

# 2023 LG H&H Human Rights and Supply Chain Report



# About This Report

## Overview

LG H&H has been publishing annual human rights reports since 2020, starting with the first Human Rights Report. We strive to share our various efforts in human rights management externally. LG H&H works across the entire value chain for sustainable business and aims to embed human rights management within the company. In 2023, we are publishing the LG H&H Human Rights and Supply Chain Report to transparently share the status and achievements of human rights and supply chain management. This report serves as a communication channel to gather stakeholder feedback and incorporate it into our management activities.

## Period and Scope

The reporting period for this report is from January 1, 2023, to December 31, 2023. Some sections use data from 2021 onwards to confirm trends and cumulative data. Certain data includes information from 2024 for timeliness and relevance. The report covers LG H&H headquarters and its domestic and international subsidiaries, including Coca-Cola Beverage and Haitai HTB, and the LG H&H supply chain. Any differences in reporting scope or data changes are separately noted. This report is published annually and was issued in June 2024.

## Writing Standards and Principles

This report complies with the items and content suggested by international human rights initiatives and frameworks, including the UN Guiding Principles Reporting Framework and the Corporate Human Rights Benchmark Index (CHRB).


## Verification

This report has undergone third-party verification by Sustainability Lab, a professional verification 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.

## Inquiries

For further inquiries regarding this report, please use the contact information below:

### LG H&H Co., Ltd. ESG Team

 Tel  
02-6924-6927/6082/6118

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

 Website  
www.lghnh.com

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# Human Rights Management Policy and Governance

## CEO Human Rights Policy Declaration

LG H&H strives to be the best lifestyle culture company that realizes customers' beauty and dreams. Since its founding in 1947, we have been dedicated to achieving a healthy and beautiful life with our customers. To practice LG Group's management philosophy of 'Respecting Human Dignity,' we have established a human rights policy that comprehensively applies to all stakeholders. This includes employees, customers, suppliers, joint ventures, partners, affiliates, and local communities, respecting their humanity and guaranteeing their dignity.

As a corporate citizen, LG H&H openly supports principles declared in the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work. We respect all international norms and standards related to human rights.

This human rights policy applies to LG H&H's headquarters, domestic and international subsidiaries, including Coca-Cola Beverage and Haitai HTB, and all related stakeholders. We will thoroughly analyze potential human rights impacts in our business activities and do our best to prevent and mitigate them. In the event of unavoidable human rights violations, we will take steps to minimize the impact following appropriate human rights remediation procedures.

June 2024  
CEO & President of LG H&H **Jung Ae Lee**

LG H&H Human Rights Policy 

## Human Rights Policy

### Prohibition of Discrimination

LG H&H shall not discriminate in hiring, wages/compensation, promotion, etc., on the basis of factors such as race, age, gender, nationality, disability, pregnancy, labor union membership, marital status, social status, or sexual orientation, etc. In particular, the "zero tolerance" principle applies to severe discriminatory acts.

### Humane Treatment

All employees shall be respected as humans, and they shall not be treated in any severe and inhumane way including sexual harassment and abuse, corporal punishment, mental and physical coercion, verbal abuse, or irrational restriction at work.

### Prohibition of Forced Labor

All employees shall not be forced to work against their free will with their mental and/or physical freedom restricted by means of assault, threat, or confinement. Forced labor and related practices, including slavery and human trafficking, are also prohibited. All labor shall be based on free will, and no employees shall be required to hand over their identification card, passport, and/or work permission card issued by the government on condition of employment.

### Labor of Women and Children

Children shall not be employed for any kind of job position. "Children" signifies those aged under a certain minimum age standard, and the minimum age for work is determined by the regulations of each country and region. Underage and/or pregnant employees are excluded from dangerous tasks. In accordance with ILO agreements ratified by each country, working conditions including age regulations shall be observed.

### Working Hours

Working hours and days shall be determined in accordance with the regulations of each country and region concerning regular and overtime working hours and holidays.

### Wages and Welfare

LG H&H shall comply with all national and local labor-related laws and regulations in the countries in which it operates. The compensation paid to all workers includes the minimum wage, overtime, and legally mandated welfare benefits. We do not discriminate in pay based on gender among workers holding the same position and adhere to the principle of equal remuneration. Furthermore, going beyond legal obligations, we strive to ensure payment of a living wage so that employees and their families can maintain a lifestyle that fulfills their basic needs. This applies to both our own operations and the companies with which we conduct business (such as affiliated companies and partners).

### Freedom of Association

In accordance with the labor-related regulations of each country and region, the freedom of association and the right to bargain collectively shall be secured. All employees should be guaranteed an environment where they can communicate with the management with no fear of discrimination, retaliation, threat, or harassment.

### Protection of Personal Information

The personal information of all stakeholders shall be strictly protected, and it shall not be leaked or utilized for any other use without prior approval of the relevant stakeholder, and there will be zero tolerance for violations. The company shall deliver only true information, avoid any false information, and shall fulfill this promise.

# Human Rights Management Policy and Governance

## Human Rights Management Policy

LG H&H's management philosophy is 'Respecting Human Dignity.' Human rights management is crucial to practicing this philosophy. LG H&H respects all stakeholders, including employees, customers, partners, affiliates, and local communities. We ensure the rights of human dignity through our human rights policy, applied comprehensively across all business activities. We also adhere to labor laws in each country and region. We strive to ensure job stability and fair wages for our employees. As a corporate citizen, we support the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and The OECD Guidelines for Multinational Enterprises.

LG H&H publicly discloses its human rights management policy. We actively communicate with internal and external stakeholders. We conduct human rights education for employees to enhance awareness and respect for human rights. Additionally, we monitor potential human rights issues continuously.

LG H&H has established various policies related to human rights, including the Human Rights Policy, to practice human rights management.

Policies	Scope	Content	Link
<a href="#">Human Rights Policy</a>	Employees, customers, partners including suppliers and joint ventures, affiliates, local communities	Policies to implement the management of respecting human dignity	<a href="#">Link</a>
<a href="#">Ethical Guidelines</a>	Employees	Guidelines presenting standards for correct behavior and value judgment for employees	<a href="#">Link</a>
<a href="#">Workplace Sexual Harassment and Bullying Prevention Policy</a>	Employees	Policies to prevent harm from sexual harassment and bullying in the workplace	<a href="#">Link</a>

## Human Rights Management Governance

LG H&H has established an ESG governance system to manage human rights effectively. This system handles ESG goals, tasks, and responses to issues systematically. Under our human rights management framework, we formed a human rights governance structure. The ESG Committee, our highest decision-making body, oversees major ESG issues, programs, and shared growth achievements.

### Human Rights and Sustainable Supply Chain Organization



### ESG Committee

In 2021, LG H&H created the ESG Committee under the Board of Directors to enhance ESG management related to environment, society, and governance. The ESG Committee consists of the CEO and all outside directors. It meets at least twice a year regularly. As the highest decision-making body for sustainable management, the ESG Committee formulates and approves fundamental ESG policies and strategies, mid- to long-term ESG goals, and plans and activities for ESG management. It also addresses major ESG risks and responses, serving as the control tower for ESG governance. In 2023, the committee met twice, with 100% attendance from all directors.



# Human Rights Risk Management Process

## Human Rights Management Process

LG H&H strives to implement the principles of 'Protect, Respect, Remedy' based on the UN Guiding Principles on Business and Human Rights. We ensure the protection of human rights for all stakeholders throughout our business processes. We also conduct due diligence<sup>1)</sup> on the direct and potential human rights impacts of our business activities.

We carry out human rights impact assessments on domestic and international production sites, subsidiaries, and suppliers. This includes surveys, self-assessments, the LG Way survey, compliance risk checks, and environmental safety diagnostics. We conduct these assessments annually to review vulnerable human rights issues regularly. Identified issues are managed by dedicated departments, which develop mitigation plans and monitor improvements. Furthermore, we report identified issues, mitigation plans, and management results to the ESG Council. Significant human rights issues are reported to and reviewed by the ESG Committee.

1) Due Diligence: Investigations to identify, prevent, and mitigate potential negative impacts in business operations, supply chains, and other business relationships. Refer to the OECD Due Diligence Guidance for Responsible Business Conduct.



### Human Rights Management Process



# Human Rights Risk Management Process

## Human Rights Risk Identification

LG H&H regularly checks the human rights status throughout the business process to eradicate human rights violations. We analyze the internal and external environment to identify human rights risks and understand their impact, assessing the level of risk. When identifying risks, we comprehensively use global human rights standards and principles, as well as feedback from stakeholder engagement and grievance channels. Additionally, we consider the safety of products that may affect stakeholders, including local communities and customers. We ensure product design, manufacturing, distribution, and marketing comply with domestic and international regulations. We establish internal management processes that align with these regulations, conducting prior reviews. When launching new products, we consider potential impacts from the design stage and incorporate stakeholder feedback to build a sustainable business model.

### Human Rights Risk Review Items

Category	Key Stakeholders				Detailed Review Items
	Employee	Supply Chain	Customer	Community	
Human Rights Management System	●	●			Human rights management policies, efforts to establish the system, implementation of human rights impact assessments, grievance procedures, and reporting channels
Prohibition of Discrimination	●	●			Hiring process, job transfers, performance assessments, promotions, compensation, training opportunities, non-regular workers, gender, foreign nationals, and discrimination during and after maternity leave
Compliance with Working Hours	●	●			Management of working hours (52-hour work week) and reduced working hours for pregnant employees
Safety and Health	●	●			Management of facilities, management of safety protective equipment, work environment, safety and health awareness training, mental health, management of industrial accidents, and health checkups
Guarantee of Environmental Rights	●	●	●	●	Environmental management systems, monitoring of goals, environmental impact assessments, mitigation measures, minimization efforts, and emergency plans
Protection of Information	●	●	●		Personal information collection and consent procedures, monitoring of information protection risks, and management of personal information breaches
Freedom of Association	●	●			Freedom of association and collective bargaining, and prohibition of disadvantages based on these activities
Prohibition of Child Labor	●	●			Prohibition of employment below the minimum legal working age
Prohibition of Forced Labor and Human Trafficking	●	●			Prohibition of forced labor, sexual exploitation, labor exploitation, and organ trafficking
Wages and Welfare	●	●			Payment of at least the minimum wage, equal remuneration, leave systems, work-life balance, and retirement benefit systems
Prevention of Workplace Harassment and Bullying	●	●			Prevention of physical, verbal, visual, and other forms of sexual harassment, prohibition of inappropriate behavior such as insults, verbal abuse, and physical violence, and prevention of unfair work orders and unreasonable demands unrelated to work
Grievance Handling	●	●	●		Grievance handling systems, counseling processes, and disciplinary procedures when harm occurs
Protection of Human Rights in Local Communities	●	●		●	Compliance with local residents' requests for consultation on business activities under relevant law

# Human Rights Risk Management Process

## Human Rights Impact Assessment

LG H&H conducted its first human rights survey for employees in 2020. Since then, we have regularly performed human rights impact assessments to identify potential human rights risks. In 2024, we conducted a comprehensive human rights impact assessment for all employees. We identify human rights issues that employees experience directly or indirectly. This allows us to monitor the company's human rights status. We implement mitigation and remedy actions for identified risks. The survey is based on major international human rights guidelines and includes questions on direct and indirect experiences.

In 2023, we added the human rights management system and environmental rights protection areas to the assessment. This aimed to institutionalize human rights management in business activities and comply with environmental improvement obligations. We implemented necessary measures to institutionalize human rights management, established a disclosure system for related information, and reported human rights practices internally and externally. We also prepared and operated grievance procedures for potential human rights violations. Additionally, we established and maintained an environmental management system. We disclosed environmental information internally and externally. We developed emergency plans to prevent, mitigate, and control severe environmental damage and disasters.

The assessment was conducted by an external professional agency to ensure objectivity and anonymity. We carried it out through an external online platform. We also regularly conduct Workplace Human Rights Self-Assessment and Workplace Human Rights Due Diligence to minimize human rights risks. LG H&H will continue its efforts to protect employees' human rights through regular human rights impact assessments.

### Overview of Human Rights Management Survey

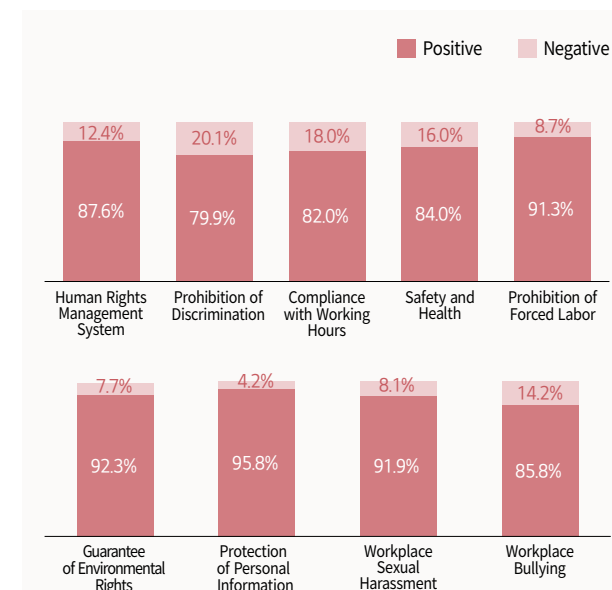
<b>Purpose</b>	Check human rights status and identify potential human rights risks
<b>Target</b>	All employees of LG H&H, Coca-Cola Beverage, and Haitai HTB
<b>Organizer</b>	LG H&H ESG Team and third-party verification agency
<b>Method</b>	Online survey based on a checklist targeting all employees
	60 items to identify direct and indirect experiences with human rights issues
<b>Area</b>	Human Rights Management System
	Prohibition of Discrimination
	Compliance with Working Hours
	Safety and Health
	Prohibition of Forced Labor
	Guarantee of Environmental Rights
	Protection of Personal Information
	Workplace Sexual Harassment
	Workplace Bullying

### Survey Identified Issues

Category	Assessment Issues
Human Rights Management System	Human rights management policies, efforts to establish the system, implementation of human rights impact assessments, grievance procedures, and reporting channels
Prohibition of Discrimination*	Hiring process, job transfers, performance assessments, promotions, compensation, training opportunities, non-regular workers, gender, foreign nationals, and discrimination during and after maternity leave
Compliance with Working Hours	Management of working hours (52-hour work week) and reduced working hours for pregnant employees
Safety and Health	Management of facilities, management of safety protective equipment, work environment, safety and health awareness training, mental health, and management of industrial accidents
Prohibition of Forced Labor	Employment contracts, forced overtime, freedom to resign
Guarantee of Environmental Rights	Environmental management systems, monitoring of goals, environmental impact assessments, mitigation measures, minimization efforts, and emergency plans
Protection of Personal Information	Personal information collection and consent procedures, monitoring of information protection risks, and management of personal information breaches
Workplace Sexual Harassment	Prevention of physical, verbal, visual, and other forms of sexual harassment
Workplace Bullying	Prohibition of inappropriate behavior such as insults, verbal abuse, and physical violence, and prevention of unfair work orders and unreasonable demands unrelated to work

\* Experiences of unfair discrimination based on gender, age, appearance, race/ethnicity/nationality, disability, pregnancy, and childbirth, unrelated to job performance

### Response by Issue

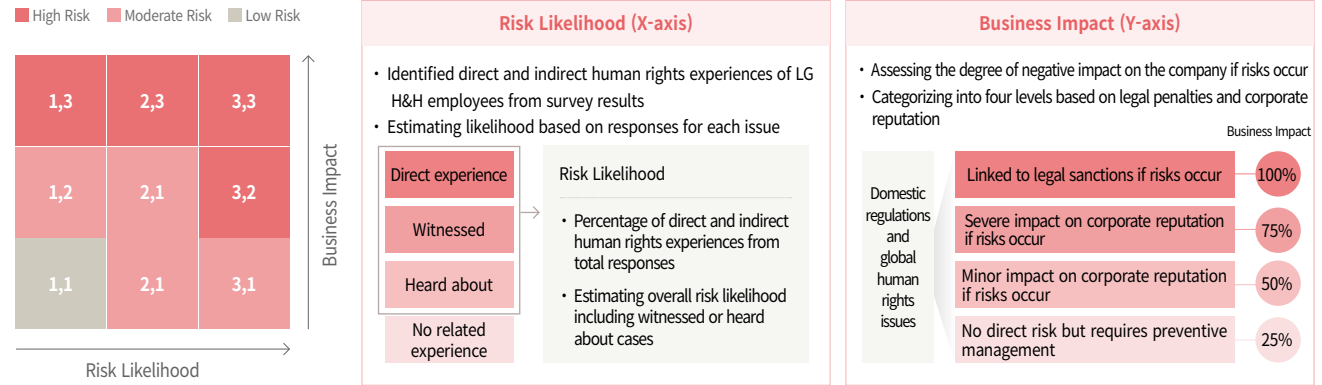




# Human Rights Risk Management Process

## Human Rights Risk Assessment Process

LG H&H assesses the risk of each human rights issue based on the likelihood of occurrence, legal violations, and potential business impact, such as damage to corporate image. We assess risk occurrence likelihood by calculating the percentage of negative experiences related to human rights issues from total responses, including indirect experiences. Business impact is determined by identifying legal risks and potential negative effects on the company. Through this process, we analyze risk levels and identify human rights risks that require priority management.



**Normal** Bottom 40% issues in risk likelihood, Less than 25% in business impact

**Needs Management** Top 20% issues in risk likelihood, More than 75% in business impact

**Moderately Risky** Top 20% to 60% issues in risk likelihood, More than 25% in business impact

## Human Rights Survey Results

In a human rights impact assessment conducted with 884 LG H&H employees, we identified potential risks related to 1) mental health management due to stress, 2) prohibition of discrimination in performance and work execution, and 3) verbal harassment in the workplace. To minimize potential risks and prevent shortcomings, we implemented several mitigation programs. We introduced an absolute assessment system to enhance objectivity and fairness in employee performance management. Various job transfer opportunities are provided through internal hiring programs. We also support flexible work schedules and vacation programs to alleviate employees' mental stress. To prevent workplace harassment, we conduct continuous improvement activities through monitoring by operational departments, team workshops, and case education. We operate a workplace harassment counseling center, accepting reports via email, phone, and face-to-face meetings at any time.

Category	Establishing/Implementing Improvement Tasks
Safety and Health	<ul style="list-style-type: none"> <li>Supporting stable adaptation and growth of new employees through the onboarding program 'Check-in Life Health'</li> <li>Promoting work-life balance culture through the campaign 'On-time Arrival and Departure, No Overtime Culture'</li> <li>Supporting mental health treatment and counseling costs through the Mind Care program within the Employee Care Program (ECP)</li> <li>Assisting employees in having meaningful vacations through the 'Request for Leave' program</li> <li>Operating a psychological counseling room with a professional therapist present once a week for workplace stress management</li> </ul>
Prohibition of Discrimination	<ul style="list-style-type: none"> <li>Enhancing leadership capabilities through the 'Ellingers Program', which encourages daily leadership self-reflection, and the 'Impact Leadership' program, featuring thematic leadership role-plays</li> <li>Designing employee growth experiences through the 'Growth Survey'</li> <li>Activating internal recruitment and providing various job transfer opportunities through the 'Job Posting' program</li> <li>Offering continuous job transfer counseling to help employees develop their skills and grow through the Career Care program within ECP</li> </ul>
Workplace Bullying	<ul style="list-style-type: none"> <li>Conducting 'First-Class Dignity' training to prevent workplace bullying</li> <li>Operating the 'Workplace Sexual Harassment and Bullying Reporting Center' for prevention and reporting</li> <li>Providing '1 on 1 Communication Skill Training for New Leaders' to establish proper communication skills of new leaders</li> </ul>



# Human Rights Risk Management Process

## Human Rights Due Diligence and Self-Assessment at Workplaces

LG H&H has been conducting human rights due diligence for employees and workplaces since 2019, aiming to manage human rights and labor risks. In 2023, we conducted human rights due diligence and self-assessments at 21 domestic and international workplaces to prepare for potential human rights issues.

### Human Rights Due Diligence at Overseas Workplaces (Workplaces in Beijing, Guangzhou, China and Dong Nai, Vietnam)

In 2023, we resumed human rights due diligence at overseas workplaces, which had been halted due to COVID-19. In October, we visited the Beijing and Guangzhou workplaces in China and the Dong Nai workplace in Vietnam over two weeks. We inspected 133 items across 10 topics, including the establishment of human rights management systems and prohibition of discrimination in employment. The assessment revealed deficiencies in institutionalizing human rights management, managing working hours, and managing suppliers. Based on the results, we enhanced our human rights management system and strengthened human rights capabilities. In May 2024, we conducted ESG Training for Overseas Workplaces for resident employees in Beijing, Guangzhou, and Vietnam. This training covered major ESG issues, country-specific issues, and response strategies. We plan to expand ESG training to local employees to increase understanding of human rights management systems and human rights risks, and to promote a culture of respecting human rights. Additionally, we translated and distributed several policies already established and implemented at the headquarters to address policy application gaps at overseas workplaces. Regarding working hours management, we identified some instances of overtime work and recommended securing additional personnel and adjusting workloads to avoid overtime. We will continue to monitor working hours. Furthermore, to enhance human rights risk management for suppliers at overseas workplaces, we revised the existing screening criteria for overseas suppliers. We focused on responsible mineral sourcing,

improving management of conflict minerals, and strengthening oversight of suppliers responsible for sourcing and procuring these minerals.

Category	Potential Issues	Establishing/Implementing Improvement Tasks
Human Rights Management Institutionalization	<ul style="list-style-type: none"> <li>Need for institutionalizing and enhancing human rights management</li> <li>Need to strengthen employees' human rights capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Translate and distribute human rights policies</li> <li>Conduct ESG training for resident employees, plan to expand to local hire</li> </ul>
Working Hours Management	<ul style="list-style-type: none"> <li>Instances of overtime work identified</li> </ul>	<ul style="list-style-type: none"> <li>Prevent overtime by securing additional personnel and adjusting workloads</li> </ul>
Supplier Management	<ul style="list-style-type: none"> <li>Need to establish screening criteria for suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Revise screening criteria for suppliers at overseas workplaces</li> </ul>

For the remaining 18 domestic and international sites, we conducted a self-assessment of workplace human rights. The results identified humane treatment of workers and overtime hours as major potential human rights issues. To prevent such issues, LG H&H provides 'First-Class Dignity' training to all employees to prevent workplace bullying and sexual harassment. We also operate a Workplace Sexual Harassment and Bullying Reporting Center to actively address potential human rights problems. LG H&H is committed to thoroughly understanding and preventing human rights issues and risks. We will continuously develop our human rights risk management system and promote various activities to strengthen our capabilities.

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



1) Due Diligence: Investigations to identify, prevent, and mitigate potential negative impacts in business operations, supply chains, and other business relationships. Refer to the OECD Due Diligence Guidance for Responsible Business Conduct.

## Internal Supplier Human Rights Impact Assessment

LG H&H conducts ESG assessments to help suppliers identify and manage potential risks related to creating a safe working environment, managing worker rights, and environmental responsibility. To strengthen human rights assessments, we conduct annual human rights impact assessments through self-checks with key internal suppliers. In 2023, we assessed 50 internal suppliers and identified three areas needing improvement. We established priority and long-term improvement tasks. Of the three identified tasks, we have implemented one improvement task and are working on the long-term improvement tasks in collaboration with relevant LG H&H teams. We plan to continuously monitor the progress of these improvements.

Category	Potential Issues	Establishing/Implementing Improvement Tasks
Human Rights and Labor	<ul style="list-style-type: none"> <li>Compliance with employment regulations and minimum wage postings</li> </ul>	<ul style="list-style-type: none"> <li>Post employment regulations prominently in the workplace</li> </ul>
Environmental Safety	<ul style="list-style-type: none"> <li>Annual general health check-ups based on the Occupational Safety and Health Act</li> </ul>	<ul style="list-style-type: none"> <li>Recommend regular health check-ups for general check-up recipients</li> </ul>
Environmental Safety	<ul style="list-style-type: none"> <li>Conducting emergency evacuation drills</li> </ul>	<ul style="list-style-type: none"> <li>Conduct emergency evacuation drills once a year</li> </ul>

# Human Rights Risk Management Process

## Human Rights Risk Assessment Results and Improvement Measures

LG H&H implements preventive measures to eradicate human rights violations throughout its business processes. We regularly assess the human rights status based on the risk identification process. If negative impacts on human rights are identified, we take corrective actions such as personnel measures, training, and improvement of related systems to prevent recurrence.

**Employee** • Human Rights Impact Assessment Methods: Human rights surveys, workplace human rights checks, human rights due diligence, grievance reporting channels

Human Rights Management Areas	Review Items	Unit	Status			Improvement Measures	
			2021	2022	2023		
Prohibition of forced labor and compliance with working hours	Compliance with legal working hours	%	100	100	100	<ul style="list-style-type: none"> <li>Established compliance processes for legal working hours through flexible work schedules and staggered working hours</li> <li>Launched campaigns to improve working hours and promote work-life balance</li> </ul>	
	Compliance with reduced working hours for pregnant employees	%	100	100	100		
Prohibition of child labor	Presence of child labor	Cases	0	0	0	<ul style="list-style-type: none"> <li>Zero incidents of child labor</li> </ul>	
	Number of employees undergoing health checkups	Persons	7,610	7,439	7,166		
Safety and health	Number of employees benefiting from psychological counseling	Persons	49	99	197	<ul style="list-style-type: none"> <li>Special lectures for emotional labor positions, establishing and distributing emotional labor guidelines</li> <li>Supported mental health treatment and counseling through the 'Mind Care' program within ECP</li> <li>Operated health campaigns like Red Circle Week to prevent cardiovascular diseases</li> <li>Developed health emergency scenarios for response to health crises</li> <li>Operated a psychological counseling room with a professional therapist once a week since 2020</li> </ul>	
	Lost Time Injury Frequency Rate (LTIFR)	Per 1 million working hours	0.84	1.30	0.99		
	Industrial accident rate	Female	%	0.08	0.04		0.08
		Male	%	0.22	0.40		0.28
	Employee engagement level	Points	82	82	81		
Prohibition of discrimination and respect for diversity*	Gender ratio of employees	Female	%	52.9	54.1	54.8	<ul style="list-style-type: none"> <li>Provided various job transfer opportunities through the internal 'Job Posting' program to prevent discrimination in employee opportunities</li> <li>Conducted '1 on 1 Communication Skill' training for new leaders to enhance communication skills</li> <li>Strengthened support systems for balancing childcare to prevent career interruption:                             <ul style="list-style-type: none"> <li>Supported infertility treatment costs</li> <li>Implemented family care leave and telecommuting for childcare</li> <li>Operated an on-site childcare center</li> <li>Implemented reduced working hours for employees with childcare responsibilities</li> </ul> </li> </ul>
		Male	%	47.1	45.9	45.2	
	Number of employees using parental leave	Female	Persons	183	261	282	
		Male	Persons	34	69	53	
	Return rate from parental leave	%	94.0	97.6	97.3		
	Retention rate one year after returning from parental leave	%	89.9	88.1	94.6		
Prevention of sexual harassment and eradication of bullying	Rate of sexual harassment prevention training	%	100	100	100	<ul style="list-style-type: none"> <li>Operated a workplace bullying counseling center</li> <li>Resolved 100% of sexual harassment/bullying cases, with 9 disciplinary actions taken (including recommendations for resignation and reprimands according to internal regulations)</li> </ul>	
Freedom of association	Rate of bullying prevention training	%	100	100	100		
	Number of sexual harassment/bullying grievances handled	Cases	12	5	9		
Freedom of association	Union membership rate*	%	36.6	52.5	57.6	<ul style="list-style-type: none"> <li>Zero incidents reported</li> </ul>	
	Rate of collective bargaining application	%	100	100	100		

\*Based on separate data of LG H&H

**New Business** • Human Rights Impact Assessment Method: Reviewing human rights risks when pursuing new business (including mergers and acquisitions)

Human Rights Management Areas	Review Items	Unit	Status			Improvement Measures
			2021	2022	2023	
Labor rights	Number of human rights risks identified in new business	Cases	0	0	0	<ul style="list-style-type: none"> <li>Zero incidents reported</li> </ul>

# Human Rights Risk Management Process

**Supplier** • Human Rights Impact Assessment Methods: ESG assessment of suppliers, ESG on-site assessments of suppliers, internal supplier human rights self-assessments, human rights review during raw material procurement

Human Rights Management Areas	Review Items	Unit	Status			Improvement Measures	
			2021	2022	2023		
Safety and Health	Lost Time Injury Frequency Rate (LTIFR)*	Per 1 million working hours	0.84	1.56	1.35		
	Number of suppliers undergoing ESG assessments	Companies	469	398	366		
	Number of high-risk suppliers identified	Companies	-	30	30	• ESG assessments conducted for 366 suppliers, improvement plans established for 30 high-risk suppliers	
Employee Labor Rights	Number of suppliers undergoing ESG on-site assessments	Companies	12	30	30		
	Number of suppliers participating in capacity-building programs	Companies	-	159	131	• 'Not Giving and Receiving Gifts' campaign conducted to prevent unfair practices	
	Number of supplier grievances reported	Cases	27	8	27		
	Number of internal supplier human rights assessments conducted	Companies	62	67	50	• Assessments conducted for 50 suppliers, 3 improvement plans currently being implemented	
Responsible purchasing	Significant supplier status	Number of Tier 1 suppliers	Companies	-	254	251	
		Number of non-Tier 1 suppliers	Companies	-	12	13	
	Proportion of sustainable palm oil (RSPO) purchased	%	33.7	61.5	60.2	• Increased use of synthetic mica instead of natural mica in cosmetics manufacturing (plan to transition to 100% synthetic mica)	
	Membership certification with Responsible Mica Initiative (RMI)	%	100	100	100	• Establishment of sustainable raw material procurement policies	
	Use of gold certified by RMAP or equivalent certification	%	100	100	100		

**Customers and Community** • Human Rights Impact Assessment Methods: Customer VOC, grievance reporting channels

Human Rights Management Areas	Review Items	Unit	Status			Improvement Measures
			2021	2022	2023	
Consumer Protection	Customer satisfaction rate	%	88.5	88.8	88.7	• Established new customer consultation system to enhance response to customer issues and convenience - Integrated management of customer claims occurring at domestic and international sites - Improved convenience in resolving customer issues
	Consumer consultation satisfaction rate	Points	4.7	4.74	9.3 <sup>1)</sup>	
	Number of customer complaints handled (handling rate)	Cases(%)	17,145(-99.5)	14,886(-99.6)	10,608(-99.7)	
Customer data protection	Security review	Cases	(Newly Introduced)	141	170	• Passed ISMS renewal audit and completed certification renewal (2023) <sup>2)</sup> • Utilized security review process - Conducted 170 security reviews (2023) - Operated 65 scenarios across 26 systems, explained and managed 45 suspicious activities (2023) • Monitored abnormal activities and external intrusion attempts on internal user PCs in 6 overseas subsidiaries (2023) • Zero hacking incidents
			Percentage of users using customer data for secondary purposes	%	0	
	Number of companies conducting personal information security checks	Companies	65	55	58	• No personal information used for secondary purposes • Zero issues reported
Community	Number of human rights risks identified during business expansion	Cases	0	0	0	• Supported social integration of vulnerable groups (disabled, women, elderly) - Operated 'Bright Nuri', a standard workplace for the disabled, and 'Gowonnuri', a subsidiary-type standard workplace for the disabled - Selected 35 natural beauty creators from career-interrupted women and job seekers (2023) - Re-employed retirees and elderly in the supplier technical support team • Zero issues reported

1) Max customer satisfaction score changed from 5 to 10 starting in 2023.



2) Certification by Korea Internet & Security Agency

# Grievance Handling and Remedial Actions

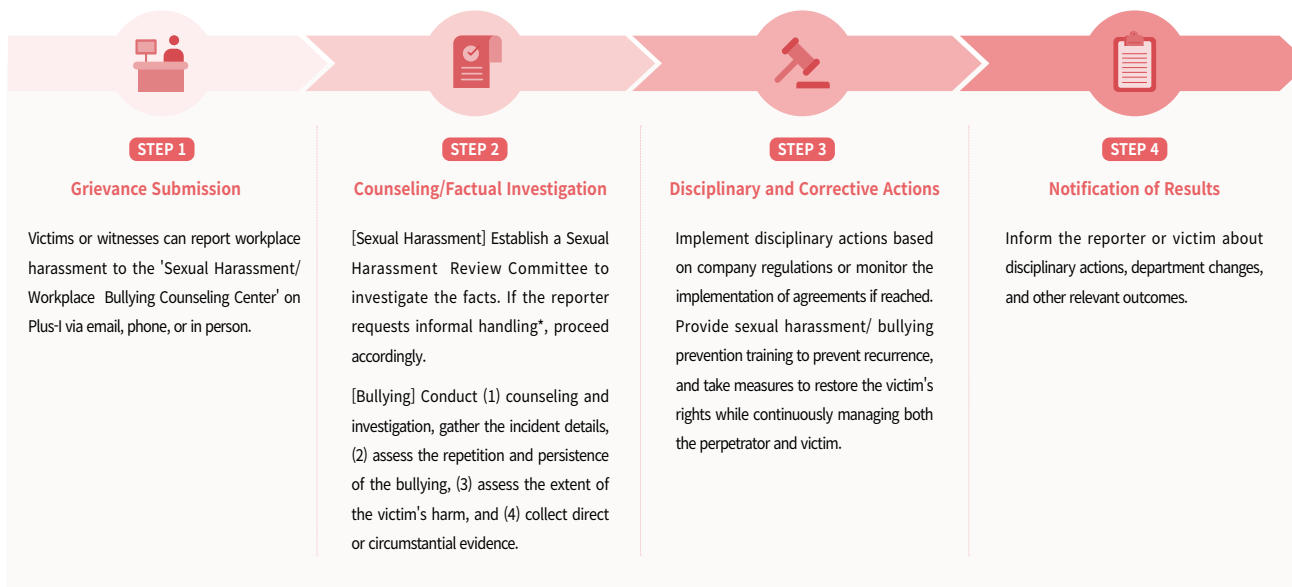
## Grievance Handling and Stakeholder Engagement

All stakeholders, including employees, customers, suppliers, joint ventures, affiliates, and local communities, can report human rights grievances through our grievance channels at any time. The identity of the reporter is never disclosed without their consent, and no information suggesting their identity is revealed.

### Human Rights Grievance Channels

 <b>Organizational Culture Division</b>	<ul style="list-style-type: none"> <li>• Phone: 02-6924-6676</li> <li>• Email: culture@lghnh.com</li> </ul>	 <b>Jeong-Do Management Division</b>	<ul style="list-style-type: none"> <li>• Phone: 02-6924-6830</li> <li>• Email: culture@lghnh.com</li> </ul>
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### Workplace Sexual Harassment/Bullying Reporting and Counseling Process



\* Informal Handling Procedure: Summarize and review the reporter's requests, communicate them to the accused, monitor the implementation if accepted, and if not, listen to both parties' opinions through mediation, draft an agreement, and ensure its implementation.

### Stakeholder Engagement Channels

Stakeholder	Communication Channel	Frequency
Customer 	Company and brand websites, CS portal, VOC, call centers, customer complaint reception and feedback	As needed
	Customer surveys	Annually
Supplier 	Integrated purchasing portal	As needed
	Supplier ESG assessments, supplier feedback	Annually
	Supplier Shared Growth Review Committee	Four times a year
Employee 	Intranet and grievance handling programs	As needed
	Employee satisfaction surveys	Annually
	Employee council	Bimonthly
	Business unit employee meetings	As needed
	Workplace labor-management council	Quarterly
Community 	Expert panel meetings	Three times a year
	Community councils	Twice a year
	Community ESG surveys	Annually

# Grievance Handling and Remedial Actions

## Reporting and Remedial Actions

LG H&H receives and handles grievances from employees, customers, suppliers, joint ventures, affiliates, and local communities through various communication channels. In 2023, we received 2 customer complaints, 6 supplier grievances, and 58 employee reports.

Customer complaints and supplier grievances were mostly related to simple issues and collaboration matters. These were addressed through communication with relevant departments. Most employee reports were also related to simple collaboration issues. However, for the 9 cases involving sexual harassment and workplace bullying, we took protective measures for the informants, including department transfers and suspension, to separate them from the perpetrators. We also imposed severe disciplinary actions on the perpetrators according to internal regulations to prevent recurrence. We will continue to expand active remedial actions to promote a culture of mutual respect among employees through ongoing monitoring, team workshops, and case-based training.



### Grievance Reports by Stakeholder

(Unit: Cases)



### Disciplinary Reasons

(Unit: Cases)

Report Categories	Disciplinary Reasons	Number of Disciplinary Actions in 2023
Anti-corruption/Bribery*	Distortion of information	2
	Acceptance of money/gifts	1
	Unfair trading (collusion, etc.)	1
	Embezzlement and misappropriation of assets (public funds)	17
	Information leakage	1
Discrimination/Bullying	Workplace sexual harassment and bullying	9
Money Laundering and Insider Trading		0
Customer Data Information		0
Conflict of Interest		0
Others		45

\*The Management Diagnosis Team includes risks related to corruption, such as unfair trading, information leakage, embezzlement and misappropriation of assets, document/data manipulation, acceptance of money/gifts, entertainment, and equity participation, in its diagnostic tasks.

# Key Human Rights Issues

## Occupational Safety

### Accident-Free and Zero-Hazards

LG H&H strives to create a safe and healthy workplace for all employees, including in-house suppliers and their staff, by preventing safety accidents across all business activities. We continuously identify and improve potential risk factors to achieve accident-free and zero-hazards goals at domestic and international sites. We have established and operate a company-wide safety and health management system based on a global-level safety and health management system. Additionally, we provide various training programs to improve safety and health awareness among employees and in-house suppliers. We also conduct regular emergency response drills to embed safety and health practices within the organization.

### Safety and Health Mid-Term Roadmap

Categories	2023 Results	2024 Goals	2025 Goals
Objectives	<ul style="list-style-type: none"> <li>Full-scale introduction and expansion of the Behavior-Based Safety (BBS) environmental safety culture program</li> <li>Strengthened autonomous risk assessment and Toolbox Meeting (TBM) activities</li> <li>Development of the Environment, Safety, and Health portal (DFM)</li> </ul>	<ul style="list-style-type: none"> <li>Internalization of the company's own BBS program</li> <li>Expansion of monitoring for high-risk processes</li> <li>Stabilization and enhancement of the DFM system</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of an environmental safety culture involving all employees</li> <li>Design of ESH operation assessment and reward systems</li> <li>Advanced operation of cardiovascular examinations and psychological care programs</li> </ul>
BBS Applied Sites	15 sites (cumulative)	18 sites (cumulative)	21 sites (cumulative)
BBS Safety Observation Improvement Rate	98%	100%	100%

## Prohibition of Discrimination

### Establishment of a Fair Recruitment Process

LG H&H aims to establish a fair recruitment process based on skills and competencies. For new hires, we conduct a three-stage in-depth interview process to thoroughly assess candidates' abilities. For experienced hires, we focus on job-related experience to assess each candidate's suitability for the specific role.

Assessments are conducted in a comfortable 1:1 setting between the candidate and the interviewer. This allows candidates to better understand the company and interviewers to assess the candidates' job fit. We also provide regular training for interviewers on interview guidelines, assessment errors, and other important considerations to enhance their skills. LG H&H continuously strives to increase the fairness of the recruitment process by refining the requirements and competencies for each job role and implementing thorough candidate assessment procedures.

### Utilization of Talented Female Employees

LG H&H has maintained the 'Best Family Friendly Management' certification from the Ministry of Gender Equality and Family for ten consecutive years. We have built an organizational culture where employees can work harmoniously regardless of gender. We operate onsite childcare centers and provide flexible options for maternity leave, parental leave, family care leave, and emergency childcare through telecommuting. This enables female employees to balance work and childcare without career interruptions.

We offer 90 days of maternity leave (120 days for multiple births) and go beyond legal requirements by providing paid leave for pregnancy-related illnesses and supporting infertility treatment costs.

Specifically, we provide one month of paid sick leave for pregnancy-related illnesses and up to KRW 1.5 million per session (up to four sessions annually) for in vitro fertilization treatments not covered by government support. We offer one year of parental leave and reduced working hours for employees with children under eight years old or in the second grade or below, regardless of gender.

In June 2022, we extended the parental leave period from one year to two years, allowing all employees to have sufficient childcare time and return to work fully engaged.

Leveraging the characteristics of the consumer goods industry, including cosmetics, household products, and beverages, we actively recruit talented female employees. By the end of 2023, women comprised 54.8% of our total workforce. We continually improve policies to help female employees balance work and life, and offer re-employment opportunities for those whose careers were interrupted by marriage or childcare. We not only secure capable female professionals but also appoint women with global capabilities and expertise to executive positions. In March 2022, we appointed a female outside director, and in December 2022, we named the first female CEO from within the LG Group through open recruitment.



# Key Human Rights Issues

Percentage of Female Managers by Rank in 2023\*

(Unit:%)

Category	Percentage (%)
Total Managers <sup>1)</sup>	34.5
Junior Managers <sup>2)</sup>	52.0
Executives	21.1
Revenue-Generating Department Managers <sup>3)</sup>	26.1
STEM Department Managers <sup>4)</sup>	49.9

\* Based on separate data of LG H&H

1) Level 1 Assistant Manager to Executive, 2) Level 1 Assistant Manager, 3) Marketing, Sales Departments Level 1 Assistant Manager and above, 4) STEM: Research, Production, Quality, Environmental Safety Departments Level 1 Assistant Manager and above

## ✓ CASE Employment of Socially Vulnerable Groups

LG H&H complies with the International Labor Organization (ILO) conventions and domestic and international labor laws. We do not tolerate discrimination based on gender, religion, political views, disabilities, or race. Since 2015, we have operated 'Bright Nuri', a standard workplace for people with disabilities. As of the end of 2023, 64 out of 95 employees at 'Bright Nuri' are disabled, with 53 being severely disabled.

In September 2023, we participated in mock interviews for students with special education needs, organized by the Chungcheongbuk-do Office of Education. We set up interview booths and conducted mock interviews to provide employment preparation experience for individuals with developmental disabilities. Additionally, we donated complete café equipment to the Cheongju Vocational Training Center for the Disabled to support barista training for people with developmental disabilities.

In July 2021, our subsidiary, Coca-Cola Beverage, and the Korea Employment Agency for Persons with Disabilities signed an agreement to establish 'Gowonnuri', a subsidiary-type standard workplace for people with disabilities. As of the end of 2023, 11 out of 13 employees at 'Gowonnuri', are severely disabled, working at the cafeterias and cafés in our Anyang and Gwanghwamun offices.

## Workplace Sexual Harassment/Bullying

### First-Class Dignity Organizational Culture

LG H&H emphasizes the 'First-Class Dignity' of its employees to foster a culture of mutual respect and consideration. 'First-Class Dignity' means that every employee should embody the dignity befitting a top-tier society. We strive to achieve zero tolerance for workplace bullying and sexual harassment, promote mutual respect and consideration among employees, and build a culture that respects diversity. Since 2012, we have conducted annual First-Class Dignity training for all employees, and since 2020, all training has been conducted online. Additionally, LG H&H operates a workplace sexual harassment and bullying reporting center to take immediate action on potential issues, maintaining a culture of First-Class Dignity.

We have established a company-wide employee council to introduce activities from each department, share major company issues, and strengthen leadership and responsibility through themed lectures on organizational culture. We also run the 'If I Were' bulletin board and the 'Zero Complaints Mailbox' to promote healthy communication among employees. Our official YouTube channel, 'LG H&H TV,' and Team Talk workshops further enhance communication among employees.

### Task Force to Enhance Prevention of Sexual Harassment and Bullying

Aiming to be the cleanest company in Korea, LG H&H launched a Task Force (TF) for the prevention of sexual harassment and bullying in collaboration with the holding company in 2023. In August, we conducted the 2023 Workplace Sexual Harassment and Bullying Survey for employees, applying common LG manuals and guidelines. Proactive investigations were conducted on identified issues, and follow-up actions, such as minor and major disciplinary measures, were taken according to internal regulations. In 2024, we plan to enhance the survey system to not only prevent and respond to sexual harassment and bullying but also to link it to recurrence prevention.



# Key Human Rights Issues

## Responsible Sourcing of Raw Materials

### PALM OIL

LG H&H strictly adheres to rigorous standards when purchasing raw materials associated with environmental and social issues. We actively support the activities of the Roundtable on Sustainable Palm Oil (RSPO), established by global NGOs and companies. As part of these efforts, we became the first in Korea to obtain RSPO Segregation and Mass balance certification for the storage, production, and shipping processes at our Ulsan and Onsan plants in 2014. We immediately cease transactions with suppliers involved in human rights violations related to palm oil production. Our goal is to increase the purchase ratio of RSPO-certified products to 64.9% by 2025, achieving 60.2% in 2023.

### MICA

Mica is used for its luster in various cosmetic products like lipsticks, eyeshadows, and blushers. Although about 60% of the premium mica used in the global cosmetics industry comes from India, 70% of Indian mica is mined in dangerous, uncontrolled environments by children. To mitigate these risks, LG H&H sources mica from skilled workers in mines in the USA, Japan, and China. When Indian mica is unavoidable, we ensure that suppliers provide a Non-Child Labor declaration or Responsible Mica Initiative (RMI) membership certification. To eliminate illegal child labor and ensure safe raw materials, we aim to transition to 100% synthetic mica.

Mica Raw Material Purchase Status

Items (Number)	Main Applicable Products	Three-Year Purchase Status (Cumulative 2021-2023)		Number of Items by Country of Origin (Items)			
		Purchase Volume (Tons)	Suppliers (Companies)	India	USA	Japan	China
35	Color cosmetics (lipstick, cushion, foundation, etc.)	39	8	8	11	9	7

### GOLD

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<sup>2)</sup> certification from the Responsible Minerals Initiative (RMI)<sup>1)</sup> 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 procurement processes and monitor our supply chain to ensure that minerals from conflict regions are not used.

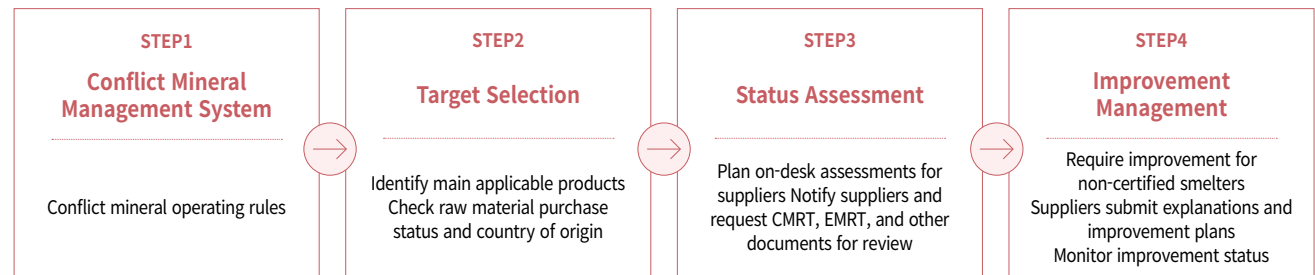
Metal	Certification	Smelter Location	ID
Gold	LBMA's Responsible Gold Guidance <sup>3)</sup> Certificate	Onsan-eup, Ulsan Metropolitan City	CID001078

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

### Conflict Mineral Management Process



# Key Human Rights Issues

## Working Hours

### Working Hours and Work Environment Policies

LG H&H strives to comply with legal working hours and ensure efficient work during working hours, adhering to labor laws in each country where we operate.

To help employees balance work and personal life, we operate various systems related to Work and Life Balance (WLB), such as flexible working hours, staggered working hours, and a self-approval vacation system. Employees can choose between flexible working hours and staggered working hours based on their job characteristics. The flexible working hours system allows employees to choose their start time (between 7 AM and 9 AM) and end time (between 4 PM and 6 PM), enabling them to concentrate on work during their most productive hours. Additionally, we support employees' autonomy by implementing a self-approval system for vacations, allowing them to apply for and approve their own leave. We also encourage employees to take sufficient time off through policies such as designated company-wide holidays, various leave options (including half-day) and vacation promotion systems.

## Prohibition of Forced and Child Labor

LG H&H prohibits all forms of forced labor. We do not tolerate any form of violence, threats, confinement, human trafficking, or slave labor that unfairly restricts mental or physical freedom and forces individuals to work against their will. All employment must be voluntary. We ensure that employees are not required to surrender government-issued identification, passports, or work permits as a condition of employment. Additionally, LG H&H complies with core conventions guaranteed by the International Labour Organization (ILO) and ensures that no child labor is employed in any position. In our domestic workplaces, we apply this standard to individuals under 18 years old. For overseas operations, we comply with the labor age restrictions ratified by the ILO for each country. These principles extend to our subsidiaries and supply chain. We conduct annual ESG risk assessments of our suppliers, focusing on labor rights, including the prohibition of child and forced labor. In the 2023 ESG compliance assessment of our suppliers, no instances of forced or child labor were found domestically or internationally.

## Living Wage

LG H&H fully recognizes the importance of guaranteeing a living wage to help maintain a basic household standard of living and break the cycle of poverty. We support the minimum wage set by local laws in each country, contributing to the creation of an equitable and inclusive society. Our business locations and companies we do business with (affiliates, suppliers, contractors, etc.) strive to ensure that workers and their families can maintain a basic standard of living. We use methodologies to determine and guarantee the living wage for workers at our business locations. We aim to pay the annual target living wage beyond the minimum required by law.

# Supply Chain Risk Management

## Supply Chain Risk Management Direction

LG H&H aims to manage risks across the entire supply chain and support suppliers' ESG management to build a sustainable supply chain. To achieve this, we have established supply chain management governance and created a supplier code of conduct. We conduct ESG assessments for key suppliers to enhance their ESG capabilities. We also provide fair opportunities, promote sales growth, and support suppliers with technology, finance, and welfare, strengthening partnerships to achieve the vision of becoming the "leading company in mutual growth in Korea."

## Supply Chain Policy and Governance

To build a sustainable supply chain, LG H&H has established the LG H&H Supplier Code of Conduct, which outlines the social responsibilities that all suppliers dealing with LG H&H and its affiliates must adhere to. This code requires suppliers to comply with global standards of social responsibility in five areas: labor and human rights, environment, safety and health, ethical management, and management systems. We developed this code based on international standards and legal requirements, referencing the Responsible Business Alliance's 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 Procurement Team 2 and Fair Growth Team, manage supplier ESG risks and mutual 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. 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

Supplier Code of Conduct 

Labor and Human Rights	Prohibition of Discrimination	Humane Treatment	Voluntary Employment	Child Labor and Maternity Protection	Working Hours	Wages and Welfare	Freedom of Association			
Safety and Health	Occupational Safety		Occupational Hygiene	Emergency Preparedness	Occupational Injury and Illness		Sanitation, Food, and Housing			
Environment	Environmental Permits and Reporting	Hazardous Substances	Solid Waste	Air Pollution	Biodiversity/Deforestation/Soil Protection	Water Management	Energy Use and Greenhouse Gas Emissions	Pollution Prevention and Resource Reduction	Product Content Substance Regulations	Efforts for Sustainable Product Development
Ethical Management	Anti-Corruption and Compliance with Ethical Management		Fair Trade	Identity Protection	Responsible Raw Material Sourcing	Intellectual Property Protection	Personal Information Protection	Supplier Responsibility		

LG H&H has established various supply chain-related policies, including a Supplier Code of Conduct, to implement sustainable management practices throughout the entire supply chain.

Policies	Scope	Content
Supplier Code of Conduct	Suppliers	→ Code of conduct to ensure LG H&H's suppliers fulfill their social responsibilities
Sustainable Purchasing Policy 	Employees, suppliers, local communities	→ Policy for purchasing raw materials with potential environmental and social impacts in mind
Green Management Policy 	Employees, suppliers, joint ventures	→ Policy to minimize environmental impacts and proactively address environmental risks

# Supply Chain Risk 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 on-desk 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 1) high transaction volumes, 2) irreplaceable technology, 3) potential ESG risks, 4) business relevance, and 5) 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 mutual growth are included as significant suppliers.

### Definition of Suppliers

#### 1. Significant suppliers

Category	Detail
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 <sup>1)</sup>
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 <sup>2)</sup>	Suppliers selected for enhancing purchasing power and mutual 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)

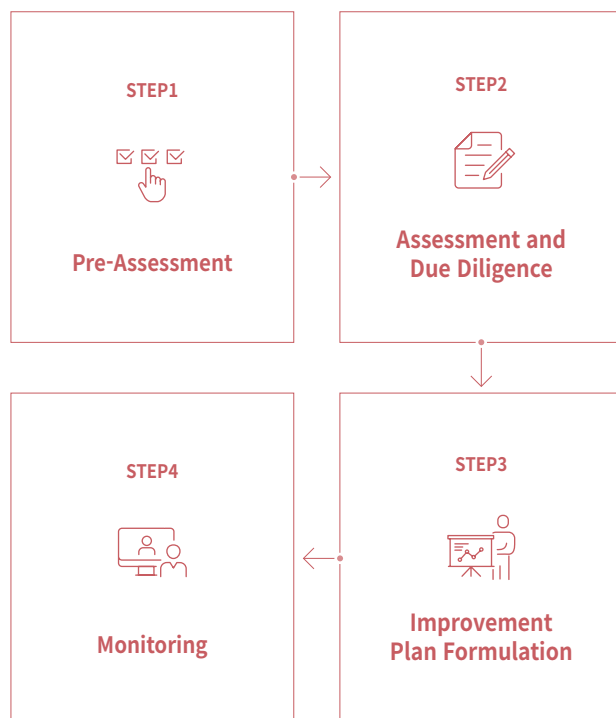


# Supply Chain Risk Management

## Supplier ESG Assessment, 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, assessment and due diligence, improvement plan formulation, and monitoring. If improvements are needed based on the assessment results, we actively support suppliers by providing external consultations to enhance their capabilities.

### Supplier ESG Risk Assessment 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 assessments 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 procurement 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 procurement 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	-

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

### 2023 Supply Chain Purchase Analysis

Category	Type	Number of Suppliers (companies)	Purchase Ratio (%)
Tier 1 (significant)	OEM	67	38
	Container	64	27
	Packaging material	52	17
	Raw material	72	17
	Mold	9	1
<b>Total</b>		<b>264</b>	<b>100</b>

## Conducting Supplier ESG Assessments

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

### Supplier ESG Assessment Process



# Supply Chain Risk Management

## Ensuring Assessment Reliability

To ensure the expertise, objectivity, and reliability of supply chain ESG assessments, and to provide new information and improvements related to ESG, we conduct multi-party assessments. In 2023, on-site assessments were conducted by the department responsible for 30 high-risk suppliers identified through on-desk assessments and third-party verification agencies. The results of these assessments were provided to all suppliers in the form of reports, enabling them to develop their own improvement plans and manage potential risks.

## Expansion of ESG Management to Overseas Subsidiaries

LG H&H has expanded ESG supply chain management beyond domestic companies to include overseas subsidiaries. To manage ESG efficiently, we developed country-specific supply chain ESG indicators that meet global standards and local regulations. We also held seminars for local management personnel on the importance of ESG and country-specific ESG issues and risks, enhancing their understanding and improving ESG management levels at overseas subsidiaries.

## Identification and Support of Supplier Deficiencies

We inspect and support improvements in labor and human rights, environment, safety and health, ethical management, and management systems for suppliers. For the 30 suppliers with identified potential risks, we have established and implemented priority and long-term improvement tasks through improvement consulting. Additionally, we support the enhancement of suppliers' ESG capabilities by sharing best practices from the industry and providing ESG technical support (e.g., eco-friendly and safety and health certifications).

## Supplier ESG Assessment Results

Category	Subcategory	2023	2023 Target
Supply Chain ESG Assessment	Total number of suppliers assessed via on-desk assessments/on-site assessments	366	360
	Percentage of significant suppliers assessed	100	
Identification of High-Risk Suppliers	Number of suppliers assessed with substantial actual/potential negative impacts	30	30
	Percentage of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	100	100
	Number of suppliers with substantial actual/potential negative impacts that were terminated	30	30
Corrective Action Planning and Implementation	Total number of suppliers supported in corrective action plan implementation	30	30
	Percentage of significant suppliers supported in corrective action plan implementation	100	100
Participation in Capacity-Building Programs	Total number of suppliers in capacity building programs	131	125
	Percentage of significant suppliers in capacity building programs	100	90

## Results of Key Corrective Actions for Suppliers

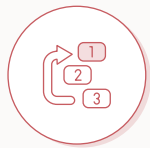
Category	Labor and Human Rights	Environment	Safety and Health	Ethical Management	Management Systems
As-is	No occurrence of child labor or young worker employment, but lack of explicit regulations for protecting young workers.	Lack of regulations or plans for energy and greenhouse gas management and waste 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.

# Supply Chain Risk Management

## ESG Considerations in Purchasing Procedures and Analysis

LG H&H prioritizes specific criteria when selecting new suppliers and deciding whether to maintain relationships with existing ones. We assess risks from an ESG perspective to determine the final registration and continuation of transactions. Initially, we consider basic factors such as quality, PDS performance, delivery, and credit rating. Then, we identify potential ESG risks, including quality assurance assessments, ESG assessments, and raw material risks, to make comprehensive purchasing decisions and review supplier relationships. LG H&H selects raw materials by considering their potential environmental and social impacts, following sustainable purchasing policies and procedures. For new suppliers, we conduct Reassurance Quality certification assessments and ESG assessments. Suppliers must score at least 550 out of 1,000 points in the Reassurance Quality assessment and 75 out of 100 points in the ESG assessment to be eligible for registration and transactions. Suppliers that do not meet the minimum ESG standards are excluded from contracts. Furthermore, when registering new transactions and maintaining relationships, we prioritize transactions based on minimum ESG standards.

## Supplier Management Direction



### 1. Consideration of Priority Management Items

- Quality (Safety) - Compliance with hazardous substance regulations and safety guidelines
- Delivery - Adherence to the initial delivery request date
- PDS Performance<sup>1)</sup> - Collaboration synergies through ideas and technology proposals
- Credit Assessment - Financial stability based on credit rating results



### 2. Identification of Risks from an ESG Perspective

- Reassurance Quality Rating - Expanding the scope of the 'Supplier Reassurance Quality Certification' to prevent quality issues
- Improving and Expanding ESG Management - Enhancing overall ESG standards, including environment, labor rights, ethics, and safety, to strengthen supplier ESG competitiveness
- Potential ESG Risks - Continuous monitoring and review of raw material risks (palm oil, mica), country risks, and product-specific risks

1) PDS (Performance Distribution System): A program for managing supplier proposals, ideas, and technologies, including review and acceptance of ongoing or prospective supplier collaborations

## New Transaction Purchasing Procedures

## Sustainable Purchasing Policy





# Appendix

## UNGP Reporting Framework

Category	Reporting Principles	Description	Pages
Governance of Respect for Human Rights	A1. Policy Commitment	Disclosure of commitment	p. 2-4
	A2. Embedding Respect for Human Rights	Commitment for internalization	p. 4-5, 12-13
Defining the Focus of Reporting	B1. Statement of salient issues	Human rights issues in relation to business activities	p. 6-13, 14-17
	B2. Determination of salient issues	Process of selecting key issue	p. 5-13
	B3. Choice of focal geographies	Key regions for management and selection process	p. 5-12
	B4. Additional severe impacts	Key issues and potential issues	p. 6-11
Management of Salient Human Rights Issues	C1. Specific policies	Specific human rights policies	p. 3-4, 18
	C2. Stakeholder engagement	Stakeholder engagement by issue	p. 12-13
	C3. Assessing impacts	Continuous identification of issues	p. 6-11
	C4. Integrating findings and taking action	Decision making process in response to issues	p. 4-13
	C5. Tracking performance	Efficacy of activities for solving issues	p. 10-11, 14-17
	C6. Remediation	Follow-up support activities for victims	p. 12-13, 14-17

# Appendix

## CHRB (Corporate Human Rights Benchmark Index)

Category	Indicator	Description	Page	
Governance and Policy Commitments	A.1.1	Commitment to respect human rights	p. 3	
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# Appendix

## CHRB (Corporate Human Rights Benchmark Index)

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# Appendix

## Third-Party Verification Statement

### To Stakeholders of LG H&H

The Center for Sustainable Management (hereinafter referred to as the 'Verifier') has been requested by LG H&H (hereinafter referred to as 'LG H&H') to provide a third-party verification of the 'LG H&H Human Rights and Supply Chain Report' (hereinafter referred to as the 'Report'). The Verifier hereby submits its verification opinion as follows. The Center for Sustainable Management has conducted limited verification of LG H&H's Report, which covers the fiscal year ending December 31, 2023, in accordance with the UN Guiding Principles Reporting Framework (UNGPR) and the Corporate Human Rights Benchmark Index (CHRB) included in the Appendix.

### Responsibility and Independence

The responsibility for the information and opinions described in this Report lies solely with LG H&H. The Verifier is responsible for providing an independent verification opinion on the Report and has not participated in the preparation of this Report nor engaged in any activities that could compromise its independence.

The management of LG H&H is responsible for selecting the principles to address and respond to in the Report, prepared in accordance with the UNGPR. This includes the preparation, content development, and disclosure of the human rights report. This responsibility involves the design, implementation, and maintenance of internal controls related to the preparation of the Report to ensure it is free from significant misstatements due to incorrect information or errors.

### Limitations

The Verifier has confirmed the reliability of the performance data included in the Report. However, external reference materials included in the Report were not part of our engagement, and therefore, we do not provide verification on them. This verification opinion has been issued under contract for the management of LG H&H. The Verifier clarifies that it bears no liability or joint liability for decisions made by individuals or organizations based on this opinion.

### Verification Methodology

This verification opinion is based on the procedures performed and the professional judgment of the Verifier, including process verification, document review, and alignment with the UNGPR. Below are the details confirmed during the verification process.

- Analysis of the procedures for collecting and integrating the information presented in the Report.
- Review of LG H&H's Report applying the UNGPR and CHRB, including policies, procedures, activities, and other examples corresponding to UNGPR principles.
- Verification of the consistency between the information included in the Report and LG H&H's 'Sustainability Report.'
- Confirmation of the connection between identified risk items in the Report and LG H&H's corporate policies related to human rights.
- Review of the methodology used to identify and include key human rights issues in the Report.
- Verification of the activities undertaken to mitigate identified risks and the mitigation activities described in the Report.

### Limited Verification Conclusion

Based on the procedures performed and the contents reviewed, we confirm that LG H&H's Human Rights Report, specifically the "Appendix: UN Guiding Principles Reporting Framework Principles", contains no significant errors or omissions of important aspects related to the UNGPR reporting principles.



