

2022 LG H&H Human Rights and Supply Chain Report



About This Report

Report Overview

LG H&H has published human rights reports since 2020 to share our various efforts for human rights management with the outside world. We have also strived to integrate sustainability across our value chain and publish the 2022 LG H&H Human Rights and Supply Chain Report to share our commitment to sustainable business operations. Through this report, we intend to transparently disclose the status and performance of our human rights management, collect stakeholders' opinions, and use them as a communication channel to incorporate them into our business activities.

Reporting Period and Scope

The reporting period for this report is from January 1, 2022, to December 31, 2022. We used data from 2020 for some items to see trends and cumulative data. Depending on the timeliness and importance of the information, some data includes data for 2023. The reporting scope of this report contains the LG H&H headquarters, domestic and overseas subsidiaries of Coca-Cola Beverage and HAITAI htb, and the supply chain of LG H&H. In case of a different reporting scope or a change in the reporting data, we have marked them separately.

Reporting Standards and Principles

This report has been prepared in compliance with the items and contents that Human rights-related international initiatives and standards such as the UN Guiding Principles Reporting Framework and Corporate Human Rights Benchmark Index (CHRB).

Inquiries

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Our Approach and Governance to Human Rights and Supply Chain

Human Rights and Supply Chain Policy

LG H&H's management philosophy is "management that respects humanity." Human rights management is the most critical factor in practicing human rights management. Accordingly, LG H&H has established, complied with, and implemented a human rights policy throughout our business to respect all stakeholders including employees, customers, suppliers, joint ventures, affiliates, customers, and communities, as well as to guarantee the right to human dignity. In addition, LG H&H complies with labor-related laws and regulations of each country and region and strives to ensure stable employment and fair wages for its employees in socio-economic aspects. Furthermore, as a corporate citizen, LG H&H supports the human rights implementation principles outlined in the UN Human Rights Commission's Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

LG H&H discloses our policies for human rights management to the public and actively communicates with internal and external stakeholders. We also implement human rights-related training for employees to achieve respect for human rights and raise awareness of human rights management, and monitor potential human rights issues.

Today, the demand for ESG realization for all supply chain participants is growing with more stringent regulations on environment, human rights, labor, and conflict minerals, and the announcement of EU supply chain due diligence. As a result, supply chain ESG risk management is becoming more critical than ever. Companies are seeking various ways to enhance the sustainability of their entire supply chain, by supporting ESG management of partner companies and expanding win-win cooperation for shared growth.

Human Rights Policy

Prohibition of Discrimination



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

Women and Labor of Children



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

Freedom of Association



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

Humanitarian Treatment



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

Protection of Personal information



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

Wages and Welfare



LG H&H shall comply with all national and local labor-related laws and regulations in the countries in which it operates. The compensation paid to all workers includes the minimum wage, overtime, and legally mandated welfare benefits. Further, going beyond legal obligations, we strive to ensure payment of a living wage so that employees and their families can maintain a lifestyle that fulfills their basic needs. This applies to both our own operations and the companies with which we conduct business (such as affiliated companies and partners).

Prohibition of Forced Labor



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

Working Hours



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

Our Approach and Governance to Human Rights and Supply Chain

LG H&H has established the “LG H&H Supplier Code of Conduct” to build a sustainable supply chain. It states social responsibilities that all suppliers transacting with LG H&H and our affiliates shall comply with. Moreover, it presents requirements for the suppliers of LG H&H to follow to fulfill social responsibilities at a global level in five areas of labor and human rights, environment, safety and health, ethical management, and management system. This code of conduct was developed by referring to the Responsible Business Alliance (RBA) Code of Conduct, following international regulations, standards, and legal requirements.

Supplier Code of Conduct

Labor and Human Rights	Safety and Health	Environment	Ethical Management
<ul style="list-style-type: none"> • Prohibition of Discrimination • Humane treatment • Prohibition of forced labor • Child labor and protection of pregnant women • Working hours • Wage and welfare • Freedom of Association 	<ul style="list-style-type: none"> • Industrial safety • Industrial hygiene • Preparation for emergency • Industrial accidents and disease • Hygiene, food, and housing 	<ul style="list-style-type: none"> • Environmental licensing and reporting • Hazardous substances • Solid waste • Air pollution • Biodiversity, deforestation, and land conservation • Water resources management • Energy use and greenhouse gas emission • Prevention of pollution and reduction of resource use • Regulation on materials in products • An effort to develop sustainable products 	<ul style="list-style-type: none"> • Anti-corruption and Jeong-do Management • Fairtrade • Identity Protection • Responsible for purchase of raw materials • Protection of intellectual property rights • Protection of personal information • Responsibilities of suppliers

[LG H&H Supplier Code of Conduct](#)

LG H&H established various human rights and supply chain-related policies, including human rights policies and the supplier codes of conduct to practice human rights management and sustainable management activities throughout the supply chain.

Policy	Target range	Contents
Human rights policy	Employees, suppliers, joint ventures, customers, and local communities	Policies to implement management to respect humanity
Ethics guidelines	Employees	Guidelines that provide standards for correct behavior and value judgment for employees to follow
Workplace harassment and sexual harassment prohibition policy	Employees	Policies to prevent sexual harassment and bullying in the workplace
Supplier code of conduct	Suppliers	LG H&H’s code of conduct including compliances to ensure that suppliers fulfill their social responsibilities
Sustainable purchasing policy	Employees, suppliers, and local communities	Policies to proceed with the purchase of raw materials, considering the materials’ potential to affect the environment and society
Green management policy	Employees, suppliers, and joint ventures	Policies to minimize environmental impacts and preemptively respond to environmental risks

Our Approach and Governance to Human Rights and Supply Chain

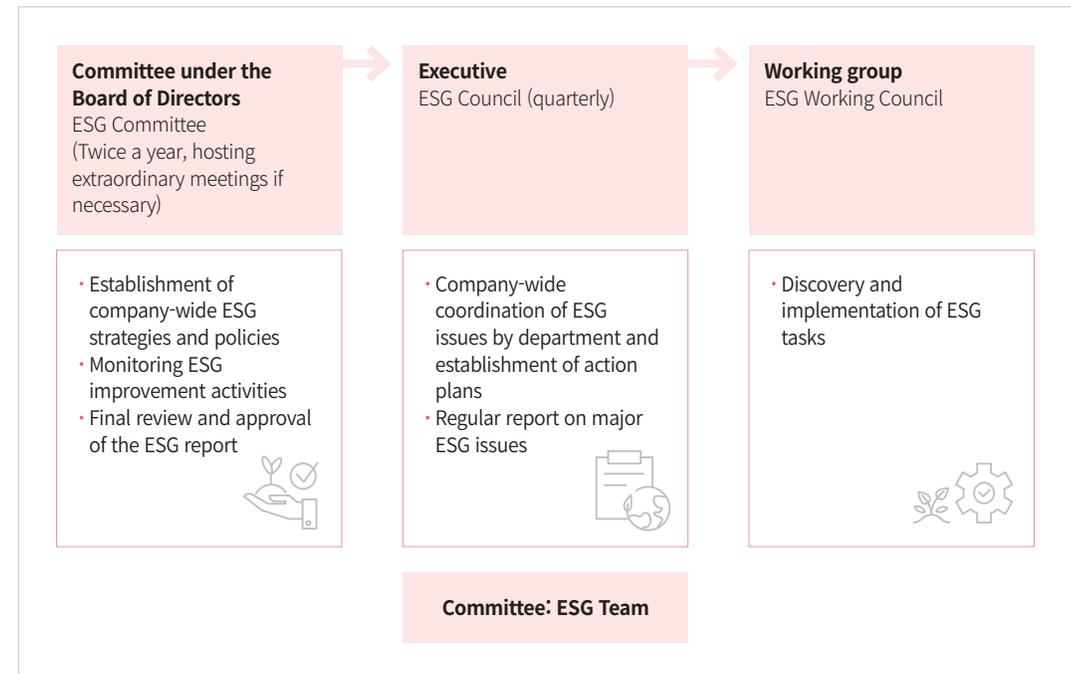
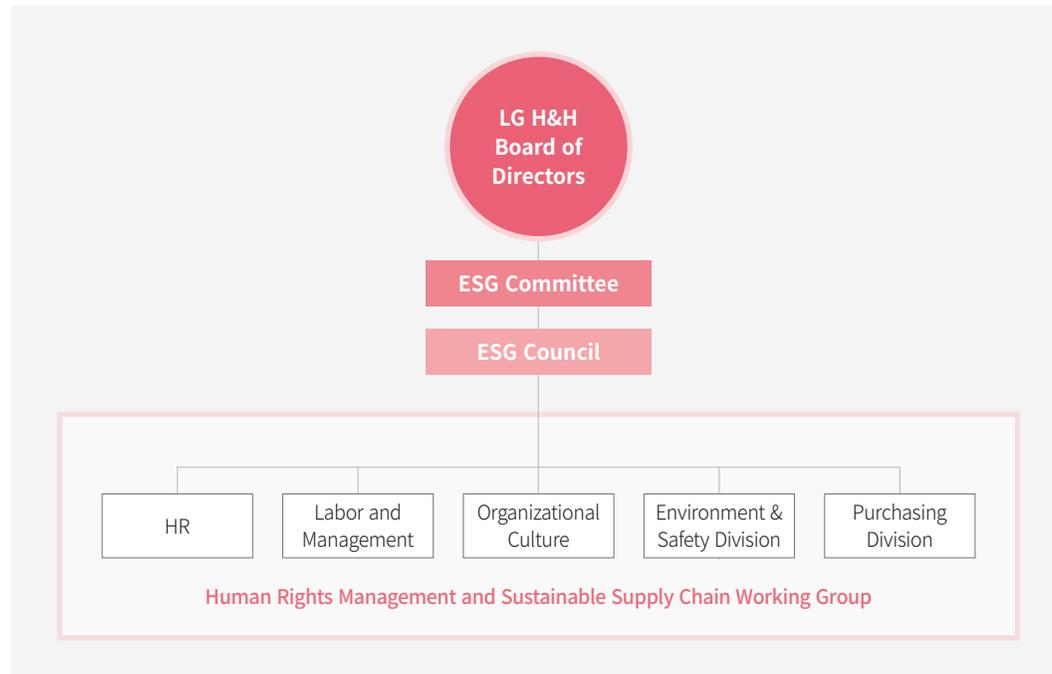
Human Rights and Supply Chain Governance

LG H&H has established an ESG governance system, managed ESG goals and tasks, and responded to related issues, to systematically promote human rights management and build a sustainable supply chain. Our human rights and supply chain governance has been developed based on human rights and green management systems. We address major human rights and ESG-related issues, ESG programs, shared growth activities, and achievements through the “ESG Committee,” the highest decision-making organization.

ESG Committee

LG H&H established an ESG committee under the Board of Directors in 2021 to realize long-term and sustainable growth by enhancing ESG (Environment, Society, and Governance) management. The committee consists of the CEO and all independent directors and holds meetings at least more than twice a year. The committee is a top decision-making body for sustainable management and plays a control tower role in ESG governance, reviewing and approving basic policies and strategies for ESG management, ESG mid to long-term goals, ESG management plans and implementation, and ESG related-critical risks and responses. In 2022, the committee hosted three meetings, and directors attended 100% of the meetings.

Human rights and Sustainable Supply Chain Organization



Human Rights and Supply Chain Management System

Human Rights Management Process

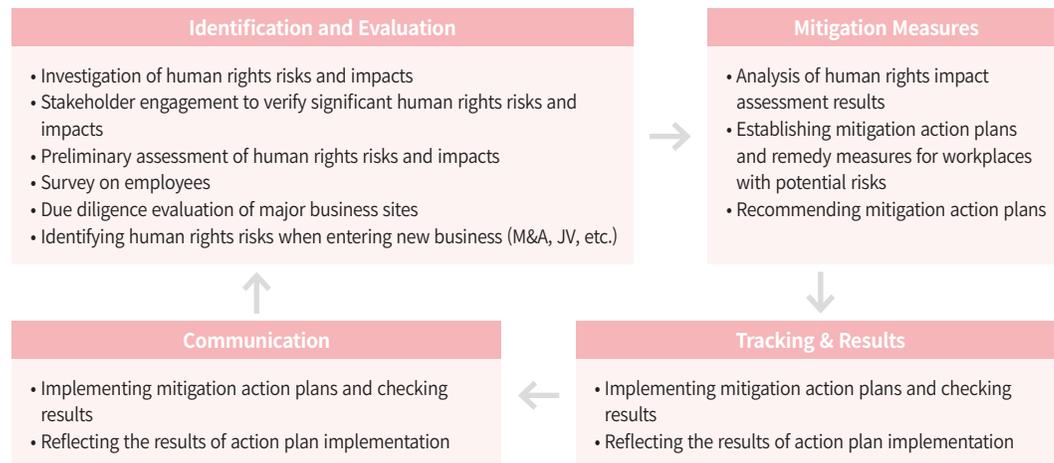
Based on the “UN Guiding Principles on Business and Human Rights.” LG H&H strives to implement our human rights and stakeholders in the entire business process through “Protect, Respect, and Remedy.” LG H&H also conducts due diligence¹⁾ regarding direct and potential human rights impacts on its business activities.

LG H&H conducts “Human Rights Impact Assessment” for domestic and overseas production sites and corporations through the human rights survey, self-assessment, LG Way survey, compliance risk check, and environmental safety diagnosis. We also evaluate the supply chain ESG of domestic partner companies, reflecting domestic and overseas labor and human rights trends. In addition, we regularly review human rights issues by conducting annual evaluations and have dedicated departments intensively manage the identified issues to establish mitigation plans and monitor improvement and implementation.

LG H&H reports the issues and management results found to the ESG Council. Critical human rights issues are reported to ESG committees for review.

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

Human Rights Management Process



Grievance Handling Process

Employees, suppliers, partners, customers, and local communities can report any human rights grievances related to LG H&H at any time through our grievance handling channels. We do not disclose the informant’s identity without their consent or any information that suggests it.

Human Rights Grievance Channel

Organizational Culture Part		Jeong-Do Management Part	
Tel 02-6924-6267	Email culture@lghnh.com	Tel 02-6924-6829	Email justice@lghnh.com

Reporting and Consultation Process

STEP 1	STEP 2	STEP 3	STEP 4
<p>Grievance reception</p> <p>Victims or witnesses can report workplace harassment to the “Sexual Harassment/ Workplace Harassment Counseling Center” in Plus-I. The report can be submitted via email/phone/interview.</p>	<p>Counseling/Investigation</p> <p>[Sexual Harassment] LG H&H formed the Sexual Harassment Review Committee (the organization responsible for sexual harassment) to investigate the facts. (Conduct an off-the-record investigation if desired by the complainant.)</p> <p>[Workplace Harassment] 1) Consult and investigate the circumstances of the incident. 2) Check whether the harassing behavior is repeated or persistent. 3) Check the extent of damage to the victim. 4) Collect direct or circumstantial evidence.</p>	<p>Disciplinary and corrective actions</p> <p>We take disciplinary measures against the violators based on our internal regulations and monitor the implementation of the agreement²⁾ if it is made. To prevent the recurrence of the incident, we conduct a sexual/workplace harassment prevention training for all employees. We also implement measures to restore victims’ rights and continuously manage violators and victims.</p>	<p>Result notification</p> <p>We inform the complainant or the victim of such matters as disciplinary actions, department transfer, etc.</p>

2) Informal handling procedure: We organize and review the complainant’s request and deliver the request to the accused. If the accused accepts the request, we monitor whether the request is fulfilled. If the request is not accepted, we listen to the parties through mediation, reach an agreement, and check whether the agreement is implemented.

Human Rights and Supply Chain Management System

Stakeholder Engagement Channel

Stakeholders	Communication Channel	Frequency
Clients 	Company and brand website, CS portal, VOC, call center, customer complaint reception and feedback	Ongoing
	Customer survey	Once a year
Suppliers 	Integrated purchasing portal	Ongoing
	Supplier ESG evaluation, listening to suppliers' opinions	Once a year
	Win-win growth deliberation committee	4 times a year
Employees 	Intranet and grievance handling program	Ongoing
	Employee satisfaction Survey	Once a year
	Employee council	Once every other month
	Business division employee meeting	Ongoing
	Workplace labor-management council	Quarterly
Communities 	Expert panel meeting	3 times a year
	Local council	Twice a year
	Community ESG survey	Once a year

Reported Cases by Stakeholder Group

(Unit: case)

Category	2020	2021	2022
Customer complaints	5	2	1
Supplier grievance	18	27	8
Report (company/employee)	40	37	35

Disciplinary actions by reason 2022

(Unit: case)

Reported cases	Disciplinary reasons	Number of disciplinary actions
Anti-corruption/bribery*	Distortion of information	8
	Acceptance of money and valuables	2
	Unfair trade (price-rigging and etc.)	0
	Embezzlement and misappropriation of assets (company funds)	9
	Information leakage	1
Discrimination/bullying	Sexual harassment, workplace bullying	5
Money laundering and insider trading		0
Customer Information Data		0
Conflicts of interest		0
Others		57

* The Management Diagnosis Team includes corruption-related risks such as unfair trade, information leakage, embezzlement and misappropriation of assets, document/count manipulation, acceptance of money and valuables, inappropriate hospitality, and equity participation when performing business process diagnosis.

Human Rights and Supply Chain Management System

Report and Remedy Measures

LG H&H receives complaints from customers, suppliers, employees, and communities and handles them through various communication channels. In 2022, we received 1 customer complaint, 8 supplier complaints, and 35 employee reports.

Complaints from customers and suppliers were resolved through communication with related departments as they were simple complaints regarding cooperation issues. Most of the employee reports related to simple cooperation issues. For the five cases involving sexual harassment and workplace bullying, measures such as department transfers and temporary suspensions were taken to separate the reporters and ensure their protection. Measures such as heavy disciplinary actions were taken against the harasser following internal regulations to prevent recurrences. We will continue to carry out improvement activities through working-level department monitoring, team workshops, and case training, and strive to expand our remedy measures to spread the culture of mutual respect among our employees.

Win-win Growth Vision and Strategy System

LG H&H focuses on responsible management of its entire supply chain from upstream to downstream for sustainable supply chain operation. We are actively responding to raw material issues such as conflict minerals by introducing internationally recognized raw materials and using alternative raw materials. Furthermore, we regularly conduct human rights impact assessments and ESG assessments for our suppliers, and actively carry out improvement tasks. We also provide various forms of support such as education and carbon neutrality assistance programs, with the aim of spreading ESG management even to small and medium-sized partner companies. In addition, we realize win-win growth with our partner companies by carrying out practical win-win cooperation activities such as financial support, competitiveness enhancement support, and communication reinforcement.

LG H&H established a vision for shared growth to become Korea's best-shared growth leader. To achieve this, we prepared a strategic system consisting of 4 strategic tasks, detailed strategic directions, and 6 initiatives for implementation. We will share the achievements of our efforts with our suppliers and support them to realize win-win growth through financial support and enhanced communication as well as strengthen their competitiveness.

Win-win Growth Vision and Strategy System



Human Rights Due Diligence

Identification of Human Rights Risk

LG H&H regularly inspects human rights status based on our risk identification process to eradicate human rights violations in its entire business process. We analyze the internal and external environment to identify human rights risks and then identify human rights impacts and identify risks. In this process, we utilize global human rights standards and principles and the results of stakeholder engagement. Moreover, we consider the safety of products that may affect stakeholders, including local communities and customers. We comply with domestic and international laws and regulations related to product design, manufacturing, distribution, and marketing, and establish an internal management process that conforms to and reviews them in advance. LG H&H also builds a sustainable business model by factoring in potential impacts from the design process and reflecting stakeholder opinions when launching new products.

Identified Human Rights Risk Issues

Category	Major stakeholders				Identified issues
	Employee	Supply chain	Customer	Community	
Non-discrimination	●	●			Hiring process, job assignment, performance evaluation, promotion, rewards, training opportunity, contract workers, gender, foreigner, discrimination on returning from maternity leave
Compliance with working hours	●	●			Working hours management (52-hour workweek), reducing working hours for pregnant women
Safety and health	●	●			Facility management, personal protective equipment, working environment, safety and health awareness training, mental health, industrial accident management, medical checkup
Protection of information	●	●	●		Process for consent to the collection of personal information, information protection risks monitoring, personal information leakage management
Freedom of association	●	●			Freedom of association and collective bargaining, prohibition of disadvantage treatment due to activities
Prohibition of child and forced labor	●	●			Prohibition of employment under the legal minimum age for employment, prohibition of forced labor
Wages and welfare	●	●			Payment of minimum wages or higher, compatibility of work and family life, retirement allowance system
Workplace sexual harassment and bullying	●	●			Physical, verbal, and visual sexual harassment and other sexual harassment, inappropriate words and actions (such as abusive and violent language, physical assault), unfair orders, improper coercion irrelevant to work
Grievance handling	●	●	●		Grievance handling system, counseling process, disciplinary procedures in the event of damage
Protecting human rights in local communities	●	●		●	Compliance with relevant laws and regulations when local communities require consultation regarding business activities

Human Rights Impact Assessment

We have been conducting regular human rights impact assessments. Following 2020, we implemented the “Human Rights Survey” in 2022, targeting all employees, to regularly assess the status of human rights violations and identify potential human rights risks. We investigated the human rights issues that our employees directly and indirectly experienced, reviewed the human rights status within the company, and carry out activities to reduce human rights risks identified in this process. The survey was developed in accordance with major international guidelines on human rights and consists of questions to identify whether employees have directly or indirectly experienced human rights issues. The assessments were implemented by external professional organizations to secure objectivity and conducted online to ensure anonymity. We also carry out the “Human Rights Self-Assessment at Work Sites” and “Human Rights Due Diligence at Work Sites,” and utilize diverse methods to minimize human rights risks. LG H&H has continuously made efforts to protect the human rights of our employees through regular human rights impact assessments.

Human Rights Management Survey

Objective	To review the human rights status and identify potential human rights risks
Target	All employees of LG H&H, Coca-Cola Beverage, and HAITAI htb
Organizer	LG H&H ESG Team and third-party verification organizations
Method	Online checklist-type survey of all employees 38 items to identify direct and indirect experiences on human rights issues
Survey Area	Non-discrimination compliance with working hours safety and health information protection sexual harassment in the workplace workplace bullying

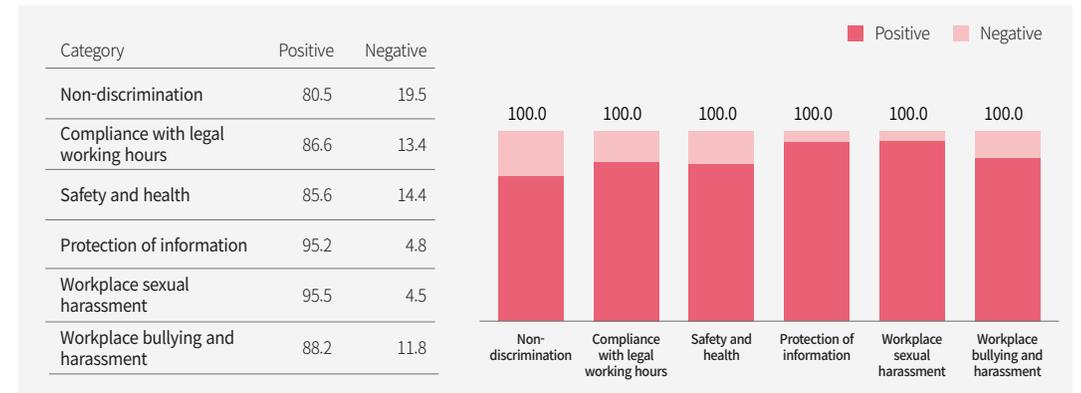
Human Rights Due Diligence

Issues Identified through Survey

Category	Assessed issues
Non-discrimination	Hiring process, job assignment, performance evaluation, promotion, rewards, training opportunity, contract workers, gender, foreigner, discrimination on maternity leave
Compliance with legal working hours	Working hours management (52-hour workweek), reducing working hours for pregnant women
Safety and health	Facility management, personal protective equipment, working environment, safety and health awareness training, mental health, industrial accident management
Protection of information	Process for consent to the collection of personal information, information protection risks monitoring, personal information leakage management
Workplace sexual harassment	Physical, verbal, and visual sexual harassment and other sexual harassment
Workplace bullying and harassment	Inappropriate words and actions (such as abusive and violent language, physical assault), unfair orders, improper coercion irrelevant to work

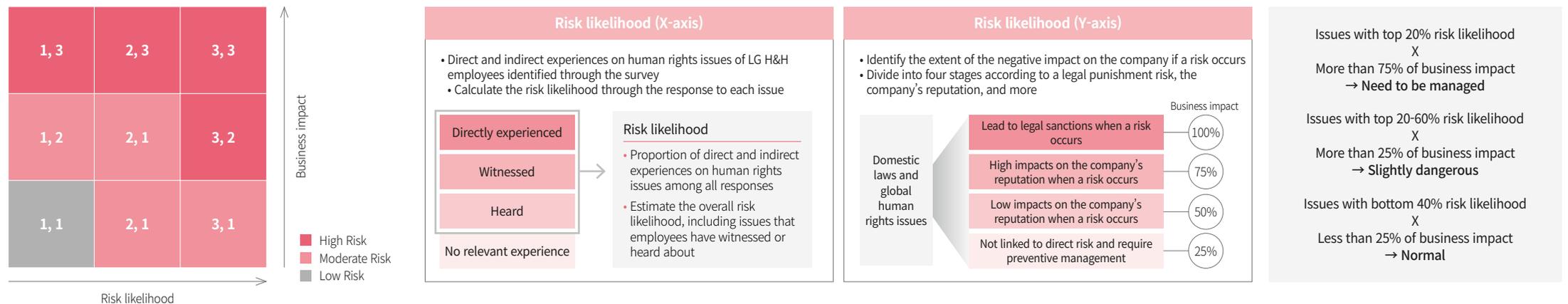
Survey Participation Status

(Unit: %)



Risk Calculation Process by Human Rights Issue

LG H&H calculates and analyzes risks of each issue based on their impacts on the business, such as the risk likelihood of human rights issues, legal violations, and the company's reputational damage, estimated through direct and indirect experiences. The risk likelihood is calculated based on the proportion of negative experiences on human rights issues among all responses. The overall risk is estimated, considering the experience of indirect human rights violations. Business impact is calculated by considering legal risks and possible negative impacts on the company. Through this process, we analyze the risk and identify the human rights risks requiring priority management.



Human Rights Due Diligence

Human Rights Survey Results

LG H&H conducted a human rights impact assessment on all 1,156 employees. We could find no serious human rights violations, but potential risks related to 1) mental health care due to stress, 2) non-discrimination in achievement and performance of duties, and 3) basic human rights of employees. We operate activities such as leadership and work transition programs to provide fair compensation and various opportunities to employees. Moreover, we strive to balance employees' work and life by implementing a flexible working-hour system, an onboarding program to help new employees get acquainted with the company, a vacation support program, and a campaign to avoid overtime work. To prevent bullying in the workplace, we regularly operate a process to receive and resolve grievances through an employee consultative body. We also provide training and run a counseling center for all employees to prevent workplace bullying.

Category	Establish and perform improvement tasks
Safety and Health	<ul style="list-style-type: none"> • “Check-in Living Health”, an onboarding program to help employees get acquainted with the company, supporting them to adapt and make progress • Conduct a campaign “Working Time Compliance and No Overtime Work” to establish a work-and-life balance culture • Run an Employee Care Program (ECP), a care program to improve quality of life and provide a meaningful working environment to employees • Help your employees to spend meaningful vacations through the “Enjoy Your Vacation” program, which supports a variety of vacation activities
Non-discrimination	<ul style="list-style-type: none"> • Enhance leadership capabilities through the “LG Avengers Program” in which employees find true leadership by themselves through daily records and the “Impact Leadership” activities, a leadership role-playing program by theme. • Design members’ growth experiences through a “Growth Survey”. • Provide employees with various job transition opportunities through “Job Posting,” our in-house recruitment program. • Implement an absolute evaluation system to ensure objectivity and equality in employee performance evaluation management.
Workplace bullying	<ul style="list-style-type: none"> • Operate ‘No.1 Dignity Education’ training to prevent bullying in the workplace. • Operate a “sexual harassment/workplace bullying counseling center” to prevent and report in-house bullying and sexual harassment.

Inspecting Human Rights In the Workplace

LG H&H checked 22 domestic and overseas work sites through the human rights self-assessment in the workplace. We found no serious human rights issues but discovered one human rights issue regarding overtime work in the Beijing office. The Beijing office had already implemented a flexible working system allowing employees to work intensively during the peak season and relax during the off-season. However, employees needed a clearer understanding of the system. Therefore, the office resumed training and PR activities on the flexible working system. To increase the efficiency of the production work, we carried out various activities to improve the working environment such as a project to make production facilities more efficient in the workplace and support employees to maintain work-life balance.

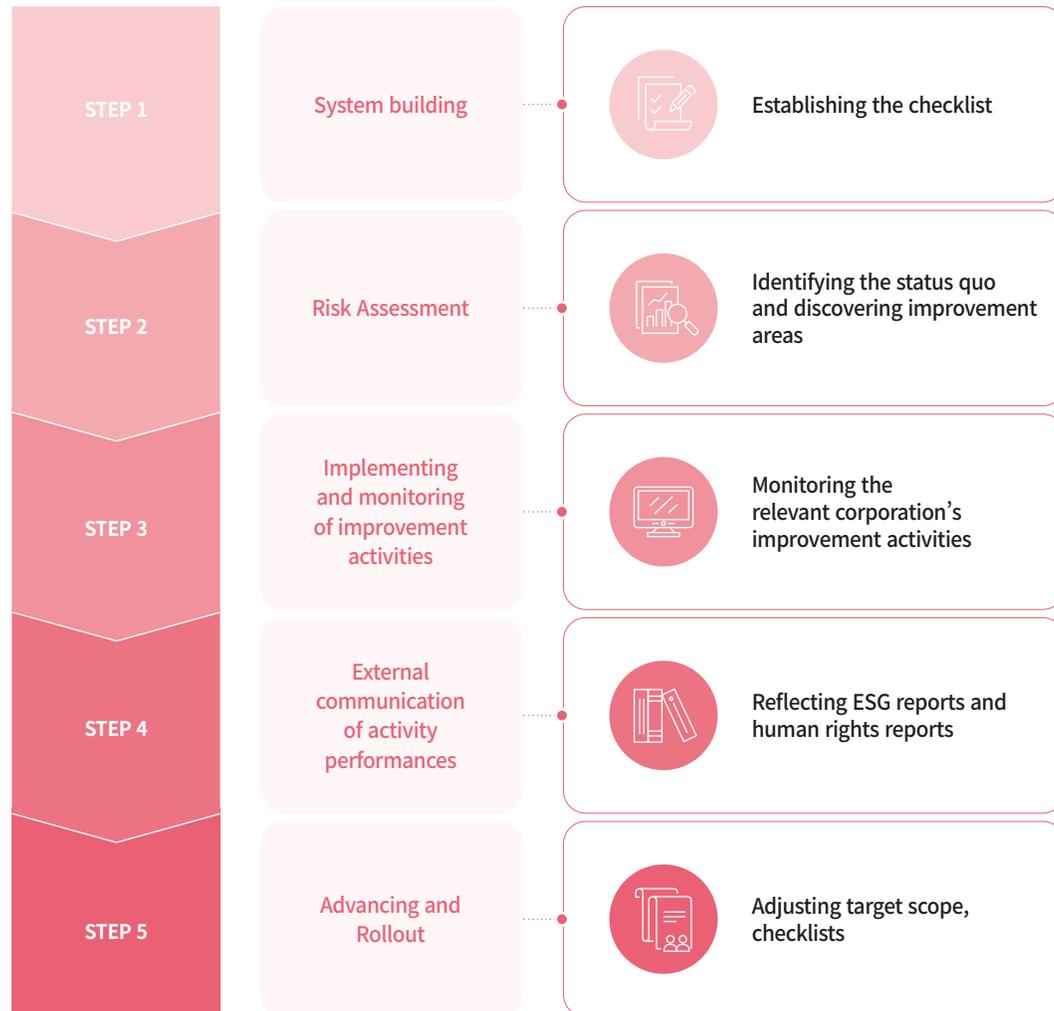
CASE Establishing the <Internal Safety and Health Certification> for business sites

In 2022, we conducted a safety and health assessment at major business sites. We listened to the Voice of Employee (VOE) that compliance with health and safety regulations was not fully assessed, and it was also hard to evaluate checklist items at the business sites, consequently making it difficult to find improvements. By developing more effective checklists focused on business sites, and improving the overall assessment process, we evaluated three major areas of safety management, safety practice, and safety achievements/differentiation for 4 months from late March to mid-July 2023. The evaluation scores will be classified into 8 grades, and the excellent teams are being considered to receive an award plaque of safety and health management certification. We will also strive to spread best practices for safety and health activities to other business sites with the aim of upgrading our overall health and safety management.



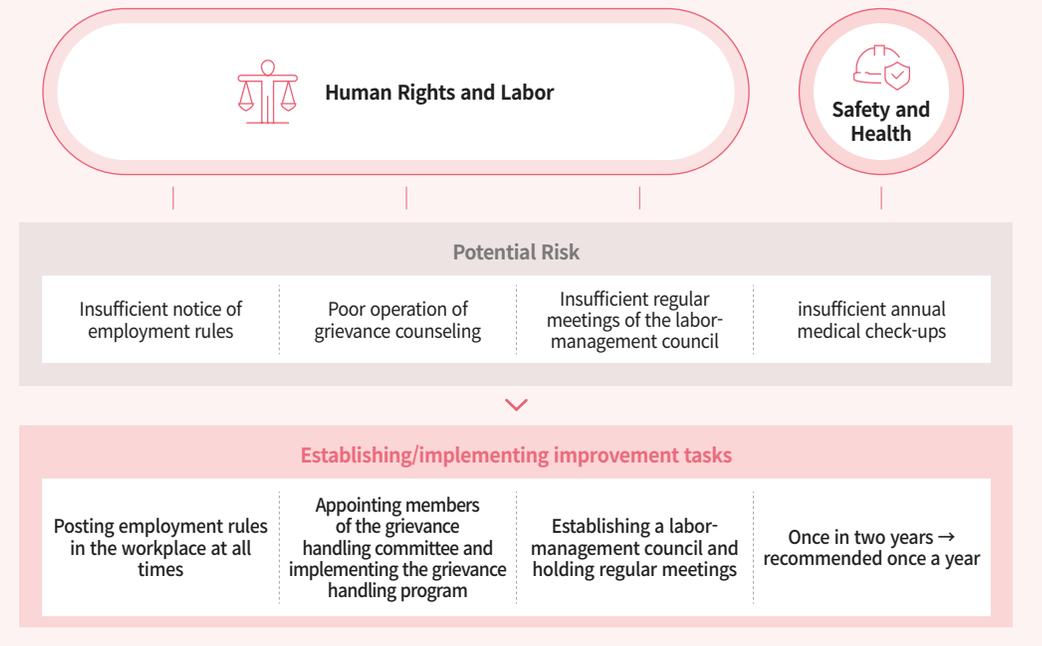
Human Rights Due Diligence

Workplace Human Rights Self-Assessment Process



CASE Human Rights Impact Assessment Results for In-house suppliers

LG H&H conducts ESG evaluations to help our suppliers discover and manage potential risk factors related to creating a safe working environment, managing employees' human rights, and environmental responsibility. In particular, we conduct the human rights impact self-assessment for our in-house suppliers every year to strengthen human rights-related assessments. From the human rights impact assessment conducted for 67 in-house suppliers in 2022, we found no serious human rights risks but identified 4 unsatisfactory parts. As such, LG H&H has established top-priority, and long-term improvement tasks and implemented 3 of 4 tasks. We are working on the improvement activities with the teams in charge to implement the long-term task. We plan to monitor improvements continuously.



Human Rights Due Diligence

Results of Human Rights Due Diligence

LG H&H implements preliminary mitigation measures to eradicate human rights violations throughout the business and regularly reviews human rights status based on the risk identification process. In addition, we implement improvement measures such as internal mobility, training, and improvement of related systems in accordance with regulations to prevent the recurrence of issues that negatively affect human rights.

Our employees • **Human rights impact assessment method** : human rights survey, workplace human rights assessment, human rights due diligence, grievance reporting channels

Human rights issues	Reviewed items	Status			Improvement measures
		2020	2021	2022	
Prohibition of forced labor and compliance with working hours	Compliance with legal working hours	100%	100%	100%	<ul style="list-style-type: none"> Established legal working hours compliance process through flexible working days and hours system Conducted campaigns to improve working hours and balance work and life Assessed human rights at 22 workplaces, established tasks to improve two workplaces, and implemented improvement measures Retrained and promoted the flexible working system for the workplace in Beijing Promoted production facility efficiency projects to improve the working environment
	Compliance with reduced working hours for pregnant women	100%	100%	100%	
Prohibition of child labor	Child labor cases	No cases	No cases	No cases	• 0 child labor issue
Safety and Health	Number of employees who got medical checkups	8,004	7,610	7,439	<ul style="list-style-type: none"> Provided special lectures to emotional labor workers, and established and distributed emotional labor guidelines Operated "Mind Care" services during the ECP program to provide mental health care and counseling Ran a Red Circle Week Health Campaign to help employees prevent cerebrovascular disease Operated a counseling room where a psychotherapist come to once a week (starting in 2020)
	Number of employees who got psychological counseling	72	49	99	
	Lost Time Injury Frequency Rate (LTIFR)*	0.73	0.43	0.43	
Non-discrimination and respect for diversity	Employee immersion survey	79 points	82 points	82 points	<ul style="list-style-type: none"> Provided opportunities to switch jobs through the in-house recruitment program "Job Posting" program that allows employees to receive opportunities without discrimination Strengthened the capabilities of employees through "Impact leadership" activities Strengthened the childcare support system to prevent employees' career breaks Supported the cost of infertility treatment Implemented a family care leave system and remote working to support childcare Ran in-house daycare centers Ran a reduced working system for the child-rearing period
	Employee gender ratio*	Female 53.1%	52.9%	54.1%	
	Male	46.9%	47.1%	45.9%	
Prevention of sexual harassment and eradication of bullying	Return rate of parental leave*	94.2%	94.0%	97.6%	<ul style="list-style-type: none"> Operated workplace bullying counseling centers Resolved sexual harassment/bullying 100% and disciplined 5 cases (recommended resignation or reprimand under internal regulations)
	Sexual harassment prevention education rate	100%	100%	100%	
	Rate of bullying prevention education implementation	100%	100%	100%	
Freedom of association	Number of sexual harassment/bullying complaints handled	7	12	5	• No issues occurred
	Union membership rate*	35.9%	36.6%	52.5%	

New business relations (acquisition and merger) • **Human rights impact assessment method** : review human rights risks when starting new businesses (including acquisitions and mergers)

Human rights issues	Reviewed items	Status			Improvement measures
		2020	2021	2022	
Labor human rights	Human rights risk confirmation	No cases	No cases	No cases	• No issues occurred

* Only for LG H&H

Suppliers • **Human rights impact assessment method** : ESG evaluation of suppliers, ESG on-site evaluation of suppliers, human rights assessment of in-house suppliers, and human rights violations review when purchasing raw materials

Human rights issues	Reviewed items	Status			Improvement measures
		2020	2021	2022	
Employees labor and human rights	Suppliers that conducted ESG evaluations	276	469	398	<ul style="list-style-type: none"> Developed improvement plans for 30 high-risk suppliers after ESG evaluation of 398 suppliers Reported 8 cases of grievance complaints from suppliers Conducted the "No Gift Giving and Receiving" campaign to prevent unfair practices Conducted evaluations of 67 companies and established four improvement plans that we're currently implementing
	Suppliers that we conducted on-site ESG evaluations	10	12	30	
	Number of grievance complaints from suppliers	18	27	8	
	In-house suppliers that conducted human rights assessment	61	62	67	
Responsible Purchasing	Rate of responsible Pal Oil (RSPO) purchasing	-	33.7%	61.5%	<ul style="list-style-type: none"> Increased the proportion of synthetic mica instead of natural mica in manufacturing cosmetics (plan to convert 100% to synthetic mica) Established a sustainable raw material purchasing policy
	Certified as an RMI member	100%	100%	100%	

Customer and Community (including the socially disadvantaged) • **Human rights impact assessment method** : customers' VOCs and complaint reporting channels

Human rights issues	Reviewed items	Status			Improvement measures
		2020	2021	2022	
Consumer protection	Customer satisfaction ratio	87.9%	88.5%	88.8%	<ul style="list-style-type: none"> Established a new customer counseling system to handle customer damage and enhanced customer convenience Integrated management of customer claims occurring at domestic and international sites Improved customer problem-solving convenience
	Consumer counseling satisfaction	4.67 points	4.70 points	4.74 points	
	Number of customer complaints handled (ratio)	15,735 cases (99.5%)	17,145 cases (99.5%)	14,886 cases (99.6%)	
Customer personal information protection	Security Review	-	(Newly introduced)	141 cases	<ul style="list-style-type: none"> Improved 8 systems, including the advancement of the information leakage monitoring system Checked on mock hacking and vulnerability on a website, shopping mall, and sales information system (2022) Passed the Information Security Management System (ISMS) post-examination and maintained certification (2022)¹⁾ Enhanced and internalized the security review process (2022) Performed 141 security reviews Operated 60 scenarios in conjunction with 26 systems, and explained and managed 69 suspected cases Analyzed personal information processing flow for genetic analysis, digital catalog, and door-to-door sales area (2021) No hackings occurred
	Number of companies inspected	50	65	55	
Community	Number of human rights risks identified before starting new businesses	0	0	0	<ul style="list-style-type: none"> Supported the employment of the socially disadvantaged (disabled people, women, elderly, and more) Operated "Bargnnuri," a standard workplace for the disabled, and "Gounnuri," a subsidiary-type standard workplace for the disabled Selected 35 natural beauty creators among women with career interruptions and job seekers (2023) Employed retirees and senior citizens through suppliers' technical support team No issues occurred

1) Certification by Korea Internet & Security Agency (KISA)

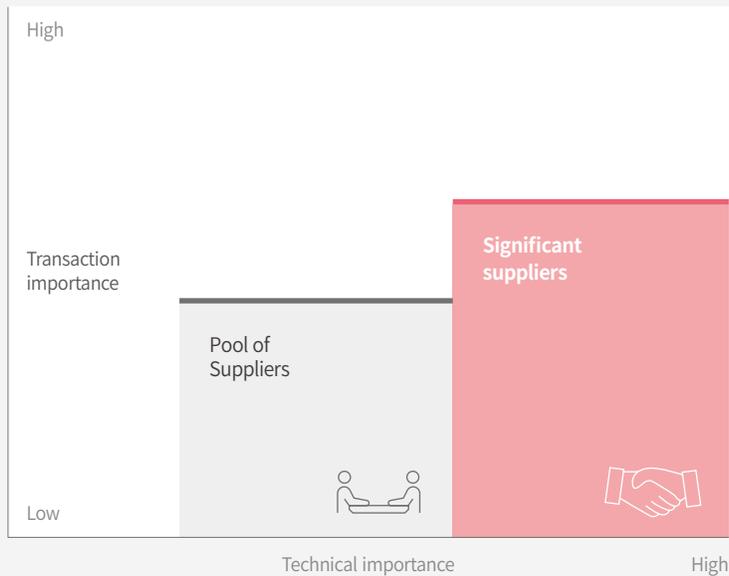
Supply Chain Risk Management

To build a sustainable supply chain, LG H&H evaluates and manages ESG risks for our suppliers. After checking the current status of suppliers through ESG evaluations, we conduct a review on whether to start a new transaction and continue the existing transactions. In addition, we proactively identify potential supply chain risks, including human rights violations or conflict minerals, through screening that identifies risks by country, industry, and type. We also investigate the current status, build improvement plans, and monitor implementations by conducting document and on-site assessments and ESG evaluations on a regular basis with third-party organizations to enhance ESG capabilities and manage risks of existing suppliers. Moreover, we support consulting and technology solutions to our suppliers requiring improvements and operate diverse shared growth programs to enhance supply chain competitiveness and grow the entire supply chain.

Supplier classification and importance management

LG H&H defines significant suppliers by comprehensively considering 1) high transaction value, 2) irreplaceable technologies, and 3) potential ESG risks. We conduct ESG evaluations on companies with more than 100 million KRW of annual transactions and classify suppliers with irreplaceable technologies and potential ESG risks as significant suppliers. In addition, selected growth partners to enhance purchasing power and achieve shared growth are also included in our significant suppliers.

Definition of Suppliers



1. Significant suppliers

Define a supplier that meets one or more of the following conditions as an significant supplier

Category	Conditions
1. Performances	Suppliers produce more than 100 million KRW of annual performance and conduct ESG evaluations
2. Irreplaceable technologies	Suppliers ¹⁾ which have done business with us, have technologies and production capabilities that we don't have, and conduct ESG evaluations
3. Growth partners ²⁾	Suppliers selected to enhance purchasing power and achieve shared growth

1) Suppliers deemed to have raw material risks, including conflict minerals such as mica/farm oil, and national risks depending on the business location are included.

2) Growth partners are selected based on other internal standards.

2. Pool of Suppliers

Suppliers with less than 100 million KRW of annual transactions and no potential risks such as raw materials/national risks (agents, one-time traders, consumable materials companies, suppliers who ended or are about to end business)

Supply Chain Risk Management

Supplier Screening

LG H&H identifies potential ESG risks, such as risks from raw materials, including conflict minerals, and national risks depending on headquarters and key business site locations, when selecting new and significant suppliers. Through supplier screening, we established a systematic supply chain that preemptively responds to potential supply chain ESG risks and manages partners based on ESG management priorities. We confirmed that the national risk was low as most of the major business sites of suppliers were located in Korea. We've also tracked raw material risks by expanding the. RSPO and RMI certification for palm oil and mica. In addition, we screened ESG risks from our suppliers with regular ESG evaluations and found that small and medium-sized suppliers had social and governance risks compared to large businesses due to restrictions on the application of domestic law. We also confirmed that environmental risk was low due to strict domestic environmental laws and regulations.

Screening Criteria

Category	Identification Issues	Criteria
National risk	Business site location (overseas/domestic)	-
Raw material risk	Palm oil/mica/other responsible minerals	Certification
Product risk	Type (OEM/material/molding/packaging/container)	-
ESG risk	Labor rights/ethics/environment/safety/management system	ESG evaluation

Supplier screening and risks

Supplier Type	ESG risk			National risk	Raw material risk
	Society	Environment	Ethnics/ Governance		
OEM	Medium			Medium	Medium
Material	Low risk of violating labor laws and labor practices, but restrictions on the application of the Labor Standards Act to SMEs	Low Strict domestic environmental laws and regulations	Medium Insufficient governance systems in the case of SMEs	Some suppliers' headquarters and major business sites located overseas	Use of some palm oil and mica
Container					
Molding					
Packaging					
				Low Most business sites	Low Low risks of conflict/responsible minerals

ESG Purchasing Procedure and Analysis

When selecting new suppliers and determining whether to maintain existing suppliers, LG H&H considers priority items, identifies ESG risks, and determines whether to register new suppliers or maintain existing companies. We first consider basic factors such as quality, PDS¹⁾ performance, delivery, and credit rating identify potential ESG risks such as safety quality evaluation system, ESG evaluation, and raw material risks, and finally make a comprehensive decision on whether to purchase from new suppliers and continue the business relationship with existing companies. We purchase raw materials, considering their potential environmental and social impact following sustainable purchasing policies and procedures. New suppliers must receive at least 550 points out of 1,000 points from the safety quality evaluation system and at least 75 out of 100 points from the ESG evaluation to register for a transaction. Suppliers that fail to meet the minimum ESG criteria are excluded from the contract. In addition, we prioritize transactions by applying minimum weight to ESG criteria when registering new suppliers and maintaining transactions with existing companies.

According to an analysis of LG H&H's purchasing status, Tier 1 accounts for 98.5% of the total suppliers, and most of LG H&H's suppliers belong to this group. Significant suppliers take up 33% of them. We categorize our suppliers into the following types: OEM, raw materials, molding, and packaging. OEMs and raw materials account for a high proportion of purchases, taking up 75% of the total purchase amount.

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 either supplying or want to supply their products to LG H&H

New Purchasing Procedure



Supply Chain Risk Management

Management Direction of Suppliers

Aspects to be managed with priority

<p>Quality (Safety)</p> <p>Quality and safety related factors, including violations of harmful substance regulations and guidelines</p>	<p>Deadline</p> <p>Meeting the deadline based on the initial supply request date</p>	<p>PDS achievement</p> <p>Synergy from cooperation, including new ideas and proposals for new technologies</p>	<p>Credit rating</p> <p>Financial stability based on the result of credit rating</p>
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From the Perspective of ESG

Technology Sustainability Field Management		
<p>Grade of the Safe Quality Certification</p> <p>Expand the scope of application of the “Safe Quality Certification System” for suppliers to prevent quality issues</p>	<p>Improving ESG average level and expanding management</p> <p>Identifying the overall ESG activities of suppliers, including the perspectives of environment, labor and human rights, ethics, and safety, and strengthening their ESG competitiveness</p>	<p>Potential ESG risks</p> <p>Continuously monitoring and reviewing raw material risks such as palm oil and mica, as well as national risks, product risks, and potential ESG risks</p>

Supply Chain in 2022

Category ¹⁾	Unit	Significant suppliers	Other suppliers
Tier 1	Number of Companies	254	516
	Purchase proportion(%)	70	30
Non-tier 1 (Tier 2 and lower tier)	Number of Companies	12	-

1) Tier 1: direct transaction, Non-tier 1(Tier 2 and lower tier): indirect transaction

Supply Chain Purchasing Analysis in 2022

	Supplier	Type	Number of suppliers
Tier1	Significant	OEM	69
		Container	63
		Raw material	72
		Molding	9
		Packaging	53
Total			266

Supply Chain Risk Management

Operating the Safety Quality Certification System

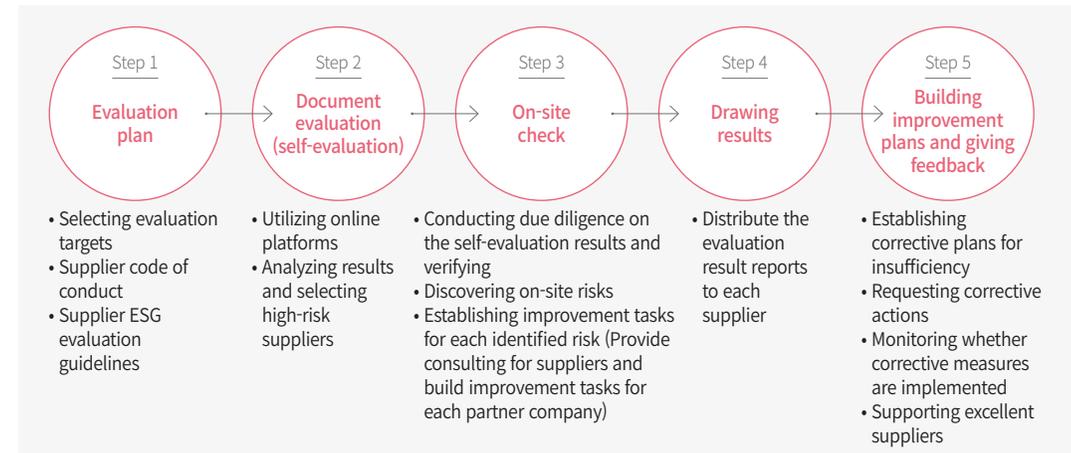
LG H&H developed a safe quality certification system applying stricter quality standards than relevant regulations to provide safe and reliable products that consumers can trust. This system focuses on verifying compliance with the test standards of 4M (Man, Material, Machine, Method) to secure safety and quality in six major categories: compliance with laws, safety from hazardous substances, product efficacy and performance, content stability, subsidiary material quality, and ease of use. In 2022, we conducted a reassurance quality assessment of 120 significant and new suppliers and gave award plaques to nine companies selected for the reassurance practice rating. In addition, we completed the evaluation of 9 new overseas suppliers based on the global network evaluation system to expand the scope of safe quality evaluation to overseas suppliers.

Supplier ESG Evaluation, Due Diligence and Monitoring

LG H&H has established a code of conduct for all suppliers, covering a total of 31 evaluation criteria in five areas: labor and human rights (8), environment (6), safety and health (8), ethics (6), and management systems (3). This code of conduct is published on the purchasing system website. To strengthen the interest and implementation of ESG management by significant suppliers, we schedule the evaluation dates throughout the year and visit suppliers to check potential ESG risks with a third-party evaluation body that can ensure the expertise, objectivity, and reliability of the evaluation. We reflect the evaluation results in the comprehensive evaluation of our suppliers. The ESG evaluation is conducted on significant suppliers, and the whole evaluation process is as follows: supplier's self-diagnosis → document/on-site assessment → monitoring improvements.

In 2022, we conducted third-party due diligence for 30 suppliers whose potential risks had been identified through ESG evaluation. We provided the evaluation report to all partner companies. Suppliers establish improvement plans based on the report and manage potential and risk factors.

Supplier ESG Evaluation Process



Supplier Evaluation Result

Category	Details	2022	Goals in 2022
Supply chain ESG evaluation	Number of suppliers evaluated through document/on-site evaluation	398	390
	Proportion of significant suppliers evaluated	100%	-
	Number of evaluated suppliers with significant real/potential negative impact	30	30
Identifying high-risk suppliers*	Proportion of suppliers with significant actual/potential negative impact with corrective actions/improvement plans	100%	100%
	Number of suppliers no longer have significant real/potential negative impact	30	30
Planning and implementing corrective actions	Number of suppliers supported in corrective action plan implementation	30	30
	Proportion of significant suppliers supported in corrective action plan implementation	100%	100%
Participating in capacity building programs	Number of suppliers participating in capacity building programs	159	150
	Proportion of significant suppliers participating in capacity building programs	100%	90%

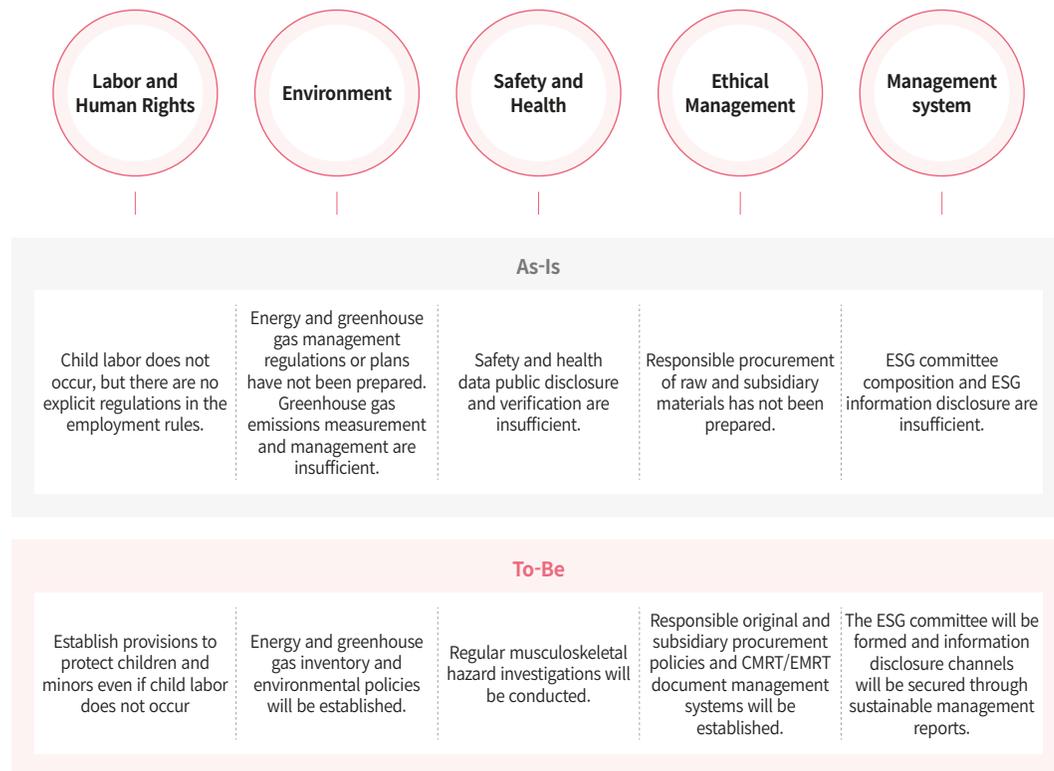
* High ESG risk suppliers: suppliers classified as high-risk partners (less than 50 total points out of 100) when evaluated using 31 indexes (8 in labor/human rights, 6 in environments, 8 in safety and health, 6 in ethical management, and 3 in management systems) to assess potential ESG risks.

Supply Chain Risk Management

Identifying and Improving unsatisfactory performance

LG H&H conducts third-party evaluations every year to enhance the expertise and objectivity of ESG evaluations and provide new information and improvements related to ESG. We carry out third-party on-site evaluations on suppliers whose potential risks are discovered through self-assessment. In 2022, we conducted on-site evaluations on 30 high-risk suppliers and recommended these 30 suppliers with potential risks to establish and implement top priority and long-term improvement tasks to respond to ESG risks.

Third-party Evaluation on Suppliers and Corrective Action Support



Implementing Shared Growth Programs

Program	Major activities and improvements
Technology proposal exhibition	Commercialize suppliers' excellent technologies and ideas
Support participation in the international beauty fairs	Support participation in international beauty fairs and entering overseas markets
Support for technical consultation	Support technical issues such as technology and product development, facility stabilization, and production condition optimization
Provide consulting to improve competitiveness	Provide innovation partnership consulting to improve productivity
Joint technology development	Develop technology between LG H&H and suppliers, such as technology to conveniently remove labels from PET bottles
Win-win fund system	Create the win-win cooperation fund
Support training for families of supplier employees	Support training to improve work skills and learn foreign languages, as well as run campaigns for employees' families of supplier employees
Support to improve the working environment of suppliers	Run LG H&H welfare mall for employees of suppliers
CEO academy & competitiveness enhancement workshop	Run competitiveness enhancement workshops and the CEO academy based on "LG H&H Cooperation Committee"

ESG Training for Suppliers and Purchasing Managers

Since 2021, LG H&H has invited outside experts to hold ESG training for our suppliers once a half-year to enhance supply chain ESG capabilities. In 2022, we conducted online training on Zoom and provided lectures on topics such as the importance of ESG for SMEs, ESG in the cosmetics/F&B industries, and global ESG trends. We actively support SMEs to raise awareness of suppliers' employees, help them to respond to tightening ESG regulations in line with global trends and further secure ESG competitiveness. We plan to strengthen the training and hold three training programs in 2023.

LG H&H strives to empower not only suppliers but also their employees through training programs with the aim of enhancing sustainable supply chain competitiveness. In 2022, we published the "Compliance Newsletter" and shared matters such as the Protection of Communications Secrets Act, the amended Fair Transactions in Franchise Business Act, as well as the prohibition of trade secrets, prevention of industrial technology leakage, prevention of copyright infringement, product safety, and product liability. In addition, we invited outside experts to expand ESG insights in the cosmetics/F&B industries and conduct "Trend Dream" training on the importance of ESG risk management in the supply chain. LG H&H continues to raise awareness of employees' roles and responsibilities and enhance stakeholders' capabilities to drive ESG management across the enterprise through a variety of training for purchasing managers and employees.



Labor and Human Rights

Prohibition of Forced and Child Labor

LG H&H's human rights policy prohibits all forms of forced labor. Employees are never forced to work against their will, nor is their mental and/or physical freedom restricted by means of assault, threat, or confinement. Our human rights policy states that all work must be done voluntarily. In addition, we ensure that all employees are not required to hand over their identification card, passport, and/or government-issued work permit card as a condition of employment. Moreover, LG H&H's human rights policy complies with the core principles stipulated by the International Labor Organization (ILO) and ensures that we do not employ child workers for any job function. In our domestic work sites, this applies to children under the age of 18, while overseas work sites comply with the working age restrictions ratified by the ILO for each respective country. The principles of LG H&H apply to our supply chain, including subsidiaries. We check for the prohibition of child labor and forced labor in the labor rights section of the annual ESG risk assessment of suppliers and in the ESG assessment of suppliers in 2022, no forced labor was found in our domestic or foreign work sites.

Working Hours and Environment System

LG H&H established principles and systems to comply with statutory limits on working hours, to ensure that work is performed efficiently during working hours, and to abide by the laws relating to working hours in the countries where we operate - even at our overseas work sites.

LG H&H operates various systems related to "Work and Life Balance" such as a flexible working hour system, staggered working hour system, and vacation self-approval system so that employees can concentrate on their work 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. Through the flexible working hour system, 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 so that they can focus on their work at their preferred time. In addition, we support individual autonomy by introducing a "self-approval" system so that employees can apply for day-offs and approve on their own. We also encourage our employees to have enough time to refresh through a company-wide day off on the same day, a 2-hour off system, and a day-off encouragement system.

Wages and Welfare

Employees Performance Evaluation and Compensation

LG H&H connects corporate goals with individual goals in the process of establishing business strategies to realize corporate vision and value and strives to help our employees grow and achieve their goals with the company. To this end, we put forward three basic principles: 1) operating fair and objective evaluation 2) ensuring consistency between organizational evaluation and employee evaluation, and 3) operating evaluation from the perspective of fostering human resources. We conduct performance evaluations according to the Management by Objects (MBO) for all office workers in the first and second half of each year and carry out annual competency reviews and comprehensive evaluations. We also conduct multi-faceted evaluations on leaders above the team leaders to evaluate their leadership/human resources fostering capabilities. We reflect the evaluation results in salary increases, promotions, and nurturing human resources, and ensure performance-based fair compensation.

Living Wages

LG H&H is fully aware of the guarantee and importance of living wages to support the basic living needs of the family and end the vicious circle of poverty. We support the minimum wage set by local laws in each country where we operate and aim to contribute to realizing an egalitarian and inclusive society. LG H&H's workplaces and companies that have business relationships with us (suppliers, partners, and more) strive to ensure that workers and their families have basic living standards beyond the limits of the law.

Labor and Human Rights

Humane Treatment

No. 1 Organizational Culture for Dignity

LG H&H emphasizes the “No.1 Dignity” of employees to realize a culture of mutual respect and consideration within the company. “No.1 Dignity” is the idea that all members should have the right dignity for the No.1 society. To realize this, we strive to build a culture of zero workplace harassment and sexual harassment, mutual respect and consideration among members, and respect for diversity. We have conducted No.1 Dignity training for all employees every year since 2012, and have provided all courses online from 2020. In 2022, psychologist Kim Kyung-il, a professor at Ajou University, was invited and had an online talk about the perceptions and behaviors of employees facing endemic. We also strive to continue the No.1 Dignity organizational culture by operating an in-house sexual harassment/workplace harassment reporting center and taking immediate action on various issues that may occur.

We also established a company-wide staff consultative body to introduce each organization’s activities and share company key issues and provided special lectures on organizational culture so that employees could strengthen their capabilities as opinion leaders and build a better organizational culture with responsibility. Furthermore, we have operated the “If I Were” board and “Zero Complaint Postbox” to support healthy communication. We have also operated the official YouTube channel “LG Life Health TV” and Team Talk W/S events to promote communication between employees.

Non-discrimination and Respect for Diversity

Establishing a Fair Recruitment Process

LG H&H introduced the 1 :1 in-depth interview to establish a fair recruitment process based on applicants’ ability and competency. LG H&H selects talents through three in-depth interviews, taking sufficient time to evaluate individual applicants and specifically verifying competencies that fit the characteristics of each job.

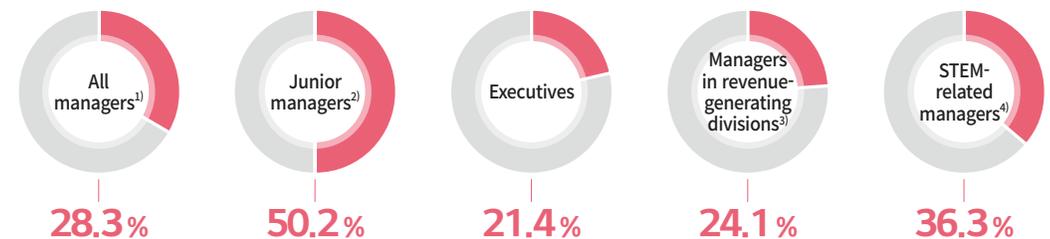
Evaluation is conducted in a comfortable atmosphere where the applicant and the interviewer communicate one-on-one, the applicant can improve their understanding of the company, and the interviewer can check the applicant’s suitability for the job. We also work hard to improve the interviewer’s competency by providing regular training on precautions and evaluation errors by type. As such, LG H&H constantly strive to improve the fairness of the hiring process by subdividing the requirements and competencies that fit the characteristics of each job and going through a human resource verification process that suits them.

Leveraging capable female talent

LG H&H has maintained the “Family-Friendly Excellent Company Certification” granted by the Ministry of Gender Equality and Family for nine consecutive years to have established an organizational culture for harmonious work regardless of gender. We have also created a work environment where female talents can work and raise children simultaneously without interruptions in their careers, such as operating daycare centers and rest areas within the workplace, free application for maternity and parental leave, family care leave system, work-from-home for emergency childcare, and more. We grant 90 days of maternity leave (120 days for multiple births) and support infertility treatment expenses (1.5 million KRW per session and 6 million KRW over four times a year for the costly “fresh embryo procedure during in vitro fertilization” in addition to infertility-related government support) as well as pregnancy-related illness leave (if a pregnancy-related disease is diagnosed, such as acute lactic acidosis, paid sick leave is granted within one month), going beyond the legal level. We are also operating a one-year parental leave and reduced working hours during the childcare period for workers with children under the age of 8 or under the second grade of elementary school. Employees are free to use them regardless of their gender. In particular, from June 2022, we expanded and reorganized the period of parental leave from one year, which was the existing legal standard, to two years to support all employees to have sufficient time for childcare to have created an environment where employees can be more immersed in their work after returning from a leave of absence. LG H&H actively secures female talents with excellent business senses to utilize the characteristics of the consumer goods industry, such as cosmetics, household goods, and beverages. As of the end of 2022, 54.1% of all employees are female. LG H&H continuously improves related systems to ensure female talents can pursue work-life balance in the future and provides opportunities to work with the company again to female employees whose careers were inevitably cut off due to marriage or/and childcare. Beyond securing competent female employees, we selected women with global competence and expertise as executives. In March 2022, we appointed a female outside director. Also, in December 2022, LG Group appointed the first female CEO who was selected through open recruitment.

Proportion of female managers for each position in 2022*

* LG H&H’s separate standard



1) Assistant managers (Lv.1) - Executives
2) Assistant managers (Lv.1)

3) Leaders (Lv.2) or higher positions for marketing and sales divisions
4) STEM (Science, Technology, Engineering, Math) : Leaders (Lv.2) or higher positions for R&D, production, quality, environment and safety divisions

Labor and Human Rights

CASE Promoting employment for the socially disadvantaged

LG H&H established and has been operating “Bargnnuri” a standard workplace for the disabled, in 2015 to promote employment of the disabled, who are socially disadvantaged. As of the end of 2022, out of its 93 workers, 65 were disabled workers, and 53 of them were severely disabled. Disabled employees work at shops and cafes located in the Gwanghwamun headquarters, and the Cheongju Business Site where they wash cars, beautify the environment, pack cosmetic products, as well as manage parking. In addition, we participated in the “2021 Chungbuk Vocation al Fair for Disabled Students” hosted by the Special Education Center under the Chungcheongbuk-do Office of Education and provided mock interview consulting through the Metaverse platform. We continue to operate the Bargnnuri Cosmetics Packaging Experience Booth at the “Chungbuk Developmental Disability Training Center” in partnership with the Korea Employment Agency for the Disabled to revitalize the employment of people with disabilities. In recognition of this achievement, Ki-seop Kim (former representative of “Bargnnuri”) was awarded the Prime Minister’s Commendation on April 14, 2022. In July 2021, Coca-Cola Beverage, our subsidiary, and the Korea Employment Agency for the Disabled signed an agreement to establish “Gounnuri,” a subsidiary-type standard workplace for the disabled. As of the end of 2022, 10 out of its 12 workers are severely disabled and working at shops and cafes in Anyang and Gwanghwamun workplaces.

Employee competency enhancement

Store Sales Activation Training

Sales staff responsible for sales activities in general distribution channels, including department stores and duty-free shops, which account for 86% of the beauty business unit’s sales, are composed of 98% women. These individuals play a crucial role in the expansion of the global beauty business. LG H&H actively enhances the capabilities of store sales staff through various sales activation trainings, including marketing trends and new product education, sales skills, and customer service enhancement. These initiatives are being expanded vigorously, particularly targeting the sales staff (21% of total employees), to strengthen product sales and promotion.

Nurturing global talents and DX experts

The Global Expertise Course (GEC) is a mini MBA program conducted in English, designed to enhance both global business acumen and language skills through learning about the company’s operations and target markets. It offers opportunities to develop competencies essential for overseas business performance through overseas department placements and project organization. Additionally, in support of the company’s internal digital transformation, education in areas such as Python, data literacy, and RPA is provided to facilitate digital transformation. As of 2022, out of LG H&H’s consolidated sales of KRW 7.1858 trillion, approximately KRW 2 trillion comes from overseas sales. Furthermore, with the goal of increasing overseas business sales to KRW 3.17 trillion by 2025, enhancing the global capabilities of team members is crucial.

Freedom of Association

Labor Union

LG H&H guarantees the independent activities of labor unions and explicitly acknowledges this through collective agreements. Each year, we engage in sincere negotiations with the labor union, and particularly in 2022, we successfully concluded negotiations despite the challenges posed by the rapid external changes in the post-COVID era, including a decrease in sales and operating profits. As a result, we have contributed to improving working conditions and welfare systems by incorporating the voices of employees based on the principle of labor-management cooperation.

Activation of Labor-Management Communication

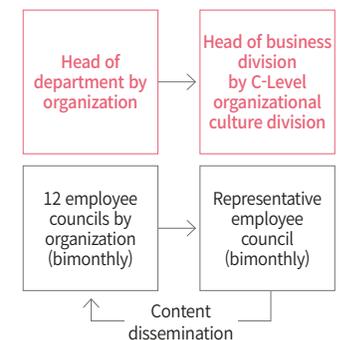
LG H&H operates labor-management communication channels by business division, business site, and job group to listen to employees’ complaints and suggest reasonable solutions through horizontal and smooth communication between labor and management. We strive to create an environment that improves the work environment, handles grievances, promotes welfare, and maintains a work-life balance through a wide range of communication through various channels.

Category	Operation time	Contents
Company-wide employee council	Quarterly	Listening to VOs through representatives of each organization and deriving issues and solutions
Business division council	Every other month	Understanding on-site atmosphere and listening to VOs by channel of each division
Sales promotion group meeting by position	Quarterly	Listening to VOs related to sales promotions and deriving issues and solutions
Labor-Management Council by business site	Quarterly	Collecting questionnaires on issues related to workplace improvement and safety and health
Business division meeting	Once a year	Employee meetings organized by business unit managers and feedback by detailed agenda

Operation of the Employee Council

LG H&H operates an employee council to foster leadership early and deliver the voices of the younger generation to the management. The employee council, which consists of a total of 85 people and 9 representatives, is staging organizational culture activities that fit the characteristics of each business unit. The employee council shares the company’s major issues at company-wide meetings held two to three times a year and supports the cultivation of insights of the younger generation through special lectures by topic. In addition, the employee council regularly communicates with the executives through ‘Meet the Executive’ time. Through in-depth Q&A, the employee council not only shares the perspectives of managers and management status but also narrows down the perception gap between the senior and junior employees and actively reflects employees’ opinions in our management activities.

Employee Council Activities



Safety and Health

No Accidents and Disasters

LG H&H strives to create a workplace where all members of in-house suppliers and suppliers can work safely and healthily from potential safety accidents throughout the company’s management activities. To achieve no accidents and disasters at home and abroad, we continue to identify and improve potential risk factors and establish and operate a company-wide safety and health system based on a global safety and health management system. Furthermore, we provide various education to improve the safety and health awareness of employees of in-house suppliers and conduct regular emergency response training to promote safety and health within the company.

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

No Disasters

KPI	Results in 2022	Goals in 2023	Goals in 2025
Number of disasters	19 ¹⁾	0	0
Significant risk indicators	93% improvement rate for high-risk cases discovered after risk assessment	100% risk assessment participation/ improvement rate (first half: participation rate, second half: improvement rate)	100% risk assessment participation/ improvement rate (first half: participation rate, second half: improvement rate)
Diagnostic improvement (internal and external risks, near-miss, cross-check risks)	93% improvement implementation	100% implementation of diagnostic improvements	100% implementation of diagnostic improvements

1) Checked internal and external risks, near-miss, and cross-check risks. There were no severe disasters.

Supply Chain Safety and Health

Operating Safety Managers in Charge of Suppliers

LG H&H is also making continuous efforts for the safety and health of our in-house suppliers’ employees, implementing accident prevention activities by applying the same standards. Since 2012, we have supported safety and health through safety and health cooperation programs, safety and health councils, and circuit inspections at each business site. In 2021, we hired safety managers exclusively for suppliers to promote more site-oriented disaster prevention activities. At the Cheongju and Yeosu business sites, we hired three safety managers with extensive experience in the same industry and made them work all the time, supplementing the problems of the existing safety and health consignment management work and further enhancing the safety management of our in-house suppliers.

Operating Contractor Council

LG H&H operates a contractor council to support the safety and disaster prevention activities of in-house suppliers and receive, investigate, and improve opinions on safety and health to ensure the safety of in-house suppliers. The contractor council is held every month, and activities such as improving workplace illumination, keeping fire extinguishers for forklifts, and sharing educational materials to prevent winter hypothermia were conducted through the council in 2022. In addition, if there is any special issue about safety and health not only for in-house suppliers but also for external suppliers, the environmental safety team at each workplace conducts processing and improvement activities and offers follow-up management through continuous monitoring.

Raw Materials

Responsible Raw Material Purchasing

Palm Oil

Palm oil is widely used in cosmetics and household goods processes, from palm-derived raw materials such as fatty acid used as a raw material for detergents to palm oil derivatives using glycerin used as an emulsifier for a solvent. LG H&H is well aware of the seriousness of the problem of human rights violations and indiscriminate destruction of the environment caused by such palm oil production and supports the RSPO (Roundtable on Sustainable Palm Oil)¹⁾ activities established with the participation of global NGOs and companies. Accordingly, our Ulsan and Onsan plants acquired RSPO segregation certification for the first time in the process from raw material storage to production, product storage and shipment in 2014 and recertification in 2019. In particular, we immediately suspend business with suppliers that violated human rights concerning palm oil production. LG H&H set the RSPO purchase rate target at 64.9% by 2025 and achieved a purchase rate of 61.5% in 2022.

1) RSPO (Roundtable on Sustainable Palm Oil): Industry Council for Sustainable Palm Oil

Mica

Mica is a raw material used in color cosmetics and is mainly used for the color effect of lipsticks, foundations, and cushion foundations. More than 60% of the world's mica is mined in India, and child labor and unethical labor practices are frequent in the process. In addition, depending on the collection location, natural mica may contain harmful substances such as heavy metals, which may cause safety issues. LG H&H procures mica produced by skilled workers in mines in the United States, Japan, and China. When using mica from India, we check whether the mine has declared Non-Child labor or the supplier is certified as a member of the Responsible Mica Initiative (RMI)²⁾. In addition, we are increasing the proportion of synthetic mica instead of natural mica in our cosmetics manufacturing to eradicate potential illegal child labor and use safer raw materials. We plan to switch to 100% synthetic mica in the future.

2) RMI (Responsible Mica Initiative): an industrial initiative to abolish child labor in mica mines in India

Mica Raw Material Purchase Status

3-year purchase status

(cumulative from 2020 to 2022)

Purchase volume (tonnes)	50
Suppliers (company)	16



Main application products

Colors (lipstick, cushion, foundation, and etc.)



Number of items by country of origin



India **9**



USA **11**

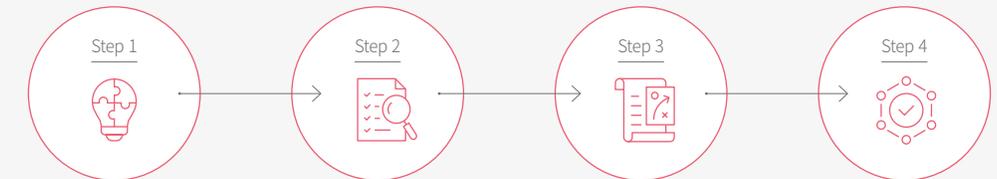


Japan **14**



China **7**

Conflict Minerals Management Process



Conflict Minerals Management System

- Conflict Minerals Operating Rules

Target Selection

- Identifying main application products
- Inspecting raw material purchase status and country of origin

Status-inspection

- Establishing a written due diligence plan for suppliers
- Noticing written due diligence and requesting materials such as CMRT and EMRT
- Reviewing materials

Improvement Management

- Requesting the improvement of non-certified smelters
- Suppliers' submission of explanation and improvement plan
- Submitting the country of origin identification plan
- Monitoring improvement status

Environment

Managing Scope3 to Respond to Climate Change

LG H&H declared “2050 Net Zero” to respond to climate change, setting a goal of reducing carbon emissions by 45% by 2030 compared to 2020. To achieve such goal, 84 tasks, including the introduction of high-efficiency facilities, energy conversion, and the introduction of renewable energy and electric vehicles, have been derived. We plan to invest about 200 billion KRW by 2030 to achieve those tasks step by step. To this end, we are committed to cooperation and practice across the entire supply chain to realize “2050 Net Zero,” extending the scope of greenhouse gas emissions management to Scope 3. We have supported more than 500 small and medium-sized suppliers to build greenhouse gas inventories, and we are continuously expanding our consulting activities to provide energy savings and carbon reduction measures. In particular, we select small and medium-sized suppliers struggling to manage greenhouse gas emissions and reduce carbon emissions to build greenhouse gas inventories and support emission verification, as well as share various technologies and know-how to reduce greenhouse gas emissions.

[LG H&H Green Management Policy](#)

Supporting Greenhouse Gas Emissions Verification

LG H&H selected 53 suppliers to achieve carbon neutrality, including Scope 3, and supported energy saving consulting and calculating greenhouse gas emissions. We have calculated three years of greenhouse gas emissions from 2020 so that suppliers can systematically manage their energy use and greenhouse gas emissions and continue to implement reduction activities. The scope of calculation includes Scope 3 (commuting bus and waste) of suppliers. Moreover, we have secured transparency and objectivity in emissions through third-party verification. Based on 53 selected suppliers, LG H&H’s Scope3 greenhouse gas emissions decreased by 8,628 tCO₂-eq in 2022 compared to 2020. We plan to expand target suppliers and continue to implement activities to reduce emissions and support verification.

LG H&H Scope3 Emissions (based on 53 companies)

(Unit: tCO₂eq)

Category	2020	2021	2022
Total Emissions from suppliers	382,169	392,543	390,339
LG H&H Scope 3 emissions ¹⁾	51,158	57,770	42,530

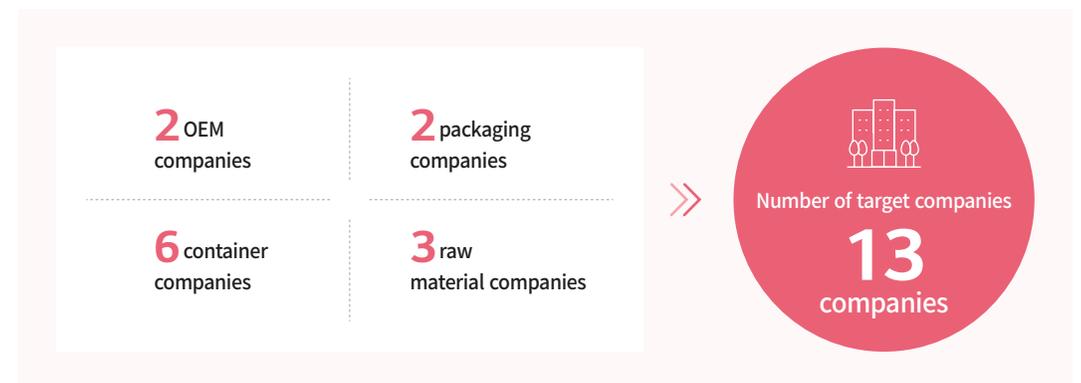
1) LG H&H suppliers emissions = $\sum (\text{suppliers Scope 1, 2 emissions} \times \frac{\text{Suppliers' LG H\&H transaction amount}}{\text{Suppliers sales}})$

Providing Energy Saving Consulting

LG H&H calculates and verifies greenhouse gas emissions in 2022, as well as diagnoses energy emissions to small and medium-sized suppliers struggling with energy savings, and consults on energy reduction plans for each company to reduce Scope 3 carbon emissions. We conduct energy emission diagnoses for each supplier and draw up specific improvement tasks accordingly to come up with systematic energy-saving measures. According to our forecast of greenhouse gas savings based on the improvement tasks derived, we confirmed that we can save 1,429 tCO₂eq per year, which is 2.2% of greenhouse gas emissions in 2021. Accordingly, the target suppliers are promoting energy-saving plans in consultation with each related team in LG H&H. LG H&H plans to expand our target suppliers and continues to implement support activities to reduce carbon emissions. Considering carbon reduction in the supply chain and the resulting social value as key impact indicators, when the reduction amount is translated into social value, it amounts to approximately 237,904,823 KRW annually. If we assume the accumulation of greenhouse gas reductions that partner companies can achieve each year, the social value of energy-saving consulting support is expected to continuously increase.

[Sustainable Impact Metrics](#)

Classification of suppliers subject to energy saving consulting



Environment

Expected Greenhouse Gas Reductions Based on Energy Savings Challenges

Improvement task	Saved energy	Unit	Reduction	Carbon reduction(tCO ₂ eq)
Improve no-load operation of air compressor	electricity	kWh	1,081,350	609.6
Control air compressor set pressure	electricity	kWh	286,490	131.6
Establish shade covers for outdoor AC units	electricity	kWh	82,000	37.7
Introduce fresh air into air compressors	electricity	kWh	951,750	437.3
Control air-fuel-ratio for furnaces	LNG	Nm ³	55,200	120.6
Control air ratio for boilers	By-product fuel (C9)	L	37,720	110.4
Improve air ratio for boilers	LPG	kg	3,638	10.6
Utilize waste heat recovery boilers	LNG	Nm ³	38,700	84.5

Total expected carbon reduction

1,429.5 tCO₂eq

Reducing Product Environmental Impact

LG H&H operates a company-wide Green Product Review Council to expand the use of sustainable packaging materials. In 2022, we achieved 26 tasks of expanding eco-friendly packaging materials, including 7 cases of container reduction, 6 cases of material improvement, and 13 cases of recyclability improvement through the council. In addition, we have reduced the use of 121 tonnes of plastic through the council's lightweight project. Furthermore, we contribute to the expansion of packaging material recycling, and our main packaging materials are cans, glass bottles, and synthetic resin materials. The social value of recycling 52,934 tons of synthetic resin materials in 2022 amounts to 3.7 billion KRW. LG Household & Health Care plans to not only contribute to the increase in the recycling rate of packaging materials but also measure and uncover the social value of various packaging materials such as cans and glass bottles. We aim to introduce a more clear impact assessment methodology. In addition, we actively participate in the Environmental Product Declaration, which marks the environmental impact of the entire process from product development to consumer use, including the purchase of raw materials, production, transportation/distribution, use, and disposal. LG H&H has two low-carbon certifications through container reduction and energy-saving investments in the production stage. In 2023, we are in the process of obtaining low-carbon certification by improving the environmental impacts of body wash and body emulsion products.

LG H&H is trying to reduce plastic use in a multi-layered and multi-dimensional way according to the 4R (Recycle, Reuse, Reduce, Replace) perspective. In 2022, we introduced packaging materials using recycled plastic materials and launched a variety of green products that improved recyclability and reduced oil-based plastic usage. Meanwhile, we push ahead with the improvement activities throughout the logistics process to minimize the environmental impact of logistics, reduce logistics costs and oil consumption, and reduce greenhouse gas and air pollutant emissions. In 2022, we strengthened the linkages between production and logistics bases across the country, and we tried to minimize the environmental burden by reducing transportation routes and optimizing vehicle operations. We also expanded our eco-friendly vehicle operations by replacing 104 old diesel vehicles and introducing 8 1-tonne electric trucks. The introduction of a one-ton electric truck reduced fuel costs by 22 million KRW and greenhouse gas emissions by 17 tonnes per year. We are continuously reducing greenhouse gas emissions by replacing old diesel forklifts with 18 lithium forklifts.

Packaging Material Recycling Performance and Synthetic Resin Material

(Unit: Tons)

	Cans	Glass bottles	Synthetic resin material	Total
2020	2,523	10,267	52,317	65,107
2021	1,964	10,786	54,646	67,396
2022	2,148	12,295	52,934	67,377

Win-win Growth

Fair Opportunity

LG H&H operates a company-wide Convergent Purchasing System to provide fair opportunities to all domestic and foreign companies to transact with LG H&H. Companies wishing to do business with us can be registered as our potential suppliers. After reviewing, the employee who is in charge of purchasing replies whether or not to register the companies as our regular suppliers. We provide fair bidding opportunities to all registered suppliers and proceed transaction process through a mutual agreement from contract signing, ordering, receiving orders, delivery, and payment. Through this process, we provide a fair trading environment for all suppliers and promote cooperation.

Sales Growth

Since 2013, LG H&H has conducted technology proposal fairs to discover and commercialize superior technologies or ideas from suppliers to promote sales growth. The Technology Proposal Fair is where suppliers directly communicate with LG H&H's marketing, sales, R&D, and other departments to communicate about the development direction and hold a variety of proposals and exhibitions for raw materials, subsidiary materials, and products. We provide joint support for selected items to reduce the developmental cost for suppliers and contribute to sales growth by applying the item to our new product.

We also support suppliers to participate in various international beauty fairs to globalize the Korean cosmetic industry with a focus on K-beauty. Since 2013, we assisted suppliers to enter into the overseas market. From 2018, we have been conducting export consultation meetings with overseas subsidiaries to help suppliers make actual sales. In 2020, due to the COVID-19 pandemic, we provided an opportunity for 5 suppliers to participate in the online K-Beauty Expo hosted by KINTEX, and in 2021, we helped 2 suppliers to construct a website for overseas promotion and attraction of overseas buyers. As soon as the global pandemic is eased, we will actively support suppliers to participate in domestic and overseas exhibitions.

Technical and Human Resources Support

LG H&H operates a supplier technical support team to support technology and product development, facility stabilization, and optimization of production conditions to solve problems difficult for SMEs to solve on their own. The support team, composed of 14 experts with years of experience in the field of home and personal care goods and cosmetics, provides accurate diagnoses and improvement measures, improving the technology and production capabilities of suppliers.

In addition, LG H&H has been providing innovation partnership consulting with outside experts since 2014 to improve the productivity of our suppliers. In 2022, we supported 300 million KRW to a total of 11 companies, by supporting 9 companies to build smart factories for smart innovation and 2 companies to obtain ISO14001 certification that can be linked to ESG management. As a result, we achieved a financial performance of 790 million KRW.

Through cooperation with Shinsung Innotek, we changed the perforated line to an oval shape in the diagonal direction to improve the convenience of PET label separation of beverage PET bottles. We applied it to the new 'Georgia' product line in April 2022, and we plan to expand the application in the future. Through active development cooperation with our suppliers, we provide differentiated values to our customers, reduce environmental impact, enhance our competitiveness, and contribute to achieving shared growth.

Win-win Growth

Financial Support

With the goal of enhancing the financial conditions of suppliers, LG H&H has paid its subcontractors 100% in cash since 2012. In addition, from 2016, we increased the number of payments from 2 to 3 times a month to shorten the cash payment cycle to every 10 days, enabling our suppliers' smoother fund management.

We make early payments before national holidays to help our partner companies manage their funds. In 2022, we made early payments of 23.5 billion KRW for the Lunar New Year holiday and 37.7 billion KRW for the Chuseok holiday, respectively.

Furthermore, we operate the win-win payment system, in which Tier 2 suppliers and those at other tiers can also be paid under the same conditions. Without the right of recourse, the system has the advantage of reducing burdens of security or risks of a series of bankruptcy for suppliers, thus reducing financial expenses when utilizing bill discounts. In 2022, win-win payments of 754.6 billion KRW were made for the 1st tier suppliers and 11.5 billion KRW to 2nd tier suppliers, respectively. Also, we have created and operated the win-win cooperation fund worth 41 billion KRW in 1:1.5 matching with financial institutions to support our suppliers' technology development or investment. In particular, SMEs facing financial difficulties due to increased interest rates have been benefiting from this system, receiving low-interest loans. As of the end of 2022, we are lending 31.4 billion KRW to our suppliers to support their fund management.

Welfare Support

LG H&H provides education for our employees' self-development to enhance its suppliers' competitiveness. We are operating education programs to improve work skills and learn foreign languages through various channels such as e-learning, mobile learning, and book learning.

We allow the employees of suppliers to use our employee welfare mall, where they can purchase products under the same conditions as LG H&H employees. In 2022, there were 227 cases of the employee welfare mall being used by employees of our suppliers, and the amount reached 44.48 million KRW.

LG H&H encourages signing fair trade agreements between Tier 1 and Tier 2 suppliers to support Tier 2 or lower-tier subcontractors. We aim to spread support for win-win growth to Tier 2 suppliers and those at other tiers 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. In addition, we encourage the introduction of standard subcontracts between Tier 1 and Tier 2 suppliers to secure a reasonable and transparent transaction relationship, fostering a culture of fair trade and win-win cooperation throughout the supply chain.

LG H&H operates the CEO Academy and Competitiveness Reinforcement Workshop centering on the "LG H&H Cooperation Committee" to communicate with suppliers. In addition, we also operate the "Supplier Shared Growth Deliberation Committee," composed of executives, representatives of partner companies, prominent figures in society, and internal review members for subcontract transactions. The committee discusses issues related to the win-win growth support system and subcontract transactions through three councils divided by issue and deliberates and decides on the issues with the representatives of suppliers. We operate a hierarchical meeting and deliberation body through our open communication activities that listen to and reflect the voices in the field.

Suppliers Communication Channel

Category	Shared Growth Deliberation Committee with Suppliers	CEO Academy	Competitiveness Reinforcement Workshop
Frequency	Quarterly	Annually	Annually
Contents	Deliberate subcontracts and win-win growth issues	Share win-win growth issues and purchase policy	Share win-win growth issues and purchase policy
Members	2 non-executive personnel / 5 representatives of suppliers / 3 LGHH internal committee members	132 representatives of suppliers	132 employees of suppliers

Appendix

UNGP Reporting Framework

Category	Reporting Principles	Details	Reporting page
Governance to respect human rights	A1. Human rights policy	Disclosure of the will to respect human rights	p.2-3
	A2. Internalizing respect for human rights	Efforts to internalize the will to respect human rights	p.3-6
Key Reporting Areas	B1. List of major human rights issues	Major human rights issues related to business activities	p.7-13, 19-23
	B2. Identification of key human rights issues	Methods to select key human rights issues	p.6-13
	B3. Major human rights management areas	Regions with major human rights issues and how to select regions	p.6-7, 9, 11-13
	B4. Potential human rights issues	Potential human rights issues other than major human rights issues	p.9-13
Management of major human rights issues	C1. Detailed policies for major human rights issues	Detailed policies for major human rights issues	p.3-4
	C2. Stakeholder Engagement	Stakeholder engagement by major human rights issue	p.6-7
	C3. Impact Assessment	Identification of key ongoing human rights issues	p.9-13
	C4. Response to human rights issues	Reflection of the decision-making process and activities of major human rights issues	p.5-13
	C5. Performance evaluation	Effectiveness of actions to address key human rights issues	p.13, 19-23
	C6. Follow-up support	Follow-up support activities for human rights-related victims	p.6-8, 19-27

CHRB(Corporate Human Rights Benchmark Index)

Main areas	Indicator	Reporting page	
Human Rights Policy and Governance	A.1.1	Commitment to respect human rights	p.3
	A.1.2.a	Commitment to respect the human rights of workers: ILO Declaration on Fundamental Principles and Rights at Work	p.3
	A.1.2.b	Commitment to respect the human rights of workers: Health and safety and working hours	p.3, 19
	A.1.3.a	Commitment to respect human rights particularly relevant to the sector: Responsible sourcing of minerals	p.3, 15, 23
	A.1.3.b	Commitment to respect human rights particularly relevant to the sector: Vulnerable groups	p.4, 7, 9, 13
	A.1.4	Commitment to remedy	p.6-13
	A.1.5	Commitment to respect the rights of human rights defenders	p.2-4
	A.2.1	Incentives and performance management	p.3-4
	A.2.2	Board responsibility	p.3-5
	A.2.3	Incentives and performance management	p.3-5
Human rights risk management system and human rights due diligence	A.2.4	Business model strategy and risks	p.3-6
	B.1.1	Responsibility and resources for day-to-day human rights functions	p.5-6
	B.1.2	Incentives and performance management	p.5-6
	B.1.3	Integration with enterprise risk management	p.3-6
	B.1.4.a	Communication/dissemination of policy commitment(s) : Workers and external stakeholders	p.6-8, 21, 27
B.1.4.b	Communication/dissemination of policy commitment(s) : Business relationships	p.3-8	

Appendix

CHRB(Corporate Human Rights Benchmark Index)

Main areas	Indicator	Reporting page	
Human rights risk management system and human rights due diligence	B.1.5	Training on human rights	p.11, 13, 18, 20, 27
	B.1.6	Monitoring and corrective actions	p.8, 11-13, 17-18
	B.1.7	Engaging and terminating business relationships	p.15-18
	B.1.8	Approach to engaging with affected stakeholders	p.6-7, 21,27
	B.2.1	Identifying human rights risks and impacts	p.9-10
	B.2.2	Assessing human rights risks and impacts	p.9-13
	B.2.3	Integrating and acting on human rights risks and impact assessments	p.9-13, 18-27
	B.2.4	Tracking the effectiveness of actions to respond to human rights risks and impacts	p.13, 18-27
	B.2.5	Communicating on human rights impacts	p.6-8, 21
	Grievance Handling Mechanism	C.1	Grievance mechanism(s) for workers
C.2		Grievance mechanism(s) for external individuals and communities	p.6-7, 27
C.3		Users are involved in the design and performance of the mechanism(s)	p.2, 6-7
C.4		Procedures related to the grievance mechanism(s) are equitable, publicly available and explained	p.6-8
C.5		Prohibition of retaliation for raising complaints or concerns	p.6-8
C.6		Company involvement with state-based judicial and non-judicial grievance mechanisms	p.6-8, 13
C.7		Remedying adverse impacts	p.6-8, 13
C.8		Communication on the effectiveness of grievance mechanism(s) and incorporating lessons learned	p.6-8, 13

Main areas	Indicator	Reporting page	
Human Rights Practices and Performance	D.4.1	Living wage	p.3, 19
	D.4.2	Aligning purchasing decisions with human rights	p.14-18
	D.4.3	Mapping and disclosing the supply chain	p.13, 15-18
	D.4.4	Prohibition of child labor	p.3, 13, 19
	D.4.5	Prohibition of forced labor: Recruitment fees and costs, wage practices, restrictions on workers	p.3, 13, 19
	D.4.6	Freedom of association and collective bargaining	p.3, 13, 21
	D.4.7	Health and safety	p.3, 13, 22
	D.4.8	Women’s rights	p.3, 13, 20-21
	D.4.9	Working hours	p.3, 13, 19
	D.4.10.a	Responsible sourcing of minerals: Arrangements with suppliers and smelters/refiners in the mineral resource supply chains	p.14-16, 23
	D.4.10.b	Responsible sourcing of minerals: Risk identification in mineral supply chains	p.14-18
	D.4.10.c	Responsible sourcing of minerals: Risk management in the mineral supply chain	p.14-18

Appendix

Third Party Verification Statement

● To the Stakeholders of LG H&H

Sustainability Lab (the 'Assurer') hereby submits the following Assurance Statement in response to the request by LG H&H ('LG H&H') to provide third-party assurance of the 'LG H&H Human Rights & Supply Chain Report' ('Report'). Sustainability Lab conducted limit assurance of the LG H&H's Report for the fiscal year that ended on December 31, 2022, according to the UN Guiding Principles on Business & Human Rights Reporting Framework (UNGP hereafter) and Corporate Human Rights Benchmark Index(CHRB hereafter) included in the Appendix.

● Responsibility and Independence

LG H&H is entirely responsible for the information and opinions presented in this Report. The Assurer holds responsibility for the assurance statement on the Report and is an independent assurance body that neither took part in the preparation of this Report nor has any interest relations that would hinder its independence in verifying the aforementioned Report.

The management of LG H&H shall select the principles to be considered and answered in the Report prepared in accordance with the UNGP, and is held responsible for the preparation of the Human Rights Report, creation of the content, and disclosure. This responsibility includes the design, embodiment, and maintenance of internal controls related to preparing the Report such that it does not contain significant misstatements caused by incorrect information or errors.

● Limitations

The Assurer confirmed the reliability of the performances presented in the Report. However, we do not provide assurance for external reference materials included in the Report as they are not included in the scope of our duty. Additionally, since LG H&H's Report is being prepared and disclosed for the first time in 2023, we could not evaluate the 'Continuous Demonstration of Improvement' due to the lack of reference data from the past. This Assurance Statement was issued for the management of LG H&H according to the contract, and the Assurer cannot be held responsible or jointly responsible for compensating individuals or organizations that make decisions based on this Statement.

● Assurance Method

This Assurance Statement is based on the procedure and professional judgment of the Assurer, and is presented by verifying processes, reviewing documents, and confirming consistency with the UNGP. Below are the details confirmed in the assurance process:

- Analyzing the procedures used to collect and integrate the information presented in the Report;
- Reviewing LG H&H's Report in terms of the UNGP (policies, procedures, activities, and other examples corresponding to the UNGP);
- Verifying the consistency between the information included in the Human Rights Report and the information presented in LG H&H's 'Annual Report';
- Confirming the connections among risks identified by LG H&H in the Report by referring to the corporate policies related to human rights;
- Identifying the core human rights issues discussed in the Report and reviewing the methodologies used according to the Report; and
- Confirming the activities conducted to mitigate the risks found and the mitigation activities described in the Report.

● Conclusion of Limited Assurance

"Appendix. UN Guiding Principles on Business & Human Rights Reporting Framework" in LG H&H's Human Rights Report was reviewed based on the procedure and details implemented by the Assurer, and no significant errors or omissions of material aspects related to the UNGP Reporting Framework were found.



Appendix

GHG Verification Statement on 「LG H&H's Scope 3 GHG emissions」

● Introduction

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

● Verification Scope

The following are included in the scope of this Verification.

- Scope: Scope 3-other indirect emissions
- Categories: Category 1. Purchased Goods and Services

- 1) According to the guidelines for LG H&H, small-scale emission facilities (facilities with less than 5% of total emissions or less than 100tCO₂eq) , mobile combustion and lack of data partially excluded
- 2) Category 1 limited to only 53 partner companies "Production Stage" out of total 160 partner companies

● Assurance level

Limited level of assurance

● Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KPC-QA obtained reasonable basis to express the following conclusion on the 2022 POSCO FUTURE M Inventory Report.

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

Category	Year	SCOPE 3 Emissions (tCO ₂ -eq)
Category 1. Purchased Goods and Services	2020	51,158
	2021	57,770
	2022	42,530

June 13, 2023

CEO Oh Kyung Hui

Korea Productivity Center Quality Assurance

Kyung Hui Oh

