2023 LG H&H ESG Report

For **PEOPLE** and the **PLANET**

LG H&H

ABOUT THIS REPORT

Overview

Since 2009, LG Household & Health Care (hereafter LG H&H has been publishing an annual ESG report to share our various efforts for sustainable management with stakeholders. The fifteenth edition, the 2023 LG H&H ESG Report, transparently discloses our activities and achievements in the ESG domain over the past year. In addition, we specifically detail the process of gathering and incorporating stakeholder feedback. Through these efforts we aim to further advance our sustainable management practices.

Reporting Period and Scope

The reporting period for this report is from January 1, 2023, to December 31, 2023. Some items use data from the past three years, starting from 2021, for trend comparison. Depending on the timeliness and importance of the information, some data includes figures from 2024. The reporting scope covers LG H&H headquarters, Coca-Cola Beverage, HAITAI htb, and other domestic and international subsidiaries, representing 81.3% of total sales. The Environmental, Social, and Governance (ESG) data align with the consolidated financial statements. Any differences in reporting scope or changes in data are noted separately. This report is published annually, with the previous report being the 2022 LG H&H ESG Report released in July 2023.

Writing Standards and Principles

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021, the international benchmark for sustainability reporting. It also reflects other indicators including the standards of the Sustainability Accounting Standards Board (SASB), the Ten Principles of the United Nations Global Compact (UNGC), and the UN Sustainable Development Goals (UN SDGs).

Assurance

This report has been subjected to third-party assurance by BSI, a professional assurance provider, to enhance the credibility of the contents both internally and externally. This process ensures the reliability and fairness of the writing process, the published data, and the content. Detailed assurance opinions are included in the Appendix.

Inquiries

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Changes

Due to the addition of factories in Saitama, Japan, and Dominica, some environmental indicator data have been adjusted. Changes to the data are noted separately in the footnotes.

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Reporting Period	January 1, 2023, to December 31, 2023

* Depending on the timeliness and importance of the information, some data includes figures from 2024

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The **LG H&H ESG Report** is published as an interactive PDF to assist readers' understanding.

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CEO Message

Dear esteemed stakeholders of LG H&H,
I send my wishes for health and happiness to you and your families

Recent corporate ESG management activities have become essential, necessitating the rapid establishment of various response strategies. The movement towards ESG legislation in the US and EU is evolving from simple declarations to binding norms, demonstrating a new ESG paradigm. In this environment, LG H&H seeks to proactively explore effective ESG response strategies as indicators of management innovation rather than mere regulatory compliance.

We are proud to publish the fifteenth issue of our ESG report, which communicates the present and future of LG H&H's ESG management. As a global leader in ESG management and the leading consumer goods company, LG H&H actively adheres to The Ten Principles of the UN Global Compact and is committed to achieving the Sustainable Development Goals. We will also continue our efforts to provide policy and institutional support to create more carbon-neutral and innovative eco-friendly product ideas. Specifically, we aim to address these challenges with new insights into developing products that generate social and environmental value desired by consumers, leveraging our research and technology R&D. In particular, LG H&H seeks to explore solutions based on this new foundation for business innovation. We will focus on sustainable growth to advance our vision of becoming a leading global Beauty and Personal Care (BPC) company.

1. We will lead the way in sustainable management, including responding to the climate crisis.

LG H&H has been dedicated to carbon-neutral operations through the 2050 Carbon Neutrality Plan initiated in 2022, aiming to reduce our actual carbon emissions to zero. Last year, we expanded our carbon-neutral efforts across the entire value chain and implemented various initiatives to reduce carbon emissions at our business sites. To contribute to the transition to a low-carbon economy, we supported the establishment of greenhouse gas inventories for key suppliers. Additionally, we provided energy-saving consulting and shared various technologies and know-how to reduce greenhouse gases. LG H&H is also committed to minimizing environmental impact by improving the environmental performance of packaging materials and expanding activities to reduce plastic usage. We will continue to promote the transition to a circular economy.

2. We will dedicate ourselves to delivering distinctive customer value.

LG H&H is committed to delivering distinctive customer value by keenly understanding changes in customers and the market. We will deeply consider how these changes connect to our work and business and will immerse ourselves in rigorous practice. We will stay alert to the domestic and international business environment, think from the customer's perspective, plan meticulously, and execute thoroughly to provide customers with unprecedentedly moving experiences. To achieve this, we will change the way we work and our attitudes, ensuring that all our efforts and considerations are customer-centric.

3. We will accelerate our efforts to enhance our capabilities for developing global bestsellers and brands.

To strengthen our product planning capabilities, we will reorganize our structure and establish agile project teams to develop and nurture innovative products that propose new values. We will also intensify our efforts to monitor our brand's image and standing in the minds of customers and actively manage brand health. We will firmly establish a close collaboration system between domestic and international subsidiaries and actively promote efforts to secure talent by cultivating regional and functional experts. Through these measures, we will develop globally successful products and bolster our expansion into global markets.

We recognize that ESG management is not just about fulfilling corporate social responsibility but is also a crucial strategy for building future competitiveness. LG H&H will actively implement ESG management in collaboration with all partners and stakeholders to achieve a sustainable and eco-friendly society.

Thank you.

June 2024
CEO & President **Jung Ae Lee**

BEAUTY DIVISION

BEAUTIFUL

Our relentless pursuit of beauty connects us with customers around the world who dream of a beautiful life. We aim to provide happy experiences and profound inspiration with the finest cosmetics, designed with new values for customers and a healthy future for the environment in mind. As we grow into a global beauty company with top luxury brands, we are committed to enhancing the beautiful lives of customers worldwide.

The Whoo

The Whoo CheonGiDan Hwahyun 2-piece Set

Art of Balance, Royal Court Skincare Science
Luxury Cosmetics

Improves radiance [1] **82.74%**

Improves skin barrier [1] **21.34%**

2023 Cosmopolitan Beauty Awards
Selected as ASIA TOP 10

CNP

CNP Propolis Energy Active Ampoule

Prescription becomes cosmetics.
Expert derma care brand for healthy skin.

Improves skin texture [2] **7%**

Improves moisture [2] **112%**

Improves shine [2] **37%**

O HUI

O HUI Prime Advancer De-Aging Ampoule Serum

'De-Aging Solution' brand promising real skin changes based on skin research since 1997 and analysis of 60,000 skin genes.

repurchase rate for O HUI serum [3] **No. 1**

Improves 3D skin elasticity by [4] **32.97%**

Improves angles of four areas for lifting with astonishing de-aging effect [5]

belif

belif The True Cream
(Moisturizing Bomb / Aqua Bomb)

True herb cosmetic brand that offers real value and trust with excellent ingredients and efficacy.

Cumulative sales of **14** million units in 2023

Increases moisture level [6] **231.4%**

Su:m37°

Secret Essence

Breathing with natural fermentation energy.
A brand practicing the philosophy of breathing skin and nature through the energy of great nature fermentation.

Cumulative sales of **3.33** million bottles in 2023

Improves skin barrier with one use [7] **83%**

Improves elasticity after 4 weeks of use [8] **24%**

100-member review panel willing to repurchase [9] **100%**

1) Test period: May 29, 2023 - June 13, 2023 / Test subjects: 34 women aged 27-68 (*after beauty treatment) / Testing institution: Shanghai WEIPU Testing Technology Group Co., LTD 2) KC Skin Research Center / September 14, 2022 - September 15, 2022 / 20 subjects / Single use (results measured after 5 seconds, temporary, individual results may vary) 3) No. 1 in sales within the O HUI brand for essences, based on sales revenue, one year after product launch in 2017 4) Korea Institute of Dermatological Sciences / October 5, 2023 - November 2, 2023 / 30 women aged 25-65 5) Korea Institute of Dermatological Sciences / October 5, 2023 - November 2, 2023 / 30 women aged 25-65 / Results after 4 weeks of use 6) Ellead Co., Ltd. / May 8, 2023 - May 12, 2023 / 30 women aged 25-60 7) Ellead Co., Ltd. / January 29, 2024 - January 30, 2024 / 31 women aged 32-60 / Test item: Trans Epidermal Water Loss (TEWL) 8) Ellead Co., Ltd / February 21, 2024 - March 22, 2024 / 33 women aged 22-59 9) May 2024 Allure magazine review panel

OUR BRANDS

THE WHOO · su:m37° · OHUI · belif · BEYOND · THE FACE SHOP · ISA KNOX · VONIN · CARE+ ZONE · Sooryehan · tuneage · 생활정원 · LACVERT · CNP Laboratory · VOV · VDL · The saga of · freshian · code glökolor

HOME CARE AND DAILY BEAUTY DIVISION

HEALTHY

Our household products are always with customers in their daily lives, covering oral care, skin, hair, laundry, hygiene, and detergents. Therefore, we develop products that prioritize customers without compromise. We will create products that embody the value of nature, using strictly selected ingredients to ensure our customers can enjoy healthier and richer lives.

Dr. Groot

Dr. Groot Hair Loss Symptom Intensive Care Multi-Perfection

No.1 brand for hair loss and scalp care, providing specialized solutions for different scalp and hair types based on professional technology[1)]

In hair loss symptom care category for six consecutive years [1)] No.1

Cumulative sales of [2)] 35 million units

Repurchase rate among hair loss care shampoos [3)] No.1

Market share among hair loss care shampoos [4)] 46.5%

Elastine

Elastine Magic Control

Protein hair care for healthy hair, No.1 shampoo brand, Elastine

In the shampoo category for 20 consecutive years [5)] No.1

Perioe

Himalaya Pink Salt

Perioe, the leading oral care brand in Korea, ensuring the nation's oral health

In the toothpaste category for 37 consecutive years [6)] No.1

Market share in toothpaste [7)] 52.1%

Physiogel

DMT Facial Cream / Dailimune Ampoule

Dermatological Beauty brand providing tailored solutions for various skin concerns, based on over 175 years of German dermatological science.

In the moisturizing cream category for nine consecutive years [8)] No.1

2024 Korea Consumer Award [9)]

Consumer-friendly brand (10 consecutive years)

No.1 in H&B channel Olive Young Winner [10)]

Tech

Tech Baking Soda + Citric Acid

No.1 laundry detergent brand in Korea, solving various laundry concerns[11)]

In laundry detergent sales for 15 consecutive years [11)] No.1

1) Nielsen, cumulative sales from 2018-2023, nationwide food retail stores, hair loss care shampoo/conditioner brand 2) As of December 2023, total cumulative sales of the Dr. Groot brand 3) Nielsen, nationwide household panel (3,000 households), January 2019 - December 2020, hair loss care functional shampoo/conditioner 4) Nielsen, cumulative sales in 2023, nationwide food retail stores, hair loss care shampoo/conditioner brand 5) Nielsen, 2004-2023, nationwide offline sales share in the shampoo and conditioner category 6) Nielsen, nationwide food retail store sales share, brand basis, toothpaste category, LG H&H, 1987-2023 7) Nielsen, nationwide food retail store sales share, brand basis, toothpaste category including sets, LG H&H, 2023 8) Kantar Worldpanel, brand ranking data based on purchase amount in the general moisturizing cream market, Q3 2023, last nine years 9) Korea Consumer Awards, <Consumer-friendly Brand (Physiogel) (10 consecutive years)>, February 2024 10) DMT Cream, 2023 <Olive Young Awards> Cream Category Winner 11) Nielsen, 2009-2023, nationwide food retail store laundry detergent major brand share

OUR BRANDS

REFRESHMENT DIVISION

REFRESHING

The cool pleasure of soft drinks, the fresh appeal of fruit juices, and the cheerful vitality of energy drinks are daily gifts we offer to our customers' lives. We continuously introduce new products that are beloved like Coca-Cola, Minute Maid, and Powerade, considering health and taste preferences. We aim to invigorate our customers' lives with more delicious and healthier beverages.

Coca-Cola

Coca-Cola / Coca-Cola Zero

The world's most beloved carbonated beverage for over 130 years

Carbonated/cola category [1] No.1

Most influential brand worldwide [1] No.8

Seagram (Seagram Label-Free)

Seagram Label-Free Lemon

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

Korea's first label-free carbonated water, **rated Excellent in Recycling** by the Korea Environment Corporation

Sold of lightweight plastic products [2] **100** million units

In 2024 Brand Customer In customer satisfaction [3] No.1

Guronsan Vermond

Youngjin Guronsan Original

A 60-year tradition of fatigue recovery drinks

Trusted fatigue recovery product for 60 years in the pharmaceutical category

No.2 in Korea [4]

Powerade & Toreta

Powerade / Toreta

Low-calorie sports and ion replenishment drinks, health-focused hydration beverages

In domestic sales in the sports/ion category [5] No.1

Monster Energy

Monster Energy

An energy drink that started in the USA and expanded worldwide

In domestic energy drink sales [6] No.1

Gangwon Pyeongchang Water

Gangwon Pyeongchang Water

A bottled water brand adhering to the principles of water

Reduced carbon emissions energysavings in the manufacturing process [7] **1,163** tons

1) 2023 Interbrand Global Brand Rankings 2) Internal sales data from July 2022 to December 2023 3) 2024 Brand Customer Satisfaction Index (BCSI) survey results, No.1 in the consumer goods sector, carbonated water - Seagram 4) Nielsen Korea, cumulative sales as of December 2023 in the pharmaceutical category 5) Nielsen Korea, sports/ion drinks category, 2023 consumer sales data 6) Nielsen Research, December 2023, based on the top three major energy drink companies excluding tonic drinks 7) Gangwon Pyeongchang Water, annual reduction amount in 2023 compared to the previous certification for 2L and 500ml products

OUR BRANDS

Company Introduction

Company Overview

Since its founding over 70 years ago, LG H&H has been the leading BPC(Beauty and Personal Care) company in Korea, consistently realizing the beauty and dreams of our customers. We have maintained a leading position in the domestic market in the cosmetics, household products, and beverage sectors. Building on this, we are expanding into over 60 countries, including China, Japan, Vietnam, Taiwan, the USA, and Canada, aspiring to grow into a renowned global premium beauty company. LG H&H will continue to explore possibilities across various fields, transcending boundaries to deliver HEALTHIER , more BEAUTIFUL, and more REFRESHING experiences and values to our customers. We aim to DIFFERENTIATE ourselves clearly from the past and provide BETTER products and services to leap as the leading lifestyle company in the global market.

Basic Information

Company Name	LG H&H Co., Ltd.
Address	LG Gwanghwamun Building, 58, Samunan-ro, Jongno-gu, Seoul, Korea
Date Established	January 1947
CEO	Jung Ae Lee
Industry	Cosmetics, Household Goods, Beverages
Number of Employees	7,314

* Excludes overseas subsidiaries

Mid to Long-Term Strategy

Core Values

Consumer Focus
Professionalism
Innovation
Speed

Mid to Long-Term Strategy

- Portfolio enhancement
- Expanding distribution coverage
- Sustainability establishment

Vision

The best lifestyle company that realizes customers' beauty and dreams

Major Domestic and overseas Subsidiaries

Domestic Subsidiaries	Location(HQ)	Share(%)
Coca-Cola Beverage*	Yangsan, Korea	90.0
HAITAI htb*	Seoul, Korea	100.0
fmg	Chuncheon, Korea	100.0
Bright World	Cheongju, Korea	100.0
LG Farouk Co.	Seoul, Korea	50.0
Tai Guk Pharm Co., Ltd.	Buyeo, Chungcheongnamdo, Korea	99.3
Ulleung Saemmul	Seoul, Korea	87.4
Rucipello Korea Inc.	Seoul, Korea	100.0
Mizen Story	Seoul, Korea	100.0
F&I Agricultural Co.,Ltd.	Cheorwon, Korea	90.0
VIVAWAVE Co.,Ltd.	Seoul, Korea	75.0

Overseas Subsidiaries	Location(HQ)	Share(%)
LG H&H Trading(Shanghai)	China	100.0
Beijing LG Household Chemical	China	78.0
LG H&H Cosmetics R&D(Shanghai) Co., Ltd.	China	100.0
Avon Manufacturing(Guangzhou), Ltd.	China	100.0
Ginza Stefany Inc.	Japan	100.0
Everlife Co., Ltd.	Japan	100.0
Toiletry Japan Inc.	Japan	70.0
FMG&MISSION CO., Ltd.(*6)	Japan	100.0
Everlifeagency Co., Ltd.(*7)	Japan	100.0
LG H&H Tokyo R&D Center Inc.	Japan	100.0
VIVAWAVE JAPAN Co.,Ltd. (*4)	Japan	100.0

Overseas Subsidiaries	Location(HQ)	Share(%)
LG Vina Cosmetics Company Limited	Vietnam	60.0
LG H&H USA Inc.	U.S.	100.0
The Avon Company	U.S.	100.0
Boinca Inc.	U.S.	56.0
The Creme Shop, Inc.	U.S.	65.0
The Avon Company Canada Limited	Canada	100.0
LG Household & Health Care (Taiwan) Ltd.	Taiwan	100.0
LG Household & Health Care (Thailand) Limited	Thailand	100.0
LG H&H HK LIMITED	Hong Kong	100.0
LG H&H Singapore Private Limited	Singapore	100.0
LG HOUSEHOLD & HEALTH CARE MALAYSIA SDN. BHD.	Malaysia	100.0
LG H&H UK LTD	UK	100.0

Domestic Business Sites

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

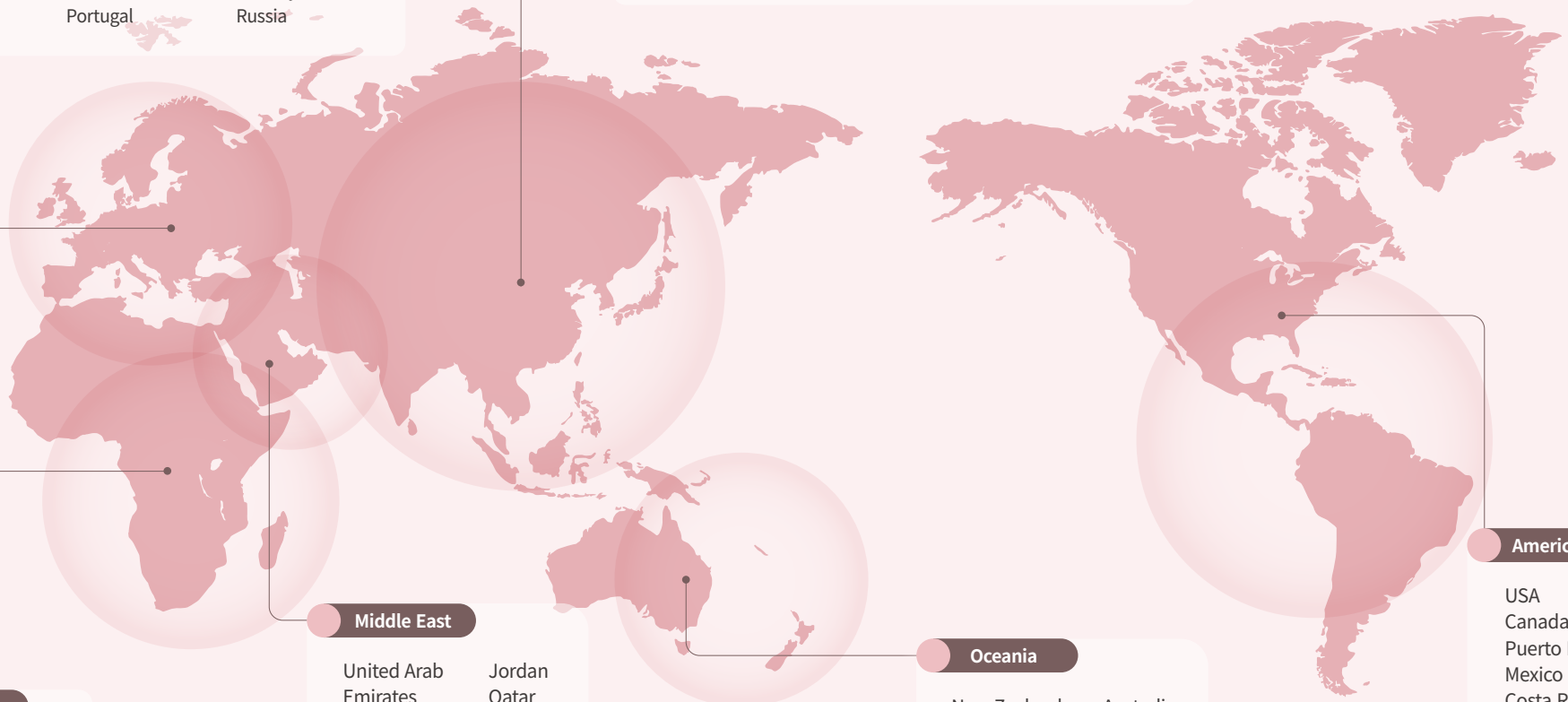
* Business site by reporting scope

Global Network

By delivering superior products, we are positioning ourselves as a global leader in the cosmetics, household goods, and beverage industries.

Total countries

58



Europe

Greece, Denmark, Germany, Romania, Bulgaria, Serbia, Sweden, Switzerland, Spain, Italy, Czech Republic, Poland, France, Portugal, Belgium, Netherlands, Luxembourg, United Kingdom, Finland, Norway, Russia

Asia

Taiwan, Malaysia, Mongolia, Myanmar, Vietnam, Singapore, India, Japan, China, Cambodia, Thailand, Philippines, Hong Kong, Indonesia, Uzbekistan, Kazakhstan, Pakistan, Brunei, Kyrgyzstan

Africa

Mauritius
South Africa

Middle East

United Arab Emirates, Saudi Arabia, Armenia, Oman, Jordan, Qatar, Kuwait, Bahrain

Oceania

New Zealand, Australia

America

USA
Canada
Puerto Rico
Mexico
Costa Rica
Chile

Economic Value Creation

2023 Business Performance

2023 was a year marked by increased volatility in domestic and international business, driven by a global economic downturn and weakened demand in China. Despite these challenging conditions, LG H&H actively pursued improvements to enhance business competitiveness both domestically and internationally. Through investments in rebranding and mergers and acquisitions, we not only bolstered the competitiveness of our brands and products but also restructured our distribution systems and reorganized our overseas operations to solidify our growth foundation. As a result, our Refreshment business continues to grow based on strong demand, and both the Beauty and Home Care and Daily Beauty sectors are strengthening their core business competitiveness and gearing up for new advancements.

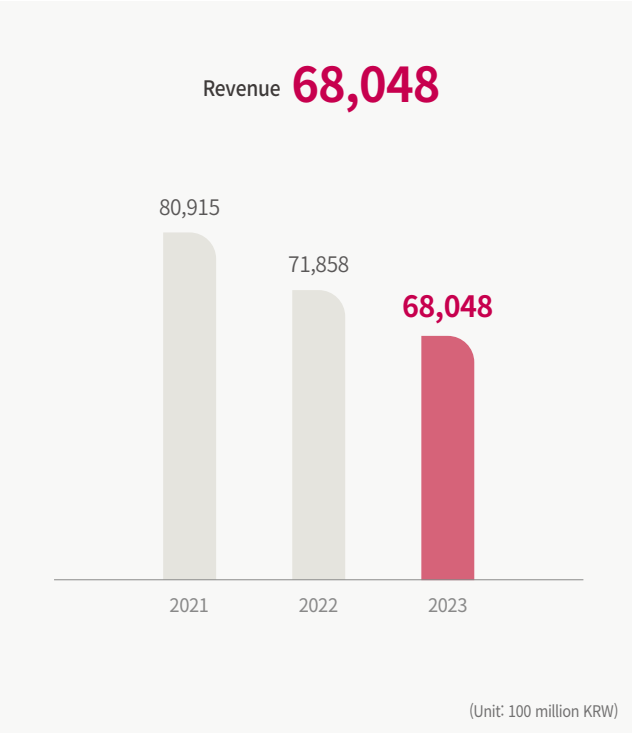
Financial Performance

In 2023, amidst a deteriorating domestic and international business environment, our performance declined due to increased investments aimed at strengthening brand and product competitiveness, as well as restructuring costs for improving efficiency. Revenue decreased by 5.3% year-over-year to 6.8048 trillion KRW, and operating profit fell by 31.5% to 487 billion KRW. However, even in these challenging conditions, we focused on business efficiency and solid management, significantly improving our financial structure. We concentrated on optimizing working capital, reducing inventory assets by 7.4% compared to the previous year, and achieved a 39.0% increase in cash and cash equivalents, while reducing borrowings by 37.8%. Through these efforts, our debt-to-equity ratio improved by 3.4 percentage points to 30.1%, and we have maintained a credit rating of A1.

Debt Ratio and Credit Rating

Debt Ratio **30.1** %

Credit Rating **A1** (as of December 2023, evaluated by Korea Ratings and Korea Investors Service)

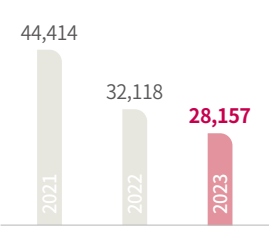


BEAUTY BUSINESS DIVISION

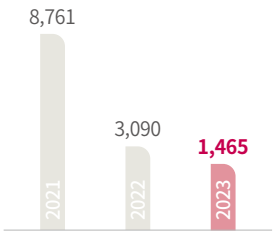
2023 Business Performance

Although we emerged from the impacts of COVID-19 spanning three years, demand weakened due to the economic downturn in China, and intensified competition from global luxury cosmetic brands. This resulted in a double-digit decline in sales through our duty-free channels aimed at China and our Chinese subsidiaries. Consequently, revenue fell by 12.3% year-over-year to 2.8157 trillion KRW, and operating profit was recorded at 146.5 billion KRW. Despite these challenges, we strengthened our brand power by renewing 'The Whoo' and intensifying our marketing efforts. We also focused on the domestic online and Health & Beauty channels to lay a new foundation for growth.

Revenue
28,157



Operating Profit
1,465



(Unit: 100 million KRW)

2024 Business Plan

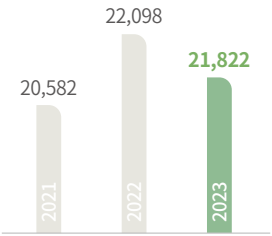
To fundamentally enhance our business competitiveness, we plan to expand our product lineup, focusing on luxury brand The History of Whoo, clean beauty, and dermatological brands. We aim to lay the groundwork for mid- to long-term growth by increasing global brand investments across South Korea, China, and North America. Additionally, to ensure the stability of our China-oriented business, we will work on reducing the volatility of the domestic duty-free business and strive to improve the competitiveness and profitability of our operations in China.

HOME CARE AND DAILY BEAUTY DIVISION

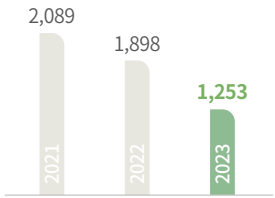
2023 Business Performance

Daily Beauty has seen continued growth in premium brands such as Physiogel and Eucerin, leading to an increase in sales compared to the previous year, despite a contraction in domestic consumption and heightened volatility in international operations. However, Home Care experienced a significant decline in sales due to the burden of falling international raw material prices compared to last year. Consequently, the total revenue for HDB decreased by 1.2% from the previous year, recording 2.1822 trillion KRW. Operating profit reached 125.3 billion KRW through the rationalization of domestic and international businesses.

Revenue
21,822



Operating Profit
1,253



(Unit: 100 million KRW)

2024 Business Plan

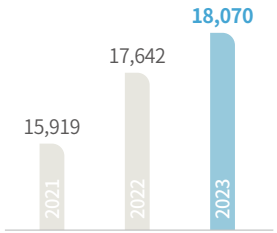
We will continue to nurture our premium brands across categories to further strengthen our leading position in the domestic market. Particularly, we will enhance the product lineup of premium functional brands Physiogel and Dr. Groot and expand brand investments to develop them into global brands. Additionally, we will proactively respond to changes in customer demand across various distribution channels, both domestically and internationally, addressing the downturn in traditional channels like discount stores and the growth of online and H&B channels.

REFRESHMENT DIVISION

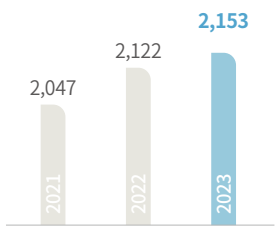
2023 Business Performance

In 2023, revenue reached 1.807 trillion KRW, a 2.4% increase from the previous year, and operating profit was recorded at 215.3 billion KRW. Despite the continued rise in raw material costs adding to expense burdens, aggressive marketing activities and new product launches led to growth in zero-calorie products and strong sales of energy drinks and other carbonated beverages, resulting in increased revenue and operating profit.

Revenue
18,070



Operating Profit
2,153



(Unit: 100 million KRW)

2024 Business Plan

We will enhance brand loyalty through customer experience marketing tailored for the Millennials and Gen Z and launch various new products that meet consumer needs. Additionally, we will actively respond to changes in the market environment, detecting shifts in distribution and consumer behavior. We aim to focus on profitability management by efficiently managing costs, including those for raw materials, and improving productivity.

Medium to Long-Term ESG Strategy and Roadmap

LG H&H is actively practicing ESG management to continuously grow by delivering the value of a healthy and beautiful life to various stakeholders. Under the ESG vision of "a planet borrowed by all," we have established and are executing an Medium- to long-term ESG strategy, which consists of three major directions and nine implementation tasks across governance, social, and environmental aspects. Through systematic and strategic ESG management, we aim to develop the capabilities and status of a global leading company and grow alongside all our stakeholders. Additionally, we are committed to contributing to the achievement of the UN SDGs, which represent global joint action goals for humanity.

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

ESG Management Direction

For Healthy Products

Developing sustainable products through customer-friendly products

- Safe quality products
- Development of biodegradable materials
- Application of clean beauty ingredients

For the Beautiful Planet

Reducing environmental impact through the development of eco-friendly products and resource recycling

- Reduction of greenhouse gases
- Conservation of water resources
- Reduction of waste

For Refreshing Society

Strengthening social responsibility across the value chain

- Protection of labor rights
- Prohibition of discrimination
- Work-life balance

Implementation Task

Establishment of ESG Governance	Strengthening of Community Engagement Activities	Building of a Sustainable Supply Chain	Human Rights Management	
Health and Safety	Creation of a Favorable Work Environment	Promotion of Resource Recycling	Leadership in Climate Change Response	Creation of Social and Environmental Benefits

2023 Key ESG Achievements

Category	Task	Key Performance Indicators (KPIs)	2023 Achievement	Linked SDGs
Economy and Governance	Creation of Socio-Environmental Benefits	· Selection and annual implementation of long-term tasks to reduce environmental impact and enhance customer safety and health (-2025)	[Representative Products] · belif Farm to Skin: Efficacy quality/scientific reliability · Beyond Angel Aqua Line: Contains extracts from farm-to-skin farming methods/eco-friendly packaging/vegan formula · TFS The Therapy Vegan Line: Eco-friendly packaging/vegan/24-free formula · First in the Korean cosmetics industry to apply eco-friendly recycled plastic containers made from 100% pure waste plastic and waste vinyl pyrolysis oil, promoting circular resource utilization and reducing greenhouse gas emissions	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
	Establishment of ESG Governance	· Organization and operation of the ESG Committee · Performance of the ESG Council operations · Enhancement of diversity and expertise of internal and independent directors	· Operation of the ESG Committee (twice per year) · Operation of the ESG Council (conducted quarterly)	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Social	Strengthening of Community Engagement Activities	· Continual expansion of social beneficiaries, such as job creation for women (-2025, cumulative selection of 280 individuals)	· Selection of 35 individuals for the 6th Natural Beauty Live Creators (cumulative participation of 206 individuals)[1]	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
		· Continuous Value-Up through post-management of existing personnel	· Addition of live commerce education, professional mentor training, and practical opportunities	
		· Diversification of education channels and achievement of a cumulative total of 100,400 beneficiaries for the youth-targeted habit improvement blended education program Borrowed Earth School[2] (-2025)	· 2023: Conducted classes for metaverse 'Borrowed Planet World' targeting national schools (16 schools nationwide / 612 students participated in metaverse classes) · 2023 cumulative participants: 79,614 (2023 'Borrowed Earth World' standalone performance: 5,656 individuals / 41 schools)	
		· Expansion of the children-targeted health musical Twinkle Twinkle Perioe to more regions and achievement of a cumulative total of 242,290 beneficiaries3) (-2025)	· 2023 cumulative total: 239,452 (2023 standalone 4,005 individuals)	
	Building of a Sustainable Supply Chain	· Improvement in reassurance diagnostic scores for suppliers, targeting a cumulative 400 companies (-2025)	· 2023 cumulative score improvement performance: 329 cases (29 cases in 2023 alone) Issuance of Reassurance Practice Grade certificates to 4 domestic suppliers	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
		· Cumulative technical support for suppliers: 1,811 cases (-2025)	· 2023 alone: 214 cases · 2017-2023 cumulative: 1,380 cases	
		· Cumulative financial support for suppliers: 310.2 billion KRW (-2025)	· 2023 alone: 35.4 billion KRW · 2017-2023 cumulative: 233.61 billion KRW	
		· Minimization of risks through enhancement of ESG capabilities in suppliers	· Conducting audit surveys and pre-monitoring (targeting 'significant suppliers' among all suppliers) · Consulting provided to 30 suppliers (using external consulting firms)	
	Human Rights Management	· Human rights survey for all employees · Conduct human rights impact assessments at major business sites	· Human Rights Impact Assessment and remedial measures for all employees · Conducted human rights audits at three overseas sites (Beijing, Guangzhou, Dong Nai), conducted self-assessments at 18 business sites	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Category	Task	Key Performance Indicators (KPIs)	2023 Achievement	Linked SDGs
Social	Safety and Heatlh	· Implementation of safety and health operational assessments at key business sites · Expansion of the Behavior-Based Safety (BBS) program · Enhancement of DX (Digital Transformation) initiatives	· Pilot safety and health operational assessments conducted for production and logistics (42 teams) · Expansion of the Behavior-Based Safety (BBS) program across production sites (7 in 2021-2022, 5 in 2023) · Development and enhancement of the Environmental, Safety and Health Portal System (DFM) completed	3
	Creation of a Favorable Work Environment	· Enhancement of employee engagement (target of 80 points by 2025)	· Employee Engagement Score: Average of 81 points	5, 8, 16
		· Establishment of a global education system (cumulative completion of 750 participants by 2025)	· English coaching classes: 63 participants in native 1:1 sessions · Expatriate development program: 7 participants · Global MBA participants: none · Language courses: 614 participants in Japanese/Chinese basic business conversation	
		· Development of global leadership (by 2025)	· LG H&H Global Internship Program: 5 participants in 2023 / Duration: June to August 2023 (2 months)	
Environment	Promotion of Resource Recycling	· Achievement of 500 billion KRW in sales from green products through eco-labeling (by 2025)	· Green product revenue: 461.1 billion KRW · 204 Eco-Labels, 8 Environmental Product Declaration, 6 Low Carbon certifications	6, 12, 13
		· Usage of 700 tons of recycled plastic (by 2025)	· Recycled plastics: 452tons of PCR PET/PCR LLDPE	
		· Proportion of clean beauty products (50% of new products under clean beauty-focused brands by 2025) · Achievement of an average Clean Beauty Inside score of 13 for new clean beauty products (by 2030)	· Operation of 'Clean Beauty Inside' guide for new products in 2023 · Proportion of clean beauty products: 35% among new products from clean beauty-focused brands · Clean Beauty Inside index: Conducted for products launched in 2023 · Average Clean Beauty Inside index for 2023: 9.28 points, surpassing the target of 8.5 points	
	Leadership in Climate Change Response	· Reduction of water usage intensity to 1.79 tons per product-ton (by 2025)	· 2.44 tons per product-ton	
		· Reduction of greenhouse gas emissions (cumulative reduction of 25,870 tons CO2eq by 2025) Reduction of carbon emissions by 45% (by 2030) · Achievement of Net Zero (by 2050)	· Cumulative CO2eq reduction: 20,193 tons	

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

Sustainable Impact Issues

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Sustainable Impact Issues

Stakeholder Engagement

LG H&H identifies customers, suppliers, employees, local communities, shareholders and investors, government and public institutions, and associations as key stakeholders significantly impacting our business activities. We have established various communication channels tailored to the characteristics of each stakeholder group to actively gather their opinions and reflect these in our ESG activities. Moving forward, we will further enhance communication to expand cooperation and strengthen trust with more stakeholders across all areas of our business activities.

Stakeholder Engagement Channels

Customers

Communication Channels	Frequency
Company and brand websites	Ongoing
CS portal, VOC, call centers	Ongoing
Customer complaint reception and feedback	Ongoing
Consumer monitoring*	Three times per month
Brand awareness and satisfaction surveys	Six times per year
Customer ESG surveys	Annually

* Specific to LG H&H cosmetics

Main activities: Surveys for feedback on products and services

Communication issues: Customer service, privacy protection, marketing, product quality, customer safety, etc.

Shareholders-Investors

Communication Channels	Frequency
IR site	As needed
Shareholder meetings	Annually
Annual reports	Annually
Conferences	As needed

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

Communication Issues: Sharing of management information, investment, protection of shareholder interests

Local Communities

Communication Channels	Frequency
Expert panel meetings	Three times a year
Local councils	Biannually
Community contribution programs	Irregular
Local community ESG surveys	Annually
Public and governmental affairs	Irregular
Press launch events	Irregular

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

Communication Issues: Disclosure of management status, environmental protection, contribution to local economy, job creation, community contribution

Employees

Communication Channels	Frequency
Intranet and grievance handling program	As needed
Idea Innovation I-30	Ongoing
Company newsletter	Six times per year
Company Meeting	Quarterly
Employee satisfaction survey	Annually
Employee ESG survey	Annually
Employee council	Quarterly
Sales and promotion staff meetings by rank	Quarterly
Workplace labor-management council	Quarterly
Business unit meetings	Annually

Main Activities: Surveys for feedback on company management strategies and execution

Communication Issues: Collective agreements and various settlements, performance compensation, talent development, human rights protection, industrial safety and health

Supplier

Communication Channels	Frequency
Integrated purchasing portal	As needed
Jeong-Do management channel	As needed
Suppliers Shared Growth Deliberation Committee	Four times a year
Supplier CEO academy	Biannually
Technical support for suppliers	As needed
Supplier ESG survey	Annually

Main Activities: Promoting shared growth with suppliers

Communication Issues: Shared benefits, industrial safety and health, changes in government policies, fair trade, Jeong-Do management

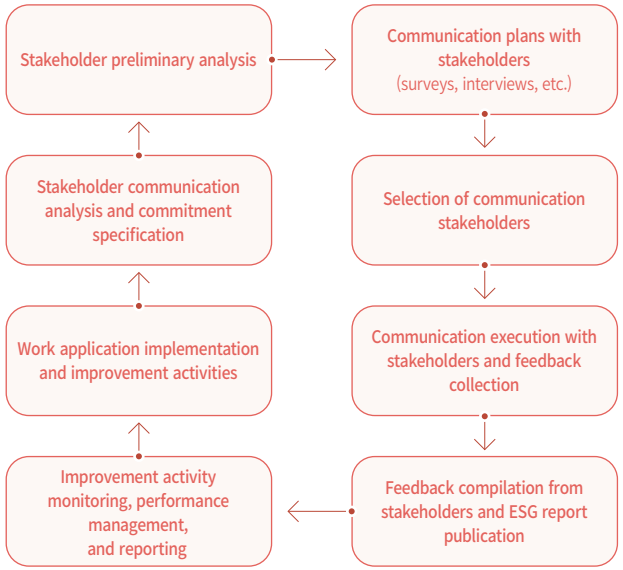
Government-Public-Agencies-Associations

Communication Channels	Frequency
Korea Industrial Safety Association	Once a month
Korea Fire Safety Institute	Annually
Korea Environmental Industry & Technology Institute	Irregular
Government projects and conferences	Irregular

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

Communication Issues: Changes in government policies, regulatory compliance, industry-specific and regional trends, etc.

Stakeholder Engagement Process



Interest and Expectations of Stakeholders

Stakeholder Categories	Interests and Expectations
Customers	Enhancement of product safety, improvement of product functionality and health impact, protection of customer personal information
Employees	Enhancement of brand leadership and corporate image, work-life balance, performance evaluation and compensation
Shareholders and Investors	Disclosure of transparent management information, increase in investment value through management efficiency, enhancement of corporate value through ESG activities
Suppliers	Financial and fiscal support for suppliers, compliance with fair trade, expansion and activation of communication channels with suppliers
Local Communities	Minimization of hazardous environments near business sites, promotion of community contribution activities, local resident employment, and contribution to the local economy
Government, Public Agencies, and Associations	Regulatory compliance, cooperation with government policies

Panel Discussions

LG H&H holds annual panel discussions to gather insights from experts across various fields and integrate their feedback into our overall ESG initiatives. In 2023, we focused on four critical topics: the Carbon Disclosure Project (CDP), human rights management, green (hedge) funds, and Lifecycle Assessment (LCA)-based plastic packaging waste management. These discussions delved into long-term strategies and future directions for major ESG issues. Moving forward, LG H&H remains committed to listening to a diverse range of stakeholders, including experts, to continually enhance our ESG efforts.

CASE 2023 Panel Discussions

In May 2023, LG H&H held an online panel discussion on CDP, human rights management, green funds, and LCA-based waste management of packaging. The discussion included an introduction to CDP, a global environmental disclosure platform, strategies for responding to the mandates of climate disclosure, definitions of human rights management and relevant laws and regulations, trends in green funds and taxonomy disclosure methods, an introduction to LCA, the current status of plastic packaging regulations, and waste management strategies. The panel also explored how to effectively integrate these issues into LG H&H's business operations.

Major Agenda of Panel Discussion

1. Carbon Disclosure Project (CDP)
2. Human Rights Management
3. Green (Hedge) Fund
4. Lifecycle (LCA)-based Management of Waste from Plastic Packaging

External Experts	Affiliations	Content
Da-yeon Lee, Senior Researcher	Korea Sustainability Investing Forum	• Introduction to CDP (background and purpose) • International trends • Introduction to CDP assessment
Moon-gwi Joo, Labor Attorney	Joo Min Certified Labor Attorney's Office	• Introduction to human rights management • Domestic and international trends in human rights management • Introduction to human rights impact assessments
Jeong-min Hong, Executive Director	Who's Good	• Global ESG regulatory trends • Introduction to green funds and corporate ESG activities • Greenwashing and disclosure violation cases • Standards and taxonomy of green funds • Domestic policies and K-taxonomy
Dong-ho Kang, PhD	KITECH	• Introduction to Life Cycle Assessment (LCA) • Management of plastic packaging waste • Certification using Life Cycle Assessment

Sustainable Impact Issues

Double Materiality Assessment

LG H&H conducts an annual materiality assessment with the direct participation of internal and external stakeholders, and transparently discloses the results through the ESG report. The materiality assessment is linked to the risk management process that can occur across all areas of corporate management, including economics, environment, social aspects, and governance. Since 2022, we have applied the double materiality principle, assessing materiality based on distinct definitions of environmental, social, and financial impacts. We continuously monitor the effects of material issues on risks and opportunities. The material issues identified are approved by the ESG Committee within the Board of Directors and verified by an independent third party.

Double Materiality Assessment Process

STEP 01.
Issue Pool Organization through Internal/ External Environmental Analysis

- Composition of ESG issue pool (46 issues)
- Utilization of international standards, evaluation indicators, and media analysis

STEP 02.
Identification of Actual and Potential Impacts of Issues

- Identification of current and potential impacting issues
- Consideration necessary for future events expected to have significant outcomes, despite uncertainties (GRI, IFRS)

STEP 03.
Assessment of Impact Significance, Application of Double Materiality

- Financial Materiality
- Assessment of the significance of 46 issues from the perspectives of Environmental & Social Materiality

STEP 04.
Prioritization

- Selection of material issues based on the top 10 issues from the overall list

Enhancement of External Stakeholder Engagement

(Step 1~2):
Operation of regular external stakeholder communication channels and integration of materiality assessment for suppliers, customers, investors, and shareholders

(Step 3):
Conducting surveys with domestic external stakeholders and Integrating materiality assessment, including feedback from major investment institutions like DJSI and MSCI

Gathering opinions and integrating materiality assessment through media analysis:

- Media analysis performed for external stakeholder analysis (based on January to December 2023)
- Key issues: response to climate change (carbon neutrality), enhancement of product responsibility and safety, reduction of environmental impact of packaging

Application of Double Materiality

Financial Materiality

International Standards Analysis

- Analysis of international standards from the financial materiality perspective such as TCFD and SASB
  - Identification of disclosure items required from the perspective of primary users of general-purpose financial reporting
- Selection of topics reflecting industry characteristics to improve accuracy

Media Research

- Analysis of media articles that can impact finances
  - Analysis of requirements where ESG issues could impact LG H&H's financial outcomes
- Application of financial impacts in media issues concerning shareholders and investors

ESG Indicator Analysis

- Application of key investment institution indicators like CSA (DJSI), MSCI, Sustainalytics, CDP
  - Approaching from the perspective of investor interests and ease of capital purchasing
- Reflection of major stakeholder concerns from the financial materiality perspective

Stakeholder Engagement

- Weighting of major issues and financial impacts across E/S/G domains
- Survey of issues impacting LG H&H's financial performance among employees
- Analysis of the severity of negative impacts and financial impacts of positive outcomes
- Definition of materiality based on IFRS S1 (general requirements) → selection of material issues
  - Identification of important issues from perspectives of business model, strategy, cash flow, and funding
- Reflection of stakeholder expectations and concerns from a financial perspective on non-financial activities

Environmental & Social Materiality

International Standards Analysis
- Analysis of indicators from the environmental & social materiality perspective, including GRI Standards, ISO 26000, UN SDGs
- Response to disclosure demands from external stakeholders like governments and NGOs

Media Research
- Analysis of issues exposed in the media related to E/S/G sector activities
  - Analysis of articles where LG H&H has impacted environmental/social issues
- Analysis of media issues related to corporate reputation, branding, and social value
  - Trend analysis of issues rising or declining in media exposure through media analysis

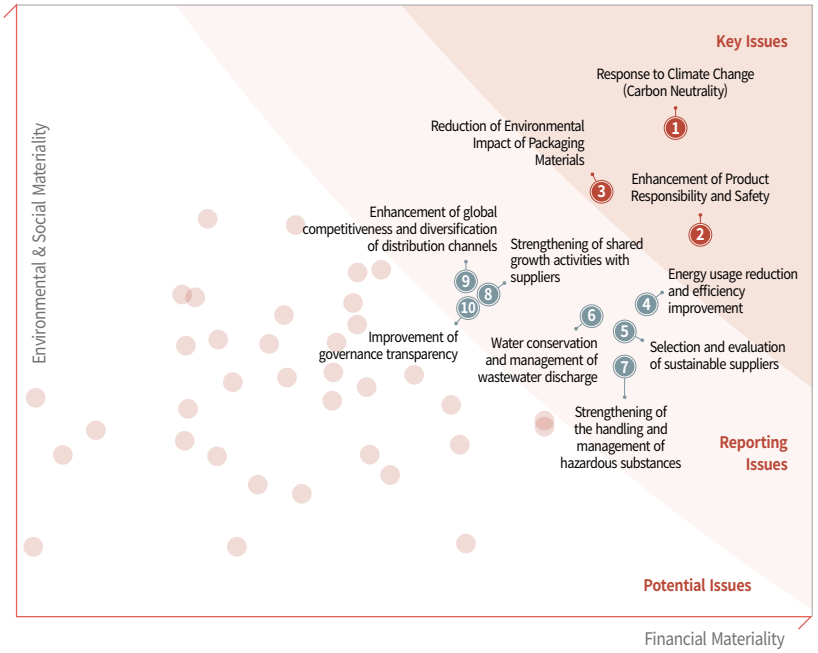
Benchmarking
- Analysis of internal and external disclosure materials from global leading groups and similar industries
- Comprehensive analysis of non-financial impacts reflecting industry initiatives and trends

Stakeholder Engagement
- Reflection of stakeholder interest from current/future impact and negative/positive impact perspectives
- Identification of stakeholder expectations and concerns about how management activities impact E/S/G issues
- Definition of materiality based on GRI → selection of material issues
  - Selection of material issues impacting people, including economic, environmental, and human rights aspects

Results of Double Materiality Assessment

Through the double materiality assessment, a total of 10 critical material were identified. Core issues selected include response to climate change (carbon neutrality), enhancement of product responsibility and safety, and reduction of environmental impact of packaging materials.

Materiality Map



High ● Medium ◐ Low ○

No.	Category	Issue	Importance		Impact Direction		Stakeholder						Report Page
			Financial	Environmental/ Social	Positive	Negative	Employee	Customer	Supplier	Government	Local Community	Shareholder	
1	Environment	Response to climate change (Carbon neutrality)	●	●	◐	◐			●	●	●		22-23
2	Customer/ Product	Enhancement of product responsibility and safety	●	●	●	●		●			●		24-25
3	Environment	Reduction of environmental impact of packaging materials	●	◐	◐	○					●		26-27
4	Environment	Energy usage reduction and efficiency improvement*	◐	●	○	○					●		31-32
5	Supplier	Selection and evaluation of sustainable suppliers	●	◐	●	●			●				107-108
6	Environment	Water conservation and management of wastewater discharge*	◐	◐	○	○				●	●		38-39
7	Environment	Strengthening of the handling and management of hazardous substances	◐	◐	●	●		●		●	●		24-25, 62-63
8	Supplier	Strengthening of shared growth activities with suppliers	◐	◐	●	●			●				110-112
9	Management/ Operational System	Enhancement of global competitiveness and diversification of distribution channels*	◐	◐	●	●	●	●				●	68-71
10	Management/ Operational System	Improvement of governance transparency*	○	○	○	○	●				●	●	84-87

* Newly included issues

Core Issues

Analysis of material issues for creating corporate value

Material Issue	Material Risk or Opportunity	Business Case	Business Impact	Business Strategies	Mid- to Long-Term Plans (Target Year)	Key Performance	Executive Compensation (KPI Linked)
1 Response to Climate Change (Carbon Neutrality)	• Identification and management of short, medium, and long-term physical risks and opportunities. Analysis of business strategy impacts (e.g., increased frequency of natural disasters like typhoons and floods leading to reduced production, enhanced brand preference through participation in eco-friendly initiatives and external communications) • Development and sale of eco-friendly products by reducing container weight, improving recyclability, and using recycled materials to meet climate change efforts and consumer needs	• Strengthened climate change regulations globally - Mandatory sustainability and climate change disclosures • Implementation of carbon pricing mechanisms such as carbon tax, carbon border tax, and emissions trading schemes in certain countries and regions to reduce greenhouse gas emissions	• Cost • Risk	• Conduct carbon reduction activities through carbon footprint tracking • Expand Scope 3 supplier greenhouse gas emissions management and categories • Invest in and replace manufacturing facilities to reduce greenhouse gas emissions (e.g., replacing high-efficiency motors, creating utility diagrams, replacing lighting equipment)	• Achieve 550 billion KRW in green product sales through eco-labeling (By 2025) • Use 700 tons of recycled plastic (By 2025) • Continuously invest in energy efficiency improvements through facility upgrades and equipment replacement (By 2025) • Continuously monitor domestic and international trends and regulations (By 2025)	• Cumulative carbon reduction of 20,193 tons (9,917 tons in 2022* and 10,276 tons in 2023) * The 2022 reduction previously reported as 7,223 tons was increased by 2,694 tons due to a biogas project at the wastewater treatment factory • Recruitment of carbon management staff (headquarters, Cheongju) Enhancement of the carbon management organization • Construction of greenhouse gas inventories for suppliers (cumulative 103 companies, 50 in 2024)	- Implement carbon emission reduction tasks and reduce greenhouse gas emissions - Expand the proportion of eco-friendly products
2 Enhancement of Product Responsibility and Safety	• Decline in consumer trust, resulting in liabilities and decreased sales • Reputational damage leading to corporate image loss	• Strengthened regulatory requirements and quality standards in various countries • Incidents related to the use of hazardous substances can lead to financial losses and affect product liability and trust with customers	• Cost • Revenue • Risk	• Enhance global-level safety through strengthened hazardous substance management and risk assessment • Increase product trust by eliminating hazardous substances within the production value chain • Advance safety and quality management to achieve global competitiveness • Reinforce clean beauty principles from the development stage to ensure eco-friendliness, human safety, social responsibility, and honest efficacy	• Operate and establish an innovative customer value process through the product life-cycle based Safe Quality Management (RQM) system (By 2025) • Secure and operate global-level evaluation capabilities and reliability for safety verification (By 2025)	• Identification of 2,077 improvement tasks for the Reassurance Quality Certification system • Derivation of 762 improvement tasks from partner Reassurance Quality Certification evaluations with a 99% implementation plan rate • Selection and awarding of plaques to four outstanding partners for Reassurance Quality Certification • Verification of 264 hazardous substance items in 2023 • Collection of 17,863 samples for hazardous substance verification	- Apply the Reassurance Quality Management (RQM) system to 16 business sites - Prevent hazardous substances/functional ingredients issues - Manage the quality level of suppliers
3 Reduction of Environmental Impact of Packaging	• Increase in consumer product purchases through the development and use of eco-friendly materials, enhancing the perception of the company as an environmentally friendly business • Efforts to minimize environmental impact by obtaining Eco-Labels, Environmental Product Declaration, and Low Carbon certifications	• Increased demand for eco-friendly products throughout the entire lifecycle, starting from the product development and design stages • Continuous increase in the development and recycling demand for alternative products due to rising environmental levies on product packaging	• Cost • Revenue	• Enhance resource circulation systems - foster upcycling ecosystems, expand pyrolysis oil products from waste plastics, and increase refillable product offerings • Expand products certified with Eco-Label, carbon footprint, and low-carbon certifications • Expand business in new global markets, particularly in climate-vulnerable regions • Generate revenue by developing and selling eco-friendly products catering to Gen Z consumer preferences • Promote ESG management and expand the use of eco-friendly packaging, establish recycling-based circular systems, and spread and establish eco-friendly packaging through industry agreements	• Reduce PET container weight (By 2025) • Enhance and eco-friendlize product packaging technology through the Green Packaging Guide (By 2025)	• Green product certifications: 204 Eco-Labels / 8 Environmental Product Declaration / 6 Low Carbon certifications • Reduction in plastic usage through container light-weighting: 1,071.8 tons	- Develop eco-friendly packaging tasks and acquire intellectual property rights - Reduce new packaging customer complaints by 25% - Ensure global packaging quality (by 2025)

Analysis of material issues by external stakeholders

Material Issue	Value Chain (Impact Range, %)	Stakeholder	Impact Type	External Stakeholder Relevance and Importance	Output Metrics	Impact Assessment	Impact Indicators
1 Response to Climate Change (Carbon Neutrality)	Products/services (100%)	Environment, society, customers (end users), external members	Positive/negative (neutral)	• Strengthened demands for responses to greenhouse gas reduction, environmental regulations, and renewable energy expansion • Climate change responses, such as building a resource circulation ecosystem in areas near business sites, provide positive impacts on the community and industry	GHG reduction amount (cumulative carbon reduction)	Avoided social costs - Carbon reduction amount x greenhouse gas eco-cost	[Greenhouse Gas Emissions Reduction] • Cumulative GHG emissions reduction: 20,193 tCO2eq - Investments in GHG reduction: high-efficiency equipment replacement and introduction, energy transition, use/recycling of eco-friendly product packaging [Social Value Conversion] • Social value conversion amount through GHG reduction: 2,685,6691) euros
2 Enhancement of Product Responsibility and Safety	Products/services (100%)	Environment, society, customers (end users)	Positive/negative (neutral)	Verification of harmful substances in LG H&H's products and assurance of product safety are crucial values for customer health and corporate responsibility	Reassurance Quality Management (RQM) system and Reassurance Quality Certification	Avoided social costs	[Quality Assessment System] Design Quality: Diagnose 6 teams Production Quality: Diagnose 19 sites Logistics Quality: Diagnose 75 sites
3 Reduction of Environmental Impact of Packaging	Products/services (100%)	Environment, society, customers (end users)	Positive/negative (neutral)	• Research and development of eco-friendly packaging materials to minimize environmental impact throughout the product lifecycle are key issues in industries like food and cosmetics • Utilizing and expanding eco-friendly packaging materials provides positive impacts on the environment and local communities	• Green product certification status • Plastic reduction amount through container lightweighting • Packaging recycling performance	Avoided social costs - Plastic reduction amount x plastic PET eco-cost	[Plastic Usage Reduction] - Product design changes and material substitutions (Total reduction of 1,007 tons of plastic in 2023) [Increased Use of Recycled Materials] - Expanded use of recycled material packaging (Launched products using pyrolysis oil from waste plastics; total of 313 tons of recycled plastic used in 2023) [Social Value Conversion] - Social value amount through plastic usage reduction: 976,790 euros

1) Sustainable Impact Metrics(https://www.ecocostsvalue.com/ecocosts/eco-costs-emissions)

Issue 1. Response to Climate Change (Carbon Neutrality)

IMPORTANCE

The escalating climate crisis is causing floods, typhoons, heatwaves, and droughts worldwide. It has emerged as a top priority that humanity must address. To combat this crisis, major countries around the world are implementing various initiatives, such as declarations of carbon neutrality, stricter environmental regulations, and the expansion of renewable energy. The impact of global climate change extends beyond personal and local damage, severely affecting the business environment for companies. Companies are actively participating in international efforts to respond to climate change by identifying climate change risks, taking preventive measures, and vigorously pursuing their carbon neutrality goals.

APPROACH

As a global consumer goods company, LG H&H has established a 2050 Carbon Neutrality Plan to actively participate in the international community's response to climate change. To realize this plan, reducing carbon emissions and securing renewable energy are set as key objectives of our environmental management. We are undertaking active and systematic activities, including process improvements, equipment investments, the use of renewable energy, and the introduction of electric vehicles. Additionally, we are committed to sustainable supply chain management by conducting ESG evaluations for over 400 suppliers, creating carbon emission reduction inventories, and supporting energy-saving initiatives.

Performance

Cumulative carbon reduction of

20,193 tons

(9,917 tons in 2022* and 10,276 tons in 2023)

Construction of greenhouse gas inventories for suppliers

103 companies cumulatively

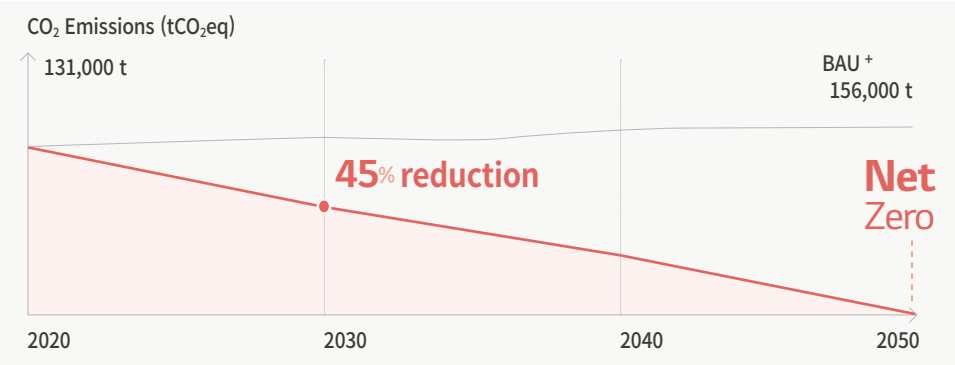
(50 in 2024)

Recruitment of carbon management staff (headquarters, Cheongju)
Enhancement of the carbon management organization

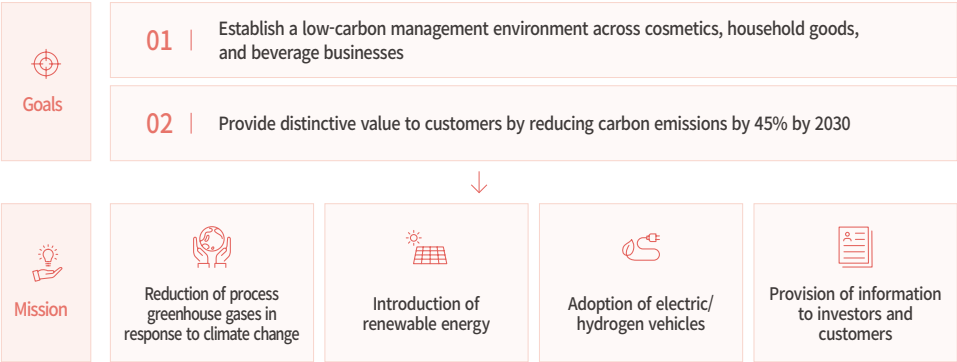
* The 2022 reduction previously reported as 7,223 tons was increased by 2,694 tons due to a biogas project at the wastewater treatment factory

2050 Carbon Neutrality Declaration

LG H&H has declared 2050 Net Zero to achieve carbon neutrality by 2050 and reduce carbon emissions by 45% by 2030 relative to 2020 levels, in an active response to climate change considering economic viability and feasibility. Six major strategies have been established for reducing greenhouse gases, including developing low-carbon products, enhancing process efficiency, transitioning to low-carbon fuels, increasing the proportion of electric vehicles, expanding renewable energy, and pursuing carbon offset projects. From these, 84 detailed tasks have been identified and are being implemented in phases. In 2023, initiatives such as introducing external steam from waste heat at the Cheonan factory, lightweighting PET bottle preforms, rationalizing air compressor pressure, transitioning to electric vehicles, replacing with LED lighting, and swapping out to high-efficiency cooling and chilled water circulation pumps resulted in a total reduction of 10,276 tons of greenhouse gases. Moving forward, we plan to progressively increase the use of renewable energy, starting with the installation of solar power generation facilities at our sites.



2050 Carbon Neutrality Goals and Four Mission



Scope 3 Enhancement

In 2024, LG H&H expanded its carbon-neutral efforts across the entire value chain to contribute to the transition to a low-carbon economy. We supported 50 new and a cumulative total of 103 suppliers in establishing greenhouse gas inventories. This initiative enables suppliers to easily calculate and systematically manage their emissions. Additionally, through energy-saving consulting, we anticipate reducing 2,175 tons of greenhouse gases annually by 2023. We have shared various energy-saving technologies and know-how with our suppliers. In 2024, we plan to further reduce greenhouse gas emissions by 277 tons annually through energy-saving consulting and equipment investment support for our suppliers. To increase interest in carbon reduction activities and ESG management, we provided ESG education to around 130 suppliers, enhancing communication with stakeholders. According to the 2024 Sustainability Disclosure Guidelines, climate-related disclosures are central, particularly Scope 3 emissions, which encompass greenhouse gases emitted by suppliers and partners during business activities. We have expanded the categories for calculating Scope 3 emissions from four (Categories 1, 5, 7, 12) to seven (Categories 1, 3, 5, 7, 12, 13, 15). We also improved calculation methods to increase data accuracy, striving for thorough sustainability disclosure and achieving shared carbon neutrality.

Environmental Management Governance for Carbon Neutrality

LG H&H operates its 2050 Carbon Neutrality Plan through a dedicated ESG management organization centered around the ESG Committee under the board of directors. The ESG Committee is responsible for final decision-making and reviews overall plans and strategies, execution, and performance of environmental management, including climate change risk management and energy management. In 2023, the committee approved items related to climate change response and strengthening supply chain ESG, such as eco-friendly design strategies, biodiversity activities and conservation plans, carbon neutrality activities, and the establishment of an environmental safety and health system. It also approved the operation of an ESG awards system for suppliers. Going forward, through close cooperation between management and operational groups, we will systematically and strategically practice environmental management at the corporate level to achieve our carbon neutrality goals.

Issue 2. Enhancement of Product Responsibility and Safety

IMPORTANCE

Product safety is directly linked to customer safety, making it a critical issue that can determine the survival of a consumer goods company. Failure to ensure product safety can damage a company's brand value, lead to significant economic burdens, and harm its social reputation, severely impacting overall management. Therefore, consumer goods companies pursue product safety as a core value and are advancing company-wide product safety management by proactively predicting and preparing for related risks.

APPROACH

As a producer of daily consumer goods, LG H&H is committed to fulfilling its social responsibility by ensuring product safety according to strict standards. We apply our own hazardous substance management standards that meet global criteria, thoroughly verifying safety from the registration of new ingredients to product development and mass production. Furthermore, we conduct risk assessments based on internationally recognized data. We also continuously monitor domestic and international trends, incorporating the latest information to enhance our hazardous substance management practices.

Performance

Design Area

Diagnostics completed in 6 departments

Reassurance Quality Diagnostics

Diagnostics completed for 94 entities

(19 production and 75 logistics facilities)

Number of Hazard Assessments

1,275 cases

Number of Skin Irritation Assessments

3,422 cases

(including internal and external institutions)

Compliance with Hazardous Substance Management Regulations

LG H&H has established Hazardous Substance Management Regulations to provide consumers with products they can use with confidence. These regulations are strictly applied throughout all stages, from the registration of new ingredients to product development and mass production. During the new ingredient review phase, only materials that have passed the hazardous substance management criteria are processed for new ingredient registration and applied to products. In the new product development phase, domestic regulatory items including global management items, along with additional internal management items, are validated against stricter standards than legal requirements, and only those that pass are allowed to proceed with the new product development process. Additionally, finished products, such as cosmetics and household items produced in our factories, undergo hazardous substance verification at least once a year. This process accounts for variations between ingredient lots and potential contamination in manufacturing facilities, ensuring that we provide safe, high-quality products to consumers.

Enhanced Management of Hazardous Ingredients

LG H&H is committed to eliminating all potential hazards from the ingredient to the formulation level to ensure product safety. For cosmetics, based on data accumulated over many years, we establish systemic and scientific safety evaluation scenarios for whole-body toxicity exposure. For instance, we verify and analyze whether the product is safe for children, whether any ingredients are harmful if inhaled, and whether there are any ingredients with reported irritation cases. Additionally, as the volume of product exports increases, we strive to equip our safety evaluation division with global-level capabilities. Currently, hazard assessments utilize internationally recognized GLP (Good Laboratory Practice)[1] research data (ECHA[2], EPA[3], OECD[4]) and relevant data depending on the evaluation purpose (CIR[5], SCCS[6]). Cytotoxicity evaluations adopt OECD methodologies, while microbial preservation assessments apply ISO methods to all cosmetic products. Furthermore, hazardous substance testing is planned to be conducted by an internationally accredited testing institution (KOLAS).

1) GLP (Good Laboratory Practice): Standards for good laboratory management and non-clinical test management
2) ECHA: European Chemicals Agency
3) EPA: United States Environmental Protection Agency
4) OECD: Organization for Economic Cooperation and Development
5) CIR: Cosmetic Ingredient Review committee
6) SCCS: Scientific Committee on Consumer Safety

Verification of No Hazardous Ingredients

LG H&H meticulously reviews and manages the impact of product ingredients on customers to enhance product safety. During product development, we identify and manage ingredients not only based on legal regulations but also those whose safety is questionable or require restriction due to ethical or environmental issues, categorizing them into raw materials, lab products, and production items. Additionally, we classify potentially hazardous substances from a global perspective to develop products that are safe for both humans and the environment. We continuously update the list of restricted substances in a timely manner through ongoing research and monitoring of domestic and international trends.

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

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

Verification of No Hazardous Ingredients

LG H&H meticulously reviews and manages the impact of product ingredients on customers to enhance product safety. During product development, we identify and manage ingredients not only based on legal regulations but also those with questionable safety or those that require restriction due to ethical or environmental concerns, categorizing them into three stages. Additionally, we classify potentially hazardous substances from a global perspective to develop products that are safe for both humans and the environment. We continuously update the list of restricted substances in a timely manner through ongoing research and monitoring of domestic and international trends.

CASE Clean Beauty Brands

Belif
A true herb cosmetic from farm to skin. Combines high-efficiency skin improvement ingredients from natural herbs with high-efficiency formulation stabilization technology to maximize differentiated customer perceived effects.

Beyond
A true herb cosmetic from farm to skin. Combines high-efficiency skin improvement ingredients from natural herbs with high-efficiency formulation stabilization technology to maximize differentiated customer perceived effects.

TFS
A functional vegan skincare brand that excludes animal-derived ingredients and 10 hazardous substances. The new Ultimate Line undergoes sensitivity tests for sensitive skin to address consumer skin concerns.

Physiogel
A German dermatological brand offering systematic human application tests and sensitivity tests on all products to present skincare technology suitable for various skin types of consumers.

Ugly Lovely
A conscious beauty brand launched in 2023. Uses upcycled domestic raw materials, excludes 10 chemical substances, and conducts skin irritation tests on all products for sensitive skin to provide differentiated value.

Su:m37°
A natural fermentation cosmetic brand that cares for sensitive skin with proprietary fermented ingredients and patented sensitive care ingredients, free from 20 chemical ingredients, with all products undergoing irritation tests for sensitive skin to provide differentiated sensitive anti-aging value.

Issue 3. Reduction of Environmental Impact of Packaging

IMPORTANCE

Globally, environmental issues such as climate change and air pollution are amplifying, leading to stricter regulations on resource circulation and the reduction of plastic usage for resource circulation and environmental protection. Additionally, as awareness of ethical consumption spreads, demand for eco-friendly products that minimize environmental impact is also rising. Aligning with this trend, reducing environmental impact throughout the entire product lifecycle has become essential for the sustainable growth of companies.

APPROACH

LG H&H has developed the Clean Beauty Index (CBI) from the perspective of Life Cycle Assessment (LCA)[1] to minimize the environmental impact of products from ingredient review to safety evaluation and packaging assessment. Specifically, we focus on eco-friendly packaging design and research and development to reduce the environmental impact of packaging materials used in our products. In 2023, our proactive efforts in light-weighting containers, improving recyclability, and using recycled materials have led to the launch of various green products, contributing to the reduction of greenhouse gas emissions.

Performance

Green product revenue

461.1 billion KRW

Green product certifications

204 Eco-Labels

8 Environmental Product Declaration

6 Low Carbon certifications

Reduction in plastic usage through container light-weighting

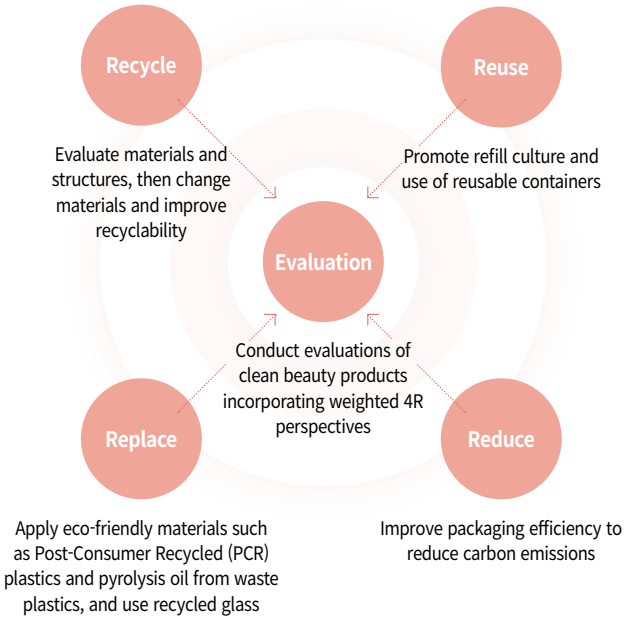
1,007 tons

1) Full LCA : 36.2% Simplified LCA : 63.8%

Plastic Reduction Initiatives

LG H&H is actively reducing plastic usage by adopting a comprehensive and multifaceted approach based on the 4R principles (Recycle, Reuse, Reduce, Replace) to address plastic pollution caused by excessive packaging. As part of this effort, we have redesigned packaging to use less plastic while maintaining quality, eliminated unnecessary packaging, and replaced materials with paper alternatives. A notable example includes using paper trays and low-density trays for hair dye and gift set trays to reduce plastic usage. Additionally, our flagship brand, The Whoo, improved cap seal technology to eliminate plastic leak-proof packing in caps. In 2023, these efforts resulted in a 10% increase over the previous year, reducing a total of 1,007 tons of plastic.

4R for Reducing Plastic Usage



Improvement of Packaging Recyclability

LG H&H is consistently developing products with improved recyclability to promote resource circulation and prevent environmental pollution. In 2023, we applied refill pouches made of single materials to the Safe Kitchen Detergent Refill product, achieving an excellent recyclability grade. Additionally, we used lightweight plastic-only pumps without metal parts for the Jayeongpong Spray Kitchen Detergent and Method Citric Acid Bathroom Cleaner, as well as lightweight labels for the Toreta product. All three products received the highest grade for recyclability.

Products with Excellent Resource Circulation

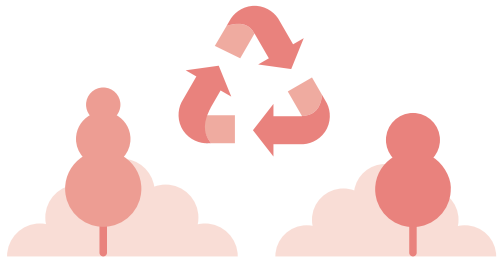
Category	Applied Products
Products with highest recyclability	• Pyeongchang Water 2.0L and 28 other label-free beverages • Toreta 500ml • Jayeonpong Spray Kitchen Detergent • Method Citric Acid Bathroom Cleaner
Improved recyclability grades through container material/ structure optimization	• ReEn Shampoo 500ml (four types: Jayoon Normal to Dry, Jayoon Oily, Sandalwood, Seohyang) - container material changed from PET to PP, recyclability improved from difficult to average • Physiogel Red Soothing Cica Balance Pore Control Serum 50ml - Container material: PP container + all-plastic pump - Recycling grade: Excellent
Simplified material structure (composite → single material)	• Jayeongpong Safe Kitchen Detergent Refill 1L • Physiogel Red Soothing Cica Balance Pore Control Serum 50mL
Pulp mold trays	• Sum Microactive Discovery

Expansion of Recycled Material Usage

To contribute to resource circulation, LG H&H has expanded the use of recycled materials in packaging. As part of this effort, we continue to use glass containing over 80% cullet for cosmetic containers and reuse waste plastic set trays generated during the production process. Additionally, we have increased the application of recyclable ABS material for cosmetic containers, used recycled PET (r-PET) in Coca-Cola 1.25 L products, and were the first in the industry to introduce cosmetic containers made from pyrolysis oil-based plastic derived from waste plastics. Since 2023, we have collaborated with domestic paper companies to use recycled paper made from difficult-to-recycle materials such as waste clothing and sterilization packs for product packaging, contributing to resource circulation.

Strengthening Social Cooperation

LG H&H aims to expand the use of eco-friendly packaging materials by strengthening cooperation with related organizations and companies. We have signed agreements with the Korea Packaging Recycling Cooperative (KPRC), the Korea Conformity Laboratories (KCL), and five obligated producers to build a sustainable product packaging value chain. Additionally, we have signed agreements with KPRC, Hansol Paper, and 12 mandatory producers to promote 'ESG management and the expansion of eco-friendly packaging' and 'the establishment of a recycling system through the recycling of aseptic packs.'



Sustainable Management

ENVIRONMENT

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SOCIAL

Talent Management 43
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Quality Management 59
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Environmental Management

Environmental Management

LG H&H has established a global-level environmental management system and the '2050 Carbon Neutrality Plan' to contribute to solving global environmental issues, including the climate crisis. We are actively implementing comprehensive environmental management, focusing on managing the environmental impact of products, reducing greenhouse gases and energy consumption, adopting renewable energy, and supporting carbon management in our supply chain. We are also vigorously pursuing activities to reduce the environmental impact of packaging, such as container lightweighting, improving recyclability, and using recycled materials. Additionally, we are expanding efforts to protect habitats for flora and fauna and ensure biodiversity.

Objectives

- Achieve 500 billion KRW in green product sales through environmental product certifications (by 2025)
- Water usage intensity of 2.42 tons/product-ton (by 2025)
- Reduce greenhouse gas emissions by 45% compared to 2020 levels (by 2030), achieve carbon neutrality (by 2050)
- Continuous investment in improving energy efficiency and reducing pollutants through facility upgrades and replacement of outdated equipment
- Use 700 tons of recycled plastic (by 2025)

Key Achievements

Waste emission intensity **14.46** kg/product-ton	Wastewater discharge intensity **1.207** tons/product-ton
Water usage intensity **2.44** tons/product-ton	Cumulative reduction in greenhouse gas emissions **20,193** tCO_2eq
Use of recycled plastic **452** tons	Environmental investment amount **6** billion KRW

Sustainable Management

Environmental Management

Dedicated Environmental Management Organization

Green Management under the Division

Company-wide environmental management, carbon neutrality, green packaging, chemical substances, environmental investment

Business Sites

Site Environmental Safety Team, Site Facility Technology Team

Logistics and Sales

Logistics Sales, Environmental Safety Support Part

Environmental Management System

LG H&H has established a company-wide environmental management system based on the global-level Environmental Management System (ISO 14001). We formulate and implement mid- to long-term strategies and plans for environmental management across the entire company. Our dedicated environmental safety division leads effective environmental management across all business activities and systematically supports the implementation of environmental management at overseas business sites. In particular, following the mid- to long-term roadmap of the 2050 Carbon Neutrality Plan announced in 2021, we are actively practicing low-carbon management by reducing process greenhouse gases, adopting renewable energy, and introducing electric vehicles in response to climate change.

Environmental Management Policy

Environmental Compliance-Related Penalties

In 2023, LG H&H did not exceed USD 10,000 in fines and penalties for environmental law violations. We will continue to rigorously adhere to environmental compliance by reassessing our company-wide Environment Safety Health (ESH) management system.

* No significant environmental law violations from 2021 to 2023

Mid- to Long-Term Environmental Management Roadmap

Evaluation Items	Evaluation Details	2023 Achievements	2024 Goals	2025 Goals
Green Management	Green product revenue (100 million KRW)	4,611	4,800	5,000
	GHG emission reduction (tons CO2eq, cumulative)	20,193	22,000	24,294
	Wastewater discharge intensity* (tons/product-ton)	1.207	1.180	1.160
	Waste recycling rate (%)	82%	84%	86%
System	Advancement of environmental safety work (DX)	DFM system establishment	DFM system stabilization	DFM system advancement
	Chemical substance registration compliance* (types, cumulative)	25	32	37

* Based on the combined data of LG H&H, Coca-Cola Beverage, and HAITAI htb

Environmental Management Certification Status

(Unit: Number of Certifications)

Environmental Management ISO 14001

Domestic: 11*
Overseas: 14

* CCB: Integrated certification for Yeoju, Yangsan, and Gwangju sites

Climate Change Response

LG H&H has declared '2050 Carbon Neutrality' with the goal of reducing carbon emissions by 45% by 2030 compared to 2020 levels, actively responding to climate change. To achieve carbon neutrality, we plan to invest approximately 200 billion KRW by 2030 in 84 tasks aimed at reducing greenhouse gas emissions, including the introduction of high-efficiency equipment, energy transition, adoption of renewable energy, and electric vehicles. Additionally, to manage other indirect greenhouse gas emissions (Scope 3), we have supported around 103 small and medium-sized suppliers in establishing greenhouse gas inventories. We are also steadily expanding consulting activities that provide energy-saving and carbon reduction solutions.

Managing Product Environmental Impact through LCA

LG H&H conducts Life Cycle Assessments (LCA) for each product to effectively achieve carbon neutrality and accelerate the transition to a circular economy. LCA quantifies the environmental impact across all stages, from raw material extraction, processing, production, transportation, use, to disposal. This helps fundamentally improve the production and consumption methods of products. Additionally, we accumulate a standardized database on LCA techniques, which is utilized in product development.

LCA Impact Categories

Resource Footprint	Carbon Footprint	Ozone Layer Impact	Acid Rain
Eutrophication	Photochemical Smog	Water Footprint	

Energy and Greenhouse Gas Management

LG H&H systematically manages energy and greenhouse gases by establishing greenhouse gas inventories and operating energy management systems for each domestic and international site. All domestic sites ensure transparency and objectivity of emissions through third-party assurance. Starting in 2023, we will also pursue third-party assurance for overseas sites. The energy consumption required for our manufacturing processes is relatively low compared to other manufacturing industries. Only certain sites of LG H&H and its subsidiaries (Yeoju, Cheonan) are included in the target management system. These sites consistently achieve and exceed their annual energy consumption and greenhouse gas emission targets.

In line with the 2050 Carbon Neutrality roadmap announced in 2021, we strive to implement carbon neutrality initiatives annually. Specifically, we aim to achieve our greenhouse gas and energy reduction targets (24,294 tons CO_2eq, cumulative) by 2025. The Environmental Safety Council, which meets monthly, reviews the implementation of existing energy and greenhouse gas reduction projects and identifies new reduction tasks through various research efforts. In 2022 and 2023, we invested in reduction activities at our cosmetics, household goods, and beverage factories, including energy efficiency improvements, low-carbon energy transitions, process portfolio enhancements, and the introduction of electric vehicles. These efforts resulted in a cumulative reduction of approximately 20,193 tons of greenhouse gases. Additionally, as part of efficient energy use and management, we use electricity generated from a solar power facility on the roof of our Magok Science Park building. To enhance energy-saving awareness among our employees, we are launching a carbon neutrality working council in 2024 to share energy-saving case studies among team members. As such, LG H&H plans to continue exploring and implementing various carbon reduction measures, including the adoption of renewable energy, in 2024.

Environmental Investment Cost

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Environmental Investment	1 million KRW	3,346	2,274	359	5,979
Environmental Cost	1 million KRW	3,758	591	874	5,223

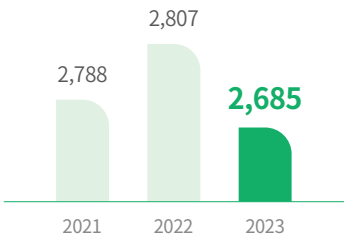
Association Activities for Carbon Neutrality

Associations	Association Activities	LG H&H Activities
PACT	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. 1) Transitioning to sustainable business models 2) Advocating for an international plastics treaty 3) Plastic Smart City activities	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
CDP	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. 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	**Climate Change** 1) Established climate change response organizational structure 2) Set carbon neutrality long-term goals and roadmap 3) Analyzed climate change risks and opportunities; formulated business strategy 4) Expanded Scope 1~3 carbon emissions disclosure 5) Included climate change response evaluation in supplier contracts **Water Security** 1) Managed water resources in water-stressed areas 2) Supported community water restoration projects 3) Conducted river clean-up activities near business sites

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

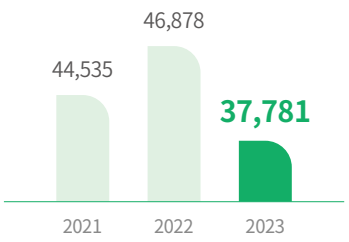
Energy Consumption

(Unit: TJ)



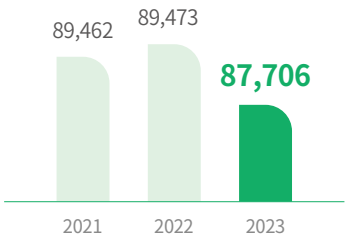
Direct Greenhouse Gas Emissions (Scope 1)

(Unit: tons CO_2e)



Indirect Greenhouse Gas Emissions (Scope 2)

(Unit: tons CO_2e)



Energy Reduction Activities

(Unit: tCO_2-eq)

Existing Projects			
Category	**Site**	**Project Name**	**GHG Reduction Amount**
Process Efficiency	Cheongju	Minimize steam operating pressure and eliminate steam leaks	92
	Cheongju	Adjust operation conditions of main building air conditioning system and automate steam valves	34
	Cheongju	Replace turbo chiller at cosmetics factory	50
	Ulsan	Install detergent raw material drum dissolver	28
	Ulsan	Use high-efficiency lighting (LED)	47
	Onsan	Establish excess waste heat recovery system	67
	Magok	Reduce lighting hours in employee cafeteria / Install inverter for cooling water circulation pump	2
	Yeoju/Gwangju	Rationalize utility investments	3,982
	Yeoju	Improve leaks and air leakage	37
	Yangsan	Replace LED lighting fixtures	12
	Cheonan	Recover waste heat from hot-fill line cooler / Improve sterilizer return rate	71
	Cheonan	Rationalize filling cooling temperature in aseptic line	101
	Cheonan	Utilize biogas in wastewater treatment plant	2,694
	Pyeongchang	Replace warehouse lighting with LED	29
	Iksan 2	Improve mixing ratios	58
	Iksan 2	Introduce small compressor for RO recycle in manufacturing room	130
EV100	Distribution	Introduce eco-friendly (electric) vehicles	33
	Distribution	Reduce vehicle numbers and change fuel types	1,510
Portfolio/ Development	Naju	Discontinue production of lab products	870
RE100	Magok	Operate solar power facilities	70
Subtotal			9,917

New Projects			
Category	**Site**	**New**	**GHG Reduction Amount**
Process Efficiency	Distribution	Replace LED lighting	9
	Choengju	Replace LED lighting	12
	Choengju	Replace chiller pump motor and install inverter at oral care product factory	8
	Choengju	Replace manufacturing equipment motors at detergent factory	6
	Choengju	Use air measuring devices and operate under reduced chiller load at TP factory	105
	Choengju	Replace chiller at oral care product factory	10
	Ulsan	Replace cooling water/chilled water circulation pumps with high-efficiency pumps	7
	Ulsan	Replace lighting transformer in detergent distribution room	3
	Incheon	Replace LED lighting	2
	Yeoju/Yangsan	Lightweight preforms	46
	Yeoju/Yangsan	Rationalize high-pressure air for bottle production (average 29→26 bar) to reduce compressor operating power	43
Energy Transition	Cheonan	Introduce external steam	9,786
EV100	Distribution	Introduce eco-friendly vehicles	239
Subtotal			10,276

CASE HAITAI htb Cheonan Factory Selected as 'Outstanding Company for Voluntary Reduction of Air Pollutants'

HAITAI htb's Cheonan factory, which produces beverages, signed a Voluntary Reduction Agreement for Air Pollutants with the Chungcheongnam-do provincial government and has been actively engaged in reducing air pollutants. As part of these efforts, the factory introduced external waste incineration heat (steam) into the food processing process, replacing the operation of existing LNG boilers, significantly reducing the emissions of nitrogen oxides (NOx), a major air pollutant. In the first to third quarters of 2023, the factory reduced nitrogen oxide emissions by 39%, from 6,052 kg to 3,679 kg, compared to the same period the previous year, and also achieved a reduction of 9,786 tCO2 in greenhouse gas emissions. These efforts were highly recognized, and in 2023, the factory was selected as an Outstanding Company for Voluntary Reduction of Air Pollutants by the Chungcheongnam-do provincial government. The company plans to continue identifying and implementing various measures to reduce air pollutants and greenhouse gas emissions, contributing to environmental protection and climate change response.

Support for Supply Chain Carbon Management

The detailed management of climate change indicators in the supply chain is a key agenda for major global environmental initiatives such as the Carbon Disclosure Project (CDP) and the Science Based Targets initiative (SBTi). To enhance climate change management in the supply chain and support carbon management by partners, LG H&H established greenhouse gas inventories for 13 companies in 2022, 40 companies in 2023 and 50 companies in 2024, calculating and verifying their emission. We also conducted climate change response training for relevant personnel. Additionally, in 2023, we provided energy-saving consulting to four of these companies, identifying measures to reduce their greenhouse gas emissions by 6.4% (2,176 tCO_2). We plan to continue expanding our support for emission calculation and reduction for our partners, improving the management of LG H&H's Scope 3 emissions.

Establishment of Environmental Management Governance with LG ESG IT Intelligence and DFM

LG H&H has established two environmental management data governance systems to ensure transparency and efficiently manage data across the company. First, the LG ESG IT Intelligence system involves all affiliates within the LG Group. This system preemptively responds to information disclosure regulations and enables efficient ESG data management for various stakeholders. It integrates the disclosure process of non-financial information impacting carbon reduction and ESG-related data management across the company. We plan to further expand the use of this system, thereby establishing LG H&H's ESG policies, standards, and processes. Second, the Environmental Safety and Health DFM (Defect Free Management) system, launched in August 2023, systematically manages company-wide environmental management statistics. This system enhances legal compliance, improves work efficiency, and strengthens transparency in environmental safety activities by expanding the process of registering and managing improvement results. Through these efforts, we aim to ensure transparency in enterprise-wide environmental management, standardize the environmental safety management capabilities of small-scale business sites, and enhance the ability to gain insights and manage enterprise-wide environmental management activities comprehensively.

Reducing Environmental Impact of Product Packaging Materials

Operation of Green Product Council

LG H&H operates the Green Product Council to establish and implement company-wide product environmental policies. The council, led by the Environmental Safety Division, includes departments responsible for packaging research, design, purchasing, and product planning. The outcomes of council meetings are shared across the company. The council discusses tasks to improve product environmental performance from the development stage to post-improvement stages, and shares social product environmental issues, legal matters, and government policies. In 2023, we undertook 26 packaging improvement projects, including container lightweighting, material improvement, use of recycled materials, and recyclability enhancement. We also improved three government circular use assessment target products, shared seven legislative policies, and participated in two external agreements: the Agreement to Expand the Use of Eco-Friendly Packaging and the Agreement to Establish a Recycling System through Sterilization Pack Recycling.

Reduction of Plastic Usage

LG H&H engaged in various activities to reduce plastic usage, focusing on container lightweighting projects promoted by the Green Product Council. These projects included redesigning packaging to use less plastic while maintaining quality, eliminating unnecessary packaging, and replacing materials with paper. Through these efforts, in 2023, we reduced plastic usage by 1,071 tons, which is 10% more than the previous year's reduction.

Expansion of Recycled Material Usage

LG H&H has expanded the use of recycled materials in packaging according to tasks promoted by the Green Product Council to contribute to resource circulation. As part of this effort, we continue to use glass containing over 80% cullet in cosmetic containers and launched the first products in Korea using pyrolysis oil from waste plastics. We also utilized waste plastic set trays generated during production processes, expanded the application of recycled ABS material in cosmetic containers, and used recycled PET (r-PET) in 1.25 L Coca-Cola bottles. Through these various activities, we achieved a total usage of 452 tons of recycled plastic in 2023.

Performance of Green Product Council Tasks

Unit: Tons

* Annual usage amounts may differ from task targets

Coca-Cola Recycled Bottle

In 2023, LG H&H launched the Coca-Cola Recycled Bottle, made from recycled PET containing 10% recycled plastic, applied to the existing Coca-Cola and Coca-Cola Zero 1.25L products. The recycled bottle is produced through a physical recycling process where transparent PET bottles, separated and collected in compliance with the Ministry of Environment's standards, are washed, crushed, and heated. These are then approved by the Ministry of Food and Drug Safety for use in food containers. To maintain product quality and safety while minimizing environmental impact, the plastic weight of the Coca-Cola Recycled Bottle was reduced from 41g to 36g, which is approximately a 21% reduction (8.6g) in the amount of plastic used per bottle. In 2023, the recycled bottle achieved 224 tons of recycled PET usage and 310 tons of container lightweighting, reducing a total of 534 tons of virgin PET (v-PET). Notably, the amount of recycled PET used was the highest in the domestic beverage industry. In 2024, LG H&H plans to obtain the Korean Environmental Corporation's recycled plastic certification for the Coca-Cola 1.25L product.

Production Process of Coca-Cola Recycled Bottle

STEP 01
Separation and sorting of correctly separated and collected transparent beverage PET bottles

STEP 02
Washing PET bottles and crushing them into flakes

STEP 03
Producing chips through refining and melting processes

STEP 04
Melting chips to create r-PET preforms, completing the Coca-Cola Recycled Bottle

Improvement of Recycling Grades

LG H&H has developed an internal recycling grade evaluation system to align with the government's recycling ease grade evaluation system, which assesses the resource circulation potential of products. In 2023, we added three products—Jayeonpong Spray Kitchen Detergent, Method Citric Acid Bathroom Cleaner, and Toreta—to the list of products with the highest recycling grade. We also improved the recycling grade of Silk Therapy Essence.

Establishment of the Recycling Grade Evaluation System

Under the 'Act on The Promotion of Saving and Recycling of Resources,' packaging subject to the Extended Producer Responsibility (ERP) system must undergo a recycling ease grade evaluation. To address this requirement, LG H&H established its own Recycling-level Evaluation System (RES). This system allows all employees to verify and assess recycling levels, which can be challenging for non-experts to determine. Consequently, product managers can easily access information related to product recyclability. Additionally, by integrating the container development system with the RES system, we ensure that recycling levels are evaluated from the early stages of new product development, leading to voluntary improvements in recyclability.

Business Agreement for Expanding ESG Management and Use of Eco-Friendly Packaging

To proactively respond to domestic and international eco-friendly packaging policies and technological changes, and to promote the social spread and adoption of eco-friendly packaging, LG H&H established a three-year business agreement from 2022 with the Korea Packaging Recycling Cooperative (KPRC), the Korea Conformity Laboratories (KCL), and five obligated producers. Through this agreement, we have built an efficient cooperation system. We collaborate with KPRC, KCL, and the distribution industry to conduct packaging research projects and strive to build a sustainable product packaging value chain. Additionally, we share ESG packaging-related information quarterly through the business agreement council.

Business Agreement for Establishing a Recycling System through Sterilization Packs Recycling

To contribute to the expansion of recycling sterilization packs, which have a recycling rate of less than 5%, LG H&H signed a six-month business agreement from September 2023 with KPRC, Hansol Paper, and 12 obligated producers. Although LG H&H does not use aseptic packs, we participated to address this national recycling issue. We applied recycled paper from sterilization packs to protective packaging for cosmetic sets. Through this agreement, the recycling volume of sterilization packs in 2023 increased by 81 tons compared to the previous year, reaching 535 tons. We plan to continue using recycled paper even after the agreement expires, contributing to the expansion of sterilization pack recycling.

Packaging Recycling Performance and Synthetic Resin Material (Unit: kg/%)

Category	Year	Can		Glass		Synthetic Resin		Container Recycling Volume
		Recycling Volume	Recycling Rate	Recycling Volume	Recycling Rate	Recycling Volume	Recycling Rate	
LG H&H	2020	255,245	83.51%	2,218,675	67.00%	18,451,967	89.20%	20,925,887
	2021	208,776	83.15%	2,044,202	64.00%	17,622,283	91.66%	19,875,260
	2022	229,315	97.35%	2,523,023	81.00%	17,870,958	97.06%	20,623,295
	2023	224,027	97.31%	2,504,574	81.00%	17,254,992	97.56%	19,983,593
CCB	2020	12,328,161	76.00%	1,350,555	67.00%	32,105,038	76.85%	45,783,754
	2021	12,206,438	79.00%	1,004,940	64.00%	34,988,947	79.76%	48,200,325
	2022	16,547,855	99.00%	1,403,080	81.00%	35,977,944	84.51%	53,928,879
	2023	19,728,943	99.00%	1,466,406	81.00%	32,265,563	84.41%	53,460,912
HTB	2020	917,088	76.00%	6,696,982	67.00%	1,827,397	76.34%	9,441,467
	2021	752,438	79.00%	7,736,795	64.00%	1,455,682	79.51%	9,944,914
	2022	1,058,420	99.00%	11,634,855	81.00%	1,565,059	84.16%	14,258,334
	2023	867,248	99.00%	12,259,621	81.00%	1,237,197	84.35%	14,364,066
Company-wide	2020	13,500,494	76.13%	10,266,212	67.00%	52,384,401	80.77%	76,151,108
	2021	13,167,651	79.06%	10,785,936	64.00%	54,066,912	83.28%	78,020,499
	2022	17,835,590	98.98%	15,560,959	81.00%	55,413,960	88.18%	88,810,509
	2023	20,820,217	98.98%	16,230,602	81.00%	50,757,751	88.47%	87,808,571

Recycling Rate Targets (2023)

Can
95%

Glass
75%

Synthetic Resin
86%

Eco-Label and Environmental Product Declaration System

The Eco-Label certification, managed by the Ministry of Environment, certifies products with superior environmental performance compared to similar-use products. This label provides consumers with information on eco-friendly products, encouraging companies to voluntarily develop and produce environmentally friendly products. LG H&H has consistently obtained Eco-Labels for kitchen detergents, multipurpose cleaners, and air fresheners, providing consumers with information on eco-friendly products.

Additionally, we actively participate in the Environmental Product Declaration (EPD) system, which quantitatively indicates the environmental impact of products throughout their entire lifecycle, from production to disposal. Through EPD certification, we provide consumers with quantitative data on the environmental impact of raw material extraction, production, transportation/distribution, use, and disposal of our products.

First Body Product in Korea to Obtain Low Carbon Certification

LG H&H is dedicated to obtaining Low Carbon certification for products with significantly reduced or lower carbon emissions compared to similar products. Through container lightweighting, energy-saving investments in the production stage, and the use of recycled plastics, we now have six Low Carbon certified products. In 2023, we focused on expanding eco-friendly certification for cosmetics, achieving low-carbon certification for four products under the 'Beyond' brand. Beyond is a brand that strictly adheres to clean beauty principles from the research and development stage through to raw material selection and packaging design. To reduce carbon emissions, we introduced ambient temperature processing methods in manufacturing to save energy and improved PET containers to 98.5% recycled (PCR) PET in packaging. As a result of these efforts, four products—two Beyond Deep Moisture Smoothing Body Emulsion and two Beyond Deep Moisture Creamy Body Wash—achieved Low Carbon certification, reducing carbon emissions by an average of 9% (60-135g per unit), amounting to approximately 22.3 tons of CO2 emissions annually. Notably, the two Beyond Deep Moisture Smoothing Body Emulsion products became the first body lotion products in Korea to achieve low-carbon certification.

Revenue of Green Products

(Unit: 100 million KRW)

Category	2022	2023 Performance	2024 Target
Beverage	4,081	3,782	4,000
Cosmetics and Consumer Goods	687	829	1,000
Total	4,768	4,611	5,000

Certification of Green Products

(Unit: Case)

Category	2022 Performance	2023 Performance
Eco-Label	183	204
Environmental Product Declaration	10	8
Low Carbon	2	6
Total	193	218

Eco-Label Certified Products

Product Categories	Brands	Product Names
Kitchen Detergents	Jayeonpong	Jayeonpong Oil-Free Baking Soda & Lemon, etc.
	Pongpong	Pongpong Lemon Vinegar, etc.
Multi-Purpose Cleaners	Homestar	Homestar Natulux Bathroom Cleaner, etc.
Air Fresheners	Aura	LG Aura Eco Big Egg Air Freshener, etc.

Environmental Product Declaration Certified Products

Product Categories	Brands	Product Names
Cosmetics	Beyond	Beyond Deep Moisture Smoothing Body Emulsion 300ml, 500ml Beyond Deep Moisture Creamy Body Wash 300ml, 500ml
Carbonated Drinks	Coke	Coca-Cola 500mL, 1.5L PET
	Sprite	Sprite 500mL, 1.5L PET
	Coke	Coca-Cola Zero 500mL, 1.5L PET
Bottled Water	Pyeongchang Water	Gangwon Pyeongchang Water 500mL, 2L PET
	ViO Soonsoo	ViO Soonsoo 500mL, 2L PET

* The Beyond Deep Moisture 4 products, Gangwon Pyeongchang Water 2L, and ViO Soonsoo 2L products have low-carbon certification

Development of Eco-Friendly Packaging through Design Innovation

LG H&H is actively promoting the development of eco-friendly packaging through design innovation, led by the Design Center. In 2023, we achieved significant reductions in plastic usage and enhanced product recyclability by redesigning the structure of cosmetic containers, replacing refill containers, using eco-friendly alternative materials, and improving the design and functionality of toothbrushes.

Improvement of the Structure and Materials of Cosmetic Containers

In 2023, during the renewal development of 'The History of Whoo Cheongidan Hwahyun Balancer Emulsion, we switched from the Cold Runner to the Hot Runner method for new outer overcap, inner overcap, and shoulder decoration molds to reduce the use of plastic materials such as sprues and runners. This change resulted in a reduction of approximately 221 tons of plastic. Additionally, for the new The Whoo Royal Regina line, we implemented refill structures for serum and cream products, reducing plastic usage by approximately 2.2 tons. In 2024, we anticipate reducing plastic usage by about 1.4 tons by adopting glass container refills instead of plastic ones for OHUI The First Geniture Cream. We plan to continue developing a variety of environmentally friendly specifications, focusing on both materials and post-processing methods.

The Whoo Royal Regina

The Whoo Royal Regina Refill Structure

Efforts for Plastic Reduction: Plastic Reduction Toothbrush

Toothbrush Diet Project

Toothbrushes are classified as non-recyclable general waste, resulting in 4,300 tons being discarded annually. To reduce this plastic waste, LG H&H initiated the Toothbrush Diet Project in 2023, aiming to decrease the plastic content in toothbrushes. The project achieved a 20% reduction in plastic usage compared to standard products and utilized the saved space to create holders that can fit various cups. Additionally, we implemented bold designs with holographic effects and vibrant colors to appeal to Generation Z, developing a youthful design look. The product packaging was also designed for 100% separation and recycling, using eco-friendly pulp molds and transparent films. This effort not only reduced plastic usage and improved user convenience but also enhanced the overall design quality. The innovative functionality, eco-friendliness, and excellent design of the plastic-reducing toothbrush were highly recognized, became the winner at the 2023 Red Dot Award.

New Green Product Launches

In 2023, LG H&H continued its efforts to develop green products from a 4R (Recycle, Reuse, Reduce, Replace) perspective. We improved recyclability by using single-material packaging, reduced plastic usage by incorporating recycled PET, and consistently expanded green products by applying low-specific gravity labels to product containers and using recycled paper for cosmetic packaging.

Single-Material Refill Pouches

Refill pouches are often made from 2-3 composite materials, making recycling difficult. To enhance recyclability, LG H&H developed pouches using single-material PE (Polyethylene), ensuring both quality and productivity. This new material was applied to the Safe Kitchen Detergent Refill 1L product, which received an excellent recycling grade for its eco-friendliness. We plan to continue exploring ways to improve the physical properties of single-material packaging for high-weight refill pouches exceeding 1L.

Safe Kitchen Detergent Refill 1L

Low Carbon Certified Body Emulsion and Wash

The Beyond Deep Moisture Body (Emulsion), which has participated in the Environmental Product Declaration system, became the first in the domestic cosmetics product category to receive Low Carbon certification in 2023. Products that have received Environmental Product Declaration certification can obtain Low Carbon certification when they reduce carbon emissions by a certain standard. The Beyond products met these criteria by changing the container material to recycled PET to reduce carbon emissions during the manufacturing process, earning low-carbon certification from the Ministry of Environment. Currently, Beyond products are the only body care products in Korea with Low Carbon certification.

Beyond Deep Moisture Body (Emulsion, Wash)

Containers Using Low-Specific Gravity Labels

To improve the recyclability of PET containers, LG H&H developed eco-friendly packaging by applying low-specific gravity labels to transparent PET containers without added colors and using pumps made entirely of plastic without metal. Low-specific gravity labels are those with a specific gravity of less than 1, allowing them to easily separate from PET, which has a specific gravity greater than 1, during the recycling process. This packaging was applied to Jayeonpong Spray Kitchen Detergent, Method Citric Acid Bathroom Cleaner, and Toreta, and all three products achieved the highest recycling grade.

Jayeonpong Spray Kitchen Detergent
/ method Citric Acid Bathroom Cleaner / Toreta

Packaging Using Recycled Paper

In collaboration with domestic paper companies, LG H&H contributes to resource circulation by using recycled paper made from materials that are difficult to recycle. We manufacture paper by mixing cotton fibers obtained from discarded clothing with pulp and use this recycled paper for the packaging of O HUI Ultimate Fit Jean Cushion. Additionally, recycled paper made from materials extracted from aseptic packs is used for protective packaging of cosmetic sets for brands like The History of Whoo, SU:M, and belif.

OHUI Ultimate Jean Cushion

Logistics Activities to Minimize Environmental Impact

LG H&H actively adapts to business dynamics and environmental changes to maintain global logistics competitiveness by reevaluating and appropriately integrating the functions and roles of logistics hubs, thereby building an efficient logistics network. Throughout the entire process of packaging, transportation, and handling, we prioritize product safety and the reduction of environmental impact. Specifically, by optimizing delivery routes and reducing transit times, we strive to minimize environmental burdens through improved logistics efficiency.

Expansion of Eco-Friendly Vehicle Operations

In 2023, LG H&H added 11 one-ton electric trucks and converted 74 diesel business passenger cars to hybrid vehicles. Additionally, 62 old diesel vehicles were replaced, and LPG forklifts were replaced with electric forklifts. By expanding the operation of eco-friendly vehicles, the company saved 120 million KRW in annual fuel costs and reduced greenhouse gas emissions by 239 tons.

Introduction of Eco-Friendly Pallet Packaging

LG H&H has introduced eco-friendly PCR (Post-Consumer Recycled) stretch film containing 30% of recycled materials for pallet packaging at all logistics sites, promoting resource circulation and green logistics. We plan to continue expanding green packaging and reducing waste to strengthen a competitive eco-friendly logistics system.

Recovery and Utilization of Waste Refrigerators

In 2023, LG H&H retrieved 342 tons of waste refrigerators that had been rented or sold to beverage vendors, contributing to greenhouse gas reduction and improved resource recycling rates. By properly disposing of the refrigerants, which have a global warming effect over 11,700 times that of carbon dioxide, we reduced greenhouse gas emissions by 1,316 tons annually. Additionally, LG H&H extracted iron, urethane, plastic, copper, and aluminum from the waste refrigerators, producing a total of 301 tons of recycled materials.

Establishment of smart Logistics Center

To respond to the shipment demands of discount store channels in the metropolitan area and to optimize the operation of HDB logistics hubs, LG H&H completed the construction of the Eumseong Logistics Center in December 2023, covering approximately 33,000 square meters in Eumseong, Chungbuk. The Eumseong Logistics Center is designed as a building that harmonizes with the local landscape and coexists with the surrounding greenery, operating as an eco-friendly logistics center integrated with nature.

Eumseong Logistics Center

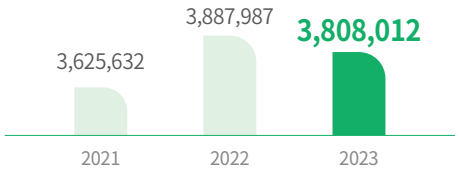
Water Management

Water Management

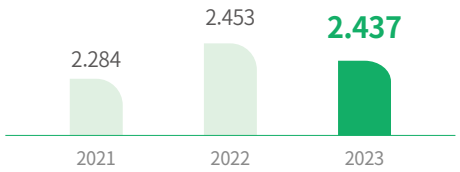
LG H&H manages water usage across all production sites and research facilities to improve water efficiency in production processes. We strategically manage water resources by identifying the impact of water use activities and water quality through assessments. In 2023, LG H&H's water usage decreased by approximately 2.1% compared to the previous year, and the intensity decreased by about 0.7%. For facilities with high water usage, we implement various activities to reduce water consumption, such as process rationalization and finding new uses for recycled water. Additionally, LG H&H is expanding water reuse by recovering steam condensate and reusing it as boiler feed water for steam production.

At the Ulsan factory, the cooling process was changed from water-cooling to air-cooling, significantly reducing the amount of water used in the cooling process. Additionally, continuous maintenance of old utility pipes and equipment is being carried out to minimize water loss within the processes.

Water Usage (Unit: Ton)



Water Usage Intensity (Unit: Ton/Product-Ton)



Water Resource Risk Management and Water Replenishment Projects

Since 2012, Coca-Cola Beverage and HAITAI htb have conducted source water vulnerability assessments every five years to manage the sustainability of water resources. These assessments evaluate and manage factors such as the water supply chain, water concerns, water quality, national water supply and protection policies, and future outlooks. Additionally, all business sites conduct assessments using the Aqueduct tool by the World Resources Institute (WRI) to understand and manage current and future water resource conditions. Since 2018, together with Coca-Cola Korea, they have been running a Water Replenishment project to restore reservoirs and rivers in local communities. In 2023, forest management projects were carried out on 85 hectares of land in Gangcheon-myeon, Geumsa-myeon, and Jeomdong-myeon in Yeoju, Gyeonggi Province, securing a soil retention capacity of 77,590 tons. Additionally, dredging projects were conducted at Seongjeon Reservoir in Maam-myeon, Goseong County, and Myeongdong Reservoir in Hallim-myeon, Gimhae City, Gyeongsangnam Province, securing an additional storage capacity of 83,400 tons. The water replenishment projects conducted in 2023 are expected to replenish 205,390 tons of water annually.

Wastewater

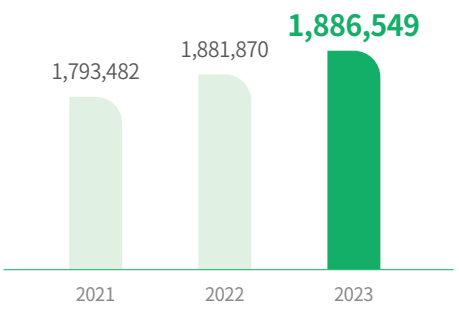
Wastewater Management

LG H&H strictly manages wastewater to minimize environmental impacts on surrounding areas and communities. We operate integrated wastewater treatment factories at the Cheongju and TP sites, with improved monitoring systems to prevent environmental accidents by responding immediately to abnormal or emergency situations such as high water levels and equipment malfunctions in the wastewater collection tanks. The Onsan site invested approximately 3 billion KRW to renovate its wastewater treatment factory, significantly improving treatment efficiency. In 2023, the Cheonan site implemented an interlocking system where alarms are triggered at the disaster prevention center and the wastewater treatment factory if monitored water pollutants exceed control standards through the Tele-Monitoring System (TMS), ensuring stable discharge water quality and preventing environmental accidents.

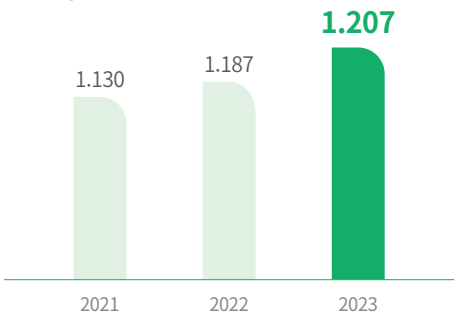
Wastewater Discharge

In 2023, LG H&H's wastewater discharge increased by 0.2% compared to the previous year, with a wastewater discharge intensity increase of about 1.7%. This rise was due to increased wastewater from washing activities as a result of strengthened quality control. We are continuously pursuing various activities to reduce wastewater generation. Specifically, our Cheongju plant has introduced high-pressure washers, established an automatic raw material input system, and altered the layout of intermediate product storage tanks. These initiatives help reduce wastewater generated during product changeovers.

Wastewater Discharge (unit: tons)



Wastewater Discharge Intensity (unit: tons/product-ton)



Waste

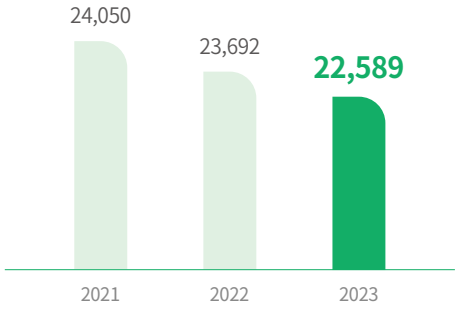
Waste Management

LG H&H optimizes resource use and strengthens efforts to promote resource circulation by regularly inspecting and managing waste generated at each business site. We have set a goal to achieve an 86% recycling rate by 2025. To achieve this, we invest in waste reduction and minimization and promote recycling efforts. We ensure compliance with relevant laws during the processes of storing, transporting, and processing waste. We also monitor the entire process from waste generation to recycling. This allows us to identify waste types and potential recycling areas to manage waste effectively. Specifically, at the Cheongju plant, we have established a raw material inventory management system to monitor the shelf life of raw materials in real-time. This helps reduce waste caused by long-term unused inventory. We also conduct internal training and activities to reduce waste and increase recycling rates during production processes and in office spaces.

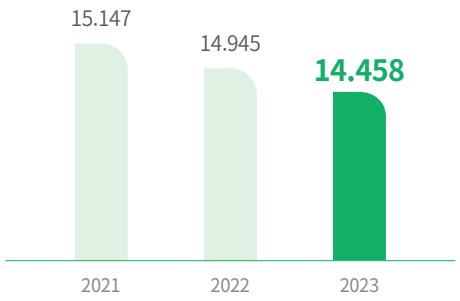
Waste Discharge

In 2023, LG H&H reduced its waste emissions by approximately 4.7% compared to the previous year, with an intensity reduction of about 3.3%. The recycling rate for waste in 2023 was around 82%. LG H&H monitors the entire process of all waste, from generation to post-treatment recycling. We engage in various activities to increase recycling rates. Scrap metal and waste paper are systematically managed as circular resources, not just simple recyclable waste.

Waste Discharge (unit: tons)



Waste Discharge Intensity (unit: kg/product-ton)



Chemical Substance

Chemical Substance Registration Compliance

LG H&H has completed the registration of 16 chemical substances imported or manufactured in quantities exceeding 1,000 tons under the domestic Act on Registration and Evaluation of Chemical Substances by 2021. By 2024, the company plans to register seven substances imported or manufactured in quantities over 100 tons. Additionally, LG H&H actively complies with chemical management regulations in countries where its products are exported, providing information on the hazards and risks of substances. To date, five substances have been registered under EU REACH, with plans to register two substances under KKIDK[1] and three under UK REACH[2] by 2025.

1) KKIDK (Kimyasallar n Kayd , De erlendirilmesi zni ve K s tlanmas)
2) UK REACH: Both are chemical substance registration and evaluation regulations similar to the domestic Act on Registration and Evaluation of Chemical Substances and EU REACH. All chemical substances manufactured or imported into Turkey in quantities over 1 ton annually must be registered by December 31, 2023. In the UK, substances must be registered sequentially by October 28, 2027, depending on the manufacturing/import quantities

Hazardous Substance Management Pledge

Strengthening Chemical Substance Management

LG H&H focuses on compliance with chemical regulations and the prevention of chemical-related accidents. To ensure safety and efficient management of chemical substances, we use a chemical management system. When employees wish to purchase new chemicals, they must register the ingredient information in the system and obtain approval from an expert group before purchasing. The chemical regulation database is updated monthly to ensure prompt compliance with relevant laws. Additionally, to prevent chemical-related accidents, the environmental safety team at each site and supervisors conduct regular facility inspections, complemented by planned inspections at the headquarters level. Identified risks are addressed through supported investments, and monitoring continues until improvements are completed. At the Cheongju plant, we have invested in monitoring key environmental facilities by installing CCTV and water pollution measurement devices. These efforts are aimed at preventing chemical accidents.

Key Investment Results (Unit: 1 million KRW)

Category	Cost	Details	Remarks
2023 Achievements	1,570	(Company-wide) Establishment of an integrated environmental safety portal	Part of the investment cost is allocated to the chemical substances sector
	56	(Ulsan) Installation and improvement of drainage blocking gate	-
	250	(Cheongju) Investments in monitoring high-risk environmental areas to prevent chemical accidents	-
2024 Plans	367	(Headquarters) Registration and hazard assessment of existing chemicals	-
	5	(Cheongju) Expansion of containment walls for hazardous chemical storage tanks and development of a leak sensor-pump interlocking system	-
	250	(Onsan) Investments in improving two chemical storage tanks at the wastewater treatment facility to prevent chemical accidents	-
	180	(Onsan) Investments in reinforcing aeration tanks and improving underground pipes to prevent chemical leaks	-

Biodiversity Approach System

Biodiversity Protection and Deforestation Prevention Policy

LG H&H actively supports the international community's efforts to prevent ecosystem and forest destruction in order to combat the climate crisis. We have established the Biodiversity Protection and Deforestation Prevention Policy. To conserve biodiversity in areas surrounding our business sites and the local community, we refrain from production activities near designated Biodiversity Protection Areas. We conduct environmental impact assessments in accordance with relevant laws to track and preserve changes in the natural ecological environment, air quality, water quality, and soil conditions. Additionally, we implement projects aligned with the UN Forest Initiative principles to prevent deforestation. We maintain ongoing communication, education, and investment with relevant stakeholders to minimize negative environmental impacts. Furthermore, we report our biodiversity and deforestation prevention activities, including efforts to reduce environmental risks, to the ESG Committee within our Board of Directors. These activities are transparently disclosed in our ESG report.

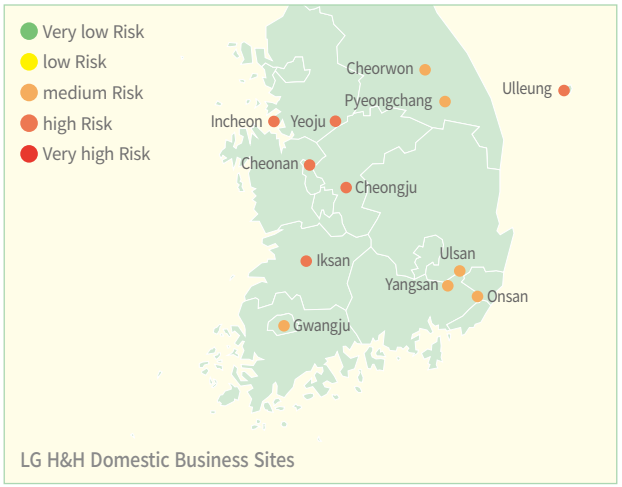
Biodiversity Protection and Deforestation Prevention Policy

Biodiversity Risk Management Process

LG H&H's biodiversity risk management process has been developed with reference to global assessment methodologies and frameworks, including the TNFD (Taskforce on Nature-related Financial Disclosures) guidelines and the LEAP (Locate, Evaluate, Assess, Prepare) approach. It is integrated into our Crisis & Risk management process. During biodiversity risk assessment, we identify dependencies and impacts, considering all aspects of biodiversity risks. We manage a wide range of areas, including our own business sites, adjacent areas, upstream, and downstream regions.

STEP 01	STEP 02	STEP 03
Analyze business site location and value chain	Measure dependency and impact	Establish, implement, and disclose mitigation plans

Biodiversity Risk Areas



Source: WWF (World Wide Fund For Nature) Biodiversity Risk Filter

Biodiversity Risk Assessment (Based on Domestic Business Sites)

* As of December 2023

Category	Number of Sites	Area(m²)
Business Sites	18	1,849,635
Assessment Conducted	3	154,018
Proportion of Assessed Business Site Area to Total Area (%)		8.3
Risk Exposure Identified	1	21,744
Management Planning and Implementation	1	21,744
Proportion of Sites with Established and Implemented Management Plans (%)		100

* Wildlife Protection Area: Ulleung Spring Water Site / Ecological Landscape Conservation Area: Not Applicable

Biodiversity Risk Assessment by Business Site (By Corporation, By Type)

Corporation	Total	Production	Logistics	Research
LG H&H	6	5	1	0
Coca-Cola	3	3	0	0
Haitai Beverage	5	5	0	0
Taegeuk Pharmaceutical	2	2	0	0
Hankook Beverage	1	1	0	0
FMG	1	1	0	0
Total	18	17	1	0

Key Biodiversity Risk Mitigation Measures

Value Chain (Business Stages)	Major Business Sites (Region)	LG H&H's Dependency on Natural Capital	Impact on Ecosystems	LG H&H's Conservation Activities (Mitigation Efforts)
Upstream (Raw Material Production and Processing)	Key Raw Material Purchasing Regions - Korea: Ulsan, Onsan Sites - USA, Japan, China, etc.	High dependency on biodiversity and species diversity in raw material extraction/handling processes by business division - Cosmetics: Wild plants like wild thyme, marshmallow, and thistle - Home Care: Palm oil primarily from Malaysia/Indonesia - Beverages: Sugar primarily from Brazil, Argentina	(Impact: High) Risk of reduced plant resource supply and increased biodiversity-related regulations on protected species due to expansion of raw material development	[Conservation of Native Plants] Direct operation of Beauty Botanical Gardens in Cheongju and Ulleungdo and development of new materials [Responsible Supply Chain Management] - RSPO (Roundtable on Sustainable Palm Oil): Support global NGO and RSPO activities, first to achieve RSPO (Segregation, Mass balance) certification at Ulsan and Onsan sites - MICA: Continuous expansion of certified natural mica and synthetic mica
Own Operation & Adjacent Areas (Own Sites and Nearby Areas)	Domestic Business Sites - Headquarters: Seoul - Production Sites: Ulsan, Incheon, Cheongju, etc.	(Dependency: Moderate) - Production Sites: Dependence on local ecosystems for water use, etc.	(Impact: Moderate) - Ecosystem impact from pollutant discharge, such as water emissions - Reduction in habitats for nearby wildlife like otters, bees, and birds	[Regional Conservation Activities] - Headquarters: Protection of Han River otters and ecological education (9,000 participants) - Production Sites: (Ulsan) 4,700-acre bee park and bird park planted approximately 1,400 trees to preserve ecosystems and reduce carbon emissions (Cheongju/Ulleung) Preserved/restored/expanded native plants and discovered sustainable plant resource values (Conservation activities for more than 47,000 plants of 345 species)
Downstream (Customer/Consumer Use, Product Disposal, and Recycling)	Post-Production and Post-Consumer Disposal Locations - Major Customer Locations	(Dependency: Moderate or High) (Dependency: Moderate or High) Due to the high proportion of consumer goods, LG H&H products have high dependency on natural capital in distribution, disposal, and recycling stages - Disposal: Landfill resources - Recycling: Energy sources	(Impact: High) Consumer products by business division, including plastic and packaging waste, may impact soil and air through landfill and incineration processes. High dependence on biodiversity and species diversity in landfill areas.	[Product Responsibility Efforts] Development of the Clean Beauty Index from an LCA (Life Cycle Assessment) perspective to minimize environmental impact through raw material review, safety evaluation, and packaging assessment stages

Biodiversity Conservation Activities

Creating Parks for Urban Ecosystems

Global warming has led to a decline in 40% of the world's 10,000 bird species, and predictions indicate that 40% of insects could become extinct within a few decades. This underscores the importance of securing biodiversity to preserve habitats. Bees, which play a crucial role in pollinating crops, are so vital that their extinction could lead to human extinction within four years. Recognizing this, LG H&H undertakes various support activities across its nationwide business sites to restore and conserve biodiversity. Specifically, the company plants a variety of flowering and fruit-bearing plants in urban areas to provide food sources for birds and insects, helping them thrive. Since 2022, in collaboration with the local group Ulsan Forest for Life and local governments, LG H&H has established Bird Park and Bee Park in Ulsan. In 2023, they planted 1,400 trees in Ulsan's Ochigol Park, creating spaces where children can experience nature while playing. Moving forward, LG H&H plans to develop urban forests that absorb carbon and reduce fine dust, contributing to the creation of eco-friendly cities where nature and people coexist.

Planting Event at Ulsan Bird Park

Expanding Endangered Animal Protection Activities like Supporting 'Jungnangcheon Otter Protection Area'

LG H&H is actively involved in protecting the habitat of otters, a critically endangered species and Natural Monument No. 330, to preserve the natural ecosystem and biodiversity around the Han River. In collaboration with the environmental organization Social Cooperative Han River, LG H&H has been building infrastructure, including otter playgrounds, in Yeouido Saetgang Ecological Park and Jungnangcheon in central Seoul, the first tributary of the Han River, since 2022. Jungnangcheon, a primary tributary of the Han River, has extensive riverbanks and dense reed beds, making it a high-density habitat for otters. Building infrastructure here is expected to be highly effective for habitat protection. In 2024, we will support the campaign to designate Jungnangcheon as an 'Otter Protection Area.' We have created otter shelters along Jungnangcheon and secured stable habitats for otters in urban areas. We plan to support activities that propose the designation of Jungnangcheon as an otter protection area to the government and local authorities. LG H&H will continue to create otter habitats and expand activities that highlight the ecological importance and environmental value of otters, including running otter exploration programs for children and teenagers.

Seoul Jungnangcheon Otter Habitat and Otter Family at Jungnangcheon

Development of Native Plant Resources

Due to human interventions such as the alternative use of forests and the increasing impacts of climate change, the habitats and species diversity of terrestrial organisms in Korea are predicted to continue to decline. In response, LG H&H is actively engaging in various activities to preserve and develop Korea's native plants under the Nagoya Protocol to contribute to biodiversity and ecosystem restoration. These activities are categorized into three main areas: conservation, restoration, and expansion. Efforts include securing specimens, extract libraries, video materials, and conducting research to develop products with unique efficacy and concepts.

In Cheongju, LG H&H operates its own native plant garden, and in Ulleungdo, the company has contractual agreements with local farms to cultivate native plants. The Cheongju garden has steadily increased its species and number of plants, adding 35 species and 2,000 plants in 2023. In Ulleungdo, the contracted cultivation area expanded from 3,300 to 6,600 square meters, and six additional species were secured, increasing the number of cultivated species to 15. The Cheongju garden has particularly focused on securing 13 endangered plant species, including Limnophila aromatica, Quercus myrsinifolia, and Pogostemon cablin, and is developing continuous propagation techniques like tissue culture and vegetative propagation to increase the number of plants. If these plants are removed from the endangered species list through mass propagation, they will potentially be used in products.

Building on these initiatives, LG H&H plans to collect and propagate approximately 500 native plant species by 2028. We will also expand our partnerships with national institutions from the current four to six and establish a genetic information database for 200 species. We are committed to continuously surveying and monitoring plant resource diversity, expanding on-site conservation, restoring and enhancing damaged forest ecosystems, and promoting the use of plant resources through various biodiversity activities.

Increased plant species secured in the Cheongju garden

total of **330**species **32,000** plants

Expansion of contracted cultivation area and plant species in Ulleungdo

3,300 to **6,600** square meters

9 to **15** species

Status of Native Plant Cultivation

Category	Outdoor Cultivation Area (m²)	Greenhouse Area (m²)	Number of Species	Population size
Cheongju Garden (relocated from Cheonan in June 2022)	4,950 (1,497 pyeong)	870 (263 pyeong)	330	32,000
Ulleungnari Contract Cultivation	6,600 (1,996 pyeong)	-	15	15,000

* Ulleung Garden and Sejong Contract Cultivation are no longer in operation.

MOU Agreements

National Institute of Biological Resources	Korea National Arboretum	Korea Arboreta and Gardens Institute[1]	Ulleung-gun	Chungbuk Forest Environment Research Institute[2]

1) A specialized national institution for plants, overseeing the Baekdudaegan National Arboretum, Sejong National Arboretum, and National Botanic Garden of Korea Native Plants
2) Agreement completed in May 2023
* New material review species: Gardenia, Korean thistle, Asiatic lily, Rosa rugosa

bonchowon

Talent Management

Talent Management

LG H&H supports its employees based on a management philosophy that respects human dignity. We foster an environment where employees respect each other, stay engaged in their work, and grow together with the company. We hire talented individuals without discrimination, operate systematic development programs, and implement a fair performance-based compensation system. Additionally, the company strives to maintain a work-life balance within a growth-oriented organizational culture by expanding communication channels, improving welfare systems, and establishing exemplary labor-management relations.

Objectives

- Enhance employee engagement (by 2025)
- Establish a global education system (by 2025)
- Build global leadership (by 2025)
- Achieve a 35% ratio of female managers (by 2025)

Key Achievements

Ratio of female employees	54.8%
Parental leave return rate	97.3%

Sustainable Management

Talent Management

Talent Recruitment

Recruitment of Competent Talent

LG H&H has focused on securing professional talent through periodic and continuous recruitment to expand our business in global markets and strengthen our global competitiveness based on our solid domestic market position. We emphasize hiring creative and entrepreneurial marketers and R&D personnel to provide unique customer value and lead both domestic and international markets with differentiated brands and products. Recently, we have been actively recruiting experts in data science, digital content, and other digital transformation (DX) fields to drive customer-centric digital transformation and lead the rapidly changing digital environment. Additionally, to enhance competitiveness in the global e-commerce market, we have been consistently hiring talents with e-commerce experience and capabilities in overseas markets, such as North America. Post-hire, we facilitate continuous employee growth through institutional support, including performance-based promotions, key talent development programs, and diverse job experiences.

Global Diversity

Leveraging our successful experiences in Asia, particularly in China and Japan, LG H&H is expanding into North America and Europe, laying the foundation to become a global luxury BPC company. To increase global market share and strengthen competitiveness in the digital commerce market targeting the Millennial and Gen Z generations, we are committed to recruiting global talents with the capability to understand and communicate with local cultures. Since September 2020, we have been running a global internship program for students from prestigious universities worldwide, sharing insights on the needs and market perspectives of Gen Z customers and jointly developing brand strategies to enhance global competitiveness. Additionally, we support various talent development programs to help interns who complete the program join the company after graduation and grow into key personnel.

Utilization of Competent Female Talent

LG H&H actively recruits talented female professionals suited to the characteristics of the consumer goods industry, which includes cosmetics, household products, and beverages. As of the end of 2023, women make up 54.8% of all employees. We not only hire skilled female professionals but also promote women with global capabilities and expertise to executive positions. In March 2022, we appointed a female independent director, and in December 2022, we appointed the first female CEO from within the LG Group. We focus on securing, developing, and promoting competent female talent and ensuring no discrimination in employment, wages, education, or promotions based on gender. Additionally, we continually improve related policies, such as expanding parental leave, to support career continuity post-marriage, pregnancy, and childbirth, enabling women to build their careers without interruption. We will continue to foster talented female professionals.

Percentage of Female Managers by Rank in 2023

Overall Managerial Position[1]	34.5%
Junior Managerial Position[2]	52.0%
Executives	21.1%
Managerial Position of Revenue-Generating Department[3]	26.1%
STEM Managers[4]	49.9%

* Based on separate data of LG H&H
1) Level 2 Part managers to executives
2) Level 1 Assistant managers
3) Level 2 Part managers and above in Marketing and Sales Departments
4) STEM: Level 2 Managers and above in Research, Production, Quality, and Environmental Safety Departments

Promoting Employment for the Socially Disadvantaged

Donating Café Equipment to Create a Barista Training Environment for Individuals with Developmental Disabilities

LG H&H has been operating a subsidiary standardized workplace for the disabled, Bright Nuri, at the Cheongju factory since 2015. As of the end of 2023, 64 of the 95 employees at Bright Nuri are disabled, with 53 of them having severe disabilities. Actively supporting the employment of disabled individuals in the local community, in September 2023, we participated in a mock interview for students with special needs organized by the Chungcheongbuk-do Office of Education. We set up interview booths and conducted mock interviews, providing job preparation experiences for individuals with developmental disabilities. Additionally, we donated a complete set of café equipment to the Cheongju City Disabled Vocational Training Center, enabling aspiring baristas with developmental disabilities to train in a better environment. Similarly, Coca-Cola Beverage established and operates Gowonnuri, a subsidiary-type standard workplace for the disabled, in cooperation with the Korea Employment Agency for Persons with Disabilities (KEAD) since 2021. As of the end of 2023, 11 of the 13 employees at Gowonnuri are severely disabled, working in stores and cafés at Anyang and Gwanghwamun locations.

Social Crew Internship

LG H&H Social Crew Internship

Since 2021, LG H&H has been running the Social Crew internship to expand customer engagement, analyze rapidly changing consumer trends among the Millenials and Gen Z, and provide diverse job experiences to those interested in digital marketing. Social Crew members are selected through document and interview screening and gain hands-on digital marketing experience with various LG H&H cosmetic and household product brands. As of March 2024, 42 Social Crew members are actively managing 27 brand social media accounts, with a total of 220 members having grown with the company.

Social Crew activities include planning and proposing social media content, participating in the production of photo and video content, engaging with consumers on brand social media, searching for domestic and international influencers, and supporting viral marketing. We conduct workshops in collaboration with marketing and sales departments to enable Social Crew members to fully demonstrate their skills, providing specialized skill-up programs. Social Crew interns have expressed high satisfaction and a strong sense of belonging, thanks to the diverse hands-on experiences and portfolios they can build. Moving forward, we plan to expand their activities to include creating social media content for global brands, allowing them to experience various beauty brands and platforms.

Design Center CVC (Customer Value Creator) Internship

LG H&H Design Center CVC Internship

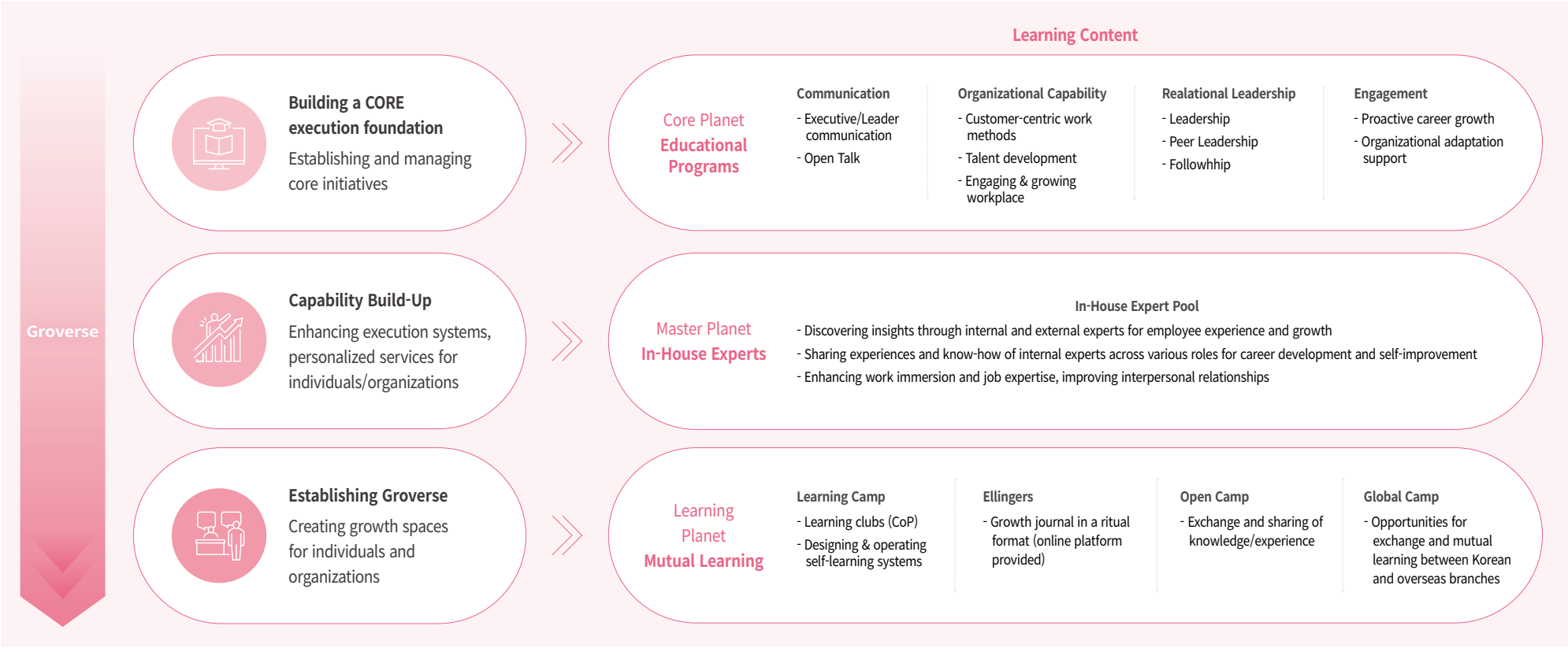
In 2023, LG H&H conducted the CVC (Customer Value Creator) internship program for students majoring in design. The CVC internship aims to provide practical experience to assist design students in their future job searches. Additionally, it helps to research various cultures, industries, and trends among Gen Z university students, discover new design solutions, and secure talented individuals early through the internship network. The first session ran from April to October 2023, for six months, targeting 14 junior and senior design students from domestic universities. The second session, involving 10 students, is ongoing from March to August 2024. Through this internship, the company identified and improved product pain points based on trendy ideas from university students (MZ customers). For participating students, LG H&H provided various practical experiences and skill development through its infrastructure, enhancing their competitiveness in future job searches. Based on the effectiveness of the internship, we are considering long-term operational plans.

Enhancement of Employee Capabilities

Establishment of LG H&H's Growth Ecosystem, Groverse

In 2023, LG H&H established its own growth ecosystem, Groverse. Groverse is a blend of Growth and Universe, reflecting the company's talent management philosophy that individual growth leads to company growth. Groverse, based on LG H&H's talent management philosophy, effectively supports employees' voluntary and proactive participation through company systems and processes to realize the motto "Grow with you, your growth is the company's growth!" Within Groverse, the company provides tailored education aligned with its talent development roadmap, which emphasizes building a foundation of CORE implementation and developing capabilities according to each "Planet." In the Groverse ecosystem, LG H&H employees grow through voluntary communication and learning, contributing to the company's long-term development.

Talent Development Road Map



Capability Enhancement Programs for Employees

Category	Program Descriptions	Objectives and Business Benefits	Quantitative Business Impact	Number of Participating Employees (Participation Rate as % of Total Employees)
Global Professional and DX Expert Development	- GTC (Global Talent Challenge): Identifying and nurturing a pool of candidates for expatriate roles. Provides systematic education programs to develop global talents capable of handling international assignments. - LEP (Leader Expertise Program in English): Enhancing global trends understanding, business communication, and language skills to improve the capabilities of leaders and global business managers. - DX Capability Enhancement: Offering level-based training programs for digital transformation (DX) to improve DX literacy, RPA, Python programming, and data analysis skills linked to business and operational tasks.	- Strengthening business competitiveness and market expansion through the development of global talents and overseas expansion.	- In 2023, approximately 2 trillion KRW (30%) of LG H&H's consolidated sales of 6.8048 trillion KRW were generated overseas.	969 (13%)
In-Store Sales Activation Training	- Educating in-store sales staff on marketing trends and new products to strengthen product sales and promotion. - Providing various sales activation training to boost sales skills and customer service.	- Increasing sales through enhanced sales skills and customer service of in-store sales staff.	- About 30% of the 2023 sales of the beauty division from general distribution channels were generated through offline store sales activities in department stores, duty-free shops, etc.	914 (12%)
ESG Education	- Importance of understanding and internalizing ESG management as it becomes a new focus in business due to sustainable financial disclosures and circular economy - Training to strengthen employees' ESG management capabilities by sharing basic concepts and excellent case studies from other companies - Identifying the potential impact of business activities on water resources and supporting water reduction education led by production teams at each site to reduce and optimize water usage throughout the production process	- Understanding basic concepts of ESG management and enhancing capabilities to respond to new regulations and explore new businesses from an ESG perspective	- In 2023, LG H&H's total sales amounted to 6.8048 trillion KRW, with 461.1 billion KRW (7%) from green products	3,357 (45.8%)
Technology Researcher Seminars	- Holding regular seminars on raw materials and new technologies (91 seminars in 2023) to promote understanding of the latest research trends, technological developments, and innovations in various topics and specialized fields - Increasing participants' understanding of the latest technologies and trends, thereby enhancing their expertise	- Strengthening researchers' capabilities through the acquisition of new technologies and understanding research trends - Increasing the number of patent registrations and paper presentations based on the understanding of new technologies	- In 2023, an 11.2% increase in patent registrations and paper[1] presentations 1) SCIE-level	522 (7%)

Training Name	Number of trainees
Expatriate development program	7
LEP(English coaching class)	63
In-house foreign language courses(Japanese, Chinese)	614
DX literacy	117
DX data analysis	168

Programs for Enhancing Work Engagement

LG H&H develops and operates various programs to create an environment where employees can fully engage in their work. One of the flagship programs, Naepulsi (Time Adding Value to My Life), invites renowned speakers to provide essential knowledge and information on common interests relevant to different life stages, supporting employees to immerse themselves in their work by carefully caring for their lives. Additionally, the Career Design program encourages employees to write a Career Design Plan reflecting their growth direction within the organization and offers education to help them contemplate career development. The A-Step program is designed for new employees to discover their self-efficacy and adapt to the new environment, fostering work engagement through a strengths-based organizational adaptation program.

Employee Work Engagement Survey

(Unit: Points)

By Year

2021	2022	2023
82	82	81

Engagement Survey Items

Category	Details
Job Satisfaction	Meaningful work, empowerment, rational work execution, internal collaboration
Purpose	Understanding customer value, active discussions
Happiness	Mutual respect, employee energy, teamwork
Stress	Environment for raising issues

ESG Education

Name	An Essential Journey for Sustainable Management
Duration	May 13, 2024 to June 12, 2024
Content	ESG management activities, resource circulation, water conservation, eco-friendly product development, global ESG management case studies
Target Audience	All employees
Participants and Course Duration	3,357 participants × 2 hours

Performance Evaluation and Compensation

At LG H&H, we align individual goals with organizational objectives when formulating business strategies to achieve the company's vision and values. This ensures that both the company and its employees grow together by achieving shared goals. We adhere to three fundamental principles in employee performance evaluation: fair and objective evaluation, alignment between organizational and individual evaluations, and evaluation with a focus on talent development. Performance evaluations based on Management by Objectives (MBO) are conducted semi-annually for all office staff, assessing achievements and conducting annual competency reviews and comprehensive evaluations. Additionally, a 360-degree evaluation is conducted for leaders at the team leader level and above, focusing on leadership and subordinate development. The results of these evaluations are used to inform salary increases, promotions, and development, ensuring a merit-based compensation policy.

Organizational Culture

Fostering a Culture of Growth

Under the management philosophy that "individual growth leads to company growth," LG H&H strives to create a culture that promotes growth. We focus on four key areas to enhance the growth experience of our employees: Communication, Organizational Capability, Relational Leadership, and Engagement. In 2023, we established a comprehensive framework for organizational culture activities based on the Plan-Do-See perspective, incorporating four areas (C, O, R, E). Our initiatives provide opportunities for employees to grow autonomously and proactively identify and address organizational pain points. We also emphasize adherence to fundamental workplace standards, such as preventing workplace bullying. Surveys are conducted to identify issues, and a reporting center is operated to address any potential issues promptly, fostering a healthy organizational culture.

Pursuing Work-Life Balance

At LG H&H, we implement various systems to ensure employees can focus on work while at the office and devote themselves to their personal lives afterward. These systems include Refresh Day, summer vacations, and a self-approval system for leave, all aimed at achieving a balance between work and life. To establish a culture of freely using vacations, we operate Refresh Day once a month, where everyone can take the day off together. Additionally, we do not restrict the use of summer vacations to a specific month, encouraging employees to recharge according to their work schedules. We also provide a self-approval system, allowing employees to apply for and approve their leave independently.

Utilizing Flexible Working Hours

In the first quarter of 2023, as the COVID-19 pandemic transitioned to an endemic phase, LG H&H discontinued remote work, enabling all employees to return to the office and fully engage in their work. Leveraging the non-contact work skills developed during the pandemic, we continue to use online communication, meetings, and remote education when necessary to enhance work efficiency. Depending on the job nature, employees can choose between a flexible working hours system and a flextime system. The flextime system, which allows employees to select their start (between 7 AM and 9 AM) and end times (between 4 PM and 6 PM), has been well-received, enabling employees to work during hours that best suit their productivity.

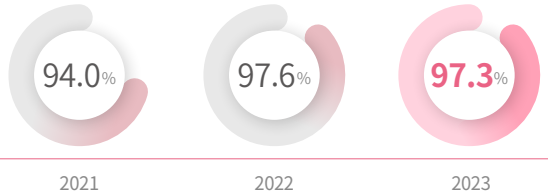
CASE Holding an Employee Idea Contest

In 2023, LG H&H held an idea contest to foster a culture where employees can creatively and autonomously propose ideas and link them to actual business execution. The contest categories included new product and service proposals for business units, new business ideas in adjacent areas, and concept and functionality improvements for existing products. Employees could participate individually or as a group. A unique feature of this contest was the support from professional accelerators from Krypton, who reviewed the proposed ideas, provided one-on-one feedback, consulting, and assistance in drafting business plans. The ideas were evaluated based on business potential, innovation, and feasibility and growth prospects. After initial review, proposal upgrades, and a second review, four teams were selected. These teams received a cash prize and a project budget. The project teams then received at least six months of tailored support from Krypton, including education, mentoring, coaching, and partnerships, to concretely implement their ideas.

Efforts to Protect Maternity

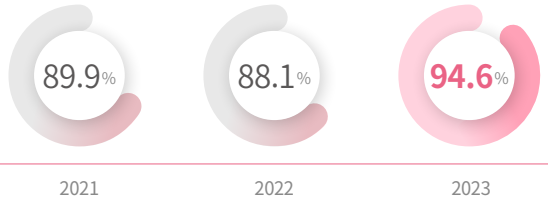
LG H&H operates daycare centers and nursing rooms in the workplace to ensure that female employees can fully utilize their capabilities without being restricted by economic or social factors. We also offer flexible work hours during pregnancy and childcare, commute time adjustments during pregnancy, and family care leave, creating an environment where childcare and work can be balanced. To address the declining birthrate crisis in Korean society, we have established policies and a culture that allows employees to freely use maternity and parental leave without any disadvantages. Additionally, we provide more than the legal requirements for pregnancy-related sick leave and infertility treatment and support paid fetal examination leave once a month during pregnancy. Maternity leave is provided for 90 days (120 days for multiple births), and since June 2022, parental leave has been extended from the legal standard of one year to two years. Importantly, both men and women can utilize parental leave and reduced working hours during childcare.

Return Rate from Parental Leave



* Based on separate data of LG H&H

Retention Rate After One Year of Parental Leave



* Based on separate data of LG H&H

Welfare Programs for Work-Life Balance

Managing Workplace Stress	A counseling room
	Mind care (support for external counseling center costs)
Sports and Health Programs	Support for comprehensive health check-ups, support for informal sports activities, Red Circle events
Flexible Work System	Flexible work hours, staggered work hours system
Childcare Facilities or Support	An on-site daycare center, nursing rooms
Childcare Leave System	Two-year parental leave for primary and secondary caregivers

Enhancement of Employee Communication

Utilization of Various VOE Channels

LG H&H effectively utilizes various Voice of Employee (VOE) channels to facilitate smooth communication between the company and employees. We operate a company-wide employee council with 97 members, including 9 representatives from each business unit. Through regular annual meetings (2-3 times) and bi-monthly representative meetings, the council proposes and implements organizational culture activities tailored to each division's current situation and characteristics. The council shares activities from different organizations to benchmark best practices, discusses major company issues, and hosts special lectures on organizational culture topics. This approach empowers the council members to act as opinion leaders, enhancing their capabilities and sense of responsibility. Additionally, we operate the If I Were bulletin board for constructive suggestions and the Zero Complaints Mailbox for minor grievances. These platforms allow employees to freely propose ideas and contribute to positive organizational changes.

Agile Organizational Operations and Growth Survey

LG H&H considers “agile organizational operations” as a key competitive advantage for a consumer goods company, emphasizing differentiated brands, global expansion, and quality management. We are expanding the agile organizational culture by frequently sharing purposes and visions within the organization, supporting quick decision-making, and necessary learning. We set goals and conduct performance evaluations that fit a dynamic, people-centered organizational culture. We regularly operate initiatives like If I Were and the Zero Complaints Mailbox to immediately address and resolve employee needs. The Growth Survey, conducted twice a year (first and second half) along with the LG WAY Survey, objectively measures individual growth. We collect and analyze opinions on various growth experiences, job ownership, and efficient work environments. This supports continuous feedback, behavior change through learning, and tangible performance improvements within the organization.

Communication through LG H&H TV

LG H&H's official YouTube channel, LG H&H TV, plays a key role in facilitating communication among employees. This channel provides a platform where employees of various ages and ranks, from the Millenials and Gen Z to executives, can share stories, showcase creative ideas, and demonstrate their abilities. In 2023, we produced and presented various content to promote our active ESG activities and enhance the communication culture among employees. Notable series include LG H&H ESG, which introduces our diverse social contribution activities, and Hobby Life LAB, which suggests healthy hobbies for employees. As of March 2024, LG H&H TV boasts 5,124 subscribers, 42,000 viewing hours, and 751,000 views.

Content of LG H&H TV

LG H&H ESG	Visits and introductions to various social contribution sites of the company.
Hobby Life LAB	Suggestions for diverse and healthy hobbies for employees.

2023 Clean Tech Fair

Hobby Life LAB

Enhancement of Communication Channels with Management

LG H&H actively supports communication between management and employees to ensure that the voices of employees at all levels are heard, and mutual understanding and empathy are fostered. In 2023, 170 employees had lunch with the CEO, freely discussing their work-related challenges, the company's vision, and organizational culture. Additionally, the regular communication program Be with You allowed 138 leaders to engage in in-depth discussions with management about each business division's current issues and key concerns.

Employee Communication Platforms: Cross Talk and Team Talk

To foster positive relationships and create synergy among collaborating departments, LG H&H introduced the new two-way communication program Cross Talk. This program encourages participants to understand the difficulties of each other's work processes and collaboratively develop solutions to issues, promoting a positive collaboration culture. Additionally, the team-building program Team Talk W/S helps bridge the gap between leaders and employees. Through this program, each team/department participates in activities designed to understand each other's characteristics and recognize differences, fostering mutual respect and expanding the diversity of relationships within the organization.

Labor Relations

Establishment of Cooperative Labor Relations

LG H&H operates various channels, such as the Labor-Management Council, Employee Council, If I Were board, and Employee Relations (ER) activities to understand the diverse needs of employees. We also make continuous efforts to listen to feedback from our business sites through our two established unions. Reflecting the employees' feedback, LG H&H increased the housing loan support amount in 2024 to enhance residential stability and expanded the scope and number of paid leave days for infertility treatment support beyond legal standards to address the low birth rate issue. Additionally, we have significantly expanded the cafeteria-style welfare points, nearly doubling the amount provided in 2023, allowing employees to utilize the welfare system according to their individual circumstances and preferences.

ECP for a Healthy Workplace

LG H&H strives to enhance the quality of life and ensure meaningful employee experiences and growth opportunities through the Employee Care Program (ECP). The ECP consists of Mind Care, Career Care, and Self Care. Mind Care supports mental health treatment and counseling costs, which are not covered by insurance at general medical institutions, and provides sufficient leave for effective treatment. Career Care offers continuous consultation on job rotation, providing opportunities for job transfers and skill development. Additionally, we conduct internal job postings at least once a month to promote internal recruitment. Self Care supports employees in maintaining their physical and mental health by offering programs such as Oasis, which provides a vacation allowance of 200,000 KRW when using annual leave, the 4-Week Refresh Leave, and the Request for Leave program to help employees have meaningful vacations.

ECP Utilization Status

(Unit: persons)

Mind Care	Employees receiving treatment and planning to apply	160
Career Care	Job rotation	5
	Job posting announcements	13
Self-Care	Oasis program	500
	Refresh leave	70
	Request for Leave	1,543

Human Rights Management

Human Rights Management

LG H&H, guided by the philosophy of "Human Respect Management," is committed to protecting and respecting the human rights of all stakeholders, including employees, customers, and partners, based on our human rights policy and key domestic and international human rights principles. We conduct human rights impact assessments, which include surveys and due diligence, and implement remedial actions based on the assessment results to enhance the effectiveness of these evaluations. Additionally, we provide regular human rights training to foster awareness among our employees, ensuring that human rights management is deeply embedded in our corporate culture.

Objectives

- Manage and mitigate human rights risks and implement remedial actions based on human rights impact assessment results
- Strengthen human rights risk management through continuous ESG field inspections of suppliers
- Encourage substantial risk improvement through the implementation of corrective actions and ongoing monitoring
- Establish a regular inspection process for sustainable raw material purchasing

Key Achievements

Conducted human rights impact assessments at domestic and international sites
21 sites

Percentage of Sustainable Palm Oil(RSPO) Purchased
60.2%

Supplier ESG Onsite Inspections
30 companies

In-house supplier self-inspection
50 companies **100**%

Sustainable Management

Human Rights Management

Human Rights Management Policy

LG H&H supports global standards such as the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Based on these standards, we have established and strictly adhere to our human rights management policy. We respect and guarantee the rights of all stakeholders, including employees, customers, partners, and local communities, by conducting business activities that consider human rights impacts throughout the value chain. Our human rights management policy, transparently disclosed on our website, includes provisions on prohibition of discrimination, humane treatment, prohibition of forced labor, women's and children's labor, working hours, wages and Welfare, freedom of association, and protection of personal information.

Human Rights Policy

Human Rights Impact Assessment

Human Rights Survey

To understand employees' experiences of human rights violations, LG H&H conducted its first human rights survey in 2020 and has since carried out annual human rights impact assessments for all employees. The 2023 survey results from domestic sites identified potential risks in (1) mental health management due to stress, (2) prohibition of discrimination in performance and job execution, and (3) verbal harassment in the workplace. To minimize these risks and prevent issues in certain areas, we implemented the following mitigation programs. We introduced an absolute evaluation system to enhance the objectivity and fairness of performance evaluations and provided various job transfer opportunities through internal recruitment programs. Additionally, we support mental stress relief through flexible work schedules and vacation programs. To prevent workplace harassment, we conduct continuous improvement activities through departmental monitoring, team workshops, and case studies. We also operate a workplace harassment counseling center within Plus-I, offering various channels for reporting issues, including email, phone, and face-to-face meetings.

Category	Establishing/Implementing Improvement Tasks
Safety and Health	- Supporting stable adaptation and growth of new employees through the onboarding program 'Check-in Life Health' - Promoting work-life balance culture through the campaign 'On-time Arrival and Departure, No Overtime Culture' - Supporting mental health treatment and counseling costs through the Mind Care program within the Employee Care Program (ECP) - Assisting employees in having meaningful vacations through the 'Request for Leave' program - Operating a psychological counseling room with a professional therapist present once a week for workplace stress management
Prohibition of Discrimination	- Enhancing leadership capabilities through the 'Ellingers Program,' which encourages daily leadership self-reflection, and the 'Impact Leadership' program, featuring thematic leadership role-plays - Designing employee growth experiences through the 'Growth Survey' - Activating internal recruitment and providing various job transfer opportunities through the 'Job Posting' program - Offering continuous job transfer counseling to help employees develop their skills and grow through the Career Care program within ECP
Workplace Bullying	- Conducting 'First-Class Dignity' training to prevent workplace bullying - Operating the 'Workplace Sexual Harassment and Bullying Reporting Center' for prevention and reporting - Providing '1 on 1 Communication Skill Training' for new leaders to establish proper communication skills

Human Rights Due Diligence and Self-Assessment at Worksites

Since 2019, LG H&H has conducted human rights due diligence to manage human rights and labor risks for employees and workplaces. In 2023, we continued to conduct human rights assessments and self-assessments at 21 domestic and international sites to address potential human rights issues.

Overseas Workplace Human Rights Audits

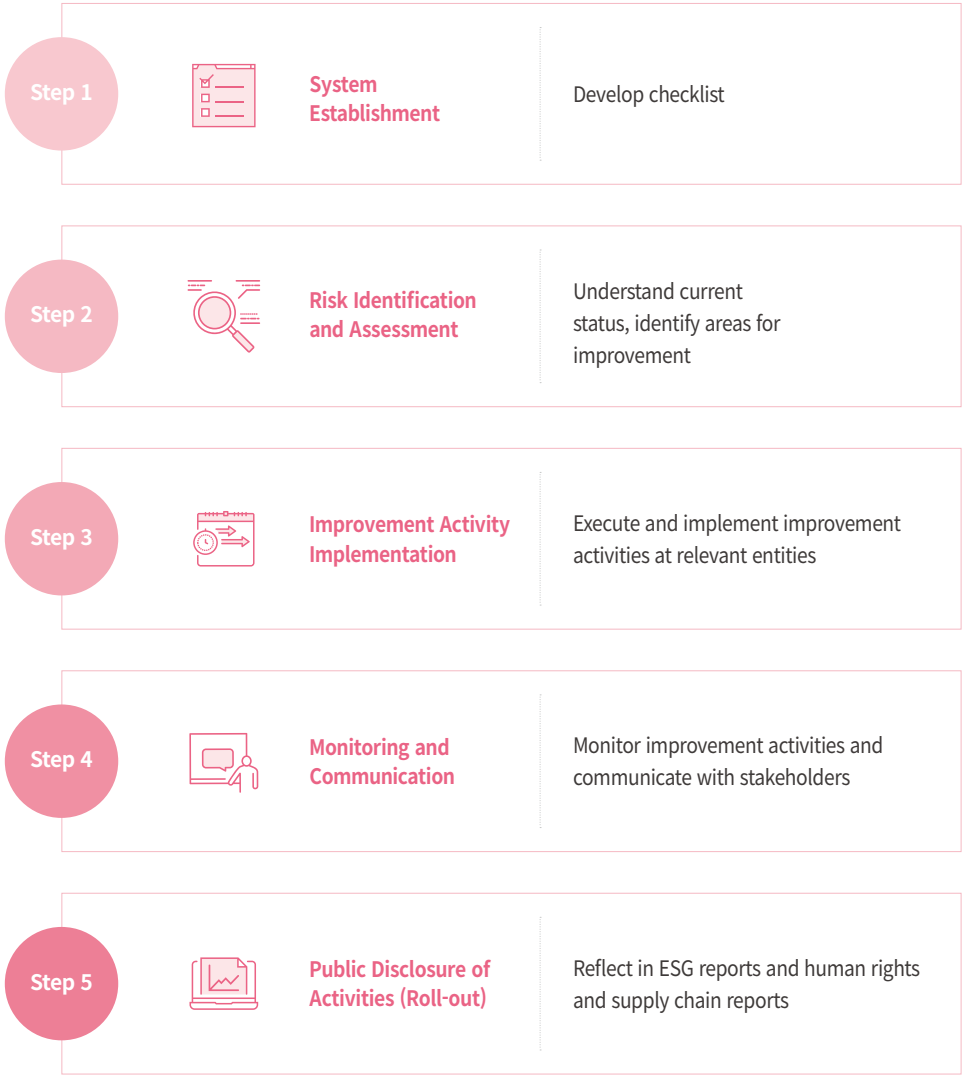
In 2023, we resumed human rights audits at overseas workplaces, previously halted due to COVID-19. We visited our Beijing, Guangzhou, and Vietnam operations to conduct inspections covering 10 topics and 133 items. The audits revealed deficiencies in human rights management institutionalization, labor hours management, and supplier management. To address these issues, we have implemented education programs and policy revisions. Additionally, we have strengthened monitoring and management of labor hours and supplier human rights risks. Through these efforts, we aim to enhance our human rights management system and promote a culture of respect.

Category	Potential Issues	Establishing/Implementing Improvement Tasks
Human Rights Management Institutionalization	- Need for institutionalizing and enhancing human rights management - Need to strengthen employees' human rights capabilities	- Translate and distribute human rights policies - Conduct ESG training for resident employees, plan to expand to local hire
Working Hours Management	- Instances of overtime work identified	- Prevent overtime by securing additional personnel and adjusting workloads
Supplier Management	- Need to establish screening criteria for suppliers	- Revise screening criteria for suppliers at overseas workplaces

Workplace Human Rights Self-Assessment

18 domestic and international sites, we conducted human rights self-assessments. The results highlighted humane treatment of workers and excessive working hours as key potential issues. To prevent such issues, we provided first-class dignity training on workplace harassment and sexual harassment to all employees and operated a reporting center for workplace harassment and sexual harassment. We are committed to continuously developing our human rights risk management system and undertaking various activities to strengthen our capabilities in identifying and preventing human rights issues and risks.

Human Rights Due Diligence[1] Process



1) Due Diligence: Investigation carried out to identify, prevent, and mitigate potential negative impacts in the operations, supply chain, and other business relationships of a company. Refer to the OECD Due Diligence Guidance for Responsible Business Conduct

Human Rights Survey Results and Remedial Actions

Category	Human Rights Issue	Impact Assessment Methods	Impact Assessment Results and Remedial Actions
Employee	Non-compliance with Code of Conduct	Online Reporting System	• Received 58 employee-related reports in 2023 (41 confirmed, 17 unfounded) • Operated Enterprise Risk Management (ERM) system since 2021 for proactive risk assessment - 61 scenarios related to compliance, fraud, and unfair supplier transactions in operation • Operated a reporting reward system and internal reporter protection system in place • Created and promoted Jeong-do management content by overseas subsidiaries in 2023
	Sexual harassment and workplace bullying	No. 1 Class Survey	• 2023 No. 1 Class Survey results (including workplace harassment questions) - Serious issues: none, Potential issues: none • Implemented education for No. 1 Class organizational culture • Distributed Workplace Harassment Counseling Center and Guidebook • Operated Internal Sexual Harassment and Workplace Harassment Reporting Center
	Employee stress	LG Way Survey	• LG Way Survey results: Employee engagement score of 81 (2023) • Provided mental health treatment and counseling support through the Mind Care program in the ECP (since 2021) • Conducted special lectures and distributed guidelines for emotional labor job categories (since 2020) • Offered weekly on-site counseling sessions with professional psychotherapists (since 2020) • Red Circle weekly event for cardiovascular disease prevention health campaign (since 2018)
	Industrial safety accidents at worksites	Workplace Safety Diagnosis Employee Health Check-up	• Operated Reassurance Quality Certification System - Completed a diagnosis for 6 design teams, 19 production sites, and 75 logistics sites (2023) - Identified 3,134 improvement tasks for the Reassurance Quality Certification System - Awarded 3 production teams and 6 logistics teams as excellent sites • Establishment of new safety and health management system to enhance accident prevention (2021) - Established dedicated safety and health organization at headquarters, formulated company-wide safety and health management policy, promoted enactment and revision of safety and health regulations
Supplier	Palm oil production and supply	RSPO Certification	• Achieved 60.2% RSPO (Roundtable on Sustainable Palm Oil) purchase rate (2023) • Maintained RSPO (Segregation, Mass balance) certification for Ulsan and Onsan sites • Established sustainable raw material purchasing policy
	Conflict minerals	RMI Certification	• Procured mica produced by skilled workers from mines in the US, Japan, and China • Verified the non-child labor declaration of the mines and the supplier's RMI (Responsible Mica Initiative) membership for Indian mica. • Increased the use of synthetic mica instead of natural mica in cosmetics manufacturing (plan to convert 100% to synthetic mica) • Used gold from suppliers certified by the London Metal Exchange
Supplier	Labor rights issues of suppliers' employees	Supplier ESG Evaluation	• Conducted ESG evaluations of suppliers (2023) - Evaluated ESG performance of 50 suppliers - Implemented improvement tasks for 30 high-risk suppliers • Conducted ESG evaluations of suppliers (2022) - Evaluated ESG performance of 398 suppliers - Implemented improvement tasks for 30 high-risk suppliers • Conducted ESG evaluations of suppliers (2021) - Evaluated ESG performance of 469 suppliers - Implemented improvement tasks for 12 high-risk suppliers
	Unfair trade practices (e.g., unreasonable demands)	Online Reporting System Bribery Reporting	• Received 6 grievance reports from suppliers (2023) • Conducted Not Giving and Receiving Gifts campaign for LG H&H employees • Operated an unfair practices reporting channel (Online Reporting System: http://ethics.lg.co.kr)
Customer	Customer data protection	Personal Information Security Inspection (LG H&H and Suppliers)	• Enhanced security review process (2023) - Conducted 170 security reviews - Linked logs for 26 security services, created and operated 65 information leakage scenarios, managed 45 cases of suspected information leakage • Passed post-audit and maintained ISMS (Information Security Management System) certification (2023) • Upgraded 8 systems including email malware blocking system (2022) • Conducted simulated hacking and vulnerability checks on websites and shopping mall systems (2022) • Analyzed personal information processing flows for genetic analysis, digital catalogs, and direct sales areas (2021)
	Customer harm (e.g., product safety)	Customer VOC	• Consumer satisfaction score: 9.3 out of 10 (2023) • Established CID (Customer Impression Dashboard) system (2023) - Visualized customer VOC status and quality indicators using various visualization tools to identify trends, patterns, and insights • Built a new customer consultation system (2022) - Integrated management of customer claims from domestic and overseas (China) operations - Enhanced monitoring functions for improvement tasks and their execution - Introduced non-face-to-face consultation via answer bot • Applied AI technology to the customer consultation system - Automatically transcribed all consultation content (real-time STT) and summarized using TA (Text-Analysis) technology - Increased efficiency through automatic classification of consultation types by machine learning algorithms - Immediate response via automatic alarms when predefined words are detected during consultations
Local Community	Social inclusion of vulnerable groups (e.g., disabled, women, elderly)	Vulnerable Groups	• Promoted employment for the socially disadvantaged - Supported employment of the socially disadvantaged through subsidiary-type standard workplaces for the disabled, Gowonnuri (2022) - Supported employment of the socially disadvantaged through subsidiary-type standard workplaces for the disabled, Bright Nuri (since 2015) • Selected 35 natural beauty creators from early-career individuals and career-interrupted women (2023) • Selected and supported 30 women with disabilities through customized assistive device support program (2023) • Reemployed retirees and older adults through the Supplier Technical Support Team

Safety and Health Management

Safety and Health Management

LG H&H has implemented a global safety and health management system to ensure a safe and healthy workplace. To prevent major accidents, we enhance the capabilities of our safety and health organization and have introduced behavior-based safety (BBS) programs and an Environmental Health and Safety (EHS) portal system. We meticulously manage safety and health risks by continuously identifying and addressing potential hazards. Regular safety training and emergency response drills are conducted to foster a strong safety culture. Additionally, we promote employee well-being through various activities, including health check-ups and psychological counseling.

Objectives

- **Respond to the Serious Accident Punishment Act**
  - Strengthen headquarters' safety and health organization capabilities (expand from industrial safety to fire safety)
  - Enhance training focused on safety programs for suppliers
- **Safety Management**
  - Conduct safety and health operational evaluations and reflect results in executive evaluations
  - Strengthen group training with customized materials
  - Activate pre-work safety check (TBM) systems in logistics and sales operations
  - Establish standards for fire safety equipment at electric vehicle charging stations
- **Health Promotion**
  - Strengthen management of cardiovascular diseases (CPR, health plans)
  - Expand online psychological counseling for overseas staff
- **Expand Safety Culture**
  - Expand behavior-based safety (BBS) programs (Cheongju, Ulsan, Onsan, Iksan, Chuncheon)
- **Enhance DX Initiatives**
  - Develop the Environmental Health and Safety (EHS) portal system (DFM)

Key Achievements

Completed ISO 45001 certification (including KOSHA-MS) for
12 sites

Conducted pilot safety and health operational evaluations in production and logistics
42 teams

Developed Environmental Safety and Health Portal System (DFM)
managing **4** areas and **35** items

Managed cardiovascular disease prevention for
7,222 individuals

Expanded behavior-based safety (BBS) programs in production sites
7 sites from 2021-2022, **5** sites in 2023

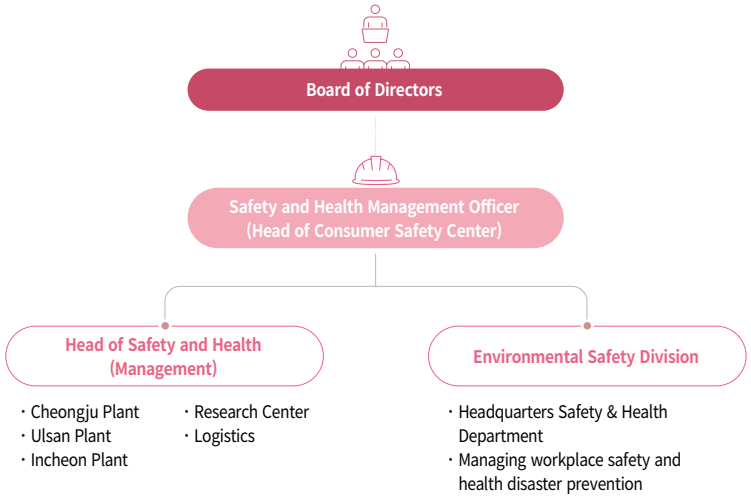
Sustainable Management

Safety and Health Management

Safety and Health Management System

LG H&H prioritizes the safety and health of its employees and has implemented a safety and health management system that complies with ISO 45001, meeting global standards. In 2023, the dedicated safety and health team at our headquarters conducted evaluations of safety and health operations across 42 production and logistics sites. This initiative allowed us to thoroughly assess and enhance the safety and health conditions at these locations. Moving forward, we aim to establish a robust safety and health management system that goes beyond legal requirements. Our objective is to achieve zero accidents and zero injuries at both domestic and international sites while fostering a high-level safety and health culture with active participation from all employees.

Safety and Health Governance



Board of Directors	· Approve annual plans: Approve organization, personnel, budget, and delegate execution authority to the Head of Consumer Reassurance Center, who is the Safety and Health Management Officer
Safety and Health Management Officer (Head of Consumer Reassurance Center)	· Report safety and health-related plans to the Board of Directors · Execute authority delegated by the Board of Directors · Implement the duties of the management representative
Production and Logistics General Manager	· Approve overall workplace safety and health · Assess risks and conduct regular safety training for each process · Implement preventive measures and improvement investments for hazardous facilities · Assess and supervise risks of internal construction projects · Inspect safety and health with internal suppliers · Conduct drills for different types of emergencies
Dedicated Safety and Health Department	· Establish company-wide safety and health strategies · Develop internal safety and health regulations and standards · Plan and inspect disaster prevention measures · Establish safety and health budgets · Encourage employee feedback · Develop response processes for different types of emergencies · Investigate industrial accidents and establish recurrence prevention measures

Strengthening Safety and Health Management System

LLG H&H has consistently strengthened its safety and health management system to protect the lives of all employees and create a safe environment. We are also committed to promoting activities to prevent serious accidents and fostering a culture of safety and health through active participation and improvement. To ensure that the culture of safety is effectively embedded in the workplace, our dedicated safety and health organization distributes safety and health management policies, conducts risk assessments, provides safety and health education, conducts emergency response drills, allocates and executes safety and health budgets, and sets up procedures for gathering employee feedback. We focus on inspecting small-scale workplaces and safety-vulnerable sites with a history of accidents to prevent serious accidents. We also enhance preventive inspections for workplaces anticipated to experience significant industrial accidents (grades A and B). Post-inspection, we monitor the implementation of improvement tasks and continuously supplement and improve our risk management to ensure effective execution.

Operation of the Occupational Safety and Health Committee

LG H&G operates the Occupational Safety and Health Committee quarterly to gather and listen to employees' opinions regarding safety and health. The committee, composed equally of workers and management, allows any employee to freely submit safety and health-related opinions through worker representatives. In 2023, we held a total of 40 committee meetings, discussing specific action plans and improvements for creating a safe working environment, such as improving working conditions in production areas, conducting employee health check-ups, and preventing collisions between pedestrians and bicycles within the factory.

Main Agenda of the Occupational Safety and Health Committee

Workplaces	Main Agenda Items
LG H&H Cheongju/ TP	• Matters related to employee safety and health education • Matters related to employee health check-ups • Prevention of collisions between pedestrians and bicycles within the factory • Improvement of the slope on the shipping floor • Installation of emergency lights in underground spaces • Additional installation of street lights within the factory • Risk of safety accidents due to pedestrian traffic at the car wash exit • Provision of lumbar support belts for handling heavy objects
LG H&H Ulsan/ Onsan	• Matters related to employee safety and health education • Matters related to employee health check-ups • Improvement of working conditions in the detergent production room • Ensuring adequate lighting and emergency stop switches in the detergent packaging room • Repair of corroded concrete on building walls • Improvement of the roof in the surfactant laboratory

Safety and Health Management Mid- to Long-term Roadmap

Category	2023 Results	2024 Goals	2025 Goals
Goals	• Implemented and expanded the Environmental Safety Culture Program (BBS). • Strengthened voluntary risk assessments and TBM activities. • Developed the Environmental Safety and Health Portal (DFM).	• Internalize the company's unique BBS program. • Expand monitoring of high-risk processes. • Enhance the establishment and operation of the DFM system.	• Foster an environmental safety culture involving all employees. • Design ESH operation evaluation and reward systems. • Enhance the cardiovascular examination and psychological care programs.
BBS Applied Sites	15 (cumulative)	18 (cumulative)	21 (cumulative)
BBS Safety Observation Improvement Rate	98%	100%	100%

Safety and Health Management Certification Status

Category	Certification Types (ISO 45001, KOSHA-MS)	Certifications Obtained (Number)
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

Activities to Prevent Serious Accidents

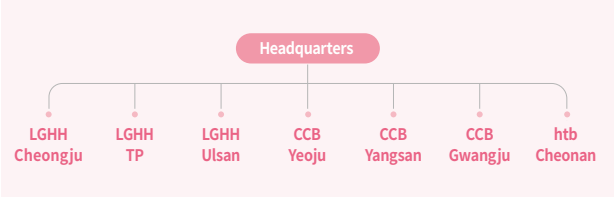
Operation of Behavior-Based Safety Program

LG H&H has implemented a Behavior-Based Safety (BBS) program in our production sites to promote a safety culture. Starting with Coca-Cola Beverage's Yeoju site and HAITAI htb's Cheonan site in 2021, the program was extended to the Cheongju Beauty site, Coca-Cola Beverage's Yangsan and Gwangju sites in 2022. In 2023, we introduced the BBS program to LG H&H's Cheongju, Ulsan, and Onsan factories, and HAITAI htb's Iksan2 factory. The BBS program has improved worker safety levels, consequently enhancing the overall safety standards of the organization. In 2024, we plan to use our proprietary safety culture maturity assessment tool and develop training courses to cultivate BBS experts at each site, further entrenching the safety culture.

BBS On-site observation photo

Operation of Integrated Disaster Prevention Center

LG H&H operates an Integrated Disaster Prevention Center staffed with experts in environmental and safety health fields to ensure initial emergency response capabilities and manage risks systematically. In 2023, we established a surveillance system for monitoring speeding vehicles within LG H&H's Cheongju factory. Additionally, we connected CCTV from small-scale sites to the Cheongju factory's disaster prevention center, eliminating blind spots and creating a safer work environment.



Conducting Safety and Health Operation Evaluations in Production and Logistics

LG H&H's dedicated safety and health team conducted safety and health operation evaluations for 42 production and logistics teams in August 2023. The evaluation covered 160 items across 22 safety and health fields, diagnosing the safety and health management level at each site. Over approximately four months, from March to July, a total of 690 improvement tasks were identified, and 685 (99%) were completed within 2023. In 2024, we plan to extend these evaluations to include 43 teams, including research labs, with awards for outstanding teams and incorporating results into department heads' KPIs to encourage active participation and improvements in safety and health.

Safety and health operation evaluations

Strengthening Safety and Health Capabilities through the Environmental Safety and Health Portal

In August 2023, LG H&H launched the Environmental Safety and Health DFM (Defect Free Management) system to enhance the management capabilities of safety and health activities. This system proactively responds to increasingly stringent domestic and international regulations, advances related tasks, ensures transparency in operations, and ultimately minimizes the likelihood of accidents. It is expected to systematize continuous risk assessments and behavior-based safety monitoring. Additionally, it will enable real-time inspection of all safety and health-related tasks at the workplace, such as safety protective equipment and firefighting facilities, thereby expanding the scope of integrated accident management.

Safety and Health Investments for Accident Prevention

LG H&H is actively investing in safety and health measures to prevent accidents and maintain a safe workplace. In 2023, LG H&H constructed a new hazardous materials warehouse at the Cheongju plant, safely relocating all hazardous materials previously stored outdoors. Additionally, at the Beauty Plant, Household Plant, Oral Care Plant, and CCB Gwangju Plant, investments in equipment such as automatic loaders, automatic feeders, and conveyors significantly reduced the risk of worker accidents and musculoskeletal disorders. The replacement of asbestos ceilings further improved the working environment.

Cheongju Plant Hazardous Materials Storage

Beauty Robot - Beauty Plant High-Speed Charger

Activities for Enhancing Employee Health

Distribution of QR Codes for First Aid Guidance

To ensure employees are prepared for emergencies, LG H&H created and distributed leaflets detailing correct first aid procedures for different scenarios and printed QR codes on them. These QR codes were placed in hazardous areas within workplaces. Since most employees use smartphones, they can quickly access appropriate first aid instructions by scanning the QR codes during emergencies. The first aid types covered include amputation, shock, cardiac arrest, burns, and falls. These are currently in use in five locations: Cheongju Factory, Yeoju Factory, Gwangju Factory, Yangsan Factory, and Cheonan Factory. Moving forward, we plan to create additional leaflets and QR codes for other first aid procedures, providing ongoing education and support to ensure employees can respond immediately to emergencies.

Distribution of QR Codes for First Aid Instructions

Creation and Revision of Health Emergency Scenarios

LG H&H has developed health emergency scenarios, anticipating potential accidents to train for company-wide response. This scenario-based training focuses on minimizing damage during health emergencies, enhancing employees' crisis response abilities, and improving overall safety and health awareness. The scenarios cover eight types of emergencies: entrapment, cuts, amputation, burns, electric shock, food poisoning, falls, forklift collisions, shock, and cardiac arrest. Future plans include repetitive scenario training at each site to ensure preparedness for actual emergencies, with drills monitored to ensure effective crisis response rather than mere formalities. The scenarios will be revised annually to reflect real-world conditions.

Implementation of Various Health Promotion Programs

Since 2018, LG H&H has been running the Red Circle Weekly Event to prevent cardiovascular diseases among employees. In 2023, we posted online educational materials on Learning Center, enabling approximately 7,000 employees to learn about cardiovascular disease prevention. Employees who wrote and submitted their reflections were entered into a draw for prizes. Additionally, in 2023, we introduced five body fat measurement machines at each factory and implemented a health promotion program. A total of 150 employees participated in body composition analysis, set personal health goals, received healthy meal boxes, and engaged in strength training to achieve their goals. Moreover, 40 employees identified as high-risk for cardiovascular diseases participated in a health walking program, with prizes awarded based on step counts to encourage and support their health improvement efforts.

Health Promotion Program

Ministry of Employment and Labor Safety Culture Expansion Agreement

LG H&H is collaborating with the Ministry of Employment and Labor to promote safety culture. In June 2024, Coca-Cola Beverage Co., Ltd.'s Yangsan Plant, the Yangsan Branch of the Ministry of Employment and Labor, and the Korea Occupational Safety and Health Agency (KOSHA) in southeastern Gyeongnam signed an agreement to spread safety culture. This initiative involves attaching safety messages to Coca-Cola delivery vehicles (a total of 330 vehicles).

Signing Ceremony for the "Safety Culture Expansion" Agreement

Quality Management

Quality Management

LG H&H concentrates its efforts on quality management to ensure customer safety and product reliability. We have established a Reassurance Quality Management (RQM) system and operate a Consumer Safety Center. Through the Life-Cycle Reassurance Quality process, we systematically manage risks throughout all stages. We also implement a Reassurance Quality Certification system for domestic and international sites and partners. Our Product Safety Management Regulation strictly excludes hazardous substances in new raw materials, product development, and mass-produced products to ensure reassurance quality.

Objectives

- Implement proactive prevention activities across all stages (design, mass production, logistics) to achieve zero quality risk
  - Design: Adhere to and inspect Q-gate compliance during the development stage
  - Mass production: Conduct quality risk assessments for production sites
  - Logistics: Evaluate distribution quality management levels at logistics centers
- Investigate Significant quality accidents to prevent recurrence
  - Identify root causes, implement improvements, and thoroughly inspect improvement execution to prevent recurrence
- Enhance preemptive quality management systems and strengthen quality capabilities
  - Operate pre-risk assessment systems for new types and new products
  - Standardize company-wide processes and discover advanced quality systems (e.g., establish a standardized new product development process, integrate with PLM)
- Conduct Reassurance Quality Certification evaluations for the top 40 domestic partners with the most customer complaints
- Verify reassurance quality operation levels and expand the pool of domestic and international suppliers through evaluations of new suppliers

Key Achievements

Identified improvement tasks for the Reassurance Quality Certification system
2,077 tasks

Derivation improvement tasks from supplier Reassurance Quality Certification evaluations and implementation plan rate
762 tasks / **99**%

Selection and awarding of plaques to outstanding suppliers for quality assessment
4 companies

Verification of hazardous substances items
264 items

Collection of samples for hazardous substances verification
17,863 samples

Sustainable Management

Quality Management

Quality Management System

Reassurance Quality Management (RQM) System

LG H&H has established the Reassurance Quality Management (RQM) system, an integrated quality management system, to diversify products in response to consumer demands and comply with increasingly stringent national quality standards. The system was first introduced at the Cheongju cosmetics and household goods factory in 2020, followed by the Cheongju TP factory, Incheon factory, and Daejeon Technology Research Center in 2021. In 2022, it was extended to major beverage corporation sites. By the first half of 2024, RQM will also be implemented at the Chuncheon plant, bringing the total to three corporations, eight production sites, and five logistics sites. The RQM system meticulously manages product quality across the entire lifecycle, from production and R&D quality (safety) to long-term post-shipment quality (aging stability) and customer complaint management.

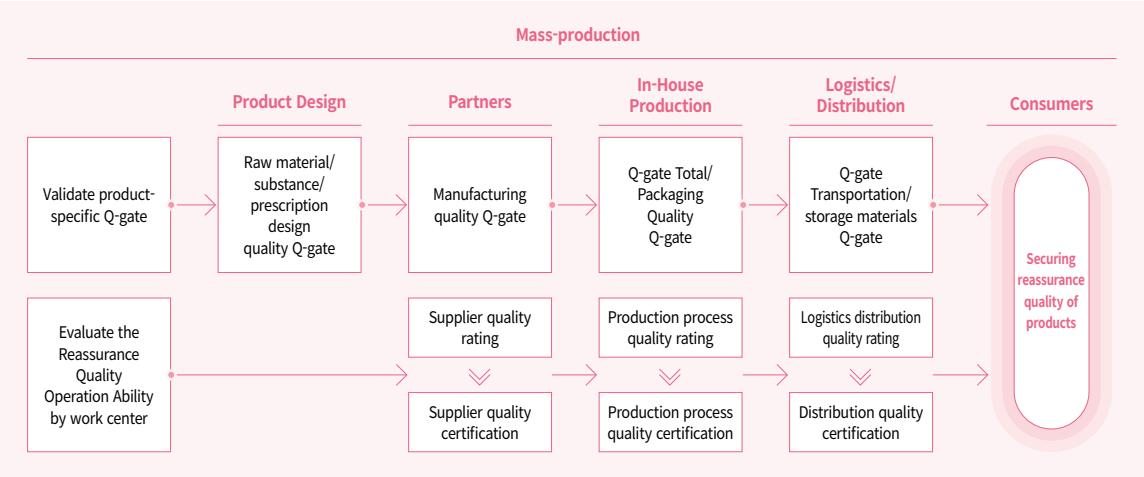
Reassurance Quality Certification System

The Quality Certification System is LG H&H's unique quality certification system. The Quality Management Team conducts an annual quality risk assessment and it has issued Reassurance Quality Certificates to outstanding sites. The quality risk assessment covers design, mass production, and logistics, identifying and monitoring improvement tasks based on potential risks. This ensures that risks do not recur and that established improvement measures are continuously maintained. Reassurance Quality Certificates are issued based on diagnostic results and the presence or absence of major quality accidents. The system also promotes the sharing of best practices across sites to encourage standardization at a high level. In 2023, assessments were conducted for six design sectors, 19 production sites, and 75 logistics centers, resulting in the identification of 3,134 improvement tasks (25 in design, 845 in production, and 2,264 in logistics). Three production teams and six logistics teams were recognized as outstanding sites and awarded certificates.

Operation Details of Reassurance Quality Certification System

Category	2022	2023	2024년 계획
Design Reassurance Quality	Pilot diagnosis (10 teams)	Diagnosis of 6 teams	Quality Management Team to conduct risk assessment for new types/containers/ formulations for Beauty Business Unit
Production Reassurance Quality	Diagnosis of 19 sites (TP: pilot diagnosis)	Diagnosis of 19 sites	Diagnosis of focus sites (6 sites, including Chinese subsidiaries); pilot diagnosis planned for Vietnam and Thailand plants
Logistics Reassurance Quality	Diagnosis of 64 sites	Diagnosis of 75 sites	Cross and direct audits of 70 sites planned (30 sites previously audited)

Reassurance Quality Certification System



Quality Management Activities

Operation of Consumer Reassurance Center

LG H&H established the Consumer Reassurance Center, the first of its kind in Korea, in 2017. This specialized organization verifies and improves product quality from development to consumer use from the consumer's perspective. In 2023, we aimed to grow into the world's best consumer-centric company, providing real value to customers. We established a crisis management system to quickly respond to issues and prevent them. We also utilized AI and DX technologies to enhance customer consultations, identify consumer needs, and analyze data. In 2024, we plan to further strengthen crisis management activities and develop our own solutions to identify and eliminate quality risks of new products in advance, thereby enhancing design quality.

Product Safety and Risk Prevention Activities

To strengthen company-wide crisis management, LG H&H established a crisis management organization in 2023 and formed a subcommittee overseeing quality and service areas. The subcommittee prepared manuals for actions and containment in case of quality incidents and conducted proactive prevention and monitoring to avoid consumer damage or inconvenience caused by quality issues. We also consider quality defects that undermine trust and affect brand value, such as insufficient content stability or defective materials, as crisis factors. In 2024, we plan to evaluate the likelihood and severity of these quality defects, anticipate potential risks, and conduct preventive activities accordingly.

Implementation of Reassurance Quality Diagnosis for Suppliers

LG H&H conducts reassurance quality certification activities for existing and new suppliers to maintain their quality standards at a level higher than regulatory requirements and minimize blind spots in quality. We use various methods for efficient diagnosis, including self-diagnosis, quality inspections by external professional organizations, and on-site technical support from our technical support team. Suppliers that receive top-level evaluations are awarded a reassurance quality certificate and given purchasing incentives based on our purchasing policy.

In 2023, we focused on the 40 suppliers with the highest complaints from Korean customers, conducting reassurance quality certification evaluations. From these evaluations, 762 improvement tasks were identified, and suppliers were required to develop their own improvement plans. In the second half of the year, we reviewed the implementation of these improvement tasks and conducted follow-up management to ensure that the improvements were effectively established in the field.

For new domestic and international suppliers, we performed reassurance quality diagnoses from the initial entry stage to meticulously verify their reassurance quality management levels. In 2023, we evaluated 34 new suppliers, selecting 27 that met our quality management standards as new or retained partners, thus expanding our pool of domestic and international suppliers. In 2024, we plan to continue efforts to reduce customer complaints and perform reassurance quality diagnoses on suppliers with no previous quality diagnosis or insufficient quality levels, eliminating blind spots in quality and enhancing overall quality standards.

Reassurance Quality Certification Evaluation Targets for Suppliers

(units: number)

* Targeting suppliers with the top 80% purchase amount

New Supplier Evaluation Targets

(units: number)

Category	Number of Suppliers Evaluated	Number of Code Registered Companies
Domestic	30	20(11/9)
Overseas	4	3(2/1)
Total	34	23(13/10)

Operation of Product Safety Management Regulations

LG H&H has established Product Safety Management Regulations to provide consumers with products they can use safely. These regulations are rigorously applied from the registration of new raw materials to product development and mass production. When introducing new raw materials, a dedicated team from the Technology Research Institute conducts a preliminary review to ensure that the new raw material formulations comply with domestic and international regulations. If the preliminary review results are satisfactory, the Safety Evaluation Division of the Consumer Reassurance Center evaluates the potential risks of the product to human health. This includes conducting toxicity evaluations using cells (animal alternative testing methods) and verifying hazardous substances designated as control items. If all evaluation results are appropriate, the new raw material registration process can proceed.

During the new product development process, the company conducts risk assessments considering human exposure levels to all prescribed ingredients, human application tests for skin safety verification (such as skin irritation tests), microbial preservative efficacy evaluations, verification of hazardous substances including global control items, and animal alternative testing (such as eye irritation tests). If all tests are judged to be suitable, the new product development process can proceed. For finished products that have passed safety verification and are produced in the factory, LG H&H conducts annual verification of hazardous substances for cosmetics and household products to account for batch variations in raw materials and potential contamination in production facilities.

To systematically manage hazardous substances, LG H&H identifies and incorporates annually revised domestic and international regulations into its management standards. Since creating the Hazardous Substance Management Operation Guide reflecting global legal regulations in 2017, the guide has been periodically updated, with the fourth revision applied in 2024.

The Consumer Reassurance Center at LG H&H has also redefined the process for verifying harmful substances in sub-materials to enhance potential risk management. This process applies high standards based on domestic and international cosmetic regulations, allowing only sub-materials with suitable analysis results to be used in product development. In 2023, the company segmented analysis targets based on the frequency of contact with the contents, and for sub-materials in contact with the contents, a dual inspection method was introduced to verify harmful substance leaching from both the sub-material and the contents. LG H&H continuously analyzes all new product items to prevent risks and conducts regular analyses of operational items for post-verification management. In 2023, the company conducted 1,097 analyses, improving quality and further enhancing the safety of sub-materials.

Investment Status in Product Safety

(Unit: 100 million KRW)

Category	2021		2022		2023	
	Items	Amount	Items	Amount	Items	Amount
Safety/Hazardous Substance Evaluation	Hazardous Substance Analysis Equipment, etc	5.8	Hazardous Substance Analysis Equipment, etc.	5.2	Hazardous Substance Analysis Equipment, etc.	5.4
Packaging Research	Universal Testing Machine, etc.	0.6	Physical Property Tester, etc.	0.1	Digital Microscope, etc.	0.6
Quality Management	Precision Analysis Equipment, etc	17.3	Inspection/Measurement Equipment, etc.	10.0	Precision Analysis Equipment, Measurement Equipment, etc.	11.9
Total		23.7		15.3		17.9

Global Level Safety Evaluation

As LG H&H's product exports continue to increase, the Safety Evaluation Division strives to secure global safety evaluation capabilities. Currently, human risk assessments utilize research data from internationally recognized institutions such as the European Chemicals Agency (ECHA), the Organization for Economic Cooperation and Development (OECD), and the US Environmental Protection Agency (EPA). Depending on the evaluation purpose, reputable institutions like the Cosmetic Ingredient Review (CIR) in the US and the Scientific Committee on Consumer Safety (SCCS) in Europe provide data for compiling Cosmetic Product Safety Reports (CPSR). For toxicity evaluations, alternative animal testing methods accredited by OECD are applied.

Furthermore, microbial preservative efficacy evaluations (Challenge tests) use ISO evaluation methods for application across cosmetics and oral hygiene products. The antimicrobial clinical evaluation for rinse-off products adopts methods from ASTM International (American Society for Testing and Materials). Biodegradability assessments of raw materials and products use OECD evaluation methods, aiding in verifying microbial safety and developing eco-friendly products.

To secure the ability and reliability for hazardous substance verification, we obtained KOLAS certification, an internationally recognized testing laboratory accreditation, in 2020, ensuring the provision of ISO-compliant international certificates. By 2022, we achieved certification for 12 key hazardous substances commonly found in international cosmetics. Since 2023, based on this foundation, we have been providing our own international certificates for exported products.

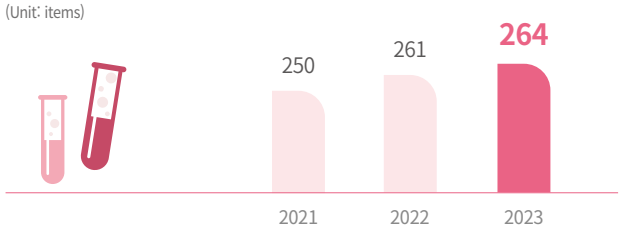
Additionally, to verify microbial and hazardous substance evaluation capabilities, we regularly participate in international proficiency testing programs such as FAPAS (conducted by the UK Food and Environment Research Agency under DEFRA) and LGC (administered by the UK National Measurement Institute for chemical and bioanalytical sectors). In 2023, we received satisfactory ratings from LGC for the evaluation of hazardous substances like lead and nickel, affirming our excellent analytical capabilities. In 2024, we plan to participate in FAPAS and LGC's international proficiency testing to assess and enhance our microbial and hazardous substance evaluation capabilities.

Hazardous Substances Goals

The Hazardous Substance Analysis Lab within the Safety Evaluation Division serves as LG H&H's dedicated unit for verifying hazardous substances. Each year, this lab incorporates administrative notices and amendments related to hazardous substances announced by relevant ministries into our management standards, ensuring preemptive verification before the laws take effect. Additionally, the Safety Research Lab within the Safety Evaluation Division and the G&RA team within the Technical Research Institute regularly monitor global safety and regulatory issues, updating prescription guides and preemptively addressing components that may pose future issues. LG H&H's hazardous substance management standards are stringent, with most management items set at less than half of the allowable limits defined by domestic and international regulations. These standards encompass not only legally regulated items but also additional items deemed necessary for securing reassurance quality. This approach minimizes legal risks and ensures the delivery of products with reassurance quality to consumers. Annually, we analyze hazardous substances in finished products, and based on three years of data, we shorten verification cycles for raw materials and products with high-risk potential, ensuring thorough post-management. For ODM-produced cosmetics, where direct raw material management is not possible, we verify hazardous substances in every lot produced. Through systematic management and rigorous verification, we aim to achieve “zero risk of hazardous substances.”

Verification Items for Hazardous Substances *

(Unit: items)



* Number of hazardous substance verification items selected annually through consultation with relevant departments, based on domestic and international issues or potential issues
* Similar hazardous substances, such as phthalates, are counted as one item

KOLAS Accredited Test Items

(Unit: items)

Category	Number of items
2021	9
2022	12(cumulative)
2023	12(cumulative)
2024 (planned)	12(cumulative)

Number of Samples for Hazardous Substance Verification* (Products, Lab Products, Raw Materials, Sub-materials)

(Unit: samples)

Category	2021	2022	2023
Cosmetics	8,858	9,281	9,558
Household products	9,953	8,839	7,255
Food and beverages	1,562	1,328	1,050
Total	20,103	19,448	17,863

* Annual full verification of first production batch (A-lot); expanded verification to include in-house and ODM products and overseas-produced products
* Decrease in the number of verification samples due to company-wide SKU rationalization

Use of Hazardous Substance Analysis Equipment

Organic Hazardous Substances	Formaldehyde, 1,4-dioxane, MIT/CMIT, phthalates, benzene, toluene, xylene, methanol, etc.
Inorganic Hazardous Substances	Heavy metals (lead, arsenic, mercury, cadmium, antimony, nickel, hexavalent chromium, uranium, etc.), asbestos

Long-Term Plan to Minimize Hazardous Substances

2025 Target **0.90 %**

Product Life-Cycle Reassurance Quality Process

Beautiful & Healthy

Refreshing

R&D

Review of Raw Materials and Components

1) Chemical Management System
- Integrated online system: Manage hazardous substances information, product-specific safety regulations, global hazardous substances regulations, product usage tracking

2) Additional review of raw materials with domestic and international issues

CBI Inspection Items

1) Free of hazardous ingredients: Review consumer reassurance-related components in three stages
2) Blue Beauty: Review ingredients affecting marine pollution and ecosystems
3) Green Beauty: Review the use of naturally derived ingredients
4) Eco-friendly materials: Review use of waste materials with no reuse potential (upcycling)
5) Credible traceability: Use and review traceable efficacy ingredients
6) Fair trade materials: Review use of materials through fair trade

Raw Material Safety Evaluation

1) Hazardous substance analysis in raw materials
- Analyze heavy metals, hormone-disrupting substance, steroids, etc.

2) Human safety evaluation
- Conduct alternative animal tests: Raw material cytotoxicity (MTT Assay), skin allergy (h-CLAT), phototoxicity (3T3 NRU), corneal irritation safety (HET-CAM)
- Risk Assessment: Hazard assessment: Predict human risk by comparing raw material exposure with safety data

CBI Inspection Items

1) Hazardous substance analysis in raw materials
2) Pesticide residue analysis in raw materials
3) Human safety evaluation

Evaluation of Product Contents and Regulatory Review

- Hazardous substance analysis: Review legal regulations in products
- Internal primary skin irritation evaluation (Human Patch Test)
- External clinical institution primary skin irritation evaluation (Human Patch Test)
- Repeat Open Application Test (ROAT)
- Sting Test
- User Test

CBI Inspection Items

1) Third-party certification labels (ethics/environment/safety)
2) Energy-saving manufacturing methods
3) Waterless formulations

New Category Risk Assessment
Review of four areas: Technology, regulations, safety, and consumer
(R&D, Consumer Reassurance Center)

Enhanced Safety for Infant and Children's Products
Compliance with guidelines for infant and children's products: Product safety design principles, internal enhanced safe raw and sub-materials list, final product safety evaluation

Packaging Evaluation

- Analyze hazardous substance in packaging
- Review and check structural and formal safety: Prevention of infant swallowing, prevention of injury, etc.
- Review legal regulations: Chemical laws, resource recycling laws, packaging methods, etc.
- Verify packaging stability and usability

CBI Inspection Items

Measurement of scores from the 4R perspective
- Recycle: Review according to packaging material recycling grade
- Reduce: Review based on the company's unique Packaging Efficiency Index (PEI)
- Replace: Review replacing conventional plastics with recycled/Biobased plastics
- Reuse: Review methods for reusing containers multiple times (refill pouches, refill containers, etc.)

Review of Raw Materials and Ingredients

- Review legal use and regulations of new raw materials (domestic and international regulations)

Evaluation of Raw Material Safety

- Analyze hazardous substances in raw materials: Heavy metals, residual pesticides, harmful microorganisms, molds, allergens, melamine, preservatives, radiation, etc.
- Review legal usage standards and compliance

Evaluation of Packaging Materials

- Analyze hazardous substances in packaging: Heavy metals, environmental hormones, microorganisms, harmful dyes, etc.
- Review and check structural and form safety: Prevention of infant swallowing, prevention of injuries, prevention of foreign matter intrusion, etc.
- Review legal regulations: Chemical laws, resource recycling laws, packaging methods, etc.

BEAUTIFUL & HEALTHY

Lot-by-Lot Inspection
- Conduct quality and safety inspections
- Inspect the quality of incoming raw materials and components
- Perform quality checks at each process stage
- Conduct final quality and safety inspection of finished products

Time-dependent inspection
- Ensure customer-perceived quality assurance, usability, etc.

OEM and ODM

Technical Support and Inspection for Suppliers
- Verify compliance with regulations and quality standards
- Support 6-Sigma quality improvement activities

Purchasing

Comprehensive Judgment in Research Stage

Evaluation of New Items

- Only purchase items that have passed the reassurance quality certification for new products

Evaluation of Purchased Raw Materials and Packaging

- Reflect responsibility for hazardous substances in contracts
- Raw materials: Quantitative analysis, purity, hazardous substance inspection
- Packaging: Appearance, measurement, function, hazardous substance inspection
- Obtain certifications for raw material characteristics: Origin, organic, raw material source, etc.
- Verify issue substances: Six major heavy metals, conflict minerals, etc.
- Conduct on-site due diligence of suppliers

Warehousing Inspection

Production Stage (In-house/OEM·ODM)

REFRESHING

HACCP Certification System Management
- Manage self-analysis system for raw material safety, hazard analysis, and process control
- Review raw material quality, pre-check influencing factors, conduct material tests, analyze nutritional components, etc.

Quality Control
- Monitor distribution quality in advance, conduct sensory tests, inspect incoming and finished product quality, perform regular hazard analysis

Final Product Inspection

Initial Flow Management for New Products

Logistics Stage

Storage and Transportation Quality Control
- Prevent product damage, adhere to loading standards, manage first-in-first-out based on expiration dates

5S Activity Inspection
- Inspect weekly for organizing (seiri), tidying (seiton), cleaning (seiso), cleanliness (seiketsu), and habituation (shitsuke)

Apply Management by Product Characteristics
Manage temperature, humidity, pest control, etc.

Conduct periodic fire prevention and safety training

Usage Stage

Ethical Labeling and Advertising Declaration
- Establish Ethical Labeling and Advertising Declaration
- Inspect for ethical labeling and advertising

Voice of Customers (VOC) Quality Management Activities

Receive customer complaints → Share daily, weekly, and monthly customer complaint reports → Identify issues

Product Improvement Feedback: Send improved products to complaining customers for satisfaction surveys
- Customer: Receive cause analysis results
- Company: Develop improvement and recurrence prevention measures

→ Analyze causes

Disposal Stage

- Use materials that are easy to recycle
- Collect used containers through recycling-related organizations
- Apply biomass containers

Customer Satisfaction Management

Customer Satisfaction Management

LG H&H actively pursues customer satisfaction management to deliver the highest satisfaction, new value, and joyful experiences to our customers. We identify consumer complaints and use them to improve product and service quality. By introducing an AI-powered customer consultation system, we enhance our customer response capabilities and further activate communication with customers. Additionally, through continuous innovation, we improve product efficacy and convenience while expanding digital marketing using generative AI to provide customers with differentiated experiences and value.

Objectives

- **Strengthen consumer self-resolution**
  - Identify and supplement self-resolution videos, FAQs, and other content to enable faster responses to customer inquiries and allow customers to search for the information they need independently
- **Enhance customer response capabilities**
  - Improve consumer satisfaction, claim resolution rates, and call response rates
- **Advance customer consultation system**
  - Build a CID system to visualize customer VOC content for insights and trend analysis
  - Elevating the quality of customer service responses through the enhancement of AI

Key Achievements

Consumer consultation satisfaction
9.3 / 10

Claim resolution rate
99.7%

Number of self-resolution videos produced
63[1] / 17[2]

Consumer complaints processed in 2023
10,608
(10,640 received, 99.7% resolved)

Customer complaint rates
3.60 / 0.63 / 0.45ppm
(LG H&H/ Coca-Cola/ HAITAI htb)

1) LG H&H, 2) Coca-Cola Beverage

Sustainable Management

Customer Satisfaction Management

Enhancement of Customer Communication

Dashboard (CID) System Implementation

LG H&H implemented a new Customer Impression Dashboard (CID) system in 2023 to identify, analyze, prevent, and improve customer pain points and quality-related risks early. The CID system visualizes customer VOC status and quality-related indicators, making it easier for managers and practitioners to view and analyze data intuitively. This system enables monitoring of the entire process, from receiving customer pain points to VOC analysis and feedback-based improvement verification. VOC checking and analysis allow quicker problem detection and response. Analyzing customer complaints helps prioritize issues quantitatively and qualitatively. The VOC analysis data also contributes to improving product and service quality. In the future, we plan to enhance the system by crawling[1] social data related to the company and displaying it on the dashboard.

1) Crawling: The activity of collecting, classifying, and storing web pages

Enhancement of AI in Customer Consultation Systems

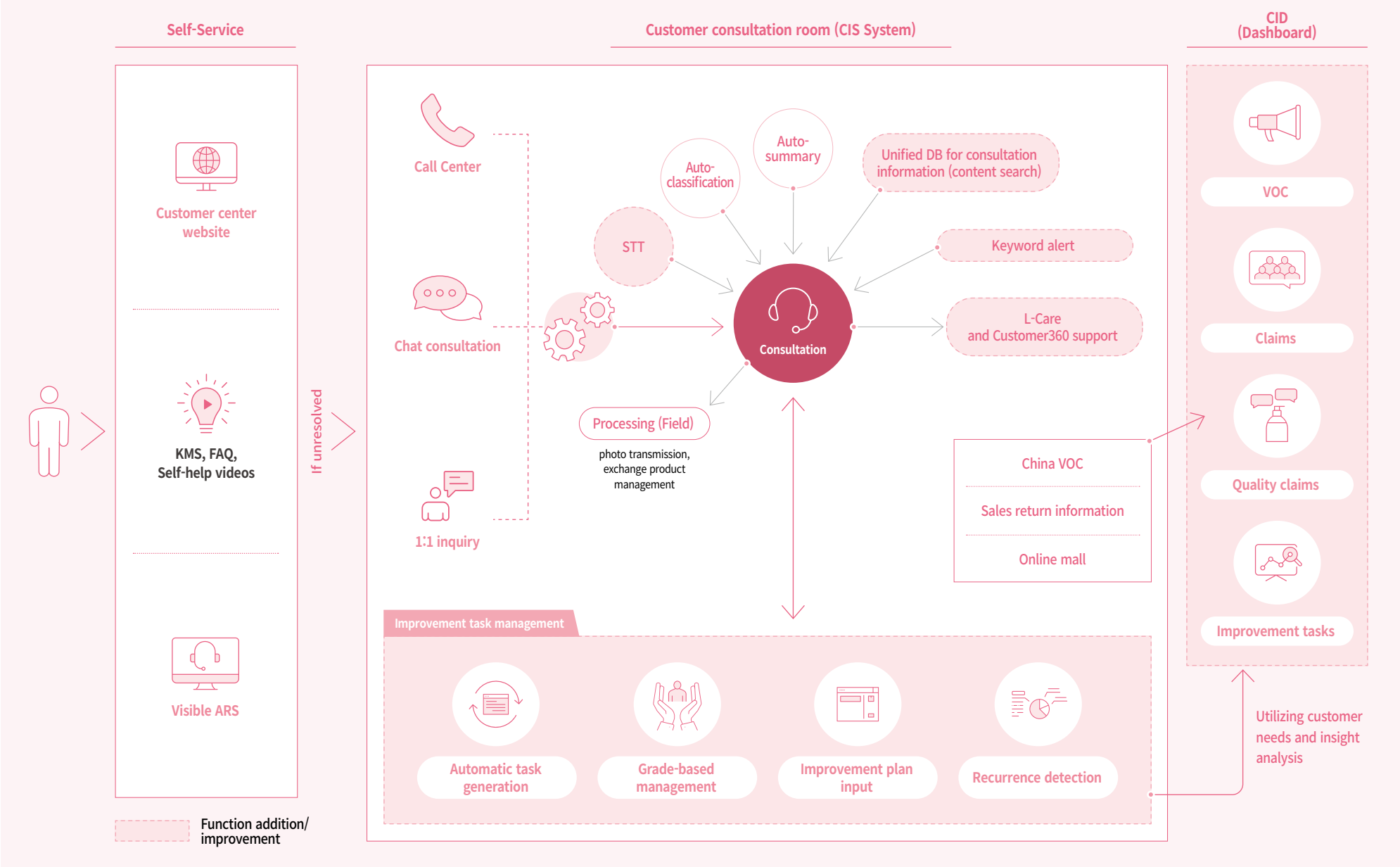
LG H&H collaborated with AI researchers in 2023 to enhance our customer consultation system with AI technology. Starting in March, we applied AI features such as real-time speech-to-text (STT) conversion for all voice consultations, automatic classification and summarization of call content, and content search and recommendation. By December, we had added issue keyword alerts, improved the STT function, and launched the CID system, further upgrading the AI capabilities of our customer consultation system. The integration of advanced AI technology is expected to standardize customer interactions and improve the efficiency of our consultants, thereby enhancing the quality of customer service. Future plans include developing additional features such as automatic analysis and evaluation of consultation quality, automated response suggestions for customer inquiries, automatic FAQ generation, and automatic address creation from voice input.

1) STT (Speech to Text): Technology that converts customer consultation voice files into text in real time

Improvement Status of AI Features in Customer Consultation Systems

Category	Details	Expected Effects
Issue Keyword Alert	Alert administrators when predefined words are displayed during consultation	Enable quick action by administrators when important claims arise
Number/Alphabet Recognition	Convert numbers/alphabets in STT to original format instead of Korean	Increase readability of STT text
CID System Operation	Implement a dashboard for intuitive viewing and analysis of VOC in the consultation system	Support relevant departments in easily utilizing VOC data

AI Customer Consultation System



Creation of Customer Value

Continuous Product Innovation

The Whoo Cheongidan

To address the diverse aging concerns of modern women and complete radiant anti-aging, LG H&H renewed The History of Whoo Cheongidan after 13 years. The product now includes an enhanced Heritage Formula Cheongidan12α, strengthened with Bio Herb AI[1] technology, and Golden Gardenia, harvested during the 48-hour golden time of the year and extracted at low temperatures. It also contains the efficacy ingredient Pro-Radiance™, discovered through a study based on big data from 17,000 Asian women's skin. This product effectively improves 12 signs of skin aging: wrinkles, fine lines, elasticity, radiance, pores, dryness, transparency, density, keratin, skin barrier, rough skin texture, and skin uniformity. It provides radiant anti-aging by making the skin surface transparent and the inner skin dense, offering contrast radiance even in dark environments.

1) Bio Herb AI: A technology that analyzes traditional oriental beauty formulas found in over 500 ancient texts using AI, predicting and selecting the efficacy of herbal ingredients based on a global bio paper database

Lipcerin

Lipcerin is a functional product specifically designed to care for aging lips, representing the third generation of lip care following lip balms and lip masks. Lips are particularly susceptible to external stimuli, making them prone to noticeable aging and requiring specialized care. Understanding the unique aging characteristics of lips is crucial. LG H&H analyzed the lip image data of 1,000 Korean women, identifying key aging features such as changes in lip shape, surface wrinkles, and lip tone. These research findings were incorporated into Lipcerin. Lipcerin addresses five major lip aging concerns—wrinkles, keratin, radiance, elasticity, and moisture—using the LG Lipcerin Penta Turnover Recovery ComplexTM formula. The product also features an Air-fit container developed by LG H&H, enhancing usability compared to traditional lip balms and masks. Products under the Lipcerin line have been launched across 13 brands, including belif, CNP, The History of Whoo, O HUI, and Glint.

Fiji DNAzyme Laundry Detergent

Musty smells, yellow stains, and dull clothes are often caused by human-origin contaminants that remain embedded in the fabric even after washing. To address these laundry concerns and provide a satisfying washing experience, we launched Fiji DNAzyme Deep Clean Laundry Detergent. This detergent effectively removes stubborn yellow stains and persistent odors that are hard to eliminate with regular washing. DNAzyme is an innovative enzyme that breaks down DNA components such as sweat, sebum, and keratin, helping to remove the bacterial film containing these DNA contaminants. Fiji DNAzyme Deep Clean Laundry Detergent uses this enzyme technology to effectively break down invisible human-origin contaminants. External accredited testing institutions have confirmed that its ability to remove these contaminants is more than three times superior to that of conventional detergents, with a 99% odor removal rate after washing.

1) Katri Testing & Research Institute

Non-Peroxide Phosphate Whitening Toothpaste

Traditional whitening toothpastes contain hydrogen peroxide as an active ingredient, but its use is limited to 0.75%, making it difficult for customers to perceive significant whitening effects. To address this issue, we launched a non-peroxide whitening toothpaste with hexametaphosphate (SHMP) as the active ingredient. SHMP binds strongly with calcium in the teeth, removing the sticky stained pellicle on the tooth surface. Even after brushing, SHMP remains on the tooth enamel, forming a 24-hour stain protection barrier. This helps maintain the whitening effect, even after consuming stain-causing substances like coffee, wine, or tea. Within just two weeks of brushing, users can experience a noticeable improvement of 1.9 shades on the Vita Shade Guide's 16-scale. Based on clinical results[1], we obtained approval from the Korean Ministry of Food and Drug Safety for SHMP as a new whitening agent, the first of its kind in Korea. Major brands like Cliden, Euthymol, and Bamboo Salt have released products featuring this innovative ingredient. For customers concerned about potential damage to teeth or gums from whitening toothpaste, our formulation also improves the hardness of damaged teeth by two times and inhibits P. gingivalis, a bacterium that causes periodontitis, thereby enhancing overall oral health. In 2024, we plan to expand the launch of our non-peroxide phosphate whitening toothpaste to markets in the US, China, and Japan.

1) Completed clinical evaluation of sodium metaphosphate whitening toothpaste by the Korea Association for Oral Health

Dr. Groot Density Care Shampoo and Treatment

Identifying that customers with hair loss often struggle with thin and weak hair, we launched Dr. Groot Density Care Shampoo and Treatment to address these concerns. LG H&H focused on the internal hair density, recognizing it as a primary issue for individuals in their 40s and 50s experiencing thinning and weakening hair. As hair ages and gets damaged, the internal proteins and external lipids are depleted, accelerating the formation of gaps within the hair and reducing its density and strength. Dr. Groot Density Care Shampoo and Treatment improve internal hair density and temporarily increase hair thickness by using amino acid and low-molecular protein filling technology combined with oil polymer coating technology. This enhances hair elasticity and tensile strength. By improving hair density, we provide a styling function in addition to nourishing the hair roots, thus differentiating our technology. This innovation not only strengthens fine hair but also meets the needs of global customers, leading to plans for expanded sales in the Chinese and US markets.

Bifium B-3 Diet

Bifidobacteria are the most prevalent beneficial bacteria in the gut. Among them, Bifidobacterium breve B-3, a human-derived bifidobacterium isolated from healthy infants, has been recognized by the Korean Ministry of Food and Drug Safety for its fat reduction functionality, for the first time in the country. Human trials of Bifidobacterium breve B-3 probiotics showed significant reductions in seven key metrics: weight, BMI, waist circumference, hip circumference, total body fat, trunk fat, and android fat.

Bifium B-3 Diet uses 100% plant-based capsules with enteric coating technology to ensure probiotics reach the gut alive. It also addresses the inconvenience of refrigeration required by other probiotic diet products, ensuring stability at room temperature. This product is a convenient, daily capsule that promotes gut health while reducing body fat, making it an easy-to-consume health supplement.

1) - In a study involving 83 Korean adults (BMI 25 to 30), participants consumed Bifidobacterium breve B-3 probiotics (5 billion CFU/day) for 12 weeks
- Source: A randomized, double-blind, placebo-controlled human study evaluating the efficacy and safety of Bifidobacterium breve B-3 for reducing body fat in overweight or obese adults. Results may vary for individuals

Conscious Beauty Brand: Ugly Lovely

With sustainable consumption spreading, especially among the MZ generation, the beauty industry is seeing conscious beauty emerge as a new trend. While clean beauty avoids chemical ingredients and vegan beauty excludes animal-derived ingredients and animal testing, conscious beauty encompasses the broader concept of environmental sustainability.

Starting from the concept of conscious beauty, Ugly Lovely embraces sustainability as a core brand value, considering the environment in its choice of ingredients, containers, and materials. The brand launched mask packs and mandarin-infused mask sheets using upcycled imperfect crops from local farms, which are otherwise unsellable due to their small size or unattractive appearance despite being perfectly nutritious. These products have obtained vegan certification from the Korea Agency of Vegan Certification and Services and employ a high-grade clean beauty formula. They contain over 90% natural ingredients based on the ISO16128 international standard1), exclude 10 chemical substances, and have undergone skin irritation tests on sensitive skin. Additionally, the three mask pack varieties use FSC-certified recycled paper for the outer boxes and removable labels made from recycled materials. The containers and caps are made from chemical recycled polypropylene (PP) derived from 100% pyrolysis oil. For the sheet masks, the brand utilizes sheets coated with upcycled sugarcane powder, which have passed vegan certification and biodegradability tests. The pouches contain 48% recycled plastic. Ugly Lovely plans to continue identifying and utilizing more imperfect crops, researching their skin benefits and expanding its product line to deliver the sustainable values of conscious beauty to customers.

1) Based on different standards than those of the Korea Ministry of Food and Drug Safety

Ugly Lovely

Expanding Digital Marketing

Creating Model Images Using Generative AI

Creating Model Images Using Generative AI

LG H&H creates generative AI model images reflecting brand-specific personas to offer personalized experiences to customers. These AI-generated model images, tailored to each brand's target audience, help clearly convey product characteristics and usage while providing new experiences through diverse character images, which have been well received. We plan to further develop AI models tailored to specific products, situations, and customer segments to deliver more segmented and differentiated customer experiences.

Advertisement Created Using Generative AI

Advertisement Created Using Generative AI

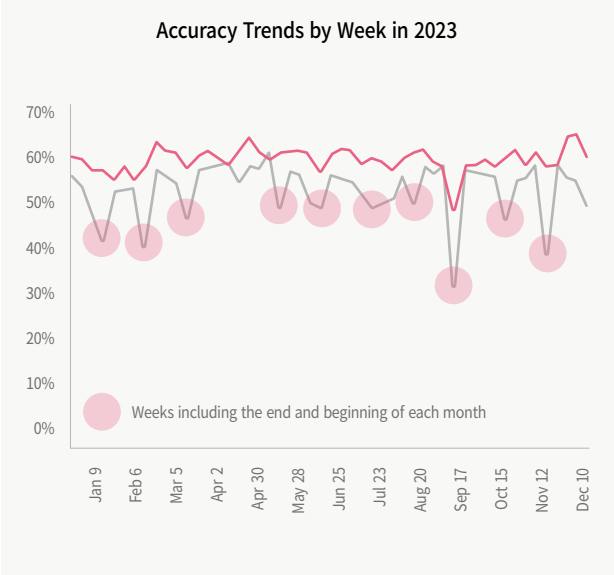
LG H&H is leveraging generative AI to create advertising content, achieving cost savings and environmental protection. By applying generative AI, we save time and costs in producing advertising content and reduce the environmental impact by minimizing the disposal of single-use props or formulations. Additionally, this approach prevents the need for unavoidable animal shoots in animal-related content, thereby minimizing unethical filming. We have seen the benefits of using generative AI in the product packaging and SNS content for the Beyond Thanks Edition, which is certified against animal testing and vegan. Moving forward, we plan to expand the use of generative AI for content creation instead of actual shooting.

Skin MBTI Diagnosis Service 'Skin Tester'

Skin MBTI Diagnosis Service - Skin Tester

With more than half of Gen Z purchasing products online and via mobile, the importance of customer online purchase experiences has significantly increased. LG H&H recognized this trend and, in 2023, launched the online diagnostic service 'Skin Tester' in conjunction with Belif Mall. This service scientifically diagnoses skin types, similar to the MBTI personality test. It provides customized interpretations based on skin characteristics and recommends lifestyle habits, ingredients, and products tailored to the skin type, offering customers a new and satisfying experience. Through this service, we achieved increased customer engagement and conversion rates. Additionally, the accumulated customer data has been utilized for online marketing purposes. By providing customized skincare products, we also anticipate a reduction in waste. In 2024, we plan to further enhance the Skin Tester service by recommending products based on skin MBTI types and customer behavior data.

Advancement of Demand Forecasting System



Demand Forecasting System by Distribution Channel and Product

In 2022, LG H&H developed and has been operating a demand forecasting system by distribution channel and product to achieve industry-leading supply chain competitiveness through digital supply chain management. By using this system, we determine production volumes and manage inventory based on data and AI, resulting in reduced inventory costs and decreased environmental impact. The automation of forecasting tasks also creates an environment where employees can focus on core tasks. Moving forward, we plan to enhance the system by integrating multiple algorithms based on structured data, such as reference and performance information, and unstructured data, such as search volume.

Cyber Security

Cybersecurity

LG H&H continuously enhances cybersecurity at an enterprise risk management level to protect customer personal information and the company's information assets. We have established a global-standard information security system and manage company-wide security risks through a dedicated team. To prepare for various security incidents, we have advanced our information leakage monitoring system and established a disaster recovery process. Additionally, we rigorously manage and supervise all organizations handling personal information, including headquarters, outsourcing companies, direct stores, franchises, and dealerships. We also conduct regular security training.

Objectives

- Enhance activities to raise awareness of information security to prevent security incidents.
- Upgrade the vulnerability management process and system to prevent intrusion incidents (hacking and malware).
- Strengthen activities to ensure compliance with personal information regulations (expand on-site inspections of subcontractors, online business inspections).
- Expand and enhance information leakage monitoring scenarios.
- Maintain ISMS (Information Security Management System) certification.

Key Achievements

Number of employees who completed information security training

7,557 (including subsidiaries)

Number of sales field employees who completed information security training

20,058 (stores, BPs, door-to-door)

Sustainable Management

Cyber Security

Personal Information Management System

LG H&H manages a wide range of Personal customer information due to the nature of its business. Recognizing the leakage of personal information as a significant legal risk, we include personal information protection in our enterprise-wide integrated risk management system and carry out constant monitoring and preventive activities. The Chief Privacy Officer (CPO) oversees related tasks to ensure the systematic and secure management of important information assets, including personal information.

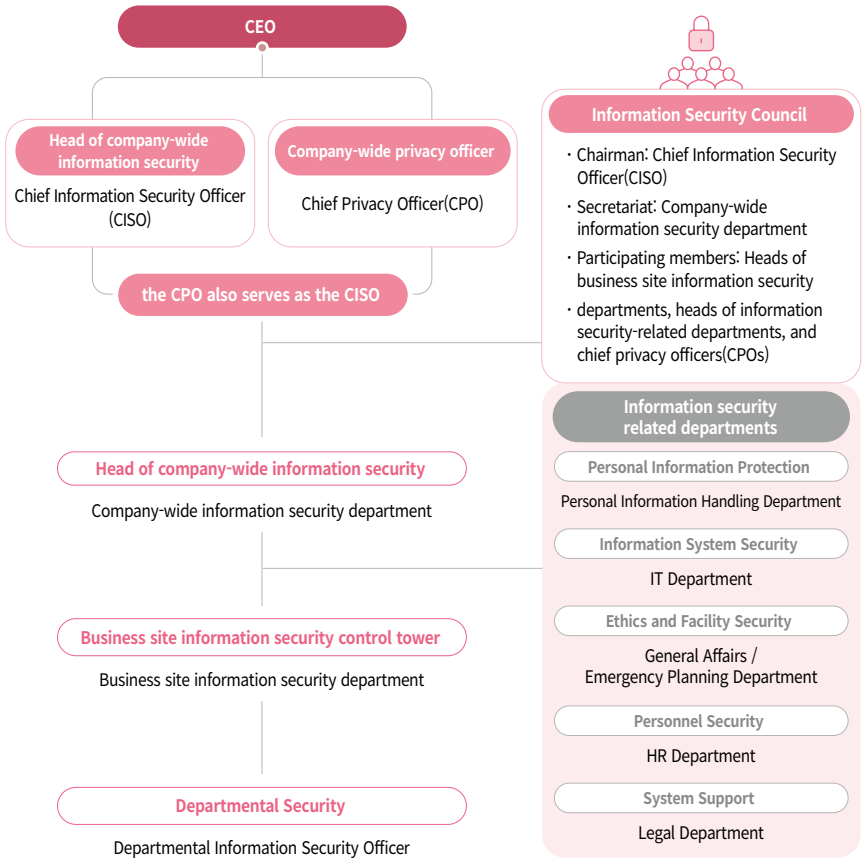
The Information Security Center, the dedicated department for enterprise information security, supports and supervises business departments and suppliers handling personal information. We have established comprehensive privacy protection regulations to systematically manage personal information (including personal video information) handled by LG H&H and its subsidiaries to prevent loss, theft, leakage, alteration, damage, or misuse. These regulations apply to all internal members, suppliers, and external personnel handling personal information.

Additionally, the Information Security Department conducts internal audits at least once a year to verify compliance with internal management plans. Violations of privacy protection policies or guidelines may result in disciplinary action according to company rules, and in severe cases, the company or the responsible individual may be reported to the authorities. If the company's assets are damaged or its image is harmed, the responsible party may be held liable for all civil and criminal consequences.

Privacy and Information Security Organization

LG H&H systematically protects and manages information by appointing a Chief Information Security Officer (CISO) who also serves as the Chief Privacy Officer (CPO). This dual role leads the enterprise information security department and chairs the Information Security Committee, comprising heads of related departments. The committee oversees major information protection matters within the company. The information security department actively monitors to prevent information leaks and provides ongoing education to enhance employees' security awareness.

Privacy and Information Security Organization



* CISO (Head of the Information Security Center) and CPO (Head of Domestic Legal Affairs) were separate roles but, effective December 1, 2023, the CISO (Head of the Information Security Center) also serves as the CPO

Strengthening Privacy Protection Activities

As reliance on digital information increases, the importance and necessity of privacy protection also grow. LG H&H focuses on preventing privacy breaches and complying with regulations by strengthening privacy protection management for headquarters, subcontractors, direct stores, franchise stores, agents, and overseas subsidiaries. We implement and operate security solutions to prevent data breaches and conduct regular security checks on subcontractors and stores through visits or written assessments. We also stay updated on domestic and international laws, policies, and trends related to privacy protection, such as the Personal Information Protection Act, Information and Communications Network Act, and overseas privacy laws. These updates are promptly integrated into our work processes upon any legal amendments. To prevent accidental information leaks or a lack of cybersecurity awareness among employees, we conduct various information security training sessions. This includes an annual simulated email malware drill. Our information security training covers privacy protection, types of information security incidents, and practical security measures, helping employees stay informed about security trends and issues, and enhancing their security awareness.

Privacy Protection Management Status

Category	Management Areas	Management Measures	2023 Achievements
Headquarters/ Subcontractors	· Operating management systems - Risk management	· Operating information protection management systems - Conducting risk assessments and preparing countermeasures	- Passing the renewal audit for the Information Security Management System (ISMS) and renewing certification
	· Preventing breaches - Internal leaks - Hacking/malware	· Implementing and operating security solutions to prevent breaches - Preventing internal leaks, hacking, and malware - Protecting IT infrastructure and integrated monitoring of information leaks	- Improving 7 systems, including establishing a CVE vulnerability inspection system - Conducting mock hacking and vulnerability assessments on websites, shopping malls, sales systems, and internal systems - Conducting security checks on AWS cloud
Direct Stores	· Regulatory compliance - Personal Information Protection Act - Information and Communications Network Act - Overseas privacy laws	· Conducting security checks on subcontractors and sales sites (direct stores, franchise stores, agents) - Annual security checks on subcontractors, enhanced security checks on sales sites	- Inspecting privacy management status of 58 subcontractors - Inspecting privacy management status of 15 mart stores and distributing store security guides
Franchise Stores/Agents /Overseas Subsidiaries		· Complying with privacy-related laws - Implementing administrative/technical protective measures for the privacy lifecycle (collection > use > storage > provision > disposal) - Adhering to privacy protection guidelines for overseas subsidiaries	- Conducting annual email malware simulation training for Korean and Chinese subsidiaries - Distributing privacy protection work guides

Enhancement of Information Leakage Monitoring System

Due to the nature of our business, LG H&H holds a significant amount of sensitive information, including customer data and product formulations. To prevent information leaks, we conduct comprehensive security checks on the IT systems operated by LG H&H and its subsidiaries, ensuring compliance with both security and regulatory standards. Since the implementation of our security review process in 2021, we reviewed 141 cases in 2022 and 170 cases in 2023. By proactively identifying and addressing security vulnerabilities, we successfully prevented any hacking incidents. Additionally, we have enhanced our internal information leakage monitoring system by integrating logs from multiple security systems and developing detailed information leakage scenarios.

We have strengthened the process of explaining suspicious activities related to information leakage, reviewing suspicious actions, and managing potential recurrences to prevent internal security breaches. From 2023 to March 2024, we integrated logs from 26 security services into the Security Information Event Management (SIEM) system, created and operated 65 information leakage scenarios, and managed explanations for 45 suspicious activities. Furthermore, in 2023, we integrated logs from Meraki firewall/VPN equipment across six overseas subsidiaries to monitor abnormal behavior on internal user PCs and external intrusion attempts.

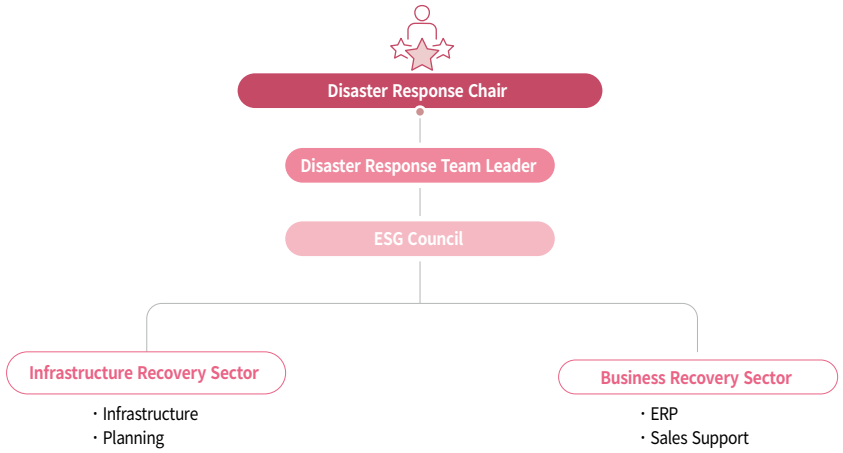
Disaster Recovery Process Operation

LG H&H has documented and implemented a Disaster Recovery Guide to swiftly and accurately restore services in the event of major system compromises or damages caused by hacking incidents, viruses, or malware infections, leading to service interruptions. This guide ensures that our response to such incidents is both prompt and effective, minimizing downtime and maintaining business continuity. The Disaster Recovery Guide includes details on emergency response teams, recovery frameworks, detailed procedures, and simulation drills as part of the overall disaster recovery strategy and system. In the event of a disaster, the emergency response team leads the recovery process according to detailed procedures, covering ERP, corporate websites, membership systems, official shopping malls, work portals, brand sites, and backup management systems.

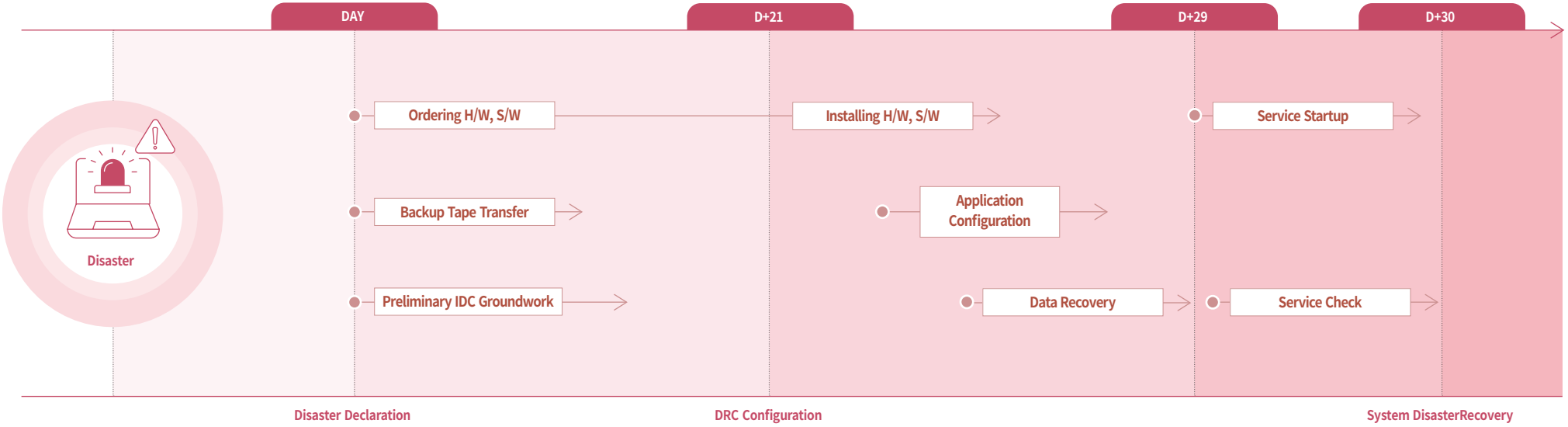
The DX Infrastructure Division, responsible for company-wide server operations, conducts annual mock drills to enhance preparedness and reduce recovery time. The Information Security Center, overseeing company-wide information security, also provides various information security training to prevent disaster incidents. In 2022, efforts included strengthening zombie PC monitoring, establishing a dark web monitoring response process, and implementing security monitoring for overseas subsidiaries* to protect critical information by developing tailored response plans for each type of breach.

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

Disaster Response Organization Chart



Disaster Recovery Steps



Information Leakage Suspicion Management System

LG H&H investigates suspected information leakage by collecting and reviewing explanation materials from the suspect and taking appropriate actions based on the findings. Recognizing the need for a system to manage this process, including departmental verification of results and handling volatile records, we have implemented systematization for explanation management. In 2023, we developed explanation management features within the integrated Security Information Event Management (SIEM) system and improved the process. Systematizing explanation management has enhanced the accuracy of business security risk reviews, enabled the analysis of similar cases, and reduced the likelihood of recurrence. In 2024, we plan to create and distribute an information leakage monitoring guide for department heads and focus on improving scenario validity and detection accuracy.

Strengthening Monitoring of Anomalous Activities in Overseas Subsidiaries

As global business expands, the security risks of data theft through malware and PC infections are increasing. To address these risks, LG H&H has initiated security monitoring activities for the IT environments of its overseas subsidiaries. In 2023, we completed the integration of logs from security equipment (Meraki) operating in six overseas subsidiaries—Hong Kong, Singapore, Taiwan, Malaysia, Thailand, and Vietnam. We analyze the collected logs and create scenarios to detect abnormal PC activities and intrusion attempts. This continuous monitoring of equipment status at overseas subsidiaries is expected to prevent security incidents proactively and reduce business risks.

Inspection of Online Marketing Departments

As online marketing grows significantly, the security risks associated with handling customer information, such as data breaches, also increase. LG H&H has conducted inspections of key departments handling customer information to assess compliance with privacy regulations and identify ways to improve privacy issues. In 2023, we inspected 12 teams involved in online marketing, new distribution channel operations, beverage website management, and customer experience programs. After the inspections, we created and distributed privacy protection guides for operational departments to raise awareness about preventing data leaks and misuse. Moving forward, we plan to extend the system used for collecting personal information during events to the entire company. We will also provide additional privacy protection training for those handling customer information and business managers. Additionally, we aim to expand the scope of management for new online business units, thereby enhancing the privacy protection capabilities of departments handling customer information.

Social Contribution

Social Contribution

LG H&H strives to address social issues, create social value, and fulfill corporate social responsibility. We avoid one-time donations and instead collaborate with specialized organizations to effectively manage social contribution programs focusing on women and youth. Our activities span five key areas: supporting women's independence and happiness, fostering future generations for climate change response, expanding healthy and safe quality of life, promoting cultural arts enjoyment, and community sharing and cooperation. Through these initiatives, we aim to create a healthier and warmer society.

Objectives

- Achieve a cumulative total of 280 beneficiaries for women's job creation and social advancement (-2025).
- Continue value-up through post-management of existing personnel.
- Diversify educational channels for the youth habit improvement program 'Borrowed Earth School' and achieve a cumulative total of 100,400 beneficiaries (-2025).
- Expand the regional scope of the children's health musical 'Twinkle Twinkle Perioe' and achieve a cumulative total of 242,290 beneficiaries (-2025).

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

Key Achievements

Borrowed Earth School cumulative participation **79,614**	Musical participation **4,005**
Metaverse Environmental Training / Climate Environment Activists **715**	Total beneficiaries **515,540**
Social contribution investment amount **28.5** billion KRW[1]	Annual social contribution program operations **18**

1) Direct project: 19.7 billion KRW, indirect project: 8.8 billion KRW

Sustainable Management

Social Contribution

Social Contribution System

LG H&H aims to make customers' lives more beautiful, healthy, and refreshing by implementing diverse and systematic social contribution activities centered on six key areas. Rather than making one-time donations, we collaborate with specialized institutions to develop and implement social contribution programs. These initiatives are primarily aimed at women and youth, who constitute our main customer base.

To support women's independence and happiness, we continuously improve the living conditions of socially vulnerable women with careers and women from disadvantaged backgrounds. This approach not only addresses social issues but also enhances business profitability. Additionally, we are committed to fostering future generations to tackle climate change by supporting various educational and experiential activities for middle, high school, and university students, helping them grow into climate change activists who can transform their communities.

We also expand healthy and safe living by providing children with proper lifestyle education and strengthening support for people with disabilities. Through strategic partnerships with cultural and artistic organizations, we run various campaigns and sponsorships to create a sustainable cultural and arts ecosystem and broaden cultural and artistic reach. Our employees actively participate in donations and volunteer activities, continually seeking ways to grow together with the local community.

Moving forward, LG H&H plans to design and operate social contribution programs that are highly relevant to the nature of our business and capabilities, creating social value that can be shared with stakeholders and bringing positive changes to the local community.

Areas of Social Contribution Activities

Supporting Women's Independence and Happiness	Natural Beauty Creator, Wing of Women with Disabilities, Red Cross Support for Women Victims of Violence
Fostering Future Generations for Climate Change Response	Borrowed Earth School, Teacher Advisory Group, Global Eco-Leader, UN Global Youth Environment Assembly, Borrowed Earth School [Metaverse]
Expanding Healthy and Safe Quality of Life	Twinkle Twinkle Perioe Musical, Consumer Federation of Persons with Disabilities, Let's Laugh, School of Korean Red Cross
Promoting Cultural Arts Enjoyment	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

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 →

- Women's Independence
- Climate Change Response
- Community Sharing
- Spreading culture and arts
- Health and Safety

Supporting Women's Independence and Happiness

Custom Assistive Device Support for Women with Disabilities 'Wing of Women'

Custom Assistive Device Support Project for Women with Disabilities - 'Wing of Women'

In 2023, LG H&H selected 30 women with disabilities, aged 19 to 65, from the Seoul and Gyeonggi regions who are actively involved in social activities or raising children. These women received customized assistive devices valued at approximately 5 million KRW each, along with training on how to use them. The support program was expanded to include hearing-impaired individuals, in addition to those with brain lesions, physical disabilities, and visual impairments. A total of 89 devices were provided, including 'face-to-face communication devices' that convert speech to text and vice versa, 'voice-to-text caption glasses' that display spoken words on a smart glass screen, and various convenience devices that alert users through light or vibration during emergencies or detect a baby's cry. By the end of 2023, a total of 112 women with disabilities had benefited from the program, experiencing positive changes in their social and domestic lives as a result of using the assistive devices.

Business KPI

KPI	Metrics/People
Product preference enhancement - Satisfaction with LG H&H products (or social contribution projects)	Social participation/ productivity increased by 1.7 points
	Self-esteem/self-actualization increased by 1.5 points
	Life independence/self-reliance increased by 1.6 points

Social KPI

KPI	Metrics/ People
Number of women with disabilities supported by the project	30 women
Funding for assistive devices for women with disabilities	180 million KRW
Number of assistive devices provided for women with disabilities	89 devices

Nurturing Natural Beauty Live Creators

Natural Beauty Live Creator 6th Batch Launch Ceremony

LG H&H, in partnership with the Environmental Foundation, has been running a beauty creator development program since 2018. This program targets women with career gaps, job seekers aiming to become content creators or live commerce experts, and other employment-vulnerable groups. In 2024, following document and interview evaluations, 35 participants (32 women, 3 men) were selected to begin the 6th session in January. The program's curriculum is divided into two main sections: basic training and practical training. Education is provided by experts in beauty, environment, video shooting, and editing. It includes personalized mentoring from top industry show hosts and support for planning and creating short-form content. The 2024 program expands its age range from 20s to 70s, supporting not only younger generations but also active seniors.

Business KPI

Business KPI	Metrics/ People
Securing brand expansion experts - Number of participants active as influencers	116 participants
Securing beauty expertise – Number of direct and indirect employment related to education	15 cases

Social KPI

Social KPI	Metrics/ People
Developing beauty live creators	35 participants (Cumulative 152)
Promoting beauty YouTube education and culture - Number of video contents	250 video contents
Enhancing beauty creator capabilities - Education hours	1,820 hours of education

The Double U Campaign

Double U Campaign

Since 2019, LG H&H has partnered with the Korean Red Cross to run the Double U Campaign, aiming to create a safe and warm world free from violence. This campaign focuses on preventing violence and supporting victims, as well as spreading social awareness. It targets vulnerable groups such as children, women, and the elderly who need assistance. The support is divided into “violence victim support” and “youth violence prevention education.” For violence victims, we provide living, medical, and housing support along with counseling and therapy. For youth, we operate the violence prevention education program Let's Laugh, School. This program expanded its reach from teenagers to elementary school students. In 2023, the program educated approximately 42,000 students across 122 schools.

Social KPI

KPI	Metrics/People
Psychological Counseling for Violence Victim Families	28 sessions
Number of supported households for women victims of violence	206 households
Number of schools receiving violence prevention education	122 schools
Number of students receiving violence prevention education	42,786 students

Fostering Future Generations for Climate Change Response

Borrowed Earth School In-School Visits

Borrowed Earth School

Borrowed Earth School is LG H&H's flagship social contribution program, teaching essential life habits that "everyone should know but have never learned" and helping teenagers explore their dreams and careers. It is the first fusion education program in Korea. To spread proper life habits among teenagers, LG H&H partnered with the environmental NGO EcoMom Korea and signed an agreement with the Ministry of Education and regional education offices to activate the free semester system.

Additionally, the metaverse platform Borrowed Earth World was developed and classes were held for middle schools in regions like Seoul, Gyeonggi, and Chungcheong, which had fewer opportunities for offline classes. This platform provided students with an understanding of climate change as a global issue and encouraged them to think about their roles as global citizens.

Business KPI

KPI	Metrics/People
Product experience expansion -Units of products used in social contribution	36,110
Increased product preference -Satisfaction with LG H&H's social contribution projects	4.36/5
Job creation effect Number of social employment (EcoMom 14, EAL 6, professional instructors 8, supporters 7)	35 cases

Social/Environmental KPI

KPI	Metrics/People
Number of participating schools	41 schools
Number of participating teachers	224
Number of participating students	5,656
Number of participants in proper face washing habits	5,101
Number of participants in proper tooth brushing habits	4,839
Number of participants in proper dishwashing and laundry habits	325
Number of participants in hand washing hygiene education for COVID-19 prevention	3,826
Number of participants in career classes (junior marketer and beauty scent)	4,549
Number of participants in environmental protection and water importance education	5,004

Global Eco-Leader YOUTH (Green Value YOUTH)

RE-Blossom team participating in Green Value YOUTH

Since 2011, LG H&H has consistently conducted environmental education, training about 4,600 elementary, middle, and high school eco-leaders and 200 university student mentors. In 2022, the company evolved this education into the Global Eco-Leader YOUTH program, focusing on finding carbon neutrality solutions from the perspective of youth living in the climate crisis era. This was done in collaboration with the environmental NGO EcoMom Korea. In 2024, LG H&H rebranded this initiative as Green Value YOUTH, aiming to leverage the company's unique values to foster environmental thinking among young climate activists and drive change on campuses and in local communities. Through a public contest, over 100 domestic and international youth were selected to implement their climate crisis solution ideas, with activities planned from April to October. This program is significant as it includes participation from students at overseas universities, allowing them to collectively understand and address the global issue of climate change. The selected youth will attend lectures by environmental experts and receive ESG mentoring, enabling them to view environmental issues from a broad and objective perspective. They will also plan and execute activities focused on addressing the climate crisis and achieving carbon neutrality.

Sponsorship of the UN Global Youth Environment Assembly

LG H&H sponsors the UN Global Youth Environment Assembly, the only youth environmental assembly in Korea. This program allows the global future generation to participate in a mock UN assembly, acting as representatives of various countries to propose practical solutions for urban waste and energy issues. In 2023, on February 14th and 15th, over 300 youths from 12 countries gathered to discuss Climate Crisis and Cities through both online and offline sessions. LG H&H aims for continuous sponsorship to help the global future generation not only recognize environmental issues but also develop plans and take action to drive change.

2023 UN Global Youth Environment Assembly

Business KPI

KPI	Metrics/People
Product experience expansion - Units of products used in social contribution	700 units
Product preference improvement - Satisfaction with LG H&H's social contribution projects	4.7 points
Job creation effect, number of social employment positions	30 people

Social/Environmental KPI

KPI	Metrics/People
Participants in the Global Eco-Leader YOUTH Program	101 people
Total Mentors	8 mentors
Participants in the Beachcombing Campaign with UNEP	160 participants
Number of social publications issued	300 copies

Expanding Healthy and Safe Quality of Life

Twinkle Twinkle Perio

Twinkle Twinkle Perioe Musical

Since 2004, LG H&H has operated the Perioe Kids School oral health education campaign for children for about 13 years. This campaign has now evolved into Twinkle Twinkle Perio, a children's health musical that promotes healthy hygiene habits. Targeting children aged 3 to 8, Twinkle Twinkle Perioe is the industry's first children's health musical. It tells the story of the main character, Bom, who dislikes brushing teeth. Bom learns the importance of healthy habits by experiencing festivals worldwide and meeting Rio, the health fairy, who sings the Perioe Brushing Song and the Perioe Hand Washing Song. Starting in 2023, the performance audience has expanded to include lower elementary school grades (1st to 3rd grade) and special school performances for children with disabilities.

Business KPI

KPI	Metrics/People
Product experience expansion - Units of products used in social contribution	4,342 units
Survey on educational effectiveness	Brushing improvement: 81% / Hand washing improvement: 82.3%
Creation of brand and product promotion opportunities – Musical plans for 1 to 3 years	Approximately 100 performances / 10,000 children (over 3 years)

Social/Environmental KPI

KPI	Metrics/People
Number of Institutions Participating in Oral/Hand Washing Education	102 institutions
Number of Children Recognizing the Necessity of Oral /Hand Washing	4,005 children
Number of Oral Hygiene Storybooks Produced and Distributed	4,800 books
Number of Children in Culturally Disadvantaged Areas Participating in Cultural Arts	1,720 children

Distribution of Braille Stickers for the Visually Impaired

Since 2019, LG H&H has been producing and distributing Braille stickers for household goods in collaboration with the Korea Disabled Consumers Union and the Community Chest of Korea. This initiative supports the safe consumption of visually impaired individuals by addressing the challenge they face in distinguishing the function and purpose of products with similar container shapes. The Braille stickers can be attached to various household items. Additionally, LG H&H has improved information accessibility for visually impaired consumers by actively incorporating their feedback and distributing antibacterial Braille stickers for children's products, sunscreen, and hair products.

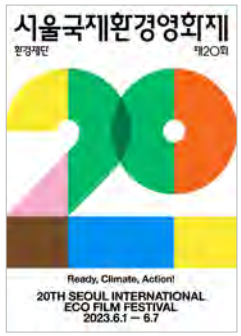
Social KPI

KPI	Metrics/People
Number of visually impaired individuals receiving braille stickers	10,000 individuals
Sets of stickers and instruction booklets produced	10,000 sets
Number of products with braille stickers applied	25 types of products with a total of 91 stickers

Promoting Cultural Arts Enjoyment

Sponsorship of the Seoul International Eco Film Festival

LG H&H officially sponsors the Seoul International Eco Film Festival, Asia's largest international environmental film festival hosted by the K-Green Foundation. Seoul International Eco Film Festival, one of the world's top three environmental film festivals, raises awareness about the climate crisis and the importance of a sustainable future through a variety of climate-themed films. The 20th Seoul International Eco Film Festival, held from June 1 to 7, 2023, featured 87 environmental films selected from 2,833 submissions from 126 countries.



Poster for the 20th Seoul International Eco Film Festival, 2023

Social/Environmental KPI

KPI	Metrics/People
Participating countries/entries	126 countries / 2,833 entries
General audience (digital and theater audiences)	32,039 people
Broadcast and cable TV viewers	500,000 viewers
Educational institutions (offices of education) screening audiences	245,137 viewers

Royal Culture Campaign

LG H&H's royal cosmetics brand, The History of Whoo, has been promoting various royal culture campaigns and sponsorship projects in partnership with the Cultural Heritage Administration since 2015. These efforts aim to spread the beauty of Korea's heritage, including palaces and the elegance of royal women. Each year, distinctive campaigns are held at major palaces to introduce Korea's unique royal culture and the lives of royal women. In 2023, LG H&H hosted the Queen's Gift campaign at Changdeokgung Palace in collaboration with the Cultural Heritage Administration. Queen's Gift was an event where participants experienced royal tea and snacks at the palace's medicine room, symbolizing the queen's heartfelt gifts of medicinal herbs and food to her family outside the palace. The event also featured an exhibition of traditional craft items, allowing visitors to enjoy Korea's beautiful royal art and experience the heritage of Whoo.

The History of Whoo Royal Culture Campaign: Queen's Gift

Donation **100** million KRW

Community Sharing and Cooperation

Support for Vulnerable Elderly

Since 2005, LG H&H has collaborated with Beautiful Store to consistently donate goods to vulnerable communities. In 2023, over 130,000 essential items were donated, and two special sales events were held at all Beautiful Store locations in Seoul (30 stores). The proceeds supported vulnerable individuals working in poor labor conditions. Additionally, in partnership with the Comprehensive Support Center for the Elderly Living Alone, LG H&H provided daily necessities to seniors in Gyeonggi, Gyeongnam, Jeonbuk, Daegu, and Gwangju regions, sharing warmth and care.

Support for isolated and marginalized elderly

Collaborating with Beautiful Store and the Comprehensive Support Center for the Elderly Living Alone, and more

1.2 billion KRW
34,050 beneficiaries

Support for Vulnerable Groups in Care Gaps

LG H&H consistently supports vulnerable groups in various communities who fall into care gaps. In 2023, in partnership with the organization People Sharing Hope, LG H&H conducted the Hope Box donation project, distributing a total of 6,451 boxes to veterans and their families who sacrificed for the country. Additionally, for elderly individuals in rural areas with limited access to medical care, LG H&H provided medical services and distributed over 3,000 sets of daily necessities.

Hope Box support event for veterans

Corporate Governance

Governance

LG H&H aims to earn the trust and support of stakeholders by practicing responsible management through a board-centered advanced governance structure. The board operates on principles of independence, expertise, and diversity. Under the board, there are committees such as the Audit Committee, Internal Transactions Committee, Independent Director Nomination Committee, and ESG Committee to enhance transparency and efficiency in management activities. To ensure transparent and independent board operations, we continuously improve governance-related systems and institutions, thereby enhancing corporate and shareholder value.

Sustainable Management

Corporate Management

Board of Directors Status

LG H&H transparently appoints all board members through shareholder meetings in accordance with domestic laws, articles of association, and internal regulations. The board is managed independently and reasonably to ensure checks and balances. The board consists of seven members: two inside directors, one other non-executive director, and four independent directors, with the majority being independent directors. To maintain transparency and independence, the roles of CEO and board chair are separated. Independent directors provide professional opinions during major decision-making processes, evaluate the company's performance, and contribute to long-term corporate value enhancement. The board meets regularly according to an annual plan and holds extraordinary meetings for urgent matters. In 2023, the board held seven meetings, with an independent director attendance rate of 92.9%.

Independence, Expertise, and Diversity of the Board

LG H&H ensures independence, expertise, and diversity when selecting board members, without discrimination based on gender, race, nationality, region, education, age, or religion. Directors are chosen based on their experience and expertise. To prevent conflicts of interest, directors with an interest in a specific agenda item are restricted from voting on that item according to the Commercial Act and board regulations. Additionally, outside directors are allowed to hold positions in only one other company that does not compete with LG H&H. All board members meet the legal requirements set by the Commercial Act and relevant laws. The qualifications, selection background, and independence criteria of directors are transparently disclosed. The board comprises experts in various fields essential to company operations, such as marketing, accounting, and law, ensuring a high level of expertise. In 2023, the board's expertise was further strengthened by appointing a new outside director, Jaehwan Kim, an expert in corporate strategy with a focus on marketing modeling and analytics.

Board of Directors Composition and Board Skill Matrix

Category	Name	Role	Expertise	Key Experience	First Appointment	Age	Gender	Industry	Management	Finance/ Accounting	Legal	ESG	Leadership	Independence
Inside Director	Jung Ae Lee	CEO, ESG Committee Member	Corporate Management	CEO of LG H&H	2023	1963 (61)	Female	●	●			●	●	
	Hong Ki Kim	Director, Internal Transactions Committee	Finance and Accounting	CEO of LG H&H	2024	1971 (53)	Male	●	●	●			●	
Non-Executive Director	Bumjong Ha	Director, Independent Director Nomination Committee Member	Finance and Accounting	Head of LG Corp's Management Support Division and CFO	2019	1968 (56)	Male	●	●	●			●	
Independent Director	Tahee Lee	Director, Audit Committee Chair, Internal Transactions Committee Member, ESG Committee Member	Capital Markets and Accounting (Professor)	Professor at Kookmin University Business School, Editorial Board Member of Korean Institute of Certified Public Accountants	2019	1963 (61)	Male		●	●		●	●	●
	Sanghoon Kim	Director, ESG Committee Chair, Audit Committee Member, Internal Transactions Committee Member	High-Tech Marketing, Cosmetics Marketing Management (Professor)	Co-President of the 21st Korean Society of Consumer Studies, Professor at Seoul National University Business School	2019	1966 (58)	Male	●	●			●	●	●
	Wooyoung Lee	Director, Internal Transactions Committee Chair, Audit Committee Member, ESG Committee Member, Independent Director Nomination Committee Member	Public Law and Anglo-American Law (Professor)	Professor at Seoul National University Law School, Member of the Central Land Expropriation Committee of the Ministry of Land, Infrastructure and Transport, Member of the Administrative Appeals Commission of the Seoul High Prosecutors' Office	2022	1971 (53)	Female				●	●	●	●
사외이사	Jaehwan Kim	Director, Independent Director Nomination Committee Member, Audit Committee Member, ESG Committee Member	Marketing Modeling/ Analytics, Database Marketing (Professor)	Professor at Korea University Business School, Vice President of the Korean Marketing Association	2023	1967 (57)	Male	●	●			●	●	●

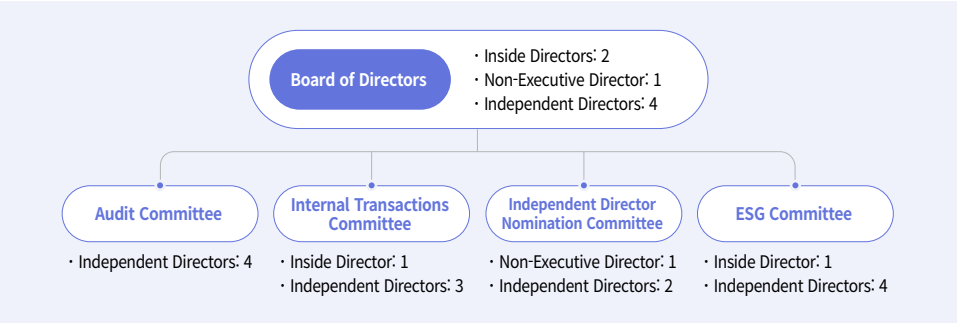
Independence of Independent Directors

Board Independence Requirements	Tahee Lee	Sanghoon Kim	Wooyoung Lee	Jaehwan Kim
Independent directors must not have been employed as executives below the CEO level within the past five years.	●	●	●	●
Independent directors and their families must not have received any form of payment exceeding $60,000 from the company, parent company, or subsidiaries within the past three years.	●	●	●	●
Independent directors and their families must not have held executive positions in the company, parent company, or subsidiaries within the past three years.	●	●	●	●
Independent directors must not be advisors, consultants, or senior management advisors to the company and must not have any affiliation with the company.	●	●	●	●
Independent directors must not have any affiliation with major customers or suppliers of the company.	●	●	●	●
Independent directors must not engage in personal transactions or service contracts with the company or its senior management.	●	●	●	●
Independent directors must not have any affiliation with non-profit organizations (NGOs) that receive significant donations from the company.	●	●	●	●
Independent directors must not have worked as partners or employees of the company's audit firm in the past three years.	●	●	●	●
Independent directors must meet other independence requirements set by the board and must not have any conflicts of interest with the company.	●	●	●	●

Committees Under the Board of Directors

LG H&H operates several committees under its board of directors: the Audit Committee, the Independent Director Nomination Committee, the Internal Transaction Committee, and the ESG Committee. All committees are chaired by independent directors to ensure independence. The Audit Committee supervises the work of directors and management, performing audit tasks as specified in the articles of incorporation and internal regulations. The Independent Director Nomination Committee recommends candidates for independent director positions based on a fair and transparent process, with the final selection made at the shareholders' meeting. The Internal Transaction Committee monitors and controls internal transactions for unfair support based on relevant laws. The ESG Committee is responsible for establishing and reviewing long-term ESG strategies and related policies.

Structure of Committees Under the Board



Committee Meetings Under the Board

(As of December 31, 2023)

Category	No. of Meetings Held	Attendance Rate	Key Resolutions in 2023
Board of Directors	7	91.83%	· Report on 2022 business performance · Approval of the 2024 business plan · Approval of the appointment of the compliance officer · Approval of safety and health plan · Report on delegation of responsibilities under the Serious Accidents Punishment Act · Report on Compliance Key Risk selection results
Audit Committee	5	95%	· Report on the evaluation results of the effectiveness of the internal accounting management system for separate and consolidated financial statements · Approval of key internal audit matters and plans · Evaluation of external auditor for 2022 · Approval of the operational status evaluation of the internal accounting management system for 2022 · Approval of proposals and documents submitted to the general shareholders' meeting
Independent Director Nomination Committee	1	100%	· Approval of recommendation for new independent director candidates
Internal Transaction Committee	2	100%	· Approval of the total transaction limit with related parties · Approval of transactions with affiliates and large-scale internal transactions
ESG Committee	2	100%	· Carbon neutrality activities and environmental safety and health system establishment and plans · Operation of the ESG Awards program for suppliers · 2023 crisis management activities and future plans · 2023 eco-friendly design strategy and plans · Biodiversity conservation activities and plans

* Internally, a minimum attendance rate of 75% is established for board operations

** A total of 23 board meetings held from 2021 to 2023, with an average attendance rate of 96.27% during this period

Audit Committee

LG H&H has established and operates an Audit Committee based on the Commercial Act and the Financial Investment Services and Capital Markets Act. The committee conducts audits on accounting and major management tasks and evaluates the operation status of the internal accounting management system. Composed of four independent directors with no special relationship with LG H&H, the committee includes at least one accounting expert to ensure independence. The committee can request expert opinions at the company's expense and perform audit tasks such as requesting business reports from the board or investigating the company's assets. Committee members receive no compensation other than their director fees. In 2023, the committee held five meetings with a 95% attendance rate.

* One member is elected separately from other directors by a resolution of the general shareholders' meeting

Internal Transaction Committee

To strengthen internal control over transactions and enhance fairness and transparency in management, LG H&H has an Internal Transaction Committee composed of one inside director and three independent directors. Based on the Commercial Act and the Monopoly Regulation and Fair Trade Act, the committee reviews and approves internal transactions that require board approval with stricter standards than the law mandates. This ensures the fairness and transparency of management activities. In 2023, the committee held two meetings with a 100% attendance rate.

Independent Director Nomination Committee

The Independent Director Nomination Committee ensures independence and fairness by excluding the CEO and inside directors. It consists of one Non-Executive Director and two Independent Directors, with a majority being Independent Directors. We verify that nominees meet the qualifications and requirements as stipulated by relevant laws such as the Commercial Act and the Public Service Ethics Act. The committee meticulously examines any potential conflicts of interest to ensure the independence of Independent Directors. Candidates are recommended based on diversity and expertise in economic, environmental, and social fields without discrimination based on gender, race, nationality, age, region, or education. The Board of Directors then finalizes the candidates, and Independent Directors are appointed transparently through the shareholders' meeting. The election process for each director is conducted annually, with reappointments and individual selections. In 2023, the committee held one meeting with 100% attendance from all directors.

Independent Director Appointment Process

STEP 01	**Independent Directors Nomination Committee** • Searching for Independent Director candidates considering diversity and expertise • Selection of Independent Director Candidates
	∨ Nominating candidates
STEP 02	**Board of Directors** • Final selection of Independent Director candidates
	∨ Submitting proposals
STEP 03	**General Meeting of Shareholders** • Appointment of Independent Director
	∨
STEP 04	**Disclosure** • Disclosure and registration

ESG Committee

To enhance ESG management and achieve long-term sustainable growth, LG H&H established an ESG Committee under the board of directors in 2021. The ESG Committee, composed of the CEO and all independent directors, meets biannually. As the highest decision-making body for sustainable management, the committee acts as the control tower for ESG governance by reviewing and approving basic ESG policies and strategies, mid-to-long-term ESG goals, ESG management activity plans, implementation status, and responses to significant ESG-related risks. In 2023, the ESG Committee held two meetings with a 100% attendance rate.

ESG Committee Operations

Board Committees	**ESG Committee** (twice a year *ad hoc meetings held as needed)
• Establishes company-wide ESG strategies and policies • Monitors ESG improvement activities • Reviews and approves the final ESG report	
∨	
Executive Management	**ESG Council** (quarterly)
• Coodinates companywide coordination and activity plans for ESG issues by departments • Reports major ESG issues	
Secretariat: ESG Team	
∨	
Working Groups	**ESG Working Group**
• Identifys and implements ESG issues	

Criteria for Determining Compensation for Directors and Audit Committee Members

Directors' compensation is paid within the limits approved by the shareholders' meeting. The compensation for Independent Directors and Audit Committee members is executed with the approval of the Board of Directors. Directors' compensation includes a base salary and performance-based incentives. The performance incentives are determined according to the incentive regulations resolved by the Board of Directors. These incentives are based on a comprehensive evaluation of financial indicators such as the company's revenue, operating profit, and operating profit ratio to sales from the previous year, as well as relative indicators including competitiveness within the industry, the proportion of overseas business, and market share. In 2023, the CEO's compensation was 1,408 million KRW. The average compensation for employees, excluding the CEO, was 74 million KRW, resulting in a CEO-to-employee pay ratio of 19:1.

Board Education and Evaluation Surveys

We conduct regular training to help Independent Directors effectively perform their roles in management supervision and advisory, enhancing their expertise. Last year, we held various sessions for the Audit Committee, composed entirely of Independent Directors. These included monthly briefings on domestic and overseas business status, internal accounting control system evaluations, case studies, and updates on our review of social issues and risks. We also organized a site visit to the Cheongju TP plant. For newly appointed directors, we provided training on business status, long-term business strategies, and major products. Additionally, through the Board of Directors and the ESG Committee, we regularly share information with Independent Directors about the company's compliance risk management system and conduct regular legal issue training related to board agendas. We also conduct an annual self-assessment for all board members in the form of a survey covering board composition, roles and responsibilities, operations, and other requests, and all independent directors participate in the survey, which has allowed us to further expand communication within the board.

Executive Performance Compensation

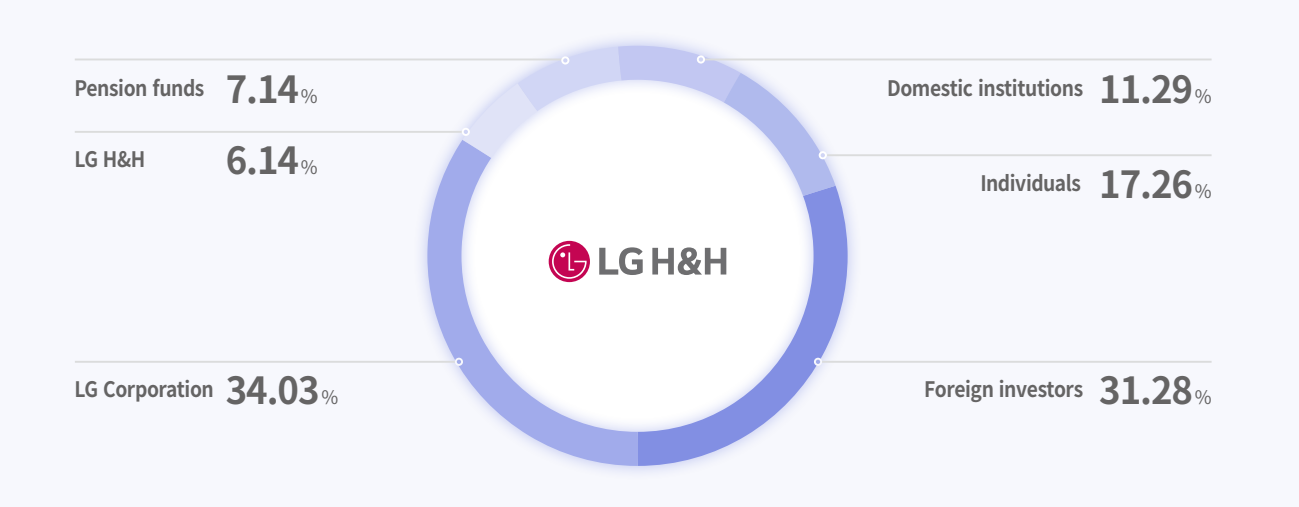
The compensation for all executives, including the CEO, is determined based on management performance and the value of their duties, within the limits approved by the shareholders' meeting. The executive performance evaluation (KPI), which determines performance compensation, includes both quantitative indicators like sales and operating profit and qualitative indicators reflecting the fulfillment of the company's mid-to-long-term expectations. Since 2014, LG H&H has transparently disclosed the remuneration of executives and officers receiving more than 500 million KRW in the business report.

Calculation Criteria and Basis[1)]

- Financial metrics: Financial performance includes sales of 7,185.8 billion KRW and operating profit of 711.1 billion KRW.
- Non-financial metrics: Consideration of the strengthening of the North American business base through the acquisition of new subsidiaries, the launch of products with proprietary technology, and the development of convergent products

1) Based on the 2023 business report

Shareholder Status



Executive Stock Ownership[1)]

Shareholder Category		Shareholder Status		Ownership (%)
		Common Shares	Preferred Shares	
Registered Executives		500	0	0.00%
Inside Director	Jung Ae Lee	500	0	0.00%
	Hong Ki Kim	0	0	0.00%
Non-Executive Director	Beom jong Ha (Chair 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 Lee	0	0	0.00%
	Jae hwan Kim	0	0	0.00%
Non-Registered Executives		330[2)]	300[3)]	0.00%

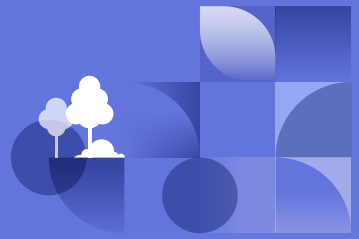
* On March 26, 2024, at the 23rd Annual General Meeting, Myung-seok Lee was newly appointed as an Inside Director, and Bum-jong Ha was reappointed as a Non-Executive Director. No changes in the number of shares owned as of the end of 2023 due to this resolution

1) Based on the 2023 business report

2) Yeon-hee Kang 300 shares, Mi-ae Bae 10 shares, Ju-yeol Ha 20 shares

3) Yeon-hee Choi 300 shares

Crisis & Risk Management



Risk Management

LG H&H has established a comprehensive crisis management system to respond to various threats and prevent incidents that may impact business activities. To systematically manage crises, a dedicated crisis management organization has been established, consisting of an enterprise-wide Crisis Management Committee and 13 specialized subcommittees. Additionally, a crisis management information system and company-wide crisis management policies have been announced, with crisis response manuals established for each business area to ensure effective crisis management. Regular enterprise-wide crisis response drills are conducted to strengthen crisis response capabilities.

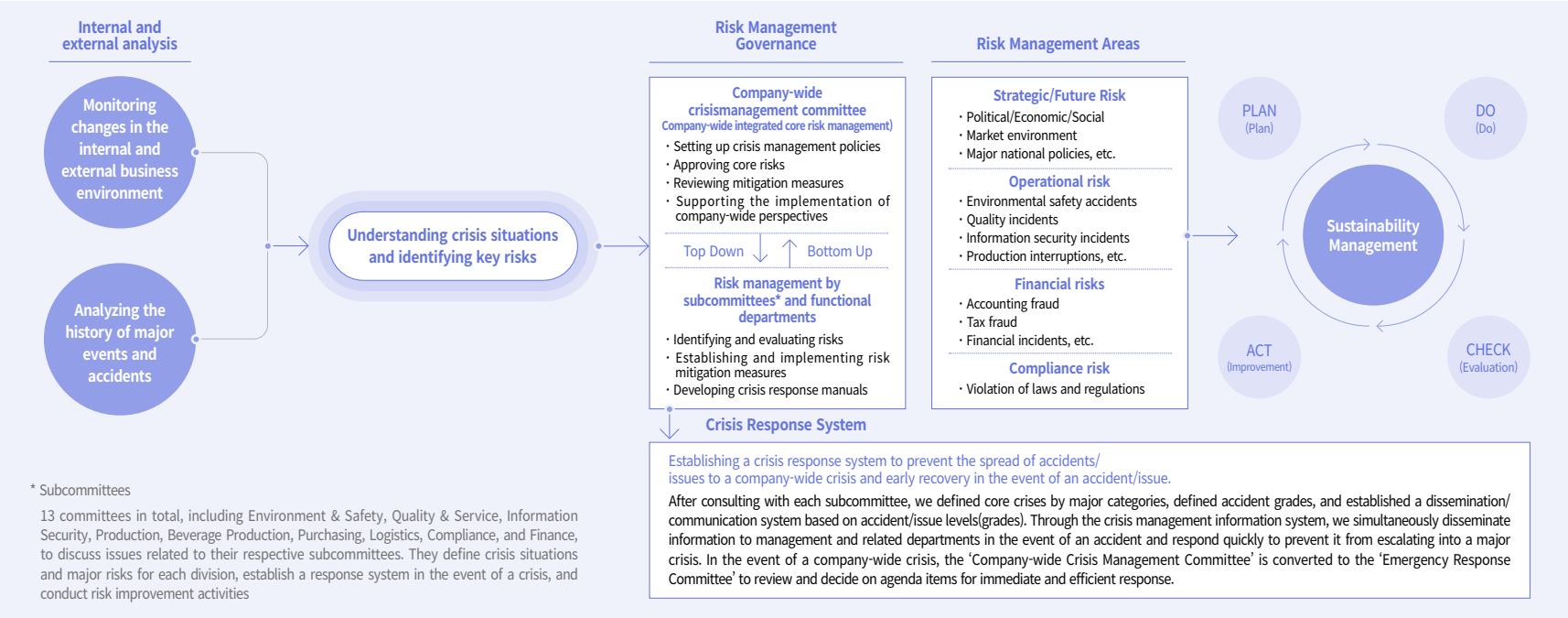
Sustainable Management

Risk Management

Crisis Management Operational System

To enhance crisis response and prevention, LG H&H established a dedicated organization in 2023. The Chief Risk Officer (CRO) oversees the enterprise-wide Crisis Management Committee, which includes subcommittees to systematically manage crises. Along with the establishment of the Crisis Management Committee and subcommittees, company-wide crisis management policies and regulations were announced, and crisis response manuals for each business area were developed. In 2024, a new Quality Research Subcommittee was added to strengthen risk management in the development quality area, expanding the subcommittees from 12 to 13 areas. Each subcommittee identifies risks by analyzing social and geopolitical changes and major incidents, evaluates their impact and frequency, and conducts preventive activities for key risks. The Crisis Management Committee approves the key risks identified by the subcommittees, verifies the effectiveness of risk mitigation measures, and directs and supports additional improvement activities. Additionally, risk reduction activities by subcommittee are evaluated once a year by the Crisis Management Committee, including the CRO, standing committee members, and subcommittee chairs. Excellent subcommittees and outstanding projects are selected and rewarded, establishing an incentive system for risk management. By enhancing the crisis management system and recognizing exceptional risk reduction activities, we aim to detect risks early and reduce their occurrence. This approach also helps prevent and contain crises, thereby strengthening our crisis response and prevention capabilities.

Risk Management System



* Subcommittees

13 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 crisis situations and major risks for each division, establish a response system in the event of a crisis, and conduct risk improvement activities

Establishment of a Crisis Management System

LG H&H recognizes that inadequate responses to crises can threaten a company's survival. To establish a comprehensive crisis management system, we created a dedicated crisis management organization in 2022 and identified ten key tasks related to governance, procedures, and organizational culture. By addressing these tasks, we identified critical business risks from an enterprise-wide perspective and established appropriate response systems, completing the crisis management governance framework. We emphasized the importance of preparing for and managing crises by institutionalizing a Company-wide Crisis Management Policy, which was shared with all employees. Additionally, we developed related regulations and manuals to ensure swift and accurate responses to crises, and conducted various promotional activities to raise awareness of the importance of crisis management. Moving forward, we will continue to maintain and enhance our crisis management system, clarifying responsibilities, authority, and processes to respond to crises more promptly and systematically.

Ten Key Tasks for Establishing a Crisis Management System

Crisis Management Governance

1. Establish an LG H&H crisis management policy
2. Manage company-wide incident/ accident integration and activate suggestions
3. Identify major risks for crisis prevention
4. Operate the Enterprise-wide Crisis Management Committee and Emergency Response Committee
5. Define roles and responsibilities for related crisis management organizations

Crisis Management Processes and Organizational Culture

1. Establish crisis assessment grades and communication (information reporting) systems by category/type
2. Integrate management of incidents and accidents and encourage suggestions
3. Develop company-wide crisis management procedures: regulations, manuals, drills, etc.
4. Implement and monitor risk assessment and mitigation activities from an enterprise-wide perspective
5. Enhance crisis management capabilities and improve organizational culture (Mindset)

Company-Wide Crisis Management Policy

LG H&H recognizes "crisis management" as a "fundamental element of sustainable management" and adheres to the following principles:

① With advancements in information technology and strengthened legal and institutional regulations, situations that were not considered crises in the past may now become crises. It is essential to recognize these potential crises robustly and respond swiftly.

② Acknowledge that crises negatively impact stakeholders such as customers, employees, partners, and the community. Set and actively follow high standards unique to LG H&H, beyond general social norms.

③ Establish a crisis management system from a company-wide perspective to manage risks for crisis prevention and minimize damage when crises occur.

④ Develop simultaneous (parallel) communication systems to respond swiftly to crises. Foster a transparent communication culture regarding risks, incidents, and vulnerable situations.

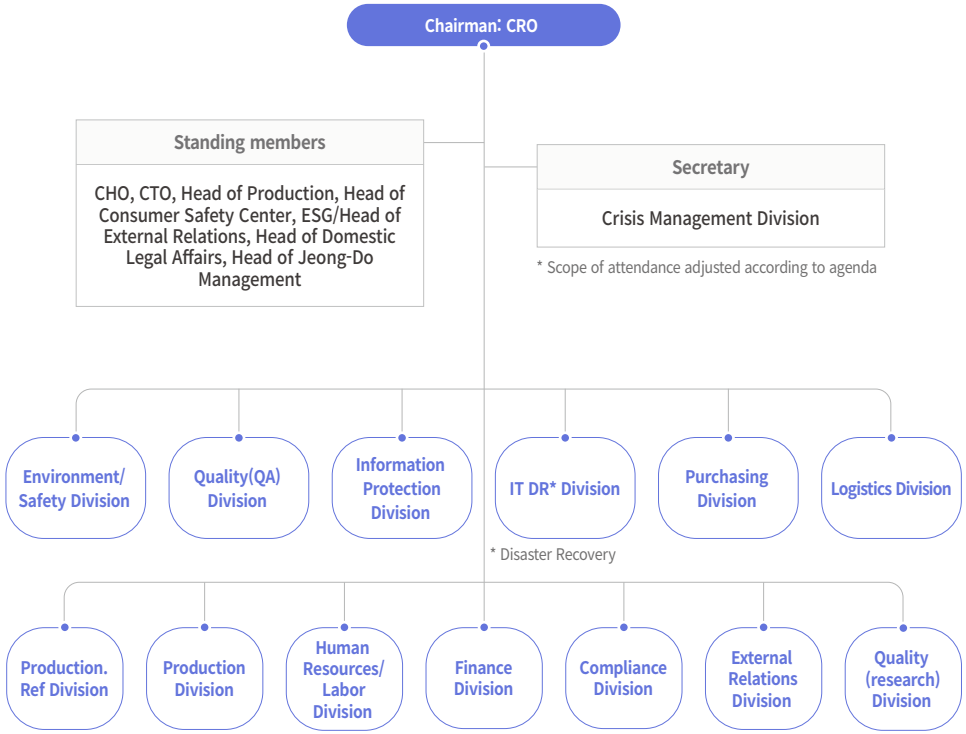
⑤ Engage in continuous efforts to improve crisis management capabilities and resilience.

We declare our commitment to faithfully adhere to and implement this policy.

Operation of Company-Wide Crisis Management and Emergency Response Committees

LG H&H established the Company-Wide Crisis Management Committee in 2023 to enhance crisis response capabilities and strengthen risk prevention activities from an integrated perspective. The committee operates bimonthly, with the CRO as the chairperson and key executives as standing members and subcommittee chairs. As the highest decision-making body within the company for crisis management, the Crisis Management Committee determines company-wide crisis management policies, reviews the crisis response systems of each subcommittee, and discusses and decides on the overall operation of the crisis management system. In 2023, the committee convened six times, prioritizing company-wide response risks, discussing improvement measures for high-risk issues proposed by subcommittees, and conducting site inspections or short-term task operations as needed to analyze and mitigate risks. For crises that could significantly impact business operations, we continuously review response systems. In the event of a major crisis, the committee transitions to the Emergency Response Committee to ensure swift and efficient company-wide response. In 2023, the Emergency Response Committee met three times to jointly address and resolve key risks. Moving forward, both committees will continue to serve as collaborative bodies, leveraging the company's full capabilities to respond to crises effectively.

Company-wide Crisis Management Committee



Risk Management through Subcommittees

LG H&H manages risks by establishing subcommittees for specific areas to prepare for crises in advance and respond quickly and effectively when they occur. In 2023, we operated a total of 12 subcommittees covering areas such as environment and safety, quality and service, information protection, production, purchasing, logistics, compliance, and finance. To further enhance risk management in the product development phase, we added a quality (research) subcommittee in 2024, expanding to a total of 13 subcommittees. Each subcommittee identifies new risks arising from environmental changes, and through regular meetings, manages these risks and develops mitigation plans. The activities of these subcommittees are reported to the Crisis Management Committee for continuous oversight.

Operation of the Crisis Management Information System

To ensure swift communication and response during crises, LG H&H established the Crisis Management Information System (CMIS) and has operated it company-wide since February 2023. This system follows predefined company-wide crisis management standards and procedures, rapidly disseminating information about issues or incidents to relevant departments and members. It also consolidates various response results and data for integrated monitoring. Additionally, the “Dangerous, Speak up” feature allows employees to report risk factors or suggest improvements directly. In 2023, we selected 11 outstanding proposals and awarded them, encouraging continuous employee interest and participation in crisis management. Moving forward, we will actively communicate about suggestions and conduct improvement activities based on this feedback to prevent crises effectively.

Key Features of CMIS

Company-Wide Crisis Response Drills

LG H&H conducted company-wide crisis response drills to enhance our overall crisis response capabilities. Previously, each area conducted individual drills. However, in 2023, we planned and executed company-wide drills. We conducted a comprehensive simulation of a major disaster in the environmental and safety sectors, treating it as a company-wide crisis. The scope of participation was expanded to include members of the Emergency Response Committee, allowing us to evaluate our crisis response system from a holistic perspective. Based on participants' feedback, we plan to enhance the effectiveness of these drills and to boost employees' crisis response proficiency through continuous and repetitive training on major crisis scenarios.

Definition and Management of Key Risks

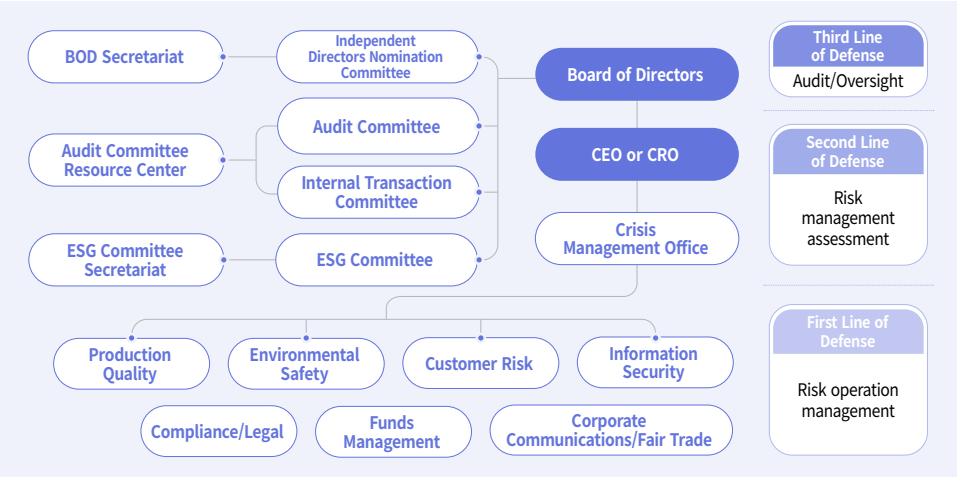
LG H&H integrates dispersed risk management functions across the company and manages both financial and non-financial risks to identify and prevent factors that could affect the achievement of corporate goals. In 2023, we identified 64 company-wide risk tasks through awareness of social and geopolitical environmental changes and analysis of major incidents and accidents. Of these, we completed improvements on 62 tasks, with the remaining tasks set to be completed by 2024. Representative risk reduction projects include the Quality Subcommittee's enhancement of the 4M change management process to mitigate change management risks. The Environmental Safety Subcommittee conducted planned inspections for waste and chemicals to proactively address leakage risks due to inadequate facility maintenance. Additionally, we review risk exposure annually and reassess risks when internal or external incidents occur, identifying new risk mitigation projects or taking corrective actions. Key risk indicators (KRIs) are identified and managed regularly to detect risks in advance. Our risk management process is established and operated according to the group's standard model and is supplemented and improved through group consultations. Internally, the risk management process is supervised through audits such as quality assurance diagnostics, unexpected site inspections, and environmental safety checks. Externally, the Audit Committee, composed of independent directors, audits risks related to accounting, major management tasks, and internal accounting management systems. Furthermore, through the "New Type Risk Assessment System," we evaluate risks from the concept stage of new product development. The evaluation covers six items: regulatory compliance, harmful substances/safety, efficacy, performance, content stability, and packaging quality. This comprehensive assessment determines whether the product will be launched. As such, LG H&H plan to closely monitor and proactively respond to potential risks to ensure they do not negatively impact business operations, thereby strengthening our risk management efforts.

Risk Identification & Management Process

* Identify risk factors, assess frequency/impact for each risk, and select mitigation tasks focused on high-risk areas

LG H&H monitors social, geopolitical, and regulatory changes annually and re-evaluates risk factors through analysis of major incidents. During the risk identification process, we assess the frequency and impact scores to categorize risk levels as High, Medium, or Low. This allows us to evaluate our response level and re-prioritize risk management accordingly.

Company-wide Risk Governance



Non-Financial Risks

Risk Name	Definition and Impact of Risks	Response Status	Related Departments
Climate and Environmental Risks	· Risks arising from natural disasters and changes in weather patterns due to climate change · Risks resulting from policies and regulations · Increased treatment costs due to expanded regulations on the transboundary movement and disposal of hazardous waste (non-recyclable plastics).	· Declare 2050 Carbon Neutrality for climate change response · Continuously monitor applicability of greenhouse gas regulations · Strengthen natural disaster risk management system, including manuals and scenarios · Monitor regulatory trends and forecasts in product sales regions · Continuously monitor domestic and international trends and regulations	· Green Management Part · ESG Team
Human Rights Risks	· Violation of the dignity and value of individuals guaranteed by law or recognized internationally, leading to corporate reputation damage due to workplace harassment, discrimination, etc.	· Identify and address potential human rights risks through human rights impact assessments · Operate Sexual Harassment/Workplace Bullying Counseling Center to remedy workplace harassment and sexual harassment · Conduct workplace harassment and sexual harassment prevention training for all employees	· HR Division · Labor Relations Division · ESG Team
Global Economic and Supply Chain Risks	· Risks arising from rapid political, economic, and social changes · Supply chain management crisis risks due to global regulations (such as the Supply Chain Due Diligence Act)	· Strengthen due diligence monitoring for global trends and overseas supply chain management · Enhance internal communication and minimize unnecessary reporting · Pioneer new markets, develop innovative new products, and conduct marketing activities	· Each Business Unit and Overseas Subsidiaries · Global SCM Center
External Environmental Risks	· Operational disruptions due to unforeseen environmental changes such as epidemics, wars, terrorism, and earthquakes, affecting raw material purchasing and plant closures	· Establish Overseas Subsidiary Crisis Response manual and enterprise-wide crisis management system	· Overseas Subsidiaries · Purchasing/ Logistics Division, etc.
Reputation Risks	· Risks of losing consumer trust due to poor management, social controversies, major lawsuits, and misinformation	· Expand proactive communication through internal and external channels · Establish enterprise-wide crisis management publicity manual and strengthen communication channels with external stakeholders	· PR Division
Safety Risks	· Environmental and safety-related risks that can occur in business operations	· Invest in forklift human detection systems to prevent serious forklift accidents · Conduct inspections to prevent plant fires and safety accidents · Expand integrated health promotion system	· Environmental Safety Division
Quality Risks	· Major risks in quality management, such as harmful substances in products or insufficient active ingredient content · Increased treatment costs due to expanded regulations on the transboundary movement and disposal of hazardous waste (non-recyclable plastics)	· Improve supplier change management processes · Enhancing Quality Issue Management Systems and Strengthening Quality Capabilities	· QA Division · Quality Management Team · Consumer Reassurance Center
Information Protection/IT Risks	· Risks of theft, loss, leakage of personal information handled within the company, hacking of information assets, and infections from viruses and malware affecting key systems	· Continuously monitor domestic and international information protection policies · Create and operate Disaster Recovery Guide manual · Establish centralized document system for research institutes to prevent core information leakage · Expand integrated security management system for subsidiaries	· Information Security Center
Intellectual Property Risks	· Risks from infringements on the company's trademarks and patents	· Protect and preempt patents and trademarks · Monitor misleading and exaggerated advertisements	· Intellectual Property Division
Customer Risks	· Risks in managing domestic and international customer information regulations and protection measures, complaints handling, and compensation policies · Risks of reduced demand and behavioral changes due to customer preference for low-carbon products	· Establish and strengthen integrated management system and monitoring for domestic and international customer claims · Introduce self-service using answer bots and apply AI technology for customer consultations · Enhance eco-friendly corporate image by expanding green product development · Monitor regulatory trends and expand internal control systems	· Consumer Reassurance Center
Regulatory Compliance Risks	· Risks arising from violations of major regulations, including fair trade, privacy protection, product quality, HR and labor, environmental and safety, and intellectual property	· Identify and prepare for key risks · Send compliance newsletters to all employees to ensure legal compliance	· Legal Division · External Cooperation Team

Financial Risks

Risk Name	Risk Definition	Response Status	Related Departments
Accounting Fraud Risk	· Risk of embezzlement or other accounting fraud by internal employees	· Expand consolidated internal accounting management system · Monitor financial statements and ratios of small subsidiaries · Conduct on-site inspections of overseas subsidiaries	· Accounting Division
Liquidity Risk	· Risk of cash management issues due to temporary liquidity shortages · Risk associated with rapid exchange rate fluctuations, interest rate changes, capital risks, credit risks, and tax risks due to market instability and volatility	· Monitor macroeconomic conditions including short-term and long-term foreign currency funding plans · Analyze and review cash outflow budget versus actual cash outflows for long-term management of financial liabilities and assets	· Accounting Division
Tax Risk	· Risk of tax issues arising in business operations	· Strengthen expertise by hiring tax professionals · Establish a process to conduct tax reviews before major decisions	· Tax & Trade Division

Potential Risk

	Increasing Pressure and Demands for Enhanced Biodiversity Conservation Management	Increasing Demands for Strengthened Environmental and Human Rights Management in Supply Chains
Risk Description (Background)	· Global cooperation and regulations for biodiversity conservation are intensifying along with climate change. The formation of biodiversity-related markets, similar to the carbon market, is anticipated. The importance of biodiversity in corporate competition and value assessment is expected to increase, moving beyond past voluntary activities. · The WWF's Living Planet Index (LPI) reports an average 69% decline in wildlife populations observed from 1970 to 2018, representing about 32,000 populations of 5,230 species worldwide. Without continued action, nearly 3 trillion USD in global GDP losses are projected by 2030. · Growing social awareness of biodiversity loss is influencing consumer preferences and purchasing decisions. This necessitates various efforts and investments to provide ecologically valued products and secure market share. · In September 2023, the TNFD recommendations were finalized, with 320 global institutions pledging natural capital disclosures by 2025. South Korea's fifth National Biodiversity Strategy aims to manage 30% of its land as protected areas. Biodiversity disclosure and responsibility are emerging as significant risks that companies must prepare for, following greenhouse gases.	· Canada passed the Forced and Child Labour Act in Supply Chains in 2023, and the EU is set to pass supply chain due diligence guidelines in 2024. This emphasizes sustainability across industrial ecosystems and expands regulations and legislation for environmental and human rights due diligence for companies in supply chains. · With the increase in global raw material purchasing and overseas production and distribution, the scope of management obligations and responsibilities for related companies is expanding. Investor and stakeholder demands for broad Scope 3 involvement are also increasing. · The level of management for companies within the corporate ecosystem can translate into competitive advantage and impact future corporate value differentiation. ESG management cooperation is becoming inevitable, likely leading to increased costs for information sharing and related system development. · As global raw material purchasing and overseas production and distribution sites increase, the scope of human rights and environmental management obligations and responsibilities for related companies is expanding. Investor and stakeholder demand levels for supply chain management are expected to rise.

	Increasing Pressure and Demands for Enhanced Biodiversity Conservation Management	Increasing Demands for Strengthened Environmental and Human Rights Management in Supply Chains
Issues (Business Impact)	• Increased trade barriers expected due to the legislation and participation in initiatives for non-financial information disclosure such as TNFD (Taskforce on Nature-related Financial Disclosures), and the strengthening of global action norms including climate change information disclosure. • Rising demands for corporate interest and response plans due to habitat reduction of biological resources in nearby areas affected by climate change. Need for proactive measures to manage natural capital and mitigate biodiversity risks. • Essential for long-term water resource conservation activities to protect and restore biodiversity, particularly important for our beverage business. • Rising costs for raw materials due to ecosystem destruction and the projected increase in purchasing costs by approximately 2.6 billion KRW by 2030 due to the low-carbon transition costs of plastic manufacturers in the supply chain. • Potential decrease in sales due to consumer preference for low-carbon products, and expected increase in demand for beverage products due to rising average temperatures. Projected annual loss of approximately 54.2 billion KRW if not adequately addressed. • Need for proactive preparation and response to reduce risks, considering the sustainability of the entire supply chain in the long term, despite short-term reliance on processed products. Ongoing reduction in habitat and species richness due to artificial interference and climate change, necessitating strengthened corporate obligations and supply chain management for natural capital.	• Violation of the EU's supply chain due diligence guidelines may result in fines of at least 5% of the global annual sales, posing a real threat to corporate activities. • Broad responsibility for human rights violations and deforestation by suppliers, requiring inspections of suppliers' production environments. Necessity to encourage improvements or change suppliers if they fall short of standards. Ensuring compliance with global standards in the supply chain becomes a critical issue. • Potential cost increases and quality degradation of raw materials and components if forced labor or deforestation is identified and the supply chain is changed. Need to enhance verification and audits of human rights and environmental issues in the supply chain, and establish a system to mitigate supply chain risks through diversification. • Expected increase in costs and administrative burdens during the process of fulfilling due diligence obligations due to the inevitability of cooperation related to ESG management. Need to prepare for administrative, financial sanctions, and civil liability for damages in case of violation. • Our domestic and international supply chain involves approximately 1,000 companies and 40,000 purchasing items. Need for balanced production approaches to diversify the supply chain, overcoming the limitations of the global supply chain with strategies like Just in Time and Just in Case inventory management. • Compliance with high human rights and environmental standards as a critical criterion for selecting suppliers. Proactive response to human rights and environmental issues and quick compliance with due diligence standards can provide new opportunities.
Mitigation Actions	• Raise awareness among top management and stakeholders to establish governance that can actively respond to global biodiversity regulations in investment and decision-making processes. Integrate biodiversity risks into the company's overall risk management process. • Identify species that could be directly or indirectly affected by business operations through biodiversity assessment, protection procedures, and management. Implement risk identification and mitigation activities at each stage of business operations. Expand and improve life cycle assessment (LCA) techniques and environmental management systems across the entire production process and value chain. • Continuously create new business opportunities by improving efficiency, reducing input costs, developing low-impact technologies and products, operating and designing projects to reduce ecological footprints, and providing professional services for crisis assessment and management. Confirm the impact and dependency on biodiversity and ecosystem services. • Established a bee park near Ulsan and Onsan industrial complexes (2023), planting over 1,000 trees and supporting urban beekeeping. Plan to establish a bird park in Ulsan Ochigol Park in 2024, planting 1,400 trees. Integrate biodiversity exploration education for low-income children near business sites, preserving biodiversity and promoting its value to local communities. • Installed 'Otter Playground' in Yeouido Saetgang Park (2022) and 'Otter Shelter' in Jungnangcheon (2023) for the critically endangered otter. Supported the campaign to designate 'Otter Protection Area' in Jungnangcheon (2024). Supported biodiversity expansion and infrastructure development through habitat protection, education, and volunteer activities. • Expanded conservation and restoration activities for native plants. Collected biological resource specimens, extract libraries, and video materials. Developed differentiated efficacy/concept/materials, preserving and developing 11,550m2 of outdoor cultivation, 870m2 of greenhouse, 345 species, and about 47,000 native useful plant resources. Plan to collect and propagate 500 native species by 2028, increase partnerships with national institutions from 4 to 6, and build 200 genetic information to secure biodiversity.	• Implemented an investment and audit system for suppliers to build reliable trust and ensure legal operations. Operated a diagnostic management system to prevent supply chain risks such as declining corporate value and reputation with a sustainable management system. • Design a flexible supply chain to immediately replace issues arising in one area, reducing problem spread. Need to introduce a product redesign capability system to continue production even during raw material shortages. • Provided regular training programs to improve supply chain sustainability. Offered benchmark case studies through an online platform, supported improvement activities through consulting, and provided long-term supply chain management programs. • Evaluated the company's supply chain through partner ESG assessments. Conducted on-site evaluations for partners requiring field inspection and recommended improvements for identified deficiencies. • Established greenhouse gas inventories for 13 suppliers in 2022, 40 in 2023, and 50 in 2024 through partner carbon management consulting. Suggested ways to reduce carbon emissions. Plan to conduct carbon management for about 160 key suppliers by 2025 to expand energy-saving activities within the supply chain. • Introduced the Supplier ESG Awards to measure partner ESG performance and provide incentives, emphasizing the importance of ESG management and promoting its internalization among suppliers. • Expanded RSPO (Roundtable on Sustainable Palm Oil) certification to prevent human rights violations and environmental destruction in raw material purchasing (60.2% in 2023). Mandated RMI (Responsible Mica Initiative) for mica used in color cosmetics, planning to transition to 100% synthetic mica for sustainable supply chain management.

Internal Accounting Management System

LG H&H has operated an internal accounting management system since 2006 to enhance corporate transparency and accounting soundness. This system is designed and implemented based on the Act on External Audit of Stock Companies, the framework for designing and operating internal accounting management systems, evaluation and reporting, and best practices. Annually, we conduct regular evaluations of control activities at the corporate level, including sales, logistics, production, purchasing, fixed assets, financial reporting, funds, taxes, human resources, legal affairs, disclosures, and IT general controls.

Internal Accounting Management System for Domestic and Overseas Subsidiaries

LG H&H continuously improves the internal accounting management systems for domestic and overseas subsidiaries, enhancing the reliability of consolidated financial statements and preventing compliance risks in advance.

Evaluation Results of the Internal Accounting Management System

In 2023, LG H&H conducted evaluations of the internal accounting management system for major domestic and overseas subsidiaries, ensuring that all control activities were performed as designed. The evaluation confirmed no issues. Additionally, external auditor Ernst & Young Han Young expressed an “unqualified” opinion, stating that the company's internal accounting management system was effectively designed and operated as of December 31, 2023, from a materiality perspective.

Tax Policy

Complying with tax laws and fulfilling various tax obligations diligently is a company's social responsibility to the state. LG H&H conducts business domestically and internationally, adhering to the regulations of each country to ensure accurate tax reporting and payment. All tax-related employees operate under the principle of maintaining transparent relationships with tax authorities. We conduct prior reviews of various tax-related matters that may arise during business activities, and significant issues are reviewed and approved by the ESG Committee within the Board of Directors.

Tax Policy

Tax Risk Management

LG H&H employs tax experts to enhance expertise and clearly define the roles and responsibilities of tax-specific personnel, thereby systematically managing tax-related risks. Before making significant business decisions, tax reviews are mandatory. For important matters where tax law interpretations are unclear, we consult with accounting firms or external tax experts to derive the best tax risk mitigation strategies.

Disclosure of Tax Details

LG H&H discloses corporate tax-related information by publishing audit reports on the Financial Supervisory Service's electronic disclosure system (Data Analysis, Retrieval, and Transfer System; DART). In the audit report and its notes, you can find information on the calculation criteria for corporate tax expenses, deferred tax assets and liabilities, components of tax expenses, and effective tax rates.

Utilization of Tax Credit and Deduction Systems

LG H&H actively utilizes various tax credits and deduction systems provided by domestic tax laws to minimize tax burdens within the limits allowed by law and to maximize shareholder value.

Compliance with Overseas Tax Obligations

LG H&H strictly adheres to domestic tax laws and the OECD Transfer Pricing Guidelines when dealing with international transactions and overseas subsidiaries. We implement a rational transfer pricing policy that aligns with the arm's length principle. In cases of disputes between tax authorities of different countries, we proactively use the Advance Pricing Arrangement (APA) to address double taxation issues. Additionally, we comply with documentation and reporting obligations related to transfer pricing under the BEPS (Base Erosion and Profit Shifting) agreement, which aims to prevent tax avoidance by multinational enterprises. We strictly prohibit the use of tax structures that exploit gaps in international tax systems to unfairly reduce tax burdens. We also prohibit the transfer of intangible and financial assets to regions with low effective tax rates and the use of tax jurisdictions with low rates. We do not engage in commercial activities without substance, nor do we use tax havens. We ensure that taxable income is appropriately allocated according to the value created in each country.

Compliance

Compliance

Reflecting the increasing emphasis on compliance management, LG H&H has made compliance a core element of ESG management. We have incorporated compliance review functions within the ESG Committee of the Board of Directors, ensuring thorough compliance management across the company. Additionally, we operate various self-regulatory fair trade compliance programs (CP) to ensure fair transactions across all sectors, from dealings with suppliers, agents, and franchisees to e-commerce and social media. To internalize a culture of compliance management, we provide diverse compliance awareness education to all employees, including internal and external training sessions and the publication of newsletters.

Objectives

- Improve the compliance inspection system by focusing on key risks and conducting written self-inspections of compliance risks (by 2024)
- Enhance employees' compliance awareness by creating and distributing guidelines on major regulations (by 2024)

Key Achievements

Distributed compliance-related newsletters

13 times

Provided compliance-related training to

4,466 employees

Reported to the board on compliance and ESG-related matters a total of

4 times

Sustainable Management

Compliance Management

Compliance System

Compliance Risk Management System

LG H&H strives to practice company-wide compliance management by adhering to all applicable laws, strengthening internal controls, and raising compliance awareness. To prevent employee misconduct and systematically respond to legal risks, we have established and operate a compliance risk management system. Each business sector's responsible department autonomously develops compliance inspection plans and conducts regular inspections to prevent and manage potential compliance risks across the entire business.

Inspection and Enhancement of the Compliance Risk Management System

To address increasingly stringent domestic and international anti-corruption regulations and fulfill the company's social responsibility for legal compliance, LG H&H continuously enhances its compliance risk management system. After identifying all compliance risks in 2023 and selecting key risks, we plan to conduct inspections and self-assessments of these key risks in 2024. Additionally, to further facilitate compliance discussions at the board level, we will report key compliance activity outcomes to the ESG Committee.

Building a Compliance Culture

To raise compliance awareness among employees, LG H&H regularly publishes and distributes the Compliance Newsletter across the company. This newsletter covers compliance-related issues, major legislative changes, and significant case rulings. In 2023, the topics included workplace sexual harassment, the prohibition of using undisclosed important information, the return of short-swing profits, the prohibition of company information leaks when using ChatGPT, recent trends in the Serious Accidents Punishment Act rulings, the implementation of amendments to the Personal Information Protection Act, strengthening regulations on dark patterns, caution against theft of trade secrets through consulting intermediaries, the introduction of the supplier payment linkage system, and the supervision duties of business operators under the Anti-Graft Act. Through this, employees are encouraged to understand and practice compliance independently. Additionally, company-wide compliance education is conducted to enhance legal knowledge and guide proper work practices. This includes training on information security, internal accounting control systems, sexual harassment prevention, and disability awareness in the workplace. These measures aim to prevent unlawful acts by educating employees on relevant laws and regulations.

Fair Trade Compliance Program

LG H&H upholds the principle of "growth through fair competition," firmly believing that growth lacking fairness cannot be sustained. In 2023, we continued to implement our Fair Trade Compliance Program (CP) to establish a fair and just corporate culture. Aligning with the government's legislation and commitment to protecting small and medium enterprises' (SMEs) technology, we developed and operated an electronic system that automatically executes confidentiality agreements when requesting technical data. Additionally, we conducted legal education on agency transactions for practitioners to enhance their awareness of compliance. We maintain equal relationships with business partners by supporting management funds and promotional activities. In the rapidly growing online transaction sector, we regularly check if product information is accurately provided to consumers, ensuring their right to know. Moreover, we comprehensively manage all "hidden advertising" practices, such as not labeling advertisements on SNS reviews as sponsored. We conduct thorough investigations to prevent the use of misleading expressions in online advertisements and ensure that posts indicating economic compensation are properly labeled.

Compliance Management System Improvement Roadmap

2024	Goals	
Improvement of the Compliance Inspection System		
Key Risk Inspection	· Regular key risk inspections led by the Compliance Support Department · Identify improvement tasks through agreement with functional departments in the first half of each year	January to April
Key Risk Improvement	· Confirm the status of short-term key risk improvement tasks in the second half of each year · Confirm the implementation plans for long-term key risk improvement tasks in the second half of each year	May to September
Introduction of Written Self-Inspections	· Conduct written self-inspections for all compliance risks in the second half of each year · Select key risks based on confirmed risk levels after self-inspections	May to September
Enhancement of Employees' Compliance Awareness		
Expansion of the Board's Involvement in Compliance	· Report ESG Committee inspection results to strengthen the board's compliance monitoring duties · Improve the content of reports on the compliance control system's operational status	February, April, October
Refinement of Compliance Regulations	· Establish compliance control standards · Draft and distribute compliance guidelines for key risk areas related to important themes	May to December
Promotion of Management's Commitment to Compliance	· Distribute CEO messages · Send monthly compliance newsletters	April to December

Jeong-do Management

Jeong-Do Management

LG H&H has established ethical standards and formed dedicated organizations to support both domestic and international employees in practicing Jeong-Do management in their work and daily lives. The company provides various systems and programs to facilitate this practice. Jeong-Do management training is conducted for all employees, and annual pledges for Jeong-Do management practice are collected. Additionally, LG H&H operates a Jeong-Do management evaluation system to foster a culture of voluntary compliance. Employees can report unfair practices through the Online Reporting System and the Gift Acceptance Reporting System, with all reports being investigated and addressed fairly.

Objectives

- Inspect core value chains by business (2024)
- Continue education and promotional activities to establish a voluntary Jeong-Do management culture (2024)
- Advance the reporting and management process (2024)

Key Achievements

Number of Jeong-Do Management Training(online training for all employees)

24 times

Number of people who completed Jeong-Do Management training[1)]

7,744 people

Pre-detection of abnormal sign scenarios of operation of ERM system[2)]

61 scenarios

1) As of March 2024
2) As of March 2024

Sustainable Management

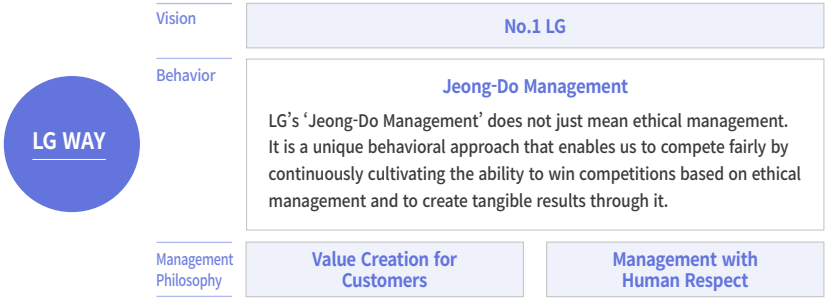
Jeong-do Management

Jeong-Do Management System

LG WAY and Jeong-Do Management

LG WAY aims to achieve "No. 1 LG" by realizing Value Creation for Customers and Management with Human Respect through Jeong-Do management. Represents LG's unique management philosophy and distinctive corporate culture. LG's Jeong-Do management means cultivating skills steadily, competing honestly and fairly, and creating results based on ethical management. LG H&H adheres strictly to the principles of LG WAY, practices Jeong-Do management thoroughly, and fulfills social responsibilities diligently to grow into a company trusted and respected by all stakeholders.

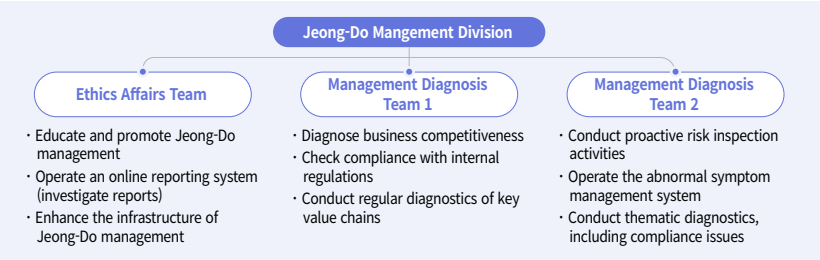
LG WAY



Jeong-Do Management Organization

LG H&H's Jeong-Do Management Division strengthens the Jeong-Do management infrastructure and leads the implementation through various diagnostics and field support activities. It consists of the Ethics Office Team, responsible for education, promotion, and report investigations; the Management Diagnosis 1 Team, responsible for business competitiveness diagnostics; and the Management Diagnosis 2 Team, responsible for proactive risk checks and compliance issues. We encourage all members to voluntarily practice Jeong-Do Management, focusing on preventing risks in business operations and securing business competitiveness.

Jeong-Do Management Organization



Code of Ethics

LG shares the management philosophy of Value Creation for Customers and Management with Human Respect, promoting autonomous management based on autonomy and responsibility according to the spirit of the Management Charter. Respecting the free-market economy that advocates free and fair competition, LG pursues mutual trust and cooperation with all stakeholders to seek common benefits and grow into a world-class leading company. To this end, we have established and implemented code of ethics. LG H&H encourages all members to actively adhere to this code of ethics, striving to achieve higher ethical benchmarks and fostering a culture of Jeong-Do management for sustainable growth.

Composition and Key Contents of the Code of Ethics

Chapter 1 Responsibilities and Obligations to Customers	LG believes that customers are the true foundation of its business. We always respect customer opinions and consistently create and provide value that benefits customers, thereby earning their unconditional trust.
Chapter 2 Fair Competition	LG complies with relevant local laws and regulations in all its global business activities, securing competitive advantages through legitimate means.
Chapter 3 Fair Trade	All transactions are conducted under the principle of free competition, ensuring equal participation opportunities. Through transparent and fair transactions, we build mutually trustworthy and cooperative relationships, seeking long-term mutual development.
Chapter 4 Basic Ethics of Employees	Employees establish the correct values as LG members with a belief in honesty and fairness. We fulfill our missions through continuous self-development and fair job performance.
Chapter 5 Responsibilities for Employees	LG respects all employees as individuals, treats them fairly based on their abilities and achievements, and strives to ensure their creativity is fully expressed.
Chapter 6 Responsibilities for the Nation and Society	Through rational business practices, LG aims to grow as a sound enterprise, protecting shareholders' interests and contributing to a prosperous life for the people and the development of society.

Jeong-Do Management Activities

Commitment to Practicing Jeong-Do Management

All employees of LG H&H sign a pledge annually to practice Jeong-Do management and adhere to the Code of Ethics. This pledge prohibits improper acts such as collusion, illegal political contributions, and bribery, ensuring compliance with anti-corruption laws. Partners and suppliers working with LG H&H also sign a pledge to uphold ethical standards and fair trade.

Number of Employees Who Signed the Pledge and Completed Online Training[1)]

7,735 employees (99.9%)

1) As of March 2024

Reporting System for Receiving Gifts

LG H&H maintains a strict policy against receiving any gifts or gratuities from suppliers or clients to uphold ethical standards and fair trade. Each year, the CEO sends a notice to employees, partners, and clients before the Lunar New Year and Chuseok holidays, emphasizing the Not Giving and Receiving Gifts policy to foster a culture of fair trade. If employees receive any gifts or gratuities that they cannot refuse or return, they must report these items to the Ethics Office immediately. Reported items that cannot be returned are donated to welfare organizations or auctioned internally, with proceeds used for social contribution activities.

Operation of Jeong-Do Management Evaluation System

All executives and department heads at LG H&H operate a Jeong-Do management evaluation system to foster a culture of autonomous practice among employees. Since 2023, the Jeong-Do Management Division has provided educational materials to maintain the autonomy of field-led initiatives while ensuring effectiveness by focusing on core themes and key issues. Each business unit shares relevant cases and identifies potential ethical risks within their organization, working to prevent them. This approach allows leaders and employees to exchange opinions, set common goals, and work together, establishing a culture of Jeong-Do management throughout the organization and building trust among employees.

Operation of Reporting and Whistleblowing Channels

LG H&H operates an Online Reporting System (http://ethics.lg.co.kr) where unethical and unfair practices can be reported at any time. Reported issues are investigated on-site to verify facts, and confirmed misconduct leads to disciplinary action, process improvements, or Jeong-Do management education, fostering a transparent and fair organizational culture. To encourage reporting, LG H&H also runs a reporting reward system and a protection system for internal whistleblowers.

LG H&G Online Reporting System(http://ethics.lg.co.kr)

Reporting and Disciplinary Action Status (Including Subsidiaries, 2023)

Reports by Stakeholder

(Unit: Cases)

Category	2021	2022	2023
Reports (Company/Employees)	37	35	58
Partner Company Grievances	27	8	6
Customer Complaints	2	1	2

Report Status

(Unit: Cases)

Category	2023
Verified	41
Unfounded	17
Total Reports Received	58

Disciplinary Action Status

(Unit: Cases)

Category	2023
Minor Disciplinary Actions	36
Major Disciplinary Actions	40
Total Disciplinary Actions	76

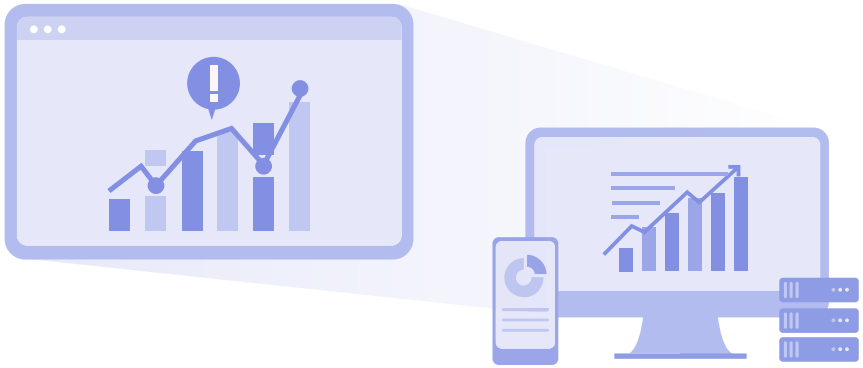
Disciplinary Reasons

(Unit: Cases)

Reporting Area	Reasons for Disciplinary Action	Number of Disciplinary Cases
Anti-Corruption/ Bribery	Information Distortion	2
	Receiving Gifts/Entertainment	1
	Unfair Transactions (Collusion, etc.)	1
	Misuse of Assets and Embezzlement	17
	Information Leakage	1
Discrimination/ Harassment	Sexual Harassment, Workplace Bullying	9
Money Laundering and Insider Trading		0
Customer Information/Data Leakage		0
Conflict of Interest		0
Others		45

Risk Pre-assessment System

Since 2021, the Jeong-Do Management Division has operated a scenario-based risk management (ERM) system to detect and respond to risks early. The system integrates data from the Enterprise Resource Planning (ERP) and various individual systems (such as purchasing and sales) into a Data Lake. Using data analysis (CP4D) and visualization solutions (Spotfire), we have built the ERM system. Previously, we managed risks through post-incident audits based on reports. With the ERM system, we now proactively and continuously detect and manage anomalies, promoting field-led risk self-assessment and process improvements. As of March 2023, we operate a total of 61 scenarios related to compliance, fraud, and unfair transactions with suppliers (35 purchasing scenarios, 22 sales scenarios, 2 expense scenarios, and 2 customer base management scenarios). This system supports operational departments in early detection and immediate response to anomalies.



Jeong-Do Management Activities at Overseas Subsidiaries

To maintain competitiveness in the global market, LG H&H fosters a Jeong-Do Management culture that considers the overseas business environment. We designate and train Jeong-Do Management officers at each overseas subsidiary to ensure autonomous practice of Jeong-Do Management. In 2023, our subsidiaries in China and Japan created and implemented their own Jeong-Do Management content for education and promotion.

CASE Participation in the 2023 BIS Summit Anti-Corruption Pledge

BIS (Business Integrity Society) is a project initiated in 2019 to encourage joint efforts among businesses, the National Assembly, and government departments to prevent corruption. It is co-managed by the UN Global Compact Network Korea and the KoSIF. In 2021, LG H&H was recognized for its ongoing anti-corruption leadership efforts and was selected as an "Outstanding Anti-Corruption Implementing Company." Continuing this momentum in 2022 and 2023, we aligned with the purpose and activities of the BIS initiative to create an anti-corruption environment for businesses. We pledged to actively participate in fostering a fair and transparent society and strengthening corporate competitiveness based on ESG principles.

Operation of the Task Force for Enhancing the Prevention and Response System for Sexual Harassment and Bullying

Aiming to be a leading clean company, LG H&H, along with the holding company, established a task force (TF) in 2023 to enhance the prevention and proactive response system for sexual harassment and bullying. In August, we conducted the 2023 Workplace Sexual Harassment and Bullying Survey applying LG's common manual and guidelines to all employees. Proactive investigations were carried out on issues identified through this survey. For confirmed risks, follow-up actions such as light and heavy disciplinary measures were completed according to internal regulations. In 2024, we plan to further enhance the system by continuously improving the survey to not only prevent and respond to sexual harassment and bullying but also to link it to measures preventing recurrence.

Supply Chain Management

Supply Chain Management

LG H&H aims to manage risks across the entire supply chain and support its partners in ESG management to build a sustainable supply chain. To achieve this, we have established supply chain management governance and enacted a code of conduct for our partners. We conduct ESG evaluations for significant suppliers to help them strengthen their ESG capabilities. Additionally, we provide fair opportunities, promote sales growth, and support technology, finance, and welfare benefits, further solidifying partnerships. Together, we strive to achieve the vision of becoming the leading company in shared growth in Korea.

Objectives

- Improve supplier quality rating[1] for 401 suppliers (cumulative by 2025)
- Provide financial support to suppliers[1], totaling 310.2 billion KRW (cumulative by 2025)
- Operate advanced consulting for overseas suppliers and discover new ones
- Expand the purchase of RSPO (Roundtable on Sustainable Palm Oil)
- Provide technical support to suppliers,[1] totaling 1,811 cases (cumulative by 2025)

1) Cumulative data since 2019 for supplier quality rating evaluation, technical support, and financial support targets and achievements

Key Achievements

Financial support to suppliers	233.61 billion KRW (cumulative)
Improvement in supplier quality rating	329 suppliers (cumulative)

Sustainable Management

Supply Chain Management

Supplier ESG assessment process

Supplier ESG Assessment System

LG H&H conducts assessments and management of supplier ESG elements to build a sustainable supply chain and address potential risks. Through supplier ESG assessments, we assess new business agreements and the continuation of existing ones. We also screen for potential supply chain risks, such as human rights violations and conflict minerals, considering country, industry, and commodity specific risk type. To enhance the ESG capabilities and manage risks of existing suppliers, we regularly conduct written and on-site assessments with third-party organizations. Suppliers identified as needing improvement receive consulting and support in technology and manpower to promote sustainable growth within the supply chain.

Assessment Targets

LG H&H conducts ESG assessments for significant suppliers. Significant suppliers are defined by considering factors such as high transaction volumes, irreplaceable technology, potential ESG risks, business relevance, and the need for development.

Assessment Criteria

LG H&H classifies suppliers with an annual transaction amount of over 100 million KRW, irreplaceable technology, or potential ESG risks as significant suppliers. Additionally, suppliers selected for development to enhance purchasing power and shared growth are included as significant suppliers.

Definition of Suppliers

1. Significant suppliers

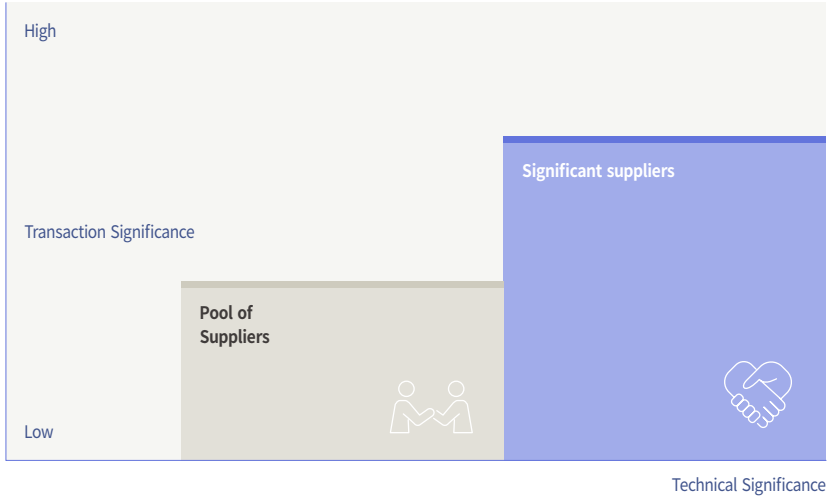
Category	Conditions
1. Performance	Suppliers with annual transaction amounts over 100 million KRW and those undergoing ESG assessments.
2. Irreplaceable Technology	Suppliers with transaction records, possessing technology and production capabilities not owned by the company, and undergoing ESG assessments.[1]
3. Potential ESG Risks	Suppliers requiring management of potential ESG risks.
4. Business Relevance	Suppliers with high business relevance, significantly impacting the value chain.
5. Growth Partners[2]	Suppliers selected for enhancing purchasing power and shared growth.

1) Includes suppliers with potential risks such as raw materials with conflict minerals like mica, palm oil, and risks based on business location.
2) Growth partners selection based on internal criteria.

2. Pool of Suppliers

Suppliers with annual transaction amounts below 100 million KRW, with no potential risks related to raw materials or country risk (e.g., distributors, one-time transactions, consumable materials, or suppliers with concluded or about to conclude transactions).

Supplier definition



Supplier Governance and Code of Conduct

LG H&H has built supply chain management governance to minimize ESG risks throughout the value chain. The dedicated supply chain management teams, Development Purchasing Team 2 and Fair Growth Team, manage supplier ESG risks and shared growth activities. When necessary, issues, plans, and performance related to supply chain management are reported to the ESG Committee within the Board of Directors, or significant matters are reviewed. Additionally, we continuously monitor to ensure that the purchasing process aligns with the supplier code of conduct, preventing conflicts. In 2023, we revised the supplier code of conduct, and the updated content is publicly available on the LG H&H website.

Supplier Code of Conduct

Sustainable Purchasing Policy

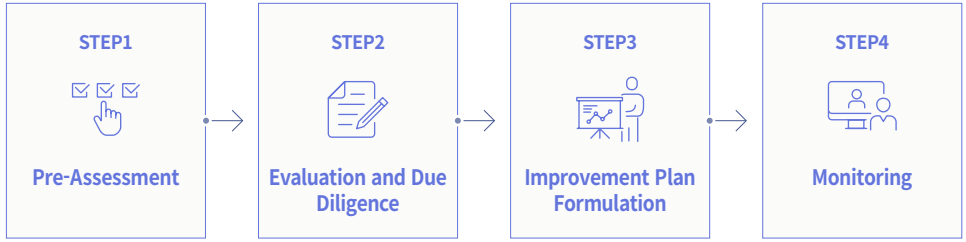
ESG Risk Management Process for Suppliers

LG H&H has identified various potential ESG risks within its suppliers to build a sustainable supply chain. These key ESG risks are designated as core management areas. We manage them systematically through detailed procedures: pre-assessment, evaluation and due diligence, improvement plan formulation, and monitoring. If improvements are needed based on the diagnostic results, we actively support suppliers by providing external consultations to enhance their capabilities.

Supplier ESG Evaluation, Due Diligence, and Monitoring

LG H&H has identified various potential ESG risks within its suppliers to build a sustainable supply chain. These key ESG risks are designated as core management areas. We manage them systematically through detailed procedures: pre-assessment, evaluation and due diligence, improvement plan formulation, and monitoring. If improvements are needed based on the diagnostic results, we actively support suppliers by providing external consultations to enhance their capabilities.

Supplier ESG Risk Evaluation Process



Pre-screening of Supply Chain and Establishment of ESG Criteria

LG H&H identifies ESG risks before renewing contracts with existing suppliers or registering new ones. Suppliers that excel in pre-screening ESG evaluations receive incentives, such as priority negotiation and additional points. Those failing to meet standards are excluded from contracts to manage ESG risks. Before registering new suppliers, LG H&H conducts pre-screening based on the supplier code of conduct, including human rights, environment, and ethics. Analyzing LG H&H's purchasing status, Tier 1 suppliers constitute 99% of the total suppliers, with significant suppliers making up 32% of this group. The supplier types include OEM, raw materials, molds, and packaging materials, with OEM and containers comprising 65% of the total purchasing value.

2023 Supply Chain Status

Category*	Unit	Significant Suppliers	Other Suppliers
Tier 1 (Direct transaction)	Number (companies)	251	528
	Purchase ratio (%)	77	23
Non-tier-1 (Secondary or above)	Number (companies)	13	-

2023 Supply Chain Purchase Analysis

Category	Type	Number of Suppliers (companies)	Purchase Ratio (%)
Tier 1 & Non-tier-1 (Significant)	OEM	67	38
	Container	64	27
	Packaging material	52	17
	Raw material	72	17
	Mold	9	1
Total		264	100

* Tier 1: direct transactions, Non-tier 1 (secondary and above): Indirect transactions

ESG Training for Purchasing Managers

LG H&H is committed to enhancing sustainable supply chain competitiveness by strengthening the capabilities of not only suppliers but also internal employees through education. In 2023, we distributed a 'Compliance Newsletter' covering topics such as the linkage of supply prices, strengthened regulations on greenwashing, enhanced monitoring of unfair advertising on SNS, stricter regulations on dark patterns, and caution against third-party idea theft. This newsletter provided purchasing and ESG managers with proper work practices. Additionally, we invited external experts to conduct 'Trend Dream' training sessions, which broadened insights into ESG in the cosmetics/food and beverage industries and addressed the importance of managing supply chain ESG risks. Through various educational programs for purchasing managers and employees, LG H&H aims to raise awareness of the roles and responsibilities in promoting company-wide ESG management and to continuously strengthen the capabilities of all stakeholders.

Conducting Supplier ESG Evaluations

LG H&H conducts annual ESG evaluations for significant suppliers. The entire evaluation process includes supplier self-assessment, on-desk and on-site evaluations, and improvement monitoring. The results are incorporated into the comprehensive evaluation of suppliers. The evaluations utilize the Supplier Code of Conduct, which is based on the Responsible Business Alliance (RBA) and consists of 105 evaluation indicators across five areas: labor and human rights (28), safety and health (30), environment (26), ethics (17), and management systems (4).

Supplier ESG Evaluation Process

Step 1	Evaluation Plan	· Selection of evaluation targets
Step 2	Document Evaluation (Self-Assessment)	· Utilize an online platform · Analyze results and identify highrisk suppliers
Step 3	On-Site Evaluation	· Conduct due diligence and verification of self-assessment results · Identify on-site risks · Derive improvement tasks for identified risks (provide consulting and develop improvement tasks for each supplier)
Step 4	Results Reporting	· Distribute individual reports to suppliers
Step 5	Corrective Action Planning and Follow-Up	· Develop corrective action plans for deficiencies · Request corrective actions · Monitor the implementation of corrective actions · Support outstanding suppliers

Ensuring Evaluation Reliability

To ensure the expertise, objectivity, and reliability of supply chain ESG evaluations and to provide new information and improvements related to ESG, we conduct multi-party inspections. In 2023, we conducted on-site inspections for 30 high-risk suppliers identified through document evaluations. These inspections were carried out by the department responsible for supplier ESG evaluations and third-party evaluation agencies. We provided all suppliers with the inspection results in a report, enabling them to develop their own improvement plans and manage potential risks.

Expanding ESG Management in Overseas Subsidiaries

LG H&H has extended its ESG supply chain management beyond domestic companies to include overseas subsidiaries. We developed country-specific ESG supply chain indicators that align with global standards and local regulations for effective ESG management of foreign subsidiaries. Additionally, we held seminars for local management personnel on the importance of ESG and country-specific ESG issues and risks. This initiative aimed to enhance the understanding of ESG and improve ESG management levels at our overseas subsidiaries.

Identifying and Supporting Supplier Improvements

We assess and support improvements in the areas of labor and human rights, environment, health and safety, ethical management, and management systems for our suppliers. For 30 suppliers with identified potential risks, we develop and implement top-priority and long-term improvement tasks related to ESG risks. We also share best practices from the industry, provide ESG technical support (such as eco-friendly and health and safety certifications), and enhance the ESG capabilities of our suppliers.

Improvement Support Case - Supplier ESG Awards

In 2023, LG H&H introduced the Supplier ESG Awards for our suppliers. This award was established to emphasize the importance of risk management in all areas, including human rights and the environment within the supply chain. It aims to encourage voluntary risk management among suppliers and disseminate exemplary ESG innovation cases to other suppliers. The evaluation of major suppliers was based on three criteria: business feasibility, ESG value enhancement, and scalability. Through internal assessments and evaluations by external experts, we selected seven outstanding cases, including energy usage reduction, waste reduction initiatives, and eco-friendly product development innovations. Awards were presented to the selected suppliers, and their best practices were shared with other suppliers to contribute to the expansion of ESG management.

Support for Supplier ESG Education

LG H&H conducts internal training and invites external experts to provide ESG education to our suppliers to enhance their ESG capabilities. Since 2021, we have held biannual ESG education sessions, and in 2023, we conducted online training sessions focused on the necessity of ESG management for small and medium-sized enterprises, ESG in the cosmetics industry, and global ESG trends. These educational initiatives help raise awareness among supplier employees about practicing company-wide ESG management. They also support small and medium-sized enterprises in responding to increasing ESG regulations and enhancing their competitiveness in line with global trends.

Supplier Communication Channels

Supplier Shared Growth Deliberation Committee [1)]

- Held: Three times a year
- Activities: Review subcontracting transactions and shared growth issues
- Composition: One external member, five supplier representatives, two LG H&H internal deliberation committee members

CEO Academy [2)]

- Held: Once a year
- Activities: Share shared growth and purchasing policies, host supplier events
- Composition: Approximately 130 supplier representatives

Competitiveness Enhancement Workshop [2)]

- Held: Once a year
- Activities: Share shared growth and purchasing policies
- Composition: Approximately 130 supplier employees

1) Conducted online to prevent the spread of COVID-19
2) Combined individual workshops into one online session to prevent the spread of COVID-19

Supplier ESG Evaluation Results

Category	Subcategory	2023	2023 Target
Supply Chain ESG Evaluation	Number of suppliers evaluated through document/on-site evaluations[1)]	366	360
	Percentage of evaluated significant suppliers[2)]	100	-
Identification of High-Risk Suppliers[3)]	Number of suppliers assessed with substantial actual/potential negative impacts	30	30
	Percentage of suppliers with substantial actual/potential negative impacts having corrective action/ improvement plans	100	100
	Number of suppliers where substantial actual/potential negative impacts have been resolved	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 Capacity-Building Programs	Number of suppliers participating in capacity-building programs	131	125
	Percentage of significant suppliers participating in capacity-building programs	100	90

1) Total number of suppliers assessed for ESG
2) Percentage of Significant suppliers among all suppliers assessed for ESG
3) High-risk suppliers: Assessed using 105 evaluation indicators (28 for labor and human rights, 26 for environment, 30 for safety and health, 17 for ethics, and 4 for management systems). Suppliers classified as high-risk (scoring below 50 out of 100)

Key Corrective Actions for Suppliers

Category	Labor and Human Rights	Environment	Safety and Health	Ethical Management	Management Systems
As-is	No occurrence of child labor or young worker employment, but lack of explicit regulations for protecting young workers.	Lack of regulations or plans for energy and greenhouse gas management and waste disposal, inadequate measurement and management of emissions.	Inadequate management of industrial accidents and occupational diseases.	Insufficient specification of specific unfair practices in fair trade regulations.	Inadequate formation of an ESG committee and disclosure of ESG information.
To-Be	Specify regulations for the protection of children and young workers, even if no child labor or young worker employment exists.	Establish an energy and greenhouse gas inventory and formulate environmental policies.	Implement management of industrial accidents and conduct regular musculoskeletal hazard factor surveys.	Specify specific unfair practices to clarify fair trade regulations.	Form an ESG committee and establish information disclosure channels through sustainability reports.

Responsible Sourcing of Raw Materials

LG H&H aims to build a sustainable supply chain and responsibly source raw materials. For raw materials with environmental and social issues, such as palm oil, mica, and gold, we adhere to strict domestic and international standards for purchasing and use.

Palm Oil

Palm oil, including palm-derived ingredients and palm oil derivatives, is widely used in cosmetics and household products. LG H&H actively supports RSPO (Roundtable on Sustainable Palm Oil) activities, a global NGO initiative involving companies to promote the correct purchase and use of palm oil. In 2014, LG H&H was the first in Korea to obtain RSPO (Segregation, Mass balance) certification for the entire process at its Ulsan and Onsan plants, covering raw material storage, production, product storage, and shipment. To address human rights issues related to palm oil production, we immediately cease transactions with suppliers found to be involved in such issues. Our goal is to increase the purchase ratio of RSPO certified products to 64.9% by 2025, having already achieved a purchase ratio of 60.2% in 2023.

Mica

Mica is used to add shimmer to various color cosmetics such as lipsticks, eye shadows, and blushes. Approximately 60% of high-quality mica used in the global cosmetics industry comes from India. However, 70% of Indian mica is mined by children in dangerous, uncontrolled environments. To mitigate these risks, LG H&H sources mica from skilled workers in mines in the United States, Japan, and China. When it is unavoidable to use Indian mica, we ensure that the mines have a Non-Child Labor declaration or RMI (Responsible Mica Initiative) membership certification. Our goal is to transition to 100% synthetic mica to eliminate illegal child labor and ensure the use of safe raw materials.

Status of Mica Purchasing

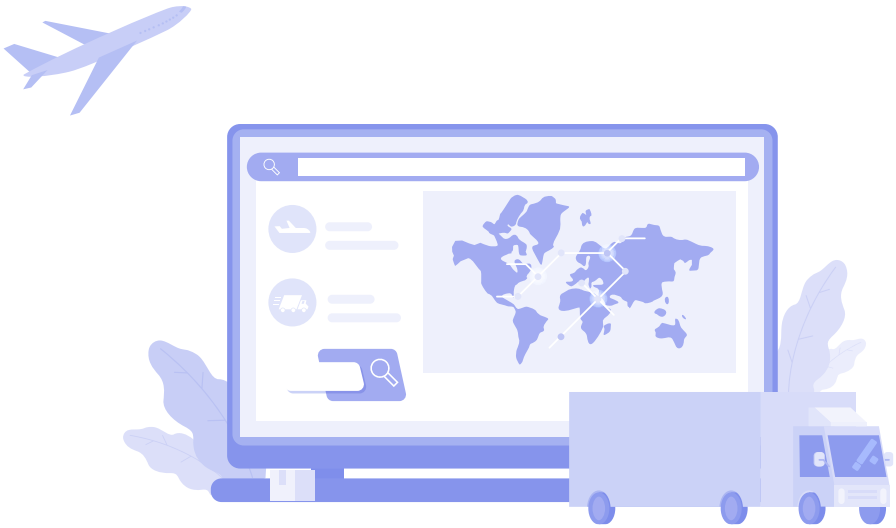
No. of Items	Major Applied Products	Three-Year Purchase History (2021-2023 Total)		Number of Items by Origin			
		Purchase volume (tons)	Number of suppliers	India	U.S.	Japan	China
35	Color cosmetics (lipsticks, cushions, foundations, etc.)	39	8	8	11	9	7

Gold Certifications

LG H&H is aware of the human rights and environmental risks associated with mineral extraction in conflict regions. We prohibit the use of conflict minerals mined unethically from these areas and strive to build a responsible supply chain. For gold, we only purchase from refineries that have RMAP[2] certification from the Responsible Minerals Initiative (RMI)[1] or equivalent certification. If a supplier is found to source from uncertified refineries, we immediately cease transactions with them. We will continue to transparently manage our conflict mineral purchasing processes and monitor our supply chain to ensure that minerals from conflict regions are not used.

Metal	Certification	Smelter Location	ID
Gold	LBMA's Responsible Gold Guidance3) Certificate[3]	Onsan-eup, Ulsan Metropolitan City	CID001078

1) RMI (Responsible Minerals Initiative): An alliance for responsible mineral sourcing and supply chain management
2) RMAP (Responsible Minerals Assurance Process): A responsible smelter certification process managed by RMI
3) LBMA (London Bullion Market Association) Responsible Gold Guidance: An equivalent certification to RMAP as per RMI's Cross-Recognition policy



Shared Growth

LG H&H has established a strategic framework to achieve the vision of becoming the "leading company in shared growth in Korea." This framework includes four key implementation actions, strategic tasks, detailed strategic directions, and six focus areas. We will realize shared growth by providing financial support, expanding communication, and offering technical support. This approach aims to build a sustainable cooperative relationship and enhance the competitiveness of our partner companies.

Shared Growth Vision and Strategy System

Vision & Slogan

The best company in Korea leading shared growth
'Win-win growth, happy together'

Action Plan

Performance Sharing
- Expand the use of win-win cooperation funds
- Simplify joint project execution procedures
- Discover and disseminate best practices

Competitiveness Enhancement
- Provide technical and know-how support
- Support productivity enhancement consulting
- Support professional job training
- Develop market opportunities

Win-Win Settlement
- Expand win-win settlement operations
- Pay subcontracting fees in cash
- Increase utilization of win-win funds
- Support operating funds

Communication Strengthening
- Ensure fair and transparent transactions through CPS
- Operate communication channels at various levels
- Support partner companies' social contributions
- Promote through media and newsletters
- Conduct internal surveys

Six Focus Areas

Fair Opportunities	Sales Growth
Technical and Human Resources Support	Financial Support
Welfare Support	Open Communication

Fair Opportunities

Ensuring Equal Participation Opportunities

LG H&H provides fair opportunities for all domestic and international companies to do business with us through the Convergent Purchasing System (CPS). Companies wishing to transact with us can register as potential partners through the system. After review by our purchasing team, we inform them of their registration status as official partners. All registered partners are given fair bidding opportunities. The transaction process, including contracts, orders, deliveries, and payments, is conducted through mutual agreement.

Operating Channels for Reporting Unfair Transactions and Proposing Cooperation

LG H&H maintains transparent and fair trading relationships with partners by operating various reporting channels to address unfair practices promptly and appropriately. We operate the Jeong-Do Management Online Reporting System website, where partners can report difficulties, suggestions, or unfair treatment. We also have an online reporting system banner on the CPS to enhance accessibility. In 2023, there were no reports related to subcontractor partners. Additionally, we conduct quarterly surveys to gather partner feedback and assess new shared growth initiatives.

Sales Expansion

Hosting Technology Proposal Exhibitions

Since 2013, LG H&H has hosted the Supplier Technology Proposal Exhibition to collaborate with suppliers, discover excellent technologies and ideas, and develop products to increase mutual sales. This exhibition allows suppliers to directly communicate with LG H&H's marketing, sales, and R&D departments about new products or development concepts, discuss improvement directions, and propose technologies and share information in various areas, including raw materials, parts, and products. Products selected at the exhibition receive joint development support through conditional purchase development funds, significantly reducing suppliers' development costs. Additionally, these products are applied to LG H&H's new products, contributing to increased sales for our suppliers. In 2023, we held two exhibitions, resulting in the selection of products from 11 companies and generating new sales of 3.23 billion KRW.

Technology Proposal Exhibition Operations

Category	Unit	2021	2022	2023
Technology Proposal Exhibition Performance	Events	5	2	2
Selected Suppliers	Companies	11	7	11
New Sales Generated by Suppliers	Billion KRW	59.9	46.8	32.3

Support for International Beauty Expo Participation

Since 2013, LG H&H has supported suppliers' participation in international beauty expos to expand the global presence of the Korean cosmetics industry. Starting in 2018, we have also conducted export consultations with overseas subsidiaries to help suppliers achieve actual sales and actively assist in their global expansion. Although participation in expos was temporarily halted during the COVID-19 pandemic, we plan to support participation in two expos in 2024, scheduled for June and October.

Support for International Beauty Expo Participation

Technical Workforce Support

Technical Consulting Support

LG H&H operates the Supplier Technical Support Team to provide consulting on technical issues that are difficult for small and medium-sized enterprises to solve independently, such as technology or product development, equipment stabilization, and optimization of production conditions. The Supplier Technical Support Team consists of 12 experts with extensive experience in the cosmetics and household goods sectors. They accurately diagnose the status of suppliers and suggest improvement plans to enhance their technical and production capabilities.

Competitiveness Enhancement Consulting Support

Aiming to improve the productivity of suppliers, LG H&H has been providing innovation partnership consulting through external experts since 2014. In 2023, we supported manufacturing innovation consulting for 8 companies, ISO 14001 environmental management system certification for 1 company, and ISO 45001 safety and health management system certification for 3 companies. In the manufacturing innovation sector, we supported projects such as 'Reducing local fire risks by introducing industrial humidifiers to printing lines' and 'Improving mold cooling channel cleaning methods to reduce 3D work and enhance the environment.' These initiatives helped suppliers achieve reduced defect rates, increased productivity, and implement ESG management.

2023 Supplier Support Status (Unit: Cases)

Items	2023 Performance
New product production support	176
Development design supervision fee support	3
3D printing support	9
Coexistence cooperation program	0

Supplier Competency Enhancement Program Status (Unit: Cases, %)

Items		2023	2023 Target
Participation in Competency Enhancement Program	Number of suppliers participating in competency enhancement programs	131	125
	Proportion of significant suppliers participating in competency enhancement programs	100	90

Financial Support

Cash Payment for Subcontracting

Since 2012, LG H&H has paid 100% of subcontracting transaction amounts in cash, improving suppliers' financial conditions. In 2016, we increased payment frequency from twice to three times a month, reducing the cash payment cycle to 10 days. This change supports faster cash flow, enhancing suppliers' operational efficiency and business stability.

Early Payment for Holidays

To promote stable business operations for suppliers and contribute to local economic development, LG H&H makes early payments of subcontracting transaction amounts during holidays. In 2023, we paid 25.8 billion KRW in cash for the Lunar New Year and 36.3 billion KRW in cash for the Chuseok holiday.

Win-Win Settlement System

The Win-Win Settlement System at LG H&H ensures that secondary and lower-tier suppliers receive payments under the same terms as primary suppliers. This system, free of recourse rights, allows small businesses to receive transaction amounts without the burden of setting collateral or the risk of chain bankruptcies. It also reduces financing costs when discounting promissory notes. In 2023, 816.4 billion KRW was paid to primary suppliers, and 12.6 billion KRW to secondary suppliers through this system.

Win-Win Cooperation Fund

LG H&H has established and operates a Win-Win Cooperation Fund in collaboration with financial institutions, totaling 41 billion KRW. This fund, contributed at a 1:1.5 ratio between LG H&H and financial institutions, supports suppliers in technology development and investment. Particularly, it benefits small and medium-sized suppliers facing difficulties due to high interest rates, offering them low-interest loans. By the end of 2023, 29.9 billion KRW had been loaned to suppliers, aiding their financial management.

Welfare Support

Education Support for Supplier Employees and Their Families

LG H&H supports the self-development of supplier employees to enhance their competitiveness. Various channels such as e-learning and book learning are provided to improve job skills and learn foreign languages, offering opportunities for growth in multiple areas.

Welfare Improvement Support for Supplier Employees

LG H&H extends the use of its employee welfare mall to supplier employees, offering them the same benefits. In 2023, a total of 60 suppliers utilized the welfare mall, with 1,120 usage instances amounting to a total of 51 million KRW.

Support for Tier 2 and Below Suppliers

LG H&H actively encourages fair trade agreements between Tier 1 and Tier 2 suppliers to support Tier 2 and below suppliers. We guide Tier 1 suppliers to enter into fair trade agreements with Tier 2 suppliers under the same terms as those with LG H&H, promoting shared growth for all tiers. Additionally, we have introduced standard subcontract agreements between Tier 1 and Tier 2 suppliers to ensure reasonable and transparent trade relationships. When recruiting for various shared growth support projects, we include an assessment of fair trade and shared growth with Tier 2 suppliers in the Supplier Status Survey for Tier 1 suppliers to extend the benefits of shared growth to Tier 2 suppliers as well.

Supplier Education Utilization
(Dedicated e-learning, Book Learning)

1,573 employees completed the courses

Welfare Mall Utilization (by Supplier Employees)

60 suppliers
1,120 instances (51 million KRW)

Open Communication

LG H&H pursues open communication through various channels to listen to supplier feedback and incorporate it into overall management. Since 1985, the LG H&H Supplier Council has been central to our efforts, alongside the CEO Academy and the Competitiveness Enhancement Workshop. At the Supplier Regular General Meeting, held once or twice a year, we invite representatives and practitioners from approximately 130 major suppliers to award outstanding suppliers and host lectures by renowned speakers. Due to COVID-19, these events were held online from 2020 to 2022. However, in June 2023, the Competitiveness Enhancement Workshop was held offline, followed by the CEO Academy in December. The CEO Academy featured a supplier awards ceremony and the ESG Awards, where we presented best practices and rewarded outstanding subcontractors. Additionally, the Supplier Shared Growth Deliberation Committee, composed of supplier representatives, notable public figures, and internal subcontracting deliberation committee members, holds three meetings annually to review and decide on shared growth support systems and subcontracting issues.

2023 Supplier CEO Academy

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Economic Performance

Financial Statement

(Unit: KRW million)

Category	LG H&H [Consolidated]			LG H&H [Non-consolidated]		
	2021	2022	2023	2021	2022	2023
Ⅰ. Current Assets	**2,472,884**	**2,284,389**	**2,429,584**	**1,253,655**	**861,079**	**1,207,774**
Cash and cash equivalents	734,521	655,093	910,348	355,339	106,106	461,909
Short-term financial instruments	95,352	21,975	16,478	16,400	16,400	16,400
Trade receivables	554,857	550,862	529,076	410,374	265,397	291,717
Other receivables	38,108	52,024	38,387	31,049	49,160	33,282
Inventories	1,000,656	955,433	884,515	424,544	410,318	388,781
Investments in subsidiaries						
Non-current assets held for sale						
Other current financial assets	825	2,688	5,508	292	300	4,282
Other current assets	48,566	46,315	45,271	15,657	13,399	11,403
Ⅱ. Non-current assets	**5,082,355**	**5,018,541**	**4,790,702**	**3,858,726**	**3,846,245**	**3,849,636**
Long-term financial instruments	20	23	23	11	11	11
Other long-term bonds	49,093	40,638	31,033	29,115	22,562	51,644
Available-for-sale financial assets						
Severance pay assets						
Stocks for subsidiaries				1,639,071	1,580,813	1,552,987
Stocks for affiliates and joint companies	59,168	60,147	61,771	9,383	9,383	9,383
Deferred tax assets	38,594	52,397	34,125	-		
Property	2,449,112	2,383,867	2,307,114	1,149,343	1,138,609	1,131,700
Right-of-use assets	204,288	180,821	152,320	34,022	28,250	33,725
Investments in properties	30,129	25,934	45,974	29,962	25,943	43,540
Goodwill						
Intangible assets	2,168,720	2,100,587	2,007,878	905,392	898,605	893,595
Net defined benefit assets						
Other non-current financial assets	28,410	64,367	79,877	25,776	61,816	78,386
Other non-current assets	54,821	109,760	70,587	36,651	80,253	54,666
Total Assets	**7,555,239**	**7,302,930**	**7,220,286**	**5,112,381**	**4,707,324**	**5,057,410**
Ⅰ. Current liabilities	**1,525,845**	**1,162,758**	**1,089,659**	**765,934**	**408,372**	**458,340**
Ⅱ. Non-current liabilities	**531,562**	**671,336**	**581,700**	**125,133**	**170,859**	**160,916**
Total liabilities	**2,057,407**	**1,834,094**	**1,671,359**	**891,067**	**579,231**	**619,255**
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	5,484,022	5,542,447	5,604,425	4,013,008	3,919,984	4,230,100
Accumulated other comprehensive income	-64,496	-83,209	-96,665	-2,481	-2,678	-2,732
Other reserves	-217,432	-305,870	-260,224	24,872	24,872	24,872
Non-controlling interests equity	109,823	129,553	115,475			
Total capital	**5,497,833**	**5,468,836**	**5,548,926**	**4,221,314**	**4,128,093**	**4,438,155**

Category	Coca-Cola Beverage [Consolidated]			HAITAI htb [Separate]		
	2021	2022	2023	2021	2022	2023
Ⅰ. Current Assets	**386,346**	**554,535**	**450,616**	**80,768**	**99,350**	**116,192**
Cash and cash equivalents	171,895	339,787	221,206	7,933	2,893	9,804
Short-term financial instruments	23,000	4,000	-	-		
Trade receivables	115,735	121,326	127,322	30,511	31,803	37,044
Other receivables	1,397	1,856	5,433	2,895	2,765	3,231
Inventories	72,171	84,055	93,208	38,980	61,382	65,645
Investments in subsidiaries	-			-		
Non-current assets held for sale	-			-		
Other current financial assets	-					
Other current assets	2,148	3,511	3,447	447	507	469
Ⅱ. Non-current assets	**679,514**	**684,035**	**654,357**	**329,687**	**315,870**	**300,238**
Long-term financial instruments	6	6	6	-		
Other long-term bonds	6,966	7,573	7,772	4,584	4,330	3,817
Available-for-sale financial assets	344	344	343			
Severance pay assets						
Stocks for subsidiaries						
Stocks for affiliates and joint companies						
Deferred tax assets	3,743	3,152	4,721			352
Property	633,892	616,581	596,282	296,974	282,958	269,571
Right-of-use assets	11,701	14,058	14,154	2,970	4,187	2,868
Investments in properties	5,522	4,965	7,167	24,186	23,466	22,747
Goodwill						
Intangible assets	8,843	9,247	9,034	974	928	882
Net defined benefit assets	8,439	28,039	14,843			
Other non-current financial assets						
Other non-current assets	60	71	36			
Total Assets	**1,065,860**	**1,238,570**	**1,104,973**	**410,455**	**415,219**	**416,431**
Ⅰ. Current liabilities	**199,359**	**185,977**	**194,624**	**92,152**	**90,798**	**79,730**
Ⅱ. Non-current liabilities	**23,901**	**24,903**	**27,045**	**29,764**	**46,469**	**47,182**
Total liabilities	**223,260**	**210,880**	**221,669**	**141,916**	**137,267**	**126,911**
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	795,410	980,499	836,114	27,626	37,040	48,607
Accumulated other comprehensive income	-337	-337	-337			
Other reserves				-526	-526	-526
Non-controlling interests equity						
Total capital	**824,600**	**1,027,690**	**883,304**	**268,538**	**277,952**	**289,519**

Income Statement

(Unit: KRW million)

Category	LG H&H [Consolidated]			LG H&H [Non-consolidated]		
	2021	2022	2023	2021	2022	2023
Sales revenue	**8,091,511**	**7,185,759**	**6,804,839**	**4,956,148**	**3,783,321**	**3,500,214**
Cost of sales	3,039,884	3,168,512	3,177,921	1,891,207	1,671,304	1,713,393
Gross profit or loss	5,051,628	4,017,247	3,626,918	1,364,940	2,112,018	1,786,821
Selling and administrative expenses	3,761,997	3,306,124	3,139,937	2,084,896	1,683,741	1,569,704
Restructuring expenses						
Operating income	**1,289,630**	**711,123**	**486,981**	**980,044**	**428,277**	**217,117**
Financial income	9,572	21,588	48,969	12,538	59,969	366,977
Financial expenses	22,886	27,262	39,052	17,953	15,738	27,397
Other non-operating profit and loss	- 94,024	- 294,638	- 228,245	- 129,426	- 306,588	- 133,578
Profit and loss relevant to equity method	5,073	6,958	7,731			
Net income before corporate taxes expenses	1,187,365	417,769	276,383	845,203	165,920	423,119
Corporate tax	326,237	159,429	112,859	237,967	88,969	33,410
Net income for an accounting period	861,128	258,340	163,524	607,236	76,951	389,709

Category	Coca-Cola Beverage [Consolidated]			HAITAI htb [Separate]		
	2021	2022	2023	2021	2022	2023
Sales revenue	**1,422,872**	**1,571,949**	**1,612,693**	**375,461**	**414,919**	**419,562**
Cost of sales	851,774	959,297	993,787	283,165	317,546	314,408
Gross profit or loss	571,098	612,652	618,906	92,296	97,372	105,155
Selling and administrative expenses	370,346	404,835	414,799	86,621	90,536	91,584
Restructuring expenses						
Operating income	**200,752**	**207,817**	**204,107**	**5,675**	**6,836**	**13,570**
Financial income	899	6,117	8,528	374	307	439
Financial expenses	155	232	398	438	1,027	1,321
Other non-operating profit and loss	- 5,232	16,191	- 2,694	- 212	- 2,308	- 253
Profit and loss relevant to equity method						
Net income before corporate taxes expenses	196,264	229,894	209,543	5,399	3,809	12,434
Corporate tax	46,819	59,261	46,001	2,974	- 2,146	- 927
Net income for an accounting period	149,445	170,633	163,542	2,424	5,955	13,361

Corporate Tax Expense by Country (2023)

(Unit: KRW 100 million)

Region	Sales	Operating profit	Income taxes Paid	Corporate tax expense
Korea	57,412	4,462	1,337	812
China	7,223	- 585	0	179
Japan	3,872	357	153	111
United States	5,527	158	153	137
Taiwan	473	9	9	2
Southeast Asia	1,489	30	7	6
Other countries	956	- 181	6	3
Other[1](consolidated adjustments)	- 8,904	620	-	- 122
Total	**68,048**	**4,870**	**1,665**	**1,129**

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

Tax Amounts and Rates[1)]

Category	Unit	2021	2022	2023	Average
Earnings before Tax	KRW 100 million	11,874	4,178	2,764	6,272
Reported Taxes	KRW 100 million	3,210	1,168	581	1,653
Reported Tax Rate	%	27.0	28.0	21.0	25.3
Cash Taxes Paid	KRW 100 million	3,262	1,594	1,129	1,995
Cash Tax Rate	%	28.0	38.0	40.8	35.6

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 Index[1)]

Category		Domestic				
		Company	Unit	2021	2022	2023
Production volume		LG H&H	Ton	352,661	295,793	285,458
		Coca-Cola Beverage	Ton	707,840	747,195	750,355
		HAITAI htb	Ton	527,220	542,325	526,612
		Total	Ton	1,587,721	1,585,313	1,562,425
Energy	Consumption	LG H&H	TJ	1,200	1,147	1084[2)]
	Intensity		GJ/product-ton	3.403	3.878	3.797
	Consumption	Coca-Cola Beverage	TJ	851	924	902[3)]
	Intensity		GJ/product-ton	1.202	1.237	1.202
	Consumption	HAITAI htb	TJ	727	736	699[4)]
	Intensity		GJ/product-ton	1.379	1.357	1.327
	Consumption	Total	TJ	2,778	2,807	2.685
	Intensity		GJ/product-ton	1.756	1.771	1.718
GHG[5)]	Emissions	LG H&H	Ton CO_2e	55,000	52,650	49,545
	Intensity		Ton CO_2e/product-ton	0.156	0.178	0.174
	Emissions	Coca-Cola Beverage	Ton CO_2e	43,190	47,287	46,113
	Intensity		Ton CO_2e/product-ton	0.061	0.063	0.061
	Emissions	HAITAI htb	Ton CO_2e	35,800	36,406	29,818
	Intensity		Ton CO_2e/product-ton	0.068	0.067	0.057
	Emissions	Total	Ton CO_2e	133,990	136,343	125,476
	Intensity		Ton CO_2e/product-ton	0.084	0.086	0.080
Water	Consumption	LG H&H	Ton	595,782	575,270	603,575
	Intensity		tons/product-ton	1.689	1.945	2.114
	Consumption	Coca-Cola Beverage	Ton	1,772,995	1,917,543	1,910,603
	Intensity		tons/product-ton	2.505	2.566	2.546
	Consumption	HAITAI htb	Ton	1,256,855	1,395,174	1,293,834
	Intensity		tons/product-ton	2.384	2.573	2.457
	Consumption	Total	Ton	3,625,632	3,887,987	3,808,012
	Intensity		tons/product-ton	2.284	2.453	2.437
Wastewater	Emissions	LG H&H	Ton	122,645	105,730	107,766
	Intensity		tons/product-ton	0.348	0.357	0.378
	Emissions	Coca-Cola Beverage	Ton	940,976	1,014,701	1,022,526
	Intensity		tons/product-ton	1.329	1.358	1.363
	Emissions	HAITAI htb	Ton	729,861	761,439	756,257
	Intensity		tons/product-ton	1.384	1.404	1.436
	Emissions	Total	Ton	1,793,482	1,881,870	1,886,549
	Intensity		tons/product-ton	1.130	1.187	1.207

Category		Domestic				
		Company	Unit	2021	2022	2023
TOC[6)]	Emissions	LG H&H	Ton	9.3	2.7	4.6
	Intensity		kg/product-ton	0.026	0.009	0.016
	Emissions	Coca-Cola Beverage	Ton	8.6	6.6	4.0
	Intensity		kg/product-ton	0.012	0.009	0.005
	Emissions	HAITAI htb	Ton	14.6	8.4	11.4
	Intensity		kg/product-ton	0.028	0.015	0.022
	Emissions	Total	Ton	32.5	17.7	20.0
	Intensity		kg/product-ton	0.020	0.011	0.013
Waste	Emissions	LG H&H	Ton	11,307	10,303	10,307
	Intensity		kg/product-ton	32.061	34.833	36.108
	Emissions	Coca-Cola Beverage	Ton	6,906	6,957	5,445
	Intensity		kg/product-ton	9.756	9.311	7.257
	Emissions	HAITAI htb	Ton	5,837	6,432	6,836
	Intensity		kg/product-ton	11.072	11.860	12.981
	Emissions	Total	Ton	24,050	23,692	22,589
	Intensity		kg/product-ton	15.147	14.945	14.458
Nox[7)]	Emissions	LG H&H	Ton	5.547	3.352	2.570
	Intensity		kg/product-ton	0.016	0.011	0.009
	Emissions	Coca-Cola Beverage	Ton	4.518	5.064	4.387
	Intensity		kg/product-ton	0.006	0.007	0.006
	Emissions	HAITAI htb	Ton	7.126	8.788	4.365
	Intensity		kg/product-ton	0.014	0.016	0.008
	Emissions	Total	Ton	17.191	17.204	11.322
	Intensity		kg/product-ton	0.011	0.011	0.007

1) 2023.01.01~2023.12.31

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

2) Electricity: 680, Steam: 262, Other fuels: 144

3) Electricity: 550, Other Fuel: 353

4) Electricity : 301, Steam: 93, Other fuel : 208

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

Category		Overseas*				
		Company	Unit	2021	2022	2023
Production Volume		Beijing, China	Ton	5,767	6,018	6,811
		Dong Nai, Vietnam	Ton	1,532	1,631	2,195
		Guangzhou, China	Ton	9,208	5,937	5,280
		Saitama, Japan	Ton	492	346	414
		Dominica[1)]	Ton	-	303	185
		Total	Ton	16,999	14,235	14,885
Energy	Consumption	Beijing, China	TJ	19.4	17.7	20.6
	Intensity		GJ/ton of product	3.358	2.933	3.026
	Consumption	Dong Nai, Vietnam	TJ	12.1	12.9	12.5
	Intensity		GJ/ton of product	7.945	7.913	5.688
	Consumption	Guangzhou, China	TJ	82.7	57.3	52.2
	Intensity		GJ/ton of product	8.981	9.651	9.886
	Consumption	Saitama, Japan	TJ	10.6	10.4	10.0
	Intensity		GJ/ton of product	21.545	30.058	24.155
	Consumption	Dominica	TJ	-	43.2	23.5
	Intensity		GJ/ton of product	-	142.574	127.020
	Consumption	Total	TJ	124.80	141.4	118.8
	Intensity		GJ/ton of product	7.342	9.933	7.981
GHG	Consumption	Beijing, China	Ton CO_2e	1,056	963	1,124
	Intensity		Ton CO_2e/ton of product	0.183	0.160	0.165
	Consumption	Dong Nai, Vietnam	Ton CO_2e	588	624	616
	Intensity		Ton CO_2e/ton of product	0.384	0.383	0.280
	Consumption	Guangzhou, China	Ton CO_2e	4,756	3,175	2,882
	Intensity		Ton CO_2e/ton of product	0.517	0.535	0.546
	Consumption	Saitama, Japan	Ton CO_2e	512	502	484
	Intensity		Ton CO_2e/ton of product	1.041	1.451	1.170
	Consumption	Dominica	Ton CO_2e	-	2,299	1,244
	Intensity		Ton CO_2e/ton of product	-	7.587	6.726
	Consumption	Total	Ton CO_2e	6,912	7,563	6,350
	Intensity		Ton CO_2e/ton of product	0.407	0.531	0.427
Water	Consumption	Beijing, China	Ton	13,159	8,499	10,775
	Intensity		Ton/product-ton	2.282	1.412	1.582
	Consumption	Dong Nai, Vietnam	Ton	26,321	26,134	36,875
	Intensity		Ton/product-ton	17.181	16.023	16.800
	Consumption	Guangzhou, China	Ton	114,709	81,603	70,951
	Intensity		Ton/product-ton	12.458	13.746	13.438
	Consumption	Saitama, Japan	Ton	9,971	11,862	17,905
	Intensity		Ton/product-ton	20.267	34.283	43.249
	Consumption	Dominica	Ton	-	25,640	25,983
	Intensity		Ton/product-ton	-	84.620	140.450
	Consumption	Total	Ton	164,160	153,738	162,489
	Intensity		Ton/product-ton	9.657	10.800	10.916

Category		Overseas*				
		Company	Unit	2021	2022	2023
Wastewater	Consumption	Beijing, China	Ton	9,789	6,031	7,748
	Intensity		Ton/product-ton	1.697	1.002	1.138
	Consumption	Dong Nai, Vietnam	Ton	21,078	20,907	29,499
	Intensity		Ton/product-ton	13.758	12.819	13.439
	Consumption	Guangzhou, China	Ton	98,663	69,597	60,652
	Intensity		Ton/product-ton	10.715	11.723	11.487
	Consumption	Saitama, Japan	Ton	7,366	6,737	13,761
	Intensity		Ton/product-ton	14.972	19.470	33.239
	Consumption	Dominica	Ton	-	-	-
	Intensity		Ton/product-ton	-	-	-
	Consumption	Total	Ton	136,896	103,272	111,660
	Intensity		Ton/product-ton	8.053	7.255	7.502
COD	Consumption	Beijing, China	Ton	0.160	0.040	0.480
	Intensity		Ton/product-ton	0.028	0.007	0.070
	Consumption	Dong Nai, Vietnam	Ton	0.078	0.058	0.060
	Intensity		Ton/product-ton	0.051	0.036	0.027
	Consumption	Guangzhou, China	Ton	2.560	1.360	1.250
	Intensity		Ton/product-ton	0.278	0.229	0.237
	Consumption	Saitama, Japan	Ton	0.194	0.225	0.906
	Intensity		Ton/product-ton	0.395	0.649	2.188
	Consumption	Dominica	Ton	-	-	-
	Intensity		Ton/product-ton	-	-	-
	Consumption	Total	Ton	2.992	1.683	2.696
	Intensity		Ton/product-ton	0.176	0.118	0.181
Waste	Consumption	Beijing, China	Ton	165	177	165
	Intensity		Ton/product-ton	28.611	29.412	24.226
	Consumption	Dong Nai, Vietnam	Ton	64	87	87
	Intensity		Ton/product-ton	41.775	53.342	39.636
	Consumption	Guangzhou, China	Ton	553	446	403
	Intensity		Ton/product-ton	60.056	75.122	76.326
	Consumption	Saitama, Japan	Ton	95	88	55
	Intensity		Ton/product-ton	193.252	253.702	132.850
	Consumption	Dominica	Ton	-	49	45
	Intensity		Ton/product-ton	-	161.386	243.243
	Consumption	Total	Ton	877	847	755
	Intensity		Ton/product-ton	51.591	59.501	50.722

* 2023.01.01~2023.12.31

Water Recycling

Company	Category	Unit	2021	2022	2023
LG H&H	Amount of recycled water	Tons	46,645	24,423	24,770
	Recycling rate	%	7.8	4.2	4.1
Coca-Cola Beverage	Amount of recycled water	Tons	97,827	86,230	88,292
	Recycling rate	%	5.5	4.5	4.6
HAITAI htb	Amount of recycled water	Tons	73,291	73,326	54,992
	Recycling rate	%	5.8	5.3	4.3

Amount of Water Intake1) by Source (as of 2023)

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Water supply	Tons	446,766	1,650,881	1,053,812	3,151,459
Groundwater	Tons	146,572	147,712	240,022	534,306
River water	Tons	10,237	112,010	0	122,247
Total amount	**Tons**	**603,575**	**1,910,603**	**1,293,834**	**3,808,012**

Waste Treatment Status (as of 2023)

	Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Designated Waste	Amount of recycled waste	Tons	1,954.3	0.9	6.6	1,961.8
	Amount of incinerated waste	Tons	325.7	3.6	248.3	577.6
	Amount of buried waste	Tons	24.0	0.7	0.0	24.7
	Others	Tons	145.5	0.0	0.0	145.5
	Total amount	**Tons**	**2,449.4**	**5.1**	**254.8**	**2,709.3**
General Waste	Amount of recycled waste	Tons	5,101.4	5,378.2	6,472.4	16,952.0
	Amount of incinerated waste	Tons	2,608.1	48.0	15.3	2,671.4
	Amount of buried waste	Tons	36.2	13.8	25.6	75.6
	Others	Tons	112.2	0.0	68.0	180.2
	Total amount	**Tons**	**7,857.9**	**5,440.0**	**6,581.3**	**19,879.2**

Amount of Recycled Containers[1)]

Company	Unit	2021	2022	2023
LG H&H	Tons	19,875	20,623	19,984
Coca-Cola Beverage	Tons	48,200	53,929	53,461
HAITAI htb	Tons	9,945	14,258	14,364
Total amount	**Tons**	**78,020**	**88,810**	**87,809**

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.

Expenses for Environmental Protection (as of 2023)

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Environmental investments	KRW million	3,346	2,274	359	5,979
Environmental expenses	KRW million	3,758	591	874	5,223

Social Performance

Total Employees[1)]

Status of Employees at Domestic Corporation[2)]

Category		Unit	2021	2022	2023
Total number of employees		Person	7,466	7,387	7,314
Gender	Male	Person	4,907	4,783	4,689
	Females	Person	2,559	2,604	2,625

1) Ratio by country: Korea (71%), China (8%), Japan (5%), Vietnam (3%), Taiwan (3%), North America (5%), Other (5%)
2) Not including 2,930 employees in overseas subsidiaries

Status of Employees at Overseas Subsidiaries[3)]

Unit	Total number of employees	China	Japan	Vietnam	Taiwan	North America	Other[4)]
Person	2,930	859	468	351	273	517	462

3) Based on full-time employees
4) Singapore, Malaysia, Thailand, and Hong Kong subsidiaries

Employee Details

Company	Category		Unit	2021	2022	2023
LG H&H	Total number of employees		Persons	4,471	4,471	4,425
	Gender	Male	Persons	2,107	2,054	1,998
		Females	Persons	2,364	2,417	2,427
	Employment Type	Permanent	Persons	4,461	4,429	4,361
		Temporary	Persons	10	42	64
	Job category	Office work	Persons	2,597	2,669	2,610
		Manufacturing	Persons	768	735	734
		Sales	Persons	1,106	1,067	1,081
	Diversity	Disabled	Persons	30	27	28
		Veterans	Persons	64	65	64
		Foreigners	Persons	18	20	21
Coca-Cola Beverage	Total number of employees		Persons	2,244	2,175	2,163
	Gender	Male	Persons	2,118	2,054	2,033
		Females	Persons	126	121	130
	Employment Type	Permanent	Persons	1,989	1,954	1,952
		Temporary	Persons	255	221	211
	Job category	Office work	Persons	456	443	460
		Manufacturing	Persons	293	289	295
		Sales	Persons	1,495	1,443	1,408
	Diversity	Disabled	Persons	49	47	47
		Veterans	Persons	57	58	56
		Foreigners	Persons	0	0	1
HAITAI htb	Total number of employees		Persons	751	741	726
	Gender	Male	Persons	682	675	658
		Females	Persons	69	66	68
	Employment Type	Permanent	Persons	718	692	659
		Temporary	Persons	33	43	67
	Job category	Office work	Persons	233	225	224
		Manufacturing	Persons	261	265	270
		Sales	Persons	257	245	232
	Diversity	Disabled	Persons	16	13	12
		Veterans	Persons	11	11	9
		Foreigners	Persons	0	0	0

Internal Hires

Company	Category[1)]	Unit	2021	2022	2023
LG H&H	Percentage of internal hires	%	80.5	78.7	78.8
Coca-Cola Beverage	Percentage of internal hires	%	90.2	87.9	88.9
HAITAI htb	Percentage of internal hires	%	78.9	76.2	77.8

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

Diversity status(equal salary)[1)]

Company	Category	Sub-Category	Average female to male pay ratio
LG H&H	Management	Base salary	94.00%
		Total	93.50%
	Non-management	Base salary	79.70%
Coca-Cola Beverage	Management	Base salary	89.34%
		Total	89.58%
	Non-management	Base salary	111.80%
HAITAI htb	Management	Base salary	99.80%
		Total	93.11%
	Non-management	Base salary	99.50%

1) Managerial position: Head of part to head of division (excluding executives)

Employee Training Status

Company	Category	Unit	2021	2022	2023
LG H&H	No. of participants	Person	48,191	31,838	43,268
	Training hours per employee	Hours	58	64	61
	Training expense per employee	KRW	917,394	870,959	1,036,428
Coca-Cola Beverage	No. of participants	Person	66,113	9,485	7,010
	Training hours per employee	Hours	11	11	15
	Training expense per employee	KRW	89,952	156,032	180,842
HAITAI htb	No. of participants	Person	17,702	5,657	4,386
	Training hours per employee	Hours	29	34	35
	Training expense per employee	KRW	88,252	89,580	91,578

Human Capital Investment Efficiency

(Unit: Million KRW)

Category	2021	2022	2023
Total Revenue (A)	8,091,511	7,185,759	6,804,839
Home Sales Expenses (B)	6,801,881	6,474,636	6,317,858
Employee-Related Expenditure (C)	982,922	961,144	995,416
Human Capital ROI=(A-(B-C))/C	2.31	1.74	1.49

Parental Leave Status

Major Category	Middle Category	Subcategory(1)	Subcategory (2)	Unit	2021	2022	2023
Parental Leave	LG H&H	Number of parental leave users	Male	Persons	34	69	53
			Female	Persons	183	261	282
			Total	Persons	217	330	335
		Number of employees who returned from parental leave	Male	Persons	29	47	52
			Female	Persons	190	194	235
			Total	Persons	219	241	287
		Number of employees who worked for more than 12 months after returning to work	Male	Persons	19	25	42
			Female	Persons	166	168	186
			Total	Persons	185	193	228
		Ratio of employees who worked for more than 12 months after returning to work	Male	%	90	86	89
			Female	%	90	88	96
			Total	%	90	88	95
Parental Leave	Coca-Cola Beverage	Number of parental leave users	Male	Persons	1	1	5
			Female	Persons	4	3	3
			Total	Persons	5	4	8
		Number of employees who returned from parental leave	Male	Persons	1	2	2
			Female	Persons	1	4	2
			Total	Persons	2	6	4
		Number of employees who worked for more than 12 months after returning to work	Male	Persons	3	1	2
			Female	Persons	2	1	4
			Total	Persons	5	2	6
		Ratio of employees who worked for more than 12 months after returning to work	Male	%	100	33	100
			Female	%	100	100	100
			Total	%	100	50	100
Parental Leave	HAITAI htb	Number of parental leave users	Male	Persons	0	3	0
			Female	Persons	2	1	0
			Total	Persons	2	4	0
		Number of employees who returned from parental leave	Male	Persons	0	2	1
			Female	Persons	0	2	0
			Total	Persons	0	4	1
		Number of employees who worked for more than 12 months after returning to work	Male	Persons	0	2	2
			Female	Persons	0	2	1
			Total	Persons	0	4	3
		Ratio of employees who worked for more than 12 months after returning to work	Male	%	0	0	0
			Female	%	100	0	0
			Total	%	100	0	0

Job Creation[1)]

Company	Category	Unit	2021	2022	2023
LG H&H	Male	Persons	47	60	63
	Female	Persons	60	109	90
	Total	**Persons**	**107**	**169**	**153**
Coca-Cola Beverage	Male	Persons	26	24	38
	Female	Persons	1	4	8
	Total	**Persons**	**27**	**28**	**46**
HAITAI htb	Male	Persons	5	11	28
	Female	Persons	0	3	4
	Total	**Persons**	**5**	**14**	**32**

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

Turnover[1)] (as of 2023)

Company	Category	Unit	2021	2022	2023
LG H&H	Male	Persons	81	54	44
	Female	Persons	83	92	96
	Total	**Persons**	**164**	**146**	**140**
Coca-Cola Beverage	Male	Persons	13	6	2
	Female	Persons	2	5	1
	Total	**Persons**	**15**	**11**	**3**
HAITAI htb	Male	Persons	21	19	27
	Female	Persons	0	3	2
	Total	**Persons**	**21**	**22**	**29**

1) Based on the voluntary turnover of permanent employees, voluntary turnover rates of permanent employees: 2.5%

Labor Union Membership Rate[1)]

Category	Unit	2021	2022	2023
LG H&H	%	36.6	52.5	57.6
Coca-Cola Beverage	%	98.3	97.8	96.6
HAITAI htb	%	86.6	82.3	87.6

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

Industrial Accidents[1)]

Company	Category		Unit	2021	2022	2023
LG H&H	No. of cases	Male	Cases	2	3	1
		Female	Cases	2	1	2
		Subtotal	**Cases**	**4**	**4**	**3**
	Accident rate	Male	%	0.09	0.15	0.05
		Female	%	0.08	0.04	0.08
		Subtotal	**%**	**0.09**	**0.09**	**0.07**
Coca-Cola Beverage	No. of cases	Male	Cases	5	12	9
		Female	Cases	-	-	-
		Subtotal	**Cases**	**5**	**12**	**9**
	Accident rate	Male	%	0.23	0.58	0.44
		Female	%	-	-	-
		Subtotal	**%**	**0.22**	**0.55**	**0.42**
HAITAI htb	No. of cases	Male	Cases	4	4	3
		Female	Cases	-	-	-
		Subtotal	**Cases**	**4**	**4**	**3**
	Accident rate	Male	%	0.55	0.60	0.46
		Female	%	-	-	-
		Subtotal	**%**	**0.50**	**0.54**	**0.41**

1) 0 fatalities in 2021~2023, including in-house resident contractors

Lost Time Injury Frequency Rate (LTIFR)

Company	Category	Unit	2021	2022	2023
LG H&H	Employees	Incidents/million work hours	0.43	0.43	0.33
	In-house suppliers	Incidents/million work hours	0.84	1.56	1.35
Coca-Cola Beverage	Employees	Incidents/million work hours	1.13	2.65	2.00
HAITAI htb	Employees	Incidents/million work hours	2.82	2.60	1.99

Occupational Illness Frequency Rate (OIFR)

Category	Unit	2021	2022	2023
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 Amount[1] (as of 2022)

Region	Purchases (KRW 100 million)	Percentage (%)[2]
South Korea	23,246	86.82
China	843	3.15
Japan	282	1.05
Other Asia	751	2.80
Europe	834	3.12
North America	311	1.16
South America	310	1.16
Oceania	199	0.74

1) Purchases of raw materials, auxiliary materials, goods, and molds
2) Percentage of total purchases
* This is the consolidated purchase amount including the beverage part

Suppliers (as of 2023 in Korea)

Business Unit	Type	Number of Suppliers (Units)
Beautiful	Products	98
	Raw materials	249
	Subsidiary materials	129
	Molds	11
Healthy	Products	109
	Raw materials	236
	Subsidiary materials	94
	Molds	6
Refreshing	Products	23
	Raw materials	111
	Subsidiary materials	45
	Molds	3

Supplier Support Performance and Goals[1]

Category	No. of suppliers with improved safety quality ratings	Number of technical support	Amount of financial support
2021	240 companies (cumulative)	949 cases (cumulative)	KRW 178.89 billion (cumulative)
2022	300 companies (cumulative)	1153 cases (cumulative)	KRW 218.69 billion (cumulative)
2023	329 companies (cumulative)	1380 cases (cumulative)	KRW 233.61 billion (cumulative)
2025 Goal	104 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 Hours[1]

Category		Unit	2021	2022	2023
Social contribution investment	Total amount	KRW Million	68,532	48,587	28,473
	Cash	KRW Million	12,579	17,696	10,282
	Investment in-kind	KRW Million	55,953	30,891	18,191
2023 Overheads		KRW Million	1,053	1,079	888
Volunteer work	Hours	Hours	2,133	1,185	2,329
	Monetary value	KRW	83,063,942	47,286,058	82,858,654

1) 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)

Contributions to Participating Associations and Organizations[1]

(Unit: KRW)

	2020	2021	2022	2023
Lobbying/Interest Groups	0	0	0	0
Political Donations and Sponsorships	0	0	0	0
Industry-Related Associations and Organizations	753,327,600	780,634,723	795,986,463	806,851,640
Others	0	0	0	0
Total Contributions and Related Expenditures	**753,327,600**	**780,634,723**	**795,986,463**	**806,851,640**

1) According to the Political Funds Act of the Republic of Korea and LG H&H's Ethical Code of Conduct guideline, political donations and sponsorships using company assets and budgets are strictly prohibited. No contributions to lobbying/interest groups, regional election campaigns/candidates, or other political donations

(Unit: KRW)

Major associations	2023 Contributions
Korea Cosmetic Association	162,780,000
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	720,000

Major External Assessments and Awards

Category	Award Details	Evaluating / Awarding Organization
2022 Win-Win Growth Index	Selected as an Excellent Company	Shared Growth Committee
2023 JoongAng ESG Awards	Excellent Company in Food, Beverage, and Beauty Sector	JoongAng Ilbo
Outstanding Company for Linked Payment to Suppliers	Minister of SMEs and Startups (MSS) Award	Ministry of SMEs and Startups, Korea Fair Trade Commission
Green Packaging Contest	Minister of Environment Award	Korea Environmental Packaging Promotion Institute (KEPI)
Good Design Award (Japan)	Main Award	Japan Institute of Design Promotion
The International Design Excellence Awards; IDEA (USA)	Main Award in Packaging Category	Industrial Designers Society of America (IDSA)

Customer Satisfaction

Category	Unit	2021	2022	2023
Percentage of satisfied customers	%	88.5	88.8	88.7

Product Recalls

Category	Unit	2021	2022	2023
Number of products recalled	cases	0	1	0

Management System Certification Status

Company	Category	Category	ISO14001	ISO9001	ISO45001	KOSHA-MS	HACCP	ISO22716	Green Company	FSSC22000
LG H&H	Domestic	Cheongju, TP Plant	2021.12.02.~2024.12.01.	2023.12.13.~2026.12.12.	2022.11.18.~2025.11.17.			2022.11.15.~2025.11.15.		
		Ulsan	2023.11.24.~2026.11.24.	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	2023.10.27.~2026.10.26.	2023.10.27.~2026.10.26.						
		Incheon						2023.04.28.~2026.05.17.		
		Daejeon OBM Lab								
	Overseas	Vietnam	2023.11.12.~2026.11.12.	2023.11.20.~2026.11.12.						
		Beijing	2023.12.27.~2026.12.26.		2023.12.27.~2026.12.26.			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		Yeoju	2022.07.01.~2025.06.22.	2022.09.25.~2025.09.24.	2023.07.30.~2026.07.29.		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.	2023.07.30.~2026.07.29.		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.	2023.07.30.~2026.07.29.		2023.03.30.~2026.03.29.		2023.12.14.~2026.12.13.	2021.06.20.~2024.06.19.
HTB		Cheonan	2023.12.15.~2026.12.14.	2023.12.09.~2026.12.08.	2023.12.15.~2026.12.14.		2023.05.20.~2026.05.19.		2023.12.06.~2026.12.05.	2023.12.28.~2025.05.31.
		Cheorwon	2021.12.08.~2024.12.07.	2021.11.23.~2024.11.22.	2021.12.08.~2024.12.07.					2024.02.02.~2025.05.31.
		Pyeongchang	2023.08.10.~2026.08.09.	2023.12.17.~2026.12.16.	2021.06.27.~2024.06.26.					Bottled water : 2021.12.03.~2024.12.02. Preform manufacturing : 2022.11.30.~2025.11.29.
		Iksan1	2023.07.18.~2024.07.17.	2023.07.18.~2026.07.17.	2023.07.18.~2026.07.17					
		Iksan 2	2022.12.23.~2025.12.22.	2023.10.22.~2026.10.21.	2022.12.24.~2025.12.22.					

APPENDIX

GRI Standards Index	125
United Nations Global Compact (UNGC)	129
TCFD	130
SASB	132
Third-Party Assurance Opinion	134
Greenhouse Gas Emissions Assurance Opinion	137

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, 2023 to December 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	Currently unavailable(as of the reporting date of December 2023, the standard was not published for LG H&H's industry group(S&P 500, MSCI)), etc.

Indicators		Page	Remarks
General Disclosures			
GRI 2: General Disclosures 2021	2-1 Organizational details	8-9, 87	
	2-2 Entities included in the organization's sustainability reporting	2, 8-9	
	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	134-136	
	2-6 Activities, value chain and other business relationships	5-7, 10-11	
	2-7 Employees	119	
	2-8 Workers who are not employees	Business Report 346-347	LG H&H Standards
	2-9 Governance structure and composition	84	
	2-10 Nomination and selection of the highest governance body	84, 86	
	2-11 Chair of the highest governance body	84-85	
	2-12 Role of the highest governance body in overseeing the management of impacts	23, 30, 56, 73, 89, 92, 101, 106	
	2-13 Delegation of responsibility for managing impacts	23, 30, 56, 73, 89, 92, 101, 106	
	2-14 Role of the highest governance body in sustainability reporting	86	
	2-15 Conflicts of interest	84-85	
	2-16 Communication of critical concerns	Business Report 323-324	
	2-17 Collective knowledge of the highest governance body	87	

Indicators		Page	Remarks
GRI 2: General Disclosures 2021	2-18 Evaluation of the performance of the highest governance body	[306000] (Core Principle 6) To encourage active performance of duties by independent directors, their activities should be fairly assessed. Based on the results, remuneration and reappointment decisions should be made.	
	2-19 Remuneration policies	[306200] (Detailed Principle 6-2) - Remuneration for independent directors should be determined at an appropriate level, considering the evaluation results, the responsibilities of their duties, and the associated risks.	
	2-20 Process to determine remuneration	[306200] (Detailed Principle 6-2) - Remuneration for independent directors should be determined at an appropriate level, considering the evaluation results, the responsibilities of their duties, and the associated risks.	
	2-21 Annual total compensation ratio	87, Business Report 347-352	
	2-22 Statement on sustainable development Strategy	4	
	2-23 Policy commitments	52-54	
	2-24 Embedding policy commitments	52-54	
	2-25 Processes to remediate negative impacts	89-95, 102	
	2-26 Mechanisms for seeking advice and raising concerns	52, 102	
	2-27 Compliance with laws and regulations	Business Report 359-361	No material violations
	2-28 Membership associations(Initiatives)	129-133	
	2-29 Approach to stakeholder engagement	16-17	
	2-30 Collective bargaining agreements	121	

Indicators		Page	Remarks
Material Topics			
GRI 3:Material Topics 2021	3-1 Process to determine material topics	18-19	
	3-2 List of material topics	19	
Material Issues 1. Response to climate change(Carbon neutrality), 4. Energy usage reduction and efficiency improvement			
GRI 3: Material Topics 2021	3-3 Management of material topics	20-21, 22-23	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	31-32, 117	
	302-3 Energy intensity	116	
	302-4 Reduction of energy consumption	32	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	31, 116	
	305-2 Energy indirect (Scope 2) GHG emissions	31, 116	
	305-3 Other indirect (Scope 3) GHG emissions	138, 140, 142	Increased emissions due to the expansion of Scope 3 coverage * Increase in the number of suppliers (approximately 130) and categories (from 4 categories (categories 1, 5, 7, 12) to 7 categories (categories 1, 3, 5, 7, 12, 13, 15)
	305-4 GHG emissions intensity	116-117	
	305-5 Reduction of GHG emissions	31-32	
	305-7 Nitrogen oxides (NOx), sulfur oxides(SOx), and other significant air emissions	116	Sox, other major air emissions not subject to management
Material Issues 2. Enhancement of product responsibility and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	20-22, 24-25	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	25	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Business Report 359-361	
Material Issues 3. Reduction of environmental impact of packaging materials			
GRI 3: Material Topics 2021	3-3 Management of material topics	20-22, 26-27, 33-37	

Indicators		Page	Remarks
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	39	
	306-2 Management of significant waste-related impacts	27, 33	
	306-3 Waste generated	39, 116-117	
	306-4 Waste diverted from disposal	39, 118	
	306-5 Waste directed to disposal	39, 118	
Material Issue 5. Selection and evaluation of sustainable suppliers, 8. Strengthening of shared growth activities with suppliers			
GRI 3: Material Topics 2021	3-3 Management of material topics	106-108, 110-112	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	106	
	308-2 Negative environmental impacts in the supply chain and actions taken	107-108	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	105-108	
	414-2 Negative social impacts in the supply chain and actions taken	108	
Material Issue 6. Water conservation and management of wastewater discharge			
GRI 3: Material Topics 2021	3-3 Management of material topics	38	
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	38, 116-118	
	303-4 Water discharge	38, 116-117	
	303-5 Water consumption	38, 116-118	
Material Issue 7. Strengthening of the handling and management of hazardous substances			
GRI 3: Material Topics 2021	3-3 Management of material topics	25, 40, 60-64	
SASB	CG-HP-250a.3	61-63	

Indicators		Page	Remarks
Material Issue 9. Enhancement of global competitiveness and diversification of distribution channels			
GRI 3: Material Topics 2021	3-3 Management of material topics	68-71	
NON-GRI	No related topics		
Material Issue 10. Improvement of governance transparency			
GRI 3: Material Topics 2021	3-3 Management of material topics	84-87	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	119	
	405-2 Ratio of basic salary and remuneration of women to men	119	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	102	
Economic performance			
GRI 201: Economic performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	130-131	
Indirect Economic Impacts			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	78-82	
Procurement			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	122	
Anti-corruption			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	103	
	205-2 Communication and training about anti-corruption policies and procedures	102-103	
	205-3 Confirmed incidents of corruption and actions taken	102	

Indicators		Page	Remarks
Tax			
GRI 207: Tax 2019	207-1 Approach to tax	96	
	207-2 Tax governance, control, and risk management	96	
	207-3 Stakeholder engagement and management of concerns related to tax	96	
	207-4 Country-by-country reporting	115	
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	41	
	304-2 Significant impacts of activities, products and services on biodiversity	40-41	
	304-3 Habitats protected or restored	41-42	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	42	
Employment			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	121	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	49	
	401-3 Parental leave	49, 120	
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	56-57	
	403-2 Hazard identification, risk assessment, and incident investigation	56-57	
	403-3 Occupational health services	58	

Indicators		Page	Remarks
GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	56-58	
	403-5 Worker training on occupational health and safety	57	
	403-6 Promotion of worker health	58	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56-58	
	403-9 Work-related injuries	121	
	403-10 Work-related ill health	121	
Training and Education			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	120	
	404-2 Programs for upgrading employee skills and transition assistance programs	46-47	
Child Labor			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	54	Human rights impact assessment results show no issues with child labor, forced labor, or human trafficking

Indicators		Page	Remarks
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	54	Human rights impact assessment results show no issues with child labor, forced labor, or human trafficking
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	Business Report 361	
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

UNGC Communication on Progress

Since joining the United Nations Global Compact (UNGC) in 2012, LG H&H has committed to supporting and voluntarily adhering to the 10 UNGC principles. We actively implement and report on policies and activities in four key areas: human rights, labor, environment, and anti-corruption. By faithfully reporting our achievements, we fulfill our responsibility as a global corporate citizen, contributing to solving social issues domestically and internationally.

Category		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.	· Human Rights Policy · Code of Ethics Chapter 1 Responsibilities and Obligations to Customers 1. Respect for Customers	LG H&H prohibits discrimination based on gender or background, forced labor, etc., based on mutual trust and affection, and respects the human rights of each individual.	52, 101, 108
Principle 2.	A company should actively strive to avoid involvement in human rights violations.	· Code of Ethics Chapter 5 Responsibilities to Employees 1. Fair Treatment		101, 108
Labor				
Principle 3.	A company should support freedom of association and the effective recognition of collective bargaining.	· Human Rights Policy · Labor-Management Council Operating Guidelines · Code of Ethics Chapter 5 Responsibilities to Employees 1. Respect for human beings 2. Fair Treatment	LG H&H continuously strives to foster its employees as creative talents through original thinking and autonomous behavior.	44-48, 105-108
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.	· Code of Conduct for Suppliers · Code of Ethics Chapter 6 Responsibility to the Nation and Society 4. Emphasis on Environment/Safety/Health	LG H&H is promoting various eco-friendly activities to minimize the environmental impact of its business activities and preserve a clean environment.	26-27, 30-42
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.	· Code of Ethics Chapter 2 Fair Competition 2. Compliance with laws and regulations Chapter 4 Basic Ethics of Employees 4. Fair Job Performance	LG H&H performs all duties honestly and fairly based on the Group's Jeong-Do Management, manages its employees' and suppliers' ethical business activities, and practices fair trade.	84-103

TCFD

TCFD Disclosure

To strategically address climate change, LG H&H, through its ESG Committee under the Board of Directors, continuously monitors international and regional climate change trends and their impacts on the company. We proactively manage potential financial risks arising from climate change and transparently disclose related activities and performance. In accordance with the TCFD recommendations, we disclose information in four key areas: governance, strategy, risk management, and metrics and targets, as follows.

TCFD Recommendations	LG H&H Response
	Governance
a) Describe the board's oversight of climate-related risks and opportunities	LG H&H's Board of Directors is responsible for final decisions on company-wide climate change issues. To enhance the expertise and efficiency of these decisions, we have operated an ESG Committee since 2021. This committee reviews and supervises climate-related agendas and regularly reports its activities to the Board. In 2023, the ESG Committee reviewed progress against carbon neutrality goals, assessed risk management activities, and approved the climate action plan and eco-friendly design strategies for the upcoming year.
b) Describe management's role in assessing and managing climate-related risks and opportunities	LG H&H assigns C-level executives to key governance bodies, giving them joint responsibility for climate response. The CEO is a member of the ESG Committee and holds the final decision-making authority on climate change issues. The CFO chairs the ESG Council, sharing climate response strategies with employees. The CRO chairs both the Crisis Management Committee and the Green Products Council, enhancing climate risk prevention activities and promoting the transition to eco-friendly packaging. Additionally, we integrate environmental metrics such as sales of environmentally improved products and development of sustainable packaging into C-level KPIs to strengthen the motivation for environmental management.
	Strategy
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	LG H&H analyzes the business risks and opportunities that climate change poses to our domestic operations and value chain based on our short-term, medium-term, and long-term business timeline (short-term: up to 2025, medium-term: up to 2030, long-term: up to 2050). 1. Short-term (up to 2025): We anticipate that the increased frequency of natural disasters such as typhoons and floods will directly impact physical assets like factory facilities, leading to reduced production. However, we also foresee that enhanced external communication efforts, such as participating in eco-friendly initiatives and strengthening climate-related disclosures, will boost consumer brand preference, potentially translating into increased sales. 2. Medium-term (up to 2030): We expect that greenhouse gas-related regulations will become stricter, with higher costs for greenhouse gas emissions and mandatory emissions disclosures, resulting in additional operational costs. On the other hand, we anticipate cost savings in operations through efficient resource use, such as reduced recycling costs and lower energy and water procurement costs. 3. Long-term (up to 2050): We foresee a heightened need for the use of renewable energy in the industrial sector due to the energy transition policies being implemented by various countries. As demand for renewable energy increases, procurement costs for renewable energy may also rise. However, we expect increased consumption of eco-friendly products by certain consumer groups, such as those in climate-vulnerable regions and Gen Z. We aim to respond promptly to the growing demand for eco-friendly products by continuously developing and marketing climate-responsive products.
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	LG H&H establishes management directions for all identified potential risks and opportunities. We prioritize addressing high-priority risks by undertaking activities to prevent their occurrence or mitigate their negative impacts. Furthermore, we consider ways to link these responses with overall business opportunities, transforming risks into growth drivers rather than merely mitigating them. For example, we have identified 84 detailed technical tasks applicable yearly, including improving energy efficiency, expanding renewable energy use, and transitioning to eco-friendly vehicles at LG H&H, Coca-Cola Beverage, and HAITAI htb business sites by 2030. We have established an investment plan of approximately 200 billion KRW to support these initiatives. In 2023, we continued carbon reduction activities such as improving energy efficiency through facility enhancements and introducing eco-friendly vehicles, investing a total of 1.8 billion KRW. Additionally, we align business opportunities with consumer interest in products with improved resource circularity. We are actively expanding product lines that enhance resource circularity, such as applying recycled plastic to beverage and cosmetic containers, reducing container weight, introducing single-material packaging that improves recyclability, and developing packaging using upcycled paper from waste clothing and sterile packs. These initiatives reflect our commitment to integrating climate-related considerations into our business strategy and financial planning.
c) Describe the resilience of LG H&H	LG H&H has set a top-down reduction target of a 45% reduction in Scope 1, 2, and 3 emissions by 2030, based on the IPCC* scenario to limit global temperature rise to below 1.5 degrees Celsius. We aim to bridge the gap between this top-down reduction target and the bottom-up reduction goals, calculated by examining achievable tasks within LG H&H, such as improving process efficiency, fuel switching, transitioning to renewable energy, and adopting environmentally friendly vehicles. This will be achieved by comparing the economic viability of reduction methods like RECs and boilers and making flexible decisions based on the progression of climate change. Additionally, we have identified potential impacts on business sites, factories, and production facilities through both quantitative and qualitative analyses of physical risks posed by climate change. These analyses are based on the IPCC's RCP 1.9 and 8.5 scenarios and the IEA**'s NZE and STEPS scenarios. Identified physical risks, such as heavy rainfall, heatwaves, typhoons, sea level rise, and fine dust, will be continuously monitored through our risk management system to minimize potential damage from these physical risks. * IPCC: Intergovernmental Panel on Climate Change ** IEA: International Energy Agency

TCFD Recommendations	LG H&H Response
	Risk Management
a) Describe the organization's processes for identifying and assessing climate-related risks	LG H&H adopts the TCFD recommendations to categorize and define climate-related risks. We classify risks into two main categories: physical risks and transition risks, identifying elements that could potentially impact our business. We conduct both qualitative and quantitative analyses on identified risks, estimating the anticipated timing of risk manifestation within our short, medium, and long-term business strategy periods. We then gather input from relevant internal departments to assess the priority of each risk and discuss the urgency of the required response.
b) Describe the organization's processes for managing climate-related risks	LG H&H implements activities to proactively prevent and mitigate the impacts of climate-related risks. Our ESG team monitors these risks on a quarterly basis, continuously assessing their potential impact. The progress of climate change response activities is also regularly monitored, with the ESG Council and ESG Working Council responsible for these tasks. The status of monitored risks and the progress of responses are ultimately reported to the Board of Directors after review by the ESG Committee.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	LG H&H operates a comprehensive enterprise risk management system, monitoring and responding to potential risks. Climate-related risks are integrated into this system and are monitored quarterly to continuously assess their impact on the organization at the enterprise level. Potential risks are categorized into four areas: strategic, risk, financial, and operational. These risks are monitored and managed by relevant departments or at the enterprise level, depending on their nature.
	Metrics and Targets
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	LG H&H continues to monitor and evaluate climate-related risks and opportunities by securing quantitative data on greenhouse gas emissions and intensity, which directly impact climate change. Emission data for Scope 1, 2, and 3 are disclosed to stakeholders through the sustainability report and CDP responses. Additionally, we disclose and manage data on key environmental indicators such as energy and water usage, wastewater, and waste. This enables us to respond to various climate change risks and opportunities in both the short and medium-to-long term across all production activities. We plan to gradually expand the scope of Scope 3 emissions calculations and continuously refine our calculation methods to comply with increasingly stringent climate information disclosure regulations.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	In 2023, LG H&H's greenhouse gas emissions totaled 365,834 tCO2-eq, encompassing both direct and indirect emissions from within our operations (Scope 1 & 2) as well as other indirect emissions (Scope 3). Detailed information regarding our greenhouse gas emissions and status is disclosed through the CDP Climate Change response.
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	LG H&H has established an ambitious goal of achieving carbon neutrality by 2050. To realize this goal, we have introduced a series of greenhouse gas reduction initiatives. By 2030, we aim to reduce Scope 1, 2, and 3 emissions by 45% compared to 2020 levels. By 2050, we plan to achieve a 100% reduction in these emissions.

SASB

SASB Index

LG H&H strives to comprehensively include sustainability information in its ESG report, aligned with the Sustainability Accounting Standards Board (SASB) metrics. We apply the sustainability indicators relevant to the Household & Personal Products sector for LG H&H, and the Non-Alcoholic Beverages sector for Coca-Cola Beverage and HAITAI htb. This approach ensures more accurate and transparent reporting.

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	116	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	38	
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	CG-HP-250a.1	40	
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	40	
	Discussion of process to identify and manage emerging materials and chemicals of concern	CG-HP-250a.3	63	
	Revenue from products designed with green chemistry principles	CG-HP-250a.4	56	
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	33-36	
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	CG-HP-410a.2	26-27, 33-37	
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	109	
	Non-Alcoholic Beverages Sustainability Accounting Standard			
Fleet Fuel Management	Fleet fuel consumed, percentage renewable	FB-NB-110a.1	116	
Energy Management	(1) Operational energy consumed, (2) percentage grid electricity and (3) percentage renewable	FB-NB-130a.1	116	
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	116	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	38	
Health & Nutrition	Revenue from (1) zero- and low-calorie, (2) no-added-sugar, and (3) artificially sweetened beverages	FB-NB-260a.1	66-71	
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	FB-NB-260a.2	64	

Topic	Metric	Code	Page	Remarks
Product Labelling & Marketing	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines1	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	128	
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling practices2	FB-NB-270a.4	128	
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	27, 33-34	
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	FB-NB-410a.2	27, 29, 33-34	
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	107-108	
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	-	

bsi.

INDEPENDENT ASSURANCE OPINION STATEMENT

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

Overview

BSI (British Standards Institution) Group Korea (hereinafter referred to as the "Assurer") was requested to verify the LG H&H ESG Report 2023 (hereinafter referred to as the "Report"). The Assurer is independent of LG H&H and has no major operational financial interest other than the assurance. This assurance opinion statement is intended to provide information related to the assurance of the LG H&H report relating to the environment, social and governance (ESG) to the relevant stakeholders and may not be used for any purpose other than the purpose of publication. This assurance opinion statement was prepared based on the information presented by the LG H&H and the assurance was carried out under the assumption that presented the information and data were complete and accurate.

LG H&H is responsible for managing the relevant information contained within the scope of assurance, operating the relevant internal control procedures, and for all information and claims contained in the report. Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to LG H&H only.

The Assurer is responsible for providing LG H&H management with an independent assurance opinion containing professional opinions derived by applying the assurance methodology to the scope specified, and to provide the information to all stakeholders of LG H&H. The Assurer shall not bear any other responsibility, including legal responsibility, to any third party other than LG H&H in providing the assurance opinion and shall not be liable to any other purpose, purpose or stakeholders related thereto for which the assurance opinion may be used.

Scope

The scope of engagement agreed upon with LG H&H includes the following:

- Reporting contents during the period from January 1st to December 31st 2023 included in the report, some data included the 2024.
- Major assertion 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.
- In Accordance with the four principles of AA1000 AccountAbility in the report, based on the type of Sustainability Assurance based on AA1000AS v3 and if applicable, the reliability of the sustainability performance information contained in the report.

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.

Assurance Level and Type

The assurance levels and types are as follows;

- Moderate level based on AA1000 AS and Type 2 (confirmation to the four principles as described in the AA1000 Accountability Principle 2018 and quality and reliability of specific performance information published in the report.)

Description and sources of disclosures covered

Based on the scope and methodology of assurance applied, the assurer reviewed the following Disclosures based on the sampling of information and data provided by LG H&H.

[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]

201-2, 203-1, 204-1, 205-1~3, 207-1~4, 302-1, 302-3~4, 303-1~5, 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, 414-1~2, 415-1, 416-1~2, 417-2~3, 418-1

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;

- A top-level review of issues raised by external parties that could be relevant to organizations policies to provide a check on the appropriateness of statements made in the report.
- Discussion with managers and staffs on organization's approach to stakeholder engagement.
- Review of the supporting evidence related to the material issues through interviews with senior managers in the responsible departments.
- 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
- Verification of data generation, collection and reporting for each performance index and document review of relevant systems, policies, and procedures where available
- An assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 AccountAbility Principles Standard (2018).
- Visit of the Seoul HQ of LG H&H to confirm the data collection processes, record management practices.

Limitations and approach used to mitigate limitations

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.

Competency and Independence

BSI (British Standards Institution) is a leading global standards and assessment body founded in 1901. BSI 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 globally. 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.

Opinion Statement

The assurer was carried out by a team of sustainability report assurors in accordance with the AA1000 Assurance Standard v3. Assurer planned and performed this part of our work to obtain the necessary information and explanations assurer considered to provide sufficient evidence that LG H&H's description of their approach to AA1000 Assurance Standard and their self-declaration of compliance with the GRI standards were fairly stated.

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. We believe that the economic, social and environment performance indicators are accurate and are supported by robust internal control processes.

Conclusions

The Report is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards). The detailed reviews against the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact and the GRI Standards are set out below.

Inclusivity: Stakeholder Engagement and Opinion

LG H&H defined customers, employees, shareholders/investors, suppliers, local communities and governments/public agencies/associations as a Key Stakeholder Groups. In order to collect opinions by each stakeholder groups in the context of sustainability, operated the stakeholder engagement process. LG H&H conducted a review of the stakeholder engagement process at the governance level in order to reflect the major issues derived through the stakeholder engagement process in sustainability strategy and goals. LG H&H disclosed the results related to the process in the Report.

Materiality: Identification and reporting of material sustainability topics

LG H&H implemented its own materiality assessment process in consideration of the major business and operational characteristics to derive important reporting issues related to sustainability. In the materiality assessment, LG H&H conducted the analysis of global sustainability reporting or assessment standards, analysis of benchmarking the same industry to derive the impact and financial materiality. LG H&H derived 10 material issues(3 Core issues and 7 reporting issues) through the relevant process, and disclosed GRI topic standards (topic standards) related to material issues in the Report.

Responsiveness: Responding to material sustainability topics and related impacts

LG H&H operated a management process for key issues in the context of sustainability derived from the materiality assessment. LG H&H established mid- to long-term sustainability plans and goals in according to the management methodology established to effectively reflect the expectations of key stakeholders. LG H&H reviewed through major management organizations, disclosed the process including policy, indicator, activity and response performance on key issues in the Report.

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

LG H&H identified the scope and extent of the impacts to the organization and key stakeholders in the context of the sustainability of the material issues reported. LG H&H established sustainability strategies and objectives based on the analysis results of major impacts, including risks and opportunities for material issues at the governance level, disclosed mid- to long-term plans and strategic system in the Report.

Findings and conclusions concerning the reliability and quality of specified performance information

Among the GRI Topic Standards, the following disclourse were carried out in a assurance Type 2 based on the information and data provided by the reporting organization. In order to verify the reliability and accuracy of the data and information, internal control procedures related to data processing, processing, and management were verified through interviews with the responsible department, and accuracy was verified through sampling. Errors and intentional distortions in sustainability performance information included in the report were not found through assurance processes. The reporting organization manages the sustainability performance information through reliable internal control procedures and can track the process of deriving the source of the performance. Errors and unclear expressions found during the assurance process were corrected during the assurance process and prior to the publication of the report, and the assurer confirmed the final published report with the errors and expressions corrected.

- GRI Topic standards: 302-1, 302-3, 302-4, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-3, 306-4, 306-5, 403-9, 403-10 (Related Energy, waste, water, direct greenhouse gas emissions (Scope1), indirect greenhouse gas emissions (Scope2), other indirect greenhouse gas emissions (Scope 3), NOx emissions and LTIFR)

Recommendations and Opportunity for improvement

The assurer will provide the following comments to the extent that they do not affect the result of assurance;

- It may be helpful to advance the sustainability management system by establishing a sustainability index management system for subsidiaries of consolidated such as overseas subsidiaries and strengthening internal control procedures to proactively respond to the requirements of global sustainability disclosure standards,
- It may be helpful to advance the enterprise-wide sustainability management system by classifying the sustainability strategies, goals, and detailed tasks of each subsidiary by each industry considering the industry characteristics of the major consolidated subsidiaries.

GRI-reporting

LG H&H provided us with their self declaration of compliance within GRI Standards. Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index. The Assurer confirmed that the Report was prepared in accordance with the GRI Standards and the disclosures related to the Universal Standards and Topic Standards Indicators based on the data provided by LG H&H. The sector standard was not applied.

Issue Date: 27/06/2024

For and on behalf of BSI (British Standards Institution):

BSI representative

Jungwoo Lee,
Lead Assurer, ACSAP

Seonghwan Lim,
Managing Director of BSI Korea

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Hold Statement Number: SRA 749665

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000-4/V3-CFN7Q

Greenhouse Gas Emission Verification Statement(LG H&H) - Scope 1,2

Verification Target

Korean Foundation for Quality (hereinafter 'KFQ') has conducted a verification of Scope 1, 2 Greenhouse Gas Emissions (hereinafter 'GHG emissions') of LG Household & Health Care Co., (hereinafter 'Company') for 2023.

Verification Scope

KFQ's verification scope covered on all facilities and emission sources under the operational control and organizational boundary of LG Household & Health Care Co., during 2023.

Verification Criteria

The verification process was based on [Rule for emission reporting and certification of greenhouse gas emission trading Scheme[1)]], [2006 IPCC Guidelines for National Greenhouse Gas Inventories] for every applicable part.

1) Notification No. 2023-221 of Ministry of Environment

Level of Assurance

The Verification has been planned and conducted as the 'Rules for verification of operating the greenhouse gas emission trading scheme', and the level of assurance for verification shall be satisfied as limited level of assurance. And it was confirmed through an internal review whether the process before the verification was conducted effectively.

Verification Opinions

Regarding to the data of the Greenhouse Gas Emission Consumption from the report through the verification, KFQ provides our verification opinions as below;

1) GHG emissions for 2023 of Company were properly calculated according to the verification standards.
2) The data and information used in calculating the GHG emissions were appropriate, reasonable, and no significant errors or omissions could affect verification statement were not found.
3) Thus, KFQ concludes that the GHG emissions of Company in 2023 is correctly calculated and stated in accordance with 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme'.

Verification Limitation

The verification shall contain the potential inherent limitation in the process of application of the verification criteria and methodology.

(Unit: tCO_2eq)

Scope1	Scope2	Total
7,355	42,195	49,545

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units

Summary of GHG Emissions Results

Organization: LG H&H Co.
Emission calculation period: The emission calculation period is from January 1st to December 31st, 2023.

(Unit: tCO_2eq)

Business site	Scope1	Scope2	Total
Ulsan	4,493.702	9,698.781	14,192
Headquarters	537.346	1,136.598	1,673
Cheongju	27.950	10,385.110	10,413
Cheongju TP	816.902	4,473.421	5,290
Onsan	1,167.557	6,956.455	8,124
Incheon	140.091	419.253	559
Daejeon OBM Lap	0	100.7	100
Magok SP Lap	46.833	4,979.1	5,025
Daejeon Research Institute	100.136	796.623	896
Warehouse	24.584	3,054.498	3,079
Direct Sales	0	194.587	194
Total	**7,355**	**42,195**	**49,545**

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units

March 13th,2024
CEO **Ji-Young Song**
Korean Foundation for Quality

Ji Young Song

National Institute of Environmental Research

Korean Foundation for Quality

Greenhouse Gas Emission Verification Statement(LG H&H) - Scope 3

Introduction

Korea Productivity Center Quality Assurance (hereinafter 'KPC-QA') has been engaged by LG H&H Co., Ltd (hereinafter the 'Company') to independently verify its 2022 Scope 3 Greenhouse Gas Emission Report (hereinafter 'Inventory Report') under limited assurance.

It is the responsibility of the Company to compile the 'Inventory Report' according to the ISO 14064-1 and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. KPC-QA has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Verification Scope

The following are included in the scope of this Verification.

☐ Scope: Scope 3-other indirect emissions
☐ Organizational boundaries: Domestic sites of LG H&H Co., Ltd
☐ Categories : Total 7 categories as bellow
- Category 1. Purchased Goods and Services
- Category 3. Fuel and Energy Related Activities Not Included in Scope 1 or Scope 2
- Category 5. Waste generated in operations
- Category 7. Employee commuting
- Category 12. End-of-life treatment od sold products
- Category 13. Downstream leased assets
- Category 15. Investments

* According to the guidelines for LGH&H, small-scale emission facilities(facilities with less than 5% of total emissions or less than 100tCO_2eq), mobile combustion and lack of data partially excluded

** Category 1 limited to only 103 partner companies "Production Stage"out of total 160 partner companies

Assurance level

Limited level of assurance

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KPC-QA obtained reasonable basis to express the following conclusion on the 2022 LG H&H Co., Ltd Inventory Report.

1) The Inventory Report has been prepared reasonably against ISO 14064-1 and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard
2) As a result of materiality assessment on Scope 3 GHG emissions of LG H&H Co., Ltd, the verification has been prepared in accordance with the requirements of ISO 14064-3.

Total Annual Emissions (tCO_2-eq)	Category 1. Purchased Goods and Services	53,386
	Category 3. Fuel - and Energy-Related Activities Not Included in Scope 1 or Scope 2	4,102
	Category 5. Waste Generated in Operations	3,447
	Category 7. Employee Commuting	675
	Category 12. End-of-life treatment od sold products	25,348
	Category 13. Downstream leased assets	1,377
	Category 15. Investments	155
	Total Emissions (Scope 3)	**88,490**

* Reporting period: 2023.01.01~2023.12.31

kpc

June 12, 2024
CEO **Kang Jang Jin**
Korea Productivity Center Quality Assurance

Greenhouse Gas Emission Verification Statement(Coca-Cola Beverage) - Scope 1,2

Verification Target

Korean Foundation for Quality (hereinafter 'KFQ') has conducted a verification of Scope 1, 2 Greenhouse Gas Emissions (hereinafter 'GHG emissions') of Coca-Cola Beverage Company (hereinafter 'Company') for 2023.

Verification Scope

KFQ's verification scope covered on all facilities and emission sources under the operational control and organizational boundary of Coca-Cola Beverage Company during 2023.

Verification Criteria

The verification process was based on [Rule for emission reporting and certification of greenhouse gas emission trading Scheme[1)]], [2006 IPCC Guidelines for National Greenhouse Gas Inventories] for every applicable part.

1) Notification No. 2023-221 of Ministry of Environment

Level of Assurance

The Verification has been planned and conducted as the 'Rules for verification of operating the greenhouse gas emission trading scheme', and the level of assurance for verification shall be satisfied as limited level of assurance. And it was confirmed through an internal review whether the process before the verification was conducted effectively.

Verification Limitation

The verification shall contain the potential inherent limitation in the process of application of the verification criteria and methodology.

Verification Opinions

Regarding to the data of the Greenhouse Gas Emission Consumption from the report through the verification, KFQ provides our verification opinions as below;

1) GHG emissions for 2023 of Company were properly calculated according to the verification standards.
2) The data and information used in calculating the GHG emissions were appropriate, reasonable, and no significant errors or omissions could affect verification statement were not found.
3) Thus, KFQ concludes that the GHG emissions of Company in 2023 is correctly calculated and stated in accordance with 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme'.

(Unit: tCO_2eq)

Scope1	Scope2	Total
19,786	26,329	46,113

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units

Summary of GHG Emissions Results

Organization: Coca-Cola Beverage Company
Emission calculation period: The emission calculation period is from January 1st to December 31st, 2023.

(Unit: tCO_2eq)

Business site	Scope1	Scope2	Total
Yeoju	8,231.057	12,598.239	20,829
Yangsan	2,468.950	6,943.731	9,412
Gwangju	1,664.874	4,508.692	6,173
Warehouse	7,421.573	2,277.958	9,699
Total	**19,786**	**26,329**	**46,113**

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units

March 13th,2024
CEO **Ji-Young Song**
Korean Foundation for Quality

Ji Young Song

Greenhouse Gas Emission Verification Statement(Coca-Cola Beverage) - Scope 3

Introduction

Korea Productivity Center Quality Assurance (hereinafter 'KPC-QA') has been engaged by Coca-Cola Beverage Company (hereinafter the 'Company') to independently verify its 2022 Scope 3 Greenhouse Gas Emission Report (hereinafter 'Inventory Report') under limited assurance. It is the responsibility of the Company to compile the 'Inventory Report' according to the ISO 14064-1 and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. KPC-QA has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Verification Scope

The following are included in the scope of this Verification.

☐ Scope: Scope 3-other indirect emissions
☐ Organizational boundaries: Domestic sites of Coca-Cola Beverage Company
☐ Categories: Total 4 categories as bellow
- Category 1. Purchased Goods and Services
- Category 3. Fuel - and Energy-Related Activities Not Included in Scope 1 or Scope 2
- Category 5. Waste generated in operations
- Category 12. End-of-life treatment od sold products

* According to the guidelines for Coca-Cola Beverage Company, small-scale emission facilities(facilities with less than 5% of total emissions or less than 100tCO_2eq), mobile combustion and lack of data partially excluded

Assurance level

Limited level of assurance

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KPC-QA obtained reasonable basis to express the following conclusion on the 2022 Coca-Cola Beverage Company Inventory Report.

1) The Inventory Report has been prepared reasonably against ISO 14064-1 and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard
2) As a result of materiality assessment on Scope 3 GHG emissions of Coca-Cola Beverage Company the verification has been prepared in accordance with the requirements of ISO 14064-3.

Total Annual Emissions (tCO_2-eq)	Category 1. Purchased Goods and Services	72,106
	Category 3. Fuel - and Energy-Related Activities Not Included in Scope 1 or Scope 2	4,895
	Category 5. Waste Generated in Operations	109
	Category 12. End-of-life treatment od sold products	58,559
	Total Emissions (Scope 3)	**135,669**

* Reporting period: 2023.01.01~2023.12.31

June 12, 2024
CEO **Kang Jang Jin**
Korea Productivity Center Quality Assurance

Greenhouse Gas Emission Verification Statement(HAITAI htb) - Scope 1,2

Verification Target

Korean Foundation for Quality (hereinafter 'KFQ') has conducted a verification of Scope 1, 2 Greenhouse Gas Emissions (hereinafter 'GHG emissions') of HAITAI htb Co., Ltd (hereinafter 'Company') for 2023.

Verification Scope

KFQ's verification scope covered on all facilities and emission sources under the operational control and organizational boundary of HAITAI htb Co., Ltd during 2023.

Verification Criteria

The verification process was based on 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme[1)]', '2006 IPCC Guidelines for National Greenhouse Gas Inventories' for every applicable part.

1) Notification No. 2023-221 of Ministry of Environment

Level of Assurance

The Verification has been planned and conducted as the 'Rules for verification of operating the greenhouse gas emission trading scheme', and the level of assurance for verification shall be satisfied as limited level of assurance. And it was confirmed through an internal review whether the process before the verification was conducted effectively.

Verification Limitation

The verification shall contain the potential inherent limitation in the process of application of the verification criteria and methodology.

Verification Opinions

Regarding to the data of the Greenhouse Gas Emission Consumption from the report through the verification, KFQ provides our verification opinions as below;

1) GHG emissions for 2023 of Company were properly calculated according to the verification standards.
2) The data and information used in calculating the GHG emissions were appropriate, reasonable, and no significant errors or omissions could affect verification statement were not found;
3) Thus, KFQ concludes that the GHG emissions of Company in 2023 is correctly calculated and stated in accordance with 'Rule for emission reporting and certification of greenhouse gas emission trading Scheme'.

(Unit: tCO_2eq)

Scope1	Scope2	Total
10,639	19,182	29,818

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units

Summary of GHG GHG Emission Results

Organization: HAITAI htb Co., Ltd.

Emission calculation period: The emission calculation period is from January 1st to December 31st, 2023.

(Unit: tCO_2eq)

Business site	Scope1	Scope2	Total
Cheonan	7,966.427	10,137.712	18,104
Pyeongchang	63.844	5,995.308	6,059
Cheorwon	2.934	843.610	846
Iksan1	1,148.851	981.092	2,129
Iksan2	370.461	910.041	1,280
Warehouse	1,086.592	314.309	1,400
Total	**10,639**	**19,182**	**29,818**

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units

March 13th,2024
CEO **Ji-Young Song**
Korean Foundation for Quality

Ji Young Song

Greenhouse Gas Emission Verification Statement(HAITAI htb) - Scope 3

Introduction

Korea Productivity Center Quality Assurance (hereinafter 'KPC-QA') has been engaged by HAITAI htb Co.,Ltd (hereinafter the 'Company') to independently verify its 2022 Scope 3 Greenhouse Gas Emission Report (hereinafter 'Inventory Report') under limited assurance. It is the responsibility of the Company to compile the 'Inventory Report' according to the ISO 14064-1 and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. KPC-QA has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Verification Scope

The following are included in the scope of this Verification.

☐ Scope: Scope 3-other indirect emissions
☐ Organizational boundaries: Domestic sites of HAITAI htb Co.,Ltd
☐ Categories: Total 4 categories as bellow
- Category 1. Purchased Goods and Services
- Category 3. Fuel - and Energy-Related Activities Not Included in Scope 1 or Scope 2
- Category 5. Waste generated in operations
- Category 12. End-of-life treatment od sold products

* According to the guidelines for HAITAI htb Co.,Ltd, small-scale emission facilities(facilities with less than 5% of total emissions or less than 100tCO_2eq), mobile combustion and lack of data partially excluded

Assurance level

Limited level of assurance

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KPC-QA obtained reasonable basis to express the following conclusion on the 2022 HAITAI htb Co.,Ltd Inventory Report.

1) The Inventory Report has been prepared reasonably against ISO 14064-1 and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard
2) As a result of materiality assessment on Scope 3 GHG emissions of HAITAI htb Co.,Ltd, the verification has been prepared in accordance with the requirements of ISO 14064-3.

Total Annual Emissions (tCO_2-eq)	Category 1. Purchased Goods and Services	8,296
	Category 3. Fuel - and Energy-Related Activities Not Included in Scope 1 or Scope 2	3,565
	Category 5. Waste Generated in Operations	708
	Category 12. End-of-life treatment od sold products	3,630
	Total Emissions (Scope 3)	**16,198**

* Reporting period: 2023.1.1~2023.12.31

June 12, 2024
CEO **Kang Jang Jin**
Korea Productivity Center Quality Assurance

LG H&H