

Sustainable Purchasing Policy

Enactment: Jun. 2021

With the goal of becoming a global FMCG company, LG H&H is creating values shared with society and contributing to the international community in areas that require public awareness. LG H&H sticks to fairness, legal compliance, and ethics in carrying out purchases, and puts natural resources, environmental conservation, safety, and human rights in perspective to fulfill its corporate social responsibilities. LG H&H's approach to sustainable procurement of raw materials is as follows.

LG H&H selects core raw materials by assessing their potential impact on the environment and society. This policy describes the current procurement practices and approach including the reasons for promoting sustainable procurement for different raw materials.

LG H&H introduced a sustainable raw material procurement policy for the first time in 2021, thus establishing a comprehensive policy covering sustainability-related topics. Our goal is to apply LG H&H's sustainable purchasing policy to our suppliers, as well.

Palm Oil

Palm oil, a major raw material used in the cosmetics, household goods, and beverages produced by LG H&H, is specifically used in the manufacture of fatty acids, glycerol, and surfactants. Reckless procurement of palm oil can have a negative social and environmental impact, with consequences such as global deforestation, climate change, biodiversity loss, and labor exploitation. Accordingly, LG H&H is doing its utmost in regard to the sustainable production of palm oil.

1 Declaration

LG H&H has maintained its RSPO membership since joining in 2014 through its sustainable approach to palm oil procurement. For sustainable palm oil production, the company obtained RSPO certification for its Ulsan and Onsan plants in 2015. LG H&H plans to continuously increase the purchase of RSPO-certified palm oil. By doing so, we actively seek to comply with the following:

- Restriction on reckless deforestation
- Protection of workers' rights and labor rights
- Transparency and traceability of palm oil
- Biodiversity and conservation
- Monitoring of environmental and social issues related to each supply sector

2 Our Current Practices

At present, LG H&H's palm oil is mainly used to manufacture fatty acids, glycerol, and surfactants. In the future, we plan to gradually increase the RSPO certification rate for the applicable quantity.

Mica

Mica is a raw material used in color cosmetics produced by LG H&H, and is mainly used for the color development of lipsticks, foundations, and cushion foundations. More than 60% of the world's mica is extracted in India, where child labor and unethical labor practices are known to be commonplace. Accordingly, LG H&H procures mica as extracted by skilled workers from mines in the United States, Japan, and China. When using Indian mica, we check whether the mine has been declared one with non-child labor or if the supplier is certified as a member of the Responsible Mica Initiative (RMI).

1 Declaration

LG H&H avoids the use of natural mica and applies synthetic mica to its new products in order to promote sustainable mica procurement. Through a fade-out that replaces existing natural mica-containing products with synthetic mica ingredients, we plan to eradicate child labor in the long term and contribute to reducing the dependence of local communities on illegal mining. To this end, LG H&H intends to actively comply with the following.

- Traceability of routes for the collection, transportation, processing, and supply of Indian mica
- Confirmation of the child labor prohibition policy with supply chain participants

2 Our Current Practices

LG H&H frequently uses mica to manufacture color cosmetics containing pearl pigments. Upon examining the mica purchase history for three years from 2018 to 2020, we learned that ten of a total of fifty-four ingredients came from India. When purchasing mica from India, LG H&H checks whether the mine has been declared as one with non-child labor or whether the supplier is certified as a member of the Responsible Mica Initiative (RMI). LG H&H will procure mica collected in an ethical environment. In addition, in order to eradicate potential illegal child labor, we plan to convert to 100% use of synthetic mica by 2028.