNA manufacturing business for mRNA vaccines and therapeutics, which was prepared for long time. Currently, ST Pharm is the only mRNA CDMO in Korea who can produce its own proprietary 5'-capping that is a key technology required to stabilize an mRNA molecule. It completed a patent application in Korea in October 2020 and is making preparations for global patent application. The company is also preparing for an expansion for mass mRNA production, and is building an LNP platform that is a key technology for mass production. ST Pharm will continually pursue an improvement and innovation to achieve its vision in becoming the world's No.1 gene therapy CDMO in line with development and growth of RNA therapeutics.

Major Products & Services

ST Pharm is focusing its business on oligonucleotide, an oligonucleotide-based therapy APIs. ST Pharm is global top 3 in oligonucleotide production capacity and is expected to rank the world's first in 2022. The company is currently supplying APIs for more than 20 oligonucleotide-based therapy projects in clinical trials. Beginning with the approval of a hyperlipidemia treatment from FDA in 2021, ST Pharm expects a continual growth of its business by supplying APIs for Huntington's disease, blood cancer, hepatitis B, arteriosclerosis, and cardiovascular disease treatments, that are expected to be approved by FDA starting from 2022.

Received the Roche CDMO Award 2019

In June 2020, ST Pharm received "CDMO Award 2019" from Roche, a global pharmaceutical company in Switzerland. The Roche CDMO Award is given to a company that has achieved the best performance and partnership of the year amongst Roche's CDMO companies. ST Pharm became the world's first company to be awarded in the new oligonucleotide drug area and Asia's first in the new small molecule drug area. Also, ST Pharm has been honored with 'Global API Manufacturing Growth Excellence Leadership Award' from Frost & Sullivan in 2018. Once again, it assures ST Pharm's global competitiveness in the oligonucleotide-based therapeutic area.

Since 2016, ST Pharm has been partnered with Roche to provide APIs for their new oligonucleotide drug and it demonstrated its capability by providing services of analytical method development and verification, GMP process development, microorganism control technology support as well as manufacturing key APIs to be used for clinical trial phase III. In particular, ST Pharm became the world's first in the new oligonucleotide drug area and Asia's first in the new small molecule drug area to successfully complete Roche's process validation. In April 2019, ST Pharm was also successfully approved by Roche through their audits and EHS inspection. Currently, ST Pharm is supplying an API to Roche and under a discussion regarding the additional projects.

¹⁾ Ingredients used for manufacturing new drugs, generics, and other finished pharmaceutical products, also meaning that medicines in the stage right before processing and formulation for administration to people

Key Achievements in 2020

R&D Performance

ST Pharm implements a distinctive new drug development strategy, “Open Innovation Virtual R&D” and has eight first-in-class in-house new drug pipelines. To highlight, ST Pharm has two drug candidates in Phase I that are STP0404, an HIV-1 treatment drug, and STP1002, an anti-cancer drug, in France and US, respectively. STP0404 is an innovative new drug with a new mode of action which expected to be the world's first HIV-1 drug to be able to completely cure HIV01/AIDS. Its Phase I clinical trial results are expected in the second half of 2021. STP1002 is the world's first oral colorectal cancer treatment drug and its indication is being expanded to non-small cell lung cancer and liver cancer. Interim results of Phase I clinical trial are expected in the second half of 2021.

In 2020, ST Pharm invested KRW 13.2 billion in R&D for a global Phase I clinical trial on two in-house developed new drugs and other projects, and its R&D expenses to sales is 10.6%.

Financial Performance

In 2020, ST Pharm's consolidated sales reached KRW 124.1 billion that is KRW 30.9 billion (33.2 %) higher than previous year. A rise in sales of new oligonucleotide drug was the main contribution. In 2019, the sales of APIs for oligonucleotide therapeutics and drugs were KRW 25.3 billion and it has increased to KRW 45.2 billion in 2020, which is a year-on-year increase of 78.8%. The company also recorded the sales of KRW 15.4 billion in small molecule drugs, KRW 47.7 billion in generics and KRW 15.8 billion in CRO and other business areas, achieving a performance growth in all business areas. Consolidated operating loss declined 29.5% to KRW 18.8 billion, reflecting a significant reduction in deficit size. This is mainly due to profitability improvements from a rise in sales of high-margin new oligonucleotide drug APIs. A cumulative amount of orders received in relation to new oligonucleotide drugs stood at KRW 233.5 billion as of the end of 2020, and the order balance was KRW 182 billion. Sales of new oligonucleotide drug APIs are expected to continue rapid growth in 2021. In addition, a restoration of CRO subsidiary was completed in the last fourth quarter and a long-term business suspension from COVID-19 came to an end. This allowed ST Pharm to successfully turn into an operating profit, giving the green light to achieving profitable growth in 2021.

Non-Financial Performance

APIs require a special product transaction process due to their permission system, maintenance of quality uniformity, and safety verification. It is also crucial to obtain an excellent quality API with high reliability as this is directly connected to competitiveness of finished products.

ST Pharm has been developing a global standard GMP facility and capabilities in order to manufacture and supply high quality APIs. To do so, ST Pharm has heavily invested in building new depository as well as expanding and rebuilding manufacturing facilities and analytical laboratories. In 2012, the company became the first in the domestic industry to adopt an empower system that can

guarantee the credibility of lab analysis results, thus establishing the nation's top-level GMP¹⁾ system. As a result of continued quality management, ST Pharm received a quality certification grade of A1 Grade, which is the highest grade, from the Therapeutic Goods Administration (TGA) of Australia in 2014. Subsequently, it received cGMP qualification certification from the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan in 2015, the US FDA in 2015, the Health Products Regulatory Authority (HPRA) of Ireland in 2016, and the US FDA in 2018.

ST Pharm strives to grow together with the local community by steadily hiring local talent and person with disability. In particular, it is hiring and sponsoring disabled athletes near its business site in the form of direct employment to help them to overcome financial difficulties. This is a measure for everyone's win-win, considering the situation where it is difficult for ST Pharm, as a pharmaceutical company that handles chemicals, to hire physically disabled persons as field employees due to safety issues. ST Pharm plans to increase hiring the talented and people with disabilities locally to contribute to the economic and social development of the local community.

Outlook & Plan

Market Outlook

The global CDMO business is rapidly growing owing to recent restructurings of global pharmaceutical companies and a sharp rise in biotech ventures. It is forecast to record a growth of 15.3% in the next five years until 2025. In particular, oligonucleotide and mRNA are spotlighted as next-generation treatments and this is the reason for a continued rise in demand for CDMO of gene therapies.

Especially, the oligonucleotide market is expected to require a large-scale commercialization scale production as its indications are expanded to such chronic diseases as hyperlipidemia and hepatitis B treatments. Accordingly, world-leading companies in the CDMO market are continually moving forward with both facility and service expansions to offer one-stop services. Also with mRNA, the mRNA therapeutic market size is also expected to rapidly increase due to its emphasis for an expedition in developments, which takes less than a year and that is much shorter than the time required for developing protein based vaccines. Against this backdrop, global pharmaceutical companies are actively developing mRNA-based COVID-19 vaccines. Therefore, the market size is expected to grow further. An increase in number of supply contracts are being signed with global CMO companies, in the area of oligonucleotides, that is a preemptive response to COVID-19.

Future Plan

CDMO global top-tier ST Pharm will grow into the world's No. 1 of an oligonucleotide CDMO and the world's top 5 of an mRNA CDMO by acquiring multiple production lines that enable large commercial scale production in response to a global oligonucleotide API shortage and by successfully completing pre-approval inspection from PAI.

Cash cow new business model ST Pharm will strengthen key capabilities of new drug CDMO, including QbD²⁾ and Chemistry, Manufacture and Controls (CMC), and offer one-stop CDMO-CRO services through AnaPath, its CRO subsidiary. Moreover, ST Pharm expects to maximize a synergistic effect in business by conducting CDMO services for licensed-out new in-house developed drugs to supply APIs for both clinical trials and commercialization.

Small material CDMO paradigm shift By combining eco-friendly and highly-efficient new technologies, ST Pharm will secure manufacturing facilities of monomer and non-raw start materials (non-RSM), which are intermediates of oligonucleotide. It will also achieve a paradigm shift in the start material (SM) CDMO business through strategic investments and M&A with new drug development companies.

¹⁾ Standards for outstanding manufacturing management

²⁾ Quality by Design: Design-based quality improvement

Sustainable Management Performance

| | | Classification | Unit | 2018 | 2019 | 2020 | |
|---|--------------------------------|---------------------------------|-------------------------------------|-------------|---------|---------|-------|
| Financial Performance ¹⁾ | | Total assets | KRW billion | 345.6 | 335.6 | 444.9 | |
| | | Total liabilities | KRW billion | 13.9 | 32.3 | 143.9 | |
| | | Total shareholders' equity | KRW billion | 331.6 | 303.4 | 300.9 | |
| | | Sales | KRW billion | 97.3 | 93.0 | 109.0 | |
| | | Operating profit (loss) | KRW billion | (15.1) | (26.0) | (13.1) | |
| | | Operating profit (loss) margin | % | (15.6) | (28.0) | (12.0) | |
| Non-financial Performance | | No. of employees | Person | 437 | 469 | 505 | |
| | | Violation of laws | Case | 0 | 0 | 0 | |
| | | Safety training hours | Hour/Person | 38.5 | 24.5 | 24.1 | |
| | | Industrial accident | Case | 2 | 1 | 1 | |
| | | Job training hours | Hour/Person | 16.3 | 14.6 | 16.4 | |
| | | Percentage of female employees | % | 21.3 | 23.9 | 23.4 | |
| | | Employee turnover rate | % | 15.0 | 10.5 | 10.9 | |
| | | Average length of service | Year | 5.9 | 6.4 | 6.6 | |
| | | CSR expenditures | KRW billion | 0.01 | 0.01 | 0.02 | |
| | | Percentage of local talent | % | 9.8 | 18.0 | 10.3 | |
| | | Water consumption ²⁾ | Ton | 133,458 | 125,881 | 123,221 | |
| | | Recycling rate of waste | % | 31.7 | 32.8 | 49.2 | |
| | | GHG emissions | tCO ₂ eq | 17,264 | 17,803 | 18,365 | |
| Creation and Distribution of Economic Value | | GHG emissions (Scope 1) | tCO ₂ eq | 181 | 184 | 503 | |
| | | GHG emissions (Scope 2) | tCO ₂ eq | 17,083 | 17,619 | 17,862 | |
| | | Creation of economic value | Sales | KRW billion | 97.3 | 93.0 | 109.0 |
| | | | Dividend | KRW billion | 9.3 | 0 | 0 |
| | | Shareholders & investors | Interest expense | KRW billion | 0 | 0.1 | 0.4 |
| | | | Total | KRW billion | 9.3 | 0.1 | 0.4 |
| | | | Salaries | KRW billion | 28.0 | 29.4 | 28.8 |
| | | Employees | Employee benefits | KRW billion | 2.1 | 2.1 | 2.6 |
| | | | Total | KRW billion | 30.1 | 31.5 | 31.4 |
| | | | Raw material expenses ³⁾ | KRW billion | 25.3 | 31.8 | 50.3 |
| | | Suppliers | Outsourcing expenses | KRW billion | 0.9 | 1.4 | 1.5 |
| | | | Total | KRW billion | 26.1 | 33.2 | 51.8 |
| | | | Internal tax | KRW billion | 7.4 | 1.8 | 1.6 |
| | Government & local communities | Local tax | KRW billion | 1.6 | 0.5 | 0.4 | |
| | | CSR expenditures | KRW billion | 0.01 | 0.01 | 0.02 | |
| | | Total | KRW billion | 9.1 | 2.3 | 2.0 | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for 2018 and 2019 to disclose data based on separate financial statements

²⁾ Excluding water consumption at the Seoul Office

³⁾ Raw material expense in 2020 is the sum of expenses for raw materials and products



Company Overview

DM Bio's major business is the contract manufacturing organization (CMO) service that aims to satisfy increasing global demand in the outsourcing of biopharmaceutical manufacturing. It offers CMO services across the entire scope, ranging from pre-clinical study to clinical trial and commercial production of antibody and recombinant protein drugs, and supplies high-quality pharmaceuticals to the global biopharmaceutical market through production facilities that satisfy strict global GMP standards.

Major Products & Services

DM Bio is conducting a joint development project, with Dong-A Socio Holdings and Meiji Seika Pharma, of DMB-3115 (Ustekinumab biosimilar), a psoriasis treatment. In line with the development timeline of global clinical III trial, it has completed the production and an inspection from Europe, and is continuously collaborating for the goal of receiving a regulatory approval in advanced countries and local sales. DM Bio is also the CMO of the API and finished pharmaceutical product of DA-3880 (Darbepoetin-a biosimilar), which stimulates erythropoiesis, that Dong-A ST licensed-out to Japan's SKK in 2019. It successfully completed a GMP suitability inspection by the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan, and the relevant products are currently being sold in Japan.

Key Achievements in 2020

Financial Performance

In 2020, DM Bio's sales significantly grew by 148% year-on-year to record KRW 15.9 billion, backed by expansion of the global biosimilar market.

Non-Financial Performance

DM Bio pursues open recruitment that does not adopt any conditions for employment criteria, except job capabilities.

In addition, the company has a policy in place that offers job opportunities for local youths and women, and this is why around 64% of total employees of DM Bio are residents of Incheon, where the company is located, and the percentage of female employees is 34%. It provides tuition and medical expenses support through its Employee Welfare Fund, and has expanded the scope of work group insurance coverage to include employee spouses. DM Bio also offers a wide variety of welfare benefits, such as providing a dormitory or company housing subsidy, to new employees who have no ties in Incheon, and guarantees balance between work and personal life of its employees.

In recognition of these efforts for creating quality job and hiring young talent, as well as diverse policies aimed at employment security, DM Bio received the Prime Minister's commendation in the group category at the "2020 Government Award for Job Creation" in December 2020. In addition, it was certified as an outstanding company in the field of wage, work-personal life balance, and employment security, by hiring young talent, stabilizing youth employment, and providing support for establishing a foundation for financial independence, and was chosen as a youth-friendly small giant in 2021.

In May 2014, DM Bio completed the construction of a biopharmaceutical plant that was designed and built according to global GMP regulations, thus establishing production facilities that can produce and supply top-quality biopharmaceuticals. In addition, it built a cGMP-based quality and manufacturing management system through continued investments, through which it has successfully completed many European Qualified Person (QP) inspections for global clinical trials of contract manufactured items, while also continuing the collaboration for the global commercialization of the products.

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | |
|---|--------------------------------|-------------------------------------|-------------|---------|---------|------|
| Financial Performance | Total assets | KRW billion | 154.5 | 135.6 | 147.5 | |
| | Total liabilities | KRW billion | 27.7 | 43.8 | 54.3 | |
| | Total shareholders' equity | KRW billion | 126.8 | 91.8 | 93.2 | |
| | Sales | KRW billion | 8.4 | 6.4 | 15.9 | |
| | Operating profit (loss) | KRW billion | (18.3) | (34.1) | (17.8) | |
| | Operating profit (loss) margin | % | (217.8) | (532.7) | (111.4) | |
| Non-financial Performance | No. of employees | Person | 136 | 186 | 212 | |
| | Violation of laws | Case | 0 | 0 | 0 | |
| | Safety training hours | Hour/Person | 12.0 | 13.0 | 18.8 | |
| | Industrial accident | Case | 0 | 1 | 0 | |
| | Job training hours | Hour/Person | 17.5 | 5.8 | 9.1 | |
| | Percentage of female employees | % | 32.4 | 28.0 | 33.5 | |
| | Employee turnover rate | % | 14.7 | 9.5 | 7.5 | |
| | Average length of service | Year | 5.0 | 4.8 | 4.5 | |
| | Percentage of local talent | % | 64.3 | 51.2 | 15.6 | |
| | Water consumption | Ton | 32,729 | 32,068 | 42,706 | |
| | General waste discharge | Ton | 32 | 16 | 60 | |
| | Medical waste discharge | Ton | 20 | 11 | 10 | |
| Creation and Distribution of Economic Value | Creation of economic value | Sales | KRW billion | 8.4 | 6.4 | 15.9 |
| | Shareholders & investors | Interest expense | KRW billion | 0.5 | 1.2 | 1.1 |
| | | Salaries | KRW billion | 7.7 | 10.0 | 13.1 |
| | Employees | Employee benefits | KRW billion | 1.1 | 1.5 | 1.8 |
| | | Total | KRW billion | 8.8 | 11.5 | 15.0 |
| | | Raw material expenses ¹⁾ | KRW billion | 0.04 | 0.4 | 3.7 |
| | Suppliers | Outsourcing expenses | KRW billion | 2.9 | 6.7 | 3.1 |
| | | Total | KRW billion | 2.9 | 7.1 | 6.7 |
| | Government & local communities | Internal tax | KRW billion | 0.02 | 0.01 | 0.01 |
| | | Local tax | KRW billion | 0.2 | 0.3 | 0.2 |
| Total | | KRW billion | 0.2 | 0.3 | 0.2 | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figure for 2018 based on the balance sheet (production cost statement)

Outlook & Plan

Market Outlook

The pharmaceutical industry produces drugs for prevention, treatment, etc. of human disease. It requires high-cost R&D, professional personnel, high-quality plants, and long periods for successful commercialization. For this reason, small- to mid-sized pharmaceutical companies that lack production capacity, bio ventures, and large pharmaceutical companies that pursue management efficiency are increasing production outsourcing to cut down costs. CMO services range from small-scale sample production in relation to new drug R&D to clinical sample and large-scale commercial product production. As such, a CMO's manufacturing capability can be a good resource for increasing a product's price competitiveness and reducing the market entry time.

Future Plan

DM Bio aims to develop into a global biopharmaceutical CMO. To this end, it is focusing on new drug application approval in advanced markets, including the U.S. and Europe, based on which it will verify its cGMP-based outstanding quality and manufacturing management. In addition, by carrying out R&D and engaging in business that places the highest priority on patients' life and health, DM Bio will make utmost efforts to create trusted biopharmaceuticals of excellent quality.

CHAMMED



Company Overview

CHAMMED is a medical equipment manufacturer that develops, manufactures and sells workstations, examining chairs, imaging equipment and treatment equipment that are used in the ear-nose-throat (ENT) department and pediatrics. It has been continuing steady growth in the ENT workstation market in Korea for nearly 15 years since its establishment in 2005 based on its nationwide agency sales network and diverse product portfolio with excellent quality and design compared to competitors. Becoming a member of Dong-A Socio Group in December 2017, CHAMMED enjoys the highest share of the ENT medical equipment market in Korea, and has a high possibility of advancement into the global market. It is expected to expand into diverse medical equipment business areas and perform key roles in generating synergy with the pharmaceutical business, based on its steady sales growth, overseas branch, outstanding R&D capabilities, and other strengths.

Major Products & Services

CHAMMED produces and sells such products as ENT workstations, examining chairs, respiratory treatment equipment, and medical imaging equipment. Its key products include "CHAMMED", which is professional ENT medical equipment, and "CLARVION", which is medical imaging equipment. CHAMMED is a brand that has the same name as the company and is professional ENT treatment equipment. It has the characteristic of modularization that allows direct composition of a workstation in accordance with user convenience and usability, and comprises all ENT-related medical equipment, including workstations, examining chairs, and respiratory treatment equipment. CLARVION is diagnosis equipment that provides high-resolution (full HD) images. CHAMMED made the achievement of becoming the first in Korea to commercialize a full HD camera for medical use. This significantly contributed to improving the level of technologies in the domestic medical-purpose camera market and enhancing the quality of the medical diagnosis area.

The company has been developing 4K-grade ultra-high-definition (UHD) images based on technologies that it accumulated in the imaging equipment field. Aiming at clinical completion and launch in 2021, it is planning to advance into other areas, including surgery. While maintaining first place in sales in the domestic ENT market, CHAMMED also successfully entered the overseas market in 2007 and its exports account for around 50% of overall sales, expanding its presence in Russia, CIS, the Middle East, and Asia, in particular. The business environment is challenging due to stricter certification levels in different countries and the infectious disease, but increasing number of respiratory disease patients due to environmental issues and the hospital modernization trend in emerging countries can be opportunities over the long term.

MAJOR PRODUCTS

- **Workstation** Small, mid, large-size workstations
- **Patient chair** Hydraulic type, Electrical driven type
- **Imaging equipment** SD/HD/FHD/4K grade camera
- **Respirator and other equipment** Nebulizer, Irrigator, Infrared heat lamp, etc.

Key Achievements in 2020

Financial Performance

CHAMMED recorded sales of KRW 9.3 billion in 2020, a year-on-year decrease of 16.9%. This is mainly attributable to a reduction in product purchases by major export countries, including Indonesia, Russia, and Saudi Arabia, due to the COVID-19 pandemic and a decrease in ENT, internal medicine, and pediatrics patients in Korea.

Non-financial Performance

The Communaute Europeenne (CE) system changed from medical devices directive (MDD) to medical device regulation (MDR) in May 2021, making it difficult for medical equipment companies to obtain and maintain CE certification. CHAMMED preemptively identified relevant regulations and is establishing necessary measures.

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | | |
|--------------------------------|---|----------------------------|-----------------------|-------------|------|------|-----|
| Financial Performance | Total assets | KRW billion | 10.0 | 10.3 | 10.9 | | |
| | Total liabilities | KRW billion | 3.7 | 3.3 | 3.8 | | |
| | Total shareholders' equity | KRW billion | 6.3 | 7.0 | 7.0 | | |
| | Sales | KRW billion | 10.3 | 11.2 | 9.3 | | |
| | Operating profit | KRW billion | 0.3 | 0.8 | 0.2 | | |
| | Operating profit margin | % | 2.9 | 7.5 | 1.9 | | |
| Non-financial Performance | No. of employees | Person | 57 | 55 | 53 | | |
| | Violation of laws | Case | 0 | 0 | 0 | | |
| | Safety training hours | Hour/Person | 12.0 | 12.0 | 17.7 | | |
| | Industrial accident | Case | 0 | 0 | 0 | | |
| | Job training hours | Hour/Person | 0.0 | 16.0 | 9.3 | | |
| | Percentage of female employees | % | 23.1 | 22.7 | 20.8 | | |
| | Employee turnover rate | % | 20.0 | 20.0 | 20.8 | | |
| | Average length of service | Year | 3.2 | 2.4 | 4.3 | | |
| | R&D expenses to sales | % | 11.4 | 8.1 | 11.8 | | |
| | Water consumption | Ton | 103 | 78 | 242 | | |
| | Creation and Distribution of Economic Value | Creation of economic value | Sales | KRW billion | 10.3 | 11.2 | 9.3 |
| | | | Salaries | KRW billion | 2.3 | 2.5 | 2.4 |
| | | Employees | Employee benefits | KRW billion | 0.1 | 0.2 | 0.2 |
| Total | | | KRW billion | 2.5 | 2.7 | 2.5 | |
| Suppliers | | | Raw material expenses | KRW billion | 4.4 | 4.5 | 3.6 |
| | | Outsourcing expenses | KRW billion | 0.07 | 0.03 | 0.03 | |
| | | Total | KRW billion | 4.4 | 4.5 | 3.6 | |
| Government & local communities | | Internal tax ¹⁾ | KRW billion | 0.09 | 0.1 | 0.04 | |
| | | Local tax ¹⁾ | KRW billion | 0.03 | 0.02 | 0.02 | |
| | | Total | KRW billion | 0.1 | 0.1 | 0.07 | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for 2018 and 2019 due to change in calculation standards and method

In particular, the company focuses in making its 4K imaging equipment and QVION registered under the CE MDR certification system, while also striving to maintain the CE certification of XU5 and other existing products under the stricter MDR certification system, and to receive the MDR certification by 2024.

CERTIFICATION

Obtain maintain ISO 13485 certification, an international standard medical equipment quality management system, in 2005 and maintain it
Obtain MDD CE certification on April 15, 2009 and maintain

Outlook & Plan

Market Outlook

In 2020, hospital suppliers related to ENT and pediatrics that treat respiratory symptom patients faced an extremely serious crisis due to COVID-19 pandemic. The situation is expected to be similar in 2021 until herd immunity effects are realized through vaccines.

The situation is more serious in some countries that relatively lack the capability to respond to infectious disease compared to Korea, and market recovery is expected to be slower than in Korea.

Future Plan

Considering the unprecedented COVID-19 pandemic, CHAMMED will solidify the foundation for not only recovery but also rebound. In 2021, the company will complete the 4K camera system imaging equipment and release it in the market, while also focusing on expanding supply areas, identifying follow-up R&D projects, and continually developing quality competitiveness. In the mid- to long-term future, it will develop competitiveness to "Secure 1st tier competitiveness in ENT and successfully enter the endoscope market". To this end, the company will recruit key talent and foster project leaders in the area of R&D; develop evaluation indexes and strengthen prior management and partner company collaboration in the area of quality, and move forward with phased completion of the surgery imaging line and continue to adopt relevant products and businesses in the area of business.

Dong-A Otsuka



Company Overview

Launched in 1979 upon a spin-off from Dong-A Pharmaceutical's Food Department, Dong-A Otsuka completed construction of its second plant in Cheongju in 1980 and the third plant in Chilseo in 1996, thus fully establishing itself as a professional beverage and food company. While diversifying its products, Dong-A Otsuka has been actively responding to consumer demand as a way to develop the health-oriented functional beverage market. It is solidifying its foundation to become a global beverage company by enhancing the quality of food through continued R&D and accumulation of technologies.

In 2020, Dong-A Otsuka focused on establishing a positive brand image and making positive impact on society by enhancing the POCARI SWEAT brand value and developing content that enables consumers to share brand experiences. The company also carried out social contribution activities and campaigns for the environment, while also launching IKARIA, a premium coffee that satisfies consumer needs for coffee. In this way, the company strived to solidify the foundation for economically, socially, and environmentally sustainable growth.

Major Products & Services

Dong-A Otsuka is leading consumption patterns for the health-oriented functional beverage market. Good-quality products are created through outstanding production facilities and devotion of people who handle the facilities. Food is closely connected to health and must be produced under strict quality control. Dong-A Otsuka therefore conducts strict physico-chemical testing and microbial experiments, ranging from raw material selection to the manufacturing process and final production, thereby producing high-quality products that can be enjoyed without concern. The company's Anyang, Cheongju, and Chilseo plants are striving to actively respond to the sharply-changing corporate environment, and operate a local logistics system for smooth supply of products. The locally-based logistics systems are also contributing to development of local economies.

Key Achievements in 2020

Financial Performance

In 2020, Dong-A Otsuka recorded sales of KRW 268.9 billion, a year-on-year decrease of 6.8%, and operating loss of KRW 1.26 billion, mainly attributable to the prolonged COVID-19 pandemic and record-long monsoon.

SALES OF KEY PRODUCTS IN 2020



Non-financial Performance

Dong-A Otsuka implements sustainable management, aiming at the mission of Dong-A Socio Group, "Continuous challenge to pursue health and happiness for humanity" and the company's vision, "Company that takes the lead in functional beverages and foods based on distinctive products". In 2020, it ran the "2020 POCARI SWEAT BLUE LABEL Campaign" that protects life forms in the ocean to reduce impact on the environment. In addition, by installing an AR system at its plants, it collected and reused high-pressure air that is used at production facilities to reduce 570 thousand kW and 241 tons of electric power use and carbon emissions, respectively.

Dong-A Otsuka provided around 150 thousand gift items, including 143,300 bottles of Oronamin C, to deliver a message of encouragement and cheer to medical staff members and volunteers who protected citizens' lives from the COVID-19 crisis. It also supported fire stations, with a focus on those near business sites across the nation. In July 2020, Dong-A Otsuka signed a memorandum of understanding (MOU) on private-government cooperation in disaster relief with the Ministry of the Interior and Safety and Korean Red Cross, and agreed to provide cooperation to quickly provide relief personnel and supplies to disaster sites, and especially to build a cooperation system to provide relief to disaster victims caused by heat waves. Accordingly, the company is providing emergency relief goods worth an annual KRW 50 million and an in-house developed heat wave kit (consisting of sports drink, emergency ice pack, sanitary tissue, etc.) in the event of a disaster that is caused by heat wave, and carrying out disaster relief activities, such as supporting heat wave-related expert education, publicizing safety policies, providing a rest area away from the heat wave, and operating an employee volunteer group.

As social interest and demand for corporate ethics have been on the rise, Dong-A Otsuka adopted a compliance program (CP) in March 2014 and established a system and process for CP. The company provides CP training twice a year to all employees every year to enhance CP capabilities, and has adopted a standard operating procedure in relation to CP and changed its process for executing expenses. Going forward, the company will continue to improve its training and system, enabling a transparent and fair corporate culture to take root. In addition, monthly industrial safety training and prevention activities are conducted to enhance employees' safety mindset and establish safe worksites that are free from industrial accidents.

Dong-A Otsuka celebrates its 42nd anniversary in 2021. It will continue to uphold its corporate philosophy of contributing to citizens' health, and make endless efforts to provide healthy, good products, placing top priority on customers. To this end, the company will listen to the opinions of various stakeholders and communicate with them, while making strenuous efforts to become a company that all customers take pride in through family-friendly management and a company that fulfills its responsibilities towards the local community through socially responsible management.

CERTIFICATION

Certified as a family-friendly company (Dec. 1, 2019-Nov. 30, 2022)

KEY AWARD IN 2020

Received the Korean Red Cross' merit medal "Medal of Honor" (Nov. 27)
 Ranked No. 1 for the sixth straight year in the beverage category¹⁾ of the 2020 Korean Customer Satisfaction Index (KCSI) organized by Korea Management Association (Oct. 14)
 Received a government award and Prime Minister Award on the Labor Day in 2020 (May 28)

Outlook & Plan

Market Outlook

The beverage market is currently in a period of maturity, and there is a high level of loyalty towards a brand, but competition is intensifying because market entry is easy. The carbonated drink market is indicating steady growth, and cola and cider are especially leading growth. Amid increasing consumer interest in health, low-calorie and low-sugar-related products and such products as carbonated water are being continually released. The coffee beverage market expanded from the previous low-priced canned coffee to NB can²⁾-centered high-class coffee. The market is currently undergoing segmentation into coffee of diverse extraction methods, such as cold brew, in addition to diversification of containers, such as PET coffee.

The mineral water market is indicating the highest growth rate, and is leading growth of the overall beverage market. Consumption of mineral water products is significantly increasing due to the well-being trend, a rise in one-person households and dual-income households, drinking convenience, and distrust towards tap water. The market is expected to expand further as a result of recent facilitation of regular delivery through online channels.

To examine each distribution market, traditional wholesale and retail markets are sharply shrinking due to saturation of large discount stores and convenience (CVS) stores, and small supermarkets have especially been replaced by CVS stores. Against this backdrop, the online market is rapidly growing due to COVID-19, and is threatening large discount stores based on easy access and affordable prices. To secure competitiveness, large discount stores are increasing in-house developed private brands (PB).

¹⁾ Korea Management Association KCSI beverage category: Began a new survey by integrating sports and carbonated drinks and fruit juice categories in 2015. In the sports and carbonated drinks category that was held until 2011, Dong-A Otsuka was chosen as No. 1 for nine consecutive years.

²⁾ New Bottle: Beverage container that is opened by turning a cap, but is made of can material

Future Plan

Dong-A Otsuka will strengthen digital marketing in 2021 in order to grow into a company that takes the lead in functional beverages and foods based on distinctive products, thereby achieving VISION 2025. To this end, the company enhance corporate value through the "SWEAT Market" app that helps form healthy habits through daily exercising, E-sports expansion, strategic alliance for social media marketing, and sampling event through contactless channels. In addition, the company will expand activities aimed at creating shared value (CSV) in connection with kids marketing and ocean-friendly recycling campaign. In the mid- to long-term future, it will

develop Oronamin C, Demi Soda, Oran-C, Narangd, IKARIA, and Masinda as cash cow products. Continued efforts will be also made to improve the organization's fundamentals, such as production cost management, reorganization of the production shift system, and ERP development, while emphasizing the eco-friendly company image by using eco-friendly PET and launching functional products, based on which the company will increase its market share. Moreover, Dong-A Otsuka will increase production and logistics capabilities to sharpen its competitive edge and strengthen its overseas business by creating an export-dedicated organization, aimed at achieving VISION 2025.

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | |
|--------------------------------|---|------------------|-------------|---------|---------|-------|
| Financial Performance | Total assets | KRW billion | 255.5 | 257.3 | 251.7 | |
| | Total liabilities | KRW billion | 105.3 | 105.2 | 100.6 | |
| | Total shareholders' equity | KRW billion | 150.2 | 152.1 | 151.1 | |
| | Sales | KRW billion | 292.2 | 288.4 | 268.9 | |
| | Operating profit (loss) | KRW billion | 13.6 | 6.4 | (1.3) | |
| | Operating profit (loss) margin | % | 4.7 | 2.2 | (0.5) | |
| Non-financial Performance | No. of employees | Person | 1,050 | 1,043 | 938 | |
| | Employee participation rate in anti-corruption training | % | 99.7 | 99.2 | 92.5 | |
| | Violation of laws | Case | 0 | 0 | 0 | |
| | Safety training hours ¹⁾ | Hour/Person | 15.4 | 15.5 | 15.5 | |
| | Industrial accident | Case | 10 | 10 | 4 | |
| | Job training hours | Hour/Person | 65.7 | 62.5 | 73.3 | |
| | Percentage of female employees | % | 4.2 | 4.0 | 4.6 | |
| | Employee turnover rate | % | 11.3 | 9.9 | 7.9 | |
| | Average length of service | Year | 12.1 | 11.6 | 11.7 | |
| | CSR expenditures | KRW billion | 0.2 | 0.3 | 0.4 | |
| | Water consumption | Ton | 797,465 | 807,790 | 748,820 | |
| | Creation of economic value | Sales | KRW billion | 292.2 | 288.4 | 268.9 |
| | | Dividend | KRW billion | 2.6 | 1.3 | 0 |
| | Shareholders & investors | Interest expense | KRW billion | 0.9 | 1.1 | 0.8 |
| Total | | KRW billion | 3.5 | 2.4 | 0.8 | |
| Employees | Salaries | KRW billion | 59.8 | 60.4 | 57.3 | |
| | Employee benefits | KRW billion | 6.8 | 7.3 | 7.3 | |
| | Total | KRW billion | 66.6 | 67.7 | 64.6 | |
| Suppliers | Raw material expenses ¹⁾ | KRW billion | 139.6 | 137.3 | 127.7 | |
| | Outsourcing expenses | KRW billion | 7.9 | 8.6 | 8.4 | |
| | Total | KRW billion | 147.5 | 145.9 | 136.1 | |
| Government & local communities | Internal tax ¹⁾ | KRW billion | 2.7 | 1.4 | 0.4 | |
| | Local tax ¹⁾ | KRW billion | 2.1 | 1.8 | 1.4 | |
| | CSR expenditures ²⁾ | KRW billion | 0.2 | 0.3 | 0.4 | |
| | Total | KRW billion | 5.0 | 3.5 | 2.2 | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for 2018 and 2019 due to change in calculation standards and method

²⁾ Donations

Yongma Logis



Company Overview

Launched as Yongma Distribution in 1983 as a logistics subsidiary of Dong-A Pharmaceutical, Yongma Logis is a professional third party logistics (3PL) company that provides the best logistics services to customers based on its logistics operation know-how of 38 years and cutting-edge logistics infrastructure. Yongma Logis identifies customers' logistics status in detail and provides customized, professional logistics services based on a nationwide, directly-managed network and advanced logistics system.

Major Products & Services

Yongma Logis provides comprehensive logistics services that satisfy customer needs, ranging from warehouse management to transport, shipping, international logistics, and logistics diagnosis. In addition, it is generating new sales and expanding its business scope by advancing into the MRO¹⁾, quarantine, and military logistics business.

In January 2021, Yongma Logis built a "temperature-controlled delivery system"²⁾ that can deliver pharmaceuticals and vaccines in optimal quality. The company installed a temperature-controlled facility in vehicles that are in charge of the entire logistics process, ranging from receiving products from sellers to transporting them to its Anseong Hub Center; storing and sorting them; sending out to logistics centers across the nation; and delivering them to customers, including hospitals and pharmacies. It also became the industry's first to set up an airtight facility at the Anseong Hub Center that allows blocking out of outside air and storage and sorting of products in temperature-controlled conditions. In addition, all processes and equipment of temperature-controlled delivery are run based on a standardized quality control procedure, and the Quality Assurance Team manages and monitors temperatures in real time for the pharmaceutical and vaccine storage and shipping process through an automatic temperature control system. In particular, for temperature-controlled delivery of Yongma Logis, 1-30°C above zero conditions can be maintained only through a special vehicle that has a temperature-controlled facility installed. Its characteristic is that it has built a cold chain that enables pharmaceutical and vaccine shipping by maintaining 20-70°C below zero conditions in case of use of a special container.

Key Achievements in 2020

Financial Performance

Despite the COVID-19 pandemic and difficult internal and external conditions that continued for several years, Yongma Logis recorded sales of KRW 275.9 billion in 2020, a year-on-year increase of KRW 26.3 billion, and achieved an operating profit of KRW 13.1 billion. This is mainly attributable to receipt of orders from large shippers and improvement to the rate of cost to sales by increasing operational efficiency in its existing businesses of cosmetics and pharmaceuticals, while expanding the scope of sales by facilitating the MRO, quarantine service, and military logistics business, which are new businesses.

Non-financial Performance

Yongma Logis is pursuing green logistics to realize sustainable low-carbon green growth. It established a company-wide carbon emissions information system in 2009 and is managing total emissions, and is striving to reduce logistics costs and carbon emissions through efficient transport vehicle allocation.

Yongma Logis is making continued efforts for creating quality jobs, and in recognition of the efforts, it was chosen as the "Best Job Creator in Korea" in July 2020 and received a presidential plaque. In addition, it improved its grade to A+ in a delivery service evaluation conducted by the Ministry of Land, Infrastructure and Transport. Based on a great number of such awards and certifications that are related to logistics services, Yongma Logis has positioned itself as an advanced logistics company that offers the best services to customers.

¹⁾ Maintenance Repair and Operation: Purchase consumable materials by proxy

²⁾ Temperature-controlled delivery: System of transporting pharmaceuticals and vaccines while maintaining a certain temperature in accordance with the room temperature (1-30°C), ambient temperature (15-25°C), refrigerator (2-8°C), and cool (1-15°C) conditions stipulated in pharmaceutical storage conditions of the Product Specification in the "Pharmaceutical Manufacturing and Quality Management Regulations" of the Ministry of Food and Drug Safety

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | | |
|--|--------------------------------|-------------------------------------|------------------|-------------|--------|-------|-------|
| Financial Performance | Total assets | KRW billion | 140.8 | 199.5 | 214.5 | | |
| | Total liabilities | KRW billion | 44.9 | 98.4 | 105.9 | | |
| | Total shareholders' equity | KRW billion | 95.9 | 101.1 | 108.6 | | |
| | Sales | KRW billion | 212.0 | 249.6 | 275.9 | | |
| | Operating profit | KRW billion | 7.3 | 11.5 | 13.1 | | |
| | Operating profit margin | % | 3.4 | 4.6 | 4.7 | | |
| | Non-financial Performance | No. of employees | Person | 467 | 556 | 578 | |
| Employee participation rate in pledge to Jeong-Do management | | % | 100.0 | 100.0 | 100.0 | | |
| Violation of laws | | Case | 5 | 0 | 0 | | |
| Safety training hours | | Hour/Person | 26.1 | 25.9 | 24.1 | | |
| Industrial accident | | Case | 1 | 0 | 6 | | |
| Job training hours | | Hour/Person | 103.7 | 94.1 | 113.8 | | |
| Percentage of female employees ¹⁾ | | % | 7.7 | 13.8 | 13.1 | | |
| Employee turnover rate | | % | 16.7 | 9.2 | 19.2 | | |
| Average length of service ²⁾ | | Year | 10.4 | 8.0 | 8.0 | | |
| CSR expenditures | | KRW billion | 0.02 | 0.02 | 0.02 | | |
| Water consumption | | Ton | 5,226 | 6,795 | 8,637 | | |
| GHG emissions ³⁾ | | tCO ₂ eq | 24,788 | 27,452 | 26,369 | | |
| GHG emissions (Scope 1) ³⁾ | | tCO ₂ eq | 17,065 | 18,755 | 17,636 | | |
| GHG emissions (Scope 2) ³⁾ | | tCO ₂ eq | 7,723 | 8,697 | 8,733 | | |
| Creation and Distribution of Economic Value | | Creation of economic value | Sales | KRW billion | 212.0 | 249.6 | 275.9 |
| | | | Dividend | KRW billion | 1.7 | 2.5 | 2.5 |
| | | Shareholders & investors | Interest expense | KRW billion | 0.6 | 1.6 | 1.6 |
| | Total | | KRW billion | 2.3 | 4.1 | 4.0 | |
| | Employees | Salaries | KRW billion | 25.1 | 28.6 | 30.9 | |
| | | Employee benefits | KRW billion | 5.0 | 5.4 | 5.8 | |
| | | Total | KRW billion | 30.1 | 34.0 | 36.6 | |
| | Suppliers | Outsourcing expenses | KRW billion | 28.9 | 35.2 | 36.9 | |
| | | Storage and transportation expenses | KRW billion | 145.0 | 166.3 | 190.5 | |
| | | Total | KRW billion | 173.9 | 201.5 | 227.4 | |
| | Government & local communities | Internal tax | KRW billion | 5.4 | 5.6 | 6.3 | |
| | | Local tax | KRW billion | 1.0 | 1.2 | 1.3 | |
| | | CSR expenditures | KRW billion | 0.02 | 0.02 | 0.02 | |
| | | Total | KRW billion | 6.4 | 6.8 | 7.7 | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for 2018 and 2019 due to changes in No. of people

²⁾ Revised the figure for 2018 due to changes in No. of people

³⁾ Revised figures for 2018 and 2019 due to changes in data linked with the carbon management system (DAI)

In March 2020, Yongma Logis donated masks, mineral water, and other emergency relief goods, by using its delivery network, to major hospitals in the Daegu region, which was experiencing difficulties due to the spread of COVID-19. In August, the company delivered mineral water and beverages to console victims in four regions across the nation who suffered great losses due to localized heavy rain and to help with flood recovery. It donated KRW 10 million to help cover medical and heating expenses of the underprivileged in areas where its major logistics centers are located in December, and delivered KRW 6 million as the New Logistics Talent Scholarship Fund to Dongyang Mirae University to help foster outstanding talent in the logistics market. To help students develop their dreams and hopes, the company plans to provide scholarship funds in connection with distribution and marketing majors, and engage in collaboration for future employment. The donated funds were raised through the company's "Change Account of Love" where employees donate a certain amount every month for donations, scholarships, and other projects for the local community.

To practice transparent management, Yongma Logis operates the Cyber Audit Division that is connected with Dong-A Socio Holdings' Audit Team on its website, and receives reports on unfair work-handling, unreasonable demands and corruption using one's post, sexual harassment and conduct that causes disorder at the workplace, and other unethical conduct. The company strictly protects the confidentiality of the whistleblower's identity and the report content, and does not engage in any disadvantageous action against the whistleblower in this regard.

CERTIFICATION

Raised its grade to A+ in a delivery service evaluation conducted by the Ministry of Land, Infrastructure and Transport (Dec. 30, 2020): Grade A or higher for five consecutive years

Chosen as the Best Job Creator in Korea (Jul. 3, 2020)

Outlook & Plan

Market Outlook

The logistics industry is newly expanding as boundaries disappear and as it goes through connection and convergence. Expansions in diverse forms are taking place in the logistics industry, including expansion of the online/mobile market, entry into the delivery business by distribution companies, and the sharing economy. Accordingly, growth potential of the logistics market is expected to increase further. In 2021, the new normal era triggered by COVID-19 will earnestly continue, while several changes will likely take place, such as adoption of a smart logistics center certification system, strengthening of social regulations, including work environment improvements for delivery workers, sudden business fluctuations, accelerated transition to eco-friendly trucks with the expansion of the electric and hydrogen vehicle markets, and the importance of a pharmaceutical cold chain system, focusing on COVID-19 vaccines. This is expected to lead to greater logistics market volatility.

Future Plan

In 2021, Yongma Logis will thoroughly respond to the COVID-19 crisis and focus on business differentiation to achieve its goal for sales and operating profit. It will overcome the crisis situation by continually operating the COVID-19 Emergency Management Committee, which has been already in operation, and offer more advanced services through temperature-controlled delivery. By adopting full cold chain from a product's production site to its delivery to a consumer, it will establish a logistics operation process for vaccines and biopharmaceuticals, which require intricate delivery conditions. There have been increasing cases of deaths from overwork of delivery workers, resulting in social demand for work environment improvements and stronger management and supervision by relevant government agencies. The B2B delivery service, which is the business that Yongma Logis engages in, has lower labor intensity than the B2C delivery service, but the company will make greater efforts to improve conditions for delivery workers in diverse ways, including purchasing an occupational health and safety insurance policy and adjusting labor hours, and to protect their health and safety.

Going forward, Yongma Logis will strengthen the fundamentals of its existing businesses, develop new businesses, and practice sustainable management, thereby realizing its vision of a "Global supply chain management (SCM) leader in Health & Beauty (H&B) through specialized logistics services" by 2025. It will further develop its current transportation, delivery, storage, and forwarding business using its existing infrastructure, while expanding personnel and systems of its new businesses, which are MRO, quarantine service, and military logistics business. In addition, the company will build an anti-corruption management system and strengthen internal accounting management for sustainable management. Moreover, it will continue to expand its activities for collecting pharmaceutical waste, and take the lead in building a low-carbon infrastructure by adopting electric vehicles for freight.

Soo Seok



Company Overview

Throughout its history of 48 years since its founding in 1972, Soo Seok has been producing glass bottles for such products as Bacchus, Panpyrin, and Morning Care, and PET containers for such items as POCARI SWEAT and Masinda, and it solidified its foundation as a comprehensive packaging container company in 2018 by acquiring ColorPack, a corrugated cardboard box manufacturer. As of 2020, Soo Seok has the Anyang Plant that produces brown bottles for Bacchus, Panpyrin, Morning Care, and other products, and colorless bottles for Fibe-Mini and other products, as well as the Dangjin Plant that produces various PET, including NR/HR/PR-PET¹⁾, and various Cap, including STD/PEM Cap²⁾.

Major Products & Services

Soo Seok's business covers various areas, including glass bottles for Bacchus, Panpyrin, and other products, PET containers for POCARI SWEAT, Masinda, Oran-C, and other products, as well as corrugated cardboard box manufacturing. In response to the recent strengthening of the eco-friendliness trend, including consumption that considers the environment, Soo Seok is recycling waste glass to reproduce glass bottles and has been increasing the quantity.

Key Achievements in 2020

Financial Performance

In 2020, Soo Seok carried out a full-scale inspection on its production facility line, and made repairs if necessary. Added to this was impact from COVID-19, resulting in Soo Seok's sales decreasing 13.1% year-on-year in 2020 to record KRW 114.5 billion. However, as COVID-19 prolongs over a long period, there is a continued rise in small packaging and parcel delivery service transactions, and such growth of the distribution industry is expected to have a favorable influence on Soo Seok.

SALES OF KEY PRODUCTS IN 2020



Non-financial Performance

Against the backdrop of the emergence of plastic wastes as a global environmental issue, Soo Seok is focusing on recycling and reproduction of plastics, including PET. In particular, to help realize a resource circulation society, Soo Seok is engaging in R&D to make waste plastics, including PET, into resources and materials. In addition, the company will increase the PET production operation rate of the Dangjin Plant, relocate the Anyang business site's Glass Unit to reduce energy costs, and continually develop eco-friendly products to reduce negative environmental impact, while generating economic value for sustainable growth. The principle of Soo Seok is to reduce environmental issues that may arise in the production process and to transparently disclose information. To this end, the company installed "CleanSYS", which is a remote smokestack monitoring system that the Ministry of Environment and Korea Environment Corporation has been operating since 2003, and transmits data in real time to the Ministry of Environment every 30 minutes on average. With the enactment and enforcement of the Air Management Zone Act in April 2020, Soo Seok is legitimately managing concentration of air pollutants (NOx, SOx, dust) that are discharged from its business sites.

Soo Seok is making a wide array of efforts to fully establish a win-win labor-management culture. The company is innovating to create an employee participation-based workplace by running various labor-management cooperation programs, such as junior board, labor-management council, progressing rally, and overseas trainings. In addition to making efforts to build a good work environment such as through the flexible welfare plan, encouragement of male employees' use of parental leave, implementation of the flexible work system, and remodeling of the rest area and training room, Soo Seok broke down the wall between labor and management through free opinion communication. Moreover, the company is striving to eliminate workplace discrimination by increasing the female employment rate, changing the CAP Production Team into permanent positions, and making wage improvements for probationary employees. Soo Seok received a commendation of the "Minister of Employment and Labor for Merit in Labor-Management Culture in 2020", gaining recognition for its contributions to the development of the labor-management culture, such as creating jobs and increasing welfare benefits. The company is also working hard on social contribution activities, such as volunteer activities to improve the local environment, holding of bazaars, blood donation campaigns, activity to collect change, cullet recycling, and regular sponsorship of children with which local ties were formed.

Outlook & Plan

Market Outlook

The current bottle glass market is estimated to be more than an annual 650 thousand tons and KRW 400 billion, of which beverage and alcohol bottles account for approximately 70%. There has recently been a rise in use of glass containers, which are easy to recycle and are eco-friendly, with the emergence of environmental issues, and this is why the glass business market seems to have growth potential.

The PET market will likely need to quickly respond to mineral water and beverage market changes through PR (carbonated) PET capacity and design diversification, and also needs to pioneer new markets and actively respond to market changes by shifting to semi-aseptic (aseptic filling system). In October 2020, Korea pledged to achieve carbon neutrality by 2050, taking active part in global efforts to realize zero carbon. In response, there is a need to develop PET and Cap packaging materials that are in line with eco-friendly trends, while responding to continually-strengthening regulations.

Future Plan

In 2021, Soo Seok will establish a foundation for ushering in the post-COVID-19 era by overhauling its business, and strive for pioneering new areas. As COVID-19 is expected to continue until the second half of 2021, the company will accordingly focus on stable sales and profit generation of existing businesses. The company expects a slight increase in Bacchus and Panpyrin glass bottles, and forecasts an approximately 9.4% increase in the AL-CAP and PET market.

In particular, the company will complete development of eco-friendly products (eco-friendly CAP, label-free empty bottle) in 2021, and establish measures to reduce costs through a relocation to Dangjin and seek for value-added ways to use the Anyang Plant site, while adopting semi-aseptic, through which it will increase sales and secure new customers. With the relocation of its Anyang Plant to Dangjin in 2023, Soo Seok will improve operational inefficiency by using a single melting furnace, and adopt an oxygen melting furnace. The oxygen melting furnace will enable logistics cost reduction, bringing about cost reduction effects, and is also expected to enhance the eco-friendly image. The company will use the Anyang Plant site for a lease business to diversify its profit structure and maximize profits. Bio PET demand is expected to rise until 2025 as a result of increased interest in environmental pollution, and accordingly, Soo Seok will enhance its eco-friendly corporate image and quickly respond to market changes through technology alliances and/or agreements with bio-raw material producers, including Lotte Chemical. Soo Seok will also make reinvestments in corrugated cardboard box facilities to improve quality and cost structure which is anticipated to lead to a sales increase.

¹⁾ NR-PET (Non-Pressure Resistance Polyethylene Terephthalate): Container used for room temperature mineral water and food, such as mineral water bottles; HR-PET (Heat-Pressure Resistance Polyethylene Terephthalate): Container used for high-temperature (86-92°C) filling beverages, such as fruit drinks and sports drinks; PR-PET (Pressure Resistance Polyethylene Terephthalate): Container for soft drinks containing carbon dioxide

²⁾ STD/PEM Cap (Standard/Polyethylene Molding) Cap: Aluminum CAP that is most suitable for a basic container as a CAP for pressure.

Sustainable Management Performance

| | Classification | Unit | 2018 | 2019 | 2020 | | |
|--------------------------------|---|----------------------------|------------------|-------------|--------|-------|-------|
| Financial Performance | Total assets | KRW billion | 167.7 | 171.2 | 161.4 | | |
| | Total liabilities | KRW billion | 81.9 | 81.3 | 71.1 | | |
| | Total shareholders' equity | KRW billion | 85.8 | 89.9 | 90.3 | | |
| | Sales | KRW billion | 111.3 | 131.8 | 114.5 | | |
| | Operating profit | KRW billion | 4.7 | 8.9 | 6.2 | | |
| | Operating profit margin | % | 4.2 | 6.8 | 5.4 | | |
| Non-financial Performance | No. of employees | Person | 237 | 254 | 254 | | |
| | Violation of laws | Case | 5 | 0 | 0 | | |
| | Safety training hours | Hour/Person | 25.0 | 25.0 | 24.9 | | |
| | Industrial accident | Case | 2 | 0 | 1 | | |
| | Job training hours | Hour/Person | 19.9 | 20.1 | 30.9 | | |
| | Percentage of female employees | % | 6.3 | 7.1 | 7.9 | | |
| | Employee turnover rate | % | 17.7 | 16.5 | 11.0 | | |
| | Average length of service | Year | 8.8 | 8.7 | 9.8 | | |
| | CSR expenditures to operating profit | % | 0.2 | 0.1 | 0.2 | | |
| | Water consumption ¹⁾ | Ton | 16,852 | 15,301 | 26,916 | | |
| | Waste recycling rate ²⁾ | % | 1.0 | 48.5 | 53.1 | | |
| | GHG emissions ³⁾ | tCO ₂ eq | 35,086 | 34,739 | 34,399 | | |
| | GHG emissions (Scope 1) ³⁾ | tCO ₂ eq | 24,180 | 17,899 | 23,717 | | |
| | GHG emissions (Scope 2) ³⁾ | tCO ₂ eq | 10,906 | 7,860 | 10,682 | | |
| | Creation and Distribution of Economic Value ⁴⁾ | Creation of economic value | Sales | KRW billion | 111.3 | 131.8 | 114.5 |
| | | Shareholders & investors | Dividend | KRW billion | 1.0 | 2.5 | 2.0 |
| | | | Interest expense | KRW billion | 1.7 | 1.6 | 1.1 |
| Total | | | KRW billion | 2.7 | 4.1 | 3.1 | |
| Employees | | Salaries | KRW billion | 14.5 | 16.3 | 16.1 | |
| | | Employee benefits | KRW billion | 2.3 | 2.7 | 2.9 | |
| | | Total | KRW billion | 16.8 | 18.9 | 19.0 | |
| Suppliers | | Raw material expenses | KRW billion | 30.5 | 31.0 | 25.2 | |
| | | Outsourcing expenses | KRW billion | 3.1 | 5.6 | 5.2 | |
| | | Total | KRW billion | 33.6 | 36.7 | 30.4 | |
| Government & local communities | | Internal tax | KRW billion | (0.6) | 1.3 | 0.9 | |
| | | Local tax | KRW billion | 0.3 | 0.8 | 0.3 | |
| | | CSR expenditures | KRW billion | 0.01 | 0.1 | 0.01 | |
| | Total | KRW billion | (0.3) | 2.3 | 1.2 | | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Figures for 2018 and 2019 are estimations due to a meter breakdown

²⁾ Revised figures for 2018 and 2019 due to an addition of recycling rate of the Dangjin Plant

³⁾ Includes the Anyang Plant only and excludes the Dangjin Plant and Color Pack Unit

⁴⁾ Revised figures for 2018 and 2019 due to change in calculation standards and method

Korea Sinto



Company Overview

Since its establishment in 1970, Korea Sinto has been a leading company in foundry, surface processing, pollution prevention, and industrial plant facilities, and contributed to developing the technological base of automobile, heavy, and shipbuilding industries by offering top-quality products and services through endless R&D. In addition, the company is focusing on technology alliance, technology support, and technology accumulation in cooperation with SINTOKOGIO Japan, one of the world's top two foundry equipment makers, as well as continued new product development and performance improvements. Korea Sinto will continue to provide customers with optimal solutions through steady technological development and quality innovation.

Major Products & Services

Korea Sinto's main businesses are the machine, parts, and abrasive businesses. The Machine Business Department is a joint venture that was established in July 1970 with the signing of an agreement between Daehan Heavy Machinery and SINTOKOGIO Japan on capital alliance and technology adoption. The Department has such plant equipment as five-sided machining machine, shearing machines, laser cutting machines, and racks, and such facilities as overhead cranes, which are used to manufacture casting facilities, surface treatment facilities, and pollution prevention facilities that are used in diverse fields, such as automobile and aircraft. It strives to provide products and services that meet client needs based on rich experience and know-how, extensive product line-up and technological development capabilities, and management capabilities.

The Abrasive Business Department is an abrasive manufacturing company that was established in March 1986 in accordance with collaboration with Sinto Brator in Japan. It became the first in the domestic abrasive industry to obtain ISO 9001 certification in May 1997, and has fully established itself as a professional company of abrasive. Its major products are steel shot and steel grit. It offers top-quality products that are produced using accumulated know-how and manufacturing technologies and a systematic quality management system.

The Parts Business Department handles on-site preservation and improvement work, leveraging its technological prowess that is based on the technology alliance with SINTOKOGIO Japan and know-how that was accumulated for the last 50 years. In particular, it suggests optimal facility improvement measures through the research unit's technical support and test equipment management. In addition to providing support for old facilities produced by the company, it offers practical solutions for all sites that are experiencing difficulty with equipment management due to several issues, including facilities that were produced by other companies but cannot be managed.

Key Achievements in 2020

Financial Performance

The entire world was hit by the COVID-19 pandemic in 2020 so was the Korean economy. Automobile production went down 11.2% year-on-year while exports dropped 21.4%, and automotive parts exports also decreased 17.2%. Demand for steel declined due to a slump in upstream industries, while the shipbuilding industry is undergoing continued restructuring with a significant drop in global orders to 19.24 million CGT. Against this backdrop, Korea Sinto was not able to meet the target for the year. The sales volume of abrasive decreased due to lower rates of operation of relevant industries, including automobiles. As a result, sales decreased by KRW 12.3 billion year-on-year to KRW 20.5 billion in 2020, and operating loss stood at KRW 480 million.

Non-financial Performance

GHG emissions of Korea Sinto significantly went down over the previous year to record 4,945 tons in 2020. The company also helps its customers reduce air pollutants through installation and improvement of air pollution prevention facilities. Good examples include Hyundai Steel's dust transfer device and POSCO's dust collector line. For contribution to the local community, Korea Sinto sponsored two underprivileged children through ChildFund Korea and carried out employee participation-based volunteer activities that involved making kimchi for the winter with the welfare center for the disabled.

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | | |
|--------------------------------|---|----------------------------|------------------------|-------------|-------|------|------|
| Financial Performance | Total assets | KRW billion | 33.0 | 29.4 | 30.0 | | |
| | Total liabilities | KRW billion | 8.9 | 3.9 | 5.2 | | |
| | Total shareholders' equity | KRW billion | 24.1 | 25.6 | 24.9 | | |
| | Sales | KRW billion | 38.0 | 32.8 | 20.5 | | |
| | Operating profit (loss) | KRW billion | 1.9 | 2.3 | (0.5) | | |
| | Operating profit (loss) margin | % | 5.0 | 7.0 | (2.4) | | |
| Non-financial Performance | No. of employees | Person | 98 | 96 | 95 | | |
| | Violation of laws | Case | 0 | 1 | 0 | | |
| | Safety training hours | Hour/Person | 24.0 | 24.0 | 18.0 | | |
| | Industrial accident | Case | 0 | 2 | 0 | | |
| | Job training hours | Hour/Person | 18.9 | 4.0 | 0.8 | | |
| | Percentage of female employees | % | 3.1 | 3.1 | 3.2 | | |
| | Employee turnover rate | % | 2.0 | 4.0 | 0.0 | | |
| | Average length of service | Year | 13.0 | 14.0 | 15.0 | | |
| | Water consumption | Ton | 1,597 | 1,657 | 1,691 | | |
| | Recycling rate of waste ¹⁾ | % | 98.0 | 97.0 | 97.7 | | |
| | GHG emissions | tCO ₂ eq | 7,949 | 5,934 | 4,945 | | |
| | GHG emissions (Scope 1) | tCO ₂ eq | 1,407 | 1,095 | 927 | | |
| | GHG emissions (Scope 2) | tCO ₂ eq | 6,542 | 4,839 | 4,018 | | |
| | Creation and Distribution of Economic Value | Creation of economic value | Sales | KRW billion | 38.0 | 32.8 | 20.5 |
| | | Shareholders & investors | Dividend | KRW billion | 0.3 | 0.3 | 0 |
| | | | Salaries ²⁾ | KRW billion | 7.2 | 6.6 | 5.9 |
| Employees | | Employee benefits | KRW billion | 0.8 | 0.7 | 0.6 | |
| | | Total | KRW billion | 7.1 | 6.7 | 6.5 | |
| Suppliers | | Raw material expenses | KRW billion | 14.0 | 7.8 | 6.7 | |
| | | Outsourcing expenses | KRW billion | 7.0 | 7.5 | 1.8 | |
| | | Total | KRW billion | 20.9 | 15.3 | 8.5 | |
| Government & local communities | | Internal tax | KRW billion | 0.4 | 0.4 | - | |
| | | Local tax | KRW billion | 0.1 | 0.1 | 0.06 | |
| | CSR expenditures | KRW billion | 0.002 | 0.002 | 0.002 | | |
| Total | KRW billion | 0.5 | 0.5 | 0.06 | | | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ 2020 waste recycling rate is the amount that was treated by an outsourced recycling company

²⁾ Revised figures for 2018 and 2019 due to change in calculation standards and method, including retirement benefits

Outlook & Plan

Market Outlook

Korea Sinto's sales are mostly from heavy industries, including automobiles, steel, and shipbuilding. Domestic demand in the automobile industry is recovering, but seriously sluggish exports have resulted in reduced domestic production and a significant drop in the rates of operation of relevant parts companies. Sales are expected to somewhat increase in 2021 owing to base effects. In the steel industry, corporate performances are deteriorating due to a drop in demand and prices, an outcome of sluggish upstream industries, and unstable raw material prices continue. However, the steel industry is forecast to somewhat recover in 2021. The shipbuilding industry experienced stagnant ship order placements around the world, so much so that it was the lowest level in the last 20 years. It is expected to slightly recover, mainly among LNG vessels.

Future Plan

Korea Sinto's major strategic tasks for 2021 include new business implementation, new product marketing, external facility sales, and key customer management. It will also move forward with the manufacturing business using stainless steel in cooperation with SINTOKOGIO Japan, while carrying out sales promotion for new products related to the environment, including dust checks, targeting automotive parts companies, in addition to casting surface inspection machines, targeting domestic casting companies. The company will strive to increase contracts for government construction projects and facility improvement projects for dust collectors and shot blast machines, and increase the supply of parts. It will inspect the facilities of key customers who account for most of abrasive sales and help them resolve difficulties to continue business relations. Going forward, Korea Sinto will develop into a "Total engineering company" that offers consumables, maintenance services, and IoT services, in addition to its existing businesses.



Company Overview

DONGCHEONSU is a mineral water production-specializing company that has the best mineral water quality management capabilities in Korea. It established a plant in 1993, when there was a lack of awareness towards mineral water in Korea, and using the know-how that it accumulated since then, DONGCHEONSU produces and supplies high-quality drinkable spring water through strict quality control, using clean underground water that is abundant with minerals. The two plants of DONGCHEONSU are located near national parks. Of these, the Songnisan Plant began the mineral water production business to manufacture and sell drinkable spring water in July 2014 in Hwabuk-myeon, Sangju City, North Gyeongsang Province, where Songnisan National Park is located. It produces carbonated water and mineral water with water hardness of 37 to 40 and that is full of minerals, including zinc and silicon, based on underground bedrock water 350 meters above sea level in the Baekdudaegan mountain range. The second plant, which is the Gayasan Plant, is located in Myosan-myeon, Hapcheon City, South Gyeongsang Province, where Gayasan National Park and Haeinsa Temple are located. It became a part of DONGCHEONSU in November 2018. Just like the Songnisan Plant, it is located in the Baekdudaegan mountain area, and produces mineral water using bedrock water 200 meters below ground. It is alkaline water with water hardness of 41-45 at pH 7.8-9.1. General carbonated water does not contain minerals at all because carbonic acid is added to purified water (RO water). However, DONGCHEONSU's carbonated water is rich in minerals because carbonic acid is added to mineral water.

Major Products & Services

"Gayasan Cheonnyeonsu" is mineral water that is produced using underground bedrock water in the pristine Gayasan National Park, and is available to consumers in three products, the 300 mL PET, 500 mL PET, and 2.0 L PET. "Rein Wasser", carbonated water containing mineral water, is produced at the Songnisan Plant. Rein Wasser is German for "clear water". While most carbonated water is made using purified water and carbonic acid, Rein Wasser is full of minerals because it is made using mineral water and it delivers a sense of refreshment with strong carbonic acid.

Key Achievements in 2020

Financial Performance

In 2020, sales channel of Gayasan Cheonnyeonsu was expanded, mainly online, and carbonated water Rein Wasser's sales increased, resulting in a rise in overall sales volume. As a result, sales of DONGCHEONSU grew 7.7% year-on-year to record KRW 26.7 billion in 2020, and its operating profit reached KRW 1.7 billion, a significant increase from the previous year's KRW 1.1 billion.

Non-financial Performance

The importance of eco-friendly consumption is growing all across the globe, and social interest in treating plastic wastes is increasing. DONGCHEONSU has adopted dotted lines on its mineral water and carbonated water labels, uses a water-soluble adhesive that is officially recognized by the Ministry of Environment, and uses paper boxes for Rein Wasser's packaging material, all aimed at producing products in an eco-friendly way. In addition, it signed a memorandum of understanding (MOU) on self-collection of transparent PET bottles with the Ministry of Environment and Korean Packaging Recycling Business, and is collecting used clean PET bottles through its internal distribution network.

In December 2020, DONGCHEONSU acquired the Hazard Analysis & Critical Control Point (HACCP), a food safety management certification. It received HACCP certification that is needed for carbonated water production after an examination at the Songnisan Plant, which is one of the production bases of drinkable spring water "Masinda" and carbonated water "Rein Wasser", and is accordingly managing all processes based on HACCP standards. DONGCHEONSU is now a HACCP-certified mineral water manufacturer, that is a rare case in the industry, based on which the company will take a further step forward to become a company that produces and sells safer, healthier products that surpass existing quality standards.

In 2020, 94%¹⁾ of DONGCHEONSU employees took part in social contribution activities during 384 hours²⁾, sharing a heart-warming experience with 331 people. It sponsored Babsang and carried out delivery volunteering activities to support the underprivileged in the local community, provided scholarships to youths, who are leaders of future generations, and sponsored the Sangju Hyanggyo Filial Piety and Chastity Commendation to vitalize the local community. The Sangju Hyanggyo Filial Piety and Chastity Commendation is a system of praising local residents who contributed to restoration of ethics-morality and transmission of traditional beautiful and fine customs, and is directly participated in by major local community officials, including from Sangju City Government, Sangju City Council, and Sangju City women's organizations. DONGCHEONSU is providing regular sponsorship every year. Amid the continued COVID-19 situation throughout the year, the company provided masks, hand sanitizers, mineral water, and other items to Sangju City, North Gyeongsang Province, and took part in the act of sharing to prevent the spread of the infectious disease and overcome the crisis.

DONGCHEONSU began its business as a small company with around 10 employees in 2014 and has grown around 500%, based on the number of employees, as of 2020, contributing to facilitating the local economy and creating jobs. In recognition of these contributions and its roles as a responsible corporate citizen, the company was awarded the Minister of Trade, Industry and Energy Commendation in November 2020 at the outstanding medium enterprise CEO category on the 6th Medium Enterprise Entrepreneur Day. Going forward, DONGCHEONSU will continue to make utmost efforts to become a model company that grows together with local communities.

CERTIFICATION

FSC 22000, ISO 9001 certification (May 20, 2020)

HACCP certification (Dec. 1, 2020)

KEY AWARDS IN 2020

Received the Daegu Regional Employment and Labor Administration Director Award at the "Persons of Merit Award on Day of Commerce and Industry" (Jul. 6)

Received the Minister of Trade, Industry and Energy Award at the "Persons of Merit Award on Medium Enterprise Entrepreneur Day" (Nov. 18)

Received the Grand Award at the "Entrepreneur of Sangju City" (Dec. 31)

Outlook & Plan

Market Outlook

Due to COVID-19 impact, the mineral water and carbonated water market is experiencing a slowdown in growth, increasing price competition, and greater container diversification, including label-free eco PET, amid growing market need for eco-friendly products and Internet sales.

Future Plan

DONGCHEONSU will expand facilities for carbonated water and flavored mineral water in 2021, and replace the Gayasan Line 1 bottle-forming machine as part of production facility optimization. It will overcome the difficult market situation by actively moving forward with developing a premium mineral water brand; adding flavored carbonated water products; expanding online sales channel, with a focus on consumer contact companies such as Coupang; and completing a third plant spring water development permission. It will increase its market share by expanding its Internet market, diversifying containers, and expanding items. The company will also consecutively begin operation of production facilities at its third plant in the order of beverage PET and mineral water from 2022 to 2024 to ensure stable plant operation.

¹⁾ Including double counts

²⁾ Cumulative, including double countsnumber of local talent newly hired

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | |
|-------------------------------------|---|----------------------------|-------------|-------------|---------|------|
| Financial Performance ¹⁾ | Total assets | KRW billion | 17.3 | 64.0 | 63.3 | |
| | Total liabilities | KRW billion | 7.4 | 15.5 | 14.0 | |
| | Total shareholders' equity | KRW billion | 9.8 | 48.4 | 49.3 | |
| | Sales | KRW billion | 14.4 | 24.8 | 26.7 | |
| | Operating profit | KRW billion | 1.5 | 1.1 | 1.7 | |
| | Operating profit margin | % | 10.6 | 4.4 | 6.4 | |
| Non-financial Performance | No. of employees | Person | 38 | 78 | 83 | |
| | Violation of laws | Case | 0 | 0 | 0 | |
| | Safety training hours | Hour/Person | 14.0 | 14.0 | 29.1 | |
| | Industrial accident | Case | 0 | 2 | 0 | |
| | Percentage of female employees | % | 18.4 | 15.4 | 18.1 | |
| | Employee turnover rate | % | 34.2 | 13.8 | 30.1 | |
| | Average length of service | Year | 6.8 | 5.1 | 5.4 | |
| | CSR expenditures to operating profit | % | 4.5 | 28.4 | 7.3 | |
| | Percentage of local talent ²⁾ | % | 63.6 | 59.0 | 51.9 | |
| | Water consumption | Ton | 122,327 | 128,368 | 212,863 | |
| | Wastewater discharge | Ton | 10,748 | 2,237 | 19,061 | |
| | Creation and Distribution of Economic Value | Creation of economic value | Sales | KRW billion | 14.4 | 24.8 |
| Dividend | | | KRW billion | 0.4 | 0.4 | 0.4 |
| Shareholders & investors | | Interest expense | KRW billion | 0.2 | 0.4 | 0.2 |
| | | Total | KRW billion | 0.6 | 0.8 | 0.6 |
| Employees | | Salaries | KRW billion | 2.3 | 3.4 | 3.6 |
| | | Employee benefits | KRW billion | 0.3 | 0.5 | 0.6 |
| | | Total | KRW billion | 2.6 | 3.9 | 4.1 |
| Suppliers | | Raw material expenses | KRW billion | 7.5 | 12.5 | 13.5 |
| | | Outsourcing expenses | KRW billion | 0.08 | 0.1 | 0.1 |
| | | Total | KRW billion | 7.6 | 12.6 | 13.6 |
| Government & local communities | | Internal tax | KRW billion | 0.6 | 0.8 | 0.9 |
| | | Local tax | KRW billion | 0.03 | 0.5 | 0.7 |
| | | CSR expenditures | KRW billion | 0.07 | 0.08 | 0.1 |
| Total | | KRW billion | 0.7 | 1.4 | 1.7 | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for total assets, total liabilities, total shareholders' equity, operating profit, and operating profit margin due to the re-correction of the 2019 Audited Financial Statements owing to change to K-IFRS

²⁾ Revised figures for 2018 and 2019 due to change in the calculation standard-method of the number of local talent newly hired

ABEN Engineering & Construction



Company Overview

In 2020, the previous Chul Geun E&C started its new journey as ABEN Engineering & Construction (ABEN E&C) which embodies the meaning of a rock that serves as the foundation for all. ABEN E&C is a comprehensive construction company that specializes in healthcare, creating a foundation for healthy lives. The company has successful project experiences in diverse construction areas, including cutting-edge knowledge industry centers, education/research facilities, work/sales facilities, and public facilities, not to mention such state-of-the-art industrial facilities as bio, pharmaceutical (GMP), food (HACCP), and cutting-edge logistics warehouses (GSP). It also has the competitiveness to offer a wide array of services, including design, maintenance, and asset development, in addition to the construction and civil engineering. It will realize the value of respect for life through safe, healthy sites based on the technical skills it accumulated, and create distinctive spatial value through top-quality buildings made with craftsmanship that is faithful to principles and basics.

Major Products & Services



Construction

This business involves building various production facilities, such as GMP-certified pharmaceutical plants and HACCP-certified food plants, cutting-edge storage facilities, including GSP logistics centers and automated warehouses, as well as knowledge industry centers, neighborhood facilities, and education facilities.



Civil Engineering

This business involves conducting projects on building large-scale industrial complexes, building and expanding roads, and building other engineering structures.



Interior

This interior construction business involves building a building's interior according to its use and function, ranging from such industrial facilities as offices, employee rest areas, and R&D centers, to car showrooms and franchise stores.



Facility Maintenance

This business consists of inspections and maintenance, improvements, repairs, and reinforcements to preserve functions after the construction of production facilities and general buildings, and especially specializes in maintenance of pharmaceutical production facilities.



Real Estate Development

This business involves changing the form of land through processing, such as construction work, or building facilities or structures that will be used for daily life, production, and recreational activities or creating rights to use and then supplying them.

Key Achievements in 2020

Financial Performance

In 2020, ABEN E&C recorded sales of KRW 47.9 billion, a year-on-year increase of 104%, and an operating profit of KRW 1.22 billion, a rise of KRW 2 billion from the previous year, turning a profit.

Non-financial Performance

In June 2020, the company took part in volunteer activities at a soup kitchen of the Dail Welfare Foundation, and produced and delivered meals to around 1,000 seniors who are experiencing difficulties due to COVID-19. In addition, its employees cleaned up the cherry blossom path along Jungrang Stream once a month from May to December, thus helping to clean the environment near the company.

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | |
|--------------------------------|--|----------------------------|-------------|-------------|-------|-------|
| Financial Performance | Total assets | KRW billion | 9.7 | 11.2 | 16.8 | |
| | Total liabilities | KRW billion | 2.7 | 5.6 | 10.1 | |
| | Total shareholders' equity | KRW billion | 7.0 | 5.7 | 6.7 | |
| | Sales | KRW billion | 31.3 | 23.5 | 47.9 | |
| | Operating profit | KRW billion | (0.04) | (0.9) | 1.2 | |
| | Operating profit margin | % | (0.1) | (3.7) | 2.6 | |
| Non-financial Performance | No. of employees | Person | 38 | 36 | 41 | |
| | Employee participation rate in pledge to Jeong-Do management | % | 100.0 | 100.0 | 100.0 | |
| | Violation of laws | Case | 2 | 0 | 0 | |
| | Safety training hours | Hour/Person | 14.2 | 13.9 | 12.0 | |
| | Industrial accident | Case | 3 | 1 | 1 | |
| | Job training hours | Hour/Person | 10.1 | 7.6 | 18.3 | |
| | Percentage of female employees | % | 18.4 | 19.4 | 19.5 | |
| | Employee turnover rate | % | 28.9 | 16.7 | 22.0 | |
| | Average length of service | Year | 2.8 | 3.6 | 3.9 | |
| | Creation and Distribution of Economic Value | Creation of economic value | Sales | KRW billion | 31.3 | 23.5 |
| Shareholders & investors | | Dividend ¹⁾ | KRW billion | 0.51 | 0.09 | 1.0 |
| | | Total | KRW billion | 0.51 | 0.09 | 1.0 |
| Employees | | Salaries | KRW billion | 3.1 | 2.8 | 3.4 |
| | | Employee benefits | KRW billion | 0.4 | 0.3 | 0.4 |
| | | Total | KRW billion | 3.5 | 3.1 | 3.8 |
| Suppliers | | Raw material expenses | KRW billion | 4.9 | 5.3 | 8.5 |
| | | Outsourcing expenses | KRW billion | 20.7 | 13.4 | 31.6 |
| | | Total | KRW billion | 25.6 | 18.7 | 40.0 |
| Government & local communities | | Internal tax | KRW billion | (0.004) | 0.061 | 0.2 |
| | | Local tax | KRW billion | 0.002 | 0.008 | 0.005 |
| | | Total | KRW billion | (0.002) | 0.069 | 0.2 |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.

¹⁾ Revised figures for 2018 and 2019 due to change in the calculation standard to be based on the year of attribution

Outlook & Plan

Future Plan

ABEN E&C's projects that are planned for 2021 include construction of Dong-A Pharmaceutical's Dangjin Plant and Dong-A ST's Songdo cGMP Plant, extension of ST Pharm's oligonucleotide plant, and a maintenance and interior project for Seongnam LH's industrial complex and plant. It aims to achieve sales of KRW 75.1 billion and an operating profit of KRW 2.36 billion. Based on its GMP, GSP, and HACCP experience with many GMP plants and automated warehouses, ABEN E&C will actively target these areas. The construction industry has recently been undergoing considerable changes, just like other industries, as IT is combined with the industry to result in emphasis on cutting-edge logistics warehouse systems, such as cold chain. ABEN E&C will achieve new growth by developing distinctive competitiveness based on its accumulated technological prowess.

DA Information



Company Overview

DA Information is an IT-specializing company that was initially launched as the IT Department of Dong-A Pharmaceutical. It is in charge of development and maintenance of the IT systems of all Dong-A Socio Group affiliates. Based on capabilities that have been accumulated and specialized for pharmaceutical IT, the company is offering customized services to affiliates as well as external clients. Under market circumstances where the IT infrastructure environment is rapidly shifting to be cloud-centered, DA Information is developing an open source-based solution that allows simultaneous control and management of an Internet data center (IDC) and cloud, while striving to establish references.

Major Products & Services

- [Sales IT system management service](#)
- [Customer relationship management \(CRM\)](#)
- [Partner relationship management \(PRM\)](#)
- [Business intelligence \(BI\)](#)
- [GMP IT system & CSV consulting](#)
- [Establishment and operation of GMP IT system](#)
- [Implementation and change management of CSV](#)
- [Total IT outsourcing service](#)

Key Achievements in 2020

Financial Performance

DA Information recorded sales of KRW 12.71 billion in 2020 which is similar to the previous year, and an operating profit of KRW 200 million, a year-on-year growth of 102%. It strengthened production and quality GMP by moving forward with IT advancement of plants within the Group, and improved the Group affiliates' IT failure levels. By achieving a year-on-year decrease of 20% in the number of cases of failures, DA Information raised IT efficiency. Based on the capabilities and experiences it acquired within the Group, DA Information also took part in outside projects, including those of KT, Samyang Foods, the National Institute of Ecology, and HK inno. N, and achieved sales of KRW 530 million. In addition to existing outside customers, DA Information is steadily challenging itself to take part in new projects through continued project implementation.

Non-financial Performance

DA Information is carrying out social contribution activities through IT. It developed a health management application for Prader-Willi Syndrome (PWS) patients in 2016, and created the "Share Me" application in 2017 that allows the user to check tuberculosis examination results in real time and donated it to the Korean National Tuberculosis Association. It developed "ZARADA", a mobile administration management application for children prescribed with Growthropin, a human growth hormone, in 2019. If the company's development of a non-face-to-face solution that is suitable for COVID-19 circumstances progresses as planned, it will launch an official version in the first half of 2021 after going through a beta service through Group affiliates and outside companies.

Sustainable Management Performance

| Classification | | Unit | 2018 | 2019 | 2020 | | |
|--------------------------------|---|----------------------------|-----------------------|-------------|------|------|------|
| Financial Performance | Total assets | KRW billion | 2.9 | 2.7 | 3.4 | | |
| | Total liabilities | KRW billion | 2.1 | 1.7 | 2.2 | | |
| | Total shareholders' equity | KRW billion | 0.8 | 1.1 | 1.2 | | |
| | Sales | KRW billion | 12.0 | 12.6 | 12.7 | | |
| | Operating profit (loss) | KRW billion | (0.8) | 0.1 | 0.2 | | |
| | Operating profit (loss) margin | % | (6.7) | 0.3 | 1.6 | | |
| Non-financial Performance | No. of employees | Person | 64 | 70 | 70 | | |
| | Violation of laws | Case | 0 | 0 | 0 | | |
| | Safety training hours ¹⁾ | Hour/Person | 2.0 | 4.0 | 4.0 | | |
| | Industrial accident | Case | 0 | 0 | 0 | | |
| | Job training hours | % | 2.0 | 6.4 | 4.7 | | |
| | No. of part-time employees | % | 0 | 0 | 0 | | |
| | Percentage of female employees | Year | 17.2 | 14.3 | 12.9 | | |
| | Employee turnover rate | % | 16.9 | 8.5 | 7.1 | | |
| | Average length of service | Year | 7.3 | 8.9 | 7.9 | | |
| | Creation and Distribution of Economic Value | Creation of economic value | Sales | KRW billion | 12.0 | 12.6 | 12.7 |
| Salaries | | | KRW billion | 3.9 | 3.8 | 4.2 | |
| Employee benefits | | | KRW billion | 0.6 | 0.7 | 0.8 | |
| Employees | | Total | KRW billion | 4.5 | 4.5 | 5.0 | |
| | | Suppliers | Raw material expenses | KRW billion | 3.3 | 3.1 | 2.8 |
| | | | Outsourcing expenses | KRW billion | 3.4 | 3.5 | 3.1 |
| Total | | | KRW billion | 6.7 | 6.6 | 5.9 | |
| Government & local communities | | Internal tax | KRW billion | (0.2) | 0.01 | 0.05 | |
| | | Local tax | KRW billion | 0.02 | 0.02 | 0.03 | |
| | | CSR expenditures | KRW billion | - | - | 0.09 | |
| | Total | KRW billion | (0.2) | 0.03 | 0.2 | | |

* Based on separate financial statements. There may be a difference between individual items and the total due to round-off.
¹⁾ Conducted internal training in 2018, and offered training through the HuNet of SooSeok Academy in 2019

KEY AWARDS

- "Smart App Award Finalist" at the i-AWARDS¹⁾ 2020: Grand Prize in the health/medical category for the Dong-A ST Kid Grow application (Dec. 15, 2020)
- "Web Award Korea Finalist" at the i-AWARDS 2019: Grand Prize in the beverage category for the Dong-A Pharmaceutical Bacchus website (Dec. 12, 2019)
- "13th Web Award Korea Nominee" at the i-AWARDS 2016: Excellence Award in the medium enterprise category for Yongma Logis website (Dec. 15, 2016)

¹⁾ Hosted by the Korea Internet Professional Association and organized by the i-AWARDS Committee, this award system chooses the best Internet services, including websites and social media, through an evaluation by an evaluation committee that consists of domestic Internet experts and Association members

Outlook & Plan

Future Plan

DA Information is strengthening internal capabilities to respond to the post-COVID-19 era and the sharply-changing IT environment, and is challenging itself to engage in external IT business based on the capabilities it developed by offering IT services within the Group. Moving forward, it will expand its business areas and establish an independent growth foundation by focusing on expanding ERP within the Group, offering next-generation IT services, and securing an unrivaled position in the area of GMP-IT and CSV. In addition, the company will enter the solution market by 2025 by developing a solution-centered growth engine.

SUSTAINABILITY PERFORMANCE

OUR SYSTEM

- 092 Corporate Governance
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- 101 Stakeholder Engagement



OUR SYSTEM

Corporate Governance

Corporate Governance Charter

Aiming to establish sound and transparent governance, Dong-A Socio Holdings established the Corporate Governance Charter based on a board of directors (BOD) resolution in March 2019 and officially announced it at the annual general meeting (AGM). The Corporate Governance Charter consists of five chapters – shareholders, the BOD, audit organization, stakeholders, and management monitoring by the market. It emphasizes the roles and responsibilities of outside directors who are independent from controlling shareholders and top management, and has the BOD and Audit Committee perform actual supervision functions on top management

Shareholders and Ownership Structure

Shareholders

The total number of shares that Dong-A Socio Holdings can issue pursuant to the Articles of Association is 30,000,000 shares (face value per share: KRW 5,000), of which the preferred stock issuance ceiling is 3,000,000 shares. As of the end of December 2020, the total number of issued shares is 6,155,346 shares. All issued shares are common shares, and fair voting rights were given in accordance with the number of shares. Dong-A Socio Holdings decided to acquire treasury shares on March 20, 2020, and acquired 98,190 shares through securities trading on the floor.

Shareholder Composition

| Shareholder name | Type of share | Number of shares | Ownership (%) |
|---------------------------------|---------------|------------------|---------------|
| Jung-Seok Kang | Common stock | 1,692,715 | 27.50 |
| National Pension Service | Common stock | 588,421 | 9.56 |
| Employee Stock Ownership Plan | Common stock | 535,385 | 8.70 |
| GLAXOGROUPLIMITED | Common stock | 409,693 | 6.66 |
| Otsuka Pharmaceutical Co., Ltd. | Common stock | 248,494 | 4.04 |
| Others | Common stock | 2,680,638 | 43.54 |
| Total | | 6,155,346 | 100 |

* As of December 31, 2019; and ownership is based on the total number of shares issued

Enhancing Shareholder Value

At the 70th AGM held in March 2018, Dong-A Socio Holdings adopted a system for electronic voting and electronic proxy voting to actively support shareholders in their exercising of voting rights. It publishes reference documents on the Financial Supervisory Service's electronic announcement system, and recommends all shareholders to exercise their voting rights by proxy. In addition, a convocation notice is made four weeks prior to an AGM to enable shareholders to review agenda items over a sufficient period.

Financial authorities encourage companies to hold AGMs on different days as a way to facilitate AGMs. Accordingly, Dong-A Socio Holdings set the AGM dates of the Group affiliates on different days, and strives not to hold the AGMs on the dates when many other companies hold theirs, thereby increasing convenience in shareholders' exercise of voting rights. In addition, information on how shareholders can exercise their proposal rights is provided on the company website to ensure that shareholders can easily propose agenda items to an AGM.

Shareholder Return Policy

In March 2021, Dong-A Socio Holdings established and announced a mid- to long-term shareholder return policy based on a BOD resolution for shareholder value enhancement. Accordingly, Dong-A Socio Holdings will use at least 30% of its consolidated profit for the year, excluding non-recurring income and loss, for shareholder return for three years from business year 2021 to business year 2023, and pay dividends of at least KRW 30 billion. We plan to provide a stable cash flow to shareholders by actively implementing interim dividends in addition to existing fiscal-year dividends, and use the remaining funds after dividends for purchase and disposition of treasury shares.

Shareholder Communication

Dong-A Socio Holdings engages in a wide array of investor relation (IR) activities to ensure corporate transparency and build trust with investors. We hold non-deal roadshows (NDRs) and attend the Corporate Day held by securities firms. In addition, we disclose governance-related information through our website and public notice inquiry systems, such as DART (<http://dart.fss.or.kr>), including our Articles of Association, BOD and BOD Committee regulations, matters on shareholders, and matters on the BOD and audit organization. By doing so, Dong-A Socio Holdings is helping its stakeholders better understand the company's governance system.

Board of Directors

BOD of Dong-A Socio Holdings decides on matters stipulated in laws and Articles of Association, matters delegated by AGMs, and important matters related to basic policies of company management and work execution, and also supervises execution of duties by directors and top management, aiming at representing the interests of shareholders and stakeholders and also achieving corporate growth. To prevent internal trading and self-dealing for the purpose of personal interests, Dong-A Socio Holdings has the BOD make decisions on approval for trading between directors, etc. and the company, among other matters. Pursuant to Article 12 of the BOD Regulations, a director cannot exercise his/her voting right in cases where there are special interests. Also, the resolution requirement in case of trading with directors, related companies, and specially related persons is at least two-thirds of registered directors. In addition, pursuant to Article 14 of the BOD Regulations, in case of fund transactions that are irrelevant to normal business activities with related companies and specially related persons, the resolution requirement is consent from all registered directors.

BOD Composition

| Classification | Name | Position | Initial date of appointment | Termination date of appointment | Classification | Classification |
|--------------------|----------------|---|-----------------------------|---------------------------------|----------------------------------|--|
| Internal Directors | Jong-Hyeon Han | CEO & President | Mar. 2017 | Mar. 2023 | Management | |
| | Min-Young Kim | Executive Director of Management | Mar. 2017 | Mar. 2023 | Management planning | |
| | Sung-Keun Park | CFO | Mar. 2017 | Mar. 2023 | Finance & accounting | |
| Outside Directors | Bong-Soon Cho | Chairman of the BOD | Mar. 2013 | Mar. 2022 | Organization & HR (Professor) | Senior Research Engineer at Shinhan Research Institute (Current) Professor at Graduate School of Business, Sogang University |
| | Han-Sang Yi | Chairman of the Audit Committee | Mar. 2015 | Mar. 2021 | Finance & accounting (Professor) | Assistant Professor at the Department of Accounting, The University of Oklahoma (Current) Professor at the Department of Business, Korea University |
| | Chang-Jin Moon | Chairman of the Committee for Recommending Candidates for Outside Directors | Mar. 2018 | Mar. 2021 | Health & medical | Vice Minister of Health and Welfare Chairman of the Research Investment for Global Health Technology Fund |
| | Dong-Chul Kim | Chairman of the Evaluation & Compensation Committee | Mar. 2018 | Mar. 2021 | Law (Lawyer) | Lawyer at Lee Kim & Partners (Current) Managing Partner of Hyun Law |

* As of December 31, 2020

Roles and Responsibilities of BOD

Dong-A Socio Holdings forms the BOD mainly with outside directors so that the BOD can be run independently from top management as the company's top decision-making body. As of the end of 2020, there are four outside directors out of the total seven BOD members. This corresponds to 57% of total members, signifying that outside directors comprise the majority of the BOD.

Independence and Expertise of the BOD

Dong-A Socio Holdings established institutional mechanisms to maintain practical independence of the BOD, from top management and controlling shareholders, and for the BOD to exercise influence on corporate management based on reasonable decisions. Since April 2018, we have appointed an outside director as the chairman of the BOD, separate from the CEO. Also, the Committee for Recommending Candidates for Outside Directors was formed to appoint outside directors based on a transparent, independent process. We appoint outside directors who have expertise in various fields, including management, finance & accounting, health & medical administration, and law, rather than leaning towards a specific area, to ensure the expertise and diversity of the BOD. For effective execution of BOD roles and functions, a department in charge of supporting the BOD provides support for various work. To improve BOD and outside director expertise, we provide regular training and the assistance from an outside expert using company funds, if needed.

BOD Operation in 2020

Dong-A Socio Holdings' BOD meetings are categorized into regular BOD meetings and extraordinary BOD meetings. In principle, regular BOD meetings are held in February, April, July, and October, while extraordinary meetings are held when there is an emergency agenda item. In 2020, four regular BOD meetings and eight extraordinary BOD meetings were held, and the attendance rate was an average 100% for internal directors and an average 98% for outside directors.

In 2020, the BOD received and reviewed reports on the company's business performance and pending management issues by quarter to supervise the execution of duties by top management. It also handled important matters related to the execution of the company's work, and in particular, it deliberated and decided on multiple agenda items to enhance governance transparency. It established a CEO succession plan to secure the company's management stability and continuity, and decided on purchasing its own stocks to enhance shareholder value through stock price stability. In addition, the Audit Committee Regulations were amended to ensure internal audit organization independence, resulting in the Audit Committee's right to provide consent on an appointment of an internal audit department manager.

Committees under the BOD

Dong-A Socio Holdings has set a BOD committee system in place to ensure efficient BOD operation, and operates three committees – the Audit Committee, Committee for Recommending Candidates for Outside Directors, and Evaluation & Compensation Committee. Total assets of Dong-A Socio Holdings as of the end of 2020 is less than KRW 2 trillion, which means that we are not obligated to set up an audit committee and a committee for recommending candidates for outside directors pursuant to the Commercial Act. We, however, preemptively adopted the Committee for Recommending Candidates for Outside Directors in September 2017 and the Audit Committee in March 2018. In addition, all members of the Evaluation & Compensation Committee and Audit Committee are outside directors and at least two-thirds of the members of the Committee for Recommending Candidates for Outside Directors are outside directors.

Audit Committee Dong-A Socio Holdings adopted and operates the Audit Committee to ensure independence and transparency of its audit system. The Audit Committee consists only of outside directors so that the Committee can maintain objectivity from a position that is independent from business execution organizations, such as the BOD and top management, while performing audit duties.

BOD Meetings in 2020

| Classification | Date | Agenda items | Whether passed | Internal director attendance (Total No. of directors) | Internal director Outside director attendance (Total No. of directors) |
|----------------|---------|---|------------------|---|--|
| Regular | Jan. 02 | Participating in DM Bio's paid-in capital increase | Passed | 3 (3) | 4 (4) |
| Extraordinary | Feb. 11 | Approving the 72nd settlement documents (separate financial statements) The CEO's report on the status of operation of the internal accounting system | Passed Report | 3 (3) | 4 (4) |
| Extraordinary | Feb. 20 | Approving the 72nd settlement documents (consolidated financial statements) | Passed | 3 (3) | 4 (4) |
| Regular | Feb. 25 | Reporting the business performance in FY 2019 | Report | 3 (3) | 4 (4) |
| | | Reporting the Audit Committee's evaluation on the status of internal accounting system operation | | | |
| | | Amending the BOD Regulations | | | |
| | | Amending the Audit Committee Regulations | | | |
| | | Amending the Committee for Recommending Candidates for Outside Directors Regulations | | | |
| | | Amending the internal accounting regulations | | | |
| Extraordinary | Mar. 20 | Approving the acquisition of the company's treasury shares Appointment of the CEO Appointing a member of the Committee for Recommending Candidates for Outside Directors | Passed | 3 (3) | 4 (4) |
| Extraordinary | Mar. 25 | Approving the issuance of the 104th non-guaranteed public-offering bond Approving the extension of borrowings Approving participation in a paid-in capital increase of Dong-A Medicare Approving the CEO succession plan Reporting countermeasures to a stock price plummet | Passed Report | 3 (3) | 4 (4) |
| Regular | Apr. 24 | Reporting business performance for the first quarter of 2020 | Report | 3 (3) | 4 (4) |
| Extraordinary | Jun. 03 | Approving trading with a stakeholder Reporting business performance for the first half of 2020 | Passed Report | 3 (3) | 4 (4) |
| Regular | Jul. 24 | Amending the Audit Committee Regulations Issuance of CP | Passed | 3 (3) | 4 (4) |
| Regular | Oct. 23 | Reporting business performance for the third quarter of 2020 Extending short-term borrowings and credit ceiling | Report Passed | 3 (3) | 3 (4) |
| Extraordinary | Nov. 13 | Reporting the 2020 ABMS management review Approving transfer of assets | Report | 3 (3) | 4 (4) |
| Extraordinary | Dec. 23 | Approving participation in a paid-in capital increase of Dong-A Medicare Approving the selling of real estate | Passed | 3 (3) | 4 (4) |

Composition of Committees under the BOD

● Chair ○ Member

| Committee | Roles and Functions | Jong-Hyeon Han (Internal Director) | Bong-Soon Cho (Outside Director) | Han-Sang Yi (Outside Director) | Chang-Jin Moon (Outside Director) | Dong-Chul Kim (Outside Director) |
|---|---|------------------------------------|----------------------------------|--------------------------------|-----------------------------------|----------------------------------|
| Audit Committee | <ul style="list-style-type: none"> Supervise directors' work Audit the company and subsidiaries Approve the selection and dismissal of outside auditors Other matters stipulated in the Articles of Association or bylaws in relation to audit work | | ○ | ● | | ○ |
| Evaluation & Compensation Committee | <ul style="list-style-type: none"> Establish performance evaluation and compensation criteria Evaluate the company and CEO performance Other matters related to the compensation system | | ○ | | ○ | ● |
| Committee for Recommending Candidates for Outside Directors | <ul style="list-style-type: none"> Examine qualifications of outside director candidates Recommend an outside director candidate as an agenda item submitted to an AGM | ○ | | ○ | ● | |

Audit Committee Operation in 2020

| No. | Date | Agenda items | Whether passed | Outside director attendance (Total No. of directors) |
|-----|---------|---|----------------|--|
| 1 | Feb. 11 | Reporting the status of internal monitoring mechanism operation The CEO's report on the status of operation of the internal accounting system | Reporting | 3 (3) |
| 2 | Feb. 25 | Reporting the completion of an internal accounting system advancement project | Report | 3 (3) |
| | | Approving an evaluation opinion document on the status of internal monitoring mechanism operation Approving an evaluation report on the status of internal accounting system operation | Passed | |
| 3 | Mar. 17 | Approving an audit report | Passed | 3 (3) |
| | | Finalizing AGM agenda and document investigation opinions Approving settlement for the first quarter of 2020 | Passed | |
| 4 | May 13 | Reporting audit activities, such as results of an internal audit in the first half of 2020 and internal audit plan for the second half of the year | Report | 3 (3) |
| | | Approving an internal accounting manager succession plan | | |
| 5 | Aug. 12 | Follow-up evaluation by an outside auditor in 2019 | Passed | 3 (3) |
| | | Approving settlement for the half year of 2020 Interim report on the status of internal accounting system operation | Report | |
| 6 | Nov. 13 | Approving settlement for the third quarter of 2020 | Passed | 3 (3) |
| | | Reporting the status of whistleblowing system operation in 2020 Reporting audit activities, such as results of an internal audit in the second half of 2020 and internal audit plan for the first half of the year | Report | |

The Audit Committee audits accounting and business from an independent position from top management and controlling shareholders; deliberates and makes decisions on matters delegated by the BOD; and supervises the execution of duties by directors and top management. In addition, it has the right to give consent on appointment and dismissal of an internal audit department manager to ensure internal audit organization independence.

Evaluation & Compensation Committee The Evaluation & Compensation Committee consists only of outside directors as part of efforts to establish a transparent and fair evaluation and compensation system. The Evaluation & Compensation Committee establishes standards on the company's performance evaluation and compensation, and the company annually evaluates employee performance and compensates employees according to the standards.

Committee for Recommending Candidates for Outside Directors

The Committee for Recommending Candidates for Outside Directors consists of three members of which two are outside directors. It is regulated that the chairperson be selected from among outside directors. We form committees, driven by outside directors, but include one internal director in the Committee for Recommending Candidates for Outside Directors to prevent self-empowerment of outside directors. The Committee impartially verifies whether an outside director candidate is in line with the interests of the company, shareholders and others, and satisfies the qualification requirements set forth in relevant laws and standards. It makes a final decision on whether the candidate is suitable for the company in consideration of expertise and capabilities, and recommends candidates. A meeting of the Committee was not held in 2020 since there was no agenda item on appointing an outside director.

Evaluation and Compensation

Remuneration of Dong-A Socio Holdings' internal directors is divided into base pay and performance-based bonus. Every year, the Evaluation & Compensation Committee differentially raises base pay by putting together the company performance evaluation, individual achievement evaluation, and others, and pays different performance-based bonuses, using 15% of an individual's base pay in the immediately prior business year as the criterion. The company's performance is determined by a comprehensive evaluation of metrical indexes that consist of sales and operating profit and non-metrical indexes that comprise strategic tasks and sustainable management indexes. Remuneration of outside directors is determined in accordance with an annual remuneration payment process. Total remuneration, paid to three internal directors and four outside directors as of the end of December 2020, is KRW 1.16 billion, and the average remuneration amount per person is KRW 166 million.

Evaluation & Compensation Committee Operation in 2020

| No. | Date | Agenda items | Whether passed | Outside director attendance (Total No. of directors) |
|-----|---------|--|--------------------|--|
| 1 | Feb. 25 | Approving the 2019 performance evaluation (draft) | Passed | 3 (3) |
| | | Approving the 2020 performance evaluation plan and compensation (draft) Approving the executives' basic annual salary table raise (draft) | Rejected Passed | |
| 2 | Jul. 07 | Approving the 2020 company performance evaluation (draft) | Passed | 3 (3) |
| | | Approving the 2020 executive performance evaluation (draft) Approving the compensation based on the 2020 performance evaluation (draft) | | |

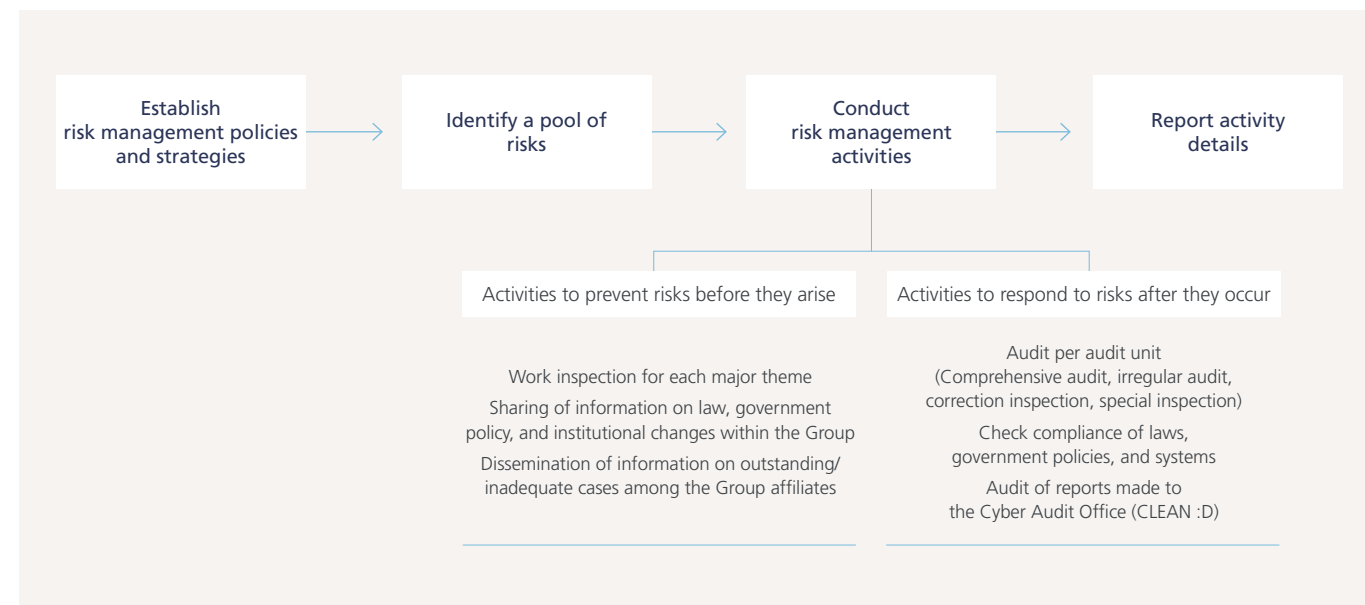
Risk Management

Dong-A Socio Holdings systematically manages various risks that may arise during business activities. In particular, we set an integrated risk management system that covers both financial and non-financial factors in place, preemptively strengthening risk management in preparation for rapidly changing business environments and increasing uncertainties.

Risk Management System

Dong-A Socio Holdings manages risks in a preemptive and systemic manner, with the Audit Office performing a central role. The Audit Office establishes risk management policies and strategies that are in line with the Group's establishment process for mid-to long-term and annual operation plans. Based on the established strategies, it selects themes with potential risks per work area of each Group affiliate, and based on these chosen themes, we strive to prevent relevant risks and minimize losses. These activities are categorized into risk prevention activities through work inspections by theme and follow-up response activities through regular audits. The Audit Office regularly and irregularly reports the outcomes of the series of these activities to the Audit Committee and the CEO, and regularly monitors the relevant status. In addition, for continued risk management, it identified risk areas that are appropriate for the Group's characteristics according to an operating process that comprises risk identification, evaluation, response, and monitoring.

Risk Management Process



There is a greater need to standardize and systematize risk management activities in line with social changes, such as the enactment of the Act on the Penalty of Fatal Accidents. The Audit Office therefore will strengthen its roles as a risk management control tower within the Group by establishing and internalizing standardized comprehensive principles and guidelines. It will also continue to identify risks, with a particular focus on work reviews for each theme, and improve them. In 2021, it plans to complete reviews on industrial safety and environment, including environmental risks, and production costs, with a focus on laws that are applied to Group the affiliates. It will also make continuous efforts to check risks aimed at identifying, responding, and preventing potential financial and non-financial risks in step with the rapidly changing business environment.

Risk Management Areas

| No. | Areas | Details |
|-----|-------------------------|--|
| 1 | Business | Overall company operation (Management planning, HR, general affairs, financial accounting, sales, marketing, receivables, purchasing & logistics, production, R&D, advertising & PR) |
| 2 | Employees | Personal corruption, violation of sexual ethics, conflict among employees, accidents & incidents |
| 3 | Customer Values | Unfair trade, leakage of customer information |
| 4 | Business Partner | Provision/receipt of money, goods and entertainment, illegal conduct of business partners |
| 5 | Governance Relationship | Inappropriate entertainment, rebate, accounting/tax irregularity, violation of the Fair Trade Act, compliance |
| 6 | Environment | Management of pollutant and waste, observance of environment/industrial safety-related laws as well as certifications and operation guidelines |

Risk Management Activities

Activities to Prevent Risks

Dong-A Socio Holdings strives to prevent risks. In particular, we inspect work and establish a process that leads up to institutional improvements in order to take preemptive measures before the occurrence of risks. We also share information with the Group affiliates on changing laws, government policies and systems, and make relevant preparations and conduct risk prevention activities. In addition, we disseminate outstanding and inadequate cases to improve the Group's overall work capabilities.

Production Cost We are carrying out a field inspection on all Group affiliates based on a checklist that consists of 102 items on the theme of checking the appropriateness of the production cost management process and inefficient factors in the area of production and providing information to top management for reasonable decision-making. The field inspection will be conducted until the first half of 2021 as there is a need for interviews with major production organizations and production site checks across the nation, and information on the results will be shared with the Group affiliates.

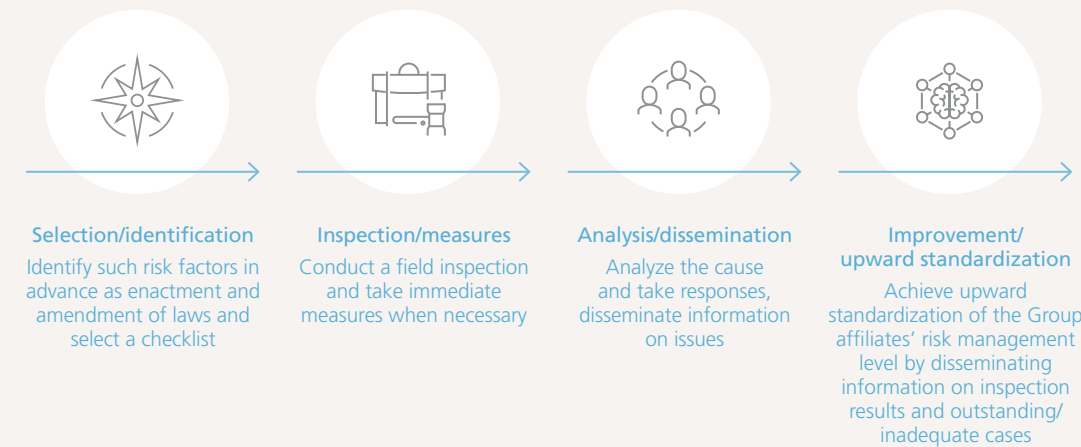
Main Areas of Risk Prevention in 2020

Industrial safety & Environment

There is an increased need for preemptive inspections on safety and the environment in business sites in accordance with the enforcement of the Occupational Safety and Health Act that was amended in January 2019 and enforcement of the Act on the Penalty of Fatal Accidents in January 2021. Dong-A Socio Holdings is thus carrying out risk prevention activities, with the Audit Office performing central roles. We are conducting industrial safety and the environment work inspections on all the Group affiliates, through which we seek to disseminate information on major amendments and issues and achieve upward standardization of the level of establishing and maintaining a safe work environment system.

Follow-up Activities to Respond to Risks

As follow-up activities for management and control of identified risks, Dong-A Socio Holdings' Audit Office conducts regular audits per audit unit through a comprehensive audit, irregular audit, correction inspection, and special inspection. By doing so, it checks process and institutional improvement progress with regard to weaknesses of each Group affiliate, and provides support so that systems can be improved and fully established through additional consulting on shortcomings. In addition, the Audit Office performs constant audit functions through the reports that are received through the Audit Hotline Reporting (CLEAN :D). From among the reports that were received in 2020, the Office conducted a total inspection on major reported matters, such as employee corruption and slackness of work discipline.



OUR APPROACH

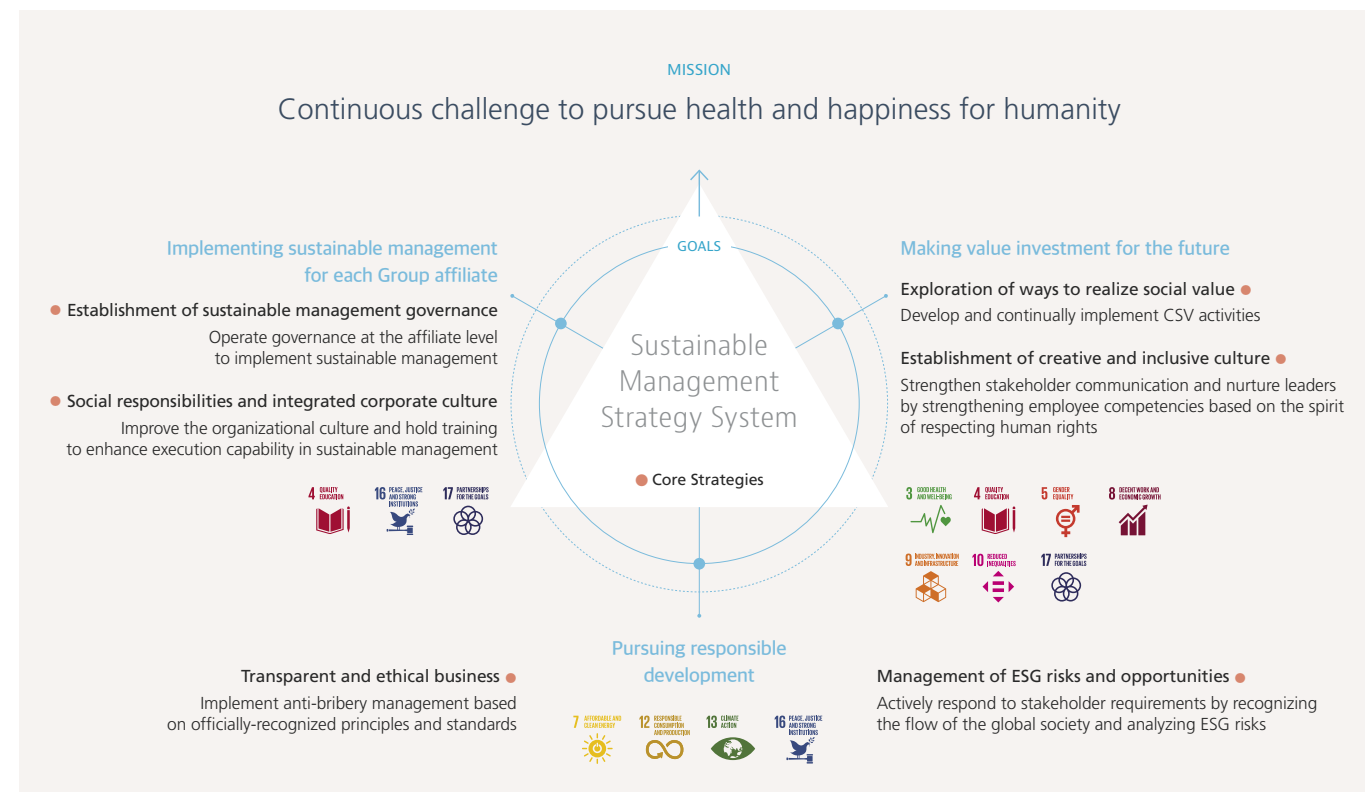
Sustainable Management

All members of Dong-A Socio Group work in unison to take on "continuous challenge to pursue health and happiness for humanity". To this end all Group affiliates, with Dong-A Socio Holdings performing a central role, combine their professional capabilities and fulfill corporate social responsibilities, realizing sustainable management.

Sustainable Management Strategy

As businesses' influence on society continues to grow, there is increasing stakeholder demand for environmental, social and governance (ESG) management, which pursues corporate sustainability in balanced consideration of financial performance on which importance has traditionally been placed, including sales and profits, and non-financial performance, such as the environment, safety, corporate ethics, and governance. In particular, global awareness of eco-friendliness is rising owing to the COVID-19 pandemic. Against this backdrop, companies in Korea are expediting ESG management from their respective position, including efforts to reduce use or recycle plastics and identify alternative energy.

Sustainable Management Strategy System



To actively respond to these external environment changes and internalize ESG management, Dong-A Socio Holdings created the ESG Planning Division, which consists of Jeong-Do (Fair) Management Team and HR Strategy Team of Dong-A Socio Holdings and CSR Team and Corporate Culture Innovation Team of Dong-A Pharmaceutical, and held a CSR seminar and sustainable management forum training to change employee awareness and roles for the better with the goal of systematizing Group affiliates' non-financial performance. In addition, Dong-A Socio Holdings is reflecting non-financial factors, such as organizational culture, social contribution, and the environment, in each Group affiliate's evaluation. We are also making utmost efforts to expand the sustainable management culture, placing the highest priority on minimizing environmental impact in diverse business areas by performed a central role in running the "Plastic Zero" campaign.

To achieve the Group's mission, "Continuous challenge to pursue health and happiness for humanity", Dong-A Socio Holdings has established three goals of its sustainable management – implementing sustainable management for each Group affiliate, pursuing responsible development, and making value investment for the future. Going forward, we will implement core strategies that are detailed by goal, thereby leading the Group's sustainable management and amplifying positive impacts on the global community.

Internalizing Sustainable Management

IT system for managing sustainable management performance

Dong-A Socio Holdings built an IT system on performance management in November 2020, based on which the company aims to more accurately and systematically manage the performance of each Group affiliate and transparently reflect relevant information in the integrated report. In addition, we will add ESG response, along with the existing financial performance, non-financial performance, economic value creation and distribution, CSV, and sustainable management performance system, so as to develop the system into one that can manage and visualize both sustainable management and ESG response.

Global initiatives

Joined the UN Global Compact Dong-A Socio Holdings joined the UN Global Compact (UNGC) in September 2020 as part of its utmost efforts to realize sustainable development and fulfilling social responsibilities. To this end, we will strive to internalize the ten principles set by the UN in the areas of human rights, labour, environment, and anti-corruption in our business activities, and thus contribute to achieving the UN Sustainable Development Goals (UN SDGs). In addition, we will increase our understanding of the opportunities and responsibilities that will result from the implementation of the UN SDGs to expand activities for sustainability of humanity in Dong-A Socio Group's own way.

Attended an ESG and anti-corruption working-level meeting Dong-A Socio Holdings attended an ESG and anti-corruption working group meeting that was organized by the UNGC Network Korea and attended by working-level people from relevant departments of member companies, including ESG, CSR, ethical management, legal affairs, and audit departments, and shared information on the practical corporate operation direction and future issues with member companies.

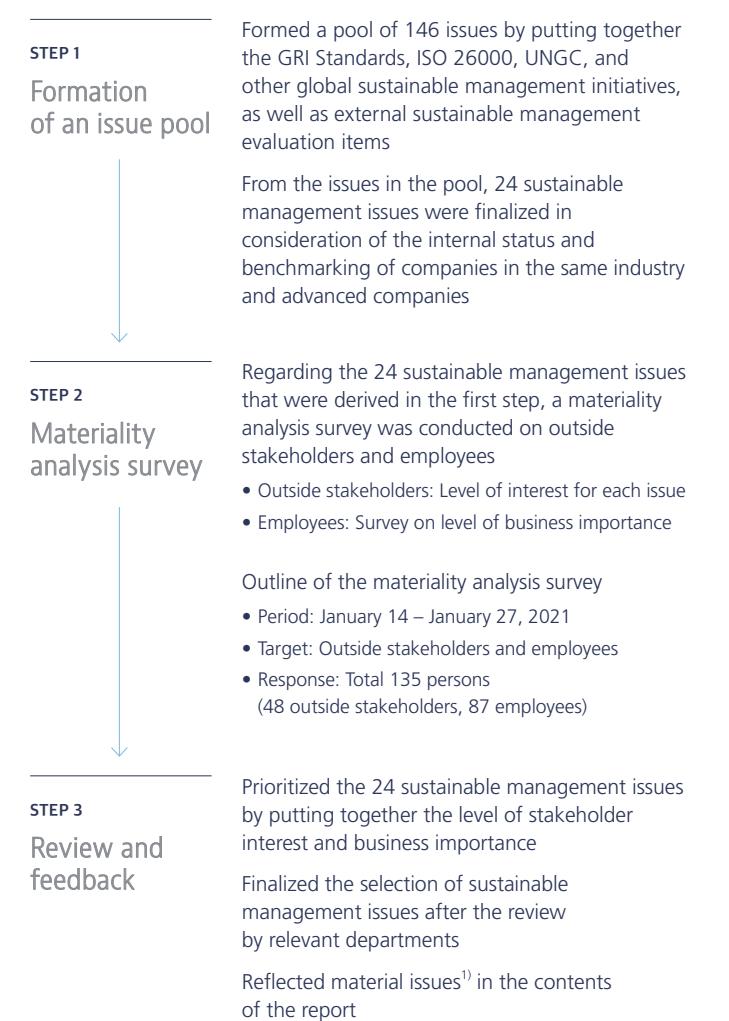
CSR seminar

In October 2020, Dong-A Socio Group held a CSR seminar and shared information on CSR strategies and direction, CSV strategies, and business application methods. Through the two-day seminar, the 39 members of the CSR Implementation Team of all Group affiliates worked together to identify ways to discover and realize social value in each company's field and business area based on six themes that can contribute to society in addition to Dong-A Socio Group's sustainable growth, including the Group's CSR strategies, framework for CSV strategy development, and impact business.

Materiality Analysis

Materiality analysis is a process of identifying sustainable management issues that impact the company and stakeholders. Dong-A Socio Holdings carries out a materiality analysis every year based on stakeholders' level of interest and business importance to derive material issues in the area of sustainable management.

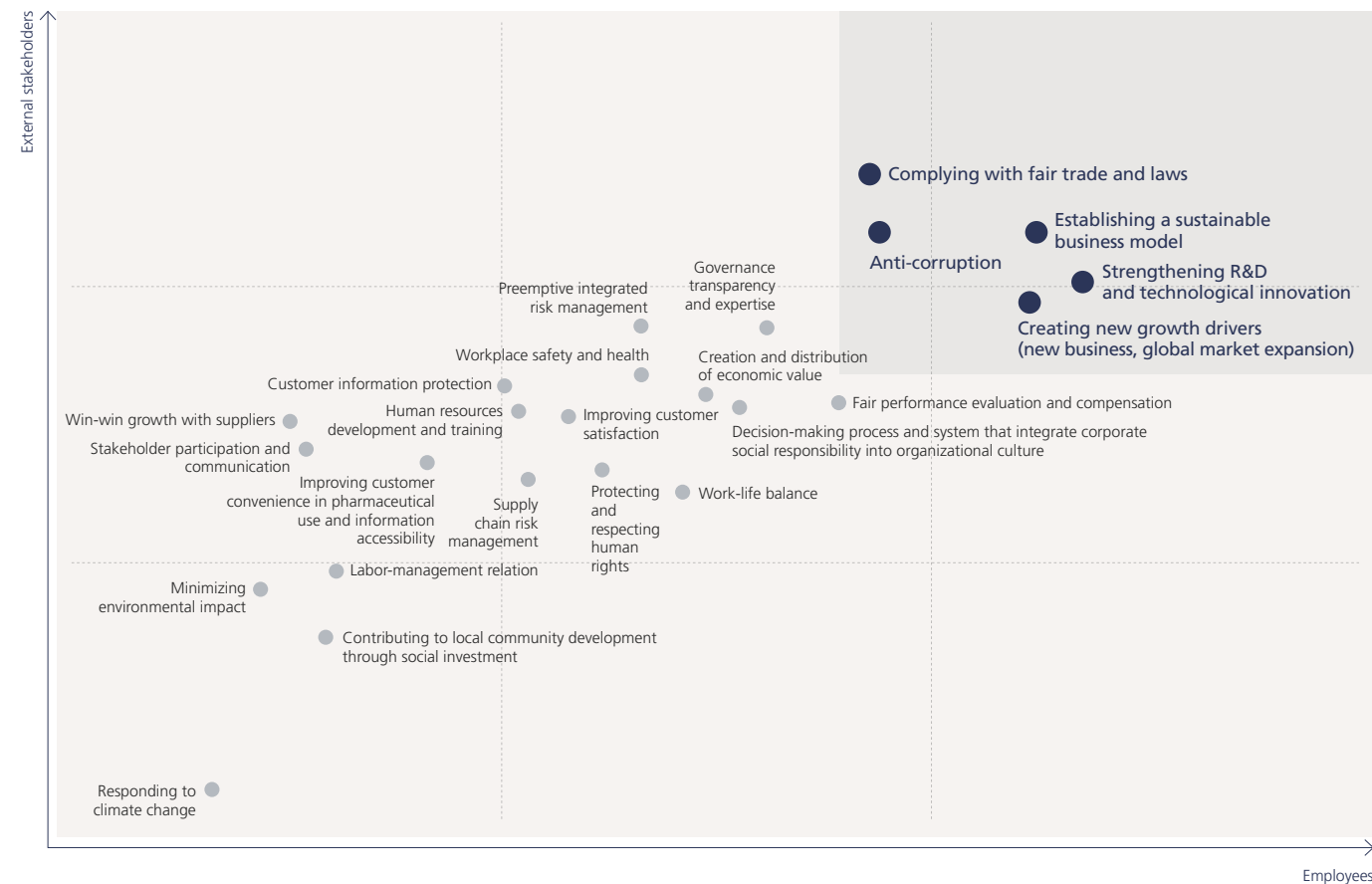
Materiality Analysis Process



¹⁾ Five major issues with the top average value of outside stakeholder and employee materiality analysis results

Materiality Analysis Results

As a result of a priority analysis on the 24 sustainable management issues, five issues were chosen as material issues – establishing a sustainable business model, strengthening R&D and technological innovation, complying with fair trade and laws, creating new growth drivers through new business and global market expansion, and anti-corruption.



2020 Material Issues

| Rank | Issue | Whether included last year | Average ¹⁾ | External stakeholders | Employees |
|------|---|----------------------------|-----------------------|-----------------------|-----------|
| 1 | Establishing a sustainable business model | | 4.60 | 4.60 | 4.60 |
| 2 | Strengthening R&D and technological innovation | | 4.59 | 4.52 | 4.66 |
| 3 | Complying with fair trade and laws | | 4.56 | 4.71 | 4.41 |
| 4 | Creating new growth drivers (new business, global market expansion) | | 4.54 | 4.48 | 4.60 |
| 5 | Anti-corruption | O | 4.51 | 4.60 | 4.43 |

Other Issues

- Governance transparency and expertise
- Fair performance evaluation and compensation
- Preemptive integrated risk management
- Decision-making process and system that integrate corporate social responsibility into organizational culture
- Creation and distribution of economic value
- Workplace safety and health
- Improving customer satisfaction
- Protecting and respecting human rights
- Work-life balance
- Customer information protection
- Supply chain risk management
- Human resources development and training
- Improving customer convenience in pharmaceutical use and information accessibility
- Win-win growth with suppliers
- Stakeholder participation and communication
- Labor-management relation
- Minimizing environmental impact
- Contributing to local community development through social investment
- Responding to climate change

¹⁾ Average value of outside stakeholder and employee materiality analysis survey results

Stakeholder Engagement

Dong-A Socio Holdings listens attentively to stakeholder opinions through various communication channels. Moving forward, we will make continued efforts to communicate with stakeholders and to have their valuable opinions be reflected in management activities for the company's sustainable growth.

Stakeholder Communication

Dong-A Socio Holdings defines its stakeholders based on the criteria presented by ISO 26000, which is an international standard on corporate social responsibilities, and conducts detailed examinations of the impact of its decision-making and management activities on individual stakeholders or stakeholder groups. In addition, we share information on our management activity outcomes and plan while also encouraging stakeholders to participate through various channels.

Stakeholder Communication Channels

| Stakeholder | Communication channel | Frequency | Major issues and expectations |
|--------------------------|---|---|---|
| Group Affiliates | DSC | Quarterly | Establish the Group-level policies and share information on the status |
| | Jeong-Do Management Committee | Quarterly | |
| | Employee training for the Group affiliates | Yearly | |
| | Website of Dong-A Socio Holdings | Year-round | |
| Shareholders & Investors | Jeong-Do Management Website | Year-round | Minimize management risks, enhance shareholder and investor value |
| | BOD | Quarterly | |
| | AGM | Yearly | |
| Local Communities | Meetings and phone-calls | When an issue arises | Support the underprivileged, contribute to the development of local communities |
| | Public disclosure | When an issue arises | |
| | CSR activities | When an issue arises | |
| Government | Provide training facilities of the HR Development Center in Sangju | When an issue arises | Respond to policies and regulations |
| | Presentations of and meetings with the Ministry of Employment and Labor | When an issue arises | |
| | Allbaro System (Waste management system of the Ministry of Environment) | When treating waste (once a year for final performance) | |
| Employees | Intranet (D-Portal) | Year-round | Strengthen employee communication and enhance employees' quality of life, share labor and human rights operation policies, and prevent workplace harassment |
| | Online welfare center (Ezwelfare) | Year-round | |
| | Webzine (With Dong-A) | Year-round | |
| | Dong-A Pharmaceutical Magazine | Monthly | |
| Partner Companies | Grievance Handling Counseling Center | When an issue arises | Fully establish fair operation practices by implementing anti-corruption, transparent management |
| | K-Whistle Helpline & Audit Hotline Reporting CLEAN :D | Year-round | |
| | Jeong-Do Management Website | When an issue arises | |
| | Internal mail | When an issue arises | |
| Partner Companies | Education | Yearly | |
| | K-Whistle Helpline & Audit Hotline Reporting CLEAN :D | Year-round | |

OUR VALUE

Alignment with UN SDGs



OUR APPROACH

Dong-A Socio Holdings has embodied the founding spirit of integrity, sincerity, and consideration in “Jeong-Do management”, and is fully establishing ethical management as an organizational culture. In particular, we have established relevant guidelines and systems; formed an organization in charge; obtained ISO 37001, anti-bribery management systems standard; and made other efforts to strengthen management transparency. In addition, against the backdrop of growing importance of information security as we are ushering into the Fourth Industrial Revolution era, Dong-A Socio Holdings strives to overhaul relevant systems. We have secured information security stability by acquiring ISO 27001 certification, an information security management systems standard, and will establish a global business response foundation by expanding the information security system throughout the Group affiliates.

KEY PERFORMANCE

Dong-A Socio Group held Jeong-Do Management Committee meetings four times.

Dong-A Socio Holdings successfully completed the second-year follow-up examination for ISO 37001 and the first-year follow-up examination for ISO 27001.

Dong-A Socio Holdings conducted an employee survey to identify the level of Jeong-Do management execution and a due diligence on business partners on the status of anti-bribery commitment.

Dong-A ST and Dong-A Pharmaceutical carried out an ISO 37001 follow-up evaluation.

Dong-A Socio Holdings, provided support for establishment of anti-bribery management systems (ABMS) at Yongma Logis, for the first time among the Group affiliates.



Integrity

94.5%

Employee participation rate in anti-corrupt education

97.0%

Employee participation rate in pledge to Jeong-Do Management in

192 companies

Due diligence on business partners

ISO 37001
ISO 27001

Completed the follow-up examination

* Based on the figures of Dong-A Socio Holdings

Ethical Management

Dong-A Socio Group has been staying true to its founding principles of “integrity” that reflects commitment to social justice, “sincerity” that is a purpose-driven mindset based on perseverance and endurance, and “consideration” for others to realize the value of sharing, based on which we strive to internalize ethical management and grow in a right way.

Dong-A Socio Group's Promise



Dong-A Socio Group's Charter of Ethics

1. Jeong-Do Management Implementation

In order to practice Jeong-Do Management, acting fairly with the right thinking, Dong-A Socio Group employees do our best to realize human health and happiness.

2. Human Respect Management

Respect the human rights and value of employees, Dong-A Socio Group employees do our best to welfare for fair personnel and happiness.

3. Social Responsibility Implementation

Comply with various laws and regulation, Dong-A Socio Group employees do our best to contribute to national economy and social development.

4. Pursue a Trusted Company

To be a trusted company, Dong-A Socio Group employees do our best to ethical act and fair performance of our duties.

5. Enhancement of Stakeholder Value

Dong-A Socio Group employees do our best to enhance the value of various stakeholders, with sustainable management.



Dong-A Socio Group's Code of Conduct

1. Preamble

The purpose of the Dong-A Socio Group Code of Conduct(“code”) is to stipulate the standards of conduct that all employees must follow.

2. General

Dong-A Socio Group employees should:

- 2.1 have pride, self-respect pride, and high ethical values, and do not defame the group or damage our individual dignity.
- 2.2 perform our duties in a fair and fair manner and comply with laws and regulations.
- 2.3 not disclose the information of the Group to the outside without prior permission or approval.
- 2.4 fulfill our duties such as preventing sexual harassment in order to create a healthy workplace atmosphere.
- 2.5 fulfill our obligations of mutual respect and create a creative and autonomous working environment.
- 2.6 not give preference to a specific person for reasons such as regionalism, school relations, and kinship.
- 2.7 not inflict property damages to the Group by using the assets of the Group for private use.

3. Social Responsibility

Dong-A Socio Group employees should:

- 3.1 fulfill our responsibilities and duties as a member of the community.
- 3.2 do our best to make the whole society happy through active participation in social contribution activities for the development of the community and environmental protection.
- 3.3 realize the value of consideration, service, and thrive together that have been closely related to the founding spirit.

4. Prohibition of Gift

Dong-A Socio Group employees should:

- 4.1 not engage in mediation or request to impede fair performance for our own or others' unfair advantage.
- 4.2 not request special consideration for a job position such as promotion and personnel appointment.

5. Prohibition of Acceptance of Financial or Other Advantages

Dong-A Socio Group employees should not exchange gifts, gifts or entertainment from stakeholders.

6. Prohibition of Unfair Trade Practices

Dong-A Socio Group employees should not make unreasonable demands by using our superior status, and select business partners based on objective and fair examination standards.

7. Donation

Dong-A Socio Group employees should support charitable works for the public interest in order to fulfill corporate social responsibility.

8. Responsibility for Stockholders

Dong-A Socio Group employees should provide reliable and transparent information of the company and protect the interests of shareholders faithfully.

9. Report System

Dong-A Socio Group employees should immediately report to Helpline or Audit Hotline Reporting upon finding out that whoever violated this regulation.

10. etc.

Inquiries regarding this code should be directed to Dong-A socio group Social responsibility Council secretariat (Holdings Jeong-Do Management Team).

Ethical Management System

Establishing Anti-bribery Management System

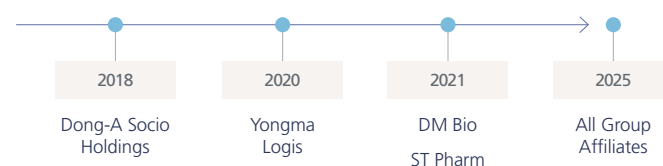
ISO 37001, an International Standard on Anti-bribery Management System In April 2019, Dong-A Socio Holdings received ISO 37001 certification, which is an international standard on anti-bribery management system designed to identify bribery that may occur in an organization in accordance with International Organization for Standardization (ISO) standards. This has great significance in that it is the first globally recognized standard in Korea that was issued after the British Standard Institution (BSI) received acknowledgment from the US American Society for Quality National Accreditation Board (ANAB) – an international recognition organization. As a result of continuous efforts to maintain and check the process and management standards for anti-bribery and anti-corruption, we successfully completed a follow-up management examination in 2020, which was the second year of ISO 37001 certification.

Dong-A ST and Dong-A Pharmaceutical are also maintaining ISO 37001 certification through a follow-up management examination as a result of company-wide efforts to prevent bribery, such as establishing an anti-bribery management system, providing education and training, and spreading the anti-bribery culture.

Anti-Bribery Management System (ABMS) To practice Jeong-Do management, Dong-A Socio Group's management philosophy, and fulfill social responsibilities based on this philosophy, Dong-A Socio Holdings has established and runs the Anti-Bribery Management System (ABMS) at the corporate-wide level. In 2020, we set the ABMS operation direction as specialization, advancement, and internalization, based on which we looked for the way to help the Group affiliates establish ABMS in our efforts to spread anti-bribery culture both internally and externally. With Dong-A Socio Holdings' Jeong-Do (Fair) Management Team performing a central role, we began supporting the establishment of ABMS by Yongma Logis as the first among the Group affiliates.

In June, we chose eight anti-bribery managers and internal auditors, mainly from the HR & General Affairs Team, which is in charge of risks at Yongma Logis, and provided ABMS theory training to 14 executives and internal auditors. In October, practical ABMS training was provided to seven teams to which the internal auditors are affiliated. The teams where the internal auditors belong to will be expanded from seven to 21 to support the appropriate, full establishment of an ethical management culture. We plan to complete ABMS establishment at Yongma Logis, and move forward with ABMS establishment at DM Bio and ST Pharm in 2021. Our plan is to complete ABMS establishment at all Group affiliates by 2025, and operate an independent ABMS through third-party certification.

Roadmap to Establish the ABMS at Dong-A Socio Group



Ethical Management Governance

Anti-bribery Audit Committee At Dong-A Socio Holdings, the Anti-Bribery Compliance Function consists of the Jeong-Do (Fair) Management Team, an organization exclusively in charge of Jeong-Do management; Jeong-Do Management Department Head, an anti-bribery manager; Internal Auditor who is in charge of Jeong-Do Management at the respective department; and Assistant Internal Auditor who can perform roles when an internal auditor is reassigned or absent. The Anti-Bribery Compliance Function participates in the Dong-A Socio Holdings Anti-bribery Audit Committee (HAAC) once a quarter and shares content related to anti-bribery. By doing so, it checks whether an anti-bribery goal within a team was achieved, identifies bribery risks that may arise while conducting work, and presents preventive measures, and is in charge of smooth ABMS operation and dissemination within the organization. In 2020, Dong-A Socio Holding's Jeong-Do (Fair) Management Team included the Quality Management Team within the ABMS certification scope, and additionally fostered one Internal Auditor and three Assistant Internal Auditors.

Jeong-Do Management Committee Dong-A Socio Group operates the Jeong-Do Management Committee to establish ethical management policies at the Group level and share information on the status. It consists of the internal audit department heads, internal accounting managers, compliance department heads, and legal department heads of Dong-A Socio Holdings, Dong-A ST, and Dong-A Pharmaceutical, and its purpose is to fully establish and spread ethical management within the Group. Major matters presented for discussion include planning and implementing, providing training, publicizing the ethical management system, operating ethics programs, and evaluating the level of ethics. Details of the regular meetings, that are held every quarter, and extraordinary meetings are reported during regular BOD meetings of Dong-A Socio Holdings every quarter.

Key discussion agendas of the Jeong-Do Management Committee meeting in 2020 included the ISO 37001 follow-up management examination, Dong-A Socio Group's ESG evaluation results, status and plan for Yongma Logis' ABMS establishment, reporting channels, and regulation violation. In particular, the attendees shared relevant information with regard to regulation violation, and discussed whether to provide prize money and the amount in consideration of the reported content's level of contribution to the company, after which prize money was given to the whistleblower. Through such transparent and fair handling of reports that promote public interests, we are striving to expand the culture where anyone can make reports with a sense of trust.

Internal Auditors & Assistant Internal Auditors



Internalization of Ethical Management

Ethical Management Training and Pledge

Dong-A Socio Holdings developed and operates diverse ethical management training to inform employees of the importance of ethical management and to internalize ethical management, and also receives a pledge to practice Jeong-Do management. In 2020, 156 employees completed online lectures on the ISO 37001 in accordance with the annual anti-bribery training plan.

Status of Ethical Management Training and Pledge (Unit: %)

| Classification | 2018 | 2019 | 2020 |
|--|------|------|------|
| Employee participation rate in anti-corruption training | 86.2 | 83.9 | 94.5 |
| Employee participation rate in pledge to Jeong-Do management | 91.9 | 90.2 | 97.0 |

* Excluding employees in leave of absence

Jeong-Do Management Survey

In September 2020, Dong-A Socio Holdings conducted an internal Jeong-Do management survey on employees to identify the level of Jeong-Do management implementation, with the survey consisting of social responsibility indexes and internal/external Jeong-Do management practice indices. We plan to hold a survey every year to identify the organization's Jeong-Do management level, and to actually internalize it in employees' organizational work.

2020 Jeong-Do Management Survey

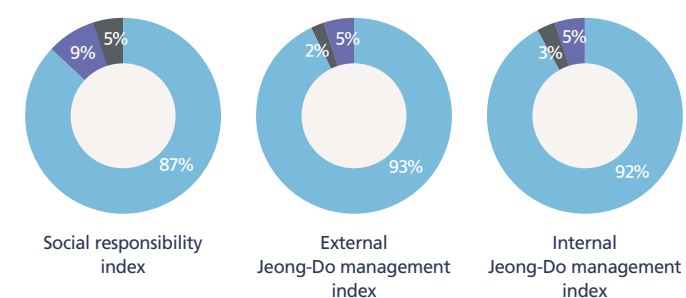
Survey items 22 questions in three areas

| Social responsibility index | External Jeong-Do management index | Internal Jeong-Do management index |
|---|--|---|
| The company's Jeong-Do management culture, human rights, environmental protection, social contribution, local community development, etc. | Transparency in selecting business partners, provision of funds to cover expenses to external stakeholders, dissemination of an anti-bribery culture, etc. | The company's social responsibility efforts, budget transparency, internal bribery and anti-bribery awareness, etc. |

Survey target and period September 7 – 16, 2020, 177 employees

Response rate 68.9% (122 persons responded)

Survey results ● Positive ● Moderate ● Negative



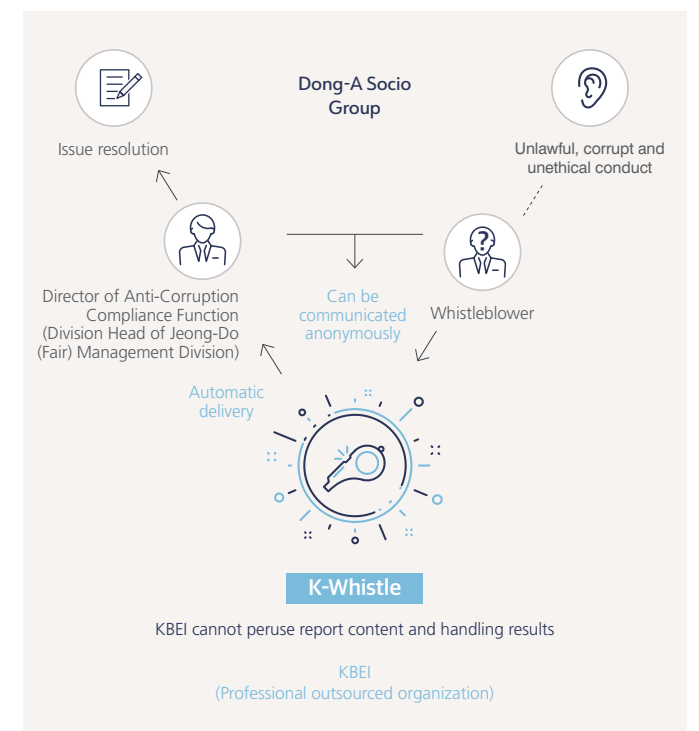
Stakeholder Communication Channel

Dong-A Socio Holdings operates the Jeong-Do Management website in Korean and English to inform internal and external shareholders, including shareholders/investors, consumers, and employees, of Dong-A Socio Group's Jeong-Do management philosophy and various sustainable management activities, thus more actively communicating with stakeholders. In accordance with Dong-A Socio Holdings' standards on improper solicitation and graft, we created "Recurrence Prevention Card News" for sharing on reported case in 2020 and posted it on the Jeong-Do Management website, while also carrying out other activities to change and improve anti-bribery awareness.

Ethical Management Reporting and Monitoring

Reporting System, K-Whistle Helpline Dong-A Socio Group has established the "K-Whistle Helpline", a whistleblowing system that is run by the Korea Business Ethics Institute (KBEI), an outsourced company, in order to enable internal/external stakeholders to report unlawful, corrupt, and unethical conduct. Reports that are received through the K-Whistle Helpline are delivered to Dong-A Socio Holdings' staff who is in charge of anti-corruption, which is followed by anonymous communication between the whistleblower and the Director of Anti-Corruption Compliance Function to resolve the issue. The system controls confidentiality so that all content related to a report remains confidential. A report that is received by the Director of Anti-Corruption Compliance Function is investigated upon approval from the Director of Anti-Corruption Compliance Function. For corrupt conduct, factors such as intentionality and gravity are comprehensively considered to refer the matter to the HR Committee and take HR measures. For reported content, prize money is provided after deliberation according to internal regulations, such as the level of public interests and company contribution.

Process of K-Whistle Helpline



Audit Hotline Reporting, CLEAN :D An effectively-organized whistleblowing system is essential as a tool for preemptive and follow-up management of risks. Dong-A Socio Holdings therefore reorganized Audit Hotline Reporting into “CLEAN :D” to strengthen the whistleblowing system’s anonymity, security, and feedback function. We upgraded the previous email receipt and PC-based whistleblowing system into a bulletin board format and mobile-based system, and use of the whistleblowing system was expanded from Dong-A Socio Holdings’ Audit Office to all Audit Offices of Group affiliates to result in strengthening of the Group’s report audit function. Through CLEAN :D, any stakeholder can make a report on the Group affiliate employee’s unfair work handling, unreasonable demand using his/her position, and corruption, and such reports are handled closed-door.

Anticipated Effects of CLEAN :D

| Before system reorganization | After system reorganization | Anticipated effects |
|---|--|--|
| Use PC | Use mobile devices as well | Increase accessibility to reporting |
| Report received based on email | Report received based on bulletin board | Resolve data loss risks |
| Unable to provide feedback when an anonymous report is made or if there is an email address misspelling | Enable to provide feedback and response to anonymous whistleblowers, and request for additional report | Increase credibility of Audit Hotline Reporting by strengthening the feedback function |

Whistleblowing Channel for Business Partners In 2020, Dong-A Socio Holdings completed a renewal of “Ethical Value”, an ethical management booklet that is distributed to business partners, by adding content on the K-Whistle Helpline whistleblowing system, and made pledge to anti-bribery policy and mutual ethical business relations. In addition, in consideration of difficulties in face-to-face training due to COVID-19, we included content on the K-Whistle Helpline whistleblowing system and major ABMS activities of Dong-A Socio Holdings in “Jeong-Do Management News”, which is distributed to A type business partners.

To externally express Dong-A Socio Holdings’ determination to practice Jeong-Do management, we applied a Jeong-Do management practice message box to the bottom of emails that are used by employees to communicate with stakeholders. We also arranged a QR code that connects to the webpage that provides information on K-Whistle Helpline so that business partners can immediately identify the whistleblowing channel when a relevant issue arises.

Spreading the Ethical Management Culture among Business Partners Dong-A Socio Holdings strives to build a sound trade culture with internal/external stakeholders. In particular, the company adopted the ABMS to enhance fairness and transparency in trade relations and to enhance the anti-corruption mindset among its employees as well as partner company employees, in addition to conducting inspections on business partners.

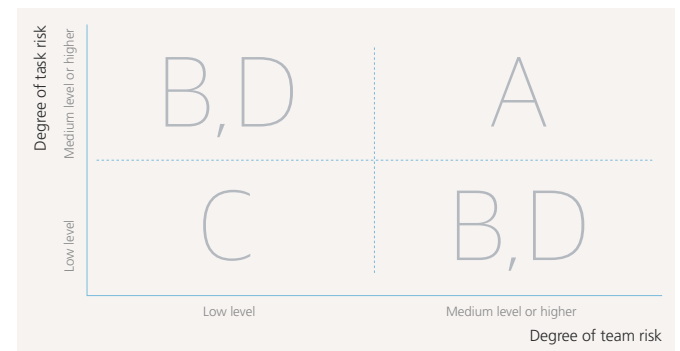
Regulations on Prohibition of Improper Solicitation and Graft Dong-A Socio Holdings applies the Improper Solicitation and Graft Act to stakeholders who are public officials and government employees. For internal/external stakeholders, including business partners and excluding public officials and government employees, the company’s regulations on prohibition of improper solicitation and graft are applied, and the main principle is to not give and receive.

Business Partners Due-diligence

Selection of business partners In July 2020, Dong-A Socio Holdings adopted an electronic approval system on business partner selection at the company-wide level. We guarantee transparent and fair business partner selection by commencing trade relations through a checklist with ten types of compliance content, such as bribery-related issues between a business partner and the company, in accordance with four defined steps.

Due diligence by business partner type Dong-A Socio Holdings evaluates the essence and scope of bribery risks related to trade, projects, activities, and business partners within a specific category in accordance with ISO 37001 requirements. To this end, we perform a due diligence after categorizing business partners into different types depending on the degree of ‘innate risk’ that is determined by the team that carries out work with a business partner with which trade was conducted in the year and the degree of ‘comprehensive risk’ that is determined by the Jeong-Do (Fair) Management Team. For A type business partners, a request is made to visit the company for a face-to-face due-diligence and training. B type business partners are requested to fill out a risk evaluation and due-diligence table via email, and are informed of ethical values that should be mutually observed, including Dong-A Socio Holdings’ anti-corruption policy. C type business partners are informed of Dong-A Socio Holdings’ anti-corruption policy, and share their ethics-related policies. D type business partners, which is a category that was created in 2020, are provided with information that asks them to access the due diligence corner for business partners on the Jeong-Do Management website. Accordingly, D type business partners access the website to complete a due diligence.

Business Partners Due-diligence in 2020



- A type 19 companies
 - B type 2 companies
 - C type 113 companies
 - D type 58 companies
- Total of 192 companies**

Information Security

A company’s trade secret information and personal information leakage can lead to financial loss, such as a lawsuit, and decreased sales resulting from a worsened corporate image, which in turn may have negative impact on corporate value. An information security issue leads to a rise in operational risk, one of the major risks that hinder sustainable management, and also frequently accompanies legal, financial and reputation risks. In particular, the importance of information security is gaining greater emphasis due to an increase in non-face-to-face work using an IT infrastructure, accelerated by the COVID-19 pandemic, as well as changes in the external environment, such as strengthening of relevant regulations, including amendments to the three data-related laws¹⁾ that were enforced in August 2020.

Dong-A Socio Holdings has established and/or amends its information security policy and guidelines based on relevant laws and each department’s work process, based on which the company manages information security risks through such activities as information security audits, training, and risk assessments.

Information Security Management Execution System

Information Security Process

Dong-A Socio Holdings’ information security activities mainly consist of four – governance, increase awareness, establish a system, control and monitoring – based on the “Plan → Do → Check → Action” process. We fully understand that information security is a way to improve the Group’s overall credibility and to create value for stakeholders. We therefore carry out the four information security activities with participation by all employees, ranging from managers to executives and working-level staff, according to an annual plan, and promote continuity and internalization.

| | |
|------------------------|---|
| Governance | Held Information Security Committee meetings twice, and the Group affiliate Information Security Committee meeting once Measured an information security effectiveness and conducted management review once |
| Establish a system | Maintained ISO 27001 certification Established and amended information security policy and guidelines (60 items resulting from amendments to the 3 data-related laws and internal organizational change, among others) Handled the Group affiliates’ internal information security issues and provided guidelines |
| Control and monitoring | Established an internal security audit process and conducted a security audit on major departments Conducted a risk assessment on all departments and identified risks Diagnosed vulnerabilities for each important system |
| Increase awareness | Provided personal information security training to all employees seven times a year Held the corporate-wide Information Security Day three times Conducted training to respond to infringement incidents at the company level (malicious mail mock training) |

Information Security Policy and Guidelines

Based on the “Information Security Declaration” announced in 2019, Dong-A Socio Holdings established an information security policy and 12 lower-level guidelines for different areas, and shares them with everybody related to the company’s operations, including employees, partner companies and visitors, and encourages strict compliance. We are continually amending the relevant policy and guidelines in accordance with changing work processes and strengthening regulations.

Dong-A Socio Holdings is also making utmost efforts to protect customers’ valuable personal information by observing the Personal Information Protection Act. We disclose our “personal information processing policy” on our website, thus transparently disclosing information on the purpose of personal information processing, personal information processing and retention period, consignment status, and contact information for the Chief Information Security Officer (CISO) and personnel in charge, as part of our efforts to protect customers’ rights and interests.

ISO 27001 Certification

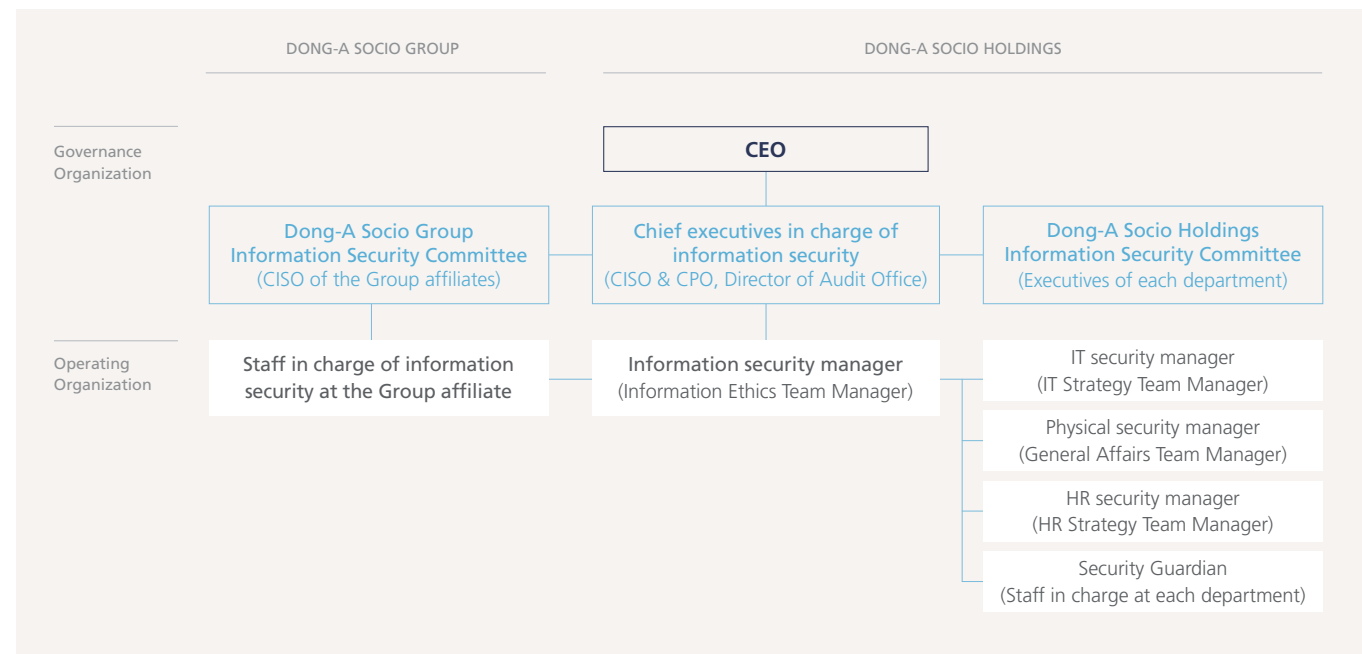
Dong-A Socio Holdings strives to protect information, which is an important asset for organizational operation and survival, from security threats. To this end, we established a management system that includes policies, physical security, access control, and legal compliance, by applying ISO/IEC 27001, an international information security standard that was established by the ISO, and accordingly received certification from the BSI in 2019. We are required to receive a follow-up evaluation in relation to the certification every year to maintain and inspect the information security management system, and also a certification renewal evaluation every three years. In 2020, Dong-A Socio Holdings passed a follow-up management evaluation, thus proving that its information security management system has fully become a corporate culture.

Information Security Governance

In June 2020, Dong-A Socio Holdings transferred the function of information security and related data management from the IT Strategy Office to the Audit Office, which handles risk management and internal audits, aimed at strengthening independence of information security function. In December, we created the Information Ethics Team, an organization exclusively in charge of information security, within the Audit Office. The Team will oversee management of the internal information security system and perform control tower roles for all Group affiliates. Our Audit Office Director holds both CISO and Chief Privacy Officer (CPO) positions, and we formed a council that is participated in by IT, general affairs, and HR departments to enable quick decision-making on matters related to IT security and physical, HR, and personal information security. In addition, 14 Security Guardians were chosen from manager-level officials at different departments, to ensure quick execution of information security work.

¹⁾ Three laws that standardize data use – Personal Information Protection Act, Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc., Credit Information Use and Protection Act

Information Security Governance



Dong-A Socio Holdings formed the Information Security Committee, consisting of executives from each internal department, for major information security decision-making, and also provides relevant training to enhance all executives' information security awareness before holding Committee meetings. In addition, all Group affiliates designated a CISO and made a relevant report to government departments. Also, a Group affiliate Information Security Committee that comprises CISOs is run so as to disseminate Dong-A Socio Holdings' information security trend throughout the entire Group.

Spreading an Information Security Culture

Increasing Employee Awareness of Information Security

Dong-A Socio Holdings is continually improving the level of employee awareness of information security by providing on/offline information security training to all employees. In addition, we designated the "Information Security Day" to form a consensus on security at the corporate-wide level, and carry out such activities as shredding documents and training employees at least twice a year. In particular, a corporate-wide mock training on malicious mail was carried out in 2020 to arouse employees' attention to security incidents.

Expanding Information Security Management among the Group Affiliates

The information security section of the internal accounting system was recently strengthened based on the "Act on External Audit of Stock Companies", and external stakeholders are steadily showing greater interest in information security, such as increased customer demand in relation to personal information security of shopping mall and logistics business companies. In response, we are identifying the detailed security requirement for each business, including pharmaceutical and logistics, and analyzing the status for each

Group affiliate, aiming to be in line with the information security direction and operation level that we are currently implementing. If needed, Dong-A Socio Holdings will look into acquisition of ISO 27001, which is an international standard on information security, or ISMS-P certification, which is a domestic standard, or creation of an organization exclusively in charge of information security, thus performing assistant roles so that the information security system can be fully established at the Group level. In addition, by engaging in such activities as holding the Group affiliate Information Security Committee and Group affiliate "Information Security Day", we will promote smooth information-sharing among the Group affiliates and quick decision-making.

Expanding Information Security Management to Partner Companies

There is a risk of information being leaked while working with a partner company even when information security is strengthened internally, and this is why there is a need for continued management. Dong-A Socio Holdings therefore demands partner companies to comply with essential information security policy, and amends policy and provides relevant training. The system for managing information security risks of partner companies will be strengthened to prevent security incidents and reduce information security risks.

Amendments to Partner Company Information Security Policy

- Specify information security articles when writing a contract
- Request a written pledge on information security and personal information security of partner companies and their employees
- Strengthen security control of reception/restricted/controlled areas, request security pledge and provide training to partner companies that enter restricted/controlled areas

Alignment with UN SDGs



OUR APPROACH

Talent is the foundation and driver of sustainable corporate growth. Dong-A Socio Group is therefore providing support to employees so that they can take the lead in developing their professional capabilities and achieving growth based on an advanced Human Resource Development (HRD) system. In particular, we are systematically fostering leaders from a mid- and long-term perspective, and providing a problem solving-type job training and digital learning platform. In addition, against the backdrop of strengthening regulations on industrial accidents, Dong-A Socio Group strictly complies with relevant laws and focuses on enhancing safety management capabilities in diverse aspects by establishing a safety management system and governance, internalizing a safety culture, and making other efforts. We also implement welfare policies that consider not only our employees but also their families, and thus increase employees' sense of pride and engagement, while also helping them strike the right balance between work and life.

KEY PERFORMANCE

Dong-A Socio Group integrated each Group affiliate's learning site into "SooSeok Academy", a learning platform of the Group.

Dong-A Socio Holdings joined the UN Global Compact (UNGC) and declared support for ten principles in the areas of human rights, labour, environment, and anti-corruption.



Humanity

364
persons

No. of people completed the Dong-A Mentoring

28.3
hours/person

Job training hours

182 persons
(YoY increase of 19.7%)

Nurturing of internal instructors

22.6
hours/person

Industrial safety & health training hours

* Based on the figures of Dong-A Socio Group

Human Resources Management

People of Dong-A

A person who works together and becomes fully concentrated in resolving an issue, a person who enjoys learning and knows how to change him/herself, and a person who creates outcomes honestly and knows the value of sharing. Dong-A Socio Group refers to such talent as "D-STYLE talent" and supports their continued growth and strengthening of capabilities.

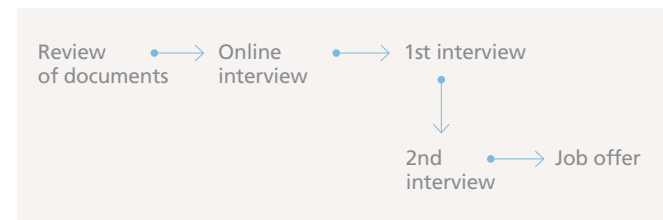
Talent Recruitment

Dong-A Socio Group focuses on recruiting outstanding talent from the perspective of corporate competitiveness. In particular, Dong-A Socio Holdings, as the holding company, makes diverse efforts to help the Group affiliates attract excellent talent. To this end, we have made the recruiting process easier by organizing the Group's open recruitment, and adopted an AI-based capability interview system to establish a more scientific, systematic system. We also regularly update job information so that job applicants can understand jobs at the company and apply for a suitable job group, thereby establishing a system that enables win-win between the company and applicants.

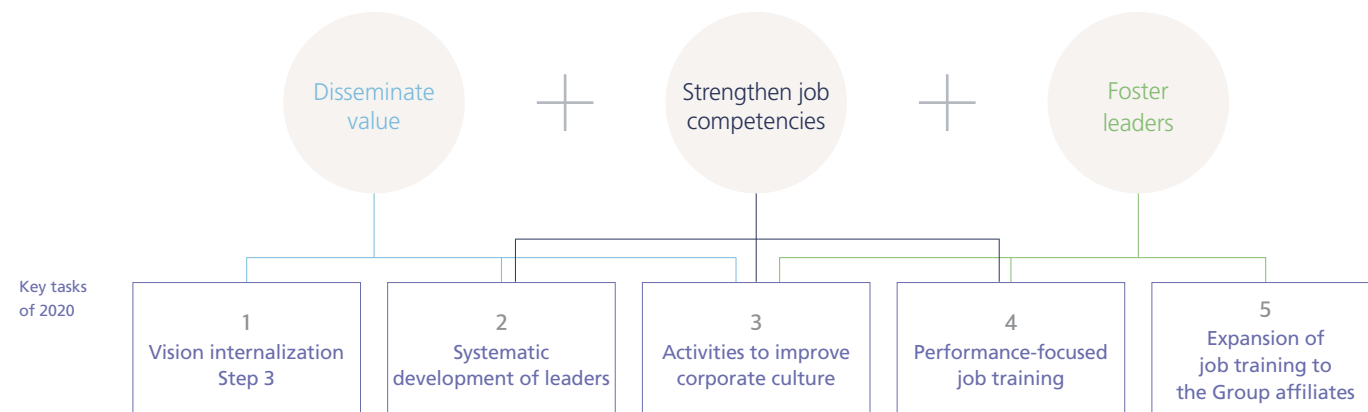
Human Resources Development

Dong-A Socio Group runs a wide array of training programs, aimed at disseminating value, strengthening job competencies, and fostering leaders, thereby developing distinctive competitiveness and leading the growth of individuals and the organization. Our employees are determined to develop job competency and also are highly interested in learning knowledge throughout their entire lifecycle, in addition to job-related content. Dong-A Socio Group therefore reviewed the adoption of an "Individual Development Plan (IDP)" system in 2020, with the "One HR TF" taking the central role, in order to help employees establish their own competency development plan. We will test-run the system at Dong-A Socio Holdings starting in the first half of 2021, and the target will be expanded to Dong-A ST, Dong-A Pharmaceutical, and DM Bio in 2022.

Recruitment Process



2020 Talent Fostering Strategy System



Leadership Training and Vision Sharing Training

Aiming at fostering leaders who will achieve the mission, "Continuous challenge to pursue health and happiness for humanity", Dong-A Socio Group provides training every year to each level of employees, classified into managers, seniors and juniors, based on the Group's mission, vision, and training philosophy. In connection with training for each level, we operate the "Didimdol" course to strengthen basic job skills. We also provide corporate-wide vision internalization training for the Group affiliates to share the vision and mission and to generate synergies.

In 2021, we seek to more systematically foster talent by establishing a new leadership pipeline. We will operate the Assessment Center (AC) and Development Center (DC) for parallel execution of competencies and verification that are required for each position, through which we will complete modeling of leadership capabilities, that are in line with the position system, and will hire and nurture Dong-A-type talent who can perform key roles. In addition, we will synchronize key value training to achieve VISION 2025 with training for internalization of roles by position. We are also planning team communication workshops to establish a Group-level organizational culture and a Dong-A-type facilitator¹⁾ course to build a proper meeting culture in the mid- to long-term future.

Leadership Training by Position In 2020, leadership training took place on a total 16 occasions, ranging from new employee training to executive training, and the cumulative number of trainees reached 497. It was mostly for employees who were in new positions. Leadership training that is in line with the trend was provided through special leadership lectures.

Vision Sharing Training The "Online vision course" that was provided to all employees was aimed at reminding employees of the management ideology and philosophy as well as VISION 2025 and core values. The course was offered online in consideration of COVID-19, and 97.5% of the 5,123 employees subject to training completed the course, indicating a high participation rate. We plan to continually use the online vision course for new employees. In addition, the "Vision agent performance management" course was provided to 468 team managers who are performing important roles in realizing the vision to improve their performance management capabilities.

Performance of Vision Sharing Training in 2020



¹⁾ A person who develops and adjusts an individual's or group's problem-solving skills, thereby helping with the development of one's own solution towards an organization's issue and vision, or a person who performs arbitration and mediation roles in the execution process of training programs

Dong-A Mentoring Course To enable new employees to become a member of Dong-A Socio Group, we operate the "Dong-A Mentoring" course that helps them quickly adapt to the organization and improve work proficiency. In 2020, the program was participated by a total 182 mentor-mentee couples or 364 employees. All gathering events were held online due to COVID-19.

Performance of Dong-A Mentoring

| | |
|----------------------------|---|
| 20th (Nov. 2019-Apr. 2020) | 62 mentor-mentee couples, 124 employees |
| 21st (Apr. 2020-Sep. 2020) | 47 mentor-mentee couples, 94 employees |
| 22nd (Sep. 2020-Feb.2021) | 73 mentor-mentee couples, 146 employees |

Training to Strengthen Professional Job Competencies

We are planning to establish a Job Expertise Certification Program for the healthcare area to strengthen employees' job expertise. Our plan for 2021 is to strengthen the job competency of healthcare and new drug development areas through the Healthcare Competency Program. After providing job skill training through the Job Certification Program, achievement evaluation results will be used to certify a skill, thereby motivating employees towards self-development. In addition, we will establish the Digital Transformation (DT) Program to strengthen employees' digital capabilities, and offer a collaboration platform usage course and a digital healthcare and digital capability-strengthening course.

Training to Strengthen Healthcare Competencies To develop competitiveness by strengthening competencies in healthcare, Dong-A Socio Group's key business area, we created a course for sales/marketing, production, development, and global to offer job-specialized training. The healthcare course consists of online live classes and independently-produced content.

Training to Strengthen Core Job Competency Program of the Group Affiliates We chose common job competencies of the Group affiliates and established a Core Job Competency Program by series of job and competency level, and offered training in a way that employees voluntarily participated in learning according to their need. In 2020, we formed a total 30 courses, including courses that are needed by the office job group, such as video editing, data visualization, infographics, data handing using the Microsoft applications which includes Excel, Word, and PowerPoint, and financial accounting. A total 543 employees completed the courses across 22 occasions.

Performance of Job Training

| Classification | | 2018 | 2019 | 2020 |
|-------------------------------|--------------|--------|--------|--------|
| Job training hours | Hour | 53,107 | 49,876 | 80,118 |
| Job training hours per person | Hours/Person | 20 | 18 | 28 |

* Based on the figures of Dong-A Socio Holding, Dong-A ST, Dong-A Pharmaceutical, and DM Bio

“SooSeok Academy”, a Learning Management System

The pace of digital transformation has been accelerated driven by the Fourth Industrial Revolution and the COVID-19 pandemic, which in turn requires for the capability to analyze big data that is gathered at digital platforms and leads to the growing importance of big data-based decision-making. Amid these changes, training programs are also rapidly shifting from face-to-face to non-face-to-face training, and diverse training is taking place as web-based individual learning through live classes or online content. In addition, there is a need for individual-driven career development programs amid increasing demand for active self-development, where an individual learner takes the lead in establishing and executing a learning plan.

“SooSeok Academy”, a Learning Management System (LMS), which was adopted to establish anywhere-anytime learning platform in April 2019, has supported all types of educational course forms including both online and offline live class. We also integrated learning sites that were run by each Group affiliate into the SooSeok Academy and operated common trainings and legally-required trainings at the Group level. As a result, number of contents learned by employees has been significantly increased from 17,000 in 2019 to around 65,000 in 2020. In particular, the HR Development Center produced 120 learning videos on cases of the Group affiliates as part of efforts to disseminate know-how and knowledge within the Group.



Performance of SooSeok Academy

| Classification | Unit | 2018 | 2019 | 2020 |
|--|--------------------|-------|--------|--------|
| No. of contents completed by employees | Content | 1,850 | 17,000 | 65,752 |
| | Online | 1,000 | 10,000 | 12,738 |
| Contents | In-house developed | - | 80 | 190 |
| Expenses | KRW million | 120 | 89 | 99 |

Nurturing Internal Instructors

We have established a system to nurture internal instructors and run a course that enables application of knowledge to the Group affiliates to resolve issues, going beyond simple knowledge delivery, in order to nurture internal knowledge experts. We have been offering the course designed to nurture internal instructors as a regular course since 2019, and thus systematically develop new internal instructors. In 2020, we maximized training effects by adopting flipped learning¹⁾, and nurtured 32 new internal instructors.

¹⁾ Flipped learning in which trainees learn online first and then take offline lectures for learning and discussion-type lectures

Nurturing Internal Instructors

| Classification | Unit | 2018 | 2019 | 2020 |
|-----------------------------|--------|------|------|------|
| No. of internal instructors | Person | 105 | 152 | 182 |

Internal Instructors' Activities in 2020

| Classification | Unit | Internalization of the Vision | Didimdol Course | New employee training |
|----------------|--------|-------------------------------|-----------------|-----------------------|
| Value training | Person | 50 | 18 | 19 |

| Classification | Unit | GMP School | Marketing/Development/Global/IT | ETC selling model | Academy for common job trainings |
|----------------|--------|------------|---------------------------------|-------------------|----------------------------------|
| Job training | Person | 20 | 17 | 25 | 33 |



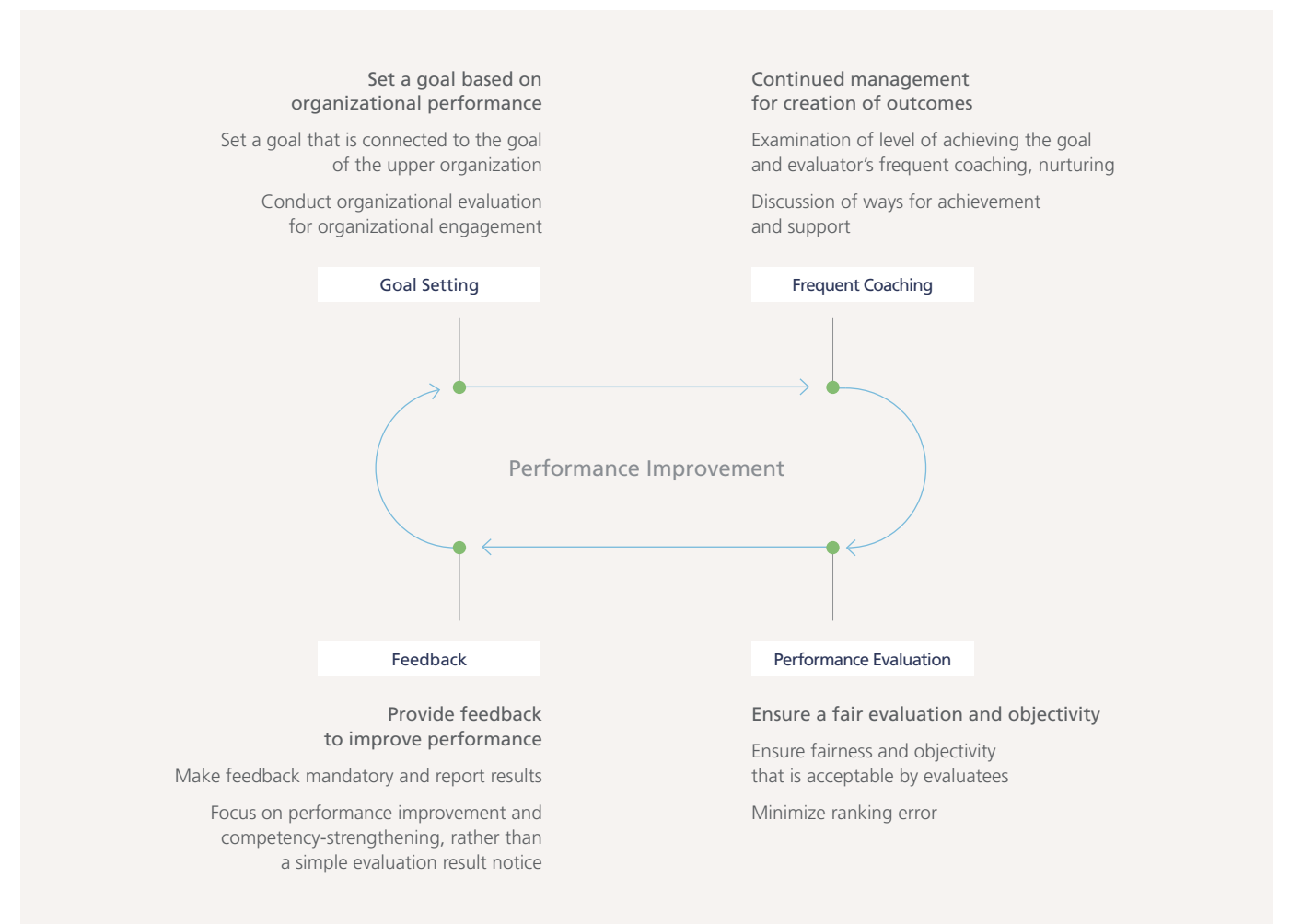
Performance Evaluation and Compensation

Dong-A Socio Holdings' performance management system consists of target-setting, mid-point examination, and evaluation, and evaluator training is conducted before each process. We are especially focusing on changing employees' understanding of performance management, and are striving to establish a culture that enables constant feedback between a leader and team member to have evaluations take place from the perspective of growth. For achievement evaluation, we encourage goal-setting from the perspective of improvement and challenge, and we provide evaluator guidelines and tasks to ensure effective feedback on an individual's goal during mid-point examination. We designed competency evaluation in a way that feedback is provided for

common/leadership/job competencies based on a five-point scale and short-answer questions per item from the nurturing perspective. In addition, to ensure fair performance evaluation, an evaluation by each department is followed by an evaluation session that is attended by the CEO and each division head to re-examine whether an evaluation that is appropriate for the roles and job is taking place, and the evaluation results are adjusted if needed.

We also run a multifaceted leadership diagnosis that can diagnose an individual's leadership from various perspectives of team members, superiors, and colleagues as a way to help leaders demonstrate better leadership.

Performance Management Process



Building a Happy Organizational Culture

“A company where employees are happy” is one of the most important values that Dong-A Socio Group pursues. We therefore run various programs designed to increase employees’ pride in the organization and work engagement as well as to create a happy workplace, including :D Together, :D Fun, :D Class, Dream Bookclub, and Didimdol that develops employees’ self-leadership, and support employees’ self-development. In addition, we are building a happy organizational culture by implementing family-friendly management that guarantees balance between employees’ work and personal life.

Family-friendly Management

Dong-A Socio Holdings run a wide array of family-friendly management programs so as to help employees strike the right balance between work and life. As a result, their sense of affiliation and pride in the organization has been increasing, and healthy employee sentiments towards work are maintained, leading to the effect of improved work engagement. An “online family-friendly management satisfaction survey” was conducted on Dong-A Socio Holdings employees in September 2020, and the results indicate that the satisfaction level is higher than the average of large companies in Korea. We will continue to actively collect employee opinions to strive to establish a corporate culture that strikes balance between work and personal life.

Programs to Build a Happy Organizational Culture

:D Fun

| | Goal | Outcome | Future plan |
|--|---|--|-------------------|
| Cultural performance to create a happy workplace | Create a pleasant work environment Establish an arena of communication through cultural performances | Held once in 2019, attended by 130 persons (Three-fold increase from the previous year) | Hold semiannually |

:D Class

| | Goal | Outcome | Future plan |
|-------------------------------------|---|-------------------------------------|----------------|
| Liberal arts lectures for employees | Establish an arena for liberal arts lectures that reflect employee demand | Twice in the first half of the year | Hold quarterly |

:D Together

| | Goal | Subject | Future plan |
|---|--|---|-------------------|
| Cultural activities together with the children of employees | Balance between work and personal life Enhance loyalty to the company | Employees accompanied with a child (age 8-10) | Hold semiannually |

Dream Bookclub

| | Goal | Subject | Future plan |
|-----------------------------------|---|--|---|
| Book rental service for employees | Relocated the Dream Bookclub to the Welcome Center to increase accessibility and establish a cultural space | Opened the Dream Bookclub at the Cheonan Plant to spread a reading culture | Held a book rental event at the Cheonan Plant and Yongin Research Center on May 9 and August 27, 2019, respectively |

Results of Employee Survey on Family-friendly Management

Satisfaction level of Dong-A Socio Holdings

12.5 points

*Average of large companies: 12.2 points (based on 15-point scale)

Family-friendly Management Programs

- **Vacations and Leaves** A prior notice is made on a yearly group leave plan at the beginning or end of the year so that work schedules are identified and adjusted, thus minimizing gaps in work during the leave period. Since leave plans can be known beforehand and all employees can rest during the same period, they are free in using their leaves and can accordingly anticipate a corporate culture where true balance is guaranteed between work and personal life.
- **Sabbatical Leave** Employees are given a ten-day paid sabbatical leave on the occasion of their 10th, 20th and 30th year of service. The purpose of the sabbatical leave is for an employee to find a future direction for performing new duties within the organization with the employee’s role change, and for the employee to have the time and opportunity for self-development. Employees are getting sufficient rest and recharging themselves during their sabbatical leave, resulting in increased concentration on work, improved creativity, and enhanced productivity.
- **Family Day** To spread a corporate culture where the right balance between work and family life is guaranteed, the Friday of the third week of every month was designated as “Family Day” on which there is a one-hour reduction of work hours.
- **Gifts for Employees’ Children** For Christmas, gifts that embody the hearts of parents are individually sent to homes for employees’ children aged five to 13. We also send gifts to employees’ children who are about to take the national college entrance exam to root for them.
- **Fund Support** For an employee who needs a loan to pay deposit money for the lease of a house due to an appointment to a location where he/she has no ties, a loan on daily life stability funds is provided from the Employee Welfare Fund.
- **Tuition Support** Support is provided to pay college tuition to ease the financial burden from child education. In 2020, the college tuition support range was expanded without limit.
- **Welfare Points** We enhance employee satisfaction through the welfare point system, where employees can choose and use various items and benefit content according to their individual needs. In 2020, a change was made so that welfare points are provided once (KRW 300 thousand) at the beginning of the year after an employee opinion survey, instead of the previous practice of providing welfare points three times a year.

- **Recreational Facility Support** We provide support to employees in making lodging reservations at corporate resorts and hotels. Also, a lottery-drawing event is held to use a condominium during the vacation season. The Sangju HR Development Center is operated as a summer vacation spot to provide a space for family rest during the summer vacation period. A lottery-drawing event on using a condominium for two nights during the summer vacation was held for an enjoyable vacation.

Certified as an Outstanding Family-friendly Company

The “Family-friendly Certification System” is where the Ministry of Gender Equality and Family certifies a company that exemplarily implements family-friendly management. Dong-A Socio Holdings received a new certification in 2017, and has earned qualification as a family-friendly certified company through 2022 by continually running various family-friendly programs. We will continue to establish a work environment that enables balance between work and personal life, and promote family-friendly management programs that enhance the quality of life of our employees.

Human Rights and Diversity

Dong-A Socio Group observes the Labor Standards Act, Equal Employment Opportunity and Work-Family Balance Assistance Act, and other relevant laws, and strives to build an environment where employees’ human rights and diversity are mutually respected and where employees can work happily and safely. Dong-A Socio Holdings joined the UNGC in 2020, and is internalizing The Ten Principles of UNGC in the Group’s management activities. Moving forward, we will pay continuous attention to human rights management and operate a well-established system, through which we will spread an organizational culture of respect for human rights and will fulfill our social responsibilities.

Attended the TGE Ambassador Forum

Dong-A Socio Holdings attended the “TGE Ambassador” Forum that was held on October 13, 2020. Target Gender Equality (TGE) is a global program that is aimed at improving the ratio of female executives at UNGC member companies. At the 2020 forum, discussions were held on the importance of female leadership and practical ways for companies to improve the female executive ratio through presentations on government policy trends and plans to strengthen female leadership in the private sector and on cases of outstanding global gender equality companies. Dong-A Socio Holdings will make continued efforts to strengthen female leadership by taking part in TGE.

Grievance Reporting Channel and Handling Process

To build an organizational culture where employees’ human rights are respected, Dong-A Socio Group examines workplace harassment, sexual harassment, and other human rights violation risk factors, and provides preventive training to all employees and engages in continued monitoring. To quickly identify and handle grievances related to workplace harassment, including employees’ human rights violation, sexual harassment, and sexual violence, we operate the K-Whistle Helpline, Audit Hotline Reporting, Grievance Counseling Center, and Dong-A Socio Group Human Respect Committee.

Win-Win Labor-Management Culture

Amid changes in the internal and external business environment and systems, we are making utmost efforts to further solidify cooperative labor-management relations. Dong-A ST and Dong-A Pharmaceutical, in particular, strive to ensure stable labor-management relations, centered around the labor union, based on which they seek to bolster corporate competitiveness.

Labor Union

Dong-A ST has established a labor union and Labor-Management Council, and is making continuous efforts to improve employees' quality of life of through improvements to worker rights and interests, job stability, and improvements to work hours, such as reduced labor hours. As a result, since the company's founding in 1932, it has continued its tradition as a zero-dispute business site, without even a single strike. It participated in the labor-management partnership program organized by the Korea Labor Foundation and was chosen as an outstanding case company for two consecutive years in 2015 and 2016. It was also chosen as an outstanding labor-management culture company in 2016. With the goal of ensuring job security and improving the company's competitiveness, both labor and management are striving to establish an advanced labor-management culture through participation, cooperation, and the spirit of harmony.

Labor Union Membership of Dong-A ST

| Classification | Unit | 2018 | 2019 | 2020 |
|---|--------|------|------|------|
| No. of persons eligible to join the labor union | Person | 316 | 356 | 368 |
| No. of employees who joined the labor union | Person | 234 | 222 | 229 |
| Labor union membership rate | % | 74.1 | 62.4 | 62.2 |

* Only production staff of junior employees can join the labor union of Dong-A ST in accordance with the collective agreement. The number of employees who joined the labor union is based on December 31 every year.

At Dong-A Pharmaceutical, the labor union and the company are cooperating for improving employees' welfare and corporate development based on a win-win labor-management culture and mutual trust. Information on the corporate management status is shared through the Labor-Management Council every quarter and regular discussions, and continued improvements are made to the HR system and welfare system. Since the establishment of the labor union in 1975, stable labor-management relations have been maintained as a zero-dispute business site, based on which efforts are made to promote common interests of labor and management.

Labor Union Membership of Dong-A Pharmaceutical

| Classification | Unit | 2018 | 2019 | 2020 |
|---|--------|------|------|------|
| No. of persons eligible to join the labor union | Person | 210 | 223 | 242 |
| No. of employees who joined the labor union | Person | 177 | 196 | 200 |
| Labor union membership rate | % | 84.3 | 87.9 | 82.6 |

* Only production staff of junior employees can join the labor union of Dong-A Pharmaceutical in accordance with the collective agreement. The number of employees who joined the labor union is based on December 31 every year.

Win-Win Cooperation Between Labor and Management

At Dong-A ST, labor-management relations begin with acknowledging that labor and management are different. Permanent communication channels were established between top management and the labor union, including the regular Labor-Management Council and wage collective bargaining, to understand and approach differences in each other's views and understanding. Dong-A ST plans to establish an arena for communication and discussion where all organizational members can achieve harmony, irrespective of job group, position, and number of years of continuous service. It will actively take part in major programs organized by the Korea Labor Foundation, including the Labor-Management Win-Win Plus Training, to realize a win-win labor-management culture and a good workplace. Both labor and management will strive to fully establish an advanced labor-management culture based on labor-management relations that place importance on consideration for others, concessions, trust, communication, basics, and principles.

In 2020, Dong-A Pharmaceutical implemented policies that took into consideration the health of employees as well as their families based on a win-win labor-management culture and in line with COVID-19 circumstances, such as the flexible work system and family care vacation system. It provided compensations and promoted employees without any discrimination between male and female employees by implementing gender equality and family-friendly systems, and increased labor-management consensus by securing diverse communication channels, including an open chat room. In addition, the company strived to improve treatment to workers and the corporate culture, including creating a 10-day sabbatical leave, in addition to the annual vacation, according to the period of continuous service and implementing funeral rite services. Dong-A Pharmaceutical plans to make a change to the HR system in 2021. Labor and management will understand and cooperate with each other with regards to the system change so as to prevent confusion among members, and recognize issues from the change and establish measures to ensure the establishment of a reasonable system and smooth operation.

Labor-Management Win-Win Cooperation Programs of Dong-A ST

| | |
|---|---|
| Quarterly Labor-Management Council | Establish an arena of harmony to build labor-management relations of win-win and harmony |
| Workshop to establish a win-win communication system of labor-management (twice a year) | Benchmark advanced labor-management culture and develop measures to facilitate organizational communication |
| Labor-Management Unity Sports Event | Establish an arena of trust and harmony between labor and management through a sports event |

Workplace Health & Safety

As industrial accidents of different sizes continue to occur, social interest in safety is rising and relevant regulations are being strengthened, including an amendment to the "Occupational Safety and Health Act" (enforcement date: January 16, 2020) and enactment of the "Act on the Penalty of Fatal Accidents" (enforcement date: January 27, 2022). In particular, with the amendment to the Occupational Safety and Health Act, the scope of safety management was expanded to all business sites, including suppliers, and other such responsibilities of business owners were strengthened. In addition, application of stricter laws and punishment is expected in the event of a serious accident, such as stoppage of operation and suspension of business. For this reason, business site safety management is growing in importance. Dong-A Socio Group is focusing on observing relevant laws and establishing safe business sites, and is making diverse efforts to strengthen safety management capabilities of the Group affiliates, Dong-A ST and Dong-A Pharmaceutical in particular.

Prevention-Centered Health & Safety Management

Dong-A ST is strengthening the compliance with occupational safety and health-related laws by performing regular inspections that are accompanied by a professional safety and health organization. Its Asset Management Team and Management and Planning Team are performing central roles in reviewing and overhauling the safety and health management system. In addition, key tasks are selected and implemented per organization and business site, including the Asset Management Team, Research Center, Cheonan Plant, and Dalseong Plant, to flexibly respond to various legal regulations and create social value.

Going forward, Dong-A ST aims to improve and develop its safety and health management system, with central roles performed by the HSE Subcommittee under the Social Value Committee. For more detailed safety management, the company will re-examine safety and health management regulations and effectively operate the Occupational Safety and Health Management Committee as part of efforts to enable employees to work in a safer, more pleasant environment. In addition, to prevent industrial and citizen accidents based on the Occupational Safety and Health Act and Act on the Penalty of Fatal Accidents, Dong-A ST will build a comprehensive compliance system, such as establishing safety and health measures for suppliers when a project is outsourced, in addition to overhauling its internal organization. Dong-A ST will implement prevention-centered safety management in 2021 by selecting such key tasks as strengthening field inspection rounds at business sites; obtaining and maintaining safety and health management system ISO 45001 certification; strengthening safety and health management of contractors, conducting risk assessments; and fostering industrial safety experts.

The amendment to the Occupational Safety and Health Act has resulted in an expansion in the protection scope and responsible entities and strengthening of corporate responsibilities. In response, Dong-A Pharmaceutical is faithfully observing relevant laws. In addition, the company formed the Occupational Safety and Health Committee, and established and implemented the safety and health management work procedure, responsibilities, and rights, with the Committee performing a central role, as part of continued efforts to create a safe business site.

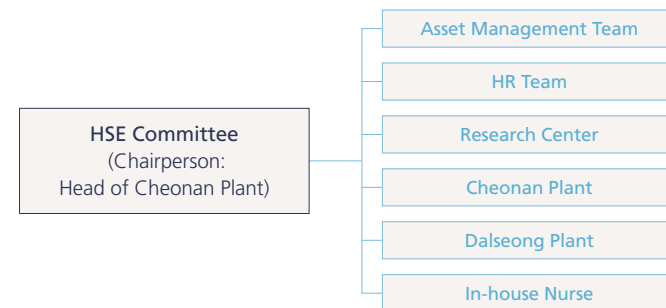
Dong-A Pharmaceutical's Health & Safety Management System

| Work Procedure | Roles & Responsibilities | Main Work |
|--------------------------------------|---|---|
| Establish a field system | Overall assessment manager (Establish) Field manager (Approve) | Establish a risk assessment system operation plan that is appropriate for the field Provide field system training to all employees and workers |
| Identify hazards | Manager per process (Part manager, manager) | Identify hazards of new and existing processes |
| Collect identified materials | Overall assessment manager | The overall assessment manager collects materials before a risk assessment meeting |
| Risk assessment meeting | Field safety manager Supervisor Safety manager Manager per process | Organized by: Team manager per department Member: Risk Assessment Team Cycle: Hold once a year Hosted, recorded by: Overall assessment manager Review and rediscuss matters not executed during the previous meeting Fill out a risk assessment table Determine the risk level Notify the date and time for the next meeting |
| Execute and check reduction measures | Field safety manager Supervisor | Establish reduction measures, provide training, and examine execution results |
| Safety training | Field safety manager Supervisor | Deliver risk assessment results to members during safety training |
| Safety inspection | Field safety manager Supervisor | Perform a safety inspection on hazards of focused management targets |
| Feedback (Re-examine) | Overall assessment manager | A safety manager re-examines matters for which measures were not taken |

Health & Safety Management Organization

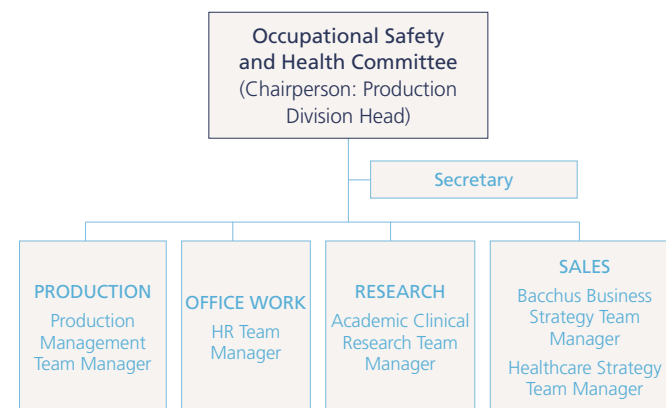
In July 2020, Dong-A ST formed the "HSE (Health, Safety, Environment) Committee", consisting of ten members in charge of occupational health and safety, including staff from Asset Management Team, HR Team, Research Center, Cheonan Plant and Dalseong Plant, as well as in-house nurse, within the Social Value Committee. Chaired by the Head of Cheonan Plant, the HSE Committee is a control tower in the areas of health and safety, and handles decision-making on relevant policies, plans, and activities. It is also in charge of monitoring the progress and implementation of legally-required training related to occupational safety and health laws and of applying industrial safety and accident prevention to the field.

Composition of Dong-A ST's HSE Committee



Dong-A Pharmaceutical has established a health and safety management system to prevent industrial accidents in each business area, and is implementing accident prevention measures for facilities, machines, apparatuses, and work methods. It also operates the Occupational Safety and Health Committee to promote the strengthening of personnel and material health and safety management. The Committee's chairperson is the occupational health and safety manager, a position filled by the Production Division Head. Committee members are the Production Management Team Manager, each plant's Production Support Team Manager, HR Team Manager, Academic Clinical Research Team Manager, Bacchus Business Strategy Team Manager, and Healthcare Strategy Team Manager.

Composition of Dong-A Pharmaceutical's Occupational Safety and Health Committee



In addition, a member serves as an administrative secretary to assist the work of the occupational safety and health manager and manage administrative work related to occupational safety and health. In 2020, Dong-A Pharmaceutical formed the Working Group for more systematic operation of the Occupational Safety and Health Committee, and discussed prior coordination and operation plan for agenda items. Also, an Occupational Safety and Health Committee meeting was held every quarter to share information on relevant law amendments (temporarily stopped after the second quarter). In addition, attendees shared information on occupational safety accident cases and derived improvement measures.

Internalizing the Health & Safety Culture

Health & Safety Training

In the fourth quarter of 2020, Dong-A ST provided health and safety training, one of legally obligated trainings, online for more efficient and systematic operations of the training, and 996 people completed the course.

Dong-A ST's Safety Training in 2020

| Worker training | Supervisor training |
|--|---|
| Completed by 1,245 persons, at least three hours every quarter | Completed by 23 persons, at least 16 hours every year |

Dong-A Pharmaceutical provides safety training to new and transferred employees, and has each team provide regular, monthly safety training to contribute to safety accident prevention. The occupational health and safety seminar that was planned for the first and second half of the year was cancelled due to COVID-19, but the company strengthened legally-required, constant, and transferred employee training, and made special safety training into regular training for machine and apparatus users at worksites.

Dong-A Pharmaceutical's Safety Training in 2020

(Unit: No. of person completed the course)

| Health and safety training | | Supervisor training |
|----------------------------------|---------------------------------------|-----------------------|
| 645 | | 9 |
| Office and sales worker training | New and transferred employee training | Field worker training |
| 554 | 34 | 48 |

Achieving Zero Industrial Accidents

Dong-A Pharmaceutical operates the safe work approval system to prevent serious industrial accidents and achieve zero accidents. When an outside company handles construction work, Dong-A Pharmaceutical prevents safety accidents and removes risks of danger by improving the work environment and regularly conducting safety inspections. In addition, for work environment and work management at its business sites, the company measures and evaluates how much laborers are exposed to hazardous factors that arise when work is carried out, in accordance with regulations stipulated in the Occupational Safety and Health Act, and measures the work environment within 30 days after a production site preparation tank and layout construction.

It also makes rounds inspecting production sites together with industrial hygienists and identifies the status of work environment management, and accordingly improves the work environment frequently. Before hiring and assigning employees to a job, the company conducts a physical examination to determine work suitability. It established an emergency communication network and response scenario per team in preparation for emergency situations, and provides training on how to respond to accidents. In October 2020, Dong-A Pharmaceutical conducted training on responding to harmful chemical substance leakage accidents according to emergency response scenarios, together with the Seobuk Fire Station in South Chungcheong Province and the Provincial Government of Chungcheongnam-do. Dong-A Pharmaceutical will set one month as an industrial health and safety week in 2021 and run related campaigns.

Employee Health Management Activities

Company Medical Office

To promote employee health and safety, a company medical office is operated at all times where professional nurses are stationed. Various OTCs and rest area are available inside the medical office for employee use at any time. In 2020, use of the medical office was restricted to comply with the government's quarantine guidelines in response to COVID-19 as well as the internal COVID-19 prevention guidelines that were implemented to promote employee safety. When employees felt dizzy or fatigued, they were immediately sent home so that they can rest while monitoring their conditions.

Health Medical Exams for Employees Over 45 Years Old

Dong-A Socio Holdings provides customized comprehensive health medical exams to employees aged 45 or more. This helps employees maintain good health by preventing and systematically managing illnesses that have a high possibility of occurrence. It also has the effect of increasing work engagement among employees who have found psychological stability. In 2020, 14 employees over 45 years old were benefited from this system.

Creating a Healthy Workplace

A monthly health exam and health counseling is provided, including blood sugar/cholesterol measurement, urine sugar test, and body composition analysis, to help employees increase their ability in managing their health. Employees can steadily receive tracking observation and a re-examination even after their health medical examination, which helps with timely identification of health risk signals. In addition, utmost efforts are made to prevent industrial accidents by establishing a pleasant work environment and work conditions.

Support for Flu Vaccine and COVID-19 Test Expenses

We encouraged all employees to get a flu vaccine in the flu season and covered all flu vaccination expenses. We also actively recommended employees to receive a COVID-19 test when they have a symptom as a measure to prevent the internal spreading of COVID-19, and fully covered test expenses.



Alignment with UN SDGs



KEY PERFORMANCE

Dong-A ST completed an evaluation on the possibility of impurities, including NDMA, for 123 items that use synthetic APIs.

Dong-A Pharmaceutical received "MasterControl Validation Transformation Award 2020".

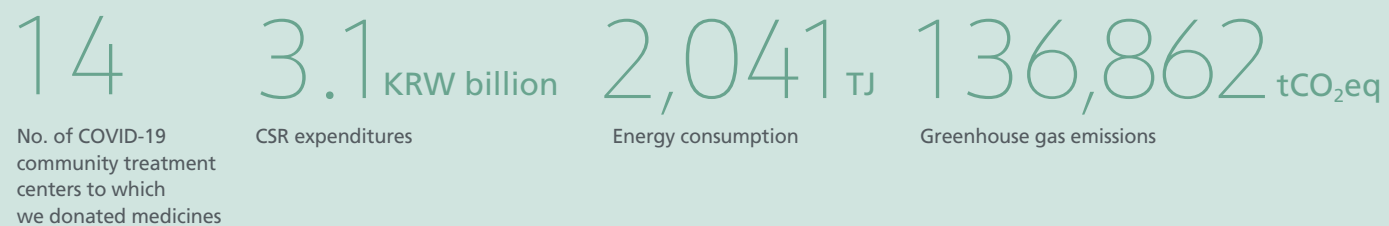
Dong-A Socio Group provided drugs to treatment centers across the nation to overcome the COVID-19 crisis.

OUR APPROACH

Dong-A Socio Group pursues economically, socially, and environmentally responsible management. In the aspect of customer value, we provide products and services that consider impact on consumer safety and environment, and generate distinctive customer value by implementing consumer centered management. In terms of social value, we carry out a wide array of social contribution activities that provide practical help to the local community based on corporate expertise and employees' sincerity. In particular, based on the slogan "Staying healthy together forever", Dong-A Socio Holdings has categorized social contribution activities of the Group into child & youth, senior, local community, and employee volunteer programs, and is conducting social contribution activities accordingly, in addition to marketing CSR activities through which we donate our products. In terms of social value, we are increasing relevant investments while strictly observing environmental regulations and policies, thereby striving to minimize negative environmental impact.



Responsibility



* Based on the figures of Dong-A Socio Group

Product Responsibility

Strengthening Product Safety

Chemical Substance Management

Dong-A Socio Group continues to strengthen chemical substance management, and strives to comply with relevant laws, including the Chemical Substances Control Act.

Harmful Chemical Substance Management System Dong-A ST's Cheonan Plant secured the MSDS¹⁾ by establishing a harmful chemical substance management process, and faithfully reports relevant content to managing government departments. It also continually carries out record management for each phase, ranging from incoming and outgoing to usage and discard. In addition, it provides relevant materials every year in accordance with the legal requirement regarding 'results of investigating chemical substance and waste discharge levels' of the Ministry of Environment and Provincial Government of South Chungcheong Province, and makes other such strenuous efforts to prevent chemical accidents.

Dong-A Pharmaceutical strives to strictly observe chemical substance-related laws. To this end, the company strengthens employees' individual capabilities through safety and health substance material training two to three times a year, and creates an MSDS for all chemical substances that are used and places the MSDSs at work sites at all times. At Cheonan Plant, a business site that handles harmful chemical substances, a manager, responsible employee, and technical employee are appointed, and chemicals are managed through continuous monitoring, including an internal inspection (once a week) and regular inspection (once a year). In October 2020, the company conducted a training on harmful chemical substance leakage accidents together with Cheonan City Hall and fire station, thus reinforcing the system for quick responses to disasters and accidents and contributing to the local community's efforts to strengthen chemical accident prevention. Dong-A Pharmaceutical plans to produce a document on handling harmful chemical substances and major procedures in 2021 and provide training to responsible employees as part of strenuous efforts to prevent chemical substance-related accidents. Also, the Cheonan Plant's mixed bed deionizer (MBD) system will be changed into a reverse osmosis (RO), electro deionization (EDI) system that does not use harmful chemical substances to remove risk factors and minimize the use of harmful chemical substances.

A business site that has a harmful chemical substance-handling facility needs to receive a safety inspection every four years from the Korea Environment Corporation regarding the appropriate installation and management of the facility pursuant to the Chemical Substances Control Act that was enforced in 2015. Dong-A ST's

Cheonan Plant took necessary measures, according to criteria, for matters that were pointed out on two harmful chemical substance-handling facilities (install trenches and leak and gas sensors, and furnish protective gear and MSDS), resulting in its receipt of suitability approval from the Korea Gas Safety Corporation in February 2020 after an installation and regular inspection. Dong-A Pharmaceutical's Cheonan Plant is subject to an inspection in 2021 pursuant to the Chemical Substances Control Act. It plans to produce a document on handling harmful chemical substances and major procedures and make it available at its business site to smoothly receive suitability approval, and also focus more on preventing chemical substance accidents by strengthening employee training.

Submitting a Chemical Substance Reduction Plan The Ministry of Environment demands the creation and submission of a chemical substance release reduction plan in accordance with "Regulations on Creating a Chemical Substance Release Reduction Plan". Dong-A ST's Cheonan Plant investigated six items – process overview diagram and material flow diagram, release source, annual release amount, release reduction measure and goal – with regards to "dichloromethane", a substance subject to release reduction, and submitted a plan that was based on this investigation on September 15, 2020. It afterwards actively responded to the Ministry of Environment's request for improvement and submitted additional materials which led to its receipt of suitability approval on December 30, 2020. Dong-A ST plans to report outcomes of its reduction activities over the next five years. In 2021, it will investigate the reduction outcome from a process and substance change of "dichloromethane" at the Dalseong Plant, and create a plan and report it to the Ministry of Environment.

Responding to the Off-site Risk Assessment System The Ministry of Environment made the "off-site risk assessment (ORSA) on chemical accidents"²⁾ mandatory in 2015 to ensure safe chemical substance management and to preemptively prevent and respond to accidents. Dong-A ST's Cheonan Plant received a harmful chemical substance inspection and consulting, based on legal facts, from the Korea Environmental Preservation Association for four months in accordance with the Ministry of Environment's request to submit an ORSA document by year based on the amount of handled harmful chemical substances. As a result, the Cheonan Plant received suitability approval from the Ministry of Environment.

Safety Management of Synthetic API Impurities

Impurities, such as NDMA³⁾, were detected in synthetic APIs, including valsartan, ranitidine, and nizatidine. Accordingly, the Ministry of Food and Drug Safety ordered that an internal

¹⁾ Material Safety Data Sheet: Material that specifies information (manufacturer name, product name, components and properties, caution that needs to be taken when handling the material, applied laws, first aid in the event of an accident, etc.) that is needed for safe use and management of a chemical substance

²⁾ A system of checking whether a facility was designed and installed according to the double/triple safety concept so that personnel and material damage is not caused to a third party outside a business site

³⁾ A chemical substance for industrial use with a high level of toxicity that is known to cause serious hepatotoxicity and even liver cancer when taken for a long period. A substance that was categorized into the 2A group that has a possibility of acting as a carcinogen to humans by the International Agency for Research on Cancer (IARC) under the World Health Organization (WHO).

investigation be conducted on whether NDMA and other impurities are detected in synthetic APIs and finished pharmaceutical products that use these APIs as part of safety management measures. Relevant companies are required to internally evaluate and report the possibility of NDMA and other impurities for finished pharmaceutical products that use synthetic APIs by May 2021, and conduct testing on pharmaceutical products that have a possibility of impurities and report the results to the Ministry of Food and Drug Safety by May 2022. In addition, NDMA was detected in excess of the tentative management criterion (maximum one-day allowance of 96 ng) in some finished pharmaceutical products with metformin that were manufactured in Korea. As such, it was ordered that a process verification material be submitted that proves that NDMA in the manufacturing process is managed below the management criterion for finished pharmaceutical products with metformin.

Dong-A ST conducted a risk assessment on APIs and the manufacturing and packaging process of 118 items that are imported and manufactured by the Cheonan Plant, from among finished pharmaceutical products that use synthetic APIs. As a result, the company confirmed that there is no possibility of impurities in the finished pharmaceutical product manufacturing and packaging process, but identified the possibility of impurities in some APIs. Dong-A ST also reviewed the possibility of NDMA occurrence and detection with regard to the and excipient of Sugamet XR tab that uses metformin API, and proved that there is no possibility of NDMA occurrence in the manufacturing process of Sugamet XR tab and submitted the relevant material before the deadline. This report was deemed as appropriate by the Ministry of Food and Drug Safety which allowed Dong-A ST to ship the product without an NDMA impurity test and inspection per manufacturing number. Dong-A ST reported the result of evaluation on a total 159 items to the Ministry of Food and Drug Safety by May 2021.

Management of Pharmaceutical Elemental Impurities

After the establishment of USP <232>/<233> and ICH Q3D Pharmaceutical Elemental Impurity Guidelines, the Ministry of Food and Drug Safety amended “The Korean Pharmacopoeia” and “Regulations on Item Approval, Report, and Evaluation of Pharmaceuticals”, and ordered that elemental impurities of finished pharmaceutical products should be managed within the allowed ceiling. Accordingly, relevant companies need to conduct a risk assessment and establish management measures for elemental impurities in consideration of the finished pharmaceutical product manufacturing process. Dong-A ST reviewed the possibility of mixture of elemental impurities in finished pharmaceutical product components (API, manufacturing equipment, container/lid system) in accordance with finished pharmaceutical products’ elemental impurity management measures. The company also established a risk assessment procedure to manage finished pharmaceutical products’ elemental impurities within the maximum permissible limit.

Quality Management

Quality Management System

Dong-A ST’s quality policy is “to timely produce and supply drugs in accordance with the global standard system as a professional pharmaceutical company that manufactures drugs appropriate for standards, and to pursue continuous process improvements”. Based on this policy, the company is regularly holding the GMP Committee, and runs the Quality Assurance Office under direct control of the CEO that consists of Quality Assurance Team 1, Quality Assurance Team 2, Quality Management (QM) Team, and Customer Satisfaction Team. To preemptively respond to the environment in the pharmaceutical industry where domestic and overseas regulations are strengthening and to comply with global, advanced GMP¹⁾, Dong-A ST is building a foundation that meets cGMP²⁾ level and continually enhancing quality competitiveness. To this end, the company is sharing information on deviation and claim cases, adopting field Quality Assurance (QA), engaging in such quality culture innovation activities as Q-Style Hero, fully establishing 6-Sigma, and managing COPQ.

Dong-A Pharmaceutical created the Quality Management Team in 2015 and established a company-wide quality assurance system. It carries out a voluntary GMP inspection on the manufacturing and quality systems of Cheonan, Icheon, and Dalseong Plants, and conducts quality verification by step for the entire cycle that ranges from new product development to after product launch. The company also established internal guidelines on the new product launch process and thus removed quality risks in advance, and is making other such strenuous efforts so as to offer outstanding products to consumers. It also holds “zero claim meetings”, where information on corrective and preventive measures on product complaints is shared at the company-wide level, and where the adequacy and effectiveness of the improvement direction is evaluated. In the event of a major complaint over a product, the company visits the relevant supplier and provides technical support and quality guidance.

Moreover, Dong-A Pharmaceutical has established a separate imported product launch process to eliminate risk factors that may arise due to differences in regulations between countries when it licenses in imported products. It also established a quality management process to maintain and improve product reliability, and is applying the process to work. As part of safety management of pharmaceutical impurities, including NDMA, Dong-A Pharmaceutical is evaluating the possibility of impurities for all its OTC products, and plans to complete the evaluation in May 2021.

Strengthening GMP Management

Dong-A ST creates an annual quality management report to improve the GMP quality level of Cheonan and Dalseong Plants, and conducts computer system data integrity³⁾ reviews to guarantee GMP document credibility. In addition, to strengthen strict management of raw material supply-approved companies, Dong-A ST is choosing focused management companies through GMP evaluations. Together with Dong-A Socio Holdings, Dong-A ST strengthened data integrity, which was a vulnerability of the previous GMP system, by adopting the GPM IT system at its Cheonan and Dalseong Plants,

and established a work process that meets global standards. In the process of system adoption, the company used a risk-based validation tool to change computer system validation (CSV) into a simplified, simple process, and considerably reduced the quality management system construction period and costs. As a result, Dong-A ST received the “MasterControl Validation Transformation Award 2020” in December 2020. The company will focus on system stabilization and global GMP establishment to provide drug quality assurance that is equivalent to the global GMP operation system. It will establish a case through risk assessment (RA) standardization for the detailed task of quality system advancement through quality risk management (QRM), and strengthen data integrity for GMP compliance through stabilization and expanded application of the GMP IT system. Dong-A ST also plans to adopt the manufacturing execution system (MES) and electronic batch record (EBR) to realize a smart factory, which is an intelligent production plant that improves productivity, quality, and customer satisfaction levels.

To adopt such IT systems as the electronic document management system (EDMS) and quality management system (QMS) to strengthen data integrity with the aim of improving its GMP level, Dong-A Pharmaceutical created the PI (Process Improvement) Taskforce and is working on advancement of drug quality management. Its plan for 2021 is to establish an integration plan for the quality assurance processes of three plants to fully establish the GMP IT system. It will also create a drug (quasi-drug) quality manual and policy document so that three plants create standard work guidelines in accordance with the unified policy, thereby unifying the quality system. There is a rise in the number of contract-manufactured products that are managed at each plant and products for which only sales rights are owned. As such, through specialization on contracted items and products, Dong-A Pharmaceutical will efficiently manage quality in line with product characteristics. In 2022, it will obtain new plant GMP certification and build a new production line to increase productivity and secure distinctive competitiveness.

Consumer Centered Management

Consumer Centered Management System

Dong-A ST practices customer-centered management, reflecting the opinions of doctors and pharmacists, who are the company’s main customers, as well as patients, who are the final drug users, and providing better products and services. Especially since declaring Consumer Centered Management (CCM) in January 2017, Dong-A ST has been putting consumers at the center of all business activities.

Due to the COVID-19 pandemic in 2020, the pharmaceutical industry experienced difficulties in many areas, excluding some areas, including diagnostic reagents. To continually enhance corporate competitiveness in this environment, Dong-A ST launched the Social Value Committee and implemented CCM, with the Committee performing a central role. The Social Value Committee was established to build a virtuous cycle where shared value that combines economic and social value is created to contribute to various stakeholders, including consumers, and these activities lead to enhancement of brand and company reputation and continued growth. Major decision-making for CCM

implementation is handled by the CCM Steering Committee that consists of executives. Field-centered activities are executed through the CCM Committee, which is one of the seven subcommittees of the Social Value Committee.

Dong-A ST first obtained CCM certification⁴⁾ in 2017, which was followed by its re-certification in 2019 and is planned to be recertified for the second time in 2021. For successful recertification, the company collected activity details with regard to compliance management that has been executed by the CP Management Office; environmental management and consumer safety protection activities that were handled by the production area; and CCM training, complaint management system changes, and product improvements that resulted in increased consumer convenience conducted by the Customer Satisfaction Team. The company then created an accomplishment letter, which was followed by the amendment and distribution of a CCM operation manual. In the accomplishment letter, Dong-A ST organized company-wide consumer centered management activities, including corporate culture improvement activities for internal customer satisfaction, consumer safety, environmental management, ethical management, and social contribution activities. Dong-A ST also plans to change the design of all product packages, including the design CI, for increased consumer convenience. This is the company’s establishment of a design strategy from the consumer perspective in 40 years, through which the company seeks to increase drug usage convenience of clients and improve drug information accessibility for customers, who are the final users.

Dong-A Pharmaceutical is working on increasing consumer trust, systematizing consumer centered management, and strengthening consumer contact point services. The company adopted the Consumer Complaints Management System (CCMS), which can be deemed as the former version of CCM, in 2011, and is minimizing customer inconveniences through active, preemptive responses on Voice of Customer (VOC). The company also adopted a customer counseling system that strengthened consumer communication, including a knowledge management function, sharing function, VOC-processing schedule management, survey, and Kakao Notification Talk, as part of continued implementation of advanced consumer centered management. As a result of these efforts, Dong-A Pharmaceutical passed all re-evaluations that are conducted every two years, beginning with its first CCM certification in 2011, and made the accomplishment of obtaining a certification for six consecutive years in December 2020.

¹⁾ Good Manufacturing Practice: This rule is on manufacturing or quality management of drugs, etc. and is a basic condition that guarantees a drug’s safety or efficacy aspects. WHO established GMP in 1968 and notified each country the following year.

²⁾ Current Good Manufacturing Practice: This is a strengthened drug manufacturing and quality management standard, and is a drug quality management standard that is recognized by the US FDA. Regulatory authorities in advanced countries, including the US FDA, strictly apply GMP regulations, including cGMP, and demand manufacturing and management based on cGMP or equivalent regulations (EU-GMP, etc.) as a prerequisite for import approval of drugs.

³⁾ Maintaining and guaranteeing data accuracy and consistency so that data cannot be changed using an unauthorized method when data is stored or transmitted

⁴⁾ A system where it is evaluated whether all activities that are carried out by a company are formed to be consumer-centered and whether management activities are continually improved. Korea Consumer Agency conducts an evaluation, and Fair Trade Commission handles certification.

Activities to Increase Consumer Satisfaction

Improving the VOC System Dong-A Pharmaceutical improved its VOC system in 2019 to enhance customer services and quality through quick VOC processing and analysis, and has been operating the system since 2020. The company is informing customers in real time of the handling process through SMS and Kakao Notification Talk for each step, based on a new VOC system in 2020. It is minimizing customer complaints through close cooperation with relevant departments, and engaging in strict management so that similar inconveniences do not recur.

Operating the CS Knowledge Management System In 2020, Dong-A ST made advancement in the complaint management system to enhance VOC management efficiency. In particular, the company built the Knowledge Management System (KMS) to more quickly and accurately provide information to consumers, and adopted a proper time management system to quickly respond to complaints. It also overhauled the complaint recurrence prevention system in connection with computerization of the Production Division, and established a product improvement system to increase consumer convenience.

To increase the quality of customer responses, Dong-A Pharmaceutical uses KMS so that quick, accurate responses can be provided to customer inquiries, irrespective of which call center employee provides the response. It also operates an internal learning organization to learn about new product information, various changes, and major notifications, thereby striving to provide many quality customer services.

Strengthening the VOC Sharing Function At Dong-A ST, relevant departments, including the Marketing, RA, and Production Divisions, share information on customer opinions, thereby improving product quality. As a leading example, Dong-A ST attached a ring label to increase administration convenience of cisplatin, an anti-cancer drug administered by using a medical fluid set, in addition to indicating relevant information, including the ingredient name, and expiration date for each drug in case of PTP packaging¹⁾, adding a Growsopin medium box seal label, inserting a phrase that warns of Growsopin blister damage, and deleting a phrase on illness to protect the privacy of hepatitis patients. In addition, in the process of making improvements, the company shared information on the improvement direction and progress with customers who made complaints and suggestions.

Consumer Survey Using its VOC system that was improved in 2020, Dong-A Pharmaceutical conducted a counseling satisfaction level survey on customers who made inquiries. Through the counseling satisfaction level survey, the company assessed customers' overall satisfaction level regarding call center staff's expertise, response attitude, response quality, and counseling, based on which the company strived to further improve counseling quality. The company plans to go further and conduct a more in-depth consumer survey in 2021, through which it seeks to identify diverse consumer needs. As the number of customers using "Dmall", the company's digital platform, steadily increases, the company will conduct a survey on any inconveniences experienced while using the platform and on matters that require improvement to increase consumer accessibility to Dmall and convenience.

Social Contributions

"Socio" in Dong-A Socio Group's name means "society" in Latin. As reflected in the company name, Dong-A Socio Group seeks to become a company that grows along with society and together with neighbors, rather than a business that exists for the purpose of corporate profit. Accordingly, the Group set its mission as "Continuous challenge to pursue health and happiness for humanity" and carries out various social contribution activities as a responsible corporate citizen.

Major Social Contribution Activities

Children & Youths

Good Morning Breakfast In February 2020, Dong-A Pharmaceutical signed a memorandum of understanding (MOU) for a Good Morning Breakfast program implemented by the Dongbu District Office of Education in Seoul and World Vision. The Good Morning Breakfast program provides breakfast to children and youths who have to skip the meal because of difficult financial conditions in order to reduce undernourishment and help them enjoy a healthy school life, while also offering a psychological counseling program to teachers. In addition, the company provided oral hygiene products to 100 students at 10 schools for a year to help children and youths maintain clean oral conditions, including Garglin Kids, Garglin toothpaste, and Jordan toothbrush for children.

One Tempo Warmer Buying sanitary pads can be a financial burden on youths from low-income families. As this is emerging as a social issue, the government and companies have been active in sanitary pad support programs, but there are still some youths who are unable to receive benefits. In response, and in celebration of the launch of "Pad-type Tempo", a pure cotton cover sanitary pad, in May 2020, Dong-A Pharmaceutical signed an agreement with GFoundation, an international development cooperation NGO, and launched "One Tempo Warmer" social contribution program that provides Tempo pads to female youths from low-income families. In accordance with the agreement, the company donated 3,600 packs of the cotton cover sanitary pad "Tempo Natural Pure Cotton Pad", around 1,000 Tempo tampons, and 2,000 feminine hygiene wipes to GFoundation, which then delivered the products to middle/high schools and social welfare facilities. In addition, some of the proceeds from the sale of the Tempo Natural Pure Cotton Pad will be used every year for the program that provides sanitary pads to female youths from low-income families.

Support for Children with Leukemia In December 2020, Dong-A Socio Holdings delivered to the "Babonatum" foundation a donation of KRW 100 million to help pay medical expenses of children with leukemia. The donation was delivered so that Dong-A Socio Holdings can generate social value by participating in and contributing to the spread of the culture of sharing, and to help children win the fight against cancer and live a healthy daily life once again.

Seniors

Wednesdays with Bacchus It is a donation campaign to provide Bacchus to a senior welfare center in Dongdaemun-gu, where Dong-A Pharmaceutical's headquarters is located, every Wednesday. Every month, 2,000 bottles of Bacchus are delivered to seniors aged 65 or more who use the Dongdaemun Senior Welfare Center. In addition, the company provide 816 packs of "iiromill", a premium nutritious meal that can be consumed conveniently for nutrition management of patients or seniors who have difficulty with normal food intake and digestion, every month.

Wednesdays with Bacchus Performance in 2020

24,200 bottles

Bacchus-D

9,792 packs

iiromill

* Based on cumulative quantity for the year

Local Communities

Vehicle Volunteer Group Dong-A Socio Holdings developed volunteer pharmacy trucks and has been supporting areas damaged from disasters and calamities since 2019. In March 2020, we delivered drugs to 14 COVID-19 community treatment centers across the nation, and in August we provided a mobile pharmacy and delivered medicine and medical supplies to flood victims in Gurye, Gokseong, Damyang, and Namwon.

Sponsorship for MERRY Dong-A Pharmaceutical signed a sponsorship agreement with the culture and arts volunteer group "MERY" in June 2020 to encourage volunteers and support a culture and arts group to contribute to the spread of the value of culture and the arts as part of the "Relieve volunteer's fatigue" campaign implemented in 2018. In accordance with the agreement, Dong-A Pharmaceutical provides support to cover expenses incurred from cultural volunteer performances and charity concerts that are held by the culture and arts volunteer group Merry as well as such products as Bacchus and Garglin. The culture and arts volunteer group Merry and the Korea Mecenat Association plan and hold culture and arts performances in connection with local communities.

Marronnier Women's Composition Contest The Marronnier Women's Composition Contest is a women's composition contest with the longest history in Korea that was continued for 38 years since its launch in 1983. It is an annual cultural event that is hosted by Arts Council Korea and sponsored by Dong-A ST, Dong-A Pharmaceutical, and Sooseok Cultural Foundation with the aim of expanding the female literature population and promoting creative writing activities. This type of a traditional composition contest is difficult to find these days, and is assessed as a type of a successful mecenat¹⁾ campaign. Winners are awarded in three categories – poetry, prose, and children's literature – and the work that comes in first place is published in a literary magazine and the writer becomes qualified to make an official debut as a writer. The 2020 contest was held non-face-to-face due to COVID-19.

CSR Performance of Dong-A Socio Holdings

| Classification | Unit | 2018 | 2019 | 2020 |
|--|-------------|-------|-------|-------|
| CSR expenditures ²⁾ | KRW million | 240 | 50 | 140 |
| CSR investment to operating profit ²⁾ | % | 1.0 | 0.2 | 0.3 |
| Employee participation rate in CSR ²⁾ | % | 54.3 | 16.2 | 50.9 |
| No. of people benefited from CSR activities | Person | 2,150 | 2,150 | 2,069 |

¹⁾ Mecenat: Support activities of companies that support public interest projects, etc.
²⁾ Transferred some of CSR programs to Dong-A ST and Dong-A Pharmaceutical in 2019



Green Management

Humankind's healthy, pleasant lives are only possible when we prevent environmental pollution and damage, while also managing and preserving the environment in a sustainable manner. Dong-A Socio therefore Group preemptively responds to various environmental challenges that we face through environmental management, and strives to meet the expectations that internal and external stakeholders have towards us, which in turn will enable us to enhance our corporate value and achieve sustainable growth.

Dong-A Socio Holdings established an environmental policy and environmental goals, centered around the Environmental Management Committee; has established a system to respond to major environmental issues, including energy, greenhouse gas (GHG) and wastes; and carries out diverse activities. We strive to raise employee awareness of environmental problems, including climate change and air pollution, and to promote participation in response activities. We have been managing the energy consumption and GHG emissions of Seoul Headquarters, Sangju HR Development Center, and Yongin Research Center since 2019, and established GHG inventory management regulations in 2021 for more systematic and continuous management. Going forward, Dong-A Socio Group will continue to manage and improve environmental issues that arise in the business activity process, thereby making utmost efforts to minimize negative impact on the environment.

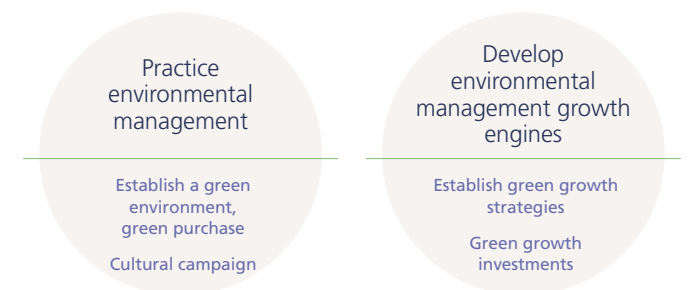
Environmental Management Committee Organization



Environmental Policy

With the Environmental Management Committee performing central roles, Dong-A Socio Holdings is preventing and evaluating environmental pollution, while also making improvements to resolve various environmental issues, including climate change, air, water quality, and wastes. We are also striving to increase building energy efficiency, strengthen management of the exhaust gas limit, reduce air and water pollutant discharge, establish a waste collection system and install treatment facilities, and recycle and reuse wastes.

Dong-A Socio Holdings' Environmental Policy



Dong-A Socio Holdings' Environmental Goals



Responding to Climate Change

Activities to Reduce Energy Consumption

Circulation pumps were operated for 13 hours from when employees left work to when employees arrived at work the next day (18:00–7:00 the next day) to prevent wintertime freeze and burst, but operation hours were reduced to 3-5 hours starting in 2020 by setting a timer through automatic control, resulting in reduced energy use. In addition, chiller and heater tube construction was carried out at HQ in October to increase energy efficiency. In addition, employees' personal heating and cooling equipment were examined to minimize unnecessary use, thus reducing electricity use in daily life and preventing fire.

In 2021, we will replace the gas and electricity meter that is installed per building with a digital meter and set the digital meter up for each zone to continually monitor energy usage. Improvements will be made to areas with excessive use. To increase air-conditioning system efficiency, we will reduce electricity use by adjusting air volume according to the temperature by installing an inverter, in addition to replacing water coolers and heaters with low NOx burners¹⁾ to reduce fuel expenses and GHG emissions.

Dong-A Socio Holdings will replace old facilities that use considerable amounts of energy with new and high-efficiency facilities, and increase efficiency of energy that is used for air conditioning and heating as well as cold and hot water by comprehensively considering climate conditions and work hours. It will digitalize energy flow maps by expanding the installation of a meter by zone, increase energy usage data credibility by building automatic control facilities, and establish new & renewable energy power generation and energy storage system (ESS) to reduce energy use and GHG emissions.

¹⁾ A high-performance burner which increases burning efficiency by controlling flame temperature and oxygen concentration, and is known to have a maximum 77.4% NOx reduction effects

Estimated outcome of installing an air-conditioning system inverter

30% ↓

Electricity consumption

Estimated outcome of replacing water coolers and heaters with low NOx burners

3% ↓

Fuel expenses

53% ↓

GHG emissions

Energy Conservation Plan at the Seoul Headquarters

| Classification | Unit | 2018 | 2019 | 2020 | Goal for 2021 | Mid-to long-term goal by 2028 |
|----------------|----------------|---------|---------|---------|--|-------------------------------|
| Electricity | kWh | 500,340 | 500,765 | 437,774 | 465,237 (3% reduction compared to the last three years) | 440,000 |
| Gas | m ³ | 64,172 | 52,785 | 44,960 | 52,353 (3% reduction compared to the last three ye) | 46,000 |

Energy Consumption and GHG Emissions at the Seoul Headquarters

| Classification | Unit | 2018 | 2019 | 2020 |
|-------------------------|---------------------|------|------|------|
| Energy consumption | TJ | 9 | 8 | 7 |
| Total GHG emissions | tCO ₂ eq | 503 | 471 | 411 |
| GHG emissions (Scope 1) | tCO ₂ eq | 273 | 238 | 207 |
| GHG emissions (Scope 2) | tCO ₂ eq | 230 | 233 | 204 |

Sangju HR Development Center The Sangju HR Development Center has been managing peak demand and saving energy since 2018. In 2020, the Center reduced energy use by installing standby power cut-off outlets in rooms, cutting off power in unused rooms, and optimizing the boiler operating time. In 2021, the Center will increase the installation of standby power cut-off outlets and replace the electricity use monitoring system (auto base monitoring) to more efficiently use electricity. The Center's mid- to long-term plan that is currently under review is to set up a photovoltaic power generation facility on its rooftop once a Korea Electric Power Corporation distribution line is secured to enable independent electricity production and consumption, and to sell surplus electric power to the Korea Electric Power Corporation. Once construction of the facility is completed, the Center anticipates a reduction in energy use as well as meaningful results in GHG reduction.

Yongin Research Center & HR Development Center The Yongin Research Center & HR Development Center replaced boiler facilities with low NOx burners in May 2020, resulting in reduced energy use and NOx emissions. Its plan for 2021 is to replace an absorption chiller with an oil-free inverter centrifugal chiller to reduce gas use.

Change in NOx Emissions from Replacement to Low NOx Burners

| Classification | 2019 | 2020 | Comparison |
|----------------|-------------------|-------------------|--------------------------------------|
| NOx | 64 ppm on average | 32 ppm on average | Reduction of air pollutant discharge |

Establishment of GHG Inventory

In 2020, Dong-A Socio Holdings built a GHG inventory for six companies that didn't have an inventory (DM Bio, CHAMMED, Dong-A Otsuka, DONGCHEONSU, ABEN E&C, DA Information), thus completing the establishment of a GHG inventory at all 13 Group affiliates. Training that was needed for establishment was provided online, with participation by all 31 Group affiliate GHG managers, for eight hours on a total of four parts, including relevant laws and status and practical affairs regarding establishment of an inventory, through a professional GHG organization.

Minimizing Environmental Impact

Reducing Noise

The Yongin Research Center replaced its motor in October 2020 to improve the late-night environment of residents living in nearby apartment buildings. As a result, noise levels of nearby apartment complexes were improved from 46-49 dB (measured in the middle of the night on August 31, 2020) to 40-42.8 dB.

Reusing Wastes

When Seoul Headquarters tears down meeting and executive rooms due to an organizational change, we will store wall panels that were previously discarded and reuse the wall panels when meeting rooms are set up. In addition, we will review what materials can be recycled and designate materials that can be easily recycled when choosing construction materials to increase waste recycling. We will also set up a storage area for recycled materials, manage detailed material documents, and continue to make other efforts to reduce wastes.

Energy Conservation Plan at the Sangju HR Development Center

| Classification | Unit | 2018 | 2019 | 2020 | Goal for 2021 | Mid-to long-term goal by 2028 |
|----------------|------|---------|---------|---------|---|-------------------------------|
| Electricity | kWh | 448,684 | 406,685 | 276,477 | 370,000 (1.93% reduction compared to the last three years) | 350,000 |
| Gas (LPG) | Kg | 6,379 | 9,501 | 2,080 | 5,800 (3.12% reduction compared to the last three years) | 5,500 |
| Gasoline | kl | 1,586 | 1,349 | 1,032 | 1,200 (9.22% reduction compared to the last three years) | 1,000 |
| Wastewater | kl | 3,405 | 3,466 | 1,493 | 2,700 (3.15% reduction compared to the last three years) | 2,500 |

Energy Conservation Plan at the Yongin Research Center & HR Development Center

| Classification | Unit | 2018 | 2019 | 2020 | Goal for 2021 | Mid-to long-term goal by 2028 |
|----------------|----------------|-----------|-----------|-----------|---------------|-------------------------------|
| Electricity | kWh | 9,039,000 | 9,234,000 | 9,195,000 | 9,000,000 | 8,800,000 |
| Gas | m ³ | 1,325,000 | 1,282,000 | 1,201,000 | 1,150,000 | 1,100,000 |

APPENDICES

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Financial & Non-financial Performance Summary

Sustainable Management Performance of Dong-A Socio Group¹⁾

| Economic | Performance indicators | Unit | 2018 | 2019 | 2020 |
|----------|----------------------------|-------------|---------|---------|---------|
| | Total assets | KRW billion | 1,241.9 | 1,358.6 | 1,511.1 |
| | Total liabilities | KRW billion | 506.2 | 611.7 | 622.4 |
| | Total shareholders' equity | KRW billion | 735.8 | 746.9 | 888.7 |
| | Sales | KRW billion | 707.5 | 769.7 | 783.3 |
| | Operating profit | KRW billion | 50.5 | 52.8 | 50.6 |
| | Operating profit margin | % | 7.1 | 6.9 | 6.5 |
| | R&D investment | KRW billion | 22.2 | 21.5 | 18.8 |
| | R&D investment to sales | % | 3.1 | 2.8 | 2.4 |

| Social | Performance indicators | Unit | 2018 | 2019 | 2020 |
|--------|---|-------------|-------|-------|-------|
| | No. of employees | Person | 5,164 | 5,483 | 5,514 |
| | No. of full-time employees | Person | 4,879 | 5,163 | 5,319 |
| | No. of part-time employees | Person | 285 | 320 | 195 |
| | No. of female employees | Person | 909 | 1,028 | 1,077 |
| | Percentage of female employees | % | 15.7 | 16.0 | 19.5 |
| | Safety training hours per person | Hour/Person | 17.2 | 16.1 | 22.6 |
| | Industrial accident | Case | 18 | 19 | 15 |
| | Job training hours per person ²⁾ | Hour/Person | 25.6 | 23.2 | 28.3 |
| | Employee turnover rate ³⁾ | % | 12.8 | 9.3 | 9.2 |
| | Average length of service | Year | 8.3 | 8.1 | 8.5 |
| | CSR expenditures | KRW billion | 4.1 | 4.0 | 3.1 |
| | CSR expenditures to operating profit | % | 8.0 | 7.5 | 6.2 |
| | Employee participation rate in CSR | % | 33.5 | 29.3 | 23.5 |
| | Violation of laws ⁴⁾ | Case | 9 | 3 | 2 |

| Environmental | Performance indicators | Unit | 2018 | 2019 | 2020 |
|---------------|--|---------------------|-----------|-----------|-----------|
| | Energy consumption ⁵⁾ | TJ | 1,574 | 1,622 | 2,041 |
| | Greenhouse gas (GHG) emissions ⁶⁾ | tCO ₂ eq | 116,382 | 110,080 | 136,862 |
| | GHG emissions (Scope 1) ⁶⁾ | tCO ₂ eq | 53,467 | 49,245 | 61,043 |
| | GHG emissions (Scope 2) ⁶⁾ | tCO ₂ eq | 62,915 | 60,835 | 74,538 |
| | Water consumption ⁷⁾ | Ton | 1,637,255 | 1,650,263 | 1,793,065 |
| | Wastewater discharge | Ton | 1,091,179 | 1,094,536 | 896,726 |
| | Volume of waste generated | Ton | 9,871 | 10,357 | 14,600 |
| | Volume of hazardous waste generated | Ton | 3,940 | 3,099 | 7,120 |
| | Waste recycling rate | % | 22.7 | 21.8 | 44.1 |

¹⁾ Including Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, ST Pharm, DM Bio, CHAMMED, Dong-A Otsuka, Yongma Logis, Soo Seok, Korea Sinto, DONGCHEONSU, ABEN E&C, DA Information

²⁾ Sum of internal trainings conducted at the Group affiliates and training courses offered at the HR Development Center of the Group

³⁾ Based on the number of retired persons, including voluntary resignation and resignation to change jobs, as well as resignation due to executive promotions and transfer among the Group affiliates and retirement at the regular retirement age

⁴⁾ Total number of violation of laws, including the Occupational Safety and Health Act and environmental laws, by the Group affiliates

⁵⁾ Figures for 2018 and 2019: Including Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, ST Pharm, Soo Seok / Figures for 2020: Including Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, ST Pharm, DM Bio, CHAMMED, Dong-A Otsuka, Yongma Logis, Soo Seok, Korea Sinto, DONGCHEONSU, ABEN E&C, DA Information

⁶⁾ Figures for 2018 and 2019: Including Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, ST Pharm, Yongma Logis, Soo Seok, Korea Sinto / Figures for 2020: Including Dong-A Socio Holdings, Dong-A ST, Dong-A Pharmaceutical, ST Pharm, DM Bio, CHAMMED, Dong-A Otsuka, Yongma Logis, Soo Seok, Korea Sinto, DONGCHEONSU, ABEN E&C, DA Information / Revised figures for 2018 and 2019 due to change in the calculation standard-method (calculating GHG emissions of 13 Group affiliates)

⁷⁾ Revised figures for 2018 and 2019 due to change in the calculation standard-method of water consumption of Dong-A ST and Dong-A Pharmaceutical

Sustainable Management Performance of Dong-A Socio Holdings

Financial Performance

Summarized Consolidated Statements of Comprehensive Income

(Unit: KRW billion)

| Classification | 2018 | 2019 | 2020 |
|--|---------|-------|-------|
| Operating revenues | 707.5 | 769.7 | 783.3 |
| Operating expenses | 656.9 | 716.9 | 732.7 |
| Operating profit | 50.5 | 52.8 | 50.6 |
| Other income | 2.6 | 2.4 | 140.0 |
| Other expenses | 201.7 | 3.3 | 2.3 |
| Finance income | 4.1 | 5.1 | 7.4 |
| Finance costs | 16.9 | 14.1 | 17.5 |
| Gain (Loss) using the equity method | (11.7) | (4.3) | (8.1) |
| Profit (Loss) before income tax expense | (173.1) | 38.7 | 170.2 |
| Income tax expense | (9.2) | 18.7 | 7.8 |
| Profit (Loss) for the year | (163.9) | 20.0 | 162.4 |
| Other comprehensive income (loss) | (9.0) | (0.1) | (4.7) |
| Total comprehensive income (loss) for the year | (172.9) | 19.8 | 157.7 |

Summarized Statements of Comprehensive Income

(Unit: KRW billion)

| Classification | 2018 | 2019 | 2020 |
|--|--------|------|-------|
| Operating revenues | 71.1 | 67.7 | 54.5 |
| Operating expenses | 47.1 | 43.7 | 37.1 |
| Operating profit | 24.0 | 24.0 | 17.4 |
| Other income | 0.2 | 0.1 | 90.4 |
| Other expenses | 93.7 | 0.1 | 29.6 |
| Finance income | 2.8 | 3.7 | 6.1 |
| Finance costs | 12.1 | 8.5 | 10.8 |
| Profit (Loss) before income tax expense | (78.8) | 19.2 | 73.6 |
| Income tax expense | 0.05 | 5.3 | 0.7 |
| Profit (Loss) for the year | (78.9) | 14.0 | 72.9 |
| Other comprehensive income (loss) | (1.3) | 0.7 | (0.8) |
| Total comprehensive income (loss) for the year | (80.1) | 14.6 | 72.1 |

Summarized Consolidated Statements of Financial Position

(Unit: KRW billion)

| Classification | 2018 | 2019 | 2020 |
|---|---------|---------|---------|
| Current assets | 291.7 | 315.3 | 329.4 |
| Non-current assets | 950.2 | 1,043.3 | 1,181.7 |
| Total assets | 1,241.9 | 1,358.6 | 1,511.1 |
| Current liabilities | 319.9 | 414.4 | 348.4 |
| Non-current liabilities | 186.3 | 197.3 | 274.0 |
| Total liabilities | 506.2 | 611.7 | 622.4 |
| Equity attributable to owners of the Parent Company | 734.2 | 745.1 | 888.7 |
| Share capital | 30.7 | 30.7 | 30.8 |
| Share premium | 285.9 | 285.9 | 287.8 |
| Capital adjustment | (197.9) | (197.9) | (206.3) |
| Other components of equity | 137.6 | 141.9 | 137.0 |
| Retained earnings | 478.0 | 484.6 | 639.4 |
| Non-controlling interest | 1.6 | 1.8 | 0.1 |
| Total equity | 735.8 | 746.9 | 888.7 |
| Total liabilities and equity | 1,241.9 | 1,358.6 | 1,511.1 |

Summarized Statements of Financial Position

(Unit: KRW billion)

| Classification | 2018 | 2019 | 2020 |
|------------------------------|---------|---------|---------|
| Current assets | 51.2 | 66.0 | 85.7 |
| Non-current assets | 744.9 | 770.4 | 828.0 |
| Total assets | 796.1 | 836.4 | 913.7 |
| Current liabilities | 123.6 | 184.4 | 130.7 |
| Non-current liabilities | 122.3 | 93.3 | 164.7 |
| Total liabilities | 245.9 | 277.7 | 295.4 |
| Share capital | 30.7 | 30.7 | 30.8 |
| Share premium | 285.9 | 285.9 | 287.8 |
| Capital adjustment | (193.3) | (193.3) | (201.7) |
| Other components of equity | 88.5 | 89.1 | 88.5 |
| Retained earnings | 338.5 | 346.4 | 412.9 |
| Total equity | 550.2 | 558.7 | 618.2 |
| Total liabilities and equity | 796.1 | 836.4 | 913.7 |

Non-financial Performance

| | Classification | 2018 | 2019 | 2020 | |
|---|---|---------------------|--------|--------|--------|
| Business Ethics | Employee participation rate in anti-corruption training | % | 86.2 | 83.9 | 94.5 |
| | Employee participation rate in pledge to Jeong-Do management | % | 91.9 | 90.2 | 97.0 |
| | Violation of laws | Case | 0 | 1 | 1 |
| Human Rights & Labour | No. of employees | Person | 210 | 173 | 165 |
| | No. of full-time employees | Person | 189 | 156 | 147 |
| | Safety training hours per person | Hour/Person | 10.1 | 5.4 | 8.3 |
| | Industrial accident | Case | 0 | 1 | 0 |
| | Injury | Case | 0 | 0 | 0 |
| | Lost days | Day | 0 | 3 | 0 |
| | Grievance handling rate ¹⁾ | % | 100.0 | 100.0 | 100.0 |
| | Organizational diagnosis | Point | 3.4 | 3.7 | 3.2 |
| | Percentage of employees subject to regular performance evaluation | % | 100.0 | 100.0 | 100.0 |
| | Job training hours | Hour | 5,065 | 4,733 | 2,661 |
| | Job training hours per person | Hour/Person | 24.1 | 27.4 | 16.1 |
| | No. of part-time employees | Person | 21 | 17 | 18 |
| | Percentage of part-time employees | % | 10.0 | 10.4 | 10.9 |
| | No. of female employees | Person | 65 | 62 | 58 |
| | Percentage of female employees | % | 32.0 | 35.6 | 35.2 |
| | No. of female executives | Person | 3 | 2 | 1 |
| | No. of female managers | Person | 6 | 6 | 4 |
| Employee turnover rate | % | 13.5 | 7.6 | 9.7 | |
| Average length of service | Year | 9.0 | 9.2 | 11.1 | |
| Percentage of female employees entitled to parental leave | % | 13.0 | 14.6 | 0.0 | |
| Percentage of male employees entitled to parental leave | % | 0.0 | 0.0 | 3.7 | |
| Sustainable Value Chain | CSR expenditures | KRW billion | 0.24 | 0.05 | 0.14 |
| | CSR expenditures to operating profit | % | 1.0 | 0.2 | 0.3 |
| | No. of people benefited from CSR activities | Person | 2,150 | 2,150 | 2,069 |
| | Employee participation rate in CSR | % | 54.3 | 16.2 | 50.9 |
| | Supplier participation rate in pledge to CSR Code of Conduct | % | 0.0 | 33.2 | 41.1 |
| Environment | R&D investment ²⁾ | KRW billion | 16.5 | 15.6 | 12.2 |
| | R&D investment to sales ²⁾ | % | 23.3 | 25.4 | 22.5 |
| | Water consumption | Ton | 22,747 | 14,996 | 17,597 |
| | Wastewater discharge | Ton | 3,405 | 3,465 | 2,564 |
| | Volume of waste generated | Ton | 30 | 26 | 53 |
| | Greenhouse gas (GHG) emissions | tCO ₂ eq | 1,853 | 1,811 | 1,606 |
| | GHG emissions (Scope 1) | tCO ₂ eq | 642 | 599 | 487 |
| GHG emissions (Scope 2) | tCO ₂ eq | 1,212 | 1,212 | 1,119 | |
| Energy consumption | TJ | 35 | 35 | 31 | |

¹⁾ Based on internal aggregation

²⁾ Based on separate financial statements

GRI Standards

Universal Standards (GRI 100)

| GRI Standards | Disclosure | Title | ISO 26000 | Page |
|-------------------------------|------------|---|---|-------------------|
| Organizational Profile | | | | |
| GRI 102 | 102-1 | Name of the organization | | 55 |
| | 102-2 | Activities, brands, products, and services | | 25, 51, 53 |
| | 102-3 | Location of headquarters | | 24-25 |
| | 102-4 | Location of operations | | 24-25 |
| | 102-5 | Ownership and legal form | | 25, 92 |
| | 102-6 | Markets served | 6.3.10, 6.4.1, 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8 | 24-25, 51, 53, 55 |
| | 102-7 | Scale of the organization | | 25, 55 |
| | 102-8 | Information on employees and other workers | | 131, 134 |
| | 102-9 | Supply chain | | 25 |
| | 102-10 | Significant changes to the organization and its supply chain | | 25 |
| | 102-11 | Precautionary principle or approach | | 96-97, 127 |
| | 102-12 | External initiatives | | 13, 139 |
| | 102-13 | Membership of associations | | 142 |
| Strategy | | | | |
| GRI 102 | 102-14 | Statement from senior decision-maker | 4.7, 6.2, 7.4.2 | 4-7 |
| | 102-15 | Key impacts, risks, and opportunities | 6.2 | 96-97 |
| Ethics and Integrity | | | | |
| GRI 102 | 102-16 | Values, principles, standards, and norms of behavior | 7.7.5, 4.4, 6.6.3 | 103 |
| | 102-17 | Mechanisms for advice and concerns about ethics | | 12, 14, 104-106 |
| Governance | | | | |
| GRI 102 | 102-18 | Governance structure | 6.2, 7.4.3 | 92-95 |
| | 102-20 | Executive-level responsibility for economic, environmental, and social topics | | 40-41 |
| | 102-21 | Consulting stakeholders on economic, environmental, and social topics | 6.2 | 40-41, 101 |
| | 102-22 | Composition of the highest governance body and its committees | 6.2 | 92-95 |
| | 102-23 | Chair of the highest governance body | 6.2 | 93 |
| | 102-24 | Nominating and selecting the highest governance body | 6.2 | 92-95 |
| | 102-25 | Conflicts of interest | 6.2 | 92-93 |
| | 102-26 | Role of highest governance body in setting purpose, values, and strategy | 6.2 | 40-41, 92-95 |

| GRI Standards | Disclosure | Title | ISO 26000 | Page |
|-------------------------------|------------|--|---|----------------------------|
| Stakeholder Engagement | | | | |
| GRI 102 | 102-40 | List of stakeholder groups | 5.3, 6.2 | 101 |
| | 102-41 | Collective bargaining agreements | | 116 |
| | 102-42 | Identifying and selecting stakeholders | 6.2, 6.7 | 101 |
| | 102-43 | Approach to stakeholder engagement | 6.2, 6.7 | 101 |
| | 102-44 | Key topics and concerns raised | 6.2, 6.7 | 99-100 |
| Reporting Practice | | | | |
| GRI 102 | 102-45 | Entities included in the consolidated financial statements | 7.5.3, 7.6.2 | 25 |
| | 102-46 | Defining report content and topic boundaries | | About This Report |
| | 102-47 | List of material topics | | 99-100 |
| | 102-48 | Restatements of information | | No significant change |
| | 102-49 | Changes in reporting | | No significant change |
| | 102-50 | Reporting period | | About This Report |
| | 102-51 | Date of most recent report | | About This Report |
| | 102-52 | Reporting cycle | | About This Report |
| | 102-53 | Contact point for questions regarding the report | | About This Report |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | | About This Report |
| | 102-55 | GRI content index | | 135-138 |
| | 102-56 | External assurance | 7.5.3 | 140-141, About This Report |
| Management Approach | | | | |
| GRI 103 | 103-1 | Explanation of the material topic and its boundary | 6.2.3, 6.3.7, 6.3.10, 6.4.3, 6.4.3, 6.5.4, 6.5.5, 6.4.6 | 99-100, 102, 109, 120 |
| | 103-2 | The management approach and its components | | |
| | 103-3 | Evaluation of the management approach | | |

Topic-specific Standards (GRI 200, 300, 400)

| GRI Standards | Disclosure | Title | ISO 26000 | Page |
|--|------------|--|---|----------------|
| ECONOMIC PERFORMANCE (GRI 200) | | | | |
| Economic Performance | | | | |
| GRI 201 | 201-1 | Direct economic value generated and distributed | 6.8.1, 6.8.2, 6.8.3, 6.8.7, 6.8.9 | 131-133 |
| Indirect Economic Impacts | | | | |
| GRI 203 | 203-1 | Infrastructure investments and services supported | 6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9 | 134 |
| | 203-2 | Significant indirect economic impacts | 6.3.9, 6.6.6-6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9 | 16-21, 124-126 |
| Procurement Practices | | | | |
| GRI 204 | 204-1 | Proportion of spending on local suppliers | | 53, 132-133 |
| Anti-corruption | | | | |
| GRI 205 | 205-1 | Operations assessed for risks related to corruption | 6.6.1-6.6.3, 6.6.6 | 104-106 |
| | 205-2 | Communication and training about anti-corruption policies and procedures | 6.6.1-6.6.3, 6.6.6 | 103, 105 |
| | 205-3 | Confirmed incidents of corruption and actions taken | 6.6.1-6.6.3 | 105-106 |
| ENVIRONMENTAL PERFORMANCE (GRI 300) | | | | |
| Energy | | | | |
| GRI 302 | 302-1 | Energy consumption within the organization | 6.5.4 | 131, 134 |
| Emissions | | | | |
| GRI 305 | 305-1 | Direct (Scope 1) GHG emissions | 6.5.5 | 131, 134 |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | 6.5.5 | 131, 134 |
| Effluents and Waste | | | | |
| GRI 306 | 306-2 | Waste by type and disposal method | 6.5.3 | 131, 134 |
| | 306-3 | Significant spills | 6.5.3 | No such case |
| Environmental Compliance | | | | |
| GRI 307 | 307-1 | Non-compliance with environmental laws and regulations | 4.6 | No such case |

| GRI Standards | Disclosure | Title | ISO 26000 | Page |
|--|------------|---|--|----------------|
| SOCIAL PERFORMANCE (GRI 400) | | | | |
| Employment | | | | |
| GRI 401 | 401-1 | New employee hires and employee turnover | 6.4.3 | 131, 134 |
| Occupational Health and Safety | | | | |
| GRI 403 | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 6.4.6, 6.8.8 | 131, 134 |
| | 403-5 | Worker training on occupational health and safety | 6.4.6 | 119, 131, 134 |
| | 403-6 | Promotion of worker health | 6.4.6 | 119 |
| Training and Education | | | | |
| GRI 404 | 404-1 | Average hours of training per year per employee | 6.2.3, 6.3.7, 6.3.10, 6.4.3, 6.4.7 | 111, 131, 134 |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | 6.3.6, 6.3.7, 6.3.10, 6.4.3, 6.4.4, 6.4.7, 6.8.5 | 110-112 |
| Diversity and Equal Opportunity | | | | |
| GRI 405 | 405-1 | Diversity of governance bodies and employees | 6.2.3, 6.3.7, 6.3.10, 6.4.3 | 131, 134 |
| Non-discrimination | | | | |
| GRI 406 | 406-1 | Incidents of discrimination and corrective actions taken | 6.3.6, 6.3.7, 6.3.10, 6.4.3 | No such case |
| Local Communities | | | | |
| GRI 413 | 413-1 | Operations with local community engagement, impact assessments, and development programs | 6.3.9, 6.5.1-6.5.3, 6.8 | 16-21, 124-126 |
| Customer Privacy | | | | |
| GRI 418 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 6.7.1-6.7.2, 6.7.7 | No such case |
| Socioeconomic Compliance | | | | |
| GRI 419 | 419-1 | Non-compliance with laws and regulations in the social and economic area | 4.6, 6.7.1-6.7.2, 6.7.6 | 131, 134 |

UNGC & UN SDGs

UNGC

The United Nations (UN) is asking businesses to implement The Ten Principles of the UN Global Compact (UNGC) in the areas of human rights, labour, environment and anti-corruption, and to support UN's development plan in a comprehensive range, including the UN Sustainable Development Goals (SDGs). With its joining of the UNGC in 2020, Dong-A Socio Holdings has been supporting the ten principles and striving to comply with them. Content related to the ten principles is reported through this report. Going forward, we plan to actively execute the principles as a responsible corporate citizen.

The Ten Principles of the UN Global Compact

| Principles | Page |
|-----------------|-----------------|
| Human Rights | 29, 103, 115 |
| Labour | 116 |
| Environment | 34-37, 127-129 |
| Anti-Corruption | 12, 28, 103-106 |

UN SDGs

In September 2015, the UN and 193 UN member countries announced 17 goals for sustainable development to resolve economic, environmental and social issues of humankind. As a global corporate citizen, Dong-A Socio Holdings chose SDGs that have high relevance in consideration of direct or indirect impact on overall business models and is carrying out diverse sustainable management activities to achieve the goals, aiming to contribute to the achievement of the UN SDGs as a global corporate citizen.



THIRD PARTY'S ASSURANCE STATEMENT

To readers of Dong-A Socio Group Integrated Report 2020

Introduction

Korea Management Registrar (KMR) was commissioned by Dong-A Socio Group to conduct an independent assurance of its Dong-A Socio Group Integrated Report 2020 (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of Dong-A Socio Group. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with Dong-A Socio Group and issue an assurance statement.

Scope and Standards

Dong-A Socio Group described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process:

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
 - Management approach
 - Economic Performance: 201
 - Procurement Practices: 204
 - Anti-Corruption: 205
 - Socioeconomic Compliance: 419

As for the reporting boundary, the engagement excludes the data and information of Dong-A Socio Group's partners, suppliers and any third parties.

KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report;
- reviewed materiality assessment methodology and the assessment report;
- evaluated sustainability strategies, performance data management system, and processes;
- interviewed people in charge of preparing the Report;
- reviewed the reliability of the Report's performance data and conducted data sampling;
- assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by Dong-A Socio Group to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with Dong-A Socio Group on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

INCLUSIVITY Dong-A Socio Group has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

MATERIALITY Dong-A Socio Group has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

RESPONSIVENESS Dong-A Socio Group prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of Dong-A Socio Group's actions.


IMPACT Dong-A Socio Group identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

RELIABILITY OF SPECIFIC SUSTAINABILITY PERFORMANCE INFORMATION In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021-2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with Dong-A Socio Group and did not provide any services to Dong-A Socio Group that could compromise the independence of our work.

June 2021 Seoul, Korea

CEO 

MEMBERSHIP

UNGC (Global Compact Network Korea)
The Korean Dietetic Association
United Defense Council of Dongdaemun-gu
Seoul Chamber of Commerce & Industry
Union of Faithful Pharmaceuticals Report
International Management Institute, The Federation of Korean Industries
Korea Association for Chief Financial Officers
Korea Exchange
Korea Industrial Technology Association
Executive Company, Korea Industrial Technology Association
Korea Listed Companies Association
Korea Listed Companies Audit Association
Korea-Japan Economic Association

* As of December 2020; and Based on the membership of Dong-A Socio Holdings

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우리는 社會正義에 따라
企業의 社會的責任을 다하고
global市場에서 認定받는
優秀한 製품을 開發하여
人類의 健康과 福祉向上에 이바지한다.

東亞쏘시오그룹 會長 姜信浩

MEMBERSHIP

UNGC (Global Compact)
The Korean Diet
United Defense
Seoul Chamber of Commerce
Union of Faithful Friends
International Management Association
Korea Association of Banks
Korea Exchange
Korea Industrial Association
Executive Committee of Korea
Korea Listed Companies Association
Korea Listed Companies Association
Korea-Japan Economic Association

* As of December 2020

OUR PLEDGE

To fulfill the demands of social justice, we endeavor to fulfill our corporate social responsibility. We also use new sciences and technologies to contribute to the promotion of human health and welfare.

Company Philosophy | Handwritten by Shin-Ho Kang, Honorary Chairman, Dong-A Socio Group

DONG-A SOCIO GR

ABOUT THIS REPORT

This report is Dong-A Socio Group's second Integrated Report, and its purpose is to communicate with investors and other stakeholders on financial and non-financial performance of Dong-A Socio Group and the efforts that were made to achieve them.

Reporting Standards This report was developed in accordance with the core option of the Global Reporting Initiative (GRI) standards. Dong-A Socio Holdings joined the UN Global Compact (UNGC) in September 2020, and thus strives to internalize The Ten Principles of the UN Global Compact in Dong-A Socio Group's management activities. In addition, Dong-A Socio Group will make active efforts to contribute to achieving the UN Sustainable Development Goals (SDGs) as a way to achieve our own sustainable development and fulfill social responsibilities.

Reporting Scope and Boundary "Dong-A Socio Group" refers to the Group affiliates that are subject to consolidation according to the Korean International Financial Reporting Standards (K-IFRS). The reporting scope includes information on Dong-A Socio Holdings and 12 affiliates that are connected to Dong-A Socio Holdings in their actual execution of business activities. Financial data is on a consolidated basis, and non-financial data, such as environmental and social data, is on a separate basis of an individual affiliate. Unless otherwise indicated in the general descriptions and information, data of Dong-A Socio Group's overseas branches, sub-subsidiaries, and investment companies is excluded. The geographical boundary is the Republic of Korea, where business sites that account for at least 99% of sales are located, and the time boundary is from January 1, 2020 to December 31, 2020. Some performance data includes data through April 2021.

Third Party Assurance & Disclaimer Financial information was created by going through an audit by an independent audit firm. To ensure objectivity and credibility of the Integrated Report, an independent assurance process was implemented according to AA1000AS v3, which is an international standard on assurance, and SRV1000, which is a standard of KMR, an assurance organization. This report includes financial circumstance, operation, business performance, top corporate management's plan, and goal-related outlook statements of Dong-A Socio Holdings and the Group affiliates. Despite the third-party assurance, there may be a difference between the company's actual performance and future performance that was stated or implied through outlook statements.

CONTACT INFORMATION

This report is available in PDF format which can be downloaded at Dong-A Socio Group Jeong-Do management website. Stakeholder opinions on this report are collected through various channels, including phone and postal mail.

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ADDITIONAL INFORMATION

Dong-A Socio Holdings Website <http://en.donga.co.kr>
Dong-A Socio Group Jeong-Do Management Website <https://gamasot.dongasocio.com/index.php/en>
With Dong-A Website <http://with.donga.co.kr>



Paper used in printing the Dong-A Socio Group Integrated Report 2020 is an environment-friendly product. In addition, this report was printed with soy ink.



DONG-A SOCIO GROUP