

BEAUTIFUL
HEALTHY
REFRESHING



FOR PEOPLE
AND THE PLANET



ABOUT THIS REPORT

Report Overview

Since 2009, LG Household & HealthCare(hereafter LG H&H) has published an annual ESG report to share with stakeholders its various efforts for 'sustainable management'. This report is the fourteenth '2022 LG H&H ESG Report' and transparently discloses our activities and performance during the year. We aim to practice sustainable management by gathering stakeholders' opinions and summarizing the processes and effects reflected in our management activities.

Reporting Period and Scope

The reporting period of this report is from January 1, 2022 to December 31, 2022, and for some items, we used three years of data from 2020 to compare trends. Depending on the timeliness and materiality of the information, some data includes data from 2023. The scope of reporting is LG H&H headquarters, Coca-Cola Beverage, and HAITAI htb's domestic and foreign subsidiaries. The scope of ESG data is consistent with the consolidated basis of the financial statements. When the reporting scope is different or there are changes in the data, we have noted them separately. The reporting cycle of this report is one year, and the previous report was the '2021 LG H&H ESG Report' published in July 2022.

Reporting Standards and Principles

We have prepared this report based on the Core Option of the Global Reporting Initiative(GRI) Standards, an 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 enhance the internal and external credibility of this report, we commissioned third-party assurance from BSI, a specialized assurance organization, to ensure the reliability and impartiality of our processes, disclosed data, and content. The detailed assurance opinion is included in the Appendix.

Changes

Some environmental indicator data has been adjusted due to the addition of the Saitama, Japan and Dominica factories, and the changed data is noted in the footnotes.

Inquiries

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

LG H&H ESG Team

Tel 02-6924-6927/6082/6118

E-mail lgcsr@lghnh.com/lgesg@lghnh.com

Homepage www.lghnh.com

FOR PEOPLE AND THE PLANET

2022 LG H&H ESG Report



Overview

- 04 CEO Message
- 12 Company Overview
- 14 Economic Value Creation
- 16 ESG Mid-to Long-Term Strategy & Roadmap
- 20 Special Pages

Sustainable Impact Issues

- 28 Stakeholder engagement
- 30 Double materiality assessment
- 34 Issue 1. Product Liability and Safety Enhancement
- 36 Issue 2. Response to climate change(Carbon Neutrality)
- 38 Issue 3. Developing Green Products and Services

Sustainable Management

Environment

- 42 Environmental Management

Social

- 54 Talent Management
- 60 Human Rights Management
- 64 Safety and Health Management
- 68 Quality Management
- 74 Customer Satisfaction Management
- 78 Cyber security
- 82 Social Contribution

Governance

- 88 Corporate Governance
- 94 Crisis & Risk Management
- 102 Compliance
- 104 Jeong-Do Management
- 108 Supply Chain Management

Sustainability Facts & Figures

- 118 Economic performance
- 122 Environmental performance
- 127 Social performance

Appendix

- 136 GRI Standards / UNGC / TCFD / SASB
- 144 Third Party Verification Statement
- 146 Greenhouse Gas Emission Verification Statement

CEO MESSAGE



“We hope that 2023 will be a year of pride and reward, where ‘customer value’ created by every one of us will be the foundation for growing LG H&H healthier and stronger.”

Dear LG H&H stakeholders,

I wish you and your families the best of health and happiness in 2023.

As a global leader in ESG management, LG H&H is taking active steps to comply with the 10 principles of the UN Global Compact and fulfill the Sustainable Development Goals. Last year, we announced our '2050 Carbon Neutrality Plan' and believe that this declaration will be an essential condition for LG H&H to grow as a sustainable company in the future. We have commenced our carbon neutral management to reduce our carbon emissions to zero and created a roadmap for responding to climate change.

We will also fulfill our corporate social responsibility by conducting various social contribution activities for biodiversity conservation and the socially disadvantaged. In this way, we will further increase the value of customer satisfaction to create a company that can sustain itself by actively practicing ESG management.

Since taking on the responsibility of CEO at the end of last year, I have been listening to various stakeholders and thinking about how to apply this information for the company's growth. We practice customer centered management to ensure our brands and products are aligned with the big trends in the marketplace and our customers, by providing quality and consultation we have become the brand they love and trust for years to come.

We will encourage and value fresh approaches to keep up with changes in the market and customer's needs. We will strive to innovate our technology and produce products that are novel and unique. To support these new diverse ideas and translate them into business results, we need to make sure our brands are genuine, with products that deliver tangible benefits and value to customers and packaging that captures their emotions and convenience. It is a difficult task but must be done uncompromisingly and diligently.

To grow as a global company, overseas business expansion must be sustained and strengthened. In China, we will focus on strengthening our brand portfolio and expanding our local distribution base in line with market and customer changes. For North America, our next market, we plan to prepare brands and products that fit the local market and customer characteristics and enhance local business operation capabilities.

For the matters that I have mentioned to be executed with persistence and to lead to meaningful results and internalized capabilities, we all need to do a lot more, deep thinking, unhesitating communication, and fierce collaboration from a customer value perspective - not just across business units and overseas subsidiaries, but across CTOs, CDOs, design, production, support, etc.

We will not stop challenging ourselves, taking pride in what we do and finding reward in creating "customer value creation", will become the foundation of a stronger LG H&H. We ask for the continued interest and support of all LG H&H stakeholders.

Thank you.

BEAUTY DIVISION

BEAUTIFUL

We develop safe and reliable products to help customers achieve a more beautiful life with our cosmetics, and we strive to fulfill our social responsibility to the global environment and customers. We will pursue truly sustainable beauty and leap forward to become a global luxury beauty company beyond Korea.

Whoo Cheongidan Radiant Rejuvenating Emulsion & Balancer

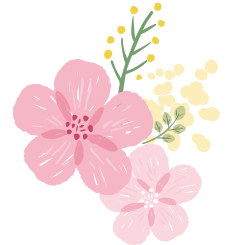
The History of Whoo

The History of Whoo a royal premium cosmetics brand that blends palace secrets for royalty with modern science

Cumulative sales of Whoo Cheongidan Radiant Rejuvenating line

6.7 trillion won¹⁾

1) Cumulative basis of overseas and domestic sales from February 2010 to December 2022



O HUI

An emotional dermatology cosmetics brand that constantly researches and creates to realize perfect beauty.

Women around the world have experienced remarkable skin improvements.

My skin feels more harmonized.

My skin looks better.

100%


98.8%

Organization: Seow & Company
Period: February 19 - February 25, 2020
Respondents: 20 from each of South Korea, China, the United States, and Vietnam, for a total of 80 respondents
Criteria: Respondents with a score of at least 4 out of 7

O HUI THE FIRST GENITURE SYM-MICRO ESSENCE



CNP



CNP_Propolis Energy Ampule

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

CNP_Propolis Energy Ampule Quick(5-second) Care Cramming Ampule, emergency moisturizing Ampule

Skin moisturizing Improvement	Skin glowing Improvement	Skin texture Improvement
112%	37%	7%

Human Clinical Test on C&P Propolis Energy Active Ampoule
Test organization: Ellead Co., Ltd.
Study period: September 5, 2022 ~ September 23, 2022
Test subjects: 20 people/1 use/temporary/different by individual

Belif

A true herbal cosmetics brand that provides trust to its customers with authentic values, where superior ingredients and efficacy are honestly revealed on the skin.

2 bomb creams loved by the world for 10 years

sales in 2022

13 million cumulative



Belif the true cream Aqua Balm
The true cream Moisturizing Balm

Su:m37°

A natural and fermented cosmetics brand that uses fermentation science ingredients both comfortable and effective on the skin to provide natural skin beauty.

German Dermatest Excellent rating¹⁾

2023 Clean Award Winner²⁾

1) Formula with 93% natural derivation index according to ISO16128, Dermatest laboratory, Germany, tested for use on sensitive skin
2) <Allure Best of Beauty> Clean Award, April/May 2023 issue, recycled glass/plastic material, FSC certified




OUR BRANDS

The history of



su:m37°



O HUI



belif
believe in truth



passion &
BEYOND



THE FACE SHOP
skincare experts



ISA KNOX



VONIN



CARE+
ZONE



tuneage

생활정원



HOME CARE AND DAILY BEAUTY DIVISION

HEALTHY

From oral, skin, hair care to laundry, hygiene, and detergents, our household products are a part of our customers' daily lives. For the same, we develop and deliver products that prioritize safety without compromise. We will create products with the value of nature with strictly selected ingredients to help customers live healthier and richer lives with our products.



Dr. Groot
Density Care Basil & Neroli
Dr. Groot
Density Care White Jasmine

Dr. Groot

No.1 repurchase rate and No.1 hair loss symptom care brand for 5 consecutive years

<p>repurchase rate among shampoos for hair loss symptoms¹⁾</p> <p style="font-size: 2em; font-weight: bold;">No.1</p>	<p>among hair loss symptom care shampoos for 5 consecutive years²⁾</p> <p style="font-size: 2em; font-weight: bold;">No.1</p>
<p>No.1 in sales in 2022 among hair loss symptom care shampoos</p> <p style="font-size: 2em; font-weight: bold;">No.1³⁾</p>	<p>Cumulative sales of over 25 million units⁴⁾</p>

1) Nielsen panel data, national household survey(3,000 households), retention panel, January 2019-December 2020, based on shampoo/rinse brands with functional hair loss symptom relief.
 2) Nielsen, based on cumulative sales from January 2018-December 2022, among food retailers nationwide for shampoos/rinses in hair loss symptom care brands
 3) Nielsen, share of total shampoo/rinse category sales by major subbrands of hair loss symptom relief shampoo/rinse(%), Nationwide(offline), based on cumulative sales January 2022-December 2022
 4) Cumulative sales volume: Total sales of Dr. Groot brands as of June 2023(EA)


Elastine

Protein haircare for a healthy scalp and hair, Elastine, Korea's No.1 shampoo brand

No.1 in shampoo sales for 19 consecutive years¹⁾

No.1

1) Based on Nielsen shampoo/rinse data from 2004 to 2022



Elastine
BIO:BOND

BIO:BOND
Professional
17 Keratin Hair Clinic
Shampoo | Original

ELASTINE X Silk Therapy

10

Veilment



Veilment PerfumedRitual Body Wash

The premium body skincare brand for better skin just from the shower

selling body wash for 4 years in a row¹⁾

in Powder Room Beauty Awards²⁾

No.1

No.1

Glow Pick Award Winner³⁾

Allure Best of Beauty Award⁴⁾

1) Nielsen, 2019-2022(offline, domestic)

2) Powder Room Beauty Award for Body Wash/Cleanser in the first half of 2022

3) 2022 Glow Pick A Award for Body Wash

4) Editor's Pick, Allure Best of Beauty Awards 2022

PERIOE

The dental expert you meet every day. The leading oral care brand responsible for the oral health of Koreans

in toothpaste sales for 25 consecutive years¹⁾

No.1

1) Nielsen national food retail sales share by brand from 1998 to 2022



Whitening Pure Mint Toothpaste

TECH

Korea's No.1 laundry detergent brand for all your laundry needs

in laundry detergent sales for 14 consecutive years¹⁾

No.1

1) Share of major laundry detergent brands, 2009-2022, MS Nielsen, national food retailers

TECH Baking Soda & Citric Acid



OUR BRANDS

페리오/PERIOE

죽염



ORGANIST



Dr. Groot

BIOSILK SILK THERAPY

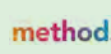


드봉 살구맛사지

Babience

- SIRIUS -


toddler 토디양



REFRESHMENT DIVISION

REFRESHING

Our beverages bring small miracles into our customers' lives or are there when they need warm comfort. In addition to the ever-popular beverages such as Coca-Cola, Minute Maid, and Powerade, we are constantly introducing new products that take health and personal preferences into account to help our customers enjoy a more active life.



Coca-Cola

The world's favorite carbonated beverage for over 130 years

in carbonated/cola **No.1** most influential brand worldwide **7th**

2022 Interbrand Global Brand Rankings

Seagram(Seagram Label-Free)

Refreshing to the last drop, Seagram, a 160-year-old brand from Canada

Korea's first label-free carbonation

Certified as "Best Recycled" by the Korea Environment Corporation

Reduction of plastic weight (Saving about 487 tons of plastic per year)



Guronsan Bamonde

A fatigue recovery drink with 60-year-tradition

Korea's No.2 'quasi-drug' fatigue recovery product that has been loved and trusted for 60 years

Based on cumulative sales as of May 2023 in Nielsen Korea's quasi-drugs category

Yeongjin Guronsan Bamonde Original Liquid



Powerade & Toretta



Low-calorie sports and ionic drinks, health-oriented hydration drink

in domestic sales in the combined sports/ ionic category¹⁾

No. 1

1) Nielsen Korea sports/ionic drinks, category based on sales by retail price in 2022

Monster Energy

Energy drink originating in the U.S. and spreading around the world

energy drink in Korea¹⁾

No. 1

1) Nielsen Research, April 2023, based on 3 major energy drinks excluding tonics



GangWon PyeongChangSoo

Drinking spring water brand that keeps the principle of water

17.5 tons of carbon emissions reduction and 11.9 tons of plastic emissions reduction with eco-friendly packaging¹⁾

1) Based on annual reduction in 2022



OUR BRANDS



COMPANY OVERVIEW

About Us

Company overview

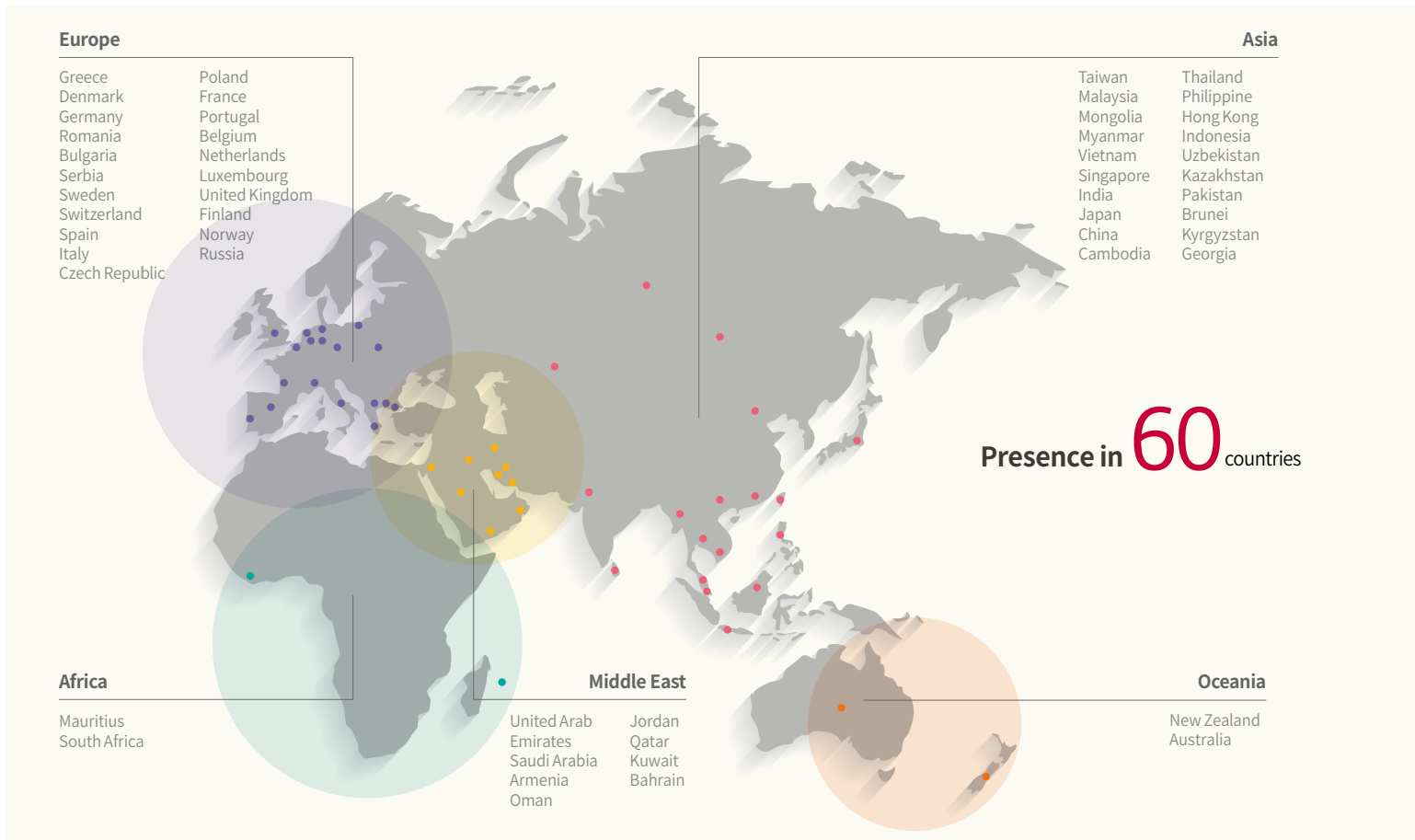
For 70 years or so since its foundation, LG H&H has been a leading FMCG(Fast Moving Consumer Goods) company in Korea, realizing the beauty and dreams of its customers, maintaining an unrivaled number-one position in the domestic market for cosmetics, household products, and beverages. Based on this, we are expanding into 60 countries, including China, Japan, Vietnam, Taiwan, the United States, and Canada, to grow as a global luxury beauty company. We will continue to open up possibilities in various fields and cross boundaries to provide customers with healthier, more beautiful, and more refreshing experiences and values. Further, we will develop into the best lifestyle company in the global market through products and services that are different and better than before.

Basic Status

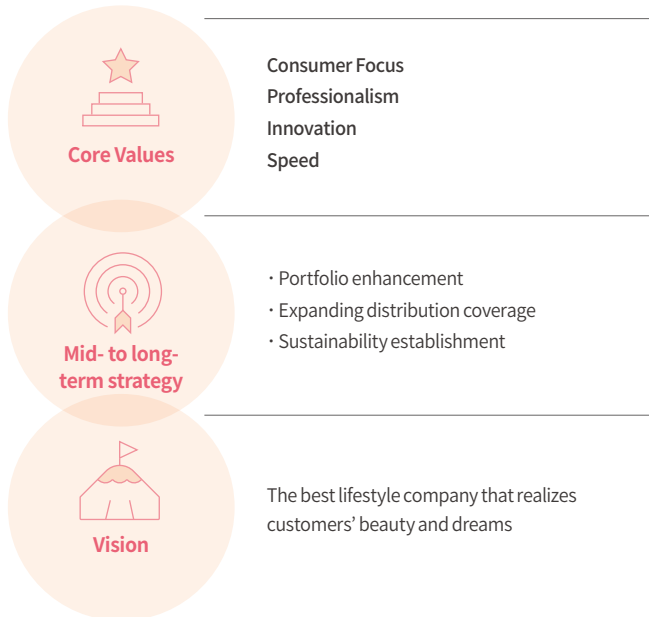
Company Name	LG H&H
Address	LG Gwanghwamun Building, 58, Samunan-ro, Jongno-gu, Seoul, Korea
Date of Establishment	January 1947

CEO	Jung Ae Lee
Industries	Cosmetics, household goods, beverages
Number of Employees	7,387

Global network We are a global cosmetics, personal care and beverage company that delivers superior products to our customers.



Mid- to long-term strategy



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
Gounnuri	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
loa Korea	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.	Japan	100
Everlife Co., Ltd	Japan	100
Toiletry Japan Inc.	Japan	70
FMG&MISSION CO., Ltd.	Japan	100
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	Vietnam	60
LG H&H USA Inc.	U.S.	100
The Avon Company	U.S.	100
Boinca Inc.	U.S.	56
LG Household & Health Care(Taiwan) Ltd.	Taiwan	100
Everlife H&B Co., Ltd.	Taiwan	100
LG Household & Health Care(Thailand) Limited	Thailand	100
LG H&H HK LIMITED	Hong Kong	100
LG H&H Singapore Private Limited	Singapore	100
The Avon Company Canada Limited	Canada	100
LG HOUSEHOLD & HEALTH CARE MALAYSIA SDN. BHD.	Malaysia	100
LG H&H UK LTD	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	Tai Guk Pharm Co., Ltd.	Business site in Buyeo
	Business site in Incheon		Business site in Hyangnam
	TP** business site in Cheongju	Coca-Cola Beverage	Business site in Yeosu
	OBM LAB in Daejeon		Business site in Gwangju
			Business site in Yangsan

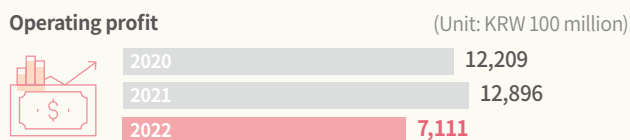
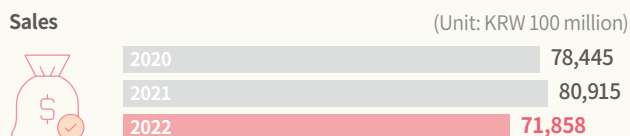
* Business site by reporting scope ** Technopolis



ECONOMIC VALUE CREATION

Financial performance

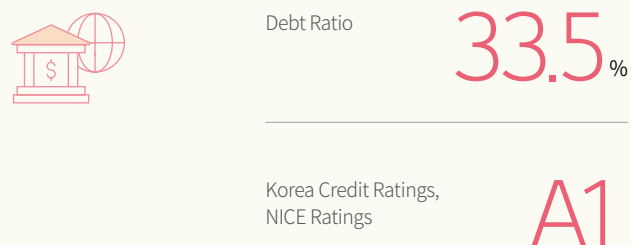
LG Household & Healthcare’s Beauty business was significantly impacted by China’s tightening of COVID-19 prevention policies and the subsequent slowdown in consumption. However, we narrowed the scope of the decline thanks to new product launches in the Home care and Daily Beauty businesses, good performance in the ingredients business, and continued growth in the Refreshment business. In 2022, revenue decreased by 11.2% year-on-year to KRW 7.185 trillion, and operating profit decreased by 44.9% year-on-year to KRW 711 billion.



2022 Business performance

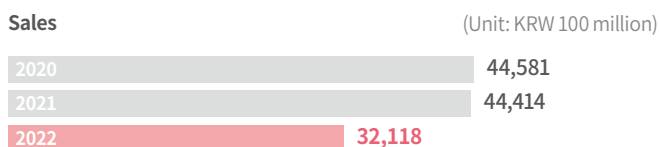
While 2022 was a particularly challenging environment to do business in, we remained resilient and focused on improving our balance sheet. As part of this effort, we reduced our inventory assets by 4.5% year-over-year and improved our internal cash flow to reduce our borrowings to 23.1%, improving our debt-to-equity ratio by 3.9 percentage points.

Debt Ratio and Credit Rating



2022 Business performance

As the domestic and global economy continues to stagnate and consumption declines, the Beauty business, which is particularly sensitive to Chinese market demand, has been hit hard. As the Chinese government tightened its COVID-19 control policies, major cities were locked down, reducing local demand. This has also intensified competition among luxury cosmetics brands worldwide, resulting in a 27.7% year-on-year decline in sales to KRW 3.211 trillion and a 64.7% decline in operating profit to KRW 309 billion.



2023 Business plan

To strengthen our brand portfolio, we will enhance our luxury brand products and lineup, such as ‘Whoo,’ and rebuild our ‘Su:m37’ and ‘O HUI’ brands. We will also nurture clean beauty and derma brands in line with trends and strengthen new indie brands with unique characteristics. Regionally, we will enhance our competitiveness in luxury brands in China, improve our business capabilities in North America, and expand our online and offline distribution base in Japan and Southeast Asia to prepare for the future.



HOME CARE AND DAILY BEAUTY DIVISION

2022 Business performance

Sales of premium brands such as the newly launched ‘Gray hair cover shampoo’ and ‘Physiogel’ increased, and sales of the ingredients business increased significantly due to favorable international raw material prices. As a result, sales grew by 7.4% to KRW 2.209 trillion, but operating profit declined slightly year-on-year to KRW 189.8 billion due to cost burdens caused by high inflation and high exchange rates.

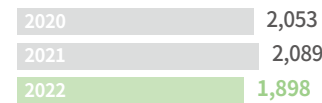
Sales

(Unit: KRW 100 million)



Operating Profit

(Unit: KRW 100 million)



2023 Business plan

LG H&H will continue to launch new products and enhance marketing for premium brands to further expand the share of sales. In addition, we will expand our e-commerce touchpoints to enhance the capabilities of our digital channels and strengthen our data-based digital marketing capabilities to actively respond to changes in consumption channels by developing new convergent products and services. Further, we will expand our portfolio of functional products, such as Dr. Root’s Density Care, a functional shampoo that relieves hair loss, and ‘Perio,’ ‘Euthymol’ whitening toothpaste and whitening booster, a teeth whitening lineup. In particular, we will solidify our position in North America, targeting mid- to long-term growth of LG-branded products such as Physiogel and Reach.



REFRESHMENT DIVISION

2022 Business performance

The business environment continued to be challenging due to the strong U.S. dollar exchange rate, rising raw material prices, and restrictions on external activities due to the spread of COVID-19. However, sales of carbonated beverages centered on zero sugar or energy drinks such as Coca-Cola Zero and Monster Energy were strong, and the beverage business recorded KRW 1.764 trillion in sales, up 10.8% year-on-year.

Sales

(Unit: KRW 100 million)



Operating Profit

(Unit: KRW 100 million)



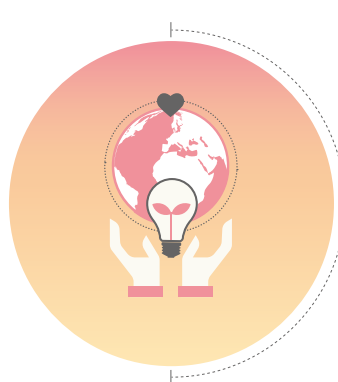
2023 Business plan

As the number of health-conscious consumer increases, we plan to segment the ‘zero sugar’ category and launch various new products, such as Powerade Zero, Fanta Zero Grape and Pineapple flavors to meet changing customer tastes and needs. We will also utilize ‘0pop-up stores’ to provide customers with fresh brand experiences and build trust and affinity.

ESG Mid-to Long-Term Strategy & Roadmap

LG H&H strives to deliver the value of healthy and beautiful life to various stakeholders for sustainable growth. Under the ESG vision of ‘a planet borrowed by all,’ we have established an ESG mid- and long-term strategy and are actively pursuing three mid- and long-term directions and nine goals regarding products, environment, and society. Through systematic and strategic ESG management, LG H&H will build more robust capabilities as a sustainable company and contribute to achieving the UN SDGs, a global call to action.

ESG Vision



VISION

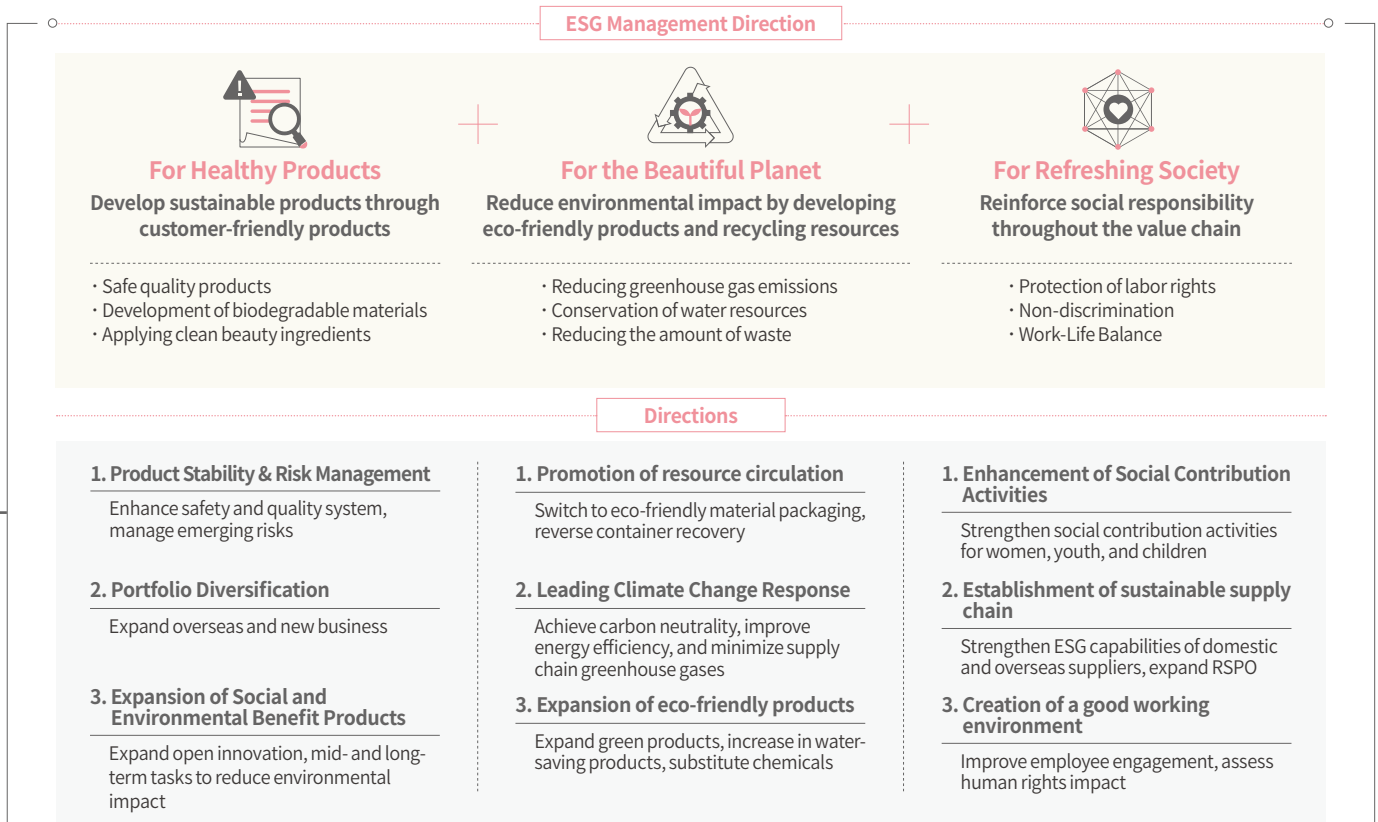
**A planet borrowed by all
We will fulfill our responsibilities as true heirs through ESG activities to pass on a beautiful and healthy planet to future generations.**

Slogan

Beautiful, Healthy, Refreshing for people and the planet

2022 ESG Performance

Classification	Tasks	Key Performance Indicators(KPIs)
Economics and Governance	Creation of Social and Environmental Benefits	<ul style="list-style-type: none"> • Select and execute mid- to long-term tasks to reduce environmental impacts and promote customer safety and health(~2025)
	Enhancement of product safety	<ul style="list-style-type: none"> • Advance effective prevention activities and operate quality planning(~2024) - Advanced quality diagnosis process - Expand the scope of quality accident diagnosis and strengthen the reporting process - Establish and settle quality management indicators such as quality cost - Improve quality issues and proactive management system • Systematize and globalize prevention activities(~2026) - Operate a unified customer management system based on global business standards - Operate a global consulting capability organization for safe quality certification - Establish a preventive management system that warns of quality risks through data analysis
	Portfolio Diversification	<ul style="list-style-type: none"> • Achieve KRW 3.17 trillion in sales by continuously expanding overseas businesses(~2025)
	ESG governance establishment	<ul style="list-style-type: none"> • Organize and operate the ESG Committee • Produce an ESG Council operational outcome • Enhance the diversity and expertise of internal and external directors



2022 Performance	Relevant SDGs
<ul style="list-style-type: none"> • Refined the ESG-based Clean Beauty Inside(CBI) built in 2021 and applied it to Belif, Beyond, and TFS new products in 2022, achieving the targeted average CBI index score of 8 in 2022. [Representative Products] • Belif Super Drops: Efficacy quality/scientific trust • Beyond Angel Aqua Line: Contains extracts from farm-to-skin farming/Eco-friendly package/Vegan formula • TFS The Therapy Vegan Line: Eco-friendly package/Vegan/24 additive-free formulas • Applied eco-friendly recycled plastic containers made from 100% pure waste plastic and waste vinyl pyrolysis oil for the first time in the domestic cosmetics industry. (Beyond Angel Aqua Moisture Soothing Cream) to promote circular resource utilization and reduce greenhouse gas emissions. 	
<ul style="list-style-type: none"> • Operated a safety quality certification system across design, mass production, and distribution: Completed a pilot diagnosis for 10 departments in the design area, completed a safety quality diagnosis for 19 production sites, and completed a safety quality diagnosis for 64 logistics sites. • (2022.10): Awarded excellent workplace plaques to 4 production sites and 4 logistics sites 	
<ul style="list-style-type: none"> • Achieved KRW 2 trillion in overseas sales 	
<ul style="list-style-type: none"> • Operated the ESG Committee(2 times/year), but in 2022, it was held 3 times in February, May, and November. • ESG Council(held quarterly) • Appointed a new female independent director(2022) 	

2022 ESG Performance

Classification	Tasks	Key Performance Indicators(KPIs)		
Social	Enhance social contribution activities	<ul style="list-style-type: none"> Expand the number of the beneficiaries of social advancement such as job creation for women (280 people cumulatively selected by 2025) Continuous value-up through follow-up management of existing personnel Diversify education channels of 'Borrowed Earth School,' habit improvement convergence education program for teenagers and²⁾ and achieve a cumulative total of 100,400 beneficiaries(by 2025) Expand the regions for a health musical for children, Twinkle Twinkle Perio, and³⁾ achieve a cumulative total of 242,290 beneficiaries(by 2025). 		
		Build a sustainable supply chain	<ul style="list-style-type: none"> Improve reliable quality level for suppliers⁴⁾ with a cumulative total of 660 companies(by 2025) Provide Technical support for business partners with a cumulative total of 1,811 cases(by 2025) Provide financial support for business partners with a cumulative total of KRW 310.2 billion (by 2025) Minimize risks by enhancing the ESG capabilities of suppliers Operate advanced consulting for overseas partners and discover and nurture new overseas partners Sustainable Palm Oil(RSPO) Purchasing Ratio Target(64.9%, by 2025)⁵⁾ 	
			Create a good working environment	<ul style="list-style-type: none"> Improve employee engagement(85 points, by 2025) Establish a global education system (a cumulative total of 750 who will have completed the course by 2025) Build Global Leadership(by 2025) Achieve 28.5% of female managers(by 2023)
				Promote resource circulation
	Lead climate change response			

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

ESG Mid-to Long-Term Strategy & Roadmap

2022 Performance	Relevant SDGs
<ul style="list-style-type: none"> Natural Beauty Live Creator⁴⁾ 5th Term, selected 35 people(171 cumulative participants) Added live commerce training and access to expert mentors and hands-on opportunities 2022: Establishment of a “Borrowed Earth World” metaverse for national school participation Cumulative participation in 2022: 73,215(2022 alone: 7,500) 234,706 participants in 2022(3,049 in 2022 alone) 	
<ul style="list-style-type: none"> 300 cumulative cases in 2022(60 cases in 2022 alone) Issued certificates to 9 domestic suppliers of the reliable quality level 2022 alone: 204 cases Cumulative from 2017 to 2022: 1,153 cases 	
<ul style="list-style-type: none"> 2022 alone: KRW 39.8 billion Cumulative from 2017 to 2022: KRW 218.6 billion Conducting written investigations, due diligence(audit), and progress monitoring(for ‘Significant suppliers’ among all suppliers) 30 suppliers to be consulted(utilizing external consulting firms) 	
<ul style="list-style-type: none"> Completed diagnosis of 16 existing overseas suppliers(conducted by an external specialized organization) Completed diagnosis of 9 new overseas suppliers(opened trading codes for 3 companies) Achieved 61.5% of sustainable palm oil(RSPO) purchases 	
<ul style="list-style-type: none"> Employee engagement score average of 82 points 1:1 English coaching classes with native speakers: 59 people Global Expertise Course(GEC), an English-speaking business capacity building program: 13 people Global MBA: 3 people Japanese/Chinese Basic Business Conversation Course: 117 students(target of 750 students by 25 years by maintaining some 150 students per year) LG H&H Global Internship Program: 9 Participants in 2022 / Period: As of December 2022 28.3% of female managers(up 1.3% compared to 2021) 	
<ul style="list-style-type: none"> Achieved KRW 476.8 billion in sales of green products Eco-labelings(183 environmental-labels, 2 for low-carbon products, 10 for carbon footprints) Recycled plastic use of 180 tons(PCR PET/PCR LLDPE) Operated LG H&H clean beauty new product guide, “Clean Beauty Inside”(2022) Achieved 25% of clean beauty products among new products from clean beauty focused brands Measured the Clean Beauty Inside index of launched products(2022) Average Clean Beauty Inside Index of 8.37 for new clean beauty products in 2022(target of 8) 	
<ul style="list-style-type: none"> 1.95 tons/product-ton Managed about 3,500 banned ingredients of Clean Beauty Inside No Harmful Ingredients(Human Safety) Step 3(2022) Achieved 82.5% exclusion rate of D5 and D6 among Clean Beauty new leave-on products(2022) 	
<ul style="list-style-type: none"> 7,223ton CO₂eq(cumulative) Established a carbon-neutral mid- to long-term strategy Invested KRW 200 billion in 84 core technologies, reducing carbon emissions by 45%(-2030) Achieved Net Zero(-2050) Invested KRW 8.6 billion 	

4) Cumulative data since 2019 for the reliable quality rating evaluation for partner companies/Cumulative data since 2017 for the goals and performance related to technical support and financial support for partner companies
 5) Target % is annual sustainable palm oil purchases/annual total palm oil purchases

SPECIAL 01

Global Business

As a global luxury beauty company, we dream of unlimited growth.

LG H&H has entered the global beauty market centered on luxury brands and is strengthening its position. Based on our success in Asia, including China and Japan, we are expanding into North America and Europe, enhancing our reputation as a global beauty brand. We will continue aggressively cultivating next-generation mega brands, secure global brands through M&A, and actively explore global markets. In particular, in the U.S., our largest market, we will continue to expand our brand presence by launching new brands, strengthening online and offline distribution channels, and entering the digital business. We will provide our customers with healthier, more beautiful, and more refreshing experiences and values and strive to become a global luxury beauty company and a leading lifestyle company worldwide.

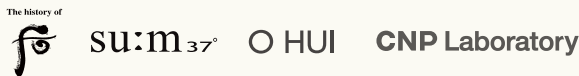
China

Luxury court cosmetics brand 'Whoo' has grown through its iconic line HWANYU 'balancer and lotion' launch and a focus on integrated marketing communications(IMC). We plan to continue the growth of the brand's luxury line by upgrading its Cheonyuldan foundation line in 2023. In addition, 'Su:m37' will rebuild its brand image under the brand slogan 'Breathe with Nature' and launch a new line 'Micro Active Serum, Cream' that captures the essence of its changed brand philosophy and actively pursue new customer acquisition with Gen MZ as its main target.



Major Brands

Cosmetics



Household Goods



Japan



Our flagship mail-order products, "Cushion Foundation," "All-in-One Cream," and "Placenta," are performing solidly, and we are actively expanding new businesses through general distribution and home shopping. In particular, Yehwadam and Izanox are strengthening their position in home shopping distribution on Shop Channel and QVC, Japan's No.1 and No.2 home shopping channels, while launching additional new brands such as VDIOV and fmgf. In addition, CNP is sold around variety stores and drugstores, and is also available in Costco, online, and department stores. Through various activities such as adding new products, diversifying products by channel, launching character collaborations, and influencer marketing, CNP is positioning itself as a representative brand of the Japanese business in line with the K-Beauty trend.

Major Brands

Cosmetics



Household Goods



Southeast Asia

In preparation for market normalization after the COVID-19 pandemic, we proactively overhauled our existing businesses, including The History of Whoo and The Face Shop, and quickly entered the growing external distribution network of H&B and Costco, laying the groundwork for business expansion. To actively target younger customers in Southeast Asia, whose median age is known to be in the early 30s, we have developed and launched Southeast Asia-specific products with added features that meet the needs of local consumers and reasonably lowered prices, which have been well received by the market. We are also expanding our business by utilizing various digital distribution methods, such as live commerce and TikTok Shop, as well as strategic collaboration with Shopee, a leading e-commerce platform in the market.



Major Brands

Cosmetics



Household Goods



North America and Europe



Belif, a genuine herbal cosmetics brand, is now in North America's largest beauty channels, Sephora and Ulta Beauty, as well as leading U.S. department stores Macys and Bloomingdales, to expand consumer access. In particular, in addition to Sephora's own 525 stores, we have entered an additional 606 stores in the department store partnership SephoraxKohls, and the number of Ulta Beauty stores we entered has grown rapidly from 256 to 650. In addition to this, we continue to expand our footprint by entering Macys' flagship Herald square store. TFS, a natural brand, has an Amazon channel to make the brand more recognizable and accessible to consumers and has seen strong year-on-year growth. We continue to expand our portfolio by launching new types of products, such as vegan products and toner pads, while enhancing our online marketing activities to continue increasing our competitiveness in the market. By acquiring a stake in 'The Crème Shop', a color-focused brand for Gen MZ in the U.S. that blends K-Beauty with local sensibilities, we are expanding the North American market through various distribution networks such as CVS, Ulta Beauty, and Walmart. Furthermore, we are actively expanding our business by targeting South American markets such as Mexico and Puerto Rico. Also in Europe, 'Belif' operates in 462 stores in 15 countries and 193 stores in 12 countries of Sephora and Douglas, two premium beauty channels in Europe, and continues to grow by strengthening online marketing.

Major Brands in the United States

Cosmetics



Household Goods



Major Brands in Canada

Cosmetics



Major Brands in Europe

Cosmetics



SPECIAL 02

Advancement of Clean Beauty centered on CBI (Clean Beauty Inside)

‘Clean Beauty Inside’ is LG’s unique clean beauty philosophy and standards.

Four core values of Clean Beauty Inside

Clean Beauty Inside stems from our determination to embed the four core values of Global Environment(Planet Beauty), Human Health(Skin Health), Coexistence with Neighbors(Responsibility), and Honest Science(Clean Performance) into our products from the product development stage, leading to meaningful consumer experiences. We segment these values into 14 categories and weigh the importance of each element through a quantitative measure, the Clean Beauty Index, to raise the clean beauty standards and capabilities of our products.

Global Environment

PLANET BEAUTY



Activities to design efficient packaging and use environmentally friendly materials that lead to respect for the environment.

Human Health

SKIN HEALTH



Efforts to analyze and manage harmful ingredients in raw materials and products, scientifically verify risk factors in products in advance, and ultimately provide products that consumers can use with confidence.

Coexistence with Neighbors

RESPONSIBILITY



We aim to build a socially responsible corporate model by conducting win-win activities such as ethical consumption, various activities to create and strengthen shared value, and the use of fair trade ingredients.

Honest Science

CLEAN PERFORMANCE



We systematically and transparently verify the contents of the active ingredients we use, and lay the groundwork for building genuine quality and trust through external evaluation of the actual effects of our products on consumers.

Clean Beauty Index

LG H&H has developed its own unique, clean beauty measurement standard, the Clean Beauty Index, and is applying it to the new products of its four clean beauty brands (Belif, Beyond, TFS, and Physiogel) launched in 2022. The Clean Beauty Index categorizes items regarding environment, safety, ethics, and efficacy from an ESG perspective and measures them against a standard to evaluate how well they meet clean beauty standards. It reflects the weighting of 14 detailed items according to their importance. The target score for 2022 is 8 points, and we aim to achieve 13 points (out of 20) by 2030. In 2023, we plan to expand the number of brands to which the Clean Beauty Index are applied and actively communicate with customers by utilizing clean beauty brand homepages, metaverses, and SNS.

Core Values	Details	Contents
Global Environment PLANET BEAUTY	1. Eco Packaging	Developing waste-reducing packaging from a 4R(Recycle, Reuse, Reduce, Replace) perspective
	2. Green Beauty	Formulations containing at least 90% naturally derived ingredients guided by international standards (ISO 16128)
	3. Blue Beauty	Formulations that do not contain ingredients that contribute to marine pollution and ecosystem impacts
	4. Clean Labels	Acquiring external certifications for content, packaging and production processes
	5. Clean Formula	Waterless formulations that use upcycled materials from the waste stream and reduce weight and volume
	6. Clean Process	Developing processes that reduce energy consumption, such as room temperature processes and reduced manufacturing times
Human Health SKIN HEALTH	7. Residue Control	Passing the company's globally recognized tolerance standards for residues of hazardous substances
	8. Risk Assessment	Passing composite human hazard assessment criteria reflecting exposure scenarios
	9. Skin Irritation	Passing human irritation testing by internal and external organizations
	10. Formulated Without	Managing ingredients that require scientific validation or are of concern to consumers
Coexistence with Neighbors RESPONSIBILITY	11. Ethical Formula	Prescriptions free of animal-derived ingredients CSR, CSV Fair Trade materials used
	12. Responsible Labels	External certifications (vegan, halal, NEA, etc.) that meet the safety, ethics, and efficacy of the formulation
Honest Science CLEAN PERFORMANCE	13. Clean Efficacy	Obtaining in-vitro results of active ingredients and evaluating external certifications
	14. Credible Traceability	Establishing scientific standards to trace the origin and history of active ingredients

The Clean Beauty Index from an LCA Perspective

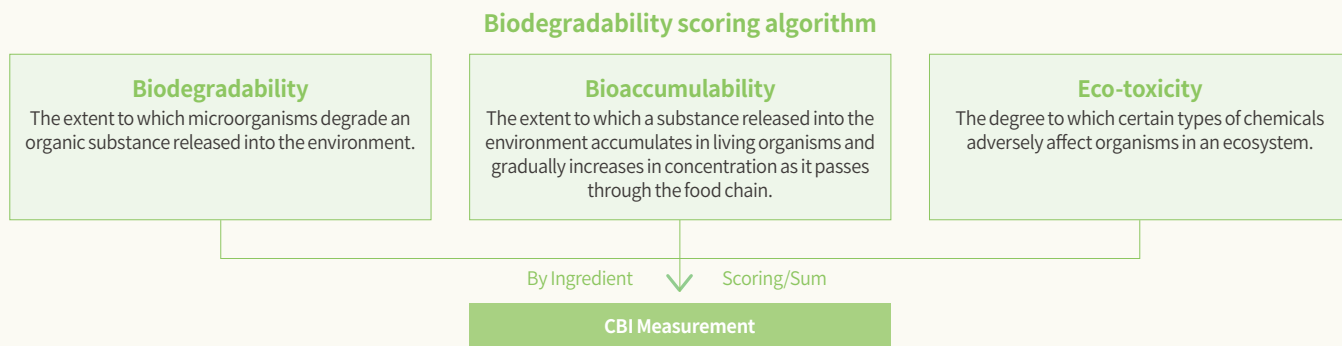
Step 1. Review of ingredients and ingredients components

1. No harmful ingredients: Review of ingredients of concern to consumers in three stages

We defined more than 3,500 ingredients as ‘ingredients of concern to consumers’ by referring to the safety reports of CIR¹, SCCS², and the excluded list of global retailers³ for ingredients without harmful substances. We manage each ingredient in three levels of achievement, considering its importance and prescription influence.

2. Blue Beauty: Review of ingredients that affect marine pollution and ecosystems

Blue Beauty proactively manages and responds to 7 types of oxybenzone and other ingredients that can adversely affect marine pollution and the aquatic environment, 16 types of microplastics that may accumulate in living organisms, and 2 types of annular silicones.



3. Green Beauty: Review of the use of naturally derived ingredients

Green Beauty actively reviews the use of naturally derived ingredients following ISO 16128, a global standard for labeling the natural ingredient content of cosmetic ingredients, and evaluates the natural ingredient content of ingredients based on scientific standards and evidence. CBI points are awarded when 90% or more of naturally derived ingredients are used.

4. Clean Formula: Review of raw material use of discarded materials that cannot be reused (upcycling)

Eco-friendly materials are systematically reviewed to see if they can be used in cosmetics in new ways other than their original use and applied to the formulation.

5. Scientific Credibility: Reviewing the use of traceable efficacy ingredients

To maintain scientific credibility, we actively review ingredients that are transparently traceable across efficacy and ingredients.

Raw material trace system	Origin information	Managing information such as supporting documents of the cultivation or distribution entity of raw materials
	Seed information	Managing seed information through original documents or DNA analysis
Scientific verification system for efficacy & ingredients	Confirmation of ingredient effectiveness	Managing specifications such as dry residue of active ingredients and checking in-vitro efficacy evaluation results
	Ingredient validation	Reference verification of active ingredients through phytochemical analysis, etc.

6. Fair Trade Materials: Review of Fair Trade material use

LG H&H actively reviews fair trade ingredients obtained sustainably, such as ingredients certified by the Roundtable on Sustainable Palm Oil (RSPO).

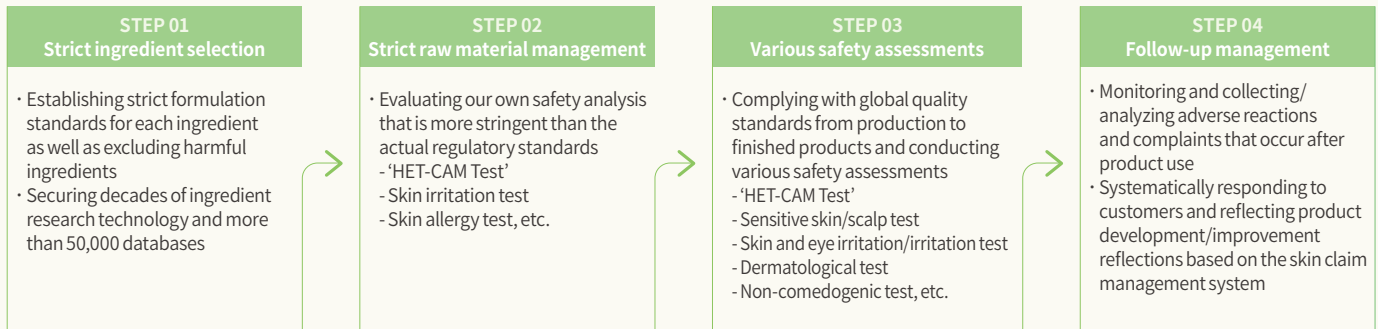
1) Cosmetic Ingredient Review (CIR): Established by the U.S. PCPC, conducts safety reviews of cosmetic ingredients and publishes a journal.

2) Scientific Committee on Consumer Safety (SCCS), EU: Organized by the European Commission, provides health and safety risks for non-food consumer products, including cosmetics.

3) Global Retailers: Major North American and European cosmetic retailers such as Sephora, Credo, Ulta, etc.

Step 2. Evaluation of raw material safety

- 1. Analysis of hazardous substances in raw materials:** Meeting LG H&H standards for permissible residues of hazardous substances (heavy metals, phthalates, parabens, etc.), which are stricter than global standards.
- 2. Raw material pesticide analysis:** Analyzing 358 types of pesticide residues on naturally derived raw materials
- 3. Human Safety Evaluation:** Confirming the safety of raw materials through cytotoxicity evaluation, skin allergy evaluation, phototoxicity evaluation, and eye irritation alternative test (HET-CAM).



Step 3. Evaluation and regulation of product contents

- 1. Product Hazardous Substance Management:** Meeting our own hazardous substance residue allowance standards that are stricter than global standards, including heavy metals, phthalates, parabens, etc.
- 2. Risk Assessment:** Predicting complex human health hazards, including systemic toxicity of products, reflecting exposure scenarios
 LG H&H conducts additional risk assessments for products that contain more than 90% of naturally derived ingredients (NOI) (1/4 of all clean beauty products in 2022). In addition, we limit ingredients not only in terms of regulated ingredients but also in terms of safety, ethics, and environmental issues, and select and manage them from a three-dimensional perspective in 1-2-3 steps.



3. Skin Irritation Assessment

In addition to internal primary (Patch Test) and external primary (Patch Test) repeated open application testing (ROAT), we have expanded our scope to include evaluation of Repeat Insult Patch Test (RIPT) and primary skin irritation evaluation for users with sensitive skin. We also have a (HET-CAM) evaluation for products that are difficult to measure through the skin.

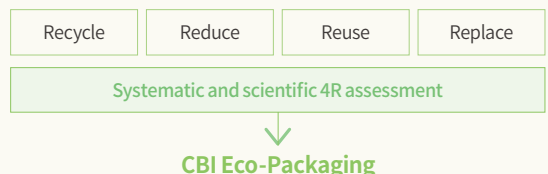
4. Various certification labels on products: gaining recognition and external credibility through third-party certification systems

(Ethics) Vegan certification	(Environmental) Ecolabel certification	(Safety) NEA certification (National Eczema Association)
<ul style="list-style-type: none"> Standards for securing no animal-derived ingredients and no animal testing in the entire product production process Applied products: All FRESHIAN products, 'The Therapy Vegan' line, and 'Beyond Angelacqua' - Phytoacqua. 	<ul style="list-style-type: none"> Environmental impact assessment of products considering life cycle (Step 1: Measurement, Step 2: Reduction) Products with Ecolabel certification: Beyond Deep Moisture Smoothing Body Emulsion, Beyond Deep Moisture Creamy Body Wash 	<ul style="list-style-type: none"> Proven to be a safe product that can be used on problematic skin NEA applied products: Physiogel Daily Moisture Therapy Line (facial cream, facial lotion, body lotion), Physiogel Red Soothing AI Cream/Lotion

- 5. Clean Process:** Energy-saving method of cold process (normal temperature process) in all stages from raw material input to product discharge
- 6. Eco-Friendly Formulation:** Waterless products (balm, stick, powder, granule, capsule) with less than 10% water content to reduce carbon and water consumption during production and transportation.

Step 4. Evaluation of packaging materials

Scoring packaging materials from the perspective of 4R (Recycle, Reduce, Reuse, Replace) by considering 'how little impact they have on the environment'



01

SUSTAINABLE IMPACT ISSUES



Stakeholder Engagement	28
Double Materiality Assessment	30
ISSUE 01. Enhancing product responsibility and safety	34
ISSUE 02. Responding to climate change(Carbon Neutrality)	36
ISSUE 03. Developing eco-friendly products and services	38



Stakeholder Engagement

LG H&H categorizes customers, suppliers, employees, communities, shareholders and investors, governments, public institutions, and associations as key stakeholders that have a significant impact on our business activities. In addition, we actively collect opinions through various communication channels tailored to the characteristics of each stakeholder and reflect them in our ESG activities. LG H&H will continue to operate more diverse communication channels to build cooperative relationships with many stakeholders across all areas when conducting management activities.

Stakeholder Engagement Channels

Customers	
Communication Channels	Frequency
Company and brand websites	Ongoing
CS portal, VOC, call center	Ongoing
Customer complaints and feedback	Ongoing
Consumer monitors*	3 times per month
Brand awareness and satisfaction surveys	6 times per year
Customer ESG surveys	Once a year

* Only for LG H&H cosmetics

Key activities: Feedback research on products and services
Communication issues: customer service, privacy, marketing, product quality, customer safety, etc.

Employees	
Communication Channels	Frequency
Intranet and grievance handling program	Ongoing
Idea Innovation I-30	Ongoing
Company newsletter	6 times a year
Company Meeting	Once a quarter
Employee Satisfaction Survey	Once a year
Employee ESG Survey	Once a year
Employee Council	Once a quarter
Sales and promotional job level meetings	Once a quarter
Worksite labor-management council	Once a quarter
Business unit meetings	Once a year

Key Activities: Surveying opinions on company management strategy and execution

Communication issues: Collective bargaining agreements and other agreements, performance compensation, human resource development, human rights protection, occupational safety and health, etc.

Shareholders-Investors	
Communication Channels	Frequency
IR site	Ongoing
Shareholder meetings	Once a year
Business Report	Once a year
Conferences	Ongoing

Key Activities: Participation in strategic decision-making processes related to the business

Communication issues: sharing management information, investments, protecting shareholder interests, etc.

Suppliers	
Communication Channels	Frequency
Integrated purchasing portal	Ongoing
Jeong-Do Management Channel	Ongoing
Supplier Shared Growth Review Committee	4 times a year
Supplier CEO Academy	Twice a year
Technical support for suppliers	Ongoing
Supplier ESG Survey	Once a year

Key Activities: Promotion of Shared Growth with Suppliers

Communication issues: Shared growth, industrial safety and health, government policy changes, fair trade, Jeong-Do management, etc.

Local Communities	
Communication Channels	Frequency
Expert Panel Meetings	3 times a year
Regional Councils	Twice a year
Social Contribution Programs	Irregular
Community ESG Survey	Once a year
Public and Government Affairs	Irregular
Press launch events	Irregular

Key Activities: Participation in decision-making processes for community development

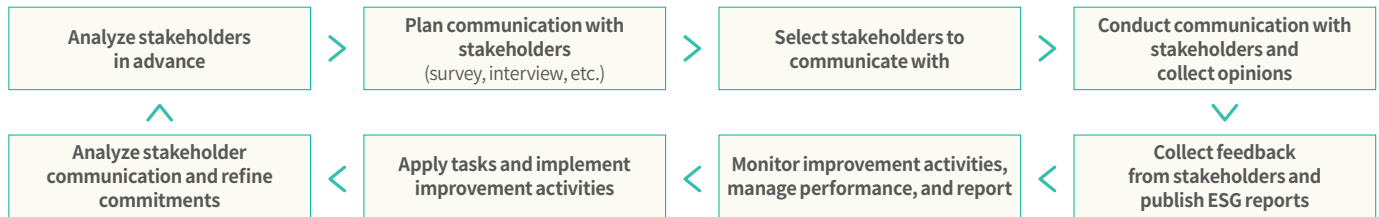
Communication issues: Disclosure of management status, environmental protection, contribution to local economy, employment creation, social contribution

Government - Public Agencies - Associations	
Communication Channels	Frequency
Korea Industrial Safety Association	Once a month
Korea Fire Safety Institute	Once a year
Korea Environmental Industry & Technology Institute	Irregular
Government assignments and conferences	Irregular

Key Activities: Participation in decision-making processes related to government policies

Communication issues: Changes in government policies, compliance with laws and regulations, trends by industry/local government, etc.

Stakeholder Engagement process



Stakeholder interests and expectations

Stakeholder classifications	Interests and expectations
Customers	Enhancing product safety, improving product functionality and health impacts, and customer privacy
Employees	Enhancing brand leadership and corporate image, work-life balance, performance evaluation and compensation
Shareholders and investors	Disclosing transparent management information, increasing investment value through management efficiency, and enhancing corporate value through ESG activities
Suppliers	Providing monetary and financial support to suppliers, complying with fair trade, expanding communication with suppliers, and activating communication channels
Local Communities	Minimizing harmful environments near business sites, promoting community contribution activities, hiring local residents, and contributing to the local economy
Government, public organizations, and associations	Complying with laws and regulations, cooperating with government policies

Panel Discussion

LG H&H conducts a panel discussion annually to identify experts' expectations in each field and reflect them in our ESG activities. In 2022, we held a panel discussion on 'New and Renewable Energy' and discussed it in depth through video interviews to ensure the safety of participants due to COVID-19. We will continue to listen to the opinions of various stakeholders, including experts, to develop our ESG activities.

CASE | 2022 Panel Discussion on 'New and Renewable Energy'

Renewable Energy

In October 2022, LG H&H held an online panel discussion on 'New and Renewable Energy.' We discussed with experts how to reduce energy usage and increase efficiency as issues related to climate change increase, corporate responses to expand eco-friendly energy investments, domestic and international laws and systems related to new and renewable energy, and how to identify relevant initiatives and apply them to LG H&H.

Panel Meeting Agenda

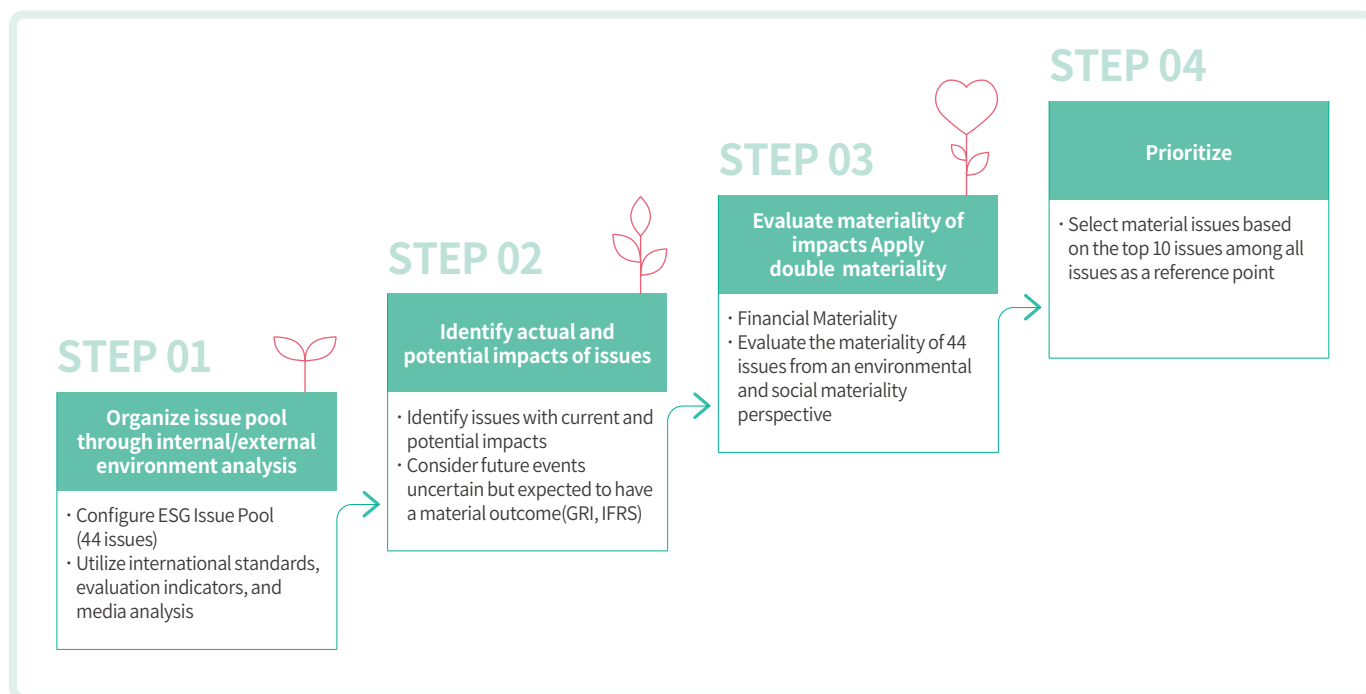
1. Renewable Portfolio Standard(RPS)
2. Status of renewable energy technologies
3. Introduction of Power Purchase Agreement(PPA)

External Experts	Organization	Content
Nam Young Jung, CEO	Seoul Enertech	Renewable energy supply mandate system and SMP and REC price trends
Dae Kwon Kang Technical Advisor	Altinet Inc.	Current status and PPA by renewable energy technology

Double Materiality Assessment

LG H&H conducts a materiality assessment every year with direct participation from internal and external stakeholders and transparently discloses the results in the ESG Report. The materiality assessment is performed in conjunction with the risk management process for all aspects of corporate management, including economic, social, environmental, and governance. In the 2022 ESG Report, we applied the double materiality principle for the first time, performing a materiality assessment based on the respective definitions of environmental, social, and financial impacts and continuously monitoring the impact of risks and opportunities of material issues. The material issues identified were approved by the Board of Directors and verified by an independent third party.

Double materiality assessment process



Enhancement of external stakeholder engagement

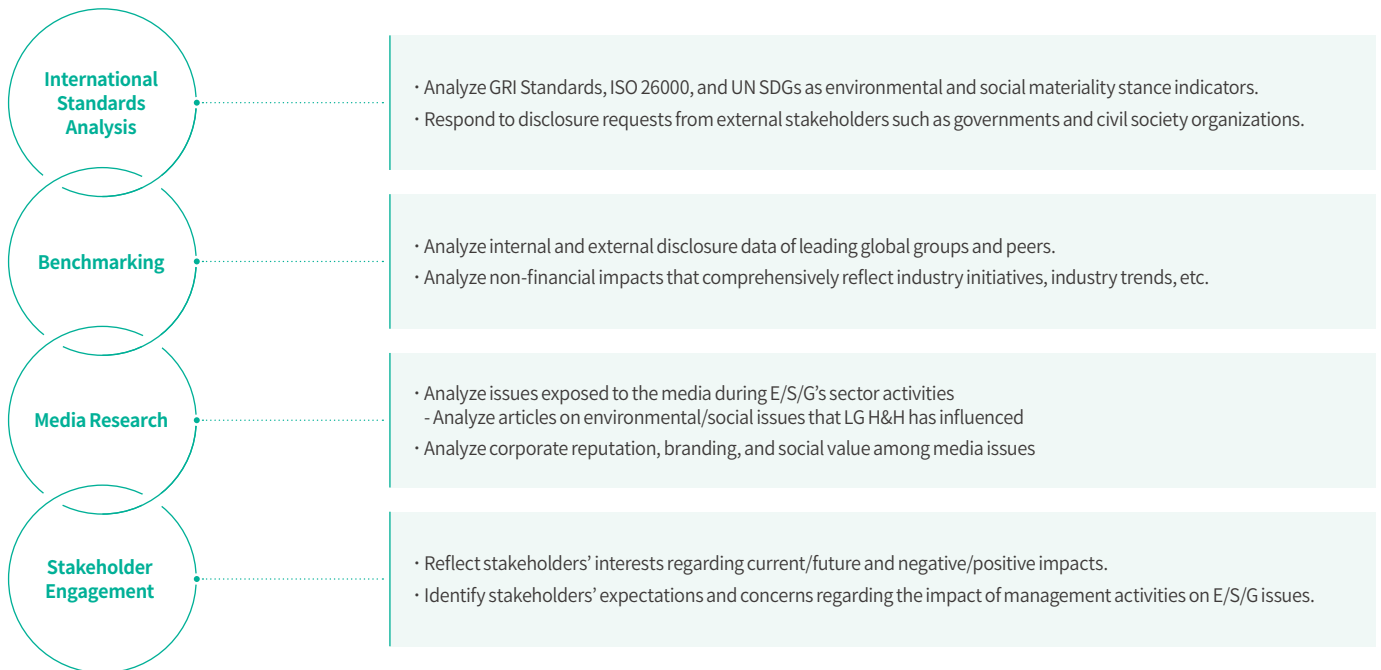


Application of Double Materiality

Financial Materiality



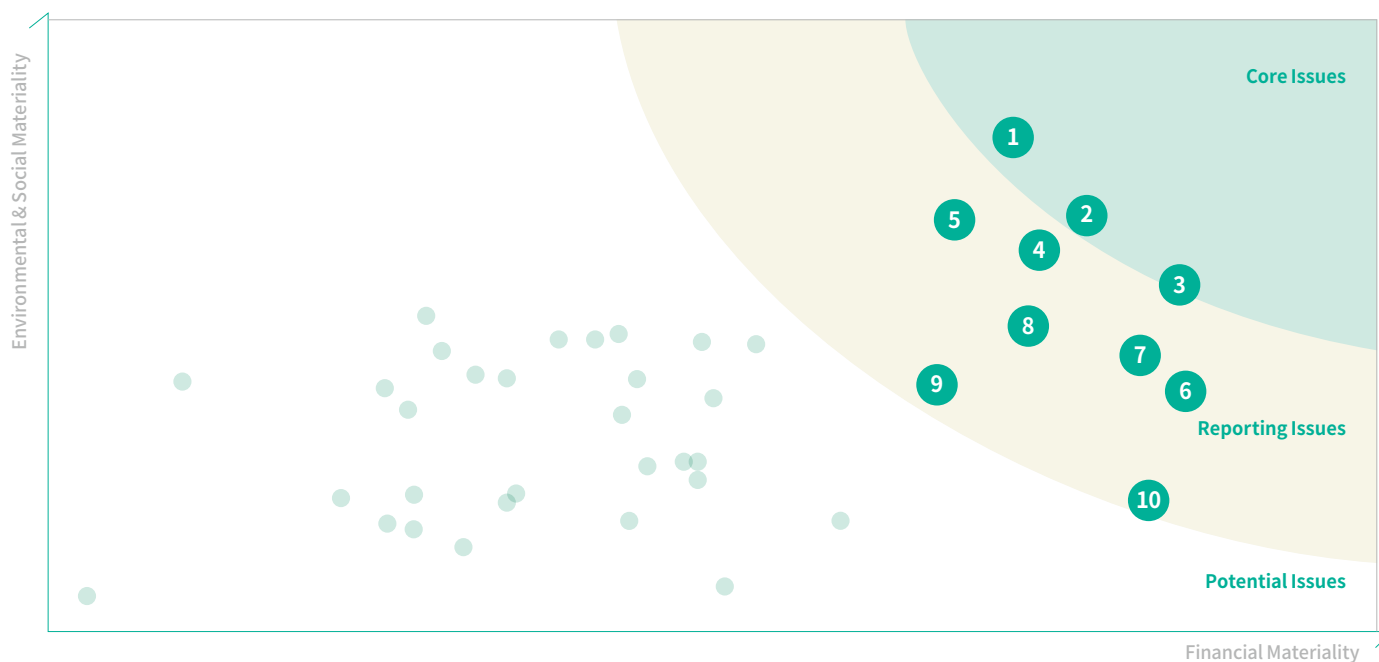
Environmental & Social Materiality



Results of the double materiality assessment

LG H&H identified 10 material issues through the double materiality assessment, with enhanced product responsibility and safety, responding to climate change(Carbon Neutrality), and developing eco-friendly products and services selected as critical issues.

MATERIALITY MAP



● High ◐ Medium ○ Low

No.	Material Issues	Financial materiality	Environmental and social materiality	Direction of impact		Reporting Page
				Negative	Positive	
1	Enhancing product responsibility and safety	●	●	◐	●	34-35, 68-73, 74-77
2	Responding to Climate Change(Carbon Neutrality)	●	●	◐	●	36-37, 43-48, 141-142
3	Developing eco-friendly products and services	●	◐	○	●	38-39, 46-48
4	Advancing the resource circulation system	●	●	◐	●	22-25, 46-48
5	R&D and product innovation	●	●	◐	●	38-39, 75-77
6	Strengthening shared growth activities with suppliers	●	◐	◐	●	112-115
7	Reducing the environmental impact of packaging materials	●	◐	◐	●	38-39, 46-48
8	Strengthening the handling and management of hazardous substances*	●	◐	◐	●	22-25, 51, 68-73
9	Expanding Customer Service Accessibility	●	◐	◐	●	74-77
10	Selecting and evaluating sustainable suppliers*	●	○	◐	●	109-111

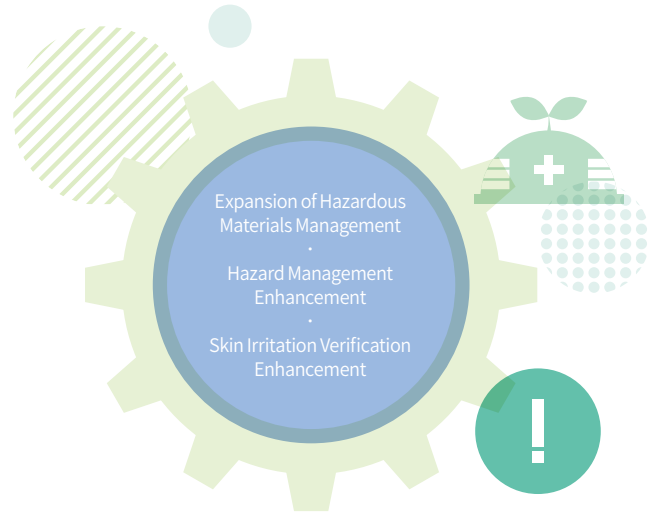
* Newly added issues

Double Materiality Assessment

Material issues			
Issue Impact/Cause and External Stakeholders Material Issues			
	⇓	⇓	⇓
Value Chain	Products/Services	Products/Services	Products/Services
Scope of impact	100%	100%	100%
External stakeholders	Environment, society, customers(end users)	Environment, society, customers(end users), external employees	Environment, society, customers(end users)
Impact assessment	Positive/Negative(Neutral)	Positive/Negative(Neutral)	Positive/Negative(Neutral)
External Stakeholder Relevance and Materiality	<ul style="list-style-type: none"> Confirming the harmfulness of harmful substances in LG H&H's products and securing the safe quality of products are important values for customer health and corporate responsibility. 	<ul style="list-style-type: none"> Increased demand for responses such as reducing greenhouse gases, strengthening environmental regulations, and spreading new and renewable energy Responding to climate change in areas near business sites to build a resource-cycling ecosystem positively impacts local communities and the industry. 	<ul style="list-style-type: none"> Developing eco-friendly products and services to minimize environmental impacts throughout the product lifecycle is a key issue for related industries such as food and cosmetics. Developing eco-friendly products and services provides positive impacts on the environment and local communities
	⇓	⇓	⇓
Key Business Implementation			
Business case	<ul style="list-style-type: none"> Strengthening laws and regulations, including quality standards in each country. Incidents involving the use of hazardous materials can result in financial losses, as well as product liability and customer trust issues. 	<ul style="list-style-type: none"> Increasingly stringent climate change regulations around the world Some countries and regions have implemented carbon pricing systems to reduce greenhouse gas emissions, such as carbon taxes, carbon border taxes, and cap-and-trade programs. 	<ul style="list-style-type: none"> Increased demand for eco-friendly products throughout the product development process from the design stage onward Continued increase in demand for alternative product development and recycling due to increased environmental fees for product containers, etc.
Business Impact	<ul style="list-style-type: none"> Declining consumer confidence, damages, and lost revenue Loss of reputation due to damage to brand image 	<ul style="list-style-type: none"> Increased costs for emissions management and reduction due to increased government obligations to disclose greenhouse gas emissions Increased raw material purchase costs due to increased prices of natural raw materials due to ecosystem destruction Impact on product cost increase due to the introduction of a carbon pricing system 	<ul style="list-style-type: none"> Increased awareness of LG H&H as an eco-friendly company by expanding the development/ utilization of eco-friendly raw materials and increasing consumer purchase rate of eco-friendly products Decrease in sales due to decreased demand for existing products due to customer preference for low-carbon products
Business Strategy	<ul style="list-style-type: none"> Expand global safety by strengthening hazardous substance management and risk assessment Expand product trust by excluding the use of hazardous substances in the product production value chain Possess global competitiveness by advancing the level of safety and quality management Reinforce Clean Beauty Inside to provide eco-friendly/human safety / social responsibility / honest efficacy from the development stage onward 	<ul style="list-style-type: none"> Conduct carbon dioxide reduction activities through the establishment of carbon footprint Expand the scope of GHG emission management for scope 3 suppliers Invest in and replace manufacturing facilities to reduce GHG emissions(replacing high-efficiency electric motors, creating utility grids, replacing lighting equipment, etc.) 	<ul style="list-style-type: none"> Advance the resource circulation system- Create an upcycling ecosystem and expand waste plastic pyrolysis oil product containers and refills Expand products with environmental marks, carbon footprints, and low-carbon certifications Expand business in new global markets(climate-vulnerable areas) Generate profits by developing and selling eco-friendly products, taking into account the consumption tendencies of the MZ generation
Goals/Indicators	<ul style="list-style-type: none"> Operation and establishment of customer value innovation process by RQM system for each product life cycle Securing global-level evaluation capabilities for safety verification and establishing reliability in operations 	<ul style="list-style-type: none"> Achievement of KRW 550 billion in sales of green products through eco-labeling 200 tons of recycled plastic used Continuous investment in improving energy efficiency by improving facilities at business sites and replacing old equipment Continuous monitoring of domestic and international trends and regulations 	<ul style="list-style-type: none"> Achievement of 50% clean beauty products among new products of clean beauty-focused brands The weight reduction of PET containers Application of eco-friendly packaging materials Advanced product packaging technology and eco-friendly packaging through the Green Packaging Guide Digitizing sales platforms Promoting & diversifying of distribution channels
Target Year	~2025	~2025	~2025
Executive compensation (KPI-linked)	<ul style="list-style-type: none"> QA average of 3 corporations QA index for customer relationship innovation Number of prevention of hazardous substance/ functional ingredient issues Quality management level of suppliers 	<ul style="list-style-type: none"> Implementing carbon emissions reduction tasks and reduction of greenhouse gas emissions Reduced customer complaints on new packaging materials by 25% 	<ul style="list-style-type: none"> Expanded application of clean beauty company-wide brands Development of eco-friendly packaging and securing intellectual property rights Secured global packaging quality assurance

ISSUE

Product Liability and Safety Enhancement



 **IMPORTANCE**

For consumer goods companies, product safety is a critical issue that can determine a company’s existence. Not only does product failure damage a company’s brand value and cause economic burdens, but due to the nature of the business, product safety is directly linked to the safety of customers. Therefore, product safety is a core value of the company, and a strategic management system should be established across the entire organization, including predicting and preparing for risks related to product safety in advance.

 **APPROACH**

LG H&H applies its globally leading hazardous substance management standards to use only verified ingredients and conducts risk assessments based on internationally recognized data. In addition, we cross-validate skin irritation tests conducted by internal and external organizations through single, repeated, and cumulative evaluations. In addition, in consideration of the skin health of our customers, we have launched products labeled with a natural derivation index by ISO 16128*, such as The Face Shop’s ‘The Therapy Vegan Blending Cream’ and Beyond’s ‘Phyto Aqua Toner, Emulsion, and Cream.’ LG H&H will continue to promote responsible activities, such as expanding its product range by using natural ingredients that meet the International Organization for Standardization(ISO) standards.

* Global standard for labeling the content of natural ingredients in cosmetic ingredients

 **PERFORMANCE**

Design Areas	The Safe Quality System	Number of hazard assessments	Number of skin irritation evaluations ²⁾
 <p>Diagnosed 10 departments (Design~mass production~distribution safety quality certification system)</p>	 <p>Completed diagnosis of 83 targets¹⁾</p>	 <p>1,000 cases</p>	 <p>3,992 cases</p>

1) For manufacturing and logistics sites

2) Including internal/external organizations

Expansion of Hazardous Materials Management

Creating safe cosmetics for our customers starts with strict standards and comprehensive management. Therefore, LG H&H applies its globally leading hazardous substance management standards and uses only verified ingredients that have passed them. All our products are analyzed for hazardous substances by an independent safety assessment laboratory, and after multiple rounds of verification and analysis, the products are made safe for consumers. LG H&H operates a safety quality certification system twice a year in the first and second half of each year. Through self-examination and identification of improvement measures, we benchmark and share the best practices of each business unit to continuously guide them to improve their shortcomings.

Hazard Management Enhancements

To ensure product safety, LG H&H systematically and scientifically reviews the safety of cosmetics by eliminating possible risks from the raw material level to the prescription level, establishing scenarios for systemic toxicity exposure assessment based on data accumulated over a long period of time. For example, we check and analyze whether a product is safe for children, whether any ingredients are harmful when inhaled, and whether there are any reported cases of irritation.

We also strive to build global-level safety assessment capabilities as the export volume of LG H&H products continues to increase. We currently use research data from internationally recognized GLP¹⁾ organizations(ECHA²⁾, EPA³⁾, OECD⁴⁾, etc.) and data validated by the purpose of the evaluation (CIR⁵⁾, SCCS⁶⁾, etc.) for hazard assessment, also adopting the OECD method for cytotoxicity assessment. In addition, we will apply the ISO method for microbial preservative evaluation to all cosmetics products and use an internationally recognized testing laboratory(KOLAS) for hazardous substance testing. LG H&H is committed to verifying product risk factors in advance to ensure they are safe and risk-free.

1) GLP(Good Laboratory Practice): Good Laboratory Practices, nonclinical test management standards
 2) ECHA(European Chemicals Agency): European Chemicals Agency
 3) EPA(United States Environmental Protection Agency): United States Environmental Protection Agency
 4) OECD(Organization for Economic Cooperation and Development): Organization for Economic Cooperation and Development
 5) CIR(Cosmetic Ingredient Review): US Cosmetic Ingredient Review Committee
 6) SCCS(Scientific Committee on Consumer Safety): European Scientific Committee on Consumer Safety

Skin Irritation Verification Enhancement

LG H&H has strict standards for the health of our customers' skin. Even if a product is deemed safe through our rigorous standards, we double-check its safety through irritation tests on real skin. Only after passing this verification do we provide cosmetics to consumers that are safe to use. LG H&H cross-validates the degree of skin irritation by skin type and institution through single, repeated, and cumulative skin irritation assessments conducted by internal and external organizations. We also conduct 'sensitivity tests' to ensure that our cosmetics have hypoallergenic formulas that can be used by customers with more sensitive skin.



Types of internal and external organ skin irritation assessments conducted in-house

- In-house single-application patch test
- Repetitive/accumulative skin irritation tests
- Sensitivity testing on a panel of sensitive skin
- Human skin allergy test
- Non-comedogenic testing
- Eye irritation replacement test(HET-CAM)



CASE | Clean Beauty Brands

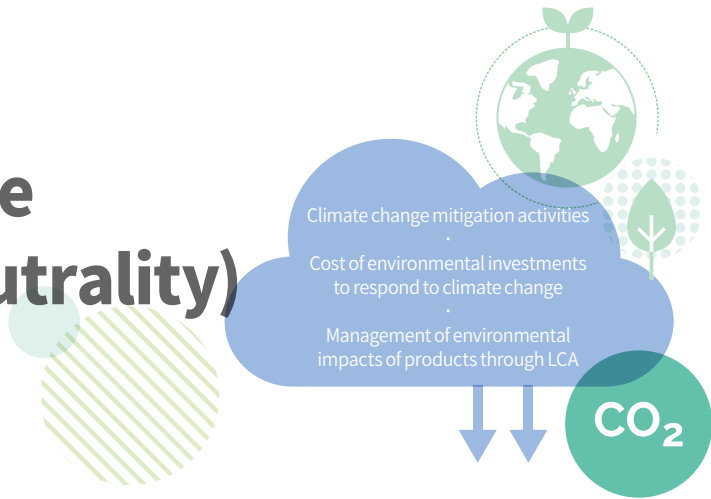
- **Belif:** An authentic herbal cosmetics brand that utilizes natural herbs with high-efficacy ingredients for skin improvement and maximizes differentiated experience through high-content stabilization technology of high-efficacy ingredients.
- **Beyond:** LG H&H's representative clean beauty brand, Beyond effectively delivers the benefits of herbs to the skin with carefully selected ingredients, safe prescriptions, and comfortable fragrances, including the launch of products using herbs grown directly from Ulleungdo Island.
- **TFS:** A functional vegan skincare brand that excludes animal ingredients and prescribes 24 harmful ingredients.
- **Physiogel:** German skin science brand presenting skincare technologies suitable for various skin types of consumers by conducting systematic human application and sensitive skin tests on all its products.

Free of Harmful Ingredients Formulated Without

LG H&H pursues sustainable values that extend beyond safety and ethics to the environment. When developing products, we manage not only legal and regulatory ingredient restrictions but also ingredients whose safety is suspected or whose use needs to be restricted due to ethical and environmental issues by screening them at the first, second, and third levels. We also develop products that are safe for the human body and the environment by categorizing substances suspected of being harmful to the human body and the environment from a global perspective and update the list of substances restricted for use through continuous research and observation of domestic and international trends. LG H&H strives to manage the impact of its products on customers and improve product quality and safety.

ISSUE

Response to Climate Change(Carbon Neutrality)




 **IMPORTANCE**

Responding to climate change is one of the top challenges facing humanity. To overcome the climate crisis, the world is promoting various activities such as declaring carbon neutrality, strengthening environmental regulations, and spreading renewable energy. Disaster events such as floods, typhoons, heat waves, and droughts caused by global climate change are inconvenient for individuals and severely impact businesses. Therefore, companies should not only take on continuous social responsibility but also identify and plan to prevent various climate changes for sustainable growth and implement carbon neutrality.

 **APPROACH**

As a consumer goods producer, LG H&H has declared '2050 Net Zero' to participate in the fight against global climate change actively. We also seek ways to protect the environment by improving processes at all our business sites to reduce greenhouse gases, investing in facilities for reproduction, using renewable energy, introducing electric and hydrogen vehicles, and steadily investing in these areas to respond to the climate crisis and achieve carbon neutrality.

[Net-zero policy](#) 

 **PERFORMANCE**

Reduced Carbon by 16,638 tons(2022 target 14,600 tons)



Enhanced Competency Recruitment of carbon management personnel(Headquarters, Cheongju)

Strengthened carbon management organization

Established GHG inventory for suppliers(Cumulative 53 companies)



40 companies in 2022

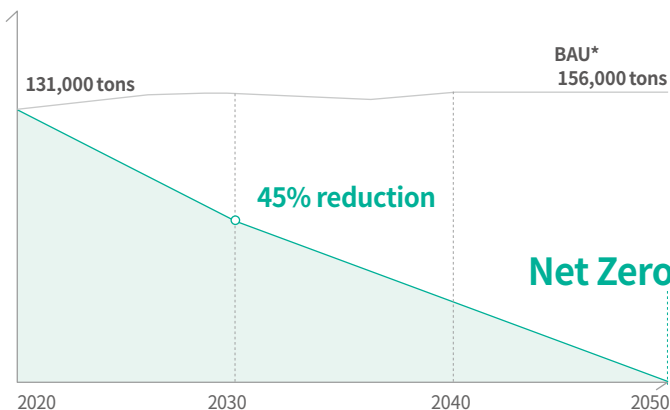
2050 Carbon Neutrality Declaration

As a producer of FMCG(Fast Moving Consumer Goods), LG H&H clearly recognizes that carbon neutrality is not only a corporate social responsibility but also a survival strategy for sustainable growth in the era of the climate crisis. Therefore, considering economic validity and feasibility, we declared “2050 Net Zero,” which promises to reduce carbon emissions by 45% in 2030 compared to 2020 and achieve carbon neutrality by 2050. To achieve this, we have identified 84 detailed tasks to implement six measures to reduce greenhouse gases(developing low-carbon products, improving process efficiency, switching to low-carbon fuels, increasing the proportion of electric vehicles, expanding renewable energy, and promoting carbon offset projects) and are introducing them in stages. In 2022, we made significant efforts to improve energy efficiency by supplementing facilities at our business sites, with LG H&H investing KRW 2.2 billion, Coca-Cola Beverage KRW 1.1 billion, and HAITAI htb KRW 500 million. In the long term, we plan to gradually expand the share of renewable energy use by implementing activities such as building solar and hydrogen power plants and introducing hydrogen fuel cells at our business sites. In addition, we intend to carry out carbon offsetting activities, including afforestation and tidal flat restoration projects to eliminate residual emissions.

Realizing Win-Win Carbon Neutrality

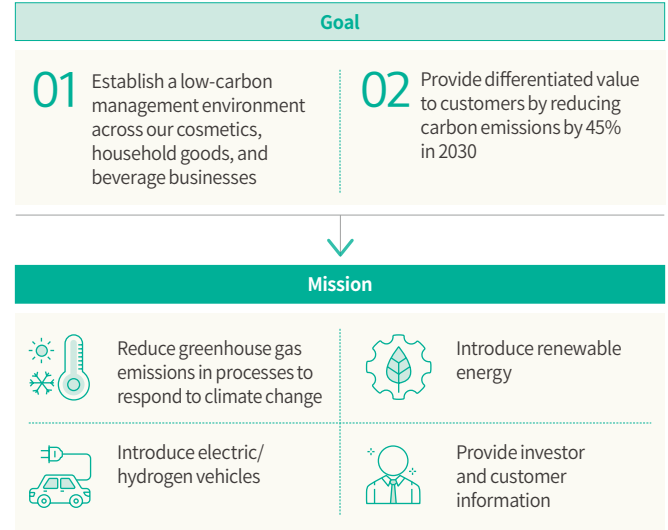
To contribute to the transition to a low-carbon economy by spreading our efforts to achieve carbon neutrality across our value chain, we supported 40 suppliers in establishing greenhouse gas inventories in 2022, laying the foundation for them to easily calculate and systematically manage their emissions. In addition, we provide various technologies and know-how to reduce greenhouse gas emissions, such as energy-saving consulting. In addition, LG H&H plans to expand its ongoing efforts to realize “win-win carbon neutrality” by providing ESG training to 100 suppliers to increase their interest in carbon reduction activities and ESG management.

CO₂ Emissions(tCO₂e)



* Emission projections(BAU, Business As Usual)

2050 net-zero goals and four missions



Environmental Management Governance for 2050 Net Zero

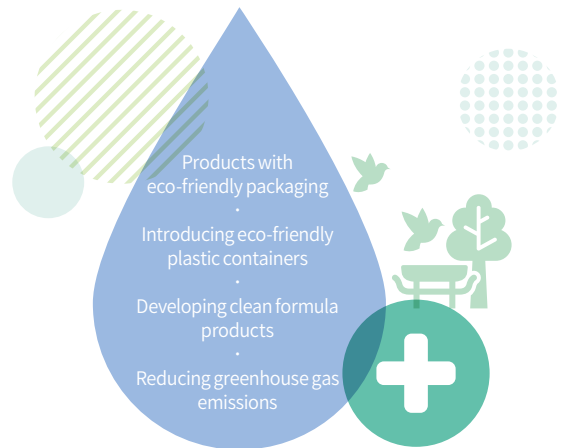
LG H&H’s ESG Committee, under the BOD, reviews plans, strategies, execution, and performance of overall environmental management, including climate change risk management and energy management, and is responsible for final decision-making. In 2022, the committee approved the ‘Carbon Neutral Mid- and Long-Term Strategic Plan,’ which includes setting targets for managing and reducing greenhouse gas emissions and investment plans for reducing them, and the ‘Carbon Neutral Activities in 2022 and Plan for 2023’, which includes strengthening supply chain ESG and responding to climate change. We will continue to work closely between management and working groups to fully realize ESG management at the company-wide level.

ESG Management Dedicated Organization



ISSUE

Developing Green Products and Services



IMPORTANCE

As environmental issues such as global warming and air pollution have emerged as critical issues that threaten the survival of humanity around the world, value consumption and ethical consumption have become natural, and customer demand for eco-friendly products and services is gradually expanding. In addition, domestic and international environmental regulations are gradually intensifying, such as encouraging recycling and reducing the use of plastic to circulate resources to overcome the global climate crisis. Amid these environmental changes, developing eco-friendly products and services is becoming a corporate social responsibility for future generations and an essential factor for companies to continue to grow. Accordingly, LG H&H has developed Clean Beauty Index from the LCA(Life Cycle Assessment) perspective to minimize the environmental impact of our products by managing the environmental, safety, ethics, and efficacy aspects of our products, from raw material review to safety assessment to packaging material evaluation.

APPROACH

To meet the needs of society and consumers, LG H&H develops a variety of products and services with reduced environmental impact. In particular, as part of the Clean Beauty Inside(CBI) program, which provides eco-friendliness, human safety, social responsibility, and honest efficacy from the development stage of cosmetics, we are applying waste plastic pyrolysis oil raw materials, green beauty, blue beauty, eco-certification, eco-friendly materials/formulations, and eco-friendly methods to our products. Waste plastic pyrolysis oil, which is oil extracted from plastic waste, is used as a raw material for plastics, and we are actively participating in global efforts to respond to climate change by developing environmentally friendly products and services.

PERFORMANCE

<p>Sales of Green Products</p> <p>KRW 476.8 billion</p>	<p>In environmental contribution savings through PET lightweighting</p> <p>250.2 million KRW/year</p>	<p>Of greenhouse gas emission reduction through PET lightweighting</p> <p>4,940.6 tons/year</p>	<p>Ratio of clean beauty products launched in 2022 and Clean Beauty Inside index</p> <p>25 %¹⁾ / 8.37 score²⁾</p>
--	--	--	--

1) Percentage of Clean Beauty-applied products among new products of Clean Beauty-focused brands(Belif, Beyond, TFS, Physiogel)
 2) Clean beauty-focused brands(Belif, Beyond, TFS, Physiogel), based on new products in 2022, perfect score of 20

Products with Eco-friendly Packaging

The problem of plastic pollution caused by the excessive use of packaging materials has become a human challenge that can no longer be put off for sustainable growth. In response, LG H&H is reducing the use of plastic by finding a multi-dimensional and multifaceted way to do so by taking a 4R(Recycle, Reuse, Reduce, Replace) perspective.

The 4Rs to reduce plastic use

4R	LG H&H Practices
Recycle	Evaluating materials and structures, changing materials, and improving recyclability
Reuse	Spreading refill culture and using multi-use containers
Reduce	Reducing carbon footprint by improving packaging efficiency
Replace	Applying eco-friendly materials such as reused plastic(PCR plastic), raw materials derived from waste plastic pyrolysis oil, and recycled glass
Evaluation	Evaluating clean beauty products with a weighted 4R perspective

Products with Highly Recyclable Packaging

Solutions	Products
Eliminating post-processing (Plating, deposition, coating)	<ul style="list-style-type: none"> Beyond Angel Aqua Moisture Soothing Toner Physiogel Red Soothing Cica Balance Toner Physiogel Daily Moisture Therapy UV Sun Lotion Beyond Healing Force Scalp Clinic Scaler Beyond Angel Aqua Moisture Calming Cream Moisturizing Barrier Cream
All plastic Pump application	<ul style="list-style-type: none"> Beyond Phytogenic Foam Cleanser/Inner Cleanser Beyond Phyto Aqua Emulsion Jayeongpong Mother's Note Dishwashing Liquid
Application of reusable PS buffer	<ul style="list-style-type: none"> O HUI
Optimized container structure to reduce plastic usage/improve recyclability	<ul style="list-style-type: none"> Hi-Pong(reducing the amount of plastic used) O HUI The First Emulsion/Skin(easier to recycle)
Application of colorless PET	<ul style="list-style-type: none"> On the Body Flower Body Wash

Introducing eco-friendly plastic containers derived from waste plastic pyrolysis oil

LG H&H is the first in the industry to introduce cosmetic containers made from plastic derived from waste plastic pyrolysis oil. Waste plastic pyrolysis oil is made by heating plastic waste that is difficult to recycle, such as waste vinyl and composite materials, at high temperatures of 300~500°C in an oxygen-free environment. Since waste plastics are reused as raw materials without incineration, it reduces greenhouse gas emissions compared to the conventional method of extracting raw materials from crude oil. Currently, LG H&H's clean beauty brand 'Beyond' has applied the oil to two products, 'Angel Aqua Moisture Soothing Cream' and 'Angel Aqua Moisturizing Barrier Cream,' and plans to increase the number of products with eco-friendly plastic containers in the future.



Beyond Angel Aqua Moisturizing Barrier Cream

Clean Formula Product Development

Amidst the growing global warming and climate crisis, water management is becoming increasingly important, as is greenhouse gas reduction. As water is essential for humanity and businesses to continue to grow, we are continuously researching and launching 'waterless formulations' in the form of sticks, balms, and powders to innovate water without wasting it.

Waterless formulations not only reduce the amount of water used in product production but also dramatically reduce the weight of plastic packaging and products, thus reducing the carbon energy required for manufacturing and transportation. LG H&H has launched waterless formulations, such as Dr. Groot, a mildly acidic hypoallergenic formula, scalp scaling 'Shampoo Bar' for weak hair, 'Propoli Thera,' nourishing hair with propolis and peptide ingredients, 'High Nutrition Shampoo Bar' for brittle hair, and 'VEILMENT Dead Sea Mud Body & Facial Bar,' which contains AHA-BHA ingredients to help care for dead skin cells. We will continue to strive to develop waterless, functional, eco-friendly formulations.

Reducing Greenhouse Gas Emissions by Lightening PET Containers

Since 2021, LG H&H has continuously participated in the 'Container Lightweighting Project' that Global Coca-Cola conducts worldwide to reduce greenhouse gas emissions. In January 2022, we reduced the weight of a 900ml container of aseptically filled products by 11g from 44g to 33g. In October 2022, we reduced the weight of a 350ml container of carbonated water by 7.6g from 31.6g to 24g. The container lightweighting project, which we have been promoting since 2021, aims to reduce the weight of containers for 10 types of products, including aseptic-filled and carbonated products and is expected to reduce greenhouse gas emissions by 4,940.6 tons per year. In 2023, LG H&H reduced the weight of three more types of containers and will continue to reduce the weight of containers sequentially until 2024.

Estimated Effects of PET Lightweighting

Savings on PET resin purchases	KRW 3,131.1 million/year
Environmental share savings	KRW 250.2 million/year
Greenhouse gas emissions reduction	4,940.6 tons/year

02

SUSTAINABLE MANAGEMENT



ENVIRONMENT

Environmental Management 42

SOCIAL

Talent Management 54
Human Rights Management 60
Safety and Health Management 64
Quality Management 68
Customer Satisfaction Management 74
Cybersecurity 78
Social Contribution 82

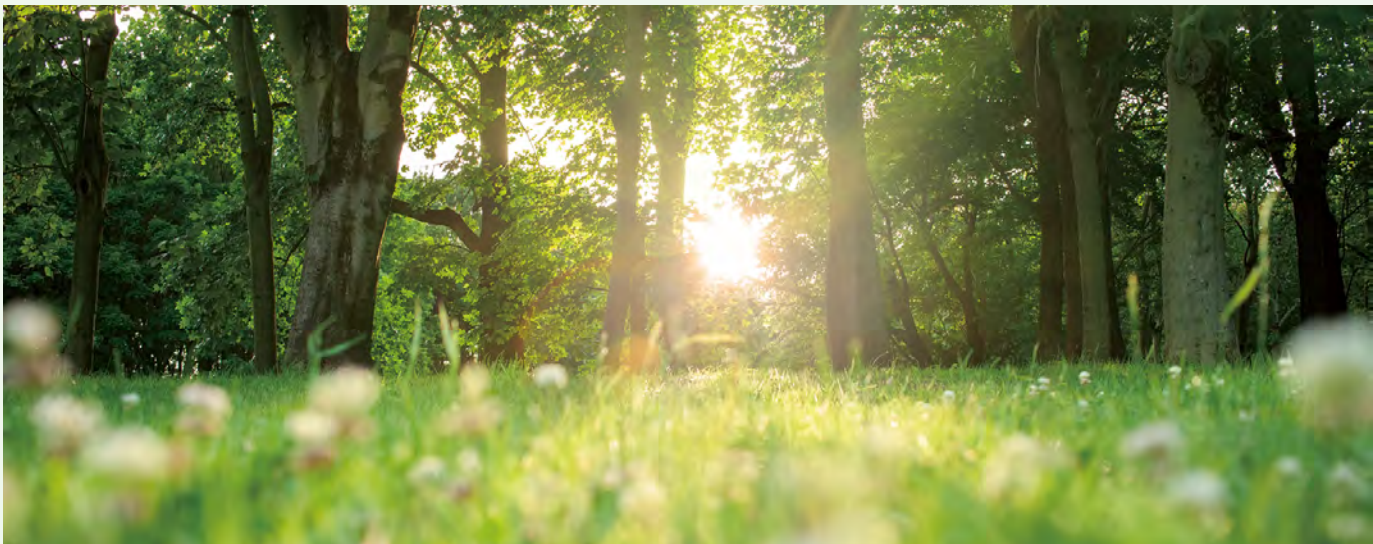
GOVERNANCE

Governance 88
Risk Management 94
Compliance 102
Jeong-Do Management 104
Supply Chain Management 108

ENVIRONMENTAL MANAGEMENT



Global warming, extreme weather, environmental pollution, and biodiversity preservation are dangerous realities facing humanity that can no longer be put off. Responding to climate change is, therefore, a very urgent and important challenge that governments, businesses, and individuals must tackle together, without distinction. To this end, countries worldwide are announcing 'Nationally Determined Contributions' (NDCs), strengthening environmental regulations to achieve carbon neutrality, and speeding up infrastructure construction by developing and widely utilizing renewable energy sources. LG H&H is also aware of its impact on the environment as a producer of daily consumer goods and is promoting various activities to minimize this impact, including improving packaging materials, expanding eco-friendly logistics activities, improving energy efficiency, introducing new and renewable energy, and preserving biodiversity.

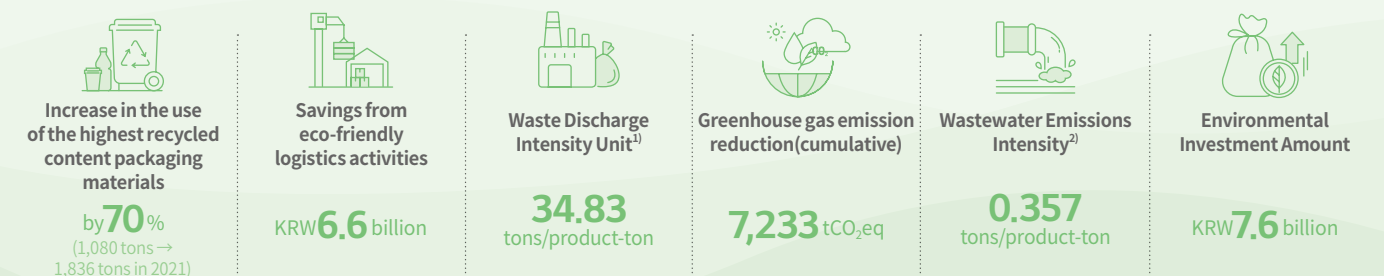


Goals

- Achieve KRW 550 billion in sales of green products through eco-labeling(~2525)
- Use 200 tons of recycled plastic(~2025)
- Reduce the use of restricted substances¹⁾ by 50%(~2025)
- Achieve 50% clean beauty products among new products of clean beauty-focused brands(~2025)
- Achieve 1.46 tons²⁾/product-ton of water intensity(by 2025)
- Achieve 0.0069tons CO₂e/product-ton³⁾ of GHG emissions intensity (production plant)(by 2025)
- Invest continuously 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 own standards 3) LG H&H, Coca-Cola Beverages, and HAITAI htb included

Key Achievements



1) LG H&H Standards, Intensity increase due to TP plant expansion 2) LG H&H Standards, increase due to addition of scrap metal/paper

Environmental Management System

LG H&H has been practicing company-wide environmental management by establishing mid- and long-term strategies and plans for environmental management based on the Environmental Management System(ISO 14001). In 2021, we announced the '2050 Carbon Neutrality Plan' and are making various efforts to manage a low-carbon environment and reduce carbon emissions by creating a mid-to-long-term roadmap for responding to climate change. The Environmental Safety Division, an organization dedicated to environmental management, operates the most appropriate environmental management system at all stages of business activities and actively supports overseas business sites to implement environmental management.

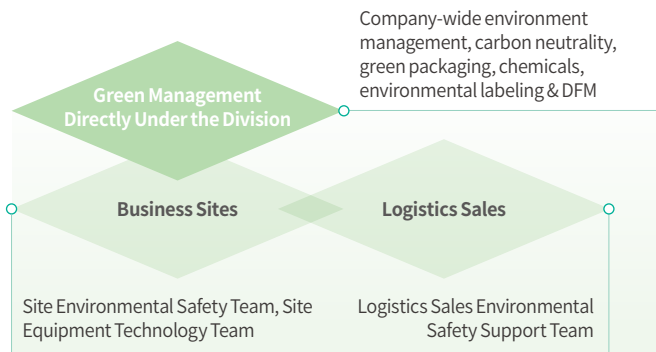
[Environmental Management Policy](#)

Environmental Compliance Sanctions

In 2022, LG H&H did not incur fines and penalties exceeding USD 10,000 for violations of environmental laws and regulations. LG H&H will continue to strive for environmental compliance by reviewing the company-wide ESH(Environment Safety Health) management system.

* No significant environmental violations in 2020-2022

Dedicated Environment Management Organization



Mid- to long-term roadmap for environmental management

Evaluation Items	Evaluation Content	2022 Performance	2023 Goals	2025 Goals
Green Management	Sales of green products (KRW 100 million)	4,768	5,000	5,500
	Greenhouse Gas Emission Reduction (tons CO ₂ eq, cumulative)	7,223	18,859	25,870
	Wastewater Discharge Intensity ¹⁾ (tons/product-ton)	0.357	0.354	0.275
	Waste Recycling Rate(%)	83.7	85	87
System	Environmental safety work advancement(DX)	23 DX tasks	DFM system establishment	DFM system advancement
	Implementation of Chemical Substance Registration ¹⁾ (type)	24	27	39

1) LG H&H Standards

Environmental Management Certification Status

Environmental Management ISO 14001

14 (Domestic: 11, Overseas: 3)



* CCB: Consolidated one certificate for Yeosu, Yangsan, and Gwangju business sites

Responding to Climate Change

To respond to climate change, LG H&H has declared '2050 Carbon Neutrality' to reduce carbon emissions by 45% compared to 2020 by 2030. To this end, we will invest approximately KRW 200 billion by 2030 to implement 84 tasks to reduce greenhouse gas emissions, including introducing high-efficiency facilities, energy conversion, and renewable energy and electric vehicles.

In addition, to realize carbon neutrality, including Scope 3, it is also essential to collaborate with the supply chain, which affects every step of the product development process. Therefore, LG H&H has supported more than 500 small and medium-sized suppliers to build GHG inventories and plans to expand consulting activities to steadily provide energy-saving and carbon-reduction measures.

Managing the environmental impact of products through LCA

LG H&H conducts Life Cycle Assessment(LCA) for each product to establish an effective carbon neutrality plan. To realize a sustainable future and carbon neutrality, LG H&H plans to expand its assessment techniques to quantify environmental impacts across all processes, from raw material collection to processing, production, transportation, use, and disposal. We will expand our transition to a circular economy by fundamentally improving our production and consumption methods for product development and internally establishing a standardized database for LCA techniques.



LCA Impact Categories

- Resource footprint
- Carbon footprint
- Ozone layer impact
- Acid rain
- Eutrophication
- Optical smog
- Water footprint

Energy/Greenhouse Gas Management

LG H&H systematically manages energy and greenhouse gases by establishing a greenhouse gas inventory for each domestic and overseas business site and operating an energy management system and secures transparency and objectivity of emissions through third-party verification. The amount of energy required for the manufacturing process is not relatively high compared to other manufacturing companies. Only a few sites(Yeouju and Cheonan) of LG H&H and its subsidiaries are included in the target management system, and even those sites have exceeded the target level every year.

LG H&H continues to invest in carbon neutrality tasks every year in accordance with the 2050 Carbon Neutrality Roadmap announced in 2021. In addition, the Carbon Management Council, held monthly, reviews the implementation of existing reduction tasks and discovers new reduction tasks through various research and implementation.

In 2022, we invested in energy efficiency improvements at our cosmetics and household products plants, and reduced nearly 7,000 tons of greenhouse gases through 28 reduction projects. In 2023, LG H&H will continue to pursue various carbon reduction initiatives, such as reusing waste heat from a nearby incinerator instead of the existing LNG boiler and introducing high-efficiency facilities.



Greenhouse Gas Reduction Activities

Company	Business sites	Reduction Investment
LG H&H	Cheongju	<ul style="list-style-type: none"> Manufacturing facility motor replacement and inverter installation Utility(chiller pump) motor replacement and inverter installation Use of minimum steam operating pressure Steam leakage elimination High efficiency electric motor replacement Completion of utility grid diagrams
	Ulsan	<ul style="list-style-type: none"> Melting sheet heat exchange system Installation of detergent raw material drum melting tanks Use of high-efficiency lighting devices(LED)
Coca-Cola Beverage	Yeouju	<ul style="list-style-type: none"> Improvement of carbonated product utility process Purchase of pipeline leakage measurement equipment
	Yangsan	<ul style="list-style-type: none"> Replacement of LED lighting fixtures (26.208 kWh/year) Improvement of carbonated product utility process
	Gwangju	<ul style="list-style-type: none"> Improvement of carbonated product utility process
HAITAI htb	Cheonan	<ul style="list-style-type: none"> Application of off-site(waste) steam
	Pyeongchang	<ul style="list-style-type: none"> Lighting equipment replacement
	Iksan1	<ul style="list-style-type: none"> Lighting equipment replacement Introduction of air compressor
	Iksan2	<ul style="list-style-type: none"> Replacement of lighting equipment Improvement of mixing ratio

Environmental Investment Costs

Classification	Unit	LG H&H	Coca-Cola Beverages	HAITAI htb	Total
Environmental investment	KRW million	4,649	2,747	174	7,570
Environmental costs	KRW million	6,357	1,492	654	8,503

Association Activities for Carbon Neutrality

Associations	Association Activities	LG H&H Activities(Indirect lobbying)
	<p>PACT is one of the corporate collaboration initiatives based on No Plastic in Nature (NPIN). PACT works with various stakeholders, including companies, governments, and local governments, and organizes its activities under three main pillars.</p> <ol style="list-style-type: none"> 1) Transitioning to sustainable business models 2) Advocating for an international plastics treaty 3) Plastic Smart City activities 	<ol style="list-style-type: none"> 1) Released the Plastic ACTion(PACT) Joint Declaration 2) Established a plastic reduction plan: Reduce plastic usage by 20% by 2030 3) Introduced plastic containers using waste plastic pyrolysis oil
	<p>The Carbon Disclosure Project(CDP) requires more than 9,600 companies around the world to disclose information related to their environmental management, including climate change action, biodiversity, plastics, and oceans. It analyzes the disclosures and makes them available to investors and financial institutions. CDP assessment results are used as a source of information for ESG investment decision-making by financial institutions worldwide.</p> <ol style="list-style-type: none"> 1) Climate change: greenhouse gas emissions, reduction targets, strategies, governance, etc. 2) Policies and decision-making structures related to water stress, water withdrawals, business criticality, etc. 3) Policies, decision-making structures, etc., related to deforested raw materials. 	<ol style="list-style-type: none"> 1) Established a net-zero 2050 goal and plan 2) Established net-zero policies 3) Managed water stress 4) Established policies to protect biodiversity and prevent deforestation

* NPIN was established to stop all plastics from entering nature and achieve a circular economy of plastics by 2030

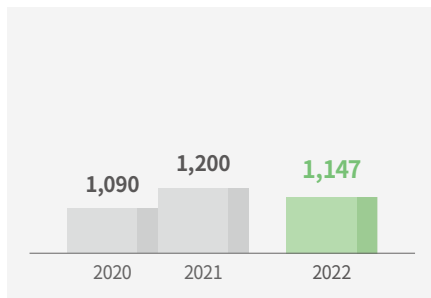
Supporting supply chain carbon management

According to the Carbon Disclosure Project(CDP) and the Science-Based Targets Initiative(SBTi), major global initiatives related to the environment, the management of indicators specific to climate change in the supply chain has emerged as an important agenda. LG H&H conducted carbon management consulting for 13 suppliers in 2022

from the perspective of supporting the shared growth of suppliers, and the expected carbon savings for 13 suppliers through energy reduction tasks is 1,429 tCO₂eq/year. In 2023, LG H&H aims to establish a system for calculating the emissions of its suppliers to calculate its Scope 3 emissions and has set an inventory of 40 suppliers.

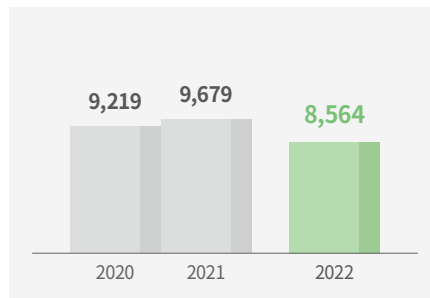
Energy Usage

(Unit: TJ)



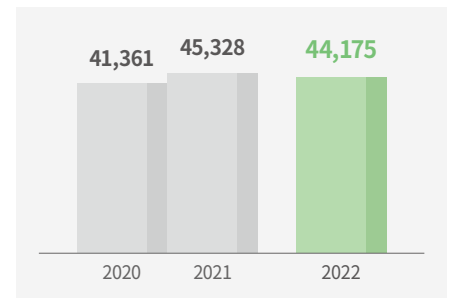
Direct GHG Emissions(Scope 1)

(Unit: tCO₂eq)



Indirect GHG Emissions(Scope 2)

(Unit: tCO₂eq)



* LG H&H Standards/The sum of scopes 1 and 2 on a business site basis differs from the total emissions

Energy saving activities

(Unit: tCO₂eq)

Existing Tasks ¹⁾			
Companay	Business site	Project name	Greenhouse Gas Reduction
LG H&H	Cheongju	1. Use of minimum steam operating pressure	56.6
		2. Improvement of water leakage	35
	Ulsan	3. Installation of drum melting tanks for detergent raw materials (Replacing direct steam melting method)	28.1
		4. Use of high-efficiency lighting devices(LEDs)	47
	Logistics	5. Adoption of eco-friendly(electric) vehicles	23
YeoJu	6. Energy efficiency by changing utility temperature, pressure conditions	1,113	
	7. Checking and improving steam leaks	37	
CCB	Yangsan	8. Use of high-efficiency lighting fixtures(LEDs)	12.2
		9. Energy efficiency by changing utility temperature, pressure conditions	1,611
	Gwangju	10. Energy efficiency by changing utility temperature, pressure conditions	1,258
Logistics	11. Introduction of eco-friendly(electric) vehicles and establishment of charging infrastructure		10
	Pyeongchang	12. Use of high-efficiency lighting fixtures(LEDs)	29
HTB	Iksan2	13. Improvement of mixing ratio	57.6
Subtotal			4,317.5

New Tasks			
Companay	Business site	Project name	Greenhouse Gas Reduction
LG H&H	Cheongju	1. Electricity consumption reduction by changing(stopping) the operating conditions of the FM packaging room air conditioning system in the main building	20
		2. Steam usage reduction by establishing automation facilities for steam valves in the main building	14
	Incheon	3. Turbo chiller(450RT) replacement at the cosmetics factory	50
4. Manufacturing Site Lighting Improvement (CGMP)		0.4	
Onsan	5. Establishment of a waste heat recovery system for interface production surplus	67	
Naju	6. Reduced operations at Naju Plant		870.19
		7. Reduced lighting hours for restaurant barrisol lights	0.95
Magok	8. Installation of cooling water circulation pump inverter for restaurant refrigerators		1.39
		9. Operation of solar power generation facility	70
CCB	Anyang	10. Optimization of the number of sales vehicles	933
HTB	Cheonan	11. Recovery of waste heat from hot-fill line chillers	35
		12. Improvement of hot fill line sterilizer return volume	36
	13. Rationalization of filling cooling temperature for Aseptic Line	101	
Anyang	14. Optimization of the number of sales vehicles	577	
Iksan2	15. Replacement of small compressor for RO Recycle in manufacturing room (Power saving)	129.7	
Subtotal			2,905.63

Total: 7,223 tCO₂eq

1) 9 projects with investments deferred(carried forward to 23 years) or put on hold or canceled

2) Calculated as the difference in annual emissions before and after the implementation of reduction tasks by task

* Calculated in accordance with the Guidelines on Greenhouse Gas Energy Target Management Operation, etc.

Reducing the Environmental Impact of Product Packaging Materials

Operating the Green Product Review Council

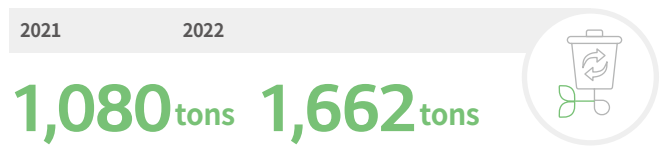
LG H&H operates a company-wide Green Product Review Council to expand the use of sustainable packaging materials further. The council is led by LG H&H's Environmental Safety Division and chaired by the head of the Consumer Safety Center, and includes departments in charge of packaging research, design, purchasing, and product planning.

The council deliberates on ways to improve the environmental performance of products from the stage of product development to post-launch, including excessive packaging, plastic usage, and circular availability, and strives to fulfill its environmental responsibilities and roles. We also share information on green packaging proposals, new legislative amendments, industry trends, and technologies to generate ideas and apply them to our products continuously. As a result of these efforts, we achieved a total of 26 green packaging improvement tasks in 2022, including 7 container reductions, 6 material improvements, and 13 recyclability improvements. In particular, LG H&H improved five products subject to circular usability evaluation by introducing label-free products and reducing the adhesive area of labels.

Activities to Reduce Plastic Use through the Green Product Council

LG H&H conducted various activities to reduce plastic usage in 2022. We improved container shapes and materials, changing to lighter containers or using smaller packaging and working to replace plastic packaging with paper or other materials. As a result, we reduced our plastic use by 121 tons in 2022 through the Green Product Council's Lightweighting Challenge.

Highest recycled content packaging usage



* Expansion of label-free beverages increased by 53.9% year-on-year

Packaging Recycling Performance and Synthetic Resin Materials¹⁾

(Unit: tons, %)

Classification	Year	Cans		Glass bottles		Synthetic resin material		Recycled Amount
		Recycling Rate	Recycling Volume	Recycling Rate	Recycling Volume	Recycling Rate	Recycling Volume	
LG H&H	2020	255	83.51	2,219	67.00	18,420	89.04	20,894
	2021	207	82.32	2,044	64.00	18,125	94.27	20,375
	2022	194	82.29	1,993	64.00	17,338	94.17	19,525
CCB	2020	1,351	76.00	1,351	67.00	32,070	76.76	34,771
	2021	1,005	79.00	1,005	64.00	35,063	79.93	37,073
	2022	1,109	79.00	1,109	64.00	34,138	80.19	36,356
HTB	2020	917	76.00	6,697	67.00	1,827	76.30	9,441
	2021	752	79.00	7,737	64.00	1,458	79.62	9,947
	2022	845	79.00	9,193	64.00	1,458	79.92	11,524

¹⁾ Data based on recycling rate disclosure data from Korea Resource Circulation Service Agency(KORA)

* Some data adjusted due to changes in data management scope and methodology adjustments, etc.

Business Agreement on 'ESG Management and Expanding the Use of Eco-friendly Packaging'

LG H&H signed a business agreement with the Korea Packaging Recycling Cooperative(KPRC), the Korea Conformity Laboratories(KCL), and five mandatory producers to proactively respond to the demand of ESG-managed companies for eco-friendly packaging policies and packaging technologies at home and abroad, and to establish an efficient cooperation system for the social spread and establishment of eco-friendly packaging. Through the MOU, we are working to expand the use of eco-friendly packaging. In 2023, we will also collaborate with the retail industry to build a sustainable product packaging value chain.

Improving Packaging Circularity and Expanding Refill Products

LG H&H has improved the resource circularity of its packaging by changing colored PET containers to colorless PET, improving the 'tear line' and adhesive on labels, and expanding metal-free pump products. We are also striving to save resources by expanding refillable products in a variety of products, including refillable containers for creams and essences that were previously non-refillable.

Expanding the use of recycled materials

We are working to expand the use of packaging made from recycled materials. For example, we utilize glass with more than 80% waste glass as cosmetic containers, develop set trays from waste plastic generated in the production process, and use recycled ABS material to make cosmetic containers. These efforts resulted in the use of 180 tons of recycled plastic per year in 2022.

Sales of Green Products

(Unit: KRW 100 million)

Classification	2021 performance	2022 performance	2023 Goal
Ref	3,962	4,081	4,293
HG	545	687	707
Total	4,507	4,768	5,000

Green Product Certification Status

(Unit: Piece)

Classification	2021 Performance	2022 Performance
Environmental label	184	183
Environmental performance label	4	10
Total	188	193

Coca-Cola Bottle-to-Bottle¹⁾

LG H&H launched a recycled PET(r-PET) product containing 10% recycled plastic for the first time by applying it to existing Coca-Cola and Coca-Cola Zero 1.25L products. A recycled PET bottle is a product that is physically regenerated by washing, crushing, and heating transparent PET bottles separately recycled in Korea to meet the standards of the Ministry of Environment and is then licensed by the Ministry of Food and Drug Safety to be used as a food container. To minimize environmental impact while maintaining product quality and safety, the Coca-Cola Recycled Bottle has reduced the weight of plastic from 41 grams to 36 grams, which is about 21%(8.6 grams) less plastic used to make one bottle of the product and discarded than before.

1) A method of collecting used beverage bottles and putting them through a physical process of washing, crushing, and fusing to create new clear plastic bottles.



Environmental Performance Labeling and Environmental Labeling System

The environmental labeling system is a certification system operated by the Ministry of Environment that provides consumers with eco-friendly product information by displaying environmental labels on products that have superior environmental performance compared to products of the same use, encouraging companies to voluntarily develop and produce eco-friendly products. LG H&H has continuously acquired environmental labeling certification and displays environmental labels on its powdered laundry detergents, liquid detergents, multipurpose cleaners, air fresheners, etc., to provide consumers with information on environmental excellence. LG H&H is also actively participating in the environmental labeling system to quantitatively display the environmental impact of all processes from production to disposal. The environmental labeling system is a system that quantitatively displays the environmental impact of the entire process of a product, including raw material collection, production, transportation/distribution, use, and disposal. In addition, if a product has significantly lower or reduced carbon emissions compared to similar products, it can be certified as low-carbon. LG H&H holds two low-carbon certifications¹⁾ through investments in container reduction and energy saving in the production stage.

1) Low-carbon certified products: Products whose carbon emissions are below the maximum allowable carbon emissions or have been reduced by more than the minimum carbon reduction among products certified with an environmental label.

Environmental Labeling Certified Products

Product category	Brand	Product Name
Dishwashing Detergent	Jayeonpong	Jayeonpong Non-Greasy Baking Soda & Lemon
	PONG PONG	Pongpong Lemon Vinegar
Multi-Purpose Cleaners	Homestar	Homestar Natulux Bathroom Cleaner
	Han Yip	Han Yip 100% Percarbonated Soda
Air Fresheners	Aura	LG Aura Eco Big Egg Air Freshener

Environmental Performance Labeled Products

Product category	Brand	Product Name
Cosmetics	Beyond	Beyond Deep Moisture Smoothing Body Emulsion 300ml, 500ml Beyond Deep Moisture Creamy Body Wash 300ml, 500ml
	Coke	Coca-Cola 500mL, 1.5L PET
Carbonated Beverage	Sprite	Sprite 500mL, 1.5L PET
	Coke	Coca-Cola Zero 500mL, 1.5L PET
Bottled Water	Pyeongchangsoo	Gangwon Pyeongchangsoo 500mL, 2L PET
	ViO Soonsoo	ViO Soonsoo 500mL, 2L PET

* Gangwon Pyeongchangsoo 2L and ViO Soonsoo 2L products are low carbon certified.

Launching New Green Products

In 2022, LG H&H continues to strive to reduce plastic use in a multidimensional and multifaceted way, following the 4R(Recycle, Reuse, Reduce, Replace) perspective. In addition to introducing packaging materials made from recycled plastic, we also launched various green products that improve recyclability and reduce the use of petroleum-based plastics.

Eco-friendly Set Trays

Packaging cushioning trays used in cosmetic and gift sets is essential when packaging products. However, we have expanded our eco-friendly packaging by introducing paper gift set trays and cosmetic set trays made of reusable PS material to reduce the excessive use of petroleum-based plastic packaging.

Optimizing Large Volume Containers(barrels)

Large-capacity containers(barrels) have a high recycling share due to their large weight, but it has been difficult to reduce the plastic weight of the container to safely load and maintain the product. However, after repeated research, LG H&H improved the structure of the 'Hi-Pong' barrel container to ensure that the product can be safely loaded at the same level as before, even with a container that weighs less than before. As a result, we have been able to reduce our use of petroleum-based plastics by 35 tons per year compared to before and save approximately KRW 66 million in recycling contributions and product costs.

O HUI The First Emulsion/Skin

LG H&H changed the structure of its 'O HUI The First Emulsion/Skin' product to improve its recycling grade beauty product. This product was difficult to recycle as it had a shoulder decoration attached to the glass bottle container with adhesive. However, we improved the recycling grade and reduced the cost of the product by about 86 million won by changing the adhesive shoulder decoration to a prefabricated one.

Introducing eco-friendly dispenser pumps

Dispenser pumps are often utilized for ease of use in products such as dish soap, but they are one of the most difficult packaging containers to recycle due to the use of metal springs as elastomers. LG H&H has applied dispenser pumps made entirely of plastic to 'Jayeonpong Mother's Note Dishwashing Detergent,' 'The Face Shop Tea Tree Pore Ampoule,' and 'Beyond Phyto Aqua Emulsion' to improve the separation of packaging materials and ease of recycling, and plans to expand the application to more products in the future.



(Left) Homestar Mothers' Notes Dishwashing Liquid Rosemary Scent
(Right) Homestar Mothers' Notes Dishwashing Liquid Grapefruit Scent

CASE | Beyond 'Less plastic, Paper is enough'?

With a brand philosophy of "Eco Beauty for Mother Nature and Human Being," Beyond opened a pop-up store for the "Less plastic, Paper is enough" campaign in May 2023. With the pop-up store designed to reduce the amount of plastic used and focus on the essence of the product, we held an event at the pop-up store where customers could bring in 500 grams of used plastic cosmetic containers and exchange them for body refills or limited-edition containers. The limited-edition containers, which can be filled with refillable products, were not printed with any images or wording to ensure they could be recycled, and the bottle packaging was also made of recycled paper.



Beyond "Less plastic, Paper is enough" Campaign Pop-Up Store

Activities to Improve Recycling Grade

In line with the Ministry of Environment's newly revised recyclability rating system, LG H&H has established its own recycling rating system and takes yearly improvement measures for products with low recycling grades. In 2022, we changed 'On the Body Flower Body Wash' from colored PET to colorless and optimized packaging usage to reduce recycling share and product cost by KRW 55 million per year.

Establishing a Recycling Rating System

According to the Act on the Conservation of Resources and Promotion of Recycling, packaging materials subject to the Extended Producer Responsibility(ERP) must be evaluated for their ease of recycling. In response, LG H&H established its own Recycling-level Evaluation System(RES) to ensure that all employees can check and assess the recycling level, which is difficult to determine unless they are experts, through the system. Product managers can see what parts of their products need to be improved, which leads to voluntary recyclability improvement activities.

In 2022, we enhanced the RES system to integrate with our container specification sheet system to enable recycling ratings to be evaluated and utilized from the beginning of new product development. In the future, we will update the system to include not only recycling ratings, but also separate waste indicators, making it easier for consumers to recycle and separate waste.

Logistics Activities to Minimize Environmental Load

LG H&H actively promotes improvement activities throughout the logistics process to minimize logistics' environmental impact and reduce logistics oil consumption, thereby continuously creating effects that reduce greenhouse gas and air pollutant emissions.

In 2022, we carried out activities to minimize the environmental load by enhancing linked hand delivery between production and logistics bases across the country and optimizing vehicle operations by shortening transportation routes. LG H&H also expanded its eco-friendly vehicle operations by replacing 104 old diesel vehicles and introducing eight one-ton electric trucks. Introducing 1-ton electric trucks has been proven to save KRW 22 million in annual fuel costs and reduce 17 tons of greenhouse gases. Old diesel forklifts were replaced with 18 lithium forklifts, which continue to reduce GHG emissions.



Introducing a Lithium Forklift

However, LG H&H manages water usage by use site, including all production sites and research centers, and has identified and expanded uses where recycled water can be applied while continuously seeking ways to improve water usage at sites that use a lot of water.

Water Risk Management and Water Return Project

Since 2012, Coca-Cola Beverages and HAITAI htb have conducted a raw water vulnerability assessment every five years to manage the sustainability of our water resources. We regularly assess and manage our raw water supply chain, raw water concerns, water quality, national water supply and protection policies, and future prospects. In addition, we continue to implement the World Resources Institute's (WRI) water risk assessment tool, 'Aqueduct Assessment,' at all of our business sites to identify and manage the current and future status of water resources.

Since 2018, we have also conducted the 'Water Replenishment Project' with Coca-Cola Korea by restoring reservoirs and rivers in local communities. In 2022, we restored Gaho Reservoir, located in Yongju-myeon, Hapcheon-gun, Gyeongsangnam-do, and Wondudong Reservoir, located in Bongok-ri, Deokgok-myeon, Hapcheon-gun, Gyeongsangnam-do, securing an additional 11,700 tons of water storage capacity. As a result, the cumulative amount of water returned by 2022 was 723,887 tons, with a water return rate of 52%.

Effects of Eco-friendly Logistics Activities

(Unit: KRW 100 million)

Activity Performance	Amount Saved
Shortened transportation routes	31.2
Improved logistics center operation process	22.8
Increased delivery efficiency	12.0
Total	66.0

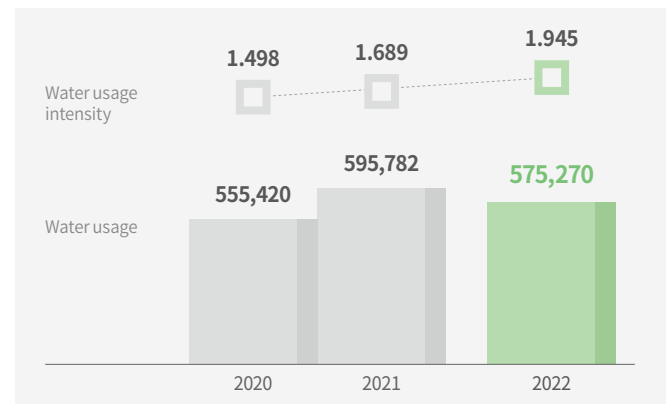
Water Management

Water Management

LG H&H's water use decreased by approximately 3.4% in 2022 compared to the previous year, but production volume also reduced by about 16%, resulting in an increase of roughly 15% in intensity. The water increase in intensity in 2022 was due to the discontinuation of a lab production plant that uses little water and the expansion of small-scale production of various products due to the deterioration of business due to COVID-19.

Water usage and intensity

(Units: tons, tons/product-ton)



* Based on LG H&H Standards, Intensity increase due to TP factory expansion

Wastewater

Wastewater Management

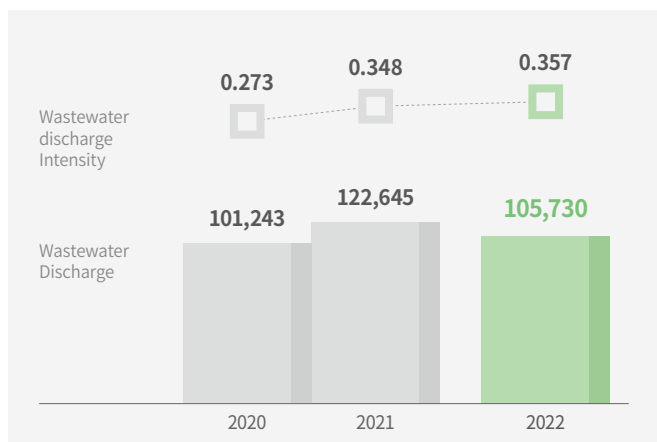
LG H&H operates an integrated wastewater treatment plant at the Cheongju Plant and the TP Plant and has established a continuous measurement system for TOC to monitor in real time in line with the new organic matter standards in the Water Environment Protection Act. Through this, LG H&H maintains stable discharge water quality and prevents environmental accidents. The Onsan plant invested KRW 2.6 billion to renovate its wastewater treatment plant to ensure stable and high wastewater treatment efficiency. Following the Gwangju plant last year, we also installed non-point pollutant reduction facilities at the Yangsan plant to prevent accidents involving non-point pollutants.

Wastewater Discharge

In 2022, LG H&H's wastewater discharge decreased by 13.8% year-on-year, while water consumption intensity increased by approximately 2.6%. To continuously reduce wastewater, we are implementing various activities to reduce wastewater emissions, such as the introduction of a Strainer automatic washing machine in the shampoo process at the Cheongju Plant and the reduction of standard exchange through prescription rationalization in the soap production process at the Ulsan Plant. We will continue to strive to minimize wastewater emissions by strengthening management activities.

Wastewater Discharge and Intensity

(Unit: tons, tons/product-ton)



* Based on LG H&H Standards, Intensity increase due to TP factory expansion

Waste

Waste Management

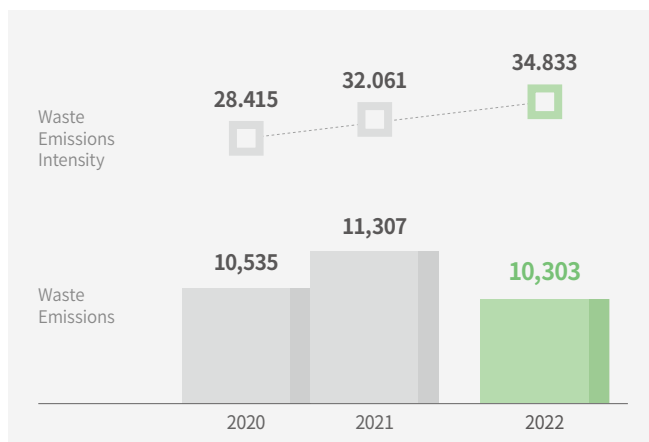
LG H&H monitors the amount of waste generated at each business site to identify, recycle, or reduce it. We also conduct company-wide cross-checks to ensure compliance with relevant laws and regulations in the process of storing, transporting, and disposing of waste. In particular, the Cheongju plant separates and recycles synthetic resin materials previously incinerated among auxiliary material waste, strives for more efficient waste management, and improved recycling rates by assigning personnel dedicated to waste separation and recycling and installing waste plastic compressors. In addition, the Yeosu, Gwangju, and Yangsan plants, which produce beverages, have installed waste compressors to expand separate discharge and improve waste treatment efficiency.

Waste Emissions

Starting with the 2022 Waste Discharge Performance, the average waste intensity for all business sites increased to 34.83 kg/product-ton, including recycled waste (scrap metal and paper) discharged from each business site. Rather than treating scrap metal and paper as simple recyclable waste, LG H&H systematically manages them as circular resources, monitoring all waste generated at LG H&H from waste generation to treatment and recycling.

Waste Emissions and Intensity

(Unit: tons, tons/product-ton)



* Based on LG H&H Standards, Intensity increase due to TP factory expansion

Chemical substances

Enhancing Chemical Management System

LG H&H has completed the registration of 16 chemical substances imported and manufactured in quantities of 1,000 tons or more by 2021 under the Korean Act on the Registration and Evaluation, etc. of Chemical Substances. Currently, we plan to register 10 substances imported and manufactured in quantities of 100 tons or more by 2024. When registering chemical substances, we submit specific test data on the substances to clarify the hazards and risks of substances previously distributed in Korea, contributing to a safer life for workers and the public. In addition, we actively respond to chemical management laws and regulations in Korea and countries where LG H&H products are exported, providing information on the hazards and risks of substances. To date, we have registered five chemicals under EU REACH and plan to register two under KKIDK¹⁾ and three under UK REACH²⁾ in 2023.

1) KKIDK(Kimyasalların Kaydı, Değerlendirilmesi İzni ve Kısıtlanması)
 2) UK REACH: Regulation on the Registration and Evaluation of Chemicals in Turkmenistan and the United Kingdom, respectively, similar to The Act on Registration and Evaluation, etc. of Chemicals in Korea and EU REACH, requiring all chemicals manufactured and imported into Turkmenistan in quantities of 1 ton or more per year to be registered by December 31, 2023, and in the case of the UK, requiring registration by October 28, 2027 in sequence depending on the tonnage manufactured and imported.

Hazardous Substance Management Commitments

Chemical Management in the Workplace

LG H&H continuously strives to ensure the safety and efficient management of chemical use. To provide workers with information about the substances they use, we have listed MSDSs for 598 substances at our Ulsan and Onsan plants and posted warning signs for more than 60 substances. We have also created and posted MSDS summaries for 100 substances, making them available to all workers. In addition, we have invested in improving our chemical management system, responded quickly to rapidly changing laws and regulations, and recognized the need for history management, which led us to establish an integrated environmental safety portal. LG H&H will continue to invest in and help prevent accidents caused by chemicals as well as comply with laws and regulations related to chemicals.

Key Investment Performance (Unit: KRW million)

Classification	Cost	Description	Remarks
2022 Performance	30	(Headquarters) Improved chemical management system management function	
	377	(Cheongju) Linked hazardous chemical leak detection equipment to disaster prevention center	
	737	(Ulsan/Onsan) Linked hazardous chemical leak detection facility to disaster prevention center	※ Part of the investment cost was used to build the chemical field.
Plans for 2023	1,570	(Company-wide) Establish an integrated environmental safety portal	
	90	(Ulsan/Onsan) Install CCTVs for 3 hazardous chemical storage tanks	

Substitution of Hazardous Chemicals

LG H&H is striving to minimize the use of chemicals in response to increasing regulations on hazardous chemicals. In 2021, we replaced five hazardous chemicals with non-hazardous substances; in 2022, we stopped using four additional hazardous chemicals. We have also established a mid-to-long-term plan to minimize the use of hazardous chemicals by setting the number of hazardous chemicals to be replaced as a KPI.

Mid- to long-term plan to minimize hazardous chemicals

2025 goal

0.90%



Biodiversity Approach Framework

Biodiversity Protection and Deforestation Prevention Policy

LG H&H actively supports global ecosystem and deforestation prevention efforts in the era of the climate crisis and has established the 'Biodiversity Protection and Deforestation Prevention Policy'. LG H&H does not conduct production activities near 'biodiversity protection areas' to preserve the surrounding areas' biodiversity, including business sites and local communities. We also conduct environmental impact assessments under relevant laws and regulations in the areas of natural ecological environment, atmospheric environment, water environment, and soil environment to track changes in the ecological environment and implement conservation activities.

In addition, we will continue to promote projects based on the principles of the UN Forest Initiative to Prevent Deforestation and minimize negative environmental impacts through communication, education, and investment with relevant stakeholders. LG H&H reports its environmental risk reduction activities, including biodiversity and deforestation prevention activities, to the ESG Committee of the BOD and transparently discloses them through the ESG Report.

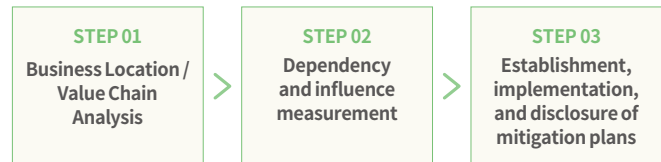
Biodiversity Protection and Deforestation Prevention Policy



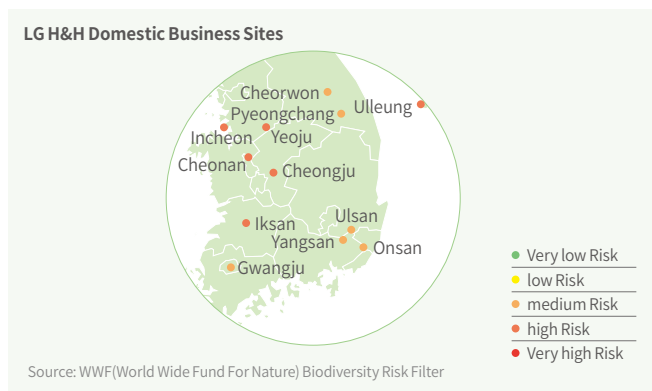
Biodiversity Risk Management Process

We developed our biodiversity risk management process with reference to global assessment methodologies and frameworks, including the Taskforce on Nature-related Financial Disclosures(TNFD) guidelines and the Locate Evaluate Assess Prepare(LEAP) approach. We are operating it integrated into our Crisis & Risk Management process.

When assessing biodiversity risks, we consider and identify the full range of biodiversity risks related to dependencies and impacts and include various areas in the scope of the assessment, including not only our own business sites but also areas adjacent to our business sites, upstream and downstream.



Biodiversity Risk Areas



Biodiversity Risk Assessment(based on domestic business sites)

* As of December 31, 2022

Classification	Number of business sites (pcs)	Area(m ²)
Business sites	19	1,831,724
Assessments conducted	3	154,018
Percentage of assessed workplaces compared to total workplaces(%)		8.4
Identification of risk exposure	1	21,744
Establishment and implementation of management plans	1	21,744
Percentage of sites with management plans developed and implemented(%)		100

** Wildlife Reserves: Wolleung Spring Water business site / Ecological landscape conservation area: N/A

Key Biodiversity Risk Mitigation Measures

Value Chain (Project Stage)	Major business sites(regions)	LG H&H's dependence on natural capital (Dependency)	(Impact) Impact on ecosystems	LG H&H's conservation activities (Mitigation Activities)
Upstream (Raw Material Production and Processing)	Major raw material sourcing regions - South Korea: Ulsan, Onsan Business locations - U.S., Japan, China, etc.	High dependence on biodiversity and species diversity in the collection and handling of raw materials by business sector - Cosmetics: Native plants, such as Chunchohwa, Sumjeonho, thistle, etc. - Household products: Full reliance on mainly Malaysia/Indonesia, etc., for palm oil - Beverages: Dependent on Brazil, Argentina, etc., for sugar, etc.	(Impact: High) Risk of degradation of plant resources due to expanded development of product ingredients and increased biodiversity regulations on protected species	[Native plant conservation] Directly operated Cheongju and Ulleungdo Beauty Botanical Garden and development of new materials [Responsible Supply Chain Management] - RSPO(Palm Oil): Supported global NGOs and RSPO activities, obtained RSPO Segregation certification for Ulsan and Onsan plants for the first time - MICA(Mica): Expanded the use of certified natural and synthetic mica
Own Operation & Adjacent areas (LG business sites and neighborhoods)	Domestic business sites - Headquarters: Seoul - Production sites: Ulsan, Incheon, Cheongju, etc.	(Dependency: Moderate) - Production sites: Dependence on ecosystems of neighboring sites, such as water utilization(Impact: Moderate)	(Impact: Moderate) - Ecosystems due to pollutant discharge such as water discharge - Reduced habitat for nearby wildlife such as otters, bees, and birds	[Regional conservation efforts] - Headquarters: Protected Han River otters and conducted ecological education(9,000 people) - Production sites: (Ulsan) Preserved ecosystems and reduced carbon by creating a 4,700-acre bee park (Cheongju/Ulleung/Sejong) Preserved/restored/expanded native plants and discovered sustainable plant resource values (Conservation activities for more than 30,000 plants of 270 species)
Downstream (Customer/ Consumer Use, Product Disposal, and Recycling)	Disposed locations after production and customer use - Major customer locations	(Dependency: Moderate or High) Due to the high proportion of consumer goods, LG H&H's products are highly dependent on natural capital in the distribution, disposal, and recycling stages. - Disposal: Landfill resources - Recycling: Energy sources	(Impact: High) The products supplied by our business segments are mainly consumer goods. Landfilling and incineration of waste from plastics, packaging, etc. can impact natural capital such as soil (soil), air, etc. Thus, high dependence on biodiversity and species diversity where landfills exist.	[Product Responsibility Efforts] Minimized the environmental, safety, ethical, and efficacy impacts of products through ingredient review, safety assessment, and packaging evaluation steps by developing a life cycle

Biodiversity value conservation activities

Creating Parks for Urban Ecosystems

LG H&H is implementing various support activities in conjunction with its business sites nationwide to restore and preserve biodiversity. In 2022, we created a 15,537m²(4,700 pyeong) ‘Bee Park’ in cooperation with the Ulsan Forest of Life, an organization in Ulsan, and the local municipality, and we plan to create a ‘Birds Park’ in 2023. This is because the extinction of bees could lead to the loss of 70% of the top 100 crops grown by humans. As 40% of the world’s 10,000 bird species have seen their populations decline due to global warming, and 40% of insects are predicted to become extinct within a few decades, the issue of biodiversity is becoming essential for habitat preservation. Therefore, LG H&H plans to contribute to plants’ vitality and preserve biodiversity by planting trees that bear flowers and fruits in the city center and creating parks for insects and birds to engage in ecological activities actively. We also expect that we can play a role in absorbing carbon and reducing the generation of fine dust by creating an ‘urban forest.’

Protecting the endangered ‘Han River Otter’

LG H&H is protecting natural ecosystems and preserving biodiversity by protecting the habitat of the Han River otter, a class 1 endangered wildlife species and Natural Monument No.330. To restore the otter’s habitat, we collaborated with the Social Cooperative Han River, a specialized organization, to build infrastructure in the Yeouisat River and Jungrangcheon River areas in downtown Seoul and raise awareness among citizens to preserve endangered animals. In particular, Jungrangcheon, the first tributary of the Han River, is home to a migratory bird sanctuary designated by the Seoul Metropolitan Government, Natural Monument No.327 Wonang(mandarin duck), and a variety of native fish such as stonefish and nabjalu, and otters, a top-level predator, have been observed as the river ecosystem has greatly stabilized over the past few years.

LG H&H plans to install otter playgrounds, create nurseries for endangered wildlife, and open an otter school for children and youth to promote their ecological importance and environmental value. We also plan to expand conservation activities with citizens by operating an otter journalist program to explore and promote habitats. LG H&H will continue to promote activities to conserve, restore, and expand biodiversity by synthesizing the natural history, cultural values, and educational significance of the natural areas around its sites and establish an active cooperation system with external organizations such as local communities and specialized institutions.



An otter statue at the Saetgang Ecological Park in Yeouido, Seoul, South Korea | Park of Bee in Ulsan

Developing native plant resources

Terrestrial biodiversity, including the habitat and species richness of Korea’s native plants, is expected to continue declining due to artificial interference, such as using forests for other purposes and climate change. In response, LG H&H continues to carry out various activities to conserve and develop Korea’s native plants following the Nagoya Protocol to restore biodiversity and ecosystem functions. We categorize our activities into three areas: conservation, restoration, and expansion, where we secure resource specimens, extract libraries, video footage, and research to develop differentiated efficacy, concepts, and materials for our products. We operate our own native plant gardens in Cheongju and Ulleungdo. In 2023, we signed a contract with local farmers in Ulleungdo and Sejong City to cultivate a total of 11 types of native plants, including Jeonho, water thistle, Golden Rod, Lythrum salicaria, Inula japonica, Alfalfa, day lily, Milk Thistle, Potentilla chinensis, Caragana sinica, Vietnamese balm. In addition, we completed the launch of the “Beyond Phytoacua” line, which incorporates Inula japonica and Lythrum salicaria grown in Ulleungdo. The development of native plant resources contributes to creating sustainable communities and improving farmers’ incomes through contract cultivation with local farmers while creating social value by restoring ecosystem functions and securing product competitiveness. LG H&H plans to collect and multiply about 500 species of native plants by 2028. We will also expand the number of national organizations with which we have signed business agreements from four to six and build genetic information on 200 species. Going forward, we will continue to conduct plant diversity surveys and monitor and expand various biodiversity activities, such as expanding local conservation, restoring and enhancing damaged forest ecosystems, and promoting the utilization of plant resources.

Native Plant Cultivation Status

Classification	Outdoor cultivation area(m ²)	Greenhouse area(m ²)	Number of species (pcs)	Number of individuals (pcs)
Cheongju Garden (Moved from Cheonan in June 2022)	4,950 (1,497 pyeong)	870 (263 pyeong)	295	30,000
Ulleung Garden	990 (299 pyeong)	-	5	2,500
Ulleungnari Contract Farming	3,300 (998 pyeong)	-	9	11,000
Sejong Contract Cultivation	660 (199 pyeong)	-	2	5,000

MOU Status

NATIONAL INSTITUTE OF BIOLOGICAL RESOURCES	Korea National Arboretum	Korea Arboreta And Gardens Institute ¹⁾	Ulleung County	Chungcheongbuk-do Forest Environment Research Institute ²⁾
--	--------------------------	--	----------------	---

1) National institute specializing in plants and the parent organization of the National Baekdu Daegan Arboretum, National Sejong Arboretum, and National Korean Native Botanical Garden.

2) Signed in May 2023

* Trees under review for new materials: gardenia, thistle

TALENT MANAGEMENT



LG H&H recognizes that securing excellent human resources and improving employees' job satisfaction and engagement are fundamental to corporate competitiveness, and we respect the diversity of our employees and support them for continuous learning and growth. We recruit excellent talents from all over the world without discrimination under a fair recruitment system, provide a rational personnel and training system, and a fair compensation system centered on performance to attract diverse talents and support all employees to fully realize their individual abilities. Based on the management philosophy of "Respect for Humanity," we will continue to strive to build an exemplary labor-management partnership by encouraging all employees to pursue work-life balance and actively communicate with each other in LG H&H's unique No.1 class organizational culture.



Goals

- Increase employee engagement(~2525)
- Build a global training organization(~2025)
- Build global leadership(~2025)
- Achieve 28.5% female managers(~2025)

Key Achievements



Female employees

54.1 %



Employee engagement

score of **82**



Return to work rate after parental leave

97.6 %

Talent Recruitment

Recruiting top talent

LG H&H strives to secure specialized talent through frequent and regular recruitment to expand its global business and strengthen its competitiveness based on its unrivaled position in the domestic consumer goods market. To provide unique value to customers and lead the market, we are focusing on securing marketers and R&D personnel with creative and entrepreneurial capabilities to enable us to present differentiated products and brand values.

Recently, we have recruited experts in the digital field who can build business models in line with the rapidly changing digital environment and lead the company-wide digital transformation. We are also continuously recruiting talented people in the field of ESG to realize '2050 carbon neutrality' and ensure that all employees work healthily and safely. After they join the company, we support their continuous growth through performance-based promotions, core talent development courses, and HR system support so that they can maximize their abilities.

Securing Global Diversity

LG H&H is actively expanding its overseas business in China, Japan, and the Americas based on its experience and know-how in the domestic market, laying the foundation to grow into a global luxury FMCG company. In particular, we have made various efforts to recruit global talents with an understanding of local culture and communication skills to expand the global market and develop online businesses targeting Generation MZ.

Since September 2020, we have operated a global internship program for students from leading universities around the world to share various market insights from the perspective of Gen-Z, establish brand-specific strategies to increase global customers, and engage in idea-gathering and business planning processes to envision our global business. Furthermore, we also support various talent development programs to ensure that those who experience our business through global internships have the opportunity to join our company after graduation and grow into talented individuals who lead our business in the long run.

Leveraging talented women

LG H&H is actively recruiting female talents with strong sensitivity to the characteristics of the consumer goods industry, including cosmetics, household products, and beverages. As of the end of 2022, women accounted for 54.1% of our workforce. In addition, we have recruited talented female workers and appointed women with global capabilities and expertise as executives. In particular, in March 2022, we appointed female independent director; in December 2022, we selected the first female CEO in LG Group.

As such, LG H&H is actively securing, nurturing, and promoting talented women and focusing on internalizing our internal culture and systems to ensure no discrimination in hiring, wages, training, and promotions due to gender differences. By steadily supplementing related systems, such as expanding parental leave, we support employees to build their careers without interrupting them after marriage, pregnancy, and childbirth, and we will continue to nurture talented women.

Percentage of Women in Management by Position in 2022* (Unit: %)

Classification	Percentage
All management positions ¹⁾	28.3
Middle management ²⁾	50.2
Management	21.4
Managers of revenue generating departments ³⁾	24.1
STEM work managers ⁴⁾	36.3

* LG H&H standards

1) Lv.1 Assistant manager-Executive

2) Lv.1 Assistant manager

3) Lv.2 Part manager or above in marketing and sales departments

4) STEM: Lv.2 or above in research, production, quality, and environmental safety departments

Promoting Employment of the Socially Disadvantaged

LG H&H does not tolerate any discrimination based on gender, religion, political views, disability, race, etc., in accordance with International Labor Organization conventions and domestic and international labor laws. Since 2015, we have established and operated 'Bright Nuri', a standardized workplace for disabled people, and as of the end of 2022, 65 out of 93 total workers at 'Bright Nuri' are disabled, of which 53 are severely disabled.

LG H&H also participated in a job fair organized by the Chungcheongbuk-do Office of Education to provide on-the-job training opportunities such as product packaging and conducted mock interviews to help people with developmental disabilities prepare for employment. Furthermore, we signed a business agreement with the Korea Employment Agency for the Disabled to operate a cosmetics packaging experience booth for Bright Nuri at the Chungcheongbuk-do Training Center for the Developmentally Disabled to continue contributing to the activation of employment for disabled people. In recognition of these contributions, on April 14, 2022, Kim Ki-seop, CEO of Bright Nuri, received the Prime Minister's Commendation Award. In July 2021, our subsidiary Coca-Cola Beverages and the Korea Employment Service for the Disabled signed an agreement to establish 'Gowonnuri' as a standardized workplace for people with disabilities. As of the end of 2022, 10 out of 12 workers at 'Gowonnuri' are people with severe disabilities and work in the cafeteria and cafes at the Anyang and Gwanghwamun sites.

Social Crew Internship Program

LG H&H has been operating ‘Social Crew,’ a type of internship, since the second half of 2021 to expand customer contact and provide various types of work experience to analyze rapidly changing consumer trends. The Social Crew is a group of people who want to gain practical experience in digital marketing for cosmetics and household product brands. Selected through document and interview screening, 37 Social Crews were formed on March 22 and 39 Social Crews on March 23. The cumulative number of Social Crews to date is 132, who are working together at LG H&H. The social crews have been engaged in activities such as planning and proposing SNS content, participating in photo and video content production, searching for influencers, and inducing consumer interaction on the brand’s SNS. LG H&H has conducted workshops in collaboration with marketing and sales departments to help the social crews demonstrate their full capabilities. In addition, LG H&H also operates a skill-up program for each social crew to showcase their specialized skills.

April 2023 Socialcrew has been actively engaging with customers through 26 branded SNS. The interns who participated in these activities also show high satisfaction and a sense of belonging to their internships, as they can build a variety of practical experiences and portfolios. In the future, we plan to actively operate skill-up programs for social crews to express their capabilities and experience various digital platforms.

Employee competency enhancement

Nurturing global talents and DX experts

LG H&H offers various training programs to secure competitiveness and grow in the global market. Among them, the Global Expertise Course (GEC) is a mini-MBA course in English that enables participants to develop global business and language skills through learning about the company’s business and target markets. In addition, we foster experts in overseas regions through the Global MBA course and the Overseas Short-term Training Program and help them improve their language skills, which are essential for overseas business, through one-on-one English training with foreign coaches and Chinese/Japanese business conversation courses. We also provide opportunities for employees to develop the competencies needed to conduct overseas business by assigning them to overseas business-related departments and running project organizations, while providing training on Python, data literacy, and RPA for in-house digital transformation as well.

2022 State of Global Education

(Unit: people)

Training Name	Number of trainees
English Coaching Class	59
GEC ¹⁾	13
Global MBA	3
In-house foreign language courses(Japanese, Chinese)	117
DX(Python, RPA etc.)	397

1) GEC(Global Expertise Course)

Running a variety of e-courses and an online library

LG H&H supports various e-learning courses through ‘LG Learning Center,’ ‘Online library,’ and ‘E-Academy’ to help employees receive the training they need in a timely manner. ‘LG Learner Center’ is a cloud-based educational video content platform that provides training and lecture content developed in-house to help employees build their work capabilities and engage in their work. The online library uses the e-book platform, Kyobo Bookstore e-Library Service, to help employees read e-books anytime, anywhere. E-Academy is a platform for online learning with over 4,000 content per year, including lectures on the latest trends such as ESG and DX, foreign languages, leadership, liberal arts, and job-specific training. We are making the platform available to our members and their families.

In the first half of 2023, we held the “ESG X Tech: ESG Management Strategies for the DX Generation” training for all employees, providing opportunities to learn about ESG management trends and climate change risks and laying the groundwork for improving awareness and building consensus on ESG management.

ESG Training



Course name:
ESG X Tech: ESG Management Strategy for DX Generation

Training Date:
23.04.12-23.05.12

Contents:
ESG trends, upcycling, energy without climate change risk, etc. solutions, etc.

Training Target:
All employees

Number of participants and hours of training:
2,473 X 1 hour 30 minutes

Programs for Work Engagement

LG H&H has developed and implemented various programs to create an environment where employees can immerse themselves in their work. One of our flagship programs, “Trend Dream,” invites experts in various fields to share their insights on various issues and trends in real-time online communication with employees, contributing to enhancing employees’ capabilities. We also provide a DX curriculum to help employees understand the overall digital transformation and adapt to it at an expert level. In addition, we run various programs such as resilience, strengths coaching, and team leader group coaching to help employees feel more engaged in their work and leverage their strengths. These programs provide direction for employees to maximize their capabilities and potential, find meaning in their work, and become more accountable and engaged in their work.

Employee Engagement Survey Results

(Unit: points)

Year	Score	Gender(2022)	Score
2020	79	Male	86
2021	82		
2022	82	Female	74

Employee Performance Evaluation and Compensation

In establishing business strategies to realize corporate vision and values, LG H&H seeks to align individual goals with organizational goals and ultimately grow the company and its employees through goal achievement. To this end, we have established the basic principles of 1) fair and objective evaluation operation, 2) securing consistency between organizational and employee evaluations, and 3) evaluation operation from the talent development perspective.

We currently conduct annual performance evaluations for all white-collar employees, divided into the first and second halves of the year, based on management by objectives(MBO), annual competency reviews and comprehensive evaluations. We also evaluate team leaders and above on their leadership/development of subordinates, etc., by adding multi-faceted assessment. The results of these evaluations are reflected in annual salary increases, promotions, and training to ensure that compensation policies are based on performance.

Organizational Culture

Creating an Organizational Culture of No.1 Class

LG H&H emphasizes the ‘No.1 Class’ of its employees to realize an organizational culture of mutual respect and consideration. ‘No.1 Class’ refers to the ideology that all employees should have a quality worthy of a first-class society, and we strive to build a culture that respects diversity, including zero bullying and sexual harassment in the workplace.

LG H&H has conducted ‘No.1 Class’ training for all employees every year since 2012. Since 2020, the training has been conducted online for the convenience of employees. In 2022, we invited psychologist Prof. Kyung-il Kim(Aju University) as a panelist to talk online about the perceptions and behaviors that company members should have in the face of the pandemic.

In addition, we are striving to become an organization with ‘No.1 Class’ that leads a healthy culture by adapting to the rapidly changing society and company life without difficulty by covering the basic compliance necessary for work life, such as workplace bullying, in an easy and fun way. LG H&H also operates a sexual harassment and harassment reporting center to take immediate action on any issues that may arise in the workplace to maintain a dignified organizational culture.

Pursuing Work-Life Balance

LG H&H operates a variety of programs to realize work-life balance, including the flexible work system, staggered work system, and vacation self-approval system, to help employees immerse themselves in their work and fulfill their personal lives after work. First of all, depending on the nature of the job, employees can choose between the flexible work system and the staggered work system(Flexible Time System) to utilize their working hours flexibly.

The staggered work hours system allows employees to autonomously choose their work arrival time(7 am-9 am) and departure time(4 pm-6 pm) to allow them to work at a convenient time to immerse themselves in their work. In addition, we have introduced a “self-approval” system for vacation, allowing employees to apply for and approve their own vacations freely. We have introduced a company-wide vacation day, a new half-and-half system, and a vacation acceleration system to encourage employees to take time to recharge.

Operating Various Work Forms

LG H&H has consistently implemented work-from-home since 2020 to protect the health and safety of our employees from infectious diseases caused by the COVID-19 pandemic. Regardless of the pandemic, we have supported those who wish to work from home for childcare or personal reasons, as well as pregnant women and employees with underlying medical conditions, to work from home full-time. This has helped us protect the health of our employees, who are also our most valuable assets, and increase their productivity and engagement by minimizing the free time and disruption that working from home for long periods of time can cause. As the number of COVID-19 cases increased, we implemented company-wide rotational work from home, allowing 50% of our workforce to alternate between working from home and coming into the office on a rolling basis, and introduced a “four-day work week” by designating every Friday as a work-from-home day. As we entered the endemic in the first quarter of 2023, we stopped working from home, and all employees have returned to the office in good health and are immersed in their work. We are conducting online meetings, remote training, etc., seamlessly based on the non-face-to-face work capabilities accumulated while working from home.

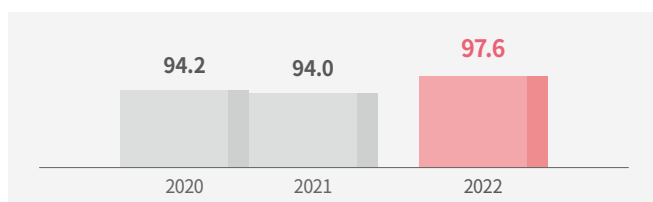
Efforts to Protect Motherhood

LG H&H creates a work environment where women can combine work and childcare without interrupting their careers by operating daycare centers and break rooms in the workplace, providing free maternity and parental leave, reducing working hours during pregnancy and childcare, changing commuting times during pregnancy, and supporting family care leave. In addition to 90 days of maternity leave(120 days for multiple births), we provide pregnancy-related illness leave¹⁾ and support for infertility treatment²⁾ beyond the legal requirements. In particular, paternity leave and reduced working hours during the parenting period³⁾ are available to both men and women regardless of gender, and we have established internal systems and cultures to ensure no workplace disadvantages. In June 2022, we expanded the parental leave period from one year under the existing legal standards to two years, creating an environment where all employees can spend enough time raising their children and return to work to be more engaged in their work.

1) Paid sick leave with a one-month limit for those diagnosed with pregnancy-related illnesses such as threatened abortion.
 2) Support for costly “fresh embryo operation during in vitro fertilization,” in addition to government support for infertility, capped at 1.5 million won per session and 6 million won four times a year
 3) One year for workers with children under the age of 8 or in the second grade of elementary school

Parental Leave Return Rate

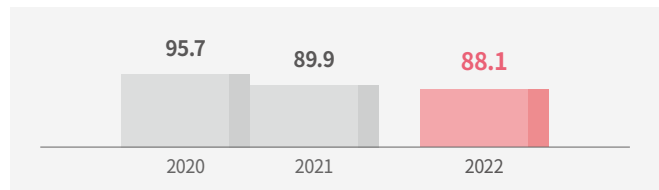
(Unit: %)



* LG H&H Standards

1-year parental leave retention rate

(Unit: %)



* LG H&H Standards

Benefits Programs for Work-Life Balance



Workplace Stress Management: Psychological counseling center

Sports and health programs: Health checkups, red circles

Flexible Work System: Flexible work arrangements, staggered work hours

Work from home program: 4-day office workweek(as of 2022)

Childcare facilities or contributions: In-house child care

One year of paid parental leave for primary and secondary caregivers

Activating employee communication

Utilizing various VOE channels

LG H&H has organized 94 employees(including 9 representatives from each business division) into a company-wide employee council to facilitate communication between the company and its employees through various communication channels. Through regular company-wide meetings(2-3 times a year) and representative meetings(bi-monthly), the employee council proposes and implements organizational culture activities tailored to the characteristics of each business unit. In particular, we support them to strengthen their capabilities and take responsibility as opinion leaders by introducing organization-specific activities to each other, sharing key company issues, and holding special lectures on topics related to organizational culture. We also operate the “If I were you” bulletin board, where employees can suggest improvements or complaints within the organization in a healthy manner, and the “Zero Complaint Mailbox,” where they can share minor grievances. Through these programs, employees make reasonable suggestions on what the company needs and develop positively.

Expanding communication to help individuals grow and develop


LG H&H is expanding its agile communication culture to create a dynamic organization that responds quickly to customers and the market. In particular, we have established an organizational culture of agile communication by frequently checking the way we work and the processes to achieve results. We conducted the ‘Growth Survey’ in April through our digital work system, NAVER WORKS, to find out what employees thought about their desired growth experience, initiative in work, and efficient work environment, and analyzed the positive and negative responses to provide feedback to ensure that the improvements aimed by employees in the organization are established.

Communication through 'LG H&H TV'

LG H&H's official YouTube channel, "LG H&H TV," serves to foster communication among employees. The channel is a platform for employees of various ages and positions, from the MZ generation to executives, to share their stories and demonstrate their creative ideas and capabilities. We are constantly discovering diverse and novel content, such as 'H&H Ability Test'¹⁾, 'H&H Camping Car'²⁾, and 'Hobby Life LAB'³⁾, and as of June 2023, we had 4,230 subscribers, 3.1 thousand hours of viewing time, and 63.1 thousand views.

- 1) H&H Ability Test: Identifying Issues that Cross the Line in the Company
- 2) H&H Camping Car: A small escape to heal your daily life
- 3) Hobby Life LAB: Exploring authentic hobbies with serious hobbyists

'LG H&H TV' Content

-  **LG H&H Ability Test:** Identifying Issues that Cross the Line in the Company
- LG H&H Camping Car:** A small escape to heal your daily life
- LG Hobby Life LAB:** Exploring authentic hobbies with serious hobbyists



Vegan Camping Car



Hobby Life LAB

Strengthening communication with management

LG H&H has newly planned 'One Great Day,' a regular communication program between management and employees. Over the past six months, 117 employees had lunch with the CEO to freely communicate about their work grievances, vision for their work life, and smooth organizational culture, and many employees responded to the survey that their experience of positive communication had expanded.

Expanding Timtalk W/S, an employee communication platform

We expanded the 'TeamTalk W/S' program, an interactive communication platform to bridge the gap between generations in the organization and understand the culture of MZ generation employees. The team talks were conducted with content that allowed teams/sectoral organizations to check each other's MBTIs and acknowledge their differences, which was used as an opportunity to foster mutual respect and diversity of relationships within the organization. So far, 1,071 people from 155 teams have participated in the program and gained a better understanding of each other.

Columbus Project

We run the 'Columbus Project' to enable employees to demonstrate challenging capabilities beyond their usual work. We provided KRW 10 million for three months to members selected through a competition to create deliverables on a theme of their choice.



Themes for 2022

1. Upcycling Aesthetic by Presian
2. Proposal for maximizing customer experience through multi-sensory analysis of daily life
3. LG H&H Brand Revitalization

Labor Management Relations

Building Exemplary Labor-Management Relations

LG H&H values the opinions and grievances of its employees and operates various communication channels such as the Labor-Management Council, the Employee Council, and the 'If I were you' bulletin board to reflect them in its systems. In particular, as the COVID-19 pandemic raised employees' expectations for health and rest, we strived to meet their needs by improving the system, including expanding the use of vacation spots, expanding family health checkups, and extending the duration of parental leave. In 2023, we introduced welfare points to fulfill employees' desire to use welfare funds autonomously, and we also supported gifts for their children's entrance into school to increase their satisfaction. LG H&H will continue to proactively identify the needs of employees through various channels and introduce appropriate systems to the extent possible to enhance employee satisfaction and establish a healthy organizational culture.

ECP for a Healthy Work Life

LG H&H operates the Employee Care Program(ECP) to promote the welfare and health of its employees. The ECP program focuses on ensuring employees' meaningful work life and growth potential and improving their quality of life. The ECP comprises 'Mind Care,' 'Career Care,' and 'Self Care.' First, Mind Care supports the cost of mental health-related treatments and counseling not covered by indemnity insurance at regular medical institutions and provides sufficient time(vacations/leaves) for effective treatment. Career Care is a program that includes counseling on job rotation and opportunities for job transfers and capacity development to enable members to grow and develop their capabilities. Furthermore, we actively promote internal recruitment by conducting job postings within the company at least once a month. Finally, self-care is a program that supports employees to take care of their own physical and mental health. We operate Oasis, a program that provides KRW 200,000 in vacation expenses when using annual leave, Refresh Vacation for 4 weeks, and the Request for Leave program to help employees spend their vacations meaningfully.

ECP Usage Status¹⁾

(Unit: People)

Mind Care	Planning treatment and application	120
	Job Rotation	3
Career Care	Job Posting Notice	13
	Oasis Program	462
Self Care	Refresh Leave	42
	Take care of the leave	775

1) August 2022 - January 2023

HUMAN RIGHTS MANAGEMENT



LG H&H adopts human rights management as the most crucial management principle. We respect all stakeholders’ human rights and dignity, including employees, customers, suppliers, and local communities, and recognize them as core values in our business activities. Accordingly, we have established a human rights policy, and based on this, we conduct a human rights impact assessment consisting of a human rights survey and due diligence to discover and proactively prevent potential human rights risks. To enhance the effectiveness of the human rights impact assessment, we identify issues that need to be improved as tasks and take continuous measures, and we regularly conduct human rights education to foster human rights awareness among employees. LG H&H will continue to build a more systematic and effective human rights management system to ensure that all employees are respected throughout the value chain and create positive value.



Goals

- Manage human rights risks and implement remedies based on the results of human rights impact assessments.
- Enhance human rights risk management through continuous ESG on-site inspections of suppliers.
- Implement improvement measures and induce substantial risk improvement through continuous monitoring.
- Establish a regular inspection process for purchasing sustainable raw materials.

Major Achievements



Domestic and overseas business sites where human rights impact assessments were conducted

22 sites



Percentage of Sustainable Palm Oil (RSPO) Purchased

61.5 %



Supplier ESG Onsite Inspections

30 companies



In-house supplier self-inspection

67 companies
100%

Human Rights Management Policy

LG H&H has established a human rights management policy in accordance with the Universal Declaration of Human Rights and the UN Human Rights Committee’s Guiding Principles on Business and Human Rights and supports the principles of human rights implementation. We established the Human Rights Management Policy to ensure respect for the human rights of all stakeholders, including employees, customers, suppliers, joint ventures, affiliates, customers, and local communities. In particular, we revised the Human Rights Policy in 2023 to further strengthen our human rights management system, including compliance with labor relations laws in each country and region and ensuring employment security and adequate wages for employees in socio-economic terms.

[Human Rights Policy](#)

Human Rights Impact Assessment

Human Rights Survey

LG H&H conducted its first human rights survey in 2020 to understand employees’ experiences with human rights violations and has since conducted annual human rights impact assessments for all employees. As a result of the 2022 survey, no serious human rights violation risks were found in domestic business sites. Still, potential risks were identified for¹⁾ mental health care due to stress,²⁾ non-discrimination in performance and work practices, and³⁾ basic human rights of employees. LG H&H has taken measures to address the partial deficiencies and areas for improvement and is providing activities such as leadership programs and job transition programs to provide fair compensation and diverse opportunities. We also implement flexible work arrangements to alleviate stress, onboarding programs to help new hires settle in, and leave support programs. We also strive to promote work-life balance for employees by conducting campaigns to discourage overtime work. In addition, as an activity to prevent workplace harassment, we operate a process to receive and resolve grievances through the Employee Council, provide harassment prevention education to all employees and operate a counseling center.

Classification	Creating/conducting improvement tasks
Safety and Health	<ul style="list-style-type: none"> Introduce “Check-in Living Health,” an onboarding program for early settlement of new hires, to support stable adaptation and growth of new hires. Develop the “On-Time Commuting and No Overtime Work Campaign” to establish a work-label culture Support employees’ meaningful work life by operating the Employee Care Program (ECP), a care program to improve their quality of life. Support employees to take meaningful vacations through the “Take care of the vacation” program, which supports various vacation activities.
Non-discrimination	<ul style="list-style-type: none"> Strengthen leader capabilities through the “Ellingers Program,” which allows employees to find their own leadership answers through daily journaling, and “Impact Leadership,” a thematic leadership situation play program. Design growth experiences for employees through the “Growth Survey.” Provide employees with various opportunities to switch jobs through the “Job Posting” program, an internal recruitment program. Implement an absolute evaluation system to add objectivity and fairness to employee performance evaluation management
Workplace Harassment	<ul style="list-style-type: none"> Implement the No.1 Class training to prevent workplace harassment. Operate “Sexual Harassment/Workplace Harassment Consultation Center” to prevent and report sexual harassment and harassment in the workplace

Human Rights Due Diligence

In 2022, LG H&H conducted workplace human rights self-checks at 22 major domestic and overseas business sites. While no severe issues were identified from the human rights self-check, a human rights issue regarding overtime was recognized at the Beijing plant. The Beijing plant has a flexible work system that allows employees to work intensively during the peak season and take breaks during the off-season. Still, we determined that employees needed to understand the system clearly. Thus, we conducted re-education and promotion activities on the flexible work system. In addition, we implemented a project to streamline production facilities at the Beijing Plant to improve the efficiency of actual production work and implemented various activities to improve the working environment, such as enabling employees to maintain work-life balance.

Human Rights Due Diligence(Due Diligence)¹⁾ Process



1) Due Diligence: Investigations conducted to identify, prevent, and mitigate potential negative impacts that may arise from a company’s operations, supply chain, and other business relationships. Refer to OECD Due Diligence Guidance for Responsible Business Conduct

Human Rights Impact Assessment Results and Remedies

Classification	Human Rights Issue	Impact Assessment Methodology	Impact Assessment Results and Remedies
Employees	Non-compliance with the Code of Conduct	Cyber Sinmungo (Reporting)	<ul style="list-style-type: none"> • 35 employee-related reports in 2022(24 handled, 11 untrue/under investigation) • Operated the 'Enterprise Risk Management(ERM) System'(2021) to check risks in advance(2021) • Operated a reporting reward system and whistleblower protection system
	Sexual Harassment and Workplace Bullying	No.1 Class Survey	<ul style="list-style-type: none"> • Results of the 2022 No.1Class Survey(including workplace harassment questions) <ul style="list-style-type: none"> - Serious issues: None, Potential issues: None • Conducted training to implement the No.1 Class organizational culture • Operated workplace harassment counseling centers and distributed workplace harassment guidebooks • Operated sexual harassment and workplace harassment reporting centers
	Employee Stress Damage	LG Way Survey	<ul style="list-style-type: none"> • LG Way Survey Results: Employee Engagement Score of 82(2022) • Supported mental health treatment and counseling through the operation of 'mind care' within the ECP program(2021) • Provided special lectures for emotional labor employees, established and distributed emotional labor guidelines(2020) • Operated a psychotherapy counseling room where professional psychotherapists are available once a week(2020~) • Operated the Red Circle Weekly Event Health Campaign to prevent cerebrovascular diseases(2018~)
	Workplace Occupational Safety Incidents	Workplace Safety Diagnosis Employee health checkups	<ul style="list-style-type: none"> • Operated the design, production, and distribution safety quality certification system: Completed pilot diagnosis of 10 departments in the design area • Expanding the system from production-centered quality assurance diagnosis to product design and distribution(2021) <ul style="list-style-type: none"> - Established safety quality diagnosis standards for the design and distribution stages - Completed diagnosis for 64 company-wide logistics centers through internal and external experts • Established a new safety and health management system to strengthen safety accident prevention(2021) <ul style="list-style-type: none"> - Established a dedicated safety and health organization at the headquarters, established a company-wide safety and health management policy, and promoted the enactment and revision of safety and health-related regulations. • Implemented safety diagnosis(electricity, firefighting, etc.) by external specialized organizations for 4 business sites and 127 external partners and executed improvement Tasks(2020) • Conducted in-house safety diagnosis for 14 business sites and 69 distribution centers and implemented improvement tasks(2020)
	Palm Oil Production and Supply	RSPO Certification	<ul style="list-style-type: none"> • Achieved 61.5% of sustainable palm oil(RSPO) purchases(2022) • Maintained RSPO Segregation certification at Ulsan and Onsan plants • Established a sustainable raw material purchasing policy
Partners	Conflict Minerals	RMI Certification	<ul style="list-style-type: none"> • Sourced mica produced by skilled laborers in mines in the United States, Japan, and China • Verified the mine's Non-Child Labor declaration and the supplier's membership in the Responsible Mica Initiative(RMI) when using mica from India. • Increased the use of synthetic mica instead of natural mica in cosmetics formulations(with plans to transition to 100% synthetic mica)
	Labor Rights Issues for Suppliers' Employees	Supplier ESG Assessment	<ul style="list-style-type: none"> • Conducted supplier ESG assessments(2022) <ul style="list-style-type: none"> - Conducted ESG assessments on 398 suppliers - Implemented improvement tasks on 30 high-risk suppliers • Conducted ESG assessment of suppliers(2021) <ul style="list-style-type: none"> - Conducted ESG assessments on 469 suppliers - Implemented improvement tasks on 12 high-risk suppliers • Conducted ESG assessments for suppliers(2020) <ul style="list-style-type: none"> - Conducted ESG assessments on 190 suppliers - Implemented improvement tasks on 10 high-risk suppliers
	Harm from Unfair Trade Practices (Unreasonable Demands, etc.)	Cyber Sinmungo (Reporting) Graft Reporting System	<ul style="list-style-type: none"> • Received 8 reports of grievances from suppliers(2022) • Conducted 'No Gifts giving and taking' activities by LG H&H employees • Operated a channel for reporting unfair acts(Cyber Newspaper: http://ethics.lg.co.kr)

Classification	Human Rights Issue	Impact Assessment Methodology	Impact Assessment Results and Remedies
Customers	Customer Privacy	Personal Information Security Check (LG H&H and Partners)	<ul style="list-style-type: none"> Improved 8 systems, including upgrading the email malware-blocking system(2022) Checked mock hacking and vulnerabilities on the homepage and shopping mall systems(2022) Passed information security management system(ISMS) post-audit and maintained certification(2022)¹⁾ Internalized the security review process(2022) <ul style="list-style-type: none"> - Conducted 141 security reviews - Operated 60 scenarios linked to 26 systems, and explained and managed 69 cases of suspicious behavior Analyzed personal information processing flows for genetic analysis, digital catalog, and door-to-door sales areas(2021)
	Customer damage (Product safety, etc.)	Customer VOC	<ul style="list-style-type: none"> Customer consultation satisfaction result in 2022: 4.74(out of 5) Established a new customer consultation system(2022) <ul style="list-style-type: none"> - Integrated management of customer claims from domestic and overseas(China) business sites - Strengthened ability to identify improvement tasks, manage their implementation, and monitor for recurrence - Introduced a non-face-to-face counseling method through an assistant bot Applied AI technology to the customer counseling system <ul style="list-style-type: none"> - All consultations are automatically transcribed(real-time STT), Converted text is automatically summarized by TA(Text-Analysis) technology - Increased efficiency by automatically classifying consultation types through machine learning algorithms
	Social inclusion of marginalized groups(people with disabilities, women, seniors, etc.)	Social inclusion of marginalized groups(people with disabilities, women, seniors, etc.)	<ul style="list-style-type: none"> Activated the employment of the socially disadvantaged <ul style="list-style-type: none"> - Supported the employment of the socially disadvantaged by operating 'Gowonnuri,' a subsidiary standardized workplace for the disabled(2021) - Participated in the 'Chungbuk Job Fair for Students with Disabilities' and provided mock interview consulting using the Metaverse platform(2021) - Continued to operate the Bright Nuri cosmetics packaging experience booth at the 'Chungbuk Developmental Disability Training Center' - Supported employment of the socially disadvantaged by operating Bright Nuri, a standardized workplace for the disabled(2015-) Selected 35 natural beauty creators in 2022(women who are new to society or with career breaks) Reemployed retired and elderly people through technical support teams at partner companies

1) Korea Internet & Security Agency Certification

CASE | Checking domestic safety and health compliance systematization and spreading best practices

The 2022 safety and health assessment for major worksites showed the VOE of internal employees that safety and health on-site compliance was not sufficiently reflected and that it was challenging to find improvement points due to the difficulty of on-site verification of detailed checklists. Therefore, we improved the existing evaluation method to develop a more field-centered and effective checklist and improved the overall evaluation process, and conducted evaluations in the three areas of safety management, safety practice, and safety performance/differentiation at major business sites for four months from late March to mid-July 2023. We will classify the evaluation results into eight grades based on the score and consider awarding a safety and health management certification plaque to excellent teams while actively disseminating the best practices of safety and health activities to other worksites so that the management level can be leveled upward.

SAFETY AND HEALTH MANAGEMENT



LG H&H strives to protect both employees and internal business partners from safety accidents that may occur throughout the company’s business activities and to create a safe and healthy workplace where they can work safely. We continuously discover and improve potential risk factors to achieve zero accidents and zero injuries at domestic and overseas worksites and establish and operate a company-wide safety and health management system based on a global-level safety and health management system. We also strive to internalize safety and health by providing various trainings to improve safety and health awareness among employees and suppliers and conducting emergency response drills regularly.



Goals

- **Establish a safety and health infrastructure**
 - Improve the level of safety and health management systems, including investments in safety and health, a zero-defect certification system, and the application of advanced safety technologies.
- **Strengthen health management for a happy daily and work life**
 - Operate comprehensive health checkups
 - Introduce integrated health education(once a year for all 8,000 employees)
- **Enhance safety and health prevention activities**
 - Activities to prevent safety accidents and establish an autonomous safety culture, such as self-inspection and discovery of sub-accidents
- **Conduct regular surveys on musculoskeletal hazards and improve the working environment**
 - Conduct regular surveys at 83 worksites(16 in production and 67 in logistics)
 - Review and promote engineering, management, and behavioral improvement measures for hazards in work processes
 - Improve on-site inspection and discovery of hazards

Key achievements



The implementation rate of critical risk rating improvements identified after a risk assessment

93%



Phased-in behavior-based safety program (BBS, Behavior Based Safety)

Expanded operations



Aging Equipment Risk

Assessment Operations



ISO 45001 Certification Status (including KOSHA-MS)

12 sites certified

Safety and Health Management System

LG H&H prioritizes the safety and health of its employees and practices safety and health management that meets global standards by establishing an ISO 45001 safety and health management system. In 2022, we conducted a legal compliance assessment led by the H&H organization at the headquarters to evaluate the compliance of our workplaces with the obligations required by laws and regulations related to health and safety. In particular, we plan to realize accident-free and disaster-free workplaces at domestic and overseas sites through a safety and health management system stronger than safety and health laws and regulations and to create a high-level safety and health culture in which all employees participate.

Operations to Strengthen the Safety and Health Management System

LG H&H has further raised its safety and health management system to protect the lives of all employees and create a safe workplace. We are fostering the advancement of safety and health by activating activities to prevent major accidents and encouraging employees to participate and improve themselves.

We have established procedures for the distribution of safety and health management policies, risk assessment, safety and health education, emergency response drills, budgeting and execution of safety and health, and listening to workers' opinions through a dedicated safety and health organization to ensure that the culture of paying attention to safety is practically internalized in the workplace. We intensively inspect small-scale and safety-weak workplaces with a history of accidents to prevent major accidents. We also strengthen preventive inspections at workplaces where major A/B grade accidents have occurred or where similar accidents are expected to occur.

The improvement issues identified after the intensive inspections are continuously followed up by monitoring their implementation, and we plan to supplement and improve them in the future to ensure effective risk management.

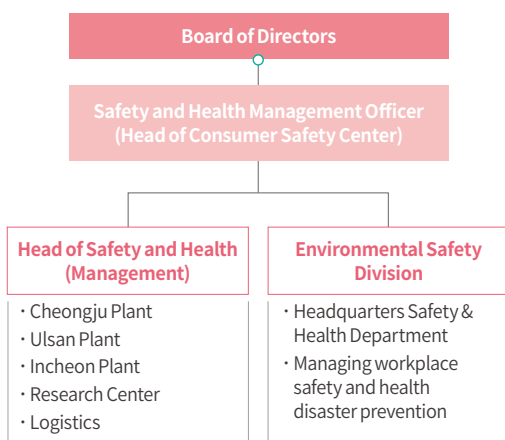
Operation of Occupational Safety and Health Committee

LG H&H operates the Occupational Safety and Health Committee once a quarter to collect and listen to employees' opinions regarding safety. The committee consists of equal numbers of workers and employers, and any member can freely register their opinions on safety and health through a representative from the worker's side. In 2022, we held 36 Occupational Safety and Health Committee meetings. Specifically, we discussed implementation tasks and plans to create a safe working environment for our employees, such as "securing safe passage zones for forklifts and pedestrians," "improving the working environment in production manufacturing rooms," and "improving the risk of fall accidents".

Highlights(LG H&H)

Business Sites	Agenda
LG H&H Cheongju/TP	<ul style="list-style-type: none"> Revising the Safety and Health Management Regulations and the Operating Regulations of the Occupational Safety and Health Committee Improving risk factors for heavy powder raw materials in the weighing room, etc. Securing bicycle road safety Improving the environment at the Central Logistics Center Securing safety zones for forklifts/pedestrians, etc. Inspecting and replacing streetlights in office buildings Inspecting in-house forklifts Providing disposable masks to gym facilities Painting crosswalks at all plants Installing emergency lighting
LG H&H Ulsan/ Onsan	<ul style="list-style-type: none"> Installing a palletizer work platform in the packing room Repairing corrosion on refinery work platforms Improving the working environment in the manufacturing room Reducing the risk of falling accidents in the manufacturing room Improving the working environment at the Solvitol factory site Installing a pedestrian entrance in the manufacturing room Improving the work environment in the packaging room(outdoor installation of ducts) Moving fire detectors in the refinery, etc. Installing drainage ditches due to icy walkways in winter Preventing fire accidents in electric heaters

Safety and Health Governance



Board of Directors	<ul style="list-style-type: none"> The annual plan approval: approves the organization, staffing, budget, etc., and delegates the executive authority to the Head of Safety and Health Management.
Safety and Health Management Officer (Head of Consumer Safety Center)	<ul style="list-style-type: none"> Reporting to the BOD on safety and health-related plans Delegating execution authority after approval by the Board of Directors Fulfilling the obligations of the management officer
Head of Production, Logistics (Management)	<ul style="list-style-type: none"> Approving safety and health at the workplace Assessing process-specific risks and providing regular safety training Preventive activities and investment in the improvement of hazardous facilities Ordering and inspecting in-house construction projects and assessing construction risks Checking safety and health with in-house suppliers Implementing instructions for each type of emergency
Safety and Health Department	<ul style="list-style-type: none"> Establishing a company-wide safety and health strategy Preparing company-wide safety and health internal regulations and standards Developing and inspecting disaster prevention plans Setting up a safety and health budget Activating employee opinions Building a response process for each type of emergency Investigating industrial accidents and establishing measures to prevent a recurrence

Mid- to Long-Term Roadmap for Safety and Health Management

Classification	KPI	2022 Results	2023 Goals	2025 Goals
Zero accidents	Number of accidents	19 ¹⁾	0	0
	Key risk indicators	93% improvement rate of critical risk cases identified after a risk assessment	100% participation/ improvement rate in risk assessment (1st half: participation rate, 2nd half: improvement rate)	100% participation/ improvement rate in risk assessment (1st half: participation rate, 2nd half: improvement rate)
	Diagnostics Improvement	93% implementation of improvements	100% implementation of diagnostic improvements	100% implementation of diagnostic improvements

1) Internal, external, sub accidents, cross-checks. No major accidents

Acquisition Status of Safety and Health Management Certification

Classification	Certification Type (ISO45001, , KOSHA-MS)	Acquisition status(cases)
LG H&H	Cheongju, TP, Beijing, Ulsan	4
Coca-Cola Beverage	Yeoju, Yangsan, Gwangju	3
HAITAI htb	Cheonan, Cheorwon, Pyeongchang, Iksan1, Iksan2	5
Total		12

Critical Incident Prevention Activities

Operation of Behavior-Based Safety Program

LG H&H has introduced and operates a phased-in Behavior Based Safety(BBS) program at its production sites to spread a safety and health culture. Starting with Coca-Cola Beverage Yeoju Plant and HAITAI htb Cheonan Plant in 2021, the program was applied to Cheongju Beauty Plant, Coca-Cola Beverage Yangsan Plant, and Gwangju Plant in 2022. The BBS program has improved the overall safety level of the organization as well as the safety level of each worker performing tasks on site. As a medium-term plan, we plan to establish an autonomous safety system for all production sites.

Operation of Integrated Control Center

LG H&H operates centralized disaster prevention centers at each business site to strengthen its ability to respond to emergencies. In particular, in 2022, LG H&H's Ulsan plant separated its disaster prevention center, which was integrated with the existing LX House, and established an independent disaster prevention center for the Ulsan plant. The center is equipped with a CCTV surveillance system that allows for remote monitoring of the nearby LG H&H Onsan plant as well as fire surveillance monitoring and real-time CCTV monitoring of dangerous facilities.

Operation of Risk Assessment for Old Facilities

LG H&H has been conducting risk assessments of old facilities since 2022. As a result of the risk assessment, we review investments when they do not meet safety investment standards and manage the risk of accidents caused by old facilities in a more detailed manner. In 2023, we will distribute a One Point Sheet(OPS) for all members to participate in risk assessment, making it easy for everyone to understand, and operate a risk assessment system that reflects the risk assessment participation rate as a KPI(Key Performance Indicator) to ensure that members actually participate and improve.

Emergency Response Drills and System

LG H&H categorizes emergencies into safety accidents, fires and explosions, pollutant spills, earthquakes, wind and water disasters, and infectious diseases. To quickly respond to emergencies at each workplace, we have established an emergency response process that includes tasks, procedures, and behavioral tips for each emergency. In addition, we are revising and improving the manual by measuring the evacuation rate within five minutes to minimize human and material damage with only essential personnel in an emergency. We also formed an emergency response committee to categorize the level of urgency for each type of incident and devised response scenarios for various situations, and conducted emergency response drills to ensure that we move calmly and quickly even in critical situations. After the emergency response drill, we look for points for improvement and reflect them when establishing the following emergency response drill process. In 2022, we conducted 49 emergency response drills for all domestic business sites(LG H&H, CCB, HAITAI htb).



Daegu Logistics Fire Drill Site

Operation of Contractor Council

LG H&H operates a contractor council to collect and investigate opinions on safety and health, improve deficiencies, and secure the safety of our suppliers by conducting safety and disaster prevention activities. The contractor council is held every month. In 2022, we conducted activities to listen to the opinions of our suppliers, such as improving workplace lighting, installing fire extinguishers for forklift vehicles, and sharing educational materials on hypothermia prevention in winter. In addition, when there are any issues related to safety and health among not only internal but also external suppliers, the environmental safety team at each workplace conducts treatment and improvement activities and pays attention to follow-up management through continuous monitoring.

Employee Health Promotion Activities

Operation of Psychological Counseling Center

LG H&H operates a psychological care program for employees experiencing various psychological issues, such as stress and emotional isolation due to the prolonged COVID-19 pandemic. Since 2020, we have been providing video counseling services, and by leveraging the advantages of online technology, we have made it accessible to employees in China, where video counseling is limited. In 2022, we reopened offline psychological counseling rooms to provide convenience for employees in Magok, Anyang, and Gwanghwamun to receive counseling reliably. We also offered a one-time psychological care program to relieve the stress and emotional crises of customer service representatives who are in contact with emotional labor, and received positive feedback from employees. Based on these achievements, we will continue supporting various psychological care programs for employees likely to be exposed to psychological risks.

COVID-19 Response Activities

In 2022, LG H&H strictly followed the government's quarantine guidelines and applied them to our internal guidelines to actively prevent the spread of COVID-19 and prevent it from entering our workplaces. In addition, we revised our internal guidelines for wearing masks whenever the guidelines changed to help employees work in a safe and healthy environment. In addition, we conducted regular disinfection and sanitization and continued to provide masks and disinfection supplies. During the holiday season, we distributed self-testing kits to screen and manage confirmed cases in advance to prevent the spread of COVID-19. LG H&H will continue to revise scenarios related to infectious diseases to ensure the safety of our employees and a healthy working environment and will endeavor to take prompt and appropriate measures even if other contagious diseases occur in the future.

Enhancement of workplace safety and health management capabilities

Since 2021, LG H&H has introduced technical guidance from specialized safety and health organizations at 52 business sites. By conducting monthly inspections and technical advice from experts, we identify major safety risks at each workplace in advance and proactively manage and prevent them. In FY2022, we conducted a regular musculoskeletal hazard survey to identify hazards in the work process at 83 worksites (16 in production and 67 in logistics) and reviewed improvement measures to reduce the risk of musculoskeletal diseases. We will conduct on-site inspections centered on occupational health experts and nurses in the future to identify and improve hazards continuously.

Work Risk Assessment¹⁾ Implementation Status

858 cases

(LG H&H, Coca-Cola Beverage, HAITAI htb)



1) Activities to establish safety measures for all work in the workplace in accordance with Article 36 of the Occupational Safety and Health Act to identify risk factors by work stage and assess the frequency/intensity of occurrence to reduce them to an acceptable level.

Red Circle Weekly Event Employee Health Campaign

Since 2018, LG H&H has been organizing 'Red Circle Week' to prevent cerebrovascular disease among its employees. Every year, the first week of September is a week for employees to recognize the risk of cerebrovascular diseases and create a culture of health management. In 2022, we posted online educational materials on the 'Learning Yard' to help all employees (approximately 8,000) learn about cerebrovascular disease prevention. In addition, we posted CPR training videos on the 'Life Health TV' site to provide health information on cerebrovascular disease and help employees take action in case of an emergency.

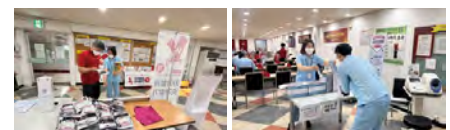
Operation of a Safe Distribution Center

Optimizing Logistics Bases

LG H&H aims to run efficient logistics operations and provide fast and accurate logistics services to support optimized logistics as the business environment changes. In 2022, we closed the Gayang Logistics Center and consolidated the CNP(Osan) and TFS(Yongin) workplaces into the Yongin Logistics Center. Since then, we have continuously implemented activities to optimize our logistics bases to secure logistics capacity to respond to the rapidly changing business environment and create synergies through consolidating logistics bases.

Enhancement of Safety Accident Prevention Activities

LG H&H is promoting activities to prevent major accidents, protect all employees' lives, and ensure a safe working environment. First of all, we replaced old facilities and installed more safety devices at workplaces, and conducted a safety campaign by distributing promotional materials to all workplaces to emphasize key safety tips such as restricting mobile use while walking and removing the ignition key of forklifts. Through risk self-assessment activities and repeated training during Tool Box Meetings (TBMs), we are fostering compliance with basic safety and health principles and a culture of employee participation and improvement. To improve the safety and health management system, we regularly conduct workplace safety diagnoses by conducting autonomous inspections at each distribution center and cross-checking with the department in charge of environmental safety. We also strive to strengthen internal management capabilities by conducting online and offline training for safety and health officials to improve their expertise.



Red Circle Yeosu Plant

QUALITY MANAGEMENT



LG H&H considers the safety of its customers and the trust of its products to be its top priority and makes various efforts to strengthen the reliability and safety of its products. We systematically manage risks and hazards throughout a Life-Cycle Reliable Quality Process, establish a company-wide Reassurance Quality Management(RQM) system, and operate a Consumer Relief Center. In addition, we implement a safety quality certification system for domestic and overseas business sites and suppliers. We also ensure the safety of our customers by strictly applying the ‘Product Safety Management Regulations’ when registering new raw materials or developing products. Going forward, LG H&H will continue to strive to provide products that customers can use safely and to enhance product safety.



Goals

- **Enhance Effective Prevention Activities and Operate Quality Planning(~2024)**
 - Advance the safety quality diagnosis process
 - Expand the scope of quality accident diagnosis and strengthen the reporting process
 - Establish and settle quality management indicators such as quality cost
 - Enhance quality issues and proactive management system
- **Internalize and globalize prevention activities**
 - Operate a unified customer management system based on global business standards
 - Operate a global consulting capability organization for safe quality certification
 - Establish a preventive management system that warns of quality risks through data analysis

Key Achievements



Identified improvement tasks for the safety quality certification system

1,494 tasks



Identified improvement tasks for supplier safety quality certification evaluation and improvement rate

2,704 tasks, **97%**



Verified items of hazardous substances

261 items



Verified samples of hazardous substances

19,448 samples

Quality Management System

Reassurance Quality Management(RQM) System

LG H&H introduced the Reassurance Quality Management(RQM) system and established an integrated quality management system to diversify products to reflect consumer needs and meet increasingly stringent national quality standards. Starting with the Cheongju Cosmetics and Household Products Factory in 2020, we introduced the system to the Cheongju TP New Factory, Incheon Factory, and Daejeon Technology Research Center in 2021 and to the main business sites of the Beverage Corporation in 2022. Currently, RQM has been applied to three subsidiaries, eight production sites, and five logistics sites, and we are involved in all areas of the product's life cycle, from product production to R&D quality(safety), long-term quality after shipment(light stability), and customer pain point management. We will continue considering user convenience to improve work efficiency and plan to improve system perfection.

Safety Quality Certification System

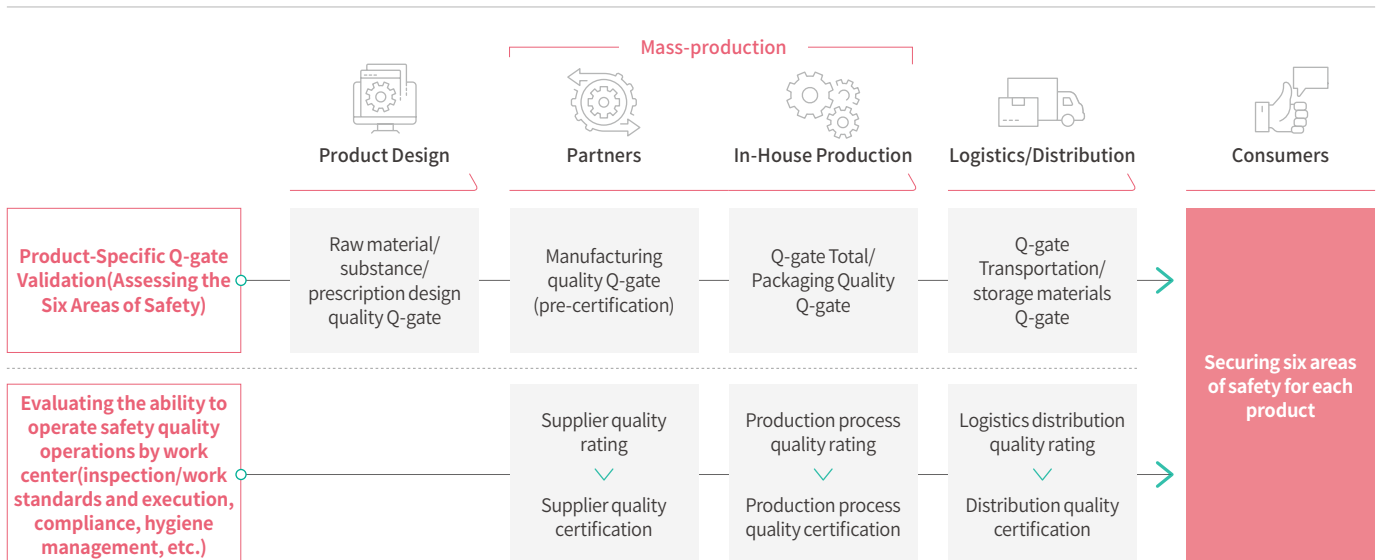
LG H&H operates the Safety Quality Certification System twice a year, in the first and second half of each year, a unique quality certification system for LG H&H. In the first half of the year, each business site conducts its own audit to identify problems and establish improvement plans. In the second half of the year, the quality management department conducts an objective diagnosis and identifies improvement tasks considering potential risks. Certificates are issued based on the results of the second half of the year's quality diagnosis, and we continue to identify, benchmark, and share excellent practices at each business unit to encourage them to improve their deficiencies.

In 2022, we conducted diagnostics for 19 production sites and 64 logistics sites. In the year's second half, we identified 1,494 improvement tasks at 647 production sites and 847 logistics sites. In addition, four teams from production sites and four from logistics sites were selected as excellent workplaces and awarded certificates.

Operation History of Safety Quality Certification System

Classification	2021	2022	2023 Plan
Design Safety Quality	Test diagnosis(1 team)	Pilot diagnosis(10 teams)	<ul style="list-style-type: none"> Considering the work of design areas Conducting comparative evaluations by department, focusing on nine core items
Production Safety Quality	Diagnosis of 14 plants	Diagnosis of 19 sites (TP: Pilot Diagnosis)	<ul style="list-style-type: none"> On-site diagnosis of safety quality once a year Additional unplanned diagnostics conducted as needed for sites where risks are detected in advance.
Logistics Safety Quality	Diagnosis of 68 worksites	Diagnosis of 64 business sites	<ul style="list-style-type: none"> Conducting logistics safety quality diagnosis, including leased warehouses

Safety Quality Certification System



Quality Control Activities

Operation of the Consumer Reassurance Center

LG H&H launched the Consumer Safety Center in 2017, making it the first company in Korea to operate a specialized organization to manage quality from product development to consumer use and continuously promotes quality control of products that consumers can use safely. In 2022, the fifth year of the center's existence, we reviewed the overall design, distribution, and consumer response processes, supplemented the customer consultation system, and digitized the logistics delivery system to strengthen further the foundation for providing quality assurance. In 2023, to grow into a consumer-oriented company that offers real value to customers, we will continue to share information on quality issues promptly, build an effective crisis management system, and enhance customer consultation using AI.

Product Safety and Risk Prevention Activities

LG H&H has established a crisis management organization to strengthen company-wide crisis management since 2023. We plan to establish a subcommittee overseeing quality and service to enhance prevention activities to prevent consumer damage, losses, and complaints due to quality. The quality and service-related subcommittees define core crises as the occurrence of many consumer claims due to product defects or social issues related to product safety and compliance and assess the likelihood and severity of each situation to establish risk levels and conduct prevention activities. We will also conduct virtual drills to create response scenarios for possible group or company-level cases to respond quickly and effectively.

Implementation of Safety Quality Diagnosis of Suppliers

Strict quality control of suppliers is essential to realize customer satisfaction by supplying world-class quality. LG H&H conducts safety quality certification activities for existing and new suppliers to maintain the quality level of suppliers at a moral level above legal regulations and minimize quality blind spots. For efficient diagnosis in the non-face-to-face environment due to COVID-19, we utilize various methods such as in-house diagnosis, external quality audit specialized organizations, and visit-diagnosis by technical support teams of suppliers. As a result, we awarded safety quality certificates to suppliers who received the highest level of assessment certification and granted purchasing incentives following our purchasing strategy policy.

In 2022, we assessed 120 major suppliers of safety quality certification, including 104 domestic and 16 overseas, based on the purchase amount, number of customer complaints, and number of incoming nonconformities. We utilized the Safety Quality Certification Scorecard to evaluate the establishment of standards, awareness of standards, and on-site execution. For 96 suppliers in particular, we used an external quality audit organization to secure objectivity and reflect opinions on improvements.

97% of improvements through implementation management items for unreasonable items. In addition, LG H&H has standardized the diagnostic evaluation process and methodology for new suppliers, both domestic and overseas, to verify their level of quality operations in detail from the initial entry stage. In 2022, we diagnostically evaluated 35 new suppliers and selected 20 of them that met the quality operation level as new business partners, enabling us to expand our supplier pool both domestically and internationally. In 2023, we plan to continue operating reassurance quality diagnosis activities through selection and focus to reduce the actual pain points of our customers.

Target Suppliers for Safety Quality Certification Evaluation

(Unit: pcs)

Business Group	Number of companies (domestic/overseas)	Product characteristics	Number of companies (domestic/overseas)
Cosmetics	39(39/0)	Goods	58(43/15)
Household goods	58(42/16)	Subsidiary Materials	59(58/1)
Beverage	23(23/0)	Raw materials	3(3/0)

* For suppliers within the top 80% of purchase volume

Evaluation Target New Partners

(Unit: company)

Classification	Evaluated Partners	Number of code registrants
Domestic	26	17
Overseas	9	3
Total	35	20

Operation of Product Safety Management Regulations

LG H&H applies strict procedures when registering new raw materials and developing products based on the Product Safety Management Regulations to provide products that consumers can use safely. First, an organization dedicated to reviewing laws and regulations under the Technical Research Institute preliminarily reviews and determines whether raw materials to be used in product development and products under development comply with domestic and international laws and regulations. The Safety Evaluation Division within the Consumer Safety Center conducts a risk assessment on raw materials that meet the results of the pre-regulatory review to scientifically predict the potential for harm when the product is used in the human body. It also conducts toxicity assessments using cells (animal substitution method) and verification of hazardous substances designated as our management items. Only if the evaluation and verification results are suitable can we proceed with the registration process for new ingredients. When developing products, we also conduct a risk assessment for all ingredients, toxicity assessment using cells, human application tests to verify skin safety (such as primary skin irritation tests), and verification of hazardous substances under our control, including legal control items, and only if the results are deemed suitable can we proceed with the new product development process. To manage hazardous substances more thoroughly, LG H&H has created and upgraded the 'Hazardous Substance Management Operation Guide' with reference to legal standards since 2017 and operates with strict standards that meet global regulations.

Product Safety Investments

(Unit: KRW 100 million)

Classification	2020		2021		2022	
	Item	Amount	Item	Amount	Item	Amount
Safety /Hazardous substance assessment	Genetic evaluation devices, etc.	7.3	Hazardous substance analysis equipment, etc.	5.8	Hazardous substance analysis equipment, etc.	5.2
Packaging Research	Improvement of experimental environment, etc.	1.1	Universal Testing Machine, etc.	0.6	Physical property Testing Machine, etc.	0.1
Quality Control	Foreign Body Analyzers, etc.	25.2	Precision Analyzers, others	17.3	Inspection/ Measuring Machine, etc.	10.0
Total		33.9		23.7		15.3

Global-level Safety Assessment

As LG H&H exports increase overseas, the Safety Assessment Division strives to secure global-level safety assessment capabilities. We currently utilize research data from internationally recognized organizations such as the European Chemicals Agency(ECHA), the Organization for Economic Cooperation(OECD), and the U.S. Environmental Protection Agency(EPA) for human health risk assessment while also using data from recognized organizations such as the U.S. Cosmetic Ingredient Review Board(CIR) and the European Scientific Committee on Consumer Safety(SCCS), depending on the purpose of the assessment. Various internationally recognized evaluation methods, such as OECD, have been adopted regarding toxicity evaluation using cells.

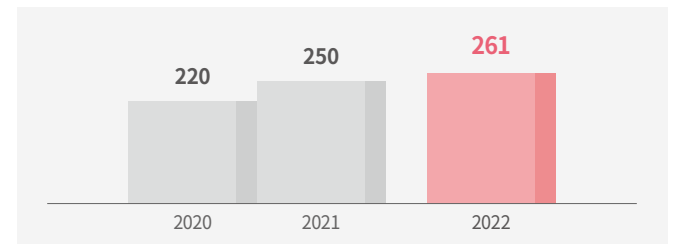
For microbial preservative evaluation, we plan to apply the ISO method across cosmetics products, and for hazardous substance evaluation, we rely on the ability and reliability of hazardous substance analysis. We have been accredited by Korea laboratory Accrediation Scheme(KOLAS), an internationally recognized testing laboratory, which confirms that our products comply with the International Organization for Standardization (ISO/IEC) regulations.

Elimination of Hazardous Substance Use

LG H&H's Hazardous Substance Analysis Lab, part of the Safety Assessment Division, incorporates administrative notices and revisions related to hazardous substances issued by relevant ministries every year into its management standards to proactively verify hazardous substances that may become an issue before the law is enforced. We also regularly monitor global safety and regulatory issues to prevent the possibility of additional problems arising. In addition, based on three years of hazardous substance data verified on raw materials and finished products, we are enhancing the number(frequency) of hazardous substance verification for raw materials and products with high-risk potential to ensure thorough follow-up management and strive to realize 'zero hazardous substance risk.' In particular, to manage hazardous substances on a global level, we obtained accreditation from KOLAS(an internationally recognized testing laboratory) in 2020, laying the foundation for providing international certification certificates, and in 2022, we received certification for a total of 12 hazardous substance items representative of global cosmetics. From 2023, we can provide our own certificates for products exported overseas based on this certification.

Hazardous Substance Verification Items*

(Unit: Items)



* The number of hazardous substance verification items is selected annually in consultation with relevant departments for hazardous substances that have become domestic and international issues or have the potential to become issues.

* Hazardous substances in the same category, such as phthalates, are counted as one.

KOLAS accreditation test items

(Unit: items)

Classification	Number of items
2020	2
2021	9(cumulative)
2022	12(cumulative)
2023(planned)	12(cumulative)

Number of Hazardous Substance Verification Samples* (Products, LAB Products, Sundries, Raw Materials, Subsidiary Materials)

(Unit: pcs)

Classification	2020	2021	2022
Cosmetics	9,617	8,588	9,281
Household goods	9,038	9,953	8,839
Food & Beverage	2,403	1,562	1,328
Total	21,058	20,103	19,448

* Verification of all first production batches(A-lot) every year and expansion of hazardous substance verification to in-house and ODM products as well as overseas products.

* The number of verification samples decreased due to SKU rationalization across the company

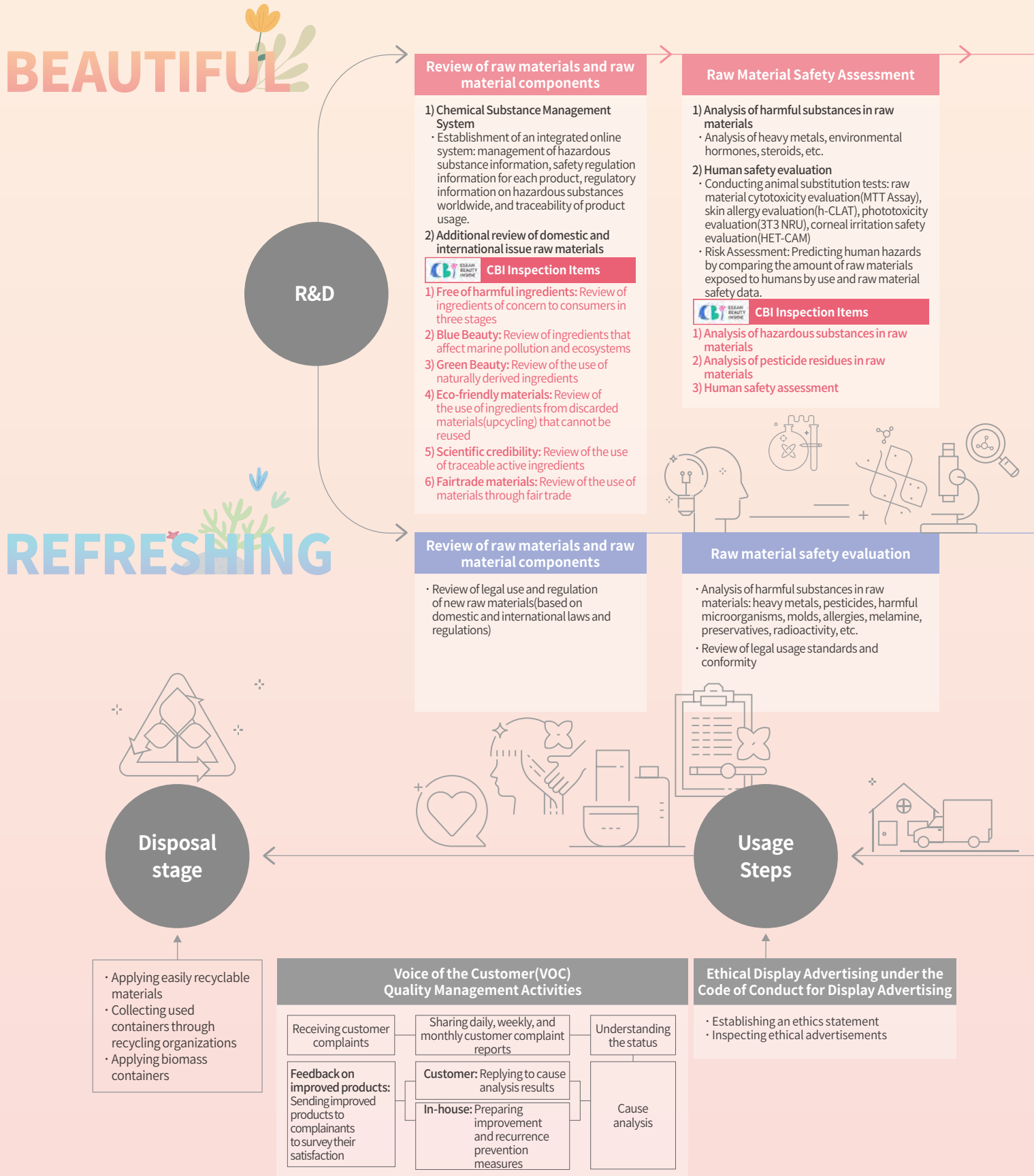
Hazardous Substance Analyzer Applications



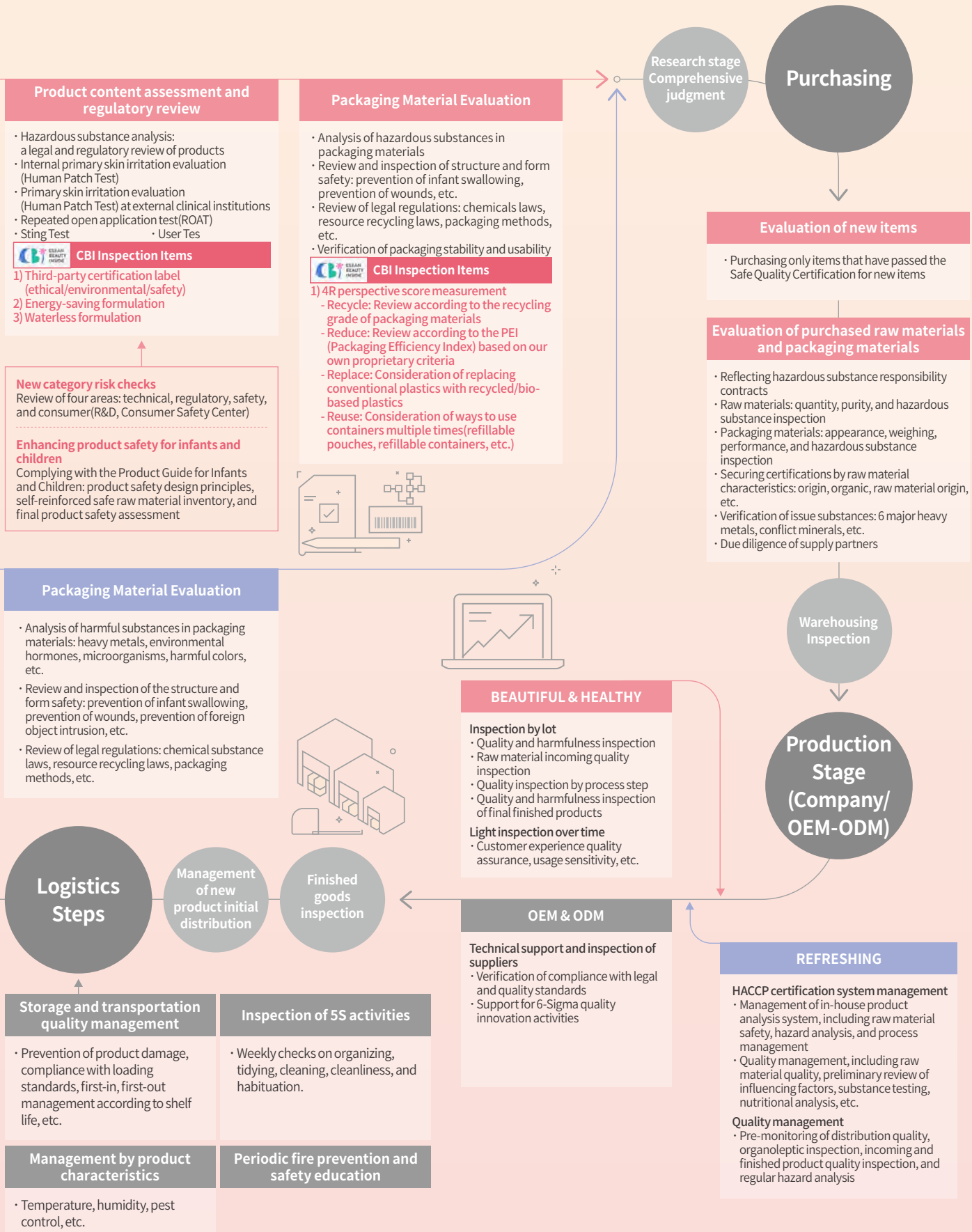
Organic hazardous substances: Formaldehyde, 1, 4-Dioxane, MIT/CMIT, Phthalates, Benzene, Xylene, etc.

Inorganic hazardous substances: Heavy metals(lead, arsenic, mercury, cadmium, antimony, nickel, hexavalent chromium, uranium, etc.), asbestos

Product LIFE-CYCLE Safety and Quality Processes



SOCIAL | Quality Management



CUSTOMER SATISFACTION MANAGEMENT

To become a company that customers trust and love, LG H&H practices customer-centered management by quickly understanding consumers' increasingly segmented lifestyles and diverse needs and always listening to their opinions. In addition, we are actively discovering customer complaints(pain points) through various customer service(CS) activities and utilizing them to improve product and service quality. In particular, customer counseling using AI has improved work efficiency and service quality, enabling us to respond to customers' needs quickly and accurately. We will continue to strive to fulfill the needs of consumers based on our expertise and sense of responsibility.



Goals

- **Accumulate customer voice big data**
 - Establish a foundation for utilizing collected VOC information(all voice consultation contents of customer consultations are transcribed into text in real-time and data is accumulated)
 - Utilize future customer needs and trend analysis
 - Develop a counseling system that applies new AI technology(automatic classification and summary of VOC)
- **Enhance the convenience of resolving customer pain points**
 - Introduce AI-based content search function to provide optimal counseling information to agents
 - Enhance the convenience of self-solving customer pain points(creating video content that can be viewed 24 hours a day, enhancing the homepage's answer bot function)
 - Maintain adequate call response rates and customer complaint resolution levels
- **Strengthen the ability to resolve customer pain points**
 - Operate a counseling capacity enhancement program in conjunction with external experts(regular phone consultation evaluation and training)
 - Operate customer response emotional labor worker healing programs for greater customer satisfaction

Key achievements



Customer service satisfaction rating

4.74 points



Claim resolution rate

99.41%



Number of self-help videos produced

20¹⁾ / 16²⁾ videos



Customer complaint rate

6.84¹⁾ / 0.60²⁾ / 0.32³⁾ ppm



Consumer complaints in 2022

14,886 cases
(14,949 cases received / 99.6% completed)

1) LGH&H 2) Coca-Cola Beverage 3) HAITAI htb

Activation of customer interactions

Establishing a new customer consultation system

In October 2022, we introduced a new customer consultation system to effectively identify customer complaints through various channels and systematically collect and manage improvements and suggestions on these issues.

The system not only manages customer claims from domestic and overseas(China) sites in an integrated manner, but also provides a function for internal employees to suggest inconveniences. We also strengthened our ability to identify improvement tasks, manage their implementation, and monitor whether they recur. In addition, we introduced self-service utilizing an answer-bot¹⁾ to meet the needs of younger customers who prefer to consult non-face-to-face. We also improved the efficiency of our agents by enabling them to handle all consultation tasks, such as chat, phone calls, 1:1 inquiries, and emails on one screen.

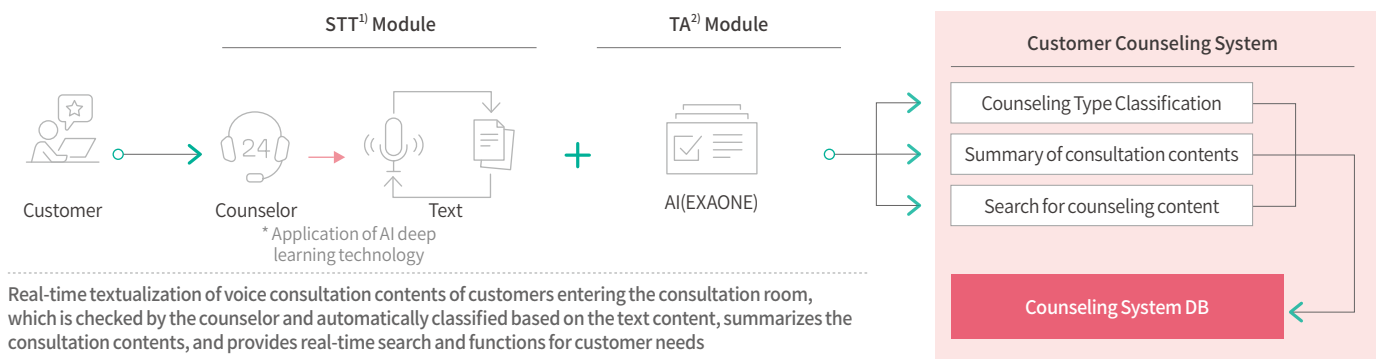
In addition, the new customer consultation system provides data for product development and pain point improvement and enables data analysis according to customer characteristics and conditions, which relevant departments can actively utilize. The new customer consultation system is expected to improve customer satisfaction by making it easier to discover pain points, analyze causes, establish improvement measures, and manage them before, during, and after implementation, and to discover customer experience insights along the customer journey.

1) Answer bot: A chatbot that finds and provides the best answer within the scope of pre-learned knowledge when a user asks a question.

Application of AI in customer service

LG H&H worked with AI researchers to apply AI technology to its customer service system. With this, all consultation contents are automatically transcribed(real-time STT), and the converted text is automatically summarized by TA(Text-Analysis) technology. It converts the customer's voice into text in real time and then uses machine learning algorithms to automatically classify and summarize the consultation type.

AI Customer Service System



Real-time textualization of voice consultation contents of customers entering the consultation room, which is checked by the counselor and automatically classified based on the text content, summarizes the consultation contents, and provides real-time search and functions for customer needs

1) STT(Speech to Text: technology that converts customer consultation voice files into text in real time)
 2) TA(Text Analysis): Analysis of text contents to automatically classify consultation types, summarize contents, search for consultation response contents, etc.

It also provides the ability to search and recommend content, allowing us to capture and utilize vast customer voice data. We expect it to contribute to the quality of customer service by standardizing customer service and increasing the efficiency of agents' work, as we can easily classify customers' inconveniences or needs.

Customer Value Creation

Continuous product innovation

Launching various home beauty devices

LG H&H is launching various beauty device products as consumers' interest and needs for home beauty increase. As 'social distancing' has become routine, consumers' interest and need for 'home beauty' that can be easily managed at home has increased. In response, LG H&H has organized the H&B(Health & Beauty) Device Team to launch various beauty device products. In 2022, we launched the CNP Rx TuneAge Scalp Care Head, a replaceable head product used in combination with the CNP Rx TuneAge Smart LED Triple Expert. This product helps to improve blood circulation to the scalp by enhancing the effectiveness of treating hair loss symptoms and enabling users to care for their scalp with a home beauty device. By diversifying our product portfolio, we have secured a foothold in the derma-cosmetics market and increased our technical expertise in materials and devices used for professional scalp care. In addition, we launched the CNP Rx TuneAge Pro Fit Expert, a high-frequency beauty device that enables easy at-home elasticity care for the Chinese and overseas markets.



CNP Rx TuneAge Scalp Care Head

LG CHI Color Master®

We launched LG CHI Color Master® for use in salons to help hair stylists solve their hair dye manufacturing challenges and reduce wasted hair dye. LG CHI Color Master® incorporates AI technology to automatically recommend and manufacture more than 30,000 types of hair dye based on the customer's hair color and automatically manage their dye history. It also provides a differentiated customer experience by enabling customers to check the hair color they want to dye in advance with a simulation. In addition, the check valve system prevents hair dye that was previously oxidized and thrown away by more than 30%, thus reducing hair dye waste. It also uses safe cartridges without added ammonia, and the color-oxidizer cartridge is made from recyclable cans, making it environmentally friendly. To date, LG CHI Color Master® has been installed in hair salons in the United States and Europe. We plan to expand its sales to the Middle East, South America, etc., in 2023.

Bamboo Salt Myeongyakwon Medicare

Bamboo salt Myeongyakwon Medicare is Korea's first premium gum toothpaste applied directly to the gums, inspired by the behavior of people with chronic gum disease who apply gum toothpaste and leave it on for a long time. While brushing teeth with a toothbrush like normal toothpaste usage is effective, it has been verified through clinical trials at dental schools that applying the toothpaste to the gums, massaging it for a period of time, and brushing the teeth produces faster and better results. Bamboo Salt Medicare can help relieve gingivitis and periodontal disease and can also improve gum inflammation index, plaque, and bad breath. In addition, the formulation maximizes efficacy, and the small tube container with a silicone tip provides convenience.

Mini Tattoo Printer "IMPRINTU"

LG H&H launched IMPRINTU, a mini tattoo printer, in the first half of 2023 to meet the needs of the MZ generation who want to express their individuality. IMPRINTU, a mini tattoo printer, is a new type of beauty tech device that allows users to enjoy tattooing anytime, anywhere by downloading designs from LG's super large AI, Tilda, through an app.

IMPRINTU uses vegan cosmetic ink, so the user can erase whenever and wherever they want, and the tint palette with vegan cosmetic ink can be used about a thousand times. Only the tint palette needs to be replaced when the ink runs out. IMPRINTU is a new concept beauty tech device that participated in 'MWC 2023(Mobile World Congress)' for the first time in the domestic beauty industry. We will continue to provide various tattoo designs in collaboration with AI 'Tilda' and famous tattooists to form a new fashion and beauty item market beyond home beauty devices.

Fiji, Laundry detergent reducing fabric damage

Developed to meet the needs of consumers who want their clothes to stay cleaner longer, Fiji Laundry Detergent Reducing Fabric Damage is a mild detergent for everyday use. Adding fabric protectants ensures that the fibers do not deform or fade after each wash, and the powerful cleaning formula with plant-based surfactants helps remove stains and odors to keep clothes feeling like new for longer. It is also conveniently washable with performance apparel like leggings and hiking boots, is dermatologically tested domestically and internationally for added safety, and is certified vegan.

REEN Coloring Shampoo, Treatment, Boosting Starter (Natural Brown, Dark Brown)

For consumers unable to use traditional hair dyes due to allergies or skin issues, we developed REEN Coloring Shampoo, Treatment, and Boosting Starter, a functional product that relieves hair loss symptoms. Using a technology inspired by the principle of peach watering, the formulation that can be washed off without a separate dyeing process that irritates the skin enables gradual and natural grey hair coverage, reducing consumer inconvenience by helping grey hair coverage with only daily shampooing instead of periodic grey hair management. In addition, we developed a 'boosting starter' that can be used once to achieve the effect of more than 30 times of shampoo, fulfilling consumers' desire for easy and natural grey hair coverage.

The History of Whoo JungYunCho Multi-Use Essence

UV exposure is one of the leading causes of skin aging in modern men, and we have launched a total anti-aging essence that tackles major concerns at once: moisturizing, soothing, firming, antioxidant, wrinkle, and whitening. It contains six reinforcing ingredients - hyaluronic acid, ectoine, carnosine, frolic acid, adenosine, and niacinamide - to address the concerns of each skin type, making skincare simple and effective with a single item. Moreover, it reflects men's preferences, leaving them feeling refreshed after use with little oiliness and stickiness.

4 Freshian Egglie Cushions

Using 'egg-like skin' technology, which creates the illusion of pore-free skin like a freshly cracked egg, we've developed vegan makeup cushions whose watery formulas make the skin layer thin and look smooth and clear. Inspired by the concept of "egg-like skin," we curated a selection of products with four keyword effects (smooth texture, clear radiance, soft coverage, and revitalizing tone-up) to broaden the selection. This not only builds a professional brand image, but also positions the brand as a vegan makeup brand with eco-friendly packaging and puffs, satisfying the function of cosmetics, trust with customers, and environmental values.



LG CHI Color Master®

Expanding Digital Marketing

Digitization in Supply Chain Management: Developing an AI-based Demand Forecasting System

LG H&H has been working with AI researchers to develop a demand forecasting system by distribution channel and product to digitize supply chain management further. Previously, demand was predicted based on the experience and know-how of the people in charge. Still, the system will be continuously advanced to set production volumes and reduce inventory turnover based on data and AI.



Mini Tattoo Printer 'IMPRINTU'

Digitization in R&D: Developing an AI-based prescription analysis system

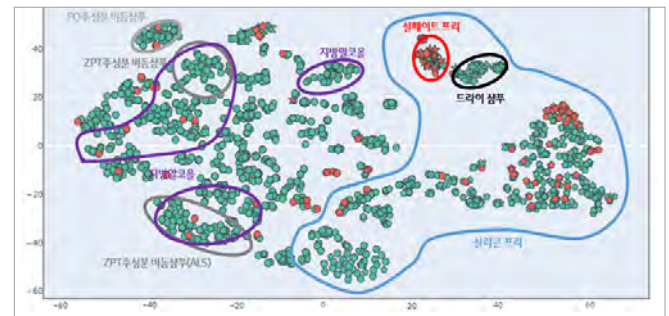
LG H&H built a prescription analysis system through principal component analysis and clustering of products in the 'Global Hair Care' category based on publicly available all-component data. The system will be expanded to include categories other than hair care products in the future to fully digitize the entire R&D field.

Launching and Expanding on Amazon

LG H&H has formed an organization dedicated to Amazon, the world's largest e-commerce platform, to expand its business in earnest. We are utilizing Amazon's big data analysis to derive product operations and advertising strategies and launching gift sets in time for the season when global consumers are shopping. In particular, we continuously strive to increase the number of followers on our brand stores and strengthen our global digital capabilities by applying the know-how gained from launching live commerce in China and Korea.



4 Fresian Egglike Cushions



Large-scale prescription analysis by clustering all ingredients of LG H&H and third-party shampoos(LG H&H=red, third-party=green)

CYBER SECURITY

LG H&H clearly recognizes the importance of personal information and cybersecurity and has been steadily strengthening its cybersecurity to agilely respond to situations that pose risks to information security. We have appointed a Chief Privacy Officer to ensure that we have a world-class security system in place and maintain the ability to respond to problems before they occur. In addition, we operate a dedicated information security department and continue to strengthen our ‘Incident Response Process’ and ‘Information Leak Monitoring System.’ We also train and thoroughly supervise all organizations that handle personal information, including headquarters, contractors, direct stores, franchisees, and agents.



Goals

- Prevent information leakage and hacking and malware infection incidents, and raise security awareness to ensure privacy compliance
- Enhance information leakage monitoring system
- Check major system vulnerabilities
- Maintain ISMS certification

Key Achievements



Employees trained who received information security training (employees)

7,668 (including subsidiaries)



Employees who received information security training (sales sites)

19,092 (Stores, BP, Direct selling)

Personal Information Management System

LG H&H manages the personal information of various customers due to the nature of its business. In light of this, we consider the leakage of personal information a significant legal risk factor and include personal information protection in the ‘Operational Risk’ area of the ‘Company-wide Integrated Risk Management System’ to monitor and prevent it occasionally. The Chief Privacy Officer(CPO) oversees related tasks to systematically and safely manage essential information assets, including personal information. In addition, the Information Security Center, a department dedicated to company-wide information security, provides training and management supervision to help current departments and business partners handle personal information safely.

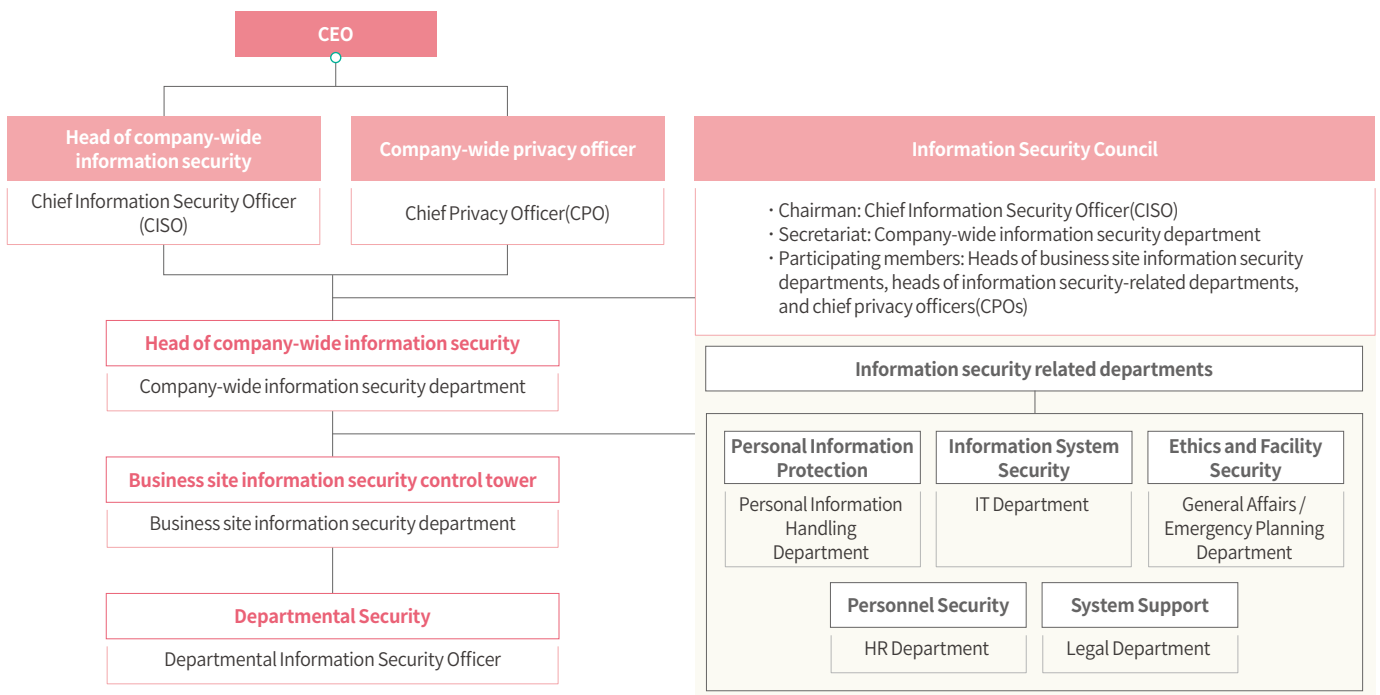
In addition, we have established company-wide privacy regulations to systematically manage personal information(including personal video information) handled by LG H&H and its subsidiaries to ensure that it is not lost, stolen, leaked, altered, damaged, or misused. These regulations apply to internal members, partners, and employees of external companies who handle personal information, as well as LG H&H and its subsidiaries.

Furthermore, the information security department conducts internal audits at least once a year to check the extent to which the company complies with the internal management plan. If the audit shows that the privacy policy or guidelines have been violated, the company or the person in charge may be disciplined according to the company’s rules, and if the case is severe, the person may be referred to the authorities for resignation. In addition, if it is determined that the violation has caused damage to the company’s property or tarnished its image, the company or the person responsible may be subject to all civil and criminal liabilities.

Privacy and Information Security Organization

To systematically protect and manage information, LG H&H has appointed a company-wide Chief Information Security Officer(CISO) and a Chief Privacy Officer(CPO) and operates a company-wide information security department under their leadership. The CISO chairs the Information Security Council, which includes heads of related departments, CPO, etc., and is in charge of deliberating and making decisions on major information protection issues within the company. The information security department also supports monitoring to prevent information leaks and training to improve employee security awareness.

Privacy and Information Security Organization



Activities to enhance personal information privacy

As our reliance on digital information increases, so does the importance and need to protect personal information. In response, LG H&H is strengthening personal information management for its headquarters, contractors, direct stores, franchisees and agents, and overseas subsidiaries that handle personal information, focusing on preventing personal information leakage and complying with laws and regulations. LG H&H has security solutions in place to prevent personal information from being leaked and regularly conducts security checks on contractors and stores through visits or in writing. In addition, we keep abreast of domestic and overseas laws, policies, and institutional trends, such as the Personal Information Protection Act, the Information and Communications Network Act, and overseas privacy laws. We immediately apply them to our business processes whenever they are revised.

To prevent employees from not realizing the importance of cybersecurity or accidentally leaking information, we conduct various information security training, such as an email malware simulation drill once a year. The information security training includes content on personal information protection, types of information security incidents, and information security practices to help members identify security-related trends and issues and raise security awareness.

Personal Information Management Status

Management Scope	Management Area	Management Measures	2022 Performance
Headquarters/ Contractors	<ul style="list-style-type: none"> Leak prevention Internal leaks Hacking/ Malware 	<ul style="list-style-type: none"> Building and operating leak prevention security solutions Preventing internal leaks, preventing hacking and malware Protecting IT infrastructure, integrated monitoring of information leaks 	<ul style="list-style-type: none"> Improved 8 systems, including upgrading the email malware blocking system Checked mock hacking and vulnerabilities for homepage and shopping mall systems AWS cloud security check
Direct Stores	<ul style="list-style-type: none"> Legal Compliance Personal Information Protection Act Information and Communications Network Act Overseas Personal Information Protection Act 	<ul style="list-style-type: none"> Checked security of contractors and sales sites (direct stores, franchisees, and agents) Checked security of outsourcing companies once a year and strengthened security checks at sales sites 	<ul style="list-style-type: none"> Consignment companies(55): inspected personal information management status Mart stores(3): Checked the status of personal information management(changed the status of CCTV and video information processing and distributed guides)
Merchants, Agents, and Overseas Subsidiaries	<ul style="list-style-type: none"> Overseas Personal Information Protection Act 	<ul style="list-style-type: none"> Compliance with privacy laws Administrative and technical safeguards for the life cycle of personal information(collection > use > storage > provision > destruction) Compliance with privacy guidelines for overseas subsidiaries 	<ul style="list-style-type: none"> Passed the Information Security Management System(ISMS) post-audit and maintained certification Conducted email malware simulation drills for Korean and Chinese subsidiaries (once a year)

Advancing Information Leakage Monitoring System

Due to the nature of our business, LG H&H holds important information, such as customers' personal information and product prescriptions. To prevent such data from being leaked, we have raised the level of review to include information security and compliance checks on IT systems built and operated by LG H&H and its subsidiaries. The 'systematization of the security review process' that we started in 2021 was internalized in 2022, and we reviewed a total of 141 cases, which allowed us to find and improve security vulnerabilities in advance, resulting in zero hacking incidents. (zero violations in 2022) In addition, we improved our internal information leakage monitoring system by integrating logs generated by multiple security systems and creating information leakage scenarios.

In particular, we have strengthened the process of identifying and explaining reasons for suspected information leakage to prevent internal security leakage incidents by reviewing suspicious behavior and managing whether it will recur in the future. In 2022, we operated 60 scenarios in 26 systems and conducted explanation management for 69 cases of suspicious behavior. In 2023, we ran 62 scenarios in 27 systems and managed 21 suspected information leaks as of March. LG H&H will continue to prevent important information, such as internal trade secrets and personal information, from being leaked to ensure stable business and increase competitiveness as a global company.

IT systems to be reviewed for security

Target systems	Review Content
New systems	Infrastructure check, source diagnosis, penetration testing, personal information, ISMS, internal control
Operational systems	CSR checks, regular penetration testing, security controls



Information leakage monitoring signage

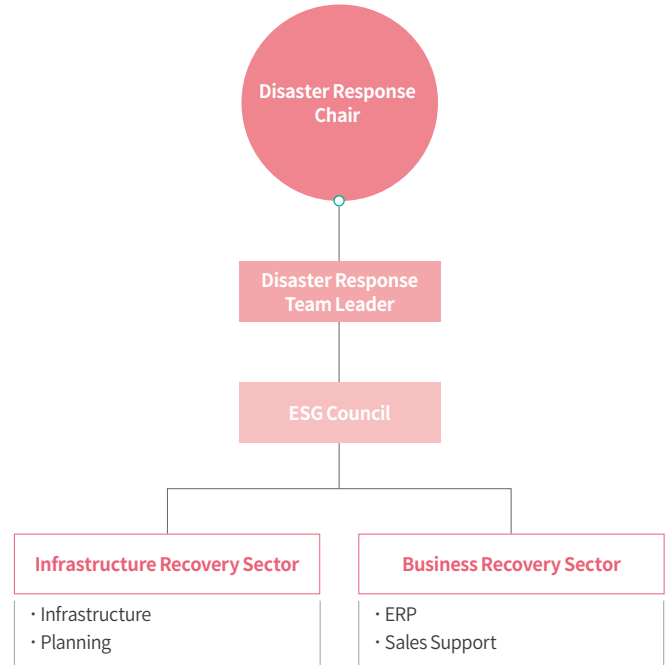
Operation of Disaster Recovery Process

Due to the nature of its business, LG H&H has documented and operates a ‘Disaster Recovery Guide’ to ensure that services can be restored quickly and accurately in the event of a major system breach or disaster, such as a hacking incident on information assets or a virus or malware infection, resulting in service interruption. The Disaster Recovery Guide consists of disaster recovery strategies and systems, including emergency response organizations, disaster recovery systems, detailed procedures, and mock drills. In the event of a system disaster, disaster recovery is carried out according to detailed procedures centered on the emergency response organization. The recovery includes ERP, corporate homepage, members, official shopping mall, business portal, brand site, and backup management system.

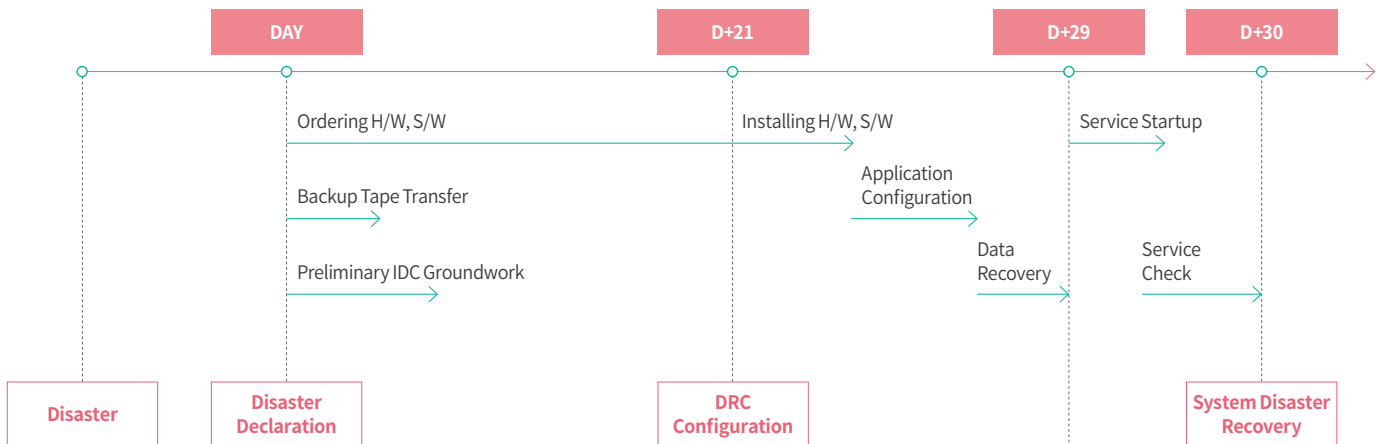
The DX Infrastructure Division, which is in charge of company-wide server operations, conducts mock drills annually to enhance coping capabilities and reduce recovery time in case of an actual disaster. In addition, the Information Security Center, responsible for company-wide information protection, conducts various information protection training to prevent disasters. In particular, in 2022, we solidified our zombie PC monitoring response system, established a dark web monitoring response process, conducted security monitoring of overseas subsidiaries*, and protected important information by establishing countermeasures for each breach by cause. We will continue to implement various preventive activities to safeguard our customers’ information and our assets and data.

* Hong Kong, Singapore, Taiwan, Malaysia, Thailand, and Vietnam

Disaster Response Organization Chart



Disaster Recovery Steps



SOCIAL CONTRIBUTION



As a corporate citizen, LG H&H contributes to solving social problems and conducts social contribution activities in line with its business capabilities and characteristics to create social value. In particular, by aligning with the UN SDGs, LG H&H operates social contribution programs efficiently by partnering with specialized organizations, avoiding one-time donations, and selecting and focusing on support targets. As a way to contribute to resolving ethical, human rights, and social issues such as women’s independence, climate change response, health and safety, cultural and artistic diffusion, and community sharing and cooperation, we will promote various forms of social contribution activities such as “Natural Beauty Creator,” “Borrowed Earth School,” “Twinkle Twinkle Perio Musical,” and “Beautiful Shop Donation” to create greater happiness and healthy beauty.



Goals

- Achieve a cumulative total of 280 beneficiaries entering society, including job creation for women(~2025)
- Continuous value-up through follow-up management of existing employees
- Diversify education channels for “Borrowed Earth School,” a habit-improvement convergence program for youth, and reach 100,400 beneficiaries¹⁾(~2025)
- Expand ‘Twinkle Twinkle Perio,’ a health musical for children, and achieve the cumulative beneficiaries²⁾ of 242,290(~2025)

1) Borrowed Earth School: Cumulative data since 2014
 2) Twinkle Twinkle Perio: Cumulative data since 2004

Key Achievements



Social Contribution Promotion System

To make the lives of our customers more beautiful, healthy, and refreshing, LG H&H conducts various systematic social contribution activities linked to our business in five areas. In particular, we develop and implement social contribution programs with a strategy that selects and focuses on women and youth, LG H&H’s main customers, through partnerships with specialized organizations rather than simply making one-time donations.

To help women lead independent and happy lives, we continue to carry out activities to improve career and vulnerable women’s living conditions, thereby solving social problems and increasing business profits. We also support various educational and experiential activities to help middle, high school, and university students grow into climate change activists who make a difference in their communities, and we continue to promote efforts to foster future generations to respond to climate change.

To promote healthy and safe lives, we provide healthy lifestyle education to children and strengthen support for people with disabilities. To support and help spread a sustainable cultural ecosystem, we are also forming strategic partnerships with cultural organizations and conducting various campaigns and sponsorships. Our employees continue to be interested in and actively participate in donations and volunteering throughout this process. We are looking for ways to continue to grow together with the community.

Going forward, LG H&H will continue to plan and operate social contribution programs that are highly relevant to the nature and capabilities of our business, creating social value that can be shared with our stakeholders and making a positive difference in the local community.

Social Contribution Areas



Supporting women’s independence and happiness:

Natural Beauty Creators, Giving Women with Disabilities Wings, Red Cross Supporting Women Survivors of Violence

Fostering future generations to respond to climate change:

Borrowed Earth School, Teachers’ Corps, Global Eco-Leaders, UN Youth Environment Assembly, Borrowed Earth School [Metaverse]

Expanding healthy and safe quality of life:

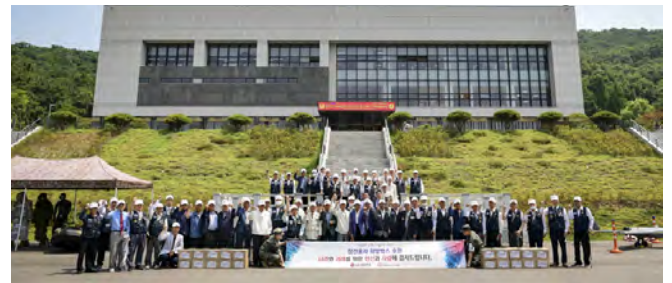
Twinkle Twinkle Perio Musical, Consumer Federation of Persons with Disabilities, Korean Red Cross ‘Let’s Laugh, School,’ COVID-19 Prevention Masks - (Hand Sanitizer Distribution)

Spreading and enjoying culture and arts:

Seoul International Environmental Film Festival, Whoo Court Culture Campaign, Korea Arts Council(Vincero), Yeonam Cultural Foundation

Community Sharing and Cooperation:

Donation of Beautiful Shops, support for veterans and their families, support for single mother organizations, and sponsorship of milk powder



Veterans’ Hope Box Delivery Event

Social Contribution Strategy

Global Beauty Company

Addressing social issues as a global beauty company and collaborating with various internal and external stakeholders through social contribution strategies that are differentiated, sustainable, and systematically managed in line with our business

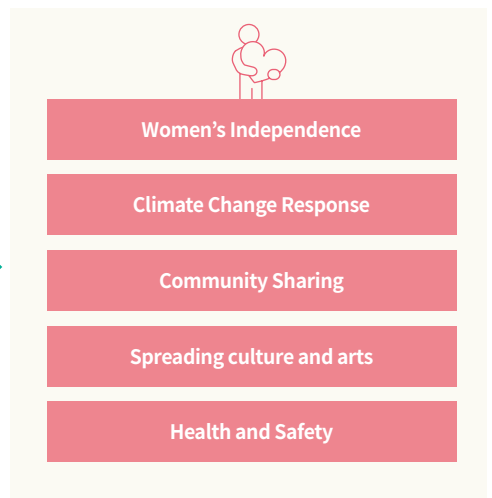
True to LG H&H

Realizing the ESG value of supporting women, children, and youth education and independence

UN-SDGs

Aiming for the UN sustainable development goals of environmental, economic, and social integration

FOCUS →



Supporting women’s independence and happiness

Giving Women with Disabilities Customized Assistive Devices ‘Wings’

In 2022, LG H&H selected 27 women with disabilities, aged 19 to 65, who are socially active or raising children in the Seoul and Gyeonggi regions and provided them with customized assistive devices worth KRW 5 million, along with training on how to use them. We provided 61 assistive devices in six areas(mobility, vehicle, computer, child care and household, information access, and self-care), including a manual wheelchair for mobility, a hand controller for vehicles, a screen enlarger for learning, a braille information terminal, a bowel movement reminder for child care, and a height-adjustable child care bed.

By 2022, 82 women with disabilities have benefited and are experiencing positive changes in their lives in society and at home after using assistive technology. The “Business Satisfaction in 2022” outcome was measured based on the Psychosocial Impact of Assistive Technology Devices Scale(PIADS) assessment results. The PIADS results showed that the productivity item scored the highest in terms of participation in social life, and the ability to realize self-desires increased by 2.2 points in terms of self-esteem. In addition, in terms of life independence, the impact on independence and self-reliance increased.



Customized Assistive Device Support Project for Women with Disabilities - Giving Women with Disabilities Wings

Business KPIs	Indicators/persons*
Product preference improvement - Satisfaction with LG H&H products(or social contribution programs)	Participation in social life/productivity increased by 2.3 points
	Self-esteem/realization of self-desires increased by 2.2 points
	Life self-reliance/independence increased by 1.6 points

* Difference from 2021 indicators(based on a scale of 5) by measuring the psychosocial impact of subjects on a scale of(+3) to(-3) in 2022 compared to 2021.

Social KPI	Indicators/persons
Number of women with disabilities supported in business	27 people
Assistive devices for women with disabilities	KRW 180 million
Number of assistive devices for women with disabilities	61 units

Nurturing Natural Beauty Live Creators

LG H&H has been running the Beauty Creator Fostering Program with the Korea Environment Foundation since 2018. The program targets vulnerable employment groups, such as women with work experience and job seekers who aspire to become live commerce professionals. In 2023, 35 participants (29 women and 6 men) were selected through documentation and interview screening, and the fifth course has been underway since January.

The training process of the Creator Development Program is divided into ‘Nurturing Training’ and ‘Practical Training.’ The program consists of systematic guidance from beauty, environment, and video shooting and editing experts, individual close mentoring with direct lessons from show hosts, and support for competencies required for short-form content planning and production. In 2023, we focused on the live commerce channel, a “mainstream distribution platform” that communicates with the public beyond a simple purchase distribution network. We further upgraded our live commerce training program, a beauty influencer training course.

We have further upgraded the curriculum by providing 1:1 coaching, small group training, and live practice opportunities in the 5th training course, where participants are individually mentored by industry-leading show hosts to learn live production know-how and communication skills needed for broadcasting.



Natural Beauty Live Creators

Business KPIs	Indicators/persons
Brand spreading experts acquired - Number of active influencers	88 participants
Brand spread - Number of subscribers to key influencer channels	Subscribers: 113,400 Views: 28 million views
Gaining beauty expertise - Number of direct and indirect education-related hires	15 people

Social KPI	Indicators/persons
Fostering BeautyLive creators	35 people (140 cumulatively)
Beauty YouTube Education and Culture Spread - Video content	175 videos
Strengthening the capabilities of Beauty Live creators - Training hours	1,330 hours

The Double U Campaign

LG H&H has organized the ‘The Double U Campaign’ with the Korean Red Cross since 2019 for a safe and warm world without violence. To prevent violence, support victims, and spread social empathy, the campaign provides support to those in need, including children, women, and the elderly, in the areas of ‘Support for Victims of Violence,’ ‘Youth Violence Prevention Education,’ and ‘Support Project for Vulnerable Children and Youth.’

We provide livelihood, medical, and housing support and counseling therapy to victims of violence, violence prevention education to youth, and various programs for character development to vulnerable youth.



Double U Campaign

Social KPI	Indicators/persons
Psychological counseling for families affected by violence	53 sessions
Number of violence-affected households supported	196 households(as of 2022)
Schools targeted for violence prevention education	92 schools
Students educated on violence prevention	36,686 students

Raising Future Generations to Fight Climate Change

Opening of Borrowed Earth School Metaverse

Borrowed Earth School, LG H&H’s signature social contribution program, is the first convergent education program in Korea that teaches basic lifestyle habits that “everyone knows how to do but has never learned” and discusses the dreams and careers of young people. Together with ‘environmental NGO EcoMom Korea,’ LG H&H signed an MOU with the Ministry of Education and the local education offices of each city and province to activate the free semester system to spread the right lifestyle habits among youth.

We designed the metaverse platform ‘Borrowed Earth World: Operation to Escape the Climate Crisis’ in 2022 to educate youth about the right eco-friendly worldview needed for climate change and to practice it, and it was produced by Uplus Interactive, FTL, a company specializing in future education, and EcoMom Korea, an environmental NGO. When users access the ‘Ditoland’ homepage, a virtual Earth 50 years in the future with severe environmental pollution unfolds vividly in front of them. It is designed for

learners to freely choose seven major cities in the world(Seoul, New York, Paris, Sydney, Shanghai, New Delhi, and Antarctica) to participate in education and games and to solve environmental problems by performing missions.

In the process, young people learn the right lifestyle habits to protect the environment in their daily lives, such as washing hands, disposing of trash separately, washing their face, brushing their teeth, washing their hair, washing dishes, and doing laundry. In 2023, the “Borrowed Earthworld” project will continue, with a total of 16 schools participating. The program will leverage the metaverse to overcome the limitations of geography and distance and use a gaming approach to increase classroom engagement and immersion, paving the way for youth, our future customers, to become interested in and actively address environmental issues.



Borrowed EarthSchool Metaverse

Business KPIs	Indicators/persons
Expanding product experience - Product units utilized for social contribution	10,368 EA
Increased product preference - Satisfaction with LG H&H social contribution programs	4.06/5
Employment Creation Effect - Number of the Socially Employed	37 people

Social/Environmental KPIs	Indicators/persons
Number of participating schools	41 schools
Number of participating teachers	302 teachers
Participating students	7,500 students
Participants in Good Washing Habits	6,085 people
Participants engaged in good brushing habits	5,341 people
Participants engaged in good dishwashing & laundry habits	4,557 people
Good handwashing habits for corona prevention education	7,500 people
Participants in career classes(Junior Marketer + Beauty)	6,259 people
Training on the importance of Environmental Protection and water: Number of Participants	6,143 people

Global Eco Leader YOUTH

Since 2022, LG H&H has been running the Global Eco Leader YOUTH program with environmental NGO EcoMom Korea to find carbon-neutral solutions from the perspective of young people living in the era of the climate crisis. In 2023, 100 young adults aged 20 and over and interested in the environment, centered on campuses and local communities, were selected for the second term and will work autonomously from April to October in teams of four to seven people. In particular, this second period is more meaningful in that young activists from overseas, such as the United States and the Netherlands, will be able to participate together to understand the status of climate change, a common global issue, and how to respond to it. Through lectures by experts in the environmental field and ESG mentoring, the selected youths gained an objective and broad view of environmental issues in our society and implemented various campaigns to address the climate crisis and promote carbon neutrality.



Launching Ceremony of the 2nd Global Eco Leader Youth Program

Sponsoring the UN Youth Environment Assembly

The UN Youth Environment Assembly is an educational program that brings together global environmental leaders to experience a mock UN General Assembly, build consensus on the need to preserve the environment and identify solutions to the global environmental crisis through the eyes of youth. In 2022, the General Assembly was held online and offline on September 3 and 4, with the agenda of 'Climate Crisis & Resource Circulation,' with more than 330 domestic and international youth and university students participating. By sponsoring the UN Youth Environment Assembly, the only youth environmental congress in Korea, LG H&H hopes that it will be a small beginning for youth to change the world by not only recognizing environmental issues but also making plans and taking action.

Business KPIs	Indicators/persons
Expanding product experiences - Product units utilized for social contribution	700ea
Improving product preference - Satisfaction with LG H&H social contribution programs	4.5 points
Employment creation effect, number of the socially employed	34 people

Social/Environmental KPIs	Indicators/persons
Total number of youth participating in Global Ecoleader YOUTH	101 people
Total Number of Mentors	7 Mentors
Participants in the Beachcombing Campaign with UNEP	100 people
Copies of social publications	300 copies

Expanding healthy and safe life

Twinkle Twinkle Perio

LG H&H has been running 'Perio Kid School' as an oral health education campaign for children since 2004, which has now evolved into 'Twinkle Twinkle Perio,' a children's health musical that spreads healthy hygiene habits. Targeting children aged 3 to 8, Twinkle Twinkle Perio is the first children's health musical to be promoted in the industry and tells the story of Bom, a protagonist who hates to brush her teeth, who, while experiencing festivals around the world, meets a strong fairy named Rio and realizes the importance of a healthy lifestyle by singing the Perio Tooth Brushing Song and the Perio Hand Washing Song.



Twinkle Twinkle Perio Musical

Business KPIs	Indicators/persons
Increasing product experience - Product units utilized for social good	4,000 units
Education effectiveness survey	79.1% improvement in tooth brushing/ 79.5% improvement in hand washing
Creating opportunities for brand and product promotion - Planned musicals after 1 to 3 years	Approx. 100 times / 10,000 people (based on 3 years)

Social/Environmental KPIs	Indicators/persons
Number of organizations participating in oral/handwashing education	29 organizations
Number of children who recognized the need for oral/handwashing	3,049 children
Number of children's books on oral hygiene produced and distributed	4,000 copies
Number of children from underprivileged areas participating in cultural programs	1,072 children

Distributing Braille Stickers for the Visually Impaired

LG H&H has been producing and distributing Braille stickers for household products since 2019 in collaboration with the Korea Federation of Disabled Consumers and the Social Welfare Foundation to support the safe consumption life of the visually impaired. Considering that it is difficult for blind consumers to distinguish the functions and uses of products if their containers are similar in shape, we created and distributed Braille stickers that can be applied to household products. We also distributed antibacterial braille stickers for children's products, sunscreen, hair products, etc., to improve the accessibility of information for the visually impaired by actively reflecting the opinions of blind consumers.

Social KPIs	Indicators/persons
Number of the visually impaired with braille stickers distributed	12,000 people
Stickers/explanatory brochures produced	12,000 sets
Number of products with Braille stickers	Total of 41 product phrases

Spreading and enjoying culture and art

Sponsoring the Seoul International Environmental Film Festival

LG H&H is an official sponsor of the Seoul International Environmental Film Festival, Asia's largest international environmental film festival organized by the Environment Foundation. The Seoul International Environmental Film Festival aims to improve public awareness and inspire active action by showcasing outstanding international environmental films on topics that can be daunting, such as the climate crisis, plastics, community, and animal rights. The 19th Seoul International Environmental Film Festival, held from June 2 to 8, 2022, received a record-breaking 3,578 film submissions from a total of 123 countries and after screening, introduced more than 60 of the latest domestic and international environmental films.

Social KPIs	Indicators/ persons
Countries/Participating Films	123 countries/ 3,578 films
General Audience(based on digital and theater attendance)	38,436 people
Number of public and cable TV viewers	220,000 people
Number of viewers at educational institutions(education departments)	203,176 people



Seoul International Environmental Film Festival Poster

Royal Culture Campaigns

Since 2015, LG H&H's royal cosmetics brand 'The History of Whoo' has been conducting various royal culture campaigns and sponsorship programs with the Cultural Heritage Administration to promote the beauty of Korea's heritage, the palace and the royal family. In particular, we have been conducting yearly differentiated royal culture campaigns to promote and protect Korea's unique and royal women's culture at major palaces. In addition, we sponsor exhibitions at the National Palace Museum of Korea and support the production of documentaries on palaces, among other programs, to help more people enjoy court culture and appreciate its value.

Donation

KRW 150 million



'Korea's Royal Heritage' event

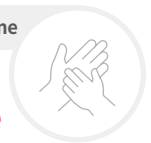
Sharing and collaborating with local communities

Donating Goods to Beautiful Store

Since 2005, LG H&H has partnered with 'Beautiful Store' to donate goods for the underprivileged. We donate personal items such as clothes and toys donated by our employees along with in-kind donations from the company, and utilize the proceeds from the sales for the underprivileged. In 2022, a total of 13,000 items were sold at special sales events at 30 Beautiful Store stores across Seoul, and the proceeds from the sales were used to share warmth by delivering daily necessities to about 35,711 underprivileged neighbors.

Supporting the marginalized elderly living alone

Beautiful Store, 2 support centers for the elderly living alone



KRW 1.7 billion / 35,711 people

Supporting the vulnerable in the care blind spot

LG H&H continues to support the vulnerable members of the community who are in the blind spots of our society. In 2022, we sponsored 'Hope Boxes' for veterans who sacrificed for the country and their families with the organization 'People Sharing Hope' and delivered a total of 8,281 boxes. We also provided 4,600 sets of daily necessities along with medical services for the elderly in rural areas, who are medically vulnerable, and supported 12,029 single mothers and 33 multicultural organizations to lead better lives.

CASE | Arctic Fox x Pup Culture Rescue

Acquired by LG H&H, Arctic Fox is an American vegan haircare brand that offers vegan semi-permanent hair dyes, hair treatments, and production techniques, all free of animal ingredients and never tested on animals. Further, we donate 15% of our profits to prevent animal cruelty. In 2023, Arctic Fox celebrated its 10th anniversary as a brand, and we added another 10% of our profits, totaling 25%, to Pup Culture Rescue for 10 days. Pup Culture Rescue is a nonprofit organization that rescues animals and educates people about the importance of adoption. The organization also features the puppies they adopt on the brand's blog to spread awareness about adoption.

CORPORATE GOVERNANCE



LG H&H operates a sound and stable corporate governance system to ensure sustainable growth, enhance shareholder value, and protect the rights and interests of shareholders. The Board of Directors, composed of the principles of independence, expertise, and diversity, has an Audit Committee, Internal Transaction Committee, Independent Directors Nomination Committee, and ESG Committee to ensure transparency and efficiency of management activities and the trust of stakeholders. We will continue to enhance corporate value by operating more transparent and independent governance and communicating transparently with stakeholders.



Status of the Board of Directors

LG H&H appoints all directors transparently through the general meeting of shareholders in accordance with domestic laws and regulations such as the Commercial Code and the Articles of Incorporation and due process stipulated internally, and operates the board of directors independently and rationally for checks and balances. The BOD comprises seven members, including two inside directors, one other non-executive director, and four independent directors, with the CEO and the chairman of the BOD separated for transparency and independence. The majority of the members are independent directors. LG H&H limits the concurrent service of independent directors to two companies, including LG H&H, and independent directors independently provide professional opinions on the company's major decisions, evaluate and review the company's performance, and enhance long-term corporate value. The BOD is held regularly by the annual operating plan, and in case of urgent matters, an extraordinary BOD meeting is convened to operate efficiently. In 2022, a total of eight BOD meetings were held, and the attendance rate of independent directors was 93.8%.

BOD Independence, Expertise, and Diversity

LG H&H complies with independence, expertise, and diversity principles by selecting directors with experience and expertise without discrimination based on gender, race, nationality, region, education, age, religion, etc., when forming the BOD. If a director has an interest in a particular agenda item at a board meeting, the director's voting rights are restricted under the Commercial Code and the Board of Directors' regulations to prevent conflicts of interest. Independent directors are allowed to hold dual positions with only one company that is not in competition with our company. In addition, we transparently disclose the qualifications of our directors, their appointment backgrounds and independence requirements. All members of the Board of Directors fulfill the legal requirements required by the Commercial Code and related laws and regulations and are experts in various fields necessary for the company's operation, including marketing, accounting, and law. In 2022, we secured gender diversity and expertise by appointing a new female independent Director, Woo Young Rhee, a law school professor and legal expert.

[BOD Expertise and Diversity Guidelines](#)

[Guidelines on Independent Directors' Independence](#)

Composition of the Board of Directors

Classification	Name	Roles	Expertise	Career Highlights	Industry	Management	Finance/Accounting	Legal	ESG
Inside Directors	Jung Ae Lee	CEO, ESG Committee Member	Corporate Management	LG H&H CEO	●	●			
	Hong Ki Kim	Director, Internal Transaction Committee Member	Finance & Accounting	LG H&H CFO	●	●	●		
Other Non-Executive Directors	Beom Jong Ha	Director, Chairman of the Board, Independent Directors Nomination Committee Member	Finance & Accounting	Head of Management Support Division and CFO	●	●	●		
Independent directors	Tae Hee Lee	Director, Audit Committee Chair, Internal Transaction Committee Member, ESG Committee Member	Capital Market Accounting (Professor)	Professor, Kookmin University College of Business Korean Institute of Certified Public Accountants/Monthly Certified Public Accountant Editorial Board Member		●	●		
	Sang Hoon Kim	Director, ESG Committee Chairman, Audit Committee Member, Internal Transaction Committee Member	High Tech Marketing Cosmetic Marketing Management (Professor)	21st Co-President of the Korean Society Of Consumer Studies Professor, Seoul National University Business Schoolol	●	●			●
	Woo Young Rhee	Director, Chairman of the Internal Transaction Committee, Member of the Audit Committee, Member of the ESG Committee, Member of the Independent Directors Nomination Committee	Public Law and Anglo-American Law (Professor)	Professor, Seoul National University School of Law Member of the Central Land Use Committee, MOLIT Member of the Administrative Appeals Committee of the Seoul High Prosecutors' Office				●	
	Jae Hwan Kim	Director, Independent Directors Nomination Committee Member, Audit Committee Member, ESG Committee Member	Marketing Modeling/ Analytics Database Marketing (Professor)	Professor, Korea University Business School Vice Chairman, Korea Marketing Association	●	●			

* The average board tenure is 5.85 years (as of December 31, 2022).

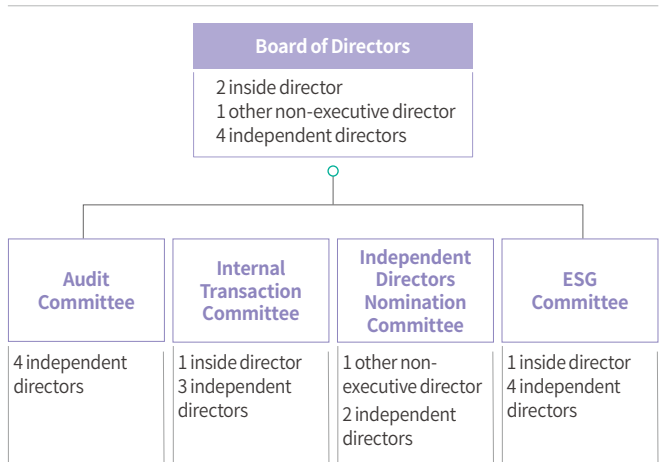
Independence of independent directors

BOD Independence Requirements	Tae Hee Lee	Sang Hoon Kim	Woo Young Rhee	Jae Hwan Kim
Independent directors must not have been employed by the company in a management capacity below CEO within the past five years.	●	●	●	●
Independent directors and their family members must not have received more than \$60,000 in any form of compensation from the Company, its parent or subsidiaries within the past three years.	●	●	●	●
Independent directors and their family members must not have served as an officer of the Company, its parent or subsidiary companies within the past three years.	●	●	●	●
Independent directors must not be advisors or consultants to the Company, advisors to senior management, or have any affiliation with the company.	●	●	●	●
Independent directors must not be affiliated with a major customer or supplier of the Company.	●	●	●	●
Independent directors should not have personal transactions and service contracts with the Company or its senior management.	●	●	●	●
Independent directors should not enter into transactions or affiliations with non-profit organizations(NGOs) that receive significant contributions from the Company.	●	●	●	●
Independent directors must not have served as a partner or employee of the Company's auditors during the past three years.	●	●	●	●
Independent directors must meet other independence requirements as determined by the Board of Directors and not have any other conflicts of interest with the Company.	●	●	●	●

Committees under the BOD

LG H&H organizes the Audit Committee, Independent Directors Nomination Committee, Internal Transaction Committee, and ESG Committee under the BOD, and independent directors chair all committees to ensure their independence. The Audit Committee oversees the work of directors and management and also performs audit tasks as stipulated by the Articles of Incorporation and Bylaws. The Independent Directors Nomination Committee recommends candidates for independent directors based on a fair and transparent process for appointing independent directors, and the recommended independent directors are appointed through the general meeting of shareholders. The Internal Transaction Committee performs control tasks such as supervising unfair support for internal transactions that fall under relevant laws, and the ESG Committee is responsible for reviewing and establishing long-term and continuous strategies related to ESG.

Board Subcommittee Organization



(as of Dec. 31, 2022)

Board Committee Meetings

Classification	Number of meetings	Attendance Rate	Major Resolutions in 2022
BOD	8 times	96.4%	<ul style="list-style-type: none"> Approval of occupational health and safety plan Approval of the 2023 Business Plan Appointment of the Chairman of the Board of Directors
Audit Committee	7 times	96%	<ul style="list-style-type: none"> Approval of revisions to the Internal Controls over Financial Reporting Approval of evaluation of internal audit controls Approval of internal audit highlights and plans Approval of criteria and procedures for appointing external auditors
Independent Directors Nomination Committee	4 times	100%	<ul style="list-style-type: none"> Approval of nominations for new/re-elected independent directors
Internal Transaction Committee	3 times	100%	<ul style="list-style-type: none"> Approval of self-transactions with affiliates, etc. Approval of total transaction limits with related parties
ESG Committee	3 times	100%	<ul style="list-style-type: none"> Establishment of mid- and long-term carbon neutrality strategy Carbon neutrality activities in 2022 and plans for 2023 Operation of the LG H&H ESG Award reward system Operation of eco-friendly packaging products Annual Plan for Social Responsibility Activities Supply Chain ESG Enhancement Activities (e.g., ESG assessment of suppliers and support for carbon reduction) Social Contribution Activities

* Internally established a minimum attendance standard of 75% for board meetings
 ** Held 25 board meetings in 2022, with an average attendance rate of 97.5 percent

Audit Committee

LG H&H has established and operates an audit committee based on the Commercial Act, the Act on Capital Market, and Financial Investment Business to audit accounting, major management tasks, and evaluate the operation of the internal accounting management system. The Audit Committee comprises four independent directors* who do not have a special relationship with LG H&H in accordance with the regulations on audit committees outlined in the Commercial Code. It appoints at least one accounting expert to conduct internal audit plans and accounting audits from an independent position. The Audit Committee may request expert opinions at the company's expense if necessary and may request business reports to the BOD or conduct audit work to investigate the company's property status. Members of the Audit Committee do not receive any compensation other than the compensation they receive as directors. In 2022, the Audit Committee held a total of seven meetings, with an attendance rate of 96%.

* One director is appointed by resolution of the General Meeting of Shareholders to be a member of the Audit Committee separately from the other directors

Internal Transaction Committee

LG H&H ensures fairness and transparency in its management activities by reviewing and approving internal transactions that must be approved by the BOD in accordance with the Commercial Act and the Act on Monopoly Regulation and Fair Trade, with stricter standards than the statutes, at the Internal Transaction Committee.

To strengthen the company's internal control over internal transactions and enhance the fairness of transactions and the company's transparency, we organized the Internal Transaction Committee with one inside director and three independent directors. In 2022, the Internal Transaction Committee held three meetings, and the attendance rate of directors was 100%.

Independent Directors Nomination Committee

The Independent Directors Nomination Committee comprises one non-executive director and two independent directors, with a majority of independent directors, excluding the CEO and inside directors, to ensure independence and fairness in operations. The committee also ensures that LG H&H meets the qualifications and requirements required by relevant laws and regulations, including the Commercial Code and the Public Officials Ethics Act. The committee ensures the independence of independent directors by carefully examining whether they have any conflicts of interest with the company and recommends candidates for independent directors in consideration of their diversity and expertise in each field, including economy, environment, and society, without discriminating based on gender, race, nationality, age, region, or education. The BOD then decides on the final candidates and appoints them independently and transparently through the general meeting of shareholders. The election process for each committee is held annually, and reappointments are made individually. In 2022, four meetings were held, with 100% attendance by directors.

Independent Director Appointment Process



ESG Committee

LG H&H established the ESG Committee under the BOD in 2021 to realize long-term sustainable growth by strengthening ESG management on the environment, society, and governance. The ESG Committee is composed of the CEO and all independent directors and is held semi-annually. As the top decision-making body on sustainability management, it serves as the control tower for ESG governance by reviewing and approving the establishment of basic policies and strategies for ESG management, mid-and long-term goals for ESG, plans and implementation status of ESG management activities, and activities to address material risks related to ESG. In 2022, the BOD was held three times, and the attendance rate of directors was 100%.



Training Dates	Training Organizer	Attending Independent directors	Major Training Contents
2022.04.28	LG Management Development Center (external training)	Woo Young Rhee Independent Director	Duties and roles of the BOD/Audit Committee/Internal Transaction Committee

Criteria for Calculating Directors' and Auditors' Remuneration

Directors' remuneration is paid within the remuneration limit approved by the general meeting of shareholders, and the board approves the compensation of independent directors and audit committee members of directors. Directors' remuneration is determined by including base salary and performance pay, and performance pay is paid within a certain range according to the results by evaluating financial indicators summarizing the company's sales, operating income, and operating income to sales ratio for the previous year, as well as relative indicators summarizing competitiveness within the same industry, proportion of overseas business, and market share, in accordance with the performance incentive rules resolved by the BOD. In 2022, the CEO's compensation was KRW 3,881 million. (Average compensation of employees excluding CEO 83 million won, ratio to CEO compensation 46.5 times).

Regular board education and evaluation surveys

We operate education and board evaluation activities to help independent directors perform their management supervision and advisory roles more effectively and enhance their expertise. Last year, we provided the Audit Committee, which is composed entirely of independent directors, with a briefing on the business status of domestic and overseas subsidiaries on the second week of every month, a report and case study on the evaluation of the internal accounting management system, and the status of our inspections on social issues, as well as a visit to the business site(Cheongju TP Plant). For newly appointed directors, we also provided training on the current management status, mid-and long-term business strategies, and major products. In addition, we enhanced independent directors' expertise by conducting an evaluation survey for all BOD members on board composition, roles and responsibilities, operations, and other requests. Going forward, we plan to continue expanding our efforts to collect opinions to provide a sufficiently rational resolution process.

Management Performance Compensation

The remuneration of all executive officers, including the CEO, is assessed based on business performance and the value of the duties performed and is within the limits approved by the shareholders' meeting. The key performance indicators(KPIs) that determine the performance compensation of executives are a combination of various financial quantitative indicators, including sales and operating profit, and nonquantitative indicators consisting of other management performance, such as leadership, achievement of strategic tasks, expertise, and ESG strategic tasks. Since 2014, when compensation for C-level executives and directors exceeds 500 million won, we transparently disclose the status of individual compensation payments in our business reports.

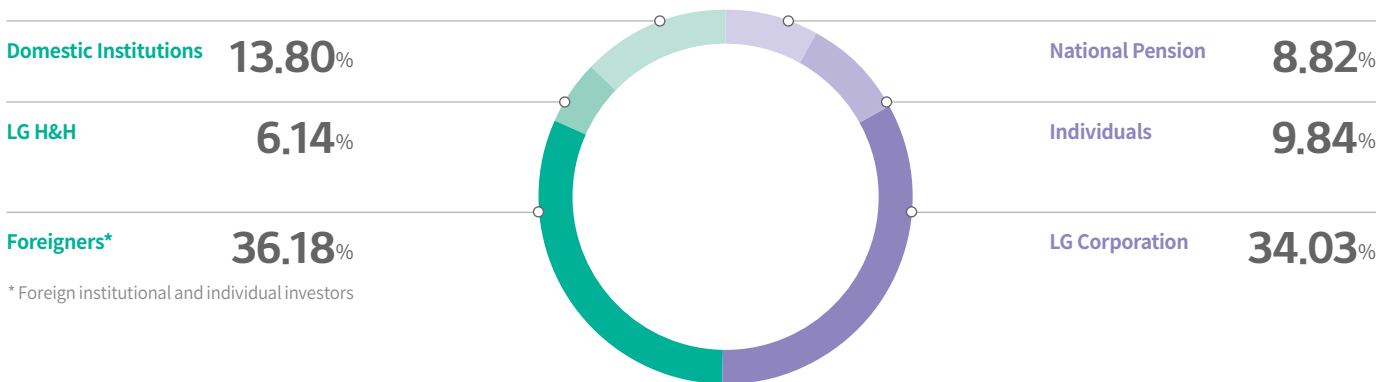
Calculation Criteria and Rationale¹⁾

- **Financial indicators:** Sustained growth in revenue and operating profit despite a challenging business environment(revenue increased 3.1% year-on-year to KRW 8091.5 billion, and operating profit increased 5.6% year-on-year to KRW 1289.6 billion)
- **Non-metric indicators:** Enhanced our digital business foundation while further solidifying our business portfolio(calculated KRW 2,058 million for bonuses)

1) Based on business report in 2022

Shareholders

LG H&H's major shareholders are listed below, and no executives own shares.



Management Shareholding

Shareholder classification	Number of shares owned		Shareholding(%)	
	Common stock	Preferred stock		
Registered Directors	0	10,000	0.00%	
Inside Directors	Jung Ae Lee(CEO)	0	0	0.00%
	Hong Ki Kim(CFO)	0	0	0.00%
Other Non-Executive Directors	Beom Jong Ha(Chairman of the Board)	0	0	0.00%
Independent Directors	Tae Hee Lee	0	0	0.00%
	Sang Hoon Kim	0	0	0.00%
	Woo Young Rhee	0	0	0.00%
	Jae Hwan Kim	0	0	0.00%
Unregistered Officers	335	300	0.00%	

* The CEO and registered director is Vice Chairman Seok-yong Cha, who holds 0 common shares and 10,000 preferred shares as of the end of December 2022.

** The number of shares held by Mr. Jae-wook Kim, Independent Director, as of the end of December 2022 is 0 shares of common stock and 0 shares of preferred stock.

CRISIS & RISK MANAGEMENT

As the business environment becomes increasingly diverse and complex, responding to crises and managing risks arising from business activities has become an important task determining a company's competitiveness and sustainable growth. LG H&H has appointed a Chief Risk Officer(CRO) and established a dedicated crisis management organization to respond proactively and professionally to company-wide crises. The crisis management team closely analyzes and monitors the internal and external business environment to identify key risks and identifies and manages improvements to reduce the level of risk. We also operate a more thorough crisis management governance system by checking and evaluating risk reduction activities to ensure they are internalized and effective. In addition, to prevent accidents or issues from escalating into a company-wide crisis, we respond quickly by increasing our sensitivity, and we regularly supplement the response manual and conduct virtual drills to enhance our ability to respond to crises.

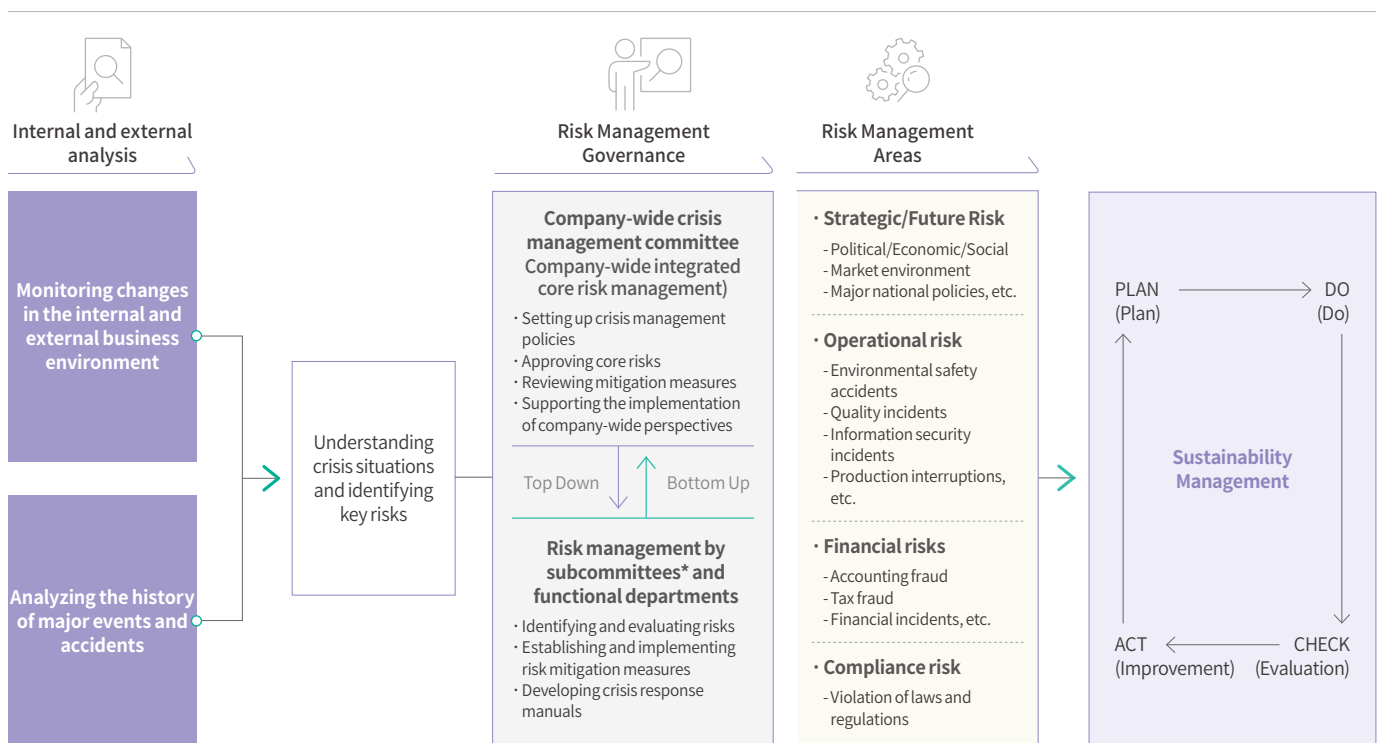


Crisis Management Operation System

LG H&H operates a company-wide crisis management committee led by the CRO for crisis response and risk management and organizes subcommittees to manage crises systematically. First, each subcommittee analyzes the awareness of social and geopolitical environmental changes and the history of major events and accidents, identifies risks based on this, and then evaluates their impact and frequency of occurrence (vulnerability) to determine core risks and conduct preventive activities against them.

The company-wide crisis management committee then approves the core risks selected by each division, validates the effectiveness of core risk reduction measures, and directs and supports further improvement activities. By establishing this crisis management system, we expect to contribute to “sustainable management” by detecting risks in advance, reducing the frequency of occurrence, and preventing crises from spreading.

Risk Management System



* Subcommittees: 12 committees in total, including Environment & Safety, Quality & Service, Information Security, Production, Beverage Production, Purchasing, Logistics, Compliance, and Finance, to discuss issues related to their respective subcommittees. They define crises and major risks for each division, establish a response system in the event of a crisis, and conduct risk improvement activities.

Crisis Response System

Establishing a crisis response system to prevent the spread of accidents/issues to a company-wide crisis and early recovery in the event of an accident/issue.

After consulting with each subcommittee, we defined core crises by major categories, defined accident grades, and established a dissemination/communication system based on accident/issue levels(grades). Through the crisis management information system, we simultaneously disseminate information to management and related departments in the event of an accident and respond quickly to prevent it from escalating into a major crisis. In the event of a company-wide crisis, the ‘Company-wide Crisis Management Committee’ is converted to the ‘Emergency Response Committee’ to review and decide on agenda items for immediate and efficient response.

Establishment of a Crisis Management System

LG H&H strictly believes that inadequate response to crises in business activities can threaten the company’s existence, and established a dedicated crisis management organization in 2022 and selected 10 tasks related to ‘crisis management governance’ and ‘crisis management procedures and organizational culture’ to establish a company-wide management system for crises. Given such, we are building crisis management governance by selecting critical crises and establishing response systems accordingly. Above all, to ensure that the attitude of preparing for and managing crises becomes routine and settles into the organizational culture, we have established the ‘Company-wide Crisis Management Policy’ and shared it with employees, and continue to conduct various public relations activities to generate awareness of the importance of crisis management. LG H&H will continue to maintain and update the company-wide crisis management system to clarify responsibilities, authorities, and processes for crisis management tasks, thereby responding to crises more quickly and systematically.

Company-wide Crisis Management Policy

LG H&H recognizes “crisis management” as a “basic element of sustainable management” and complies with the following.

1. Changes in the social environment, such as the development of information technology and the strengthening of legal and institutional regulations, are transforming what was not a crisis in the past into a crisis, so we must broadly recognize crises and respond quickly.
2. A crisis harms all stakeholders, including customers, employees, suppliers, and local communities. Hence, we need to proactively respond by setting standards that go beyond the level of general social norms.
3. From an enterprise-wide perspective, we must establish risk management to prevent crises and a crisis response system to minimize damage in the event of a crisis.
4. We shall establish a simultaneous(parallel) communication system to quickly respond to crises and strive to form an organizational culture that communicates transparently about vulnerable conditions such as risk factors, events, and accidents.
5. Continuous attention and improvement activities should be promoted to improve crisis management capabilities and resilience.

We declare that we will comply with and faithfully implement this policy.

Top 10 Tasks for Building a Crisis Management Organization



Crisis Management Governance

1. Establish an LG H&H crisis management policy
2. Define crisis/category types and select key crises
3. Identify key risks for crisis prevention
4. Establish a company-wide crisis management committee and contingency plan committee
5. Set up R&R for crisis management-related organizations



Crisis Management Process and Organizational Culture

1. Establish a crisis judgment rating and communication (information reporting) system by crisis category/type
2. Manage company-wide incident/accident integration and activate suggestions
3. Establish company-wide crisis management procedures: regulations, manuals, mock drills, etc.
4. Check the implementation of risk assessment and reduction activities from an enterprise-wide perspective
5. Enhance crisis management capabilities and improve organizational culture(mind-set)

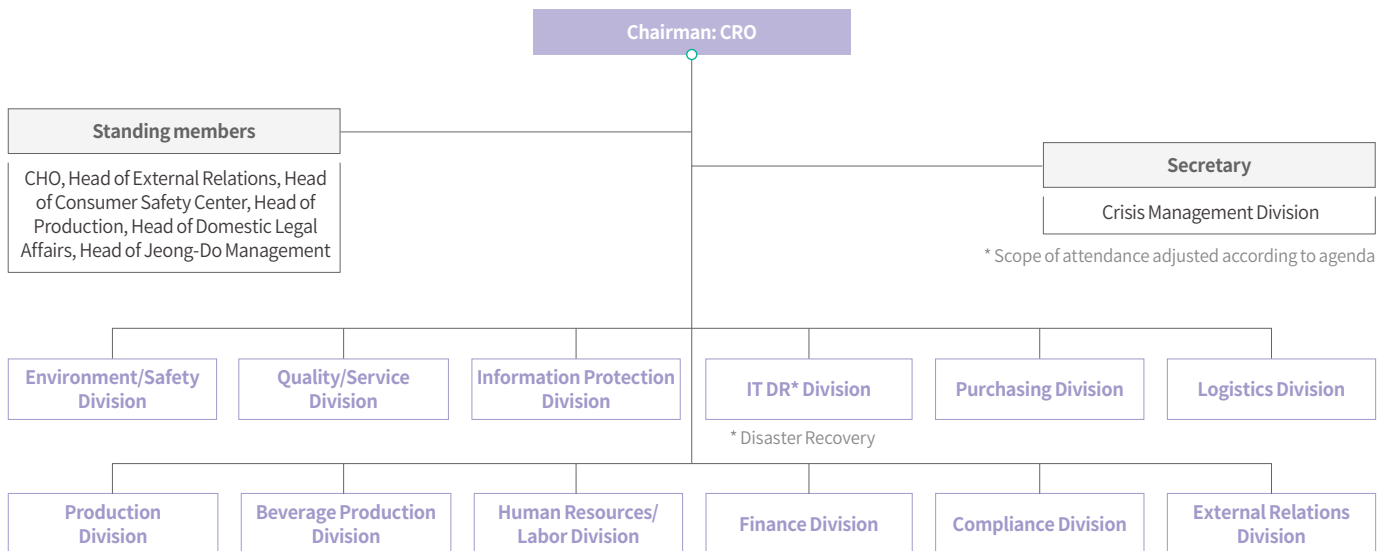
Operation of the Company-wide Crisis Management Committee and Emergency Response Committee

LG H&H organized the Company-wide Crisis Management Committee to improve crisis response execution and strengthen risk prevention activities from an integrated company-wide perspective and operates it every other month. The CRO chairs the Company-wide Crisis Management Committee for efficient decision-making, and key executives are organized as standing members and subcommittee chairs.

The Crisis Management Committee is the highest decision-making body in the company and discusses and resolves the overall operation of the crisis management system, including determining the company-wide crisis management policy and checking the crisis response system by division. It also selects priority risks from a company-wide perspective, discusses improvement measures for high risks identified by each subcommittee, analyzes risk phenomena, and checks mitigation activities by ordering on-site inspections or short-term task operations as needed.

For crises that may have a significant impact on corporate operations, we review the response system from time to time. In the event of a major crisis, the “Crisis Management Committee” is reorganized into the “Emergency Response Committee” to review agendas and make decisions to ensure that the entire company can respond quickly and efficiently.

Company-wide Crisis Management Committee



Risk Management by Operation of Subcommittees

We have formed a total of 12 subcommittees to analyze the history of significant incidents and accidents in each division, including environment and safety, quality and service, information security, production, purchasing, logistics, compliance, and finance, and through interviews and assessments, we identify key risks that could lead to core crises and prepare response manuals in advance. In addition, we regularly conduct mock drills to enhance execution and establish and implement mitigation plans for identified key risks. Through these efforts, LG H&H is enhancing its crisis response capabilities and preparing countermeasures in advance to be able to quickly and effectively prepare for crises.

Therefore, LG H&H will continue to actively communicate with employees about suggestions and improvements and proactively implement improvement activities based on them to prevent crises. The most crucial thing in crisis management is to improve risk factors in advance to prevent them from escalating into more significant issues or accidents. Therefore, LG H&H will continue to actively communicate with employees about suggestions and improvements and proactively implement improvement activities based on them to prevent crises.

Operation of Crisis Management Information System

LG H&H has established a Crisis Management Information System(CMIS) for quick communication and response in the event of a crisis and has been operating it company-wide since February 2023. The system is utilized to simultaneously disseminate and manage issues or accidents to relevant departments and employees in accordance with the pre-defined company-wide crisis management standards and procedures. In addition, through a suggestion menu called “Dangerous, Speak up,” employees can directly report risks or suggest improvements, and we are making various efforts to encourage employees to participate more actively by giving rewards for excellent content. The most crucial thing in crisis management is to improve risk factors in advance to prevent them from escalating into more significant issues or accidents.



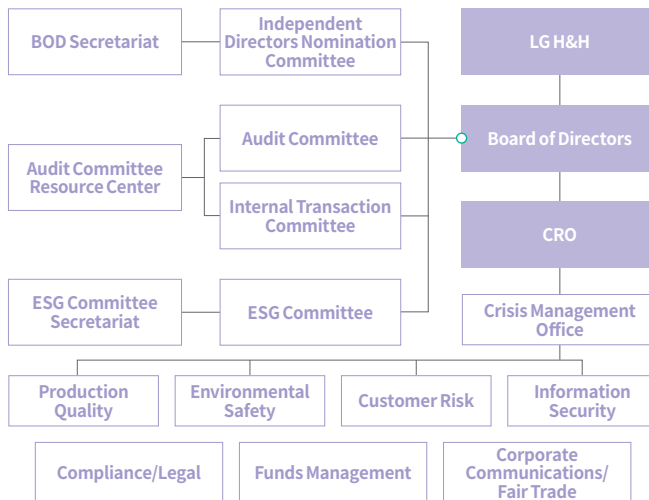
Major Features of CMIS

1. Activation of suggestions for risk identification
2. Integrated management of accident propagation
3. Establishment of procedures for crisis management and R&R
4. Horizontalization of the same and similar accidents
5. Crisis management knowledge DB

Definition of Major Risks and Response Status

LG H&H established the Crisis Management Committee in January 2023 to build an 'Enterprise-wide Integrated Risk Management System.' By integrating risk management functions distributed throughout the company and managing financial and non-financial risk management, we aim to minimize volatility due to uncertainty by identifying and preventing risks that may affect achieving corporate goals in advance. We recognize potential risks from a long-term perspective and analyze their impact on the business to respond proactively. In addition, we plan to continue close monitoring and proactive response to prevent potential risks from negatively affecting business operations.

Company-wide Risk Governance



Non-Financial Risks

Risk Name	Risk Definition	Response Status	Relevant department
Climate and Environmental Risks	<ul style="list-style-type: none"> Risks arising from natural disasters and changes in weather patterns due to climate change Risks arising from policies and regulations Risk of increased treatment costs due to expanded regulations on the cross-border movement and treatment of hazardous waste (e.g., non-recyclable plastics) 	<ul style="list-style-type: none"> Declared 2050 carbon neutrality to combat climate change Continuously monitoring the applicability of greenhouse gas regulations to LG H&H Enhancing LG H&H's natural disaster risk management system, including building manuals and scenarios Continuously monitoring regulatory trends and prospects in the regions where LG H&H sells its products Continuously tracking domestic and international trends and regulations 	<ul style="list-style-type: none"> Green Management Part ESG Team
Human Rights Risks	<ul style="list-style-type: none"> Risk of damage to corporate reputation due to workplace harassment, discrimination, etc., violating human dignity and values guaranteed by law or recognized internationally. 	<ul style="list-style-type: none"> Identifying and responding to potential human rights risks through the implementation of human rights impact assessments Operating the 'Sexual Harassment/Workplace Harassment Consultation Center' to resolve human rights violations such as workplace harassment and sexual harassment. Conducting workplace harassment and sexual harassment prevention training for all employees 	<ul style="list-style-type: none"> Human Resources Labor & Management Relations ESG Team
Global Economic and Supply Chain Risks	<ul style="list-style-type: none"> Risks arising from rapid changes in political, economic, social, etc. conditions Risk of supply chain management crisis due to global regulations (supply chain due diligence laws, etc.) 	<ul style="list-style-type: none"> Enhancing due diligence monitoring to identify global trends and manage overseas supply chains Strengthening communication within the organization and minimizing unnecessary reporting Developing new markets, innovative new products, and marketing activities 	<ul style="list-style-type: none"> Business divisions and overseas subsidiaries Global SCM Center
External Environmental Risks	<ul style="list-style-type: none"> Business operations disrupted due to unexpected environmental changes such as epidemics, wars, terrorism, and earthquakes, including the procurement of raw materials and the closure of business sites. 	<ul style="list-style-type: none"> Establishing a "Crisis Response for Overseas Subsidiaries" manual and establishing a company-wide crisis management system 	<ul style="list-style-type: none"> Overseas subsidiaries Purchasing/Logistics, etc.
Reputational Risks	<ul style="list-style-type: none"> Risks arising from a company losing the trust of consumers, such as poor management, social disruption, major lawsuits, and misleading information. 	<ul style="list-style-type: none"> Expanding active communication utilizing internal and external channels Establishing a company-wide crisis management public relations manual and enhancing communication channels with external stakeholders 	<ul style="list-style-type: none"> Public Relations Division
Safety Risks	<ul style="list-style-type: none"> Risks related to environment and safety arising from business operations 	<ul style="list-style-type: none"> Investing in forklift human body detection systems to prevent forklift accidents that could lead to serious accidents Conducting inspection activities to prevent workplace fires and safety accidents Expanding an integrated health promotion system 	<ul style="list-style-type: none"> Environmental Safety
Quality Risks	<ul style="list-style-type: none"> Significant risks arising from quality management, such as harmful substances or inadequate content of active ingredients in products. Increased treatment costs due to expanded regulations on cross-border movement and treatment of hazardous wastes (e.g., non-recyclable plastics) 	<ul style="list-style-type: none"> Improving change management processes at suppliers Operating the Reassurance Quality Management (RQM) system, an integrated quality management system to meet national quality standards. 	<ul style="list-style-type: none"> QA Division Quality Management Team Customer Service Center
Information Protection/IT Risks	<ul style="list-style-type: none"> Risks of theft, loss, or leakage of personal information handled within the company, hacking of information assets, virus and malware infections, and other breaches or disasters on key systems. 	<ul style="list-style-type: none"> Monitoring domestic and international information protection policies at all times Creating and operating a 'Disaster Recovery Guide' manual Establishing a centralized documentation system for research institutes to block sources of core information leakage Expanding the integrated security management system for subsidiaries 	<ul style="list-style-type: none"> Information Security Center
Intellectual Property Risks	<ul style="list-style-type: none"> Risks arising from infringement of our trademark and patent rights, etc. 	<ul style="list-style-type: none"> Protecting patent and trademark rights and preemption Monitoring exaggerated and false advertising 	<ul style="list-style-type: none"> Intellectual Property Division
Customer Risks	<ul style="list-style-type: none"> Risks arising from the management of protective measures such as domestic and international customer information management regulations and remedies, complaint counseling, and compensation regulations Risks of decreased demand and behavioral changes due to customers' preference for low-carbon products 	<ul style="list-style-type: none"> Establishing an integrated management system and strengthening monitoring of domestic and international customer claims Introducing self-service using answer bots and applying AI technology for customer counseling Raising the awareness of LG H&H as an eco-friendly company by expanding the development of green products Monitoring regulatory trends and expanding internal control systems 	<ul style="list-style-type: none"> Consumer Safety Center
Risks of legal violations	<ul style="list-style-type: none"> Risks arising from violations of major laws and regulations such as fair trade, personal information protection, product quality, human resources/labor, environment/safety, intellectual property, etc. 	<ul style="list-style-type: none"> Identifying and preparing for key risks Sending compliance newsletters to all employees to ensure compliance with laws and regulations 	<ul style="list-style-type: none"> Legal Department External Cooperation Team

Financial Risks

Risk Name	Risk Definition	Response Status	Relevant department
Accounting Fraud Risks	· Risk of embezzlement or other accounting irregularities by internal employees	· Expanding the consolidated internal accounting management system · Monitoring financial statements and financial ratios of small subsidiaries · Conducting on-site inspections of overseas subsidiaries	· Accounting Division
Liquidity Risks	· Funding risks arising from temporary shortage of liquid funds · Future market instability and sudden volatility, such as sudden exchange rate fluctuations, interest rate fluctuations, capital risk, credit risk, tax risk, etc. Market instability and sharp volatility	· Monitoring macroeconomic conditions, including short-, medium-, and long-term funding plans in foreign currencies · Long-term management of financial liabilities and financial assets through analysis and review of cash outflow budgets and actual cash outflows	· Accounting Division
Tax Risks	· Tax risks in business	· Enhancing expertise by hiring tax experts · Establishing a process to review taxes before making major decisions	· Tax Trade Division

Potential risks

<p>Increased pressure on biodiversity conservation and demand for better management</p>	<p>Risk Description (Background)</p>	<ul style="list-style-type: none"> · Global coordination and regulation on biodiversity conservation is taking place in earnest along with climate change. Biodiversity-related markets, such as the carbon market, are expected to be formed, and biodiversity is likely to play an increasingly important role in corporate competition and valuation beyond the voluntary activities of the past. · The WWF Global Life Report's Life Planet Index(LPI) shows that of the nearly 32,000 populations representing 5,230 species worldwide, the average observed decline in wildlife population size from 1970 to 2018 was 69%. Without sustained action, nearly \$3 trillion in global GDP is expected to be lost by 2030. · Social awareness of the increasing loss of biodiversity is changing consumer preferences and purchasing decisions, requiring companies to make different efforts and investments to secure market share, such as offering products recognized for their conservation value. · Market pressure to mitigate the overall impact of corporate activities on natural capital and ecosystems is expected to increase. The application of market mechanisms such as biodiversity-related information disclosure and credits is also likely to expand, as well as various restrictions on greenwashing.
	<p>Issues (Business Impact)</p>	<ul style="list-style-type: none"> · Trade barriers are expected to increase due to enhancing global behavioral norms such as legislation and participation in initiatives such as the Taskforce on Nature-related Financial Disclosures(TNFD) on non-financial information disclosure and strengthening of climate change information disclosure. · Demand for corporate attention and responses to climate change-related habitat loss of biological resources in the regions near LG H&H is likely to increase, requiring proactive responses to natural capital management and biodiversity risk mitigation. · Increase in raw material purchase costs due to the increase in natural raw material prices due to ecosystem destruction is likely. By 2030, the cost of low-carbon transformation of plastics manufacturers in the supply chain will be passed on, resulting in an increase in purchase costs of approximately KRW 2.3 billion. · Sales are expected to decline due to a decrease in demand for existing products due to customers' preference for low-carbon products, and demand for body care products and beverage products is expected to increase due to rising average temperatures. Still, if we do not respond appropriately, we will lose 36.1 billion won per year. · In the short term, there is a high reliance on processed products. Still, considering the long-term sustainability of the entire supply chain, it is necessary to reduce risks through proactive preparation and response. Regarding native plants, it is predicted that habitat loss and species richness will continue to decline due to anthropogenic interference, such as the diversion of forests for other purposes and climate change, requiring companies to strengthen their obligations to natural capital and management of the entire supply chain value chain.
	<p>Mitigation Actions</p>	<ul style="list-style-type: none"> · Need to build governance to proactively respond to global regulatory developments in biodiversity, including investment and decision-making processes, by raising awareness among top management and stakeholders, and integrate biodiversity risks into company-wide risk management processes. · Identified species that may be directly or indirectly affected by business operations through biodiversity assessment and protection procedures and management, and expanded and improved life-cycle assessment(LCA) techniques and environmental management systems along the entire process and value chain of product production, including identifying risks at each stage of business operations and implementing mitigation activities. · Identified and responded to impacts and dependencies on biodiversity and ecosystem services by continuously creating new business opportunities, such as reducing input costs through efficiency improvements, developing and launching low-impact technologies and products, operating and designing projects to reduce ecological footprints, and providing professional services on risk assessment and management/application. · Created a 4700-pyeong bee park around the Onsan Industrial Complex area in Ulsan, where LG H&H produces household products, and conducted community biodiversity and forest conservation activities by supporting urban beekeeping and planting more than 1,000 trees(March 2023). Also operated and planned education programs for future generations, such as biodiversity exploration education for low-income children near business sites. · Supported the expansion of biodiversity and the establishment of various infrastructures through habitat protection, education, and volunteer activities, such as installing the 'Otter Playground' in Yeouido Satgang Park(2022) and creating the 'Otter Nest' in Jungnangcheon(2023) to restore the poor habitat of otters, a class 1 endangered animal. · Expanded activities to preserve and restore domestic native plants. Preserved and developed a total of 9,900m²(2,994 pyeong) of outdoor cultivation areas, 870m²(263 pyeong) of greenhouses, 264 species, and about 37,500 native useful plant resources by securing biological specimens, extract libraries, video data, conducting research activities, and developing differentiated efficacy/concepts/materials. Will continue our efforts to secure biodiversity by collecting and multiplying about 500 species of native plants, increasing the number of MOUs with national organizations from four to six, and establishing genetic information on 200 species of plants by 2028.

<p>Growing demand for better environmental and human rights management in supply chains</p>	<p>Risk Description (Background)</p>	<ul style="list-style-type: none"> • As sustainability is emphasized across the industrial ecosystem, including the implementation of the EU Corporate Sustainability Due Diligence Act(2024), regulations and legislation on environmental and human rights due diligence for supply chain participants are spreading. • The scope of management obligations and responsibilities for related companies is expanding and strengthening, such as global raw material procurement and an increase in overseas business sites for production and distribution, with investors and stakeholders also increasingly demanding a broader involvement in Scope 3. • The management level of participating companies within their ecosystem can lead to competitive disadvantages and differential future corporate value. As cooperation on ESG management becomes inevitable, it is expected to accompany rising costs such as information sharing and establishing related systems. • As the number of overseas business sites responsible for sourcing raw materials, production, and distribution increases, the scope of human rights and environmental management obligations and responsibilities for related companies is expanding, increasing investor and stakeholder demand for supply chain management.
	<p>Issues (Business Impact)</p>	<ul style="list-style-type: none"> • Supply chain issues such as enforcing the Act on the Punishment of Major Accidents, which took effect in January 2022, may spread and cause business risks. Various changes in the supply chain of eco-friendly raw materials for cosmetics and household products are predicted. If the procurement of high-quality raw materials from overseas or processed products derived from such raw materials is not smooth or the procurement cost rises, it is likely to lead to a decline in the competitiveness and profitability of the brand. • To predict and proactively respond to supply chain disruptions in advance, it is necessary to quickly identify changes in raw material prices by product and create new profitability models. It is also critical to evaluate the revenue and profit margins of products by sales channel and establish and operate a long-term profitability fluctuation model that reflects changes in raw material prices. • Raw sugar prices are currently at their highest level since 2016 due to supply chain disruptions in primary producers, and packaging prices are declining, peaking in Q2 2022. Especially when utilizing recycled content in some product lines, the negative impact on profitability due to rising raw material costs is likely. We plan to gradually expand recycled plastics to 1.8% by 2025, 10% by 2028, and 30% by 2030 of PET-using products, which could potentially adversely impact profit and loss. • Our domestic and overseas supply chains include over 1,000 companies and about 40,000 purchased items. To overcome the limitations of the existing global supply chain, we need a production system strategy that not only minimizes inventory(just in time) but also secures inventory(just in case). • As cooperation on ESG management becomes inevitable, costs and administrative burdens are expected to increase in the process of fulfilling due diligence obligations, such as sharing information and establishing related systems. Preparations for liability for administrative and monetary sanctions and civil damages in violation of due diligence obligations are also necessary. • Due diligence will become an essential criterion for selecting suppliers that meet high human rights and environmental standards, which may provide opportunities when responding proactively to and meeting due diligence standards regarding human rights and environmental issues.
	<p>Mitigation -Actions</p>	<ul style="list-style-type: none"> • Need to build reliable trust among suppliers by investing in suppliers and introducing an audit system, and operate a diagnostic management system to ensure that suppliers operate within normal legal boundaries to prevent supply chain risks such as a decline in the corporate value and reputation of suppliers. • Need to design a resilient supply chain to reduce the spread of problems by immediately replacing one party even if a problem occurs, and to introduce a product redesign capability system to produce without given raw materials in case of a shortage of raw materials. • Provided regular training programs to improve supply chain sustainability, provided benchmark cases through online platforms, supported the implementation of improvement activities through consulting, and provided long-term supply chain management programs. • Built suppliers' GHG inventories and is providing consulting to reduce GHG emissions through carbon management consulting for suppliers. Planning to expand energy reduction activities in the supply chain by conducting carbon management for 13 key suppliers in 2022, 40 in 2023, and about 160 by 2025. • Planning to emphasize the importance of ESG management to suppliers and induce their internalization of ESG management by establishing the "Supplier ESG Award," which measures the ESG performance of suppliers and provides incentives for them(to be implemented in 2023) • Expanding RSPO(Roundtable on Sustainable Palm Oil) certification(61.5% in 2022) to prevent human rights violations and environmental degradation that may occur in the procurement of raw materials. Made RMI(Responsible Mica Initiative) mandatory for mica, an ingredient in color cosmetics. Will continue our sustainable supply chain management efforts by switching to 100% synthetic mica in the future.

Internal Accounting Management System

LG H&H has been operating an internal accounting management system since 2006 further to enhance its corporate operations' transparency and accounting soundness. We design and operate control activities based on the Act on External Audit of Public Limited Companies, etc., and the Internal Accounting Control System Design and Operation Concept System, Evaluation and Reporting, and Best Practices. We also conduct control evaluations at the company-wide level every year, including sales, logistics, production, purchasing, fixed assets, financial reporting, funds, tax, human resources, legal, disclosure, and IT general controls.

Internal Accounting Management System for Domestic and Overseas Subsidiaries

LG H&H continuously works to improve its internal accounting control system, including its domestic and overseas subsidiaries. These efforts play a significant role in improving the reliability of consolidated financial statements and preventing compliance risks in advance. LG H&H will continue to enhance its internal accounting management system through continuous improvement activities and monitoring.

Evaluation Results of Internal Accounting Control System

In 2022, LG H&H evaluated its internal control system to ensure that all evaluated control activities were operating as designed. The evaluation revealed no abnormalities, and the external auditor, EY Korea, expressed an unqualified opinion that the company's internal accounting control system is effectively designed and operated as of December 31, 2022.

Tax Policy

Complying with tax laws when dealing with customers and faithfully fulfilling various tax obligations is a corporate social responsibility for the country. LG H&H faithfully fulfills its tax reporting and payment obligations by complying with the laws and regulations of each country when conducting business in Korea and overseas. In addition, all members of the tax department work under the principle of maintaining a transparent relationship with tax authorities. We conduct preliminary reviews of various tax-related matters that may arise in the course of business activities, and stipulate that significant matters must be reviewed and approved by the BOD in each case.

[Tax Policy](#) 

Tax Risk Management

To minimize tax risks in business transactions, LG H&H hires tax experts to enhance their expertise and operates a systematic tax management organization by clearly defining the roles and responsibilities of those in charge. To proactively prevent and minimize risks that may arise in transactions, we have established a process to conduct tax reviews before making major decisions. In addition, when the interpretation of tax laws is unclear on important matters, we consult accounting firms or external tax experts to derive the optimal tax risk response.

Tax Statement Disclosure

LG H&H discloses information on income taxes by posting audit reports on the Financial Supervisory Service's Electronic Disclosure System(DART). We disclose information such as the basis for calculating income tax expense, deferred tax assets and liabilities, the composition of income tax expense, and the effective tax rate in the audit report and the notes to the report.

Utilizing deductions and reductions

There are various deduction and reduction systems in Korean tax law. LG H&H actively utilizes these systems to reduce tax burdens and maximize shareholder value within the limits permitted by law.

Fulfillment of Overseas Tax Obligations

LG H&H strictly follows domestic tax laws and the 'OECD Transfer Pricing Guidelines' when conducting international transactions with overseas entities and establishes and implements a reasonable transfer pricing policy in line with the principle of an independent company. In the event of a disagreement between tax authorities of different countries, we proactively respond to double taxation by utilizing the Advance Pricing Arrangement(APA) system.

We also diligently comply with our transfer pricing documentation and reporting obligations under the Base Erosion and Profit Shifting(BEPS) agreement to prevent tax avoidance by multinational corporations. In particular, we strictly prohibit the use of loopholes in the tax systems of countries to reduce tax burdens unfairly. We also restrict the transfer of value, such as intangible and financial assets, to jurisdictions with lower effective tax rates and the transfer of assets to jurisdictions with lower tax jurisdictions. In addition, we strictly forbid the use of tax structures that have no commercial substance and the use of tax havens, and we legally allocate taxable income according to the value created in each country.

COMPLIANCE

With the recent intensification of global regulations on anti-corruption, including the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act, companies need to proactively respond to international requirements through active compliance activities, including identifying and preventing compliance risks that may affect business activities. In response, LG H&H has established a compliance governance system by making compliance a core element of ESG management and introducing a compliance deliberation function to the ESG Committee, a committee within the BOD. We are also implementing thorough compliance management at the company-wide level. In addition, we operate various fair trade compliance programs (CPs) to ensure fair trade in all areas, from transactions with suppliers, agents, and franchisees to e-commerce and social media. Furthermore, we strive to internalize the compliance management culture by conducting various compliance awareness training for all employees, including internal and external training and publishing newsletters.



Goals

- Internalize compliance risk prevention and internalization activities (~2025)

Key Achievements



Compliance newsletters distribution and training sessions

14 times



Compliance newsletters distribution and trainees

4,471 people

Compliance System

Compliance Risk Management System

LG H&H has established and operates a compliance risk management system to proactively prevent misconduct and respond to legal risks by systematically identifying all laws and regulations that must be complied with in its business activities and self-checking the compliance of its employees. Based on the 2014 compliance risk assessment results, we categorized major legal risks into six areas: fair trade, personal information protection, product quality, human resources/labor, environment/safety, and intellectual property. For each area, the relevant departments have established autonomous compliance check plans and regularly conduct compliance checks to prevent and manage compliance risks that may arise throughout the management. We are also continuously promoting risk analysis and improvement activities that take into account the business status of not only the headquarters but also overseas subsidiaries and the legal environment of target regions.

Compliance Risk Management System Review and Enhancement

As social interest in corporate compliance management has increased in recent years, the need for a more systematic compliance system operation has increased due to enhancing compliance regulations, such as increasing legislation to strengthen management responsibilities and a series of judgments requiring companies to establish effective compliance monitoring systems. To respond to this changed regulatory environment, LG H&H reviewed the status of the existing compliance management system in 2022 and established improvement plans, which enabled us to set new compliance management goals to enhance the efficiency of the management system. More specifically, 1. Strengthening the effectiveness of the compliance system in consideration of changes in the regulatory environment, 2. Reorganization of the anti-corruption compliance management system that applies with global standards such as the US FCPA and the UK Bribery Act, and 3. The institutionalization of rational supervision by the board of directors regarding the implementation/effectiveness of the compliance control system was set as management goals, and improvement activities are being carried out to achieve this goal.

Compliance Culture Internalization

LG H&H regularly publishes and distributes the ‘Compliance Newsletter’ to all employees, containing compliance-related issues, amendments to major laws and regulations, and major case law, to raise employees’ compliance awareness. In 2022, the newsletter shared information on the Communications Secrets Protection Act, the revised Franchise Business Act, the prohibition of trade secret infringement, the prevention of industrial technology leakage, the prevention of copyright infringement, product safety and product liability, etc., to encourage employees to recognize and practice compliance with laws and regulations. We also provide compliance training following relevant laws and regulations, such as information security training, accounting management system operation training, sexual harassment prevention training, and workplace disability awareness training, throughout the company to enhance employees’ legal knowledge and guide them on how to perform their duties correctly, thereby reducing the likelihood of misconduct.

Fair Trade Compliance Program

LG H&H’s philosophy is “growth through fair competition.” With a firm management mindset that growth without fairness is unsustainable, we continued to operate the Fair-Trade Compliance Program(CP) in 2022 to establish a fair and just corporate culture. In 2022, in line with the government’s legislation and will to protect the technology of SMEs, we have developed and are operating an electronic system to sign confidentiality agreements when requesting technical data automatically. We also provided legal training for employees on agency and franchise transactions to raise compliance awareness. In addition, we maintain an equal relationship as a business partner by conducting win-win activities to support management funds and promotional events. In recent years, online transactions have been growing rapidly, and we regularly check whether we provide accurate product information to consumers to ensure their right to know. We are also conducting a full-scale management system to prevent all “backdoor advertising” practices, such as not labeling social media review advertisements as paid advertisements. We conduct thorough investigations to ensure that online advertisements do not use inappropriate language that may be misleading to consumers and that there are no posts that are not properly labeled as financially compensated.

Compliance Management System Improvement Roadmap

2023	Goal		
	Identify risks and select key risks	Establishment and declaration of compliance policies	Improvement of compliance-related board operations
	Assessment of legal risks <ul style="list-style-type: none"> Re-identify risks that require strengthening of internal controls and reassess risks according to their likelihood/impact(risk pool maintenance) 	Developing compliance-related regulations <ul style="list-style-type: none"> Review the need to revise compliance control standards Create and distribute compliance management guidelines and compliance manuals(utilizing legal/on-the-job training materials) 	Expanding and institutionalizing the BOD’s involvement in compliance <ul style="list-style-type: none"> Introduce the function of deliberating on compliance issues within specialized committees under the BOD Improve reporting on compliance system operation status
	Selection of Key Risks <ul style="list-style-type: none"> Select key risk management target areas reflecting business specifics such as company/industry characteristics, sanction cases, and regulatory trends. 	Communication of executive commitment to compliance <ul style="list-style-type: none"> Send a CEO message Issue compliance newsletters 	Operation of Compliance Council <ul style="list-style-type: none"> Operate as a compliance subcommittee of the Crisis Management Committee Report to specialized committees under the BOD on the council’s agenda
	Establishment of a risk assessment management system <ul style="list-style-type: none"> Establish a management system for periodic checking and updating of Risk Pool/Key Risk items Inspect key risk areas in collaboration with functional departments 		

JEONG-DO MANAGEMENT

LG H&H strives to be a sustainable company that society and customers respect. In particular, as a market leader, ‘Jeong-Do Management’ is the most critical value for LG H&H, and we support various programs and systems to help all employees practice ‘Jeong-Do Management’ in their work and daily lives. Every year, we provide training based on the Code of Ethics to all employees, and employees pledge to practice Jeong-Do Management, which requires them to judge ethical risks on their own. In addition, we operate the Cyber Sinmungo and the Graft Reporting System to report misconduct by LG employees to ensure that we continue to gain the trust of all stakeholders. To become a clean and transparent company that competes fairly and fulfills its social responsibilities, LG H&H will continue to strive to upgrade its Jeong-Do Management System in 2023, including establishing a system for proactive inspection of core risks.



Goals

- Support business competitiveness through management diagnosis(2023)
- Establish a basic system by promoting the upgrade of the report investigation/management process(2023)
- Conduct education and promotion activities to establish an autonomous Jeong-Do management culture(2023)
- Establish a system for proactive inspection of core risks(2023)
- Operate a reporting system(2023)

Key Achievements



Number of Jeong-Do Management Training

12 times

(Once a month, education on living Jeong-Do Management)



Number of people who completed Jeong-Do Management training

7,902 people

(As of February 2023)



Operation of ERM system

61 scenarios

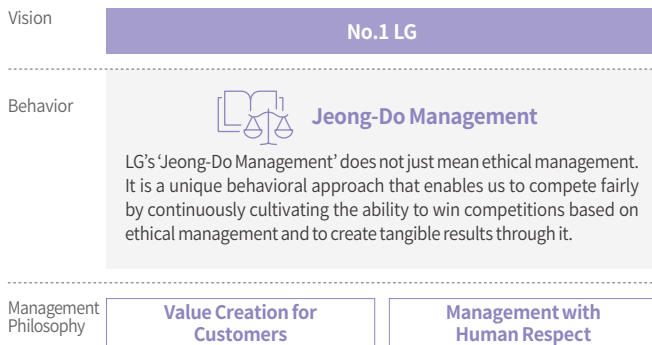
(As of April 2023)

Jeong-Do Management System

LG WAY and Jeong-Do Management

The LG WAY is LG's unique management philosophy that aims to ultimately achieve "No.1 LG" by practicing "Jeong-Do Management," which stands for "value creation for customers" and "management with respect for human beings" as LG's differentiated corporate culture. LG's 'Jeong-Do Management' means steadily cultivating skills based on ethical management to create performance by competing honestly and fairly. Based on the principles of the LG WAY, LG H&H will strive to grow into a company trusted and respected by all stakeholders. To this end, we will pursue continuous development and innovation by raising the level and practicing the Jeong-Do Management System, and fulfill our responsibilities and roles as a company that creates social value.

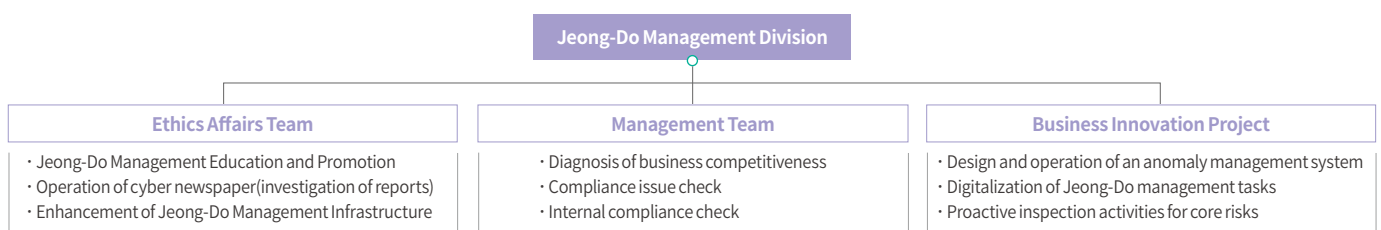
LG WAY



Jeong-Do Management Organization

LG H&H's Jeong-Do Management Division is a dedicated organization for Jeong-Do Management, consisting of the Ethics Office Team and the Management Team in charge of practical work, and the Business Innovation Project in charge of system construction and operation. It conducts various diagnosis and field support activities. We prevent ethical risks at business sites through various diagnostic activities to secure business competitiveness. Through active on-site support activities, we encourage all employees to practice Jeong-Do Management autonomously.

Jeong-Do Management Organization



Code of Ethics

LG respects the economic order of the free market, which is based on free and fair competition, and pursues common interests with all stakeholders based on mutual trust and cooperation. Based on this, we have established and implemented a code of ethics to develop into a global and sustainable superlative company. LG's Code of Ethics contains the standards of proper behavior and value judgment that employees must uphold. LG H&H will encourage all employees to actively comply with the Code of Ethics and develop a culture of Jeong-Do Management to achieve higher ethical standards and grow as a sustainable company with the trust of our stakeholders.

Code of Conduct organization and key content

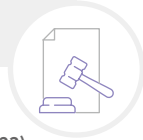
Chapter 1 Responsibilities and Obligations to Customers	LG believes that customers are the true foundation of our business, and we earn their unconditional trust by always respecting their opinions and constantly creating value that benefits them.
Chapter 2 Fair Competition	LG's global operations shall comply with applicable laws and regulations in their respective regions and secure competitive advantages through fair means.
Chapter 3 Fair Trade	All transactions shall be conducted in accordance with the principle of free competition with equal opportunities for participation, and we shall pursue common development from a long-term perspective by building mutual trust and cooperation through transparent and fair transactions.
Chapter 4 Basic Ethics of Employees	Employees shall establish the right values as LG people by believing in honesty and fairness, and fulfill the given
Chapter 5 Responsibilities for Employees	LG respects all employees as human beings, treats them fairly according to their abilities and achievements, and strives to fully realize their creativity.
Chapter 6 Responsibility for the Nation and Society	LG shall protect the interests of its shareholders by growing into a sound company through rational business development and contribute to the enrichment of people's lives and social development.

Jeong-Do Management Activities

Pledge to Practice Jeong-Do Management

Every year, all employees of LG H&H sign the 'Jeong-Do Management Practice Pledge' as an opportunity to pledge to comply with the Code of Ethics and practice Jeong-Do Management. The Pledge includes compliance with anti-corruption laws and regulations prohibiting improper behavior such as unfair collusion and illegal political subsidies or bribes. LG H&H also emphasizes the importance of Jeong-Do Management when dealing with its suppliers, who are also required to take the Jeong-Do Management Practice Pledge and commit to fair trade.

Number of people who completed the Jeong-Do Management Pledge and online training



7,902 people(100%) (as of February 2023)

Operation of the Bribery Reporting System

LG H&H adheres to the principle that all employees strictly comply with the Code of Ethics and do not accept gifts or gratuities to maintain fair trade with business partners and suppliers. To this end, every year on Lunar New Year and Chuseok, the CEO sends out 'No Gift Giving & Taking' notices to employees, suppliers, and business partners to promote a fair trade culture. If employees receive money, gifts, rewards, etc., unavoidably, they are required to refuse and return them politely. If they are unable to do so, they are required to immediately report the items to the Ethics Affairs Team. The unreturnable items reported to the Ethics Affairs Team are donated to welfare organizations or auctioned off internally, with the proceeds used for social contribution activities.

Operation of Jeong-Do Management Evaluation System

All executives and division heads of LG H&H operate the Jeong-Do Management Evaluation System to create a culture where employees can practice Jeong-Do Management autonomously. The Jeong-Do Management Evaluation System is implemented in a way that leaders first practice Jeong-Do Management then introduce the essence of Jeong-Do Management and cases closely related to each business division to employees through video conferencing or offline meetings to identify and prevent ethical risks that may arise in the organization. These efforts also include improving the work environment, including systems and regulations to avoid ethical risk situations in advance. As leaders and employees exchange opinions and work together to set and achieve common goals, we are seeing positive results in establishing a culture of Jeong-Do Management throughout the organization and building trust among employees.

Violation Reporting Channel

LG H&H receives reports of unfair behavior that violates the Code of Ethics through the Cyber Whistleblower Center(<http://ethics.lg.co.kr>). We verify the facts of the reports through on-site investigations. If irregularities are confirmed, we take follow-up measures such as discipline, business process improvement, and Jeong-Do management education to create a transparent and fair organizational culture. We also have a reporting reward system and a whistleblower protection system in place to encourage reporting.

Reporting and Disciplinary Action Status (including subsidiaries, as of 2022)

Reports by Stakeholder

(Unit: Cases)

Classification	2020	2021	2022
Customer complaints	5	2	1
Supplier grievances	18	27	8
Report(Company/Employees)	40	37	35

Report Status

(Unit: Cases)

Disciplinary Status

(Unit: Person)

Classification	2022	Classification	2022
Fact verification	24	Light penalties	42
Unsubstantiated / Under investigation	11	Severe disciplinary action	40
Total number of reports	35	Total disciplinary cases	82

2022 Status by Disciplinary Reason

(Unit: Cases)

Reporting Area	Disciplinary Reason	Number of Disciplinary Actions
Anti-corruption/Bribery*	Information distortion	8
	Acceptance of Gifts and Entertainment	2
	Unfair trade(collusion, etc.)	0
	Embezzlement and misappropriation of assets (public funds)	9
	Information leakage	1
Discrimination/Harassment	Sexual harassment, workplace bullying	5
Money laundering and insider trading	-	0
Customer information data	-	0
Conflicts of interest	-	0
Other	-	57

* The management diagnosis team includes corruption-related risks such as unfair trade, information leakage, embezzlement and misappropriation of assets, manipulation of documents/counting, bribery, hospitality, and equity participation when conducting diagnostic work.

Risk Pre-Check System

Since 2021, the Jeong-Do Management Division has operated a scenario-based "Early Risk Management(ERM)" system for early risk detection and response. To this end, we integrated various data managed by the Enterprise Resource Planning system(ERP) and individual systems in each business area(purchasing, sales, etc.) into a data lake, and built the ERM system using data analysis(CP4D) and visualization solutions(Spotfire).

Previously, it was managed by an audit method of receiving and checking reports after the fact. Now, it has evolved into a system of discovering and managing anomalies proactively at all times, promoting site-led risk self-inspection and business process improvement. In addition, utilizing an ERM system is expected to be very useful in the future for advanced business management based on digital transformation(DX). As of April 2022, we have prepared a total of 61 scenarios(35 for purchasing, 22 for sales, 2 for expense use, and 2 for Jeong-Do management) related to compliance, irregularities, and unfair trade risks. We use them to help the field departments detect anomalies early and take immediate action.

Jeong-Do Management Activities at Overseas Subsidiaries

To maintain competitiveness in the global market, LG H&H is fostering a Jeong-Do Management culture that takes into account overseas business environments. To enable overseas subsidiaries to carry out Jeong-Do Management autonomously, we have designated and nurtured a Jeong-Do Management manager for each overseas subsidiary. In 2022, our Chinese and Japanese subsidiaries created their own Jeong-Do Management content for education and promotion. In addition, we share Jeong-Do Management activities and frequently occurring ethical issues at each business site with overseas subsidiaries to help them internalize Jeong-Do Management.



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. It 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 anti-corruption society, express active participation in creating an anti-corruption environment to create a fair, clean society, and enhance corporate competitiveness based on ESG.

SUPPLY CHAIN MANAGEMENT



LG H&H fully understands that building win-win partnerships that create synergy with suppliers is a core competency that drives corporate growth. With the vision of becoming ‘the best company for shared growth in Korea’, LG H&H supports various programs and conducts win-win cooperation activities. In addition, we thoroughly manage risks in advance to prevent environmental and human rights issues from arising in the process of procuring raw materials. Keeping in mind that building a sustainable supply chain is the same as being competitive in the global market, we will make further efforts to grow together with our suppliers based on partnership.



Goals

- Improve supplier safety and quality ratings¹⁾ Cumulatively 660 companies (~2025)
- Provide financial support to suppliers¹⁾ KRW 310.2 billion (~2025)
- Operate sophisticated consulting services for overseas suppliers and foster new discoveries
- Expand the purchase of RSPO(Roundtable on Sustainable Palm Oil)
- Provide technical support to suppliers¹⁾ Cumulative 1,811 cases (~2025)

1) Supplier safety quality ratings are cumulative data from 2019, factoring in targets and achievements related to technical and financial support for suppliers.

Key Achievements



Supplier Training Usage
(E-learning and book learning for suppliers only)

1,630 people



Employee Welfare Mall Usage
(Employee use of ‘Welfare Mall’)

227 cases / **4,448** cases

Supplier ESG Assessment System

LG H&H strives to build a sustainable supply chain by evaluating and managing ESG factors that are potential risks. Through ESG assessment of suppliers, we screen new transactions and continuation of transactions. We also identify potential supply chain risks, including human rights violations and conflict minerals issues, through screening that considers risks by country, industry, and type. We also regularly conduct written and on-site assessments with third-party organizations to enhance existing suppliers' ESG capabilities and risk management. We provide consulting, technology, and workforce support to suppliers that need improvement as a result of the assessment and promote supply chain competitiveness and growth.

Evaluation Target

LG H&H defines significant suppliers by comprehensively considering 1) the high level of transactions, 2) the non-substitutability of technology, and 3) potential ESG risks.

Evaluation Criteria

LG H&H conducts ESG assessments for companies with an annual transaction volume of over 100 million won and classifies suppliers with non-substitutability of technology and potential ESG risks as significant suppliers. In addition, suppliers selected for fostering to strengthen purchasing power and mutual growth are included as significant suppliers.

Supplier Definitions

1. Significant suppliers

Significant suppliers are defined as those that meet one or more of the following conditions.

Classification	Conditions
1. Performance	All suppliers with an annual sales volume of KRW 100 million or more and who conduct ESG assessments
2. Non-substitutability of technology	Suppliers that have transaction results and perform ESG assessments as companies with technologies and production capabilities that LG H&H does not possess ¹⁾
3. Partners to be fostered (Growth partners) ²⁾	Partners selected for growth to strengthen purchasing power and mutual growth

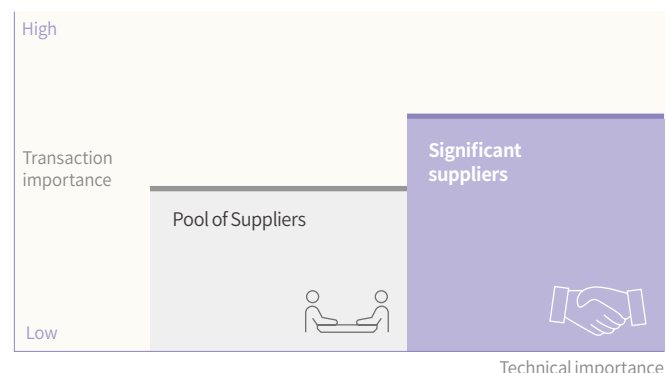
1) Includes suppliers deemed to have potential risks, such as raw material risks, including conflict minerals such as mica and palm oil, and country risks depending on the location of the business site.

2) The selection of growth partners is based on separate internal criteria.

2. Pool of Suppliers

Suppliers with less than \$100 million in annual transactions and no potential raw material/country risk (such as agents, one-time transactions, consumable materials, closed or about to close, etc.)

Supplier definition



Supplier Code of Conduct and Governance

LG H&H has established a supply chain management governance system to minimize ESG risks throughout the value chain. The Development & Procurement 2 Team and the Fair Growth Team, dedicated to supply chain management, conduct ESG risk management and shared growth activities for suppliers. When necessary, they report to the ESG Committee of the BOD on the overall supply chain management, including supply chain-related issues, plans, and performance reporting, and receive deliberations on important issues. In addition, we revised the Code of Conduct for Suppliers in 2023 and disclosed it on the LG H&H website.

[Supplier Code of Conduct](#)

[Sustainable Purchasing Policy](#)

Supplier ESG Risk Management Process

To build a sustainable supply chain, LG H&H has identified various ESG risks that may arise from its suppliers and designated them as core management areas. We systematically manage core management ESG risks through a detailed process of pre-diagnosis, assessment, due diligence, improvement plan formulation, and monitoring, and when improvements are needed based on the diagnosis results, we actively support our suppliers by consulting external organizations to strengthen their capabilities.

Conducting Supplier ESG Assessments

Pre-screening the supply chain and establishing ESG standards

LG H&H identifies ESG risks in advance when renewing contracts with existing suppliers or registering new suppliers and excludes them from contracts if they do not meet the criteria in the preliminary ESG assessment. Before registering a new supplier, we conduct ESG pre-screening based on the supplier’s code of conduct, including human rights, environment, and ethics. According to an analysis of LG H&H’s purchasing status, the proportion of Tier 1 suppliers is 98% of the total, and the ratio of significant suppliers is 34%. The types of LG H&H suppliers include OEMs, raw materials, molds, and packaging materials. Among them, the proportion of purchases from OEMs and raw materials is high, accounting for 53% of the total purchase amount.

2022 Supply Chain Status

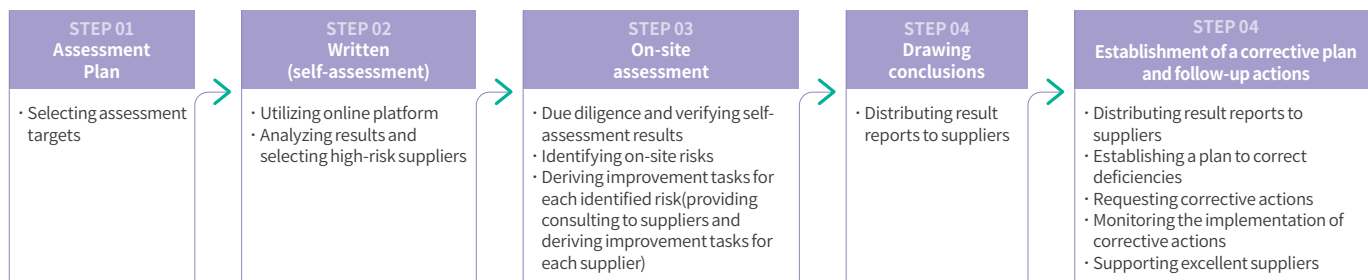
Classification ¹⁾	Unit	Significant suppliers	Others
Tier 1(1st)	Company (No.of suppliers)	254	516
	Purchasing Ratio(%)	70	30
Non-tier (2nd and above)	Company (No.of suppliers)	12	-

1) Tier 1(1st): direct transaction, Non-tier(2nd and above): indirect transaction

2022 Supply Chain Purchase Analysis

Classification	By type	Number of suppliers(pcs)	Purchasing Ratio(%)
Tier 1 (Significant)	OEM	69	53
	Container	63	15
	Raw materials	72	22
	Molds	9	1
	Packaging materials	53	9
Total		266	100

Supplier ESG Assessment Process



Supplier ESG Assessment

LG H&H has a Code of Conduct for Suppliers that covers a total of 29 evaluation items in four areas: labor and human rights(7), environment (10), safety and health(5), and ethical management(7). In addition, to strengthen the interest and execution of ESG management among major suppliers, we visit suppliers on an annual schedule with a third-party evaluation agency that can secure the expertise, objectivity, and reliability of the evaluation to check potential ESG risks and reflect the results in the comprehensive assessment of suppliers. The supplier ESG assessment is conducted for ‘significant suppliers’, and the overall evaluation is run through a process of supplier self-diagnosis - written/on-site assessment - improvement monitoring.

Third-Party Inspections

We conduct annual third-party inspections to enhance the expertise and objectivity of our supply chain ESG assessments and to provide new information and improvements related to ESG. In 2022, we conducted on-site inspections of 30 suppliers whose potential risks were identified through ESG assessments by conducting third-party reviews and provided the results of the inspections to all suppliers as a result report. Suppliers establish improvement plans and manage potential and risk factors based on the result reports.

Identifying and improving supplier deficiencies

LG H&H conducts annual third-party inspections to enhance the expertise and objectivity of ESG assessments and provide new information and improvements related to ESG. Third-party inspections are conducted on-site at companies where potential risks have been identified based on self-diagnosis. In 2022, we identified high-risk suppliers and conducted on-site inspections on 30 of them. The results of our reviews on suppliers in the areas of labor and human rights, environment, safety and health, ethical management, and management systems revealed potential risks in the areas of labor and human rights, such as ensuring voluntary work for foreign workers, clarifying policies on hiring younger workers, regulating the 52-hour workweek, and managing overtime records. The report found deficiencies in measuring workplace hazards, safety and health management regulations, and safety and health accident handling processes in safety and health. For the 30 suppliers where potential risks were identified, we recommended that they establish and implement priority and long-term improvement tasks for ESG risks.

Supplier ESG Assessment Results

(Unit: Companies, %)

Classification	Details	2022	2022 Goals
Supply Chain ESG Assessment	Number of suppliers evaluated through written/on-site assessments ¹⁾	398	390
	Percentage of Significant suppliers assessed ²⁾	100	
Identification of high-risk suppliers ³⁾	Number of suppliers with significant actual/potential negative impacts assessed	30	30
	Percentage of suppliers with significant actual and potential negative impacts with corrective actions/improvement plans	100	100
	Number of suppliers with significant actual/potential negative impacts terminated	30	30
Corrective action planning and implementation	Number of suppliers supported in implementing corrective action plans	30	30
	Percentage of significant suppliers supported in implementing corrective action plans	100	100
Participation in the Competency Enhancement Program	Number of suppliers participating in competency enhancement programs	159	150
	Percentage of Significant suppliers participating in competency enhancement programs	100	90

1) Total number of suppliers with ESG assessments 2) Percentage of significant suppliers out of the total number of suppliers with ESG assessments

3) Suppliers with high ESG risks: Suppliers classified as high risk (total score of less than 50 out of 100) as a result of the evaluation using a total of 31 evaluation indicators (8 labor rights, 6 environment, 8 safety and health, 6 ethical management, and 3 management system) to check potential ESG risks.

Supplier Third Party Inspection and Corrective Action Support Results

Classification	Labor & Human Rights	Environment	Safety & Health	Ethical Management	Management Systems
As-Is	No child labor, but no explicit provisions in the employment rules	No energy and greenhouse gas management regulations or plans, and inadequate measurement and management of greenhouse gas emissions	Lack of disclosure and verification of health and safety data	No responsible raw material procurement policy	Lack of ESG committee composition and ESG information disclosure
To-Be	Specify child and youth protection measures, even if no child labor is involved	Conduct energy and greenhouse gas inventories and establish environmental policies	Conduct regular musculoskeletal hazard surveys	Prepare responsible raw material procurement policy and establish CMRT/EMRT document management system	Establish ESG committee and secure information disclosure channels through sustainability reports, etc.

Conflict Minerals

PALM OIL

LG H&H purchases raw materials with environmental and social issues according to strict standards and actively supports the Roundtable on Sustainable Palm Oil (RSPO), an organization established by global NGOs and companies. As part of these activities, in 2014, we became the first company in Korea to obtain RSPO Segregation certification for the entire process of raw material storage, production, product storage, and shipment at our Ulsan and Onsan plants, and we completed recertification in 2019. In particular, we immediately stop doing business with suppliers with human rights violations related to palm oil production. LG H&H aims to expand the proportion of RSPO-certified products purchased to 64.9% by 2025, and achieved a 61.5% purchase rate in 2022.

MICA

Mica is primarily used as an ingredient in color cosmetics, with over 60% of the world's natural mica coming from India. Unethical and human rights abusive practices, including child labor, are common in this process. To prevent this risk, we procure mica produced by skilled workers in mines in the U.S., Japan, and China. When we use mica from India, we ensure that the mine has a non-child labor declaration or is a member of the Responsible Mica Initiative (RMI). To prevent illegal child labor and use safe raw materials, LG H&H is increasing the proportion of synthetic mica in the manufacture of cosmetics and plans to switch to 100% synthetic mica in the future.

Mica Raw Materials Purchase Status

Number of items (items)	Main Products	3 year purchase status (2020-2022 cumulative)		Number of items by Country of origin (items)			
		Purchase Volume (tons)	Suppliers (companies)	India	US	Japan	China
41	Colorants (lipsticks, cushions, foundations, etc.)	50	16	9	11	14	7

Shared Growth

Shared Growth Vision and Strategy System

LG H&H has established a strategic system including four strategic tasks, detailed strategic directions, and six action areas to realize its vision of becoming the best-shared growth company in Korea. We will realize shared growth in various ways, such as funding, enhanced

communication, and technical support, to build lasting partnerships with suppliers and enhance their competitiveness by sharing mutual benefits. LG H&H will continue promoting various activities to build sustainable supplier partnerships.

Shared Growth Vision and Strategy System



Fair Opportunity

Ensuring equal participation opportunities

LG H&H provides fair opportunities for all companies, both domestic and foreign, to do business with LG H&H through the company-wide Convergent Purchasing System. Companies wishing to do business with LG H&H can register as potential suppliers through the system and will receive a reply on whether to register as regular suppliers after review by the purchasing staff. All registered regular suppliers have a fair chance to bid, and the transaction process, such as contracting, signing, ordering, receiving, delivering, and paying, is conducted through mutual consultation. This way, LG H&H provides a fair trading environment for all suppliers and promotes mutual cooperation.

Unfair trade report & cooperation suggestion channels

LG H&H operates various channels to get reports on unfair behavior to maintain transparent and fair business relationships with suppliers. We operate the ‘Jeong-Do Management Cyber Sinmungo’ website, which allows users to report difficulties, suggestions, or unfair treatment, and we have also posted a Cyber Sinmungo banner on the company-wide integrated purchasing system to increase accessibility. LG H&H will continue to maintain fairness and transparency in its transactions with suppliers and take prompt and appropriate responses to unfair behavior. Meanwhile, no reports related to subcontracted suppliers were received in 2022.

Sales Growth

Holding Technology Proposal Exhibition

Since 2013, LG H&H has been organizing the ‘Supplier Technology Proposal Exhibition’ to discover and develop excellent technologies and ideas into products by working with suppliers to increase sales for both sides. The Technology Proposal Exhibition is an event where suppliers can directly communicate with representatives from LG H&H’s marketing, sales, and R&D departments about their new products or development concepts, discuss the direction of development, and propose technologies and share information in various areas such as raw materials, auxiliary materials, and products. Selected products are supported for joint development through purchase-contingent development funds to reduce the burden of development costs for suppliers, and the products are incorporated into LG H&H’s new products to increase sales for suppliers. In 2022, we held two technology proposal exhibitions, with a total of 7 companies exhibiting, generating KRW 4.68 billion in new sales for our suppliers. In 2022, we held two technology proposal exhibitions, and a total of seven companies were selected, generating KRW 46.8 billion in new revenue.

Technical Proposal Exhibition Status

Classification	Unit	2020	2021	2022
Technical Proposal Exhibition Performance	Times	6	5	2
Adopted partner companies	Companies	16	11	7
New sales generated by suppliers	KRW 100 million	42.9	59.9	46.8

Support for participation in International Beauty Fairs

We support partner companies to participate in International Beauty Fairs so that the Korean cosmetics industry can attract attention in the global market. Since 2013, we have supported partner companies' overseas expansion, and since 2018, we have held export consultations with overseas subsidiaries so that they can lead to actual sales. Although the event was not held in 2022 as the global pandemic situation was getting severe, we plan to proactively support partner companies' participation in domestic and overseas fairs as soon as the pandemic situation is mitigated.

Technical manpower support

Technical Advisory Support

LG H&H operates the Supplier Technical Support Team to assist SMEs with technical issues related to product development, facility stabilization, and optimization of production conditions that are difficult for them to resolve on their own. The team is composed of 14 experts who have long experience in the cosmetics and household products fields. The team accurately diagnoses the current status of suppliers and suggests improvement measures to enhance their technical and production capabilities.

Consulting support to improve competitiveness

With the goal of improving the productivity of our suppliers, LG H&H has been providing innovation partnership consulting through external experts since 2014. In 2022, we supported nine companies to build smart factories for smart innovation and two companies to obtain environmental management system (ISO 14001) certification, which can be linked to ESG management. As a result, we achieved financial results of KRW 790 million.

Joint Technology Development

LG H&H collaborated with Shinsung Innotek to improve the cut line into an oval shape with an oblique direction to make it easier to remove PET labels from beverage PET bottles. The design has been applied to the new coffee beverage 'Georgia' since April 2022, and the company plans to expand the number of products it applies to. In this way, LG H&H is actively collaborating with suppliers on technology development to provide differentiated value to customers, reduce environmental impact, and contribute to enhancing suppliers' competitiveness and realizing shared growth.

Supplier support in 2022

(Unit: Cases)

Items	2022 Performance
Support for new product creation	136
Support for development design fees	11
3D & Printing Support	10
Shared Cooperation Program	0

Supplier Competency Enhancement Program Status

(Unit: Cases, %)

Supplier classification	2022	2022 Goals	
Participation in competency enhancement programs	Number of suppliers participating in competency enhancement programs	159	159
	Percentage of Significant suppliers participating in competency enhancement programs	100	100

Financial Support

Cash payments for subcontracting

Since 2012, we have paid 100% of our subcontracting transactions in cash to improve the working capital conditions of our suppliers. In addition, in 2016, we increased the number of payments from two to three times a month, shortening the cash payment cycle to 10 days, thereby contributing to the operational efficiency of our suppliers and strengthening their business stability.

Early Payment for Holidays

Every year, we make early payments for subcontracting transactions during holidays to help our suppliers stabilize their business operations and contribute to the development of the local economy. In 2022, we made early payments of KRW 23.5 billion for the Lunar New Year holiday and KRW 37.7 billion for the Chuseok holidays.

Win-Win Payment System

The Win-Win Payment System is a payment system that enables LG H&H to pay its suppliers on the same terms and conditions. This system allows SMEs to be paid normally without the burden of setting up collateral and the risk of serial defaults. Also, it reduces financial costs when discounting bills of exchange. In 2022, KRW 754.6 billion win-win payments were made to first-tier suppliers and KRW 11.5 billion to second-tier suppliers. Going forward, LG H&H aims to further expand the win-win payment system to realize a win-win situation that builds sustainable partnerships with suppliers.

Win-Win Fund Program

LG H&H has established and operates a win-win cooperation fund totaling KRW 41 billion in cooperation with financial institutions. We match this fund at a 1:1.5 ratio and utilize it to support our suppliers' technology development and investment. In particular, SME suppliers facing difficulties in their business due to high-interest rates benefit from low-interest rates through the Win-Win Fund System. As of the end of 2022, LG H&H has lent KRW 31.4 billion to suppliers and supported them in managing their funds.

Welfare Support

Educational Support for Suppliers' Employees and Families

LG H&H supports the self-development of suppliers' employees to enhance their competitiveness. We operate various channels such as e-learning, mobile learning, and book learning to help suppliers' employees improve their work skills and learn foreign languages, providing them opportunities to grow in various ways. LG H&H will continue to spare no effort to not only enhance the competitiveness of our suppliers but also to promote the welfare of their employees to help them achieve sustainable growth.

Supporting Suppliers to Improve Working Conditions

LG H&H opens its employee welfare mall to its suppliers and provides them the same benefits. In 2022, 227 suppliers' employees used the welfare mall, totaling KRW 44.48 million.

Supporting Second-tier Suppliers

LG H&H actively promotes the signing of fair-trade agreements between first and second-tier suppliers to support second-tier suppliers. By encouraging first-tier suppliers to conclude fair trade agreements with second-tier suppliers with the same contents as those concluded with first-tier suppliers, we strive to support shared growth with second-tier suppliers. We have also introduced a standard subcontracting agreement between first-tier and second-tier suppliers to ensure reasonable and transparent business relationships.

Supplier's training usage status
(suppliers' only e-learning, book learning)

1,630 people



Suppliers' welfare mall usage
(employee welfare mall usage)

227 cases / **4,448** cases



Open Communication

LG H&H pursues open communication through various channels to listen to the opinions of its suppliers and reflect them in practice. We run the 'CEO Academy' and 'Competitiveness Enhancement Workshop' centered on the 'LG H&H Supplier Association,' established in 1985. At the 'General Meeting of Suppliers' held once or twice a year, we invite representatives and practitioners from 130 major suppliers to award outstanding suppliers and invite famous speakers to give lectures. Due to COVID-19, the General Assembly was held online from 2020 to 2022, but we plan to hold it offline again in 2023.

The Shared Growth Review Committee for Suppliers comprises representatives of suppliers, prominent members of society, and internal reviewers of subcontracting transactions. The committee meets three times a year to discuss issues such as the shared growth support system and subcontracting transactions and deliberates and resolves issues with representatives of suppliers. We are moving toward mutual growth and continuous development through close communication and collaboration with our suppliers.

Supporting Training for Suppliers

LG H&H conducts ESG training for its suppliers to strengthen their supply chain ESG capabilities by inviting external experts as well as training internal employees to enhance sustainable supply chain competitiveness. ESG training has been held twice a year, once semi-annually, since 2021. In 2022, training was held online on topics such as the need for ESG management for small and medium-sized enterprises, ESG in the cosmetics industry, and global ESG trends. Through this program, we are raising awareness among our suppliers and actively supporting SMEs to cope with the enhanced ESG regulations and secure their competitiveness in line with global trends. Furthermore, in 2023, we plan to further strengthen the training program and hold a total of three sessions. With this, LG H&H continuously enhances ESG capabilities and raises awareness of roles and responsibilities for promoting company-wide ESG management through various trainings for suppliers.

Partner communication channels

Classification	Supplier Shared Growth Review Committee ¹⁾	CEO Academy ²⁾	Competitiveness Enhancement Workshop ²⁾
Meetings	4 times a year(2 in 2022)	Once a year(replaced with online letters in 2022)	Once a year(not held)
Content	Deliberation on subcontracting transactions and shared growth issues	Sharing of shared growth purchasing policies	Sharing of shared growth and purchasing policies
Composition	2 outsiders/ 5 representatives of partner companies / 3 internal deliberation members of LG H&H	130 representatives of partner companies	130 members of partner companies

1) Conducted online to prevent the spread of COVID-19

2) Consolidated workshops held individually into one online event to prevent the spread of COVID-19

03

SUSTAINABILITY FACTS & FIGURES



Bichup, Royal Beauty

비첩 자생 에센스 스페셜 에디션



Economic Performance	118
Environmental Performance	122
Social Performance	127

Economic Performance

Financial Statement

(Unit: KRW million)

Classification	LG H&H [Consolidated]			LG H&H [Non-consolidated]		
	2020	2021	2022	2020	2021	2022
I. Current Assets	1,982,769	2,472,884	2,284,389	892,926	1,253,655	861,079
Cash and cash equivalents	434,105	734,521	655,093	78,790	355,339	106,106
Short-term financial instruments	58,537	95,352	21,975	17,400	16,400	16,400
Trade receivables	585,565	554,857	550,862	334,885	410,374	265,397
Other receivables	52,227	38,108	52,024	43,875	31,049	49,160
Inventories	808,906	100,656	955,433	401,986	424,544	410,318
Investments in subsidiaries	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-
Other current financial assets	374	825	2,688	248	292	300
Other current assets	42,996	48,566	46,315	15,742	15,657	13,399
II. Non-current assets	4,818,647	5,082,355	5,018,541	3,668,006	3,858,726	3,846,245
Long-term financial instruments	20	20	23	11	11	11
Other long-term bonds	50,354	49,093	40,638	28,764	29,115	22,562
Available-for-sale financial assets	0	-	-	-	-	-
Severance pay assets	0	-	-	-	-	-
Stocks for subsidiaries	-	-	-	1,484,976	1,639,071	1,580,813
Stocks for affiliates and joint companies	59,999	59,168	60,147	9,633	9,383	9,383
Deferred tax assets	38,750	38,594	52,397	-	0	-
Property	2,329,834	2,449,112	2,383,867	1,133,245	1,149,343	1,138,609
Right-of-use assets	219,793	204,288	180,821	27,608	34,022	28,250
Investments in properties	24,760	30,129	25,934	22,714	29,962	25,943
Goodwill	-	-	-	-	-	-
Intangible assets	2,063,443	2,168,720	2,100,587	930,916	905,392	898,605
Net defined benefit assets	-	-	-	-	-	-
Other non-current financial assets	9,768	28,410	64,367	9,270	25,776	61,816
Other non-current assets	21,927	54,821	109,760	20,868	36,651	80,253
Total Assets	6,801,416	7,555,239	7,302,930	4,560,931	5,112,381	4,707,324
I. Current liabilities	1,479,724	1,525,845	1,162,758	670,223	765,934	408,372
II. Non-current liabilities	472,496	531,562	671,336	97,234	125,133	170,859
Total liabilities	1,952,220	2,057,407	1,834,094	767,457	891,067	579,231
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	4,805,404	5,484,022	5,542,447	3,585,019	4,013,008	3,919,984
Accumulated other comprehensive income	-124,123	-64,496	-83,209	-2,331	-2,481	-2,678
Other reserves	-111,217	-217,432	-305,870	24,872	24,872	24,872
Non-controlling interests equity	93,216	109,823	129,553	-	-	-
Total capital	4,849,196	5,497,833	5,468,836	3,793,474	4,221,314	4,128,093

Economic Performance

(Unit: KRW million)

Classification	Coca-Cola Beverage [Consolidated]			HAITAI htb [Separate]		
	2020	2021	2022	2020	2021	2022
I. Current Assets	255,857	386,346	554,535	80,862	80,768	99,350
Cash and cash equivalents	53,487	171,895	339,787	7,148	7,933	2,893
Short-term financial instruments	20,000	23,000	4,000	-	-	-
Trade receivables	114,903	115,735	121,326	28,618	30,511	31,803
Other receivables	1,951	1,397	1,856	2,392	2,895	2,765
Inventories	63,169	72,171	84,055	41,986	38,980	61,382
Investments in subsidiaries	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-
Other current financial assets	-	-	-	84,888,697	-	-
Other current assets	2,346	2,148	3,511	632	447	507
II. Non-current assets	629,189	679,514	684,035	333,194	329,687	315,870
Long-term financial instruments	6	6	6	-	-	-
Other long-term bonds	6,950	6,966	7,573	5,099	4,584	4,330
Available-for-sale financial assets	344	344	344	-	-	-
Severance pay assets	-	-	-	-	-	-
Stocks for subsidiaries	-	-	-	-	-	-
Stocks for affiliates and joint companies	-	-	-	-	-	-
Deferred tax assets	4,455	3,743	3,152	0	-	-
Property	592,915	633,892	616,581	322,918	296,974	282,958
Right-of-use assets	13,662	11,701	14,058	3,928	2,970	4,187
Investments in properties	1,364	5,522	4,965	241	24,186	23,466
Goodwill	-	-	-	-	-	-
Intangible assets	9,378	8,843	9,247	1,007	974	928
Net defined benefit assets	-	8,439	28,039	-	-	-
Other non-current financial assets	-	-	-	-	-	-
Other non-current assets	115	60	71	-	-	-
Total Assets	885,046	1,065,860	1,238,570	414,056	410,455	415,219
I. Current liabilities	168,233	199,359	185,977	101,671	92,152	90,798
II. Non-current liabilities	26,540	23,901	24,903	46,755	29,764	46,469
Total liabilities	194,773	223,260	210,880	148,427	141,916	137,267
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	643,082	795,410	980,499	24,717	27,626	37,040
Accumulated other comprehensive income	-337	-337	-337	-	-	-
Other reserves	-	-	-	-526	-526	-526
Non-controlling interests equity	-	-	-	-	-	-
Total capital	690,272	824,600	1,027,690	265,630	268,538	277,952

Income Statement

(Unit: KRW million)

Classification	LG H&H [Consolidated]			LG H&H [Non-consolidated]		
	2020	2021	2022	2020	2021	2022
Sales revenue	7,844,506	8,091,511	7,185,759	4,418,257	4,956,148	3,783,321
Cost of sales	2,962,931	3,039,884	3,168,512	1,745,494	1,891,207	1,671,304
Gross profit or loss	4,881,576	5,051,628	4,017,247	2,672,763	1,364,940	2,112,018
Selling and administrative expenses	3,660,711	3,761,997	3,306,124	1,887,154	2,084,896	1,683,741
Restructuring expenses						
Operating income	1,220,865	1,289,630	711,123	785,609	980,044	428,277
Financial income	15,435	9,572	21,588	144,199	12,538	59,969
Financial expenses	21,617	22,886	27,262	7,695	17,953	15,738
Other non-operating profit and loss	-100,633	-94,024	-294,638	-74,935	-129,426	-306,588
Profit and loss relevant to equity method	7,024	5,073	6,958			
Net income before corporate taxes expenses	1,121,074	1,187,365	417,769	847,179	845,203	165,920
Corporate tax	307,973	326,237	159,429	228,740	237,967	88,969
Net income for an accounting period	813,101	861,128	258,340	618,439	607,236	76,951

(Unit: KRW million)

Classification	Coca-Cola Beverage [Consolidated]			HAITAI htb [Separate]		
	2020	2021	2022	2020	2021	2022
Sales revenue	1,338,724	1,422,872	1,571,949	373,659	375,461	414,919
Cost of sales	793,597	851,774	959,297	272,564	283,165	317,546
Gross profit or loss	545,126	571,098	612,652	101,095	92,296	97,372
Selling and administrative expenses	360,775	370,346	404,835	92,375	86,621	90,536
Restructuring expenses						
Operating income	184,352	200,752	207,817	8,720	5,675	6,836
Financial income	1,043	899	6,117	90	374	307
Financial expenses	273	155	232	1,067	438	1,027
Other non-operating profit and loss	-3,692	-5,232	16,191	2,655	-212	-2,308
Profit and loss relevant to equity method						
Net income before corporate taxes expenses	181,430	196,264	229,894	10,397	5,399	3,809
Corporate tax	36,104	46,819	59,261	3,314	2,974	-2,146
Net income for an accounting period	145,325	149,445	170,633	7,083	2,424	5,955

Domestic/Overseas Economic Value Distribution(based on domestic/overseas company in 2022)

(Unit: KRW 100 million)

Classification	Expenses
Employees(Wages, bonuses, benefits, severance pay, education and training expenses)	8,878
Government(corporate tax and other taxes)	1,593
Suppliers(Expenses for raw and subsidiary materials, outsourced processing costs, equipment investment, service expenses, commission of stores, advertising and promotional products)	28,281
Local communities(Costs for social contribution activities, associations and academic conferences)	781
Shareholders and creditors(dividend payout ratio of 28%(consolidated))	671

Corporate Tax Expense by Country(2022)

(Unit: KRW 100 million)

Region	Sales	Operating Profit	Corporate tax expense
Korea	59,617	6,579	1,494
China	9,451	-704	-303
Japan	4,221	581	162
United States	5,116	-79	52
Taiwan	492	16	2
Southeast Asia	932	38	7
Other countries	1,013	-54	2
Other ¹⁾ (consolidated adjustments)	-8,984	735	177
Total	71,858	7,111	1,594

1) Adjustments for intercompany transactions and unrealized gains and losses between consolidated entities

Tax Amounts and Rates¹⁾

Classification	Unit	2020	2021	2022	Average
Earnings before Tax	KRW 100 million	11,211	11,874	4,178	9,088
Reported Taxes	KRW 100 million	2,993	3,210	1,168	2,457
Reported Tax Rate	%	27	27	28	27
Cash Taxes Paid	KRW 100 million	3,080	3,262	1,594	2,645
Cash Tax Rate	%	28	28	38	31

1) Reasons for differences between nominal and effective taxes: nontaxable income - nondeductible expenses, tax credits-reductions, adjustments to prior period income taxes, changes in deferred taxes that are not likely to be realized, income tax effect on share of net income of subsidiaries and associates, the effect of changes in deferred tax rates, additional payments under tax specialties to promote investment and mutually beneficial cooperation, others

Environmental Performance

Major Environmental Index¹⁾

Classification		Domestic				
		Company	Unit	2020	2021	2022
Production volume		LG H&H	Ton	370,751	352,661	295,793
		Coca-Cola Beverage	Ton	724,807	707,840	747,195
		HAITAI htb	Ton	543,247	527,220	542,325
		Total	Ton	1,638,805	1,587,721	1,585,313
Energy	Consumption	LG H&H	TJ	1,091	1,200	1,147 ²⁾
	Intensity		GJ/product-ton	2.94	3.40	3.88
	Consumption	Coca-Cola Beverage	TJ	867	851	924 ³⁾
	Intensity		GJ/product-ton	1.196	1.202	1.237
	Consumption	HAITAI htb	TJ	676	727	736 ⁴⁾
	Intensity		GJ/product-ton	1.244	1.379	1.357
	Consumption	Total	TJ	2,633	2,788	2,807
	Intensity		GJ/product-ton	1.607	1.750	1.771
GHG ⁵⁾	Emissions	LG H&H	Ton CO ₂ e	50,574	55,000	52,733
	Intensity		Ton CO ₂ e/product-ton	0.136	0.156	0.178
	Emissions	Coca-Cola Beverage	Ton CO ₂ e	44,512	43,190	47,287
	Intensity		Ton CO ₂ e/product-ton	0.061	0.061	0.063
	Emissions	HAITAI htb	Ton CO ₂ e	36,246	35,800	36,406
	Intensity		Ton CO ₂ e/product-ton	0.067	0.068	0.067
	Emissions	Total	Ton CO₂e	131,332	133,990	136,426
	Intensity		Ton CO₂e/product-ton	0.080	0.084	0.086
Water	Consumption	LG H&H	Ton	555,420	595,782	575,270
	Intensity		Ton/product-ton	1.498	1.689	1.945
	Consumption	Coca-Cola Beverage	Ton	1,726,739	1,772,995	1,917,543
	Intensity		Ton/product-ton	2.382	2.505	2.566
	Consumption	HAITAI htb	Ton	1,217,063	1,256,855	1,395,174
	Intensity		Ton/product-ton	2.240	2.384	2.573
	Consumption	Total	Ton	3,499,222	3,625,632	3,887,987
	Intensity		Ton/product-ton	2.135	2.284	2.453
Wastewater	Emissions	LG H&H	Ton	101,243	122,645	105,730
	Intensity		Ton/product-ton	0.273	0.348	0.357
	Emissions	Coca-Cola Beverage	Ton	938,682	940,976	1,014,701
	Intensity		Ton/product-ton	1.295	1.329	1.358
	Emissions	HAITAI htb	Ton	612,031	729,861	761,439
	Intensity		Ton/product-ton	1.127	1.384	1.404
	Emissions	Total	Ton	1,651,956	1,793,482	1,881,870
	Intensity		Ton/product-ton	1.008	1.13	1.187
TOC ⁶⁾	Emissions	LG H&H	Ton	10.1	9.3	2.7
	Intensity		kg/product-ton	0.027	0.026	0.009
	Emissions	Coca-Cola Beverage	Ton	6.9	8.6	6.58
	Intensity		kg/product-ton	0.010	0.012	0.009
	Emissions	HAITAI htb	Ton	21	14.6	8.37
	Intensity		kg/product-ton	0.039	0.028	0.015
	Emissions	Total	Ton	38.0	32.5	17.7
	Intensity		kg/product-ton	0.023	0.02	0.011

Environmental Performance

Classification		Domestic				
		Company	Unit	2020	2021	2022
Waste	Emissions	LG H&H	Ton	10,535	11,307	10,303
	Intensity		kg/product-ton	28.415	32.061	34.833
	Emissions	Coca-Cola Beverage	Ton	6,663	6,906	6,957
	Intensity		kg/product-ton	9.193	9.756	9.311
	Emissions	HAITAI htb	Ton	7,424	5,837	6,432
	Intensity		kg/product-ton	13.666	11.072	11.860
	Emissions	Total	Ton	24,622	24,050	23,692
	Intensity		kg/product-ton	15.024	15.148	14.945
NOx ⁷⁾	Emissions	LG H&H	Ton	6.478	5.547	3.352
	Intensity		kg/product-ton	0.017	0.016	0.011
	Emissions	Coca-Cola Beverage	Ton	6.451	4.518	5.064
	Intensity		kg/product-ton	0.009	0.006	0.007
	Emissions	HAITAI htb	Ton	5.997	7.126	8.788
	Intensity		kg/product-ton	0.011	0.014	0.016
	Emissions	Total	Ton	18.926	17.191	17.204
	Intensity		kg/product-ton	0.012	0.011	0.011

1) Jan. 1, 2022 to Dec. 31, 2022

* Some data adjusted due to changes in data management scope and methodology adjustments.

2) Electricity: 694 TJ, Steam: 287TJ, Other fuels: 166 TJ

3) Electricity: 534 TJ, Other fuels: 390 TJ

4) Electricity: 409 TJ, Other fuels: 327 TJ

5) Calculated according to the Guidelines on Greenhouse Gas and Energy Target Management Operations, etc.

6) under the Water Environment Conservation Act, industrial wastewater management items converted from COD to TOC and counted as TOC emissions from 2022.

7) Voluntary management implemented

Classification		Overseas*				
		Company	Unit	2020	2021	2022
Production Volume		Beijing, China	Ton	9,444	5,767	6,018
		Dong Nai, Vietnam	Ton	1,580	1,532	1,631
		Guangzhou, China	Ton	7,832	9,208	5,937
		Saitama, Japan	Ton	300	492	346
		Dominica ¹⁾	Ton	-	-	303
		Total	Ton	19,156	16,999	14,235
Energy	Consumption	Beijing, China	TJ	23.6	19.4	17.7
	Intensity		GJ/product-ton	2.495	3.358	2.933
	Consumption	Dong Nai, Vietnam	TJ	13.9	12.2	12.9
	Intensity		GJ/product-ton	8.795	7.945	7.913
	Consumption	Guangzhou, China	TJ	65.5	59.5	49.1
	Intensity		GJ/product-ton	8.360	6.459	8.278
	Consumption	Saitama, Japan	TJ	5.2	6.1	5.9
	Intensity		GJ/product-ton	17.41	12.317	17.104
	Consumption	Dominica	TJ	-	-	17
	Intensity		GJ/product-ton	-	-	55.512
	Consumption	Total	TJ	108.2	97.1	102.4
	Intensity		GJ/product-ton	5.646	5.710	7.197

* LG H&H Standards

Classification		Overseas				
		Company	Unit	2020	2021	2022
GHG ²⁾	Emissions	Beijing, China	Ton CO ₂ e	1,368	1,124	1,025
	Intensity		Ton CO ₂ e/product-ton	0.145	0.195	0.170
	Emissions	Dong Nai, Vietnam	Ton CO ₂ e	783	686	729
	Intensity		Ton CO ₂ e/product-ton	0.496	0.448	0.447
	Emissions	Guangzhou, China	Ton CO ₂ e	3,800	3,452	2,852
	Intensity		Ton CO ₂ e/product-ton	0.485	0.375	0.480
	Emissions	Saitama, Japan	Ton CO ₂ e	472	548	538
	Intensity		Ton CO ₂ e/product-ton	1.573	1.114	1.555
	Emissions	Dominica	Ton CO ₂ e	-	-	2,844
	Intensity		Ton CO ₂ e/product-ton	-	-	9.385
	Emissions	Total	Ton CO₂e	6,423	5,811	7,988
	Intensity		Ton CO₂e/product-ton	0.335	0.342	0.561
Water	Consumption	Beijing, China	Ton	20,257	13,159	8,499
	Intensity		Ton/product-ton	2.145	2.282	1.412
	Consumption	Dong Nai, Vietnam	Ton	27,572	26,321	26,134
	Intensity		Ton/product-ton	17.451	17.181	16.023
	Consumption	Guangzhou, China	Ton	131,014	114,709	81,603
	Intensity		Ton/product-ton	16.728	12.458	13.746
	Consumption	Saitama, Japan	Ton	8,832	9,971	11,862
	Intensity		Ton/product-ton	29.441	20.267	34.283
	Consumption	Dominica	Ton	-	-	25,640
	Intensity		Ton/product-ton	-	-	84.620
	Consumption	Total	Ton	187,675	164,160	153,738
	Intensity		Ton/product-ton	9.797	9.657	10.800
Wastewater	Emissions	Beijing, China	Ton	14,997	9,789	6,031
	Intensity		Ton/product-ton	1.588	1.697	1.002
	Emissions	Dong Nai, Vietnam	Ton	22,434	21,078	20,907
	Intensity		Ton/product-ton	14.199	13.758	12.819
	Emissions	Guangzhou, China	Ton	87,114	98,663	69,597
	Intensity		Ton/product-ton	11.123	10.715	11.723
	Emissions	Saitama, Japan	Ton	5,576	7,366	6,737
	Intensity		Ton/product-ton	18.586	14.972	19.470
	Emissions	Dominica	Ton	-	-	-
	Intensity		Ton/product-ton	-	-	-
	Emissions	Total	Ton	130,121	136,896	103,272
	Intensity		Ton/product-ton	6.793	8.053	7.255

1) Acquired Dominican operations in December 2021

2) calculated based on the management guidelines for the target of GHG emissions and energy consumption

* Some data adjusted due to the addition of plants in Saitama, Japan and Dominica.

Environmental Performance

Classification	Company	Unit	Overseas			
			2020	2021	2022	
TOC	Beijing, China	Emissions	Ton	0.33	0.16	0.04
		Intensity	kg/product-ton	0.035	0.028	0.007
	Dong Nai, Vietnam	Emissions	Ton	0.055	0.078	0.058
		Intensity	kg/product-ton	0.035	0.051	0.036
	Guangzhou, China	Emissions	Ton	1.89	2.56	1.36
		Intensity	kg/product-ton	0.241	0.278	0.229
	Saitama, Japan	Emissions	Ton	0.143	0.194	0.225
		Intensity	kg/product-ton	0.476	0.395	0.649
	Dominica	Emissions	Ton	-	-	-
		Intensity	kg/product-ton	-	-	-
	Total	Emissions	Ton	2.418	2.992	1.683
		Intensity	kg/product-ton	0.126	0.176	0.118
Waste	Beijing, China	Emissions	Ton	259	165	177
		Intensity	kg/product-ton	27.425	28.611	29.412
	Dong Nai, Vietnam	Emissions	Ton	113	64	87
		Intensity	kg/product-ton	71.519	41.775	53.342
	Guangzhou, China	Emissions	Ton	331	354	596
		Intensity	kg/product-ton	42.263	38.445	100.323
	Saitama, Japan	Emissions	Ton	69	95	88
		Intensity	kg/product-ton	231.000	193.252	253.702
	Dominica	Emissions	Ton	-	-	49
		Intensity	kg/product-ton	-	-	161.386
	Total	Emissions	Ton	772	678	996
		Intensity	kg/product-ton	40.318	39.889	69.988

Water Recycling

Company	Classification	Unit	2020	2021	2022
LG H&H	Amount of recycled water	Ton	23,795	46,645	24,423
	Recycling rate	%	4.3	8.6	4.2
Coca-Cola Beverage	Amount of recycled water	Ton	113,887	97,827	86,230
	Recycling rate	%	6.6	5.5	4.5
HAITAI htb	Amount of recycled water	Ton	13,820	-	-
	Recycling rate	%	1.1	-	-

Waste Treatment Status(as of 2022)

	Classification	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Designated Waste	Amount of recycled waste	Ton	2,027.24	1.1	6.6	2,034.94
	Amount of incinerated waste	Ton	448.476	6.4	210	664.88
	Amount of buried waste	Ton	17.92	-	-	17.92
	Others	Ton	195.25	-	-	195.25
	Total amount	Ton	2,688.89	7.5	216.6	2,912.99
General Waste	Amount of recycled waste	Ton	4,795.58	6,939.4	6,070.8	17,805.78
	Amount of incinerated waste	Ton	2,690.68	10.3	17.6	2,718.58
	Amount of buried waste	Ton	56.59	-	82.6	139.19
	Others	Ton	71.565	-	44.4	115.97
	Total amount	Ton	7,614.42	6,946.6	6,215.4	20,776.42

Expenses for Environmental Protection(as of 2022)

	Classification	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
	Environmental investments	KRW million	4,649	2,747	174	7,570
	Environmental expenses	KRW million	6,357	1,492	654	8,503

Amount of Water Intake¹⁾ by Source(as of 2022)

	Classification	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
	Water supply ²⁾	Ton	411,731	1,625,832	1,131,731	3,169,294
	Groundwater	Ton	138,732	186,981	263,443	589,156
	River water	Ton	24,807	104,730	-	129,537
	Total amount	Ton	575,270	1,917,543	1,395,174	3,887,987

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 Containers¹⁾

	Classification	Unit	2020	2021	2022
	LG H&H	Ton	21,556	21,054	19,525
	Coca-Cola Beverage	Ton	46,745	47,411	36,356
	HAITAI htb	Ton	9,441	9,947	11,524
	Total amount	Ton	79,188	79,518	67,405

1) Calculated based on recycling rate disclosure data from the Korea Resource Circulation Service Agency(KORA)

* Some data adjusted due to changes in data management scope and methodology adjustments, etc.

Social Performance

Total Employees¹⁾

Status of Employees at Domestic Corporation²⁾

Classification		Unit	2020	2021	2022
Total number of employees		Person	7,744	7,466	7,387
Gender	Male	Person	5,086	4,907	4,783
	Females	Person	2,658	2,559	2,604

Status of Employees at Overseas Subsidiaries³⁾

Unit	Total number of employees	China	Japan	Vietnam	Taiwan	North America	Other ⁴⁾
Person	2,954	719	474	352	301	604	504

1) Ratio by country: Korea(71%), China(7%), Japan(5%), Vietnam(3%), Taiwan(3%), North America(6%), Other(5%)

2) Not including 2,954 employees in overseas subsidiaries 3) Based on full-time employees 4) Singapore, Malaysia, Thailand, and Hong Kong subsidiaries

Employee Details

Company	Classification	Unit	2020	2021	2022	
LGH&H	Total number of employees		Persons	4,640	4,471	4,471
	Gender	Male	Persons	2,174	2,107	2,054
		Females	Persons	2,466	2,364	2,417
	Employment Type	Permanent	Persons	4,577	4,461	4,429
		Temporary	Persons	63	10	42
	Job category	Office work	Persons	2,658	2,597	2,669
		Manufacturing	Persons	783	768	735
		Sales	Persons	1,199	1,106	1,067
	Diversity	Disabled	Persons	35	30	27
		Veterans	Persons	69	64	65
Foreigners		Persons	24	18	20	
Coca-Cola Beverage	Total number of employees		Persons	2,310	2,244	2,175
	Gender	Male	Persons	2,188	2,118	2,054
		Females	Persons	122	126	121
	Employment Type	Permanent	Persons	2,032	1,989	1,954
		Temporary	Persons	278	255	221
	Job category	Office work	Persons	470	456	443
		Manufacturing	Persons	298	293	289
		Sales	Persons	1,542	1,495	1,443
	Diversity	Disabled	Persons	53	49	47
		Veterans	Persons	57	57	58
Foreigners		Persons	-	-	-	
HAITAI htb	Total number of employees		Persons	794	751	741
	Gender	Male	Persons	724	682	675
		Females	Persons	70	69	66
	Employment Type	Permanent	Persons	737	718	692
		Temporary	Persons	57	33	43
	Job category	Office work	Persons	236	233	225
		Manufacturing	Persons	270	261	265
		Sales	Persons	288	257	245
	Diversity	Disabled	Persons	17	16	13
		Veterans	Persons	10	11	11
Foreigners		Persons	0	-	-	

Internal Hires

Classification	Unit	2020	2021	2022
Percentage of internal hires ¹⁾	%	80.7	80.5	78.7

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

Diversity status(equal salary)

Classification		Average female to male pay ratio
Management	Executive	90.1%
	Total	90.0%
Non-management	Base + other cash incentives such as bonuses	96.6%

Employee Training Status

Company	Classification	Unit	2020	2021	2022
LG H&H	No. of participants	Person	42,473	48,191	31,838
	Training hours per employee	Hours	52	58	64
	Training expense per employee	KRW	838,746	917,394	870,959
Coca-Cola Beverage	No. of participants	Person	14,721	66,113	9,485
	Training hours per employee	Hours	23	11	11
	Training expense per employee	KRW	130,224	89,952	156,032
HAITAI htb	No. of participants	Person	10,713	17,702	5,657
	Training hours per employee	Hours	43	29	34
	Training expense per employee	KRW	125,879	88,252	89,580

Parental Leave Status

Company	Classification	Unit	2020	2021	2022	
LG H&H	Number of parental leave users	Male	Person	32	34	69
		Female	Person	201	183	261
		Total	Person	233	217	330
	Number of employees who returned from parental leave	Male	Person	21	29	47
		Female	Person	173	190	194
		Total	Person	194	219	241
	Number of employees who worked for more than 12 months after returning to work	Male	Person	4	19	25
		Female	Person	105	166	168
		Total	Person	109	185	193
	Ratio of employees who worked for more than 12 months after returning to work	Male	%	100	90	86
		Female	%	95	90	88
		Average	%	96	90	88

Parental Leave Status

Company	Classification	Unit	2020	2021	2022	
Coca-Cola Beverage	Number of parental leave users	Male	Person	4	1	1
		Female	Person	1	4	3
		Total	Person	5	5	4
	Number of employees who returned from parental leave	Male	Person	3	1	2
		Female	Person	2	1	4
		Total	Person	5	2	6
	Number of employees who worked for more than 12 months after returning to work	Male	Person	4	3	1
		Female	Person	1	2	1
		Total	Person	5	5	2
	Ratio of employees who worked for more than 12 months after returning to work	Male	%	80	100	33
		Female	%	100	100	100
		Average	%	83	100	50
HAITAI htb	Number of parental leave users	Male	Person	1	-	3
		Female	Person	-	2	1
		Total	Person	1	2	4
	Number of employees who returned from parental leave	Male	Person	1	-	2
		Female	Person	-	-	2
		Total	Person	1		4
	Number of employees who worked for more than 12 months after returning to work	Male	Person	1	-	2
		Female	Person	-	-	2
		Total	Person	1		4
	Ratio of employees who worked for more than 12 months after returning to work	Male	%	100	-	-
		Female	%	100	100	-
		Average	%	100	100	-

Job Creation¹⁾

Company	Classification	Unit	2020	2021	2022
LGH&H	Male	Person	49	47	60
	Female	Person	40	60	109
	Total	Person	89	107	169
Coca-Cola Beverage	Male	Person	24	26	24
	Female	Person	2	1	4
	Total	Person	26	27	28
HAITAI htb	Male	Person	8	5	11
	Female	Person	1	-	3
	Total	Person	9	5	14

1) Based on the number of permanent employees and employees converted into a permanent position

Turnover¹⁾(as of 2022)

Company	Classification	Unit	2020	2021	2022
LG H&H ²⁾	Male	Person	28	81	54
	Female	Person	83	83	92
	Total	Person	111	164	146
Coca-Cola Beverage	Male	Person	3	13	6
	Female	Person	-	2	5
	Total	Person	3	15	11
HAITAI htb	Male	Person	23	21	19
	Female	Person	3	-	3
	Total	Person	26	21	22

1) Based on the voluntary turnover of permanent employees

2) Voluntary turnover rates of permanent employees: 3.3%

Labor Union Membership Rate¹⁾

Company	Unit	2020	2021	2022
LG H&H	%	35.9	36.6	52.5
Coca-Cola Beverage	%	98.1	98.3	97.8
HAITAI htb	%	81.9	86.6	82.3

1) Major agreements, including collective bargaining agreements with labor unions, apply to all employees(100%)

Industrial Accidents¹⁾

Company	Classification	Unit	2020	2021	2022	
LG H&H	No. of cases	Male	Cases	5	2	3
		Female	Cases	2	2	1
		Subtotal	Cases	7	4	4
	Accident rate	Male	%	0.23	0.09	0.15
		Female	%	0.08	0.08	0.04
		Subtotal	%	0.15	0.09	0.09
Coca-Cola Beverage	No. of cases	Male	Cases	11	5	12
		Female	Cases	0	-	-
		Subtotal	Cases	11	5	12
	Accident rate	Male	%	0.5	0.23	0.58
		Female	%	0	0	-
		Subtotal	%	0.48	0.22	0.55
HAITAI htb	No. of cases	Male	Cases	3	4	4
		Female	Cases	0	-	-
		Subtotal	Cases	3	4	4
	Accident rate	Male	%	0.41	0.55	0.60
		Female	%	0	0	-
		Subtotal	%	0.38	0.5	0.54

1) 0 fatalities in 2020-2022, including in-house resident contractors.*

* Data parameters: 1,005 for 2020, 1,128 for 2021, 1,101 for 2022

Lost Time Injury Frequency Rate(LTIFR)

Company	Classification	Unit	2020	2021	2022
LG H&H	Employees	Incidents/million work hours	0.73	0.43	0.43
	In-house suppliers	Incidents/million work hours	0.48	0.84	1.56
Coca-Cola Beverage	Employees	Incidents/million work hours	2.29	1.13	2.65
HAITAI htb	Employees	Incidents/million work hours	1.82	2.82	2.60

Occupational Illness Frequency Rate(OIFR)

Company	Unit	2020	2021	2022
LG H&H	Incidents/million work hours	0.00	0.00	0.00
Coca-Cola Beverage	Incidents/million work hours	0.00	0.00	0.00
HAITAI htb	Incidents/million work hours	0.00	0.00	0.00

Purchase Amount¹⁾(as of 2022)

Region	Purchases (KRW 100 million)	Percentage(%) ²⁾
South Korea	22,742	85.48
China	862	3.25
Japan	272	1.02
Other Asia	925	3.49
Europe	895	3.37
North America	693	2.61
South America	4	0.01
Oceania	212	0.80

1) Purchases of raw materials, auxiliary materials, goods, and molds

2) Percentage of total LG H&H purchases

Suppliers(as of 2022 in Korea)

Business Unit	Type	Number of suppliers
Beautiful	Products	91
	Raw materials	243
	Subsidiary materials	139
	Molds	19
Healthy	Products	119
	Raw materials	236
	Subsidiary materials	98
	Molds	19
Refreshing	Products	-
	Raw materials	154
	Subsidiary materials	54
	Molds	3

Supplier Support Performance and Goals¹⁾

Classification	No. of suppliers with improved safety quality ratings	Number of technical support	Amount of financial support
2020	176 companies(cumulative)	756 cases(cumulative)	KRW 140.09 billion(cumulative)
2021	240 companies(cumulative)	949 cases(cumulative)	KRW 178.89 billion(cumulative)
2022	300 companies(cumulative)	1,153 cases(cumulative)	KRW 218.69 billion(cumulative)
2025 Goal	660 companies(cumulative)	1,811 cases(cumulative)	KRW 310.2 billion(cumulative)

1) Cumulative data from 2019 for safety quality rating assessment for suppliers / Cumulative data from 2017 for targets and achievements related to technical and financial support for suppliers

Social Contribution Investment and Volunteer Work Hours¹⁾

Classification		Unit	2020	2021	2022
Social contribution investment	Total amount	Million KRW	35,662	68,532	48,587
	Cash	Million KRW	18,159	12,579	17,696
	In-kind	Million KRW	17,593	55,953	30,891
Overhead		Million KRW	912	1,053	1,079
Volunteer work	Hours	Hours	1,895	2,133	1,185
	Monetary value ²⁾	KRW	-	83,063,942	47,286,058

1) LG H&H Standards

2) Based on the average salary per employee

Key Association Memberships and Initiatives

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

Contribution to Associations & Organizations¹⁾

(Unit: KRW)

2019	2020	2021	2022
712,529,772	753,327,600	780,634,723	795,986,463

1) In accordance with the Korean Political Funds Act and the LG H&H Code of Ethics Practice Guidelines, donations for political purposes using company assets, budgets, etc. are strictly prohibited, and there were no lobbying, local election campaign support, or other political donations in 2016-2021.

(Unit: KRW)

Major associations	2022 Contributions
Korea Cosmetic Association	182,880,000
Korea Health Functional Food Association	12,000,000
Korea Food Industry Association	8,160,000
Korea Product Safety Association	3,000,000
Korea Industrial Safety Association	1,008,000

Major External Assessments and Awards

Classification	Award	Evaluation, Award Organization
2021 Shared Growth Index	Selected as a Best Company	Shared Growth Committee
Excellence in Social Contribution to Cultural Properties	Selected as an excellent company	Cultural Heritage Administration
Best of the Best Beauty Award Outstanding Product	Belif The True Cream Aqua Balm	Cosmopolitan
Main prize of the Red Dot Design Award	L. Heritage 1947 Refill Station	Westfalen Design Center, Nord´heim, Germany
2022 JoongAng ESG Management Awards	Overall Grand Prize	JoongAng Ilbo

Customer Satisfaction¹⁾

Classification	Unit	2020	2021	2022
Percentage of satisfied customers	%	87.9	88.5	88.8

1) NPS(Net Promoter Score) measured for representative brands 'O HUI', 'Whoo,' and 'Su:m' until 2019, and 'Belif' added in 2020.

Product Recalls

Classification	Unit	2020	2021	2022 ¹⁾
Number of products recalled	Cases	0	0	1

1) Recall cost 0.000008%(of annual sales(LG H&H standards))

Management System Certification Status

Company	Classification	Classification	ISO 14001	ISO 9001	ISO 45001	KOSHA ¹⁾ -MS	HACCP	ISO22716	Green Company	FSSC22000
LGH&H	Domestic	Cheongju, TP Plant	2021.12.02.~ 2024.12.01.	2020.12.13.~ 2023.12.12.	2022.11.18.~ 2025.11.17.			2022.11.15.~ 2025.11.15.		
		Ulsan	2020.11.24.~ 2023.11.23.	2021.09.10.~ 2024.09.09.		2022.11.27.~ 2025.11.26.		2021.10.12.~ 2024.10.11.	2021.11.08.~ 2024.11.07.	
		Onsan	2020.10.27.~ 2023.10.26.	2020.10.27.~ 2023.10.26.						
		Incheon						2023.04.28.~ 2026.05.17.		
		Daejeon OBM Lab								
	Overseas	Vietnam	2022.03.24.~ 2023.11.12.	2022.03.27.~ 2023.12.20.						
		Beijing	2022.11.21.~ 2023.12.27.		2022.11.21.~ 2023.12.27.			2022.03.02.~ 2025.03.01.		
		Guangzhou	2023.06.06.~ 2026.06.15.	2023.06.06.~ 2026.06.15.	2023.06.06.~ 2026.06.15.			2022.05.28~ 2025.05.30		
		Japan						2023.01.11~ 2026.01.21		
		Dominica								
CCB	Yeosu	2022.07.01.~ 2025.06.22.	2022.09.25.~ 2025.09.24.	2020.07.30.~ 2023.07.29.		2022.12.16.~ 2025.12.15.			2022.04.04.~ 2025.04.03.	
	Yangshan	2022.07.01.~ 2025.06.22.	2022.12.27.~ 2025.12.26.	2020.07.30.~ 2023.07.29.		2023.01.19.~ 2026.01.18.			2021.06.19.~ 2024.06.18.	
	Gwangju	2022.07.01.~ 2025.06.22.	2022.10.24.~ 2025.10.23.	2020.07.30.~ 2023.07.29.		2023.03.30.~ 2026.03.29.		2020.12.14.~ 2023.12.13.	2021.06.20.~ 2024.06.19.	
HTB	Cheonan	2020.12.01.~ 2023.11.30.	2020.12.09.~ 2023.12.08.	2020.12.15.~ 2023.12.14.		2023.05.20.~ 2026.05.19.		2020.12.06.~ 2023.12.05.	2022.01.13.~ 2023.12.27.	
	Cheorwon	2021.12.08.~ 2024.12.07.	2021.11.23.~ 2021.11.22.	2021.12.08.~ 2024.12.07.					2022.02.07.~ 2024.02.01.	
	Pyeongchang	2020.12.17.~ 2023.12.16.	2020.12.17.~ 2023.12.16.	2021.06.27.~ 2024.06.26.					Bottled water: 2021.12.03.~ 2024.12.02. Preform manufacturing: 2022.11.30.~ 2025.11.29.	
	Iksan1	2021.07.24.~ 2024.07.23.	2022.05.02.~ 2025.05.01.	2020.07.18.~ 2023.07.17.						
	Iksan 2	2022.12.23.~ 2025.12.22.	2020.10.22.~ 2023.10.21.	2022.12.24.~ 2025.12.22.						

1) Certification name changed from KOSHA18001 to KOSHA-MS

04

APPENDIX



GRI Standards / UNGC / TCFD / SASB	136
Third Party Verification Statement	144
Greenhouse Gas Emission Verification Statement	146

GRI Standards Index

Statement of use	LG H&H applies the GRI Standards in reporting and disclose its sustainability content for the period from January 1, 2022 to December 31, 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	Currently unavailable(as of the reporting date of December 2022, the standard was not published for LG H&H's industry group(S&P 500, MSCI)), etc.

	Indicators	Page	Remarks
General Disclosures			
	2-1 Organizational details	12-13, 93	
	2-2 Entities included in the organization's sustainability reporting	2, 13	
	2-3 Reporting period, frequency and contact point	2	
	2-4 Restatements of information	2	Changes in data are noted in the footnotes.
	2-5 External assurance	144, 145	
	2-6 Activities, value chain and other business relationships	6-11, 14-15, 20-21	
	2-7 Employees	127	
	2-8 Workers who are not employees	2022 Business Report 255-256	LG H&H Standards
	2-9 Governance structure and composition	89-90	
	2-10 Nomination and selection of the highest governance body	89, 91	
	2-11 Chair of the highest governance body	89-90	
	2-12 Role of the highest governance body in overseeing the management of impacts	37, 43, 65, 91, 97	
	2-13 Delegation of responsibility for managing impacts	37, 43, 65, 91, 97	
	2-14 Role of the highest governance body in sustainability reporting	91	
GRI 2: General Disclosures 2021	2-15 Conflicts of interest	89-90	
	2-16 Communication of critical concerns	90-91, 95-100	
	2-17 Collective knowledge of the highest governance body	91	
	2-18 Evaluation of the performance of the highest governance body	2022 Corporate Governance Report 41-42	
	2-19 Remuneration policies	2022 Corporate Governance Report 41-42	
	2-20 Process to determine remuneration	2022 Corporate Governance Report 41-42	
	2-21 Annual total compensation ratio	2022 Business Report 256-260	
	2-22 Statement on sustainable development Strategy	4, 5	
	2-23 Policy commitments	60-63	
	2-24 Embedding policy commitments	60-63	
	2-25 Processes to remediate negative impacts	95-100	
	2-26 Mechanisms for seeking advice and raising concerns	61, 107	
	2-27 Compliance with laws and regulations	2022 Business Report 266-267	No material violations
	2-28 Membership associations(Initiatives)	132	
	2-29 Approach to stakeholder engagement	28-29	
	2-30 Collective bargaining agreements	59, 130	
Material topics			
GRI 3:Material Topics 2021	3-1 Process to determine material topics	30-31	
	3-2 List of material topics	32	

	Indicators	Page	Remarks
Material Issues 1. Enhancing product responsibility and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	33, 34-35	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	24-25, 68-73	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	2022 Business Report 266-267	
Material Issues 2. Responding to climate change(carbon neutrality)			
GRI 3: Material Topics 2021	3-3 Management of material topics	33, 36-37	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	44-45, 122-123	
	302-3 Energy intensity	122-123	
	302-4 Reduction of energy consumption	45	
GRI 305: Emissions 2016	305-1 Direct(Scope 1) GHG emissions	45, 122, 124, 146-151	
	305-2 Energy indirect(Scope 2) GHG emissions	45, 122, 124, 146-151	
	305-3 Other indirect(Scope 3) GHG emissions	146-151	
	305-4 GHG emissions intensity	122, 124	
	305-5 Reduction of GHG emissions	44-45	
	305-7 Nitrogen oxides(NOx), sulfur oxides(SOx), and other significant air emissions	123	Sox, other major air emissions not subject to management
Material Issues 3. Developing eco-friendly products and services & Material Issues 7. Reducing the environmental impact of packaging materials			
GRI 3: Material Topics 2021	3-3 Management of material topics	22-25, 38-39, 46-48, 72-73	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	22-23, 38	
	306-2 Management of significant waste-related impacts	39, 50	
	306-3 Waste generated	50, 123, 125	
	306-4 Waste diverted from disposal	50, 126	
	306-5 Waste directed to disposal	50, 126	
Material Issue 4. Advancing the Resource Circulation System			
GRI 3: Material Topics 2021	3-3 Management of material topics	17-18, 46	
GRI 301: Materials 2016	301-3 Reclaimed products and their packaging materials	46, 126	
Material Issue 5. R&D and Product Innovation			
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35	
NON-GRI	No related topics		
Material Issue 6. Strengthening Shared Growth Activities with Suppliers & Material Issue 10. Selecting and Evaluating Sustainable Suppliers			
GRI 3: Material Topics 2021	3-3 Management of material topics	109, 112-115	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	109-111	
	308-2 Negative environmental impacts in the supply chain and actions taken	111, 115	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	109-111	
	414-2 Negative social impacts in the supply chain and actions taken	111, 115	

GRI Standards Index

Indicators		Page	Remarks
Material Issue 8. Strengthening the handling and management of hazardous substances			
GRI 3: Material Topics 2021	3-3 Management of material topics	35, 51	
NON-GRI	No related topics		
Material Issue 9. Expanding Customer Service Accessibility			
GRI 3: Material Topics 2021	3-3 Management of material topics	74-77	
NON-GRI	No related topics		
General topic standards			
Economic performance			
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	14-15	
	201-2 Financial implications and other risks and opportunities due to climate change	141-142	
Indirect Economic Impacts			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	82-87	
	203-2 Significant indirect economic impacts	82-87	
Procurement			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	110, 131	
Anti-corruption			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	107	
	205-2 Communication and training about anti-corruption policies and procedures	106	
	205-3 Confirmed incidents of corruption and actions taken	107	
Tax			
GRI 207: Tax 2019	207-1 Approach to tax	101	
	207-2 Tax governance, control, and risk management	101	
	207-3 Stakeholder engagement and management of concerns related to tax	101	
	207-4 Country-by-country reporting	121	
Water and Effluents			
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	49-50, 122, 124-126	
	303-4 Water discharge	49-50, 122, 124	
	303-5 Water consumption	49-50, 122, 124-125	
Biodiversity			
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	52	
	304-2 Significant impacts of activities, products and services on biodiversity	52	
	304-3 Habitats protected or restored	53	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	53	
Employment			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	129-130	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	58	
	401-3 Parental leave	58, 128-129	

Indicators		Page	Remarks
Labor Management Relations			
GRI 402: Labor Management Relations 2016	402-1 Minimum notice periods regarding operational changes	N/A	Although the notification rule for operational changes exists, there is no specific notice period for collective bargaining
Occupational Health and Safety			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	65	
	403-2 Hazard identification, risk assessment, and incident investigation	65-66	
	403-3 Occupational health services	67	
	403-4 Worker participation, consultation, and communication on occupational health and safety	65-67	
	403-5 Worker training on occupational health and safety	66	
	403-6 Promotion of worker health	67	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65-67	
	403-9 Work-related injuries	130-131	
	403-10 Work-related ill health	131	
	Training and Education		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	128	
	404-2 Programs for upgrading employee skills and transition assistance programs	56	
Diversity and Equal Opportunity			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	127	
	405-2 Ratio of basic salary and remuneration of women to men	128	No difference in basic salary between men and women
Non-discrimination			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	107	
Child Labor			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	62-63, 111	
Forced or Compulsory Labor			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	62-63, 111	
Local Communities			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	82-87	
Public Policy			
GRI 415: Public Policy 2016	415-1 Political contributions	N/A	Complied with the Korean Political Funds Act and the LG H&H Code of Ethics Practice Guidelines
Marketing and Labeling			
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	N/A	No material violations
	417-3 Incidents of non-compliance concerning marketing communications	2022 Business Report 267	
Customer Privacy			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A	No material violations

UNGC

Communication on Progress(UNGC)

LG H&H joined the United Nations Global Compact(UNGC) in 2012 and is committed to voluntarily complying with 10 principles in four areas: human rights, labor, environment, and anti-corruption.

Classification	LG H&H Systems and Policies	Related Activities	Reporting Page
Human Rights			
Principle 1.	A company should support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> · Human Rights Policy · Code of Ethics Chapter 1 Responsibilities and Obligations to Customers 1. Respect for Customers 	61, 105, 111
Principle 2.	A company should actively strive to avoid involvement in human rights violations.	<ul style="list-style-type: none"> · Code of Ethics Chapter 5 Responsibilities to Employees 1. Fair Treatment 	105, 111
Labor			
Principle 3.	A company should support freedom of association and the effective recognition of collective bargaining.	<ul style="list-style-type: none"> · Human Rights Policy · Labor-Management Council Operating Guidelines · Code of Ethics Chapter 5 Responsibilities to Employees 1. Respect for human beings 2. Fair Treatment 	54-57, 108-111
Principle 4.	A company should eliminate all forms of forced or compulsory labor.		
Principle 5.	A company should effectively eradicate child labor.		
Principle 6.	A company should eliminate discrimination in employment and work.		
Environment			
Principle 7.	A company should support a precautionary approach to environmental issues.	<ul style="list-style-type: none"> · Code of Conduct for Suppliers · Code of Ethics Chapter 6 Responsibility to the Nation and Society 4. Emphasis on Environment/ Safety/Health 	38-39, 42-53
Principle 8.	A company should undertake measures to promote environmental responsibility.		
Principle 9.	A company should promote the development and diffusion of environmentally friendly technologies.		
Anti-Corruption			
Principle 10.	A company should oppose all forms of corruption, including extortion and bribery.	<ul style="list-style-type: none"> · Code of Ethics Chapter 2 Fair Competition 2. Compliance with laws and regulations Chapter 4 Basic Ethics of Employees 4. Fair Job Performance 	88-107

TCFD

TCFD Information Disclosure

To systematically respond to climate change, LG H&H continuously monitors global and local climate change trends and their impact on the company through the ESG Committee under the BOD. Considering the potential financial impact of climate change risks, we utilize the recommendations of the TCFD established by the FSB to disclose risks and opportunities as follows.

TCFD Requirements	LG H&H Response Activities
Governance	
a) Board of Directors' Supervision of Climate Change Risks and Opportunities	The CEO chairs LG H&H's Board of Directors and is responsible for final decision-making on company-wide climate change-related issues. To strengthen the expertise and efficiency of decision-making on climate change issues, the BOD has an ESG Committee responsible for deliberating and overseeing climate-related issues. The committee reports regularly to the Board on its operations. In 2022, the ESG Committee reviewed the GHG emission reduction targets set for enhancing the climate change strategy and approved the mid-to-long-term climate change response strategy, including the investment plan, and the climate response action plan for the current and following years.
b) Management's role in assessing and managing climate change-related risks and opportunities	LG H&H assigns C-level executives to key governance organizations to take joint responsibility for climate response. The CEO is a member of the ESG Committee and has the final say on climate change issues, and the CFO chairs the ESG Council and shares the direction of climate response with members. The CRO chairs the Crisis Management Committee and the Green Product Review Council to enhance climate change risk prevention activities and promote the transition to eco-friendly packaging. We are further strengthening the motivation to implement environmental management by reflecting environmental indicators such as sales of green products and the development of eco-friendly and differentiated packaging as KPIs at the C-level.
Strategy	
a) Climate change risks and opportunities over the short, medium, and long term	<p>LG H&H analyzes the business risks and opportunities that climate change poses to its domestic operations and value chain based on our short-, medium-, and long-term business timelines(short-term ~2024, medium-term ~2030, and long-term ~2050).</p> <ol style="list-style-type: none"> In the short term, the increase in the frequency of natural disasters such as typhoons and floods is expected to take a toll on real assets such as factory facilities, directly contributing to a decline in production. On the other hand, enhanced external communication activities such as participation in eco-friendly initiatives and disclosure of information related to climate change are likely to improve consumer brand preference, which could lead to sales expansion. In the medium term, additional operating expenses are foreseen to be incurred in strengthening and responding to regulations related to greenhouse gases, such as increasing the price of greenhouse gas emissions and enhancing the obligation to disclose emissions. On the other hand, we are expected to benefit from reductions in operating expenses such as recycling costs and energy and water supply costs through efficient resource utilization. In the long term, the need to use renewable energy in the industrial sector will increase as countries pursue energy transition policies. As the demand for renewable energy increases, the cost of procuring renewable energy may also increase. Meanwhile, consumption of eco-friendly products is expected to increase among certain consumer groups, such as consumers in climate-vulnerable regions and the MZ generation. LG H&H aims to respond to the need for eco-friendly products by continuously developing and selling climate-responsive products.
b) Impact of risks and opportunities on LG H&H's business, strategic, and financial plans	LG H&H establishes management direction for all potential risks and opportunities it identifies. In particular, for prioritized risks, we conduct activities to prevent their occurrence or mitigate their adverse effects. Furthermore, in the response process, relevant departments collaborate to examine ways to align with company-wide business opportunities and use risks as growth engines rather than simply as mitigation targets. For example, by 2030, we have selected 84 detailed technologies and projects that can be applied by year, including energy efficiency improvements at LG H&H, Coca-Cola Beverage, and HAITAI htb plants, expanded use of renewable energy, and eco-friendly vehicle conversion strategies, and established an investment plan worth approximately KRW 200 billion. In 2022, we significantly improved energy efficiency by supplementing facilities at our business sites, with LG H&H investing KRW 2.2 billion, Coca-Cola Beverage KRW 1.1 billion, and HAITAI htb KRW 500 million, respectively. In addition, we are actively promoting eco-friendly product development activities such as developing products using 'waste plastic pyrolysis oil' as raw material, developing label-free beverage containers, and launching a vegan-certified makeup brand by linking consumers' interest in eco-friendly products with business opportunities.
c) Resilience of LG H&H	<p>LG H&H has set a top-down reduction target of "45% reduction in scope 1,2,3 emissions in 2030" based on the IPCC* scenario that limits the increase in global average temperature to 1.5 degrees or less. The means to reduce the gap with the bottom-up reduction target, calculated through a review of feasible tasks within LG H&H, such as process efficiency improvement, fuel switching, RE100, EV100, etc., will enable us to make flexible decisions based on the future course of climate change and economic comparison between reduction measures such as RECs and boilers.</p> <p>In addition, for the quantitative and qualitative analysis of physical risks from climate change, we identified impacts that could directly affect our business sites, factories, and production facilities based on the IPCC's RCP 1.9 and 8.5 scenarios and the IEA**'s NZE and STEPS scenarios. We will continue to monitor the physical risks identified through scenario analysis, such as heavy rainfall, heat waves, typhoons, sea level rise, and fine dust, through our risk management system to minimize the damage caused by physical risks.</p> <p>* IPCC(Intergovernmental Panel on Climate Change) ** IEA(International Energy Agency)</p>

TCFD

TCFD Requirements	LG H&H Response Activities
Risk Management	
<p>a) Process to identify and assess climate change risks</p>	<p>LG H&H categorizes and defines climate change-related risks in accordance with the TCFD recommendations. We categorize risks into physical risks and transition risks and identify factors that could potentially affect our business. We conduct qualitative and quantitative analyses for the identified risks and estimate the expected timing of their emergence throughout our short-, medium-, and long-term business strategies. We then collect opinions from relevant internal departments on the analysis results to prioritize risks and discuss the urgency of response.</p>
<p>b) Processes to manage climate change risks</p>	<p>LG H&H is implementing activities to prevent climate change-related risks and proactively mitigate their impacts. Climate change risks are monitored quarterly by the ESG team to continuously identify the impact of risks. The progress of climate change response activities is also monitored regularly, and the ESG Council and ESG Practice Council are in charge of this task. The status of monitored risks and responses are reported to the ESG Committee and finally to the BOD.</p>
<p>c) The integration of the process of identifying, assessing, and managing climate change risks into enterprise-wide risk management</p>	<p>LG H&H operates an enterprise-wide integrated risk management system to monitor and respond to potential risks. We operate climate change-related risks as part of our enterprise-wide integrated risk management system on a quarterly basis and continuously identify the impact of climate change-related risks at the enterprise level. We also categorize potential risks into four categories: strategic, risk, financial, and operational risks, and monitor and manage them at the relevant department or company-wide level, depending on the nature of the risk.</p>
Indicators and Reduction Targets	
<p>a) Disclosure of indicators used to manage climate change risks and opportunities</p>	<p>LG H&H continues to monitor and evaluate climate change-related risks and opportunities by obtaining quantitative data on GHG emissions and GHG intensity that directly affect climate change. We disclose our emissions data in Scope 1, 2, and 3 to our stakeholders through the Sustainability Report and CDP Response Paper. We also disclose and manage data on key environmental indicators besides GHG emissions, such as energy and water use, wastewater, and waste. We have established a system to respond to various climate change risks and opportunities that may arise throughout our production activities in the short, medium, and long term. In the future, we plan to prepare for tightening climate information disclosure regulations by gradually expanding the scope of Scope 3 GHG emissions calculation and continuously supplementing the calculation method. b) Disclosure of Scope 1, Scope 2, and Scope 3 Greenhouse Gas(GHG) Emissions and Related Risks.</p>
<p>b) Disclosure of Scope 1, Scope 2, and Scope 3 Greenhouse Gas(GHG) Emissions and Related Risks</p>	<p>LG H&H's GHG emissions in 2022 were 279,064 tCO₂-eq, including direct and indirect GHG emissions generated within our business sites(Scope 1&2) and other indirect emissions(Scope 3). Details on our GHG emissions and status are disclosed through the CDP Climate Change Response Paper.</p>
<p>c) Targets used to manage climate change risks and opportunities</p>	<p>LG H&H has set a challenging goal of achieving carbon neutrality by 2050. By introducing GHG reduction tasks in stages to realize the goal, we will reduce scope 1,2 and 3 GHG emissions by 45% compared to 2020 by 2030 and achieve a 100% reduction by 2050.</p>

SASB

SASB Index

LG H&H intends to report sustainability information in the ESG Report in conjunction with the 'Sustainability Accounting Standards Boards'(SASB) Sustainability Accounting Standards Index. The sustainability indicators for the household and personal products sector apply only to LG H&H, and the sustainability indicators for the non-alcoholic beverage sector apply only to Coca-Cola Beverages and HAITAI htb.

Topic	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	125	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	49-50	
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern(SVHC)	CG-HP-250a.1	42	
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	42	
	Discussion of process to identify and manage emerging materials and chemicals of concern	CG-HP-250a.3	70-71	
	Revenue from products designed with green chemistry principles	CG-HP-250a.4	65	
Packaging Lifecycle 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	46-47	
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	CG-HP-410a.2	22-25, 38-39, 42, 46-48	
Environmental & Social Impacts of Palm Oil Supply Chain	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	111	
Non-Alcoholic Beverages Sustainability Accounting Standard				
Fleet Fuel Management	Fleet fuel consumed, percentage renewable	FB-NB-110a.1	122-123	
Water Management	(1) Operational energy consumed, (2) percentage grid electricity and (3) percentage renewable	FB-NB-130a.1	122-123	
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	125	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	FB-NB-140a.2	49-50	
Health & Nutrition	Revenue from (1) zero- and low-calorie, (2) no-added-sugar, and (3) artificially sweetened beverages	FB-NB-260a.1	75-77	
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	FB-NB-260a.2	72-73	
Product Labelling & Marketing	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines ¹	FB-NB-270a.1	-	
	Revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	FB-NB-270a.2	-	
	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	FB-NB-270a.3	139	
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling practices ²	FB-NB-270a.4	139	
Packaging Lifecycle 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	46-48	
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	FB-NB-410a.2	22-25, 38-39, 42, 46-48	
Environmental & Social Impacts of Ingredient Supply Chain	Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	FB-NB-430a.1	109-111	
Ingredient Sourcing	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	FB-NB-440a.1	-	
	List of priority beverage ingredients and discussion of sourcing risks related to environmental and social considerations	FB-NB-440a.2	-	



Third Party Verification Statement

To: The Stakeholders of LG H&H Co., Ltd.

Introduction and Objectives of Work

BSI Group Korea(hereinafter “the Assurer”) was requested to verify 2022 LG H&H ESG Report(hereinafter “the Report”). This assurance statement applies only to the relevant information included 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 Assurer is to provide LG H&H Management with independent assurance statement based on its expert opinions by applying the verification methodology for the specified assurance scope. It is also to provide the information to all stakeholders of LG H&H.

Standards and Levels

This assurance was based on the AA1000AS(Assurance Standard) v3(2020) Assurance Standard and confirmed that the Report was prepared in accordance with the GRI Standards, the international standards guidelines of sustainability reports. In accordance with the AA1000 AS, the assurance level was Moderate Level, and conducted against Type 1 to confirm compliance with the four principles of the AA1000 AP(AccountAbility Principles) 2018 and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report.

Type 2 was limitedly verified based on the data and information provided by the reporting organization, for Performance indicators related to energy consumption, quantity of waste treatment, GHG scope 1 emission, GHG scope 2 emission, GHG scope 3 emission and rate of recordable work-related injuries.

Scope

The scope of assurance applied to the Report is as follows;

- Report contents during the period from January 1st to December 31st 2022 included in the report, some data included 2023.
- Major assesstion included in the report, such as sustainability management policies and strategies, goals, projects, and performance, and the report contents 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 in Appendix
- Index items related to other international standards and initiatives other than the GRI
- Other related additional information such as the website, business annual report.

Methodology

As a part of its independent assurance, the Assurer has used the methodology developed for relevant evidence collection in order to comply with the verification criteria and to reduce errors in reporting. The Assurer has performed the following activities;

- Review of the system for sustainability management strategy process and implementation
- Review of materiality issue analysis process and prioritization by reviewing materiality issue analysis process and verifying the results
- Review of 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

Limitation

The Assurer performed limited verification for a limited period based on the data provided by the reporting organization. It implies that no significant errors were found during the verification process, and that there are limitations related to the inevitable risks that may exist. The Assurer does not provide assurance for possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

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 is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards)
- The assurance opinions on the four principles presented in the AA1000 AP(2018) are as follows.

AA1000 AP (2018)**Inclusivity: Stakeholder Engagement and Opinion**

LG H&H defined customers, employees, shareholders/investors, suppliers, local communities and government /public agencies/associations as key stakeholders groups, and operated communication channels for each stakeholder group for engagement. LG H&H reflected key issues drawn through stakeholder channels in sustainability management decisions and disclosed the process in the Report.

Materiality: Identification and reporting of material sustainability topics

LG H&H established the strategy related to sustainability management and established the process to derive reporting issues. LG H&H identified financial and social/environmental impacts and derived 3 core material issues and 7 material issues and based on the analysis of media research, benchmarking global advanced companies in its field, and analysis of major global initiatives related to sustainability.

Responsiveness: Responding to material sustainability topics and related impacts

LG H&H established the management process for material issues determined by the materiality assessment, implemented a response plan for each issue to appropriately respond to the derived material issues that reflects the expectations of stakeholders. LG H&H disclosed the process including policy, indicator, activity and response performance on material issues in the Report.

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

LG H&H established the process to identify and evaluate the impact on organizations and stakeholders related to material issues. LG H&H used impacts, risk and opportunity factor analysis results for material issues to make decisions to develop response strategies for each issue, and disclosed the process in the Report.

Key areas for ongoing development

- LG H&H disclosed a company-wide mid- to long-term strategy on major sustainability issues, and reported the roles and responsibilities of leading company the industry's sustainability strategy, such as the 2050 Net-zero Declaration on Carbon Neutrality and the release of the 4R Clean Beauty Index. It may be helpful to lead sustainability management system by disclosing of achievements and plans for each year.
- It may be helpful to advance sustainability management system by clarifying the scope and definition of the value chain and identifying and managing sustainability issues within that value chain, in the key business areas of LG H&H and the characteristics of major subsidiaries within the reporting scope.

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 an AA1000AS assurer, have a lot of assurance experience, and have in-depth understanding of the BSI Group's assurance standard methodology.

Evaluation against GRI 'In Accordance' Criteria

The Assurer confirmed that the Report was prepared in accordance with the GRI Standards and the disclosures related to the following Universal Standards and Topic Standards Indicators based on the data provided by LG H&H, the sector standard was not applied.

[Universal Standards]

2-1 to 2-5(The organization and its reporting practices), 2-6 to 2-8(Activities and workers), 2-9 to 2-21(Governance), 2-22 to 2-28(Strategy, policies and practices), 2-29 to 2-30(Stakeholder engagement), 3-1 to 3-3(Material Topics Disclosures)

[Topic Standards]

201-1~2, 204-1, 205-1~3, 207-1~4, 301-3, 302-1, 302-3~4, 303-3~5, 304-1~4, 305-1~5, 305-7, 306-1~5, 308-1~2, 401-1~3, 402-1, 403-1~7, 403-9~10, 404-1~2, 405-1~2, 406-1, 408-1, 409-1, 413-1, 414-1~2, 415-1, 416-1~2, 417-2~3, 418-1

29th June 2023

S. H. Lim / BSI Group Korea, Managing Director



AA1000
Licensed Report
000-4/V3-2DXKR

Greenhouse Gas Emission Verification Statement(LG H&H)

Verification Target

Korean Foundation for Quality(hereinafter 'KFQ') has conducted a verification of Greenhouse Gas Emissions(hereinafter 'GHG Inventory') of LG Household & Health Care Co.,for 2022.

Verification Scope

Scope 1 and 2 emissions were targeted at all GHG emission facilities in all business sites under operational control.

Scope 3 emissions were conducted for emissions from January 1st, 2022 to December 31st within the category range selected by the company itself.

Verification Criteria

Scope 1 and 2 emissions are "Guidelines for reporting and certification of greenhouse gas emissions trading system(Ministry of Environment Notice No.2022-279)" and "Verification Guidelines for Greenhouse Gas Emission Trading System Operation(Ministry of Environment Notice No.2021-112)" and Based on "ISO14064-3".

Scope 3 emissions are based on "WBCSD/WRI, Corporate Value Chain(Scope 3) Accounting and Reporting Standard", "Environmental Product Declaration Guidelines(Ministry of Environment Notice No.2021-65)" and "ISO14064-3".

Level of Assurance

Scope 1 and 2 verification was planned and performed in accordance with the procedures stipulated in the verification guidelines for the operation of the greenhouse gas emissions trading system, and the assurance level of verification was performed to satisfy a reasonable level of assurance.

Scope3 verification was performed according to the procedures stipulated in ISO 14064-3, and the assurance level of verification was performed to satisfy the limited assurance level.

Verification Limitation

This verification is not intended to verify the validity of the calculation criteria set by the company itself. Assurance results contain inherent limits of uncertainty inherent in the company's own calculation standards. Depending on our own calculation standards, significant differences may occur in the emission calculation results, which may affect comparability.

Verification Opinions

Through the verification process according to the 'ISO 14064-3:2006' KFQ could obtain reasonable basis to express following conclusion on the Greenhouse Gas Emission Report.

- 1) Scope 3 emissions for 2022 of LG Household & Health Care Co., was properly calculated according to the verification standards.
- 2) The result of material discrepancy satisfied the criteria for an organization that emits less than 500,000tCO₂-e shall not exceed 5% from total emission as per 'Rules for verification of operating the greenhouse gas emission trading scheme'
- 3) For Scope 3 emissions, no material errors or omissions were found, except for emissions information not considered within the selected category range.
- 4) The criteria and process established or estimated/assumed by the company to calculate emissions were transparently reflected in the internal calculation process.

June 16th, 2023

CEO **Ji Young Song**

Korean Foundation for Quality

LG H&H Co. Summary of GHG Emission Results

(Unit: tCO₂eq)

Division	Scope1 & Scope2 Emissions		Scope3 Emissions	
Headquarters	Scope1	821.623		
	Scope2	1,242.694		
	Subtotal	2,064		
Cheongju	Scope1	72.897	Category1. Purchased goods & services	83
	Scope2	10,736.969		
	Subtotal	10,809		
Cheongju TP	Scope1	780.602		
	Scope2	4,701.689		
	Subtotal	5,482		
Ulsan	Scope1	5,363.122		
	Scope2	11,334.912		
	Subtotal	16,698		
Onsan	Scope1	1,142.272	Category5. Waste Generated in Operations	3,484
	Scope2	6,571.296		
	Subtotal	7,713		
Naju	Scope1	-		
	Scope2	380.919		
	Subtotal	380		
Incheon	Scope1	146.165		
	Scope2	370.392		
	Subtotal	516		
Daejeon OBM Lap	Scope1	-	Category7. Employee Commuting	979
	Scope2	104.839		
	Subtotal	104		
Magok SP Labs	Scope1	46.304		
	Scope2	4,977.157		
	Subtotal	5,023		
Daejeon Research Institute	Scope1	98.495		
	Scope2	685.786		
	Subtotal	784		
Warehouse	Scope1	84.685	Category12. End of Life Treatment of Sold Products	5
	Scope2	2,885.942		
	Subtotal	2,970		
Direct Sales	Scope1	-		
	Scope2	190.434		
	Subtotal	190		
Total ¹⁾ (Scope1 + Scope2)		52,733	Total(Scope3)	4,551

1) In the process of calculating the total emission for each business site, the actual value may differ by less than ±1 tCO₂eq by truncation to an integer unit.

Greenhouse Gas Emission Verification Statement(Coca-Cola Beverage)

Verification Target

Korean Foundation for Quality(hereinafter 'KFQ') has conducted a verification of Greenhouse Gas Emissions(hereinafter 'GHG Inventory') of Coca Cola Beverage Company for 2022.

Verification Scope

Scope 1 and 2 emissions were targeted at all GHG emission facilities in all business sites under operational control.

Scope 3 emissions were conducted for emissions from January 1st, 2022 to December 31st within the category range selected by the company itself.

Verification Criteria

Scope 1 and 2 emissions are "Guidelines for reporting and certification of greenhouse gas emissions trading system(Ministry of Environment Notice No.2022-279)" and "Verification Guidelines for Greenhouse Gas Emission Trading System Operation(Ministry of Environment Notice No.2021-112)" and Based on "ISO14064-3".

Scope 3 emissions are based on "WBCSD/WRI, Corporate Value Chain(Scope 3) Accounting and Reporting Standard", "Environmental Product Declaration Guidelines(Ministry of Environment Notice No.2021-65)" and "ISO14064-3".

Level of Assurance

Scope 1 and 2 verification was planned and performed in accordance with the procedures stipulated in the verification guidelines for the operation of the greenhouse gas emissions trading system, and the assurance level of verification was performed to satisfy a reasonable level of assurance.

Scope3 verification was performed according to the procedures stipulated in ISO 14064-3, and the assurance level of verification was performed to satisfy the limited assurance level.

Verification Limitation

This verification is not intended to verify the validity of the calculation criteria set by the company itself. Assurance results contain inherent limits of uncertainty inherent in the company's own calculation standards. Depending on our own calculation standards, significant differences may occur in the emission calculation results, which may affect comparability.

Verification Opinions

Through the verification process according to the 'ISO 14064-3:2006' KFQ could obtain reasonable basis to express following conclusion on the Greenhouse Gas Emission Report.

- 1) Scope 3 emissions for 2022 of Coca Cola Beverage Company was properly calculated according to the verification standards.
- 2) The result of material discrepancy satisfied the criteria for an organization that emits less than 500,000tCO₂-e shall not exceed 5% from total emission as per 'Rules for verification of operating the greenhouse gas emission trading scheme'
- 3) For Scope 3 emissions, no material errors or omissions were found, except for emissions information not considered within the selected category range.
- 4) The criteria and process established or estimated/assumed by the company to calculate emissions were transparently reflected in the internal calculation process.

June 16th, 2023

CEO **Ji Young Song**

Korean Foundation for Quality

COCA COLA Beverage Company Summary of GHG Emission Results

(Unit: tCO₂eq)

Division	Scope1 & Scope2 Emissions		Scope3 Emissions	
Yeosu	Scope1	8,367.744	Category1. Purchased goods & services	111,665
	Scope2	12,809.353		
	Subtotal	21,177		
Yangsan	Scope1	2,418.872	Category5. Waste Generated in Operations	122
	Scope2	5,954.205		
	Subtotal	8,373		
Gwangju	Scope1	1,798.285	Category12. End of Life Treatment of Sold Products	11,978
	Scope2	4,828.464		
	Subtotal	6,626		
Warehouse	Scope1	9,032.230	Category12. End of Life Treatment of Sold Products	11,978
	Scope2	2,078.978		
	Subtotal	11,111		
Total ¹⁾ (Scope1 + Scope2)		47,287	Total(Scope3)	123,765

1) In the process of calculating the total emission for each business site, the actual value may differ by less than ± 1 tCO₂eq by truncation to an integer unit.

Greenhouse Gas Emission Verification Statement(HAITAI htb)

Verification Target

Korean Foundation for Quality(hereinafter 'KFQ') has conducted a verification of Greenhouse Gas Emissions(hereinafter 'GHG Inventory') of HAITAI htb Co., Ltd. for 2022.

Verification Scope

Scope 1 and 2 emissions were targeted at all GHG emission facilities in all business sites under operational control.

Scope 3 emissions were conducted for emissions from January 1st, 2022 to December 31st within the category range selected by the company itself.

Verification Criteria

Scope 1 and 2 emissions are "Guidelines for reporting and certification of greenhouse gas emissions trading system(Ministry of Environment Notice No.2022-279)" and "Verification Guidelines for Greenhouse Gas Emission Trading System Operation(Ministry of Environment Notice No.2021-112)" and Based on "ISO14064-3".

Scope 3 emissions are based on "WBCSD/WRI, Corporate Value Chain(Scope 3) Accounting and Reporting Standard", "Environmental Product Declaration Guidelines(Ministry of Environment Notice No.2021-65)" and "ISO14064-3".

Level of Assurance

Scope 1 and 2 verification was planned and performed in accordance with the procedures stipulated in the verification guidelines for the operation of the greenhouse gas emissions trading system, and the assurance level of verification was performed to satisfy a reasonable level of assurance.

Scope3 verification was performed according to the procedures stipulated in ISO 14064 3, and the assurance level of verification was performed to satisfy the limited assurance level.

Verification Limitation

This verification is not intended to verify the validity of the calculation criteria set by the company itself. Assurance results contain inherent limits of uncertainty inherent in the company's own calculation standards. Depending on our own calculation standards, significant differences may occur in the emission calculation results, which may affect comparability.

Verification Opinions

Through the verification process according to the 'ISO 14064-3:2006' KFQ could obtain reasonable basis to express following conclusion on the Greenhouse Gas Emission Report.

- 1) Scope 3 emissions for 2022 of HAITAI htb was properly calculated according to the verification standards.
- 2) The result of material discrepancy satisfied the criteria for an organization that emits less than 500,000tCO₂-e shall not exceed 5% from total emission as per 'Rules for verification of operating the greenhouse gas emission trading scheme'
- 3) For Scope 3 emissions, no material errors or omissions were found, except for emissions information not considered within the selected category range.
- 4) The criteria and process established or estimated/assumed by the company to calculate emissions were transparently reflected in the internal calculation process.

June 16th, 2023

CEO **Ji Young Song**

Korean Foundation for Quality

HAITAI htb Co Ltd. Summary of GHG Emission Results

(Unit: tCO₂eq)

Division	Scope1 & Scope2 Emissions		Scope3 Emissions	
Cheonan	Scope1	13,482.809		
	Scope2	10,310.778		
	Subtotal	23,793		
Pyeongchang	Scope1	66.154	Category1. Purchased goods & services	12,143
	Scope2	6,175.019		
	Subtotal	6,241		
Cheorwon	Scope1	2.974		
	Scope2	864.460		
	Subtotal	867		
Iksan1	Scope1	1,141.984	Category5. Waste Generated in Operations	571
	Scope2	934.092		
	Subtotal	2,076		
Iksan2	Scope1	382.187		
	Scope2	1,095.904		
	Subtotal	1,478		
Warehouse	Scope1	1,621.066	Category12. End of Life Treatment of Sold Products	1,609
	Scope2	330.000		
	Subtotal	1,951		
Total ¹⁾ (Scope1 + Scope2)		36,406	Total(Scope3)	14,323

1) In the process of calculating the total emission for each business site, the actual value may differ by less than ± 1 tCO₂eq by truncation to an integer unit.

2022 LG H&H ESG REPORT

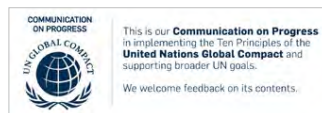
We thank all of the individuals who helped to develop the Report

Il-man Kang	Hyun Gi Kim	Yearim Yeom	Naeun Lim	Heon-young Park
Boseong Kwon	Jihye Mok	Jin-seon Yu	Young Su Lim	Kyung Sik Jung
Hyojune Kwon	Gyengmin Min	Tae-kyung Yu	Hana Lim	Yujin Seong
Kyung-seop Kim	Sanghoon Park	Hayoung Yoon	Yejee Jeong	Jae Hyuk Jang
Dongyoung Kim	Seoyi Park	Kyeong-a Lee	Jangyul Cho	Hyunsoo Lee
Dong Woo Kim	Jun Hyoung Park	Gwang-seon Lee	Sangmi Joo	
Mi Jung Kim	Hyunsoo Park	Dong-ho Lee	Jinhwan Ju	
Min Soo Kim	Seung Chae Bae	Dooho Lee	Daeil Choi	
Seonhwa Kim	Kwan Ha SEO	Seokjoo Lee	Wonyoung Choi	
Soon-ki Kim	Youngwook Seo	Yonghee Lee	Dong-seok Han	
Yangseon Kim	Won-ju Shin	Woo-seob Lee	Jimin Han	
Jiae Kim	Jihong Seen	Jung-hwa Lee	Seong-ji Hong	
Ji-hyung Kim	Ho-jun Ahn	Juhee Lee	Sangeun Hwang	
Chang-guk Kim	Jeong-eun Yang	Chankyu Lee	Hee-sun Hwang	
Taekhyeong Kim	Young-in Eom	Chul Won Lee		
Hyun Kyu Kim	Jihyun Yeon	Chul Ho LEE		

Cover History



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



Published in July 2023 Published by Jung Ae Lee Designed by The design gonggan. Co., Ltd.

LG H&H ESG Team, 12F, LG Gwanghwamun Bldg., 58,
Saemunan-ro, Jongno-gu, Seoul, Korea

