



2019 LG Household & Health Care CSR Report

BEAUTIFUL HEALTHY REFRESHING

for people
and the planet

2019 LG HOUSEHOLD & HEALTH CARE CSR REPORT



Overview	CEO Message	002
	Company Overview	004
	Business Overview	006
	Economic Value Creation	012

Sustainability Commitments	CSR Strategy & Roadmap	016
	Develop Products with Social Value	018
	Improve Product Safety	026
	Diversifying the Product Portfolio	032
	Strengthening Social Contribution Activities	036
	Establish a Sustainable Supply Chain	038
	Providing a Good Work Environment	040
	Facilitate the Circulation of Resources	044
Leading the Response to Climate Change	048	

Sustainability Management	Employee Value	052
	Customer Satisfaction	056
	Social Contribution	060
	Environment and Safety Management	064
	Win-win Growth	072

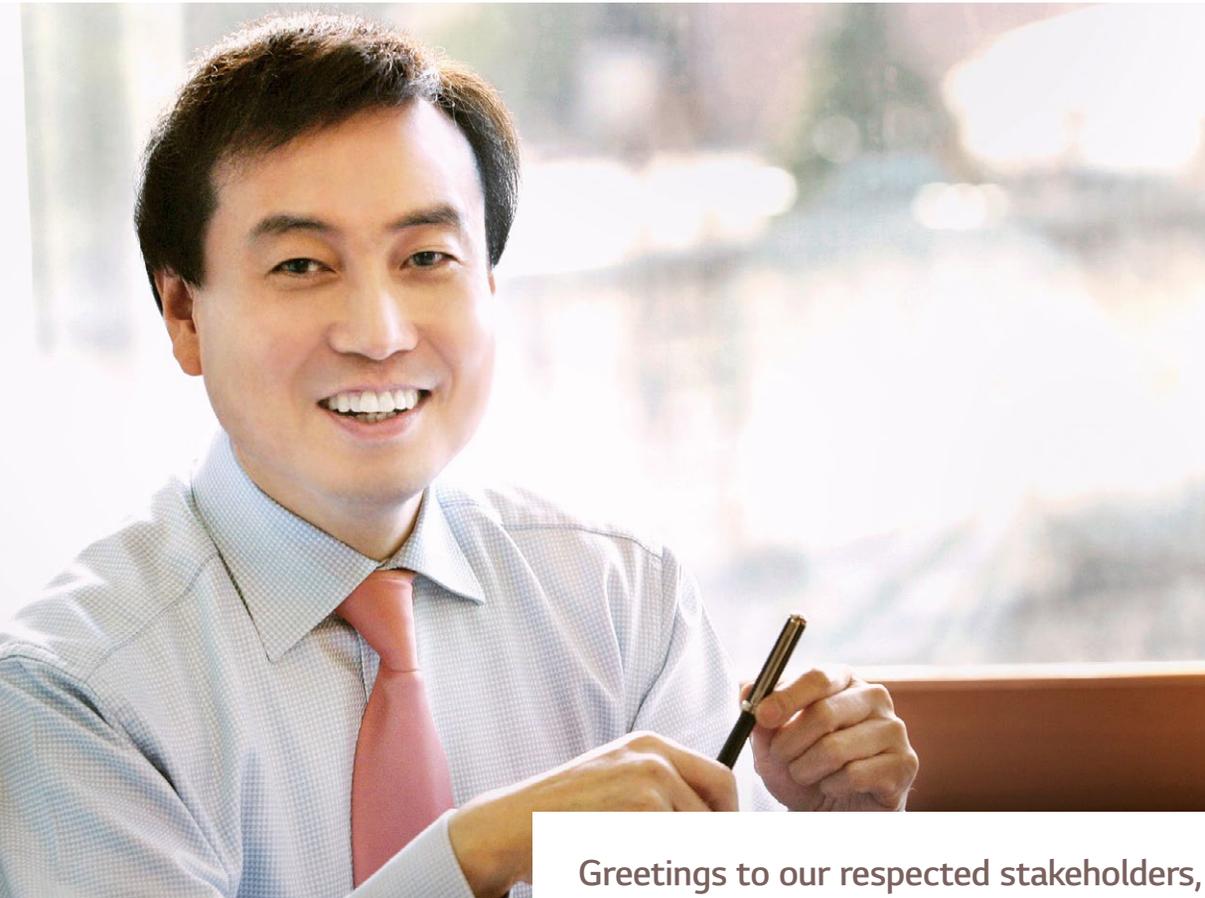
Governance	Governance	078
	Risk Management	080
	Jeong-Do Management	084
	Stakeholder Engagement	086
	Materiality Test	088

Appendix	Economic Performance	092
	Environmental Performance	094
	Social Performance	096
	GRI Index	099
	UNGC & SASB	101
	Independent Assurance Statement	102
	GHG Emissions Verification Statement	104
	Tax Payment Policy	107

Beautiful, Healthy, Refreshing

We are a leading company in lifestyle and culture that helps our customers realize their beauty and dreams. We share our core values -Healthy, Beautiful, and Refreshing- with our customers.

CEO Message



**Greetings to our respected stakeholders,
We would like to express our heartfelt gratitude for
your continued support and trust in our company.**

Last year, we faced a tough internal and external business environment due to the stagnant low growth rate of the domestic economy as well as the U.S.-China trade war and political conflicts between Korea and Japan that have not yet reached a consensus. Nevertheless, LG H&H achieved meaningful performance gains. The performance of our premium cosmetic brands hit a record high, while our household goods and beverage divisions solidified their top positions in the market. In addition, we successfully acquired NewAvon, a North American company, ensuring a bridgehead to the market in the Americas.

Given the growing economic uncertainty caused by the COVID-19 pandemic across the world from earlier this year, we have encountered even harsher conditions with the continued economic slump in Korea and increasingly complex business environment at home and abroad. Still, we believe that we are capable of overcoming any difficulty if all LG H&H employees think from the perspectives of customers and show their capacity to the fullest extent.

LG H&H is on the threshold of becoming a global company beyond the Asian market. For a successful start, we will upgrade our business structure with a focus on the following aspects and strengthen our capability to build global competitiveness.

**First,
we will grow from an Asia-centric company to a true global company.**

LG H&H runs businesses with a high potential for expansion in the market and subsequent sustainable growth. To transform into a truly global company, we will expend our full energy and maintain a successful global business, accelerating a safe landing in the market in the Americas. Moreover, we will initiate digital transformation and build capacity for future businesses to solidify the foundation for stepping into the global market and increasing our competitiveness.

**Second,
we will build the world's highest competitiveness across the entire value chain.**

To become a global company, we will achieve capacity and competitiveness comparable to those of leading companies across all aspects of the value chain. In particular, we will focus our capability on applying the latest trends including microbiome and genetic analysis technologies to proactively provide our customers with new values that they have never experienced before. Furthermore, we will ensure high safety and quality based on international standards as well as a capacity for safety verification against harmful substances in accordance with the criteria of international certifications.

**Third,
we pledge to defend justice and become a dynamic company**

Now is the time for LG H&H to surmount our limitations to grow into a true global company. To this end, we will build a fair corporate culture with trust between our employees. We would never trivialize even minor issues, while boldly enjoying new challenges and maintaining thoughtful innovation.

"Can a person become a miracle for another?"

This was a famous line from 'When the Camellia Blooms', an impressive TV series that aired last year. Director Yeong-hoon Cha said that the theme of the TV show is "a story of a miracle in our community made with the goodwill and kindness of ordinary people".

LG H&H's miraculous history is a miracle that is achieved by the small differences our employees make for the company every day. Can a person become a miracle for another? Yes, every one of us makes and deserves a miracle.

**Your continued support is greatly appreciated.
Thank you.**

July 2020
Suk Cha, CEO & Vice Chairman

차석용

Company Overview

Since its foundation in 1947, under the vision to become 'a top lifestyle company actualizing the beauty and dreams of its consumers', LG H&H has permeated every aspect of daily life and helped consumers live beautiful, healthy, and refreshing lives. Based in our Gwanghwamun Headquarters in Seoul, Korea, our subsidiaries are located in China, Japan, Vietnam, Taiwan, the United States, and Canada. We strive to provide distinct values across our entire business scope ranging from product manufacturing, packaging and the way we conduct our tasks to marketing strategies and sales methods.

Company Profile

Company Name	LG Household & Health Care Ltd.
Address	LG Gwanghwamun Building, 58, Saemunan-ro, Jongno-gu, Seoul, South Korea
Foundation	January 1947
CEO	Suk Cha
Business Type	Cosmetics, Household Goods, Beverages
Number of Employees	8,002

Global Network

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

Major Domestic and Overseas Subsidiaries

(Unit: %)

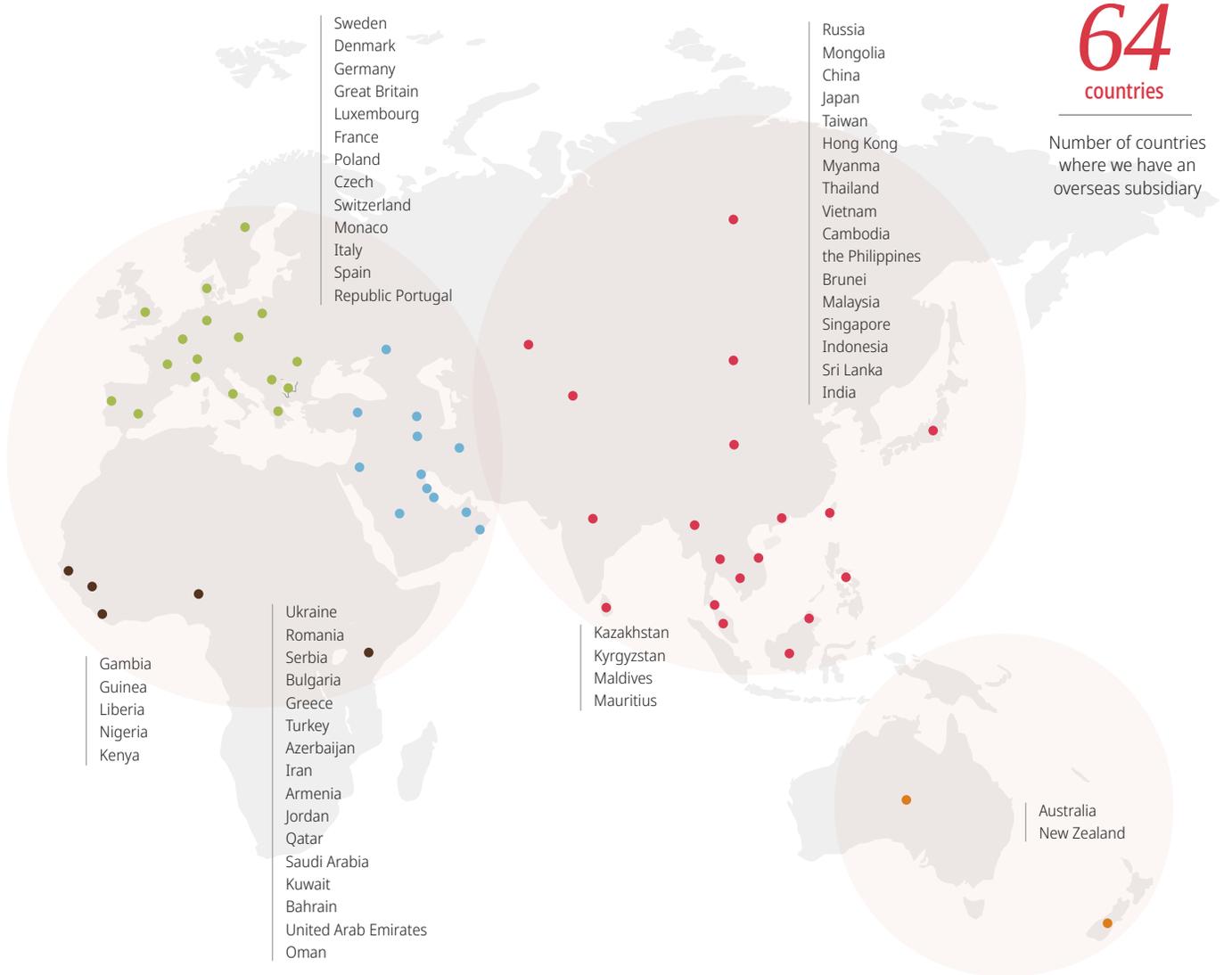
Domestic Subsidiaries	Location (HQ)	Share	Domestic Subsidiaries	Location (HQ)	Share
Coca-Cola Beverage	Yangsan, Korea	90	Bright World	Cheongju, Korea	100
THE FACE SHOP	Seoul, Korea	100	OBM LAB	Daejeon, Korea	70
HAITAI htb	Seoul, Korea	100	LG Farouk Co.	Seoul, Korea	50
Hankook Beverage	Namwon, Korea	100	Tai Guk Pharm Co., Ltd.	Buyeo, Chungcheong-nam-do, Korea	92.7
CNP Cosmetics	Seoul, Korea	100	Rucipello	Seoul, Korea	76
K&I	Seoul, Korea	100	Ulleung Saemmul	Seoul, Korea	87
FMG	Chuncheon, Korea	77.2			

Overseas Subsidiaries	Location (HQ)	Share
LG Household & Health Care Trading (Shanghai)	Shanghai, China	100
Beijing LG Household Chemical	Beijing, China	78
Hangzhou LG Cosmetics	Hangzhou, China	100
LG Household & Health Care Cosmetics R&D (Shanghai) Co., Ltd.	Shanghai, China	100
THE FACE SHOP (Shanghai) Co., Ltd	Shanghai, China	100
Ginza Stefany Inc.	Tokyo, Japan	100
Everlife Co., Ltd.	Fukuoka, Japan	100
Toiletry Japan Inc.	Osaka, Japan	70
LG Vina Cosmetics Company Limited	Ho Chi Minh, Vietnam	60
LG Household & Health Care America Inc.	New Jersey, United States	100
LG Household & Health Care (Taiwan) Ltd	Taipei, Taiwan	100
LG H&H HK LIMITED	Hong Kong	80
TFS Singapore Private Limited	Singapore	100
FRUITS & PASSION BOUTIQUES INC.	Quebec, Canada	100
LG HOUSEHOLD & HEALTH CARE MALAYSIA SDN. BHD.	Malaysia	100
NewAvon Company	New Jersey, United States	100
FMG & Mission Co.Ltd	Yokohama, Japan	100



- Canada
- The United States
- Guatemala
- Dominican Republic
- Brazil
- Bolivia
- Argentina

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



Medium- & Long-term Strategies



Business Overview

Beauty Division

BEAUTIFUL

LG H&H pursues the realization of a beautiful life and develops products that meet the needs of customers.

We will increase our competitiveness in the cosmetics business to promote global premium brands and accelerate the successful expansion of business in the overseas markets with a safe landing in the Americas, thereby becoming a global company beyond Asia.



The History of Whoo

Premium royal brand that combines the secret royal court beauty formula for the queen and modern science

2.5 trillion in annual sales

First Korean brand to achieve KRW 2.5 trillion in annual sales

No. 1 nine consecutive years

Ranked No. 1 in the domestic anti-wrinkle functional essence category for nine consecutive years (Bichup Self-Generating Anti-Aging Essence)



OUR BRANDS



Sum37°

A cosmetic product with naturally fermented ingredients made with time and effort to fundamentally revitalize your skin

2019 Brand Top at the 56th Trade Day

Organized by the Ministry of Trade, Industry and Energy, Hosted by the Korea International Trade Association

2019 Best of Best Cosmetics by Singles Magazine

National Award Skincare Category at 2019 Marie Claire Prix d'Excellence de la Beauté Beauty Awards

Losec Summa Elixir Essence Secrétá



**LIVE
YOUR DREAM
CHANGE
YOUR LIFE**



O HUI

A science-based cosmetic brand that constantly conducts creative R&D to achieve absolute beauty

2019 Cosmo Editor's Pick

2019 Marie Claire Editor's Pick

Ranked No. 1 in the essence category at Dong-A Ilbo Golden Girl Beauty Awards in 2018-2019

Achieved the perfect score (5 points) in 2018 in YOKA, the largest beauty community in China

A product that met the needs of **97.5%** Asian female respondents

Survey data from Research & Research, in which 20 Korean women and 20 Chinese women in their 30-50s used the product for two weeks



Belif

True herbal cosmetic brand based on traditional British herbal beauty formulas with integrity and truth

No. 1 in the premium moisturizing cream market for 3 consecutive years

Survey data from Kantar; Sep 12, 2016, to Sep 8, 2019



Business Overview

Home and Personal Care Division

HEALTHY

LG H&H pursues the realization of a healthy life and prioritizes the quality and safety of products to build trust with customers. We also strive to obtain a new growth engine by developing an integrated premium brand of household products with distinctive concepts.



PERIOE

A leading national total oral health care brand in Korea

No. 1 for 29 consecutive years

Survey data from Nielsen, domestic market



FOR YOUR HEALTHY LIFE

OUR BRANDS



Business Overview

Refreshment Division

REFRESHING

LG H&H is committed to adding vitality to our customers' lives with a variety of beverage brands including Coca-Cola Beverage, Minute Maid, and Powerade.



Monster Energy

Energy drink brand that was launched in the United States and is growing across the world

No. 1 in energy drink sales in the United States

Sales data from Nielsen, as of 2018



FOR YOUR REFRESHING LIFE

OUR BRANDS



GangWon PyeongChangSoo

Mineral water brand that offers the true purity of water

Official mineral water of the 2018 PyeongChang Winter Olympics



Coca-Cola

The most-loved carbonated drink brand for over 130 years across the globe

No. 1 in the global market

Category of carbonated soft drinks, sales data from Nielsen as of 2018

5th most influential brand in the global market

Brand value worth USD 63.4 billion based on 2019 Interbrand data



POWERADE & TORETA

Sports drink with electrolytes for good health and quick hydration

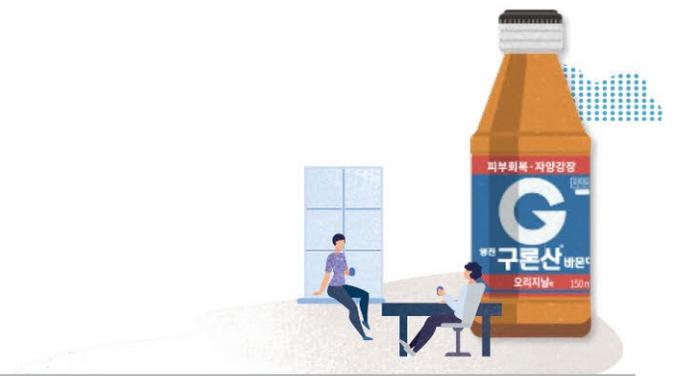
A low-calorie sports drink with electrolytes for good health and immediate hydration



Guronsan Vermont

Invigorating drink brand with 56 years of tradition

since **1964**



Economic Value Creation

Financial Performance

Financial Highlights

Thanks to the expansion of business, especially with cosmetic brands and the satisfactory performance of the home and personal care and beverage business, we enjoyed KRW 7.6 trillion in sales, 14% up from the previous year, and the record-high operating profits of KRW 1.1 trillion, a 13% year-on-year rise.

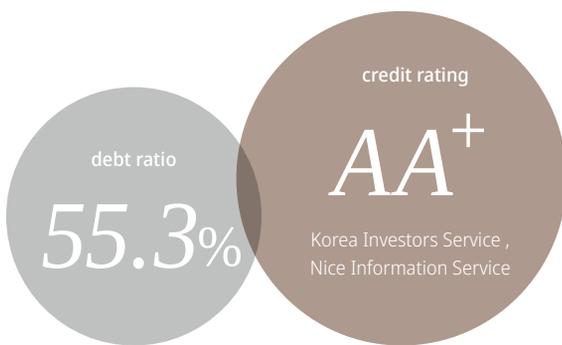
Sales

KRW **7.6** trillion

Operating Profits

KRW **1.1** trillion

Debt Ratio and Credit Rating (As of December 2019)



2019 Business Performance

By strengthening capacity in the overseas market and duty-free shops, The History of Whoo achieved over KRW 2.5 trillion in global sales, becoming an unparalleled brand both in the domestic and overseas markets. In the overseas business, in particular, the brand recorded a 50% increase in sales to over KRW 800 billion in China and a 20% increase in sales in Japan.

Beauty Division

2019 Business Performance

By strengthening capacity in the overseas market and duty-free shops, 'The History of Whoo' achieved over KRW 2.5 trillion in global sales, becoming an unparalleled brand both in the domestic and overseas markets. In the overseas business, in particular, the brand recorded a 50% increase in sales to over KRW 800 billion in China and a 20% increase in sales in Japan.



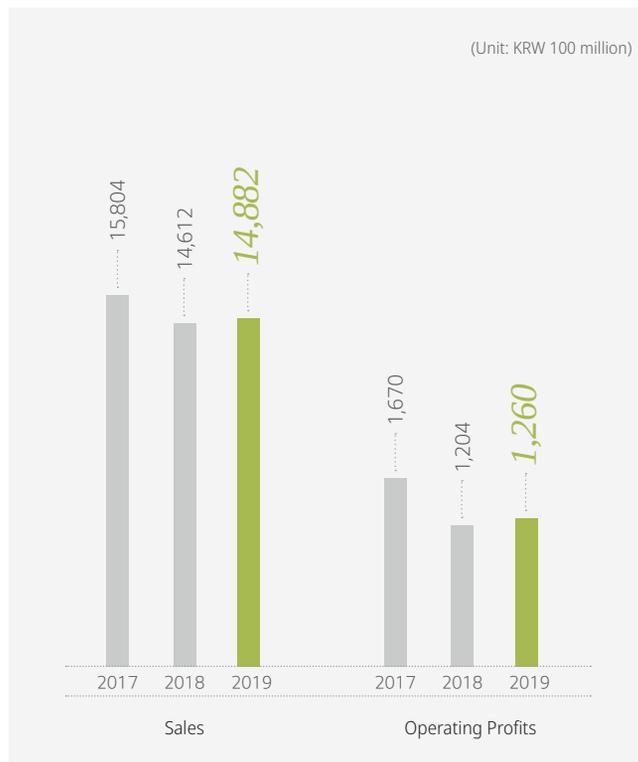
2020 Business Plan

We will keep up with the new trends of the millennials in establishing a brand portfolio and handling sales channels. We will also constantly expand business in Asia by connecting business bases in China, Japan and South Asia to become a global company. In addition, we plan to boost our business in the Americas with NewAvon, a company in North America that we acquired in 2019.

Home and Personal Care Division

2019 Business Performance

Despite the harsh environment where the offline distribution channels including large supermarkets were faced with a slump, we remained the top leading company in the market thanks to the rise in sales and operating profits. Dr. Groot and Himalaya Pink Salt, our premium hair loss treatment brands, which have both registered as the top repeat purchase rate, have constantly increased their market shares overseas, particularly in China.



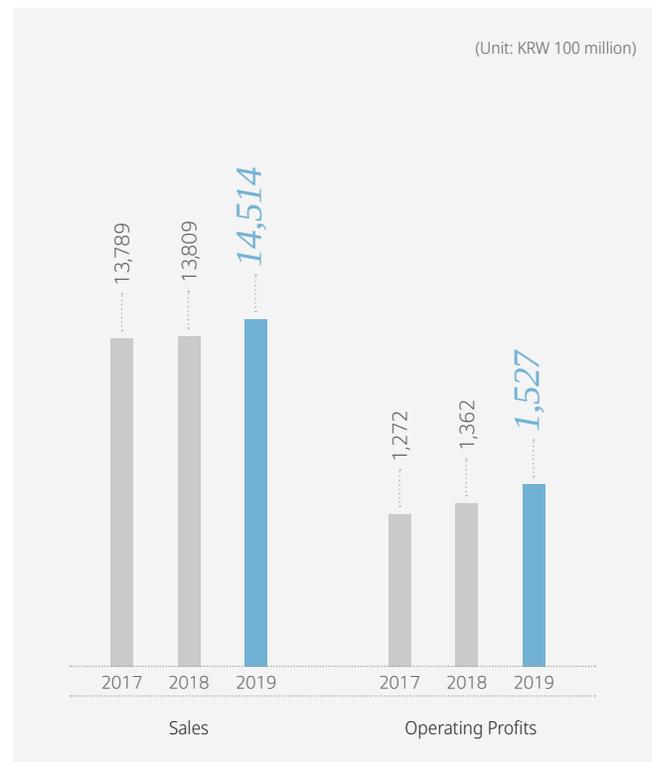
2020 Business Plan

We will launch new products with novel technologies and cultivate an integrated premium brand, distinguished from the previous ones, to respond to the rapidly changing market environment. We will also explore new business opportunities with high growth potential to lay the groundwork to expand our business scope and overseas sales.

Refreshment Division

2019 Business Performance

We launched a variety of new products of Coca-Cola Beverage and strengthened our brand power. With proactive marketing activities based on our efforts, we achieved KRW 1.4 trillion in sales, a 5% year-on-year rise, and over KRW 150 billion in operating profits, a 12% increase from the previous year, a record-high performance.



2020 Business Plan

LG H&H will utilize the solid competitive advantage of its brands to increase its market share, while constantly implementing strategies to cultivate new brands of each category. To ensure a stable and efficient supply system, we will improve the production and logistics structure to actively respond to the growing uncertainties in the market.

Sustainability Commitments

1

16 CSR Strategy & Roadmap

18 Develop Products
with Social Value

26 Improve Product Safety

38 Establish a Sustainable
Supply Chain

32 Diversifying the Product
Portfolio

40 Providing a Good Work
Environment

36 Strengthening Social
Contribution Activities

44 Facilitate the Circulation
of Resources

48 Leading the Response to
Climate Change

CSR STRATEGY & ROADMAP

LG H&H is committed to achieving sustainable growth with our CSR vision for becoming the most sustainable FMCG¹⁾ company. We present three medium- and long-term goals and eight challenges from the perspectives of products, society, and environment to provide better values for life to our stakeholders, including customers, environment, suppliers, local communities, and employees.

Based on our medium- and long-term CSR strategies, we also carry out a variety of programs to meet the UN SDGs, our common challenges across the globe.

1) FMCG: Fast Moving Consumer Goods



Category	Challenges	Goals (KPIs)	SDGs
<p align="center">Product</p>	<p>·Develop Products with Social Value Develop products by reflecting social needs and release products with the aim to create shared values for local communities</p>	<ul style="list-style-type: none"> ·Select medium- and long-term challenges and conduct research to reduce the company's impact on the environment and enhance the safety and health of customers (by 2025) ·Develop leading technologies and products through open innovation, including cooperation with other organizations and local communities (by 2025) 	
	<p>·Improve Product Safety Make reliable products for the health and safety of customers</p>	<ul style="list-style-type: none"> ·Bolster the safe quality system by optimizing the test items and standards for each process 	
	<p>·Diversifying the Product Portfolio Bolster the business structure through expansion of overseas business and digital transformation</p>	<ul style="list-style-type: none"> ·Continuous Expansion of Overseas Business 	
<p align="center">Society</p>	<p>·Strengthening Social Contribution Activities Conduct social contribution activities by supporting women to work</p>	<ul style="list-style-type: none"> ·Expand the beneficiaries of LG H&H's support-programs aimed at job creation for women (by 2025) ·Constantly increase values through the post-management of program participants 	
	<p>·Establish a Sustainable Supply Chain Manage labor practices, safety and health, environment, and product risks of suppliers</p>	<ul style="list-style-type: none"> · Achieve a higher grade of the Safe Quality Certification with 528 suppliers (accumulated, by 2023) · Provide suppliers with technical support (1,376 cases, accumulated, by 2023) · Provide suppliers with financial support (KRW 233.2 billion, accumulated, by 2023) · Minimize risks by enhancing suppliers' capabilities for CSR · Provide consultation service to bolster overseas suppliers and explore potential suppliers 	
	<p>·Providing a Good Work Environment Enhance employees' values by protecting human rights and establishing an employee-based corporate culture</p>	<ul style="list-style-type: none"> ·Achieve 84 points in employee engagement assessment (by 2025) ·Establish a global training framework (by 2025) ·Build global leadership (by 2025) 	
<p align="center">Environment</p>	<p>·Facilitate the Circulation of Resources Facilitate recirculation of resources by reducing the environmental impact of product packaging materials</p>	<ul style="list-style-type: none"> ·Consider and apply green packaging from the product development stage (by 2025) ·Gradually increase the number of green products with the use of eco-labeling (by 2025) 	
	<p>·Leading the Response to Climate Change Reduce GHG emissions and increase energy efficiency in response to climate change</p>	<ul style="list-style-type: none"> ·Achieve 0.069 tCO₂e/product-ton of GHG emissions intensity (by 2025) ·Expand the use of renewable energy (by introducing the solar power generation system, solar power streetlamps and hybrid vehicles) ·Improve energy efficiency with constant investment, including the improvement of facilities in business sites and replacement of deteriorated equipment ·Promote energy saving campaigns with employees 	

01

DEVELOP PRODUCTS WITH SOCIAL VALUE



Goals

- Select medium- and long-term challenges and conduct research to reduce the company's impact on the environment and enhance the safety and health of customers (by 2025)
- Develop leading technologies and products through open innovation, including cooperation with other organizations and local communities

On the basis of its main business, LG H&H proactively addresses social issues emerging in its value chain and runs businesses that bring values to society. We also create values through co-existence with local communities and release eco-friendly products with minimum environmental impact, providing social values with sincere efforts.

Recently, companies increasingly take into account social and environmental values as well as economic values when expanding their business. That is because of a growing demand for companies to set their objectives not only to create economic values but also contribute to the sustainable growth of the company itself, society and even the entire country. To meet this demand, leading companies expand activities that create social and environmental values by connecting future-oriented technologies and their business based on core capacity, and spread social values across the value chain.

Coexistence with Local Communities



Protecting Seoul Forest with Consumers

BEYOND, LG H&H's eco-friendly brand, promotes the Protecting Seoul Forest Campaign with Seoul Green Trust to keep forests in urban areas. In 2019, we launched Phyto Aqua Cream and Happy Forest Kit, the two main moisturizing creams of the brand, as part of the forest protection activities. We connect the sale of the moisturizing cream kit that helps you cool down your skin and provides moisture with the Protecting Seoul Forest Campaign aimed at alleviating the heat island phenomenon. With the contribution certificate included in the product kit, we make our customers' consumption more valuable. We donated the profits from this project to the campaign. We will continue to take the initiative in improving the urban environment by constantly participating in this campaign.



Cultural and Artistic Cooperation

Su:m37° is a natural fermentation cosmetics brand, which fundamentally changes the skin with naturally fermented ingredients permeating deep into the skin under the philosophy of life, sincerity and waiting. Since the launch in 2007, Su:m37° has established itself as a representative fermentation cosmetics brand and grown as a global brand with annual sales of KRW 480 billion. The brand performs Secret Essence Art Collaboration with artists each year. In 2019, we launched a new product through collaboration with Artist Jin-sik Kim, spreading the beauty of Korean art around the world. In the same year, we also cooperated with Metal Engraving Artisan Hong-chan Gwak (National Intangible Cultural Heritage No. 35) to develop a new product by gold-plating the patterns that imply eternal youth and employing the traditional gold inlaying method. The brands deliver both traditional art that is completed with love and the value of fermentation that is completed over an extended time period.

The Spread of Korean Beauty



The Most Korean-style Brand Promoting the Beauty of Korea

As a Korean medicine-based beauty brand that has reinterpreted the wisdom and secret of traditional Korean medicine in a modern way, Sooryehan focuses on the invaluable beauty of Korea and promotes a variety of Korean beauty products in both the domestic and overseas markets. In 2019, we utilized a watercolor artwork in our product, which described a woman wearing Hanbok, a traditional Korean costume, and standing in a beautiful rapeseed flower garden in Jeju Island with a modern touch. We introduced this product to the global market through domestic brand events and press events in China. We also launched a new product with a motif from gilt, jewelry and gold thread craft methods. With these products, we constantly promote Korean beauty across the world.



A Guide to Beautiful Royal Court Culture

The History of Whoo is a premium brand aimed at spreading the beautiful royal court culture of the Queen. The brand protects and spreads the royal heritage of Korea. Since 2015, we have carried out the Royal Court Culture Campaign to support the maintenance of royal palaces, while holding exhibitions of intangible cultural assets at the beautiful Gyeongbokgung and Changdeokgung palaces. Moreover, we hosted the Secret of the Queen, an exhibition that displayed products developed in cooperation with royal court culture artisans at the Korea Furniture Museum, spreading our brand values. The Whoo Court Feast in Hong Kong, a global event that had been held since 2016, received a great response from global opinion leaders and provided various opportunities to experience our beautiful royal court culture, such as the exhibition of court costumes and heritage and the court knot class.

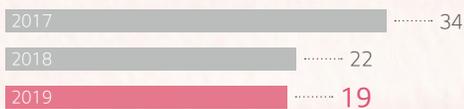
01

DEVELOP PRODUCTS WITH SOCIAL VALUE

Technology Proposal Fair for the Past Three Years

6 Annual Average Number of Fairs

Selected Suppliers (Unit: Company)



Amount of New Sales (Unit: KRW 100 million)



Reinforcement of the Capabilities of Suppliers

Joint Development of Technology with Suppliers

Since 2013, LG H&H has held the technology proposal fair for suppliers to seek excellent technologies or ideas owned by suppliers, applying such findings to products, and enhancing the sales of both companies. The technology proposal fair allows relevant divisions such as the marketing, sales, and R&D divisions to discuss the direction for future development for suppliers' new products or development concepts and ideas, and shows a variety of proposals and exhibitions for raw materials, subsidiary materials and products. For selected items from the proposals, we support joint development by providing purchase-guarantee development funds to ease the burden of the development cost for suppliers and apply their developed products to our new products. Ultimately, this contributes to expanding the domestic sales of our suppliers. We carry out the technology proposal fair six times a year to encourage other companies as well as existing suppliers to present proposals. We will listen to more ideas and proposals from suppliers and continue to supplement and develop the current technology proposal fair to promote more excellent ideas and product development.

CASE The History of Whoo Cheonyuldan Hwayul (Ultimate Rejuvenating) Jewel Massage Roller

The idea of this product originated from the massage roller that Empress Dowager Cixi used in the Qing Dynasty in China to massage her face focusing on acupuncture points for facial skincare by using jewels such as jade, gold and crystal. We tried to find ready-made products to provide our customers with a new experience, but it was difficult to find the perfect equipment that matched the brand image of The History of Whoo. We thus decided to reinterpret the classics and make our own massage roller with modern, Korean-style elements. We underwent the harmful substance analysis of natural gemstones such as crystal, agate and jade to provide safe products. We explained this concept to several suppliers, and finally commenced the joint development of the massage roller with POUCO, which proposed the idea for using gemstones and the rolling structure. The commercialization of the product with the supplier's idea contributed to the sales increase of the supplier and premiumizing strategies of The History of Whoo.



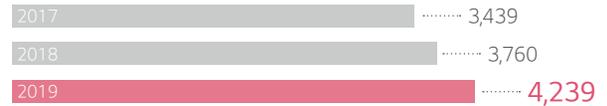
Reduction of Environmental Impact through Products



Retention of CFP Labeling and Eco-Label Certifications

LG H&H puts eco-labels on its products to provide consumers with information about improved eco-friendliness and keep up with the trend of consumers preferring products with eco-labels. The Eco-Label System is a certification system aimed at encouraging companies to develop and manufacture eco-friendly products to voluntarily improve the environment. We have received and retained the Eco-Label Certification for our laundry detergents, dishwashing detergents and multi-purpose detergents. We also participate in the CFP Labeling System (carbon footprint, low-carbon products), which requires the quantitative marking of the environmental impact across the entire process of product manufacturing to improve the eco-friendliness of products and services.

Total Sales (Unit: KRW 100 million)



Certified Products (Unit: Number)

*As of late December 2019



GHG Emissions Reduction

*Calculation: Reduced emissions x Number of bottles sold

Sales (Number)	221,446,260	2,904,879
Total Reduction (tCO ₂ e)	14,466	224

Coca-Cola

Jayeonpong Detergent

CASE Reduction of Carbon Emissions from Products

LG H&H has obtained and retained the low-carbon certification for Jayeonpong products, our major dishwashing detergents. We have also maintained the low-carbon certification for Coca-Cola products (500 mL and 1.5L), our major beverage brand products. With these certified products, we reduced GHG emissions by 14,690 tons.

01

DEVELOP PRODUCTS WITH SOCIAL VALUE

Open Innovation

LG H&H fosters open innovation activities aimed at introducing technologies and ideas required for R&D and commercialization from outside knowledge bases and sharing our own knowledge with external stakeholders. We promote constant interactions and cooperation with domestic and overseas research institutes, universities, venture companies and suppliers to ensure we are using outside knowledge to develop a wide range of products.

CASE Capacity Building for Dermatology Using Korean Medicine

Our technology using Korean medicine developed through open innovation has been adopted into the products of The History of Whoo, a leading royal cosmetic brand that uses traditional Korean medicine. The brand is a long-held favorite of middle-aged customers concerned with aging skin and made KRW 2.5836 trillion in sales as a single brand in 2019.



2003-2005

Through ongoing open innovation activities, LG H&H does not simply apply the concept of Korean medicine but embeds advanced Korean medicine technology into its products.

2006-2016

Since 2006, LG H&H has operated the continuously expanding Korean Medicine Research Society. We have developed dermatological theories that combine traditional Korean medicine and modern dermatology in cooperation with Korean colleges focused on traditional Korean medicine, relevant companies, and the Shanghai University of Traditional Chinese Medicine. As a result, we have improved the dermatological effects of our products and developed distinctive formulas containing traditional Korean medicinal features.

2017

In 2017, LG H&H conducted a survey and medical examination by Korean medicine doctors in cooperation with the Korean Medicine Research Society. Based on the survey result, we created the standards for distinguishing skin characteristics. We also established a management system for Korean medicine ingredients with OBM Lab, a company specializing in ingredients for Korean medicine extracts, to handle the production process and analytical markers to identify Korean medicine contents and boost the efficiency of extraction.

2018

In 2018, we cooperated with the Useful Plant Resources Center at the Korea National Arboretum to develop a technology to propagate Korean medicine raw materials that our company imports. These technological development activities will enable us to produce raw materi-

als in Korea and increase consumer trust in our products. We also established and donated R&D facilities worth KRW 200 million for in-depth technology development and cooperation with the Korea National Arboretum.

2019

In 2019, we signed an agreement for R&D with the Cosmetics Research Center at Beijing Technology and Business University to explore beauty tips inherited from the Chinese imperial family and traditional Chinese dermatological theories. We also cooperated with the Korean Medicine Research Society to expand the scope of research on theories about the lack of yin energy. The lack of yin energy means that one is short of blood and body fluids. We established the dermatological characteristics of people with the lack of yin energy, discussed the research findings of how to distinguish the types of customers at the conference of the Society of Cosmetic Scientists of Korea, and published the research paper in the journal.

CASE Healthy Pear & Bellflower Root Tea

Our premium beverage, Healthy Pear & Bellflower Root Tea, was developed through the joint development project with Pyunkang Korean Medicine Hospital, a clinic famous for respiratory organ care. By employing the clinic's theory to handle the fundamental causes of diseases rather than symptoms, we carefully selected medicinal ingredients that are good for bronchial troubles, such as pear, bellflower root and ginger, and blended the ingredients at the optimal ratio to provide the natural flavor and aroma of healthy ingredients. The juice of pears softens the bitterness of bellflower roots, while the fresh flavor of mint gives a feeling of refreshment and helps relieve sore throats. In December 2019, we also launched Hot Healthy Pear & Bellflower Root Tea that consumers can enjoy even over the dry winter season.



CASE MOU for the Development of Eco-friendly Products Using Natural Resources in Ulleung-gun

In August 2019, LG H&H and Ulleung-gun signed an MOU at the county office of Ulleung-gun, Gyeongsangbuk-do to develop eco-friendly products using local natural resources. We will develop new plant resources, generate new income sources and promote the county by discovering distinctive natural resources in the island and conducting usefulness research. The objectives of the MOU include the development of products and marketing on the basis of the eco-friendly and clean image of Ulleung-gun, the development and introduction of the quality certification system of the county to ensure the quality of natural resources, the construction of a research center and technical cooperation for exploring and cultivating natural resources, and the development and production of eco-friendly raw materials using spring water.

Products with Socio-environmental Values

We promote products with socio-environmental values from the perspectives of three categories—customer, society, and environment, including the safety and health of customers, social benefits, and alleviation of environmental impact. Our sales of products with socio-environmental values reached KRW 1.5399 trillion in 2019, accounting for 20% of our total sales.



Safety and Health of Customers				Social Benefits		Alleviation of Environmental Impact		
Improved safety Babience BOSCP: Moisturizing	Organic BEYOND True Eco	Low-sugar TORETA	Enhanced nutrients Babience	Created through cooperation with local communities GangWon PyeongChangSoo	Bamboo Salt Toothpaste	Water protection Jayeonpong	Waste reduction Saffron	Energy saving Coca-Cola

01

DEVELOP PRODUCTS
WITH SOCIAL VALUE

Development of Safe Products for Consumers

CASE Dr. Belmeur UV Derma

Sunscreen is now a must-have item throughout all seasons as UV rays can accelerate skin aging and cause skin diseases. There are consumer needs for sunscreen products that cause less skin irritation as these items are frequently used. Consumers are also becoming increasingly interested in inorganic sunscreens that form a physical barrier blocking UV rays. Dr. Belmeur UV Derma, a hypoallergenic sunscreen line, designs all products consisting only of inorganic sun protection contents. To relieve consumers' concerns, products of this brand are free of five ingredients that are likely to cause skin irritation such as parabens and tar coloring, and aromatic contents that may trigger allergies. Consumers can choose what suits them from three types of formulation, including cream, cushion and stick.

**CASE** BEYOND True Eco

BEYOND True Eco, a leading organic line using natural ingredients only, has been renewed with improved functional quality. True Eco products contain organic Centella asiatica extracts with soothing and moisturizing effects, extracts from Artemisia annua that are grown only in healthy soil without pesticides and chemical fertilizers for three years, Azadirachta Indica leaf extracts, and organic Calming Green Complex™ with green tea extracts. It is an organic skincare line excluding ten problem ingredients¹⁾ under BEYOND's unique skin relief philosophy, so consumers can consume these products without worries.

1) Ten excluded ingredients: Mineral oil, phenoxyethanol, synthetic perfumes, SLS/SLES, TEA, four types of paraben, petroleum-based surfactant, raw materials of animal origin, ethanol, and synthetic colors

**CASE** CNP Cica Block Cushion

CNP Cica Block Cushion is an item that even consumers who have sensitive skin can use without concerns about skin trouble. It contains nine skin-soothing contents including madecassoside and Centella asiatica extracts that alleviate the burden on your skin after makeup. The product also underwent a primary irritation test targeting those with sensitive skin. As covering particulate materials applied in this product are coated with the contents in a similar structure to that of human skin, the texture tightly adheres to the skin, providing a fresh fitting feeling. With the green base added, a complementary color to red, you can easily cover your red skin during makeup.

Consumer Health Improvement Products

CASE Perioe Total 7 Medical Herb Toothpaste

Perioe Total 7 Medical Herb Toothpaste addresses seven oral care problems, including cavities, dental plaque, gum and periodontal diseases, bad breath, whitening, and anti-plaque solutions. We employed the Tera 7 Complex, a technology that combines five herb ingredients (myrrh, ginger, lemon, aloe vera and centella) that are known to originate from the Indian home remedy Ayurveda with LG H&H's patented technology. By conducting the efficacy test on the human body, we proved the product's effect on reducing bad breath, improving the gingivitis index, and removing plaque that may cause dental diseases.

CASE Babience Kindermilch Stage 2 and Red Ginseng

LG H&H developed Babience Kindermilch Stage 2 for toddlers aged over two to provide a nutritional balance at each child development stage. Based on the National Health and Nutrition Survey conducted by the Ministry of Health and Welfare, the product contains calcium and potassium that are usually insufficiently consumed compared to the daily recommended intake. It also includes omega 3 and omega 6 for brain health as well as dual pre-biotics for intestinal health. We also released Babience Kindermilch Red Ginseng for children at all development stages, which contains red ginsengs that help children enhance immunity and physical strength. Children can consume these two products with no worries since these are sterilized by the room-temperature bacteria-free charging method. In addition to the legal standards, we apply even more stricter criteria to control harmful substances such as heavy metals and endocrine disruptors.



CASE Daily Life Garden Jinhosam Jin

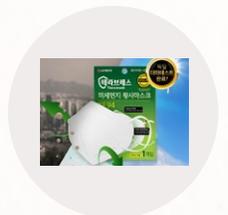
In ancient times, our ancestors consumed a variety of plants used as traditional ingredients to increase vitality and liveliness. Our Daily Life Garden Jinhosam Jin is a red ginseng product that invigorates people during their hectic daily life and enhances their physical strength. The product is made by the fermentation method to maximize the effective contents of red ginsengs, and its main ingredients include fermented red ginseng extracts that are easily absorbed by the human body. It is a health supplement product that increases immunity, relieves fatigue and controls platelet aggregation to help you improve the blood flow, memory and anti-oxidation. It is a liquid product that can be easily consumed. The product's sanitation is thoroughly controlled across all processes from the harvest of ingredients to manufacturing.

CASE Everlife Koujun Ayumi

Sarcopenia, a condition which reduces muscle mass and degrades muscular strength and physical functions, affects the elderly in leading a self-reliant life, and attention to this disease is growing in Japan. Koujun Ayumi contains HMB (β -Hydroxy β -methylbutyric acid) that accelerates protein synthesis. The product's effect on increasing muscle mass and muscular strength and enhancing the walking function has been marked and registered to the National Consumer Affairs Center of Japan by submitting the data and materials that prove the product's safety and functionality. For our elderly consumers who find it hard to swallow capsules, we developed this product using a formulation that easily melts in water or any beverage.

CASE Therabreath Fine Dust Mask

Consumers wear masks more often these days due to the COVID-19 pandemic and fine dust. However, a common complaint is that the shape of masks does not fit tightly over the face line, poorly preventing pollutants. Some worry about the long-time contact between their skin and masks, and others are reluctant to wear white masks that do not match their outfits. To address such complaints, LG H&H launched the Therabreath Fine Dust Mask, a sanitary aid product approved by the Ministry of Food and Drug Safety. Its design and structure that fit your face line (Therabreath Face Fit™) and wide strings improve the fitting feeling. The inner fabric that directly touches your skin is certified by German Dermatest, receiving a grade of Excellent. Its fourfold filter passed the bacteria- and pollen-blocking test, so users can wear this safe mask comfortably with no worry about skin irritation. The product is provided in three types (large, small and black) so that consumers can pick whatever they want according to their face size and preference.



02

IMPROVE PRODUCT SAFETY



Goals

· Bolster the safe quality system by optimizing the test items and standards for each process

LG H&H's vision is to verify the entire process from the development to use of products based on criteria stricter than existing laws and regulations and conduct systematic management, thereby providing consumers with a healthier and happier life. We are committed to providing safe, quality products based on customer values across all processes, including the design, mass-production and distribution of products, delivery of them to end users, and customer service to collect VOCs from consumers. We set the optimal management of each process test item as a core requirement for safe and quality products, optimize the test items and standards, carry out the systematic management of factors affecting test-related processes (work process), use the result for improve, and fundamentally establish the safe quality system so that consumers can use our products without concern.

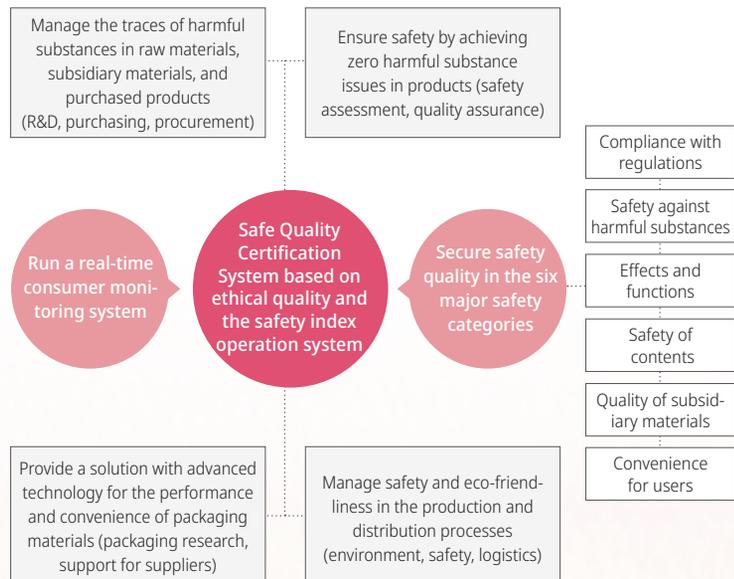
Believing that providing high-quality, safe products to customers is a part of corporate social responsibilities, global companies focus on harmful elements that might occur in the use of products as well as product safety. In particular, ensuring safety is crucial for companies manufacturing consumer goods, and companies thus apply stringent criteria regarding the use of raw materials and processes.

Management System for Building Trust with Consumers

Overall Picture of Consumer Reassurance Center

LG H&H founded the Consumer Reassurance Center in 2017 for the first time in Korea with the vision of providing consumers with a healthier and happier life by conducting ethically safe quality verification stricter than laws and regulations. The center fundamentally prevents biological, chemical and physical factors and risk factors that violate the regulations across the entire processes from the development and use of products to customer service. The center also helps us to establish an optimal environment for safe and eco-friendly production and distribution processes, resulting in a perfect system where products are supplied in a safe and timely way to our stores. In 2020, we will focus on customers' pain points¹⁾ to figure out the aspects of products that require improvement from their perspective, becoming a leading company that increases customer satisfaction.

¹⁾ Pain Point: The demands not satisfied when consumers use products, complaints about products



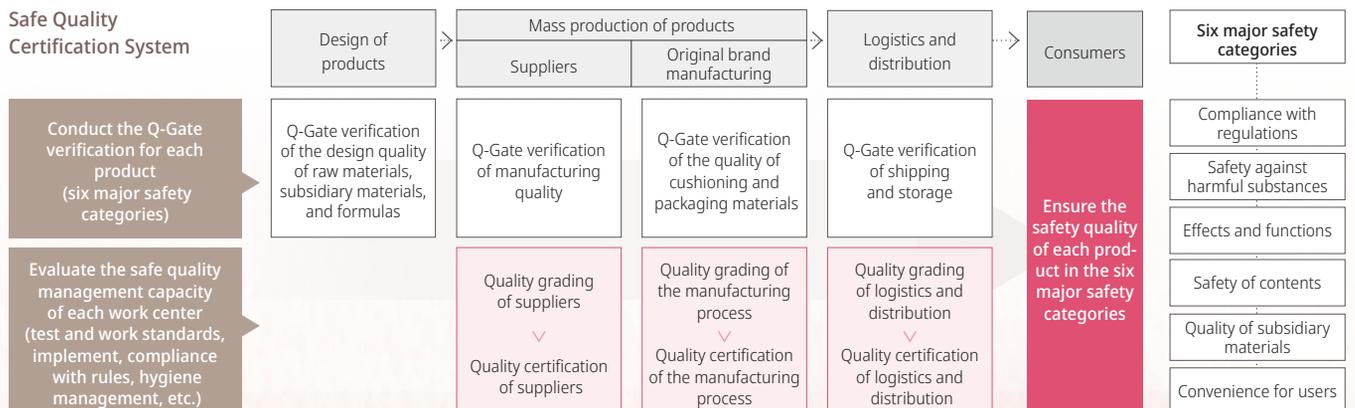
Consumer Reassurance Center

Core Tasks	Major Activities			Plan for 2020
	Index	2018	2019	
Secure safety quality in the six major safety categories	Apply the Safe Quality Certification Assessment System	Tested 13 business sites	Tested 14 business sites	- Improve reliability by subdividing the test standards and computerize tests in connection with an IT system - Apply external criteria, such as the current regulations and the quality system certification, to practically reorganize the safety test rules and enhance response capacity by applying improvements in real-time
	Conduct the Q-gate verification for new materials, subsidiary materials, and formulas	100%	100%	
	Achieve zero complaints against new products	0.64 ppm	0.29ppm	
Reduce waste and loss and upgrade the work process	Rationalize SKU ¹⁾	Quantitative SKU management	Qualitative SKU management	- Establish the PEOS ²⁾ for a future-oriented digital work process - Operate the SKU In&Out system based on contribution to management performance, including operating profits of each SKU and marginal profit rate analysis - Run a system for developing DX professionals focusing on education, training and innovative challenges
	Implement tasks to upgrade the work process	54 tasks implemented	175 tasks implemented	
	Implement tasks to reduce waste and loss	21 tasks implemented	107 tasks implemented	
Operate the management system to prevent risk factors	Analyze the safety of harmful substances in advance	26,036 types	26,363 types	- Systematize the grading and DB of chemical substances to automate the risk assessment of each raw material(Using RQM ³⁾) - Operate a real-time monitoring system of environmental-safety-related high risks by applying IT technologies in business sites with risks - Achieve a zero accident rate by conducting a triple environmental safety diagnosis : Self-diagnosis, cross diagnosis between business sites, diagnosis by a specialized agency
	Monitor safety covers for operational parts of equipment	Inspected and managed 9,182 locations	Inspected and managed 11,170 locations	
	Identify and improve harmful substances	Identified and improved 9,519 cases	Identified and improved 14,312 cases	
	Conduct cross diagnoses of safety and environment through self-diagnosis and diagnosis by a specialized agency	-	Identified and improved 1,129 cases	

1) SKU (Stock Keeping Unit): Stock management unit by product 2) PEOS (Paperless Enterprise Operation System): A paperless work system based on company-wide informatization
 3) RQM (Reassurance Quality Management): Company-wide integrated management system for quality-related information

Operation of the Safe Quality Certification System

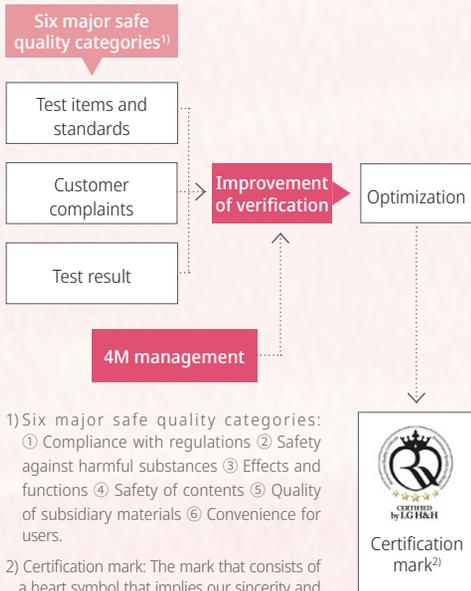
LG H&H sets safe quality as a top priority goal. We have developed and manage our unique quality certification system. The company established the Safe Quality Certification System for the systematic and strict management of 4M. This system assesses the quality level across all processes from production to the actual use of products in accordance with the criteria that are more stringent than the relevant laws and regulations.



02

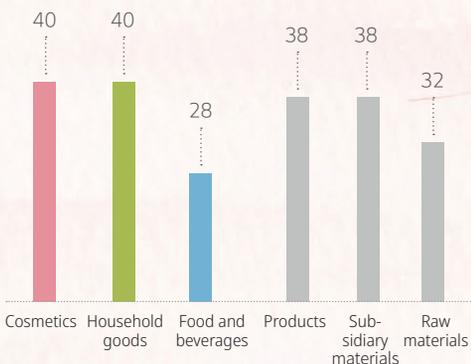
IMPROVE PRODUCT SAFETY

Safe Quality Certification Assessment Method



- 1) Six major safe quality categories:
 ① Compliance with regulations ② Safety against harmful substances ③ Effects and functions ④ Safety of contents ⑤ Quality of subsidiary materials ⑥ Convenience for users.
- 2) Certification mark: The mark that consists of a heart symbol that implies our sincerity and reliability for safe quality for consumers, and the letters R and Q indicating reassurance quality.

Target Suppliers for the Safe Quality Certification Assessment (Unit: Company)



*For the top 80% suppliers based on the procurement amount

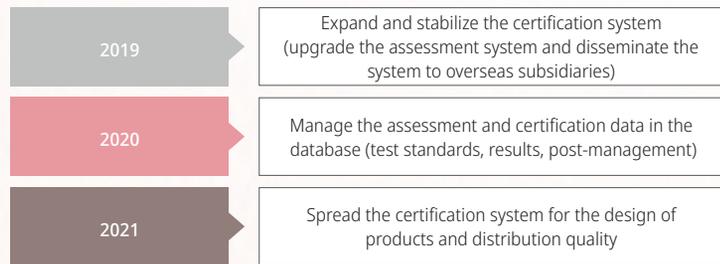
Safe Quality Certification Assessment Method

This is LG H&H's distinctive test and certification method aimed at examining whether the work and test standards of the six major safe quality categories are implemented based on the 4M criteria by subdividing the test unit to each production line.

Safe Quality Diagnosis

In 2019, we organized a diagnosis team at each of our 14 business sites and conducted the Safe Quality Diagnosis twice in the first half (March to May) and the second half (September to October) of the year. Every two weeks, we monitored the progress on improvement tasks identified in the diagnosis. We identified 534 cases of improvement tasks in the first half of the year and checked the implementation progress in the second half of the year.

Safe Quality Certification Roadmap



Safe Quality Certification System for Suppliers

As we established the Safe Quality Certification System aimed at the systematic and strict management of products, we organized a diagnosis team and conducted safe quality certification assessments on 108 suppliers to eliminate any blind spots in quality management and undergo a systematic consumer-centered verification. In the diagnosis, we set six major safety categories, selected core management items for each line, and evaluated the work (test) standards and document records for each process. We monitored the progress of improvement tasks derived from the diagnosis, identified 1,013 improvement tasks from 108 suppliers, and completed the improvement process. By running the Safe Quality Certification System for our suppliers, we help them build their own improvement capacity. We also operate technical support activities to prevent quality-related risks that may emerge in suppliers.

From the Perspectives of Suppliers

- Recognize quality-related weak points and explore elements for improvement
- Enhance the self-diagnosis capacity of suppliers
- Improve the self-improvement capacity of suppliers
- Reduce quality risks and blind spots

From the Perspectives of LG H&H

- Remove in advance factors that harm quality
- Respond in advance to compliance issues
- Transfer technologies, including benchmarking cases
- Fulfill our corporate social responsibility

Operation of the Harmful Substances Analysis Lab.

Since the establishment of the Harmful Substance Analysis Lab. under the Safety Assessment Division in charge of the safety assessment of products in January 2017, LG H&H has swiftly provided accurate verification data of harmful substances throughout all processes. In 2019, we completed the verification of about 26,000 samples, including raw materials, new products, mass-produced products, and the total inspection of color points. As for those high-risk products and ingredients, we conduct analysis twice or more per year or analyze every single lot to preclude risks. In addition, we made the most of existing human resources, invested in analysis equipment, and updated and shared the harmful substance management guide with the development department. Our primary goal is to ensure that we offer safe quality products to consumers by achieving zero-harmful-substance-risk. In 2020, we are planning to achieve the KOLAS¹⁾ certification and verify the analysis capacity to ensure global reliability.

1) KOLAS (Korea Laboratory Accreditation Scheme): A body under the Korean Agency for Technology and Standards, which supervises the accreditation of organizations that perform calibration, testing, assessments and standard substance manufacturing.

Number of Samples for Harmful Substance Assessments (Products, Lab. Products, Raw Materials, Subsidiary Materials) (Unit: Number)

Category	2018	2019
Cosmetics	15,697	14,052
Household goods	7,679	9,989
Food and beverages	2,660	2,322
Total	26,036	26,363

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

Harmful Substance Analysis Equipment and Investment (Unit: KRW 100 million)

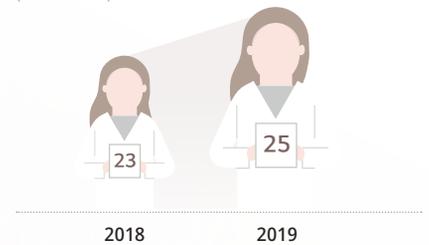
Analysis Equipment	2018	2019
HPLC, LC/MS GC, GC/MS, ICP/MS, radioactivity measuring device, etc.	2.3	3.8

Usage of Harmful Substance Analysis Equipment

Organic harmful substances	Preservatives, formaldehyde, 1,4-Dioxane, phthalates, volatile organic compounds, etc.
Inorganic harmful substances	Arsenic, lead, mercury, cadmium, antimony, uranium, etc.



Number of Harmful Substance Analysis Staff (Unit: Person)



World-class Harmful Substance Management

We built a database that encompasses the data and information of the residual harmful substance criteria and current harmful substance issues in each country by identifying the relevant regulations in Korea, China, Japan, the United States, Europe, Canada, ASEAN, and Taiwan. We utilized this database to set our own criteria that are stricter than the regulations of other countries. The criteria apply to the entire process from development to mass production. In this way, we eliminate harmful substance risks in advance and develop and make safe products that conform to the standards of many countries around the world.

Safe Quality Management Process Over the Product Life-Cycle

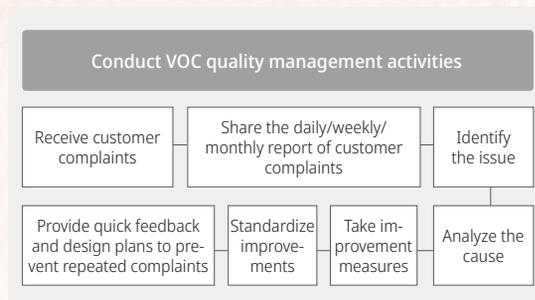
BEAUTIFUL & HEALTHY



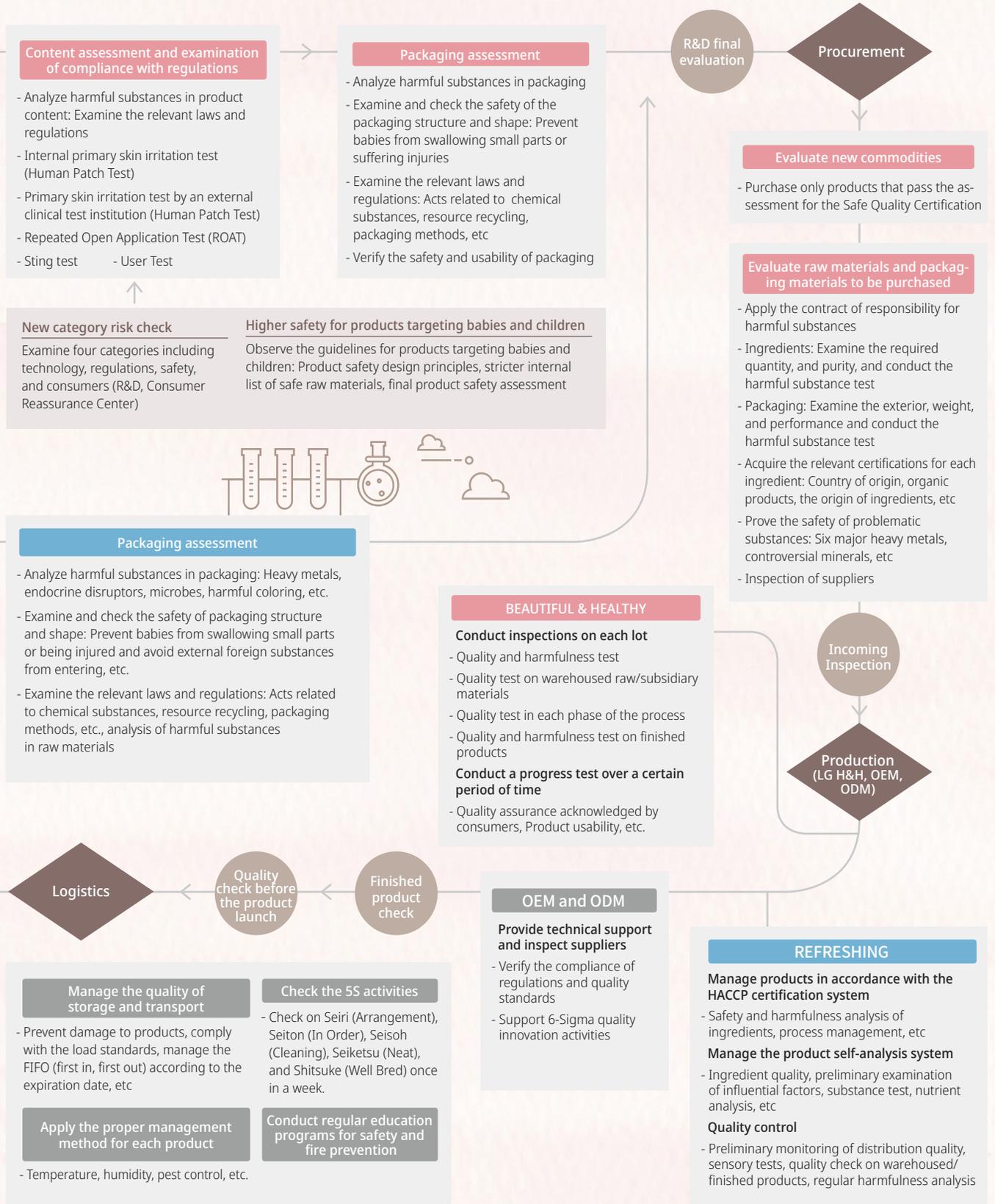
REFRESHING



- Apply easily recyclable raw materials
- Collect used containers in cooperation with recycling-related institutions
- Apply biomass-based containers



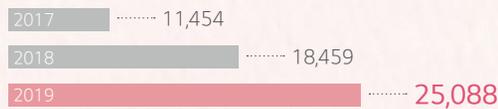
- Ethical advertisements in accordance with the ethical declaration for labeling and advertising**
- Establish the ethical declaration for labeling and advertising
 - Examine ethical labeling and advertising



03

DIVERSIFYING THE PRODUCT PORTFOLIO

Global Business Sales (Unit: KRW 100 million)



Goals

Continuous Expansion of Overseas Business

By stepping into overseas markets, LG H&H aims to expand the target markets and bolster its business structure further so that we can operate stably even with changes in business conditions. Regarding digital transformation, we will also apply digital technologies throughout all sectors to increase customer values and obtain competitiveness by organizing the exclusive taskforce and professional human resources, developing generic technologies, and building adequate capabilities.

As the expansion of overseas sales channels is emerging as a crucial element in the growth of enterprises due to the domestic economic slump, it is important to constantly pioneer overseas markets to increase the values of global brands for continuous growth. In addition, amid the growing attention focused on digital transformation that applies digital technologies across the entire industrial sector to innovate conventional structures, companies should achieve competitiveness through strategic changes based on digital technologies.

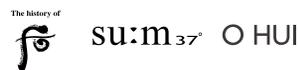
Major Activities in Overseas Business

China

In China, one of LG H&H's major target markets for global business, we launched the Royal Privilege (Yeheonbo) line to boost the continuous growth of The History of Whoo's Cheonyuldan and Cheongidan lines and increase the value as a premium brand, thereby solidifying the position as a global premium brand. Su:m37° set its position as a premium brand by promoting the royal fermentation line Losec Summa as its main line. O HUI is focused on communication with target markets with The First Geniture line. In terms of the home and personal care business, we are positioning our products including Himalaya Pink Salt Toothpaste and Veilment Spa Body Wash as premium ones through online and H&B channels.

Major Brands

Cosmetics



Home and personal care



Japan

In order to strengthen competitiveness in the cosmetic business in Japan, LG H&H acquired Avon Japan and Evermere through our subsidiary Ginza Stefany. We achieved higher diversity in the product portfolio while expanding distribution channels and the customer base by creating synergy with the existing business.

Major Brands

Cosmetics



Home and personal care





Southeast Asia

LG H&H operates subsidiaries in Southeast Asian countries with high growth potential, including Taiwan, Vietnam, Singapore, Malaysia, and Thailand. We have The History of Whoo shops at local fancy department stores to target the premium brand market. We are also expanding the stores of Nature Collection, a nature-oriented cosmetic select shop, to spread K-Beauty with brands such as THE-FACESHOP, Yehwadam, and Dr. Belmeur.

Major Brands

Cosmetics



Home and personal care



North America and Europe

LG H&H's true herb cosmetic brand Belif, which has constantly been consolidating its position in North America, expanded its business through Sephora stores in the United States, including 415 stores in major cities in the eastern and western parts of the country, such as New York City, Boston, San Francisco and Los Angeles. In particular, we are expanding the business of Belif by confirming entry into Ulta Beauty in 2020, one of the largest beauty distribution channels in the United States with over 1,200 stores across the country. We are also preparing to boost our premium brand business including The History of Whoo, Su:m37° and O HUI, which have already been successful in Asia. In August 2019, LG H&H acquired NewAvon, a company with over 130 years of experience in the cosmetic business in North America. We will begin expanding our cosmetics and personal care business by leveraging the distribution network and business infrastructure of NewAvon with approximately 250,000 employees across the United States, Canada and Puerto Rico. We will also focus on nurturing the brands of LG H&H and NewAvon in close cooperation with our local subsidiaries in the US. Moreover, our business will grow to Latin America and Europe, continuing the success in Asia in major global markets. LG H&H will make the most of its R&D and product development capacity to upgrade the product portfolio of NewAvon, which is mostly comprised of low-priced items. We will also strengthen the product portfolio by introducing innovative Korean cosmetic and personal care products that are optimized for local consumers, thereby expanding the business category.

Major Brands in Europe

Cosmetics



Major Brands in the United States

Cosmetics



Major Brands in Canada

Cosmetics



03

DIVERSIFYING THE PRODUCT PORTFOLIO

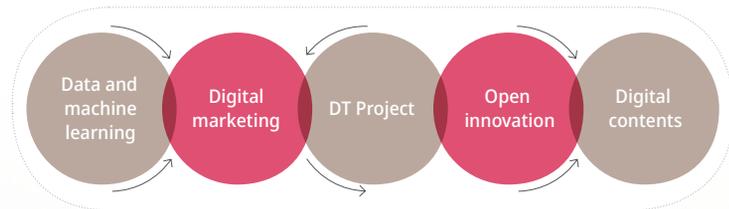


Digital Transformation

Digital Transformation Task Force

The CDO¹⁾ performs the role of the control tower in digital transformation, and under their lead, five working groups for data and machine learning, open innovation, digital contents, digital marketing, and DT project operate. Any other digital transformation activities conducted by the informatization department, DX project department, and work innovation department are also reported to the CDO. Any agenda that is considered important enough to be shared at the division level is directly reported to the Board of Directors.

1) CDO: Chief Digital Officer



Digital Transformation Training

LG H&H provides employees with various training programs for digital transformation. We conduct the Innovation Workshop for executive directors with themes related to digital transformation, in which participants can understand the need of digital transformation and challenges for the company. For employees, we carry out the AI Study for basic understanding of digital transformation and the R Course for enhancing their capacity to analyze a large volume of data. We also provide employees with opportunities to participate in the digital tech college course at our training center, LG Leadership Academy, to enhance their digital capacity. These activities offer practical help to our employees in terms of handling their work efficiently with an improved capacity for digital transformation.



Service partnership with Perfect Corp

Digital Transformation Activities

Digital Catalogue

LG H&H will use digital catalogues to provide customers with a wide range of product information. A digital catalogue represents a system illustrating product features, including names and barcodes. Now catalogues that used to be on paper in the past have increasingly been digitized and utilized across a variety of marketing channels, including online malls, offline stores, and home shopping channels. For the active use of digital catalogues, LG H&H set up an in-house photoshoot studio in 2019. We reduced the cost, while enhancing the quality of product information with many photos. We plan to make a digital catalogue for NewAvon first and expand the use of digital catalogues in the domestic premium brand market.



In-house studio



Use of contents made in the studio

Open Innovation

Open innovation is part of our business management strategies, aimed at sharing technologies and knowledge with external stakeholders to facilitate technological innovation to expand the market. Removing boundaries is crucial to ease the sharing of knowledge between internal and external stakeholders of the company. To be specific, open innovation includes licensing (purchase of technology), joint research, establishing joint ventures, investment in or acquisition of a venture company, subsidiarization, technology solution contests, and the use of open sources. LG H&H also achieved performance in the fields of licensing and joint research by proactively conducting OI (open innovation) activities. In particular, we entered into a service partnership with Perfect Corp., a company specialized in video editing technology and face recognition security. Through this cooperative relationship, we applied API¹⁾ in our global digital catalogues. We also expanded licensing, which used to be limited in Korea, abroad in cooperation with SmartStudy. In 2020, we will boost innovation and expand the market using a wide range of methods, including licensing, joint research and technological solution contests.

Development of Customized Platform Based on Bio Big Data

We see a growing demand in the beauty market for customized solutions with consideration of various innate and environmental factors that affect human skin. To meet this demand, we need to accumulate and analyze enormous bio data about the skin characteristics of customers and skin aging factors. LG H&H is collecting a wide range of skin-related bio big data, with a focus on developing customized platform technology through data analysis technology based on machine learning and bio informatics, efficient customer consulting, and optimized efficacy solutions. Through these efforts, we will provide distinctive customized products and services by considering both the inborn characteristics of your skin as well as environmental factors.

1) API (Application Programming Interface): Language or message formats used in communication between the operating system and application programs.



04

STRENGTHENING
SOCIAL CONTRIBUTION
ACTIVITIES

Goals

- Expand the beneficiaries of LG H&H's support programs aimed at job creation for women (by 2025)
- Constantly increase values through the post-management of program participants

LG H&H comes up with various ways to make a breakthrough for women who want to work. As part of these efforts, we conduct a program titled Natural Beauty Creator, which covers innovative social contribution activities designed to boost the employment of women, keeping up with the 4th Industrialization. We will gradually increase the number of participants of the program by 2025 and expand the scope of benefits. We will also facilitate Nabeauties, a post-management program, to support participants to become beauty influencers in stable conditions even after the regular training course.

'Natural Beauty Creator' Training

We try to improve the training curriculum by inviting experts as instructors and devise various programs aimed at building participants' talent and competence as creators. Among the programs is a mentoring session with renowned creators to share know-how, and the mission accomplishment league of each theme related to beauty and environment to obtain a range of experience. We also promote environmental values across communities through environmental protection activities. Moreover, we run Nabeauties, the program for those who completed the Natural Beauty Creator program, for post-management. By constantly supporting them, we stabilized the process to help participants settle and grow as successful beauty influencers. These programs helped participants become competent women in the era of the 4th Industrialization, and about 20% of them were successfully hired, while 30% of them make profits through beauty creator activities. Now these courses are truly successful programs that help women enter society.

Given the changing perception of corporate social responsibility in the market, companies are required to not only make financial profits but also act in a responsible manner as a corporate citizen. To meet this social demand, enterprises are becoming increasingly aware that addressing social issues is part of their essential responsibilities and thus conduct various social contribution activities by harnessing their management philosophy and business characteristics.

Enhanced Expertise of Instructors and Training Curriculum

The training curriculum is divided into training for basic capacity building as a beauty creator and practical training for turning participants from amateurs to professionals. The quality of each program was improved. The basic training is conducted for 10 weeks with beauty, environment and video editing sessions conducted by professional instructors. In these sessions, participants can build talent and capacity as creators by learning the trends of the beauty industry, understanding of cosmetics, makeup know-how, eco-friendly lifestyle, contents planning and making, filming and editing and by participating in on-site training. The practical training consists of programs that enhance the qualifications of participants, including the copyrights and design training sessions and channel mentoring with business management experts.



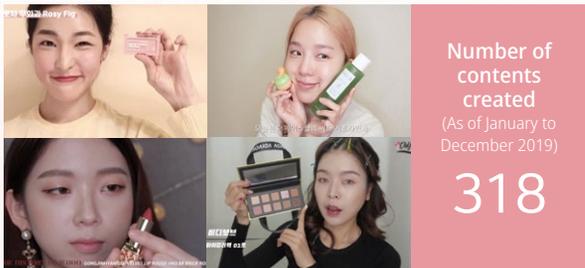
Audition and Selection

We selected beauty creators from among women in their 20s and 30s with a keen interest in beauty and the environment. The competition rate was 6:1 as over 200 women applied for the program. A lot of women with various stories were interviewed, including a job seeker who had been frustrated by barriers to employment, a mom with career breaks due to marriage and childbirth, and a housewife who was dreaming of becoming a YouTuber to restart her career. After the final screening, we selected 35 applicants as students of the second year of the Natural Beauty Creator program.



Mission Accomplishment League with Beauty/ Environment-related Themes

We support the participants to obtain a range of experience as beauty influencers by completing various missions using the products and contents sources of LG H&H cosmetic brands we provided and participating in beauty promotion events. We awarded the winners and provided special opportunities, including support for online channel advertising and filming devices, marketing with brand promotion, and model activities.



Mentoring and Regular Gathering with Renowned Creators

We invited three popular creators (YoonGreen, Riley, Yeonwoo) as mentors and counselors to share their success know-how and motivate participants. In the regular gathering for communication, the mentors and participants built a network to share information and grievances.



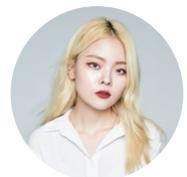
Nabeauties, a Post-management Program for Graduates

This year, LG H&H commenced Nabeauties, a post-management program for the graduates of the Natural Beauty Creator program. It is aimed at providing constant support to the graduates to help them settle and grow further as influencers. It has a wide range of subprograms, including networking among the same-year graduates, progress monitoring, channel management support, practical training, and beauty brand collaboration.



Natural Beauty Creator Year 1 Ye-ji Kim / Channel Name: MARO

"I dreamed of becoming a beauty creator but had no idea how to start. The Natural Beauty Creator activities helped me begin my career in a stable condition. I gained new information and knowledge in beauty and environment lectures and even learned about video content planning and editing. I used to have only ideas, but now I can make videos on my own. Collaboration with brands and participation in marketing were the advantages that I could enjoy thanks to the program. Only well-established beauty creators can get these prime opportunities. It definitely helped me grow from an amateur to a professional."



05

ESTABLISH A SUSTAINABLE SUPPLY CHAIN



Goals

- Achieve a higher grade of the Safe Quality Certification with 528 suppliers (accumulated, by 2023)
- Provide suppliers with technical support (1,376 cases, accumulated, by 2023)
- Provide suppliers with financial support (KRW 233.2 billion, accumulated, by 2023)
- Minimize risks by enhancing suppliers' capabilities for CSR
- Provide consultation service to bolster overseas suppliers and explore potential suppliers

LG H&H implements the CSR assessment of suppliers and the Safe Quality Certification System to minimize risks across the supply chain and promote win-win growth with suppliers. We aim to support suppliers to identify weaknesses and improve their capacity regarding sustainability management while building sustainable competitiveness even outside the country.

Current Status of Suppliers (Unit: Company)

Total number of suppliers		725
Primary (Tier 1)	Suppliers	207
	Core suppliers	93
Second- or higher-Tier	Suppliers	85
	Core suppliers	38

*Non-consolidated

The supply chain management with consideration of economic, environmental, and social factors is essential in strengthening the capacity of a company across the supply chain and minimizing risks in business management. Enterprises should fulfill their social and environmental responsibilities with the code of ethics in overall business activities including transactions. Companies should also make efforts to actualize the sustainable growth of themselves and society.

Assessment and Management of Suppliers' CSR

LG H&H conducts the CSR Assessment to help suppliers identify and control potential risk factors regarding safe work environments, human rights of workers, and environmental responsibility, thereby fostering a sustainable supply chain. We also proactively support them to find and address their weaknesses related to CSR to build relevant capabilities.

Assessment Targets

LG H&H defines major companies based on the amount of procurement at each division and type, companies that have an enormous impact on product quality regardless of procurement amount, and companies that cannot be replaced, as core suppliers.

Assessment Criteria

LG H&H conducts an overall assessment when selecting new suppliers for raw and subsidiary materials and products and when deciding whether to retain partnerships with existing suppliers. Potential suppliers should undergo the Safe Quality Certification Assessment and CSR Assessment. They are allowed to register as suppliers and start deals only if they score 550 or more from 1,000 points in the former assessment, and 75 or more from 100 points in the latter assessment. In terms of existing suppliers, we introduced the Safe Quality Certification System. Both LG H&H and suppliers work to achieve a higher grade every year, aiming to reach the World Best grade. We separated the category of CSR from the overall assessment, and warn any supplier that fails to gain 75 points or over. If such a supplier does not improve the aspect in question, we terminate the business relationship with the company under the revised procurement policy, putting more weight on the CSR assessment.

Development of the CSR Assessment Guidelines for Suppliers

LG H&H established CSR assessment guidelines for suppliers in order to ensure the fairness and consistency of the assessment. The guidelines consist of background, purpose, descriptions of each category, performance guides, relevant regulations, and references. Based on these, we try to enhance the CSR capacity of our suppliers.

Safe Quality Certification System for Suppliers

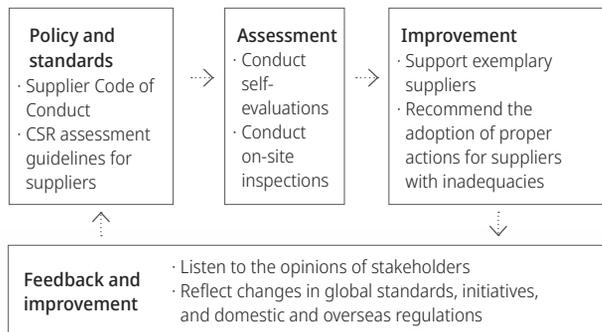
LG H&H developed the Safe Quality Certification System by applying a stricter criteria than relevant regulations to create products that consumers can use without concern. The Safe Quality Certification System evaluates the companies' compliance with the work standards of 4Ms (Man, Material, Machine, Method) in six major categories of compliance with regulations, safety against harmful substances, effect and performance of products, safety of contents, quality of subsidiary materials, and convenience for users. We implemented the system targeting core suppliers in 2018 and expanded the scope to new suppliers in 2019.

Management Direction of Suppliers

	Quality (Safety)	Deadline	PDS ¹⁾ performance	Credit rating
Aspects to be managed with priority	Quality- and safety-related factors, including violations of harmful substance regulations and guidelines	Meeting the deadline based on the initial supply request date	Synergy from cooperation, including new ideas and proposals for new technologies	Financial stability based on the result of credit rating
From the perspective of ESG	Technological capacity, sustainability, field management			
	Grade of Safe Quality Certification	Upgrade the average level of CSR and expand the scope of management		
	Expand the scope of application of the Safe Quality Certification System for suppliers to prevent quality issues	Identify the overall CSR activities of suppliers, including the perspectives of environment, labor and human rights, ethics, and safety, and strengthen their CSR competitiveness		

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

CSR Management Process for Suppliers



Assessment of Suppliers' CSR

LG H&H has set the code of conduct for suppliers with 28 items in four categories, including labor and human rights, environment, safety, fair transaction, and personal information protection, which are part of corporate responsibilities. This code of conduct is available on the website of the procurement system. We conduct an annual on-site assessment to enable suppliers to pay more attention to CSR and comply with relevant principles. Based on the annual plan, we visit suppliers, check potential CSR risks, and reflect the results of the on-site assessment in the overall assessment of suppliers, thereby reducing risks. In 2019, we carried out the overall and online CSR assessment of 207 suppliers. As some aspects including human rights, environment and safety were found inadequate in the assessment of three suppliers, we advised them to improve these weak points and make a plan for enhancement.

Third-party CSR Assessment

Aside from the annual on-site inspection, we selected 10 major suppliers to conduct a third-party inspection in 2019. We employed this method to increase the expertise and objectivity of the CSR assessment, while providing more diverse information and aspects for improvement related to CSR. In the on-site inspection, the management of the fire protection system, the environment and safety management group, and the management of harmful chemical substances were found inadequate. The result of the assessment was shared with all target suppliers in the form of a report. Based on the report, suppliers are planning for the improvement and management of potential risk factors. In 2020, we will expand the scope of our supplier management activities to our overseas businesses.

CSR Assessment Result of Suppliers (Unit: Company)

	Category	2019
Primary (Tier 1)	Suppliers that underwent CSR assessment	207
	- Self-assessment ¹⁾	207
	- On-site inspection ²⁾	63
	- Third-party inspection ³⁾	10
	Suppliers with high CSR-related risks ⁴⁾	5
Second- or higher-Tier	Suppliers that underwent CSR assessment	21
	Suppliers with high CSR-related risks	1

*Non-consolidated

2) Self-assessment: The assessment through the procurement system

3) On-site inspection: The on-site inspection conducted by the procurement team and other relevant teams

4) Third-party inspection: The on-site inspection carried out by an external agency

5) Suppliers with high CSR-related risks: In the overall assessment, we use the CSR checklist consisting of 47 questions regarding governance (2.5%), environmental management (17.5%), safety and health (20.0%), ethical management (7.5%), labor and human rights (37.5%), management of suppliers (10.0%), local community (2.5%), and information protection (2.5%). We separated the CSR assessment category from the overall assessment and set the criteria for acceptance (75 points) to increase the percentage of the CSR assessment, so that we only make deals with suppliers that meet the standard under the revised procurement policy.

Performance and Goals with Suppliers

	Achieve a higher grade of the Safe Quality Certification	Number of cases of technical support	Amount of financial support
2017	Stabilize the Safe Quality Certification system of suppliers	174 cases	KRW 32.25 billion
2018	Number of suppliers: 94	360 cases (accumulated)	KRW 67.78 billion (accumulated)
2019	Number of suppliers (accumulated): 192	557 cases (accumulated)	KRW 99.21 billion (accumulated)
2023 Goals	Number of suppliers (accumulated): 528	1,376 cases (accumulated, since 2017)	KRW 233.2 billion (accumulated, since 2017)

CASE Human Rights Protection Activities across the Supply Chain

Whether it is used as fatty acid derived from palm for products such as detergents or as glycerin, a solvent from secondary- and tertiary-processed raw materials for emulsifiers, palm oil is widely utilized in the manufacturing process of cosmetics as well as home and personal care products. LG H&H deeply understands the severity of issues related to the violation of the human rights of workers and the reckless destruction of the environment caused during palm oil production. We support the activities of RSPO (Roundtable on Sustainable Palm Oil), established with the participation of global NGOs and companies. In 2014, our business sites in Ulsan and Onsan became the first to receive the RSPO Segregation Certification for the entire process from raw material storage to production, product warehousing and shipment. We retained the certification in 2019. We immediately terminate contracts with suppliers that violate human rights in producing palm oil.

06

PROVIDING A GOOD WORK ENVIRONMENT



Goals

- Achieve 84 points in employee engagement assessment (by 2025)
- Establish a global training framework (by 2025)
- Build global leadership (by 2025)

LG H&H will provide a wide range of training programs including a global training course to improve employees' capabilities and create an optimized environment where employees can concentrate on their work. By upholding human rights in business management, we respect all internal and external stakeholders and try to reduce risks, directly and indirectly, related to the infringement of human rights.

The capability of employees directly leads to the performance of a company. Recently, as the world has been globalized, there is a growing need for the improvement of employees' expertise and global capabilities. In addition, there is a growing awareness that people must be respected in business management and that human-rights-friendly corporate activities are crucial, making global companies more focused on human-rights-based business management.

Capacity Building of Employees

Development of Global Experts

LG H&H runs a variety of global human resource development courses to nurture human talent equipped with capabilities for global business. We have a one-to-one English learning course with a native teacher, aimed at enhancing employees' capabilities for global business as well as language skills. Our GEC (English) and GECC (Chinese) courses are designed to provide intensive support to employees to improve their English and Chinese skills, reflecting the characteristics of an FMCG¹⁾ company. We are also preparing for the expansion of global business by operating regional expert and global MBA courses.

1) FMCG: Fast Moving Consumer Goods.

Global Training in 2019 (Unit: Person)

Category	Number of participants
English coaching class	49
GEC (Global Expertise Course)	16
GECC (Global Expertise Course in Chinese)	13
Global MBA	4
Regional expert	2
In-house foreign language courses (Japanese, Chinese)	126

Various E-Learning Courses

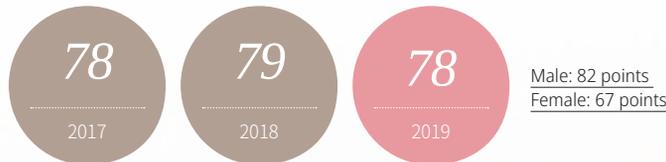
We have a wide range of e-learning courses for employees so that they can participate in training programs at the right time. 'L-lemon', which is for employees in charge of sales and sales promotion, provides 131 education programs regarding industry trends, products and sales skills to keep up with the characteristics of the rapidly changing FMCG industry. 'E-Academy' for all employees provides 1,270 education programs related to foreign language, leadership, humanities and liberal arts, and specialized jobs. In addition, we updated the digital transformation course to help employees to be more aware of changes in trends. We are also expanding e-learning by offering the courses even to family members of our employees, developing the learning culture.



Work Engagement Program

We developed various work engagement programs to create an environment where our employees can be more focused on their work and support them to develop their capabilities. In particular, we conducted a survey to identify their needs and designed the optimized work engagement courses for each position level. For team leaders, we run the team leader motivation leadership program to create a work environment that inspires employees and helps them concentrate on their work. For deputy managers, we operate the strength coaching course, where they can learn how to apply their strengths in their work to increase their work satisfaction level. For team members, we provide the resilience course to help them overcome difficulties at work and find their own meaning of work, thereby encouraging them to focus on their responsibilities.

Employee Engagement (Unit: Point)



Human-rights-based Management

Principles of Human-rights-based Management

Under the management philosophy of 'Respecting Human Dignity', LG H&H is well aware that human-rights-based management is the most essential element in business. We uphold our own human rights policy that was established to respect all stakeholders including employees, customers, suppliers, joint ventures and affiliated companies and guarantee the rights of human dignity. LG H&H abides by regulations related to labor-management relations in all countries and regions, strives to secure employment stability and adequate wage levels for employees in the social and economic aspects. As a corporate citizen, we support the principles of human rights specified in the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights presented by the United Nations Commission on Human Rights.

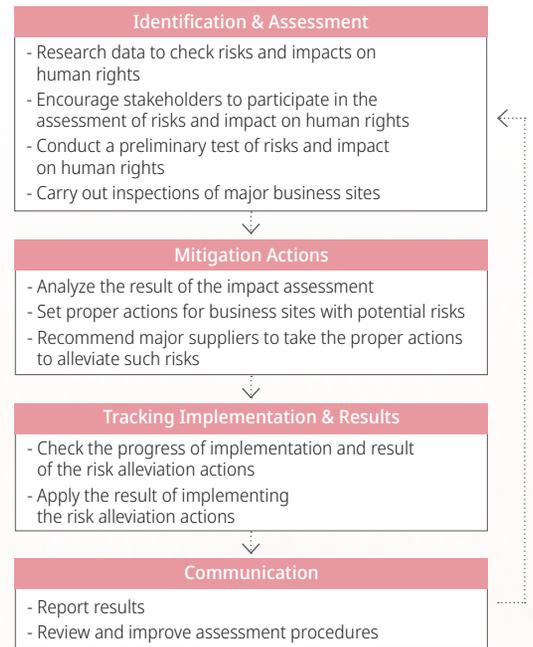
Impact and Risk Management System for Human Rights

In accordance with the UN Guiding Principles on Business and Human Rights, LG H&H complies with the principles of Protect, Respect and Remedy to practice human rights throughout the entire business operation within the company and with our stakeholders. We also conduct due diligence¹⁾ to examine the direct and potential impacts of our management activities on human rights. For each of our domestic and overseas offices and subsidiaries, LG H&H carries out the Human Rights Impact Assessment through the LG Way survey, compliance risk inspection, and the environmental safety diagnosis. We also conduct the CSR assessment in our supply chain by considering the domestic and overseas trends in labor rights. We regularly examine issues related to the poor treatment of human rights based on the results of the annual assessment. For detected issues, the relevant divi-

sion finds solutions to be carried out through intensive management with the implementation progress being regularly monitored. LG H&H reviews the result of the assessment and management of these issues as well as their final impact, by reporting them to the Compliance Committee and the CSR Committee.

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

Impact and Risk Management Process for Human Rights



Results of the Human Rights Impact Assessment

LG H&H annually conducts monitoring and on-site inspections regarding the human rights practices of major suppliers as well as its domestic and overseas business sites. The results showed that there has been no major violation of human rights at our business sites either at home or abroad. In 2019, we carried out the on-site inspection of our business site in Vietnam and subsidiary in Beijing. For the aspects that required improvement and supplementary examination, we designed the proper actions and have applied them to the relevant business sites. We are constantly monitoring the progress through the department in charge. In addition, we found potential risks regarding extended working hours in some of our suppliers. We set improvement tasks for such suppliers with detected potential risks and plan to constantly monitor the progress.

06

PROVIDING A GOOD WORK ENVIRONMENT

Impact Assessment Result and Remedial Measures for Human Rights

Category	Human Rights Issues	Impact Assessment Method	Result and Remedial Measures
Employees	Non-compliance with the behavioral code for employees	Cyber SINMUNGO	<ul style="list-style-type: none"> Received 76 cases of reports related to employee issues (63 cases processed, 13 cases proven to be false) Operated the report reward system and the whistleblower protection system
	Sexual harassment and bullying at work (abuse of authority, disrespect between employees)	Top Dignity Survey	<ul style="list-style-type: none"> Result of the Top Dignity Survey in 2019 <ul style="list-style-type: none"> - Serious issues: N/A - Potential issues: N/A Conducted education programs for the top dignity corporate culture (prevention of bullying and sexual harassment at workplace, establishment of the culture that respects diversity) Operated the counseling center for bullying issues and distributed the guidelines
	Stress of employees (emotional labor of sales employees)	LG Way Survey	<ul style="list-style-type: none"> Result of the LG Way Survey in 2019: 78 points from the employee engagement assessment Established and distributed emotional labor guidelines Provided special lectures for employees handling emotional labor Operated the psychotherapy counseling center where an expert works once a week
	Industrial accidents caused by negligence at business sites	Safety diagnosis of business sites / Health checkup of employees	<ul style="list-style-type: none"> Conducted the safety diagnosis through an external agency at 17 business sites and implemented improvement measures Conducted a safety diagnosis at 3 business sites, 66 logistics centers and 24 stores and implemented improvement measures
Suppliers	Violation of human rights in the production and supply process of palm oil	RSPO Certification	<ul style="list-style-type: none"> Retained the RSPO Segregation Certification in business sites in Ulsan and Onsan
	Labor rights issues of suppliers' employees	CSR assessment of suppliers	<ul style="list-style-type: none"> Conducted the CSR Assessment for suppliers <ul style="list-style-type: none"> - Conducted the overall and online CSR assessment of 207 Tier 1 suppliers and 21 Tier 2 and other suppliers - Carried out improvement tasks for suppliers with high risks, including five Tier 1 suppliers and one Tier 2 (or other) company
	Damages from unfair transactions (unreasonable demands)	Bribery Report System through Cyber SINMUNGO	<ul style="list-style-type: none"> Received 20 cases of grievance from suppliers Promoted a 'No gift-giving' campaign among LG H&H employees
Customers	Protection of customers' personal information	Security check of personal information (LG H&H and suppliers)	<ul style="list-style-type: none"> Conducted inspections at 22 business sites and 14 suppliers handling personal information to minimize risk factors and implemented improvement measures
		Mock hacking of personal information	<ul style="list-style-type: none"> Detected vulnerabilities in personal information handling for 213 systems
	Damage to customers (product safety)	Voice of Customers (VOC)	<ul style="list-style-type: none"> Achieved the response rate of 20 seconds for 95.3% of customer inquiries Implemented the intensive claim management system to share issues with relevant departments within 30 minutes after receiving VOCs and visit the customer within a day
Local community	Entry of vulnerable groups into society (the disabled, women, the elderly, etc)	Vulnerable groups	<ul style="list-style-type: none"> Supported the hiring of socially vulnerable groups by running Bright World, sheltered employment for the disabled Supported 35 women through LG H&H's Natural Beauty Creator program (recent graduates or women with career breaks) Rehired retired employees and hired the elderly in cooperation with the technical support team of suppliers

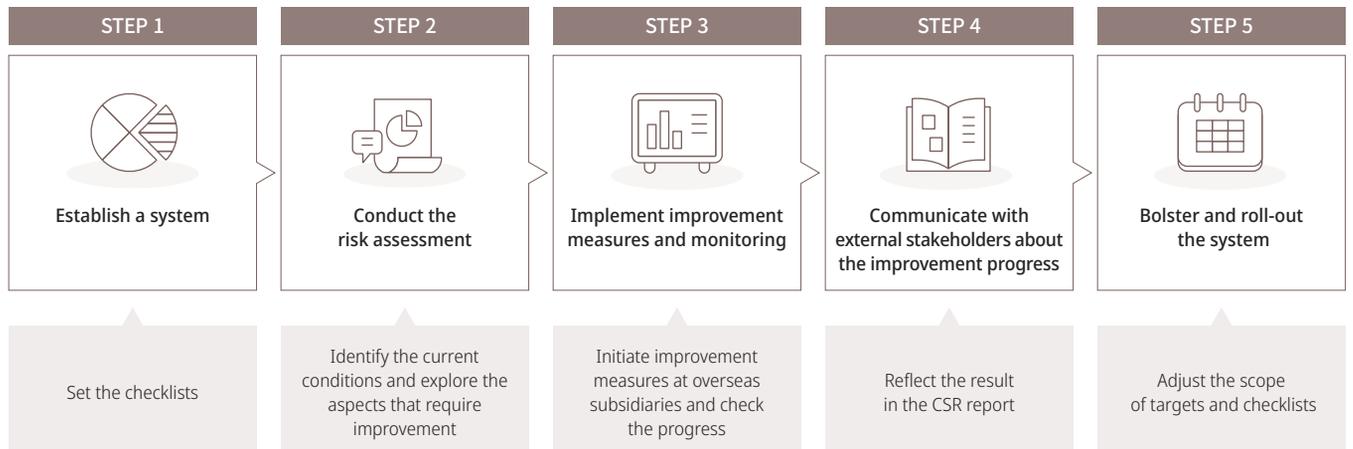
CASE Due Diligence at Overseas Business Sites

In 2019, LG H&H expanded the scope of business site inspections to overseas subsidiaries to improve the work environment. We conducted due diligence in our subsidiaries in Vietnam and Beijing, China. Due diligence is aimed at managing risks related to labor and human rights to operate business sites in accordance with the global guidelines. We reviewed documents, examined business sites, and conducted interviews with relevant employees regarding 34 categories, including forced labor, recruitment of children workers, and legal working hours. We devised proper plans for the aspects that required improvement and further supplementary actions. We also shared the information about relevant regulations to support the subsidiaries to preemptively manage potential risks. LG H&H will constantly monitor the progress of improvement and establish a systematic management system for the impact on human rights and relevant risks across our overseas supply chain.



Due Diligence Process

In accordance with the global standards such as the UN Due Diligence Guidelines and the OECD Guidelines for Multinational Enterprises, LG H&H conducts due diligence in phases to identify the current conditions and aspects for improvement, implement improvement measures, conduct monitoring, and communicate with external stakeholders about the progress. We carried out the step 2 of the due diligence in 2019, which was aimed at exploring the aspects for improvement by identifying the current conditions.



07

FACILITATE THE CIRCULATION OF RESOURCES



Goals

- Consider and apply green packaging from the product development stage (by 2025)
- Gradually increase the number of green products with the use of eco-labeling (by 2025)

Aiming to start the use of green packaging from the product development stage by 2025, LG H&H strives to create social and environmental values by reducing plastic consumption and increasing the convenience of recycling. We are also planning to expand the use of eco-labeling, which indicates marks or phrases on the products with high environmental quality, thereby encouraging consumers to recognize and purchase eco-friendly products. Under the vision of achieving sustainable green packaging, we optimize the weight of packaging materials and improve their recyclability and EPR process. Through our green packaging guide for developing packages that enable resource circulation, we evaluate the weight, materials, and recyclability of packaging containers.

The increasing consumption of goods due to economic growth and the growing population is triggering a shortage of resources and even environmental and economic issues. Many countries have thus begun managing resource circulation from the perspective of a sustainability-based circular economy beyond the existing linear economy. Enterprises strive to employ eco-friendly processes to minimize their environmental impact caused by waste from packaging materials.

Endeavor to reduce the environmental impact of product packaging materials

Green Product Review Committee

LG H&H operates the Green Product Review Committee across the entire company to actualize sustainable green packaging. With the CRO as its chairperson, the committee is comprised of the design, packaging research, purchasing, business division, and product planning departments, and is mainly run by the environment and safety team. The committee carries out activities from the pre-development stage, proposing green packaging and suggesting and reviewing green level issues. To comply with rapidly-changing packaging policies, the committee shares relevant information and sets and applies the policies in products. In 2019, LG H&H achieved a reduction in packaging waste and a cost reduction by decreasing the height of the dual cap TECH and Saffron, lightening the container of Homestar 750\$C by reducing the weight of its packaging materials, changing the materials for ReEn Baekdanhyang and Seohyang, and improving the recyclability of Himalaya Pink Salt Pumping Toothpaste through the operation of Green Product Review Committee.

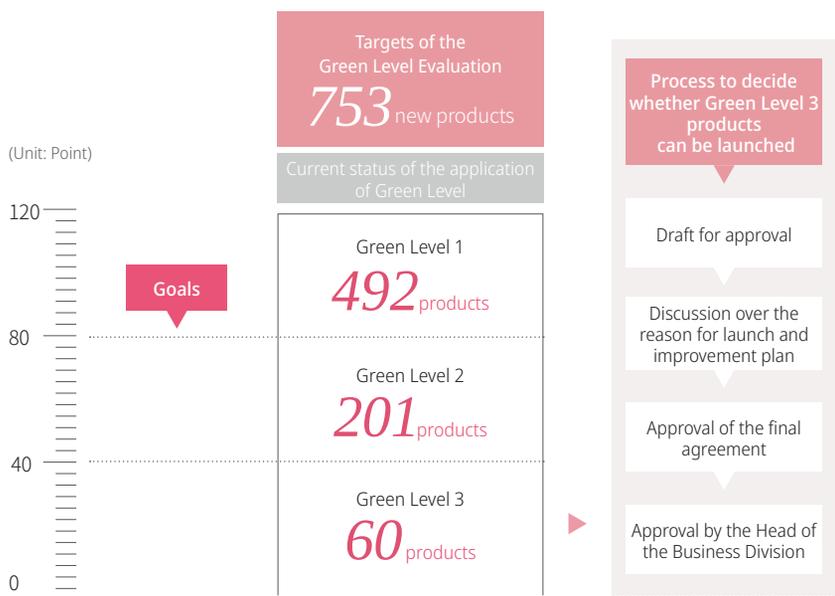
Green Product Review Committee



1) CRO: Chief Risk Management Officer

Green Packaging System

LG H&H operates the Green Packaging Guide to develop and apply packaging in consideration of the environment from the stage of product development. The Green Packaging Guide, a unique rating scale created by LG H&H, evaluates the eco-friendliness of a new product before its launch by quantitatively assessing the weight, volume, materials, and recyclability of packaging materials. The results of the Green Packaging Guide are classified into the categories of container weight reduction, packaging material improvement, and recyclability improvement and used as the standards for improving the eco-friendliness of packaging materials. We plan to run the Green Packaging Guide along with the packaging material and structure assessment system currently conducted by the government under the relevant laws and regulations.



*As of 2019

CASE Major Products with Green Packaging

Container weight reduction



Homestar
Dishwashing
Detergent 750 mL

Recyclability improvement



ON:THE BODY The
Natural Body Wash
900 g



Minute Maid Aloe
1.5 L



Sunkist Family Aloe
1.5 L

Effects of the Application of Green Level*



*Impact calculated based on the sales of the previous year

07

FACILITATE THE CIRCULATION OF RESOURCES

Voluntary Improvement of Packaging Materials and Structure

To comply with the Voluntary Agreement on Packaging Material and Structure Improvement that we signed with the Ministry of Environment in April 2018, we have been changing the color PET containers of home and personal care products and beverage products to colorless ones. Following 2018, we set the tasks to change packaging materials, reduce the weight of containers, and improve recyclability in 2019. As a result, we replaced about 2,185 tons of plastic containers with those of easily-recyclable materials. In three product categories, we reduced approximately 152 tons of plastic consumption.

Improved materials		
Reduction in plastic consumption (ton)	Major brands	Major products
121	 아름다운마음상자	
Higher recyclability		
Reduction in plastic consumption (ton)	Major brands	Major products
2,064	  	
Reduced weight of containers		
Reduction in plastic consumption (ton)	Major brands	Major products
152	 	

CASE Improved Recyclability with Labels with Dotted Lines

As the demand by stakeholders for the circulation of resources is on the rise, LG H&H introduced PET labels with dotted lines for beverage products to help consumers get rid of labels for recycling more easily. According to the data of the amount of packaging materials as of 2019, about 15,600 tons of packaging materials with dotted lines were used. We improved products subject to the assessment of availability for circulation under the relevant regulations and also expanded the scope of target products. We are constantly considering the use of various technologies to increase the eco-friendliness of our products.



Minute Maid Orange

Mate Tea of the Sun

Toretta



CASE New Materials for Shopping Bags in Accordance with Regulations on Disposable Goods

As the regulations on disposable products were tightened in April 2019, LG H&H has replaced shopping bags made with felt fabrics with low recyclability with easily recyclable ones, such as imitation paper. We were able to reduce about 37.9 tons of plastic consumption and KRW 40 million in costs.

CASE Empty Cosmetic Container Collection Event

We carried out an empty cosmetic container collection event to utilize used product containers as materials in our production process. We provide bonus points to customers who bring empty cosmetic containers back to our stores. Collected containers are taken to local logistics centers and recycling companies to be used as raw materials again.

CASE Stylish & Eco-Friendly, Method



Hand Wash – Fresh Currant

Dishwashing Detergent – Lemon Mint

Method is an eco-friendly brand, which uses recycled plastics in all products. The brand applies a recycled PET chip called CB-602R to its product packaging. Method received a certification from SCS Global Services for the use of recycled chips.



CASE Improved Recyclability with Colorless PET Containers

In order to preemptively respond to the amended Act on the Promotion of Saving and Recycling of Resources and increase the recyclability of PET containers, we replaced the containers of our products with colorless PET containers, starting with Seagram's in 2018 and expanding the use of them in 2019 to products such as Sprite, Minute Maid and Sunkist Aloe. We replaced about 1,898 tons of plastics with easily recyclable materials. Now 100% of our beverage products use colorless PET containers.



CASE Certification of Packaging Material Recycling Level 1

By applying the Green Packaging standards in the manufacturing and design stages of packaging materials, we achieved Recycling Level 1 for one laundry detergent and one dishwashing detergent in June 2019. These certified products feature containers using a single material. The body of the containers and subsidiary parts (cap and label) are made from the same materials. Starting in 2017, we received Recycling Level 1 certification for six products in 2018 and two products in 2019, making a total of ten certified products. In 2020, we will keep making efforts to comply with the packaging material assessment system and develop products with higher recyclability, taking the initiative in promoting an eco-friendly lifestyle.

Use of Recycled Packaging Materials in 2019

Packaging materials	Total weight (ton)	Recycling rate (percentage in the total weight)
Metal cans	280	100
Glass bottles	3319	85.8
Synthetic resin packaging materials*	20,718	79.0

*20,463 tons in 2018 (recyclability rate of 77.2%), 22,106 tons in 2017 (76.5%), 20,801 tons of 2016 (76.5%)

08

LEADING THE RESPONSE TO CLIMATE CHANGE



Goals

- Achieve 0.069 tCO₂e/product-ton of GHG emissions intensity (production sites only) (by 2025)
- Expand the use of renewable energy (by introducing the solar power generation system, solar power streetlamps and hybrid vehicles)
- Improve energy efficiency with constant investment, including the improvement of facilities in business sites and replacement of deteriorated equipment
- Promote energy saving campaigns with employees

LG H&H, as a player responding to climate change, constantly reduces energy consumption and GHG emissions. In particular, we will improve our facilities, increase energy efficiency, and contribute to creating a low-carbon society to fulfill our responsibility as a global corporate citizen.

In accordance with the Paris Agreement, many economic players strive to establish a global system in response to climate change. The awareness of environmental responsibilities of companies is growing, while consumers are increasingly paying attention to the establishment and implementation of companies' strategies to deal with climate change in their efforts to minimize their impact on the environment.

Energy and GHGs

Reduction of Energy Consumption

LG H&H established the plan for reducing GHG emissions and energy consumption, while constantly making investments in introducing high-efficiency facilities and increasing the efficiency of equipment. In our business site in Yeosu, for example, we used the waste heat recovery system in the retort food production line, resulting in a reduction in LNG by 186,731 Nm³. In our business site in Cheongju, we reduced the leakage of steam by conducting the trap diagnosis, cutting KRW 14.22 million in annual costs for steam. We also adjusted the transformer taps and reduced 237,000 kWh of energy. Moreover, we reduced the maximum electricity demand and replaced existing lamps with high-efficiency ones as part of our GHG emissions reduction activities. Our business sites in Cheongju replaced the lamps in four production facilities with LED ones, which took up 50% of the lamps in the plant.

Energy consumption (Unit: TJ)



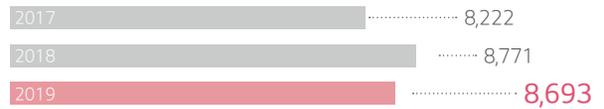
*Non-consolidated

GHG Emissions

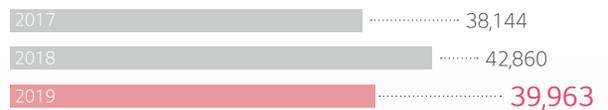
LG H&H responds to climate change by establishing the GHG inventory and the energy management system. Our energy use in the manufacturing process is not relatively high. LG H&H as a corporate body, except Ulsan Plant, is not subject to the energy target management system in accordance with Article 42 of the Framework Act On Low Carbon, Green Growth. Since 2005, we have been controlling energy use and GHG emissions across all our business sites in a systematic way, using the GHG inventory and the climate change response system for domestic and overseas business sites and ensuring transparency and objectivity of the data of emissions through a third-party assessment. In Yeosu Plant, for instance, we reduced energy consumption and 413 tCO₂ of GHG emissions by operating the waste heat recovery system in the manufacturing process for retort pouch products. In Cheongju Plant, we cut energy use by diagnosing steam traps and adjusting transformer taps, thereby reducing GHG emissions by 200.7 tCO₂e.



Direct GHG emissions (Scope 1) (Unit: tCO₂e)

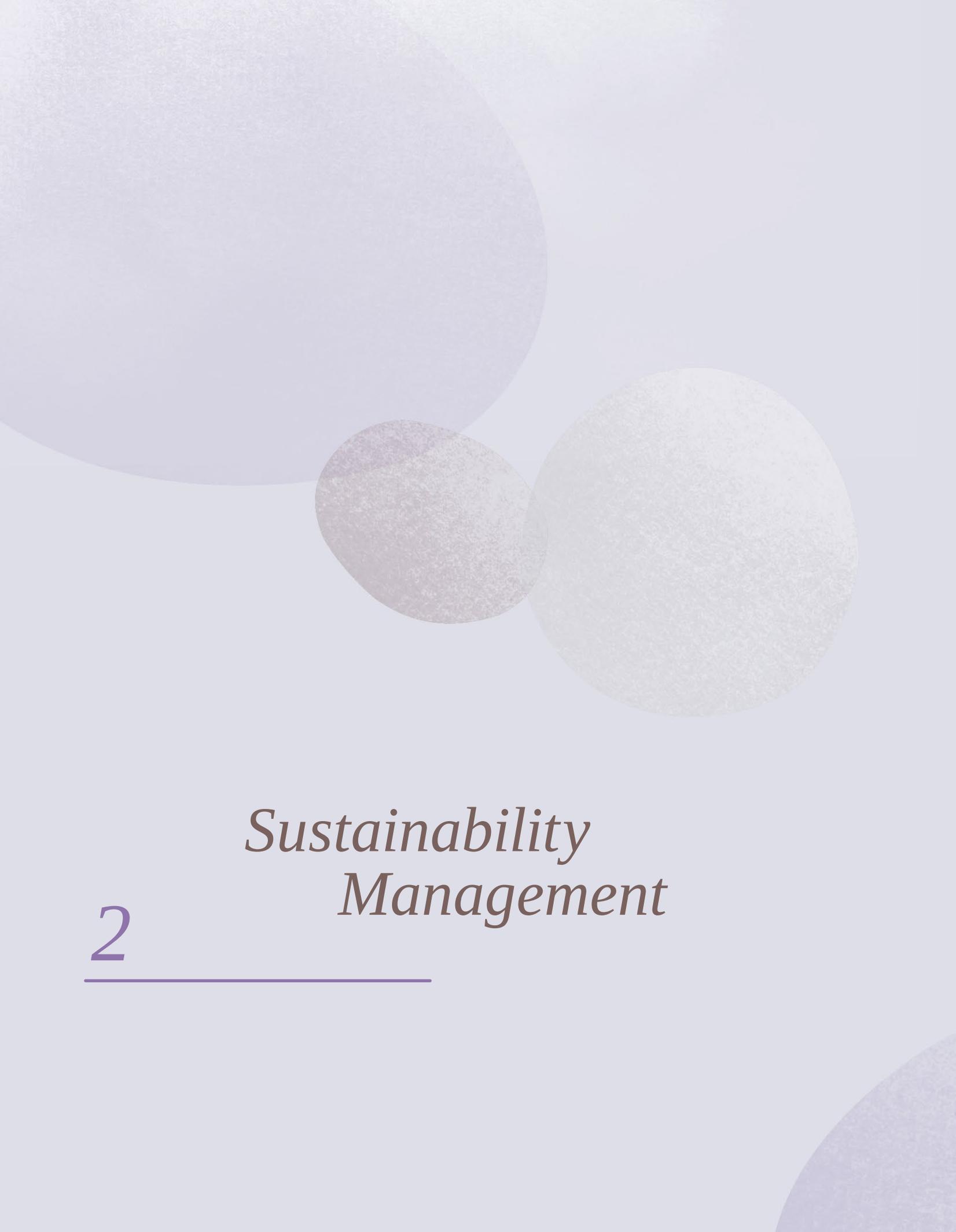


Indirect GHG emissions (Scope 2) (Unit: tCO₂e)



*Non-consolidated

Category	Description	Reduction			Energy reduction (GJ)	GHG emissions reduction (tCO ₂ e)	Business site
		Electricity					
Energy demand control	Reduction of maximum electricity demand	Electricity	527	kWh	5	0	Cheongju
	Reduction of electricity cost by adjusting transformer taps (voltage adjustment)	Electricity	237,000	kWh	2,275	110	Cheongju
	Reduction of electricity cost by changing the aeration methods for wastewater tanks (plant air → ring blower)	Electricity	143,203	kWh	1,375	67	Cheongju
	Reduction of energy with the waste heat recovery system in the retort food production line	LNG	186,731	Nm ³	8,048	413	Yeosu
	Reduction of leakage of steam by conducting a trap diagnosis	Steam	337.5	ton	931.5	23.7	Cheongju



*Sustainability
Management*

2

52 Employee Value

56 Customer Satisfaction

60 Social Contribution

64 Environment and
Safety Management

72 Win-win Growth



01

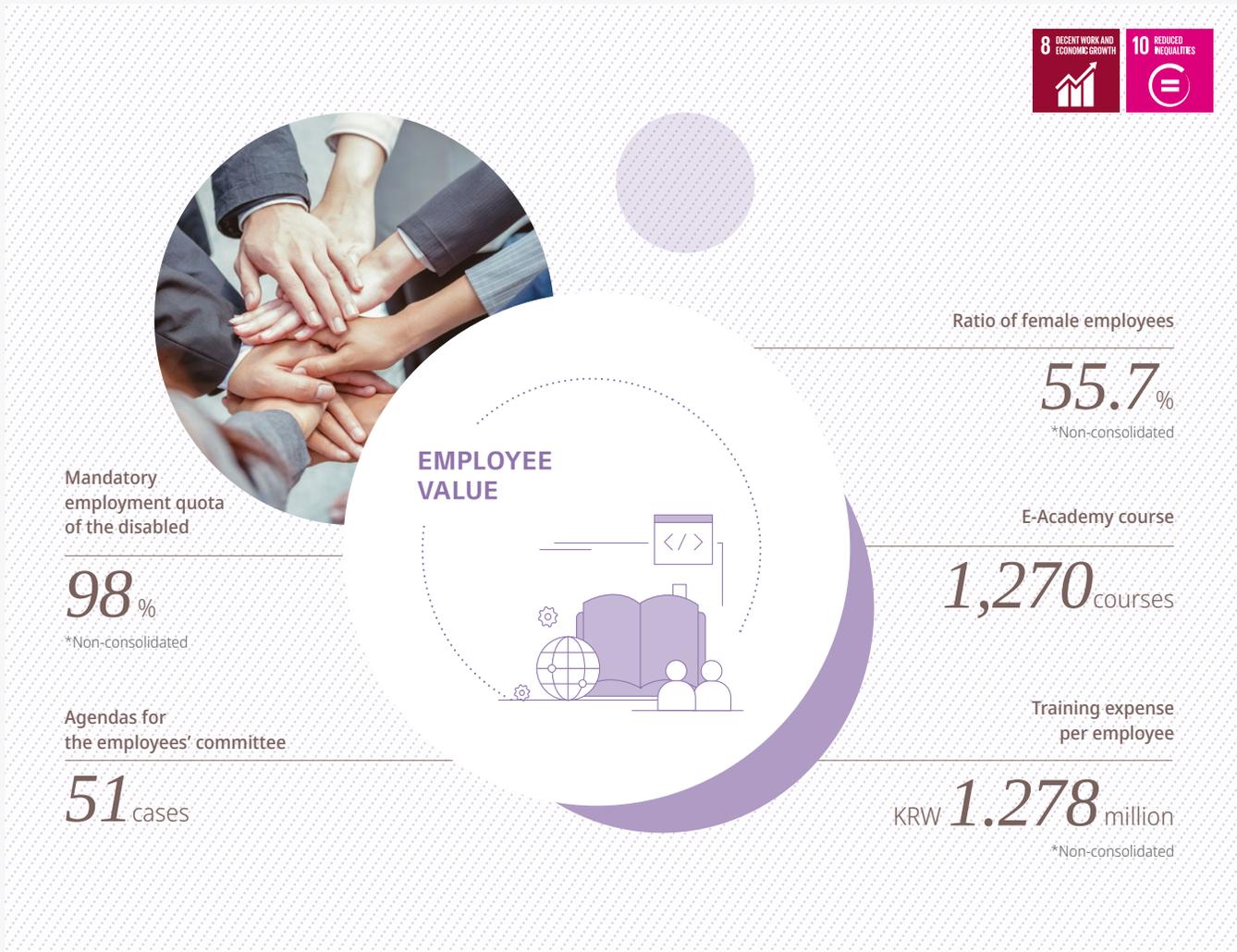
Employee Value

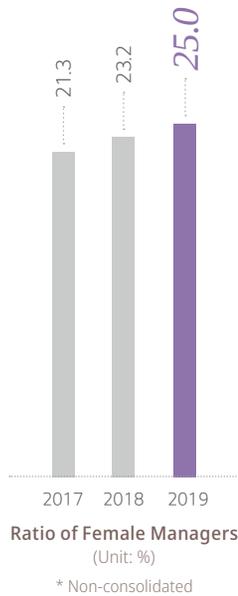
CSR BACKGROUND

The biggest growth engine for a company comes from employees. A company should strive to create an environment where each and every employee can use his or her capability. For this aim, it is necessary to provide fair rewards based on performance and various education programs to encourage employees to grow as the core members of a company and take the lead in establishing an advanced corporate culture for internal members by ensuring work and life balance.

OUR COMMITMENT

LG H&H leads an advanced corporate culture by utilizing various internal and external channels. The company encourages socially disadvantaged people to participate in society through open and fair recruitment, implements various activities to reinforce employees' capabilities and establish a corporate culture based on mutual respect, and fulfills the management philosophy of respecting human dignity.





Diversity of Employees

Development of Human Resources for Leading Business in the Future

LG H&H strives to secure young, smart and outstanding human resources with an aim to step up as a global company beyond Asia and continue sustainable growth. We focus on developing marketers who have capabilities and potential as an entrepreneur to lead the business in the future and R&D professionals who can take the initiative in enhancing emotional and functional quality. We try to strengthen internal capabilities by nurturing digital experts who can lead the digital transformation to keep up with the recent trend of the 4th Industrialization. With these efforts, LG H&H not only solidifies the existing business areas, but also makes various attempts in a wide range of new sectors to lay the groundwork for continuous growth. We provide these human resources with opportunities and experience to grow within the company by work-led cultivation and support them to build entrepreneurship and capability through performance-based promotion, global MBA courses and personnel policy.

Favorable Environment for Female Talent to Work

LG H&H leads the corporate culture where the capabilities of employees are acknowledged based on performance regardless of gender. For instance, we boldly appointed a female employee in her 30s as a director in 2019, the youngest one to make this accomplishment. We also retained the 'Best Family Friendly Management certification' granted by the Ministry of Gender Equality and Family. To be specific, we create a working environment where employees can relieve the burden of pregnancy and childcare by operating a daycare center in the company and the family care leave system and allowing employees to apply for maternity and parental leave without hesitation. We also provide sexual harassment prevention training and promote desirable gathering practices among employees so that both male and female workers are considerate towards each other and fully perform their

capabilities. Maternity leave of 90 days (120 days for twins) is given, along with an additional system where those suffering from diagnosed pregnancy complications including threatened abortion are allowed to take paid sick leave for up to a month and those taking high-cost fertility treatment are offered financial support in addition to the government subsidy (KRW 1.5 million per each round of a fresh embryo transfer during in-vitro fertilization, up to four times, KRW 6 million of support in total). One-year parental leave and the one-year reduced working hour system for child rearing (for those with children under 8 or second graders or younger) are allowed for all employees regardless of gender. As a company that produces daily consumer goods such as cosmetics, home and personal care products, and beverages, we actively develop female employees who have an outstanding sense of business. As of the end of 2019, female workers take up 56% of the total number of employees. We operate a female talent development roadmap to nurture female leaders for the long term by helping them work with no career breaks due to marriage and childbirth.

Development of Human Resources with Global Competence

With superb competitiveness in the domestic market, LG H&H is solidifying its business in Asia, including China and Japan, to become a global company. We are also accelerating the expansion of overseas business by securing a bridgehead to the markets on the American continent. As part of these efforts, we are actively finding global talent and strengthening internal capabilities. We try to hire those who studied overseas and international students studying in Korea for the marketing and R&D positions. We also focus on developing outstanding human resources at home and abroad who have a sense of global business and in-depth understanding of various cultures. Moreover, we provide various training programs for employees to build global capabilities, including global MBA courses, a regional expert course, and in-house foreign language classes (business English and Chinese).

CASE Rehiring of Retired Employees

LG H&H rehires retired employees with expertise in a particular field to provide them with opportunities to perform their capabilities even after retirement. We appoint retired employees as technical consultants in the R&D sector and support them to share their R&D know-how and experience with juniors and make suggestions for various research projects. In the production sector, we have rehired retired employees who can share their expertise and technological capabilities, work as consultants for technical and quality affairs for suppliers, and cultivate juniors. In this way, we try to create jobs for the retired with expertise.



Commendation by the Minister of Employment and Labor



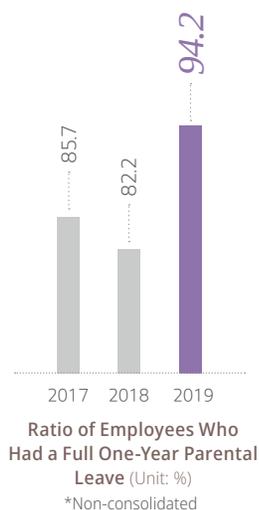
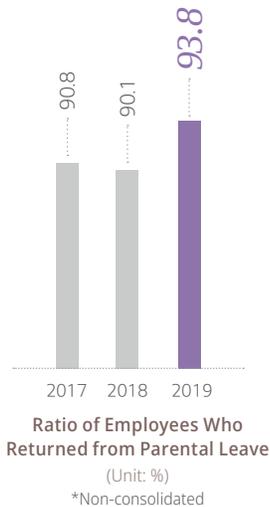
Job experience booth for those with developmental disabilities



2019 Outstanding employer for hiring people with disabilities

Hiring of Socially-vulnerable Groups

LG H&H runs Bright World, a sheltered workplace for the disabled, to contribute to revitalizing employment for people with disabilities as the disadvantaged. Among a total of 89 workers, 63 disabled people are employed by Bright World, working for a cafeteria, café, car washing, cleaning and packaging cosmetics. With the aim of fulfilling corporate social responsibility continuously, we also operate a job experience booth and field trip program. In partnership with Korea Employment Agency for Persons with Disabilities, we installed an experience booth for packaging cosmetics by Bright World at the 'Chungbuk Training Center for Persons with Disabilities' to provide disabled students with opportunities for career searching. We also operate the Bright World field trip program for the parents of people with disabilities, special education teachers and elementary, middle and high school principals to improve social awareness for employment and labor for people with disabilities. For the contribution in expanding recruitment of disabled people, the company received a commendation by the Minister of Employment and Labor in the sector of employers and employees for 'Disabled People Employment Promotion Awards 2019' and was selected as an 'outstanding employer for hiring people with disabilities' as a leading company for encouraging employment and improving awareness. In cooperation with Chungcheongbuk-do Education Office, three colleges in the province, and the Korea Employment Agency for Persons with Disabilities, Bright World will continue to operate various education programs customized for people with disabilities and support their self-reliance by encouraging their economic independence and reinforcing communication skills.



Corporate Culture

Top Dignity Corporate Culture

In order to create a corporate culture with respect and compassion, we conduct the 'Top Dignity' Education Program. With the aim of establishing a healthy and sound corporate culture with employees' awareness and behavior suitable for the top company, the Top Dignity Education provides training by utilizing VOE and actual cases each year based on work-life balance, smart work, making zero workplace harassment and sexual harassment, and respect for diversity (workplace with foreigners and people with disabilities). Along with the Top Dignity Education, we also provide all employees with online education each year to prevent sexual harassment, improve awareness and fulfill mutual respect, consideration and social responsibility.

Work-life Balance

We have been running the Smart Station since 2013 to focus more on field activities that create values for customers, thereby expanding programs for sales employees to communicate closely with customers. From February 2020, we are strengthening our employees' capability for dealing with non-contact work by having all employees work from home in response to the COVID-19 pandemic. We sent an email to 2,476 employees (LG H&H) to provide efficient work-from-home guidelines for each individual employee and department. LG H&H continues to develop a culture where employees can concentrate on their work during working hours, and maintain a work-life balance and focus on their personal life after work. Employees can choose between the flexible working hour system and the staggered working hour system depending on the characteristics of their jobs. We support work-life balance with customized working hours by implementing the flexible time system, in which employees may select their working hours. Employees may choose to start work between seven and nine in the morning, and leave the office between four and six in the afternoon. We play a song to encourage employees to leave the office on time so that they can comply with working hours. The company also runs the company-wide simultaneous vacation system, a monthly or biweekly system where all employees can take a day off without worrying about troubling others. In addition, we established the '2-hours off system', where employees take two hours off on personal urgent issues. Under this system, employees can run errands to the hospital, public offices or the bank or deal with childrearing affairs even during working days. In 2019, we started the 'Executive/Department Leader/Team Leader Day' to encourage leaders to use their leave.

Employees' Committee

We operate the Employees' Committee to help young employees build leadership and express their opinions to management. The committee consists of 87 members for each group, which runs a gathering and conducts corporate culture activities and communication activities to deliver employees' opinions to the management. The company-wide Employees' Committee supports members to grow by sharing recent issues in the company and activity cases and holding a theme-based special lecture. We run the 'Meet the Executive' session to have regular communication with C-level and business team leaders so that the current status of business and

the perspective of the management can be shared and acquired. We also strive to narrow the gap in perception between executives and employees by having an in-depth Q&A session. With these efforts, we promote two-way communication in the group and create an environment where young employees feel free to express their opinions and encourage all employees' opinions to be reflected in management activities.

Columbus Project

We have run the Columbus Project since 2015 to build a dynamic corporate culture of pursuing challenges. Participants are selected through the submitted documents and executive interview processes, and use up to three months of free time and KRW 10 million of support funds for their challenges. In 2019, we selected a total of five themes for this project: the research of the 'development in distribution market utilizing new-concept launderette'; 'proposal of vegan-friendly cosmetics concept'; 'development of functional sports cosmetic brand concept'; 'study of the current status of convergence technology development of cosmetics and textile industry and proposal of application'; and 'market search and proposal for customized cosmetics'. With the proposal of various ideas, participants contributed to developing the company and had a meaningful time for growth by carrying out the project related to their interest.

Reverse Mentoring

We conducted the 'Reverse Mentoring' to encourage executives and team leaders to think, play and consume like the employees of the millennial generation, who were born in the 90s. Mentoring was carried out six times in a two-to-one setting, in which two team members played mentor for one leader. With this mentoring activity, the millennial team members introduced the YouTube channels to which they subscribed, while also watching other channels that were suitable for the leaders. They also came to popular places together and shared their young sensibility. For instance, they shared how to experience small but certain happiness by visiting famous bakeries, and experienced the young generation's leisure culture such as escape rooms and craft shops. In terms of work, team leaders listened to the ways in which the young members preferred to work and engaged in communication. As the mentoring created a chance to exchange opinions from different generations and find something in common to empathize with, we will continue to conduct Reverse Mentoring so that employees of different generations can relate to each other.

Labor-Management Relations

LG H&H aims to establish reasonable labor-management relations in compliance with laws and principles based on mutual trust and communication through various channels between the management and employees. We hold a company meeting to share the management performance and direction and swiftly deliver business-specific major projects and strategies, which are presented by team leaders at a conference call, to all employees. We also operate various communication channels to listen to diverse opinions such as the labor-management council meeting, company-wide and divisional Employees' Committee and What If I Board to enhance the working environment to allow employees to focus on their work and improve the quality of life. We also launched a YouTube channel called 'LG H&H TV' to form mutual trust and promote communication with employees beyond different positions and generations, and issue the 'CEO Message' to share the CEO's management philosophy. The company also issues the newsletter 'LG H&H Family' and delivers it to employees' houses so that their family members can share in the company news and issues. With such two-way communication, we share the company's vision and policy to help build understanding between employees. We also carry out various other activities such as expanding support for family events (funerals for maternal grandparents) for gender equality, increased support funds for purchasing a house to improve residential life, and continuous operation of the counseling program to enhance work concentration. With such activities, we collect various wishes and opinions from employees, reflect the opinions in the system and create partnerships as a community based on trust.

Labor-Management Communication Channels

Category	Frequency	Description
Company-wide Employees' Committee	Quarterly	Listen to VOE through the representatives of employees in each group, identify issues and find solutions
Divisional Committee	Bimonthly	Identify the atmosphere of the workplaces of each division by channel and listen to VOE
Meeting for each position level in sales and sales promotion	Quarterly	Listen to VOE related to sales and promotion, identify issues and find solutions
Labor-management committee at each business site	Quarterly	Improve the working environment of each business site, conduct surveys regarding safety and health issues, summarize results, and give feedback with solutions
Employee meeting in each division	Yearly	Conduct an employee meeting led by the leader of a division and give feedback for each agenda

CASE Me and You Training with Warmth and Communication for the Production Sector

In 2019, employees from the Cheongju, Naju and Ulsan Plants participated in training sessions 17 times, realizing the power of cooperation, importance of colleagues and strengths of the company. In 2018, we provided training for employees in the production sector to deal with conflicts, from which we gained positive energy. To grow that positive energy as a passion for work and pride for the company, we had participants carry out various missions, including a high-level mission for cooperation, mission for tracking the company's history, and virtual mission for describing the strengths of the company to foreign investors and attracting investment. With these training sessions, employees had time to discover the precious meaning of the job and workplace and recover from fatigue. Above all, it was helpful for employees to restore relations with colleagues and promote a sense of community.



02

Customer Satisfaction

CSR BACKGROUND

With intensifying competition in the cosmetics industry, meeting a variety of customer needs is emerging as an essential issue for sustainability management. It is important to achieve customer satisfaction by providing products and services that meet their expectations, build their trust in the company, and increase brand values.

OUR COMMITMENT

LG H&H is committed to expanding communication with consumers and improving user convenience to maximize customer satisfaction. In particular, we consider communication with customers important and thus handle their claims carefully. We focus on improving the quality of our products by listening to our customers' opinions and reflecting the result in enhancing the quality of our products and services.





Yehwadam Heaven Grade Ginseng Regenerating Ampoule Oil



Saffron Care Fragrance BBOOM Fabric Refresher



VDL Expert Perfect Fit Cushion

95.3%

Rate of response to customer inquiries within 20 seconds

55

Number of shared cases of customer suggestions (annual)

Reduction of Customer Complaints (Pain Point)

Enhancement of Product Satisfaction with the Improved Quality of the Pipette Bottle of Yehwadam Heaven Grade Ginseng Regenerating Ampoule Oil

We enhanced user convenience by improving the fastening quality of the pipette of the container of Yehwadam Heaven Grade Ginseng Regenerating Ampoule Oil. To completely prevent the pipette from being detached from the plastic cap, we identified the cause of such a problem in each product and then applied the structure in which the detachment¹⁾ of the parts of the container is impossible. We also employed this structure for other similar products. In this way, we enhanced the quality of products as well as consumer satisfaction. In addition, we included the detachment test in the product test to prevent recurrence of the problem, trying to eliminate the fundamental cause of the problem.

1) Detachment: Slip off the original position and separate

Emotional Quality Improvement with Upgraded Spraying Patterns of Fabric Refreshers' Spray Guns

Fabric refreshers of the brands such as Saffron Care and AURA are products that you spray toward clothes. When you use these products for the outfits you are wearing, the contents of the products may be sprayed unevenly, or any big particle may permeate into your outfits, making your clothes wet. Considering these problems, we upgraded the nozzle²⁾ structure of the spray gun to produce even spraying patterns. We also improved the consistency of the size of particles to prevent clothes from feeling wet after using fabric refreshers.

2) Nozzle: A thin tube mounted at the end of the flow path, which is used to quickly spray liquid or gas in the free space

User Convenience Improvement with Clarified Scale Marks inside the Dual Cap of TECH Products

The previous scale marks on the cap that indicated the remaining amount of the contents were poorly identifiable, causing inconvenience when consumers wanted to use a recommended amount. To address this problem, we clarified the scale marks inside the cap of the products to make them more visible. With this structural improvement, we enhanced user convenience so that consumers can easily use the recommended amount of the contents.

Emotional Quality Improvement with the Optimized Magnetic Force of Cushion Products

VDL Expert Perfect Fit Cushion uses a magnet, rather than a general button structure, to open or close the cover with a magnetic force. This structure has no projected part on the outside, achieving a neat design. But the emotional quality during opening or closing the product can be undermined due to deviation and low magnetic force, which can be caused by multiple factors arising in the slim container development process, such as the size and structure of the magnet and fitting of the cushion puff. To tackle this problem, we examined the optimization of the internal structure and adequate specifications of the magnet. With these efforts, we improved the fastening force of the product and increased the sensory evaluation index by 400%.

Communication with Customers

System Improvement

We introduced an upgraded statistics system to easily identify the history of counseling with customers, including customers' calls to our customer service center, the details of such calls, and service level. We try to improve the quality of our customer service in detail by registering quality complaint cases attributed to raw and subsidiary materials to the VOC (Voice of Customer) system of the relevant suppliers.

Customer Service

LG H&H receives a total of about 118,000 calls each year from customers. To ensure that we respond promptly, we try to maintain a response rate of 20 seconds at 95% or higher. We also have a call-back system, in which we give a call back to customers who called us outside of service time, thereby addressing their complaints as quickly and reasonably as possible. Major claims that need to be addressed swiftly are designated as 'Intensively Managed Claims'. Such claims are shared with the CEO and relevant departments to figure out causes and come up with improvement measures, and we visit the relevant customers within a day. Thanks to these efforts, customer complaints about quality issues are on the decline. In addition, we are strengthening our capability of emotional care for consumers, so that our employees can handle customer service affairs by putting themselves in our customers' shoes.

* Customer Satisfaction (LG H&H)
2016(82.3%), 2017(84.1%), 2018(84.7%), 2019(86.3%)

Exemplary Cases of Customer Service

Our customer service center commenced a counseling service using KakaoTalk in 2019 to collect VOCs through more various channels. Among the received VOCs, those related to quality issues and useful suggestions are selected as ‘Valuable VOC’. We also swiftly share VOCs from consumers with compliments to spread positive messages throughout the company. We run a weekly psychotherapy center with an expert for call center workers and issue-handling employees who have direct contact with customers to help them control their stress and manage their mental health.

Customer Value Creation

Skin Peeling Platform Technology for Accumulation of Dead Skin Cells

The accumulation of dead skin cells¹⁾ is one of the major symptoms of skin aging, which causes your skin to be rough and uneven. LG H&H developed a technology inspired by the exfoliation mechanism of dead skin cells on normal skin. It induces skin peeling with less irritation to enable users to improve their skin tone and texture. This technology combines various methods for boosting the turnover of dead skin cells by weakening the link between the cells, maximizing the moisture in the dead skin cell layers for a clear skin, and enhancing the penetration effect of the turnover boosting content. We won the IR52 Jang Yeong-sil Prize in 2019 for the dead skin cell turnover technology, which applies to various products of LG H&H, such as Whoo, Su:m, O HUI, and ON:THE BODY.

1) Accumulation of dead skin cells: A condition where dead skin cells are not exfoliated for a long time.



Belif Youth Creator - Age Knockdown V Cream

Keeping up with the needs of global consumers who prefer a non-sticky, smooth texture, we developed ‘Belif Youth Creator - Age Knockdown V Cream’ for consumers of all ages all around the world regardless of seasonal factors. We created a soft and nourishing cream texture by applying our sugar emulsifying system. Thanks to the patented IPA (Ion Paired Amino acid) technology, the product forms a skin moisture barrier and provides a silky texture. With decoction herb ingredients, this new-concept anti-aging product also helps you keep your defined V-line chin, focusing on your skin’s oxygen and elasticity that are reduced due to aging.



Su:m37° Fleur

‘Su:m37° Fleur’ is a fermented anti-aging line that alleviates the initial aging signs such as fine wrinkles, skin laxity and dark skin tone and blocks the butterfly effect of aging, with a focus on the characteristics of the skin of modern women, who have a weak skin barrier and are vulnerable to environmental and emotional stress. Fermented yeast from orchid flowers solely developed by LG H&H enhances elasticity both inside and outside the skin and helps you maintain clear skin with a system that accelerates the removal of dead skin cells. Regenerative Serum, one of major products of this line, is an anti-aging item that addresses the initial aging signs related to wrinkles, elasticity and dark skin tone. With this product, you will enjoy the golden age of your vital and bright skin.



ON:THE BODY Veilment Perfume Brightening Body Wash

‘ON:THE BODY Veilment Perfume Brightening Body Wash’ provides you with fragrance as charming and posh as designer brand perfumes. Its rich scents linger on your skin and around the bathroom after a shower, increasing customer satisfaction. It also uses VMsera7™ Complex that combines seven nourishing ingredients including hypoallergenic amino acid for dead skin cell care and forms bubbles containing pearl powder. With these features, its formula in a lovely color like the aurora improves your skin tone. About 94.4% of users were satisfied with the product’s brightening effect.



O HUI Day Shield Smart Pumping Foundation Cushion

O HUI launched the 'Day Shield Smart Pumping Foundation Cushion', which meets the expectations of consumers for both the cover effect and user convenience. It is a new-concept pumping cushion that integrates the cover effect of liquid foundations and the simplicity of cushion foundations. LG H&H applied its own deep-pumping container to minimize the residue and pump a consistent amount of the content. You can apply meticulous base makeup with only one pump, and its Ruby-Cell puff helps the contents tightly fit your skin by forming a dense and solid layer. Its essence containing serine for a smooth skin texture and the dual cover layer brightens your skin. We won the prize at the 2020 WorldStar Packaging Awards for this product, gaining a reputation in the global market and increasing the brand awareness of O HUI.



TECH Cleanup & Removal

Customers often complain of unpleasant residual odors after doing laundry caused by the contaminated inner part of a washing machine. To address this issue, we launched 'TECH Cleanup & Removal', a detergent that eliminates stains on clothes and the causes of contamination in washing machines. Our patented sebum contamination removal technology enhances the cleaning effect, while recontamination-preventing technology avoids contaminants from adhering again to the inside of the machine. In this way, bad odors are controlled after laundry and during drying clothes indoors in the wet season.



Elastine Propolithera

'Elastine Propolithera' is a damage care line with improved anti-aging functions. The product lineup consisting of shampoos, conditioners, treatments and essence items sufficiently nourishes your hair with propolis extracted from Australian honeycombs. By using LG H&H's patented technology that puts nourishing contents into hair, we proved this premium damage care product's effect of addressing major hair aging problems, such as rough texture, split ends, and tensile strength. About 96%, 94% and 94% of the users were satisfied* with the product for texture improvement, nourishing effect, and moisturizing effect, respectively.

* Based on products for damaged hair



Dr. Foot Shampoo

'Dr. Foot Shampoo' is a foot care product, with which you can easily wash your feet simply by spraying bubbles and rubbing your feet. The product contains charcoal that is effective in removing accumulated body waste, spa ingredients from all around the world such as Israeli Dead Sea salt and Belgian hot spring water, and over 50 plant-derived ingredients. It passed the test on the human body, proving its antibacterial and ultrafine dust cleaning effects as well as its functions of moisturizing and eliminating the old dead skin cells on the heels. The product's fresh lemon scent and patented body-odor-masking fragrance get rid of unpleasant foot odors.

03 Social Contribution

CSR BACKGROUND

A company that grows based on profits generated in local communities is responsible for conducting social contribution activities in return in a virtuous circle. Companies should understand that their social contribution has a true value when it is carried out in a close partnership with local communities. We need to set a direction of social contribution in a systematic way and make efforts to create more meaningful social values.

OUR COMMITMENT

LG H&H is committed to fulfilling its social responsibility as a corporate citizen by conducting social contribution activities based on its business characteristics. Beyond one-time or quantitative contribution, we aim to constantly conduct social contribution activities, expand the scope and increase the qualitative level, thereby contributing to the growth of local communities.



2,603 locations
212,924 children

Perioe Kids School
(Accumulated Data)

87 locations
12,536 children

'Shiny Perioe' Musical



Social Contribution System

LG H&H contributes to society by putting into practice a healthy civic spirit. Our social contribution activities correspond with the direction of our business aimed at helping customers lead beautiful, healthy and refreshing lives, with a focus on support for women and teenagers. We try to double the effect of such activities through the selection and concentration strategy in choosing beneficiaries and partnerships with specialized organizations, rather than a one-time donation. LG H&H will continue to make positive changes in local communities by conducting social contribution activities with a strong link with its business. LG H&H's social contribution programs correspond to our business direction and are targeted at our major customers, including women and teenagers. First of all, we provide high-quality education and training programs for millennials, who are our potential customers, thereby creating brand values and increasing their loyalty to LG H&H. Second, we contribute to enhancing the quality of life for women, who are our key customers, particularly socially vulnerable ones with career breaks and the disadvantaged. With these efforts, we expect to tackle a range of social issues and increase the profits of our business. Last but not least, our eco-friendly campaign programs encourage consumers to participate in environmental protection activities and establish eco-friendly brand images. These programs help to boost the economic values of our business as well as public interests and fulfill social responsibilities.

'Shiny Perioe' A Musical about Children's Health

'Shiny Perioe' is the first of its kind in this industry, which combines healthy habit education required for children for their oral health and hygiene with cultural and art contents such as a musical, targeting those aged 3-8 (5-10 under the Korean age system). Kids need to learn good basic lifestyles in their childhood, and their habits obtained in this period may serve as the foundation throughout their lifetime. It is therefore meaningful for children to learn how to maintain good oral health and hygiene. We designed this event to give children some time to think about and accustom themselves to good oral care habits on their own by attending the musical. The performance, in which the main character Bom experiences various festivals of different countries, including China, France, and Mexico, attracts children's interest and delivers information about hygiene, such as good toothbrushing

Vision

Beautiful Dreaming

Beneficiaries



Women



Children



Teenagers

Slogan

Supporting women, children and teenagers to realize their beautiful dreams and contributing to a sustainable society

Scope of support



Education



Health



Sharing



Local community

Key programs



Borrowed Earth School



Natural Beauty Creator



Shiny Perioe/Global Eco-Leader

habits, the importance of handwashing, and good coughing manners, in a way that children can easily understand. 'Shiny Perioe' has been performed at a total of 87 children's education organizations, local children's centers, local cultural and art centers, and public health centers since 2017, spreading good toothbrushing habits to more than 12,500 kids. In 2019, the musical was performed in Seoul and other cities in the Gyeonggi metropolitan area as well as Jeollanam-do and Chungcheongnam-do, promoting oral-health-related social contribution activities for a total of over 200,000 children. We provided a high-quality cultural experience for children, in which they enjoyed dance, food and songs from many different countries through performance.

Borrowed Earth School

The ‘Borrowed Earth School’, one of LG H&H’s major social contribution activities, is the country’s first convergent training program aimed at spreading desirable daily habits that everyone can develop but has been never learned on purpose and helping participants to design their dream and career. The program is conducted in cooperation with the environmental NGO Ecomom Korea. In order to promote good habits to teenagers, we signed an MOU with the Ministry of Education and local education offices to facilitate the Free Semester System.

Seoul Metropolitan Office of Education’s Training Program for Principals and Vice Principals

In the training program for principals and vice principals of middle schools conducted by the Seoul Metropolitan Office of Education with an aim to expand the Free Semester System, we carried out activities to help the participants better understand the Free Semester System. We shared various popular contents that are widely used at school, including lipstick trials and scent marketing. It was a good opportunity to make a positive image of social contribution activities of enterprises.



Borrowed Earth School – Camp for College Students

The ‘Borrowed Earth School – Camp for College Students’ is a program that promotes the value of social contribution to college students and nurtures talented individuals who will contribute to a sustainable society. College students participate in the ‘Borrowed Earth School’ for two days and one night, where they plan CSR programs and suggest their ideas regarding UN SDGs with social contribution experts. LG H&H also conducts the career talk show with various employees in charge of marketing, R&D, sales and more to provide college students with opportunities for their personal growth.



Continued Participation of Employees

Every year, about 200 LG H&H employees participate in the Borrowed Earth School as lecturers for each subject. A total of 1,200 employees have joined this program, performing pro bono¹⁾ by actively participating in various experiences related to their jobs and communication. Through this program, LG H&H provides its employees with opportunities to contribute to communities and helps them understand the importance of volunteer activities.

1) Pro Bono: Free volunteer service for the public good



Mom Supporters

We organized the Mom Supporters group, which allows mothers with career breaks to gain greater opportunities to contribute to society. The supporters participate in programs as instructors who consult teenagers about skincare and career planning.

Teacher Consultants

In order to consolidate the connection between the courses of the Borrowed Earth School and the Free Semester System and for the subjects to reflect the trends in the educational sector, we appointed teacher consultants, consisting of teachers specialized in science, ethics, the Free Semester System and career education. We collected various ideas from the teacher consultants about marketing subjects and class evaluation questionnaires to make the Borrowed Earth School a more creative education program.

Global Eco-Leader

In 2014, LG H&H commenced ‘Global Eco-Leader’, a program that promotes good daily habits and an awareness of the environment among teenagers in cooperation with the Ministry of Environment and environmental education NGO Ecomom Korea. We signed an MOU with this NGO and UNEP (United Nations Environment Programme) to obtain public confidence for this project as a global environmental education program. Under the slogan ‘My Little Habit Changes the World’, this one-year environmental education program trains teenage Eco-Leaders who can lead a sustainable society. The program has cultivated a total of 2,635 eco-leaders so far. It helps participants become global leaders in the future by encouraging them to end bad habits and drive meaningful changes at home and school and even in local communities. In 2019, 243 Eco-Leaders, consisting of elementary, middle and high-school students, and 28 Eco-Mentors participated in this program under the theme of ‘Plastic-free’. This year, we carried out ‘Eco-Bridge Project’ with experts in the environment, humanities, social studies, science and arts. We also opened a YouTube channel and started to share the result of each category, such as book trailers and environmental campaigns, to promote Global Eco-Leader activities through video contents. In addition, the UN Youth Environmental Conference was held at Seoul National University with the participation of over 300 youth representatives including the chairperson and vice-chairperson. This event was to decide practical alternatives that would address the global environmental crisis from the perspectives of teenagers. The conference was organized with six committees of specific themes, including the Plastics and Resource Circulation Committee, the Plastics and Household Item Committee, the Plastics and Industry Committee, the Plastics and Health Committee, the Plastics and Sustainable Future Committee, and the Plastics and Ocean Committee. All procedures of this global event conformed to the guidelines of the UN Department of Public Information. The conference followed the process of the actual UN General Assembly, from the preliminary understanding of data and materials of each country to the opening ceremony, the regular session, the official meeting of the committees, drafting, introduction and adoption of the resolution, and the closing ceremony. A range of improvement measures were decided, and a performance using handkerchiefs with the message of saving the earth was also carried out.



Beautiful Store and Sharing Pack

Since we signed an MOU with Beautiful Store in 2005, we have jointly conducted various events for the socially vulnerable. We donated goods provided by our employees, such as old clothes and toys, as well as our products, and used the profits from such events to help the disadvantaged. In particular, over 200 employees participate in our annual event titled Beautiful Sharing Pack, which has been carried out for over 15 years to support household goods and cosmetic products for the elderly living alone. This is part of our efforts to increase opportunities for employees to be engaged in social changes. We started the Beautiful Sharing Pack event by reaching out to the underprivileged in local communities. The event is usually carried out right before the Lunar New Year Holiday each year to extend holiday greetings and share warmth by visiting underprivileged people in person and delivering sharing packs. In 2019, we provided more than 135,000 gift packages consisting of 27 daily necessities and blankets to 5,010 households, particularly for grandparents who are solely responsible for the care of children as well as the elderly who live alone. Through this event, we encouraged our employees to actively participate in social contribution activities and fostered the culture of practical individual donation.

04

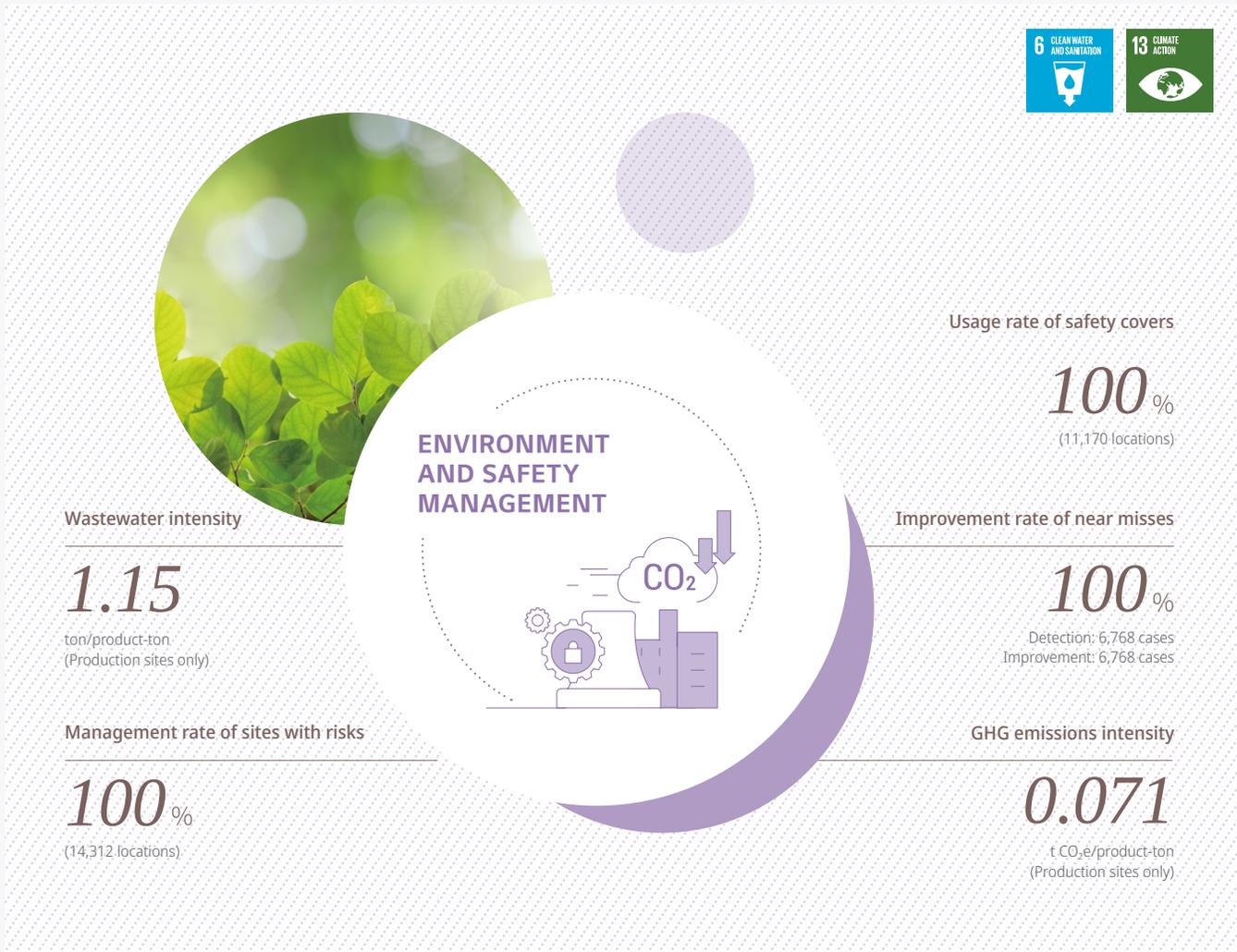
Environment and Safety Management

CSR BACKGROUND

With environmental accidents and pollutant emissions on the rise across the world, the environmental responsibility of enterprises is becoming more significant. Leading companies are thus investing in facilities and R&D to minimize their environmental impact and take into account environmental aspects in setting core values and strategies in their value chain.

OUR COMMITMENT

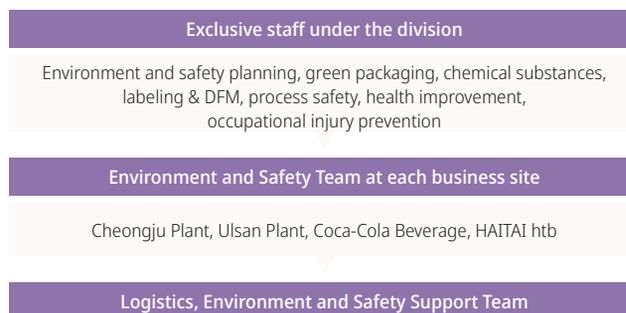
LG H&H strives to minimize its environmental impact and preemptively responds to environmental risks by establishing the environment and safety management system. We try to reduce the impact on the environment across all business activities by cutting energy consumption and strengthening the management of water resources and chemical substances. We also operate a wide range of safety and health education programs for the physical and mental health and safety of employees of both LG H&H and its suppliers.



Environment and Safety Management System

LG H&H's Environment and Safety Division identifies major risks across the company and implements medium- and long-term strategies and plans developed accordingly. The Environment and Safety Division contributes to the sustainable growth of the company by creating an eco-friendly and safe working environment and promoting activities for the improvement of our employees' health throughout all business procedures. The division also provides distinctive values to customers by operating an optimal system for green management. We support the environment and safety activities of our cosmetic business subsidiaries, such as THEFACESHOP, CNP and FMG as well as overseas subsidiaries in Vietnam and Beijing, China and Avon Guangzhou.

Organizational Structure of the Environment and Safety Division



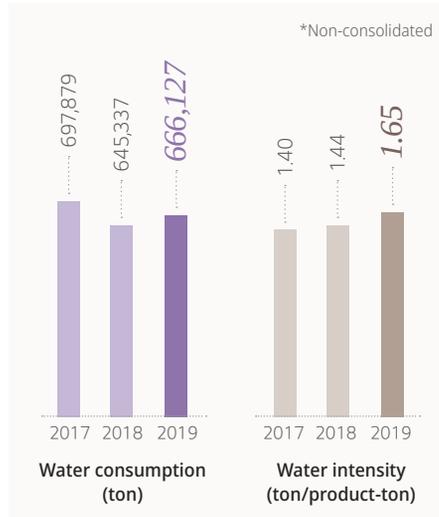
Medium- and Long-term Roadmap for Environment and Safety Management

Category	KPI	Performance in 2019	Goals in 2020	Goals by 2025
 Accident-free work environment	Number of industrial accidents	18	3	0
	Number of locations with risks	14,312	19,843	23,000
	Number of near misses	6,768 cases	6,626 cases	Detect and improve 3 cases per person
 Green management	Sales of green products [KRW 100 million] (Production sites only)	4,239	4,366	5,060
	GHG emission intensity [tCO ₂ e/product-ton]	0.071	0.073*	0.069
	Wastewater intensity [ton/product-ton] (Production sites only)	1.15	1.13	1.02
	Water intensity [ton/product-ton] *Non-consolidated	1.65	1.62	1.46
	Waste intensity [kg/product-ton] * Non-consolidated	17.66	17.02	15.39
	NOx emissions [kg/product-ton] (Ulsan, Daejeon) *Non-consolidated	1.678	1.644	1.486
 System	EHS system use rate	Introduced	Expand the application of TP	Establish three stages of DFM
	Rate of ISO certification maintained (at 14 business sites) [%]	0.89	0.89	0.93
 Chemical substances	Registration of existing chemical substances	Pre-registration of existing chemical substances	Sign an agreement for chemical substances over 1,000 tons and equip with harmfulness test materials	Sign an agreement for chemical substances over 10 tons

*Efficiency of energy use and GHG emissions reduction is expected to decrease due to the operation of a new TP plant

Target 2025 Water intensity

1.46 ton/product-ton



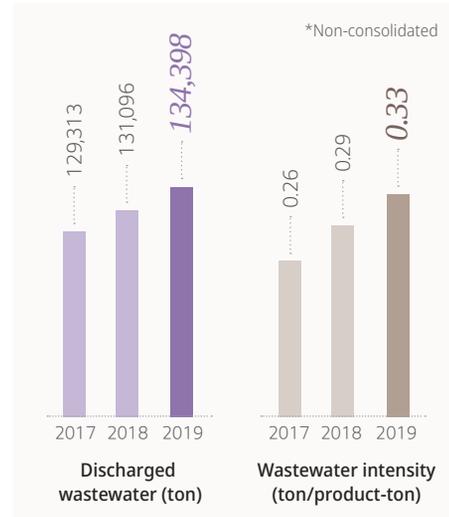
Water

Water Management

In 2019, LG H&H used 3% more water resources than the previous year. The production output decreased by 10%, so the water intensity jumped by about 14.7%. We try to reduce our water consumption and improve efficiency in the use of water resources. At the Cheongju Plant, we increased the capacity of mixers in the manufacturing unit for BEYOND products from two to three tons, improving production efficiency and reducing wastewater in the cleaning process. With this change, we reduced the number of manufacturing batches by 50% compared to the use of 2-ton mixers, cutting the water consumption for cleaning. To further reduce water consumption, our business sites continue to manage the amount of water use for each purpose, find appropriate usages for recycled water, and develop improvement measures for areas that require high water consumption.

Target 2025 Wastewater intensity

1.02 ton/product-ton



Wastewater

Wastewater Management

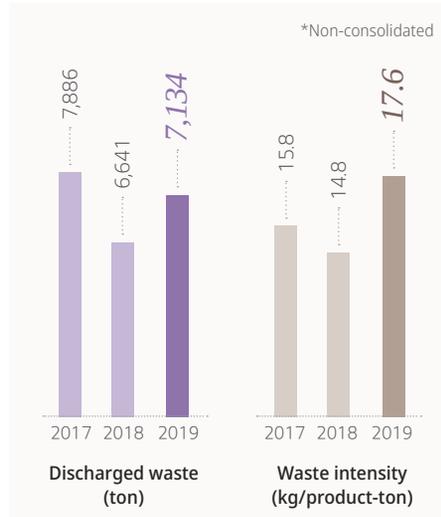
Our Yeosu Plant improved the process management to stabilize the quality of wastewater treatment. We installed the monitoring and warning system for a high water level in the water tank to prevent environmental accidents. In addition, we run the pH and temperature detection system to check the temperature of wastewater, separately collect high-temperature wastewater in summer and low-temperature wastewater in winter, and reduce the energy required for treating them. When the pH level of wastewater is abnormally high or low, we check it in advance and take a proper action or collect it separately to avoid risks in operating prevention facilities against microorganisms.

Amount of Discharged Wastewater

LG H&H constantly improves its facilities and reduces the amount of wastewater discharged from its sources. Nevertheless, our wastewater from the cleaning process jumped in 2019 due to the increased frequency of changes of the type of products in the small-quantity batch production system at the Cheongju Plant. Moreover, mixers and manufacturing facilities had to be cleaned more frequently to meet the tightened quality standards, resulting in an increase in the total amount of wastewater. We will strengthen our management activities and strive to minimize wastewater.

Target 2025 Waste intensity

15.39 ton/product-ton



Waste

Waste Management

We conduct various activities at each business site to reduce waste from our facilities. At the Cheongju Plant, the Human Contact Product Team 1 installed the automated raw material input system. After the introduction of a storage tank in this system, raw materials that used to be inputted in large quantities are automatically supplied to the tank lorry. This eliminates the cause of waste from organic solvents in the drum. At the Gwangju Plant, we removed the cause of 6.8 tons of waste that used to be discharged each year from defective empty bottles by upgrading the PET bottle manufacturing process. We also reduced sewage sludge by replacing filtering clothes at the top and bottom of the belt press dehydrators and improving the content of sewage sludge. At the Cheongju Plant, we used to bury or incinerate sewage sludge from wastewater treatment and waste synthetic resins from packaging materials, but now we changed the system to recycle such waste, increasing the recycling rate of waste.

Waste Discharge

Since December 2018, our Cheongju Plant has been collecting disused stocks from external suppliers (OEMs, subsidiary material suppliers) and scrapping them. The amount of such waste is about 300 tons a year, resulting in the increase in waste by 10% compared to the total amount of waste and the subsequent increase in waste intensity.

Chemical Substances

Improvement of the Chemical Substance Management System

LG H&H completed the registration of about 360 existing chemical substances amounting to one ton that it manufactures and imports every year, fulfilling its duty to pre-register existing chemical substances in accordance with the Act on Registration, Evaluation, Etc. of Chemicals. We will also expand the registration of chemical substances through the consultative group for joint registration of existing chemical substances. We stopped the use of 13 out of 69 types of chemicals or replaced them with harmless ones to enhance product safety. Moreover, we will improve the facilities that handle harmful chemicals in our plants to ensure safety in the management of chemical substances and replace deteriorated storages with new ones, thereby strengthening the prevention system against chemical spills.

Odor Control

Our Yeosu Plant introduced chemical spraying system facilities to remove the causes of odor, reducing 70-80% of complex stench and preventing the complaints of residents living near the plant. Our Ulsan Plant employed the odor monitoring system to trace causes and address relevant issues. With these systems, we were able to improve our capability to detect and control complex stench, sulfur, amine, and VOCs, as well as 22 substances designated as the causes of odor as specified in the Malodor Prevention Act. Moreover, we try to take proper actions against odor issues in a systematic way with graphs on modeling screens and tracing research using meteorological data.



Odor masking facilities at the Yeosu Plant



Odor monitoring facilities at the Ulsan Plant

Industrial Safety and Prevention Activities

Application of 14 Standard Work Processes for Sales/Logistics

Documents managed by our business sites as required by the Occupational Safety and Health Act lacked consistency due to differences in interpretation and application in business sites between our subsidiaries. We collected and analyzed the documents managed by each subsidiary and finally designated 14 standard work processes as those to be managed with documents based on the provisions of the Occupational Safety and Health Act. This enabled us to eliminate unnecessary work and increase efficiency. Such documents under management are now used as means of controlling legal risks.

Retention of ISO Certifications

We undergo the annual safety and health management assessment conducted by an external professional agency to meet the international standards for safety and health system and comply with relevant procedures and regulations. We disclose the information regarding safety and health management certification on our website to provide distinctive products and services from an environment which all stakeholders can trust without concern. In 2019, we also achieved ISO 14001 and ISO 45001 certifications for the Iksan Plant 2 as part of our continued efforts to establish the environment and safety management system.

Environmental Management and Safety and Health Management Certifications (Unit: Business site)

Category	Certification	Number of certified business sites
Environmental management	ISO 14001	13 (76%, including business sites in Beijing and Vietnam)
Safety and health management	OHSAS 14001	11 (65%)
	ISO 45001	1 (6%, Iksan Plant 2)

CASE Introduction of Advanced Safety Technologies for Forklifts

We are doing our utmost to ensure safety in our logistics center. In order to ensure safety in the use of a forklift, one of the major hazardous machines at the logistics center, we instruct drivers to check blind spots first using the monitor at the driver's seat before moving. We also installed LED beams in forklifts to enable workers to recognize forklifts approaching near them with LED beams reflected on the floor, preventing pedestrian accidents. Moreover, lights and alarms with sensors are turned on when any forklift or worker enters the warehouse to warn other workers and forklift drivers around the gate, avoiding negligence accidents.

CASE Use of Industrial Monitoring Cameras

In order to control the risks of hazardous construction works at our Cheongju Plant, we introduced industrial monitoring cameras for industrial purposes using tablet PCs. Our accident prevention agents frequently checked the conditions in construction sites, but we still needed to strengthen monitoring of dangerous actions outside the inspection time. Thus, we installed industrial monitoring cameras to enable the accident prevention center to monitor our business sites in real time. At the Cheonan Plant, we operate the direct monitoring camera system using accident prevention pads, thereby controlling risks which we could not completely check using CCTVs, such as hazardous devices that may cause fires, high-place operation, and sealing process, the places that we could not completely check using CCTVs. In the past, it was impossible to inspect and monitor risks in places outside the scope of CCTV monitoring, making it difficult to control the operation of workers. We installed industrial monitoring cameras where portable monitoring cameras are required, enabling the accident prevention center to monitor workers and their operation in real time. With this system, we can now detect hazardous situations or actions and immediately take proper actions to prevent negligent accidents. We can also strengthen the supervision of blind spots and sites with risk factors, in which prevention monitoring is difficult.

Introduction of Advanced Safety Technologies

We consider the introduction of advanced safety technologies and employ some of them on a trial basis in each business site to prevent potential accidents. We examined technology cases and tested the application of them according to the conditions of our business sites. Based on the result of our trials, we will expand the use of safety technologies across all business sites.

Category	Item	Applied technologies
Prevent accidents during outsourcing construction projects	Industrial monitoring cameras	Record the work process using smartphones, transfer video clips to the accident prevention center through wireless communication (LTE, 5G), and prevent accidents in consigned construction works and manage safety (hazardous devices that may cause fire, high-place operation, etc.)
	Management of access to confined spaces and the use of gas	Use 360-degrees multi-cameras and wireless communication (LTE, 5G) to monitor the work process in confined spaces (underground pits, work using tanks, etc.)
Strengthen monitoring	Detection of fluid leakage	Install the leakage detection center for harmful chemicals to control leakage accidents (harmful chemicals, hazardous substances, raw materials, wastewater, etc.) *IOT technology is not applied
	IOT odor	Transfer the data of odor monitoring facilities in real time for integrated monitoring of concentrations of discharged odor and spreading routes (transfer of data from odor detectors through LTE to monitors)
	CCTV and wireless control system for valves and outdoor lamps	Conduct wireless remote control of drain valves of outdoor tanks and CCTV monitoring to prevent leakage, fires and explosions and take swift action
Prevent accidents related to moving equipment	Noise display	Install real-time noise data display devices to protect the hearing of workers in high-noise areas in plants
	Control of access to heavy equipment	Equip forklifts with front/rear cameras and left/right/rear LED beams that project lights on the floor so that pedestrians can be visually warned; Install warning alarms that detect access of pedestrians to the warehouse
	Speed display	Use radar electromagnetic waves to display the movement speed of vehicles within plants to prevent speeding and accidents

Emergency Response

Emergency Response System

LG H&H established the emergency response process to quickly deal with accidents that may occur at our business sites. For emergency responses, we constantly revise manuals to minimize damage to human workers and measure the rate of successful evacuation in five minutes to improve the response system. In addition, we organized the emergency response committee, classified accidents by type (negligent accident, fire or explosion, and leakage of pollutants, etc.) and severity, and prepared detailed response scenarios, thereby strengthening our emergency response capacity for environment and safety. We will make full efforts to prevent accidents, while responding to unexpected emergencies in a systematic way to minimize damage and swiftly return to normal.

Emergency Drills

LG H&H has an emergency response system against chemical substances and conducts drills on a regular basis to strictly control the risks of chemical substance accidents. We try to strengthen the process of each stage, including prevention, early detection, prevention of spreading and quick recovery, to minimize risk when any chemical-substance-related accident occurs. To this end, we have an emergency scenario for each situation, carry out drills and evaluate the result.



Emergency Drill at the Onsan Plant
(Control of and Preparation for Accidents)

Emergency Response Process

Category	Negligent accident	Fire or explosion	Leakage of pollutants	Earthquake or storm and flood	Infectious disease	
Level A	One or more deaths; two or more critical patients with major injuries; or three or more emergency patients with minor injuries caused by a negligent accident	Any death, suspension of production, or social issue caused by fire (loss of KRW 10 million or over)	Any leakage of pollutants or chemical substance to the outside of the plant due to a problematic process or carelessness, causing a social issue	An earthquake with magnitude of 7 or over or storm and flood at the level of a special weather alert, which causes major casualties or major damage to assets, resulting in the suspension of production activities (loss of KRW 10 million or over)	Occurrence of any new infectious disease as defined by the Korea Centers for Disease Control & Prevention (e.g. MERS, SARS)	Emergency response TF under the Emergency Response Committee
Level B	A critical patient with a major injury caused by a negligent accident	Any fire accident reported and extinguished with minor material damage	Occurrence of any pollutant due to a problematic process or carelessness, which does not leak to the outside of the plant	An earthquake with a magnitude of 5 or over or storm and flood on special weather watch, which causes minor casualties or minor damage to assets, requiring inspection of damaged facilities	Occurrence of multiple patients with any infectious disease that must be reported as required by the government	Division where an accident occurs Environment and Safety Division

*Any occurrence of a major accident, fire, explosion, a leakage of pollutant, an earthquake, storm and flood causing the loss of KRW 100 million or over must be reported to the holding company

Health Enhancement

Find Your Happiness Nearby – Internal and External Psychological Counseling Centers

We run the internal and external psychological counseling centers to help employees get rid of stress and conflicts with other people that hinder their stable life and improve the quality of life based on understanding of themselves to perform their full capability at work. In particular, we supported our employees at department stores and duty-free shops dealing with emotional labor in direct contact with customers by connecting with about 393 counseling organizations. These employees can easily use the psychological counseling center even outside the company and take a special class about how to alleviate their stress and control their mind in various situations at workplace. We have expert psychotherapists at our center to comprehensively take care of employees regarding their personal concerns as well as conflicts with other people including family. Of our employees, those who suffer from cerebrovascular and cardiovascular diseases and their family can also use this counseling service, so that they can overcome mental pains upon any unexpected accident. By employing various approaches, we will continue to support our employees to make their mind stable and concentrate on their work and life.



Red Circle Week event (Magok)



Red Circle Week event (Yeosu)

Expansion of Red Circle Week Event for Vascular Health

The Red Circle Week event, which commenced in 2018, was conducted at a total of seven business sites, including one newly added this year. In the first week of September, a variety of programs were carried out at each business site, including darts to pick the right number of blood vessels regarding high blood pressure and diabetes, ‘Cheer up, Red Circle! Photo Zone’, which is an event to upload selfies on social networking sites, ‘Heart Racing Cooking Class’, with increased frequency of the event from two in the previous year to six thanks to favorable feedback from employees, and ‘Heart Racing Coloring Book Challenge’, in which all families of employees participated to complete over a hundred works. In particular, employees took the cooking class during their lunch break and made food that is good for preventing cerebrovascular and cardiovascular diseases. Employees in their 20s and 30s who used to have bad dietary habits learned about healthy dietary habits. These various programs provided our employees with opportunities to increase awareness about the prevention of cerebrovascular and cardiovascular diseases.

CPR Education and Training

As the scope of age groups that may undergo cardiac arrest is expanding, the significance of CPR training is on the rise. Our environment and safety division conducts CPR training across the company to increase our employees’ capability to respond to emergency situations. In 2019, we trained 1,966 employees about how to use an AED (automated external defibrillator) and perform CPR. Since this training requires repeated practice, we will select trainees in a systematic way and expand the regular training program for those who completed CPR training.



86%

increase from the previous year

1,055 persons

Number of trainees



Provision of First-aid Kits for Cars

We prepared first-aid kits for drivers in charge of transport and repair of vending machines, which they can carry in their cars and use quickly when they get a minor injury. We provided the kits to over 940 transport and reserve vehicles. We also included the first-aid kits in the safety checklist to be filled out before work for constant safety control activities. LG H&H will provide support in various ways to allow our employees to work in a safe and healthy work environment.



Health enhancement center at the Gwangju Plant

Eco-friendly Logistics and Logistics Centers

Optimization of Logistics Bases

We have been optimizing logistics bases by adjusting their functions with consideration of circumstantial changes. We opened an integrated central logistics warehouse in June last year, which combines small-scale bases, to improve our capability to respond to logistics affairs related to home and personal care products. Moreover, we secured a warehouse exclusively for exports near the Busan Harbor to deal with a rapid increase in exports of cosmetic products. We also acquired integrated base sites for beverage products in Mokpo and Gangneung as part of our efforts to optimize logistics bases.

Improvement of Prevention Activities against Negligent Accidents

In order to allow our employees at logistics centers to work in a safe environment, we requested an external specialized agency to explore 213 tasks and took improvement measures. We invested KRW 150 million to prevent negligent accidents related to forklifts at logistics centers and installed LED warning lamps, front and rear cameras, monitors, seat belts, and speedometer interlocking devices.

Enhancement of Logistics Efficiency to Minimize Environmental Loads

We upgraded the linked process of transport and delivery between production and logistics bases across the country to minimize environmental loads. We increased the percentage of direct supply between the Iksan Plant, which began its full operation this year, and the integrated central logistics warehouse to the same level as that of existing bases, thereby minimizing the transport routes. We also employed larger transport vehicles, expanded the direct supply by analyzing the performance of suppliers and improving the transport environment, and enhanced transport efficiency by improving warehousing and shipment processes. Moreover, we replaced 98 diesel vehicles with new ones to reduce exhaust gas emissions.

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

Category	Cost reduction
Improved operational process of logistics centers	12.9
Shortened transport distance and employed larger vehicles	6.7
Increased delivery efficiency	8.7
Total effect of	28.3

05

Win-win Growth

CSR BACKGROUND

Recently enterprises and their suppliers are building partnerships for mutual development and cooperation beyond simple business relationships. Given such a trend, companies should provide opportunities for growth to suppliers to help them enhance competitiveness and actively support them to build their capability, thereby establishing a sustainable cooperation system to grow together.

OUR COMMITMENT

With the vision to become 'Korea's best leading company for win-win growth' LG H&H makes efforts to improve competitiveness and grow together with its suppliers by providing various supports from the aspects of finance, technology and welfare. We will expand the scope of support from Tier 1 to Tier 2 and other tier suppliers, creating the culture of co-existence across the entire supply chain.



Vision and Strategic System for Win-Win Growth

Vision & Slogan	Korea's Best Leading Company for Win-Win Growth, "Win-Win Growth, Happy Together"					
Four major strategic tasks	Performance sharing	Competitiveness reinforcement	Shared growth payment	Communication strengthening		
Specific direction of strategies	<ul style="list-style-type: none"> ·Expansion of the use of the Win-win Cooperation Fund ·Simplification of procedures for joint tasks ·Exploration and distribution of exemplary cases 	<ul style="list-style-type: none"> ·Support with technologies and know-how ·Support with consulting to increase productivity ·Support with professional on-the-job training ·New market pioneering activities 	<ul style="list-style-type: none"> ·Expansion of the shared growth payment system ·Payment in cash for subcontractors ·Enhancement of utilization of the Win-win Cooperation Fund ·Support with operational fund 	<ul style="list-style-type: none"> ·Fair and transparent transactions through CPS ·Operation of communication channels for each class ·Support for the social contribution activities of suppliers ·Activities of PR channels (media, company newsletter) 		
Six initiatives	Fair opportunity	Sales growth	Technical and human resource support	Financial support	Welfare and benefits	Open communication

Fair Opportunity

Fair Opportunities for Participation

We operate the Convergent Purchasing System to provide our suppliers with fair opportunities. Any company that wishes to do business with LG H&H can register itself as a potential supplier, and our purchasing staff will review applications and inform companies about whether they can be registered as regular suppliers. We have a series of steps from contract signing to order placement, order reception, supply and payment, which are proceeded based on mutual agreement.

Report of Unfair Transactions and Operation of Communication Channels

To become a clean and transparent company that pursues fair competition and fulfills social responsibilities, LG H&H receives reports about unfair transactions during business with suppliers. Any grievance, opinion or unfair treatment can be reported through the Jeong-Do Management Cyber SINMUNGO on our website. In 2019, we received 11 reports and provided feedback in 29 days on average. In addition, we try to expand communication with suppliers through the Open Forum in the company-wide integrated procurement system to improve work practices and receive suggestions regarding win-win growth.

Sales Growth

Domestic Market – Technology Proposal Fair

We hold the Technology Proposal Fair six times a year to help suppliers freely propose and commercialize their technologies. This event has settled as a leading sales expansion channel, where suppliers can shorten the duration from idea proposal to the commercialization stage and receive financial support. LG H&H actively reviews presented technologies and supports suppliers to commercialize and bolster their technologies. In 2019, we made new transactions worth KRW 1.83 billion with 11 suppliers.

Overseas Market – Participation in International Beauty Fairs

We support suppliers to participate in various international beauty fairs to globalize the Korean cosmetic industry featuring K-beauty. Since 2013, we have assisted suppliers to step into the overseas market. From 2018, we have been hosting consulting fairs with our overseas subsidiaries to help suppliers make actual sales. In 2019, we helped four suppliers to participate in CIBE (China International Beauty Expo). We also provided 11 suppliers with exhibition attending opportunities and conducted lectures about essential elements for stepping into China. LG H&H continues to help suppliers experience the trend in the global cosmetic market and build capabilities, thereby obtaining competitiveness for the Korean cosmetic industry.

CASE Support for Suppliers

Believing that its suppliers' risks related to the environment, product quality and labor directly lead to its own risks, LG H&H has been conducting the external consulting project for years, featuring innovative partnership and industrial innovation movement. With this effort, we achieved certifications for our environmental management system and safety and health management system. We also helped our suppliers reduce various risks in the manufacturing process and stabilize their business management. Moreover, we introduced the Safe Quality Certification Assessment System to establish the product quality criteria for consumers to use our products safely, while organizing the in-house expert group to produce high-quality products, thereby implementing continuous and effective consulting activities.

Technical and Human Resource Support

Support Technical Consulting

We organized the 'technical support team for suppliers' comprised of 16 members, which is a consulting group consisting of experts with years of experience in the field of home and personal care goods and cosmetics, providing accurate diagnoses and improvement measures for suppliers. We also provide professional know-how for suppliers to find solutions for issues that cannot be addressed on their own, including the stabilization of facilities and the optimization of production conditions.

Support Consulting for Productivity Improvement

Believing that the competitiveness of suppliers represents that of LG H&H, we have been operating the external professional consulting support since 2014. We have provided field consulting programs to a total of 57 suppliers by 2019, creating an economic effect worth KRW 4 billion.

Support for Suppliers to Obtain Management System Certifications

In order to bolster the environment, safety and health management system of suppliers and nurture their in-house experts, we help them obtain the certification for environmental management (ISO 14001) and for safety and health management (ISO 45001). We helped six suppliers obtain 11 certifications in 2019 and provided support to 11 SMEs, which allowed them to receive 20 certifications for the management system within two years.

Support for the Protection of Technologies

We take the initiative in protecting technologies developed by our suppliers through joint patent applications and the technology escrow system. In 2019, we supported three cases of joint patent application including an anti-leakage container and 16 cases of technology escrow including fermented metabolites. We also try to increase the awareness of technology protection among employees by distributing work manuals and conducting regular offline training programs. Under our policy, we prohibit demanding sup-

pliers' technical materials in all joint projects. Requesting their technical materials is allowed by making an official request only when there are unavoidable reasons.

Financial Support

Payment in cash for subcontractors

With the goal of enhancing the financial conditions of suppliers, LG H&H has paid its subcontractors 100% in cash since 2012. From October 2016, we also increased the frequency of payments from two to three times a month to shorten the payment cycle.

Early Payment for Subcontractors before National Holidays

We make early payments before national holidays for the smooth financing of suppliers. When the amount of supply and the circulation of funds are concentrated due to employee bonuses around holidays, we pay our subcontractors earlier than the normal cycle. In 2019, we made payments worth KRW 75.7 billion before the New Year's Holiday and Korean Thanksgiving Day. We are trying to apply the early payment system even to our Tier 2 or other tier suppliers.

Shared Growth Payment System

LG H&H has the Shared Growth Payment System, in which Tier 2 and other tier suppliers can also be paid under the same conditions. Without the right of recourse, this system offers advantages of reducing burdens of security or risks of series of bankruptcy for suppliers. They can also reduce financial expenses when utilizing bill discounts. In 2019, shared growth payments worth KRW 936.3 billion was made for 646 Tier 1 suppliers as well as KRW 17.5 billion for Tier 2 and Tier 3 suppliers.

Financial Support System

LG H&H operates the Win-win Cooperation Fund, a loan system worth KRW 41 billion, to support suppliers through a 1:1.5 matching system with financial institutions regarding technology development, expansion of process capacity, and investment for stepping into overseas markets. We have recently supported suppliers to secure their cash flow by expanding the scope of the funding purpose to include 'operational funds'. We also run a financial support system to lend the fund directly to suppliers without interest, while providing 100% of expenses required in joint projects by utilizing the Win-Win Growth Investment Fund system.

Category	Performance in 2019
Design and engineering support	197 cases including engineering supervision, joint development and test molds
Performance sharing activities	11 cases of fair performance management for cooperative tasks
Win-win cooperation activities	7 cases including environment, safety and health management at business sites
Consulting on productivity improvement	14 cases including manufacturing innovation and management system certifications
Technology protection	3 cases of joint patent applications and 16 cases of technology escrow

1,144 persons

Provide e-learning and book learning exclusively for suppliers

355 cases

KRW **43** million

Allow employees of suppliers to use LG H&H's employee benefit mall

43 suppliers

211 tickets

Provide free tickets for sports games

6 suppliers

KRW **29** million

Provide financial support for volunteer activities at welfare facilities

Welfare and Benefits

Education for Suppliers' Employees and their Families

We provide e-learning, mobile learning and book learning for employees of suppliers to help them upgrade their work and language skills. With such support for the capacity building of our suppliers' employees, we contribute to building their competitiveness and enhancing pride in their companies. These opportunities for learning are also provided to their families. From 2013, we have been inviting the children of the employees of suppliers to the 'Teenager Summer Camp' as part of the 'Borrowed Earth School', which is one of our flagship social contribution programs, to provide them with opportunities to learn good daily habits through various programs and grow as global citizens.

Improvement of the Work Environment of Suppliers

We allow the employees of suppliers to use our employee benefit mall, where they can purchase products under the same conditions as LG H&H employees. We also provide them with free tickets to baseball or soccer games to support their leisure activities. For companies selected as exemplary suppliers of LG H&H, we support expenses to improve the welfare of employees, including support for the employee lounge.

Support for Suppliers' Social Contribution Activities

Since 2015, we have been carrying out the 'Happy Together Campaign with LG H&H' to promote the social contribution activities of suppliers for local communities. Once our suppliers choose particular welfare facilities near their locations and make plans for volunteer activities, we provide volunteers with goods for donation depending on the scale of the facilities. Through these events, we support suppliers' social contributions for local communities and facilitate interactions and communication with communities.

Support for Tier 2 and Other Suppliers

Strengthening of Support for Tier 2 Suppliers

We encourage fair transactions between Tier 1 and Tier 2 suppliers to support Tier 2 and other tier suppliers. We aim to spread support for win-win to Tier 2 and other tier suppliers by applying the same fair trade agreement to the transactions between Tier 1 and Tier 2 suppliers as those signed between LG H&H and Tier 1 suppliers. We also promote the introduction of the standard subcontract agreement document between Tier 1 and Tier 2 suppliers to ensure reasonable and transparent business relationships, thereby creating a fair and cooperative culture for win-win growth across the entire supply chain.

Open Communication

Active Communication

Based on the LG H&H Cooperation Committee founded in 1985, we organized the CEO Academy and the Competitiveness Reinforcement Workshop, as well as the Win-Win Growth Review Committee consisting of directors, the representatives of suppliers, eminent social figures, and LG H&H's internal subcontract committee members. Classifying them into three subcommittees depending on the type of agenda, we discuss the win-win growth support system and other subcontract issues and make decisions with the representatives of suppliers. Committees and discussion bodies for each class serve as our open communication channels for practical identification and reflection of field workers' opinions.

Category	Number of meetings	Contents	Members
Win-Win Growth Review Committee of Suppliers	Quarterly	Deliberate subcontracts and win-win growth issues	2 non-executive personnel 5 representatives of suppliers 3 LG internal committee members
CEO Academy	Biannually	Share win-win growth issues and the procurement policy	132 representatives of suppliers
Competitiveness Reinforcement Workshop	Biannually	Share win-win growth issues and the procurement policy	132 employees of suppliers

CASE Appointment of an Exemplary Supplier

Korea SPI is a container printing company for cosmetic products, which has been cooperating with LG H&H for 35 years. Since 2016, Korea SPI has been actively participating in LG H&H's 'Innovative Partnership' consulting project for 4 years to build competitiveness as a specialized SME. LG H&H analyzed and diagnosed the supplier's current status and needs with professional consultants, set the medium- and long-term goals of establishing a smart factory, and conducted relevant activities by applying the trends of the industry. With these efforts, we helped the supplier improve its structure to be optimized to the manufacturing environment in the era of the 4th Industrialization, including the introduction of ERP and MES, prevention of waste in the plant, and achievement of the management system certification. We supported the supplier to establish such innovative activities as its corporate culture. For these outcomes, Korea SPI was chosen as the best supplier of LG H&H in 2018 and received the citation from the Minister of Trade, Industry and Energy at the 'Innovative Partnership Performance Report Contest' in 2019, making an exemplary case for suppliers.

3

Governance

78 Governance

86 Stakeholder Engagement

80 Risk Management

88 Materiality Test

84 Jeong-Do Management

Governance

Board of Directors (BOD)

LG H&H runs the Board of Directors (BOD) and ensures their independent and transparent decision-making rights to enhance the efficiency of business management based on the principle of checks and balances. The BOD is comprised of two inside directors, one non-executive director, and four independent directors, and independent directors must always hold a majority. All directors are elected at the general meeting of shareholders as an individual agenda. Independent directors provide professional opinions on major decision-making

agenda items and evaluate and assess the company's performance. No independent director may hold more than two mandates to guarantee his or her expertise and loyalty. In order to prevent conflicts of interest, the voting rights of any director who has an interest in a certain agenda is limited pursuant to the Commercial Act and the BOD regulations. Regular meetings of the BOD are held according to the annual plan, with additional meetings convened for pressing matters that require immediate decisions. In 2019, a total of seven meetings were held, with the attendance rate of independent directors at 100%.

BOD Members

*As of March 2020

Category	Name	Year of initial appointment	Position	Career fields
Inside Director(s)	Suk Cha	2005	CEO, Chairperson of BOD	-
	Hong-Gi Kim	2019	Director	-
Non-executive Director	Bum-Jong Ha	2019	Director, member of the Independent Directors Nomination Committee	<ul style="list-style-type: none"> Experience in a chemical industry company, which is related to our business Expertise in industry-related finance
	Jae-Wook Kim	2017	Director, member of the Audit Committee	<ul style="list-style-type: none"> Marketing channel and e-commerce Supply chain management in the cosmetics industry 2019 to present: Advisor for Korea Distribution Association 2017-2018: Chairperson of Korea Distribution Association
Independent Director(s)	Tae-Hui Lee	2019	Director, member of the Independent Directors Nomination Committee, chairperson of the Audit Committee	<ul style="list-style-type: none"> Capital market accounting Regulated market accounting
	Sang-Hun Kim	2019	Director, member of the Independent Directors Nomination Committee, member of the Audit Committee	<ul style="list-style-type: none"> High-tech marketing Marketing management in the cosmetics industry 2018-2019: Co-chairperson of Korea Society of Consumer Studies
	Gi-yeong Kim	2020	Director	<ul style="list-style-type: none"> M&A, fair trade, legal expertise in the fields of cosmetics, food, medicine and medical devices 2015 to present: Legal advisor for Korea Medical Devices Industry Association and Korea Food Industry Association 2014 to present: Legal advisor for Korea Cosmetic Association 2012-2015: A member of the self-screening committee at the Ministry of Food and Drug Safety

Meetings of the BOD and Subcommittees

Committee	Number of meetings	Attendance rate	Major decisions in 2019
BOD	7	95.7*% (Attendance rate of independent directors: 100%)	<ul style="list-style-type: none"> Approved the acquisition of NewAvon Approved the appointment of an executive officer
Audit Committee	7	100%	<ul style="list-style-type: none"> Approved the 2018 assessment of the Internal Accounting Control System Approved the appointment of an external auditor
Independent Directors Nomination Committee	1	100%	<ul style="list-style-type: none"> Appointed the chairperson of the Independent Directors Nomination Committee Approved the recommended candidate of an independent director

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

Audit Committee

The Audit Committee operates in accordance with the Commercial Act as well as the Financial Investment Services and Capital Markets Act. Committee is comprised of three independent directors with no special relationships with LG H&H to ensure their independence. One of the members must be an expert in accounting, independently performing the role of overseeing the internal audit plans and executing auditing affairs. The Committee has the right to request business reports from the BOD or examine the assets of the company for auditing purposes if necessary. It can also seek expert consulta-

tion at the company's expense. In 2019, the Committee held seven meetings with a 100% attendance rate.

Remuneration Policy for Directors and the Audit Committee

Remunerations for directors are paid in a combination of a set base salary which is defined by the limit approved at the general shareholders' meeting and bonus based on the performance of the company. The remunerations for independent directors and members of the Audit Committee are provided within the directors' remuneration limit with approval of the BOD. Annual bo-

nuses are provided within a certain limit in accordance with the Special Bonus Regulations set by the BOD. The BOD evaluates financial indicators such as the previous year's sales, operating income, and operating profit to sales ratio, as well as relative metrics including the company's competitiveness within the industry, the importance of its global businesses, and market share to calculate the incentive. The CEO remuneration in 2019 was KRW 3,337 million (The average remuneration of employees excluding the CEO: KRW 71 million).

Independent Directors Nomination Committee

LG H&H operates the Independent Directors Nomination Committee to recommend candidates for independent directors. This subcommittee of the BOD nominates candidates for independent directors by considering their expertise in the financial, environmental and social sectors with respect to diversity factors such as gender, race or national origin. The subcommittee

selects and recommends candidates, whereby the final candidate is decided by the BOD and appointed as an independent director in the general meeting of shareholders. The subcommittee consists of three members—two independent directors holding a majority and one non-executive director, ensuring fairness and independence in the operation of the subcommittee and appointment of independent directors.

CSR (Corporate Social Responsibility) Committee

The LG H&H CSR Committee is the decision-making body responsible for coordinating and planning the company-wide plans regarding CSR issues. The committee convenes quarterly meetings. The committee is chaired by the CFO and its members include the heads of seven divisions and the head of planning and management of each business division.

Nomination Process of Independent Directors

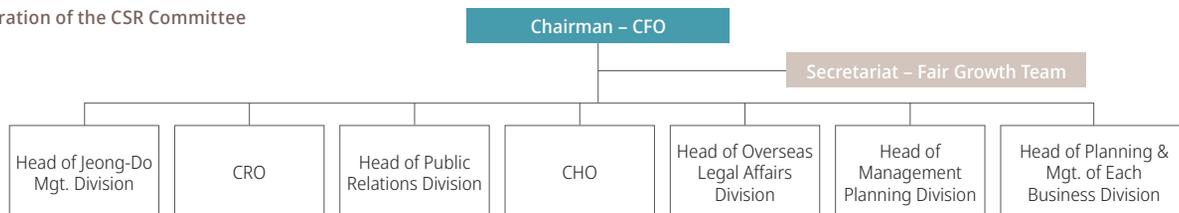


Restrictions on the Qualification of Independent Directors to Ensure the Independence of the BOD

A person who is in a special relationship with LG H&H is prohibited from serving as an independent director to prevent conflicts of interest and ensure the independence of the BOD

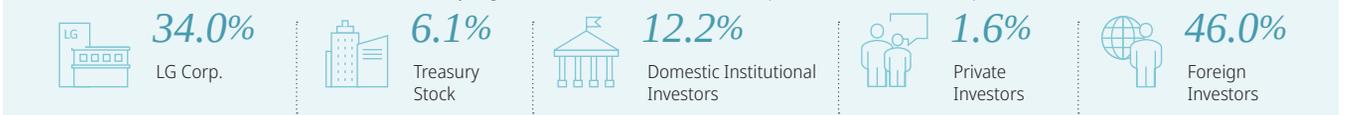
- 1 Any director, executive officer, or employee of the company currently involved in the company management, or a director, audit officer, executive officer, or employee of the company who has served as a senior managing director within the past two years
- 2 The largest shareholder, his/her spouse, lineal ascendant, or descendant
- 3 If the largest shareholder is a corporation, any director, audit officer, executive officer, or employee of the corporation
- 4 A spouse, lineal ascendant or descendant of any director, audit officer, or executive officer
- 5 Any director, audit officer, executive officer, or employee of the company's parent company or subsidiary
- 6 Any director, audit officer, executive officer, or employee of a corporation that is a partner, supplier, significant customer or has an important stake in the company
- 7 Any director, audit officer, executive officer, or employee of another corporation at which a current director, executive officer, or employee of the company serves as a director or an executive officer
- 8 Any director, executive officer, or audit officer of two or more companies in addition to the company
- 9 A person who violated laws and regulations and was removed or dismissed from his/her position within the past two years
- 10 A person whose balance from transactions with the company is KRW 100 million or over (except typical transactions with the relevant listed company occurring in accordance with the terms and conditions, which is specified in Article 2-1 of the Act on the Regulation of Terms and Conditions)

Operation of the CSR Committee



Shareholders

Major shareholders of LG H&H are as follows. For the executive ownership, CEO Suk Cha (10,000 preferred shares), executive director Sang-Beom Lee (180 common shares), and executive director Woo-Kyung Lee (220 common shares) are reported in the business report.



Risk Management

Integrated Risk Management Process

LG H&H operates an integrated risk management system that encompasses the nature and strategy of its business to prevent and manage potential risks that could emerge throughout the company's entire business operation. We classify potential risks into four categories—strategic, hazardous, financial and operational risks—and define specific types of risk for each category. Depending on the nature of business, the relevant department or the company-wide risk management department takes charge of monitoring and responding to risk factors.

Preventive Management Committee

Along with the Compliance Committee, LG H&H established the Preventive Management Committee in 2017 to oversee management activities for risks emerging in corporate management. The Committee is responsible for preventing risks that may arise in corporate practices such as investment in facilities, equity investment, capital management, information security, and accounting practices. The committee responds effectively to relevant incidents and conducts practical and preemptive measures to prevent the recurrence of similar cases of risk.

Integrated Risk Management Process

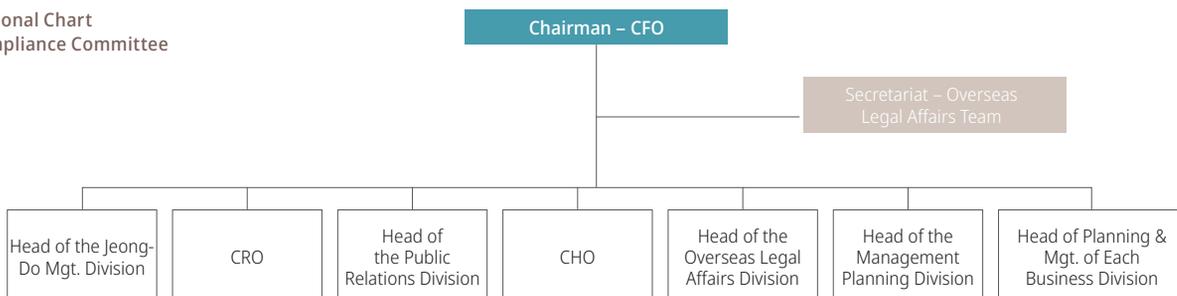


*Financial risks and operational (quality) risks are managed by the CFO and CRO, respectively, while risk monitoring is conducted by the Compliance Team and the Compliance Committee.

Compliance Committee

Compliance-related risks have become an important governance component in domestic and overseas markets. LG H&H operates the Compliance Committee to address risk factors and manage an effective compliance system across the company. The committee discusses the key issues of risk inspection and strategies on the direction of improvement measures. The committee also shares current and emerging issues regarding legal and social regulations. The committee meets on a quarterly basis with additional meetings if needed. Chaired by the CFO, the committee consists of the CRO and the heads of divisions including Jeong-Do Management, Public Relations, and Overseas Legal Affairs divisions, and manages compliance issues in various areas.

Organizational Chart of the Compliance Committee



Compliance Risk Management

It is widely accepted that compliance risk management is an essential element of corporate management because any violation of regulations may compromise the reputation of the company and cause subsequent damage. LG H&H classifies major legal risks into the six categories (fair trade, personnel and labor, personal information protection, intellectual properties, product quality, and environment and safety), and each relevant department establishes a self-inspection plan regarding compliance issues and implements the plan on a regular basis. In this way, we prevent compliance risks that may arise in the overall business management activities and examine such issues constantly to avoid any damage or loss. Our overseas subsidiaries also prevent compliance risks and constantly control them.

Compliance Newsletter

LG H&H publishes and distributes bimonthly newsletters to keep employees abreast of key trends and changes in domestic and overseas regulations as well as newly amended policies and regulations that are relevant to our employees' work. In 2019, our newsletters shared information about the prohibition on harassment at workplaces and the use of non-disclosed critical data, guidelines for protection of ideas and prevention of idea theft, risks of speculated collusion with information exchanges, the recent legislation trend related to the Fair Transactions in Franchise Business Act, and notice of the amendment of the Occupational Safety and Health Act. We will establish a culture of the highest compliance by regularly communicating with our employees regarding policies and amended regulations.

Bolstering of GLAS and Development of LDCS

LG H&H has bolstered GLAS¹⁾, a legal affairs system designed to handle a wide range of legal issues in a systematic way. We also developed LDCS²⁾, an electronic document and signing system aimed at simplifying contract execution procedures and utilizing resources efficiently. This system was officially launched in the first half of 2019. With the introduction of this system, our employees and suppliers are signing and managing contracts in a more efficient way.

1) GLAS: Global Legal Affairs System

2) LDCS: LGHNNH Digital Contract System

Results of the Employee Compliance Awareness Survey (Unit: Point)



Compliance with Fair Trade Standards

Programs for Willing Compliance with Fair Trade Standards

Every year, LG H&H operates a willing compliance program for each field to establish a corporate culture with fair and lawful business practices. Recently, we conducted an inspection of transactions regarding the Fair Agency Transactions Act, the Fair Transactions in Franchise Business Act, and the Fair Transactions in Subcontracting Act to eradicate the abuse of authority and unfair practices, which may happen in transactions with SME partners, including agencies and franchises. We rectified unreasonable work practices with these efforts, while distributing the fair work manual for each field. Moreover, we carry out the company-wide activities to eliminate risks related to technology theft to protect the technologies of SME suppliers. In 2020, we will continue to prevent the abuse of authority in transactions and promote the willing compliance program for fair trade across all subsidiaries, thereby fostering the reasonable compliance culture across the company. We will also conduct the education program for all employees about laws and regulations that we should adhere to throughout all business sectors (regarding agencies, franchises and subcontractors), increasing the efficiency of prevention activities against fair trade risks.

Internal Accounting Control System

LG H&H has operated the Internal Accounting Control System since 2006 to ensure transparency in our business operation and enhance the soundness of work processes. We devise control activities in accordance with the Act on External Audit of Stock Companies as well as the design and operation concept of the system and the assessment and reporting standards. We conduct the control assessment across the entire company, including the categories of company-wide control, sales, logistics, production, procurement, fixed assets, financial reporting, fund, tax, personnel, legal affairs, public disclosure, IT and general control.

Internal Control Assessment of Overseas Subsidiaries

To ensure the reliability of consolidated financial statements, LG H&H conducted additional internal control assessments for overseas subsidiaries in Shanghai, Beijing, Hangzhou, Vietnam and Taiwan.

Assessment Results of the Internal Accounting Control System

According to the results of the assessment, LG H&H found that all control activities had been operated exactly as designed without any issues. In addition, with the stricter certification criteria introduced in 2019 due to the amended regulations, we underwent a third-party assessment by an external auditor (EY Han Young). The auditor stated that LG H&H's Internal Accounting Control System had been effectively designed and managed from the perspective of significance as of December 31, 2019.

Personal Information Protection

Reinforcement of the Personal Information Protection System

We run the personal information protection system to avoid data leakage from internal sources, hacking and malicious codes. We inspected 23 systems and upgraded the level of document security and web firewalls that needed improvement. We also expanded the e-mail and web monitoring system to strengthen monitoring activities, while improving the monitoring of outgoing emails to block indirect routes. We increased the subjects of the annual mock hacking aimed at preventing hacking attacks from 108 to 213 systems and removed loopholes.

Improvement of the Personal Information Management System

LG H&H constantly upgrades the personal information management system to reduce the risks of leakage of customers' information and comply with relevant regulations. We checked how personal information is managed in 18 departments dealing with such data, while conducting monthly inspections on the security level and personal information management on PCs used by our employees and those of suppliers working at our business sites. We expanded the scope of application of security solutions at our brand booths at department stores to systematize security checks, including the monthly PC password setting and management of personal information files. In 2020, we will apply security solutions at our brand booths at large supermarkets and road shops to further systematize security checks. We also retained the ISMS (Information Security Management System) certification which was obtained in 2014 through post evaluation.

Personal Information Management System

Scope	Category	Solutions	Performance in 2019
Headquarters	Prevention of leakage <ul style="list-style-type: none"> Leakage from internal sources Hacking and malicious codes 	Operate security solutions to prevent leakage accidents <ul style="list-style-type: none"> Avoid leakage from internal sources, hacking and malicious codes Protect the IT infrastructure and conduct integrated monitoring on information leakages 	<ul style="list-style-type: none"> Expanded the application of security solutions to our brand booths at department stores Upgraded the security level of documents and web firewalls Conducted a mock hacking on 213 systems and examined loopholes
Consigned companies			
Retail stores	Compliance with regulations <ul style="list-style-type: none"> Personal Information Protection Act Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. Overseas privacy laws 	Inspect the security level of consigned companies and sales business sites (retail stores, franchises and agencies) <ul style="list-style-type: none"> Conduct annual security checks of consigned companies and strengthen security checks at sales business sites 	<ul style="list-style-type: none"> Checked the personal information management practices in 81 consigned companies and 40 sales stores Systematized monthly security checks at our brand booths at department stores
Franchises and agencies		Compliance with regulations on personal information protection <ul style="list-style-type: none"> Institute operational and technical protection measures concerning the life cycle of personal information (collection → use → storage → provision → disposal) Follow personal information protection guidelines for overseas subsidiaries 	<ul style="list-style-type: none"> Checked the personal information management practices in 18 departments dealing with such data Retained the ISMS certification
Overseas subsidiaries			

Tax Payment Policy

Enterprises must abide by tax laws in conducting transactions with customers and fulfill the responsibilities of various tax payments in order to safeguard customers' interests and contribute to economic growth of the country. It is LG H&H's duty to fulfill our social responsibility. In order to ensure every single transaction around the world is carried out in accordance with local tax laws and regulations, LG H&H fulfills its tax payment obligations by thoroughly understanding the tax laws at home and abroad and submitting the required data. We have clearly assigned the roles and responsibilities of the employees in charge of tax filings and payments. If any issue emerges due to an unclear interpretation of tax laws, we seek advice from accounting firms and external tax experts to find the best solutions.

Disclosure of Tax Payment Records

We provide corporate tax information in the audit report publicly disclosed on DART (Data Analysis, Retrieval and Transfer System), which is operated by the Financial Supervisory Service (dart.fss.or.kr). Any detailed information is shared with various stakeholders. We disclose the standards for calculating corporate tax expenses, deferred tax assets, liabilities, the details of corporate tax expenses, and tax rates in the financial statement and annotations in the audit report.

Tax Deduction & Exemption System

LG H&H makes full use of the tax deduction and exemption system in accordance with the Korean tax regulations. Within the framework of the relevant laws and regulations, we strenuously try to minimize the tax burden and maximize values for shareholders.

Fulfillment of Overseas Tax Payment Obligations

In terms of international transactions with overseas subsidiaries, LG H&H applies the reasonable transfer pricing policy that corresponds to Korean tax regulations and transfer price guidelines. Since 2016, we have also fulfilled our obligation to submit an integrated report on international transactions in accordance with BEPS (Base Erosion and Profit Shifting), designed to prevent tax avoidance by multinational companies. As we operate local offices and subsidiaries in the United States, China, Japan, Taiwan and Vietnam, we fulfill our duty of tax payments including corporate taxes based on local regulations and submit a variety of documents requested by the local tax authorities with the support of our headquarters. We are undergoing the application process for the Advance Pricing Agreement (APA) in Korea and China to completely address risks related to transfer prices regarding transactions between subsidiaries in both countries.

Emerging Risks

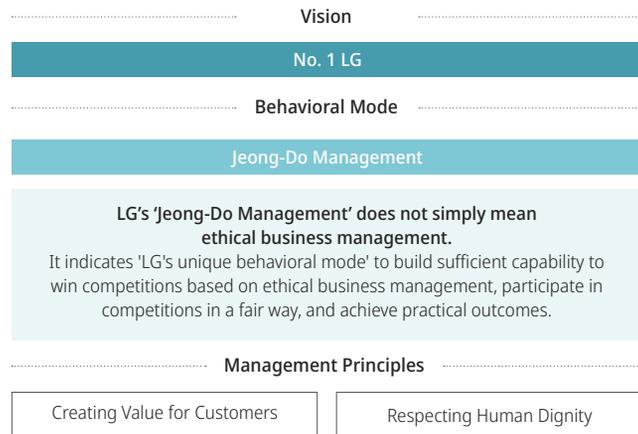
Risk	Changes in consumers' preference and consumption patterns due to health-related issues such as fine dust	Changes in the distribution and sales environment with the advancement of IT
Impact	<ul style="list-style-type: none"> As there are a growing number of issues about more frequent warning alarms of fine dust issued by the Ministry of Environment and the management of health risks of the people, many companies in the same industry are increasingly launching functional products, triggering intensive competition and highlighting the need to dominate relevant new technologies 	<ul style="list-style-type: none"> Distribution channels are expanding further from off-line to online platforms with the advancement of IT With tightened regulations such as the Fair Transactions in Franchise Business Act and the Fair Agency Transactions Act and the growing significance of win-win growth, online markets are facing more criticism, which may undermine the reputation of the company
Need for response	<ul style="list-style-type: none"> Given the consumers' preference for functional products such as cosmetics that alleviate the impact of fine dust, risks may arise regarding the market share in the medium- and long- term unless we significantly expand the line-up of such products It is necessary to control the impact of medium- and long-term R&D expense for developing and producing functional products 	<ul style="list-style-type: none"> The sales at existing offline distribution channels are on the decline due to the growing sales at online and mobile platforms A slump in business management activities causes factors that hinder win-win growth
Response measures	<ul style="list-style-type: none"> Expand the line-up of products based on the analysis of consumption patterns and preferences Continuous R&D investment to enhance functions of products and reduce cost (R&D cost in 2019: USD 1.274 million) 	<ul style="list-style-type: none"> Increase the management efficiency and sales of offline stores by minimizing (reducing) the logistics cost of each distribution channel, improving cooperative activities with clients, and accelerating investment in advertising Provide financial support for franchises and agencies(support for initial cost, accept their request for lower franchise deposit, etc.), thereby boosting win-win growth with offline stores Develop distinctive products only for online channels, eliminate compliance risk factors, and strengthen online marketing to reach consumers more easily through online channels, respond to changes in the market in a smart manner, and expand sincere communication with consumers

Jeong-Do Management

LG H&H takes the initiative in creating the Jeong-Do Management culture for sustainable growth as a leading company in the market. All our employees enhance the Jeong-Do Management culture and prevent risks caused by expanded business.

LG WAY and Jeong-Do Management

The essence of the LG Way, the corporate culture of LG, is found in its management principles of 'creating value for customers' and 'respecting human dignity'. As these principles are put into action, LG is able to accomplish its vision and reach its objective of becoming 'No.1 LG'. 'Jeong-Do Management' represents LG's unique behavioral mode to constantly nurture capabilities based on ethical business management and participate in competitions in a fair way.



Code of Ethics

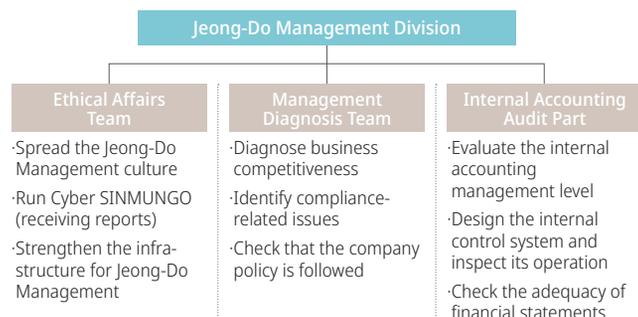
Adhering to the principles of the free market economy for fair competition and creating common interests for all stakeholders based on mutual trust and cooperation, we have enacted and implemented the Code of Ethics as the criteria for desirable behaviors and value judgment among all employees. Under these criteria, we seek to become an exceptional global company through continuous growth.

Contents of the Code of Ethics

Chapter 1 Responsibilities and Obligations to Customers	We highly value the opinions of our customers in the belief that they form the very basics of our business. We seek to secure unconditional trust from our customers by continuously providing them with practical values.	Chapter 4 Basic Ethics for Employees	Based on honesty and fairness, LG employees establish the correct values and fulfill their duties through continuous self-development and fairness in performance.
Chapter 2 Fair Competition	Our global business activities conform to the relevant laws and regulations of the host nations. At the same time, we employ only fair and just means in securing our competitive advantage in the global market.	Chapter 5 Corporate Responsibilities to Employees	LG respects the human dignity of its employees and provides fair treatment based on their abilities and performance. LG also fosters creativity among its employees.
Chapter 3 Fair Transactions	All business transactions will occur under the principles of fair competition with equal opportunities for all entities to participate. We build trust and cooperative relationships through fair and transparent transactions. Such relationships are built with a long-term perspective for mutual growth.	Chapter 6 Responsibilities to Society and Country	LG contributes to the national welfare and social development through rational business expansion providing stable growth as a corporation and protecting shareholders' interests.

Jeong-Do Management Division

We organized the Jeong-Do Management Division to systematically promote Jeong-Do Management. The division is responsible for supporting employees at our business sites to put Jeong-Do Management into practice. We also have the internal accounting audit team, aimed at supporting the Audit Committee and examining the reliability of financial data.



Organization of the Internal Accounting Audit Team

We organized the internal accounting audit team in June 2019 to reflect the amended provisions of the Act on External Audit of Stock Companies and enhance the adequacy and reliability of our financial data. We established the assessment process and checklists to examine the effectiveness of the internal accounting control system. Moreover, we try to tackle detected issues to bolster the system.

Written Pledge for Jeong-Do Management

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

Number of People Who Submitted the Written Pledge of Jeong-Do Management **8,539** persons (as of January 2020)

Cyber SINMUNGO (URL: <http://ethics.lg.co.kr>)

We operate Cyber SINMUNGO, a corruption reporting system for accusations of unfair and unjust behaviors that violate LG's code of ethics. We carry out preliminary and on-site investigations first, and if the report is proved to be true, we take follow-up measures, including disciplinary actions, work process improvement, and Jeong-Do Management education to create a transparent and fair corporate culture. We also try to eradicate misconduct and wrongdoing by running a reward system for informants and protecting whistleblowers to facilitate the reporting system.

Reported Cases and Progress of Disciplinary Actions* (Unit: Case)

*Subsidiaries included, as of 2019

Reporting Status by Stakeholder Group

Category	2017	2018	2019
Customer complaints	12	2	7
Grievances of suppliers	10	20	20
Reports (company, employees)	66	56	76

Progress of Reported Cases

Category	Number of cases
Number of reported cases	76
Number of handled cases	63
Number of false reports	13

Disciplinary Actions

Category	Number of cases
Total number of reprimanded employees	76
Light penalties	24
Severe disciplinary actions	52

*No disciplinary action against executive directors

Disciplinary Actions by Reason (Unit: Case)

Grounds for disciplinary actions	Number of cases
Manipulation of documents and calculations	0
Bribery	5
Unfair equity participation of suppliers	0
Embezzlement and misuse of the assets and funds of the company	14
Unfair transactions (collusion)	1
Information leakage	1
Sexual harassment and bullying in the workplace	6
Others	49

Bribery Report System

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

Voluntary Compliance with Jeong-Do Management Principles

All of LG H&H's executive directors and the heads of divisions regularly communicate with employees about the significance of Jeong-Do Management and find potential risks in the work process as part of improvement activities. Sharing ideas about Jeong-Do Management and directions for improvement between leaders and employees results in a positive effect on building trust between them.

Reaching Out to Employees for Jeong-Do Management

The Jeong-Do Management division constantly conducts on-site support to stabilize the Jeong-Do Management culture led by leaders. We held Jeong-Do Management discussion meetings with 75 executive directors and division heads and 321 employees from 25 departments of major divisions in 2019. We provided answers to inquiries regarding dilemmas in the workplace, grievances and support requests, and devised improvement measures, thereby internalizing Jeong-Do Management across all our business sites.

Jeong-Do Management Activities in Overseas Subsidiaries

As our overseas business has expanded, we have designated the staff in charge of Jeong-Do Management at our overseas subsidiaries to perform relevant activities in an autonomous way. In 2019, we conducted a workshop for the relevant staff at our subsidiaries in China, Taiwan, Malaysia, Singapore and Japan, sharing Jeong-Do Management issues and information about relevant activities at each business site with consideration of the global business environment. We also supported our subsidiaries to carry out their own Jeong-Do Management activities.

Stakeholder Engagement

Stakeholder Engagement

LG H&H classifies its stakeholders with a major impact on its business into customers, suppliers, employees, local communities, shareholders/investors and government/public institutions/associations. We proactively embrace their opinions and reflect them in our CSR activities, thereby maintaining active communication. We also identify the demands of each stakeholder group and apply them in our medium- and long-term CSR strategies through regular communication channels.

Stakeholder Engagement Channels

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

*For LG H&H cosmetic products only

Key activities: Conducting feedback surveys of products and services
 Communication issues: Customer service, personal information protection, marketing, product quality, customer safety

Suppliers	
Communication Channel	Frequency
Integrated purchase channel	Always
Jeong-Do Management channel	Always
Win-Win Growth Committee of suppliers	4 times/yr.
CEO Academy of suppliers	2 times/yr.
Technical support for suppliers	Always
CSR survey of suppliers	Annually

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

Executives & Employees	
Communication Channel	Frequency
Intranet and grievance-handling programs	Always
Idea Innovation i-30	Always
Company newsletters	6 times/yr.
Company meetings	Quarterly
Satisfaction surveys of employees	Annually
CSR surveys of employees	Annually
Employees Committee	Bimonthly
Employees' meeting in each division	Always
Labor-management Committee at each business site	Quarterly
Manager meeting of the Beauty Division	Monthly

Key activities: Conducting opinion surveys regarding management strategies and implementation

Communication issues: Collective and various agreements, reward for performance, human resource development, human rights protection, industrial safety and health

Local Communities	
Communication Channel	Frequency
Expert panel meetings	3 times /yr.
Community committees	2 times/yr.
Social contribution programs	Irregularly
CSR surveys of community	Annually
Public affairs	Irregularly
Launching events for the press	Irregularly

Key activities: Engaging in the decision-making process for the development of local communities

Communication issues: Disclosure of business management status, environment protection, contribution to local communities, job creation, social contribution

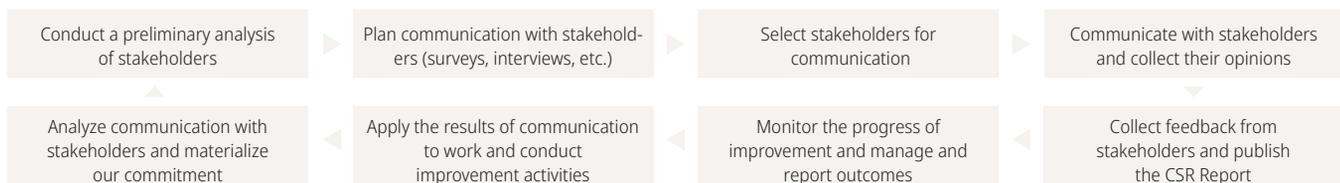
Shareholders/Investors	
Communication Channel	Frequency
IR website	Always
General meetings of shareholders	Annually
Business reports	Annually
Conference	Always

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

Government/Public Institutions/Associations	
Communication Channel	Frequency
Korea Industrial Safety Association	Monthly
Korea Fire Safety Institute	Annually
Korea Environmental Industry & Technology Institute	Irregularly
Government projects and conferences	Irregularly

Key activities: Participating in the decision-making process related to government policies
 Communication issues: Changes in government policies, compliance with laws and regulations, trends in each industry and local government

Stakeholder Engagement Process



Stakeholder Interest and Expectations

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

Panel Discussion

LG H&H conducts panel discussions to identify the expectations of experts in each field and reflect them in CSR activities. In 2019, we held three meetings with the themes of internal and external communication and human-rights-based business management, and had in-depth discussions. We will embrace the perspectives of experts and stakeholders to enhance our CSR activities.

CASE 3rd Panel Discussion in 2019 – Human-rights-based Business Management

In December 2018, we conducted a panel discussion meeting about 'human-rights-based business management' and discussed the relevant status and future directions for LG H&H with experts. We explored productive measures to spread human-rights-based business management practices and solidified our willingness and efforts to achieve this goal.

Key Agendas



External Expert	Company	Description
Eun-gyeong Lee, Manager	UN Global Compact Network Korea	Global trends of companies and human rights and guidelines for due diligence
Jeong-wu Gu, Professor	Sungkyunkwan University	Directions of the government for human-rights-based business management (domestic trend in spreading human-rights-based business management and future plans)
Se-hyeon Kim, Lawyer	Corporated Law Firm Seung Bon	Establishment of corporate human-rights-based business management and human rights policy (surveys of human rights trend and current conditions)
Mun-gui Ju, Certified Labor Attorney	Joomin Certified Labor Law Office	Diagnosis of work environment (current status of labor and human rights)

Materiality Test

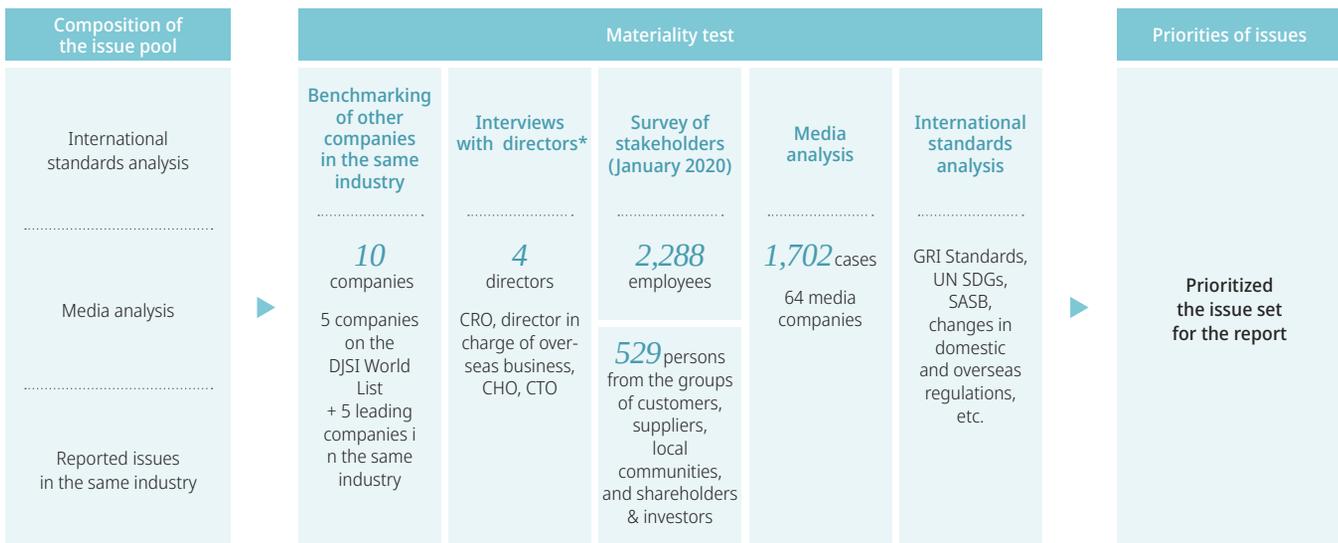
LG H&H undertakes an annual materiality test to analyze the relevance and significance of its products and activities regarding various sustainability management issues. We report issues that merit a high priority.

Materiality Test Process

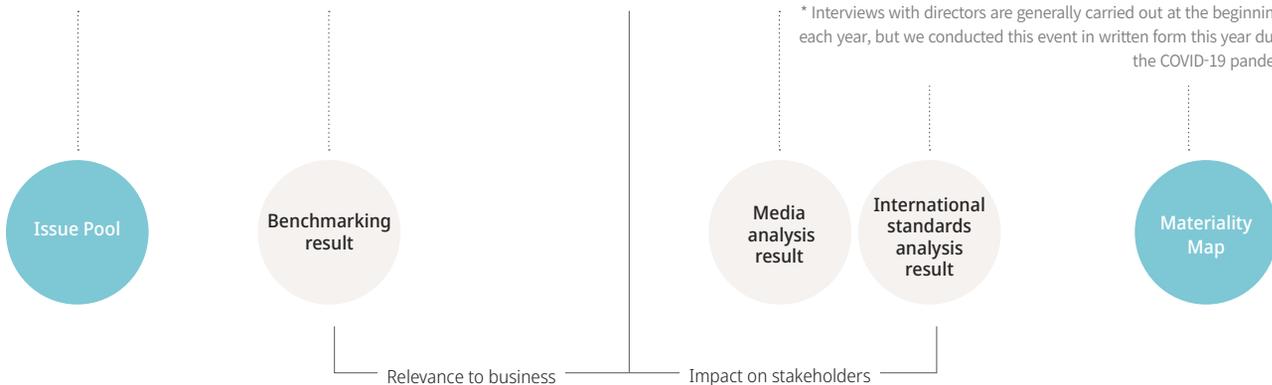
LG H&H examines economic, social, and environmental issues to find critical issues that may affect the company's business. Such issues are identified by considering the interests of stakeholders as well as the impact of those issues on the business of LG H&H. We manage a pool of issues by examining global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

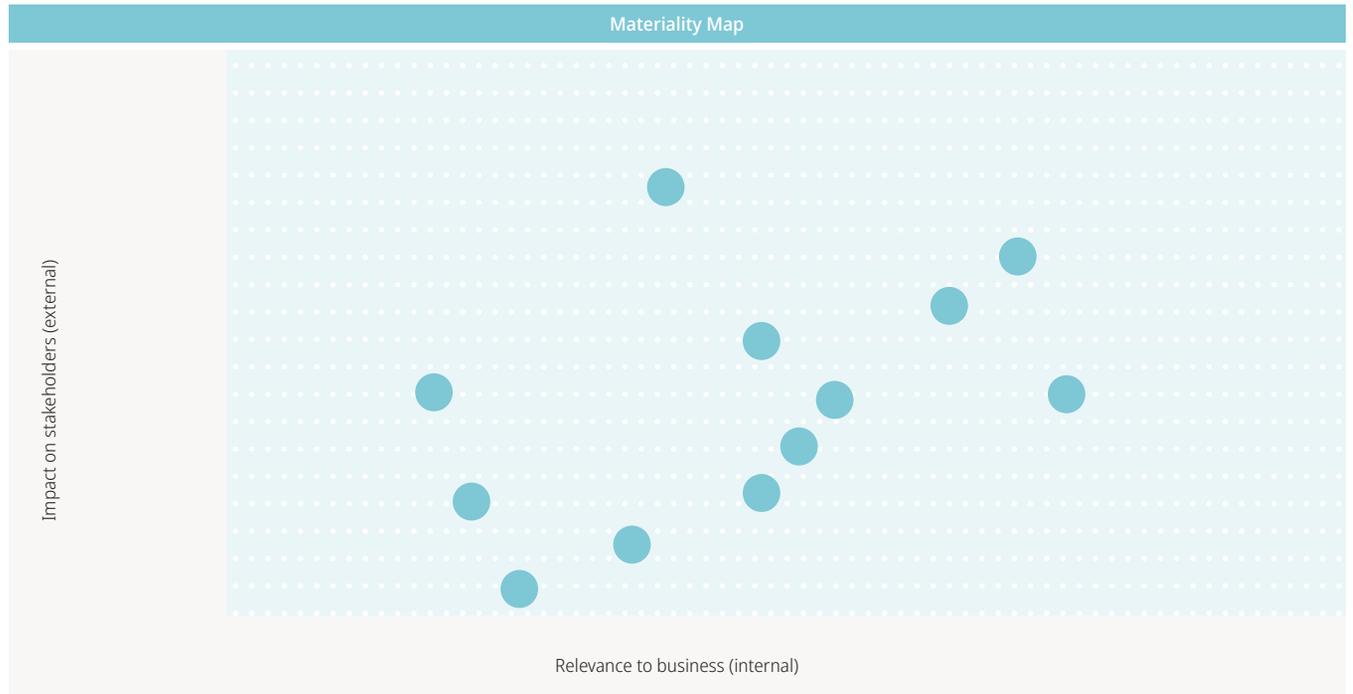
Selection of Major Issues

We derived 12 issues by comprehensively considering the analysis result regarding benchmarking of other companies in the same industry, interviews with directors, surveys of stakeholders, and analysis of media and international standards. According to the analysis of benchmarking of other companies, GHG emissions reduction and managing the treatment and utilization of waste through reuse and recycling are found to be common issues in the same industry. The media analysis result finds that there have been a large number of articles about brand leadership, corporate image enhancement, and new product launches with the expansion of R&D and investment. In the survey of stakeholders, we could see a high significance of several themes including new product launches with the expansion of R&D and investment, work and life balance, and efforts to strengthen product safety and to reduce the environmental impact of product packaging materials. Out of 12 issues, we considered relevance to our business and an impact on stakeholders to finally select eight key issues and four reported issues.



* Interviews with directors are generally carried out at the beginning of each year, but we conducted this event in written form this year due to the COVID-19 pandemic





Material Issue			
	Key Issue	GRI	Page
Customers and products	Expand the development of eco-friendly products	-	44-47
Customers and products	Improve product safety	416-1	26-31
Environment	Reduce GHG emissions	305-1	49, 94, 104-106
Customers and products	Enhance the features and health-related effects of products	416-1	26-31
Business management	Launch new products by expanding R&D and investment	-	22-25
Labor and human rights	Develop and nurture talent	404-2	40, 41, 53
Environment	Reduce the environmental impact of product packaging	301-1	46-47, 95
Environment	Manage the treatment and utilization of waste through reuse and recycling	301-1	46-47, 95
Reported Issue			
Environment	Improve the treatment and management of hazardous substances		
Business management	Enhance brand leadership and the corporate image		
Labor and human rights	Maintain work-life balance (welfare system, the 52-hour workweek system)		
Labor and human rights	Conduct performance evaluations and provide employees with compensation		

Key issues of the home and personal care division and the beauty division

Launch new products by expanding R&D and investment
Reduce the environmental impact of product packaging

Key issues of the refreshing division

Maintain work-life balance (welfare system, the 52-hour workweek system)
Improve product safety

4 *Appendix*



92 Economic Performance

102 Independent Assurance
Statement

94 Environmental
Performance

104 GHG Emission
Verification Statement

96 Social Performance

107 Tax Payment Policy

99 GRI Index

101 UNGC & SASB

Economic Performance

Financial Statement

(Unit: KRW million)

Category	LG H&H [Consolidated]		LG H&H [Non-consolidated]		Coca-Cola Beverage [Consolidated]		TFS [Consolidated]		HAITAI htb [Separate]	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
I. Current assets	1,691,203	2,163,075	944,326	1,009,794	202,864	326,120	147,908	226,184	80,432	85,566
Cash and cash equivalents	396,644	647,104	167,914	261,567	30,903	123,323	50,915	36,253	9,038	1,381
Short-term financial instruments	16,900	72,263	16,900	16,900	0	30,000		142		
Accounts and notes receivables	556,088	611,045	366,544	360,286	103,784	105,485	33,573	48,806	27,646	31,637
Other bonds	25,780	34,606	26,971	19,429	5,669	4,592	2,460	63,287	3,478	2,472
Inventories	614,748	746,323	302,460	338,257	60,347	60,184	55,867	73,303	39,814	49,512
Investments in subsidiaries										
Non-current assets as held for sale										
Other current financial assets	24	1,090	1,506	995				73		
Other current assets	81,019	50,644	62,032	12,359	2,161	2,536	5,093	4,320	455	564
II. Non-current assets	3,584,671	4,330,595	2,742,885	3,083,981	534,220	548,534	163,134	275,965	337,963	336,385
Long-term financial instruments	24	24	12	12	6	6	3	3		
Other long-term bonds	78,325	80,180	36,671	34,467	8,094	7,502	26,270	26,402	4,639	5,177
Available-for-sale financial assets					343	344				
Severance pay assets							638	2,773		
Stocks for subsidiaries			1,631,700	1,839,229						
Stocks for affiliates and joint companies	52,393	56,559	10,682	9,633						
Deferred tax assets	21,123	37,442	24,031	42,528	3,933	6,563	9,067	15,188	4,480	
Property	1,813,289	2,036,045	819,250	927,590	507,928	503,483	32,580	70,394	325,697	324,149
Right-of-use assets		273,157		26,744		18,161		55,813		4,490
Investments in properties	45,184	42,239	39,634	37,068	1,552	1,412	1,935	1,921	1,642	1,395
Goodwill										
Intangible assets	1,544,973	1,787,314	154,545	153,251	12,029	10,839	92,574	103,407	1,397	1,088
Net defined benefit assets					280					
Other non-current financial assets	10,397	9,467	9,902	9,104			1	21		86
Other non-current assets	18,963	8,168	16,459	4,355	55	225	67	45	108	
Total assets	5,275,874	6,493,670	3,687,212	4,093,775	737,084	874,654	311,042	502,149	418,394	421,951
I. Current liabilities	1,358,883	1,771,204	759,177	793,017	149,143	175,491	121,891	224,797	127,776	120,555
II. Non-current liabilities	322,971	485,378	119,551	36,391	15,769	36,312	5,182	89,936	32,996	42,339
Total liabilities	1,681,854	2,256,582	878,728	829,408	164,912	211,802	127,074	314,733	160,772	162,894
Capital stock	88,589	88,589	88,589	88,589	25,000	25,000	1,018	1,018	87,737	87,737
Capital surplus	97,326	97,326	97,326	97,326	22,527	22,527	64,314	64,314	153,702	153,702
Retained earnings	3,563,365	4,174,882	2,693,294	3,151,084	524,982	615,661	116,319	117,315	16,710	18,145
Accumulated other comprehensive income	-121,625	-96,636	-97	-2,004	-337	-337	-5,339	-2,887		
Other reserves	-115,589	-117,427	-70,628	-70,628			7,657	7,657	-526	-526
Non-controlling interests equity	81,954	90,354					6,725	6,725		
Total capital	3,594,020	4,237,088	2,808,484	3,264,367	572,172	662,852	183,969	187,416	257,622	259,057

Income Statement

(Unit: KRW million)

Category	LG H&H [Consolidated]		LG H&H [Non-consolidated]		Coca-Cola Beverage [Consolidated]		TFS [Consolidated]		HAITAI htb [Separate]	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Sales revenue	6,747,537	7,685,424	4,060,158	4,536,976	1,202,355	1,266,919	487,263	543,524	356,446	386,731
Cost of sales	2,696,414	2,917,246	1,593,622	1,695,356	728,121	764,129	196,087	258,261	256,678	281,225
Gross profit or loss	4,051,123	4,768,178	2,466,536	2,841,620	474,234	502,790	291,176	285,262	99,768	105,507
Selling and administrative expenses	3,011,873	3,591,767	1,705,154	1,982,261	345,164	361,626	275,173	262,466	92,502	94,467
Restructuring expenses										
Operating income	1,039,250	1,176,411	761,381	859,358	129,069	141,164	16,004	22,796	7,266	11,040
Financial income	6,486	17,086	104,724	37,304	434	1,204	501	1,530	146	247
Financial expenses	12,707	17,773	9,481	14,627	371	411	1,315	4,081	1,210	1,422
Other non-operating profit and loss		-90,563	-44,098	-40,425	-6,615	-5,689	-5,555	-20,172	-828	-307
Profit and loss relevant to equity method	-1,319	6,920								
Net income before corporate taxes expenses	956,005	1,092,081	812,527	841,611	122,517	136,268	9,635	73	5,374	9,558
Corporate tax	263,726	303,908	206,678	218,743	31,612	40,677	6,912	-1,635	4,626	6,795
Net income for an accounting period	692,279	788,173	605,849	622,868	90,904	95,591	2,723	1,709	747	2,762

Domestic/Overseas Economic Value Distribution (based on domestic company/subsidiaries and subsidiaries in China and Japan as of 2019)

Employees	Government	Suppliers	Local Community & NGOs	Shareholders & Creditors
 KRW 858.5 billion *Wages, bonuses, benefits, severance pay, education and training expenses	 KRW 352.6 billion *Corporate taxes and other taxes	 KRW 4.8259 trillion *Expenses for raw and subsidiary materials, outsourced processing costs, equipment investment, service expenses, commission of stores, advertising and marketing expenses, and promotion expenses	 KRW 42.5 trillion *Costs for social contribution activities, associations and academic conferences	 KRW 200 billion *Dividend payout ratio: 29.6% (LG H&H, non-consolidated)

Corporate Tax Expense

(Unit: KRW 100 million)

Category	Region	Sales	Operating profit	Corporate tax expense
Country	Korea	69,811	10,602	2,695
	China	9,885	1,123	291
	Vietnam	334	11	3
	United States	2,083	-106	6
	Taiwan	442	3	1
	Japan	4,273	492	93
	Consolidated adjustment amount*	-9,974	-361	-50
	Total	76,854	11,764	3,039

*An adjusted amount taking consideration of internal transactions with subsidiaries subject to consolidated accounting and unrealized profit and loss

Tax Amount and Tax Rates

Category	Unit	2018	2019	Average
Earnings before Tax	KRW 100 million	9,560	10,921	-
Reported Taxes	KRW 100 million	2,322	2,828	-
Reported Tax Rate	%	24.3	25.9	25.1
Cash Taxes Paid	KRW 100 million	2,637	3,039	-
Cash Tax Rate	%	27.6	27.8	27.7

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

Environmental Performance

Major Environmental Index

Category	Domestic					Overseas					
	Company/subsidiary	Unit	2017	2018	2019	Company/subsidiary	Unit	2017	2018	2019	
Production volume	LG H&H	Ton	498,548	449,005	403,993	Beijing, China	Ton	10,352	8,421	9,628	
	Coca-Cola Beverage	Ton	662,000	676,307	725,358	Hangzhou, China*	Ton	516	569	-	
	HAITAI htb	Ton	491,339	527,858	549,426	Dong Nai, Vietnam	Ton	1,788	1,970	2,160	
	Total	Ton	1,651,887	1,653,170	1,678,776	Total	Ton	12,656	10,960	11,788	
Energy* Consumption	LG H&H	TJ	1,004	1,118	1,023	Beijing, China	TJ	23.3	22.1	24.0	
	Intensity	GJ/product-ton	2.013	2.489	2.532	Intensity	GJ/product-ton	2.251	2.626	2.495	
	Coca-Cola Beverage	TJ	889	887	902	Hangzhou, China	TJ	4.3	4.7	-	
	Intensity	GJ/product-ton	1.343	1.311	1.244	Intensity	GJ/product-ton	8.299	8.336	-	
GHG*	HAITAI htb	TJ	626	640	729	Dong Nai, Vietnam	TJ	13.4	13.1	13.6	
	Intensity	GJ/product-ton	1.273	1.212	1.328	Intensity	GJ/product-ton	7.477	6.673	6.298	
	Total	TJ	2,519	2,644	2,655	Total	TJ	41.0	39.9	37.6	
	Intensity	GJ/product-ton	1.525	1.599	1.581	Intensity	GJ/product-ton	3.236	3.714	3.190	
Emissions	LG H&H	tCO ₂ e	46,365	51,631	48,654	Beijing, China	tCO ₂ e	1,207	1,146	1,244	
	Intensity	tCO ₂ e/product-ton	0.093	0.115	0.120	Intensity	tCO ₂ e/product-ton	0.117	0.136	0.129	
	Coca-Cola Beverage	tCO ₂ e	46,324	46,436	46,938	Hangzhou, China	tCO ₂ e	837	819	-	
	Intensity	tCO ₂ e/product-ton	0.070	0.069	0.065	Intensity	tCO ₂ e/product-ton	1.622	1.439	-	
Emissions	HAITAI htb	tCO ₂ e	31,424	35,345	36,191	Dong Nai, Vietnam	tCO ₂ e	716.6	685.5	623.0	
	Intensity	tCO ₂ e/product-ton	0.064	0.067	0.066	Intensity	tCO ₂ e/product-ton	0.401	0.348	0.288	
	Total	tCO ₂ e	124,113	133,413	131,791	Total	tCO ₂ e	2,761	2,650	1,867	
	Intensity	tCO ₂ e/product-ton	0.075	0.081	0.079	Intensity	tCO ₂ e/product-ton	0.218	0.246	0.158	
Water	Consumption	LG H&H	Ton	697,879	645,337	666,127	Beijing, China	Ton	19,102	15,047	19,973
	Intensity	Ton/product-ton	1.400	1.437	1.649	Intensity	Ton/product-ton	1.845	1.787	2.074	
	Coca-Cola Beverage	Ton	1,710,408	1,698,814	1,879,051	Hangzhou, China	Ton	5,232	5,339	-	
	Intensity	Ton/product-ton	2.584	2.512	2.591	Intensity	Ton/product-ton	10.143	9.382	-	
Emissions	HAITAI htb	Ton	1,115,665	1,127,026	1,262,758	Dong Nai, Vietnam	Ton	30,067	32,947	31,566	
	Intensity	Ton/product-ton	2.271	2.135	2.298	Intensity	Ton/product-ton	16.813	16.722	14.613	
	Total	Ton	3,523,952	3,471,177	3,807,935	Total	Ton	54,401	53,333	51,539	
	Intensity	Ton/product-ton	2.133	2.100	2.268	Intensity	Ton/product-ton	4.298	4.866	4.372	
Waste water	Emissions	LG H&H	Ton	129,313	131,096	134,398	Beijing, China	Ton	12,774	10,966	14,746
	Intensity	Ton/product-ton	0.259	0.292	0.333	Intensity	Ton/product-ton	1.234	1.302	1.532	
	Coca-Cola Beverage	Ton	971,312	926,066	997,235	Hangzhou, China	Ton	2,151	2,606	-	
	Intensity	Ton/product-ton	1.467	1.369	1.375	Intensity	Ton/product-ton	4.17	4.580	-	
COD	Emissions	HAITAI htb	Ton	530,107	577,474	622,160	Dong Nai, Vietnam	Ton	24,054	26,357	25,253
	Intensity	Ton/product-ton	1.079	1.094	1.132	Intensity	Ton/product-ton	13.451	13.377	11.691	
	Total	Ton	1,630,732	1,634,635	1,753,793	Total	Ton	38,979	39,929	39,999	
	Intensity	Ton/product-ton	0.987	0.989	1.045	Intensity	Ton/product-ton	3.080	3.707	3.393	
Waste	Total amount	LG H&H	Ton	8.6	39.0	42.5	Beijing, China	Ton	0.20	0.63	0.15
	Intensity	kg/product-ton	0.017	0.087	0.105	Intensity	kg/product-ton	0.02	0.074	0.015	
	Coca-Cola Beverage	Ton	9.4	14.7	8.9	Hangzhou, China	Ton	0.68	0.52	-	
	Intensity	kg/product-ton	0.014	0.022	0.012	Intensity	kg/product-ton	1.314	0.916	-	
NOx**	Total amount	HAITAI htb	Ton	11.0	11.6	24.2	Dong Nai, Vietnam	Ton	0.14	2.00	1.82
	Intensity	kg/product-ton	0.022	0.022	0.044	Intensity	kg/product-ton	0.081	1.017	0.842	
	Total	Ton	29.0	65.3	75.6	Total	Ton	1.0	3.1	2.0	
	Intensity	kg/product-ton	0.018	0.039	0.045	Intensity	kg/product-ton	0.081	0.292	0.167	
Waste	Total amount	LLG H&H	Ton	7,886	6,641	7,134	Beijing, China	Ton	194	186	298
	Intensity	kg/product-ton	15.818	14.790	17.658	Intensity	kg/product-ton	18.769	22.030	30.952	
	Coca-Cola Beverage	Ton	8,525	8,123	6,260	Hangzhou, China	Ton	74	24	-	
	Intensity	kg/product-ton	12.878	12.011	8.631	Intensity	kg/product-ton	144.218	41.297	-	
Waste	Total amount	HAITAI htb	Ton	4,045	5,939	7,274	Dong Nai, Vietnam	Ton	191	53	215
	Intensity	kg/product-ton	8.233	11.252	13.240	Intensity	kg/product-ton	106.58	26.69	99.55	
	Total	Ton	20,457	20,703	20,669	Total	Ton	459	263	513	
	Intensity	kg/product-ton	12.384	12.523	12.312	Intensity	kg/product-ton	36.29	23.996	43.519	

*There is no data from 2019 due to the cessation of production in Hangzhou, China.

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

**Voluntary management is conducted.

Water Recycling

(Unit: Ton)

Company/subsidiary	Category	2017	2018	2019
LG H&H	Amount of recycled water	50,797	29,380	25,279
	Recycling rate	7.3	4.6	3.8
Coca-Cola Beverage	Amount of recycled water	202,900	132,203	148,354
	Recycling rate	11.9	7.8	7.9
HAITAI htb	Amount of recycled water	26,674	26,697	17,855
	Recycling rate	2.4	2.4	1.4

Waste Treatment in 2019

(Unit: Ton)

Category	LG H&H	Coca-Cola Beverage	HAITAI htb	Total	
Designated waste	Amount of recycled waste	2256.7	17.6	2.5	2276.8
	Amount of incinerated waste	1053.3	18.4	58.0	1129.7
	Amount of buried waste	4.5	1.7	0	6.2
	Others	158.5	0	1.0	159.5
	Total amount	3473.0	37.7	61.5	3572.2
General waste	Amount of recycled waste	1556.5	6169.4	6937.6	14663.5
	Amount of incinerated waste	1643.1	53.3	186.1	764.1
	Amount of buried waste	461.3	0	89.3	550.6
	Others	0	0	1.3	1.3
	Total amount	3660.9	6222.7	7213.0	17096.6

Expenses for Environmental Protection in 2019

(Unit: KRW million)

Category	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Environmental investment	4,898	2,146	465	7,509
Environmental expenses	4,917	760	2,286	7,964

Amount of Water Intake in 2019 by Source

(Unit: Ton)

Category	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Water supply*	421,561	1,478,893	1,006,318	2,906,772
Groundwater	201,080	245,618	256,440	703,138
River water	43,486	154,540	-	198,026
Total amount	666,127	1,879,051	1,262,758	3,807,935

*Water supply includes water used for industrial and residential purposes.

Amount of Recycled Containers

(Unit: Ton)

Company/subsidiary	2017	2018	2019
LG H&H	25,250	18,022	19,006
Coca-Cola Beverage	54,913	44,730	46,413
HAITAI htb	15,272	11,392	11,674
Total amount	95,435	74,144	77,093

Social Performance

Total Employees

(Unit: Person)

Category		2017	2018	2019
Total		7,995	7,976	8,002
Gender	Male	5,182	5,152	5,166
	Female	2,813	2,824	2,836

*Not including 2,654 employees at overseas subsidiaries

Detailed Status of Employees**

(Unit: Person)

Company/subsidiary	Category	2017	2018	2019	Company/subsidiary	Category	2017	2018	2019	
LG H&H	Total	4,415	4,514	4,569	HAITAI htb	Total	802	827	833	
	Gender	Male	1,988	1,999		2,026	Gender Male	740	761	761
		Female	2,427	2,515		2,543	Gender Female	62	66	72
	Employment type	Permanent	4,294	4,332		4,373	Employment type Permanent	726	764	763
		Temporary	121	182		196	Employment type Temporary	76	63	70
	Job category	Office work	2,261	2,355		2,442	Job category Office work	232	241	241
		Manufacturing	754	745		747	Job category Manufacturing	221	252	272
		Sales	1,400	1,414		1,380	Job category Sales	349	334	320
	Diversity	Disabled	32	32		30	Diversity Disabled	19	17	17
		Veterans	69	68		67	Diversity Veterans	6	7	9
Foreigners		24	29	38	Diversity Foreigners	0	0	0		
Coca-Cola Beverage	Total	2,348	2,333	2,350	TFS & CNP*	Total	430	302	250	
	Gender	Male	2,221	2,208		2,225	Gender Male	233	184	154
		Female	127	125		125	Gender Female	197	118	96
	Employment type	Permanent	2,079	2,052		2,050	Employment type Permanent	426	299	247
		Temporary	269	281		300	Employment type Temporary	4	3	3
	Job category	Office work	504	493		484	Job category Office work	395	268	215
		Manufacturing	292	296		303	Job category Manufacturing	30	29	31
		Sales	1,552	1,544		1,563	Job category Sales	5	5	4
	Diversity	Disabled	55	52		53	Diversity Disabled	5	3	4
		Veterans	55	61		61	Diversity Veterans	7	5	5
Foreigners		0	0	0	Diversity Foreigners	1	1	2		

* CNP Cosmetics

**Some figures from the data have modified due to the changes in reporting form

Employee Education & Training

Company/subsidiary	Category	Unit	2017	2018	2019
LG H&H	No. of participants	Person	26,326	40,013	50,506
	Training hours per employee	Hour	59	59	63
	Training expense per employee	KRW	1,265,042	1,202,902	1,278,086
Coca-Cola Beverage	No. of participants	Person	8,565	21,196	12,304
	Training hours per employee	Hour	13	22	37
	Training expense per employee	KRW	108,759	72,663	120,274
HAITAI htb	No. of participants	Person	1,949	10,077	319
	Training hours per employee	Hour	11	28	21
	Training expense per employee	KRW	97,782	160,988	242,794
TFS & CNP	No. of participants	Person	2,894	4,689	2,507
	Training hours per employee	Hour	2,304	2,343	1,964
	Training expense per employee	KRW	1,565,446	999,589	1,609,809

Parental Leave

(Unit: %)

Company/subsidiary	Category	2017	2018	2019
LG H&H	Ratio of employees who returned to work from parental leave	138/152	154/171	182/194
	Ratio of employees who took one full year of parental leave	90/105	125/152	161/171
Coca-Cola Beverage	Ratio of employees who returned to work from parental leave	3/4	3/3	6/6
	Ratio of employees who took one full year of parental leave	2/3	3/4	3/3
HAITAI htb	Ratio of employees who returned to work from parental leave	6/7	3/3	4/7
	Ratio of employees who took one full year of parental leave	2/2	5/7	3/3
TFS & CNP	Ratio of employees who returned to work from parental leave	16/19	21/21	9/10
	Ratio of employees who took one full year of parental leave	15/17	11/18	19/21

Job Creation in 2019

(Unit: Person)

Category	LG H&H	Coca-Cola Beverage	HAITAI htb	TFS & CNP
Male	76	35	40	1
Female	124	1	3	8
Total	200	36	43	9

*Figures of those who were hired as permanent positions and temporary workers who became permanent staff within the year.

Turnover in 2019

(Unit: Person)

Category	LG H&H	Coca-Cola Beverage	HAITAI htb	TFS & CNP
Male	49	12	31	4
Female	125	0	0	12
Total	174	12	31	16

*The data is based on the voluntary turnover of permanent employees.

Labor Union Membership Rate

(Unit: %)

Category	2017	2018	2019
LG H&H	35.3	31.3	34.1
Coca-Cola Beverage	97.2	98.2	98.5
HAITAI htb	81.3	77.6	79.8
TFS & CNP	N/A	N/A	N/A

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

Industrial Accidents

(Unit: Case/%)

Company/subsidiary	Category	2017	2018	2019	
LG H&H	No. of cases	Male	2	4	1
		Female	3	3	2
		Subtotal	5	7	3
	Accident rate	Male	0.10	0.20	0.05
		Female	0.12	0.12	0.08
		Subtotal	0.11	0.16	0.07
Coca-Cola Beverage	No. of cases	Male	11	13	9
		Female	0	0	0
		Subtotal	11	13	9
	Accident rate	Male	0.50	0.59	0.40
		Female	0	0	0
		Subtotal	0.47	0.56	0.38
HAITAI htb	No. of cases	Male	2	3	2
		Female	0	1	1
		Subtotal	2	4	3
	Accident rate	Male	0.27	0.39	0.26
		Female	0	1.52	1.39
		Subtotal	0.25	0.48	0.36
TFS & CNP	No. of cases	Male	0	0	0
		Female	0	0	0
		Subtotal	0	0	0
	Accident rate	Male	0	0	0
		Female	0	0	0
		Subtotal	0	0	0

Lost-Time Injuries Frequency Rate (LTIFR)

(Unit: Case/M work-hour)

Company/subsidiary	Category	2017	2018	2019
LG H&H	Employees	0.54	0.75	0.32
	In-house suppliers	1.96	0.56	0.49
Coca-Cola Beverage	Employees	2.25	2.68	1.84
HAITAI htb	Employees	1.20	2.33	1.73
TFS & CNP	Employees	0.00	0.00	0.00

Occupational Illness Frequency Rate (OIFR)

(Unit: Case/M work-hour)

Company/subsidiary	2017	2018	2019
LG H&H	0.00	0.00	0.00
Coca-Cola Beverage	0.00	0.00	0.00
HAITAI htb	0.00	0.00	0.00
TFS & CNP	0.00	0.00	0.00

Supply Chain Spending Analysis in 2019

Country	Purchase amount (KRW 100 M)	Ratio (%)
Korea	24,075	91.9
China	542	2.1
Japan	374	1.4
Other Asian countries	533	2.0
Europe	270	1.0
North America	333	1.3
South America	33	0.1
Oceania	49	0.2

* Purchase amount of raw materials, subsidiary materials, and products.

Number of Suppliers in 2019

(Unit: Company)

Business Division	Type	No. of suppliers
Beautiful	Products	164
	Raw materials	336
	Subsidiary materials	204
Healthy	Products	137
	Raw materials	272
	Subsidiary materials	157
Refreshing	Products	37
	Raw materials	172
	Subsidiary materials	58

Social Contribution Investment and Volunteer Work Hours

Category	Unit	2017	2018	2019	
Social contribution investment	Total	KRW million	23,882	22,140	26,566
	Cash	KRW million	12,870	6,287	7,645
	Investment in kind	KRW million	11,011	15,852	18,921
Indirect cost	KRW million	569	882	1,065	
Volunteer work hours	Hour	7,351	6,834	7,318	

*LG H&H, non-consolidated

Memberships in Associations in 2019

Green Company Council	The Society of Cosmetic Scientists of Korea	Organization of Consumer Affairs Professionals in Business	Korea International Trade Association
Korea Industrial Safety Association	Korea Foods Industry Association	Korea Listed Companies Association	Korea Chamber of Commerce and Industry
Korea Fire Safety Association	Korea Products Safety Association	Korea Intellectual Property Association (KINPA)	UN Global Compact
Korean Standards Association (KSA)	Korea Health Supplements Association	Korea Patent Attorneys Association	Korea Chemicals Management Association
Korea Industrial Technology Association	Fair Competition Federation	Seoul Bar Association	Korea Pet Food Association

Contribution to Associations & Organizations

(Unit: KRW)

(Unit: KRW)

Amount of contribution	2016	2017	2018	2019	Major associations	Amount of contribution in 2019
Total annual amount of contribution	710,940,430	710,945,837	710,953,604	712,529,772	Korea Cosmetic Association	179,400,000
					Korea Health Supplements Association	12,000,000
					Korea Foods Industry Association	8,160,000
					Korea Products Safety Association	4,000,000
					Korea Industrial Safety Association	648,000

* In accordance with the Political Funds Act and the instructions of LG H&H's Code of Ethics, any donation or sponsorship using the company's assets and budget for political purposes is strictly prohibited. We neither conducted lobbying activities nor provided sponsorship for local political campaigns and political donations in 2016-2019.

Major External Assessments and Awards in 2019

Category	Award	Institution for assessment/award
2019 Win-Win Growth Index	First Class for five consecutive years	Korean Commission for Corporate Partnership
Dow Jones Sustainability Index	Listed in DJSI World for two consecutive years	S&P Dow Jones Indices, RobecoSAM, KPC
Dow Jones Sustainability Index	Listed in DJSI Asia-Pacific for ten consecutive years	S&P Dow Jones Indices, RobecoSAM, KPC
Materials and Structure Evaluation System for Packaging Materials	Received Recycling Grade 1 for the single-material container for six laundry detergent products for the first time in the industry	Korea Packaging Recycling Cooperative
IR52 Jang Young-shil Award	Technology using the physiological dead skin cell turnover mechanism for an anti-aging essence	Ministry of Science and ICT, Korea Industrial Technology Association, MK (Maeil Business Newspaper)
Ewha-MK Best Enterprise Award for Male-Female Cooperation	Participatory Management Prize	Ewha Womans University, MK
56th Trade Day Commemoration Ceremony	500-Million-Dollar Export Tower	Ministry of Trade, Industry and Energy, Korea International Trade Association
56th Trade Day Commemoration Ceremony	Brand Tower for Sum37	Ministry of Trade, Industry and Energy, Korea International Trade Association

Management System Certifications in 2019

Category	ISO 14001	ISO 9001	OHSAS 18001	KOSHA18001	HACCP	KS	Green Company	FSSC 22000
LG H&H	Cheongju, Ulsan, Onsan, Beijing, Vietnam	Cheongju, Ulsan, Onsan, Naju, Vietnam	Cheongju, Naju, Beijing	Ulsan	-	Cheongju, Ulsan	Cheongju, Ulsan	-
Coca-Cola Beverage	Yeosu, Yangsan, Gwangju	Yeosu, Yangsan, Gwangju	Yeosu, Yangsan, Gwangju	-	Yeosu, Yangsan, Gwangju	N/A	Gwangju*	Yeosu, Yangsan, Gwangju
HAITAI htb	Cheonan, Pyeongchang, Cheorwon, Iksan	Cheonan, Pyeongchang, Cheorwon	Cheonan, Pyeongchang, Cheorwon, Iksan	-	Cheonan, Iksan	N/A	Cheonan	Cheonan, Pyeongchang, Cheorwon, Iksan

*2019. 11. 24. Designation period expired

GRI Index

GRI Standards Index (Core Option)

General Standards				
Topic	Index	Indicators	Page	Remarks
Organizational Profile	102-1	Name of the organization	4	
	102-2	Activities, brands, products, and services	4-11	
	102-3	Location of headquarters	4-5	
	102-4	Location of operations	4-5	
	102-5	Ownership and legal form	79	
	102-6	Markets served	4-12	
	102-7	Scale of the organization	4, 93	
	102-8	Information on employees and other workers	96	In-house suppliers employees 1,945 (based on end of 2019)
	102-9	Supply chain	38-39, 98	
	102-10	Significant changes to the organization and its supply chain	-	No significant incidents
	102-11	Precautionary Principle or approach	80-83	
	102-12	External initiatives	101	
	102-13	Membership of associations	98	
Strategy	102-14	Statement from senior decision-maker	2-3	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	5, 16, 61, 65, 73, 84	
Governance	102-18	Governance structure	78-79	
Stakeholder Engagement	102-40	List of stakeholder groups	86-87	
	102-41	Collective bargaining agreements	97	
	102-42	Identifying and selecting stakeholders	86-87	
	102-43	Approach to stakeholder engagement	86-87	
	102-44	Key topics and concerns raised	84, 88-89	
Reporting Practice	102-45	Entities included in the consolidated financial statements	Business Report	
	102-46	Defining report content and topic Boundaries	88-89	
	102-47	List of material topics	88-89	
	102-48	Restatements of information	108	
	102-49	Changes in reporting	108	
	102-50	Reporting period	108	
	102-51	Date of most recent report	108	
	102-52	Reporting cycle	108	
	102-53	Contact point for questions regarding the report	108	
	102-54	Claims of reporting in accordance with the GRI Standards	108	
	102-55	GRI content index	99-100	
	102-56	External assurance	102-103	

Topic-Specific Standards				
Topic	Index	Indicators	Page	Remarks
Customer Health and Safety	103-1-3	Management Approach	26	
	416-1	Assessment of the health and safety impacts of product and service categories	26-31	100%
Training and Education	103-1-3	Management Approach	40	
	404-2	Programs for upgrading employee skills and transition assistance programs	40, 41, 53	
Materials	103-1-3	Management Approach	44	
	301-1	Materials used by weight or volume	46-47, 95	To be disclosed later
Emissions	103-1-3	Management Approach	48	
	305-1	Direct (Scope 1) GHG emissions	49, 94, 104-106	

Other Standards				
Topic	Index	Indicators	Page	Remarks
Economic Performance	201-1	Direct economic value generated and distributed	34, 92, 93	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	38-39, 60-63	
	205-2	Communication and training about anti-corruption policies and procedures	84-85	
Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	84-85	
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business Report	
Anti-competitive Behavior	302-5	Reductions in energy requirements of products and services	50, 51	
Energy	303-1	Interactions with water as a shared resource	95	
Water	305-2	Energy indirect (Scope 2) GHG emissions	104-106	
	305-3	Other indirect (Scope 3) GHG emissions	104-106	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	94	
Emissions	306-2	Waste by type and disposal method	95, 96	
Effluents and Waste	307-1	Non-compliance with environmental laws and regulations	Business Report	No significant violations
Environmental Compliance	308-1	New suppliers that were screened using environmental criteria	80	
Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	81	
Employment	401-1	New employee hires and employee turnover	96, 97	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	55, 56, 57, 70, 71	
	401-3	Parental leave	96	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	57	
Training and Education	404-1	Average hours of training per year per employee	96	
	404-3	Percentage of employees receiving regular performance and career development reviews	40, 41, 53	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	79	
	405-2	Diversity of governance bodies and employees	-	No base salary difference in management level due to gender
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	42, 43	
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	39, 41, 42, 43	
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	39, 41, 42, 43	
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	41, 43	
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	38, 39	
	414-2	Negative social impacts in the supply chain and actions taken	38, 39	
Public Policy	415-1	Political contributions	98	
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	No significant incidents
Marketing and Labeling	417-3	Incidents of non-compliance concerning marketing communications	-	No significant incidents
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	82	No significant complaints

UNGC & SASB

UNGC Communication on Progress

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

Aspects		LG H&H system and policy	Relevant activity	Page
Human rights				
Principle 1.	Businesses should support and respect the protection of internationally proclaimed human rights.	· Human rights policy · Code of Ethics Chapter 1. Responsibilities and Duties for Customers 1. Respecting Customers	LG H&H prohibits gender/background discrimination, forced labor, etc., and respects human rights of individual employees.	43-45, 84-85
Principle 2.	Businesses should make sure that they are not complicit in human rights abuse.	· Code of Ethics Chapter 5. Responsibilities for Executives and Employees 2. Fair Treatment		
Labor rules				
Principle 3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	· Human rights policy · Know-how for Operating the Labor management Council Code of Ethics Chapter 5. Responsibilities for Executives and Employees 1. Respecting Human Beings 2. Fair Treatment	LG H&H continuously makes extensive efforts to train employees into autonomous and creative talented people	42-45, 54-57
Principle 4.	Businesses should eliminate all forms of forced and compulsory labor.			
Principle 5.	Businesses should effectively abolish child labor.			
Principle 6.	Businesses should eliminate discrimination in respect of employment and occupation.			
Environment				
Principle 7.	Businesses should support a precautionary approach to environmental challenges.	· Code of Conduct for Suppliers · Code of Ethics Chapter 6. Responsibilities for the Country and Society 4. Environmental Protection - Policy on Environmental Health and Safety - Regulations on Environmental Management	LG H&H continues to carry out activities enhancing environmental value by considering environmental impacts on the supply chain by business activities.	50-51, 64-71
Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility.			
Principle 9.	Businesses should encourage the development and diffusion of environmentally friendly technologies.			
Anti-corruption				
Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery.	· Code of Ethics Chapter 2. Fair Competition 2. Legal Compliance Chapter 4. Basic Ethics for Executives and Employees 4. Fair Implementation of Work	LG H&H, based on Jeong-Do Management, practices ethical business activities and fair trade with its suppliers.	78-85

Sustainability Accounting Standards Board(SASB)

The SASB has established guidelines for announcement regarding corporate sustainability and standards on accounting to help the U.S. and foreign companies to report cases to the Securities and Exchange Commission (SEC).

Aspects	Issues	Non-alcoholic beverage sector	Household and personal product sector	Page
Environment	Energy management	●	●	50-51
	Water management	●	●	66
Social	Health and nutrients	●	●	24-33
	Transparent labeling and marketing	●		84-85
Business Model	Management and innovation of packaging cycle	●	●	24-33
	Product composition safety		●	24-33
	Management of supply chain	●	●	40-41
Governance	Business ethics		●	84-85

*The non-alcohol beverage sector is applied to Coca-Cola Beverage and HAITAI htb, while the daily and personal product sector is applied only to LG H&H.

Independent Assurance Statement

Introduction

LG Household & Health Care, Ltd. ("LG H&H") commissioned DNV GL Business Assurance Korea, Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of 2019 LG HOUSEHOLD & HEALTH CARE CSR REPORT (the "Report"). The directors of LG H&H have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of LG H&H in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

Scope and Basis of assurance

Based on non-financial data and sustainability performance data of 2019 generated from LG H&H, we have assessed the adherence to Reporting Principles for defining report content and Reporting Principles for defining report quality set forth in GRI Standards 2016. We have reviewed that the material topics which are identified in the materiality determination process and relevant Topic-specific disclosures of GRI Standards 2016;

No.	Material topic	GRI topicspecific disclosure	No.	Material topic	GRI topicspecific disclosure
1	Expand the development of ecofriendly products	N/A	5	Develop and nurture talent	404-2
2	Improve product safety	416-1	6	Reduce the environmental impact of product packaging	301-1
3	Enhance the features and health-related effects of products	416-1	7	Manage the treatment and utilization of waste through reuse and recycling	301-1
4	Launch new products by expanding R&D and investment	N/A	8	Reduce GHG emissions	305-1

DNV GL's assurance methodology, VeriSustain™1 which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) is applied for the assurance engagement with the limited level of assurance. The assurance was carried out from April and till July 2020. The site visit was made to LG H&H's headquarters and business sites in Korea. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data;
- reviewed the materiality assessment report
 - LG Household & Health Care (Magok, Cheongju), HAITAI HTB (Iksan), Coca Cola Beverage (Yeoju).

Limitations

The engagement excludes the sustainability management, performance and reporting practices of LG H&H' subsidiaries, associated companies, suppliers, contractors and any third-parties except LG H&H, Coca Cola Beverage Company, HAITAI HTB Co., Ltd., THEFACESHOP Ltd. and CNP Cosmetics Co. Ltd. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as LG H&H's website (www.lghnh.com). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the Principles for defining report content in GRI Standards. Further opinions with regards to the adherence to the Principles are made below;

Stakeholder Inclusiveness

LG H&H has identified internal and external stakeholder groups such as customers, suppliers, employees, local communities, shareholders and investors, and government, public institutions and associations. LG H&H engages with the stakeholders at the company and business unit levels through various channels. How LG H&H engages with Stakeholders and what is the expectations of stakeholders are described in the Report. In particular, LG H&H holds panel meetings to listen to various opinions of internal and external stakeholders. In 2019, a total of three panel meetings were held on the subject of internal and external communication and human rights management, which were reflected in the Report.

¹ The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

Sustainability Context

LG H&H has set a goal for the CSR vision of “The Most Sustainable FMCG (Fast Moving Consumer Goods) Company”. In addition, LG H&H promotes mid- to long-term 3 goals and 8 challenges in the economic, social and environmental aspects to provide better life value to various stakeholders such as customers, environment, partner companies, local communities, and employees. The information is presented on the Report. LG H&H derived each project based on eight material topics selected by stakeholders and presented mid-to-long-term detailed goals for each project in the Report. In addition, the Report helps readers understand the sustainability management of the company by reporting selected material topics in connection with the UN Sustainable Development Goals

Materiality

LG H&H has conducted the materiality assessment to prepare the Report. In the materiality assessment, 12 material issues were identified through the process of identifying stakeholder impact and business relevance and prioritizing the results. These material issues were reported in 8 key issues (material topics) and 4 reporting issues. The process of selecting material topics is described in the Report. The assurance team confirmed that the company's materiality assessment process covered material topics that could have a significant impact on the organization's economic, environmental and social sectors or influence stakeholder decisions. In particular, LG H&H included information on enhancing product stability in the Report to further strengthen management of issues such as quality management in 2019 identified in the materiality assessment process.

Completeness

LG H&H provides stakeholders with information on activities and performance on material topics in terms of sustainability management during the reporting period. The reporting boundary was established, including domestic and foreign subsidiaries for LG H&H's headquarters, Coca Cola Beverage Company, HAITAI HTB Co., Ltd., THEFACESHOP Ltd. and CNP Cosmetics Co. Ltd. If the reporting boundary is different, it is explained separately on the Report. The assurance team confirmed that the material topics selected through the materiality assessment were completely reflected according to the physical and temporal reporting boundaries. Further opinions with the principles of report quality of GRI Standards as follows; Report quality: Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness DNV GL tested and verified the data and information in the report on a sampling basis. No significant errors in terms of accuracy were found in the data and information verified through assurance engagement. LG H&H operates reliable procedures for collecting, recording, processing, analyzing and reporting information. LG H&H suggests that the performance of sustainable management can be compared in three years. LG H&H will be able to compare performances related to material topics through appropriate benchmarks and use them in goal setting and adjustment, and in a balanced perspective. Errors or ambiguous expressions found during the assurance process were corrected before the final report was published. The Report is prepared yearly, and the reporting period is specified in the report.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct² during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with LG H&H and did not provide any services to LG H&H in 2020 that could compromise the independence or impartiality of our work.

July 2020
Seoul, Korea

Jang Sup Lee
Country Representative
DNV GL Business Assurance Korea, Ltd.




Verification Statement on 2019 Greenhouse Gas & Energy Inventory Report (LG Household & Health Care)

Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 『LG Household & Health Care』 to independently verify its 2019 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

Verification Scope & Standard

KFQ's verification was conducted three business sites of manufacturing division and logistics division under operational control of 『LG Household & Health Care』. 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2016-255 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

Verification Procedure

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

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2019 Company GHG Inventory. As a result of materiality assessment on 2019 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target

2019 Greenhouse Gas Emissions of 『LG Household & Health Care』

Division	GHG Emissions (tCO ₂ -eq)				
	Direct Emissions(Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions(Scope3)	Scope1 + Scope2 + Scope3
Ulsan	7,162.198	14,724.407	21,886	455.153	22,341
Chungju	129.470	11,044.751	11,174	3,176.188	14,350
Onsan	1,084.639	5,438.410	6,523	46.759	6,570
Naju	-	1,256.712	1,256	129.477	1,385
Daejeon technical institute	109.342	424.577	533	15.970	549
Logistics	152.462	1,896.657	2,049	0.000	2,049
Magok SP	55.146	5,177.884	5,233	192.230	5,425
Total	8,693.258	39,963.398	48,654	4,015.777	52,670

※ The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO₂-eq from the actual value of the system may occur.

※ Scope3 : Commuter bus, Waste disposal

May 8th, 2020

Ji Young Song

CEO Ji-Young Song Korean Foundation for Quality (KFQ)

Verification Statement on 2019 Greenhouse Gas & Energy Inventory Report (Coca-Cola Beverage Company)

Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 『Coca-Cola Beverage Company』 to independently verify its 2019 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

Verification Scope & Standard

KFQ's verification was conducted three business sites of manufacturing division and logistics division under operational control of 『Coca-Cola Beverage Company』. 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2016-255 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

Verification Procedure

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

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2019 Company GHG Inventory. As a result of materiality assessment on 2019 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

2019 Greenhouse Gas Emissions of 『Coca-Cola Beverage Company』

Division	GHG Emissions (tCO ₂ -eq)				
	Direct Emissions(Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions(Scope3)	Scope1 + Scope2 + Scope3
Yeoju	9,015.448	11,981.501	20,996	65.533	21,061
Gwangju	1,918.726	4,314.758	6,233	101.259	6,334
Yangsan	2,921.754	5,861.639	8,783	135.114	8,918
Logistics	8,797.491	2,126.717	10,924	-	10,924
Total	22,653.419	24,284.615	46,938	301.906	47,240

※ The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO₂-eq from the actual value of the system may occur.

※ Scope3 : Waste disposal

May 8th, 2020

Ji Young Song

CEO Ji-Young Song Korean Foundation for Quality (KFQ)



Verification Statement on 2019 Greenhouse Gas & Energy Inventory Report (HAITAI htb Co., Ltd.)

Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 『HAITAI htb』 to independently verify its 2019 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

Verification Scope & Standard

KFQ's verification was conducted three business sites of manufacturing division and logistics division under operational control of 『HAITAI htb』. 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2016-255 of Ministry of Environment & IPCC Guidelines 2006)' were mainly applied in verification process but also the Company Guidelines for GHG Inventory was considered.

Verification Procedure

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

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2019 Company GHG Inventory. As a result of materiality assessment on 2019 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

2019 Greenhouse Gas Emissions of 『HAITAI htb』

Division	GHG Emissions (tCO ₂ -eq)				
	Direct Emissions(Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions(Scope3)	Scope1 + Scope2 + Scope3
Cheonan	14,565.419	9,972.200	24,537	109.095	24,646
Pyeong chang	68.753	5,175.575	5,244	2.481	5,246
Cheolwon	5.212	1,440.467	1,445	0.399	1,445
Iksan 1	806.056	486.774	1,292	1.476	1,293
Iksan 2	402.796	983.390	1,386	18.901	1,405
Logistics	1,803.175	480.881	2,284	0.000	2,284
Total	17,651.411	18,539.287	36,191	132.351	36,323

※ The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO₂-eq from the actual value of the system may occur.

※ Scope3 : Waste disposal

May 8th, 2020

Ji Young Song

CEO Ji-Young Song Korean Foundation for Quality (KFQ)

Tax Payment Policy

Complying with tax laws and fulfilling various tax liabilities are part of the social responsibilities of a company. LG H&H abides by domestic and overseas tax regulations, promptly reporting tax information and fulfilling its tax liabilities. Our employees in charge of tax payment handle their tasks conscientiously to maintain a transparent relationship with the tax authorities.

Tax Risk Management

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

Disclosure of Tax Payment Records

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

Fulfillment of Tax Payment Obligations

In terms of international transactions with overseas subsidiaries, LG H&H applies the transfer pricing policy that corresponds to the tax law in Korea and the OECD transfer price guidelines, as well as the Arm's Length Principle. If there is any expected conflict between different countries, we proactively respond to double taxation based the APA (Advance Pricing Arrangement) system. We also comply with duties for the documentation of transfer prices and the submission of a report by country under the BEPS (Base Erosion and Profit Shifting) project.

LG H&H does not employ a tax structure that abuses the differences and loopholes in the tax system between different countries to unreasonably reduce its tax liabilities. We legally allocate the taxable income depending on values generated in each country where we operate our business. In particular, we prohibit the transfer of values, including intangible or financial assets, to any region with a loose tax jurisdiction, such as low effective tax rates. We also stringently restrict the use of tax havens.

About this Report

Report Overview

LG H&H has shared its sustainability management activities on an annual basis through its CSR Report since 2009, and this is the 11th CSR Report. The CSR Report is used as a communication channel that transparently discloses the company's performance and reflects stakeholders' opinions of its business activities.

Scope

The reporting period of this Report is from January 1 to December 31, 2019, and it partially contains data of the past three years from 2017 to allow comparison of changes in trends. Certain data from 2020 is included, depending on its timeliness and importance. The scope of this report encompasses the headquarters of LG H&H and its domestic and overseas subsidiaries, including Coca-Cola Beverage, HAITAI htb, THEFACESHOP, and CNP Cosmetics. We have noted if the scope of certain data is different.

Standard and Principle

This report was developed based on the Core Option of the GRI (Global Reporting Initiative) Standards. The SASB (Sustainability Accounting Standards Board) Standard, the Ten Principles of UNGC (United Nations Global Compact), and the UN SDGs (UN Sustainable Development Goals) were also taken into consideration.

Assurance

In order to increase the internal and external reliability of the report, this report commissioned third-party verification from DNV GL, a professional verification agency, to ensure the reliability and fairness of the creation process, public data, and content. Detailed assurance statement are included in the Appendix.

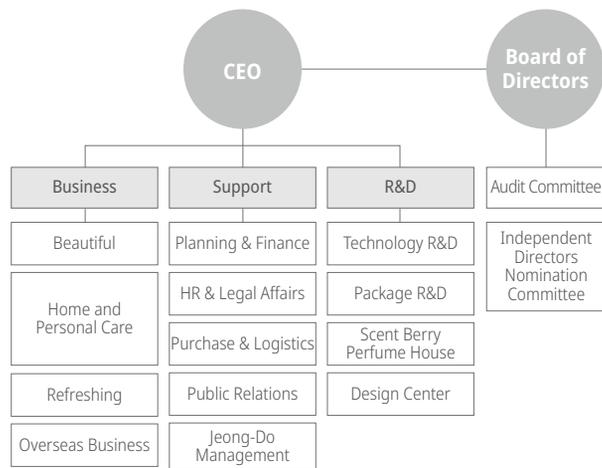
Inquiries

If you have any further questions about this report, please feel free to reach us via the following contact details.

LG H&H CSR Team

- Tel 02-6924-6927
- Website www.lghnh.com
- E-mail lgcsr@lghnh.com

Organizational Chart



Committee

- | | |
|---------------------------------|---|
| CSR Committee | CCM Operation Committee |
| Compliance Committee | Investment Deliberation Committee |
| Green Product Review Committee | Subcontract Internal Deliberation Committee |
| Preventive Management Committee | Win-Win Growth Review Committee |
| Safety Ethics Committee | |

Cover History



2019

LG HOUSEHOLD & HEALTH CARE CSR REPORT

LG HOUSEHOLD & HEALTH CARE CSR REPORT

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



Those who helped in developing the CSR Report

Gwang-su Kim	Ho-jin Kim	Yong-hyeon Yu	Jae-hyeok Jang	Heon-young Park
Il-man Kang	Hun-jin Kim	Jin-seon Yu	Jin-rak Jeong	Chi-woo Lee
Ha-eun Gong	Gyeong-hui Roh	Jin-mo Yun	Yong-deok Jo	Jung-hwa Lee
Eun-jin Kwak	Dong-woon Min	Hyeon Yun	Jung Jo	_____
Su-hyeon Kwon	Il-gui Park	Gang-seob Lee	Han-il Jo	Beom-taek Oh
Ga-hyeon Kim	Jong-hyeon Park	Kyeong-a Lee	Hyeon-jeong Jo	Dong-wook Kim
Do-young Kim	Ji-won Park	Kyeong-wook Lee	Hyeong-min Jo	Hye-ji Yoo
Min-seok Kim	Hui-jeong Park	Gwang-seon Lee	Bok-ja Choe	Min-kyung Jung
Seong-sam Kim	Jae-yeon Byeon	Geun-woo Lee	Yeon-hui Choe	Ha-kyung Kim
Soo-ok Kim	Geon-heon Seo	Gi-beom Lee	Ik Choe	
Su-hyeon Kim	Ju-hui Son	Sang-wook Lee	Jin-seong Choe	
Yun-kwan Kim	Hyeon-gwan Son	Su-yong Lee	Jin-yeong Heo	
Jeong-min Kim	Dong-min Sin	Woo-seob Lee	Hui-seon Heo	
Jeong-eun Kim	Jung-gon Sin	Hwa-seon Lee	Seong-ji Hong	
Chang-guk Kim	Cheol-hun Yang	Young-woon Im	Jae-ho Hwang	
Hyeon-kyu Kim	Ki-yeong Woo	Seong-su Jang	Heon-young Park	
Ho-jin Kim	Jong-hwa Won	Yong-jun Jang	Chi-woo Lee	

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

Published in July 2020 | Published by Suk Cha | Designed by Reddot Branding
LG H&H CSR Team 12F, LG Gwanghwamun Bldg., 58, Saemun-ro, Jongno-gu,
Seoul, Korea

 **LG Household & Health Care**