

2021 LG H&H  
ESG REPORT

# BEAUTIFUL HEALTHY REFRESHING

FOR PEOPLE AND THE PLANET



# About This Report

## Report Overview

LG H&H has been publishing ESG reports annually since 2009 to share diverse efforts for sustainability management with stakeholders. LG H&H intends to transparently disclose its activities and performance during the year through its thirteenth ESG report, the '2021 LG H&H ESG Report,' and seeks to further develop sustainable management by collecting and reflecting stakeholder opinions in management activities.

## Reporting Period and Scope

The reporting period of this report is from January 1, 2021, to December 31, 2021. For certain items, three-year data from 2019 is used for trend comparison. Some data includes data for 2022, depending on its timeliness and importance. The reporting scope of this report is LG H&H headquarters and domestic and overseas subsidiaries of Coca-Cola Beverage and HAITAI htb. When the scope of reporting differs, or undergo any changes in the data, marks were made separately. As the report is published annually, the previous report is the <2020 LG H&H ESG Report> published in August 2021.

## Reporting Standards and Principles

This report is written based on the Core Option of the Global Reporting Initiative(GRI) Standards, which is the international sustainability reporting standard. In addition, we reflected other indicators such as SASB(Sustainability Accounting Standards Board) standards, ten UNGC(United Nations Global Compact) principles, and other indicators such as UN SDGs(UN Sustainable Development Goals).

## Report Assurance

To increase the internal and external credibility of this report, we requested a third-party verification from BSI, a verification expert agency, to secure the reliability and fairness of the report's preparation process, public data, and contents. The detailed assurance statement is included in the Appendix.

## Changes

Some environmental indicators data increased due to the operation and expansion of Cheongju TP(Technopolis) and new business sites

## Inquiries

For further inquiries about this report, please use the contact information below.

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## CEO MESSAGE

## CEO MESSAGE



We will continue to expand customer value by actively practicing ESG management that fulfills our responsibility to the environment and society.

**Dear Stakeholders,**

I would like to express my deepest gratitude for your warm affection and support to LG H&H.

Last year, our expectations for resolving COVID19 were high as vaccinations expanded. However, with the emergence of successive mutated viruses, the end of the pandemic was invisible, and challenging economic conditions such as the global supply chain crisis and the global economic slowdown continued throughout the year.

Amid these difficulties, major domestic and foreign competitors can still not recover their pre-COVID19 performance level. However, we continued to grow based on a strategy aimed at customer satisfaction and a solid brand portfolio, achieving sales and operating profit that exceeded pre-COVID19 levels last year.

I am even more proud and grateful because it is a precious result that all the family members of LG H&H created with fierceness and diligence.

Over the past two years, the pandemic has triggered the digital economy paradigm featuring 'Ontact.' The new 2022 will mark the beginning of the 'Real' Post Corona era, and I expect to see the last suffering on our way to normalization at the same time.

In times like these, we should stick to the basics. That is, we will have to focus on the customer value which we want to deliver to our customers, and base all our concerns and practices on customer value. We aim to become a 'world-class luxury beauty company that realizes customer satisfaction through persistent innovation.' We believe that when customers experience and are moved by the value we provide, we will be able to move closer to this goal. With our goal in mind for 2022, I will do the following with you all.

### We will further focus our capabilities on the beauty business.

We will steadily pioneer the global beauty market with great potential for business expansion, led by luxury brands with LG H&H's strengths. We will enhance the luxury positioning of 'Whoop', our flagship brand, by intensively fostering the top-level Hwan-yu line and the Cheonyuldan line, following the Cheongidan line. At the same time, we will grow 'Su:m37°', 'Ohui' and 'CNP' as next-generation mega brands and pioneer the global market by utilizing brands with global awareness, such as 'Physiogel', 'Eutymol', 'REACH', and 'Arctic Fox' acquired through M&A.

### We will expand our overseas business centering on the North American market.

We want to continue expanding our business in the world's largest market, the United States, to become a truly global luxury beauty company. In particular we plan to strengthen the new product line further by using the fragrance and container design preferred by while maintaining the brand concept and heritage for the 'Whoop' brand, which has achieved great success in Asia, to enter the North American market. In terms of channels, we will expand our relationship with offline retailers acquired through the acquisition of 'REACH' and, at the same time, expand our business by utilizing the digital capabilities of Boinca(Arctic Fox), which we acquired last year.

### We will enhance our digital capabilities.

Regardless of the realm of industry, digitalization has become an irresistible trend in the global economy and is taking root in customers' lives. Moreover, as digital natives represented by the MZ generation emerged as the leading consumer generation, the center of consumption is rapidly shifting from offline to online. In response, LG H&H will further strengthen its responsiveness at digital customer contact points. We will create practical results through a digital transformation throughout the business value chain instead of digitalizing only on a surface level. Rather than relying on the size of online sales, we will communicate directly with customers in the digital space and read trends by analyzing customer data more closely. To this end, we will continue strengthening our digital capabilities throughout the value chain, including revitalizing our direct mall business and improving product quality through prescribed development using AI while enhancing digital marketing capabilities on SNS that the MZ generation enjoys.

### We will impress customers with differentiated values.

At the same time, we will revisit the basics of our business, 'thinking from the customer's point of view and providing value that customers want.' Customers expect products with excellent quality, safety, and social responsibility. However, to impress customers, we need to go beyond these basics and have genuine product efficacy and aspirations for our brands. To this end, we will try our best to provide customers with an impressive experience, which they have never felt before, by understanding customers in detail and differentiating ourselves with products suitable for them. I believe that these customer experiences will create a virtuous cycle that leads back to their aspirations for our brands.

### We will complete our responsibilities as a global leader in ESG management.

As a global leader in sustainability management, LG H&H will comply with the ten principles of the UN Global Compact and act more proactively to accelerate the implementation of the common sustainable development goal for humanity. As part of that, we have announced the '2050 Carbon Neutral Plan' in 2022 and started a new journey towards a carbon-free world. The carbon-neutral process will become a significant core value that will drive the growth of LG H&H in the future. We will fulfill our environmental and social responsibilities for future generations and continue to expand customer value through the active practice of ESG management.

As a global luxury beauty company that realizes customer satisfaction and a world-respected sustainable management leader, LG H&H will continue its unstoppable challenges. We ask all our stakeholders for your continued interest and support in the future. Thank you.

July 2022

CEO & Vice Chairman **Suk Cha**

차석웅

# Beautiful **Beauty Division**

Our cosmetics carry our sincerity and aspiration for a beautiful life. We hope today's moments will shine brighter and tomorrow's happiness will be greater with our cosmetics. That's why we want to nurture the world's best brands and grow into a global luxury beauty company. We will go beyond the domestic market to a broader world for all customers in the world who dream of a beautiful life.

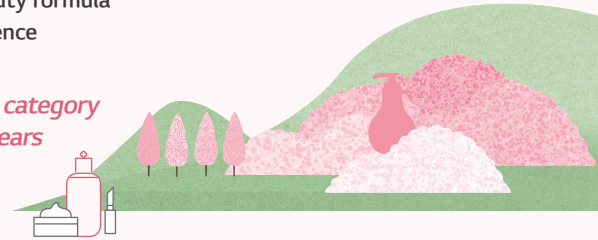
The History of Whoo Jinyul



### The History of Whoo

Premium royal brand that combines the secret royal court's beauty formula for queens with modern science

**1<sup>st</sup>** Place in the beauty category for 3 consecutive years



### O HUI

An emotional dermatology cosmetic brand that persistently research and creates to realize absolute beauty

Amazing skin improvement effects experienced by women globally

The skin seems to be in harmony

**100%**

The skin environment seems to have improved

**98.8%**

2020 Avenuel MVG's Pick Anti-Aging Essence Category Award

Ohui the First Geniture Sym-Micro Essence



### OUR BRANDS



su:m37

O HUI

belif

PASSION & BEYOND

THE FACE SHOP

ISA KNOX

VONIN

CARE+ ZONE



tuneage



LACVERT

Smgt

CNP

VDI VDIVOV

VDL

The saga of

CODE

CNP\_Propolis Energy Ampule



CNP

Prescription becomes cosmetics, Derma care brand with expert know-how for skin health

User satisfaction

96.4%



Su:m37°

A natural and fermented cosmetic brand that provides beautiful changes to the skin with fermented scientific ingredients comfortable and effective for the skin

Products that satisfied Korean and Chinese consumers

100%

2021 Singles COSMETIC AWARDS 2021 BEST ESSENCE Award(Elixir Essence)

Su:m37° Secret Essence



Belif

'Bomb Cream', a representative product that has been loved all over the world for ten years, Wearing SUSTAINABLE DRESS for more love from 20 million and 30 million consumers in the future

Cumulative sales of 2 kinds of bomb creams in 2021

10 million units sold

Belif the true cream moisturizing



# Healthy Home Care and Daily Beauty Division

From oral care products to skin care products, hair products, laundry products, hygiene products, and detergent products, our daily products are with you every moment when life becomes healthier and more convenient. We select safe raw materials, study convenient use methods, and seek ways to coexist with the environment. We will create the best products that customers can trust and use at all times to help the daily lives of customers worldwide become healthier and more prosperous by staying with you every day.

PERIOE Total 7, Himalayan Pink Salt



## PERIOE

PERIOE, a dental expert who meets every day, the representative oral care brand responsible for oral health in Korea

For 24 consecutive years

1<sup>st</sup> Place



## Veilment

A premium body skin care brand that improves skin with just a shower

Global sales

Over **10** million units



Veilment Natural Spa Dead Sea Salt Scrub body cleanser



### OUR BRANDS





Tech hormone peculiar fragrance



**TECH**

Korea's No.1 laundry detergent brand to solve laundry problems

Laundry detergent sales for 13 consecutive years

**1<sup>st</sup> Place**



**Elastine**

Protein hair care for a healthy scalp and soft hair, Korea's representative shampoo brand, Elastine

**No. 1 shampoo for 18 consecutive years**

- Allure's Best of Beauty Award
- Nielsen 2021 East Asian Innovation New Product Winner

PropoliThera



**Dr. Groot**

No.1 hair loss symptom care brand for four consecutive years with No. 1 repurchase rate, selected by its users

Repurchase rate among hair loss symptom care shampoo/conditioner brands

**1<sup>st</sup> Place**

Hair loss symptom care shampoo/conditioner brand for consecutive four years

**1<sup>st</sup> Place**

2021 sales of hair loss symptom care shampoo/conditioner brands

**1<sup>st</sup> Place**

Cumulative sales over 16.9 million units

Dr. Groot Intensive Care ADVANCED



# Refreshing

## Refreshment Division

The drinks we make are a little magic in everyday life that gives you fresh vitality, a refreshing break, and a warm relaxation. In addition to beverages loved by everyone, such as Coca-Cola, MinuteMaid, and Powerade, we constantly introduce new beverages that reflect our health and preferences, creating happy breaks in our lives. We will continue to provide more delicious and healthy beverages for our customers to lead an enjoyable and active life.



### Coca Cola

The most popular carbonated beverage in the world for over 130 years

1<sup>st</sup> place in the carbonated/cola category

6<sup>th</sup> place in the most influential brand category

### Seagram(Seagram Label-Free)

Seagram, a 160-year-old brand that started in Canada, with a refreshing until the end

- The first label-free carbonic acid in Korea
- “Best in Recycling” grade certification by Korea Environment Corporation
- Reduction of plastic weight(about 445 tons of plastic reduction per year)



### Guronsan Vermont

A fatigue recovery drink with 59-year-tradition

SINCE 1963

#### OUR BRANDS





**Powerade & Toretta**

Low-calorie sports/ionic drinks, health-oriented hydration drinks

Domestic Sales of Sports/ Aeon Integrated Category

**1<sup>st</sup> Place**

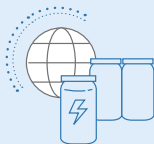


**Monster Energy**

An energy drink that started in the United States and spread all over the world

Domestic energy drink sales

**1<sup>st</sup> Place**



**GangWon PyeongChangSoo**

Drinking spring water brand that keeps the principle of water

Official drinking water for the 2018 Pyeongchang Winter Olympics



## ABOUT LG H&amp;H

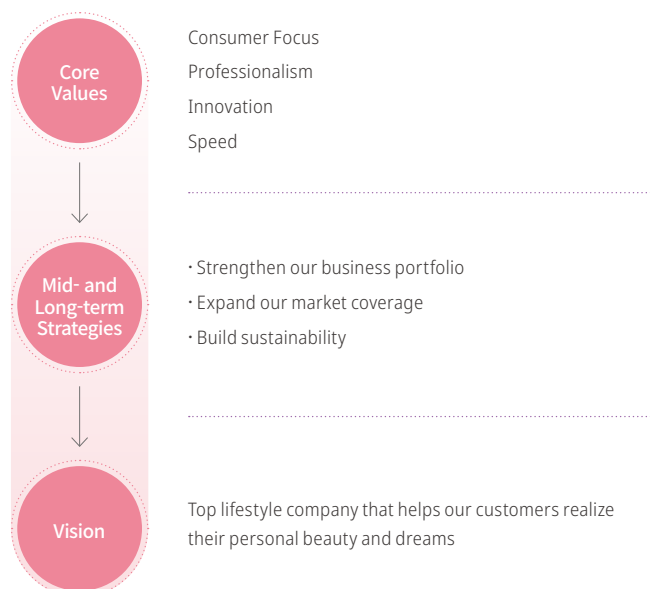
# Company overview

Since its foundation in 1974, LG H&H has grown into the nation's leading lifestyle and culture company by pursuing a beautiful, healthy, and refreshing life for customers over 70 years. LG H&H maintains a solid No. 1 position in the cosmetics, household goods, and beverage businesses. Based on the capabilities it has accumulated in Korea, LG H&H has entered over 57 countries, including China, Japan, Vietnam, Taiwan, the United States, and Canada, to become a world-class luxury beauty company. In addition, we are striving to create a better world together with all stakeholders by faithfully fulfilling our corporate social responsibility centering on ESG management. We will continue to grow into a global company loved and trusted by the world as the best living culture company that realizes the beauty and dreams of customers by providing differentiated values, and pleasant and touching experiences.

## Company Profile

Company Name	LG H&H
Address	LG Gwanghwamun Building, 58, Saemunan-ro, Jongno-gu, Seoul, South Korea
Foundation	January 1947
CEO	Suk Cha
Business Type	Cosmetics, Household Goods, Beverages
Number of Employees	7,466

## Mid- and Long-term strategies



## Major Domestic and Overseas Subsidiaries

Domestic Subsidiaries	Location(HQ)	Share(%)
Coca-Cola Beverage	Yangsan, Korea	90
HAITAI htb	Seoul, Korea	100
Hankook Beverage	Namwon, Korea	100
Gwoonnuri	Seoul, Korea	100
FMG	Chuncheon, Korea	100
Bright World	Cheongju, Korea	100
LG Farouk Co	Seoul, Korea	50
Tai Guk Pharm Co., Ltd.	Buyeo, Chungcheongnam-do, Korea	92.7
Ulleung Saemmul	Seoul, Korea	87
Rucipello Korea Inc	Seoul, Korea	100
Mizen Story	Seoul, Korea	100
TPSY	Seoul, Korea	70

Overseas Subsidiaries	Location(HQ)	Share(%)
LG H&H Trading(Shanghai)	China	100
Beijing LG Household Chemical	China	78
LG H&H Cosmetics R&D(Shanghai) Co., Ltd.	China	100
THE FACE SHOP(Shanghai) Co., Ltd.	China	100
Avon Manufacturing(Guangzhou), Ltd.	China	100
Ginza Stefany Inc.	China	100
Everlife Co., Ltd.	Japan	100
Toiletry Japan Inc.	Japan	100
FMG&MISSION CO., Ltd.	Japan	70
Fleuve Beaute Inc.	Japan	100
Everlifeagency Co., Ltd.	Japan	100
LG H&H Tokyo R&D Center Inc.	Japan	100
LG Vina Cosmetics Company Limited	Japan	100
LG H&H USA Inc.	Vietnam	60
The Avon Company	USA	100
Boinca Inc.	USA	100
LG H&H(Taiwan) Ltd.	USA	56
Everlife H&B Co., Ltd.	Taiwan	100
LG H&H(Thailand) Limited	Taiwan	100
LG H&H HK LIMITED	Thailand	100
LG H&H Singapore Private Limited	Hong Kong	100
The Avon Company Canada Limited	Singapore	100
LG H&H MALAYSIA SDN. BHD.	Canada	100
LG H&H UK LTD	Malaysia	100
	the United Kingdom(UK)	100

## Domestic Business Sites

LG H&H	Headquarters in Seoul	HAITAI htb	Business site in Cheorwon
	Business site in Cheongju		Business site in Pyeongchang
	R&D campus in Daejeon		Business site in Cheonan
	Business site in Naju		Business site in Iksan
	Business site in Ulsan	FMG	Business site in Chuncheon
	Business site in Onsan	Hankook Beverage	Business site in Namwon
	Magok LG Science park		Business site in Buyeo
	Business site in Incheon	Tai Guk Pharm Co., Ltd	Business site in Hyangnam
	TP Business site in Cheongju		Business site in Gochang
	Coca-Cola	Business site in Yeosu	
	Business site in Gwangju		
	Business site in Yangsan	* Technopolis	

**Global Network**

We are growing into a global company of cosmetics, household goods, and beverages businesses by providing high-quality products to our customers.



<u>Europe</u>		<u>Africa</u>	<u>Middle East</u>	<u>Asia</u>	<u>Oceania</u>	<u>America</u>
Greece	Portugal	Mauritius	Dubai	Taiwan	NewZealand	The United States
Denmark	Belgium	Liberia	Russia	Malaysia	Australia	Canada
Germany	Netherlands		Saudi Arabia	Mongolia		Guatemala
Romania	Luxemburg		Armenia	Myanmar		Mexico
Bulgaria	The United Kingdom		Oman	Vietnam		Argentina
Serbia	Finland		Jordan	Singapore		Brazil
Sweden	Norway		Qatar	India		
Switzerland			Kuwait	Japan		
Spain			Turkey	China		
Italy				Cambodia		
Czech				Thailand		
Poland				Philippines		
France				Hong Kong		

countries with an overseas subsidiary

ECONOMIC VALUE CREATION

# Economic value creation

## Financial performance

LG H&H continued its growth by strengthening its luxury image and responding quickly to the digital market despite the challenging business environments such as domestic and overseas economic slow-down due to the prolonged COVID19 pandemic and intensifying competition in overseas markets. In 2021, we achieved KRW 8.915 trillion in sales, a 3.1% increase from the previous year, and KRW 1.29 trillion in operating profit, a 5.6% increase from the previous year.

## 2021 Business performance

LG H&H not only broke the highest performance recorded that surpassed the pre-pandemic level but also maintained the No. 1 position in the cosmetics, household goods, and beverage categories in Korea, based on its solid brand portfolio, despite challenging circumstances due to reduced consumption caused by COVID19 and aggressive price competition from competitors.

### Sales

(Unit : KRW 100 million)

2019	2020	2021
76,854	78,445	KRW 8.0915 trillion

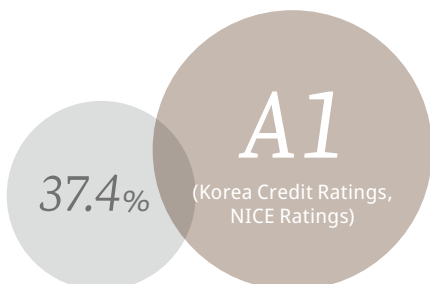
### Operating profit

(Unit : KRW 100 million)

2019	2020	2021
11,764	12,209	KRW 1.2896 trillion

## Debt Ratio and Credit Rating

(As of December 2021)



## Beauty Division

### 2021 Business performance

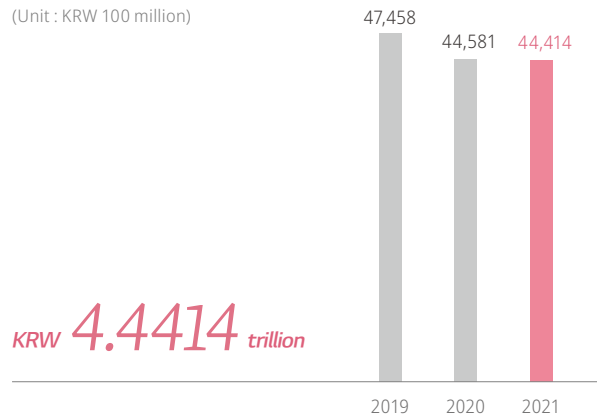
We achieved sales of KRW 4.4 trillion, similar to the previous year, and KRW 876.1 billion in operating profit, an increase of 6.5% thanks to the luxury-oriented business strategy and targeting the MZ generation through derma cosmetics despite the contracted market environment due to the prolonged COVID19 and intense competition in the Chinese digital business.

### 2022 Business plan

We will enhance our global competitiveness by intensively cultivating the ultra-high-priced lines of our luxury brand to become a total beauty company. We will also focus on strengthening the product power of derma, clean, and vegan cosmetics and responding to digital channels to target the MZ generation.

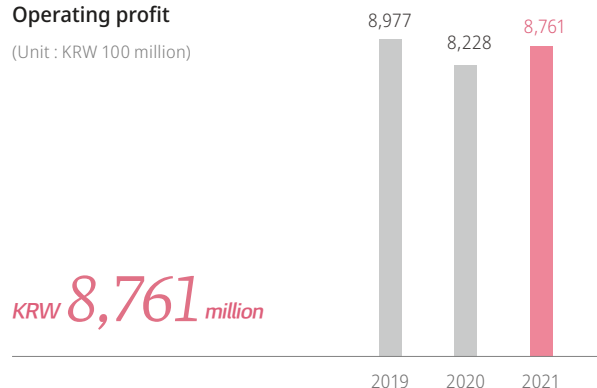
### Sales

(Unit : KRW 100 million)



### Operating profit

(Unit : KRW 100 million)



## Home Care and Daily Beauty Division

### 2021 Business performance

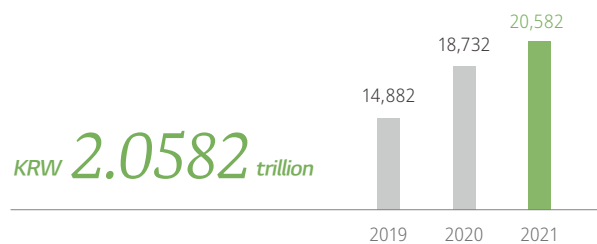
We achieved KRW 2 trillion in sales for the first time by expanding the sales of premium products such as 'Dr. Groot', 'Himalayan Pink Salt', and 'Physiogel', which we had strategically fostered, and concentrated on digital channels. In addition, through the newly acquired oral care brand 'REACH' and the luxury hair care brand 'Arctic Fox', we laid the foundation for our business expansion in North America, the world's largest market.

### 2022 Business plan

We will further expand the sales share of premium brands by reflecting the changing needs of consumers in products and utilizing existing brand assets, focusing on digital. In addition, we will focus our capabilities on enhancing product power and increasing distribution coverage to expand our North American business.

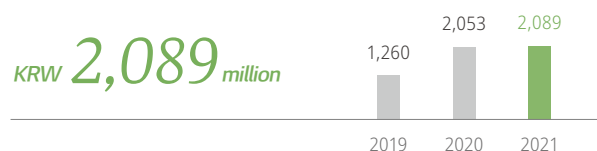
#### Sales

(Unit : KRW 100 million)



#### Operating profit

(Unit : KRW 100 million)



## Refreshment Division

### 2021 Business performance

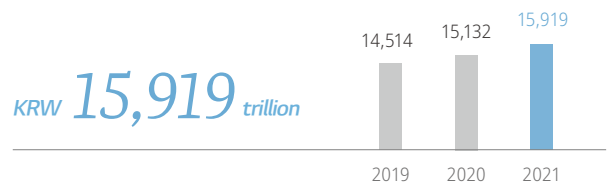
Our sales increased by 5.2% year-on-year to KRW 1.6 trillion and operating profit increased by 6.2% to KRW 204.7 billion thanks to the strong sales of major brands such as 'Coca-Cola', 'Sprite' and 'Monster Energy' despite the difficult business environments such as soaring raw material prices due to global supply issues and continuous social distancing.

### 2022 Business plan

We will maintain our No. 1 position by continuously securing market competitiveness through utilizing major brands in key categories, including carbonated beverages, and continue to expand our product lineup by launching new products suitable for health and eco-friendly concepts.

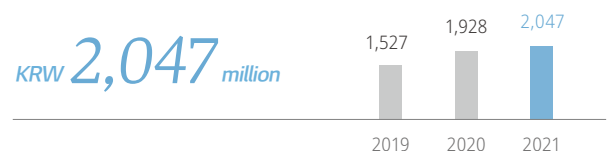
#### Sales

(Unit : KRW 100 million)



#### Operating profit

(Unit : KRW 100 million)

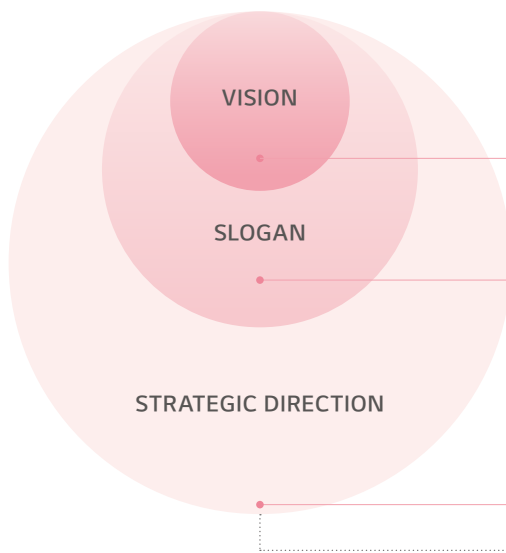


ESG MID-TO-LONG-TERM STRATEGY AND ROADMAP

# ESG mid-to-long-term strategy and roadmap

LG H&H provides the value of a beautiful and healthy life to various stakeholders and is constantly striving for sustainable growth. LG H&H has established mid-to-long-term ESG strategies under the vision of 'the best sustainable FMCG<sup>1)</sup> company.' We are actively implementing four mid-to-long-term goals and nine tasks regarding governance, products, society, and the environment. We will not only enhance our capabilities as a sustainable company but also contribute to achieving the UN SDGs, a common global task, by systematically and strategically conducting ESG management.

1) FMCG(FAST MOVING CONSUMER GOODS) : Consumer goods for daily use



**Vision**

**Earth that everyone borrows**

We will fulfill our responsibility as a true successor through ESG activities to pass on beautiful and healthy earth to our descendants.

**Slogan**

Beautiful, Healthy, Refreshing for people and the planet

**Strategic direction**

1. For Healthy Products : Develop sustainable products through customer-friendly products
2. For the Beautiful Planet : Reduce environmental impact by developing eco-friendly products and recycling resources
3. For Refreshing Society : Reinforce social responsibility throughout the value chain

**2021 ESG Key Performance**

Category	Promotion tasks	Key Performance Indicators(KPIs)*
Economics and Governance	Develop Products with Social Value	Select mid-to-long-term tasks and research to reduce environmental impact and to promote customer safety and health(by 2025)
		Develop leading technologies and products through open innovation such as cooperation with external organizations and local communities(by 2025)
	Enhance product safety	<ul style="list-style-type: none"> <li>· Operate and settle customer value innovation process by product lifecycle-specific reliable quality management(RQM) system(untill 2022 : design, mass production, distribution, consumer response quality)</li> <li>· Secure global-level evaluation capabilities related to safety verification and build and operate reliability (by 2022)</li> <li>· Establish supply chain operating system that respond to the future of informatization, intelligence, and automation based on customer value-oriented PEOS<sup>2)</sup> platform(by 2025)</li> <li>· Secure global business capabilities through the unique LG H&amp;H reliable quality certification system(by 2024)</li> </ul>
	Diversifying the Product Portfolio	Achieve KRW 3.17 trillion in sales through continuous expansion of overseas business(by 2025)
	Establishing ESG Governance	<ul style="list-style-type: none"> <li>· Organize and operate ESG committee</li> <li>· Achieve ESG Committee operation performance(additional)</li> <li>· Reinforce the diversity and expertise of internal and external directors</li> </ul>



2) PEOS(Paperless Enterprise Operation System): A document-free operating system based on company-wide informatization  
 \* Detailed implementation goals could be altered depending on the annual implementation performance.





**Direction**

Manage product stability & risk, promote resource circulation, and enhance social contribution activity, diversifying portfolio, leading the response to climate change

Build a sustainable supply chain, expand products with social and environmental benefits, expand eco-friendly products, create a good working environment



**Tasks to be pursued**

Establish ESG governance, create social and environmental benefits, strengthen product safety, diversify portfolio, strengthen social contribution activities, establish a sustainable supply chain, create a good working environment, promote resource circulation, and lead response to climate change



**2021 Performance**

- Implemented 'Clean Beauty Inside', which defines, measures, and manages clean beauty items and standards from an ESG point of view from the product development stage of our cosmetic products.(measured Clean Index by reflecting weights according to the importance of 12 management items)
- Developed eco-friendly formulations that does not require plastic containers and not produce waste, such as solid-type shampoo bars and toothpaste powder.
- Signing a research agreement contract with URBAN MINER, a start up company that creates functional activated carbon from by-product emitted during the coffee manufacturing process, and launching clean beauty products through upcycling raw materials for cosmetic products/daily necessities.
- Completed the development of 'skin condition data visualization technology' by signing a research agreement with Shimoda. Improved the understanding of product efficacy by visualizing skin conditions difficult to recognize with the naked eye.
- Promoted expansion from production-oriented reliable quality diagnosis to product design and distribution stages: Prepared safety quality diagnosis standards in the design and distribution stages, and completed diagnosis using internal and external expert agencies for 69 enterprise-wide logistics centers(October 2021)
- Operated internal processes to prevent possible social issues such as human safety before the launch of new types (December 2021)
- Configured CS menu in the online order management system(OMS) to establish a supply chain and established an integrated CS incoming processing system(December 2021)
- Maintained KOLAS certification body approval and expanded to 7 additional evaluation items
- Achieved KRW 2.4 trillion in overseas sales

**Relevant SDGs**



- Operating ESG committee(twice/year), held it once in 2021 as it was the first year of its establishment
- Operated ESG Council(quarterly) \* Changed CSR Council to ESG Council to operate it(2022)
- Appointed new female independent director(2022)

Category	Promotion tasks	Key Performance Indicators(KPIs)*
<p><b>Society</b></p> 	<p><b>Enhance social contribution activities</b></p>	<p>Constant expansion of beneficiaries of social advancement such as job creation for women(280 people cumulatively selected by 2025)</p> <p>Continuously value-up through follow-up management of existing personnel</p> <p>Diversify education channels of 'Borrowed Earth School', habit improvement convergence education program for teenagers and achieve a cumulative total of 100,400 beneficiaries<sup>2)</sup>(by 2025)</p> <p>Expand the regions for a health musical for children, 'Twinkle Twinkle Perio' and achieved a cumulative total of 242,290 beneficiaries<sup>3)</sup>(by 2025).</p>
	<p><b>Establishing a sustainable supply chain</b></p>	<p>Improve reliable quality level for suppliers<sup>4)</sup> with(a cumulative total of 660 companies, by 2025)</p> <p>Provide technical support for business partners<sup>4)</sup> with(a cumulative total of 1,811 cases, by 2025)</p> <p>Provide financial support for business partners<sup>4)</sup> with(a cumulative total of KRW 310.2 billion, by 2025)</p> <p>Minimize risks by enhancing the ESG capabilities of suppliers</p> <p>Operating advanced consulting for oversea partners, as well as discovering and nurturing new partners</p> <p>Target ratio for purchasing sustainable palm oil(64.9%, by 2025)<sup>5)</sup></p>
	<p><b>Creating a good working environment</b></p>	<p>Improve employee engagement(85 points, by 2025)</p> <p>Establish a global education system(a cumulative total of 750 who will have completed the course by 2025)</p> <p>Build Global Leadership(by 2025)</p> <p>Achieve a 28% ratio of female managers(by2023)</p>
	<p><b>Environmental</b></p> 	<p><b>Promote resource circulation</b></p>
<p><b>Lead the response to climate change</b></p>		<p>Achieve 0.069 tons CO<sub>2</sub>e/product-ton of GHG emissions intensity(production plant)(by 2025)</p> <p>Carbon neutrality response activities and performance</p> <p>Invest continuously to improve energy efficiencies, such as facility improvement at business sites and replacement of old equipment</p>

1) Natural Beauty Creator : A beauty creator training program for women on a career breaks  
 2) Borrowed Earth School : Cumulative data since 2014    3) Twinkle Twinkle Perio : Cumulative data since 2004

2021 Performance

Relevant SDGs

- Selected 35 people for the 4th Term of Natural Beauty Creator<sup>4)</sup>(136 cumulative participants)
- Opened live commerce expert courses and provided regular mentor training opportunities
- Ministry of Education : Selected as a certified institution of a 2021 education donation career experience
- 65,715 cumulative participants in 2021(10,813 participants in 2021 alone)
- 231,657 cumulative participants in 2021(4,362 participants in 2021 alone)
- Cumulative performance of 240 cases in 2021(64 cases in 2021 alone)
- Specified reliable quality certification system for suppliers(established procedures for evaluation of new suppliers)
- 949 cumulative cases from 2017 to 2021(193 cases in 2021 alone)
- Cumulative performance of KRW 178.89 billion from 2017 to 2021(KRW 38.8 billion in 2021 alone)
- Written inspection(audit), and pre-monitoring of('Core partners', 'Key suppliers' among all suppliers)
- 12 partner companies for consulting(using external consulting companies)
- Completed internalizing the discovery and evaluation procedures of new overseas partners
- Completed diagnosis of 15 new overseas partners, and opened transaction codes for ten companies
- Requested reliable quality certification evaluation of existing overseas partners to an external diagnosis expert agency and reflected the results in evaluation(20 companies)
- Achieved 33.7% of sustainable palm oil purchases<sup>5)</sup>
- Achieved an average of 82 points in employee engagement score
- 1:1 English coaching class with native speakers : 43 participants
- Global Expertise Course(GEC) for business competency training in English-speaking regions : 16 participants
- GECC(Global Expertise Course China) for business competency training in Chinese-speaking regions : 6 participants
- Global MBA : 3 participants
- Overseas regional experts : 2 participants
- Japanese/Chinese Business Basic Conversation Course : 84 participants(aiming for 750 participants who have completed the course by 2025 by maintaining about 150 participants annually)
- LG H&H Global Internship Program
- Participants : 16 participants in 2021/Period : As of December 2021
- Achieved 27% of female managers(0.9% increase from 2020)
- Achieved KRW 450.7 billion in sales of green products
- 185 eco-labelings(176 environmental labels, 3 low-carbon products, 6 carbon footprints)
- Achieved 40 tons of recycled plastic use(PCR PET/PCR LLDPE)
- Achieved 20% of clean beauty products that were launched(2021)
- Prepared a clean beauty new product guide, 'Clean Beauty Inside'(2021)
- Set a mid-to-long term goal : Average 8 points in 2022 → Average 11 points in 2025
- Operated 4 brands(Belif, The Face Shop, Beyond, Physiogel) as a priority(2022)
- 1.67 tons/product-ton
- Managed the items regarding 'Blue Beauty(Eco-friendly)' and 'Hazardous Ingredients Free(Human Safety)' in Clean Beauty internally to suppress the use of D5, and D6
- Restricted the use of restricted substances in new cleaning products, and expanded unused leave-on products
- 0.148 tCO<sub>2</sub>e/product-ton
- Establishing mid-to-long term strategy for carbon neutrality
- Invested approximately KRW 200 billion in 84 core technologies and reduced carbon emissions by 45%(by 2030)
- Achieved Net Zero(by 2050)
- Invested KRW 6.98 billion



4) Cumulative data since 2019 for the reliable quality rating evaluation for partner companies/collected data since 2017 for the goals and performance related to technical support and financial support for partner companies  
 5) Target % refers to the annual sustainable palm oil purchases / annual total palm oil purchases  
 6) The purchase ratio is the weighted arithmetic average of 33.9% in the raw material division and 33.2% in the product division  
 7) Cyclopentasiloxane(D5) and Cyclopentasiloxane(D6) restricted by XVII in the EU REACH Annex

## SPECIAL 01

## 2050 Carbon Neutrality Declaration



Creating a carbon-free and sustainable world for the future of humans and the planet.

LG H&H has been actively implementing environmental management and climate change response to participate in the international community's efforts, in order to respond to the global climate crisis, and to contribute to the achievement of the government's 2050 carbon-neutral strategy. As a global lifestyle company that produces and supplies cosmetics, household goods, and beverages all over the world, LG H&H announced the '2050 Carbon Neutral Plan' on February 15, 2022, to achieve carbon neutrality by 2050 so as to respond more strategically and systematically to climate change.

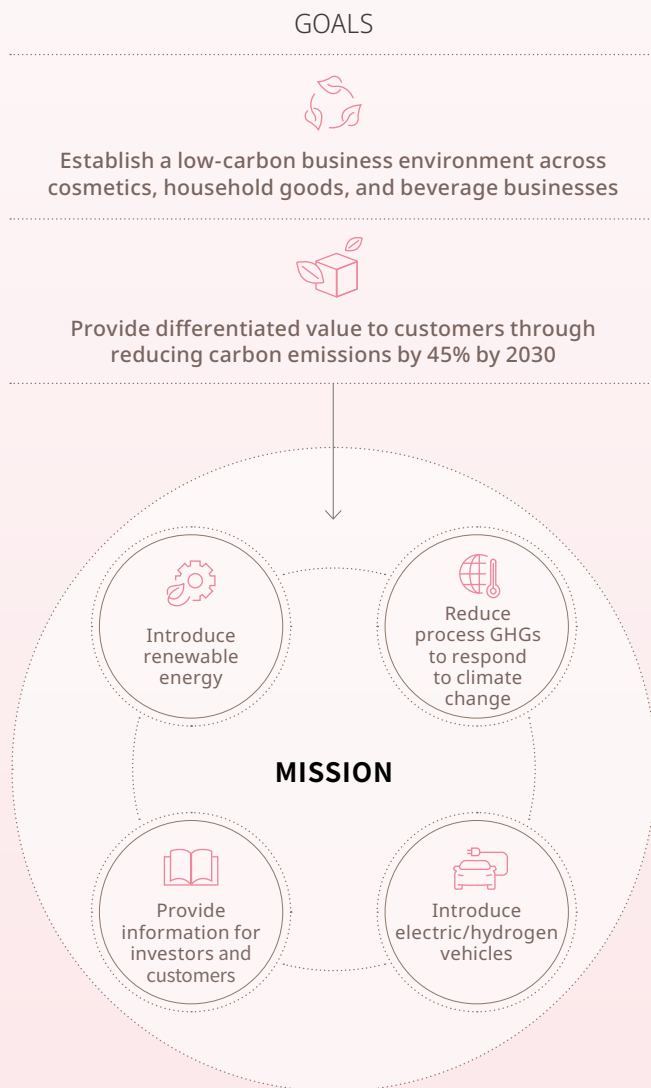
To achieve carbon neutrality by 2050, LG H&H has set the goal of 'establishing a low-carbon business environment for the overall cosmetics, household goods and beverage businesses' and 'providing differentiated value through a 45% reduction in carbon emissions by 2030'. In addition, LG H & H will select core tasks such as reducing process GHGs to climate change respond, introducing renewable energy and electric and hydrogen vehicles, providing information to investors and customers, and promote these tasks actively. As the first step, we plan to invest about KRW 200 billion in renewable energy and greenhouse gas reduction technologies by 2030.

In addition, we aim to draw up and implement 84 action plans to reduce greenhouse gas emissions. We first plan to reduce carbon emissions by 45% in 2030 compared to 2020 by replacing the workplace lighting with LEDs, building washing water recycling facilities, and installing solar power facilities in stages. After 2030, we will achieve true carbon neutrality by 2050 by introducing various new technologies related to carbon neutrality.

Cooperation and practice of the entire supply chain that involves in the whole product process are critical in realizing carbon neutrality. LG H&H will expand its ESG competency-building activities to more than 500 partner companies to build a sustainable supply chain. We plan to support our suppliers to check risk factors and improvements for each ESG items in five areas (human rights/labor, environment, safety/health, ethical management / internal control, and management system) through self assessment. In addition, we plan to strengthen further our consulting activities, such as establishing an ESG training course for business partners and executives, and providing domestic and overseas ESG management information.

We believe that the process of promoting carbon neutrality will become a significant core value which will drive the growth of LG H&H in the future. LG H&H will fulfill its environmental and social responsibilities for future generations, and continue expanding its customer value by introducing various reduction tasks in stages to realize carbon neutrality. LG H&H will lead the carbon-neutral era for a sustainable future of humanity and the planet.

## 2050 Carbon Neutral Action Goals and Missions



## Core Tasks

### Process Greenhouse Gas Reduction

LG H&H manages greenhouse gas emissions through external verification every year and complies with the greenhouse gas target management system, the national energy/greenhouse gas regulation. LG H&H has also established mid-to-long-term greenhouse gas reduction goals by applying the IPCC recommended goal of limiting the increase in the global average temperature to 1.5°C or less. We continue to minimize greenhouse gas emissions from product production to achieve established goals, with our in-house technical department composed of energy experts managing energy consumption at domestic and overseas business sites by introducing high-efficiency facilities, energy reduction technology, and processing efficiency improvement.

### Introduction of renewable energy

LG H&H will convert the energy used at its business sites into renewable energy in order to reach the carbon-neutrality goal by 2050. We will introduce solar power generation facilities in phases at our business sites by 2025 to reduce GHG emissions in the manufacturing process of cosmetics, household goods, and beverages, which are our main products. Meanwhile, we plan to promote long-term financial investment and carbon capture and storage technology(CCUS) after reviewing them while introducing hydrogen fuel cells to expand the conversion ratio of renewable energy to electricity used in 2030. In addition, we will continue to review renewable energy technologies and actively apply them to expanded and established business sites.

### Introduction of electric and hydrogen vehicles(EV100)

LG H&H has set a goal to convert all owned and leased vehicles used by the company to electric and hydrogen vehicles by 2035. We will replace vehicles under 2.5 tons with electric and hydrogen vehicles by 2030 and vehicles exceeding 2.5 tons by 2035, considering the timing of mass production following the introduction of automobile manufacturing technology. At the same time, we aim to reduce greenhouse gas emissions from vehicles by 100% in the future by introducing renewable energy generation facilities such as solar power inside the business site, and operating facilities that can supply electric power on their own.

SPECIAL 02

# Global business



Realizing the dream of becoming a global luxury beauty company in a broader world.

LG H&H is expanding its beauty territory worldwide by actively entering the global beauty market, focusing on its luxury brands. Starting with success in Asia, such as China and Japan, our global business has now expanded to North America and Europe, raising our reputation as a global brand. We will continue to develop the next-generation mega-brands and actively pioneer the global market by utilizing our global brands acquired through M&A. In particular, we plan to continue expanding our business in the US, the world's largest market, by launching new brands, enhancing online and offline channels, and entering the digital business. Through bold challenges toward a wider world, we will grow into a global luxury beauty company loved by global customers and the best lifestyle company.

## China

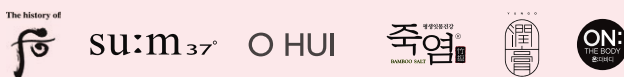
The History of Whoo, a luxury cosmetic that occupies the most significant portion of our beauty business, has further enhanced the product power of its luxury skincare through the launch of 'Hwanyu Imperial Youth First Serum,' the renewal of 'Cheonyuldan,' and the third-generation upgrade of the representative product 'Bichup Self-Generating Anti-aging Concentrate.' We are actively participating in online festivals such as the 'Gwang-Gungje or Singles Day ' to expand our contact points with customers to respond to China's rapidly changing distribution environment. In addition, we are promoting the expansion of the premium household goods business by activating the participation in live broadcasting of daily beauty products such as Physiogel and Dr. Groot.



### Major brands

Cosmetics

Household goods



## Japan

We sell cosmetics under the brands SuhaDavi and Allucere and health functional foods under the Kojun and Nomikotae through effective advertising through the mail-order sales channel, which is the representative sales channel. We are also actively marketing ISAKNOX cushion cosmetics through the home shopping channel. In addition, we are intensively nurturing the derma cosmetic brand Physiogel and the cosmeceutical brand CNP to expand offline channels.



### Major brands

Cosmetics

Household goods



## Southeast Asia

In line with the changed distribution environment due to the impact of COVID19, we are continuously improving the constitution of The History of Whoo and The Face Shop centered on department stores and directly managed stores. We have laid the foundation to expand our online business through Shopee and Lazada, the leading local e-commerce platforms. In addition, our derma cosmetics brand Physiogel reinforces its operating items and conducts differentiated marketing for each distribution channel to enhance its competitiveness. We are also diversifying our distribution channels into health & beauty and drug stores in addition to hospitals, clinics, and pharmacies.

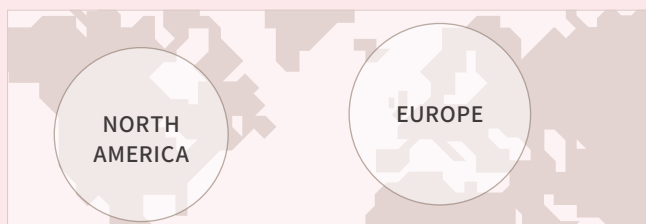


## North America and Europe

Belif, a true herbal cosmetic brand that entered the North American market by launching on Sephora, a prestige beauty channel, is currently enhancing its position by meeting with consumers at 495 stores in major cities such as New York and Los Angeles, USA. Belif is accelerating its growth by entering Ulta Beauty, the largest beauty distribution network in the US, Macy's, the US representative department store, and Bloomingdale's, a high-end department store in the US.

In addition, The Face Shop, a naturalist brand, has reorganized its business structure from existing offline stores to online channels following the growth trend of the North American online market. The Face Shop is laying the groundwork for growth as a global naturalism brand by strengthening its strategic collaboration with Amazon in the US and is conducting various social marketing activities targeting the MZ generation, leading the growth of online channels.

Meanwhile, we are also expanding our business in the global luxury hair care market by entering the high-end fashion hair care market with a differentiated brand by acquiring a stake in Boinca, which owns the American high-end fashion hair care brand, Arctic Fox.



## Major brands

### Cosmetics



### Household goods



In addition, we secured business rights in North America, Europe, the Middle East, and Africa of REACH, a world-class oral care brand, and EUTHYMOL, a famous toothpaste brand with a 100-year tradition. We are continuously enhancing the competitiveness of our retail business by distributing these products to about 31,000 stores across the United States, including Wal-Mart, the largest retailer in the United States.

In January 2021, we secured a bridgehead to expand our European market by establishing a British subsidiary. Taking this opportunity, we are enhancing our premium oral care business by increasing our oral care business, concentrated in Asia, to global markets, including North America and Europe.

### Major brands in Europe

#### Cosmetics



#### Household goods



### Major brands in the US

#### Cosmetics

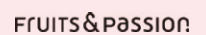


#### Household goods



### Major brands in Canada

#### Cosmetics



SPECIAL 03

# Develop Products with Social Value



Creating and sharing cherished values by considering customers, society, and the environment together

LG H&H believes that creating social and environmental benefits for stakeholders along with economic performance is one of the surest ways for a company to fulfill its corporate social responsibility. LG H&H aims to contribute to creating a sustainable world where everyone can live together by developing social and environmental value products that consider customers, society, and the environment together, and realizing social sharing by cooperating with various members of society, such as the culture and art industry and social enterprises.

## Develop social and environmental value products continuously

LG H&H strives to create and deliver more social and environmental value products that reflect precious values of customers, society, and the environment, such as customer safety and health, social benefits, reduction of environmental impact, etc. In 2021, LG H&H newly developed and launched social and environmental value products : two cosmetics, six household items, and five beverages. The sales of our social and environmental value products in 2021 reached KRW 1.4994 trillion, accounting for 18.5% of its total sales.

<p>Customer safety and health</p> 	 <p><b>Reliability enhancement</b> Dr. Groot</p>	 <p><b>Reliability enhancement</b> Physiogel DMT</p>	 <p><b>Reliability enhancement</b> Beyond Phyto Aqua Cream</p>	 <p><b>Low-sugar</b> Toreta</p>	 <p><b>Nutrition enhancement</b> Babience Kindermilch</p>
<p>Social benefit</p> 	 <p><b>Community cooperation</b> Pyeongchang-soo</p>	 <p><b>Community cooperation</b> Yehwadam revitalizing serum</p>	 <p><b>Community cooperation</b> Minute Maid Jeju Tangerine</p>	 <p><b>Community cooperation</b> Fresh Jeju Aloe Soothing Gel</p>	 <p><b>Community cooperation</b> Drinking spring water ViO</p>
<p>Environmental impact reduction</p> 	 <p><b>Water conservation</b> Jayeongpong</p>	 <p><b>Waste reduction</b> Tech Fiji Viru-x</p>	 <p><b>Waste reduction</b> Beyond Deep Moisture Creamy Body Wash Refill</p>	 <p><b>Energy reduction</b> Coca Cola</p>	 <p><b>Label-Free</b> Seagram</p>



### Introducing Korean beauty carried in brands

As a global beauty company that engages in the cosmetics business worldwide, LG H&H has been trying to convey Korean beauty in various designs for major brands. LG H&H has been very well-received by introducing 'The Saga of Xiu Golden Treasure Edition' that re-illuminates the excellence and beauty of metal crafts in the Shilla period, 'The History of Whoo Hwanyu State Guest set,' which captures the beauty and value of royal art in collaboration with royal artists, 'Sooryehan Ginseng Essence' applied with metal craft technology of the Silla period gold crown decoration, and the 'Su:m37° Art Collaboration Edition', carried out in collaboration with artists every year. These products convey the pride of traditional culture to domestic customers and a unique experience of Korean culture and art to global customers.

In 2021, Su:m37°, a representative natural and fermented cosmetics brand, launched the 'Su:m37° Best Essence All-Star Edition' in collaboration with contemporary artist Sung Hee-seung who draws stars. Sooryehan, a representative oriental beauty brand, developed a beautiful design that was completed with the mood of each season twice in spring and autumn with the motif of the folktale 'Hwajodo,' the most popular Korean cultural heritage, and applied the design to its main products, 'Ginseng Essence AD' and 'Moisture Spring Cream.' In addition, The Saga of Su, which has evolved into a luxury naturalistic herbal brand, introduced a new 'Saga Su' product with added elegance by expressing the fragrance of each line through botanical art in collaboration with artist Hyewoo Shin, a plant miniaturist. As the best luxury cosmetic company that represents Korea, we will continue to take the lead to promote the beauty of Korean art and traditional cultures both domestically and overseas.



Ginseng Essence AD



Sooryehan Moisture Spring Cream



All-Star Edition



The Saga of Xiu black plum blossoms sketch

### Collaboration with social enterprises that create social value

Beyond, LG H&H's representative clean beauty brand that pursues naturalism in action is characterized by its carefully selected raw materials, a safe prescription, and a comfortable fragrance. In particular, Beyond releases a holiday edition every November to deliver a small message of healing in the bleak daily life. In 2021, the brand collaborated with the social enterprise 'Autistar' to deliver a message of healing to customers tired of continuous physical distancing. Autistar, a social enterprise established to rehabilitate the talents of people with developmental disabilities, delivered a healing message of travel with illustrations of the holiday landscapes of Seoul, Paris, New York, and Sydney in its edition. Through this collaboration, the brand created social value, such as developing talents for people with developmental disabilities while increasing sales of social enterprises and strengthening competitiveness.



Beyond Holiday Edition

01.

MATERIAL  
ISSUES

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# Stakeholder Engagement

## Stakeholder Engagement

LG H&H classifies its stakeholders with a major impact on its business into customers, suppliers, employees, local communities, shareholders · investors and government · public institutions · associations. We proactively embrace their opinions and reflect them in our ESG activ-

ities, thereby maintaining active communication. We also identify the demands of each stakeholder group and apply them in our medium and long-term ESG strategies through regular communication channels.

### Stakeholder Engagement Channels

#### Customers

Communication Channel	Frequency
Website of the company and brands	Always
CS Portal, VOC, call center	Always
Complaints and feedback from customers	Always
Consumer monitoring*	3 times/month
Brand awareness and satisfaction level surveys	6 times/year
ESG surveys of customers	Annually

\* For LG H&H cosmetic products only  
 Key activities : Conducting feedback surveys of products and services  
 Communication issues : Customer service, personal information protection, marketing, product quality, customer safety

#### Suppliers

Communication Channel	Frequency
Integrated purchase channel	Always
Jeong-Do Management channel	Always
Win-win Growth Committee of suppliers	4 times/year
CEO Academy of suppliers	2 times/year
Technical support for suppliers	Always
ESG survey of suppliers	Annually

Key activities : Promoting win-win growth for co-existence with suppliers  
 Communication issues : Co-existence, industrial safety and health, changes in government policies, fair trade, Jeong-Do management

#### Employees

Communication Channel	Frequency
Intranet and grievance-handling programs	Always
Idea Innovation i-30	Always
Company newsletters	6 times/year
Company meeting	Quarterly
Satisfaction surveys of employees	Annually
ESG surveys of employees	Annually
Employees Committee	Quarterly
Sales and sales promotion group meeting by position	Quarterly
Labor-management Committee at each business site	Quarterly
Employees' meeting in each division	Annually

Key activities : Conducting opinion surveys regarding management strategies and implementation  
 Communication issues : Collective and various agreements, reward for performance, human resource development, human rights protection, industrial safety and health

#### Local Communities

Communication Channel	Frequency
Expert panel meetings	3 times/year
Community committees	2 times/year
Social contribution programs	Irregularly
ESG surveys of community	Annually
Public affairs	Irregularly
Launching events for the press	Irregularly

Key activities : Engaging in the decision-making process for the development of local communities  
 Communication issues : Disclosure of business management status, environment protection, contribution to local communities, job creation, social contribution

#### Shareholders · Investors

Communication Channel	Frequency
IR website	Always
General meetings of shareholders	Annually
Business reports	Annually
Conference	Always

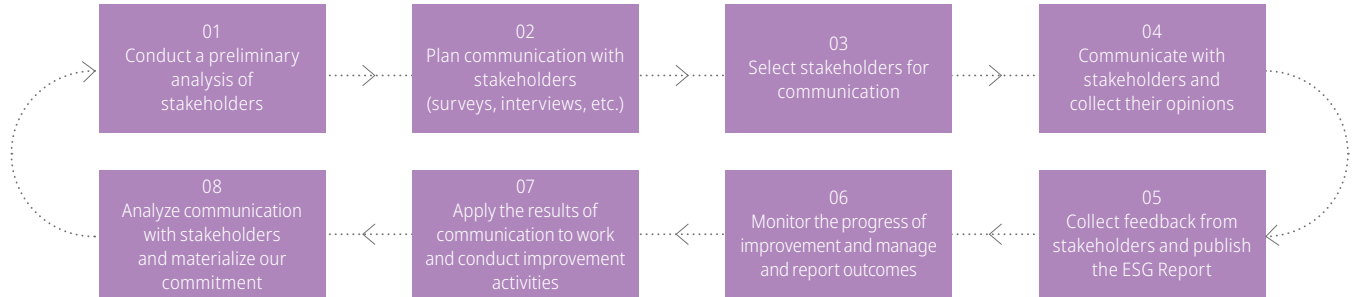
Key activities : Engaging in the strategic decision-making process related to businesses  
 Communication issues : Sharing of information about business management, investment, protection of the interests of shareholders

#### Government · Public Institutions · Associations

Communication Channel	Frequency
Korea Industrial Safety Association	Always
Korea Fire Safety Institute	Annually
Korea Environmental Industry & Technology Institute	Annually
Government projects and conferences	Always

Key activities : Engaging in the decision-making process for the development of local communities  
 Communication issues : Disclosure of business management status, environment protection, contribution to local communities, job creation, social contribution

### Stakeholder Engagement Process



### Stakeholder Interest and Expectations

Stakeholder category	Interest and Expectations
Customers	Product safety, enhanced product functions and their effects on health, and customer privacy protection
Employees	Enhanced brand leadership and corporate image, work-life balance, and performance evaluation and rewards
Shareholders · Investor	Transparent disclosure of management information, increased investment value through efficient management, and enhanced corporate value through ESG activities
Suppliers	Economic and financial support for suppliers, compliance with fair trade, expanded communication with suppliers, and invigorated communication channels
Local Communities	Minimize environmental impact in the local area, increase social community contribution activities, contribute to the local economy, and recruit locals.
Government · Public Institutions · Associations	Legal compliance and cooperation with government policies

### Panel meetings

LG H&H holds panel meetings to confirm experts' expectations in each field and reflect them in ESG activities. In 2021, we had a panel meeting on sustainable packaging to reduce plastics and increase recycling.

In-depth discussions on the topic were conducted via video interview due to the spread of COVID19. We will continue developing ESG activities by actively listening to stakeholders' opinions, including experts.



#### 2021 Panel Meeting on 'Plastic Reduction Packaging'

CASE

##### Plastic Reduction Packaging

In March 2021, we held a panel discussion on plastic reduction packaging to discuss domestic and foreign plastic-related laws and trends with relevant experts, the role of companies in product design and packaging selection, and cases and initiatives related to plastic packaging. We discussed LG H&H's response plans for sustainable packaging and the directions of performance management through panel meetings, such as plans to minimize plastic waste through plastic reduction-related regulations, company trends and product life cycle evaluation, plastic-related initiatives, etc., that LG H&H can apply.

##### Key agenda

- 1 ..... Response plans for domestic and foreign plastic regulatory trends and industry
- 2 ..... The importance and business cases of the producer's role in sustainable packaging
- 3 ..... Introduction of international initiatives related to plastic reduction
- 4 ..... 2030 Plastics initiative introduction and future direction suggestion

External expert	Company	Description
Director, Ji-Hye Cho	Korea Environmental Institute(KEI)	Domestic and foreign plastic regulatory trends and industry response plans
Professor, Soo-il Park	Department of Packaging, Yonsei University	Importance of Producer Roles for Sustainable Packaging
Manager, Su-Won Jeon	World Wildlife Fund(WWF Korea)	International Initiatives and Action Plans for Plastic Reduction
Director, Soo-Yeol Hong	Resource Circulation Socio-Economic Research Institute	2030 Implications and Implementation Issues of Cosmetics Plastics Initiative

# Materiality Assessment

## Materiality Assessment

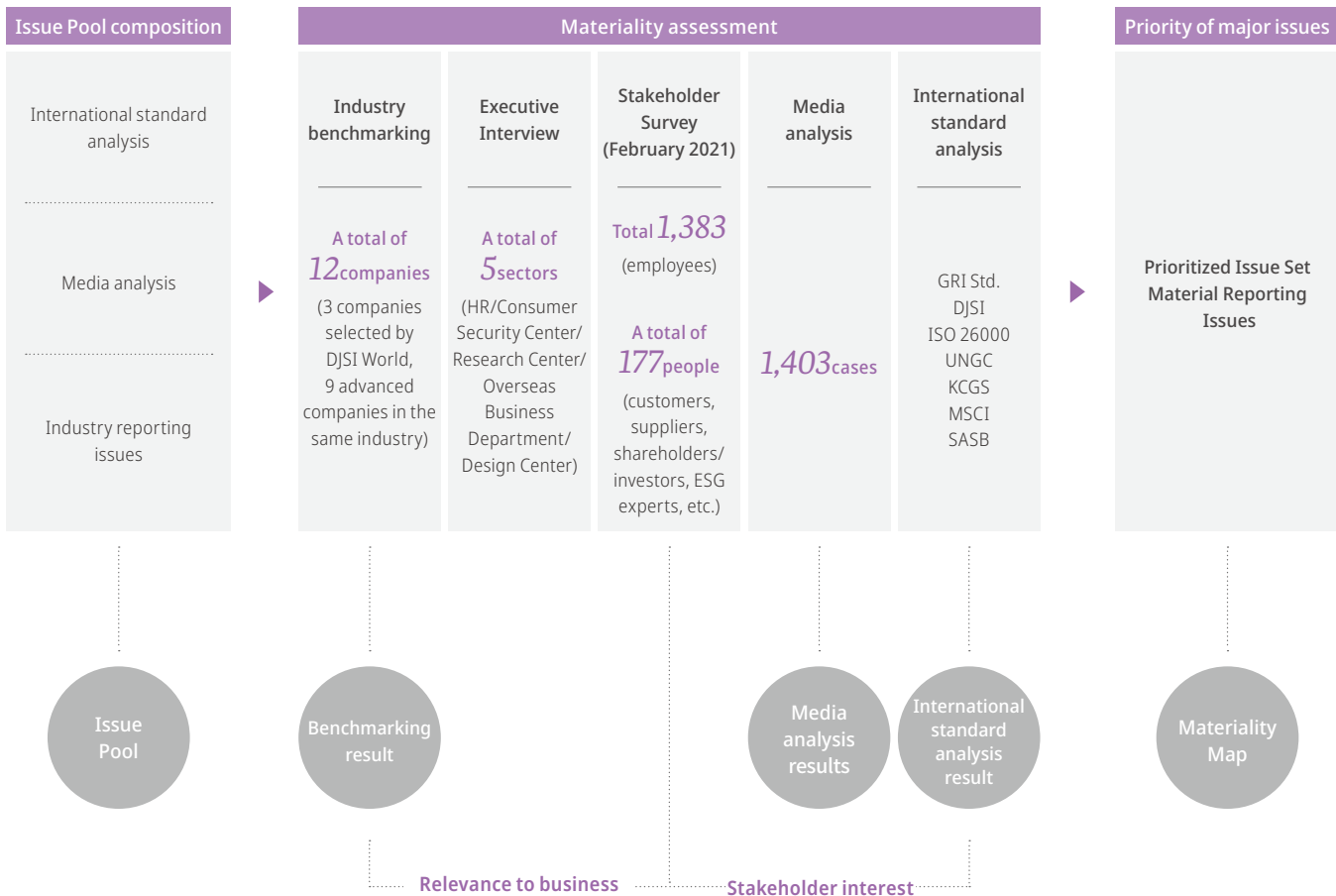
LG H&H undertakes annual materiality assessments to analyze the relevance and significance of its products and activities regarding various sustainability management issues in order to report issues that should be considered high priority.

## Materiality assessment Process

LG H&H examines economic, social, and environmental issues to find material issues that may affect the company's business. We took into account the degree of stakeholder interest in the issue as well as the impact the issue gives to the business when identifying material issues. We manage a pool of issues by examining global issues including the UN SDGs (UN Sustainable Development Goals), issues recommended by international and nonprofit organizations, and external effects detected in the business process through the media. The significance of these issues is evaluated by analyzing other companies in the same industry and considering the interests of stakeholders. Once the issues are identified, the ESG Committee convenes a meeting for discussion and listens to the opinions of expert panels. We report these issues by classifying them into Material Issues, and Sustainability Management.

## Material issue selection

LG H&H identified material issues by comprehensively studying the results of industry benchmarking, stakeholder survey, media analysis, and international standard analysis. The benchmarking target companies' analysis identified common industrial issues; reduction of the environmental impact of packaging materials, management of greenhouse gas emissions, activities for shared growth with partners, and diversity and inclusion. In the media analysis, we found that articles related to R&D and product innovation, strengthening global competitiveness, and distribution channel diversification had been frequently exposed. Also, in the stakeholder survey results, we learned that R&D and product innovation, work-life balance and organizational culture innovation, and product responsibility and safety reinforcement were crucial. LG H&H selected 12 material issues, taking business relevance and stakeholder interest into account.



### Materiality Map



### Material Issues

Classification	Material topic	Reporting page	GRI topic linkage
Management	1 R&D and product innovation*	32-33	Non-GRI
Suppliers	2 Implementing shared growth activities for partners	34-35, 102-105	308-2, 414-2
Customer/product	3 Developing eco-friendly products and services*	36-37	306-2
Customer/product	4 Enhancing Product Responsibility and Safety*	64-71, 72-75	416-1
Environment	5 Reducing the environmental impact of packaging materials*	36-37, 40-45	306-2
Environment	6 Managing greenhouse gas emissions(carbon neutralization)*	40-47	305-1, 305-2, 305-3
Management	7 Enhancing brand leadership	6-11	Non-GRI
Management	8 Strengthening global competitiveness*	12-13, 22-23	Non-GRI
Customer/product	9 Improving product functionality based on customer health and impact	32-33, 64-71, 72-74	416-1
Customer/product	10 Creating social value through products	24-25, 76-83	413-1
Customer/product	11 Expanding customer service access	72-75	Non-GRI
Environment	12 Advancing resource circulation system*	36-37, 42-45	306-2

\* Material issues from the previous year

#### Major issues unique to the household goods/cosmetics division

Strengthening global competitiveness  
 Creating social value through products

#### Key issues unique to the beverage division

Expanding customer service access  
 Improving product functionality based on customer health and impact

## ISSUE 01

# R&D and product innovation



## Importance

The competition to promote growth is getting fiercer in the global beauty market which is worth approximately 580 trillion won. Only companies that accurately understand rapidly changing economic conditions, social trends, and changes in the needs of consumers, including the MZ generation, and create new values one step ahead, can survive this competition and continue to grow. Accordingly, companies are pioneering the global market through global marketing using online and offline channels. Companies actively pursue business diversification through convergence with industries such as bio and ICT. In addition, companies are expanding investment in R&D and introducing a variety of clean beauty products reflecting the tendency to place importance on product safety and environmental and social responsibility.



## Approach

As the No. 1 lifestyle and culture company in Korea, LG H&H has focused on securing global competitiveness to stay ahead of the fierce competition while pioneering the global market in earnest. In particular, we are concentrating on strengthening our business competitiveness by upgrading core technologies such as oriental medicine raw materials, fermented raw materials, skin gene research, and eco-friendly materials, and continuously discovering new business areas for future growth. We are also actively developing products that can provide differentiated value through clean beauty research and open innovation that can contribute to preserving the global environment and creating a fair society. We plan to enhance our R&D capabilities more effectively by accelerating digital transformation by integrating cutting-edge ICT such as AI and big data in product development.



## Performance

R&D investment amount in 2021    The ratio of R&D expenses to sales in 2021

**KRW 1,566 billion**    **2.5%**

Current status of patent right holding (as of the end of December 2021)

Domestic **1,821 cases**    overseas **638 cases**



— Expanding the application of microbiome technology

The skin microbiome refers to the microbial ecosystem that coexists on the skin. When the skin microbiome loses its balance, abnormalities occur in the skin. LG H&H is strengthening its research capabilities to develop products with lasting and safe effects through the organic harmony of the skin microbiome. Utilizing our accumulated technical know-how, we are applying our anti-aging technology based on the skin microbiome from a total beauty perspective to various brands, such as 'Whoo Hwanyu Balancer Line,' 'Su:m37° Water-full Bluemune Essence,' 'Elastine PropoliThera microbiome anti-aging care line,' etc., ranging from basic cosmetics to hair and body products,



Whoo Hwanyu Balancer & Lotion



Su:m37° Water-full Bluemune Essence



Elastine PropoliThera Microbiome Anti-Aging Care Line

— Accelerating Clean Beauty Research

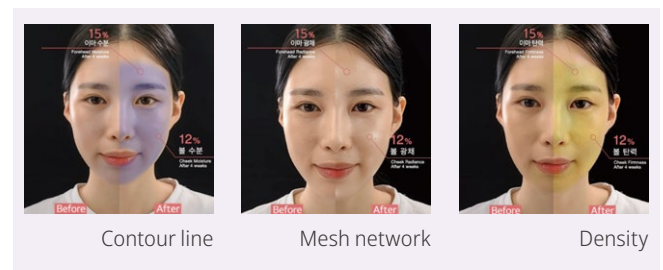
LG H&H established the Clean Beauty Research Center for the first time in Korea in 2020 to intensively research clean beauty, which has become a global beauty trend. The center develops safe prescriptions without compromising quality, high-efficiency products with honest ingredients without greenwashing, and ethical products that actively use vegan and fair-trade ingredients, starting with eco-friendly areas such as 4R(Recycle, Reduce, Reuse, Replace), that is, grafting of eco-friendly containers, using renewable natural materials, and developing prescriptions and manufacturing methods that reduce the burden on the environment. In 2021, we installed the 'Clean Beauty Inside Lab' within the Clean Beauty Research Center to advance the contents of Clean Beauty Inside and introduced the 'Clean Beauty Index' to measure, analyze, and manage products. The Clean Beauty Research Center will continue to pursue sound research and continuous innovation so that Clean Beauty can provide various values to customers and contribute to preserving the global environment and creating a fair society.

— Open innovation activation

In 2021, LG H&H actively carried out open innovation to promote joint research with domestic and foreign companies, institutions, and schools. In collaboration with the 'Donguibogam Research and Development Center,' we conducted research using a virtual human body system built based on 20 million papers on oriental medicine prescriptions, herbal medicines, and ingredients. Through this, we have succeeded in developing the 'Zaha Bichup Complex' ingredient, which is ten times stronger than the skin self-generating ingredient, by analyzing the interactions between oriental herbal ingredients with big data, which could not have been interpreted with existing research methods. We also developed and applied for a patent for an application that visualizes product efficacy data on the face using face tracking<sup>1)</sup> and AR technology together with 'Simboda,' which possesses the original facial landmark technology. Alongside, we signed an MOU with 'Urban Miner,' a start-up for upcycling activated carbon, and are preparing to launch a clean beauty product using coffee beans from the Cheonan plant by applying functional activated carbon manufacturing technology.

1) Face Tracking : A technology that automatically identifies the face of each people or facial feature points through digital images, and consistently discover feature points in real time.

Visualizing real-time skin condition data



— Enhancing the digital transformation of R&D

LG H&H, which has been its expanding digital transformation in all its business activities, has further enhanced its digital capabilities in R&D fields such as digitized research notes and emotional quality in 2021. Research notes, core research records and the basis of intellectual assets, have been written on paper. Still, they were not free from physical constraints such as storage environment and space, accompanying a limit to sharing knowledge for technological expansion. To improve this, we digitized research notes to systematically track research assets and share knowledge and skills more efficiently. Digital research notebooks can accumulate standardized technologies, advancing DBs that can be directly used in business, such as AI prescriptions, and allowing us to have environmental benefits by reducing paper consumption. In addition, to develop a predictive model for the emotional quality of cosmetics, we are accumulating data by standardizing the emotional quality scale for two product groups : cream and foundation. Through the digitalization of emotional quality, it has become possible to predict the desired emotional quality, and we were able further to improve the efficiency of cosmetics development and experimentation work.

ISSUE 02

# Shared growth activities with suppliers



### Importance

As the business environment is rapidly changing due to the global spread of infectious diseases, economic stagnation, and regional disputes, various supply chain risks are occurring, including disruptions in raw material procurement and product supply. In addition, the demand for ESG realization for all supply chain participants is growing, such as enhancing the international community's regulations on the environment, human rights, labor, and conflict minerals, and the EU supply chain due diligence announced. As a result, supply chain ESG risk management for companies is becoming more critical than ever. Companies are seeking various ways to enhance the sustainability of their entire supply chain, such as supporting ESG management of partner companies and expanding win-win cooperation for shared growth.



### Approach

LG H&H is focusing on responsible management of its entire supply chain from upstream to downstream for sustainable supply chain operation. We are actively responding to raw material issues such as conflict minerals by introducing internationally recognized raw materials and using alternative raw materials. We also regularly conduct human rights impact assessments and ESG assessments for our partner companies, implement improvement tasks, and provide various support, including education to spread ESG management to small and medium-sized partners. In addition, we realize win-win growth with our partner companies by carrying out practical win-win cooperation activities such as financial support, competitiveness enhancement support, and communication reinforcement.



### Performance

Percentage of Sustainable Palm Oil Purchases in 2021

**33.7%**

ESG evaluation on 'Core partners' and 'Key suppliers' in 2021

Financial support amount for business partners(cumulative, 2017 to 2021)

**KRW1,788.9 billion**

Support amount for agencies and franchisees to overcome COVID19(cumulative, 2020 to 2021)

**KRW54.4 billion**

### — Responsible Raw Material Purchasing

As a global company with supply chains around the world, LG H&H is striving to responsibly procure raw materials as part of its strategy to enhance the sustainability of its supply chain. In particular, we purchase raw materials with environmental and social issues, such as palm oil and mica, following strict standards. We are gradually increasing the ratio of purchasing sustainable palm oil that has received RSPO<sup>1)</sup> certification for palm oil used as a raw material for cosmetics and household products. As for mica, used as a raw material for cosmetics, we use the raw materials produced by skilled workers in mines in the United States, Japan, and China. In case of using mica from India, we check whether the mine has a Non-Child labor declaration or the supplier is certified as a member of the Responsible Mica Initiative(RMI)<sup>2)</sup>. In addition, we are gradually increasing the use of synthetic mica to replace the raw material with synthetic mica 100% instead of natural mica.

1) RSPO(Roundtable on Sustainable Palm Oil) : Industry Council for Sustainable Palm Oil

2) RMI(Responsible Mica Initiative) : an industrial initiative to abolish child labor in mica mines in India

### — Expansion of ESG management of Suppliers

ESG management practices of suppliers must be a priority in order to maintain sustainability of the entire supply chain while responding to changes in the business environment and regulations of the international community. LG H&H has established a code of conduct for suppliers with 41 items in five categories, including labor and human rights, environment, safety, ethical management and internal control, which are part of their corporate social responsibilities. This code of conduct is available on the website of the procurement system. Our ESG evaluation is conducted in the process of self-assessment of suppliers - written/on-site evaluation - improvement monitoring. In 2021, we conducted a web-based non-face-to-face ESG evaluation on domestic and overseas 'Core partners' and 'Key suppliers'. As a result of the investigation, we identified risks such as violating the 52-hour workweek regulation, insufficient overtime record management system, insufficient guarantee of voluntary labor for foreign workers, and insufficient process for preventing sexual harassment. We recommended improvement plans for suppliers with potential risks, and we continuously monitor whether it is being implemented or not.

### — Enhancing cooperation for shared growth

LG H&H has prepared and implemented a strategic system consisting of 4 strategic tasks, detailed strategic directions, and 6 areas to realize the shared growth vision of 'Korea's best-shared growth leading company.' Accordingly, we provide fair trade opportunities to all domestic and foreign companies and operate channels to report unfair trade or misconduct. In addition, we hold annual technology proposal exhibitions and support our suppliers' participation in international beauty fairs to increase their sales. We also provide technical advice and consulting using our internal and external experts to strengthen the competitiveness of our suppliers, driving the joint development of innovative technologies and achieving meaningful results each year.

To help smooth fund management, we are providing financial support such as cash payment for subcontract transactions, early payment for holidays, and a cooperation fund. We also offer education and experience programs for our partner companies' employees and their families, as well as support their working environment improvement. We not only operate various communication channels, such as the Shared Growth Review Committee with Suppliers, CEO Academy, and Competitiveness Reinforcement Workshop but also hold regular general meetings with suppliers to strengthen cooperation and trust further.

### — Support for overcoming COVID19

Since 2020, LG H&H has been steadily providing operating funds to share the pain for authorized agencies and affiliate stores suffering from the prolonged COVID19 outbreak. In the second half of 2021, we offered a total of 522million KRW in disaster relief funds to household goods agencies across the country for free. Total 116million KRW was paid as each household agency were provided 1million KRW, and total 131million KRW to pay each employees 400,000KRW. We also offered smart terminals worth a total of 275million KRW to support the sales activities of the agencies. In addition, LG H&H Supported labor cost of total 920million KRW to approximately 500 cosmetic affiliates of "Nature Collection" and "The Face Shop" three times in 2020. LG H&H also made various efforts to overcome the crisis together by subsidizing 50% of the monthly rent for franchisees, executing a total of KRW 2.06 billion four times, twice in 2020 and twice in 2021.

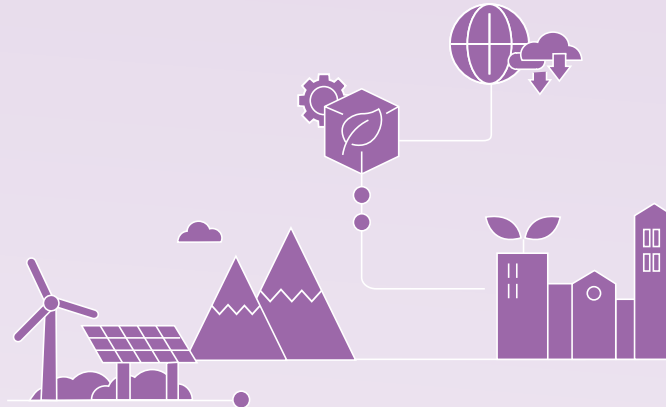
\* LG H&H supported agency smart terminals and win-win incentive system tentatively during the COVID19 situation

#### Current status of emergency support to overcome COVID19 in 2021

Monthly rent — Cosmetics franchises	KRW 936 million
Labor cost — Cosmetics agencies	KRW 508 million
Labor cost — Household goods agencies	KRW 243 million
Labor cost — Beverage agencies	KRW 1,258 million
<b>Total</b>	<b>KRW 2,945 million</b>

## ISSUE 03

# Developing eco-friendly products and services



## Importance

While climate change has emerged as a major problem that threatens the sustainable survival of humanity, the international community has been carrying out various response activities, such as declaring carbon neutrality, enhancing environmental regulations, and spreading renewable energy to overcome the climate crisis after the Paris Agreement took effect in 2016. In particular, as the role and responsibility of companies as producers are emphasized for GHG reduction, the demands of major stakeholders such as consumers, local communities, and the government for companies are gradually increasing. Accordingly, companies have come to have an environmental management system and are establishing mid-to-long-term carbon-neutral plans while participating in these global efforts by developing eco-friendly products and services, reducing greenhouse gases and energy, introducing renewable energy, and establishing a resource circulation structure.



## Approach

LG H&H has actively participated in the global response to climate change, recognizing that the climate crisis is an essential factor directly related to a company's survival. Based on the 'mid-long-term ESG strategy' and '2050 carbon-neutral plan', we not only systematically practice environmental management but also minimize the impact on the environment in the entire product process. We also actively carry out climate change response activities, such as resource circulation, energy-saving, and greenhouse gas reduction. In particular, to spread social and environmental value products, we continuously develop and supply clean beauty products and eco-friendly products using eco-friendly raw materials and packaging materials. In addition, across all our global business sites, we are establishing a low-carbon business environment that reduces carbon emissions by lowering process greenhouse gas emissions, using renewable energy, introducing electric and hydrogen vehicles, and reducing energy and resources.



## Performance

The Ratio of clean beauty products launched in 2021<sup>1)</sup>

**20%**

Number of green products certified products in 2021<sup>2)</sup>

**188** products

Green product sales in 2021

**KRW 4,507** billion

Effects by reducing annual greenhouse gas emission through PET weight-lightening.

**4,609.9** tons/year

1) Ratio of clean beauty products among new clean beauty-focused brand new products  
2) As of the end of December 2021

— Expanding clean beauty products without greenwashing

From the design stage of cosmetics development, LG H&H has created its own standards and applied them to clean beauty products to incorporate the values of eco-friendliness, safety and security, social and ethical responsibility, and honest efficacy into products. We aim to achieve 50% of clean beauty products among new clean beauty-focused brand new products by 2025, and we launched a variety of meaningful products that realize clean beauty in 2021. We are responding to the segmented needs of our customers by putting the main values of clean beauty truthfully without 'green washing' through products, such as 'Beyond Angel Aqua' that delivers the efficacy of herbs grown directly on Ulleungdo to the skin, 'TFS The Therapy Vegan' which excludes animal-derived ingredients and reduces plastic usage with refillable containers, 'Belif Super Drops' that gives real-effects by stabilizing high-concentration of effective ingredients, 'Physiogel Daily Mune Ampule,' which is safe and effective with biomimetic technology, and 'Beyond Miracle Forest Capsule In Essence' containing Fairtrade Himalayan antioxidant herbs, etc. In addition, from 2021, we developed the 'Clean Beauty Index' and started to operate it as a pilot on some new products. We are considering expanding its application to all brands in the future.



Beyond Angel Aqua



The Therapy Vegan Line



Super Drops



Physiogel



Beyond Miracle Forest Capsule In Essence

— Applying eco-friendly packaging for resource circulation

In 2021, LG H&H contributed to recycling resource by reducing the use of plastics in product packaging and applying eco-friendly materials such as paper and recycled plastics. In particular, LG H&H focused on improving the structure and materials in various ways to recycle containers of separated products more efficiently. We changed the color of colored PET to a colorless and transparent color and changed the container of the pump combined product to PP and HDPE materials. In addition, we made improvements in separating and recycling as well as reducing the recycling costs through various activities such as replacing PET-G materials to alternative materials. Our flagship products are 'Seagram label-free beverage,' which has removed the label on its PET container, 'AURA ViRUX Refill Pouch' using recycled plastic, 'Saffron Special Set' using labels instead of polybags, 'Royal Botanic Toothpaste' with Bio-Balanced PE material and regenerated PP, Toothpaste bundle replaced with a label instead of shrink film; 'Dr. Groot Shampoo Bar,' replaced with paper packaging, 'ES PropoliThera Shampoo' with

reduced plastic containers, 'Babience Pinkpong Hand Wash,' which changed the container from PET to HDPE, and 'Beyond Body Wash and Shampoo Refill Pouch' with paper pouches, etc.

— Reducing greenhouse gas through lighter weight PET containers

Since 2021, LG H&H has been participating in the lightweight container project that Global Coca-Cola is conducting worldwide to reduce greenhouse gas emissions. First, we are promoting the weight reduction of PET containers by selecting a total of 8 types, including aseptic filling and carbonated products. Starting with reducing the weight of containers with the aseptic filling of 500ml or less from 24g to 22g, we applied the weight to products in November 2021. We have lightened two additional products in March 2022 and plan to apply it to the remaining five types sequentially by 2024. Through this project, we expect to save the cost of purchasing resin, a raw material, and environmental contribution and reduce 4,609.9 tons of greenhouse gas per year.

Expected PET lightweight effect

PET resin purchase savings .....	KRW <b>3,112.2</b> million/year
Environmental Cost Savings .....	KRW <b>287.9</b> million/year
Greenhouse gas emission reduction .....	<b>4,609.9</b> tons/year

\* Calculation criteria : PET resin unit price(1,600 won/kg), environmental cost (118.4 won/kg), greenhouse gas reduction(carbon footprint 2.37kgCO<sub>2</sub>)

— Operating 'Borrowed Earth Refill Station'

LG H&H has been practicing environmental protection in daily life with customers by introducing various products that promote eco-friendly value consumption. In 2021, LG H&H opened the 'Borrowed Earth Refill Station,' a store where only shampoo and body wash contents can be purchased, at the E-Mart Jukjeon branch and Garosu-gil, Seoul. We sell flagship products of 'Dr. Groot,' a shampoo that relieves hair loss symptoms, and 'Veilment,' a premium body wash, in 100g units. We also sell refill containers for customers who have not prepared separate containers. The refill container uses coconut shells to reduce plastic usage by about 30% and is also recyclable. The tables at the refill station are also made from recycled household item containers. The refill station is well received by customers because customers can purchase products at a lower price and protect the environment with small actions. Through this project, we expect to reduce 4,609.9 tons of greenhouse gas per year as well as the cost of purchasing resin, a raw material, and environmental costs.

02.

# SUSTAINABILITY MANAGEMENT

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# ENVIRONMENTAL MANAGEMENT

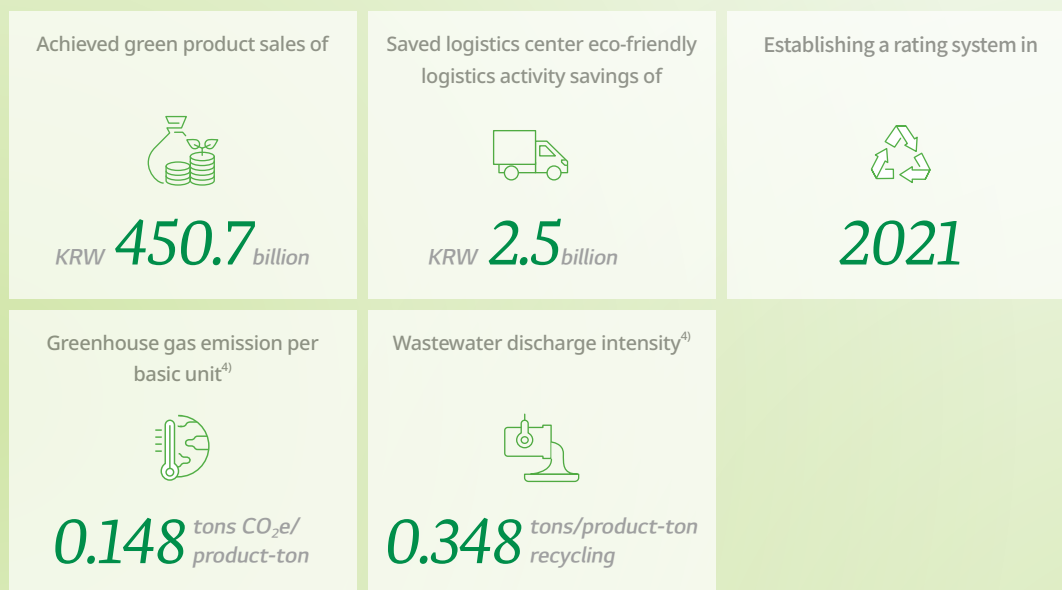
As the climate crisis emerges as an urgent and essential task that humanity must solve together, the world is actively taking steps to preserve the environment and respond to climate change. We are clearly aware of our enormous responsibility as a producer and researching and promoting effective measures to conserve the environment and respond to climate change in close cooperation with our stakeholders. We practice low-carbon management by minimizing the environmental impact in the entire product process and reducing greenhouse gas emissions by improving energy efficiency, introducing renewable energy, and reducing resources. In 2021, we announced the '2050 Carbon Neutral Plan.' We are strategically participating in creating a carbon-free world.

## Goals

- Achieve KRW 510 billion in sales of green products through eco-labeling(by 2025)
- 200 tons of recyclable plastic(by 2025)
- Reduce restricted substances<sup>1)</sup> in use by 50%(by 2025)
- Achieve 50% of clean beauty products among clean beauty-focused brand new products(by 2025)
- Achieve 1.46 tons/product-ton<sup>2)</sup> of Water intensity(by 2025)
- Achieve 0.069 tons CO<sub>2</sub>e<sup>3)</sup> /product-ton of Greenhouse gas emission(by 2025)
- Continue investment to improve energy efficiencies, such as facility improvement at business sites and replacement of old equipment

1) Cyclopentasiloxane(D5), cyclohexasiloxane(D6) restricted by EU REACH Annex XVII  
 2) LG H&H's separate standard  
 3) Total of 3 companies, including LG H&H, Coca-Cola Beverage, and HAITAI htb

## Major Achievements



4) LG H&H's separate standard /Deteriorating intensity due to stabilizd operation after the establishment of TP plant and merger with Incheon plant





## Environmental management system

LG H&H has practiced company-wide environmental management by setting mid-to-long-term strategies and plans for environmental management based on the global environmental management system (ISO 14001). In 2021, we announced the '2050 Carbon Neutral Plan' and established a mid-to-long-term roadmap to respond to climate change. We are making various efforts to achieve a low-carbon business environment and reduce carbon emissions. The Environmental Safety Division, a company-wide organization in charge of environmental management, establishes and operates an optimal environmental management system throughout the entire business process. The Division is also actively supporting the practice of environmental management not only in Korea but also in overseas business sites.

### Mid-long-term environmental management roadmap

Evaluation item	Green management	2021 performance	2022 target	2025 target
Green management	Green product sales (KRW 100 million)	4,507	4,700	5,100
	Greenhouse gas intensity* (ton CO <sub>2</sub> e/product-ton)	0.148	0.152	0.135
	Wastewater discharge intensity* (ton/product-ton)	0.348	0.354	0.275
System	ISO certification retention rate	89%	89%	93%
	Advancement of environmental safety work(DX)	22 cases	24 cases	25 cases
	Doctor MSDS system construction	System establishment	System operation safety evaluation	System utilization MSDS output

\* LG H&H's separate standard

### Environmental management organization



### Status of environmental management certification acquisition

(Unit : certificates)

Environmental management	<b>Certification Status 15</b>
ISO 14001	..... (79%, including Vietnam & excluding logistics)

## Climate change response

LG H&H has set a goal to achieve '2050 carbon neutrality' in response to climate change. LG H&H is investing in introducing high-efficiency facilities, energy conversion, and new and renewable energy and electric vehicles to reduce carbon emissions by 45% compared to 2020 by 2030. In addition, we plan to derive 84 tasks to reduce greenhouse gas emissions and invest about KRW 200 billion by 2030.

### Energy consumption management

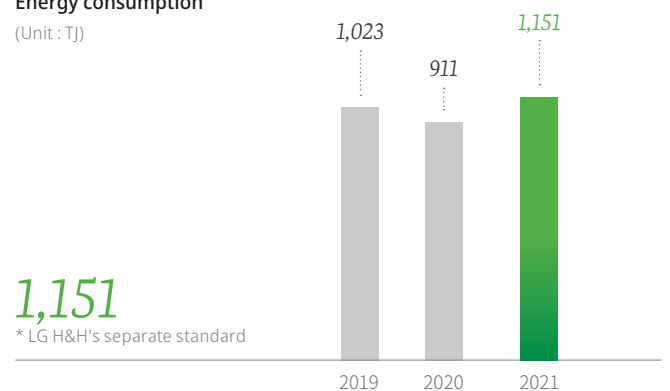
LG H&H has established a GHG and energy reduction plan and is continuously investing in facility efficiency, including introducing high-efficiency facilities. As a representative example, LG H&H saved 324,000 kWh of electricity per year by carrying out energy-saving activities such as replacing outdated refrigerators at its Ulsan plant. In addition, the Yeosu Plant reduced its annual electricity consumption by 661,500KWh by replacing its old carbon dioxide storage tank.

### Greenhouse gas emissions

LG H&H is responding to climate change by building a greenhouse gas inventory and operating an energy management system. The energy consumption required in the manufacturing process is relatively low. Under Article 27 of the Framework Act on Carbon Neutrality and Green Growth for Response to the Climate Crisis, only Ulsan, Yeosu, and Cheonan plants have been included in the target management system. Since 2005, LG H&H has established a greenhouse gas inventory and climate change response system for its domestic and overseas business sites to systematically manage energy consumption and greenhouse gas emissions at all its business sites. We have also secured transparency and objectivity in our emissions through third-party verification. We have also reduced greenhouse gas emissions by 3,366tCO<sub>2</sub>-eq by continuously carrying out energy-saving activities. As a representative example, the Cheonan Plant reduced greenhouse gas emissions by 2,366tCO<sub>2</sub>-eq by installing a biogas flow meter and receiving recognition for energy recovery.

### Energy consumption

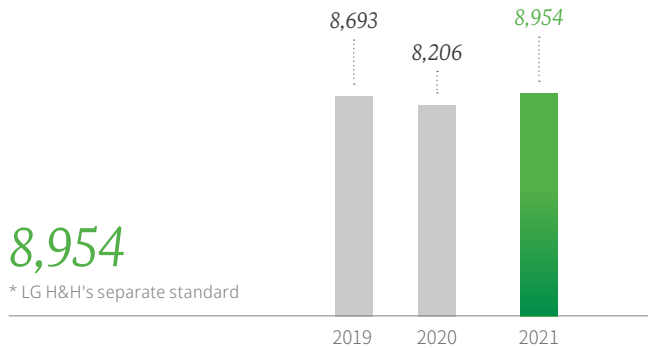
(Unit : TJ)



1,151

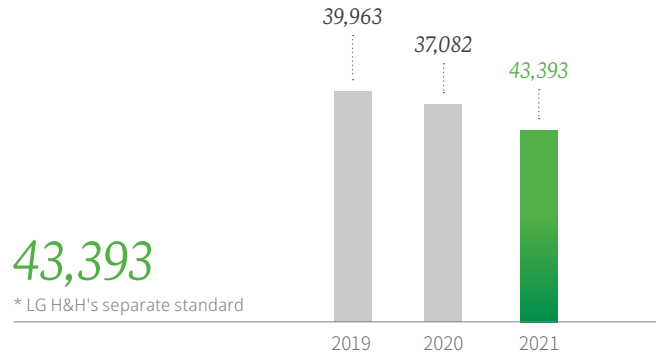
### Direct Greenhouse Gas Emissions(Scope1)

(Unit : ton CO<sub>2</sub>e)



### Indirect Greenhouse Gas Emissions(Scope2)

(Unit : ton CO<sub>2</sub>e)



### Energy-saving activities

Category	Contents	Savings effect			Energy savings(GJ)	Greenhouse gas reduction (CO <sub>2</sub> -eq)	Workplace
Energy demand management	Maintainance of reasonable boiler air-fuel ratio(facility improvement)	LNG	39,350	Nm <sup>3</sup>	1,696	87	Ulsan
	Improved efficiency by replacing old refrigerators	Power	324,000	kWh	3,110	151	Ulsan
	Improved load factor by improving aged water substation facilities	Power	30,165	kWh	579	14.06	Ulsan
	Insulated heating medium boiler pipes	LNG	5,681	Nm <sup>3</sup>	245	13	Onsan
	Reduced steam in the heated carburetor by replacing the carbon dioxide storage tank	Power	661,500	kWh	6,413	308	Yeoju
	Construction of the PET PET-1 line HTST condensate recovery system	LNG	10,700	Nm <sup>3</sup>	461	24	Yeoju
	Construction of the Installed Syrup room hot CIP condensate recovery	LNG	21,600	Nm <sup>3</sup>	931	47.79	Yeoju
	Conducted PET2 Warmer temperature control construction(3740kWh/year)	Power	3,740	kWh	36	2	Yangsan
	Replacement of refrigeration facilities in refrigeration and refrigeration warehouses (saving 157,997 kWh/year)	Power	157,997	kWh	1,517	74	Cheonan
	Replacement of chilled brine refrigeration equipment(saving 505,588 kWh/year)	Power	505,588	kWh	4,854	236	Cheonan
	Replacement of high-efficiency air compressor(saving 31,343 kWh/year)	Power	31,343	kWh	301	14.61	Iksan 2
	Replacement of large capacity to small capacity air compressors(usage for compressing air during night shifts)(saving 56,298 kWh/year)	Power	56,298	kWh	541	26	Iksan 2
Installation of wastewater process flowmeter(recognized of consumption by meter reading of biogas recovery amount)	-	-	-	-	2,366	Cheonan	
<b>Sum</b>					<b>20,684</b>	<b>3,366</b>	-

\* Calculated following the guidelines for greenhouse gas and energy target management and operation

### Reduction of the environmental impact of product packaging

#### Operation of the Green Product Deliberation Council

LG H&H has been operating the Green Product Review Council at the company-wide level to realize sustainable, eco-friendly packaging materials. The council comprises packaging research, design, purchasing, and product planning departments, with CRO as a chairperson, promoting environmental safety. To fulfill our responsibilities and roles as an eco-friendly and eco-friendly company, we suggest green packaging proposals and propose and deliberate green level issues to continuously discover ideas and implement them afterward, from the pre-development stage of the product. To actively respond

to rapidly changing packaging policies, we are sharing legislative and amended policies and taking preemptive measures to apply them to the company's products actively. In 2021, we achieved 16 eco-friendly packaging improvement tasks, including 5 cases of container reduction, 5 cases of material improvement, and 6 cases of recyclability. In particular, to make improvements for five cyclical usability evaluation targets, we are continuously promoting activities such introduction of non-label products, reduction of label adhesion area, and improvement of label materials.

### Expanding green packaging for resource circulation

In 2021, we made various efforts to expand green packaging, such as reducing container weight by improving packaging methods, increasing recyclability by improving materials, and reducing plastic usage. Regarding specific pouch packaging, we improved it with label strips or shrink film and improved recyclability by changing the paper material of the existing plastic tray, applying PCR plastic to the container, and developing an all-plastic pump. To reduce petroleum-based plastics, we have also developed packaging using recycled plastics and plastics based on natural origins and expanded our packaging to reduce plastic usage. Through these efforts, we not only improved recyclability but also reduced the amount of waste generated and product costs.

Replacement of the heavy blow container to normal blow & removal of the C cap



▶ ES Propoli Thera

### Green Product Sales

(Unit : KRW 100 million)

Category	2021 performance	2022 target
Ref	3,962	4,132
HG	545	568
<b>Sum</b>	<b>4,543</b>	<b>4,700</b>

### Green Product Certification Status

(Unit : certificate)

Category	2021 performance
Eco-labeling	184
Environmental Product Declaration(EPD)	4
<b>Sum</b>	<b>188</b>

### Use of Recycled Packaging Materials in 2021

Category	Amount of recycled materials	Recycling rate
Metal cans	215	85.47%
Glass bottles	2,587	81.00%
Synthetic resin packaging materials <sup>1)</sup>	17,353	90.26%

1) 20,463tons in 2018(recycling rate of 77.2%), 20,718tons in 2019(recycling rate of 79.0%), 20,075tons in 2020(recycling rate of 83.7%)

\* Data calculated based on the officially disclosure data from the Korean Resource Circulation Service Agency

### Green Packaging Evaluation Status in 2021

(Unit : points)

Evaluation item	Evaluation contents	Evaluation score
Weight optimization	Optimized container weight based on the Ministry of Environment's lightweight recommendation index	55 points
Material selection	Contributed to resource circulation by selecting highly recyclable materials	35 points
Recyclability improvement	Contributed to resource circulation by managing the structure of containers and packaging materials, aiming for recycle grade 1 recommended by the Ministry of Environment	30 points
<b>Total score</b>		<b>120 points</b>

### Environmental Product Declaration(EPD) and Eco-labeling

Eco-labeling is a system that induces companies' voluntary environmental improvement by providing consumers with information on environmental improvement by labeling the product when the 'environmental properties of a product' have been improved compared to other products for the same purpose, encouraging companies to develop and produce eco-friendly products. LG H&H continues to acquire and maintain environmental label certification for products such as powder laundry detergent, liquid dishwashing detergent, multi-purpose detergent, and air freshener, providing consumers with information on improving the environmental quality of products. We also actively participate in EPD(carbon footprint, low-carbon products) to quantitatively indicate the environmental impact of the entire production process. EPD is a system that quantitatively shows the environmental impact of the whole process, such as raw material collection, production, transportation/distribution, use, and disposal, to improve the environmental quality of products.

### Eco-label Certified Products

Product family	Brand	Product name
Dishwashing detergent	Jayeongpong	Jayeongpong baking soda & lemon refill with no worry about grease
Dishwashing detergent	Pongpong	Pongpong Lemon Vinegar 2.0L
All-purpose cleaner	Homestar	Homestar Natulux Bathroom Cleaner Charcoal & Basil 750ml
Air freshener	AURA	LG Aura Eco Big Egg Air Freshener Lavender Fragrance

### Eco-label Certified Products

Product family	Brand	Product name
Carbonated drink	Coke	Coca-Cola 500mL, 1.5L PET
Carbonated drink	Sprite	Sprite 500mL, 1.5L PET
Carbonated drink	Coke	Coca-Cola Zero 500mL, 1.5L PET
Bottled water	Pyeongchangsoo	Gangwon Pyeongchangsoo 500mL, 2L PET
Bottled water	VIO Soonsoo	VIO Soonsoo 500mL, 2L PET

**Launch of new green products**

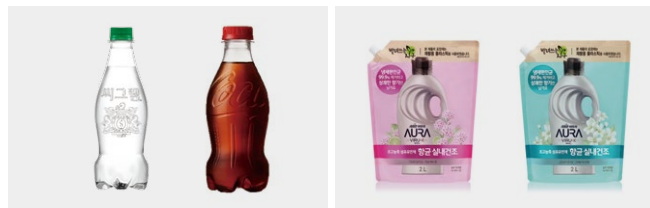
In 2021, LG H&H launched a variety of new green products that not only use eco-friendly raw materials and packaging materials but also improve recyclability and reduce the use of plastics.

**Label-free drink**

Labels on PET containers have low recyclability due to dissimilar raw materials and adhesives. LG H&H increased recyclability and reduced plastic usage by removing labels from PET beverage containers. Label-free was applied to 16 items, including Coca-Cola and Seagram. We reduced the number of petroleum-based materials used in labels by 71 tons and recycling quotas and product costs by KRW 630 million.

**AURA ViRUX Refill Pouch**

We have reduced carbon emissions and petroleum-based plastics by reusing discarded plastics in 13 items, including the AURA ViRUX Refill Pouch. We increased utilization of waste plastic by using recycled plastic raw materials in pouch products that refill the contents in their containers and reduced our use of petroleum-based plastics by 11.2 tons per year.



▶ Label-free drink      ▶ AURA ViRUX Refill Pouch

**Replacing toothpaste bundle film**

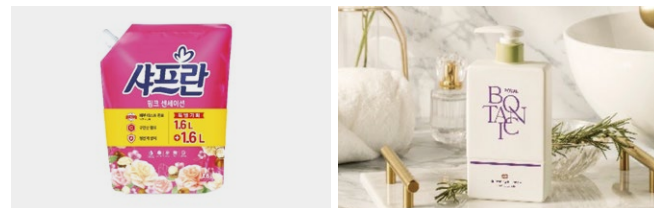
The shrink film used to bundle multiple products was discarded after distribution, thus, needing simplified packaging. We reduced the use of petroleum-based plastics by 25 tons by replacing the film used in the toothpaste bundle in the form of a label. We also reduced our recycling quota and product costs by about KRW 90 million.

**Dr. Groot Shampoo Bar applied with Pulp Mold**

Paper emits less carbon than petroleum-based plastics used in general containers and is eco-friendly as it easily rots in nature. We reduced the amount of plastic used by 3.9 tons per year by replacing the existing liquid product with a solid product for three items, including Dr. Groot shampoo bar and launching a product using a paper pulp mold.

**Beyond refill pouch utilizing paper material**

LG H&H developed a paper pouch with synthetic resin added to it for durability for product storage and launched the Beyond refill pouch, which uses 75% less plastic than the original plastic container. Following the launch of 6 products, including five body wash and one shampoo, we plan to apply the pouch to additional shampoo products in 2022.



▶ Simplifying the Saffron Special Set      ▶ Royal Botanic Pumping Toothpaste Using Regenerated Ingredients

**Simplifying the Saffron Special Set**

The poly bag used for product set packaging is easy to transport by putting the product in a bag. Still, it is often thrown away immediately after purchase, so it is necessary to simplify the packaging method. In the Saffron 1+1 special set, we implemented a special packaging type that replaces the poly bag by using a label in the form of a strip that can strongly bind two refill packages. By doing so, we reduced the number of petroleum-based materials used by 155 tons per year, reducing 79% compared to the existing polybags, and reduced recycling costs and product costs by KRW 250 million.



▶ Replacing toothpaste bundle film      ▶ Beyond refill pouch utilizing paper material

**Royal Botanic Pumping Toothpaste Using Regenerated Ingredients**

We are expanding the use of eco-friendly raw materials using natural raw materials when manufacturing containers to reduce the amount of petroleum-based plastics used. In 2021, we replaced up to 54% of petroleum-based plastics used in containers by applying Royal Botanic Pumping Toothpaste with Bio-Balanced PE material using 30% of raw materials extracted from waste cooking oil and recycled PP from recycled waste plastic.



| CASE |  
**Declaration of support for PACT for plastic reduction activities**

On May 24, 2022, LG H&H announced the joint declaration of 'PACT(Plastic Action),' a plastic reduction activity with WWF (World Wide Fund for Nature) Korea, and started its full-scale activities. PACT is a voluntary declaration by companies that want to reduce plastics efficiently, and leading global companies in each field participate. After setting specific circular economy goals with WWF, affiliated companies are carrying out plastic reduction activities by changing the design, production and supply system of plastic products and packaging. LG H&H plans to reduce its plastic usage by 20% by 2030 compared to 2020 through annual gradual activities such as activating recycling (PCR), developing eco-friendly materials, and reducing plastic usage. We also want to be actively involved in regular monitoring of progress and collaboration on plastic reduction activities across the market. We plan to transparently disclose details of our activities to stakeholders through the PACT member company report, which will be issued for the first time in Korea in the second half of 2022.

**Recycling Grade Improvement Activities**

LG H&H has established its own rating system in line with the newly revised Ministry of Environment's recyclability rating system and systematically manages all packaging material ratings. We upgraded 12% of products difficult to recycle to a recycling grade of 'Normal' or higher till 2020 through activities such as improving colored PET to colorless in 2021. Regarding Pyeongchangsoo and Seagram, we improved the colorless PET container to label-free and received 'Best Recycling,' the highest grade in recycling evaluation.



▶ Babience Pinkpong Hand Wash



▶ Pyeongchangsoo, Seagram

**Establishing a recycling grade evaluation system**

According to the Act on the Promotion of Saving and Recycling of Resources, packaging materials subject to Extended Producer Responsibility(EPR) must be evaluated for ease of recycling. To respond to this, we have installed our own recycling-level evaluation system(RES). Product managers can check which parts need to be improved to increase the recyclability of their products by establishing a system to help all in-house members check the recycling grade, which leads to voluntary recyclability improvement activities. In the future, we plan to continuously update the system to reflect not only the recycling grade but also the separate emission label to make recycling and separate disposal easier from the consumer's point of view.

순서	항목	내부 소속평가 단계	외부 기관 인증 단계
1	재활용 용이성 조희	1	1
2	1. 재활용 용이성 조희	2	2
3	2. 재활용 용이성 조희	3	3
4	3. 재활용 용이성 조희	4	4
5	4. 재활용 용이성 조희	5	5
6	5. 재활용 용이성 조희	6	6
7	6. 재활용 용이성 조희	7	7
8	7. 재활용 용이성 조희	8	8
9	8. 재활용 용이성 조희	9	9
10	9. 재활용 용이성 조희	10	10
11	10. 재활용 용이성 조희	11	11
12	11. 재활용 용이성 조희	12	12
13	12. 재활용 용이성 조희	13	13

▶ Recycling-level Evaluation System(RES)

**Logistics activities to minimize the environmental load**

LG H&H actively promotes improvement activities throughout the logistics process, reducing logistics costs, oil consumption, and greenhouse gas and air pollutant emissions to minimize the environmental impact of logistics. We conducted activities to minimize the environmental load in 2021 by enhancing the linkage between production and logistics bases across the country and shortening the transportation route. We have significantly reduced the number of transport vehicles by decreasing the transport stage by supplying products directly from the factory to the second customer without going through the logistics center through direct delivery and direct delivery. In addition, we replaced 52 old diesel vehicles and expanded the operation of eco-friendly vehicles by introducing one electric 1-ton truck. We have learned that operating a 1-ton electric truck can reduce fuel costs by KRW 2.8 million per year and reduce greenhouse gas emissions by 2.6 tons. We plan to continuously introduce additional electric trucks that we are piloting to reduce fuel costs and greenhouse gas emissions.



▶ Introducing 1-ton eco-friendly electric truck

**Effect of Eco-friendly Logistics Activities** (Unit : KRW 100 million)

Activity performance	Savings amount
Improved Logistics Center Operation Process	10.5
Increased Shipping Efficiency	9.5
Shortened the transport route	4.9
Sum	25.0

**Water management**

In 2021, LG H&H's water consumption decreased by 2%, while the production decreased 5%, resulting in an increase of approximately 3% in water usage units. In addition, we managed the amount of water used by each business site and discovered and expanded the use of recycled water. We are carrying out various activities to reduce water consumption, such as continuously finding ways to improve areas that use large amounts of water.

**Water resources risk management**

Coca-Cola Beverage and HAITAI htb have been conducting raw water vulnerability assessments every five years since 2012 in line with the nature of their business, where water accounts for more than 80% of raw materials. We manage the sustainability of our water resources by regularly evaluating issues related to our raw water supply chain, raw water concerns, water quality, national water supply and protection policies, and future prospects. In addition, we conduct the Aqueduct assessment, a water risk assessment by the World Resources Institute (WRI), at all business sites to identify and manage current and future water resource stress.

**Water consumption** (Unit : ton)

<b>595,782</b>	666,127	555,420	<b>595,782</b>
	2019	2020	2021

\* LG H&H's Separate standard

**Water consumption intensity** (Unit : KG/product-ton)

<b>2025 target</b>			
<b>1.46</b>	1.65	1.50	<b>1.69</b>
	2019	2020	2021

\* LG H&H's Separate standard, intensity increase due to TP plant expansion

**Wastewater**

**Wastewater management**

LG H&H operates an integrated wastewater treatment plant at the Cheongju plant and TP plant and has established a continuous TOC measurement system following the organic matter criteria changed in the Water Environment Conservation Act. We secure stable water quality and prevent environmental accidents through real-time integrated

wastewater treatment plant monitoring. The Cheongju plant also built a sealed hopper cleaning device recycling system to reduce wastewater discharge by 1,512 tons per year. In the Gwangju plant, non-point pollution reduction facilities are installed to prevent external leakage of non-point pollutants.

**Wastewater discharge**

The Cheongju Plant recorded 0.20 tons/product-ton of wastewater intensity in 2020 but increased to 0.28 tons/product-ton in 2021. With the establishment of the TP plant, we operated the Cheongju plant and integrated wastewater treatment plant, increasing wastewater discharge. We will continue to enhance our management activities to minimize wastewater discharge in the future.

**Wastewater Discharge** (Unit : ton)

<b>122,645</b>	134,398	101,243	<b>122,645</b>
	2019	2020	2021

\* LG H&H's Separate standard

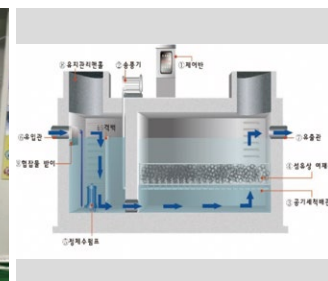
**Wastewater discharge intensity** (Unit : ton/product-ton)

<b>2025 target</b>			
<b>0.28</b>	0.33	0.27	<b>0.35</b>
	2019	2020	2021

\* LG H&H's Separate standard, intensity increase due to TP plant expansion



▶ Establishing TOC continuous measurement system at Cheongju/TP plant



▶ Installing Gwangju Plant Nonpoint Pollution Reduction Facility



▶ Operating sealed hopper washing equipment and recycling system at Cheongju Plant

## Waste

### Waste management

LG H&H reduces the amount of waste generated at each business site and complies with the Waste Management Act in the storage, transportation, and treatment of the generated waste. The Cheongju plant has improved its waste storage process by establishing an integrated waste storage facility. The Cheonan plant has improved the waste treatment plant's environment and leachate removal efficiency by replacing the existing PET press. In addition, the Gwangju Plant built a waste storage facility and installed a waste compactor to increase separate discharge and improve waste treatment efficiency.

### Waste discharge

The intensity of waste emission at the Cheongju Plant was 14.8 kg/product-ton in 2020, but it decreased to 11.6 kg/product-ton in 2021. Due to the TP plant's establishment and the Incheon plant's merger and acquisition, the total waste emission basic unit increased from 17.8 kg/product-ton in 2020 to 24.2 kg/product-ton in 2021.

Waste Discharge	(Unit : ton)		
<b>8,528</b>	7,134	6,589	<b>8,528</b>
	2019	2020	2021

\* LG H&H's separate standard

Waste Discharge Intensity	(Unit : KG/product-ton)		
2025 target	17.66	17.77	<b>24.18</b>
<b>15.64</b>	2019	2020	2021

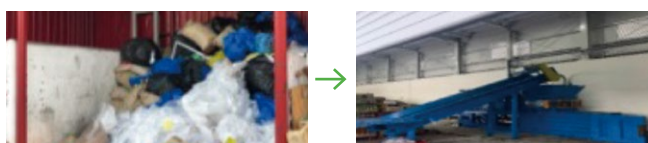
\* LG H&H's Separate standard, intensity increase due to TP plant expansion



▶ Operating integrated waste storage facility at Cheongju Plant



▶ Replacing recycling facilities at Cheonan Plant



▶ Establishing a waste storage facility in Gwangju

## Chemical substance

### Enhancing the chemical management system

LG H&H has completed the registration of chemical substances for 16 types of existing substances imported and manufactured more than 1,000 tons. Through this, we disclosed information on the hazards and risks of the chemicals we handle to have it easily checked and utilized. We have also completed and managed chemical substance registration in EU REACH for five chemical substances we export to Europe to respond to global chemical substance regulations.

### Plant chemical management

LG H&H is continuously striving to replace hazardous chemicals used in utilities such as product raw materials and wastewater treatment with non-hazardous chemicals. We discover and test substances that can replace hazardous chemicals and reflect them in manufacturing or utility management. Through this, we replaced the use of five types of dangerous chemicals compared to the previous year. We are also focusing on safe storage and handling of all chemicals to prevent accidents caused by chemicals. The Cheonan Plant improved the hydrochloric acid storage facility used for wastewater treatment to avoid the corrosion of the facility and supplemented the local exhaust ventilation to protect the health of workers handling chemicals. At the Onsan plant, we installed a leak detector in the interface manufacturing room to comply with the Chemicals Control Act and to prevent accidents caused by chemicals.



▶ Installation of a leak detector in the warm interface manufacturing room



▶ Compartmentalized hydrochloric acid storage tank for wastewater treatment in Cheonan

## Biodiversity Value Conservation Activities

### Establishing a bee park for urban beekeeping

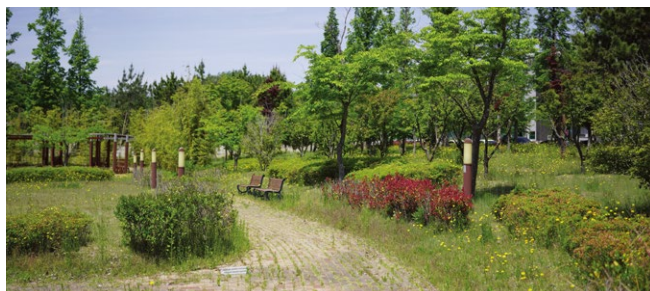
LG H&H is implementing various biodiversity support activities linking business sites across the country to restore and preserve the value of biodiversity. As one of those activities, we built a bee park in an area of about 15,537 m<sup>2</sup>(4,700 pyeong) around the Ulsan and Onsan industrial complex and started supporting urban beekeeping in cooperation with Ulsan local environmental groups such as 'Ulsan Forest of Life,' Ulsan City Hall, Community Chest of Korea, etc., since June 2022.

Honey bees, which pollinate by moving between flowers of plants, are recognized as insects with high conservation value for the global ecological environment. This is because, if Honeybees become extinct, approximately 70% of the top 100 crops grown by humans could be lost. Recently, the global bee population has been rapidly declining due to abnormal climate phenomena and environmental pollution caused by global warming. In Korea, it is known that the colony collapse phenomenon caused 7.8billion bees to disappear since the winter of 2021.

LG H&H plans to contribute to enhancing plant vitality and preserving biodiversity by creating an environment where not only bees but also various insects such as butterflies and beetles can live by planting more than 500 wheat source plants that bloom various flowers and produce honey in a newly created bee park. We also expect to play a role in absorbing carbon and reducing the generation of fine dust by creating urban forests. At the same time, we will promote the creation of functional urban forests by providing environmental education to vulnerable groups and ordinary citizens, expanding citizen participation through tree planting campaigns, and informing the importance of urban ecosystem conservation.



▶ Agreement on creating a bee park



▶ Plans for constructing the Ulsan bee park

### Protection of Otter, the endangered animal, in the Han River

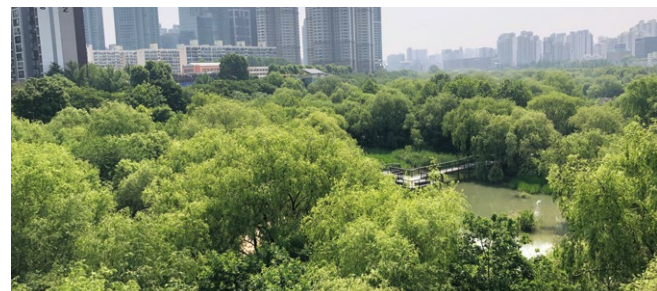
LG H&H is carrying out activities to protect the natural ecosystem and preserve biodiversity by protecting the otter's habitat in the Hangang River, the first-class endangered wildlife and Natural Monument No. 330. To restore the otters' habitat, we plan to install an otter playground at Yeoui Saetgang Park in Seoul, support activities to raise awareness among the citizens, and build various infrastructures to conserve endangered animals. Birds, raccoons, and weasels also come to the river where the otters come. Creating a habitat for otters also makes the ecosystem healthier, including fish, insects, and vegetation.

Along with the installation and operation of the otter playground, LG H&H plans to provide otter keeper training that reminds citizens and children visiting the otter village at Saetgang Park of the importance and environmental value of otters to explore their habitats. In the second half of 2022, we will also hold an otter painting contest, ecology monitoring, and volunteer activities that families can participate in to develop them into a biodiversity conservation activity that citizens can relate to.

LG H&H will continue to promote activities to conserve, restore and expand biodiversity by integrating the historical and cultural values together with the education significance of nature. We will actively set up a cooperation system with external organizations including local communities and specialized institutions. LG H&H also intends to expand activities to protect endangered animals and plants by continuously making an agreement in the future, like the otter support activity which was based on the expertise and understanding of the natural habitat from Han River, a social cooperative group.



▶ The otter agreement ceremony



▶ Yeoui Saetgang ecological park



### Developing native plant resources

Domestic native plants are expected to continue decreasing in terms of species abundance as well as habitat due to artificial interference such as the conversion of forests for other purposes and climate change, etc. To improve this situation, we would like to continuously expand our efforts to preserve and develop our native plants following the Nagoya Protocol, the UN Convention on Biological Diversity.

To achieve sustainable biological resource development, activities were categorized into preservation, restoration, and expansion. We are carrying out activities such as resource specimen, extraction library, secure video data, and research, to promote development regarding differentiated efficacy, concept sand materials. In particular, we operate native plant gardens directly in Cheongju and Ulleungdo. Among them, Cheongju Garden was newly opened in June 2022 by relocating and expanding the existing Cheonan Garden. We also have contracts with local farms in Ulleungdo and Sejong City to grow 9 species of native plants, including Ulleung lilies. In addition, we are working on joint development of native plant resources through MOUs with national organizations specializing in plants, such as the National Institute of Biological Resources, Korea Forest Service, the Korea Arboretum Garden Institute, and Ulleung-gun, a local government.

We have achieved differentiated business results by introducing developed native plant resources into LG H&H's concept products and new products. In 2021, we applied Cheonchohwa, a

native plant of Ulleungdo, to all products of The History of Whoo's 'Cheonyuldan' line and applied Seomjeonho to the Beyond 'Angel Aqua' line in 2022. In addition, we are reviewing to reflect wild wormwood(white tiger), sagebrush, and harpoon tree fruit in our products. Other than our business performance, our social effects continue to expand. We are contributing to the conservation of the ecosystem by developing natural native plants in Korea through collaboration with various national organizations. Through contract cultivation with local farmers in Ulleungdo and Sejong City, we are spreading positive effects to the local community by establishing a virtuous cycle structure such as improving farm household income and creating a sustainable community. As a mid-to long term goal targeting 2028, we will continue our efforts to secure biodiversity by collecting and propagating approximately 500 species of native plants, increasing the number of business agreement with national organizations from 4 to 6, and constructing genetic information for 200 species.

In the future, LG H&H plans to continue expanding its biodiversity activities, such as investigating and monitoring the diversity of plant resources, expanding local conservation, restoring and promoting damaged forest ecosystems, promoting the use of plant resources, etc. Through these active efforts, we will lay the foundation for conserving and promoting the diversity of plant resources and their sustainable use.



▶ Operation status of Ulleng Garden



▶ Cheongju Garden



▶ Concept product development using natural resources(Cheonyuldan product after using cheonchohwa)



#### Operation status of Ulleng Garden

Category	Outdoor cultivation area(m <sup>2</sup> )	Greenhouse area(m <sup>2</sup> )	Number of species(pieces)	Number of objects(pieces)
Cheongju Garden(expected) (relocated from Cheonan in June 2022)	4,950(1,497 pyeong)	870(263 pyeong)	250	20,000
Ulleung Garden	990(299 pyeong)	-	5	2,500
Contract cultivation of Ulleung Lily	3,300(998 pyeong)	-	7	10,000
Sejong contract cultivation	660(199 pyeong)	-	2	5,000

#### Status of the MOU Agreement

Institution that signed the MOU			
National Institute of Biological Resources	Korea Forest Service	Korea Arboreta and Gardens Institute*	Ulleung-gun

\* As a national institution specializing in plants, it is a higher level institution of the Baekdudaegan National Arboretum, Sejong National Arboretum, and the National Botanic Garden of Korea native plant.

# TALENT MANAGEMENT

LG H&H, which has pursued a management philosophy of respect for human beings, respects the personality and diversity of its members and spares no effort to support each individual to develop and demonstrate their abilities. We recruit outstanding talents from all over the world without discrimination, operate appropriate personnel and training systems, and implement a performance-based compensation system that evaluates and compensates fairly for performance.

## Goals

- Improving employee engagement(by 2025)
- Establishing a global education system(by 2025)
- Building global leadership(by 2025)
- Achieving 28% of female managers(by 2023)

## Major Achievements

Fulfillment rate of compulsory employment for the disabled



104%

The ratio of female employees



52.9%

E-Academy Courses



1,506 courses

Business council agenda



132 cases

Education cost per member



KRW 92 thousand



## Talent Recruitment

### Recruitment of outstanding talent

LG H&H is focusing on securing talented people who will lead future businesses to continue to grow as a global lifestyle and culture company loved by the world based on its solid status in the domestic consumer goods market. In particular, we focus on securing marketers with creative and entrepreneurial capabilities and R&D personnel who can showcase differentiated product capabilities through technological innovation to provide exceptional value to customers with differentiated brands and products and lead the market. We are also striving to secure experts in the digital field who can lead the digital transformation in the online-oriented market environment. After being hired, we support employees to develop their competencies and qualifications through job performance, promotion based on performance, key talent nurturing processes, and support from the HR systems.

### Securing global diversity

LG H&H is strengthening its foundation for growth as a global luxury beauty company by actively expanding overseas businesses, mainly in China, Japan, and the Americas. According to this, we have made various efforts to secure global talent with an understanding of local culture and language skills. In particular, to expand the global market and develop online businesses targeting the MZ generation, we have been operating global internships for students enrolled in leading universities worldwide since September 2020. Reflecting the ideas of global interns, we are achieving various outcomes such as product and PR strategies from the MZ generation's perspective, as well as global hair care brand research and marketing strategy planning. We plan to continuously manage the talent pool to encourage outstanding talents discovered through global internships to continue to work after graduation.

### Leveraging capable female talent

LG H&H is actively recruiting female talents with excellent senses, considering the characteristics of the consumer goods industry, such as cosmetics, household goods, and beverages. As of 2021, women accounted for 52.9% of all our employees. We are continuously improving related systems, such as expanding parental leave to help the secured talent pursue a work-life balance. Through this, we are ensuring that female employees can continue their careers long-term without any disruptions due to marriage and child-rearing (caring) issues. In addition, we appoint female talents with global sense and expertise as executives. In particular, we strive to foster and select outstanding female talents by appointing a new female independent director in 2022.

### Ratio of Female Managers for Each Position

(Unit: %)

Category	Ratio
All managers <sup>1)</sup>	27.0
Junior managers <sup>2)</sup>	48.1
Executives	20.9
Managers in revenue-generating divisions <sup>3)</sup>	22.3
STEM-related managers <sup>4)</sup>	33.1

\* Non-consolidated

1) Assistant managers(Lv.1)~Executives

2) Assistant managers(Lv.1)

3) Leaders(Lv.2) or higher positions for marketing and sales divisions

4) STEM(Science, Technology, Engineering, Math) : Leaders(Lv.2) or higher positions for R&D, production, quality, environment and safety divisions

### Promoting employment for the socially disadvantaged

LG H&H established and has been operating 'Bright Nuri,' a standard workplace for the disabled, in 2015 to promote employment of the disabled, who are socially disadvantaged. As of the end of 2021, out of its 95 workers, 62 were disabled workers, and 53 of them were severely disabled. Disabled employees work at shops and cafes located in the Gwanghwamun headquarters, and Cheongju Business sites. Where they wash cars, beautify the environment, pack cosmetic products, as well as manage parking. In addition, we participated in the '2021 Chungbuk Vocational Fair for Disabled Students' hosted by the Special Education center under the Chungcheongbuk-do office of Education and provided mock interview consulting through the metaverse platform. We continue to operate the Bright Nuri Cosmetics Packaging Experience Booth at the 'Chungbuk Developmental Disability Training Center' in partnership with the Korea Employment Agency for the Disabled to revitalize the employment of people with disabilities. In July 2021, Coca-Cola Beverage, our subsidiary, and the Korea Employment Agency for the Disabled signed an agreement to establish 'Gounnuri,' a subsidiary-type standard workplace for the disabled. As of the end of 2021, 10 out of its 12 workers are severely disabled and working at shops and cafes in Anyang and Gwanghwamun workplaces.

## Operating Social Crew internship

LG H&H has been operating 'Social Crew,' one of the internships, since the second half of 2021, to expand customer contact points for rapidly changing consumer trend analysis and provide various work experiences. The Social Crew recruited those who wanted to gain practical experience in digital marketing for cosmetics and household goods after document screening and interviews. The crew carries out activities such as planning and suggesting SNS(social networking service) content, participating in photo and video content production, searching for influencers, and inducing consumer interaction on brand SNS. As of April 2022, 35 social crews are in charge of 17 brands, actively engaging in customer communication through SNS. In the first quarter of 2022, organic comments<sup>1)</sup> increased by 127% compared to the same period of the previous year, and the number of posts increased by 136% in the first quarter of 2022 due to the activities of the social crew intern. Participating interns are also highly satisfied with the internship as they can build various practical experiences and portfolios. In the future, we plan to develop Social Crew into a new internship at LG H&H by improving internship participants' sense of belonging through goods production, etc.

1) Organic comments : pure customer comments through SNS activities without advertisements, etc.



▶ Social Crew

## Enhancing employee competency

### Fostering global professional talents

LG H&H is operating a variety of global talent development programs to nurture talents with the necessary competencies for global business. We provide 1:1 English education with English foreign coaches to cultivate global business and language skills and offer 'GEC(English)' and 'GECC(Chinese)' courses to intensively support English and Chinese competencies that consider our characteristics as a lifestyle company. We are also preparing to expand our global business by operating the 'Global MBA' course, the 'Chinese-Japanese business conversation course,' and short-term overseas training. In addition, we are strengthening our employees' basic competency to help more members participate in the global professional talent development process in the future by providing basic language courses in Chinese and Japanese. Besides education, we provide various opportunities, such as assigning our employees to departments related to overseas business and operating project organizations to help them acquire the necessary competencies for overseas business.

### Global education status in 2021

(Unit : person)

Name of training	No. of trainees
English coaching class	43
GEC <sup>1)</sup>	17
GECC <sup>2)</sup>	6
Global MBA	3
Regional experts	2
In-house foreign language course(Japanese, Chinese)	84

1) GEC(Global Expertise Course)

2) GECC(Global Expertise Course in Chinese)

### Operating various e-learning courses

LG H&H operates a variety of e-learning courses to help employees receive necessary training in a timely manner. 'E-Academy' provides 1,506 online education including foreign language, leadership, liberal arts, and professional jobs, as well as lectures reflecting recent trends such as ESG and DX to support our members' learning about various topics anytime, anywhere, regardless of their business hours. In addition, we provide training and lecture content developed in-house through 'LG Learning Madang,' a cloud-based educational video content platform, to support employees in improving their work competency and immersion. In particular, we operate a live lecture system that enables mutual communication between instructors and learners to ensure that we can effectively provide non-face-to-face education, which has been in demand recently.

### Program for work immersion

LG H&H has developed and implemented various work immersion programs to support its employees' personal growth by creating an environment where employees can immerse themselves in work. The monthly 'Trend Dream' invites experts in each field to communicate with our employees online in real-time and share insights on various issues and trends, thereby contributing to enhancing employees' capabilities. We also support members to become interested in and adapt to DX(digital transformation) through the 'Python/R Basic Course' operation. At the same time, we conduct courses for each position, such as associates(resilience), junior managers(strength coaching), and team leaders(group coaching), to suggest directions so that members can use their strengths well, find the meaning of work, and immerse themselves in their work.

### Results of employee immersion survey

By year	(Unit : points)	Gender(2021)	(Unit : points)
2019	78	Male	86
2020	79	Female	74
2021	82		

## Organizational culture

### Creating an organizational culture of No. 1 dignity

LG H&H is emphasizing its members 'No. 1 dignity' to realize an organizational culture of mutual respect and consideration. 'No. 1 dignity' is the concept that all members should have the dignity suitable for the No. 1 company. We strive to create an organizational culture of No. 1 dignity that eliminates sexual and workplace harassment and respects diversity. As a part of this, we have been conducting No. 1 dignity education for all employees every year since 2012. Since 2020, we have been conducting all training courses online, and in 2021, we reorganized the content into a musical drama format. We made it easier and more fun for our members to internalize the culture of first-class quality by comprising the training with basic observances necessary for work life, such as the prohibition of workplace harassment as well as ESG-related content, an essential topic in society. In addition, we operate an in-house sexual harassment and workplace harassment reporting center to take action on issues that may arise promptly.

### Seeking work-life balance

LG H&H operates a variety of 'Work and Life Balance' systems, including flexible working systems, vacation systems, and welfare benefits, to ensure that employees can focus on their work while working and their personal lives after work. In particular, we introduced a 'self-payment' system in which employees apply for their vacation and confirm it directly, allowing them to use their right of leave as they wish. We also encourage our employees to use all their vacation time and have enough time to recharge by designating company-wide simultaneous vacation days, establishing the half-half-day leave system, and introducing the vacation promotion system. In addition, since June 2022, we are constantly improving our welfare programs to keep up with the changing times by changing 'Parents and Spouses' Parents' 61st Birthday' to 'Parents and Spouses' Parents' 61st and 70th birthday' and allow employees to choose either of the two regarding the company's support for one's and their family events. Through these various efforts, we have maintained the 'Family-Friendly Excellent Company Certification' hosted by the Ministry of Gender Equality and Family for nine consecutive years.

### Operating various work types

LG H&H is operating various work types to help employees adjust their working hours to suit their job characteristics and lifestyle. We allowed our employees to choose between the flexible working system and the staggered working hour system according to the nature of the job. Among them, the flexible time system allows employees to voluntarily select their starting time(7 am to 9 am) and leaving time(4 to 6 pm) to support them to focus on their work in hours when they can immerse themselves. We have also been continuously operating the work-from-home system' since March 2020, at the beginning of the pandemic, to protect the health and safety of our members from the risk of infectious diseases. We are operating full-time working from home to help protect personal health and minimize vacancy at home for those determined to need to work from home due to personal circumstances such as childcare as well as pregnant women and those with

underlying medical conditions. In addition, at a time when the number of confirmed cases rose, we implemented a company-wide work-from-home rotation, allowing 50% of our employees to take turns working from home or the office. Furthermore, we are continuously reinforcing our non-face-to-face work capabilities as well as responding to the COVID19 situation by implementing a four-day office work per week system, making every Friday a day to work from home, regardless of the level of infectious disease risk.

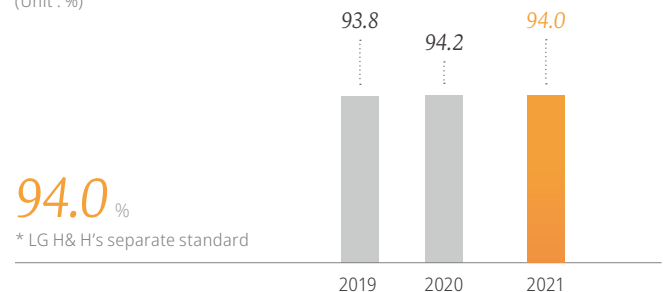
### Efforts to protect motherhood

LG H&H is creating a work environment where female talents can work and raise children at the same time without an interruption in their careers, such as operating daycare centers at work, free use of maternity and parental leave, support for family care leave, and implementing telecommuting for emergency childcare. Specifically, we grant 90 days of maternity leave(120 days for multiple births) but are implementing leave<sup>1)</sup> and support for infertility treatment expenses<sup>2)</sup> above the legal level. Employees can use parental leave and reduced working hours<sup>3)</sup> regardless of gender. In particular, we created an environment where all employees can focus more on their work after returning to work by supporting them to have sufficient time for childcare by extending and reorganizing the period of parental leave, which was previously one year according to the legal standard, to two years since June 2022.

- 1) Paid sick leave of up to one month is granted when diagnosed with pregnancy-related diseases such as imminent miscarriage.
- 2) KRW 1.5 million support per session and up to KRW 6 million for four sessions a year for expensive 'fresh embryo procedure during in vitro fertilization' is provided in addition to government support related to infertility.
- 3) One year for workers with children under the age of 8 or under the second grade of elementary school

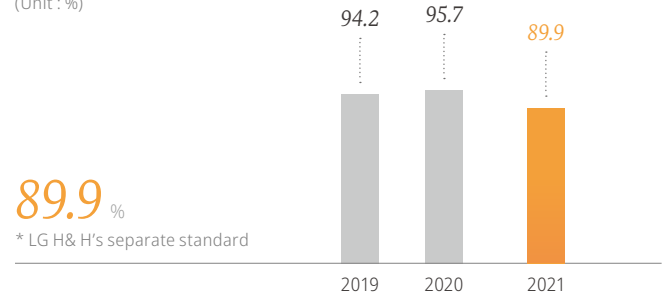
### Return to work rate from parental leave

(Unit : %)



### One-year retention rate of parental leave

(Unit : %)





## | CASE |

### Opening of an online library to support self-development

As part of the expanded welfare benefits, LG H&H started operating an online library in June 2022 to support employees' self-development and leisure use. This library is unique in that employees can read and listen to e-books or audiobooks whenever and wherever they want using the e-book platform, Kyobo Bookstore e-library service.

Employees can borrow two e-books and one audiobook every month for two weeks each, and if they have a book they want, they can apply for it separately. In the future, we plan to not only provide more diverse content by continuously expanding the book collection but also plan and conduct in-house study and educational programs using specialized books to enhance the effectiveness of reading further.

## Activating employee communication

### Operating company-wide employee council

LG H&H operates a company-wide employee council as a channel for smooth communication between the company and its employees. The company-wide employee council, consisting of a total of 86 people and 10 representatives, conducts organizational culture activities tailored to the characteristics of each business unit. At company-wide meetings held two to three times a year, major company issues are shared, and special lectures by topic are provided to support the development of insights of the younger generation.

### Utilizing various VOE channels

We operate the Voice of Employee (VOE) through various channels to reflect our employees' opinions in our management activities. For each business division, full-time leaders who have a high understanding of the company's operational direction act as "communicators", collecting and giving feedback on various VOEs, as well as providing counseling for personal grievances about work life. Aside from this, we are also operating a "If I were" bulletin board where employees can present suggestions for sound dissatisfaction, using a masked ID, not real name, and a "Zero -Complaints Postbox" that collects simple complaints. Employees communicate their stories to the company through their preferred channels, and the company provides feedback on them.

### Communication through LG Household & Health TV

LG H&H TV, the official YouTube channel for LG H&H, also activates communication among employees. This channel is becoming a channel for employees of various ages and positions, from the MZ generation to executives, to share stories and demonstrate creative ideas and capabilities. The channel is discovering new content, such as 'Nawajo or come out' that shares work and life with each other, 'LG H&H Capability Test,' which raises company issues that cross the line as a problem, 'The Livelihoods' with vivid job stories, and 'Healing Camp', where people can take small breaks in their daily life and share honest stories, etc. As of March 2022, the number of subscribers was 2,829, viewingtime was 21 thousand hours, and the number of views was 268,000.

### Team Talk W/S

We implemented Team Talk W/S to solve the lack of communication among team members due to COVID19 and to improve teamwork. We established an action plan for team-level communication by acknowledging ourselves from how we each understand ourselves, and how others see us based on the MBTI, and teams that participated showed high level of satisfaction. Total 37 teams in 2021 and 24 teams in 2022 have been participating in Team Talk. We are currently nurturing facilitators to promote to all teams, and to ensure Team Talk gets becomes a representative communication of LG H&H.

### Columbus project

The Columbus project is a program that provides opportunities for creativity and challenge by providing 10million financial support for 3months to those themes that were selected after being evaluated by judges. Despite difficulties in activities due to COVID19, we are promoting activities by selecting 4 themes for 2021 and 3 themes for 2022.

#### 2021 themes

1. Production of contents for visualizing business worksites by utilizing AR
2. Metaverse Era marketing targeting the MZ Generation
3. Integrated Untact Guide Service for cosmetic brands
4. SHGG Magazine : 'Home drink' recipe using LG H&H beverages

## Labor-management relations

### Building exemplary labor-management relations

LG H&H operates several communication channels such as the Labor-Management Council, the Employee Council, and the Nara-my-eon(or if I were) bulletin board to listen to employees' grievances and secure mutual trust through horizontal and smooth communication between labor and management. Based on comprehensive communication through various channels, we strive to create a work environment where employees can improve their work environment, handle grievances, promote welfare, maintain work-life balance, and establish a good labor-management relationship. We are also trying to establish a healthy culture where everyone can grow long-term by providing continuous value to customers despite uncertain internal and external variables due to COVID19.

### ECP for a healthy work-life

In 2021, LG H&H started the ECP(Employee Care Program), which consists of three parts : Mind Care, Career Care, and Self Care to support the resolution of employee grievances and provide opportunities for recharging so that employees can continue a healthy work-life from the perspective of a partnership between labor and management.

Mind care provides support official vacation and leave of absence along with costs for effective mental health treatment and counseling which are not covered by loss insurance. In addition, we provide opportunities for job transfer and competency development by operating consultations on job rotation at all times through Career Care. We promote in-house recruitment through job postings at least once a month. Self-care supports members to maintain their physical and mental health by providing the 'Oasis' program to support vacation expenses(KRW 200,000) when using annual leave, four weeks of 'refresh leave,' the 'Please, take care of my Vacation' program to spend a meaningful vacation.

Recently, many employees have been applying for ECP as social fatigue and depression increase due to COVID19, as well as the demand for rest or recharge increased. We expect that ECP, which will be officially operated in 2022 after pilot operation in 2021, will be able to relieve psychological and mental stress that hinders work immersion and provide opportunities for individual competency development and growth.

### ECP usage status (August 2021 to January 2022)



#### MindCare

- Treatment and application candidates : 10 people



#### CareerCare

- Job rotation : 13 people
- Job posting notice : 33 positions



#### SelfCare

- Oasis Program : 774 people
- Refresh leave : 9 people
- Please take care of my vacation : 710 people



### | CASE |

#### Family vacation activity support program 'Take care of my vacation'

LG H&H provides various systems and programs to help employees achieve work-life balance, improve work performance, and enjoy daily happiness. From May 2021, we started a new 'Please, take care of my vacation' as a vacation support program to refresh our employees with their families. It is a program where our employees can have a pleasant experience while enhancing their family harmony by participating in various experiential activities with their children and spouse. We supported various items every month in 2021, such as making rice syrup gangjeong, board game, hand knitting socks, making homemade syrup, vegetable gardening, leather craft, calligraphy, drawing famous paintings, pearl shell experience, Pepero making, Christmas wreath and tree making, etc. Through the application accepted until December 2021, 950 members participated in the program and made happy memories.

# HUMAN RIGHTS MANAGEMENT

Under the management philosophy of “Respecting Human Dignity,” LG H&H is well aware that human-rights-based management is the most essential element in business. Based on such philosophy and enforcement of human rights implementation principles for both domestic and overseas, we practice human rights management in order to protect and respect human rights of all employees, customers, suppliers, and stakeholders. Annually, a human rights impact assessment that consist a human rights survey and diligence is being held to identity risks and to make improvements.. In addition, we are enhancing the effectiveness of human rights impact assessment by reflecting the evaluation results and implementing follow-up measures, including damage relief procedures. We also carry out various activities to internalize human rights management, such as human rights education.

## Goals

- Managing human rights risk and implementing measures based on human rights impact assessment results
- Enhancing the level of human rights risk management by expanding ESG field inspections of suppliers
- Inducing substantial risk improvement by implementing improvement measures and continuous monitoring
- Establishing a regular inspection process for sustainable purchasing of palm oil and mica

## Major Achievements

Implemented Human rights impact assessment for domestic business sites



**6** sites

Conducted self-inspections for suppliers



**67** companies  
100%

Conducted Human Rights Impact Assessment, ESG Assessment of Suppliers



'Core partners'  
'Key suppliers,'  
100%

Conducted ESG on site inspections for suppliers



**12** companies

Raw material purchase



Achieved 33.7% of sustainable palm oil (RSPO) purchases





## Human Rights Management Policy

LG H&H has established and complies with the 'LG H&H Human Rights Policy' to respect all stakeholders, including employees, customers, suppliers, joint ventures, and affiliates, and to guarantee the right to human dignity. LG H&H abides by regulations related to labor-management relations in all countries and regions and strives to secure employment stability and adequate wage levels for employees from a socio-economic perspective. As a corporate citizen, we support and practice the principles of human rights specified in the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights presented by the United Nations Commission on Human Rights .

## Human Rights Impact Assessment

### Human Rights Survey

LG H&H conducts human rights surveys annually at domestic and overseas business sites and major suppliers . In 2020, we first implemented a human rights survey to investigate the direct and indirect human rights violations of our employees. In 2021, we conducted a human rights survey to all employees. The 2021 survey found no serious human rights violations at domestic worksites, but we have established an action plan for deficiencies and areas that need improvement and are implementing improvement activities. Meanwhile, we conducted a web based no-face-to-face ESG assessment for 'Core partners' and 'Key suppliers' and identified risks such as violation of the 52 hour work hours, insufficient overtime work record management, and insufficient process to prevent sexual harassment. We have established top priority improvement tasks and long-term improvement tasks for suppliers whose potential risks have been found, and will continuously monitor improvement.

### Human rights due diligence

LG H&H has been identifying human rights issues since 2019, and has undergone due diligence for operating business sites that suits the labor and human rights risk guidelines. In 2021, we underwent due diligence targeting 12 suppliers that were categorized as high-risk suppliers from the ESG assessment result, and partial risks including signing the employment contract as well as working over 52 hours were identified. LG H&H recommended suppliers to establish improvements and to implement it, while LG H&H is planning to take preemptive care for potential risks for human rights. In accordance with global due diligence standards such as guidelines for UN human rights guidelines and OECD multinational companies, we are taking step by step to identify the current status along with the area that needs improvement, performing improvement activities and monitoring as well as external communication regarding activity performances.

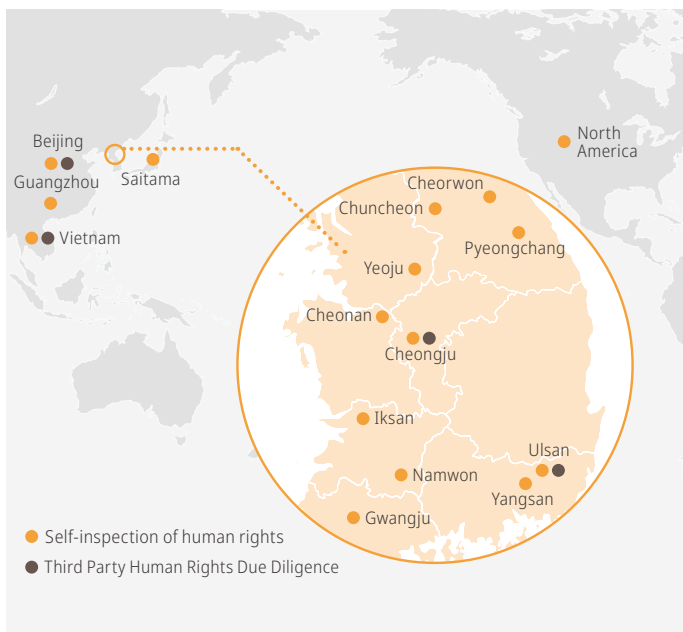
### Human Rights Due Diligence<sup>1)</sup> Process



1) Due Diligence : An investigation aimed at identifying a potential negative impact that may arise from business management activities, the supply chain, and other business relationships and preventing and alleviating such an impact. Refer to the OECD Due Diligence Guidance for Responsible Business Conduct

**Impact Assessment Result and Remedial Measures for Human Rights**

Category	human rights issues	Impact Assessment Method	Result and Remedial Measures in 2021
Employees	Non-compliance with the behavioral code for employees	Cyber Shinmungo	<ul style="list-style-type: none"> <li>Received 38 cases of reports related to employee issues in 2021(30cases processed, 8 cases proven to be false)</li> <li>Operated 'ERM(Enterprise Risk Management) System' for risk pre-check(2021)</li> <li>Operated a reward system for reporting and protection of whistleblowers</li> </ul>
	Sexual Harassment and Workplace Harassment	Top Dignity Survey	<ul style="list-style-type: none"> <li>Result of the Top Dignity Survey in 2021(including workplace harassment questionnaires)                             <ul style="list-style-type: none"> <li>- Serious issues : N/A, Potential issues : N/A</li> </ul> </li> <li>Conducted education programs for the top dignity corporate culture</li> <li>Operated the counseling center for harassment issues and distributed the guidelines</li> <li>In-house sexual harassment and workplace harassment reporting center</li> </ul>
	Stress of employees	LG Way Survey	<ul style="list-style-type: none"> <li>Result of the LG Way Survey : 82 points from the employee engagement assessment(2021)</li> <li>Provided special lectures for employees handling emotional labor, established and distributed emotional labor guidelines(2020)</li> <li>Operated the psychotherapy counseling center where an expert works once a week(2020~)</li> <li>Operated Red Circle weekly health campaign event to prevent cerebrovascular diseases(2018~)</li> </ul>
	Industrial accidents caused by negligence at business sites	Safety assessment of business sites Health checkup of employees	<ul style="list-style-type: none"> <li>Expanded from production-oriented safety quality assessment to product design and distribution(2021)                             <ul style="list-style-type: none"> <li>- Prepared safety quality assessment standards in the design and distribution stages</li> <li>- Completed assessment of 69 enterprise-wide logistics centers through in-house and external specialized agencies</li> </ul> </li> <li>Established a new safety and health management system to enhance the prevention of safety accidents(2021)                             <ul style="list-style-type: none"> <li>- Established an organization dedicated to safety and health at the headquarters, set company-wide safety and health management policy, and promoted enactment and revision of safety and health-related regulations</li> </ul> </li> <li>Implemented safety assessment(electricity, firefighting, etc.) by an external specialized agency for 4 business sites and 127 external partners and carried out improvement tasks(2020)</li> <li>Conducted a safety assessment at 14 business sites and 69 logistics centers, and implemented improvement measures</li> </ul>
Suppliers	Supplier's Production and supply process of palm oil	RSPO Certification	<ul style="list-style-type: none"> <li>Achieved 33.7% of sustainable palm oil(RSPO) purchase(2021)</li> <li>Maintained RSPO segregation certification for Ulsan and Onsan plants</li> <li>Established sustainable raw material purchasing policy</li> </ul>
	Conflict Minerals	RMI Certification	<ul style="list-style-type: none"> <li>Procured mica produced by skilled workers in mines in the United States, Japan, and China.</li> <li>Declared Non-Child Labor at the mine when using Indian mica / Checked whether the supplier was a member of the Responsible Mica Initiative(RMI)</li> <li>Increased the proportion of synthetic mica instead of natural mica in manufacturing cosmetics(set 100% conversion plan to synthetic mica)</li> </ul>



**Due Diligence at Domestic and Foreign Business Sites**

LG H&H provides human rights protection not only for domestic but also for overseas employees. Starting from implementing human rights due diligence for LG Household & Health Care Vietnam in 2019, domestic business in Ulsan and Cheongju in Korea conducted non-face-to-face due diligence in 2020, and in 2021 we have not conducted a human rights inspection at any other business sites due to COVID19. In 2019, overseas business sites conducted document inspections, field checks, and interviews with related people on a total of 34 inspection items, including forced labor implementation, hiring of combustion workers, and legal working hours management. In 2020, domestic workplaces conducted self-checks on a total of 96 inspection indicators, including establishing a human rights management system, non-discrimination against workers, and guaranteeing freedom of association and collective bargaining, as well as interviewing workers that are vulnerable to human rights. According to the due diligence result, we established action plans and shared relevant regulations to preemptively manage risks for human rights. LG H&H will continuously establish a systematic human rights impact and risk management system in the future.

Category	Human rights issues	Impact Assessment Method	2021 Impact Assessment Results and Remedies
Suppliers	Labor rights issues of suppliers employees	ESG evaluation of suppliers	<ul style="list-style-type: none"> <li>Conducted ESG evaluation of suppliers(2021)                             <ul style="list-style-type: none"> <li>- Conducted ESG evaluation on 'Core partners' and 'Key suppliers'</li> <li>- Implemented improvement tasks for 12 high-risk suppliers</li> </ul> </li> <li>Conducted ESG evaluation on suppliers(2020)                             <ul style="list-style-type: none"> <li>- Implemented ESG evaluation on 190 suppliers</li> <li>- Implemented improvement tasks for 10 suppliers with high-risk10 high-risk suppliers</li> </ul> </li> </ul>
	Damages caused by unfair transactions (unfair demands, etc.)	Cyber Shinmungo bribery reporting system	<ul style="list-style-type: none"> <li>Received 27 cases of grievance from suppliers(2021)</li> <li>Promoted a "No gift-giving&amp;taking" campaign among LG H&amp;H employees</li> <li>Operated an unfair behavior reporting channel(Cyber Sinmungo(<a href="http://ethics.lg.co.kr">http://ethics.lg.co.kr</a>))</li> </ul>
Customer	Protection of customers' personal information	Personal information security check(LG H&H and partner companies)	<ul style="list-style-type: none"> <li>Conducted inspections for 65 suppliers handling personal information for inspection and to implement improvement measures</li> <li>Inspected personal information management status in department stores(3 stores) and took measures to improve risk factors(2021)</li> <li>Improved 5 systems, including information leakage monitoring system advancement(2021)</li> <li>Inspected mock hacking and vulnerability of website, shopping mall, and sales information system(2021)</li> <li>Analyzed personal information processing flow for genetic analysis, digital catalog, and door-to-door sales area(2021)</li> <li>Passed the information security management system(ISMS) post-examination and maintained certification(2021)</li> <li>Enhanced the security review process(2021)                             <ul style="list-style-type: none"> <li>- Conducted 75 security reviews : minimized security vulnerabilities of IT systems and prevented important information leakage from hacking</li> <li>- Inspected IT system subject to security review : infrastructure inspection, mock hacking, ISMS, personal information, internal control, security inspection, etc.</li> </ul> </li> <li>Conducted inspections for 50 suppliers handling personal information for inspection and to implement improvement measures(2020)</li> </ul>
		Mock hacking of personal information	<ul style="list-style-type: none"> <li>Discovered vulnerabilities in personal information processing systems and implemented improvements for 219 systems(2020)</li> </ul>
	Customer damage (product safety, etc.)	Customer VOC	<ul style="list-style-type: none"> <li>2021 Consumer Service Satisfaction Results : 4.7(out of 5)</li> <li>Improved customer service system(2021)                             <ul style="list-style-type: none"> <li>- Newly introduced 'Visible ARS' service accessible 24 hours a day</li> <li>- Collected customer complaints constantly and improved accessibility for customers with trouble using voice ARS(hearing impaired, etc.)</li> </ul> </li> <li>2020 Consumer Service Satisfaction Results : 4.67(out of 5)</li> <li>Shared with the department in charge within 30 minutes after receiving VOC through the centralized management claim system, and visited the consumer within 1 day</li> </ul>
Community	Entry of vulnerable groups into society (people with disabilities, women, senior citizens, etc.)	Vulnerable groups	<ul style="list-style-type: none"> <li>Promoted employment for the socially disadvantaged                             <ul style="list-style-type: none"> <li>- Supported employment of the socially disadvantaged by operating 'Gounnuri,' a subsidiary-type standard workplace for the disabled(2021)</li> <li>- Participated in the 'Chungbuk Job Fair for Students with Disabilities' and provided mock interview consulting using the metaverse platform(2021)</li> <li>- Continued to operate the Balunnuri Cosmetics Packaging Experience Booth at the 'Chungbuk Developmental Disability Training Center'</li> <li>- Supported employment of the socially underprivileged by operating Balunnuri Co., Ltd., a standard workplace for the disabled (2015~)</li> </ul> </li> <li>Selected 35 natural beauty creators in 2021(new recruits, career interrupted women)</li> <li>Re-employed retirees and senior citizens through partner companies' technical support team</li> </ul>



| CASE |

**Joining and declaring support for the UN Principles for the Empowerment of Women(WEPS)**

As part of enhancing ESG management, LG H&H joined the UN's Women's Empowerment Principles(WEPs) in May 2022 and declared its support. The Women's Empowerment Principles(WEPs) are an initiative jointly launched in 2010 by the United Nations Global Compact(UNGC) and the United Nations Women's Organization to promote women's rights and strengthen women's competitiveness in the workplace and the community. The Women's Empowerment Principles(WEPs) are based on seven principles, such as △ leadership to promote gender equality, △ equal opportunity, Inclusion and elimination of discrimination, △ health, safety and freedom from violence, △ education and training, △ business development, supply chain and marketing activities, △ community leadership and participation, and △ transparency, measurement and disclosure. The Women's Empowerment Principles(WEPs) provide guidance and implementation measures to companies and organizations seeking to promote gender equality and women's competitiveness. As of May 2022, about 6,622 companies worldwide and 35 companies in Korea support this principle. Following the principles of WEPs, LG H&H plans to further strengthen its position as a leading company in gender equality by establishing gender equality policies, securing diversity, and planning and improving practical activities to enhance women's representation and competency.

# SAFETY AND HEALTH MANAGEMENT

LG H&H pursues the safety and health of its employees as its top management principle and conducts systematic safety and health activities to achieve zero accidents and disasters at its domestic and overseas business sites. We are establishing a new company-wide safety system based on the global level safety and health management system, as well as thoroughly managing safety and health risks such as major accidents through an organization dedicated to health and safety. We also actively implement a safe working environment and support employee health management. We strive to internalize the safety and health culture in our work and life by conducting regular education and training to raise awareness of employee's regarding safety and health, as well as responses to emergencies.

## Goals

- Establishing safety and health infrastructures**
  - Improving safety and health management system level such as safety and health investment, zero-defect certification system, and application of advanced safety technology
- Enhancing safety and health prevention activities**
  - Activities to establish an autonomous safety culture and to prevent safety accident such as self-inspections and identify near-miss accidents
- Enhancing health management for zero legal risk**
  - Operating safe medical examinations
  - Introducing integrated health education (for about 8,000 employees once a year)
- Conducting a regular musculoskeletal risk factor inspection and promoting work environment improvement**
  - A total of 83 regular inspections planned (16 for production, 67 for logistics)
  - Reviewing and improving developing measures for engineering/visual/behavioral improvement of harmful factors in the work process
  - Industrial health/On-site inspections centered on nurses/ Improvement of hazard identification

## Major Achievements

### Significant Risk Indicators



**100%**

monitoring rate of 100% high risk business sites(A/B Grade)

### Cerebrovascular disease prevention education



**5,561 completed**

(individuals over 35 from all occupational groups, cerebral risk group)

100% monitoring rate of 100% high risk business sites(A/B Grade)



**97% improvement in implementation**

Adopting safety and health consignment management



**Total 64 business sites**

53 small business site consignment management for safety and 11 for health to implement the Serious Accidents Punishment Act

## Safety and Health Management System

Putting the safety and health of its employees first, LG H&H is implementing safety and health management according to global standards with the ISO 45001 safety and health management system. In particular, in 2021, we established an organization dedicated to safety and health at the headquarter and strengthened the safety and health management system at all business sites in preparation for the enforcement of the Serious Accident Punishment Act, which will take effect from January 2022. Based on the improved safety and health management system, we plan to realize accident-free and disaster-free at all domestic and overseas business sites and create a high-quality safety and health culture.

## Establishing a safety and health management system

LG H&H has newly established a safety and health management system to enhance compliance with laws and prevent safety accidents in preparation for the Serious Disaster Punishment Act, which will take effect from January 2022. We designated the CRO(Chief Risk Officer) as the head of the safety and health management, delegating personnel/budget decision making authorities to establish a safety and health management system. We have designated the CRO(Chief Risk Officer) as the head of safety and health management and delegated personnel/budget decision-making rights for company-wide safety and health to carry out activities for establishing a safety and health management system. Accordingly, we established an organization exclusively responsible to safety and health at the head office and promoted the enactment and revision of company-wide safety and health management policies and safety and health-related regulations. In addition, we conducted regular and special inspections/diagnosis of safety and health. We are also implementing safety and health specialized training along with the planning, execution, and management of the safety and health budget. We plan to continuously supplement and improve the safety and health management system to implement company-wide safety and health practices and risk management.

### Mid/long-term roadmap for safety and health management

Category	KPI	2021 performance	2022 target	2025 target
zero-accident	Number of industrial accidents	22	0	0
	Key risk indicator	High Risk (Class A/B) 100% monitoring rate	100% implementation of improvements for critical risk grade cases discovered after a risk assessment	100% implementation of improvements for critical risk grade cases discovered after risk assessment
	Diagnostic improvement (internal and external, near-miss, cross-check) (Number of near miss incidents)	97% improvement implementation	100% implementation of diagnostic improvements	100% implementation of diagnostic improvements

### Safety Management ISO45001 Certification Acquisition Status

Category	Certification type (ISO45001)	Certified workplace	All business sites	%
LG H&H	Cheongju, TP, Naju, Beijing, Gwangju(AVON)	5	13	38
Coca-cola Beverage	Yeoju, Yangsan, Gwangju	3	3	100
HAITAI htb	Cheonan, Cheorwon, Pyeongchang, Iksan1, Iksan2	5	5	100
<b>Sum</b>		<b>13</b>	<b>21</b>	<b>62</b>

### All business sites

Corporation overseas business sites	Category	Workplace Business site
LG Household & Health Care	Domestic	Cheongju Plant
		TP Plant
		Ulsan Plant
		Onsan Plant
		Naju Plant
		Incheon Plant
		Daejeon Plant(OBM Lab)
	<b>Subtotal</b>	<b>7</b>
	Overseas	Beijing Plant
	Gwangju(AVON)	
Vietnam		
Japan		
Saitama		
Dominica		
Canada		
<b>Subtotal</b>	<b>6</b>	
Coca cola Beverage	Domestic	Yeoju Plant
		Yangsan Plant
		Gwangju Plant
		<b>Subtotal</b>
HAITAI htb	Domestic	Cheonan Plant
		Cheorwon Plant
		Pyeongchang Plant
		Iksan Plant 1
		Iksan Plant 2
<b>Subtotal</b>	<b>5</b>	
<b>Sum</b>		<b>21</b>

## Severe Accident Prevention Activities

### Prevention of truck crashes

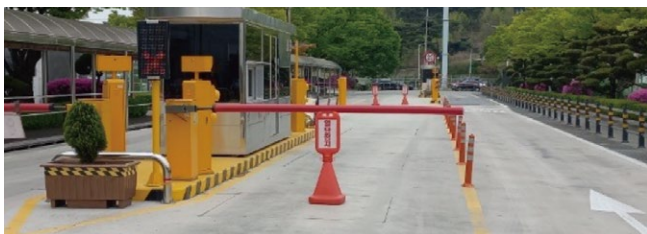
LG H&H's Cheongju plant was in a situation where there was a constant risk of safety accidents while entering or operating as about 30 major unit factory buildings are deployed on a large site, and 1,700 vehicles, such as trucks and commuter buses, enter and exit the workplace per day. To prevent safety accidents, we first improved the congestion at the north gate entrance, which has a high risk of collisions caused by trucks, and then introduced an unmanned automatic weighing system, installed two additional weighbridges, and operated a variable lane system for entering and exiting time. In addition, we induced drivers to move safely by installing two speedometers and speed bumps and displaying identification numbers for each unit building in the workplace. Through these improvements, we could reduce the risk of serious accidents caused by traffic accidents and further increase work efficiency.



▶ Building-specific identification number



▶ Weighbridge installation



▶ Weighbridge installation, variable lane operation



▶ Vehicle operation speed limit



### CASE |

#### Preventing accidents by applying high-speed line safety specifications

The Coca-Cola Beverage Gwangju plant improved the safety fence of the PET line loading machine to prevent safety accidents. The existing PET line loading machine had a safety fence and an opening and closing door installed. Still, it had a structure that allowed the operator to arbitrarily release the safety device of the opening and closing door. To prevent possible safety accidents, the Gwangju plant installed an interlock device to disable the facility's operation in case the door safety device is arbitrarily released. By improving the opening and closing door to open when the machine stops, the plant established a fundamentally safe environment that prevents jamming accidents.

### Operating integrated disaster prevention center

LG H&H operates the Central Disaster Prevention Center to enhance its ability to respond to emergencies at its workplaces. In particular, Coca-Cola Beverage's Yeosu plant established an integrated environmental, safety and health disaster prevention center to comprehensively implement fire monitoring, real-time CCTV monitoring of hazardous facilities, water quality monitoring of final effluent, and environmental facility operation status monitoring. Through the Integrated Disaster Prevention Center, where experts in environment, safety and health work, we secure initial response capabilities to emergencies and manage risks more systematically.

### Operating safety managers in charge of partner companies

LG H&H is also making continuous efforts for the safety and health of its business partners' employees, such as implementing accident prevention activities by applying the same standards. Since 2012 at each business site, LG H&H has supported safety and health through safety and health cooperation programs, safety and health councils, and circuit inspections. In 2021, we hired safety managers exclusively for suppliers to promote more site-oriented disaster prevention activities. At the Cheongju and Yeosu business sites, we hired three safety managers with extensive experience in the same industry and made them work all the time, supplementing the problems of the existing safety and health consignment management work and further enhancing the safety management of our in-house partner companies.

## Employee health promotion activities

### Operating psychological counseling room

LG H&H is operating a psychological care program for members suffering from psychological problems of varying intensity and scope, including stress and emotional isolation due to the prolonged COVID19 outbreak. We are helping to regain psychological stability and focus on work and life through video counseling introduced in 2020 and telephone counseling added to reflect members' needs. In addition, we provided non-face-to-face communication lectures and small group film therapy programs four times to help employees in charge of customer counseling, the forefront of emotional labor, overcome the psychological crisis they face at work. As a result, we earned the positive feedback of enhancing our resilience and suggesting a direction for stress management. Based on these results, we plan to support various psychological care programs for occupations likely to be exposed to psychological risks in the future.

### COVID19 quarantine activities

In 2021, LG H&H followed the government quarantine guidelines and applied internal guidelines to prevent the spread of COVID19 and block its inflows to business sites. We established step-by-step response tips and rules and provided non-contact temperature monitors, masks, and disinfection-related items at each business site. We also implemented various infection prevention activities, including regular quarantine and disinfection at each facility. In addition, we have established emergency response scenarios to ensure prompt and appropriate actions in the event of an outbreak of an infectious disease. In addition, we strive to fundamentally prevent infectious diseases by continuously implementing education and promoting infection prevention rules to ensure that employees work more safely and healthily in the environment changed by COVID19.

### Enhancing management capabilities at small business sites

LG H&H has introduced a technical guidance program at 52 business sites from safety and health professional organizations from 2021 to strengthen small businesses' safety and health management capabilities with less than 50 employees. LG H&H is building an optimal workplace where all employees can work safely and healthily by identifying significant risks in each business site through regular monthly inspections and technical guidance by specialized agencies and proactively managing risks through active improvement activities.

### Red Circle Weekly Event 'Employee Health Campaign'

Since 2018, LG H&H held a Red Circle Weekly Event for the purpose to prevent brain-cardiovascular diseases. Every first week of September is a week to acknowledge the risks of brain-cardiovascular diseases and creating culture for self health management. In 2021, all 5,561 employees over the age of 35 completed online education on preventing cerebrovascular diseases. Coca-Cola Beverage Yeosu Plant also operated a visiting red circle zone cooperating with the Yeosu City Health Center. We are helping our members manage their own health by educating the importance of managing high blood pressure

and diabetes, the representative preceding diseases of the cerebro-cardiovascular system, and providing disease prevention information through the weekly events.

## Operating a safe logistics center

### Advancing logistics system

LG H&H is concentrating on optimized logistics operation and providing prompt and accurate logistics services to enable efficient logistics support in line with changes in the business environment. To improve the operating system, we have established and supplemented the product tracking management system, export inspection system, etc., using QR and barcodes. We also optimized our beverage distribution center by integrating the distribution centers in Seobusan and Dong-busan, Dongdaegu and Seodaegu, and withdrawing the Icheon distribution center. In addition, we are optimizing delivery by introducing the latest Transportation Management System(TMS) and operating an additional online center to the rapid increase in online(B2C) volume since December 2021.

### Enhancing safety accident prevention activities

LG H&H is also continuously enhancing its safety accident prevention activities for safe logistics center operation to induce all field members to take interest and practice. We conduct a risk place grading system and risk assessment at each logistics center to discover and improve even the smallest parts of risk factors in the logistics site. Especially, for the forklift safety management, a representative risk factor in the site, the work path for forklift and pedestrians has been separated at all business sites, and human recognition detection systems and LED warning lights are installed to prevent forklift accidents. In addition, we expanded and installed AEDs at 52 workplaces, and provide regular training on how to use them along with accident simulation training.



▶ Red Circle Yeosu Plant

# QUALITY MANAGEMENT

For LG H&H which produces cosmetics, daily necessities and beverages that customers use daily, product quality is a significant value that cannot be compromised under any circumstances. To secure customer safety and trust for products, LG H&H established a company-wide RQM system, and is operating a consumer safety center. We also systematically manage risks from all procedures through a life-cycle safety quality process that ranges from product development to utilization. We also implement a safety quality certification system for domestic and overseas business sites and partner companies and strictly apply the 'Product Safety Management Regulations' to register new raw materials or product development to ensure safety quality for customer safety.

## Goals

- Operate and settle customer value innovation process through the product lifecycle-specific RQM system (by 2022 : design, mass production, distribution, consumer response quality)
- Secure global-level evaluation capabilities related to safety verification and build and operating reliability(by 2022)
- Establish a supply chain operating system that responds to the future of informatization, intelligence, and automation based on the customer value-oriented PEOS platform(by 2025)
- Secure global business capabilities through the unique LG H&H safety quality certification system(by 2024)

## Major Achievements

Identification of tasks to improve safety quality certification system



**872** (14 business sites)

Implementation of safety quality diagnosis for suppliers



**157** companies(including overseas)

Preliminary analysis of hazardous substances safety



**20,103** substances

Hazardous Substance Verification Items



**250** items





## Quality management system

### Reassurance Quality Management(RQM) System

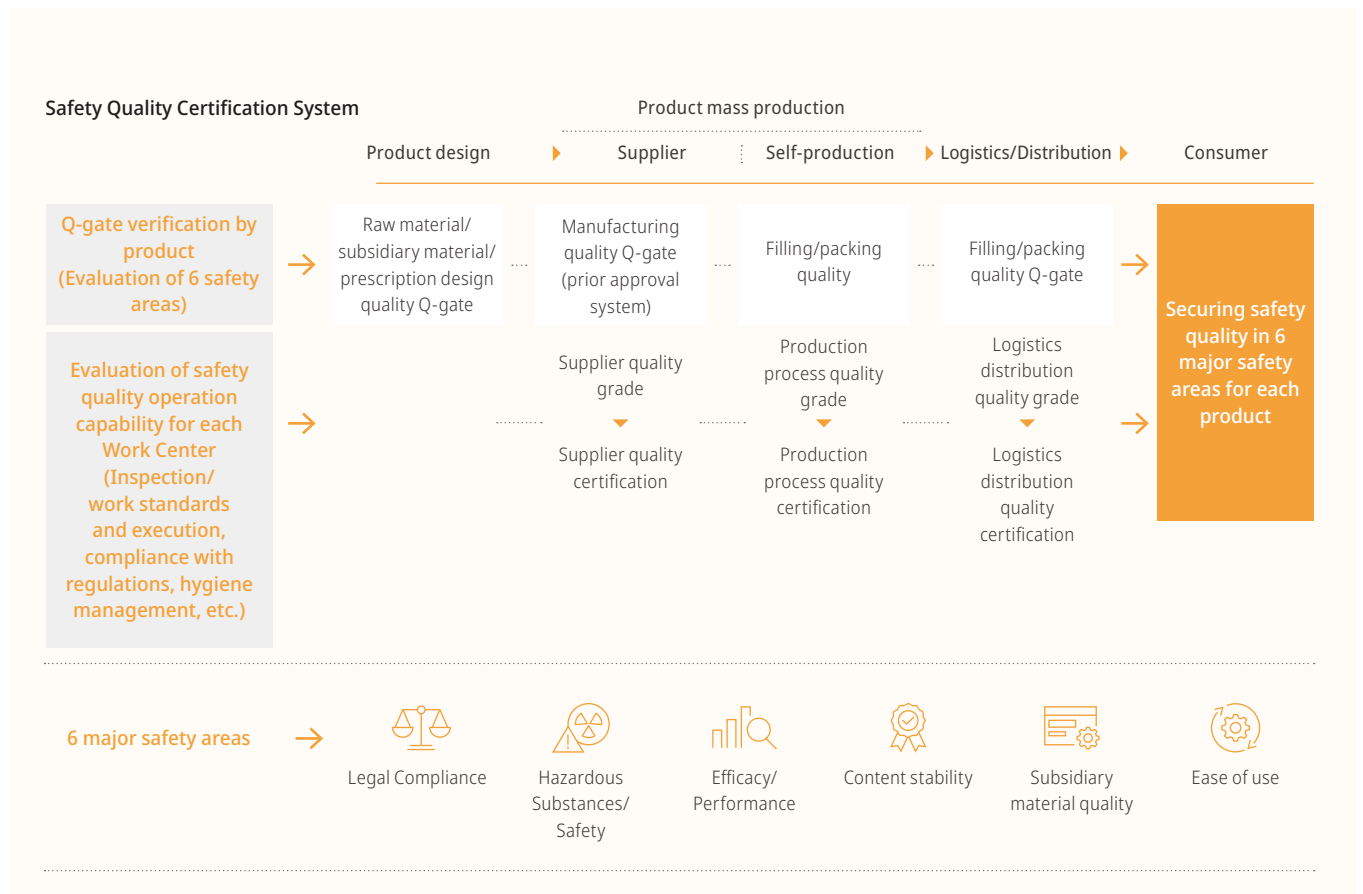
LG H&H's Reassurance Quality Management(RQM) system is an integrated quality management system that is established to meet the daily enhancing quality standards of each nations, along with responding to diversified customer needs.

Starting with the operation at the Cheongju Cosmetics / Household Goods plant in 2020, we completed applying the system to the Cheongju TP new plant, Incheon plant, and Daejeon R&D center in 2021, and major business sites of the beverage corporations in 2022.

Currently, the RQM is applied to 3 corporations, 8 production sites, and 5 logistic sites. RQM is an integrated Life-Cycle quality integration system that not only manages the quality of products, but also all areas that include the research/development quality(safety,risk), long-term quality after shipment(stability over time) and customer pain point. In the future, we plan to continue upgrading functions for tight quality control and spreading to business sites where RQM has not yet been applied.

### Safety quality certification system

In the first and second half of each year, LG H&H operates the safety quality certification system, which is a unique quality certification system. In the first half of the year, we provide opportunities for each business site workplace to discover and improve problems through self-diagnosis at the workplace. In the second half of the year, the diagnosis department conducts cross-diagnosis led by the quality management department in addition to checking the implementation of the problems found in the first half and then issues a certificate according to the result to secure objective safety quality. In addition, we are encouraging continuous improvement by discovering and benchmarking best practices for the safety quality certification system in each business division. In 2021, we conducted a self-written assessment in the first half(March to June) and a performance check by the diagnosis team in the second half(September to October) for 14 business sites. Monthly implementation checks were conducted after deriving a total of 872 improvement tasks, and six out of 22 teams from 14 business sites were selected as excellent business sites and was awarded a certificate.



## Quality control activities

### Consumer Reassurance Center

LG H&H has been continuously promoting the quality management of products that consumers can use with confidence since launching Consumer Reassurance Center, a professional organization that manages the safety quality of the entire process from product development to consumer use, for the first time in Korea in 2017. As part of that, we have further enhanced the foundation for providing consumers with quality assurance by optimizing the entire process, including

design, mass production, distribution, and consumer response, from the customer's point of view in 2021. With the goal of growing into a consumer-oriented company that can provide real value to customers, we plan to actively promote waste improvement and business advancement, such as supplementing the customer consultation system and digitizing the logistics and delivery system in 2022.

### Main activities of the Consumer Reassurance Center

Core tasks	Indicators	Main Activities		2022 plan
		2020	2021	
Secure safety quality in the six safety quality areas	Production Safe Quality Certification Assessment System	Tested 14 business sites	Tested 14 business sites(22 teams) (Beijing and Gwangju plants in China and Taegeuk Pharm Hyangnam and Buyeo plant pilot implementation)	<ul style="list-style-type: none"> <li>Improve the customer complaint management process through the development of a new consultation system : manage from collecting customer complaints to executing improvement tasks and monitoring within one system</li> <li>Advance production safety quality certification evaluation : Add evaluation targets for overseas business sites, separately evaluate production/quality assurance processes</li> <li>Establish design safety quality certification evaluation system</li> <li>Improve the process for securing the safety quality of exported products</li> </ul>
	Logistics Safe Quality Certification Assessment System	Conducted a pilot	Evaluated 71 business sites	
	Conduct the Q-gate verification for new materials, subsidiary materials	100%	100%	
Improve waste and loss and advance work	Comply with competitive SKU <sup>1)</sup> operation rules	Managed profit and loss by SKU	Established and implemented rule subdivision management plan tailored to the purpose of SKU operation, such as learning, policy, and export	<ul style="list-style-type: none"> <li>Continue operating a nurturing system for DX(digital transformation) professionals such as RPA/with ONE/Python/AI through education, practice, and task execution</li> <li>Expand the core workforce pool through skill level-up(in-house instructor training) as well as improving self-efficacy for each DX</li> <li>Concentrate on DX tasks to discover, improve work innovation tasks, advance the work and reduce unnecessary wasteful work</li> <li>Establish a collaborative process between teams to select and execute common SCM tasks</li> </ul>
	Implement tasks to upgrade the work process	Implemented 275 tasks	Implemented 349 tasks	
	Implement tasks to reduce waste and loss	Implemented 132 tasks	Implemented 95 tasks (selected tasks considering the quality level)	
Operate preventive management system for risk factors	Analyze the safety of harmful substances in advance	21,058 substances	20,103 substances	<ul style="list-style-type: none"> <li>Confirm compliance with safety and health-related laws and regulations at each workplace</li> <li>Monitor critical risk processes and conduct emergency drills</li> <li>Secure capacity for risk assessment and autonomous execution of risk improvement</li> <li>Inspect production/logistics sites autonomously and have them diagnosed by external specialized agencies</li> <li>Expand the application of BBS(Behavior-based Safety Management) to business sites, develop and apply eco-friendly packaging materials</li> </ul>
	Monitor safety covers for operational parts of equipment	Inspected and managed 11,170 locations	Inspected and managed 11,418 locations	
	Identify and improve harmful substances	Identified and improved 28,029 cases	Identified and improved 26,716 cases	
	Conduct cross diagnoses of safety and environment through self-diagnosis and diagnosis by a specialized agency	Identified and improved 1,230 cases	Identified and improved 3,456 cases	
Operate carbon-neutral promotion activities and system	Develop eco-friendly packaging materials	Implemented ten tasks to develop eco-friendly packaging	Implemented 17 tasks to develop eco-friendly packaging	<ul style="list-style-type: none"> <li>Developing and applying eco-friendly packaging materials</li> <li>Implement carbon emission reduction tasks in 2022 (reduction of 14,600tCO<sub>2</sub>)</li> <li>Support carbon-neutral shared growth with partner companies (13companies)</li> </ul>
	Implement carbon-neutral strategies	Conducted a third-party verification of greenhouse gas and managed indicators	Established a carbon-neutral strategy	

1) SKU : Stock Keeping Unit



| CASE |

**Enhancing management of foreign substances in products**

To secure quality that customers can use with confidence, LG H&H promoted the improvement of the bottle washing process in 2021 to prevent the contamination of foreign substances in the product. The bottle washing process removes the risk of foreign substances remaining in the container by blowing high-pressure air into the container before filling. Foreign substances in the product are a fatal customer complaint and an essential evaluation item in evaluating safety quality certification. Before the diagnosis, the household goods business sites conducted an effectiveness verification of the washing bottle process, one of the critical processes to prevent the contamination of foreign substances. Through this, we have established a new process management standard as well as optimized the washing conditions for each line by confirming that it is necessary to set the washing bottle condition suitable for the characteristics of each foreign material and each type of container.



| CASE |

**Improving the pre-risk inspection process for new types of products**

LG H&H, which has been focusing on securing the quality of safety for customers, achieved various quality innovation results by conducting safety quality diagnosis and improvement at each business site in 2021 as well. Improving the pre-risk inspection process for new types of products was also one of the meaningful achievements. When a new type of product that has not been operated before is released, the unexpected occurrence of hazardous substances or problems such as safety in use may occur. To prevent this, we have checked in advance the risks of new type products and customer complaints that may arise after launch by involving safety evaluation and CS departments as well as product development departments in the product concept setting stage before the new product development plan is finalized. We reflected the results of this inspection in the development stage to improve the process to create products that customers can use with confidence.

**Implementing safety quality diagnosis for suppliers**

Strict quality control of suppliers must be preceded to secure a global level of safety quality that will impress customers. LG H&H is implementing safety quality certification activities for existing and new suppliers to maintain the quality level of suppliers at a moral level that exceeds the legal standards and to minimize quality blind spots.

We carry out various diagnostic methods in parallel, such as self-diagnosis, external quality audit specialized agencies, and business trip diagnosis of partner companies' technical support teams to efficiently carry out the diagnosis in a non-face-to-face environment caused by COVID19. As a result of the diagnosis, we awarded a certificate of safety quality to suppliers who received the highest certification evaluation and provided purchasing incentives by reflecting the purchasing strategy policy in the purchase sector.

In 2021, we conducted a safety quality certification evaluation for 121 major partner companies with a relatively high proportion of our purchases. We used the safety quality certification evaluation table to evaluate the establishment, awareness of standards, and capability to execute a safety quality on site. In particular, we conducted the evaluation by using a trusted external quality audit institution to secure the objectivity of safety quality certification evaluation activities and reflect external improvement opinions for 80 partner companies. The evaluation identified a total of 2,429 improvement tasks. We have finished improving more than 95% of items by implementing post-management activities, and our suppliers have set their own improvement plans and are conducting follow-up management.

Simultaneously, we have standardized the diagnostic evaluation procedures and methods for new suppliers to thoroughly verify the level of safety quality operation from the initial stage of working with us for new domestic and foreign partners. In 2021, we evaluated 50 new suppliers and included 36 suppliers that met the quality operation level as new customers to successfully expand our partner pool at home and abroad.

**Suppliers Subject to the Safe Quality Certification Assessment**

(Unit : company)

Category (Business Unit)	Number of companies	Classification (product characteristics)	Number of companies
Cosmetics	44	Products	42
Household goods	45	Subsidiary materials	48
Beverage	32	Raw material	31

\* For top 80% suppliers of purchases

**New suppliers subject to evaluation**

(Unit : company)

Category code	Inspection cooperation company	Number of registrars
Domestic	35	26
Overseas	15	10
<b>Total</b>	<b>50</b>	<b>36</b>

### Operating product safety management regulations

To ensure safe quality, LG H&H applies a strict procedure called 'Product Safety Management Regulations' to new raw material registration and product development. First, the organization reviewing domestic and foreign laws under the R&D Center reviews and judges whether raw materials to be used for product development and products under development comply with domestic and overseas laws in advance. When the result of the pre-regulatory review shows that raw materials and products under development meet regulations, the safety research lab under the safety evaluation division conducts risk assessment, primary skin irritation patch test, and cytotoxicity(in the case of raw materials) tests to scientifically predict the potential harm caused by product use to the human body. Next, the Hazardous Substance Analysis Lab verifies the internal hazardous substance management standards and the relevant laws and regulations for the product. If judged to be suitable in this process, the raw material will go through the new raw material registration process, and the product under development will be able to proceed with the new product development process.

### World-class Safety Assessment

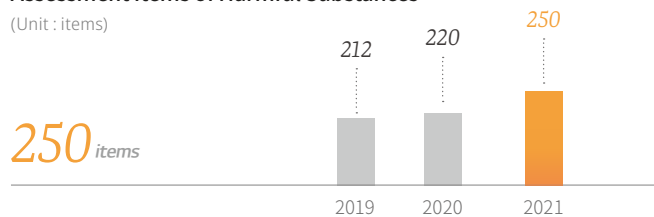
As overseas exports of LG H&H products continue to increase, we strive to have global-level safety evaluation capabilities in the safety evaluation sector. We currently use research data from internationally recognized GLP institutions(ECHA, EPA, OECD, etc.) and data valid(CIR, SCCS, etc.) by evaluation purpose. We are also introducing the OECD assessment method for cytotoxicity assessment. In addition, we are applying the ISO evaluation method to all cosmetic products to evaluate microbial preservatives. We plan to have hazardous substances inspected by an internationally accredited testing institute(KOLAS).

### Exclusion of the Use of Hazardous Substances

Hazardous Substance Analysis Lab under the Safety Evaluation Division, an organization in charge of safety evaluation of LG H&H, includes the administrative notices and revisions related to hazardous substances announced by the relevant departments every year in the internal management standards to verify in advance whether we have dangerous substances that may become an issue before the law goes into effect. We have strengthened and applied the number of verifications for hazardous substances to raw materials and products with high risk, based on three years of data on hazardous substances verified for raw materials and finished products. Also, to preemptively respond to external issues, we are striving to realize "zero risk of hazardous substances" by periodically monitoring domestic and international safety and regulatory issues to verify in advance harmful substances that may cause additional problems. In particular, we have laid the foundation to provide an internationally recognized report by acquiring KOLAS certification for global-level hazardous substance management in 2020. In 2021, we obtained additional certifications for seven types of hazardous substances verification items and intend to add three more certifications in 2022. Through this, we plan to provide our own certified report for products exported overseas from 2023.

### Assessment Items of Harmful Substances\*

(Unit : items)



\* Assessment items of harmful substances are selected every year in consultation with relevant departments for harmful substances that have been an issue at home and abroad or harmful substances with potential issues

\* Harmful substances of the same category, such as phthalates, are marked as one



| CASE |

### Establishing and operating injection molding diagnosis system

Most customer complaints that occur with products are caused by subsidiary materials, of which problems often start with injection molds, which fall into the realm of raw material quality. Therefore, to prevent customer dissatisfaction due to the quality of subsidiary materials, it is crucial to manage the injection molds of manufacturing partners. LG H&H diagnosed the mold management status of 53 suppliers by establishing a diagnostic score sheet to evaluate the mold management level of injection subsidiary material manufacturing suppliers and daily mold management inspection standards. The diagnosis discovered 435 irrational factors, and we improved 98% of those found. In addition, we carried out modeling activities for two suppliers to establish standard manuals to operate injection subsidiary materials. Reflecting the results, we created a standard operation manual that meets the eye level of the field and shared it with relevant suppliers. In addition, we provided technical support(previously) to improve the level of mold management further to help our suppliers voluntarily supplement the operation process and apply their yet insufficient technology to the field.

Certified by : KOLAS<sup>1)</sup> (TESTING NO. KT 923)



1) KOLAS(Korea Laboratory Accreditation Scheme) : A government organization that establishes the national standard system, etc. and grants the qualification as an internationally accredited testing institution(for 4 years) upon passing verification of items/equipment, manpower, test environment, etc. based on ISO/IEC 17025(general requirements for the competence of testing and calibration laboratories)

### KOLAS accredited test items

(Unit : items)

Year	Number of items
2020	2
2021	9
2022(planned)	12



### Saccharide surfactant MILCOSIDE Halal Certification

| CASE |

LG H&H, which is growing into a global lifestyle company, promoted the acquisition of halal certification for Milcoside76, a Saccharide surfactant, a major raw material product to fully pioneer the Muslim market, which has recently been continuously expanding. Halal certification is a certification granted to food and consumer products processed and manufactured according to Islamic law so that Muslims can eat or use with confidence. In preparation for certification from November 2020, we succeeded to acquire the 'halal certification(grade A)' from 'LPPOM MUI' of Indonesia, one of the top three halal certification body as our establishment, operation and the sustainability of the halal assurance system (HAS) was acknowledged. Due to the influence of the halal certification, Milcoside's sales in 2021 recorded KRW 38.8 billion, an increase of 12.2% compared to the previous year. We will continue to renew and maintain the Halal certification to expand our business into the Muslim market around the world.

### Status of Investment related to Product Safety

(Unit: KRW 100 million)

Category	2020		2021	
	Item	Amount	Item	Amount
Safety/Hazardous Substance Evaluation	Genetic evaluation equipment, etc	7.3	Hazardous substance analysis equipment, etc.	5.8
Packaging research	Experimental environment improvement, etc.	1.1	Multi-purpose testing machine, etc	0.6
Quality control	Foreign material analyzer, etc	25.2	Precision analysis equipment, etc	17.3
<b>Total</b>	-	<b>33.9</b>	-	<b>23.7</b>

### Number of Samples for Harmful Substance Assessments\* (Products, Lab Products, Raw Materials, Subsidiary Materials)

(Unit: Number)

Category	2020	2021
Cosmetics	9,617	8,859
Household goods	9,038	10,214
Food and beverages	2,403	1,030
<b>Total</b>	<b>21,058</b>	<b>20,103</b>

\* Conduct total inspection of the first products manufactured(A-lot) each year, expanding the scope of harmful substance assessment to include the company's products, ODM products, and products manufactured overseas

\* The decrease in the number of samples for harmful substance assessments is considered to be SKU rationalization

### Usage of Harmful Substance Analysis Equipment

<p>Organic harmful substances</p>	<p>Inorganic harmful substances</p>
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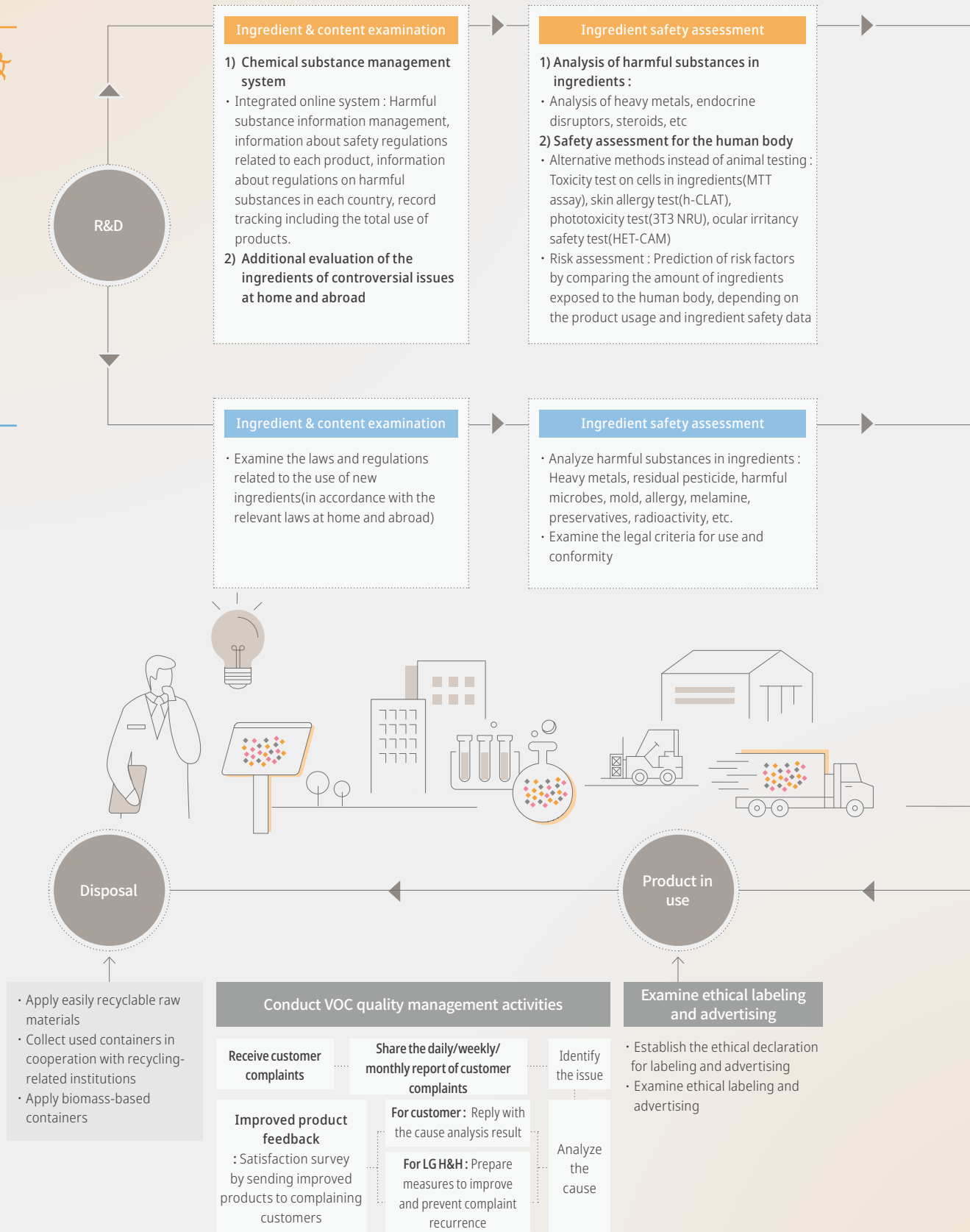
- Formaldehyde, 1, 4-dioxane, MIT/CMIT, phthalates, benzene, xylene, etc.

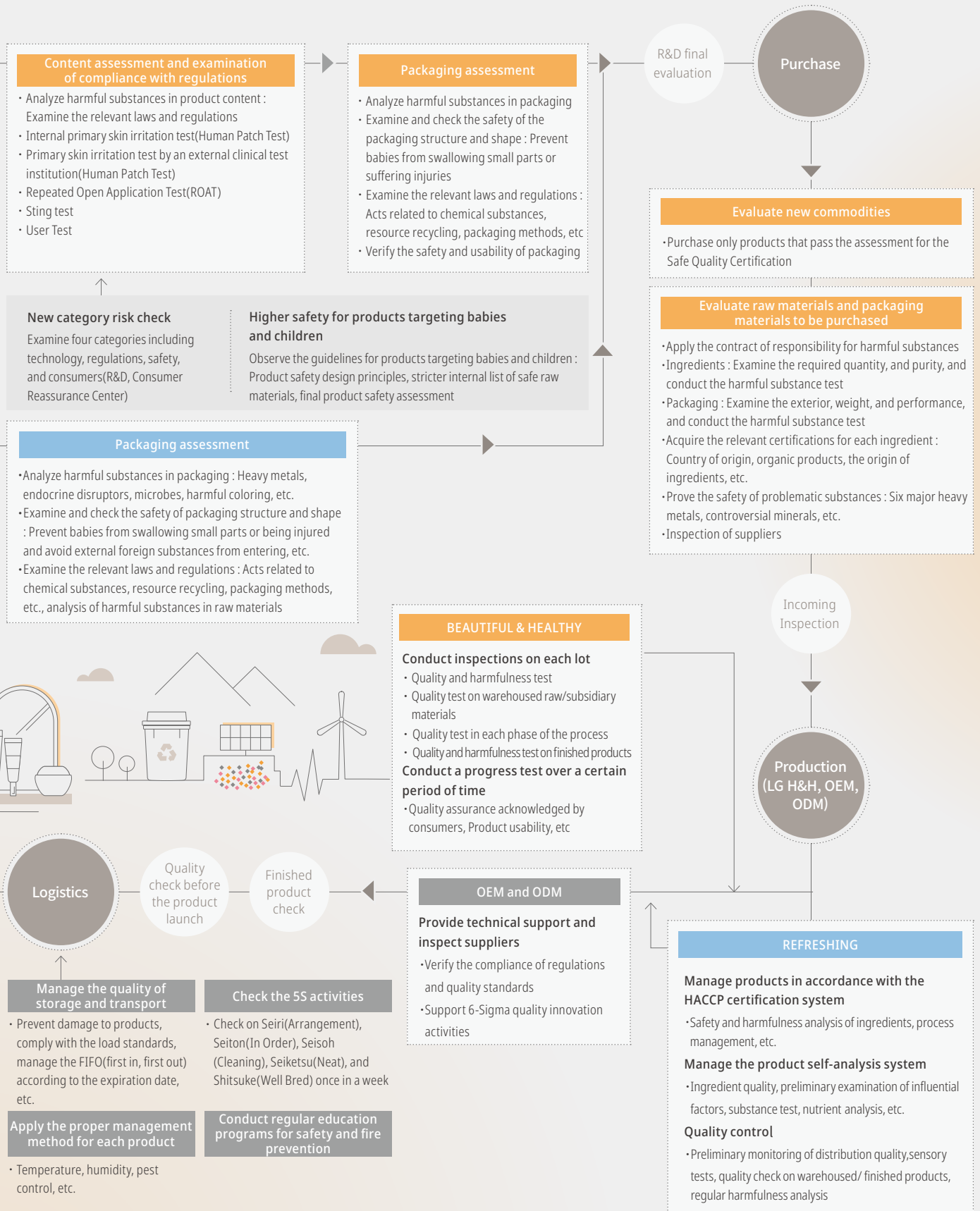
- Heavy metals(lead, arsenic, mercury, cadmium, antimony, nickel, hexavalent chromium, uranium, etc.)

Safe Quality Management Process Over the Product Life-Cycle

Beautiful & Healthy

Refreshing





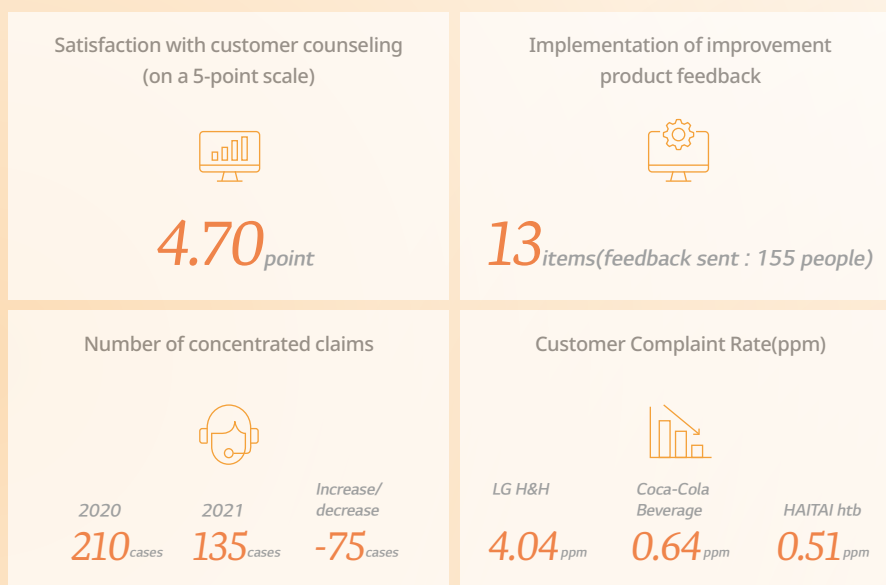
# CUSTOMER SATISFACTION MANAGEMENT

LG H&H believes that thinking from the customer's point of view and providing the value customers want is the basis and purpose of its business. We aim to realize true customer satisfaction management by conducting various CS activities to provide customers with the best satisfaction, new value, and happy experience. As a part of that, we are actively utilizing consumer complaints(Pain Points) to improve the quality of our products and services. While continuously improving our customer service system and response methods, we are also enhancing communication with customers by reflecting their opinions in product development and innovation through the consumer monitor 'L-sumer.'

## Goals

- **Manage customer pain point source**
  - Stabilize visible ARS and expand beverage business by developing and applying new technology application consulting system
- **Manage customer value innovation change**
  - Reinforce customer pain point management capabilities(improve in consideration of priorities such as importance and urgency)
  - Activities to prevent safety accidents and establish an autonomous safety culture, such as self-inspection and near-miss accidents
- **Prevent and manage customer pain points**
  - Intensively manage recurrence types after improvement and strengthen online mall pain point management capabilities

## Major Achievements





## Enhance Customer Communication

### System Improvement

In 2021, LG H&H introduced a new 'Visible ARS' service that automates simple consultations and enables 24-hour access to focus on customer complaints related to quality(PainPoint), which are becoming increasingly diverse and demanding. With the introduction of visible ARS for simple consultation on CRM, purchase, and usage methods, we have shortened the waiting and response time to connect with a CS staff, improved the level of consumer information provided, and enabled us to focus on quality counseling customers. In addition, we were able to collect customer complaints at all times, improve accessibility for hard-of-hearing customers who are uncomfortable using voice, and provide information such as store location and product usage video guide to customers 24 hours a day. To expand the visible ARS service, Coca-Cola and HAITAI htb will also implement a simple consultation task automation service in 2022.

### Reorganizing customer service activities

As part of a faster response to customer inquiries, we have added a self-solving menu that provides easy-to-resolve videos on our customer service homepage. In addition, to improve customer accessibility, we are operating a self-resolution video so that customers can search for and solve their complaints directly on mobile when they call the customer service center at its representative phone number. We made 33 self-solving videos(30 for household goods, 3 for cosmetics) in 2021. We plan to continuously improve customer service activities by updating related videos every year to enhance customer convenience.

### Reinforcing(enhancing/strengthening) customer consultation feedback

LG H&H analyzes various opinions of customers and uses them as valuable data for product development and improvement. Among the customer complaints, suggestions, and inquiries received, we identify content requiring product improvement as an improvement request VOC and work with relevant departments to improve it. In addition, we are constantly strengthening our customer feedback by providing improved products to customers who have expressed their opinions on product improvement and conducting customer satisfaction surveys, etc.

Customer Satisfaction Survey with Improved Products(2021) (Unit : items, person)

Category	LG H&H	Coca Cola	HAITAI htb	Sum
Number of improvement items	8	4	1	13
Number of feedback customers	72	9	3	84
Feedback rate(%)	87	100	100	88
Satisfaction score	4.13	3.5	3.0	4.02

## Customer Value Creation

### Continuous product innovation

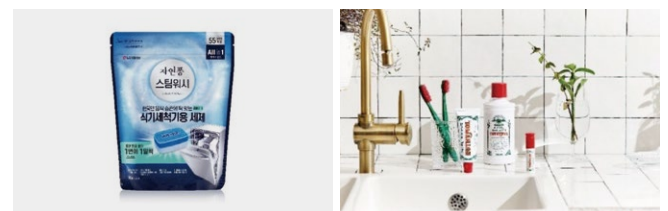
LG H&H's product innovation to create better customer value continued actively in 2021. We have provided customers with new experiences and moved them by launching cosmetics and household products with improved safety, convenience, and eco-friendliness as well as quality.

#### JayeongPong Steam Wash Dishwasher Detergent

'JayeongPong Steam Wash Dishwasher Detergent' is a dishwasher detergent that powerfully removes contaminants from food that is difficult to wash, such as cooked rice paste, meat oil, and seasoning, considering the eating habits of Koreans. The detergent is convenient because consumers can use it on one tablet at a time without the inconvenience of splitting or cutting it, even with a small amount of tableware. Also, it is an all-in-one detergent that solves consumers' washing-up worries all at once, from washing to rinsing to a neat finish, as it contains rinse ingredients.

#### British representative brand 'Euthymol' toothpaste

We have strengthened the quality and safety of 'Euthymol,' a representative British toothpaste brand with 122 years of tradition, to meet domestic and global standards, and expanded the categories of the toothpaste into gargles, toothbrushes, and mouth sprays to provide customers with a variety of premium oral care experiences. In addition, we have further enhanced its eco-friendliness by applying an aluminum container that is easy to recycle.



▶ JayeongPong Steam Wash Dishwasher Detergent ▶ British representative brand 'Euthymol' toothpaste

#### Solid Beauty Bar and Powdered Toothpaste

We have developed a solid-type shampoo bar, body & facial bar, and powder-type toothpaste with reduced plastic packaging and product volume. We have launched eco-friendly products, such as 'Dr. Groot Scalp Scaling Shampoo Bar for Weak Hair', which cleans the scalp with a mildly acidic hypoallergenic formula that is safe for the environment and human body, 'PropoliThera High-Nutrition Shampoo Bar for Crisp Hair,' which contains propolis and peptides to supply nutrients to hair, 'Veilment Dead Sea Mud Body & Facial Bar' with AHA and BHA ingredients for daily keratin care, and 'Himalayan Pink Salt I'M TOOTHPASTE,' etc., a milder and more eco-friendly powdered toothpaste with amino acid-based surfactants.

**Su:m37° Dear Homme Perfect All-in-One Wash**

We have launched an all-in-one wash product that combines the functions of body wash, cleansing, and shampoo in one to remove sebum, dead skin cells, and sweat smells from the hair at once and make the complicated shower process convenient as well as clean men's skin. For men with a lot of sebum to wash cleanly, the coconut-derived soap ingredient helps the shower with abundant air bubbles. The product contains conditioning agents to reduce skin pulling after a shower to keep skin and hair smooth.

**Belif Super Drops Ampoule Series**

We maximized the differentiated effects that consumers want, such as skin brightness(vitamin C), texture(PHA), pores(niacin-hydra duo), etc., and launched an ampoule series that has verified not only usability but also safety by applying high content stabilization technology of high-efficiency ingredients that have not been sought in existing Belif products, such as vitamin C(8%), PHA(5%), and niacin-hydra duo formula(10%).



▶ Solid beauty bar and powdered toothpaste



▶ Su:m37° Dear Homme Perfect All-in-One Wash



▶ Belif Super Drops Ampoule Series



CASE

**Enhancing customer value through active complaint improvement**

The HDB division, in charge of LG H&H's household goods business, always focuses on customer complaints(Pain Point), listens to customers' opinions, and strives to improve complaints by thinking from the customer's point of view. Representative examples of improving customer complaints include microplastic-free fabric softeners, liquid detergents that remove peculiar odors, pumped toothpaste with minimal residual quantity, and laundry detergents that remove bacteria and viruses.

We have developed a microplastic-free fabric softener technology that maintains a vivid fragrance for a long time without using fragrance capsules after accepting the opinions of customers who care about the environment, and applied it to all fabric softener products to exclude the use of microplastics since 2018. We have also launched the premium liquid detergent 'Distinctive Odor Remover with Tech Hormone,' which removes the component that causes the unique odor caused by sweat or hormones by applying the patented deodorant ingredient for customers who want to get rid of the peculiar smell on their clothes.

In 2020, we changed the container design of the pumping toothpaste, which was convenient to use but did not pump well at the bottom when there was a little left, and improved it to minimize the remaining amount. In addition, for customers sensitive to the removal of bacteria and viruses due to the spread of the pandemic, we introduced 'Fiji VIRUX,' a laundry detergent that removes not only stubborn stains but also bacteria and viruses. This detergent has been proven effective in removing more than 99.9% of bacteria and viruses in the evaluation of 13 types of viruses and bacteria by an external test institute. As such, we are improving product quality and enhancing customer value through active efforts to resolve customer complaints.

### Expanding digital marketing

LG H&H focuses on enhancing digital responsiveness at customer contact points for customers accustomed to online consumption, including the MZ generation. In 2021, we actively promoted digital transformation throughout customer marketing and, in particular, carried out various digital content projects so that customers could communicate in a fun and convenient way.

As part of that, we have further strengthened our collaboration with Naver that we operate as a major online marketing channel. In the meantime, we have been actively fostering brand stores with Naver by holding an integrated online event called "Naver Red Week" every quarter and running Brand Day and live broadcasting together every month. In 2021, we analyzed skin concerns data of the Naver platform through collaboration with 'BEAUSTAR,' a beauty influencer nurtured by Naver, and based on this, we launched a new brand 'bye od-td' based on a micro-segmentation perspective. Bye od-td is well received by MZ generation customers by providing quick and reliable trouble care solutions for acne-prone skin.

In addition, in March 2022, we published 'Belief Universe Collection,' the first NFT in the domestic beauty industry to provide an immersive digital customer experience by utilizing new technologies such as Metaverse, Non-Fungible Token(NFT), and AR. The Belief Universe Collection focuses on immersing customers in the Belief universe by owning three-dimensional characters that reflect the brand story and values. For customers who collected NFTs, we are planning to provide various membership benefits and opportunities from both off and online. In the future we will expand our view of the world and continuously publish related NFTs to provide exciting digital experiences to customers.



#### | CASE |

### L-SUMER, the consumer monitor making products together

LG H&H believes that we can have a real competitive advantage when we satisfy customers' diverse needs and expectations. So, we have been operating 'L-sumer,' a consumer monitoring activity, since 1993 to reflect the voice of customers in the product development process. 'L-sumer,' is divided into cosmetics monitor agents, household goods housewife monitor agents, and fragrance evaluation team.

Cosmetic monitor agents participate in post-launch user reviews and consumer research as well as pre-launch evaluations of basic and color cosmetics. Major products developed through this process include 'Who cheonyuldan Hwayul Essence,' 'Su:m37° Summa Elixir Essence', and 'OHUI The First Genuine Deep-Micro Essence.'

Housewife monitor agents for household items are composed of housewives who are interested in housekeeping and in the age range of 20s to 40s. They use the products to suggest improvements and new ideas based on the customer's perspective of products, advertisements, and design. Through this, products such as 'Homestar Max Range Hood Cleaner' and 'Saffron kkochedamcho' were created. The fragrance evaluation team, rigorously selected through the olfactory test, is helping to develop competitive products by participating in sensory evaluation and HUT(Home Use Test) evaluation of fragrance candidate samples. Thanks to the activities of the fragrance evaluation team, products such as 'Dr. Groot Addict Line' and 'Saffron Aura Fresh Delight' have become loved by customers for their luxurious fragrance.

# SOCIAL CONTRIBUTION

As a global beauty company, LG H&H seeks to solve social problems and create social values through strategic social contribution activities related to its business. Especially, to fulfill ESG management and contribute to achieve the UN’s Sustainable Development Goals, we are carrying out projects that target women, children and youth in five different areas: Women’s independence, response to climate change, health and safety, spread of culture and arts, and community sharing and cooperation. Together with members, we are making a more beautiful and healthier world through social contribution activities such as Natural Beauty Creator, Borrowed Earth School, Global Eco Leader, Twinkle Twinkle Perioe Musical, Beautiful Store Donation.

## Goals







- Achieve accumulated 280 beneficiaries of social advancement, including job creation for women (by 2025)
- Continue value-up through follow-up management of existing personnel
- Target to achieve cumulative 100,400 beneficiaries<sup>1)</sup> for the Borrowed Earth School Education channel, a habit improvement convergence education program for teenagers (by 2025)
- Target to achieve cumulative 242,290 beneficiaries by expanding the target for “Twinkle Twinkle Perioe<sup>2)</sup>”, a health musical for children (by 2025)

1) Borrowed Earth School : Cumulative data since 2014

2) Twinkle Twinkle Perioe : Cumulative data since 2004

## Major Achievements



<p>Total number of Borrowed Earth School participants (Accumulated)</p>  <p><b>63,503</b> people</p>	<p>Total number of PERIOE Kids School and Musical participants (2021)</p>  <p><b>4,362</b> people</p>	<p>Beautiful Sharing Bags provided to 4400 households (2021)</p>  <p><b>4,400</b> households</p>
<p>Total beneficiaries</p>  <p><b>450,196</b> people</p>	<p>Investment in social contribution activities (2021)</p>  <p>KRW <b>685</b> billion</p>	<p>Employees / hours involved in voluntary (Cumulative between 2019 to 2021)</p>  <p><b>933</b> people <b>11,278</b> hours</p>

## Social Contribution Promotion System

LG H&H strives to contribute to solving social problems and create social values through continuous and systematic social contribution activities linked to its business. We are carrying out strategic social contribution activities targeting women and youth as the main support target, considering the business direction of LG H&H that makes the lives of customers more Beautiful, Healthy, and Refreshing.

We are conducting various activities within five areas : Women's independence and happy lives, fostering future generations to cope with climate change, expanding healthier and safer lives, supporting cultural and artistic ecosystems, as well as sharing and cooperating with local communities. In particular, we are further enhancing the effectiveness of our activities by selecting and concentrating on support targets and close partnerships with specialized organizations.

For women's independence and happy life, we continuously carry out activities to improve the lives of socially vulnerable women with discontinuous career and underprivileged women. We expect our activities to solve social problems and increase the company's business profits. In the field of fostering future generations to respond to climate change, we provide a variety of educational and experiential activities so that middle and high school students and college students can grow into climate change activists who change local communities.

Additionally, we are contributing to expand healthier and safer lives by providing good lifestyle education to children and strengthening support for people with disabilities. We are also contributing to spread culture and art by supporting a sustainable artistic and cultural ecosystem through strategic partnerships with cultural and artistic organizations. We are also seeking ways to grow together with the local community by consistently practicing donations and volunteering amid the active participation of our members. LG H&H will continue to create social value and make positive changes in the local community through social contribution activities that are highly related to business.

### Areas of social contribution activities

#### Supporting women's independence and happiness

- Natural beauty creator, wings for disabled women, Red Cross support for victims of violence

#### Fostering future generations to respond to climate change

- Borrowed Earth School, Teacher Advisory Group, Global Eco Leader, UN Youth Environment Congress

#### Expanding healthy and safe quality of life

- Twinkle Twinkle Perioe Musical, Consumers with Disabilities Association, Let's Smile, School by Korean Red Cross, Distribution of COVID19 Prevention Masks and Hand Sanitizers

#### Spreading and enjoying culture and arts

- Seoul International Environmental Film Festival, Whoo Imperial Court Culture Campaign, Korea Culture and Arts Committee(Vincero), Yeonam Cultural Foundation

#### Sharing and cooperation with the local community

- Donation to Beautiful Store, support for veterans and their families, support for single mother organizations and support for infant formula



▶ Beautiful sharing bag

## Social Contribution Promotion Strategy

<b>Global Beauty Company</b>	..... Differentiation linked to business and solving social issues as a global beauty company, collaboration with various internal and external stakeholders through social contribution strategies that enable sustainable and systematic management
<b>LG Household &amp; Health</b>	..... Realizing the ESG value of educating women, children and youth and supporting self-reliance
<b>UN-SDGs</b>	..... Aiming UN Sustainable Development Goals, such as UN-SDGs Environment, Economy, and Social Integration

Focus  
→



## Social Contribution Activities

### Support for women's independence and happiness

#### Support for customized assistive devices for the disabled

In 2020, LG H&H, together with the Beautiful Foundation and the Gyeonggi Rehabilitation Engineering Service Research Support Center, a specialized organization for assistive devices, started 'Spread the wings' to support women with disabilities with assistive devices necessary for their daily lives and to help them participate in society. In 2021, we selected 28 women with physical disabilities, brain lesions, and visual impairments in the metropolitan area and provided them with customized assistive devices and training for use within 5 million KRW. We support assistive devices by dividing them into social participation and childcare support types according to the life cycle of women with disabilities. We provided assistive devices for getting on and off and driving vehicles, standing type wheelchairs, supporting devices for computer use as a social participation type device, a wheelchair-coupled stroller, a height-adjustable sink, and an automatic milk powder maker as a childcare support type device. In 2021, total 55 women with disabilities received benefits, and after using the assistive device, they experienced positive changes in one's(their) economic activities and family life.

Business KPIs	Indicator/People
Increase in product preference - Satisfaction with LG H&H products (or social contribution projects)	4.4 out of 5 points

Socioeconomic KPIs	Indicator/People
Number of women with disabilities supported by business	28 people
Support amount for assistive devices for women with disabilities	KRW 140 million (based on up to KRW 5 million per person by 28 people)
Number of assistive devices for women with disabilities	60 pieces



▶ Online result sharing meeting of 2021 Spread the wings, and beneficiaries for the personalized assistive device.

#### Double U Campaign

LG H&H signed a business agreement with the Korean Red Cross and has been conducting the Double U Campaign since 2019 to spread a social consensus on violence victims and prevention. We support those in need among the socially disadvantaged, such as children, women, and the elderly, in two business areas : support for victims of violence and education on youth violence prevention. We are actively participating in creating a world free from violence and healthy and safe society by providing livelihood, medical care, housing support, and counseling treatment to victims of violence, and education to prevent violence for youth exposed to school violence.

Social KPIs	Indicator/People
Number of victims of violence against women supported	218 people
Number of victims of violence against women households supported	119 households
Number of schools that are subject to violence prevention education	10 Schools
Number of Students that received violence prevention education	1714 Students



▶ 2021 Double U Campaign Classroom

#### Nurturing natural beauty creators

LG H&H has been operating a natural beauty creator training program since 2018 to contribute to creating jobs for vulnerable groups such as multicultural families, women who immigrated to Korea for marriage, career-interrupted women, and men who are interested in beauty in cooperation with the Environmental Foundation. In 2021, we selected 35 people through the document and interview screening. From January 2022, we are conducting the 4th Natural Beauty Creator training course. The training course, which is divided into nurturing and practical training, focuses on nurturing professional beauty influencers, consisting of systematic education, individual mentoring, customized management of respective channels, and support for content creation by experts in each field, such as beauty, environment, and video. After six months of training, natural beauty creators will continue to grow by working as global K-beauty creators and influencers pursuing an eco-friendly lifestyle using various media. Meanwhile, from 2022, we will additionally conduct the 'Live Commerce Specialist Course' to select excellent activists and nurture them into professional show hosts to provide opportunities to introduce and sell products through live commerce.




▶ Live commerce practice for the Natural Beauty Creator program



▶ Site of the 4th Natural Beauty Creator Completion Ceremony

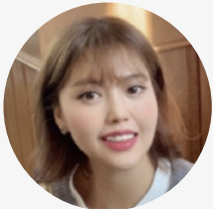
Business KPIs	Indicator/People	Social KPIs	Indicator/People
Securing brand diffusion experts - Number of participants active as influencers	▶ 46 people	Nurturing beauty YouTube creators	▶ 35 people (cumulative 105 people)
Brand Diffusion - Number of Subscribers on Major Influence Channels	▶ Subscribers : 97,580 Views : 16.67 million	Spreading Beauty YouTube education and culture – video content	▶ 200 cases
Securing beauty expertise – Number of direct and indirect employment related to education	▶ 13 people	Enhancing Beauty Creator Competency – Training Hours	▶ 1,920 hours
		Reinforcing Live Commerce Broadcasting Capabilities – Training Hours	▶ 126 hours



| INTERVIEW |

### I want to be a beauty influencer that can give positive influence

I first got interested in Korea through Korean dramas, so I started learning Korean at the Korean Cultural Center in Kazakhstan and came to Korea in 2019 when I entered a Korean graduate school. Before graduation, I found it challenging to find a job due to COVID19, and that's when I found the recruit notice for the fourth "Natural Beauty Creator" and applied with courage. As there were lots of great applicants, I was really happy to hear that I got accepted, and became determined to study hard and improve myself. After finishing the education, I want to create great contents that could be viewed both in Korea and Kazakhstan, my mother country. I will always do my best to become a beauty influencer who gives out positive influence



**Asher**(Channel Name : Asher E)  
4th Natural Beauty Creator

### Fostering future generations to respond to climate change

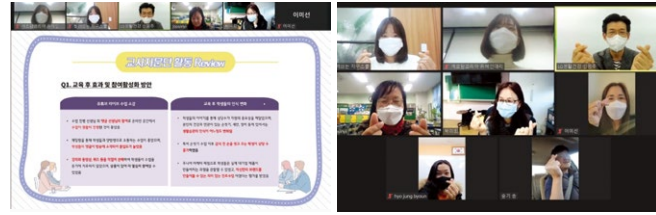
#### Borrowed Earth School

Since 2015, LG H&H has been operating the 'Borrowed Earth School(BES),' a leading social contribution activity. This program, which is joined by eco-mokorea, is the first convergence-type education program in Korea to improve the lifestyle of 'everyone knows how to do but never learned before', as well as to contemplate dreams and career for teenagers. We signed a free semester system activation agreement(MOU) with the Ministry of Education and metropolitan/ provincial offices of education to spread the right lifestyle to more teenagers. In 2021, following the previous year, this program was conducted as a YouTube live streaming 'BES Live Class' that enabled interactive communication with students. We operated

online classes in 6 subjects within this program : hand washing, face washing, brushing teeth, washing dishes/laundry, beauty/fragrance expert, and brand making. We produced a class manual for teachers specialized in online classes, conducted online workshops, and provided free tablet PCs and mobile Internet access to BES Live Classes to schools. Recognized of these efforts, the Ministry of Education selected us as an 'Educational Donation Career Experience Certification Institution' in 2021.



▶ Borrowing Earth School Classes and Studio Sites



▶ 2021 Borrowed Earth School(BES) 4th teacher advisory group

Business KPIs	Indicator
Expanding product experience - Product units used for social contribution :	85,920 ▶ Donation amount KRW 94 million
Product preference improvement - LG H&H Social Contribution Business Satisfaction	▶ 4.12 points(out of 5)
Job Creation Effect - Social Employment	▶ 37 socially employed

Social/environmental KPIs	Participants
Number of participating schools	▶ 57 schools
Number of participating teachers )	▶ 418 people
Number of participating students	▶ 10,813 people
Number of participants in proper face-washing habits	▶ 10,419 people
Number of participants in proper brushing habits	▶ 8,534 people
Number of participants in proper washing and washing habits	▶ 7,062 people
Number of participants in hygiene education to prevent COVID19	▶ 10,813 people
Number of participants in career classes (Junior Marketer + Beauty)	▶ 15,982 people
Education on awareness of environmental protection and the importance of water	▶ 15,596 people

**Borrowed Earth School(BES) Teacher Advisory Group**

We commissioned the 4th teacher advisory group consisting of incumbent teachers(Mokil Middle School, Dongdo Middle School, Shinhwa Middle School, Gwangjin Middle School, and Wonchon Middle School) to enhance the connection between the BES subjects and the free semester and reflect the latest educational trends. We plan to develop BES into a more creative education by reflecting the various opinions of the teacher advisory group, such as marketing subjects, educational questionnaires, and teacher columns.

**Global Eco Leader**

Since 2014, LG H&H has been conducting a global eco-leader program with the Ministry of Environment and environmental NGO ecomomkorea to raise environmental awareness through the right lifestyle for young people. Through an MOU with ecomomkorea and UNEP(UN Environment Programme), we are providing a global environmental education program that fosters youth eco-leaders who will lead a sustainable society. Annually, the education is held based on the slogan, 'My small habits change the world. Under the theme of 'Climate Crisis and Zero Waste,' we conducted a variety of activities, such as implementing suslab<sup>1)</sup>, presenting Suslab, sustainable picnic, Korea plogging competition, sending letters to companies, institutions, and the media, with 120 eco-leaders consisting of elementary, middle and high school students and 26 university student eco-mentors' participation in 2021. We also published 'EcoHabit Vol.2', an eco-life magazine for teenagers, with the contents of our activities.

1) Thirst Lab : A word that combines Sustainable + Lab, an activity where young people become researchers and find and practice what they can do for a sustainable planet



▶ 2021 Global Eco-leader

Business KPIs	Indicators
Expanding product experience - Product units used for social contribution	▶ 798 units
Increase in product preference - LG H&H Social Contribution Business Satisfaction	▶ 4.15 points(out of 5)
Job creation effect - Social employment	▶ 31 people



Social/environmental KPIs	Indicators
Total number of students participating in eco-leader environmental expert training	▶ 146 people
Total number of parents participating in eco-leader environmental expert training	▶ 120 people
Number of participants in the Korea Plogging Sports Festival	▶ 353 people
Number of social publications to improve global eco-leader activities and environmental awareness	▶ 500 copies

**Global Eco Leader YOUTH**

In 2022, LG H&H launched the ‘Global Eco Leader YOUTH,’ a program to nurture climate and environmental activists for the MZ generation, together with the environmental NGO ecomomkorea. Individuals over the age of 20 who are mainly interested in the environment on campuses and local communities. One team composes of four to seven members, and is voluntarily participating in activities from April to November. Those who are selected are observing social environmental issues through an objective and wide perspective, as well as engaging in diverse projects such as carbon-neutralization and climate change campaigns along with creating contents by deriving MZ generation like creative ideas and problem solving methods. Upon finishing the program, they receive a certificate of completion from the UNEP and the Ministry of Environment, and the team with an outstanding result will have the opportunity to travel abroad. We expect this program to produce outstanding MZ generation climate and environmental activists to make positive changes in campuses and communities.



▶ Global eco-leader YOUTH beachcombing

**Sponsoring UN Youth Environmental Conference**

LG H&H is sponsoring the UN Youth Environmental Conference, the sole environmental general conference for youth in Korea. UN Youth Environmental conference is an activity for future global leaders to experience a mock UN general conference through forming a consensus for the necessity of environmental conservation and deriving practical alternative solutions to solve the environmental crisis. In 2021, we held an online general meeting with the agenda of ‘Climate Crisis & Zero-Waste’ with approximately 300 domestic and foreign youth and university students participating for two days on September 4th and 5th.



▶ 2021 UN Environmental Conference

Business KPIs	Indicators
Expanding product experience - Product units used for social contribution	▶ 30 units
Increase in product preference - LG H&H Social Contribution Business Satisfaction	▶ 4.23 points(out of 5)
Job creation effect - Social employment	▶ 48 people

Social/environmental KPIs	Indicators
Number of young people participating in the global eco-leader YOUTH course	▶ 101 people
Number of people participating in beachcombing, a marine debris purification project	▶ 80 people
Number of people participating in the UN Youth Environmental Conference (delegation, secretariat)	▶ 328 people (278delegatoin/ 50secretariat)
Number of members participating in the UN Youth Environmental Conference (organizing members, advisory members)	▶ 18 people (12 members of the organizing committee / 6 of the advisory members)
Number of countries participating in the UN Youth Environmental Conference	▶ 10 countries
Number of committees participating in the UN Youth Environmental Conference	▶ 6 committees

Expanding healthy and safe life

Twinkle Twinkle Perioe

LG H&H has been operating 'Perioe Kids School,' oral health education for children, since 2004. We have continued to perform by developing the contents into a health musical 'Twinkle Twinkle Perioe' since 2017. Twinkle Twinkle Perioe is the industry's first children's health musical for children aged 3 to 8 that combines essential lifestyle habits such as oral health and hygiene with cultural and artistic contents in the form of a musical. In this musical, children experience festivals from around the world together with the main character, 'Bom,' and sing 'Perioe Tooth Brushing Song' and 'Perioe Hand Wash Song.' The musical delivers information on the importance of proper tooth brushing, hand washing, and cough etiquette at the child's eye level. Till 2021, we have held 142 performances at early childhood education institutions, regional children's centers, regional arts and culture centers, and public health centers to teach approximately 18,733 children about proper brushing habits.



▶ Twinkle Twinkle Perioe Musical

Business KPIs	Indicator/Participants
Expanding product experience - Product units used for social contribution	▶ Perioe brush set 4,500 units
Increase in product preference - LG H&H Product	▶ 85.7% improvement in brushing ▶ 90% improvement in hand washing
Creating a brand and product promotion opportunities - Musical plan in 1 to 3 years	▶ About 100 times / 10,000 people (based on 3 years)

Social/environmental KPIs	Indicator/Participants
Number of institutions participating in oral/handwashing training	▶ 36 institutions
Number of teachers participating in the spread of oral/hand washing	▶ 421 people
Number of participating children in awareness of the need for oral/handwashing	▶ 4,362 people
Number of children's books produced and distributed in the area of oral hygiene	▶ 8,000 copies per year
Number of children participating in culture and arts of children in culturally underprivileged areas	▶ 2,454 people

Distributing Braille Stickers for the Visually Impaired

Since 2019, LG H&H has been producing and distributing Braille stickers for visually impaired consumers in cooperation with the Korean Consumers with Disabilities Association and the Community Chest of Korea. We collect opinions from visually impaired consumers and distribute antibacterial Braille stickers that could be attached to products for children, sunscreen and hair products. By distributing Braille stickers, we are contributing to relieving the inconvenience of people with disabilities and improving their quality of life. In recognition of our achievements so far, we received an 'A' in both business and accounting in the evaluation of business progress in 2021.

Social/environmental KPIs	Indicator/Participants
Number of people who received Braille stickers for the visually impaired were distributed to	▶ 15,000 people
Sticker /explanation brochure production	▶ 15,000 copies produced/ 7,500 copies produced
Number of products with braille stickers applied	▶ A total of 18 product types applied

Spreading and enjoying culture and arts

Sponsoring Seoul International Environmental Film Festival

LG H&H is an official sponsor of the Seoul International Environmental Film Festival, Asia's largest environmental film festival hosted by the Environmental Foundation. The 18th Seoul International Environmental Film Festival, that was held from June 2nd to June 8th, screened environmental films from 105 countries as well as domestic filmmakers to publicize the seriousness of environmental issues. We expect various effects through the film festival, such as communicating with the public on environmental issues and contributing to popularizing art.



▶ Seoul Environmental Film Festival

Social KPIs	Indicators
Number of Environmental Film Festival Participating Countries/Films	▶ 105 countries/ 2,677 films
Number of general audiences (based on digital _ theater audience)	▶ 29,237 people
Number of airwaves and cable TV viewers	▶ 155,788 people
Number of visitors to educational institutions' (Office of Education) screening	▶ 192,900 people

**Court Culture Campaign**

LG H&H's royal cosmetics brand "The History of Whoo" signed the "Korean Heritage Guardians" agreement with the Cultural Heritage Administration and has been continuously implement sponsorship projects since 2015 to manage and preserve the palace, as well as expand opportunities to enjoy the royal culture. In particular, LG H&H is taking the lead in promoting and protecting Korea's beautiful royal culture and women's culture by conducting royal palace culture campaigns in major palaces. In 2021, LG H&H expanded the scope of its sponsorship business and sponsored the special exhibition "Encounter with the Brilliant Scientific Technology of Joseon Dynasty" held at the National Palace Museum of Korea from November 3rd to December 31st. LG H&H helped many people acknowledge the historical significance and value of precious relics through this exhibition, which showcased 1,755 pieces of relics from the early Joseon Dynasty, including metal types excavated in Insa-dong, Seoul.



▶ 2021 Restoration of Gyeongbokgung Palace by Docuon



▶ Sponsorship for 'National Palace Museum Special Exhibition' by LG H&H's Whoo



▶ Whoo Royal Court Culture Campaign

Business KPIs	Indicators
Expanding product experience - Products and cash used for social contribution	▶ 100 million KRW donation

**Sharing and cooperation with the local community**

**Donating to Beautiful Store**

Since 2005, LG H&H has signed an agreement with Beautiful Store and steadily participated in product donation events for the underprivileged. Through the event, members directly donate personal items such as old clothes and toys and company products at the same time. We use profits from the sales to help the underprivileged. In 2021, we donated essential daily necessities and cosmetics to Beautiful Store in a non-face-to-face manner to deliver warm hearts and sincerity to the underprivileged, such as grandparents and seniors living alone in about 4,400 households across the country.

▶ Number of Households that provided goods to support the Beautiful Store

4,400 households



Social KPIs	Indicator/Participants
Support for the elderly living alone & the underprivileged : Two organizations- Beautiful Store and Support Center for the Elderly Living Alone	▶ Total KRW 3.8 billion/ 112,928 people

**Supporting the Vulnerable in the Blind Spot of Care**

We also continue to share for the vulnerable in the local community in the blind spot of care. We delivered warm hope to 5,056 veterans and their families by continuing the 'Hope Box' project with people who share hope for veterans and their families in 2021. We also supported a new life by providing formulas to 17,990 people through 600 single mother-related organizations.



▶ Hope Box

# CORPORATE GOVERNANCE

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LG H&H has an advanced governance structure centered on the board of directors, pursues Jeong-Do management and responsible management, and enhances shareholder and corporate value. The BOD operates under the principles of independence, professionalism, and diversity. It has an Audit Committee, Internal Transaction Committee, Independent Directors Nomination Committee, and ESG Committee under its umbrellas to ensure effective checks and support for management activities. We plan to continue to improve governance-related systems for a more transparent and independent BOD operation.

## Status of the Board of Directors

LG H&H has established the Board of Directors(BOD) to enhance the efficiency of management activities through checks and balances, granting independent and transparent decision-making authority. The BOD consists of 4 independent directors(2 inside directors, 1 other non-executive director, 4 independent directors out of a total of 7 directors, and the majority of the board of directors are independent directors independent directors. Independent directors enhance long-term corporate value by providing professional opinions when making major corporate decisions and evaluating and reviewing the company's performance from an independent position. The concurrent positions of independent directors are limited to two companies to guarantee professionalism and fidelity. If there is a conflict of interest in a specific agenda at the time of BOD resolution, the voting rights of the person concerned are restricted by the Commercial Act and BOD regulations to prevent a conflict of interest. The BOD is held regularly according to the annual operation plan, and an extraordinary BOD is convened when urgent decision-making is necessary. In 2021, a total of 8 BOD meetings were held, and the attendance rate of independent directors was 100%.

## Board Independence, Professionalism, and Diversity

LG H&H is practicing the principles of independence, professionalism, and diversity for the composition of the board of directors. We maintain independence by keeping a majority of the ratio of independent directors. If there is a conflict of interest in a specific agenda, the voting rights of the director concerned are restricted under the Commercial Act and BOD regulations. We also open information transparently, such as through disclosure, to ensure the maintenance of fairness and independence throughout the process from nomination to appointment of directors. We also limit the concurrent positions of independent directors to two companies to guarantee professionalism and fidelity. All members of the BOD not only meet the basic legal requirements required by the Commercial Act and related laws but also have expertise in various fields such as marketing, accounting, and law. When appointing directors, we do not discriminate based on gender, race, nationality, region, educational background, age, religion, etc. In 2022, to secure the gender diversity of the Board, LG H&H has appointed a female independent director, Woo-Young Rhee, a professor at the College of Law.

### BOD Composition

(As of May 2022)

Category	Name	Year of initial appointment	Position	Career fields
Inside Directors	Suk Cha	2005	CEO, Chairperson of BOD, Member of the ESG Committee	
	Hongki Kim	2019	Director, Member of the Internal Transaction Committee	
Non-executive Director	Bum-Jong Ha	2019	Director, Member of the Independent Directors Nomination Committee	- Expertise in industry-related finance - LG Chem Financial Management (Executive Vice President) from 2013 to 2015
Independent Director	Jae-Wook Kim	2017	Director, Member of the Independent Directors Nomination Committee, Member of the Audit Committee, Member of the ESG Committee	- Marketing channels and e-commerce - Supply chain management in the cosmetic sector
	Tae-Hui Lee	2019	Director, Chairperson of the Audit Committee, Member of the Internal Transaction Committee, Member of the ESG Committee	- Capital Market Accounting - Regulatory Market Accounting
	Sang-Hun Kim	2019	Director, Chairperson of the ESG Committee, Member of the Audit Committee, Member of the Internal Transaction Committee	- High-tech marketing - Marketing management in the cosmetic sector
	Woo-Young Rhee	2022	Director, Chairperson of the Internal Transaction Committee, Member of the Audit Committee, Member of the ESG Committee, Member of the Independent Directors Nomination Committee	- Expertise in Legal (general law, including public law, etc.)

## Subcommittee

### Audit committee

LG H&H operates an audit committee based on the Commercial Act, the Capital Market and Financial Investment Business Act. The Audit Committee comprises four independent directors with no special relationship with LG H&H (one is appointed as a member of the audit committee by a resolution of the general shareholders' meeting), and its independence is guaranteed. One of the auditors is an accounting professional who prepares internal audit plans and conducts audits from an independent position. If necessary, the audit committee may request a business report to the board of directors and conduct audits by investigating the company's property status. The committee may also seek opinions from experts at the company's expense. In 2021, a total of 6 audit committee meetings were held, and the attendance rate of directors was 100%.

### Independent Directors Nomination Committee

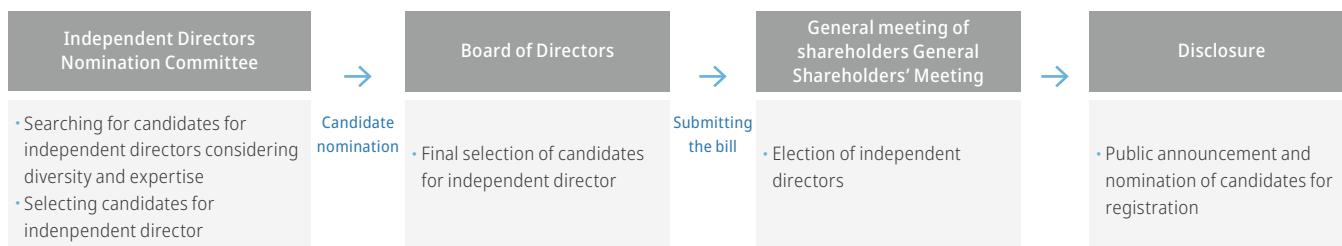
LG H&H has established and operates the Independent Directors Nomination Committee to recommend independent director candidates. The Independent Directors Nomination Committee, under the BOD, recommends candidates for independent directors considering diversity such as gender, race, nationality, and expertise in economic, environmental, and social fields. After that, the board of directors decides on the final

### Internal Transaction Committee

In July 2021, LG H&H established the Internal Transaction Committee consisting of three independent directors and one inside director. The committee enhances the fairness of transactions and transparency in management by strengthening the company's internal control over internal transactions. The Internal Transactions Committee conducts deliberation and approval procedures to ensure fairness and transparency regarding insider transactions that require approval from the board of directors by the Commercial Act, Monopoly Regulation and Fair-Trade Act. In 2021, the Internal Transaction Committee was convened twice, and the attendance rate of directors was 100%.

candidates appointed as independent directors through a general meeting of shareholders. The Independent Directors Nomination Committee consists of two independent directors and one other non-executive director, who make up a majority of the total members, to ensure fairness and independence in the selection of independent directors and the committee's operation.

### Independent Director Appointment Process



### Restrictions on the appointment of independent directors to ensure the independence of the BOD

LG H&H prevents conflicts of interest within the BOD and guarantees independence by limiting the qualifications for the appointment of independent directors if they have a special relationship with LG H&H.

- Any director, executive officer, or employee of the company currently involved in the company management, or a director, audit officer, executive officer, or employee of the company who has served as a senior managing director within the past five years
- The largest shareholder, his/her spouse, lineal ascendant, or descendant
- If the largest shareholder is a corporation, the corporation's directors, auditors, executive officers, and employees If the largest shareholder is a corporation, any director, audit officer, executive officer, or employee of the corporation
- Spouses and lineal ascendants and descendants of directors, auditors, and executive officers A spouse, lineal ascendant or descendant of any director, audit officer, or executive officer
- Directors, auditors, executive officers, and employees of the parent company or subsidiaries of the company Any director, audit officer, executive officer, or employee of the company's parent company or subsidiary
- Directors, auditors, executive officers, and employees of corporations with important interests, such as business relationships with the company Any director, audit officer, executive officer, or employee of a corporation that is a partner, supplier, significant customer or has an important stake in the company
- Directors, auditors, executive officers, and employees of other companies in which the directors, auditors, executive officers, and employees of the company are directors, auditors, executive officers, and employees Any director, audit officer, executive officer, or employee of another corporation at which a current director, executive officer, or employee of the company serves as a director or an executive officer
- A person who is in office as a director, executive officer, or auditor of two or more other companies other than the company Any director, executive officer, or audit officer of two or more companies in addition to the company
- A person within two years of being dismissed or discharged from office in violation of the law A person who violated laws and regulations and was removed or dismissed from his/her position within the past two years
- A person with a balance of KRW 100 million or more in a transaction with the company (excluding standardized transactions with the relevant listed company according to the terms and conditions of Article 2, Paragraph 1 of the 'Act on the Regulation of Terms and Conditions.) A person whose balance from transactions with the company is KRW 100 million or over (except typical transactions with the relevant listed company occurring in accordance with the terms and conditions, which is specified in Article 2-1 of the Act on the Regulation of Terms and Conditions)
- A person who has worked as a partner or employee of the company's auditing institution for the past 3 years. Any director who has been a partner or employee of the company's outside auditor during the past three years
- A person who does not meet the independence and other requirements set by the board of directors or has a conflict of interest with the company Any director who has any other conflict of interest that the board itself determines to mean they cannot be considered independent

### ESG Committee

LG H&H established the ESG Committee in 2021 to reflect corporate non-financial factors such as environment-safety, customer value, and governance in its business activities and enhance its ESG execution capabilities. The ESG Committee under the BOD is the highest

decision-making body for sustainability management, composed of the CEO and all independent directors. The committee leads company-wide ESG activities in close collaboration with the management and working groups.



### Meetings of the BOD and Subcommittees

(As of December 31, 2021)

Category	Number of meetings	Attendance rate	Major decisions in 2021
BOD	8	100%	- Approval of the introduction of an electronic voting system - Approval of the establishment of the internal transaction committee - Approval of the establishment of the ESG committee
Audit committee	6	100%	- Approval of the 2020 audit report - Approval of the evaluation of the operation status of the internal accounting management system in 2020 - Approval of evaluation of internal monitoring device operation status
Independent Directors Nomination Committee <sup>1)</sup>	-	-	-
Internal Transaction Committee	2	100%	- Approval of the total amount of transactions with related parties - Approval of self-transactions with affiliates, etc.
ESG Committee	1	100%	- Approval of the overall ESG promotion plan(practical tasks, roadmap, etc.)

1) The Independent Directors Nomination Committee was held in January and February 2022, and the recommended candidates were appointed independent directors at the general shareholders' meeting in March.

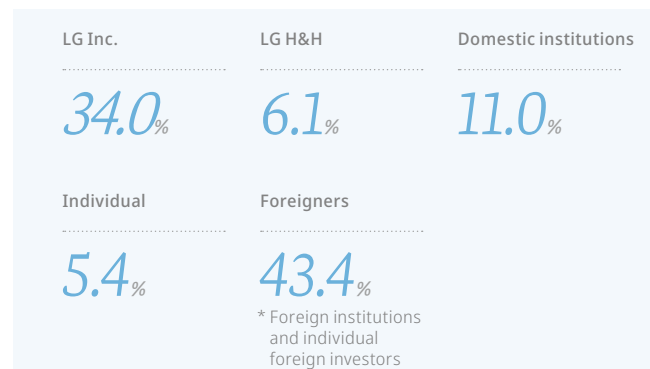
\* For the BOD, all board members are required to meet the minimum of attendance rate of 75%

### Remuneration Policy for Directors and Audit Committee

The directors' remuneration is the sum of the basic annual salary and performance pay based on the organization's management performance within limits approved by the general shareholders' meeting. The remuneration of independent directors and the audit committee is executed according to the board of directors' approval within the limit of the directors' remuneration. Performance pay is paid within a certain range by evaluating relative indicators that consist of financial indicators such as the company's sales, operating profit, and operating profit to sales ratio of the previous year, and competitiveness in the same industry, overseas business share, and market share under the performance incentive regulations decided by the board of directors. The remuneration of the CEO was KRW 3,762 million in 2021.(The average remuneration of employee, excluding the CEO, was KRW 81 million)

### Shareholder Status

The major shareholders of LG H&H are as follows. In the case of executive stock ownership, CEO Suk Cha(10,000 preferred shares) and Executive Vice President Yeon-hee Choi(300 preferred shares) are reported in the business report.



# RISK MANAGEMENT

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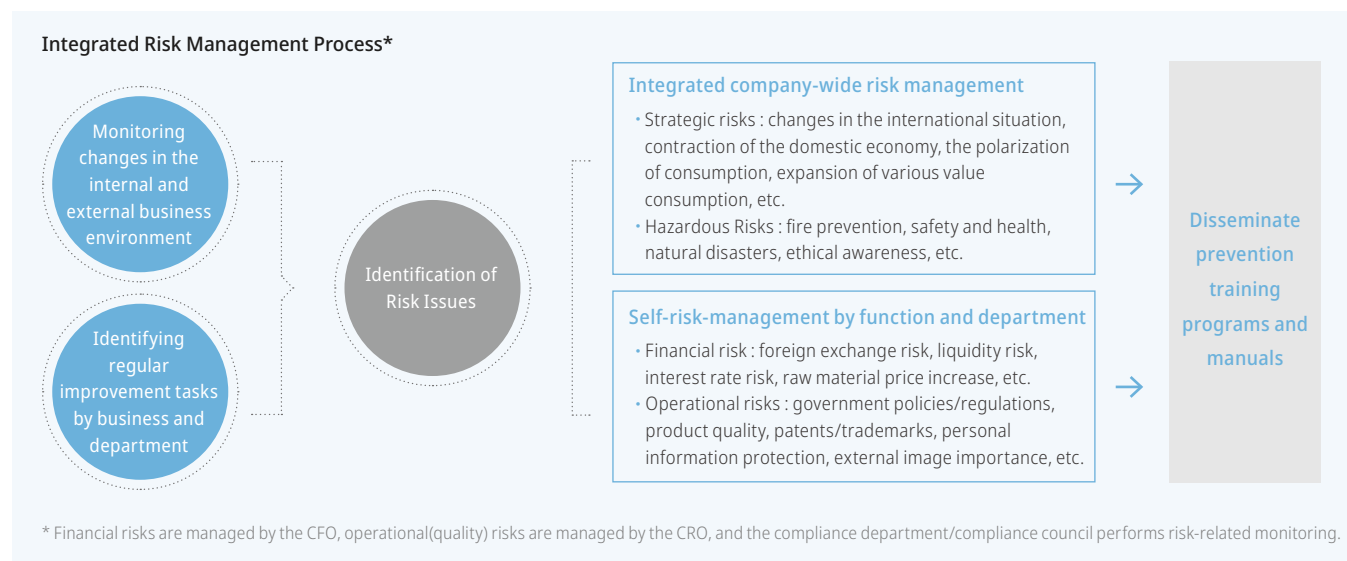
As the uncertainty of the business environment became increasingly diverse and complex, risk management is an important task in determining a company's competitiveness and sustainability. LG H&H carefully monitors changes in the internal and external business environment and identifies risks to manage by deriving tasks to improve at all times by business and department. We manage strategic risks and Hazardous Risks through the company-wide integrated risk management system while improving efficiency by managing financial and operational risks by function and department. In addition, we conducted training and distributed manuals to ensure comprehensive risk management to prevent risks in advance and respond to situations that occur.



## Integrated Risk Management System

LG H&H operates an integrated risk management system that reflects business characteristics and strategies to prevent and manage potential risks that may arise in the entire business process. We classify risks into four areas : strategy, finance, operation and risk and define

detailed types for each risk. Depending on the nature of the business, the department in charge of company-wide risk management or the department in charge of each business division carries out monitoring and response activities.



### Establishing a crisis management system

LG H&H is building a new company-wide crisis management system from 2021, strictly recognizing that insufficient response to crises arising from business activities may threaten the company's existence. By defining the company's crisis and building a response system, we focused on preventing its escalation and achieving its rapid recovery and normalization when a crisis occurs. We plan to establish and operate a crisis management system(CMIS)<sup>1)</sup> by enacting risk management regulations for each major field, such as environmental safety, quality, and information protection, along with company-wide risk management regulations. By building a crisis management system, we expect to respond quickly and systematically to crises by clarifying responsibilities, authority, and processes for enterprise-wide risk management tasks.

1) CMIS : Crisis Management Information System

### Managing risks by type

#### Strategic risks

We manage strategic risks by segmenting them into global economic recession risk, domestic economic contraction risk, consumption polarization risk, and value consumption expansion risk. In response to the global economic downturn, we focus on efficient decision-making by management and expanding a rapid communication system for each business site. We use conference calls from domestic and overseas business sites to keep track of global business trends in real-time. We also disseminate the CEO's message within the company and refrain from unnecessary reporting. In response to the contraction of the domestic economy, we are striving to develop new markets and

innovative new products and strengthen marketing activities to overcome the sluggish consumption contraction. In addition, we are responding to the polarization of consumption and the spread of value consumption trends by developing and launching both luxury and practical products in all business fields in line with customer needs.

#### Financial risks

We classify financial risks into foreign exchange, liquidity, interest rate, raw material price increase, and credit-related risks. For exchange risk, we measure and calculate exchange risk regularly and set and manage a 10% change in the exchange rate of the functional currency for seven foreign currencies. Regarding liquidity risk, we establish short-term and mid-to-long-term fund management plans in foreign currencies and continuously analyze and review the cash outflow budget and actual cash outflow to manage financial liabilities and assets in the long term. We strive to maintain an appropriate balance between fixed and variable rate borrowings by measuring the interest rate caused by fluctuation of the interest rate. When it comes to raw material price increase risk, we prepare for its fluctuations by periodically monitoring and forecasting raw material price increases. At the same time, we focus on reducing credit risk by classifying credit-related risks among financial institutions and general customers to evaluate and manage credit.

#### Operational risks

We classify and manage operational risks into government policy and regulatory, quality, intellectual property, information security, and reputational risks. Regarding government policy and regulatory risks, we focus on monitoring price policies, establishing win-win coopera-

tion in labor-management relations, expanding cooperation for win-win growth with business partners, preventing collusion and fair-trade regulations in advance, and monitoring activities. To avoid quality risk, we are responding by preventing product defects in advance, consumer damage claims and damage cases, taking quick measures, and expanding the production process improvement for business partners. For intellectual property risk, we are striving to increase the success rate in litigation as well as expand monitoring of advertisement displays such as exaggerated advertisements to protect patents and trademarks and strengthen competitiveness to preempt patents and trademarks. In response to information security risks, we are monitoring domestic and international information protection policies, blocking the source of crucial information leakage by establishing a document centralization system for research institutes, and strengthening subsidiaries' integrated security management system to protect personal information and strengthen trade secrets. In addition, we have established a crisis management manual for the external image to manage reputational risk. We are conducting crisis management manual training for relevant departments to ensure that they can respond immediately if issues arise in any field.

### Hazardous Risks

We manage hazardous risks by dividing them into fire risks, safety and health risks, natural disasters, and ethical risks. For fire prevention, we check the risk management manual for workplace fires and emergencies and minimize (through insurance or contract) significant or unexpected damage by diversifying risks. For the safety and health of members, we are actively in expanding the integrated health promotion system program and preventing safety accidents such as spills and explosions. To prevent natural disaster risks, we have prepared and implemented natural disaster risk management measures, such as training on natural disasters and building infrastructure to avoid damage. In addition, we are managing ethical risks by expanding education to raise employees' ethical awareness and disseminating cases related to ethical issues within the company.

## Internal Accounting Control System

Since 2006, LG H&H has been operating an internal accounting management system further to enhance the transparency and soundness of corporate operations. We design and conduct control activities based on the Act on External Audit of Corporations, the internal accounting management system design and operation conceptual system, evaluation and reporting, and best practices. Also, we regularly conduct company-wide control assessments of sales, logistics, production, purchasing, fixed assets, financial reporting, funds, tax, human resources, legal affairs, disclosure, general IT control, etc., annually.

### Internal Accounting Control System for domestic and overseas subsidiaries

LG H&H continues to improve the internal accounting management system for its domestic and overseas subsidiaries. Through this, we enhance the reliability of our consolidated financial statements and prevent compliance risks in advance.

### Assessment of the Internal Accounting Control System

In 2021, LG H&H evaluated the Internal Accounting Control System to check whether the control activities of all evaluation targets are proceeding as designed. In addition, as of December 31, 2021, the external auditor (EY Han-Young) expressed the opinion that the company's internal accounting management system was designed and operated effectively from the materiality perspective.

### LG H&H Tax Policy

Complying with the spirit as well as the tax laws and fulfilling various tax liabilities are part of the social responsibilities of a company. LG H&H abides by domestic and overseas tax regulations, promptly reporting tax information and fulfilling its tax liabilities. Our employees in charge of tax payment handle their tasks conscientiously to maintain a transparent relationship with the tax authorities. We conduct a tax review on various issues during our business activities, and the Board of Directors reviews and approves the critical issues on each agenda.

### Tax Risk Management

LG H&H clearly specifies the roles and responsibilities of employees in charge of each category for tax payments to run the tax management group and hire tax professionals for higher expertise, thereby minimizing tax risks that may occur in business transactions. We reduce risks by reviewing tax information prior to the decision-making process. When it is unclear to understand any part of the tax law, we consult with external tax professionals, including accounting firms, to find the optimal solution.

### Disclosure of Tax Payment Records

We provide corporate tax information in the audit report publicly announced on DART (Data Analysis, Retrieval and Transfer System) run by the Financial Supervisory Service. We disclose the standards for calculating corporate tax expenses, deferred tax assets, liabilities, the details of corporate tax expenses, and effective tax rates in the financial statement and annotations in the audit report.

### Tax Deduction & Exemption System

We strive to maximize shareholder value by minimizing the tax burden within limits permitted by law by actively utilizing various deductions and exemptions under domestic tax laws.

### Fulfillment of Tax Payment Obligations

In terms of international transactions with overseas subsidiaries, LG H&H applies the transfer pricing policy that corresponds to the tax law in Korea and the OECD transfer price guidelines, as well as the Arm's Length Principle. If there is any expected conflict between different countries, we proactively respond to double taxation based the APA (Advance Pricing Arrangement) system. We also comply with duties for the documentation of transfer prices and the submission of a report by country under the BEPS (Base Erosion and Profit Shifting) project. LG H&H does not employ a tax structure that abuses the differences and loopholes in the tax system between different countries to unreasonably reduce its tax liabilities. We legally allocate the taxable income depending on values generated in each country where we operate our business. In particular, we prohibit the transfer of values, including intangible or financial assets, to any region with a loose tax jurisdiction, such as low effective tax rates. We do not use tax structures without commercial substance and stringently restrict the use of tax havens. Furthermore, we prevent from conducting transactions for the sole purpose of tax avoidance, using taxation structures without commercial substance, or operating a tax haven.

Potential risks

Disparities and fluctuations in the application of carbon taxes and carbon prices by region	Background	<ul style="list-style-type: none"> <li>Some countries or regions are implementing a carbon pricing system to reduce emissions, such as a carbon tax, emission trading system, and carbon border adjustment tax.</li> <li>As of May 2022, carbon taxes are imposed in 28 countries, and the Emission Trading Scheme is being implemented in 22 countries or regions(EU). Among the top 10 emitting countries, Japan is the only country to implement carbon tax. In Korea, a carbon price system such as a carbon tax has been drafted in 2021 and is currently under review.</li> <li>As differentiated carbon tax and pricing systems are planned to be implemented in each region in Korea, burden for cost and price competitiveness are expected when manufacturing or export target expands.</li> </ul>
	Business Impact	<ul style="list-style-type: none"> <li>Our cosmetics, beverages, and household products were excluded from the Carbon Border Tax System(CBAM) application, but we treat them as mid/long-term risks and manage them. In the mid-to-long term, the carbon tax is estimated to be applied at 3-5% of the product price to introduce the carbon and carbon pricing system, which inevitably increases product costs.As a result, the average product price is also expected to rise by more than 5%, which may cause a decline in the company's market price competitiveness in the long term.</li> <li>As each country's carbon pricing system is being improved in response to global climate change, differences and volatility in prices and systems by country and region are directly related to the competitiveness of production and exports in a given area.</li> <li>Regional institutional gaps increase complexity in responding, and inadequate response to price fluctuations, etc., may affect product sales and production.</li> </ul>
	Mitigation Actions	<ul style="list-style-type: none"> <li>Need to manage a continuous reduction throughout the whole process evaluation to prepare for a carbon tax, expand the use of renewable energy, low-carbon new process, active investment in new technologies, and low-carbon facilities, etc.</li> <li>Need to expand and enhance carbon footprint management in the entire value chain of the business to respond to regional disparities and volatility.</li> <li>Need to bear the burden of building a management system for the entire process from approach, planning, procurement, production, distribution, recycling, and disposal from a business competition perspective, including enhancing current activities such as domestic and foreign environmental labeling and low-carbon product certification, and prepare in parallel to build an(organizational) system for a flexible regional response.</li> <li>Need to secure relevant verification information throughout the value chain or the entire supply chain while continuously strengthening the tracking and management of carbon generated from LG H&amp;H's activities by product and business site simultaneously.</li> <li>Need to review introducing an internal carbon pricing system that can substantially reduce the company's carbon emissions, including third party verifications.</li> </ul>
Growing needs to enhance biodiversity management in supply chains	Background	<ul style="list-style-type: none"> <li>Risks exist to our sustainable business operation due to climate change, etc. Destruction and degradation of ecosystems reduce carbon storage capacity and increase greenhouse gas emissions. In addition, changes are expected in the value chain of the business due to further aggravation of the climate change crisis by lowering ecosystem resilience and stability.</li> <li>High-quality raw materials derived from plants or natural resources will increase the number of cases directly related to brand differentiation. Procuring raw materials that guarantee the sustainability of local communities in terms of environment and society will be directly linked to brand and reputation enhancement.</li> <li>The cost of related raw material procurement is expected to rise following each country's natural resource protection and biodiversity conservation policies and compliance with the Nagoya Protocol.</li> </ul>
	Business Impact	<ul style="list-style-type: none"> <li>The demand for LG H&amp;H's interest and countermeasures is likely to increase due to habitat loss caused by the climate change of biological resources in the area where the company is located.</li> <li>Various changes in the supply chain of Eco-friendly raw materials for cosmetics and household products are likely due to the expansion of endangered plants. If the procurement of foreign high-quality raw materials or processed products derived from such raw materials is not readily available or the procurement cost rises, it is highly likely to lead to a decrease in the brand's competitiveness and profitability.</li> <li>In the short term, LG H&amp;H will be highly dependent on processed products, but considering the long-term sustainability of the entire supply chain, LG H&amp;H will need to reduce risks through preemptive preparation and response. The scope of application for preemptive preparation and response, such as core active substances and additives(palm oil, shea butter, etc.), may be broadened, and LG H&amp;H needs to consider the actual impact of such applications, including their proportion in its related products.</li> <li>In particular, abundance of the habitat and species of domestic native plants are expected to decrease due to external factors such as climate change, which requires enhance management of the company's obligation to manage natural capital and the entire value chain of its supply chain. Trade barriers are also expected to expand due to the legalization of non-financial information disclosure such as TNFD(Task force on Nature-related Financial Disclosures) and enhanced global codes of conduct.</li> </ul>
	Mitigation Actions	<ul style="list-style-type: none"> <li>Created a bee park with the size of about 4700 pyeong around the Ulsan and Onsan industrial complexes that produce daily necessities and conducted community biodiversity and forest conservation activities by supporting urban beekeeping and planting more than 500 trees(June 2022). In addition, we plan to operate education for future generations such as biodiversity exploration education for children from low-income families near business sites.</li> <li>Supported expanding biodiversity and establishing various infrastructures, such as installing the 'Otter Playground' at Saetgang Park in Yeouido to restore the poor habitat of otters, which are the 1st class endangered species.</li> <li>Promoted the awareness of biodiversity in ecosystems through otter painting contests, otter keeper training, ecological monitoring, and habitat protection volunteer activities.</li> <li>LG H&amp;H expanded domestic native plant conservation and restoration activities. We carried out research activities, secured samples of biological resources, extracted libraries and image data and developed differentiating efficacy, concept, materials to preserve and develop total 9,900m2(2,994 pyeong) of outdoor cultivation areas, 870m2(263 pyeong) greenhouse, 264 species in total, and approximately 37,500 native useful plant resources.</li> <li>As a mid-to-long time goal until 2028, LG H&amp;H will continue to put in effort to secure biodiversity, collect and propagate approximately 500 species of native plants and increase business agreements with national institutions from 4 to 6 and creating database of genetic information for 200 species.</li> </ul>

# COMPLIANCE

LG H&H considers compliance, including compliance with laws and fair trade, as a core element of ESG management. We systematically manage company-wide compliance risks for strict compliance management, centering on responsible organizations such as the Compliance Council and Preventive Management Committee. We also operate the Fair-Trade Voluntary Compliance Program (CP) to ensure fair and due transactions in all areas, from business partners, agencies, and franchisees to e-commerce and social media. In addition, we are carrying out various activities such as internal and external training and publication of newsletters to foster a sense of compliance among employees and to internalize a culture of compliance.

## Goals

- Strengthen the risk management system by operating the Fair-Trade Voluntary Compliance Program (CP)

## Major Achievements

Number of compliance trainings



**93** sessions

Number of people who have completed compliance training



**462** people

## Compliance system or Compliance scheme

LG H&H has a compliance organization such as the Compliance Council and Preventive Management Committee to manage company-wide compliance risks systematically. We are working hard to ensure strict compliance in subcontract transactions, agency and franchise transactions, and e-commerce and social media.

### Compliance Committee

LG H&H manages compliance risks at the company-wide level by establishing an effective compliance system through the Compliance Committee. The Compliance Committee discusses major issues and pending compliance risks, the direction of improvement activities, and shares recent legal and social regulatory trends. The Committee is held every quarter or when necessary, with the Chief Financial Officer (CFO) as the chairperson, the head of Jeong-Do Management, CRO, head of external cooperation, and head of overseas legal department to manage compliance issues in various fields.

### Preventive Management Committee

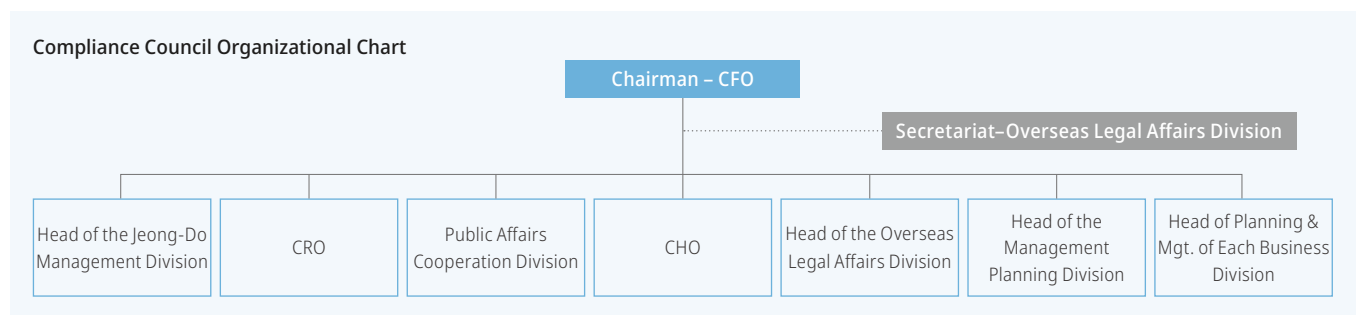
In addition to the Compliance Committee, we have organized the Preventive Management Committee since 2017 to carry out detailed risk management activities in the business management field. The Preventive Management Committee prevents risks that may arise in business management, such as facility investment, equity investment, fund management, information security, and accounting management. The committee effectively responds to issues and carries out practical and preemptive preventive activities to prevent similar problems from reoccurring.

## Compliance risk management

LG H&H categorized major legal risks into 6 categories: fair trade, human resources, personal information protection, intellectual property, product quality, and environmental safety. In each field, the department in charge establishes an autonomous compliance inspection plan and conducts regular inspections to prevent and manage possible compliance risks throughout the business. We prepared and distributed checklists for the above 6 areas in 2021 for effective self-inspection. Overseas subsidiaries are also putting in great effort to prevent compliance risks in advance and continuously check and manage them.

## Internalizing the Compliance Culture

LG H&H regularly publishes and distributes the 'Compliance Newsletter' which contains compliance-related laws and significant precedents to raise employees' awareness of compliance and internalize a culture of practice. In 2021, we shared the following information in the newsletter 11 times to further raise the awareness of compliance among our members; basic legal knowledge that office workers need to know, collusion prevention, unfair trade practices, anti-corruption; revision of Recruitment Procedure Act and Labor Standards Act, illegal dispatch and in-house subcontracting, an overview of the subcontracting law and prohibited matters of the principal contractor, legislative trends regarding the Industrial Safety and Health Act and the Act on Punishment of Serious Accidents, environmental law, Personal Information Protection Act, etc. We plan to continue to establish a compliance culture through continuous communication with our members.



## Fair Trade Compliance Program

In 2021, LG H&H made efforts to establish a fair and just corporate culture by operating the Fair-Trade Compliance Program (CP) in consideration of social concerns and industry issues.

We conducted on-site inspections of all subsidiaries to discover and eliminate latent unreasonable practices in subcontract transactions by continuing to implement voluntary compliance self-inspection activities and consulting with subcontracting law specialized agencies. In addition, regarding the eradication of technology stealing and misappropriation of SMEs, we further solidified our compliance awareness by providing online and offline legal education for working-level workers while improving the ease of use of the computerized system for requesting technical data.

As the online-oriented e-commerce filed increased recently, we conduct

a complete inspection to ensure that product information essential for purchase decision-making is provided accurately and closely managed to ensure no information omission to guarantee the most basic consumer's right to know. We also completely manage all advertisements to prevent behind-the-scenes behavior, such as omitting payment in reviews using SNS. In addition to prohibiting inappropriate expressions that could mislead consumers, we also fundamentally manage to ensure that posts not correctly displayed despite being paid advertisements are not produced.

In addition, regarding the transactions of agencies and franchisees that are directly affected by the spread of non-face-to-face economic activities, we strive to maintain fair and equal business relationships based on the principle of Jeong-Do management. We are strengthening support and cooperation as a mutual partner through operating supporting policies such as rent and labor costs and receiving prior consent when changing various systems.

# JEONG-DO MANAGEMENT

LG H&H is improving its rules and systems to ensure all employees practice Jeong-Do Management, 'LG's unique way of behavior,' to earn the trust of stakeholders and achieve sustainable growth. We have enacted the Code of Ethics, the standard for correct behavior and value judgment, and seek proactive prevention of ethical risks and employees' autonomous practice through an organization dedicated to Jeong-Do Management. In addition, we are developing Jeong-Do Management as a unique corporate culture by operating an unfair behavior reporting channel and reporting system for bribes, along with regular ethical education and taking a pledge to practice Jeong-Do Management every year.

## Goals

- Company-wide risk prevention activities by establishing and operating a regular inspection system
- Supporting to enhance business operation adequacy and competitiveness through management diagnosis
- Education and PR activities to install a culture of autonomous Jeong-Do management among employees
- Supporting risk self-checking system by establishing and operating the ERM(Enterprise Risk Management) System
- Operating a reporting system

## Major Achievements

Number of Jeong-Do Management Training



**12** sessions

(education on Jeong-Do management once a month)

Number of people who have completed Jeong-Do management education



**7,929** people (100%)

(As of January 2022)

Established Enterprise Risk Management (ERM) system

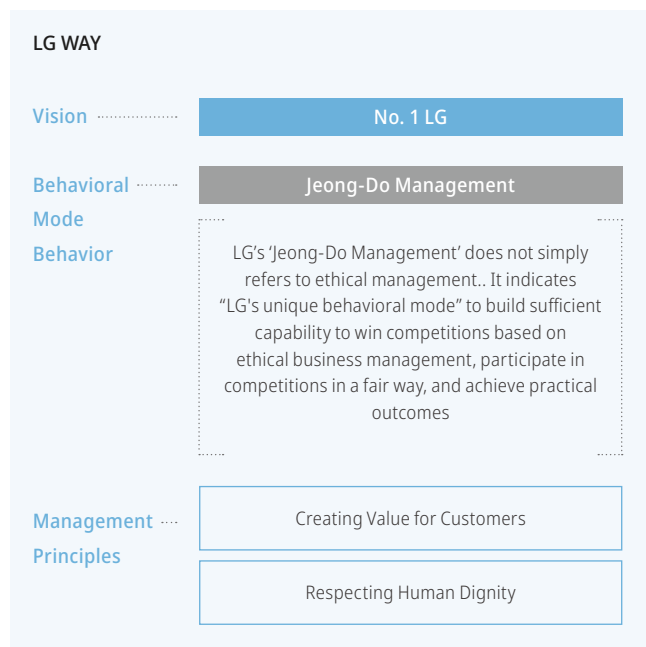


Operating **60** scenarios  
(As of May 2022)

## Jeong-Do Management System

### LG WAY and Jeong-Do Management

LG WAY is the corporate culture of LG to reach its objective of becoming 'No.1 LG' based on its management principles of 'creating values for customers' and 'respecting human dignity' through 'Jeong-Do Management'. LG's 'Jeong-Do' management refers to the unique behavior that steadily cultivates skills based on ethical management to compete fairly and generate results. LG H&H will become a company that receives trust and respect from all stakeholders by implementing Jeong-Do management based on LG WAY.



### Code of Ethics Composition and Core Contents

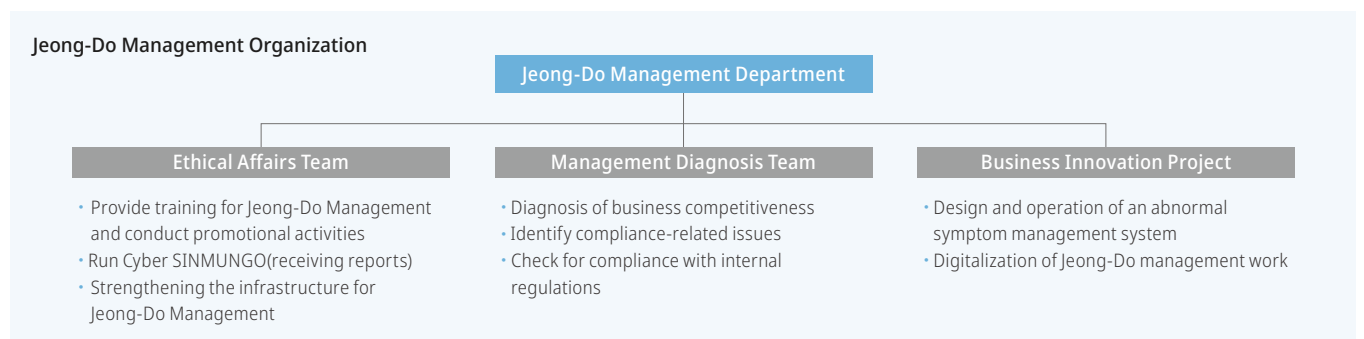
Chapter 1 Responsibilities and Obligations to Customers	Under the belief that customers are the true business foundation, LG always respects customers' opinions and continuously creates and provides values that are helpful to customers, thereby earning unconditional trust from customers.
Chapter 2 Fair Competition	LG complies with relevant laws and regulations in all international activities, and employ fair and just means in securing our competitive advantage.
Chapter 3 Fair Transaction	We make all transactions by the principle of free competition while ensuring equal opportunities for participation and establish mutual trust and cooperation through transparent and fair trade to pursue common development from a long-term perspective.
Chapter 4 Basic Ethics for Employees	Based on honesty and fairness, LG employees establish correct values and fulfill their duties through continuous self-development and fairness in performance
Chapter 5 Corporate Responsibilities to Employees Responsibilities for Employees	LG respects all employees as human beings, treats them fairly according to their abilities and achievements, and strives to fully support them to demonstrate their creativity.
Chapter 6 Responsibilities to the society and the nation	LG contributes to the national welfare and social development through rational business expansion that provides providing stable growth as a corporation and protect shareholder's interests.

### Code of Ethics

LG has enacted and implemented the Code of Ethics as a standard for correct behavior and value judgment that all employees must abide by to develop into a world-class, superior company by respecting the free-market economic order that aims for free and fair competition, and pursuing shared interests with all stakeholders based on mutual trust and cooperation. LG H&H is developing a culture of Jeong-Do management by encouraging all employees to comply with LG's standard code of ethics in work and daily life.

### Jeong-Do Management Division

LG H&H is operating the Jeong-Do Management division that consists the Ethics Office team that is in charge of practical affairs, the management diagnosis team, and a business innovation team that is in charge of system design and operation.. The Jeong-Do Management Department is actively carrying out on-site support activities to prevent ethical risks in business sites in advance and promote employees' autonomous practice of Jeong-Do Management.



## Jeong-Do Management Activities

### Written Pledge for Jeong-Do Management

All employees of LG H&H write a pledge to put Jeong-Do Management into practice as part of their effort to create the transparent and fair Jeong-Do management culture. The written pledge includes their will to abide by the company's code of ethics and pursue Jeong-Do Management, as well as observance of anti-corruption regulations that prohibit wrongdoing such as unfair collusion, illegal political funds, or bribery. All suppliers of LG H&H are also required to submit a written pledge to promise compliance with their code of ethics and carry out Jeong-Do Management.

### Bribery Report System

LG H&H executives and employees are prohibited from accepting bribes or rewards from stakeholders regardless of reason. Every year around Lunar New Year's Day and Chuseok(Korean Thanksgiving Day), our CEO sends a notice to all employees as well as suppliers about the anti-bribery campaign and encourages them to develop fair trade practices. When someone offers money or gifts, employees should politely refuse and return them. If this is impossible, they should report the case to the Ethical Affairs Team. Reported money and gifts are immediately donated to welfare organizations or sold in internal bidding events suppliers

### Voluntary Compliance with Jeong-Do Management Principles

All executives and department heads of LG H&H are making various efforts to create a culture in which all members voluntarily practice Jeong-Do management. All of LG H&H's executive directors and the heads of divisions are taking the lead in practicing Jeong-Do Management, communicating with employees about the significance of Jeong-Do Management through face-to-face meetings such as video conferences or one-on-one inter views, and making efforts to identify and prevent risks that may occur This activity also includes efforts to preemptively improve the work environment, to create a work environment where employees are not exposed to risky situations. We foster a culture of practicing Jeong-Do Management where leaders and members can figure out and discuss the same topic, as well as share directions for improvement, which has a positive effect of increasing trust among member

▶ Number of participants of Jeong-Do Management Pledge and Online Training(as of January 2022)

**7,929** participants (100% of employees)



### Operating a violation reporting channel

We operate Cyber SINMUNGO, a corruption reporting system for accusations of unfair and unjust behaviors that violate LG's code of ethics. We carry out preliminary and on-site investigations first. If the reports proved to be true, we take follow-up measures, including disciplinary actions, work process improvement, and Jeong-Do Management education to create a transparent and fair corporate culture. In addition, we are working to activate misconduct reporting by establishing a report reward system and whistleblower protection system.

### Reported Cases and Progress of Disciplinary Actions (including subsidiaries, as of 2021)

#### Reported Cases by Stakeholder Group (Unit : case)

Category	2019	2020	2021
Customer complaints	7	5	2
Grievances of suppliers suppliers	20	18	27
Reports(company, employees)	76	40	37

#### Reported Cases (Unit : case)      Disciplinary Actions (Unit : Person)

Category		Category	
Total Number of reported cases	37	Total number of reprimanded employees	63
Number of handled cases Fact checks	28	Light penalties	24
Number of false reports Groundless	9	Severe disciplinary action	39

#### Disciplinary Actions by Reason (Unit : case)

Grounds for disciplinary actions	Number of cases
Manipulation of documents and calculations	0
Bribery	0
Unfair equity participation of suppliers suppliers	0
Embezzlement and misuse of the assets of the company	6
Unfair transactions(collusion)	2
Information leakage Information leak	0
Sexual harassment and bullying in the workplace	12
Others	43



### Reaching Out to Employees for Jeong-Do Management

The Jeong-Do Management division dedicated to Jeong-Do Management, continues to conduct on-site support activities so that employees can autonomously practice Jeong-Do Management. Throughout 2021, we held a Jeong-Do Management meeting for 21 new executive directors and the heads of divisions. We conducted video conferences with 9 departments to respond to inquiries about Jeong-Do Management dilemmas, grievances and requests for support and establishing improvement measures. In addition, in order to enhance understanding of Jeong-Do Management, we created field-friendly contents through Jeong-Do Management quizzes and videos through 'Jeong-Do Management stories with trends' and the character "Jeonglissam." We created a culture to discuss and improve work processes that need improvement first in the field together with the Jeong-Do Management department.

### Risk Preliminary Inspection System

The Jeong-Do Management Department has been operating the 'ERM (Enterprise Risk Management) System' since January 2021 for scenario-based risk early detection and response activities. To this end, we started the business innovation project in 2020. We integrated enterprise resource planning(ERP) and various data managed by individual systems in each business area, such as purchasing and sales, into a data lake and utilized data analysis(CP4D) and visualization solutions (Spotfire) to build the ERM system.

ERM is a system that promotes field-led risk self-check and business improvement. With the introduction of the ERM system, we have been able to break away from the audit method centered on post-confirmation based on reports and evolved into a regular and preemptive post-abnormality management system. In addition, the use of the ERM system is expected to be very useful for advancing business management based on DX(digital transformation) in the future. As of April 2022, we have built a total of 60 scenarios(37 purchases, 21 sales, 2 expenses) related to compliance risk, corruption risk, and partner unfair transaction risk through the operation of the ERM system. We use this scenario to enable business departments to detect anomalies early and take immediate action.

### Jeong-Do Management Activities in Overseas Subsidiaries

As our overseas business expands, LG H&H strives to create a Jeong-Do management culture that considers the global business environment. As part of that, we designate and nurture Jeong-Do Management managers at each overseas subsidiaries to provide a foundation for overseas subsidiaries to carry out Jeong-Do Management activities autonomously. In 2021, we regularly held online workshops for Jeong-Do Management managers for subsidiaries in China, Japan, and the United States. We shared the contents of Jeong-Do Management promotional activities conducted at each business site and frequently occurring Jeong-Do Management issues and provided various support for overseas subsidiaries to internalize Jeong-Do Management on their own.



| CASE |

#### Participating in the 2022 BIS SUMMIT anti-corruption pledge

BIS(Business Integrity Society) a project which was launched in 2019 to encourage joint efforts with businesses, parliaments, and government ministries to prevent corruption is jointly operated by The United Nations Global Compact Korea Association and the Korea Socially Responsible Investment Forum. LG H&H was selected as an excellent anti-corruption company in 2021 in recognition of its efforts to take the lead in conducting anti-corruption activities. In 2022, we took part in the pledge that empathizes with the purpose and activities of BIS to create a corporate anti-corruption environment, express active participation in creating an anti-corruption climate to create a fair, clean society, and enhance corporate competitiveness based on ESG.

# SUPPLY CHAIN MANAGEMENT

LG H&H has been actively pursuing win-win growth with the belief that its solid partnerships with suppliers are the core competitiveness that drives the company's growth. Under the shared growth vision of 'Korea's best-shared growth leading company,' we are conducting various win-win cooperation activities such as performance sharing, support for strengthening competitiveness, win-win payment, and enhancing communication as well as complying with fair and transparent trade relationships. We are also providing various support for our suppliers to practice self-ESG management. We will continue to cooperate with our suppliers to improve the sustainability of our supply chain to further enhance our competitiveness in the global market.

## Goals

- Improve safety quality level for 660 suppliers accumulated(by 2025)<sup>1)</sup>
- Technical support for suppliers<sup>1)</sup> Cumulative 1,811 cases(by 2025)
- Provide suppliers with the financial support of KRW 310.2 billion accumulated(by 2025)<sup>1)</sup>
- Operation of advanced consulting, discovering, and nurturing for new overseas suppliers.
- Expansion of sustainable palm oil(RSPO) purchases

1) The safe quality assessment for suppliers consists of cumulative data from 2019. The technical/financial support goals and achievements are cumulative data from 2017

## Major Achievements

Supported 11 companies' smart factory construction



**11** companies

Provided KRW 38.8 billion financial support for shared growth Financial support for Win-win growth



**38.8** billion

Supported partner companies' training for



**1,150** people



## Supplier ESG Evaluation System

To build a sustainable supply chain, LG H&H evaluates and manages ESG factors, potential risks for suppliers. In 2021, we conducted ESG evaluations in a non-face-to-face manner, following the previous year, to actively support suppliers reinforce their ESG capabilities.

### Assessment Targets

LG H&H defines its core suppliers by comprehensively considering 1) high transaction value, 2) sales dependence, and 3) non-replaceability of technology.

### Assessment Criteria

LG H&H conducts comprehensive assessments when determining to maintain existing suppliers or to select new suppliers that supplies raw materials, subsidiary materials, and products. For new suppliers, we conduct a safety quality certification assessment and ESG assessment. New suppliers are only allowed to register as suppliers and begin trading with the company if they score 550 points or more out of 1,000 points in the former assessment, and 75 points or more from the latter assessment. In terms of existing suppliers, we introduced the Safe Quality Certification System, and is aiming to reach the World Best grade.

We separated the category of ESG from the overall assessment, and warn any supplier that fails to gain 75 points or more. We enhanced the proportion of the ESG evaluation ratio by terminating the business relationship with the company under the revised purchasing policies in case suppliers failed to improve the warned aspect.

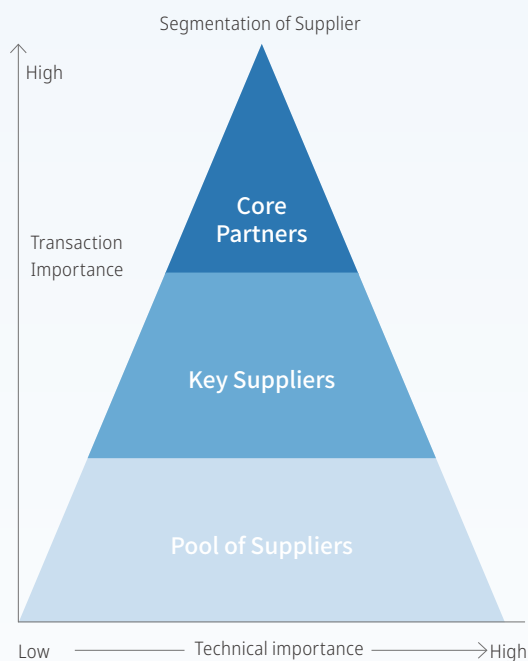
### Current Status of suppliers

(Unit : Company)

Tier	Core Partners	Other than Core Partners	Total number of suppliers
Tier 1	115	530	645
Tier 2	38	88	126
Total number of suppliers	153	618	771

\* LG H&H's separate standard

### Definition of Suppliers



#### 1. Core Partners

Manufacturing small and medium-sized enterprises(SMEs) that are selected annually by reflecting major criteria for shared growth and strengthening of mid-to-long-term purchasing competitiveness

Key Selection Criteria	Conditions
1. Performance	200 million KRW or more per year
2. Dependency on our sales	Suppliers with a sales dependence of 20% or more on LG H&H between companies with an annual turnover of KRW 200 million or more
3. Irreplaceability of technology	Companies with technologies and production capabilities that LG H&H does not possess
4. Other conditions	To be excluded or included when there is a reasonable reason, even if it meets or does not meet the standards

※ Selection criteria : Refers to internal criteria used for selecting suppliers to be nurtured

#### 2. Key suppliers

All suppliers that have transaction performance and conduct annual ESG assessment (however, include suppliers include suppliers whose transaction performance is temporarily absent but has high transaction importance)

#### 3. Pool of Suppliers

Agencies with transaction records(reason : multiple manufacturers), suppliers partners with one-off transactions, consumable materials, and partnerships that are to close or near termination.

#### Tier 2

Suppliers that provide packaging materials that do not make direct contact with the content, provide secondary subsidiary materials for processing, and provide filling and packaging processes.

#### Tier 1

A supplier that provides raw materials, subsidiary materials, products, and molds that come in direct contact with the contents

## Conducting ESG evaluation of suppliers

### Safe Quality Certification System for Suppliers<sup>1)</sup>

LG H&H has developed a safety quality certification system that applies by applying higher standards than legal level to manufacture products that consumers could use with trust. The safety quality certification system focuses whether the company is complying to the 4M(Man, Material, Machine, Method) in six categories that safety quality, such as compliance with laws, the safety of hazardous substances, efficacy and performance of products, stability of contents, quality of subsidiary materials, and convenience of use. In 2021, we conducted a safety quality assessment on 122 core and new partners and awarded nameplates to five companies that were selected for their safety practice rating. In addition, we assessed 15 new overseas suppliers based on the global network evaluation system to expand the scope of safety quality evaluation to overseas suppliers.

1) Based on a 1,000-point scale, it is categorized into a Safe Surprise(850 points or more), a Safe Satisfaction(750 - 849 points), and a Safe Practice(650 - 749 points)

able on the website of the procurement system. In addition, we visit our suppliers annually together with a third-party evaluation agency to secure the expertise, objectivity, and reliability of the assessment, and reflect them in the comprehensive assessment of suppliers. We conduct ESG evaluation on 'Core partners' and 'Key suppliers,' classified based on the importance of transactions among all suppliers. The overall assessment is conducted through self-assessment of partners – written/site evaluation – improvement monitoring process. In 2021, we conducted a web-based non-face-to-face ESG evaluation to confirm that the overall average score increased compared to the previous year. The evaluation results showed that we had inadequate work environment hazard measurement, emergency evacuation and first aid measures, and safety and health management regulations in the field of safety and health. Regarding ethical management, we were found to have insufficient policies and management systems such as the Code of Ethics, reporting channels, and pledge to comply with the Code of Ethics. We recommended top –priority improvements and long-term improvements to those 12 suppliers that were identified with potential risks.

#### Management Direction of Suppliers

##### Aspects to be managed with priority

Quality(Safety)	Deadline
Quality and safety related factors, including violations of harmful substance regulations and guidelines	Meeting the deadline based on the initial supply request date
PDS <sup>2)</sup> Performance	Credit rating
Synergy from cooperation, including new ideas and proposals for new technologies	Financial stability based on the result of credit rating From the perspective of ESG

##### From the perspective of ESG

Technology/Sustainability/Field Management	
Grade of the Safe Quality Certification	Improving ESG average level and expanding management
Expand the scope of application of the Safe Quality Certification System for suppliers to prevent quality issues	Identifying the overall ESG activities of suppliers, including the perspectives of environment, labor and human rights, ethics, and safety, and strengthen their ESG competitiveness.

2) PDS(Performance Distribution System) : A management system of suppliers' proposals, in which LG H&H receives and examines new ideas and proposals for new technologies submitted by suppliers who are either supplying or want to supply their products to LG H&H

### ESG Assessment of Suppliers

LG H&H has established a code of conduct for all its business partners with 41 evaluation categories in 5 areas including labor and human rights(12), environment(12), safety and health(8), ethical management and internal control(4), management system(5) which are part of their corporate social responsibilities. This code of conduct is avail-



| CASE |

### Expansion of the Safety quality certification system to global suppliers

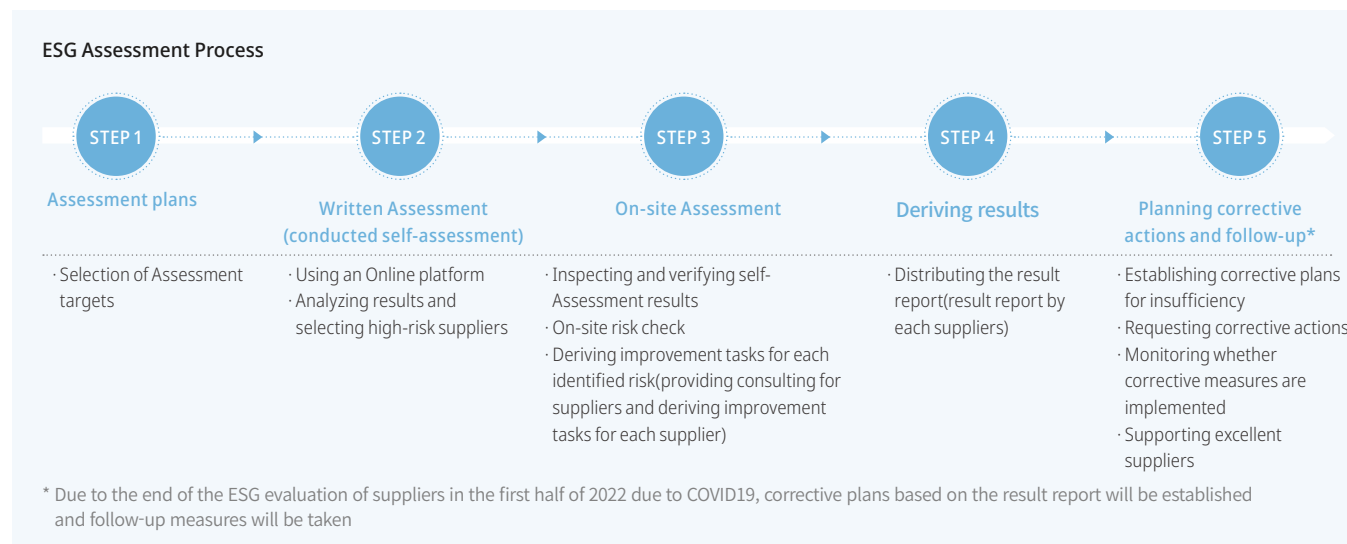
LG H&H is continuously expanding and applying the Reassurance Quality Management(RQM) system to enhance customer trust by improving product quality to a global level. The safe quality certification system is a creative and unique quality system that has been applied in all business sites since 2018, composes the basis of RQM. In addition, in 2018, we expanded the safety quality assessment to suppliers to identify our partners' overall level of safety quality to promote improvement activities and strengthen the Reassurance Quality Management(RQM) system.

The evaluation target includes all raw materials suppliers, subsidiary materials, and products. The assessment method is equal to the assessment of our business sites which checks the management status by 4M (Man, Material, Machine, Method) in the six safety areas. Only new suppliers that score 550 points(out of 1,000 points) or more in the safety quality evaluation can make registrations and make transaction possible. The number of the safety quality assessment of suppliers increased annually from 95 companies in 2018 to 108 companies in 2019 and 113 companies in 2020. The assessment diagnosis was expanded to 157 companies, including new overseas partners, in 2021. From the assessment results, we could confirm that our suppliers quality level is increasing annually. Our suppliers are enhancing their capabilities for improvement by preparing and implementing their own plans for improvement tasks derived through assessment. LG H&H is also actively helping suppliers to strengthen their execution capabilities by providing on-site visits and technical guidance to establish safety quality and eliminate customer complaints.

### Third party ESG Inspection

LG H&H conducts an annual third-party inspection to increase expertise and objectivity of ESG assessment along with providing new information and improvements related to ESG. In 2021, we conducted a non-face-to-face third-party inspection through a video conferencing system following the guidelines to prevent the spread of COVID19 for

12 suppliers whose potential risks were identified through ESG assessment and provided the result report to all our suppliers. Suppliers companies establish improvement plans based on the result report and manage potential and risk factors.



### Results of assessment on ESG of suppliers

(Unit : company)

Category	Category in detail	2020		2021	
		Number of companies	Number of companies	Number of companies	Remarks
Supply Chain ESG Assessment	Core Suppliers(Tier 1)	138	115	48%(purchasing share)	
	Core Suppliers(Tier 2)	-	38	-	
	Self-Assessment of Tier 1 suppliers <sup>1)</sup>	138	431	100%(all 115 Tier 1 core suppliers conducted self-assessment)	
	Core Suppliers(Tier 2) Self-assessment of suppliers <sup>1)</sup>	52	38	100%(all Tier 2 core suppliers conducted self-assessment)	
	Third-party inspection <sup>3)</sup>	10	12	(Due diligence in progress among core suppliers)	
Identifying high-risk suppliers <sup>2)</sup>	Tier 1 suppliers	10	11	Including 11 Tier 1 core suppliers	
	Core Tier 2 suppliers	13	1	-	
Monitoring key suppliers	Monitoring targets	-	12	-	
	High-risk among monitoring targets	-	6	50%(high-risk suppliers among monitoring targets)	
Corrective Actions for High-Risk Suppliers	Targets that completed Corrective Actions	-	6	100%(suppliers who completed corrective measures among the identified high-risk suppliers)	

- 1) Self-assessment : Tier 1 suppliers among all partners who conducted online ESG self-assessment. Self-assessment for all 645 suppliers has been conducted 100% for the last three years.
- 2) Suppliers with high ESG risk : Suppliers classified as high-risk groups (less than 40 points in total out of 100 points) as a result of the assessment using indicators consisting of a total of 41 items (labor human rights 12 items, environment 12 items, safety and health 8 items, ethical management 4 items, management system 5 items) to check potential ESG risks
- 3) Third-party inspection : Third-party inspection with external experts

**Conflict Minerals**

**PALM OIL**

Palm oil is widely utilized in the manufacturing process of cosmetics, as well as home and personal care products, whether it is used as fatty acid derived directly from palm to be used for products such as detergents or as glycerin, or as a solvent from secondary and tertiary-processed raw materials for emulsifiers. Not only LG H&H deeply understands the severity of issues related to the violation of workers' human rights and the reckless destruction of the environment caused during palm oil production, but also support the activities of RSPO(Roundtable on Sustainable Palm Oil), established with the participation of global NGOs and companies. In particular, we are immediately suspending business with business partners that are found to have violated human rights regarding palm oil production. LG H&H set a target of 64.9% of sustainable palm oil(RSPO) purchases by 2025 and achieved 33.7% of sustainable palm oil purchases in 2021.

**Mica(MICA)**

Mica is a raw material used in color cosmetics and is mainly used for the color effect of lipsticks, foundations, and cushion foundations. More than 60% of the world's mica is mined in India, where child labor and unethical labor practices occur frequently. In addition, depending on the place of collection, natural mica may contain harmful hazardous substances such as heavy metals, which may cause safety issues. LG H&H procures mica produced by skilled workers in mines in the US, Japan, and China. When we use mica from India, we ensure that the mine has a non-Child labor declaration or that the supplier is certified as a member of the Responsible Mica Initiative(RMI). We are also increasing the proportion of synthetic mica instead of natural mica in manufacturing cosmetics. We plan to switch to synthetic mica 100% in the future to eradicate potentially illegal child labor and use safer raw materials.

**Mica Raw Material Purchase Status**

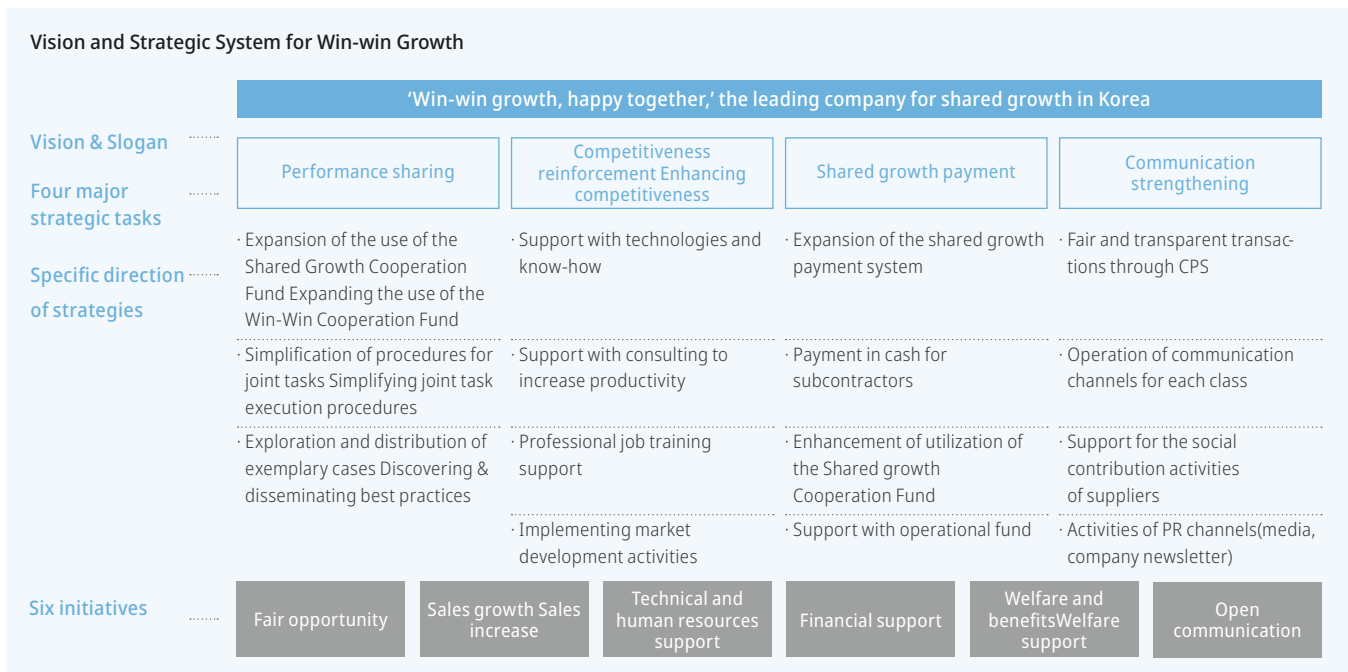
Number of items (items)	Main application products	Purchase Status(cumulating from 2019 to 2021)		Number of items by country of origin(items)			
		Purchase amount(ton)	Suppliers(companies)	India	USA	Japan	China
54	Color cosmetics (lipstick, cushion, foundation, etc.)	72	14	10	16	16	12

**Win-Win growth**

**Vision and Strategic System for Win-win Growth**

LG H&H established a vision for shared growth to become Korea's best-shared growth leader. To achieve this, we prepared a strategic system consisting of 4 strategic tasks, detailed strategic directions, and 6 initiatives for implementation. We will share the achievements

of our efforts with our suppliers and support them to realize win-win growth through financial support and enhanced communication as well as strengthen their competitiveness.



## Fair opportunities

### Fair opportunities for participation

LG H&H operates a company-wide Convergent Purchasing System to provide fair opportunities to all domestic and foreign companies to transact with LG H&H. Companies wishing to do business with us can be registered as our potential partners. After reviewing, the LG H&H employee who is in charge of purchasing replies whether or not to register the companies as our regular suppliers. We provide equal bidding opportunities to all registered regular partners and proceed through a mutual agreement in the transaction process from contract signing, ordering, receiving orders, delivery, and payment.

### Operating channels for Report of Unfair Transactions and suggestions for cooperation.

LG H&H is operating a channel to report unfair business practices to maintain transparent and fair business relationships with suppliers. Complaints, suggestions, or unfair treatment can be reported through the Jeong-Do Management Cyber Shinmungo on the website. We also posted a cyber Shinmungo banner on the company-wide integrated purchasing system for easy access. No reports related to subcontractors were not received in 2021.

## Sales Growth

### Technology Proposal Fair

Since 2013, LG H&H has been conducting technology proposal fairs to discover and commercialize superior technologies or ideas from suppliers to promote sales growth. The technology Proposal Fair is where suppliers directly communicate with LG H&H's marketing, sales, R&D and other departments to communicate about the development direction. Proposals and exhibitions for areas of raw materials, subsidiary materials, and products are actively made. For selected items, joint support are provided to reduce the developmental cost for suppliers, and to contribute to increased sales. In 2021, an online technology proposal fair was held face-to-face following the previous year, and 79 suppliers submitted total 245 items for five exhibitions, resulting a new transaction of KRW 6 billion.

### **Operation Status of Technology Proposal Fair**

Category	Unit	2019	2020	2021
Technology Proposal Exhibition Performance	Cases	6	6	5
Selected suppliers	Suppliers	19	16	11
Selected suppliers	100	22.3	42.9	55.9
Volume of new transactions	million KRW			

### Support for Participation in International Beauty Fairs

We support suppliers to participate in various international beauty fairs to globalize the Korean cosmetic industry with a focus on K-beauty. Since 2013, we have assisted suppliers to enter into the overseas market. From 2018, we have been hosting consulting fairs with our overseas subsidiaries to help suppliers make actual sales. In 2020, due to the COVID19 pandemic, we provided an opportunity for 5 suppliers to participate in the online K-Beauty Expo hosted by KINTEX, and in 2021, we helped 2 suppliers to construct a website for overseas promotion and attraction of overseas buyers. As soon as the global pandemic is eased, we will actively support suppliers to participate in domestic and overseas exhibitions.

## Technical and human resources support

### Support for Technical Consulting

LG H&H operates a supplier technical support team to support technology and product development, facility stabilization, and optimization of production conditions to solve problems difficult for SMEs to solve on their own. The support team consists 14 experts with years of experience in the field of home and personal care goods and cosmetics which provides accurate diagnoses and improvement measures for suppliers.

### Support Consulting for competitiveness improvement

To promote competitiveness improvement, we have operated external professional consulting to support our suppliers' smart factory construction in the long term since 2014. In 2021, we provided KRW 300 million to 9 companies, including seven companies to support the establishment of smart factories for smart innovation and 2 companies to support the acquisition of environmental management system (ISO14001) certification that can be linked to ESG management. As a result, we achieved a financial performance of KRW 1.4 billion. In addition, we provided a total of KRW 100 million to four companies through consulting on the industrial innovation movement for manufacturing innovation of our suppliers. Through this, we obtained a total of KRW 300 million in financial performance.

### Joint Development of Technology

In 2021, LG H&H developed various innovative technologies jointly with partner companies and applied them to products such as household goods and beverages. Representatively, we jointly developed the 'residual amount prevention metal-free pump' used in pumping products together with Yeonhee Chemical. In cooperation with Daelim, we developed a refill pouch using recycled plastic (PCR resin) and applied it to the 'Saffron kkochedamcho Pouch Refill' product. Also, in collaboration with 'Choi Hwajeong Show' of home shopping, we commercialized 'Royal Botanic Pumping Toothpaste' with an eco-friendly concept that applied Bio Balanced HDPE and PCR PP raw materials and paper packaging and received a great response. Through cooperation with Shinsung Innotek, we changed the perforated line to an oval shape in the diagonal direction to improve the convenience of PET label separation of beverage PET bottles. We applied it to the new 'Georgia' product line from April 2022, and we plan to expand the application in the future. Through this active joint development cooperation, we are promoting differentiated customer value creation and reducing environmental impact, including circulation of resources. Through these efforts, we are contributing significantly to realizing win-win growth by strengthening the competitiveness of our suppliers.

Status of Support for Suppliers in 2021

(Unit : Case)

Item	2021performance
Support for new product production	128
Support for development and engineering supervision cost	4
3D&Printing Support	12
Win-win cooperation program	14



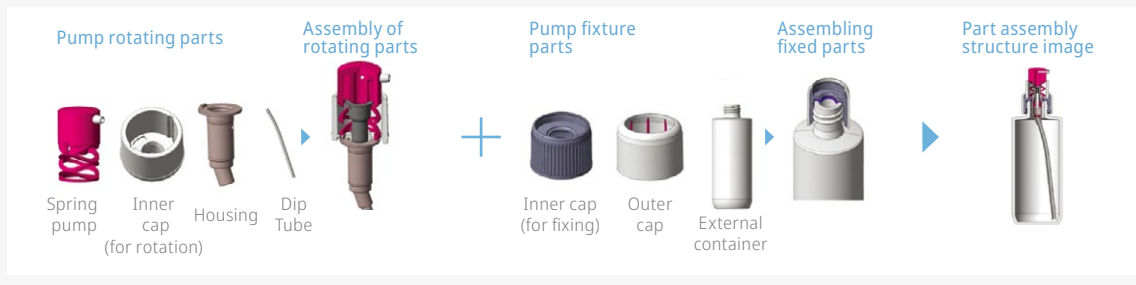
▶ Saffron kkochedamcho Pouch Refill



| CASE |

Joint development of 'residual quantity prevention metal-free pump'

In 2021, LG H&H jointly developed a 'button spring integrated metal-free pump with residual quantity prevention function' with Yeonhee Chemical as part of supporting supplier to strengthen their capabilities. To improve product recyclability, ease of use, and minimize residual quantity, we devised the idea of integrating the spring and button, and applying the dip tube rotary pump after discussing with the design center.. To enhance the product's completeness, we specified each part's assembly and developed the design in advance. To verify the quality of the pump function, we made a test mold and reviewed the optimal spring specifications and materials. Metal-free pumps are suitable to discharge separately, unlike metal-containing pumps, which have been difficult to separate and discharge. In terms of recycling grade, transparent PET containers and metal-mixed pumps have improved from 'difficult' to 'normal' for recycling, and other materials have been improved from 'normal' to 'excellent' in the recycling grade. Another advantage is that the remaining amount can be minimized as the dip tube is always dipped into the contents. In the future, we plan to further innovate our products by reducing the cost of materials and adjusting the pumping pressure. We have applied for intellectual property rights(20-2021-0002231) for the developed 'metal-free pump structure for preventing residual capacity.'



Financial support

Payment in Cash for Subcontractors

With the goal of enhancing the financial conditions of suppliers, LG H&H has paid its subcontractors 100% in cash since 2012 . In addition, from 2016, we increased the number of payments from 2 to 3 times a month to shorten the cash payment cycle, enabling our suppliers' smoother fund management.

Early Payment for Suppliers before National Holiday

We make early payments before national holidays to help our partner companies manage their funds. In 2021, we paid 51.7billion KRW for the Lunar New Year holiday and 26.6billion KRW for the Chuseok holiday, respectively.

Shared Growth Payment System

LG H&H has the Shared Growth Payment System, in which Tier 2 suppliers and those at other tiers can also be paid under the same conditions. Without the right of recourse, the system has an advantage of reducing burdens of security or risks of series of bankruptcy for suppliers, thus reducing financial expenses when utilizing bill discounts. In 2021, win-win payments of KRW 368.8 billion were made for 1st tier suppliers and KRW 8.6 billion to 2nd tier suppliers, respectively.

Funding support(win-win fund) system

LG H&H has created and is operating a Win-Win Cooperation Fund worth KRW 41 billion in 1:1.5 matching with financial institutions to support its partner companies' technology development or investment. As of the end of 2021, we are lending KRW 24.8 billion to our partner companies to support their fund management.



## Improvement of the Work Environment of Suppliers

### Education for Suppliers' Employees and their Families

LG H&H provides education for its employees' self-development to enhance its suppliers' competitiveness. We are operating education programs to improve work skills and learn foreign languages through various channels such as e-learning, mobile learning, and book learning. Since 2013, we have been providing education and experience opportunities to not only our employees but also their families by inviting the children of partner companies to the 'Youth Summer Camp' of the 'Borrowed Earth School' campaign, a representative social contribution activity.

### Improvement of the Work Environment of Suppliers

We allow the employees of suppliers to use our employee welfare mall, where they can purchase products under the same conditions as LG H&H employees. In 2021, we've seen 228 cases of the employee welfare mall being used by employees of our suppliers, and the amount reached 34.18 million KRW.

### Support for Tier 2 and Other Suppliers

LG H&H encourages signing fair trade agreements between 1st and 2nd tier suppliers to support 2nd or lower-tier subcontractors. We aim to spread support for win-win growth to Tier 2 suppliers and those at other tiers by applying the same fair trade agreement to the transactions between Tier 1 and Tier 2 suppliers as those signed between LG H&H and Tier 1 suppliers. In addition, we encourage the introduction of standard subcontracts between 1st and 2nd tier suppliers to secure a reasonable and transparent transaction relationship, fostering a culture of fair trade and win-win cooperation throughout the supply chain.

▶ Current status of supplier education use  
(e-learning, book-learning learning for suppliers only)

1,150 people

▶ Status of employee welfare mall usage  
(employee welfare mall use)

228 cases  
KRW 34.18 million

### Open communication

LG H&H pursues open communication to more realistically listen to and reflect the voices of suppliers in the field. We are operating the CEO Academy and Competitiveness Reinforcement Workshop centering on the 'LG H&H Cooperation Committee', which was established in 1985. We also have time for exchange, awarding excellent suppliers and giving special lectures by famous speakers, inviting representatives and executives of 130 major suppliers to the regular general meeting of suppliers held once or twice a year. We did not have the regular general meeting in 2020 and 2021 due to COVID19, but we plan to resume the meeting in 2022 as the situation eases. In addition, we are also operating the 'Supplier Shared Growth Deliberation Committee,' composed of executives, representatives of partner companies, prominent figures in society, and internal review members for subcontract transactions. The committee discusses issues related to the win-win growth support system and subcontract transactions through three councils divided by issue and deliberates and decides on the issues with the representatives of suppliers.

### Supplier communication channels

Category	Shared Growth Deliberation Committee with Partner Companies <sup>1)</sup>	CEO Academy <sup>2)</sup>	Competitiveness Reinforcement Workshop <sup>2)</sup>
Session	Quarterly	Annually	Annually
Content	Deliberate subcontracts and win-win growth issues	Share win-win growth issues and the procurement policy Shared growth and purchasing policy sharing	Share win-win growth issues and the procurement policy Shared growth and purchasing policy sharing
Members	2 non-executive personnel 5 representatives of suppliers 3 LGHH internal committee members	130 representatives of partner companies	130 employees of partner companies

1) Conducted online to prevent the spread of COVID19

2) Integrated individually held workshops into one and conducted it online to prevent the spread of COVID19



C A S E |

### Expanding support for suppliers for overcoming the crisis

LG H&H has endeavored to overcome crises and create opportunities together by supporting suppliers experiencing difficulties in management due to the prolonged impact of COVID19. When an alcohol shortage occurred in 2020, at the beginning of the COVID19 epidemic, LG H&H directly consulted with alcohol manufacturers and supplied raw materials worth about KRW 200 million to suppliers. In 2021 when a shortage of urea used in diesel vehicles occurred, making the logistics of suppliers, we directly purchased urea water worth KRW 65 million and provided support to partner companies. At the same time, we offered various financial support to our partner companies with difficult financial circumstances. We helped our suppliers overcome temporary financial difficulties and solidify their foundation for growth by providing an interest-free loan of KRW 1.5 billion to Shinshin Chemical Industrial in need of emergency financial support in April 2022 and a KRW 1 billion loan for a win-win growth fund for Seungil.

# CYBER SECURITY

LG H&H clearly recognizes the importance of cyber security, including protecting personal information, and continues strengthening cyber security regarding company-wide risk management. In addition to company-wide personal information protection regulations, we operate a personal information protection officer and a dedicated information security department to improve information security systems and processes continuously. We also thoroughly implement education, management, and supervision for all organizations that handle personal information, from the head office to consigned companies, directly managed stores, franchisees, and agencies.

## Goals

- Conduct security awareness-raising activities to prevent information leakage, prevent hacking and malicious code infection, and comply with personal information compliance
- Enhance the security review process
- Check for major system vulnerabilities
- Maintain ISMS Certification

## Major Achievements

Number of people who have completed information security training(employees)



**7,559** (including subsidiaries)

Number of people who have completed information security training(sales site)



**25,914** people  
(store, BP, door-to-door)

## Personal information management system

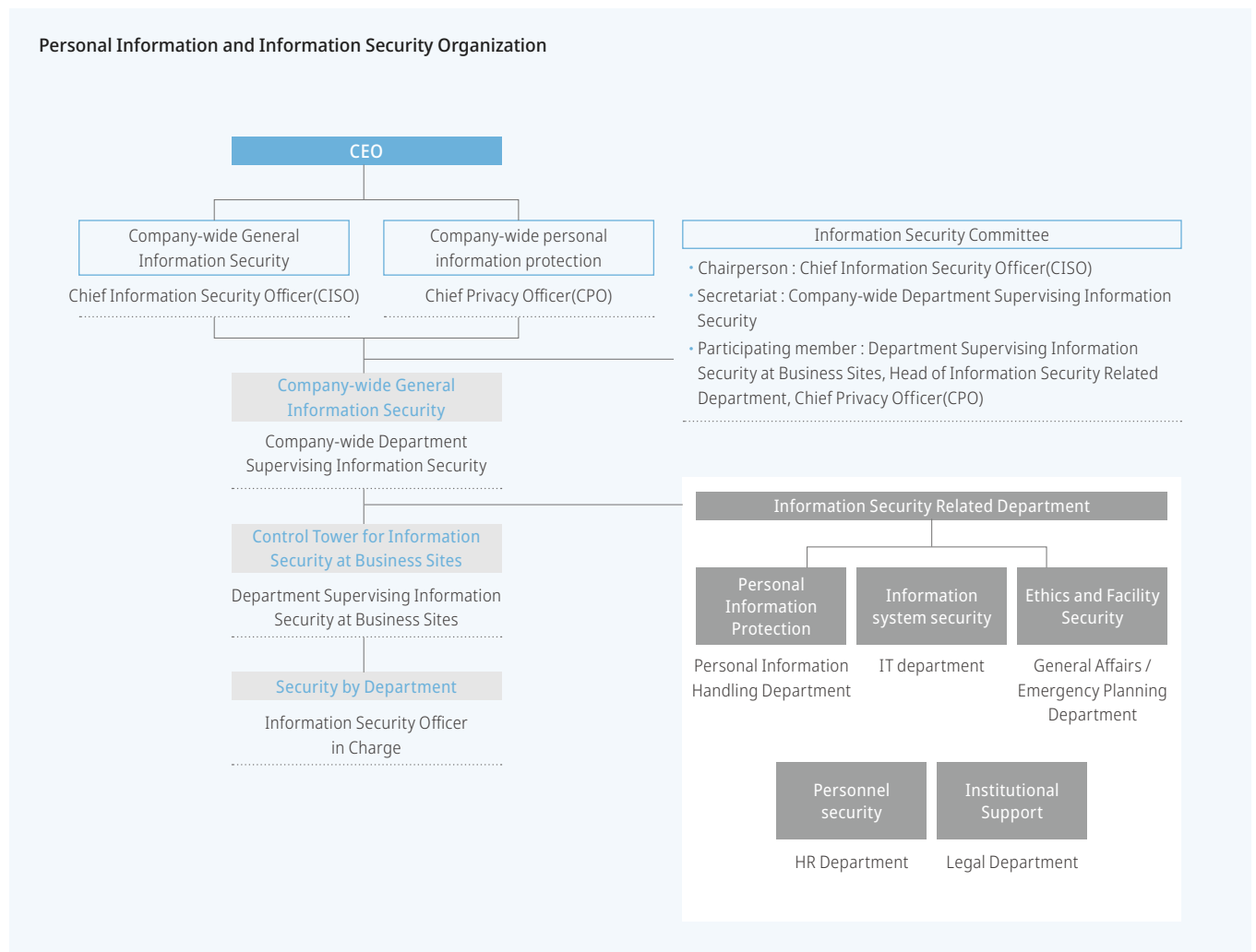
LG H&H regards personal information protection as a significant legal risk and implements monitoring and response activities by including it in the operational risk area of the company-wide integrated risk management system. Personal information protection is overseen by the Chief Privacy Officer and hosted by the Department Supervising Information Security, and related training and supervision are conducted so that each responsible department and supplier can safely manage personal information.

We systematically manage personal information (including personal image information) that is handled by LG H&H and its subsidiaries to prevent personal information from being lost, stolen, leaked, altered, damaged, or misused. The regulation applies to LG H&H and its subsidiaries, internal employees and suppliers, and other external company employees handling personal information suppliers

In addition, the information security department conducts an internal audit to check compliance with the internal management plan at least once a year. When an employee violates the personal information protection policy or guidelines, disciplinary action will be taken according to the company rules. Depending on the case, a complaint may be reported to the responsible authority. In addition, if an employee causes property loss or damage to the company's image, they may be held responsible for all civil and criminal responsibilities.

### Personal Information and Information Security Organization

For information security and personal information protection, we operate a company-wide information security department with the Chief Information Security Officer (CISO) and Chief Privacy Officer (CPO) as the main pillars. We also run the Information Security Council with the CISO as the chairperson of the company-wide management department, the heads of related departments, and the CPO.



**Activities to strengthen personal information protection**

LG H&H is strengthening its personal information protection management by focusing on two areas of leakage prevention and legal compliance on its headquarters, consigned companies, directly managed stores, franchisees/agents, and overseas subsidiaries that handle personal information. In addition to establish and build security solutions to prevent personal information leakage, we regularly conduct security checks on consigned companies and sales sites for personal information.

We also closely grasp the trends of laws and systems to comply with domestic and foreign personal information protection-related laws, such as the Personal Information Protection Act, the Information and Communications Network Act, and the Overseas Personal Information Protection Act. When there are enactments or revisions, we immediately apply them to our business processes.

**Personal information protection management status**

scope	Category	Solutions	2021 performance
Headquarters ..... Consigned company	<b>Leakage prevention</b> · Leakage from internal sources · Hacking and malicious codes	<b>Operate security solutions to prevent leakage accidents</b> · Avoid leakage from internal sources, hacking and malicious codes · Protect the IT infrastructure and conduct integrated monitoring on information leakages	· Improved 5 systems, including the advancement of the information leakage monitoring system · Inspected mock hacking and vulnerability of website, shopping mall, and sales information system
Retail stores ..... Franchises/agencies Affiliates/Agency	<b>Compliance with regulations</b> · Personal Information Protection Act · Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. · Overseas privacy law	<b>Security check of consigned companies and business sites( retail stores, franchises, and agencies)</b> · Conduct annual security checks of consigned companies and strengthen security checks at sales business sites  <b>Comply with regulations on personal information protection</b> · Institute operational and technical protection measures concerning the life cycle of personal information (collection > use > storage > provision > disposal) · Follow personal information protection guidelines for overseas subsidiaries	· Checked the status of personal information management of consigned companies(65 companies) · Checked the status of personal information management in department stores(3 stores)  · Analyzed personal information processing flow for genetic analysis, digital catalog, and door-to-door sales · Passed the information security management system(ISMS) post-examination and maintained the certification
Overseas subsidiaries			

**Enhancing the security review process**

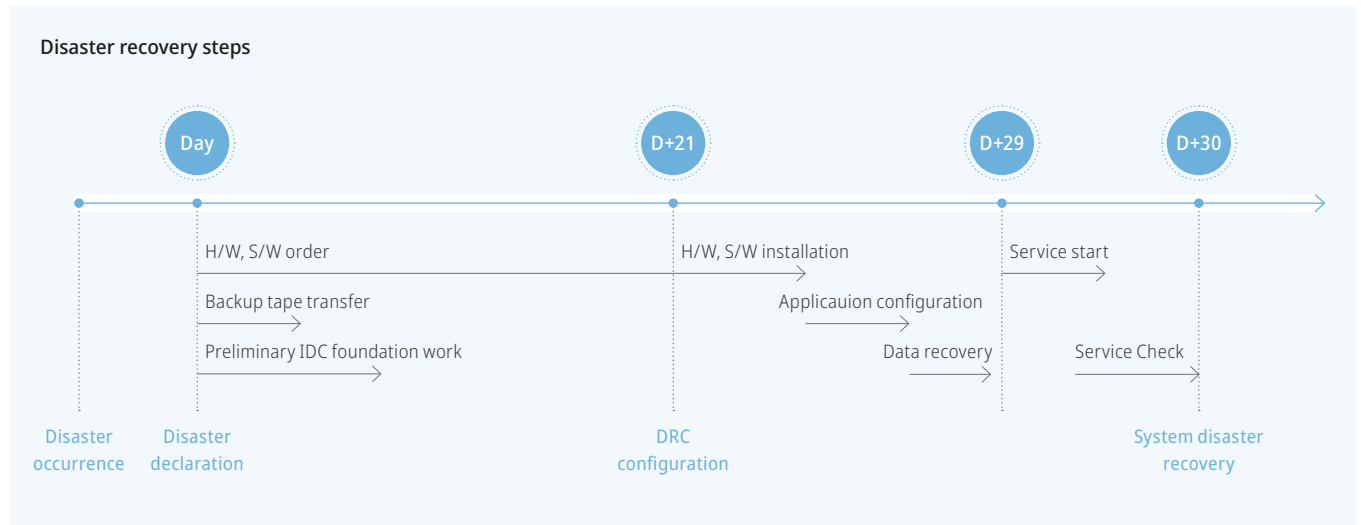
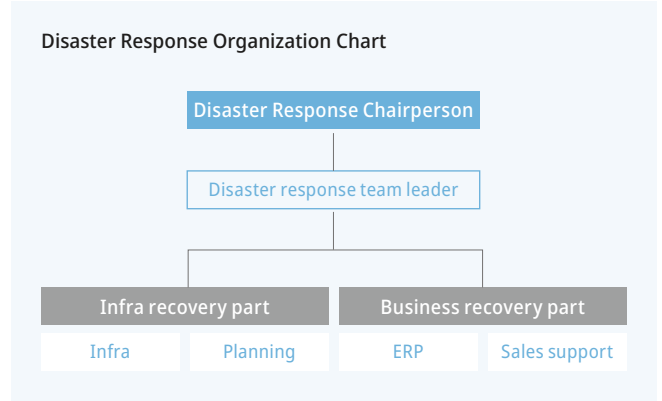
LG H&H has enhanced its security review process for information security, compliance, and security checks on IT systems built and operated by the company and its subsidiaries to prevent leakage of important information, such as personal and product prescription information. We have been conducting the security review process since 2014. In 2021, we expanded the scope of management by systemizing the security review process. Through this activity, we found security vulnerabilities in the IT system in advance and prevented the possibility of critical leaks from hacking(zero violations in 2021), which helped us comply with privacy/orthodox laws. Going forward, we plan to manage the entire IT system in an integrated way by utilizing the systemized security review process.

**IT systems subject to security review**

Target system	Inspection contents
New system	Infrastructure inspection, source diagnosis, mock hacking, personal information, ISMS, internal control
Operating system	CSR inspection, regular mock hacking, security control

### Operating a disaster recovery process

LG H&H operates the 'Disaster Recovery Guide', which documents a series of procedures to restore service quickly and accurately in the event of a service interruption due to a significant system disaster. The disaster recovery guide consists of an emergency response organization, a disaster recovery system including disaster recovery strategies and systems, detailed disaster recovery procedures, and disaster recovery simulation drills. The scope of disaster recovery includes the corporate website, members, shopping mall, business portals, brand sites, backup management systems, etc. When a disaster occurs in these systems, we carry out disaster recovery according to detailed procedures centered on the emergency response organization. As for the infrastructure part of the informatization promotion sector, we regularly conduct simulation drills to improve our ability to respond to situations and shorten recovery time in preparation for an actual disaster.



03.

SUSTAINABILITY  
FACTS & FIGURES

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## Economic Performance

### Financial Statement

(Unit : KRW million)

Category	LG H&H [Consolidated]			LG H&H [Non-consolidated]		
	2019	2020	2021	2019	2020	2021
<b>I. Current assets</b>	<b>2,163,075</b>	<b>1,982,769</b>	<b>2,472,884</b>	<b>1,009,794</b>	<b>892,926</b>	<b>1,253,655</b>
Cash and cash equivalents	647,104	434,105	734,521	261,567	78,790	355,339
Short-term financial instruments	72,263	58,537	95,352	16,900	17,400	16,400
Accounts and notes receivables	611,045	585,565	554,857	360,286	334,885	410,374
Other bonds	34,606	52,227	38,108	19,429	43,875	31,049
Inventories	746,323	808,966	1,000,656	338,257	401,986	424,544
Investments in subsidiaries		-			-	
Non-current assets as held for sale		-			-	
Other current financial assets	1,090	374	825	995	248	292
Other current assets	50,644	42,996	48,566	12,359	15,742	15,657
<b>II. Non-current assets</b>	<b>4,330,595</b>	<b>4,818,647</b>	<b>5,082,355</b>	<b>3,083,981</b>	<b>3,668,006</b>	<b>3,858,726</b>
Long-term financial instruments	24	20	20	12	11	11
Other long-term bonds	80,180	50,354	49,093	34,467	28,764	29,115
Available-for-sale financial assets		0			-	
Severance pay assets		0			-	
Stocks for subsidiaries		-		1,839,229	1,484,976	1,639,071
Stocks for affiliates and joint companies	56,559	59,999	59,168	9,633	9,633	9,383
Deferred tax assets	37,442	38,750	38,594	42,528	-	0
Property	2,036,045	2,329,834	2,449,112	927,590	1,133,245	1,149,343
Right-of-use assets	273,157	219,793	204,288	26,744	27,608	34,022
Investments in properties	42,239	24,760	30,129	37,068	22,714	29,962
Goodwill						
Intangible assets	1,787,314	2,063,443	2,168,720	153,251	930,916	905,392
Net defined benefit assets						
Other non-current financial assets	9,467	9,768	28,410	9,104	9,270	25,776
Other non-current assets	8,168	21,927	54,821	4,355	20,868	36,651
<b>Total assets</b>	<b>6,493,670</b>	<b>6,801,416</b>	<b>7,555,239</b>	<b>4,093,775</b>	<b>4,560,931</b>	<b>5,112,381</b>
<b>I. Current liabilities</b>	<b>1,771,204</b>	<b>1,479,724</b>	<b>1,525,845</b>	<b>793,017</b>	<b>670,223</b>	<b>765,934</b>
<b>II. Non-current liabilities</b>	<b>485,378</b>	<b>472,496</b>	<b>531,562</b>	<b>36,391</b>	<b>97,234</b>	<b>125,133</b>
<b>Total liabilities</b>	<b>2,256,582</b>	<b>1,952,220</b>	<b>2,057,407</b>	<b>829,408</b>	<b>767,457</b>	<b>891,067</b>
Capital stock	88,589	88,589	88,589	88,589	88,589	88,589
Capital surplus	97,326	97,326	97,326	97,326	97,326	97,326
Retained earnings	4,174,882	4,805,404	5,484,022	3,151,084	3,585,019	4,013,008
Accumulated other comprehensive income	-96,636	-124,123	-64,496	-2,004	-2,331	-2,481
Other reserves	-117,427	-111,217	-217,432	-70,628	24,872	24,872
Non-controlling interests equity	90,354	93,216	109,823			
<b>Total capital</b>	<b>4,237,088</b>	<b>4,849,196</b>	<b>5,497,833</b>	<b>3,264,367</b>	<b>3,793,474</b>	<b>4,221,314</b>



(Unit : KRW million)

Category	Coca-Cola Beverage [Consolidated]			HAITAI htb [Separate]		
	2019	2020	2021	2019	2020	2021
<b>I. Current assets</b>	<b>326,120</b>	<b>255,857</b>	<b>386,346</b>	<b>85,566</b>	<b>80,862</b>	<b>80,768</b>
Cash and cash equivalents	123,323	53,487	171,895	1,381	7,148	7,933
Short-term financial instruments	30,000	20,000	23,000	-	-	-
Accounts and notes receivables	105,485	114,903	115,735	31,637	28,618	30,511
Other bonds	4,592	1,951	1,397	2,472	2,392	2,895
Inventories	60,184	63,169	72,171	49,512	41,986	38,980
Investments in subsidiaries	-	-	-	-	-	-
Non-current assets as held for sale	-	-	-	-	-	-
Other current financial assets	-	-	-	-	84,888,697	-
Other current assets	2,536	2,346	2,148	564	632	447
<b>II. Non-current assets</b>	<b>548,534</b>	<b>629,189</b>	<b>679,514</b>	<b>336,385</b>	<b>333,194</b>	<b>329,687</b>
Long-term financial instruments	6	6	6	-	-	-
Other long-term bonds	7,502	6,950	6,966	5,177	5,099	4,584
Available-for-sale financial assets	344	344	344	-	-	-
Severance pay assets	-	-	-	-	-	-
Stocks for subsidiaries	-	-	-	-	-	-
Stocks for affiliates and joint companies	-	-	-	-	-	-
Deferred tax assets	6,563	4,455	3,743	-	0	-
Property	503,483	592,915	633,892	324,149	322,918	296,974
Right-of-use assets	18,161	13,662	11,701	4,490	3,928	2,970
Investments in properties	1,412	1,364	5,522	1,395	241	24,186
Goodwill	-	-	-	-	-	-
Intangible assets	10,839	9,378	8,843	1,088	1,007	974
Net defined benefit assets	-	-	8,439	-	-	-
Other non-current financial assets	-	-	-	86	-	-
Other non-current assets	225	115	60	-	-	-
<b>Total assets</b>	<b>874,654</b>	<b>885,046</b>	<b>1,065,860</b>	<b>421,951</b>	<b>414,056</b>	<b>410,455</b>
<b>I. Current liabilities</b>	<b>175,491</b>	<b>168,233</b>	<b>199,359</b>	<b>120,555</b>	<b>101,671</b>	<b>92,152</b>
<b>II. Non-current liabilities</b>	<b>36,312</b>	<b>26,540</b>	<b>23,901</b>	<b>42,339</b>	<b>46,755</b>	<b>49,764</b>
<b>Total liabilities</b>	<b>211,802</b>	<b>194,773</b>	<b>223,260</b>	<b>162,894</b>	<b>148,427</b>	<b>141,916</b>
Capital stock	25,000	25,000	25,000	87,737	87,737	87,737
Capital surplus	22,527	22,527	22,527	153,702	153,702	153,702
Retained earnings	615,661	643,082	795,410	18,145	24,717	27,626
Accumulated other comprehensive income	-337	-337	-337	-	-	-
Other reserves	-	-	-	-526	-526	-526
Non-controlling interests equity	-	-	-	-	-	-
<b>Total capital</b>	<b>662,852</b>	<b>690,272</b>	<b>842,600</b>	<b>259,057</b>	<b>265,630</b>	<b>268,538</b>

## Income Statement

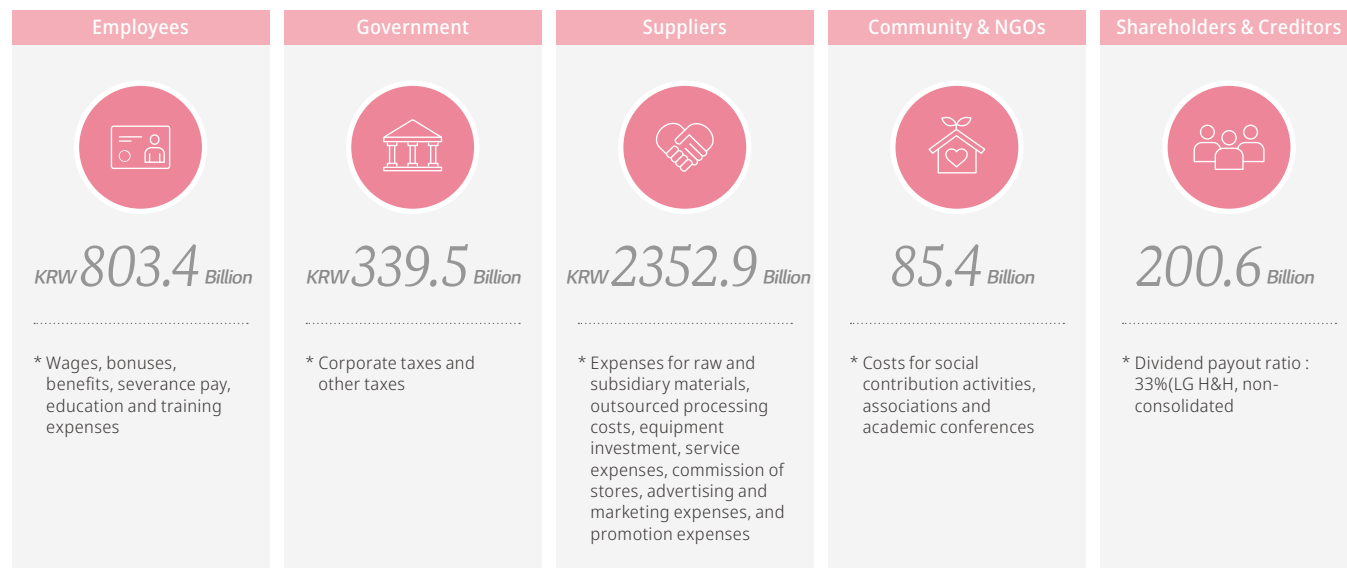
(Unit : KRW million)

Category	LG H&H [Consolidated]			LG H&H [Non-consolidated]		
	2019	2020	2021	2019	2020	2021
<b>Sales revenue</b>	<b>7,685,424</b>	<b>7,844,506</b>	<b>8,091,511</b>	<b>4,536,976</b>	<b>4,418,257</b>	<b>4,956,148</b>
Cost of sales	2,917,246	2,962,931	3,039,884	1,695,356	1,745,494	1,891,207
Gross profit or loss	4,768,178	4,881,576	5,051,628	2,841,620	2,672,763	3,064,940
Selling and administrative expenses	3,591,767	3,660,711	3,761,997	1,982,261	1,887,154	2,084,896
Restructuring expenses						
<b>Operating income</b>	<b>1,176,411</b>	<b>1,220,865</b>	<b>1,289,630</b>	<b>859,358</b>	<b>785,609</b>	<b>980,044</b>
Financial income	17,086	15,435	9,572	37,304	144,199	12,538
Financial expenses	17,773	21,617	22,886	14,627	7,695	17,953
Other non-operating profit and loss	-90,563	-100,633	-94,024	-40,425	-74,935	-129,426
Profit and loss relevant to equity method	6,920	7,024	5,073			
Net income before corporate taxes expenses	1,092,081	1,121,074	1,187,365	841,611	847,179	845,203
Corporate tax	303,908	307,973	326,237	218,743	228,740	237,967
Net income for an accounting period	788,173	813,101	861,128	622,868	618,439	607,236

(Unit : KRW million)

Category	Coca-Cola Beverage [Consolidated]			HAITAI htb [Separate]		
	2019	2020	2021	2019	2020	2021
<b>Sales revenue</b>	<b>1,266,919</b>	<b>1,338,724</b>	<b>1,422,872</b>	<b>386,731</b>	<b>373,659</b>	<b>375,461</b>
Cost of sales	764,129	793,597	851,774	281,225	272,564	283,165
Gross profit or loss	502,790	545,126	571,098	105,507	101,095	92,296
Selling and administrative expenses	361,626	360,775	370,346	94,467	92,375	86,621
Restructuring expenses				-	-	
<b>Operating income</b>	<b>141,164</b>	<b>184,352</b>	<b>200,752</b>	<b>11,040</b>	<b>8,720</b>	<b>5,675</b>
Financial income	1,204	1,043	899	247	90	374
Financial expenses	411	273	155	1,422	1,067	438
Other non-operating profit and loss	-5,689	-3,692	-5,232	-307	2,655	-212
Profit and loss relevant to equity method				-	-	
Net income before corporate taxes expenses	136,268	181,430	196,264	9,558	10,397	5,399
Corporate tax	40,677	36,104	46,819	6,795	3,314	2,974
Net income for an accounting period	95,591	145,325	149,445	2,762	7,083	2,424

**Domestic/Overseas Economic Value Distribution (based on domestic company and subsidiaries in China and Japan as of 2021)**



**Regional Corporate Tax Expense**

(Unit : KRW Billion)

Region	Sales	Operating profit	Corporate tax expense
Korea	69,229	11,971	2,902
China	15,377	800	205
Vietnam	266	15	3
United States	4,685	177	17
Taiwan	488	27	6
Japan	4,416	637	189
Others <sup>1)</sup> (Consolidated adjustment)	-13,546	-730	-60
<b>Total</b>	<b>80,915</b>	<b>12,896</b>	<b>3,262</b>

1) Amount is adjusted, taking consideration of internal transactions with subsidiaries subject to consolidated accounting and unrealized profit and loss

**Tax Amount and Tax Rates<sup>2)</sup>**

Category	Unit	2019	2020	2021	Average
Earnings before Tax	KRW Billion	10,921	11,211	11,874	-
Reported Taxes	KRW Billion	2,828	2,993	3,210	-
Reported Tax Rate	%	25.9	26.7	27.0	26.6
Cash Taxes Paid	KRW Billion	3,039	3,080	3,262	-
Cash Tax Rate	%	27.8	27.5	27.5	27.6

2) Reasons for the differences between nominal and real taxes : Non-taxable profit, non-deductible expense, tax deduction and exemption, corporate tax adjustment of the prior period, changes in unrealizable deferred corporate tax, the effect of corporate tax on the share of subsidiaries and affiliates in net profit or loss, the effect of changes in the deferred corporate tax rate, additional tax amount due to special tax benefits for facilitating investment and cooperation for mutual growth, etc

## Environmental Performance

### Major Environmental Index<sup>1)</sup>

Category		Domestic				
		Company/ subsidiary	Unit	2019	2020	2021
Production volume		LG H&H	ton	403,993	370,751	352,661
		Coca-Cola Beverage	ton	725,358	724,807	707,840
		HAITAI htb	ton	549,426	543,247	527,220
		Total	ton	1,678,776	1,638,805	1,587,721
Energy	Consumption	LG H&H	TJ	1,023	911	1,151 <sup>2)</sup>
	Intensity		GJ/product-ton	2.532	2.672	3.265
	Consumption	Coca-Cola Beverage	TJ	902	867	851 <sup>3)</sup>
	Intensity		GJ/product-ton	1.244	1.196	1.202
	Consumption	HAITAI htb	TJ	729	676	727 <sup>4)</sup>
	Intensity		GJ/product-ton	1.328	1.244	1.379
	Consumption	Total	TJ	2,655	2,501	2,729
	Intensity		GJ/product-ton	1.582	1.526	1.719
GHG <sup>5)</sup>	Emissions	LG H&H	tCO <sub>2</sub> e	48,654	45,314	52,346
	Intensity		tCO <sub>2</sub> e/product-ton	0.120	0.122	0.148
	Emissions	Coca-Cola Beverage	tCO <sub>2</sub> e	46,938	44,514	43,190
	Intensity		tCO <sub>2</sub> e/product-ton	0.065	0.061	0.061
	Emissions	HAITAI htb	tCO <sub>2</sub> e	36,191	36,246	35,800
	Intensity		tCO <sub>2</sub> e/product-ton	0.066	0.067	0.068
	Emissions	Total	tCO <sub>2</sub> e	131,783	126,074	131,336
	Intensity		tCO <sub>2</sub> e/product-ton	0.078	0.077	0.083
Water	Consumption	LG H&H	ton	666,127	555,420	595,782
	Intensity		Ton/product-ton	1.649	1.498	1.690
	Consumption	Coca-Cola Beverage	ton	1,879,051	1,726,739	1,772,995
	Intensity		Ton/product-ton	2.591	2.382	2.505
	Consumption	HAITAI htb	ton	1,262,758	1,217,063	1,256,855
	Intensity		Ton/product-ton	2.298	2.382	2.384
	Consumption	Total	ton	3,807,935	3,499,222	3,572,953
	Intensity		Ton/product-ton	2.268	2.135	2.250
Waste water	Emissions	LG H&H	ton	134,398	101,243	122,645
	Intensity		Ton/product-ton	0.333	0.273	0.348
	Emissions	Coca-Cola Beverage	ton	997,235	938,682	940,976
	Intensity		Ton/product-ton	1.375	1.295	1.329
	Emissions	HAITAI htb	ton	622,160	612,031	729,861
	Intensity		Ton/product-ton	1.132	1.127	1.384
	Emissions	Total	ton	1,753,793	1,651,956	1,793,482
	Intensity		Ton/product-ton	1.045	1.008	1.130
COD	Total amount	LG H&H	ton	42.5	10.1	9.3
	Intensity		kg/product-ton	0.105	0.027	0.026
	Total amount	Coca-Cola Beverage	ton	8.9	6.9	8.6
	Intensity		kg/product-ton	0.012	0.009	0.012
	Total amount	HAITAI htb	ton	24.2	21.0	14.6
	Intensity		kg/product-ton	0.044	0.039	0.028
	Total amount	Total	ton	75.5	38.0	32.4
	Intensity		kg/product-ton	0.045	0.023	0.020

1) 2021.01.01-2021.12.31

\* Partial data adjusted due to changes in data management scope and methodological adjustments, etc.

Category		Domestic				
		Company/ subsidiary	Unit	2019	2020	2021
Waste	Total amount	LG H&H	ton	7,134	6,589	8,528
	Intensity		kg/product-ton	17.658	17.771	24.180
	Total amount	Coca-Cola Beverage	ton	7,176	6,663	6,906
	Intensity		kg/product-ton	9.893	9.192	9.757
	Total amount	HAITAI htb	ton	7,275	7,424	5,837.3
	Intensity		kg/product-ton	13.240	13.665	11.072
	Total amount	Total	ton	21,584	20,675	21,271
	Intensity		kg/product-ton	12.857	12.616	13.397
NOx <sup>6)</sup>	Emissions	LG H&H	ton	1.678	6.478	5.547
	Intensity		kg/product-ton	-	-	-
	Emissions	Coca-Cola Beverage	ton	4.701	6.451	4.518
	Intensity		kg/product-ton	-	-	-
	Emissions	HAITAI htb	ton	8.900	5.997	7.126
	Intensity		kg/product-ton	-	-	-
	Emissions	Total	ton	15.279	18.926	17.191
	Intensity		kg/product-ton	-	-	-

2) Electricity : 702TJ, Steam : 276TJ, Other fuels : 174TJ

3) Electricity : 509TJ, other fuels : 342TJ

4) Electricity : 404TJ, other fuels : 322TJ

5) The data were calculated based on the management guidelines for the target of GHG emissions and energy consumption

6) Voluntary management is carried out

Category		Overseas*					
		Company/ subsidiary	Unit	2019	2020	2021	
Production volume		Beijing, China	ton	9,628	9,444	5,767	
		Hangzhou, China	ton	-	-	-	
		Dong Nai, Vietnam	ton	2,160	1,721	1,764	
		Guangzhou, China	ton	-	7,832	9,208	
		Total	ton	11,788	18,997	16,521	
	Energy	Consumption	Beijing, China	TJ	24.0	22.1	18.2
Intensity			GJ/product-ton	2.495	2.339	3.148	
Consumption		Hangzhou, China	TJ	-	-	-	
Intensity			GJ/product-ton	-	-	-	
Consumption		Dong Nai, Vietnam	TJ	13.6	13.1	11.3	
Intensity			GJ/product-ton	6.298	7.633	6.400	
Consumption		Guangzhou, China	TJ	-	61.4	55.8	
Intensity			GJ/product-ton	-	7.837	6.050	
Consumption		Total	TJ	37.6	96.6	85.215	
Intensity			GJ/product-ton	3.190	5.085	5.158	
GHG <sup>3)</sup>		Emissions	Beijing, China	tCO <sub>2</sub> e	1,244	1,145	927
		Intensity		tCO <sub>2</sub> e/product-ton	0.129	0.121	0.161
	Emissions	Hangzhou, China <sup>1)</sup>	tCO <sub>2</sub> e	-	-	-	
	Intensity		tCO <sub>2</sub> e/product-ton	-	-	-	
	Emissions	Dong Nai, Vietnam	tCO <sub>2</sub> e	623	581	386	
	Intensity		tCO <sub>2</sub> e/product-ton	0.288	0.337	0.219	
	Emissions	Guangzhou, China <sup>2)</sup>	tCO <sub>2</sub> e	-	8340	7,556	
	Intensity		tCO <sub>2</sub> e/product-ton	-	1.065	0.820	
	Emissions	Total	tCO <sub>2</sub> e	1,867	10,065	8,869	
	Intensity		tCO <sub>2</sub> e/product-ton	0.158	0.530	0.537	

\* LG H&H's separate standard

Category		Overseas				
		Company/ subsidiary	Unit	2019	2020	2021
Water	Consumption	Beijing, China	ton	19,973	20,257	13,159
	Intensity		Ton/product-ton	2.074	2.145	2.282
	Consumption	Hangzhou, China	ton	-	-	-
	Intensity		Ton/product-ton	-	-	-
	Consumption	Dong Nai, Vietnam	ton	31,566	27,572	26,321
	Intensity		Ton/product-ton	14.613	16.023	14.920
	Consumption	Guangzhou, China	ton	-	131,014	114,709
	Intensity		Ton/product-ton	-	16.728	12.500
	Consumption	Total	ton	51,539	178,843	154,189
	Intensity		Ton/product-ton	4.372	9.414	9.333
Waste water	Consumption	Beijing, China	ton	14,746	14,997	9,789
	Intensity		Ton/product-ton	1.532	1.588	1.697
	Consumption	Hangzhou, China	ton	-	-	-
	Intensity		Ton/product-ton	-	-	-
	Consumption	Dong Nai, Vietnam	ton	25,253	22,434	21,078
	Intensity		Ton/product-ton	11.691	13.037	11.950
	Consumption	Guangzhou, China	ton	-	87,114	98,663
	Intensity		Ton/product-ton	-	11.123	10.710
	Consumption	Total	ton	39,999	124,545	129,530
	Intensity		Ton/product-ton	3.393	6.556	7.840
COD	Total amount	Beijing, China	ton	0.15	0.33	0.16
	Intensity		kg/product-ton	0.015	0.035	0.027
	Total amount	Hangzhou, China	ton	-	-	-
	Intensity		kg/product-ton	-	-	-
	Total amount	Dong Nai, Vietnam	ton	1.82	1.23	-
	Intensity		kg/product-ton	0.842	0.717	-
	Total amount	Guangzhou, China	ton	-	1.89	2.56
	Intensity		kg/product-ton	-	0.242	0.280
	Total amount	Total	ton	1.97	3.46	2.72
	Intensity		kg/product-ton	0.167	0.182	0.165
Waste	Total amount	Beijing, China	ton	298	259	165
	Intensity		kg/product-ton	30.952	27.424	28.677
	Total amount	Hangzhou, China	ton	-	-	-
	Intensity		kg/product-ton	-	-	-
	Total amount	Dong Nai, Vietnam	ton	215	113	64
	Intensity		kg/product-ton	99.550	65.667	36.230
	Total amount	Guangzhou, China	ton	-	331	354
	Intensity		kg/product-ton	-	42.287	38.458
	Total amount	Total	ton	513	703	584
	Intensity		kg/product-ton	43.519	37.016	35.319

1) Stopped production at Hangzhou factory in China from 2019

2) Acquired the Guangzhou factory in China in 2019

3) The data were calculated based on the management guidelines for the target of GHG emissions and energy consumption

### Water Recycling

Company/subsidiary	Category	Unit	2019	2020	2021
LG H&H	Amount of recycled water	ton	25,279	23,795	46,645
	Recycling rate	%	3.8	4.3	8.6
Coca-Cola Beverage	Amount of recycled water	ton	148,354	113,887	97,827
	Recycling rate	%	7.9	6.6	5.5
HAITAI htb	Amount of recycled water	ton	17,855	13,820	-
	Recycling rate	%	1.4	1.1	0.0

### Waste Treatment in 2021

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total	
Designated waste	Amount of recycled waste	ton	2,049.4	16.8	8.1	2,074.3
	Amount of incinerated waste	ton	489.2	5.2	361.7	856.1
	Amount of buried waste	ton	22.8	1.1	0.9	24.8
	Others	ton	149.8	0.0	0.0	149.8
	Total amount	ton	2,711.2	23.1	370.7	3,105.0
General waste	Amount of recycled waste	ton	2,546.3	6,826.8	5,329.6	14,702.7
	Amount of incinerated waste	ton	2,962.1	41.6	11.1	3,014.8
	Amount of buried waste	ton	62.8	14.7	71.6	149.1
	Others	ton	245.1	0.0	54.2	299.3
	Total amount	ton	5,816.3	6,883.1	5,466.5	18,165.9

### Expenses for Environmental Protection in 2021

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Environmental investment	KRW million	16,932	2,023	2,591	21,546
Environmental expenses	KRW million	3,166	1,453	457	5,075

### Amount of Water Intake<sup>1)</sup> by Source in 2021

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Water supply <sup>2)</sup>	ton	419,186	1,597,794	1,012,398	3,029,378
Groundwater	ton	151,789	175,201	244,457	571,447
River water	ton	24,807	-	-	24,807
Total amount	ton	595,782	1,772,995	1,256,855	3,625,632

1) Domestic business sites are located in areas with low water stress index by WRI(World Resources Institute)

2) Water supply includes water used for industrial and residential purposes

### Amount of Recycled Containers<sup>3)</sup>

Company/subsidiary	Unit	2019	2020	2021
LG H&H	ton	20,480	21,556	21,054
Coca-Cola Beverage	ton	46,568	46,745	47,411
HAITAI htb	ton	10,679	10,887	11,953
Total amount	ton	78,087	79,188	79,518

3) Data adjustment made based on the recycling rate data disclosed by the Korea Resource Circulation Service Agency

## Social Performance

### Total Employees<sup>1)</sup>

#### Status of Employees at Domestic Corporation<sup>2)</sup>

Category		Unit	2019	2020	2021
Total		Person	8,002	7,744	7,466
Gender	Male	Person	5,166	5,086	4,907
	Female	Person	2,836	2,658	2,559

#### Status Employees at Overseas Subsidiaries<sup>3)</sup>

Unit	Total	China	Japan	Vietnam	Taiwan	North America	Others <sup>4)</sup>
Person	2,653	714	488	373	319	234	525

1) Breakdown by country basis : Republic of Korea(74%), China(7%), Japan(5%), Vietnam(4%), Taiwan(3%), North America(2%),Other countries(5%)

2) Not including 2,653 employees at overseas subsidiaries

3) The data is based on full-time employees

4) Singapore, Malaysia, Thailand, and Hong Kong subsidiaries

### Detailed Status of Employees

Company/ subsidiary	Category		Unit	2019	2020	2021
LG H&H	Total		Person	4,569	4,640	4,471
	Gender	Male	Person	2,026	2,174	2,107
		Female	Person	2,543	2,466	2,364
	Employment type	Permanent	Person	4,373	4,577	4,461
		Temporary	Person	196	63	10
	Job category	Office work	Person	2,442	2,658	2,597
		Manufacturing	Person	747	783	768
		Sales	Person	1,380	1,199	1,106
	Diversity	Disabled	Person	30	35	30
		Veterans	Person	67	69	64
		Foreigners	Person	38	24	18
	Coca-Cola Beverage	Total		Person	2,350	2,310
Gender		Male	Person	2,225	2,188	2,118
		Female	Person	125	122	126
Employment type		Permanent	Person	2,050	2,032	1,989
		Temporary	Person	300	278	255
Job category		Office work	Person	484	470	456
		Manufacturing	Person	303	298	293
		Sales	Person	1,563	1,542	1,495
Diversity		Disabled	Person	53	53	49
		Veterans	Person	61	57	57
		Foreigners	Person	0	0	-
HAITAI htb		Total		Person	833	794
	Gender	Male	Person	761	724	682
		Female	Person	72	70	69
	Employment type	Permanent	Person	763	737	718
		Temporary	Person	70	57	33
	Job category	Office work	Person	241	236	233
		Manufacturing	Person	272	270	261
		Sales	Person	320	288	257
	Diversity	Disabled	Person	17	17	16
		Veterans	Person	9	10	11
		Foreigners	Person	0	0	-



## Internal Hires

Category	Unit	2019	2020	2021
Percentage of internal hires <sup>1)</sup>	%	81.4	80.7	80.5

1) Percentage of open positions filled by internal candidates(internal hires)

## Employee Education & Training

Company/ subsidiary	Category	Unit	2019	2020	2021
LG H&H <sup>2)</sup>	No. of participants	Person	50,506	42,473	48,191
	Training hours per employee	Hour	63	52	58
	Training expense per employee	KRW	1,278,086	838,746	917,394
Coca-Cola Beverage <sup>3)</sup>	No. of participants	Person	12,304	14,721	66,113
	Training hours per employee	Hour	37	23	11
	Training expense per employee	KRW	120,274	130,224	89,952
HAITAI htb <sup>3)</sup>	No. of participants	Person	3,159	10,713	17,702
	Training hours per employee	Hour	21	43	29
	Training expense per employee	KRW	242,794	125,879	88,252

2) Cumulative data from 2013

3) Cumulative data from 2014

## Parental Leave

Company/ subsidiary	Category	Unit	2019	2020	2021
LG H&H	Ratio of employees who returned to work from parental leave	%	182/194	196/208	219/233(94.0%)
	Ratio of employees who took one full year of parental leave	%	161/171	111/116	187/208(89.9%)
Coca-Cola Beverage	Ratio of employees who returned to work from parental leave	%	6/6	5/5	2/4
	Ratio of employees who took one full year of parental leave	%	3/3	5/6	5/5
HAITAI htb	Ratio of employees who returned to work from parental leave	%	4/7	1/2	-
	Ratio of employees who took one full year of parental leave	%	3/3	3/3	1/1

## Job Creation<sup>4)</sup>

Company/ subsidiary	Category	Unit	2019	2020	2021
LG H&H	Male	Person	76	49	47
	Female	Person	124	40	60
	Total	Person	200	89	107
Coca-Cola Beverage	Male	Person	35	24	26
	Female	Person	1	2	1
	Total	Person	36	26	27
HAITAI htb	Male	Person	40	8	5
	Female	Person	3	1	-
	Total	Person	43	9	5

4) The data is based on the number of permanent employees and the number of employees converted into a permanent position

**Turnover<sup>1)</sup> in 2021**

Company/ subsidiary	Category	Unit	2019	2020	2021
LG H&H <sup>2)</sup>	Male	Person	49	28	81
	Female	Person	125	83	83
	Total	Person	174	111	164
Coca-Cola Beverage	Male	Person	12	3	13
	Female	Person	-	-	2
	Total	Person	12	3	15
HAITAI htb	Male	Person	31	23	21
	Female	Person	-	3	-
	Total	Person	31	26	21

1) The data is based on the voluntary turnover of permanent employees

2) Voluntary turnover rates of permanent employees : 3.7%

**Labor Union Membership Rate<sup>3)</sup>**

Company/ subsidiary	Unit	2019	2020	2021
LG H&H	%	34.1	35.9	36.6
Coca-Cola Beverage	%	98.5	98.1	98.3
HAITAI htb	%	79.8	81.9	86.6

3) Major agreements, including collective bargaining agreements with the labor union, are applied to all employees(100%)

**Industrial Accidents<sup>4)</sup>**

Company/ subsidiary	Category	Unit	2019	2020	2021	
LG H&H	No. of cases	Male	Person	1	5	2
		Female	Person	2	2	2
		Subtotal	Person	3	7	4
	Accident rate	Male	%	0.05	0.23	0.09
		Female	%	0.08	0.08	0.08
		Subtotal	%	0.07	0.15	0.09
Coca-Cola Beverage	No. of cases	Male	Person	9	11	5
		Female	Person	0	0	-
		Subtotal	Person	9	11	5
	Accident rate	Male	%	0.40	0.50	0.23
		Female	%	0	0	0.00
		Subtotal	%	0.38	0.48	0.22
HAITAI htb	No. of cases	Male	Person	2	3	4
		Female	Person	1	0	-
		Subtotal	Person	3	3	4
	Accident rate	Male	%	0.26	0.41	0.55
		Female	%	1.39	0	0.00
		Subtotal	%	0.36	0.38	0.50

4) 0 deaths from 2019 to 2021, including in-house resident contractors

\* Data population : 890 people for 2019, 1,005 people for 2020, 1,158 people for 2021

### Lost-Time Injuries Frequency Rate(LTIFR)

Company/ subsidiary	Category	Unit	2019	2020	2021
LG H&H	Employees	Case/M work-hour	0.32	0.73	0.43
	In-house suppliers	Case/M work-hour	0.49	0.48	0.84
Coca-Cola Beverage	Employees	Case/M work-hour	1.84	2.29	1.13
HAITAI htb	Employees	Case/M work-hour	1.73	1.82	2.82

### Occupational Illness Frequency Rate(OIFR)

Company/ subsidiary	Unit	2019	2020	2021
LG H&H	Case/M work-hour	0.00	0.00	0.00
Coca-Cola Beverage	Case/M work-hour	0.00	0.00	0.00
HAITAI htb	Case/M work-hour	0.00	0.00	0.00

### Supply Chain Spending Analysis<sup>1)</sup> in 2021

Country	Purchase amount(KRW 100 M)	Ratio(%) <sup>2)</sup>
Korea	23,839	84.7%
China	853	3.0%
Japan	442	1.6%
Other Asian countries	833	3.0%
Europe	424	1.5%
North America	1,084	3.9%
South America	112	0.4%
Oceania	547	1.9%

1) amount of raw materials, subsidiary materials, and products  
 2) Ratio of LG H&H's total purchase amount

### Number of Suppliers in 2021

Business Division	Type	No. of suppliers (Company)
Beautiful	Products	214
	Raw materials	363
	Subsidiary materials	291
	Mold	9
Healthy	Products	267
	Raw materials	416
	Subsidiary materials	259
	Mold	1
Refreshing	Products	42
	Raw materials	256
	Subsidiary materials	72
	Mold	1

### Performance and Goals with Suppliers<sup>3)</sup>

Category	Achieve a higher grade of the Safe Quality Certification	Number of cases of technical support	Amount of financial support
2019	92 Number of suppliers	557 Number of cases(accumulated)	992.1 billion(accumulated)
2020	176 Number of suppliers(accumulated)	756 Number of cases(accumulated)	1400.9 billion(accumulated)
2021	240 Number of suppliers(accumulated)	949 Number of cases(accumulated)	1,788.9 billion(accumulated)
2025 Goals	660 Number of suppliers(accumulated)	1,811 Number of cases(accumulated)	3,102 billion(accumulated)

3) The safe quality assessment for suppliers consists of cumulative data from 2019. The technical/financial support goals and achievements are cumulative data from 2017

## Results of self-assessment on ESG of suppliers<sup>1)</sup> in 2021(Unit : points out of 100)

Assessment score		Major deficiencies			
(Unit : points out of 100)		Area	Issue	Major Deficiency	Ratio of target suppliers
Labor & Human Right	80.9	Social contribution investment	Working hours	Inadequate compliance with legal working hours and insufficient management system for recording working hours	5.2%
Environment	49.2		Overtime work	Insufficient management of evidence to record overwork hours of individuals	9.0%
Safety & Management System	60.2		foreigner/immigrant employment	Lack of policies related to employment of foreigners and migrants	52.7%
Health	63.5	Safety & Health	prevention of sexual harassment	Insufficient establishment of guidelines and management of disciplinary measures to prevent sexual harassment	35.6%
Ethical Management	44.3		Safety and Health education	Lack of health and safety education for all workers to the level of 100%	5.3%
			Regulations for Safety and Health Management	Lack of safety and health management regulations as well as management	37.0%
			Hazard measurements for the working environment	Whether activities for facility safety and hazard assessment were carried out	13.3%

1) LG H&H's separate standard/Online ESG self-evaluation and on-site inspection conducted on partner companies

## Social Contribution Investment and Volunteer Work Hours<sup>2)</sup>

Category		Unit	2019	2020	2021
Social contribution investment	Total	KRW million	26,566	35,662	68,532
	Cash	KRW million	7,645	18,159	12,579
	Investment in kind	KRW million	18,921	17,503	55,953
Indirect cost		KRW million	1,065	912	1,053
Volunteer work	Hours	Hour	7,250	1,895 <sup>3)</sup>	2,133
	Monetary value	KRW	-	-	83,063,942 <sup>4)</sup>

2) Non-consolidated

3) Reduced volunteer hours due to COVID19 pandemic and social distancing

4) Calculated based on the average salary per employee

## Major Associations and Initiatives

Green Company Council	The Society of Cosmetic Scientists of Korea	Organization of Consumer Affairs Professionals in Business	Seoul Bar Association	(UN Global Compact)
Korea Industrial Safety Association	Korea Foods Industry Association	Korea Listed Companies Association	Korea Chamber of Commerce and Industry	CDP(Carbon Disclosure Project)
Korea Fire Safety Association	Korea Products Safety Association	Korea Intellectual Property Association(KINPA)	Korea Chemicals Management Association	RSPO(Roundtable on Sustainable Palm Oil)
Korean Standards Association (KSA)	Korea Health Supplements Association	Korea Patent Attorneys Association	Korea Pet Food Association	WEPs(Women's Empowerment Principles)
Korea Industrial Technology Association	Fair Competition Federation			PACT(Plastic Action)

## Contribution to Associations & Organizations<sup>5)</sup>

2018	2019	2020	2021
710,953,604	712,529,772	753,327,600	780,634,723

5) In accordance with the Political Funds Act and the instructions of LG H&H's Code of Ethics, any donation or sponsorship using the company's assets and budget for political purposes is strictly prohibited. We neither conducted lobbying activities nor provided sponsorship for local political campaigns and political donations from 2016 to 2020.

Major associations	Amount of contribution in 2021
Korea Cosmetic Association	177,580,000
Association Korea Health Supplements	12,000,000
Korea Foods Industry Association	8,160,000
Korea Products Safety Association	3,000,000
Korea Industrial Safety Association	1,008,000

### Major External Assessments and Awards

Category	Award	Institution for assessment/award
2021 Win-win Growth Index	Selection of Excellent companies	Korean Commission for Corporate Partnership
Dow Jones Sustainability Index	Listed in DJSI World for 4 consecutive years	S&P Dow Jones Indices / RobecoSAM / KPC
Dow Jones Sustainability Index	Listed in DJSI Asia-Pacific for 12 consecutive years	S&P Dow Jones Indices/ RobecoSAM / KPC
Excellent Company for Cultural Properties Social Contribution	Selection of Excellent companies	Cultural Heritage Administration
The 2021 Top Breakthrough Innovations in FMCG for East Asia	Elastin Propolis Terra Shampoo	Nielsen
Interbrand, "2021 Best Korean Brand"	Selected as Korea's "Top 50 Brand"	Interbrand
2021 Central ESG Management Awards	Awarded Best Food, Beverage and Beauty Company	Korea JoongAng Daily
Corporate Integrity Society Summit 2021	Awarded anti-corruption excellence company	UN Global Compact Network Korea / Korea Sustainability Investing Forum(KoSIF)

### Customer satisfaction<sup>1)</sup>

Category	Unit	2018	2019	2020	2021
Percentage of satisfied clients	%	84.7	86.3	87.9	88.5

1) NPS(Net Promoter Score) measured by adding "Belief" in 2020, targeting representative brands "O HUI", "Whoo" and "Su:m37<sup>o</sup>" by 2019

### Product recall

Category	Unit	2018	2019	2020	2021
Number of product lines for which products were recalled	Cases	0	0	0	0

### Management System Certifications

Category	ISO14001	ISO9001	ISO45001	KOSHA18001	HACCP	ISO22716	Green Company	FSSC 22000
LG H&H	Cheongju,TP, Ulsan, Onsan, Beijing, Vietnam-Gwangju	Cheongju, Ulsan, Onsan, Naju, Vietnam	Cheongju,TP, Naju, Beijing, Gwangju(AVON)	Ulsan	-	Incheon	Ulsan	-
Coca-Cola Beverage	Yeoju, Yangsan, Gwangju	Yeoju, Yangsan, Gwangju	Yeoju, Yangsan, Gwangju	-	Yeoju, Yangsan, Gwangju	-	Gwangju	Yeoju, Yangsan, Gwangju
HAITAI htb	Cheonan, Cheorwon, Pyeongchang, Iksan1, Iksan2	Cheonan, Cheorwon, Pyeongchang, Iksan1, Iksan2	Cheonan, Cheorwon, Pyeongchang, Iksan1, Iksan2	-	Cheonan	-	Cheonan	Cheonan, Cheorwon, Pyeongchang, Iksan1

04.

APPENDIX

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## GRI Standards Index

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\* The business report is available in the DART electronic disclosure system



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	207-4	Country-by-country reporting	115	

Environmental Performance(GRI 300)				
Topic	Index	Items	Pages	Remark
Energy	302-1	Energy consumption within the organization	116-119	
	302-3	Energy Intensity	116-119, About This Report	
	302-4	Reduction of energy consumption	41-42	
Water	303-3	Water recycled and reused	119	
	303-4	Water discharge	46, 116, 118	
	303-5	Water consumption	46, 116, 118	
Biodiversity	304-3	Habitats protected or restored	48-49	
Emission	305-1	Direct(Scope 1) GHG emissions	41-42	
	305-2	Energy indirect(Scope 2) GHG emissions	41-42	
	305-3	Other indirect(Scope 3) GHG emissions	138-140	
	305-4	GHG emissions intensity	116-117	
	305-5	Reduction of GHG emissions	20-21, 36-37, 41, 43, About This Report	
	305-7	Nitrogen oxides(NOx), sulfur oxides(SOx), and other significant air emissions	117	SOx and other major atmospheric emissions are not subject to management
Effluents and Waste	306-2	Management of significant waste-related impacts	36-37, 42-45, 47	
	306-3	Waste generated	47, 117-119	
	306-4	Waste diverted from disposal	117-119	
	306-5	Waste directed to disposal	119	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	-	No Critical Violations
Supplier Environmental assessment	308-1	New suppliers that were screened using environmental criteria	99-101	
	308-2	Negative environmental impacts in the supply chain and actions taken	99-101	

Social Performance(GRI 400)				
Topic	Index	Items	Pages	Remark
Employment	401-1	New employee hires and employee turnover	121-122	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	51-55	
	401-3	Parental leave	53, 121	
Labor/ Management Relation	402-1	Minimum notice periods regarding operational changes	28	
Occupational Health and Safety	403-1	Occupational health and safety management system	61	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	61-63, 66	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	63	
	403-4	Worker participation, consultation, and communication on occupational health and safety	60-63	
	403-5	Worker training on occupational health and safety	60-63	
	403-6	Promotion of worker health	63	
	403-7	Prevention and mitigation of occupational health and impacts directly linked by business relationships	60-63	
	403-9	Work-related injuries	122-123	
	403-10	Work-related ill health	123	
	Training and Education	404-1	Average hours of training per year per employee	121
404-2		Programs for upgrading employee skills and transition assistance programs	52-55	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	85, 120	Below 30 yrs(14.0%), 30-50 yrs(71.6%), Over 50 yrs(14.4%)
	405-2	Ratio of basic salary and remuneration of women to men	-	No difference in basic salary between men and women
Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	58, 96	
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	58-59, 99-101	Confirmed no child labor and forced labor exists through assessment on ESG of suppliers
Forced Or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	58-59, 99-101	
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	58-59	
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	77-83	
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	99-101	
	414-2	Negative social impacts in the supply chain and actions taken	99-105	
Public Policy	415-1	Political contributions	124	No application in accordance with the Domestic Political Fund Act and the LG Household & Health Care Code Practice Guidelines
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	64-71	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	No Critical Violations
Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	-	No Critical Violations
	417-3	Incidents of non-compliance concerning marketing communications	-	No Critical Violations
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	No Critical Violations
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Business Report	December 31, 2021 Business Report(282-283p)

## UUN Global Compact(UNGC)

### UNGC Communication on Progress

As LG H&H joined the UNGC(Global Compact) in 2012, our company has reinforced voluntary efforts to comply with 10 major principles in 4 major sectors including human rights, labor, environment, and anti-corruption.

Aspects	LG H&H system and policy	Relevant activities	Page
<b>Human rights</b>			
Principle 1.	Businesses should support and respect the protection of internationally proclaimed human rights	LG H&H prohibits gender/background discrimination, forced labor, etc., and respects human rights of individual employees.	57, 95, 102
Principle 2.	Businesses should make sure that they are not complicit in human rights abuses		
<b>Labor</b>			
Principle 3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	LG H&H continuously makes extensive efforts to train employees into autonomous and creative talented people.	50-52, 98-102
Principle 4.	Businesses should eliminate all forms of forced and compulsory labor,		
Principle 5.	Businesses should effectively abolish child labor,		
Principle 6.	Businesses should eliminate discrimination in respect of employment and occupation.		
<b>Environment</b>			
Principle 7.	Businesses should support a precautionary approach to environmental challenges	LG H&H continues to carry out activities, enhancing environmental value by considering environmental impacts on the supply chain by business activities.	36-37, 40-49
Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility,		
Principle 9.	Businesses should encourage the development and diffusion of environmentally friendly technologies		
<b>Anti-corruption</b>			
Principle.10	Businesses should work against corruption in all its forms, including extortion and bribery	LG H&H, based on Jeong Do Management, engages in ethical business activities and fair trade with its suppliers	84-97

## TCFD

### TCFD Disclosure

As part of its systematic response to climate change, LG H&H continuously monitors both global and regional climate change and their impact on companies by pivoting efforts on the ESG Committee under the Board of Directors. Taking into account the potential financial impact of climate change risk, we are implementing the recommendations of TCFD established by the FSB to disclose the risks and opportunities as follows.

TCFD Recommendations	LG H&H's Responses
<b>Governance</b>	
a) Board of Director's supervision of climate-related risks and opportunities	LG H&H's Board of Directors has the CEO as its chairman. It is in charge of final decision-making on climate change risk management and energy management based on goals and achievements related to greenhouse gas reduction. In February 2022, the committee approved the resolution of the carbon-neutral mid-to-long-term strategy, including managing greenhouse gas emissions, setting reduction targets, and investment plans for reduction in order to enhance the climate change strategy. To achieve the established carbon neutrality goal, we review and monitor the reduction required by each business annually and derive improvement tasks to accomplish the goal.
b) Top management's role in assessing and managing climate-related risks and opportunities	Under the ESG Committee, the control tower for in-house ESG governance, we operate the ESG Council (Past CSR Council), an ESG performance management committee chaired by the CFO. The ESG committee sets action plans for each departmental ESG and climate change issues, establishes company-wide responses to external stakeholder demands, and performs performance-related discussions, etc. In addition, climate change-related performance is reflected in the KPIs of executives, including the CEO and CFO, directly motivating eco-friendly policy implementation.
<b>Strategy</b>	
a) Short-term, mid-term, and long-term climate-related risks and opportunities	<p>LG H&amp;H has identified business risks and opportunities that the global trend of responding to climate change through carbon emission reduction and factors such as temperature rise due to climate change can cause.</p> <ol style="list-style-type: none"> <li>In the short term, LG Household &amp; Health Care recognizes the reduction of sales caused by the national blockade due to infectious diseases, disease outbreak, along with suspension of production of raw materials from the blockade. As part of our response to these short-term risks, we are implementing a strategy to stabilize prices through futures trading for crucial commodities such as raw sugar and aluminum.</li> <li>In the mid-to-long-term, LG H&amp;H identifies as risk factors increase in investment costs due to low-carbon products and technology conversion for carbon neutrality, increased cost of eco-friendly expansion due to changes in customer behavior, expanded cross-border carbon taxes, increase in raw material prices due to eco-friendly certification/reinforcement of regulations. In response to these mid-to-long-term risks, we will continue to expand the eco-friendly product line that realizes low carbon emissions by diversifying and expanding our supply chain and developing carbon emission reduction technology, etc., in the entire life cycle of a product from raw materials to production and distribution.</li> <li>LG H&amp;H classifies disruptions in the supply and demand of water and steam necessary for production, such as rising average temperature and insufficient water, as physical risks. In particular, as water is the essential raw material for LG H&amp;H, we will build an efficient infrastructure and resource circulation system to ensure stable water use.</li> <li>LG H&amp;H is making the following efforts in the eco-friendly product/packaging sector and will use it as an opportunity beyond simply responding to risks. : Raising awareness of eco-friendly companies, developing and expanding label-free beverage containers, developing packaging using recycled plastics, activating recycling, such as replacing materials challenging to recycle, pulp mold using paper, applying aluminum containers, replacing plastic by developing paper pouches, minimizing plastic usage by making packaging slimmer, developing Bio-balanced HDPE containers using bio-renewable raw materials, and developing Eco-friendly materials, such as Bio-PET application, etc.</li> </ol>
b) The effects that risks and opportunities exert on LG H&H's business, strategy, and financial plan	The climate change risks and opportunities that LG H&H identified and analyzed will be reflected in our overall business strategy and management plan. They will become our competitiveness and a driving force to reach our goal of achieving carbon neutrality in the long term. LG H&H will first advance the monitoring and evaluation system for GHG emissions by product and business site, thoroughly grasp the current status of LG H&H's GHG emissions, and then draw improvement tasks. We have established an investment plan worth about KRW 200 billion by improving process efficiency through the installation of heat exchangers at LG Household & Health Care, Coca-Cola Beverage, and HAITAI htb business sites, and energy efficiency through boiler replacement, etc., by 2030, and selected 85 detailed technical tasks to apply annually in areas such as renewable energy expansion and eco-friendly vehicle conversion strategies.
c) Resilience of LG H&H	<p>LG H&amp;H has set a top-down reduction target of 45% by 2030 based on the IPCC* scenario, which limits the increase in global average temperature to 1.5 degrees or less. We will close the gap with the bottom-up reduction target calculated by reviewing feasible tasks within LG H&amp;H, such as process efficiency improvement, fuel conversion, RE100, and EV100, by making a flexible decision by comparing the economic feasibility of reduction measures such as REC and boilers with the progress of climate change in the future.</p> <p>We have also identified impacts that could directly influence our business sites, factories, and production facilities by analyzing IPCC's RCP4.5, RCP6.0, and RCP8.5 scenarios for the quantitative and qualitative analysis of physical risks caused by climate change. We will continue to monitor the physical risks identified through scenario analysis, such as heavy rain, heat waves, typhoons, sea-level rise, and fine dust, through our risk management system in the future to minimize damage caused by those physical risks.</p> <p>* IPCC(Intergovernmental Panel on Climate Change)</p>

TCFD

TCFD Recommendations	LG H&H's Responses
Risk management	
a) Process for identifying and assessing climate-related risks	We manage risks expected to affect LG H&H's business through the 'Company-wide Integrated Risk Management System.' We identify and evaluate risks by dividing them into company-wide and individual asset-level risks.
b) Processes to manage climate change risks	LG H&H identifies and manages risks related to the greenhouse gas target management system. We calculate greenhouse gas emissions for each business site, identify risks, and verify them. In addition, to minimize risks, we establish investment plans for high-efficiency facilities every year in collaboration with departments concerning facility technology, production, and logistics, and conduct technology reviews on renewable energy investments.
c) Integrating the processes of identifying, assessing, and managing climate change risks into enterprise risk management	LG H&H operates a company-wide integrated risk management system to monitor and respond to potential risks. We manage climate change-related risks every quarter as part of the company-wide integrated risk management system to continue to understand the company-wide impact of climate change-related risks. We also classify potential risks into four categories : strategic, risk, financial, and operational risk, and each department monitors and responds to risk factors at the relevant department or company level, depending on the nature of the risks.
Indicators and reduction targets	
a) Disclosure of indicators used to manage climate change risks and opportunities	<p>LG H&amp;H continues to monitor and evaluate climate change-related risks and opportunities by securing quantitative data on GHG emissions and GHG intensity that directly affect climate change. Emission data from Scope 1, 2, and 3 are disclosed to stakeholders through the Sustainability Report and CDP Response Sheet.</p> <p>In addition, we disclosed and managed data on major environmental indicators other than greenhouse gas emissions, such as energy and water use, wastewater, and waste, in order to establish a system to respond climate change related risks and opportunities e that may occur throughout our production activities in the short-term, mid-to-long term.</p> <p>LG H&amp;H intends to enhance its ESG execution in all business areas by reviewing the establishment of the LG H&amp;H ESG Awards along with the technical challenges in the production process. In particular, the evaluation in the eco-friendly sector includes criteria related to direct carbon emission reduction and the use of eco-friendly materials and packaging materials, making it likely to reduce emissions substantially through the system's operation.</p>
b) Disclosure of Scope 1, Scope 2, and Scope 3 GHG emissions and related risks	LG H&H's 2020 greenhouse gas emission was 45,314 tCO <sub>2</sub> e, a 12% reduction compared to 2018, when it emitted 51,631 tCO <sub>2</sub> e. LG H&H discloses the data through the CDP response sheet.
c) Targets used to manage climate change risks and opportunities	LG H&H has set goals and established plans to reduce Scope 1, 2, and 3 GHG emissions by 45% by 2030(compared to 2020) and achieve carbon neutrality by 2050, and is working hard to implement them.

## SASB

### Sustainability Accounting Standards Board Index

LG H&H intends to report the sustainability information contained in the ESG report in connection with the sustainability disclosure topics and accounting metrics of the U.S. Sustainability Accounting Standards Boards(SASB). The sustainability index for the household and personal products sector is only applied to LG H&H. The sustainability index for non-alcoholic beverages sector is only applied to Coca-Cola Beverages and HAITAI htb.

Topic	Accounting Metric	CODE	Page	Remarks
(Household & Personal Products) Sustainability Accounting Standard				
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	CG-HP-140a.1	119	Domestic business sites are located in areas with low water stress index by WRI(World Resources Institute)
	Description of water management risks and discussion of strategies and practices to mitigate those risks	CG-HP-140a.2	46	
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern(SVHC)	CG-HP-250a.1	40	
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	40	
	Discussion of process to identify and manage emerging materials and chemicals of concern	CG-HP-250a.3	68-69	
	Revenue from products designed with green chemistry principles	CG-HP-250a.4	61	
Packaging Life Cycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	CG-HP-410a.1	43	
Environmental & Social Impacts of Palm Oil Supply Chain	Discussion of strategies to reduce the environmental impact of packaging throughout its life cycle	CG-HP-410a.2	36-37, 40, 42-45	
	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil(RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	CG-HP-430a.1	102	
(Non-Alcoholic Beverages) Sustainability Accounting Standard				
Energy Management	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	FB-NB-130a.1	116-117	
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high baseline water stress	FB-NB-140a.1	119	Domestic business sites are located in areas with low water stress index by WRI(World Resources Institute)
Health & Nutrition	Revenue from (1) zero- and low-calorie, (2) no-added-sugar, and (3) artificially sweetened beverages	FB-NB-260a.1	24	
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	FB-NB-260a.2	70-71	
Product Labeling & Marketing	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	FB-NB-270a.3	129	
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	FB-NB-270a.4		
Packaging Life Cycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	FB-NB-410a.1	43	
	Discussion of strategies to reduce the environmental impact of packaging throughout its life cycle	FB-NB-410a.2	36-37, 40, 42-45	



## Independent Assurance Statement

**To: The Stakeholders of LG H&H.**

### Introduction and objectives of work

BSI Group Korea (hereinafter "the Assurer") was asked to verify 2021 LG H&H ESG Report (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. LG H&H is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to LG H&H by applying the verification methodology and to provide this information to all stakeholders of LG H&H.

### Assurance Standards and Levels

This assurance was based on the AA1000AS v3(2020) Assurance Standard and confirmed that the report was prepared in accordance with the Core Option of GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP(2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. Type 2 was limitedly verified against the topic standards below, based on the data and information provided by the reporting organization.

Type 2 was verified for Energy consumption within the domestic organization, quantity of waste treatment, direct GHG emissions (Scope 1), indirect GHG emissions (Scope 2 and Scope 3) Nitrogen Oxides (NOx) emissions and Lost Time Injury Frequency Rate (LTIFR) among GRI Topic-specific Standards for domestic operations.

### Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st 2021 included in the report, Some data include 2022
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- Appropriateness and consistency of processes and systems for data collection, analysis and review

The following contents were not included in the scope of assurance.

- Financial information
- Disclosures in the international standards and initiatives index excluding GRI
- Other related additional information such as the website presented in the report

### Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

### Assurance Opinion

On the basis of our methodology and the activities described above, it is our opinion that

- The information and data included in the report are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards.
- The assurance opinion on the four principles presented by the AA1000 AP(2018) is as follows.

### AA1000 AP(2018)

#### Inclusivity: Stakeholder Engagement and Opinion

LG H&H defined customers, suppliers, employees, local communities, shareholder/investor and governments/public institutions/associations as key stakeholder groups, and operates communication channels for each group for stakeholder engagement. They conducted a survey on internal and external stakeholders and collected various opinions and expectations of stakeholders based on the response results, and reflect the derived material issues in decision-making on sustainability management.



**Materiality: Identification and reporting of material sustainability topics**

LG H&H derived the issue pool through the risk assessment process and communication with stakeholders, based on the results of media research, benchmarking global advanced companies, analysis of major global initiatives related to sustainability, and opinions collected from communication channels of each stakeholder group. LG H&H conducted a materiality assessment that comprehensively considered stakeholder interest and business impact, and selected the 12 material issues identified.

**Responsiveness: Responding to material sustainability topics and related impacts**

LG H&H reflected the expectations of stakeholders on material topics derived through the materiality assessment and reflected them in the strategies and long-term plans to respond. The effectiveness of their ESG management and performance are kept under continuous review and monitoring through ESG working groups, and key issues are reported to the ESG Committee. Their policy and activities in respect to each of the material topics were then disclosed to stakeholders through the report.

**Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders**

LG H&H implemented the process to identify and evaluate the impact on organizations and stakeholders related to material issues. LG H&H make decisions on operations and management of impacts that could arise from each material topic by identifying and assessing the impacts, risks and opportunities regarding selected material topics. The results of impact, risk, and opportunity factors analysis on material issues are used for decision-making to respond to each issue, and the process is disclosed in the report.

**Key areas for ongoing development**

To the extent that the validator does not affect the verification results, the following comments are presented.

- LG H&H manages sustainability issues of the organization by operating ESG working group. By disclosing the operation status and performance of the ESG working council and ESG committee, reporting the establishment of goals and achievement status according to ESG mid- to long-term strategies can help stabilize and operate the sustainable management system
- It may be helpful to evaluate the impact of reporting organizations' performance and plans on sustainability issues such as environment and society, and to conduct a double materiality assessment considering the impact of reporting organizations' industry-specific characteristics when evaluating the materiality assessment

**Statement of independence and competence**

The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with LG H&H. The assurer has conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

**Evaluation against GRI 'In Accordance' Criteria**

The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by LG H&H.

**[Universal Standards]**

Organizational Profile 102-1~13/ Strategy 102-14~15/ Ethics and Integrity 102-16~17/ Governance 102-18~19, 102-22~26, 102-29, 102-31~36/ Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3

**[Topic-specific Standards]**

- Economic: 201-1~2, 203-1~2, 204-1, 205-1~3, 206-1, 207-1~2, 207-4
- Environmental: 302-1, 302-3~4, 303-3~5, 304-3, 305-1~5, 305-7, 306-2~5, 307-1, 308-1~2
- Social: 401-1~3, 402-1, 403-1~10, 404-1~2, 405-1~2, 406-1, 408-1, 409-1, 412-1, 413-1, 414-1~2, 415-1, 416-1~2, 417-2~3, 418-1, 419-1

July 18<sup>th</sup>, 2022

S. H. Lim

BSI Group Korea, Managing Director



**AA1000**  
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A handwritten signature in black ink, appearing to be 'S. H. Lim'.

## 『Verification Statement on 2021 Greenhouse Gas & Energy Inventory Report(LG Household & Health Care)』

### Introduction

Korean Foundation for Quality(hereinafter 'KFQ') has been engaged by 『LG Household & Health Care』 to independently verify its 2021 Greenhouse Gas Emission & Energy Consumption Report(hereinafter 'GHG Inventory').

### Verification Scope & Standard

KFQ's verification was conducted three business sites of manufacturing division and logistics division under operational control of 『LG Household & Health Care』. 'Greenhouse Gas and Energy Target Management Scheme(Notification No. 2021-278 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

### Verification Procedure

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

### Limitations of verification

Accuracy and completeness of emission data reported in the 'GHG Inventory' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

### Conclusion/Opinion

Through verification procedures such as ISO 14064-1, ISO 14064-3, the following conclusions are presented on greenhouse gas emissions and energy usage data.

- 1) The Inventory Report has been stated in accordance with 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme'
- 2) The result of Material discrepancy satisfied the criteria for an organization that emits more than 500,000 tCO<sub>2</sub>-eq shall not exceed 5% from total emission as per "Greenhouse Gas and Energy Target Management Scheme"
- 3) Thus, KFQ conclude that the Greenhouse Gas Emissions and Energy Consumption of the Company in 2021 is correctly calculated and stated in accordance with 'Rules for verification of operating the greenhouse gas emission trading scheme'.

### 2021 Greenhouse Gas Emissions of 『LG Household & Health Care』

Division	GHG Emissions(tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions(Scope3)	Scope1 + Scope2 + Scope3
Ulsan	6,166.191	11,512.887	17,679	183.999	17,862
Chungju	115.378	10,844.979	10,960	1,744.710	12,704
Chungju TP	1,037.023	5,120.848	6,157	164.588	6,321
Onsan	1,364.717	6,629.132	7,993	50.699	8,043
Naju	-	1,003.040	1,003	84.196	1,087
Daejeon technical institute	94.036	690.611	784	33.998	817
Logistics	11.178	2,232.244	2,243	-	2,243
Magok SP	45.471	5,004.051	5,049	207.189	5,256
Incheon	121.144	357.662	478	9.431	487
Total	8,955.137	43,395.454	52,346	2,478.809	54,820

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

※ Scope3 : Commuter bus, Waste disposal

April 25<sup>th</sup>, 2022

CEO Ji-Young Song

Korean Foundation for Quality(KFQ)

*Ji Young Song*

## 『Verification Statement on 2021 Greenhouse Gas & Energy Inventory Report(Coca-Cola Beverage Company)』

### Introduction

Korean Foundation for Quality(hereinafter 'KFQ') has been engaged by 『Coca-Cola Beverage Company』 to independently verify its 2021 Greenhouse Gas Emission & Energy Consumption Report(hereinafter 'GHG Inventory').

### Verification Scope & Standard

KFQ's verification was conducted three business sites of manufacturing division and logistics division under operational control of 『LG Household & Health Care』. 'Greenhouse Gas and Energy Target Management Scheme(Notification No. 2021-278 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

### Verification Procedure

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

### Limitations of verification

Accuracy and completeness of emission data reported in the 'GHG Inventory' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

### Conclusion/Opinion

Through verification procedures such as ISO 14064-1, ISO 14064-3, the following conclusions are presented on greenhouse gas emissions and energy usage data.

- 1) The Inventory Report has been stated in accordance with 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme'
- 2) The result of Material discrepancy satisfied the criteria for an organization that emits more than 500,000 tCO<sub>2</sub>-eq shall not exceed 5% from total emission as per "Greenhouse Gas and Energy Target Management Scheme"
- 3) Thus, KFQ conclude that the Greenhouse Gas Emissions and Energy Consumption of the Company in 2021 is correctly calculated and stated in accordance with 'Rules for verification of operating the greenhouse gas emission trading scheme'.

### 2021 Greenhouse Gas Emissions of 『Coca-Cola Beverage Company』

Division	GHG Emissions(tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions(Scope3)	Scope1 + Scope2 + Scope3
Yeoju	7,614.630	12,328.758	19,943	33.298	19,976
Gwangju	1,340.917	4,124.441	5,465	25.734	5,490
Yongsan	2,550.566	6,081.710	8,632	19.950	8,651
Logistics	7,045.614	2,102.902	9,148	-	9,148
Total	18,551.727	24,637.811	43,190	78.983	43,265

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

## 『Verification Statement on 2021 Greenhouse Gas & Energy Inventory Report(HAITAI htb)』

### Introduction

Korean Foundation for Quality(hereinafter 'KFQ') has been engaged by 『HAITAI htb』 to independently verify its 2021 Greenhouse Gas Emission Report(hereinafter 'GHG Inventory').

### Verification Scope & Standard

KFQ's verification was conducted domestic business sites under operational control of 『HAITAI htb』. 'Guidelines on the Reporting and Certification of Emissions of Greenhouse Gas Emission Trading Systems(Notification No. 2021-278 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

### Verification Procedure

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

### Limitations of verification

Accuracy and completeness of emission data reported in the 'GHG Inventory' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

### Conclusion/Opinion

Through verification procedures such as ISO 14064-1, ISO 14064-3, the following conclusions are presented on greenhouse gas emissions data.

- 1) The Inventory Report has been stated in accordance with 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme'
- 2) The result of Material discrepancy satisfied the criteria for an organization that emits more than 500,000 tCO<sub>2</sub>-eq shall not exceed 5% from total emission as per "Greenhouse Gas and Energy Target Management Scheme"
- 3) Thus, KFQ conclude that the Greenhouse Gas Emissions of the Company in 2021 is correctly calculated and stated in accordance with 'Rules for verification of operating the greenhouse gas emission trading scheme'.

### 2021 Greenhouse Gas Emissions of 『HAITAI htb』

Division	GHG Emissions(tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions(Scope3)	Scope1 + Scope2 + Scope3
Cheonan	13,624.261	10,494.512	24,119	175.700	24,294
Pyeongchang	64.171	5,934.110	5,998	12.191	6,010
Cheolwon	4.136	861.417	865	0.426	865
Iksan 1	955.547	802.519	1,758	16.295	1,774
Iksan 2	400.952	1,002.052	1,403	579.302	1,982
Logistics	1,254.842	402.409	1,657	-	1,657
Total	16,303.909	19,497.019	35,800	783.914	36,582

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

※ Scope3 : Waste disposal

May 10<sup>th</sup>, 2022

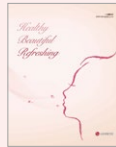
CEO Ji-Young Song

Korean Foundation for Quality(KFQ)

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# 2021 LG H&H ESG REPORT

## Cover History



2009



2010



2011



2012



2013



2014



2015



2016



2017



2018

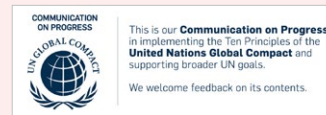


2019



2020

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Published in July 2022    Published by Suk Cha    Designed by Reddot Branding  
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